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EXPORT PAYMENT ASSISTANCE TO U.S. AGRICULTURAL EXPORTS,
FISCAL YEAR 1963-64

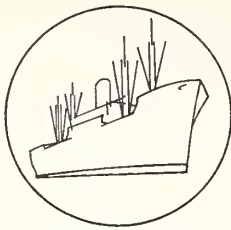
by

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SPECIAL in this issue

EXPORT PAYMENT ASSISTANCE TO U.S. AGRICULTURAL EXPORTS,
FISCAL YEAR 1963-64

by

Eleanor N. DeBlois 1/

Introduction

U.S. agricultural exports account for about one-fifth of world exports of these commodities. In fiscal 1963-64 nearly three-quarters of the total consisted of commercial sales for dollars. Slightly over one-fourth moved under Government-financed programs 2/, including: (1) Sales for foreign currency; (2) barter of agricultural commodities for strategic materials to be stockpiled and for goods, equipment, and services required abroad by other U.S. Government agencies; (3) donations; and (4) long-term supply and dollar credit sales.

Some U.S. price-supported commodities will not move in international trade without some form of compensation to the exporter who purchases at the domestic price and sells in foreign markets at a lower world price. This compensation takes the form of an export payment in cash or in kind on some commodities exported from commercial stocks. For other commodities, the exporter may purchase at competitive world prices Government-owned stocks or stocks pledged to the Commodity Credit Corporation (CCC) for price-support loans. For a few commodities, both payment-in-kind and sales-for-export programs have been conducted by CCC. Sales-for-export and export payment-in-kind and in-cash programs are constantly under review and modifications are made to meet changing supply and export demand situations.

Export payments ultimately benefit the U.S. farmer. In effect, they enable him to sell his products on the domestic market at one price and to sell substantial quantities in foreign markets at a lower world market price. Export payments in cash or in kind make possible the channeling directly into export of private stocks which might otherwise accumulate in Government inventories; sales-for-export programs reduce Government stocks, thus cutting storage and other costs of maintaining excessive inventories.

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2/ Exports under Government-financed programs and commercial sales were discussed in "Commercial Sales Dominated Agricultural Exports in Fiscal Year 1963-64," in the November-December 1964 issue of this publication.

The United States Government is not alone in its supporting role in the production, pricing, and marketing of agricultural commodities. Governments throughout the world are involved in programs designed to support their farm economies.

The proportion of U.S. agricultural exports receiving export payment assistance in relation to total agricultural exports is considerably below levels of similar assistance to farm product exports by some other countries. The U.S. programs are designed and administered to obtain equitable shares of world trade for U.S. commodities and are operated in conjunction with domestic price support and production control programs.

The term "export payment" in this article includes export payments in cash or in kind and differentials between U.S. domestic market and CCC sales price for commodities sold for export from Government-owned or price-support loan stocks at competitive world prices.

This article reviews the extent of export payment assistance to U.S. exports of farm products for fiscal 1963-64 and summarizes the developments in export payment programs during the past year. (The February-March 1964 issue of this publication carried a similar article for 1962-63.)

U.S. agricultural exports reached a record \$6,074 million in fiscal 1963-64, nearly \$1 billion above the previous year. Dollar sales set a record of \$4,512 million (74 percent of total exports). Exports under Government-financed programs totaled \$1,562 million (26 percent) (table 1)(figure 1).

An estimated \$1,380 million (23 percent of total exports) of the \$4,512 million exported commercially for dollars received export payment assistance, and \$3,132 million (51 percent) did not have Government assistance. A larger proportion of dollar sales received export payments in 1963-64 than during the previous year, principally because of the larger volume of exports of wheat and flour, cotton, rice and certain dairy products facilitated by this form of assistance.

Of the \$1,562 million exported under Government-financed programs, an estimated \$913 million (15 percent of total exports) received export payment assistance, \$310 million (5 percent) did not receive such assistance, and \$339 million (6 percent) consisted of donations under Titles II and III of Public Law 480.

Wheat and flour, cotton, rice, certain dairy products, and peanuts made up nearly all of the \$2,293 million exports facilitated by export payments (including both Government-financed and commercial exports). Only a small part of the exports of tobacco and oilseeds and products received export payment assistance.

The principal commodities making up the \$3,442 million exports which did not receive export payment assistance (including both Government-financed and commercial exports), were 98 percent of the exports of oilseeds and products, 96 percent of tobacco exports, and all exports of feed grains and rye, animals and products (except dairy), and fruits and vegetables.

Estimated total export payments amounted to \$821.7 million with all but 1 percent of the total made on exports of wheat and flour, cotton, rice, and certain dairy products (table 2).

Table 1.--U.S. agricultural exports for dollars and under Government-financed programs, with and without the assistance of export payments: Estimated value by commodity, year ending June 30, 1964

Commodity	Commercial sales for dollars			Exports under Government-financed programs 1/			Total agricultural exports 2/				
	With export payments 3/	Without export payments	Total	With export payments 3/	Without export payments	Total	With export payments 3/	Without export payments	Total		
	-- Million dollars --										
Wheat and flour	604	2	606	679	73	160	912	1,283	75	160	1,518
Cotton	530	4/5/	530	140	4/5/	---	140	670	4/5/	---	670
Rice, milled	132	---	132	84	---	---	84	216	---	---	216
Dairy products	83	28	111	9	20	121	150	92	48	121	6/261
Tobacco	14	372	386	1	34	---	35	15	406	---	421
Oilseeds and products :	11	757	768	4/	76	8	84	11	833	8	6/852
Peanuts	6	4/	6	---	---	---	---	6	4/	---	6
Feed grains and rye ..	---	746	746	---	72	13	85	---	818	13	831
Animals and products, except dairy	---	539	539	---	30	---	30	---	569	---	569
Fruits and vegetables and preparations	---	437	437	---	1	---	1	---	438	---	438
Other	---	251	251	---	4	37	41	---	255	37	292
Total	1,380	3,132	4,512	913	310	339	1,562	2,293	3,442	339	6,074
Column total as per-cent of total exports	23	51	74	15	5	6	26	38	56	6	100

1/ Includes programs authorized by P.L. 83-480, Agricultural Trade Development and Assistance Act of 1954, as amended, and P.L. 87-195, Act for International Development of 1961, as amended. Donations are under Titles II and III of P.L. 83-480. See "Commercial Sales Dominated Agricultural Exports in Fiscal Year 1963-64" (Foreign Agricultural Trade of the United States, November-December 1964).

2/ Declared value of export does not include export payment since exporter does not receive the amount of the export payment from importer. (See table 2.)

3/ Exports of wheat grain were assisted by export payments in kind and wheat flour by payments in cash both under and outside the International Wheat Agreement. Exports of upland cotton, nonfat dry milk, butter, and milkfat products included in dairy products) received payments in kind. Exports of rice received payments in kind or in cash. Tobacco exports received payments in cash under Sec. 32 of P.L. 74-320 of 1935, as amended. Upland cotton, nonfat dry milk, butter (exported as butteroil or milkfat products), and cheese (included in dairy products), flaxseed (exported as seed or linseed oil -- included in oilseeds and products), and peanuts were sold for export from Government-owned stocks at less than domestic market price (peanuts at less than domestic market price for edible purposes).

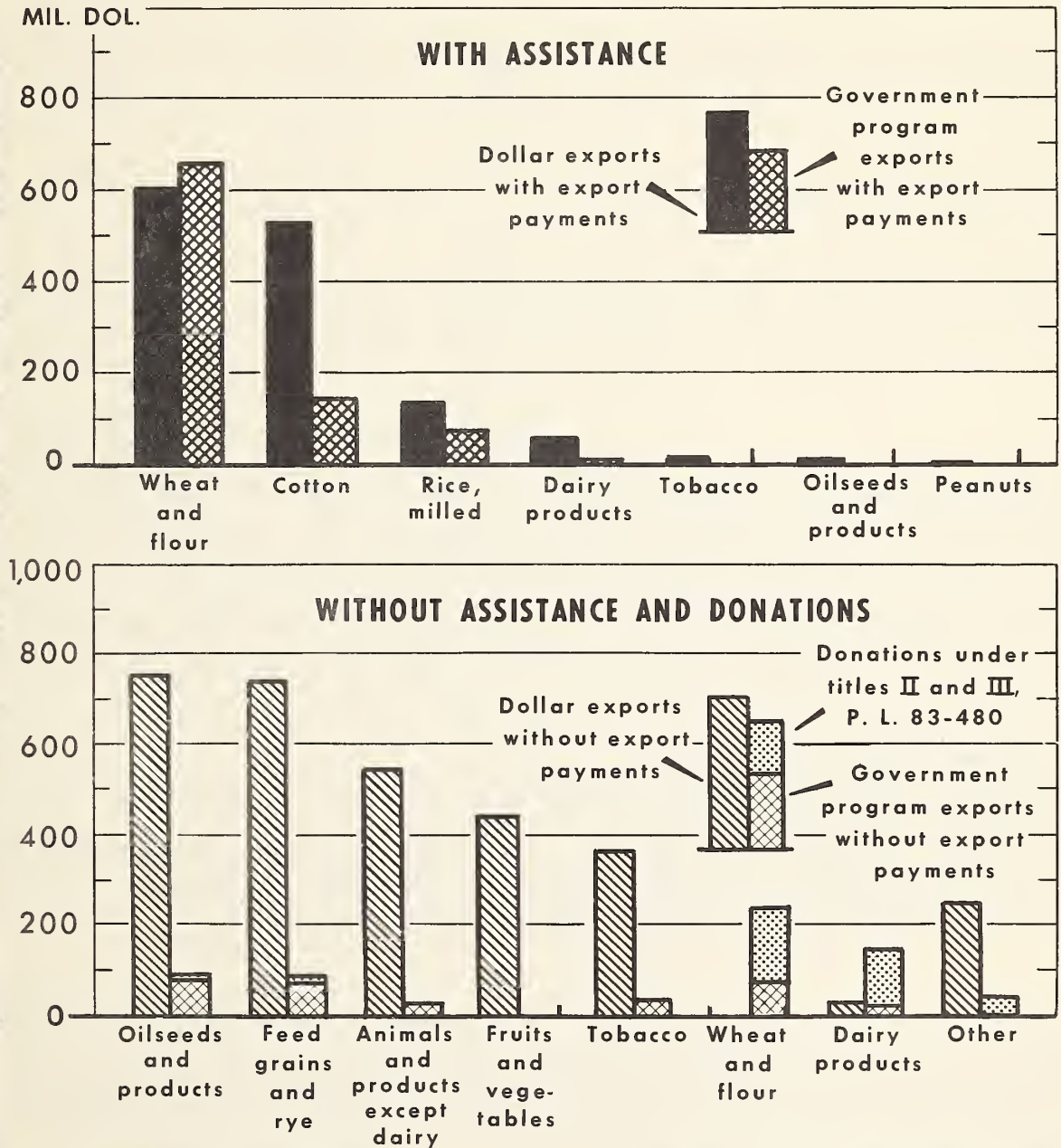
4/ Less than \$500,000.

5/ Extra long staple cotton.

6/ Total exports of dairy products include an estimated \$57 million for donations of butter and butteroil and total exports of oilseeds and products included an estimated \$3 million for donations of vegetable oil under Title III, P.L. 83-480, included by the Bureau of the Census in "other food for relief and charity."

EXPORTS OF U. S. AGRICULTURAL COMMODITIES WITH AND WITHOUT EXPORT PAYMENT ASSISTANCE

July-June 1963-64



U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 3527-65(2) ECONOMIC RESEARCH SERVICE

Fig. 1

Table 2.--Estimated export payments 1/ on U.S. agricultural exports: Average per unit and total, year ending June 30, 1964

Commodity	Unit	Average per unit	Total
		Dollars	Million dollars
Wheat and flour	Bu.	<u>2/</u> 0.56	427.0
Cotton	Bale	<u>3/</u> 42.50	218.8
Rice	Cwt.	<u>4/</u> 2.28	71.7
Milk, nonfat dry	Lb.	<u>5/</u> .082	55.4
Butter	Lb.	<u>5/</u> .34	35.0
Milkfat (butteroil, anhydrous milkfat, ghee, etc.)	Lb.	<u>5/</u> .42	5.4
Cheese	Lb.	<u>6/</u> .16	.8
Tobacco	Lb.	<u>7/</u> .093	2.9
Flaxseed	Bu.	<u>6/</u> .06	.2
Peanuts	Lb.	<u>6/</u> .07	4.5
Total		---	821.7

1/ Export payments consist of payments in kind and in cash and the estimated differential between the domestic market price and CCC export sales price on sales for export from CCC stocks. Export payments are not included in the declared value of agricultural exports, as shown in table 1, as the exporter does not receive the amount of the export payment from the importer.

2/ Average payment in kind on wheat, 55 cents, and average payment in cash on wheat equivalent of wheat flour, 74 cents per bushel.

3/ Based on cotton export payment-in-kind rate of 8.5 cents per pound x 500 pound bale. Total does not include cotton products equalization payments of \$17.5 million.

4/ Average of payments in cash and in kind.

5/ Weighted average of payments in kind and estimated differential between domestic market price and CCC export sales price.

6/ Estimated differential between domestic market price and CCC export sales price. Export payment for peanuts is estimated differential between domestic market price of peanuts for edible purposes and CCC sales price.

7/ Average payment in cash under Section 32 of P.L. 74-320, 1935.

Export payment programs were modified to meet changing supply and export demand situations; because of changes in domestic price-support and other programs authorized by the Agricultural Act of 1964, which necessitated revisions in export payment programs; and to provide greater flexibility in the redemption of payment-in-kind certificates issued under certain export programs.

Commodities Partially or Wholly Assisted by Export Payments
in Fiscal Year 1963-64

Modification in Terms of Export Payment-in-kind Certificate Redemptions

On December 14, 1964, USDA announced revisions designed to provide greater flexibility in the redemption of payment-in-kind certificates issued under

certain export programs. Under the new arrangement, Export Commodity Certificate (Form CCC-341), which will be issued by CCC, will be redeemable in any CCC-owned commodity, and tobacco under loan, offered for sale under a regulation or announcement issued by CCC providing for redemption of such certificates. All commodities delivered by CCC in redemption of such certificates must be exported in accordance with terms and conditions of sales programs under which the commodity is acquired. The new certificate will be redeemable by CCC in eligible commodities at face value for a period of 1 year from date of issuance.

Program regulations have been issued to permit redemption of the certificates in CCC-owned wheat, cotton (upland and extra long staple), dairy products, flaxseed, rice, feed grains, peanuts, and tobacco under price support loan, all for export only.

Revisions in redemption of payment-in-kind programs have also been made in the purchase-donation programs for wheat flour, bulgur, and rolled wheat.

The revisions will not apply to payment-in-kind certificates issued under contracts made by CCC prior to issuance of the applicable program announcement or amendment. They will not apply to certificates issued under the cotton equalization program (see page 14), the cotton domestic allotment program, or the wheat and feed grain diversion and price-support programs.

Revised CCC Export Credit Sales Program

On December 28, 1964, USDA announced that the CCC export credit sales program had been revised to provide deferred payment terms in connection with certain agricultural commodities from private stocks. Earlier, export credit arrangements had been available only for commodities in CCC inventory or tobacco under loan to CCC. (Regulations for the new program are included in "Export Credit Regulations, GSM-3," issued by the Office of the General Sales Manager, Foreign Agricultural Service, on February 11, 1965.)

Under the revised program, exporters who ship from private stocks will receive Export Commodity Certificate (CCC-341) for an amount equal to the port value of the commodity. Such certificates may be transferred or may be used for the purchase of commodities from CCC inventory (or tobacco under loan to CCC) for export pursuant to announcements issued by CCC providing for redemption of such certificates. Exporters may ship from private stocks although the same commodity is available from CCC. Provisions of the previous CCC export credit sales program are not changed by this announcement, except that exports from private stocks may be made under existing approved credit applications.

Wheat and Flour

U.S. exports of wheat and flour in fiscal 1963-64 totaled \$1,518 million, \$360 million higher than in 1962-63. The increase of \$327 million in dollar sales of wheat and flour accounted for one-third of the total rise of \$977 million in dollar exports of all commodities. Sales of wheat and flour for dollars made up 40 percent of total exports of this grain in fiscal 1963-64 compared with 24 percent a year earlier. Demand for U.S. wheat was stimulated by a decline in wheat production in Western Europe, the Soviet Bloc, and in Japan. These areas purchased over 75 percent of U.S. dollar exports of wheat.

Exports of wheat and flour were assisted by export payments in kind for wheat grain and by payments in cash for wheat flour during the year, including sales under the International Wheat Agreement and nonagreement sales.

The International Wheat Council has agreed to recommend to the Governments of member countries an extension by protocol of the 1962 International Wheat Agreement without amendment for a period of 1 year beginning August 1, 1965. The present agreement became effective August 1, 1962, for a 3-year period. The protocol providing for the prolongation of the agreement will be opened for signature in Washington from March 22 to April 23, 1965. The extension will become effective if the requisite number of Governments deposit instruments of acceptance on or before July 15, 1965.

Exports under the barter and CCC credit sales programs were facilitated by sales from Government-owned stocks at world prices, i.e., domestic prices less export payment allowances.

Because of the exceptionally heavy export demand, U.S. domestic wheat prices were strong during most of the year. During the latter part of May and in June 1964, before export certificates, as described below, were required to be furnished, prices adjusted to the lower price-support level for the 1964 crop. During this period, hard winter wheat at Gulf and Atlantic ports was competitive in foreign markets without the assistance of export payments.

The \$75 million shown in table 1 as exports of wheat and flour without export payments represents the estimated value (based on inspections for export) of exports of hard winter wheat from Gulf and Atlantic ports during the last week in May and the month of June 1964. Most of this wheat was shipped under Title I, Title III-barter, and Title IV of P.L. 480.

The average export payment during fiscal 1963-64, based on records of the Fiscal Division, Agricultural Stabilization and Conservation Service, was 55 cents per bushel on wheat grain and 74 cents per bushel on the wheat equivalent of wheat flour, and the average payment on wheat and flour was 56 cents per bushel. Total export payments on wheat and flour, as reported by the Fiscal Division, amounted to \$427 million.

Modifications in export payment programs for wheat and flour.--On July 12, 1963, the export payment program for durum wheat was changed from a fixed daily announced export payment rate, as for other wheat classes, to a payment rate determined by bidding. Sporadic trade in durum wheat in the world market made an export payment rate determined by bids and acceptances a more satisfactory means of keeping U.S. export prices responsive to world demand.

Wheat legislation, Public Law 88-297, approved April 11, 1964, bolstered farm income from wheat by providing cooperating farmers a price-support loan for the 1964 crop of \$1.30 per bushel (national average) and with domestic and export marketing certificates. The domestic marketing certificate, covering the producer's share in the national marketing allocation for domestic use, was valued at 70 cents per bushel. The export marketing certificate was valued at 25 cents per bushel. For the 1964 crop, the loan rate is \$1.25 per bushel, the value of domestic marketing certificates is 75 cents, and the value of export marketing certificates is 30 cents per bushel.

Export payments on wheat continue as necessary to bridge the gap between the domestic market price plus the cost of the export certificate and the world level. Wheat used in flour is subject to domestic marketing certificates. Export payments continue on flour exports if the cost to millers of wheat plus domestic certificates is above world prices.

Cotton

U.S. exports of cotton totaled \$670 million in fiscal 1963-64, about \$180 million higher than in the previous year. All of the increase was in commercial exports for dollars. The upward trend in foreign free world cotton consumption, heavier purchases by Communist countries in free world markets, and the building up of relatively low stocks in foreign importing countries contributed to the advance.

Sales for export from Government-owned and loan stocks at competitive world prices, supplemented by the payment-in-kind program for exports from commercial stocks, facilitated U.S. exports of upland cotton. Exports under these programs are described below. The relatively small quantity of domestically produced extra long staple cotton exported during the period received no export payment assistance, since sales for export of such cotton from CCC stocks did not begin until 1964-65. The cotton export payment-in-kind rate in fiscal 1963-64 was 8.5 cents per pound or \$42.50 for a 500 pound bale. Estimated export payments, including the differential on export sales, amounted to \$218.8 million.

CCC sales-for-export and payment-in-kind programs for the 1963-64 August-July cotton marketing year.--To assure adequate stocks of American upland cotton of all grades and staples for export during the 1963-64 cotton marketing year, USDA on March 29, 1963, announced a sales-for-export program for upland cotton in CCC inventory. From the first opening of bids on April 15, 1963, through July 1964, over 4,851,000 bales were sold on a competitive bid basis for export before August 1, 1964.

On March 29, 1963, the Department also announced a payment-in-kind cotton export program for cotton exported from commercial stocks. Payment-in-kind certificates issued under this program, at 8.5 cents per pound, covered nearly 34,000 bales.

A supplemental cotton sales-for-export program was announced on March 12, 1964. Under this program, upland cotton from 1963-crop loans was made available for export during the remainder of the 1963-64 marketing year. Minimum export prices were announced and offers received to purchase CCC's interest in 1963-crop upland loan cotton for export. Persons eligible to purchase CCC's interest were those eligible to redeem cotton under the CCC cotton loan program (borrowers or purchasers of their equities). Under this program, the Department was able to move nearly 657,000 bales of new-crop upland cotton directly into export channels.

An additional 538,000 bales were applied under the barter and CCC credit sales programs for export during the 1963-64 cotton marketing year.

The quantities sold and the payment-in-kind certificates issued were for export during the 1963-64 cotton marketing year, whereas the exports reported in the statistical summary cover the 1963-64 fiscal year.

CCC sales-for-export program for the 1964-65 and 1965-66 cotton marketing year.-- On September 9, 1964, USDA announced an upland cotton export sales program covering the 1964-65 and 1965-66 cotton marketing years. A relatively high proportion of total cotton stocks was in CCC inventory and a sales-for-export program was considered advisable to assure that adequate stocks of all grades and staples would be available for export. Sales under this program are made in alternate weeks on a competitive bid basis at world market prices for export not later than 120 days from date of sale or July 31, 1966, whichever is earlier. Exports under this program will be included in the statistical summaries for fiscal years 1964-65 and 1965-66.

CCC sales for export under the CCC export credit sales program and against barter contracts.-- On September 28, 1964, the Department announced a sales-for-export program on a competitive bid basis for cotton for export under the CCC credit sales program and against barter contracts.

CCC sales of domestically produced extra long staple cotton.-- On July 9, 1964, USDA announced that it would soon begin a sales-for-export program for domestically grown extra long staple cotton in CCC price-support inventory. Subject to the state of the market, such cotton would be offered for sale periodically on a competitive bid basis and sales would be made at not less than world market price, as determined by CCC, in a manner designed to avoid disruption of markets. Bids accepted during the remainder of calendar 1964 were limited to 5,000 running bales per month.

Under Section 3 of P.L. 88-638, enacted October 9, 1964, the Secretary of Agriculture is directed to make CCC stocks of extra long staple cotton acquired through price-support operations available for export sale at prices not in excess of prices in other exporting countries whenever extra long staple cotton is determined to be in surplus supply. On November 10, 1964, the Department announced its determination that, for purposes of its sales-for-export program, the surplus supply of extra long staple cotton for the 1964-65 cotton marketing year is 165,700 bales.

Monthly sales quotas of 5,000 bales were established for November and December 1964. Monthly sales quotas of 18,000 bales for January through July 1965 were also established. Each monthly quota runs from the beginning to the end of the respective month without a carryover of any unsold portion into the next month. Sales under this program will be reflected in the statistical summary of exports for the 1964-65 fiscal year.

Export market acreage.-- Cotton legislation applicable to the 1964 and 1965 cotton crops provides for export market acreage in addition to the effective farm allotment when this additional acreage will not interfere with reducing the carryover of upland cotton by at least a million bales a year. For 1964, the export acreage was set at 5 percent of the effective allotment. The effective allotment for a farm is the farm allotment after any release or reapportionment. The production of the export acreage must be exported and is not eligible for price-support, export subsidy, or equalization payments. A total of 47,816 acres

of cotton was planted under export acreage allotments. Exports from this acreage will be reflected in the statistical summary for fiscal 1964-65.

On December 31, 1964 USDA announced that no export market acreage for cotton would be authorized for 1965. Under the Agricultural Act of 1964, when the carryover is in excess of 8 million bales, export market acreage for the 1965 crop cannot be authorized unless the Secretary determines that the carryover of upland cotton at the end of the marketing year (July 31, 1966) will be at least 1 million bales less than the carryover at the beginning of the marketing year. The estimated carryover on July 31, 1966, will be somewhat below a year earlier, but the reduction will not be enough for authorization of export market acreage.

Cotton products equalization payment program.--Under this program, cash equalization payments of \$17.5 million were made to exporters of cotton products during fiscal 1963-64. These payments were made on the raw cotton content of cotton products to reflect the approximate difference between the domestic market price and the export price of raw cotton. Exports under this program are not shown in the statistical summary for 1963-64, since cotton products are not included with agricultural commodities in official U.S. trade statistics.

This program was continued on a month-to-month basis after July 31, 1963, pending enactment of legislation affecting cotton. The base equalization payment rate under the CCC's cotton products export program was reduced to 2 cents per pound for the interim period from the enactment of the Agricultural Act of 1964 on April 11, 1964, through July 31, 1964. This change was made to adjust payments under the program to reflect the approximate difference between the lower price of upland cotton to domestic users authorized by the Act and the export price. (See the following section.) Prior to this amendment, the base equalization payment rate for the cotton products export program was the same as the payment rate in effect for the Department's cotton export payment-in-kind program. The cotton products equalization program was terminated on July 31, 1964.

Cotton equalization payment-in-kind program.--Prior to the enactment of P.L. 88-297, the Agricultural Act of 1964, on April 11, 1964, domestic and world prices had diverged to such an extent that an export payment of 8.5 cents per pound was required to enable U.S. cotton to compete in world markets. Foreign buyers could purchase cotton produced in the United States for considerably less than the price U.S. mills had to pay. U.S. mills were at a competitive disadvantage with foreign mills and domestic cotton was at a disadvantage with man-made fibers.

The 1964 cotton legislation provides for establishment of a cotton equalization payment-in-kind program to eliminate inequities due to differences in the cost of raw upland cotton to domestic and foreign users and to expand domestic consumption of U.S. upland cotton. Payments are currently made under this program through the issuance of payment-in-kind certificates to cotton handlers (textile mills, exporters, and other buyers and sellers of cotton at any point in the marketing channel). The law prohibits making these payments to producers.

Payment-in-kind certificates issued under this program differ from Export Commodity Certificates (Form CCC-341) since they may be redeemed only in CCC-owned cotton at domestic market prices, and the cotton so acquired may be sold in either the domestic or export market.

An interim cotton equalization payment-in-kind program applicable to U.S. upland cotton began on April 11, 1964, and was in effect through July 31, 1964. The rate of payment under the interim program was 6.5 cents per pound.

For the 1964-65 cotton marketing year, the initial rate of payment is 6.5 cents per pound for eligible cotton, both domestically consumed and exported.

On January 25, 1965, the Department announced that the initial payment-in-kind rate in the 1965-66 marketing year under the cotton equalization program will be determined and announced at a later date. With the reduction of 1 cent a pound in the price-support loan rate for the 1965 crop, U.S. market prices in the marketing year beginning August 1, 1965, are expected to be lower than in the current marketing year; the payment rate is expected to be reduced accordingly. Based on present estimates of the relationship between U.S. domestic prices and world prices, the initial payment-in-kind rate for the 1965-66 marketing year is likely to approximate 5.75 cents per pound.

CCC sales of foreign-grown extra long staple stockpile cotton.--On May 31, 1963, the Department announced a special sales-for-export program for foreign-grown extra long staple cotton released from the Strategic and Critical Materials Stockpile. This cotton is offered on a competitive bid basis at not less than the world market price as determined by the Secretary of Agriculture. Sales began under the program just prior to the end of fiscal 1962-63.

Several commercial sales quotas have been established for the export of Egyptian and Sudanese extra long staple from the stockpile. These quotas totaled 82,000 bales (500 pound equivalent) from the beginning of the program through June 1964. Monthly sales quotas of 15,000 bales for July through December 1964 and 2,000 bales for January through July 1965 were established. About 75,000 running bales of Egyptian and 8,100 running bales of Sudanese cotton had been sold through January 1965.

The release of cotton from the U.S. stockpile was designed to alleviate the tight world situation for extra long staple cotton and to provide an opportunity for disposal of surplus stockpile supplies.

Sales of cotton from the stockpile are not reflected in U.S. exports of domestic merchandise as shown in table 1, but are reported by the Bureau of the Census as U.S. exports of foreign merchandise.

Rice

Exports of U.S. milled rice in fiscal 1963-64 reached a record \$216 million. Commercial exports for dollars rose \$59 million to a record \$132 million.

All rice exports were made with the assistance of export payments in kind or in cash. The average export payment was \$2.28 per hundredweight and such payments totaled \$71.7 million during the year.

Under the export payment program for rice, begun in 1958, payment-in-kind export certificates for this commodity were redeemable in rice or feed grains from CCC stocks. Beginning August 1, 1963, export payment certificates under the rice payment-in-kind program were redeemable in cash 60 days after export or in

kind immediately after export. The amendment to the rice export payment-in-kind program, described on page 10 eliminated the option for cash redemption.

Dairy Products

U.S. exports of dairy products reached \$261 million in fiscal 1963-64, including the estimated value of donations of butter and anhydrous milkfat under Title III, P.L. 480 (\$57 million), which are included in "Other food for relief and charity" by the Bureau of the Census. Exports of dairy products were \$93 million above those for 1962-63 and the highest since 1955-56, when they totaled \$283 million. Advances in dollar exports of nonfat dry milk and butter largely accounted for the increase of \$51 million in dollar shipments of dairy products over 1962-63. The payment-in-kind and sales-for-export programs for dairy products encouraged exports from commercial as well as from Government-owned stocks.

Commercial exports of dairy products without export payments, which totaled \$28 million during the year, consisted mostly of evaporated and condensed milk, dried whole milk, and infants' and dietetic foods, chiefly milk.

Nonfat dry milk.--Nearly all 1963-64 exports of nonfat dry milk, except donations, were assisted by payments in kind or consisted of sales from Government-owned stocks at less than domestic market prices.

During fiscal 1963-64, nonfat dry milk was exported to Japan under a contract announced April 30, 1963, calling for the sale at 5 cents per pound of 187,391,000 pounds for use in a planned expansion of the Japanese school lunch program. During 1963-64, more than half of Japan's 17.4 million children of school age were supplied with U.S. milk at school. An additional sale at 6 cents per pound of 132,276,000 pounds of U.S. nonfat dry milk to Japan was announced on June 3, 1964. This milk will be used during the 1964-65 school year and will bring to approximately 868 million pounds the total of sales to Japan under similar arrangements since 1950.

USDA announced on August 15, 1963, the sale to Italy of 5,511,500 pounds of nonfat dry milk at 5 cents per pound for use in school lunch and other programs to feed needy children. An additional sale of 8,818,400 pounds at 6 cents per pound was announced on May 18, 1964.

Export payments for nonfat dry milk included payments in kind and differentials between the domestic market price and CCC sales price on sales from CCC stocks under the sales-for-export program, and on sales at concessional prices to Japan and Italy. These payments averaged 8.2 cents per pound and totaled an estimated \$55.4 million.

Butter, anhydrous milkfat, and other high milkfat products.--It is estimated that all exports of butter and other high milkfat products were assisted by payments in kind or sales from Government-owned stocks at less than domestic market prices. Export payments included payments in kind and differentials between the domestic market price and the CCC sales price on sales from CCC stocks. The payments averaged 34 cents per pound for butter and 42 cents per pound for milkfat. Estimated export payments totaled \$35.0 million for butter and \$5.4 million for milkfat.

Cheese.--An estimated \$1.5 million, 85 percent of 1963-64 exports of natural and processed cheddar cheese, was exported from CCC stocks at less than domestic market price. On August 15, 1963, USDA announced the sale to Italy of 2,865,980 pounds of processed American cheddar cheese at 14.5 cents per pound for use in programs to feed needy children.

The average export payment, including differentials on sales for export and concessional sales to Italy, was 16 cents per pound; the estimated total export payment was \$0.8 million.

On January 6, 1965, the Department announced an additional sale of 2,204,600 pounds (1,000 metric tons) of processed cheddar cheese at 22 cents per pound to Italy for school lunch and other child feeding programs. Since donations for school lunch operations in Italy under P.L. 480 were discontinued, Italy has regularly purchased cheese and other U.S. agricultural commodities for dollars for the school lunch program.

Modifications in export payment-in-kind programs for dairy products.--The first payment-in-kind program for nonfat dry milk which was on an announced rate basis, became effective June 27, 1962. This program was terminated on May 22, 1964. A modified payment-in-kind program on a competitive bid basis became effective August 4, 1964. Until December 11, 1964, payments were in the form of negotiable certificates redeemable for dairy products, wheat, rice, and feed grains from CCC stocks. The payment-in-kind program for dairy products, including nonfat dry milk, announced December 11, 1964, is described below.

On October 30, 1963, the Department announced a payment-in-kind export program for dairy products containing 75 percent or more milkfat. Eligible products included butter, anhydrous milkfat, butteroil, ghee and other products containing not less than 75 percent milkfat. Under this program, exporters who shipped products from private stocks received payments in the form of negotiable certificates redeemable for the purchase of dairy products, wheat, feed grains, or rice from CCC stocks. Payment rates under this program were announced in advance. The program was terminated on November 23, 1964.

On December 11, 1964, the Department announced an export program for dairy products, including Extra Grade nonfat dry milk, U.S. Grade A butter, and milkfat products equivalent to U.S. Grade A. Under this program, exporters may submit offers stating the products, the quantity to be exported, and the export payment rate at which the exporter is willing to make shipment. The export payment is in the form of Export Commodity Certificate (CCC-341) redeemable by CCC at face value in any commodity offered for export sale under a CCC regulation or announcement providing for redemption of such certificates.

Modifications in sales-for-export programs for dairy products.--Sales for export from CCC stocks, on the basis of prices announced in advance, were discontinued for nonfat dry milk at the end of May 1964 and for butter at the end of November 1964. Cheese continues to be offered for export sale on an announced price basis.

Nonfat dry milk, butter, and cheese continue to be offered for export sale on a competitive bid basis.

Tobacco

U.S. exports of unmanufactured tobacco during fiscal 1963-64 totaled \$421 million, \$43 million above a year earlier. All of the increase was in commercial sales for dollars. Exports under Government-financed programs declined slightly from 1962-63. The relatively higher quality of the 1963 crop of U.S. flue-cured tobacco than the preceding crop, decreased production in some foreign producing countries, and the low stock position of U.S. leaf in some important world markets contributed to the increase.

Only 31.1 million pounds, less than 6 percent of the 532 million pounds of unmanufactured tobacco exported from the United States during fiscal 1963-64, received the assistance of payments in cash. The estimated export value of tobacco exports assisted by export payments was \$15 million; the average export payment, 9.3 cents per pound; and export payments totaled \$2.9 million.

Exports under the payment-in-cash program the past 3 fiscal years totaled 59 million pounds and export payments totaled \$6.2 million. Data for 1961-62 and 1962-63 included in the above totals, are based on more complete recording and differ from quantities and values reported earlier for those years. Current records indicate that 2.7 million pounds were exported under this program in 1961-62 and 25.2 million pounds in 1962-63. Export payments totaled \$0.3 million in 1961-62 and \$3.0 million in 1962-63.

The period for making sales under this program was continued through November 30, 1964 and the period for making shipments through March 31, 1965. On November 30, 1964 when the period for making sales closed, applications had been received covering 68.5 million pounds of which nearly 63 million pounds had been exported, and total export payments of \$6.6 million had been made since the beginning of the program. Payments under this program are made in cash from funds authorized under Section 32 of P.L. 74-320.

Oilseeds and Products

U.S. exports of oilseeds and products in fiscal 1963-64 were a record \$852 million, including the estimated value of donations of vegetable oils under Title III, P.L. 480 (\$3.0 million), not separately reported by the Bureau of the Census. Dollar sales were \$76 million higher than in 1962-63. Program exports fell by \$23 million. Dollar exports of soybeans advanced \$82 million to \$514 million. Exports of oilcake and meal, although slightly below a year earlier, amounted to \$112 million. The continuing rise in exports of oilseeds and products has been associated with the growth of the livestock industries in Western Europe and Japan.

Ninety percent of U.S. exports of oilseeds and products during 1963-64 consisted of commercial sales for dollars. Ten percent moved under Government-financed programs. Only 1 percent of the exports in this commodity group received the assistance of export payments.

Flaxseed and linseed oil.--On August 9, 1963, the Department announced the sale for export of CCC-owned flaxseed on a competitive bid basis. Under the terms of sale, buyers were required to export either flaxseed or its equivalent in linseed oil (19 pounds of oil for each net bushel purchased). Beginning

the latter part of August 1963 and continuing through September and October 1963, 2,496,000 bushels of flaxseed were sold for export from Government-owned stocks.

On April 2, 1964, the Department announced a similar sales-for-export program. Through June 1964, 1,165,000 bushels of flaxseed were sold bringing total sales during fiscal 1963-64 to 3,661,000 bushels.

The estimated value of U.S. exports of flaxseed from CCC stocks was nearly \$10 million, and the estimated value of linseed oil (exported as the equivalent of flaxseed from CCC stocks) was nearly \$1 million. The average export payment (differential between domestic market value and CCC sales price) was 6 cents per bushel. Estimated total export payments amounted to \$0.2 million.

During July-December 1964, CCC sold for export an additional 4,951,000 bushels of flaxseed. These sales will be reflected in the statistical summary for fiscal 1964-65.

On November 12, 1964, the Department announced an export payment program to move flaxseed and linseed oil into export channels from market supplies. Export payments equal to the difference between the domestic and world market price will be made in transferrable payment-in-kind certificates, (Form CCC-341) which will be redeemable for an equal value of any CCC-owned commodity, or tobacco under loan, offered for sale under a regulation or announcement issued by CCC providing for redemption of such certificates. Program regulations were announced February 1, 1965. After reviewing the current competitive position of U.S. flaxseed and linseed oil in world markets, USDA officials concluded that export payments are not justified at present. Therefore, no payments will be made under the program until CCC determines that export payments are necessary to make these commodities competitive in world markets.

Sale of refined cottonseed oil to Italy.--The Department, on May 7, 1964, announced the sale of 3,306,900 pounds of refined cottonseed oil to Italy for use in programs to feed needy children and for school lunches. The quantity was later increased, and a total of 4,003,015 pounds of refined cottonseed oil was sold from CCC stocks at 13.125 cents per pound, about 5.25 cents below domestic market price. Exports under this contract were made during September and October 1964 and will be reflected in the statistical summary for fiscal 1964-65.

Peanuts

U.S. exports of peanuts in fiscal 1963-64 were nearly double those of 1962-63 in terms of value and 2 1/3 times the previous year's exports in terms of volume. A large supply of good quality peanuts in the United States, market promotion efforts, and sales for export of CCC price-support stocks at competitive world prices contributed to the increase.

Nearly all U.S. exports of shelled peanuts were sold from CCC stocks at less than domestic market price. The estimated average export payment (differential between domestic market price and CCC sales price) was 7 cents per pound. The estimated total export payment applicable to exports from CCC stocks during 1963-64 was nearly \$4.5 million.

On March 6, 1964, the Department announced an expanded peanut merchandising program under which CCC invites competitive bids from processors to buy surplus peanuts and export them as raw peanuts, or as peanut butter, salted peanuts, or in-shell roasted peanuts. Earlier peanuts had been sold on a competitive bid basis for domestic crushing or for export as raw peanuts only. Over 322,000 pounds (shelled basis) of peanuts were sold for export as peanut products during 1963-64.

Peanuts are included with nuts instead of oilseeds and products in U.S. official trade statistics.

Commodities Not Assisted by Export Payments in
Fiscal Year 1963-64

Feed Grains and Rye

U.S. exports of feed grains and rye totaled \$831 million in 1963-64, \$72 million above a year earlier. Total exports of these grains ranked after wheat and flour and oilseeds and products. Dollar exports amounted to \$745 million and were second only to dollar exports of oilseeds and products. Abundant U.S. supplies of feed grains were available at competitive prices to meet the strong demand, especially in the countries of Western Europe and Japan. Feed grains and rye have received no export payments since the early part of fiscal 1961-62.

Animals and Products (Except Dairy)

U.S. exports of animals and products advanced \$119 million from 1962-63 to a total of \$569 million in 1963-64. Rapid growth in disposable incomes in Western Europe and Japan has resulted in a heavy demand for livestock consumer products. Dollar exports made up 95 percent of the total. All exports in this commodity classification moved without the assistance of export payments.

Fruits and Vegetables and Preparations

U.S. exports of fruits and vegetables totaled \$438 million in 1963-64, slightly below the previous year. Exports of fruits and preparations declined \$5 million principally because of smaller supplies of some fruits and higher prices. Shipments of vegetables and preparations were slightly higher than in 1962-63, with dry edible beans showing the largest increase. Nearly all exports of fruits and vegetables were dollar sales. These commodities received no export payment assistance.

