



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.



Resume
A281.9
Ag83

EXPORT-PAYMENT ASSISTANCE TO U.S. AGRICULTURAL EXPORTS,
FISCAL YEAR 1965/66

by

Eleanor N. DeBlois

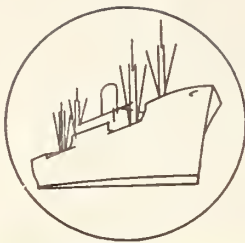
U.S. DEPARTMENT OF AGRICULTURE
OFFICE OF FOREIGN AFFAIRS
WASHINGTON, D.C. 20250

SEP 1 1967

CURRENT AGRICULTURAL REPORTS

Reprinted from
FOREIGN AGRICULTURAL TRADE
OF THE
UNITED STATES
June 1967

Trade Statistics and Analysis Branch
Foreign Development and Trade Division
Economic Research Service
U.S. Department of Agriculture



SPECIAL in this issue

EXPORT-PAYMENT ASSISTANCE TO U.S. AGRICULTURAL EXPORTS,
FISCAL YEAR 1965/66

by
Eleanor N. DeBlois

Introduction

Increased dollar exports in fiscal year 1965/66 brought U.S. exports of farm products to a record level for the third consecutive year. Commercial (dollar) exports advanced well over \$600 million to \$5,066 million, making up over three-fourths of the \$6,681 million total. Increased dollar shipments of feed grains contributed most to the advance. Dollar shipments of wheat and flour, and oilseeds and products also made substantial gains. The high level of economic activity in Western Europe and Japan continued to favorably affect U.S. exports, particularly of feed grains and soybeans and products. These dollar exports, plus dollars saved and earned under Public Law 480 programs, helped to improve the U.S. balance-of-payments position.

Nearly one-fourth of the total, \$1,615 million, consisted of exports under Government-financed programs, mostly under programs authorized by P.L. 480, the Agricultural Trade Development and Assistance Act of 1954, as amended. These exports help meet world food needs, support economic development abroad, further U.S. foreign policy, and help develop commercial markets for U.S. agricultural products.

Certain price-supported agricultural commodities cannot compete in foreign markets without some form of compensation to the exporter who purchases at the higher domestic price and sells in foreign markets at a lower world price. This compensation during 1965/66 was in the form of export payments in cash or in kind on exports from commercial stocks, or consisted of sales from CCC inventory (or tobacco under loan to CCC) at competitive world prices.

U.S. export-payment programs are designed and administered to assure equitable shares of world trade for U.S. commodities and are operated in conjunction with price-support and production-adjustment programs. They are subject to continuous review and revision to meet changing supply and demand situations. They are also subject to revision by agricultural legislation. Minimum resort to export payments has been a guiding principal in the design of U.S. price-support programs for several years. One of the considerations in the formulation of the U.S. wheat and feed grain programs first enacted in 1962 and the cotton program enacted in 1965 was to support prices of these commodities at or near competitive world prices.

¹/ International Economist, Trade Statistics and Analysis Branch, Foreign Development and Trade Division, Economic Research Service.

The term "export payment" in this article includes export payments and differences between the U.S. domestic market price and CCC sales sold at competitive world prices for export from Government-owned.

This article (1) summarizes the extent of export-payment assistance to of farm products for 1965/66; (2) reviews the major change in export-payment since the publication of the previous review of export payments in the June of Foreign Agricultural Trade of the United States (reprinted as ERS-Foreign (3) discusses the extent of export-payment assistance by commodity groups.

Summary of Export-Payment Assistance, 1965/66

Commercial (dollar) exports of U.S. agricultural commodities totaled \$5,066 million in 1965/66, 75.8 percent of the \$6,681 million export total. An estimated \$1,219 million of dollar exports (18.2 percent of total exports) received export-payment assistance and \$3,847 million (57.6 percent) did not require such assistance (table 2).

Exports under Government-financed programs amounted to \$1,615 million (24.2 percent of total exports). Exports under Government programs included an estimated \$1,032 million (15.5 percent), which received export payments, \$262 million (3.9 percent), which did not receive this form of assistance, and \$321 million (4.8 percent), which consisted of donations under Titles II and III, P.L. 480.

Export payments were an estimated \$596.8 million in 1965/66, compared with \$482.9 million in 1964/65 and \$821.7 million in 1963/64. These totals include payments in cash and in kind and estimated differences between CCC sales prices and domestic market prices on exports from Government-owned and loan stocks. The increase of nearly one-fourth in export payments in 1965/66 from a year earlier is principally due to the larger volume of wheat exported and to generally higher export payment rates on this commodity. Export payments on cotton and dairy products were substantially less in 1965/66 than a year earlier and total export payments on rice declined about 15 percent (table 3).

Export payments during 1966/67 are expected to reach a considerably lower total than in 1965/66. Export payment rates on wheat and rice are generally lower this year. Under the cotton program in effect for the 1966/67 cotton marketing year, price-support levels close to world prices make it possible for U.S. cotton to move in domestic and export channels without the need for either an equalization payment or an export payment. Payment-in-kind and CCC export sales programs for dairy products were discontinued in early 1966 until such time as the domestic supply situation warrants programs of this type.

Recent Major Change in Export-Payment Programs

In August 1966 the Commodity Credit Corporation discontinued the use of export commodity certificates (with the exception of CCC credit sales from private stocks) and resumed cash export payments as was the practice prior to 1956. Export payments in cash were extended to CCC credit sales from private stocks on April 27, 1967. The payment-in-kind export payment programs were a means of using Government-owned surpluses to pay export subsidies and at the same time reduce surplus stocks. The discontinuance of payments in kind marks the success of domestic and export programs in bringing production in line with demand and in reducing burdensome surpluses.

Extent of Export-Payment Assistance by Commodity Groups

Wheat and flour

U.S. and world exports of wheat and flour reached a record volume in 1965/66. Exports from the United States totaled \$1,403 million (859 million bushels). The previous

Table 2.--U.S. agricultural exports for dollars and under Government-financed programs, with and without export-payment assistance: Estimated value by commodity, year ending June 30, 1966

Commodity	Commercial sales for dollars			Exports under Government- financed programs 1/			Total agricultural		
	With export pay- ments 3/	Without export pay- ments	Total	With export pay- ments 3/	Without export pay- ments	Total	With export pay- ments 3/	Without export pay- ments	Total
--- Million dollars ---									
Wheat and wheat flour	443	---	443	810	---	150	960	1,253	150
Feed grains, excluding products ..	233	1,006	1,239	57	37	18	112	290	18
Rice, milled	160	---	160	60	---	---	60	220	---
Cotton	285	---	285	101	---	---	101	386	---
Tobacco, unmanufactured	4	299	303	---	92	---	92	4	---
Oilseeds and products	23	1,063	1,086	---	91	47	138	23	47
Peanuts	19	1	20	5/	---	---	5/	19	---
Dairy products	51	33	84	4	22	64	90	55	64
Animals and products, except dairy products	1	587	588	---	15	---	15	1	---
Fruits and vegetables and preparations	---	494	494	---	---	2	2	---	2
Other	---	364	364	---	5	40	45	---	40
Total	1,219	3,847	5,066	1,032	262	321	1,615	2,251	321
Column total as percentage of total exports	18.2	57.6	75.8	15.5	3.9	4.8	24.2	33.7	4.8

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 "Increased Dollar Exports in Fiscal Year 1965/66 Bring U.S. Exports of Farm Products to Record Level for Third Consecutive Year," ERS Foreign-177, November 1966. 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 3). 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 rice, upland cotton; flaxseed and linseed oil included in oilseeds and products; and nonfat dry milk, butter, and milkfat products included in dairy products received payments in kind. Limited quantities of old-crop tobacco purchased and exported from Government loan stocks received refunds from domestic sales price and old-crop tobacco exported from private stocks received cash payments. A limited quantity of whole chickens exported to Austria and Switzerland included in animals and products, except dairy/ received payments in cash under Sec. 32, P.L. 74-320, as amended. Grain sorghums included in feed grains; upland and domestically produced extra-long staple cotton, nonfat dry milk, butter (exported as butter or milkfat products), and cheese included in dairy 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/ Total exports of feed grains include the estimated value of donations of grain sorghums under Title III, P.L. 480, not separately reported by the Bureau of the Census. 5/ Less than \$500,000.

Table 3.--Estimated export payments 1/ on U.S. agricultural exports: Average per unit and total, year ending June 30, 1966

Commodity	Unit	Average : per unit :	Total Million Dollars
		Dollars	Dollars
Wheat grain	Bu.	2/0.467	354.3
Wheat flour	Cwt.	2/1.05	45.5
Grain sorghums	Bu.	3/0.095	23.0
Rice, milled	Cwt.	4/1.805	54.7
Cotton, upland	Bale	5/28.75	87.9
Cotton, extra-long staple, domestically produced	Bale	6/50.00	0.4
Tobacco, unmanufactured	Lb.	7/0.05	0.3
Flaxseed	Bu.	4/0.2325	1.2
Linseed oil	Lb.	4/0.01585	1.3
Peanuts	Lb.	3/0.07	12.4
Milk, nonfat dry	Lb.	8/0.036	9.8
Butter	Lb.	8/0.299	2.0
Milkfat (butteroil, anhydrous milkfat, ghee, etc.) ..	Lb.	8/0.368	3.7
Cheese	Lb.	3/0.087	0.1
Chickens, whole	Lb.	9/0.056	0.2
Total	---	---	596.8

1/ Export payments consist of payments in kind and in cash and the estimated difference between the domestic market price and CCC export sales price on sales for export from CCC inventory or loan stocks. Export payments are not included in the declared value of agricultural exports, as shown in table 2, as the exporter does not receive the amount of the export payment from the importer.

2/ Average payment in kind on wheat grain and average payment in cash on wheat flour. During 1965/66, export payments on wheat included a refund of all or part of the cost of a wheat export marketing certificate. Export payments on flour included a full refund of the cost of a domestic marketing certificate for wheat.

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

4/ Average export payment in kind.

5/ Based on cotton export payment-in-kind rate of 5.75 cents per pound x 500 pound bale.

6/ Estimated difference between domestic market price and CCC export sales price, 10 cents per pound, x 500 bale.

7/ Includes refunds from domestic sales price of 5 cents per pound on old-crop tobacco purchased and exported from CCC loan stocks and cash payments of 5 cents per pound on old-crop tobacco exported from private stocks.

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

9/ Average payment in cash.

record was 848 million bushels in 1963/64. Commercial sales for dollars totaled \$443 million (297 million bushels), nearly double the 1964/65 total. Exports under Government-financed programs were 5 percent less than a year earlier, but amounted to an impressive \$960 million (562 million bushels), over two-thirds of total exports of this commodity.

Wheat legislation -- Public Law 88-297 approved April 11, 1964 -- bolstered farm income from wheat by providing cooperating farmers a price-support loan of \$1.25 per bushel for the 1965 crop, domestic marketing certificates valued at 75 cents (issued on the producer's share in the national allocation for domestic use), and export marketing certificates of 30 cents per bushel. Export payments were made in 1965/66 as necessary to bridge the gap between the world price and the domestic market price plus the cost to exporters of the export marketing certificate. Processors were required to obtain domestic marketing certificates to cover all wheat used for food products. Export payments on flour were made to bridge the gap between the world price and the cost to U.S. millers which included the domestic marketing certificate.

During July-June 1965/66 export payments in kind on wheat grain averaged approximately 47 cents per bushel. Export payments in cash on wheat flour averaged \$1.05 per bushel-equivalent of wheat. The estimated total export payment amounted to \$354.3 million on wheat grain and \$45.5 million on wheat flour.

Under the wheat program in effect for the 1966/67 crop year (authorized by the Food and Agriculture Act of 1965, P.L. 89-321, November 3, 1965), price-support loans at a national average of \$1.25 per bushel are provided to cooperating farmers. Wheat for domestic use as food is supported at parity through the issuance of domestic marketing certificates valued at the difference between the national average loan rate and parity as of the beginning of the marketing year. Domestic marketing certificates were issued on the producer's share in the national allocation for domestic use. Such certificates were valued at \$1.32 per bushel for 1966 crop wheat. This value reflects parity as of July 1, 1966 (\$2.57 per bushel), minus the national average price-support loan level (\$1.25 per bushel). Processors of wheat are required to buy domestic marketing certificates for wheat used in the manufacture of food products. For the 1966 crop, the processor pays 75 cents and CCC assumes 57 cents per bushel of the cost of the domestic marketing certificate.

Under this program export marketing certificates are not issued to farmers. If world prices are generally above U.S. prices, the value of the export marketing certificate (determined on a day-to-day basis) is the difference between the U.S. and world price level and is collected from the exporter. If U.S. prices are above world market prices, an export payment reflecting the difference between U.S. and world price levels is made to the exporter. Under the law, at the end of the marketing year, proceeds from export marketing certificates minus export payments are to be distributed to eligible producers on a pro rata basis. However, the relationship between U.S. wheat prices and world prices indicates that export payments will exceed certificate collections during 1966/67. Export payments on wheat in 1966/67 are running below the average of 1965/66.

Feed grains

U.S. exports of feed grains (excluding products) totaled \$1,351 million in 1965/66, exceeding the \$1 billion level for the first time for any fiscal year. Exports for dollars rose \$373 million from a year earlier and made up over 90 percent of the total. Dollar exports of corn gained more than \$200 million and dollar shipments of grain sorghums advanced over \$100 million. The continued expansion in livestock feeding, especially in Western Europe and Japan, plus the low supplies of other feed-stuffs in Europe and small feed grain crops in other major exporting countries, were

the principal factors contributing to the rise in U.S. exports of feed grains. Shipments under Government programs were higher than a year earlier but represented less than 10 percent of total feed grain shipments.

No export payments in kind have been made on feed grains exported from commercial stocks since the early part of 1961/62. Shipments of corn, barley, and oats, which made up nearly four-fifths of feed grain exports during 1965/66, received no export-payment assistance. Exports of grain sorghums were stimulated by sales from CCC stocks at less than domestic market price. The estimated average difference between CCC export sales prices and domestic market prices was 9.5 cents per bushel (17 cents per hundredweight) and the estimated total price reduction amounted to \$23.0 million.

Rice, milled

U.S. exports of milled rice rose nearly \$18 million to \$220 million (30.3 million cwt.) in 1965/66 from a year earlier and accounted for 55 percent of U.S. rice production. The United States produces only 2 percent of the world's rice, but is the second largest world exporter. It is estimated that all exports of milled rice received export payments in kind in July-June 1965/66. The average export payment was \$1.805 per hundredweight and the total export payment was \$54.7 million. This compares with an average payment of \$2.22 per hundredweight a year earlier. Export payments on rice in 1966/67 are averaging considerably below those of 1965/66.

Cotton

Exports of cotton from the United States totaled \$386 million (3,065,000 bales) in fiscal year 1965/66 (July-June), nearly one-third less than in 1964/65 and the lowest fiscal year total since 1955/56. During the late 1950's and early 1960's, U.S. cotton was priced for export 20 to 30 percent below the price for which cotton was available to domestic mills. This situation, together with various other factors, resulted in the substitution of man-made fibers for cotton to fill the growing demand for fiber in the United States. Increased imports of cotton textiles absorbed a lesser part of the rising demand. In spite of export sales of U.S. cotton at less than domestic market prices, U.S. exports of cotton continued to decline. Exports of cotton from other Free World countries increased and foreign use of man-made fibers increased rapidly.

Cotton equalization payment-in-kind program.--Under the authority of the Agricultural Act of 1964, a cotton equalization payment program was established for the 1964/65 and 1965/66 cotton marketing years (August-July). The objective of the program was to eliminate inequities due to differences in the cost of upland cotton to domestic and foreign users and to expand domestic consumption of upland cotton. Payments were made through the actual issuance of equalization payment-in-kind (PIK) certificates to cotton handlers (textile mills, exporters, and other buyers and sellers of cotton at any point in the marketing channel). The law prohibited making equalization payments to producers. Actual certificates issued under this program were exchanged for cotton in Commodity Credit Corporation inventory at domestic market prices as determined by CCC. Also, constructive issuance of PIK certificates (cash advances) were made to cotton handlers requesting CCC's assistance in the marketing of certificates. When cash advances were made, a certificate pool was credited with the value of the certificate and the rights in the pool were sold to persons desiring to use them to exchange for cotton. The cotton acquired in exchange for certificates or in liquidation of rights in the certificate pool could be sold without any restriction in either the domestic or export market.

CCC export sales program for upland cotton.--The cotton equalization payment program on exports of upland cotton from commercial stocks was supplemented during the 1965/66 marketing year by sales from CCC-owned stocks at competitive prices. During August-July 1965/66, 180,059 running bales of upland cotton were sold for export from CCC

stocks. An additional 474,522 running bales were acquired for export under the barter and CCC credit sales programs -- 425,715 under the barter program and 48,807 under the credit sales program. Sales for export from CCC-owned stocks were at prices which reflected the equalization differential.

For the 1965/66 marketing year, the payment-in-kind rate was 5.75 cents per pound (\$28.75 for a 500-pound bale) and estimated total export payments amounted to \$87.9 million. This compares with a payment-in-kind rate of 6.5 cents per pound (\$32.50 per bale) for the 1964/65 marketing year.

Export sales of domestically produced extra-long staple cotton.--U.S. exports of domestically produced extra-long staple cotton in 1965/66 were assisted by sales for export from CCC stocks at prices competitive with cotton of similar quality in world markets. The estimated average difference between the domestic market price and the CCC export sales price was about 10 cents per pound (\$50.00 for a 500-pound bale), reflecting an estimated total price reduction of about \$350,000 on the 7,000 bales of domestically grown extra-long staple cotton exported during the year.

Cotton program for the 1966-69 crops.--The cotton program authorized by the Agricultural Act of 1964 was designed basically to help cotton compete with man-made fibers in the domestic market. Cotton consumption increased sharply and domestic consumption of man-made fibers slowed. The Act of 1964, however, did not affect export prices and U.S. cotton exports continued their downward trend. U.S. cotton stocks increased from over 7 million bales on August 1, 1961, to nearly 17 million bales on August 1, 1966.

The cotton program authorized by the Food and Agriculture Act of 1965 is designed to enable the United States to market its cotton in both domestic and foreign markets at a price which will stimulate the disappearance of U.S. cotton stocks and maintain farm income at a reasonable level. Price-support loans are at levels close to world prices, and price-support and acreage-diversion payments made directly to eligible producers offset the lower loan rate and maintain farm income. The difference between U.S. disappearance and production -- the shortfall -- is being supplied from CCC stocks at domestic market prices. One-price cotton for domestic consumption and export makes it possible for U.S. cotton to move in domestic and export channels without the need for either an equalization payment or an export payment.

On January 25, 1967, the Secretary of Agriculture cited gains made under the new cotton program. Surplus stocks are going down rapidly and cotton-farm income is being maintained at favorable levels during a period of sharp supply adjustment. Cotton has become more competitive in foreign and domestic markets. Cotton exports are projected at about 5 million bales in 1966/67 and domestic consumption is expected to equal last year's level, which was the highest since 1950/51.

Unmanufactured tobacco

U.S. exports of unmanufactured tobacco amounted to \$395 million (472 million pounds) in 1965/66, the second lowest volume in 11 years. Tobacco ranks among the five most important U.S. agricultural export commodities. Although the world's largest producer and exporter of tobacco, the United States has not shared in the increasing world tobacco trade. The U.S. share of Free World tobacco trade averaged 35 percent in 1955-59, but declined to 30 percent by 1963 and to 26 percent by 1965.

In order to assist U.S. tobacco from older crops to meet price competition in foreign markets, a refund of 5 cents a pound was offered on exports of selected crops of flue-cured, fire-cured, and dark air-cured tobacco acquired from Government loan stocks. This export refund was effective February 11, 1966, for flue-cured tobacco and April 25, 1966, for fire-cured and dark air-cured tobacco. With minor exceptions involving only a few hundred hogsheads, these offers were limited to the 1960, 1961, and 1962 crops.

By the end of June 1966, a total of 5,290,000 pounds with an estimated export market value of \$4.2 million were exported under this program. Refunds amounted to \$264,000.

In May 1966, a cash export payment of 5 cents a pound was extended to exports from private stocks of the same kinds and crops of tobacco on which refunds were made available earlier on exports from Government loan stocks. These payments were effective for flue-cured tobacco on shipments made on or after May 6, 1966, and for fire-cured and dark air-cured tobacco on shipments made on or after May 24, 1966. Only a relatively small quantity of tobacco, 31,000 pounds, with an estimated export value of nearly \$25,000, was exported from private stocks before the end of June 1966. Total payments amounted to \$1,500.

The Department on June 10, 1966, announced a broadened tobacco export-payment program under which export payments in cash of 5 cents a pound, in addition to the above-described export payment or refund where applicable, were extended to most kinds of tobacco. The expanded program is applicable to all crops of the kinds of U.S.-produced tobacco on which price support was offered for the 1966 crop. Tobaccos not price-supported and not covered by the export-payment program include cigar wrapper, Pennsylvania cigar filler, and Maryland tobacco. This program became effective with the publication on July 6, 1966, of regulations covering operating terms and conditions.

On November 25, 1966, the regulations were amended to increase the export payment on 1960, 1961, and 1962 crop burley tobacco from 5 cents to 10 cents per pound, making payments on that kind of tobacco at the same rate as on flue-cured tobacco from the same crops.

Oilseeds and products

U.S. exports of oilseeds and products totaled a record \$1,224 million in 1965/66. Exports of soybeans advanced nearly one-fifth to a new high of \$734 million (257 million bushels) and shipments of oilcake and meal set a new record of \$216 million (2.8 million short tons). The increasing demand for high-protein feeds for the rapidly expanding livestock industries, especially in Western Europe and Japan, has created a strong world demand for oilseeds and products, a large part of which has been supplied by the United States. Shipments of soybean oil were down in 1965/66, due to the high price of U.S. oil relative to oils from other sources. Reduced availabilities of cottonseed oil for export and the price premium of cottonseed oil over soybean oil were largely responsible for the sharp reduction in exports of cottonseed oil.

Only about 2 percent of the exports in this commodity group were assisted by export payments in 1965/66: flaxseed exports, which totaled \$15.5 million, and linseed oil shipments, which amounted to \$7.7 million. The export payment-in-kind program designed to move flaxseed and linseed oil into export channels from market supplies was announced November 12, 1964, but did not become effective until April 1965 when USDA officials determined that the competitive position of U.S. flaxseed and linseed oil in world markets justified export payments. Exports under this program began in May 1965 and have continued since that time. Since August 26, 1966, when CCC discontinued payments in kind, export payments have been made in cash.

The average export payment on flaxseed during the 1965/66 year was 23.25 cents a bushel and the estimated export payment was \$1.2 million. The average export payment on linseed oil was 1.585 cents a pound and the estimated total payment was \$1.3 million.

Peanuts

U.S. exports of shelled and unshelled peanuts totaled over \$20 million in 1965/66 compared with \$14 million a year earlier. Exports of peanuts have risen steadily

since 1961/62 when they amounted to \$3 million. Plentiful supplies available for export, market development work (particularly on the part of the trade), and greater emphasis by the Commodity Credit Corporation on movement of peanuts in the export market have contributed to the increase.

It is estimated that about 97 percent of the peanuts exported during 1965/66 consisted of sales from CCC-owned stocks at less than domestic market prices. The estimated difference between the domestic market price of peanuts for edible purposes and the CCC export sales price was 7 cents a pound and the estimated total price reduction was \$12.4 million.

Dairy products

U.S. exports of dairy products declined \$52 million to \$174 million in fiscal year 1965/66 from the year-earlier total. A sharp drop in commercial exports of butter was largely responsible for the \$44 million decline in dollar exports. The strong demand for U.S. butter in Western Europe in 1964/65 was substantially reduced in 1965/66 because of increased production in the area. The volume of shipments of nonfat dry milk declined about one-fifth. The continued rise in the production of milk and nonfat dry milk in Western Europe and smaller exportable supplies in the United States resulted in the supplying of European needs from domestic production and from other sources in 1965/66.

It is estimated that U.S. dairy products amounting to \$55 million were exported with the assistance of export payments -- payments in kind or sales from Government-owned stocks at less than domestic market prices. This total includes all but a relatively small quantity of nonfat dry milk and butter oil (excluding donations), virtually all exports of butter, and nearly 15 percent of total cheese exports. Another \$55 million of dairy products were exported without export payments, including all exports of condensed and evaporated milk, dry whole milk, infant's and dietetic foods, fresh milk, 85 percent of total cheese exports, and a relatively small part of shipments of nonfat dry milk and butter oil. However, of the \$55 million exported without export payments, \$22 million were exported under Government-financed programs, principally evaporated and condensed milk under Title I, P.L. 480. Donations under Titles II and III, P.L. 480, totaled \$64 million and consisted of nonfat dry milk and a small quantity of butter oil. Estimated total export payments -- payments in kind and differences between the CCC export sales price and the domestic market price -- amounted to \$15.6 million.

No export sales of cheese were made from CCC stocks after January 1966. Export sales of nonfat dry milk and butter from CCC stocks were discontinued on February 10, 1966, because inventories were committed. On March 2, 1966, the Dairy Products Export Payment-in-Kind Program was discontinued. Exports from commitments made prior to the discontinuance of the programs continued through most of the remaining months of the year although the quantities involved were quite small.

It is estimated that about 90 percent of the exports of nonfat dry milk (excluding donations) were from CCC stocks at less-than-domestic market prices or were from commercial stocks under the payment-in-kind program. Exports from CCC stocks included shipments of over 89 million pounds to Japan for the Japanese school lunch program, as well as 2.5 million pounds to the Catholic Relief Service in Rome, Italy, for use in charitable feeding programs in Italy, and nearly 0.2 million pounds to Church World Service for refugee and child feeding programs in Tanzania, the Republic of the Congo, or India.

Both export payments in kind and differences between the CCC export sales price and the domestic market price on sales of nonfat dry milk from CCC stocks on a competitive-bid or announced-price basis averaged less than 2 cents a pound. Sales to Japan,

Catholic Relief Service, and Church World Service were at 8 cents a pound, an estimated 6.9 cents below domestic market price. The weighted average of payments in kind and differences between the CCC export sales price and the domestic market price on all exports of nonfat dry milk from CCC stocks was 3.6 cents a pound; the estimated total export payment was \$9.8 million.

Virtually all exports of butter and about 90 percent of butter oil shipments (excluding donations) were exported as butter, or butter oil in lieu of butter, from CCC stocks at less-than-domestic market price or received export payments in kind. The weighted average export payment on butter, including the estimated difference between the CCC export sales price and domestic market price and the average payment in kind, was 29.9 cents a pound; the estimated total export payment was \$2.0 million. The average export payment on butter oil, including the difference between the CCC export sales price of butter exported as butter oil and the average payment in kind, was 36.8 cents a pound; the estimated total export payment was \$3.7 million.

The Commodity Credit Corporation sold for export nearly 1,126,000 pounds of cheddar cheese at approximately 8.7 cents a pound below the domestic market price. The estimated total export payment was \$0.1 million.

Animals and products (except dairy products)

U.S. exports of animals and products in 1965/66 rose about 2 percent to \$603 million from 1964/65. A rise of \$38 million in commercial exports was partially offset by a \$27 million decline in exports under Government-financed programs. The largest increase was in exports of hides and skins, which rose to a record \$139 million from \$100 million a year earlier. Exports of lard, tallow, beef and veal, and pork were sharply reduced. Exports of poultry meat were slightly below the volume of the previous year. Shipments of broilers and fryers rose over 10 percent, while stewing chickens were less than half the year-earlier volume. Exports of turkeys continued their upward trend.

Limited export-payment program on chickens to Switzerland and Austria.--Only about \$0.8 million of the \$603 million total of exports in this commodity group were assisted by export payments. This total consisted of a relatively small quantity of whole chickens under a limited export-payment program on exports to Austria and Switzerland.

The United States became a major supplier of poultry and products in world markets in the late 1950's and through 1962 accounted for an increasing share in the expanding world trade. High-quality whole broilers were the basis of the U.S. export trade which moved at competitive prices without any type of subsidy. With the implementation of the Common Agricultural Policy by the European Economic Community (EEC) in August 1962, the entry of U.S. broilers, especially whole birds, was seriously restricted. Exports of poultry parts and turkeys have been somewhat less adversely affected, as the United States is the principal source of a large and dependable supply of these products.

Denmark in late 1962 implemented a two-price system in which funds raised by taxing domestic consumption were used to reduce producer prices so that exporters could compete in world markets. Strong demand and high import protection encouraged production in the EEC and in 1964 France and the Netherlands, with the aid of funds from EEC levies, also subsidized chicken exports to countries outside the Common Market.

Through vigorous promotion efforts, the United States built up a large volume of poultry sales in Austria and Switzerland. However, in 1964 and 1965 the U.S. share in the market in these two countries declined sharply in the face of heavily subsidized exports from European countries. After numerous unsuccessful negotiations

with European exporting countries to obtain modification of subsidy practices, on September 22, 1965, the United States initiated a limited subsidy program providing for payments in cash to exporters of U.S. Grade A chickens to Austria and Switzerland. Export payments were made on whole, frozen, ready-to-cook U.S. Grade A chickens with or without giblets and necks. This program represents an attempt to regain a fair share of chicken imports into these two countries. Payments are made under Section 32, P.L. 74-320.

During a 19-week period from October 13, 1965, through January 28, 1966, the United States accepted offers for exports under this program totaling 2,780,000 pounds of whole chickens with an estimated export market value of about \$0.8 million. Export payments totaled \$155,350 and averaged 5.6 cents a pound. On January 28, 1966, the program was temporarily suspended. It was reactivated on October 19, 1966, for exports to Switzerland only.

Fruits and vegetables and preparations

Movement abroad of U.S. fruits and vegetables in 1965/66 totaled \$496 million, with most of the \$53 million rise from a year earlier taking place in shipments of fresh fruits and vegetables. Exports of fruits and vegetables received no export payments; all but \$1.8 million were commercial sales for dollars, and exports in this commodity group accounted for about 13 percent of dollar sales without payments during the year.