

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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SUBSIDIES

Notification by contracting parties

Addendum

The following notification has been received from the United States Government:

UNITED STATES

Notification of 31 March 1959

(The present notification replaces the earlier notifications reproduced in the following documents: GATT/CP/114, G/4/Add.1, L/91/Add.2-4, L/351 and Add.2, L/480/Add.3, L/480/Add.4, L/660/Add.2, L/880.)

"There is attached a report covering the agricultural export subsidies used by the United States in 1957-58, the latest complete fiscal year. This report essentially is the report submitted by the United States at the Thirteenth Session (L/880) brought up to date to cover a full fiscal year (i.e., 1 July 1957 - 30 June 1958). The definition of export subsidy is, therefore, the same in both reports.

"For 1958-59 there have been only two changes in operation of the agricultural export subsidy programme. Both the rice and feed grain (corn, oats, barley and grain sorghums) programmes have been changed so that the United States now subsidizes exports from private stocks by payments in kind from Government stocks instead of by sales of Government stocks at less than domestic market prices. The rice payments are based on rates announced periodically, whereas the feed grain rates are determined by competitive bids.

"For cotton, it has been announced that, in 1959-60, United States exports from private stocks would be encouraged by payments in kind from Government stocks and that sales from Government stocks at less than the domestic price would be discontinued. Currently, both methods are used with sales from Government stocks representing the bulk of the exports."

ANNEX

UNITED STATES EXPORT SUBSIDIES PROGRAMME IN 1957-58

The United States Government used two general types of export subsidy programmes for agricultural commodities and products thereof in 1957-58, the last fiscal year for which complete information is available. In 1956-57 three general types were used because section 32 export subsidies, not now in effect, were used. The two types used in 1957-58 were (1) payments on export sales under the International Wheat Agreement, and (2) sales of Government-owned price support stocks for export at less than the domestic market price. The second group includes the payments in kind on export certificates made in connexion with wheat exports from commercially owned supplies.

EXPORT PAYMENT PROGRAMMES UNDER SECTION 32

There were no export payments or subsidy arrangements under Section 32 of the Act of 24 August 1935 during the fiscal year 1957-58.

PAYMENTS ON EXPORT SALES UNDER THE INTERNATIONAL WHEAT AGREEMENT

I. Nature and Extent of the Subsidy

A. Background and authority - The United States made export subsidy payments on wheat and flour exported under the International Wheat Agreement consistent with the benefits and obligations under that agreement.

B. Incidence - Payments were made to exporters. Rates of payment on both wheat and wheat flour were established on a daily basis to take account of the difference between domestic market prices and wheat agreement selling prices. Rates varied during the period covered by this report.

C. Amount of subsidy - Total payments in 1957-58 amounted to \$78.6 million on the 105.7 million bushels of wheat, including the wheat equivalent of flour exported under the International Wheat Agreement. This subsidy figure includes cash payments on flour (23.8 million bushels wheat equivalent) as well as payment in kind made from Government stocks (23.3 million bushels) on wheat certificates issued under the revised wheat export subsidy programme described in more detail in the section on export sales of CCC price-support stocks.

D. Estimated amount per unit - The average rate of subsidy in 1957-58 amounted to about 74.3 cents per bushel.

II. Effect of Subsidy

The programme was undertaken to implement participation of the United States in the International Wheat Agreement. The subsidy facilitates exports within the agreed range of maximum and minimum prices. The quantity of wheat and flour sold in 1957-58 for export by the United States under the Agreement was less than the quantities allotted to the United States in the export guarantee portion of the Agreement.

EXPORT SALES OF CCC PRICE SUPPORT STOCKS AT LESS THAN
DOMESTIC MARKET PRICE AND EQUALIZATION PAYMENTS ON
COTTON CONTAINED IN COTTON PRODUCTS

I. Nature and Extent of the Subsidy

A. Background and authority - During 1957-58 the United States Government continued to dispose of some of the stocks of commodities acquired under domestic price-support programmes by sales to private firms for export at levels below the domestic market price. These sales were made under authority of Section 407 of the Agricultural Act of 1949, as amended; the Agricultural Act of 1956, and the Commodity Credit Corporation Charter Act. In conjunction with its export sales of cotton and under authority contained in the CCC Charter Act, as amended, equalization payments were made on the raw cotton content of exports of cotton textiles, cotton yarns, and spinnable cotton waste.

B. Incidence - Except with respect to cotton products and wheat, the subsidy took the form of sales to exporters at prices below the domestic market price. In the case of wheat the subsidy took the form of payments in kind (i.e. wheat) from Government stocks on export certificates. In the case of cotton products, equalization payments were made to reflect the difference between the domestic and export price of cotton on the raw cotton equivalent contained in the products. Sales generally were made pursuant to sales price lists issued monthly by the Commodity Credit Corporation of the United States Department of Agriculture indicating the sales price or sales price basis for domestic and export sales. While a large part of the Commodities offered for export sale pursuant to these sales price lists were priced below domestic sales, the United States continued to sell some commodities for export at the same price at which these commodities were being offered for domestic sale.

The pricing method used on export sales varied between commodities. For most commodities sales were made on the basis of competitive bids. At the same time, a number of commodities such as dairy products were offered for sale at specified prices. Sales prices were established at levels competitive with those prevailing in world markets on the basis of the best information available.

With respect to cotton products, equalization payments were made to exporters at the rate per pound calculated to reflect the difference between the domestic and export price for the raw cotton equivalent contained in the cotton products. These rates are determined monthly.

C. Amount of subsidy - Sales of cotton for export by CCC represented a substantial part of the total volume (dollar value) of sales of all commodities by CCC for export at less than the domestic market price.

The large volume of cotton was the result of the sales programme for cotton inaugurated during the 1955-56 year under which CCC periodically has offered to sell any quality of upland cotton for export on a competitive bid basis with the condition that the cotton be exported within a specified period. As indicated in the table below, upland cotton sales during 1957-58 amounted to 5.1 million bales.

Wheat sales for export by CCC decreased in 1957-58. This resulted from a change in the wheat export programme, effective 4 September 1956, under which CCC discontinued the sale of wheat for export except where existing legislation required dispositions to be made from CCC stocks. (By law, wheat needed for barter contracts and for relief purposes under Title II of P.L. 480 and other legislation must come from CCC stocks.)

Under this revised payment-in-kind programme, exporters were required to obtain their supplies primarily from commercial channels. Exporters were provided with certificates with a value based upon the total quantity of wheat exported times the subsidy rate. These certificates were then redeemed by CCC in wheat from all stocks on the basis of the domestic market price of wheat. Under this payment-in-kind programme, 99.1 million bushels of wheat were distributed to exporters in return for certificates, 23.3 million bushels under International Wheat Agreement exports and 75.8 million bushels under non-International Wheat Agreement exports. The subsidies involved on this wheat are included in the subsidy figures shown in the sections relating to IWA and non-IWA operations.

The reduction in CCC wheat sales also reflected a change in the method of making payments for flour exported under the wheat flour programme. Prior to the change, flour millers had the option of buying wheat from CCC at export prices or, in the case of sales under the IWA, of receiving a cash payment.

Under the revised flour programme effective 15 November 1956, exports of wheat flour were encouraged only by means of cash payments and all sales of CCC wheat for export in the form of flour were discontinued. During the fiscal year 1957-58 cash payments by CCC under this wheat flour export payment programme amounted to \$31.6 million on the wheat equivalent of 59.6 million bushels exported, 23.8 under IWA and 35.8 under non-IWA exports.

The figures on CCC sales of wheat shown in the table below primarily represent payments in kind on wheat export certificates and sales of CCC stocks under Title I of P.L. 480. They include wheat exported under IWA transactions as well as wheat sold outside the IWA at prices equivalent to wheat agreement prices. The total subsidy on sales of wheat outside the IWA, including 75.8 million bushels of wheat delivered under certificates, was \$53.4 million in 1957-58.

As a result of export subsidies under the payment in kind programme and cash subsidies on wheat flour, total commercial wheat exports under IWA and non-IWA (exports excluding donations) amounted to about 369 million bushels of which 101.6 million bushels came from CCC stocks. The remainder (267 million bushels) came from privately owned stocks.

It is not possible to report the total subsidy on all commodities sold by CCC at less than the domestic market price and shown in the table. CCC records show only the total loss sustained by CCC on such sales. These CCC loss figures would be substantially larger than the subsidy, since they represent the difference between the sales price and CCC's total investment in the commodity; that is, acquisition cost plus any additional costs incurred in storage and handling. Furthermore, sales were made at many different prices and different locations and the domestic market prices for these commodities fluctuated during the sales period.

While precise figures of the total subsidy are not available, figures on the total quantities sold commercially for export (including deliveries under payment-in-kind certificates) at less than the domestic market price are available. These figures were as follows for 1957-58 on the basis of fiscal records:

| <u>Commodity</u> | <u>Unit</u> | <u>Quantity sold</u> <u>(in mil. units)</u> |
|------------------------|----------------|--|
| <u>Cotton, upland</u> | bale | 5.1 |
| <u>Grains:</u> | | |
| Wheat | bu. | 101.6 |
| Corn | bu. | 134.7 |
| Oats | bu. | 23.2 |
| Rye | bu. | 4.1 |
| Barley | bu. | 83.6 |
| Grain sorghums | cwt. | 19.7 |
| Rice, milled | cwt. | 5.8 |
| Rice, rough | cwt. | 0.6 |
| Beans | cwt. | 0.5 |
| Flaxseed | bu. | 12.6 |
| <u>Dairy Products:</u> | | |
| Milk, non-fat, dry | lb. | 102.4 |
| Butter | lb. | 26.1 |
| Cheese | lb. | 12.8 |
| <u>Tobacco</u> | lb. | 0.5 |
| <u>Fats and Oils:</u> | | |
| Peanuts | ton. | 1/ |
| <u>Rosin</u> | drum (517 lb.) | 2/ |

1/ 7,447 tons Farmers Stock 2/ 160 drums
11,115 tons shelled

In 1957-58 payments totalling \$15,473,140 were made to exporters, under the cotton products equalization payment programme.

D. Estimated amount per unit - The average rate of subsidy on wheat and wheat equivalent of flour exported outside the IWA at prices equivalent to wheat agreement prices was about 74.3 cents per bushel.

The base rates of payment designed to reflect the difference between the export and domestic price of the cotton contained in cotton products ranged from a monthly low of 5.75 cents to a monthly high of 6.45 cents per pound.

It is not possible to estimate the average amount per unit on other sales for the reasons given above.

II. Effect of Subsidy

Sales of price support stocks were made at prices below the domestic level so that United States products might share equitably in world trade in these agricultural commodities.

The effect of these subsidies on patterns of world trade depended not only on sales prices established by the United States, but also on sales prices established in other exporting countries. Furthermore, while some of the commodities (mainly those where the subsidy rate was low) probably would have been exported in the absence of a subsidy, it is not possible to estimate precisely the quantity that would have been exported without the subsidy.

