

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

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SUBSIDIES

Notifications of Contracting Parties

United States

Notification of 25 October 1961

On 16 September 1960 the Government of the United States submitted a notification on subsidies (L/1328) prepared in reply to the revised questionnaire adopted by the CONTRACTING PARTIES during the sixteenth session. The 1960 notification provided information with respect to the United States up to 31 May 1960.

On 25 October 1961 the Government of the United States submitted a further notification which furnishes data up to 31 May 1961. This notification is attached.

NOTIFICATION BY THE UNITED STATES ON SUBSIDIES
PURSUANT TO ARTICLE XVI

This notification is made pursuant to the decision of the Contracting Parties at the Fifth Session (GATT/CP/92, 11 January 1951). This notification, providing supplementary information to the data provided in previous notifications by the United States under Article XVI, furnishes data with respect to the United States during eleven months of the fiscal year, 1961, i.e., July 1, 1960 through May 31, 1961.

In fiscal year 1961 through May 31, 1961, the United States Government used two general types of export subsidy programs for agricultural commodities and products thereof. The two types were (1) payments on export sales under the International Wheat Agreement, and (2) sales at less than the domestic market price. The second group includes the payments-in-kind made in connection with exports of cotton and grains, including non-IWA wheat, from commercially-owned supplies.

There were no export payments or subsidy arrangements under Section 32 of the Agricultural Adjustment Act of 1935, as amended, during the fiscal year 1961.

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 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--Payments issued in the 1961 fiscal year through May 31, 1961 totaled \$61.2 million on the 107.0 million bushels of wheat, including the wheat equivalent of flour exported under the International Wheat Agreement. This subsidy figure includes cash payments on exports of flour and the dollar value of payment-in-kind certificates issued in connection with wheat exports.

D. Estimated amount per unit--The average rate of subsidy through May 31, 1961, of the 1961 fiscal year, amounted to 57.2 cents per bushel.

II. Effect of Subsidy

The program was undertaken to implement participation of the United States in the International Wheat Agreement. The subsidy facilitated exports within the agreed range of maximum and minimum prices.

EXPORT SALES AT LESS THAN DOMESTIC MARKET PRICE, AND EQUALIZATION PAYMENTS ON COTTON CONTAINED IN COTTON PRODUCTS EXPORTED

I. Nature and Extent of Subsidy

A. Background and authority--During fiscal year 1961 through May 31, 1961, the payment-in-kind program facilitated sales of some commodities for export from commercially-owned stocks. In effect, the program operated so as to make the commodities available at less than the domestic market price. For a few other commodities the United States Government disposed of some of the stocks acquired under domestic price-support programs, at prices below the domestic market price. These sales were made under authority of Section 407 of the Agriculture Act of 1949, as amended, the Agricultural Act of 1956, and the Commodity Credit Corporation Charter Act. In conjunction with its export program for 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 for cotton products and a few other commodities, the subsidy took the form of payments-in-kind. Such payments-in-kind were made for cotton, corn, barley, grain sorghums, rye, wheat, rice, and oats. In the case of cotton products, equalization payments were made.

As pointed out in previous reports, sales of CCC-owned cotton have been for unrestricted use since July 31, 1959. Cotton exported under the payment-in-kind program during 1960-61 may have been drawn either from commercial stocks, from stocks bought from CCC for unrestricted use, or acquired from CCC through redemption of payment-in-kind certificates. Under the program, exporters of upland cotton are provided certificates with a value based on total quantity of upland cotton exported times the subsidy rate per unit.

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

Exports of wheat from commercial stocks continued to be encouraged by the payment-in-kind program which became effective during 1956. Under this program exporters are required to obtain their supplies primarily from commercial channels. On these sales as well as on sales under the IWA, exporters were provided with certificates having a value based upon the total quantity of wheat exported times the subsidy rate per bushel. The certificates were then redeemed by CCC on the basis of the domestic price of wheat. Under this program, 103 million bushels of wheat were obtained by exporters through redemption of certificates during the 11 months ending May 31, 1961.

Exports of wheat flour continue to be encouraged only by means of cash payments. As reported previously, CCC sells no wheat for export as flour.

As a result of export subsidies under the payment-in-kind program for wheat and cash subsidies on wheat flour, total exports of wheat and flour were equivalent to about 582 million bushels during the 11 months ending May 31, 1961. This figure includes exports under IWA, as well as those not under IWA, but excludes exports for relief or charity by individuals and private agencies.

As pointed out in previous reports, the CCC in 1958 discontinued the sales of its stocks of feed grains for export, except where existing legislation requires dispositions to be made from these stocks. (By law, grain needed for barter contracts and for relief purposes under Title II of Public Law 480 and other legislation must come from CCC stocks.)

Under the payment-in-kind program in effect during 1960-61 feed grain exporters were required to obtain their supplies primarily from commercial channels. The subsidy rate for each of these feed grains is established competitively by exporters submitting their bids covering the rate and the quantities to be exported. Successful bidders, after export, receive a certificate having a dollar value, redeemable in CCC owned feed grains.

Under this program about 1,062,000 metric tons of feed grains and rye were distributed to exporters in return for certificates. Such certificates were converted to grain at domestic prices.

The sale of CCC owned rice for export also was discontinued when a rice payment-in-kind program was inaugurated in December 1958, (except where legislation required disposition to be made from CCC stocks). Under this payment-in-kind program approximately 2.5 million bags of rice were distributed to exporters in return for certificates during the first 11 months of 1960-61. Certificates issued in connection with exports of rice are redeemable, at the owner's option, in feed grains as well as in rice.

Terms and conditions relating to exports under the payment-in-kind programs were announced in sales lists, issued monthly by the Commodity Credit Corporation. These lists also indicate the price basis for both domestic and export sales by the CCC.

C. Amount of Subsidy--Total payment certificates issued under the payment-in-kind program and cash export payments made, and total reported exports, were as follows for the 11 months July 1, 1960 through May 31, 1961. 1/

Commodity	Unit	Total Exports	Amount of Payments	Average rate per unit
		million units	million dollars	(Col. 2 ÷ Col. 1) cents
Cotton	bale	6.8	208.7	\$31
Cotton products	lb.	n.a.	10.6	<u>2/</u>
<u>Grains</u>				
Wheat	bu.	581.8	289.4	<u>3/</u> 49.8
Rice, milled	cwt.	18.9	48.0	254.3
Barley	bu.	78.8	6.2	7.8
Corn	bu.	238.5	6.3	2.6
Grain Sorghums	cwt.	44.8	2.7	6.0
Oats	bu.	25.8	1.3	5.1
Rye	bu.	7.3	1.5	20.9

1/ Exports shown are those reported by the Department of Commerce for the 11 months period; payments are those shown by CCC fiscal records as issued in same period. The two columns are not necessarily comparable, however, because (a) some exports of some commodities are made without subsidy and (b) there may be lags in reporting and accounting.

2/ Same rate as for cotton, i.e., 6.0 cents per pound of cotton contained in products during the period August 1, 1960, through May 31, 1961. The rate for July, 1960, was 8.0 cents per pound.

3/ Includes \$40.4 million cash payments on wheat flour exports.

Other commodities sold for export from CCC stocks include nonfat dry milk, butter, peanuts, and tung oil. About 144 million pounds of nonfat dry milk and 900 thousand pounds of butter were sold at specified prices, generally in line with prevailing world, rather than domestic, prices. Nearly 25 thousand tons of peanuts were sold for export. These peanuts, sold at prices corresponding to domestic

prices of peanuts for crushing, generally were used by importing countries for oil purposes. The only other commodity sold for export from CCC stocks at less than the domestic market price was tung oil. During the seven months, July 1960-January 1961, 15 million pounds were sold for export at prices competitive with those prevailing in the world market; subsequent sales were made only at the domestic market price.

II. Effect of Subsidy

On the one hand, in the case of wheat it is likely that little wheat would have been exported without the subsidy. For rice, the effect would have been somewhat different. Without the subsidy rice exports would have been less but some quantities still would have moved. Cotton exports also would have been some less without an export subsidy; however, an important volume of exports would have been made. On the other hand, as referred to in a footnote to the table shown above, quantities of feed grains probably would have been exported without the payment-in-kind program.

In every case, however, the subsidy has not obtained more than the U. S. fair share of the world market.

III. Production and Utilization Data

Data on production, domestic utilization, foreign trade and stocks of the various commodities sold for export at less than domestic market price are provided on the following pages for the years 1958 to date.

Supply and Utilization of Specified Commodities
United States, 1953-61

Marketing year beginning	Supply				Utilization		
	Carryover	Production	Imports	Total	Domestic use	Exports	Total
<u>WHEAT</u>							
-----million bushels-----							
July 1:							
1953	881	1,457	8	2,346	608	2/ 443	1,051
1959	1,295	1,121	7	2,424	600	2/ 510	1,110
1960 <u>1/</u>	1,314	1,350	8	2,672	605	2/ 660	1,265
1961 <u>1/</u>	1,407	1,204	8	2,619	609		
<u>RYE</u>							
-----million bushels-----							
July 1:							
1953	10	32	3	45	24	9	33
1959	13	22	4	39	24	5	29
1960 <u>1/</u>	10	32	3	46	24	8	32
1961 <u>1/</u>	14	26					
<u>RICE, ROUGH</u>							
-----million 100 pound bags-----							
August 1:							
1953	13	45		61	26	20	46
1959	16	53	1/	69	28	29	57
1960 <u>1/</u>	12	55	3/	67	27	30	57
1961 <u>1/</u>	10	56	3/	66			
<u>COTTON</u>							
-----million bales ^{4/} -----							
August 1:							
1953	8.7	11.4	.1	20.3	8.7	2.8	11.5
1959	8.9	14.6	.1	23.6	9.0	7.2	16.2
1960 <u>1/</u>	7.6	14.3	.1	22.0	8.2	6.6	14.8
1961 <u>1/</u>	7.2	13.8	.1	21.1			14.5

- 1/ Based on indications.
- 2/ Includes grain equivalent of products and exports for relief or charity.
- 3/ Less than 500,000 bags.
- 4/ Running bales except imports, which are in bales of 500 pounds.

Supply and Utilization of Specified Commodities,
United States, 1958-61

Marketing year beginning	Supply				Utilization		
	Carryover	Production	Imports	Total	Domestic use	Exports	Total
-----million bushels-----							
<u>COEN FOR GRAIN</u>							
October 1:							
1958	1,470	3,356	1	4,827	3,083	214	3,297
1959	1,530	3,325	1	5,356	3,357	210	3,567
1960 <u>1/</u>	1,739	3,391	1	5,681	3,396	260	3,656
1961 <u>1/</u>	2,025	3,352	-	5,378			
<u>CATS</u>							
July 1:							
1958	325	1,401	3	1,729	1,331	30	1,361
1959	363	1,052	2	1,422	1,112	43	1,155
1960 <u>1/</u>	267	1,151	1	1,419	1,066	29	1,095
1961 <u>1/</u>	324	982	5	1,311			
<u>BARLEY</u>							
July 1:							
1958	163	477	14	659	347	<u>2/117</u>	464
1959	195	422	13	635	350	<u>2/113</u>	463
1960 <u>1/</u>	167	427	15	610	372	36	458
1961 <u>1/</u>	152	363	15	535			
<u>SORGHEUM GRAIN</u>							
October 1:							
1958	309	501	<u>3/</u>	890	280	100	380
1959	510	555	<u>3/</u>	1,065	364	99	463
1960 <u>1/</u>	592	608	<u>3/</u>	1,190	415	75	490
1961 <u>1/</u>	700	455	<u>3/</u>	1,155			

1/ Based on indications.
2/ Includes grain equivalent of malt.
3/ Not reported separately.

Supply and Utilization of Specified Commodities,
United States, 1958-61

Year beginning	Supply				Utilization		
	Carryover	Production	Imports	Total	Domestic use	Exports	Total
-----million pounds-----							
<u>PEANUTS (kernel basis)</u>							
August 1:							
1958	280	1,234	1	1,523	1,128	2/ 44	1,172
1959	351	1,145	1	1,497	1,160	2/ 52	1,212
1960 <u>1/</u>	295	1,236	1	1,572	1,255	2/ 60	1,315
1961 <u>1/</u>	257						
<u>TUNG OIL</u>							
November 1:							
1958	37	45	25	107	47	21	47
1959	33	34	26	93	42	19	61
1960 <u>1/</u>	37	13	26	76	43	23	66
1961 <u>1/</u>	10	30					
<u>BUTTER</u>							
Calendar year:							
1958	3/ 27	1,406	2	1,575	1,468	30	1,506
1959	3/ 69	1,410	2	1,481	1,421	29	1,450
1960 <u>1/</u>	3/ 31	1,451	3	1,485	1,397	11	1,408
1961 <u>1/</u>	3/ 77	1,490	3	1,570			
<u>NONFAT DRY MILK</u>							
Calendar year:							
1958	223	1,710	2	1,935	1,003	689	1,692
1959	243	1,720	2	1,965	1,117	691	1,808
1960 <u>1/</u>	157	1,837	1	1,995	1,144	468	1,612
1961 <u>1/</u>	303	2,000	1	2,304			

- 1/ Based on indications.
2/ Including shipments.
3/ Cold storage stocks.

