

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/1948/Add.4
7 March 1963

Limited Distribution

Original: English

SUBSIDIES

Notifications Pursuant to Article XVI:1

UNITED STATES

A. SUBSIDIES ON NON-PRIMARY PRODUCTS

Nil

B. SUBSIDIES ON PRIMARY PRODUCTS

In fiscal year 1962 (1 July 1961, through 30 June 1962) the United States Government used three general types of export subsidy programmes for agricultural commodities and products thereof. These were:

- (1) export payments under Section 32 of Public Law No. 320, 74th Congress,
- (2) payments on export sales under the International Wheat Agreement, and
- (3) sales by Commodity Credit Corporation at less than the domestic market price. The latter group includes the payments-in-kind made in connexion with exports of cotton and grains, including non-IWA wheat, from commercially-owned supplies.

(1) EXPORT PAYMENTS UNDER SECTION 32

I. Nature and extent of the subsidy

A. Background authority

Under a programme announced on 16 February 1962, under Section 32, Public Law 320, 74th Congress, export payments were authorized on loan stocks of various types of tobacco from 1956 and earlier crops. The purpose is to assist exporters of tobacco to encourage the movement of earlier crops of tobacco under loan into export markets and to help maintain the United States position in foreign markets.

B. Incidence

Payments were authorized to exporters on sales of qualifying tobacco to foreign markets at 20 per cent of the loan associations' grade sales prices, as approved by the Commodity Credit Corporation.

This rate was established at the level the Secretary determined necessary to permit exporters to purchase the tobacco from Commodity Credit Corporation loan stocks and offer it in foreign markets.

C. Amount of subsidy

Obligations made pursuant to this export programme under Section 32 in the fiscal year totalled \$1,570,000 on about 13 million pounds of leaf tobacco.

D. Estimated amount per unit

The average rate of subsidy through the 1962 fiscal year was 12.0 cents per pound.

II. Effect of subsidy

A. Trade effect

The programme facilitated the exportation of tobacco held as loan collateral, or in exporters' inventories as the result of purchase from loan stocks, from the 1956 or earlier crops. The programme had little effect, however, on the overall level of leaf tobacco exports. Exports under this programme, at 13 million pounds, were equivalent to less than 3 per cent of total United States exports of leaf tobacco.

B. Production and utilization

United States production consists of numerous types which so differ from one another in their characteristics and use that such data are generally published by type or class. A tabulation summarizing or combining such information for the numerous types of tobacco, which differ significantly in their characteristics and use and which are not all subsidized, would not be meaningful.

(2) 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 1962 fiscal year totalled \$89.7 million on the 152.2 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 connexion with wheat exports.

II. Effect of subsidy

A. Trade effect

The programme was undertaken to implement participation of the United States in the International Wheat Agreement. The subsidy facilitated exports of wheat and wheat flour within the agreed range of maximum and minimum prices. The 1952 million bushels of wheat, including the grain equivalent of flour, exported under the International Wheat Agreement were equivalent to 21 per cent of total United States exports of wheat including the grain equivalent of flour.

B. Production and utilization

Data on production, domestic utilization, foreign trade and stocks of wheat are attached for the years 1959 to date.

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

I. Nature and extent of subsidy

A. Background and authority

During fiscal year 1962, the payment-in-kind programme facilitated sales of some commodities for export from commercially-owned stocks. In effect, the programme operated so as to make the commodities available at world prices where these were 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 programmes, also 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 programme for cotton and under authority contained in the Commodity Credit Corporation 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. A payment-in-kind programme which would allow manufacturers or exporters to export non-fat dry milk and receive negotiable certificates redeemable in CCC-owned dairy products, wheat, rice, and feedgrains was announced 27 June 1962. There were no operations under this programme during fiscal 1962.

As pointed out in previous reports, sales of CCC-owned cotton have been for unrestricted use since 31 July 1959. Cotton exported under the payment-in-kind programme during 1961-62 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 programme, 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 programme which became effective during 1956. Under this programme 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 programme, 134 million bushels of wheat were obtained by exporters through redemption of certificates during the fiscal year 1962.

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 programme for wheat and cash subsidies on wheat flour, total exports of wheat and flour were equivalent to about 718 million bushels during fiscal 1962. 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 feedgrains 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 programme in effect during 1961-62 feedgrain exporters were required to obtain their supplies primarily from commercial channels. The subsidy rate for each of these feedgrains 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 feedgrains.

Under this programme about 1,368,269 metric tons of feedgrains and rye were distributed to exporters in return for certificates. Such certificates were converted to grain at domestic prices.

The acceptance of bids under the payment-in-kind programme was discontinued as various feedgrains became competitive in world markets. No bids were accepted after July 1961 for corn or oats, after November 1961 for barley or after March 1962 in the case of rye. Similarly, no bids have been accepted since mid-June 1962 for the export of grain sorghums under the payment-in-kind programme.

The sale of CCC-owned rice for export also was discontinued when a rice payment-in-kind programme was inaugurated in December 1958, (except where legislation required disposition to be made from CCC stocks). Under this payment-in-kind programme approximately 1.3 million bags of rice were distributed to exporters in return for certificates during the year ended 30 June 1962. Certificates issued in connexion with exports of rice are redeemable, at the owner's option, in feedgrains as well as in rice.

Terms and conditions relating to exports under the payment-in-kind programmes 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 programme and cash export payments made, and total reported exports, were as follows for the 1962 fiscal year.¹ (On following page.)

Other commodities sold for export from CCC stocks include non-fat dry milk, butter, cheese, dry edible beans, peanuts, and rough rice. About 174 million pounds of non-fat dry milk, 2 million pounds each of butter and cheese, 60,000 hundredweight of beans and 374,000 hundredweight of rough rice were sold at specified prices, generally in line with prevailing world, rather than domestic, prices. About 6,000 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.

¹ Exports shown are those reported by the Department of Commerce for fiscal 1962; 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.

II. Effect of subsidy

A. Trade effect

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 somewhat less without an export subsidy; however, an important volume of exports would have been made. On the other hand large quantities of feedgrains were exported without the aid of the payment-in-kind programme.

In every case, however, the subsidy has not obtained more than an equitable share of the world export trade of the product subsidized.

B. 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 1959 to date.

Commodity	Unit	Total Exports	Amount of Payments	Average rate per unit (Col. 2 - Col. 1)
		million units	thousand dollars	dollars
Cotton	bale	4.8	202,219	42
Cotton products	lb.	n.a.	18,092	(1)
<u>Grains</u>				
Wheat, incl. flour	bu.	(2) 716.5	369,881	.52
Rice, milled	cwt.	20.3	56,413	.77
Barley	bu.	81.7	4,735	.06
Corn	bu.	388.3	1,028	(3)
Grain sorghums	bu.	85.8	2,615	.03
Oats	bu.	18.6	241	.01
Rye	bu.	7.5	385	.05

(1) Same rate as for cotton, i.e. 8.5 cents per pound of cotton contained in products during the period 1 August 1961, through 30 June 1962. The rate for July 1961 was 6.0 cents per pound.

(2) Includes \$55.1 million cash payments on wheat flour exports and \$26.9 million differential allowed on wheat obtained from CCC stocks and exported outside IWA and PIK.

(3) Less than 0.5 cents per bushel.

Supply and Utilization of Specified Commodities
 United States, 1959-62/
 Offre et utilisation de certains produits
 aux Etats-Unis en 1959-62

Marketing year beginning/ Début de la campagne de commercia- lisation	Supply/Offre				Utilization/Utilisation		
	Carryover/ Report	Production	Imports/ Importations	Total	Domestic use/ Consommation intérieure	Exports/ Expor- tation	Total
<u>WHEAT/BLE</u> (million bushels)/(millions de bushels)							
1 July/ 1er juillet:							
1959	1,295	1,121	7	2,424	600	2/ 510	1,110
1960	1,314	1,357	8	2,679	605	2/ 662	1,268
1961	1,411	1,235	6	2,652	629	2/ 718	1,347
1962 1/	1,305	1,092	6	2,403			
<u>RYE/SEIGLE</u> (million bushels)/(millions de bushels)							
1 July/ 1er juillet:							
1959	13	22	4	39	24	5	29
1960	10	32	3	46	24	8	32
1961	14	27	1	42	26	8	34
1962 1/	8	41	2	51			
<u>RICE, ROUGH/RIZ, BRUT</u> (million hundredweight)/(millions de bushels)							
1 August/ 1er août:							
1959	16	54	1	69	28	29	57
1960	12	55	3/	67	27	29	56
1961	10	54	3/	64	28	29	57
1962 1/	5	64	3/	69			
<u>COTTON/COTON</u> (million bales 4/)/(millions de balles 4/)							
1 August/ 1er août:							
1959	8.9	14.6	.1	23.6	9.0	7.2	16.2
1960	7.6	14.3	.1	22.0	8.3	6.6	14.9
1961	7.2	14.3	.1	21.7	9.0	4.9	13.9
1962 1/	7.8	14.7	.1	22.6			

1/ Preliminary or partly estimated./ Chiffre provisoire ou estimation partielle.

2/ Includes grain equivalent of products largely flour and exports for relief or charity./
 Y compris l'équivalent en céréales de certains produits, principalement la farine et les
 exportations effectuées à titre de secours ou à des fins charitables.

3/ Less than 500,000 bags. / Moins de 500.000 sacs.

4/ Running bales except imports, which are in bales of 500 pounds./Balles de 508 livres,
 sauf pour les importations qui sont évaluées en balles de 500 livres.

Supply and Utilization of Specified Commodities
 United States, 1959-62/
 Offre et utilisation de certains produits
 aux Etats-Unis en 1959-62

Marketing year beginning/ Début de la campagne de commercia- lisation	Supply/Offre				Utilization/Utilisation		
	Carryover/ Report	Production	Imports/ Importations 1/	Total	Domestic use/ Consommation intérieure	Exports/ Expor- tation 1/	Total
(million bushels)/(en millions de bushels)							
<u>CORN/MAIS</u>							
1 October: 1er octobre:							
1959	1,524	3,825	1	5,350	3,351	212	3,563
1960	1,787	3,908	1	5,696	3,412	276	3,688
1961	2,008	3,626	1	5,635	3,559	435	3,994
1962 2/	1,641	3,644	1	5,286			
<u>OATS/AVOINE</u>							
1 July: 1er juillet:							
1959	366	1,052	2	1,420	1,110	43	1,153
1960	267	1,155	1	1,423	1,069	29	1,098
1961	325	1,011	1	1,337	1,039	21	1,060
1962 2/	277	1,032	5	1,314			
<u>BARLEY/ORGE</u>							
1 July: 1er juillet:							
1959	196	422	18	636	351	118	469
1960	167	431	15	613	374	86	460
1961	153	396	20	569	362	84	446
1962 2/	123	429	15	567			
<u>SORGHUM GRAIN/SORGHO</u>							
1 October: 1er octobre:							
1959	510	555	3/	1,065	384	100	484
1960	581	620	3/	1,201	428	71	499
1961	702	480	3/	1,182	425	99	525
1962 2/	658	509	3/	1,167			

1/ Includes grain equivalent of products./Y compris l'équivalent en céréales de certains produits.

2/ Preliminary or partly estimated./ Chiffre provisoire ou estimation partielle.

3/ Not reported separately./ Pas de données séparées.

Supply and Utilization of Specified Commodities
 United States, 1959-62/
 Offre et utilisation de certains produits
 aux Etats-Unis en 1959-62

Marketing year beginning/ Début de la campagne de commercia- lisation	Supply/Offre				Utilization/Utilisation			
	Carryover/ Report	Production	Imports/ Importations	Total	Domestic use/ Consommation intérieure	Exports/ Expor- tation	Total	
(million pounds)/(millions de livres)								
<u>PEANUTS (kernel basis)/ARACHIDES (graines)</u>								
1 August/ 1er août:								
1959	351	1,145	1/	1,496	1,159	2/	52	1,212
1960	285	1,272	1/	1,557	1,257	2/	57	1,314
1961	243	1,243	2/	1,488	1,209	2/	24	1,233
1962 3/	255	1,289	2	1,546				
<u>BUTTER/BEURRE</u>								
Calendar year/ Année civile:								
1959	4/ 69	1,411	2	1,482	1,422	2/	29	1,451
1960	4/ 31	1,435	3	1,469	1,381	2/	11	1,392
1961	4/ 77	1,536	2	1,615	1,390	2/	10	1,400
1962 3/	4/ 227	1,625	2	1,852	1,416	2/	33	1,449
<u>CHEESE/FROMAGE</u>								
Calendar year/ Année civile:								
1959	4/ 293	1,383	64	1,740	1,415		21	1,436
1960	4/ 304	1,478	63	1,845	1,498		14	1,512
1961	4/ 333	1,630	76	2,039	1,551		15	1,566
1962 3/	4/ 472	1,570	76	2,118	1,653		34	1,687
<u>NONFAT DRY MILK/LAIT ECREME SECHE</u>								
Calendar year/ Année civile:								
1959	243	1,723	2	1,968 5/	1,120	2/	691	1,811
1960	157	1,819	1	1,977 5/	1,120	2/	474	1,594
1961	383	2,013	2	2,398 5/	1,154	2/	757	1,911
1962 3/	487	2,240	1	2,703 5/	1,121	2/	922	2,043

1/ Less than 500,000 pounds./ Moins de 500.000 livres.

2/ Including shipments./ Y compris les expéditions.

3/ Preliminary or partly estimated./ Chiffre provisoire ou estimation partielle.

4/ Cold storage stocks./ Stocks en chambre froide.

5/ Includes nonfat dry milk fed to livestock./ Y compris le lait écrémé séché utilisé pour l'alimentation des animaux.

