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GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

Notifications Pursuant to Article XVI:1

UNITED STATES

The following notification concerning subsidies has been received from the Delegation of the United States.

84-0979

I. MARITIME CONSTRUCTION-DIFFERENTIAL SUBSIDIES

1. Nature and Extent of the Subsidy

(a) Background and Authority

The Merchant Marine Act of 1936 as amended provides a general authorization for construction-differential subsidies (CDS) to be paid to United States shipbuilders for the construction of certain ships built for and operated in the foreign commerce of the United States. However, no monies have been appropriated for ship construction since fiscal year 1982, and no funds are being budgeted for CDS in the foreseeable future.

(b) Incidence

Title V of the Merchant Marine Act provides that CDS may be paid to either a United States shipyard or the purchaser of the ship. The amount of the CDS would equal the difference between shipbuilding costs in a U.S. shipyard and a reasonable estimate of the costs in a foreign shipyard, although by law, CDS cannot exceed 50 percent of domestic shipbuilding costs.

CDS may only be granted where (inter alia): (1) the purchaser is a U.S. citizen; (2) the ship is built for, and in general is operated in, the foreign commerce of the United States; (3) the shipyard is in one of the 50 states or Puerto Rico; (4) the purchaser satisfies certain managerial qualifications; (5) the vessel satisfies foreign commerce and national defense requirements; and (6) the vessel is documented under U.S. laws for 25 years (20 years for tankers and other bulk carriers).

(c) Amount of Subsidy

CDS PAID OUT 1981-83

Fiscal Year	Subsidy Outlays
1981	$208,113,192
1982	$184,485,217
1983	$ 84,511,000

2. Effect of Subsidy

Estimated Quantitative Trade Effects: The CDS program under the Merchant Marine Act was designed to provide incentives to U.S. citizens to purchase U.S.-built vessels, so as to ensure the maintenance of a U.S. shipbuilding industry. Thus, CDS could reduce the number of foreign-built vessels purchased by U.S. citizens for use in foreign commerce.

However, no monies have been appropriated for ship construction since fiscal year 1982, and no funds are being budgeted for

CDS in the foreseeable future.

Since a ship constructed in the U.S. with CDS must be documented under the laws of the U.S. for at least 20 years thereafter, in fact no subsidized vessels are exported.

II. EXPORT CREDIT SUBSIDIES

1. Nature and Extent of the Subsidies

(a) Background and Authority

The U.S. Export-Import Bank is authorized by the Export-Import Bank Act of 1945 to provide credits, guarantees and insurance to promote exports of U.S. goods and services. The financial support is to be at rates and on terms which are competitive with the government-supported rates and terms available from other countries whose exports compete with U.S. exports. The Eximbank, in concert with the Foreign Credit Insurance Association (FCIA), also provides insurance to cover commercial credit risks and political risks. Inasmuch as several foreign governments offer extensive subsidies in support of exports from their countries, the U.S. Eximbank has perforce offered similar subsidies.

(b) Incidence

The amount of the subsidy is calculated as the difference in financing costs between what a foreign purchaser might have paid for the U.S. export in the absence of any official support and what the U.S. Eximbank actually offered. The financial rate that an individual foreign purchaser is able to obtain will vary according to the risk of the particular project or purchasing agent. This makes it difficult to assess an aggregate financial market rate that can be used to gauge the extent of the U.S. Eximbank subsidy.

For the purposes of this exercise, however, we may consider an appropriate commercial rate to be the secondary market yields on commercial bonds. It would clearly not be appropriate to use the yields on long-term government instruments of the exporting country inasmuch as these are likely to be risk-free or nearly risk-free rates, completely unrelated to the creditworthiness of the importing purchaser or country.

Guarantees and insurance extended by governments should also be considered export subsidies if they lower the total cost of financing below what private markets would otherwise charge. In such instances, the guarantees and insurance have the same distorting effect as direct credits on the allocation of resources. This observation is especially true when some form of government guarantee is required for the export to go forward at all.

(c) Amount of the Subsidy

One means of calculating direct export credit subsidies is to take the present value of the difference between a loan extended at commercial rates and a loan extended at official export credit rates. As a proxy for commercial rates, we have used the Morgan Guaranty average yields on long-term Baa corporate bonds. In the past, we have used the yield rate on Aa series. With the heavy indebtness of many Eximbank customers, the yield rate on Baa series would be a more appropriate proxy for commercial rates. Discounting Eximbank's direct credit authorizations for FY 1979, FY 1980, FY 1981, FY 1982 and FY 1983 by the corporate bond yields, and assuming the average Eximbank repayment period, we have the following direct credit subsidies:

Year	Est. Present Value Subsidy
FY 1979	$ 279.92 million
FY 1980	$ 875.50 million
FY 1981	$1,246.09 million
FY 1982	$ 784.97 million
FY 1983	$ 51.19 million

These figures are only a rough estimate of the subsidy. They are sensitive to changes in the discount rate. They also may underestimate the total subsidy. The most obvious subsidy is the difference between the official rate and the market rate. Yet, a subsidy is also derived from the differences of loan maturities, grace periods, and loan fees.

2. Effect of Subsidy

(a) It is impossible to estimate the quantitative trade effect of these subsidies without also examining the export credit subsidies offered by other countries. In most cases the U.S. Eximbank offered a direct credit subsidy only when a major export competitor had offered, or was about to offer, an export credit subsidy. Thus, the effect of the Eximbank subsidy was frequently to prevent the loss of exports that would otherwise have come from the United States. U.S. Eximbank direct credit authorizations supported the following export values:

Year	Export Value
FY 1979	$6,199 million
FY 1980	$7,736 million
FY 1981	$8,303 million
FY 1982	$5,068 million
FY 1983	$1,213 million

Illustration

In FY 1983, the U.S. Eximbank authorized $845 million in direct credits which carried an approximate average lending rate of 11.1 percent per annum. The average yields on newly issued Baa Moody's bonds was 13.11 percent. Assuming annual payments and an average 8-year loan maturity, the periodic payment of the loan ($845 million) at 11.1 percent would be $164.8 million. At 13.11 percent, it would be $176.8 million. The difference of the two payments represents an annual subsidy of $12 million. When discounted over 8 years at 13.11 percent, this annual subsidy has a present value of $57 million. This is the total subsidy of the Eximbank's direct credits in FY 1983.

TABLE A
(In $ Millions)

Direct Credits	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983
Eximbank authorization	$3,723	$4,920	$5,008	$3,516	$ 845
Loan Maturity (average)	8.3 y	8.5 y	8.9 y	9.6 y	8 y
Eximbank rate (percent)	8.1	8.4	8.7	10.7	11.1
Discount rate	10.2	13.7	16.4	17.4	13.1
Subsidy	$279.9	$875.5	$1,246.1	$784.9	$57.2
Percentage of subsidy	8%	18%	25%	22%	7%
Guarantees (Long Term)					
Eximbank	$908	$1,190	$1,507	$239	$1,203
Loan maturity estimate	8 years	8 years	8 years	8 years	8 years
Guarantees and Insurance					
Eximbank authorization	$4,180	$5,521	$4,945	$5,592	$7,322
Loan maturity estimate	3 years	3 years	3 years	3 years	3 years

III. AGRICULTURAL PRICE SUPPORT PROGRAMS

A. Grains: Wheat, Feedgrains (Corn, Sorghum, Barley, Rye, Oats), Rice

I. Nature and Extent

(a) Background and Authority:

Wheat, feedgrains and rice are covered by a combination of programs providing for production adjustment and income/price support. These programs are designed to (1) stabilize, support, and protect farm income and prices; (2) assist in the maintenance of balanced and adequate supplies of food; and (3) aid in the orderly marketing of these grains. The programs are financed by the Commodity Credit Corporation (CCC), a government-owned entity, and administered by the Agricultural Stabilization and Conservation Service (ASCS), an agency of the U.S. Department of Agriculture.

Price support programs for specified commodities were first authorized by the Agricultural Adjustment Acts of 1933 and 1938. The current programs are authorized by the CCC Charter Act, the Agricultural Act of 1949, as amended, the Agriculture and Food Act of 1981, and the Agricultural Programs Adjustment Act of 1984.

The principal export incentives have been the CCC's blended credit program and a one-time Government-sponsored wheat flour sale to Egypt covering the 12 to 14 month period beginning March 1, 1983. These grains may also be eligible for export credit guarantees from the Export-Import Bank and export credits and credit guarantees from the CCC.

There are no import controls on grains.

(b) Incidence:

The support programs for these commodities provide for a loan rate, a target price, a deficiency payment, and supply management. To be eligible for the price and income support programs (i.e. loans, purchases and deficiency payments), participating farmers must adhere to the regulations in the supply management program.

Loan Rates:

The loan rates for these commodities are established annually by the Secretary of Agriculture at levels which should allow the commodities to be competitively priced. For the 1982-1985 crops, the Agriculture and Food Act of 1981 provides that the national average loan rates shall not be less than the following levels:

Wheat	$3.55/bu.
Corn	$2.55/bu.
Rice	$8.00/cwt.

The national average loan rates are converted into local loan rates for grades and qualities at specified locations. The Secretary of Agriculture reduced the 1984 loan rate for wheat to $3.30 under authority of the 1981 Act, which provides that if the average market price of wheat or corn is not more than 105 percent of the loan level in any year, the loan rate may be reduced in the following year by no more than 10 percent. Loan rates for grain sorghums, barley, rye and oats are established in relation to corn, based on feed value. In 1983, the loan rates were $3.65 per bushel for wheat, $2.65 for corn, and $8.14 per cwt. for rice (see Table 1).

Loans for wheat, feedgrains and rice mature on demand of the CCC, but no later than the end of the ninth calendar month following the month the loan is made (wheat and feedgrains) or the end of the April following harvest (rice). Producers may repay the loan plus interest (at the government borrowing rate) at any time up to maturity. If the loan is not repaid by the final maturity date, the Commodity Credit Corporation takes title to the commodity in full payment of the loan and interest charges; this is called a nonrecourse loan.

In addition, the CCC may purchase these commodities from producers at the local loan rate.

Target Price:

The target price for each commodity is established annually by the Secretary of Agriculture, but the Agriculture and Food Act of 1981 and the Agricultural Program Adjustment Act of 1984 provide that they shall not be less than the following:

	Wheat $/bu.	Corn[a] $/bu.	Rice $/cwt.
1982	$4.05	$2.70	$10.85
1983	$4.30	$2.86	$11.40
1984	$4.38	$3.03	$11.90
1985	$4.38	$3.03	$11.90

a/ Target prices for sorghum, barley, and oats are determined in relation to corn. There is no target price for rye.

Deficiency Payments:

The deficiency payment rate represents the difference by which the established target price exceeds the higher of the the national average market price received by farmers over the first five months of the marketing year or the national loan rate. The deficiency payment to a farmer is determined by multiplying this payment rate times his planted acreage times the yield established for his farm. The amount of combined deficiency, cash diversion, and payment-in-kind payments (see below) a farmer may receive under the wheat, feedgrains, cotton, and rice programs together is limited to $50,000 a year. There is no deficiency payment program for rye.

Supply Management:

Under supply management authority of the 1981 and 1984 Acts, the Secretary of Agriculture may impose acreage limitations for wheat, feedgrains (except rye) and rice when he determines that without such acreage limitations there would be excess supply. "Base acreages" are established for each farm for each commodity based upon the planted and considered-planted acreages of the commodity in previous years. Under the acreage reduction program, to be eligible for government loans, purchases or payments, farmers must reduce base acreage by a certain percent and devote this acreage to approved conservation use. In addition, a land diversion program may be established in which producers are paid to leave acreage idle. Producers are paid a set amount per unit of grain times their average farm yield times the number of acres diverted. Producers who knowingly plant more than their permitted acreage under the limitation programs lose their eligibility for government loans, purchases and payments.

For the 1984 crops, there is a 20 percent acreage reduction program and a 10 percent paid land diversion for wheat, 10 percent acreage reduction for feedgrains, and 25 percent acreage reduction for rice. In 1985 the wheat program is the same as in 1984. If 1984 ending stocks for corn exceed 1.1 billion bushels, the 1985 corn crop will have a total acreage reduction of 5 to 20 percent, of which 5 to 7.5 percent will be paid land diversion and the balance acreage reduction. If 1984 ending stocks for rice exceed 25 million cwt., the 1985 crop will have 20 percent acreage reduction and at least 5 percent paid land diversion.

Land diversion payment rates are no less than $2.70 per bushel for wheat, $1.50 per bushel for corn, and $2.70 per cwt. for rice ($3.50 if 1984 end stocks exceed 42.5 million cwt.). When a producer signs up for the 1985 crop programs, he will receive at least one-half of his land diversion payment. The balance will be paid later in the crop year.

For wheat and feedgrains, except rye, the U.S. government sponsors a farmer-owned reserve program intended to promote market and price stabilization by assisting farmers who withhold supplies from the market in periods of surplus for release in periods of shortage. On February 1, 1984, the reserve held 2,161 million bushels. Part of this is being released to farmers under the 1983 payment-in-kind program. Immediate entry in the farmer-owned reserve will not be permitted for the 1984 crops. A review of the size of the reserve will be made before regular price support loans for the 1984 crops mature to determine whether 1984 crops should be permitted to enter the reserve.

There is a payment-in-kind (PIK) program in effect for the 1984 wheat crop, but the 1983 PIK programs for corn and rice are not being repeated. The PIK program is designed to encourage farmers to further reduce 1984 crop acreage beyond other acreage reduction and land diversion programs. In return for reducing acreage beyond the level called for under other programs, farmers will receive as payment 85 percent of the wheat they would have produced on the PIK acreage. To participate in the program, farmers must be enrolled in and be in compliance with the acreage reduction program. To participate in PIK diversion, producers must divert an additional 10 to 20 percent of their acreage base for wheat.

The grains program, and most of the other commodity programs, are purely voluntary. They are made available to all farmers, but many choose not to participate, preferring to depend on the mechanisms of the free market. Table 2 presents information on the share of U.S. production that is under commodity programs.

(c) Amount:

In FY 1983, the U.S. Government spent $3,419 million (net) 1/ on the wheat program, $6,815 million (net) on feedgrains, and $664 million (net) on rice. Direct government payments to farmers (excluding loans) in crop year 1983 totalled $1,374 million for wheat, $1,447 for feedgrains and $282 million for rice (see Table 2).

(d) Estimated Amount per Unit:

See Table 1 for this information.

II. Effect of the Program

a) The support programs have no direct effect on imports or exports. The United States is a major grains producer, and as such would not import more grains than it already does, even if the absence of price supports resulted in lower grains production. Minimum support prices are set by legislation, although there is some administrative discretion in lowering them. An effort is made to set them below world prices, so they do not serve to bolster world prices. Furthermore, income support programs require producers to participate in supply management programs to be eligible for support. To the extent that there is a production incentive, this incentive is offset by the required supply management programs.

In pricing commodities for domestic use, CCC-owned commodities generally are required to be sold at levels above the loan rate, depending on the commodity and other conditions of sale, plus reasonable carrying charges. In addition, higher minimum sale prices are applicable to wheat and feed grains when the farmer-owned grain reserve programs are in effect for such commodities. Congress has established the CCC pricing policy in order to protect CCC's investment in the commodity, to stabilize prices, and not to disrupt commercial trade channels.

The CCC may offer its stocks for export sale. Care is taken to assure that CCC sales will not disturb world price levels. In general, CCC export sales are not subject to the minimum price provisions that apply to domestic sales; however, when a farmer-owned reserve is in effect for a commodity, the CCC may not offer its stocks of that commodity for export sale at less than the reserve release price.

(b) Statistics for production, consumption and trade are given in the appendix.

1/ Net government expenditures include deficiency payments, disaster payments, diversion payments, loans, purchases, storage and handling, producer storage payments, sales proceeds, loan repayments, and other outlays and receipts.

Table 1 : U.S. Support and Farm Prices

Grain/year	Target Price	Average Loan Rate	Average Farm Price[a]	Deficiency Payment Rate[b]
	(-------	-------	$/bu. -------	-------)
Wheat				
1981	3.81	3.20	3.65	0.15
1982	4.05	3.55	3.53	0.50
1983	4.30	3.65	3.55	0.65
Corn				
1981	2.40	2.40	2.50	0
1982	2.70	2.55	2.68	0.15
1983	2.86	2.65	3.20-3.40	0
Sorghum				
1981	2.55	2.28	2.39	0.27
1982	2.60	2.42	2.52	0.18
1983	2.72	2.52	2.80-3.00	0
Barley				
1981	2.60	1.95	2.45	0.11
1982	2.60	2.08	2.23	0.40
1983	2.60	2.16	2.45-2.55	0.21
Oats				
1981	none	1.24	1.89	0
1982	1.50	1.31	1.48	0
1983	1.60	1.36	1.60-1.70	0.11
Rye				
1981	none	2.04	2.99	none
1982	none	2.17	2.37	none
1983	none	2.25	2.45	none
Rice[c]				
1981	10.68	8.01	9.05	0.28
1982	10.85	8.14	8.11	2.71
1983	11.40	8.14	8.50-9.50	2.70

[a] 1983 farm price is preliminary.

[b] Deficiency payment rates are based upon the average farm price over the first five months of the marketing year.

[c] Values are $/cwt.

Table 2 : U.S. Production and Government Payments

Grain/year	Total U.S. Production	Production Under Support Programs[a, b]	Deficiency Payments	Total Government Payments [c]
	(-------billion bushels------)		(----million dollars---)	
Wheat				
1981	2.8	2.8	414.5	865.7
1982	2.8	1.2	476.0	688.9
1983	2.4	1.5	845.0	1,374.3
Corn				
1981	8.2	8.2	0	456.6
1982	8.4	2.2	290.8	916.6
1983	4.2	1.9	0	1,165.0
Sorghum				
1981	0.9	0.9	233.0	341.1
1982	0.8	0.4	64.2	179.6
1983	0.5	0.3	0	167.0
Barley				
1981	0.5	0.5	48.1	73.8
1982	0.5	0.2	60.1	84.8
1983	0.5	0.2	42.0	93.0
Oats				
1981	0.5	0.5	0	0.4
1982	0.6	0.1	0	1.1
1983	0.5	0.1	9.0	22.0
Rye				
1981	0.02	0.02	none	none
1982	0.02	0.02	none	none
1983	0.03	0.03	none	none
Rice[d]				
1981	182.7	86.7 (est.)	21.5	21.8
1982	154.2	112.7 (est.)	267.2	267.2
1983	103.3	97.2 (est.)	256.2	282.1

[a] Estimated

[b] In 1981 there was no acreage reduction program, so all production was eligible for price support.

[c] Total government payments to producers are the sum of deficiency payments, payments to the farmer-owned reserve, disaster payments, and land diversion payments. This last item was paid only in 1983 and is the major item for corn, sorghum and oats. Payments for the PIK program are not included because they were transfers of commodities from government storage to the participants.

[d] Volume is million cwt.

B. Cotton: Upland, Extra Long Staple

I. Nature and Extent

(a) Background and Authority

The same background and authority exists for cotton as for grains.

Under Section 22 of the Agricultural Adjustment Act of 1933, as amended, controls may be placed on imports which may render ineffective price support or stabilization programs. Such import quotas have been placed on cotton. However, if the average U.S. spot market price is unusually high, the quota can be increased by a certain amount. There are no export incentives for U.S. cotton.

(b) Incidence

The support programs for cotton provide for a loan rate, a target price, a deficiency payment, and supply management. To be eligible for support programs, participating farmers must adhere to the regulations of the supply management program.

Loan Rates:

The 1981 Act prescribes the loan rate for upland cotton as the lower of 85 percent of the average U.S. spot prices during previous years or 90 percent of recent average northern Europe prices. This is done to allow cotton to be priced competitively in domestic and foreign markets. The 1984 loan rate for upland cotton is 55 cents per pound (the minimum prescribed by the Act); for extra-long staple it is 82.50 cents per pound.

The loan period for cotton is 10 months, and may be extended under certain conditions. The loan rate for ELS cotton is set at not less than 150 percent of upland's.

Target Prices:
The 1981 Act and the 1984 Act mandate that the target price for upland cotton cannot be less than the following:

Crop Year	Price
1982	$0.71 per pound
1983	0.76
1984	0.81
1985	0.81

The actual target prices are the higher of the minimum levels plus any adjustment for changes in cost of production, or 120 percent of the loan rate.

Deficiency Payments:

Deficiency payments are calculated in the same way for cotton as for grains, except that the average farm price used is for the entire calendar year in which the crop was planted.

Supply Management:

Cotton supply management, like that for grain, includes acreage reduction and paid land diversion. In crop year 1984, upland has an acreage reduction of 25 percent and ELS has a reduction of 10 percent. If 1984 end stocks of upland cotton exceed 3.7 million bales, acreage reduction of 20 percent and paid land diversion of at least 5 percent will take effect. The payment rate will be $0.25 to $0.35 per pound, depending on the size of end stocks. Participating farmers will receive at least 50 percent of the land diversion payment at sign-up, and the balance later in the crop year.

(c) Amount:

In FY 1983, the U.S. Government spent $1,363 million (net) on the upland cotton program and $8 million (net) on the ELS cotton program. In crop year 1983, direct government payments to farmers (excluding loans) totalled $535 million for upland cotton (see Table 4).

(d) Estimated Amount per Unit:

See Tables 3 and 4 for this information.

II. Effect of the Program

(a) Because the United States is a major cotton producer and the cotton program is operated the same as that for grain, the effects of the cotton program on trade are the same as for grain. U.S. cotton is priced competitively on world markets. Import quotas are in effect to safeguard the price support program.

(b) Statistics for production, consumption and trade are given in the appendix.

Table 3 : U.S. Support and Farm Prices

Type/year	Target Price	Average Loan Rate	Average Farm Price	Deficiency Payment Rate
	(-----	-----	¢/lb. -----	-----)
Upland				
1981	70.9	52.5	54.0	7.7
1982	71.0	57.1	59.1	13.9
1983	76.0	55.0	66.4 [1]	12.1
ELS				
1981	none	99.0	96.9	0
1982	none	99.9	98.5	0
1983	none	96.2	114.0 [1]	0

[1] Weighted average for the first five months of the marketing year.

Table 4 : U.S. Production and Government Payments

Type/year	Total U.S. Production (million bales)	Deficiency Payments	Total Government Payments[a]
		(------------- million $	------------)
Upland			
1981	15.6	467.4	548.6
1982	11.9	518.9	649.9
1983	7.6	530.0 (est.)	535.0 (est.)
ELS			
1981	.08	none	none
1982	.10	none	none
1983	.09	none	none

[a] Total government payments are the sum of deficiency, disaster and land diversion payments.

C. Oilseeds:

Soybeans

I. Nature and Extent

(a) Background and Authority:

The price support program for soybeans is derived from the same background and authority as that for grains. There are no export incentives or import barriers for soybeans.

(b) Incidence:

The price of soybeans is supported through nonrecourse loans to farmers and farmer organizations. The loan rate for soybeans is 75 percent of the adjusted 5-year national average price received by farmers, but not less than $5.02 per bushel. The 1984 loan rate for soybeans is $5.02 per bushel. National average rates are adjusted by producing area and quality.

(c) Amount:

In FY 1983, the U.S. Government spent $288 million (net) on the soybean program.

(d) Estimated Amount per Unit:

Year	Average Loan Rate	Average Farm Price
	-------($/bu.)-------	
1981	5.02	6.04
1982	5.02	5.50
1983	5.02	7.50-8.25

II. Effect of the Program

(a) The price support program for soybeans has no effect on trade. In recent years market prices have consistently been above loan rates, and thus there has been limited loan activity and purchases by the CCC.

(b) Statistics on production, consumption and trade are given in the appendix.

Peanuts

I. Nature and Extent

(a) Background and Authority:

The production adjustment program and the price support program for peanuts are derived from the same background and authority as those for grains. There are import quotas in effect and no direct export incentives. There is a dual price support system in effect, under which peanuts for domestic edible use are supported at one level, and peanuts for export or crushing are supported at a lower level, set consistent with the world market price.

(b) Incidence:

The price of peanuts is supported through nonrecourse warehouse-storage loans to approved grower associations acting for farmers. The loan rate for quota peanuts may not be less than $550 per short ton; in crop years 1983-1985, it may be adjusted upward a maximum of 6 percent a year according to cost of production increases. The Secretary of Agriculture sets loan rates for additional (over-quota) peanuts at levels considering the demand for oils and meals, and at levels to ensure there are no losses to the CCC on the sale or disposal of such peanuts. In 1983 the national support levels were $550 per short ton for quota peanuts and $185 per short ton for additionals. National average rates are adjusted by producing area and quality.

In addition to price support, peanuts are under a supply management program. The first part is the quota system; a national poundage quota is set and farm quota holders receive a farm poundage quota which is a proportionate share of the national poundage quota. In most cases, quota peanuts fill domestic demand for peanuts for human consumption (i.e. not for crushing). Peanuts grown in excess of the farm poundage quota or by farmers without a quota must be contracted for export, crushing for oil, or CCC loan; it is possible for CCC additional peanuts to enter the domestic edible market under certain conditions. The national poundage quota is set at 1.2 million tons in 1982, 1.1673 in 1983, 1.1347 in 1984, and 1.1 million in 1985. In addition, there is an import quota of 854.5 short tons (shelled basis) on peanuts (shelled or unshelled, blanched or otherwise prepared or preserved, except peanut butter).

(c) Amount:

In FY 1983, the U.S. Government received $6 million (net) from the peanut program (that is, loan repayments and sales exceeded loan disbursements, purchases, and other costs).

(d) Estimated Amount per Unit:

Year	Average Loan Rate	Average Farm Price
	(¢/lb)	
1981	22.75 quota	26.9
	12.5 additional	
1982	27.5 quota	24.9
	10.0 additional	
1983	27.5 quota	24.0 (preliminary)
	9.25 additional	

II. Effect of the Program

(a) Despite its complexity, the peanut program is not believed to have much effect on trade. Quota peanuts have a support price higher than the world price, so usually there is no incentive to export these peanuts. The support price for additional peanuts, most of which are grown specifically for the export market, is set below world prices. The peanut program acts to balance production and consumption of domestically consumed peanuts at a high price while enabling farmers to respond to world markets through production of lower priced additional peanuts. The peanut program has not encouraged growth in production or exports; rather, both have held steady over the past several years.

As far as imports are concerned, the import quota is needed to protect the price support program. However, there are production controls on the higher-priced (quota) peanuts. This production quota is being reduced to be more closely aligned with domestic demand.

(b) Statistics on production, consumption and trade are given in the appendix.

D. Dairy

I. Nature and Extent

(a) Background and Authority:

The Agricultural Act of 1949 requires that the price of milk to producers be supported at a level between 75 and 90 percent of parity that will assure an adequate supply of milk, reflect changes in the cost of production, and assure a level of farm income that will maintain productive capacity sufficient to meet future needs. Legislation enacted in 1977, 1979 and 1981 adjusted price supports within these limits. The most recent dairy legislation, the Dairy and Tobacco Adjustment Act of 1983, reduced price support levels and initiated a paid-diversion program to lower production.

Import quotas have been placed on many dairy products according to the provisions of Section 22 of the Agricultural Act of 1933, as amended. Overall, the United States is a net importer of dairy products. There are no export incentives for dairy, although in unusual circumstances the U.S. Government has used its authority to dispose of excess stocks.

(b) Incidence:

The CCC supports milk prices by buying butter, cheese and non-fat dry milk from manufacturers at announced prices which correspond to the support price for manufacturing milk. Effective December 1, 1983, the minimum support price for milk with 3.67% butterfat (the national test average) was reduced to $12.60 per hundredweight (cwt.), 50¢ less than the previous support price. These prices will stay in effect until September 30, 1985. However, USDA may reduce the support level by 50¢ on April 1, 1985, if it estimates that net purchases of milk and products by the CCC will exceed 6 billion pounds (milk equivalent) in the succeeding 12 months. USDA may further reduce the support level by 50¢ per cwt. on July 1, 1985, if it estimates net purchases of milk and milk products will exceed 5 billion pounds (milk equivalent) in the succeeding 12 months.

In addition, the Dairy and Tobacco Adjustment Act of 1983 mandated a voluntary paid-diversion program, under which producers will be paid $10 per cwt. for reducing milk marketings 5 to 30 percent below their established average. This program operates from January 1, 1984 through March 31, 1985, and is open to established producers in the 48 contiguous states who have been actively engaged in milk production on November 29, 1983. Participants cannot sell or lease cows to others for milking while in the program. From December 1, 1983 through March 31, 1985, a 50¢ per cwt. assessment is being made on all milk produced in the 48 contiguous states and marketed by producers for commercial use to help defray costs of the paid-diversion program. Twelve percent of U.S. dairy farmers are expected to participate; their reduction would equal an estimated 5.5 percent of the previous year's total milk production during the 15 months of the program.

There is an additional 15¢ per cwt. assessment to raise funds to be used for programs to increase consumption. Several states already have similar programs in effect.

CCC-owned dairy products will be offered for sale for unrestricted use at prices which approximate 110 percent of the CCC's purchase price.

(c) Amount:

In FY 1983, the U.S. Government spent $2,528 million (net) on the dairy program.

(d) Estimated Amount per Unit:

There are no legal requirements that the Government pay producers the support price. Rather, it is obligated to support the market price of milk at a certain level by CCC purchases of milk products at fixed prices. These purchases raise demand so that, ideally, processors will offer the support price to milk producers. However, in recent years milk production has been so high that, despite very large purchases by the CCC, processors have not bid milk prices up to the support price; thus, the average price received by farmers at the national average butterfat test has fallen short of the support price.

	Support Price at 3.67% butterfat	Average Farm Price at 3.67% fat
	(-----------------$/cwt.	------------------)
FY 1981	13.10	12.72
FY 1982		12.68
Oct. 1-20	13.49	
Oct. 21-Sept. 30	13.10	
FY 1983	13.10	12.66
FY 1984		
Oct. 1-Nov. 30	13.10	
Dec. 1-Sept. 30	12.60	

II. Effect of the Program

(a) In managing its dairy support program the United States strives to avoid setting support prices at levels which stimulate production beyond domestic market requirements. However, adjustmet of support prices alone has not proved sufficient in the case of falling feed grain prices and improving technology. In those instances when dairy surpluses have accumulated, the policy is to use special care in disposing of those surpluses. In most cases the surpluses can be directed to non-commercial markets (relief donations, concessional sales, etc.). General U.S. policy on dairy exports is to abide by the terms of the GATT International Dairy Arrangement. The United States remains a large net importer of dairy products.

It should be noted that under Section 22 of the Agricultural Adjustment Act of 1933, import quotas are in effect for certain cheeses and several other dairy products. (Section 22 provides for the imposition of import quotas on commodities under price support, if imports threaten to undermine the price support program.) The elimination of the dairy program would likely result in increased imports, but the amount of this increase would depend on other countries' subsidy levels.

Conversely, the dairy program is considered to inhibit exports because the support price is high relative to world prices.

(b) Statistics on production, consumption and trade are given in the appendix.

E. Sugar

I. Nature and Extent

(a) Background and Authority:

The price support program for sugar is derived from the same legislation as the grains programs. There are no export incentives for sugar. Import quotas are in effect under headnote authority of the Tariff Schedule of the United States of America. Import fees are authorized by Section 22 of the Agricultural Adjustment Act of 1933, as amended.

(b) Incidence:

Sugar prices are supported through purchases and nonrecourse loans made to sugar processors who must agree to pay at least the minimum level of support for the applicable region to any producer who delivers to them sugarbeets or sugarcane for processing. The 1981 Act set the minimum average support price for raw cane sugar at 17¢/lb. in 1982, 17.5¢/lb. in 1983, 17.75¢lb. in 1984, and 18¢/lb. in 1985. Refined beet sugar is supported at levels determined to be fair and reasonable in relation to the loan level for raw cane sugar. In 1983 the loan rates were 17.5¢/lb. for raw cane sugar and 20.85¢/lb. for refined beet sugar. The loan program is limited to domestically-grown sugarcane and sugarbeets.

(c) Amount:

In FY 1983, the U.S. Government spent $49 million (net) on the sugar program.

(d) Estimated Amount per Unit:

See I (b).

II. Effect of the Program

(a) The price support program is not intended to stimulate an increase in domestic production but to stabilize it and to support producer income in a time of world surpluses and low prices. Sugar imports currently are subject to quotas, except for raw sugar to be refined or incorporated in other products and exported. Import fees are authorized, although they are currently set at the minimum of 0 cents per pound for raw sugar and 1 cent per pound for refined. The United States is a large net importer of sugar, and expects to remain so.

(b) Statistics on consumption, production and trade are given in the appendix.

F. Tobacco - Burley, Flue-cured, and Others (dark air-cured, fire-cured, Puerto Rican, sun-cured, cigar binder, cigar filler and binder)

I. Nature and Extent

(a) Background and Authority:

The price support program for tobacco is derived from the same laws for the same reasons as the grains program. The Dairy and Tobacco Adjustment Act of 1983 also governs the support program. There are no import quotas or export incentives for tobacco.

(b) Incidence:

Two features - supply management through marketing quotas and/or acreage allotments, and price support through nonrecourse loans - constitute the basic elements of the price support program for tobacco. Marketing quotas are in effect for those types of tobacco listed above; to be set up, quotas must be approved by more than two-thirds of the producers voting in a referendum. Marketing quotas were disapproved for Pennsylvania cigar-filler and Maryland tobaccos. In addition, there are acreage allotments for the above tobaccos except burley. Price supports are mandatory under domestic law when marketing quotas have been approved by growers. The 1984 support price for flue-cured tobacco is $1.699 per pound; support prices for other types are tied to this price. Under the price support program CCC loans are made available through producer associations with the tobacco as collateral. The associations repay the loans as the tobacco is sold.

The Agriculture and Food Act of 1981 directs the Secretary of Agriculture to operate the tobacco support program at no net cost to taxpayers other than administrative expenses. Specifically, tobacco associations must reimburse the CCC for any losses it incurs in selling its tobacco stocks. Tobacco associations are required to establish a separate capital account to cover these losses consisting of contributions or assessments paid by producers, and producers must pay into this account for all quota tobacco marketed by them from their farms to be eligible for price support.

(c) Amount:

In FY 1983, the U.S. Government spent $880 million (net) on the tobacco program, most of which was loan payments. (This is not considered a "net cost" because the CCC has assets of tobacco equal in value to the outstanding loans.)

(d) Estimated Amount per Unit:

Support prices and average farm prices for burley and flue-cured tobacco, the major types grown in the United States, are given below.

	National Average Support price	Average Farm Price
	(---------------¢/lb.	---------------)
Flue-Cured		
1981	158.7	166.4
1982	169.9	178.5
1983	169.9	177.9 (preliminary)
Burley		
1981	163.6	180.7
1982	175.1	181.0
1983	175.1	177.5 (estimate)

II. Effect of the Program

(a) In general, the U.S. price support program has not increased exports or decreased imports. Some American tobaccos command a premium price because of their high quality. However, the support program has raised American tobacco prices higher than they would be otherwise, possibly acting as an import incentive and an export disincentive.

(b) Statistics on production, consumption and trade are given in the appendix.

G. Honey

I. Nature and Extent

(a) Background and Authority:

The honey support program is operated under the same law as the grains programs. The program provides market stability to producers and encourages maintenance of bee populations which are vital for pollination of important seed, fruit and vegetable crops. There are no import quotas or export incentives for honey.

(b) Incidence:

Honey is supported through a loan and purchase program. The national average support price for 1983-crop honey is 62.2 cents per pound. Loans are available for extracted honey in 60-pound and larger containers. The support level must be set between 60 and 90 percent of parity. Differentials are provided according to color and class.

(c) Amount:

In FY 1983, the U.S. Government spent $48 million (net) on the honey program.

(d) Estimated Amount per Unit:

The national average support price and farm price are given below:

	Support Price	Farm Price
	(---------------¢/lb.--------------)	
1981	57.4	56.5 (est.)
1982	60.4	55.8 (est.)
1983	62.2	54.4 (est.)

II. Effect of the Program

(a) The support price for honey is higher than the world market price. Hence, the CCC has acquired stocks of honey under loan.

(b) Statistics on production, consumption and trade are given in the appendix.

H. Wool and Mohair

I. Nature and Extent

(a) Background and Authority:

In addition to the legislation named in the grains section, authority for wool and mohair support comes from the National Wool Act of 1954, as amended, which was extended through December 31, 1985, by the Agriculture and Food Act of 1981. There are no import quotas or export incentives for wool or mohair.

(b) Incidence:

Support is carried out through incentive payments to producers. These payments encourage producers to improve the quality and marketing of wool and mohair, since the producers who get higher prices for wool and mohair also get higher incentive payments. Payments are based on the percentage, called the payment rate, needed to bring the average return received by all producers up to the support level. To determine a producer's payment, the payment rate is applied to the individual producer's net proceeds from the sale of wool or mohair. The support prices for 1983 were $1.53 per pound for wool and $4.53 per pound for mohair.

(c) Amount:

In FY 1983, the U.S. Government spent $94 million (net) on the wool and mohair programs.

(d) Estimated Amount per Unit:

The national average support prices, farm prices and payment rates are given below:

	Support Price	Farm Price	Payment Rate [1]
	(-------------$/lb.	-------------)	(% of market return)
Wool			
1981	1.35	0.945	42.9
1982	1.37	0.684	100.3
1983	1.53	0.72 (est.)	112.5 (est.)
Mohair			
1981	3.718	3.50	6.3
1982	3.977	2.55	56.0
1983	4.63	4.50 (est.)	2.9 (est.)

[1] See explanation in I(b).

II. Effect of the Program:

(a) The wool program does not affect production or trade to a great extent because the dominant factor in wool production is the price of meat rather than the price of wool. The United States is and expects to remain a wool importer and a minor producer.

Because mohair prices are much greater than wool prices, goat meat prices are less important in determining mohair production than lamb prices are for wool. Even so, the mohair program is not believed to have a significant impact on mohair trade.

(b) Statistics on production, consumption and trade are given in the appendix.

Commodity Credit Corporation
Export Credit and Credit Guarantee Programs

I. Nature and Extent

(a) Background and Authority

The Commodity Credit Corporation (CCC) is a Federal corporation within the Department of Agriculture. The Corporation was created to stabilize, support, and protect farm income and prices. The CCC also helps maintain balanced and adequate supplies of agricultural commodities and helps in their orderly distribution.

The CCC is authorized to sell agricultural commodities to foreign governments and make food donations to domestic, foreign, or international relief agencies. The CCC may barter surplus commodities for materials for the U.S. strategic stockpile, but it has done so only twice in the last few years, both times exchanging dairy products for Jamaican bauxite. The CCC also assists in the development of new domestic and foreign markets and marketing facilities for agricultural commodities through direct credit and credit guarantees for exports of many commodities.

(b) Incidence:

CCC's export credit guarantee programs are designed to expand U.S. agricultural exports by facilitating private U.S. financing of foreign purchases on credit terms of up to three years. The programs provide protection to the U.S. exporter or the U.S. financial institutions against nonpayment by the foreign importer's bank for commercial or noncommercial reasons without distinction. The programs operate in cases where credit is necessary to increase or maintain U.S. exports to a foreign market and whose private financial institutions would be unwilling to provide the financing without CCC's guarantee. These programs are authorized under Section 5 (f) of the Commodity Credit Corporation Charter Act. The several programs are explained below.

1. GSM-102 (Export Credit Guarantee Program). As its title indicates, it is a guarantee program, not a direct credit program. U.S. commercial banks extend the credit for periods of up to three years. The U.S. exporter pays a fee to the CCC for the guarantee, and the U.S. lender sets the interest rate. The guarantee covers 98 percent of the financed principal and interest up to eight percent per annum on the guaranteed amount of credit made available through private lenders.

In FY 1983, the CCC approved $4,592 million dollars in credit guarantees, of which $822.5 million was blended with direct credits (see para. 3 below). Products covered include wheat and flour, feedgrains, rice, oilseeds and products, pulses, livestock and products, poultry and eggs, cotton, and planting seeds, among others.

2. GSM-101 (Non-Commercial Risk Assurance Program). This is a guarantee program which preceded GSM-102. This program is no longer being used, although there remain some outstanding contracts.

3. A blended credit program, initiated October 20, 1982, using GSM-5 (Export Credit Sales Program) direct credit and GSM-102 commercial export credit guarantees. The credit is blended in a certain ratio of government-guaranteed credit and interest-free direct government credit. (There are substantial interest penalties for nonpayment of GSM-5 funds.) The blended credit is for terms of up to three years.

In FY 1983, the CCC made available $1,089 million dollars of this blend of export credits and credit guarantees. Of the $1,089 million, $1,028 million was approved, of which $205.6 million was GSM-5 interest-free credit and $822.5 million was GSM-102 credit guarantees (see para. 1 above). Products covered included wheat and flour, rice, feedgrains, oilseeds and meal and oil, livestock, semen, cotton, tobacco, feed concentrates, vegetable seed, tallow and lumber. In FY 1984, blended credit is available only for wheat.

4. The CCC has direct lending authority also under GSM-201 (for the export of breeding animals), and GSM-301 (intermediate credit principally for use in developing infrastructure in developing countries). These two programs have not been funded for several years.

5. The Agriculture and Food Act of 1981 established a revolving fund to finance the existing direct credit programs; however, no funds have been appropriated by Congress to fund this program.

(c) Amount:

In FY 1983, the U.S. Government spent $389 million (net) on these programs.

Approved CCC Credit and Credit Guarantees

Fiscal Year	GSM-5	GSM-102	GSM-301
	(-------------	$ million	-------------)
1981	0	1,744 [1]	17
1982	0	1,386 [1]	0
1983	206 [2]	4,592 [2]	0

[1] Preliminary

[2] Sales registered to date. Final export figures not yet available.

(d) Estimated Amount per Unit:

Not applicable.

II. Effect of the Program

(a) As explained in section I(b), these programs operate in cases where foreign financial institutions would be unwilling to provide the financing without the CCC's guarantees. The GSM-102 program serves to open up trade in situations in which a sale, for political or other reasons, would not be made. The blended credit program was used to meet competition posed by subsidized exports by other exporting countries in specific foreign markets by effecting a lower interest rate for the entire sale. The actual subsidy amount would be unknown since the interest rate on the GSM-102 portion is set by the lending and borrowing banks. In fiscal year 1983, blended credit was extended to about 4 percent of U.S. exports of the commodities covered. Credit guarantees were extended to less than 14 percent of U.S. exports of the commodities covered.

(b) Not applicable.

United States
Statistics of Production, Consumption, Imports, and Exports

(1,000 Metric Tons)

Commodity/Year [a]	Production	Consumption	Imports	Exports
Wheat (June-May)				
1976-77	58,487	20,549	82	25,855
1977-78	55,684	23,378	54	30,590
1978-79	48,336	22,776	27	32,500
1979-80	58,080	21,311	54	37,422
1980-81	64,618	21,129	82	41,204
1981-82	76,178	23,298	82	48,199
1982-83	76,538	25,400	190	41,068
1983-84	66,009	32,120	82	38,100
Feedgrains (market year)				
1976-77	194,355	131,380	349	50,604
1977-78	205,731	138,313	304	56,290
1978-79	222,140	157,242	262	60,199
1979-80	236,747	161,400	302	71,369
1980-81	198,429	147,212	255	69,506
1981-82	248,968	156,820	250	58,555
1982-83	254,621	171,235	378	54,020
1983-84	137,995	156,734	516	56,250
Upland Cotton (August-July)				
1976-77	2,290	1,436	5	1,040
1977-78	3,108	1,397	---	1,183
1978-79	2,343	1,369	---	1,339
1979-80	3,164	1,402	1	1,998
1980-81	2,339	1,259	6	1,283
1981-82	3,389	1,135	4	1,427
1982-83	2,583	1,188	3	1,131
1983-84	1,662	1,263	2	1,486
Extra Long Staple Cotton (August-July)				
1976-77	14	17	4	1
1977-78	24	15	1	5
1978-79	20	14	---	7
1979-80	22	14	---	11
1980-81	23	14	---	7
1981-82	17	11	2	3
1982-83	22	12	2	3
1983-84	20	15	1	6

Commodity/Year a/	Production	Consumption	Imports	Exports
Milled Rice (August-July)				
1976-77	3,781	1,618	3	2,097
1977-78	3,120	1,248	3	2,270
1978-79	4,271	1,708	3	2,431
1979-80	4,324	1,794	3	2,706
1980-81	4,838	2,113	7	3,028
1981-82	5,974	2,247	13	2,683
1982-83	4,947	2,050	21	2,219
1983-84	3,234	2,160	25	2,100
Soybeans (September-August)				
1976-77	35,070	23,584	---	15,351
1977-78	48,097	27,451	---	19,061
1978-79	50,859	30,390	---	20,117
1979-80	61,722	32,872	---	23,818
1980-81	48,772	30,175	---	19,712
1981-82	54,435	30,566	---	25,285
1982-83	60,677	32,858	---	24,634
1983-84	43,421	30,032	---	19,731
Dairy/Butter				
1977	493	429	1	2
1978	451	446	---	2
1979	447	461	1	2
1980	519	463	1	---
1981	557	447	1	54
1982	570	486	1	56
1983 (preliminary)	598	531	1	30
1984	510	520	1	50
Dairy/Cheese				
1977	1,523	1,597	95	17
1978	1,597	1,700	110	20
1979	1,686	1,769	112	5
1980	1,807	1,825	105	6
1981	1,940	1,916	112	6
1982	2,059	2,123	122	18
1983 (preliminary)	2,165	2,168	130	20
1984	1,950	2,210	130	25
Dairy/NFDM				
1977	502	342	1	74
1978	417	338	1	122
1979	412	374	1	89
1980	526	351	2	131
1981	596	304	1	155
1982	635	314	1	144
1983 (preliminary)	690	388	1	225
1984	530	350	1	250

Commodity/Year [a]	Production	Consumption	Imports	Exports
Raw Sugar (September-August)				
1976-77	6,234	10,019	4,482	40 [b]
1977-78	5,436	9,872	4,414	14
1978-79	5,557	9,751	4,416	16
1979-80	5,187	9,519	4,022	336
1980-81	5,355	8,916	3,746	720
1981-82	5,585	8,529	3,461	263
1982-83	5,295	8,187	2,621	226 (est.)
1983-84	5,185	7,915	2,676	415 (est.)
Peanuts (in shell) (August-July)				
1976-77	1,701	1,552	---	355
1977-78	1,690	1,236	---	465
1978-79	1,793	1,273	---	518
1979-80	1,800	1,302	---	479
1980-81	1,044	1,096	182	228
1981-82	1,806	1,390	1	261
1982-83	1,560	1,203	1	309
1983-84	1,485	1,209	1	351
Unmanuf. Tobacco				
1977	783 [c]	612	139	290
1978	828	672	167	321
1979	624	611	186	259
1980	730	661	169	273
1981	842	739	239	266
1982	759	706	247	261
1983 (estimate)	565	700	195	235
Honey				
1977	81	109	29	2
1978	105	126	25	4
1979	108	128	27	4
1980	91	103	22	4
1981	84	105	35	4
1982	104	114	42	4
1983	93	118	45	4
Wool (clean)				
1978	25 [d]	52	23	---
1979	25	53	19	---
1980	25	56	26	---
1981	26	63	34	---
1982	25	52	28	1
1983	na	65	35	---

Commodity/Year [a]	Production	Consumption	Imports	Exports
Mohair (clean)				
1978	3	---	---	3
1979	3	---	---	3
1980	3	---	---	3
1981	3	---	---	3
1982	3	---	---	4
1983	na	---	---	4

--- = less than 500 metric tons

na = not available

[a] Crop year 1983-84 and calendar year 1984 are projected.

[b] Refined.

[c] Dry weight.

[d] Shorn only.