Agricultural Export Programs: Background and Issues

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Summary

U.S. agricultural exports have exceeded agricultural imports in every year since 1970, according to the U.S. Department of Agriculture (USDA). The most recent forecast for FY2013 is that U.S. agricultural exports will reach $139.5 billion, an all-time high. If this forecast holds, the FY2013 forecast will have exceeded the record high of $137.4 billion in FY2011. U.S. agricultural imports are forecast to reach $111 billion in FY2013, resulting in a $28.5 billion export surplus for U.S. agricultural trade.

The United States operates a number of programs that aim to develop overseas markets for U.S. agricultural products. The 2008 farm bill, which authorized these trade programs, expired in 2012. "Fiscal cliff" legislation (P.L. 112-240) extended provisions of the 2008 farm bill, including those for export programs, until September 30, 2013. Congress is currently considering a 2013 farm bill (the Senate-passed S. 954 and the House Agriculture Committee-reported H.R. 1947) that would reauthorize export programs through 2018. Funding for agricultural export programs is mandatory, and thus not subject to annual appropriations. Annual appropriations acts, however, have sometimes imposed spending conditions on these mandatory programs.

The trade title of the 2008 farm bill, the Food, Conservation, and Energy Act of 2008 (Title III of P.L. 110-246), authorized, amended, and repealed three main types of agricultural export programs:

- **Export market development programs.** The Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA) administers five market development programs that aim is to assist U.S. industry efforts to build, maintain, and expand overseas markets for U.S. agricultural products. These are the Market Access Program (MAP); the Foreign Market Development Program (FMDP); the Emerging Markets Program (EMP); the Quality Samples Program (QSP), and the Technical Assistance for Specialty Crops Program (TASC). The 2008 farm bill made organic products eligible for market development programs and increased funds available to address sanitary and phytosanitary barriers to U.S. specialty crops;
- **Export credit guarantee programs.** Through the GSM-102 Program and the Facility Guarantee Program, USDA's CCC guarantees loans so that private U.S. financial institutions will extend financing to buyers in emerging markets that want to purchase U.S. agricultural exports. The 2008 farm bill made changes to export credit programs to conform to U.S. commitments in the World Trade Organization (WTO).
- **Direct export subsidy program**s. The 2008 farm bill reauthorized the Dairy Export Incentive Program (DEIP) and repealed authority for the Export Enhancement Program (EEP), which had been inactive since FY2002.

Important factors affecting U.S. agricultural exports in FY2013 include the value of the U.S. dollar vis-a-vis currencies of trading partners and the pace of economic growth, particularly in developing and emerging countries. According to USDA forecasters, moderate depreciation of the U.S. dollar and higher rates of economic growth in developing and emerging markets are contributing to a promising outlook for U.S. agricultural trade in FY2013. Issues for Congress include determining the role and effectiveness of the public vs. private sector for investing in the development of new markets; the Brazil WTO case against U.S. cotton subsidies and implications for trade relations; and the U.S. Trade Representative's approach to addressing agricultural trade barriers, primarily related to sanitary and phytosanitary issues.

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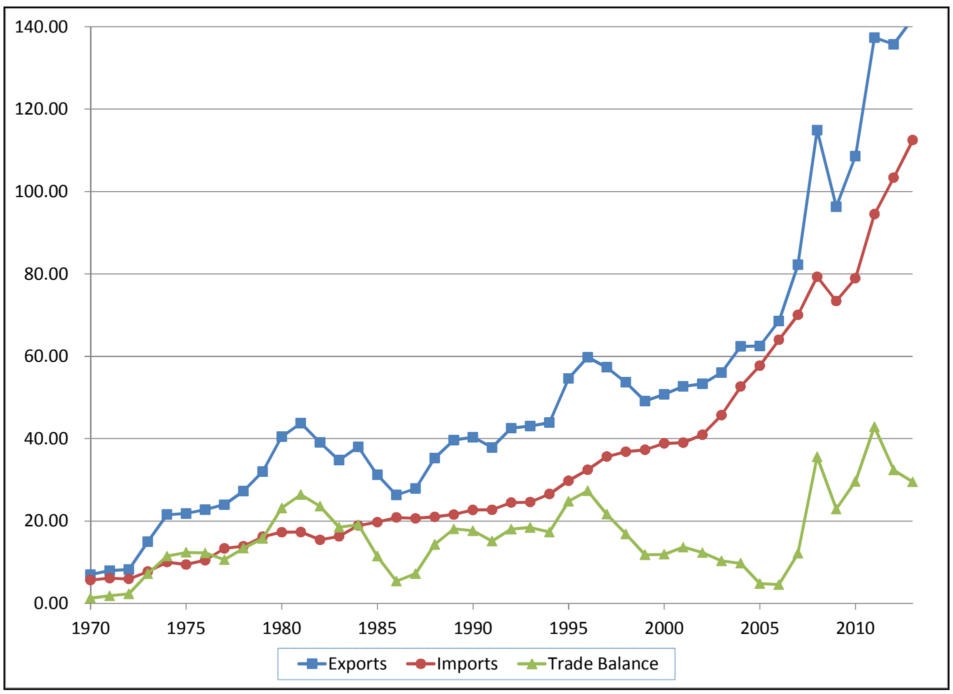
U.S. Agricultural Exports

Agricultural exports are important both to farmers and to the U.S. economy. With the productivity of U.S. agriculture growing faster than domestic demand, farmers and agricultural firms rely heavily on export markets to sustain prices and revenue. According to the U.S. Department of Agriculture's Economic Research Service (ERS), agricultural exports have exceeded agricultural imports in every year since 1970. (**Figure 1**). In FY2012, U.S. agricultural exports reached $135.8 billion, a decline from the record high of $137.4 billion in FY2011. With agricultural imports of $103.4 billion, the FY2012 agricultural trade surplus was $32.4 billion, $10 billion less than in FY2011. The agricultural trade outlook for FY2013 has exports rebounding to $139.5 billion, which would be a new record high.[1] U.S. agricultural imports are forecast to rise to $111 billion in FY2013, which would result in a $28.5 billion trade surplus for agricultural goods.

Figure 1. Value of U.S. Agricultural Trade, FY1970-FY2013F

(US$ billions)



F = Forecast

Source: USDA Economic Research Service (ERS). See **Appendix A**.

Notes: U.S. foreign agricultural trade data can be obtained at http://www.ers.usda.gov/data-products/foreign-agricultural-trade-of-the-united-states-(fatus).aspx.

USDA estimates that from 26% to 30% of farm cash receipts in any one year come from exports.[2] The United States exports 64% of its almond crop; 74% of its cotton; 89% of cattle hides; 49% of

[1] USDA Economic Research Service, "Outlook for U.S. Agricultural Trade," May 30, 2013, http://www.ers.usda.gov/media/1121567/aes78.pdf.

[2] See USDA Foreign Agricultural Service Factsheet: http://www.fas.usda.gov/info/NEI/NEInewrev.pdf.

rice; 50% of wheat; and 34% of soybeans. According to a USDA study, each dollar received from agricultural exports stimulated an additional $1.65 in supporting activities to produce those exports. Agricultural exports generate over 1 million U.S. jobs both on and off the farm.[3] According to a study by agricultural economists from Texas A & M University, agricultural exports in 2009 resulted in direct farm and indirect (nonfarm) employment of 1.6 million jobs.[4]

The top country destinations for U.S. agricultural exports in FY2012 are given in **Table 1**. While North American Free Trade Agreement (NAFTA) partners Canada and Mexico have been the largest two markets for U.S. agricultural exports over the past few years, in FY2012 China surpassed Canada as the leading U.S. agricultural export destination.

Table 1. Top U.S. Agricultural Export Destinations, by Value, FY2012

Rank	Country	US$ billions	% of Total
1	China	23.4	17.2
2	Canada	20.0	14.7
3	Mexico	18.9	13.9
4	Japan	13.7	10.1
5	European Union-27	8.9	6.5
6	South Korea	6.2	4.6
7	Hong Kong	3.4	2.5
8	Taiwan	3.1	2.3
9	Indonesia	2.5	1.8
10	Philippines	2.3	1.7
11	Turkey	1.9	1.4
12	Egypt	1.8	1.3
13	Russia	1.5	1.1
14	Venezuela	1.5	1.1
15	Vietnam	1.5	1.1

Source: Rank compiled by CRS using data from the USDA Economic Research Service, "Outlook for U.S. Agricultural Trade," May 30, 2013, http://www.ers.usda.gov/media/1121567/aes78.pdf.

Notes: In FY2012, the total value of U.S. agricultural exports was $135.8 billion.

The top exported commodities in FY2012 are given in **Table 2**. Strong demand, especially from China, helped make soybeans and products the largest U.S. agricultural export commodity in FY2012.

[3] William Edmondson, *U.S. Agricultural Trade Boosts Overall Economy*, USDA Economic Research Service, FAU-124, Washington, DC, April 2008, http://www.ers.usda.gov/Publications/FAU/2008/04Apr/FAU124/FAU124.pdf.

[4] M. Paggi, C. Par Rosson, F Adcock, and D. Hanselka, "National and Regional Impacts of U.S. Agricultural Exports", *Choices*, September 5, 2012.

Table 2. Top U.S. Agricultural Export Commodities, by Value, FY2012

Rank	Commodity	US$ millions	% of Total
1	Soybeans and Products	19,797	14.6
2	Corn	11,240	8.3
3	Wheat Unmilled	8,353	6.2
4	Cotton	6,553	4.8
5	Other Feeds & Fodder	5,998	4.4
6	Pork Products	4,961	3.7
7	Misc. Horticultural Products	4,790	3.5
8	Beef & Veal Products	4,596	3.4
9	Chicken Products	3,902	2.9
10	Soybean Meal	3,844	2.8
11	Other Grain Products	3,521	2.6
12	Almonds	3,299	2.4
13	Rice-Paddy Milled	1,977	1.5
14	Other Veg Oils/Waxes	1,818	1.3
15	Related Sugar Products	1,797	1.3

Source: USDA Economic Research Service, http://www.ers.usda.gov/data-products/foreign-agricultural-trade-of-the-united-states-(fatus).aspx.
Notes: In FY2012, the total value of U.S. agricultural exports was $135.8 billion.

Nearly every state exports agricultural commodities. **Table 3** gives the 10 states with the greatest shares of U.S. agricultural exports by value in calendar year (CY) 2011. These 10 states accounted for 56% of total U.S. agricultural exports in FY2011.[5]

Table 3. Top Exporting States of Agricultural Commodities, CY2011

Rank	State	US$ millions	% of Total
1	California	17,844.4	13.1
2	Iowa	10,576.6	7.8
3	Illinois	8,238.3	6.0
4	Texas	7,552.6	5.5
5	Nebraska	6,930.0	5.1
6	Minnesota	6,737.9	4.9
7	Kansas	5,264.7	3.9
8	Indiana	4,655.3	3.4
9	North Dakota	3,947.9	2.9
10	Missouri	3,879.1	2.8

Source: USDA, ERS.
Notes: For CY2011, the total value of U.S. agricultural exports was $136.4 billion.

[5] Agricultural export data by state is available from USDA's Economic Research Service at http://www.ers.usda.gov/data-products/state-export-data.aspx.

Economic Factors Affecting Agricultural Trade

U.S. and global trade are greatly affected by the growth and stability of world markets.[6] Changes in world population, economic growth, and income, tastes and preferences in foreign markets, and exchange rates are most likely to alter global food demand. U.S. domestic farm policies that affect price and supply, and trade agreements with other countries, also influence the level of U.S. agricultural exports.

Global economic growth is projected to average 2.3% in 2013, mostly due to resumed high growth rates in emerging market countries such as China and India and a return to strong growth in other developing countries. Developing countries account for a major portion of the projected increase in world agricultural imports. Countries in Africa and the Middle East account for 60% of the growth in poultry and meat imports and are projected to account for 50% of the increase in world wheat imports, 40% of the growth in rice and coarse grain imports, and 13% of the rise in soybean oil imports. Food consumption and feed use are particularly responsive to income growth in those countries, with movement away from staple and traditional food crops and toward increased diversification of diets. Demand from developing countries is further reinforced by population growth rates nearly twice those of developed countries.

Since 2002, the U.S. dollar has depreciated in value, and this trend is expected to remain over the next decade. The depreciation of the dollar makes U.S. agricultural exports increasingly competitive in international markets, lowering the price of U.S. goods in global markets relative to competing goods priced in appreciating currencies. Similarly, a weak dollar tends to dampen imports by raising the price of foreign goods priced in appreciating currencies relative to U.S. domestic goods. Combined with a return to global economic growth, with gains in developing countries particularly important for agricultural demand, prospects for U.S. agricultural exports are improved.[7]

Two of the most important factors affecting U.S. agricultural trade—rate of growth in gross domestic product (GDP) and exchange rates for 2012 and 2013—are shown for several geographic regions and countries in **Table 4**.

While many economic factors are beyond the scope of congressional action, farm bills have typically included programs that promote commercial agricultural exports.

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6 For more information about U.S. agricultural trade, see CRS Report 98-253, *U.S. Agricultural Trade: Trends, Composition, Direction, and Policy*, by Charles E. Hanrahan, Carol Canada, and Beverly A. Banks.

7 May Peters, Mathew Shane, and David Torgerson, *What the 2008/2009 World Economic Crisis Means for Global Agricultural Trade*, USDA Economic Research Service, WRS-09-05, Washington, DC, August 2009, http://www.ers.usda.gov/Publications/WRS0905/WRS0905.pdf.

Table 4. Macroeconomic Variables Affecting U.S. Agricultural Exports

Region/Country	Share of World GDP	2012 GDP Growth Rate	2013 GDP Growth Rate	Real Exchange Rate[a] 2012	Real Exchange Rate 2013
World	100	2.3	2.3	2.7	1.1
NAFTA	30.3	2.1	2.5	-0.2	-0.1
Canada	2.4	1.8	1.9	1.6	1.6
United States	26.2	2.2	2.5	0.0	0.0
Mexico	1.6	4.0	3.6	-5.4	-3.6
Latin America and Caribbean	7.2	2.2	3.3	2.6	5.8
Argentina	0.5	2.0	2.9	2.0	10.0
Brazil	2.4	0.9	2.9	13.4	6.5
Europe	30.1	-0.3	-0.3	8.0	-0.5
Asia and Oceania	26.6	4.4	4.1	0.3	3.1
China	7.5	7.8	7.7	-3.0	-1.2
Japan	8.8	2.0	1.0	2.2	7.5
South Korea	2.0	2.0	2.6	1.6	-2.5
Indonesia	0.8	6.2	5.9	4.8	-1.7
Vietnam	0.1	5.0	5.4	4.8	-1.7
India	2.3	5.1	5.8	1.7	7.6
Australia	1.6	3.6	2.7	-0.1	2.4
New Zealand	0.2	3.1	3.5	-1.4	1.4
Middle East	3.2	3.1	3.5	1.0	0.5
Turkey	0.8	2.3	3.7	0.4	-3.4
Africa	2.4	5.2	5.6	-1.0	-1.0

Source: Calculations and compilation by USDA's Economic Research Service using data from Global Insight, the International Monetary Fund, and Oxford Economics.

Notes:

a. Local currency per U.S. dollar. A negative rate indicates a depreciation of the dollar. Real exchange rates have a 2005 base year.

USDA's Agricultural Export Programs

The USDA's Foreign Agricultural Service (FAS) works to improve the competitive position of U.S. agriculture in the global marketplace.[8] To that end, FAS administers several export programs aimed at improving foreign market access for U.S. agricultural goods. The trade title of the 2008 farm bill, the Food, Conservation, and Energy Act of 2008 (Title III of P.L. 110-246), authorized

[8] An overview of the Foreign Agricultural Service is available at http://www.fas.usda.gov/aboutfas.asp.

and amended USDA's foreign agricultural export programs, which are funded through the borrowing authority of the Commodity Credit Corporation (CCC).[9] Fiscal cliff legislation (P.L. 112-240) extended all these programs at FY2012 funding levels until the end of FY2013. The 113th Congress is considering a new five-year farm bill that would reauthorize export market development and credit guarantee programs. Agricultural export programs include:

- export market development programs;
- export credit guarantee programs; and
- direct export subsidies.

The 2008 farm bill made changes to a number of programs that assist with financing U.S. agricultural exports or that help develop markets overseas.[10] Changes included modifying export credit guarantee programs to conform with U.S. commitments in the World Trade Organization (WTO), making organic products eligible for export market development programs, and increasing the funds available to address sanitary and phytosanitary barriers to U.S. specialty crop exports. In addition, the 2008 farm bill repealed the major U.S. export subsidy program (the Export Enhancement Program), and repealed two export credit guarantee programs (the GSM-103 program and the Supplier Credit Guarantee Program).

Market Development Programs

FAS supports U.S industry efforts to build, maintain, and expand overseas markets for U.S. food and agricultural products. FAS administers five market development programs:

- Market Access Program (MAP)
- Foreign Market Development Program (FMDP)
- Emerging Markets Program (EMP)
- Quality Samples Program (QSP)
- Technical Assistance for Specialty Crops Program (TASC)

In general, these programs provide matching funds to U.S. organizations to conduct a wide range of activities including market research, consumer promotion, trade servicing, capacity building, and market access support. FAS also facilitates U.S. participation in a range of international trade shows. The 2008 farm bill extended legislative authorization of CCC funds for the market development programs until the end of FY2012. P.L. 112-240 extended the authorization for these programs through FY2013. Export programs are funded through the borrowing authority of the CCC.

[9] The CCC is a U.S. government-owned and -operated corporation, created in 1933, with broad powers to support farm income and prices and to assist in the export of U.S. agricultural products. Toward this end, the CCC finances USDA's domestic price and income support programs and its export programs using its permanent authority to borrow up to $30 billion at any one time from the U.S. Treasury.

[10] For more information about agricultural export provisions in the 2008 farm bill, see CRS Report RS22905, *Agricultural Export Provisions of the 2008 Farm Bill*, by Charles E. Hanrahan.

Market Access Program (MAP)[11]

The Market Access Program (MAP), which aids in the creation, expansion, and maintenance of foreign markets for U.S. agricultural products, was originally authorized by the Agricultural Trade Act of 1978 (P.L. 95-501, as amended) and is administered by FAS.[12] MAP provides funding to nonprofit U.S. agricultural trade associations, nonprofit U.S. agricultural cooperatives, nonprofit state-regional trade groups, and small U.S. businesses for overseas marketing and promotional activities, such as trade shows, market research, consumer promotions for retail products, technical capacity building, and seminars to educate overseas customers. MAP funds assist primarily value-added products and can be used to support both generic promotions and brand-name promotions. Generic promotions are undertaken by nonprofit trade associations, state regional groups, and state agencies to increase demand for a specific commodity (e.g. peas, lentils, cotton) with no emphasis on a particular brand. MAP funds may be spent by the participating organizations themselves (direct funding) and/or can be redistributed to entities that have applied to participating organizations for MAP assistance (indirect funding). Since FY1998, USDA policy has been to prohibit the allocation of MAP funds to large U.S. companies. Agricultural cooperatives and small U.S. companies[13] can receive assistance under the brand program, which seeks to establish consumer loyalty for their brand-name products.[14] To conduct branded product promotion activities, individual companies must provide a funding match of at least 50% of the total marketing cost. For generic promotion activities, trade associations and others must meet a minimum 10% match requirement.

Although MAP is a mandatory program and hence does not require an annual appropriation, agriculture appropriations acts have on occasion capped the amounts that could be spent on the program or imposed other restraints on programming. For example, the FY1996 Agriculture Appropriations Act prohibited MAP spending to promote exports of mink pelts or garments. Since 1993, no MAP funds may be used to promote tobacco exports. MAP has been targeted for cuts by some Members of Congress who maintain that it is a form of corporate welfare, or to help offset increased expenditures on other programs, but such efforts have been unsuccessful. MAP funding steadily increased from $90 million in FY2000 to $200 million in FY2006, where it has remained. MAP was reauthorized most recently in the 2008 farm bill (P.L.112-240) and in fiscal cliff legislation (P.L. 112-240), at $200 million annually through FY2012.

Foreign Market Development Program (FMDP)[15]

The Foreign Market Development Program (FMDP) was established in 1955, and like MAP has the primary objective to assist industry organizations in the expansion of export opportunities. The 2008 farm bill reauthorized CCC funding for FMDP for FY2008-FY2012 at an annual level of $34.5 million. FMDP funds industry groups, with a match requirement, to undertake activities such as consumer promotions, technical assistance, trade servicing, and market research by the

[11] Additional information on MAP is available at http://www.fas.usda.gov/mos/programs/map.asp.

[12] MAP had two predecessor programs. In 1996, MAP replaced the Market Promotion Program, which was established in 1990 to replace the Targeted Export Assistance Program authorized in 1985.

[13] As defined by the Small Business Administration.

[14] A list of MAP participants for FY2012 is available at http://www.fas.usda.gov/mos/programs/Final_MAP_January%202011_updated.pdf.

[15] Additional information on FMDP is available at http://www.fas.usda.gov/mos/programs/fmdprogram.asp.

government and industry groups. Unlike MAP, which mainly promotes consumer goods and brand-name products, FMDP mainly promotes generic or bulk commodities.

The 1996 farm bill provided new statutory authority for the program and authorized it through 2002. Funds allocated for FMDP in FY2001 were $28 million. The 2002 farm bill increased the annual funding level to $34.5 million. The 2008 farm bill (and P.L. 112-240) maintained the funding level authorized in the 2002 farm bill.

Emerging Markets Program (EMP)[16]

The Emerging Markets Program (EMP) provides funding for technical assistance activities intended to promote exports of U.S. agricultural commodities and products to emerging markets in all geographic regions, consistent with U.S. foreign policy. An emerging market is defined in the 2008 farm bill (P.L. 110-246) as "any country that is taking steps toward a market-oriented economy through food, agricultural, or rural business sectors of the economy of the country." Additionally, an emerging market country must have the potential to provide a viable and significant market for U.S. agricultural commodities or products. FAS limits EMP projects to countries with per capita incomes below $11,455, whose populations are greater than 1 million.[17] The 2008 farm bill authorized funding for EMP at $10 million each fiscal year from FY2008 through FY2012. P.L. 112-240 extended this authorization through FY2013.

Quality Samples Program (QSP)[18]

The Quality Samples Program (QSP) assists U.S. agricultural trade organizations in providing small samples of their agricultural products to potential importers in emerging markets overseas. The QSP focuses on industrial and manufacturing users of products, not end-use consumers, and allows manufacturers overseas to do test runs to assess how U.S. food and fiber products can best meet their production needs. Priority is given to projects targeting developing nations or regions with a per capita income of less than $10,725 and a population greater than 1 million. Priority is also given to projects designed to expand exports where a U.S. commodity's market share is 10% or less. Under the authority of the CCC Charter Act of 1948, FAS uses up to $2 million of CCC funds to carry out the program.

Technical Assistance for Specialty Crops (TASC) Program[19]

The Technical Assistance for Specialty Crops (TASC) Program aims to assist U.S. organizations by providing funds for projects that address sanitary, phytosanitary, and technical barriers that prohibit or limit U.S. specialty crop exporters. The 2008 farm bill defines specialty crops as all cultivated plants, and the products thereof, produced in the United States, except wheat, feed grains, oilseeds, cotton, rice, peanuts, sugar, and tobacco. The types of activities covered include seminars and workshops, study tours, field surveys, pest and disease research, and preclearance programs. Under the 2002 farm bill, TASC funding was authorized at $2 million per fiscal year.

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[16] Additional information on the Emerging Markets Program is available at http://www.fas.usda.gov/mos/em-markets/em-markets.html.

[17] This is the current ceiling on upper middle income economies as determined by the World Bank.

[18] Additional information on the QSP is available at http://www.fas.usda.gov/mos/programs/QSP.asp.

[19] Additional information on the TASC program is available at http://www.fas.usda.gov/mos/tasc/tasc.asp.

The 2008 farm bill extended authority for TASC from FY2008 through FY2012 and increased funding levels to $4 million in FY2008; $7 million in FY2009; $8 million in FY2010; and $9 million in each of FY20011 and FY2012. The fiscal cliff bill extended authorization for TASC at this level through FY2013.

Export Credit Guarantees

For FY2008 through FY2012, the 2008 farm bill reauthorized USDA-operated export credit guarantee programs, which were first established in the Agricultural Trade Act of 1978 (P.L. 95-501) to facilitate sales of U.S. agricultural exports. Authority to operate export credit guarantees continues under the fiscal cliff act through FY2013. Under these programs, private U.S. financial institutions extend financing at prevailing market interest rates to countries that want to purchase U.S. agricultural exports and are guaranteed by the CCC that the loans will be repaid. In making available a guarantee for such loans, the CCC assumes the risk of default on payments by the foreign purchasers on loans for U.S. farm exports. There are two export credit guarantee programs: the short-term credit guarantee program (GSM-102) and the Facility Guarantee Program (FGP).

GSM-102 Program[20]

The GSM-102 program guarantees repayment of short-term financing (typically six months to three years) extended by approved foreign banks, mainly in developing countries, for purchases of U.S. food and agricultural products by foreign buyers. The GSM-102 program aims to encourage U.S. agricultural exports among buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without CCC guarantees. Eligible countries are those that USDA determines can service the debt backed by guarantees. Use of guarantees for foreign aid, foreign policy, or debt rescheduling purposes is prohibited. CCC selects agricultural commodities and products according to market potential and eligibility based on applicable legislative and regulatory requirements. All products must be entirely produced in the United States.[21] The GSM-102 program helps ensure that credit is available to finance commercial exports of U.S. agricultural products to developing countries, while providing competitive credit terms in these countries.

The biggest recipients of export credit guarantees over the years have been Mexico, South Korea, Iraq, Algeria, and the former Soviet Union. In FY2012, the major beneficiary countries were South Korea ($715 million), Turkey ($700 million), and Mexico ($400 million). On a regional basis,[22] the largest allocation of guarantees in FY2012 went to Central America ($510 million), Southeast Asia ($486 million) and South America ($472 million). Guarantees facilitate sales of a broad range of commodities, but in FY2012 mainly benefited exports of wheat, meat and poultry,

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[20] The acronym GSM refers to the General Sales Manager, an official of FAS who administers the credit, and other, export programs. Additional information on GSM-102 export credit guarantees is at http://www.fas.usda.gov/excredits/exp-cred-guar-new.asp.

[21] A list of eligible commodities and products under the GSM-102 program can be found at http://www.fas.usda.gov/excredits/gsmcommodities.html.

[22] Major individual country recipients of export credit guarantees, such as Korea, Turkey, and Russia, are not included in the regional funding figures.

oilseeds, feed grains, protein meals, and cotton. **Table 5** provides GSM-102 funding by country or region for FY2012.

Table 5. GSM-102 Allocation by Country and Region, FY2012

Region	US$ millions
Africa and Middle East	329
Caribbean	131
Central America	510
China, Hong Kong	139
Korea, South	715
Mexico	400
Russia	250
South America	472
Southeast Asia	486
Turkey	700
Total	4,132

Source: USDA, Foreign Agricultural Service.

Notes: FY2012 GSM-102 allocation is available at http://www.fas.usda.gov/excredits/Monthly/2012/12_10_01.pdf.

The 2008 farm bill authorized export credit guarantees of up to $5.5 billion worth of agricultural exports annually from FY2008 through FY2012, and provided for an additional $1 billion targeted to "emerging markets," countries and/or regions that are in the process of becoming commercial markets for U.S. agricultural products. P.L. 112-240 continued these authorizations through FY2013.The 2008 farm bill also capped the credit subsidy for the GSM-102 program at $40 million annually.[23] The actual level of guarantees depends on market conditions and the demand for financing by eligible countries. A provision in the statute allows guarantees to be used when the bank issuing the underlying letter of credit is located in a country other than the importing country. The farm bill permits credit guarantees for high-value products with at least 90% U.S. content by weight, allowing for some components of foreign origin. The 2008 farm bill also removed the 1% cap on loan origination fees for the GSM-102 program.

Facility Guarantee Program (FGP)[24]

The CCC also provides funding to guarantee financing under the Facility Guarantee Program (FGP). FGP guarantees financing of goods and services exported from the United States to improve or establish agriculture-related facilities in emerging markets. Eligible projects must improve the handling, marketing, storage, or distribution of imported U.S. agricultural commodities and products. The farm bill authorizes guarantees of $100 million annually through FY2013 for the FGP.

[23] The credit subsidy is the available budget authority for the cost of the program.

[24] Additional information on the FGP is available at http://www.fas.usda.gov/excredits/facility-new.asp.

The 2008 farm bill reauthorized FGP and extended authority through the end of FY2012. It also provided that the Secretary of Agriculture may waive requirements that U.S. goods be used in the construction of a facility under this program, if such goods are not available or their use is not feasible. The farm bill also permits the Secretary to provide a guarantee for this program for the term of the depreciation schedule for the facility, not to exceed 20 years.

Other Export Guarantee Programs Repealed

Two other export guarantee programs, previously authorized, were repealed by the 2008 farm bill. These were the GSM-103 program, which guaranteed longer-term (3-10 years) financing, and the Supplier Credit Guarantee Program (SCGP), which guaranteed very short-term (up to 1 year) financing of exports without bank intermediation. The repeal of the GSM-103 program (and lifting the cap on origination fees for the GSM-102 program) was done in response to a WTO dispute panel decision in a case brought by Brazil against U.S. cotton policy (see "Issues for Congress," below). Legislative authority for the SCGP was suspended largely because of a high rate of defaulted obligations and evidence of fraud.

Direct Export Subsidy Programs

The 2008 farm bill authorized only one direct export subsidy program for agricultural products, the Dairy Export Incentive Program (DEIP), and repealed authority for the historically largest export subsidy program, the Export Enhancement Program (EEP).

Dairy Export Incentive Program (DEIP)[25]

The Dairy Export Incentive Program (DEIP) was established under the 1985 farm bill (P.L. 99-198) to assist in the export of U.S. dairy products. DEIP was most recently reauthorized in the commodity program title, not the trade title, of the 2008 farm bill (P.L. 110-246) and by the farm bill extension in P.L. 112-240. DEIP aims to develop international export markets in regions where U.S. dairy products are not competitive due to the presence of subsidized products from other countries. The original purpose of the program was to counter the adverse effects of foreign dairy product subsidies, primarily those of the European Union (EU). Eligible commodities under DEIP include milk powder, butterfat, and various cheeses. DEIP can potentially increase the U.S. price of milk if enough dairy products are removed from the domestic market. Early bonus payments were in the form of sales from CCC-owned dairy stocks, and later ones were in the form of generic commodity certificates from CCC inventories. Currently, USDA pays cash to exporters as bonuses. Each year, FAS announces amounts of dairy products that may be subsidized under the program. Actual invitations for offers may or may not be issued depending on market conditions for dairy product exports.

The program level for DEIP has varied over the past few years depending on the dairy price situation. In FY2003, DEIP levels were $32 million, and in FY2004, they were $3 million. No DEIP bonuses were awarded from FY2005 through FY2008. Starting in late 2008 and continuing through most of 2009, U.S. dairy farmers experienced low returns due to a sharp decline in milk

[25] Additional information on DEIP is available at http://www.fas.usda.gov/excredits/deip/deip-new.asp.

prices and relatively high production costs.[26] As a result, USDA reactivated DEIP in July 2009 to provide support in FY2009-FY2010. The have been no DEIP subsidies provided since FY2010. The Administration's FY2014 budget request does not include any DEIP subsidies.

Agricultural export subsidies are on the agenda of currently stalled WTO multilateral trade negotiations, the Doha Round. In these negotiations, the United States, along with other trading partners who subsidize exports, have agreed to phase out all agricultural export subsidies, contingent upon reaching a multilateral Doha Round agreement.[27] The elimination of agricultural export subsidies has been a longstanding objective of U.S. agricultural trade policy. These WTO export subsidy commitments would apply to DEIP.

Export Enhancement Program (EEP) Repealed

Under the Export Enhancement Program (EEP), exporters were awarded generic commodity certificates that were redeemable for commodities held in CCC stores, thus enabling them to sell commodities to designated countries at prices below those on the U.S. market. The 2008 farm bill repealed legislative authority for EEP. The program, which mainly subsidized exports of wheat and wheat flour (around 80% of EEP subsidies), had been little used as U.S. and world prices moved closer together. The last year of significant EEP subsidies was 1995. There were no EEP subsidies during the five years of the 2002 farm bill. The repeal of EEP reflected the fact that the program had been little used since 1995 and was also consistent with the U.S. position to adhere to its promised WTO commitment to eliminate export subsidies by 2013.

Funding

As mentioned above, USDA's agricultural export programs are funded through the authority of the CCC at levels established in statute. Annual appropriations acts, however, sometimes amend the spending limits on these mandatory programs. **Table 6** shows USDA foreign export budget authority levels for FY2004 through FY2014F, and also includes the Administration's FY2011 request for these programs.

Table 6. USDA International Export Program Activity, FY2004-FY2014F

(US$ millions)

Program	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014F
DEIP[a]	3	0	0	0	0	100	2	0	0	0	0
MAP[b]	125	140	200	200	200	200	200	200	200	200	200
FMDP[c]	34	34	34	34	34	34	34	34	34	34	—
EMP[d]	10	10	10	4	10	10	9	10	10	10	—
TASC[e]	2	2	2	1	4	7	8	9	9	9	—

[26] For background about the dairy sector and policy, see CRS Report R40205, *Dairy Market and Policy Issues*, by Dennis A. Shields.

[27] For a discussion of agriculture and Doha Round negotiations, see CRS Report RS22927, *WTO Doha Round: Implications for U.S. Agriculture*, by Randy Schnepf and Charles E. Hanrahan.

Program	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014F
QSP[f]	2	2	2	1	1.4	2	2	2	3	3	3
GSM-102[g]	2,926	2,170	1,363	1,445	3,115	5,357	3,090	4,123	5,400	5,400	5,500

Sources: USDA, *Annual Budget Summaries*, various issues, and personal communication. These data are budget authority levels, except GSM-102 program, which includes the value of exports financed through the program.

Note: FY2013 numbers are estimates; FY2014 numbers reflect the Administration's request.

a. Dairy Export Incentive Program. No DEIP funding is anticipated in FY2014.

b. Market Access Program. The FY2014 budget request assumes that MAP will be extended in the next farm bill at the level of funding in the 2012 farm bill.

c. Foreign Market Development Program. Emerging Markets Program. The President's budget request makes no assumption concerning future authorization of the FMDP.

d. Emerging Market Program.

e. Technical Assistance for Specialty Crops. In FY2006, an additional $0.6 million was provided for TASC activities through a FAS direct appropriation. The President's budget request makes no assumption concerning future authorization of the FMDP.

f. Quality Samples Program.

g. General Sales Manager (GSM) Export Credit Guarantee Program. The values given represent the values of exports financed through the program, not budget authority.

Issues for Congress

Public Sector Role and Effectiveness in Export Promotion

Historically, many Members have been highly supportive of the Market Access Program (MAP) and cite the benefits the program brings to U.S. agricultural industries through export market development abroad. Strong support for export market development programs is reflected in Congress's rejection in FY2010 and FY2011 of the Administration's proposals to reduce MAP funding by 20% in each of those years. The Administration has not requested reductions in MAP funding since FY2011. At the same time, a concern raised by some Members of Congress with respect to MAP and the Foreign Market Development Program (FMDP) is whether the federal government should have an active role at all in helping agricultural producers and agribusinesses market their products overseas. Some argue that MAP and FMDP are forms of corporate welfare in that they fund activities that private firms would and could fund for themselves.[28] Other critics argue that the principal beneficiaries are foreign consumers and that funds could be better spent, for example, to educate U.S. firms on how to export. Program supporters emphasize that foreign competitors, especially EU member countries, also spend money on market promotion, and that U.S. marketing programs help keep U.S. products competitive in third-country markets.

In the early 1990s, some Members raised specific concerns about the effectiveness of MAP operations, specifically questioning the program's cost-effectiveness and impact, and citing its lack of support for small businesses and displacement of private sector marketing funds. In

[28] See for example, http://www.fpif.org/articles/corporate_welfare_and_foreign_policy; and http://councilfor.cagw.org/site/News2?page=NewsArticle&id=11742.

response to these concerns Congress directed USDA to enact significant changes to MAP. In 1996, Congress through the appropriations process prohibited FAS from providing direct assistance for brand-name promotions to companies that are not recognized as small businesses under the Small Business Act. In 1997, Congress prohibited large companies from receiving indirect assistance from MAP as well. Giving priority to small businesses did result in a substantial increase in the small business share of MAP assistance for brand-name promotion by 1997. FAS also established a five-year limit (graduation requirement) on the use of MAP funds for companies that use funds to promote a "specific branded product" in a "single market," unless FAS determined that further assistance was still necessary to meet program objectives (generic marketing was not subject to the graduation requirement). FAS later revised the regulations in 1998 to limit each company to no more than five years (consecutive or nonconsecutive) of MAP funding for brand-name promotions per country, which some participating companies currently feel is too restrictive. Finally, a requirement was added that each participant certify that MAP funds supplement, not supplant, its own foreign market development expenditures. Though FAS regularly audits the participants and verifies that the certification statement has been completed, FAS also admits that it is difficult to verify whether MAP funds are additional to what a company would have spent in the absence of MAP funds.

A 1999 study by the Government Accountability Office (GAO) reviewed a number of studies looking at MAP's effectiveness and concluded that while changes had been made to the program, the economic benefits of export programs (including MAP) were unclear. It stated that "few studies show an unambiguously positive effect of government promotional activity on exports."[29] In 2009 testimony before the Senate Finance Committee, GAO said that U.S. export promotion activities were in need of strengthened performance management systems.[30]

A 2010 report by IHS Global Insight sponsored by USDA's Foreign Agricultural Service concluded that USDA's market development expenditures have had a positive and significant impact on U.S. agricultural trade.[31] Global Insight concluded that increased spending on market development (MAP and FMDP) over the period 2002-2009 is estimated to have increased U.S. agricultural export market share from 18.6% to 19.9% and the value of exports from $90.5 billion to $96.1 billion.

WTO Trade Dispute

Brazil has had a long-running dispute with the United States over U.S. cotton programs. In 2005 and again in 2008, the World Trade Organization (WTO) found that certain U.S. agricultural programs are inconsistent with WTO commitments, including payments to cotton producers under the marketing loan and counter-cyclical programs; and export credit guarantees under the GSM-102 Program.[32]

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[29] U.S. General Accounting Office (GAO), *Changes Made to Market Access Program, but Questions Remain on Economic Impact*, NSIAD-99-38, Washington, DC, April 1999, http://www.gao.gov/archive/1999/ns99038.pdf.

[30] L. Yager, "International Trade: Observations on U.S. and Foreign Countries' Export Promotion Activities," GAO testimony to Subcommittee on International Trade, Customs, and Global Competitiveness, Senate Committee on Finance, December 2009.

[31] IHS Global Insight, *A Cost-Benefit Analysis of USDA's International Market Development Programs*, submitted to FAS, March 10, 2010, viewed at http://www.wheatworld.org/wp-content/uploads/trade-global-insight-map-report-march2010-20100423.pdf.

[32] For more information, see CRS Report RL32571, *Brazil's WTO Case Against the U.S. Cotton Program*, by Randy (continued...)

In December 2009, Brazil announced that it was authorized by the WTO arbitrators to impose trade countermeasures against the United States in excess of $800 million in 2010 (based on 2008 data). The WTO arbitration awards provided the level of countermeasures that Brazil could impose against U.S. trade annually in two parts: (1) a fixed amount of $147.3 million for the cotton payments; and (2) an amount for the GSM-102 program that varies based upon program usage. In March 2010, Brazil released a list of 102 goods of U.S. origin valued at $591 million that would be subjected to import tariffs and released a preliminary list of U.S. patents and intellectual property rights it could restrict, barring a joint settlement.

After several meetings between U.S. and Brazilian officials, the government of Brazil agreed to suspend countermeasures on U.S. trade, and the United States agreed to work with Brazil to establish a fund of approximately $147.3 million per year on a pro rata basis to provide technical assistance and capacity building for Brazilian farmers until the passage of the next farm bill or a mutually agreed solution to the cotton dispute, whichever is sooner. The United States also agreed to make some near-term modifications to the operation of the GSM-102 Export Credit Guarantee Program, and to engage with the government of Brazil in technical discussions regarding further operation of the program. The U.S. hope is that continuing negotiations will lead to an agreement that avoids Brazil imposing retaliatory measures under WTO rules. Congress will likely continue to monitor developments in the WTO cotton case and its implications for the GSM-102 program.

Addressing Trade Barriers

The U.S. Trade Representative (USTR) releases to Congress annually a report that outlines key sanitary and phytosanitary (SPS) trade barriers that American agricultural and food producers face when trying to export their products.[33] Key trade barrier issues addressed in the report include avian influenza, biotechnology, bovine spongiform encephalopathy (BSE), H1N1 influenza, maximum residue limits for pesticides, pathogens, and ractopamine, a veterinary drug used to promote lean meat growth in pigs, cattle, and turkeys. In addition to monitoring how USTR addresses SPS issues, Congress is considering the Administration's request for continued funding for the Technical Assistance for Specialty Crops (TASC) Program, which targets SPS barriers to exports.

Agricultural Export Programs in the FY2013 Farm Bill

Title III of the farm bill deals with statutes concerning U.S. agricultural export programs. The provisions of Title III of H.R. 1947, as reported, and S. 954, as passed, are nearly identical to the Title III provisions in the farm bills reported by the House Agriculture Committee (H.R. 6083) and passed by the Senate (S. 3240) in the 112th Congress with one exception. S. 954 includes a provision (not included in S. 3240) requiring a reorganization plan for the trade functions of the U.S. Department of Agriculture and the appointment of an Under Secretary of Agriculture for Trade and Foreign Agricultural Affairs.[34]

(...continued)

Schnepf.

[33] See U.S. Trade Representative website at http://www.ustr.gov/about-us/press-office/fact-sheets/2010/march/key-sanitary-and-phytosanitary-barriers-american-export.

[34] See CRS Report R43076, *The 2013 Farm Bill: A Comparison of the Senate-Passed Bill (S. 954) and House-Reported Bill (H.R. 1947) with Current Law*, coordinated by Ralph M. Chite, June 14, 2013.

Both bills reauthorize funding for the Commodity Credit Corporation (CCC) Export Credit Guarantee program and various agricultural export market promotion programs. S. 954 reduces the value of U.S. agricultural exports that can benefit from export credit guarantees from $5.5 billion to $4.5 billion annually. The House bill retains the $5.5 billion level of guarantees. Both bills authorize CCC funding of $200 million annually for the Market Access Program (MAP), which finances promotional activities for both generic and branded U.S. agricultural products. MAP had been targeted in a number of deficit reduction proposals for elimination. Authorized CCC funding for the Foreign Market Development Program (FMDP), a generic commodity promotion program, continues in both bills at $34.5 million annually through F2017. H.R. 1947 authorizes the Secretary of Agriculture to establish the position of Under Secretary of Agriculture for Foreign Agricultural Services. S. 954 requires the Secretary, in consultation with the House and Senate Agriculture Committees and House and Senate Appropriations Committees to propose a plan for reorganization of the trade functions of USDA, including the establishment of an Under Secretary of Agriculture for Trade and Foreign Agricultural Affairs. The Secretary is required to report on the plan 180 days after the farm bill's enactment. Within one year of submission of the report, the Secretary is required to implement the reorganization plan including establishment of the Under Secretary position.

During House floor debate on the 2014 farm bill (H.R. 1947) amendments to repeal MAP, FMDP, and EMP were defeated.

Appendix A. Value of U.S. Agricultural Trade, FY1970-FY2013F

(US$ millions)

Year	Exports	Imports	Trade Balance
1970	6.96	5.69	1.27
1971	7.96	6.13	1.83
1972	8.24	5.94	2.31
1973	14.98	7.74	7.25
1974	21.56	10.03	11.53
1975	21.82	9.44	12.38
1976	22.74	10.49	12.25
1977	23.97	13.36	10.61
1978	27.29	13.89	13.40
1979	31.98	16.19	15.79
1980	40.47	17.29	23.18
1981	43.78	17.34	26.44
1982	39.10	15.46	23.64
1983	34.77	16.28	18.49
1984	38.03	18.91	19.12
1985	31.20	19.74	11.46
1986	26.31	20.88	5.43
1987	27.88	20.65	7.23
1988	35.32	21.01	14.30
1989	39.67	21.57	18.10
1990	40.35	22.71	17.64
1991	37.86	22.74	15.13
1992	42.55	24.50	18.06
1993	43.06	24.60	18.46
1994	43.89	26.56	17.33
1995	54.61	29.79	24.82
1996	59.79	32.44	27.34
1997	57.31	35.65	21.65
1998	53.66	36.83	16.83
1999	49.12	37.29	11.83
2000	50.76	38.86	11.90
2001	52.72	39.03	13.69
2002	53.32	40.96	12.36

Year	Exports	Imports	Trade Balance
2003	56.01	45.69	10.32
2004	62.41	52.67	9.74
2005	62.52	57.71	4.81
2006	68.59	64.03	4.57
2007	82.22	70.06	12.15
2008	114.91	79.32	35.59
2009	96.30	73.40	22.89
2010	108.56	78.96	29.60
2011	137.38	94.51	42.87
2012	135.77	103.37	32.40
2013F	139.5	111.00	28.5

Source: U.S. foreign agricultural trade data can be obtained at http://www.ers.usda.gov/data-products/foreign-agricultural-trade-of-the-united-states-(fatus).aspx.

F = Forecast

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