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IN FOCUS

July 5, 2022

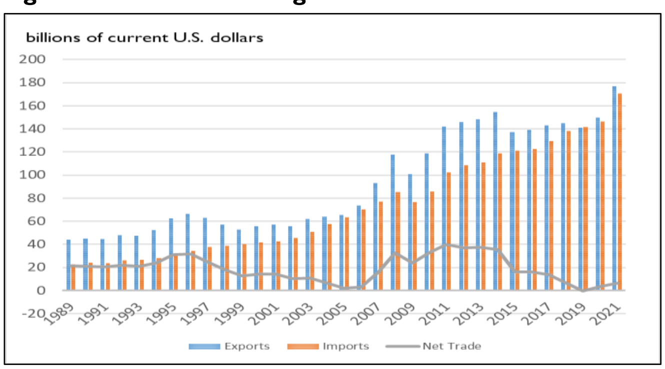
Farm Bill Primer: Trade and Export Promotion Programs

Agricultural exports are significant to farmers and the U.S. economy. With the productivity of U.S. agriculture growing faster than domestic demand, farmers and agriculturally oriented firms rely heavily on export markets to sustain prices and revenue. The trade title of the 2018 farm bill (P.L. 115-334) authorizes programs to expand foreign markets for U.S. farmers and food manufacturers through export market development programs and export credit guarantee programs. These market expansion programs derive their statutory authorities from the Agricultural Trade Act (P.L. 95-501). The trade title of the farm bill also includes international food assistance programs and international science and technical exchange programs and provisions, which are not addressed in this In Focus.

Trade Situation Overview

U.S. food and agricultural exports totaled $177 billion, and U.S. imports totaled nearly $171 billion in 2021, resulting in a trade surplus of more than $6 billion (**Figure 1**), according to U.S. Department of Agriculture (USDA) data. Bulk commodities, such as wheat, rice, coarse grains, oilseeds, cotton, and tobacco are the leading U.S. exports. Leading consumer-oriented products include dairy products, meat and poultry products, oilseeds, vegetable oils, fruits, vegetables, and beverages. About one-half of the value of U.S. agricultural exports in 2021 were destined for China, Mexico, Canada, Japan, and the European Union.

Figure 1. Value of U.S. Agricultural Trade



Source: CRS from USDA's Global Agricultural Trade System data (FATUS product group). Data are calendar year.

The once sizable U.S. agricultural trade surplus, which reached $40.1 billion in 2011, shrunk to below $10 billion in 2018. The United States posted a deficit in 2019 before returning to a surplus in 2020 and 2021. This trend reflects both rising U.S. imports and generally slower growth in U.S. exports (**Figure 1**). As the margin of exports over imports has narrowed, some producer groups have sought enhanced export promotion and market development. Some U.S. government officials and industry representatives have expressed an interest in countering regulatory policies of some U.S. trading partners that may be impeding U.S. food and agricultural exports. The Office of the U.S. Trade Representative in its annual *National Trade Estimate Report on Foreign Trade Barriers* highlights a range of tariff and nontariff concerns, including sanitary and phytosanitary (SPS) and technical trade barriers. These and other potential issues for Congress are discussed below.

Trade Provisions in the 2018 Farm Bill

The 2018 farm bill reauthorized several export market development programs and export credit guarantee programs, administered by USDA's Foreign Agricultural Service. The 2018 farm bill included other trade and export promotion provisions aimed at developing overseas markets and addressing nontariff barriers. See CRS Report R46760, *U.S. Agricultural Export Programs: Background and Issues* for more background on these programs.

Export Market Development Programs

The 2018 farm bill consolidated four existing USDA export promotion programs under a single Agricultural Trade Promotion program and added to it a newly created Priority Trade Fund, with mandatory funding of $255 million annually through FY2023 (7 U.S.C. §5623).

- **Market Access Program (MAP)** provides cost-sharing of overseas marketing and promotional activities that help build commercial markets for U.S. agricultural exports ($200 million per year).
- **Foreign Market Development Cooperator Program** funds projects that address long-term opportunities to reduce foreign import constraints or expand export growth opportunities ($34.5 million per year).
- **E. (Kika) de la Garza Emerging Markets Program** provides cost-sharing for technical assistance to support generic U.S. agricultural exports ($8 million per year).
- **Technical Assistance for Specialty Crops** funds projects addressing SPS and technical trade barriers to U.S. specialty crop exports ($9 million per year).
- **Priority Trade Fund** supports activities to access, develop, maintain, and expand markets for U.S. agricultural exports ($3.5 million per year).

Funding allocations by program are available at USDA's Directory of Market Development Program Participants (https://apps.fas.usda.gov/pcd/PCD_HelpSearch.aspx), which lists agricultural commodities and export destinations. The 2018 farm bill also allows USDA to fund export promotion activities in Cuba (7 U.S.C. §5623(f)(4)).

Separately, the Quality Samples Program, which promotes U.S. agricultural products, is authorized under the Commodity Credit Corporation Charter Act and is funded through its borrowing authority (15 U.S.C. §714c(f)).

Export Credit Guarantee Programs

The 2018 farm bill reauthorized $1 billion annually through FY2023 in direct credits or export credit guarantees for exports to emerging markets (7 U.S.C. §5622 note). Regulations at 7 C.F.R. Part 1493 cover two programs:

- **GSM-102 Program** provides credit guarantees to finance commercial U.S. agricultural exports mainly to developing countries. Available FY2022 GSM-102 allocations totaled $3 billion, with about one-half of allocations for approved financial institutions in Latin American countries and the remainder destined for Asia, Africa, and the Middle East. An eligible "agricultural commodity" are those referenced at 7 U.S.C. §5602.
- **Facility Guarantee Program (FGP)** provides payment guarantees to improve or establish agriculture-related facilities in emerging markets. Available FY2022 FGP allocations totaled $500 million. Eligible "destination countries" are listed at 7 C.F.R. §1493.210.

Under these programs, the Commodity Credit Corporation provides payment guarantees on commercial financing and assumes the risk of default on payments by the foreign purchasers on loans to facilitate U.S. exports.

Other Export-Related Provisions

The 2018 farm bill created the Biotechnology and Agricultural Trade Program (7 U.S.C. §5679) and provided $2 million in annual appropriations through FY2023 to fund grants for public and private sector projects that provide "quick response intervention" and develop protocols as part of bilateral negotiations with other countries. Trade concerns pertain to nontariff regulatory barriers to U.S. exports produced with agricultural biotechnology and other new technologies and requirements involving food safety, plant and animal disease, or other SPS measures. The program was previously part of the 1990 farm bill (Food, Agriculture, Conservation, and Trade Act of 1990; P.L. 101-624) and was appropriated $6 million annually (2002-2007) before being allowed to lapse in 2007.

The 2018 farm bill also directed USDA, coordinating with other federal agencies, to work with tribal representations on U.S. trade missions to increase the inclusion of tribal food products in trade-related activities (7 U.S.C. §5608).

Issues and Options

Federal support for agricultural export market promotion has raised questions about the appropriateness of government support for private sector export promotion and the effectiveness and impact of these programs. Although some support these programs, citing benefits to the U.S. farm sector, others have expressed concerns about whether the federal government should play an active role in helping agribusiness entities market their products overseas.

During the run-up to the 2014 and 2018 farm bills, deficit reduction proposals targeted MAP for cuts or elimination. Detractors claim these programs are forms of corporate welfare, funding activities that private firms could and would otherwise fund. Other critics contend that the principal beneficiaries are foreign consumers and that funds could be better spent, for example, by instructing U.S. firms on how to export and on overcoming trade barriers.

Supporters of these trade programs, such as the Coalition to Promote U.S. Agricultural Exports and the National Association of State Departments of Agriculture (NASDA), claim various benefits of developing U.S. agricultural export markets. They cite helping to keep U.S. food and agricultural products competitive in foreign markets and diversifying U.S. market opportunities and assert that U.S. spending on export promotion often lags behind that of U.S. foreign competitors, such as China and European Union member countries. The coalition and NASDA further cite market studies indicating that USDA's export programs have helped raise producer cash receipts and generate jobs.

Questions about whether export promotion programs are as effective as they could be, and whether new approaches to facilitate and promote U.S. farm exports may be needed, could be topics of discussion in a new farm bill. The eligibility of certain types of organizations and producer groups and the levels of funding for various programs may also come up for debate. Congress could consider whether to reauthorize and further expand the Biotechnology and Agricultural Trade Program or other related programs to address nontariff and other technical trade barriers to U.S. agricultural exports. Congress also may review policy options to help facilitate implementation of the recently enacted Ocean Shipping Reform Act of 2022 (P.L. 117-146), which addresses ocean shipping costs and shipping-related obstacles to U.S. food and agricultural exports.

Other trade-related issues often outside the context of the farm bill—but debated in view of lower farm export sales in recent years—may include various multilateral and bilateral trade negotiations that U.S. farm groups generally support. The Biden Administration's plans to launch its Indo-Pacific Economic Framework initiative involving discussions with several Asian nations has gained support from several U.S. farm groups, including the American Farm Bureau Federation. Congress also may review the implications of various retaliatory trade tariffs that remain in effect and/or are under consideration, including tariffs imposed on U.S. exports to China in retaliation for U.S. Section 301 duties on Chinese goods that may be limiting certain U.S. food and agricultural exports.

Congress also may debate policy issues related to U.S. commitments and obligations within the World Trade Organization (WTO). As a WTO member, the United States has committed to abide by WTO rules and disciplines, including those that govern domestic farm policy and other trade-related rules. Recently, WTO members (including the United States) agreed to enhance rules governing SPS measures in food and agricultural trade. In addition, since 2018, USDA has initiated large ad hoc program spending—valued at more than $55 billion cumulatively through 2021—in response to international trade retaliation and economic disruption caused by the COVID-19 pandemic. This additional spending increased U.S. farm payments, raising questions among some policymakers about whether the United States may exceed its annual spending limits on domestic farm support under WTO rules.

Renée Johnson, Specialist in Agricultural Policy

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