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Agricultural Exports and 2014 Farm Bill Programs: Background and Current Issues

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Summary

U.S. agricultural exports have long been a bright spot in the U.S. balance of trade, with exports exceeding imports in every year since 1960. But the trend of recent years—increasing export sales and a wider agricultural trade surplus—was reversed in FY2015, and the reversal is expected to be more pronounced in FY2016. After climbing to a record $152.3 billion in FY2014, U.S. farm exports declined to $139.7 billion in FY2015, and the U.S. Department of Agriculture (USDA) projects a further reduction to $125 billion in FY2016. Meanwhile, the value of U.S. agricultural imports has continued to climb: In consequence, the U.S. agricultural trade surplus fell to $25.7 billion in FY2015 from a peak of $43.1 billion in FY2014, and it is projected to narrow further to $6.5 billion in FY2016. Exports are a major outlet for many farm commodities, representing about 20% of the value of farm production, making exports an important contributor to farm income.

Among the key variables affecting the value of U.S. agricultural exports are commodity prices, 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, factors contributing to a continued downturn in U.S. farm exports in FY2016 include low commodity prices, a strong U.S. dollar, relatively weak importer demand, and strong foreign competition.

The United States operates a number of programs aimed at developing overseas markets for U.S. agricultural products and facilitating exports. The Agricultural Act of 2014, P.L. 113-79, extended most programs from FY2014 through FY2018. The trade title (Title III) of the 2014 farm bill authorized, amended, and repealed three main types of agricultural export programs:

1. **Export market development programs.** The Foreign Agricultural Service (FAS) of USDA administers five market development programs that aim to assist U.S. industry efforts to build, maintain, and expand overseas markets for U.S. agricultural products. The five 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).
2. **Export credit guarantee programs.** Through the GSM-102 Program and the Facility Guarantee Program, USDA's Commodity Credit Corporation (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 products. The 2014 farm bill shortened the loan term on which export credit guarantees would be made available to conform to U.S. commitments in the World Trade Organization (WTO).
3. **Direct export subsidy programs.** The 2014 farm bill terminated the Dairy Export Incentive Program (DEIP), which had been inactive for several years.

The 2014 farm bill also directed the Secretary of Agriculture to reorganize USDA's export and import activities and create a new Under Secretary of Agriculture position to oversee trade-related sanitary and phytosanitary issues affecting agriculture, as well as non-tariff trade barriers.

In view of the more challenging market environment for U.S. farm exports, Congress could weigh possible opportunities to expand foreign markets and remove impediments to farm exports. For example, the Trans-Pacific Partnership Agreement (TPP), if implemented, would lower many tariffs that Japan and other TPP nations impose on U.S. farm and food exports. Also, numerous U.S. agricultural interests assert that U.S. farm exports to Cuba could increase if Congress were to repeal statutory restrictions on this trade. In addition, U.S. farm groups and lawmakers have identified foreign subsidies as distorting trade and displacing U.S. farm exports. Another possible issue for Congress involves overseeing plans to reorganize USDA's trade functions.

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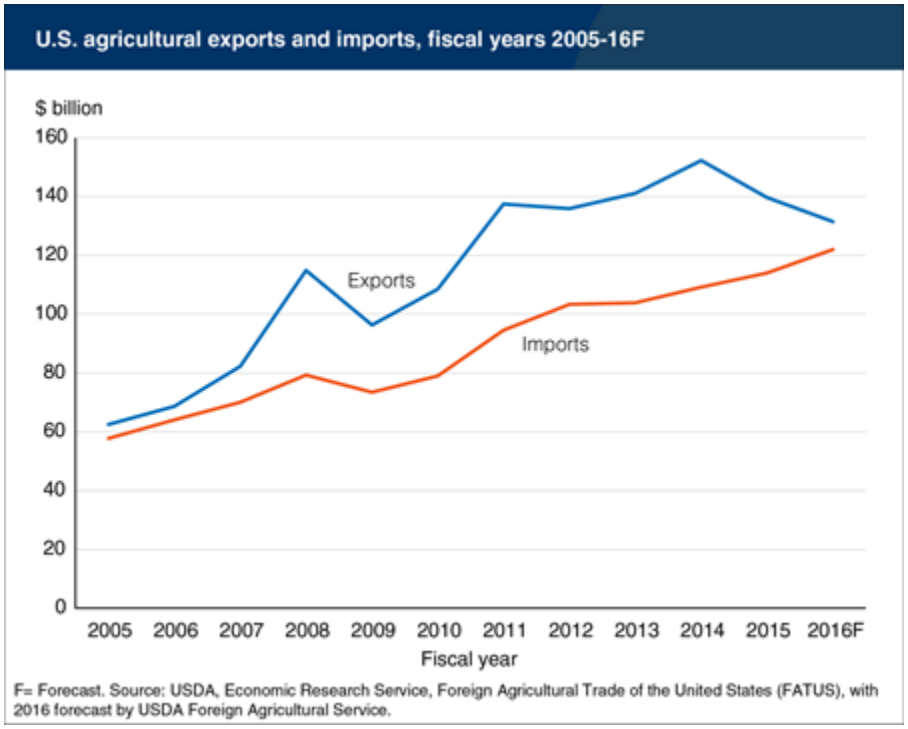
U.S. Agricultural Exports

Agricultural exports are important to both 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. According to the U.S. Department of Agriculture's (USDA's) Economic Research Service (ERS), agricultural exports have exceeded agricultural imports in every year since 1960 (**Table A-1**). The value of agricultural exports has exceeded imports by a wide margin in recent years, but this trend reversed course in FY2015, with the positive balance expected to narrow further in FY2016 (**Figure 1**). In FY2014, U.S. agricultural exports reached a peak of $152.3 billion, topping the previous record high of $141.1 billion in FY2013. Agricultural imports have risen steadily over this period, climbing from $103.9 billion in FY2013 to $114 billion in FY2015, narrowing the agricultural trade surplus from $43.1 billion in FY2014 to $25.7 billion in FY2015.

Looking to FY2016, USDA projects that the trends that resulted in a narrower farm trade surplus in FY2015 will persist. The agency expects U.S. exports to recede to $125 billion while imports climb to $118.5 billion, resulting in a substantially smaller farm trade surplus of $6.5 billion in FY2016 and marking what would be the smallest surplus since FY2006.[1]

Figure 1. Value of U.S. Agricultural Trade, FY2000-FY2016
(US$ billions)



Source: USDA Economic Research Service (ERS), http://www.ers.usda.gov/data-products/chart-gallery.aspx.
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.
F = Forecast.

[1] ERS, *Outlook for U.S. Agricultural Trade*, February 25, 2016, http://ers.usda.gov/publications/aes-outlook-for-us-agricultural-trade/aes-91.aspx.

For perspective, USDA estimates that during the most recent three years (2013-2015), the value of U.S. agricultural exports accounted for between 10% and 11% of total U.S. exports, while U.S. agricultural imports made up 5% of total imports.[2] Within the agricultural sector, the importance of exports looms even larger, accounting for 20% of the value of overall agricultural production in 2013, the most recent year for which USDA data are available.[3]

Foreign markets represent the largest outlet for a number of U.S. farm commodities while providing a substantial market for many other agricultural products. During the 2014/2015 marketing year, export markets absorbed 69% of U.S. cotton production, 41% of wheat output, and 47% of the soybean harvest. In the livestock sector, USDA estimates the export share of pork, broiler meat, and beef production in 2015 amounted to 20%, 16%, and 10%, respectively.[4] Foreign markets also represent the largest outlet for certain specialty crops, including tree nuts. USDA indicates that during the 2014/2015 season, export markets absorbed 71% of the marketable production of U.S. walnuts, 68% of almond production, 75% of the pecan crop, and 59% of pistachios.[5]

The top country destinations for U.S. agricultural exports in FY2013 are given in **Table 1**. In FY2012, China surpassed North American Free Trade Agreement (NAFTA) partner Canada as the leading market for U.S. agricultural exports, and China retained the top spot in FY2015.

Table 1. Top U.S. Agricultural Export Destinations, by Value, FY2015

Rank	Country	US$ billions	% of Total
1	China	22.5	16.1
2	Canada	21.3	15.3
3	Mexico	18.0	12.9
4	European Union-28	12.3	8.8
5	Japan	11.7	8.4
6	South Korea	6.4	4.6
7	Hong Kong	3.9	2.8
8	Taiwan	3.3	2.4
9	Colombia	2.6	1.9
10	Indonesia	2.4	1.7
11	Philippines	2.4	1.7
12	Vietnam	2.42	1.7
13	Thailand	1.7	1.2
14	Turkey	1.6	1.2
15	Saudi Arabia	1.3	0.9

[2] ERS, "U.S. Agricultural Trade," http://www.ers.usda.gov/topics/international-markets-trade/us-agricultural-trade.aspx#.U-Jv_iiZjTp.

[3] ERS, "U.S. Agricultural Trade, Export Share of Production," http://www.ers.usda.gov/topics/international-markets-trade/us-agricultural-trade/export-share-of-production.aspx., http://www.ers.usda.gov/topics/international-markets-trade/us-agricultural-trade.aspx#.U-Jv_iiZjTp.

[4] USDA World Agricultural Supply and Demand Estimates, April 12, 2016.

[5] ERS, "Fruit and Tree Nuts Yearbook Tables," http://www.ers.usda.gov/data-products/fruit-and-tree-nut-data/yearbook-tables.aspx.

Source: Rank compiled by CRS using data from the USDA Economic Research Service, *Outlook for U.S. Agricultural Trade*, February 25, 2016, http://ers.usda.gov/publications/aes-outlook-for-us-agricultural-trade/aes-91.aspx.

Notes: For FY2015, the total value of U.S. agricultural exports was $139.7 billion.

The leading agricultural commodity exports by value in FY2015 are shown in **Table 2**. Strong demand for soybeans, especially from China, helped make soybeans the largest U.S. agricultural export commodity that year.

Concerning the composition of agricultural exports, bulk commodities such as soybeans and corn continue to rank at the top of the list of farm exports by value, but the mix of exports continues to favor high value products (HVPs) over bulk commodities. The HVP category includes such products as live animals, fruits and vegetables, nuts, fats, hides, feeds, sugar products, meat, milk, grain products, and processed fruits and vegetables. In FY2015, HVP products comprised 67% of all U.S. agricultural exports, about the same as in FY2013 and compared with a 62% share in FY2010. USDA projects that the HVP share of U.S. farm exports will continue to increase, potentially reaching 74% of the total by 2025. The growth in HVP sales is expected to be led by increases in animal-based products and horticultural products.[6]

Table 2. Top U.S. Agricultural Export Commodities, by Value, FY2015

Rank	Commodity	US$ billions	% of Total
1	Soybeans	21.6	15.6
2	Tree Nuts	8.9	6.4
3	Corn	8.8	6.3
4	Feeds and Fodders	8.1	5.8
5	Processed Fruits and Vegetables	7.4	5.3
6	Fresh Fruits and Vegetables	7.2	5.2
7	Beef and Veal	5.8	4.2
8	Wheat	5.8	4.2
9	Dairy Products	5.6	4.0
10	Poultry Products	5.5	3.9
11	Soybean Meal	5.3	3.8
12	Pork	4.9	3.5
13	Cotton	4.1	2.9
14	Hides, Skins, and Furs	2.6	1.9
15	Rice	2.1	1.5
Total	**All Agricultural Commodities**	**139.7**	**100**

Source: Rank compiled by CRS based on data from the USDA Economic Research Service *Outlook for U.S. Agricultural Trade,* February 25, 2016, http://ers.usda.gov/media/2022721/outlook-for-us-ag-trade-aes91.pdf.

Agricultural exports make a significant contribution to the overall U.S. economy. USDA estimates that each dollar of agricultural exports stimulates an additional $1.27 in business activity, while each $1 billion in agricultural exports supports 7,550 jobs.[7]

[6] *USDA Agricultural Projections to 2025,* February 2016, http://www.usda.gov/oce/commodity/projections/USDA_Agricultural_Projections_to_2025.pdf.

[7] USDA FY2017 Budget Summary and Annual Performance Plan, http://www.obpa.usda.gov/budsum/fy17budsum.pdf

Nearly every state produces agricultural commodities that are exported. Actual exports of agricultural commodity production by state are not available as such, but USDA provides estimates of commodity exports by state based on data for U.S. farm cash receipts. **Table 3** provides a listing of the 10 states with the highest estimated shares of U.S. agricultural exports by value in calendar year (CY) 2014. These 10 states accounted for 56% of total U.S. agricultural exports that year.

Table 3. Top Exporting States of Agricultural Commodities, CY2014

Rank	State	US$ billions	% of Total
1	California	23.6	15.7
2	Iowa	11.3	7.5
3	Illinois	9.3	6.2
4	Minnesota	7.3	4.9
5	Nebraska	7.3	4.9
6	Texas	6.4	4.3
7	Indiana	5.7	3.8
8	Kansas	4.7	3.1
9	North Dakota	4.5	3.0
10	Ohio	4.5	3.0
Total	**Top 10 States**	**84.6**	**56.4**

Source: USDA, Economic Research Service, "State Export Data," http://www.ers.usda.gov/data-products/state-export-data.aspx.
Notes: For CY2014, the total value of U.S. agricultural exports was $150.0 billion.

Economic and Other Factors in Agricultural Trade

U.S. and global trade are greatly affected by the growth and stability of world markets.[8] 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, as well as trade agreements with other countries, also influence the level of U.S. agricultural exports. According to USDA, world economic growth—particularly sustained relatively high growth in developing countries—provides a foundation for increases in global food demand, trade, and agricultural exports.

Developing countries are expected to drive most of the growth in demand for U.S. agricultural exports in the years ahead, reflecting the outlook for faster population growth in these countries and rising incomes associated with an expanding middle class. These economic trends, coupled with younger population demographics and increased urbanization, are closely associated with greater diversification of diets and increased demand for meat, dairy products, and processed foods that tend to shift import demand in favor of feedstuffs and HVPs.[9]

[8] For more information about U.S. agricultural trade, see USDA, "U.S. Agricultural Trade," http://ers.usda.gov/topics/international-markets-trade/us-agricultural-trade.aspx.

[9] USDA, "Agricultural Projections to 2023," pp. 2, 7, 88, http://www.ers.usda.gov/publications/oce-usda-agricultural-projections/oce141.aspx#.U8gbziiZjTo.

Global economic growth is projected to rise to 3.1% in 2016 from 2.8% in 2015, according to USDA.[10] **Table 4** contains a breakdown of growth prospects by major regions and key countries. Economic growth is expected to be led by moderately stronger growth in the United States, a further uptick in economic activity in the European Union and Africa, and relatively stable growth prospects in Asia and Oceania overall amid slower growth in China. A further downturn in Brazil's economic prospects may weigh on growth prospects in South America.

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

Region/Country	Share of World GDP	2015 GDP Growth Rate	2016 GDP Growth Rate	Real Exchange Rate[a] 2015	Real Exchange Rate 2016
World (U.S. trade, weighted)	100%	2.8%	3.1%	8.6	3.8
NAFTA	26.3%	2.3%	2.5%	2.0	0.9
Canada	2.5%	1.2%	1.6%	14.7	6.4
United States	23.1%	2.4%	2.6%	0.0	0.0
Mexico	1.1%	2.5%	2.5%	16.2	7.4
Latin America	7.7%	-0.5	0.0%	11.2	8.8
Argentina	0.7%	1.3%	0.5%	-.16	33.4
Brazil	3.4%	-3.7%	-3.0%	30.0	27.3
Eurozone	24.1%	1.5%	2.0%	19.8	4.5
Asia and Oceania	28.7%	4.4%	4.5%	6.5	4.3
China	9.3%	6.9%	6.3%	0.7	6.4
Japan	8.4%	0.7%	1.2%	13.4	3.1
South Korea	1.7%	2.5%	3.0%	6.8	7.2
Indonesia	1.2%	4.8%	5.0%	6.2	2.6
Vietnam	0.2%	6.7%	6.4%	0.3	-1.0
India	2.6%	7.3%	7.5%	1.0	3.1
Australia	1.8%	2.4%	2.6%	18.4	7.1
New Zealand	0.2%	2.2%	2.5%	18.6	4.4
Middle East	4.2%	2.5%	3.2%	5.2	2.5
Turkey	1.1%	3.3%	3.0%	15.6	8.4
Africa	2.9%	3.4%	3.8%	6.6	1.5

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

a. Local currency per U.S. dollar. A negative rate indicates a depreciation of the dollar. Real exchange rates have a 2010 base year.

b. The eurozone consists of the 19 countries that have adopted the euro as their common currency.

[10] ERS, *Outlook for U.S. Agricultural Trade*, February 25, 2016, http://www.ers.usda.gov/publications/aes-outlook-for-us-agricultural-trade/aes-91.aspx.

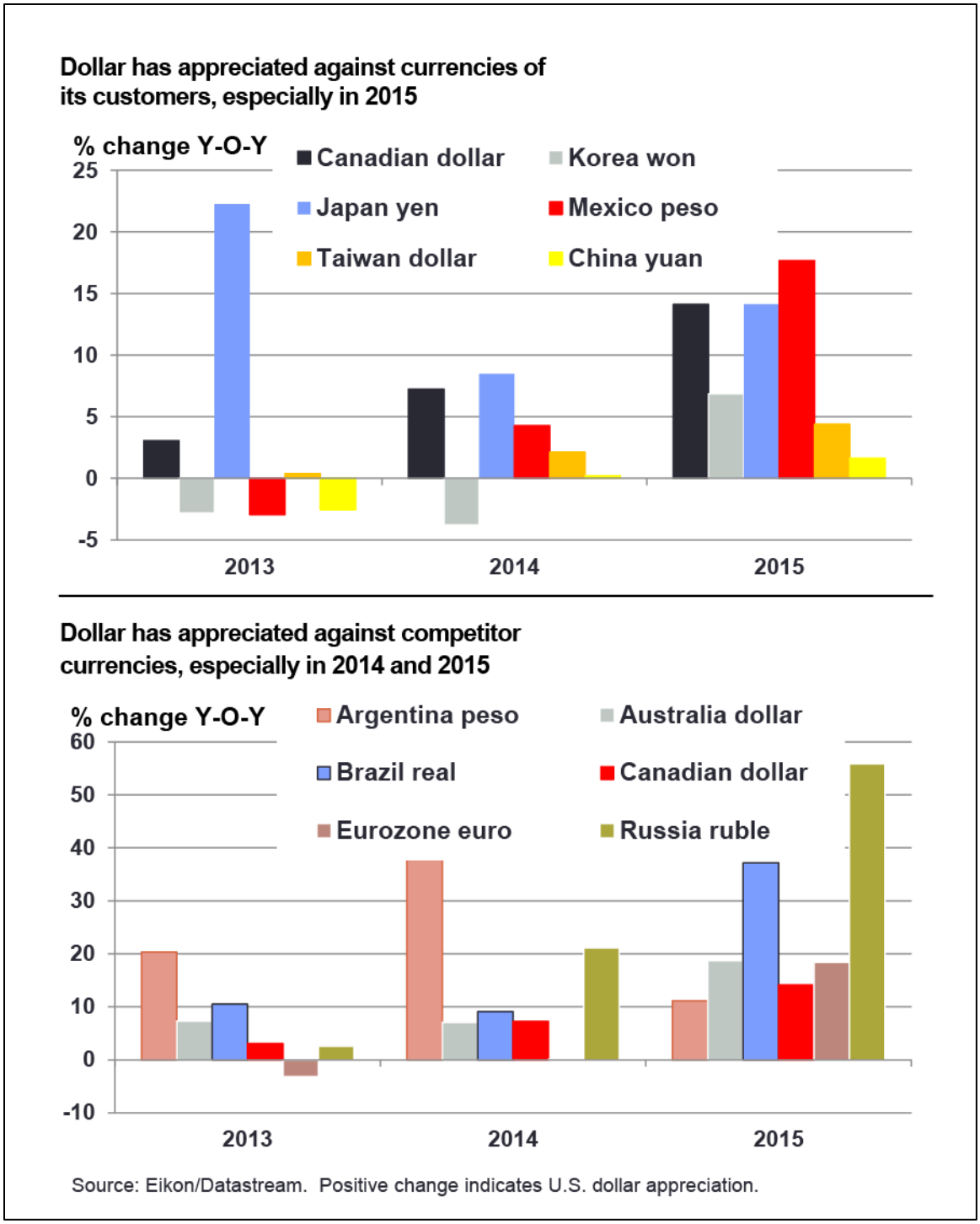
A leading factor in the decline in the value of U.S. agricultural exports in FY2015 was lower prevailing market prices for numerous farm commodities. For instance, the average farm prices of 2014-crop soybeans and corn (marketed from September 1, 2014, to August 31, 2015) were lower than average prices for the 2013 crops by 22% and 17%, respectively. Farm prices for major animal products—including beef cattle, hogs, broilers, and milk—were also lower in 2015 compared to 2014, thereby contributing to the lower dollar value of export sales in FY2015.[11]

Another factor influencing U.S. agricultural trade is the value of the U.S. dollar relative to foreign currencies. Following a 10-year period of dollar depreciation from 2002 to 2011, the U.S. currency has since strengthened. The dollar is projected to continue to strengthen relative to most foreign currencies in 2016, though not as sharply as it appreciated in 2015 (**Figure 2**). In part, the stronger U.S. dollar reflects relatively favorable economic prospects for the U.S. economy compared with circumstances elsewhere. For agriculture, a stronger dollar makes U.S. commodities more expensive in local currency for foreign buyers and renders U.S. products less competitive in relation to commodities from export competitors with weaker currencies, such as Brazil and Argentina. In this way the stronger dollar contributed to a lower level of farm exports in FY2015 with projected dollar strengthening expected to have a similar effect in FY2016.[12] The stronger dollar also encourages increased levels of U.S. agricultural imports by making foreign products cheaper in U.S. dollar terms.

[11] USDA, *World Agricultural Supply and Demand Estimates*, April 12, 2016, http://www.usda.gov/oce/commodity/wasde/index.htm.

[12] ERS, *Outlook for U.S. Agricultural Trade*, February 25, 2016 and *USDA Agricultural Projections to 2025*.

Figure 2. Change in Value of U.S. Dollar vs. Currencies of Major Agricultural Importers and Export Competitors



Source: Reprinted from U.S. Department of Agriculture, http://www.usda.gov/oce/forum/2016_speeches/Johansson_Outlook_2016_slides.pdf.

Notes: Y-O-Y designates year-on-year change.

U.S. trade policy and geopolitical events also factor into the level of agricultural exports. Trade liberalization efforts aim to expand international commerce by lowering various barriers to trade and broadening access to foreign markets. These efforts include multilateral agreements under the auspices of the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO), as well as regional trade agreements such as NAFTA, and bilateral free trade agreements, including the recent Korea-U.S. Free Trade Agreement (KORUS FTA).

Geopolitical events, such as economic sanctions, can influence the scope of trade in agricultural products as well. The effects of sanctions are often temporary, as commodities are fungible and trade flows tend to realign. One such event was the embargo that President Jimmy Carter imposed on U.S. grain sales to the Soviet Union in January 1980 in response to the Soviet invasion of Afghanistan in December 1979. At the time, the Soviet Union was the largest importer of U.S. grain and feed. The quantity of U.S. grain and feed exports to the Soviet Union plunged by 66% in 1980, but total exports of U.S. grain and feed that year climbed by 10% as other importers absorbed the displaced grain.

More recently, on August 7, 2014, Russia banned the import of certain foods—including certain beef, pork, poultry, fish, seafood, fruits, nuts, vegetables, sausages, and prepared foods—from a number of Western countries, including the United States, in retaliation for economic sanctions imposed on Russia for its actions in Ukraine. Banned food imports from the affected countries amounted to 22% of the value of Russia's food imports in 2013. The U.S. share of the affected product imports amounted to about 9% of the total but comprised only about 0.5% of annual U.S. agricultural exports. In the wake of the ban, U.S. agricultural exports to Russia have fallen from a total of 712,697 metric tons in 2013 to 565,652 metric tons in 2015. Shipments of poultry meat and products have been severely affected, declining from 276,636 metric tons in 2013 prior to the ban to zero in 2015.[13]

U.S. Agricultural Trade and the Trans-Pacific Partnership Agreement (TPP)

In February 2016, the Obama Administration signed the TPP, a proposed regional free trade agreement (FTA) with 11 other Pacific nations: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. Importantly, the TPP will not have the force of law until it is ratified by the countries involved, which would require enacting implementing legislation in the United States.[14]

If implemented, TPP would be the largest regional FTA to which the United States is a party. In 2015, TPP countries absorbed 43% of U.S. agricultural exports and supplied 51% of U.S. agricultural imports.

Among the five TPP countries with which the United States currently lacks an FTA—Brunei, Japan, Malaysia, New Zealand, and Vietnam—Japan, Malaysia, and Vietnam have a combined population of roughly 250 million. Moreover, each of these three countries imposes significantly higher average combined tariffs on agricultural products than does the United States, suggesting the potential for U.S. agricultural products to make greater inroads into these markets as a result of more favorable market access that would be provided under TPP.

Prominent among the market access provisions in the agreement are liberalized terms of trade in agricultural products, including a reduction in tariff rates, which for many products would be lowered to zero. For example, the agreement provides that Japan—the largest foreign market for U.S. beef—would lower its tariff on fresh, chilled, and frozen beef from 38.5% currently to 27.5% once the agreement enters into force. Japan's tariff would then be progressively lowered to 9% by year 16. In one of numerous other examples, Japan would eliminate seasonal tariffs on oranges of 16% and 32% over six and eight years, respectively.

[13] For more on Russia's import ban, see U.S. Trade Representative, *The 2016 National Trade Estimate Report*, https://ustr.gov/sites/default/files/2016-NTE-Report-FINAL.pdf.

[14] For additional background on the TPP agreement, see CRS Report R44278, *The Trans-Pacific Partnership (TPP): In Brief*, by Ian F. Fergusson, Mark A. McMinimy, and Brock R. Williams. After two years from its signing in February 2016, TPP may enter into force if ratified by six countries accounting for 85% of the membership's GDP, which, in practice, would require U.S. and Japanese participation.

Other farm products would benefit from expanded tariff rate quotas (TRQs), which allow TPP participants to export increased quantities of certain products either duty-free or at sharply reduced rates of duty. Japan has agreed to a country-specific quota that would allow an additional 114,000 metric tons of U.S. wheat to be imported on a duty-free basis. This concession—equivalent to about 0.5% of total U.S. wheat exports in the 2014/2015 marketing year—would be expanded to 150,000 tons over seven years.

The United States would also provide market access concessions across numerous categories of agricultural imports that are currently subject to either import tariffs or TRQs. U.S. tariffs on beef and beef products, which range as high as 26.4%, would be eliminated in no more than 15 years, while new TRQs would be established for sugar and sugar-containing products from several countries, including Australia and Canada. New TRQs would also be established for a range of dairy products.[15]

The TPP agreement has met with substantial support from U.S. agriculture, agribusiness, and food industry interests, but TPP has its detractors within these industries as well. Among the numerous assessments of how the TPP agreement could affect U.S. agricultural food industry interests are the following:

- The American Farm Bureau Federation, the largest U.S. general farm organization, issued an analysis in February 2016 that concluded that the TPP agreement would boost net trade in numerous agricultural commodities, resulting in higher receipts for both the crop and livestock sectors while also lifting annual net farm income by $4.4 billion after TPP is fully implemented compared with a scenario in which a similar agreement enters into force without U.S. participation.[16]
- The National Farmers Union (NFU) has expressed its opposition to the agreement, asserting that even though TPP could provide for modest increases in U.S. agricultural exports, this benefit could be overshadowed by massive increases in agricultural imports. NFU also faults TPP for its lack of enforcement measures to address the U.S. trade deficit and curtail currency manipulation.[17]
- The U.S. International Trade Commission (ITC) is to issue a report on the projected economic impact of the agreement on the U.S. economy as a whole, as well as on specific industry sectors and on consumers as required by P.L. 114-26, the law that provides the President with trade promotion authority. ITC has stated that it intends to transmit its report to the President and to Congress by May 18, 2016.

USDA's Agricultural Export Programs

Recognizing the importance of agricultural exports to the financial well-being of the U.S. farm sector, farm bills have typically included programs that promote commercial agricultural exports. The 2014 farm bill continues this pattern.

USDA's Foreign Agricultural Service (FAS) works to improve the competitive position of U.S. agriculture in the global marketplace.[18] To this end, FAS administers several export programs designed to improve the competitive position of U.S. agricultural goods in the world marketplace with the objective of facilitating export sales and improving foreign market access for U.S. farm products. The trade title of the 2014 farm bill, the Agricultural Act of 2014 (Title III of P.L. 113-79), as signed into law on February 7, 2014, establishes policy for five years through FY2018.

The law reauthorizes and amends USDA's foreign agricultural export programs. Budget authority for these programs is mandatory and not subject to annual appropriations. Funds required for

[15] For more on the potential implications of the TPP agreement for U.S. agriculture, see CRS Report R44337, *American Agriculture and the Trans-Pacific Partnership (TPP) Agreement*, by Mark A. McMinimy.

[16] American Farm Bureau Federation, *Comments Regarding Effects of Trans-Pacific Partnership on the United States Agricultural Sector*, February 2016, http://www.fb.org/issues/tpp/pdf/TPP%20Full%20Report.pdf.

[17] Testimony of Roger Johnson, President, National Farmers Union, to the U.S. International Trade Commission, January 13, 2016, http://nfu.org/wp-content/uploads/2016/01/01-12-15-Testimony-on-TPP-for-USITC.pdf.

[18] An overview of FAS is available at http://www.fas.usda.gov/aboutfas.asp.

these export programs are provided directly by the Commodity Credit Corporation (CCC) through its borrowing authority.[19]

Agricultural export programs generally fit within three broad groupings:

1. Export market development programs,
2. Export credit guarantee programs, and
3. Direct export subsidies.

The 2014 farm bill made several changes to Title III but left intact most programs that facilitate overseas market development and sales. Key changes include alterations to the Export Credit Guarantee Program to align it with WTO rulings concerning its use in facilitating exports of U.S. cotton and the elimination of the Dairy Export Incentive Program (DEIP), which effectively curtailed the use of direct export subsidies. The bill also directs the Secretary of Agriculture to establish the position of Under Secretary of Agriculture for Trade and International Affairs as part of a reorganization of the agency's trade functions.

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:

1. Market Access Program (MAP),
2. Foreign Market Development Program (FMDP),
3. Emerging Markets Program (EMP),
4. Quality Samples Program (QSP), and
5. 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 2014 farm bill extended legislative authorization of CCC funds for these market development programs for FY2014 through FY2018. Export programs are funded through the borrowing authority of the CCC.

Authorized Annual Funding Levels

Mandatory annual funding for market development programs as authorized in the 2014 farm bill includes $200 million for MAP, $34.5 million for the FMDP, $10 million for the EMP, and $9 million for TASC. QSP is authorized under the CCC Charter Act, not the farm bill, and is funded through CCC's borrowing authority.

[19] The CCC is a corporation created in 1933 that is owned and operated by the U.S. government. It has broad powers to support farm income and prices and 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. More information is available at http://www.fsa.usda.gov/FSA/webapp?area=about&subject=landing&topic=sao-cc.

Market Access Program (MAP)[20]

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.[21] 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, such as cotton, fruits, dairy products, meat, nuts, wood products, wine, and seafood. MAP funds 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) or 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[22] can receive assistance under the brand program, which seeks to establish consumer loyalty for their brand-name products.[23] 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. The 2014 farm bill reauthorized CCC funding for MAP at then-current mandatory funding levels of $200 million annually through FY2018.

Foreign Market Development Program (FMDP)[24]

FMDP was established in 1955 and, like MAP, has the primary objective of assisting industry organizations in the expansion of export opportunities. The 2014 farm bill reauthorizes CCC funding for FMDP for FY2014-FY2018 at an annual level of $34.5 million. The 1996 farm bill provided new statutory authority for the program. Funding for FMDP has been maintained at $34.5 million since the 2002 farm bill.

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

[21] 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.

[22] As defined by the Small Business Administration.

[23] A listing of MAP funding allocations by participating organization for FY2013 and FY2014 is available at http://www.fas.usda.gov/programs/market-access-program-map/map-funding-allocations-fy-2013.

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

FMDP funds industry groups, with a match requirement, to undertake activities such as consumer promotions, technical assistance, trade servicing, and market research by the government and industry groups. Unlike MAP, which mainly promotes consumer goods and brand-name products, FMDP mainly promotes generic or bulk commodities.

Emerging Markets Program (EMP)[25]

EMP assists U.S. entities in developing, maintaining, and expanding the exports of U.S. agricultural commodities and products by providing partial funding for technical assistance activities that promote U.S. agricultural exports to emerging markets. Emerging markets are defined as any country or regional grouping that (1) is taking steps toward a market-oriented economy through the food, agriculture, or rural business sectors of the economy of the country; (2) has the potential to provide a viable and significant market for U.S. agricultural commodities or products; (3) has a population greater than 1 million; and (4) has a per-capita income level below the level for upper-middle-income countries as determined by the World Bank.

The program is intended primarily to support export market development efforts of the private sector, but its resources may also be used to assist public agricultural organizations. Technical assistance may include activities such as feasibility studies, market research, sector assessments, orientation visits, specialized training, business workshops, and similar undertakings.

The 2014 farm bill extended EMP through FY2018, authorizing up to $10 million of CCC funding annually through FY2018—unchanged from the 2008 farm bill—to carry out technical assistance activities to promote U.S. agricultural exports and address technical barriers to trade in emerging markets.

Quality Samples Program (QSP)[26]

QSP assists U.S. agricultural trade organizations in providing small samples of their agricultural products to potential importers in emerging markets overseas. 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. Operating under the authority of the CCC Charter Act of 1948, FAS used $1.06 million of CCC funds in FY2013, $1.29 million in 2014, and $1.57 million in FY2015 to carry out the program. The USDA estimated net expenditures of $2.55 million in FY2016, while the President's budget for FY2017 estimates net expenditures of $2.56 million.

Technical Assistance for Specialty Crops (TASC) Program[27]

TASC aims to assist U.S. exporters by funding projects that address sanitary, phytosanitary, and technical barriers that prohibit or limit U.S. specialty crop exports. The 2008 farm bill defined 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 2014 farm bill broadened TASC's scope, replacing "related barriers" with "technical barriers," which allows

[25] Additional information on EMP is available at http://www.fas.usda.gov/programs/emerging-markets-program-emp.

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

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

TASC to fund projects that address technical barriers to trade that are not related to a sanitary or phytosanitary barrier.

The types of activities covered include seminars and workshops, study tours, field surveys, pest and disease research, and preclearance programs. The 2014 farm bill authorizes TASC funding of $9 million annually from FY2014 through FY2018, unchanged from the FY2011-FY2013 authorization levels. Also under this section of the bill, Congress directed the Secretary of Agriculture to conduct an economic study of the existing market in the United States for Atlantic spiny dogfish within 90 days of the bill's enactment. According to USDA, the report was communicated to the appropriate committees of the House and Senate on May 22, 2014.[28]

Export Credit Guarantees

For FY2014 through FY2018, the 2014 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. 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 with a CCC guarantee that the loans will be repaid. In guaranteeing these loans, the CCC assumes the risk of default on payments by the foreign purchasers on loans for U.S. farm exports. Two export credit guarantee programs were reauthorized: the short-term credit guarantee program (GSM-102) and the Facility Guarantee Program (FGP).

GSM-102 Program[29]

The GSM-102 program guarantees repayment of short-term financing 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 commercial exports of U.S. agricultural products on competitive credit terms for buyers in countries where credit is necessary to maintain or increase U.S. sales but financing may not be available without CCC guarantees. Eligible countries are those that USDA determines can service the debt backed by the guarantees. The use of CCC guarantees for foreign aid, foreign policy, or debt rescheduling purposes is prohibited. The 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. Eligible products include a broad range of agricultural commodities and HVPs.[30]

The leading recipients of export credit guarantees over the years have been Mexico, South Korea, Iraq, Algeria, and the former Soviet Union. In FY2015, the major beneficiary countries (in terms of loan amounts guaranteed) were Mexico ($250.4 million), South Korea ($224.3 million), and Turkey ($189.6 million). On a regional basis,[31] the largest allocation of guarantees in FY2015 went to South America ($434 million), the Caribbean ($217.2 million), Central America ($200.1

[28] USDA, "Progress on the 2014 Farm Bill Implementation," http://www.usda.gov/wps/portal/usda/usdahome?contentidonly=true&contentid=progress-2014-farm-bill.html.

[29] 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 is available at http://www.fas.usda.gov/programs/export-credit-guarantee-program-gsm-102.

[30] A list of eligible commodities and products under the GSM-102 program can be found at http://www.fas.usda.gov/programs/export-credit-gurantee-program-gsm-102/eligible-commodities.

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

million), Southeast Asia ($154.8 million), and Africa and the Middle East ($115.5 million). GSM guarantees facilitate sales of a broad range of commodities, with wheat, soybeans, and soybean meal at the top of the list by value in FY2015.[32] **Table 5** provides a list of the leading GSM-102 funded commodity exports in FY2015.

Table 5. GSM-102 Allocation by Leading Commodities, FY2015

Commodity	US$ millions
Soybeans	467.8
Yellow Corn	442.9
Wheat	288.2
Soybean Meal	254.1
Rice	137.1
Cotton	68.8
Soybean Oil	48.2
Distillers Dry Grain	28.4
Grain Sorghum	25.0
Printing/Writing Paper	15.9
All Commodities	1,810.9

Source: USDA, Foreign Agricultural Service.

Notes: FY2015 GSM-102 allocation by geographic destination and product is available at http://www.fas.usda.gov/sites/default/files/2015-10/fy_2015_-_final_0.pdf.

Under the 2014 farm bill, funding for the GSM-102 program is reauthorized. The value of U.S. agricultural exports that can benefit from export credit guarantees remains at $5.5 billion annually. Net federal outlays under the GSM-102 program have been negative in most years going back to the mid-1990s (i.e., generating revenue for the government) as program fees and interest from rescheduled debts and the like have generally exceeded the cost of defaults, approaching revenue of $200 million in a number of years. Years in which net outlays under GSM-102 have represented a cost to the government are estimated to have been fewer in number and generally far smaller in amount—typically under $15 million per fiscal year, with FY2010 the stand-out exception at an estimated $109 million.[33] Federal costs associated with administering the program are separate, amounting to approximately $7 million a year.[34]

To address differences that have arisen over how the United States might comply with the WTO cotton case won by Brazil,[35] the final law grants flexibility to the Secretary of Agriculture to make changes to the credit guarantee program, following consultation with the House and Senate Agriculture Committees, to meet terms agreed upon by both countries.

The 2014 farm bill also amended this program in three ways to address, at least in part, Brazil's criticism of how it is administered:

[32] GSM-102 allocations by leading countries, regions, and commodities is available at http://www.fas.usda.gov/sites/default/files/2013-12/gsm2013-final.pdf.

[33] See Office of Management and Budget, "Fiscal Year 2016 Federal Credit Supplement," Table 8, https://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/cr_supp.pdf.

[34] U.S. Department of Agriculture 2016 Budget Estimate.

[35] For more information, see CRS Report R43336, *The WTO Brazil-U.S. Cotton Case*, by Randy Schnepf.

1. The maximum loan guarantee term is reduced to two years from three years.
2. The requirement that the Secretary of Agriculture maximize the amount of credit guarantees made available each year is repealed.
3. The provision restricting the Secretary's ability to adjust program fees is also repealed in order to allow fees to fully cover the costs of the program's operation, thereby avoiding any implicit subsidy.

Although the enacted 2014 farm bill shortened the maximum length of credit guarantees from three years previously to not more than 24 months, FAS has established a maximum repayment term under GSM-102 of 18 months, with actual terms subject to variation by country.[36] The 18-month limit for repayment reflects the October 2014 memorandum of understanding between the United States and Brazil that was one of a number of U.S. actions taken to address Brazil's successful WTO complaint that U.S. cotton support programs were depressing international cotton prices and thereby harming Brazil's cotton industry.[37]

Previously, under the 2008 farm bill (P.L. 110-246), Congress repealed the GSM-103 program, which guaranteed longer-term financing of between three and 10 years. This action was also taken in response to the WTO Brazil cotton decision.

Facility Guarantee Program (FGP)[38]

Under the general provisions of the GSM-102 program, the CCC provides funding to guarantee financing under the FGP. The 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. Under GSM-102, the farm bill authorized not less than $1 billion through FY2018 to promote U.S. agricultural exports to emerging markets, including the FGP. In FY2014, FAS programmed no funds for FGP pending the publication of a new rule. As of April 2016, the program was still inactive pending a final rule that was expected to be issued by the end of FY2016, at which point the program is to be reactivated, according to USDA.[39] The inactive status of FGP notwithstanding, the agency estimated a program level of $100 million FY2016, climbing to $500 million for FY2017.[40]

Dairy Export Incentive Program (DEIP) Repealed

The 2014 farm bill repealed DEIP effective immediately. Terminating the program was consistent with a WTO commitment to eliminate the use of export subsidies. DEIP was established under the 1985 farm bill (P.L. 99-198) to assist in the export of U.S. dairy products. DEIP was included in the commodity title (Title I), not the trade title (Title III), where most export programs are located. The purpose of DEIP was to develop international export markets in regions where U.S. dairy products were 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

[36] USDA, "About the FAS, Export Credit Guarantee Program (GSM-102)," http://www.fas.usda.gov/programs/export-credit-gurantee-program-gsm-102/about-export-credit-guarantee-program-gsm-102.

[37] For more detail, see CRS Report R43336, *The WTO Brazil-U.S. Cotton Case*, by Randy Schnepf.

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

[39] E-mail correspondence with Amy Slusher, Deputy Director, Credit Programs Division, FAS, USDA, April 20, 2016.

[40] See USDA 2016 Budget Summary at http://www.obpa.usda.gov/budsum/fy16budsum.pdf.

product subsidies, primarily those of the European Union. Eligible commodities under DEIP included milk powder, butterfat, and various cheeses.

The program level for DEIP has varied over years depending on the dairy price situation. No DEIP bonuses were awarded from FY2005 through FY2008. In response to lower milk producer returns in 2008 and 2009, USDA reactivated the program in July 2009 to provide support in FY2009-FY2010. No DEIP subsidies have been provided since FY2010.[41]

Funding

As mentioned earlier, 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 program activity levels for FY2012 through FY2016 and also includes the dollar amounts the Administration has budgeted for these programs for FY2017. The account for GSM-102 reflects program level activity or, for FY2016-FY2018, authorization levels.

Table 6. USDA International Export Program Net Outlays, FY20012-FY2015, and Budget, FY2016-FY2018

(US$ millions)

Program	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018F
Dairy Export Incentive Program[a]	0	0	0	0	0	0	0
Market Access Program	204	196	184	192	185	192	200
Foreign Market Development Program	34	33	30	31	32	33	34
Emerging Market Program	7	9	8	6	10	10	10
Technical Assistance for Specialty Crops	6	6	6	6	8	9	9
Quality Samples Program[b]	1	1	1	2	3	3	3
General Sales Manager Export Credit Guarantee Program (GSM-102)[c]	4,132	3,107	2,160	1,982	5,500	5,500	5,500

Sources: USDA, *Annual Budget Summaries*, various issues.

Note: For all programs except GSM-102, FY2016 numbers are estimates. FY2017 figures are budgeted amounts, while FY2018 numbers reflect the amounts authorized in 2014 farm bill. For GSM-102, see footnote h below.

a. This program was terminated with the enactment of the 2014 farm bill, so no program activity is authorized for FY2014-FY2018.

b. This program operates under the authority of the CCC Charter Act of 1948; thus, the amounts for FY2016-FY2017 represent the Administration's estimate in its FY2017 budget, while the figure for FY2018 represents the amount budgeted for FY2017.

c. Totals for FY2012-FY2015 represent the value of exports actually financed, while figures for FY2016-FY2018 represent authorized loan levels.

[41] For a detailed examination of changes to U.S. dairy support policy in the 2014 farm bill, see CRS Report R43465, *Dairy Provisions in the 2014 Farm Bill (P.L. 113-79)*, by Randy Schnepf.

Reorganization of Trade Functions at USDA

A new element in the 2014 farm bill required the Secretary of Agriculture, in consultation with the House and Senate Agriculture Committees and House and Senate Appropriations Committees, to propose a plan to reorganize the international trade functions of USDA. The law directed the Secretary to report to the congressional committees on the plan within 180 days of the farm bill's enactment date of February 7, 2014, and to implement the reorganization plan not later than one year after the report is submitted. The law also directed the Secretary to include in the plan the establishment of the position of Under Secretary of Agriculture for Trade and Foreign Agricultural Affairs within USDA. This position, which requires Senate confirmation, is responsible for serving as a multi-agency coordinator of sanitary and phytosanitary issues that arise in the course of trade in agricultural products and for addressing agricultural non-tariff trade barriers. The timeline for establishing this position is within one year of the Secretary's report to Congress.

Currently, USDA's Under Secretary for Farm and Foreign Agricultural Affairs oversees the operation of FAS in addition to the Farm Service Agency and the Risk Management Agency. The creation of the position of Under Secretary for Trade and Foreign Agricultural Affairs would appear to segregate the domestic from the export-oriented programs.

As of the end of April 2016, the report that Congress directed the Secretary to prepare for Congress had not been transmitted. With the process of proposing a reorganization plan and establishing the new Under Secretary position incomplete, Congress directed the USDA Office of Chief Economist in December 2015 to contract with an independent organization to assist in completing this task and to consult with the congressional committees of jurisdiction. To fund this effort, Congress provided $1 million as part of the FY2016 Agricultural Appropriations Act, P.L. 114-113 (for more, see "Reorganizing Trade and Farm Services Function within USDA" below).

Issues for Congress

U.S. Agricultural Exports in a Downturn

The value of U.S. agricultural exports climbed by nearly 60% between FY2009 and FY2014, reaching a record $152 billion. Thereafter, U.S. farm exports receded to $139 billion in FY2015, and USDA projects that exports will decline further to $125 billion in FY2016, which would mark the lowest ebb for farm exports since FY2010 (**Table A-1**). Export earnings have declined in tandem with generally ample world harvests, resulting in lower market prices and a stronger U.S. dollar vis-a-vis trading partner currencies, which has reduced U.S. competitiveness in relation to other exporters, including Brazil and Argentina. In FY2015, the downturn in export sales was led by lower unit prices for several major commodities—such as wheat, corn, broiler meat, and pork—the effect of which was compounded by a reduction in the quantities of these commodities exported.

Given that about 20% of U.S. agricultural production is shipped abroad, export sales are manifestly an important contributor to agricultural prices, farm income, and the financial well-being of a broad array of interests within the U.S. agribusiness sector, including crop and livestock processors and farm input suppliers, among others. Considering the sharp fall in net cash farm income in recent years—to a forecast $91 billion in 2016 from a peak of $135 billion in 2012 and 2013—Congress might consider the possible advantages and potential downsides of addressing opportunities and market circumstances that could contribute to an increase in U.S. agricultural exports, which could include the following three.

Trans-Pacific Partnership Agreement (TPP)

TPP, a regional FTA that the U.S. government has concluded with 11 other Pacific-facing countries, would, in part, provide improved access to these markets for agricultural products—through a reduction in tariff rates and expanded tariff-rate quotas—for a broad range of U.S. agricultural products (see "U.S. Agricultural Trade and the Trans-Pacific Partnership Agreement" textbox). Two TPP countries with which the United States does not have an existing FTA are considered to be particularly attractive growth prospects for U.S. agricultural exports: Japan, a food importer with a large population, high per-capita income, and highly protected agricultural sector; and Vietnam, in view of its sizable population and rapidly growing economy.

USDA has argued that FTAs (such as NAFTA and numerous bilateral FTAs) have contributed substantially to a steep increase in U.S. agricultural exports in recent decades.[42] As noted earlier, the TPP agreement has drawn broad support within U.S. agriculture and within the agribusiness and food sectors generally. But TPP also has its detractors, who contend that the terms are unbalanced and the potential benefits to U.S. agriculture and food industry interests are oversold while the downside risks are minimized. Among food and farm critics of the TPP are the United Food and Commercial Workers International Union and the National Farmers Union, both of which have broad objections to TPP, as well as elements of the U.S. rice industry and tobacco producers, which object to specific provisions in the agreement that concern treatment of their commodities.[43] Congress would need to enact implementing legislation for TPP to have the force of law for the United States.

Cuban Market for U.S. Farm Products

Numerous farm and agribusiness groups have pointed to Cuba as a market that could become a significantly larger importer of U.S. farm products.[44] This reflects Cuba's heavy dependence on agricultural imports to feed its population of 11 million, the considerable transportation cost and delivery time advantages that U.S. exporters have over competitors (such as Brazil and Vietnam) due to the close proximity of major U.S. ports to Cuba, and the broad range of U.S. agricultural products available for export. Title IX of the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA, P.L. 106-387) opened a window in the long-standing U.S. embargo on trade with Cuba by permitting exports of agricultural products. Thereafter, U.S. farm exports to Cuba climbed from zero in 2000 to $685 million in 2008 but since then have receded, amounting to $149 million in 2015. In a report issued in 2015, USDA compared the potential for U.S. agricultural exports to Cuba to the Dominican Republic, noting that the Dominican Republic market bears similarities to Cuba in terms of population and per-capita income. But whereas the Dominican Republic imported an annual average of $1.1 billion of U.S. farm products between 2012 and 2014, Cuba's average annual imports were far lower at $365 million over the same period.

TSRA specifically prohibits the use of private financing to underwrite exports of agricultural products (except through third-country financial institutions) and prohibits any access to U.S. government export promotion programs for Cuba. Numerous farm groups contend that the

[42] See ERS, "Trade Agreements and U.S. Agriculture," January 24, 2014, http://www.usda.gov/oce/economics/papers/WhitePaper_012014_TradeAgreements.pdf.

[43] For more detail see CRS Report R44337, *American Agriculture and the Trans-Pacific Partnership (TPP) Agreement*, by Mark A. McMinimy.

[44] ERS, "U.S.-Cuba Agricultural Trade: Past, Present and Possible Future," August 3, 2015, http://www.ers.usda.gov/publications/aes-outlook-for-us-agricultural-trade/aes-87.aspx.

restrictions on financing, which in practice tend to limit sales to Cuba to cash transactions, comprise a major impediment to expanding U.S. farm exports by making terms for U.S. products less competitive than those offered by alternative suppliers.[45] In a March 2016 report, the U.S. International Trade Commission concluded that U.S. agricultural exports to Cuba could post significant gains if U.S. restrictions on trade were removed. In particular, it noted that U.S. agricultural suppliers view the inability to offer credit and travel to Cuba to facilitate transactions as key obstacles to increasing farm exports.

In 2015, and in early 2016, the Obama Administration issued a policy of general approval for the export to Cuba of certain additional categories of goods and followed this up in January 2016 by permitting U.S. private export financing of these goods. But agricultural products continued to be excluded from private U.S. financing due to the prohibition imposed under TSRA.[46] Critics of the Obama Administration's policy initiative to engage Cuba diplomatically and move toward more normal bilateral relations point out that Cuba remains a one-party communist regime with a poor record on human rights, and they contend that reforms that demonstrate a commitment to democracy and human rights should precede a relaxation in the U.S. sanctions regime.

Trade Distorting Foreign Farm Subsidies

In recent years, U.S. agricultural interests and policymakers have become increasingly concerned that U.S. agricultural exports are being displaced by developing country competitors. The concern is that certain export competitors have benefited from increasingly generous government support—including domestic price support programs, production subsidies, and export subsidies—which has led to the accumulation of domestic surpluses irrespective of market conditions. Disposing of these surpluses can weigh on international market prices and distort trade patterns. Foreign surpluses resulting from high government support levels may displace both imports of U.S. farm products to countries that employ trade-distorting subsidies and U.S. exports to third country markets. Generous price supports and production subsidies—and in some cases export subsidies—have insulated producers from price signals in international markets and have led to exports that are often below domestic prices and production costs.

In 2015, the House Agriculture Committee held several hearings on this topic.[47] The committee heard testimony from academics, economic consultants, and commodity groups, including representatives of the cotton, sugar, wheat, and dairy industries. The testimony centered on the variety of methods by which advanced developing countries (such as Brazil, China, India, Thailand, and Turkey) provide support that exceeds their WTO obligations and, consequently, distorts trade to the detriment of U.S. agricultural interests.

Establishing disciplines on agricultural support programs has traditionally been the province of the WTO and its predecessor, GATT. Lodging a complaint with the WTO against another member government for violating WTO rules under dispute settlement provides an established framework for seeking redress. Beyond pursuing individual complaints via dispute settlement on a case-by-case basis, multilateral negotiations within a trade "round" can rewrite the rules of trade for WTO members. The Doha Round of multilateral trade negotiations that was launched in 2001 was intended to address agricultural trade issues broadly, including domestic support levels, market

[45] For more detail on U.S. farm trade with Cuba and financing restrictions, see CRS Report R44119, *U.S. Agricultural Trade with Cuba: Current Limitations and Future Prospects*, by Mark A. McMinimy.

[46] For more see CRS Report R43926, *Cuba: Issues for the 114th Congress*, by Mark P. Sullivan.

[47] House Committee on Agriculture hearings, October 21, 2015, and June 3, 2015, http://agriculture.house.gov/calendar/?EventTypeID=214&Timeframe=All.

access, and export competition. But the negotiations reached an impasse in 2009 and have made little progress since then.

Reorganizing Trade and Farm Services Functions Within USDA

Another activity that might evoke continued congressional oversight involves the reorganization of the trade functions at USDA as required by the enacted 2014 farm bill. As noted above, following consultations with the House and Senate Agriculture Committees, a report outlining the Secretary of Agriculture's reorganization plan was to have been submitted to those committees by early August 2014, but by the end of April 2016 the reorganization plan had not been completed. At a hearing of the House Appropriations Committee on March 17, 2016, Deputy Under Secretary for Farm and Foreign Agricultural Services Alexis Taylor stated that USDA hoped to provide the required report to Congress by the end of the current year.[48] The FY2016 Agricultural Appropriations Act (P.L. 114-113) set a revised deadline of mid-June 2016 for transmitting the report on a proposed reorganization plan to Congress.

As part of this reorganization proposal, the 2014 farm bill also calls for the Secretary to establish within USDA the position of Under Secretary of Agriculture for Trade and Foreign Affairs. As noted previously, the creation of this new position implies the organizational separation of key domestic farm programs, such as crop insurance, from the main export-oriented programs discussed in this report. Considering that both of these functions currently fall within the purview of the Under Secretary for Farm and Foreign Agricultural Services—and in view of the importance of these program activities to the agricultural sector—Congress might have a keen interest in considering the Secretary's plan and in overseeing the subsequent reorganization effort.

Public Sector Role and Effectiveness in Export Promotion

Historically, many Members of Congress have been highly supportive of MAP and cite the benefits the program brings to U.S. agricultural industries through export market development abroad. Although the program has its detractors, strong support for export market development programs has been 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.

Also, the continuity that the 2014 farm bill provides in terms of extending most agricultural export programs speaks to ongoing congressional support for this type of activity. The elimination of DEIP as part of the new law appeared to be mainly a function of fundamental changes the law makes in the structure of federal support programs for milk producers, a U.S. commitment to eliminate direct export subsidies, and a recognition that no activity had been recorded under DEIP since FY2010.

At the same time, a concern raised by some Members of Congress with respect to MAP and FMDP is whether the federal government should play an active role at all in helping agricultural producer organizations and agribusiness entities market their products overseas. Some argue that MAP and FMDP are forms of corporate welfare in that they fund activities that private firms could and would otherwise fund for themselves.[49] Other critics argue that the principal beneficiaries are foreign consumers and that funds could be better spent, for example, instructing

[48] House Committee on Appropriations, budget hearing, March 17, 2016, http://appropriations.house.gov/calendararchive/eventsingle.aspx?EventID=394459.

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

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 foreign markets.

Congressional Efforts to Eliminate Export Promotion Programs Come Up Short

The concerns of critics notwithstanding, Congress has continued to demonstrate support for programs that promote farm exports. In considering the House Agriculture Committee-reported farm bill (H.R. 1947), the House in 2013 rejected by substantial margins two amendments that sought to retire two farm export promotion programs. An amendment to repeal MAP (H.Amdt. 191), offered by Representative Steve Chabot, failed by a vote of 98-322, while the House also turned down by 103-322 another amendment (H.Amdt. 193) offered by Representative Mo Brooks that sought to terminate EMP. A core argument advanced in both cases was that taxpayer money ought not be spent on promotional activities that should and could be borne by private interests.

During the House Agriculture Committee's markup of the same bill in 2013, no amendments that sought to eliminate or scale back farm export programs were considered. Similarly, in marking up its farm bill, S. 954, in 2013, the Senate Agriculture Committee did not consider any amendments to curtail agricultural export programs. Likewise, during the floor debate on S. 954 in 2013, the Senate did not consider any amendments that sought to curb or end agricultural export programs.[50]

Market Access Program Reforms of the 1990s

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 response, Congress directed USDA to make 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 (a "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. Finally, Congress added a requirement that each participant certify that MAP funds supplement—rather than supplant—its own foreign market development expenditures.

A 1999 study by the then General Accounting Office (GAO) reviewed a number of studies looking at MAP's effectiveness and concluded that while changes had been made to the program,

[50] During the 112th Congress, the Senate during floor consideration of its farm bill (S. 3240) rejected attempts to scale back and eliminate entirely several agricultural export programs. On June 19, 2012, the Senate voted 14-84 to reject S.Amdt. 2268, offered by Senator Jim DeMint, which sought to prohibit the Secretary of Agriculture from making any loan guarantees. On June 20, the Senate voted 30-69 against adopting S.Amdt. 2289, advanced by Senator Tom Coburn, which proposed to reduce funding for MAP by 20%.

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."[51] In 2009 testimony before the Senate Finance Committee, GAO said that U.S. export promotion activities were in need of strengthened performance management systems.[52]

A 2010 report by IHS Global Insight sponsored by FAS concluded that USDA's market development expenditures have had a positive and significant impact on U.S. agricultural trade. Global Insight concluded that increased spending on market development under MAP and FMD over the period 2002-2009—from roughly $125 million per year in FY2001 to $234.5 million annually during the FY2002-FY2009 period—is estimated to have raised the U.S. share of foreign agricultural imports by 1.3 percentage points, a rise to 19.9% from 18.6% under a no-increase scenario. Global Insight concluded that, in value terms, by FY2009 this additional market development activity was responsible for a 6% boost in U.S. agricultural exports to $96.1 billion that year, compared with $90.5 billion under a modeling scenario in which MAP and FMDP spending were held to the lower FY2001 levels.

[51] GAO, *Changes Made to Market Access Program, but Questions Remain on Economic Impact*, Washington, DC, April 1999, http://www.gao.gov/archive/1999/ns99038.pdf.

[52] 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.

Appendix. Value of U.S. Agricultural Trade

Table A-1. Value of U.S. Agricultural Trade, FY1960-FY2016

(US$ billions)

Year	Exports	Imports	Trade Balance
1960	4.52	4.01	0.51
1961	4.95	3.65	1.30
1962	5.14	3.76	1.38
1963	5.08	3.91	1.17
1964	6.07	4.10	1.97
1965	6.10	3.99	2.11
1966	6.75	4.45	2.29
1967	6.82	4.45	2.37
1968	6.33	4.93	1,40
1969	5.75	4.83	0.92
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

Year	Exports	Imports	Trade Balance
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
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	108.53	78.96	29.57
2011	137.39	94.51	42.88
2012	135.91	103.37	32.54
2013	141.14	103.87	37.27
2014	152.31	109.22	43.09
2015	139.74	114.03	25.72
2016F	125.0	118.5	6.5

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)/fiscal-year.aspx. Data for FY2016 are from USDA's *Outlook for U.S. Agricultural Trade*, February 25, 2016, http://www.ers.usda.gov/media/2022721/outlook-for-us-ag-trade-aes91.pdf.

Notes: Amounts are expressed in nominal dollars. F = Forecast.

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