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Farm Policy: USDA's Trade Aid Package

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SUMMARY

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Farm Policy: USDA's Trade Aid Package

In early 2018, the Trump Administration—citing concerns over national security and unfair trade practices—imposed increased tariffs on certain imported products in general and on U.S. imports from China in particular. Several of the affected foreign trading partners (including China) responded to the U.S. tariffs with their own retaliatory tariffs targeting various U.S. products, especially agricultural commodities.

On July 24, 2018, Secretary of Agriculture Sonny Perdue announced that the U.S. Department of Agriculture (USDA) would be taking several temporary actions to assist farmers in response to trade damage from what the Administration has characterized as "unjustified retaliation." Specifically, the Secretary said that USDA would authorize up to $12 billion in financial assistance—referred to as a trade aid package—for certain agricultural commodities using Section 5 of the Commodity Credit Corporation (CCC) Charter Act (15 U.S.C. 714c). USDA intends for the trade aid package to provide short-term assistance until the ongoing trade disputes are resolved. The aid package includes (1) a Market Facilitation Program (MFP) of direct payments to farmers of soybeans, corn, cotton, sorghum, wheat, hogs, and dairy who are most affected by the trade retaliation; (2) a Food Purchase and Distribution Program to partially offset lost export sales of affected commodities; and (3) an Agricultural Trade Promotion (ATP) Program to expand foreign markets.

On August 27, 2018, Secretary Perdue announced details of the trade aid package, including an initial tranche of $6.1 billion in outlays. Under this initial phase, the MFP is to provide $4.7 billion in direct payments to qualifying agricultural producers. To be eligible, a producer must have an ownership share in the commodity, be actively engaged in farming, and be in compliance with adjusted gross income restrictions and conservation provisions. The first sign-up period started September 4, 2018, and extends through January 15, 2019. During this period, an eligible producer may apply for MFP payments—equal to an announced MFP payment rate times 50% of the producer's 2018 production of eligible commodities. USDA estimates that over three-fourths ($3.6 billion) of the $4.7 billion in initial MFP payments could go to soybean producers. If warranted, USDA may announce a second payment period in early December 2018. MFP payments are capped on a per-person or per-legal-entity basis at a combined $125,000 for eligible crop commodities and, separately, a combined $125,000 for dairy production and hogs.

In addition to the initial round of MFP payments, the Administration announced a Food Purchase and Distribution Program that is to undertake $1.2 billion in government purchases of excess food supplies. USDA has targeted an initial 29 commodities for purchases and distribution through domestic nutrition assistance programs. Purchasing orders and distribution activities are to be adjusted based on the demand by the recipient food assistance programs geographically.

The smallest piece of the trade aid package is an allocation of $200 million to the ATP to boost the trade promotion efforts at USDA's Foreign Agricultural Service, including foreign market development for affected agricultural products.

USDA's use of its discretionary authority under the CCC Charter Act to make direct payments without further congressional action has historically been somewhat intermittent and limited in its scale. While the use of this authority is not without precedent, the scope and scale of this trade aid package has increased congressional and public interest. Furthermore, the significant variation in the announced MFP payment rates for affected commodities and the general lack of transparency behind the MFP payment rate calculations may elicit questions about equitable treatment among affected commodities.

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Introduction

In early 2018, the Trump Administration—citing concerns over national security and unfair trade practices—imposed increased tariffs on certain imported products in general and on U.S. imports from China in particular.[1] Several of the affected foreign trading partners responded to the U.S. tariffs with their own retaliatory tariffs targeting various U.S. products, especially agricultural commodities.[2]

On July 24, 2018, Secretary of Agriculture Sonny Perdue announced that the U.S. Department of Agriculture (USDA) would be taking several temporary actions to assist farmers in response to trade damage from what the Administration has characterized as "unjustified retaliation."[3] Specifically, USDA would authorize up to $12 billion in financial assistance—referred to as the "trade aid" package—for certain agricultural commodities under Section 5 of the Commodity Credit Corporation (CCC) Charter Act (15 U.S.C. 714c). The Secretary said that most of the funding would go to agricultural commodities most directly affected by the trade retaliation—corn, cotton, soybeans, sorghum, wheat, hogs, and dairy—but that some funding would also be used for the purchase, distribution, and trade promotion of a variety of affected commodities.

On August 27, 2018, Secretary Perdue announced details for an initial round of assistance under the trade aid package amounting to $6.1 billion to assist trade-affected farmers.[4] The package includes a Market Facilitation Program (MFP), a Food Purchase and Distribution Program, and an Agricultural Trade Promotion (ATP) program.

Tariffs as the Origin of the Trade Aid Package

In March 2018, the Trump Administration began applying a 25% tariff to U.S. steel imports and 10% tariff to U.S. aluminum imports from certain countries, citing national security concerns.[5] In April, in response to alleged unfair trade practices by the Chinese government, the Administration placed additional tariffs on a number of Chinese products that are exported to the United States.[6] China, Canada, Mexico, the European Union, and Turkey subsequently enacted retaliatory tariffs on U.S. food and agricultural products, in addition to other goods, in response to the U.S. actions.[7] The retaliatory tariffs from those countries now apply to more than 500 U.S. food and agricultural products across meats, grains, dairy products, specialty and horticultural crops, seafood, and alcoholic beverages. The export value for the targeted products to the retaliating countries exceeded $23 billion in 2017—about 16% of total U.S. agricultural exports.[8]

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[1] See CRS Insight IN10943, *Escalating Tariffs: Timeline and Potential Impact*.

[2] CRS Insight IN10880, *China's Retaliatory Tariffs on Selected U.S. Agricultural Products*.

[3] USDA, "USDA Assists Farmers Impacted by Unjustified Retaliation," press release, July 24, 2018.

[4] USDA, "USDA Announces Details of Assistance for Farmers Impacted by Unjustified Retaliation," press release, August 27, 2018.

[5] CRS Report R45249, *Section 232 Investigations: Overview and Issues for Congress*.

[6] CRS In Focus IF10708, *Enforcing U.S. Trade Laws: Section 301 and China*.

[7] Agriculture and food products covered in this report include most of chapters 1-24 of the U.S. Harmonized Tariff Schedule (HTS), which cover meat, grains, animal feed, dairy, horticultural products, processed food, unprocessed tobacco, seafood, and alcoholic beverages. This list also includes essential oils (HTS chapter 33), animal hides and skins (chapters 41 and 43), and cotton and wool (chapters 51 and 52). The harmonized schedule is a hierarchical structure for describing all goods in trade for duty, quota, and statistical purposes.

[8] USDA Global Agriculture Trading System, August 20, 2018.

China, which is subject to largest set of U.S. tariff increases—including both the U.S. steel and aluminum tariffs and the U.S. tariffs in response to unfair trade practices—also has the most expansive list of retaliatory tariffs. All told, China, which was the second leading export market by value for U.S. food and agriculture products in 2017, has levied retaliatory tariffs on about 500 U.S. food and agricultural products that were worth about $17 billion in exports to that country in 2017.[9] Among China's retaliatory tariffs is a 25% tariff on soybeans, its top import by value from the United States. China imported about $12 billion worth of U.S. soybeans in 2017, accounting for 57% of the value of all U.S. soybean exports that year. With the higher tariffs in place, China has started purchasing more soybeans from Brazil and elsewhere to meet its demand.[10] China has also targeted other key U.S. products, including sorghum, wheat, pork and pork offal, dairy products, fruits and nuts, seafood, and whiskey.

Among other countries, Canada—the leading export market for U.S. agriculture and food products in 2017—has imposed retaliatory tariffs of 10% on about 20 food and agricultural products, mostly processed foods.[11] U.S. exports of those products to Canada in 2017 were valued at $2.6 billion. Mexico, the third leading export market for U.S. agriculture and food products by value in 2017, has imposed tariffs ranging from 15% to 25% on cheese, pork, and some prepared foods.[12] U.S. exports of those products to Mexico were valued at about $2.5 billion in 2017. The European Union has levied tariffs on a small number of U.S. prepared foods, corn, and rice, which were worth about $1 billion in 2017.[13] Turkey has imposed retaliatory tariffs on U.S. nuts, rice, and some prepared foods, imports of which amounted to some $250 million in 2017.[14]

U.S. agriculture and food products have been targeted with increased tariffs by foreign nations for several reasons. First, the United States exports a large amount of agriculture and food products, so many countries have the choice of retaliating against those goods. Second, agricultural commodities are easily substituted from among potential suppliers, so curbing imports from one country would not necessarily limit an importing country's access to the commodity. For example, China has turned primarily to Brazil for more of its soybean imports. Third, given the geographic nature of the production of some agriculture and food products, countries can target certain goods in order to negatively and disproportionately affect the constituents of specific U.S. lawmakers. For example, all of the retaliating countries except India have imposed retaliatory tariffs on whiskey, some specifically on Bourbon whiskey, which is largely produced in Kentucky, rather than on all distilled beverages or alcohol more generally.[15]

Trade Aid Package Authority

The primary authority for the trade aid package is the Secretary of Agriculture's discretion to use of the general powers of the CCC. The CCC is a wholly government-owned entity that exists

[9] USDA Foreign Agricultural Service (FAS), *China Announces Supplemental Tariffs in Response to U.S. 301 Tariffs*, GAIN Report CH18043, August 6, 2018.

[10] Karl Plume, "U.S. Soybean Exports Scrapped as China Shifts to Brazilian Beans," Reuters, May 18, 2018.

[11] For the full list of products subject to Canadian retaliatory tariffs, see Canada Department of Finance, "Notice of Intent to Impose Countermeasures Action Against the United States in Response to Tariffs on Canadian Steel and Aluminum Products," https://www.fin.gc.ca/activty/consult/cacsap-cmpcaa-eng.asp.

[12] FAS, *Mexico Announces Retaliatory Tariffs*, GAIN Report MX8028, June 6, 2018.

[13] FAS, *EU Imposes Additional Tariffs on U.S. Products*, GAIN Report E18045, June 21, 2018.

[14] FAS, *Turkey Introduces New Additional Levy on U.S. Products*, June 28, 2018.

[15] Amanda Macias, "America's Booming Bourbon Business Caught in the Crosshairs of Trump's Trade War," *CNBC*, June 17, 2018.

solely to finance authorized programs that support U.S. agriculture. It is federally chartered by the CCC Charter Act of 1948 (P.L. 80-806; 15 U.S.C. 714 *et seq.*), as amended. Most CCC-funded programs are classified as mandatory spending programs and therefore do not require annual discretionary appropriations in order to operate.[16] The CCC instead borrows from the U.S. Treasury to finance its programs consistent with its permanent, indefinite authority to borrow up to $30 billion. Congress replenishes the CCC borrowing authority by appropriating funding to cover the CCC's net realized losses.[17]

Typically, Congress passes laws, such as omnibus farm bills, that specifically direct USDA on how to administer CCC activities and in what amounts to fund them. The underlying authorization for the CCC, however, also provides the Secretary with general powers to take certain actions in support of U.S. agriculture at the discretion of the Secretary. This discretionary use has historically been somewhat intermittent and limited in its scale, but it is the basis of the MFP and ATP announced by the Administration.[18]

USDA also has discretionary authority to purchase U.S. agricultural commodities under a provision known as Section 32.[19] The name refers to its authorization in Section 32 of the Act of August 24, 1935 (P.L. 74-320; 7 U.S.C. 612c), as amended.[20] Most of Section 32's mandatory funding is transferred to the USDA's child nutrition account, but the Secretary has broad discretion in how to spend the remaining unallocated funding—some of which is used to purchase agricultural commodities. The premise is that removing products from normal marketing channels helps to reduce supply and thereby increase prices and farm income. Purchased commodities are diverted to domestic food assistance programs as discussed further below.

The Administration's trade aid announcement does not clarify whether the CCC or Section 32 authority is being used to make the purchases under the announced Food Purchase and Distribution Program. However, the scale of the $1.2 billion program indicates that the CCC is most likely the source since the typical annual amount of funding available in Section 32 for purchases is rarely more than half this amount. Whether from the CCC or Section 32, the Administration's purchases appear to use distribution channels similar to those under Section 32.

Trade Aid Package Implementation

As part of USDA's August 27 announcement, Secretary Perdue provided details on each of the three trade aid package components, including an initial tranche of $6.1 billion in designated outlays out of a potential $12 billion in total program spending. The MFP is to provide initial estimated direct payments of $4.7 billion to qualifying agricultural producers. A Food Purchase and Distribution Program is to undertake $1.2 billion in government purchases of excess food supplies. The ATP program, funded with an additional $200 million, is to help finance foreign market development for affected agricultural products.

[16] CRS In Focus IF10783, *Farm Bill Primer: Budget Issues*.

[17] For more detailed information on the CCC, see CRS Report R44606, *The Commodity Credit Corporation: In Brief*; or CRS Insight IN10941, *Commodity Credit Corporation: Q&A*.

[18] CCC, "Market Facilitation Program," 83 *Federal Register* 44173, August 30, 2018; and CCC, "Agricultural Trade Promotion Program," 83 *Federal Register* 44178, August 30, 2018.

[19] For additional information, see CRS Report RL34081, *Farm and Food Support Under USDA's Section 32 Program*.

[20] It is also referred to as Funds for Strengthening Markets, Income and Supply program.

Market Facilitation Program

The MFP[21] provides direct financial assistance to producers of commodities that are significantly impacted by actions of foreign governments resulting in the loss of traditional exports. USDA has determined that qualifying commodities include corn, upland cotton, extra-long-staple cotton, sorghum, soybeans, wheat, dairy, and hogs.

USDA's Farm Service Agency is to administer the MFP by providing payments in two potential tranches.[22] The first sign-up period runs from September 4, 2018, through January 15, 2019. USDA could announce a second payment in early December 2018. USDA estimates that approximately $4.7 billion will be distributed during the first payment period, with over three-fourths ($3.6 billion) of MFP payments provided to soybean producers (**Table 1**).

Who Qualifies for a Payment?

U.S. producers of corn, cotton, sorghum, soybeans, wheat, dairy, or hogs are eligible for MFP payments at this time. Eligible applicants must:

- have an ownership interest in the commodity[23] and be actively engaged;[24]
- have an average adjusted gross income for tax years 2014, 2015, and 2016 of less than $900,000 per year;[25]
- comply with the provisions of the "Highly Erodible Land and Wetland Conservation" regulations, often called the conservation compliance provisions.[26]

How Will Individual MFP Payments Be Determined?

MFP payments are tied directly to a producer's actual level of production of eligible commodities in 2018. During the first payment period, a producer's MFP payment is to equal the announced MFP payment rate times 50% of the producer's total production (**Table 1**). A second payment rate, if applicable, may apply to the remaining 50% of the producer's production.

The MFP appears to be separate from and in addition to the current safety net support provided by the Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) support programs[27] or crop insurance coverage where revenue insurance protects against low prices, low yields, or a combination of both.[28] Furthermore, by coupling the payments directly to production,[29] those regions of the country where drought or other yield-reducing factors have negatively impacted production this past summer may receive less aid through MFP than other regions.

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[21] The Market Facilitation Program moniker that is used to describe the direct payment portion of the trade aid package is newly created by USDA and does not represent an existing program.

[22] USDA, "Market Facilitation Program (MFP)," August 2018.

[23] With respect to cotton, ownership applies only to cotton harvested as lint. For corn, sorghum, and wheat, ownership applies only to the portion harvested as grain. For milk, ownership applies only to dairy operations in business as of June 1, 2018, and ownership of hogs is as of August 1, 2018, but excludes hogs produced under contract.

[24] See CRS Report R44656, *USDA's Actively Engaged in Farming (AEF) Requirement*.

[25] See CRS Report R44739, *U.S. Farm Program Eligibility and Payment Limits*.

[26] See CRS Report R42459, *Conservation Compliance and U.S. Farm Policy*.

[27] CRS In Focus IF10711, *Farm Bill Primer: ARC and PLC Support Programs*.

[28] See CRS In Focus IF10638, *Farm Bill Primer: The Farm Safety Net*; or CRS Report R45193, *Federal Crop Insurance: Program Overview for the 115th Congress*.

[29] CRS Report R43817, *2014 Farm Bill Provisions and WTO Compliance*.

Table 1. MFP: Eligible Commodities, Payment Rates, and Production Base

Commodity[a]	Per-Unit Rate ($)[b]	Unit	Production Base[c]	Estimated Initial Payment ($ Million)[d]
Soybeans	1.65	bushel	Harvested crop in 2018	3,629.7
Hogs	8.00	head	Inventory on August 1, 2018[e]	290.3
Cotton[f]	0.06	pound	Harvested crop in 2018	276.9
Sorghum	0.86	bushel	Harvested crop in 2018	156.8
Dairy (milk)	0.12	cwt.[g]	Historical MPP-Dairy production[h]	127.4
Wheat	0.14	bushel	Harvested crop in 2018	119.2
Corn	0.01	bushel	Harvested crop in 2018	96.0
Total				**4,696.3**

Source: USDA, "USDA Announces Details of Assistance for Farmers Impacted by Unjustified Retaliation," press release, August 27, 2018; USDA, "Market Facilitation Program (MFP)," August 2018; and USDA, Notice of Funds Available, Market Facilitation Program (MFP), August 27, 2018.

Notes:

a. Crops that are grazed in the field or used as forage are not eligible for MFP payments.

b. The per-unit payment rate is based on the USDA-determined severity of the trade disruption.

c. A crop producer requesting an MFP payment must have a crop acreage report (Form FSA-578) on file with USDA. Producers who do not have an acreage report would follow the "late-filed" acreage report process.

d. The initial payment is based on 50% of the production base.

e. Payment for hog operations is based on the total number of head of live hogs on August 1, 2018. Production records for hogs may include, but are not limited to, breeding records, inventory records, sales receipts, rendering receipts, or veterinary records.

f. Both upland cotton and extra-long-staple cotton are eligible for MFP payments.

g. cwt. = hundred pounds or hundredweight.

h. The payment for dairy production is based on the historical production reported for the Margin Protection Program for Dairy. For existing dairy operations, the production history is established using the highest annual milk production marketed during the full calendar years of 2011, 2012, and 2013. Dairy operations are also required to have been in operation on June 1, 2018.

Also, USDA has not provided the explicit formulas that it used to calculate the MFP payment rates. Changes in USDA's World Agricultural Supply and Demand Estimate report from May to August may provide an estimate of trade impacts, since this period coincides with the escalating trade conflicts when the retaliatory tariffs were applied. Changes between the May and August reports of midpoint prices for MFP commodities were -11% (-$1.10/bu.) for soybeans, -6% (-$0.20/bu.) for sorghum, -5% (-$0.20/bu.) for corn, +2% (+$0.10/bu.) for wheat, and +15% (+$0.10/lb.) for cotton.

Thus, wheat and cotton are to receive per-unit MFP payment rates while experiencing an increase in farm prices during the May-August period. Sorghum could receive a payment rate that is more than four times as large as its estimated price decline from May to August. By comparison, corn—which has experienced a price decline similar to sorghum—could receive a payment rate that amounts to 5% of the price decline that corn prices experience over this same period, resulting in an average payment of less than $1 per acre.[30]

The retaliatory tariffs are one of a number of factors that influence market prices for these crops. For instance, production prospects for these commodities—and the size of the expected harvests

[30] G. Schnitkey et al., "Market Facilitation Program: Impacts and Initial Analysis," *farmdoc daily*, August 28, 2018.

relative to expected usage in the year ahead—is typically a significant influence on crop prices during this period of the year. The variables used to calculate the MFP payments and the weight assigned to each have not been made publicly available. Moreover, it is unclear whether a second round of MFP payments within the announced package of $12 billion may be provided at a later date and, if so, how they would be distributed among eligible commodities.

MFP Payment Limit

USDA announced that MFP payments are capped on a per-person or per-legal-entity basis at a combined $125,000 for eligible crop commodities and, separately, a combined $125,000 for dairy production and hogs. Thus, a producer of both livestock and crops could potentially receive as much as $250,000 in MFP payments. Furthermore, MFP payments do not count against other 2014 farm bill payment limitations. There are no criteria in place to calculate whether losses covered under revenue support programs (e.g., ARC and PLC) of the 2014 farm bill might be duplicated by MFP. As a result, the same program acres that are eligible for ARC or PLC payments may be eligible for MFP payments.

WTO Compliance of Trade Retaliation Assistance Payments

Due to its potential price tag ($12 billion) and the coupled nature of the MFP payments, there is considerable interest from policymakers and market observers about whether these payments will be fully compliant with World Trade Organization (WTO) commitments.[31] Secretary Perdue has said that all trade aid outlays will be WTO compliant.

Industry Response to MFP Payment Allocation

While soybean growers and most farm-advocacy groups have generally been supportive of the payments, some commodity groups—most notably associations representing corn, wheat, and milk—contend that the first round of MFP payments is insufficient to fully compensate their industries.[32] The National Corn Growers Association claims that recent trade disputes have lowered corn prices by $0.44/bu. for a loss of $6.3 billion on the projected 2018 harvest. Similarly, the National Association of Wheat Growers estimates that a $0.75/bu. price decrease will result in nearly $2.5 billion in lost value, while the National Milk Producers Federation charges that milk prices are now estimated to be $1.10/cwt. lower than just prior to the trade retaliation, causing over $1.2 billion in losses based on milk futures prices.

Many specialty crop groups similarly contend that their interests are not being fully compensated for tariff-related export losses by the USDA trade aid programs. For example, a recent study suggests that, in California alone, specialty crops may suffer trade-related losses of over $3.3 billion this year.[33]

[31] See CRS Insight IN10940, *Potential WTO Implications of USDA's Proposed Response to Trade-Retaliation*, and CRS In Focus IF10192, *WTO Disciplines of Domestic Support for Agriculture*.

[32] *The Hagstrom Report*, "Summary of Trump Trade Aid: It's Not Enough," vol. 8, no. 201 (August 28, 2018); and *Politico*, "Trump Offers Trade Aid to Farmers, but Some Question Its Fairness," August 28, 2018. See also Y. Zhou et al., "Dispatches from the Trade Wars," *farmdoc daily*, August 29, 2018.

[33] Daniel A. Sumner and Tristan M. Hanon, "Economic Impacts of Increased Tariffs That Have Reduced Import Access for U.S. Fruit and Tree Nuts Exports to Important Markets," University of California, August 1, 2018.

Food Purchase and Distribution Program

The Administration is allocating about $1.2 billion of its trade aid package to purchasing various agricultural commodities and distributing them through domestic nutrition assistance programs. USDA typically purchases agricultural commodities for domestic distribution in two ways: (1) "entitlement purchases" for the mandated, preplanned needs of a feeding program; and (2) "contingency purchases" (also called "bonus buys") that are usually triggered as a surplus removal mechanism to raise market prices of a commodity without displacing normal demand.

The new $1.2 billion of purchases is under the second category of contingency purchases. Contingency purchases are statutorily authorized under the Secretary's discretion to support agriculture by making purchases under the CCC or Section 32 as discussed above.[34] These are mandatory funds and do not need to be appropriated.

When USDA purchases commodities, especially for distribution to nutrition assistance programs, the Agricultural Marketing Service (AMS) announces its purchasing intentions with product specifications. Vendors who are approved to sell to USDA may submit offers.[35] The purchased products would be distributed through regular USDA nutrition assistance channels that provide in-kind assistance, such as the food banks participating in the Emergency Food Assistance Program, Commodity Supplemental Food Program, child nutrition programs such as the National School Lunch Program, and the Food Distribution Program on Indian Reservations.[36] However, not all of these programs have the authority to accept contingency/bonus purchases.

The Administration's August 27 announcement listed 29 commodities targeted for purchases totaling $1.2 billion (**Table A-1**). It also mentions two additional commodities (sweet cherries and almonds) that total $175 million, with program details to be determined (**Table A-2**). The largest purchases that were announced include pork ($559 million), apples ($93 million), dairy ($85 million), and pistachios ($85 million). USDA said that the breadth of commodities and scale of purchases was based on economic analyses of the effect of tariffs. Purchasing orders and distribution activities are to be adjusted based on the demand by the recipient food assistance programs geographically.

In FY2017, the AMS purchased $2.2 billion of commodities for distribution for domestic nutrition assistance.[37] Of this total, $735 million was from Section 32 ($270 million in contingency purchases that are most similar to those under the trade aid package and $465 million in entitlement purchases), and $1.5 billion was entitlement purchases from the USDA's Food and Nutrition Service budget. No purchases were made with CCC funds. Thus, the new program of contingency purchases is several times larger than a typical annual amount and a large increase in the amount distributed through nutrition programs.

Agricultural Trade Promotion Program

The third and smallest element of the trade aid package is the ATP program. The Administration is allocating $200 million of the trade aid package to boost trade promotion efforts of USDA's

[34] See CRS Insight IN10941, *Commodity Credit Corporation: Q&A*; and CRS Report RL34081, *Farm and Food Support Under USDA's Section 32 Program*.

[35] See AMS, "How the Process Works," https://www.ams.usda.gov/selling-food/how-process-works.

[36] CRS Report R42353, *Domestic Food Assistance: Summary of Programs*.

[37] USDA, *FY2019 Budget Explanatory Notes for Committee on Appropriations*, "Agricultural Marketing Service," p. 92, and "Commodity Credit Corporation," p. 21.

Foreign Agricultural Service (FAS). The program is to operate in a manner similar to FAS's Market Access Program (MAP) and Foreign Market Development Program (FMDP). These funds are to provide cost-share assistance to eligible U.S. agricultural organizations to promote U.S. food and agricultural goods overseas and develop new markets to help offset the adverse effects of the retaliatory tariffs.[38] The money—which would nearly double the amounts made available annually for the MAP and FMDP trade promotion programs for one year—can be used for such activities as consumer advertising, public relations, point-of-sale demonstrations, participation in trade fairs and exhibits, market research, and technical assistance. Further, ATP money is not limited to certain commodities and is to be available to all sectors of agriculture.

While the $200 million for ATP is considerably less than the other programs in the trade aid package, it is a notable increase for USDA's trade promotion programs, which are authorized at $234 million annually. Though all sectors of agriculture can apply for ATP funding through eligible U.S. organizations, it is unclear whether USDA intends to give preference to certain commodities—such as those that are not eligible for other programs under the trade aid package or those most impacted by the tariffs.

Conclusion

The broad discretionary authority granted to the Secretary under the CCC Charter Act to implement the trade aid package also allows the Secretary to determine how the aid is to be calculated and distributed. Using this authority is not without precedent, but the scope and scale of its use for the trade aid package has increased congressional and public interest. USDA has declared this trade aid package to be a temporary, one-time response to foreign tariffs imposed on selected U.S. commodities.

Most farm commodity and advocacy groups have been supportive of the trade aid package even as they have called for solutions that restore export activity.

However, stakeholders have begun to question the equity of the distribution of MFP payments due to difficulties in isolating specific market effects and the lack of transparency around the formulas for determining MFP payment rates. Some trade economists and market watchers have suggested that its potential effects could be longer lasting because the imposition of tariffs and retaliatory tariffs have created uncertainty about U.S. trade policy behavior. Further, the use of CCC authority to mitigate tariff-related losses may establish a precedent for future situations.

[38] MAP and FMDP are currently authorized at $234 million annually. See CRS Report R44985, *USDA Export Market Development and Export Credit Programs: Selected Issues*.

Appendix. Food Purchases in the Trade Aid Package

Table A-1. USDA Trade Aid Package Food Purchases

Commodity	Target Amount ($1,000s)
Pork	$558,800
Apples	$93,400
Pistachios	$85,200
Dairy	$84,900
Oranges	$55,600
Grapes	$48,200
Rice	$48,100
Potatoes	$44,500
Walnuts	$34,600
Cranberries	$32,800
Orange Juice	$24,000
Plums/Prunes	$18,700
Navy Beans	$18,000
Pecans	$16,000
Beef	$14,800
Kidney Beans	$14,200
Peanut Butter	$12,300
Peas	$11,800
Macadamia	$7,700
Lemons/Limes	$3,400
Sweet Corn	$2,400
Hazelnuts	$2,100
Lentils	$1,800
Blueberries	$1,700
Strawberries	$1,500
Pears	$1,400
Grapefruit	$700
Apricots	$200
Figs	$15
Total	**$1,238,815**

Source: USDA, "USDA Announces Details of Assistance for Farmers Impacted by Unjustified Retaliation," press release, August 27, 2018.

Table A-2. USDA Trade Aid Package Food Purchases, Details to Be Determined

Commodity	Target Amount ($1,000s)
Almonds	$63,300
Sweet Cherries	$111,500
Total	**$174,800**

Source: USDA, "USDA Announces Details of Assistance for Farmers Impacted by Unjustified Retaliation," press release, August 27, 2018.

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