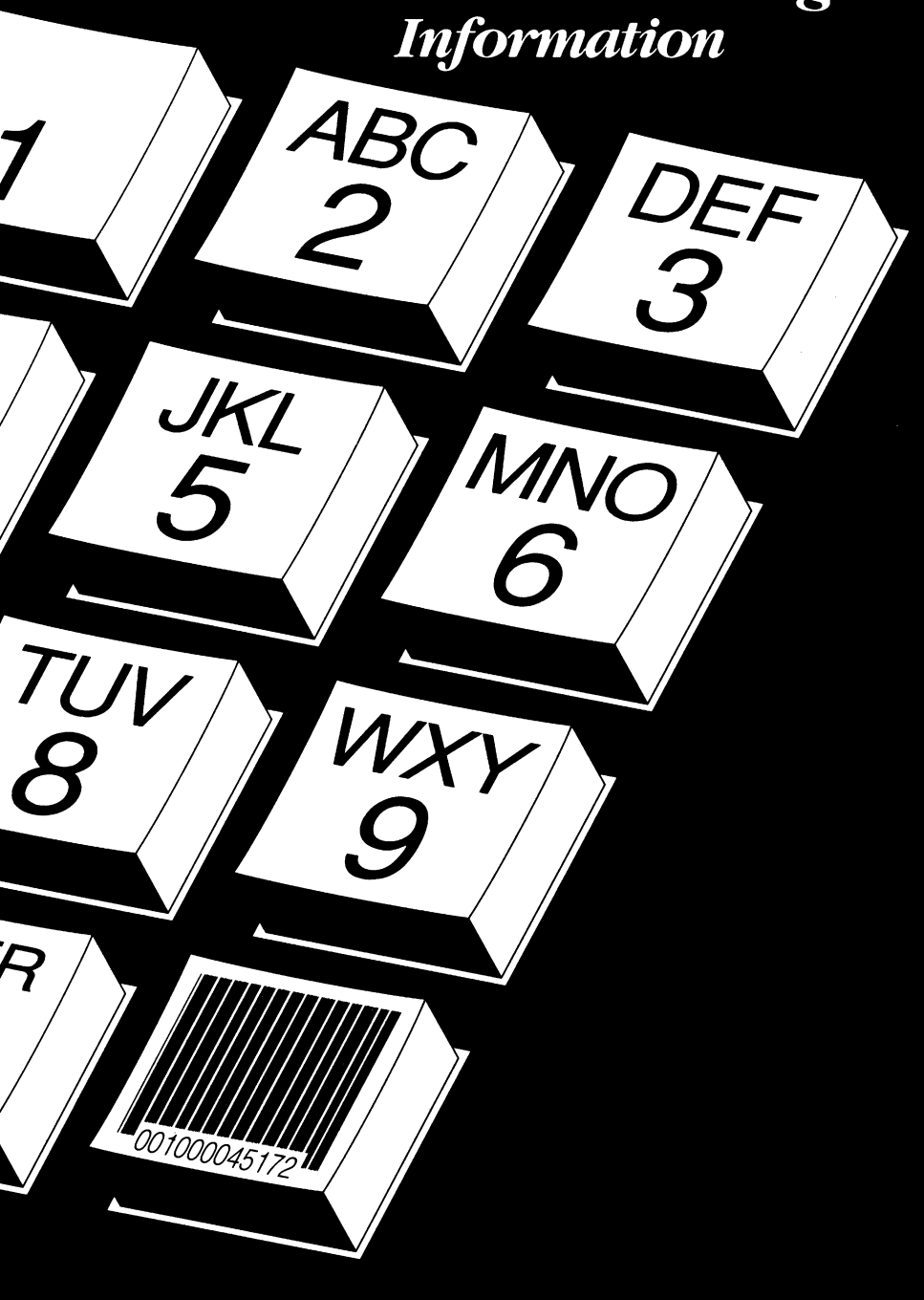
Part VII

Where to Get More Marketing Information



U.S. Export Assistance Programs

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After 6 straight years of decline, the volume of U.S. agricultural exports is rebounding. U.S. export assistance programs deserve credit for part of this improvement.

These programs serve many purposes. Not only do they facilitate market development, but they also help meet subsidized competition from other exporting nations and provide financing and food aid to needy countries. While some of these export assistance programs have a long history, others are relatively new, the result of recent legislation.

Regardless of when the programs were started, they all have a common goal—to boost U.S. agricultural exports, whether commercial or concessional. These export assistance programs also share a common administrator, USDA's Office of the General Sales Manager (OGSM). After the various programs receive the appropriate funding through Federal legislation, different divisions of the Foreign Agricultural Service (FAS) home office in Washington, DC, make the funds available to various U.S. organizations and industries that export U.S. agricultural goods.

The competition for world agricultural markets is becoming increasingly tight, and the United States must work diligently to regain, maintain, and expand its export markets. As U.S. agricultural exporting organizations learn about the various export assistance programs available to them, and in turn take advantage of these programs, more progress will be made in the growth of U.S. agricultural export markets.

Export Enhancement Program (EEP)

EEP is one of the newest of USDA's export assistance programs. First announced under the authority of the Commodity Credit Corporation (CCC) Charter Act on May 15, 1985, the EEP expands U.S. agricultural export markets and counters the subsidized exports of competitor countries. While the program is similar to the export subsidies of the European Economic Community (EEC), it is in fact more limited through targeting, protection of nonsubsidizers' interests, and meeting the world market price but not breaking it. Although the initial $1.5 billion in funds allocated by the Food Security Act of 1985 have since been depleted, the program has continued to operate under provisions of the CCC Charter Act.

Any overseas market in which U.S. exporters face subsidized competition from other suppliers is eligible for inclusion in the EEP. These markets are recommended by USDA program experts, members of the U.S. agricultural community, and foreign government officials. Similarly, any U.S. commodity is eligible for export under the program as long as 1) U.S. exports would increase above the level obtained without the program, 2) each proposed sale targets a specific market to challenge those competitors who overtly subsidize their exports, 3) the sale would result in a net plus to the overall economy, and 4) the sale would not increase the amount of allocated funds spent beyond what would have occurred without the program.

Once a sales initiative is announced, U.S. agricultural exporters in the private sector must contact prospective buyers in the eligible countries in order to negotiate prices, quantities, and other terms of sale. The exporter then submits a bid to USDA requesting a subsidy, or bonus, that would allow the sale at the price that had been agreed upon. USDA reviews all of the bids submitted for a particular sale. If they are responsive to the terms of the announcement and the selling price is at or above the prevailing world market price, the competitiveness of the requested bonus or subsidy is reviewed and either accepted or rejected. If a bid is accepted, the sale is complete, and the U.S. exporter receives the bonus in the form of generic certificates. The certificates are for a specified value that either the exporter or an assignee can redeem for a like quantity of designated commodities from the CCC inventory.

Commercial Export Credit Programs

In addition to the EEP, overseas markets for U.S. agricultural products are developed through the Export Credit Guarantee Program (GSM-102) and the Intermediate Credit Guarantee Program (GSM-103). These programs help U.S. firms export agricultural products to countries that would otherwise be financially unable to buy U.S. agricultural products.

First implemented in 1980, the GSM-102 Export Credit Guarantee Program replaced longstanding 6- to 36-month direct CCC credit sales, expanding export credit facilities for U.S. agricultural products. The objectives of the GSM-102 program are to 1) ensure that payments for foreign sales are as reliable as for domestic sales, 2) permit U.S. exporters to meet credit terms offered by foreign competitors, 3) substitute commercial dollar sales for sales under Public Law 480 (Food for Peace), 4) prevent the decline of established markets abroad, and 5) encourage new uses of U.S. agricultural products in importing countries.

The GMS-102 program not only promotes U.S. agricultural exports by allowing eligible countries to buy U.S. farm products on credit terms of 6 months up to 3 years, but it also guarantees repayment of these short-term loans. During fiscal year 1987, 26 countries had $3.8 billion available in short-term loan

guarantees for a variety of commodities with an export value surpassing $2.6 billion.

The Intermediate Credit Guarantee Program (GSM-103) is an extension of the Export Credit Guarantee Program. It helps developing nations make the transition from concessional financing to cash purchasers. The GSM-103 program focuses on agricultural exports with long economic lifetimes, such as breeding livestock. Consequently, the loans need to cover a longer period, so they are made for more than 3 but no more than 10 years.

Targeted Export Assistance Program (TEA)

TEA, introduced in the Food Security Act of 1985, stimulates exports of U.S. agricultural products through market development targeted at countering or offsetting unfair foreign trade practices. The program encourages U.S. agricultural exports by distributing $110 million each fiscal year through 1988 in CCC funds or commodities to help participating producer organizations finance promotional activities for U.S. agricultural products adversely affected by unfair trade practices of foreign competitors or importers. In each of fiscal years 1989 and 1990, the legislation authorizes an increase in the program level to $325 million.

USDA annually announces the availability of the TEA Program in the Federal Register and the deadline for submitting applications to FAS. FAS reviews all the applications at one time and, with the approval of the Under Secretary for International Affairs and Commodity Programs, allocates TEA resources considering the following factors:

1. The existence of unfair foreign trade practice as defined by the General Agreement on Tariffs and Trade (GATT) and the extent to which it has adversely affected exports of the U.S. agricultural commodity or product,
2. The extent to which the applicant organization estimates that it, its members, or foreign third parties will be willing and able to contribute resources to the joint project,
3. The organization's prior export promotion experience and the adequacy of its administrative and personnel resources to plan and manage a program of the size requested,
4. The likelihood of success of the proposed project in terms of increasing U.S. exports or mitigating the unfair practice,
5. Whether the commodity is in adequate supply domestically, and
6. The willingness of the U.S. trade to follow up the promotion effort with aggressive selling of the commodity or product of the type, quality, and quantity desired by foreign customers.

Once the allocation has been announced, and TEA resources have been obligated in an agreement between the recipient and CCC, the nonprofit participant submits an annual activity plan to FAS for its approval. The activity plan describes the

major impediments to increasing U.S. exports of the commodity in each of the markets in which the participant will be working, the proposed activities, the goals and benchmarks against which progress will be measured, and a budget that includes TEA resources and contributions from U.S. participants and foreign third parties. Only when FAS has approved the plan may the participant conduct activities and incur expenses to be reimbursed with TEA resources.

Public Law 480

Also known as the Food for Peace Program, Public Law 480 is one of the USDA's oldest export assistance programs, and it still accounts for several million tons of U.S. agricultural exports each year. Approved July 10, 1954, the program was originally designed to dispose of surplus commodities through their sale to friendly overseas nations, who paid for the products with local currencies. The program also provided for the donation of surplus commodities to other nations as necessitated by emergencies or disasters.

Today, Public Law 480 exports not only contribute to meeting the humanitarian food needs of the world through surplus donations, but they also lay the foundation for future U.S. commercial export markets and provide a catalyst for agricultural and economic growth in developing countries. Assistance is given under three titles.

Title 1

Sales are made to friendly countries under long-term concessional loans with terms of up to 40 years, a 10-year grace period, and low interest rates. These sales simultaneously promote U.S. agricultural exports while stimulating economic development in the recipient country. U.S. exports under title I have effectively encouraged foreign buyers to look to the United States for their commercial imports of agricultural products.

Title II

This title authorizes food donations to needy countries and also pays for the cost of shipping the exports. Food donations are made to alleviate famine and provide other urgent relief, to protect against malnutrition, and to provide nonprofit school lunch and preschool feeding programs overseas. Title II also allows for government-to-government donations and donations through international and U.S. voluntary agencies.

Title III

Also referred to as Food for Development, this title focuses on using Public Law 480 exports for economic development in countries with an annual per capita gross national product of $835 or less, which fulfills the criteria set forth by the International Development Association for development loans. Title III can be applied to title I in order to turn a loan into a grant.

If a country with approved development proposals uses the funds made from domestic sales of title I commodities for approved projects, the dollar equivalent of the title I loan is forgiven.

Local Currency Initiative

In addition to the Public Law 480 activities included in titles I, II, and III, the Food Security Act of 1985 started a new program called the Local Currency Initiative. Its purpose is to stimulate economic growth in the private sectors of recipient countries by selling U.S. farm products for local currency. The U.S. Government loans the currencies to private financial intermediaries in the title I countries, who, in turn, relend to the local private sector.

Additional Information About Programs

To qualify for participation in EEP, contact the CCC Operations Division of the Office of the General Sales Manager. For information about GSM-102 and GSM-103 credit guarantee programs, and P.L. 480 Program, contact the Office of the General Sales Manager.

To submit a TEA Program proposal or to find out the status of programs under consideration, contact the FAS Marketing Programs Staff.