

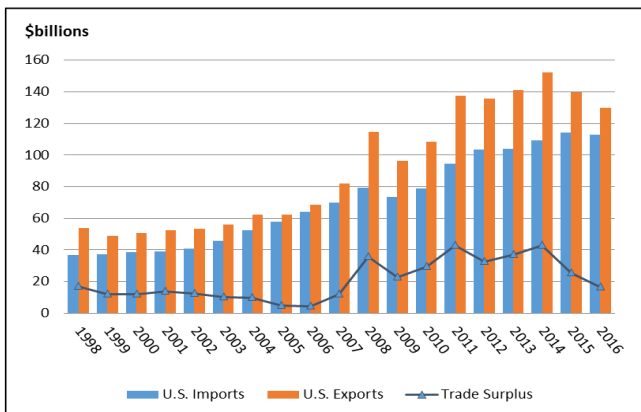


# Farm Bill Primer: Trade and Export Promotion Programs

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. Accordingly, the 2014 farm bill (Agricultural Act of 2014, P.L. 113-79) authorizes a number of programs to promote farm exports.

Agricultural exports have exceeded agricultural imports in every year since the 1960s. The value of agricultural exports exceeded imports by a wide margin during the 2008-2014 time frame, peaking at \$43 billion in 2014. Since then the margin of exports over imports has narrowed sharply (**Figure 1**). For 2016, the U.S. Department of Agriculture (USDA) reports that the U.S. agricultural trade surplus declined to \$17 billion.

**Figure 1. Value of U.S. Agricultural Trade**



Source: CRS from USDA data.

Bulk commodities—wheat, rice, coarse grains, oilseeds, cotton, and tobacco—are the leading U.S. agricultural exports. USDA reports that exports of consumer-oriented products—such as dairy products, meats, poultry, live animals, oilseed meals, vegetable oils, fruits, vegetables, and beverages—have also shown steady growth. Leading export markets include China, Canada, Mexico, and the European Union. Together these markets account for about one-half of the total value of U.S. agricultural exports.

## Trade Provisions in the Farm Bill

USDA administers a number of programs aimed at developing overseas markets for U.S. agricultural products and facilitating exports. The “Trade” title of the 2014 farm bill authorized, amended, and repealed existing trade programs. (The farm bill’s “Trade” title also addresses programs and issues concerning U.S. international food aid, which are not addressed in this report. However, a summary of the title’s international aid and agricultural trade programs is shown in the **text box** on the next page.)

The 2014 farm bill addresses two main types of agricultural trade and export promotion programs:

1. **Export market development programs.** The Foreign Agricultural Service (FAS) of USDA administers five market development programs aimed at assisting U.S. industry efforts to build, maintain, and expand overseas markets for U.S. agricultural products. These include 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). 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.
2. **Export credit guarantee programs.** FAS administers the Export Credit Guarantee Program (GSM-102) and the Facility Guarantee Program (FGP). Under these programs, USDA’s Commodity Credit Corporation (CCC) provides payment guarantees on commercial financing to facilitate U.S. agricultural exports. GSM-102 guarantees repayment of commercial financing by approved foreign banks, mainly of developing countries, for up to two years for the purchase of U.S. farm and food products. FGP guarantees financing of goods and services exported from the United States to improve or establish agriculture-related facilities in emerging markets.

The 2014 farm bill extended all of these programs through FY2018. These programs are generally funded using mandatory monies through the CCC and therefore are not subject to annual appropriations. 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.

The 2014 farm bill, however, repealed the Dairy Export Incentive Program, thereby eliminating the use of direct export subsidies for U.S. agricultural products. The program had been largely inactive for several years.

While the 2014 farm bill extended the aforementioned trade and export promotion programs largely intact, it did make several changes. To comply with a World Trade Organization decision in a cotton case won by Brazil, Congress made changes to GSM-102, including:

- shortening the loan guarantee period from three years to two years,
- repealing a requirement that USDA maximize the amount of credit guarantees available each year,
- removing a provision that restricted USDA from adjusting program fees to fully cover the cost of operating the program, and
- broadening the scope of TASC to fund projects that address technical barriers to trade beyond sanitary and phytosanitary (SPS) measures.

At a more strategic level, the 2014 farm bill directed USDA to consult with House and Senate congressional committees and propose a plan to reorganize USDA's international trade functions. The law requires that the plan establish an Under Secretary for Trade and Foreign Agricultural Affairs within USDA to oversee trade-related SPS issues affecting agriculture, as well as non-tariff trade barriers. At a hearing of the Senate Agriculture Committee in September 2016, former USDA Secretary Vilsack said he intended to lay the groundwork for the next Administration to pursue this task. To date, USDA has not transmitted a reorganization plan to Congress, and the Under Secretary position has not been established, even though many U.S. farm groups continue to push for the creation of this position within USDA. For example, a February 2017 letter from the American Farm Bureau Federation and other farm groups expressed support for the 2014 farm bill provision and for establishing the Under Secretary position at USDA.

## Issues and Options

Federal support for agricultural export promotion invariably raises questions about the appropriateness of government support for private sector export promotion and the effectiveness and impact of these programs.

During the run-up to the 2014 farm bill, a number of deficit reduction proposals targeted MAP for cuts or elimination. Historically, many in Congress have been highly supportive of export promotion programs, citing the benefits to U.S. agricultural industries through export market development abroad. At the same time, some in Congress have expressed concerns about whether the federal government should play an active role in helping agribusiness entities market their products overseas. Some argue that these programs are forms of corporate welfare in that they fund activities that private firms could and would otherwise fund for themselves. Other critics argue that the principal beneficiaries are foreign consumers and that funds could be better spent, for example, instructing U.S. firms on how to export and on overcoming trade barriers.

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. Although the program has its detractors, MAP was retained intact in the 2014 farm bill.

Questions about whether export promotion programs are as effective as they could be, and whether new approaches to facilitating and promoting U.S. farm exports may be needed (or both), could be topics of discussion in a new farm bill. The eligibility of certain types of organizations and

producer groups and the levels of funding for various programs are likely topics of debate as policymakers consider farm bill trade programs. Congress could also revisit the unfinished business of its directive to reorganize the international trade functions of USDA under a new Under Secretary position with a unique focus on promoting U.S. farm and food exports. Other trade-related issues that are outside the context of the farm bill—but may arise in the debate around the trade title in view of lower farm export sales in recent years—may include various multilateral and bilateral trade negotiations that are generally supported by numerous U.S. agricultural groups.

### Selected “Trade” (Title III) Provisions in the 2014 Farm Bill (P.L. 113-79)

#### *Agricultural export promotion provisions*

- **Export Credit Guarantee Program.** Authorizes the CCC to guarantee the credit made available to finance agricultural exports (§3101).
- **Market Access Program.** Provides CCC funding to eligible trade organizations to develop export markets for U.S. agricultural commodities (generic and branded) (§3102).
- **Foreign Market Development Cooperator Program.** Provides for the maintenance and development of foreign markets for bulk or generic U.S. farm commodities (§3103).
- **Emerging Markets Program.** Promotes U.S. agricultural exports in emerging markets (§3203).
- **Technical Assistance for Specialty Crops.** Authorizes USDA to address barriers prohibiting or threatening exports of U.S. specialty crops (§3205).

#### *International food aid provisions*

- **Food for Peace Act, Title II.** Provides emergency and nonemergency international food aid (§§3001-3015).
- **Food for Progress Act of 1985.** Provides commodities to support countries that have made commitments to expand free enterprise in their agricultural economies (§3201).
- **Bill Emerson Humanitarian Trust.** Provides a reserve of commodities and cash to meet emergency food needs in developing countries (§3202).
- **McGovern-Dole International Food for Education and Child Nutrition Program.** Provides U.S. agricultural commodities, financial and technical assistance for education, and child nutrition programs in foreign countries (§3204).
- **Local and Regional Food Aid Procurement Pilot Projects.** Establishes a pilot program for local and regional purchase of commodities for famine prevention (§3207).

#### Related CRS Reports

- CRS Report R43696, *Agricultural Exports and 2014 Farm Bill Programs: Background and Current Issues*
- CRS Report R43817, *2014 Farm Bill Provisions and WTO Compliance*

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