commodities provided since 1990 under Title I authority has dropped. For example, in 1991, for the first time since the beginning of the P.L. 480 program, the largest share of total P.L. 480 exports was shipped under Title II (table 14). This demonstrates that more food aid is distributed under grants than ever before, partially in response to emergencies.

Commodities Provided under the Programs

The United States continues to provide a vast array of commodities to many developing countries through its food aid programs. In fiscal 1989-93, grains comprised most of the value of food donations. Much of that was wheat, followed by corn, rice, and sorghum. The second largest category was vegetable oil, mostly soybean oil. Processed grain products, like wheat flour, and blended products that include corn-soya-milk, wheat-soya-milk, and various other cereal blends accounted for almost 10 percent of the total value of food aid shipped during fiscal 1989-93. About 8 percent of the fiscal 1989-93 total were high-value products, including dried beans, dried peas, lentils, nonfat dry milk, soybean meal, and tallow. The remainder included cotton and miscellaneous products (table 15).

Table 14—Titles I, II, and III, Food for Progress, Barter, and Section 416 shares of USDA food aid shipments 1/

Year	Title I	Title II	Title III	Food for Progress	Barter	Section 416
			Percent			
1956-58	57.4	19.7	0	0	22.9	0
1966-68	78.3	20.1	0	0	1.6	0
1976-78	69.7	30.3	0	0	0	0
1986-88	56.0	29.4	0	0	0	14.5
1989-91	47.4	38.3	0	0	0	14.3
1992	25.6	35.0	15.7	7.1	0	16.4
1993	15.0	24.4	8.1	18.4	0	26.2

1/ Commodities were shipped under the P.L. 480 barter program until 1969.

Source: USDA/ERS/CED, P.L. 480 database.

Table 15—Food aid shipments by commodity group 1/

Commodity group	Average 1989-93	1993
	Thousand dollars	
Grains	933,975	1,531,453
Grain products	137,012	127,035
Vegetable oils	133,673	44,855
Dairy products	3,306	5,015
Oilseeds & meals	31,790	59,589
Fibers & fabric	17,605	49,012
Blended products 2/	56,909	33,896
Other	234,302	718,319
Total shipments 3/	1,548,572	2,569,174

1/ Food aid shipments include P.L. 480 shipments and Section 416 shipments.
2/ Blended products include corn-soya-milk, wheat-soya-milk, and various other cereal blends.
3/ Value of shipments for 3-year period.

Source: USDA/ERS/CED, P.L. 480 database.

Food aid's share in U.S. agricultural exports has declined significantly from more than 30 percent in fiscal 1957 to about 6 percent in fiscal 1993 (app. table 1). However, food aid shipments are still significant for some commodities. For example, U.S. food aid accounted for about 15 percent of U.S. soybean oil exports, and more than 30 percent of U.S. wheat flour exports in fiscal 1992 and fiscal 1993. In fiscal 1993, the total value of food aid shipments amounted to $2.6 billion, more than double the value of food aid shipments in fiscal 1992, due mainly to the FFP package offered to Russia in early April 1993 at the Vancouver summit by President Clinton. The 14 million tons of U.S. food aid shipped in fiscal 1993 represented more than twice the previous year's level.

Major Recipients of U.S. Food Aid

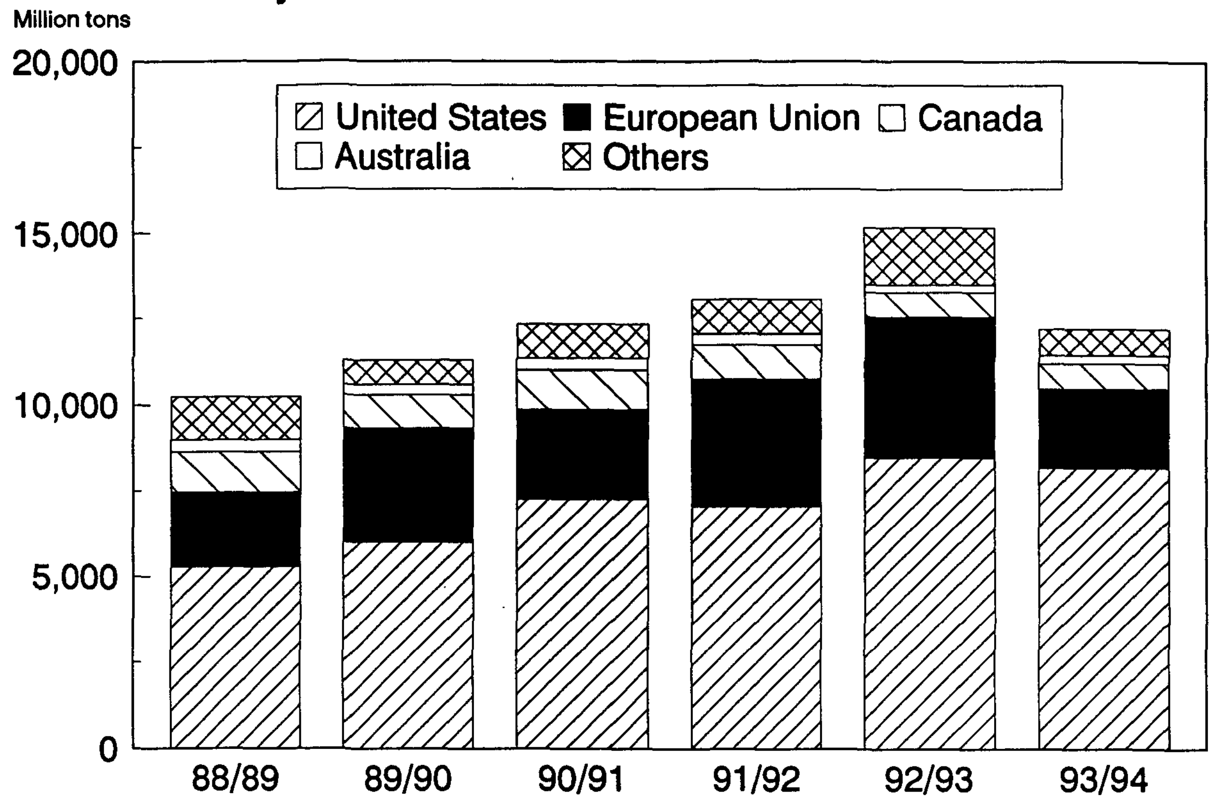
The distribution of U.S. food aid has changed in the last 5 years mainly as a result of the fall of the Com-

Table 16—Food aid shipments by destination 1/

Country group	Average 1989-93	1993
	Thousand dollars	
Africa	567,109	651,940
Egypt	203,206	154,265
Asia	332,749	289,893
India	98,858	118,951
Europe	314,238	1,228,236
Russia	94,753	406,620
Latin America	290,005	368,333
Peru	51,105	95,543
Middle East	44,289	30,776
Jordan	22,645	12,603
Other	183	0
Total shipments	1,548,573	2,569,178

1/ Food aid includes P.L. 480 Titles I, II, III, Food for Progress, and Section 416.

Figure 4
Grain food aid by donors 1/



1/ July-June years.
Source: FAO Outlook Report, Sept. 1994

munist system in Europe and changing food needs around the world. From 1989 through 1992, Africa received the largest share of U.S. food aid. However, in 1993 the region that received the largest share was Eastern Europe and the FSU countries, especially Russia. The increase in the share of these shipments was mostly because of the emphasis in providing food assistance to formerly centrally-planned economies. At the same time, the share of U.S. food aid shipped to Asia and Latin America declined (table 14).

Other Major Food Aid Donors

Other major donors of food aid are, in order of magnitude, the EU, Canada, Japan, and Australia. The United Nations Food and Agriculture Organization (FAO) reported that U.S. cereal aid shipments amounted to 8.5 million tons in 1993/94 (July-June), or about 64 percent of global shipments, followed by the EU with 21 percent, Canada with 6 percent, Japan with 3 percent, and Australia with 2 percent. Cereals account for more than 90 percent of world food aid, with wheat and wheat flour accounting for more than 70 percent. Since 1988/89, donations from all donors have never fallen below the 10-million-ton minimum set 20 years ago at the 1974 World Food Conference. However, food aid availabilities of cereals in 1994/95 are expected to fall to 10 million tons. Since 1989, the U.S. share of total world food aid has declined, as the amount of aid provided by other donors, particularly the EU, increased significantly (fig. 4).

Food Aid Issues Related to 1995 Farm Legislation

As Congress prepares to discuss the 1995 farm legislation and reauthorization of P.L. 480 programs, it will seek to ensure that food aid is used as effectively and efficiently as possible. The implications of the GATT agreement, the reduction in the P.L. 480 budget, growing global food aid needs, the degree to which new legislative authorities included in the 1990 FACTA have been used, and the degree to which program changes have resulted in improved program operation and outcome are issues to consider.

Implications of the Uruguay Round Agreement on Food Aid

The GATT agreement calls on signatory nations to abide by internationally agreed upon rules regarding food aid. Ministers to the GATT also agreed to guarantee that the implementation of the Uruguay Round agreement would not adversely affect food aid commitments to meet the authentic food needs of developing countries and stressed the continuing need for bona fide food aid. However, the GATT agreement is not specific on how this is going to be accomplished.

The GATT agreement will have other impacts that affect the food aid needs of developing countries and food aid availabilities of developed countries. Full implementation of the GATT agreement is expected to reduce subsidies that have kept world grain prices artificially low. A number of studies undertaken in the early years of the GATT indicated that liberalization would lead to significant reductions in agricultural production in the Organization for Economic Cooperation and Development (OECD) countries and a 5- to 15-percent increase in world prices of temperate zone products, including wheat, coarse grains, rice, and dairy products. The price effect on tropical products is expected to be smaller. This is of concern to developing countries, which are importers of the temperate zone products, mostly grains, and exporters of tropical products. Higher grain prices will diminish the ability of the least developed countries to purchase wheat on the world market in competition with the major wheat-importing countries of the Middle East, North Africa, and high-income Asian countries such as Japan.

Budget Issues

Several simultaneous forces, such as the GATT agreement, reductions in the P.L. 480 budget, and poor weather, could significantly reduce the volume of commodities shipped as food aid in the near future. A reduced budget, however, could be the most significant of those forces, since the budget is the controlling factor in the volume of U.S. food aid. Nonetheless, to the extent that higher world market prices are transferred to producers in developing countries, some increases in their food production would be expected, and the need for food aid correspondingly less.

P.L. 480 has been the target of several budget cutback proposals, including the fiscal 1995 overall cuts recommended by the President and Title I and III program cuts approved by Congress. Advocates of P.L. 480 see all the titles as important food aid programs that should continue at traditional spending levels or even expand, since they see so many countries in need of food and the possibility of many more such situations in the future. Since U.S. wheat prices are expected to remain relatively high throughout 1995, even if the fiscal 1995 P.L. 480 budget were the same as in fiscal 1994, its purchasing power would be reduced.

Agricultural producers are concerned about a reduced foreign food aid budget as well. They argue that reductions in Title I, a program that can serve as a market development tool, come at a time when the GATT agreement is likely to weaken other export assistance programs for U.S. agriculture.

At the same time, however, some critics have said for years that nonemergency food aid, especially the type provided by Titles I and III, can act as a disincentive for achieving needed economic and agricultural reforms in the recipient country. Their opinion is that reductions in these two titles, while significant, are unlikely to cause disasters in food deficit countries, and, in the long run, could encourage agricultural reform.

Future for Food Aid—More Emergencies but Less Surplus Commodities?

In the 1990 FACTA, Congress stated that the United States would promote its foreign policy by providing agricultural commodities to developing countries to enhance their food security. Food security was defined as "access by all people at all times to sufficient food and nutrition for a healthy and productive life." Factors affecting the level of U.S. food assistance have changed. Large agricultural surpluses often tapped for overseas food assistance have declined as a result of increasingly market-oriented domestic agricultural policies initiated in 1985 and 1990 legislation. For example, in fiscal 1994, the U.S. Department of Agriculture (USDA) made available about 200,000 metric tons of grains and dairy products for distribution under Section 416(b), compared with 2.9 million metric tons in fiscal 1993. Further, for fiscal 1995, the Secretary of Agriculture has determined that, based upon current CCC stocks and projected purchases and dispositions, at present 5,000 metric tons of nonfortified nonfat dry milk is available during fiscal 1995. Also, the 1989 National Research Council (NRC) report on global food aid projections for the 1990's declared that by the end of the century, global food aid needs will rise considerably. Estimates of needs by the year 2000 ranged from 30 million to 50 million metric tons. As the number of international emergencies continues to grow, some feel a need for the Government to develop new mechanisms to provide necessary food aid to cope with them.

Effect of Changes from the FACTA

The 1990 FACTA gave AID the responsibility for managing agricultural commodity assistance to foreign countries provided under Title II and Title III. The act also required that GAO evaluate these programs in terms of: (1) the uses of commodities provided under Titles II and III and local currencies generated by the sale of commodities; (2) the impact of the assistance on enhancing food security; and (3) AID's management of the programs, particularly in safeguarding financial resources generated under the programs. In July 1993, GAO found that AID was not complying with the specifications mandated by the legislation.[6] Specifically, GAO found that AID had not developed any guidance on how food aid should be used to enhance food security. GAO further found that AID missions cannot ensure that resources are adequately controlled because they rely heavily on grant recipients that often lack the experience or expertise to ensure accountability of commodities and local currencies. In addition, AID had not ensured compliance with legislated timeframes for program authorization or minimum support to indigenous nongovernmental organizations.

AID responded that it will use the report as one way to assess its implementation of the 1990 FACTA, but argued that food security issues were more complex than interpreted by GAO and that the report did not provide a balanced view of differing perspectives on these complex issues.

GAO assessed the impact of Title I assistance on long-term market development assistance for U.S. agricultural exports and economic development in recipient countries and found that Title I's contribution in these areas was very limited. GAO claimed that Title I aid has had minimal impact on economic development because the value of the foreign exchange a country might save through purchasing Title I commodities on concessional terms is small relative to the country's development needs. Also, GAO said that the program gives USDA little opportunity to influence activities or initiate policy reforms in the recipient country.

GAO's review also indicated that Title I's contribution to long-term, foreign market development for U.S. agricultural commodities was nonexistent. GAO said that Title I commodities tend to be price sensitive, making it difficult to convert the concessional market share established through the Title I program into commercial market share, unless the United States can offer competitive prices. Also, some program requirements—for example, the cargo preference rules, re-export restrictions, and commodity quality and eligibility rules—impose constraints on recipients that undermine market development efforts.

In contrast, others state that U.S. food aid has been an important tool in building commercial markets for U.S. agricultural exports. They argue that food aid represents commodities that would not have been exported in the absence of concessional finance, and are additional to commercial exports. They also claim that food aid helps develop consumer preferences for U.S. products and that Title I agreements establish trade relationships that give U.S. exporters an advantage in future commercial sales. Developmental uses of food aid also contribute to export market development because food aid resources can be used to build market infrastructure and promote income growth in recipient countries. However, USDA recognized in testimony of the General Sales Manager of the Foreign Agricultural Service that Title I needs some changes, including more flexibility to be more responsive to a country's particular circumstances and to changes in the country composition.

Create a Food Fund Reserve

The United States already has a source of wheat to use as emergency food aid in the FSWR. At issue is whether the FSWR should be expanded to include other grains which would assure more flexibility to support the P.L. 480 program during unusual periods of constrained commodity supply or major emergency needs. Another option would be to combine the FSWR with a money reserve to expand the ability and flexibility needed to respond to critical food need emergencies in developing countries. This will benefit the recipient countries and the commodity groups.

If cash were provided, U.S. agriculture would not necessarily benefit, but the cash would enable recipient countries to obtain the maximum volume of desired commodities from the closest and cheapest sources.

Cargo Preference

Cargo preference regulations have been a matter of controversy in food aid policy since 1954, when the Cargo Preference Act was enacted. These regulations, which are designed to support the U.S. merchant marine industry, require that at least 75 percent of U.S. concessional shipments be shipped on U.S. flag vessels. U.S. freight charges tend to be higher than rates prevailing on the world market, increasing the cost of shipping food aid. Currently, USDA pays cargo preference costs on 50 percent of the food aid volume while the Department of Trans-

[6] *Food Aid: Management Improvements Are Needed to Achieve Program Objectives.* GAO/NSIAD-93-168, July 23, 1993).

portation (DOT) pays the costs on an additional 25 percent.

A September 1994 GAO study found that applying cargo preference to food aid programs did not contribute significantly to meeting the intended objectives of the Cargo Preference Act.[7] GAO found that cargo preference adversely affects the operation of U.S. food aid programs because higher freight costs for U.S. flag vessels reduce the tonnage purchased. Cargo preference also means that commodity-purchasing decisions are often driven by the availability of U.S. flag vessels instead of by commodity price or specifications. If food aid were exempted from cargo-preference regulations, food aid recipients and commodity groups would benefit if the savings were not used for deficit reduction purposes. The losers would be the owners, operators, and crew members of U.S. vessels that transport the food aid commodities. However, GAO cited a Department of Transportation study claiming that "federal programs, including cargo preference regulations, have not kept the U.S. merchant marine viable and competitive in world trade."[8]

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[7] See U.S. General Accounting Office, *Cargo Preference Requirements: Their Impact on U.S. Food Aid Programs and the U.S. Merchant Marine*, June 1990.

[8] See U.S. General Accounting Office, *Cargo Preference Requirements: Their Impact on U.S. Food Aid Programs and the U.S. Merchant Marine*, June 1990.

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Appendix table 1—Export program shipments of agricultural products1/

Year	P.L.480 and Section 416	Credit and Guarantee Programs	Export Enhancement Program 2/	Barter 3/	CCC Direct Sales 4/	Agricultural Export value	Program Share of Exports
	Million dollars						Percent
1955	384.4	69.0				3,144.0	14.4
1956	984.9	61.9				3,496.0	29.9
1957	1,525.1	73.1				4,728.0	33.8
1958	981.0	203.3				4,003.0	29.6
1959	1,017.3	92.8				3,719.0	29.8
1960	1,115.9	1.0				4,519.0	24.7
1961	1,316.4	18.0				4,946.0	27.0
1962	1,495.5	33.0				5,143.0	29.7
1963	1,456.3	77.0				5,078.0	30.2
1964	1,418.0	118.0				6,068.0	25.3
1965	1,570.5	95.0				6,097.0	27.3
1966	1,345.9	210.0				6,747.0	23.1
1967	1,270.8	339.0				6,831.0	23.6
1968	1,279.5	141.0				6,331.0	22.4
1969	1,038.6	116.0				5,751.0	20.1
1970	1,055.8	211.0				6,958.0	18.2
1971	1,023.0	391.0				7,955.0	17.8
1972	1,057.0	372.0				8,242.0	17.3
1973	946.4	1,029.0				14,984.0	13.2
1974	865.9	297.9				21,559.0	5.4
1975	1,099.1	248.6				21,817.0	6.2
1976	904.1	956.9				22,742.0	8.2
1977	1,103.6	755.3				23,974.0	7.8
1978	1,072.8	1,582.5			16.9	27,289.0	9.8
1979	1,187.2	1,590.6			17.8	31,979.0	8.7
1980	1,341.6	1,417.0			41.4	40,481.0	6.9
1981	1,333.0	1,874.0			172.6	43,780.0	7.7
1982	1,107.6	1,393.0		13.0	24.3	39,097.0	6.5
1983	1,194.7	4,069.0			95.0	34,769.0	15.4
1984	1,505.9	3,646.0		34.0	15.5	38,027.0	13.7
1985	1,905.8	2,761.0	86.5		95.6	31,201.0	15.5
1986	1,334.2	2,416.5	715.7		111.7	26,312.0	15.9
1987	1,077.2	2,984.0	1,684.4		157.0	27,876.0	19.1
1988	1,435.7	3,879.9	3,313.5		108.6	35,316.0	22.0
1989	1,298.4	5,057.0	2,826.7		137.0	39,590.0	23.5
1990	1,315.0	4,299.6	2,384.2		7.1	40,220.0	18.0
1991	1,109.2	4,111.3	2,009.3		39.9	37,609.0	17.9
1992	1,074.3	5,529.0	3,296.8		133.3	42,430.0	19.6
1993	2,365.6	3,759.0	3,733.5		15.9	42,590.0	20.9

1/Program shares of exports account for overlaps between sales under credit guarantee program and EEP, COAP, and SOAP from 1986 through 1993. The following amounts have been subtracted from total Government-assisted sales to account for the overlap: 1986, $387 million; 1987, $578 million; 1988, $951 million; 1989, $964 million; 1990, $778 million; 1991, $520 million; 1992, $1.7 billion; 1993, $965 million.
2/Includes EEP, DEIP, COAP, and SOAP sale values.
3/Barter sales outside of the P.L. 480 program were reported for 1982 and 1984.
4/The market value of commodities sold by the CCC was not available prior to 1978.

Sources: U.S. Dept. Agr., For. Agr. Serv., Agricultural Assistance Update, "Notices to Exporters," and communications with officials in the Export Credits Division; U.S. Dept. Agr., Econ. Res. Serv. database of P.L. 480 shipments; U.S. Dept. Agr., Econ. Res. Serv. database of P.L. 480 and Section 416(b) shipments and Foreign Agricultural Trade of the United States.

Appendix table 2—Selected chronology of U.S. agricultural export programs

Year	Price subsidy	Credit/guarantees	Food aid	Market development	Other
1935	Section 32 for exports (1935-74)	Export-Import Bank loans/guarantees (1935-present)			
1947				First State check-offs for generic promotion	
1948			Economic Cooperation Act (Marshall Plan)		CCC chartered as a Federal Corporation
1949	Cash subsidies to assist wheat exports under the IWA (1949-66)	Special loans to Afghanistan, India, Pakistan, Spain, and the United Kingdom	Section 416(b) (1950-54)		Agricultural Act of 1949
1953			Mutual Security Act		
1954			Public Law 480 (1955-present)	Title I of PL 480 currencies for market development, Cooperator Program (1955-present)	PL 480 barter (1954-63)
1956		CCC direct credit sales (GSM-5), 1956-80, 1984-85			
1958	Payment-in-kind for: wheat, feed grains, cotton exports				
1961				First appropriation for Cooperator Program	
1962	Payment-in-kind for: non-fat dry milk exports				
1963					Barter under CCC Charter authority (1963-73)
1971				Export Incentive Program (1971-present)	
1979		GSM-101 (1979-81) GSM-201 (1979)			
1980		GSM-102 (1980-present)	Food Security Wheat Reserve Act (1980-present)		
1981		GSM-301 (1981-82)			
1982			Section 416(b) reauthorized (1983-present)		
1983	Flour sales to Egypt	Blended credit (1983-85)			
1984	CCC sales to West African countries				
1985	Export Enhancement Program (1985-present) Dairy Export Incentive Program (1986-present)	GSM-103 (1986-present)	Food for Progress (1986-present) Section 416(b) expanded	Targeted Export Assistance Program (1986-1990)	Red meat sales (1986-87) Mandated dairy sales (1986-88) Agricultural Trade and Development missions (1986-1990)
1988	Sunflowerseed Oil Assistance Program				
1989	Cottonseed Oil Assistance Program				
1990				Market Promotion Program (1991-present)	

Appendix table 3a--U.S. subsidized exports under the Uruguay Round agreement

Commodity	Base period 1986-90	1991-92	Annual commitments 95/96	96/77	97/98	98/99	99/00	00/01
				1,000 metric tons				
Annual quantity commitments by commodity: 1/								
Wheat/flour	18,382	21,382	20,238	19,095	17,952	16,809	15,665	14,522
Coarse grains	1,975		1,906	1,837	1,768	1,699	1,630	1,561
Rice	49	318	272	225	178	132	85	39
Vegetable oils	179	677	588	498	409	320	231	141
Butter/butter oil	27	47	43	39	34	30	25	21
Skim milk powder	86	116	108	100	92	84	76	68
Cheese	4	4	4	4	4	3	3	3
Other (WMP)	0.04	15	12	10	7	5	3	0.03
Bovine meat	22		21	21	20	19	18	18
Pigmeat	0.5		0.5	0.5	0.4	0.4	0.4	0.4
Poultry meat	35		34	33	32	30	29	28
Live dairy cattle(head)	13,955		13,467	12,978	12,490	12,001	11,513	11,024
Eggs [000 doz]	8,759	34,930	30,262	25,593	20,925	16,256	11,588	6,920

	Base period 1986-90	1991-92	Annual commitments FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
				Million dollars				
Annual budget outlays by commodity:								
Wheat/flour	568.5	845.8	765.5	685.2	604.8	524.5	444.2	363.8
Coarse grains	72.1		67.7	63.4	59.1	54.8	50.4	46.1
Rice	3.7	18.4	15.7	13.0	10.4	7.7	5.0	2.4
Vegetable oils	22.0	60.7	53.0	45.2	37.4	29.6	21.9	14.1
Butter/butteroil	47.7		44.8	41.9	39.1	36.2	33.4	30.5
Skim milk powder	128.8		121.1	113.4	105.7	97.9	90.2	82.5
Cheese	5.7		5.3	5.0	4.7	4.3	4.0	3.6
Other (WMP)	0.033	17.2	14.4	11.5	8.6	5.8	2.9	0.021
Bovine meat	35.7		33.5	31.4	29.2	27.1	25.0	22.8
Pigmeat	0.8		0.7	0.7	0.6	0.6	0.5	0.5
Poultry meat	22.7		21.4	20.0	18.6	17.3	15.9	14.6
Live dairy cattle	18.6		17.5	16.3	15.2	14.1	13.0	11.9
Eggs	2.5	8.8	7.6	6.4	5.2	4.0	2.8	1.6
Total	928.7		1,168.2	1,053.4	938.7	823.9	709.1	594.4
			982.6	881.6	780.6	679.7	578.6	477.8

See footnotes at end of table.

Appendix table 3b--European Union subsidized exports under the Uruguay Round agreement

Commodity	Base period 1986-90	Base period 1991-92	Annual commitments 1st Yr	2nd Yr	3rd Yr	4th Yr	5th Yr	6th Yr
				1,000 metric tons				
Annual quantity commitments by commodity: 1/								
Wheat/flour	17,008	20,255	19,119	17,982	16,846	15,709	14,573	13,436
Coarse grains	12,625		12,183	11,741	11,299	10,857	10,415	9,973
Rice	184		177	171	164	158	152	145
Rapeseed	100		97	93	90	86	83	79
Olive oil	148		143	138	132	127	122	117
Sugar	1,617		1,560	1,504	1,447	1,391	1,334	1,277
Butter/butteroil	463		447	431	415	399	382	366
Skim milk powder	308		297	286	276	265	254	243
Cheese	386	427	407	386	366	346	325	305
Other milk products	1,188	1,206	1,161	1,117	1,072	1,028	983	938
Beef 2/	1,034	1,179	1,119	1,058	998	938	877	817
Pork	509		491	473	455	437	420	402
Poultry meat	368	470	440	410	380	350	320	291
Eggs	105	112	107	102	98	93	88	83
Wine [000 hl]	3,080		2,973	2,865	2,757	2,649	2,541	2,434
Fruits/Veg.(fresh)	1,148		1,108	1,068	1,027	987	947	907
Fruits/veg. (processed)	201		194	187	180	173	166	159
Tobacco	143	206	190	175	159	144	128	113
Alcohol [000 hl]	1,452		1,402	1,351	1,300	1,249	1,198	1,147
				Million ECU				
Annual budget outlays by commodity:								
Wheat/flour	1,783.0	2,255.0	2,089.4	1,883.7	1,698.1	1,512.4	1,326.8	1,141.1
Coarse grains	1,379.5		1,296.7	1,214.0	1,131.2	1,048.4	965.7	882.9
Rice	61.8		58.1	54.4	50.7	47.0	43.3	39.6
Rapeseed	32.2		30.3	28.3	26.4	24.5	22.5	20.6
Olive oil	85.9		80.7	75.6	70.4	65.3	60.1	55.0
Sugar	776.5		730.0	683.3	636.7	590.1	543.6	497.0
Butter/butteroil	1,325.4		1,245.9	1,166.3	1,086.8	1,007.3	927.7	848.2
Skim milk powder	370.1		347.9	325.7	303.5	281.3	259.1	236.9
Cheese	439.2	550.0	505.2	460.4	415.5	370.7	325.9	281.1
Other milk products	1,008.1		947.6	887.1	826.6	766.2	705.7	645.2
Beef 4/	1,967.8	2,028.8	1,900.6	1,772.3	1,644.1	1,515.9	1,387.6	1,259.4
Pork	183.4		172.4	161.4	150.4	139.4	128.4	117.4
Poultry meat	143.2	147.0	137.8	128.5	119.3	110.1	100.9	91.6
Eggs	39.8		37.4	35.0	32.6	30.2	27.9	25.5
Wine [000 hl]	64.5		60.6	56.8	52.9	49.0	45.2	41.3
Fruits/Veg.Fresh	102.9		96.7	90.6	84.4	78.2	72.0	65.9
Fruits/Veg. Processed	15.4		14.5	13.6	12.6	11.7	10.8	9.9
Tobacco	62.9	106.0	95.0	84.1	73.1	62.1	51.2	40.2
Alcohol [000 hl]	150.2		141.2	132.2	123.2	114.2	105.1	96.1
Incorporated 5/	572.5	702.0	646.1	590.1	534.2	478.3	422.3	366.4
Total	10,564.3		10,634.1	9,843.3	9,072.8	8,302.2	7,531.6	6,761.0

WMP - Whole milk powder.
1/ U.S. quantity commitments are based on a July/June year. EU quantity commitment years are: July 1 -June 30, except rice and wine which are September 1-August 31; olive oil which is November 1-October 31; and sugar which is October 1-September 30.
2/ Base for the quantity reduction for EU beef = 1,324,000 tons = (Average 91-92 + Average 86-90)/2.
3/ EU budgetary outlay commitment year: October 16-October 15, except sugar which is July 1-June 30.
4/ EU base for budgetary reduction = 2,268 million ECU = (Average 91-92 + Average 86-90)/2.
5/ The "incorporated" category is processed products.

Source: U.S. Department of Agriculture, Foreign Agricultural Service, International Trade Policy.

U.S. Department of Agriculture
Economic Research Service

SUMMARY OF REPORT #AER-709

The 1995 Farm Bill

Tobacco's Future? How Will New Legislation Affect Production?

April 1995

Contact: Verner Grise, (202) 219-0890

Production of U.S. tobacco is likely to decline by the end of the 1990's, according to a new report from USDA's Economic Research Service. Accelerated antismoking activity, together with an increasing number of smoking restrictions and prohibitions and proposals to increase cigarette taxes, is weakening leaf demand. This, together with ample world production at lower prices, is hurting U.S. export prospects.

A shift worldwide to cheaper cigarettes and technological advances that permit production of an acceptable-quality cigarette with cheaper leaf are holding down demand for U.S.-grown leaf. Furthermore, stagnant cigarette demand and trade barriers continue to hold down U.S. export prospects, although the General Agreement on Tariffs and Trade should help soften potential declines in exports.

Congress will soon consider new farm legislation to replace the expiring Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624). A number of problems face the tobacco industry and amendments to modify the tobacco program may be considered in the next farm bill debate. ***Tobacco: Background for 1995 Farm Legislation*** provides an overview of the U.S. tobacco industry, reviews Federal tobacco programs and their effects, and examines issues and potential program changes.

The tobacco program is authorized under permanent legislation and, unlike most commodity programs, it does not have to be rewritten every 4 or 5 years. However, a number of legislative changes have been made since the basic marketing quota provisions of the Agricultural Adjustment Act of 1938. Legislation enacted in 1986 and 1993 made substantial changes in the program. The 1986 law reduced flue-cured and burley price supports, changed the setting of quotas to a more market-oriented approach, and provided for orderly movement of surplus stocks into trade channels. The 1993 law limited use of foreign-grown leaf in U.S. cigarettes, by applying assessments on imports and penalizing noncompliance.

Despite the changes that have been made in the tobacco program, several major concerns persist. Issues that affect the industry concern:

- Program rationale. The rationale for a tobacco program that has any government involvement. Intensive efforts by health groups and some Congressional leaders to bring tobacco products under the jurisdiction of the Food and Drug Administration (FDA), growing antismoking efforts, and prohibitions and restrictions on smoking are jeopardizing U.S. tobacco support programs.

To Order This Report...

The information presented here is excerpted from ***Tobacco: Background for 1995 Farm Legislation,*** AER-709, by Verner N. Grise. The cost is $9.00.

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Economic Research Service

SUMMARY OF REPORT #AER-714

The 1995 Farm Bill

Planting Flexibility and Acreage Idling Are Key Issues for Feed Grains

April 1995

Contact: William Lin (202) 219-0848

Key issues to be addressed in the feed grains portion of this year's farm legislation deliberations include planting flexibility and acreage idling under both the Conservation Reserve Program (CRP) and the Acreage Reduction Program (ARP). These and other policy matters are discussed in detail in ***Feed Grains: Background for 1995 Farm Legislation***, a new report from USDA's Economic Research Service.

Policy options in regard to the planting flexibility issue include (1) expanding the normal flex acreage beyond the current 15 percent, (2) combining all crop acreage base into a farm program base and allowing complete planting flexibility within the base, and (3) implementing a normal crop acreage concept, such as the one under the 1977 Farm Act.

Options for the CRP include extending the current program for another 10-15 years but under more critical criteria to reduce soil and wind erosion and to preserve water quality and other environmental benefits.

Policy decisions that continue to hold land out of production will be critical given expectations for continued growth in both domestic use and exports. However, the program cost is likely to be the dominant criterion for legislation.

Producers benefit from participating in the government feed grains program directly through support prices and direct payments and indirectly through higher market prices. U.S. feed grain farmers have received program payments since 1961. During 1991-93, direct payments as a percentage of annual gross income were in ranges of 12-17 percent for corn, 19-22 percent for sorghum, 24-31 percent for barley, and 18-25 percent for oats. These percentages were well under those much of the 1980's. In 1986-88, for example, direct payments were 25-37 percent of annual gross income from corn production. Deficiency payments averaged $5.5 billion for feed grain producers during that late-1980's period, compared with $2.8 billion during 1991-93.

During 1991-93, returns over cash expenses for corn producers averaged $0.66 per bushel (in 1987 dollars), compared with $0.71 in 1985 and $0.86 in 1990. However, returns over cash expenses for corn producers were still the highest among feed grain producers on a per acre basis. Overall, returns over cash expenses are expected to improve considerably in 1994/95 because of record yields, greater domestic and export demands, and higher deficiency payments.

The U.S. Feed Grain Industry. U.S. feed grain production has trended upward since the 1930's, reaching a record 285 million metric tons in 1994/95. Much of the increase was due to yield improvements, especially for corn. Corn production increased from 5.8 billion bushels in 1975 to 10.1 billion bushels in 1994. However, acres planted to sorghum, barley, and oats have declined.

To Order This Report...

The information presented here is excerpted from ***Feed Grains: Background for 1995 Farm Legislation,*** AER-714, by William Lin, Peter Riley, and Sam Evans. The cost is $12.00.

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