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STATEMENT OF
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BEFORE THE

SUBCOMMITTEE ON DEPARTMENT OPERATIONS,
RESEARCH, AND FOREIGN AGRICULTURE
HOUSE COMMITTEE ON AGRICULTURE

ON

THE AGRICULTURAL EXPORT ENHANCEMENT PROGRAM AND
AGRICULTURAL FOREIGN MARKET DEVELOPMENT PROGRAMS

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss with you our ongoing work on the agricultural Export Enhancement Program and agricultural foreign market development programs. Other work you requested on the export credit assistance programs of the Department of Agriculture and the management of agricultural attaches overseas is just getting underway.

EXPORT ENHANCEMENT PROGRAM

This program was originally established in May of last year by the Administration following extensive lobbying by an informal coalition of agricultural trade organizations. It was modified last December by the Food Security Act of 1985, and then recently amended by the Food Security Improvements Act of 1986. Our review of the program is being conducted at your request as well as the requests of Senator Grassley, Chairman of the Senate Judiciary Subcommittee on Administrative Practice and Procedure, and Senator Harkin, a member of the Senate Committee on Agriculture, Nutrition, and Forestry.

As you know, we testified before your Subcommittee in October of last year. At that time, we provided a preliminary assessment of the Enhancement Program based on our work to that date. Today, we are providing an updated status report of our ongoing review of the program. This testimony is based on a review of pertinent documents and interviews with the Departments of Agriculture and State, the Office of the U.S. Trade Representative, the Office of Management and Budget, U.S.

agricultural exporters, trade associations and officials of foreign governments.

The two primary objectives of our review have been to assess the management of the program and to assess its impact in achieving its stated objectives, namely to increase U.S. exports and to encourage our trading partners, especially the European Community, to begin serious bilateral and multilateral negotiations on agricultural trade problems. Isolating and assessing the impact of the program is an especially difficult task. In addition, any impact the program might have will be reinforced by two recent events having a similar--but much stronger--effect than does the program. One is the declining value of the dollar and the other is the 1985 Farm Security Act which provided for the lowering of loan rates. First, both changes are expected to result in increased competitiveness of U.S. agricultural products and higher U.S. exports. Secondly, both changes are expected to raise the costs of the European Community's agricultural subsidy or restitution program, the primary target of the Export Enhancement Program. This cost increase, when the European Community is already under significant budgetary strain, should help to increase the Community's willingness to reduce export subsidies. Consequently, an increase in U.S. exports or any movement toward negotiations with the European Community cannot be primarily attributed to the Export Enhancement Program. As we note later, the program has in fact been claimed by some to be counterproductive in both regards.

<u>Changes In The Export Enhancement Program</u>

It should be noted that the program, which grew out of discussions between the farm export coalition, the former Director of the Office of Management and Budget, and the Senate leadership, was initially a discretionary one. It has been characterized by vastly different expectations among the legislative and executive branches and the private sector, particularly farmers and exporters. Several Administration officials spoke of the program being imposed upon them as a result of the May 1985 agreement between the Director of the Office of Management and Budget and the Senate leadership. They viewed the program as contrary to the basic Administration policy in support of free trade and in opposition to subsidies.

The Administration's cabinet-level Economic Policy Council, to make the program as consistent as possible with the Administration's broader trade policy, determined that the program would be a targeted one; country/commodity specific initiatives were to be announced only where there were opportunities for U.S. sales to displace competitors who were subsidizing their exports. Moreover, the program was to be implemented in such a way that non-subsidizing competitors were not to be adversely affected. It is the targeted aspect of the program that limits Agriculture's ability to easily dispose of large volumes of surplus commodities.

Other criteria established by the Economic Policy Council to be met under the program included additionality, i.e., sales are expected to increase U.S. agricultural exports above those that would have occurred in the absence of the program; cost effectiveness, i.e., sales are to result in a net plus to the overall economy; and budget neutrality, i.e., sales are not to increase outlays above those that would have occurred in the absence of the program.

This program did not fully meet the objectives of the farm export coalition, which wanted establishment of a mandatory across-the-board subsidy program. The Secretary of Agriculture was to have discretionary use of up to $2-billion worth of surplus agricultural commodities owned by the Commodity Credit Corporation. These commodities would be made available over a 3-year period as a bonus to U.S. exporters to expand sales of specified commodities in targeted markets. The Food Security Act of 1985, however, mandated that $2 billion of bonus commodities be used during the 3-year period.

The Administration objected to the mandatory aspect of the legislated program, declaring that it would make the United States a predatory pricer and potentially precipitate a trade war. Consistent with this position, Agriculture maintained its targeted approach. Moreover, Agriculture was concerned that it would not be able to fully use the mandated $2 billion. In March of this year, an amendment to the Act reduced the scope of the program but kept it mandatory; it called for a minimum of

$1 billion and a maximum of $1.5 billion in commodities to be used during the 3-year period beginning October 1, 1985.

The impetus for the provision in the Food Security Act of 1985 mandating the $2 billion amount was the congressional belief that the Administration was not effectively implementing the program and did not support it. Few sales had actually been consummated during the first 6 months of the program. As of December 31, 1985, less than $100 million in commodities had been awarded under the program.

Ability To Use Up $1 Billion In Commodities

It appears that it will be at least very difficult for Agriculture to dispose of the $1 billion in commodities, given the present targeting criteria. It should be noted that the original $2 billion amount announced in May 1985 appears to be a goal arrived at without analyzing the ability of the underlying program to use that sum. For example, Agriculture appears to have made no analysis concerning the amount of exports that could be sold under the program or the amount of exports the $2 billion would support. Agriculture officials have contended that such analysis was not that important, since the $2 billion was a discretionary amount. However, when the $2 billion amount was incorporated into the December 1985 Farm Security Act as a mandatory amount, such analysis did become important.

In January of this year, Agriculture did some analysis of the amount of commodities that could be used up assuming various options, namely, continuing the program with the existing targeting criteria, expanding the program through somewhat broadened targeting criteria, and going to an across-the-board, or in other words, untargeted program. Under each of the three options, it appears that wheat and wheat flour would continue to make up the greatest share of the commodities used in the program.

Agriculture recognized that the amount of bonus commodities to be awarded under the program would depend on the competitiveness of U.S. wheat and other commodities over the next 2-1/2 half years. The more competitive the U.S. products, the less of a bonus would be necessary to enable U.S. exporters to win contracts abroad. Consequently, the increased competitiveness of U.S. products due to the declining value of the dollar and the lower loan rates should result in a substantial increase in the amount of export sales required to use the $1 billion to $1-1/2 billion in commodities provided for in the March amendment to the Act.

The quantity of actual commodities to be disposed of under the Act depends on how such commodities are valued. Agriculture is now valuing the commodities which it is awarding to U.S. exporters at their book value (that is, acquisition cost rather than market value). Since the book value is significantly higher than the market value in a period of declining prices, using the book value will entail disposing of less commodities to reach the $1 billion amount than would be the case if market value was used.

By way of demonstrating the magnitude of export sales necessary if wheat is to be the primary commodity under the program, the disposal of $300 million per year in the form of a subsidy of $15 per metric ton would require annual export sales of 20 million metric tons of subsidized wheat. When one considers that total U.S. wheat exports in 1985 were only 31 million metric tons, the problem posed by that figure becomes evident. A subsidy of $15 per metric ton, or even one as low as $10 per metric ton, is a realistic possibility, given the anticipated increased competitiveness of U.S. wheat overseas. Bonus subsidies for wheat exports have been in the range of $15 to $29 per metric ton in the past 2 months.

Total sales made under the initiatives announced to date will result in the disposal of only $142 million in bonus commodities at their book value. As of April 7, 22 initiatives have been announced, of which 10 were for wheat, 6 for wheat flour, and one each for rice, poultry, barley malt, semolina, dairy cattle, and table eggs. Countries targeted included Algeria, Egypt, Yemen, Morocco, Turkey, the Philippines, Jordan, Iraq, Nigeria, Zaire, Tunisia, and Benin. Attachment I provides information on announced initiatives. Attachment II provides a summary data sheet on program activity to date, identifying countries targeted, sale quantities, sale values, export prices, estimated bonus quantities, average subsidy per ton, and the estimated book value of each subsidy.

Sales that have been made under the program totaled about 2.9 million metric tons of wheat, about 324 thousand metric tons of wheat flour, and about 8 thousand metric tons of poultry as of April 7, 1986. The total sales value was almost $400 million. The amount of bonus commodities awarded totaled about 948 thousand metric tons of wheat, about 15 thousand metric tons of corn, and about 7.6 thousand metric tons of soybeans.

Increasing U.S. Exports

It is not possible to say how much of an increase in net exports has resulted from the Export Enhancement Program, though the dollar value of export sales that have been made through the program is known. Agriculture has acknowledged that some of the other countries' exports displaced as a result of the program, namely those of the European Community, will ultimately displace some U.S. commercial exports elsewhere, although it is hard to say exactly how much displacement will take place. Agriculture's estimates of additionality for each initiative is generally 33 percent, but it is the first to caution that this is based on informed judgement rather than hard data. By way of example, with respect to the estimated 33 percent additionality for the Algerian wheat initiative, an Agriculture official told us that since it was believed that net additionality for a particular initiative would be closer to zero than to 100 percent, the 33 percent figure was used. In the course of our work, we have heard opinions on the possible magnitude of additionality ranging from essentially zero to close to 100 percent.

Agriculture has told us that after an initiative has been in effect for one year, it will attempt to measure the additionality for that initiative. We note it will be very difficult to develop the methodology for such an assessment given the fungibility of grains and the multiple independent variables influencing trade in the agricultural commodities involved.

It is important to note that additionality of exports in targeted markets may be short lived, as reflected by the 1983 U.S. subsidized wheat flour sale to Egypt. In this case, when the subsidy lapsed, the market share that had been captured as a result of the subsidy reverted to European Community suppliers.

Impact On Other U.S. Export Markets

Critics of the existing targeted program are concerned that the program may actually be counterproductive. They claim that traditional U.S. customers which have not been targeted, and therefore not made eligible for cheaper commodities under the program, are purchasing elsewhere.

The country mentioned most frequently in this regard is the Soviet Union. Representatives of the grain trade have claimed that the reason the Soviets did not live up to the terms of the Long Term Agreement for the year ending September 30, 1985, was because they felt themselves to be discriminated against since they were ineligible for the cheaper wheat available through the Enhancement Program. Agriculture and State officials, however, believe that the Soviets did not buy the required minimum amount from the United States because of lower prices elsewhere and that, even if the Enhancement Program did not exist, they would have bought elsewhere for price reasons. Some in the grain trade agree with this statement, and we believe it to be reasonable. Although the Soviets might claim that they continued to buy from the United States in previous years when U.S. prices were higher than those of our competitors, precise price information for Soviet purchases is not readily available, and so the applicability of this claim to the last grain year is difficult to assess.

With respect to China, a State Department official noted that due to successful agrarian reforms and good weather, the Chinese have needed to import very little wheat in the last year. However, Chinese officials have recently complained about not being eligible for purchases under the Enhancement Program.

With respect to Japan, Agriculture and State Department officials have indicated that Japanese representatives never questioned their not being eligible for wheat under the Enhancement Program. Representatives of the grain trade said that the Japanese would not bring this issue up since there are so many other problems with the U.S.-Japan trade relationship, especially in view of the huge trade surplus that Japan has vis-a-vis the United States.

With respect to Nigeria, a State Department official noted that the Nigerians have requested that they be made eligible for wheat through the Enhancement Program. Since the United States has about 90 percent of the market share of wheat imported by Nigeria, and inroads into that share during the last couple years have been made by Argentina and Canada rather than by the European Community, Nigeria has not been considered an appropriate target for wheat, given the existing criteria.

Agriculture and State Department officials have told us that the ineligibility thus far of such countries as Korea, Brazil, or Venezuela to buy the lower priced commodities under the Enhancement Program has not been the subject of protests from those countries.

Competitor Reactions to the Enhancement Program

It is very difficult to assess the prospects for meaningful negotiations with the European Community on agricultural trade issues. Even more difficult is an assessment of the extent to which the Export Enhancement Program has been the impetus for any movement toward such negotiations. On October 15, 1985, the United States announced that it would be filing a formal complaint in the General Agreement on Tariffs and Trade (GATT) Subsidies Code Committee with regard to the European Community's use of export subsidies for wheat. Shortly thereafter, the European Community announced that it would be filing a complaint in the GATT Committee with regard to the U.S. Export Enhancement Program. In February, informal consultations were held with the Community prior to any formal procedures under the GATT subsidy code. The U.S. delegation stated that the United States has acted responsibly in the face of declining world wheat trade, while the Community has not taken steps to alleviate its over-supply situation. Both parties agreed to convene another bilateral meeting to address this issue in the near future.

U.S. government officials have noted that during the period 1977/78 to 1984/85, the European Community's share of the world wheat market expanded from 7 to 16 percent. Over the same period, the U.S. share declined from 43 to 36 percent. A specific example of the displacement of U.S. grain by subsidized European Community's wheat is the Soviet Union. U.S. officials note that the Community share of Soviet imports rose to 24 percent of imports in 1984/85 compared with essentially no sales during the period from 1977/79.

While the European Community, through its export restitution program, appears to have been especially successful in capturing a substantial portion of the U.S. grain export market in the Soviet Union, the latter has not been eligible for subsidized commodities under the Enhancement Program. Although Administration officials claim that the Soviets are not eligible for targeting because non-subsidizing competitors are also active in the Soviet market and would thus be harmed, it is clear that foreign policy reasons also prevent the Soviet Union from being eligible for the more cheaply priced wheat. In any case, whereas the Soviet Union appears to be the market where the Enhancement Program would have a very significant impact on the European Community, the Soviet Union is not eligible.

The primary non-subsidizing competitors of the United States for wheat exports are Argentina, Australia, and Canada. Officials of their governments have been unhappy with the Enhancement Program even though they state their sympathies with the U.S. objective of bringing the European Community to the negotiating table. They too are harmed by the Community's export subsidy program. They state, however, that the Enhancement Program undermines the U.S. policy of opposing subsidies and that the U.S. program is not unlike the Community's restitution program. The existence of the Enhancement Program could be used by the European Community as a justification for continuing, or even increasing, its own restitution payments.

It should be noted that, although these non-subsidizing competitors have received assurances from the United States that they would not see their market shares in targeted countries jeopardized by sales made by U.S. exporters under the Enhancement Program, they do attribute some of the fall in world wheat prices to it. Also, we heard claims from an official of one non-subsidizing competitor that that country's market share in one targeted country had decreased as a result of the Enhancement Program. And even if a non-subsidizing competitor's market share of a particular targeted country is protected, it may see its share in another country decrease as a result of displaced European exports making inroads into the non-subsidizing competitor's other markets.

Officials of the non-subsidizing competitors are, like the European Community, likely to see export earnings fall as a result of the lowering of U.S. farm loan rates. The reduction in loan rates should make U.S. commodities more competitive in the world market in the long run, as our non-subsidizing competitors try to adjust to declining world prices. In many ways, lower loan rates affect competing exporters similarly to an export subsidy. Both lower the price of U.S. commodities to potential buyers. Competitors will have to choose between lowering their prices or losing market share. Whereas both lower loan rates and the Enhancement Program may harm our non-subsidizing competitors, the latter see the lowering of loan rates as a non-objectionable policy. They view the Enhancement Program, however, as undesirable and potentially counterproductive.

The European Community, similarly, raises no objection to the lowering of loan rates. It views the Enhancement Program much differently, however. The basic question is whether the increase in costs of its own export restitution program attributable to the Enhancement Program will be sufficient to prod the European Community to negotiate a moderation of its export subsidies. There are widely differing views on this. For example, an official of a European government indicated that the Enhancement Program is strengthening the resolve of the Community to continue with its restitution program and to match U.S. offers of subsidized wheat.

Whatever the precise attribution of cause, the combination of the lower valued dollar, the anticipation of lower loan rates, and the Enhancement Program has significantly increased the European Community's budgetary costs. Restitution payments on wheat exports have reached $90 per metric ton. The most likely way for Community to lower its costs is to adjust its domestic programs to encourage lower production and therefore lower the amount of exportable surplus.

The Community's Agricultural Commission has proposed cuts of approximately 5% in next year's prices. Recent indications are that the Council of Ministers, which makes the actual decision, may not approve the proposal. Current government administrations in Germany and now France have indicated that they want small increases in support prices to respond to farm interests in their own countries.

MANAGEMENT OF THE ENHANCEMENT PROGRAM

Bidding Procedures

Under the Enhancement Program, Agriculture attempts to facilitate U.S. commercial sales at competitive world prices. Prior to reviewing bids from U.S. exporters for the amount of bonus to enable them to win a sale in a targeted country, Agriculture calculates a minimum sale price intended to fairly reflect a competitive world price for that commodity. To determine the minimum price, Agriculture calculates the price differential between U.S. and European wheat, based on a formula and factors which Agriculture does not make public. In addition, Agriculture calculates the maximum bonus it will allow exporters to obtain as compensation for the price differential. These estimates are not released outside of Agriculture.

Agriculture rejects offers which fall below the predetermined minimum price so as to prevent the program from being classified as concessional. Likewise, Agriculture rejects bids in which the maximum bonus amount has been exceeded in order to protect its interests.

After Agriculture announces an initiative, the buyer issues a tender requesting bids on the commodity. Interested U.S. exporters negotiate with the buyer to establish a mutually acceptable price. Any sales contract negotiated with the buyer is conditional upon Agriculture's approval, but Agriculture does not get involved with the actual price negotiations. In practice, all exporters have generally submitted the same price to Agriculture for approval, although the individual bonus amount requested may differ with each offer. Offers which fall within the minimum price/maximum bonus range are then ranked daily according to the lowest bonus value. Agriculture continues to approve sales based on the lowest acceptable bonus amounts until the tender quantity is met. This process may take several days.

Acquisition of Commodity Credit Corporation Stocks

Successful bidders must select their lots from the Commodity Credit Corporation (CCC) catalog within 30 days. The catalog prices commodities at their current market value. The exporter selects lots up to the total bonus amount approved on a given sale. The actual quantity the exporter will receive is set at the time the catalog selection is made. However, title to the commodity does not transfer until the CCC receives proof of export. Often the actual export may occur several months after the sales contract has been signed. For example, an exporter may select CCC lots at a February market price but not receive them until June, when the market price may be different. In a period of falling prices, the bonus commodity will be worth less when it is received than when the original sale is made. Agriculture is considering changes to this procedure which will involve less potential risk for the exporter.

Private Sector Activity and Comments

As of April 8, 12 companies have been awarded contracts for wheat and/or flour sales. Cargill has received 44% of the allotted bonuses, followed by Continental Grain with 15%, Louis Dreyfus with 10%, and Peavey with 9%. Attachment III provides information on bonuses awarded to individual companies.

We spoke to four exporters who have participated in the Enhancement Program to obtain their opinions of the program's operation. Overall, they have been satisfied with the operations. Although they noted that the program got off to a rocky start, they felt that Agriculture was now doing an adequate job of administering it.

Export Enhancement Advisory Committee Has Been Inactive

The Export Enhancement Program Advisory Committee was established in the Summer of 1985 as part of the original program. The Committee, composed of eight members from the agricultural trade community, was to have input into the Enhancement Program to make it more effective. To date, the Committee has only met twice--August 14 and October 9, 1985. Although an Agriculture official informed us that the Advisory Committee has not been abolished, no future meetings are scheduled. However, he added that Agriculture maintains contact with the private sector regarding the program.

We have recently contacted all eight members of the Advisory Committee to determine their views on the program to date and on the need for the Committee to reconvene. Although most members were interested in meeting again, two noted that there was no need to reconvene unless Agriculture changes the Enhancement Program. They noted a major philosophical difference between the Committee and Agriculture. The Committee members favor an across-the-board, non-targeted program, which Agriculture opposes.

Preliminary Observations on the Management of the Program

In some cases, targeted countries have deliberately negotiated below-market prices in hopes of getting a bargain. Agriculture has rejected these prices, leading to several rounds of negotiations and price submissions. In early March, however, officials of a European government claimed that Agriculture permitted sales to a targeted foreign government which were significantly below the European Community's price. In contrast, an Agriculture official explained that in at least one case Community prices were much lower than Agriculture anticipated. These lower prices were factored into subsequent Agriculture minimum price estimates. Until that time, these officials believed that "undercutting" by Agriculture had been relatively insignificant. We have not yet been able to evaluate these claims.

Management Safeguards

It appears at this time that Agriculture has incorporated several management safeguards into the Enhancement Program so as to minimize potential problems and to correct problems which occurred under previous export subsidy programs. For example, the functions of receiving and reviewing offers for responsiveness and of reviewing prices are separate; bonuses cannot be obtained until proof of export is provided; exporters must be qualified by Agriculture before they may participate in the program; and large performance bonds are required with each offer.

Program May Not Be Budget Neutral

As noted earlier, Agriculture's program criteria require that the Enhancement Program initiatives be budget neutral. According to the Congressional Budget Office, the program reduces CCC storage costs as the grain leaves government hands. However, if there is low additionality, so that fewer new exports are made than "old" CCC stocks are released to the market as a bonus, then the government may be forced to increase its purchase of current year's wheat through the price support system. Based on the original $2 billion program, the Congressional Budget Office estimated that the program could cost the government between $0.8 billion to $1.2 billion over fiscal years 1986-1988. Because neither the Congressional Budget Office nor Agriculture has empirical support for its estimate of additionality because of the methodological difficulties involved, it is difficult to assess what the costs will be.

Agriculture has estimated that certain initiatives will cost the government money. However, one official has claimed that the overall program should be budget neutral, even if individual initiatives may not be.

Effects of the 1985 Farm Bill and Other Developments on the Enhancement Program

The 1985 Food Security Act is designed to stimulate exports by giving the Secretary of Agriculture authority to lower loan rates while protecting farmers' incomes by maintaining deficiency payments. The loan rate (also called the support price) is part of a federally funded policy which in effect has supported farm product prices when demand is low. The 1985 Act has greatly lowered loan rates for the soon-to-begin 1986 crop year, and it is anticipated that further drops will be made in following years. Lower loan rates should make U.S. exports more competitive and increase the cost to foreign governments of subsidizing agricultural production and exports.

Lower loan rates stimulate U.S. exports in several ways. Purchasers of U.S. commodities should respond to lower prices and increase their total consumption. The amount of the increase depends on the price elasticity of demand, the degree to which foreign governments pass on the lower prices to consumers, and the amount of the increased imports bought from the United States, among other factors. Secondly, to the extent that the U.S. price falls relative to our competitors, our market share should increase even if demand remains unchanged. Finally, and potentially most importantly, if our competitors' prices fall, they should cut back their production and exports.

It is difficult to estimate or predict the magnitude of any of these responses. Statistical attempts to estimate international demand elasticities have proven unsatisfactory. Market shares are sensitive to a large number of factors and are difficult to estimate. The governments of the major wheat exporting countries exercise some control over export prices, and their decisions are based on political and social factors as well as economic considerations. Finally, the structure of the world grain markets complicates any attempt at analysis.

The United States has become the residual supplier for the world wheat market, largely because of a strong U.S. dollar and because domestic farm policies have set high U.S. prices. Other countries have been able to increase their production with the expectation that they could export virtually any amount under the umbrella of the U.S. price. It has been argued that a small decrease in the loan rate might prevent a further increase in foreign production but do little to reduce it. However, the drop in the loan rate, from $3.30 per bushel in crop year 1985 to $2.30 per bushel in 1986, should lead to market prices well below any of our competitor's current export prices. A fall of this magnitude should reduce foreign farmers' production in the long run if government policies do not artificially shield them from its full impact.

The European Community's response is especially important: to what degree will it reduce excess production and cut exports rather than incur higher budgetary costs? Although economic considerations will influence the Community, the Common Agricultural Policy is basically a political and social program and any changes to it will likely be based on domestic considerations.

The economic costs of the Common Agricultural Policy have been greatly increased by the fall in the value of the dollar, the anticipated effect of lower loan rates, and the Enhancement Program. Although there has been little change in Community intervention or target prices, the Community has had to raise its restitution payment (i.e. export subsidy), from approximately $2 per metric ton in September 1984 to $90 in March 1986. It is expected to go up further in the near future. Although specific shares cannot be determined, most analysts we have talked to agree that so far the depreciation of the dollar relative to the ECU--35 percent since February, 1985--has been the main factor.

COOPERATOR MARKET DEVELOPMENT PROGRAMS

P.L. 480, the Agricultural Trade Development and Assistance Act of 1954, authorized use of federal funds for agricultural market development activities but did not specify how those activities were to be accomplished. The Department of Agriculture administratively determined that the major responsibility should rest with "cooperators"--private, non-profit trade associations representing farmers, producers, and other farm related interests--organized on a commodity-by-commodity basis. Agriculture further determined that the cooperators should be required to provide private funding to supplement the federal funds. Our testimony represents our initial observations on the Foreign Agricultural Service's (FAS) management of the cooperator program. Attachments IV through VII provide information on cooperator program budgets and funding, commodity coverage, and program locations.

The objectives of the cooperator foreign market development program are to develop, maintain, or expand long-term commercial foreign markets for U.S. agricultural commodities. To accomplish this, FAS and cooperators work together, sharing funds and expertise and undertaking activities designed to familiarize potential foreign customers with U.S. farm products and to show the customers how the products might be used to their benefit. These activities attempt to create or stimulate a demand for the U.S. commodities. In general, FAS' program philosophy is to assist the private sector in making the long term commitment necessary to develop and maintain markets for future sales rather than to concentrate efforts on immediate sales.

Currently FAS has contractual agreements with about 50 cooperators to carry out over 5,400 market development activities in 130 foreign countries. Expenditures in fiscal year 1985 totaled $93.7 million; FAS funded $29 million, cooperators claimed contributions of $35.1 million, and foreign third-party groups reported spending $29.6 million.

Cooperator programs normally promote either a single commodity or a group of related commodities. FAS guidelines define the policies and procedures by which cooperators are to provide the leadership for these programs and activities. These activities are grouped in the following categories:

--technical assistance - activities which address technical problems related to the sale, movement, processing, marketing, or use of U.S. agricultural products;

--trade servicing - activities designed to influence foreign traders, importers, wholesalers (and at times retailers), as well as foreign government officials who are involved with the importation, distribution, and marketing of agricultural commodities and products; and

--consumer promotion - activities designed to influence consumers by changing attitudes toward or making them aware of the advantages of using U.S. agricultural products.

The type of commodity being promoted generally determines the type of promotional activities most beneficial to increasing agricultural exports. Bulk commodities (wheat, oilseeds, and feed grains) are well suited to trade servicing activities such as collection and dissemination of market intelligence; technical seminars on production, use, or purchase of grains; training programs to upgrade farm technology; livestock feeding trials; and demonstrations of product uses for manufacturers, processors, and consumers.

Processed and semi-processed commodities, such as fruit and vegetable juices, fruit juice concentrates, canned fruits, and fresh and frozen vegetables, lend themselves to consumer oriented promotions. These promotions include direct advertising through the print and electronic media; point-of-sale promotions (distribution of T-shirts or other items); and in-store demonstrations and samplings.

Cooperator officials in the United States and overseas keep abreast of the market situation in producing and importing countries to guide them in planning marketing strategies and promotion activities. The cooperator documents these strategies and activities in its annual marketing plan submitted to FAS. The plan must identify the constraints to expanding or maintaining U.S. exports of specific commodities to each market. The plan must also describe the proposed activities and the amount of funds, both FAS and cooperator, to be spent to overcome or mitigate the constraints for each commodity and country/market covered by the plan.

Market characteristics also influence the type of FAS/cooperator activities undertaken. Import tariffs and levies, production and export subsidies, health and sanitary regulations, building and construction codes, and other foreign government or industry regulations can act as barriers to trade and restrict the export of U.S. agricultural products. Cooperator programs and activities also address these types of constraints.

Funding for the Cooperator Program

The market development cooperator program is a joint government industry funded venture. FAS awards funds to cooperators by means of a project agreement which describes the basic working relationship and program and financial obligations of each party. FAS guidelines encourage cooperators to contribute an annual amount equal to or greater than the FAS funds authorized by the project agreement. Third-party cooperators -- a foreign government or private organization which has entered into a foreign market development agreement with a U.S. cooperator -- are expected to contribute substantially to all projects in which they participate.

Cooperators and third-party groups may provide either cash or goods and services which must be in addition to what they would have spent had there been no federal market development program. FAS guidelines define allowable cooperator and third party contributions of cash, goods and services.

The Cooperator Program - Is It Really A Team Approach?

FAS officials claim that by sharing expertise and funds with the private sector, they can enhance market development efforts and maximize the use of each party's dollars. In April 1985, the FAS Director stated in testimony before the House Appropriations Subcommittee on Agriculture, Rural Development, and Related Agencies that:

> "(W)ithout the shared funding concept between agricultural cooperators and FAS, it is highly unlikely that long term markets for domestically produced agricultural commodities would be actively pursued. Experience has shown that private exporters are usually geared to short term market operations rather than long term commitments required to develop and maintain markets for future movement to foreign markets of U.S. produced agricultural commodities. The joint efforts of FAS and the U.S. agricultural cooperators represent the bridge between short-run exporter objectives and long-term market development."

Our review of the funding arrangements, however, indicates that FAS and the cooperators do not equitably share the

expenses, and thus risks, of the program. An analysis of cooperator market development plans, end-of-year reports, and income statements submitted to FAS showed that FAS paid almost all of the costs of market development activities incurred overseas including cooperator salaries, living and travel expenses, and office rent. Cooperator contributions consisted primarily of a pro-rata share of their stateside headquarters expenses applied to each of their overseas activities.
It is very difficult to confirm that what cooperators and foreign third parties identify as contributions to the program are actually additive to an FAS approved activity or would have been independently undertaken.

We must do additional work to confirm this observation, but it appears that the amount and composition of cooperator contributions to program costs may not meet the FAS Director's criteria of shared funding nor the FAS guidelines which encourage cooperators to contribute an equal or greater amount than FAS provides. If FAS held cooperators to a stricter adherence to required dollar amount and type of contributions, cooperators may have greater incentive to design and conduct more effective market development programs.

Forward Funding - Does FAS Have Too Much Money?

Under the "forward funding" approach used in this program, FAS formally contracts with the cooperators through a project agreement to provide funding for the activities in the subsequently submitted marketing plan. This contract then becomes the official obligating document for the federal monies. The entire cooperator budget is obligated each fiscal year. The contract specifies, however, that the cooperator has 5 years to liquidate the obligation, or, in other words, to spend the money. FAS uses forward funding as a means of maintaining program continuity and assuring cooperators of continued government support.

FAS' cooperator budget grew from $15.4 million in fiscal year 1980 to $30.6 million in fiscal year 1985. Due to favorable exchange rates abroad, cooperators did not spend all the money obligated to them. Current expenditure rates average about 80 percent of the budgeted amounts. As a result, FAS had accumulated an unliquidated balance of $51.6 million at the end of fiscal year 1985. At current average monthly expenditure rates, the $51.6 million equates to approximately 24 months of program funding.

To minimize the administrative burden, FAS renews only one-half of the cooperators' contracts each year, but each contract provides funds for 2 years. For example, FAS obligated the fiscal year 1985 appropriation to 25 of the approximately 50 participating cooperators and obligated the fiscal year 1986 appropriation to the remaining cooperators. If the program execution were proceeding in accordance with plans, FAS should have an unliquidated balance of one-half its annual appropriation, or one year's funding for 25 cooperators. At current expenditure rates, this equates to about $13 million.

Due to the large unliquidated balance, the budget reductions mandated under the Gramm-Rudman-Hollings balanced budget law should not have an effect on this program in fiscal year 1987. The Gramm-Rudman budget reductions will affect program activity when the excess unliquidated balances are exhausted. This could occur in fiscal year 1988 or 1989.

FAS Evaluations - Do They Influence Program Decisions?

At present, FAS assesses the effectiveness of market development programs as part of its strategic planning process. Two components of the evaluation are the cooperator-produced base evaluations and the FAS commodity division annual program evaluations. However, FAS' limited evaluation methodology and documentation make it difficult to fully link evaluation results with program and funding decisions. As a result, some cooperators continue to receive funding year after year without a critical assessment of how well they have achieved program goals.

The base evaluation is designed to assess a country or region's projected imports with and without a commodity specific market development program and to express the program's potential relative to expected program costs as a benefit-cost ratio (BCR). It appears the assessments tend to overstate the value of market development activities. Additionally, FAS and cooperators alike have acknowledged that methods used to calculate BCRs vary among cooperators. Thus, BCRs are not comparable among all cooperators nor among those cooperators within a single commodity division.

The objectives of the annual commodity division evaluations are to evaluate past market development activities, determine whether special market development efforts should be continued, and determine appropriate activity and resource levels for further maintenance or expansion of the market. FAS has conducted 19 evaluations since 1983, a relatively small number considering that FAS funds over 1,200 country programs each year.

FAS has stated that the market development program has played an important role in increasing U.S. agricultural exports, from $3 billion at its inception in 1955 to approximately $38 billion in fiscal year 1984. FAS can identify some successful market development programs and has done so before this Committee and at other congressional hearings. For example, an American Soybean Association promotion is claimed to have increased soybean oil sales 35 percent over the base period in the traditional olive oil market in Italy; a U.S. Feed Grains Council barley team visit to Japan is credited with helping to establish a new monthly record of U.S. barley sales; and the USA Poultry and Egg Export Council is credited with modifying a restrictive import requirement in Algeria. On the other hand, an FAS commodity division evaluation concluded that a National Renderers Association animal fat-in-feed program in the United Kingdom did not significantly increase U.S. exports of feed fat and/or tallow or maintain the U.S. market share of the United Kingdom market for these products.

This fat-in-feed evaluation was one of the few evaluations the commodity divisions conducted which indicated unsuccessful program results. Our preliminary analyses shows, however, that some programs are marginally effective and that others may not justify continued FAS support. For example, one cooperator who has received FAS funding since 1974, did not evaluate whether there was market potential for its commodity until last year.

FAS managers acknowledge the weaknesses in the base evaluation methodology and concur that annual commodity division evaluations have not been widely used. FAS has studied alternative evaluation methodologies, including a Chase Econometrics evaluation of soybean export promotion activities and an Economics Research Service study of issues influencing advertising and commodity promotion programs. However, FAS states that more rigorous program evaluation strategies such as these are very difficult to conduct and that their high cost is not justifiable in light of the total FAS program budget. Further, FAS states that such sophisticated methodologies are not applicable to all types of promotion activities it sponsors. Officials point out that the program is relatively small and the benefits of evaluation must justify costs.

We agree with FAS' general position on this issue. However, more can be done within realistic limits. Some of the market development plans we reviewed contain quantitative goals for some activities within a larger promotion program. For example, approximately 40 percent of FAS' expenditures are for consumer awareness programs. The success of these programs can be fairly easily measured by surveying a sample of consumers to measure the change in their awareness. It is this type of intermediate goal that FAS and the cooperators could track to determine if the activities are on target or require some adjustment.

We would encourage FAS to re-examine the sufficiency of its evaluation requirements and methodologies. Effective evaluation offers FAS the opportunity to allocate scarce program funds to those market development activities most able to increase export levels. But, we recognize, any expenditures on evaluations must be tempered by their cost relative to the actual expenditures of the program.

<u>Additional Market Development Activities</u>

FAS actions to implement a more formalized evaluation requirement in the cooperator program will supplement other actions it is considering to improve overall program effectiveness. An FAS task force for the Far East and South Asia marketing workshop studied possible actions to respond to the changing and increasingly competitive world agricultural market. The major proposals are as follows.

--Expand high value/value added product promotion through establishment of a Processed Foods Division.

--Foster joint promotion activities by cooperators in regional and country markets.

--Improve coordination of market development, trade policy, and credit programs and initiatives.

--Initiate an in-house export marketing training program, especially for new employees.

--Establish an FAS incentive and promotion system which rewards creative marketing proposals and innovations.

--Stimulate greater support of export market development by the private sector, other Agriculture agencies, and the U.S. government.

FAS officials and attaches will consider similar, although not identical, activities at their Western Hemisphere conference in Miami later this year.

AGRICULTURAL ATTACHES

In a review we have recently started, also at the Subcommittee Chairman's request, we are examining the effectiveness of FAS overseas operations. FAS stations attaches, agricultural counselors, and agricultural trade officers (ATOs) in 76 overseas posts, covering 105 countries, to represent and promote U.S. agricultural interests. According to FAS, these overseas staff

--develop and maintain markets for U.S. products;

--maximize trade access for U.S. products; and

--collect, analyze, and report essential agricultural intelligence.

Our audit objective is to assess the effectiveness with which these counselors, attaches, and ATOs achieve these goals. Our work will focus on their roles and responsibilities, appropriateness of the overseas post locations, and the relevance of foreign competitors' market and trade activities to U.S. efforts.

Mr. Chairman, also at your request we have begun a review of the export credit programs of the Commodity Credit Corporation.

This concludes my statement. I will be happy to try to answer any questions you may have.

ATTACHMENT I

EXPORT ENHANCEMENT PROGRAM
STATUS AS OF APRIL 7, 1986
(METRIC TONS)

ANNOUNCED INITIATIVES		QUANTITY
1.	ALGERIAN WHEAT	JUNE 4 1,000,000
2.	EGYPTIAN WHEAT FLOUR	JULY 2 600,000
3.	EGYPTIAN WHEAT	JULY 26 500,000 OCTOBER 30 500,000
4.	YEMEN WHEAT FLOUR	AUGUST 20 50,000
5.	YEMEN WHEAT	SEPTEMBER 6 100,000
6.	MOROCCO WHEAT	SEPTEMBER 30 1,500,000
7.	TURKEY WHEAT	OCTOBER 16 500,000
8.	JORDAN RICE	NOVEMBER 8 40,000
9.	PHILIPPINE WHEAT FLOUR	NOVEMBER 15 100,000
10.	ZAIRE WHEAT FLOUR	NOVEMBER 18 64,000
11.	EGYPT POULTRY	NOVEMBER 26 8,000 MARCH 21 15,000
12.	IRAQ WHEAT FLOUR	DECEMBER 9 150,000
13.	NIGERIA BARLEY MALT	DECEMBER 10 100,000
14.	ZAIRE WHEAT	DECEMBER 27 40,000
15.	PHILIPPINE WHEAT	JANUARY 7 150,000
16.	ALGERIAN SEMOLINA	FEBRUARY 11 250,000
17.	ALGERIA WHEAT FLOUR	FEBRUARY 25 100,000
18.	TUNISIA WHEAT	MARCH 18 300,000
19.	JORDAN WHEAT	MARCH 19 75,000
20.	IRAQ DAIRY CATTLE	APRIL 4 6,500
21.	ALGERIA TABLE EGGS	APRIL 4 500,000,000
22.	BENIN WHEAT	APRIL 7 45,000
	ANNOUNCED TO DATE	6,673,000 (GRAIN EQUIVALENT)
	SOLD TO DATE	3,389,100 (GRAIN EQUIVALENT)
	BONUS	968,700 ($142.4 MILLION AT BOOK VALUE)

Source: U.S. Department of Agriculture

ATTACHMENT II

Export Enhancement Program: Data Summary Sheet
(Thousand metric tons/million dollars)

Country	Sale Quantity	Sale Value	Export Price	Bonus Quan.(est)	Bonus $/MT (avg)	Book Value(est)
Egypt						
9/13 fl	175(240 G.E.)	$31.5	$180	107	$66.04	$15.7
9/16 wheat	250 (SRW)	$27.5	$109.95	49.5	$21.37	$7.3
9/17 wheat	250 (SRW)	$27.5	$109.95	53	$22.92	$7.8
Algeria						
10/15 wheat	170 (HRW)	$18.9	$111	66.7	$42.93	$9.8
10/15 wheat	135 (SRW)	$13.9	$103	50	$40.56	$7.4
10/16 wheat	30 (SRW)	$3.1	$103	11.3	$41.52	$1.7
10/17 wheat	30 (HRW)	$3.3	$111	12.8	$47.03	$1.9
10/23 wheat	135 (SRW)	$13.9	$103	65.7	$54.38	$9.7
2/28 wheat	18 (HRW)	$1.9	$103	3.8	$23.58	$0.6
2/28 wheat	24 (SRW)	$2.0	$85 FOB	4.9	$23.15	$0.8
2/28 wheat	261 (SRW)	$26.1	$100	51.9	$22.52	$7.6
3/5 wheat	53 (HRW)	$5.5	$103	11.8	$25.45	$1.7
3/5 wheat	135 (HRW)	$11.9	$88 FOB	27.3	$23.14	$4.0
3/10 wheat	9 (HRW)	$.8	$88 FOB	1.9	$23.59	$.3
Turkey						
11/15 wheat	25 (HRW)	$2.5	$100.50 FOB	8.2	$38.32	$1.2
12/17 wheat	350 (HRW)	$40.5	$115.75 FOB	82.3	$26.95	$12.1
12/19 wheat	75 (HRW)	$8.7	$115.75 FOB	16	$24.41	$2.3
1/7 wheat	6.6 (HRW)	$0.8	$119.50 FOB	1.086	$19.17	$0.162
2/18 wheat	25 (HRW)	$2.5	$100.75 FOB	4.1	$18.41	$0.6
2/19 wheat	25 (HRW)	$2.5	$100.75 FOB	4.0	$18.00	$0.6
Philippines						
12/10 fl	50(68.6 GE)	$11.4	$228.25	38	$86.92	$5.6
2/11 wheat (S)	50.8	$8.5	$167.31	7.2	$15.62	$1.0
	(50 LT)		($170.02 LT)		($15.87 LT)	
2/14 wheat (W)	25.4	$3.6	$141.12	3.4	$14.88	$0.5
	(25·LT)		($143.41 LT)		15.12 LT	
3/6 wheat (S)	50.8	$7.9	$156.39	12.3	$29.10	$1.8
	50 (LT)		$158.90 LT		$29.57	
3/6 wheat (W)	25.4	$3.2	$125.88	6.4	$27.85	$0.9
	25 (LT)		$127.90 LT		$28.30 LT	
Iraq						
12/11 flour	37.5(HRW)/51.4(GE)	$7.2	$192	28.5	$87.62	$4.2
Morocco						
12/19 wheat	180 (SRW)	$23.6	$131	32.3	$20.55	$4.7
12/19 wheat	120 (HRW)	$15.8	$131.50	21.6	$20.60	$3.2
1/17 wheat	260 (HRW)	$29.4	$113.10 FOB	52.4	$22.81	$7.7
1/22 wheat	80 (SRW)	$8.5	106.13 FOB	17.8	$24.95	$2.6
	120 (HRW)	$12.8	106.50 FOB	27.1	$25.37	$4.0
Zaire						
12/19 (S)fl	30(41.1 GE)	$6.0	$200	28.2	$107.5	$4.1
2/21 wheat	20 HRW	$2.1	$107 FOB	4.5	$25.24	$0.7
Egypt						
12/27 (poultry)	8.0	$4.5	$558	15.3	$345.46	$1.7
				7.6		$1.4
Yemen						
1/21 fl	10(13.7 GE)	$1.7	$168.28	10.9	$123.02	$1.6
1/22 fl	20(27.4 GE)	$3.4	$168.28	21.9	$123.02	$3.2
2/13 fl	1.5(2.1 GE)	$0.3	$166 MT	2.0	$123.02	$0.2

TOTALS: Wheat	2,939.0	$395.2	Wheat	947.8	$142.4
Flour	444.2 G.E.		Corn	15.3	
Poultry	8		Soybeans	7.6	
	3,391.2 G.E.		Total	970.7	

G.E. = Grain Equivalent 1/ C&F Value unless otherwise indicated. 4/7/86 4780G p.8

Source: U.S. Department of Agriculture

GRAIN SALES AND BONUSES BY COMPANY

COMPANY	INITIATIVES	UNITS SOLD	TOTAL COMPANY SALE	% OF TOTAL SALES	BONUS PER UNIT	TOTAL BONUS AMOUNT PER SALE	TOTAL BONUS AMOUNT PER COMPANY	% OF TOTAL ALLOTED BONUSES
ADM MILLING CO	2. EGYPTIAN WHEAT FLOUR	15,000	15,000	0.46%	66.04	$990,600.0	$990,600.0	0.91%
ARTFER INC	1. ALGERIAN WHEAT	58,500			23.79	$1,391,715.0		
ARTFER INC	6. MOROCCO WHEAT	30,000	88,500	2.71%	22.81	$684,300.0	$2,076,015.0	1.91%
BARTLETT & CO. GRAIN	10. ZAIRE WHEAT FLOUR	15,000	15,000	0.46%	107.59	$1,613,850.0	$1,613,850.0	1.48%
CARGILL INC	1. ALGERIAN WHEAT	20,000			42.93	$858,600.0		
CARGILL INC	1. ALGERIAN WHEAT	60,000			40.56	$2,433,600.0		
CARGILL INC	1. ALGERIAN WHEAT	135,000			54.38	$7,341,300.0		
CARGILL INC	1. ALGERIAN WHEAT	30,000			47.03	$1,410,900.0		
CARGILL INC	1. ALGERIAN WHEAT	111,500			23.79	$2,652,585.0		
CARGILL INC	1. ALGERIAN WHEAT	105,000			23.58	$2,475,900.0		
CARGILL INC	1. ALGERIAN WHEAT	9,000			23.59	$212,310.0		
CARGILL INC	14. ZAIRE WHEAT	20,000			25.25	$505,000.0		
CARGILL INC	15. PHILLIPPINE WHEAT	25,000			28.72	$718,000.0		
CARGILL INC	15. PHILLIPPINE WHEAT	50,000			28.72	$1,436,000.0		
CARGILL INC	2. EGYPTIAN WHEAT FLOUR	90,540			66.04	$5,979,261.6		
CARGILL INC	6. MOROCCO WHEAT	120,000			20.60	$2,472,000.0		
CARGILL INC	6. MOROCCO WHEAT	150,000			20.55	$3,082,500.0		
CARGILL INC	6. MOROCCO WHEAT	60,000			24.95	$1,497,000.0		
CARGILL INC	6. MOROCCO WHEAT	230,000			22.81	$5,246,300.0		
CARGILL INC	7. TURKEY WHEAT	175,000			26.96	$4,718,000.0		
CARGILL INC	7. TURKEY WHEAT	50,000			24.41	$1,220,500.0		
CARGILL INC	7. TURKEY WHEAT	4,500			19.17	$86,265.0		
CARGILL INC	7. TURKEY WHEAT	25,000			38.32	$958,000.0		
CARGILL INC	7. TURKEY WHEAT	25,000			18.41	$460,250.0		
CARGILL INC	9. PHILIPPINE WHEAT FLOUR	25,000	1,520,540	46.52%	86.92	$2,173,000.0	$47,937,271.6	44.00%
CEREAL FOOD PROCESSORS	9. PHILIPPINE WHEAT FLOUR	25,000	25,000	0.76%	86.92	$2,173,000.0	$2,173,000.0	1.99%
CONTINENTAL GRAIN CO	1. ALGERIAN WHEAT	129,000			23.58	$3,041,820.0		
CONTINENTAL GRAIN CO	1. ALGERIAN WHEAT	75,000			42.93	$3,219,750.0		
CONTINENTAL GRAIN CO	15. PHILLIPPINE WHEAT	50,000			15.62	$781,000.0		
CONTINENTAL GRAIN CO	15. PHILLIPPINE WHEAT	25,000			14.88	$372,000.0		
CONTINENTAL GRAIN CO	3. EGYPTIAN WHEAT	250,000			22.92	$5,730,000.0		
CONTINENTAL GRAIN CO	7. TURKEY WHEAT	2,100			19.17	$40,257.0		
CONTINENTAL GRAIN CO	7. TURKEY WHEAT	100,000			26.96	$2,696,000.0		
CONTINENTAL GRAIN CO	7. TURKEY WHEAT	25,000	656,100	20.07%	18.00	$450,000.0	$16,330,827.0	14.99%
COPROSTATE INC	1. ALGERIAN WHEAT	30,000	30,000	0.92%	41.52	$1,245,600.0	$1,245,600.0	1.14%
GARNAC GRAIN CO	1. ALGERIAN WHEAT	36,000			23.58	$848,880.0		
GARNAC GRAIN CO	1. ALGERIAN WHEAT	18,000	54,000	1.65%	22.58	$424,440.0	$1,273,320.0	1.17%
GOLD KIST INC	11. EGYPT POULTRY	8,000	8,000	0.24%	345.46	$2,763,680.0	$2,763,680.0	2.54%
LOUIS DREYFUS CORP	3. EGYPTIAN WHEAT	250,000			21.37	$5,342,500.0		
LOUIS DREYFUS CORP	6. MOROCCO WHEAT	120,000			25.38	$3,045,600.0		
LOUIS DREYFUS CORP	6. MOROCCO WHEAT	20,000			24.95	$499,000.0		
LOUIS DREYFUS CORP	6. MOROCCO WHEAT	30,000			20.55	$616,500.0		
LOUIS DREYFUS CORP	7. TURKEY WHEAT	50,000	470,000	14.38%	26.96	$1,348,000.0	$10,851,600.0	9.96%
PEAVEY CO	12. IRAQ WHEAT FLOUR	25,000			87.62	$2,190,500.0		
PEAVEY CO	7. TURKEY WHEAT	25,000			26.96	$674,000.0		
PEAVEY CO	1. ALGERIAN WHEAT	60,000			42.93	$2,575,800.0		
PEAVEY CO	10. ZAIRE WHEAT FLOUR	15,000			107.59	$1,613,850.0		
PEAVEY CO	2. EGYPTIAN WHEAT FLOUR	46,000	171,000	5.23%	66.04	$3,037,840.0	$10,091,990.0	9.26%
PILLSBURY CO	12. IRAQ WHEAT FLOUR	12,500			87.62	$1,095,250.0		
PILLSBURY CO	2. EGYPTIAN WHEAT FLOUR	23,460			66.04	$1,549,298.4		
PILLSBURY CO	4. YEMEN WHEAT FLOUR	30,000			123.02	$3,690,600.0		
PILLSBURY CO	4. YEMEN WHEAT FLOUR	1,500	67,460	2.06%	123.02	$184,530.0	$6,519,678.4	5.98%

GRAIN SALES AND BONUSES BY COMPANY

COMPANY	INITIATIVES	UNITS SOLD	TOTAL COMPANY SALE	% OF TOTAL SALES	BONUS PER UNIT	TOTAL BONUS AMOUNT PER SALE	TOTAL BONUS AMOUNT PER COMPANY	% OF TOTAL ALLOTED BONUSES
VOEST ALPINE	1. ALGERIAN WHEAT	75,000			40.56	$3,042,000.0		
VOEST ALPINE	1. ALGERIAN WHEAT	18,000			23.79	$428,220.0		
VOEST ALPINE	1. ALGERIAN WHEAT	15,000			42.93	$643,950.0		
VOEST ALPINE	1. ALGERIAN WHEAT	15,000			23.58	$353,700.0		
VOEST ALPINE	7. TURKEY WHEAT	25,000	148,000	4.53%	24.41	$610,250.0	$5,078,120.0	4.66
		3,268,600	3,268,600	100.00%		$108,945,552.0	$108,945,552.0	100.00

Source: U.S. Department of Agriculture

COOPERATORS WITH THE LARGEST EXPENDITURES
OF FAS FUNDS
FISCAL YEAR 1985

American Soybean Association	$5,456,000	
US Feed Grains Council	4,591,000	
US Wheat Associates	4,470,000	
International Institute of Cotton	2,300,000	
Cotton Council International	1,600,000	$18,417,000
Rice Council for Market Development	1,533,000	
National Forest Products Association	1,305,000	
US Meat Export Federation	1,082,000	
USA Poultry and Egg Export Council	1,045,000	
National Renderers Association	826,000	$24,208,000
Total Fiscal Year 1985 Expenditures		$29,036,000

Top three cooperators account for 50 percent of total fiscal year 1985 expenditures.

Top five cooperators account for 63 percent of total fiscal year 1985 expenditures.

Top ten cooperators account for 83 percent of total fiscal year 1985 expenditures.

Source: U.S. Department of Agriculture

MARKET DEVELOPMENT EXPENDITURES
BY GEOGRAPHICAL AREA*
(percent)

Geographical area	Fiscal year 1980	1981	1982	1983	1984	1985 est.
Japan	21.0	19.7	19.0	17.6	18.1	16.6
W. Europe	41.9	35.7	35.5	31.4	27.1	25.6
Asia	19.0	24.2	25.2	30.6	26.4	28.3
E. Europe	2.6	2.3	1.7	1.9	2.0	2.1
USSR	a/	0	a/	a/	.4	.5
Latin America	6.8	9.9	9.9	7.8	9.6	10.0
Africa	2.7	2.4	2.0	4.0	9.1	8.8
Near East	3.4	3.0	4.3	5.6	6.4	7.5
Other	2.6	2.8	2.4	1.1	.9	.6

*Does not include International Institute for Cotton, Export Incentive Programs, or FAS projects.

a/ Less than one-tenth of one percent.

Source: FAS, 2-4-86

ATTACHMENT VI

PROGRAM EXPENDITURES - HISTORICAL PERSPECTIVE
(thousands of dollars)

Fiscal year	Total* program	Total FAS* funds	Contributions Cooperator	Contributions Foreign third parties
1974	$33,490	$10,234 (31%)	$ 7,622 (23%)	$15,634 (47%)
1975	38,679	11,739 (30%)	10,030 (26%)	16,910 (44%)
1976	34,999	10,922 (31%)	9,794 (28%)	14,283 (41%)
1977	41,044	11,719 (29%)	12,480 (30%)	16,845 (41%)
1978	49,139	13,926 (28%)	15,103 (31%)	20,110 (41%)
1979	56,265	16,709 (30%)	16,159 (29%)	23,397 (42%)
1980	66,058	18,778 (28%)	19,712 (30%)	27,568 (42%)
1981	71,639	20,195 (28%)	21,077 (29%)	30,367 (42%)
1982	75,341	20,641 (27%)	27,971 (37%)	26,729 (35%)
1983	89,147	23,373 (26%)	30,131 (34%)	35,643 (40%)
1984	88,125	27,429 (31%)	30,053 (34%)	30,643 (35%)
1985 (est.)	102,272	31,073 (30%)	37,080 (36%)	34,119 (33%)

*Totals include Export Incentive Program Funds which are used to promote brand name products in foreign markets.

FAS EXPENDITURES AND ESTIMATED
U.S. AND THIRD PARTY COOPERATOR CONTRIBUTIONS
FISCAL YEAR 1985
($1,000)

Commodity Division/Cooperator	FAS	Cooperator*	Foreign Third Party	Countries**
COTTON				
Cotton Council International	1,610	2,778	2,040	56
International Institute for Cotton	2,300	-0-	1,482	-N/A-
DAIRY & POULTRY				
US Poultry & Egg Export Council	1,045	268	880	64
Dairy Society Int'l.	-0-	-0-	-0-	-0-
OILSEEDS & PRODUCTS				
American Soybean Association	5,456	9,287	7,153	75
National Peanut Council	699	457	-0-	19
North Dakota Sunflower Council	227	142	83	37
National Cottonseed Products Assn.	56	16	78	9
FRUITS & VEGETABLES				
National Potato Promotion Board	158	258	-0-	6
California Raisin Advisory Board	411	997	1,572	21
Florida Department of Citrus	359	625	345	11
Northwest Horticultural Council	272	376	-0-	13
California Cling Peach Advisory Board	356	674	294	7
California Avocado Commission	172	215	57	1
Papaya Administrative Committee	52	104	-0-	1
California Table Grape Commission	111	120	-0-	17
Florida Nurserymen & Growers Assn., Inc.	135	107	-0-	11
Western Growers Assn.	10	15	-0-	1
California Pistachio Comm.	3	3	-0-	3
California Pecan Comm.	14	43	-0-	2
California Wine Institute	44	583	-0-	4
GRAIN & FEED				
U.S. Wheat Associates, Inc.	4,470	5,570	4,169	112
Millers National Federation	21	17	-0-	8
National Dry Bean Council	62	32	-0-	19
Protein Grain Products International	51	74	-0-	20
Rice Council for Market Development	1,533	1,283	1,924	82
USA Dry Pea and Lentil Council, Inc.	148	222	87	35
U.S. Feed Grains Council	4,591	3,139	4,764	60
National Hay Association, Inc.	14	61	76	4
The Popcorn Institute	-0-	-0-	-0-	1

FAS EXPENDITURES AND ESTIMATED
U.S. AND THIRD PARTY COOPERATOR CONTRIBUTIONS
FISCAL YEAR 1985
($1,000)

Commodity Division/Cooperator	FAS	Cooperator*	Foreign Third Party	Countries**
LIVESTOCK & LIVESTOCK PRODUCTS				
National Renderers Association	826	453	422	46
Tanners Council of America	64	556	-0-	39
Mohair Council of America	18	23	-0-	10
Holstein-Friesian Association of America	217	517	60	40
EMBA Mink Breeders Association	211	499	436	10
American Quarter Horse Association	18	43	14	15
Brown Swiss Cattle Breeders Association	25	41	-0-	23
National Association of Animal Breeders	65	105	23	22
U.S. Meat Export Federation	1,082	971	3,011	44
National Association of Swine Records	44	53	-0-	11
Appaloosa Horse Club, Inc.	-0-	-0-	-0-	-0-
U.S. Beef Breed Council	50	144	-0-	26
Livestock Exporters Assn.	-0-	-0-	-0-	6
National Association of Wool Growers	16	16	-0-	4
Catfish	10	10	-0-	-N/A-
TOBACCO & SEEDS				
Tobacco Associates	89	527	-0-	30
American Seed Trade Association	52	247	-0-	47
FOREST PRODUCTS				
National Forest Products Assn.	1,305	1,844	492	52
STATE GROUPS				
EUSAFEC	77	157	-0-	
MIATCO	59	196	-0-	
SUSTA	101	73	-0-	
WUSATA	104	323	168	
NASDA	223	837	-0-	
TOTAL COOPERATOR PROJECTS	29,036	35,101	29,630	

*Includes cash and goods and services.
**Number of country/programs cooperator is conducting in fiscal year 1985.

Source: U.S. Department of Agriculture.

ATTACHMENT VIII

U.S. AGRICULTURAL EXPORTS

	VALUE ($billion)	VOLUME (million tons)
1980-1981	$43.8	162.3
1981-1982	39.1	157.9
1982-1983	34.8	144.8
1983-1984	38.0	143.6
1984-1985	31.2	126.1
1985-1986 (latest estimate)	29.0	120.1