SUBSIDIES

Notifications submitted under Article XVI

The following statement has been received from the Government of the United States:

UNITED STATES

Notification of 4 October 1957

This notification is made pursuant to the decision of the CONTRACTING PARTIES at the Fifth Session (GATT/CP/92, 11 January 1951). This notification provides supplementary information to the data provided in previous notifications by the United States under Article XVI furnishing the data with respect to the United States during the year ending 30 June 1957.

In 1956-57 the United States Government again used three general types of export subsidy programs for agricultural commodities and products thereof. These were (1) export payment programs under Section 32 of the Act of 24 August 1935, (2) payments on export sales under the International Wheat Agreement, and (3) sales of Government-owned price support stocks for export at less than the domestic market price.

Export Payment Programs Under Section 32

I. Nature and Extent of the Subsidy

A. Background and authority.—Export payments under Section 32 of the Act of 24 August 1935, are made on a limited scale to encourage the exportation of agricultural commodities and products thereof. The only Section 32 export program for the 1956-57 season was the temporary export payment program on poultry to be shipped under Public Law 480 to the Federal Republic of Germany.

B. Incidence—This program was used to assist in the development of new outlets for poultry produced in the United States. It was originally authorized only through 31 December 1956, but was later extended through 31 January 1957. An export payment of 52 cents per pound was made on
whole frozen ready-to-cook graded and inspected broilers, fowls, ducks, and turkeys; and on New York dressed USDA graded ducks. Only United States exporters of poultry, participating in sales under Public Law 480 were eligible to participate in the program.

C. Amount of subsidy - The value and quantity of poultry moved under this export subsidy program is shown in the following table:

<table>
<thead>
<tr>
<th>Product</th>
<th>Quantity (Pounds RTC)</th>
<th>Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>263,978</td>
<td>$14,518.80</td>
</tr>
<tr>
<td>Ducks</td>
<td>309,555</td>
<td>17,025.51</td>
</tr>
<tr>
<td>Fowl</td>
<td>2,337,312</td>
<td>128,552.16</td>
</tr>
<tr>
<td>Broilers</td>
<td>737,290</td>
<td>40,550.95</td>
</tr>
<tr>
<td>Total</td>
<td>3,648,135</td>
<td>$200,647.42</td>
</tr>
</tbody>
</table>

1 Ready-to-cook weight.

The value of this export subsidy was about 1 per cent of the total value of United States exports of similar poultry products in 1956.

D. Estimated amount per unit - As indicated above, an export payment of 52 cents per pound was made on whole frozen ready-to-cook USDA graded and inspected broilers, fowl, ducks, and turkeys, and on New York dressed USDA graded ducks.

II. Effect of Subsidy

This export payment program on poultry was undertaken to assist in the development of new outlets for poultry produced in the United States. Recent surveys in Germany revealed a potential market for future growth, particularly for superior quality ready-to-cook poultry as contrasted with the nonviscerated poultry commonly bought by German consumers. There already are indications that the net effect of this program could well result in an expanded market outlet for poultry, not only for the United States producers of poultry, but also its foreign competitors.

Payments on Export Sales Under the International Wheat Agreement

I. Nature and Extent of the Subsidy

A. Background and authority - The United States made export subsidy payments on wheat and flour exported under the International Wheat Agreement consistent with the benefits and obligations under that agreement.
B. Incidence - Payments were made to exporters. Rates of payment were established on a daily basis to take account of the difference between domestic market prices and wheat agreement selling prices. The rate for flour was established in line with the rate on wheat. Rates varied during the period covered by this report.

C. Amount of subsidy - Total payments in 1956-57 amounted to $94.5 million on the 118.9 million bushels of wheat, including the wheat equivalent of flour exported. This subsidy figure includes cash payments as well as payment in kind under the revised wheat export subsidy program described in more detail in the section on export sales of the Commodity Credit Corporation price-support stocks.

D. Estimated amount per unit - The average rate of subsidy in 1956-57 amounted to about 79.4 cents per bushel.

II. Effect of Subsidy

The program was undertaken to implement membership of the United States under the International Wheat Agreement. The subsidy facilitated exports. The quantity of wheat and flour sold in 1956-57 for export by the United States under the Agreement approximated the quantities allotted to the United States in the export guarantee portion of the Agreement.

Export Sales of Commodity Credit Corporation Price Support Stocks at Less Than Domestic Market Price and Equalization Payments on Cotton Contained in Cotton Products

I. Nature and Extent of the Subsidy

A. Background and authority - During 1956-57, the United States Government continued to dispose of some of the stocks of commodities acquired under domestic price-support programs by sales to private firms for export at levels below the domestic market price. These sales were made under authority of Section 407 of the Agricultural Act of 1949, as amended, the Agricultural Act of 1956, and the Commodity Credit Corporation Charter Act. In conjunction with its export sales of cotton and under authority contained in the Commodity Credit Corporation Charter Act, as amended, equalization payments were made on the cotton content of exports of cotton textiles, cotton yarns, and spinnable cotton waste.

B. Incidence - Except with respect to cotton products, the subsidy took the form of sales to exporters at prices below the domestic market price. In the case of cotton products, equalization payments were made to reflect the difference between the domestic and export price of cotton on the cotton equivalent contained in the products.

Sales generally were made pursuant to sales price lists issued monthly by the Commodity Credit Corporation of the United States Department of Agriculture indicating the sales price or sales price basis for
domestic and export sales. While a large part of the commodities offered for export sale pursuant to these sales price lists were priced below domestic sales, the United States continued to sell some commodities for export at the same price at which these commodities were being offered for domestic sale.

The pricing method used on export sales varies between commodities. For most commodities sales were made on the basis of competitive bids. At the same time, a number of commodities such as dairy products were offered for sale at specified prices. Sales prices were established at levels competitive with those prevailing in world markets on the basis of the best information available.

With respect to cotton products, equalization payments are made to exporters at the rate per pound calculated to reflect the difference between the domestic and export price for the raw cotton equivalent contained in the cotton products. These rates are determined monthly.

C. Amount of subsidy - Sales of cotton for export by the Commodity Credit Corporation represented about one-half of the total volume (dollar value) of sales of all commodities by the Commodity Credit Corporation for export at less than the domestic market price.

The large volume of cotton was the result of the sales program for cotton inaugurated during the 1955-56 year and reported in the previous report under which the Commodity Credit Corporation periodically has offered to sell any quality of upland cotton for export on a competitive bid basis with the condition that the cotton be exported within a specified period. As indicated in the table below, sales during 1956-57 amounted to 7.7 million bales. These figures include cotton which will be exported in 1957-58 as well as cotton actually exported in 1956-57.

Wheat sales for export by the Commodity Credit Corporation decreased in 1956-57. This resulted from a change in the wheat export program, effective 4 September 1956 under which the Commodity Credit Corporation discontinued the sale of wheat for export except where existing legislation required dispositions to be made from the Commodity Credit Corporation stocks. (By law, wheat needed for barter contracts and for relief purposes under Title II of P. L. 480 and other legislation must come from the Commodity Credit Corporation stocks.)

Under this revised program, exporters were required to obtain their supplies primarily from commercial channels. No change was made in the method of computing the rate of payment. The change in policy applied to sales under the International Wheat Agreement as well as to sales not under the International Wheat Agreement. Under the program, exporters were provided with certificates with a value based upon the total quantity of wheat exported times the subsidy rate. These certificates were then
redeemed by the Commodity Credit Corporation in wheat on the basis of the domestic market price of wheat. Under this program, 96 million bushels of wheat were distributed to exporters in return for certificates. The subsidies involved on this wheat are included in the subsidy figures shown in the sections relating to the International Wheat Agreement and non-International Wheat Agreement operations.

The reduction in wheat sales also reflected a change in the method of making payments for flour exported in connection with the wheat flour program. Prior to the change, flour millers had the option of buying wheat from the Commodity Credit Corporation at export prices or, in the case of sales under the International Wheat Agreement, of receiving a cash payment. Under the revised flour program effective 15 November, exports of wheat flour were encouraged only by means of cash payments and all sales of Commodity Credit Corporation wheat for export in the form of flour were discontinued. During the fiscal year 1956-57, cash payments under this flour export payment program amounted to $15.5 million.

The figures on sales of wheat shown in the table below primarily represent the quantities of wheat that were sold prior to the change in policy. They include wheat in International Wheat Agreement transactions as well as wheat sold outside the International Wheat Agreement at prices equivalent to wheat agreement prices. The total subsidy on sales of wheat outside the International Wheat Agreement, including wheat delivered under certificates was $118 million in 1956-57.

It is not possible to report the total subsidy on all commodities sold by the Commodity Credit Corporation at less than the domestic market price. Commodity Credit Corporation records show only the total loss sustained by the Commodity Credit Corporation on such sales. These Commodity Credit Corporation loss figures would be substantially larger than the subsidy, since they represent the difference between the sales price and Commodity Credit Corporation's total investment in the commodity; that is, acquisition cost plus any additional costs incurred in storage and handling. Furthermore, sales were made at many different prices and different locations and the domestic market prices for these commodities fluctuated during the sales period.

While precise figures of the total subsidy are not available, figures on the total quantities sold commercially for export at less than the domestic market price are available. These figures were as follows for 1956-57 on the basis of operating records:
<table>
<thead>
<tr>
<th>Commodity</th>
<th>Unit</th>
<th>Quantity Sold (in million units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton, upland</td>
<td>bale</td>
<td>7.7</td>
</tr>
<tr>
<td><strong>Grains:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat</td>
<td>bu.</td>
<td>139.6</td>
</tr>
<tr>
<td>Corn</td>
<td>bu.</td>
<td>61.1</td>
</tr>
<tr>
<td>Oats</td>
<td>bu.</td>
<td>4.6</td>
</tr>
<tr>
<td>Rye</td>
<td>bu.</td>
<td>2.8</td>
</tr>
<tr>
<td>Barley</td>
<td>bu.</td>
<td>27.9</td>
</tr>
<tr>
<td>Grain sorghums</td>
<td>cwt.</td>
<td>2.8</td>
</tr>
<tr>
<td>Rice, milled'</td>
<td>cwt.</td>
<td>13.8</td>
</tr>
<tr>
<td>Beans</td>
<td>cwt.</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Dairy Products</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milk, nonfat dry:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>animal feed</td>
<td>lb.</td>
<td>39.0</td>
</tr>
<tr>
<td>human use</td>
<td>lb.</td>
<td>35.6</td>
</tr>
<tr>
<td>Butter:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>unrestricted</td>
<td>lb.</td>
<td>7.4</td>
</tr>
<tr>
<td>restricted</td>
<td>lb.</td>
<td>0.9</td>
</tr>
<tr>
<td>Cheese, cheddar</td>
<td>lb.</td>
<td>13.3</td>
</tr>
<tr>
<td><strong>Fats and Oils:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peanuts, farmers' stock</td>
<td>cwt.</td>
<td>1/</td>
</tr>
<tr>
<td>basis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resin</td>
<td></td>
<td></td>
</tr>
<tr>
<td>drum</td>
<td></td>
<td>2/</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/21,000 tons.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/37,000 drums.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From 1 August 1956 through 30 June 1957, payments totaling $12,898,247 were made to exporters, under the cotton products equalization payment program.

D. Estimated amount per unit - The average rate of subsidy on wheat exported outside the International Wheat Agreement at prices equivalent to wheat agreement prices was about 79.4 cents per bushel.

The base rates of payment designed to reflect the difference between the export and domestic price of the cotton contained in cotton products, have, since 1 August 1956, ranged from a monthly low of 6.01 cents to a monthly high of 6.63 cents per pound.

It is not possible to estimate the average amount per unit on other sales for the reasons given above.
II. Effect of Subsidy

Sales of price support stocks were made at reduced prices so that the United States would be competitive with, yet not disruptive of prices prevailing in world markets.

The effect of these subsidies on United States exports depended not only on sales prices established by the United States, but also on sales prices established by other exporting countries. Furthermore, while some of the commodities (mainly those where the subsidy rate was low) probably would have been exported in the absence of a subsidy, it is not possible to estimate precisely the quantity that would have been exported without the subsidy.