The following are replies by the United States to questions raised by Australia on agriculture in document SCM/W/165 of 29 November 1988.

**Question:** What does the US consider the effects of its regime on cotton to be on the world market and on the industries of other cotton producers?

**Answer:** The current cotton program, authorized by the Food Security Act of 1985, has not had the effect of making US cotton competitive internationally nor has it affected the industries of other cotton producing countries. The United States continues to be a residual supplier of cotton on the world market. The Secretary of Agriculture recently stated that the current adjusted world price (AWP) formula seemed to be limiting the price competitiveness of US cotton in world markets. He further noted that the widespread use of the eight month loan extension, and the CCC's policy on handling interest and storage charges, has created a shortage in the market despite increasing inventories. Current circumstances, he stated, are resulting in reduced US cotton exports and increasing raw material costs for domestic textile mills over that of our foreign competitors.

Hence, the Secretary announced on April 5 that the US Department of Agriculture will request public comments on proposals to make US cotton more price competitive in world markets. Two changes currently under consideration are: (1) further adjustments to the AWP to consider price quotations in designated US spot markets and Northern Europe, the level of US export sales, and other relevant data; and, (2) producer payment of interest and warehouse storage charges with regard to eight month loan extensions.

**Question:** With respect to the EEP, could the US give details of the bonuses paid under the EEP as an indication of the amount of subsidy per unit of export?

**Answer:** As previously reported, the program is operated on an ad hoc basis, where varying levels of bonuses may be offered for a range of different agricultural commodities. There is no estimate of the amount of subsidy per unit of exports.
Question: Could the US indicate whether the funding provisions for the EEP in 1990 will be of the same order as the present provisions?

Answer: This cannot be determined in advance of Congressional authorization for the 1990 funding levels.

Question: Could the United States provide the most recent available figure for export subsidies paid under the Dairy Export Incentive Program?

Answer: Payments for all export sales under the program (April 27, 1987 to February 4, 1988) totalled $8.4 million, which were accounted for entirely by milk powder.

Question: What was the loan repayment (i.e., market clearing or redemption price) determined by the Secretary of Agriculture for the 1986-1988 honey crop?

Answer: The US honey loan repayment rates and market prices are as follows:

<table>
<thead>
<tr>
<th>Crop Year:</th>
<th>1986</th>
<th>1987</th>
<th>1988</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Ave. Support Price</td>
<td>64.0</td>
<td>61.0</td>
<td>59.1</td>
</tr>
<tr>
<td>Average Loan Repayment Levels</td>
<td>43.8</td>
<td>39.8</td>
<td>38.43</td>
</tr>
<tr>
<td>Ave. Market Price</td>
<td>51.1</td>
<td>50.3</td>
<td>50.1</td>
</tr>
</tbody>
</table>

Question: Has provision been made for US honey producers who are also honey exporters to refund the Government subsidy on honey they export?

Answer: The provisions of the honey support program apply to producers regardless of their final market.

Question: Will the price support for US honey producers cease with the expiry of the present program in 1990?

Answer: Price support programs for honey are required by permanent legislation; the Agricultural Act of 1949, Title II, Section 201. Only certain provisions of the current program are established by the Food Security Act of 1985, as reported in the US submission.

Question: Could the US comment on the Australian Bureau of Agricultural and Resource Economics' conclusions that US sugar policy: (1) over the long term depresses world price by about 9%; (2) during the depressed phase of the sugar price cycle lowers the world price by up to 50%; (3) during
1982-1986, cost US consumers about $3.5 billion annually and the Australian sugar industry $80-310 million annually?

Answer: The US sugar program is not the singular force in determining the world price for sugar, particularly since other governments carry out policy goals through intervention in domestic agricultural markets and through border measures. We have no information on Australia's study and no comments on its conclusions. In general, sugar programs have so many distorted economic incentives that tracing the associated multi-market effects with any precision is difficult. As previously reported, the US program is not intended to stimulate an increase in domestic production but to stabilize it and to support producer income in a time of world surpluses and low prices.

Question: In Australia's view, the Food Security Act did not introduce greater market orientation in US grain policies. What is the US interpretation of market orientation?

Answer: The 1985 Food Security Act makes the US farm sector more responsive to domestic and foreign markets than the Agriculture and Food Act of 1981. The 1981 farm act set high and rigid price supports which made it difficult for US farmers to sell products on the market when global markets changed and world prices fell. The 1985 Act ties basic loan rates to a moving average of market prices and stocking levels to market needs. This allows potentially greater flexibility and closer market orientation than in preceding legislation.

Question: What is the supply response and effectiveness of the wool and mohair support program?

Answer: The National Wool Act of 1954, as amended, was extended through 1990 by the Food Security Act of 1985. Since the Wool Act was implemented, wool production has been declining. Shorn wool production was 241 million pounds in 1955 as compared to 88 million pounds in 1985, 85 million pounds in 1986, and 86 million pounds in 1987. The trend reflects the fact that the dominant factor in wool production is the price of lamb rather than the price of wool. The Act, however, is important in providing price stability during periods of slack demand, and in encouraging the production and efficient marketing of quality wool. Since US wool demand and supply are small in comparison with the world wool market, the program has little effect on world trade.

Mohair production (which is covered by the National Wool Act of 1954, as amended) was 17 million pounds in 1955 and increased steadily to a peak of 32 million pounds in 1965. Production subsequently declined to 8 million pounds in 1977 and then gradually recovered; reaching 16 million pounds in 1987. The program operates in the same manner as the wool program. Since mohair prices can vary widely from year to year due to fashion demands, the price stability feature of the act is useful to producers.