QUESTIONS SUBMITTED BY AUSTRALIA ON
ARTICLE XVI:1 NOTIFICATION FROM THE UNITED STATES
(L/6630/Add.17 dated 29 April 1991)

EXPORT ENHANCEMENT PROGRAMME

Under the Food, Agriculture, Conservation and Trade Act of 1990, a
minimum of US$500 million is to be provided for the EEP in each of the
fiscal years 1991 through 1995. Is this funding requirement contingent on
Uruguay Round outcomes?

The guidelines for selecting proposed sales initiatives under the EEP
includes a consideration of the effect on non-subsidizers - individual EEP
initiatives will not be approved if it is determined that sales for which a
proposed EEP bonus would be paid would have more than a minimal effect on
non-subsidizing exporters in the market.

- How is such a determination made? How are the views of
potentially affected non-subsidizing exporters taken into
account?

- How do the guidelines define the term "minimal effect"?

- Of the 105 initiatives announced as of March 1990, how many do
the US consider to have had more than a "minimal effect" on
non-subsidizing exporters? Could the US provide estimates
relating to the trade effect of these initiatives (e.g. loss of
markets, lost export income) on non-subsidizing exporters?

Could the US provide statistics on: 1. The value and volume of EEP
sales as a percentage of the value and volume of total US agricultural
exports and total exports of each commodity eligible for EEP subsidies;
2. The sales market value of the awards?

DAIRY (Sections 114 and 111)

In administering these programmes, does the US give consideration to
protecting IDA minimum prices?
Does the US consider the objective of the section 111 programme to not disrupt "world prices and normal patterns of commercial trade" to encompass the four guidelines relating to the section 114 programme? In particular, does it consider that not disrupting normal patterns of commercial trade to include not adversely affecting non-subsidizing exporters?

Will the provisions of section 1163 of the 1985 Act be modified in the light of the Uruguay Round outcomes?

**SUNFLOWER SEED OIL (SOAP) ASSISTANCE PROGRAMME**

Could the US provide statistics on the value and volume of sunflowerseed oil exports under soap as a percentage of the value and volume of total US sunflowerseed oil exports?

**PRICE AND INCOME SUPPORT PROGRAMMES**

Australia considers that Part IV of the Notification (Price Support Programmes) does not give a complete picture of the likely impact of the Food, Agriculture, Conservation, and Trade Act of 1990 and the Omnibus Reconciliation Act of 1990. While some aspects of these Acts have the potential to encourage greater liberalization of the agriculture sector, others appear to either retard or reverse the process of adjustment.

We would appreciate US comment on the following observations on price and income support measures contained in the OECD "Agricultural Policies, Markets and Trade Monitoring and Outlook, 1991":

- Progressive reductions in target prices under previous legislation is to end. Under the new legislation all target prices are to be frozen at their 1990/91 levels.

  : Why has the previous liberalizing trend been halted?

- Loan rates are to be determined by a new formula, the effect of which will be to increase the loan rate and increase the risk of stock accumulation by the CCC, which can consequently depress world prices.

  : Does the US agree with this assessment?

**RICE**

The statistics on rice production, consumption, imports and exports contained in the Appendix suggest that rice stocks are rising. Could the US provide statistics on rice stock levels for the period 1986-90?

If, as seems to be the case, rice stock levels are rising, what production control measures and/or stock disposal measures are planned for the 1991-95 period?

Australia is interested in knowing if there are any additional subsidies to the rice industry, particularly in the form of subsidized water supply.
COTTON

We would appreciate an indication of US views on the effect of its Cotton Programme on world cotton trade. In particular, we would be interested in US estimates of the impact of its Cotton Programme on

- US exports

- The competitiveness of the US cotton industry. (The notification states that the Programme is expected to increase the competitiveness of US exports. Are there any quantitative estimates of increased competitiveness available? Is the increased competitiveness expected to result from cost-efficiency or simply from subsidization?)

- Price of cotton within the US.

- Demand for cotton within the US, and possible substitution by synthetic fibres.

In response to our question on the Cotton Programme notified in 1987, the US foreshadowed 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 (SCM/W/191). What effect have these changes had on returns to farmers, production levels, and market prices?

SOYBEANS

The notification states that the Soybean Marketing Loan Programme was established under the Agricultural Act of 1949. Could the US explain what changes have occurred as a result of the 1990 Food, Agriculture, Conservation, and Trade Act?

MINOR OILSEEDS

Could the US explain why a Programme for Minor Oilseeds was introduced for the 1991 crop?

Is it expected that the programme will result in increased production of minor oilseeds?

Is this possible increase in production expected to have any effect on soybean, wheat and feedgrain production - will minor oilseeds displace these commodities (possibly through the 0/92 provisions for wheat and feed grain) or will it leave production of these commodities unaffected?

SUGAR

In the US 1987 notification, it was stated that, among other things, the Sugar Price Support Programme is "not intended to stimulate an increase
in domestic production but to stabilize it. This intention is not mentioned in the 1991 notification. Does this omission reflect a change in the Programme's aims?

Revised figures provided by the US for the OECD's "Agricultural Policies, Markets and Trade: Monitoring and Outlook 1991" indicates that as a result of the 1991 Farm Act US sugar production forecasts for the period 1991-95 are consistently higher and import forecasts consistently lower than earlier forecasts.

- Could the US explain the aspects of the 1991 Farm Act that will cause the increased sugar production and lower imports?

In view of US forecasts contained in the 1991 OECD Monitoring and Outlook, which indicate a continuous decline in imports over the period 1991-95, and annual imports falling below 1.25 million tons by 1994, will the US be instituting any new policies to restrain production?

In relation to the mechanism provided for in the 1938 Act to impose marketing allotments when imports fall below 1.25 million tons, could the US explain whether the mechanism limits production or simply the ability to market sugar? If it is the latter, are stocks purchased by the Government? At what price are the stocks purchased? How are stocks disposed of?

- While the mechanism for marketing allotments would help maintain imports at above a certain level, does the US agree with the view that this result could be achieved with less distortion by means of reducing sugar support prices? Has consideration been given to this option?

Australia finds the US descriptions of the effects of its Sugar Programme inadequate, primarily because there is no mention of the costs it imposed on US consumers, the US economy, the world economy, and non-subsidizing exporters. We would be interested in US comment on economic analyses of these costs done by the Australian Bureau of Agricultural and Resources Economics (Discussion Paper 90.4 "1990 and US Sugar Policy Reform"), the relevant statistics from which appear in our supplementary question relating to the last US notification (SCM/W/235).

MARKET PROMOTION PROGRAMME

The US notification does not mention the Market Promotion Programme. Australia would appreciate details of the background and authority of the Programme and funding levels in recent years. We would also appreciate destination and expenditure details for promotion of US beef exports under this Programme.