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## Title II

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# Agricultural Trade

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Title II of the 1996 Act continues and modifies existing agricultural export programs through 2002. Changes to P.L. 480 international food assistance programs emphasize the market development objectives of the concessional credit sales component of P.L. 480. Other changes allow programming of a wider range of commodities for food assistance and simplify procedures for administering the programs. The Food Security Wheat Reserve, renamed the Food Security Commodity Reserve, is expanded to include corn, grain sorghum, and rice in addition to wheat.

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The 1996 Act also authorizes changes to commercial export programs. Product coverage is expanded for high value products. Annual program levels for the Export Enhancement Program and the Market Promotion Program (renamed the Market Access Program) are reduced. The 1996 Act also revises the section of the Agricultural Trade Act of 1978, as amended by the Food, Agriculture, Conservation, and Trade Act of 1990 (1990 Act), by mandating the development of an export promotion strategy; adding an authority to protect producers from the adverse effects of trade embargoes; and prescribing new policies to direct USDA in its monitoring of other countries' Uruguay Round commitments.

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## Subtitle A

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# Amendments to the Agricultural Trade Development and Assistance Act of 1954 and Related Statutes (Overseas Food Assistance)

The U.S. Government provides international food aid primarily through titles I, II, and III of Public Law 480 (P.L. 480 or Food for Peace), and to a lesser extent through section 416(b) of the Agricultural Act of 1949, as amended, and the Food for Progress program. Title I of P.L. 480 finances sales of agricultural commodities under long-term credit arrangements to developing countries with insufficient foreign exchange. Title II grants food commodities for distribution overseas for humanitarian needs by private voluntary organizations, by international organizations, and by recipient governments. Title III grants food assistance to support development programs in least developed countries. USDA implements and administers P.L. 480 title I credit sales, and the U.S. Agency for International Development (U.S. AID) implements titles II and III. Title IV of P.L. 480 defines the operational requirements for the administration of overseas food assistance programs. Title V, the Farmer-to-Farmer Program, is a small technical assistance program that U.S. AID administers.

### **P.L. 480 Title I—Trade and Development Assistance**

The title I program authorizes government-to-government sales of agricultural commodities to developing countries on concessional credit terms, including low interest rates, repayment periods of up to 30 years, and a grace period of up to 7 years during which payment of principal is deferred. The 1996 Act modifies the repayment terms for title I credit. The minimum repayment period of 10 years is eliminated and the maximum grace period is reduced from 7 to 5 years.

The priority for determining whether and to what extent a country receives assistance under title I has been the country's need for food, whether the country

is taking steps needed to improve food security and promote economic development, and whether the country demonstrates the potential to become a commercial market for U.S. agricultural products. The 1996 Act reorders the priorities for selecting countries to assist through title I credit sales in order to reinforce market development potential as a criterion in allocating title I funds.

Title I commodities are sold within the country through normal commercial channels. Governments participating in title I then may use the proceeds of the sales to promote mutually agreed-upon development objectives. The 1996 Act authorizes title I agreements to be entered into with private entities as well as with developing countries' governments. In the case of private entity agreements, the 1996 Act also permits a U.S. agricultural trade organization (an organization of agricultural producers whose main objective is commercial export market development) to carry out a project or program in a developing country using funds derived from title I sales if the organization has a market development plan approved by the Secretary.

An issue of great importance to developing countries during the negotiation of the Uruguay Round Agreement of the GATT was the maintenance of food aid to needy countries. Ministers to the GATT agreed to guarantee that the implementation of the Uruguay Round Agreement on Agriculture would not adversely affect food aid commitments to meet authentic food needs of developing countries and stressed the continuing need for bona fide food aid. The 1996 Act expresses a sense-of-Congress resolution that the President should consult with other nations to discuss appropriate levels of food aid commitments to developing countries. A conforming amendment to the Uruguay Round Agreements Act repeals an identical resolution to avoid redundancy.

## **P.L. 480 Title II—Emergency and Private Assistance Programs**

Title II focuses on the humanitarian relief and development initiatives undertaken by private voluntary organizations (PVO's), cooperatives, and international organizations such as the World Food Program with commodities donated under title II. In emergency situations, title II commodities may be donated directly to governments. Many of the organizations that distribute title II food assistance also receive funds to help defray their overseas administrative costs. Organizations eligible to receive funding for overseas administrative support currently include PVO's and cooperatives. The 1996 Act increases the maximum level of funding that can be provided as overseas administrative support for eligible organizations under title II from \$13.5 million to \$28.0 million and adds intergovernmental organizations, such as the World Food Program, to the list of organizations eligible to receive these funds.

PVO's and cooperatives have been authorized to sell up to 10 percent of the commodities distributed under nonemergency title II programs each year to generate foreign currencies needed to finance, transport, store, and distribute title II commodities and for community development and health programs. The 1996 Act authorizes PVO's and cooperatives to use local currencies obtained from the sale of relief commodities for development activities in other countries in the region in which the title II commodities are sold and increases the minimum amount of commodities that are to be sold for local currencies under the title II nonemergency programs from 10 to 15 percent.

U.S. AID administers the title II program. Currently, title II grants are made for programs in countries where U.S. AID has a mission. The 1996 Act precludes U.S. AID from disapproving a proposed title II grant to a country solely because U.S. AID does not have a mission in the country or because the grant is not part of a U.S. AID-administered humanitarian development plan.

The 1996 Act renews through the year 2002 the authority for the Food Aid Consultative Group, a group that meets to review and address issues concerning food assistance programs.

The 1996 Act extends through 2002 the total minimum assistance levels under title II for fiscal year 1995 of 2.025 million metric tons of agricultural commodities

and 1.55 million metric tons of nonemergency food assistance.

Value-added agricultural products figure highly in P.L. 480 title II assistance. Not less than 75 percent of the agricultural commodities distributed under title II must be processed, fortified, or bagged. The 1996 Act also requires that not less than 50 percent of the bagged commodities provided under title II that are whole-grain commodities shall be bagged in the United States.

## **P.L. 480 Title III—Food for Development**

The title III Food for Development Program donates commodities to least-developed countries to help them improve their food security and promote economic development. The commodities provided may be sold by the recipient government with the proceeds devoted to development programs, direct feeding programs, or emergency food reserves. Administration of title III development projects in the least-developed countries has been restricted to local or indigenous private organizations. The 1996 Act expands the list of title III participants to include all private organizations operating in a country.

## **P.L. 480 Title IV—General Authorities and Requirements**

Provisions of title IV, P.L. 480 address: terms of P.L. 480 agreements, determination of the availability of commodities for P.L. 480 credit sales and donations, the transportation of P.L. 480 commodities, and other administrative matters. The 1996 Act extends the authority to sign new P.L. 480 agreements through 2002.

The 1996 Act eliminates the requirement that the Secretary affirmatively determine prior to the beginning of each fiscal year the commodities and quantities available for P.L. 480 programming.

P.L. 480 is funded by annual appropriations. In the 1996 Act, Congress authorizes the administration to allow up to 15 percent of the funds allocated for any of the titles of P.L. 480 to be used to carry out any other P.L. 480 title. In addition, up to 50 percent of title III funds may be used for title II.

The 1996 Act continues to require that USDA and U.S. AID continue to ensure that P.L. 480 food assistance not have a disruptive effect on the farmers or the local economy of the recipient country, but eliminates the requirement for consultations on this issue with inter-governmental and other donor organizations.

The 1996 Act increases USDA and U.S. AID's flexibility in making agreements with developing countries and private organizations by repealing the requirement for multi-year agreements for titles I and III agreements. However, multi-year agreements will continue to be required for title II.

Administrative provisions relating to the transportation of commodities under P.L. 480 are revised under the 1996 Act. The 1996 Act authorizes the CCC to pay ocean freight charges for title II commodities shipped from Canadian transshipment ports. While maintaining competitive procedures for ocean freight procurement, the 1996 Act grants greater flexibility to USDA and U.S. AID to determine necessary and appropriate terms and conditions for ocean freight contracts under P.L. 480 titles I, II, and III.

The 1996 Act requires the Secretary to implement a pilot program under P.L. 480 to assist developing countries in correcting micronutrient deficiencies and to encourage the development of technologies to fortify whole grains and other commodities that may be transferred to developing countries. The 1996 Act also authorizes the continuing use of local currencies obtained from title I sales prior to January 1, 1991, for private enterprise development.

### **P.L. 480 Title V—The Farmer-to-Farmer Program**

The Farmer-to-Farmer Program authorizes U.S. farmers, land grant universities, private agribusinesses, and nonprofit farm organizations to provide technical assistance to developing countries, middle-income countries, and emerging democracies to increase farm production and income. Funding levels for the Farmer-to-Farmer Program equal a specified percentage of P.L. 480 appropriations. The 1996 Act increases the minimum percentage of P.L. 480 funding for the Farmer-to-Farmer Program (title V) from 0.2 percent to 0.4 percent. The program is authorized through fiscal 2002 and extended to emerging markets.

### **The Food Security Commodity Reserve**

The Food Security Wheat Reserve (FSWR), authorized by title III of the Agricultural Act of 1980 and amended by the 1990 Act, is a reserve of up to 4 million metric tons of wheat to meet extraordinary food needs in developing countries through the P.L. 480 program. The President has the authority to release commodities in the reserve when: wheat stocks are not sufficient to meet the availability criteria of P.L. 480 because of tight domestic supply, or if additional food aid commodities cannot be provided to meet urgent humanitarian need through normal programming procedures.

The 1996 Act amends the 1980 Act further by making corn, grain sorghum, and rice in addition to wheat eligible to be included in the reserve, which is now renamed the Food Security Commodity Reserve. The limit on the size of the new reserve is still 4 million tons. The Secretary has authority through fiscal year 2002 to replenish commodities released from the reserve by designating CCC stocks for the reserve, or through additional purchases, provided the use of funds to make the purchases has been approved in advance in an appropriations act. The 1980 Agricultural Act required that the reserve be replenished 18 months after stocks had been released. The 1996 Act does not specify a time by which the reserve must be replenished.

The 1996 Act raises the amount of commodities that can be released through the title II donation programs each fiscal year to meet urgent humanitarian needs without regard to the domestic supply situation from 300,000 tons to 500,000 tons and allows for the release of up to 500,000 additional metric tons of eligible commodities that could have been released but were not released in previous years. The Secretary also may continue to release eligible commodities from the reserve when supplies are so limited that the commodities cannot otherwise be made available for P.L. 480 programming.

The 1996 Act also allows for the reimbursement of the CCC for the release of eligible commodities in a given year from the reserve from funds appropriated in subsequent fiscal years. Reimbursement will be based on the lesser of the actual costs incurred by the CCC with respect to the eligible commodity or the export price of the eligible commodity as of the time that the commodity is released from the reserve.

## Food for Progress

The Food for Progress (FFP) Program authorizes the donation or sale of food aid commodities to assist developing countries that are implementing market-oriented policy reform. FFP was first authorized by the Food Security Act of 1985. The FFP program was amended by the 1990 Act to allow the United States to enter into FFP agreements with private voluntary organizations, nonprofit agricultural organizations, and cooperatives, as well as with the governments of developing countries and emerging democracies.

The 1996 Act extends the authority for FFP through December 31, 2002, and extends the authority through fiscal year 2002 to spend not more than \$10 million of CCC funds to provide assistance in the administration, sale, and monitoring of food assistance programs to strengthen private sector agriculture in recipient countries and to provide technical assistance for projects that use the local currencies obtained from sales of commodities provided under the FFP Program. The

1996 Act allows the U.S. Government to make FFP agreements with intergovernmental organizations in addition to the other government and private entities named in the previous paragraph. Sales on credit terms may be made under the FFP Program to all eligible countries in addition to the newly independent states of the former Soviet Union.

### Section 416(b)

Section 416(b) of the Agricultural Act of 1949, as amended, provides for donations of CCC-owned surplus commodities to developing countries. The 1996 Act allows local currencies derived from the sale of commodities donated under section 416(b) to be used to cover the administrative expenses for overseas donation programs carried out under section 416(b) and allows more time within which local sales proceeds must be expended under section 416(b) development projects. (This section is part of Subtitle C, Miscellaneous Agricultural Trade Provisions, but is included for the purposes of this publication under subtitle A.)

## Subtitle B

# Amendments to Agricultural Trade Act of 1978

The 1996 Act continues and makes changes to commercial agricultural export programs to improve their effectiveness and expand program coverage for high-value products. Funding levels for the Export Enhancement Program and the Market Promotion Program are reduced. The 1996 Act establishes a revised export promotion strategy, new policies governing USDA's role in monitoring other countries' implementation of their Uruguay Round commitments, and an additional embargo protection provision.

### Agricultural Export Promotion Strategy

The Agricultural Trade Act of 1978, as amended by the 1990 Act, required the Secretary of Agriculture to develop a long-term agricultural trade strategy every 3 years to be used as a guide in implementing Federal programs designed to promote U.S. agricultural exports. Goals of the strategy were to: (1) ensure U.S. agricultural export growth, (2) efficiently use Federal agricultural export programs, (3) provide food aid and improve the commercial market potential for U.S. agricultural exports in developing countries, and (4) maintain traditional U.S. markets. The trade strategy included developing a list of priority markets and plans to assist exporters to access them. The 1990 Act also provided for the review and confidentiality of the trade strategy and required periodic reports on the trade strategy.

The 1996 Act revises the trade strategy provision in the Agricultural Trade Act of 1978 so that the strategy developed shall have the following annual goals: (1) increasing the value of U.S. agricultural exports, (2) increasing the U.S. world market share for agricultural products, (3) increasing the value of U.S. exports of high-value and value-added agricultural products, (4) boosting the U.S. world market share of high-value and value-added products, (5) ensuring to the extent practicable that the United States implements all of its commitments under current trade agreements to increase access for U.S. agricultural commodities, and (6) requiring that, to the extent practicable, the United

States use all applicable laws to secure U.S. rights under the Uruguay Round Agreement on Agriculture.

In accordance with changes made by the 1996 Act, the Secretary is required to identify the markets with the greatest potential for export increases, including those markets that show the greatest potential for higher exports with the assistance of Federal agricultural export programs. There also is a sense-of-Congress provision stating that House and Senate Agriculture Committees should review agricultural export promotion and food assistance programs no later than December 31, 1998.

### Implementation of Commitments Under the Uruguay Round

The United States and 116 other countries signed the Uruguay Round Agreements of the GATT in April 1994, which also established the World Trade Organization (WTO). Signatory countries are required to implement the Uruguay Round Agreements. Major provisions of the Uruguay Round Agreement on Agriculture place constraints on the levels of export subsidies and domestic support and require increased market access. The Agreement on Sanitary and Phytosanitary Measures also requires a scientific basis for countries' sanitary and phytosanitary standards.

The 1996 Act requires the Secretary to evaluate the status of other countries' implementation of their Uruguay Round commitments each fiscal year. If the Secretary believes that, by not implementing its Uruguay Round commitments, another country may be constraining an opportunity for U.S. agricultural exports, the Secretary must submit the evaluation to the U.S. Trade Representative and transmit copies of the evaluation to Congress.

The Secretary also must monitor WTO member countries' commitments in regard to the Uruguay Round requirements on sanitary and phytosanitary measures. If the Secretary finds that a country has failed to meet its WTO commitments on sanitary and phytosanitary

measures, the Secretary must take appropriate action under any applicable provision of law. If the country's failure to meet its WTO commitments on sanitary and phytosanitary measures has a continuing adverse effect on U.S. agricultural exports, the Secretary must submit a report to Congress.

## Export Credit Guarantee Programs

The CCC operates the Export Credit Guarantee Program (commonly known as GSM-102, after the General Sales Manager's office, which operates the program) and the Intermediate Export Credit Guarantee Program (known as the GSM-103 program). The GSM-102 and GSM-103 programs guarantee repayment of credit extended to eligible banks which issue letters of credit on behalf of purchasers of U.S. products. Under GSM-102 and GSM-103, the CCC typically guarantees repayment of 98 percent of the principal and a portion of the interest on credit extended for specified U.S. agricultural commodities to selected export markets. The GSM-102 program covers credit extended for up to 3 years, while the GSM-103 program covers credit extended for more than 3 and up to 10 years. Currently, maximum loan terms under GSM-103 do not exceed 7 years. USDA makes available for budget purposes \$5 billion annually for GSM-102 and \$500 million for GSM-103. Only U.S. agricultural products are eligible for coverage under the credit guarantee programs. Credit guarantees are prohibited for countries that the Secretary determines cannot adequately service the associated debt.

Under the Agricultural Trade Act of 1978 as amended by the 1990 Act, credit guarantees generally could be authorized only for agricultural products with 100 percent U.S. content. The 1996 Act modifies the definition of a U.S. agricultural product to authorize credit guarantees for high-value products with at least 90 percent U.S. content (by weight).

The criteria for determining whether a country is creditworthy for GSM-103 intermediate-term credit guarantees may include the following factors in addition to financial, macroeconomic, and monetary indicators: (1) whether the country has restructuring or rescheduling plans underway with international financial institutions such as the International Monetary Fund, (2) the convertibility of the country's currency, (3) adequate protection for foreign investments, (4) the viability of the country's financial markets; and other factors.

The 1996 Act recognizes the authorization of credit guarantees for sales of U.S. agricultural products when the buyer's bank is located in a country other than that of the buyer.

The 1996 Act establishes annual combined program levels for GSM-102 and GSM-103 of \$5.5 billion through 2002, but allows flexibility in how much is made available for each program. The 1996 Act also requires that minimum amounts of total credit guarantees be made available for processed and high-value products: 25 percent in 1996 and 1997, 30 percent in 1998 and 1999, and 35 percent thereafter. However, if the mandated percentages of high-value or processed products will reduce total commodity sales under the GSM-102 and GSM-103 programs, CCC does not have to fulfill this requirement.

The 1996 Act authorizes Supplier Credit Guarantees. Under this authority, the CCC can guarantee a portion of the payments due from a private importer under short-term financing (up to 180 days) that exporters have extended directly to such importers for the purchase of U.S. agricultural products.

The 1990 Act established an upper limit on the origination fee for export credit guarantees of 1 percent of the amount of credit extended under the transaction. The 1996 Act clarifies that the origination fee be applied to the amount of short-term credit to be guaranteed rather than the amount of credit extended to the importer under the transaction and removes the cap on the origination fee to be charged for CCC credit guarantees under the proposed Facilities Guarantee Program.

## Emerging Markets Program

The Emerging Democracies Program was authorized by the 1990 Act. Section 1542 of the 1990 Act authorized \$1 billion in credits or credit guarantees to be made available to emerging democracies during the fiscal 1991-95 period. Guarantees also could be made available to help establish or provide facilities, services, or U.S. products to improve handling, marketing, storage, or distribution of imported agricultural products. In addition, up to \$10 million of CCC funds were authorized for technical assistance activities in emerging democracies each year during fiscal years 1991-95.

The 1996 Act retargets the program to emerging markets (defined as countries that the Secretary determines

are taking steps toward market-oriented economies and have the potential to provide viable markets for U.S. agricultural commodities) and extends it through 2002. The CCC must make available not less than \$1 billion of direct credit or credit guarantees to emerging markets during fiscal years 1996-2002 in addition to the amounts separately authorized for GSM-102 and GSM-103 guarantees. Credit guarantees can be made available under a new Facilities Guarantee Program to establish or provide facilities, services, or U.S. products to improve handling, marketing, storage, or distribution of imported agricultural products. The 1996 Act also authorizes \$10 million annually for technical assistance with priority for projects that encourage the privatization of the agricultural sector or benefit private farms or cooperatives in emerging markets.

### **Export Enhancement Program**

The Export Enhancement Program (EEP) is the chief U.S. export (price) subsidy program. Under the EEP, cash bonus payments are made available to exporters of specific U.S. agricultural commodities (wheat and wheat flour, barley and barley malt, rice, poultry, eggs, and vegetable oils), enabling them to price such commodities competitively and, thereby, make sales in targeted markets. The EEP and other price subsidy programs are subject to Uruguay Round Agreement disciplines on export subsidies.

The Agricultural Trade Act of 1978, as amended by the 1996 Act, limits EEP funding to \$350 million in fiscal 1996, \$250 million in 1997, \$500 million in 1998, \$550 million in 1999, \$579 million in 2000, and \$478 million each in 2001 and 2002. (This is a reduction of almost \$1.7 billion from the U.S. Uruguay Round maximum export subsidy levels for 1996 through 1999.) In addition, the Secretary may make available under certain conditions up to \$100 million annually for the sale of intermediate agricultural products to attain the volume of those products exported by the United States during the Uruguay Round base period of 1986 through 1990.

### **Cottonseed and Sunflowerseed Oil Assistance Programs (COAP and SOAP)**

The SOAP and COAP, export price subsidy programs to assist exporters of U.S. vegetable oils to compete in

global markets, were first authorized in 1987 and 1988, respectively. The Disaster Assistance Act of 1988, as amended by the 1990 Act, authorized the Secretary to use \$50 million annually to encourage additional sales of cottonseed and sunflowerseed oil exports. Funds were to be made available from monies obtained as customs receipts, as authorized under section 32 of the Agricultural Adjustment Act of August 24, 1935. The 1996 Act did not extend authority for the COAP and SOAP. However, the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 1996 provides authority to operate the program in fiscal year 1996.

### **Market Access Program**

The 1990 Act authorized funding for the Market Promotion Program (MPP) at \$200 million annually through 1995. The 1993 Omnibus Budget Reconciliation Act reduced MPP funding to \$110 million annually through 1997 and required that priority for brand promotions be given to small firms. Under the Market Promotion Program, CCC funds have been used to partially reimburse participating organizations for the costs of carrying out foreign market development activities in designated countries. Participating organizations include nonprofit agricultural trade organizations, State regional trade groups, and private companies. Over 80 percent of MPP funds go to the development of markets for high-value and processed products.

The 1996 Act renames the Market Promotion Program as the Market Access Program, reduces program funding from the 1996 level of \$110 million to \$90 million annually for 1996 through 2002, and prohibits direct assistance for brand promotion to large firms unless they are agricultural cooperatives.

### **Foreign Market Development Program**

USDA's Foreign Agricultural Service has operated a Foreign Market Development (Cooperator) Program since 1955, funded under FAS' annual appropriations. The program has been focused chiefly on the promotion of bulk products such as grains and oilseeds. The 1996 Act specifically authorizes the Cooperator Program under the Agricultural Trade Act of 1978. The purpose of the program is to maintain and develop for-

eign markets for U.S. agricultural commodities and products. Funds may be appropriated as needed to carry out the Cooperator Program for fiscal years 1996 through 2002, but specific funding levels are not indicated.

### **Compensation for Trade Embargoes**

Embargo compensation is provided under section 411 of the Agricultural Trade Act of 1978, which requires the Secretary to make specified payments to producers when exports to a country are restricted for reasons of national security or foreign policy. Section 412 requires the Secretary to develop a contingency plan to assess the impact of the embargo and the implementation of producer payments under section 411.

The 1996 Act adds a new provision to the Agricultural Trade Act of 1978 by requiring that compensation be paid to producers if an export embargo is imposed on any country for national security or foreign policy reasons and if no other country with an agricultural economic interest joins the U.S. sanctions within 90 days of the imposition of the embargo. If these conditions are met, USDA must compensate producers of the affected commodity or commodities by either making

payments to producers, by making available funds for export promotion, or by providing commodities to developing countries.

Payments to producers will be based on the Secretary's estimate of the loss suffered by producers due to a decrease in commodity prices resulting from the embargo. The amount of funds provided for export promotion or for food assistance to developing countries would be equal to 90 percent of the average annual value of U.S. exports to the embargoed country for the most recent 3 years prior to the embargo. Funds will be available to compensate producers for each fiscal year or part of a fiscal year that the embargo is in effect, but for no longer than 3 years.

### **Foreign Agricultural Service**

The Foreign Agricultural Service of USDA is charged with acquiring information pertaining to agricultural trade, carrying out market promotion and development activities, and implementing commercial and food assistance programs. The 1996 Act expands the mission of the Foreign Agricultural Service to include the technical assistance and training mission of USDA's International Cooperation and Development program area.

## **Subtitle C**

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# **Miscellaneous Agricultural Trade Provisions**

The 1996 Act authorizes the Edward R. Madigan U.S. Agricultural Export Excellence Award to recognize companies' and other private organizations' entrepreneurial efforts in the food and agricultural sector for advancing U.S. agricultural exports.

Two sense-of-Congress trade policy resolutions are revised to reflect current trade policy issues; several others are repealed. Another sense-of-Congress resolution urges that in ongoing Organization for Economic Cooperation and Development negotiations on disci-

plines on export credit guarantees, the United States should not agree to changes in export credit guarantee programs that are inconsistent with authorizing statutes and should insist on disciplines on the operations of state trading enterprises.

Other miscellaneous provisions require the Secretary to establish labeling requirements for imported and domestic lamb and mutton, consistent with international obligations. Several statutes authorizing obsolete programs and requiring regulations or studies are repealed.

## **Dairy Trade Provisions (under Title I of the 1996 Act)**

### **Dairy Export Incentive Program**

The Dairy Export Incentive Program (DEIP) subsidizes exports of U.S. dairy products in selected markets. Under the DEIP, the CCC makes payments on a bid basis to exporters of U.S. dairy products.

The Food Security Act of 1985, as amended by the 1996 Act, extends the DEIP through 2002 and requires the use of the program to the maximum extent allowable under the Uruguay Round Agreement to develop dairy markets worldwide.

### **Authority To Assist the Dairy Industry To Establish and Maintain One or More Export Trading Companies**

The Secretary may provide advice and assistance to the U.S. dairy industry to help them develop and maintain one or more export trading companies under the Export Trading Company Act of 1982. The purpose of such companies is to facilitate international market development and exportation of U.S.-produced dairy products.

If the U.S. dairy industry has not established such an export trading company by June 30, 1997, or the quantity of U.S. dairy product exports from July 1997 through June 1998 does not exceed the previous year's exports by 1.5 billion pounds (milk equivalent, total solids basis), the Secretary must indicate which entity

or entities autonomous of the U.S. Government, which seeks designation as an export trading company, is best suited to facilitate international market development for dairy products. The Secretary must assist the entity or entities to identify sources of funding for market development and export activities. This provision applies only from July 1, 1997, through September 30, 2000.

### **Cheese Import Study**

The Secretary is required to conduct a study for Congress of the impact of certain WTO (GATT) provisions on domestic U.S. dairy prices, dairy producer income, and Federal dairy program costs. These provisions involve increases in the amount of cheese granted import access to the United States under U.S. WTO obligations. Impacts are to be derived on a variety-by-variety of cheese basis, and the report is due by June 30, 1997.

### **Promotion of U.S. Dairy Products in International Markets Through the Dairy Promotion Program**

The Dairy Production Stabilization Act of 1983 is amended to authorize the National Dairy Board to spend revenues obtained from producer assessments for the purpose of developing international markets as well as for the promotion of dairy products for use in the United States.