

OVERVIEW OF THE FOREIGN AGRICULTURAL SERVICE

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Abstract

The Foreign Agricultural Service (FAS) is an agency of the U.S. Department of Agriculture (USDA) that represents the diverse interests of U.S. farmers and the food and agricultural sector abroad. FAS seeks improved market access for U.S. products and implements programs designed to build new markets and to maintain the competitive position of U.S. products in the global marketplace.

Agency and Mission

FAS was formed in 1953. We are one of the smaller USDA agencies with approximately 1,100 employees including overseas staff. We currently have 75 foreign offices covering more than 130 countries. Our mission is to advance the interests of the agricultural community and the general public by working to develop and expand foreign markets for U.S. food and agricultural products. FAS collects, analyzes, and disseminates information about global supply and demand, trade trends, and emerging market opportunities. It also carries out food aid and market-related technical assistance programs, as well as operates a variety of Congressionally mandated import and export pro-grams.

To accomplish its mission, FAS is divided into five main program areas:

- a) International Trade Policy
- b) Commodity and Marketing Programs
- c) Export Credits
- d) Foreign Agricultural Affairs
- e) International Cooperation and Development

Trade Policy

The International Trade Policy (ITP) area of FAS is composed of two divisions with regional responsibilities for trade policy issues, a Multilateral trade policy affairs division responsible for issues or agreements involving the U.S and two or more countries, an import policies and programs division and a trade and economic analysis division. Trade policy experts within FAS help to identify and work to reduce foreign trade barriers and practices that discourage the export of U.S. farm products. Another crucial role of the International Trade Policy area of FAS

is to represent the U.S. in negotiations on agricultural aspects of international trade agreements. ITP works closely with the Animal Plant Health Inspection Service, FAS commodity divisions and with the U.S. Trade Representative's office in these efforts. Trade information supplied by FAS personnel stationed abroad is used to map strategies for improving market access, pursuing U.S. rights under trade agreements, and developing programs and policies to make U.S. farm products more competitive. In the past couple of years, we have been instrumental in facilitating cotton trade with Mexico, and Pakistan when these countries' unreasonable phytosanitary requirements threatened U.S. exports. Input from our trade policy negotiators helped secure favorable rules of origin for textile trade between NAFTA countries. These rules will help ensure the U.S. cotton content in textile imports from Mexico's growing textile industry. FAS's trade policy staff also worked to ensure adequate protection for the U.S. cotton sector during negotiations of the Uruguay Round Agreement.

The Trade and Economic Analysis Division (TEAD) of ITP carries out a wide range of trade and marketing analyses and forecasts regarding U.S. agricultural, fish, and forest product exports and U.S. competitiveness in the global marketplace. The TEAD also performs macroeconomic and country risk analyses, and intelligence gathering in support of USDA export programs. The export sales reporting system which monitors the majority of principal U.S. agricultural exports is also under the purview of the TEAD. This monitoring system provides a constant stream of up-to-date information on the quantity of U.S. agricultural commodities that are sold for export. It serves as an early warning system on the possible impact of these export obligations on U.S. supplies and prices. The data can be used, for example, to assess the level of export demand, to determine where markets exist, and to assess the relative position of different commodities in those markets.

On the import side, the trade policy area of FAS implements a licensing system, which controls imports of cheese and other dairy products coming into the United States. FAS also administers the tariff rate quota for sugar and sugar syrups, as well as programs that permit domestic refineries to utilize foreign sugar without disrupting the U.S. market. For cotton and other commodities, the trade policy area monitors imports under tariff rate quotas that replaced Section 22 quotas with the implementation of the Uruguay Round agreement.

Commodity and Marketing Programs

Commodity and Marketing Programs (C&MP) includes 7 commodity oriented divisions, the AgExport Services Division and the Marketing Operations Staff. The commodity divisions staffs provide commodity analysis and market development support for all FAS programs.

The divisions use supply and demand information, collected by overseas Foreign Affairs Officers, to identify new or expanding markets and to analyze competition. This information and the internal analyses performed are made available to producers, agribusiness, exporters, other government agencies, and the general public.

The Commodity and Marketing Programs area publishes more than 140 commodity reports a year that present a world picture of production, consumption and trade flows for about 100 crop and livestock commodities. These reports analyze changes in international trading conditions and indicate market opportunities for U.S. exporters.

The C&MP area also administers four export assistance programs: the Export Enhancement Program (EEP), the Sunflowerseed Oil Assistance Program (SOAP), the Cottonseed Oil Assistance Program (COAP), and the Dairy Export Incentive Program (DEIP). These programs permit USDA to use either Commodity Credit Corporation (CCC)-owned commodities, generic certificates redeemable for CCC-owned commodities, or cash as export bonuses to allow U.S. commodities to compete in world markets against the subsidized exports of other countries.

The FAS operates two export promotional programs which are administered within the C&MP area by the commodity divisions and the marketing operations staff. These are the Foreign Market Development (FMD) Program and the Market Promotion Program (MPP). The FMD program, created 40 years ago, fosters a trade promotion partnership between USDA and U.S. agricultural producers and processors who are represented by nonprofit commodity or trade associations called cooperators. Under this partnership, USDA and the cooperators pool their technical and financial resources to conduct market development activities outside the United States. Activity budgets under the FMD program average approximately \$35 million annually in appropriated funds. The cotton industry was the first cooperator under the FMD program.

The MPP, authorized by the Food, Agriculture, Conservation, and Trade Act of 1990, uses funds from USDA's CCC to help U.S. producers, exporters, and other trade organizations finance promotional activities for U.S. agricultural products. The MPP encourages the development, maintenance, and expansion of commercial export markets for agricultural commodities. Activities financed include consumer promotions, market research, technical assistance, and trade servicing. In FY 1995, \$110 million was allocated by Congress for the MPP program.

Market development activities for cotton are currently being conducted under the Market Promotion Program and the Foreign Market Development program. In FY 1995 a total of \$11.8 million was available for cotton export promotion under the two programs. This accounted for

approximately 8 percent of all MPP funding and 5 percent of total funding available under the FMD program.

The AgExport Services Division (AGX), also part of the C&MP area, provides a variety of different services designed to assist U.S. agricultural exporters. The Trade Assistance and Promotion Office (TAPO) serves as an initial contact point for U.S. companies with export-related questions. The TAPO also maintains a wide range of information, including market overviews and other research generated by the Agricultural Trade Offices (ATOs).

The AgExport Connections branch of AGX manages a variety of services designed to help U.S. exporters establish direct contact with foreign buyers. Trade Leads, which are received electronically in Washington, DC, from offices overseas, are made available to U.S. companies electronically, by fax, or in print form. Foreign Buyer Lists generated from a database of more than 19,000 foreign buyers and sorted by specific product or country are also available. For a small fee, U.S. exporters can also advertise their products in a biweekly publication called "Buyer Alert" that is distributed through FAS offices to more than 16,000 potential foreign buyers.

The Trade Show branch of AGX provides another cost-effective way for U.S. exporters to tap into foreign markets. This office works closely with FAS overseas offices to organize U.S. participation in international trade shows and sales missions.

Export Credits

The export credits program area is responsible for administering export credit guarantee programs established to insure financing for sales of U.S. agricultural commodities overseas. The program area consists of the program development division, two operational divisions--one for GSM credits and another for P.L. 480 programs, and a program support division.

The export credit guarantee program (GSM-102) provides coverage for financing with repayment terms from 90 days to 3 years. The intermediate export credit guarantee program (GSM-103) provides coverage on credit terms of 3 years to 10 years. Currently, maximum terms under GSM-103 do not exceed 7 years. These programs protect U.S. exporters or U.S. financial institutions against risk if the importer's foreign bank fails to make payment. Through these programs, the USDA makes about \$5 billion in GSM-102 coverage available globally each fiscal year and about \$500 million in GSM-103. U.S. cotton exports have benefitted substantially from the GSM-102 program. The GSM-102 program has helped build and/or maintain U.S. share in markets such as South Korea, Romania, Algeria, and Mexico. In some years GSM-102 sales have accounted for as much as 20 percent of total U.S. cotton

exports. For FY 1996, credit guarantees are available for cotton exports to 50 countries.

The export credits program area also administers concessional sales programs including P.L. 480 Title I, Section 416(b), and the Food for Progress program. The Title I program provides for government-to-government sales of agricultural commodities to developing countries. Agreements signed under Title I provide for payment terms of up to 30 years, low interest rates, and grace periods up to seven years. Section 416(b) programs provide for overseas donations of food and feed commodities owned by the CCC while the Food for Progress program provides commodities to support countries that have made commitments to expand free enterprise in their agricultural economies. The P.L. 480 program has been used in recent years to export U.S. cotton to Albania, Bangladesh, Croatia, Poland, Romania, and Zaire.

Foreign Agricultural Affairs

The Foreign Agricultural Affairs program area is made up of a small Washington staff and overseas posts. The Washington staff provides oversight and coordinates the activities of the more than 75 foreign offices currently in operation. Agricultural attaches serving overseas are responsible for representing the interest of U.S. agriculture and therefore are versed in all agency programs and activities and U.S. agriculture in general. These officers are responsible for: working with foreign officials to resolve market access issues and trade disputes, reporting on foreign production and trade for major agricultural commodities, negotiating agreements for credit guarantees and concessional sales, and assisting with U.S. market development activities.

In addition to our normal Foreign Affairs Offices, FAS operates a network of ATOs in major markets of Asia, Europe, Latin America, and the Middle East to help U.S. agricultural exporters. The agricultural trade offices provide a starting point for U.S. companies, trade associations, export cooperatives, and state agriculture departments with an interest in overseas markets. ATOs supply U.S. exporters with up-to-the minute information on the market, potential customers, and promotional opportunities. Some agricultural trade offices include facilities for representatives of the nonprofit U.S. market development cooperators that work with FAS to develop and service foreign markets. On site trade libraries and staffs knowledgeable about their markets provide market information for individual product areas, while conference and seminar facilities are available for use by companies in their initial foray into the market.

International Cooperation and Development

The Foreign Agricultural Service's International Cooperation and Development (ICD) program area

enhances U.S. agriculture's competitiveness by providing linkages to world resources and international organizations and building a spirit of cooperation. These linkages produce new technologies that are vital to improving the agricultural base and producing new and alternative products. ICD helps scientists and leaders from other agencies within USDA, the university community, and elsewhere to establish relationships. ICD also serves as a link between the technical expertise of the U.S. agricultural community and counterparts in Africa, Asia, Latin America, and the Newly Independent States of the former Soviet Union.

Summary

In summary, the major focus of FAS is to support U.S. agricultural exports. Our current FY 1996 forecast is for U.S. agricultural exports to increase 7 percent to \$58 billion or 156 million tons of agricultural commodities. Cotton exports will account for about 4 percent or \$2.5 billion of the total. As agricultural trade grows and becomes even more important in the future, FAS is committed to providing the necessary support to the U.S. industry.