Grey, Clark, Shih and Associates, Limited
- Public Affairs - International Trade -

CONGRESS THUMBS ITS NOSE AT WTO AND THE DOHA ROUND

U.S. FEDERAL AND STATE SUBSIDIES TO AGRICULTURE

STUDY PREPARED FOR

DAIRY FARMERS OF CANADA

by

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Executive Summary:

Grey, Clark, Shih and Associates, Limited (GCS) has been analyzing U.S. farm subsidy programs for Dairy Farmers of Canada since 1990. This report is the latest update, which focuses on changes introduced by the 2014 Farm Bill.[1] We have updated and expanded on our earlier studies and commented on the implications of the changes.

It is not our purpose to criticize the benefits and support which the U.S. provides to its farmers and ranchers. However, this support is clearly trade and production distorting. We hope that this report will help farmers and ranchers in Canada and other countries better understand how the U.S. farmers, ranchers and food processors benefit, directly and indirectly, from government support. This is particularly important when comparing risk management programs between countries which are more frequently the vehicle for delivering support programs to address the uncertainties and unforeseen events.

This report will also provide information to governments to assist in negotiations with the United States be it in the WTO or in U.S. efforts to re-balance NAFTA. Demands for improved access to the Canadian dairy market ignore the extent of subsidies to the U.S. dairy industry.

In this uncertain environment, governments in Canada need to know what could be done to ensure farmers and ranchers are able to continue satisfying arguably the most important of basic human needs; the U.S. recognized basic human right to food.

The U.S. continues to provide massive (sometimes underreported to the WTO) support to U.S. agriculture at the federal, state and local levels of government. Over the years since the Uruguay Round was concluded, U.S. dairy producers have been among the principal beneficiaries of this support through a complex web of direct support and indirect support and measures. Indirect support to U.S. dairy production comes through the massive infrastructure subsidies such as low priced irrigation water, services and general program benefits including export credits, nutrition programs, food aid and loan and guaranteed and low interest loan programs. In addition, there

[1] The Agricultural Act of 2014 (H.R. 2642; Pub.L. 113–79)

are very substantial pass through benefits from feed grain production to livestock that benefit dairy cattle and dairy production.

Not all support is direct "cash in the jeans" support. Government expenditures for things done to benefit dairy farmers is a cost to U.S. taxpayers which is related to their dairy and food purchases. Irrigation expenditures benefit dairy farmers as do ever increasing disbursements for nutrition programs.

Our analysis is based on USDA and other U.S. Government data. GCS submits there is no better data available.

Below is a chart which illustrates the levels of support/government expenditures:

Summary of U.S. Subsidies to Dairy
(2015)

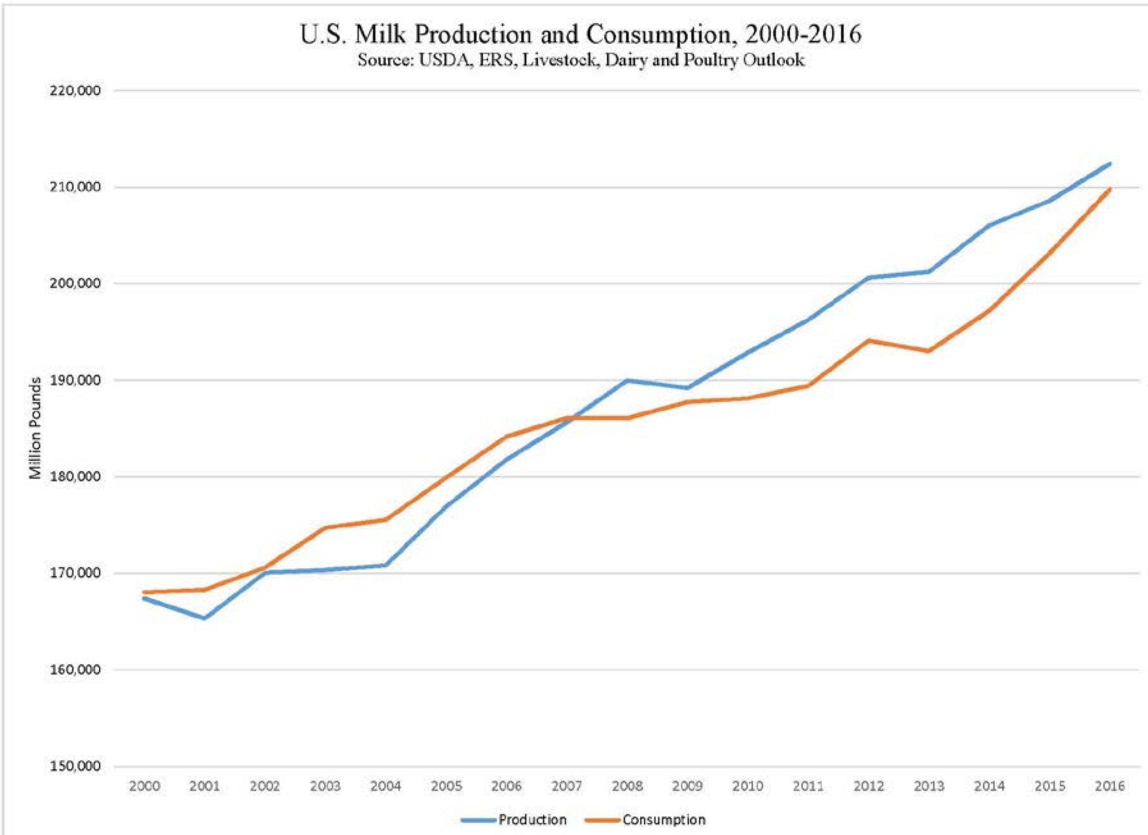
	Per cwt		**Per hl**	
	US$	**C$**	**US$**	**C$**
Federal	10.70	13.68	24.29	31.05
State/Local	1.36	1.74	3.09	3.97
Total	12.06	15.42	27.38	35.02

Converting the U.S. dollar support into metric equivalents, we estimate that this support represented C$35.02/hl in 2015. Our study after the previous Farm Bill (2008) based on benefits for FY 2009; estimated support on this basis was C$31.11/hl.

The approach is comprehensive as it would be in a trade remedies (anti-dumping/anti-subsidy) complaint.

The estimated US$12.06/cwt support to U.S. dairy production in 2015 was equivalent to 45% of U.S. cost of production of milk or 71% of the market returns for milk as reported by USDA.

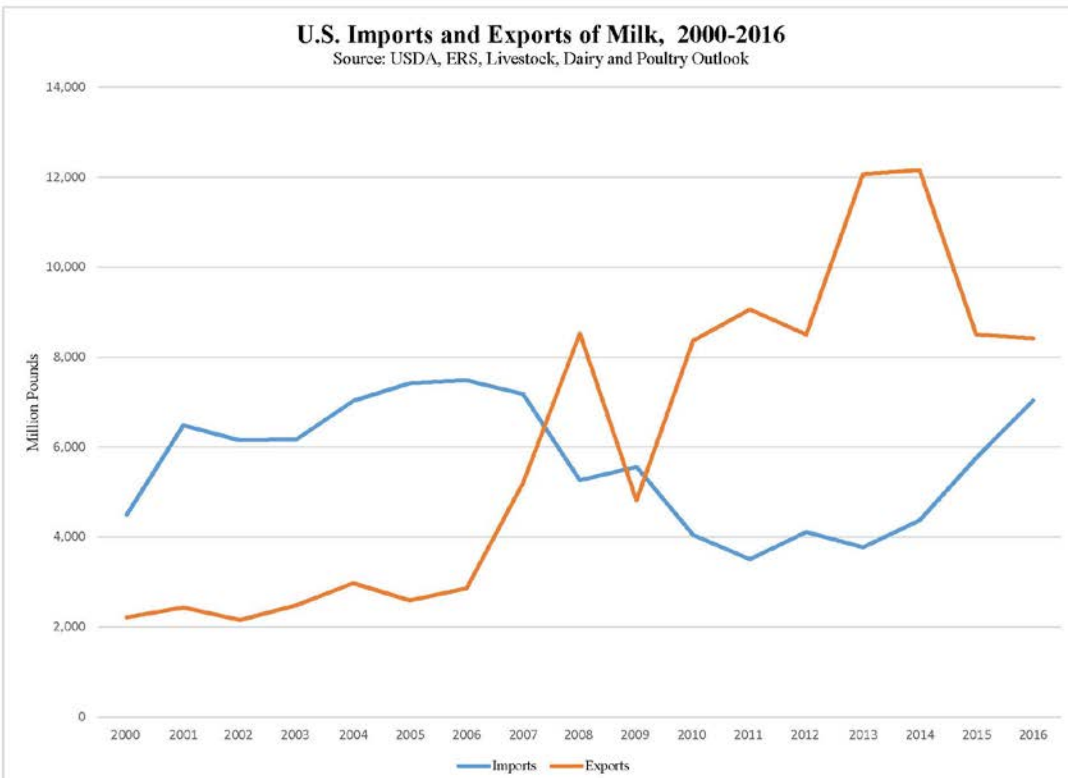
In recent years, U.S. milk production has outstripped growth in consumption. Surplus production began in 2006 and has increased substantially over the past decade. USDA projects that U.S. milk production will grow over the next decade by 20% to 260 billion pounds – this is 50 billion pounds of growth.[2]



[2] Farm Bureau, Market Intel, June 9, 2017, www.fb.org

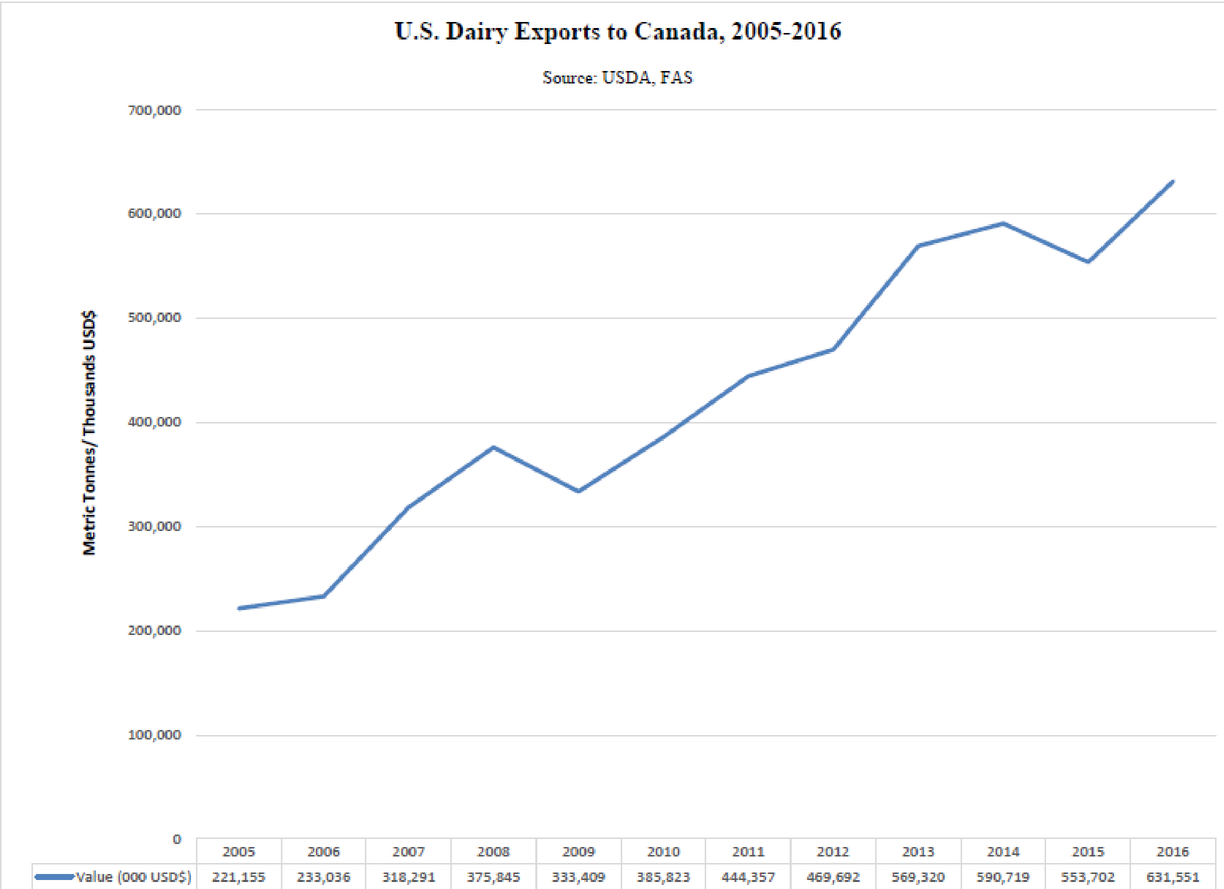
The U.S. became a net exporter of dairy products in 2006. Mexico and Canada are its largest export markets. The USDA growth projections over the next decade reported above, include 16 billion pounds of additional exports – or 42% growth in exports – much greater than expected growth in production and consumption.[3]

The low prices of milk in the USA not only encourage exports, it limits growth in imports



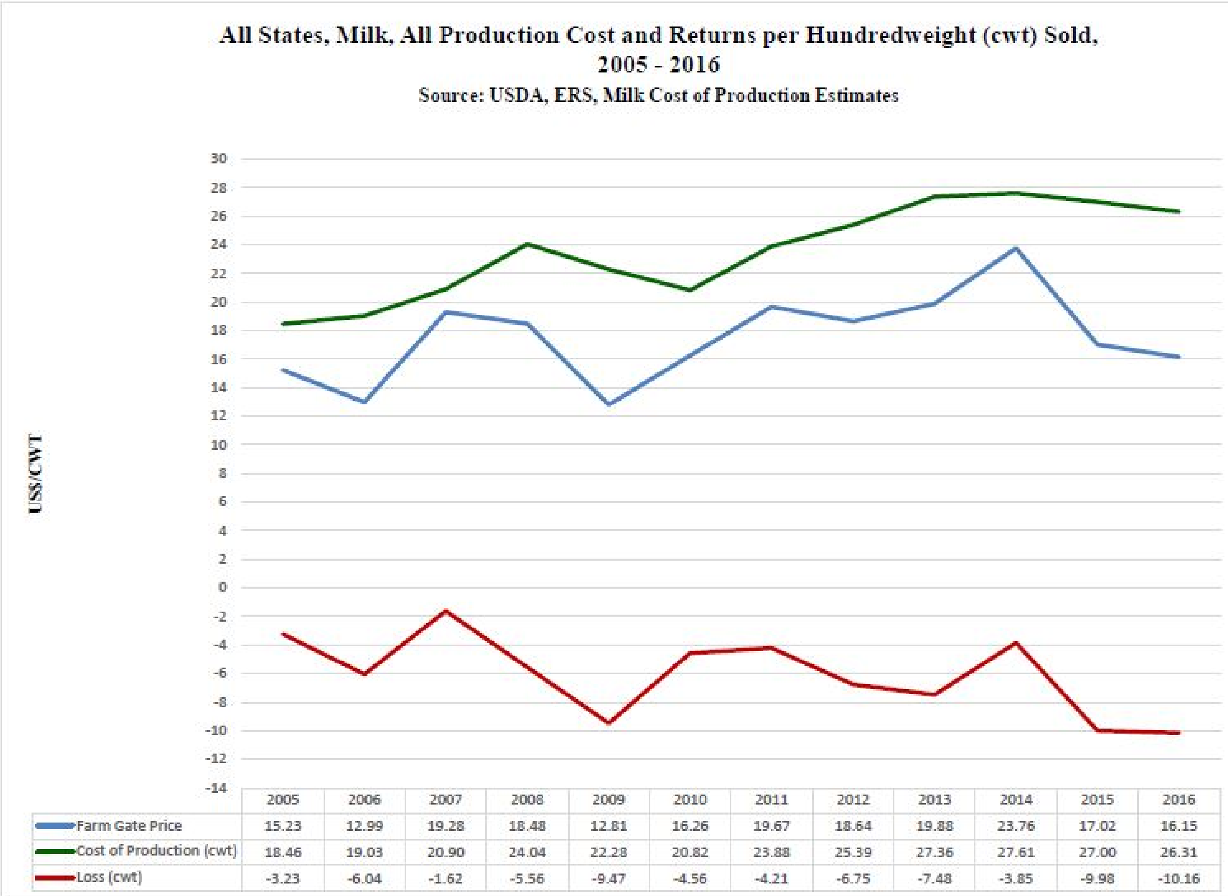
[3] "NAFTA and the Implications for U.S. Dairy", Dairy Herd Management, June 12, 2017

Notwithstanding claims from U.S. dairy industry lobbyists, U.S. dairy exports to Canada have been increasing very substantially as demonstrated by the following chart:



The following graph shows the costs of production,[4] farm gate returns and losses per hundredweight sold as reported by USDA on a national basis from 2005 to 2016. Data and graphs for individual states are included in the text of the report. We have measured revenue from sales of milk against fully absorbed cost of production because this standard was established by the WTO DSU in *Canada – Dairy*.

[4] See USDA Report, "Milk production costs and returns per hundredweight (cwt) sold, by State". Cost of Production (COP) includes: Operating Costs: Feed (Purchased feed, Homegrown harvested feed; Grazed feed) and Other (Veterinary and medicine, Bedding and litter, Marketing, Custom services, Fuel, lube, and electricity, Repairs, Other operating costs, Interest on operating capital) and Hired labor. The latter factor is classified below the line by USDA. We consider that direct labour is a variable cost that is properly part of cash costs.



The data of net loss per cwt for some of the more important dairy states is summarized in this table below:

Cost of Production – Minus Farm Gate Price
Source: USDA, ERS, Milk Cost of Production Estimates

	National	New York	California	Wisconsin	Michigan	Vermont
2005	3.23	6.69	0.17	3.88	3.03	4.53
2006	6.04	10.99	3.03	5.53	6.24	8.17
2007	1.62	5.26	+1.12	0.52	1.68	2.27
2008	5.56	8.92	4.65	4.25	5.53	6.13
2009	9.47	12.27	6.53	9.24	10.52	9.68
2010	4.56	6.37	2.06	7.79	3.64	10.32
2011	4.21	5.66	2.77	6.51	2.98	10.19
2012	6.75	9.11	4.38	10.09	7.61	13.31
2013	7.48	10.72	4.57	13.97	7.76	14.18
2014	3.85	8.25	2.46	7.40	3.61	9.15
2015	9.98	14.65	10.36	10.16	10.94	17.40
2016	10.16	16.34	10.14	10.07	11.00	17.38

As noted, these data are sourced from the USDA Economic Research Service. These are official U.S. Government data. The very significant delta between the farm gate price and COP raises serious questions about how the U.S. dairy industry is evolving and its dependence on government support.

It is relevant that the farm gate price is a blended price which reflects proceeds from all classes of milk. Under Federal Milk Marketing Orders, Classes III and IV are priced significantly below Class I table milk. However, all classes begin with the same cost of production. Thus, losses on Classes III and IV would be significantly greater than shown in the table above.

The 2014 Farm Bill

The 2014 Farm Bill was signed into law on February 7, 2014. The Act authorizes nutrition and agriculture programs in the United States until September 30, 2018. According to estimates made by the Congressional Budget Office in early 2014, projected expenditures under the Bill amount to US$489 billion during 2014-2018.

The 2014 Farm Bill transformed many of the agricultural programs from the 2008 Farm Bill. The new law altered many of the commodity (Title I) programs that were tied to historical acres and yields. For example, the 2008 Title I programs included a direct payment program which paid constant amounts regardless of economic conditions. This program was introduced in the 1996 Farm Bill. The 2014 Farm Bill eliminated this type of direct payment so that programs are more reflective of market conditions (for example, not providing a payment when prices and producer revenue are high).

In total, the value of U.S. Department of Agriculture programs to the U.S. agriculture industry at US$210.7 billion in 2015.[5] Based on dairy's roughly 10.54%[6] share of U.S. agricultural sales, results in benefits of some US$22.2 billion to U.S. dairy farmers. These estimates include

[5] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 111
[6] All U.S. agricultural commodities in 2015 were valued at US$376.3 billion at the farm gate, while the total value of cash receipts from the sale of all U.S. dairy production in 2015 was US$35.7 billion.

estimated costs of irrigation programs and where appropriate the costs to administer and deliver the programs – which is a cost to taxpayers and a benefit to farmers. This study was not developed with a trade remedies complaint in mind. Rather, it is designed to assess the generosity of U.S. support to agriculture, with a focus on dairy farming.

U.S. direct and indirect expenditures benefiting U.S. dairy producers are equivalent to about 73% of revenue from the market place. This generous support, as well as the growth of cooperatives and mega farms, are important factors which enable U.S. producers to sell below their reported fully absorbed cost of production, by insulating them from the need to earn a profit from the market. Low domestic prices also insulate U.S. dairy production from international price pressures.

The subsidies also helped American dairy producers to survive the devastating market conditions of recent very difficult years – including the disastrous experience of 2009. The Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics, said that in 2009, there was a decline in the value of milk production of 13% from 2008.

It is important to understand that the way Congress structures support, actual budgeted dollars may have a multiple effect on spending. One example is marketing loans which are made and repaid within the fiscal year. These do not show as expenditures because they are repaid in the period.

Describing programs such as SNAP (food stamps) and subsidized school meals as welfare is misleading. While these programs arguably benefit agribusiness firms most, ensuring better nutrition to the working poor, students or through the Women, Infants and Children special supplement (WIC) nutrition programs, they create massive supportive demand funded by U.S. taxpayers.

Some of the largest agribusiness companies in the U.S. have not only lobbied against cuts to any food subsidy programs, but they have also opposed any changes to these subsidies that could encourage more healthful eating habits.[7]

A study by the U.S. House of Representatives Agriculture Committee tracked expenditures on different food types included in SNAP as follows:[8]

SNAP Household Expenditures by Summary Category

Summary Category	SNAP Household Expenditures	
	Rank	% of Expenditures
Meat, Poultry and Seafood	1	19.19%
Sweetened Beverages	2	9.25%
Vegetables	3	7.19%
Frozen Prepared Foods	4	6.92%
Prepared Desserts	5	6.90%
High Fat Dairy/Cheese	6	6.50%
Bread and Crackers	7	5.39%
Fruits	8	4.68%
Milk	9	3.54%
Salty Snacks	10	3.43%
Prepared Foods	11	3.07%
Cereal	12	2.84%
Condiments and Seasoning	13	2.65%
Fats and Oils	14	2.36%
Candy	15	2.10%

These data demonstrate that more than the 10.54 % we allocated to dairy is accounted for by dairy expenditures under SNAP, assuming ice cream is included in the frozen dessert category.

The 2014 Farm Bill introduced major changes to the system of support to agricultural producers. Direct payments, a cornerstone of U.S. policy towards crop production since 1996, were eliminated. The Counter-Cyclical Payments (CCP) Program and the Average Crop Revenue Election (ACRE) Program were also terminated, at least that was the claim. In fact, CCP's were

7 "Annual Farm Subsidies to Reach 10-Year High", Food & Agriculture, by Leon Kane, April 15, 2016
8 Past, Present, & Future of SNAP, House Agriculture Committee Report, December 7, 2016, pg 54 http://agriculture.house.gov/uploadedfiles/snap_report_2016.pdf

reborn and enriched in the risk management program Price Loss Coverage (PLC). Furthermore, the Bill replaced market price support for dairy products but replaced it with a margin protection program for dairy farmers; modified and refunded disaster aid programs for livestock producers; and sought to rationalize conservation programs. Federal crop insurance programs have been expanded. Is the objective risk management or eliminating risk?

The principal new features of the 2014 Farm Bill are: the Price Loss Coverage (PLC) program, which provides payments on a share of historical base acres and yields when commodity prices fall below reference price levels for covered crops; the Agricultural Risk Coverage (ARC) program, which provides payments on a share of historical base acres and yields when revenue at the county or farm level for covered commodities falls below a county-based or individual benchmark guarantee for covered commodities; the Supplemental Coverage Option (SCO), an area-based insurance policy requiring, and taking on the characteristics, of the underlying policy; the Stacked Income Protection Plan (STAX), a subsidized supplemental insurance plan for producers of upland cotton; and the Margin Protection Program for Dairy Producers (MPP). In addition, many other programs established under earlier legislation have been continued unaltered or in modified form.

Dairy programs

As noted above, the 2014 Farm Bill eliminated the Dairy Product Price Support Program, deficiency payments for dairy producers (the Milk Income Loss Contract or MILC Program), and dairy export subsidies (Dairy Export Incentive Program). Instead, it introduced a Margin Protection Program for milk producers (MPP) and a Dairy Product Donation Program, which authorizes the Commodity Credit Corporation (CCC) to purchase dairy products at prevailing market prices when milk margins are depressed. The purchased quantities are subsequently distributed to low income households.

The MPP insures milk farmers against falling margins, calculated as the difference between the national “all-milk” price and average feed costs. The production margin is calculated for consecutive two-month periods (January/February, March/April, etc.). If the margin remains below insured levels (US$4-US$8 per hundredweight) for any of these two-month periods, enrolled producers receive a payment based on their chosen coverage.

The Dairy Product Donation Program (DPDP) is administered by the FSA and the Food and Nutrition Service (FNS) and funded by the Commodity Credit Corporation. DPDP purchases are triggered if the FSA determines that the national production margin has fallen below US$4 (per cwt) for two consecutive months. The purchased goods are donated to public and private non-profit organizations that provide nutrition assistance to low-income households. FSA and FNS determine the type and quantity of dairy products to be acquired in consultation with the non-profit organizations and eligible state and local agencies. Products are purchased for immediate distribution and may not be stored or resold in commercial markets.

Federal Milk Marketing Orders provide classified pricing and price pooling. The system, which dates back to the 1930s, has been maintained without change. The 2014 Farm Act also extends the Dairy Forward Pricing Program, the Dairy Indemnity Program, and the Dairy Promotion and Research Program through 2018.

State and Local Subsidies are Significant

State and local expenditures on agriculture in 2015 were estimated to be US$7 billion. U.S. state and local government support in 2015 to dairy production amounted to US$2.85 billion or about US$1.36/cwt.

Irrigation

In addition, state and local governments provide very extensive and important support through irrigation subsidies in the form of below-market and below-cost price water and electrical power provided for agricultural use although it appears to be at less than 27% of commercial rates, to operate the irrigation systems.

The subsidy exists in the form of water for irrigation provided to producers at prices below the prevailing market price. The value of the subsidy is the difference between price charged to agricultural producers and the price charged to other users such as industrial or residential consumers.

A University of California, Davis presentation explained, if U.S. consumers want food there will be a price in terms of water and land for producing the agricultural products used to produce our food. Agriculture cannot compete economically with the urban/industrial sector for water because it uses a large amount of water per unit of production.[9]

Support provided through irrigation subsidies is direct but non-dairy-specific support which is also allocated on the basis of dairy's share of the total value of state agricultural production for those states which are the principal beneficiaries of the irrigation programs. We have in this report determined that support to dairy through subsidies to alfalfa, hay, irrigated pastureland and feed grain is more than our normal 10.54% allocation.

The provision of low-cost water to producers by state and local governments also constitutes a subsidy for purposes of the WTO Agreement on Subsidies and Countervailing Measures and the WTO Agreement on Agriculture and should be included in the U.S. AMS. But while the U.S reports cost of irrigation infrastructure, the U.S. does not report water benefits. Nor does it report the benefits of low-priced electricity to pump the water.

We estimate that the total direct and indirect benefit to U.S. dairy production through U.S. federal, state and local programs in fiscal year 2015 was US$12.06 per hundred weight (cwt) of milk produced or C$35.02 per hectolitre. That includes aggregate of the U.S. Department of Agriculture Program Levels, irrigation infrastructure support and undeclared below market price/cost water and power for irrigation systems.

[9] *Irrigation of Agricultural Crops in California,* Department of Land, Air and Water Resources, University of California, Davis, Blaine Hanson

In California, some 46% of irrigated acres harvested were planted in alfalfa, pasture land and grain crops – corn, but also rice and cotton. Alfalfa which is a very important element of the dairy cow's feed, is among the thirstiest crops requiring irrigation – at more than 5 acre feet (AF).

The total value of irrigation subsidies provided by state and local government has been estimated at between US$10 billion and US$33 billion. In addition, we have uncovered evidence that water districts received heavily subsidized electricity to pump the water through the irrigation systems. We have not quantified these electricity subsidies as similar benefits to large volume users in the U.S. are not uncommon.

In dollar terms, the total value of support provided to agriculture by state and local governments in 2015 is estimated to be US$7 billion while the total value of direct state and local government support to dairy production and indirect support allocated to dairy production is US$630 million.

Therefore, the total value of support to dairy production provided by state and local governments is US$2.85 billion. Based on total U.S. milk production in 2015 of 208,603,000,000 lbs, total state and local government support per cwt was approximately US$1.36.

WTO Implications

USDA provides the support to U.S. agriculture which is production and trade distorting. Benefits to U.S. agriculture have traditionally been very generous support.

Traditionally, the main WTO concern has been how closely payments are tied, or coupled, to production decisions. It is argued that the more closely coupled, the more that a dollar in government payments affects production. Timothy Wise of Tufts University disputes this. He says:

> "A producer may not only change production to receive subsidies, but also may have different attitudes towards risk and different budget constraints. As a result, the total dollar amounts are not the only determinant of acreage shifts".[10]

Professor Wise describes the 2014 Farm Bill as:

> "decidedly more trade-distorting than its predecessor. It eliminates direct payments to producers, which were considered less trade-distorting than price or production-based programs. It replaces them with production and price-based programs that offer producers of supported commodities a choice between payments to compensate for low prices (price loss coverage or PLC) or payments to compensate for revenues lower than the recent five-year revenue average (agricultural risk coverage or ARC). On top of that, producers get subsidized crop insurance from the federal government, and special or different programs support dairy, cotton and other crops."[11]

He concludes that:

> "the 2014 U.S. Farm Bill is one of the main reasons the U.S. government is walking away from the post-Bali agriculture negotiations. Studies show that the U.S. is likely to exceed the subsidy limits agreed in Doha negotiations in 2008, and it will probably exceed even current WTO limits." [12]

Analysis of the 2014 programs indicates that:

> "virtually none of the U.S. support under these new programs would fall in the Green Box, exempted from limits based on the assumption that they are minimally trade distorting. Both programs are, indeed, tied to specific crops, prices, or levels of production, so they will be disciplined as Amber Box support subject to reductions under the current WTO agreement."[13]

The Tufts study notes that under the proposed Doha agreement (we are using this as a benchmark, we do not hold out much hope that these will be realized in the near future), based on the texts agreed in 2008, the new programs will likely fall in the Blue Box, which will be subject to new caps. The U.S. limit will be $4.7 billion. They will also contribute to the new limits on overall trade distorting support (OTDS), which for the U.S. will be $14.5 billion. And with the so-called *de minimis* exemption reduced from 5% to 2.5% of the value of each crop,

[10] "Destruction of U.S. Credibility at WTO", Tufts University, by Timothy A. Wise and Biraj Patnaik, September 8, 2015
[11] Ibid.
[12] Ibid.
[13] Ibid.

more of that trade-distorting support will count against the U.S. limits. But Professor Wise well notes the 2014 Farm Bill adds a new layer of hypocrisy to U.S. claims.

Professor Wise raises important questions about why other WTO members should need to restructure and rationalize their farm sectors because of the effects of disruptive and devastating U.S. subsidies, competitive currency devaluations or its non-tariff protection like U.S. Mandatory Country of Origin Labelling (M-COOL). The real need is to discipline the "beggar thy neighbor" policies which lead to massive disruptive U.S. (and E.U.) farm subsidies which drive prices down in world markets.

World Trade Organization rules have not been effectively enforced. Nor do the WTO Agreements take account of the very fundamental, subsistence nature of agriculture in many developing countries. Small farmers in these countries are totally vulnerable to cheap import competition. Small farmers in developing countries cannot be treated the same way as the agribusiness and corporate farmers which dominate agriculture in the USA.

The level of this trade-distorting U.S. farm support will no doubt make it difficult for other countries to engage in meaningful market access negotiations unless and until the production distorting U.S. Farm Bill programs are brought under control.

U.S. AGRICULTURAL SUBSIDIES STUDY

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PART II – STATE GOVERNMENT PROGRAMS

PART I

'I want to write a Farm Bill that's good for Agriculture. If someone wants to sue us, we've got a lot of lawyers in Washington.' [1]

Representative Collin C. Peterson,
Chair of the Agriculture Committee
of the U.S. House of Representatives

INTRODUCTION

Grey, Clark, Shih and Associates, Limited (GCS) was retained by the Dairy Farmers of Canada (DFC) to quantify and analyze, from publicly available information, all support provided to U.S. agriculture and dairy producers by federal, state and local governments.

This study updates and expands upon the previous studies of support to U.S. agriculture prepared by GCS in 1990, 1998, 2003, 2005 and 2010.[2] We have reviewed all government support provided directly and indirectly to the full range of agricultural production and processing in the USA, from inputs at the farm or ranch level to the point of sale to retailers. However, while the complete range of direct and indirect measures was reviewed, not all benefits flowing from state and federal programs were included in our calculations of benefits, either because we did not have adequate information to estimate particular program benefits or because we considered the benefits to be too removed from dairy farming.

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[1] "Farm Bill divides lawmakers, President Bush", Associated Press, by Libby Quaid, January 14, 2007

[2] In 1990, GCS prepared a study entitled *Subsidies to the Dairy Farming and Processing Industries in the USA.* In this study, GCS identified and quantified all subsidies and benefits available to dairy farmers and processors in the U.S. states at the federal, state and local government level from inputs utilized in milk production to point of sale to the retailer. In 1998, GCS prepared a follow-up 1998 study also entitled *Subsidies to the Dairy Farming and Processing Industries in the USA.* In this study, GCS updated the information set out in the 1990 study, in the context of the 1996 Farm Bill and revised programs. The 2003 report was entitled *WTO Consistency of U.S. and New Zealand Agricultural Practices*, the 2005 report was entitled *U.S. Federal and State Agricultural Support*, and the 2010 report was entitled *Farming the Mailbox: U.S. Federal and State Subsidies to Agriculture.*

PART I

Total Value of U.S. support for Dairy Production

The Dairy Farmers of Canada asked GCS to calculate the value of total direct and indirect U.S. support to dairy producers per hectolitre of milk produced in the United States. We have made separate calculations in Parts I and II of the report and provided aggregate estimates in the summary section. In previous reports GCS calculated the total value of U.S. support to dairy per hundredweight of milk produced. To ensure continuity of analysis, the total value of U.S. support to the dairy sector in 2015 has been calculated per hectolitre and per hundredweight (cwt).

The support provided to U.S. agriculture and to dairy production is comprised of direct support and indirect support. Indirect support includes support to U.S. dairy production through infrastructure, services, and general program benefits including export credits, nutrition, food aid and loan and granted loan programs. In addition, the very substantial benefits to feed grain production and to livestock producers also benefit dairy cattle and dairy production.

We have applied the same methodology in past studies to determine the benefits to U.S. dairy producers. Unless otherwise stated, quantified benefits at the federal level have been allocated to dairy in the same proportion that dairy represents in the total value of U.S. farm production. In the 1998 study, 1997 program budgets were multiplied by 10.32% (0.1032), dairy's percentage of total agricultural receipts. For 2009, we used 10.7% and in this report, for 2015, we use 10.54%. Because precise data on actual benefits to dairy is not available, this methodology may overstate or understate actual benefits to dairy for a particular program, but it appears to be a reasonable method.

The USDA Economic Research Service reported the total value of cash receipts from the sale of all U.S. dairy production in 2015 as $35.7 billion and the total value of cash receipts from the sale of all U.S. agricultural commodities as $376.3 billion.[3] Based on these figures, we have determined that U.S. dairy represents approximately 10.54% of total U.S. agricultural production.

[3] Economic Research Service (ERS); Farm Income and Wealth Statistics, November 30, 2016

PART I

Who Benefits?

The Environmental Working Group (EWG) reports according to the 2007 Census 91% of farms in California received no subsidies. However, USDA does not report subsidized irrigation as subsidies.

Contrast this with Wisconsin where 60.5% of farmers received subsidies, and New York, where some 11,000 farms or 29.2% of farms received subsidies.

EWG reports that producers of meat, fruits and vegetables have traditionally been left almost completely out of the subsidy game (they can apply for both subsidized crop insurance and for disaster payments).

We estimate that the total value of U.S. Federal support for U.S. dairy in 2015 to be the sum of the total value of support provided under dairy specific programs less the value of selected programs that offer no direct or indirect support to U.S. dairy production plus 10.54% of the total of the remaining USDA program level expenditures for 2015 plus 10.54% of total budgetary resources available for water management programs of the Department of Interior, Bureau of Reclamation.

We did not estimate the price/income support benefits under any programs. This understates benefits to U.S. agriculture and to dairy producers but we do not have precise data on such supports.

Former U.S. Agriculture Secretary, Dan Glickman, told the N.Y. Times farming has "become largely an income transfer program,"[4] with the government underwriting rural businesses and requiring very little in return.

[4] "Failing Farmers Learn to Profit from Federal Aid", The New York Times, December 24, 2000

PART I

Secretary Glickman went on to explain:

> "There seems to be a gradual realization in farm country that federal subsidies in the United States -- like those in much of Europe -- are not so much about food supply anymore as they are about keeping the least-populated parts of the country afloat. So while he criticizes the size of some of the handouts, Mr. Glickman says that without the government, thousands of farmers and the businesses that depend on them would go bankrupt within a year or two." [5]

USDA money helps to maintain the infrastructure in small town rural America, but it has made farmers too dependent on subsidies because, Mr. Glickman notes:

> "Essentially, the government's role in requiring the farmer to do something in return has been largely eliminated by Congress."

He added:

> "It's important enough for this country to keep rural communities going. And while I don't like the large payments going to some farmers -- that's an outright embarrassment -- many of these payments are keeping large sections of rural America from folding up and going down."[6]

He explained further why support had been increasing instead of declining (as might have been expected from the alleged reforms built into the Uruguay Round Agreement on Agriculture):

> "'Nobody talked about this during the presidential election. And you rarely hear it spoken in Congress. But these farm payments have become truly rural support payments."[7]

How did U.S. Farm Policy become such a burden to the rest of the world? Reviewing the New York Times since 2000 is enlightening:

> What has happened in rural counties …. completes a full circle, from the creation of farms by government incentive through the Enlarged Homestead Act of 1909 to a period

[5] Ibid.
[6] Ibid.
[7] Ibid.

> of prosperity and independence in the 1950's and 60's, to the present where government is the only thing keeping people on the old bison grounds of half of Montana.
>
> The homesteads have become sources of export crops. Nearly 90 percent of the wheat grown in Montana is sent overseas. But it faces global competition and a glut. Even countries like Pakistan, once seen as a relief target, are now exporting grain. If the Montana growers [of grain] were to try and get by in the free market, they would lose about $2 on every bushel of wheat they grow.[8]

As the New York Times reported before the 2002 Bill became law:

> ***"… one thing that the people who grow the food and the people who write the checks agree on is that if the government were to suddenly disengage itself from its monumental entanglement with rural America, upwards of half of the 1.6 million farmers in the United States who now receive some form of federal assistance would go out of business."***[9] (emphasis added)
>
> "…the big harvest of government checks usually happens in the fall -- $40,000 for just being a farmer, another $40,000 for emergencies like bad market conditions, more than $100,000 for not making any money on what is grown, and $50,000 for taking other land out of production.
>
> Good crops or bad, high yields or low -- it hardly matters, the checks roll in from the federal government, the biggest payroll in farm country. By the end of the year, some farmers can receive up to $280,000 simply by having another miserable year of failure."[10]

Little had changed by the time of the most recent Farm Bill. After the 2008 Bill was passed, a Times Editorial explained:

> "Last year's terrible farm bill left the old subsidy system essentially intact."[11]
>
> … The Times's editorial page called the bill "disgraceful." My former colleagues at The Wall Street Journal's editorial page ripped it as a "scam." Yet such is the logic of collective action….
>
> The growers of nearly every crop will get more money. Farmers in the top 1 percent of earners qualify for federal payments. Under the legislation, the government one will buy

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[8] Ibid.
[9] Ibid.
[10] Ibid.
[11] "Fixing Agriculture", The New York Times (Editorial), December 19, 2008

> sugar for roughly twice the world price and then resell it at an 80 percent loss. Parts of the bill that would have protected wetlands and wildlife habitat were deleted or shrunk.
>
> Senator John McCain declared: "It would be hard to find any single bill that better sums up why so many Americans in both parties are so disappointed in the conduct of their government, and at times so disgusted by it."[12]

The Wall Street Journal refers to the 2008 Farm Bill as "The No Farmers Left Behind Act":

> "Total farm income is expected to leap by 44% to $73 billion this year, according to the USDA. The average income of full-time farmers hit $81,420 last year, with large corporate farms earning in the millions of dollars. Meanwhile, farmland prices in the past five years have increased by $200 billion a year, or an average asset gain of $100,000 per year per full-time farmer.
>
> And yet Congress is writing another five-year farm bill as if this were 1936 and the Okies roamed the plains."

The Times provided some very useful insights from the legislators:

- "Senator Saxby Chambliss of Georgia, the senior Republican on the agriculture committee. "Given the amount of investments in the many critical areas to all Americans in this bill, it is actually inaccurate to simply call this a farm bill."…

- "Representative Ron Kind, Democrat of Wisconsin, "You need a few members of Congress here to stand up today and say the emperor has no clothes… The president is right. We ought not be giving taxpayer subsidies to wealthy individuals at a time of record-high commodity prices in the marketplace."

- Representative Jeff Flake, Republican of Arizona, "Sometimes here in Washington, we tend to drink our own bath water and believe our own press releases. And to hear some of the debate here, you would think this is the best bill in the world and that everybody out there has just got to support it."

- Ken Cook, the president of Environmental Working Group, an advocacy group that is a fierce critic of farm subsidies, said the status quo was exactly what taxpayers got in the bill. "If you are not going to make these changes now, when on earth are you going to make them?" Mr. Cook asked. "It really is shocking that they did so little."

  He added, "It's a measure of the pressure this bill can put on people. If you are from subsidy country, you are expected to bring home the bacon."[13]

[12] "Talking Versus Doing", By David Books, The New York Times, May 20, 2008
[13] "Reaching Well Beyond the Farm", By David M. Herszenhorn, The New York Times, May 20, 2008

PART I

We have charted the USDA data on farm gate subsidies and a) cash costs and b) fully absorbed costs.

To the extent that dairy processors purchasing Class II, Class III and Class IV milk for their operations, they are receiving substantial benefits from the system.

We estimate that the total benefit to U.S. dairy production provided through U.S. Federal, State and local programs in FY 2015 was US$12.06 per cwt or $35.02CAD[14] per hl. Total value of U.S. Federal Government subsidies and support to agriculture is the aggregate of the USDA.

Since our last study, support in Canadian dollars per hl[15] through U.S. Federal and State subsidies have increased from $31.11CAD per hectolitre in FY 2009 following the 2008 Farm Bill[16] to $35.02 CAD[17] in 2015 under the 2014 Farm Bill.[18] Post 2014 Farm Bill benefits are summarized below:

Summary of U.S. Subsidies to Dairy (2015)

	Per cwt		Per hl	
	US$	**CAD$**	**US$**	**CAD$**
Federal	10.70	13.68	24.29	31.05
State/Local	1.36	1.74	3.09	3.97
Total	12.06	15.42	27.38	35.02

Program Levels, irrigation infrastructure support and undeclared below market price/cost water.

These values were calculated as follows:

- In 2015, the estimated total value of USDA programs was US$210,703,000,000.[19] The allocation to dairy products $22,208,096,200 or $10.65 cwt. To this must be

[14] Unless otherwise indicated all values are in U.S. dollars.
[15] Using the Bank of Canada average exchange rate for 2015 (1.27871080)
[16] Food, Conservation and Energy Act of 2008 (2008 Farm Bill)
[17] Using the Bank of Canada average exchange rate for 2015 (1.2787)
[18] The Agricultural Act of 2014 (2014 U.S. Farm Bill)
[19] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 111

added benefits from the dairy's share for irrigation infrastructure approved by the Department of the Interior budget.[20]

- The value of support to irrigation infrastructure provided by the Department of the Interior was $892,000,000 of which $94,016,800 was allocated to dairy. This is equivalent to $0.05 per cwt.

- State and local government support, including irrigation water subsidies is US$27,049,918,596 of which US$2,851,061,420 was allocated to dairy. This represents US$1.36 per cwt

In 2015, total U.S. production of milk was 208,603,000,000 lbs.[21] or 2,086,030,000 cwt. The estimated value of support was divided by this volume to develop per cwt values. The per cwt values were converted to per hectolitre (hl) by multiplying by 2.27.

We employed a conservative methodology to determine the total value of federal support to be allocated to dairy production in 2015. We believe that our estimates may understate benefits to the dairy sector because:

- We did not estimate price support benefits.

- Our allocation methodology was based on dairy's share of gross farm receipts without adjusting for the 50% of U.S. agriculture which does not benefit from subsidies.

- We did not include in our analysis of export subsidies benefits of *de facto* Article 9.1(c) export subsidies in order to avoid double counting.

In order to understand the dynamics and pervasive influence of undisciplined domestic support, we have compared it to costs of production and the farm gate prices for milk in the USA.

[20] *FY 2017 Appendix Budget*, U.S. Department of the Interior, pg 665
[21] Using the Bank of Canada average exchange rate for 2015 (1.27871080)

PART I

2015

	U.S. Cost of Production for Milk per cwt	U.S. Revenue from Milk per cwt	Net Loss per cwt
USA	$27.00	$17.02	$7.14

2015 Support to Dairy as a Percentage of

	COP	Farm Gate Price	Net Loss[22]
USA	44.7%	71%	169%

The estimated $12.06/cwt support to U.S. dairy production in 2015 was equivalent to:

- 44.7% of cost of production
- 71% of the market returns for milk
- 1.69 times the net loss per cwt

The subsidies to U.S. dairy producers essentially enable U.S. producers to sell below their fully absorbed cost of production, by insulating them from the need to earn a profit from the market as well as from international price pressures.[23]

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[22] The loss data do not compute because there is non- market revenue, other than subsidies, i.e., for culled cows which do not permit us simply to deduct farm gate revenues from costs.

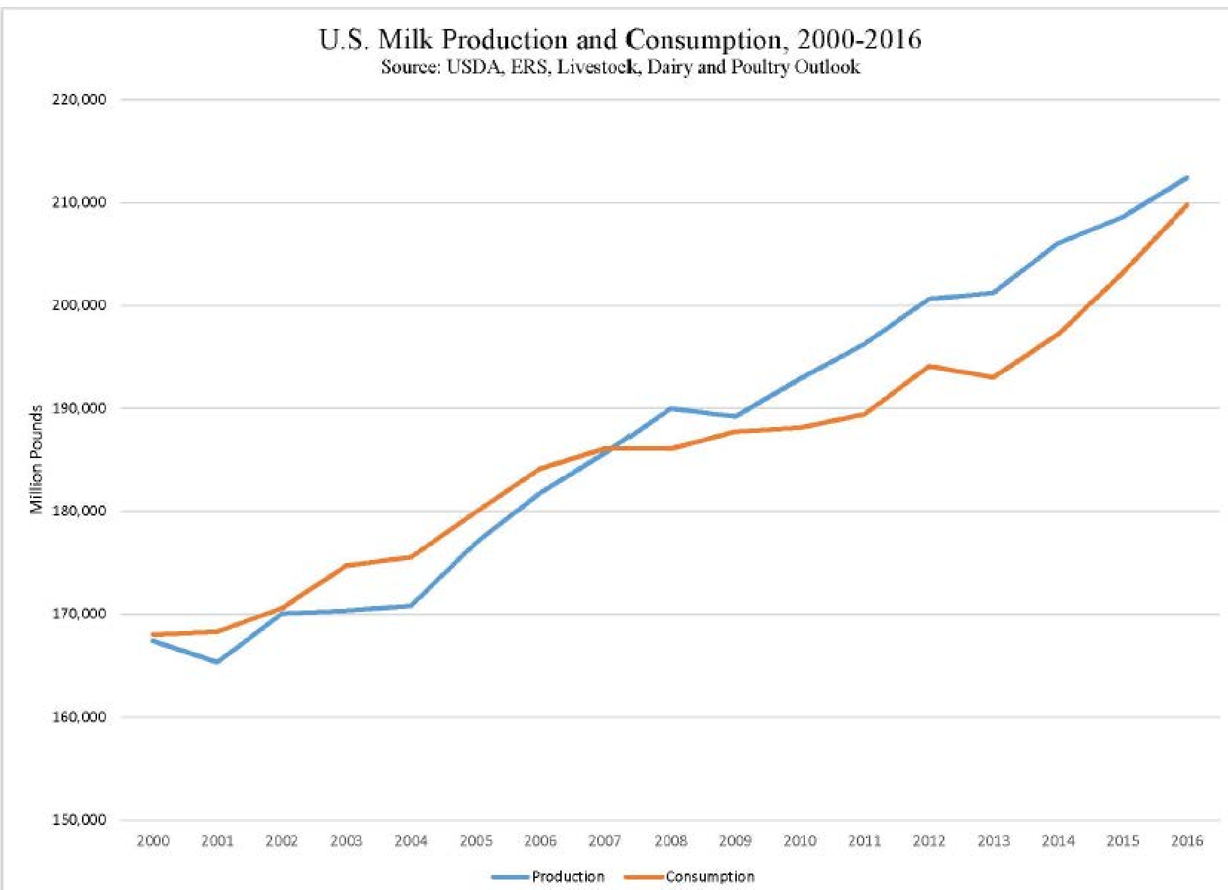
[23] The Wall Street Journal reported:

> "Less than six months into his new administration, President Barack Obama has already managed to spark a trade war with Mexico over trucking. Protectionist measures like quotas on Chinese tires could be on the cards, too. Now, newly expanded milk subsidies also threaten both America's reputation and its trade leadership.
>
> Last month the U.S. Secretary of Agriculture, Tom Vilsack, implemented the Dairy Export Incentive Program, or DEIP. Under the program, re-authorized by Congress in last year's Farm Bill, the U.S. Department of Agriculture pays subsidies -- euphemistically described as "bonuses" -- to cover the difference between American farmers' cost of production and prevailing international prices."
>
> U.S. Exports to Canada (1995-2009), U.S. Department of Agriculture, Foreign Agricultural Service, Global Agricultural Trade System (GATS)

PART I

Ostensibly domestic subsidies to the U.S. dairy sector benefit U.S. milk exports because they permit exports at below fully absorbed cost of production. U.S. dairy exports have increased by 322% from $1,628,928,000 in 2005 to 5,240,047,000 in 2015.[24] U.S. exports of dairy products to Canada increased from $221,155,000 in 2005 to $553,702,000 in 2015, or by 250%.[25] Subsidies allow the U.S. dairy producers to survive until market conditions improve.

These substantial subsidies have resulted in increased production and exports. The U.S. has changed from being a net importer of dairy products to a net exporter- a development which we link to the increased activity by Cooperatives Working Together in subsidizing exports - largely of cheese and butter.



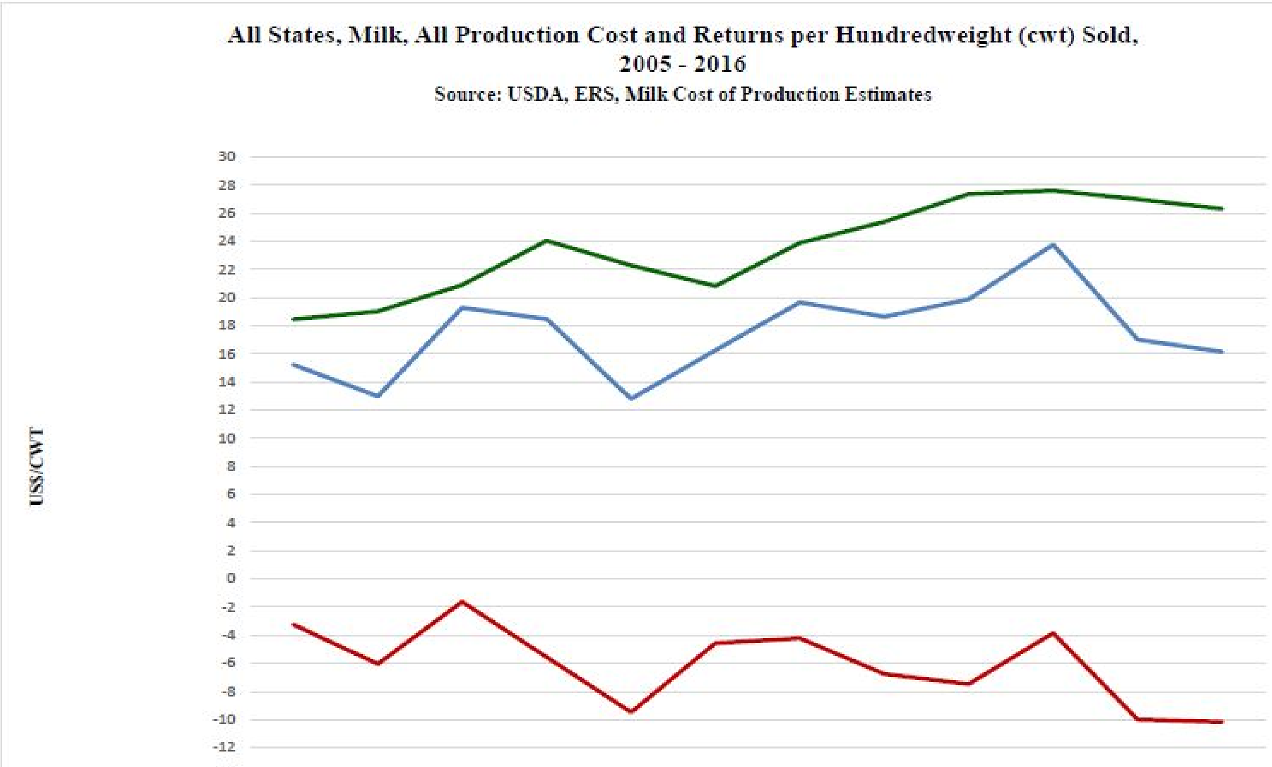
[24] U.S. Exports to Canada (1995-2017), U.S. Department of Agriculture, Foreign Agricultural Service, Global Agricultural Trade System (GATS)
[25] Ibid.

PART I


U.S. Imports and Exports of Milk, 2000-2016
Source: USDA, ERS, Livestock, Dairy and Poultry Outlook
Million Pounds
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
Imports
Exports

PART I

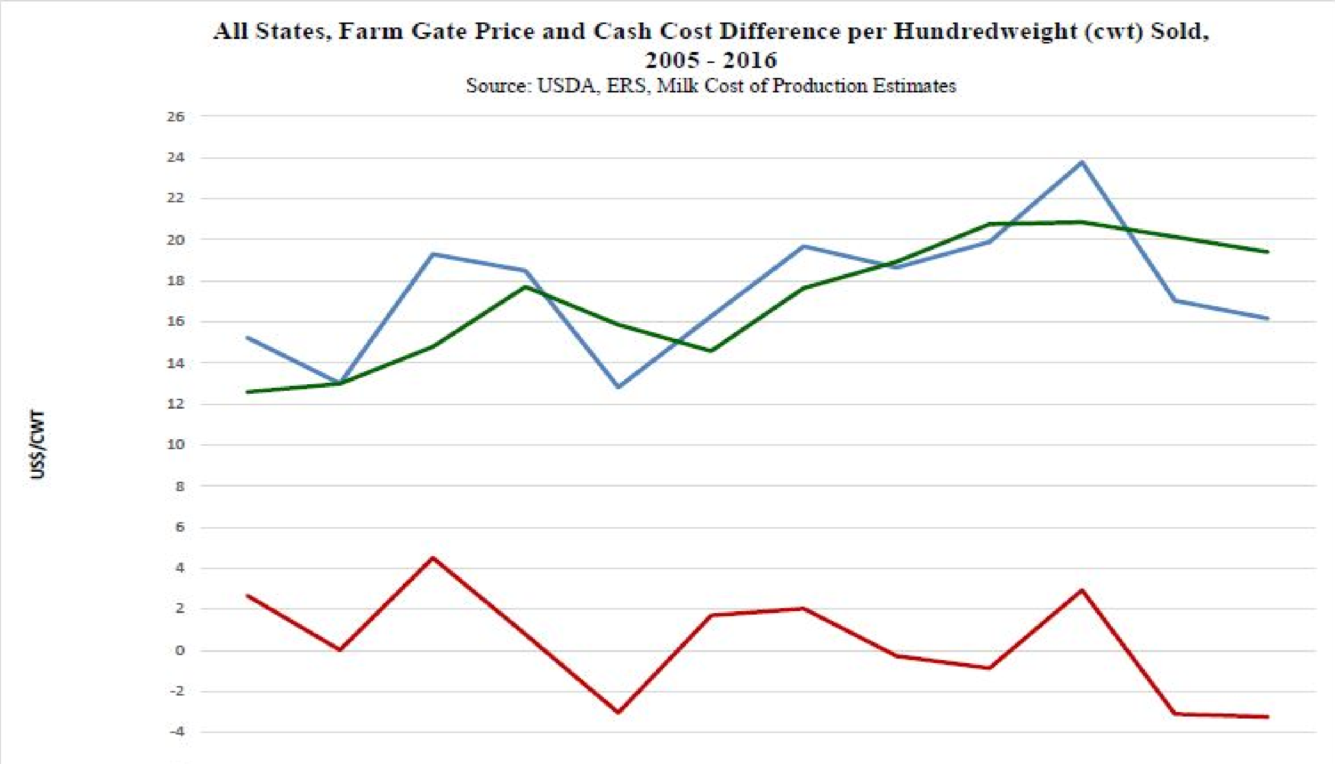
USDA data shows that farm gate prices for milk over the last 12 years have been less than fully absorbed costs. The following graph shows the year to year losses which benefit U.S. dairy processors and stimulate U.S. dairy exports, not to mention frustrating imports of dairy products



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Farm Gate Price	15.23	12.99	19.28	18.48	12.81	16.26	19.67	18.64	19.88	23.76	17.02	16.15
Cost of Production (cwt)	18.46	19.03	20.90	24.04	22.28	20.82	23.88	25.39	27.36	27.61	27.00	26.31
Loss (cwt)	-3.23	-6.04	-1.62	-5.56	-9.47	-4.56	-4.21	-6.75	-7.48	-3.85	-9.98	-10.16

PART I

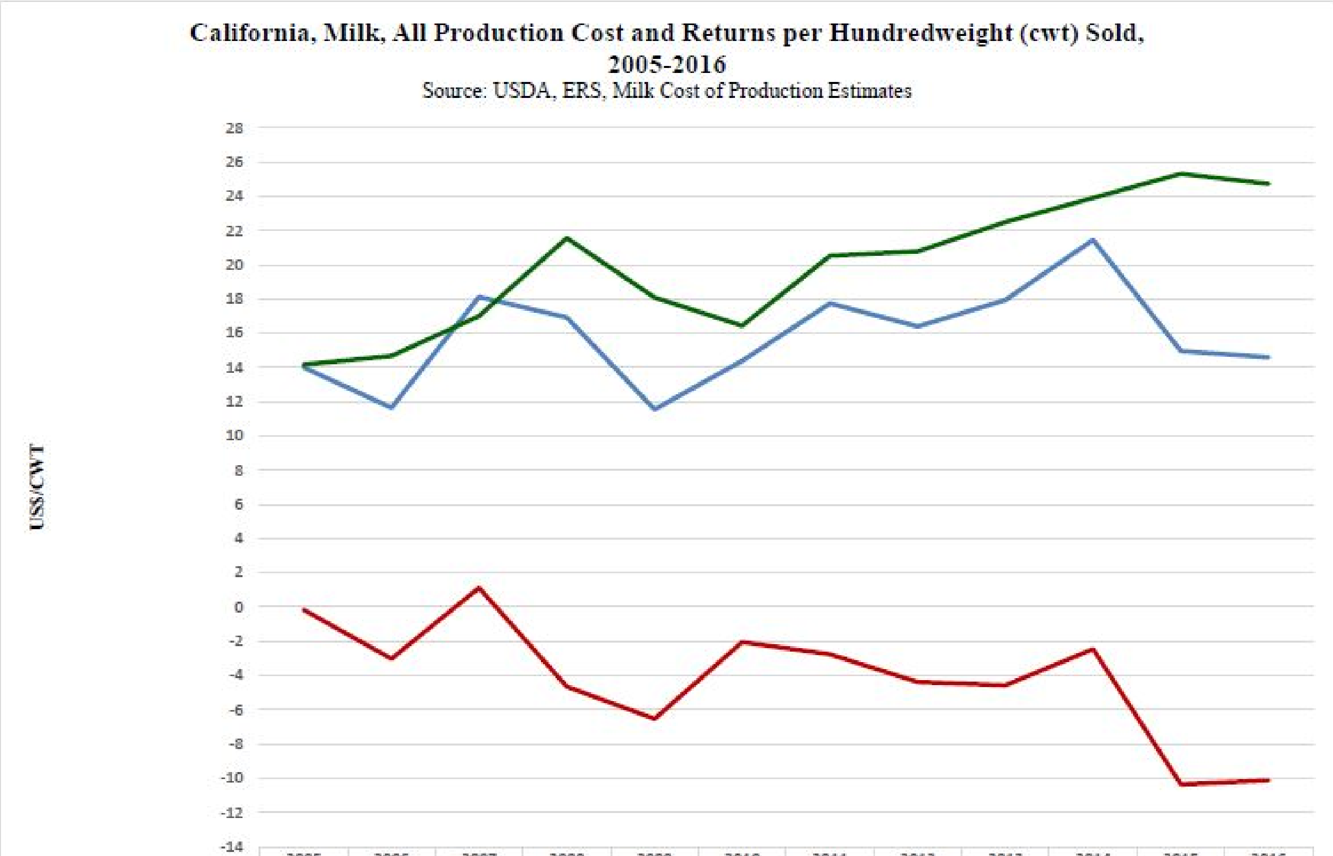
Fixed costs are sunk costs, but the following chart shows that in the last 10 years U.S. dairy farmers on the whole did not cover cash costs in 5 years.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Farm Gate Price	15.23	12.99	19.28	18.48	12.81	16.26	19.67	18.64	19.88	23.76	17.02	16.15
Cash Cost	12.57	12.98	14.78	17.70	15.85	14.57	17.64	18.92	20.75	20.84	20.13	19.39
Difference	2.66	0.01	4.50	0.78	-3.04	1.69	2.03	-0.28	-0.87	2.92	-3.11	-3.24

PART I

California is the largest dairy producing state. The steady losses from full cost and sharp losses in 2015-16 explain California producer lobbying to join the Federal Milk Marketing Order.

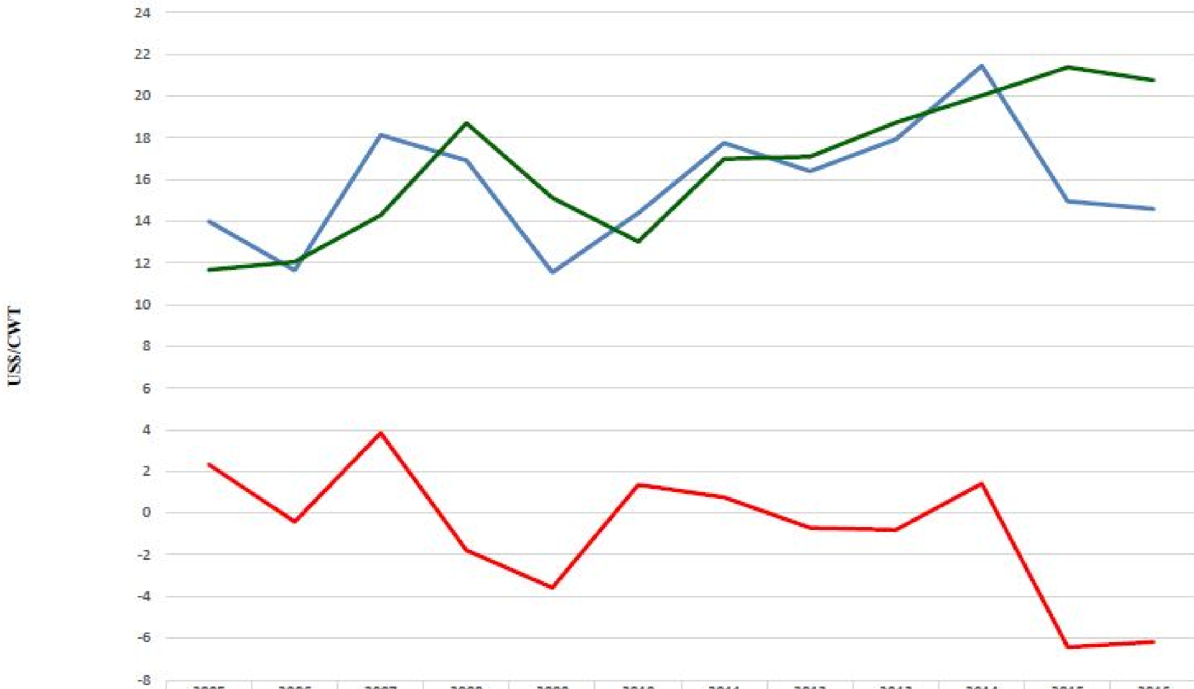


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Farm Gate Price	13.99	11.64	18.12	16.91	11.54	14.38	17.74	16.39	17.92	21.44	14.95	14.58
Cost of Production (cwt)	14.16	14.67	17.00	21.56	18.07	16.44	20.51	20.77	22.49	23.90	25.31	24.72
Loss (cwt)	-0.17	-3.03	1.12	-4.65	-6.53	-2.06	-2.77	-4.38	-4.57	-2.46	-10.36	-10.14

PART I

California, Farm Gate Price and Cash Cost Difference per Hundredweight (cwt) Sold, 2005-2016

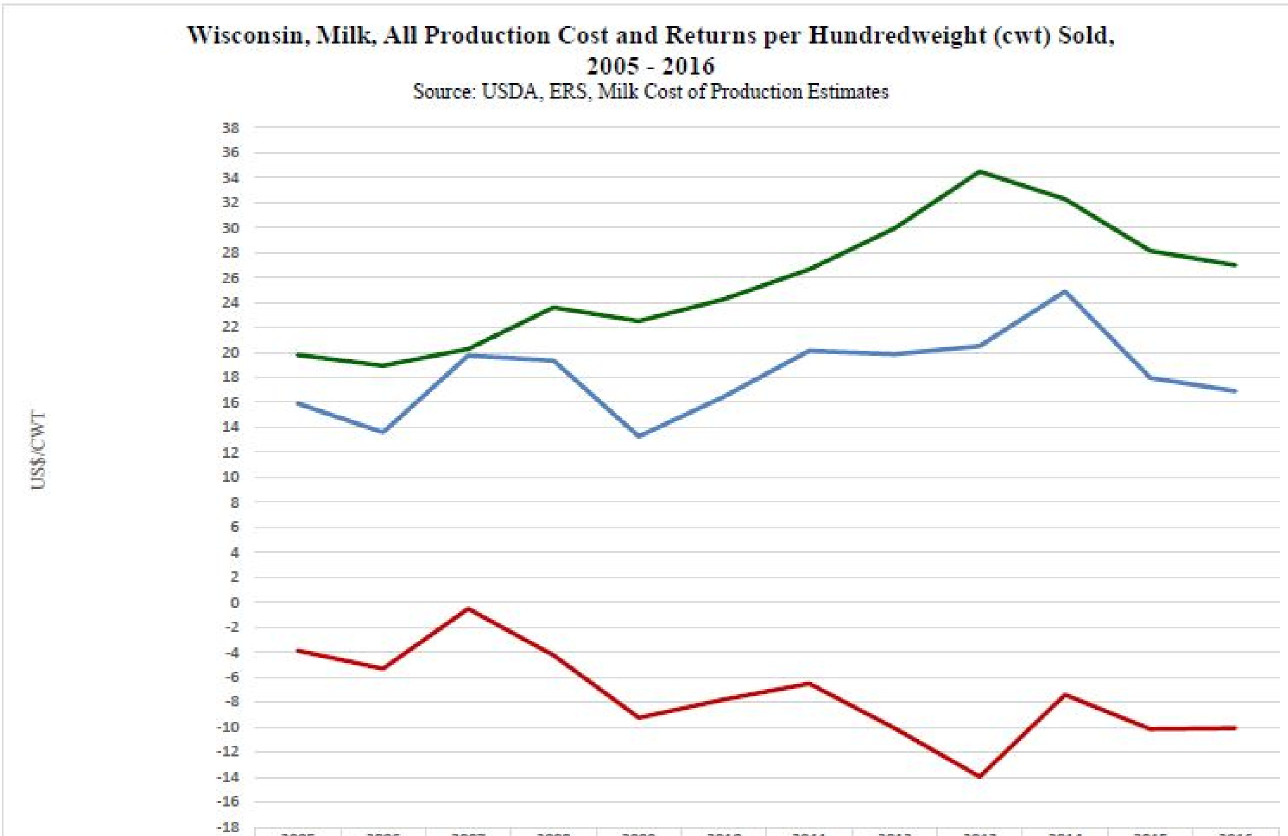
Source: USDA, ERS, Milk Cost of Production Estimates



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Farm Gate Price	13.99	11.64	18.12	16.91	11.54	14.38	17.74	16.39	17.92	21.44	14.95	14.58
Cash Cost	11.66	12.05	14.28	18.69	15.11	13.02	16.98	17.09	18.72	20.02	21.37	20.75
Difference	2.33	-0.41	3.84	-1.78	-3.57	1.36	0.76	-0.70	-0.80	1.42	-6.42	-6.17

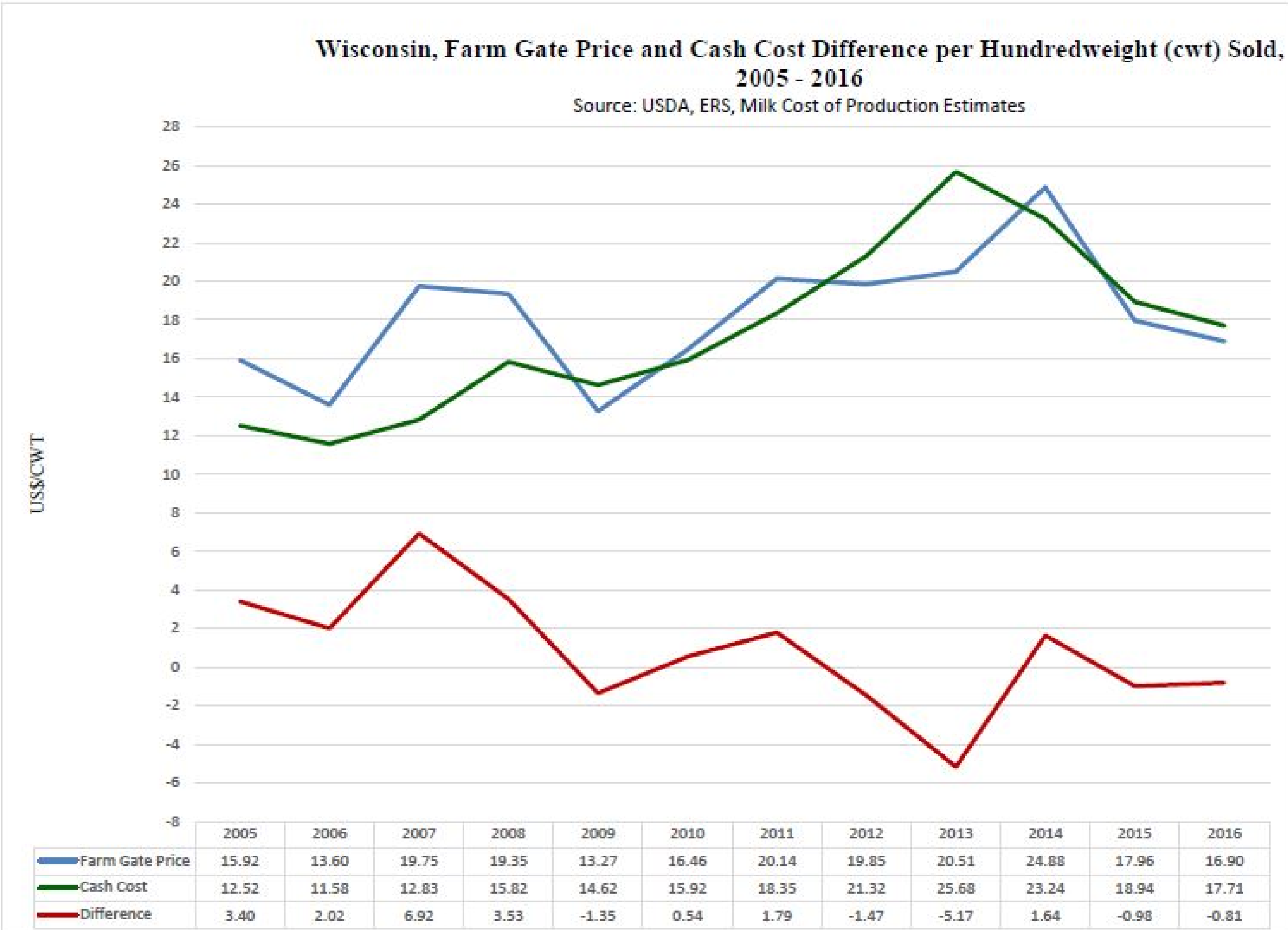
PART I

Wisconsin is the largest cheese producing state. And home of the Mega (5000 cow plus) dairy State producers on average have not covered their fully absorbed costs in at least 12 years. Cash Costs were covered in five of the last 12 years.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Farm Gate Price	15.92	13.60	19.75	19.35	13.27	16.46	20.14	19.85	20.51	24.88	17.96	16.90
Cost of Production (cwt)	19.80	18.93	20.27	23.60	22.51	24.25	26.65	29.94	34.48	32.28	28.12	26.97
Loss (cwt)	-3.88	-5.33	-0.52	-4.25	-9.24	-7.79	-6.51	-10.09	-13.97	-7.40	-10.16	-10.07

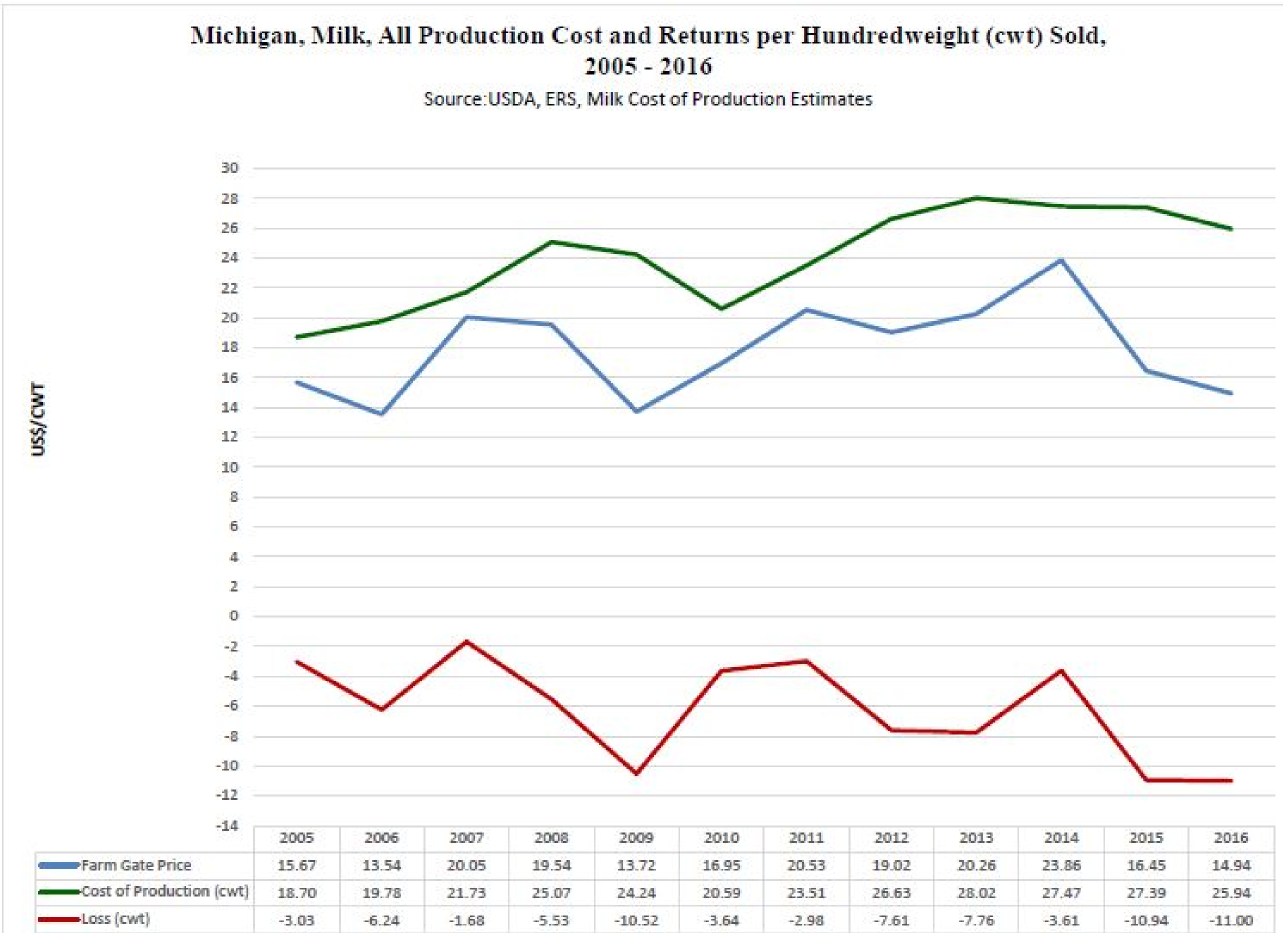
PART I



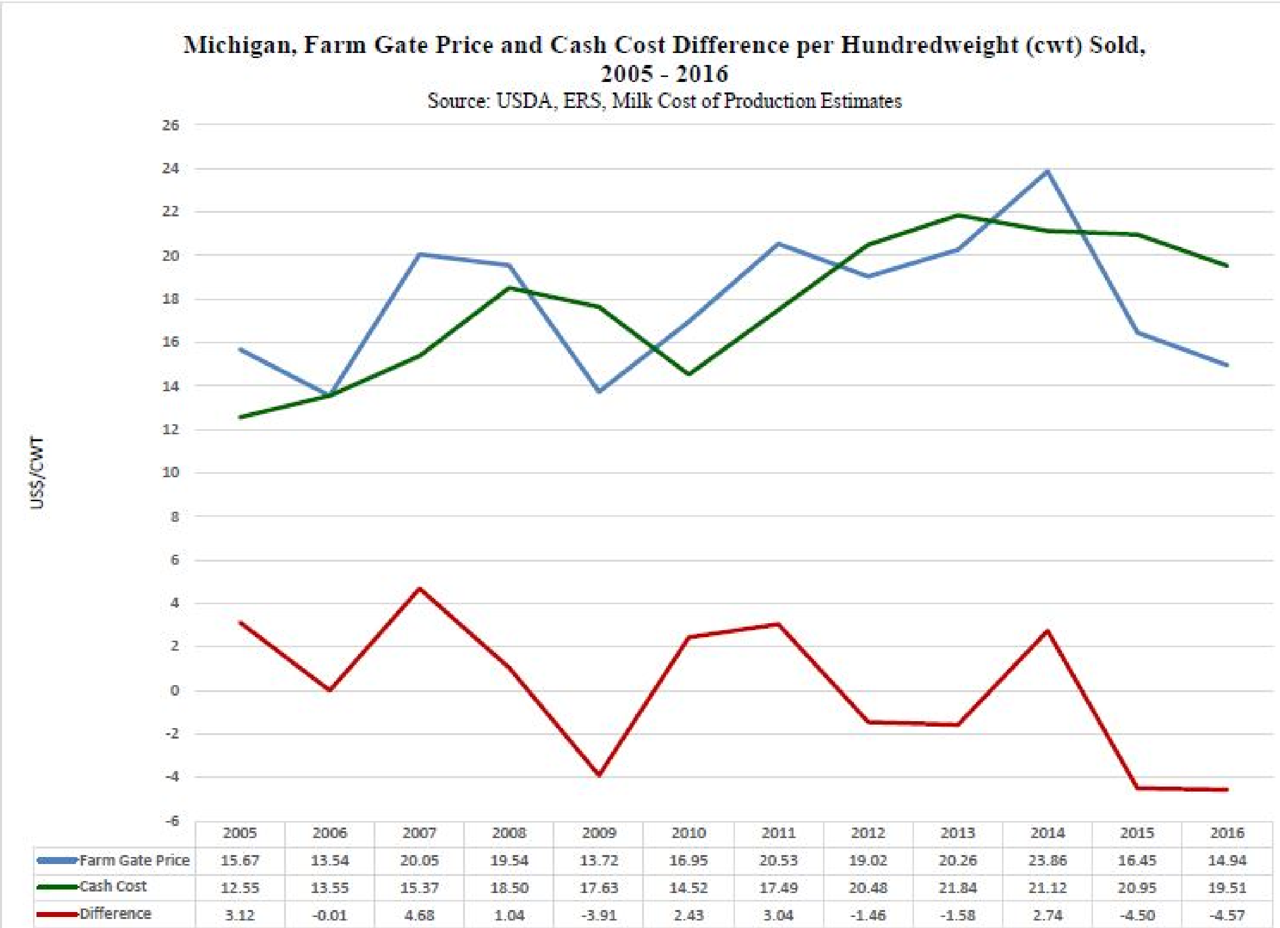
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Farm Gate Price	15.92	13.60	19.75	19.35	13.27	16.46	20.14	19.85	20.51	24.88	17.96	16.90
Cash Cost	12.52	11.58	12.83	15.82	14.62	15.92	18.35	21.32	25.68	23.24	18.94	17.71
Difference	3.40	2.02	6.92	3.53	-1.35	0.54	1.79	-1.47	-5.17	1.64	-0.98	-0.81

PART I

Michigan prices show a sharp decline in 2015 and 2016 from very high levels in 2014. This trend in major production states is due to an overabundance of milk and declining demand in China. Russian bans on EU dairy products, and increased production in New Zealand.



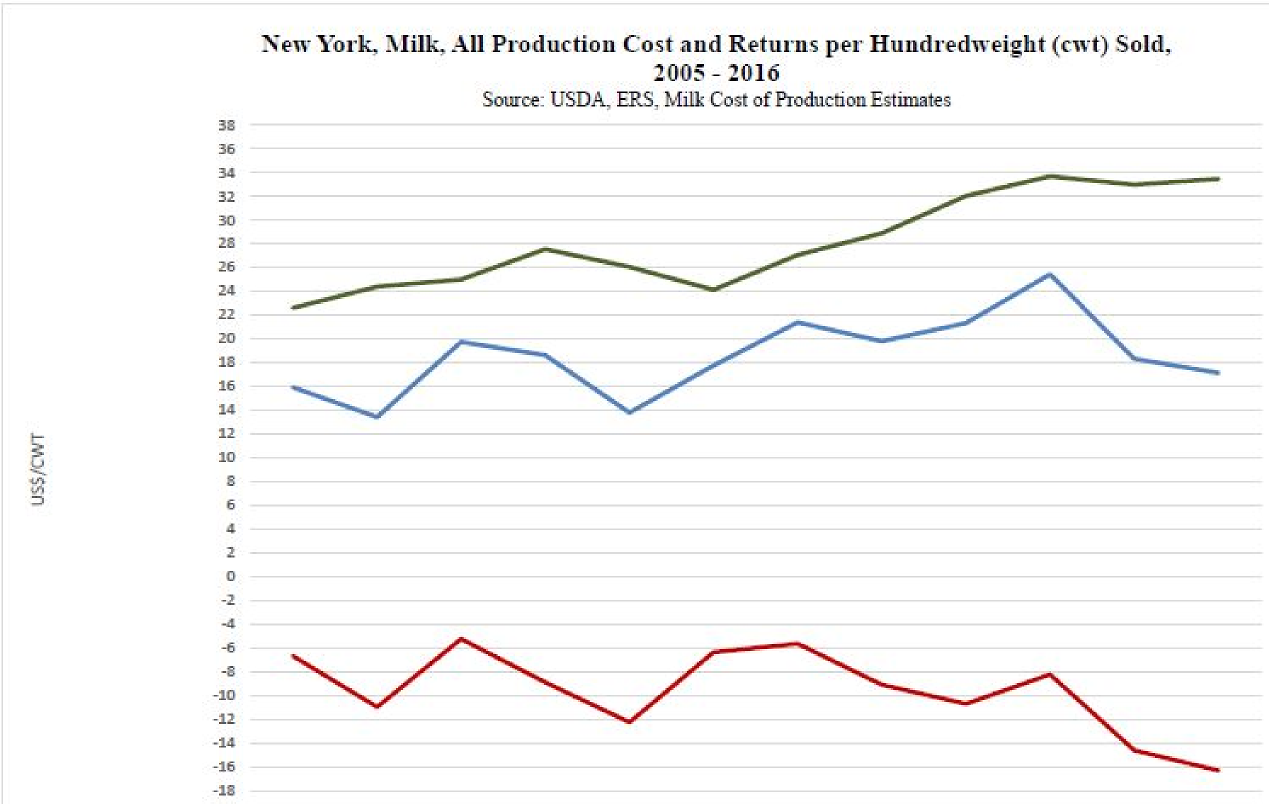
PART I



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Farm Gate Price	15.67	13.54	20.05	19.54	13.72	16.95	20.53	19.02	20.26	23.86	16.45	14.94
Cash Cost	12.55	13.55	15.37	18.50	17.63	14.52	17.49	20.48	21.84	21.12	20.95	19.51
Difference	3.12	-0.01	4.68	1.04	-3.91	2.43	3.04	-1.46	-1.58	2.74	-4.50	-4.57

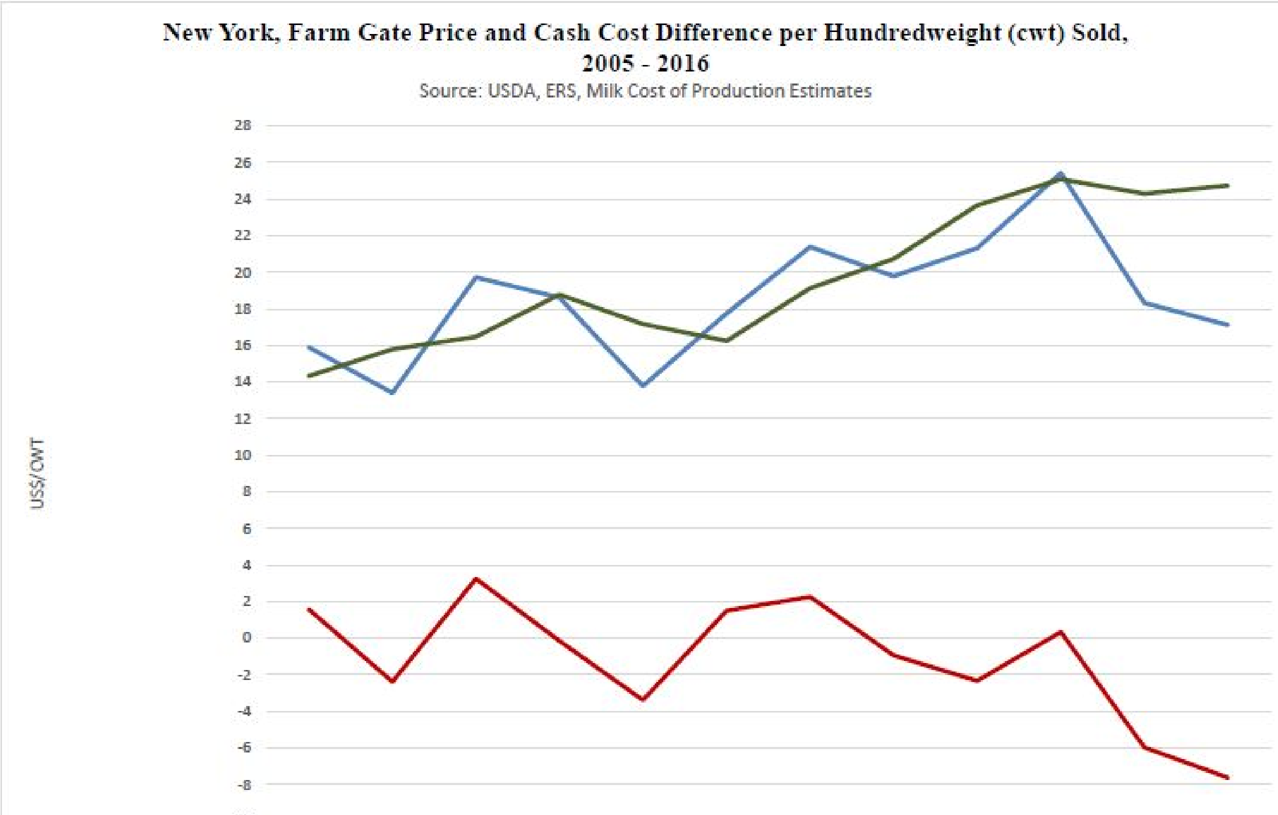
PART I

New York data is significantly worse than the national average. The loss over fully absorbed cost in 2016 was U.S. 16.34 /cwt.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Farm Gate Price	15.91	13.41	19.73	18.63	13.78	17.75	21.39	19.79	21.32	25.43	18.33	17.12
Cost of Production (cwt)	22.60	24.40	24.99	27.55	26.05	24.12	27.05	28.90	32.04	33.68	32.98	33.46
Loss (cwt)	-6.69	-10.99	-5.26	-8.92	-12.27	-6.37	-5.66	-9.11	-10.72	-8.25	-14.65	-16.34

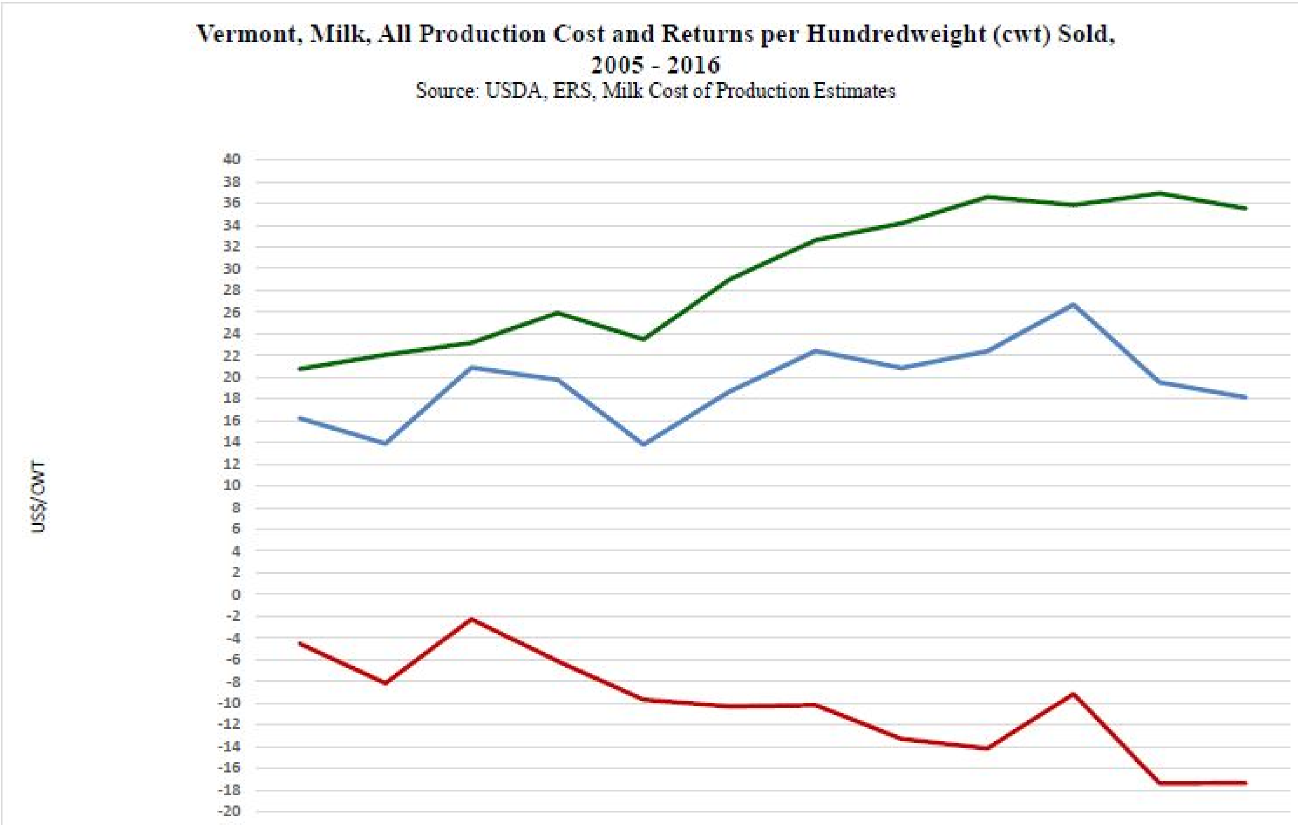
PART I



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Farm Gate Price	15.91	13.41	19.73	18.63	13.78	17.75	21.39	19.79	21.32	25.43	18.33	17.12
Cash Cost	14.33	15.79	16.48	18.78	17.17	16.25	19.13	20.73	23.66	25.09	24.30	24.75
Difference [FG - (OC + HL)]	1.58	-2.38	3.25	-0.15	-3.39	1.50	2.26	-0.94	-2.34	0.34	-5.97	-7.63

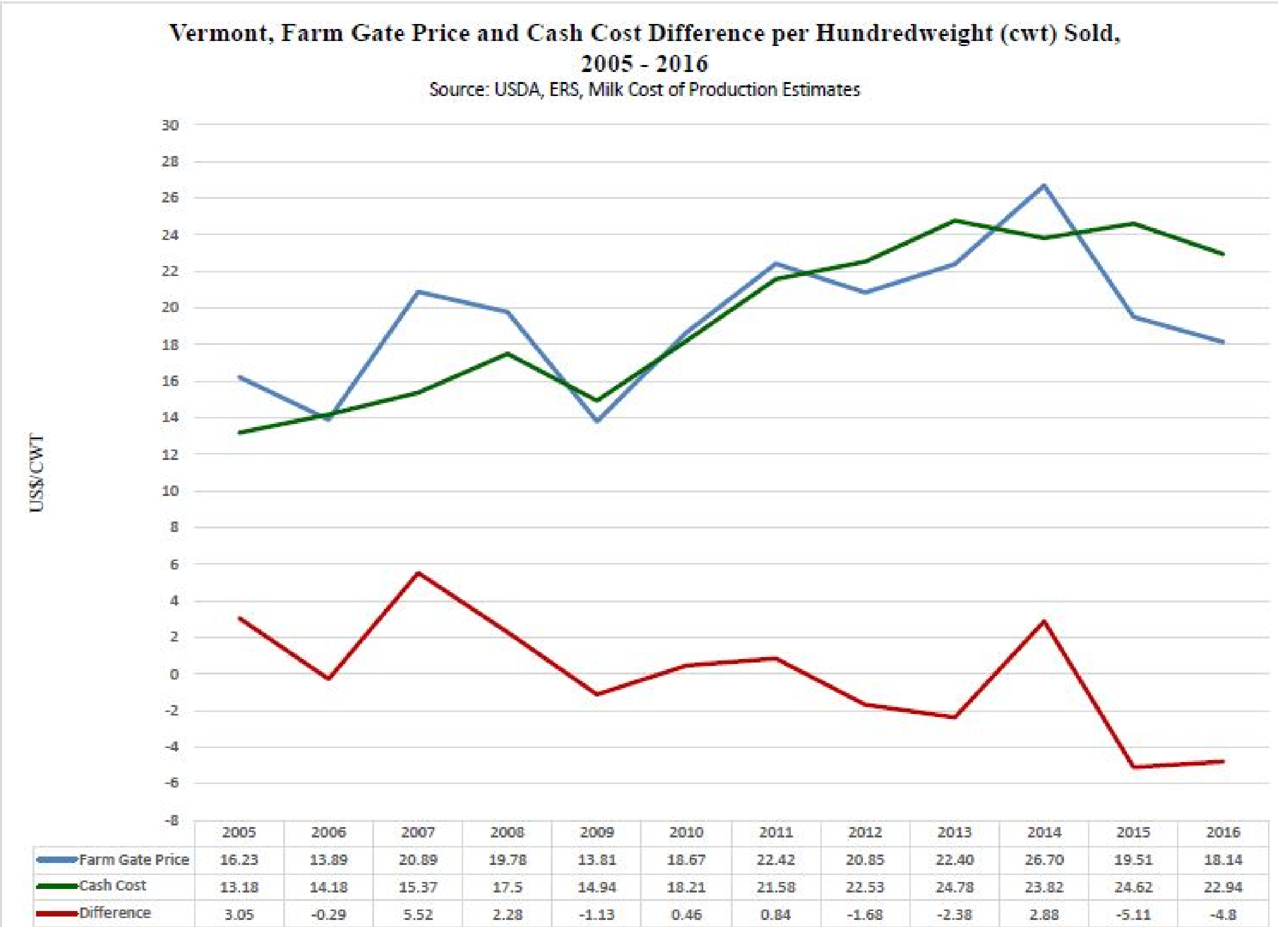
PART I

Vermont dairy farmers are high cost operators. Growing losses are taking a horrible toll on small family farms because rules set by NMPF - dominated by large co-ops ignore the small farmers' realities. Farmers are finding increased production is not the silver bullet. The more they produce the more they lose.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Farm Gate Price	16.23	13.89	20.89	19.78	13.81	18.67	22.42	20.85	22.40	26.70	19.51	18.14
Cost of Production (cwt)	20.76	22.06	23.16	25.91	23.49	28.99	32.61	34.16	36.58	35.85	36.91	35.52
Loss (cwt)	-4.53	-8.17	-2.27	-6.13	-9.68	-10.32	-10.19	-13.31	-14.18	-9.15	-17.4	-17.38

PART I



These comparisons show the following national deficits, i.e., costs exceed farm gate prices.

	National	New York	California	Wisconsin	Michigan	Vermont
2005	3.23	6.69	0.17	3.88	3.03	4.53
2006	6.04	10.99	3.03	5.53	6.24	8.17
2007	1.62	5.26	+1.12	0.52	1.68	2.27
2008	5.56	8.92	4.65	4.25	5.53	6.13
2009	9.47	12.27	6.53	9.24	10.52	9.68
2010	4.56	6.37	2.06	7.79	3.64	10.32
2011	4.21	5.66	2.77	6.51	2.98	10.19
2012	6.75	9.11	4.38	10.09	7.61	13.31
2013	7.48	10.72	4.57	13.97	7.76	14.18
2014	3.85	8.25	2.46	7.40	3.61	9.15
2015	9.98	14.65	10.36	10.16	10.94	17.40
2016	10.16	16.34	10.14	10.07	11.00	17.38

PART I

Methodology

This study is comprised of two Parts. In Part I, we review support provided under U.S. Federal Government agricultural programs and Federal-State government shared cost programs. In Part II of this study, support under U.S. State and local government agricultural programs is reviewed. Other sub-national government support is also captured in Part II.

This study analyzes and quantifies all publicly available information on federal and state programs that directly or indirectly support U.S. agriculture. These include domestic support programs, export subsidy programs, conservation programs, crop and livestock gross margin, insurance programs, risk management programs, disaster relief assistance programs, loan programs, crop insurance and livestock support programs as well as renewable fuels incentives and subsidies and irrigation programs.

For each reviewed program or support activity, this study provides the following:

(a) a brief description of the program;
(b) an assessment of the WTO compatibility of the program
(c) expenditures made or support provided under the program; and
(d) the portion of such support allocated to U.S. dairy production.

The objective of this study is to determine:

(a) the total value of current and projected support;

(b) the total amount of support and subsidies directly and indirectly related to dairy production;

(c) the estimated benefits of such support per hectolitre of milk produced in the USA; and

(d) the relationship between internal support and subsidies and import tariffs.

Overall, USDA data suggests that the support available to the U.S. dairy industry is both production and trade distorting. Similar benefits are available to much of U.S. agriculture and

PART I

Farm Bills have traditionally provided very generous support. However, our objective is to analyze the direct and indirect benefits to U.S. dairy producers.

Part I of this study, which reviews all agricultural support programs maintained by the U.S. Federal Government, is divided into the following Sections:

I. Overview
II. Domestic Support
III. Export Subsidies
IV. International Food Assistance
V. Agricultural Marketing Services
VI. Conservation Programs
VII. Crop Insurance
VIII. Rural Development
IX. Animal and Plant Health Inspection Services (APHIS)
X. Food Safety and Inspection
XI. Food and Nutrition Services
XII. Grain Inspection, Packers and Stockyard Administration (GIPSA)
XIII. Forest Service
XIV. Research, Education and Economics
XV. Irrigation Infrastructure

We have addressed the major programs and many but have not discussed all of the component parts, i.e., in Part I in the case of the Commodity Credit Corporation we reviewed major programs but not all of the grant and loan problems which the CCC administers. We have not analyzed certain benefits specific to cotton and peanuts as they are too remote to dairy. Arguably, we could have included these programs because our allocation methodology was based on average participation, but our desire to pursue a conservative approach argued that we should not. In some other cases, where the interest and benefits to the dairy sector are indirect, we have listed the various programs administered by a sub agency with their budget codes and analyzed the overall program. We have reviewed all activities, but in some cases we did not specifically analyze or address each of the component parts. This was done to avoid repetition and to try to make a very complex report more reader-friendly.

The decision to divide Part I of this study into a number of Sections, including specific sections on Domestic Support and Export Subsidies, should not be taken as an indication that support provided to U.S. agriculture considered in other sections of this study are not subsidies. All of the programs reviewed provide subsidies or support of some kind. The decision to sub-divide the study, and to select individual programs for analysis, as noted above, was taken to try to make the study more reader-friendly and not to indicate that programs not selected or designated are outside the scope of the sections on Domestic Support and Export Subsidies or that they do not provide important support and subsidies to U.S. agriculture.

Use of the phrase subsidies and support means the full range of all programs and activities related to financial and other support undertaken or provided by governments in the USA.

De Minimis (DM) Exemptions

DM exemptions are amber box outlays that, when measured as a share of a defined total output measure (total or product-specific), are sufficiently small (i.e., less than 5%) as to be deemed benign. DM exemptions are identified as either product- or non-product-specific.

Product-Specific DM Exemptions

Product-specific amber box outlays have included payments made under the following programs: the sugar program, Dairy Product Price Support (DPPS) program, Milk Income Loss Contract (MILC) program, Countercyclical (CCP) payments, Marketing Loan (MLP) program, Average Crop Election (ACRE) payments, Supplemental Crop Revenue Assurance (SURE) program, crop insurance subsidies, farm storage facility loans, and commodity loan interest subsidies. U.S. product-specific DM exemptions averaged $361 million annually during 1995-2011, including a low of $29 million in 1999 and a high of $1.6 billion in 2002. Every program commodity, with the exception of dairy and sugar, has claimed product-specific DM at some point during the past

17 years. In 2012, with the inclusion of crop insurance premiums, product-specific DM exemptions jumped to $5.0 billion, up from $0.5 billion in 2011.

Non-Product-Specific DM Exemptions

The non-product-specific exemption is the largest and most favorable in terms of its more generous spending limit—5% of the value of total agricultural output, inclusive of all crops and livestock products. Since 1995, U.S. agricultural production has ranged in total value from $184.7 billion in 1999 to a high of $396.6 billion in 2012. As a result, the U.S. non-product-specific DM exemption upper limit has ranged from a low of $9.2 billion in 1999 to a high of $19.8 billion in 2012.

During the first 17 years of U.S. notifications of domestic spending to the WTO (i.e., 1995 to 2011), non-product-specific DM outlays averaged $4.9 billion, including a high of $9.2 billion in 2011—all well within the DM limit. This category of U.S. program outlays saw considerable growth through 2011, driven largely by growth in U.S. crop insurance premium subsidies, which accounted for $7.5 billion of the $9.2 billion in non-product-specific DM outlays in 2011. This changed in 2012.

Crop Insurance Reclassification: Non-Product- to Product-Specific Support

Through 2011, U.S. crop insurance premium subsidies were notified as non-product-specific amber box outlays. As a result, despite their large size and importance as a share of domestic support outlays, premium subsidies were routinely exempted from counting against the U.S. amber box limit under the relatively high DM threshold for non-product-specific spending. Furthermore, this notification strategy by the United States has never been challenged despite the fact that individual policies are purchased for coverage of a specific commodity—for example, a corn revenue policy or a soybean yield policy.

In its most recent notification (2012), the United States changed its notification status for crop insurance premium subsidies to product-specific amber support. As such, any product-specific support is first evaluated against 5% of the value of that specific commodity. When a product-specific subsidy is in excess of its 5% product-specific DM exemption threshold, then the entire amount of subsidies for that commodity must be counted against the $19.1 billion amber box limit. As a result, instead of exempting the entire $7 billion in premium subsidies in 2012 under the non-product-specific DM exemption, $5 billion were exempted under product-specific DM exemptions. The remaining $2 billion in product-specific premium subsidies exceeded the individual product DM thresholds (for wheat, cotton, sorghum, canola, dry beans, dry peas, and flaxseed) and thus counted against the aggregate amber box limit of $19.1 billion.[26]58

For example, in 2011 the United States was able to exclude $7.5 billion of crop insurance premium subsidies and $1.4 billion of SURE payments from counting against its $19.1 billion amber box limit under the non-product-specific DM exemption. In contrast, in its 2012 notification crop insurance premium subsidies were reclassified as product-specific support. As a result, the United States excluded a much-reduced $0.3 billion of potential amber box outlays under the non-product-specific DM exemption. Non-product-specific DM exemptions are likely to remain insubstantial going forward. In contrast, the product-specific DM exemption rose to $5.0 billion in 2012 after averaging under $0.4 billion annually since 1995.[27]59

Other Non-Product-Specific Support Is Minimal

Apart from crop insurance premium subsidies, other U.S. farm programs that have been notified as non-product-specific DM outlays in the past have included CCP payments, irrigation and grazing subsidies, payments under the Supplemental Crop Revenue Assurance (SURE) program, and payments made under two bioenergy programs—the Rural Energy for America Program (REAP) and the Biomass Crop Assistance Program (BCAP).[28] Both the SURE and CCP programs no longer exist, while the REAP and BCAP programs are relatively small in terms of

[26] This appears to be a strategy designed to facilitate compliance under a future successful Doha-Round-like agreement. For a related discussion, see CRS Report RS22927, WTO Doha Round: Implications for U.S. Agriculture.
[27] This notification change is visible as the decline in the red bar between 2011 and 2012 in **Figure 1** and the concomitant increase in the yellow bar for those same years.
[28] REAP was originally classified as green box; however, in its 2011 notification to the WTO, USDA reclassified REAP payments as non-product-specific amber box spending.

potential outlays.[29] Federal irrigation and grazing subsidies have been small (relative to crop insurance subsidies) and unvarying since 2008, at $200 million and $45 million per year, respectively.

Subsidies to Agribusiness[30]

David Dayen in an analysis in New Republic explained the continuing bank-rolling of agribusiness. The politicians patting themselves on the back for repealing subsidies to farmers have found a surreptitious way to deposit these savings right back in the pocket of agribusiness. That's because the farm bill will expand subsidies for crop insurance, which looks like a private-sector program but which actually hands over virtually the same amount of taxpayer money to farmers, mostly wealthy ones, as the old direct payment program. What's more, the shift from direct payments to crop insurance ensures that those handouts can be distributed in a hidden, more politically palatable way, making it more difficult to ever dislodge them.[31]

Federally subsidized crop insurance programs pay almost two-thirds of a farmer's premium, as well as most of the insurance claims, guaranteeing revenue regardless of crop failure or even price swings. The current farm bill expands the program to cost the government $90 billion over ten years, an increase of $7 billion. But that's just an estimate, which may be low. Farmers received $16 billion in crop insurance payments alone during last year's Midwest drought, most of it paid by the federal government. Despite the poor conditions, net agriculture income increased 15 percent last year, a tribute to the relative pointlessness of the subsidies.[32]

There have traditionally been no limits to premium support, meaning the richest businesses reap the most benefits. A provision from Senator Tom Coburn to reduce payouts for farmers with over $750,000 in income was stripped from the final bill, despite passing the Senate twice. The

[29] Under the 2014 farm bill, mandatory funding of $50 million per year and discretionary funding of $20 million per year were authorized for REAP, while BCAP funding was limited to mandatory funding of $20 million per year for FY2014-FY2018.
[30] "The Farm Bill Still Gives Wads of Cash to Agribusiness. It's Just Sneakier About It.", New Republic Magazine, by David Dayen, February 4, 2014
[31] "The Farm Bill Still Gives Wads of Cash to Agribusiness. It's Just Sneakier About It.", New Republic Magazine, by David Dayen, February 4, 2014
[32] Ibid.

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Environmental Working Group, a critic of crop insurance, estimates that 10,000 policyholders receive over $100,000 a year in subsidies annually, with some receiving over $1 million, while the bottom 80 percent of farmers, the mom-and-pop operations, collect only $5,000 annually.[33]

The generosity of the program also leads insurers to cover outsized risk, with farmers planting in low-yield areas, knowing they will get rewarded either way.[34]

Under Price Loss Coverage (PLC), farmers receive payments if prices for corn, soybeans and 12 other crops dive below a certain level. But the bill raises that floor price in ways that almost guarantee payouts for some crops, particularly rice and cotton, which are coincidentally the crops for which farmers pre-2014 Farm Bill, most frequently received direct payments. There already exists a perfectly good check on crop price swings, known as the commodity futures markets, where producers can lock in rates and guard against forthcoming instability. Price Loss Coverage is duplicative and forces taxpayers to guarantee revenue for private businesses.[35]

Another program, called Agriculture Risk Coverage (ARC), would cover “shallow losses” which are not covered under crop insurance deductibles. In other words, if a farmer experienced a 15 percent loss and his crop insurance carried a 25 percent deductible, Agriculture Risk Coverage would cover the gap. But this makes the deductible irrelevant and ensures that farmers get compensated for virtually any loss. Overall, of the $40 billion in projected savings over ten years from ending direct payments, $27 billion go right back into these insurance programs.[36]

As Scott Faber of EWG put it, “We’re replacing a discredited subsidy with a soon-to-be discredited subsidy.”[37]

Suzanne Mettler, Professor at Cornell University calls it “the submerged state.” So many federal social programs lurk underneath the surface that the public cannot get a good handle on who benefits from government largesse. “Appearing to emanate from the private sector, such policies

[33] Ibid.
[34] Ibid.
[35] Ibid.
[36] Ibid.
[37] Ibid.

obscure the role of the government and exaggerate that of the market," Mettler says. And the vast majority of these programs benefit the wealthy, refuting the conceit that the rich boldly succeed without a government safety net protecting them.[38]

It's easier to denounce a farmer getting paid not to plant their field than to decry an overly generous insurance payout. Congress, particularly a Senate that over-represents rural agricultural states, knows well how to hide the ball in this fashion, keeping the focus on undeserving food stamp recipients rather than undeserving agribusinesses.[39]

Doha Round Implications

A consideration for U.S. policymakers is the potential for expanded domestic support programs to sidetrack or delay progress in multilateral trade negotiations.[40] From the U.S. perspective, a successful Doha agreement (under the current negotiating text) would significantly lower allowable spending limits for certain types of U.S. domestic support and eliminate export subsidies, while allowing U.S. agricultural products wider access to foreign markets. Key proposals with respect to new or revised disciplines on farm programs under the comatose 2008 Doha Round texts include two objectives.[41]

First, spending limits (total and product-specific) for the amber box and the two DM exemptions would be reduced substantially, while a limit would be established on the otherwise unbounded blue box.

- The total limit for U.S. amber box spending would be reduced to $7.6 billion (down from the current $19.1 billion limit), while new product-specific limits would be established at the average annual support received during the 1995-2000 period.

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[38] Ibid.
[39] Ibid.
[40] For a full discussion of this issue, see CRS Report RS22927, WTO Doha Round: Implications for U.S. Agriculture.
[41] Although not formally approved by the entire WTO membership, the negotiating texts represent agreement among the three countries with the largest domestic support programs—the United States, the European Union, and Japan.

- DM exemption limits for non-product-specific outlays would be set at $4.85 billion (as compared to the current variable limit based on total U.S. production, which has averaged $16 to $20 billion), and for product-specific outlays at 2.5% of the average annual production value during the 1995-2000 period, thus establishing a historical base at a level substantially below current production values.

- Blue box limits would be established for non-product-specific outlays at $4.85 billion, and for product-specific outlays at 110% or 120% of the annual average during the 2002-2007 period.

Second, a global spending limit—referred to as the overall trade-distorting domestic support (OTDS)—encompassing the four categories of the amber box, the two DM exclusions, and the blue box would be established at a level substantially smaller than the sum of their individual limits. Finally, the criteria for exemption status in the green box would be tightened.

Potential program spending under the new suite of domestic support programs authorized by the 2014 farm bill might exceed the tighter spending limits proposed under the Doha Round draft modalities. For example, the proposed limits for amber box outlays of $7.6 billion are well below USDA's May 2014 projections for PLC and ARC outlays of $10.1 billion in crop year 2015 and $10.9 billion in 2016.[42]

U.S. Farm Bill Policies

Clearly, it is Government support and not market forces which influence production decisions and farm income in the USA. And this is not likely to change. After Congress rejected the President's efforts to bring some discipline to the system because of the record high prices for many farm products, the New York Times explained:

[42] "Final Rule: Agriculture Risk Coverage and Price Loss Coverage Programs," Federal Register, vol. 79, no. 187, September 26, 2014.

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> "Few pieces of legislation generate the level of public scorn consistently heaped upon the farm bill.
>
> Presidents and agriculture secretaries denounce it. Editorial boards rail against it. Good-government groups mock it. Global trading partners formally protest it. Even farmers gripe about it.
>
> But as Congress proved again last week, few pieces of major legislation also get such overwhelming bipartisan support – enough, in the case of the current farm bill, to override the veto expected by President Bush any day now….[43]

One must wonder how U.S. subsidies to agriculture continue on such a massive, obscene scale. Over the 25 years we have been analyzing U.S. Farm Bills we have reviewed hundreds of editorials in the U.S. press, most of them critical of past and current Farm Bills and subsidies.

Farm Bill

The Congressional Budget Office (CBO) estimates that payments disbursed by the Commodity Credit Corp., the entity that distributes agricultural subsidies, will surge to approximately $10.2 billion in 2017 — almost $3 billion more than during the 2015-2016 fiscal year.[44]

Farm subsidy programs in total cost American taxpayers about $20 billion a year. When adding programs such as SNAP (food stamps) and subsidized school meals, which arguably benefit big agribusiness firms more than the working poor or students and the Women, Infants and Children special supplement (WIC) nutrition programs, that total climbs even higher. Some of the largest companies in the U.S. have not only lobbied against cuts to any food subsidy programs, but they have also opposed any changes to these subsidies that could encourage more healthful eating habits.[45]

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[43] "Reaching Well Beyond the Farm", By David M. Herszenhorn, The New York Times, May 20, 2008
[44] "Annual Farm Subsidies to Reach 10-Year High", Food & Agriculture, by Leon Kane, April 15, 2016
[45] Ibid.

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A study by the House Agriculture Committee tracked expenditures on different food types as follows:[46]

SNAP Household Expenditures by Summary Category

Summary Category	SNAP Household Expenditures	
	Rank	% of Expenditures
Meat, Poultry and Seafood	1	19.19%
Sweetened Beverages	2	9.25%
Vegetables	3	7.19%
Frozen Prepared Foods	4	6.92%
Prepared Desserts	5	6.90%
High Fat Dairy/Cheese	6	6.50%
Bread and Crackers	7	5.39%
Fruits	8	4.68%
Milk	9	3.54%
Salty Snacks	10	3.43%
Prepared Foods	11	3.07%
Cereal	12	2.84%
Condiments and Seasoning	13	2.65%
Fats and Oils	14	2.36%
Candy	15	2.10%

These data demonstrate that more than out 10.54 % dairy factor is accounted for by dairy expenditures, assuming (ice cream is a frozen dessert).

Farmers who raise crops such as corn, soy or wheat cannot get any subsidies if they grow fruits or vegetables on that same land. And while subsidizing the cultivation of berries and greens would be a fool's game, access to crop insurance would help encourage crops far more healthful.[47]

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[46] Past, Present, & Future of SNAP, House Agriculture Committee Report, December 7, 2016, pg 54 http://agriculture.house.gov/uploadedfiles/snap_report_2016.pdf
[47] "Annual Farm Subsidies to Reach 10-Year High", Food & Agriculture, by Leon Kane, April 15, 2016

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SUMMARY OF DAIRY TITLE PROVISIONS[48]

The U.S. dairy program underwent dramatic changes in the 2014 Farm Bill—the Dairy Product Price Support (DPPS) program, the Milk Income Loss Contract (MILC) program, and the Dairy Export Incentive Program were all eliminated.

Notifications for DPPS averaged $4.2 billion annually during the 1995-2011 period (primarily the result of tariff rate quota protection), making it the single largest component of U.S. product-specific amber box notifications, even though federal outlays averaged only $443 million over the same period.[49] MILC program outlays were much smaller, due to their counter-cyclical design and a strict per-farm cap on payments, averaging about $287 million per year during the 1995-2011 period.[50] Repeal of the DPPS and MILC programs frees up substantial space for new program spending under the $19.1-billion U.S. amber box limit.

The repealed dairy programs have been replaced with a new insurance-like margin deficiency payment program—the Dairy Margin Protection Program (DMPP)—that makes payments to participating dairy producers when the national milk margin (calculated as the average farm price of milk minus a formula-based average feed ration) falls below $4.00 per hundredweight (cwt), with coverage at higher margin levels up to $8.00/cwt available for purchase.[51] Under this DMPP program design, payments are coupled to current market prices and recent historical farm-level production (i.e., the maximum annual output during 2011-2013), with no payment limit or cap on potential outlays at either the farm or national level.

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[48] 2014 Farm Bill – Summary of Dairy Title Provisions, February 7, 2014
http://www.nmpf.org/files/file/Farm-Bill-Dairy-Title-Summary-012814.pdf
[49] A modification to the DPPS program in the 2008 farm bill—switching the focus away from supporting the fluid milk price and to directly supporting dairy product prices—had lowered the annual notification to an average of $2.8 billion during 2008-2011.
[50] MILC outlays ranged from a low of $0 in 2001 to a high of $1.8 billion in 2002.
[51] For program details, see CRS Report R43465, Dairy Provisions in the 2014 Farm Bill (P.L. 113-79).

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Milk Margin Protection Program

The main feature of the new Farm Bill Dairy Title is the Dairy Producer Margin Protection Program. The Margin Protection Program is a new and unique safety net program that will provide dairy producers with indemnity payments when actual dairy margins are below the margin coverage levels the producer chooses on an annual basis. Its focus is to protect farm equity by guarding against destructively low margins, not to guarantee a profit to individual producers. The Farm Bill requires the Margin Protection Program to be established no later than September 1, 2014.[52]

The program supports producer margins, not prices and is designed to address both catastrophic conditions as well as prolonged periods of low margins. Under this program, the "margin" will be calculated monthly by USDA and is simply defined as the all-milk price minus the average feed cost. Average feed cost is determined using a feed ration that has been developed to more realistically reflect those costs associated with feeding the entire dairy farm enterprise consisting of milking cows, heifers, and other related cost elements.[53]

Margin Protection Program details are as follows:[54]

1. All dairy operations will be eligible to participate in the program. If one or more dairy producers participate in the production and marketing of milk on a single operation, all producers will be treated as a single dairy operation. If a dairy producer operates two or more operations, each operation will be required to register separately to participate in the program.

2. In the first year of the Margin Protection Program, coverage will be limited solely to the volume of milk equivalent to the producer's production history. Production history is defined as the highest level of annual milk production during 2011, 2012 or 2013. In

[52] 2014 Farm Bill – Summary of Dairy Title Provisions, February 7, 2014
http://www.nmpf.org/files/file/Farm-Bill-Dairy-Title-Summary-012814.pdf
[53] Ibid.
[54] Ibid.

subsequent years, annual adjustments to the producer's production history will be made based on the national average growth in overall US milk production as estimated by USDA. Any growth beyond the national average increase will not be protected by the program.

3. In 5 percent increments, producers will be able to protect from 25 percent up to 90 percent of their production history.

4. Producers will be able to select margin protection coverage at 50 cent increments beginning at $4 per cwt. through $8 per cwt. Premiums will be fixed for 5 years (through 2018) and are as follows:

Marketings Under 4 Million Pounds	
Coverage Level	**Premiums***
$4.00	None
$4.50	$.01
$5.00	$.025
$5.50	$.04
$6.00	$.055
$6.50	$.09
$7.00	$.217
$7.50	$.30
$8.00	$.475

Marketings Over 4 Million Pounds	
Coverage Level	**Premiums**
$4.00	None
$4.50	$.02
$5.00	$.04
$5.50	$.10
$6.00	$.155
$6.50	$.29
$7.00	$.83
$7.50	$1.06
$8.00	$1.36

*Except for the premium at the $8.00 level, these premiums will be reduced by 25 percent for each of calendar years 2014 and 2015 and only for marketings under 4 million pounds.

5. Payments will be made to producers based on the percentage of their production history they have chosen to protect (25-90 percent) and the level of margin coverage they have selected ($4.50 to $8 per cwt). Payments will be distributed when margins fall below $4 (or below the selected level of coverage if a producer has selected a level above $4), averaged over any of these consecutive two-month periods: Jan-Feb, Mar-Apr, May-Jun, Jul- Aug, Sep-Oct, Nov-Dec.

6. Farmers will pay an annual administrative fee of $100 in order to access the new Margin Protection Program.

7. Should conditions warrant, the MILC payments will be temporarily available for dairy producers until the implementation of the Margin Protection Program or September 1, 2014 – whichever occurs first.

Some economists have argued that the proposed margin program fails to follow sound insurance principles: (1) premiums do not reflect the anticipated risk environment in milk and feed markets; and (2) the proposed margin insurance program does not use a rating method to update premiums—instead, premiums are fixed for the life of the Farm Bill.[55] Another factor in determining WTO compliance and the degree of potential market distortion is the share of the premium paid by the federal government.[56] The lower the statutorily fixed premiums are relative to the expected indemnity (i.e., the less actuarially sound) or the higher the share of the premium paid by the federal government, the greater will be the incentive to increase milk production transmitted to producers by the program.

When the program was introduced, it was estimated that had it been in effect during the 2008 Farm Bill it would have paid dairy farmers $1 billion more than MILC.[57]

According to one economic analysis, if milk margins fall to levels that activate indemnity payments, then a weakened feedback process between producers and market price signals could (1) prevent normal market adjustment to milk production, prices, and margins (in other words, producers will not get the necessary market signal to cut back on production) and (2) result in persistent oversupply, lower margins, lower farm incomes, and larger federal expenditures than would have occurred under the previous suite of dairy price and income support programs.[58] The same study found that the program design—the provision that producers may purchase coverage

[55] John Newton and Cam Thraen, "The Dairy Safety Net Debate of 2013 Part I: Questions and Answers," farmdocdaily.com, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, December 17, 2013.
[56] The fixed nature of the DMPP premium implies that the federal subsidy share is both indirect and varies with the underlying risk conditions.
[57] Dairy Margin Protection Program – USDA, https://www.fsa.usda.gov/programs-and-services/Dairy-MPP/index
[58] C. F. Nicholson and M. W. Stephenson, "Dynamic Market Impacts of the Dairy Margin Protection Program of the Agricultural Act of 2014," Program on Dairy Markets and Policy Working Paper Series, Working Paper No. WP14-03, May 2014.

on as much as 90% of their recent historical maximum output; and the $8.00/cwt maximum coverage option, which represents 93% of the national average milk margin during the 15-year period preceding DMPP implementation—could result in annual outlays of as much as $5 billion during low-margin periods, as experienced during 2009 and 2012.[59] However, current market analysis suggests that DMPP payments are unlikely to be triggered, due to strong dairy product prices and weak feed prices.[60]

In the initial sign-up for DMPP for 2015, over 50% of U.S. dairy farms elected to participate.[61] Of these, 55% elected to purchase coverage at levels above the $4 minimum margin. Since the first year of coverage, 2015, is still ongoing, final market conditions and program costs (and potential market distortions) are still uncertain.

Dairy Product Donation Program

The new Farm Bill also creates a new Dairy Product Donation Program that would be triggered in the event of extremely low operating margins for dairy farmers and would also provide nutrition assistance to individuals in low income groups by requiring USDA to purchase dairy products for donation to food banks and other feeding programs.[62]

The new program would only activate if margins fall below $4.00 for two consecutive months and would require USDA to purchase dairy products for three consecutive months, or until margins rebound above $4.00. The program would trigger out if US prices exceed international prices by more than 5%. Under this provision USDA would purchase a variety of dairy products to distribute to food banks or related non-profit organizations. USDA is required to distribute, not store, these products.[63]

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[59] In contrast, the CBO April 2014 baseline projects DMPP net outlays of about $84 million per year through 2024.
[60] Using CBO April 2014 baseline projections for the price of all-milk compared with the feed ration cost generated using the FAPRI November 2014 price projections, CRS estimates that the annual average margin stays above $8.00 through 2018. Actual margin payments are based on a moving two-month average, not the annual average.
[61] "USDA Provides Additional Data on Dairy Farms Enrolled in Margin Protection Program," news release, January 16, 2015, National Milk Producers Federation, http://www.nmpf.org.
[62] 2014 Farm Bill – Summary of Dairy Title Provisions, February 7, 2014 http://www.nmpf.org/files/file/Farm-Bill-Dairy-Title-Summary-012814.pdf
[63] 2014 Farm Bill – Summary of Dairy Title Provisions, February 7, 2014 http://www.nmpf.org/files/file/Farm-Bill-Dairy-Title-Summary-012814.pdf

Organizations receiving USDA purchased dairy products would be prohibited from selling the products back into commercial markets.[64]

Programs That Were Renewed

Three existing dairy programs will be renewed under provisions of the new Farm Bill: the Dairy Promotion and Research Program ("checkoff"), the Dairy Indemnity Program, and the Dairy Forward Pricing Program. The authority for all three programs is extended through 2018.[65]

Does the DMPP Work? Clearly Not for All Farmers

Here is a sampling of farmer concerns. These farmers are generally not members of the large co-ops which dominate the National Milk Producers Federation (NMPF).

The USDA should "take action to protect all of our nation's dairy farmers from further crisis and to aid in the expansion and maintenance of domestic markets" in a letter sent to Vilsack Thursday.66

The problem is that prices on dairy products are dropping, but milk production in the U.S. isn't slowing down. Milk prices dropped 40 percent since 2014, the letter says, and "the nation's cheese stocks were recorded at their highest level since the data was first recorded in 1917," the letter says. The national cheese stockpile reached 1.19 billion pounds in May.[67]

"The dairy market will continue to struggle with depressed prices," putting at risk jobs and farms across the country, the senators and representatives argue.[68]

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[64] Ibid.
[65] Ibid.
[66] "Congress Asks USDA To Bail Out Dairy Industry", The Daily Caller News Foundation, by Thomas Phippen, July 29, 2016
[67] Ibid.
[68] Ibid.

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Milk production in Maine… is up 8.2 percent this year, even though the uncharacteristically warm summer brought that number down a bit. “There is a need to help our dairy farmers,” Alicyn Smart, executive director of the Maine Farm Bureau Association and doctor of plant medicine, told The Daily Caller News Foundation.[69]

USDA to “use its secretarial authority” to help milk producers. The USDA is authorized under the Agricultural Adjustment Act of 1935 to aid farmers “through loans, purchases, payments, and other operations.”[70]

The last time the USDA assisted dairy farmers outside the standard subsidy programs was in December 2009, at the beginning of Vilsack’s tenure as Agriculture Secretary. That action came in the form of a 2010 Agricultural Appropriations Bill, which made $290 million available to dairy farmers as direct payments to offset losses.[71]

The 2014 Farm Bill eliminated direct subsidies for milk, and started a form of crop insurance. The dairy industry is still adjusting, adjusting poorly some suggest to the Margin Protection Program for Dairy, enacted by the 2014 Farm Bill, which replaced subsidies. Dairy margin insurance “provides financial assistance to participating dairy producers when the margin – the difference between the price of milk and feed costs – falls below the coverage level selected by the producer,” according to the USDA.[72]

“It’s a new program, it’s different from the previous safety net program. It’s our second year in, and 80 percent of milk is enrolled in the program.” John Newton, director of market intelligence at the American Farm Bureau told The Daily Caller News Foundation.[73]

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[69] Ibid.
[70] Ibid.
[71] Ibid.
[72] Ibid.
[73] Ibid.

PART I

Despite help, Maine dairy farmers are still hurting[74]

"We want a chance to have our input into what the new Farm Bill looks like and how to write something that sustains our dairy farmers, that doesn't make it impossible for you to compete but helps you get through the difficult times."[75]

Prices paid to dairy farmers nationwide for liquid milk have fallen by about 40 percent since 2014, driven down by a glut of product, changing export markets and the use of more milk for cheese, yogurt and other products. Last summer's drought also drove up the cost of feed. As a result, the price stabilization program run by the Maine Milk Commission has paid out roughly $32 million since 2015 to help farmers cover the difference between their production costs and the amount they receive.[76]

And dairy policy-making is often rife with regional political tensions pitting states where smaller-scale dairy farms are more common, such as New England, against midwestern or western states with massive dairy operations.[77]

Others called for additional federal intervention to make sure farmers are paid their due from the cash register receipts. That has been a persistent complaint among farmers who accuse milk processors and retailers of pocketing all of the profits while milk producers are forced to go into debt, sell equipment or sell the farm during lean times.[78]

"But I'd rather get my milk check out of the marketplace. If you look at what consumers are paying for dairy products, it's there. It's just not getting back to the farm. The consumer is paying enough that the retailer, the processor and the farmer should all be running in the black."[79]

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[74] "Despite help, Maine dairy farmers are still hurting", Portland Press Herald, by Kevin Miller, December 16, 2016 / Updated December 16, 2016
[75] Ibid.
[76] Ibid.
[77] Ibid.
[78] Ibid.
[79] Ibid.

PART I

U.S. Farm Economy: How Globalization Soured Milk Market for American Dairy Farmers[80]

For much of the past decade, the international dairy market did right by Tim Leary, creating opportunity for his farm in southern Maine by linking his fortunes with ever-wealthier Asian milk drinkers. But the downside of this globalizing dairy market revealed itself this month, when Leary watched a livestock hauler whisk away 21 of his cows, destined to be milked the next morning at someone else's facility.[81]

There is, dairy farmers are finding, no hiding from the global free market once you embrace it, which U.S. dairy producers did over the past decade after 50 years defined largely by a mixture of government subsidies and protected markets. Slowing growth in China, plentiful production in New Zealand, trade sanctions imposed by Russia and the end of European production restraints have driven down the price of milk that farmers like Leary receive.[82]

For the past 10 years -- and for the first peacetime period since the modern agriculture policy kicked in during the Great Depression -- growth for U.S. dairy farmers came mainly from exports, which accounted for about only 4 percent of production 10 years ago. By 2014, after growing 17 percent per year for a decade, exports made up 14 percent of total production, according to the export council. Brisk growth in Asia, above all in China, underpinned strong global demand for well-known dairy products like cheese, butter and yogurt but also items that seldom appear on grocery shelves, such as whey protein and specialized milk powder.[83]

Through July, U.S. dairy exports were down 33 percent by value compared with a year ago, and 13 percent by volume, according to the council. The price of whole milk powder, which peaked in February 2014 at over $5,000 per metric ton, hasn't been above $3,000 for nearly a year, and in mid-September stood at $2,175, according the U.S. Department of Agriculture.[84]

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[80] "U.S. Farm Economy: How Globalization Soured Milk Market for American Dairy Farmers", International Business Times, by Carter Dougherty, September 29, 2015
[81] Ibid.
[82] Ibid.
[83] Ibid.
[84] Ibid.

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When U.S. dairy farms threw themselves wholeheartedly into overseas markets, they changed the rules of the game in bad times as well as good ones, largely because milk can become a multitude of products. And cows produce it every single day, whether it's wanted or not.[85]

That business model died -- and with it Saco's last dairy farm -- in early September, as the smallest producers felt the effects of softening demand. In the last 18 months, Maine lost about 60 dairy farms, leaving 253 in the state today.[86]

The proximate event for Leary's decision wasn't actually a new low in the price of milk. It was the loss of his hauler, who drove a large milk truck to the Leary farm each day. He abandoned the run because the decline in dairy farming in southern Maine meant a truck that can haul 65,000 pounds of milk carried only about 13,000 from the remaining five farms in the area, Leary said. Transport costs alone made the route a loser.[87]

In the United States and Europe, dairy farmers have traditionally turned to the government for help, resulting in lakes of milk and mountains of butter stockpiled to boost prices, or taxpayer outlays to ease financial pain. That's not panning out during the first downturn for a newly globalized U.S. industry.[88]

Dairy farmers helped fight for, and won in the 2014 federal farm bill, a government system for insulating against downturns, known as the Margin Protection Program. Essentially an insurance scheme, the program compensates farmers when their costs exceed their income, and the Department of Agriculture exhorted farmers to enroll in it for this crop year. Most did.[89]

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[85] Ibid.
[86] Ibid.
[87] Ibid.
[88] Ibid.
[89] Ibid.

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Krysta Harden, the deputy secretary of agriculture, said during a visit to southern Maine that dairy farms "need to be running their own numbers" and figuring out whether the program makes sense for them.[90]

"It will never make anybody completely whole," Harden told the Portland Press Herald. "That's not the purpose of it. It is to help them to continue to survive throughout the producing season and year so they can continue to stay on their dairy farms."[91]

Maine farmers pay more for feed than, say, farmers in Nebraska because grain isn't as available locally. Costs "just aren't being calculated accurately for farmers in some states," Pingree said in an email.[92]

Despite Low Milk Prices, New Insurance Program Isn't Helping Farmers [93]

Deputy Secretary of Agriculture Diane Bothfeld says for what farmers are now receiving for milk – around $16.50 per hundredweight – they're either barely meeting their costs or losing money.[94]

"We talk about a range somewhere between $16 to $20, if not higher, for the cost of production. At $16.50 it's very tight for many farms," she says.[95]

Despite the situation, Bothfeld says no Vermont farmers have been able to take advantage of the MPP benefits. That's because it pays out based on the cost of production, using not just milk prices, but comparing them with feed prices.[96]

[90] Ibid.
[91] Ibid.
[92] Ibid.
[93] "Despite Low Milk Prices, New Insurance Program Isn't Helping Farmers", Vermont Public Radio, by Steve Zind, July 10, 2015
[94] Ibid.
[95] Ibid.
[96] Ibid.

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Despite the situation, Deputy Secretary of Agriculture Diane Bothfeld says no farmers have been able to take advantage of the MPP benefits.[97]

The basic, most affordable, policy is pegged to a $4 difference.[98]

If the difference between the price of milk and the price of feed is under $4 — in other words, feed costs are basically cancelling out a big chunk of what the farmer is getting for milk — the insurance kicks in. At this level, it's considered catastrophic coverage.[99]

Bothfeld says so far, the margin between feed and milk prices hasn't been close enough to trigger coverage other than for the highest priced policies, which no one in Vermont purchased. Yet at today's prices, farmers could use the help.[100]

So far, the margin between feed and milk prices hasn't been close enough to trigger even the best coverage, which no one in Vermont purchased. Yet at today's prices, farmers could use the help.[101]

The feed price calculation is based on how much alfalfa, soy and corn it takes to produce 100 pounds of milk. The insurance is based on a national feed price, and feed is more expensive in the Northeast, so the margin on paper doesn't reflect the actual margin for Vermont farmers.[102]

[97] Ibid.
[98] Ibid.
[99] Ibid.
[100] Ibid.
[101] Ibid.
[102] Ibid.

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Letter dated July 28, 2016 to Hon. Tom Vilsack, Secretary of Agriculture, from a bipartisan coalition of both the Senate and House[103]

> Our dairy farmers have been hit extremely hard by low farm milk prices that have resulted in sharply reduced incomes, which is placing our nation's dairy industry in an extremely vulnerable position. A number of factors have contributed to this crisis. U.S. milk production has increased almost two percent above last year's level, while global milk production is up significantly, partly as a result of the European Union's decision to remove its milk production quotas and the loss of their export market to Russia. Furthermore, we are seeing an increase in production in other major milk-producing countries that have led to these depressed prices globally. All of this comes as our dairy farmers are still adjusting to the new Farm Bill, and the many changes that were made to our dairy support programs.
>
> We are deeply concerned that U.S. dairy farmers, who are a key part of our agriculture community and agriculture economy, are in greater need of stability and support as they face these significantly lower prices, which for many are below their actual cost of production. As this industry is reeling from low prices, a glut of imports, challenges in our export markets, and poor economic growth projections we urge the USDA to use its secretarial authority under the Commodity Credit Corporation Charter Act (15 U.S.C. 714c), Section 32 of the Agricultural Adjustment Act of 1935 (7 U.S.C. 612c), and look to past precedent for how to take action to protect all of our nation's dairy farmers from further crisis and to aid in the expansion and maintenance of domestic markets. We encourage USDA to take any and all actions available in order to make an immediate market injection and offer financial assistance that will directly support U.S. dairy farmers equally, while being cautious to not stimulate overproduction further.
>
> The family business of dairy farming has long been woven into our nation's agricultural history. Across the country, in all 50 states, dairy farms large and small are economic drivers providing local jobs and local products. During the 2009 dairy collapse, we saw far too many families have to sell off their cows and close the doors for good. Through the support of USDA, we can hopefully prevent many farms from needing to make that same difficult decision today and we hope you will work to support all of our dairy farmers across the country.

The shapes of the program may change but the deliveries of cash to beneficiaries have not declined.

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[103] Letter dated July 28, 2016 to Hon. Tom Vilsack, Secretary of Agriculture, from a bipartisan coalition of both the Senate and House, https://www.leahy.senate.gov/imo/media/doc/072816%20Dairy%20Support%20Letter%20to%20USDA.pdf

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Potential WTO Issues

Assessments of the potential effect of the new domestic support programs authorized by the 2014 farm bill (P.L. 113-79), and their compliance with WTO restrictions, are very preliminary at this time. Many of the new programs have yet to be fully implemented, producer participation is uncertain, and program outlays hinge on future market conditions. For example, under a relatively high price environment, as existed during the 2010-2013 period, U.S. program outlays would fall within proposed Doha Round limits with no or only modest changes. However, if market prices were to decline substantially below support levels for an extended period, then outlays could escalate and potentially exceed the proposed spending limits.

All of the new farm safety net programs—Price Loss Coverage (PLC), Agricultural Risk Coverage (ARC), Supplemental Coverage Option (SCO), Stacked Income Protection Plan (STAX), and Dairy Margin Protection Program (DMPP)—might be notified as amber box, although PLC, ARC, and SCO could be notified as non-product-specific amber box. Alternatively, PLC and ARC-CO might be notified as blue box. USDA is responsible for making this determination.

Of all the price and income support programs, Marketing Loan Program (MLP) benefits alone are fully coupled to producer behavior, while PLC and ARC are paid on a portion of historical plantings and thus are decoupled from producer planting decisions, making them less vulnerable to WTO challenge. However, because both PLC and ARC would make payments when current market prices are low relative to historical market prices, both programs reduce producer risk associated with price variability and thus likely result in greater acreage and production than would occur in their absence. The new shallow-loss programs—SCO and STAX—could prove more problematic. Both programs provide revenue (or potentially yield in the case of STAX) guarantees that are very near to the market averages, in addition to reducing farm-level risk by protecting revenues when market prices are low. Accordingly, they may incentivize greater acreage and production than would occur in their absence.

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Most studies suggest that, for U.S. program spending to exceed the $19.1-billion amber-box limit, a combination of worst-case events would have to occur, for example, low market prices generating large simultaneous outlays across multiple programs, in addition to the $1.4 billion of implicit costs associated with the sugar program. Such a scenario is unlikely, although not impossible, particularly since outlays under several of the programs (including the new dairy program, SCO, STAX, and crop insurance) are not subject to any per-farm subsidy limit.

Perhaps more relevant to U.S. agricultural trade is the concern that—because the United States plays such a prominent role in most international markets for agricultural products—any distortion resulting from U.S. policy would be both visible and vulnerable to challenge under WTO rules. Furthermore, projected outlays under the new 2014 farm bill's shallow-loss and counter-cyclical price support programs may make it difficult for the United States to agree to future reductions in allowable caps on domestic support expenditures and related DM exclusions as envisioned in ongoing WTO multilateral trade negotiations.

U.S. Domestic Support frustrates WTO Reform and Trade Liberalization

The WTO Agreement on Agriculture was supposed to result in the phase out of subsidies so that markets could be opened to free and open (some say fair) competition. Where is the fairness in other countries with much smaller budgets opening markets to competition from such heavily subsidized producers? Notwithstanding subsidy reduction obligations, financial support in the heaviest subsidizing countries has not declined. Rather, the old subsidies have been dressed up differently and reported to the WTO on a colour blind basis or as green, with little regard for their real effects on production and trade. And many subsidies go unreported. Jacques Berthelot of Solidarité lists "cheating" by the U.S. and E.U. as including the following:

> "The U.S. has largely under-notified or not notified many amber box subsidies
>
> - The subsidies on agricultural insurances: the CRS report shows that the average subsidies on agricultural insurances have been of $3.080 bn from 2002 to 2006, and that the amounts notified for 1996 to 2001 are much lower than the actual amounts registered by the U.S. Budget…

- Other NPS AMS subsidies not notified to WTO but notified to OECD up to 2005:
    - The grazing subsidies notified to WTO up to 2001: $57 million yearly
    - The subsidies never notified to WTO but notified to OECD as the energy subsidies (tax exemption on agricultural fuel) for $2.385 bn every year from 1995 to 200514;
    - The subsidies under-notified to WTO in comparison with the levels notified to OECD, those on agricultural loans: $610 million yearly against $48.8 million notified at WTO (same OECD source);
    - The subsidies clearly under-notified to WTO as to OECD, those on irrigation: $300 million notified for 2001 when the truth is rather ten times given that some evaluations go up to $10bn15…"[104]

And University of California Professor Daniel Sumner explains:

> "The cotton case has clarified the proper classification of U.S. farm subsidies into the "green" and "amber" boxes of the WTO Agriculture Agreement. The upshot of that clarification is that the United States has likely been exceeding the $19.1 billion cap on trade-distorting, amber-box subsidies that it agreed to abide by under the Agriculture Agreement. According to the calculations described in this paper, total U.S. amber-box subsidies to be included under the cap amounted to $29.1 billion in 2000 and $25.3 billion in 2001 and will likely total about $26.3 billion in 2006—all far in excess of the $19.1 billion limit."19

Berthelot adds:

> For the dairy and sugar market price supports we have extended the notifications made for 2001 ($5.515 bn) up to 2005, as D. Sumner has done, which is highly conservative since, according to the USDA "*Dairy has accounted for about $5 billion annually and sugar another $1 billion*", and the EU estimates "*market support for dairy and sugar at $5.8 billion and predicted to slightly increase*".

There are interlinkages between subsides and tariffs. Massive U.S. domestic support encourages excess production and exports. These seemingly perpetual surpluses must be exported, often at less than cost of production. This domestic support is *de facto* an export subsidy. These subsidies unilaterally and without consultation offset and negate statutory tariff protection in

[104] "To unlock the agricultural negotiations the U.S. must first comply with the WTO rules", Jacques Berthelot, Solidarité, February 8, 2007

other WTO members' markets. The U.S. (and the E.U.) may not intend to beggar their neighbors but this has been the real effect of its unrestrained largess to U.S. (and E.U.)[105] agricultural producers.

Other countries should not need restructure and rationalize their farm sectors because of the disruptive and devastating effects of U.S. subsidies, competitive currency devaluations or its veiled protectionism delivered through non-tariff measures like COOL. The real need is to discipline the "beggar thy neighbor" policies which led to massive disruptive U.S. (and E.U.) farm subsidies which drive prices down in world markets.

There are differences in size and relative affluence between countries which exacerbate the impact on their farm economies of subsidies. These differences mean that a "one size" or universal negotiating modality in the current WTO negotiations is not suitable for all. Then Minister Argrimsson of Iceland told the Ministerial Conference at Cancun that "the harmonization proposal of tariff capping falsely presumes that one size really does fit all".[106]

Meantime, the United States has challenged Chinese grain tariff rate quota for rice, wheat and corn.[107] Senate House Agriculture Committee Ranking Member Collin Peterson said,

> "An equal playing field is vital for America's farmers to compete in a global marketplace. It is imperative that the United States take this action to hold China accountable for failing to meet WTO commitments."[108]

The 2014 Farm Bill did not reduce funding.[109]

> "Actually, many opponents of government subsidies saw this coming. "Cynics like me fully expected this to work out the way it has," says Bruce Babcock, an agricultural economist at Iowa State University. "Farm policy isn't really about policy. It's about farmers getting their money. And the agriculture committees in Congress are there to make sure that farmers get their money.""

[105] We monitor E.U. subsidies because while we were retained to measure support to U.S. agriculture, it would be unfair to leave the impression that the other major subsidizer is less guilty of disrupting world trade in agriculture.
[106] WT/MIN(03/ST/36, September 11, 2003
[107] U.S. Agribusiness and the U.S. Government
[108] https://ustr.gov/about-us/policy-offices/press-office/press-releases/2016/december/united-states-challenges-chinese
[109] "Farmers Get Just as Much Money Under New Farm Bill", The Salt, February 1, 2016

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How does Domestic Support Frustrate Trade Liberalization?

Some countries came out of the Uruguay Round with very limited ability to provide financial support to their farmers. The Canadian government accelerated subsidy reductions in part to meet budgetary concerns but primarily because the government lives up to its obligations no matter how difficult this may be. Most developing countries did not have the resources to support their millions of subsistence level small farmers even before the Uruguay Round.

The WTO rules simply did not take account of the very fundamental, subsistence nature of agriculture in many developing countries. Small farmers in these countries are totally vulnerable to cheap import competition. Small farmers in developing countries cannot be treated the same way as the agribusiness and corporate farmers which dominate agriculture in North America and will do so increasingly in Europe.

Developing countries opened their markets – either because the World Bank forced them in the 1980's to eliminate quotas which could have been converted into TRQs – or because their negotiators took on obligations they could not live with.

In addition to challenging China, the U.S. has criticized Indian support to its millions of subsistence farmers.

Undisciplined domestic support is the most serious cancer in the system and it must be excised – the sooner the better. Such support:

- stimulates surplus production;
- this production must be dumped in world markets;
- there is no need for the subsidized farmers to recover their cost of production;
- the subsidies insulate the beneficiaries from import competition – they can urge market access concessions on others because they will be able to offset tariff reductions through domestic or income support.

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It is now recognized that a major failing of Agricultural Framework proposed was the "cookie-cutter" approach – and placed the same demands on all parties no matter what their ability to accept, implement or adjust to the results. This approach could not lead to an equitable result because there are very few similarities among WTO members. Indeed, there are vast differences in their agricultural policies.

These differences can be caused, *inter alia*, by:

- size;
- relative GNP;
- resources;
- crop/product mix;
- geography/climate.

These differences are real; they are not imagined – they are natural, they are not contrived. The WTO negotiations on Agriculture were at least initially influenced by those with the deepest pockets – or the lowest costs. However, it became clear to those who lacked the financial resources and/or advantages that it was unacceptable to be penalized or punished simply because they are and must be different.

We have been writing about the evils of undisciplined domestic support and its impact on the prospects for Doha success since the 2002 Farm Bill. Trade and production distorting domestic support is a concern in the global trading system which needs to be excised. This is our most recent report on Farm Bill largess. There are no improvements since the 2002 Farm Bill.

In the Lead-Up to the 2014 Farm Bill

House Agriculture Committee Chair Collin Peterson publicly signaled he was interested in creating a system that focuses on ensuring revenue for U.S. farmers through risk management, possibly through enhanced crop insurance and conservation programs.[110] He also pointed out that a new farm bill will have to contend with the fact that there will be less money available due

[110] "Peterson Presses Ahead On New Farm Bill, Senate and Administration Defer", Inside U.S. Trade – May 7, 2010

to efforts to reduce the budget deficit. Our concern was that too often for Congress risk management means risk elimination. The concern has proven to be valid.

In recent years there has been considerable focus on the real problems posed by U.S. and E.U. domestic support.

Our analysis strongly suggests that:

- the WTO's single undertaking or "one size fits all" approach, urged by the biggest subsidizer, is far from suitable for all countries.
- wealthier countries can through generous subsidies and other forms of support insulate their farm sectors from Market Access liberalization.
- there are interlinkages between subsidies and tariff /quota protection which cannot be ignored. Failure to take these linkages into account will result in perpetuating and exacerbating imbalances in the WTO rules and conditions of competition relating to agricultural trade.
- the use of green or *de minimis* domestic support tends to be very production and trade distorting. In this connection, we refer the reader to:
- assertions about WTO consistency of specific programs are at times self-serving, misleading and do not stand up to challenges. This has been confirmed by the panels in *E.C. – Sugar* and *U.S. – Cotton*. China is challenged support to U.S. feed grains as an actionable subsidy in its CVD investigation of U.S. poultry.
- WTO Dispute settlement, including "gap-filling" by the Appellate Body, has, altered the balance of negotiated rights and obligations.
- because the WTO is not a self-policing organization, non-conforming and unreported subsidies provided by the USA should be challenged under WTO Dispute Settlement procedures. However, we do not expect that WTO members will be prepared to cede additional power or authority.

As anyone who was in Geneva in July 2008 knows, many developing countries had their own concerns about domestic support:

> "China refused to cut its 40% import duty on cotton to help the Americans. "We have a political problem, 10 million cotton farmers, mostly in the western province of Xinjiang." China also declined to give more access for wheat and corn. In the

> industrial area, China said substantial cuts had already been made during the WTO accession process: “We cannot go back now and say, ‘we will make further tariff cuts”...”[111]

Others, former Doha Round boosters who now accept and analyzing the reasons for the deeply comatose state of the negotiations, share these views:

Former HK representative to the WTO and Chair of the Agriculture Negotiating Group, Stuart Harbinson addressed the need for change:

> The case against the WTO is that it has achieved little or nothing of substance since the late 1990s. As the Consultative Board to Director-General Supachai Panitchpakdi put it in 2004:
>
> > “In recent years the impression has often been given of a vehicle with a proliferation of backseat drivers, each seeking a different destination, with no map and no intention of asking the way.”[112]

That U.S. and E.U. domestic support was not disciplined clearly has been the major problem. Roderick Abbott, a former WTO Deputy Director, notes:

> “A similar problem of measurement presented itself in seeking the reduction of domestic subsidy payments in agriculture.”[113]

The impact of the obscene domestic support on developing countries to U.S. and E.U. to farmers was also taken up by War on Want. This NGO concluded:

> “The WTO could have focused its energies on brokering a deal to stop the dumping of E.U. and U.S. farm produce on developing country markets, one of the very worst abuses of the international trading system. But this did not happen. Instead of a development agenda, the talks degenerated into an unapologetic market access agenda.”[114]

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[111] “How to revive Doha with some chance of success”, Roderick Abbott, Senior Trade Adviser at ECIPE, No. 04/2009

[112] The “Sutherland Report”, WTO, 2004

[113] “How to revive Doha with some chance of success”, Roderick Abbott, Senior Trade Adviser at ECIPE, No. 04/2009

[114] J. Hilary, Director of policy at War on Want, July 2008. Quoted by Euractive in “Pros and Cons of reviving Doha”

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Crop insurance programs under the World Trade Organization are considered non-product specific trade-distorting farm subsidies classified in the amber box. That box allows countries to shield these programs from the cuts that are otherwise imposed on amber box subsidies as so-called de minimis exemptions, so long as those exemptions do not exceed 5% of a member's total agricultural production. For the U.S., this amounts to roughly $5 billion.

Then House Agriculture Committee Chair Peterson told the North American Agricultural Journalists (NAAJ) that commodity groups were beginning to work on possible program changes in their area, with the dairy industry ahead of everyone else. Cotton subsidies remain nearly 10 years later. U.S Upland Cotton sent signals about the need for change, the terms have been largely unchanged.

He said wheat growers have put together a working group to look at their programs, as have soybean producers and corn growers, who were at the forefront in the last farm bill by proposing a revenue-based program that ultimately resulted in the ACRE program in the 2008 farm bill. ACRE has been replaced by very generous crop and margin insurance.

Farmers around the world recognize that the problem is excess supply – and that fair policies promote over-production – and only a little over-production is enough to cause prices to crash.

U.S. farmers continue to lobby Congress for a better dairy policy.[115] There are proposals for radical reform of dairy policy to address the most dramatic reversal in U.S. dairy farm fortunes in memory but does not seem disposed to make immediate changes.

Evolution of WTO Rights and Obligations through Domestic Settlement

The WTO is a much different type of Agreement than the GATT was. The U.S. never ratified the GATT to give it Treaty Status, but the WTO is a Treaty. The words of the WTO Agreements mean what they say (they should mean no more than what they say but experience with dispute

[115] "Congress hears pleas for more U.S. dairy farmer help", Dairy Markets, May 12, 2010

settlement has established that sometimes they do). The Appellate Body has in some cases filled in "gaps" in the negotiated texts – thus creating obligations where none previously existed.

The most egregious case of gap filling in agriculture involving Canada was in *Canada – Dairy*.

Canada's concerns about the introduction of a cost of production benchmark and disciplines on cross-subsidization into Agreement on Agriculture (AoA) Article 9.1(c) are well known. These concerns have since been shared by European Communities because of the application of this approach to its exports of unsubsidized "C" quota sugar. And, if challenges of U.S. subsides in the grains and oilseeds sector were pursued, they too would become familiar with condemnation for cross subsidization – a concept which is conspicuous by its absence in the WTO AoA and SCM Agreements.

The U.S. too has concerns about "gap-filling" by panels which change the expectations of negotiators and legislators. According to them House Agriculture Committee Chairman Bob Goodlatte (at a meeting with former WTO Director-General Supachai Panitchpak):

> "The recent ruling by the WTO Appellate Body regarding the case brought by Brazil against the U.S. may hold significant ramifications for agricultural programs in the U.S. Chairman Goodlatte noted the problematic nature of employing "constructive ambiguity" during WTO negotiations. "In the WTO, countries seem to reach decisions in the course of negotiations or in other matters that reflect a general, yet ambiguous, consensus. Later, these general agreements come under scrutiny and are found to violate WTO rules, such as the recent decision by the WTO Appellate Body in the case brought by Brazil against the U.S. The Appellate Body's decisions concerning export credit guarantees, declaring them to be export subsidies, and domestic support for cotton, declaring them to suppress world prices and thereby requiring the removal of the subsidy or the adverse effect of the subsidy, take the common understanding of the Uruguay Round and turn it on its head. This seems to me to be a classic case of bait and switch," said the Chairman."[116]

Trump Administration USTR Robert Lighthizer is an unrelenting critic of over-reaching by the WTO Dispute Settlement System.[117]

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[116] http://www.agriculture.house.gov, Goodlatte Says Ag Negotiations in Trouble, March 9, 2005

[117] "Trump picks Lighthizer to serve as U.S. trade representative", By Mathew Korade, Adam Behsudi and Louis Nelson, Politico, January 3, 2017

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We have considered the WTO consistency (or inconsistency) of each of the reviewed programs. We address U.S. compliance with its obligations under the WTO in a specific and aggregate sense, we have made limited but specific supporting references to relevant WTO dispute settlement decisions, indicating *E.C. – Sugar*,[118] *Canada – Dairy*[119] and *USA – Upland Cotton*.[120] The primary purpose of this study was not to establish a basis for WTO complaints or challenges against any of the reviewed programs. Nor is it a shopping list for countervailing duty complaint. Rather, as noted above, the purpose of this study is to identify and review the full scope of support and support activities provided to U.S. agriculture.

We do recognize that some U.S. programs meet the definitions for exemption from AMS reductions in AoA Annex 2.[121] Many do not. Others share our concerns about the inadequacy of WTO monitoring and oversight of subsidy designations by the U.S. and E.U.[122]

[118] WT/DS 265/R, October 15, 2004
[119] The Panels and Appellate Body consider *Canada – Measures Affecting the Importation of Milk and Exportation of Dairy Products* reported between May 17, 1999 and December 20, 2002 and included six distinct proceedings: *Report of the Panel* (WT/DS103/R, WT/DS113/R – 17May 1999), *Report of the Appellate Body* (WT/DS103/AB/R, WT/DS113/AB/R – 13 October 1999), *Recourse to Article 21.5 of the DSU by New Zealand and the United States, Report of the Panel* (WT/DS103/RW, WT/DS113/RW – 11 July 2001), *Recourse to Article 21.5 of the DSU by New Zealand and the United States, Report of the Appellate Body* (WT/DS103/AB/RW, WT/DS113/AB/RW – 3 December 2001), *Second Recourse to Article 21.5 of the DSU by New Zealand and the United States, Report of the Panel* (WT/DS103/RW2, WT/DS113/RW2 – 26 July 2002) and *Second Recourse to Article 21.5 of the DSU by New Zealand and the United States, Report of the Appellate Body* (WT/DS103/AB/RW2, WT/DS113/AB/RW2 – 20 December 2002). These Reports are referred to as relevant.
[120] WT/DS 267/R, September 8, 2004 and WT/DS 267/AB/R, March 3, 2005
[121] "Green Box Mythology: The Decoupling Fraud" Grey, Clark, Shih and Associates, Limited, June 2006
[122] "To unlock the agricultural negotiations the U.S. must first comply with the WTO rules", Jacques Berthelot, Solidarité, February 8, 2007; "The huge lies in the US notification of its agricultural trade-distorting domestic supports from 2002 to 2005", Jacques Berthelot, Solidarité, January 3, 2008; "The king is naked: the impossible U.S. promise to slash its agricultural supports", Jacques Berthelot, Solidarité, November 12, 2005

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OVERVIEW: PART I – FEDERAL SUBSIDIES

This study updates and expands on the 1990, 1998, 2003, 2005 and 2010 Studies on Subsidies to U.S. agricultural and dairy interests which we prepared for the Dairy Farmers of Canada (DFC). The scope of this study like the previous studies[123] is a review of the full range of subsidies and support provided directly and indirectly by the Federal and State Governments in the United States to all agricultural producers and processors.

In 1998, we noted that the United States had taken some steps in the 1996 Farm Bill to amend its agricultural support programs to make them more consistent with WTO rules. At that time, we concluded that some of these changes simply gave the appearance of de-coupling the provision of support from production decisions. But even the halfhearted attempts were not embraced by U.S. agriculture or Congress.

Since our 1998 study, the U.S. introduced Farm Bills in 2002, 2008 and 2014 which made many changes in the form and nature of support provided to U.S. Agriculture. None of these changes have significantly reduced or diluted federal support. The 2002 Farm Bill ended some of the reforms of the 1996 Farm Bill by reversing 1996 attempts to ensure WTO compliance in the Freedom to Farm legislation. The 2002 Bill also exacerbated the severity of the effects of U.S. "domestic" support on world markets. The 2008 Farm Bill tries at least in terms of appearances to create a more WTO-consistent system, but as we note, generally falls short.

The 2014 Farm Bill terminated direct payments and introduced a series of risk crop insurance and margin insurance programs.

The U.S. Federal Government continues to provide very generous subsidies and other support to U.S. agricultural producers and processors. We remain concerned about the impact of these subsidies; indeed, our concern is even deeper, that the high level of domestic support provided to

[123] www.greyclark.com

U.S. producers provides *de facto* export subsidies to support and facilitate exports of U.S. agricultural products.

Since our 2003 and 2005 reports Canada[124] and Brazil[125] have both sought WTO Dispute Settlement with respect to U.S. domestic support. However, the panels have, in effect, been placed in limbo – they are on hold with no apparent intention to re-open them.[126] Justice delayed has never been so much justice denied. Based on our findings and on U.S. readiness to challenge India and China, among others, it would seem to be timely to consider updating and renewing the challenge.

The massive domestic support provided by USDA results in overproduction of commodities year after year that must be sold into the world market at depressed prices often below cost of production.

Rather than refer to the domestic support as providing *de facto* export subsidies, some observers refer to the resulting below cost exports of U.S. commodities as "dumping".[127] No matter how it is described, the result is the same. The "deep pockets" support provided to U.S. agricultural producers stimulates production year after year that is well in excess of U.S. domestic demand. The resulting surpluses are then sold onto world markets at prices below cost of production and below fair market value.

In addition, based on the WTO dispute settlement decisions in *Canada – Dairy*[128] and *E.C. – Sugar*,[129] it is clear that U.S. exports are also supported by substantial WTO Agreement on

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[124] WTO DS/357
[125] WTO DS/357
[126] Discussions with Canadian officials
[127] *Dumping without Borders: How US Agricultural Policies are Destroying the Livelihoods of Mexican Corn Farmers*, Oxfam Briefing Paper 50, August 2003, pg 25
[128] The Panels and Appellate Body consider *Canada – Measures Affecting the Importation of Milk and Exportation of Dairy Products* reported between May 17, 1999 and December 20, 2002 and included six distinct proceedings: *Report of the Panel* (WT/DS103/R, WT/DS113/R – 17May 1999), *Report of the Appellate Body* (WT/DS103/AB/R, WT/DS113/AB/R – 13 October 1999), *Recourse to Article 21.5 of the DSU by New Zealand and the United States, Report of the Panel* (WT/DS103/RW, WT/DS113/RW – 11 July 2001), *Recourse to Article 21.5 of the DSU by New Zealand and the United States, Report of the Appellate Body* (WT/DS103/AB/RW, WT/DS113/AB/RW – 3 December 2001), *Second Recourse to Article 21.5 of the DSU by New Zealand and the United States, Report of the Panel* (WT/DS103/RW2, WT/DS113/RW2 – 26 July 2002) and *Second Recourse to Article 21.5 of the DSU by New*

Agriculture (AoA) Article 9.1(c) export subsidies which are provided by U.S. producers on the export sale of their products.

The sheer magnitude of U.S. farm subsidies is mindboggling to most other WTO members. U.S. agricultural budgets are not likely to become, part of the solution to imbalances in agricultural trade; they will continue to be a very significant part of the problem. For example, in its Recovery Act, the Obama Administration provided an additional $28 billion of funding which supported some $52 billion in additional spending.

In 2002, the House of Representatives Budget Committee described the Agriculture function as follows:

> "The Agriculture function includes funds for direct assistance and loans to food and fiber producers, export assistance, market information, inspection services, and agricultural research. Farm policy is driven by the Farm Security and Rural Investment Act of 2002, which provides producers with continued planting flexibility while protecting them against unique uncertainties such as poor weather conditions and unfavourable market conditions.

Then the Committee explained:

> "The Agriculture Committee has sole jurisdiction over programs in this function. The mandatory figures are CBO baseline levels. Any changes in these levels that may result from reconciliation directives (described in the Reconciliation discussion in this report) and the savings indicated under Function 920 will be determined by [policies] developed by the Agriculture Committee."[130]

There is no "big picture", national intent oversight. For reasons explained in the introduction, there does not seem to be any real hope of bringing U.S. support to Agriculture under discipline which will result and control through meaningful reductions.

Zealand and the United States, Report of the Appellate Body (WT/DS103/AB/RW2, WT/DS113/AB/RW2 – 20 December 2002). These Reports are referred to as relevant.

[129] WT/DS 265/R, October 15, 2004

[130] Report of the Committee on the Budget House of Representatives, Concurrent Resolution on the Budget – Fiscal Year 2006, Report 109-17, March 11, 2005, pg 26

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The 2008 Farm Bill[131] was developed and introduced during a period of very strong commodity prices. Media comment underlines its excesses. The Pittsburgh Post-Gazette explained:

> "Americans are in sticker-shock over grocery prices, while people in developing countries are rioting over food shortages.
>
> And across the U.S. heartland, American farmers are enjoying record incomes, but losing sleep over rising expenses and turbulence in the commodity futures markets.
>
> Here on Capitol Hill, though, it is pretty much farm politics as usual. As Congress works toward final passage of the farm bill, it is poised to continue most of the existing farmer subsidy programs, including about $5.2 billion a year in so-called "direct payments" that will be disbursed even as net farm income is projected to hit a historic high in 2008.
>
> The farm bill, which comes along roughly once every five years and will cost upward of $300 billion, in fact will do little to address many of the most pressing concerns. It will not change biofuel mandates that are directing more corn to ethanol and contributing to a global run-up in food prices.
>
> In other words, Congress seems oblivious. And long-standing critics of U.S. policy are piling on.
>
> "It really is astounding," said Rep. Ron Kind, D-Wis., who has pushed for broad changes in farm subsidy programs. "It's as if this farm bill is being negotiated in a vacuum.""[132]

The New Orleans Times-Picayune reported the Farm Bill Pork Barrel is geared to local interests of southern Sugar growers.

> "An environmental group said the farm bill "fans the flames of global warming." A taxpayers group complained it allows "millionaire farm households to receive handouts from taxpayers." And President Bush decried that Congress failed to "better target subsidies."
>
> But in two days of voting, the House and Senate this week passed the five-year, $307 billion farm bill by bipartisan, veto-proof margins. The bill passed the Senate 81-15 Thursday, one day after it passed the House 318-106."[133]

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[131] Food Conservation and Energy Act of 2008

[132] "It's as if this Farm Bill is being Negotiated in a Vacuum", By David M Herszenhorn, Pittsburgh Post-Gazette, April 24, 2008

[133] "Congress plows past farm bill critics; Aid to sugar farmers wins fans in state", By Bruce Alpert, Times-Picayune, May 16, 2008

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The United States is in a serious budgetary deficit situation – which requires drastic efforts to control spending. There were suggestions that Agriculture will also face reductions. Indeed, President Obama tried to reduce Farm Bill spending – and to reduce payments to wealthy farmers. He failed in 2009. In 2010, while he had not given up on his quest, Congress was not inclined to risk the wrath of farmers.[134] Clearly the rest of the world should not expect an imminent and substantial reduction in U.S. financial farm support.

Canada is highly vulnerable to the adverse effects of U.S. subsidies. NAFTA created an open border and U.S. prices plus or minus freight from/to the basing point, depending on supply conditions are routinely imported into Canada. In a wide range of agricultural sectors these have set market clearing prices for Canadian farmers, particularly grains and oilseeds producers. The impact of these subsidies given without regard for the impact on farmers in other countries are, for global agriculture, the equivalent of the "beggar thy neighbour" tariff policies of the 1930s.

U.S. farmers do not have the same concerns as their Canadian neighbours about market forces, like supply and demand. USDA provides a safety net which are even more generous as prices go down and as we found in 2009 "stimulus spending provides even greater support".[135]

At the Cancun Ministerial, Uruguay Foreign Minister H.E. Dr. Didier Opertti Badan, called for abolition of domestic support and export subsidies at the Cancun Ministerial meeting. He said,

> "This reform is no longer the wish or demand of a more or less broad group of countries. It has grown to an international outcry, impossible to ignore or to sidestep any more."[136]

The largest provider of domestic support is the United States – through green box, amber box and *de minimis* programs.

The G-20 and other countries have targeted U.S. domestic support for reduction and control.

[134] "Is President Obama's Honeymoon with Ag Over?", Corn and Soybean Digest, March 2, 2009
[135] Congressional Research Service, Agriculture and Food Provisions in the 2009 Economic Stimulus Package, Report # R40160, January 23, 2009
[136] WT/MIN(03)/ST/25

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Brazil, India and other developing countries said Tuesday that the 2008 U.S. Farm Bill will be an obstacle to global trade talks aimed at lifting millions worldwide out of poverty. They claimed that the "new bill heads agriculture policies in the wrong direction at a decisive juncture of the WTO Doha Round."[137]

The impact of U.S. subsidies to cotton production has been condemned through dispute settlement, but little in the way of concrete measures has been done to remedy the situation. The cotton dispute underlines that the application and enforcement of WTO rules is not a game of right or wrong. It is a game of big and little.

Measuring U.S. Support

Budget documents published by the U.S. government distinguish between program funding levels, which are a reflection of the budgetary authority (or the total amount of budgetary resources required to operate the Department and to fund all programs for the year), and outlays (which describes the total expenditures of the Department less administrative costs and after revenues are taken into consideration).

The U.S. Department of Agriculture (USDA) explains that the Program Level

> "represents the gross value of all financial assistance USDA provides to the public. This assistance may be in the form of grants, guaranteed or direct loans, cost-sharing, professional services such as research or technical assistance activities or in-kind benefits such as commodities."[138]

We were asked to conduct a comprehensive analysis. In determining the total value of support to U.S. agriculture, we have relied on program funding levels as the most appropriate indicator of the total value of support to U.S. agriculture. Program levels reflect the gross financial assistance in support of agriculture in a particular period. It is these program expenditures which support and distort U.S. agricultural production and trade.

[137] "Emerging economies slam new US farm bill at WTO", By Eliane Engeler, Associated Press, June 3, 2008
[138] *FY 2011 Budget Summary,* U.S. Department of Agriculture, pg iii

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USDA and OMB (Office of Management and Budget) accounting practices and reporting are not always consistent or identical. Those who attempt to add up the parts to arrive at the overall program level numbers may be frustrated because of these differences.[139] But for our purposes the most important measurement of support is the overall program level.

The USDA Budget Summary explains:

> "The Budget is described in budget authority measures in most instances. However, there are some cases when other measures are used and the reader should take care to note which measure is being used." [140]

An underlying principle of our overall analysis is that cash is fungible and all support from Government influences production and marketing decisions no matter how indirect this support may be. Aggregate benefits are determined based on aggregate program levels. We have also addressed many parts of these programs, and calculated benefits to dairy in the aggregate, as well as benefits for each of the parts specifically addressed. As we explain below, it would be wrong and misleading to try to relate the allocations for selected parts analyzed to the whole.

We did not attempt to estimate the benefits of loans by calculating differences in benchmark and actual interest rates. Our objective is not to estimate the value of subsidies for a countervailing duty (CVD) investigation. We could not make assumptions about the availability of commercial credit to all borrowers under a program, nor about the credit-worthiness of the borrowers, individually or collectively. To rely on commercial rates as benchmarks, the borrower must be eligible to receive a loan from a commercial lending institution. We were not prepared to assume that all farm borrowers could or could not meet such commercial criteria.

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[139] It is not our intent to criticize U.S. budgetary accounting practices. Revenue collection is a legitimate offset in the overall cost to the Treasury. But it does not reduce actual benefits to producers and processors. For example, Commodity Credit Corporation reports repaid loans as an offsetting collection listed as USD $9.065 billion as actual repayment in 2009. (We do not know which period these relate to and there is no record of defaults which will never be collected.) Although this is an appropriate measure for budgetary accounting purposes, the offset simply understates the actual support provided for U.S. agriculture by the U.S. Department of Agriculture (USDA) over the course of the year.

[140] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg iii

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Some USDA program criteria indicate that loans are provided to producers who would otherwise not qualify to borrow from commercial lending institutions. In these circumstances, the benefit and value of the support provided by the Government is not simply the value of the reduced interest rate or guarantee, but is the value of the loan, i.e., having the use of working capital to operate the farm or plant a crop, or undertake other activities which would not otherwise be possible. The magnitude of the benefit is that the realized losses of the CCC from 1933 to 2009 inclusive were $466.19 billion. These losses were covered by special appropriations.[141]

The USDA also makes subsidized or guaranteed loans to producers who could qualify for loans from commercial lending institutions; indeed, it is a stated requirement for some programs that the borrowers be creditworthy or able to repay. In these cases, we have also considered the total value of the loans to be the value of support provided by the U.S. Government. Producers have access to these loans, which may supplement their normal credit lines, and rely on them to enable and support their production decisions.

While USDA does provide the subsidy value of concessional loans and guaranteed loan activities, such measurements do not capture the full value of the support provided to uncreditworthy farmers and ranchers. Whether or not loans are ultimately repaid (and experience tells us that often they are not or will not be), U.S. producers and processors have the benefit of loans which are *de facto*, subsidized working and infrastructure capital in excess of $9 billion. These loans may supplement conventional lines of credit and borrowing ability, at significantly less cost and risk to the borrower. They provide significant benefits to U.S. agriculture and must be included in the scope of our calculations.

Our methodology is designed to capture the full value of financial support by the U.S. Federal Government under all programs. The fact that the USDA may recover revenue from past expenditures and loans through the course of the year, may reduce the actual net cost to the U.S. Treasury, this does not change the fact that total support in the period is significantly greater than this net amount.

[141] UDSA Budget Appendix for 2011, pg 115

On the other side of the ledger we did not attempt to calculate the benefits of income support programs or price supports because we did not have the information available to do so. Our decision to exclude such benefits from our analysis understates the amount of benefits in the aggregate to both U.S. agriculture and to the dairy sector.

Program levels for USDA are reported in the FY 2017 Budget Summary as follows[142]:

2015 (Enacted)	$210,703,000,000
2016 (Estimate)	$230,735,000,000
2017 (Budget)	$227,031,000,000

In addition, the United States provides support to agricultural producers through irrigation programs operated by state and local governments. This undeclared irrigation support takes the form of subsidized water and electricity rates to operate the systems.

The U.S. Federal Government provides support through these programs in the form of support for irrigation infrastructure.

The United States notifies irrigation infrastructure support provided through the Department of Interior to the WTO. The most current notification, filed on January 19, 2017, covers the 2014 marketing year. And the U.S. underreported it at $140,063,000.[143] Some commentators consider these reported data to be seriously underreported.

State and local government provide much greater irrigation benefits to agriculture in the form of subsidized water and electricity. These benefits are not reported to the WTO. We estimate for purposes of this report that such benefits are worth about $20 billion annually.

Finally, the U.S. Federal Government has provided indirect support to agricultural producers through biomass energy tax incentive programs that encourage the production of feed grains and

[142] FY 2017 Budget Summary, U.S. Department of Agriculture, pg 111
[143] WTO, Committee on Agriculture, Notification, 19 January 2017, pg 28

oilseeds used in processing ethanol and, to a lesser extent, biodiesel. As the total value of tax incentives are not set out in the budget. By 2015 the programs had been emended to change incentivized feed stocks – which are now rather remote from dairy. Therefore, we decided not to include any biomass subsidy benefits for 2015.

State and Local Support

To determine the value of support and subsidies to agricultural production provided by U.S. State and Local Government, GCS reviewed the total value of support as reported in the available budgets of state Departments of Agriculture. In addition, we estimated the total value of support provided through subsidized water for irrigation programs in the states benefiting from these programs. We have not been able to add the benefits of subsidized electricity rates used to operate the irrigation systems.

Through the federal Freedom of Information Act, EWG obtained U.S. Bureau of Reclamation documents that enabled us to determine that for the first time the rate paid by CVP agribusinesses and the very significant size of their power subsidy. (We will be trying to obtain information on power subsides in other districts.)

EWG found:

- In 2002 and 2003 CVP agribusinesses paid only about 1 cent per kilowatt-hour (kWh) for electricity used to transport irrigation water.
- CVP power rates were 10 to 15 times lower than PG&E's industrial, agricultural, and residential power rates during this time period.
- In 2002 and 2003 CVP agribusinesses received power subsidies worth $115 and $105 million, respectively, when compared to PG&E's agricultural electricity rates.
- The power that the Bureau of Reclamation sells to CVP agribusinesses for the storage and transportation of Project water is essentially unregulated. No government agency, other than the Bureau itself, oversees its rates.
- One CVP water district gets more power subsidies than all others combined: Westlands Water District, which is dominated by a handful of large cotton growers in

> Fresno and Kings counties. In 2002 alone Westlands' power subsidies were worth more than $71 million, an average of $165,000 per farm.

The Bureau often downplays the amount of energy it takes to run the CVP, pointing to the fact that the Project's hydroelectric plants generate about five and a half billion kWh each year compared to the approximately 1 billion kWh required to pump irrigation water around the system. Yet this argument ignores the fact that while millions of municipal and industrial users benefit from the "left over" power, fewer than 7,000 private agribusinesses benefit from the power used for pumping.

And while Congress intended to subsidize agricultural water to some degree when it authorized the construction of federal water projects in the early 1900's, the current situation in the CVP is radically different than what the lawmakers envisioned. Congress specified that water subsidies should only be given to small family farms, yet today corporate agribusinesses thousands of acres in size are receiving federal subsidies. The original purpose of the subsidies - to help settle the then sparsely populated Western U.S. – is also clearly obsolete.

Moreover, many CVP agribusinesses are enjoying not just one kind of government subsidy, but several. In addition to federal energy subsidies, Department of Agriculture data show that from 1995 to 2004, CVP agribusinesses received more than $890 million in direct commodity payments, mostly for cotton and rice. An earlier EWG investigation conservatively estimated the value of CVP water subsidies at $416 million in 2002. In total, federal subsidies to the CVP easily top more than half a billion dollars a year and could well reach $1 billion all at taxpayers' expense.

The 2015 percentage share of dairy in farm receipts in individual states' total farm receipts was used to calculate budgetary allocations to the dairy sector. We generally have not been able to adjust state allocations to reflect dairy specific programs that were directly beneficial to dairy producers because of a lack of detail in state budgets.

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The total value of support for 2015 reported in state level Agriculture Department budgets is $7,049,918,596. We believe this estimate significantly understates the total value of actual support provided to agricultural producers by U.S. State and Local Governments.

We have added $20 billion to the estimated state benefits to reflect the estimated value of subsidized water provided for irrigation of agricultural land. This brings the state and local government total to $27,049,918,596 and the allocation to the dairy sector to $2,851,061,420.

A. U.S. Federal Support to Dairy Farmers

Some 20 years after the U.S. took on WTO obligations to reduce farm support, U.S. financial support provided to U.S. dairy producers remains very high. Based on the review in this study, we have identified a total of $25,663,654,420 in direct and indirect federal subsidies and support for American dairy farmers in 2015. Expressed in terms of estimated 2015 U.S. milk production, this was equivalent to US$12.06 per cwt of milk produced. Expressed in Canadian dollars by using the Bank of Canada 2015 exchange rate average (1.27871080), the U.S. federal and state support to dairy was $15.42CAD per cwt or $35.02CAD per hectolitre.

In considering the total budget of U.S. federal support to agriculture, it is essential to include the value of irrigation infrastructure provided by the Department of the Interior. Irrigation is an integral part of the Farm subsidy framework. The Los Angeles Times reported:

> "Cheap irrigation water is part of the equation, but there is another common denominator. It's a massive federal legislation package passed every five years known as the farm bill."[144]

The serious delays in reporting to the WTO make such reports a resource of only the most marginal utility. Such serious reporting lags and under-reporting make it virtually impossible to access current information on actual expenditures and in turn to properly assess compliance with WTO obligations.

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[144] "We'll reap what we sow; The farm bill is loaded with pork and environmentally disastrous provisions", By Daniel Imhoff, Los Angeles Times, April 10, 2008

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The principal focus of our analysis is recent and current support, not what an unpredictable Congress might do in the future. As noted earlier, President Obama has tried to reduce expenditures on agriculture (while vastly increasing funding of nutrition programs):

> "President Obama's budget calls for an end to direct payments to "large agribusinesses that don't need them" but the proposal is likely to meet fierce opposition from farm-state lawmakers, particularly from the South….
>
> In 2006, for instance, the top 1 percent of farmers received 20 percent of all payments, according to the Environmental Working Group, a nonprofit advocacy group that maintains a database of farm subsidies. Among the largest recipients are rice and cotton farmers. Lawmakers from the South, Texas and California have historically fought hard against payment limits."[145]

> "Why should we be sending millions of dollars to the largest corporate farms in the country? That's not what a safety net is for," said Senator Byron Dorgan, North Dakota Democrat, who has long championed a cap on payments.
>
> The issue pits corporate farms against small operations, and farmers and lawmakers from the corn and soybean Midwest against those in the south who rely on cotton and rice. And it may pry open the 2008 Farm Bill for revisions."[146]

In FY 2009, Congress disagreed. Congress won and then again in 2010. Reaction to proposed FY 2011 cuts aimed primarily at capping payments to the wealthiest farmers did not appear to be any more likely to succeed, particularly, given the uncertain mid-term election situation.[147]

USDA appears to be immune to serious budget cutting. Therefore, for purposes of this study we rely on data from the FY 2017 Budget proposal documents.

[145] "Drilling Down on the Budget – Agriculture", By Andrew Martin, The New York Times, February 27, 2009
[146] "Obama reignites fight over U.S. farm subsidies", By Roberta Rampton, Reuters News, February 25, 2009
[147] "Campaign enters home stretch", WCF Courier, September 7, 2010

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B. Analysis of U.S. Federal Government Support

1. Total Value of U.S. Federal Government Support in 2015

The total value of support to agriculture provided by the United States in 2015 is the sum of all USDA expenditures on account of all programs and Department activity, $210,703,000,000, and the total value of all irrigation-related support provided by the Department of Interior, Bureau of Reclamation, that is; $892,000,000.[148] Therefore, GCS has estimated the total value of U.S. federal support for agriculture for 2015 for purposes of our analysis to be $211,595,000,000.

Overview of U.S. dairy industry

- Milk has a farm value of production second only to beef among livestock industries and equal to corn.
- Dairy farms, overwhelmingly family-owned and managed regardless of size, are generally members of producer cooperatives.
- Dairy products range from cheese, fluid milks, yogurt, butter, and ice cream to dry or condensed milk and whey products, used mostly as ingredients in processed foods.
- Cheese and fluid milk products now use most of the milk supply.
- Government traditionally has regulated both sanitary and market aspects of the dairy industry.
- Historically, international trade in dairy products has only occasionally been important for the U.S. dairy industry. In coming years, however, international trade may have a greater impact on the domestic industry.[149]

Farm Milk Production

Major trends in milk production in the United States include: 1) a fairly steady slow increase in production as gains in milk production per cow outweigh declines in the number of cows; and 2)

[148] There is considerably more irrigation support provided at the level of sub-national governments. This support is addressed in Part II of the study.
[149] www.usda.gov

a consistent decline in the number of dairy operations, matched by a continual rise in the number of cows per operation.

Since 1970, milk production has risen by almost half, even though milk cow numbers have declined by about a fourth (from about 12 million to roughly 9.3 million in 2015). Milk production per cow has more than doubled from 9,700 pounds per year to 22,567 pounds[150] in 2015. Similarly, the number of dairy operations declined from about 650,000 in 1970 to roughly 60,000 in early 2012, while over the same period the average herd size increased sevenfold from about 20 cows to 153 cows.

Milk is produced in all 50 States. The top 10 producing States in 2015[151] were:

- California
- Wisconsin
- Idaho
- New York
- Pennsylvania
- Texas
- Michigan
- Minnesota
- New Mexico
- Washington

As this list indicates, the major milk-producing States are in the West and North. The relative importance of the western regions has grown, while other regions have declined or remained steady. Western areas have had lower average costs of milk production for a variety of organizational and climatic reasons.

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[150] www.statista.com, projected milk production per cow 2015-2025
[151] https://www.statista.com/statistics/194968/top-10-us-states-by-milk-production/

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Most dairy cows in the United States are Holsteins, a breed that tends to produce more milk per cow than other breeds. The composition of Holstein milk in approximate terms is 87.7% water, 3.7% milkfat, and 8.6% skim solids.

In the United States, the decision to produce has milk largely seated in the hands of individuals or families. Many of these farmers belong to producer-owned cooperatives. The cooperatives assemble members' milk and move it to processors and manufacturers. Some cooperatives operate their own processing and manufacturing plants. Initially local, many of today's dairy cooperatives are national, with members scattered across the country.

In recent years there has been a trend to mega operations with more than 5,000 cows. Production has increased well beyond demand. The resulting low prices have forced many smaller family farms out of the industry.

Dairy Trade

International dairy trade absorbs only about 5% of the cow's milk produced globally. The trade is primarily in major manufactured dairy products—butter, cheese, and dry milk powders—with some trade in fluid milk products, ice cream, yogurt, and dry whey products.

U.S. exports of dairy products have grown rapidly in recent years. Exports have increased from $1,628,928,000 in 2005 to $5,240,047,000 in 2015. This 322% increase would appear to coincide with the creation of Co-operatives Working Together (CWT) has not been a major exporter of dairy products on a sustained basis. There have been sporadic unsubsidized exports of butter and nonfat dry milk powder over time, but more often some subsidy has been required. In 2007-08, the United States was able to take advantage of significant export opportunities due to tighter global stocks, drought-induced production declines in Oceania, rising demand in foreign countries and the weaker dollar in 2007. The United States is an important importer of relatively large (although mostly fixed) amounts of cheese.

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Prior to the conclusion of the Uruguay Round Agreement on Agriculture, the United States employed explicit dairy product import quotas to shield the domestic dairy industry and Federal price support programs from international dairy markets. As a member of the World Trade Organization (WTO), the United States, along with many other dairy-producing countries, established tariff rate quotas (TRQs) for dairy products. The TRQs allow imports at very low tariffs up to fixed amounts. Any additional imports are subject to very high tariffs. Many of the individual TRQs are administered through licenses for imports of specific products from specific countries or regions.

Dairy Policy

Dairy policy in the United States includes both Federal and State programs. The major Federal dairy programs are the system of Federal milk marketing orders. The price support program delivered through a variety of programs was terminated by the 2014 Farm Bill. It was replaced in part by the Milk Margin Protection Program. Government programs designed to assist international trade and provide domestic and international food aid also affect the dairy industry.

2. Direct and Indirect Support.

Financial support to agriculture in the U.S. must be examined in the aggregate to obtain a full and proper appreciation of its extent and depth. While we have estimated the values of direct and indirect support, we have not been able to estimate the benefits from price and income supports which supplement program support, nor tax exemptions because this information is not readily available. Because our calculations do not include all support; our estimates tend to understate actual benefits to U.S. agriculture, of all things done by the U.S. federal government.

3. Subsidies, Support and Tariffs

There is a direct competitive relationship (inter-linkage) between subsidies and support, on the one hand, and tariff protection, on the other. Tariffs on imported products supplement financial support to producers and processors. Subsidies both permit exporters to offset tariffs in importing countries, and supplement tariff protection in preserving farm incomes which would otherwise be reduced by import competition. Tariffs cannot be viewed in isolation. Nor can Market Access negotiations ignore the effects of domestic support on the ability of recipients to compete.

Many countries, including the United States, impose tariffs on imported products in order to restrict or regulate imports by increasing prices of such imports in order to protect or insulate its domestic producers and processors from import competition. This protection is particularly important in the case of sensitive products subject to tariff rate quotas (TRQ) which tend to be subject to highly subsidized import competition.

The subsidies and financial support provided by the United States benefit U.S. producers and processors by establishing, maintaining and increasing their competitive advantage[152] over imported agricultural products (which are often sold at very low subsidized prices which skew world markets). Because this competitive advantage is generally expressed in terms of lower prices for domestic agricultural products as compared to imports, the only effective means of competing with import competition in commodity-type products is to introduce border measures (tariffs) which make imports more expensive, or to provide income/price support to compensate for import pricing pressures.

U.S. producers and processors may retain some of the value of the subsidies and support provided by the U.S. federal government rather than relying on the entire value of the subsidy and support to reduce prices. It is not possible from the information available to us to determine to what extent this is occurring. (In the case of many commodity products, such as feed grains, the price is set by supply and demand, meaning that subsidy-driven over production forces prices down, often triggering payment of even more support.) Our research and analysis demonstrates that U.S. producers are relying on the subsidies and support provided by government to sell at below their cost of production both at home and in export markets.

[152] This is not necessarily a natural advantage – government intervention makes it a seized advantage.

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While the mechanisms have changed and risk management (risk elimination) insurance based programs are more prevalent, the effect is the same. Margin and price protection programs permit the continued sale of commodities and other products at less than full cost.

This conclusion is supported by the Institute for Agriculture and Trade Policy (ITAP), which in its February 2004 Update of its Report, "*United States Dumping on World Agricultural Markets*", observed:

> "The latest numbers available show a continued trend of widespread agricultural dumping from U.S.-based global food companies. In 2002, exports continued to be sold well below the cost of production:
>
> - Wheat was exported at an average price of 43 percent below cost of production;
> - Soybeans were exported at an average price of 25 percent below cost of production;
> - Corn was exported at an average price of 13 percent below cost of production;
> - Cotton was exported at an average price of 61 percent below cost of production;
> - Rice was exported at an average price of 35 percent below cost of production.
>
> While the 2002 data indicate an increase in dumping for cotton and rice, a decline for corn and soybeans, and a constant level for wheat, they are consistent with the trend of high levels of dumping for all five commodities over the last decade."[153]

Although the ITAP addressed dumping with respect to exports, the same price pressures apply to domestic sales by U.S. producers and processors. The "dumping" found by the ITAP is underwritten through U.S. subsidies and support, the same mechanisms that support[154] domestic production and sale of agricultural products. Thus, these subsidies are arguably import replacement subsidies, which are prohibited by Article 3(1)(b) of the WTO Agreement on Subsidies and Countervailing Measures.[155] Some examples are blatantly clear – such as Senator Grassley's recently tabled bill on biodiesel tax credit reform designed to deny benefits to imported biodiesel.[156]

[153] *United States Dumping on World Agricultural Markets, February 2004 Update*, Cancun Series Paper No. 1, pg 3
[154] In fact, these subsidies encourage production, drive production down and increase exports.
[155] http://www.wto.org/english/docs_e/legal/24-scm.pdf
[156] https://www.grassley.senate.gov/news/news-releases/grassley-cantwell-lead-group-14-senators-bolster-renewable-fuels-biodiesel-tax

Thus, there is a relationship, an interlinkage, between subsidies and support and tariffs in terms of their effect on the competitive relationship between U.S. produced agricultural commodities and imports. Subsidies and support seize a competitive advantage for U.S. agricultural products by allowing them to be sold at lower prices in both export and domestic markets, including at prices significantly below cost of production.

While some agricultural products are not subject to high tariffs at the border, they benefit from safety net or income support measures which insulate them from international competition. These subsidies enable producers to "farm the mailbox" for their income, de-linking planting decisions from market conditions. Insulating planting and harvesting decisions from supply, demand and market forces results in surpluses sold on world markets at prices which need not and do not cover costs of production.

This process is not likely to end any time soon. A respected U.S. research institute projects:

> "The U.S. corn market share increases from 64 to 73 percent over the projection period". (2004-2014).[157]

And these activities supported by U.S. subsidies directly impact farmers in Canada and other markets.

In a 2005 investigation of dumped and subsidized imports of grain corn from the USA, the Canada Border Services Agency determined that the following programs and incentives offered by the U.S. Government provide actionable subsidies:

- Direct[158] and Counter-cyclical Payment Program (formerly Marketing Loss Assistance Payments)
- Nonrecourse Marketing Assistance Loans and Loan Deficiency Payments
- Federal Crop Insurance Program

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[157] Ascribe newswire, March 16, 2005, http://newswire.ascribe.org/cgi-bin, Agricultural Policy Research Institute Projects Rebounding U.S. Wheat Exports, Soybeans Concentration

[158] Direct Payments were repealed by 2014 Farm Bill and replaced with enhanced crop insurance and programs where most of the premiums are subsidized by the U.S. tax payer.

The CBSA estimated that the amount of subsidy for the CBSA's entire period of investigation was 18% of the export price of the subject goods shipped to Canada or US$0.45 per bushel. The CBSA stated that the amount of subsidy after a finding of injury would be US$0.87 per bushel.[159]

In the absence of evidence to the contrary, the CBSA assumed that 100% of the subject goods imported into Canada have benefited from the actionable subsidies.

The effect of these very large subsidies on many commodities around the world has been an important inhibitor to progress of the Doha Development Agenda (DDA) negotiations on Market Access. The Doha Declaration calls for improved market access (lower tariffs and larger tariff-free import quotas) for agricultural products traded internationally. It also envisages substantial reductions and eventual elimination of trade/production distorting domestic support. There is considerable doubt about the reality of expecting the U.S. to do this.[160]

Clearly, these U.S. subsidy programs stimulate production, create surpluses which must be exported, drive down prices, and force unsubsidized producers out of business. Absent real reductions in such subsidies, improving market access to importing countries poses serious risks for WTO members whose budgets do not permit such "deep pockets" support of their own agriculture sectors.

C. U.S. Federal Agricultural Support Programs

The U.S. Department of Agriculture (USDA) provides support through a vast array of programs ranging from Departmental administration and regulation, through inspection and grading services to economic analysis and education, resource management, insurance, loans and grants, direct payments and support, support for export sales and international and domestic food aid as a means of intervening in the market and eliminating surpluses. While some of its activities may

[159] Subsidies were increasing because of falling market prices.
[160] "To unlock the agricultural negotiations the U.S. must first comply with the WTO rules", Jacques Berthelot, Solidarité, February 8, 2007

appear ordinary day-to-day operations of government, USDA's pockets are very deep and the extent of U.S. support underscores the pervasive role government plays in the U.S. agriculture sector.

The federal subsidies and support examined and estimated in Part I of this report do not include State subsidies, and the generous support in the form of below-market price water provided through state and local irrigation projects. Including subsidies and support provided by state and local levels of government in our calculations, demonstrates more clearly that U.S. producers will retain a significant competitive advantage notwithstanding any domestic support concessions which may be made at some time in the future by the U.S. in WTO negotiations; either of a revived Doha Round or some future multilateral initiative at a more favourable time.

1. Programs that Directly Support Dairy Production

Programs Recently Discontinued

- Milk Income Loss Contract (MILC) Program
- Dairy Product Price Support Program (DPPSP)
- Dairy Export Incentive Program (DEIP)

New Programs Established by the Agricultural Act of 2014

- Margin Protection Program for Dairy (MPP-Dairy)
- Dairy Product Donation Program (DPDP)

U.S. dairy policy has evolved over many years. The recent Agricultural Act of 2014 has brought about substantial changes in protections for dairy farmers. Milk marketing orders continue to play an important role.

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Programs Repealed in 2014 Agricultural Act

The **Milk Income Loss Contract (MILC) Program** was repealed by the Agricultural Act of 2014. As authorized by the 2002 Farm Bill, payments were made to dairy operations based on their milk marketed when the Class I price in Boston (Federal Milk Marketing Order 1) fell below $16.94 per cwt. Payments were capped at 2.4 million pounds of production per fiscal year per operation. With the 2008 Farm Bill, a mechanism was added to account for feed prices; when a specified measure of feed price rose above a target level, the target milk price was raised by a percentage of the difference in the feed price and the target feed-price level. The payment cap was raised to 2.985 million pounds per fiscal year.

The **Dairy Product Price Support Program (DPPSP)** was repealed by the Agricultural Act of 2014. A purchase program for supporting farm milk prices started with the Agricultural Act of 1949 and was amended several times since then.
The Food, Conservation, and Energy Act of 2008 (2008 Farm Act) fundamentally changed the milk support purchase program by specifying support prices of purchased manufactured products instead of the price of milk. At the time the program was repealed, the Commodity Credit Corporation (CCC) stood ready to buy bulk quantities of butter, cheddar cheese, and nonfat dry milk that met specifications at the following **wholesale prices:**

- $1.05 per pound for butter,
- $1.13 per pound for cheese in blocks,
- $1.10 per pound for cheese in barrels, and
- $0.80 per pound for nonfat dry milk.

Market prices have exceeded support prices in recent years. Therefore, no price support purchases occurred after 2009.

The **Dairy Export Incentive Program (DEIP)** was repealed by the Agricultural Act of 2014. DEIP paid cash bonuses to exporters, allowing them to buy at U.S. prices and sell abroad at prevailing (lower) international prices. DEIP removed nonfat dry milk, butterfat, and certain cheeses from the domestic market and helped develop export markets. The DEIP was announced by USDA on May 15, 1985. DEIP quantities and dollar amounts were subject to World Trade Organization (WTO) restrictions under the Uruguay Round Agreement on Agriculture. Because U.S. market prices have been competitive with international prices in recent years, no DEIP bonuses occurred after 2010.

Milk Marketing Orders

The Agricultural Marketing Agreement Act of 1937 authorized Federal milk marketing orders, which have been modified many times since then, to help establish orderly marketing conditions for the benefit of both dairy farmers and dairy product consumers. A classified pricing system and revenue pooling are two key elements of milk marketing orders. Milk marketing orders set minimum prices paid by milk processors for milk used in fluid beverage purposes and manufactured dairy products. These minimum milk prices are set by formulas and change each month with changes in prices of major dairy commodities. Minimum prices of milk used for fluid beverage purposes differ according to a geographic price structure. While most U.S. milk is marketed through Federal milk marketing orders, some milk is marketed through similar State programs (the largest being California's). The rest of the milk is not included in either the Federal or a State program.

The 1996 Farm Act called for several changes in milk marketing orders, including consolidation of the then existing 31 orders. In 2009, there are 10 Federal milk marketing orders. The elements of the 2008 Farm Act related to Federal milk marketing orders focus on processes under the system's regulations and on evaluation of effects—not on major program changes.
In 2014, the USDA budget for administration of the FMMOs was $47 million; it was expected to increase to $49 million in 2015 and further increase to $51 million in 2016. The number of employees also is expected to increase from the current 348 to 359 in 2015, according to budget estimates.

In addition, for 2016, $20 million will be used to finance USDA oversight activities for all marketing agreements and orders at the national level. These funds come from the U.S. Treasury and are in addition to the industry-funded FMMO assessments.

New Programs Established by the Agricultural Act of 2014

The **Margin Protection Program for Dairy (MPP-Dairy)** offers dairy operations insurance based on the average national dairy production margin (the difference between the U.S. all-milk price and average feed cost). Benefits apply to a participating operation's production history, adjusted annually to reflect national average milk production increases. All dairy farm operations are eligible to participate, and pay only the administrative fee ($100) if they select protection at the minimum margin level ($4.00 per hundredweight (cwt) of milk). Higher levels of protection are available, for which dairy farmers must pay both the administrative fee and a premium.

A participating dairy operation will pay a premium based on the level of coverage elected. Premiums will be calculated by multiplying the coverage percentage selected (from 25% to 90%) multiplied by the production history of the dairy operation to obtain the covered milk marketings. The covered milk marketings are multiplied by the premium per cwt applicable for the coverage level selected. Premiums will be calculated from Tier 1 for covered production history up to 4 million pounds and from Tier 2 for covered production history exceeding 4 million pounds. For calendar years 2014 and 2015, the premium rate will be reduced by 25% for production under the Tier 1 premium schedule, except at the $8.00 per cwt margin level.

Coverage level (margin)	Tier 1 premium for 2014–2015[1]	Tier 1 premium for 2016–2018[2]	Tier 2 premium for 2014–2018[3]
4.00	None	None	None
4.50	0.008	0.010	0.020
5.00	0.019	0.025	0.040
5.50	0.030	0.040	0.100
6.00	0.041	0.055	0.155
6.50	0.068	0.090	0.290
7.00	0.163	0.217	0.830
7.50	0.225	0.300	1.060
8.00	0.475	0.475	1.360

[1]Covered production history less than 4 million lb with 25% reduction.
[2]Covered production history less than 4 million lb.
[3]Covered production history less than 4 million lb.
Source: USDA, Farm Service Agency.

Premiums for Margin Protection Program – Dairy ($/cwt)

The **Dairy Product Donation Program (DPDP)** requires the Secretary of Agriculture to purchase dairy products for donation to low-income groups when dairy margins, as determined under the MPP-Dairy, fall below $4.00 per cwt the two prior months. The program remains in effect until specified margin or product price levels are met or until purchases have been made for three consecutive months. Dairy products will be purchased at prevailing market prices in consultation with public and private nonprofit organizations serving the nutrition needs of low-income populations, which will distribute the donations through food banks and other feeding programs.

2. Domestic Support Programs

The U.S. domestic support system has been revamped and strengthened through successive Farm Bills.

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Government support to U.S. agricultural producers goes far beyond commodity and income support or "safety-net" programs to include grants and loans and disaster assistance. The 2014 U.S. Farm Bill goes well beyond risk management. Its focus is risk elimination.

> The Agriculture Act of 2014 (2014 farm bill) transformed many of the agricultural programs from the Food, Conservation and Energy Act of 2008 (2008 farm bill). The new law altered many of the commodity (Title I) programs that are tied to historical acres and yields. For example, the 2008 Title I programs included the direct payment program which paid constant amounts regardless of economic conditions. This program came about with the Freedom to Farm Act (aka 1996 Farm Bill). The 2014 farm bill eliminated this type of payment so that programs are more reflective of market conditions (for example, not providing a payment when prices and producer revenue are high).
>
> While the end of the 2014 farm bill in 2018 seems far off, it is likely debate will begin sooner than later. Considering conditions today and looking at different farm bill options from the 2008 and 2014 legislation will provide useful information to inform that debate.
>
> To evaluate changes to land use and government costs, we start by using the FAPRI model to evaluate what would happen with *no* farm programs at all. We then consider Title I programs and Title XI (crop insurance) programs as well as the conservation reserve program. To isolate the effects of those programs under the two different farm bill vintages, we start by allowing Title I programs, followed by then allowing Title XI programs and finish by allowing CRP enrollment and payments.
>
> The 2014 farm bill eliminated all of the 2008 programs except marketing loans. Instead, producers had to choose between Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC) for each commodity on a farm. PLC operates like the CCP program except with higher levels of price protection. While ARC has some similarities to ACRE, it has some fundamental differences. Payments are not tied to actual plantings and the version chosen by most producers protects revenue at the county level which has no

> farm-level loss criteria. If a producer did not choose ARC for a commodity and purchases crop insurance for it, the crop is eligible for the new Supplemental Coverage Option (SCO) crop insurance program. Upland cotton is no longer a program crop but is still eligible for marketing loans. Instead, upland cotton producers have an additional crop insurance program available to them, the Stacked Income Protection Plan (STAX).[161]

The 2017 USDA Budget Summary indicating total budgetary allocations for the Commodity Credit Corporation are $4,682,000,000 for 2015; 8,214,000,000 for 2016 and $11,300,000,000 for 2017.[162] The support provided through the Commodity Credit Corporation alone would constitute a significant portion of the $211billion referred to above; indeed, funding of support through CCC activities, will exceed this by a significant margin.

CCC net outlays have declined from a record high of $32.3 billion in 2000 to $4.7 billion in 2015, reflecting higher prices for most commodities resulting from increased demand for bioenergy production and strong export demand.

The FY 2017USDA Budget shows the following CCC net outlays:[163]

2015 (Enacted)	$4,682,000,000
2016 (Estimate)	$8,214,000,000
2017 (Budget)	$11,300,000,000

The domestic support programs benefit a broad range of U.S. producers, including U.S. dairy producers. Dairy production, according to USDA is just behind beef and equal to corn in terms of benefits.

[161] "Now that it's 2016, Let's Compare 2014 Farm Bill Programs to the 2008 Farm Bill, FarmDocDaily, University of Illinois at Urbana-Champaign, July 8, 2016
[162] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 24
[163] Ibid.

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3. Export Subsidy Programs

The United States provides substantial support to its agricultural exporters through **Export Credit Guarantee Programs** (GSM-102 and the Facility Guarantee Program (FGP)).

These programs provide low-cost (and below cost) export credit guarantees to support the export sale of U.S. agricultural products. The Panel in *United States – Upland Cotton*[164] determined that these programs provide export subsidies in violation of U.S. obligations. The Panel findings were confirmed by the Appellate Body.[165] The programs remain in force, are more generous and the U.S. has still not properly implemented the *Upland Cotton* findings.

These now condemned export subsidy programs provide support that is vital to the continued export sale of U.S. agricultural products. Expenditures under these programs provide significant support to U.S. agriculture, and must be calculated in determining U.S. compliance with its WTO export subsidy commitments.

Market Development Programs – FAS administers a number of programs, in partnership with private sector cooperator organizations, which support the development, maintenance, and expansion of commercial export markets for U.S. agricultural commodities and products. In 2015, almost 1,000 U.S. companies and organizations participated in 21 USDA endorsed trade shows in 16 countries. On-site sales totaled an estimated $421 million and the total value of agricultural exports resulting from participation in foreign food and agricultural trade shows in 2015 was $1.52 billion.[166]

In addition to these programs, the United States maintains a number of international food aid programs. The abuse of international **food aid** can be an export subsidy. Article 10(4) of the Agreement on Agriculture permits provision of international food aid that is not tied, directly or indirectly, to commercial exports of agricultural products; that is carried out in accordance with

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[164] World Trade Organization (WTO), *United States—Subsidies on Upland Cotton*; Report to the Panel (WT/DS267/R), 8 September, 2004
[165] WT/DS267/AB/R, March 3, 2005, para 763(e)
[166] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 31

FAO Principles of Surplus Disposal and Consultative Obligations and which is provided to the extent possible in fully grant form or on terms no less concessional than those set out in the Food Aid Convention. The USA can and does donate foods under its programs in a manner that does violate its WTO obligations. In the past, the United States has relied on these programs to support domestic producers by disposing of surplus commodities on the international market and could do so in future. Any such provision of international food aid outside the bounds of AoA Article 10(4) would constitute an export subsidy that must be included in calculating U.S. export subsidy commitments.

4. De Facto and Article 9.1(c) Export Subsidies

It is important to analyze de facto export subsidy effects of U.S. domestic support (see Article 9.1(c)) when assessing overall U.S. support of agriculture, and the extent of adverse effects of massive U.S. domestic support in world markets.

By de facto export subsidies we mean the use of what appear to be domestic subsidies and support which stimulate overproduction of important commodities such as corn, other feed grains, cotton and soybeans that have historically been sold on export markets. Traditional U.S. domestic support programs have stimulated production of these commodities to levels well in excess of domestic requirements. While available supplies of feed grains were very tight, in view of the renewable fuel programs, the subsidies continued. The “domestic” support provided to farmers to grow these commodities effectively stimulates surpluses and supports export sales. The value of these export subsidies is substantial and pursuant to recent WTO dispute settlement decisions, must be counted against United States’ export subsidy commitments.

WTO Agreement on Agriculture Article 9.1(c) export subsidies are payments financed by virtue of governmental action that are made on the export of agricultural products and include payments by producers in the form of sales made at less than cost. Based on WTO DSU interpretations, U.S. producers arguably provide very generous Article 9.1(c) export subsidies to support export sales of many commodities. These export subsidies should be counted against U.S. export subsidy commitments. We recognize that these export subsidies result from the existence of U.S. domestic support programs, which stimulate surpluses and permit export sales below average cost of production. We should not logically count the same support as both domestic and export subsidies. We have not included these subsidies in our overall estimate of U.S. federal support for the reasons explained above.

To assist in understanding the WTO status of these subsidies, we refer to the following extract from the Panel report on *European Communities – Export Subsidies on Sugar*. The Sugar Panel recognized the impact of domestic support on world market markets.

> "7.307 Important by-products of this production support are structural surpluses, with EC sugar production substantially in excess of consumption. Consumption averages around 12.5 million tonnes, whereas production ranges between 15-18 million tonnes. In addition to sugar manufactured from domestically harvested beet or cane, a further 1.8 million tonnes of sugar is manufactured from raw cane sugar imported mainly from ACP countries. The regime ensures that domestic production surplus to consumption is disposed of on export markets. Approximately 20 percent of all sugar produced is exported."

The Appellate Body (AB) in its decision in *Canada – Dairy* introduced the concept of cross-subsidization into the WTO AoA. They explained:

> "Canada also objects that this reasoning brings "cross-subsidization" under Article 9.1(c) of the Agreement on Agriculture. We have explained that the text of Article 9.1(c) applies to any "governmental action" which "finances" export "payments". The text does not exclude from the scope of the provision any particular governmental action, such as regulation of domestic markets, to the extent that this action may become an instrument for granting export subsidies. Nor does the text exclude any particular form of financing, such as "cross-subsidization". Moreover, the text focuses on the consequences of governmental action ("by virtue of which") and not the intent of government. Thus, the provision applies to governmental action that finances export payments, even if this result is not intended. As stated in our Report in the first Article 21.5 proceedings, this reading of Article 9.1(c) serves to preserve the legal "distinction between the domestic support and export subsidies disciplines of the Agreement on Agriculture". Subsidies may be granted in both the domestic and export markets, provided that the disciplines imposed by the Agreement on the levels of subsidization are respected. If governmental action in support of the domestic market could be applied to subsidize export sales, without respecting the commitments Members made to limit the level of export subsidies, the value of these commitments would be undermined. Article 9.1(c) addresses this possibility by bringing, in some circumstances, governmental action in the domestic market within the scope of the "export subsidies" disciplines of Article 3.3."

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The Appellate Body in *Canada – Dairy* established that contrary to the understanding of many WTO members, there were previously unrecognized obligations which can result in export subsidies, where none were believed to exist. There have been similar findings against E.U. policies and based on the Appellate Body's logic, a number of U.S. programs are also at risk.

According to AB in *E.C. – Sugar* relying on *Canada – Dairy* Panel, there is no need for "payments" to be financed by a government mandate or direction.

> "7.324 The Panel recalls that the "demonstrable link" and clear "nexus" between the "financing of payments" and the "governmental action" must be established in order to qualify as a payment "by virtue of governmental action". In *Canada – Dairy* (Article 21.5 – New Zealand and U.S. II), the Appellate Body stated that "Article 9.1(c) embraces the full-range' of activities by which governments ' 'regulate', 'control' or 'supervise' individuals'. In particular, it said that governmental action 'regulating the supply and price of milk in the domestic market' might be relevant 'action' under Article 9.1(c). It added that "Article 9.1(c) does not require that payments be financed by virtue of government 'mandate', or other 'direction'. Although the word 'action' certainly covers situations where government mandates or directs that payments be made, it also covers other situations where no such compulsion is involved.
>
> 7.325 Of particular relevance in the present dispute is the Appellate Body's discussion of the word "financed" (by virtue of governmental action) which refers to the "mechanism or process" put in place by the government: "The word refers generally to the mechanism or process by which financial resources are provided to enable 'payments' to be made"."

In our de facto export subsidy analysis, we have focused on sales at less than cost of production, as the decisions in *Canada – Dairy* requires us to do so – as did the Panel in *E.C. – Sugar*.

> "7.297 The Panel acknowledges, as was stated by the Appellate Body in *Canada – Dairy* (Article 21.5 – New Zealand and U.S.), that normal economic operators must cover their total costs of production and if they do not, this may be evidence that they receive an advantage of some sort:
>
> "For any economic operator, the production of goods or services involves an investment of economic resources. In the case of milk producer, production requires an investment in fixed assets, such as land, cattle and milking facilities, and an outlay to meet variable costs, such as labor, animal feed and health-care, power and administration. These fixed and variable costs are the total amount which the producer must spend in order to

> produce the milk and the total amount it must recoup, in the long-term, to avoid making losses. To the extent that the producer charges prices that do not recoup the total cost of production, over time, it sustains a loss which must be financed from some other source, possibly "by virtue of governmental action".
>
> 7.298 The Panel recalls that in the ordinary course of business, a private business or economic operator would make the decision to produce and sell a product, not only to recover the total cost of production, but also with the objective of making profits. The Panel is of the view that export sales below total cost of production cannot be sustained unless they are financed from some other source, possibly "by virtue of governmental action".
>
> 7.299 The Panel recalls that the Appellate Body in *Canada – Dairy* (Article 21.5 – New Zealand and U.S.) determined that the appropriate "benchmark" to assess the proper value of the subject good, considering the facts and circumstances of the dispute, was the average total cost of production of the CEM milk. In determining the proper value to the producer, a payment analysis "requires a comparison between the price actually charged by the provider of the goods or services … and some objective standard or benchmark which reflects the proper value of the goods or services to their provider…". In that dispute the Appellate Body, in search of an objective standard that would establish the proper value of milk to the milk producer, found that the average total cost of production took best into account the "motivations of the independent economic operator who is making the alleged 'payments'" and the value of milk to it. The Appellate Body used this benchmark as it answered the "crucial question, namely, whether Canadian export production has been given an advantage"." (emphasis added)

There are important domestic support programs in the U.S. which result in un-notified AoA Article 9.1(c) subsidies, on the basis that in the words of the Appellate Body:

> "If governmental action in support of the domestic market could be applied to subsidize export sales without respecting the commitments (on exports), the value of these commitments would be undermined." (emphasis added)

Based on the WTO DSU decision in *Canada – Dairy*, benefits may be calculated based on the exports made at prices not reflecting full average cost of production. However, preparing such calculations was beyond the scope of this study. As noted earlier, in preparing our estimates, we recognized that the de facto export subsidies at issue are, in fact, the result of misused and misguided domestic support programs that are already counted in the overall domestic subsidy estimate. Therefore, we have not separately calculated for inclusion in our estimate of support and subsidies deemed to be de facto export subsidies.

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However, we have provided illustrations of the significant gap between cost of production and farm gate prices. When viewed in the context of increased U.S. exports of dairy products, the pricing of milk appears to be subsidized in accordance with Article 9.1 (c) of the WTO Agreement.

In light of the total value of support provided through de facto export subsidies and Article 9.1(c) export subsidies, we conclude that the United States has exceeded and will likely continue to exceed, its Uruguay Round export subsidy commitments.

"A potential issue is that, unless designed appropriately, margin insurance may guarantee a profit to some of the largest farms due to their lower production costs. This would distort the structure of production among farms of differing sizes."[167]

Five crops have traditionally received the lion's share of U.S. domestic support - wheat, corn, soybeans, rice and cotton. These crops are produced in substantial volumes, well in excess of domestic needs. The resulting surpluses must be sold on export markets and U.S. programs permit such sales below average cost of production.

Soybeans and corn are prime examples of commodities that are highly subsidized in the United States, resulting in significant over-production that must be sold onto the world market. (It is also relevant that both corn and soybeans are used in feeding dairy cattle providing benefits to dairy farmers through reduced feed costs.)

Year after year the United States produces far more corn and soybeans and other commodities than it can possibly use and the excess must be exported. This is not simply a matter of bumper crops that resulted from favorable planting, weather conditions and yields.[168] Rather, planting decisions are made based on expected returns, which in the U.S. include "safety net" support

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[167] Political Economy of the 2014 Farm Bill, American Journal of Agricultural Economics, 97(5), By David Orden and Carl Zulauf, June 11, 2015

[168] Above normal yields can exacerbate over-production as did occur in the U.S., for example, in 2004

received from government which insulates producers from market conditions, including supply and demand.

Record U.S. soybean production in 2016 reached 4.31 billion bushels, up 10% from 2015. Corn production in 2016 was 15.1 billion bushels, up 11% from 2015.[169]

Would the United States supply nearly 40% of the world corn market if Government did not provide such generous support to its corn producers permitting them to sell year after year at less than cost of production? In the absence of this support, and if the actual cost of growing corn and obtaining all revenue from the marketplace were real disciplines, it is far more likely that U.S. corn producers would make different planting decisions. The level of U.S. corn exports would be determined by market forces rather than be driven by government support or risk elimination programs. Therefore, the decision to provide support year after year that results in perpetual over-production and surpluses that must be exported, should be considered *de facto* export subsidies. The value of this support should be counted against U.S. export subsidy commitments.

As previously discussed, these subsidies which distort production and exports, particularly exports at less than cost of production have been found to be export subsidies in *Canada – Dairy* and *E.C. – Sugar*. Clearly, Article 9.1(c) of the Agreement on Agriculture should be applied to U.S. exports benefiting from domestic support which enables them to be sold on world markets at less than fully absorbed cost of production.

Because these subsidies have been reported as domestic support we have not reported them as export subsidies in order to avoid double counting. This additional analysis underlines the serious production and trade distorting effects of U.S. domestic support.

[169] "Corn and Soybean Production up in 2016", USDA NASS, January 12, 2017

5. Domestic and International Food Aid

The United States Federal Government provides domestic and international food aid through a number of programs which provide significant support to U.S. agriculture. Such support can be provided without violating WTO obligations (if aid is provided in a manner that is fully consistent with Annex 2(4) to the Agreement on Agriculture with respect to domestic food aid and Article 10(4) of the Agreement on Agriculture with respect to international food aid). Whether or not this support is exempt from U.S. domestic and export subsidy obligations (and we consider that it is not consistent), these programs allow the U.S. Federal Government to intervene in the market with the result that prices are supported to the benefit of U.S. producers.[170]

6. Irrigation Programs

The United States provides extensive support to agricultural producers through the provision of low-cost water for irrigation. There are approximately 130 irrigation projects in 11 western states that promote and support U.S. agriculture. By far the major portion of support to U.S. agricultural producers through these programs comes from the provision of subsidized water and electricity by state and local governments which is addressed in Part II of this study.

The OECD reports that:

> "A 2014 study by the U.S. Government Accountability Office ("Availability of Information on Repayment of Water Project Costs Could Be Better Promoted") evaluated irrigation district repayment for 130 federal water projects in the Western U.S.
>
> At Grand Coulee Dam, the Columbia Basin Project pumps uphill 3.3 million acre-feet of river water for delivery to 670,000 acres across the Columbia Plateau. This massive project cost $2.4 billion to construct. (In today's dollars, the cost would be enormously higher.) Of that, $685 million was allocated to irrigated agriculture. But $495 million – nearly 75 percent – has been written off for payment by Bonneville Power Administration ratepayers, socializing the costs to millions of people paying their utility bills.

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[170] In our calculations, we include only the cost of the food aid programs to government. We have not calculated or estimated any price support effect.

> As reported by the GAO, of the $190 million left to be repaid by the irrigators, only $60 million has been paid, with payments stretched over 50 years at zero interest. On balance, irrigators have paid less than 5 percent of their share.
>
> The Yakima Project stores and diverts 1.2 million acre-feet of water from five reservoirs in the Cascade Mountains, serving irrigation districts in Kittitas, Yakima and Benton counties. Here, construction costs total $286 million, with $149 million allocated to irrigators. The GAO reports slightly better repayment. Still, Yakima Valley irrigators have paid less than 10 percent of the total costs.
>
> Crops grown in these federal projects don't pay for the existing water supply infrastructure, loudly signaling that expanding these irrigation projects won't cover costs either. Nonetheless, the U.S. Bureau of Reclamation has partnered with Washington's Office of the Columbia River to pursue multibillion dollar expansions of both the Columbia Basin and Yakima projects."[171]

The U.S. Federal Government, through the Department of the Interior, Bureau of Reclamation, is responsible for developing and maintaining the irrigation infrastructure. The Department notifies an amount on account of irrigation infrastructure as non-product specific support to the WTO. However, expenditures on water resources by the Department provides additional indirect support for U.S. agriculture and U.S. dairy producers.

D. Conclusions

U.S. Federal Government program level support and subsidy programs on agriculture have been increasing since 1998. Attempts to reduce Farm Bill spending in FY 2009 and FY 2010 were defeated by Congress and a similar fate is expected to await in 2018 Farm Bill on both sides of Congress suggests that even these modest proposals will be frustrated.

Although the WTO Members (at U.S. insistence during the Uruguay Round) segregated subsidies into different categories (colored boxes) on the basis of their presumed impact on trade, the money provided through these programs is fungible and clearly encourages and permits increased production and distorts trade. The fungibility view is gaining increased support among less affluent WTO members.

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[171] "Guest opinion: Public can't afford to subsidize new water projects", By John Osborn And Ken Hammond, The Spokesman-Review, January. 4, 2015

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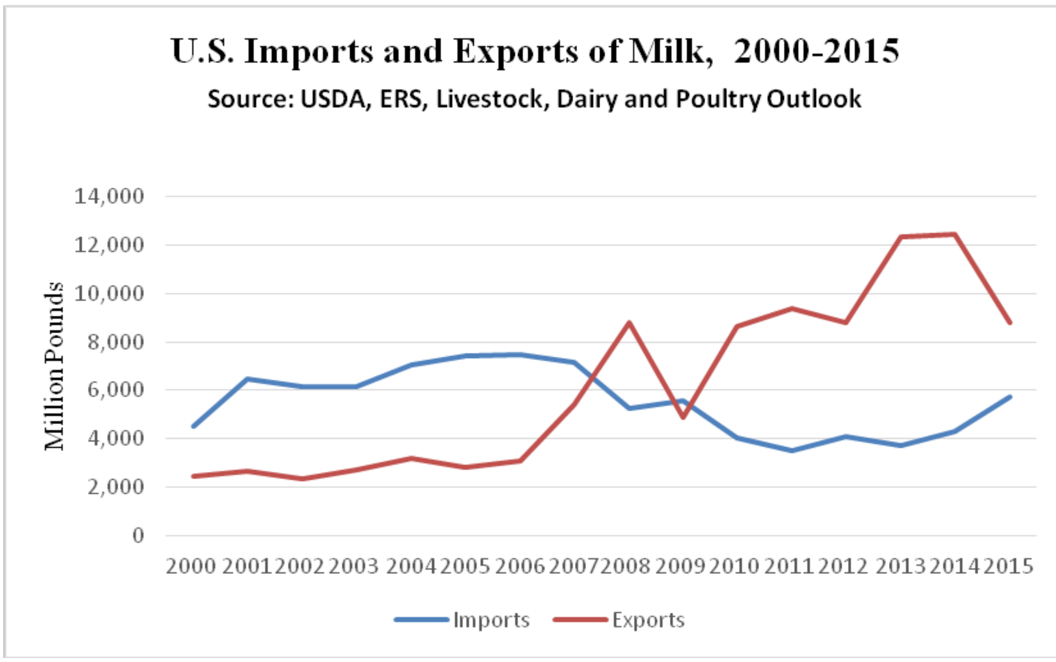
The United States takes the position that it provides domestic support well within its WTO commitments. The WTO dispute litigation in *USA – Cotton*[172] has refuted this claim. The principles established in *Canada – Dairy*[173] and *E.C. – Sugar*[174] further undermine the U.S. position. through state and local government is not reported to the WTO by the United States. Because U.S. support has a significant effect by encouraging increased production of milk and other agricultural products, there is no question that U.S. domestic support has production and trade distorting effects.



U.S. milk production benefits directly and indirectly from very generous subsidies. Any reductions in over-TRQ tariffs could be easily absorbed by producers who can rely on their continued subsidies to offset possible price pressures. In effect, a reduction in tariffs might simply reduce the competitive advantage currently enjoyed by U.S. producers without eliminating or significantly eroding their advantage. The fact that the United States Congress

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[172] *United States – Subsidies on Upland Cotton*, Reports of the Appellate Body, WT/DS26T/AB/R, WT/DS266/AB/R and WT/DS267/AB/R, 21 March 2005

[173] *Canada – Measures Affecting the Importation of Milk and Exportation of Dairy Products*, Report of the Appellate Body, WT/DS103/AB/R, WT/DS113/AB/R – 13 October 1999

[174] *European Communities – Export Subsidies on Sugar*, Reports of the Appellate Body, WT/DS265/AB/R, WT/DS266/AB/R, WT/DS283/AB/R, 28 April 2005

intends to continue to rely on generous domestic support simply indicates that the government-supported and seized competitive advantage currently enjoyed by U.S. dairy producers will continue for the foreseeable future and will likely continue, whatever the outcome of the Doha Development Round negotiations may be.

Meaningfully reduced levels of domestic support will not happen unless the full scope and value of U.S. trade and/or production distorting domestic support is subject to meaningful negotiation effectively disciplined. This would require that benefits provided under all Federal and State programs, including irrigation subsidies be subject to negotiation, discipline and reduction.

In some cases, the support provided through individual USDA programs might not be included in the U.S. AMS nor be subject to domestic support reduction commitments. In the world of U.S. farm support, everything is viewed through green colored glasses. On an individual basis, some programs apparently have no admitted or de facto trade or production distorting effects or may be provided, with impunity, for one of the specific purposes set out in Annex 2(2) to the Agreement on Agriculture.

U.S. financial support results in annual overproduction of a number of commodities, including corn, soybeans and milk.

Surplus production of these commodities is dumped onto world markets through sales made at below average cost of production. Transportation issues which limit movement of liquid milk make it difficult to simply dump fluid milk onto the world market. However, the United States disposes of further processed surplus milk production through a number of programs which are described in this report. Whether the milk is used in domestic food aid programs or given to livestock producers in the form of feed or exported as cheese, yogurt or milk powder surplus production is removed from the U.S. market.

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The WTO panel in *U.S. – Upland Cotton* clearly determined that certain U.S. domestic subsidies act as import replacement subsidies.[175] Such subsidies are prohibited under Article 3(1)b of the Agreement on Subsidies and Countervailing Measures. This finding of the Panel was confirmed by the Appellate Body.[176]

The impact of U.S. domestic support, and its mis-characterization under the Agreement on Agriculture, have contributed to stagnation in Agriculture negotiations related to the Doha Development Agenda. If this U.S. view of the WTO consistency of its domestic support was correct, tighter scope for green subsidies, and elimination of the de minimis loophole would be required before there would be any perceptible impact on U.S. production levels.

We recognize that there have been budgetary initiatives to limit farm support, but these are resisted by Congress. It is reasonable to conclude that even though reduced payments to dairy have been purported by USDA, we will see further increases in U.S. dairy production going forward. Since we began preparing these analyses for DFC, we have send little evidence of restraint on the part of Congress in supporting U.S. farmers and ranchers.

Smaller dairies are currently complaining about the inadequacies of the MMP (Milk Margin Protection) Programs – suggesting that the co-op driven NMFP (National Milk Producers Federation) sold them down the river. Here are fewer new on MMPP.

"It's a complete failure," said Les Pike, of Keewaydin Farm in Stowe, Vermont, which has been losing money for months. "If it doesn't pay in a year like this, it's completely useless."[177]

Farmers say the margin protection program is not based on Northeast farmers' feed costs but on the national average feed cost, which is less. The chairman of the National Milk Producers Federation testified in Washington last month that the program needs improvements. Randy Mooney, who is also a Missouri dairy farmer, said the formula for calculating feed costs was

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[175] World Trade Organization (WTO), *United States – Subsidies on Upland Cotton*; Report of the Panel (WT/DS267/R), September 8, 2004, para 7.1088
[176] WT/DS 267/AB, R, March 3, 2005, para 763(d)(i)
[177] Rathke, Lisa, "Dairy farmers say safety net on milk prices is not helping", Associated Press, June 19, 2016.

changed and no longer reflects the true cost of feeding a herd while insurance premiums for farmers were not reduced.[178]

An oversupply of milk in the U.S. and the world has caused milk prices paid to farmers to fall below production costs for months—hovering between $14 and $15 per hundred pounds of milk.[179]

Legislation has been introduced in the U.S. House by Vermont Rep. Peter Welch, a Democrat, New York Rep. Chris Gibson, a Republican, and Democratic Rep. Jo Courtney of Connecticut that would amend the Farm Bill to require the Secretary of Agriculture to use data from each state to calculate average feed costs and dairy production margins for the insurance program.[180]

Given the level of domestic support provided by the U.S. Federal Government, and potential increases in that support level, it is unlikely that any negotiated reductions in tariff production or other improvements in market access will have any real effect on access to the U.S. market. Prices in law cost of production in the U.S. market imports. The U.S. exports of dairy products to Canada are greater than Canadian exports to the U.S. by a factor of five. Tariff reductions by other countries will increase their exposure to highly subsidized U.S. exports. The problems of Mexican corn growers, or African cotton producers, are not the only results of U.S. subsidies. These have been the most publicized.

To fully appreciate the implications and effects of U.S. domestic support on dairy producers, it is important to consider the impact in subsidies and support in production.

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[178] Rathke, Lisa, "Dairy farmers say safety net on milk prices is not helping", Associated Press, June 19, 2016
[179] Ibid.
[180] Ibid.

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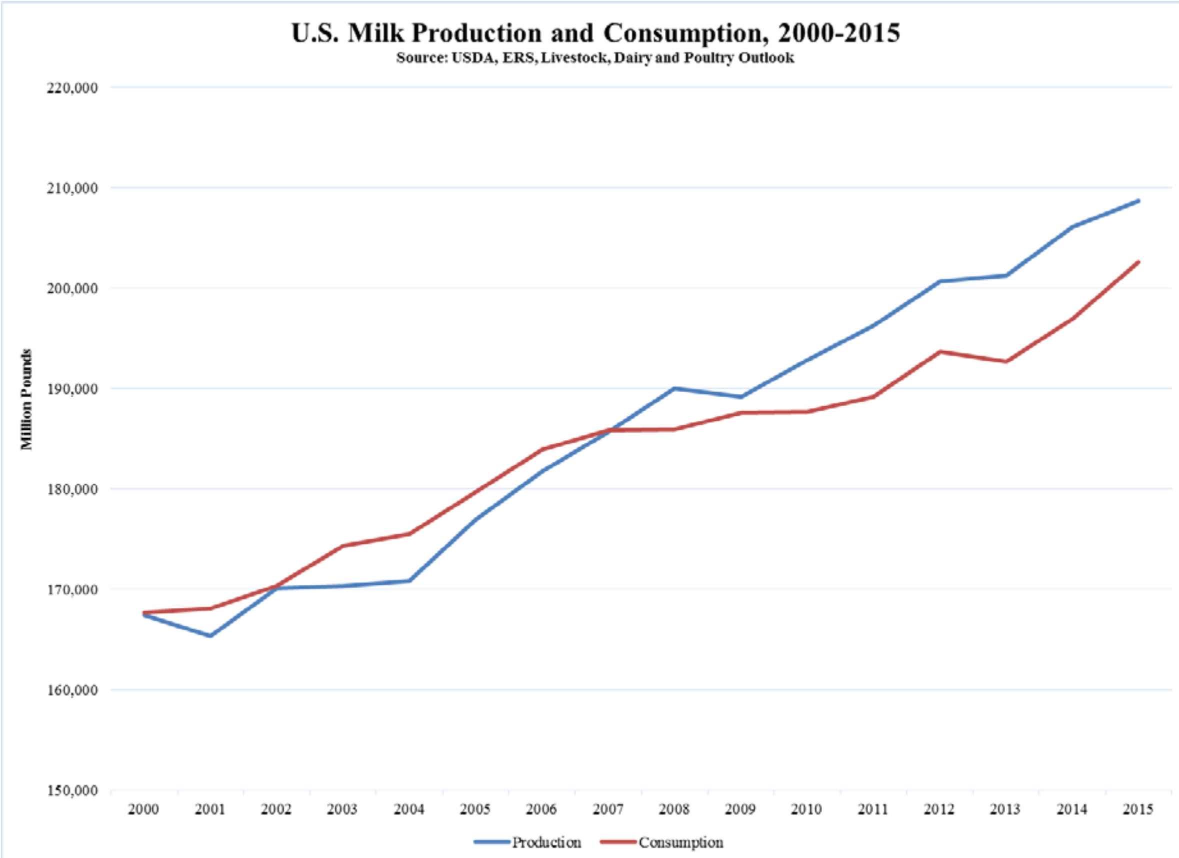
U.S. Milk Production and Consumption, 2000-2015
Source: USDA, ERS, Livestock, Dairy and Poultry Outlook
Million Pounds
220,000
210,000
200,000
190,000
180,000
170,000
160,000
150,000
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015
Production
Consumption


U.S. Imports and Exports of Milk, 2000-2015
Source: USDA, ERS, Livestock, Dairy and Poultry Outlook
Million Pounds
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015
Imports
Exports

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E. Summary of Program Benefits

The summary table is intended only to provide a guide to programs examined. It is not totaled because of differences in reporting by agencies of the U.S. government. It is not a check on the total program allocation to dairy products.

	List of Programs	**Allocation to Dairy Industry (USD)**
II.	**Domestic Support**	**3,827,438,823**
A.	Farm Loan and Grant Programs	674,770,800
A.1	Farm Operating and Ownership Loans	647,683,000
A.2	Emergency Disaster Loans	1,370,200
A.3	State Mediation Grants	316,200
B.	Commodity Programs	1,008,783,400
C.	Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC)	nil
D.	Non-Recourse Marketing Assistance Loans and Loan Deficiency Payments	621,310,023
E.	Price Support Marketing Assistance Loans and Related Stabilization Programs	807,574,800
F.	Disaster Payments	316,200
G.	Dairy Margin Protection Program (MPP-Dairy)	25,000,000
H.	Noninsured Assistance Payments	12,542,600
I.	Farm Storage and Sugar Storage Facility Loans	26,771,600
J.	Dairy Indemnity Payment Program	1,000,000
III.	**Export Subsidies**	**1,460,527,800**
A.	Foreign Agricultural Service	844,254,000
B.	Export Credit Guarantee Programs	579,700,000
C.	Facilities Financing Guarantees	10,540,000

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D.	Market Access Program	19,499,000
E.	Foreign Market Development (Cooperator) Program	3,372,800
F.	Emerging Market Program	948,600
G.	Quality Samples Program	105,400
H.	Trade Adjustment Assistance for Farmers	2,108,000
IV.	**International Food Assistance**	**217,124,000**
A.	Public Law 480 (P.L. 480)	154,516,400
B.	Bill Emerson Humanitarian Trust	nil
C.	Food for Progress	21,185,400
D.	McGovern-Dole International Food for Education and Child Nutrition Program	20,236,800
E.	Section 416(b) Donations	21,185,400
V.	**Agricultural Marketing Services**	**175,739,600**
A.	Marketing Services	37,417,000
B.	Payments to States	105,400
C.	Section 32 Funds (Funds for Strengthening Markets, Income and Supply)	86,217,200
D.	Perishable Agricultural Commodities Act	Nil
E.	Commodity Grading Services	Nil
F.	Milk Market Orders Assessment Fund	52,000,000
VI.	**Conservation Programs**	**471,559,600**
A.	Conservation Reserve Program (CRP)	182,974,400
B.	Emergency Conservation Program	2,529,600
C.	Environmental Quality Incentives Program	141,973,800
D.	Conservation Operations	89,168,400
E.	Conservation Reserve Program Technical Assistance Account	737,800
F.	Agricultural Management Assistance	421,600

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G.	Conservation Security Program	2,951,200
H.	Agricultural Conservation Easement Program (ACEP)	41,527,600
I.	Resource Conservation and Development	nil
J.	Watershed and Flood Prevention Operations	8,010,400
K.	Watershed Rehabilitation Program	1,264,800
L.	Regional Conservation Partnership	9,802,200
VII.	**Crop Insurance**	**1,147,806,000**
A.	Livestock Gross Margin Insurance for Cattle	
B.	Livestock Gross Margin for Dairy Cattle Insurance Policy	
C.	Livestock Gross Margin for Swine Insurance Policy	
D.	Livestock Risk Protection Feeder Cattle Insurance	
E.	Livestock Risk Protection Lamb Insurance Policy	
F.	Supplemental Revenue Assistance Payments Program	
VIII.	**Rural Development**	**4,056,846,000**
A.	Rural Business – Cooperative Service	
A.1	Business and Industry (B&I) Loan Guarantees	128,166,400
A.2	Rural Housing Service	3,062,291,600
A.3	Rural Utilities Service	842,778,400
IX.	**Animal and Plant Health Inspection Services**	**222,921,000**
A.	Agricultural Quarantine Inspection Fees	17,601,800
B.	Plant and Animal Health Monitoring	62,502,200
C.	Pest and Disease Management Programs	17,601,800
D.	Animal Care	3,056,600
E.	Scientific and Technical Services	3,794,400

F.	Emergency Fund (CCC)	106,137,800
X.	**Food Safety and Inspection**	**129,747,400**
A.	Federal Food Safety and Inspection	94,965,400
B.	State Food Safety and Inspection	6,429,400
C.	International Food Safety and Inspection	1,686,400
D.	Codex Alimentarius Commission	421,600
XI.	**Food and Nutrition Services**	**11,634,052,000**
A.	Supplemental Nutrition Assistance Program (SNAP)	8,624,882,000
B.	Child Nutrition Programs	2,263,465,000
C.	Special Supplemental Food Program for Women, Infants, and Children (WIC)	698,169,600
D.	Commodity Assistance Program	31,725,400
XII.	**Grain Inspection, Packers and Stockyard Administration (GIPSA)**	**4,532,200**
XIII.	**Forest Service**	**600,569,200**
A.	Forest and Rangeland Research	35,309,000
B.	State and Private Forestry	22,977,200
C.	Land Acquisition	4,743,000
XIV.	**Research, Education and Economics**	**305,765,400**
A.	Agricultural Research Service	127,323,200
B.	National Institute of Food and Agriculture	151,354,400
C.	Economic Research Service	8,959,000
D.	National Agricultural Statistics Service	18,128,800
XV.	**Irrigation Infrastructure**	**94,016,800**

II. Domestic Support

The programs used to deliver domestic support and subsidies which are reviewed in this section are primarily delivered by the Farm Service Agency (FSA) or by the Commodity Credit Corporation (CCC).

The Farm Services Agency was established in 1994 and administers a broad range of activities such as farm income support programs, conservation programs, and crop insurance programs.[181]

The Commodity Credit Corporation provides funding for commodity programs and conservation programs that are administered by the Farm Service Agency and the Natural Resources Conservation Service (NRCS). The Commodity Credit Corporation also provides funding for export programs administered by the Foreign Agricultural Service (FAS).[182]

The FY 2017 Budget Summary for the Department of Agriculture reports the following program level for the Farm Service Agency:[183]

2015 (Enacted)	$24,772,000,000
2016 (Estimate)	$43,040,000,000
2017 (Budget)	$36,306,000,000

The subsidies and support provided through the Farm Service Agency programs include programs aimed exclusively at supporting dairy producers as well as programs that do not provide support solely for the benefit of U.S. dairy producers. In 2015, expenditures under programs intended exclusively to support dairy production amounted to $26,000,000 The full value of the expenditures under these programs is allocated to support dairy production. The nature of the direct support programs has changed.

[181] Department of Agriculture, *The Budget for Fiscal Year 2011*, pg 101
[182] Ibid., pg 102
[183] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 110

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For the remaining expenditures, which do not exclusively support dairy producers, the total value of the subsidies and support provided for dairy producers is determined on the basis of dairy's share of the value of U.S. agricultural production, in dollar terms. In 2015, dairy represented 10.54% of total U.S. agricultural production. Therefore, of the $24,772,000,000 program funding account of programs administered by the Farm Service Agency in 2015, we estimate that $2,610,968,800 directly or indirectly supported U.S. dairy production.

PART I

A. Farm Loan and Grant Programs (Budget Code 12-0600-0-1-351.4190)[184]

The Farm Service Agency operates a number of grant and loan programs that benefit U.S. farmers which include:

A.1 Farm Operating and Ownership Loans

A.2 Emergency Loans

These programs, and their budgeted program levels, are set out below.

2015 (Actual)	$6,402,000,000
2016 (Estimate)	$6,402,000,000
2017 (Estimate)	$6,657,000,000

It is important to note that in addition to the expenditures reported above, a separate administrative expense on account of these programs is reported as follows:

These programs cannot be measured accurately by the program level because:

- repayments can be used to create additional borrowings;
- loans outstanding are many times more than the program level for a particular year, and this continuous to benefit from below market interest.

[184] *FY 2017 Appendix Budget,* U.S. Department of Agriculture, pg 95

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A.1 Farm Operating and Ownership Loans (Budget Code (12-1140-0-1-351-115002 and 12-1140-0-1-351-115001)[185]

(a) Program Description

The Farm Service Agency provides direct and guaranteed farm ownership and farm operating loans to beginning farmers and ranchers who cannot obtain commercial credit from a bank, Farm Credit System Institution or other lender. The U.S. Department of Commerce dunes exports in trade remedy cases to be uncredited worthy. These loans can be used to purchase land, livestock, equipment, feed, seed and supplies. The loans can also be used to construct buildings or to make farm improvements. For FY 2015, this program served an estimated 28,000 farmers, about 23,000 of whom received direct loans and 5,000 of whom received guarantees. [186] For farm ownership loans, the 2017 budget provides $1.5 billion in direct loans and $2 billion for guaranteed loans. The 2017 levels will provide about 12,800 people with the opportunity to either acquire their own farm or keep an existing one. About 8,300 borrowers will receive direct loans and 4,500 will receive guaranteed loans.[187]

These loans are available to beginning farmers or to established farmers who have suffered financial setbacks from natural disasters or whose resources are too limited to maintain profitable farming operations.

Guaranteed loans provide conventional lenders with up to a 95% guarantee of the principal loan amount so that the commercial lender can make loans to farmers and ranchers who would not normally qualify. The Farm Services Agency can guarantee operating and ownership loans up to $1,399,000. This amount is adjusted annually for inflation.

Direct loans are provided by the Farm Service Agency to qualifying farmers and ranchers. The Farm Service Agency also provides direct loan customers counseling and loan supervision service so that they have a better chance of success in their farming operation.[188] The maximum

[185] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 99
[186] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 17
[187] Ibid., pg 16-17
[188] *Farm Loans Programs*, Farm Service Agency Online

amount for a direct loan is $300,000.[189] The maximum loan limit for Land Contract Guarantees is $500,000.[190]

Repayment terms for direct loans vary according to the type of loan made, the collateral securing the loan and the producer's ability to repay. Operating loans are normally to be repaid within 7 years. Ownership loans may not exceed 40 years.

Interest rates on these loans may not exceed the rate charged the lender's average farm customer. This would be credit worthy operations. In addition, under the Interest Assistance Program, FSA will subsidize 4% of the interest rate on loans to qualifying borrowers. Repayment terms for guaranteed loans are negotiated between the lender and the borrower. [191]

Borrowers can choose to participate in a joint financing plan where the Farm Services Agency provides up to 50% of the amount financed and another lender provides the balance. The Farm Services Agency may not change less than 4% interest.[192]

The loans must be secured. The collateral for operating loans can include chattel and real estate. Collateral for ownership loans consists of real estate only. FSA staff determines whether the proposed collateral is adequate.

For most guaranteed loans, the Farm Service Agency can charge a 1.5% guarantee fee on the guaranteed portion of the loan. This fee can be waived for: (i) interest assistance loans; (ii) loans where more than 50% of the loan funds are used to pay off direct Farm Services Agency debt; and (iii) loans in conjunction with a Downpayment Farm Ownership Loan program for beginning farmers or a qualifying state "beginning farmer" program.[193]

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[189] *Guaranteed Farm Loans,* Farm Service Agency Online
[190] 2014 Farm Bill Fact Sheet, Farm Loan Information Chart, USDA, Farm Service Agency, https://www.fsa.usda.gov/Internet/FSA_File/farmlnchart_current.pdf
[191] *Guaranteed Loan Program*, Farm Service Agency Online, pg 2 of 5
[192] Ibid., pg 3 of 5
[193] Beginning Farmers and Ranchers Loans, Farm Service Agency Online

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The Farm Services Agency operates a special Downpayment Farm Ownership Loan program for beginning farmers and ranchers. The program is also used to help retiring farmers or ranchers transfer their land. Under this program, an applicant makes a cash downpayment of at least 5% of the purchase price for the farm or ranch, the Farm Services Agency can finance up to 45% of the purchase price or appraised value (whichever is less), the remainder of the purchase price must be financed by a commercial lender or a private party (eligible commercial lenders can benefit from a Farm Services Agency guaranteed loan). The purchase price or appraised value (whichever is lower) may not exceed $300,000.[194]

Interest Rates
Effective as of August 1, 2016

Program	Interest Rates
Farm Operating-Direct	2.250%
Farm Operating - Microloan	2.250%
Farm Ownership- Direct	3.375%
Farm Ownership - Microloan	3.375%
Farm Ownership- Direct, Joint Financing	2.500%
Farm Ownership- Down Payment	1.500%
Emergency Loan- Amount of Actual Loss	3.250%

(b) WTO Consistency

The loans and loan guarantees provided under this program would constitute a subsidy for purposes of the WTO Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures on the basis that the program provides a financial contribution by government that confers a benefit on the recipient farmer or rancher that, based on their lack of creditworthiness, are not available to them on the market.

194 *Guaranteed Loan Program*, Farm Service Agency Online, pg 4 of 6

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The loans provided under this program allow farmers and ranchers to continue production or to expand it; thus, the loans would have distorting effects on production and trade. Consequently, the domestic support provided through these loan and loan guarantee programs must be included in the U.S. AMS and would not be exempt from domestic support reduction commitments.

The total value of the loans and guarantees provided under this program would not be limited to the interest rate benefit provided, but would include the total value of the conventional loans and guaranteed loans provided under the program. The program provides operating and ownership loans to farmers and ranchers who do not qualify for normal market based commercial credit. In these circumstances, the benefit provided through the program is not limited to the below market interest rates or preferential terms available from the Farm Service Agency because obtaining any form of credit from a commercial lender is not an option. Rather, the benefit to farmers and ranchers under this program must be the total value of the loan or loan guarantee provided by the Farm Service Agency.

Any repayment made by loan recipients will be revenue in the hands of the U.S. Department of Agriculture that can be used to offset the ongoing cost of this and other programs. Although any repayment made can be properly counted as revenue and used as an offset in determining the budgetary authority actually needed to meet ongoing program levels, it would not be appropriate to reduce the support calculation by the amount of repayments received during the fiscal year. This is because the impact of U.S. domestic support on agricultural production can only be determined by considering the actual program level expenditures.

Notwithstanding such repayments, U.S. farmers and ranchers enjoy the benefit of program level expenditures and are able to rely on that money to fund production and to develop their businesses. In these circumstances, it is reasonable and appropriate to consider the entire expenditure by the Farm Service Agency on account of these loan and loan guarantee programs as a measure of the support provided to U.S. agricultural production. It is neither reasonable nor appropriate to discount the impact of these programs by deducting from program expenditures any repayments made during the course of a fiscal year.

(c) Program Level

The FY 2017 Budget reports at the program level for farm ownership and farm operating loans separately and distinguishes between direct and guaranteed loans.

Farm Ownership direct loan program level is reported as follows:[195]

2015 (Actual)	$1,500,000,000
2016 (Estimate)	$1,500,000,000
2017 (Estimate)	$1,500,000,000

Farm Operating direct loan program level is reported as follows:[196]

2015 (Actual)	$1,252,000,000
2016 (Estimate)	$1,252,000,000
2017 (Estimate)	$1,460,000,000

When reporting the Guaranteed loans, the Budget reports unsubsidized farm ownership loans, unsubsidized farm operating loans and subsidized farm operating loans.

Guaranteed unsubsidized farm ownership loan program level is reported as follows:[197]

2015(Actual)	$2,000,000,000
2016 (Estimate)	$2,000,000,000
2017 (Estimate)	$2,000,000,000

Guaranteed unsubsidized farm operating loan program level is reported as follows:[198]

[195] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 16
[196] Ibid.
[197] Ibid.
[198] Ibid.

2015 (Actual)	$1,393,000,000
2016 (Estimate)	$1,393,000,000
2017 (Estimate)	$1,432,000,000

We do not agree that a guarantee loan is unsubsidized. The guarantee is necessary to persuade the lender to lend, and it persuades them to lend at a commercial rate to an uncreditworthy borrower.

Aggregate farm ownership and farm operating loans budget authority can be developed from the foregoing data.

- Aggregate Farm Ownership Loans (direct and guaranteed)[199]

	FY 2017 Budget
2015 (Actual)	$3,500,000,000
2016 (Estimate)	$3,500,000,000
2017 (Estimate)	$3,500,000,000

- Aggregate Farm Operating Loans (direct and guaranteed)[200]

	FY 2017 Budget
2015 (Actual)	$2,645,000,000
2016 (Estimate)	$2,645,000,000
2017 (Estimate)	$2,892,000,000

- Total Farm Operating and Ownership Loans

	FY 2017 Budget
2015 (Actual)	$6,145,000,000
2016 (Estimate)	$6,145,000,000
2017 (Estimate)	$6,392,000,000

[199] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 16
[200] Ibid.

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(d) Allocation to Dairy

These programs do not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Based on our methodology, previously discussed, the value of the subsidies and support that benefits dairy production under these programs is allocated on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, dairy production accounted for 10.54% of total U.S. agricultural production.

The program level funding for total farm ownership and operating loans provided under this program in 2015 was $6,145,000,000. Therefore, the amount allocated to dairy production under these programs is $647,683,000.

A.2 Emergency Disaster Loans (Budget Code 12-1140-0-1-351-115003) [201]

(a) Program Description

The Farm Services Agency provides emergency loans, as direct loans, to assist farmers who suffered losses in areas designated by the President, the Secretary of Agriculture or the Administrator of the Farm Services Agency as disaster areas. In recent years, disaster relief designations in the U.S. have been very extensive.

For production loss loans, applicants must demonstrate a 30% loss on a single farm or ranch. These applicants may receive loans up to a maximum of 80% of total production losses.

Emergency loans are provided to restore or replace essential property or to pay part or all of the production costs associated with the disaster year. The emergency loan limit is up to 80% of the actual loss, up to a maximum of $500,000.[202]

(b) WTO Consistency

The emergency loans are also subsidies, but based on current WTO interpretations, would not have to be included in reduction commitments. Pursuant to Agreement on Agriculture, Annex 2(8), these loans could be considered payments for relief from natural disasters.

[201] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 99
[202] Emergency Farm Loans, USDA, Farm Service Agency Online

(c) Program Level

The FY 2017 Budget reports funding authority for emergency disaster loans as follows:[203]

2015 (Actual)	$13,000,000
2016 (Estimate)	$75,000,000
2017 (Estimate)	$47,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Total funding provided under this program in 2015 amounted to $13,000,000. Therefore, the amount allocated to dairy production under this program is $1,370,200.

It should be vested that the payment by government of subsidies on the first $4 cwt as under the the MPP is, in effect disaster insurance

[203] *FY 2017 Appendix Budget,* U.S. Department of Agriculture, , pg 99

A.3 State Mediation Grants (Budget Code 12-0170-0-1-351)[204]

(a) Program Description

This program is used to benefit family farmers, including low-income and socially disadvantaged farmers, to resolve credit and other issues and remain on the farm.

(b) WTO Consistency

The support provided by this program would provide important support to farmers. Since the objective of the program is to assist farmers in ready accommodations with their creditors keep farmers on the farm and in production, the subsidy arguably has trade or production distorting effects. Consequently, the support provided through this program should be included in the U.S. AMS and subject to domestic support reduction commitments.

(c) Program Level

The FY 2017 Budget reports total authority for the State Mediation Grants program as follows:[205]

2015 (Actual)	$3,000,000
2016 (Estimate)	$3,000,000
2017 (Estimate)	$3,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these

[204] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 96
[205] Ibid.

programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, dairy production accounted for 10.54% of total U.S. agricultural production.

Total funding provided under this program in 2015 amounted to $3,000,000. Therefore, the amount allocated to dairy production under this program is $316,200.

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B. Commodity Programs (Budget Code 12-4336-0-3-999.10.00)[206]

The Farm Services Agency provides support to commodities through the Commodity Credit Corporation (CCC). These programs include non-recourse marketing assistance loans, direct payments, countercyclical payments, production flexibility contracts, when CCC was also responsible for direct payments and counter cyclical payments these commodities programs constituted the lion's share of domestic support included in the U.S. Aggregate Measure of Support (AMS) and subject to U.S. Reduction Commitments under the WTO.

The Commodity Credit Corporation (CCC) provides funding for commodity programs administered by FSA and many Farm Bill programs such as the conservation programs administered by FSA and the Natural Resources Conservation Service (NRCS) and export programs administered by Foreign Agricultural Service (FAS). CCC borrows funds needed to finance these programs from the U.S. Treasury and repays the borrowings, with interest, from receipts and from appropriations provided by Congress.

The commodity programs are critical components of the farm safety net, serving to expand domestic market opportunities and provide risk management and financial tools to farmers and ranchers. Net CCC expenditures for commodity payments in 2016 are significantly above the 2015 level, primarily as a result of timing differences associated with the 2014 Farm Bill commodity programs. Prior to enactment of the 2014 Farm Bill, the 2015 commodity program payments would have been primarily composed of 2014-crop direct payments and 2013-crop counter-cyclical payments from the Direct and Counter-Cyclical Program (DCP), and Average Crop Revenue Election (ACRE) payments. However, the 2014 Farm Bill terminated the DCP and ACRE programs effective with the 2014 crop and authorized in their place the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs. Under the terms of the 2014 Farm Bill, the 2014 crop year ARC and PLC payments could not be made until after October 1, 2015 (i.e. fiscal year 2016). As a result, the 2016 commodity program payments reflect an increase of about $5.5 billion above the 2015 level due to this timing shift. The final Counter-

[206] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 102

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Cyclical and ACRE payments available under the 2008 Farm Bill are reflected in the 2015 commodity program payments.[207]

The Commodity Credit Corporation (CCC) was created to stabilize, support, and protect farm income and prices; help maintain balanced and adequate supplies of agricultural commodities, their products, foods, feeds, and fibers; and help in their orderly distribution. The Corporation's capital stock of $100 million is held by the U.S. Treasury. Under present law, up to $30 billion may be borrowed from the U.S. Treasury to finance operations. Current, indefinite appropriation authority is requested to cover all net realized losses. Appropriations to the Corporation for net realized losses have no effect on budget authority, as they are used to repay debt directly with the Treasury. The Agricultural Act of 2014, the 2014 Farm Bill, P.L. 113–79, was signed by the President on February 7, 2014. The Act repeals certain programs, continues some programs with modifications, and authorizes several new programs. Most of these programs are authorized and funded through 2018.[208]

Changes over the last decade in commodity assistance, disaster relief, and conservation programs have dramatically changed CCC outlays. CCC net outlays have declined from a record high of $32.3 billion in 2000 to $11.4 billion in 2008, reflecting higher prices for most commodities resulting from increased demand for bioenergy production and strong export demand. Outlays in 2009 which included the impact of 2008 Farm Bill provisions were $11.4 billion. They reflected reduced disaster payments offset by greater outlays for dairy support programs which are affected by lower market prices and initiatives to enhance dairy price supports. Estimated outlays for 2010 rose to $11.9 billion partly as a result of the newly implemented Biomass Crop Assistance Program (BCAP).

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[207] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pgs 18, 19
[208] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 103

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The FY 2017 Budget reports the following total budgetary obligations for the CCC, including expenditures on account of export subsidy and food aid programs administered by CCC:[209]

2015 (Actual)	$9,571,000,000
2016 (Estimate)	$27,737,000,000
2017 (Estimate)	$20,657,000,000

The programs supported by the Commodity Credit Corporation do not provide support exclusively to dairy producers. [210]

The Budget documents offer the following description of CCC dairy activities:

> The 2014 Farm Bill authorized the Margin Protection Program for Dairy (MPP-Dairy) replacing provisions from the Milk Income Loss Contract (MILC) Program. MPP-Dairy offers protection to dairy producers when the difference between the all milk price, as reported by the National Agricultural Statistics Service, and the average feed cost – "the margin" – falls below a certain dollar amount selected by the producer. Participating dairy operations establish their production history upon initial registration, and all producers in the participating dairy operation must provide adequate proof of the dairy operation's quantity of milk marketed commercially. For existing dairy operations, the production history was established using the highest annual milk production marketed during the full calendar years of 2011, 2012 or 2013. Catastrophic Coverage (CAT) of $4 margin coverage level at 90 percent of the established production history requires no premium payment, but the dairy operation must pay the $100 administrative fee. For increased protection, dairy operations may annually select a percentage of coverage from 25 to 90 percent of the established production history in five percent increments and a coverage level threshold from $4.50 to $8 in 50 cent increments, for an additional premium payment. Dairy operations may only select one coverage level percentage and coverage level threshold for the applicable calendar year.[211]

[209] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 102
[210] Ibid., pg 112
[211] *FY 2017 Budget Summary,* U.S. Department of Agriculture, p.21

In addition, dairy farmers clearly benefit from various aspects of the benefits to feedgrains and oilseeds and livestock. For purposes of this study, unless specific program levels or expenditures can be identified, the amount of support provided to dairy producers will be determined on the basis of dairy's share of total U.S. agricultural production. In 2015, dairy production represented 10.54% of the total value of all U.S. agricultural production. Therefore, of the $9,571,000,000, CCC budget $1,008,783,400 can be attributed to dairy production.

The benefits in 2016 were $27,737,000,000 and in 2017 were $20,657,000,000. There current budgets and outlays are substantially higher them they were in 2015. The reduced funding in 2015 was due to the risk management program, PLC and ARC only coming in to force in 2016.

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C. Price Loss Coverage and Agricultural Risk Coverage

Commodity Programs

The 2014 Farm Bill repealed Direct Payments, Counter-Cyclical Payments and Average Crop Revenue Election Payments and established two new programs**, Price Loss Coverage** and **Agricultural Risk Coverage**. [212]

Price Loss Coverage (PLC) (Budget Code 12-4336-0-3-999-001)[213]

(a) Program description

The program retains the base production concept. Beneficiaries were allowed to update their basic acres and production yells.

(b) **WTO Consistency**

The PLC is similar to the terminated Counter-Cyclical Payments Program. This program is production distorting because through his price support mechanism it eliminates risk and encourages additional production.

(c) Program Level[214]

2015 (Actual)	-
2016 (Estimate)	$3,047,000,000
2017 (Estimate)	$2,564,000,000

(d) Allocation to Dairy

There was no funding under this program in 2015.

[212] FY 2017 Appendix Budget, U.S. Department of Agriculture, pgs 103, 104
[213] Ibid., pg 102
[214] Ibid., pg 102

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Agricultural Risk Coverage (ARC) (Budget Code 12-4336-0-3-999-0002)[215]

(a) Program Description

The ARC program is similar to the ACRE (Average Crop Revenue Election) Program. There are two types: County ARC and Individual ARC.[216]

County ARC: Payments are issued when the actual county crop revenue of a covered commodity is less than the ARC county guarantee for the covered commodity and are based on county data, not farm data. The ARC county guarantee equals 86% of the previous 5-year average national farm price, excluding the years with the highest and lowest price (the ARC guarantee price), times the 5-year average county yield, excluding the years with the highest and lowest yield (the ARC county guarantee yield). Both the guarantee and actual revenue are computed using base acres, not planted acres. The payment is equal to 85% of the base acres of the covered commodity times the difference between the county guarantee and the actual county crop revenue for the covered commodity. Payments may not exceed 10% of the benchmark county revenue (the ARC guarantee price times the ARC county guarantee yield).

Individual ARC: Payments are issued when the actual individual crop revenues, summed across all covered commodities on the farm, are less than ARC individual guarantees summed across those covered commodities on the farm. The farm for individual ARC purposes is the sum of the producer's interest in all ARC farms in the State. The farm's ARC individual guarantee equals 86% of the farm's individual benchmark guarantee, which is defined as the ARC guarantee price times the 5-year average individual yield, excluding the years with the highest and lowest yields, and summing across all crops on the farm. The actual revenue is computed in a similar fashion, with both the guarantee and actual revenue computed using planted acreage on the farm. The individual ARC payment equals: a) 65% of the sum of the base acres of all covered commodities on the

[215] FY 2017 Appendix Budget, U.S. Department of Agriculture, pg 102
[216] Ibid., pg 104

farm, times b) the difference between the individual guarantee revenue and the actual individual crop revenue across all covered commodities planted on the farm. Payments may not exceed 10% of the individual benchmark revenue.

(b) WTO Consistency

ARC falls under the same analysis as for direct and countercyclical payments.

(c) Program Level[217]

2015 (Actual)	-
2016 (Estimate)	$13,122,000,000
2017 (Estimate)	$6,279,000,000

(d) Allocation to Dairy

There was no funding under this program in 2015.

[217] FY 2017 Appendix Budget, U.S. Department of Agriculture, pg 102

D. Non-Recourse Marketing Assistance Loans and Loan Deficiency Payments[218]

(a) Program Description

The Agricultural Act of 2014 (2014 Farm Bill) authorizes nonrecourse marketing assistance loans (MALs) and loan deficiency payments (LDPs) for the 2014 through 2018 crop years for wheat, corn, grain sorghum, barley, oats, upland cotton, extra-long staple cotton, long grain rice, medium grain rice, soybeans, other oilseeds (including sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe and sesame seed), dry peas, lentils, small chickpeas, large chickpeas, graded and non-graded wool, mohair, unshorn pelts, honey and peanuts.[219]

The non-recourse marketing assistance loans provided to covered commodities are to be made at the following rates:

	2014 – 2018[220] Crop Year
Wheat	\$2.94/bu
Corn	\$1.95/bu
Grain Sorghum	\$1.95/bu
Barley	\$1.95/bu
Oats	\$1.39/bu
Upland Cotton	\$0.52/lb
EL Staple Cotton	\$0.7977/lb
Rice	\$6.50/cwt
Soybeans	\$5.00/bu
Other Oilseeds	\$10.09/lb
Graded Wool	\$1.15/lb
Non-Graded Wool	\$0.40/lb
Mohair	\$4.20/lb
Honey	\$0.69/lb
Dry Peas	\$5.40/cwt
Lentils	\$11.28/cwt
Small Chickpeas	\$7.43/cwt
Peanuts	\$355/ton

[218] Department of Agriculture, The Budget for Fiscal Year 2011, pg 113
[219] United States Department of Agriculture, Farm Service Agency, Fact Sheet, February 2016
[220] Ibid.

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Farmers may repay non-recourse farm marketing assistance loans at a rate that is the lesser of,

- the loan rate established under Section 1202 (the rates set out above), plus interest,

  or

- a rate that the Secretary determines will: (a) minimize potential loan forfeitures; (b) minimize accumulation of stocks by the federal government; (c) minimize the cost incurred by the federal government in storing the commodity; (d) allow the commodity produced in the U.S. to be marketed freely and competitively, *both domestically and internationally*; and (e) minimize discrepancies in marketing loan benefits across State boundaries and across county boundaries.[221] [emphasis added]

For upland cotton and rice, producers may repay marketing assistance loans at a rate that is the lesser of the loan rate established for the commodity under Section 1202 *or* the prevailing world market price for the commodity (adjusted to USA quality and location), as determined by the Secretary.[222] For extra long staple cotton, repayment shall be at the loan rate established under Section 1202 (the rate set out above) plus interest.[223]

Producers can repay these loans in one of three ways:

(i) by repaying the loan at the loan rate plus interest (the U.S. Treasury rate plus 1%),

(ii) by repaying at a lower rate, if applicable, or

(iii) by forfeiting the crop pledged as collateral to the CCC (in which case, the loan becomes the payment price for the crop).[224]

[221] Food, Conservation and Energy Act of 2008., Section 1204(a)

[222] Food, Conservation and Energy Act of 2008., Section 1204(b)

[223] Food, Conservation and Energy Act of 2008, Section 1204(c)

[224] This is an attractive option when prices are below the loan rate – providing income support as opposed to price support.

For extra-long staple cotton, when market prices are below the loan rate, farmers are allowed to repay their loans at a repayment rate that is lower than the loan rate.

Producers can choose to take loan deficiency payments in lieu of marketing assistance loans. The Farm Act requires that loan deficiency payments be made available to producers on a farm that is eligible to obtain a marketing assistance loan under Section 1201 if the producer agrees to forego obtaining the loan in exchange for the loan deficiency payment.[225] The payment rate for loan deficiency payments is the amount by which the loan rate established under Section 1202 exceeds the rate at which a marketing assistance loan for the loan commodity may be repaid under Section 1204.[226] The amount of loan deficiency payment is determined by multiplying the payment rate for the commodity by the quantity of the commodity produced by the producer less any quantity for which the producer obtained a marketing assistance loan.[227]

(b) WTO Consistency

Although loans are ostensibly made to provide farmers with operating funds prior to the harvest and sale of their crop, these loans are clearly provided in a manner that confers a subsidy on producers in the form of a payment and in the form of price (or income) support. By allowing producers to forfeit crop rather than repay the loan, the loan rates become the effective minimum market price for the covered commodity for participating farmers. Thus, this program establishes income support for the covered commodities and provides support to ensure that the actual returns to the farmer does not fall below the floor established by the loan rate.

> **"Marketing Loan Program (MLP)**
>
> The traditional non-recourse MLP was extended under the 2014 farm bill. Under the MLP, USDA supports prices of eligible crops at statutory loan rates via a nine-month nonrecourse loan program. To avoid selling at the harvest-time low price, a producer may elect to place his/her crop under a USDA marketing loan where the crop is valued at the statutory loan rate. If the market price remains below the loan rate after nine months, the producer may forfeit the crop under loan to USDA. Alternatively, the producer may opt

[225] Agricultural Act of 2014, Section 1205(a)
[226] Food, Conservation and Energy Act of 2008, Section 1205(b)
[227] Food, Conservation and Energy Act of 2008

> for alternate program benefits that are available whenever the posted county price, or a USDA-announced average world price (AWP) for rice or upland cotton, falls below the respective USDA loan rates. All MLP benefits are based on actual production. As a result, MLP outlays are fully coupled to market prices and planted acres. Like the PLC program, MLP does not require any producer premium or fee to participate, nor does it require any loss to receive a payment. However, it does require actual production, since payments are based directly on output.
>
> MLP operates like a price-deficiency payment. It uses statutorily fixed, commodity-specific loan rates to establish a floor price for all production of all qualifying program crops. When market prices fall below the loan rate, producers are eligible for amber box benefits, including loan deficiency payments and marketing loan gains (which pay the difference between the marketing loan rate and the local posted county price or a USDA-announced average world price in the case of rice and cotton).[228]

The USDA Budget for 2017 describes the marketing loan assistance programs as follows,

> "One method of providing support is loans to and purchases from producers. With limited exceptions, loans made on commodities are nonrecourse. The commodities serve as collateral for the loan and on maturity the producer may deliver or forfeit such collateral to satisfy the loan obligation without further payment."[229]

Consequently, USDA recognizes that the loan program provides price support. Farmers can choose to take loan program benefits directly, as loan deficiency payments, when market prices are lower than commodity loan rates. In this respect, the loan rate established for each commodity becomes the floor price for that commodity.

The loan program also has trade distorting effects. The Canadian Wheat Board (CWB) has reviewed the U.S. domestic subsidy programs and their effect on planting decisions. CWB

> "In terms of acreage distortion amongst commodities, the marketing loan program is the most important given its direct ties to current acreage and yields. Many have argued that the favourable loan rate for soybeans in the 1996 Farm Bill has been largely responsible for the 10 million-acre increase (15 percent) in soybean area since 1996. Over the same time, wheat area in the United States has fallen by 15 million acres (20 percent), while corn acreage has remained relatively flat."[230]

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[228] "2014 Farm Bill Provisions and WTO Compliance", CRS Report R43817, April 22, 2015
[229] USDA, *The Budget for Fiscal Year 2011*, Commodity Credit Corporation, pg 110
[230] CWB, *Farm Security and Rural Investment Act of 2002*, May 23, 2002, at pg 3 of 7

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The higher loan rates for most commodities set out in the Farm Bill raise the effective market returns for farmers, thereby insulating them from market price signals. Changes in loan rate spreads between commodities have an impact on planting decisions. Thus, readjustment of the soybean rate is expected to result in increased corn and wheat acreage in the United States.[231]

The fact that the non-recourse marketing assistance program has these trade-distorting effects is significant. The program does not simply provide market rate loans to producers and the program does not simply provide income support by setting the effective price floor for the covered commodities. The difference in the loan rates offered for the various commodities creates an incentive to produce one commodity over another. As noted by the CWB (Canadian Wheat Board), more favourable loan rates, from the perspective of producers, resulted in a shift in production from wheat and corn to soybeans and re-adjustments to those rates could result in a shift back.

By insulating producers from market signals, the non-recourse marketing loan program encourages the over-production of covered commodities and stimulates production of some agricultural products over others. Planting decisions by producers are driven by the available government support and not by market signals. As a result, the non-recourse marketing assistance program is clearly trade distorting because, in the absence of these loans, or if market driven loans were the only financing available, producers would make different planting decisions, or in some cases, decide to abandon farming.

Payment Limits under the 2014 Farm Bill

Per-operator program payment limits represent a potential tool for limiting or reducing total amber box outlays and concomitantly mitigating potential distortions. The 2014 farm bill set a $125,000 per-person cap on the total payments received for all covered commodities under the PLC, ARC, and MLP programs, with the exception of peanuts, which has its own separate $125,000-per-person limit. This represents a tightening of the per-person limit from the 2008

[231] CWB, *Farm Security and Rural Investment Act of 2002*, May 23, 2002, at pg 3 of 7

farm bill, where MLP benefits were unlimited. However, the payment limit is doubled by inclusion of the operator's spouse as co-operator.

There is no payment limit for the SCO, STAX, and crop insurance programs. NAP payments have an annual limit of $125,000 per person. The three livestock-related disaster assistance programs—LIP, ELAP, and LFP—have a combined limit of $125,000 per person. TAP has its own separate payment limit of $125,000 per person.

To qualify for any program benefits, a recipient's total adjusted gross income (AGI) cannot exceed $900,000 (using a three-year average). The effectiveness of program limits remains in dispute as some have argued that they may be avoided by subdividing a farm operation among family members.[232]

USDA has noted that,

> "Marketing loans provide loan deficiency payments and marketing loan gains to farmers of loan commodities when market prices are low. Marketing loans also reduce revenue risk associated with price variability."[233]

Consequently, Non-Recourse Marketing Assistance Loans provide a subsidy for purposes of the Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures.

> The MLP for upland cotton was found by the WTO cotton-case panel to be market-distorting whenever the market price fell below the fixed loan rate. The panel recommended setting the loan rates by formula to capture current market conditions. As a result, the 2014 farm bill included an adjustment to the loan rate for upland cotton—it was lowered from $0.52/lb to a formula-based marketing loan rate that moves within a range of $0.52/lb to $0.45/lb. All other program commodities retain their previous statutorily fixed loan rates.[234]
>
> "The enacted 2014 farm bill (P.L. 113-79) could result in potential compliance issues for U.S. farm policy with the rules and spending limits for domestic support programs that the United States agreed to as part of the World Trade Organization's (WTO's) Uruguay Round Agreement on Agriculture. In general, the act's new farm safety net shifts support away from classification under the WTO's green/amber boxes and toward the blue/amber

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[232] CRS, 2014 Farm Bill and WTO Compliance –page 22
[233] *The 2002 Farm Act: Provisions and Implications for Commodity Markets*, USDA Agriculture Information Bulletin Number 778, November 2002, pg 5
[234] "2014 Farm Bill Provisions and WTO Compliance", CRS Report R43817, April 22, 2015

> boxes, indicating a potentially more market-distorting U.S. farm policy regime. The most notable safety net change is the elimination of the $5-billion-per-year direct payment program, which was decoupled from producer planting decisions and was notified as a minimally trade-distorting green box outlay. Direct payments were replaced by programs that are partially coupled (PLC and ARC) or fully coupled (Supplemental Coverage Option and Stacked Income Protection Plan), meaning that they could potentially have a significant impact on producer planting decisions, depending on market conditions. Because the United States plays such a prominent role in most international markets for agricultural products, any distortion resulting from U.S. policy would be both visible and vulnerable to challenge under WTO rules."[235]

The non-recourse marketing assistance loans provide price support and are trade-distorting. As the loans effectively establish a floor price for the covered commodities (including feedgrains and oilseeds which may be used by dairy producers), they provide income support to the level of that loan rate. As the relative loan rates can provide an incentive to produce one commodity over another, they are also production and trade-distorting. As these programs have production and price supporting and trade-distorting effects, they may not be excluded from the U.S. AMS under Article 6 and Annex 2 of the *Agreement on Agriculture.*

(c) Program Level

Total obligations for this program are estimated at:

FY 2015	$5,894,782,000
FY 2016	$6,757,069,000
FY 2017	$8,024,319,000 [236]

The benefits tend to be understated, as the 9 month loan cycle results in repayment within the crop for fiscal year. Program levels are, therefore, understated and misleading.

[235] CRS, Farm Safety Net: Background and Issues, Aug 2015, pg 20
[236] 10.051 Commodity Loans and Loan Deficiency Payments, The Catalog of Federal Domestic Assistance, pg 3 of 4

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Total obligations under this program in 2015 were estimated at $5,894,782,000. Therefore, the amount allocated to dairy production under this program is $621,310,023.

PART I

E. Price Support Marketing Assistance Loans and Related Stabilization Programs[237]

(a) Program Description

The Corporation conducts programs to support farm income and prices and stabilize the market for agricultural commodities. Price support is provided to producers of agricultural commodities through loans, purchases, payments, and other means. This is done mainly under the Commodity Credit Corporation Charter Act, as amended, the Agricultural Act of 1949 (1949 Act), as amended, the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill), and the Food, Conservation and Energy Act of 2008 (2008 Farm Bill) and the Agricultural Act of 2014 (2014 Farm Bill). Price support is mandatory for sugar and dairy products. Marketing assistance loans are mandatory for wheat, feed grains, oilseeds, upland cotton, peanuts, rice, and pulse crops. Loans are also required to be made for sugar, honey, wool, mohair, and extra long staple cotton.[238]

(b) WTO Consistency

These are price support programs which are by definition "yellow" box and subject to AMS reduction.

(c) Program Level

FY 2015 (Enacted)	$7,662,000,000
FY 2016 (Estimate)	$7,962,000,000[239]

[237] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 103
[238] Ibid.
[239] 2016 Explanatory Notes, FSA, pg 24-111

(d) Allocation to Dairy

Total obligations under this program in 2015 were $7,662,000,000. Therefore, the amount allocated to dairy production under this program is $807,574,800.

PART I

F. Disaster Payments

(a) Program Description

The following four disaster programs were authorized by the 2008 Farm Bill under the USDA Supplemental Disaster Assistance program. These programs were re-authorized under CCC and extended indefinitely (beyond the horizon of the 2014 Farm Bill). Producers are no longer required to purchase crop insurance or NAP (Noninsured Crop Disaster Assistance Program) coverage to be eligible for these programs (the risk management purchase requirement) as mandated by the 2008 Farm Bill.

Livestock Forage Disaster Program (LFP).—LFP provides compensation to eligible livestock producers that have suffered grazing losses due to drought or fire on land that is native or improved pastureland with permanent vegetative cover or that is planted specifically for grazing. LFP payments for drought are equal to 60% of the monthly feed cost for up to 5 months, depending upon the severity of the drought. LFP payments for fire on federally managed rangeland are equal to 50% of the monthly feed cost for the number of days the producer is prohibited from grazing the managed rangeland, not to exceed 180 calendar days.

Livestock Indemnity Program (LIP).—LIP provides benefits to livestock producers for livestock deaths in excess of normal mortality caused by adverse weather or by attacks by animals reintroduced into the wild by the Federal Government. LIP payments are equal to 75% of the average fair market value of the livestock.

Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP).—ELAP provides emergency assistance to eligible producers of livestock, honeybees and farm-raised fish for losses due to disease (including cattle tick fever), adverse weather, or other conditions, such as blizzards and wildfires, not covered by LFP and LIP. Total payments are capped at $20 million in a fiscal year.

Tree Assistance Program (TAP).—TAP provides financial assistance to qualifying orchardists and nursery tree growers to replant or rehabilitate eligible trees, bushes, and vines damaged by natural disasters.[240]

(b) WTO Consistency

Bona fide disaster relief programs are not subject to AMS reduction if they meet the criteria set out in Annex 2(8) of the agreement on agriculture.

(c) Program Level

2015 (Enacted)	$2,626,000,000
2016 (Estimate)	$636,000,000
2017 (Budget)	$482,000,000[241]

(d) Allocation to Dairy

Total obligations under this program in 2015 were $2,626,000,000. Therefore, the amount allocated to dairy production under this program in 2015 is $276,780,400

[240] FY 2017 Appendix Budget, U.S. Department of Agriculture, pg 105
[241] Ibid., pg 23

G. Dairy Margin Protection Program (MPP)[242]

(a) Program Description

The Milk Income Loss Contract (MILC) program was eliminated by the current (2014) Farm Bill. As of September 10, 2014, approximately $212 million was disbursed for FY 2013 payments.[243] The Dairy Margin Protection Program replaced the Milk Income Loss Contract program will be in effect from September 1, 2014, through December 31, 2018. The margin protection program offers dairy producers: (1) catastrophic coverage, at no cost to the producer, other than an annual $100 administrative fee; and (2) various levels of buy-up coverage. Catastrophic coverage provides payments to participating producers when the national dairy production margin is less than $4.00 per hundredweight (cwt). The national dairy production margin is the difference between the all-milk price and average feed costs. Producers may purchase buy-up coverage that provides payments when margins are between $4.00 and $8.00 per cwt. To participate in buy-up coverage, a producer must pay a premium that varies with the level of protection the producer elects. In addition, the 2014 Farm Bill creates the Dairy Product Donation Program. This program is triggered in times of low operating margins for dairy producers, and requires USDA to purchase dairy products for donation to food banks and other feeding programs.[244]

(b) WTO Consistency

The repealed dairy programs are replaced with a new insurance-like margin deficiency payment program – the Dairy Margin Protection Program (DMPP) – that makes payments to participating dairy producers when the national milk margin (calculated as the average farm price of milk minus a formula-based average feed ration) falls below $4.00 per hundredweight (cwt), with coverage at higher margin levels up to $8.00/cwt available for subsidized purchase.[245] Under this DMPP program design, payments are coupled to current market prices and recent historical

[242] Department of Agriculture, *The Budget for Fiscal Year 2010*, pg 115
[243] 2016 Explanatory Notes Farm Service Agency, pg 24-110
[244] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 105
[245] For program details, see CRS Report R43465, *Dairy Provisions in the 2014 Farm Bill (P.L. 113-79)*

farm-level production (i.e., the maximum annual output during 2011-2013), with no payment limit or cap on potential outlays at either the farm or national level.

Some economists have argued that the proposed margin program fails to follow sound insurance principles: (1) premiums do not reflect the anticipated risk environment in milk and feed markets; and (2) the proposed margin insurance program does not use a rating method to update premiums – instead, premiums are fixed for the life of the farm bill.[246] Another factor in determining WTO compliance and the degree of potential market distortion is the share of the premium paid by the federal government.[247] The lower the statutorily fixed premiums are relative to the expected indemnity (i.e., the less actuarially sound) or the higher the share of the premium paid by the federal government, the greater will be the incentive to increase milk production transmitted to producers by the program.

According to one economic analysis, if milk margins fall to levels that activate indemnity payments, then a weakened feedback process between producers and market price signals could (1) prevent normal market adjustment to milk production, prices, and margins (in other words, producers will not get the necessary market signal to cut back on production) and (2) result in persistent oversupply, lower margins, lower farm incomes, and larger federal expenditures than would have occurred under the previous suite of dairy price and income support programs.[248] The same study found that the program design—the provision that producers may purchase coverage on as much as 90% of their recent historical maximum output; and the $8.00/cwt maximum coverage option, which represents 93% of the national average milk margin during the 15-year period preceding DMPP implementation—could result in annual outlays of as much as $5 billion during low-margin periods, as experienced during 2009 and 2012

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[246] John Newton and Cam Thraen, "The Dairy Safety Net Debate of 2013 Part I: Questions and Answers," *farmdocdaily.com*, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, December 17, 2013

[247] The fixed nature of the DMPP premium implies that the federal subsidy share is both indirect and varies with the underlying risk conditions.

[248] C. F. Nicholson and M. W. Stephenson, "Dynamic Market Impacts of the Dairy Margin Protection Program of the Agricultural Act of 2014," *Program on Dairy Markets and Policy Working Paper Series*, Working Paper No. WP14-03, May 2014

(c) Program Level

The total net outlays for this program are estimated at

FY 2015	$25,000,000	[249]
FY 2016	$104,000,000	[250]
FY 2017	$180,000,000	[251]

(d) Allocation to Dairy

The Dairy Margin Production Program is intended to support dairy production. Therefore, 100% of the program funding, or $25,000,000 for 2015, should be allocated to dairy production. However, it has been estimated by proponents of this program over the period 2009-2014, it would have been $1 billion more generous than MILC. Further it has been estimated that in low margin years the benefits could be $5 billion per year – and all of it would be allocated to dairy.

[249] *FY 2015 Budget Summary*, U.S. Department of Agriculture, pg 20
[250] *FY 2016 Budget Summary*, U.S. Department of Agriculture, pg 22
[251] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 19

H. Non-insured Assistance Program (NAP) (Budget Code 12-4336-0-3-999.00.23)[252]

(a) Program Description

The Non-insured Crop Disaster Assistance Program (NAP), reauthorized by the 2014 Farm Bill and administered by the U.S. Department of Agriculture (USDA) Farm Service Agency (FSA), provides financial assistance to producers of non-insurable crops to protect against natural disasters that result in lower yields or crop losses, or prevents crop planting.[253]

Eligible crops include all non-insurable crops and agricultural commodities that are not eligible for catastrophic risk protection insurance.

NAP is available for:
Commercial crops or agricultural commodities (not livestock) - produced for food or fiber – for which crop insurance coverage is not available. This includes: floricultural, high tunnel and field grown fruits and vegetables, seed crops, forage crops, honey, maple sap, mushrooms, ornamental nursery, Christmas trees, aquaculture, and turf grass sod.[254]

To be eligible, producers must pay the required service fee 30 days prior to the coverage period. The service fee is the lesser of $250 per crop or $750 per producer per administrative county, not to exceed a total of $1,875 for a producer with farming interests in multiple counties. [255]

The natural disaster must occur before or during harvest and must directly affect the eligible crop.

[252] Non-insured Crop Disaster Assistance Program, USDA Fact Sheet, March 2016
[253] USDA, FSA Fact Sheet, Non-insured Crop Disaster Assistance Program, March 2016, pg 1
[254] https://www.fsa.usda.gov/Internet/FSA_File/nap.pdf
[255] Non-insured Crop Disaster Assistance Program, USDA Fact Sheet, March 2016

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(b) WTO Consistency

The 2014 farm bill added an option for expanded coverage up to 65% under the Non-insured Crop Disaster Assistance Program (NAP). NAP payments are notified as green box since they involve crop losses of at least 50% and are reimbursed at just 55% of the market price. The additional coverage option will not change NAP's green box status. NAP payments also have an annual payment limit of $125,000 per person. The CRS (Congressional Research Service) claims none of the current suite of farm price and income support programs and shallow-loss crop insurance programs—MLP (Marketing Loan Program) , PLC (Price Loss Coverage), ARC (Agriculture Risk Coverage), SCO (Supplemental Coverage Option), STAX (Stacked Income Protected Plan), DMPP (Dairy Margin Protection Program), and the sugar program—would qualify for the green box, because they are coupled, partially or fully, to current prices and/or plantings, or receive additional TRQ protection from imports (as is the case for U.S. dairy and sugar producers).256

Green box outlays are unlimited, thus additional NAP would have no WTO effect; however, it remains to be seen if "buy-up" coverage is notified as amber box or green box.257

However, we consider the support provided under this program constitutes a subsidy for purposes of the Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures. However, these payments would not be included in the U.S. AMS or be subject to reduction commitments. Annex 2(8) to the Agreement on Agriculture exempts payments for relief from natural disasters. The payments at issue, which are tied to natural disasters that occur before or during harvest and which directly affect the eligible crop, are clearly intended to provide relief from those natural disasters.

[256] FN - CRS, 2014 Farm Bill and WTO Consistency, pg 11
[257] CRS, 2014 Farm Bill and WTO Consistency, pg 40

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(c) Program Level

The FY 2017 Budget for the Department of Agriculture reports the following obligations for this program:[258]

2015 (Actual)	$119,000,000
2016 (Estimate)	$165,000,000
2017 (Estimate)	$165,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Total obligations under this program in 2015 were estimated at $119,000,000. Therefore, the amount allocated to dairy production under this program is $12,542,600

[258] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 102

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I. Farm Storage and Sugar Storage Facility Loans (Budget Code 12-3301-0-1-351)[259]

(a) Program Description

This program provides concessional financing to grain producers to build or upgrade farm storage and handling facilities.[260] Covered commodities include wheat, rice, soybeans, sunflower seed, canola, rapeseed, safflower, flaxseed, mustard seed, crambe, other oilseeds as determined and announced by the Commodity Credit Corporation, as well as corn, grain sorghum, oats or barley harvested as whole grain. Corn, grain sorghum, wheat or barley also eligible.

Eligible borrowers include any landowner, landlord, operator, producer, tenant, leaseholder or sharecropper. Eligible borrowers must have a satisfactory credit history and meet the requirements of the program.

Loans are provided for the purchase and installation of eligible storage facilities, permanently affixed drying or handling equipment, or for remodeling existing facilities. Storage structures for commercial purposes, portable handling or drying equipment and portable or permanent weigh scales are ineligible for loans. The program gives producers greater marketing flexibility when farm storage is limited and/or transportation difficulties cause shortage problems, allows farmers to benefit from new marketing and technological advances and maximizes returns through identity-preserved marketing.[261]

The maximum loan amount is $500,000 per loan. [262]

The program provides financing with 7, 10 and 12 year repayment terms (depending on the amount of the loan) at low rates.[263] (Sugar loan terms are minimum seven years. [264])

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[259] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 109
[260] This program was discontinued in the early 1980s and re-established in 2000 due to a severe shortage of sufficient available storage.
[261] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 109
[262] Farm Storage Facility Loan Program, USDA Fact Sheet, August 2009
[263] Farm Storage Facility Loan Program, USDA Fact Sheet, March 2014, pg 3

Interest is charged at a rate equivalent to the rate of interest charged on U.S. Treasury securities of comparable maturity on the date the loan is approved. The interest rate for each loan will remain in effect for the term of the loan.

(b) WTO Consistency

As the loans at issue are provided at U.S. Treasury security rates and the financing is described as commercial – which means not available on the market – in these circumstances, the program would provide a subsidy for purposes of the Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures.

The program does not appear to fit any of the exclusions from AMS reduction in Annex 2 of the Agreement on Agriculture. Annex 2(1) of the Agreement on Agriculture provides that domestic support measures for which exemption from reduction commitments is claimed shall meet the fundamental requirement that they have no, or at most, minimal trade-distorting effects or effects on production. Unfortunately, there is no definition much less an agreed definition of “minimal” in this connection.

Absent subsidized storage, it is quite likely these products could not be marketed or would be more expensive if they were stored in private commercial facilities, so we would argue that the program encourages harvest (production) and sale of these commodities.

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[264] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 109

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(c) Program Level

The FY 2017 Budget for the Department of Agriculture reports the following budget authority for the program:

2015 (Actual)	$254,000,000
2016 (Estimate)	$417,000,000
2017 (Estimate)	$395,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers, but we note that it may provide assistance to storage for feedgrains used by dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Total obligations under this program in 2015 were estimated at $254,000,000. Therefore, the amount allocated to dairy production under this program is $26,771,600.

J. Dairy Indemnity Program

(a) Program Description

This program provides indemnity payments to dairy producers who have been directed to remove raw milk from the commercial market because it has been contaminated with pesticides, nuclear radiation or fallout, or toxic substances or chemicals other than pesticides.

Payments are made to manufacturers of dairy products only for products removed from the market because of pesticide contamination. [265]

The indemnity payment to dairy producers is calculated using the following formula.

- the number of cows milked; times
- the number of days milk is off the market; times
- base production in terms of pounds per cow per day; times
- farm price for milk with the same butterfat content
- less handling and promotion fees received by the producer

The base period for the payment is the calendar month two biweekly pay periods immediately before the milk is removed from the market.

The indemnity payment to manufacturers of dairy products is calculated by multiplying the fair market value of the product by the amount of product removed from the market less any salvage value for the product.

[265] Farm Service Agency Programs, USDA Farm Service Agency Fact Sheet, July 2015

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(b) WTO Consistency

This program provides subsidies to producers, but because the subsidies are not tied to production would not likely have a trade distorting effect. They may be "green". These payments may constitute domestic support that need not be included in the U.S. AMS and is not subject to reduction commitments.

(c) Program Level

2015 (Actual)	$1,000,000
2016 (Estimate)	$1,000,000
2017 (Estimate)	$1,000,000

Obligations under this program were estimated to be $1,000,000 for FY 2015 and FY 2016.[266]

(d) Allocation to Dairy

This program is dedicated to supporting dairy production; therefore 100% of the obligations under this program, estimated at $1,000,000 for FY 2015 and FY 2016, should be allocated to dairy production.

[266] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 99

III. Export Subsidies

A. Foreign Agricultural Service

The Foreign Agricultural Service administers programs that promote U.S. agricultural exports and that are intended to develop long-term overseas markets for U.S. products. The objective is to enhance economic opportunities for U.S. agricultural producers, with a particular focus on export markets.

The Foreign Agricultural Service's (FAS) mission is linking U.S. agriculture to the world to enhance export opportunities and global food security. FAS helps to provide outlets for the wide variety of agriculture products produced by U.S. farmers, thereby enhancing economic activity for U.S. workers. FAS serves U.S. agriculture's interests by expanding and maintaining international export opportunities, supporting international economic development and trade and science capacity building, and supporting climate change analysis and U.S. agricultural interests in international negotiations. The outcomes envisioned are exports that help U.S. agriculture prosper, the expansion of U.S. exports of organics and crops produced using new technologies, food that is globally available, accessible, and appropriately used, and climate change provisions in international agreements that benefit U.S. agriculture.

Funding for programs administered by the Foreign Agricultural Service includes monies expended by the Commodity Credit Corporation, excluding funding on account of international food aid, which is dealt with in Section IV below. The FY 2017 Budget Summary reports the following program levels for the Foreign Agricultural Service:[267]

2015 (Enacted)	$8,010,000,000
2016 (Estimate)	$8,048,000,000
2017 (Budget)	$8,105,000,000

[267] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 110

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The Dairy Export Incentive Program was repealed by the 2014 Farm Bill. In addition to general benefits, Dairy exports have expanded significantly under a program known as Co-operatives Working Together (CWT). While farmer funded – in 2015, 37% of U.S. cheese exports, 92% of U.S. butter exports and 45% of WMP exports representing 23.8 million pounds (10,818 tonnes), 28.1 million pounds (12,772 tonnes) and 22.3 million pounds (10,136 tonnes) were assisted by CWT.[268]

" This is an export subsidy the U.S. funds thought CWT to help keep their prices competitive for world markets. CWT is extended until December 31, 2018 comes at a time of increasing U.S. milk production, declining world dairy market prices and increase global competition due to the removal of E.U. milk quotas and increasing supply in New Zealand." [269]

Assisting CWT members through the Export Assistance Program in the long term help member co-operatives gain and maintain market share thus expanding the demand for U.S. dairy products and the U.S. farm milk that produces them.[270]

In 2015, the amount of support provided to dairy through these program level allocations can be determined on the basis of dairy's proportionate share of total U.S. agricultural production. In 2015, dairy production represented 10.54% of the total value of U.S. agricultural production. Therefore, of the $8,010,000,000 expended in 2015, $844,254,000 can be allocated to dairy production.

[268] "U.S. to Extend CWT/Dairy Export Programme", Irish Farmer Journal, 28 October 2015

[269] "CWT continuous to offer export assistance to U.S. farmers until 2018, Irish Farmer Journal", 11 June 2015

[270] "CWT Assist More Cheese and Butter Export Sales, AgricHQ, 19 January 2017

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B. Export Credit Guarantee Programs (Budget Code 12-1336-0-1-351-215999)[271]

(a) Program Descriptions

The Commodity Credit Corporation provides payment guarantees under the Export Credit Guarantee programs for the financing of U.S. agricultural exports. These programs are used in countries where the ability to offer and provide credit is necessary to maintain or increase U.S. export sales, but where the financing may not be commercially available without guarantees.

Short-Term Guarantees (GSM 102); Intermediate-Term Guarantees (GSM 103); Supplier Credit Guarantees

The Commodity Credit Corporation may use export credit guarantees for any or all of the following purposes:

- to increase exports of U.S. agricultural commodities;
- to compete against foreign agricultural exports;
- to assist countries, particularly developing countries, meet their food and fiber needs;
- for such other purposes as the Secretary of Agriculture determines.[272]

GSM-102 and GSM-103 guarantees underwrite the credit extended by the private banking sector to approved foreign banks using dollar-denominated, irrevocable letters of credit to pay for food and agricultural products sold to foreign buyers. The *Export Credit Guarantee Program (GSM-102)* offers credit for 90 days to 3 years. The *Intermediate Export Credit Guarantee Program (GSM-102)* offers credit for 3 to 10 years.

Under these programs, the CCC guarantees payments due from foreign banks, which permit the U.S. financial institution to offer competitive credit terms to the foreign banks, usually with the interest rates based on the London Inter-Bank Offered Rate (LIBOR).

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[271] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 107
[272] Subpart A – Restrictions and Criteria for Export Credit Guarantee Programs

“Interested parties”, including U.S. exporters, foreign buyers and banks, may request that the CCC establish a GSM-102 or GSM-103 program for a country or region. CCC will determine the ability of each country and foreign bank to service CCC-guaranteed debt.

CCC is authorized to promote the export of U.S. agricultural commodities through sales, payments, export credits and other related activities.[273] The program is open to exports of all U.S. agricultural products. CCC selects agricultural products and commodities according to market potential.[274] Eligible commodities are limited to those that are produced entirely in the United States, including dairy products.[275]

The Supplier Credit Guarantee Program is used by USDA to encourage exports to countries where extending credit is necessary to maintain or increase U.S. sales but where financing may not be available without CCC guarantees. Under this program, CCC guarantees a portion of payments due from importers under short-term financing (up to 180 days) that exporters have extended directly to importers for the purchase of U.S. agricultural products. These direct credits must be secured by promissory notes signed by the importers.[276]

This program offers alternative credit options. USDA considers that the Supplier Credit Guarantee Program may be helpful in countries where GSM-102 financing is limited because CCC has reached its exposure limits for private foreign banks.

USDA also considers that this program may work well for commodities and products that normally trade on short-term open-account financing.

[273] Fact Sheet: Commodity Credit Corporation, October 2015
[274] Fact Sheet: CCC Export Credit Guarantee Program, November 2009
[275] Fact Sheet: Supplier Credit Guarantee Program, March 2006
[276] Ibid.

(b) WTO Consistency

GSM-102, GSM-103 and the Supplier Credit Guarantee Program were considered by the Panel in *United States – Upland Cotton*.[277] Brazil argued that these programs violated Articles 10.1 and 8 of the Agreement on Agriculture[278] (see para 7.767). Brazil relied on item (j) of the Illustrative List of Export Subsidies in Annex I of the SCM Agreement to argue that the export credit guarantee programs fall within Article 10 of the Agreement on Agriculture on the basis that the premium rates charged are inadequate to cover the long term operating costs and losses of the program. (see Panel Report para 7.768)

The United States, relying on Article 10.2 of the Agreement on Agriculture, argued that export credit guarantees are not export subsidies and are not subject to the export subsidy disciplines of the Agreement on Agriculture. (see para 7.770) The U.S. also argued that even if the SCM Agreement applied, the export credits guarantee programs do not confer a benefit because identical instruments are available in the marketplace in the form of “forfeiting” and private insurance. (para 7.773) The U.S. also noted that it is permitted to provide export subsidies that comply with its scheduled quantitative reduction commitments and, in this respect, relied on the “mandatory/discretionary” analysis to ask whether the provisions establishing the export credit guarantee programs were in a breach of any WTO obligation. (see para 7.774)

The Panel noted that WTO and GATT practice considered that export credit guarantees may generally be considered to constitute export subsidies. (see para 7.806) The Panel considered these programs, their operations, costs and premiums collected and determined that *per se* they constitute an export subsidy within the meaning of item (j) of the Illustrative List of Export Subsidies. (see para 7.869)

Having determined that these programs are *per se* export subsidies, the Panel then turned to the issue of whether the export credits were applied in a manner that threatened to circumvent U.S. export subsidy commitments.

[277] World Trade Organization (WTO), United States—Subsidies on Upland Cotton; Report to the Panel (WT/DS267/R), 8 September, 2004, pgs 192, 193, 194, 200, 217
[278] Ibid., para 7.67

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The Panel considered the application of these programs and determined that, with respect to upland cotton and other unscheduled agricultural products supported under the program, and in respect of one scheduled product (rice), the export credit guarantee programs were applied in a manner which resulted in circumvention of U.S. export subsidy commitments, in violation of Article 10.1 of the Agreement on Agriculture and, therefore, the programs are inconsistent with Article 8 of the Agreement on Agriculture. In addition, the Panel determined that the export credit guarantee programs are not protected by the Peace Clause in Article 13 of the Agreement on Agriculture and that as the guarantees are provided at premium rates that are inadequate to cover long-term operating costs and losses, the programs constitute export subsidies prohibited by Article 3.1(a) and 3.2 of the Agreement on Subsidies and Countervailing Measures. (see para 8.1(d)(i))

However, with respect to unscheduled agricultural products not supported by these programs, and other scheduled agricultural products, the Panel found that these export credit guarantee programs did not violate Articles 10.1 and 8 of the Agreement on Agriculture. In addition, the Panel determined that Brazil failed to establish a *prima facie* case that the programs do not conform fully to Part V of the Agreement on Agriculture. Consequently, the Panel considered that it must treat these programs as if they were protected by the Peace Clause. (see para 8.1(d)(ii))

These credits provided under these export credit guarantee programs are export subsidies for purposes of the Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures. Thus, these export subsidies will be prohibited if they are provided to support unscheduled agricultural products (products for which the U.S. does not have the ability to provide any export subsidy support) or if they are provided to support scheduled agricultural products in excess of the bound export subsidy commitments for that specific product.

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(c) Program Level

The FY 2017 Budget for the Department of Agriculture reports the following program level for this program:[279]

2015 (Actual)	$5,500,000,000
2016 (Estimate)	$5,500,000,000
2017 (Estimate)	$5,500,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Total program level provided for this program in 2015 amounted to $5,500,000,000. Therefore, the amount allocated to dairy production under this program is $579,700,000.

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[279] *FY 2017 Budget Summary,* Department of Agriculture, pg 30

C. Facilities Financing Guarantees[280]

(a) Program Description

The U.S. Department of Agriculture's Facility Guarantee Program (FGP) is designed to expand sales of U.S. agricultural products to emerging markets where inadequate storage, processing, or handling capacity limit trade potential. The program provides payment guarantees to finance commercial exports of U.S. manufactured goods and services that will be used to improve agriculture-related facilities.

Emerging markets often lack the infrastructure to support increased trade volume. Export sales of U.S. equipment or expertise to improve ports, loading and unloading capacity, refrigerated storage, warehouse and distribution systems, and other related facilities may qualify for facility guarantees, as long as these improvements are expected to increase opportunities for U.S. agricultural exports.

Under this program, USDA's Commodity Credit Corporation (CCC) guarantees payments due from approved foreign banks to exporters or financial institutions in the United States. USDA's Foreign Agricultural Service (FAS) administers this program on behalf of the CCC. The financing must be obtained through normal commercial sources. Typically, a guarantee covers 95% of principal and a portion of interest. FGP regulations are found in the Code of Federal Regulations 7 CFR 1493.

Qualified Projects The Secretary of Agriculture must determine that the project will primarily promote the export of U.S. agricultural commodities or products to emerging markets.

Emerging Market An emerging market is a country that the Secretary of Agriculture determines: (1) is taking steps toward a market-oriented economy through the food, agricultural, or rural business sectors; and (2) has the potential to provide a viable and significant market for U.S. agricultural products.

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[280] *Facility Guarantee Program*, FACT Sheet, FAS Online, March 2017

U.S. Content Only U.S. goods and services are eligible under the program. The CCC will consider projects only where the combined value of the foreign components in U.S. goods and services approved by the CCC represents less than 50% of the eligible sales transaction.

Initial Payment An initial payment representing at least 15% of the value of the sales transaction must be provided by the importer to the exporter.

Payment Terms Payment terms may range from 1 to 10 years, with semi-annual installments on principal and interest. The applicable program announcement will specify actual payment terms.

Payment Mechanism Payment must be made to the exporter in U.S. dollars on deferred payment terms under an irrevocable foreign bank letter of credit.

Coverage The CCC determines the rate of coverage (currently 95%) that will apply to the value of the transaction, excluding the minimum 15-percent initial payment. The CCC also covers a portion of interest on a variable rate basis. The CCC agrees to pay exporters or their assignee financial institutions in the event a foreign bank fails to make payment pursuant to the terms of the letter of credit. The FGP does not cover the risk of defaults on credits or loans extended by foreign banks to importers or owners of facilities.

(b) WTO Consistency

The export credit guarantees provided under this program likely constitute subsidies on the basis that they provide a benefit to recipients. The benefit is in the form of credit guarantees provided at rates that are not available to the borrower on the commercial market. In addition, it is likely that the premiums charged for these credit guarantees do not cover the long term operating costs of the program.

If the program provides a subsidy, it is a subsidy that is contingent on the export of U.S. equipment or expertise. This is evident from the fact that the program is not available to support domestic infrastructure projects.

As the program supports exports of equipment and expertise, and not agricultural products, the export subsidies are not subject to the Agreement on Agriculture, but would be subject to the Agreement on Subsidies and Countervailing Measures.

Article 3.1(a) of the SCM Agreement prohibits export subsidies. With respect to Agriculture, such subsidies are permitted up to the levels inscribed in individual countries bound export subsidy commitments.

Therefore, as the program provides export subsidies, the export credit guarantees are provided in violation of SCM Article 3.1(a).

(c) Program Level

The FY 2017 Budget Summary for the Department of Agriculture reports the following program levels for this program:[281]

2015 (Enacted)	100,000,000
2016 (Estimate)	$100,000,000
2017 (Budget)	$500,000,000

(e) Allocation to Dairy

There was $100,000,000 budgeted for 2015. The allocation to dairy at 10.54 percent is $10,540,000.

[281] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 30

D. **Market Access Program** (Budget Code 12-4336-0-3-999.0016)[282]

(a) Program Description

The Market Access Program (MAP) uses funds from the U.S. Department of Agriculture's (USDA) Commodity Credit Corporation (CCC) to aid in the creation, expansion, and maintenance of foreign markets for U.S. agricultural products. The MAP is authorized by Section 203 of the Agricultural Trade Act of 1978, and is administered by USDA's Foreign Agricultural Service (FAS).[283]

The MAP forms a partnership between non-profit U.S. agricultural trade associations, non-profit U.S. agricultural cooperatives, non-profit state-regional trade groups, small U.S. businesses, and USDA's CCC to share the costs of overseas marketing and promotional activities, such as trade shows, market research, consumer promotions for retail products, technical capacity building, and seminars to educate overseas customers.[284]

Participation in MAP is also not restricted to non-commercial entities. Although non-profit organizations and regional trade groups may receive MAP assistance, support can also be given to a "small-sized USA commercial entity (other than a cooperative or producer association)." The fact that MAP is available to corporations is made clear in the MAP announcements for 2015 which include $932,734 of the $200 million being allocated to Welch's Food.[285]

(b) WTO Consistency

The Market Access Program provides subsidies to support U.S. agricultural product exports. The allocations made under this program, which are financial contributions by government, confer a benefit on the recipient. Thus, allocations made under MAP are subsidies for purposes of the Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures.

[282] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 102
[283] USDA Factsheet: Common Credit Corporation, October 2015
[284] Ibid.
[285] USDA, FAS, Map Funding Allocations, FY 2015

These subsidies are provided to support exports and, thus, are made contingent on actual or anticipated export performance.

On this basis, the subsidies provided by MAP are export subsidies. Export subsidies are prohibited under the Article 3(1)a of the Agreement on Subsidies and Countervailing Measures but are permitted by the Agreement on Agriculture so long as they are made within U.S. export subsidy bindings. Thus, to the extent that MAP support is provided within U.S. export subsidy bindings, the subsidies are not prohibited. However, should MAP be used to support the export sale of non-scheduled U.S. agricultural products or are provided in excess of U.S. export subsidy bindings, the provision of MAP subsidies would violate the United States WTO obligations.

(c) Program Level

The FY 2017 Budget for the Department of Agriculture reports the following funding for this program:[286]

2015 (Actual)	$185,000,000
2016 (Estimate)	$200,000,000
2017 (Estimate)	$200,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

[286] Department of Agriculture, *The Budget for the Fiscal Year 2017*, pg 102

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Total funding provided under this program in 2015 amounted to $185,000,000. Therefore, the amount allocated to dairy production under this program is $19,499,000.

E. Foreign Market Development (Cooperator) Program (Budget Code 12-4336-0-3-999. 00.21)[287]

(a) Program Description

The Foreign Market Development Program (also referred to as the Cooperator or Cooperative Program) is a program operated by the Commodity Credit Corporation to support the creation, expansion and maintenance of long-term export markets for U.S. agricultural products. The program has fostered a promotion partnership between USDA and U.S. agricultural producers and processors (represented by nonprofit commodity or trade associations called "Cooperators").

The program assists U.S. farmers, processors and exporters by assisting their organizations to develop new foreign markets and to increase market share in existing markets. The program supports generic U.S. commodities rather than brand-name products.

The program uses CCC funds to partially reimburse Cooperators conducted approved overseas promotional activities. Preference is given to non-profit U.S. agricultural and trade groups that represent an entire industry or that are nationwide in membership and scope.

The total allocation for FY 2015 is $32 million[288], which has been apportioned among the following groups:[289]

Cooperator	FY 2015 Allocation
Almond Board of California	$275,000
American Hardwood Export Council, APA – The Engineered Wood Association, Softwood Export Council, and Southern Forest Products Association	$3,447,510
American Peanut Council	$158,309
American Seed Trade Association	$246,304
American Sheep Industry Association	$148,193
American Soybean Association	$7,251,691
Cotton Council International	$3,505,097

[287] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 102
[288] Ibid.
[289] USDA Fact Sheet: Foreign Market Development Program

Cranberry Marketing Committee	$182,665
Leather Industries of America	$228,882
Mohair Council of America	$17,996
National Renderers Association	$284,960
National Sunflower Association	$244,481
North American Millers Association	$24,537
U.S. Dry Bean Council	$118,816
U.S. Grains Council	$2,238,847
U.S. Hide, Skin and Leather Association	$132,075
U.S. Livestock Genetics Export, Inc.	$555,292
U.S. Meat Export Federation	$1,370,126
U.S. Wheat Associates	$3,576,245
USA Dry Pea and Lentil Council	$162,503
USA Poultry and Egg Export Council	$1,299,338
USA Rice Federation	$1,266,286
Total	**$26,735,153**

(b) WTO Consistency

The Foreign Market Development Program provides subsidies to support the sale of U.S. agricultural products. The program provides a subsidy for purposes of the Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures by making a financial contribution that confers a benefit on the recipient. Because this subsidy is made contingent on actual or anticipated export earnings, it is an export subsidy.

Export subsidies are prohibited by the Agreement on Subsidies and Countervailing Measures but are permitted by the Agreement on Agriculture so long as they are not provided in excess of U.S. export subsidy bindings. Therefore, if export subsidies under this program are provided to support the export sale of unscheduled U.S. agricultural products or are provided in excess of U.S. export subsidy bindings, the support provided will violate U.S. WTO obligations.

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(c) Program Level

The FY 2017 Budget reports the following funding on account of this program:[290]

2015 (Actual)	$32,000,000
2016 (Estimate)	$35,000,000
2017 (Estimate)	$35,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. The 2015allocation for the Dairy Export Counsel was $3,203,172. Dairy farmers may also have benefited from grants to Meat and Livestock export groups.

Total funding provided under this program in 2015 amounted to $32,000,000. For conversion of allocation methodology the amount allocated to dairy production under this program is $3,372,800 which represents 10.54% of the program level.

[290] Department of Agriculture, *The Budget of Fiscal Year 2017,* pg 102

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F. Emerging Market Program[291]

(a) Program Description

The Emerging Markets Program is a market access program that provides funding for technical assistance activities intended to promote exports of U.S. agricultural commodities and products to emerging markets in all geographic regions, consistent with U.S. foreign policy. The program is authorized by the Food, Agriculture, Conservation, and Trade Act of 1990, as amended. The EMP regulations appear at 7 CFR part 1486. Funding is set at $10 million each fiscal year from the Commodity Credit Corporation from now through the end of the current Farm Bill.[292]

The Emerging Markets Program is a generic program. Its resources may be used to support exports of U.S. agricultural commodities and products only through activities relating to products generically, i.e., pork or milk. Projects that endorse or promote branded products are not eligible for the Program.

Funding is provided through three channels: (1) the Central Fund, the principal means of funding, made available through a public announcement; (2) the Technical Issues Resolution Fund, to address technical barriers to exports; and (3) the Quick Response Marketing Fund, to assist in resolving short-term time-sensitive market access issues.[293]

What is an Emerging Market? The legislation defines an emerging market as any country that "is taking steps toward a market-oriented economy through the food, agriculture, or rural business sectors of the economy of the country," and "has the potential to provide a viable and significant market for United States commodities or products of United States agricultural commodities."

[291] *2008 Emerging Markets Program*, Fact Sheet, FAS Online, October 2015
[292] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 31
[293] Electronic Code of Federal Regulations, Title 7, Subtitle B, Chapter XIV, Subchapter C, Part 1486, Emerging Marketing Program

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There is no fixed list of "emerging market" countries. Because funds are limited and the range of emerging markets is worldwide, the Program uses certain administrative criteria, in addition to the legal definition above, to determine whether a country is considered an emerging market:

1) Per capita income of less than $12,476, the current ceiling on upper middle income economies as determined by the World Bank.[294]

2) Population greater than 1 million (the program may encompass regional groupings, such as the islands of the Caribbean Basin).[295]

Guidance on qualified emerging markets is provided each year in the Program's application announcement.

Program Priorities. The principal purpose of the program is to assist U.S. organizations, public and private, to improve market access by developing, maintaining, or enhancing U.S. exports to low- and middle-income countries which have or are developing market-oriented economies, and which can be viable markets for these products. The underlying premise is that emerging agricultural markets have distinctive characteristics that benefit from U.S. governmental assistance before the private sector moves to develop these markets through normal trade promotional activities. All agricultural commodities except tobacco are eligible for consideration.

Cost-sharing, the funding U.S. private organizations are willing to commit from their own resources to seek export business in an emerging market, is one of the requirements needed in an application in order to qualify for funding assistance under the Emerging Markets Program. Justification for federal funding is also required.[296]Such cost sharing increases the marketing development funds available to export as agricultural products

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[294] The World Bank Country and Lending Groups. https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups

[295] Electronic Code of Federal Regulations, Title 7, Subtitle B, Chapter XIV, Subchapter C, Part 1486, Emerging Marketing Program

[296] Federal Register, A Notice by the Commodity Credit Corporation, Notice of Funds Availability: Inviting Applications for the Emerging Markets Program, April 4, 2016

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Types of Projects and Activities. Funding is on a project-by-project basis. Many types of technical assistance activities that promote markets for U.S. agricultural products may be eligible for funding. Examples include feasibility studies, market research, sectorial assessments, orientation visits, specialized training, and business workshops. The program is not intended for projects targeted at end-user consumers. Ineligible activities include in-store promotions; restaurant promotions; branded product promotions (including labelling and supplementing normal company sales activities designed to increase awareness and stimulate sales of branded products); equipment purchases; costs of new product development; administrative and operational expenses for trade shows; advertising; preparation and printing of brochures, flyers, posters, etc., except in connection with specific technical assistance activities such as training seminars; and design of development of Internet Web sites.

The program complements other FAS marketing programs. Once a market access issue has been addressed by the Emerging Markets Program, further market development activities may be considered under other FAS programs.[297]

Eligible Organizations. Any U. S. agricultural or agribusiness organization, university, state department of agriculture, or USDA agency (or other federal agency involved in agricultural issues) is eligible to participate in the Emerging Markets Program. Preference will be given to proposals indicating significant support and involvement by private industry. Proposals will be considered from research and consulting organizations only as long as they can demonstrate evidence of substantial participation by U.S. industry. For-profit entities are also eligible, but may not use program funds to conduct private business, promote private self-interests, supplement the costs of normal sales activities, or promote their own products or services beyond specific uses approved for a given project. USDA market development cooperators may seek funding to address priority, market-specific issues or to undertake activities not already serviced by or unsuitable for funding under other FAS marketing programs, such as the Foreign Market Development Program and Market Access Program.

[297] Federal Register, A Notice by the Commodity Credit Corporation, Notice of Funds Availability: Inviting Applications for the Emerging Markets Program, April 4, 2016

The opportunity for applying to the Emerging Markets Program during the annual open solicitation period is announced in the Federal Register and on the FAS Internet Web site.[298]

Advisory Committee on Emerging Markets. A private sector advisory committee provides information and advice to help USDA develop strategies for providing technical assistance and enhancing markets for U.S. agricultural products in developing market economies. More specifically, Committee members review from a business perspective qualified proposals submitted to the Program for funding assistance.[299]

(b) WTO Consistency

The support provided under this program is a subsidy for purposes of the Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures. As the subsidy is contingent on export performance, it is an export subsidy.

Export subsidies were prohibited by the WTO Agreement on Subsidies and Countervailing Measures but were permitted by the Agreement on Agriculture so long as they are provided within U.S. export subsidy bindings. Under the Ministerial decision on export competition on 19 December 2015 exports subsidies are to be phased out and eliminated. The Declaration is binding but as it does not amend the WTO Agreement it is arguable and enforceable by the DSU. Well "naming and shaming" be enough?

Arguably and unanimously adopted ministerial declaration constitutes an "internationally agreed discipline" as envisaged in articles 10.2 of the Agreement on Agriculture.

[298] Federal Register, A Notice by the Commodity Credit Corporation, Notice of Funds Availability: Inviting Applications for the Emerging Markets Program, April 4, 2016
[299] Federal Register, A Notice by the Commodity Credit Corporation, Notice of Funds Availability: Inviting Applications for the Emerging Markets Program, April 4, 2016

While the new WTO rules an agricultural exports subsidies (and other export competition) may not be enforceable there are provisions in the SCM Agreement – rules on exports credits are similar but not identical – which can be.

(c) Program Level

The FY 2017 Budget reports the following funding on account of this program: [300]

2015 (Actual)	$9,000,000
2016 (Estimate)	$9,000,000
2017 (Estimate)	$10,000,000

(d) Allocation to Dairy

This program neither provides benefits exclusively to dairy producers nor excludes them. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Total funding provided under this program in 2015 amounted to $9,000,000. Therefore, the amount allocated to dairy production under this program is $948,600.

[300] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 29

G. **Quality Samples Program** (Budget Code 12-4336-0-3-999.00.22)[301]

(a) Program Description

This program encourages the development and expansion of export markets for U.S. agricultural commodities by assisting U.S. entities provide commodity samples to potential foreign importers. The program objective is to demonstrate the high quality of U.S. agricultural commodities and products. Participants will procure samples, export the samples, provide any technical assistance necessary to facilitate the successful use of samples. Participants may be reimbursed for the cost of the sample purchase price and the cost of transporting the sample from the U.S. to the foreign port (further transportation costs are not reimbursable). For 2017, $2.5 million is available for funding under this program.[302]

(b) WTO Consistency

The program reduces the cost relating to promotion and development of new export markets for U.S. products and, on that basis, provides support to U.S. agricultural exports. Arguably, as the program would constitute general marketing and promotion services for purposes of Annex 2(2)(f) to the Agreement on Agriculture, expenditures under this program would not constitute part of the U.S. AMS and would not be subject to U.S. reduction commitments. However, this is an export subsidy and Annex 2(2)(f) may not be relevant.

Under the Ministerial decision on export competition on 19 December 2015 exports subsidies are to be phased out and eliminated. The Declaration is binding but as it does not amend the WTO Agreement it is arguable and enforceable by the DSU. Well "naming and shaming" be enough?

Arguably and unanimously adopted ministerial declaration constitutes an "internationally agreed discipline" as envisaged in articles 10.2 of the Agreement on Agriculture.

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[301] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 102
[302] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 31

While the new WTO rules an agricultural exports subsidies (and other export competition) may not be enforceable there are provisions in the SCM Agreement – rules on exports credits are similar but not identical – which can be.

(c) Program Level

The FY 2017 Budget reports the following funding on account of this program:[303]

2015 (Actual)	$1,000,000
2016 (Estimate)	$3,000,000
2017 (Estimate)	$3,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Total funding provided under this program for 2015 was set at $1,000,000. Therefore, the amount allocated to dairy production under this program is $105,400.

[303] FY 2017 *Budget Summary, U.S. Department of Agriculture, pg 29*

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H. Trade Adjustment Assistance for Farmers (Budget Code 12-1406-0-1-351)[304]

(a) Program Description[305]

The **American Recovery and Reinvestment Act (ARRA) of 2009** reauthorized and modified the Trade Adjustment Assistance (TAA) for Farmers program. The TAA for Farmers program helps producers of raw agricultural commodities and fishermen adjust to a changing economic environment associated with import competition through technical assistance and cash benefits. If you are a producer of a commodity who has recently suffered a greater than 15% decrease in the national average price, the quantity of production, value of production, or cash receipts compared to the average of the three preceding marketing years, and imports contributed importantly to this decline, then you may be eligible to receive free information, technical assistance, and cash payments to develop and implement Business Adjustment Plans from the TAA for Farmers program.

(b) WTO Consistency

This is a domestic support program that provides technical assistance and direct payments to producers who have been adversely affected by import competition, as defined by the Secretary of Agriculture. While the support provided would constitute a domestic subsidy, it is not clear that the support would be included in the U.S. AMS.

The program provides two distinct types of support. The free technical assistance would likely be excluded from the U.S. AMS on the basis that it falls within the class of General Services excluded from the AMS and reduction commitments pursuant to Annex 2(2) of the Agreement on Agriculture. However, it is necessary to consider these programs on a case-by-case basis.

The cash benefits would constitute direct payments to producers and would not be excluded from the U.S. AMS. Annex 2(5) to the Agreement on Agriculture provides that direct payments can

[304] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 152
[305] Congressional Research Service (CRS), Trade Adjustment Assistance for Farmers, August 1, 2016 (R40206)

be exempt from reduction commitments if they meet the requirements of Annex 2(1) and Annex 2(6). Annex 2(1) allows domestic support that has little or no trade distorting effects or effects on production to be exempted from reduction commitments.

Annex 2(6), which sets out the qualifications for decoupled income support, allows direct payments to be made on the basis of clearly-defined criteria such as income, status as a producer or landowner, factor use or production level in a defined and fixed base period. However, Annex 2(6)(c) provides that the amount of payments shall not be related to or based on international or domestic prices. In fact, none of the criteria set out in Annex 2(6) appear to permit the U.S. to exempt direct payments made to counteract the effect of import competition. Nor does the program appear to fit Annex 2(9) or Annex 2(10), but Annex 2(11) could be examined. Indeed, these might be considered to be import replacement subsidies which are prohibited under Article 3.1(b) of the Subsidies and Countervailing Measures Agreement.

Therefore, whether or not the payments at issue would have trade or production effects, Annex 2(6) would not allow them to be exempted from the U.S. AMS and domestic support reduction commitments.

(c) Program Level

The FY 2017 Budget reports actual and estimated expenditures as follows:[306]

2015 (Actual)	$20,000,000
2016 (Estimate)	---[307]
2017(Budget)	---

[306] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 152
307 The 2016 and 2017 Budget did not request funding for the program.

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Trade and Adjustment Assistance (TAA) for Farmers was reauthorized and modified by the American Recovery and Reinvestment Act of 2009 as established by Subtitle C of Title I of the Trade Act of 2002, which amended the Trade Act of 1974. The FY 2017 Appendix Budget does not request funding for the program.[308]

Total expenditures under this program were $20,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $2,108,000.

[308] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 152

IV. International Food Assistance

The United States provides international food assistance under a number of programs administered by the Foreign Agricultural Service and supported by the Commodity Credit Corporation. Although he United States describes these as donation programs, in fact they have been used to remove surplus product from the U.S. market and as a means of supporting U.S. producers and prices.

The FY 2017Budget Summary for the U.S. Department of Agriculture reports the following program level expenditures on account of U.S. international Foreign Food Assistance:[309]

2009 (Enacted)	$2,056,000,000
2010 (Budget)	$2,064,000,000
2011 (Budget)	$2,097,000,000 [310]

U.S. Foreign Food Assistance provides important support to U.S. agricultural producers. This support is not provided exclusively to dairy producers, therefore, the amount of support to dairy provided through these expenditures is determined on the basis of dairy's share of total U.S. agricultural production.

We note however that USDA specifically mentioned in the FY 2017 Budget:

> "The CCC Charter Act also authorizes the sale of agricultural commodities to other government agencies and to foreign governments and the donation of food to domestic, foreign, or international relief agencies. In addition, CCC assists in the development of new domestic and foreign markets and marketing facilities for agricultural commodities."[311]

In 2015, dairy represented 10.54% of the total value of U.S. agricultural production. Therefore, of the $2,056,000,000 expended on Foreign Food Assistance in 2015, $216,702,400 is allocated

[309] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 107
[310] Ibid., pg 110
[311] United States Department of Agriculture, Farm Service Agency, Fact Sheet, Commodity Credit Corporation, October 2015, pg 1

to support to dairy production. However, it is likely that because dairy products are an important CCC commodity, this methodology may understate the benefits to dairy producers.

PART I

A. Public Law 480 (P.L. 480) also known as Food for Peace Act[312]

(a) Program Description

U.S. support for overseas food aid was formalized in the Agricultural Trade Development and assistance Act of 1954, also known as P.L. 480 Food for Peace.[313] P.L. 480 was developed in line with the U.S. Policy of using its agricultural productivity to enhance the food security of developing countries and the determination of the importing country's capacity of improving its food security.

P.L. 480 consists of three food aid titles:

> **Title I** provides for sales of U.S. agricultural commodities on concessional credit terms to governments and private entities in developing countries. In allocating assistance under the Title I program, priority is given to agreements that provide for the export of U.S. agricultural commodities to those developing countries which have demonstrated the potential to become commercial markets, are undertaking measures to improve their food security and agricultural development, and demonstrate the greatest need for food. Under Title I, the U.S. Agriculture Secretary determines the value allocated to partner-countries of the U.S., and with the recipient government, the commodity involved. Payment for the commodities is expected over 30 years with a grace period of five years.[314] The U.S. Department of Agriculture (USDA) administers Title I.
>
> **Title II** involves donations to governments, through public or private agencies, to meet humanitarian food needs of recipient governments. The majority of assistance is provided through private voluntary organizations, cooperatives, or international organizations, primarily the World Food Program of the United Nations. In the case of donations made in response to emergency needs, Title II assistance can also be provided through

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[312] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 152
[313] Ibid., pg 152
[314] Ibid., pg 32

government-to-government agreements. The Foreign Agricultural Service (FAS), under the U.S. Agency for International Development (USAID), administers Title II.

Title III involves government-to-government grants aimed at supporting economic development needs of least developed countries. The Foreign Agricultural Service (FAS), under the U.S. Agency for International Development (USAID), administers Title III.

In recent years, this title has been inactive.[315]

(b) WTO Consistency

International food aid is generally provided in the form of a grant or at below market prices. The provision of international food aid fully in grant form or on terms no less concessional than those provided for in the Food Aid Convention is specifically addressed in Article 10(4)(c) of the Agreement on Agriculture. Pursuant to Article 10(4), so long as donors of international food aid ensure that the food aid is not tied directly or indirectly to commercial exports, is carried out in accordance with the Food and Agriculture Organization's (FAO) "Principles of Surplus Disposal and Consultative Obligations" or, if appropriate, the Usual Marketing Requirements, and if the support is provided in grant form or on concessional terms, the provision of international food aid does not circumvent export subsidy commitments. However, if food aid does not meet these conditions, it will constitute an export subsidy for purposes of the Agreement on Subsidies and Countervailing Measures and the Agreement on Agriculture.

Consequently, it is possible to provide food aid in a manner that either violates or conforms to WTO obligations. Indeed, U.S. food aid practices have been criticized by a number of participants in the WTO Doha Development Round negotiations.[316] Whether the provision of international food aid violates the export subsidy commitments in the Agreement on Agriculture must be determined on a case-by-case basis.

[315] www.fas.usda.gov/sites/default/files/2017-01/8229000_59_fy_15_ifar.pdf
[316] *Inside U.S. Trade*, May 21, 2004, "Commodity Groups Wrestling with Terms for Export Credits, Food Aid"
Inside U.S. Trade, June 18, 2004, "Grassley Goodlatte Sound Warnings on Food Aid Restrictions"
Inside U.S. Trade, July 2, 2004, "U.S. Officials Signal Food Aid Safe For Now in WTO Talks".
Inside U.S. Trade, July 23, 2004, "U.S. Looking to Change WTO Draft as Language Threatens U.S. Food Aid"

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The WTO Ministerial decision on Export Competition of 19 December 2015 spells out obligations as follows:

> 22. Members reaffirm their commitment to maintain an adequate level of international food aid, to take account of the interests of food aid recipients and to ensure that the disciplines contained hereafter do not unintentionally impede the delivery of food aid provided to deal with emergency situations. To meet the objective of preventing or minimizing commercial displacement, Members shall ensure that international food aid is provided in full conformity with the disciplines specified in paragraphs 23 to 32, thereby contributing to the objective of preventing commercial displacement.
>
> 23. Members shall ensure that all international food aid is:
> a. needs-driven;
> b. in fully grant form;
> c. not tied directly or indirectly to commercial exports of agricultural products or other goods and services;
> d. not linked to the market development objectives of donor Members;
> and that
> e. agricultural products provided as international food aid shall not be re-exported in any form, except where the agricultural products were not permitted entry into the recipient country, the agricultural products were determined inappropriate or no longer needed for the purpose for which they were received in the recipient country, or re-exportation is necessary for logistical reasons to expedite the provision of food aid for another country in an emergency situation. Any re-exportation in accordance with this subparagraph shall be conducted in a manner that does not unduly impact established, functioning commercial markets of agricultural commodities in the countries to which the food aid is re-exported.
>
> 24. The provision of food aid shall take into account local market conditions of the same or substitute products. Members shall refrain from providing in-kind international food aid in situations where this would be reasonably foreseen to cause an adverse effect on local13 or regional production of the same or substitute products. In addition, Members shall ensure that international food aid does not unduly impact established, functioning commercial markets of agricultural commodities.
>
> 25. Where Members provide exclusively cash-based food aid, they are encouraged to continue to do so. Other Members are encouraged to provide cash-based or in-kind international food aid in emergency situations, protracted crises (as defined by the FAO), or non-emergency development/capacity building food assistance environments where recipient countries or recognized international humanitarian/food entities, such as the United Nations, have requested food assistance.

26. Members are also encouraged to seek to increasingly procure international food aid from local or regional sources to the extent possible, provided that the availability and prices of basic foodstuffs in these markets are not unduly compromised.

27. Members shall monetize international food aid only where there is a demonstrable need for monetization for the purpose of transport and delivery of the food assistance, or the monetization of international food aid is used to redress short and/or long term food deficit requirements or insufficient agricultural production situations which give rise to chronic hunger and malnutrition in least-developed and net food-importing developing countries.

28. Local or regional market analysis shall be completed before monetization occurs for all monetized international food aid, including consideration of the recipient country's nutritional needs, local United Nations Agencies' market data and normal import and consumption levels of the commodity to be monetized, and consistent with Food Assistance Convention reporting. Independent third party commercial or non-profit entities will be employed to monetize in-kind international food aid to ensure open market competition for the sale of in-kind international food aid.

29. In employing these independent third party commercial or non-profit entities for the purposes of the preceding paragraph, Members shall ensure that such entities minimize or eliminate disruptions to the local or regional markets, which may include impacts on production, when international food aid is monetized. They shall ensure that the sale of commodities for food assistance purposes is conducted in a transparent, competitive and open process and through a public tender.

30. Members commit to allowing maximum flexibility to provide for all types of international food aid in order to maintain needed levels while making efforts to move toward more untied cash-based international food aid in accordance with the Food Assistance Convention.

31. Members recognize the role of government in decision-making on international food aid in their jurisdictions. Members recognize that the government of a recipient country of international food aid can opt out of the usage of monetized international food aid.

32. Members agree to review the provisions on international food aid contained in the preceding paragraphs within the regular Committee on Agriculture monitoring of the implementation of the Marrakesh Ministerial Decision of April 1994 on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-developed and net food-importing developing countries.

It is not clear that this new undertaking will in fact discipline U.S. food aid practices. Recipients of food aid are generally driven by the need to feed their populations. Paragraph 24 is very important, it remains to be seem if it will be respected.

(c) Program Level

The FY 2017 Budget reports the following program level for P.L. 480 Title I Credits and Title II Grants:[317]

2015 (Actual)	$1,466,000,000
2016 (Estimate)	$1,716,000,000
2017 (Estimate)	$1,350,000,000 [318]

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers but nonfat dry milk is an important component of CCC inventory. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

The total program levels under this program were $1,466,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $154,516,400.

[317] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 152
[318] Ibid., pg 152

PART I

B. Bill Emerson Humanitarian Trust

(a) Program Description

The Bill Emerson Humanitarian Trust is a commodity reserve designed to ensure that the United States can meet its international food aid commitments.

(b) WTO Consistency

International food aid is generally provided in the form of a grant or at below market prices. The provision of international food aid fully in grant form or on terms no less concessional than those provided for in the Food Aid Convention is specifically addressed in Article 10(4)(c) of the Agreement on Agriculture. Pursuant to Article 10(4), so long as donors of international food aid ensure that the food aid is not tied directly or indirectly to commercial exports, is carried out in accordance with the Food and Agriculture Organization's "Principles of Surplus Disposal and Consultative Obligations" or, if appropriate, the Usual Marketing Requirements, and if the support is provided in grant form or on concessional terms, the provision of international food aid does not circumvent export subsidy commitments. Unless food aid meets these conditions, it will constitute an export subsidy for purposes of the Agreement on Subsidies and Countervailing Measures and the Agreement on Agriculture.

Consequently, it is possible to provide food aid in a manner that violates or conforms to WTO obligations. Indeed, U.S. food aid practices have been criticized by a number of participants in the WTO Doha Development Round negotiations. Whether the provision of international food aid violates the export subsidy commitments in the Agreement on Agriculture must be determined on a case-by-case basis.

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(c) Program Level

The FY 2017 Budget reports the following obligations on account of this program:[319]

2015 (Actual)	---
2016 (Estimate)	$20,000,000
2017 (Estimate)	---

d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. As dairy products are not specifically included, the benefits to dairy farmers can only be indirect. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2009, dairy production accounted for 10.54% of total U.S. agricultural production.

No assistance has been provided using the Trust's authority in 2015 or to date in 2016. As of December 31, 2015, the Trust held $261 million of cash and no commodities. In 2016, $20 million was appropriated to reimburse CCC for the release of eligible commodities from the Bill Emerson Humanitarian Trust.[320]

[319] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 152
[320] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 33

C. Food for Progress

(a) Program Description

The Food for Progress Act of 1985 authorizes U.S. agricultural commodities to be provided to developing countries and emerging democracies that have made commitments to introduce and expand free enterprise in their agricultural economies. Food for Progress agreements can be entered into with foreign governments, private voluntary organizations, nonprofit agricultural organizations, cooperatives, or intergovernmental organizations. Agreements currently provide for the commodities to be supplied on grant terms.

The Food for Progress authorizing statute provides for the use of CCC funding for commodity procurement, transportation, and associated non-commodity costs for the program. The 2017 Budget assumes that $174 million of CCC funding will be used to support the Food for Progress program, which is expected to support approximately 263,000 metric tons of commodity assistance.[321]

[321] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 33

(b) WTO Consistency

International food aid is generally provided in the form of a grant or at below market prices. The provision of international food aid fully in grant form or on terms no less concessional than those provided for in the Food Aid Convention is specifically addressed in Article 10(4)(c) of the Agreement on Agriculture. Pursuant to Article 10(4), so long as donors of international food aid ensure that the food aid is not tied directly or indirectly to commercial exports, is carried out in accordance with the Food and Agriculture Organization's "Principles of Surplus Disposal and Consultative Obligations" or, if appropriate, the Usual Marketing Requirements, and if the support is provided in grant form or on concessional terms, the provision of international food aid does not circumvent export subsidy commitments. Unless food aid meets these conditions, it will constitute an export subsidy for purposes of the Agreement on Subsidies and Countervailing Measures and the Agreement on Agriculture.

Consequently, it is possible to provide food aid in a manner that violates or conforms to WTO obligations. Indeed, U.S. food aid practices have been criticized by a number of participants in the WTO Doha Development Round negotiations. Whether the provision of international food aid violates the export subsidy commitments in the Agreement on Agriculture must be determined on a case-by-case basis.

(c) Program Level

The FY 2017 Budget reports the following program levels for the Food for Progress Program funded by P.L. 480 Title I and by the Commodity Credit Corporation:

2015 (Actual)	$201,000,000
2016 (Estimate)	$157,000,000
2017 (Estimate)	$159,000,000[322]

(d) Allocation to Dairy

[322] Ibid., pg 152

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While nonfat dry milk is an important inventory commodity for the CCC, this program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54 % of total U.S. agricultural production.

The total program level under this program is $201,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $21,185,400.

D. McGovern-Dole International Food for Education and Child Nutrition Program

(a) Program Description

The Farm Security and Rural Investment Act of 2002 authorizes the new McGovern-Dole International Food for Education and Child Nutrition Program (IFEP).[323] This program facilitates the donation of U.S. agricultural commodities and associated financial and technical assistance to carry out preschool and school feeding programs. Maternal, infant, and child nutrition programs are also authorized under the program. The main objective of the IFEP is to improve food security, reduce the incidence of hunger and malnutrition, and improve literacy and primary education. The program is administered by FAS.

(b) WTO Consistency

International food aid is generally provided in the form of a grant or at below market prices. The provision of international food aid fully in grant form or on terms no less concessional than those provided for in the Food Aid Convention is specifically addressed in Article 10(4)(c) of the Agreement on Agriculture. Pursuant to Article 10(4), so long as donors of international food aid ensure that the food aid is not tied directly or indirectly to commercial exports, is carried out in accordance with the Food and Agriculture Organization's "Principles of Surplus Disposal and Consultative Obligations" or, if appropriate, the Usual Marketing Requirements, and if the support is provided in grant form or on concessional terms, the provision of international food aid does not circumvent export subsidy commitments. Unless food aid meets these conditions, it will constitute an export subsidy for purposes of the Agreement on Subsidies and Countervailing Measures and the Agreement on Agriculture.

Consequently, it is possible to provide food aid in a manner that violates or conforms to WTO obligations. Indeed, as noted earlier in this report, U.S. food aid activities have been criticized by a number of participants in the WTO Doha Development Round negotiations. Whether the

[323] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 153

provision of international food aid violates the export subsidy commitments in the Agreement on Agriculture must be determined on a case-by-case basis.

(c) Program Level

The FY 2017 Budget reports the following as total budgetary authority for this program:

2015 (Actual)	$192,000,000 [324]
2016 (Estimate)	$202,000,000 [325]
2017 (Estimate)	$182,000,000 [326]

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, dairy production accounted for 10.54% of total U.S. agricultural production.

Total program level was $192,000,000in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $20,236,800.

[324] Ibid., pg 152
[325] Ibid.
[326] Ibid.

E. Section 416(b) Donations

(a) Program Description

Section 416(b) of the Agricultural Act of 1949 authorizes the donation of surplus CCC-owned commodities in order to carry out programs of assistance in developing and friendly countries. Commodities that are eligible for donation include those in inventory that have been acquired by CCC through price support operations, or are otherwise acquired by CCC in the normal course of its operations and which are surplus to domestic program requirements. The commodities are made available for donation through agreements with foreign governments, private voluntary organizations and cooperatives, and the World Food Program.[327]

The budget assumes that commodities acquired by CCC in the normal course of its domestic support operations will be available for donation under section 416(b) authority. The section 416(b) program is currently not active as there are no CCC-owned commodities available at this time.

(b) WTO Consistency

International food aid is generally provided in the form of a grant or at below market prices. The provision of international food aid fully in grant form or on terms no less concessional than those provided for in the Food Aid Convention is specifically addressed in Article 10(4)(c) of the Agreement on Agriculture. Pursuant to Article 10(4), so long as donors of international food aid ensure that the food aid is not tied directly or indirectly to commercial exports, is carried out in accordance with the Food and Agriculture Organization's "Principles of Surplus Disposal and Consultative Obligations" or, if appropriate, the Usual Marketing Requirements, and if the support is provided in grant form or on concessional terms, the provision of international food aid does not circumvent export subsidy commitments. If food aid does not meet these conditions, it will constitute an export subsidy for purposes of the Agreement on Subsidies and Countervailing Measures and the Agreement on Agriculture.

[327] FAS: www.fas.usda.gov/Internet/FSA_file/ftap.pdf

Consequently, it is possible to provide food aid in a manner that violates or conforms to WTO obligations. Indeed, as noted earlier in this report, U.S. food aid activities have been criticized by a number of participants in the WTO Doha Development Round negotiations. Whether the provision of international food aid violates the export subsidy commitments in the Agreement on Agriculture must be determined on a case-by-case basis.

(c) Program Level

The FY 2017 reports the following program levels for this program:

2015 (Actual)	$201,000,000 [328]
2016 (Estimate)	$157,000,000 [329]
2017 (Estimate)	$159,000,000 [330]

(d) Allocation to Dairy

Based on the total program level, 201,000,000, dairy's share based on it share of total U.S. agricultural production is $21,185,400.

[328] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 102
[329] Ibid.
[330] Ibid.

V. Agricultural Marketing Service

The Agricultural Marketing Service programs are used to support the sale of U.S. agricultural products in domestic and international markets. Programs administered by the Agricultural Marketing Service are delivered by the Service alone and in cooperation with state governments and include:

(i) Marketing Services
(ii) Payments to States
(iii) Section 32 Fund Programs
(iv) Regulation of Perishable Commodity Marketing
(v) Commodity Grading Services[331]

These are discussed individually in the following sections.

The FY 2017 Budget Summary reports the following as the program levels for Agricultural Marketing Service programs:

2105 (Enacted)	$1,173,000,000	[332]
2016 (Budget)	$1,202,000,000	[333]
2017 (Budget)	$1,209,000,000	[334]

The amount of support provided to dairy through these expenditures can be determined on the basis of dairy's proportionate share of total U.S. agricultural production. In 2015, dairy production represented 10.54% of the total value of U.S. agricultural production. Therefore, of the $1,173,000,000expended in 2015, $123,634,200 can be allocated as to dairy production.

[331] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 81
[332] Ibid.
[333] Ibid.
[334] Ibid.

PART I

A. Marketing Services (Budget Code 12-2500-0-1-352)[335]

(a) Program Description

Agricultural Marketing Service activities assist producers and handlers of agricultural commodities by providing a variety of marketing-related services. These services include:

Market news service. – The market news program provides the agricultural community with information pertaining to the movement of agricultural products. This nationwide service provides daily reports on the supply, demand, and price of over 700 commodities on domestic and foreign markets.[336]

Inspection, grading and standardization. – Nationally uniform standards of quality for agricultural products are established and applied to specific lots of products to: promote confidence between buyers and sellers; reduce hazards in marketing due to misunderstandings and disputes arising from the use of nonstandard descriptions; and encourage better preparation of uniform quality products for market. Grading services are provided on request for cotton and tobacco.

Quarterly inspection of egg handlers and hatcheries is conducted to ensure the proper disposition of shell eggs unfit for human consumption.[337]

(b) WTO Consistency

The marketing services administered by the Agricultural Marketing Service provide important support to U.S. agricultural producers. Arguably the U.S. could claim the support would not be included in the U.S. AMS and would be exempt from reduction commitments on the basis that these are general government services pursuant to Annex 2(2) to the Agreement on Agriculture. However, the support does promote exports and is trade distorting. It takes on expenses for the farm sector which would fall to business in other sectors.

[335] *FY 2017 Appendix Budget*, U.S Department of Agriculture, pg 86
[336] Ibid., pg 86
[337] Ibid., pg 87

(c) Program Level

The FY 2017 Budget Summary reports the following resources available for the marketing services provided by the Agriculture Marketing Service:

2015 (Actual)	$355,000,000 [338]
2016 (Budget)	$357,000,000 [339]
2017 (Budget)	$367,000,000 [340]

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Therefore, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Total resources available under this program were $355,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $37,417,000.

[338] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 111
[339] *FY 2017 Budget Summary*, U.S. Department of Agriculture
[340] Ibid.

B. Payments to States (Budget Code 12-2501-0-1-352)[341]

(a) Program Description

Under this program, the Agricultural Marketing Service assists governments of states and possessions on a matching funds basis in the planning and design of marketing facilities, processes, and methods in cooperation with State and local governments, universities, farmer groups, and other segments of the U.S. food industry.[342]

Grants are made on a matching fund basis to State departments of agriculture to carry out specifically approved value-added programs designed to spotlight local marketing initiatives and enhance marketing efficiency. Under this activity, specialists work with farmers, marketing firms, and other agencies in solving marketing problems and in using research results.[343]

(b) WTO Consistency

This program provides support to U.S. agricultural producers through state administered programs. The support provided through these payments would constitute domestic support, but would not be included in the U.S. AMS and would be exempt from reduction commitments because these would be likely deemed to be general government services, which is permissible funding pursuant to Annex 2(2) to the Agreement on Agriculture.

[341] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 87
[342] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 83
[343] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 88

(c) Program Level

The FY 2017 Budget reports the following as the program level for the Payments to States program:[344]

2015 (Enacted)	$1,000,000
2016 (Budget)	$1,000,000
2017 (Budget)	$1,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Therefore, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Total activity under this program is $1,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $105,400.

[344] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 88

C. Section 32 Funds (Funds for Strengthening Markets, Income and Supply)

(Budget Code 12-5209-0-2-605)[345]

(a) Program Description

Section 32 is a permanent appropriation that, since 1935, has earmarked the equivalent of 30% of annual customs receipts to support the U.S. agriculture sector.

The purpose of the Section 32 program is three-fold: to encourage the exportation of agricultural commodities and products, to encourage domestic consumption of agricultural products by diverting them, and to re-establish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption.[346]

(b) WTO Consistency

The Section 32 program is described as a price support program for the benefit of U.S. agricultural producers.[347] Thus, the payments provided under this program would constitute domestic support that is not exempt from reduction commitments. Pursuant to Annex 2(1)(b) of the WTO Agreement on Agriculture, domestic support that has the effect of providing price support is to be included in domestic support and be subject to reduction commitments. Thus, the support provided under this program should be included in the U.S. AMS and be subject to reduction commitments.

[345] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 89
[346] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 83
[347] *FY 2005 Budget Summary*, U.S. Department of Agriculture, pg 85

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(c) Program Level

The FY 2017 Budget Summary reports the following as total program levels for the Section 32 Funds program:

2015 (Enacted)	$818,000,000	[348]
2016 (Budget)	$845,000,000	[349]
2017 (Budget)	$1,153,000,000	[350]

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Therefore, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

The program level under this program was $818,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $86,217,200

[348] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 89
[349] Ibid.
[350] Ibid.

D. Perishable Agricultural Commodities Act (Budget Code 12-5070-0-2-352)[351]

(a) Program Description

The Perishable Agricultural Commodities Act (PACA) is concerned with trading practices in the marketing of fresh and frozen fruits and vegetables and prohibits unfair and fraudulent practices and provides a means of enforcing contracts. Anyone buying or selling commercial quantities of fruit and vegetables must be licensed by the U.S. Department of Agriculture. Through this program, USDA seeks to regulate the interstate and foreign sale of fruits and vegetables.[352]

(b) WTO Consistency

This program provides market support to U.S. agricultural producers. While this program provides domestic support, it would not likely be included in the U.S. AMS and would be exempt from reduction commitments because the services provided are general government services which are exempt pursuant to Annex 2(2) to the Agreement on Agriculture.

(c) Program Level

The FY 2017 Budget Summary reports the following as program levels for the Perishable Agricultural Commodities Act Program:[353]

2015(Estimate)	$11,000,000
2016 (Estimate)	$11,000,000
2017 (Estimate)	$11,000,000

This program is funded by user fees.

[351] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 88
[352] www.ams.usda.gov, February 13, 2017
[353] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 81

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(d) Allocation to Dairy

This program by definition does not provide benefits to dairy producers and there is no net cost to government. Therefore, there are no benefits to be allocated to dairy products.

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E. **Commodity Grading Services** (Budget Code 12-8015-0-7-352)[354]

(a) Program Description

Commodity inspection and grading is provided through a cooperative agreement between the U.S. Department of Agriculture and the Department of Agriculture of individual states. Covered commodities include dairy products, fresh and processed fruits and vegetables, meat and meat products, poultry, eggs, tobacco and cotton.

Fruit, vegetable, and peanut grading and inspection services are provided at shipping point, receiving locations, and terminal markets to specify grade, count, weight, and other factors important in quality determination.[355] Products are also inspected and certified at export warehouses for international shipments. The Inspection Service works with producers, brokers, receivers, food processors, export marketers, and other related avenues of product movement to inspect and certify the quality and cleanliness as the product moves through normal marketing channels. AMS recovers the cost of these services through user fees. Based on information available to us, there does not appear to be a net cost to the U.S. Treasury.

(b) WTO Consistency

The grading program provides support to U.S. agricultural producers, including dairy products. However, since this program is funded by user fees, it is not a subsidy and WTO consistency is not an issue.

[354] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 91
[355] agriculture.sc.gov/divisions/agricultural-services/grading-inspection, February 13, 2017

(c) Program Level

The FY 2017 Budget Summary reports the following program levels for the Commodity Grading Service program: [356]

2015 (Enacted)	$154,000,000
2016 (Estimate)	$155,000,000
2017 (Estimate)	$157,000,000

These services were largely or wholly by user fees. Therefore, we have that estimated there is no net cost to government.

(d) Allocation to Dairy

While this program, by its coverage, is specifically directed, *inter alia*, at dairy products, there are no benefits to be allocated as this program is funded by user fees.

[356] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 81

F. Milk Market Orders Assessment Fund (Budget Code 12-8412-0-8-351)[357]

(a) Program Description

The Secretary of Agriculture issues Federal Milk Marketing Orders to establishing the minimum prices that handlers are required to pay for milk purchased from producers. There are currently 10 federally-sanctioned milk market orders in operation.[358]

(b) WTO Consistency

Milk Marketing Orders are issued to establish minimum prices for milk purchased by handlers from producers. Consequently, as these orders result in producer price support, the funds expended to administer this program should be included in domestic support and be subject to reduction commitments. We make no estimate of the price support effects as there is no information available.

(c) Program Level

The FY 2017 Budget reports the following as the new (gross) budget authorities to support this program:[359]

2015 (Actual)	$52,000,000
2016 (Estimate)	$59,000,000
2017 (Estimate)	$60,000,000

[357] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 91
[358] Ibid.
[359] Ibid.

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(d) Allocation to Dairy

The Milk Marketing Orders program is intended to benefit U.S. dairy producers. Accordingly, 100% of the $52,000,000 in budget authority for administering this program in 2015 are allocated to dairy production.

As noted above, we do not have the information necessary to calculate any price support benefits which may be included in AMS Pursuant to Annex 3(8) of the Agreement on Agriculture. Therefore the allocation of benefits to dairy producers under this program appears to be understated but is unmeasurable based on information available to us.

VI. Conservation Programs

Conservation programs administered by FSA and NRCS are funded through the CCC. These programs help farmers adopt and maintain conservation systems that protect water and air quality reduce soil erosion, protect and enhance wildlife habitat and wetlands, conserve water, and sequester carbon.[360]

The United States Department of Agriculture Farm Service Agency (FSA) oversees a number of voluntary conservation-related programs. These programs work to address a large number of farming and ranching related conservation issues including:

- Drinking water protection
- Reducing soil erosion
- Wildlife habitat preservation
- Preservation and restoration of forests and wetlands
- Aiding farmers whose farms are damaged by natural disasters

FSA accomplishes these goals through the conservation programs listed below:[361]

- Conservation Reserve Program
- Conservation Reserve Enhancement Program
- Emergency Conservation Program
- Emergency Forest Restoration Program
- Farmable Wetlands Program
- Grassland Reserve Program
- Source Water Protection Program

[360] USDA, Natural Resources Conservation Service, Programs https://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/
[361] USDA, Farm Service Agency, Conservation Programs https://www.fsa.usda.gov/programs-and-services/conservation-programs/index

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The FY 2017 Budget Summary reports the following as total program level for all programs administered by the Natural Resources Conservation Service, including programs funded by the Commodity Credit Corporation:[362]

2015 (Enacted)	$4,125,000,000
2016 (Budget)	$4,126,000,000
2017 (Budget)	$4,745,000,000

The support provided through these programs is not provided exclusively for the benefit of dairy producers, therefore, the total value of these programs to dairy producers is determined on the basis of dairy's share of total U.S. agricultural production. In 2015 dairy represented 10.54% of the total value of U.S. agricultural production. Therefore, of the $4,125,000,000 expended on conservation programs administered by the Natural Resources Conservation Service in 2015, $434,775,000can be allocated as support for dairy production.

[362] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 108

PART I

A. Conservation Reserve Program (CRP) (Budget Code 12-4336-0-3-999.0036)[363]

(a) Program Description

The Conservation Reserve Program is USDA's largest conservation/environmental program. The purpose of the Conservation Reserve Program is to assist farm owners and operators in conserving and improving soil, water, air, and wildlife resources by retiring environmentally sensitive land from agricultural production and keeping it under long-term resource-conserving cover. Participants enroll acreage for periods of 10 to 15 years in return for annual rental payments and cost-share and technical assistance for installing approved conservation practices. The 2014 Farm Bill reauthorized CRP through September 30, 2018, and replaced the previous 32 million acre enrollment cap with caps declining to 24 million acres in 2017 and 2018.

(b) WTO Consistency

The Conservation Reserve Program provides support to dairy producers. However, because it appears that it has little or no trade-distorting effect, pursuant to the exclusions in Annex 2(1) to the Agreement on Agriculture and on the basis that it is a structural adjustment program designed to take land out of agricultural production, this support need not be included in the U.S. AMS.

(c) Program Level

The FY 2017 Summary reports the following as total budgetary authority available to support the obligations under this program:[364]

2015 (Enacted)	$1,736,000,000
2016 (Estimate)	$1,836,000,000
2017 (Budget)	$1,917,000,000

[363] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 102
[364] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 24

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Total obligations under this program were $1,736,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $182,974,400. Please note that this sub-account is included in the Commodity Credit Corporation Account (Budget Code 12-4336-0-3-999.00.37)

B. Emergency Conservation Program[365] (Budget Code 12-3316-0-1-453)[366]

(a) Program Description

The Emergency Conservation Program provides emergency funding to restore farmland damaged by natural disaster and in carrying out emergency water conservation measures during periods of severe drought. The objective is to restore farmland to productive use. In particular, the program is intended to address problems that, if left untreated, would impair or endanger land, materially affect its productive capacity and would require Federal assistance for rehabilitation.

(b) WTO Consistency

This program clearly benefits U.S. farmers, including dairy farmers. However, support provided under the Emergency Conservation Program arguably should not be included in the U.S. AMS and should be exempt from domestic support reduction commitments on the basis that these are payments by government for relief from natural disasters as envisaged in Annex 2(8) to the Agreement on Agriculture.

(c) Program Level

The FY 2017 Budget reports the following as total budgetary authority available to support the obligations under this program:[367]

2015 (Actual)	$24,000,000
2016 (Estimate)	$54,000,000
2017 (Estimate)	$31,000,000

(d) Allocation to Dairy

[365] USDA Fact Sheet, Release No. fs0199.04, pg 2 of 7
[366] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 97
[367] Ibid.

While this program is exempt from AMS, it nonetheless provides support to farmers in the U.S. It does not provide benefits that could be claimed to be exclusive to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

The budgetary authority under this program was $24,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $2,529,600.

C. Environmental Quality Incentives Program[368] (Budget Code 12-1004-0-1-302.00.02)[369]

(a) Program Description

Environmental Quality Incentives Program (EQIP) – EQIP provides assistance to landowners who face serious natural resource challenges (such as soil erosion, air quality, water quality and quantity, and the sustainability of fish and wildlife habitat) that impact soil, water and related natural resources, including grazing lands, wetlands, and wildlife habitat. EQIP implementation will continue to be targeted to acres with the highest conservation benefit. The 2014 Farm Bill re-authorized this program through 2018. In addition, the 2014 Farm Bill moved under EQIP the activities of the Wildlife Habitat Incentive Program, a program that provided financial and technical assistance to eligible participants to develop habitats for upland and wetland wildlife, threatened and endangered species, fish, and other types of wildlife. The Agricultural Water Enhancement Program, which was operated under EQIP, was repealed by the 2014 Farm Bill, and its functions were moved to the Regional Conservation Partnership Program.

EQIP, along with the Agricultural Conservation Easement Program, has been critical for the success of key landscape scale initiatives.[370]

(b) WTO Consistency

It may be argued that support provided under the Environmental Quality Incentives Program (EQIP) should not be included in the U.S. AMS and should be exempt from domestic support reduction commitments on the basis that these are payments by government made under an environmental program for purposes of Annex 2(12) to the Agreement on Agriculture. However, each case must be judged on its own merits. Annex 2(12)b provides that the contributions should be limited to costs of compliance with government programs. This criterion would not appear to be met if the initiatives are voluntary.

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[368] USDA Fact Sheet, Release No. fs0199.04, pg 3 of 7
[369] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 144
[370] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 66

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(c) Program Level

The FY 2017 Budget Summary reports the following as total program level for EQIP:[371]

2015 (Enacted)	$1,347,000,000
2016 (Estimate)	$1,329,000,000
2017 (Estimate)	$1,650,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

The program level in FY 2015 was $1,347,000,000 for this program. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $141,973,800. Given the focus of this program on animal waste, irrigation water management (cows consume a lot of water) and conservation of grazing land, this would appear to be a very conservative allocation.

[371] *FY 2017Budget Summary*, U.S. Department of Agriculture, pg 63

D. **Conservation Operations** (Budget Code 12-1000-0-1-302)[372]

(a) Program Description

Conservation Operations which includes Conservation Technical Assistance Program, assists locally-led voluntary conservation, improve and sustain natural resources. Technical assistance is for planning and implementing natural resource solutions to reduce erosion, improve soil health, improve water quantity and quality, improve and conserve wetlands, enhance fish and wildlife habitat, improve air quality, improve pasture and range health, reduce upstream flooding, improve woodlands, and address other natural resource issues. A primary objective of the Program is to maintain agricultural productivity and water quality.

Conservation Technical Assistance comprises the largest portion of the Conservation Operations program, accounting for $748 million of the $876 million budget for FY 2017.[373]

(b) WTO Consistency

It may be argued that support provided under Conservation Operations should not be included in the U.S. AMS and should be exempt from domestic support reduction commitments on the basis that these are payments by government to support conservation efforts for purposes of Annex 2(12) to the Agreement on Agriculture. However, Annex 2(12)b provides that such funding must be related to and not exceed the cost of compliance with government programs. This exclusion does not appear to extend to voluntary conservation which arguably are not required to "comply" with any government program.

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[372] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 112
[373] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 63

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(c) Program Level

The FY 2017 Budget reports the following as total budgetary authority available to support the obligations under this program:[374]

2015 (Enacted)	$846,000,000
2016 (Estimate)	$851,000,000
2017 (Estimate)	$1,894,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

The budgetary authority under this program is $846,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $89,168,400.

[374] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 113

E. Conservation Reserve Program Technical Assistance (CRP) (Budget 12-4336-0-3-999.00.52)[375]

(a) Program Description

The NRCS provides technical support including land eligibility determinations, conservation planning and practice implementation for the Conservation Reserve Program (CRP). The 2017 budget assumes $50 million in technical assistance for NRCS support of CRP.[376]

(b) WTO Consistency

Support provided under the CRP should not be included in the U.S. AMS and should be exempt from domestic support reduction commitments on the basis that these are payments by government on account of environmental programs for purposes of Annex 2(12) to the Agreement on Agriculture.

(c) Program Level and Allocation to Dairy

The FY 2017Budget reports the 2015 program level for the Conservation Reserve Program Technical Assistance as $7,000,000.[377]

Assuming that dairy's share of the total value of U.S. agricultural production remains constant, it would be possible to determine the portion of support provided to this program that should be allocated to dairy producers. In 2015 dairy production represented 10.54% of the total value of U.S. agricultural production. If this proportion remains constant, then of the $7,000,000 budgeted program level, $737,800 would be allocated to dairy production.

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[375] Ibid., pg 109
[376] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 115
[377] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 102

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F. Agricultural Management Assistance (AMA) (Budget Code 12-1004-0-1-302.00.10)[378]

(a) Program Description

This program provides cost-shared assistance to agricultural producers to address risk management concerns linked to water management, water quality and erosion control issues.

Support is available in not less than ten and not more than 16 states where participation in the Federal Crop Insurance program is historically low (Connecticut, Delaware, Hawaii, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia and Wyoming)**.**[379]

This program is authorized by Section 524(b) of the Federal Crop Insurance Act (7 U.S.C. 1524(b)), as amended. It authorizes $10 million annually for the program, of which NRCS is to receive 50 percent. This program is implemented by NRCS, the Agricultural Marketing Service, and the Risk Management Agency. The NRCS AMA activities are carried out in 16 states in which participation in the Federal Crop Insurance Program is historically low.

The program provides assistance to producers to mitigate financial risk by using conservation to reduce soil erosion and improve water quality. [380]

(b) WTO Consistency

Support provided under the Agricultural Management Assistance Program should be exempt from the U.S. AMS and domestic support reduction commitments. The Agricultural Management Assistance program is an environmental program that, pursuant to Annex 2(12) to the Agreement on Agriculture, appears to provide support which is exempt from domestic support reduction commitments.

[378] Ibid., pg 115
[379] USDA, Natural Resources Conservation Service, Agriculture Management Assistance, Introduction
[380] FY 2017 Appendix Budget, U.S. Department of Agriculture, pg115

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(c) Program Level

The 2014 Farm Bill authorized CCC funding for this program to $10 million annually from 2014-2018.

(d) Allocation to Dairy

Support provided under the Agricultural Management Assistance program is not provided exclusively to dairy production. Dairy's share of the support provided through this program can be determined on the basis of dairy's share of total U.S. agricultural production. In 2015, dairy represented 10.54% of the total value of U.S. agricultural production. Therefore, of the $10,000,000 obligated in active contracts under this program in 2015, $421,600 was allocated to support dairy production.

2015 (Enacted)	$4,000,000
2016 (Estimate)	$5,000,000
2017 (Estimate)	$4,000,000

G. **Conservation Security Program -** (Budget Code 12-1004-0-1-302-00.07)[381] **Conservation Stewardship Program -** (Budget code 00.09 respectfully)[382]

(a) Program Description

Conservation Stewardship Program – This program is authorized by Section 1238D of the Food Security Act of 1985, as amended. The Agricultural Act of 2014 reauthorized the program through 2018, and the 2017 Budget assumes that the program extends beyond that date in the baseline for scorekeeping purposes. The program encourages producers to address resource concerns in a comprehensive manner by undertaking additional conservation activities and improving, maintaining and managing existing conservation activities. The 2017 Budget proposes to fund the program at the authorized level of $1.56 billion to enroll 10,000,000 acres.

This program is the successor to the Conservation Security Program, which was not continued in the Food, Conservation and Energy Act of 2008 except as necessary to support contracts entered into before September 30, 2008. The 2017 Budget proposes $5 million for the Conservation Security Program.[383]

(b) WTO Consistency

It may be argued that support provided to producers through this program should be exempt from the U.S. AMS and domestic support reduction commitments on the basis that these are payments made under a conservation program for purposes of Annex 2(12) to the Agreement on Agriculture. However, Annex 2(12)b limits the exemption to the cost of compliance with government programs. This program involves voluntary initiatives.

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[381] Ibid., pg 115
[382] Ibid.
[383] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 115

(c) Program Level

The FY 2017 Budget Summary reports the total program levels for the Conservation Security Program and Conservation Stewardship Program as follows:[384]

		Conservation Security Program		Conservation Stewardship Program
2015	(Enacted)	$28,000,000	(Enacted)	$1,164,000,000
2016	(Estimate)	$5,000,000	(Estimate)	$1,225,000,000
2017	(Budget)	$5,000,000	(Budget)	$1,561,000,000

(d) Allocation to Dairy

The support provided through this program may not exclusively be attributed to dairy producers. The support provided to dairy producers through this program can be allocated on the basis of dairy's share of total U.S. agricultural production.

In 2015, dairy production represented 10.54% of the total value of U.S. agricultural production. Assuming that dairy's value share of total U.S. agricultural production remains constant, dairy's portion of the $28,000,000 budgeted program level for FY 2015 would amount to $2,951,200 of the Conservation Security Program. As per the Conservation Stewardship Program, dairy's portion of the $1,164,000,000 Budgeted program level for FY 2105 would amount to $122,685,600.

[384] Ibid., pg 63

H. Agricultural Conservation Easement Program (ACEP) (Budget Code 012-1004-0-1-302)[385]

(a) Program Description

Agricultural land easement - under which NRCS assists eligible entities to protect agricultural land by limiting non-agricultural uses; and wetland reserve easement - under which NRCS provides technical and financial assistance to landowners to restore, protect and enhance wetlands through the purchase of wetlands reserve easements. NRCS continues to maintain existing easements and contracts formed under the previous programs.

ACEP contributes to USDA's Strategic Goal to ensure that the Nation's forests and private working lands are conserved, restored, and made more resilient to climate change. ACEP's land easement component helps farmers and ranchers keep their land in agriculture while protecting grazing uses and related conservation values by conserving grassland, including rangeland, pastureland and shrubland. The wetland easement component supports habitat for fish and wildlife, including threatened and endangered species, reducing flooding, protecting biological diversity and providing opportunities for educational, scientific and limited recreational activities. The program fosters public-private partnerships with landowners, Indian Tribes, State and local governments, and nongovernmental organizations through the use of cooperative agreements (land easements) and long term easements or 30-year contracts (wetland easements).[386]

385 Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 114
386 *FY 2017 Budget Summary,* Department of Agriculture, pg 67

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ACEP consists of two components:

> 1) an agricultural land easement component under which NRCS assists eligible entities to protect agricultural land by limiting non-agricultural uses of that land through the purchase of agricultural land easements; and
>
> 2) a wetland reserve easement component under which NRCS provides financial and technical assistance directly to landowners to restore, protect and enhance wetlands through the purchase of wetlands reserve easements.

The program is authorized through 2018 by the Agricultural Act of 2014 as a Title XII program under the Food Security Act of 1985. The 2017 Budget assumes that the program extends beyond 2018 in the baseline for scorekeeping purposes. For 2017, the authorized level of funding for ACEP is $500 million.[387]

The ACEP provides financial and technical assistance to help conserve agricultural lands and wetlands and their related benefits. Under the Agricultural Land Easements component, NRCS helps American Indian tribes, state and local governments and non-governmental organizations protect working agricultural lands and limit non-agricultural uses of the land. Under the Wetlands Reserve Easements component, NRCS helps to restore, protect and enhance enrolled wetlands.

Benefits

Agricultural Land Easements protect the long-term viability of the nation's food supply by preventing conversion of productive working lands to non-agricultural uses. Land protected by agricultural land easements provides additional public benefits, including environmental quality, historic preservation, wildlife habitat and protection of open space.

[387] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 115

Wetland Reserve Easements provide habitat for fish and wildlife, including threatened and endangered species, improve water quality by filtering sediments and chemicals, reduce flooding, recharge groundwater, protect biological diversity and provide opportunities for educational, scientific and limited recreational activities.

NRCS provides financial assistance to eligible partners for purchasing Agricultural Land Easements that protect the agricultural use and conservation values of eligible land. In the case of working farms, the program helps farmers and ranchers keep their land in agriculture. The program also protects grazing uses and related conservation values by conserving grassland, including rangeland, pastureland and shrubland. Eligible partners include American Indian tribes, state and local governments and non-governmental organizations that have farmland, rangeland or grassland protection programs.

Under the Agricultural Land component, NRCS may contribute up to 50 percent of the fair market value of the agricultural land easement. Where NRCS determines that grasslands of special environmental significance will be protected, NRCS may contribute up to 75 percent of the fair market value of the agricultural land easement.

Wetland Reserve Easements

NRCS also provides technical and financial assistance directly to private landowners and Indian tribes to restore, protect, and enhance wetlands through the purchase of a wetland reserve easement. For acreage owned by an Indian tribe, there is an additional enrollment option of a 30-year contract.[388]

(b) WTO Consistency

Although the Agricultural Conservation Easement Program (ACEP) is described as a conservation program intended to protect agricultural land from urban sprawl, support provided

[388] USDA, Natural Resources Conservation Service, Agricultural Conservation Easement Program https://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/easements/acep/

under this program should be included in the U.S. AMS and be subject to domestic support reduction commitments.

Under this program, qualifying farmers and ranchers can assign an easement to USDA and its partners in exchange for payment. The easement does not interfere with their use and enjoyment of the property with the exception that it prohibits their right to convert the land to non-agricultural use. In a very real sense, this program provides a one-time payment to producers to ensure that they will continue to be active producers.

Domestic support programs can be exempt from inclusion in the AMS and domestic support reduction commitments if they have minimal or no trade distorting effects or effects on production and meet any of the specific exemptions set out in Annex 2 to the Agreement on Agriculture.

In this case, payments preclude producers from taking the agricultural land at issue out of production. Thus, the payment made to keep the farm or ranch land in production is a payment intended to affect (maintain) production where there are at least potentially more economic uses for the land. Therefore, the program has trade and production distorting effects and the support provided under this program must be included in the U.S. AMS and is subject to domestic support reduction commitments.

(c) Program Level

Funding for the **Agricultural Conservation Easement Program** is provided through the Commodity Credit Corporation.

Also, $500 million in funding is provided to preserve land in agriculture and support habitat for fish and wildlife through the Agricultural Conservation Easement Program (ACEP). ACEP fosters public-private partnerships with landowners, Indian Tribes, State and local governments, and nongovernmental organizations through the use of cooperative agreements or contracts for easements.

The USDA FY 2017 Budget Summary reports the following program levels for this program:[389]

2015 (Actual)	$394,000,000
2016 (Estimate)	$419,000,000
2017 (Estimate)	$500,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers.

Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production. Total expenditures under this program were $394,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $41,527,600.

[389] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 63

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I. Resource Conservation and Development (RC&D) (Budget Code 12-1010-0-1-302)[390]

(a) Program Description

> "The Resource Conservation and Development (RC&D) Program was developed under the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590a-590f); the Bankhead-Jones Farm Tenant Act (16 U.S.C. 1010 and 1011); and the Food and Agricultural Act of 1962 (P.L. 87–703). It is authorized under subtitle H, title XV of the Agricultural and Food Act of 1981 (16 U.S.C. 3451–3461), as amended. The program was permanently authorized by the Farm Security and Rural Investment Act of 2002 and further amended by the Food, Conservation, and Energy Act of 2008 (P.L. 110–246).

(b) WTO Consistency

The Resource Conservation and Development program is not a conservation program in the truest sense because its objective is to support development and exploitation of resources. Thus, to the extent that this program is used to increase agricultural production, it would appear to provide a subsidy with trade and/or production distorting effects. Consequently, the support provided through this program must be included in the U.S. AMS and is subject to domestic support reduction commitments.

(c) Program Level

No funding was appropriated for the RC&D Program in 2016 and no funding is requested in the 2017 Budget. After decades of Federal assistance, many RC&D Councils supported by the program have developed sufficiently strong State and local ties and are now able to secure funding for their continued operation without the need for ongoing Federal assistance

(d) Allocation to Dairy

No funds were used for this program in 2015.

[390] Department of Agriculture, *The Budget for Fiscal Year 2011*, pg 128

PART I

J. Watershed and Flood Prevention Operations (Budget Code 12-1072-0-1-301)[391]

(a) Program Description

NRCS watershed programs provide for cooperative actions between the Federal Government and States and their political subdivisions to reduce damage from floodwater, sediment, and erosion; for the conservation, development, utilization, and disposal of water; and for the conservation and proper utilization of land. Funds in Watershed and Flood Prevention Operations can be used for either flood prevention projects or flood damage rehabilitation efforts, depending upon the needs and opportunities.[392]

Watershed and Flood Prevention Operations Program

The Watershed and Flood Prevention Operations (WFPO) Program (Watershed Operations) includes the Flood Prevention Operations Program authorized by the Flood Control Act of 1944 (P.L. 78-534) and the provisions of the Watershed Protection and Flood Prevention Act of 1954 (P.L. 83-566). The Flood Control Act originally authorizes the Secretary of Agriculture to install watershed improvement measures in 11 watersheds, also known as pilot watersheds, to reduce flood, sedimentation, and erosion damage; improve the conservation, development, utilization, and disposal of water; and advance the conservation and proper utilization of land. The Watershed Protection and Flood Prevention Act provides for cooperation between the Federal government and the States and their political subdivisions in a program to prevent erosion, floodwater, and sediment damage; to further the conservation, development, utilization, and disposal of water; and to further the conservation and proper utilization of land in authorized watersheds.[393]

There are over 1,300 active or completed watershed projects. Assistance may be provided in authorized watershed projects to install conservation practices and project measures (works of improvement) throughout the watershed project area. The planned works of improvement are

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[391] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 116
[392] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 116
[393] https://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/landscape/wfpo/

described in watershed project plans and are normally scheduled to be installed over multiple years. All works of improvement, including floodwater retarding dams and reservoirs, are owned and operated by the sponsoring local organizations and participating individuals.
The Watershed and Flood Prevention Operations (WFPO) Program provides technical and financial assistance to States, local governments and Tribes (project sponsors) to plan and implement authorized watershed project plans for the purpose of:

- watershed protection
- flood mitigation
- water quality improvements
- soil erosion reduction
- rural, municipal and industrial water supply
- irrigation
- water management
- sediment control
- fish and wildlife enhancement
- hydropower

Under the Watershed Program NRCS cooperates with States and local agencies to carry out works of improvement for soil conservation and for other purposes including flood prevention; conservation, development, utilization and disposal of water; and conservation and proper utilization of land.

(b) WTO Consistency

Program expenditures on account of Watershed and Flood Prevention Operations appear to be exempt from inclusion in the U.S. AMS and from domestic support reduction commitments on the basis that these payments are in support of a conservation program as envisaged in Annex 2(12) to the Agreement on Agriculture.

(c) Program Level

The FY 2017 Budget Summary reports the following program levels resources on account of Watershed and Flood Prevention Operations:[394]

2015 (Enacted)	$76,000,000
2016 (Estimate)	$247,000,000
2017 (Budget)	194,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, dairy production accounted for 10.54% of total U.S. agricultural production.

The program level resources available in 2015 were $76,000,000. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $8,010,400.

[394] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 116

K. Watershed Rehabilitation Program (Budget Code 12-1002-0-1-301.00.01)[395]

(a) Program Description

To provide technical and financial assistance to rehabilitate dams originally constructed with assistance of USDA Watershed Programs. Rehabilitation must extend the life of the dam and meet applicable safety and performance standards. Priority is given to dams that could result in loss of life if the dam should fail.[396]

(b) WTO Consistency

This is a normal function of government delivered through USDA. Program expenditures on account of the Watershed Rehabilitation Program should be exempt from inclusion in the U.S. AMS and from domestic support reduction commitments on the basis that these payments are in support of a conservation program for purposes of Annex 2(12) to the Agreement on Agriculture.

(c) Program Level

The FY 2017 Budget Summary reports the following program levels for the Watershed Rehabilitation Program:[397]

2015 (Enacted)	$12,000,000
2106 (Estimate)	$12,000,000
2017 (Budget)	---

[395] Department of Agriculture, *The Budget for Fiscal Year 2011*, pg 127
[396] *Catalogue of Federal Domestic Assistance- Watershed Rehabilitation Program* www.cfda.gov/index?s=program&mode=form&tab=step1&id=d693c8121dc2af24a772b1a22ff5c6d3; January 20, 2010
[397] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 63

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, dairy production accounted for 10.54% of total U.S. agricultural production.

The program level under this program was $12,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $1,264,800.

L. Regional Conservation Partnership Program (RCPP) (Budget Code 012-1004-0-1-302)[398]

(a) Program Description

With authorities from the 2014 Farm Bill, NRCS has been able to more effectively deliver conservation on a broader scale, providing additional opportunities for diverse partners to work with NRCS to implement innovative and cooperative conservation projects. In 2015, NRCS announced the new Regional Conservation Partnership Program (RCPP). It has so far worked to empower local communities and private landowners to take control and identify the resource conservation needs in their own backyards. NRCS claims that bringing new resources, new partners and new ideas to the table, resulting in conservation outcomes that could not have been realized without these partnerships. There are 115 RCPP projects currently being funded in all 50 States and Puerto Rico, addressing issues ranging from water quality to soil health. Together, USDA investments and partner contributions have brought the total conservation investment through RCPP to almost $800 million. With participating partners investing along with the Department, USDA's $1.2 billion investment in RCPP over the next five years can leverage an additional $1.2 billion.[399]

RCPP facilitates the delivery of conservation on a broader scale, while providing additional opportunities for diverse partners to implement innovative and cooperative conservation projects. RCPP leverages private and public funds to implement projects across the country to improve the Nation's water quality, support wildlife and enhance the environment. Through RCPP, USDA has leveraged $800 million to support 115 high-impact conservation projects across the Nation that will improve the Nation's water quality, support wildlife habitat and enhance the environment.[400]

RCPP promotes the implementation of conservation activities by providing support for agreements between producers and partner groups. Producers receive technical and financial

[398] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 114
[399] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 64
[400] Ibid., pg 7

assistance through RCPP while NRCS and its partners help producers install and maintain conservation activities. These projects may focus on water quality and quantity, soil erosion, wildlife habitat, drought mitigation, flood control, and other regional priorities. Partners include producer associations, State or local governments, Indian Tribes, non-governmental organizations, and institutions of higher education.

Under RCPP, 35 percent of the funds and acres are reserved for eight, regional-scale Critical Conservation Areas (CCA) selected by the Secretary of Agriculture. Each of the CCAs has an overarching goal to address priority natural resource concerns common to the CCA. Competitive proposals CCA project selection were based on the degree to which they include multiple States with significant agricultural production, were covered by an existing agreement or would benefit from water quality and quantity improvement. The region's producers need for assistance was also considered. The CCAs include the Chesapeake Bay Watershed, Great Lakes Region, Mississippi River Basin, Colorado River Basin, Longleaf Pine Range, Columbia River Basin, Prairie Grasslands Region, and California Bay Delta. Of the remaining funds and acres under RCPP, 40 percent supports projects selected through a national competitive process and 25 percent supports projects selected through a State competitive process. [401]

RCPP promotes the implementation of conservation activities through agreements between NRCS and partners and through conservation program contracts and easements with producers and landowners. The program is authorized through 2018 by the Agricultural Act of 2014 as a Title XII program under the Food Security Act of 1985. Through agreements between partners and conservation program contracts or easements directly with producers and landowners, RCPP helps implement conservation projects that may focus on water quality and quantity, soil erosion, wildlife habitat, drought mitigation, and flood control, or other regional priorities. The 2017 Budget assumes that the program extends beyond 2018 in the baseline for scorekeeping purposes. The authorized level of funding for RCPP is $100 million.

In addition, seven percent of the funds and acres in covered programs (ACEP, EQIP, CSP, and HFRP) are reserved to ensure additional resources are available to carry out this program (funds

[401] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 67

and acres not committed by April 1 of each year revert back to the original program for use under that program). [402]

(b) WTO Consistency

Program expenditures under the RCPP appear to support a normal function of government. Such program expenditures should be exempt from inclusion in the U.S. AMS and from domestic support reduction commitments on the basis that these payments are in support of a conservation program for purposes of Annex 2(12) to the Agreement on Agriculture.

(c) Program Level

The FY Budget Summary reports the following program levels for the Regional Conservation Partnership Program:[403]

FY 2015 (Enacted)	$93,000,000
FY 2016 (Estimate)	$93,000,000
FY 2017(Estimate)	$100,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers.

Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production. Total expenditures under this program were $93,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $9,802,200.

[402] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 115
[403] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 64

VII. Crop Insurance

Federal crop insurance is delivered to producers through private insurance companies that share in the risk of loss and opportunity for gain. The companies are reimbursed for their delivery expenses and receive underwriting gains in years of favorable loss experience. The costs associated with the Federal crop insurance programs include premium subsidies, indemnity payments (in excess of producer paid premiums), underwriting gains paid to private companies, reimbursements to private companies for delivery expenses and other authorized expenditures.

The performance of the Federal crop insurance program is tracked on a crop year basis, which spans multiple fiscal years. As a result, the table above reflects certain assumptions about which fiscal year the costs or revenues fall. However, aggregate crop insurance data is available to the public on a crop year basis, which is generally defined as the year in which a crop is harvested.

A key performance measure for the Federal crop insurance program is the normalized value of risk protection provided by Federal Crop Insurance Corporation (FCIC) sponsored insurance –on a crop year basis. The value of FCIC risk protection is the actual dollar insurance liability for a given crop year. However, this value is strongly influenced by commodity price swings or trends. The normalized value of risk protection uses a five-year baseline to smooth variations caused by these trends. The baseline model uses the most recent crop insurance data, together with other USDA data on market conditions, to develop normalized value projections for major crops. 404

[404] Department of Agriculture, *The Budget Summary for Fiscal Year 2017*, pg 27

PART I

A. Federal Crop Insurance Program (Budget Code 12-4085-0-3-351)[405]

(a) Program Description

The Federal Crop Insurance Program provides an important safety net that protects producers from a wide range of risks caused by natural disasters, as well as the risk of price fluctuations. In recent years, an increasing proportion of risk protection has been provided by revenue insurance which protects against both a loss of yield and price declines. The Federal Crop Insurance Program is a critical component of the farm safety net.

In 2009, about 70% of the liabilities were covered under revenue products which provide protection against both a loss of yield and a decline in commodity prices.

Participation in the Federal Crop Insurance Program by producers is voluntary; however, participation is encouraged through premium subsidies. In addition, participation in the Federal Crop Insurance Program is required in order to participate in the supplemental agricultural disaster assistance programs authorized in the 2008 Farm Bill.

(b) WTO Consistency

The Federal Crop Insurance plays a very important role in supporting U.S. agriculture. The FY 2017 Appendix Budget describes the program as follows:

> "The Federal crop insurance program includes products providing crop yield and revenue insurance, pasture, rangeland forage, and livestock insurance, as well as other educational and risk mitigation initiatives/tools. The Federal crop insurance program provides farmers with a risk management program that protects against agricultural production losses due to unavoidable causes such as drought, excessive moisture, hail, wind, lightning, and insects. In addition to these causes, revenue insurance programs are available to protect against loss of revenue. Federal crop insurance is available for more than 350 different commodities in over 3,066 counties covering all 50 states, and Puerto Rico."[406]

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[405] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 92
[406] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 93

As part of the safety net provided by U.S. support programs, the Federal Crop Insurance Program provides U.S. agricultural producers with insurance subsidized at below market rate premiums and, more importantly at rates below the cost of the insurance to the U.S. Government. This is evident from the Premium and Subsidy and Net Income or Loss Tables set out in the FY 2017 Budget.

The Premium and Subsidy entry lists total shows premiums and total indemnities as follows:[407]

	Producer Premium	Premium Subsidies	Total Premiums	Indemnities
2015 (Estimate)	3,645,000,000	6,016,000,000	9,661,000,000	7,245,000,000
2016 (Estimate)	3,837,000,000	6,265,000,000	10,102,000,000	10,102,000,000
2017 (Estimate)	3,998,000,000	6,507,000,000	10,505,000,000	10,505,000,000

Thus, although producers who choose to participate in this program pay premiums, the premiums collected are not sufficient to cover all of the costs of the program. Indeed, the subsidy significantly exceeds the premiums actually paid. As a result, the program operates at a loss, and this loss constitutes a subsidy.

The provision of below-market rate crop insurance provides a benefit to domestic producers and, on that basis, constitutes a domestic subsidy. The issue for consideration is whether the subsidy provided through this program is to be included in the U.S. AMS. Government participation in an insurance program is addressed in Annex 2(7) to the Agreement on Agriculture. Absent clear proof the Federal Crop Insurance Program meets the requirements of Annex 2(7), the value of the domestic subsidy provided to U.S. producers through this program would not be exempt from U.S. domestic support reduction commitments.

(c) Program Level

[407] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 93

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The amount of the subsidy/benefit is the premium subsidy. This is well established by U.S. and Canadian countervailing duty administration.

The Premium Subsidies entry lists total shows premiums as follows:[408]

	Premium Subsidies
2015 (Estimate)	6,016,000,000
2016 (Estimate)	6,265,000,000
2017 (Estimate)	6,507,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefit dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production.

Several programs with the RMA of interest to dairy and livestock producers are:

[408] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 93

PART I

B. Livestock Gross Margin Insurance for Cattle

(a) Program Description

The Livestock Gross Margin for Cattle (LGM for Cattle) insurance policy provides protection against the loss of gross margin (market value of livestock minus feeder cattle and feed costs) on cattle. The indemnity at the end of the 11-month insurance period is the difference, if positive, between the gross margin guarantee and the actual gross margin. The LGM for Cattle insurance policy uses futures prices to determine the expected gross margin and the actual gross margin. Adjustments to futures prices are state- and month-specific basis levels. The price the producer receives at the local market is not used in these calculations.

Any producer who owns cattle in the states of Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Ohio, Oklahoma, South Dakota, Texas, Utah, West Virginia, Wisconsin and Wyoming is eligible for LGM for Cattle insurance coverage.

Only cattle sold for commercial or private slaughter primarily intended for human consumption and fed in Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Ohio, Oklahoma, South Dakota, Texas, Utah, West Virginia, Wisconsin and Wyoming are eligible for coverage under the LGM for Cattle insurance policy.[409]

There are no benefits to dairy farmers under this program.

[409] www.rma.usda.gov/livestock

C. Livestock Gross Margin for Dairy Cattle Insurance Policy

(a) Program Description

The Livestock Gross Margin Insurance Plan for Dairy Cattle (LGM-Dairy) provides protection when feed costs rise or milk prices drop and can be tailored to any size farm. Gross margin is the market value of milk minus feed costs. LGM-Dairy uses futures prices for corn, soybean meal, and milk to determine the expected gross margin and the actual gross margin. LGM-Dairy is similar to buying both a call option to limit higher feed costs and a put option to set a floor on milk prices.

Only milk sold for commercial or private sale and primarily intended for final human consumption from dairy cattle fed in the states listed below is eligible for coverage. There is no minimum number of hundredweights you can insure. The maximum amount of milk that can be insured is 24 million pounds per crop year.

Prices for LGM-Dairy are based on simple averages of Chicago Mercantile Exchange Group futures contract daily settlement prices, and are not based on the prices you receive at the market.

A premium subsidy is available for those policies that insure multiple months during the insurance period. The subsidy amount is determined by a dollar deductible choose (ranges from $0—$2 in $0.10 increments). If a $0 deductible is choose the producer will receive a lower premium subsidy (18 percent) and if the producer chooses the highest deductible of $2 he receives a higher premium subsidy (50 percent). The premium is due at the end of the coverage period. LGM premiums depend on your marketing plan, coverage you choose, deductible level, and futures and price volatility.

LGM-Dairy is available to any producer who owns dairy cattle in the 48 contiguous states. Producers enrolled in the Farm Service Agency Margin Protection Program for Dairy (MPP-Dairy) are prohibited by law from participating in the LGM-Dairy program at the same time.

The producers can sign up for LGM-Dairy 12 times each year and insure all of the milk production that he expects to market over a rolling 11-month insurance period. LGM-Dairy is sold on the last business Friday of each month.[410]

[410] USDA, RMA, Livestock Gross Margin Insurance for Cattle, October 2015 https://www.rma.usda.gov/pubs/rme/lgmdairy.pdf

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D. Livestock Gross Margin for Swine Insurance Policy

(a) Program Description

The Livestock Gross Margin for Swine (LGM for Swine) insurance policy provides protection against the loss of gross margin (market value of livestock minus feed costs) on swine. The indemnity at the end of the 6-month insurance period is the difference, if positive, between the gross margin guarantee and the actual gross margin. The LGM for Swine insurance policy uses futures prices to determine the expected gross margin and the actual gross margin. The price the producer receives at the local market is not used in these calculations.

Any producer who owns swine in the 48 contiguous states is eligible for LGM for Swine insurance coverage.

Only swine sold for commercial or private slaughter primarily intended for human consumption and fed in the 48 contiguous states are eligible for coverage under the LGM for Swine Insurance Policy.

LGM for Swine has two advantages features.

- Producers can sign up for LGM for Swine twelve times per year and insure all of the swine they expect to market over a rolling 6-month insurance period. The producer does not have to decide on the mix of options to purchase, the strike price of the options, or the date of entry.

- The LGM for Swine policy can be tailored to any size farm. Options cover fixed amounts of commodities and those amounts may be too large to be used in the risk management portfolio of some farms.

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LGM for Swine is different from traditional options in that LGM for Swine is a bundled option that covers the cost of feed. This bundle of options effectively insures the producer's gross margin (swine price minus feed costs) over the insurance period.

The LGM for Swine policy can be tailored to any size farm. Options cover fixed amounts of commodities and those amounts may be too large to be used in the risk management portfolio of some farms.[411]

This program provides no benefits to dairy farmers.

[411] www.rma.usda.gov/livestock

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E. Livestock Risk Protection Feeder Cattle Insurance

Program Description

The Livestock Risk Protection Insurance Plan for Feeder Cattle (LRP-Feeder Cattle) is designed to insure against declining market prices. The producer may choose from a variety of coverage levels and insurance periods that match the time the feeder cattle would normally be marketed. In some cases the ownership may be retained.

The producer may buy LRP-Feeder Cattle insurance throughout the year from Risk Management Agency (RMA)- approved livestock insurance agents. Premium rates, coverage prices, and actual ending values are posted online daily. The producer may choose coverage prices ranging from 70 to 100 percent of the expected ending value. At the end of the insurance period, if the actual ending value is below the coverage price, the producer will be paid an indemnity for the difference between the coverage price and actual ending value.

Once the application is accepted, the producer can buy specific coverage endorsements throughout the year for up to 1,000 head of feeder cattle that are expected to weigh up to 900 pounds at the end of the insurance period.

The annual limit for LRP-Feeder Cattle is 2,000 head per producer per year (July 1 to June 30). All insured calves and cattle must be located in a state approved for LRP-Feeder Cattle at the time that the insurance was bought.

The length of insurance coverage available for each specific coverage endorsement is 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks.

Coverage is available for:

- Calves;
- Steers;
- Heifers;

- Predominantly Brahman cattle; and
- Predominantly dairy cattle.

The producer may also choose from two weight ranges - under 600 pounds and 600-900 pounds. LRP-Feeder Cattle insurance is available in: Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.[412]

[412] USDA, RMA, Livestock Risk Protection Feeder Cattle Revised, May 2014. https://www.rma.usda.gov/pubs/rme/lrp-feedercattle.pdf

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F. Livestock Risk Protection Lamb Insurance Policy

(a) Program Description

The LRP-Lamb Insurance Policy provides protection against unexpected declines in the national average price of slaughter lambs. An economic model is used to predict the expected price of slaughter lambs each week. An indemnity is paid if the weekly settlement value is less than the expected price for a specific coverage level. The weekly settlement value is a five-week average (current week and previous four weeks) of actual national weekly average slaughter lamb prices using weekly "calculated formula live prices”. The price that the producer actually receives for their own lambs is not part of the calculations.

Note: The weekly "Calculated Formula Live Price" is formula prices established for previously slaughtered lambs (carcass basis) multiplied by the weighted average dressing percent. The weekly price data are posted by USDA's Agriculture Marketing Service (AMS) each Friday at: http://www.ams.usda.gov/mnreports/lm_lm352.txt.

Any producer who owns lambs in the following 28 states: Arizona, California, Colorado, Iowa, Idaho, Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, New Mexico, Nevada, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin and Wyoming, is eligible for LRP-Lamb coverage.

Lamb provides producers and feeders of lambs with the opportunity to insure the lambs they own against an unexpected decline in price. The LRP-Lamb Coverage Price is calculated based on a mathematical model. Producers and feeders may continue to market their own lambs through their own market channels and at the maximum price they can negotiate, however the actual price received by a producer is not used with respect to the insurance.
LRP-Lamb will be offered for sale each week following the posting of rates Monday morning through 7:00 PM central time. When Monday falls on a federal holiday, LRP-Lamb will be offered on Tuesday during the same hours. Producers can choose between three endorsement

periods (13, 26, or 39 weeks) to best suit their own production and feeding systems. LRP-Lamb insurance coverage prices and rate estimates may be available for review beginning on the previous Friday evening. However, rates and coverage values may be modified prior to sales beginning on Monday morning. Therefore, final rates and coverage values may differ somewhat from the previously posted estimates.

LRP-Lamb is available through a crop insurance agent authorized to sell livestock insurance. Q: How much coverage of the LRP-Lamb expected price can be purchased? A: Producers can purchase as little as 80-percent coverage and as much as 95- percent coverage of the price in 5-percent increments. Coverage prices will be listed for each coverage level for each of the endorsements (13, 26, or 39 weeks) during the sales period each week.413

This program does not provide benefits to dairy farmers directly or indirectly.

[413] www.rma.usda.gov/livestock, March 6, 2015 Livestock Risk Protection – Lamb

VIII. Rural Development

The Rural Development (Budget Code 12-0403-0-1-452)[414] programs administered by the U.S. Department of Agriculture provide financial and technical assistance to rural residents, businesses and private and public entities for a variety of purposes. These include infrastructure projects required to meet basic needs, such as drinking water and electricity. The objective of these programs is to improve the economic opportunities and quality of life in rural America.

The Rural Development programs operated by USDA include:

I) Rural Development

(a) Rural Community Advancement Program (Budget Code 12-0400-0-1-452)

II) Rural Business – Cooperative Service

The Rural Business-Cooperative Service administers:

(a) Rural Cooperative Development Grants (Budget Code 12-1900-0-1-452)
(b) Rural Economic Development Grants (Budget Code 12-3105-0-1-452)
(c) Rural Microenterprise Investment Program Account (Budget Code 12-1955-0-1-452)
(d) Rural Business and Industry Direct Loans Financing (Budget Code 12-4223-0-3-452)
(e) Rural Business and Industry Guaranteed Loan Financing Account (Budget Code 12-4227-0-3-452)
(f) Rural Development Loan Fund Program Account (Budget Code 12-2069-0-1-452)
(g) Intermediary Relending Program Fund Account (Budget Code 12-4219-0-3-452)
(h) Rural Development Loan Fund Liquidating Account (Budget Code 12-4233-0-3-452)

[414] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 119

(i) Rural Economic Development Loans Program Account (Budget Code 12-3108-0-1-452)

(j) Rural Economic Development Direct Loan Financing Account (Budget Code 12-4176-0-3-452)

(k) Rural Business Investment Programs Account (Budget Code 12-1907-0-1-452)

(l) Rural Energy for America Program (Budget Code 12-1908-0-1-451)

III) Rural Utilities Service

The Rural Utilities Service administers:

(a) High Energy Cost Grants (Budget Code 12-2042-0-1-452)

(b) Rural Water and Waste Disposal Direct Loans Financing Account (Budget Code 12-4226-0-3-452)

(c) Rural Water and Waste Water Disposal Guaranteed Loans Financing Account (Budget Code 12-4218-0-3-452)

(d) Rural Electrification and Telecommunications Loans Program (Budget Code 12-1230-0-1-271)

(e) Rural Electrification and Telecommunications Direct Loan Financing Account (Budget Code 12-4208-0-3-271)

(f) Rural Electrification and Telecommunications Guaranteed Loans Financing Account (Budget Code 12-4209-0-3-271)

(g) Rural Electrification and Telecommunications Liquidating Account (Budget Code 12-4230-0-3-999)

(h) Rural Telephone Bank Account Program (Budget Code 12-1231-0-1-452)

(i) Rural Telephone Bank Direct Loan Financing Account (Budget Code 12-4210-0-3-452)

(j) Distance Learning Telemedicine and Broadband Program (Budget Code 12-1232-0-1-452)

(k) Distance Learning, Telemedicine and Broadband Direct Loan Financing Account (Budget Code 12-4146-0-3-452)

(l) Rural Development Insurance Fund Liquidating Account (Budget Code 12-4155-0-3-452)

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IV) Rural Housing Service

The Rural Housing Service administers:

(a) Rural Housing Assistance Grants (Budget Code 12-1953-0-1-604)

(b) Rental Assistance Program (Budget Code 12-0137-0-1-604)

(c) Multi-Family Housing Revitalization Program (Budget Code 12-2002-0-1-604)

(d) Mutual and Self Help Housing Grants (Budget Code 12-2006-0-1-604)

(e) Rural Community Facility Direct Loans Financing Account (Budget Code 12-4225-0-3-452)

(f) Rural Community Facility Guaranteed Loans Financing Account (Budget Code 12-4228-0-3-452)

(g) Rural Housing Insurance Fund Program Account (Budget Code 12-2081-0-1-371)

(h) Rural Housing Insurance Fund Direct Loan Financing Account (Budget Code 12-4215-0-3-371)

(i) Rural Housing Insurance Fund Guaranteed Loan Financing Account (Budget Code 12-4216-0-3-371)

(j) Rural Housing Insurance Fund Liquidating Account (Budget Code 12-4141-0-3-371)

The overall program levels for Rural Development programs, as reported in the FY 2017 Budget Summary, are as follows[415]:

2015 (Enacted)	$38,490,000,000
2016 (Estimate)	$39,890,000,000
2017 (Budget)	$39,785,000,000

The monies expended on account of the Rural Development programs provide indirect support to U.S. agricultural producers. As this support is not provided exclusively to dairy producers, the amount of support provided on account of dairy production is allocated on the basis of dairy's share of total U.S. agricultural production. In 2015, dairy represented 10.54% of the total value

[415] *FY 2017 Budget Summary,* Department of Agriculture, pg 110

of U.S. agricultural production. Therefore, of the $38,490,000,000 expended on account of Rural Development programs in 2015, $4,056,846,000 is allocated to dairy producers.

PART I

A. Rural Business – Cooperative Service

A.1 Rural Business and Industry (RB&I) Guarantee Loans
(Budget Code12-4227-0-3-452)[416]

(a) Program Description

The Rural Business and Industry (RB&I) Guaranteed Loan Program, with the largest program level of the RBS programs, provides protection against loan losses so that lenders are willing to extend credit to establish, expand, or modernize rural businesses. The B&I program is particularly important for startup businesses like local and regional food producers where commercial lenders are new to the sector. The 2017 Budget supports a program level of $892 million in B&I loan guarantees. The total level of B&I funding will create or save 11,674 jobs. Funding for the B&I program will focus on supporting high priority areas of the Administration such as providing start-up capital and financing business expansion in rural areas for local and regional food systems, biobased businesses, and renewable energy development.[417]

The loan guarantee may be used for business and industrial acquisitions, construction, conversion, expansion, repair, modernization, or development costs; purchase of equipment, machinery, or supplies; startup costs and working capital; refinancing for viable projects, under certain conditions. The 1996 Farm Bill expanded the eligible use for RB&I Guaranteed loan funds to the purchase of startup cooperative stock for family-sized farms where commodities are produced to be processed by the cooperative. Ineligible loan purposes include: lines of credit, agricultural production which is not part of an integrated business involved in processing of agricultural products, or any project likely to transfer employment from one area to another.[418]

[416] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 130
[417] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 38
[418] www.attra.org, February 3, 2010

(b) WTO Consistency

The loan guarantees made under this program confer a subsidy on agricultural producers, in the form of the loan guarantees provided at below market rates or on terms not available from commercial lenders. The support provided through these loan guarantees may be used to increase production and, on this basis, would not be excluded from U.S. obligations to reduce `domestic support. Consequently, the support must be included in the U.S. AMS and be subject to domestic support reduction commitments.

(c) Program Level

The FY 2017 Budget Summary for the Department of Agriculture reports the following expenditures on account of this program:[419]

Rural Business – Cooperative Services

2015 (Enacted)	$1,216,000,000
2016 (Estimate)	$1,370,000,000
2017 (Estimate)	$1,614,000,000

(d) Allocation to Dairy

The Rural Business Cooperative Service Loans and Grants program does not exclusively benefit dairy producers, therefore the value of this program to dairy producers is determined on the basis of dairy's share of total U.S. agricultural production. In 2015, dairy accounted for 10.54% of the total value of U.S. agricultural production. Therefore, of the $1,216,000,000 expended on account of business and industry loan guarantees under this program, $128,166,400 is allocated to dairy producers.

[419] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 110

A.2 **Rural Housing Service** (Budget Code 12-1953-0-1-604)[420]

(a) Program Description

Through the Rural Housing Service, the USDA provides funds, primarily in the form of loans, to support the construction of housing for low-income families, rental assistance, community facility programs which support the construction of fire halls, libraries and other public buildings. Since 2009, the Rural Housing Service has financed approximately 1.1 million homes.[421]

(b) WTO Consistency

These programs provide indirect support to dairy producers, but would likely not have either trade or production distorting effects. Therefore, support provided through these programs should not be included in the U.S. AMS or be subject to domestic support reduction commitments.

(c) Program Level

The FY 2107 Budget Summary reports the following program levels for the account of Rural Housing Service programs:[422]

2015 (Enacted)	$29,054,000,000
2016 (Budget)	$29,465,000,000
2017 (Budget)	$29,409,000,000

[420] Department of Agriculture, *The Budget for Fiscal Year 2011*, pg 132
[421] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 6
[422] Ibid., pg 110

(d) Allocation to Dairy

The programs administered by the Rural Housing Service provide important indirect support to dairy producers. This support is not provided exclusively to dairy producers, therefore the total value of support to dairy producers is determined on the basis of dairy's share of total U.S. agricultural production. In 2015 dairy represented 10.54% of the total value of U.S. agricultural production. Therefore, of the $29,054,000,000 expended on account of Rural Housing Service programs in 2015, $3,062,291,600 can be attributed to support of dairy production.

A.3 Rural Utilities Service (Budget Code 12-2042-0-1-452)[423]

(a) Program Description

Through the Rural Utilities Service, USDA supports a number of rural programs including: telecommunications; broadband internet; distance learning; telemedicine and waste and water disposal.

(b) WTO Consistency

These programs provide indirect support to dairy producers, but would not likely have either trade or production distorting effects. Therefore, support provided through these programs should not be included in the U.S. AMS or be subject to domestic support reduction commitments.

(c) Program Level

The FY 2017 Budget Summary reports the following program levels on account of Rural Utilities Service Loans and Grants programs:[424]

2015 (Enacted)	$7,996,000,000
2016 (Estimate)	$8,829,000,000
2017 (Budget)	$8,531,000,000

[423] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 142
[424] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 110

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(d) Allocation to Dairy

The programs administered by the Rural Housing Service provide important indirect support to dairy producers. This support is not provided exclusively to dairy producers, therefore the total value of support to dairy producers is determined on the basis of dairy's share of total U.S. agricultural production. In 2015, dairy represented 10.54% of the total value of U.S. agricultural production. Therefore, of the $7,996,000,000 expended on account of Rural Housing Service programs in 2015, $842,778,400 can be attributed to support for dairy production.

IX. Animal and Plant Health Inspection Services

The Animal and Plant Health Inspection Service (APHIS) (Budget Code 12-1600-0-1-352) [425] enhances the safety and protection of U.S. agriculture and of the U.S. food supply. APHIS also enhances economic opportunities for agricultural producers. APHIS provides:

(i) inspection and quarantine services;
(ii) surveillance and monitoring of plant and animal diseases;
(iii) administration of control and eradication programs to combat plant and animal disease outbreaks;
(iv) protection from emerging animal and plant pests and diseases from entry into U.S.[426];
(v) inspection for human care and handling of animals used in research, exhibits or the wholesale pet trade.

The major APHIS programs are:

(a) Agricultural Quarantine Inspection
(b) Plant and Animal Health Monitoring
(c) Pest and Disease Management Programs
(d) Animal Welfare
(e) Safe Trade and International Technical Assistance

[425] Department of Agriculture, *The Budget for Fiscal Year2017*, pg 79
[426] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, pg 80

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Program Level

The total program levels for programs administered by the Animal and Plant Health Inspection Service are reported as follows:[427]

2015 (Enacted)	$2,115,000,000 *
2016 (Estimate)	$2,178,000,000
2017 (Budget)	$1,196,000,000

(* In 2015 there was $1,007,000,000 in Emergency Funding (CCC).[428])

The support provided through APHIS programs provides direct support to U.S. agricultural production. As this support is not directed exclusively at dairy production, the amount allocated to dairy is in proportion to dairy's share of total U.S. agricultural production. In 2015, dairy production accounted for 10.54% of total U.S. dairy production. Therefore, of the $2,115,000,000 budgetary resources available for Animal and Plant Health Inspection Service programs in 2015, $222,921,000 is allocated as support of U.S. dairy production.

[427] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 109
[428] Ibid., pg 77

PART I

A. Agricultural Quarantine Inspection Fees (Budget Code 12-1600-0-1-352.00.11)[429]

(a) Program Description

USDA is responsible for ensuring that passengers and cargoes traveling from Hawaii and Puerto Rico comply with specified regulations to protect the health of the agricultural sector on the Mainland. Further, USDA retains the responsibility of promulgating regulations related to entry of passengers and commodities into the United States. The remainder of responsibility for this program has been transferred to Homeland Security.

(b) WTO Consistency

Expenditures by the Animal and Plant Health Inspection Service clearly provide significant benefits to U.S. agriculture in controlling risks which could reduce agricultural production. As these services are provided at no cost, they could constitute domestic support. However, expenditures under these programs are a normal function of government. Such expenditures clearly exempted from U.S. domestic support reduction commitments pursuant to Annex 2(2) to the Agreement on Agriculture.

(c) Program Level

The FY 2017 Budget Summary reports the following program levels for the Agricultural Quarantine Inspection Fees program:[430]

2015 (Enacted)	$167,000,000
2016 (Estimate)	$207,000,000
2017 (Budget)	$219,000,000

[429] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 79
[430] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 77

In addition to discretionary funding, APHIS collects user fees to cover costs related to agricultural quarantine and inspections that occur at ports of entry. A portion of these collections are provided to the Department of Homeland Security's Customs and Border Protection (CBP) to conduct front line inspections at points of entry. With retained funding, APHIS supports international trade by assessing the plant and animal health risks associated with such trade. APHIS also develops regulations to protect agricultural health; inspects and quarantines imported plant propagative materials; trains agricultural inspectors and detector dog teams; and provides the scientific support necessary to carry out these activities and those carried out by CBP. [431]

(d) Allocation to Dairy

The Agricultural Quarantine Inspection program provides important support to U.S. dairy producers, but this support is not provided exclusively to dairy production. Therefore, the support provided to dairy producers under this program is determined on the basis of dairy's share of total U.S. agricultural production. In 2015, dairy production represented 10.54% of the total value of U.S. agricultural production. Therefore, of the $167,000,000 program level on account of this program in 2015, $17,601,800 can be attributed to dairy production.

[431] *FY 2017 Budget Summary, U.S. Department of Agriculture, pg 80*

B. Plant and Animal Health Monitoring (Budget Code 12-1600-0-1-352.00.01 and 02)[432]

(a) Program Description

APHIS is responsible for detecting and responding to agricultural health risks. APHIS works cooperatively with other Federal, State, Tribal and industry partners to conduct animal and plant health monitoring programs to rapidly diagnose them and determine if there is a need to establish new pest or disease management programs

(b) WTO Consistency

Expenditures by the Animal and Plant Health Inspection Service clearly provide significant benefits to U.S. agriculture. As these services are provided at no cost, they would constitute domestic support. Commercial operations in the industrial sector are responsible for their own quality central systems and the cost of running them. However, expenditures under these programs are clearly exempted from U.S. and AMS domestic support reduction commitments pursuant to Annex 2(2) to the Agreement on Agriculture, which envisages "Green" status for:

> General services
>
> Policies in this category involve expenditures (or revenue foregone) in relation to programmes which provide services or benefits to agriculture or the rural community. They shall not involve direct payments to producers or processors. Such programmes, which include but are not restricted to the following list, shall meet the general criteria in paragraph 1 above and policy-specific conditions where set out below:
>
> (a) research, including general research, research in connection with environmental programmes, and research programmes relating to particular products;
>
> (b) pest and disease control, including general and product-specific pest and disease control measures, such as early-warning systems, quarantine and eradication;
>
> (c) training services, including both general and specialist training facilities;

432 Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 79

(d) extension and advisory services, including the provision of means to facilitate the transfer of information and the results of research to producers and consumers;

(e) inspection services, including general inspection services and the inspection of particular products for health, safety, grading or standardization purposes;

(f) marketing and promotion services, including market information, advice and promotion relating to particular products but excluding expenditure for unspecified purposes that could be used by sellers to reduce their selling price or confer a direct economic benefit to purchasers; and

(g) infrastructural services, including: electricity reticulation, roads and other means of transport, market and port facilities, water supply facilities, dams and drainage schemes, and infrastructural works associated with environmental programmes. In all cases the expenditure shall be directed to the provision or construction of capital works only, and shall exclude the subsidized provision of on-farm facilities other than for the reticulation of generally available public utilities. It shall not include subsidies to inputs or operating costs, or preferential user charges.

(c) Program Level

The FY 2017 Budget Summary reports the following as Total program levels for the Plant and Animal Health Monitoring program:[433]

	Animal Health	**Plant Health**	**Total**
2015 (Enacted)	$288,000,000	$305,000,000	$593,000,000
2016 (Estimate)	$296,000,000	$314,000,000	$610,000,000
2017 (Budget)	$305,000,000	$288,000,000	$593,000,000

[433] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 76

(d) Allocation to Dairy

The Plant and Animal Health Monitoring program provides support to U.S. dairy producers, but this support is not provided exclusively to dairy production. Therefore, the support provided to dairy producers under this program is determined on the basis of dairy's share of total U.S. agricultural production. In 2015, dairy production represented 10.54% of the total value of U.S. agricultural production. Therefore, of the $593,000,000 program level on account of this program in 2015, $62,502,000 can be attributed to dairy production.

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C. Pest and Disease Management Programs (Budget Code 12-1600-0-1-352.00.03)[434]

(a) Program Description

APHIS provides technical and financial support to help control or eradicate a variety of agricultural threats.

(b) WTO Consistency

Expenditures by the Animal and Plant Health Inspection Service clearly provide significant benefits to U.S. agriculture by controlling and eradicating pests which could destroy or seriously damage agricultural crops. This is a type of prevention risk management. As these services are provided at no cost, they could constitute domestic support. However, expenditures under these programs are clearly exempted from U.S. domestic support reduction commitments pursuant to Annex 2(2)(b) to the Agreement on Agriculture, because they involve pest and disease control.

(c) Program Level

The FY 2017 Budget Summary reports the following as the program levels on account of the Pest and Disease Management program:[435]

	Wildlife Services	**Pest and Disease M.P.**	**Total**
2015 (Enacted)	$109,000,000	$58,000,000	$167,000,000
2016 (Estimate)	$120,000,000	$58,000,000	$178,000,000
2017 (Budget)	$105,000,000	$58,000,000	$163,000,000

[434] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 79
[435] *FY 2011 Budget Summary,* U.S. Department of Agriculture, pg 76 and 77

(d) Allocation to Dairy

The Pest and Disease Management program does not provide support exclusively to dairy production. Therefore, the support provided to dairy producers under this program is determined on the basis of dairy's share of total U.S. agricultural production. In 2015, dairy production represented 10.54% of the total value of U.S. agricultural production. Therefore, of the $167,000,000 program level on account of this program in 2015, $17,601,800 can be attributed to dairy production.

D. Animal Welfare (Budget Code 12-1600-0-1-352.00.07)[436]

(a) Program Description

The Agency conducts regulatory activities to ensure the humane care and treatment of animals, including horses, as required by the Animal Welfare Act of 1966 as amended (7 U.S.C. 2131–2159), and the Horse Protection Act of 1970 as amended (15 U.S.C. 1821–1831). These activities include inspection of certain establishments that handle animals intended for research, exhibition, and sale as pets, and monitoring of certain horse shows.[437]

(b) WTO Consistency

Expenditures by the Animal and Plant Health Inspection Service clearly provide significant benefits to U.S. agriculture. As these services are provided at no cost, they could constitute domestic support. However, expenditures under these programs are clearly exempted from U.S. domestic support reduction commitments pursuant to Annex 2(2)(b) to the Agreement on Agriculture because they are pest and disease control programs.

(c) Program Level

The FY 2017 Budget Summary reports the following program levels on account of the Animal Care program:[438]

2017 (Enacted)	$29,000,000
2016 (Estimate)	$29,000,000
2017 (Budget)	$29,000,000

[436] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 79
[437] Ibid., pg 80
[438] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 77

(d) Allocation to Dairy

The Animal Care program provides support to U.S. dairy producers, but this support is not provided exclusively to dairy production. While it is likely that dairy producers benefit by more than dairy's 2015 10.54% share of total U.S. agricultural production, but as we have noted elsewhere in the report, where we cannot determine specific benefits, we will use the 10.54% factor. Therefore, of the $29,000,000 program level on account of this program in 2015, $3,056,600 can be attributed to dairy production.

E. Safe Trade and International Technical Assistance (Budget Code 12-1600-0-1-352.00.06)[439]

(a) Program Description

Sanitary (animal) and phytosanitary (plant) (SPS) regulations can have a significant impact on market access for the United States as an exporter of agricultural products. APHIS plays a central role in resolving technical trade issues to ensure the smooth and safe movement of agricultural commodities into and out of the United States. APHIS helps to protect the United States from emerging animal and plant pests and diseases while meeting obligations under the World Trade Organization's SPS agreement by assisting developing countries in improving their safeguarding systems. APHIS develops and implements programs designed to identify and reduce agricultural pest and disease threats while they are still outside of U.S. borders, to enhance safe agricultural trade, and to strengthen emergency response preparedness.

(b) WTO Consistency

Expenditures by the Animal and Plant Health Inspection Service clearly provide significant benefits to U.S. agriculture. As these services are provided at no cost, they could constitute domestic support. However, expenditures under these programs would appear to be exempted from U.S. domestic support reduction commitments pursuant to Annex 2(2) to the Agreement on Agriculture.

[439] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 79

(c) Program Level

The FY 2017 Budget Summary reports the following program levels for Scientific and Technical Services:[440]

2015 (Enacted)	$36,000,000
2016 (Estimate)	$37,000,000
2017 (Budget)	$42,000,000

(d) Allocation to Dairy

The Scientific and Technical Services program provides important support to U.S. dairy producers, but this support is not provided exclusively to dairy production. Therefore, the support provided to dairy producers under this program is determined on the basis of dairy's share of total U.S. agricultural production. In 2015, dairy production represented 10.54% of the total value of U.S. agricultural production. Therefore, of the $36,000,000 program level on account of this program in 2015, $3,794,400 can be attributed to dairy production.

[440] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 77

X. Food Safety and Inspection

The Food Safety and Inspection Service (FSIS) (Budget Code 12-3700-0-1-554)[441] is responsible for domestic and international public health and safety issues related to meat, poultry and egg products regulated by the FSIS and under the general oversight of the Office of the U.S. Manager of the Codex Alimentarius Commission. FSIS also responds to meat, poultry and egg emergencies and coordinates policies and program development with other departments, international organizations, other countries, and State and local governments.

FSIS also provides in-plant inspection to all domestic establishments preparing meat, poultry and processed egg products for sale or distribution into interstate commerce and reviews and approves foreign inspection systems and plants exporting these products to the U.S.

The FSIS program responsibilities include:

- (i) Federal Food Safety and Inspection
- (ii) State Food Safety and Inspection
- (iii) International Food Safety and Inspection
- (iv) Public Health Data Communication Infrastructure System
- (v) Code Alimentarius Commission
- (vi) Existing User Fees and Trust Funds

Arguably, consumers are among the principal beneficiaries of this program; other elements of the program clearly benefit U.S. agriculture by establishing favourable international standards.

[441] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 82

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The FY 2017 USDA Budget reports obligations for the Food Safety and Inspection programs as follows:[442]

2015 (Actual)	$1,231,000,000
2016 (Estimate)	$1,206,000,000
2017 (Budget)	$1,221,000,000

Food Safety and Inspection provides direct support to U.S. agriculture. As this support is not directed exclusively at dairy production, the amount allocated to dairy is in proportion to dairy's share of total U.S. agricultural production. In 2015, dairy production accounted for 10.54% of total U.S. dairy production. Therefore, of the $1,231,000,000 program funding account of Food Safety and Inspection programs, $129,747,400 is allocated to support U.S. dairy production.

[442] Ibid., pg 80

PART I

A. Federal Food Safety and Inspection

(a) Program Description

FSIS inspects all carcasses in slaughter plants for disease and other abnormalities, and samples for the presence of chemical residues and microbiological contaminants. Meat and poultry processing operations are inspected by FSIS at a minimum on a daily basis. FSIS provides mandatory, continuous in-plant inspection to egg product processing plants. FSIS operates three laboratories to perform scientific testing in support of inspection operations. Other responsibilities ensure that establishments develop and implement acceptable HACCP plans, sanitation standard operating procedures, and humane methods of slaughter.

(b) WTO Consistency

Expenditures by the Food and Safety Inspection Service clearly provide significant benefits to U.S. agriculture by ensuring consumer confidence safety of U.S. food. As these services are provided at no cost, they could constitute domestic support. However, expenditures under these programs are clearly exempted from U.S. domestic support reduction commitments pursuant to Annex 2(2)(e) to the Agreement on Agriculture, which provides exemption from reduction for "inspection" including general inspection services and the inspection of particular products for health safety, grading or standardization purposes.

(c) Program Level

The FY 2017 Budget Summary for the Department of Agriculture reports the following program levels for the Federal Food Safety and Inspection program:[443]

2015 (Enacted)	$901,000.000
2016 (Estimate)	$899,000,000
2017 (Budget)	$914,000,000

[443] FY 2017 Budget Summary, U.S. Department of Agriculture, pg 64

(d) Allocation to Dairy

The Federal Food Safety and Inspection program does not provide support exclusively to dairy production. Indeed, it could be argued that its focus is meat, poultry and eggs; therefore, benefits to dairy are indirect (dairy cattle are slaughtered in federally inspected plants). Therefore, support to dairy production under this program must be determined on the basis of dairy's share of total U.S. agricultural production. In 2015, the value of dairy production constituted 10.54% of total U.S. agricultural production. Therefore, of the $901,000,000 program level for this program, $94,965,400 is attributable to dairy.

PART I

B. State Food Safety and Inspection

(a) Program Description

FSIS has the authority to approve State meat and poultry inspection programs for products traveling in intrastate commerce. FSIS reviews State inspection programs to assure that standards, at least equal to Federal standards, are applied to meat and poultry plants under State jurisdiction. For State inspection programs, USDA contributes, through the Grants to States Program, up to 50% of each State's costs.

(b) WTO Consistency

Expenditures by the Food and Safety Inspection Service clearly provide significant benefits to U.S. agriculture in ensuring the public accepts the safety of U.S. food. As these services are provided at no cost, they could constitute domestic support. However, expenditures under these programs are clearly exempted from U.S. domestic support reduction commitments pursuant to Annex 2(2)(e) to the Agreement on Agriculture.

(c) Program Level

The FY 2017Budget Summary for the Department of Agriculture reports the following program levels for the State Food Safety and Inspection program:[444]

2015 (Actual)	$61,000,000
2016 (Estimate)	$61,000,000
2017 (Budget)	$61,000,000

[444] Ibid.

(d) Allocation to Dairy

The program level expenditures made on account of the State Food Safety and Inspection program do not provide support exclusively to dairy production. Therefore, support to dairy production under this program must be determined on the basis of dairy's share of total U.S. agricultural production. In 2015, the value of dairy production constituted 10.54% of total U.S. agricultural production. Therefore, of the $61,000,000 program level in 2015 for this program, $6,429,400 is attributable to dairy.

C. International Food Safety and Inspection

(a) Program Description

FSIS reviews and approves inspection systems in countries exporting meat, poultry and egg products to the U.S. and inspects imported products at ports-of-entry.

(b) WTO Consistency

Expenditures by the Food and Safety Inspection Service clearly provide significant benefits to U.S. agriculture in ensuring that imported products must meet U.S. standards. As these services are provided at no cost, they could constitute domestic support. However, expenditures under these programs are exempted from U.S. domestic support reduction commitments pursuant to Annex 2(2)(e) to the Agreement on Agriculture.

(c) Program Level

The FY 2017 Budget Summary for the Department of Agriculture reports the following program levels for the International Food Safety and Inspection program:[445]

2015 (Enacted)	$16,000,000
2016 (Budget)	$17,000,000
2017 (Budget)	$17,000,000

(d) Allocation to Dairy

The International Food Safety and Inspection program does not provide benefits exclusively to dairy production. Therefore, support to dairy production under this program must be determined on the basis of dairy's share of total U.S. agricultural production. In 2015, the value of dairy production constituted 10.54% of total U.S. agricultural production. Therefore, of the

[445] Ibid., pg 59

$16,000,000 program level for this program in FY 2015, $1,686,400 is allocated to dairy products.

D. Codex Alimentarius Commission

(a) Program Description

FSIS coordinates U.S. participation in and informs the public of the sanitary and phytosanitary standard setting activities of the Codex Alimentarius Commission.

(b) WTO Consistency

Expenditures by the Food and Safety Inspection Service clearly provide significant benefits to U.S. agriculture as U.S. participation in CODEX and co-ordination with other countries in the region helps establish standards which are favourable to U.S. farmers and ranchers. As these services are provided at no cost, they could constitute domestic support. However, expenditures under these programs are exempted from U.S. domestic support reduction commitments pursuant to Annex 2(2)(e) to the Agreement on Agriculture.

(c) Program Level

The FY 2017 Budget Summary for the Department of Agriculture reports the following program levels for the Codex Alimentarius program:[446]

2015 (Enacted)	$4,000,000
2016 (Estimate)	$4,000,000
2017 (Budget)	$4,000,000

[446] Ibid., pg 59

(d) Allocation to Dairy

The expenditures made on account of the Codex Alimentarius program do not provide support exclusively to dairy production. Therefore, support to dairy production under this program will be determined on the basis of dairy's share of total U.S. agricultural production. In 2015, the value of dairy production constituted 10.54% of total U.S. agricultural production. Therefore, of the $4,000,000 program level for this program in 2015, $421,600 is allocated to dairy products.

XI. Food and Nutrition Service

The Food and Nutrition Service (Budget Code 12-3508-0-1-605)[447] administers USDA's domestic nutrition programs. The objective of the program is to promote good nutrition and health by providing children and low-income people better access to a healthy diet and physical activity behaviours. The Food and Nutrition Service achieves this program objective by promotion and direct nutrition assistance through the following programs:

(i) Supplemental Nutrition Assistance Program (SNAP)
(ii) Child Nutrition Programs
(iii) Special Supplemental Nutritional Program for Women, Infants and Children (WIC)
(iv) Commodity Assistance Program

The FY 2011 USDA Budget Summary reports program levels for the Food and Nutrition Service programs as follows:[448]

2015 (Enacted)	$110,380,000,000
2016 (Estimate)	$110,004,000,000
2017 (Budget)	$112,138,000,000

Food aid programs were originally established for surplus removal purposes. The domestic food aid provided through the Food and Nutrition Service programs provides direct support to U.S. agricultural production. As this support is not directed exclusively at dairy production, the amount allocated to dairy is in proportion to dairy's share of total U.S. agricultural production. In 2015, dairy production accounted for 10.54% of total U.S. dairy production. Therefore, of the $110,380,000,000 program level for Food and Nutrition Service programs, $11,634,052,000 is

[447] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 157
[448] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 110

allocated to U.S. dairy production. Given the limited range of products covered by the FNS, we consider that this methodology understates benefits to dairy.

PART I

A. Supplemental Nutrition Assistance Program (SNAP) (Budget Code 12-3505-0-1-605)[449]

(a) Program Description

The Supplemental Nutrition Assistance Program (formerly the Food Stamp Program) attempts to alleviate hunger and malnutrition among low-income persons by increasing their food purchasing power. Eligible households receive electronic cards which are used like ATM cards so they can purchase food through regular retail stores.

SNAP is currently in operation in all 50 States, the District of Columbia, the Virgin Islands, Guam and Puerto Rico. Participating households receive food benefits, the value of which is determined by household size and income. The Federal Government pays the cost of the benefits. As required by law, the Food and Nutrition Service annually revises household allotments to reflect changes in the cost of the (thrifty) food plan.

All direct and indirect administrative costs incurred for certification of households, issuance of food credit, quality control, outreach, and fair hearing efforts are shared by the Federal Government and the States on a 50-50 basis.

[449] Department of Agriculture, *The Budget for Fiscal Year 2017,* pg 158

SNAP Household Expenditures by Summary Category

Summary Category	SNAP Household Expenditures	
	Rank	% of Expenditures
Meat, Poultry and Seafood	1	19.19%
Sweetened Beverages	2	9.25%
Vegetables	3	7.19%
Frozen Prepared Foods	4	6.92%
Prepared Desserts	5	6.90%
High Fat Dairy/Cheese	6	6.50%
Bread and Crackers	7	5.39%
Fruits	8	4.68%
Milk	9	3.54%
Salty Snacks	10	3.43%
Prepared Foods	11	3.07%
Cereal	12	2.84%
Condiments and Seasoning	13	2.65%
Fats and Oils	14	2.36%
Candy	15	2.10%

[450]

(b) WTO Consistency

Through these domestic food aid programs, the USDA has the ability to support U.S. agricultural producers by procuring, or supporting the procurement, of commodities to be used in these programs. By participating in the market to this degree, it is almost certain that these programs have significant price supporting effect.[451] On that basis, we consider that these programs constitute domestic support programs.

However, Annex 2(4) to the Agreement on Agriculture[452] makes it very clear that expenditures on account of domestic food aid programs are exempt from domestic support reduction commitments so long as eligibility to receive food aid is subject to clearly-defined criteria related

[450] Past, Present, & Future of SNAP, House Agriculture Committee Report, December 7, 2016, pg 54 http://agriculture.house.gov/uploadedfiles/snap_report_2016.pdf
[451] See Berthelot, Jacques; Solidarité
[452] Annex 2(4) Domestic food aid Expenditures (or revenue foregone) in relation to the provision of domestic food aid to sections of the population in need. Eligibility to receive the food aid shall be subject to clearly-defined criteria related to nutritional objectives. Such aid shall be in the form of direct provision of food to those concerned or the provision of means to allow eligible recipients to buy food either at market or at subsidized prices. Food purchases by the government shall be made at current market prices and the financing and administration of the aid shall be transparent.

to nutritional objectives. On this basis, the support provided to U.S. agriculture through these programs has not been included in the U.S. AMS.

(c) Program Level

The FY 2017 Budget reports the Budget Authority available for this program as follows:[453]

2015 (Actual)	$81,830,000,000
2016 (Estimate)	$80,839,000,000
2017 (Estimate)	$81,709,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers but would appear to benefit dairy more than other nutrition programs. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Total resources available under this program were $81,830,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy was $8,624,882,000.

[453] Department of Agriculture, The Budget for Fiscal Year 2017, pg 158

PART I

B. Child Nutrition Programs (Budget Code 12-3539-0-1)[454]

(a) Program Description

The Supplemental Nutrition Assistance Program (SNAP) is the primary source of nutrition assistance for low-income Americans. Through subsidies for meals that meet nutritional standards, the National School Lunch Program (NSLP), School Breakfast Program (SBP), Summer Food Service (SFSP), and Child and Adult Care Food Program (CACFP) assist State and local governments, and private non-profit organizations in ensuring that children in schools and child care – and adults in adult day care programs – receive meals that meet their nutritional needs, foster healthy eating habits, reduce the number of overweight and obese children, and safeguard their health.[455]

The National School Lunch Program is a federally assisted meal program operating in public and nonprofit private schools and residential child care institutions. It provides nutritionally balanced, low-cost or free lunches to children each school day. The program was established under the National School Lunch Act, signed by President Harry Truman in 1946.[456]

The main driver for the expected participation increase in school meals is the community eligibility provision (CEP) that provides an alternative to household applications for free and reduced price meals and reduces the burden of collecting funds and maintaining accounts for the students who pay for school meals. The provision improves access to nutritious meals for low-income students while reducing administrative burdens for households and schools.[457]

(b) WTO Consistency

Through these domestic food aid programs, the USDA has the ability to support U.S. agricultural producers by procuring, or supporting the procurement, of commodities to be used in these

[454] Ibid., pg 159
[455] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 53
[456] https://www.fns.usda.gov/nslp/national-school-lunch-program-nslp , February 12, 2017
[457] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 53

programs. By participating in the market to this degree, it is almost certain that these programs have, at a minimum, a significant price supporting effect.

However, Annex 2(4) to the Agreement on Agriculture makes it very clear that expenditures on account of domestic food aid programs are exempt from domestic support reduction commitments so long as eligibility to receive food aid is subject to clearly defined criteria related to nutritional objectives. On this basis, the support provided to U.S. agriculture through these programs has not been included in the U.S. AMS.

(c) Program Level

The FY 2017 Budget reports the total Budget Authority available to fund obligations under this program as follows:[458]

2015 (Actual)	$21,475,000,000
2016 (Estimate)	$22,344,000,000
2017 (Estimate)	$23,419,000,000

(d) Allocation to Dairy

While dairy products are a very significant part of this program, it does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Because of the importance of dairy to basic nutrition, using dairy's share in the total U.S. production will understate the benefits of this program to dairy producers. However, for purposes of consistency the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

[458] Department of Agriculture, *The Budget for Fiscal Year 2017,* pg 160

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Total resources available under this program were $21,475,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $2,263,465,000.

PART I

C. Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

(Budget Code 12-3510-0-1-605)[459]

(a) Program Description

WIC provides monthly food packages specifically tailored to meet the dietary needs of program participants who must be either a pregnant, postpartum, or breastfeeding woman, or a child under the age of five. To be eligible on the basis of income, applicants' gross income (i.e., before taxes are withheld) must fall at or below 185% of the U.S. Poverty Income Guidelines.[460]

(b) WTO Consistency

Through these domestic food aid programs, the USDA has the ability to support U.S. agricultural producers by procuring, or supporting the procurement, of commodities to be used in these programs. By participating in the market to this degree, it is almost certain that these programs have, at a minimum, a price supporting effect. On that basis, it is likely that these programs constitute domestic support programs.

However, Annex 2(4) to the Agreement on Agriculture makes it very clear that expenditures on account of domestic food aid programs are exempt from domestic support reduction commitments so long as eligibility to receive food aid is subject to clearly-defined criteria related to nutritional objectives. On this basis, the support provided to U.S. agriculture through these programs has not been included in the U.S. AMS.

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[459] Ibid.
[460] www.fns.usda.gov/wic/women-infants-and-children-wic, February 12, 2017

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(c) Program Level

The FY 2017 Budget reports the Budget Authority available to meet the obligations under this program as follows:[461]

2015 (Actual)	$6,624,000,000
2016 (Estimate)	$6,351,000,000
2017 (Estimate)	$6,351,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Total resources available for this program in 2015 were $6,624,000,000. Based on dairy's share of total U.S. agricultural production, the allocation to dairy was $698,169,600.

[461] Department of Agriculture, *The Budget for Fiscal Year 2017,* pg 161

D. **Commodity Assistance Program** (Budget Code 12-3507-0-1-605)[462]

(a) Program Description

The Commodity Assistance Program provides commodities distributed through several programs including the Emergency Food Assistance Program (TEFAP) and the Commodity Supplemental Food Program (CSFP) which provides USDA donated commodities to food banks, church pantries, soup kitchens and emergency shelters for distribution to low-income people.

The Commodity Program also supports the Senior Farmers' Market Nutrition Program and the Farmers' Market Nutrition Program which gives low-income individuals access to produce and other commodities.

(b) WTO Consistency

Through these domestic food aid programs, the USDA has the ability to support U.S. agricultural producers by procuring, or supporting the procurement, of commodities to be used in these programs. By participating in the market to this degree, it is almost certain that these programs have, at a minimum, a price supporting effect. On that basis, it is likely that these programs constitute domestic support programs.

However, Annex 2(4) to the Agreement on Agriculture would appear to exempt expenditures on account of domestic food aid programs from domestic support reduction commitments so long as eligibility to receive food aid is subject to clearly-defined criteria related to nutritional objectives. On this basis, the support provided to U.S. agriculture through these programs is arguably not included in the U.S. AMS.

[462] Ibid.

(c) Program Level

The FY 2017 Budget reports the total budget authority for this program as follows:[463]

2015 (Actual)	$301,000,000
2016 (Estimate)	$318,000,000
2017 (Estimate)	$334,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

The budget authority under this program in 2015 was $301,000,000. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $31,725,400.

[463] Ibid., pg 162

XII. Grain Inspection, Packers and Stockyards Administration (GIPSA)

(a) Program Description

The United States Department of Agriculture's (USDA) Grain Inspection, Packers and Stockyards Administration (GIPSA) (Budget Code 12-2400-0-1-352)[464] facilitates the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products, and promotes fair and competitive trading practices for the overall benefit of consumers and American agriculture.

GIPSA sets the official U.S. standards for grain, conducts official weighing and grain inspection activities, and grades rice, dry beans and peas, processed grain products, and hops.

The agency is involved in regulating and monitoring the activities of dealers, market agencies, stockyard owners, live poultry dealers, packer buyers, packers, and swine contractors in order to detect prohibited unfair, unjust discriminatory or deceptive, and anti-competitive practices in the livestock, meat and poultry industries. The agency also reviews the financial records of these entities to promote the financial integrity of the livestock, meat, and poultry industries.

(b) WTO Consistency

Expenditures by the Grain Inspection, Packers and Stockyards Administration clearly provide significant benefits to U.S. agriculture. As these services are provided at no cost, they could constitute domestic support. However, expenditures under these programs are exempted from U.S. domestic support reduction commitments pursuant to Annex 2(2)(e) to the Agreement on Agriculture.

[464] *FY 2017 Appendix Budget*, U.S. Department of Agriculture, p 84

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(c) Program Level

The FY 2017 Budget reports the total Budget Authority available for the obligations under this program as follows:[465]

2015 (Actual)	$43,000,000
2016 (Estimate)	$43,000,000
2017 (Estimate)	$43,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

The budget resources available for this program were $43,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $4,532,200.

[465] Ibid.

XIII. Forest Service

The Forest Service (Budget Code 12-1106-0-1-302),[466] the largest employer in USDA, is responsible for protecting and enhancing the natural resource base and environment. The Forest Service is responsible for the following major programs:

(i) Forest and Rangeland Research
(ii) State and Private Forestry
(iii) National Forest System
(iv) Capital Improvement and Maintenance
(v) Wildland Fire Management

The FY 2017 Budget Summary for the Department of Agriculture report the following program levels for the Forest Service:[467]

2015 (Enacted)	$5,698,000,000
2016 (Estimate)	$7,025,000,000
2017 (Estimate)	$5,530,000,000

The Forest Service provides indirect support to U.S. agriculture, including dairy producers. The amount of indirect support provided to dairy can be allocated on the basis of dairy's share of total U.S. agricultural production. In 2015, dairy represented 10.54% of all U.S. agricultural production. Therefore, of the $5,698,000,000 expended on account of all Forest Service programs in 2015, $600,569,200 can be allocated as indirect support for dairy producers.

[466] Ibid., p 165
[467] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pp 68

PART I

A. **Forest and Rangeland Research** (Budget Code 12-1104-0-1-302)[468]

(a) Program Description

The Forest and Rangeland Research program operated by the National Forest Service is a research program that is intended to enhance the economic and environmental value of the U.S. forests and related industries.

(b) WTO Consistency

For the most part, the programs operated by the Forest Service would provide indirect support to U.S. agriculture producers. The exceptions would involve the application of these programs to rangeland and grazing land, as well as the acquisition program which could provide direct support to U.S. agriculture if property was acquired from agriculture producers at above-market prices.

To extent that the Forest Service provides support to U.S. agricultural production, this support would be exempt from reduction commitments pursuant to Annex 2(2) to the Agreement on Agriculture.

[468] *FY 2017 Appendix Budget,* U.S. Department of Agriculture, p 163

(c) Program Level

The FY 2017 USDA Budget reports the total budgetary authority available for obligations under this program as follows:[469]

2015 (Actual)	$335,000,000
2016 (Estimate)	$335,000,000
2017 (Estimate)	$335,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Budgetary resources for this program were $335,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $35,309,000.

[469] Ibid.

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B. State and Private Forestry (Budget Code 12-1105-0-1-302)[470]

(a) Program Description

The Forest Service makes grants and provides technical assistance to State forestry agencies and other cooperators for protecting forest resources and improving sustainable forest management on non-industrial private forest lands. Funding is provided for forest pest suppression on all Federal lands and cost-share assistance is made available for pest suppression on private lands. A Cooperative Fire Protection Program provides technical and limited financial support for State wildfire fighting organizations. The Forest Stewardship Program provides technical assistance to non-industrial private landowners for a variety of stewardship practices including tree planting.

Plans are also proposed to fund emerging pest and pathogen control, including response to non-native or invasive pests or pathogens.

The Forest Legacy Program funds, though the States, the acquisition of land or interests in land slated for conversion to non-forest uses.

With the direct cooperation of States, the Forest Stewardship Program helps forest landowners with planning and implementation of sustainable forest management.

(b) WTO Consistency

For the most part, the programs operated by the Forest Service would provide indirect support to U.S. agriculture producers. The exception would be the application of these programs to rangeland and grazing land, as well as the acquisition program which could provide direct support to U.S. agriculture if property was acquired from agriculture producers at above-market prices.

[470] Ibid., p 165

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To extent that the Forest Service provides support to U.S. agricultural production, this support would be exempt from reduction commitments pursuant to Annex 2(2) to the Agreement on Agriculture.

(c) Program Level

The FY 2017 Budget reports the following as the total Budget Authority available for the obligations under this program as follows:[471]

2015 (Actual)	$218,000,000
2016 (Estimate)	$287,000,000
2017 (Estimate)	$272,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Budgetary resources for this program in 2015 were $218,000,000. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $22,977,200.

[471] Ibid., p 166

PART I

C. **Land Acquisition** (Budget Code 12-9923-0-2-302)[472]

(a) Program Description

The Program provides for expenses necessary to carry out the provisions of the Land and Water Conservation Fund Act of 1965 as amended. The agency is shifting its focus from acquiring new land to investing to sustain production capacity by implementing various protection programs.

(b) WTO Consistency

For the most part, the programs operated by the Forest Service would provide indirect support to U.S. agriculture producers. Exceptions are programs which affect rangeland, grasslands, grazing lands, as well as the acquisition program which could provide direct support to U.S. agriculture if property was acquired from agriculture producers at above-market prices.

To the extent that the Forest Service provides support to U.S. agricultural production, this support would be exempt from reduction commitments pursuant to Annex 2(2) to the Agreement on Agriculture.

(c) Program Level

The FY 2017 Budget reports the total Budget Authority available for this program as follows:[473]

2015 (Actual)	$45,000,000
2016 (Estimate)	$94,000,000
2017 (Estimate)	$129,000,000

[472] Ibid, p 171
[473] Ibid., p 172

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Budgetary resources for this program in 2015 were $45,000,000. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $4,743,000.

XIV. Research, Education and Economics

The Research, Education and Economics program is responsible for the discovery, application and dissemination of information and technology through agricultural research, education, extension activities and economic and statistical analysis. The responsibility for these programs is carried out by four agencies:

(i) Agricultural Research Service (ARS)
(ii) National Institute of Food and Agriculture (NIFA)
(iii) Economic Research Service (ERS)
(iv) National Agricultural Statistics Service (NASS)

Based on the budget authority for these individual programs, the aggregate budget authorities for Research, Education and Economics is as follows:[474]

2015 (Estimate)	$2,901,000,000
2016 (Estimate)	$3,141,000,000
2017 (Budget)	$3,438,000,000

The research, education and economics programs operated by the Department of Agriculture provide important support to U.S. agricultural production. Such activities may be exempt from reductions pursuant to Annex 2.2(a) or 2.2(a) of the Agreement on Agriculture.

As these programs do not provide support exclusively to dairy production, the amount allocated to dairy programs is determined based on dairy's share of total U.S. production. The total value of dairy production in 2015 was 10.54% of total U.S. agricultural production. Therefore, of the $2,901,000,000 budgeted for research, education and economics in 2015, $305,765,400 is allocated to support dairy producers.

[474] *FY 2017 Budget Summary, U.S. Department of Agriculture*, pg 109

PART I

A. **Agricultural Research Service** (Budget Code 12-1400-0-1-352)[475]

(a) Program Description

The Agricultural Research Service seeks to ensure reliable, adequate supplies of high-quality food and other agricultural products through scientific research to solve problems in crop and livestock production and protection, human nutrition, and the interaction of agriculture and the environment.

(b) WTO Consistency

It is clear that U.S. agricultural producers benefit from the work undertaken by the USDA research, education and economics services operated by the USDA. However, the services provided by these Agencies appear to fall within the scope of general services which are exempt from domestic support reduction commitments pursuant to Annex 2(2)(a) to the Agreement on Agriculture.

(c) Program Level

The FY 2017 Budget Summary reports the following program levels for the Agricultural Research Service:[476]

2015 (Enacted)	$1,208,000,000
2016 (Estimate)	$1,386,000,000
2017 (Budget)	$1,286,000,000

[475] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 69
[476] *FY 2017 Budget Summary*, U.S. Department of Agriculture, pg 109

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Budgetary resources for this program in 2015 were $1,208,000,000. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $127,323,200.

PART I

B. National Institute of Food and Agriculture (Budget Code 12-1502-0-1-352)[477]

(a) Program Description

The National Institute of Food and Agriculture (NIFA) is primarily responsible for providing linkages between federal and state components of a broad-based, national agricultural research, extension and higher education system. NIFA is responsible for administering USDA's primary competitive research grants program and the Agriculture and Food Research Initiative.

(b) WTO Consistency

It is clear that U.S. agricultural producers benefit from the work undertaken by the USDA research, education and economics services operated by the USDA. However, the services provided by these Agencies falls within the scope of general services which are exempt from domestic support reduction commitments pursuant to Annex 2(2)(d) to the Agreement on Agriculture.

(c) Program Level

The FY 2017 Budget Summary report the total obligations and budgetary authority to support this program as follows:[478]

2015 (Enacted)	$1,436,000,000
2016 (Estimate)	$1,502,000,000
2017 (Budget)	$1,884,000,000

[477] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 75
[478] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 93

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Total resources available under this program in 2015 were $1,436,000,000. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $151,354,400.

PART I

C. **Economic Research Service** (Budget Code 12-1701-0-1-352)[479]

(a) Program Description

The Economic Research Service provides economic research and information to inform public and private decision-making on economic and policy issues related to agriculture, food, natural resources, and rural America.

The Economic Research Service provides economic analysis of many critical issues facing farmers, agribusiness, consumers, and policymakers. ERS expertise helps these stakeholders conduct business, formulate policy, or just learn about agriculture, food, natural resources, and rural America.

(b) WTO Consistency

It is clear that U.S. agricultural producers benefit from the work undertaken by the USDA research, education and economics services operated by the USDA. However, the services provided by these Agencies falls within the scope of general services which are exempt from domestic support reduction commitments pursuant to Annex 2(2)(a) to the Agreement on Agriculture.

(c) Program Level

The FY 2017 USDA Budget Summary reports the following program levels on account of the Economic Research Service:[480]

[479] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 66
[480] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 98

2015 (Enacted)	$85,000,000
2016 (Estimate)	$85,000,000
2017 (Budget)	$91,000,000

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Total budgetary resources under this program were $85,000,000 in 2015. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $8,959,000.

D. National Agricultural Statistics Service (Budget Code 12-1801-0-1-352)[481]

(a) Program Description

The National Agricultural Statistics Service (NASS) is responsible for conducting surveys and preparing official data and estimates of production, supply, prices and other information related to agricultural production. The Service also conducts the census of agriculture, currently compiled every five years.

(b) WTO Consistency

It is clear that U.S. agricultural producers benefit from the work undertaken by the USDA research, education and economics services operated by the USDA. However, the services provided by these Agencies falls within the scope of general services which are exempt from domestic support reduction commitments pursuant to Annex 2(2)(a) to the Agreement on Agriculture.

(c) Program Level

The FY 2017 USDA Budget Summary reports the following program levels on account of the National Agriculture Statistics Service:[482]

2015 (Enacted)	$172,000,000
2016 (Estimate)	$168,000,000
2017 (Budget)	$177,000,000

[481] Department of Agriculture, *The Budget for Fiscal Year 2017*, pg 67
[482] *FY 2017 Budget Summary,* U.S. Department of Agriculture, pg 109

PART I

(d) Allocation to Dairy

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Total budgetary resources available under this program in 2015 were $172,000,000. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $18,128,800.

XV. Irrigation Infrastructure

The U.S. irrigation program (Budget Code 14-0680-0-1-301)[483] provides substantial subsidies that support U.S. agriculture.

There is no question that this extensive irrigation projects is vitally important to U.S. agriculture.

Irrigated agriculture, which accounts for the largest share of the Nation's consumptive water use, makes a significant contribution to the value of U.S. agricultural production. In 2012, irrigated farms accounted for roughly half of the total national value of crop sales on just 17% of U.S. cropland. Irrigated farms also support the livestock and poultry sectors through irrigated production of animal forage and feed crops.

Roughly 56 million acres—or 7.6% of all U.S. cropland and pastureland—were irrigated in 2012. Nearly three-quarters of irrigated acres are in the 17 western-most contiguous States (referred to as the Western States hereafter). From 2007 to 2012, irrigated acres declined by nearly 0.8 million acres across the United States. Most of the area decline occurred in the Western United States where drought conditions contributed to water-supply scarcity across the region. Contractions in State-level irrigated acreage exceeded 10% in Texas, Colorado, Oregon, New Mexico, and Oklahoma.

In recent decades, much of the expansion in irrigated acreage has occurred in the more humid Eastern States. From 2007 to 2012 irrigated area in the East expanded by roughly 8%, with significant acreage increases in Arkansas, Louisiana, Mississippi, and Georgia. USDA's Farm and Ranch Irrigation Survey (FRIS) reports that in 2013, irrigated agriculture applied 91.2 million acre-feet of water nationally, with over four-fifths occurring in the West. (An acre-foot of water is equivalent to 325,851 gallons.) The U.S. Geological Survey (USGS), which monitors water use by economic sector, estimates that irrigated agriculture accounted for 38% of the Nation's freshwater withdrawals in 2010. Agriculture, however, accounts for approximately 80 to

[483] Department of the Interior, *The Budget for Fiscal Year 2017*, pg 665

90% of U.S. consumptive water use.[484] The 2015 survey has not been published at the time of writing.

The subsidies covered in this section are primarily provided at the state and local level in the form of water provided at below-market rates for use in agricultural production. In addition, in some states the electricity used to run irrigation systems is also subsidized.[485] Jacques Berthelot has suggested we might provide more detail on our methodology. Essentially, we have multiplied the estimated volume of irrigation water used, by the difference in the cost of water to irrigation projects and to commercial users of water.

Irrigation has allowed the U.S. to develop a very profitable agricultural sector on arid and semi-arid land. The USDA ERS has noted the important role that irrigation plays in U.S. agriculture,

> "Irrigated agriculture, which accounts for the largest share of the Nation's consumptive water use, makes a significant contribution to the value of U.S. agricultural production. In 2012, irrigated farms accounted for roughly half of the total value of crop sales on just 17 percent of U.S. cropland. (USDA 2016)"[486]

Federal support for irrigation is also provided through the Department of the Interior, Bureau of Reclamation. The U.S. has notified to the WTO the amounts expended by the Bureau to support irrigation programs as non-product specific support to build infrastructure to the WTO. The U.S. has not notified the value of the subsidized irrigation water and services provided to its agricultural producers.

The federal government's direct expenditures on irrigation are not included in the Department of Agriculture's budget. Funds used to support irrigation infrastructure programs are included in the Water and Related Resources Program operated by the Bureau of Reclamation, the total budgetary resources available to support the obligations under this program, which include

[484] United States Department of Agriculture, Economic Research Service, Irrigation &Water Use, Background, How Important is Irrigation to U.S. Agriculture?
[485] Farms using electricity for irrigation increased 37% from 2003-2013. USDA, Trends in U.S. Agriculture's Consumption and Production of Energy, August 2016, pg 15
[486] Aillery, Marcel and Schaible, Glenn, USDA, ERS, Irrigation and Water Use: How Important is Irrigation to U.S. Agriculture?, October 12, 2016, pg 1

facility operations, facility maintenance and rehabilitation, water and energy management, fish and wildlife management and land management and development, is reported as follows:[487]

2015 (Actual)	$892,000,000
2016 (Estimate)	$1,114,000,000
2017 (Estimate)	$808,000,000

(b) WTO Consistency

Without the water provided through the irrigation infrastructure, agricultural production in the eleven western states would be severely restricted. Therefore, the provision of subsidized water is trade and production distorting. In many cases, irrigation is the difference between production existing and not. Without this subsidy, there would be little or no production and certainly far less production than currently exists in these states. On this basis, the irrigation subsidy provided, including the amounts expended on infrastructure, must be included in the U.S. AMS.[488]

[487] Department of the Interior, *The Budget for Fiscal Year 2017*, pg 665

[488] *WTO Consistency of U.S. and New Zealand Agricultural Practices*, Grey, Clark, Shih and Associates, Limited, July 15, 2003

> “Water in its natural state is neither a good nor a service and is not subject to trade obligations…. Only water drawn from its natural state is subject to the rules and obligations in the trade agreements…. Water must be extracted to convert it from a natural resource into a good or service for purposes of the WTO. Government cannot be compelled, by trade obligations, to allow water to be drawn from its natural state, but once it voluntarily allows natural resources to be extracted for commercial purposes, the resulting goods or services will enter the flow of commerce and be subject to trade disciplines. In the present case, the water at issue is a good or service for purposes of the WTO because the United States Government voluntarily decided to allow this water to be drawn from its natural state for use to support agricultural production. This decision, and the subsequent act of drawing the water from its natural state for irrigation or other commercial purpose, converted that water into a good or service for purposes of the WTO.”

(c) Program Level

The FY 2017 Department of the Interior Budget Summary reports the following program levels on account of Water and Related Resources:[489]

2015 (Actual)	$892,000,000
2016 (Estimate)	$1,114,000,000
2017 (Estimate)	$808,000,000

(d) Allocation to Dairy

i) Infrastructure

This program does not provide benefits exclusively to dairy producers. Consequently, we cannot attribute the entire value of the support provided under these programs to U.S. dairy producers. Therefore, the value of the subsidies and support that benefits dairy production under these programs is attributed on the basis of dairy's share of the total value of U.S. agricultural production. In 2015, all dairy production accounted for 10.54% of total U.S. agricultural production.

Budgetary resources for this program in 2015 were $892,000,000. Based on dairy's share of total U.S. agricultural production, the allocation to dairy is $94,016,800.

The irrigation subsidy provided by the U.S. Federal Government through infrastructure support constitutes a part of the overall support provided to U.S. producers and, in fact, is the only portion of this support that is notified to the WTO by the United States.

The irrigation infrastructure provided by the U.S. government was introduced to enable and promote agricultural production in the western desert regions. Agricultural producers in these

[489] Department of the Interior, *The Budget for Fiscal Year 2017*, pg 665

regions are heavily dependent on government financed and supported irrigation schemes. Without these irrigation projects, agricultural production would either not exist in these regions or would be severely curtailed.

ii) Irrigation Water

Water provided through the irrigation projects confers a significant subsidy on to U.S. agriculture producers. This benefit is provided in the form of water provided at below-market rates. These benefits are primary provided to producers at the local level, which makes determining the specific value of the subsidy very difficult. However, the value of these subsidies was previously estimated by GCS at up to $33,000,000,000[490].

In 2013 the U.S. Geological Survey (USGS) and the California Department of Water Resources (DWR) estimates water use for agricultural irrigation in California at 25.8 million acre-feet[491,] on the same report, Renee Johnson and Betsy A. Cody shows on the USDA's 2013 Farm and Ranch Irrigation Survey reports that, nationally, California has the largest number of irrigated farmed acres compared to other states and accounts for about one fourth of total applied acre-feet of irrigated water in the United States.[492]

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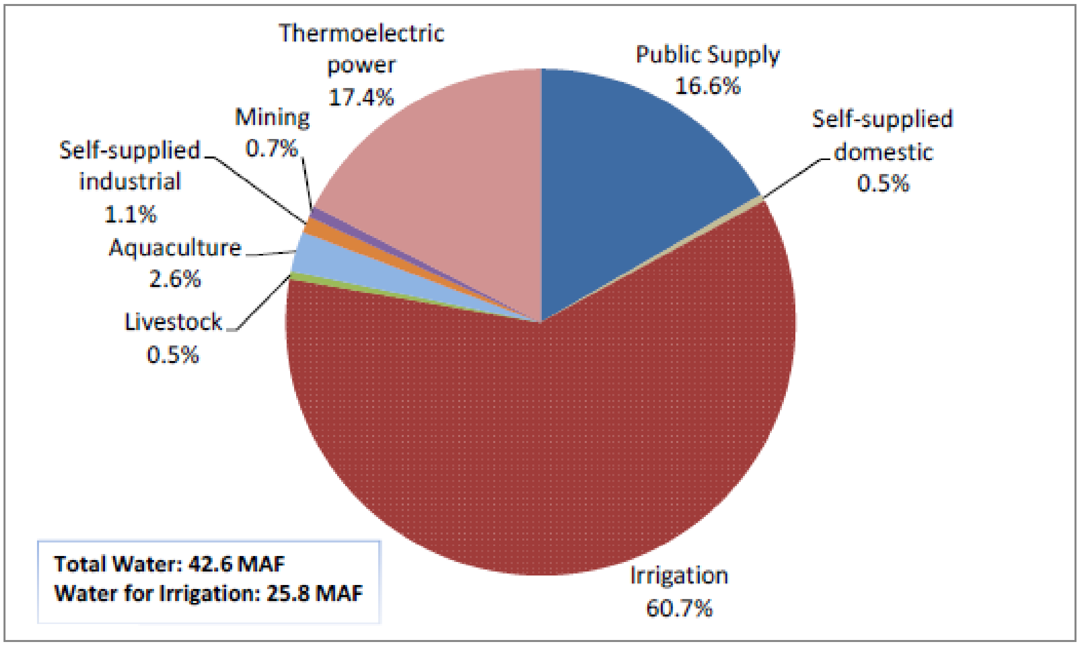
[490] *WTO Consistency of U.S. and New Zealand Agricultural Practices*, Grey, Clark, Shih and Associates, Limited, July 15, 2003

[491] CRS, California Agricultural Production and Irrigated Water Use, By Renee Johnson and Betsy A. Cody, June 30, 2015.pg 1

[492] Ibid., pg 14

California Water Use, USGS Estimates



Source: CRS from USGS data: M. A. Maupin, J. F. Kenny, S. S. Hutson, J. K. Lovelace, N. L. Barber, and K. S. Linsey, "Estimated Use of Water in the United States in 2010," U.S. Geological Survey Circular 1405 (2014), p. 15. **Notes:** Graph shows amount of water "withdrawn" and used for different purposes. Data are for 2010.

PART I

Irrigation - Estimate Water Use for Agricultural Irrigation in the U.S. [493]

	Acre-feet of water used in 2013	Water Rates Benefits in 2015 acre-feet
	103,200,000	$353
Total (Water Use x Water Rate)		$36,451,530,000

	Water Rates 2015 per Acre-foot	Water Rates 2015 per Acre-foot	Water Rates 2015 per Acre-foot
	Residential	Agricultural	Difference
San Diego	$764	$582	$182
Vaughn (Bakersfield Area)	$387	$82	$306
Southern California	$1,239	$901	$338
Fresno	$2,771	$2,184	$587
TOTAL AVERAGE			$353

Sources:
San Diego: Water Rates - San Diego Water Authority, Finance & Relations, Water Rates & Charges, (Equation: Melded Untreated M&I Supply rate - Special Agricultural Water Rate Untreated)
Vaughn: Vaughn Water Company, Current Water Rates, (Equation: (Residential Rates - Flat Rate for property over 32,671 square foot)
Southern California: Western Municipal Water District, Water Rates, (Equation: Non-Potable Water Rates Residential - Agricultural Water Rates)
Fresno: City of Fresno, Schedule of Current and Proposed Schedule of Rates, Fees and Charges for Public Water Service, (Equation: Domestic water rates - Irrigation water rates)

As noted above our conservative estimate was $20 billion in order to avoid skewing the data by water rates driven by drought.

Based on those numbers GCS estimates that about $20,000,000,000 in benefits have been provide to producers in 2015. The number have been rounded from the multiplication of the total acre-feet of water used in 2013 by the difference between Residential and Agricultural Rates – per acre-feet – in 2015 on San Diego. If taken in consideration other counties the number would

[493] Acre-feet of water used in 2013 - CRS, California Agricultural Production and Irrigated Water Use, June 2015
Water Rates - San Diego Water Authority, Finance & Relations, Water Rates & Charges
(Equation: Melded Untreated M&I Supply rate - Special Agricultural Water Rate Untreated)
25.8 x 4 = 013.2
2016: 103,200,000 x 182 = 18,782,400,000 x 10.54% = 1,979,664,960
2017: 103,200,000 x 189 = 19,504,800,000 x 10.54% = 2,055,805,920

have been much higher, $36,451,530,000, as seen on table above. But for this report just the San Diego rate has been used in order to avoid skewing the results due to drought in this period examined.

PART II

OVERVIEW: PART II – STATE SUBSIDIES

Part II reviews the agricultural support programs maintained at the sub-national level in the U.S. on a state by state basis. While the principal source of support to U.S. Agriculture is the USDA at the federal level, the support at the sub-national level, which includes subsidized water for irrigation, also provides very substantial benefits to agriculture and to dairy production. Many State programs involve local delivery of USDA programs and funding. These federal programs were addressed in Part I. States also provide infrastructure, services and support which appear, in many cases, to be normal functions of government. We have listed details on selected programs under each of the individual state sections to illustrate what the state does for agriculture.

Based on our research and analysis, we estimate that for 2015, total U.S. state and local government support to dairy production amounted to US$2,738,053,460 or at least US$1.31/cwt. In Canadian dollars, using the 2015 average U.S. exchange rate for the Bank of Canada, this support is approximately $3.79/hl.

Funding of State programs requires budgetary resources over and above those examined in Part I. Like their USDA counterparts, many of the State Governments' programs should be included in the U.S. AMS. These programs provide direct support to agricultural producers that reduce their costs and promote or influence agricultural production. These programs include those which provide: preferential financing, loan guarantees, farmland security, grants and tax incentives. Publicly available information on such programs (which varies considerably from state to state) is addressed in this part of the study.

State Government support to agricultural producers generally falls into the category of general services and infrastructure support. It includes inspection services, certification and grading services, generic market promotion services, animal health, pest management, education and training, environmental and conservation services, as well as advisory services. Many of these programs involve delivery at the state level of USDA funding and services, often on a cost-shared basis. While the costs and benefits of some of these programs would not likely be subject to discipline in a countervailing duty investigation, and would not be included in the U.S. AMS, they provide support to farmers and ranchers which is important in the aggregate. Indeed, this support is far more extensive than exists in the vast majority of WTO member countries. Therefore, these programs have been included in the overall estimate of State support and allocated to dairy producers based on methodology discussed below.

In addition, state and local governments provide very extensive and important support through irrigation subsidies in the form of below-market and below-cost price water provided for agricultural use; we have not been able to analyze the extent of benefits for subsidized electricity – often at less than 10% of commercial rates, to operate the irrigation systems.[494]

(i) State and Local Government Support

We have estimated the total value of agricultural subsidies and support provided at the sub-national level in 2015 to be $7,049,918,596.

Generally, information available for programs and budgets at the state level is much less comprehensive and transparent than the information published by the USDA, the Department of the Interior and the OMB. Further, the value of tax incentives, or revenue foregone, is not included in state agricultural budgets and we were not able to estimate their value.

We consider that the information available to us does not reflect the total value of support provided to agricultural production through various sub-national Departments and Agencies. There are also subsides to agricultural fuel,[495] electricity and water which are revenue forgone instead of expenditures or cash transfers. Nor have we been able to address motor fuel

[494] The Environmental Working Group, Taxpayers Guarantee Central Valley Farms Water Through a Subsidy Worth Up to $416 Million per Year, December 2004, http://www.ewg.org/reports/watersubsidies/references.php
[495] "The huge lies in the U.S. notification of its agricultural trade-distorting domestic supports from 2002 to 2005", Jacques Berthelot, Solidarité, January 3, 2008

incentives at the state level for use of E-85[496] and other ethanol blends. Therefore, we believe that our estimates of subsidy and support levels understate the total value of support provided to agricultural producers at the subnational level. Our review of publicly available information and analysis suggests that expenditures may not be accurately or completely reported in all states.

(ii) Irrigation Subsidies

Blaine Hanson of the University of California explained that agriculture cannot compete economically with the urban/industrial sector for water.[497]

- Agriculture uses a large amount of water per unit of production
- Consumers do not pay very much for the agricultural products

Blaine Hanson explains:

> "Regardless of the economics, if we want food we will have to pay the price in terms of water and land for producing the agricultural products used to produce our food. There is no other choice if we want food!"

What percentage of California's water is used by agriculture?

- 80 %: based on the developed water supply
- 52 %: based on the total water supply of a dry year
- 29 %: based on the total water supply of a wet year

Lower-cash value crops provide a major part of consumers diet.

- Agriculture is California's largest user of water.
- It takes a lot of water to produce a crop.

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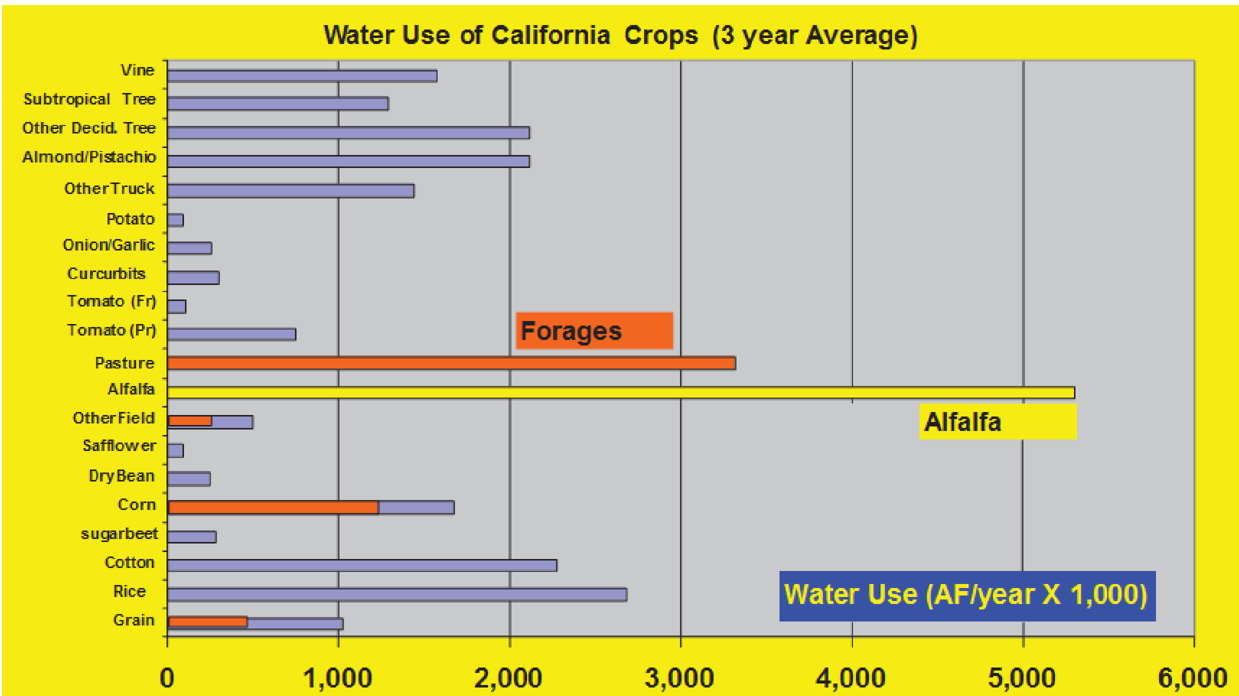
[496] For example: "Several states have established incentives for stations to convert or install retail fuel dispensing equipment for ethanol blends. These incentives can be in the form of a grant, tax credit, or a loan." (Blend Your Own, http://www.byoethanol.org/incentives/state-incentives.html)

[497] Irrigation of Agricultural Crops in California, Department of Land, Air and Water Resources, University of California, Blaine Hanson

PART II

- The price that society has to pay for food is the water and land required to produce the crops needed for food. There is no other choice.
- It is unlikely that increasing irrigation efficiency will have a large impact in supplying the predicted future water needs of the urban/industrial and environmental sectors.
- Agricultural land will need to be removed from production to supply the needed water.

Water Use of California Crops



Source: Irrigation of Agricultural Crops in California, Department of Land, Air and Water Resources, University of California, Blaine Hanson

The Presentation asks, "Are We Wasting Water Growing Alfalfa?"

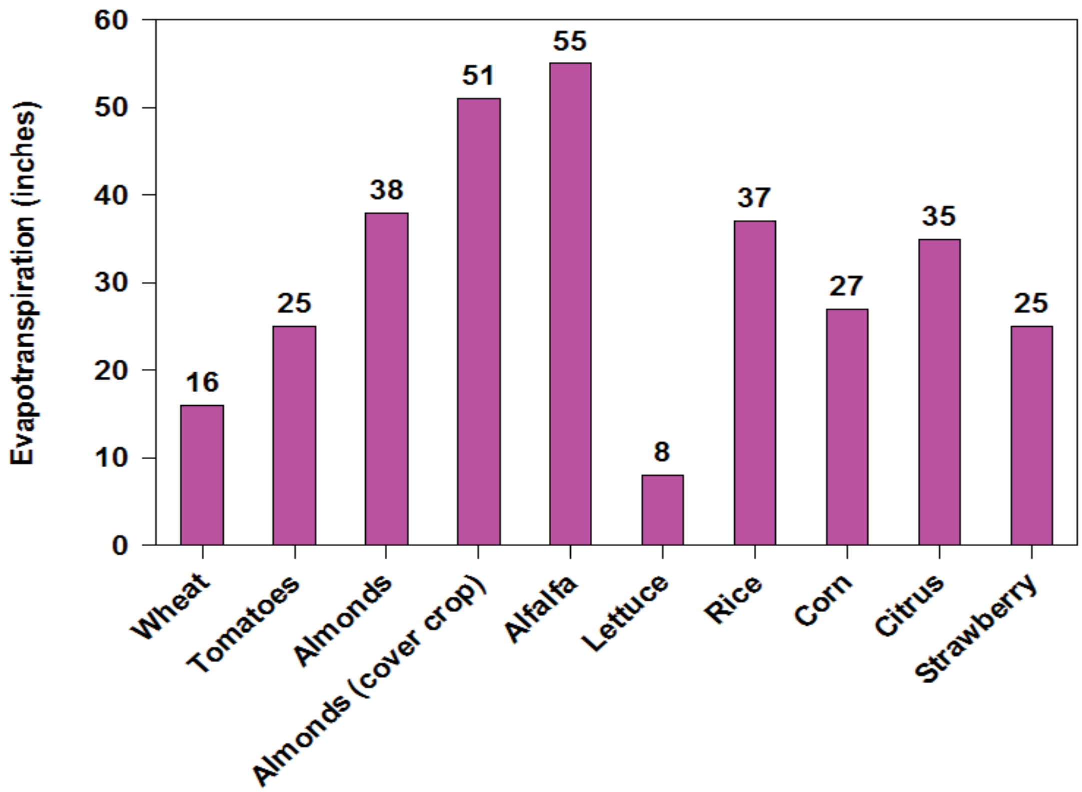
Alfalfa is an important part of a dairy cow's feed.

- Alfalfa assist in the production of ice cream, milk, cheese, yogurt, butter.
- Seasonal Evapotranspiration of alfalfa = 55 inches of water = 55 acres-inches per acre = 1,500,000 gallons per acre

PART II

160 acres: ET = 160 acres x 1,500,000 gallons per acre = 240,000,000 gallons of water per year (does not included irrigation system inefficiencies)

Evaporation of selected crops



Source: Irrigation of Agricultural Crops in California, Department of Land, Air and Water Resources, University of California, Blaine Hanson

While certain expenditures on irrigation infrastructure are reported at the federal level, by far the greatest benefits are provided at the state and local level through the provision of below-cost and below-market priced water for irrigation purposes. The total value of irrigation subsidies provided by state and local government has been estimated at between $10,000,000,000 and $33,000,000,000. Selecting the mid-point in this range, the total value of support provided through irrigation subsidies at this sub-national level is estimated to be $21,500,000,000. This is a conservative estimate – our analysis indicates that water usage increased about 8% between 2007 and 2012.[498]

[498] USDA – ERS – How important is irrigation to U.S. Agriculture?

PART II

Actual estimate for 2015 was substantially higher as seen below. However, we consider the estimate was inflated and sculled by drought.

Based on those numbers GCS estimates that about $20,000,000,000 in benefits have been provide to producers in 2015. The number have been rounded from the multiplication of the total acre-feet of water used in 2013 by the difference between Residential and Agricultural Rates – per acre-feet – in 2015 on San Diego. If taken in consideration other counties the number would have been much higher, $36,451,530,000, as seen on table below. But for this report just the San Diego rate has been used in order to avoid skewing the results due to droughty in this period examined.

PART II

Irrigation - Estimate Water Use for Agricultural Irrigation in the U.S. [499]

	Acre-feet of water used in 2013	Water Rates Benefits in 2015 acre-feet
	103,200,000	$353
Total (Water Use x Water Rate)		$36,451,530,000

	Water Rates 2015 per Acre-foot	Water Rates 2015 per Acre-foot	Water Rates 2015 per Acre-foot
	Residential	Agricultural	Difference
San Diego	$764	$582	$182
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TOTAL AVERAGE			$353

Sources:
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Vaughn: Vaughn Water Company, Current Water Rates, (Equation: (Residential Rates - Flat Rate for property over 32,671 square foot)
Southern California: Western Municipal Water District, Water Rates, (Equation: Non-Potable Water Rates Residential - Agricultural Water Rates)
Fresno: City of Fresno, Schedule of Current and Proposed Schedule of Rates, Fees and Charges for Public Water Service, (Equation: Domestic water rates - Irrigation water rates)

As noted above our conservative estimate was $20 billion in order to avoid skewing the data by water rates driven by drought.

[499] Acre-feet of water used in 2013 - CRS, California Agricultural Production and Irrigated Water Use, June 2015
Water Rates - San Diego Water Authority, Finance & Relations, Water Rates & Charges
(Equation: Melded Untreated M&I Supply rate - Special Agricultural Water Rate Untreated)

PART II

(iii) Support to Dairy Production

We have relied, to the extent that it is available, on 2015 data to determine the value of state and local government support to U.S. dairy producers. We selected 2015 because it provides the most recent actual budgetary expenditure and program level information available for all states. The total share of dairy production in total agricultural production for individual states for 2015 was used, to ensure consistency with the 2015 budgetary expenditures.

Accordingly, we estimate that the total value of support for U.S. dairy in 2015 is the sum of the total value of support provided under dairy specific state programs plus the total value of non-dairy specific state programs allocated to dairy on the basis of the share of individual state dairy receipts by the total individual state farm receipts.[500]

The total value of support provided by state and local governments in 2015 is estimated to be $7,049,918,596. The total value of direct state and local government support to dairy production and indirect support allocated to dairy production is $630,053,460.

Support provided through irrigation subsidies is direct but non-dairy-specific support which is also allocated on the basis of dairy's share of the total value of state agricultural production for those states which are the principal beneficiaries of the irrigation programs. In 2009, we estimate that the total value of irrigation subsidies provided to agriculture by state and local governments was $20,000,000,000. On this basis, the total amount of irrigation subsidies allocated to dairy production in 2015 is $2,108,000,000.

Therefore, we estimate that the total value of support to dairy production provided by state and local governments is $2,738,053,460 - the aggregate of support to dairy production provided by state and local governments and through irrigation subsidies provided by state and local governments.

[500] USDA Economic Research Service, Data Sets, Top Commodities, Exports and Countries

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In 2015, total U.S. milk production was 208,603,000,000 lbs[501] or 2,086,030,000 cwt. Therefore, total state and local government support per cwt was approximately $1.31. Using the U.S. dollar 2015 average exchange rate to the Canadian dollar provided by the Bank of Canada, which was $1.27871080, the U.S. federal support per hundredweight in Canadian dollars was $1.67CAD.

Converted to hectoliters the value of the subsidies in Canadian dollars was $3.79CAD/hl.

The following table summarizes on a state by state basis, support to agriculture in 2009, and the allocation to dairy products:

U.S. State Support to Agriculture 2015				
Section	**State**	**Support to Agriculture (US$)**	**Allocation to Dairy (%)**	**Allocation to Dairy (US$)**
1	Alabama	$38,267,357	0.4%	$153,069
2	Alaska	$2,211,100	2.0%	$44,222
3	Arizona	$14,310,400	18.4%	$2,633,114
4	Arkansas	$52,631,668	0.2%	$105,263
5	California	$324,606,000	13.4%	$43,497,204
6	Colorado	$46,274,053	9.0%	$4,164,665

[501] National Agricultural Statistics Service (NASS): Milk Production

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U.S. State Support to Agriculture 2015				
Section	**State**	**Support to Agriculture (US$)**	**Allocation to Dairy (%)**	**Allocation to Dairy (US$)**
7	Connecticut	$31,792,000	12.8%	$4,069,376
8	Delaware	$12,120,700	1.3%	$157,569
9	Florida	$1,529,394,250	6.6%	$100,940,021
10	Georgia	$49,988,777	3.9%	$1,949,562
11	Hawaii	$50,997,083	1.4%	$713,959
12	Idaho	$206,050,000	31.8%	$65,523,900
13	Illinois	$103,442,000	2.1%	$2,172,282
14	Indiana	$8,647,019	6.2%	$536,115
15	Iowa	$131,346,568	3.0%	$3,940,397
16	Kansas	$44,935,487	3.4%	$1,527,807
17	Kentucky	$32,053,100	3.4%	$1,089,805
18	Louisiana	$75,112,417	1.1%	$826,237
19	Maine	$32,386,640	15.9%	$5,149,476
20	Maryland	$76,371,000	7.8%	$5,956,938
21	Massachusetts	$20,794,000	9.7%	$2,017,018
22	Michigan	$84,462,200	21.8%	$18,412,760
23	Minnesota	$40,553,000	10.1%	$4,095,853
24	Mississippi	$643,868,132	0.6%	$3,863,209
25	Missouri	$31,354,486	2.5%	$783,862
26	al	$26,115,028	1.2%	$313,380
27	Nebraska	$20,972,639	1.0%	$1,427,132
28	Nevada	$163,546,886	16.1%	$26,331,049
29	New Hampshire	$5,365,720	20.7%	$1,110,704
30	New Jersey	$19,742,000	2.1%	$414,582
31	New Mexico	$36,103,000	41.3%	$14,910,539
32	New York	$104,699,000	47.9%	$50,150,821
33	North Carolina	$171,844,413	1.6%	$2,749,511
34	North Dakota	$716,511,228	0.8%	$5,732,090
35	Ohio	$52,613,000	10.6%	$5,576,978
36	Oklahoma	$98,503,850	1.9%	$1,871,573
37	Oregon	$55,607,024	9.5%	$5,282,667
38	Pennsylvania	$338,859,000	26.7%	$93,369,353 *
39	Rhode Island	$107,300,000	3.7%	$3,970,100
40	South Carolina	$15,904,433	2.1%	$333,993
41	South Dakota	$46,064,709	4.7%	$2,165,041

U.S. State Support to Agriculture 2015				
Section	**State**	**Support to Agriculture (US$)**	**Allocation to Dairy (%)**	**Allocation to Dairy (US$)**
42	Tennessee	$96,465,200	3.8%	$3,665,678
43	Texas	$629,364,745	7.7%	$48,461,085
44	Utah	$29,875,782	18.9%	$5,646,523
45	Vermont	$17,697,975	60.0%	$10,618,785
46	Virginia	$64,027,785	9.1%	$5,826,528
47	Washington	$82,804,500	11.3%	$9,356,909
48	West Virginia	$348,750,000	3.3%	$11,508,750
49	Wisconsin	$97,074,100	46.0%	$44,654,086
50	Wyoming	$20,137,143	1.4%	$281,920
	Total	**$7,049,918,596**		**$630,053,460**

*Please refer to Section 38 – Pennsylvania for details on dairy allocation calculations.
**Please refer to Section 49 – Wisconsin for details on dairy allocation calculations.

1. ALABAMA

Agricultural producers in Alabama benefit from subsidies and support provided by the Department of Agriculture and Industries, the Alabama Center Board and the Agricultural and Conservation Development Commission. The aggregate subsidies and support provided through these bodies is reported as follows:

FY 2015 (Actual)[502]	$38,267,357
FY 2016 (Budgeted)[503]	$37,617,829

The State of Alabama administers the following programs:

- Agricultural Development Services Program
- Capital Outlay Program
- Agricultural Inspection Services Program
- Laboratory Analysis and Disease Control Program
- Administrative Services Program

Many of these programs are state level vehicles for delivering USDA funding and services.

Federal Programs for Alabama

- Conservation Reserve Program (CRP)
- Emergency Conservation Program (ECP)
- Emergency Forestry Restoration Program (EFRP)
- Biomass Crop Assistance Program (BCAP)
- The Grassland Reserve Program (GRP)
- Non-insured Assistance Program (NAP)
- The Livestock Forage Program (LFP)
- Livestock Indemnity Program (LIP)
- Emergency Livestock Assistance Program (ELAP)
- Tree Assistance Program (TAP)
- Farm Storage Facility Loans
- Marketing Assistance Loans
- Margin Protection Program for Dairy (MPP-Dairy)
- Farm Ownership Loans
- Farm Operating Loans

[502] Budget Fact Book, FY 2015, Alabama Legislative Fiscal Office, pg 19
[503] Budget Fact Book, FY 2016, Alabama Legislative Fiscal Office, pg 21

- Microloans
- Socially Disadvantaged Loans

The programs administered by these agencies do not provide support exclusively to dairy. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis. Total support provided to agricultural producers by Alabama in 2015 was $38,267,357, and the percentage allocation to dairy for Alabama in 2015 was 0.4%. Therefore, the total amount of support and subsidies allocated to dairy production in 2015 is $153,069.

2. ALASKA

Agricultural producers in Alaska benefit from subsidies and support provided by the Division of Agriculture of the Department of Natural Resources. The budget for the Division of Agriculture is reported as follows:[504]

FY 2015(Allocations)	$2,211,100

The State of Alaska administers the following programs:

- Agricultural Revolving Loan Fund (ARLF)
- Agricultural Development
- North Latitude Plant Material Center

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal Programs for Alaska

Farm Loan Programs

- Direct Loan Programs
    - Farm Ownership Loans
    - Farm Operating Loans
    - Emergency Loans
    - Youth Loans
    - Indian Tribal Land Acquisition Program
    - Guaranteed Loan Programs
    - Farm Ownership Loans
    - Farm Operating Loans

[504] Laws of Alaska 2015, an Act making appropriations for the operations any loan program expenses of State Government, pg 31

Federal Price Support Programs
Federal Conservation Programs

- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Emergency Conservation Program (ECP)
- Environmental and Cultural Resource Compliance
- Farmable Wetlands Program
- Grassland Reserve Program (GRP)
- Source Water Protection Program

Disaster Assistance

- Emergency Loans
- Emergency Conservation Program
- Noninsured Crop Disaster Program

The programs administered by the Division of Agriculture do not provide support exclusively to dairy. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Actual expenditures by the Division of Agriculture in 2015 were $2,211,100, and the percentage allocation to dairy for Alaska in 2015 was 2.0%. Therefore, the total amount allocated to dairy production for 2015 is $44,222.[505]

On examining the programs administered by the Department, which can involve loans to nearly the same value as the budget, we consider that our methodology understates both total expenditures and benefits to dairy. But this is all the information available.

[505] We note that in 2007-8, there were reports of loans and grants in excess of $2 million to a single dairy in Alaska. This was highly publicized as "Dairygate" and was tied to the Administration of former Alaska Governor Sarah Palin. Source information was a number of blogs. We have not included these reports in our estimates.

PART II - ALASKA

Agricultural Revolving Loan Fund

(a) Program Description

The Agricultural Revolving Loan Fund is a program established to promote the development of agriculture as an industry through moderate interest rate loans.

Individuals may borrow up to $1,000,000 to finance annual operating expenses, to purchase equipment or livestock, to purchase and install irrigation equipment, to build and equip processing facilities and to finance land clearing activities.[506]

The program describes the loans as being made at moderate interest rates. The loan terms, including the payment terms, are made on the basis of the applicant's ability to service the loans.[507]

(b) WTO Consistency

The provision of loans at moderate rates through this program confers a subsidy on eligible recipients. As the purpose of the loan program is to promote the development of agriculture in Alaska, the loans are intended to have trade and/or production distorting effects. Therefore, the value of the subsidy provided under this program should be included in the U.S. AMS.

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[506] *"Financing for Alaska Agriculture", Agricultural Revolving Loan Fund*, Alaska Department of Natural Resources, Division of Agriculture, www.dnr.state.ak.us/ag/ag_arlf.htm
[507] Ibid.

(c) Expenditures

The Allocation Detail from the FY 2015 Appropriations Act for the Department of Natural Resources reports the following as the total allocation for the Agricultural Revolving Loan Program Administration:[508]

2015 (Allocations)	$2,533,800

(d) Allocation to Dairy

This program does not provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. As we noted in Part I, this averaging technique ignores the fact that many U.S. producers do not benefit from subsidies – so the averaging technique is likely to understate benefits to dairy producers.

The percentage allocation to dairy for Alaska in 2015 was 2.0%. Actual expenditures by Alaska under this program in 2015 were $2,533,800. Therefore, the total amount allocated to dairy production for 2015 is $50,676.

[508] Laws of Alaska 2015, an Act making appropriations for the operations any loan program expenses of State Government, pg 53

PART II - ALASKA

Agricultural Land Management

(a) Program Description

The objective of the Agricultural Land Management Program is to make agricultural land available for sale, lease or permits as funding allows. To achieve this objective, an inventory of unsold lands classified for agriculture is maintained for future sales. These sales can be made subject to development requirements and conservation plans.[509]

(b) WTO Consistency

Based on the information available, it appears that this program is intended to protect agricultural land from commercial or residential development and ensure its future use in agricultural production. Consequently, it appears that this program is intended to make this land available for farming at below market rates (i.e., at below its value for other uses). Therefore, the provision of land at below market rates for agricultural production confers a subsidy on the recipient. The program will apparently reduce the recipient's costs and will also encourage production thereby having trade and/or production distorting effects. Therefore, the value of the subsidies provided under this program should be included in the U.S. AMS.

(c) Expenditures and Allocation to Dairy

The budgetary information available from the State of Alaska is not sufficiently detailed to allow us to determine total expenditures under this program or to determine an appropriate allocation to dairy.

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[509] *Agricultural Land & Sales Management*, Department of Natural Resources, Division of Agriculture, www.dnr.state.ak.us/ag/ag_sales.htm

3. ARIZONA

The Arizona Department of Agriculture operates a broad range of programs and provides services that support agricultural production and producers. The Budget for the Department of Agriculture reports the following expenditures on account of all Departmental programs: [510]

2015 (Actual)	$14,310,400
2016 (Estimate)	$17,122,800
2017 (Estimate)	$16,522,100

The State of Arizona administers the following programs:

- Agricultural Consulting and Training Trust
- Agricultural Products Marketing
- Aquaculture Trust
- Beef Council
- Citrus, Fruit and Vegetable Trust
- Citrus Trust
- Commercial Feed Trust
- Commodity Promotion
- Cotton Research and Protection Council
- Dangerous Plants, Pests and Diseases Trust
- Designated
- Egg Inspection
- Equine Inspection
- Federal
- Federal-State Inspection
- Fertilizer Materials Trust
- Grain Trust
- Iceberg Lettuce Trust
- IGA and ISA
- Indirect Cost Recovery
- Livestock and Crop Conservation
- Livestock Compensation
- Livestock Custody Trust
- Nuclear Emergency Management
- Pesticide Trust
- Protected Native Plant Trust

[510] FY 2017 Baseline Summary, January 2016, pg 31

- Seed Trust

Many of these programs are state level vehicles for delivering USDA funding and services. We have not addressed any of these programs in the body of this report due to the paucity of information available, and in order to avoid repetition.

Federal Programs for Arizona

Price Support Programs
- Farm storage facility Loans (FSFL)
- Marketing Assistance Loans (MAL) and Loan Deficiency Payment (LDP) Program

Disaster and Production Programs
- Non-insured Crop Disaster Assistance Program (NAP)
- Margin Protection Program for Dairy (MPP- Dairy)
- Livestock Indemnity Payment Program (LIP)
- Emergency Assistance for Livestock, Honeybees and Farm-Raised Fish Program (ELAP)

Livestock Forage Disaster Program (LFP)

Common Provisions Programs
- Payment Limitation (PL)
- Adjusted Gross Income (AGI)

Farm Loan Programs
- Direct Farm Operating Loans and Microloans
- Guaranteed Farm Loans
- Youth Loans

Conservation and Special Programs
- Emergency Conservation Program (ECP)
- Grassland Reserve Program (GRP)
- Biomass Crop Assistance Program (BCAP)

The programs administered by the Department of Agriculture do not provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Actual expenditures by the Department of Agriculture in 2015 were $14,310,400, and the percentage allocation to dairy for Arizona in 2015 was 18.4%. Therefore, the total amount allocated to dairy production for 2015 is $2,633,114.

4. ARKANSAS

Agricultural producers in Arkansas benefit from support provided through a range programs operated by various government agencies. Appropriations for these boards are described in the State of Arkansas Actual Expenditures Fiscal Year 2009 as follows:

	2015 [511]
Beef Council	$754,293
Catfish Promotion Board	$38,210
Corn and Grain Sorghum Promotion Board	$1,058,370
Soybean Promotion Board	$6,457,990
Wheat Promotion Board	$155,646
Agriculture Department	$44,167,159
Total	**$52,631,668** [512]

The State of Arkansas administers the following programs:

Annual Programs
- Arkansas Farmers Market Promotion Grant
- Arkansas Farmers Market Bag Program
- Farmers' Market Vendor Guide
- Grow Arkansas Booklet
- Arkansas Food and Farm Magazine

Alternative Fuels Development Program

National Organic Program Cost Share

Grain Warehouses

Century Farm Program

[511] State of Arkansas Actual Expenditures, Fiscal Year 2015, pg 2
[512] Ibid., pg 4

PART II - ARKANSAS

Arkansas Homegrown by Heros Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Arkansas

Farm Loan Programs
- Beginning Farmers and Ranchers Loans
- Socially Disadvantaged Farmers and Ranchers
- Emergency Farm Loans
- Rural Youth Loans
- Microloans
- Farm Operating Loans
- Farm Ownership Loans
- Guaranteed Farm Loans

Commodity Programs
- Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC)

Price Support
- Commodity Loans (MAL)
- Cotton
- Facility Loan Program (FSFL)
- Loan Deficiency Payment (LDP)
- Loan Rates
- Milk Income Loss Contract Program (MILC)

Conservation
- Biomass Crop Assistance Program (BCAP)
- Conservation Reserve Program (CRP)
- Emergency Conservation Program (ECP)
- Grassland Reserve Program (GRP)

Disaster Assistance Program
- Livestock Forage Program (LFP)
- Emergency Assistance for Livestock, Honey Bees and Farm-raised Fish (ELAP)
- Livestock Indemnity Program (LIP)
- Non-insured Assistance Program (NAP)
- Supplemental Revenue Assistance Payments (SURE)
- Tree Assistance Program (TAP)

PART II - ARKANSAS

The programs administered by these agencies do not provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis. In this case, much of the support is dedicated to non-dairy products. But dairy producers will benefit from several activities.

Appropriations for programs administered by these agencies in 2015 were $52,631,668, and the percentage allocation to dairy for Arkansas in 2015 was 0.2%. Therefore, the total amount allocated to dairy production for 2015 is $105,263.

PART II - ARKANSAS

Arkansas Farmers Promotion Program

(a) Program Description

The Arkansas Farmers Market Promotion Program provide grants to established farmers market organizations throughout the state that will help fund promotional items designed to build awareness of farmers market locations and offerings. Applications are available until beginning of April, grants recipients are announced in May, and funds must be utilized by December of the that fiscal year.

Grants through the Arkansas Farmers Market Promotion Program are made available by Farm Credit.

Any farmers market across Arkansas that meets the following criteria is eligible to apply: 1) The farmers market location must be a place where a farmer may offer for sale the produce of his/her farm at least weekly during the months of May, June, July, and August; and 2) The farmers market must be governed by an organized body in freely obtainable bylaws or market guidelines; and 3) On any given market day, the farmers market must have at least 50% farmer-vendors. Farmers Market Promotion Grants may fund the following promotional items to build community and regional awareness for a specific farmers market offerings: signage listing names, seasons, times of operation, and location details; local advertising including print, radio, and television media projects; and even social media campaigns.

Grants obtained through this program helps to connect consumers with Arkansas agricultural producers and also increases consumer awareness of the farmers markets located in the state help to expand market opportunities for producers while also helps to put money back into the local economies. [513]

[513] https://www.organicconsumers.org/news/arkansas-farmers-market-promotion-grants-available

(b) WTO Consistency

It is not clear from the information available whether or not this program would meet the requirements of Annex 2.2(f) to the WTO Agreement on Agriculture. Any grants provided to eligible farmers under this program must be included in the U.S. AMS. These funds are intended to program helps to connect consumers with Arkansas agricultural producers and helps to expand market opportunities for producers. Consequently, the grants provided are intended to have production and/or trade distorting effects.

(c) Expenditures and Allocation to Dairy

The budgetary information available from the State of Arkansas does not Provide sufficient detail to allow us to determinate expenditures under this program.

5. CALIFORNIA

Agricultural policies and programs and primarily delivered by the California Department of Food and Agriculture. The total funding for all programs, as set out in the Governor's Budget/Proposed Budget Detail is reported as follows:[514]

2015	$324,606,000
2016	$449,062,000
2017	$439,211,000

The State of California administers the following programs:

- Avocado Inspection Program
- Biological Control Program
- California Citrus Program
- California Organic Program
- California Type Evaluation Program
- Certified Farmers Market Program
- Dairy Digester Research and Development Program
- Device Enforcement Program
- Egg Safety and Quality Management Program
- Equine Medication Monitoring Program
- Emergency Animal Disease Program
- Exotic Pest Research Program
- Fertilizer Research and Education Program
- Milk and Dairy Food Safety
- Milk Pooling
- Motor Oil Fee Program
- Organic Program, California
- Pest Detection Emergency Projects
- Petroleum Products Program
- Pierce's Disease Control Program
- Pink Bollworm Program
- Plant Protection and Plant Health
- Preventative Release Program
- Quantity Control Program
- Senior Farmers Market Nutrition Program
- Small Business & Disabled Veterans Business Enterprise Program

[514] *California Department of Food and Agriculture Budget FY 2016-2017,* pg GG 1

- Specialty Crop Block Grant Program
- Standardization Program
- State Water Initiative and Enhancement Program
- Type Evaluation Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for California

- Agricultural Mediation Program
- Beginning Farmer Downpayment Loan
- Conservation Reserve Program (CRP)
- Dairy Indemnity Payment Program
- Direct Farm Ownership Loan
- Direct Operating Loan
- Economic Emergency Loan Program
- Emergency Conservation Program (ECP)
- Emergency Loans
- Extra Long Staple Cotton Competitiveness Program
- Farm Storage Facility Loan Program
- Grassland Reserve Program (GRP)
- Guaranteed Farm Ownership Loan
- Guaranteed Operating Loan
- Indian Tribal Land Acquisition Program
- Non-insured Crop Disaster Assistance Program (NAP)
- Non-recourse Marketing Assistance Loan and Loan Deficiency Payment (LDP) Programs
- Sugar Storage Facility Loan Program
- Youth Loan

While the Department of Food and Agriculture has several programs which support exclusively to dairy producers, there is not enough information available to calculate these benefits. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

PART II - CALIFORNIA

Budgetary funding on account of all California food and agriculture programs in 2015 was $324,606,000, and dairy accounted for 13.4% of the value of production for California in 2015. Therefore, the total amount allocated to dairy production for 2015 is $43,497,204.

It is important to note that agricultural production in California is one of the major beneficiaries of irrigation subsidies which are addressed separately.

PART II - CALIFORNIA

Dairy Pricing

(a) Program Description

The Dairy Marketing Branch of the Department of Food and Agriculture regulates the price of dairy products with the result that California provides an export subsidy on the export sale of specified dairy products.

California establishes different prices for dairy products, in part, depending on where they are sold, including sales outside the state, outside the contiguous 48 states and outside the U.S. Prices are calculated on the basis of five classes of milk (1, 2, 3, 4a, and 4b).

Some products are sold at different prices depending on whether or not they are sold for export. Consequently, cottage cheese, soft fresh cheese, sour cream, light sour cream, yogurt and yogurt drink fall under Class 4a if they are intended for export sale, otherwise they fall under Class 2.[515]

(b) WTO Consistency

California's administered price system requires that certain products be sold on the export market at below the set domestic price. By requiring that these products be sold, for export, at a price below the prevailing domestic price, California is providing an export subsidy for purposes of the Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures.

A subsidy is a financial contribution by government that confers a benefit on the recipient. In this case, purchasers of certain exported dairy products receive the benefit of purchasing those products at a price below the prevailing domestic market price. As the Dairy Board establishes the domestic price and export price of those products, benefit conferred on the purchaser in the form of lower prices is conferred by government. Thus, the administered pricing confers a

[515] California Department of Food and Agriculture, Dairy Prices, Minimum Class and Pool Prices from Dairy Information Bulletin

subsidy. The subsidy is an export subsidy because it is only provided on the export sale of the specific products.

The total value of the export subsidy is the difference between the domestic and export price of the specific product multiplied by the total volume of exported products. This amount, which is not tied to the budgetary allocation to operate the pricing mechanism, must be notified to the WTO and counted against the U.S. obligation on total export subsidies.

(c) Expenditures and Allocation to Dairy

The total value of the export subsidy provided through the pricing program is not tied to the budgetary allocation to operate the pricing program administration. Rather, the total value of the export subsidy provided is the difference between the domestic and export price of the specific product multiplied by the total volume of exported products. This amount cannot be readily calculated from information available to us. However, the total value of this export subsidy must be allocated to dairy producers. This amount cannot be readily calculated from information available to us. However, the total value of this export subsidy must be allocated to dairy producers.

PART II - CALIFORNIA

Direct Farm Ownership Loan

(a) Program Description

A loan made to eligible applicants to purchase, enlarge or make capital improvements to family farms, or to promote soil and water conservation and protection. Maximum direct loan amount is $300,000. A percentage of direct Farm Ownership loan funds are targeted for beginning farmers and socially disadvantaged applicants.[516]

(b) WTO Consistency

There are similar programs in a number of states. These loans provide benefits to recipients and are designed to promote production. Therefore, any expenditures under this program (and similar programs delivered in other states) should be included in the U.S. AMS.

(c) Expenditures and Allocation

This program expends USDA funding which has been addressed in Part I. The information available to us does not permit determination of administrative and program delivery costs, and this precludes any allocation to dairy.

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[516] USDA, Programs, FSA Administered Programs, Direct Farm Ownership Loan

PART II - CALIFORNIA

Milk Producers Security Trust Fund

(a) Program Description

The Milk Producers Security Trust Fund was created by state law in 1987 to protect producers from handler payment defaults. The Fund contains a sufficient amount of money to cover 110% of one month's milk purchases by the milk handler with the largest monthly producer payment obligation.[517]

(b) WTO Consistency

This program arguably encourages production as the state is carrying credit risk for the producer. Expenditures under the program should be included in the calculation of the U.S. AMS.

(c) Expenditures and Allocation to Dairy

The budgetary information available from the State of California is not sufficiently detailed to allow us to determine total expenditures under this program which, if it could be determined, would be allocated 100% to dairy producers.

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[517] *Milk Producers Security Trust Fund*, California Department of Food and Agriculture

PART II - CALIFORNIA

Dairy Marketing Branch

(a) Program Description

The Dairy Marketing Branch (DMB) promotes, fosters and encourages sound production and marketing of milk that reflect market conditions by resolving critical policy issues such as manufacturing cost allowances, yields, and other adjustment factors in milk pricing, market price fluctuations, the formation of monopolies, and law enforcement. The Branch is organized into five units, each of which concentrates on a specific area of work that contributes to administration of the Plans. The DMB's five units are Cost of Production, Manufacturing Cost, Enforcement, Statistics and Economics.[518]

(b) WTO Consistency

This would appear to be a Government service/support function, rather than a program. However, it does provide important support to dairy farmers in California. It would appear that based on the information available, the activities of this Branch are intended to provide price and income support to dairy producers. To the extent this is normal government infrastructure, it would be difficult to argue, based on current rules that it is WTO inconsistent, or must be included in the U.S. AMS. There is not sufficient information available to argue otherwise.

(c) Expenditures and Allocation to Dairy

The budgetary information available from the State of California is not sufficiently detailed to allow us to determine in a specific way benefits to dairy producers resulting from these activities and support.

[518] *Dairy Marketing Branch*, California Department of Food and Agriculture

PART II - CALIFORNIA

Dairy Quality Assurance Program

(a) Program Description

The goal of this program is to develop a dairy quality assurance program for California dairies. Three components were identified for the California Dairy Quality Assurance Program (CDQAP): environmental stewardship, food safety, and animal care and welfare. The California Department of Food and Agriculture provides technical assistance in all three-component areas of the CDQAP.[519]

(b) WTO Consistency

This program would appear to be a normal function of government. We consider that based on current rules and interpretations of the Agreement on Agriculture, the expenditures to implement this program would not be part of the U.S. AMS.

(c) Expenditures and Allocation to Dairy

The budgetary information available from the State of California is not sufficiently detailed to allow us to determine the benefits to dairy producers resulting from this Departmental technical assistance.

[519] *Dairy Quality Assurance Program*, California Department of Food and Agriculture

6. COLORADO

The total budgetary appropriations on behalf of Agricultural programs administered by Colorado were reported as follows:

FY 2014-2015 (Appropriation)	$44,206,921[520]
FY 2015-2016 (Appropriation)	$46,274,053[521]

The State of Colorado administers the following programs:

- Advancing Colorado's Renewable Energy (ACRE) Program
- Agritourism
- Beginning Farmer Program
- Colorado Non-Immigrant Agricultural Seasonal Worker Program
- Colorado Agricultural Value-Added Development Board
- Fruit & Vegetable Inspection
- Good Agricultural Practices/Good Handling Practices Audit Verification Program
- Hay Resources
- Market Orders
- Mobile Slaughter Units
- Seal of Quality
- Specialty Crop Block Grant Program
- The Centennial Farm Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Colorado

- Agriculture Mediation Program
- Beginning Farmer Down Payment Loan
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Direct and Counter-cyclical Payment (DCP) Program
- Direct Farm Ownership Loan

[520] State of Colorado Joint Budget Committee Fiscal Year 2015-16 Appropriation Report, pg 15
[521] Ibid., pg 16

- Direct Operating Loan
- Emergency Conservation Program (ECP)
- Emergency Farm Loans
- Farm Storage Facility Loan Program
- Grassland Reserve Program (GRP)
- Guaranteed Farm Ownership Loan
- Guaranteed Operating Loan
- Indian Tribal Land Acquisition Program
- Margin Protection for Dairy Producers (MPP-Dairy)
- Non-insured Crop Disaster Assistance Program (NAP)
- Non-recourse Marketing Assistance Loan and Loan Deficiency Payment (LDP) Program
- Sugar Loan Program and Sugar Marketing Allotments
- Sugar Storage Facility Loan Program
- Youth Loans

Colorado's expenditures and appropriations in support of agriculture do not provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Colorado's appropriations on account of all agricultural programs in 2015 were $46,274,053, and the percentage allocation to dairy for Colorado in 2015 was 9.0%. Therefore, the total amount allocated to dairy production for 2015 is $4,164,665.

PART II - COLORADO

Value Added Processing Program

(a) Program Description

This program issues tax exempt bonds for development of agricultural processing facilities for agricultural processors. [522]
The Colorado Agricultural Value-Added Development Board (CAVADB) was created within the Colorado Department of Agriculture by the Colorado Agricultural Development Authority Act (CRS 35-75-201, et seq.). The CAVADB is composed of the seven members who are appointed to the Colorado Agricultural Development Authority Board and the Commissioner of Agriculture, who is an ex officio, non-voting member. This board serves to encourage and promote agricultural business projects. The board has authority to make grants, loans, loan guarantees and equity investments to any person for new or ongoing agricultural projects and research that add value to Colorado agricultural products and aid the economy of rural Colorado communities. Currently its focus is on the Advancing Colorado's Renewable Energy (ACRE) program, which promotes the development of agricultural energy efficiency and renewable energy projects.[523]

(b) WTO Consistency

There is very little information on this program, but it would appear to be designed to facilitate and encourage production. Tax exempt bonds confer benefits both on those holding the bonds, and those whose projects benefit from much lower cost financing. Such bonds are a very popular vehicle in the USA for encouraging development and employment. They may be used to finance the building assets ranging from hockey arenas to auto assembly plants to dairy processing plants.

[522] *Jim Rubingh, Value Added Processing Program,* letter to National Council of State Agricultural Finance Programs
[523] Colorado Department of Agriculture

PART II - COLORADO

(c) Expenditures and Allocation

The benefits of these bond issues are to those purchasing the bonds, revenue forgone by government as the bonds are tax exempt. Farmers will benefit through lower cost investment capital. There is insufficient information available to permit us to calculate the overall benefits under this program or the benefits to dairy processors or producers.

7. CONNECTICUT

Agricultural producers in Connecticut benefit from programs administered by the Connecticut Department of Agriculture and the Agricultural Experiment Station. The Budget-in-Brief for the Department of Agriculture reports the following as total funds available to the Department:[524]

2015 (Estimate)	$19,896,000
2016 (Requested)	$20,896,000

The Budget-in-Brief for the Agricultural Experiment Station reports the following as total funds available to the Department:[525]

2015 (Estimate)	$11,896,000
2016 (Requested)	$12,313,000

The State of Connecticut administers the following programs:

- Agricultural Experiment Station
- Animal Population Control Program
- CT Grown Program
- Environmental Assistance Program
- Export Assistance Program
- Farm-to-School Program
- Farmland Preservation Program
- Farmland Restoration Program
- Farmers' Market Nutrition Program – WIC and Senior Programs
- Good Ag Practices (GAP) & Good Handling Practices (GHP) Audit Program
- Risk Management Crop Insurance Program
- "Second Chance" Large Animal Rehabilitation Facility
- Shell Egg Processing Inspection Program
- Small Poultry Processors Inspection Program
- Farm Re-investment Grant
- Farm State Assistance For Enhancements (SAFE) Grant
- Farm Transition Grant Program

[524] Governor's Budget Plan 2016-2017, Financial Summary, pg A-34
[525] Ibid., pg A-36

- Farm Viability Grant
- Organic Certification Cost Share Program
- PA 09-229 Milk Producer (Dairy Sustainability) Grant
- Specialty Crop Block Grant Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few programs or activities for specific consideration throughout this Part for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Connecticut

- FSA Disaster Assistance Programs
- Connecticut Conservation Loan Programs

The Department of Agriculture Budget and the Agricultural Experiment Station do not provide sufficient detail support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Total funding available to the Department of Agriculture and the Agricultural Experiment Station in 2015 was $31,792,000, and the percentage allocation to dairy for Connecticut in 2015 was 12.8%. Of this total, therefore, the total amount allocated to dairy production for 2015 is $4,069,376.

PART II - CONNECTICUT

Farmland Preservation Program

(a) Program Description

The mission of the Farmland Preservation Program is to preserve farmland soils by acquiring the development rights on farms in farm communities.

The collective goal for the State is to preserve 130,000 acres of farmland, with 85,000 in cropland. In 2008 and 2009, 40 farms comprised of 4,228 acres for $23,723,281 were negotiated and approved for preservation.

As of December 2015, the program has preserved more than 41,500 acres on 315 farms. The long-term goal is to preserve 130,000 acres.

Since inception of the Program, development rights have been acquired, or approved for acquisition, on 268 farms totalling 35,518 acres by the State with help of the agricultural community and private & public partner organizations.[526]

(b) WTO Consistency

Payments made under this program should be included in the U.S. AMS. The payments, which are based on the notional development value of the land, ensure that the preserved agricultural land remains in production and can be used by the producers for any purpose. The fact that the preserved land cannot be used for non-agricultural uses indicates that it will continue to produce agricultural products. Consequently, payments under this program represent direct payments to producers specifically intended to ensure continued agricultural production. Thus, the payments may not be excluded from the U.S. AMS.

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[526] 2012 Annual Report Summary, *Farmland Preservation Program,* Connecticut Department of Agriculture, pg 1 of 2

(c) Expenditures

Total expenditures under Farmland Preservation Program are reported as follows:[527]

2012	$4,094,327

2012 Annual Report Summary

Farmland Preservation Program

Preserved five farms comprised of 610 acres located in five towns, including one joint state-town project with the Town of New Milford.

Protected three dairy support farms, including one with an emerging grape vineyard, a fruit & vegetable farm, including orchards and small fruits, and a hay and vegetable farm.

Received a bargain sale of development rights to 184 acres in Woodstock through the generosity of Dexter and Nancy Young.

Entered a cooperative agreement with the U.S. Department of Agriculture's Natural Resources Conservation Service for federal cost share dollars via the Farm & Ranch Lands Protection Program in the amount of $4,094,327.

Farmland Restoration Program
At the Governor's initiative, $5 million authorized by the State Bond Commission in January 2012 to increase the farm resource base. Received 63 applications on 800± acres for draining improvements for orchards, stumping to increase pasture, and clearing invasive plant species from fields. Total request in 2012: $800,080.

As of May 2015, the program has protected nearly 40,000 acres on more than 300 farms.

[527] Ibid.

Current state law gives the Commissioner of Agriculture the ability to pay up to $20,000 per acre, subject to appraisal. However, from 2012 through 2014, the average price paid by the state toward the purchase of easements was $6,993 per acre.

Community Investment Act (CIA) funds as follows: $100,000 for the "Connecticut Grown" program to help brand and promote local agricultural products, $75,000 for the CT Farm Link program to help farm seekers find farmland owners and $1 million for the Agriculture Viability Grants Programs.[528]

(d) Allocation to Dairy

The Farmland Preservation Program does not provide support exclusively to dairy production. However, supporting fluid milk production is clearly an objective of the program; as noted above, it is intended that the preserved land base will enable Connecticut to produce at least 50% of its fluid milk needs.

Based on the information available, we cannot determine the actual expenditures made in support of dairy farms under this program. However, because one of the objectives of the program is to produce at least 50% of Connecticut's fluid milk needs on preserved land, it would be reasonable to assume that expenditures made on account of dairy production under this program are greater than dairy's share of the total value of state agricultural production of 12.8% for Connecticut. This assumption is also supported by the fact that, of the 130,000 acres that will be preserved under this program, 85,000 acres will be cropland. In light of these figures, we believe that it is reasonable to assume that at least 25% of the program expenditures are made on account of dairy production. Based on this assumption, we estimate that of the $23,723,281expended in 2008 and 2009, $5,930,820.25 was provided in support of dairy production. In 2012 $4,094,327 was expended, $1,023,581 was provided in support of dairy production.

[528] Conservation Options for Connecticut Farmland

Farm Reinvestment (Enhancement) Grant Program

(a) Program Description

The Farm Reinvestment (Enhancement) Grant Program provides grants to eligible producers for capital enhancement of farms. The purpose of the program is to ensure a viable agriculture industry. To qualify for funding, a farmer must apply for a grant, attend a one-day information session and match or exceed the amount of the grant provided.

Any grants provided through this program must be used for projects defined as capital fixed assets with a life expectancy of ten years or more. Grants may be used to expand existing agricultural facilities or to diversify or expand into new production areas.[529]

(b) WTO Consistency

Any grants provided to eligible farmers under this program must be included in the U.S. AMS. These funds are intended to ensure a viable agriculture industry through the development of fixed capital assets that are directly related to existing production or to expanded production. Consequently, the grants provided are intended to have production and/or trade distorting effects.

(c) Expenditures and Allocation to Dairy

The budgetary information available from the Government of Connecticut is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[529] *Farm Reinvestment (Enhancement) Grant Program,* Connecticut Department of Agriculture

PART II - CONNECTICUT

Tax Exemption for Farm Machinery

(a) Program Description

All farm machinery, except specific motor vehicles, to the value of $100,000 and any horse or pony which is actually and exclusively used in farming, is exempt from local property taxation. Only one exemption is allowed for each farmer, group of farmers, partnership or corporation for each assessment year.[530]

Any municipality may provide an additional exemption from property tax for machinery to the extent of an additional assessed value of $100,000.[531]

This is an interesting area of subsidization. In many states (indeed, in Canadian provinces) motor vehicle fuel is tax exempt for farm use. Indeed, in the current live swine CVD investigation by the U.S. Department of Commerce, it was alleged that the exemption in Saskatchewan was a countervailing subsidy. We have not attempted to capture these farmer fuel tax exemptions in this study.

(b) WTO Consistency

The support provided through the Tax Exemption program constitutes a subsidy, in the form of foregone revenue, for purposes of Article 1.1(a)(1)(ii) of the WTO Agreement on Subsidies and Countervailing Measures. As the apparent purpose of the tax exemption is to provide an incentive to the purchase of farm equipment, it appears that the exemption will result in increased production and, consequently, should have trade and/or production distorting effects. In these circumstances, the domestic support provided through this tax exemption should be included in the U.S. AMS.

[530] *Connecticut General Statutes*, Sec. 12-91(a)
[531] Ibid., Sec. 12-91(b)

(c) Expenditures and Allocation to Dairy

Based on the information available, it is clear that the tax exemption is available to all Connecticut farmers, including dairy farmers. However, as the program operates as a tax exemption rather than a grant program, budgeted expenditures are not available.

PART II - CONNECTICUT

Dairy Farms of Distinction Program

(a) Program Description

The Dairy Farms of Distinction program was started in 1985 as a cooperative effort between the Department of Agriculture, milk buyers and milk producers to identify and recognize outstanding dairy farms and promote the dairy industry. The program is privately funded by donations made by milk processors and farmer organizations. Farms are nominated in the Spring and evaluated on their attractiveness by a judging team.

In addition to farm appearance, the quality of the milk produced must meet or exceed State and Federal standards. This program therefore creates an incentive to dairy farmers to upkeep the practices and appearances of their farm, in order to have recognition in the dairy community and be reputable in the industry.[532]

(b) WTO Consistency

This jointly funded promotional activity does not appear to constitute a subsidy.

(c) Expenditures and Allocation to Dairy

This program involves no government outlays, therefore no expenditures can be allocated.

[532] *Dairy Farms of Distinction program*, Connecticut Department of Agriculture

PART II - CONNECTICUT

Export Assistance Program

(a) Program Description

Connecticut does not focus on bulk agriculture commodities, but value-added and high value agricultural products are important in the state. This program concentrates on the small to medium size food and beverage companies. These efforts include:

- start up information for new export companies;
- source for detailed export information (distributors, country specific information, market information, statistics, regulations, transportation);
- recruitment of companies for Market Access Program (MAP) in cooperation with Food Export USA-Northeast. Connecticut is a member or this 10 state co-op officially titled Eastern U.S. Food and Export Council (EUSAFEC), which gives matching funds to qualified companies in promoting their products overseas and in attending food and beverage trade shows;
- updated database listing all Connecticut based agricultural and value-added food and beverage companies;
- recruit Connecticut companies and coordinate their participation in trade shows in U.S. and abroad; and
- Certificates of Free Sale to conforming Connecticut based food companies.[533]

(b) WTO Consistency

This program appears on its face to be similar to normal export promotion activities. However, to the extent that it involves grants which are designed to promote exports, elements of the program would be deemed to be export subsidies. That these grants may be made at the sub-national level does not exempt them from the U.S. Uruguay Round obligations on export subsidies.

[533] *Export Assistance Program*, Connecticut Department of Agriculture

PART II - CONNECTICUT

(c) Expenditures and Allocation

The information available from the state budget does not allow us to determine budgetary resources for this program, nor an allocation to dairy.

Sales Tax Exemption for Farmers

(a) Program Description

This program enables retail sales of tangible personal property used exclusively in agricultural production to be exempt from sales and use taxes provided that the purchaser qualifies for an exemption and the purchaser has been issued a Farmer Tax Exemption Permit.[534]

(b) WTO Consistency

Please see our earlier comments on full tax exemptions. Clearly, such tax exemptions provide payments/benefits to farmers for revenue forgone. Whether or not such exemptions are production distorting is difficult to determine.

(c) Expenditures and Allocation

This is a revenue forgone as opposed to an expenditure program. Information required to calculate the extent of revenue forgone/benefits is not available.

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[534] *Sales Tax Exemption for Farmers,* Connecticut Department of Agriculture, Connecticut General Statutes – Section 12-412(63)

8. DELAWARE

The Delaware Department of Agriculture is responsible for sustaining and promoting Delaware's food, fibre and agricultural industries. The 2009 Budget for the Delaware Department of Agriculture reports the following total funding levels for the Department:[535]

2015 (Actual)	$12,120,700
2016 (Budget)	$15,965,500
2017 (Gov. Rec.)	$16,183,800

The State of Delaware administers the following programs:

- Farmland Preservation Program
- The Delaware Rural Irrigation Program (DRIP)
- Organic Cost-Share Assistance Program
- Specialty Crop Block Grant
- Aglands Preservation Program
- Young Farmers Loan Program
- Urban Forestry Grants
- Forest Landowner Cost Share Program
- Nutrient Management Plan Cost-Share Assistance Program
- Nutrient Management Relocation Program
- New Micro Grants

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Delaware

- Agriculture Mediation Program
- Agricultural Risk Coverage and Price Loss Coverage (ARC/PLC)
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP) Delaware
- Emergency Conservation Program (ECP)
- Grassland Reserve Program (GRP)

[535] *Agriculture 65-00-00, FY 2017 Budget,* Delaware Department of Agriculture, pg 230

- Margin Protection Program, Dairy (MPP)
- Non-insured Crop Disaster Assistance Program (NAP)
- Direct Farm Ownership Loan
- Direct Operating Loan
- Microloans
- Guaranteed Farm Loans
- Emergency Farm Loans
- Non-recourse Marketing Assistance Loan (MAL) and Loan Deficiency Payment (LDP) Program
- Loans for Minority and Women Farmers and Ranchers
- Beginning Farmer and Ranchers (BF) Loan
- Youth Loans

The programs administered by the Department of Agriculture do not provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Total funding by the Department of Agriculture in 2015 was $12,120,700, and the percentage allocation to dairy for Delaware in 2015 was 1.3%. Therefore, the total amount allocated to dairy production for 2015 is $157,569.

PART II - DELAWARE

Agricultural Lands Preservation Program

(a) Program Description[536]

This is a voluntary agricultural land preservation program. To participate in the program, producers must establish an Agricultural Preservation District and then place their land into the District.

An Agricultural Preservation District must contain at least 200 contiguous acres devoted to agricultural and related uses. If there is less than 200 usable and contiguous areas within three miles of an established Agricultural Preservation District, this land can be enrolled as a District Expansion.

Landowners who place their land in an Agricultural Preservation District agree not to develop their lands for at least 10 years and to use it only for agricultural and related uses. In return, the landowner receives tax benefits, right to farm protection and an opportunity to sell a preservation easement that will permanently keep the land from development. 808 properties encompassing approximately 116,000 acres have been permanently protected through the purchase of preservation easements for $208 million.[537]

(b) WTO Consistency

The Agricultural Lands Preservation Program provides tax benefits to producers who enroll their land for 10 years and direct payments based on the appraised value of the land for producers who negotiate and sell a preservation easement. In both cases, the support provided confers a benefit on the producer and ensures continued production by prohibiting development or other non-agricultural use of the land. Consequently, the domestic support provided through the program has trade and/or production distorting effects and, on that basis, would not be exempt from the U.S. AMS.

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[536] *Farmland Preservation in Delaware*, Delaware Department of Agriculture
[537] State of Delaware, FY 2017, Government Recommended Budget, pg 233

9. FLORIDA

Agricultural producers in Florida benefit from subsidies and support provided by the Department of Agriculture and Consumer Services. The aggregate subsidies and support provided through the Department, which is the value of total expenditures as reported in the 2009-2010 Governor's Recommendations, is:[538]

2015-2016 Budget:	$1,529,394,250
Governor's Recommendation 2016-2017	$1,571,693,310

The State of Florida administers the following programs:

- Farm Energy and Water Efficiency Realization
- Farm Renewable and Efficiency Demonstration
- Natural Gas Fuel Fleet Vehicle Rebate
- REET Grant Matching Program
- Qualified Energy Conservation Bonds
- Biofuels Infrastructure Partnership (BIP)
- Farm to Fuel
- Florida Renewable Energy Tax Incentives
- Research and Development Bioenergy Grant Program
- Mosquito Control Program
- The Farmers' Market Nutrition Program (FMNP)
- Farm Energy and Water Efficiency Realization Program
- Farm Renewable and Efficiency Demonstration (FRED) Program
- Rural and Family Lands Protection Program
- Cogongrass Treatment Cost-Share Program
- Southern Pine Beetle Prevention Program
- Forest Stewardship Program
- Forestry and Wildlife Cost Share Programs
- Longleaf Pine Private Landowner Incentive Program
- Fresh Fruit and Vegetable Program
- Summer Food Service Program
- Farm to School Program
- Dairy Inspection Program
- Special Milk Program (SMP)
- Antibiotics in Milk Monitoring

[538] Governor's Recommendations 2009-2010

PART II - FLORIDA

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Florida:

- Agriculture Mediation Program
- Beginning Farmer Down Payment Loan
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Direct and Counter-cyclical Payment (DCP) Program
- Direct Farm Ownership Loan
- Direct Operating Loan
- Emergency Conservation Program (ECP)
- Emergency Farm Loans
- Farm Storage Facility Loan Program
- Grassland Reserve Program (GRP)
- Guaranteed Farm Ownership Loan
- Guaranteed Operating Loan
- Indian Tribal Land Acquisition Program
- Milk Income Contract Extension (MILCX) Program
- Non-insured Crop Disaster Assistance Program (NAP)
- Non-recourse Marketing Assistance Loan and Loan Deficiency Payment (LDP) Program
- Sugar Loan Program and Sugar Marketing Allotments
- Sugar Storage Facility Loan Program
- Youth Loans

The programs administered by the Department of Agriculture and Consumer Services do not provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Total funding by the Department of Agriculture and Consumer Services in 2015 was $1,529,394,250, and the percentage allocation to dairy for Florida in 2015 was 6.6%. Therefore, the total amount allocated to dairy production for 2015 is $100,940,021.

PART II - FLORIDA

Dairy Inspection Program

(a) Program Description

The Department of Agriculture has 12 field inspectors who are stationed from Miami to Pensacola. They make regular visits to dairy farms and processing plants to inspect, consult, and collect samples. In 2015, dairy inspectors performed 1,663 inspections at dairy farms and plants in Florida. They also collected 7,926 samples of milk and milk products. They made 1,360 inspections of milk transport tankers and bulk milk haulers.[539]

(b) WTO Consistency

This is a normal function of government.

(c) Expenditures and Allocation

The primary purpose of this program is consumer protection.

[539] Florida Department of Agriculture and Consumer Services, Florida Dairy Facts

PART II - FLORIDA

Antibiotics in Milk Monitoring

(a) Program Description

The industry has established a rigorous program to monitor milk for contamination with residues of antibiotics commonly used to treat cows on dairy farms. During 2016, 41,340 transport tankers representing more that 1.9 billion pounds of milk were checked for antibiotics in Florida.[540]

(b) WTO Consistency

This is a normal function of government.

(c) Expenditures and Allocation

The primary purpose of this program is consumer protection.

[540] Ibid.

PART II - FLORIDA

Special Milk Program (SMP)

(a) Program Description

The SMP is available to children of all schools or nonprofit child care institutions that do not participate in the National School Lunch Program (NSLP), School Breakfast Program (SBP), the Child and Adult Care Food Program (CACFP), or Summer Food Service Program (SFSP). This includes nonprofit day care centers, summer camps, settlement houses and homeless shelters. An eligible shelter's primary purpose must be to provide shelter and a minimum of one regularly scheduled meal service per day to homeless families. The shelter cannot be a residential child care institution.

The SMP is also available to students attending a split-session kindergarten or pre-primary students in a school that participates in the NSL or SBP, if those students do not have access to the lunch or breakfast programs.[541]

(b) WTO Consistency

This is a normal function of government.

(c) Expenditures and Allocation

The primary purpose of this program is to encourage the consumption of milk by school-age children by providing milk at low or no cost.

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[541] Ibid.

10. GEORGIA

Agricultural producers in Georgia benefit from subsidies and support provided by the Department of Agriculture. The aggregate subsidies and support provided through the Department, which is the value of total expenditures as reported in the Budget, is:[542]

2015 (Current)	$49,988,777
2016 (Recommendation)	$54,966,907

The State of Georgia administers the following programs:

- Georgia Grown Program
- Meat Inspection
- Commodity Promotion Program
- Seed Commission Production Program
- Plant material program
- Development Authority
- Farmers Market Program
- Georgia Agriculture Tax Exemption program (GATE)
- Dairy Program
- Manufactured Food Program
- Agriculture Education Program
- Agricultural Experiment Station
- Conservation of Soil and Water Resources Program
- Conservation of Agricultural Water Supplies Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Georgia

- Insured Farm Loan

[542] The Governor's Budget Report, Fiscal Year 2016 , pg 95

PART II - GEORGIA

The programs administered by the Georgia Department of Agriculture do not provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Expenditures by the Georgia Department of Agriculture in 2015 were $49,988,777, and the percentage allocation to dairy for Georgia in 2015was 3.9%. Therefore, the total amount allocated to dairy production for 2015 is $1,949,562.

PART II - GEORGIA

Insured Loan Programs

(a) Program Description

Georgia operates guaranteed and direct insured loan programs that benefit agricultural producers. The insured loans are provided through the Georgia Development Authority; a body established in 1953 to help develop opportunities for Georgia farmers. Under these programs, the Authority insures loans for agricultural capital purposes. The loans can be made for terms as long as 20 years and at variable rates (prime plus 0.5%). Fixed rate loans are also available for terms as long as 15 years.[543]

The Georgia Development Authority describes the program as follows:

> "Our service is available in every county in Georgia, and banks, savings and loan associations, and retirement systems participate in our insured farm loan program. We feature top-dollar loans, fast closing services, and low closing costs with no cost to state or federal government."[544]

(b) WTO Consistency

Based on the information available, it appears that the insured loans provided by the Georgia Development Authority confer a benefit on producers (not all would qualify for the low rate) and, on that basis, would be considered domestic support. As the program supports agricultural capital projects, it also appears that the projects are intended to support increased agricultural production and, on that basis, would have trade and/or production distorting effects. Consequently, notwithstanding the state's claim that the insurance program has no cost to the state or federal governments, the insurance program has value that must be counted against U.S. domestic support.

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[543] *Insured Farm Loans*, David Skinner, Georgia Development Authority
[544] *Georgia Development Authority*

(c) Expenditures and Allocation

The Government of Georgia does not provide detailed information on expenditures under this program. However, it is important to note that expenditures by the Georgia Development Authority do not appear to be included in the Budget for the Georgia Department of Agriculture. Consequently, expenditures made on account of the insured loan program are in addition to the total expenditures by the Georgia Department of Agriculture.

11. HAWAII

Hawaiian agricultural producers benefit from subsidies and support provided by the Department of Agriculture. The aggregate subsidies and support provided through the Department, which is the value of total expenditures as reported in the Budget, is:

FY 2015	\$50,997,083 [545]
FY 2016	\$48,317,744 [546]

The State of Hawaii administers the following programs:

- Agricultural and Aquacultural Loan Programs
- Plant Pest and Disease Control Program
- Rabies Quarantine Program
- Animal Disease Control Program
- Agricultural Resource Management Program
- Quality and Price Assurance Program
- Aquaculture Development Program
- Agribusiness Development and Research Program
- Agricultural Development and Marketing Program
- Pesticides Program
- Environmental Protection Program
- Agricultural Park Program
- Agricultural Irrigation Systems

Federal programs for Hawaii

- Farm Programs
    - Price Support Program
        - Reimbursement Transportation Cost Payment (RTCP)
    - Natural Disaster Programs:
        - Emergency Conservation Program (ECP)
        - Noninsured Crop Disaster Assistance Program (NAP)
        - Livestock Forage Program (LFP)
        - Livestock Indemnity Program (LIP)
        - Emergency Assistance for Livestock, Honey Bees, & Farm-raised Fish (ELAP)

[545] Department of Agriculture, FY 2013-2015 Budget, pg 201
[546] Department of Agriculture, FY 2016-2017 Budget, pg 201

    - Supplemental Assistance Revenue Payment (SURE)
    - Tree Assistance Program (TAP)
  - Conservation Programs:
    - Conservation Reserve Program (CRP)
    - Conservation Reserve Enhancement Program (CREP)
    - Grassland Reserve Program (GRP)
    - Environmental Quality Incentive Program (EQIP)

- Farm Loan Program
  - Microloans
  - Direct Farm Ownership Loans
  - Direct Operating Loans
  - Guaranteed Farm Loans
  - Emergency Farm Loans
  - Rural Youth Loans
  - Direct Farm Operating Loan

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

The programs administered by the Department of Agriculture do not provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Expenditures by the Department of Agriculture in 2015 were $50,997,083, and the percentage allocation to dairy for Hawaii in 2015 was 1.4%. Therefore, the total amount allocated to dairy production for 2015 is $713,959.

PART II - HAWAII

Agricultural Loan Programs

(a) Program Description

The Department of Agriculture administers the Agricultural Loan Program which is intended to promote agriculture by providing credit at reasonable rates and terms to qualifying individuals and entities. There are four types of loans within the Agricultural Loan Program:

- New Farmer loans,
- Qualified Farmer loans,
- Part-time Farmer loans, and
- Food Manufacturing loans.

The program has a budgeted ceiling of $5.0 million for agricultural loans.

The loans either supplement loans by private lenders or provide direct funding. The loan program operates through a revolving fund.[547]

The Department of Agriculture describes the purpose and operation of the loan programs as follows:

> "Considered a "lender of last resort", the program is not intended to compete with private sector lenders. Prospective applicants must inquire with and be denied credit from private sector lenders prior to filling an application. In addition, prospective applicants must fulfill applicable eligibility requirements."[548]

The Department of Agriculture also administers an Aquaculture Loan Program that is intended to promote development of the aquaculture industry.

In addition to making loans to producers and food manufacturers who would otherwise not receive credit from private lenders, the terms and conditions offered by the Department of Agriculture are preferential. For example, facility loans made to food manufacturers under the

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[547] *Agricultural Loan Programs,* Hawaii Department of Agriculture
[548] Ibid.

Food Manufacturing Loan subprogram are made at interest rates fixed at 1% below prime, clearly a concessional rate.[549]

(b) WTO Consistency

The loans provided by the Department of Agriculture through these programs should be included in the U.S. AMS. The loans at issue are provided to producers and manufacturers who were not eligible for loans from commercial lenders. Thus, the total value of the loans, and not simply the subsidized interest portion of the loans, should be considered domestic support. As the purpose of the loans is to increase agricultural production, the loans would have trade and/or production distorting effects. Consequently, the total value of expenditures made by the Department of Agriculture from the revolving fund supporting the loan program should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Hawaii is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[549] *Food Manufacturing Loans Fact Sheet,* Hawaii Department of Agriculture

PART II - HAWAII

Agricultural Parks

(a) Program Description

Under the Agriculture Park Program, through the Hawaii Department of Agriculture, lands are set aside specifically for agriculture related activity. Hawaii currently operates ten agricultural parks. The lessees are small farming enterprises engaged in diversified agricultural production.[550]

(b) WTO Consistency

Based on the information available, it appears that the qualifying producers are given long-term access to agricultural land at below market rates. Consequently, the Agricultural Park program provides support to small farming enterprises. As the program is intended to support increased agricultural production, the value of the subsidy provided through this program should be included in the U.S. AMS. However, the program is likely *de minimis*.

(a) Expenditures and Allocation

The budgetary information available from the Government of Hawaii is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[550] *Agricultural Parks,* Hawaii Department of Agriculture

PART II - HAWAII

Agricultural Irrigation Systems

(a) Program Description

According to the Hawaii Government its Irrigation System is the lifeline of the State agricultural operation. The Hawaii Department of Agriculture, through its Agricultural Resource Management Division manages five irrigation systems, two on Oahu, two on the island of Hawaii, and one on Molokai. The Molokai Irrigation System alone transports 1.2 billion gallons per year.[551]

(b) WTO Consistency

The provision of irrigation infrastructure and water is production distorting. Expenditures on irrigation infrastructure and services including the providers of water at less than market rates should be included in the U.S. AMS, whether made at the federal or state level.

(c) Expenditures and Allocation

The budget information available from the State of Hawaii does not allow us to calculate total expenditures or benefits under this program. Therefore, we cannot estimate the benefit to dairy.

[551] *Agricultural Irrigation Systems*, Hawaii Department of Agriculture

12. IDAHO

Idaho agricultural producers benefit from subsidies and support provided by the Department of Agriculture. The aggregate subsidies and support provided through the Department, which is the value of expenditures as reported in the Budget, is:[552]

2015 (Actual)	$206,050,000
2016 (Appropriation)	$213,800,000
2017 (Request)	$217,750,000

The State of Idaho administers the following programs:

- Food Safety Program
- Pesticide Disposal Program (PDP)
- Urban Pest Management Program
- Water Quality Program
- Worker Protection Program
- Idaho's Chemigation Program
- International Trade Offices
- Specialty Crop Block Grant Program
- Dairy Lab
- SDA's Dairy Bureau
- Organic Certification Program
- Plant and insect programs

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Idaho

- Agriculture Mediation Program
- Beginning Farmer Down Payment Loan
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Agriculture Risk Coverage/Price Loss Coverage

[552] Idaho Legislative Budget Book for Fiscal Year 2016, pg 17

- Direct Farm Ownership Loan
- Direct Operating Loan
- Emergency Conservation Program (ECP)
- Emergency Farm Loans
- Farm Storage Facility Loan Program
- Grassland Reserve Program (GRP)
- Guaranteed Farm Ownership Loan
- Guaranteed Operating Loan
- Livestock Indemnity Program (LIP)
- Livestock Forage Disaster Program (LFP)
- Margin Protection Program for Dairy
- Microloans
- Noninsured Crop Disaster Assistance Program (NAP)
- Nonrecourse Marketing Assistance Loan and Loan Deficiency Payment (LDP) Program
- Sugar Loan Program and Sugar Marketing Allotments
- Sugar Storage Facility Loan Program
- Youth Loans

The programs administered by the Idaho Department of Agriculture do not provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Expenditures by the Department of Agriculture in 2015 were $206,050,000, and the percentage allocation to dairy for Idaho in 2015 was 31.8%. Therefore, the total amount allocated to dairy production for 2015 is $65,523,900.

PART II - IDAHO

Idaho Biomass Fuel Tax Incentive

(a) Program Description

Idaho imposes a 32 cent per gallon excise tax on all motor fuel.[553] Distributors are required to pay the tax, but may deduct the number of gallons of anhydrous ethanol contained in any gasohol they receive.[554] The ethanol at issue must be produced from agricultural products. Consequently, the program provides a 32 cent per gallon tax incentive for the production of anhydrous ethanol made from agricultural products.

In 2015, the Idaho legislature approved an increase in the state's gasoline tax rate, from 25 cents per gallon to 32 cents per gallon.

Biofuel Fueling Infrastructure Tax Credit (Idaho Statutes 63-3029M) – Qualified biofuel fueling infrastructure is eligible for a credit of up to 6% of the qualified investment against the corporate income tax. The allowable credit cannot exceed 50% of the income tax liability of the taxpayer. (Tax incentive; Tax credit; Intended audience: Commercial, industrial) The program was enacted in 2007.

(b) WTO Consistency

The excise tax credit for gasohol provides a subsidy in the form of foregone revenue. As this subsidy is intended to support ethanol produced from agricultural products, it is a domestic subsidy. As this subsidy is tied to production of ethanol for use in gasohol, the total value of this subsidy should be included in the U.S. AMS.

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[553] *Idaho Statutes, Title 63-2402(2)*
[554] Ibid., *Title 63-2405*

PART II - IDAHO

(c) Expenditures and Allocation to Dairy

This incentive is over and above the benefits to biomass fuels discussed and estimated in Part I. However, information on total expenditures (revenue foregone) under this program is not available.

PART II - IDAHO

International Trade Offices

(a) Program Description

Idaho's overseas trade offices assist companies in developing and expanding their export markets. Idaho maintains overseas offices in targeted areas around the world where significant business and diplomatic relationships exist. The state supports fully staffed offices, in Taipei, Taiwan and Mexico City, Mexico, and operates representative offices in China and Shanghai.

Trade office representatives are natives of the country where their office is located and serve as a valuable resource to help Idaho firms understand the business, cultural, and political environments of these markets.

Specific services include:

- Market research
- Market entry/expansion assistance
- Distributor/buyer searches
- Business counseling
- In-country appointments and assistance
- Representation at international trade shows
- Government/diplomatic relations
- Cultural assistance [555]

(b) WTO Consistency

These activities would appear to be normal trade commission-type services. They do benefit Idaho farmers, but they would be a normal function of government.

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555 *International Marketing, International Trade Offices,* Idaho Department of Agriculture

(c) Expenditures and Allocation

There is no information available which would enable us to calculate the expenditures under this program.

13. ILLINOIS

Illinois agricultural producers benefit from subsidies and support provided by the Department of Agriculture. The aggregate subsidies and support provided through the Department, which is the value of expenditures as reported in the Budget, is:[556]

2015 (Actual)	$103,442,000
2016 (Enacted)	$109,705,500
2017 (Recommended)	$102,695,200

The State of Illinois administers the following programs:

- Illinois Farm Programs
- Centennial/ Sesquicentennial Farm Program
- Organic Cost-Share Program
- Specialty Crop Grants
- AgriFIRST – Value-Added Grant Program
- "Illinois Products" Logo Program
- Exporting Assistance Programs
- Food Export Midwest's Branded Program: A Cost-Share Funding Program
- Market Access Program
- Environmental Programs
- Partners For Conservation Program
- Farmland Protection
- Land & Water Resources
- Livestock Management Facilities Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Illinois

- Conservation Reserve Program
- Conservation Reserve Enhancement Program
- Emergency Conservation Program

[556] *Illinois State Budget Fiscal Year 2017,* pg 262

PART II - ILLINOIS

Based on the limited information available to us the programs administered by the Illinois Department of Agriculture do not provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Expenditures by the Department of Agriculture during this period were $103,442,000, and the percentage allocation to dairy for Illinois in 2015 was 2.1%. Therefore, the total amount allocated to dairy production for 2015 is $2,172,282.

PART II - ILLINOIS

Illinois AgriFIRST

(a) Program Description

Illinois AgriFIRST is a grant program intended to benefit value-added agriculture. The program provides grants to eligible persons and agribusinesses for both construction and non-construction projects.

Grants for non-construction projects can be used to offset up to 75% of the cost of technical assistance to develop the project, to a maximum of $25,000, and up to 50% of the cost of feasibility studies, competitive assessments and consulting-productivity services.

Grants for construction projects may provide up to 10% of the project's capital construction costs to a maximum of $5 million. The grants may be used to purchase land; to purchase, construct or refurbish buildings; to purchase or refurbish machinery or equipment; installation; repairs; labour and working capital.[557]

(b) WTO Consistency

Expenditures made under the Illinois AgriFIRST program should be included in the U.S. AMS. The funding is provided in the form of a grant to offset the cost of developing value-added agricultural processing in Illinois. Even if this program did not impact on production in Illinois, which is doubtful, it would have trade distorting effects by offsetting the cost of producing value-added goods.

(c) Expenditures and Allocation

The annual funding for this program has ranged from $400,000 to $1,455,000. The budgetary information available from the Government of Illinois is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[557] *Illinois AgriFIRST,* Illinois Department of Agriculture

PART II - ILLINOIS

Farmland Protection

(a) Program Description

The Illinois Department of Agriculture works with other levels of government to keep agricultural land in agricultural production. Under this program, landowners may "enroll" agricultural land for at least 10 years (and re-enroll for 8 years). By enrolling their land, producers receive protection from locally initiated projects that would "unreasonably restrict" normal farming practices. Enrolled producers would also be protected from "special benefits assessments that are not in their best interests". In exchange for these benefits, the landowner must keep the enrolled land in agricultural production.[558]

(b) WTO Consistency

Through enrollment in this program, landowners receive the benefit of exemption from local laws that would limit their ability to farm and exemption from tax assessments. These are important benefits that would not be enjoyed by landowners who choose to not participate in the program. As the intention of the program is to ensure that agricultural land remains in production, the support would have trade and/or production effects on the basis that it would ensure continued production at lower costs. Consequently, the support provided to producers through this program should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Illinois is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[558] *Farmland Protection,* Illinois Department of Agriculture

14. INDIANA

Indiana agricultural producers benefit from subsidies and support provided by the Department of Agriculture. The aggregate subsidies and support provided through the Department, which is the value of expenditures as reported in the Budget, is:

FY 2015	$8,647,019 [559]
FY 2016 (Passed Budget)	$9,010,430 [560]
FY 2017 (Passed Budget)	$8,882,553 [561]

The State of Indiana administers the following programs:

- Indiana Agvocate
- Agritourism
- Indiana Grown
- Certifield Livestock Producer Program
- Market Reporting Program
- Pollinator Habitat
- Indiana Land Resources Council
- INfield Advantage
- Indiana's Nutrient Reduction Strategy
- Conservation Cropping Systems Initiative
- Conservation Reserve Enhancement Program
- Clean Water Indiana

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Indiana

- Conservation Reserve Program
- Conservation Reserve Enhancement Program
- Emergency Conservation Program

[559] List of Appropriations for the Biennium July 1, 2013 to June 30, 2015, State of Indiana, pg B-8
[560] Ibid., pg B-6
[561] Ibid.

- Beginning Farmer Loans
- Direct Farm Loans
- Guaranteed Farm Loans
- Emergency Assistance for Livestock, Honey Bees, & Farm-raised Fish
- Noninsured Crop Disaster Assistance Program
- Commodity Loans
- Loan Deficiency Payments
- Facility Loan Programs
- Agricultural Mediation Program

Based on the information available to us the programs administered by the Office of the Commissioner of Agriculture do not provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Expenditures by the Department of Agriculture during this period were $8,647,019, and the percentage allocation to dairy for Indiana in 2015 was 6.2%. Therefore, the total amount allocated to dairy production for 2015 is $536,115.

PART II - INDIANA

Agricultural Mediation Program

(a) Program Description

The Commissioner of Agriculture provides free legal and financial counseling to financially troubled farmers in Indiana. These services provided include:

- agricultural mediation directed towards resolving disputes between producers and USDA;
- USDA-approved borrower training seminars in financial management;
- Counselling to producers at meetings of borrowers and lenders to facilitate communication and debt restructuring; and
- Assistance with filing loan applications and related documents.[562]

The U.S. Department of Agriculture's (USDA) Agricultural Mediation Program helps agricultural producers, their lenders, and other persons directly affected by the actions of USDA resolve disputes. Through mediation, a trained, impartial person (mediator) helps participants review their conflicts, identify options, and agree on solutions.

Mediation is a valuable tool for settling disputes in many different USDA program areas. These include farm loans, farm and conservation programs, wetland determinations, rural water loan programs, grazing on national forest system lands, and pesticides. The program, reauthorized by the United States Grain Standards Act of 2000, is administered by USDA's Farm Service Agency (FSA) [563]

(b) WTO Consistency

The Agricultural Mediation Program provides support to Indiana producers who find themselves in financial difficulty. As these services are provided free of charge, they constitute a subsidy to producers for purposes of the WTO Agreement on Subsidies and Countervailing Measures and

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[562] *Farm Mediation/Farm Counselling*, Office of the Commissioner of Agriculture
[563] USDA, FSA, Fact Sheet, Agricultural Mediation Program, August 2013.

the WTO Agreement on Agriculture. Arguably, the subsidy provided through these services should be included in the U.S. AMS on the basis that they do not appear to fall within any of the exemptions set out in Annex 2(2) to the Agreement on Agriculture. However, these should be seen as a normal function of government, and would in any event appear to be *de minimis*.

(c) Expenditures and Allocation

The budgetary information available from the Government of Indiana is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program. Some states charge mediation participants a nominal fee.

PART II - INDIANA

Loan Guarantee Programs

(a) Program Description

Indiana operates three loan guarantee programs that benefit agricultural producers: (i) Agricultural Loan and Rural Development Project Guaranty Program, (ii) Capital Access Program; and (iii) Treasurer's Agricultural Loan Program.

The Agricultural Loan and Rural Development Project Guaranty Program can provide guaranteed loans for value-added agricultural projects and rural development projects.

The Capital Access Program establishes a cash reserve that serves as security for lenders. Guaranteed loans may be used to purchase equipment, livestock, buildings or other farm-related needs and may be used as operating lines of credit.

The Treasurer's Agricultural Loan Program offers low interest loans for agricultural production needs. These loans are made through qualified institutions.[564]

(b) WTO Consistency

Based on the information available, it appears that programs provide loans and loan guarantees at rates and conditions not available on the market and thereby confer a subsidy on eligible recipients. The loans and loan guarantees are intended to either reduce operating costs or to fund investment in productive capacity. Therefore, the total value of funding under this program should be included in the U.S. AMS on the basis that it reduces costs for specific producers and is intended to have trade and/or production distorting effects.

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[564] *Matt Tuohy, Indiana Development Finance Authority*, Letter to National Council of State Agricultural Financial Programs

PART II - INDIANA

(c) Expenditures and Allocation

The budgetary information available from the Government of Indiana is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

15. IOWA

Agricultural producers in Iowa benefit from subsidies and support provided by the Department of Agriculture and Natural Resources. The subsidies and support provided to agricultural producers through the Department, i.e., the value of expenditures as reported in the Governor's FY 2017 Recommendations, is:[565]

General Fund	
FY 2015 (Actual)	$43,111,995
FY 2016 (Estimated)	$43,111,995
FY 2017 (Governor Recommendation)	$43,111,995
Other Funds[566]	
2015 (Actual)	$88,234,573
2016 (Estimated)	$90,285,921
2017 (Governor Recommendation)	$90,085,921
Total Funds	
2015 (Actual)	$131,346,568
2016 (Estimated)	$133,397,916
2017 (Governor Recommendation)	$133,197,916

The State of Iowa administers the following programs:

- Century Farms Program
- Conservation Reserve Enhancement Program (CREP)
- European Corn Borer Program
- Exotic Pest Program
- Export Service Program
- Farm to School Program
- Farmers Market Program

[565] Governor's FY 2017 Budget Recommendations, General Fund, pg 29,
[566] Ibid., Governor's FY 2017 Budget Recommendations, Other Funds, pg 50

- Farmers Market Nutrition Program
- Gypsy Moth Eradication Program
- Heritage Farms Program
- Horse and Dog Breeders Programs
- Horticulture Program
- Iowa Fuel Quality Program
- Iowa Renewable Fuels Infrastructure Program
- Johne's Disease Control Program
- Loan Participation Program
- Market Development Program
- No-Interest Loans
- Organic Certification Program
- Organic Certification Cost Share Program
- Premise Identification Program
- Seed Regulatory Program
- Specialty Crop Block Grant Program
- Urban Conservation Program
- State Revolving Loan Fund
- Water Quality Protection Projects
- Watershed Improvement Board
- Watershed Protection Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Iowa

- Agriculture Mediation Program
- Beginning Farmer Down Payment Loan Program
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Direct and Counter-cyclical Payment (DCP) Program
- Direct Farm Ownership Loan Program
- Direct Operating Loan Program
- Emergency Conservation Program (ECP)
- Emergency Farm Loans Program
- Grassland Reserve Program (GRP)
- Guaranteed Farm Ownership Loan Program
- Guaranteed Operating Loan Program
- Indian Tribal Land Acquisition Program
- Milk Income Loss Contract Extension (MILCX) Program
- Noninsured Crop Disaster Assistance Program (NAP)
- Nonrecourse Marketing Assistance Loan and Loan Deficiency Payment (LDP) Program

- Sugar Loan Program and Sugar Marketing Allotments
- Sugar Storage Facility Loan Program
- Youth Loans Program

Based on the information available to us, the programs administered by the Department of Agriculture and Natural Resources do not provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Expenditures by the Department of Agriculture and Natural Resources during this period were $131,346,568, and the percentage allocation to dairy for Iowa in 2015 was 3.0%. Therefore, the total amount allocated to dairy production for 2015 is $3,940,397.

PART II - IOWA

Loan Guarantee Programs

(a) Program Description

Iowa operates three loan guarantee programs: (i) the Farm Ownership Loan Program; (ii) Beginning Farmer Down Payment Loan Program and (iii) Operating Loan Program . These programs are intended to support beginning farmers who do not have a substantial ownership interest in farmland and low-income farmers who need to secure loans from participating lenders. Iowa guarantees loans to beginning farmers with a net worth of less than $300,000. Iowa assists eligible low-income and beginning farmers, by supplementing the borrower's down payment.[567]

(b) WTO Consistency

These programs assist producers who could not otherwise obtain financing or obtain financing at preferential rates and, thus, confer a subsidy on the recipient. As the subsidy will reduce the recipient producer's overall costs and will have production and/or trade distorting effects, the total value of support provided under this program should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Iowa is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures under this program.

[567] National Council of State Agriculture Finance Programs, USDA, Farm Loan Programs

PART II - IOWA

Biomass Energy Program

(a) Program Description

Iowa imposes a differential excise tax on ethanol-blended gasoline, which is a motor fuel containing at least 10% alcohol distilled from cereal grains. The differential tax is imposed on the basis of the "distribution percentage" of ethanol-blended gasoline sold in the state (i.e., the percentage of gasoline distributed that is represented by ethanol blended gasoline). Iowa imposes a lower rate of tax on ethanol-blended gasoline until the "distribution percentage" is 95% or more, at which point, equal excise taxes are imposed.[568]

(b) WTO Consistency

The differential excise tax program confers a subsidy on ethanol-blended gasoline in the form of foregone revenue. This preferential tax rate is tied to the use of alcohol distilled from cereal grains; it is intended to support agricultural production. Therefore, the total value of the subsidy provided under this program should be included in the U.S. AMS on the basis that it is domestic support tied directly to production for use in ethanol.

(c) Expenditure and Allocation to Dairy

The value of revenue foregone under this program is not available.

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[568] Codes of Iowa, Section 452A.3(1)

PART II - IOWA

Loan Participation Program

(a) Program Description

This program assists qualified low-income farmers to more readily secure loans from participating lenders by supplementing the borrowers' down-payment. It also reduces lender's risk since the IADA provides a "last in-last out" loan participation for the financial institution. The maximum loan for each beneficiary amount is $150,000.[569]

After October 1, 2013, the interest rate is 1.0% fore the first five years, then re-adjusted to the same index for the final five years

(b) WTO Consistency

This program assists producers who could not otherwise obtain financing or obtain financing at low rates and, thus, confers a subsidy on the recipient. As the subsidy will reduce the recipient producer's overall costs and will have trade and/or production distorting effects, the total value of support provided under this program should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Iowa is not sufficiently detailed to allow us to determine actual, estimated or budgeted outlays or expenditures on account of this program.

[569] Iowa Finance Authority, Loan Participation Program

PART II - IOWA

Market Development Program

(a) Program Description

This program assists producers in evaluating the different marketing challenges and opportunities available to them and provides information to the producer that will assist them in preparing their product for sale by addressing post harvest handling, packaging, labelling and pricing considerations of the product.

A key component of the Department's Market Development Program is the promotion of Iowa grown food to consumers and wholesale buyers. The "Farm Fresh" directory of producers of Iowa grown products is made available to the public to facilitate this producer-to-consumer connection.[570]

(b) WTO Consistency

This program benefits Iowa farmers, but appears to fall within the terms of the Annex 2, paragraph 2(f) exemption from AMS.

(c) Expenditures and Allocation

Total expenditures under this program are not available.

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[570] *Market Development Program*, Agricultural Diversification and Market Development Bureau

PART II - IOWA

No-Interest Loans

(a) Program Description

The Iowa State Legislature established the conservation practices revolving loan fund to provide loans to eligible landowners at no interest for the construction of permanent soil conservation practices. Eligible landowners may borrow up to $20,000 for a 10-year period. Repayment is made in 10 annual payments equal to 10% of the initial loan amount. In the event of land ownership transfer, payment is due immediately.[571]

(b) WTO Consistency

Expenditures under these programs provide financial support to Iowa producers. The soil conservation and water quality practices supported by these programs clearly benefit agricultural producers who rely on soil and clean water for their livelihood. Based on the information available, it is not clear that the expenditures would be exempt from the U.S. AMS pursuant to Annex 2.2(g). Arguably, the benefits may be *de minimis*.

(c) Expenditures and Allocation

The budgetary information available from the Government of Iowa is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures or outlays on account of this program.

[571] *No-Interest Loans*, Department of Agriculture and Land Stewardship

16. KANSAS

Agricultural producers in Kansas benefit from subsidies and support provided by the Department of Agriculture and the Department of Animal Health.

The Budget for the Department of Agriculture is reported as follows:

FY 2015 (Actual)	$44,935,487 [572]
FY 2016 (Approved Budget)	$47,240,160 [573]
FY 2017 (Approved Budget)	$43,642,966

The State of Kansas administers the following programs:

- Specialty Crop Block Grant Program
- Great Plains Growers Conference Grant Program
- Organic Cost Share Program
- Egg Candling Unit Cost Share Program
- Dairy and Feed Safety Program
- Meat and Poultry Inspection Program
- Dairy Inspection Program
- Pesticide and Fertilizer Program
- Food Safety and Lodging Inspection Program
- Water Resources Cost-Share Program
- Non-Point Source Pollution Control Program
- Riparian and Wetland Protection Program
- Governor's Water Quality Buffer Initiative Program.
- Conservation Reserve Enhancement Program (CREP)
- Water Transition Assistance Program
- Flood Control and Lakes Program
- Plant Protection and Weed Control Program
- International Marketing Program
- Agriculture Education Program
- Taiwan Agricultural Youth Exchange Program
- Brands Program

[572] *The Governor's Budget Report Fiscal Year 2016*, pg 424
[573] *The Governor's Budget Report Fiscal Year 2017*, pg 102/103

PART II - KANSAS

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Kansas

- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- The Emergency Conservation Program (ECP)
- Emergency Forest Restoration Program (EFRP)
- Farmable Wetlands Program (FWP)
- Grassland Reserve Program (GRP)
- Source Water Protection Program
- Non-Recourse Marketing Assistance Loan
- Market Loss Assistance Payment Programs
- Loan Deficiency Payments
- Non-insured Crop Disaster Assistance Program (NAP)

The Department of Agriculture and the Animal Health Department do not provide sufficient information to permit us to determine whether or not support is provided exclusively to dairy producers. Inspection programs benefit consumers, not producers, except indirectly in promoting the reliability and safety of their products. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Expenditures by the Department of Agriculture during this period totaled $44,935,487, and the percentage allocation to dairy for Kansas in 2015 was 3.4%. Therefore, the total amount allocated to dairy production for 2015is $1,527,807.

PART II - KANSAS

Kansas Agricultural Production Loan Deposit Program

(a) Program Description

The Agricultural Production Loan Deposit Program uses "idled" treasury funds to allow Kansas Banks and Farm Credit Associations to make loans of up to $250,000 to Kansas farmers with a debt-to-asset ratio of 40% or greater. Loans made under this program are supported by agricultural production linked deposits placed with the eligible institution by the Kansas Pooled Money Investment Board. These deposits are at an interest rate set at 2.0% below market rates. Eligible borrowers must be agricultural producers who live and farm in Kansas with a debt-to-asset ratio of 40% or more, who have not obtained any other agricultural production loan and who will use the loaned funds exclusively for operating expenses involved in farming.[574]

(b) WTO Consistency

This program provides below-market rate loans to producers who would likely not be eligible for loans from commercial lenders and who would certainly not receive loans at comparable rates. Therefore, the support provided through this program constitutes a subsidy. As the subsidized loans must be used for operating expenses involved in farming, they would reduce the recipient producer's costs and would have trade and/or production distorting effects. Therefore, the total value of support provided under this program should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Kansas is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[574] *Kansas Agricultural Production Loan Deposit Program*, State of Kansas, Office of the Treasurer

PART II - KANSAS

Dairy Inspection Program

(a) Program Description

Inspectors with the Kansas Department of Agriculture's dairy inspection program protect consumers in Kansas and other states. They regulate the dairy industry, starting at the farm and continuing as the milk and milk products are transported, processed, distributed and sold. Activities include inspection of facilities and equipment, collection and testing of samples, educational activities, and consumer protection.[575]

(b) WTO Consistency

This activity is excluded from AMS pursuant to Annex 2.2(e) to the WTO Agreement on Agriculture.

(c) Expenditures and Allocation to Dairy

Inspection services benefit consumers and are a normal function of government. We would not allocate any benefits from this program to dairy producers.

[575] *Kansas Dairy Program*, Kansas Department of Agriculture

17. KENTUCKY

Agricultural producers in Kentucky benefit from subsidies and support provided by the Department of Agriculture. The Budget for the Department of Agriculture is reported as follows:[576]

FY 2015 (Requested)	$32,053,100
FY 2016 (Requested)	$33,350,500
FY 2017 (Requested)	$34,802,100

The State of Kentucky administers the following programs:

- Animal Control Program
- Animal Health Program
- Animal Marketing Programs
- Aquaculture Program
- Farmers Markets Program
- Bovine Program
- GAP-Good Agriculture Practices Program
- Ginseng Program
- Grape and Wine Program
- Hemp Pilot Program
- Livestock and Poultry Programs
- Organic Program
- Plant Marketing Programs
- Food Distribution Programs
- Grain Licensing and Regulation Program
- Pest Control Program
- Agriculture Businesses
- Agriculture Education Program
- Agritourism Program
- Trade Show Program
- Linked Deposit Program
- Value-Added Grants Program

[576] *Kentucky Department of Agriculture Budget, FY 2014-2016*, Department of Agriculture, Kentucky, pg 26

PART II - KENTUCKY

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Kentucky

- Farm Ownership Loan Program
- Farm Ownership Joint Financing Plan
- Farm Operating Loan Program
- Beginning Farmer and Rancher Farm Ownership Loans Program
- Beginning Farmer and Rancher Farm Operating Loan Program
- Beginning Farmer and Rancher Downpayment Farm Ownership Loan Program
- Emergency Loan
- Business and Industry Direct Loan
- Business and Industrial Guaranteed Loan Program
- Intermediary Relending Program Loans
- Rural Business Enterprise Grants
- Rural Business Opportunity Grants
- Rural Economic Development Loans and Grants
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Non-insured Assistance Program (NAP)
- Farm Storage Facility Loans
- Marketing Assistance Loans
- Conservation Loan Program (CL)
- Microloan Program
- Socially Disadvantaged Loans Program

The programs administered by the Department of Agriculture do not provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Requested expenditures by the Department of Agriculture during this period were $32,053,100 and the percentage allocation to dairy for Kentucky in 2015 was 3.4%. Therefore, the total amount allocated to dairy production for 2015 is $1,089,805.

PART II - KENTUCKY

Linked Deposit Loan Program

(a) Program Description

Under this program Kentucky offers loans at "attractive rates" to farmers through participating financial institutions. Loans can be made up to a maximum of $100,000 for agricultural diversification, crop production, land acquisition, buildings, livestock, fish and equipment.[577] In addition, an applicant must show annual gross earnings of no more than $1 million with at least 50% of that gross income from farming.[578]

(b) WTO Consistency

Based on the information available, it appears that this program offers below-market rate loans to eligible producers or, at least, offers those produces rates below the rates that they could obtain from commercial lenders. Therefore, the loans provided confer a subsidy on eligible participants. The loans provided under this program are intended to support agricultural production and should be included in the U.S. AMS on the basis that they have trade and/or production distorting effects.

(c) Expenditures and Allocation

The budgetary information available from the Government of Kentucky is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

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[577] *Gene C. Royalty, Kentucky Department of Agriculture*, Letter to National Council of State Agricultural Finance Programs

[578] Kentucky Agriculture Finance Corporation

18. LOUISIANA

Agricultural producers in Louisiana benefit from subsidies and support provided by the Department of Agriculture. The Budget for the Department of Agriculture and Forestry is reported as follows:[579]

FY 2015 (Existing Operation Budget)	$75,112,417

The State of Louisiana administers the following programs:

- Agricultural Chemistry Programs
- Feed Program
- Fertilizer Program
- Agricultural Liming Program
- Analytical Chemistry Laboratory Programs
- Louisiana Horticulture Commission
- Boll Weevil Eradication Program
- Apiary Programs
- Plant Pest Quarantine Programs
- Pesticide Program
- Environmental Programs
- Water Protection Program
- Structural Pest Control Programs
- Meat & Poultry Inspection Program
- Food Distribution Program
- Livestock Brand Commission
- Poultry & Egg Programs
- Forestry Protection Programs
- The Milk testing Program
- The Milk Bonding Program
- LDAF Grading and Certification program
- Louisiana Dairy Producers Refundable Tax Credit Program
- Commodity Promotion And Research
- Louisiana Grown Real. Fresh. Logo Program
- Senior Farmers Market Nutrition Program
- WIC Farmers Market Nutrition Program
- Specialty Crop Grant Programs

[579] *State Budget Fiscal Year 2016-2017*, pg 71

PART II - LOUISIANA

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Louisiana

- Agriculture Mediation Program
- Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs
- Beginning Farmer Down Payment Loan
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Direct Farm Ownership Loan
- Direct Operating Loan
- Emergency Conservation Program (ECP)
- Emergency Assistance for Livestock, Honey Bees, & Farm-raised Fish (ELAP)
- Emergency Farm Loans
- Farm Storage Facility Loan Program
- Guaranteed Farm Ownership Loan
- Guaranteed Operating Loan
- Indian Tribal Land Acquisition Program
- Livestock Indemnity Program (LIP)
- Livestock Forage Disaster Program (LFP)
- Margin Protection Program for Dairy Producers (MPP-Dairy)
- Non-insured Crop Disaster Assistance Program (NAP)
- Nonrecourse Marketing Assistance Loan Program
- Loan Deficiency Payment (LDP) Program
- Sugar Loan Program
- Sugar Marketing Allotments Program
- Youth Loans Program

While the Department of Agriculture has several programs which appear to provide support exclusively to dairy producers, we do not have sufficient information to determine expenditures under these programs. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

PART II - LOUISIANA

The existing operating budget as of 2015is reported as $75,112,417, and the percentage allocation to dairy for Louisiana in 2015 was 1.1%. Therefore, the total amount allocated to dairy production for 2015is $826,237.

PART II - LOUISIANA

Dairy Industry Promotion Board

(a) Program Description

The Louisiana Dairy Industry Promotion Board is responsible for the development and implementation of an advertising, promotion and education program designed to increase the consumption of milk and other dairy products.[580]

(b) WTO Consistency

It is not clear from the information available whether or not this program would meet the requirements of Annex 2.2(f) to the WTO Agreement on Agriculture. If not, its object and purpose would be production distorting.

(c) Expenditures and Allocation

The budgetary information available from the Government of Louisiana is not sufficiently detailed to allow us to determine actual, estimate or budgeted expenditures on account of this program which should be allocated to dairy.

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[580] *Dairy Industry Promotion Board*, Louisiana Department of Agriculture

PART II - LOUISIANA

Dairy Programs

(a) Program Description

The Dairy Division includes the Dairy Stabilization Board, Milk Testing Program and the Milk Bonding Program. These programs support and complement each other to the extent that they regulate and/or promote stability and orderly marketing of fluid milk within the state of Louisiana.[581]Given the short shelf life of fluid dairy products, orderly marketing is imperative to both the consuming public and the milk producers. The Dairy Stabilization Board addresses problems created in the marketplace, the Milk Testing Program addresses the raw milk production and handling of milk from the farm to the processing plant. The Milk Bonding Program is designed to guarantee the payment for milk sold by the farmer to the processing plant or cooperative. [582]

(b) WTO Consistency

This program appears to understate activities and takes on risks which benefit dairy farmers. The Bonding Program would not appear to meet any of the criteria set out in Annex 2.2 to the WTO Agreement on Agriculture. The other elements of the program suite provide income support and guarantee receivables. These are subsidies. Arguably, the milk testing program is a normal function of government with the object and purpose of consumer protection.

(c) Expenditures and Allocation

The budgetary information available from the Government of Louisiana is not sufficiently detailed to allow us to determine actual, estimate or budgeted expenditures on account of this program.

[581] *Dairy Division*, Louisiana Department of Agriculture
[582] Ibid.

19. MAINE

Agricultural producers in Maine benefit from subsidies and support provided by the Department of Agriculture. General Fund appropriations for the Department of Agriculture, Food and Rural Resources are reported as follows:[583]

FY 2015-2016	$32,386,640
FY 2016-2017	$31,685,242

The Maine Department of Agriculture, Food and Rural Resources administers the following programs:

- Federal State Market Improvement Program
- Maine Farms for the Future Program
- The Emergency Food Assistance Program (TEFAP)
- Senior FarmShare program
- Farm Labor Link Network
- Farmland Protection Program
- Agricultural Business and Market Development Program
- Agricultural Sustainable Water Management Program
- Market Promotion and Special Events Program
- Agricultural Fair Program
- Agricultural Development Grant
- Agricultural Marketing Loan Fund
- Nutrient Management Program
- Maine Milk Commission
- Quality Assurance Program
- Maine Coastal Program
- Maine Natural Areas Program
- Soil & Water Conservation Program

[583] State of Maine, General Fund Appropriations, 1st Regular Session, 124th Legislature, "2016-2017General Food Summary by Department", pg 1

PART II - MAINE

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Maine

- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Emergency Conservation Program (ECP)
- Emergency Forest Restoration Program (EFRP)
- Farmable Wetlands Program (FWP)
- Grassland Reserve Program (GRP)
- Source Water Protection Program (SWPP)
- Livestock Forage Program (LFP)
- Livestock Indemnity Program (LIP):
- Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish (ELAP)
- Tree Assistance Program (TAP)
- Emergency Loan Program
- Disaster Set-Aside Program
- Emergency Conservation Program (ECP)
- Non-insured Disaster Assistance Program (NAP)
- Direct Operating Loans Program
- Microloans Program
- Direct Farm Ownership Loans Program
- Guaranteed Loans Program
- Minority and Women Farmers and Ranchers Program
- Beginning Farmers and Ranchers Program
- Emergency Loans Program
- Native American Tribal Loans Program

The programs administered by this agency do not appear to provide support exclusively to dairy. Many more of them simply involve state-level delivery of USDA programs. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Total support provided to agricultural producers by Maine in 2015 was $32,386,640.

PART II - MAINE

The percentage allocation to dairy for Maine in 2015 was 15.9%. Therefore, support provided to agricultural producers by the Maine Department of Agriculture, Food and Rural Resources for 2015 was $5,149,476.

PART II - MAINE

Agricultural Business Loans

(a) Program Description

The Department of Agriculture, Food and Rural Resources operates two loan programs that support capital improvements: Agricultural Marketing Loans and Potato Marketing Improvement Fund loans.

Loans under the Agricultural Marketing Loans program fund either 75% or 90% of a capital improvement project for the agricultural business. Interest rates are set at a "favourable" 5%.[584] Loans made under this program can be up to $250,000. The program is intended to support the use of new technologies and innovative processes. Loan funds may be used for new or improvements to land or buildings as well as to purchase retrofit machinery and equipment that will improve the quality and marketability of Maine's products.[585]

(b) WTO Consistency

These programs provide important support to Maine's agriculture business. As the effect of these subsidies is to reduce costs and increase production, the support provided should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Maine is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

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[584] *Agricultural Business Development*, Maine Department of Agriculture, Food and Rural Resources
[585] *Division of Agricultural Resource Developments, Agricultural Market Loan Fund Program*

PART II - MAINE

Maine Farms for the Future

(a) Program Description

Main Farms for the Future is a statewide program for established farmers who are: planning on farming for the foreseeable future, thinking about making a major change within their business, looking for help to transition or expand. [586]

A selected farm receives a team of advisors and technical services to develop a plan that covers management, and technical services to develop a plan that covers management, operating, marketing and financing, and new investment to improve the farm's bottom line and long –term sustainability.

(b) WTO Consistency

The grants provided under this program provide direct support to producers and are intended to ensure that agricultural land remains in production. Consequently, the grants will have trade and/or production distorting effects. Therefore, the support provided under this program should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Maine is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[586] Maine Farms for the Future, Business planning and grants to improve economic viability of Maine Farms

Nutrient Management Loan Program

(a) Program Description

This program provides low-interest direct loans, up to $450,000, for the construction of livestock manure and milk room waste containment/handling facilities.[587]

(b) WTO Consistency

This program provides support that will offset nutrient management costs that would otherwise be incurred by recipient producers. Based on the information available, it is not clear that expenditures under this program would be exempt from the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Maine is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

This is now available through FAME. These loans have an effective interest rate of 4% the first year and 3% each year up to 20 years.

[587] *Mary Ellen Johnston, Division of Market and Production Development,* letter to National Council of State Agricultural Finance Programs

PART II - MAINE

Dairy Inspection Program

(a) Program Description

The program provides Maine's dairy processing industry with State regulated and FDA certified inspection of their products and State certification of their analysts which allows them to sell milk across state lines and within the State. The Dairy Inspection Program is responsible for inspecting processors and farms to ensure the safe supply of milk for the public.[588]

(b) WTO Consistency

This program would appear to be exempt from AMS pursuant to Annex 2.2(e) to the WTO Agreement on Agriculture.

(c) Expenditures and Allocation

This is local delivery of USDA programs. It is a normal function of government, which benefits and protects consumers.

[588] *Dairy Inspection Program*, Maine Department of Agriculture

20. MARYLAND

Agricultural producers in Maryland benefit from subsidies and support provided by the Department of Agriculture. The Budget for the Department of Agriculture is reported as follows:[589]

2015 (Actual)	$76,371,000
2016 (Working)	$89,371,000
2017 (Allowance)	$90,360,000

The State of Maryland administers the following programs:

- Nutrient Management Training Program
- Agricultural Nutrient Management Program
- Turfgrass Nutrient Management Program
- Maryland Agricultural Water Quality Cost-Share Program
- Cover Crop Program
- Conservation Reserve Enhancement Program
- Agricultural Certainty Program
- Animal Waste Technology Fund Program

Many of the programs delivered by the Department of Agriculture in Maryland are state level vehicles for delivering USDA funding and services. We have selected a specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Maryland

- Farm Operating Loans Program
- Farm Ownership Loans Program
- Emergency Farm Loans Program
- Microloans Program
- Minority and Women Farmers and Ranchers Program
- Rural Youth Loans Program
- Commodity Loans Program
- Loan Deficiency Payments Program
- Market Loss Assistance Payment Programs
- Conservation Reserve Program (CRP)

[589] *FY 2011Maryland Proposed Operating Budget Detail*, Volume 2

- Conservation Reserve Enhancement Program (CREP)
- Emergency Conservation Program (ECP)
- Emergency Forest Restoration Program (EFRP)
- Farmable Wetlands Program (FWP)
- Grassland Reserve Program (GRP)
- Emergency Assistance for Livestock, Honey Bees, and Farm-raised Fish (ELAP)
- Emergency Forest Restoration Program (EFRP)
- Livestock Forage Program (LFP)
- Noninsured Crop Disaster Assistance Program (NAP)
- Supplemental Revenue Assistance Payments Program (SURE)
- Tree Assistance Program (TAP)

It would appear that, based on available information, the programs administered by the Department of Agriculture do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The operating budget in 2015 is $76,371,000, and the percentage allocation to dairy for Maryland in 2015 was 7.81%. Therefore, the total amount allocated to dairy production for 2015 is $5,956,938.

PART II - MARYLAND

Maryland Agricultural Water Quality Cost-Share Program

(a) Program Description

Under this program, Maryland provides grants to farmers for up to 87.5% of the cost to install best management practices to control soil erosion, manage nutrients and safeguard water quality. The objective of the program is to protect natural resources, comply with environmental regulations and maintain farm productivity.[590]

(b) WTO Consistency

Support provided through this cost-share program confers a subsidy on recipient producers. As one of the stated objectives of the program is to maintain farm productivity, the subsidy is intended to have trade and/or production distorting effects. Therefore, support provided through this program should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Maryland is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

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[590] *Maryland Agricultural Water Quality Cost-Share Program,* Maryland Department of Agriculture

21. MASSACHUSETTS

Agricultural producers in Massachusetts benefit from subsidies and support provided by the Department of Food and Agriculture through three general programs: Department of Agriculture Resources, Emergency Food Aid Assistance and Integrated Pest Management. The Budget for the Department of Agriculture reports the following as appropriations for Department programs:

2015 (Summary)	$20,794,000 [591]
2016 (Summary)	$23,242,000

The State of Massachusetts administers the following programs:

- Energy Efficiency, Conservation, and Renewables Program
- Underground Storage Tank (UST) Program
- Pesticide Program
- Rabies Control Program
- Agricultural Preservation Restriction Program (APR)
- Energy Efficiency, Conservation, and Renewables Program
- MDAR Energy Massachusetts Farm Energy Program (MFEP)
- Agricultural Composting Program
- Commonwealth Quality Program
- Education Program
- Apiary Program
- Land Protection Program
- Massachusetts Farm Energy Program
- Agricultural Energy Grant Program (Ag-Energy)
- Agricultural Energy Special Project Grant Program (ENER-SP)
- Agricultural Environmental Enhancement Program (AEEP)
- Agricultural Food Safety Improvement Program (AFSIP)
- APR Improvement Program (AIP)
- Farm Energy Discount Program
- Farm Viability Enhancement Program (FVEP)
- Massachusetts Emergency Food Assistance Program (MEFAP)
- Matching Enterprise Grants for Agriculture Program (MEGA)
- Rollover Protective Structure (ROPS) Retrofit Program
- Stewardship Assistance and Restoration on APRs (SARA)
- Urban Agriculture Program

[591] FY 2010 Budget – Department of Agricultural Resources General Appropriations Act

PART II - MASSACHUSETTS

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Massachusetts

- Direct Operating Loans Program
- Microloans Program
- Direct Farm Ownership Loans Program
- Guaranteed Loans Program
- Youth Loans Program
- Minority and Women Farmers and Ranchers Program
- Beginning Farmers and Ranchers Program
- Emergency Loans Program
- Native American Tribal Loans Program
- Recourse Marketing Assistance Loan
- Non-recourse Marketing Assistance Loans and Loan Deficiency Payments
- Margin Protection Program for Dairy (MPP-Dairy)
- Reimbursement Transportation Cost Payment Program
- Farm Storage Facility Loan Program
- Sugar Storage Facility Loan Program
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Emergency Conservation Program (ECP)
- Emergency Forest Restoration Program (EFRP)
- Farmable Wetlands Program (FWP)
- Grassland Reserve Program (GRP)
- Source Water Protection Program (SWPP)
- Livestock Forage Program (LFP)
- Livestock Indemnity Program (LIP)
- Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish (ELAP)
- Tree Assistance Program (TAP)
- Emergency Loan Program
- Disaster Set-Aside Program
- Emergency Conservation Program (ECP)
- Non-insured Disaster Assistance Program (NAP)

The Department of Food and Agriculture provides support exclusively to dairy producers in a limited way which is discussed below. However, there is not sufficient information available on cost to government under this program which is financed by farmer levies. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The recommended budget for programs operated by the Department of Food and Agriculture for 2015 is reported as $20,794,000, and the percentage allocation to dairy for Massachusetts in 2015 was 9.7%. Therefore, the total amount allocated to dairy production for 2015 is $2,017,018.

PART II - MASSACHUSETTS

Milk Producers Security Fund

(a) Program Description

The Milk Producers Security Fund was established to protect Massachusetts dairy farmers from milk dealers who default on payments for milk that they have already received. The fund is supported by assessments imposed on dairy farmers.[592]

(b) WTO Consistency

If this fund is self-financing, there would be no cost to government and this no subsidy. Based on the limited information available, it is not clear that the program is self-financing or that payments made under this program would be exempt from the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Massachusetts is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program. Indeed, based on the program description, this program appears to be funded by user fees.

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[592] *Producer Security Fund*, Bureau of Milk Marketing, Massachusetts Department of Agricultural Resources

PART II - MASSACHUSETTS

Agricultural Preservation Restriction Program

(a) Program Description

This is a farmland preservation program that pays farmers and other owners of “prime” and “state important” agricultural land the difference between the “fair market value” and “agricultural value” of the land to ensure that the land remains in agricultural production. Landowners apply to participate in this program. Landowners receive payments in exchange for a permanent deed restriction that permanently precludes any use of the property that will have a negative impact on agricultural production.[593] As of 2013 the Massachusetts APR program has permanently protected over 856 farms and a total land area of over 70,000 acres.

(b) WTO Consistency

Payments made under this program should be included in the U.S. AMS on the basis that the support is intended to ensure continued agricultural production and, thus, would have trade and/or production distorting effects.

(c) Expenditures and Allocation

The budgetary information available from the Government of Massachusetts is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[593] *Agricultural Preservation Restriction Program*, Massachusetts Department of Agricultural Resources

PART II - MASSACHUSETTS

Farm Viability Enhancement Program

(a) Program Description

The Program offers farmers environmental, technical and business planning assistance to expand, modernize and upgrade their existing operations. Capital for the implementation of the improvements recommended in the viability plan is available in exchange for an agricultural covenant on the farm property for a fixed term at five or ten years. FY 2016 spending was $650,000 in direct grants to farms and over $80,000 was spend on technical assistance costs to consultants and business plan writers.[594]

(b) WTO Consistency

Grants provided under the Farm Viability Planning Program are subsidies for purposes of the WTO Agreement on Subsidies and Countervailing Measures and WTO Agreement on Agriculture. Based on the information available, it appears that expenditures under this program should be included in the U.S. AMS. This is particularly the case with respect to grants provided for seed capital on the basis that these grants are clearly intended to have trade and/or production distorting effects.

(c) Expenditures and Allocation

As noted, FY 2016 spending was $18,321,472.

[594] Farm Viability Enhancement Program, Massachusetts Department of Agricultural Resources

PART II - MASSACHUSETTS

Mastitis Program

(a) Program Description

The Mastitis Program offers assistance to dairy farmers by offering laboratory analysis of milk samples to identify problem areas in their herds to reduce the overall impact of mastitis on their herds and ultimately, on the quality of milk they produce.[595]

(b) WTO Consistency

This program would appear to be exempt from AMS pursuant to the criteria of Annex 2.2(e) of the WTO Agreement on Agriculture.

(c) Expenditures and Allocation

Based on the program description, this program appears to be funded by user fees.

[595] Mastitis Program, Massachusetts Department of Agricultural Resources

PART II - MASSACHUSETTS

Hauler-Sampler Program

(a) Program Description

The Hauler-Sampler Program establishes a training and registration program for milk hauler-samplers. Milk haulers are required to take milk samples. These milk samples are tested for milk component contents (i.e., butterfat, protein, and other milk solids) as well as to gather quality information such as bacterial counts and to determine the presence of antibiotics.[596]

(b) WTO Consistency

This program would appear to be exempt from AMS pursuant to the criteria of Annex 2.2(e) of the WTO Agreement on Agriculture.

(c) Expenditures and Allocation

Based on the program description, this program appears to be funded by user fees.

[596] Hauler-Sampler Program, Massachusetts Department of Agricultural Resources

22. MICHIGAN

Agricultural producers in Michigan benefit from subsidies and support provided by the Department of Agriculture. The Budget for the Department of Agriculture is reported as follows:[597]

FY 2015 (Current Law)	$84,462,200
FY 2016 (Governor's Recommendation)	$84,144,000
FY 2017 (Governor's Recommendation)	$83,644,000

The State of Michigan administers the following programs:

- Farmland Preservation
- Forestry Assistance Program
- Qualified Forest Program.
- Michigan's Agriculture Environmental Assurance Program (MAEAP)
- Pollution Prevention
- Wildlife Preservation Program
- Habitat Incentive Program.
- International Marketing Program
- MDARD Specialty Crop Block Grant Program
- Food Safety Education grant program
- Strategic Growth Initiative (SGI)
- Value Added & Regional Food Systems Grants

Many of these programs are state level vehicles for delivering USDA funding and services.

Federal programs for Michigan

- Beginning Farmer Down Payment Loan
- Biomass Crop Assistance Program (BCAP)
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Conservation Reserve Program - State Acres For Wildlife Enhancement (CRP-SAFE)
- Direct Farm Ownership Loan
- Direct Operating Loan
- Emergency Conservation Program (ECP)

[597] *Executive Budget Fiscal Year 2016-2017*, pg B-3

- Emergency Farm Loans
- Farm Storage Facility Loan Program
- Grassland Reserve Program (GRP)
- Guaranteed Farm Ownership Loan
- Guaranteed Operating Loan
- Indian Tribal Land Acquisition Program
- Noninsured Crop Disaster Assistance Program (NAP)
- Nonrecourse Marketing Assistance Loan and Loan Deficiency Payment (LDP) Program
- Sugar Loan Program and Sugar Marketing Allotments
- Sugar Storage Facility Loan Program
- Youth Loans

The programs administered by the Department of Agriculture do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The budget of the Department of Agriculture for 2015 was reported as $84,462,200, and the percentage allocation to dairy for Michigan in 2015 was 21.8%. Therefore, the total amount allocated to dairy production for 2015 is $18,412,760.

23. MINNESOTA

Agricultural producers in Minnesota benefit from subsidies and support provided by the Department of Agriculture and through the Agricultural Utilization Research Institute. The expenditures by the Department of Agriculture are reported as follows:[598]

FY 2015 (Gov. Rec.)	$36,910,000
FY 2016 (Gov. Rec.)	$42,521,000
FY 2017 (Gov. Rec.)	$54,670,000

The expenditures by the Agricultural Utilization Research Institute are reported as follows:

FY 2015 (Gov. Rec.)	$3,643,000
FY 2016 (Gov. Rec.)	$3,643,000
FY 2017 (Gov. Rec.)	$3,643,000

The State of Minnesota administers the following programs:

- AGRI Biofuel Infrastructure Partnership – E15/25 Retrofit Program
- AGRI Biofuel Infrastructure Partnership – Blender Pump Program
- About the Minnesota Ethanol Program
- Local Land Use & Livestock Siting Program
- Chemigation Permit Program
- Nutrient Management
- Waste Pesticide Collection Program
- Biodiesel Program
- Minnesota Ethanol Program
- Methane Digester Loan Program
- MDA Export Promotion Services
- Pet Food Program
- Commercial Feed Program
- Farm to School Program
- Agricultural Growth, Research and Innovation (AGRI) Program
- AGRI Bioincentive Program

[598] March 17, 2015 Governor’s Recommendations, 2014-2015 Biennium, 2016-2107 Biennium, 2018-2019 Biennium, pg 10

PART II - MINNESOTA

- AGRI Livestock Investment Grants
- AGRI Value Added Grants
- AGRI Farm to School Grants.
- AGRI Good Agricultural Practices (GAP) Certification Cost Share
- AGRI Minnesota Pavilion Space
- AGRI Beginning Farmer Farm Business Management Scholarships
- AGRI Trade Show Support Program (TSP)
- AGRI Sustainable Agriculture Demonstration Grants
- AGRI Crop Research Grants
- AGRI Agriculture Value-Added Feasibility Study Grant (VAFSG)
- AgBMP Loan
- Aggie Bond Loan
- Ag Improvement Loan
- Beginning Farmer Loan Program
- Dairy Modernization Loan
- Farm Opportunity Loan Program
- Livestock Expansion Loan
- Livestock Equipment Loan Program
- Methane Digester Loan
- Pilot Agricultural Microloan Program
- Restructure II LoanSeller Assisted Loan
- Value-Added Agricultural Product Loan
- Agricultural Growth, Research & Innovation Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Minnesota

- Farm Storage Facility Loans (FSFL)
- Marketing Assistance Loans (MAL)
- Conservation Reserve Program (CRP)
- Noninsured Crop Disaster Assistance Program (NAP)
- Margin Protection Program for Dairy (MPP-Dairy)
- Agriculture Risk Coverage (ARC) and Price Loss Coverage Program (PLC)
- Disaster Assistance Programs
- Direct Farm Operating Loans
- Microloans
- Youth Loans
- Emergency Loans

PART II - MINNESOTA

Minnesota is an important dairy producing state, but we do not have precise information on dairy-specific expenditures. We have calculated the total value of the support attributable to dairy production on the basis of dairy's share of total state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The total preliminary expenditures of the Department of Agriculture and the Agricultural Utilization Research Institute for 2015 were $40,553,000, and the percentage allocation to dairy for Minnesota in 2015 was 10.1%. Therefore, the total amount allocated to dairy production for 2015 is $4,095,853.

PART II - MINNESOTA

Agricultural Best Management Practices (BMP) Loan Program

(a) Program Description

This water quality program provides zero interest loans to local units of government who in turn provide low interest loans to individuals for Best Management Practices that help implement agricultural non-point source pollution priorities in local water plans.[599]

(b) WTO Consistency

This program provides support to producers by granting them low interest loans. Based on the information available, it is not clear that the expenditures under this program can be excluded from the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Minnesota is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[599] *Agricultural Best Management Practices (BMP) Loan Program*, Minnesota Department of Agriculture

Agricultural Improvement Loan Program

(a) Program Description

The Agricultural Improvement Loan Program provides financing for farm improvements, including grain handling facilities, machine storage, erosion control, wells and manure systems. The borrower must be a Minnesota resident, a Minnesota domestic family farm corporation or a family farm partnership. The borrower or one of the borrowers must be the principal operator of the farm. Eligible borrowers must not have a net worth exceeding $450,000 (indexed for inflation). The Minnesota Rural Finance Authority may provide a loan of up to 45% of loans to a maximum value of $400,000. This program is intended to assist eligible farmers by improving production and efficiency and by increasing farm income.[600]

(b) WTO Consistency

Loans provided under this program are intended to support increased production. Therefore, expenditures made under this program should be included in the U.S. AMS on the basis that they are intended to have trade and/or production distorting effects.

(c) Expenditures and Allocation

The budget information available from the Government of Minnesota is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[600] *Agricultural Improvement Loan Program,* Minnesota Department of Agriculture

PART II - MINNESOTA

Beginning Farmer Loan Program

(a) Program Description

This program assists individuals with a net worth less than $450,000 become full-time farmers. The program offers affordable financing, a reasonable down payment and assistance in terms of financial planning and farm management training. Commercial lenders provide loans under the program. The Rural Finance Authority will provide up to 45% of the loan up to a maximum of $400,000. The Rural Finance Authority will charge a reduced interest rate for its portion of the loan.[601]

(b) WTO Consistency

This program provides important support to eligible producers. To the extent that this program supports new entrants bringing new production on-line, the expenditures should be included in the U.S. AMS because they have trade and/or production distorting effects. To the extent that this program reduces the cost of farm ownership to new entrants, the expenditures should be included because they have trade distorting effects.

(c) Expenditures and Allocation

The budgetary information available from the Government of Minnesota is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[601] *Basic Farm Loan Program*, Minnesota Department of Agriculture

PART II - MINNESOTA

Livestock Expansion Loan Program

(a) Program Description

This program "creates affordable financing" for improvements to land, buildings and other permanent structures used for livestock production. Eligible borrowers must: (i) be actively engaged in a livestock operation; (ii) have the ability to repay the loan; and (ii) have a net worth not exceeding $848,000. The Rural Finance Authority will provide up to 45% of the loan principal to a maximum of $525,000. The incentive to use this program is "an affordable fixed interest rate for a certain period of time".[602]

(b) WTO Consistency

Based on the information available, it is apparent that loans provided under this program are intended to increase production. Therefore, expenditures made under this program should be included in the U.S. AMS because they are intended to have trade and/or production distorting effects.

(c) Expenditures and Allocation

The budgetary information available from the Government of Minnesota is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

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[602] *Livestock Expansion Loan Program*, Minnesota Department of Agriculture

PART II - MINNESOTA

Dairy Profitability and Enhancement Team Grant Program

(a) Program Description

The Dairy Profitability and Enhancement Team Grant project has been in existence since 1996. The program runs as mandated in Minnesota Laws 1997, Chapter 216, Section 7, Sub-division 4 which states:

"To expand the one-on-one educational delivery team system to provide appropriate technologies, including rotational grazing and other sustainable agriculture methods, applicable to small and medium sized dairy farms to enhance the financial success and long-term sustainability of dairy farms in the state. Activities of the dairy profit teams must be spread throughout the dairy producing regions of the state. The teams must consist of farm business management instructors, dairy extension specialists, and dairy industry partners to deliver the information and technological services."[603]

(b) WTO Consistency

This program would appear to encourage production and provide non-decoupled income support. It should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[603] *Dairy Profitability and Enhancement Team Grant*, Minnesota Department of Agriculture

PART II - MINNESOTA

Biodiesel Program

(a) Program Description

Minnesota was the first state to mandate the use of biodiesel, establishing a B2 mandate that took place September 29, 2005. Since then the mandate has moved to 5% (May 1, 2009) and most recently to B10 beginning July 1, 2014. The currently higher level mandate is in effect for the "summer" months, April through September, and reverts to B5 for the winter months. The mandate is now scheduled to jump to B20 for the summer months in 2018 per Minnesota Statute 239.77.

Because it is made from a locally-grown, renewable resource, using biodiesel can help boost Minnesota's farm economy and reduce dependence on fossil fuels. It is estimated that the state's B10/B5 requirement will replace over 65 million gallons of diesel fuel with domestic, renewable biodiesel—and Minnesota's 63 million gallons of biodiesel production capacity will cover almost all of that demand.[604]

(b) WTO Consistency

This program encourages production and provides price support. It should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Minnesota is not sufficient detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

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[604] https://www.mda.state.mn.us/renewable/biodiesel.aspx

PART II - MINNESOTA

Ethanol Program

(a) Program Description

This program was introduced because the 20-cent per gallon ethanol producer payment legislation initially provided the security required by lenders to invest in small farmer owned ethanol facilities. In addition to opposition from the petroleum industry, bankers were concerned that these plants could not compete in the market with large agribusiness processors. At the time, most ethanol production occurred in large distilleries outside the state. Minnesota corn prices were among the lowest in the country, which was an advantage for local processing.

Although these farmer-owned ventures have been successful to date, margins have been squeezed by periods of record high corn prices and low ethanol prices. It is hoped that ten years of payments will allow plants to retire debt, increase efficiency and develop new products and markets so they can survive the competition and price fluctuations in agricultural and petroleum markets. Unique aspects of the ethanol industry made these incentive payments necessary. The Minnesota ethanol industry is projected to contribute over $2 billion in net annual benefit to the state.

Since low farm commodity prices have been common (until recently), these new corn processing plants were expected to represent a new strategy for the long-range profitability of farmers and farm communities. Vertical integration from the bottom up was expected to allow farmers to participate in the more profitable end of agriculture. Promoting farmer investments in the processing and marketing of other crop or livestock enterprises may not require the high level of state funding as did ethanol. It is hoped that such initiatives can reduce the need for continual funding of farm financial crisis measures allowing farmers to make it on their own.

(b) WTO Consistency

This program encourages production, provides price support and income support. It should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Minnesota is not sufficient detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

24. MISSISSIPPI

Agricultural producers in Mississippi benefit from subsidies and support provided by the Department of Agriculture, Commerce and Economic Development. The budget for the Department of Agriculture, Commerce and Economic Development for FY 2015 is $643,868,132.[605]

The State of Mississippi administers the following programs:

- Mississippi Certified Farmers Markets Program
- GAP/GHP Certification Cost-Share Program
- Specialty Crop Block Grant Program
- Honeybee Stewardship Program
- National Organic Cost-Share Program
- School Garden Grant Program
- Pesticide Program
- Seed Program
- Mississippi Agritourism Program
- Farmers Market Nutrition Program
- Plant Pest Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Mississippi

- Conservation Reserve Program (CRP)
- Non-insured Crop Disaster Assistance Program
- Direct and Counter-Cyclical Program
- Farm Storage Facility Loans
- Marketing Gains and LDP
- Dairy Disaster Assistance Program
- Livestock Compensation Program
- Emergency Conservation Program
- Emergency Forestry Conservation Program
- Crop Disaster Assistance

[605] *State of Mississippi Budget Fiscal Year 2015*, pg 18

- Guaranteed Loan Program
- Direct Loan Program
- Beginning Farmer Loans Program

The programs administered by the Department of Agriculture, Commerce and Economic Development do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The budget of the Department of Agriculture, Commerce and Economic Development for 2015 was $643,868,132, and the percentage allocation to dairy for Mississippi in 2015 was 0.6%. Therefore, the total amount allocated to dairy production for 2015 is $3,863,209.

Agribusiness Enterprise Loan Program

(a) Program Description

The Agribusiness Enterprise Loan Program is administered by the Mississippi Development Authority. Loans provided under the program may be used to finance buildings and equipment and for costs associated with the purchase of land (i.e., appraisals, title search, etc) but may not be used to purchase land. The Mississippi Development Authority participates by providing 20% of the total project cost or $200,000, whichever is less and $700,000 or 30% for agribusinesses that are retrofitting operations. All loans must be guaranteed by the Farm Services Agency, the Small Business Administration or a direct lender.[606] The portion of the loan provided by the Mississippi Development Authority under this program is interest free.[607]

(b) WTO Consistency

Based on the information available, it is apparent that loans provided under this program are intended to increase production. Therefore, expenditures made under this program should be included in the U.S. AMS on the basis that they are intended to have trade and/or production distorting effects.

(c) Expenditures and Allocation

The budgetary information available from the Government of Mississippi is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

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[606] Mississippi Development Authority, *Agribusiness Enterprise Loan Program*
[607] *Agribusiness Enterprise Loan Program*, Financial Assistance Programs, Mississippi Development Authority, pg 2 of 7

25. MISSOURI

Agricultural producers in Missouri benefit from subsidies and support provided by the Department of Agriculture. The expenditures by the Department of Agriculture are reported as follows:[608]

FY 2015 (Expenditure)	$31,354,486
FY 2016 (Appropriation)	$42,331,831
FY 2017 (Request)	$43,623,667

The State of Missouri administers the following programs:

- Aquaculture Program
- International Marketing Program
- Farmers' Market Matching Grant Program
- AgriMissouri program
- Animal Care Facility Program
- Veterinary Care Program
- Blue Ribbon Kennel Program
- Pet Friendly Spay and Neuter Funding
- Puppy Protection Trust Fund
- Pesticide Program
- Plant Pest Control Program
- Fresh Fruit and Vegetable Inspection Program
- Grain Inspection Services Program
- Grain Regulatory Services Program
- Commodity Services Program
- Agricultural Mediation Program
- Dairy Producer Margin Insurance Premium Assistance Program
- Missouri Dairy Scholars Scholarship Program
- Biofuels Infrastructure Partnership (BIP) Grant Program
- Fescue Endophyte Tolerance Coupon Program
- GAP/GHP Certification Cost Share Program
- "Missouri Grown" Promotion Program
- Farmers' Market Promotion Matching Grant Program
- Missouri Value-Added "Farm to Table" Grant Program
- Missouri Value-Added Grant Program
- Cover Crop Regional Conservation Partnership Program

[608] *Missouri Department of Agriculture Budget FY 2009-2011*, Missouri, pg 6-1

- Organic Certification Cost Share Program
- Specialty Crop Block Grant Program
- Agribusiness Revolving Loan Fund
- Alternative Loan Program
- Animal Waste Treatment System Loan Program
- Beginning Farmer Loan Program
- Bridge Loan Program
- Eligible Facility Borrower
- Livestock Feed and Crop Input Loan Guarantee Program
- Missouri Value-Added Loan Guarantee Program
- Single-Purpose Animal Facilities Loan Guarantee Program
- Crop and Livestock Loan Guaranty Program
- Agricultural Product Utilization Contributor Tax Credit
- Family Farm Breeding Livestock Tax Credit Program
- New Generation Cooperative Incentive Tax Credits
- Qualified Beef Tax Credit Program
- Wine and Grape Production Tax Credit Program
- For Biofuel Producers
- Missouri Biodiesel Producer Incentive Fund
- Missouri Ethanol Producer Incentive Fund

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Missouri

- Burley Tobacco Program
- Non-insured Crop Disaster Assistance Program (NAP),
- Crop Insurance Compliance Initiative,
- Livestock Assistance Program.
- Appeals, Defense Programs
- Dairy Indemnity Programs
- Conservation Reserve Program
- Stewardship Incentive Program
- Emergency Conservation Program
- Environmental Quality Incentives Program
- Conservation Reserve Enhancement Program
- Conservation Reserve Program (CRP)
- Commodity Loans and Loan Deficiency Payments (LDP)
- Wool, Mohair and Pelt Program
- Honey Loan Program

PART II - MISSOURI

- Graze-Out Payment Program
- Trade Adjustments Assistance
- Farm Storage Facility Loan Program

There are several Missouri programs which appear to be earmarked for dairy producers. These do not appear to be programs which require inclusion in AMS. Nor is there sufficient information to determine expenditures under the programs. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Appropriations for the Department of Agriculture for 2015 were $31,354,486, and the percentage allocation to dairy for Missouri in 2015 was 2.5%. Therefore, the total amount allocated to dairy production for 2015 is $783,862.

PART II - MISSOURI

Alternative Loan Program

(a) Program Description

The Missouri Department of Agriculture offers direct loans through the Agriculture Development Fund to finance the production, processing and marketing needs of an alternative agricultural enterprise. An agricultural alternative project has been stated as a farm operation that is different from what traditional rural operations are currently doing.[609] An example of an alternative project would be taking a traditional enterprise and adding a related service, such as the butchering of a farm's own livestock and selling the meat itself, or the milling of a farm's own wheat and making baked goods. The maximum loan is up to $20,000, at 5.9% interest paid on a maximum 5 year term with semi-annual payments.[610]

(b) WTO Consistency

Based on the information available, it appears that this program provides loans to producers at below prevailing market rates and, on that basis, would confer a subsidy on the recipient. The program supports increased agricultural production and reduces costs for the specific recipient producer. Therefore, the total value of support provided through this program should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Missouri is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

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[609] Alternative Loan Program, Missouri Department of Agriculture
[610] Ibid.

PART II - MISSOURI

Agricultural Product Utilization Contributor Tax Credit Program

(a) Program Description

The Missouri Agricultural and Small Business Development Authority is authorized to grant an Agricultural Products Utilization Contributor Tax Credit in an amount up to 100% of a contribution from a person, partnership, corporation, trust, limited liability company or other donor. The contribution must be made to the authority to be used for financial or technical assistance to a rural agricultural business as approved by the authority.[611]

(b) WTO Consistency

The tax credit provided by the State confers a subsidy on the recipient. As the tax credit is intended to provide financial or technical assistance to rural agricultural business concepts it would reduce the cost of those specific businesses and is intended to increase production thereby having trade and/or production distorting effects. Therefore, the total value of expenditures under this program should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Missouri is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[611] Agricultural Products Utilization Contributor Tax Credit Program, Missouri Department of Agriculture

PART II - MISSOURI

New Generation Cooperative Incentive Tax Credit Program

(a) Program Description

The Missouri Agricultural and Small Business Development Authority provides New Generation Cooperative Incentive Tax Credits to induce producer member investment into new generation processing entities that will process Missouri agricultural commodities and agricultural products into value-added goods, provide substantial benefits to Missouri's agricultural producers, and create jobs for Missourians. The amount of a tax credit issued to a member may be the lesser of 50% of the member's cash investment or $15,000, except for any pro-ration of the member's tax credits. The tax credits may be transferred, sold, or assigned.[612]

(b) WTO Consistency

The tax credits provided through this program confer a subsidy on the recipient. The subsidy is intended to increase production and, therefore, should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Missouri is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[612] New Generation Cooperative Incentive Tax Credit Program, Missouri Department of Agriculture

PART II - MISSOURI

Missouri Value-Added Grant Program

(a) Program Description

The Missouri Value-Added Grant Program provides grants for projects that add value to Missouri agricultural products and aid the economy of a rural community. Grant applications will be considered for value-added agricultural business concepts that:

- Lead to and result in development, processing and marketing of new or expanded uses or technologies for agricultural products; and
- Foster agricultural economic development in Missouri's rural communities.

Applications are considered for expenses related to the creation, development and operation of a value-added agricultural business including: feasibility studies, marketing studies, marketing and business plans and consulting.[613]

(b) WTO Consistency

The grants provided through this program confer a subsidy on the recipient. The subsidy will offset the costs of the recipient producer. These subsidies are also intended to increase agricultural production. Therefore, the total value of expenditure made on account of these programs should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Missouri is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

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[613] Missouri Value-Added Grant Program, Missouri Department of Agriculture

PART II - MISSOURI

Missouri Value-Added Loan Guarantee Program

(a) Program Description

The Missouri Value-Added Loan Guarantee Program provides a 50% first loss guarantee to lenders who make agricultural business development loans for the acquisition, construction, improvement, or rehabilitation of agricultural property (i.e., land, buildings, structures, improvements, equipment and stock) used for the purpose of processing, manufacturing, marketing, exporting, and adding value to an agricultural product.[614]

(b) WTO Consistency

Based on the information available, the loan guarantees made under this program provide a subsidy that supports greater productive capacity among recipient producers. As the intention is to increase capacity, the total value of the expenditures under this program should be included in the U.S. AMS on the basis that they are intended to have trade and/or production distorting effects.

(c) Expenditures and Allocation

The budgetary information available from the Government of Missouri is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[614] Missouri Value-Added Loan Guarantee Program, Missouri Department of Agriculture

26. MONTANA

Agricultural producers in Montana benefit from subsidies and support provided by the Department of Agriculture and the Department of Livestock. The Budget for the Department of Agriculture is reported in the 2017 Biennial Budget as follows:[615]

FY 2015	$15,797,650
FY 2016	$17,865,893
FY 2017	$17,812,736

The Budget for the Department of Livestock is reported in the 2017 Biennial Budget as follows:[616]

FY 2015	$10,317,378
FY 2016	$12,278,615
FY 2017	$12,209,029

The State of Montana administers the following programs:

- Montana Industrial Hemp Pilot Program.
- Commodity Crop Development Programs
  - Alfalfa Seed Program
  - Cherry Research & Market Development Program
  - Pulse Crop Research & Market Development Program
  - Potato Research & Market Development Program
  - Montana Wheat & Barley Committee (MWBC)
- Growth Through Agriculture (GTA)
- Junior Agriculture Loans
- Noxious Weed Trust Fund Grants
- Rural Assistance Loans
- Beginning Farm & Ranch Loans
- State Tax Deduction for Sale of Agricultural Land
- Specialty Crop Block Grants

[615] *Natural Resources & Transportation, 2017 Biennium Executive Budget*, pg C107
[616] Ibid., pg C66

PART II - MONTANA

- SNAP Program
- WIC Program
- Senior Farmers Market Nutrition programs
- Montana Growth Through Agriculture Program
- Montana State Small Business Credit Initiative Program
- Big Sky Economic Development Trust Fund Program
- Indian Country Economic Development Program
- MicroBusiness Finance Program (MBFP)
- Made in Montana program
- Pesticide Program
- Groundwater Protection and Monitoring Program
- Vertebrate Pest Program
- Noxious Weed Seed Free Forage Program
- Beekeeping Program
- Feed Program
- Fertilizer Program
- Agricultural Chemical Groundwater Protection Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Montana

- Direct Operating Loans
- Microloans
- Direct Farm Ownership Loans
- Guaranteed Loans
- Youth Loans Program
- Minority and Women Farmers and Ranchers Program
- Beginning Farmers and Ranchers Program
- Emergency Loans Program
- Native American Tribal Loans Program
- Livestock Forage Program (LFP)
- Livestock Indemnity Program (LIP)
- Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish (ELAP)
- Tree Assistance Program (TAP)
- Emergency Loan Program
- Disaster Set-Aside Program
- Emergency Conservation Program (ECP)
- Non-insured Disaster Assistance Program (NAP)
- The Agriculture Risk Coverage (ARC)
- Price Loss Coverage (PLC) programs
- Agriculture Loss Coverage-County (ARC-CO)

- Price Loss Coverage (PLC)
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Emergency Conservation Program (ECP)
- Emergency Forest Restoration Program (EFRP)
- Farmable Wetlands Program (FWP)
- Grassland Reserve Program (GRP)
- Source Water Protection Program (SWPP)
- Margin Protection Program for Dairy Producers (MPP-Dairy)

The programs administered by the Department of Agriculture and the Department of Livestock do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The total budget of the Departments of Agriculture and Livestock for 2015 is reported in the 2017 Biennial Budget as $26,115,028, and the percentage allocation to dairy for Montana in 2015 was 1.2%. The total amount allocated to dairy production for FY 2015 is $313,380.

PART II - MONTANA

Growth Through Agriculture Program

(a) Program Description

The Growth Through Agriculture program was established to strengthen and diversify Montana's agricultural industry by assisting in the development of new agricultural products and processes. Two types of investment are available under this program: (i) a grant is an award of money without the expectation that the fund will be repaid, and (ii) a loan is an award of money with the expectation that all or a portion of the money will be repaid.[617]

(b) WTO Consistency

Based on the information available, it appears that the "investments" made under this program confer a subsidy on the recipient. As the objective of the program is to "strengthen and diversify" agriculture, its intention is to support increased agricultural production. Therefore, as the program is intended to have trade and/or production distorting effects, the total value of the expenditures under this program should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of Montana is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

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[617] Montana Growth Through Agriculture Program, Montana Department of Agriculture

PART II - MONTANA

Rural Assistance Loan Program

(a) Program Description

The Rural Assistance Loan Program provides loans to producers with modest financial investment in agriculture to assist in the economic growth and welfare of Montana agriculture.

The maximum loan amount is $75,000 per individual. Borrowers may refinance loans up to the maximum of $75,000. Loans are made up to 80% of the value of the collateral used to secure the loan. A 20% down payment or additional collateral may be required to meet this guideline. Funds may be used to finance: agricultural property (i.e., livestock and machinery), agricultural improvements, annual operating expenses and the purchase of land.[618]

(b) WTO Consistency

Based on the information available, it appears that this program provides low cost loans on better terms that the eligible producers could receive from commercial lenders. Consequently, the loan program provides a subsidy. As the subsidy is intended to allow eligible producers to increase production and reduce costs, the total value of the expenditures under this program should be included in the U.S. AMS.

(c) Allocation to Dairy

The budgetary information available from the Government of Montana is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

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[618] Rural Assistance Loan, Montana Department of Agriculture

27. NEBRASKA

Agricultural producers in Nebraska benefit from subsidies and support provided by the Department of Agriculture. The Budget for the Department of Agriculture is reported as follows:[619]

FY 2015	$17,353,371
FY 2016	$18,089,297

State Board of Agriculture:[620]

FY 2015	$3,619,268
FY 2016	$4,069,956

Dairy Industry Development Board:

FY 2015	$1,217,406
FY 2016	$1,337,509

The State of Nebraska administers the following programs:

- Senior Farmers' Market Nutrition Program (SFMNP)
- Women, Infants, and Children Farmers' Market Nutrition Program (WIC FMNP)
- Specialty Crop Block Grant Program
- International Trade Program
- Livestock Development Program
- Cattle Feeding Program
- Livestock Friendly County Program
- Organic Program
- Potato Development Program
- Poultry & Egg Program
- Specialty Crop Block Grant Program
- Animal and Plant Health Protection (APHP) Program
- Dairy Inspection Program
- Dairy & Food Lab Program

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[619] *State of Nebraska, Biennial Budget FY 2016*, pg 77
[620] State Board of Agriculture, pg 79

PART II - NEBRASKA

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Nebraska

- Direct Operating Loan
- Microloan
- Direct Farm Ownership Down Payment Loan
- Direct Farm Ownership Loan
- Emergency Farm Loans
- Youth Loans
- Guaranteed Farm Ownership Loan
- Land Contract Guarantee Program
- Farm Storage Facility Loan Program
- Biomass Crop Assistance Program (BCAP)
- Conservation Reserve Program (CRP)
- State Acres for Wildlife Enhancement (SAFE)
- Conservation Reserve Enhancement Program (CREP)
- Emergency Conservation Program (ECP)
- Grassland Reserve Program (GRP)
- Farmable Wetland Program (FWP)
- Payment Eligibility/Payment Limitation Program
- Adjusted Gross Income Provisions
- Agriculture Risk Coverage (ARC) Program
- Price Loss Coverage (PLC) Program
- Conservation Compliance – Highly Erodible Land and Wetlands
- Compliance with Highly Erodible Lands Conservation (HELC)
- Wetland Conservation Program (WC)
- Natural Resources Conservation Service (NRCS) programs.
- Nonrecourse Marketing Assistance Loan and Loan Deficiency Payment (LDP) Program
- Non-insured Crop Disaster Assistance Program (NAP)
- Livestock Forage Program (LFP)
- Livestock Indemnity Program (LIP)
- Emergency Assistance for Livestock (ELAP)
- Honey Bees
- Farm Raised Fish Program
- Indian Tribal Land Acquisition Program
- Agriculture Mediation Program

The programs administered by the Department of Agriculture do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Appropriated expenditures by the Department of Agriculture and State Board of Agriculture during this period were $20,972,639, and the percentage allocation to dairy for Nebraska in 2015was 1.0%. Therefore, the total amount allocated to dairy production for 2015 is $209,726.

There were also appropriated expenditures by the Dairy Industry Development Board of $1,217,406 and 100% of the amount is allocated to dairy.

PART II - NEBRASKA

Beginning Farmer Tax Credit Program

(a) Program Description

The Beginning Farmer Tax Credit program encourages established farmers and ranchers to help beginning farmers and ranchers by agreeing to rent or lease agricultural assets for three years. Agricultural assets include: land, livestock facilities, machinery, livestock, etc. The rent charged under this agreement may be based on cash rent, share-crop, cow-calf shares, etc. The established farmer will receive a refundable tax credit equal to 10% of the cash rent or 15% of the value of the share crop rent received each year for three years.[621]

(b) WTO Consistency

The tax credit provided under this program confers a subsidy on established farmers and ranchers. This subsidy can be used to offset the costs of the specific established farmers and ranchers participating in this program. Therefore, the total value of the tax credit expenditures made under this program should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available to us from the Government of Nebraska is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[621] Beginning Farmer Program, Nebraska Department of Agriculture

28. NEVADA

Agricultural producers in Nevada benefit from subsidies and support provided by the Department of Agriculture. The Budget for the Department of Agriculture is reported as follows:

FY 2014	$161,804,116
FY 2015	$163,546,886[622]
FY 2016	NOT AVAILABLE
FY 2017	NOT AVAILABLE

The State of Nevada administers the following programs:

- Milk and Dairy Food Inspection
- Milk and Dairy Foods Inspection Program
- Dairy Nutrition Program
- Animal Disease and Food Safety Laboratory Program
- Livestock Identification Program
- Microbiology Laboratory Program
- Wildlife Program
- Child Nutrition Program
- Commodity Foods Program
- Chemistry Program
- Entomology Program
- Environmental Program
- Export Certification Program
- Noxious Weeds Program
- Nursery Programs
- Organic Programs
- Pest Control Program
- Plant Pathology Program
- Producer Certification Program
- Rangeland Health Program
- Seed Programs
- Specialty Crop Block Grant Program
- Good Agricultural Practices Program

Many of these programs are state level vehicles for delivering USDA funding and services.

[622] *State of Nevada, Executive Budget 2013-2015*, pg I-16

PART II - NEVADA

Federal programs for Nevada

- Agriculture Mediation Program
- Beginning Farmer Down Payment Loan
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Direct Farm Ownership Loan
- Direct Operating Loan
- Emergency Conservation Program (ECP)
- Emergency Farm Loans
- Farm Storage Facility Loan Program
- Grassland Reserve Program (GRP)
- Guaranteed Farm Ownership Loan
- Guaranteed Operating Loan
- Indian Tribal Land Acquisition Program
- Milk Income Loss Contract Extension (MILCX) Program
- Non-insured Crop Disaster Assistance Program (NAP)
- Nonrecourse Marketing Assistance Loan and Loan Deficiency Payment (LDP) Program
- Youth Loans

The programs administered by the Department of Agriculture do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Appropriated expenditures by the Nevada Department of Agriculture during this period were $163,546,886, and the percentage allocation to dairy for Nevada in 2015 was 16.1%. Therefore, the total amount allocated to dairy production for 2015 is $26,331,049.

29. NEW HAMPSHIRE

Agricultural producers in New Hampshire benefit from subsidies and support provided by the Department of Agriculture. The Budget for the Department of Agriculture has reported the total estimated funds as follows:[623]

FY 2014 (Actual)	$4,551,969
FY 2015 (Adjusted)	$5,365,720
FY 2016 (Gov. Rec.)	$5,917,785
FY 2017 (Gov. Rec.)	$5,975,538

The State of New Hampshire administers the following programs:

- Agricultural Promotion Mini-Grant
- Agritourism Planning for Farmers
- Animal Disease Traceability
- Animals in Disaster
- Avian Flu
- Crop Insurance
- Exporting
- Expositions and Events
- GAP/GHP Certification
- Integrated Pest Management Grant
- Organic Certification
- Poultry "Cash Buyer" Program
- Seal of Quality Program
- Commercial Feed Program
- Commercial Fertilizer Program
- Plant Pest Quarantines Program
- Seed License Program
- Animal Population Control Program
- Integrated Pest Management Grant Program
- Invasive Plants Program

[623] State of New Hampshire, Governor's Executive Budget Summary, FY 2016-17, pg 20

PART II – NEW HAMPSHIRE

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Nevada

- Agriculture Mediation Program
- Beginning Farmer Down Payment Loan
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Direct Farm Ownership Loan
- Direct Operating Loan
- Emergency Conservation Program (ECP)
- Emergency Farm Loans
- Farm Storage Facility Loan Program
- Grassland Reserve Program (GRP)
- Guaranteed Farm Ownership Loan
- Guaranteed Operating Loan
- Indian Tribal Land Acquisition Program
- Milk Income Loss Contract Extension (MILCX) Program
- Noninsured Crop Disaster Assistance Program (NAP)
- Nonrecourse Marketing Assistance Loan and Loan Deficiency Payment (LDP) Program
- Youth Loans

The programs administered by the Department of Agriculture do not provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Appropriated expenditures by the New Hampshire Department of Agriculture, Markets and Food during this period were $5,365,720, and the percentage allocation to dairy for New Hampshire in 2015was 20.7%. Therefore, the total amount allocated to dairy production for 2015is $1,110,704.

PART II – NEW HAMPSHIRE

Dairy Regulatory Program

(a) Program Description

The Commissioner, of the New Hampshire Department of Agriculture, Markets & Food, is responsible for enforcing laws and rules pertaining to the weighing and purchase of milk from the farm. Licensing is required of any person who weighs or samples milk. In addition, every person who purchases milk or cream from producers within this state, to be either resold as milk or cream or manufactured into other dairy products, shall first obtain a license under this program.[624]

(b) WTO Consistency

This program appears to be exempt from AMS pursuant to Annex 2.2(e) to the WTO Agreement on Agriculture.

(c) Expenditures and Allocation

This is not a subsidy program. It is a normal function of government.

[624] Department of Agriculture, Market & Food, State of New Hampshire, Dairy Regulatory Program

30. NEW JERSEY

Agricultural producers in New Jersey benefit from subsidies and support provided by the Department of Agriculture. The Budget for the Department of Agriculture has reported the total estimated funds as follows:

FY 2015 (Expended)	$19,742,000 [625]
FY 2016 (Appropriation)	$19,953,000 [626]
FY 2017 (Recommended)	$19,953,000

The State of New Jersey administers the following programs:

- New Jersey Wine Industry Project Grants
- Soil and Water Conservation Grants
- EQIP Organic Initiative
- Farmers Market Assistance
- Garden State Dairy Alliance
- New Jersey Junior Breeder Loan Fund
- Value Added Producer Grants
- Federal State Marketing Improvement Program (FSMIP)
- Sustainable Agriculture Research and Education (SARE)
- Farm Credit East (AgEnhancement)
- Energy Programs
- New Jersey Clean Energy Program
- Green Energy
- Renewable Energy Systems and Energy Efficiency Improvements Program
- Biomass Research and Development Initiative Grants
- New Jersey SmartStart Building
- Everything Jersey Fresh program
- Farm to School Program
- Organic Certification Program
- Grown Better in the Garden State
- Farmland Preservation Program
- State Acquisition
- County Planning Incentive Grants
- Municipal Planning Incentive Grants
- Grants to Non-profits

[625] State of New Jersey Budget Fiscal Year 2016, pg D-14
[626] State of New Jersey Budget Fiscal Year 2017, pg 35

- Pinelands Program
- Eight-Year Program
- Jersey Equine Program
- Jersey Ag Education Program
- Animal Health Diagnostic Lab Program
- NJ Animal Emergency Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for New Jersey

- Specialty Crop Block Grant
- USDA's Rural Energy for America Program (REAP)
- Agricultural Credit and Finance Program
- Conservation Reserve Program (CRP)
- Environmental Quality Incentive Program (EQIP)
- Wetlands Reserve Program (WRP)
- Wildlife Habitat Incentives Program (WHIP)
- Grassland Reserve Program (GRP)
- Agricultural Management Assistance (AMA)
- Conservation Reserve Enhancement Program (CREP)

The programs administered by the Department of Agriculture, other than health and inspection related programs, do not provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Appropriated expenditures by the New Jersey Department of Agriculture during this period were $19,742,000, and the percentage allocation to dairy for New Jersey in 2015 was 2.1%. Therefore, the total amount allocated to dairy production for 2015 is $414,582.

PART II – NEW JERSEY

Farmland Preservation Program

(a) Program Description

The Farmland Preservation Program seeks to protect farmland through the temporary or permanent purchase of development rights over the land. The intention is that the land can continue to be used for agricultural purposes and may not be developed or used for a non-agricultural use. Participating producers will retain the right to continue to farm their land.

(i) State Acquisition Program

Under this sub-program, landowners can either sell the development rights to their land and continue to own and farm the land, or sell their land outright. In both cases, the land is permanently deed-restricted for agriculture use. The State Agriculture Development Committee (SADC) provides counties with grants to fund 60-80% of the cost of purchasing development rights on approved farms.[627]

(ii) Municipal Planning Incentive Grants

The Municipal Planning Incentive Grant (PIG) Program enables the SADC to provide grants to eligible counties and municipalities to purchase development easements for permanent preservation of farmland in designated project areas. [628]

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[627] *State Acquisition Program*; Farmland Preservation Program, New Jersey State Agriculture Development Committee

[628] *Municipal Planning Incentive Grants*; Farmland Preservation Program, New Jersey Department of Agriculture

(iii) County Planning Incentive Grants

The County Planning Incentive Grant is a new program that encourages a comprehensive planning process for farmland preservation at the county level. It offers several other advantages over the traditional easement purchase program, including enabling counties to accept to accept and process farmland preservation applications year-round, rather than once a year; reducing the timeframe from landowner application to closing; and rewarding counties that complete transactions in a timely manner with the potential for additional funding.[629]

(iv) Pinelands Preservation Program

Under this sub-program, landowners sell a development easement over their land. Landowners retain the land but are limited to agricultural use. The purchase price is negotiated with the landowner subject to the recommendations of two independent appraisers and a review by a state review appraiser. Appraisals generally reflect the value of the Pinelands Development Credits that have been assigned to the land.[630]

(v) Eight-Year Program

Under this sub-program, landowners agree to voluntarily restrict development on their land for a period of eight years in exchange for certain benefits, including soil and water conservation cost-sharing grants and protection from nuisance complaints, emergency fuel and water rationing, zoning changes and eminent domain actions.[631]

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[629] *County Planning Incentive Grants*; Farmland Preservation Program, New Jersey Department of Agriculture
[630] *Pinelands Preservation Program*; Farmland Preservation Program, New Jersey Department of Agriculture
[631] *Eight-Year Program*; Farmland Preservation Program, New Jersey Department of Agriculture

(b) WTO Consistency

The purchase of development rights confers a subsidy on the recipient landowner. The program ensures that land that would otherwise be developed remains in agricultural production. Therefore, as the program is intended to have trade and/or production distorting effects, the total value of the expenditures made under this program should be included in the U.S. AMS.

(c) Expenditures

The expenditures for this program is reported under the general fund of direct state services, and are as follows:[632]

2015 (Actual)	$2,069,000

(d) Allocation to Dairy

This program does not provide support exclusively to dairy producers. Because, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We have not made a specific allocation to dairy for this program. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Actual expenditures on account of the Farmland Preservation Program during this period were $2,069,000, and the percentage allocation to dairy for New Jersey in 2015 was 2.1%. Therefore, the total amount allocated to dairy production for 2015 is $43,449.

[632] *State of New Jersey Budget Fiscal Year 2009-2010*, pg D-13

31. NEW MEXICO

Agricultural producers in New Mexico benefit from subsidies and support provided by agencies, including the New Mexico Livestock Board and the Renewable Energy and Energy Efficiency, Water Resource Allocation and Interstate Stream Compact Compliance and Water Development. The Budget for the Livestock Board is reported as follows:[633]

FY 2015 (Actual)	$36,103,000
FY 2016 (Operating)	$36,828,600
FY 2017 (Recommended)	$37,636,800

The State of New Mexico administers the following programs:

- New Mexico Department of Agriculture's (NMDA) Organic Program
- Acequia and Community Ditch Fund
- Noxious Weed Management
- Paso del Norte Watershed Council 319 Grant
- Soil and Water Conservation District Act
- Rangeland and Grazing Issues
- Water and Natural Resources Policy
- Wildlife Programs
- Cooperative Wildlife Services Program
- Wildlife Species Management
- Apiary Program
- Commercial Feed Inspections Program
- Dairy Inspections Program
- Egg Inspections Program
- Fertilizer and Soil Conditioner Inspection Program
- Fruit and Vegetable Inspections Program
- Livestock Scale Inspections Program
- Nursery Inspections Program
- Seed Program

Many of these programs are state level vehicles for delivering USDA funding and services.

[633] *New Mexico, Executive Budget Recommendation 2017,* pg 17

PART II – NEW MEXICO

Federal programs for New Mexico

- Agriculture Mediation Program
- Beginning Farmer Down Payment Loan
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Direct and Counter-cyclical Payment (DCP) Program
- Direct Farm Ownership Loan
- Direct Operating Loan
- Emergency Conservation Program (ECP)
- Emergency Farm Loans
- Farm Storage Facility Loan Program
- Grassland Reserve Program (GRP)
- Guaranteed Farm Ownership Loan
- Guaranteed Operating Loan
- Indian Tribal Land Acquisition Program
- Milk Income Loss Contract Extension (MILCX) Program
- Non-insured Crop Disaster Assistance Program (NAP)
- Non-recourse Marketing Assistance Loan and Loan Deficiency Payment (LDP) Program
- Sugar Loan Program and Sugar Marketing Allotments
- Sugar Storage Facility Loan Program
- Youth Loans

The programs administered by these agencies do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The total budget of the New Mexico Livestock Board, Renewable Energy and Energy Efficiency, Water Resource Allocation and Interstate Stream Compact Compliance and Water Development for FY 2015 was $36,103,000, and the percentage allocation to dairy for New Mexico in 2015 was 41.3%. Therefore, the total amount allocated to dairy production for 2015 is $14,910,539.

32. NEW YORK

Agricultural producers in New York benefit from subsidies and support provided by the Department of Agriculture and Markets. The Budget for the Department of Agriculture and Markets has reported the appropriations as follows:[634]

FY 2015 (Results)	$104,699,000
FY 2016 (Enacted)	$108,571,000
FY 2017 (Projected)	$99,244,000

The State of New York administers the following programs:

- NYS Wireless EBT Program
- Farmers Market Manager Professional Certification Program
- Urban Agriculture Program
- WIC Vegetables and Fruits Checks Program
- Agri-Business Child Development Program (Farmworker daycare)
- Agricultural Environmental Management
- Agricultural Producers Security Program (Farm Products Dealer Licensing)
- Cattle Health Assurance Program
- Crop Insurance and Risk Management Education
- Dairy Farmer Resources
- Egg Quality Assurance Program
- Farm to College Program
- Farm to Factory Program
- Farm to School Program
- Farm/Cuisine Trails
- Farmers' Market Nutrition Program
- Farmland Protection
- Food and Agriculture Security Program
- FreshConnect Checks Program
- International Trade Program
- New York State Certified High Quality Foods Program
- Organic Certification Reimbursement Program
- Organic Farming Development/Assistance Program
- Produce Quality Assurance Program
- Specialty Crop Block Grant Program
- Urban Agriculture Program

[634] New York State, 2016 Enacted Budget Financial Plan, pg T155

- WIC Vegetables and Fruit Checks
- Agricultural Non-Point Source Pollution Abatement and Control Program
- Laboratory Testing of Gasoline and Diesel Fuel and Related Support
- Farmland Protection Implementation Grants (FPIG)
- County Agricultural and Farmland Protection Planning Grant
- Municipal Agricultural and Farmland Protection Planning Grant
- Agricultural and Farmland Protection Programs
- Good Agricultural Practices Certification Assistance Program
- Specialty Crop Funds Program
- Organic Certification Reimbursement Program
- Single Source Exemption Program
- New Farmers Grant Fund
- Market Access Program
- SARE Farmer/Grower Grant Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for New York

- Direct Operating Loans
- Microloans
- Direct Farm Ownership Loans
- Guaranteed Loans
- Youth Loans Program
- Minority and Women Farmers and Ranchers Program
- Beginning Farmers and Ranchers Program
- Emergency Loans Program
- Native American Tribal Loans Program
- Livestock Forage Program (LFP)
- Livestock Indemnity Program (LIP)
- Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish (ELAP)
- Tree Assistance Program (TAP)
- Emergency Loan Program
- Disaster Set-Aside Program
- Emergency Conservation Program (ECP)
- Noninsured Disaster Assistance Program (NAP)
- The Agriculture Risk Coverage (ARC)
- Price Loss Coverage (PLC) programs
- Agriculture Loss Coverage-County (ARC-CO)
- Price Loss Coverage (PLC)
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)

PART II – NEW YORK

- Emergency Conservation Program (ECP)
- Emergency Forest Restoration Program (EFRP)
- Farmable Wetlands Program (FWP)
- Grassland Reserve Program (GRP)
- Source Water Protection Program (SWPP)
- Margin Protection Program for Dairy Producers (MPP-Dairy)

The programs administered by the Department of Agriculture and Markets do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Appropriated expenditures by the New York Department of Agriculture and Markets during this period were $104,699,000, and the percentage allocation to dairy for New York in 2015 was 47.9%. Therefore, the total amount allocated to dairy production for 2015 is $50,150,821.

PART II – NEW YORK

Farmland Protection Program

(a) Program Description

New York State assistance payments are available to counties and municipalities to cover up to 75% of the total costs for implementation activities to protect viable farmland.[635] Under these programs, local government acquires the development rights to viable farmland thereby ensuring that it can only be used for agricultural purposes.

Funding for the Farmland Protection program itself increased by $5 million in 2016 and built on last year's historic investment in farmland protection, including the $20 million Hudson Valley Agricultural Enhancement Program.

The project awards by region include:[636]

- Central New York - $2.4 million awarded for 3 projects
- North Country - $1.8 million awarded for 1 project
- Western New York - $700,000 awarded for 2 projects

(b) WTO Consistency

The purchase of development easements confers a subsidy on landowners and ensures that land that would otherwise be developed remains in agricultural production. As the program is intended to have trade and/or production distorting effects, the total value of expenditures under this program should be included in the U.S. AMS.

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[635] Farmland Protection Program, New York Department of Agriculture and Markets

[636] New York State Release, Governor Cuomo Announces Nearly $4.9 Million Awarded to Protect Valuable and At-Risk Farmland Across the State, October 25, 2016

PART II – NEW YORK

(c) Expenditures and Allocation

The budgetary information available from the Government of New York is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

33. NORTH CAROLINA

Agricultural producers in North Carolina benefit from subsidies and support provided by the Department of Agriculture and Consumer Services. The Budget for the Department of Agriculture and Consumer Services has reported the appropriations as follows:[637]

FY 2014-15 (Actual)	$169,827,215
FY 2015-16 (Enacted)	$171,844,413
FY 2016-17 (Enacted)	$170,696,152

The State of North Carolina administers the following programs:

North Carolina

- Marketing Programs
  - Certified Roadside Farmers Markets
  - Farmers Markets and Ag Centers
  - Farm-to-School Program
  - Equine Marketing
  - Goodness Grows in North Carolina
  - Got To Be NC
  - International Marketing
  - Livestock Marketing
  - NCDA&CS General Store
  - N.C. Agricultural Associations
  - Small and Minority Farms Assistance
- Consumer Programs
  - Gas pump inspections
  - Weight and measurement accuracy
  - Food Safety
  - Red Imported Fire Ant Program
  - Sleep Products
  - Soil Testing
  - Termite and other pest information
- Grower Programs
  - Hay Alert
  - Bee Linked
  - N.C. Farm ID
  - Agricultural Development and Farmland Preservation Trust Fund

[637] North Carolina 2015-2017 Fiscal Biennium Budget Highlights, pg 4

  - Growers Assistance and Information Network
  - Organic Certification Reimbursement

Many of these programs are state level vehicles for delivering USDA funding and services.

Federal programs for North Carolina

- Agricultural Risk Coverage and Price Loss Coverage (ARC/PLC)
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Emergency Conservation Program (ECP)
- Emergency Forest Restoration Program (EFRP)
- Farmable Wetlands Program (FWP)
- Grassland Reserve Program (GRP)
- Source Water Protection Program
- Margin Protection Program for Dairy Producers (MPP-Dairy)
- Livestock Forage Program (LFP)
- Livestock Indemnity Program (LIP)
- Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish (ELAP)
- Tree Assistance Program (TAP)
- Emergency Loan Program
- Disaster Set-Aside Program
- Emergency Conservation Program (ECP)
- Noninsured Disaster Assistance Program (NAP)
- Biofuel Infrastructure Partnership
- Biomass Crop Assistance Program
- Farm-to-Fleet Feedstock Program Biofuel Production Incentive (BPI)
- Feedstock Flexibility Program for Bioenergy Producers
- Loan Deficiency Payments
- Marketing Assistance Loan
- Loan Deficiency Payment (LDP)
- Reimbursement Transportation Cost Payment Program
- Dairy Margin Protection Payment
- Dairy Indemnity Payment Program
- Direct Operating Loans
- Microloans
- Direct Farm Ownership Loans
- Guaranteed Loans
- Youth Loans
- Minority and Women Farmers and Ranchers
- Beginning Farmers and Ranchers
- Emergency Loans
- Native American Tribal Loans

PART II – NORTH CAROLINA

The programs administered by the Department of Agriculture and Consumer Services do not appear to provide significant measurable support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Appropriated expenditures by the North Carolina Department of Agriculture and Consumer Services during this period were $171,844,413, and the percentage allocation to dairy for North Carolina in 2015 was 1.6%. Therefore, the total amount allocated to dairy production for 2015 is $2,749,511.

34. NORTH DAKOTA

Agricultural producers in North Dakota benefit from subsidies and support provided by the Department of Agriculture. The Budget for Agriculture and Economic Development (North Dakota Department of Agriculture, Branch Reserve Centers, NDSU Extension Service, Northern Crops Institute, NDSU Main Research Center, Agronomy Seed Farm, North Dakota State Fair, State Water Commission) has reported the appropriations as follows:[638]

2013-15 (Appropriations)	$1,091,953,490
2015-17 (Appropriations)	$1,433,022,455

The State of North Dakota administers the following programs:

Animal Health

- Animal Approved Landfills
- Animal Disease Traceability
- Animal Health
- Animal Health Diseases
- Animal Importation Requirements
- Biosecurity
- Brand Program
- Certificates of Veterinary Inspection
- Emergency Preparedness & Response
- Feral Swine
- Livestock Medicines
- Modified Live Vaccines
- National Poultry Improvement Plan
- ND State Board of Animal Health Members and Upcoming Meetings
- Non-Traditional Livestock
- Veterinarian Loan Repayment Program(s)
- Veterinary Feed Directive

Feeds/Fertilizers

- Anhydrous Ammonia Program
- Feed Program
- Fertilizer Program
- Livestock Medicines

[638] *North Dakota Legislative Council, Comparisons of 2007-09 Appropriations and 2009-11 Appropriations*

- Pet Food Program
- Risk Management Program (RMP) For Agricultural Anhydrous Ammonia Facilities
- Veterinary Feed Directive

Licensing/Registration

- Anhydrous Ammonia Program
- Dairy
- Feed Program
- Fertilizer Program
- Ginseng
- Livestock Licensing
- Livestock Medicines
- Modified Live Vaccines
- Non-Traditional Livestock
- Nursery Program
- Pesticide Applicator and Dealer Certification
- Pesticide Registration Program
- Pet Food Program

Livestock

- Age & Source Verification for ND Livestock
- Animal Approved Landfills
- Brand Program
- Dairy
- Livestock Development
- Livestock Licensing
- Livestock Medicines
- Livestock Pollution Prevention Program
- Meat Inspection
- National Poultry Improvement Plan
- Non-Traditional Livestock
- Poultry
- Veterinary Feed Directive
- Wildlife Services

Marketing

- Ag in the Classroom
- Agriculture Trade and Market Development
- Farmers Markets
- Grape, Wine and Fruit Promotion
- Honey Promotion
- Local Foods Initiative
- Marketing - Business Development Division
- Mobile Food Processing Unit
- North Dakota Organic Education and Transition Cost Share Program
- North Dakota Turkey Federation
- Organic Certification Cost Share Program
- Organic Farming

- Pride of Dakota
- Specialty Crop Block Grant Program

Meat Inspection

- Meat Inspection

Mediation

- Mediation Services
- Pipeline Restoration and Reclamation Oversight Program

Outreach/Education

- Ag in the Classroom
- Compliance Assistance
- Integrated Pest Management (IPM) in Schools
- Research & Information

Pesticides

- Endangered Species Protection
- Integrated Pest Management (IPM) in Schools
- North Dakota Crop Protection Product Harmonization and Registration Board (NDCPPHRB)
- North Dakota Department of Agriculture Seed Policy
- Pesticide Applicator and Dealer Certification
- Pesticide Compliance Assistance
- Pesticide Control Board
- Pesticide Enforcement Program
- Pesticide Registration Program
- Pesticide Sensitive Areas-North Dakota Bee Map
- Pesticide Water Quality Program
- Project Safe Send
- Worker Protection Standard and Worker Safety

Plants/Insects

- Apiary Program (Honey Bees)
- Biological Control
- Export Certification
- Firewood
- Ginseng
- GIS Maps
- Industrial Hemp
- Noxious Weeds
- Nursery Program
- Pest Survey and Outreach
- Waterbank Program
- Weed Seed Free Forage Program

PART II – NORTH DAKOTA

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for North Dakota

Conservation

- Conservation Reserve Program
- Conservation Reserve Enhancement Program
- Emergency Conservation Program
- Source Water Protection Program
- Farmable Wetlands Program
- Grasslands Reserve Program

Agricultural Risk Coverage/Price Loss Coverage

- ARC/PLC

Disaster Assistance

- Disaster Assistance Programs

Farm Loans

- Beginning Farmers and Ranchers Loans
- Direct Farm Loans
- Emergency Farm Loans
- Guaranteed Farm Loans
- Socially Disadvantaged Farmers and Ranchers Loans

Price Support

- Commodity Loans
- Loan Deficiency Payments
- Market Loss Assistance Payment Programs
- Facility Loan Programs

The programs administered by the Department of Agriculture do not appear to provide significant and measureable support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

PART II – NORTH DAKOTA

Appropriated expenditures by the North Dakota Department of Agriculture during 2015 to 2017 were reported as $1,433,022,455, and the percentage allocation to dairy for North Dakota in 2015 was 0.8%. As this budget covers two fiscal years, one half of this amount, or $716,511,228, is the total budget for FY 2015. Therefore, the total amount allocated to dairy production for 2015 is $5,732,090.

PART II – NORTH DAKOTA

AgPACE Program (Irrigation Loan)

(a) Program Description

AgPACE Program is an interest rate buy-down program available to farmers to create an on-farm business integrated into the farm operation. The interest rate buy-down is up to 4% below yield rate. The maximum buy-down per borrower may not exceed $20,000 per biennium with a lifetime cap of $60,000.

The North Dakota State Water Commission (NDSWC) is charged with permitting and monitoring for irrigation systems The NDSWC provides additional $20,000 for a total buy-down of $40,000 for first time borrowers.[639]

(b) WTO Consistency

Irrigation permits production where it might not otherwise occur. It also enhances production yields. Therefore, this program which encourages production should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the Government of North Dakota is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

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[639] Funding Assistance Programs for Irrigation Development in North Dakota, Bank of North Dakota, March 2008

35. OHIO

Agricultural producers in Ohio benefit from subsidies and support provided by the Department of Agriculture. The Budget for the Department of Agriculture has reported the appropriations as follows:[640]

FY 2014 (Actual)	$57,696,000
FY 2015 (Estimated)	$52,613,000
FY 2016 (Recommended)	$57,778,000
FY 2017 (Recommended)	$57,703,000

The State of Ohio administers the following programs:

- Animal Health Division
- Animal Disease Program Commercial Dog Breeders Act
- Animal Identification System
- Dangerous Wild Animals
- Livestock Care Standards
- Animal Disease Diagnostic Lab
- Apiary Program
- Auctioneer Program
- Dairy Division
- National Dairy Farm Program
- Emerald Ash Borer Program
- Food Safety Division
- Grain Warehouse Program
- Gypsy Moth Program
- Livestock Environmental Permitting Program
- Meat Inspection Division
- Pesticide and Fertilizer Regulation Program
- Plant Pest Control Program
- Seed Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

[640] *State of Ohio, Department of Agriculture*, Budget For FYs 2016 and 2017, pg Section E, D-32

PART II – OHIO

Federal programs for Ohio

- Conservation and Price Support Programs
- Farm Storage Facility Loans (FSFL)
- Marketing Assistance Loans (MAL)
- Conservation Reserve Program (CRP)
- Non-insured Crop Disaster Assistance Program (NAP)
- Margin Protection Program for Dairy (MPP-Dairy)
- Agriculture Risk Coverage (ARC) and Price Loss Coverage Program (PLC)
- Direct Farm Operating Loans
- Microloans
- Youth Loans
- Emergency Loans

The programs administered by the Department of Agriculture do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Appropriated expenditures by the Ohio Department of Agriculture during this period were $52,613,000, and the percentage allocation to dairy for Ohio in 2015 was 10.6%. Therefore, the total amount allocated to dairy production for 2015 is $5,576,978.

PART II – OHIO

Farmland Preservation

(a) Program Description

Farmland Preservation educates the public about the importance of saving this resource. It assists farmers and local officials with their farmland protection efforts. The landowners will retain ownership in the land subject to a development easement that will prohibit any use for the land other than agricultural use.[641]

(b) WTO Consistency

The sale of development rights confers a subsidy on the recipient landowner. The objective of the program is to ensure that agricultural land remains in agricultural production, thus the program is intended to have trade and/or production distorting effects. Therefore, the total value of expenditures under this program must be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the State of Ohio does not allow us to determine the actual expenditures made under this program.

[641] *Farmland Preservation,* Ohio Department of Agriculture

PART II – OHIO

Dairy Program

(a) Program Description

Sanitary inspections and sampling are at the heart of the Dairy Division's functions that lead to a safe and wholesome supply of dairy products produced and processed in Ohio. The Dairy Division has regulatory oversight relative to milk producers, milk haulers and dairy processors. The regulations governing the dairy industry in Ohio meet or exceed those outlined by the FDA and USDA. In doing so, producers, haulers and processors are able to enter into interstate commerce with a wide variety of dairy products.[642]

Ohio's producers are producing at a rate of 5.4 billion lbs of milk per year, which is a record for Ohio. This keeps Ohio as the #11 milk producing state but the #1 Swiss cheese producing state.

(b) WTO Consistency

This program is exempt from AMS pursuant to Annex 2.2(e) to the WTO Agreement on Agriculture.

(c) Expenditures and Allocation

This program is for consumer protection. It is a normal function of government.

[642] *Dairy Division*, Ohio Department of Agriculture

36. OKLAHOMA

Agricultural producers in Oklahoma benefit from subsidies and support provided through the Department of Agriculture, Food and Forestry, the Boll Weevil Eradication Organization, the Conservation Commission, the Peanut Commission and the Wheat Commission. The expenditures for these programs are reported as follows:

	2014 Actual	2015 Actual	2016 Budget
Department of Agriculture, Food & Forestry[643]	$60,859,000	$58,058,000	$44,717,000
Boll Weevil Eradication Organization[644]	$574,000	$566,386	$616,383
Conservation Commission[645]	$35,422,000	$37,783,000	$39,050,000
Peanut Commission[646]	$139,000	$160,464	$---
Wheat Commission[647]	$2,185,000	$1,936,000	$---
Total	$99,179,000	$98,503,850	$84,383,383

[643] *Department of Agriculture, Food and Forestry,* Expenditures by Fund, FY 2017 Executive Budget, pg 22
[644] *Boll Weevil Eradication Organization,* Expenditures by Fund, FY 2017 Executive Budget, pg 23
[645] *Conservation Commission,* Expenditures by Fund, FY 2017 Executive Budget, pg 57
[646] *Peanut Commission,* Expenditures by Fund, FY 2017 Executive Budget, pg 245
[647] *Wheat Commission,* Expenditures by Fund, FY 2017 Executive Budget, pg 245

PART II – OKLAHOMA

The State of Oklahoma administers the following programs:

- Ag In the Classroom
- Agricultural Hall of Fame
- Agritourism
- Aquaculture
- Concentrated Animal Feeding Operations (CAFO) Program
- Domestic Programs
- Economic Development
- Education Programs
- Ethanol Program
- Equine
- Feed, Fertilizer & Lime Program
- Fertilizer Program
- Food & Dairy Program
- Forest Conservation
- Forest Education
- Forestry Services
- Fuel Alcohol Act (Ethanol)
- Grant Market Dev.-Farm Diversification Grant
- Grant Market Dev.-Cooperative Marketing Loan
- Grant Market Dev.-Marketing and Utilization Loan
- Grant Market Dev.-Basic and Applied Research Loan/Grant
- Grain Warehouse
- Groundwater
- International Programs
- Made In Oklahoma Program
- Meat & Poultry Inspection Program
- Pest Control Program
- Pesticide Unwanted Disposal Program
- Pesticide (Lab) Program
- Poultry Feeding Operations (PFO) Program
- Quality Assurance Program
- Seed (Lab) Program
- Sheep and Goats Official ID
- Soil Amendment
- Swine Feeding Operations Act
- Urban & Community Forestry
- Water & Inorganics
- Warehouse and Commodity Indemnity Act
- Wildlife Services Division
- Wildland/Urban Interface Safety
- Ag In The Classroom Program
- Ag Mediation Program
- Animal-Livestock-Poultry Program
- Agricultural Commodities
- Specialty Crop Grant

PART II – OKLAHOMA

- Oklahoma Viticulture and Enology Center Development Revolving Fund
- Specialty Crop Multi-State Program
- Agriculture Enhancement and Diversification Program
- International Programs
- Water Quality & Pesticides

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Oklahoma

Federal Programs
- Agricultural Risk Coverage (ARC) / Price Loss Coverage (PLC)

Compliance and Price Support Programs
- Commodity Loans
- Loan Deficiency Payment
- Loan Rates
- Price Support Initiatives
- Facility Loan Program

Conservation and Special Programs
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Emergency Conservation Program
- CRP Transition Incentives Program (TIP)

Disaster Assistance Programs
- Livestock Forage Program (LFP)
- Emergency Assistance for Livestock, Honey Bees and Farm-raised Fish (ELAP)
- Livestock Indemnity Program (LIP)
- Noninsured Assistance Program (NAP)
- Tree Assistance Program (TAP)

Farm Loan Programs
- Beginning Farmers and Ranchers Loans
- Direct Farm Loans
- Emergency Farm Loans
- Guaranteed Farm Loans
- Minority and Women Farmers and Ranchers

PART II – OKLAHOMA

The programs administered by these agencies do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Appropriated expenditures by these agencies during this period were $98,503,850, and the percentage allocation to dairy for Oklahoma in 2015was 1.9%. Therefore, the total amount allocated to dairy production for 2015 is $1,871,573.

PART II – OKLAHOMA

Agriculture Linked Deposit Program

(a) Program Description

This program allows Oklahoma lenders to make loans available to "at risk" farmers and ranchers and alternative agricultural products at low rates. The State Treasurer makes linked deposits with the lending institution which, in turn, allows the lending institution to make loans to eligible recipients at 3% below the U.S. Treasury note rate.

Eligible "at risk" farmers and ranchers must have a debt to asset ratio of at least 55%. The maximum loan amount is $350,000. The maximum loan for alternative agricultural products under this program is $1,000,000.[648]

(b) WTO Consistency

By providing loans to eligible recipients at below market rates, this program confers a subsidy on recipient producers. As the apparent purpose of this program is to increase agricultural production, the total value of expenditures under this program should be included in the U.S. AMS.

(c) Expenditures and Allocation

The budgetary information available from the State of Oklahoma does not allow us to determine the level of expenditures made under this program.

[648] *Oklahoma Agricultural Linked Deposit Loans*, Oklahoma Cooperative Extension Service, Division of Agricultural Sciences and Natural Resources

37. OREGON

Agricultural producers in Oregon benefit from subsidies and support provided by the Department of Agriculture. The total funding for agriculture programs operated by the Department of Agriculture is reported in the Biennial Budget as follows:[649]

2013-15 (Actual)	$86,007,396
2015-17 (Approved)	$111,214,047
2017-19 (Gov. Balanced)	$117,401,089

The State of Oregon administers the following programs:

Food Safety and Animal Health Programs
- Animal Health, Feeds, and Livestock Identification
- Food Safety

Internal Service and Consumer Protection Programs.
- Internal Service and Consumer Protection

Market Access and Certification Programs
- Market Access and Certification

Plant Health
- Natural Resource Programs
- Natural Resources

Pesticide, Fertilizer, and PARC Programs
- Plant Protection and Conservation Programs
- Insect Pest Prevention and Management
- Nursery and Christmas Tree
- Plant Conservation
- Weeds and WeedMapper

Many of these programs are state level vehicles for delivering USDA funding and services.

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[649] *Department of Agriculture,* Natural Resources, 2009 – 2011 Governor's Balanced Budget, pg 142

PART II – OREGON

Federal programs for Oregon

- Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) Program
- Down Payment Loan Program
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Direct Farm Ownership Loan
- Direct Operating Loan
- Direct MicroLoans
- Emergency Conservation Program (ECP)
- Emergency Farm Loans
- Farm Storage Facility Loan Program
- Guaranteed Farm Ownership Loan
- Guaranteed Operating Loan
- Indian Tribal Land Acquisition Program (ITLAP)
- Oregon USDA Certified Agricultural Mediation Program
- Margin Protection Program for Dairy Producers (MPP-Dairy)
- Noninsured Crop Disaster Assistance Program (NAP)
- Nonrecourse Marketing Assistance Loan and Loan Deficiency Payment (LDP) Program
- Youth Loans

The programs administered by the Department of Agriculture do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The total funding for the Department of Agriculture for 2015, $55,607,024, is determined by taking half of the Biennial Budget for 2015-2017. The percentage allocation to dairy for Oregon in 2015 was 9.5%. Therefore, the total amount allocated to dairy production for 2015is $5,282,667.

38. PENNSYLVANIA

Agricultural producers in Pennsylvania benefit from subsidies and support provided by the Department of Agriculture. The total funding for agriculture programs operated by the Department of Agriculture is reported as follows: [650]

FY 2014-2015 (Actual)	$290,225,000
FY 2015-2016 (Available)	$338,859,000
FY 2016-2017 (Budget)	$329,303,000

The State of Pennsylvania administers the following programs:

- Pennsylvania Agricultural Conservation Easement Purchase Program
- Child and Adult Care Feeding Program (CACFP)
- Commodity Supplemental Food Program (CSFP)
- Direct Farm Sales Grant Program
- Farmers & Senior Farmers Market Nutrition Program
- National School Lunch Program (NSLP)
- State Food Purchase Program
- Summer Food Service Program (SFSP)
- The Emergency Food Assistance Program (TEFAP)
- Workforce Development Initiative
- Career and technical education (CTE) programs.
- Pennsylvania Animal Diagnostic Laboratory System (PADLS)
- Keeping Pennsylvania Growing
- Chronic Wasting Disease Program
- Pennsylvania Animal Diagnostic Laboratory System (PADLS)
- Pennsylvania Egg Quality Assurance Program (PEQAP)
- Dairy and Dairy Product Manufacturing Program
- Egg, Fruit and Vegetables Program
- Pennsylvania Egg Quality Assurance Program
- Nutrient Management and Odor Management Program
- Dirt and Gravel Program (pollution prevention)
- Resource Enhancement and Protection (REAP Tax Credit) Program
- Leadership Development Program

[650] *Summary by Fund and Appropriation, 2009-10 Governor's Executive Budget*, pg E8-6

PART II – PENNSYLVANIA

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Pennsylvania

- Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) Program
- Agriculture Mediation Program
- Beginning Farmer Down Payment Loan
- Biomass Crop Assistance Program (BCAP)
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Dairy Indemnity Payment Program (DIPP)
- Direct Farm Ownership Loan
- Direct Operating Loan
- Emergency Conservation Program (ECP)
- Emergency Farm Loans (EM)
- Farm Storage Facility Loan Program
- Grassland Reserve Program (GRP)
- Guaranteed Farm Ownership Loan
- Guaranteed Operating Loan
- Livestock Forage Disaster Program (LFP)
- Livestock Indemnity Program (LIP)
- Margin Protection Program for Dairy (MPP-Dairy)
- Microloan Program
- Non-insured Crop Disaster Assistance Program (NAP)
- Non-recourse Marketing Assistance Loan and Loan Deficiency Payment (LDP) Program
- Tree Assistance Program (TAP)
- Youth Loans

While Pennsylvania does have programs which are directed specifically at dairy producers, we do not have details of expenditures on such programs. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

PART II – PENNSYLVANIA

The total funding for the Department of Agriculture for 2015 was $338,859,000, and the percentage allocation to dairy for Pennsylvania in 2015 was 26.7%. Therefore, the total amount allocated to dairy production for the Department of Agriculture in 2015 is $90,475,353.

Pennsylvania also has a Milk Marketing Board which is separate from the Department of Agriculture and has its own budget expenditures.

Expenditures in 2015 amount budgeted was $2,894,000 for the board, in which 100% is allocated to dairy.

This amount has been added to the 26.7% allocation to dairy of the Department of Agriculture, to give a total state allocation to dairy of $93,369,353.

PART II – PENNSYLVANIA

Agricultural Security Areas

(a) Program Description

The Agricultural Security Area program is intended to protect farmland. Farm landowners may establish areas in which agriculture is the primary activity. Participating farmers are entitled to special consideration from local and state government agencies.[651]

(b) WTO Consistency

Special consideration and protection is provided to participating farm landowners or farmers in exchange for their agreement to continue farming would constitute support. Although the "special consideration" is not specifically identified, it would likely result in reduced costs for producers in the form of foregone revenue. In these circumstances, the subsidies provided to producers would provide a direct benefit to participating producers and is intended to ensure continued farming on the protected land. Consequently, any support provided under this program should be included in the U.S. AMS.

(c) Expenditure and Allocation

The budgetary information available from the Government of Pennsylvania is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[651] *Agricultural Security Areas (ASA)*, Pennsylvania Department of Agriculture

PART II – PENNSYLVANIA

Installment Purchase Program

(a) Program Description

The Installment Purchase Program is a farmland preservation program. Under this program, farmers can apply to sell easements to the Commonwealth over their land. These easements will restrict the covered land to agricultural use. Under this program, easements are purchased by the Commonwealth over a 20-30 year period. The 30 year pay-out period has two advantages for producers. First, the payments include a tax exempt interest payment. Second, any capital gains realized on the sale can be deferred for 30 years.[652]

(b) WTO Consistency

Based on the information available, the Commonwealth provides subsidies to participating landowners in the form of the payments made under this program. The landowners must continue to use the land for agricultural purposes and can use the monies received from the Commonwealth for any purpose, including to offset their operating costs or to make improvements. As the purpose of the program is to maintain farmland, payments made under the program are intended to have production and/or trade distorting effects. Consequently, the value of the support provided through this program must be included in the U.S. AMS.

(c) Expenditure and Allocation

The budgetary information available from the Government of Pennsylvania is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[652] *American Farmland Trust, Fact Sheet IPA*

PART II – PENNSYLVANIA

Dairy Animal Care and Quality Assurance Program (DACQA)

(a) Program Description

Today's competitive market place is making quality assurance an essential consideration for the dairy industry. This program provides validation that milk, meat, and live animals from Pennsylvania's dairies are produced under best management practices for food safety, biosecurity, and animal health.

DACQA is designed to protect market access for Pennsylvania's dairies by assuring quality standards for procedures and management, yet be flexible enough to accommodate the needs and goals of a diverse dairy industry. In addition to the program requirements, producers may select from a variety of options including the Milk Quality Module, Biosecurity Module, and Johne's Disease Module. Future modules will become available as the program continues to develop.

(b) WTO Consistency

This program would appear to be exempt from AMS pursuant to Annexes 2.2(b) and (e) to the WTO Agreement on Agriculture.

(c) Expenditures and Allocation

The budgetary information available from the Government of Pennsylvania is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

PART II – PENNSYLVANIA

Pennsylvania Milk Marketing Board

(a) Program Description

The mission statement of the Milk Marketing Board is:

> "To ensure that Pennsylvania's dairy industry remains vital by providing a regulatory environment that facilitates a safe, adequate supply of wholesome milk while providing security for its dairy farmers and milk dealers; and for the public health and welfare of consumers."[653]

Therefore by law, the board is responsible to supervise, investigate and regulate the entire milk industry of Pennsylvania, including the production, transportation, disposal, manufacture, processing, storage, distribution, delivery, handling, bailment, brokerage, consignment, purchase and sale of milk and milk products, and including the establishment of reasonable trade practices, systems of production control and marketing area.[654] This Board is separate from the Department of Agriculture.

(b) WTO Consistency

Pennsylvania's administered price system requires that certain products be sold on the export market at below the set domestic price. By requiring that these products be sold, for export, at a price below the prevailing domestic price, Pennsylvania is providing an export subsidy for purposes of the Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures.

A subsidy is a financial contribution by government that confers a benefit on the recipient. In this case, purchasers of certain exported dairy products receive the benefit of purchasing those products at a price below the prevailing domestic market price. As the Milk Marketing Board establishes the domestic price and export price of those products, benefit conferred on the purchaser in the form of lower prices is conferred by government. Thus, the administered

[653] *Milk Marketing Board*, Governor's Executive Budget, 2016-17, pg E 36-1
[654] *Milk Marketing Law*, Pennsylvania Department of Agriculture

pricing confers a subsidy. The subsidy is an export subsidy because it is only provided on the export sale of the specific products.

The total value of the export subsidy is the difference between the domestic and export price of the specific product multiplied by the total volume of exported products. This amount, which is not tied to the budgetary allocation to operate the pricing mechanism, must be notified to the WTO and counted against the U.S. obligation on total export subsidies.

(c) Expenditures and Allocation

The Pennsylvania Governor's Budget reports the following as the total allocation for the Milk Marketing Board:[655]

2014-15 (Actual)	$2,814,000
2015-16 (Available)	$2,842,000
2016-17 (Budget)	$2,894,000

The Milk Marketing Board is intended to benefit state dairy producers. Accordingly, 100% of the $2,842,000for FY 2015 in actual expenditures on this program is allocated to dairy for the years indicated. Since the Milk Marketing Board is separate from the Department of Agriculture, this allocation to dairy is added to the 26.7% Department of Agriculture allocation to dairy.

[655] *Milk Marketing Board*, 2009-2010 Governor's Executive Budget, Commonwealth of Pennsylvania, pg E29.4

39. RHODE ISLAND

Agricultural producers in Rhode Island benefit from subsidies and support provided by the agriculture programs of the Department of Environmental Management, Bureau of Natural Resources. The total funding for these agriculture programs is reported as follows:[656]

FY 2015 (Gov. Revised)	$107,300,000
FY 2016 (Recommended)	$93,500,000

The State of Rhode Island administers the following programs:

- Pesticide Safety & IPM Training
- Obsolete Pesticides Collection Program
- Livestock
- Avian Influenza
- Rabies
- Rescues, Shelters & Carriers
- Livestock Testing
- Livestock Welfare and Care Standards
- Farm Energy Program
- Local Agriculture and Seafood Act (LASA) Grants Program
- Specialty Crop Block Grant Program
- CAPS Program
- Nursery Licensing, Inspection, Certification Program
- RI Organic Certification Program
- Farmland Preservation Program
- Food Export Assistance

Many of these programs are state level vehicles for delivering USDA funding and services.

Federal programs for Rhode Island

Farm Loan Programs

- Beginning Farmers and Ranchers Loans
- Direct Operating Loans

[656] *Department of Environmental Management*, Rhode Island State Budget FY 2016, pg 130

- Direct Ownership Loans
- Emergency Farm Loans
- Guaranteed Farm Loans
- Socially Disadvantaged Farmers and Rancher Loans
- Youth Loans

Conservation Programs

- Biomass Crop Assistance Program (BCAP)
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Grassland Reserve Program (GRP)

Disaster Assistance Programs

Production Adjustment & Disaster Assistance Programs

- Direct Counter Cyclical Program (DCP)
- Emergency Conservation Program (ECP)
- Non-insured Crop Assistance Program (NAP)
- Supplemental Revenue Assistance Programs (SURE)
- Tree Assistance Program (TAP)

Price Support

- Commodity Loans
- Loan Deficiency Payments
- Milk Income Loss Contract Program

The agriculture programs administered by the Department of Environmental Management do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The total funding for the agriculture programs administered by the Bureau of Natural Resources for 2015 was $107,300,000, and the percentage allocation to dairy for Rhode Island in 2015 was 3.7%. Therefore, the total amount allocated to dairy production for 2009 is $3,970,100.

40. SOUTH CAROLINA

Agricultural producers in South Carolina benefit from subsidies and support provided by the Department of Agriculture. The total funding for agriculture programs operated by the Department of Agriculture is reported as follows: [657]

FY 2015-2016 (Actual)	$15,904,433
FY 2016-2017 (Appropriation)	$16,223,167

The State of South Carolina administers the following programs:

- Agritourism and Tourist Oriented Directional Signage Program (TODS program)
- Certified SC Grown program
- FARM TO SCHOOL Program
- Livestock Liability Law Program
- SC New and Beginning Farmer Program
- Farm Aid Grant Program
- Specialty Crop Block Grant Program
- Farmers' Market Nutrition Program
- Sheep and Goats Program

Many South Carolina programs are state level vehicles for delivering USDA funding and services.

Federal programs for South Carolina

Conservation Programs

- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Emergency Conservation Program (ECP)
- Emergency Forest Restoration Program (EFRP)
- Farmable Wetlands Program (FWP)
- Grassland Reserve Program (GRP)
- Source Water Protection Program (SWPP)

Agricultural Risk Coverage

Price Loss Coverage (ARC - PLC) Program

[657] *Executive Budget State of South Carolina FY 2016-17*, pg 314

Disaster Assistance Programs
- Livestock Forage Program (LFP)
- Livestock Indemnity Program (LIP)
- Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish (ELAP)
- Tree Assistance Program (TAP)
- Non-insured Disaster Assistance Program (NAP)

Non-insured Crop Disaster Assistance

Price Support and Marketing Assistance Programs

Price Support Initiatives

Commodity Loans

Loan Deficiency Payments

Market Loss Assistance Payment Programs
- Reimbursement Transportation Cost Payment Program
- Dairy Margin Protection Payment
- Dairy Indemnity Payment Program
- Facility Loan Programs

Tobacco Transition Payment Program (TTPP)

The programs administered by the Department of Agriculture do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The total funding for the Department of Agriculture for 2015-2016 was $15,904,433, and the percentage allocation to dairy for South Carolina in 2015was 2.1%. Therefore, the total amount allocated to dairy production for 2015 is $333,993.

41. SOUTH DAKOTA

Agricultural producers in South Dakota benefit from subsidies and support provided by the Department of Agriculture. The total funding for agriculture programs operated by the Department of Agriculture is reported as follows: [658]

FY 2015 (Budgeted)	$46,064,709
FY 2106 (Requested)	$45,410,950

The State of South Dakota administers the following programs:

- Build Our South Dakota Rural Communities Grants Programs
- Community Forestry Challenge Grants Programs
- Coordinated Natural Resources Conservation Grants Programs
- Mountain Pine Beetle Landowner Cost-Share Program
- National Organic Program Certification Cost Share Grant Program
- Specialty Crop Block Grant Program (SCBGP)
- Weed and Pest Grants Programs
- Wildland Fire Training Grants Programs
- Dairy Retention and Enhancement Program
- South Dakota Farm and Ranch Recognition Program
- County Site Analysis Program
- Agribusiness Bond Program
- Beginning Farmer Bond Program
- Livestock Nutrient Management Bond Program
- Value Added Agribusiness Relending Program
- Value Added Sub Fund Program
- Conservation Tillage Loan Program
- Beginning Farmer Down Payment Guaranty Program
- Livestock Loan Participation Program
- Rural Development Agricultural Loan Participation Program
- Value Added Livestock Underwriting (VALU) Guaranty Program
- Bridge Loan Program
- Educational Programs
- Forest Legacy Program
- Forest Stewardship Program
- Conservation Revolving Loan
- International Trade Program
- Nursery Program

[658] *State of South Dakota, Budget in Brief Fiscal Year 2016*, pg 16

- Pesticide Program
- Export Certification Program
- Plant Protection Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for South Dakota

- Agriculture Mediation Program
- Beginning Farmer Down Payment Loan
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Direct and Counter-cyclical Payment (DCP) Program
- Direct Farm Ownership Loan
- Direct Operating Loan
- Emergency Conservation Program (ECP)
- Emergency Farm Loans
- Farm Storage Facility Loan Program
- Grassland Reserve Program (GRP)
- Guaranteed Farm Ownership Loan
- Guaranteed Operating Loan
- Indian Tribal Land Acquisition Program
- Milk Income Loss Contract Extension (MILCX) Program
- Non-insured Crop Disaster Assistance Program (NAP)
- Non-recourse Marketing Assistance Loan and Loan Deficiency Payment (LDP) Program
- Sugar Loan Program and Sugar Marketing Allotments
- Sugar Storage Facility Loan Program
- Youth Loans

The programs administered by the Department of Agriculture do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

PART II – SOUTH DAKOTA

The total funding for the Department of Agriculture for 2015 was $46,064,709, and the percentage allocation to dairy for South Dakota in 2015 was 4.7%. Therefore, the total amount allocated to dairy production for 2015 is $2,165,041.

PART II – SOUTH DAKOTA

Livestock Loan Participation Program

(a) Program Description

This program allows farmers and ranchers to obtain livestock loans through a local lender. The Department of Agriculture participates in up to 50% of the loan to a maximum of $200,000. The maximum term of the loan is 5 years.[659]

(b) WTO Consistency

Based on the information available, it appears that the program provides support to farmers and ranchers that permit them to obtain loans for livestock purchase. In these circumstances, the Department's participation in the loans likely provides a subsidy to the recipient farmers and ranchers. As the subsidy offsets the costs of specific farmers and ranchers, and allows them to obtain stock and increase production, the value of these subsidies should be included in the U.S. AMS.

(c) Expenditure and Allocation

The budgetary information available from the Government of South Dakota is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

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659 *Livestock Loan Participation, AgDevelopment, South Dakota Department of Agriculture*

PART II – SOUTH DAKOTA

Value-Added Livestock Underwriting Program (VALU) Guaranty

(a) Program Description

This program allows farmers and ranchers to obtain livestock "purchase money" with up to a 50% guarantee on a livestock purchase loan through a local center. Guarantees are provided on loans up to a maximum of $100,000. The maximum term of the loan is 26 months.[660]

(b) WTO Consistency

Based on the information available, it appears that the program provides support to farmers and ranchers by permitting them to obtain "purchase money". In these circumstances, the Department's participation likely provides a subsidy to the recipient farmers and ranchers. As the subsidy offsets the costs of specific farmers and ranchers, and allows them to obtain stock and increase production, the value of these subsidies should be included in the U.S. AMS.

(c) Expenditure and Allocation

The budgetary information available from the Government of South Dakota is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

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[660] *Value-Added Livestock Underwriting Guaranty*, AgDevelopment, South Dakota Department of Agriculture

PART II – SOUTH DAKOTA

Rural Development Loan Participation Program

(a) Program Description

This program allows eligible farmers, ranchers or agricultural businesses to obtain lower cost loans. The Department can provide up to 80% of a loan provided by a local lender. Eligible projects must be value-added production, processing, marketing or exporting of South Dakota agricultural commodities. The maximum participation amount is $500,000 with a maximum term of 10 years. [661]

(b) WTO Consistency

Based on the information available, this program provides support in the form of lower cost loans that support agricultural production or marketing. Thus, the subsidy provided offsets the costs of specific producers and is intended to have trade and/or production distorting effects. Consequently, the support provided under this program should be included in the U.S. AMS.

(c) Expenditure and Allocation

The budgetary information available from the Government of South Dakota is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

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[661] *Rural Development Agricultural Loan Participation*, AgDevelopment, South Dakota Department of Agriculture

PART II – SOUTH DAKOTA

Biomass Ethanol Program

(a) Program Description

South Dakota imposes a $0.28 per gallon tax on gasoline and a $0.20 per gallon tax on gasohol.[662] "Gasohol" is an ethanol-blend fuel that contains ethyl alcohol of at least 99% purity typically derived from agricultural products.[663]

(b) WTO Consistency

The reduced tax rate imposed on gasohol confers a subsidy in the amount of the difference between the gasohol tax rate and the gasoline tax rate. This subsidy only applies to gasohol made using ethanol produced from cereal grains. Therefore, this subsidy supports and is directly tied to the production of cereal grains. In these circumstances, the value of this subsidy should be included in the U.S. AMS.

(c) Expenditure and Allocation to Dairy

The total value of expenditures under this program is not available, therefore, we cannot estimate any benefit on account of this program.

[662] *South Dakota, Legislative, Fuel taxation, 10-47B-4*
[663] Ibid.*, 10-47B-3(10)*

42. TENNESSEE

Agricultural producers in Tennessee benefit from subsidies and support provided by the Department of Agriculture. The total funding for agriculture programs operated by the Department of Agriculture is reported as follows: [664]

FY 2014-15 (Actual)	$88,761,700
FY 2015-16 (Estimated)	$96,465,200
FY 2016-17(Recommended)	$97,143,600

The State of Tennessee administers the following programs:

- Agricultural Enhancement Program (TAEP)
- Genetics: Cattle - Bred Beef Heifers - Goats/Sheep
- Livestock Equipment
- Livestock Working Facility Cover
- Hay Storage
- Livestock Feed Storage
- Grain Storage
- Producer Diversification
- Poultry Growers-
- Export Assistance Program
- Feral Swine Program
- Grain Indemnity Fund Program
- Specialty Crop Black Grants Program
- Fuel Quality Program
- Agritourism Program
- Agricultural Resources Conservation Fund
- Nonpoint Source Program
- The Equine Interstate Movement Permit Program
- Urban Riparian Buffer Program
- Forest Legacy Program
- Food Distribution Program for Schools
- Farmers Market Promotion Retail Grant Program
- Water Quality Program
- Certified Crop Adviser Program
- Statewide Agricultural Producer Association Grant Program
- Tennessee Beef Promotion Program
- UT Dairy Extension Program

[664] *State of Tennessee, The Budget, Fiscal Year 2016-17,* pg B-309

PART II – TENNESSEE

Many of the programs delivered by the State of Tennessee are state level vehicles for delivering USDA funding and services.

Federal programs for Tennessee

Price Support

- Commodity Loans (MAL)
- Cotton
- Facility Loan Program (FSFL)
- Loan Deficiency Payment (LDP)
- Loan Rates
- Milk Income Loss Contract Program (MILC)

Conservation

- Biomass Crop Assistance Program (BCAP)
- Conservation Reserve Enhancement Program (CREP)
- Conservation Reserve Program (CRP)
- Emergency Conservation Program (ECP)
- Emergency Forest Restoration Program (EFRP)
- Farmable Wetlands Program (FWP)
- Grassland Reserve Program (GRP)
- Source Water Protection Program (SWPP)

Disaster Assistance Programs

- Livestock Forage Program (LFP)
- Emergency Assistance for Livestock, Honey Bees and Farm-raised Fish (ELAP)
- Emergency Forest Restoration Program (EFRP)
- Livestock Indemnity Program (LIP)
- Loss Adjustment Standards Handbooks
- Noninsured Assistance Program (NAP)
- Tree Assistance Program (TAP)

Special Programs

- Trade Adjustment Assistance (TAA)

Farm Loan Programs

- Beginning Farmers and Ranchers Loans
- Emergency Farm Loans
- Farm Operating Loans
- Farm Ownership Loans
- Guaranteed Farm Loans
- Microloans Program
- Minority and Women Farmers and Ranchers
- Native American Tribal Loans
- Youth Loans

PART II – TENNESSEE

The programs administered by the Department of Agriculture do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

Total funding for the Department of Agriculture for 2015 was $96,465,200, and the percentage allocation to dairy for Tennessee in 2015 was 3.8%. Therefore, the total amount allocated to dairy production for 2015 is $3,665,678.

43. TEXAS

Agricultural producers in Texas benefit from subsidies and support provided by the Texas Department of Agriculture and the Texas AgriLife Research. The total funding for agriculture programs supported through these programs is reported as follows:

Funding for programs administered by the Department of Agriculture is reported as follows:[665]

FY 2015 (Estimated)	$560,715,554
FY 2016 (Recommended)	$558,811,361
FY 2017 (Required)	$550,607,573

Funding for programs administered by the Texas AgriLife Research is reported as follows:[666]

FY 2015 (Estimated)	$68,649,191
FY 2016 (Budget)	$73,268,702
FY 2017 (Required)	$73,268,702

The State of Texas administers the following programs:

- Structural Pest Control Service
- Consumer Protection Program
- Aquaculture Program
- Cotton Stalk Destruction Program
- Egg Quality Program
- Fuel Quality Program
- Grain Warehouse Program
- Handling and Marketing of Perishable Commodities Program
- Organics Program
- Pesticides Program
- Plant Quality Program
- Seed Quality Program

[665] *General Appropriations Act for the 2016-2017*, pg VI-1
[666] Ibid., pg III-224

PART II – TEXAS

Production Agriculture

- Agricultural Inspection Grant Program
- Agricultural Loan Guarantee Program
- Coordinated Hog Out Grant Program (CHOMP)
- Feral Hog Abatement Grant Program
- Organic Cost-Share Reimbursement Program
- Specialty Crop Block Grant Program
- Specialty Crop Multi-State
- Young Farmer Interest Rate Reduction Program
- Young Farmer Grant
- STAR Fund

Health & Nutrition Grants

- 3E's Grant Programs
- Texans Feeding Texans - Surplus Agricultural Products Grant Program
- Texans Feeding Texans - Home-Delivered Meal Grant Program
- Urban Schools Agricultural Grant Program

Rural Health Grants

- Rural Health Facility Capital Improvement Program (CIP)
- Small Rural Hospital Improvement Program (SHIP)
- Rural Communities Health Care Investment Program (RCHIP)

Economic Development Opportunities

- Biofuel Infrastructure Partnership (BIP) Grant
- Community Development Block Grants
- Interest Rate Reduction Program
- State Trade Expansion Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Texas

- Agricultural Mediation Program
- Marketing Assistance Loan (MAL) and Loan Deficiency Payment (LDP) programs
- Cooperative Marketing Association Provisions
- Farm Storage Facility Loan (FSFL) Programs
- Milk Income Loss Contract (MILC) Program
- Dairy Indemnity Program (DIP)
- Sugar Programs for Commodity Credit Corporation (CCC)
- Representative of CCC for cotton and UGRSA Warehouse issues
- Agriculture Risk Coverage (ARC)
- Price Loss Coverage (PLC)
- Non-insured Crop Disaster Assistance Program (NAP)

- Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP)
- Livestock Forage Disaster Program (LFP)
- Livestock Indemnity Program (LIP)
- Conservation Reserve Program (CRP)
- Grassland Reserve Program (GRP)
- Biomass Crop Assistance Program (BCAP)
- Emergency Conservation Program (ECP)
- Emergency Forest Restoration Program (EFRP)

The programs administered by the Department of Agriculture and the Texas Agricultural Experiment Station do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The total funding level for the Department of Agriculture and the Texas AgriLife Research for 2015 was $629,364,745. The percentage allocation to dairy for Texas in 2015 was 7.7%. Therefore, the total amount allocated to dairy production for 2015 is $48,461,085.

PART II – TEXAS

Linked Deposit Program

(a) Program Description

Through this program, the Department of Agriculture can facilitate commercial lending at below market rates to qualified applicants for eligible projects, including: production of an alternative crop; and processing and marketing of agricultural crops or livestock. This is an interest buy-down program that sets the deposit interest rate but such rate may not drop below the floor rate of 1.5%.[667]

(b) WTO Consistency

By reducing interest rates charged to eligible producers on loans from private lenders, the program confers a subsidy. As the subsidy is intended to support production and reduces costs of specific eligible producers, any support provided through this program should be included in the U.S. AMS.

(c) Expenditure and Allocation

The budgetary information available from the Government of Texas is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[667] *Linked Deposit Program*, Agricultural Finance Programs, Texas Agricultural Finance Authority, Texas Department of Agriculture

44. UTAH

Agricultural producers in Utah benefit from subsidies and support provided by the Department of Agriculture and Food. The total funding for agriculture programs operated by the Department of Agriculture and Food are reported as follows: [668]

FY 2015 (Actual)	$29,875,782
FY 2016 (Authorized)	$45,536,900
FY 2017 (Recommended)	$45,613,000

The State of Utah administers the following programs:

- Agriculture Resource Development Loans (ARDL)
- Rural Rehabilitation Loans
- Petroleum Storage Tank Loans
- State Revolving Fund Water Quality Loans
- Utah Agricultural Medication Program (UAMP)
- Animal Health Program
- Disaster Services for Animals Program
- Aquaculture (Fish Health)
- Utah Grazing Improvement Program (UGIP)
- US Livestock Genetic Exports (USLGE)
- Dairy Inspection
- Meat & Poultry Inspection
- Poultry & Eggs Program
- Utah Community Spay & Neuter Program
- Wildlife Services
- Agriculture Certificate of Environmental Stewardship (ACES)
- Ag Land Preservation
- Conservation Easements
- Ground Water Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

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[668] *State of Utah, Budget Recommendations, FY 2017, Fiscal Year 2016 Supplements*, pg 15

PART II – UTAH

Federal programs for Texas

- Conservation Reserve Program
- Price Support Initiatives
- Commodity Loans
- Loan Deficiency Payments
- Reimbursement Transportation Cost Payment Program
- Dairy Margin Protection Payment
- Dairy Indemnity Payment Program
- Facility Loan Programs
- Non-insured Disaster Assistance Program (NAP) Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC)
- Agriculture Loss Coverage-County (ARC-CO)
- Price Loss Coverage (PLC)

The programs administered by the Department of Agriculture and Food do not provide support exclusively to dairy producers which we are able to measure. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The total funding level for the Department of Agriculture and Food for 2015 was $29,875,782, and the percentage allocation to dairy for Utah in 2015 was 18.9%. Therefore, the total amount allocated to dairy production for 2015 is $5,646,523.

PART II – UTAH

Rural Rehabilitation Loan Program

(a) Program Description

Through this program, the Department of Agriculture and Food provides low interest loans to farmers and ranchers who could not receive conventional financing. Loans provided under this program may be used by beginning farmers and ranchers to upgrade their operations. Loans may also be provided to farmers in distress. The purpose of this program is to save agricultural operations that would be viable with more favourable financing. [669]

Total assets for this fund are $8.5 million with $7.7 million out of individual loans. The maximum term is 10 years. Interest rates vary from 5% to 6%, with no fees. Borrowers must not be eligible to receive conventional financing.[670]

(b) WTO Consistency

Loans provided under this program constitute subsidies on the basis that they are "low interest" and are made to farmers and ranchers who would not otherwise qualify for loans from a commercial lender. The loans are provided to allow the eligible farmer and rancher to upgrade their operations. Consequently, support provided through this program should be included in the U.S. AMS on the basis that it is intended to have trade and/or production distorting effects.

(c) Expenditure and Allocation

The budgetary information available from the Government of Utah is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[669] *Utah Department of Agriculture and Food, Conservation and Resource Management, Agriculture Loans, Rural Rehabilitation Loan*
[670] *National Council of State Agricultural Finance Programs, Utah Department of Agriculture and Food, Rural Rehabilitation Loan Program*

PART II – UTAH

Land Use Program

(a) Program Description

The Division of Water Resources is charged with the responsibility of developing a State Water Plan. This plan was to coordinate and direct the activities of state and federal agencies concerned with Utah's water resources. As a part of this objective, the Division of Water Resources continually assesses the water-related land use of the state. This data includes determining cropland water use evaluating irrigated land losses and conversion to urban uses, planning for new water development, establishing irrigation for any area, and developing water budgets.[671]

(b) WTO Consistency

This program would appear to be exempt from AMS pursuant to Annexes 2.2(a) and 2.2(d) to the WTO Agreement on Agriculture, but activities related to establishing irrigation and developing water budgets would appear to be production enhancing and distorting.

(c) Expenditures and Allocation

The budgetary information available from the Government of Utah is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[671] Utah Natural Resources, Division of Water Resources, Land Use Program Description and Methods

45. VERMONT

Agricultural producers in Vermont benefit from subsidies and support provided by the Agency of Agriculture, Food and Markets. The total funding for programs operated by the Agency of Agriculture, Food and Markets are reported as follows:[672]

FY 2015 (Actual)	$17,697,975
FY 2016 (Budget)	$18,457,726
FY 2017 (Gov. Recommended)	$22,344,571

The State of Vermont administers the following programs:

- Agricultural Clean Water Initiative Grant Program (Ag-CWIP)
- Farm to School Grant Program
- Specialty Crop Block Grant Program
- Specialty Crop Multi-State Program
- Working Lands Enterprise Fund
- Local Food Market Development Grants
- GAP Audit Reimbursement Funds
- Large Farm Operations (LFOs) Program
- Medium Farm Operations (MFOs) Program
- Apiary Inspection Program
- Meat and Poultry Inspection Program
- Milk and Dairy Section
- Appraisal Program
- Vermont's Feed & Pet Food Program
- Vermont's Seed Program
- Vermont's Fertilizer and Lime Program
- Vermont Environmental Stewardship Program (VESP)
- Vermont Farm Safety Program
- Hemp Registration Program
- Farm Viability Enhancement Program
- Domestic Export Program

[672] *Agriculture, Food and Markets,* State of Vermont, Fiscal Year 2017Budget Recommendations, pg 371

PART II – VERMONT

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Texas

- Renewable Energy Systems Program
- Energy Efficiency Improvement Program
- Commodity Operations
- Conservation Reserve Program
- Conservation Reserve Enhancement Program
- Emergency Conservation Program
- Emergency Forest Restoration Program
- Farmable Wetlands Program
- Grassland Reserve Program
- Source Water Protection Program
- Livestock Forage Program (LFP)
- Livestock Indemnity Program (LIP)
- Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish (ELAP)
- Tree Assistance Program (TAP)
- Loans for losses to crops, trees, livestock, farm land and farm property
- Emergency Conservation Program (ECP)
- Non-insured Disaster Assistance Program (NAP)

Dairy farming is by far the most important component of Vermont agriculture. Senator Leahy is arguably the principal promoter of the U.S. dairy industry, its protection and financial support. While Vermont's program suite does not earmark the dairy sector, it is clearly the principal beneficiary. The total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The total funding level for the Agency of Agriculture, Food and Markets for 2015 was $17,697,975, and the percentage allocation to dairy for Vermont in 2015 was 60.0%. Therefore, the total amount allocated to dairy production for 2015 is $10,618,785.

PART II – VERMONT

Vermont Agricultural Credit Corporation

(a) Program Description

The Vermont Agricultural Credit Corporation assists producers whose credit needs are not fully met by conventional agricultural credit sources at reasonable rates and terms. The Corporation can provide a maximum aggregate loan size is $1.5-$2.0 million based on use of funds per borrower. The loans provided can be both for farm ownership and farm operation. Most loans require a guarantee from the USDA Farm Services Agency, but this guarantee is not required for smaller loans. The Corporation can also make loans for purposes that are not eligible for USDA Farm Services Agency guarantees.[673]

(b) WTO Consistency

The loans provided by the Vermont Agricultural Credit Corporation provide a benefit to producers. Based on the information available, it is evident that the loans are intended to be used to finance continued or new farm production (i.e., the loans fund both farm operations and farm ownership). Consequently, the support provided through these loans will result in trade and/or production distorting effects and, on that basis, should be included in the U.S. AMS.

(c) Expenditure and Allocation

The budgetary information available from the Government of Vermont is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[673] Vermont Agricultural Credit Corporation Brochure, *Vermont Economic Development Authority*

PART II – VERMONT

EZ Guarantee Program

(a) Program Description

This program, administered by the Vermont Economic Development Authority, can guarantee a maximum of 9 months of deferred principal and interest payments (to a maximum of $100,000) granted to farmers on their outstanding debt with other financial institutions. The objective of this program is to provide immediate cash flow relief to Vermont farmers.[674]

(b) WTO Consistency

This program provides a subsidy that directly benefits participating Vermont farmers and allows them to reduce their costs. Consequently, support provided through this guarantee program should be included in the U.S. AMS.

(c) Expenditure and Allocation

The budgetary information available from the Government of Vermont is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

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[674] Vermont Legislature, *Agricultural Loan Payment Guarantee Program*¸ No. 7 – Sec 1 (H476)

46. VIRGINIA

Agricultural producers in Virginia benefit from subsidies and support provided by the Department of Agriculture and Consumer Services. The total funding for programs operated by the Department of Agriculture and Consumer Services are reported as follows:[675]

FY 2015	$63,537,451
FY 2016	$63,622,095
FY 2017	$63,822,327

In addition, funding for the Virginia Agriculture Council is set at $490,334 for FY 2008, FY 2009 and FY 2010.[676] The Council promotes agricultural interests in Virginia.

The State of Virginia administers the following programs:

- State Programs
- Animal Identification
- Laboratory Services
- Livestock Marketing Program
- Meat & Poultry Program
- Poultry & Eggs Program
- Veterinary Services
- Agricultural Stewardship Program
- Virginia Farmland Preservation Program
- Pesticides Program
- Century Farm Program
- Education Program
- Food Safety Program
- Dairy Services Program
- Food Distribution program
- STATE MILK COMMISSION
- Agricultural Commodity Inspection
- Grading and inspection program
- VDACS' livestock marketing program
- Nursery Inspection Program

[675] *Department of Agriculture and Consumer Services, 2014-2016 Biennial Operating Budget*, pg B6
[676] *Virginia Agriculture Council, 2016-2018 Biennial Operating Budget*, pg B214

- Plant Pest Survey & Detection Program

Many of the programs delivered by the State of Virginia are state level vehicles for delivering USDA funding and services.

Federal programs for Virginia

- Price Support Initiatives
- Nonrecourse Marketing Assistance Loans
- Loan Deficiency
- Recourse Marketing Assistance Loan
- Reimbursement Transportation Cost Payment Program
- Dairy Margin Protection Payment
- Dairy Indemnity Payment Program
- Farm Storage Facility Loan Program
- Sugar Storage Facility Loan Program

The programs administered by the Department of Agriculture and Consumer Services and the Virginia Agriculture Council do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The total funding level for the Department of Agriculture and Consumer Services and the Virginia Agriculture Council for 2015 was $64,027,785, and the percentage allocation to dairy for Virginia in 2015was 9.1%. Therefore, the total amount allocated to dairy production for 2015 is $5,826,528.

PART II – WASHINGTON

47. WASHINGTON

Agricultural producers in Washington benefit from subsidies and support provided by the Department of Agriculture. Total funding for expenditures by the Department of Agriculture in are reported in the Biennial Budget as $.[677]

2011-13 (Actual)	$147,325,059
2013-15 (Estimated)	$159,257,091
2015-17 (Proposed)	$165,609,000

The State of Washington administers the following programs:

- Animal Health Program
- Animal Disease Traceability
- Avian Health Program
- Dairy Program
- Dairy Nutrient Management Program
- Livestock Inspection Program
- Food Safety Program
- Organic Program
- Produce Safety Program
- Fruit & Vegetable Program
- Seed Inspection Program
- Warehouse Audit Program
- Sustainable Agriculture Research and Education Program
- International Marketing Program
- Organic Food Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a specific consideration for illustrative purposes – and in some cases to identify supplementary support.

Federal programs for Washington

- Agriculture Risk Coverage and Price Loss Coverage Programs (ARC/PLC)
- Beginning Farmers and Ranchers Loans

[677] *Washington State Department of Agriculture*, Governor's Proposed Budget 2015-2017, pg 4

- Biomass Crop Assistance Program (BCAP)
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Dairy Margin Protection Program (Dairy-MPP)
- Debt for Nature Program
- Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish (ELAP)
- Emergency Conservation Program (ECP)
- Emergency Farm Loans
- Emergency Forest Restoration Program (EFRP)
- Farm Loans (Direct)
- Farm Operating Loans (Direct)
- Farm Ownership Loans (Direct)
- Farm Operating and Ownership Loans (Guaranteed)
- Farm Storage Facility Loan Program
- Indian Tribal Land Acquisition Program
- Land Contract (LC) Guarantee Program
- Livestock Forage Disaster Program (LFP)
- Livestock Indemnity Program (LIP)
- Non-insured Crop Disaster Assistance Program (NAP)
- Marketing Assistance Loan and Loan Deficiency Payment (LDP) Program
- State Acres for Wildlife Enhancement (SAFE)
- Transition Incentives Program (TIP)
- Tree Assistance Program (TAP)
- Youth Loans

The programs administered by the Department of Agriculture do not provide support exclusively to dairy producers which can be measured based on available information. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The expenditures of the Department of Agriculture for 2015, 82,804,500, are determined by taking half of the number set out in the Biennium Budget. The percentage allocation to dairy for Washington in 2015 was 11.3%. Therefore, the total amount allocated to dairy production for 2015 is $9,356,909.

PART II – WASHINGTON

Department of Agriculture Dairy Program[678]

(a) Program Description

The Washington State Department of Agriculture (WSDA) Dairy Program involves:

- Licensing and Inspection of Dairy Farms and Plants
- Inspection of Milk Tankers
- IMS Survey Program
- Sampling and Testing of Dairy Products
- Investigation of Dairy related Complaints
- Testing of Pasteurizers
- Licensing and Evaluation of Dairy Technicians
- Issuing export certificates of sanitation and free sale for food products manufactured in Washington state.
- Technical Assistance on dairy related issues
- Equipment review

(b) WTO Consistency

Many of these activities would appear to be exempt from AMS pursuant to Annex 2.2 to the WTO Agreement on Agriculture. Many of these programs involve state level delivery of USDA programs.

(c) Expenditures and Allocation

The budgetary information available from the Government of Washington State is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[678] *WSDA Dairy Program*, Washington State Department of Agriculture

48. WEST VIRGINIA

Agricultural producers in West Virginia benefit from subsidies and support provided by the Department of Agriculture. The expenditures by the Department of Agriculture are reported as follows:[679]

FY 2015 (Actual)	$348,750,000
FY 2016 (Budgeted)	$338,000,000
FY 2017 (Requested)	$338,000,000

The State of West Virginia administers the following programs:

- West Virginia Rural Rehabilitation Loan Fund (WVRRLF)
- Farm To School Program
- Food Distribution Program
- Promotional Programs
- WV Grown Program
- Senior Farmers' Market Nutrition Program
- Farmers' Market Nutrition Program
- Water Quality Program
- Specialty Crop Block Grant Program
- Environmental Programs
- Nutrient Management Certification Program
- MarketReady Producer Training Program
- Pest Management Program

Many of these programs are state level vehicles for delivering USDA funding and services.

Federal programs for West Virginia

- Down Payment Loan Program
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Direct Farm Ownership Loan
- Direct Operating Loan
- Microloans
- Emergency Conservation Program (ECP)

[679] *Department of Agriculture Expenditures,* 2017 Executive Budget, State of West Virginia, pg 75

- Emergency Farm Loans
- Farm Storage Facility Loan Program (FSFL)
- Guaranteed Farm Ownership Loan
- Guaranteed Operating Loan
- Milk Income Loss Contract (MILC) Program
- Non-insured Crop Disaster Assistance Program (NAP)
- Non-recourse Marketing Assistance Loan and Loan Deficiency Payment (LDP) Program
- Youth Loans

The programs administered by the Department of Agriculture do not provide support exclusively to dairy producers which is measureable and in some cases does not constitute a subsidy subject to AMS. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The expenditures of the Department of Agriculture for 2015were $348,750,000, and the percentage allocation to dairy for West Virginia in 2015 was 3.3%. Therefore, the total amount allocated to dairy production for 2015 is $11,508,750.

49. WISCONSIN

Agricultural producers in Wisconsin benefit from subsidies and support provided by the Department of Agriculture, Trade and Consumer Protection. The expenditures by the Department of Agriculture are reported as follows:[680]

FY 2015 (Adjusted Base)	$97,074,100
FY 2016 (Recommended)	$94,030,900
FY 2017 (Recommended)	$143,618,000

The State of Wisconsin administers the following programs:

- Aquaculture (Fish Farm) Program
- Dog Breeders & Sellers Program
- Farm-raised Deer Program
- Poultry Flock Programs
- Humane Officer Program
- Master Meat Crafter Program
- Agricultural Economic Development Program
- Organics, Livestock Grazing and Specialty Crops Program
- Minority Farmers Outreach Program
- Rural Electric Power Services Program
- Mediation and Arbitration Program
- Dairy Development Program
- Apiary program
- Fruit and Vegetable Inspection Program
- Grain Inspection Program
- Fertilizer, Soil and Plant Additive, and Lime Licensing Program
- Grow Wisconsin Dairy Grant Program

Many of these programs are state level vehicles for delivering USDA funding and services. We have selected a few for specific consideration for illustrative purposes – and in some cases to identify supplementary support.

[680] *Wisconsin Department of Agriculture, Trade and Consumer Protection*, 2015-2017 Executive Budget, pg 1

PART II – WISCONSIN

Federal programs for Wisconsin

- Conservation Reserve Enhancement Program (CREP)
- Conservation Reserve Program
- Emergency Conservation Program
- Source Water Protection Program
- Livestock Forage Program (LFP)
- Livestock Indemnity Program (LIP)
- Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish (ELAP)
- Tree Assistance Program (TAP)

Wisconsin is a major dairy producing state where dairy represents 46.0% of farm gate receipts. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it allows us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The expenditures of the Department of Agriculture for 2015were $97,074,100, and the percentage allocation to dairy for Wisconsin in 2015 was 46.0%. Therefore, the total amount allocated to dairy production by the Department of Agriculture for 2015 is $44,654,086.

In addition to the Department of Agriculture subsidies, Wisconsin permits tax credits up to $22,000,000 for the 2017 budget, in designated agricultural development zones. The tax credits are open to all agribusinesses, but are specifically intended to assist the dairy industry which is very important to Wisconsin Agriculture. Therefore, for purposes of this report we have assumed that at least 25% of the tax credits, or $5,500,000, would be used to benefit dairy producers.

Therefore, including the value of the tax credit program, total expenditures on agricultural programs in 2015 was $102,574,100. As noted above, dairy represented 46.0% of farm gate receipts in Wisconsin in 2015. The total allocation to dairy for 2015, including the 25% share of the tax credit program, is $47,184,086

PART II – WISCONSIN

Credit Relief Outreach Program (CROP) Guarantee

(a) Program Description

This program provides 80% guarantees on loans up to $100,000, 90% on loans less than $100,000. Loans may be used to pay for services or consumable goods needed to produce agricultural commodities. The commodity must be planted and harvested for consumption within the term of the loan. Loans may be used for livestock if the livestock is purchased, fed and sold within the term of the loan.

The maximum interest rate is prime plus 1% set on the date of the Note. The maturity date is March 31st of the following year.

Eligible applicants are Wisconsin residents actively engaged in the farm operation. The eligible farmer's debt to asset ratio must be 40% or more.[681]

(b) WTO Consistency

Based on the information available, the loan guarantees provided through this program would confer a subsidy on the recipient producers. The maximum interest rate available is expressed as prime plus 1%, which leaves open the possibility of loans at or below price. Eligible producers must be actively engaged in farming and have a debt to asset ratio of 40% or more, which raises the question of whether these applicants could obtain financing from commercial lenders at better terms.

The subsidy provided under this program must be included in the U.S. AMS. The guaranteed loan must be used for production within the term of the loan. Thus, as the program is intended to support production, it would have trade and/or production distorting effects.

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[681] *Credit Relief Outreach Program, National Council of State Agricultural Finance Program*

PART II – WISCONSIN

(c) Expenditure and Allocation

The budgetary information available from the Government of Wisconsin is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

PART II – WISCONSIN

Agribusiness Guarantee

(a) Program Description

This program provides a maximum guarantee which is the lesser of 50% or $750,000 used by businesses located in a Wisconsin municipality with 50,000 or more people to create a product new to the business or to expand production of an existing product. The new product or expanded production must use a raw agricultural commodity. Applicants must demonstrate that it made a "notable effort" to purchase a substantial portion of its raw agricultural commodities from Wisconsin suppliers.[682]

(b) WTO Consistency

Based on the information available, it appears that the loan guarantee provided under this program would confer a benefit on recipients. As the loan guarantee is provided based on the use of raw agricultural commodities produced in Wisconsin, it would also indirectly subsidize agricultural production. As the intention of the program is to increase agricultural production, the subsidies must be included in the U.S. AMS.

(c) Expenditure and Allocation

The budgetary information available from the Government of Wisconsin is not sufficiently detailed to allow us to determine actual, estimated or budgeted expenditures on account of this program.

[682] *Agribusiness Guarantee, National Council of State Agricultural Finance Programs*

PART II – WISCONSIN

Agricultural Development Zone Program

(a) Program Description

This program, operated by the Department of Commerce, is intended to attract, promote, retain and encourage expansion of agricultural businesses in four regions designated as Agricultural Development Zones. Business, including agribusiness, is promoted through $22,000,000 in tax credits allocated to the zone. [683] Unused tax credits can be carried forward for 15 years. The tax credits can be claimed over the life of the zone. Although the program is available to all agribusiness, it is intended to "assist Wisconsin in regaining its prominence in the dairy industry and in dairy processing production." [684]

(b) WTO Consistency

The tax credits provided through this program constitute a subsidy for purposes of the WTO Agreement on Subsidies and Countervailing Measures and the WTO Agreement on Agriculture. As the purpose of the program is to provide an incentive for greater production, support provided under this program should be included in the U.S. AMS.

(c) Expenditures and Allocation

The information available is for the fiscal year 2017 expenditures under this program. Total tax credits provided in 2017 would be $22,000,000. Although the program is open to all agribusinesses operated within the Agricultural Development Zones, the intention of the program is to assist the Wisconsin dairy industry. Therefore, it would be reasonable to assume that this program provides substantial assistance to dairy producers and processors. For purposes of this study, we have assumed that at least 25% of the tax credits would be used by dairy producers and processors. In light of the importance of the dairy industry in Wisconsin, we believe that this is a reasonable assumption that likely understates the importance of this program to dairy. Thus, of

[683] *Tax credit for Certified Businesses in Calendar Year 2017. WEDC, Transparency, Programs, Business Development Tax Credit*

[684] *Agricultural Development Zone Program,* Wisconsin Department of Commerce, Business Development

the $22,000,000available under this program in 2017 (the program began on January 1, 2009), $5,500,000 would benefit the dairy industry.

50. WYOMING

Agricultural producers in Wyoming benefit from subsidies and support provided by the Department of Agriculture. The expenditures by the Department of Agriculture are reported as follows:

2015-16 Biennial Budget	$40,274,286[685]
2017-18 Biennial Budget	$37,754,386[686]

The State of Wyoming administers the following programs:

- Pesticide Safety Education Program
- Pesticide Program
- Pesticide Disposal Program
- Apiary (Honeybees) Program
- Seed Program
- Feed Program
- Fertilizer Program
- Nursery Stock Program
- Quarantine Program
- Wellness Program
- Living Legacy Program
- Rangeland Health Assessment Program
- Gray Wolf Depredation Compensation Program
- Organic Certification Reimbursement Grant
- Specialty Crop Block Grant Program
- Dairy Program
- Food Establishment Program
- Farmers’ Market Food Safety Training Program
- Child Care Program
- State Meat Program
- Agriculture Producer Research Grant Program
- Agricultural & Natural Resource Mediation Program
- Fuel Quality Program

Many of these programs are state level vehicles for delivering USDA funding and services.

[685] State of Wyoming, 2015 Budget Fiscal Data Book, December 2014, pg 72
[686] State of Wyoming, 2017 Budget Fiscal Data Book, December 2016, pg 102

PART II – WYOMING

Federal programs for Wyoming:

- Agriculture Mediation Program
- Agriculture Risk Coverage (ARC) & Price Loss Coverage (PLC)
- Agriculture Loss Coverage-County (ARC-CO)
- Price Loss Coverage (PLC)
- Beginning Farmer Down Payment Loan
- Conservation Reserve Program (CRP)
- Direct Farm Ownership Loan
- Emergency Assistance for Livestock, Honey Bees, & Farm raised Fish (ELAP) Program
- Emergency Conservation Program (ECP)
- Emergency Farm Loans
- Farm Storage Facility Loan Program
- Grassland Reserve Program (GRP)
- Guaranteed Operating Loan
- Indian Tribal Land Acquisition Program
- Livestock Forage Disaster Program (LFP)
- Livestock Indemnity Program (LIP)
- Microloans Program
- Minority and Women Farmers and Ranchers
- Non-insured Crop Disaster Assistance Program (NAP)
- Non-recourse Marketing Assistance Loan and Loan Deficiency Payment (LDP) Program
- Sugar Storage Facility Loan Program
- Tree Assistance Program (TAP)
- Youth Loans

The programs administered by the Department of Agriculture do not appear to provide support exclusively to dairy producers. Therefore, the total value of the support attributable to dairy production is calculated on the basis of dairy's total share of state agricultural production. We recognize that this methodology will result in the amount of support allocated to dairy being overstated in some states and understated in others. However, this methodology has been adopted because it will allow us to determine the amount of support allocated to dairy producers by the state governments, on an aggregate basis.

The expenditures of the Department of Agriculture for 2015 were $20,137,143 (half of Biennial), and the percentage allocation to dairy for Wyoming in 2015 was 1.4%. Therefore, the support allocated to dairy production for 2015 in Wyoming is $281,920.

PART II – IRRIGATION SUBSIDIES

51. IRRIGATION SUBSIDIES

(a) Program Description

The States and local governments provide very substantial support to agriculture in the form of low-cost water provided through irrigation systems. This support is distinct from the irrigation infrastructure and services provided by the U.S. Federal Government addressed in Part I. The Federal Government support to irrigation comes in the form of infrastructure development. Since the Reclamation Act of 1902 was introduced, the U.S. Federal Government has invested approximately $21.8 billion in the infrastructure required for the approximately 133 irrigation projects from 1902 through 1994. We have not been able to update this information but investments are ongoing.

The State Governments, through state and local authorities, provide the subsidized water distributed through these irrigation systems to users, including agricultural producers. Water is provided to these producers at prices that are generally below the prevailing price to other users (i.e., the price to agricultural producers is below the price charged to industrial or residential users).

> "While irrigation may be used to produce the most profitable crops for the area, the last units of water applied will rarely return more than $30 per acre-foot, and in most cases, much less. Industrial, commercial, domestic, and environmental restoration applications can, in most cases, pay much more."[687]

Irrigation is vitally important to U.S. agriculture.

> "Most agricultural water withdrawals occur in the arid Western States where irrigated production is concentrated. In 2000, about 85 percent of total agricultural withdrawals occurred in a 19-State area encompassing the Plains, Mountain, and Pacific regions. In the Mountain region, over 90 percent of the water withdrawal is used by agriculture, almost all (96 percent) for irrigation."[688]

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[687] Gollehon, Noel R., *Water Markets: Implications for the Rural Areas of the West*, Rural Development Perspectives, Vol 14, No. 2, at pg 57

[688] Agricultural Resources and Environmental Indicators, 2006 Edition, Chapter 2.1, pg 25 (http://www.ers.usda.gov/publications/AREI/EI1316/Chapter2/2.1/)

PART II – IRRIGATION SUBSIDIES

Irrigation has allowed the United States to develop very profitable agricultural production on arid and semi-arid land. The USDA ERS has recognized the important role that irrigation plays in U.S. agriculture,

> "Irrigated cropland is important to the U.S. farm economy, accounting for about 49 percent of total crop sales from just 16 percent of the Nation's harvested cropland in 1997 (USDA 2001)."[689]

These irrigation programs make agricultural production possible in areas where it would not otherwise be economically viable. For example, despite being located in areas not suited to grow either *cotton* or *rice*, the subsidized water made available to California producers allows them to grow significant quantities of both crops.[690] And there are substantial benefits to livestock:

> "Government-subsidized water use for one purpose alone – irrigating pastures for grazing sheep – exceeds the water used for all other purposes in California, residential and industrial. In one recent year $530 million in taxpayer dollars were spent on pumping this water to sheep ranchers when the gross revenues of the sheep ranching industry in that year were less than one-fifth of that amount, $100 million."[691]

As a further example, water for irrigation in the Columbia River Basin in the U.S. Pacific Northwest has been used to support a very profitable potato industry. Without access to this water, it is unlikely that any of this production could have occurred. In 1995, William Bean of the Columbia Basin Institute determined that irrigators paid approximately 4% of the market value of water, which translated into an annual subsidy of approximately $50 million.[692]

We were asked about our methodology. Essentially we agree with Berthelot[693] that there are several methods[694] – we tend to accept (while doubting) amounts reported by the U.S.

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[689] Aillery, Marcel and Golleho, Noel, Agricultural Resources and Environmental Indicators, Chapter 2.2, pg 2
[690] DiLorenzo, Thomas, *California's Enemy: The State*, Ludwig von Mises Institute, January 19, 2001
[691] Ibid.
[692] *Manifest Subsidy: How Congress pays industry – with federal tax dollars – to deplete and destroy the nation's natural resources*, Edward A. Chadd, Common Cause National Magazine, Fall 1995, pg 3 of 8
[693] It is interesting that Berthelot in one of his own critiques of U.S. subsidies suggested that our July 2003 *"argumentation could have been more robust so that we will not consider their figures seriously"* ("The huge lies in the US notification of its agricultural trade-distorting domestic supports from 2002 to 2005", Jacques Berthelot, Solidarité, January 3, 2008) – We did however describe the basis of our estimates. We are not lawyers – our

Government to the WTO or the OECD and dancing on the head of a pin about whether the proper interest rates have been used to calculate present values of investments long since sunk. Our methodology has been more focused on the provision of goods and services to irrigators and to farmers and ranchers below market prices. We are also looking into electrical and fuel subsidies but as we have noted these are revenues forgone and we have not yet been able to track these benefits with reliable specificity. [695]

Jacques Berthelot[696] points us to additional evidence from Bruce Sundquist:

- Farmers in California's Central Valley is roughly one fifth of the state's water and pay on average slightly over 1 cent /m³, just 2% of what Los Angeles pays for its drinking water and only 10% of its replacement value[697]

- One analysis of new U.S. project in central Utah found that the water it will provide will cost close to 40 times more than irrigators will pay for it. Or they will pay about 2.5 % of cost – a 97.5% subsidy based on cost to Government – and based on a benefit to farmer and ranchers basis significantly more.

- On average, the U.S. government subsidizes irrigation at $54/acre/year.[698]

There can be no other conclusion; the provision of low-cost water for irrigation confers significant support and benefits on U.S. agricultural producers.

Government experience is trade negotiations and Canadian GATT liaison, Government finance and program development in the Department of Finance and trade negotiation as well as WTO and NAFTA dispute settlement

[694] Berthelot explains that *"However this conclusion is provisional for two reasons: 1) we have not yet shown the undernotifications made of the PS AMSs, to which we turn now; 2) because the US should have notified almost all the NPS subsidies as PS subsidies."* Ibid.

[695] Berthelot in his excellent overview notes *"Let us forget here the methods 3 and 4 and the additional method 5 which would give the highest subsidies."* We relied primarily on methods 3 and 4 – our concern is benefits to farmers – much more than cost to Government. Ibid.

[696] Ibid.

[697] Berthelot's calculation based on the cost benchmark was $ 7-14 billion. Ours is based on a benefit to farmers and ranchers at something less than commercial rates ("relative to the costs charged to non agricultural users") was $10-$ 33 billion and we struck a middle ground of $21.5 billion. Had we used full consumer rates our estimate would have been $37-$75 billion.

[698] Sundquist, Bruce "Economics, Politics and History of Irrigation" in "The Earth's Carrying Capacity" (http://home.allnet.net/bsundquist1/ir7.hmtl#A)

(b) WTO Consistency

The provision of low-cost water to producers by state and local governments constitutes a subsidy for purposes of the WTO Agreement on Subsidies and Countervailing Measures and the WTO Agreement on Agriculture and must be included in the U.S. AMS.

The subsidy exists in the form of water for irrigation provided to producers at prices below the prevailing market price.[699] The value of the subsidy is the difference between price charged to agricultural producers and the price charged to other users (i.e., industrial and residential users). These prices are established by the state and local water boards that administer the irrigation systems.

The fact that water is provided to producers through these irrigation systems does not affect the nature of the subsidy. The water at issue is not in its natural state, but exists in irrigation systems for distribution. Thus, the water is no longer in its natural state but has been transformed into a good or service for distribution.

This interpretation of water as a good or service has been recognized by the Government of Canada and by the NAFTA Parties. The Government of Canada has noted that,

> "Water in its natural state can be equated with other natural resources, such as trees in the forest, fish in the sea, or minerals in the ground. While all of these things can be transformed into saleable commodities through harvesting or extraction, until that crucial step is taken they remain natural resources and outside the scope of the trade agreements."[700]

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[699] The basis was established in *Canada – Aircraft*, WTO WT/DS70, WT/DS71

[700] *Bulk Water Removal and International Trade Considerations*, Department of Foreign Affairs and International Trade, November 16, 1999, pg 2

PART II – IRRIGATION SUBSIDIES

The NAFTA Parties also issued a declaration on water in which they stated that,

> "Unless water, in any form, has entered into commerce and become a good or product, it is not covered by the provisions of any trade agreement, including the NAFTA. And nothing in the NAFTA would oblige any NAFTA Party to either exploit its water for commercial use, or to begin exporting water in any form. Water in its natural state in lakes, rivers, reservoirs, aquifers, waterbasins and the like is not a good or product, is not traded, and therefore is not and never has been subject to the terms of any trade agreement."[701]

Thus, unless water has been drawn, extracted or harvested, it remains in its natural state and is not subject to any trade agreement. Conversely, water that has been drawn, extracted or harvested has been transformed into a good or service and is subject to trade disciplines. On this basis, the water flowing in U.S. irrigation systems is a good or service subject to the trade agreements. Thus, the provision of this water at prices below the prevailing market price confers a subsidy on recipients.

The subsidy provided through below-market priced water must be included in the U.S. AMS. The water provided through these irrigation systems not only reduces costs to individual producers, but permits agriculture to exist in areas wholly unsuited to agriculture and to participate more than proportionately in the market. Three times as much when irrigated land represents 17% of harvested cropland and accounts for 50% of the farm-gate receipts for crops. Arguably without the water for irrigation, there would be no or much more marginal production. Thus, the subsidy provided to producers in the form of water at below-market prices has trade and/or production distorting effects, as well as cost reduction effects, and must be included in the U.S. AMS.

[701] Statement by the Governments of Canada, Mexico and the United States

PART II – IRRIGATION SUBSIDIES

(c) Expenditures

It is difficult to determine the actual value of the irrigation subsidy provided by U.S. state and local governments to agriculture producers. There are approximately 133 irrigation projects across 11 Western States, these states being Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming. Based on the USDA Census of Agriculture, the 11 Western States had irrigated the following acreage of land:[702]

State	Irrigated Land (Acres)	% Share of 11 State Total
Arizona	851,861	3.5%
California	7,549,161	32.0%
Colorado	2,309,543	11.5%
Idaho	3,511,839	13.5%
Montana	1,872,389	8.1%
Nevada	689,953	2.8%
New Mexico	689,953	3.3%
Oregon	1,554,173	7.4%
Utah	1,125,106	4.7%
Washington	1,623,389	7.0%
Wyoming	1,418,284	6.2%
Total	**23,200,330**	**100.0%**

US EPA Groundwater FAQ

Irrigation is not limited to these states – they are the principal but not the only beneficiaries. We note that there are other states which grow significant volumes of sugar beets which are very dependent on irrigation.

The water flowing in these irrigation projects is distributed through many more water boards, each of which establish their own prices.

[702] NASS 2012 Census of Agriculture Report, Table 2 Irrigated Farms by Acres Irrigated: 2013 and 2008

PART II – IRRIGATION SUBSIDIES

> *In 2003, GCS prepared a report for the Dairy Farmers of Canada that reviewed U.S. irrigation subsidies.*[703] *In that report, GCS estimated the total value of subsidies to U.S. agricultural producers through below-market priced water at between $10,000,000,000 and $33,000,000,000. Taking the median point in the range defined by these estimates, the total value of irrigation subsidies in 2003 was $21,500,000,000.*

In 2013 the U.S. Geological Survey (USGS) and the California Department of Water Resources (DWR) estimates water use for agricultural irrigation in California at 25.8 million acre-feet[704], on the same report, Renee Johnson and Betsy A. Cody shows on the USDA's 2013 Farm and Ranch Irrigation Survey reports that, nationally, California has the largest number of irrigated farmed acres compared to other states and accounts for about one fourth of total applied acre-feet of irrigated water in the United States.[705]

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703 *WTO Consistency of U.S. and New Zealand Agricultural Practices,* Grey, Clark, Shih and Associates, Limited, July 15, 2003, pp 42 - 60

704 CRS, California Agricultural Production and Irrigated Water Use, By Renee Johnson and Betsy A. Cody, June 30, 2015.pg 1

705 CRS, California Agricultural Production and Irrigated Water Use, By Renee Johnson and Betsy A. Cody, June 30, 2015.pg 14

PART II – IRRIGATION SUBSIDIES

Irrigation - Estimate Water Use for Agricultural Irrigation in the U.S. [706]

	Acre-feet of water used in 2013	Water Rates Benefits in 2015 acre-feet
	103,200,000	$353
Total (Water Use x Water Rate)		$36,451,530,000

	Water Rates 2015 per Acre-foot	Water Rates 2015 per Acre-foot	Water Rates 2015 per Acre-foot
	Residential	Agricultural	Difference
San Diego	$764	$582	$182
Vaughn (Bakersfield Area)	$387	$82	$306
Southern California	$1,239	$901	$338
Fresno	$2,771	$2,184	$587
TOTAL AVERAGE			$353

Sources:
San Diego: Water Rates - San Diego Water Authority, Finance & Relations, Water Rates & Charges, (Equation: Melded Untreated M&I Supply rate - Special Agricultural Water Rate Untreated)
Vaughn: Vaughn Water Company, Current Water Rates, (Equation: (Residential Rates - Flat Rate for property over 32,671 square foot)
Southern California: Western Municipal Water District, Water Rates, (Equation: Non-Potable Water Rates Residential - Agricultural Water Rates)
Fresno: City of Fresno, Schedule of Current and Proposed Schedule of Rates, Fees and Charges for Public Water Service, (Equation: Domestic water rates - Irrigation water rates)

As noted above our conservative estimate was $20 billion in order to avoid skewing the data by water rates driven by drought.

[706] Acre-feet of water used in 2013 - CRS, California Agricultural Production and Irrigated Water Use, June 2015
Water Rates - San Diego Water Authority, Finance & Relations, Water Rates & Charges
(Equation: Melded Untreated M&I Supply rate - Special Agricultural Water Rate Untreated)

PART II – IRRIGATION SUBSIDIES

(c) Allocation to Dairy

Support provided through the irrigation programs is not provided exclusively to support U.S. dairy producers. While analyses on a state by state base could yield a higher share to dairy, we have allocated base on the 10.54% share of dairy in national farm cash receipts.

Based on those numbers GCS estimates that about $20,000,000,000 in benefits have been provide to producers in 2015. The number have been rounded from the multiplication of the total acre-feet of water used in 2013 by the difference between Residential and Agricultural Rates – per acre-feet – in 2015 on San Diego. If taken in consideration other counties the number would have been much higher, $ 36,451,530,000, as seen on table above. But for this report just the San Diego rate has been used in order to avoid skewing the results due to droughty in this period examined.

Therefore, dairy producers should be allocated the respective state share of dairy production of the total estimated value of irrigation subsidies provided by U.S. state and local governments. Thus, the total estimated amount of these irrigation subsidies allocated to dairy producers would be $2,108,000,000.