Market Promotion Program

The United States Market Promotion Program (MPP) is authorized under the United States Food and Agriculture, Conservation and Trade Act of 1990 (1990 Farm Bill) and is administered by the United States Department of Agriculture's Foreign Agricultural Service. Funding for the 1995 fiscal year was increased by Congress to US$110 million. The U.S. Administration has again requested US$110 million in funding for the 1996 fiscal year. The Canadian industry has raised concerns about the impact of the program on the Canadian domestic market and on Canadian exports to third country markets.

Intermediate-Term Export Credit Guarantee Program (GSM-103)

The GSM-103 program authorizes the Commodity Credit Corporation (CCC) to provide low interest loans to facilitate the sale of a wide range of U.S. primary and processed agricultural products. The CCC guarantees 98 percent of the principal and a portion of the interest accrued during the financing period, which may range from three to ten years. If importers or their banks default on these loans, the CCC honours the guarantee by paying to the exporter or the exporter's bank the amount of the principal and interest covered by the guarantee. GSM-103 sales distort trade due to the concessional nature of the loan terms, which far exceed commercial terms. Under the 1990 Farm Bill, the United States government must allocate US$500 million in intermediate export credit guarantees under the GSM-103 program each year.

Under Article 10 of the WTO Agreement on Agriculture, WTO members committed to work towards the development of internationally agreed disciplines to govern the provision of export credits, credit guarantees and insurance programs. In 1994, there was a firm undertaking by Participants to the OECD Arrangement on Guidelines for Officially Supported Export Credits (the Arrangement) to start negotiations on including agricultural products in the Arrangement. A Working Group on Agriculture was established, with a view to producing a draft Sector Understanding on Export Credits for Agricultural Products with Options, by April 1996. Canada's objective in the OECD is to achieve agreement on meaningful disciplines on the use of agricultural export credits, including, for example, a 180 day cap on repayment terms for most agricultural products. This objective is shared by most other OECD members, with the exception of the United States, which favours much longer repayment terms, consistent with those under existing credit programs, such as GSM-103.

Sugar

The United States operates a price support program for sugar as well as maintains import restrictions on sugar and certain sugar-containing products, which ensures that U.S. domestic prices remain at levels significantly above world market prices. In addition, the United States administers a re-export program that allows U.S. refiners to import world price sugar for re-export as refined sugar. This program allows U.S. refiners to have access to cheaper world price sugar without compromising the U.S. domestic price support program. The NAFTA provides for the elimination of a similar re-export program for sugar-containing products.