USDA Funding to Address Export Supply Chain Issues and Provide Agricultural Market Disruption Relief

On September 29, 2021, the USDA issued a press release announcing its intent to spend $3 billion on immediate needs faced by American agriculture and rural communities. Of this funding, $500 million was programmed to address market disruptions related to recent supply chain issues. This memo is intended to offer some possible options for where those funds could be effectively invested to provide dairy exporters and other American agriculture producers with relief from added shipping costs, expand shipping capacity, address bottlenecks and maintain foreign customers. Based on USDA feedback, these possible expenditures need to avoid export subsidies and need to focus on agriculture supply chains, specifically.

Options for USDA/Commodity Credit Corporation (CCC) Funding to Address Supply Chain Disruptions and Export Market Challenges

- Offset Foreign Customer Maintenance Cost: As American agriculture exporters face increased costs and significant delays to deliver their products to foreign customers, many exporters have had to assume charges and increased costs to facilitate deliveries, pay penalties for late deliveries or goods that don't arrive, and even in extraordinary circumstances pay for the air freight of their export goods to customers. Exporters often may need to pay these costs due to contracts and/or in order to maintain positive customer relations and future orders, but these costs eat into their export values. USDA CCC funding could be used to offset some of those increased export costs.

- Carrier Export Incentives: Ocean carriers are economic actors and have prioritized import shipments over exports from the U.S. based on profit differentials. USDA could engage carriers to identify whether there were reasonable incentives that could be offered that may alter these decisions and increase their willingness to depart the U.S. with filled export containers versus empty containers. These may include non-monetary options, including preferred berthing privileges, allowing the vessel to depart anchorage to unload more quickly, affording import-side benefits as well.

- Vessel Chartering: Ocean carriers continue to increase their shipment of empty containers back to import-origination locations, depriving American exporters of the means of carriage. As some large American importers have done (i.e., Home Depot, Walmart), USDA could facilitate the chartering of vessels with the intent of assuring American agriculture exports have a reliable means of shipping their goods to market.

- Export Shipping Equipment: Provide funding in support of expanded domestic capacity of containers, chassis and gensets. This is intended reduce dependence on ocean carrier-owned assets. This could include both ownership or dedicated leasing scenarios focused on agriculture product supply chains and exports.