



United States  
Department of  
Agriculture

Foreign  
Agricultural  
Service

# FACT SHEET

---

March 2006

## Dairy Export Incentive Program

The Dairy Export Incentive Program (DEIP) helps exporters of U.S. dairy products meet prevailing world prices for targeted dairy products and destinations. Under the program, the U.S. Department of Agriculture pays cash bonuses to exporters, allowing them to sell certain U.S. dairy products at prices lower than the exporter's costs of acquiring them. The major objective is to develop export markets for dairy products where U.S. products are not competitive because of the presence of subsidized products from other countries.

The DEIP was announced by USDA on May 15, 1985, and was reauthorized by the Food, Agriculture, Conservation, and Trade Act of 1990; the Uruguay Round Agreements Act of 1995; the Federal Agriculture Improvement and Reform Act of 1996; and the Farm Security and Rural Investment Act of 2002. As part of its World Trade Organization commitments resulting from the Uruguay Round Agreement on Agriculture, the United States has established annual export subsidy ceilings by commodity with respect to maximum permitted quantities and maximum budgetary expenditures. No allocations under the DEIP were announced for fiscal 2005.

### Who Benefits

The DEIP, administered by USDA's Foreign

Agricultural Service (FAS), helps U.S. agricultural producers, processors, and exporters gain access to foreign markets.

### Eligible Products

Commodities eligible under DEIP initiatives are milk powder, butterfat, and various cheeses.

### Participation

An exporter interested in participating in the DEIP must provide specific information, including:

- 1) an office and agent for service of legal process in the United States, with names and street addresses
- 2) a description and documented proof of business structure—how and where incorporated, etc.
- 3) a certified statement describing participation, if any, during the past 3 years in U.S. government programs, contracts, or agreements
- 4) a certified statement that the exporter is not debarred, suspended, or proposed for debarment from any federally administered program

In addition, exporters must post a performance security before submitting a request for a bonus.

## **Making a Sale**

All sales under the DEIP are made by the private sector, not the U.S. government. Once an invitation for bids is issued, it is up to agricultural exporters to contact prospective buyers in eligible countries and negotiate a sales contract covering price, quantity, quality, delivery, and other terms. The sale may be contingent on USDA's approval of a bonus. Each prospective exporter submits a bid to USDA requesting a subsidy—or bonus—that would allow the sale to take place at the agreed price.

USDA reviews all bids for the competitiveness of the bonus value requested and compares the bids with offers from other U.S. exporters and with sales of competitor countries. USDA has the right to reject any or all bids.

Once USDA accepts a bid, the exporter and USDA's Commodity Credit Corporation (CCC) enter into an agreement. USDA announces bid acceptances under the DEIP by 10 a.m. Eastern U.S. time and makes the information available in a program announcement on the FAS Web site. As noted above, no allocations and therefore no sales were made under the DEIP in fiscal 2005.

## **Receiving the Bonus**

The bonus is paid to the U.S. exporter in cash. The CCC determines the bonus payment by multiplying the bonus specified in the agreement by the net quantity of the commodity exported. Once an exporter furnishes USDA with evidence that the specified commodity has been exported to the target destination under the terms of the agreement, the exporter can request payment of the bonus.

## **Additional Information**

For more information, contact: Operations Division, Export Credits, FAS/USDA, 1400 Independence Ave. SW, Washington, DC 20250-1035; tel.: (202) 720-6211; fax: (202) 720-2495.

Program information is available on the FAS web site:

<http://www.fas.usda.gov/exportprograms.asp>

FAS program announcements of DEIP allocations are posted at:

[http://www.fas.usda.gov/scriptsw/PressRelease/pressrel\\_frm.asp](http://www.fas.usda.gov/scriptsw/PressRelease/pressrel_frm.asp)

General information about FAS programs, resources, and services can be found at:

<http://www.fas.usda.gov>