



AMERICAN MARITIME CONGRESS

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I S S U E B R I E F I N G

CARGO PREFERENCE – KEEPING THE U.S.-FLAG FLEET MOVING

Cargo preference is one of the three legal pillars that sustain the modern American maritime industry. Cargo preference requires that U.S. government-financed cargoes be shipped on U.S.-flag vessels, provided that such vessels are available at fair and reasonable rates.

Preference cargoes are the single most important incentive for U.S.-flag operators in the international trades to remain under U.S. registry. The cargo preference laws provide a vital base of cargo to help offset foreign-flag advantages.

There are three primary cargo preference laws:

The Cargo Preference Act of 1954 requires that at least 50 percent of civilian agency cargoes be transported on U.S.-flag vessels. This law was amended in 1985 to require that 75 percent of certain agricultural commodities be carried on U.S.-vessels.

The statutory sources of agricultural goods covered by cargo preference programs are principally **Titles I, II, and III of P.L. 480, Section 4 16(b)**; and the **Food for Progress Act of 1985**. In addition, the **McGovern-Dole International Food for Education and Child Nutrition Program** is subject to the 75 percent U.S.-flag requirement.

Title I of P.L. 480 provides for U.S. government financing of sales of U.S. agricultural commodities to developing countries on concessional credit terms. **Title II** is a donation program for least development countries. **Title III** is a grant program under which agricultural commodities are donated to least developed countries; in the recent past, Congress has not appropriated funding for this program.

The Military Cargo Preference Act of 1904 requires 100 percent of items purchased for or owned by U.S. military departments and defense agencies be carried exclusively on U.S.-flag vessels at fair and reasonable rates.

Public Resolution 17 requires that 100 percent of cargoes generated by Export-Import Bank loans and guarantees be shipped on U.S.-flag vessels unless a waiver is granted.

Section 416(b) is a donation program primarily for surplus commodities.

It cannot be stressed enough how important these cargo preference laws are to the continued existence of the American international fleet.