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 416(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.