

# Reforms of US Agricultural Policies and commitments on domestic support in WTO

by

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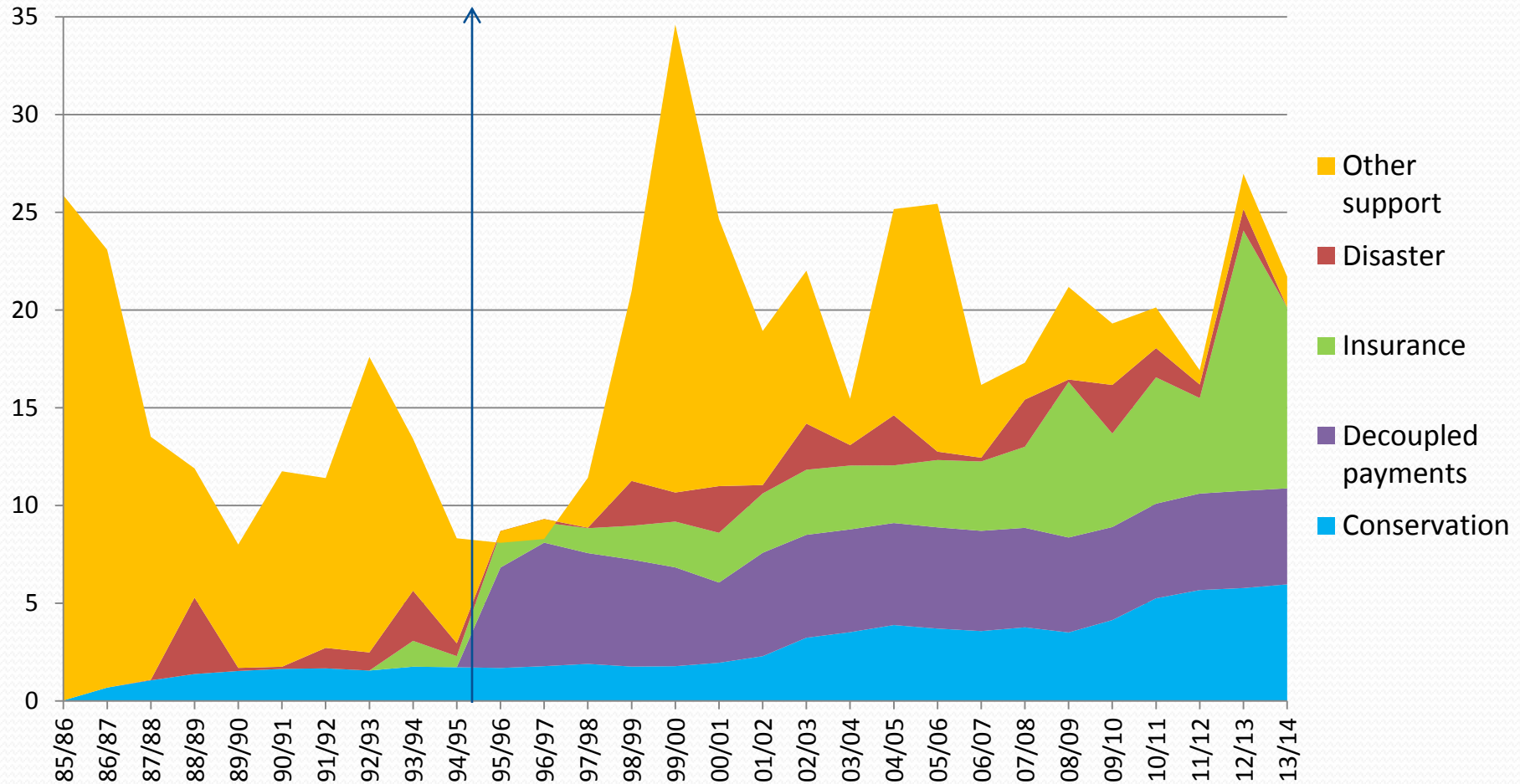
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# Agenda

- Evolution of the US policy in context of WTO and changing market conditions
- Effects of the policy changes on commodities and regions
- Current policy developments
- Conclusions

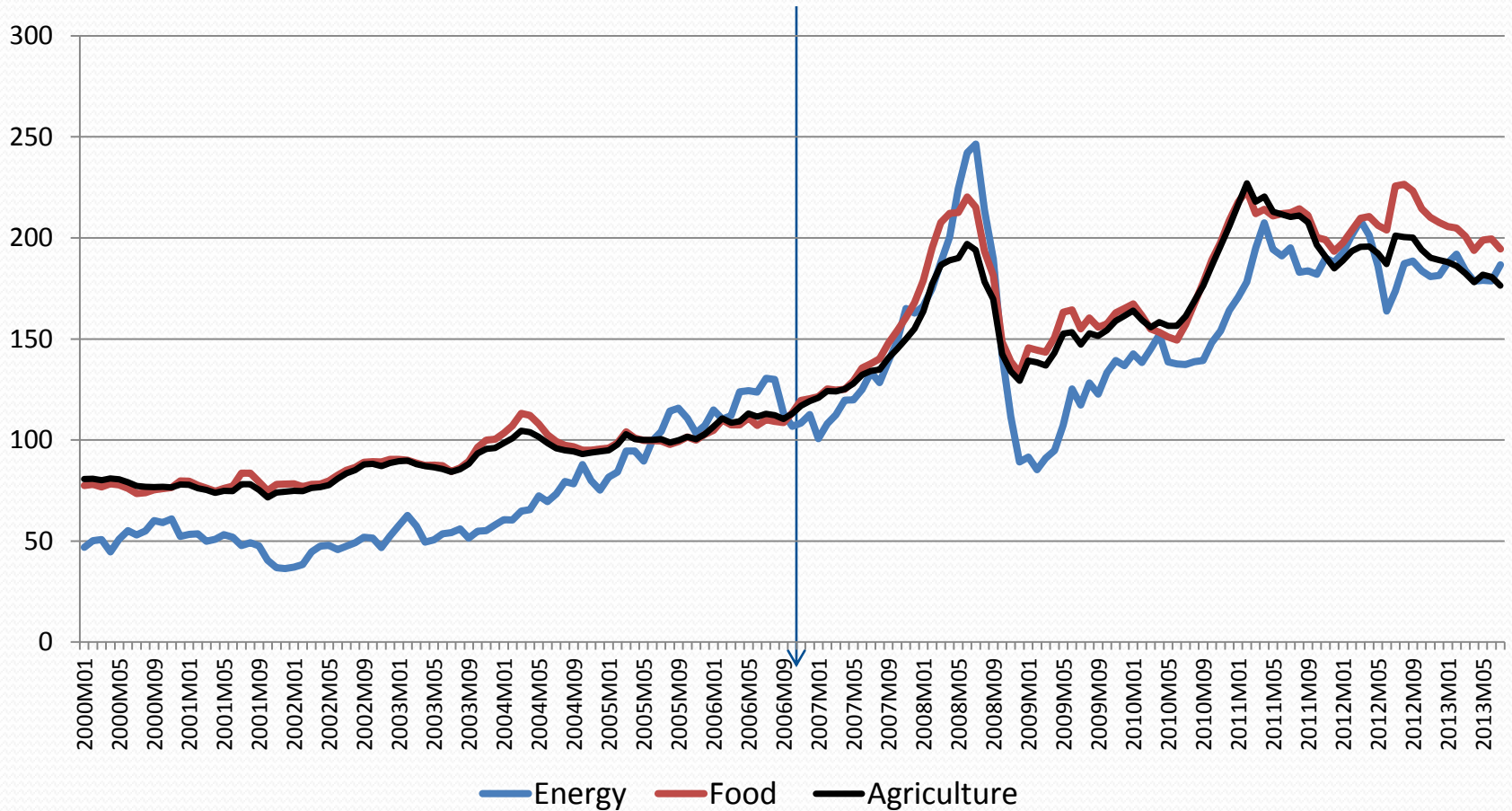
# Evolution of US Policy measures and expenditures to 13/14est, \$billion



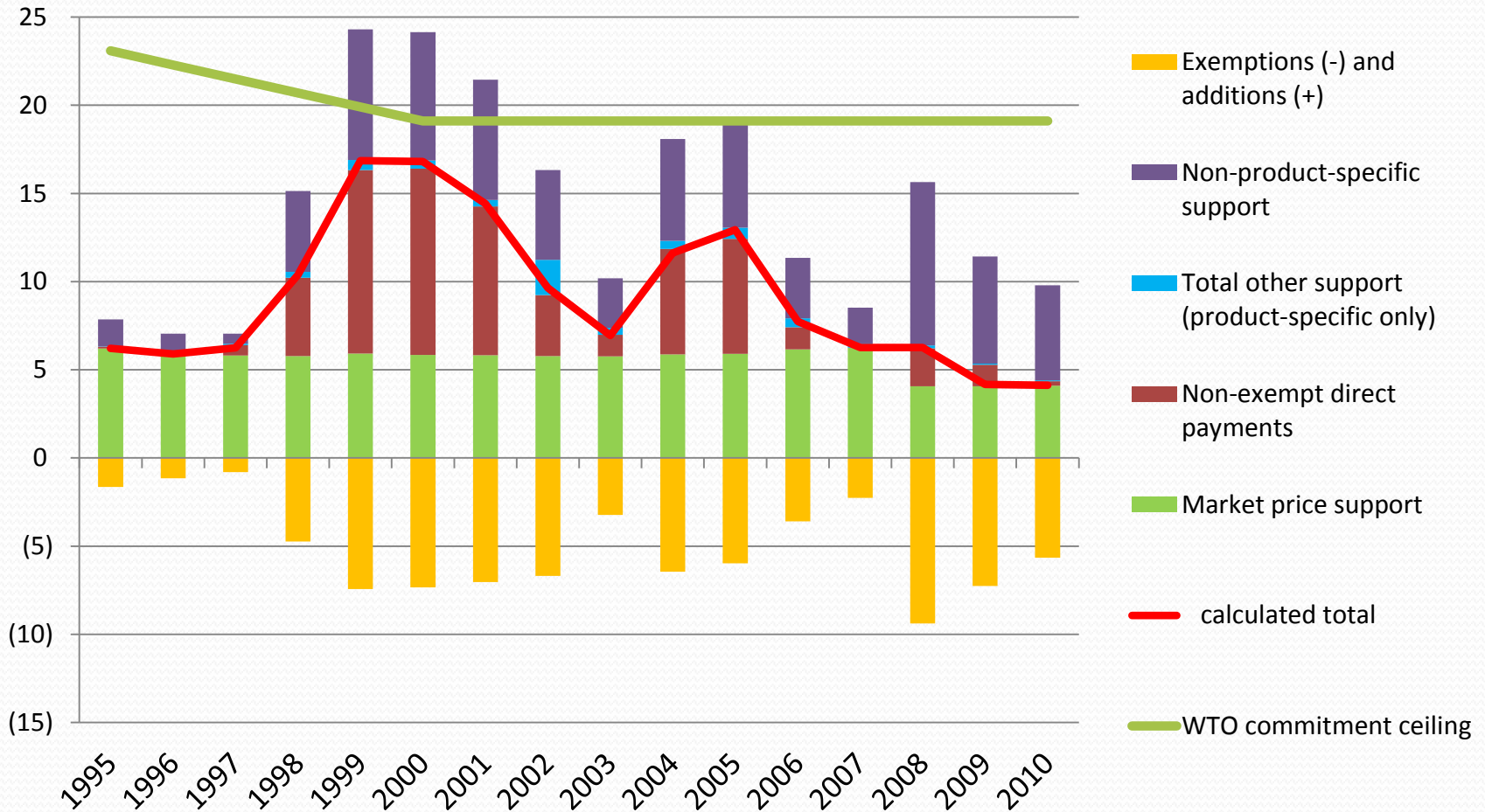
# Main policy changes since 1995

- 1996 Federal Agriculture Improvement and Reform Act
  - End of target price-deficiency payment and land set aside
  - New decoupled payments based on *historical production*
- 2002 Farm Security and Rural Investment Act
  - New countercyclical s and milk income loss payments based on *current price*
  - Added impacts of Biofuel policies from 2005 onward
- 2008 Food, Conservation, and Energy Act
  - New Acre revenue guarantee program on *current plantings*
  - New permanent disaster program for crops and livestock
  - Repeal of Export Enhancement and some export credit

# World Bank food, agr. and energy price indices, 1/00 to 7/13, 2005=100

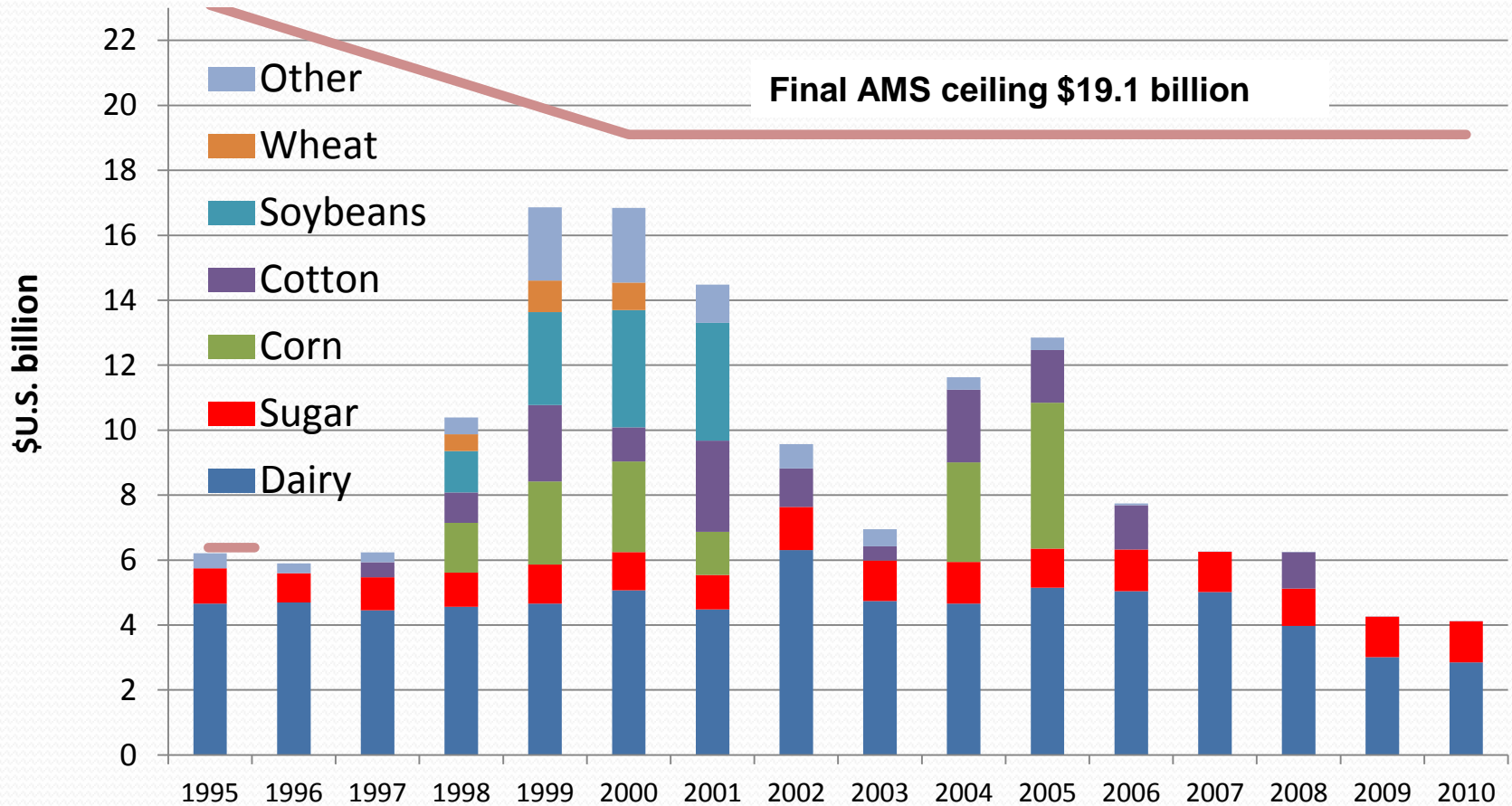


# Aggregate measure of support, billion US\$



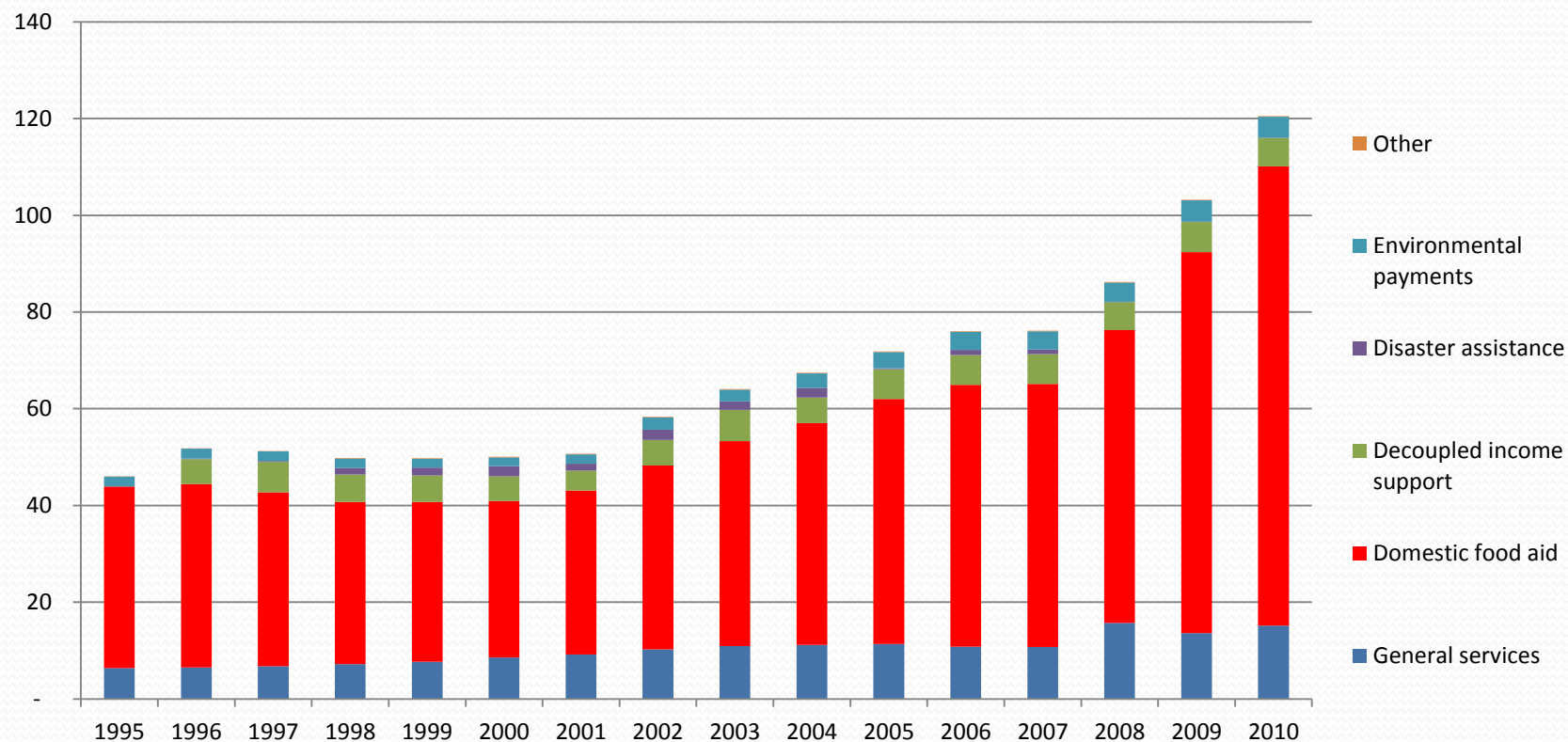
Source: US domestic support notifications to WTO

# AMS by commodity



Source: U.S. domestic support notifications to the WTO

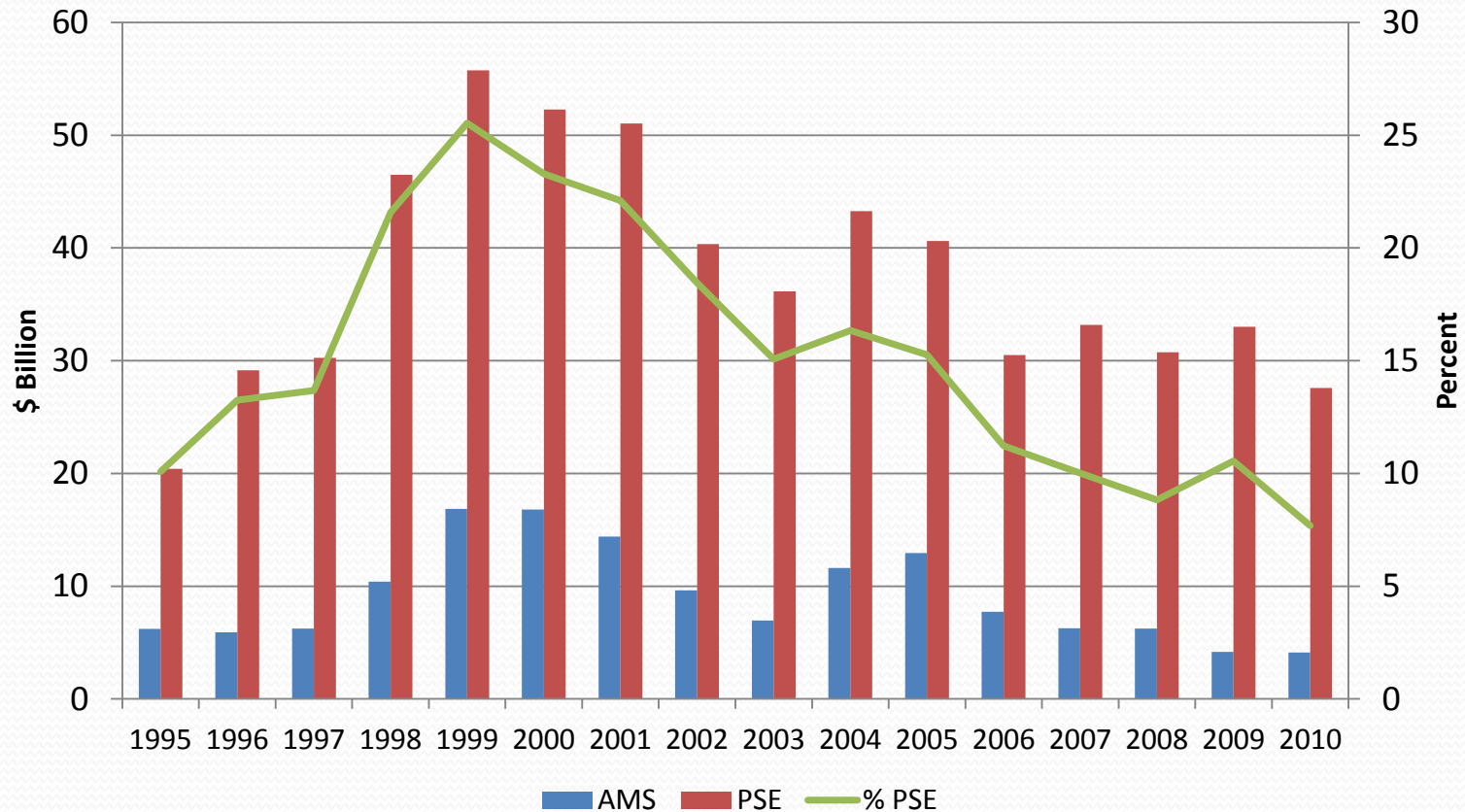
# US domestic support green box notifications, million US\$



Source: US domestic support notifications to WTO

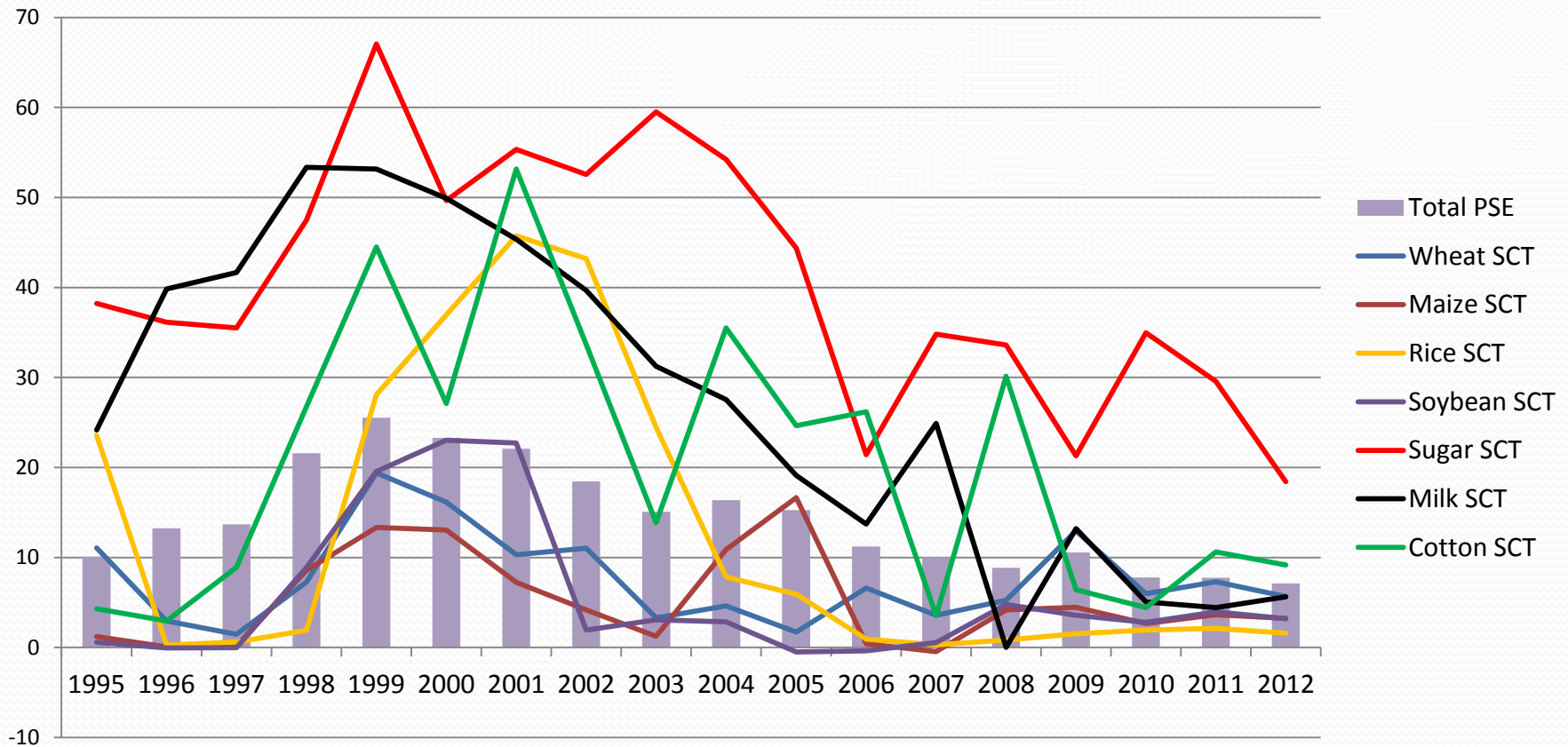


# Differences between OECD and WTO methodology



Source: **author calculations:** OECD Producer and Consumer Support Estimates Database, 1986-2012; ERS US WTO domestic support reduction commitments and notifications data set .

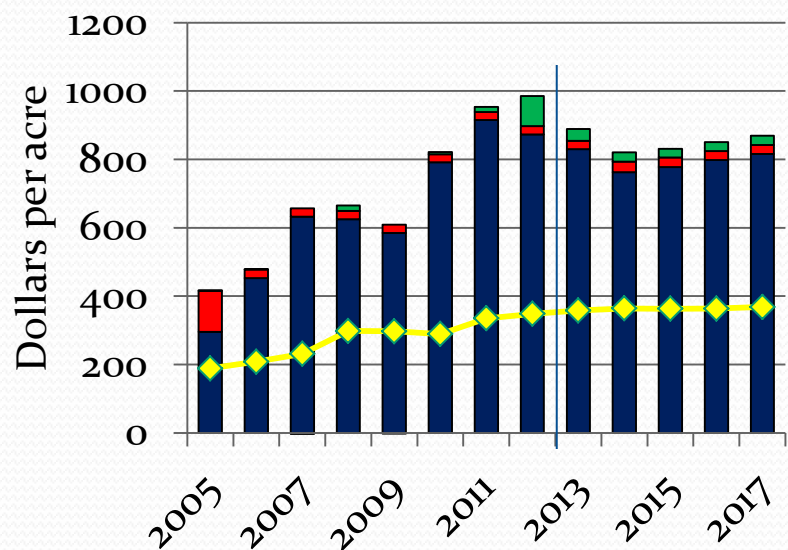
# PSE and SCT by main commodities, %



Source: U.S. tariff schedule

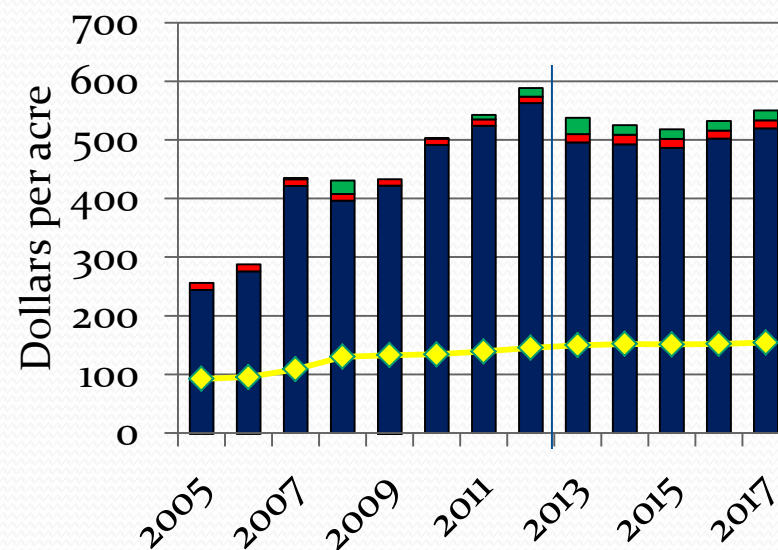
# A small share of U.S. crop producer returns

## U.S. corn



- Insurance net benefits
- Government payments
- Market value of crop
- ◆ Variable expenses

## U.S. soybeans



- Insurance net benefits
- Government payments
- Market value of crop
- ◆ Variable expenses

Source: FAPRI-MU Jan. 2013 baseline, assuming a continuation of 2008 farm bill provisions.

# The Shifting boxes

- Old deficiency payments: Blue box not needed after 1996 farm bill
- PFC/direct payments: U.S. declared green
- Counter-cyclical payments: Amber box, non-commodity specific
- Crop insurance: recently shifted from reporting net indemnities to premium subsidies

# US Congressional farm bill proposals

- Both would eliminate many existing farm programs
  - Direct payments, countercyclical payments, ACRE
  - Dairy price supports and MILC payments
- Allocation of “savings”
  - Reduce federal deficit (ABOUT HALF)
  - Create new programs that pay farmers when prices or revenues fall below a trigger
  - House and Senate have different proposals for these new programs
- Major difference on SNAP (food stamps)
  - Senate makes relatively small cuts (<1%)
  - House makes about \$39 billion in cuts over 10 years (10x Senate cuts)

# Estimating impacts of eliminating two current programs

- Elimination of fixed direct payments (DPs)
  - \$5 billion per year, largely decoupled
  - Very small effects on production
  - But does affect farm income, land values
- Eliminating countercyclical payments (CCPs)
  - Tied to prices, but fixed base area and yields
  - At current prices, irrelevant for most crops
  - Stochastic analysis, as some chance payments can occur

# Budget and farm income impacts

(FAPRI estimates, FY 2014-23 total, billion dollars)

	Baseline (2014-23 average)	House change vs. baseline	Senate change vs. baseline
CCC net outlays	9.2	-2.8	-2.8
Crop insurance	8.6	+1.5	+1.0
CCC + crop ins.	17.8	-1.3	-1.8
Net farm income	108.1	-1.8	-2.1

Source: FAPRI-MU Report 06-13, October 2013,

[http://www.fapri.missouri.edu/outreach/publications/2013/FAPRI\\_MU\\_Report\\_06\\_13.pdf](http://www.fapri.missouri.edu/outreach/publications/2013/FAPRI_MU_Report_06_13.pdf)

# Conclusions

- Limits have not been very binding
  - Some reforms were anticipated and captured
  - Higher market prices and biofuel demand contributed
  - U.S. did come close to the limit in late 1990s—and Brazil has challenged U.S. accounting
- Support is a very small part of net returns in most cases but decoupling had significant impacts on crop mix
- Some recent policy changes moved away from decoupling
- Continuing reforms are mainly driven by budget constraints



# Spasibo!

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