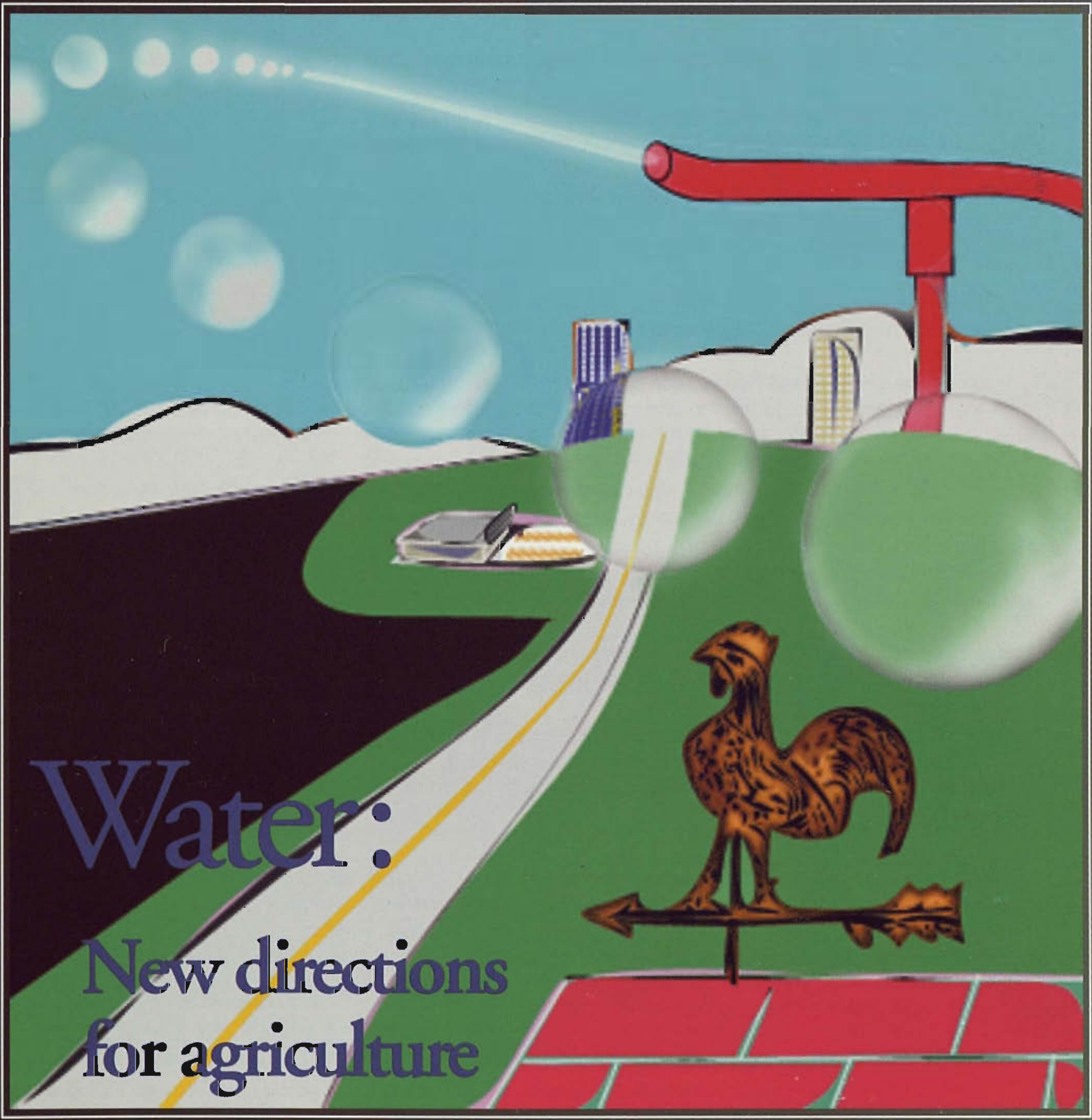
THE MAGAZINE OF FOOD, FARM, AND RESOURCE ISSUES

CHOICES

First Quarter 1994



Findings

What agricultural and resource economists are finding about food, farm, and resource issues.*

- The Boll Weevil Eradication Program in Alabama, Florida, and Georgia increased cotton yields 100 pounds per acre and substantially increased producer profits—say Ahouissoussi, Wetzstein and Duffy.

- The 1990 Farm Bill, even with the new triple base provisons limiting payment acres, may increase whole farm profits of cotton farms because it eliminates the limited cross-compliance provisions and changes base acreage computations from a five-year to a three-year period—say Duffy, Cain and Young.

- Rural road maintenance costs in New England could be substantially reduced if town governments cooperate on road management, maintenance and engineering activities—say Deller, Halstead and Hall.

- Typical midwestern feedlots realize significantly higher profits if feeder calf producers vaccinate for bovine respiratory disease complex *prior* to shipment of calves to the feedlot—say Nyamusika, Spreen, Rae and Moss.

- As household income and education rise, the demand for reduced-fat milk increases relative to the demand for whole-fat milk—say Cornick, Cox, and Gould.

- Two-season calving and alternative culling decisions, in contrast to traditional spring-only calving and culling all open cows, can increase profits of cow-calf operations—say Tronstad and Gum.

- Use of Porcine Somatotropin (PST) on representative farms in Missouri and Indiana will increase farm profits—say Richardson, Anderson, Peel and Phillips.

- In potential trade-environment agreements between the U.S. and Latin American countries, the benefits of preferential access for fruit juices to the U.S. market outweigh substantially the costs to Latin American exporters of farm worker pesticide safety regulations similar to those of the U.S.—say Ballenger, Beattie and Krissoff.

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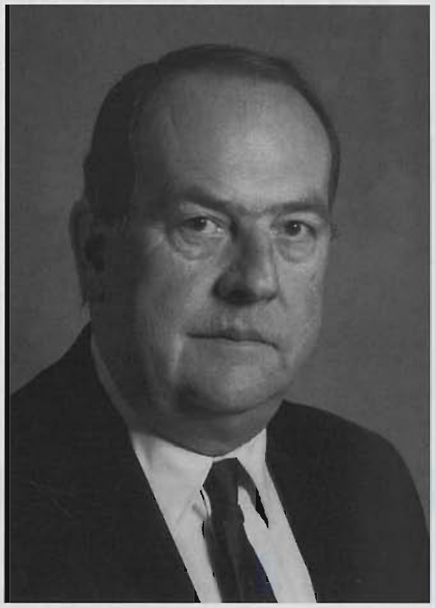
*Findings are taken from recently or soon-to-be published research in the *American Journal of Agricultural Economics, Journal of Agricultural and Resource Economics, Review of Agricultural Economics, Journal of Agricultural Economics Research, Journal of Agricultural and Applied Economics, Agricultural and Resource Economics Review, Land Economics, Journal of Environmental Economics and Management, Agribusiness—an International Journal,* and other journals which publish the research findings of agricultural and resource economists. Abbreviated citations are found on page 45.

ON OUR COVER—Water ties agriculture to urban areas, as depicted by the graphics firm, Dungeonworks. Feature authors discuss new and proposed rules for agriculture—rules to distribute water between agricultural and other uses, and rules to lessen agriculture's impact on water quality.

Guest editorial: After GATT and NAFTA: Win, lose, or draw



Alex F. McCalla

The year 1993 was a banner year for the conclusion of trade agreements. Yet until the very end, the ratification of both GATT and NAFTA was in doubt. The negotiations under the GATT (General Agreement on Tariffs and Trade) Uruguay Round dragged on for seven years three months, and a broad agreement was reached only on the last day (December 15). NAFTA (North America Free Trade Agreement) was in doubt until the day of the U.S. House of Representatives vote. Each contains significant provisions relating to agricultural trade. In fact agriculture was clearly the contentious component of GATT and it was agricultural "understandings" (side agreements) that finally turned the tide on the NAFTA debate.

The GATT agricultural agreement was hailed by some as providing the most significant advances in agricultural trade liberalization since the abolition of the Corn Laws. Others judged the agreement to be a "disappointing compromise" likely to have minimal impact. Clearly it must be a case of whether the glass is half-full or half-empty.

NAFTA's agricultural provisions are, in some eyes, limited because they reduce already low tariff barriers and exclude the big support items like dairy. Others judged NAFTA as a significant breakthrough in creating a continental agricultural market. Again who is right?

The good news is everybody could be right depending on what base for comparison is chosen. In the case of GATT, that there was any agreement, however modest, to bring agricultural trade under the discipline of GATT, is a significant advance compared to previous Rounds where agriculture was always left out at the end. While the quantitative reductions in internal support (20 percent), border protection (36 percent) and export assistance (36 percent in value of subsidies, 21 percent of volume) are modest indeed, the fact that nations have agreed to convert non-tariff barriers to tariffs and reduce them on average 36 percent, moves agriculture towards, rather than away from, a more liberal regime. The commitment to continue to move, after six years of transition, towards substantial progressive reductions in agricultural support is also positive.

But these changes are a far cry from the initial position of the United States (the zero option) and the Cairn's Group. Further, changes in domestic policies in the United States and the European Union which occurred during the course of the negotiations mean that each party can meet the agreement's provisions relatively easily. Some will argue that the GATT negotiations caused domestic reform, especially in CAP. Others, with equal fervor, argue domestic changes were driven by domestic issues (i.e., budget costs).

In the case of NAFTA, big ticket program items like dairy were left out to be guided by GATT agreements. Unilateral liberalization already undertaken by Mexico to gain entry to GATT, and to implement Salinas' reforms, probably will have much greater impacts on trade than NAFTA *per se*. On the other hand, at the end of long transition periods, much of agricultural trade in North America will be free.

But surely the fundamental comparison must be against what would have happened if no agreements had been reached. Given that the dynamic tendency of countries and trade regimes is to retreat towards protectionism, agreements that move agriculture towards liberalization must be judged as successful. Earlier this year, I sounded a very pessimistic note about chances for liberalization (McCalla, Fellows Address). I am less pessimistic now, but I am still not a flaming optimist. Time will tell whether domestic interests will figure out new ways to protect domestic producers. Trade liberalization is a never ending fight against the "evil forces" of self-interest. Of course, that's good news for trade economists as there will be plenty of work in the years ahead.

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John Warner studied economics with an emphasis in natural resources at Brigham Young University. He currently works as a business strategy consultant at Monitor company.

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Ron Knutson is professor and director of the Agricultural and Food Policy Center at Texas A&M University. He served as coordinator of the pesticide use reduction study, reported here, under the auspices of Knutson and Associates.

Charlie Hall is associate professor and extension economist in the Department of Agricultural Economics at Texas A&M University. He specializes in horticultural economics.

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Sam Cotner is professor and associate head of the Department of Horticultural Sciences at Texas A&M University. In recent years his extension

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activities relate to vegetable production throughout Texas.

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CHOICES (ISSN 0886-5558) is published quarterly by the American Agricultural Economics Association for people who want to be informed about food, farm, and resource issues—and the policies that affect them. Postage paid at Ames, IA, and additional mailing offices. Subscription rates for U.S.: individuals—$19.95 per year, institutions—$32.50 per year (four editions). In Canada add $10 per year. Outside U.S. and Canada add $20. Send subscription correspondence to CHOICES, AAEA Business Office, 1110 Buckeye Ave., Ames, IA 50010-8063. Telephone (515) 294-8700, FAX (515) 294-1234. Send four copies of each manuscript to the editor, Harry W. Ayer, Department of Agricultural and Resource Economics, University of Arizona, Tucson, AZ 85721, telephone (602)621-6257 and FAX (602)621-6250.