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**WTO Constraints on U.S. and EU Domestic Support in Agriculture:  
Assessing the October 2005 Proposals**

by  
**Lars Brink**

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## **Abstract**

Proposals on domestic support were submitted in the WTO agriculture negotiations by the USA, the EU, and the G-20 in October 2005, based on the 2004 Framework agreement. This paper pays attention to the *de minimis* rules and the resulting *de minimis* allowances and projects future (2014) distorting support for the USA and the EU-15. It calculates the constraints resulting from projected values of production combined with the U.S., EU and G-20 proposals and compares their effectiveness in constraining components of distorting support and the projected future applied support. The *de minimis* rules make a difference in estimating how much distorting support can be provided in the future. Under the U.S. proposal the Overall commitment does not constrain either the USA or the EU. Under the EU and especially the G-20 proposals the Overall commitment constrains distorting support to be less than the sum of the cap on blue and the maximum usable components. This maximum is smaller than the sum of the commitment on Total Aggregate Measurement of Support (AMS) and the *de minimis* allowances. The U.S. proposal constrains only one component (Current Total AMS) and this only for the EU. The EU proposal does not constrain projected future applied support in either the USA or the EU. The G-20 proposal constrains the future Current Total AMS for both the USA and the EU. The G-20 proposal constrains projected future Overall distorting support for the EU but not for the USA.

**Key words:** WTO, agriculture, domestic support, overall reduction, AMS, *de minimis*

## Assessing WTO Constraints on U.S. and EU Domestic Support in Agriculture:

### Assessing the October 2005 Proposals

#### **Introduction**

The 2004 Framework on agriculture in the Doha Round of WTO trade negotiations articulated many elements as the basis for the negotiations of full modalities (WTO). Members have since submitted proposals referring to the 2004 Framework. In particular, the USA, the EU and the G-20 submitted domestic support proposals in October 2005.<sup>1</sup>

This paper reviews the major elements of the three domestic support proposals, examines some issues that arise in assessing how they would constrain future distorting support, introduces projections of future U.S. and EU support, and estimates the severity of any constraints the three proposals would impose on projected future U.S. and EU support.<sup>2</sup>

#### **The October 2005 Domestic Support Proposals**

The major elements of the proposals from the USA, the EU and the G-20 are outlined in Table 1. These proposals are to some extent couched in conditional terms relating to progress in the negotiations outside of the domestic support pillar. The G-20 proposal refers to earlier proposals and elements suggested by the G-20. The proposals address to a varying extent the special and differential treatment for developing countries, which is not shown in Table 1.

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<sup>1</sup> G-20 refers to the following 21 developing country Members of the WTO: Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela and Zimbabwe.

<sup>2</sup> This paper uses the term AMS (Aggregate Measurement of Support) as defined in the Agreement on Agriculture, contrary to its use in many popular writings. Since the Agreement on Agriculture does not define “amber” support and popular writings ascribe a variety of meanings to the term, it is not used here. On the other hand, in spite of the Agreement not defining “blue” or “green” support, popular writings are quite uniform in the meanings of these terms: green and blue support is support that is exempt from Current Total AMS by conforming to the criteria and conditions of Annex 2 and Art. 6.5, respectively.

Total AMS. The USA proposes harmonizing reductions of Members' Total AMS commitments by 83 percent, 60 percent and 37 percent, depending on the size of the base (Final Bound Total AMS in Members' Schedules). This is called an 83/60/37 scenario. The EU proposes a 70/60/50 scenario for Total AMS and the G-20 proposes an 80/70/60 scenario. The placement in tiers is the same for the three proposals, except that the EU would place Japan either in the top tier, where the USA and G-20 proposals place Japan, or in the second tier but with a higher percentage cut than for other countries in the second tier (Japan's Total AMS commitment ranks between those of the EU and the USA).

Overall reduction. The Overall reduction refers to reducing "all trade-distorting domestic support", or Overall support for brevity. Overall support encompasses all non-green support, i.e., all blue and AMS support (including *de minimis* AMSs). For the Overall reduction the three proposals also indicate identical placements in tiers, except that the EU proposal is not explicit about the placement of Japan. The Overall reduction scenarios proposed by the USA, the EU and the G-20 are, respectively, 75/53/31, 70/60/50, and 80/75/70. This leads to several observations.

The EU proposal would apply the same reduction scenarios for Total AMS and Overall support, although the 2004 Framework does not require this. In fact, because of how the base for the Overall reduction is calculated, there will be relatively more slack built into the base for Overall reduction than in the base for Total AMS reduction. This argues for the percentage reduction in Overall support needing to be larger than the reduction in Total AMS.

The G-20 proposal goes some way towards reducing Overall support by relatively more than Total AMS (80/75/70 vs. 80/70/60) but the difference between the scenarios is small.

The U.S. proposal makes the Overall reductions (75/53/31) even smaller than the Total AMS reductions (83/60/37). This is contrary to the *a priori* expectation that Overall reductions (because of larger built in slack) would need to be relatively larger than Total AMS reductions.

De minimis. On *de minimis* the proposals are, like the 2004 Framework, relatively vague on what it is that will be reduced (such as "*de minimis* cut by 50%" [U.S. proposal]) and "*de*

*de minimis* support should be reduced ... by 80%...” [EU proposal]). This is assumed to mean that the *de minimis* percentage of 5 percent, from Art. 6.4 of the Agreement on Agriculture, is to be reduced by 50 and 80 percent, respectively. Cutting 5 percent by 50 and by 80 percent leaves 2.5 and 1 percent, respectively, under the U.S. and EU proposals (these percentages are applied to value of production to establish the *de minimis* allowances). The G-20 proposes that the reductions in *de minimis* “will be such to adjust to the rate of cut for the overall trade-distorting support [*sic*]”. This is interpreted to mean that *de minimis* AMS support will be allowed only to the extent it can be accommodated, along with Current Total AMS and blue box payments, within the Overall commitment. The percentage cut can therefore not be determined in advance and will only be the result of how much distorting support the country provides and in which form.

Cap on blue. Both the EU and the G-20 proposals keep the cap on blue payments at 5 percent of some historical value of production, as per the 2004 Framework. The USA would, however, reduce the percentage to 2.5 percent. The USA does not mention how it would pursue the additional criteria to be negotiated under the Framework while the EU and the G-20 propose limits on the ability of blue payments to offset price drops. G-20 also proposes product-specific caps in blue while the EU rejects them. The G-20 proposal rules out the provision of blue payments for a product that receives more than *de minimis* AMS support and also rules out the classification of payments as blue if the production volume has increased.

Caps on product-specific AMSs. The 2004 Framework calls for caps on product-specific AMSs according to a methodology to be agreed. The USA proposes to cap product-specific AMSs based on 1999-2001, while the EU proposes a 1995-2000 base period and the G-20 a 1995-2000 averaging period (developing countries would be able to use a different period). The G-20 also proposes disciplines “to prevent circumvention of product specific caps”. This may include stricter rules for what kind of AMS support can be classified as non-product-specific.

Green box. The U.S. and EU proposals say little about the green box. USA suggests “no material changes” while also explicitly ruling out caps on green box expenditures. The EU

repeats the Framework idea of reviewing and clarifying the green box criteria. The G-20 has submitted a list of issues to be reviewed and clarified, including specific language for some.

Other. Additionally the USA lays out a time schedule for the possible and eventual elimination of trade-distorting domestic support measures and also proposes the re-introduction of a peace clause. The G-20 suggests how to improve monitoring and surveillance (not only in domestic support) and stresses the urgency of addressing the cotton issue.

The following section discusses some issues arising in the assessment of the constraints that would apply to distorting domestic support under the 2004 Framework and further elaborated on in the proposals by the USA, the EU and the G-20.

## **Consideration of the *de minimis* Rules**

### ***De minimis* Rules**

The effect of new domestic support constraints on countries' ability to provide AMS support in the future is often discussed without considering how the *de minimis* rules work. The *de minimis* provisions of the Agreement on Agriculture are laid out in Art. 6.4.<sup>3</sup> It uses terms such as AMS and Current Total AMS, which are defined in Art.1 of the Agreement. There have been no suggestions that these articles would be changed, other than the percentage "5". Observing the practices countries have adopted in notifying domestic support to the WTO Committee on Agriculture also informs the understanding of the *de minimis* rules. Enhanced monitoring and surveillance is foreseen in the 2004 Framework (para. 48), but there have been no suggestions that this should weaken the present practices of claiming *de minimis* exemptions in notifications.

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<sup>3</sup> Art 6.4 reads:

- (a) A Member shall not be required to include in the calculation of its Current Total AMS and shall not be required to reduce:
- (i) product-specific domestic support which would otherwise be required to be included in a Member's calculation of its Current Total AMS where such support does not exceed 5 per cent of that Member's total value of production of a basic agricultural product during the relevant year, and
  - (ii) non-product-specific domestic support which would otherwise be required to be included in a Member's calculation of its Current AMS where such support does not exceed 5 per cent of the value of that Member's total agricultural production.



Assessing how the proposals would constrain future AMS support without considering the *de minimis* rules gives estimates that deviate from the AMS support that will in fact be allowed. The present examination of two such deviations looks at the three AMS components of distorting domestic support: Current Total AMS, *de minimis* non-product-specific AMS, and the sum of *de minimis* product-specific AMSs. It distinguishes between allowed support within the constraints (commitments or allowances) and current support that counts towards the constraints.

***Values of Production: Historical or Current***

The amount of AMS support that can be exempted from future Current Total AMS on *de minimis* grounds (*de minimis* allowance) is often estimated by applying a *de minimis* percentage to historical values of production, such as 2001 or 2004. This deviates, however, from the *de minimis* provisions of the Agreement on Agriculture (Art. 6.4). Art. 6.4 refers, at least in the case of product-specific *de minimis* AMSs, to the value of production “during the relevant year”. Moreover, usual practice in notifying domestic support is to base *de minimis* claims on the value of production of the notified year, not a historical year. Estimating future *de minimis* allowances thus requires first estimating the value of production for a future year, such as 2014.<sup>4</sup>

If value of production is stable, the estimated *de minimis* allowances based on the 2001 value of production will be close to those based on the 2014 value. However, for countries with a rapidly growing value of production in agriculture, such as Brazil, the amounts that may in the future be exempted as *de minimis* AMS will be significantly different from the corresponding amounts in 2001 or 2004. The value of production in U.S. agriculture may also grow considerably by 2014. The U.S. Department of Agriculture’s baseline projections for 2014 indicate a value of production for the sector of around \$260 billion, which is 30% larger than the \$200 billion or so that is usually assumed for recent years. The 2014 *de minimis* exemptions for the USA would

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<sup>4</sup> The implementation of reduction commitments from the Doha Round is assumed to be complete in 2014.

thus be 30 percent larger if the 2014 values of production were used in the analysis, regardless of the *de minimis* percentage applied. If value of production declines, using a historical value overestimates what can in the future be exempted as *de minimis*. For example, Japan's agriculture value of production is shrinking by an average of one or two percent per year.

### ***Maximum Usable Components***

The allowed future amount of AMS support (support that is neither green nor blue) is sometimes estimated as the sum of the Total AMS commitment, the *de minimis* allowances for product-specific AMSs for all products, and the *de minimis* allowance for non-product-specific AMS. For example, if the future Total AMS commitment is \$7.6 billion, and 2.5 percent of future value of production in the agriculture sector as a whole is \$6.5 billion, the future sum of allowed AMS components would be  $\$7.6 + \$6.5 + \$6.5 = \$20.6$  billion. The \$6.5 billion is counted once for the sum of product-specific *de minimis* allowances and once for the non-product-specific *de minimis* allowance. However, because of how the *de minimis* rules work, this is an overestimate of what can actually be provided in the form of AMS support, whether *de minimis* or not.

### ***De minimis Allowances: Theoretical Cases***

Assume that a country seeks to provide as much AMS support as is theoretically possible, given its Total AMS commitment and the applicable *de minimis* percentage, such as 1, 2.5, or 5 percent of value of production (assume the amounts of \$7.6 and \$6.5 billion, respectively, in this illustration). There are three extreme cases to consider, summing different combinations of the Total AMS commitment, *de minimis* allowances for product-specific AMSs and the *de minimis* allowance for non-product-specific AMS. (See Table 2 and Figure 1).

1. Provide a non-product-specific AMS just up to the *de minimis* threshold (\$6.5 billion), and provide a product-specific AMS for each and every product in the agriculture sector just up to the product's *de minimis* threshold (these AMSs thus sum to \$6.5 billion). A total of \$13 billion

of AMS support is provided. The Current Total AMS has to be zero, since all AMSs are exempted as *de minimis*. The Total AMS commitment is unused (\$7.6 billion).

2. Provide a non-product-specific AMS just up to the *de minimis* threshold (\$6.5 billion), provide product-specific AMSs for each and every product in the agriculture sector in amounts that are larger than each product's *de minimis* allowance and which sum to the Total AMS commitment. The Current Total AMS is equal to the Total AMS commitment or, in other words, both the Total AMS commitment and the non-product-specific *de minimis* allowance are used to the hilt. A total of  $\$6.5 + \$7.6 = \$14.1$  billion is provided. The sum of the product-specific *de minimis* allowances is unused (\$6.5 billion).

3. Provide a non-product-specific AMS just up to the *de minimis* threshold (\$6.5 billion), and provide product-specific AMSs for some of the individual products in amounts that are larger than their *de minimis* allowances and which add up to the Total AMS commitment. At the limit, one product-specific AMS would be concentrated on only one product with an infinitesimally small value of production. That product-specific AMS would be as large as the Total AMS commitment. This would allow product-specific AMSs to be provided for all the other products in the sector in amounts just up to their respective *de minimis* allowances. In the limit case, the country would fully use its Total AMS commitment, its non-product-specific *de minimis* allowance, and almost all of its product-specific *de minimis* allowances. In practice, of course, product-specific AMSs larger than the *de minimis* allowances will be provided to real products with each product accounting for a significant share of the sector's value of production. The only question for the analysis of this case is what to assume about the share of the sector on which the larger-than-*de-minimis* product-specific AMSs are concentrated.

#### *Maximum Usable Components*

In its notifications for 1995 to 2001 the USA reports larger-than-*de-minimis* product-specific AMSs on products accounting for between 12 percent (in 1995) and 40 percent (in 1999)

of the agriculture sector's value of production. The EU reports corresponding percentages of 61 percent in 2000 and 60 percent in 2001.<sup>5</sup> However, the distribution of product-specific AMSs in the past is not necessarily a guide for the future. For example, the 2004 Framework requires caps on product-specific AMSs. If the caps are low enough, it will not be possible to distribute the whole Total AMS commitment as larger-than-*de-minimis* product-specific AMSs for only a few products. Political considerations may also make it difficult to do so.

On the other hand, policy changes may reduce or eliminate the amounts reported as product-specific AMSs for some products. The EU 2003 CAP decision, for example, reduced the "applied administered price" such that only *de minimis* AMSs or zero are reported for some products.<sup>6</sup> Japan's price policy changes reduce the reported product-specific AMSs for rice and milk. Similar changes are possible for some products for which the USA reports significant product-specific AMSs, e.g., dairy and sugar. Such decisions would make the past distribution of product-specific AMSs largely irrelevant as a guide in estimating the future distribution.

Assume therefore that the USA and the EU will seek to make Current Total AMS equal the Total AMS commitment by providing larger-than-*de-minimis* AMSs to products that account for half of the sector's value of production. This would allow the product-specific *de minimis* allowances for the products accounting for the other half of the sector's value of production to be fully "used". If an equally arbitrary 1/3 and 2/3 split was assumed instead of the half and half, Current Total AMS would consist of product-specific AMSs for products that account for 1/3 of the sector's value of production, and the product-specific *de minimis* allowances for products accounting for the other 2/3 of the sector's value of production would be fully "used".

The individual components of the illustrative example are shown in Table 2 and Figure 1. They sum to \$20.6 billion. In Case 1 the Total AMS commitment is not used at all, but all *de*

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<sup>5</sup> These percentages are calculated from data in U.S. and EU notifications. EU notifications give value of production by product only from 2000 onwards.

<sup>6</sup> The applied administered price is the term used in the Agreement on Agriculture (Annex 3). The EU uses intervention prices as the applied administered price.

*de minimis* allowances, whether product-specific or non-product-specific, are fully used. The maximum amount of AMS support that can be provided is \$13 billion. In Case 2 the sum is a somewhat larger amount of AMS support (\$14.1 billion), since the fully used Total AMS commitment is larger than the (unused) sum of product-specific *de minimis* allowances. Finally in Case 3 the usable components sum to \$17.4 billion.<sup>7</sup>

At least one of the three AMS components is, either in full or in part, never usable. The usable sum of the AMS components is always less than the full sum of the three AMS components.<sup>8</sup> Call this usable sum “Maximum Usable Components” (MUC).<sup>9</sup>

### **Constraints Resulting from the October 2005 Proposals**

This section estimates the constraints that would apply to AMS support and Overall support if the provisions of the U.S., EU and G-20 proposals were implemented. The estimation is done for the USA and the EU, using projections of these Members’ support for 2014.

### ***Estimating 2014 Distorting Support***

The projections of distorting support in 2014 for the USA are based on projected prices and payments in the USDA Baseline projections from February 2005. The *de minimis* allowances

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<sup>7</sup> A 1/3 and 2/3 split would generate about \$18.4 billion as the sum of usable components. Concentrating the whole Total AMS commitment on a smaller and smaller share of the sector eventually leads to using the whole Total AMS commitment on a product that accounts for almost none of the sector’s value of production. Examples can be conceived in which a country’s Total AMS commitment is much smaller than the sum of the product-specific *de minimis* allowances (Argentina would be an example). The role of the arbitrary half and half assumption in calculating the sum of the usable components would accordingly be larger since the product-specific *de minimis* allowances would make up a larger part of the sum of the usable components. Similarly, in the analysis of a country with a large Total AMS commitment relative to the sum of the product-specific *de minimis* allowances, the role of the half and half assumption is smaller.

<sup>8</sup> Intuitively this is also explained as “an AMS can not at the same time be *de minimis* and part of Current Total AMS”. This application in an actual future notification has its converse in what is referred to as “double-counting” in establishing the base for the Overall reduction (Roberts). This seems to require interpreting the “permitted *de minimis* level” of the 2004 Framework (para. 7) as meaning “*de minimis* allowances for products whose AMSs are not included in Current Total AMS”.

<sup>9</sup> The MUC, consisting only of AMS components, is one component of the variable introduced in earlier analysis as “Maximum Distorting Support” or MDS (Brink). MDS is the sum of MUC and the blue cap.

are calculated from the corresponding 2014 values of production. The Baseline assumes that the policy parameters of the 2002 Farm Bill will continue to apply. Because market prices of major crops are projected to be significantly higher in 2014 than in recent years, the amounts of AMS payments are projected to be nil or very low. The 2014 Current Total AMS is therefore as low as \$6.5 billion, most of which consists of market price support for dairy (\$5.2 billion) and sugar (\$1.2 billion). Because the AMSs for other products than dairy and sugar are so small and are made for products which account for so little of the agriculture sector's value of production, it makes very little difference in the results whether they are above or below future *de minimis* thresholds of 1 or 2.5 or 5 percent of future value of production. The Baseline projects Counter-Cyclical Payments (CCP) of between 0.5 and \$1 billion in 2014. For this analysis it is assumed that a combination of negotiated criteria for blue payments and corresponding changes to the present CCP will allow the 2014 payments to be classified as blue.

While the Baseline projection gives a point estimate of future payments it does not account for the possibility of market prices falling below that estimate. The continued 2002 Farm Bill provisions would then trigger payments that in some cases would be significant. Values of production would also be different, resulting in different *de minimis* allowances. This analysis does not evaluate these situations (see, e.g., Babcock and Hart, and Westhoff, Brown and Hart for such analysis). Under the three proposals examined, the USA would in any case have future ceilings on AMS support at least of the order of \$11 billion (smaller if *de minimis* allowances are not used, larger if used). In the case of lower prices in 2014, this would still leave some room for larger payments in 2014 than the very small payments projected in the Baseline. The USA may also create more room for AMS payments in 2014 by removing measured market price support for dairy by eliminating the support price milk (as legislated in the 1996 Farm Bill but later rescinded). This would leave room for more than \$5 billion of AMS payments within the Total AMS commitment. Reform of the sugar policy has also been mentioned, which could shift at least some support from market price support in AMS to various exempt categories.

The projections of distorting support in 2014 for the EU are based on estimates of how the 2001/02 notification will change under full implementation of the reforms decided in 1999 (Agenda 2000), 2003 and 2004. EU sugar policy is assumed to change as per the European Commission's proposal of June 2005. Many of the changes consist of reducing or eliminating intervention prices, which reduces the price gaps that the EU would report for 2014. The eligible production quantities that the EU might use to calculate market price support for 2014 are assumed to be the same as the quantities projected in 2012 (EC 2005b).<sup>10</sup>

The projected 2014 AMS components for the USA and the EU are shown in Tables 4 and 5 (along with rough estimates of the AMS components that might eventually underlie the U.S. and EU notifications for 2004). The EU estimates are for the EU-15. The EU's 2004 notification will be for the EU-25, and the 2014 notification is expected to be for a still larger EU. However, a significant result of the 2003 and later reforms, along with the rules governing support in the new member states, is that relatively little of the support in these states will be of the AMS type. Based on the projections of support components and values of production for 2014 in the USA and the EU, it is possible to derive the constraints that would result from the three October 2005 proposals and see to what extent they would actually constrain the projected 2014 support. The results are shown for the USA in Table 6 and Figure 2 and for the EU in Table 7 and Figure 3.<sup>11</sup>

#### ***Current Support in 2004 and 2014***

For both the USA and the EU the projected Current Overall support in 2014 is less than half of the estimated Current Overall support in 2004 (from \$20.8 billion to \$10.0 billion in the

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<sup>10</sup> This refers to common wheat, durum wheat (total wheat less soft wheat), barley, maize, skimmed milk powder and butter. Quantities of sorghum, triticale and rice are assumed to be the same as in 2001/02, while the elimination of the intervention price for rye obviates the need for a quantity projection for rye. While caps on intervention purchases are in place for rice, butter, and skimmed milk powder, it is assumed that total production will remain the eligible production for market price support in AMS.

<sup>11</sup> The *de minimis* allowances under the G-20 proposal cannot be determined independently of the Overall commitments. The analysis initially assumes that the *de minimis* allowances under the G-20 proposal can be no larger than the present 5 percent applied to value of production in 2000-02.

USA and from €52.5 billion to €23.9 billion in the EU; Tables 6 and 7).<sup>12</sup> While reduction commitments are not taken from current (“applied”) support in 2004 but from base amounts, the effects of negotiating proposals are often expressed in terms of reductions from 2004 support. It is thus instructive to see that U.S. and EU “applied” distorting support can be projected to decline by more than 50 percent between 2004 and 2014 just as a result of the high projected market prices in the USA and the implementation of CAP reforms in the EU.

*MUC vs. sum of allowed AMS components*

For the USA the Maximum Usable Components (MUC) under the U.S., EU and G-20 proposals would be lower than the sum of allowed AMS components by amounts ranging from \$1.3 billion to \$4.8 billion (for example, under the EU proposal, the MUC of \$11.5 billion is \$1.3 billion less than the \$12.8 billion sum of allowed components; Table 6 and Figure 2). These differences are not huge but may nevertheless be significant. If maximizing the amount of AMS support was a future policy objective, the MUC would be the relevant constraint, not the sum of allowed AMS components.<sup>13</sup> The fact that the MUC is of the order of 10-15% smaller than the sum of allowed components would need to be built into future expectations of policy outcomes.

For the EU the MUC is lower than the sum of allowed AMS components by 14 percent (U.S. proposal), 5 percent (EU proposal), and 20 percent (G-20 proposal) (Table 7 and Figure 3). Again, and for the same reasons as for the USA, the differences may be significant in the context of an assumed objective of providing as much support as possible within applicable constraints. Recall, however, that the underlying MUC amounts for the USA and the EU result from

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<sup>12</sup> The 2004 Framework uses several different labels for “Overall support”: overall reduction(s), all trade-distorting domestic support, sum of all trade-distorting domestic support, and overall trade-distorting domestic support. Since these labels encompass all distorting support and not the presumed non-distorting green support, a suitable label could be Overall Distorting Support or perhaps Overall support for short. In any case, a variable called something like Current Overall support will be needed to parallel the Current Total AMS in the present Agreement on Agriculture, i.e., measure current support against the commitment.

<sup>13</sup> Maximizing the amount of AMS support that can be provided within the applicable constraints is not necessarily a farfetched assumption. Examples of how the USA might manage support to stay within limits instead of simply reducing support are discussed by, e.g., Babcock and Hart, and Sumner.



assuming that Current Total AMS (up to the Total AMS commitment) is concentrated on products accounting for half of the sector's value of production. A different share would generate smaller or larger differences between MUC and the sum of allowed AMS components.

### ***Overall support***

Adding the cap on blue to either the sum of allowed AMS components or the MUC yields one of the constraints that will apply to the sum of blue and AMS support in 2014. The cap on blue is fixed regardless of which constraint on AMS support it is added to. The difference between, on the one hand, the sum of the blue cap and the sum of allowed AMS components (\$25.5 billion under the U.S. proposal) and, on the other hand, the sum of the blue cap and the MUC (blue cap + MUC; \$22.2 billion) is therefore the same as the difference between the sum of allowed AMS components and the MUC. More interesting is the comparison between (1) blue cap + MUC, and (2) the Overall commitment. The Overall commitment constrains the Current Overall support. This sum of all current non-green support components (sum of 2014 current blue and all 2014 current AMS components) is not allowed to exceed the 2014 Overall commitment.

*The USA.* The U.S. proposal results in an Overall commitment of \$22.5 billion for the USA. Assume that the USA actually does provide AMS support equal to \$20.7 billion, i.e., the sum of allowed AMS components (in fact, this is not allowed under the *de minimis* rules, as explained above in defining MUC). Add to this the blue cap of \$4.8 billion, which is assumed to be fully used. Adding the blue cap to the sum of allowed AMS components gives \$25.5 billion (Table 6 and Figure 2). This sum is larger than the \$22.5 billion Overall commitment and would not, even if allowed, be a binding constraint on Overall support.

However, the blue cap + MUC is only \$22.2 billion, which is less than the \$22.5 billion Overall commitment. The blue cap + MUC is therefore the binding constraint and the Overall commitment is non-binding. Turning to the EU and G-20 proposals as applied to the USA, the respective Overall commitments for the USA (\$19.2 and \$12.0 billion) are smaller than the blue

cap + MUC (Table 6 and Figure 2). The Overall commitment is therefore, under both the EU and the G-20 proposals, the binding constraint on U.S. non-green support. Interestingly, for the USA the Overall commitment under all three proposals is larger than the \$10.0 billion projected as 2014 Current Overall support. Thus the Overall commitment would constrain not what the USA is projected to provide in distorting support but only the extent to which the USA could increase support if market prices are significantly lower in 2014 than in the Baseline projection.

*The EU.* For the EU the Overall commitment (€28.7 billion) is also under the U.S. proposal larger than the blue cap + MUC (€27.6 billion; Table 7 and Figure 3). The Overall commitment is thus a non-binding constraint for the EU, as for the USA. The blue cap + MUC is the binding constraint. For the EU the difference between the two constraints (€1.1 billion) is larger than for the USA. Both the EU proposal and the G-20 proposal impose an Overall commitment low enough to effectively constrain the EU sum of blue and AMS support to less than the blue cap + MUC. The Overall commitment for the EU under all three proposals is larger than or close to the €23.9 billion projected as 2014 Current Overall support (Table 7 and Figure 3). Thus for the EU the Overall commitment constrains not what the EU is projected to provide in distorting support but its ability to reverse the policy reforms currently being implemented.

#### ***De minimis reductions under the G-20 proposal***

The *de minimis* components under the G-20 proposal require a separate discussion. The G-20 proposal is interpreted here to mean that *de minimis* AMSs can be exempted from Current Total AMS only to the extent that they can be accommodated within the Overall commitment. The *de minimis* AMS allowances entered under the G-20 proposal in Tables 6 and 7 are the initial ones resulting from applying 5 percent to the 2000-02 values of production (this assumes that the 2014 *de minimis* allowances can be no larger than in 2000-02; assuming that they can be even larger would be contrary to G-20 objectives). However, the Overall commitments of \$12.0 billion (USA) and €23.0 billion (EU) are much smaller than the sums of blue caps and MUC, which are

\$29.7 billion (USA) and €44.0 billion (EU). This shows that the *de minimis* allowances initially included in MUC are much too large. In fact, the Overall commitment for both the USA and the EU is so much smaller than the sum of the blue cap and MUC that the G-20 proposal implies a *de minimis* percentage of zero (i.e., no *de minimis* allowances).

Eliminating the *de minimis* allowances from MUC under the G-20 proposal leaves only the Total AMS commitment, which reduces the sum of the blue cap and the MUC significantly. For the USA the sum of the blue cap and the Total AMS commitment is \$15.3 billion. The G-20 Overall commitment of \$12.0 billion is lower than even this amount, so the G-20 proposal means that the USA will not be able to fully use the sum of its cap on blue and its Total AMS commitment. The amount of “unusable room” (\$3.3 billion) can be taken from the cap on blue, from the Total AMS commitment, or from a combination of the two. For the EU the “unusable room” between the Overall commitment (€23.0 billion) and the sum of the cap on blue and the Total AMS commitment (€25.6 billion) is €2.6 billion. Again, this amount of “unusable room” can be taken from the cap on blue, from the Total AMS commitment, or from a combination.

### **Limitations**

Not knowing the values of production in the year when implementation of the reduction commitments are assumed to be complete (such as 2014) introduces considerable uncertainty. Since the future *de minimis* allowances are determined by values of production, the amounts of the MUC can differ from those used in the analysis. This applies particularly to the U.S. example, where the projected amount of AMS support is so closely related to the prices that also help to determine values of production. The limitation is reinforced by looking at only one projection of 2014 payments rather than a set of projections based on probability distributions of yields (such as Hart and Babcock, and Westhoff, Brown and Hart). Uncertainty also attaches to future policy decisions, such as an elimination of measured market price support for sugar and dairy, which would generate “room” for support to other products. Likewise, the EU may replace market price

support for sugar, fruit, vegetables and wine with payments. This could make the projected 2014 Current Total AMS much less than the €20 billion used here, with only a part of the difference being counted as blue, and would change the conclusions about the new constraints being binding or not. The caps on product-specific AMSs might also moderate the ability to use any additional “room” within the constraints on Total AMS and MUC, which might change the conclusions.

## **Conclusions**

The proposals submitted in October 2005 by the USA, the EU and the G-20 differ significantly in key features that would determine future constraints on distorting domestic support. This includes not only the reduction percentages for Total AMS and Overall support but also the reductions of *de minimis* percentages, the size of the cap on blue, the base period for caps on product-specific AMSs, and the rules and criteria for classifying support as green or blue.

Estimating the effectiveness of the future constraints on distorting support to constrain future support, while taking account of the *de minimis* rules of the Agreement on Agriculture, requires analysis based on estimated future values of production rather than historical values. This can be important if the value of production in the future is expected to differ significantly from historical values of production, which may be the case for the USA and the EU.

The *de minimis* rules also require that the analysis go beyond calculating simply the full sum of the allowed components of AMS support (Total AMS commitment, non-product-specific *de minimis* AMS allowance, and the sum of product-specific *de minimis* AMS allowances). It is important to consider the smaller sum of allowed AMS components that accounts for the fact that an AMS cannot at the same be exempt as *de minimis* and be part of Current Total AMS. This sum is called Maximum Usable Components (MUC). In practice the future difference between the full sum of components of AMS support and the MUC may amount to one or a few billion dollars or euros for the USA and the EU. While not large in comparison to the amounts of support provided

in recent years, this difference can nevertheless be significant in evaluating the future constraints arising from commitments taken in the Doha negotiations.

For the USA, the reduced Total AMS commitment by itself under either the U.S. or the EU proposal will not be low enough to constrain projected 2014 Current Total AMS, whereas the Total AMS commitment under the G-20 proposal is low enough to be a constraint. For the EU, the reduced Total AMS commitment under both the U.S. proposal and the G-20 proposal will be low enough to constrain projected 2014 Current Total AMS. The EU proposal would not reduce the EU 2014 Total AMS commitment enough to constrain Current Total AMS.

The Overall commitment of the U.S. proposal will not be a binding constraint on the sum of blue and AMS support for either the USA or the EU (under the Baseline projections for prices and quantities that underlie this analysis). Instead the (smaller) sum of the blue cap and MUC will be binding. If future values of production were lower than projected, the future *de minimis* allowances would also be smaller, making the sum of the blue cap and MUC even smaller and reinforcing the role of this constraint. Under the EU and the G-20 proposals the Overall commitment would be the binding constraint on the sum of blue and AMS support for both the USA and the EU. If the future value of production is significantly smaller than projected, the sum of the blue cap and MUC would be the binding constraint on the sum of blue and AMS support.

While the G-20 proposal does not specify a particular reduction of the *de minimis* percentage, the depth of cut in the Overall commitment is large enough to imply the elimination of *de minimis* allowances for both the USA and the EU. This is the same as reducing the *de minimis* percentage from 5 percent to zero. Even with the elimination of the *de minimis* allowances under the G-20 proposal, the sum of the blue cap and the Total AMS commitment is larger than the Overall commitment for the USA and the EU. This means that the G-20 proposal will prevent the USA and the EU from fully using either blue payments up to the blue cap or AMS support up to the Total AMS commitment, or both.

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### **Annex: Data and Methods for Estimating 2014 Support**

The estimates in Tables 3, 4 and 5 update the estimates used by Brink, which relied on projections from 2004 by the U.S. Department of Agriculture and the European Commission. The present data for U.S. 2014 support comes mainly from projections made in 2005 (USDA 2005a) and EU data draw on EC (2005b).

USA: Value of production (VOP) for 2000 and 2001: notification G/AG/N/USA/51; USA 2002: sum of “value of crop production” and “value of livestock production” (USDA 2004), reduced by the difference (\$3.5 billion) between this sum and earlier years’ notified VOP. USA 2014: based on \$264.3 billion projected by USDA (2005b, Table 29). From this, \$4 billion is subtracted to account for the future difference (about \$3.5 billion) between that series and U.S. notified VOP. Support estimates for the USA: USA has notified Current Total AMS for 2001. Table 4 uses this data along with 2014 projections associated mainly with the USDA Baseline (USDA 2005a, Output 95). Price gaps for market price support assume unchanging administered prices from 2004 and are multiplied by projected 2014 production. AMS payments in 2014 are assumed to comprise mainly loan deficiency payments and marketing loan gains. Counter-cyclical payments (assumed blue) in 2014 from the Baseline are as low as \$526 million (USDA 2005a, Output 50). Other projections can be higher (e.g., FAPRI shows \$2,822 million in 2014/15). Crop Insurance in non-product-specific AMS is total indemnities less producer-paid

premiums (crop year data from FAPRI). It is assumed that Direct Payments in 2014 will not be part of Current Total AMS (claimed as green, blue or *de minimis* AMS).

EU-15: VOP for 2000 and 2001: notifications G/AG/N/EEC/49 and G/AG/N/EEC/51; EU-15 2002: the 2002 observation of €252.2 billion (EC 2005a, Table 3.1.5) multiplied by 97% to account for observed differences between that series and notified data for earlier years. The 2000-02 average is increased by 10% to account for assumed nominal growth between 2000-02 and 2014. Support estimates for the EU-15: The 2014 projection assumes that EU policy as changed by the 2003 and 2004 CAP reforms will remain in 2014. Sugar policy is assumed to change as in CEC (2005a). All these changes may enable the EU-15 to calculate a much smaller Current Total AMS in 2014 than in recent years. No market oriented reform of the fruit, vegetable and wine sectors is assumed. Production quantities for the market price support component of AMS in 2014 for common wheat, durum wheat (total wheat less soft wheat), barley, maize, SMP and butter are assumed equal to the 2012 projections in EC (2005b). Quantities of sorghum, triticale and rice are assumed equal to 2001/02 (eliminating the intervention price for rye is assumed to bring market price support to nil). The quantity of sugar is calculated by multiplying EU-25 production in 2012/13 (12.2 million tonnes) by the EU-15 share of EU-25 production in 2003/04 (82%) (CEC 2005b). Eliminating the sugar intervention price may result in the EU notifying no market price support for sugar, which would affect Current Total AMS by much more than the deviations from projected quantities. The estimate of 2014 blue payments for the EU-15 is based on the following assumptions: 90% of all EU-15 direct payments in 2014 are part of the Single Farm Payment (in line with EC 2005b, section 1.1(1)); all other significant direct payments are claimed as blue; the same national ceilings on Single Farm Payments as in 2013 apply in 2014. For the EU-15 those ceilings sum to €33.2 billion (CAP Monitor, Section 4, Appendix 2). Blue payments in 2014 are thus estimated as  $€33.2/0.9 - €33.2 = €3.7$  billion.



**Table 1. Comparing the U.S., EU and G-20 October 2005 Proposals**

	Proposal by USA 10 October		Proposal by EU 28 October		Proposal by G-20 12 October and earlier elements	
Cut TAMS by	EU	83%	EU	70%	EU	80%
	Japan	83%	Japan	60+%	Japan	80%
	USA	60%	USA	60%	USA	70%
	Canada	37%	Canada	50%	Canada	60%
	Brazil	?	Brazil	?	Brazil	60%
Cut Overall by	EU	75%	EU	70%	EU	80%
	Japan	53%	Japan	?	Japan	75%
	USA	53%	USA	60%	USA	75%
	Canada	31%	Canada	50%	Canada	70%
	Brazil	?	Brazil	?	Brazil	?
Cut <i>de minimis</i> % by	50%		80%		adjust to Overall reduction	
Cap on blue at	2.5%		5%		5%	
Rules for blue	?		limit ability to offset price drops; no PS caps		limit ability to offset price drops; PS caps; non-accumulation; no production increase	
Caps on PS AMSs based on	1999-2001		1995-2000		1995-2000 (not for Brazil); discipline on disguising PS support as NPS	
Green box	"no material changes"; no caps		"review and clarify"		identifies specific issues for "review and clarification"	
Other	peace clause; interlude and elimination				monitoring and surveillance; cotton	

## Note:

Captures only major deviations from or further specification of provisions of the July 2004 Framework. The placement in tiers underlying the harmonizing reductions of Total AMS and Overall is based on data in World Trade Organization, Committee on Agriculture, Special Session, "Total Aggregate Measurement of Support" (TN/AG/S/13/Add.1; 28 February 2005), and "Total Value of Agricultural Production" (TN/AG/S/21, 4 July 2005).

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**Table 2. Illustrating the Calculation of Maximum Usable Components (MUC)**

AMS components (maximum)	Sum of three comp's	Case 1 NPS <i>dm</i> allowance + sum of PS AMS <i>dm</i> allowances on products accounting for the whole sector VOP	Case 2 Total AMS commitment + NPS <i>dm</i> allowance	Case 3 (MUC) Total AMS commitment + NPS <i>dm</i> allowance + sum of PS AMS <i>dm</i> allowances on products accounting for a * (sector VOP)		AMS components (used)	2014 projected AMS support (U.S. example)
				a = 1/2	a = 2/3		
Total AMS commitment	7.6	0	7.6	7.6	7.6	Current Total AMS	6.5
NPS AMS <i>dm</i> allowance	6.5	6.5	6.5	6.5	6.5	Used NPS <i>dm</i> AMS	3.0
Sum of PS AMS <i>dm</i> allowances	6.5	6.5	0	3.3	4.3	Used PS <i>dm</i> AMSs	0
Sum of above components of AMS support	20.6	13.0	14.1	17.4	18.4	Sum of above current components of AMS support	9.5

Note: The righthand column of 2014 projected AMS support (U.S. example) is shown only for the purpose of comparison.

**Table 3. Basic data for estimating components and commitments**

	USA (US\$ billion)		EU-15 (€billion)	
<b>Value of production (VOP)</b>				
2000	189.5	USA/51 notification	243.4	EEC/49 notification
2001	198.5	USA/51 notification	246.4	EEC/51 notification
2002	188.5	USDA farm income (Note 1)	244.6	97% of €252.2 (Note 2)
average 2000-02	192.2		244.8	
2014 starting assumptions	264.3	= USDA Baseline	244.8	= average 2000-02
projection 2014	260.3	less \$4 billion (Note 1)	269.3	plus 10% (Note 2)
<b>De minimis allowances based on estimated 2000-02 VOP ("permitted de minimis")</b>				
5% of 2000-02 VOP	<b>9.6</b>		<b>12.2</b>	
<b>De minimis allowances based on projected 2014 VOP</b>				
5% of 2014 VOP	13.0		13.5	
2.5% of 2014 VOP	6.5		6.7	
1.0% of 2014 VOP	2.6		2.7	
<b>Blue box entitlement fixed 2007-14 (based on value of production in assumed base period 2000-02)</b>				
5% of 2000-02 VOP	<b>9.6</b>		<b>12.2</b>	
<b>Estimated "existing blue box payments"</b>				
2001	0	USA/51 notification	23.7	EEC/51 notification
2002	0	assume no blue payments	21.5	OECD PSE data base
2003	0	assume no blue payments	24.3	OECD PSE data base
2001-03	0		<b>23.2</b>	
<b>Total AMS: Base, End Commitments, 2014 Current</b>				
2000 onwards	<b>19.1</b>	Base = Final Bound Total AMS	<b>67.2</b>	Base = Final Bound Total AMS
U.S. proposal	<b>7.6</b>	cut by 60%	<b>11.4</b>	cut by 83%
EU proposal	<b>7.6</b>	cut by 60%	<b>20.1</b>	cut by 70%
G-20 proposal	<b>5.7</b>	cut by 70%	<b>13.4</b>	cut by 80%
2014 Current Total AMS	6.5	from Table 4	19.4	from Table 5
<b>Overall Support: Calculate Base</b>				
Final Bound Total AMS	19.1		67.2	
Blue box component	9.6	5% VOP 2000-02	23.2	payments 2001-03 (Note 3)
PS <i>de minimis</i> allowance	9.6	5% VOP 2000-02	12.2	5% VOP 2000-02
NPS <i>de minimis</i> allowance	9.6	5% VOP 2000-02	12.2	5% VOP 2000-02
Base Overall	47.9	sum of above four components	114.8	sum of above four components
<b>Overall Support: End Commitments</b>				
U.S. proposal	22.5	cut by 53%	28.7	cut by 75%
EU proposal	19.2	cut by 60%	34.4	cut by 70%
G-20 proposal	12.0	cut by 75%	23.0	cut by 80%
<b>Overall Support: Calculate 2014 Current</b>				
2014 Current Total AMS	6.5	from Table 4	19.4	from Table 5
2014 Blue payments	0.5	from Annex	3.7	from Annex
2014 PS <i>de minimis</i> AMS	0	from Table 4	0.2	from Table 5
2014 NPS <i>de minimis</i> AMS	3.0	from Table 4	0.6	from Table 5
Current Overall	10.0	sum of above four components	23.9	sum of above four components

Note 1: The notified value of production has been about \$3.5 billion less than the USDA farm income series. This difference is assumed to rise to \$4 billion by 2014. Note 2: The notified value of production has been about 97.2% of the European Commission value of production series. Value of production is assumed to increase by 10% between the 2000-02 average and 2014. Note 3: EU payments of the type notified as blue were larger in the 2001-03 period than in 2000-02. The EU's "recent representative period" of the 2004 Framework is therefore assumed to be 2001-03.

**Table 4. U.S. Current Total AMS in 2001, 2004 (estimated) and 2014 (projected) (US\$ million)**

	2001 notified				2004 (estimated)				2014 (projected)			
	AMS <sup>a</sup>	MPS <sup>b</sup>	LDP&MLG <sup>c</sup>	Other	AMS <sup>a</sup>	MPS <sup>b</sup>	LDP&MLG <sup>c</sup>	Other	AMS <sup>a</sup>	MPS <sup>b</sup>	LDP&MLG <sup>c</sup>	Other
Barley	16.4		16.0	0.4	<b>94.0</b>		94.0		1.0			1.0
Corn	<b>1,269.7</b>		1,193.5	76.2	<b>3,495.2</b>		3,419.0	76.2				
Cotton	<b>2,810.1</b>		2,541.0	269.1	<b>2,085.1</b>		1,816.0	269.1				
Dairy	<b>4,483.3</b>	4,483.2		0.1	<b>5,009.8</b>	4,509.8		500.0	<b>5,199.5</b>	5,199.5		
Minor oilseeds	<b>89.7</b>		89.6	0.1								
Mohair	0.0			0.0	<b>4.1</b>		4.1		<b>3.9</b>			3.9
Oats	4.2		4.2	0.0	<b>3.0</b>		3.0		1.0			1.0
Peanuts	<b>304.6</b>	310.6		-6.0								
Rice	<b>762.9</b>		728.0	34.9	<b>141.9</b>		107.0	34.9				
Sorghum	5.8		5.2	0.6	<b>144.6</b>		144.0	0.6				
Soybeans	<b>3,610.0</b>		3,443.7	166.3	<b>706.3</b>		540.0	166.3				
Sugar	<b>1,061.0</b>	1,031.7		29.2	<b>1,141.1</b>	1,112.1		29.0	<b>1,225.6</b>	1,196.6		29.0
Tobacco	-1.3			-1.3								
Wheat	189.4		176.6	12.8	93.8		81.0	12.8				
Wool	0.0			0.0	<b>7.8</b>			7.8	<b>7.4</b>			7.4
All other products <sup>d</sup>	<b>21.7</b>			21.7	<b>21.7</b>			21.7	<b>21.7</b>			21.7
Sum of PS AMS	14,627.6				12,948.4				6,460.1			
Sum of <i>de minimis</i> PS AMS					93.8				2.0			
Net of <i>de minimis</i> PS AMS					12,854.6				6,458.1			
NPS AMS	6,828.2				7,878.2				2,998.0			
MLA&CCP				4,639.8				5,650.3		(CCP assumed blue)		526.2
Crop Insurance				1,770.4				1,810.0				2,580.0
Other				418.0				418.0				418.0
PS AMS+NPS AMS	21,455.8				20,826.6				9,458.1			
<b>Current Total AMS</b>	<b>14,413.1</b>				<b>12,854.6</b>				<b>6,458.1</b>			

Source: See Annex. Notes: a. Aggregate Measurement of Support b. Market Price Support c. LDP&MLG: commodity loan forfeit, marketing loan gains, loan deficiency payments, and certificate exchange gains. d. All other products (some are listed in past notifications (includes lentils, chickpeas, dry edible beans, dry peas and others), and some are listed (apples, apricots, cranberries, onions, peaches, pears, potatoes, rye, sheep and lamb, and tomatoes). Non-bold AMS amounts indicate *de minimis* AMS. Boxed cells indicate larger decline from earlier year. The 2004 estimate is not crucial here but is included in order to illustrate roughly a more recent year than last notified year.

**Table 5. EU-15 Current Total AMS in 2001/02, 2004 (estimated) and 2014 (projected)**

	2001/02 (notified EU-15)				2004 (estimated EU-15)				2014 (projected EU-15)			
	AMS €mill.	AAP <sup>a</sup> €/tonne	ref price €/tonne	quantity mill. t	AMS €mill.	AAP <sup>a</sup> €/tonne	ref price €/tonne	quantity mill. t	AMS €mill.	AAP <sup>a</sup> €/tonne	ref price €/tonne	quantity mill. t
Common wheat	<b>1,236.6</b>	101.3	86.5	83.5	<b>1,386.8</b>	101.3	86.5	93.7	<b>1,488.9</b>	101.3	86.5	100.6
Durum wheat	0.0	101.3	148.5	8.1	0.0	101.3	148.5	9.4	0.0	101.3	148.5	10.2
C. wheat, maize, etc.	8.2				8.2				8.2			
Barley	<b>1,640.4</b>	101.3	67.3	48.2	<b>1,671.3</b>	101.3	67.3	49.1	<b>1,560.6</b>	101.3	67.3	45.9
Maize	<b>379.6</b>	101.3	91.9	40.3	<b>369.3</b>	101.3	91.9	39.3	<b>385.4</b>	101.3	91.9	41.0
Rye	<b>212.9</b>	101.3	67.3	6.3	<b>0.0</b>				<b>0.0</b>			
Oats	0.0	101.3	112.5	6.2	0.0				0.0			
Sorghum	<b>10.2</b>	101.3	85.7	0.7	<b>10.0</b>	101.3	85.7	0.6	<b>10.4</b>	101.3	85.7	0.7
Triticale	<b>179.4</b>	101.3	67.3	5.3	<b>161.4</b>	101.3	67.3	4.8	<b>180.2</b>	101.3	67.3	5.3
Rice (paddy)	<b>396.6</b>	298.4	143.3	2.6	<b>17.4</b>	150	143.3	2.6	<b>17.4</b>	150	143.3	2.6
White Sugar	<b>5,720.1</b>	631.9	193.8	14.1	<b>5,720.1</b>	631.9	193.8	14.1	<b>1,917.0</b>	385.5	193.8	10.0
SMP	<b>1,370.5</b>	2,055.2	684.7	1.0	<b>1,258.8</b>	1,952.4	684.7	1.0	<b>777.5</b>	1,746.9	684.7	0.7
Butter	<b>4,443.5</b>	3,282.0	943.3	1.9	<b>3,796.2</b>	3,052.3	943.3	1.8	<b>2,505.9</b>	2,463.9	943.3	1.6
Beef	<b>9,707.2</b>	3,013.0	1,730	7.6	<b>0.0</b>	1,560.0	1,730	7.4	0	1,560.0	1,730	7.0
Milk	212.2	payment (de minimis AMS)			212.2	payment (de minimis AMS)			212.2	payment (de minimis AMS)		
Olive Oil	<b>2,675.7</b>	3,837.7	2,851.8	2.7	<b>2,070.4</b>	3,837.7	2,851.8	2.1	<b>920.0</b>	olive grove payment		
Tobacco	<b>951.6</b>	premium payment			<b>951.6</b>	premium payment			0			
Apples	<b>2,059.5</b>	EMS			<b>2,059.5</b>	EMS			<b>2,059.5</b>	EMS		
Tomatoes	<b>1,944.2</b>	EMS			<b>1,944.2</b>	EMS			<b>1,944.2</b>	EMS		
Wine	<b>891.6</b>	EMS			<b>891.6</b>	EMS			<b>891.6</b>	EMS		
Cotton	<b>575.1</b>	EMS			<b>575.1</b>	EMS			0.0			
Dried fodder	<b>317.2</b>	payment			<b>317.2</b>	payment			<b>145.6</b>	payment		
All other	<b>4,569.3</b>	payments and EMS			<b>4,569.3</b>	payments and EMS			<b>4,569.3</b>	payments and EMS		
Sum of PS AMS	39,501.7				27,990.6				19,593.9			
Sum of <i>de min.</i> PS AMS	220.4				237.8				220.4			
Net of <i>de min.</i> PS AMS	39,281.3				27,752.8				19,373.5			
NPS AMS	573.5	<i>de minimis</i>			573.5	<i>de minimis</i> (=2001/02)			573.5	<i>de minimis</i> (=2001/02)		
<b>Current Total AMS</b>	<b>39,281.3</b>				<b>27,752.8</b>				<b>19,373.5</b>			

Source: See Annex. Note: a. Applied Administered Price. Non-bold AMS amounts indicate *de minimis* AMS. Boxed cells indicate larger decline from earlier year. The 2004 estimate is not crucial here but is included in order to illustrate roughly a more recent year than last notified year.

**Table 6. USA: Support Components and Constraints (US\$ billion)**

	Projected "Current"		Estimated 2014 components and constraints						
	Year		U.S. proposal		EU proposal		G-20 proposal		
	2004	2014	Sum	MUC	Sum	MUC	Sum	MUC	
NPS AMS ( <i>de minimis</i> )	7.9	3.0	NPS AMS <i>de minimis</i> allowance	6.5	6.5	2.6	2.6	9.6	9.6
PS AMSs ( <i>de minimis</i> )	0.1	0.0	Sum of all PS AMS <i>de minimis</i> allowances	6.5		2.6		9.6	
			Sum PS AMS <i>de minimis</i> allowances on products accounting for ½ of sector VOP		3.3		1.3		4.8
Current Total AMS	12.9	6.5	Total AMS commitment	7.6	7.6	7.6	7.6	5.7	5.7
<b>Sum of current components of AMS support</b>	20.8	9.5	<b>Sum of allowed components of AMS support</b>	20.7		12.8		24.9	
			<b>Maximum Usable Components (MUC)</b>		17.4		11.5		20.1
<b>Blue (current)</b>	0.0	0.5	<b>Blue cap</b>	4.8	4.8	9.6	9.6	9.6	9.6
<b>Blue + Sum of current components of AMS support (= Current Overall)</b>	20.8	10.0	<b>Blue cap + Sum of allowed components of AMS support</b>	25.5		22.5		34.5	
			<b>Blue cap + MUC</b>		22.2		21.2		29.7
			<b>Overall commitment</b>	22.5	22.5	19.2	19.2	12.0	12.0

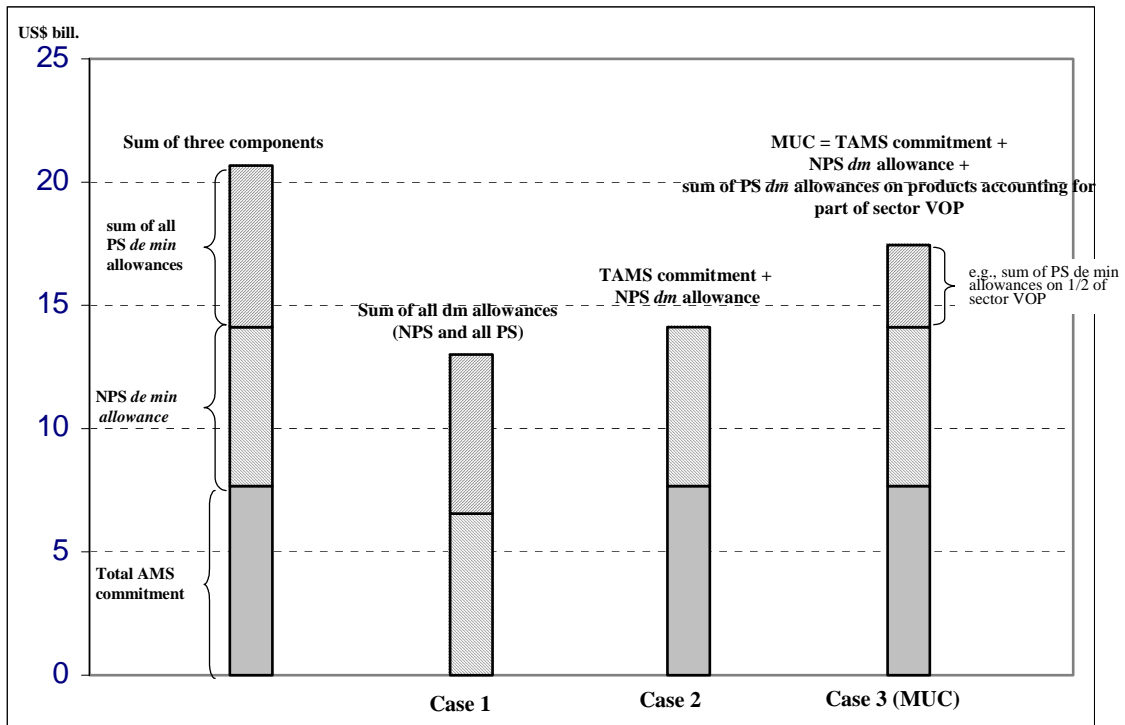
Source: See Table 3 and Annex.

**Table 7. EU-15: Support Components and Constraints (€billion)**

	Projected "Current"		Estimated 2014 components and constraints							
	2004	2014	U.S. proposal		EU proposal		G-20 proposal			
			Sum	MUC	Sum	MUC	Sum	MUC		
NPS AMS ( <i>de minimis</i> )	0.6	0.6	NPS AMS <i>de minimis</i> allowance		6.7	6.7	2.7	2.7	12.2	12.2
PS AMSs ( <i>de minimis</i> )	0.2	0.2	Sum of all PS AMS <i>de minimis</i> allowances		6.7		2.7		12.2	
			Sum PS AMS <i>de minimis</i> allowances on products accounting for ½ of sector VOP			3.4		1.3		6.1
Current Total AMS	27.8	19.4	Total AMS commitment		11.4	11.4	20.1	20.1	13.4	13.4
<b>Sum of current components of AMS support</b>	28.6	20.2	<b>Sum of allowed AMS components</b>		24.9		25.5		37.9	
			<b>Maximum Usable Components (MUC)</b>			21.5		24.2		31.8
<b>Blue</b>	23.9	3.7	<b>Blue cap</b>		6.1	6.1	12.2	12.2	12.2	12.2
<b>Blue + Sum of current components of AMS support (= Current Overall)</b>	52.5	23.9	<b>Blue cap + Sum of allowed components of AMS support</b>		31.0		37.8		50.2	
			<b>Blue cap + MUC</b>			27.6		36.4		44.0
			<b>Overall commitment</b>		28.7	28.7	34.4	34.4	23.0	23.0

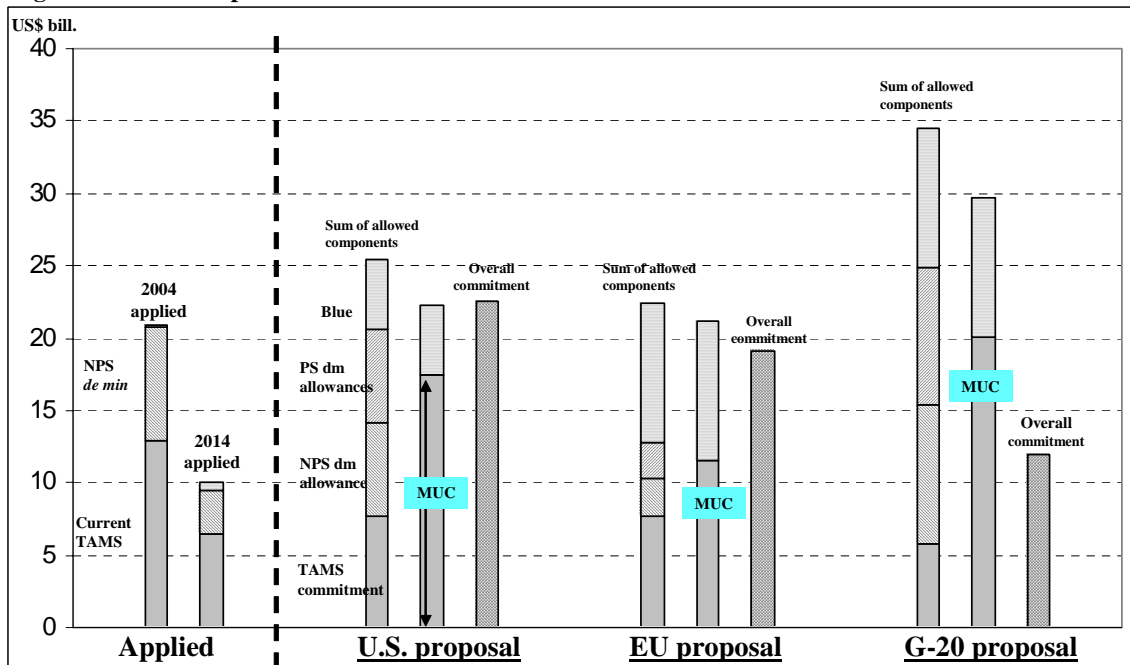
Source: See Table 3 and Annex.

**Figure 1. Calculating Maximum Usable Components (MUC)**



Source: Table 2

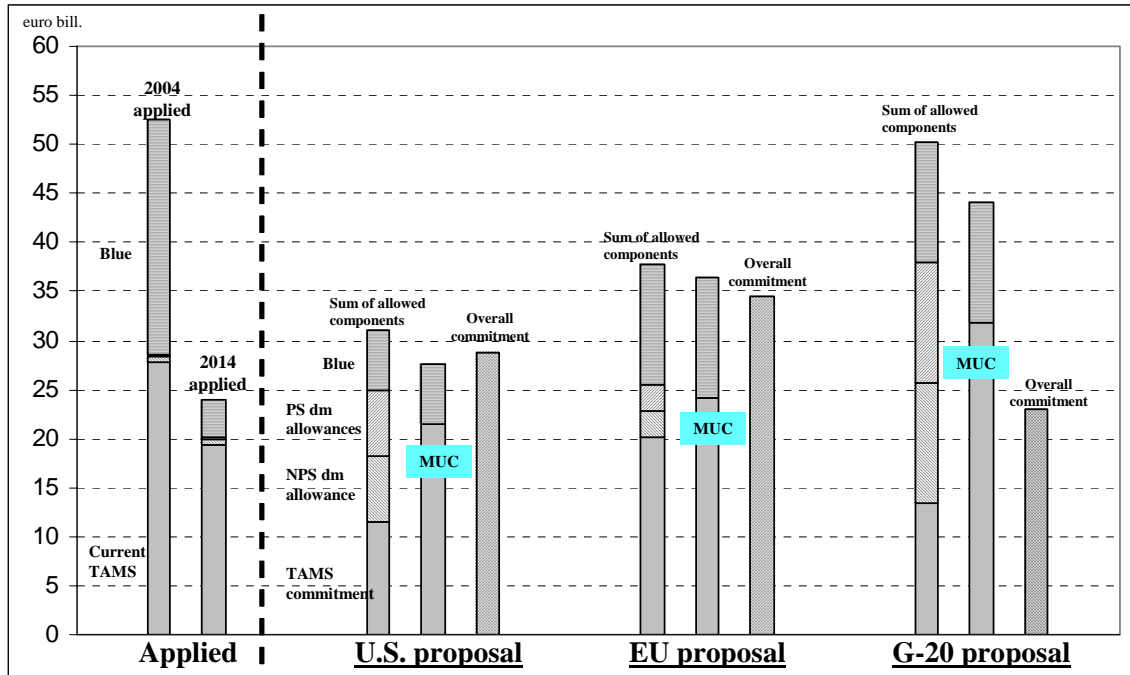
**Figure 2: USA: Components and constraints**



Source: Table 6



**Figure 3. EU: Components and constraints**



Source: Table 7