Agriculture and Trade Policy: Review and Prospects

USDA Agricultural Outlook Forum
Washington, D.C.
February 24, 2005

J. B. Penn
Under Secretary
Farm and Foreign Agricultural Services
Agriculture and Trade Policy: Review and Prospects

- Introduction
- Agriculture Policy
- Trade Policy
- Market Maintenance
- Summary
Agriculture Policy Review

Farm Programs

- 2002 Farm Bill: Timely Implementation – Effective Operation
  - Direct payments $13.5 bil to date
  - CC payments $4.2 bil
  - LDP/MLG program $4.7 bil
  - Peanut Quota buyout $1.3 bil
  - MILC $2.0 bil
  - Livestock Comp. Program $1.1 bil

- 2 CRP signups: 3 mil. acres enrolled
  - Annual rental payments $164 mil

- Safety net in place to 2007
Agriculture Policy Review

- Disaster assistance program – signed Oct. 13, 2004
- Some $3.2 billion for:
  - Crop disaster assistance
  - Livestock assistance
  - American Indian Livestock Feed
  - Tree Assistance (4)
  - Other (ECP, State losses, etc.)
- Crop disaster signup by mid-March – Payments begin end of month
Agriculture Policy Review

- Tobacco program buyout – signed Oct. 22, 2004
- Permanently ends 65 year-old federal program
  - $10.14 bil. payments to quota holders and producers in 10 annual installments
  - Funded by manufacturers and importers of tobacco products
- Sign-up begins mid-march – Payments begin June
Crop Insurance

- 2004: $47 bil Liability– 220 mil insured acres
- Indemnities:
  - 2002  $4.1 bil
  - 2003  $3.3 bil
  - 2004  $2.8 bil (est)
- Providing expanding safety net to producers
Agriculture Policy Review

- **2006 President’s Budget Proposals**
  - Budget and trade deficits adversely affect overall business environment – must be addressed sooner rather than later
  - Proposed savings reflect difficult choices – but place us on a path to halve deficit by 2009
  - Will work with Congress to achieve savings
Agriculture Policy Review

- Farm program safety net in place – operating effectively
- Crop insurance functioning
- Disaster assistance package/Tobacco Buyout – on schedule
Trade Policy Review

- USG strategy: “Competition for liberalization”
  - Multilateral – WTO Doha Development Agenda
  - Regional – FTAA, SACU, CAFTA-DR, Andean
  - Bilateral
    - Complete – Jordan, Chile, Singapore, Morocco, Australia, Bahrain
    - In process – Panama, Thailand, Oman, UAE
  - Concluded FTAs: 120 mil. Consumers – $800 bil. GDP – Ag trade now $2.8 bil. – to expand by half
Trade Policy Review

- Multilateral – WTO/Doha
  - Framework concluded July 2004
  - Cancun lessons learned – staging
  - Mid-year 2005 looms large for agriculture
  - Dec. 2005 Hong Kong Ministerial – major benchmark
  - Planned DDA completion 2006
Trade Policy Review

- U.S. objectives/ambitions remain the same
  - Improve export competition through elimination of export subsidies
  - Improved market access through substantial tariff reductions
  - Substantial reduction in trade-distorting domestic support
Trade Policy Review

- Important Congressional votes loom
  - CAFTA-DR: Critical to Administration’s entire trade agenda – very positive FTA for agriculture
  - Trade Promotion Authority extension
    - Presidential request – automatic unless challenged
  - WTO Membership Review (every 5 years)
Market Maintenance

- Market Maintenance – keeping markets open once access obtained – major ongoing function
  - Russia poultry/China SPS – biotech – TRQ admin/Mexico

- Currently BSE/AI/soybean rust

- WTO rules-based system helps
Market Maintenance – BSE
Value of Market Access for Beef and Ruminant Products
(Following Single BSE Case 12/23/03)

2003 Export Value $7.5 billion

Jan 04
Initial Bans $4.8 billion
Not Banned $2.7 billion

Current
Other Bans $0.8 billion
Japan & Korea 75% of remaining ban $2.3 billion
Recovered $1.7 billion
Not Banned $2.7 billion
Market Maintenance

- BSE – Japan
  - Have concluded all technical discussions
  - Awaiting completion of BSE domestic and import regulatory process
Observations

- Farm Sector – Safety net in place
  - Farm Bill functioning well
  - Disaster Assistance/Tobacco Buyout – proceeding apace
  - Risk management tools improving
  - Farm economy prospects good

- Trade Prospects
  - Market opportunities improved – export prospects good
  - Trade liberalization – key to success
Agriculture and Trade Policy: Review and Prospects

USDA Agricultural Outlook Forum
Washington, D.C.
February 24, 2005

J. B. Penn
Under Secretary
Farm and Foreign
Agricultural Services