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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



Agriculture Policy Review

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)

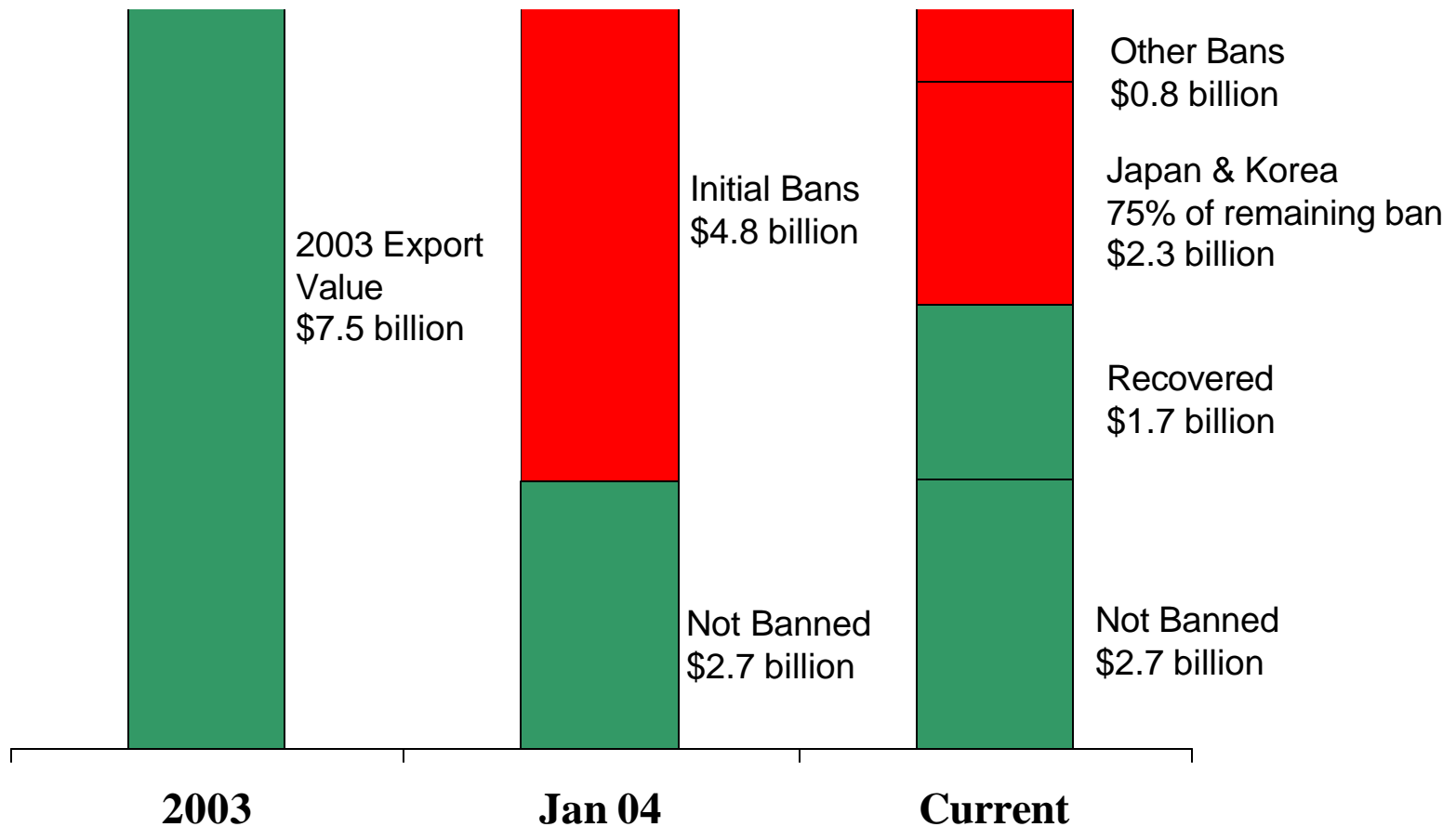


Market Maintenance

- 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)





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

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