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# Agriculture and Trade Policy: Year in Review/ Year Ahead



**USDA Agricultural  
Outlook Forum  
Washington, D.C.  
February 19, 2004**

**J. B. Penn**

Under Secretary  
Farm and Foreign  
Agricultural Services





# **Agriculture and Trade Policy: Year In Review/Year Ahead**

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- **Introduction**
- **Agriculture Policy: Review/Prospects**
- **Trade Policy: Review/Prospects**
- **Market Maintenance**
- **Summary**



# Agriculture Policy Review

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## Farm Programs Review

- **2002 Farm Bill Implementation – major accomplishments in record time**
  - **Direct payments** \$6.6 bil to date
  - **CC payments** \$2.5 bil
  - **LDP/MLG program** \$1.9 bil
  - **Peanut Quota buyout** \$1.2 bil
  - **Dairy/MILC** \$2.8 bil
  - **Livestock Comp. Program** \$1.1 bil
- **CRP signup completed June 13: 1.7 mil. acs. enrolled - \$98 mil rental payments**
- **Safety net in place, functioning to 2007**



# Agriculture Policy Review

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- 2003 Agricultural Assistance Act (signed Feb. 20)
  - overlapped Farm Bill implementation
- Major features
  - **Crop disaster assistance '01 or '02 losses – (\$2.4 bil)**
  - **Livestock assistance – (\$365 mil)**
  - **Misc. provisions – (\$635 million)**
- All programs implemented – payments distributed



# Agriculture Policy Review

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## Crop Insurance

- Coverage \$40 bil – 215 mil insured acres
- 2002 indemnities - \$4.1 bil
- 2003 indemnities - \$3.0 bil
- Providing expanding safety net to producers



# Agriculture Policy: Year Ahead

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- Farm program safety net in place – fully functioning
- Crop insurance functioning
- CRP signup planned early Spring



# Trade Policy: Review/Prospects

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- **Strategy and approach**
  - Recall “Competition for liberalization” - if progress stalls on one front, shift attention and efforts to others
  - Multilateral/Regional/Bilateral





# Trade Policy: Review/Prospects

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- **Multilateral – WTO/Doha Development Agenda**
  - **Cancun Ministerial – missed opportunity**
  - **Several month “reflection period”**
  - **Amb. Zoellick letter (Jan. 12) – outlines approach for negotiations this year – extensive visits - “no lost year”**
  - **Framework by mid-year; Ministerial late 2004**



# Trade Policy: Review/Prospects

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- **Reaffirming to all: 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/Prospects

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- **Regional: Free Trade Area of the Americas (FTAA)**
  - **Largest (800 mil) and most affluent (\$13 tril)**
  - **Two-tiered framework established in Miami (Nov. 03)**
    - **Common set of rights, obligations**
    - **Higher tier – additional disciplines**
  - **Work on common areas not concluded in Puebla – resumes late March**
  - **Deadline 2005**



# Trade Policy: Review/Prospects

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- **Regional: Central America Free Trade Agreement (CAFTA)**
  - **35 mil potential customers – a \$1.2 bil market**
  - **Guatemala, Honduras, Nicaragua, El Salvador – Costa Rica**
  - **Dominican Republic - negotiations ongoing**
  - **Goal - Addition of DR**



# Trade Policy: Review/Prospects

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- **Regional: Southern Africa Customs Union (SACU)**
  - **South Africa, Namibia, Botswana, Lesotho and Swaziland – 50 million customers**
  - **U.S. exports – wheat, coarse grains, meat to benefit**
  - **Aids regional integration – S. Africa at core**
  - **Negotiations underway – completion by end of 2004**



# Trade Policy: Review/Prospects

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- **Regional: Andean Countries**
  - **Intent to negotiate – Colombia, Peru, Ecuador, Bolivia (Nov. 18, 2003)**
  - **Andean plus CAFTA (with DR) trade exceeds bilateral trade with Brazil**
  - **Largest trading partners in Latin America after Mexico**
  - **Negotiations begin 2<sup>nd</sup> quarter 2004**



# Trade Policy: Review/Prospects

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- **Bilateral**

- **Existing FTAs with Israel, Jordan, Chile and Singapore**
- **Australia negotiations concluded (Feb. 2004)**
- **Morocco – negotiations nearly complete**
- **Thailand, Panama and Bahrain to start this year**



# Market Maintenance

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- Market Maintenance – keeping markets open – major ongoing function
  - Russia poultry
  - China SPS – biotech – TRQ admin
  - Mexico
- WTO rules based system helps





# Market Maintenance

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- **BSE – reopening markets**

- A “process” – provide info, reassure public
- Uncharted territory for trade – still evolving
- Two key milestones
  - Conclusion of investigation
  - International review team report
- Status
  - Canada, Philippines remain open
  - Mexico
  - Hong Kong
  - Korea
  - Japan – unique situation – dealing with consumer confidence problems



# Market Maintenance

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- China
  - 5<sup>th</sup> largest customer overall
  - Exports tripled in 3 years - \$1.8 bil (2002) to \$5.4 bil (2004f)
  - Significant purchases soybeans, cotton, hides/skins
  - Wheat purchases – buying mission here this week



# Observations

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- **Farm Sector – Safety net in place**
  - **Farm Bill implementation completed - in record time**
  - **Disaster aid provided**
  - **Risk management tools improving**
- **Trade Prospects**
  - **Market opportunities improved**
  - **Trade liberalization – key to success**

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