Agriculture and Trade Policy: Year in Review / Year Ahead

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J. B. Penn
Under Secretary
Farm and Foreign
Agricultural Services
Agriculture and Trade Policy: Year In Review/Year Ahead

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

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

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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

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

- Farm program safety net in place – fully functioning
- Crop insurance functioning
- CRP signup planned early Spring
Trade Policy: Review/Prospects

- 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

- 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

- 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

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

- 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
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

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 2nd quarter 2004
Trade Policy: Review/Prospects

- 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

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

- 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

China

- 5th 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

- 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