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Agricultural Outlook Forum

Presented: February 16, 2006

2006 AGRICULTURAL ECONOMIC OUTLOOK AND U.S. TRADE AND
AGRICULTURAL POLICY PROSPECTS

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Agriculture and Trade Policy: Review and Prospects



USDA Agricultural Outlook
Forum

Washington, D.C.

February 16, 2006

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Under Secretary
Farm and Foreign
Agricultural Services





Agriculture and Trade Policy: Review and Prospects

- Introduction
- Agriculture Policy
- Trade Policy
- Market Maintenance
- Observations



Agriculture Policy Review

Farm Programs

- 2002 Farm Bill: Outlays (\$bil)

	<u>To Date</u>
■ Direct payments	\$18.9
■ Counter-cyclical payments	7.3
■ LDP/MLG program	4.7
■ Peanut Quota buyout	1.3
■ MILC	2.0
■ CRP	7.2
■ Approaching \$45 billion total	

- 2 CRP signups held; 3rd signup this Spring

- 36 mil acres enrolled; rental payments \$1.8 billion annually

- Safety net in place to 2007



Agriculture Policy Review

2004 Disaster Assistance Programs

Crop disaster assistance	\$ 2.450
Livestock assistance	.266
American Indian Livestock Feed	.008
ECP	.050
Other (TAP, State grants, cottonseed, misc)	.100
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Total	\$ 2.874 bil

2005 Hurricane Assistance Programs

\$2.8 billion total - \$1.2 for agricultural producers -
\$1.6 to restore homes, rural communities

Aquaculture, LIP, TIP, FIP, HIP	\$ 250.0
Emergency Conservation program	199.8
Emergency Forestry CRP	404.1
Emergency Watershed Program	300.0
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Total	\$ 1.200 bil



Agriculture Policy Review

- Farm Policy Challenges

- Minimize WTO vulnerabilities
- Enhance responsiveness to market place signals
- Streamline program delivery and reduce complexity



Agriculture Policy Review

Crop Insurance

- 2005: \$ 44 bil liability- 246 mil insured acres
- Indemnities (\$ bil):
 - 2003 - 3.3
 - 2004 - 3.2
 - 2005 - 2.5 (est)
- Providing expanding safety net to producers
 - Delivered through 16 private insurance companies



Agriculture Policy Review

Crop Insurance

- New/Revised programs
 - 2 new pilot pasture, rangeland and forage programs
 - Expanded pilot livestock programs - LGM Cattle and More States for LRP
 - New and revised Fruit Tree and Nursery programs
- Risk Management - Challenges
 - Implementation of new pasture, range and forage pilot programs
 - Achieve program efficiencies (e.g., "Combo" plan)
 - Maintain program integrity (data mining, etc.)



Agriculture Policy Review

- President's FY2007 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



Trade Policy Review

- USG strategy: “Competition for Liberalization”
 - Multilateral – WTO Doha Development Agenda
 - Regional FTAs
 - Bilateral FTAs



Free Trade Agreements

- Completed:

- CAFTA-DR, Morocco, Australia, Chile, Singapore, Jordan, Bahrain, Peru, and Oman
 - Population: 111 million
 - Income today: \$1.07 trillion - 3.6% long term growth
 - Current trade: \$3.0 billion

- In process:

- United Arab Emirates, Colombia, Ecuador, Panama, Thailand and Southern Africa Customs Union (SACU)
 - Population: 183 million
 - Income today: \$627 billion, GDP long term growth 4.6%
 - Current trade: \$2.1 billion

- Planned:

- Korea announced on February 2
 - Population: 48 million
 - Income today: \$1 trillion, GDP long term growth 4.9%
 - Current trade: \$2.2 billion



Trade Policy Review

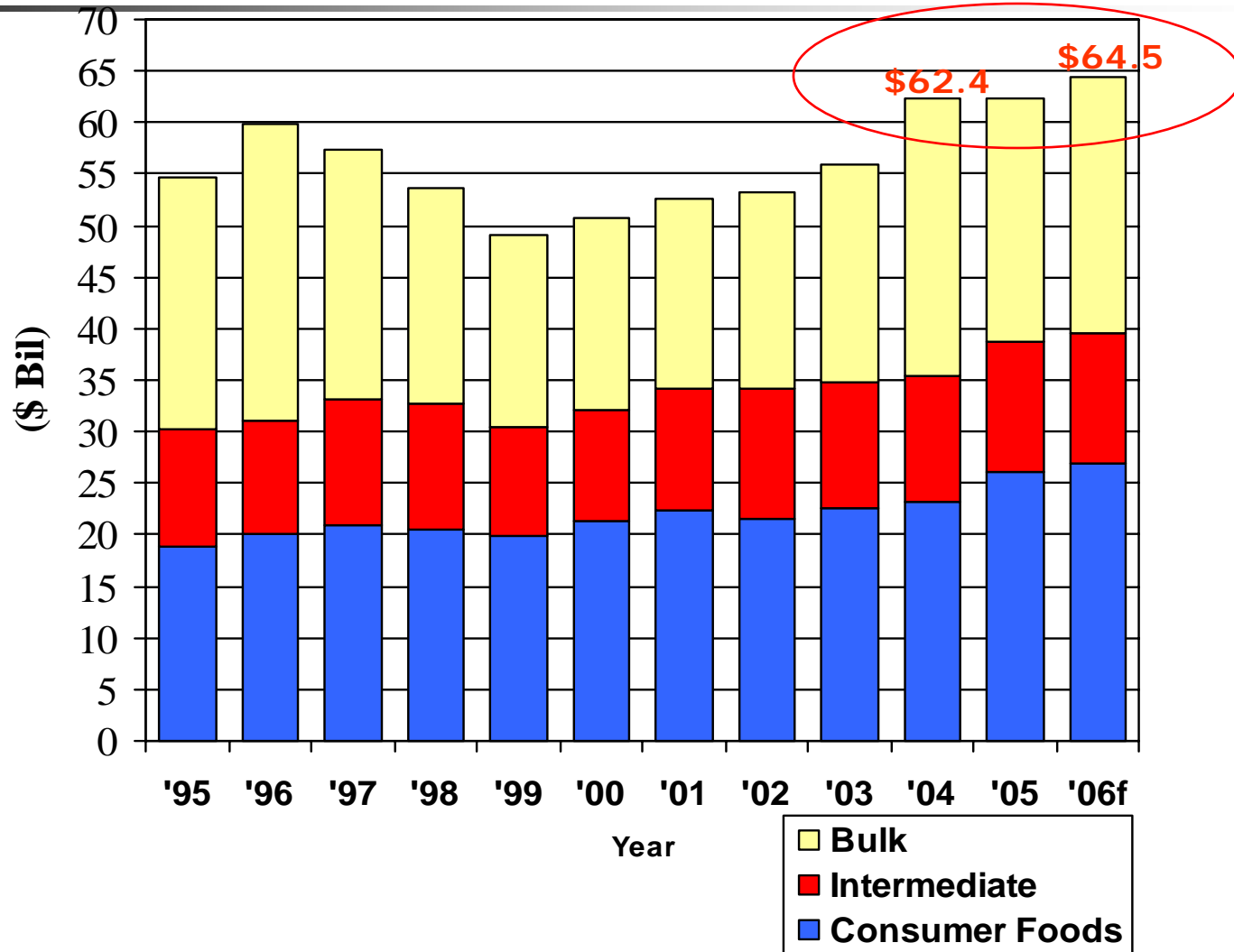
- Multilateral - WTO/Doha
 - Framework concluded: July 2004
 - Hong Kong Ministerial benchmark: Dec. 2005
 - DDA targets
 - Full modalities: April 30
 - Draft schedules: July 31
 - Round completed: December 2006
 - TPA expires July 2007
- 2006 Busy Congressional Trade Year
 - FTAs
 - Preference extensions (GSP, ATPA)
 - WTO accessions (Ukraine, Russia, Vietnam)



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

U.S. Agricultural Exports



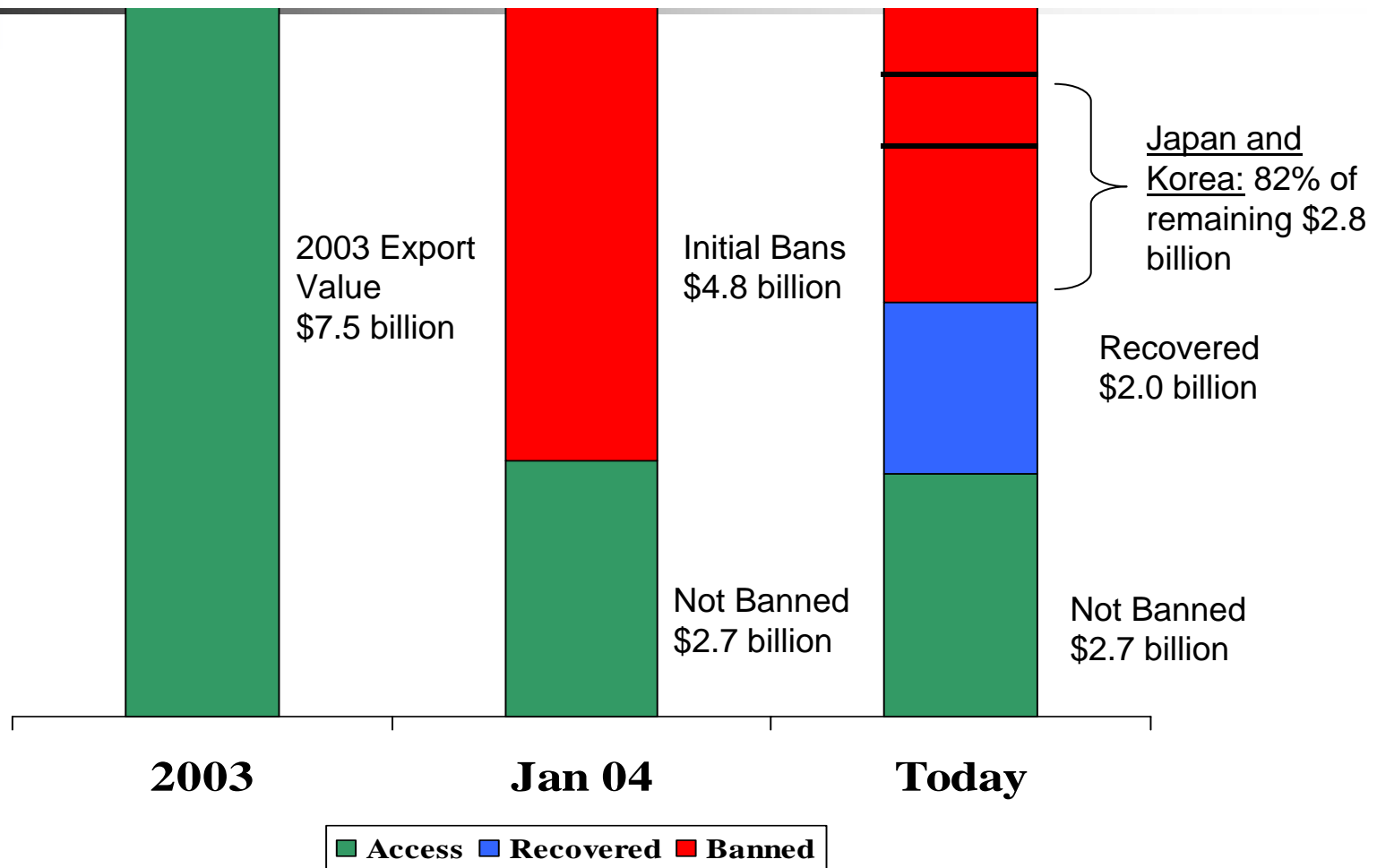


Market Maintenance

- Keeping markets open once access obtained – major ongoing function
 - SPS generally, biotech, TRQ administration, debarking, corn gluten feed
 - Currently BSE and AI
- Challenge: Adherence to international standards
- WTO rules-based system helps

Market Recovery

Market Access for Beef and Ruminant Products
(After 12/23/03)





Observations

- Farm Sector
 - Farm Bill effectively administered
 - Disaster Assistance- 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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