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Market Facilitation Payments and the WTO

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Selected Paper prepared for presentation at the International Agricultural Trade Research Consortium's (IATRC's) 2019 Annual Meeting: Recent Advances in Applied General Equilibrium Modeling: Relevance and Application to Agricultural Trade Analysis, December 8-10, 2019, Washington, DC.

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Market Facilitation Payments and the WTO

Joseph W. Glauber
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Trade war assistance

Billion USD

Program	2018	2019
Market Facilitation Program	\$10.0	\$14.5
Food Purchase and Distribution Program	\$1.2	\$1.4
Agricultural Trade Promotion Program	\$0.2	\$0.1
Total Funding Levels	\$12.0	\$16.0

Note: Total funding levels may exceed sum of individual program estimates.

2018 MFP program

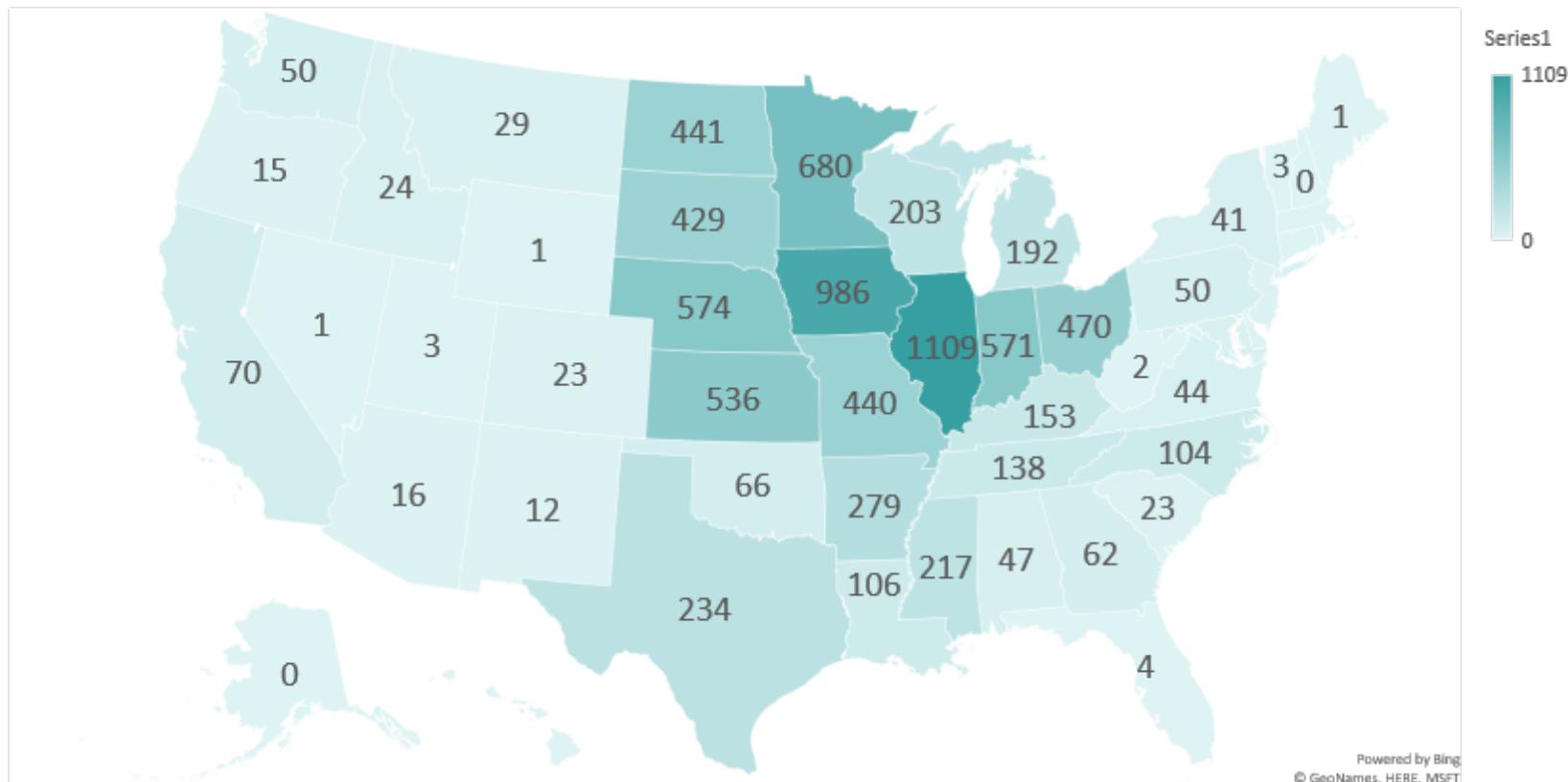
Commodity	2018 Payment Rate	Estimated 2018 Payments (Million \$)	Payments as Percentage of Total
Soybeans	\$1.65/Acre	7,259.4	75.9
Hogs	\$8.00/Head	580.6	6.1
Cotton	\$0.06/Pound	553.8	5.8
Sorghum	\$0.86/Bushel	313.6	3.3
Dairy (Milk)	\$0.12/Hundred Pounds	254.8	2.7
Wheat	\$0.14/Bushel	238.4	2.5
Corn	\$0.01/Bushel	192.0	2.0
Fresh Sweet Cherries	\$0.16/Pound	111.5	1.2
Shelled Almonds	\$0.03/Pound	63.3	0.7
Total		9,567.4	100.0



Estimated 2018 MFP payments

Mil USD

US = \$8.6 billion



Source: USDA, FSA 6 May 2019

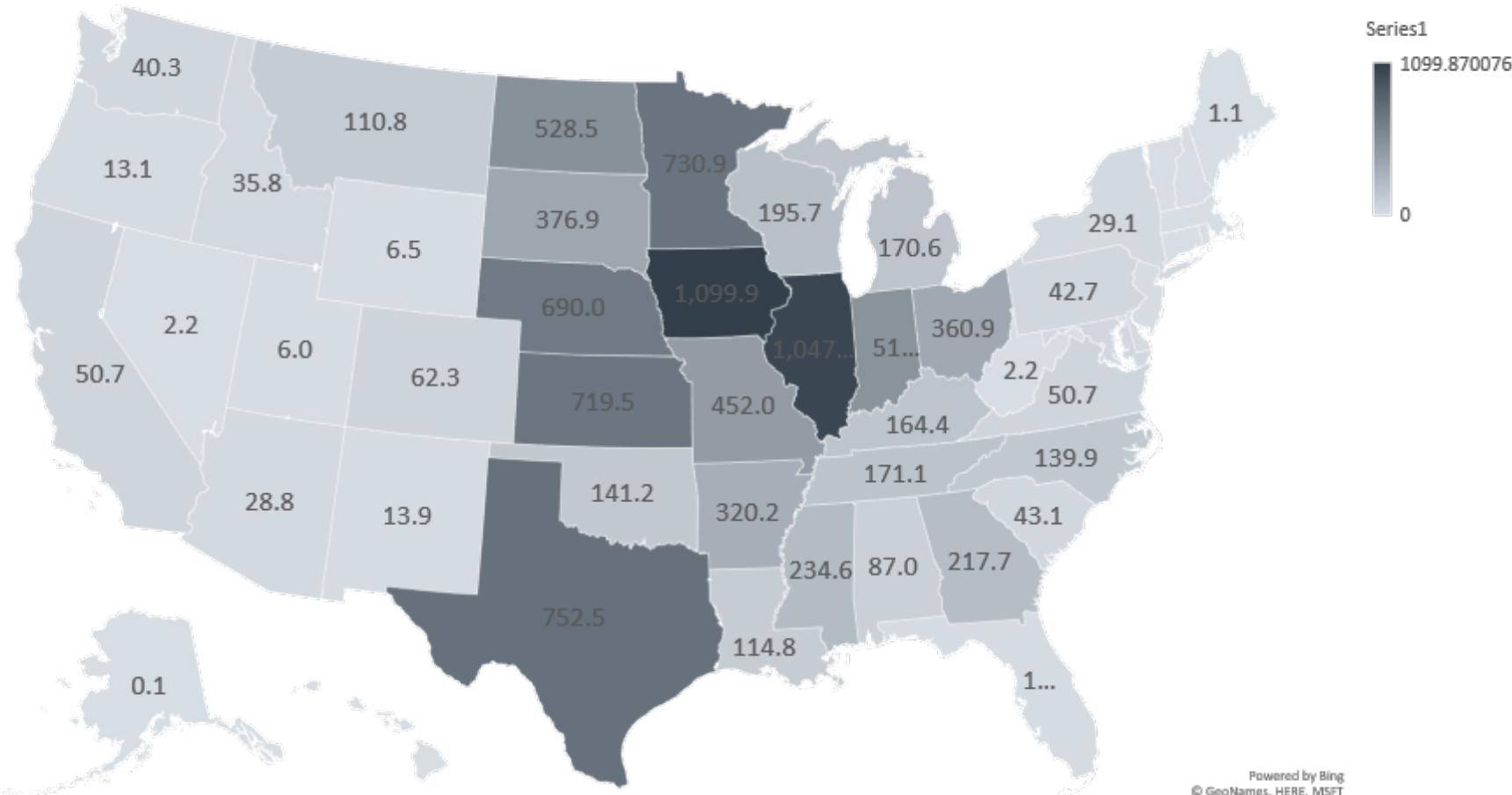
Estimated MFP rates for specialty crops—2019

Commodity	2019 MFP Payment Rate	Estimated Compensation
Dairy (Milk)	\$0.20/Hundred Pounds	\$354 Million
Hogs	\$11.00/Head	\$831 Million
Nuts (Almonds, Hazelnuts, Macadamia Nuts, Pecans, Pistachios, and Walnuts)	\$146/Acre	\$318 Million
Cranberries	\$0.03/Pound	\$28 Million
Ginseng	\$2.85/Pound	\$6 Million
Sweet Cherries	\$0.17/Pound	\$111 Million
Table Grapes	\$0.03/Pound	\$70 Million



Estimated 2019 MFP payments as of 2 December 2019

US = \$9.8 billion

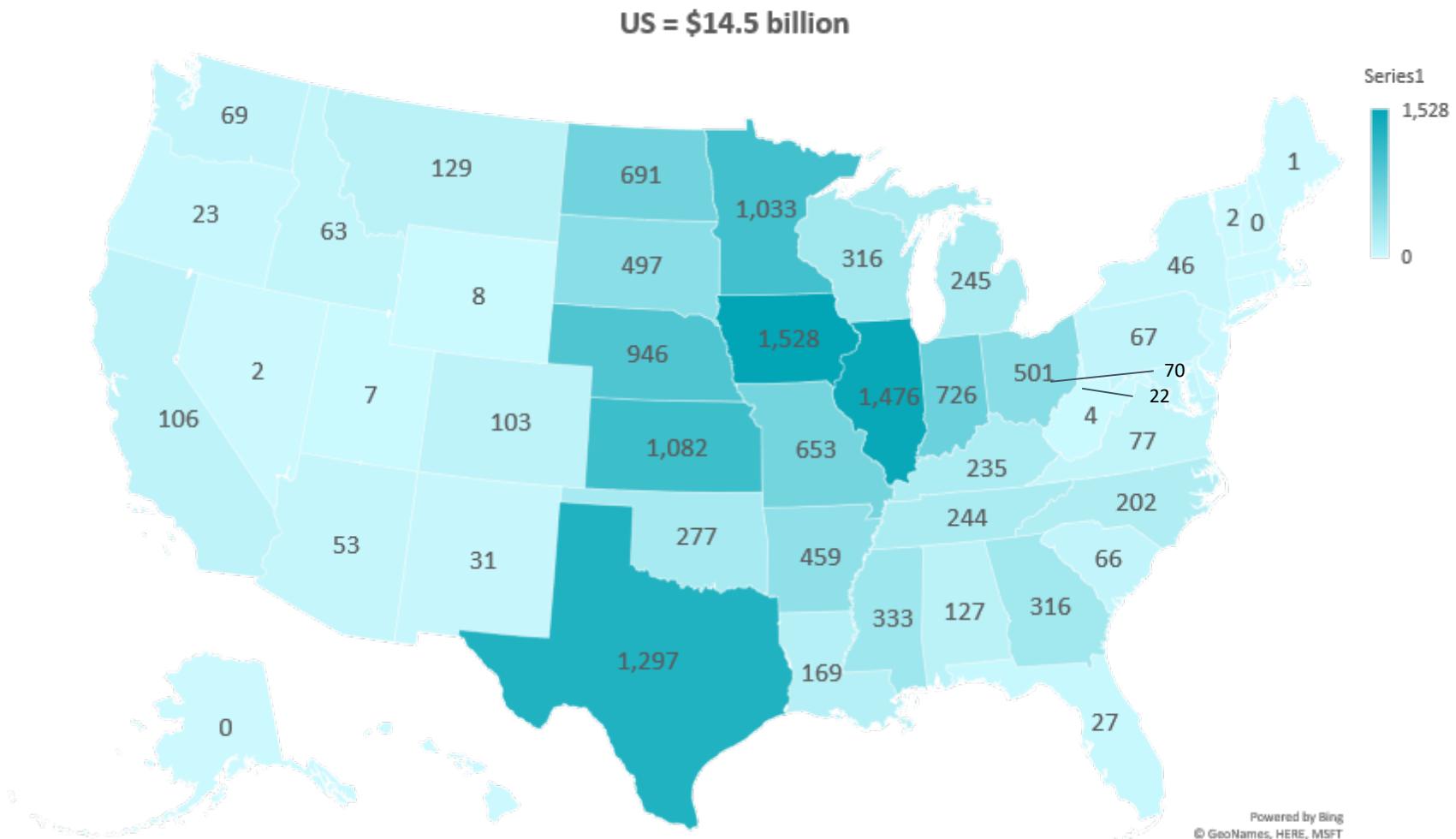


Source: USDA, FSA. 2 December 2019

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Figure 3—Estimated MFP 2 payments

Mil USD



Source: Calculated by author based on 2019 FSA acres (August 2019) and county 2019 MFP payment rates.

Estimated MFP payment rates--2019

Commodity	Acres (Million Acres)	Average Payment Rate (\$ per Acre)	Payments (Million USD)	Percentage of Total MFP Payments
Alfalfa	9.8	38.20	373.8	2.6
Barley	2.5	24.46	60.8	0.4
Corn	85.4	59.88	5,116.1	35.7
Upland Cotton	12.3	98.84	1,218.4	8.5
Peanuts	1.4	102.61	144.0	1.0
Rice	2.4	72.17	176.2	1.2
Sorghum	4.7	61.79	293.4	2.0
Soybeans	73.9	64.47	4,766.7	33.2
Wheat	45.9	35.68	1,639.0	11.4
Other	14.4	38.36	552.4	3.9
Total	252.7	56.76	14,340.8	100.0

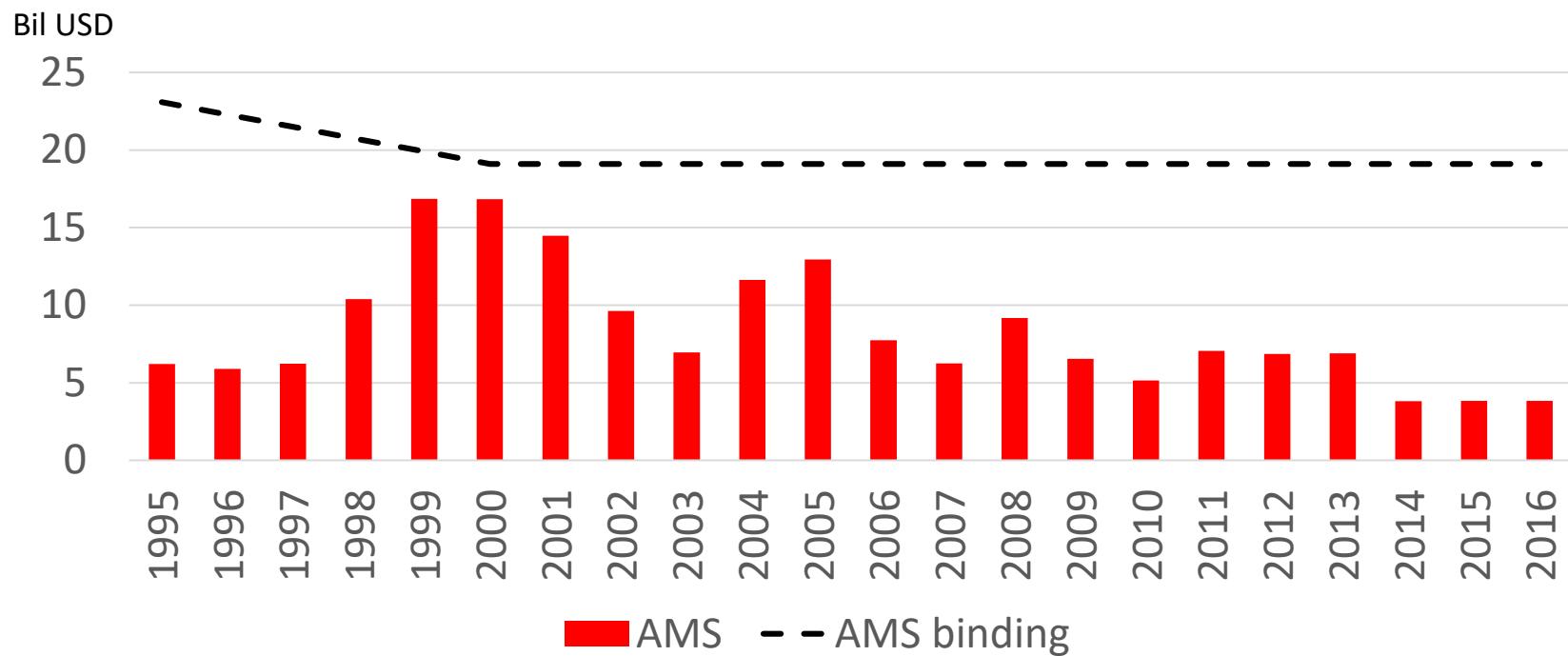
Source: Author's calculations based on reported acres to FSA and FSA payment rates

Effects of MFP payments on farm income

Billion USD

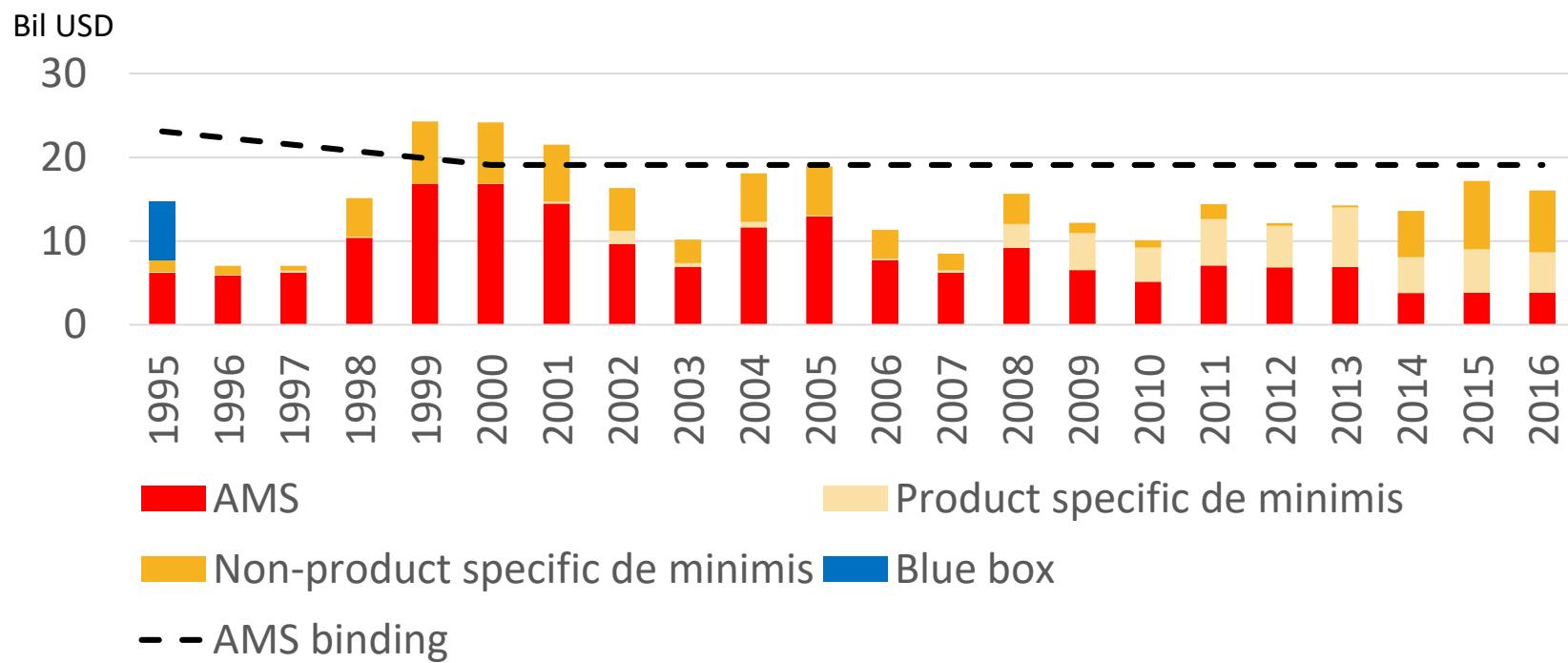
	2016	2017	2018	2019F
Net cash income	95.6	101.3	103.5	119.0
w/out MFP	95.6	101.3	98.4	104.6
Net farm income	62.2	75.1	84.0	92.5
w/out MFP	62.2	75.1	78.9	78.2

US Current Total AMS



Source: WTO, Agricultural Information Management System database

US Trade Distorting Domestic Support



Source: WTO, Agricultural Information Management System database

Product specific support

Commodity	2017	2018	2019 MFP Outlays Notified as Non- Product-Specific Support	2019 MFP Outlays Notified as Product- Specific Support
Million USD				
Sugar	1,515	1,517	1,519	1,519
Corn	dm*	dm	dm	7,461
Cotton	654	1,354	657	1,876
Peanuts	157	dm	dm	180
Sorghum	124	413	101	394
Soybeans	dm	8,680	dm	5,939
Wheat	602	874	700	2,339
Other	160	705	216	505
Sum of Product-Specific AMS	3,212	13,543	3,193	20,213
Sum of Product-Specific De Minimis	4,876	4,985	6,604	2,915

Non-product specific support

Item	2017	2018	2019 MFP Notified as Non- Product-Specific Support	2019 MFP Notified as Product-Specific Support
Million USD				
Irrigation Subsidies	130	130	130	130
Grazing	38	38	38	38
Whole-Farm Insurance Subsidies	102	100	95	95
ARC Individual	29	17	15	15
Storage Facility	5	5	5	5
PLC County	1,822	2,566	4,779	4,779
ARC County	1,031	1,510	450	450
MFP	—	—	12,782	—
Sum of Non-Product Specific Support	3,157	4,366	18,294	5,512
Value of Production	370,400	373,500	371,100	371,100
De Minimis Threshold	18,520	18,675	18,555	18,555

^a Interest rate subsidies, storage facility payments, irrigation subsidies, and grazing payments were assumed equal to 2016 levels.

Estimated current total AMS

Item	2017	2018	2019 MFP Notified as Product-Specific Support	2019 MFP Notified as Non- Product- Specific Support
Product-Specific Support	Million USD			
AMS	3,212	13,543	20,213	3,193
De Minimis	4,876	4,985	2,915	6,604
Non-Product-Specific Support				
AMS	0	0	0	0
De Minimis	3,054	4,261	5,512	18,294
Total AMS	3,212	13,543	20,213	3,193
If NPS > De Minimis	—	—	—	21,487

Implications

- \$28 billion provided over 2 years >> outlays for federal crop insurance and price and income support programs => temporary measures or new fixtures in safety net
- WTO implications:
 - DS obligations not likely to be tested until 2021 => challenges likely to depend on whether additional funds in 2020.
 - Challenges under ASCM => need to demonstrate link between subsidies and price suppression
 - US position towards trade liberalization: Do as I say, not as I do