



AgEcon SEARCH

RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*


No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

**Product-Specific, Non-Product Specific, or In-Between:
Practices and Consequences under the WTO Agreement on Agriculture**

Lars Brink

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.

Copyright 2019 by Lars Brink. All rights reserved. Readers may make verbatim copies of this document for non-commercial purposes by any means, provided that this copyright notice appears on all such copies.

A gravel path leads through a dense green forest. The path is made of light-colored gravel and is surrounded by lush green trees and foliage. The path curves slightly to the right in the distance.

Product-specific, non-product-specific or in-between: Practices and consequences under the WTO Agreement on Agriculture

Lars Brink

**International Agricultural Trade Research Consortium (IATRC)
Annual Meeting
8-10 December 2019, Washington DC**

Lars.Brink@hotmail.com

Role of PS AMSs and NPS AMS

- **Some domestic support under WTO Agreement on Agriculture (AoA) is subject to limit**
 - **Limited support is measured by AMSs**
 - Aggregate Measurements of Support
 - **AMSs are calculated for non-exempt support**
 - That is, not exempted as green box, blue box, or Art. 6.2 support
 - Several product-specific (PS) AMSs
 - One non-product-specific (NPS) AMS
- **Some built-in lack of clarity**
 - **Do members interpret rules on PS and NPS differently?**
 - **What difference do different interpretations make?**

What we call PS AMSs and NPS AMSs

- “support provided for an agricultural product in favour of the producers of the basic agricultural product”
(emphasis added)
 - “calculated on a product-specific basis for each basic agricultural product”
 - “product-specific support”
- “non-product-specific support provided in favour of agricultural producers in general” (emphasis added)
 - “support which is non-product-specific”
 - “non-product-specific support”
- Contrast in definitions: “product” vs. “producers”

Approach

- Look at notifications to the Committee on Agriculture
 - 12 members; 98% of all notified AMS support
 - Latest year notified: range from 2015 to 2018
 - Adopt a subjective meaning of “basic agricultural product”
 - Identify AMSs which are not for a “basic agricultural product” but for a group of products
 - Call them *Product-group AMSs*
 - Members report some *Product-group AMSs* as PS AMSs
 - Identify elements of the NPS AMS which are not for all producers but for the producers of a group of products
 - Call them *Producer-group elements*
 - Members report some *Producer-group elements* in the NPS AMS

Table 1. Members reporting a Product-group AMS as PS AMS		
<i>Member</i>	<i>Product-group AMS as PS AMS</i>	<i>Year</i>
Brazil	-	2017
Canada	Other grains, oilseeds and forage crops	2016
	Other Crops	2016
	Other Livestock	2016
China	Root crops	2016
EU	Other Livestocks (rabbit, reindeer and eggs)	2016
	Fruit and vegetables	2016
	Other products not mentioned in Annex X to R 1580/2007	2016
India	Coarse cereals (<i>understood as bajra, jowar, maize, barley</i>)	2017
	Pulses (<i>understood as gram, arhar, urad, moong and lentils</i>)	2017
Japan	Fruits	2016
	Vegetables	2016
Korea	-	2015
Mexico	-	2018
Norway	Fruits, berries and vegetables	2018
Russia	Meat	2017
Switzerland	Other grain legumes	2018
	Fruit	2018
United States	Livestock	2016
	Orchards, vineyards, nursery	2016

Source: G/AG/N/BRA/52; CAN/131; CHN/47; EU/55; IND/15; JPN/236; KOR/63; MEX/48; NOR/108; RUS/24; CHE/95; USA/123.

Table 2. Products reported both in Product-group AMSs and as a basic agricultural product

<i>Member</i>	<i>Product-group AMS as PS AMS</i>	<i>Basic agricultural product likely also part of group</i>	<i>Year</i>
Brazil	-	-	2017
Canada	-	-	2016
China	-	-	2016
EU (special case)	-	Milk AMS, Skimmed milk powder AMS, Butter AMS	2016
India	-	-	2017
Japan	-	-	2016
Korea	-	-	2015
Mexico	-	-	2018
Norway	-	-	2018
Russia	Meat	Cattle, Deer, Horses, Poultry, Swine, Sheep and goat	2017
Switzerland	-	-	2018
United States	Livestock	Beef cattle & calves, Hogs and pigs, Sheep and lambs	2016
	Orchards, vineyards, nursery	Apples, Apricots, Pears, (more?), Grapes/raisins (?), Nursery	2016

Source: G/AG/N/BRA/52; CAN/131; CHN/47; EU/55; IND/15; JPN/236; KOR/63; MEX/48; NOR/108; RUS/24; CHE/95; USA/123.

Product-group AMSs and double-counting

- Many members report a *Product-group AMS* as PS AMS
- Two out of 12 members double-count values of prod'n
 - Effectively doubles the size of product's *de minimis* threshold
 - Russia (2017), United States (2016)
 - Russia: Meat AMS + individual product AMSs for each species
 - United States: Livestock AMS + ind. product AMSs for each species
 - United States: Orchards, vineyards, nursery AMS + ind. product AMSs
 - But: only little support in *Product-group AMSs*
 - Allocating *Product-group AMS* support to individual products is not likely to change *de minimis* status of PS AMSs
 - EU special case
 - A basic agr product (milk) and two processed products (butter, SMP)
 - But no *de minimis* testing of butter AMS and SMP AMS

Member	Producer-group element as part of the NPS AMS	Year
Brazil	(Unclear product coverage)	2017
Canada	Agrilinsurance (some products not eligible?)	2016
China	-	2016
EU	Horizontal support in the Fruit and Vegetables sector: Green harvesting and non-harvesting	2016
	Horizontal support in the Fruit and Vegetables sector: Harvest insurance	2016
India	Insurance premium subsidy (product coverage not shown)	2017
Japan	Crop income stabilization payment (only crops?)	2016
Korea	Crop insurance (only crops?)	2015
Mexico	-	2018
Norway	Subsidies to insemination	2018
	Taxes on pesticides	2018
	Feed transport subsidies	2018
Russia	Many programs, incl. Pedigree livestock, Elite seeds, Combined fodder, Perennial plantations, Plant production, Livestock production, Livestock farm family	2017
Switzerland	Payments for herding roughage-consuming animals	2018
United States	Grazing livestock	2016
	Agriculture Risk Coverage, county-based (ARC-CO)	2016
	Price Loss Coverage	2016
	Agricultural Risk Coverage, individual farm (ARC-IC)	2016
	Agricultural Risk Coverage, county-based (ARC-CO) pilot	2016
	Farm Storage Facility Loans	2016
	Biomass crop assistance program	2016

Source: G/AG/N/BRA/52; CAN/131; CHN/47; EU/55; IND/15; JPN/236; KOR/63; MEX/48; NOR/108; RUS/24; CHE/95; USA/123.

Producer-group elements in NPS AMS

- **Members report *Producer-group elements* in NPS AMS**
 - **Support in *Producer-group elements* can be a large share of NPS AMS**
 - Russia, United States
 - **United States has largest amount of *Producer-group elements* in NPS AMS**
- **Does NPS AMS allow *Producer-group elements*?**
 - **Hinges on meaning of “producers in general”**
 - Meaning of “producers in general” has not been tested
 - **Eventually to be clarified?**
 - Negotiations or dispute settlement or practice

What does “producers in general” mean?

- “In general” has different dictionary meanings
 - Not necessarily decisive in legal interpretation
 - Mainly, mostly (a large group)
 - As a whole, all (exhaustive)
- If NPS means large group of producers
 - *Producer-group element* of support must stay in NPS AMS
 - Could new caps on PS AMSs drive a shift to *Producer-group elements* in NPS AMS?
 - If room in PS AMSs is tight, and not so tight in NPS AMS
 - E.g., put some of crop A’s AMS and some of crop B’s AMS into an A+B element in NPS AMS?

What if “in general” means all?

- If NPS means all producers regardless of products
 - Need to remove *Producer-group element* from NPS AMS
 - Require allocation to PS AMSs?
 - Assume rational allocation key can be found
 - Reduces NPS AMS; raises PS AMS
 - Some PS AMSs can become large enough to go into CTAMS
- Risk of CTAMS exceeding BTAMS?
 - Russia: *Producer-group elements* are small amounts
 - Small risk
 - United States: *Producer-group elements* are large amounts
 - Larger risk: Several more PS AMSs may exceed *de minimis* thresholds and go into CTAMS

Maximum legitimate use of *de minimis*?

- What flexibility do members have under the AoA rules?
- Double-count values of production for PS AMSs?
 - United States does not worry in its particular case
 - “ ... there are instances where the product-specific value of production data is used twice”
 - » Committee on Agriculture June 2018 (ID 87148)
- Manage classification of policies to use *de minimis*?
 - Consider “best” combined use of several *de minimis* allowances
 - For individual PS AMSs and for NPS AMS
 - Depends on values of production and other AMS support

Reveal classification of 2019 MFP in 2021?

United States 2019 Market Facilitation Program

- Interpret program characteristics along with AoA rules
- If AMS support: Is it PS or NPS?
 - Would net effect on CTAMS play a role in choosing PS or NPS?
 - Consider size of other payments in individual PS AMSs and NPS AMS
 - Consider values of production: Individual crops and agriculture sector
 - If PS AMS support
 - May raise some PS AMSs enough for them to go into CTAMS
 - Will include some of 2019 MFP in those PS AMSs that stay *de minimis*
 - If part of NPS AMS
 - Is value of production large enough for NPS AMS to stay *de minimis*?
 - If value of production is too small, pressure to classify as PS AMSs?
- If claimed as blue box exempt
 - *De minimis* thresholds are not an issue

Thank you!

Lars.Brink@hotmail.com

Selected references

Articles 1 and 6.4 and Annex 3, WTO Agreement on Agriculture. https://www.wto.org/english/docs_e/legal_e/14-ag_01_e.htm

Brink, L. 2018. Farm support, domestic policies, and the WTO rules: the world is changing. In International Trade Rules for Food and Agricultural Products, Vol. III, *Handbook of International Food and Agricultural Policies*, ed. K. Meilke and T. Josling. Singapore: World Scientific Publishing Co. Pte. Ltd.

Congressional Research Service. 2019. U.S. farm support: Compliance with WTO Commitments. R45940. 4 October. <https://crsreports.congress.gov>

Glauber, J. 2019. Agricultural trade aid: Implications and consequences for US global trade relationships in the context of the World Trade Organization. American Boondoggle, American Enterprise Institute, November. <https://www.aei.org/category/american-boondoggle/>