CROP SUBSIDIES IN FOREIGN COUNTRIES:
Different Paths to Common Goals
(Updated)

CERI Staff Report
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While every effort has been made to use the latest available information, readers who may have more up-to-date information can email us at Policy_CERI@ttu.edu.

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∗ All of the information presented is from secondary sources, some in the native language of the country. Every effort has been made to accurately interpret and convey the most up-to-date information possible as of March, 2009. However, policy tools and implementation mechanisms that countries use are constantly changing. This version of the report is an update of CERI-SR07-01 (Feb. 2007).

EXECUTIVE SUMMARY

This is an update of CERI-SR07-01, our report on international crop policies conducted in February of 2007. Since then, the landscape for agricultural products has undergone changes due to developments related to the use of ethanol and the recent economic recession. Also, in most of the world, both developed economies such as the EU, Australia, and the U.S., and developing countries such as China and Brazil, have increased their domestic agricultural supports and/or altered the types of support. It is uncertain if this increase is permanent or transitory.

U.S. agriculture and its related industries account for about 5% of GDP and about 12% of total U.S. employment. On the world front, the U.S. is a dominant force with more exports of wheat, corn, soybeans, sorghum, and cotton than any other nation. U.S. agriculture is the only sector in the U.S. economy with a trade surplus.

U.S. agriculture has been openly criticized by international organizations and eminent academicians for its subsidies and protection programs. The news media have linked low farm incomes in the developing world to the subsidies and protection given by the U.S. and other industrialized countries to their farming sectors. As a result, an impression has been created that agricultural subsidies and protection are confined to the U.S. and other developed/industrialized nations.

This study refutes these perceptions by presenting information on agricultural subsidies and protection currently applied to seven major crops–corn, cotton, rice, sorghum, soybeans, sugar, and wheat–by a group of 21 countries representing both developing and developed nations. Overall, the study concludes that agriculture has a special status in both developed and developing countries with a wide variety of subsidy and protection instruments in place. Developed countries certainly subsidize and protect their agricultural sectors. But at the same time, developing countries are equally, if not more, prone to protect their agriculture sectors.

Specifically, we find that:

- All countries, both industrialized and developing, support their agriculture sectors, but use vastly divergent policy tools and combinations of tools. Most use guaranteed minimum prices and import tariffs to protect domestic producers.

- Industrialized country governments are moving from price supports toward decoupled direct income payments.

- Developing countries supplement their price support programs with input subsidies, which are excluded from calculations of the Aggregate Measure of Support (AMS) by the World Trade Organization (WTO), but are nonetheless trade distorting.

- Developing countries' tariff protection is higher than that of industrialized countries.

- The use of sanitary and phytosanitary (SPS) measures to restrict imports are more frequent among developing countries than in developed countries.

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INTRODUCTION

Free competitive markets provide economic efficiency through the allocation of goods and resources within and between countries. Problems with some markets, however, arise from three sources: (1) some markets are not structurally competitive (e.g., monopolies or oligopolies), (2) some goods/services are common property or have externalities associated with them, so that there is no market available for allocation, and (3) societies/governments have goals other than market efficiency. Any of these reasons may provide rationale for interfering with markets.

Virtually all countries, through their governments, interfere with the markets for agricultural products through a public policy framework. The amount and types of interference vary greatly among countries and the tools used to "manage" them include trade protection, input and product subsidies, and a wide variety of price and income support programs. Reasons for this interference include concerns over the inherent price instability in many agricultural markets (arising from the price inelasticity of supply and demand and the impacts of variable weather on supply), national security, environmental quality, and the priority to achieve safe, reliable, low-cost food for urban populations.

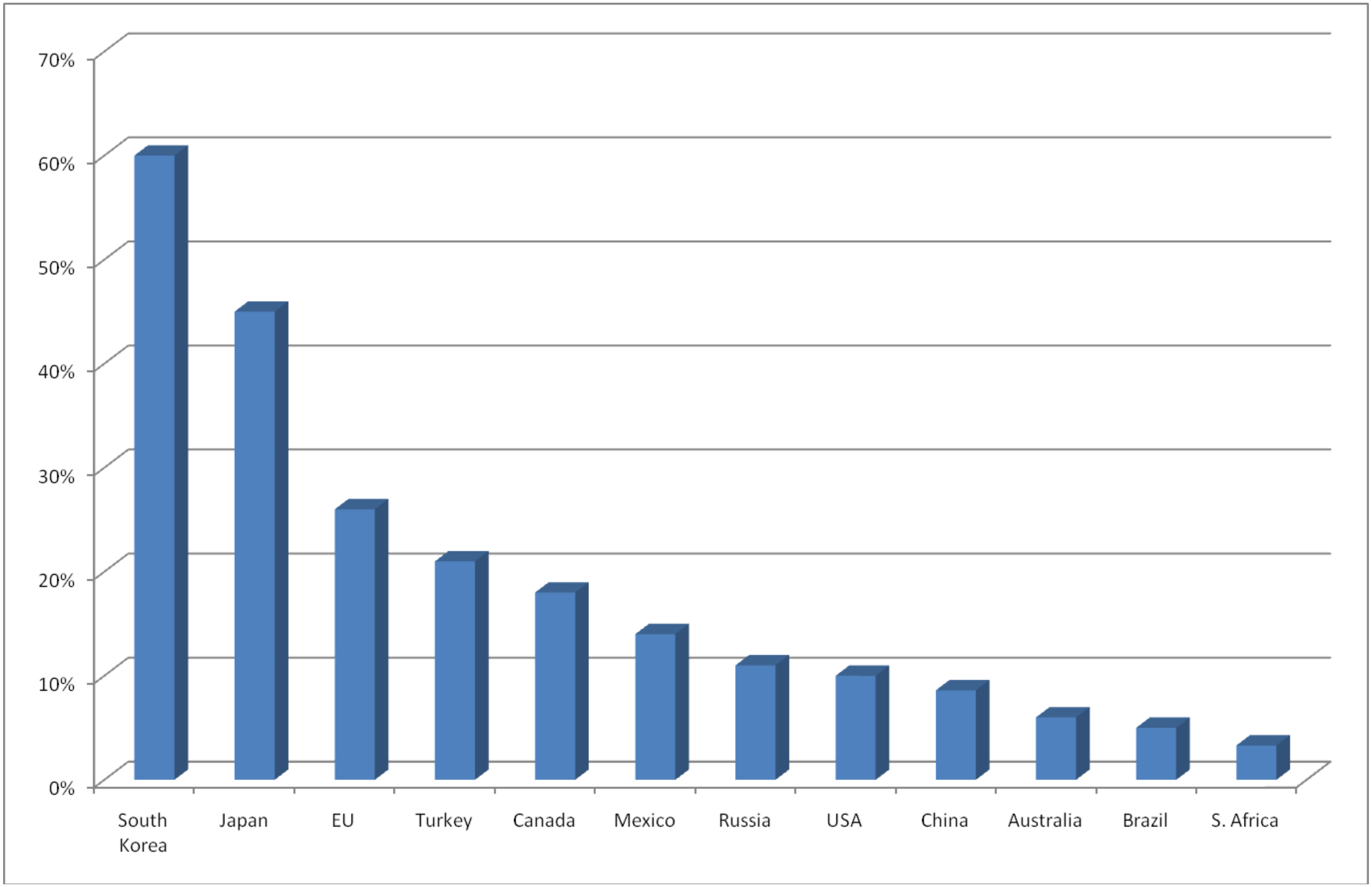
Many of these programs share the common goal of raising farm incomes either by increasing farm revenues or by reducing production expenses. One widely used measure of the extent of public transfers to producers is the Producer Support Estimate (%PSE)[1]. There are large differences in the level of support and protection for agriculture across countries and commodities as measured by the %PSE, ranging from 60% in South Korea to 3.3% in South Africa (Figure 1).

The large difference in the extent of protection is also evident in a simple comparison of tariff rates across countries. As shown in Figure 2, average unweighted applied import tariffs for agriculture in 2007 were as low as 1% for Australia and as high as 66% for Egypt. The range of protection is even broader in a comparison of World Trade Organization (WTO) sanctioned bound tariff rates (see Figure 3)[2].

The objective of this report is to provide an accurate, comprehensive summary of the policy tools and approaches (price and income support, production subsidies, import and export controls, and payments) used by a group of countries that are important to U.S. agricultural interests either as direct competitors or major trading partners. We focus on seven commodities: corn, cotton, rice, sorghum, soybeans, sugar, and wheat.

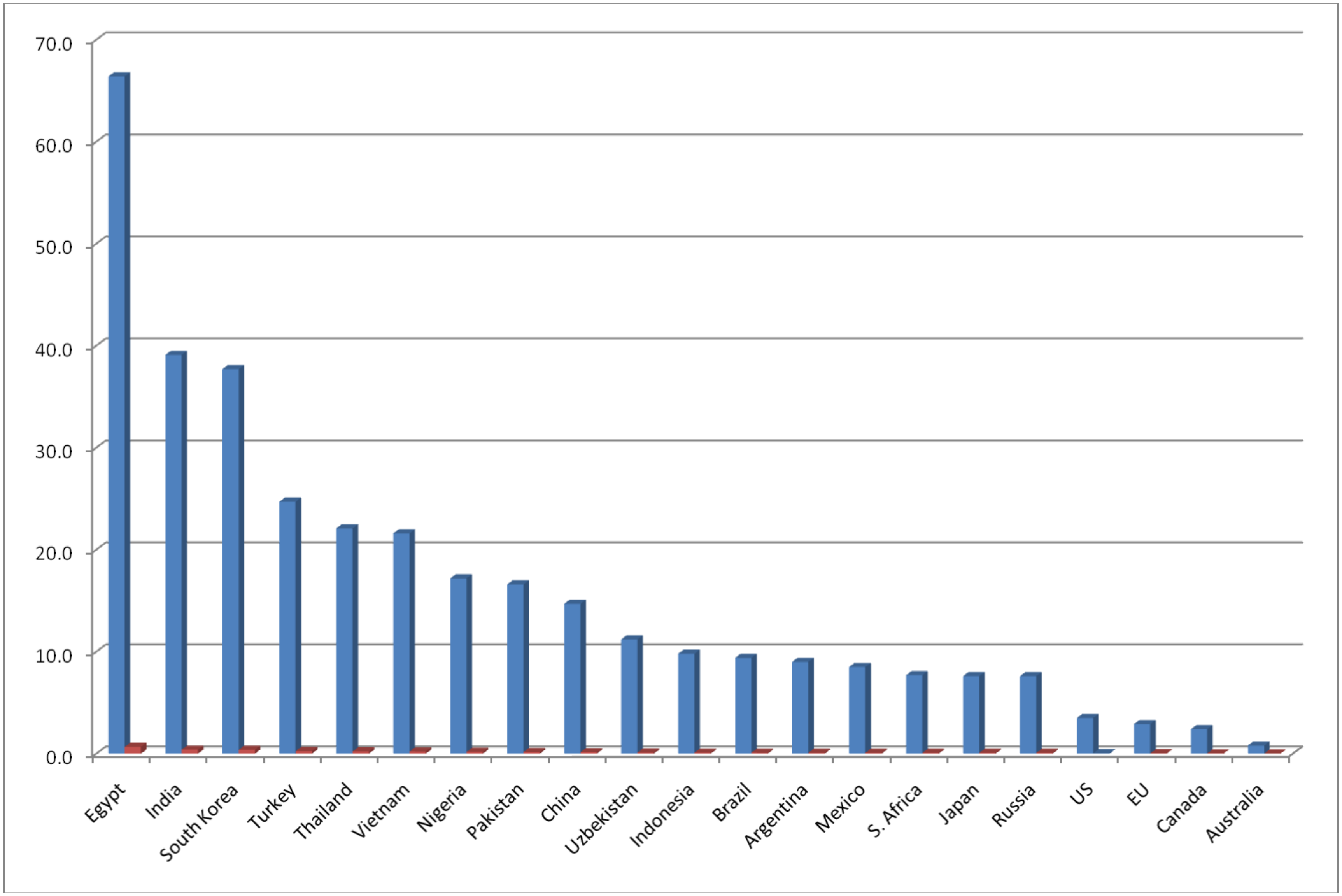
[1] % PSE measures the monetary value of all public support to producers (derived from such policies as trade barriers, price supports, commodity programs, commodity specific input subsidies, tax exemptions, etc.) as a percentage of farm receipts.
[2] The bound rates are the maximum tariff rates notified by a specific country to the World Trade Organization (WTO). It implies that a country has committed to WTO not to raise tariff rates above their notified rates.

Figure 1. 2007 Producer Support Estimate (%PSE), Select Countries



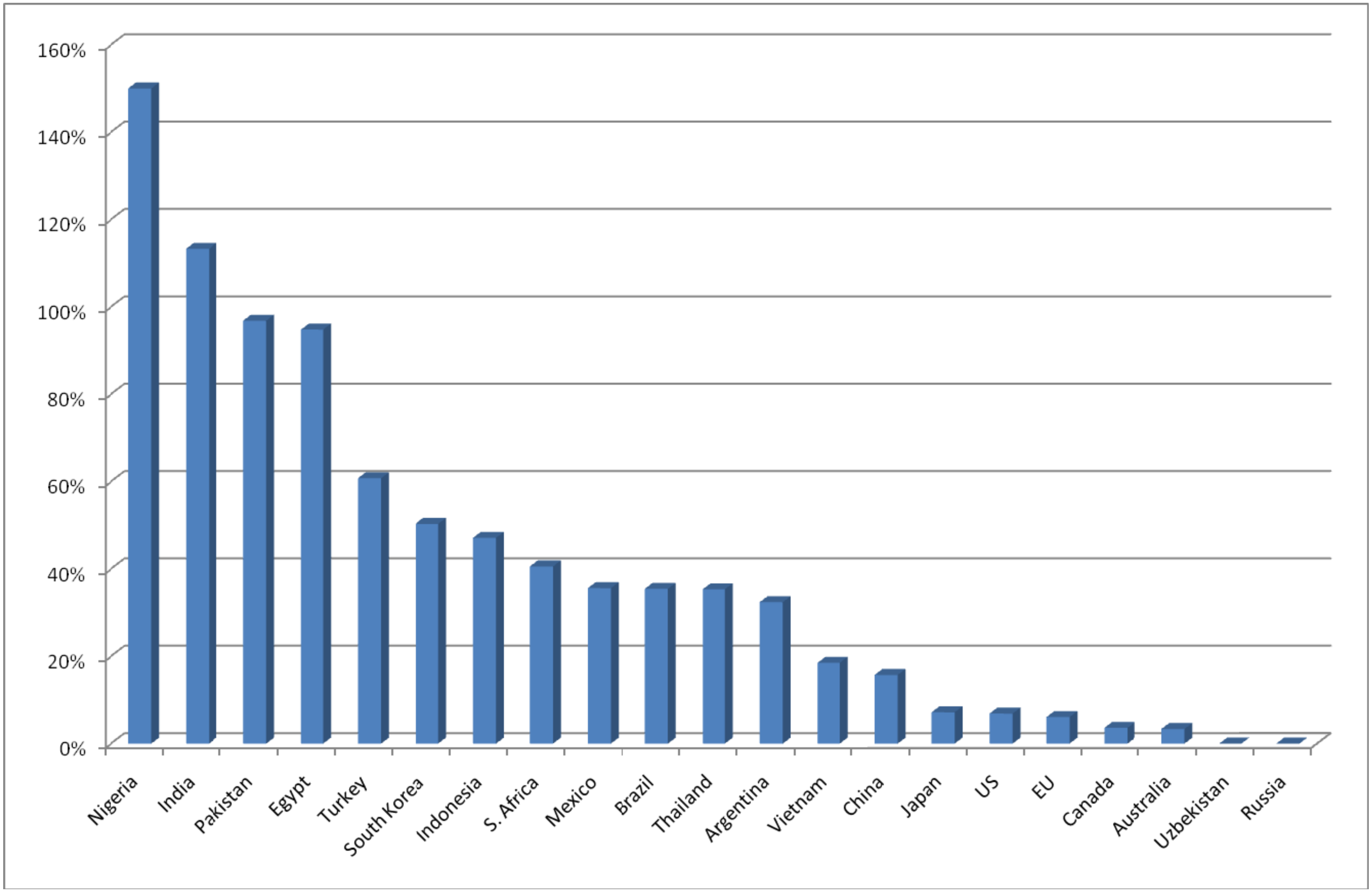
Source: OECD Database, 2008

Figure 2. Average Applied Agricultural Tariffs, Select Countries



Source: OECD Database, 2008

Figure 3. Average Bound Agricultural Tariffs, Select Countries



Source: OECD Database, 2008

CROP SUBSIDY TABLES

The summary tables for the seven crops (corn, cotton, rice, sorghum, soybeans, sugar, and wheat) are comprised of three sections. The first two, direct support instruments and indirect support instruments, detail some of the ways governments intervene in the agricultural sector. The third section provides production, consumption, and trade shares of each of the countries under consideration. These statistics are an average of the most recent three marketing years.

Direct support includes commodity specific price support programs, direct payments to producers that support whole farm income that are not tied to the production of a specific commodity, and supply control programs aimed at controlling crop production. Import tariffs are further defined into single rate tariffs and two-tier tariffs (tariff rate quota). Major categories of input subsidies are included but not limited to those for fertilizer, irrigation, seed, and electricity and fuel.

Indirect support includes programs or industry structures that impact terms of trade but not necessarily in ways directly linked to producers. State trading refers to state supported single desk commodity trading. Sanitary import controls refer not to whether a nation has a policy to limit the importation of goods under sanitary and phytosanitary (SPS) guidelines, but refers to whether trade in a given commodity to that country is currently restricted due to SPS measures. Long-term investment assistance refers to governmental support given to ancillary industries (e.g., fuel ethanol). Credit subsidies may be a form of input subsidy if they are provided for production agriculture, but they also include credit to support marketing activities by both producers and downstream processors and traders. Transportation and storage subsidies refer to assistance provided to the agricultural industry to manage and subsidize the shipment and handling of commodities as they enter the marketing channel.

Each marker in the crop tables is referenced in the country descriptions that follow in the next section. However, some policy tools have not been reported in the tables. Support for research and development, for example, has not been included because such support is either used in some degree by all countries, is sporadic in application, and/or cannot be separated by commodity. The same holds true for investments that improve a nation's infrastructure.

CORN

	Argentina	Australia	Brazil	Canada	China	Egypt	EU-27	India	Indonesia	Japan
Direct										
Support Price			X				X	X		
Direct Payments				X	X		X			
Import Quota										
Import Tariff		X	X	X	X	X	X	X	X	
Single		√	√	√		√			√	
Two-Tier (TRQ)					√		√	√		
Export Subsidies					X		X			
Export Taxes	X									
Input Subsidies					X	X		X	X	
Fertilizer					√			√		
Irrigation					√	√		√		
Seed					√			√	√	
Electricity/Fuel					√	√		√		
Indirect										
State Trading					X					
Sanitary Import Controls			X							
Long-Term Investment Assistance				X	X		X	X		
Credit Subsidies			X		X	X		X		
Transport/Storage Subsidies			X		X			X		
Statistics (2006/07 - 2008/09)										
Share of World Production (%)	3	<1	7	1	21	<1	7	2	<1	<1
Share of World Consumption (%)	<1	<1	6	2	20	1	8	2	1	2
Export Market Share (%)	14	<1	11	<1	2	<1	1	1	<1	<1
Import Market Share (%)	<1	<1	<1	3	<1	5	8	<1	<1	19

CORN

	Mexico	Nigeria	Pakistan	Russia	South Africa	South Korea	Thailand	Turkey	Uzbekistan	Vietnam	WAC
Direct											
Support Price	X						X	X		X	
Direct Payments	X										
Import Quota		X									
Import Tariff	X				X	X		X		X	
Single					√			√		√	
Two-Tier (TRQ)	√					√					
Export Subsidies											
Export Taxes											
Input Subsidies	X		X	X				X		X	
Fertilizer			√					√		√	
Irrigation			√							√	
Seed			√	√						√	
Electricity/Fuel	√		√	√				√			
Indirect											
State Trading											
Sanitary Import Controls				X	X						
Long-Term Investment Assistance											
Credit Subsidies			X								
Transport/Storage Subsidies	X		X								
Statistics (2006/07 - 2008/09)											
Share of World Production (%)	3	<1	<1	<1	1	<1	<1	<1	<1	<1	<1
Share of World Consumption (%)	4	<1	<1	<1	1	1	<1	<1	<1	<1	<1
Export Market Share (%)	<1	<1	<1	<1	2	<1	<1	<1	<1	<1	<1
Import Market Share (%)	10	<1	<1	<1	<1	9	<1	<1	<1	<1	<1

COTTON

	Argentina	Australia	Brazil	Canada	China	Egypt	EU-25	India	Indonesia	Japan
Direct										
Support Price	X		X			X	X	X		
Direct Payments					X	X	X			
Supply Control										
Import Quota										
Import Tariff	X	X	X		X			X		
Single	√	√	√					√		
Two-Tier (TRQ)					√					
Export Subsidies	X									
Export Tax	X									
Input Subsidies	X				X	X		X		
Fertilizer					√			√		
Irrigation					√	√		√		
Seed	√				√	√		√		
Electricity/Fuel	√				√	√		√		
Indirect										
State Trading					X				X	
State Ownership										
Sanitary Import Controls						X				
Long-Term Investment Assistance					X		X	X		
Credit Subsidies			X		X	X		X		
Transport/Storage Subsidies			X		X			X		
Statistics (2006/07 - 2008/09)										
Share of World Production (%)	<1	<1	6	<1	31	<1	<1	20	<1	<1
Share of World Consumption (%)	<1	<1	4	<1	40	<1	<1	15	2	<1
Export Market Share (%)	<1	4	6	<1	<1	1	<1	14	<1	<1
Import Market Share (%)	<1	<1	<1	<1	27	1	<1	1	6	2

COTTON

	Mexico	Nigeria	Pakistan	Russia	South Africa	South Korea	Thailand	Turkey	Uzbekistan	Vietnam	WAC
Direct											
Support Price	X		X					X		X	X
Direct Payments	X										X
Supply Control									X		
Import Tariff											
Support Price		X	X			X					
Single		√	√								
Two-Tier (TRQ)						√					
Export Subsidies		X									
Export Tax											X
Input Subsidies	X		X					X	X		
Fertilizer			√					√	√		
Irrigation			√						√		
Seed			√						√		
Electricity/Fuel	√		√					√			
Indirect											
State Trading			X						X		
State Ownership									X		
Sanitary Import Controls											
Long-Term Investment Assistance											
Credit Subsidies			X						X		
Transport/Storage Subsidies			X								
Statistics (2006/07 - 2008/09)											
Share of World Production (%)	<1	<1	8	<1	<1	<1	<1	3	5	<1	2
Share of World Consumption (%)	2	<1	10	1	<1	<1	2	5	<1	<1	<1
Export Market Share (%)	<1	<1	<1	<1	<1	<1	<1	<1	12	<1	6
Import Market Share (%)	4	<1	9	3	<1	3	6	9	<1	3	<1

RICE

	Argentina	Australia	Brazil	Canada	China	Egypt	EU-25	India	Indonesia	Japan
Direct										
Support Price			X		X		X	X	X	
Direct Payments					X		X			X
Import Quota									X	
Import Tariff		X	X	X	X	X	X	X		X
Single		√	√	√		√		√		
Two-Tier (TRQ)					√		√			√
Export Subsidies					X		X			
Export Tax	X									
Input Subsidies					X	X		X	X	
Fertilizer					√			√	√	
Irrigation					√	√		√		
Seed					√			√	√	
Electricity/Fuel					√			√		
Indirect										
State Trading					X					
Sanitary Import Controls									X	
Long-Term Investment Assistance										
Credit Subsidies			X		X	X		X		
Transport/Storage Subsidies			X		X			X		
Statistics (2006/07 - 2008/09)										
Share of World Production (%)	<1	<1	2	<1	30	1	<1	22	8	2
Share of World Consumption (%)	<1	<1	2	<1	30	<1	<1	21	9	2
Export Market Share (%)	2	<1	1	<1	4	3	<1	13	<1	<1
Import Market Share (%)	<1	<1	2	1	1	<1	5	<1	4	2

RICE

	Mexico	Nigeria	Pakistan	Russia	South Africa	South Korea	Thailand	Turkey	Uzbekistan	Vietnam	WAC
Direct											
Support Price	X		X			X	X	X		X	
Direct Payments	X					X					
Import Quota											
Import Tariff		X	X	X		X		X			X
Single		√	√	√							
Two-Tier (TRQ)						√		√			√
Export Subsidies										X	
Export Taxes											
Input Subsidies	X	X	X	X			X			X	X
Fertilizer		√	√				√			√	
Irrigation			√							√	√
Seed		√	√	√			√			√	
Electricity/Fuel	√		√	√							
Indirect											
State Trading			X				X			X	
Sanitary Import Controls				X							X
Long-Term Investment Assistance			X								
Credit Subsidies			X				X			X	
Transport/Storage Subsidies							X				
Statistics (2006/07 - 2008/09)											
Share of World Production (%)	<1	<1	1	<1	<1	1	4	<1	<1	5	<1
Share of World Consumption (%)	<1	1	<1	<1	<1	1	2	<1	<1	4	<1
Export Market Share (%)	<1	<1	11	<1	<1	<1	31	<1	<1	16	<1
Import Market Share (%)	2	6	<1	<1	3	<1	<1	<1	<1	1	1

SORGHUM

	Argentina	Australia	Brazil	Canada	China	Egypt	EU-25	India	Indonesia	Japan
Direct										
Support Price			X				X	X		
Direct Payments				X	X		X			
Import Quota										
Import Tariff		X				X	X			
Single		√				√	√			
Two-Tier (TRQ)										
Export Subsidies										
Export Taxes	X									
Input Subsidies								X		
Fertilizer								√		
Irrigation								√		
Seed								√		
Electricity/Fuel								√		
Indirect										
State Trading										
Sanitary Import Controls										
Long-Term Investment Assistance										
Credit Subsidies			X					X		
Transport/Storage Subsidies			X					X		
Statistics (2006/07 - 2008/09)										
Share of World Production (%)	6	4	3	<1	3	1	<1	12	<1	<1
Share of World Consumption (%)	4	3	3	<1	3	1	5	12	<1	2
Export Market Share (%)	16	7	2	<1	3	<1	<1	<1	<1	<1
Import Market Share (%)	<1	<1	<1	<1	<1	<1	29	<1	<1	22

SORGHUM

	Mexico	Nigeria	Pakistan	Russia	South Africa	South Korea	Thailand	Turkey	Uzbekistan	Vietnam	WAC
Direct											
Support Price	X										
Direct Payments	X										
Import Quota		X									
Import Tariff					X			X			
Single					√			√			
Two-Tier (TRQ)											
Export Subsidies											
Export Taxes											
Input Subsidies	X			X							
Fertilizer											
Irrigation											
Seed				√							
Electricity/Fuel	√			√							
Indirect											
State Trading											
Sanitary Import Controls											
Long-Term Investment Assistance											
Credit Subsidies											
Transport/Storage Subsidies											
Statistics (2006/07 - 2008/09)											
Share of World Production (%)	10	17	<1	<1	<1	<1	<1	<1	<1	<1	3
Share of World Consumption (%)	13	17	<1	<1	<1	<1	<1	<1	<1	<1	3
Export Market Share (%)	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1
Import Market Share (%)	33	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1

SOYBEANS

	Argentina	Australia	Brazil	Canada	China	Egypt	EU-25	India	Indonesia	Japan
Direct										
Support Price			X					X		
Direct Payments				X	X		X			X
Import Quota										
Import Tariff		X	X		X	X		X	X	
Single		√	√		√	√		√	√	
Two-Tier (TRQ)										
Export Subsidies										
Export Tax	X									
Input Subsidies					X	X		X		
Fertilizer					√			√		
Irrigation					√	√		√		
Seed					√			√		
Electricity/Fuel					√			√		
Indirect										
State Trading					X					
Sanitary Import Controls								X		
Long-Term Investment Assistance				X			X			
Credit Subsidies			X		X	X		X		
Transport/Storage Subsidies			X		X			X		
Statistics (2006/07 - 2008/09)										
Share of World Production (%)	20	<1	26	<1	7	<1	<1	4	<1	<1
Share of World Consumption (%)	15	<1	15	<1	22	<1	7	4	<1	2
Export Market Share (%)	16	<1	33	2	<1	<1	<1	<1	<1	<1
Import Market Share (%)	3	<1	<1	<1	46	2	20	<1	2	5

SOYBEANS

	Mexico	Nigeria	Pakistan	Russia	South Africa	South Korea	Thailand	Turkey	Uzbekistan	Vietnam	WAC
Direct											
Support Price	X						X	X			
Direct Payments	X										
Import Quota											
Import Tariff		X	X		X	X	X	X	X	X	X
Single		√	√		√			√	√	√	√
Two-Tier (TRQ)						√	√				
Export Subsidies											
Export Taxes											
Input Subsidies	X			X				X			
Fertilizer								√			
Irrigation											
Seed				√							
Electricity/Fuel	√			√				√			
Indirect											
State Trading											
Sanitary Import Controls				X							
Long-Term Investment Assistance											
Credit Subsidies											
Transport/Storage Subsidies											
Statistics (2006/07 - 2008/09)											
Share of World Production (%)	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1
Share of World Consumption (%)	2	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1
Export Market Share (%)	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1
Import Market Share (%)	5	<1	<1	<1	<1	2	2	2	<1	<1	<1

SUGAR

	Argentina	Australia	Brazil	Canada	China	Egypt	EU-25	India	Indonesia	Japan
Direct										
Support Price					X	X	X	X	X	X
Direct Payments				X	X		X			
Supply Control							X			
Import Quota									X	
Import Tariff		X	X	X	X	X	X	X		
Single		√	√	√		√		√		
Two-Tier (TRQ)					√		√			
Export Subsidies							X			
Export Taxes										
Input Subsidies					X	X		X		
Fertilizer					√			√		
Irrigation					√	√		√		
Seed					√			√		
Electricity/Fuel					√			√		
Indirect										
State Trading					X					
Sanitary Import Controls										
Long-Term Investment Assistance			X					X		
Credit Subsidies			X		X			X		
Transport/Storage Subsidies			X		X			X		
Statistics (2006/07 - 2008/09)										
Share of World Production (%)	1	3	20	<1	10	<1	7	14	1	<1
Share of World Consumption (%)	1	<1	8	<1	10	2	8	16	3	1
Export Market Share (%)	<1	8	42	<1	<1	<1	2	<1	<1	<1
Import Market Share (%)	<1	<1	<1	3	1	2	6	2	4	3

SUGAR

	Mexico	Nigeria	Pakistan	Russia	South Africa	South Korea	Thailand	Turkey	Uzbekistan	Vietnam	WAC
Direct											
Support Price	X		X				X	X			
Direct Payments											
Supply Control								X			
Import Quota											
Import Tariff	X	X	X	X	X	X	X	X			X
Single		√	√		√	√		√			√
Two-Tier (TRQ)	√			√			√				
Export Subsidies											
Export Taxes											
Input Subsidies	X		X	X						X	
Fertilizer			√							√	
Irrigation			√							√	
Seed			√	√						√	
Electricity/Fuel	√		√	√							
Indirect											
State Trading			X		X						
Sanitary Import Controls		X									
Long-Term Investment Assistance			X				X				
Credit Subsidies	X		X							X	
Transport/Storage Subsidies			X								
Statistics (2006/07 - 2008/09)											
Share of World Production (%)	4	<1	2	2	1	<1	5	1	<1	<1	<1
Share of World Consumption (%)	3	<1	3	4	1	<1	1	1	<1	<1	<1
Export Market Share (%)	1	<1	<1	<1	2	<1	11	<1	<1	<1	<1
Import Market Share (%)	<1	3	1	7	<1	3	<1	1	<1	<1	<1

WHEAT

	Argentina	Australia	Brazil	Canada	China	Egypt	EU-25	India	Indonesia	Japan
Direct										
Support Price			X		X	X	X	X		
Direct Payments				X	X		X			X
Supply Control										
Import Quota										
Import Tariff			X	X	X	X	X	X	X	X
Single			√			√		√	√	
Two-Tier (TRQ)				√	√		√			√
Export Subsidies			X		X		X			
Export Taxes	X									
Input Subsidies					X	X		X		
Fertilizer					√			√		
Irrigation					√	√		√		
Seed					√			√		`
Electricity/Fuel					√			√		
Indirect										
State Trading		X		X	X			X		X
State Ownership										
Sanitary Import Controls			X							
Long-Term Investment Assistance				X						
Credit Subsidies			X		X			X		
Transport/Storage Subsidies			X		X			X		
Statistics (2006/07 - 2008/09)										
Share of World Production (%)	2	2	<1	4	18	1	21	12	<1	<1
Share of World Consumption (%)	<1	1	2	1	17	3	20	12	<1	<1
Export Market Share (%)	7	8	<1	16	2	<1	13	<1	<1	<1
Import Market Share (%)	<1	<1	6	<1	<1	7	5	3	5	5

WHEAT

	Mexico	Nigeria	Pakistan	Russia	South Africa	South Korea	Thailand	Turkey	Uzbekistan	Vietnam	WAC
Direct											
Support Price	X		X	X				X			
Direct Payments	X										
Supply Control									X		
Import Quota								X			
Import Tariff		X		X	X	X					X
Single		√		√	√						√
Two-Tier (TRQ)						√					
Export Subsidies											
Export Taxes											
Input Subsidies	X		X	X				X			
Fertilizer			√					√			
Irrigation			√								
Seed			√	√							
Electricity/Fuel	√		√	√				√			
Indirect											
State Trading			X						X		
State Ownership									X		
Sanitary Import Controls											
Long-Term Investment Assistance				X							
Credit Subsidies			X								
Transport/Storage Subsidies			X								
Statistics (2006/07 - 2008/09)											
Share of World Production (%)	<1	<1	4	8	<1	<1	<1	3	<1	<1	<1
Share of World Consumption (%)	<1	<1	4	6	<1	<1	<1	3	1	<1	<1
Export Market Share (%)	<1	<1	1	11	<1	<1	<1	2	<1	<1	<1
Import Market Share (%)	3	3	1	<1	1	3	<1	2	<1	<1	<1

COUNTRY SUMMARIES

Following is a country by country description for each marker in the crop tables. In most cases we also provide a brief overview of the general policies each nation uses in supporting its agricultural sector. The primary focus of this report is on agricultural support mechanisms. Generally these serve to boost farm income through higher incomes or reduced costs.

All foreign currencies have been converted to U.S. dollars ($). We also convert support prices for sugar cane into their raw sugar equivalent using Commercial Cane Sugar content (CCS) of 13%.

Careful consideration should be given when comparing seed cotton support prices to cotton support expressed in pounds of cotton lint. In cases where cotton price supports were reported in terms of domestic price per unit of seed cotton, we assumed a ginning ratio of 33% and converted the support to dollars per pound of lint. However, when comparing lint equivalent support prices between countries, it is important to note differences in cotton production and marketing systems. In countries that offer price support payments or a guaranteed price on a seed cotton basis (e.g., the West African countries), producers do not incur ginning costs or receive cottonseed revenue. In other cases where producers are guaranteed a minimum price on cotton lint (e.g., the U.S.), producers bear the cost of cotton ginning and sell their own seed. Using U.S. average production costs and returns, ginning charges less cottonseed revenue add about $0.05/lb of lint to the cost of producing cotton in the United States that producers in other nations may not have to bear[3]. Therefore, a simple comparison of lint equivalent prices may not reveal the actual level of net governmental support for cotton producers. Accurate comparisons must account for differences in production costs producers must pay as well as the prices received.

[3] For 2005, ginning cost was $103.01/ac, cottonseed revenue was $64.53/ac, and the total gross value of cotton production (excluding government payments) was $456.69/ac. Calculations were made using the national average cotton yield in 2005 of 817 pounds of lint/ac (NCC, 2007).

ARGENTINA

Historically, the agricultural sector in Argentina has received little direct government support. Policies in the export-oriented agricultural sector were shaped by an unstable macroeconomic environment, trade restrictions on agricultural inputs and outputs, and government policies favoring industrial development and cheap supply of food to urban consumers. In 1990, Argentina enacted economic reforms that began to stabilize the economy and created an environment more favorable to agricultural investment, production, and exports. However, the government still collects export taxes on grains, cotton, and other agricultural products, dependent on their level of processing.

Corn and Wheat

- The export tax for corn was 20%, and 23% for wheat as of December 30, 2008. The new export tax on wheat flour and wheat sub-products is 15%.
- On December 31, 2008, the Argentinian government released the “Corn-Plus” program which creates incentives for higher corn production. In this Plan, when historical production averages are exceeded -- 15 million tons -- export taxes decrease by one percentage point for large producers (those producing over 5,000 tons of corn), two percentage points for medium-size producers (between 1,000 and 5,000 tons), and five percentage points for small producers (up to 1,000 tons of corn), for each additional million tons produced.
- Under a similar plan, called the “Wheat-Plus” program, export taxes for wheat decrease by one percentage point for large producers (over 2,500 tons in production), two percentage points for medium-size producers (between 500-2,500 tons),, and five percentage points for small producers (up to 500 tons), per each additional million tons produced when historical production averages are exceeded (13 million tons).
- On February 11, 2009 ONCC authorized the approval of export licenses for 6,050,400 MT of corn and 520,056 MT of wheat.

Cotton

- 5% export tax for cotton.
- Producers with 5 to 20 ha (12 to 50 ac) of cotton receive some support from the provincial or county governments.
  - Seed, fuel, or mechanical labor is supplied; repayment requirements are normally forgiven.

    - Some provincial governments purchase raw cotton from small producers at higher than market prices, thus establishing a minimum price.
- The import tariff for cotton from non-MERCOSUR (Southern Common Markets) countries is 6%.

Rice

- The export tax on rice is 10%.

Soybeans

- Over 95% of Argentina's soybean production is exported, either as beans, oil, or meal.
- Soybeans are assessed a 35% export tax.

AUSTRALIA

Australia removed most forms of commodity-specific agricultural assistance in the mid-1980s, retaining primarily safety net programs to assist producers in times of financial difficulty. Australia does not use longer term income support payments.

Research and development corporations (RDCs) and companies are rural research funding agencies that support innovation to achieve efficiency and productivity, quality products, and resource sustainability of Australia's agricultural, fish, and forestry industries. The government collects industry levies for research and development and matches them for appropriations to industry corporations and companies.

In December 2008, the Australian government invested A$40 million ($25 million) to support the growth of innovative food and seafood industries. The three main programs include: (1) the Regional Food Producers Innovation and Productivity Program (a four year, A$35 million ($22 million) program to boost the productivity and competitiveness of Australia's regional food and seafood industries through innovation and technology improvements); (2) the Promoting Australian Produce program (a three-year, A$5 million ($3.3 million) program to assist Australian food industries develop their capacity to market Australian produce domestically and internationally); and (3) the Promoting Australian Produce (Major Events) program (A$3 million ($1.9 million) to improve collaboration and cooperation in food and fiber industries by supporting events that facilitate information exchange across the production, manufacturing, marketing and distribution chain).

Corn and Sorghum

- The Australian corn and sorghum industries have historically played a minor role in the overall grain market. However, demand from intensive livestock industries has prompted growth in these sectors.
- WTO bound import tariff levels: sorghum−1%, corn−1%.

Cotton

- The Australian cotton industry relies heavily on exports, with over 90% of production sold on the world market.
- WTO bound import tariff level: cotton, carded−1.5%.

- The Western Australia State Government has lifted the moratorium on the commercial production of GM cotton at the Ord River Irrigation Area in the North. More than 90% of Australia's cotton production is already GM.
- Cotton has benefited from the recent sharp devaluation of the Australian dollar.

Rice

- Through an agency agreement with the Rice Marketing Board, Rice Growers' Co-operative Limited (RCL) receives, stores, processes, and markets 99% of Australian rice production. RCL exports about 85% of rice to over 70 destinations, while the domestic market receives the remaining 15%.
- WTO bound import tariff level: unmilled−1%, milled−1%.

Soybeans

- Soybeans are produced in small quantities in Australia. Approximately 70 to 75 kilotonnes (2.6 to 2.8 million bu) are produced annually.
- WTO bound tariff level for soybeans is 1%.

Sugar

- Raw sugar is consistently one of Australia's leading farm export commodities, exporting around 80% of total production.
- In 2006, the Queensland state government ended statutory single desk selling of sugar by Queensland Sugar Ltd (QSL) to allow contractually-based selling. The majority of mills have negotiated contracts with QSL, but at least one has opted out and is now exporting its own sugar.
- In 2002, the Government of Australia provided A$444 million (about $241 million) of assistance over a multi-year period.
- WTO bound import tariff level: raw sugar—13.9%, refined sugar—10.0%.

Wheat

- Wheat is the major crop in Australia, with production of about10.8 million metric tons.
- The Australian Wheat Board (AWB) has the power to acquire all wheat produced in Australia for marketing within Australia and overseas. However, trading improprieties by the AWB are resulting in changes being made to the single desk authority. The veto power AWB holds over Australian wheat exports has been transferred to the Minister of Agriculture.
- Under the Wheat Export Technical Market Support Grants Program, A$600,000 ($400,000) would be allocated over three years to assist Australian companies that

are new to marketing and exporting wheat. Funding of up to A$200,000 ($130,000) per year would be available for 2008-09. The program is funded as part of the Government's A$9.7 million ($6.5 million) transitional assistance package following the introduction of a new bulk wheat export marketing system in 2008.

BRAZIL

The removal of taxes, tariffs, and other trade restrictions in the early 1990s fueled rapid growth in the Brazilian agricultural sector. Agriculture and allied industries accounts for 40% of Brazilian total exports and virtually all of a $34 billion trade surplus. Much of Brazil's support is in the form of subsidized credit.

Apart from subsidized credit, there are other government programs that support agriculture. The *Premio para Escoamento do Produto* (PEP) program provides a premium for commercial buyers of agricultural commodities that allow such buyers to then sell the products at a lower price. The PEP program has been used to lower the cost of internal transportation of cotton and as an export subsidy for Brazilian wheat. Commercial buyers purchase wheat from producers at the minimum price and receive government subsidies to be able to sell wheat on the world market at a lower price. In addition, the *Aquisicao do Governo Federal* (AGF) program allows the government to acquire agricultural products at the minimum price when the market price is below the minimum; it allows the government to acquire products at market prices to build strategic stocks. Also, the *Premio Equalizador Pago ao Produtor* (PEPRO) program grants a premium to the farmer or cooperative which sells its products at public auction, where the government pays the difference between the Reference Value established by the government and the value of the premium (maximum value paid by the government as guarantee of the Reference Value). Furthermore, the *Premio de Risco para Acquisicao de Produto Agricola Oriundo de Contrato Privado de Opcao de Venda* (PROP) is a subsidy program granted in the form of a public auction for the consumer to acquire, at a future date, a determined product directly from the producer at a pre-fixed rate, utilizing a private contract for the option to sell.

Brazil is also the world leader in biofuel production and exports. The central component of Brazil's ethanol policy is a mandate that requires a 20-25% ethanol blend in gasoline. Other governmental policies that support the ethanol industry are storage credits to millers, preferential tax treatment, and ethanol import restrictions. In 2005, a biodiesel mandate was established that provided financing and tax incentives for biodiesel production as well.

Corn and Sorghum

- Corn is the most important grain crop grown in Brazil. Demand is driven mostly by an expanding domestic livestock industry.
- Basic minimum price for corn ranges from R$11.00/60kg to R$16.00/60kg ($2.17/bu to $3.16/bu).
- Basic minimum price for sorghum ranges from R$9.80/60kg to R$11.20/60kg ($1.93/bu to $2.21/bu).
- WTO bound import tariff for corn is 48.3%.

Cotton

- Brazil has become a major exporter of cotton, ranking 5th in world cotton exports, which accounts for about 40% of production.
- Basic minimum support price for cotton lint is R$44.60/15 kg ($0.7976/lb).
- WTO bound import tariff for cotton is 35%.
- The Brazilian government (GOB) purchases and sells cotton as part of its effort to control prices. When prices were low in the second half of 2005, the government purchased 4,500 mt of cotton, increasing government stocks to the highest level in two years (but still well below the March 1987 high of 166.5 million tons). In 2007, when prices rose above the minimum guaranteed price, the GOB sold nearly 2/3 of its stocks and purchased only about 1,000 mt of cotton later in the year.

Rice

- Producer support estimates for rice are higher than any other agricultural product in Brazil.
- Basic minimum support price for long rice ranges from R$10.12/60 kg to R$20.70/60kg ($3.57/cwt to $7.30/cwt).
- WTO bound import tariff for rice is 55%.

Soybeans

- Brazil is the world's second largest producer of soybeans and rivals the United States as the world's leading exporter.
- In the south of Brazil, where 38% percent of the soybean area is located, producers are eligible for federal subsidized loans.
- Basic minimum support price for soybeans ranges from R$13/60kg to R$14/60kg ($2.78 to $2.99/bu).
- Brazil's import tariff on soybeans of 8% is consistent with MERCOSUR's Common External Tariff schedule (MERCOSUR is a trading block of South American countries that includes Argentina, Brazil, Paraguay, Uruguay, and Venezuela).
- Brazil uses emergency assistance; in 2007 R$14 billion (about $6 billion) of emergency assistance was provided to soybean producers--R$5.7 billion ($2.5 billion) for marketing support; R$7.2 billion ($3.2 billion) in rollover debt restructuring; and R$1 billion ($0.4 billion) in price support.

Sugar

- Brazil is the world's leading producer of sugarcane, sugar, and ethanol. The government's policy regarding the production and use of ethanol appears to have the greatest impact on the sugar situation.
- WTO bound tariff for raw and refined sugar is 35%.

Wheat

- Brazil is one of the world's leading importers of wheat, with over 95% of imports coming from Argentina.
- Phytosanitary restrictions are used to prevent imports of wheat, specifically from the U.S. and Ukraine.
- Basic minimum support price for wheat ranges from R$330.88/MT to R$426.75/MT ($196/MT to $253/MT).
- WTO bound import tariff for wheat is 55%. The applied rate is 10% for wheat imported from non-MERCOSUR countries. Wheat is traded duty free within MERCOSUR.
- Brazil will need to import as much as 2.0-2.5 million tons in 2009 from outside MERCOSUR. Brazilian millers have requested that the Government of Brazil temporarily eliminate the 10% import tariff and create a quota for non-MERCOSUR wheat to ensure supply and control prices.

CANADA

Since the early 1990s, Canadian agricultural policy has shifted from subsidizing commodity competitiveness to a more market driven approach. The government of Canada uses the Canadian Agricultural Income Stabilization (CAIS) program to offer income support and disaster assistance to producers. CAIS is a whole farm program available to eligible farmers regardless of the commodities they produce. Under this program, producers choose an annual level of protection that guarantees between 70% and 92% of their average historical production margin (the production margin is the difference between allowable income and allowable expenses as defined in the CAIS program). Producers are required to make contributions to their CAIS accounts that correspond to the level of production margin they wish to insure.

The government of Canada requires a minimum of 5% average renewable fuel content in all transport fuel in Canada by 2010. The Ethanol Expansion Program (EEP) provides capital assistance for plant construction and upgrades. A federal excise tax exemption allows for support for research and development and consumer awareness activities. The biofuel mandate is expected to significantly increase demand in Canada for corn and wheat as sources of biomass for ethanol production and demand for soybeans for biodiesel.

In January 2009, Canada's government presented to Parliament its 2009 federal budget which includes a C$40 billion ($32 billion) Economic Action Plan in response to the global recession. The focus of the fiscal stimulus is toward injecting money to build infrastructure and stimulate housing, providing tax cuts to stimulate consumer spending, and implementing measures to ensure the stability of Canada's financial system. The 2009 budget proposed C$550 million ($440 million) in agricultural program spending; C$500 million ($400 million) to support a new, five-year agricultural flexibility program and C$50 million ($40 million) to strengthen slaughter capacity and slaughter plant efficiencies.

Corn

- The WTO bound import tariff on corn is 0.5%.

Rice

- The WTO bound import tariff on milled rice is 0.7%.

Soybeans

- Canadian soybean exporters receive market premiums for offering non-GMO, identity-preserved soybeans to E.U. and Japanese markets.

- Expanding use of soybeans for biodiesel production will likely increase Canadian soybean production and soybean imports from the U.S.

Sugar

- The WTO bound import tariff on raw sugar is 5.2 % and on refined sugar is 5.4%.

Wheat

- The Canadian Wheat Board (CWB) acts as a single desk seller of wheat.
- Canada has a TRQ on wheat imports with an in-quota rate of 0.7% (quota amount of 226,883 MT or about 8 million bu) and an out-of-quota rate of 62.8%. Under the tariff elimination provisions of the North American Free Trade Agreement (NAFTA), most U.S. agricultural products enter Canada duty free.

CHINA

China is the largest producer and consumer of agricultural products in the world. It ranks # 1 in the production of paddy rice, cotton, wheat, pork, vegetables, rapeseed, groundnuts and apples. It is the world's largest consumer of wheat, rice, corn, cotton, pork, oilseeds, and vegetable oils. China is also a major exporter and importer of agricultural products, accounting for more than $60 billion per year.

Historically, China has pursued food security and grain self-sufficiency objectives. The government of China (GOC) has often resisted the implementation of policies that could discourage production of strategic foods. Currently, Chinese food security policy is primarily focused on maintaining self-sufficiency in rice, wheat, corn, and tubers. Soybeans and cotton are no longer part of this group. As part of its Mid-Long_Term National Grain Security Plan (2008-2020), the GOC will maintain its grain self-sufficiency rate at above 95% through 2020.

This grain self-sufficiency objective is implemented using direct payments, seed subsidies, tariff rate quotas, and price support programs (for rice and wheat), subsidies for farm machinery, and subsidies for farm use of fuel and fertilizers. In recent years, these programs have expanded and in 2008 nearly doubled to $15.1 B from $7.6 B in 2007.

Grain Government Support Programs in 2005-2008
(in million $)

	Direct Payment	**Seed Subsidy**	**Machinery Subsidy**	**Fuel/Fertilizer Subsidy**	**Total**
2008	2,221	1,775	588	9,382	15,126
2007	2,221	979	294	4,059	7,553
2006	2,088	603	88	1,838	4,618
2005	1,941	574	44	-	2,559

Note: 2007, 2008 seed subsidy covers soybean, rice, wheat, corn, rapeseed, and cotton.
Exchange rate: 1$=6.8 RMB.
Source: GAIN CH9013

Overall, China provides agricultural support at both the central and local government levels, and in 2007 provided $43.44 billion to support agricultural and rural development.

China does not directly provide export subsidies for corn, rice, and wheat, but offers other programs intended to boost exports. These include subsidies of sales from government held reserves, waivers for transportation taxes, subsidies for port fees, and rebates of the value added tax for corn, rice, and wheat exports. Grains seeds are developed and produced mostly by state-owned and funded research facilities. The distribution of seeds is coordinated by local officials with most grains seeds sold at subsidized prices.

Corn and Sorghum

- Both central and provincial governments subsidize the fuel-ethanol sector. The 2008/09 floor price for corn is $14.7/metric ton.
- China's TRQ in corn has a quota of 7.2 MMT (283 million bu). It requires 60% to be traded by state-owned companies.
- Corn imports require a bio-safety certificate and quarantine permits. To import new commodities, a pest risk assessment is required.
- Sorghum is not considered an important feed grain and has no crop production assistance.

Cotton

- The Agriculture Development Bank of China (ADBC) provides loans with favorable terms to cotton purchasers; in 2007, the ADBC provided a record US$7.7 billion for this program.
- China is changing its cotton classification system to be more consistent with international standards and $9.76 million was spent to subsidize gins to upgrade equipment in 2005.
- The government is establishing production bases and seed projects in Xinjiang province and China's Agricultural Bank is providing $4 billion in loans to the Shanxi province for agricultural product development, with $25 million for provincial sales of cotton and to develop several local spot markets. Starting in 2007, the Ministry of Agriculture appropriated $72 million (500 million yuan) to cotton planting seed companies to subsidize "high quality varieties" at $32 per hectare.
- China uses a Tariff Rate Quota (TRQ) system, with tariffs rates ranging from 5% to 40% on cotton imports above the current quota amount of 894,000 MT (about 4 million bales), which maintains the domestic cotton price higher than cotton in the international market.
- In November, 2008, the General Administration of Quality Supervision, Inspection and Quarantine strengthened management and supervision of the inspection and quarantine of imported cotton.
- In 2009, the government allocated funds for financial support and insurance services to small and medium-sized textile plants, intended to phase out obsolete capacity, update equipment and technology, and encourage textile and garment makers to relocate from southeastern parts of China to central and western areas. In addition, China will increase the tax rebate for textile and garment exports from its current rate of 14-15% and make funds available for companies that produce or operate in the textile industry, to upgrade technology, and develop domestic brands.

Rice

- The government guarantees farmers a minimum price for rice. If prices drop below that floor, the government purchases and stores it, which may be sold at auction. In January 2009, the National Development and Reform Commission (NDRC), increased the floor price for rice for MY 2009/10; they now stand at $264/MT for Early Indica and $278/MT for Japonica.
- The government will continue to provide transport subsidy to rice in the northeast to be shipped to the southern provinces; in the southern rice-producing provinces, it will purchase rice at $274/metric ton to replenish the state reserve.
- China uses a TRQ for rice, with 50% traded by state owned companies. The quota was 5.3 MMT in 2008.

Soybeans

- The government pays $20 to $25/ha ($8-$10/ac) in seed and agricultural machinery subsidies to soybean farmers, particularly in the Northeast provinces.
- The government offers $540/metric ton to purchase soybeans for the state reserve.
- China allows the importation of genetically modified soybeans but its farmers cannot legally plant them.
- The import duty on yellow soybeans is 3%.

Sugar

- At the beginning of each marketing year, provincial governments in the southern sugar cane production region announce a pre-set purchase price on cane. If the sugar price increases during the marketing year, the sugar mills may pay contracted cane farmers a bonus. In January 2008, The purchase price was fixed at $515/ton.
- The TRQ quota for CY2008 was 1.95 MMT (43 million cwt) with a within-quota-tariff of 15% and out-of-quota rate of 50%. About 30% of the quota (585,000 MT or 13 million lbs) is reserved for non-state trading enterprises and 70% is assigned to state trading enterprises.

Wheat

- Beginning in 2009, floor prices for white wheat, red wheat and mixed wheat were raised to $254, $242 and $248/MT, respectively.
- China has a seed subsidy program for wheat with funding through the Ministry of Agriculture and implementation at the provincial level. In some provinces, seed companies are provided funding, and, in turn, make seed available at discounted prices. In other provinces, farmers are provided funding to purchase seed, but without monitoring purchases, so the subsidy is more consistent with direct income support.
- China imposed a 25% tax on exports of wheat and wheat flour in 2007/08.
- China has a TRQ in wheat, with a total quota of 9.6MMT (350 million bu). It requires 90% to be traded by a state-owned company.

EGYPT

Agricultural policies are crafted and implemented by the Ministry of Agriculture. The Government relinquished land ownership under its agricultural liberalization program and current government policies encourage domestic and foreign investments in new lands. While fertilizer and pesticide subsidy programs were phased out in 2003, assistance to producers in the form of soft loans, free irrigation, and subsidized electricity are maintained. With respect to market access, important U.S. agriculture exports were allowed to enter at 5% or less in 2007. The bound rates for agricultural products were above applied duties for most products. The Egyptian government maintains a policy of price controls on cotton, wheat, and sugarcane.

Corn and Sorghum

- The Egyptian government applies a 2% import tariff plus 1% for other port charges on corn imports.
- A 5% import tariff is applied on all sorghum imports.

Cotton

- Direct income support is provided to producers.
- The government has a subsidy program directed to textile mills to purchase affected cotton varieties at prices of LE 100/kentar of seed cotton (a lint equivalent of about $0.53/lb).
- Egypt has removed all export restrictions on its cotton
- Egypt maintains SPS regulations such as banning imports from countries affected by boll weevil infestation. The U.S. is now treated as boll weevil-free by Egypt because risks are considered minimal due to the ginning and baling process.
- The government provides input assistance to producers to defray the costs of land preparation, pesticides, and planting seeds.

Rice

- A 5% tariff is applied on rice imports;
- On February 21, 2009, the ban on rice exports was lifted. Egyptian rice can be exported provided that the exporter delivers through a tender the same amount of the exported rice to the Government of Egypt and pays the government LE 1,000/MT in export taxes.

Soybeans

- Egypt produces soybeans n the newly reclaimed lands, but production is limited by low yields.
- Imports declined following the outbreak of Avian Influenza, which reduces imports of soybeans for the poultry sector.
- The Egyptian government applies various import duties dependent on stage of processing. Currently, soybean imports are subject to a 1% tax.

Sugar

- The government administers the sugar price policy and determines the delivery price of sugarcane, which was $33.5/MT ($0.08 to $0.15/lb raw sugar equivalent) in 2007/08. Under the policy, producers receive 60% of funds on delivery and the remaining 40% is paid at the end of the season.
- Sugar beet production is also expanding; price is set by mills based on sugar content and premiums are paid for early delivery.
- Current import tariffs are 2% for white sugar, 10% for raw sugar, and 22% for syrups and molasses.
- The government provides soft loans to sugar producers as an attempt to increase sugar production, especially in new lands.

Wheat

- The government sets the procurement price, which is $460/mt ($12.52/bu) in 2008/09.
- Imports into Egypt are subject to a 2% import tax.

EUROPEAN UNION (EU-27)

Reform of the Common Agricultural Policy (CAP) reduced support prices for selected commodities and introduced direct payments to producers based on crop area. Single Farm Payments (SFP) that do not require production replaced current direct payments at the discretion of member states. Producer payments in the 10 new-member states will be phased in over a 10-year period. These reforms move from a price support policy to an income support policy through decoupled payments and farmers have more choices in their production decisions. These reforms include a renewed commitment to rural development as new-member states are more dependent on agriculture for employment and economic activity.

Under the Renewable Fuels Directive of 2003, member states establish a minimum level of biofuels as a proportion of fuels sold from 2005, starting with 2% and reaching 5.75% of fuels sold in 2010. About 80% of biofuel production in the E.U. is biodiesel, which is produced primarily from rapeseed. Fuel ethanol is mainly produced from cereals and sugarbeets.

Grains (Wheat, Corn and Sorghum)

- Support mechanisms include a mixture of price supports and supply controls. Farmers remove a percentage of their arable cropland from production in order to receive direct (coupled) payments. The cereal intervention subsidy is 101.3 euros/MT ($5.94/cwt).
- Durum wheat has a 40% coupled payment in traditional production areas. Direct subsidy for durum wheat is 285 euros/ha (roughly $149/ac).
- EU grains receive export subsidies to be price competitive on the world market.
- TRQ in-quota tariff rates are 0%. Out-of-quota tariff rates are 86.9% for durum wheat, 71.5% for corn, and 72.4% for grain sorghum.
- Subsidized export limits are 14.4 MMT (530 million bu) for wheat and 10.8MMT (427 million bu) for coarse grains.

Cotton

- A decoupled payment of at least 65% of the 2000-02 historical payment began in 2006. A coupled payment of up to 35% is allowed as an area-based subsidy with a maximum base of 455,360 hectares (about 1 million ac), split between Greece, Portugal, and Spain.

Rice

- Following the CAP Health Check, the EU agriculture ministers, at the Farm Council in November 2008 agreed to keep until 2011 the 75 euros/ton ($109/ton) direct aid to eligible rice farmers, subject to paddy being produced; this has the effect of delaying the decoupling of the support until January 1, 2012.
- As of 2012, the 75 euros/ton ($109/ton) will be added to the 102 euros/ton ($149.3/ton) currently granted as decoupled payment.
- Rice seed producers continue to be eligible to a “coupled” payment of 172.7 euros/ton ($252.9/ton) for Indica rice seeds and 148.5 euros/ton ($217.4/ton) for Janponica rice seeds.
- The quantity eligible for intervention under the rice intervention system for 2009/10 was set to 0, meaning that should intervention be triggered (if if paddy prices fall below 150 euros/ton ($219.6/ton)), buying in paddy prices are to be determined.
- The TRQ in-quota tariff rate is as low as 0 for some product lines and as much as 123.2%.
- The rice subsidized export limit is set at 133,400 MT (3 million cwt).

Soybeans

- A rapidly growing biodiesel industry is increasing demand for all vegetable oils in the EU.
- Oilseeds are imported duty free into the E.U.
- Soybean producers must set aside land at the same rate as other arable crops.
- CAP reform of 2003 introduced Carbon Credits which grant a payment of 45 euros/ha (about $24/ac) to growers of energy crops, including crops grown for the production of biodiesel and ethanol. Efforts are being made to increase this support to 90 euros/ha ($47/ac).
- The E.U. asserts that concessions it made to the U.S. under the Blair House Agreement to limit oilseed production are no longer valid.

Sugar

- Reforms in the sugar sector follow that of other arable crops: decoupled payments and transition price support.
- A production quota system remains in place, but a quota buyback scheme has been introduced whereby growers staying in sugar beet production pay a levy which is used to compensate processors leaving the sector. Overall, the production quota is set to decrease by 25-30%.
- The sugar intervention subsidy is 631.9 euros/MT ($0.37/lb) but is set to reduce to 404.4 euros/MT ($0.24/lb).

- The sugar TRQ in-quota tariff rate is as low as 0% for some product lines and as much as 143.6%.
- The sugar subsidized export limit is 1,273,500 MT (1.4 million short tons).

INDIA

India is a leading producer of wheat, rice, coarse grains, and cotton and has been largely self-sufficient in food and fiber production, with occasional imports and exports in years of shortages or surpluses. Under a complex set of interventions, India has achieved impressive growth in food production in the last four decades.

On the domestic front, the government of India has provided input subsidies along with support prices for most agricultural commodities. In recent years, the spread between the government's support price to farmers and the government issue price for wheat and rice have widened and led to higher subsidies. Also, a significant portion of government funds have been allocated to subsidizing production inputs such as fertilizers, seed, power, and irrigation. The fertilizer subsidy alone increased from 60 billion rupees ($1.25 billion) in 1992/93 to 140 billion rupees ($2.88 billion) in 2001/02.

The government also buys agricultural products from farmers at announced support prices. The government has maintained these domestic policies with a series of restrictive trade policies such as import licensing, tariffs, quotas, and state trading. However, the Indian government has been removing many licensing and quota restrictions and is replacing them with high tariffs.

Corn and Sorghum

- 2008/09 minimum support price (MSP) for corn is Rs. 8,400/MT ($4.68/bu).
- The TRQ for corn imports has a quota of 500,000 MT/year (19.7 million bu), subject to an in-quota tariff of 15% and above quota tariff of 50%.
- The government provides an export subsidy in the form of a 5% duty credit scrip on the F.O.B value of exports under the Vishesh Krishi Upaj Yojana (Special Agricultural Product Scheme).
- MSP for sorghum is Rs. 5,400/MT ($3.02/bu).

Cotton

- A minimum support price is set for seed cotton at the beginning of every marketing season (Rs. 17,700/MT in 2006/07 or a lint equivalent of about $0.55/lb of lint). In September 2008, the government announced an increase in the MSP of seed cotton, ranging from 26%-48% for different varieties.
- In response to declining global cotton prices, and in order to liquidate stocks from the domestic market, the government announced the Vishesh Krishi Gram Upaj Yojana (VKGUY) benefit to exports of raw cotton on February 17, 2009. This

benefit extends retrospectively for cotton exports from April 1, 2008 to June 20, 2009 wherein exports are entitled to a 5% duty credit scrip on the FOB value, which can be traded and used for availing a duty relief for imports.

- Several government agencies and research institutions engage in cotton development, seed distribution, crop surveillance, integrated pest management, and extension activities for cotton. The Cotton Technology Mission supports improving cotton yields, reducing cultivation costs, and improving quality through modernization of existing facilities.
- The statutory hank yarn policy requires that 50% of a mill's output of yarn meant for the domestic market be produced for use by the handloom industry. Export oriented yarn is exempt from this obligation. The Indian government also subsidizes the sale of handloom products. There is an interest rate subsidy on loans intended to modernize the textile industry.
- In 2006, India lowered the peak tariff on cotton textile products from 15% to 12.5%. A countervailing duty of 4% was added to the existing 10% tariff on imports of cotton and cotton yarn (including sewing thread).
- The government provides various incentives to promote the export of value-added cotton textiles. Export oriented units and firms importing against an advance license get a duty drawback (zero duty for export oriented units and duty discounts for others) on imports of raw materials for the export of value-added goods.
- Imports of capital goods and machinery are allowed at reduced duty rates against export obligations (zero duty for a 100 percent export oriented unit).

Rice

- The MSP for common paddy (unmilled) rice is Rs. 9,000/MT ($8.18/cwt) for 2008/09.
- Since April 2000, the government of India has applied import duties of 70-80% to keep imports low.
- In April, 2008, the Government of India imposed an export duty of Rs. 8,000 per ton ($160/MT) on basmati rice, on top of the minimum export price (MEP) of $1,200/MT.
- However, on January 20, 2009, the export duty of Rs. 8,000 ($163) per ton applicable to basmati rice was abolished and the MEP was lowered to $1,100 per ton.

Soybeans

- MSP is 1050 Rs/quintal ($6.97/bu) for yellow soybeans and 920 Rs/quintal ($6.04/bu) for black soybeans for MY 2007/08.
- India has a bound tariff rate of 100% for soybeans and an applied tariff rate of 30.6%.

- India has not imported any soybeans in recent years due to high tariffs and phytosanitary restrictions.

Sugar

- The MSP for sugarcane is Rs. 811.8/MT ($18.66/MT) in 2008/09.
- The import duty on raw and refined sugar is 60% ad-valorem on the CIF value, plus a countervailing duty of $19.50/MT (about $0.009/lb) in lieu of the local taxes and fees imposed on domestic sugar.
- Imported sugar is subject to non-tariff barriers and other local regulations applicable to domestic sugar. Mills are allowed to import raw sugar at a zero duty against a future export commitment (mills can refine imported raw sugar and sell it in the domestic market, but must re-export 1 MT of refined sugar for every 1.05 MT of raw sugar imported within a specified period).

Wheat

- The MSP for wheat in 2009/10 is Rs. 10,800/MT ($5.57/bu).
- India has eliminated wheat export subsidies that previously made it a major exporter of wheat, particularly in the South- and South East-Asian markets.
- Import tariff is 50% for wheat imports by private traders.

INDONESIA

As in other developing countries, concerns about food security during the 1980s and early 1990s resulted in policies aimed at achieving self-sufficiency in food crops, especially rice. Indonesia combined price intervention and economic incentives through subsidized inputs, investment in irrigation, and rice marketing activities in the outer islands to encourage agricultural production, especially of staple crops. Since then, there has been phasing out of input subsidies for pesticides (1989). Fertilizer subsidies, the largest input subsidy, were eliminated in 1998, but reinstated in 2003.

Agricultural trade in Indonesia has been heavily regulated by tariffs, import licensing, export taxes and bans, and informal export quotas. To encourage domestic processing industries, export taxes were levied on primary products to subsidize inputs to the processing sector. Processed agricultural products had import restrictions. Some reforms were undertaken in the mid-1980s which reduced some import tariff rates, lowered ceilings on tariff rates, and raised the number of import items with low tariff rates. In spite of the reforms, domestically produced products corresponding to 54% of domestic production remain on the "Restricted Goods List." Import monopoly for most of these commodities is through state trading companies. Under the Association of Southeast Asian Nations (ASEAN) Free Trade Agreement, Indonesia has reduced tariffs for all products included in its original commitment (7,206 tariff lines) to 5% or less for products of at least 65% ASEAN origin, but maintains rice and sugar on the sensitive list, exempted from tariff reduction.

Corn

- The Ministry of Agriculture initiated a subsidized seed program for corn in 2006 on up to 3,000 MT of hybrid corn seed.
- To assist the local starch industries, import duties on corn and cassava starch are 10%.

Cotton

- Imports of cotton, textiles, and textile products can only be done by Registered Importers and Producer Importers. The imported cotton must be used as a raw material to produce finished textile products and not be sold directly to market.

Rice

- The government monopoly purchases excess production for price stabilization, emergency conditions, post-disaster food security situations, and to fulfill the ASEAN rice reserve agreement. The Ministry of Agriculture also purchases paddy rice from farmers to prevent the price from falling under the government purchasing price.
- In 2008, the government purchase prices were Rp. 2,200/kg of paddy ($0.204/kg) and Rp. 4,300/kg of milled rice ($0.398/kg). As of January 1, 2009, these prices were increased by 7%.
- The budgetary allocation for fertilizer subsidies was also increased from Rp. 14.6 trillion ($1.5 B) in 2008 to Rp. 20.6 trillion ($2.1 B) in 2009.
- Funding for seed subsidies increased from Rp. 33 trillion ($3.4 B) in 2008 to Rp. 35 trillion ($3.6 B) in 2009.
- Funding for infrastructure development increased from Rp. 89 trillion ($9.2 B) in 2008 to Rp. 99 trillion ($10.2 B) in 2009.
- Sanitary and phytosanitary (SPS) and food quality regulations have led to import restrictions.
- GOI lowered the import duty on rice to Rp. 450/kg (US$ 49.3/ton) in January 2008.

Soybeans

- The government of Indonesia has a 10% import duty on soybeans (effective January 1, 2005).

Sugar

- The government sets a floor price of Rp. 3,800/kg (about $0.18/lb).
- To control imports, the Ministry of Trade grants import licenses for specific quantities of white sugar to four selected importers.

Wheat

- The Indonesian government has anti-dumping import duties on wheat from India and China of 11.44% and 9.50%, respectively. The normal import duty is 0% on wheat and 5% on wheat flour.
- In February 2008, GOI temporarily reduced the import duty on wheat flour to zero and temporarily voided the value added tax (VAT) of wheat and wheat flour. The import duty for wheat flour was 5% and the VAT for wheat and wheat flour was 10%.

JAPAN

For decades, Japan pursued the goal of food self-sufficiency by using a number of commodity programs including producer quotas, income stabilization policies, deficiency payments, the rice diversion program, hazard insurance subsidies, and stockholding policies. Imports were restricted through tariffs and non-tariff barriers to protect the domestic production. In 2005, the Ministry of Agriculture, Forestry, and Fisheries (MAFF) announced a new farm program that replaces commodity-based farm payments with targeted direct payments.

Corn and Sorghum

- Corn and sorghum production is negligible in Japan.
- In June, 2008, Japan announced a 45 billion yen ($415 million) feed stabilization subsidy for livestock producers.
- In April 2008, Japan's major corn starch processors announced that they would use biotech corn.

Cotton

- Japan has no restriction on cotton imports.

Rice

- Payments are made to farmers to shift land from rice to wheat and soybean production. The government annually forecasts domestic rice consumption, estimates the land needed to produce that quantity, and allocates the desired reductions. Producers who conform to the acreage reductions are eligible for subsidy payments. Japan announced plans to phase out production controls by 2008.
- There is no market price floor. Instead, income support is a direct payment based on the difference between a "standard price" (based on the previous 7 years) and the market price. The cost of this program in 2002 was about $1.03 billion.
- Japan uses regulations on allowable pesticide and veterinary drug residues in rice and has a TRQ on rice.

Soybeans

- Soybeans are one of the "targeted farm products" under MAFF. Soybean producers receive a subsidy based on the difference between the cost of domestic

production and the farm gate sales price. The subsidy equals roughly 30,200 yen/10 ares ($1,009/ac) or 8,840 yen/60kg ($37/bu).
- The U.S. share of Japan's soybean imports is about 76%.
- There is no tariff on soybean imports.

Sugar

- Historically, Japan's price support system guaranteed a price for domestic beet and cane producers, set each year. The government set a price at which it would buy raw sugar from refiners that allowed refiners to pay the guaranteed price for beets and cane, then purchased sugar at the set price, resold the sugar to refiners at a lower price, roughly equivalent to the import price.
- In 2007, the sugar beet support program shifted from a price support to a direct payment system.

Wheat

- Farmers who cultivate more than a specified acreage of wheat receive a direct payment of approximately $1,377/ac.
- Japan has a TRQ for wheat. TRQ quantity is 5.74 MMT (211 million bu) with an in-quota tariff rate of 9.5% and an out-of-quota rate of 488.33%.
- MAFF operates as a single-desk, state trader of wheat.

MEXICO

Since the transition period of the North American Free Trade Agreement (NAFTA), some market interventions have been drastically reduced. However, some reversal of this trend has occurred in recent years with the introduction of a Target Income Program for some crops and an increase in energy and irrigation subsidies.

The Target Income Program provides direct support to producers of corn, wheat, sorghum, barley, cotton, and a few other crops in certain regions of the country that have a marketable surplus. Under this program, payments are provided to producers for the difference between the market price of the eligible commodities and the "Target Income". The market price is defined by the Support and Services for Agriculture and Livestock Marketing Agency (ASERCA) within the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Foodstuffs (SAGARPA) based on prices offered by buyers during the harvest season and international/regional prices, among other factors. The electricity program lowers the price of electricity used for agricultural activities. The electricity price is set at $0.03 per kwh, which is one fifth of the price paid by urban consumers. Additionally, the diesel program reduces the price of diesel used for agricultural activities by providing tax concessions. The effective price paid by farmers is 44% less than the market price.

Corn and Sorghum

- The target price for corn is 2,100 pesos/MT (about $3.96/bu) from 2008/09 to 2013.
- Corn producers also receive an income subsidy support through the government program PROCAMPO. A flat-rate payment of 1,160 pesos/ha ($44/ac) farmers with production areas between 1 and 5 ha (2.5 and 12 ac) while those with over 5 hectares receive 963 pesos/ha (about $37/ac).
- SAGARPA provides a support payment for the storage cost of white corn in Sinaloa and for animal feed in Sonora, Jalisco, Nayarit, and Sinaloa for fall/winter crop and a support payment program for the transportation costs of Sinaloa corn consumed in Jalisco and Sonora, with a payment of $11.10/MT (approximately $0.30/bu).
- SAGARPA also supports the transportation costs and/or coastal shipping costs of white corn from Sinaloa.
- Since the implementation of NAFTA, the out-of-quota bound tariff on corn has been reduced from 206% to 37%. The TRQ quota has increased from 2.5 MMT (approximately 98 million bu) to 3.515 MMT (138 million bu). Out-of quota tariff was reduced to 18.4% in 2007, and to zero after 2007.
- Target income for sorghum producers is 1,785 pesos/MT (about $3.36/bu) from 2008/09 to 2013.

- Similar to corn, farmers with sorghum production areas between 1 and 5 ha (2.5 and 12 ac) receive 1,160 pesos/ha ($44/ac) while those with greater than 5 ha receive a flat-rate payment of 963 pesos/ha (about $37/ac).
- In October, 2008, SAGARPA announced the support programs available for Sinaloa white corn during the 2007-08 fall/winter season. It is estimated that SAGARPA provides $1.280 billion pesos (approximately U.S. $100 million dollars) of support covering 3.85 million tons of white corn production.

Cotton

- The target price for cotton is $0.42/lb from 2008/09 to 2013.
- Cotton producers also receive a per hectare income support subsidy through PROCAMPO. Under this program, farmers with production areas between 1 and 5 hectares receive 1,160 pesos/ha (approximately $109/ha) and 963 pesos/ha to farmers with more land ($90.50/ha).

Rice

- The target income support price for rice is 2,940 pesos/MT ($5.94/bu) from 2008/09 to 2013.
- Rice producers also receive an income support payment through PROCAMPO.
- As of January 21, 2009, U.S. rice exports to Mexico must be treated with methyl bromide in order to enter Mexico due to concerns over *Tilletia barclayana* (false smut).

Soybeans

- Similar to corn and sorghum, soybean producers who farm more than 5 ha receive 963 pesos/ha (about $37/ac) while farmers with small area (between 1 and 5 ha or 2.5 to 12 ac) receive 1,160 pesos/ha ($44/ac).
- The target income support price for soybeans is 4,200 pesos/MT ($8.49/bu) from 2008/09 to 2013.
- With reforms in Mexico's domestic crop support programs, imports have virtually displaced domestic soybean production. Nearly all imports come from the U.S.

Sugar

- The Mexican Government maintains domestic sugar prices above international prices through different policies. The reference in 2008/09 is 5,500 pesos/MT ($407.7/MT).
- Mexico and the U.S. have a comparable set of prohibitive over-quota tariffs on sugar imports. The over-quota tariff on raw sugar is $0.338/kg ($0.15/lb) and $0.36/kg ($0.16/lb) for refined sugar.

- Numerous financing-related subsidies such as debt restructuring, borrowing concessions, and government-backed financing for mills are also given to the sugar sector.

Wheat

- The target income support price for wheat is 2,730 pesos/MT ($5.51/bu) from 2008/09 to 2013.
- On February 16, 2009, SAGARPA announced that ASERCA will provide a support of 50% of the hedging costs ("Put" or "Call" options) of wheat grown in the Mexican states of Sonora and Baja California to protect wheat growers and buyers from international price fluctuations through option purchases. The support is limited to 600,000 MT.
- On March 2, 2009, ASERCA announced the support prices for wheat in Baja California and Sonora as 300 pesos/MT ($19.47/MT) and 250 pesos/MT ($16.22/MT), respectively.
- Through PROCAMPO, a flat-rate payment of $90.59/ha (about $37/ac) is given to wheat producers. Additionally, farmers with wheat production areas of between 1 and 5 ha (2.5 to 12 ac) receive approximately $109/ha ($44/ac).

NIGERIA

Nigeria has undertaken an economic structural adjustment program to reform its economy. The reforms were less extensive compared to the other West African countries because of the larger size of its economy and its position as a major oil exporter. Although fertilizer markets have been deregulated, Nigerian agriculture is heavily influenced by government intervention. The government supports focus on input supply, extension service deliveries, the administration of soft loan programs, and the maintenance of a buffer stock program to stabilize commodity prices. The Nigerian agricultural sector remains heavily protected with an average applied tariff of 40%.

Corn and Sorghum

- As a member of the Economic Community of West African States (ECOWAS), Nigeria is committed to tariff schemes consistent with the harmonized system under the organization's common external tariff (CET) policy. However, imports for sorghum and corn remain banned because the country is self-sufficient and is determined to protect its local producers.

Cotton

- Nigerian cotton is discounted because of trash and propylene contamination which has reduced its competitiveness relative to other African countries. The government has instituted an export enhancement grant of 20% to compensate for the discounts to Nigerian cotton.
- While imports from other countries, mainly the U.S., are subject to a 50% tax, those from neighboring countries enter Nigeria duty-free.

Rice

- Under the ECOWAS harmonized tariff scheme, the tariff on rice has been reduced from 110% to 50%. However, an additional special tariff of 50% has been initiated for non- ECOWAS countries, which brings the import tariff to 100%.
- Between May and October of 2008, the Government of Nigeria (GON) suspended all levies and duties on rice imports to cushion the impact of rising food prices. In November, 2008, the GON reinstated the duty albeit at a lower rate (30% for milled rice and 5 percent for brown/paddy rice compared to 109% previously).

Soybeans

- A rapidly growing Nigerian poultry sector (due to a governmental ban on poultry imports) increased the demand for soybeans. Domestic production at 200,000 MT (about 7 million bu) is not able to meet the need for the poultry sector, human consumption, and manufacturing. Nigerian soybean imports are expected to reach 100, 000 MT (3.7 million bu).
- The import duty on soybeans is 15%.

Sugar

- With the privatization of the sugar industry, the government of Nigeria is supporting the development of a uniform price support mechanism to ensure that producers are protected.
- The import duty on refined sugar is 50%. When other taxes, such as the port surcharge (7% of duty), development levy (10%), VAT (5%), Custom Inspection Surcharge (1% of FOB) and the ECOWAS Trade Liberalization Scheme Tax (0.5% CIF) are assessed, the effective duty is about 65%. The GON imposed the high duty on refined sugar to protect the local refineries and sugar estates and to encourage new investments in local refining capacity.
- Under the new sugar policy, it is the responsibility of the milling company to prepare the land, provide irrigation water, seed cane, and other inputs and to recover its cost at the end of the marketing season.
- The government requires all importers to comply with vitamin A fortification if their products are destined for household consumption.

Wheat

- Wheat import tariff is 5%. There are additional fees such as port charges.

PAKISTAN

The government of Pakistan uses a minimum price support program for major crops produced in the country. Under this program, the government agrees to make purchases when the market price falls below an announced level. In addition, the government subsidizes agricultural production credit through both government and private banks for the purchase of seeds, fertilizers, pesticides/insecticides, animal feed, labor, fuel, irrigation water charges, and agricultural machinery. Input subsidies are offered for electricity and fertilizer and development loans are also provided for machinery purchases. The government also subsidizes natural gas purchases for fertilizer production at around $200 million/year.

Cotton

- A Minimum Support Price (MSP) for seed cotton is announced at the start of each marketing season. The Trading Corporation of Pakistan (TCP) intervenes in the market if the prices fall below the MSP. For 2008/09 the support price is Rs.1025/40kg (a lint equivalent of $0.59/lb).
- Pakistan has no quantitative restrictions on imports or exports of cotton.

Rice

- MSP for 2005/06 is Rs 300/40kg ($5.72/cwt) for paddy rice.
- Since 2000, the GOP discontinued setting a procurement price for paddy and milled rice and abandoned rice procurement through state trading enterprises. However, in 2008, the GOP intervened in the rice market through two state bodies: Pakistan Agricultural Services and Storage Corporation (PASSCO), and the TCP. PASSCO was authorized to procure 500,000 tons of Basmati and 500,000 tons of IRRI rice to stabilize prices. PASSCO set floor prices at Rs 1500/40 kg ($468/MT) for Super Basmati, Rs 1250/40 kg ($390/MT) for 385 varieties.
- There is a 10% import duty and 15% sales tax on rice imports.

Sugar

- The GOP supports cane production by setting an indicative price, which is announced either before or after planting. The Federal government generally does not procure cane although it authorizes Provincial governments to fix respective cane prices after consultation with sugar industry and farmer organizations representatives.

- The MSP for sugarcane varies by region. In 2008/09 it ranged from Rs 80/40kg to Rs 81/40kg.
- The GOP maintains a 15% regulatory duty on raw sugar imports, a 16% general sales tax, and a 1% excise duty.

Soybeans

- The government of Pakistan offers no price support mechanism for soybeans and does not engage in state procurement programs.
- The bound tariff rate for soybean imports is 100%. The applied rate is 10%.

Wheat

- Pakistan's wheat marketing system is largely government-dominated that controls the market through a minimum guaranteed support price and an issue price for wheat sold to flour mills. Through Provincial Food Departments, the GOP procures wheat from farmers at the support price and then sells the wheat to the provinces for sales to the flour mills at the government-fixed issue price.
- The MSP for wheat for 2009/10 is $8.08/bu.

RUSSIA

Russia's support of grain production is from grain interventions, in which grain is purchased into a fund if market prices for farm products drop lower than the pre-determined level. Grain is sold out of the fund if there is a shortage on the market or if market prices exceed the pre-determined level. Budgetary constraints limit the ability for direct subsidies or other forms of support.

Agricultural energy is subsidized. This includes such items as fuel for machinery and natural gas. The Russian government remains committed to increasing production by increasing credit and subsidizing crop inputs, as well as offering a special machinery leasing fund. However, implementation of these programs depends on the federal budget allocation to agriculture. While no prescribed rules govern seed subsidies, many local jurisdictions offer credit for seed purchases, sell seeds below their commercial price, or cover a portion of seed treatment expenses.

Import duties for corn and soybeans were lifted in 2005 for an unspecified period of time. These commodities serve as main ingredients for the poultry and pork industries. However, Russian imports of grain have been hampered by changes in grain quality certification. Trade has been disrupted by the strengthening of phytosanitary control over grain and grain products.

Corn

- Officially, the import duty on corn is 5%, but this tariff has been temporarily lifted.
- The trade of corn has been suspended due to SPS regulations.
- Beginning December 22, 2008, the government started purchasing corn for the grain intervention fund at the ceiling price of 4,000 rubles ($143) per metric ton.

Rice

- Rice is the only grain product imported in significant quantities.
- In December, 2006, Russia placed a ban on all rice imports from all countries. The resumption of imports will be linked to the equipping of inspection points with modern equipment that can better test quality and safety of rice. The move demonstrates the power of the Russian Federal Veterinary and Phytosanitary Surveillance Service (VPSS) to control the trade of grain products.
- The rice import tariff is 0.07 euros/kg ($4.11/cwt).

Soybeans

- Import duties were suspended for soybeans in the same resolution that lifted duties for corn. The official import duty is 5%.
- Actual imports of soybeans are currently restricted by SPS requirements and unsettled GMO registration procedures. It is expected that soybean imports would increase significantly when these SPS issues are resolved.

Sugar

- Russia is the world's largest sugar importer.
- Because the Russian government cannot offer significant support to the industry, it assists the industry primarily through border measures.
- The sugar import TRQ is at 3.65 MMT. The in-quota tariff rate is 5% but not less than 0.015 euros/kg ($0.01/lb). The base out-of-quota tariff is set at 40% for both raw and white sugar but no less than 0.12 euros/kg ($0.07/lb) for raw sugar and 0.14 euros/kg ($0.08/lb) for white sugar. The out-of-quota seasonal tariff is 50% but not less than 0.15 euros/kg ($0.09/lb) for raw sugar and 0.18 euros/kg ($0.11/lb) for white sugar.
- On December 1, 2008, rates for the variable levy on imported sugar ranged from $220 to $270 per metric ton (MT), based on average monthly prices at the New York Board of Trade (NYBOT).

Wheat

- State procurement intervention prices range from 2,300 rubles/MT ($3.38/bu) for No.3 wheat to 1,800 rubles/MT ($2.51/bu) for No.4 wheat.
- In November and December of 2008, when the Ministry of Agriculture increased Class 3 wheat price from 5,000 rubles to 5,500 rubles (approximately $200) per MT for all provinces of the Russian Federation, and then raised it to 6,000 rubles ($218) per metric ton for the Ural and Siberian Federal Districts and for Orenburg oblast.
- Russia has been expanding grain shipping and port capacity in an effort to boost exports**.**
- Import tariffs for all grain except rice are 5% of customs value.

SOUTH AFRICA

South Africa has undergone major policy changes since the end of Apartheid. While the major policy changes with respect to agriculture were dominated by an expensive land reforms policy, the government has also implemented major changes in the agricultural economy. The country opted for import tariff as a means to control imports and enters into preferential trade agreements with neighboring countries under the Southern Africa Custom Union and outside the region. Under its WTO commitments, all tariffs schedules are below bound rates and the average unweighted tariff was reduced to 9.1%.

Corn and Sorghum

- South Africa does not provide a minimum guaranteed price for corn.
- There has been no import duty on corn since Dec. 8, 2006.
- South Africa has banned corn imports under its SPS regulation for imports of genetically modified corn.
- The tariff applied for sorghum is 3%.

Rice

- South Africa does not produce rice and does not apply any duty with respect to rice imports.

Soybeans

- Soybean production is increasing in South Africa due to less production risk compared to corn, an increasing demand of soybean meal for animal feed, an increasing demand for soybean oil as table oil, and the emergence of biodesiel production.
- Imports are subject to an 8% import tariff.
- The full rebate on the import tariff on soybeans for the production of bio-diesel has been approved from July 1, 2008 to June 30, 2011.

Sugar

- Prices are determined by a pooling mechanism under the control of the South Africa Sugar Association. The association operates as a State trading Enterprise and has sole control over exports.
- The country applies a flexible (variable) import tariff system based on a formula that yields different rates depending on domestic market conditions. For instance, if a high world price induces a rise in exports of South Africa sugar, the formula

kicks in and the tariff rate falls to encourage imports to satisfy the needs of the domestic market.

- The sugar tariff was 55c/kg ($0.25/lb) then fell to 23.3c/kg ($0.11/lb) then to 0 because of higher world price, but tariff protection for South Africa's sugar producers against disruptively low world sugar prices remain in place for the 2008/09 season.

Wheat

- The International Trade Administration Commission (ITAC) in South Africa abolished the 2% import duty on wheat and wheat flour in January 2009. It indicated that the tariff will be re-imposed when wheat price falls below $157/ton.

SOUTH KOREA

South Korea has supported its agricultural sector at a relatively high level compared to the policies of other member countries of the Organization for Economic Cooperation and Development (OECD). Public intervention mainly consists of high prices supported by government purchases together with high tariffs that protect domestic producers from foreign competition, that implicitly tax consumers.

Corn

- The in-quota tariff rate for corn for processing is 0% for 1 MMT for January to June 2009. The feed corn in-quota tariff rate is 0% for 4.5 MMT over the same period.

Cotton

- The WTO bound tariff rate for raw cotton is 2%, but the current applied rate is 0%. Cotton has no import quota.
- A new import quota for cotton seed for feed of 80,000 MT with in-quota duty of 0% for January to June 2009.

Rice

- Under the Rice Income Compensation Act (RICA), rice farmers receive two income supports: area payments and deficiency payments.
- Area payments are made on a per hectare basis and is calculated using the average area of rice production during the base period 1998-2000. In 2007, the area payment was 700,000 won ($754) per hectare.
- The deficiency payment is 85% pf the difference between the national-average market price and the target price, less area payment. The deficiency payment in 2007 was slightly over 61 won ($0.07) per kilogram for milled rice.
- Total support payments were nearly 1 billion won ($1.08 M) in 2007.
- The government also supports farmers through direct purchase of domestic rice through he Public Storage System for Emergencies (PSSE) program where the government purchases domestic mille drice at the average market price and then sells it at the prevailing domestic market price.

Soybeans

- The Korean government maintains a program to encourage producers to reduce rice area and increase soybean production. In the 2007/08 crop year, the government purchased 3,403 tons of soybeans from converted rice paddies.
- A state trading company makes purchases of U.S. No. 1 non-biotech-enhanced soybeans for food processing through an identity preserved certification system under a tariff rate quota.
- In-quota tariff rate for soybeans is 1% for 600,000 MT for January to June 2009.

Sugar

- The import tariff on refined sugar is 35% for January to June 2009.
- Imports of refined sugar face no quotas.

Wheat

- The applied tariff rate for feed wheat has been reduced from 1.8% to 0% for 2007 onward.
- The in-quota tariff rate for milling wheat is 1% for 1.2 MMT (44 M bu) for January to June 2009.
- The import tariff for wheat flour is 2%; there is no quota for wheat flour.

THAILAND

Thailand is the largest exporter of rice and the fourth largest exporter of sugar in the world. It has support programs for rice, sugarcane, and corn to stabilize domestic prices.

Corn

- The government utilizes a mortgage program for corn to stabilize domestic prices. Farmers obtain a loan by mortgaging the corn. For the MY 2008/09, farmers are eligible up to 1.5 million tons of corn under the program.
- Intervention prices are set at 8.5 baht/kg ($243/MT).
- Thailand uses a TRQ for corn imports. The import quota remains at 54,700 MT at 20% in-quota tariff and imports beyond the quota amount are faced with a 73% tariff and a surcharge of 180 baht/MT ($0.13/bu).

Rice

- The rice intervention policy is implemented through a mortgage program. Farmers obtain a loan by mortgaging the paddy. Farmers may redeem the loan within 4 months of harvest (loan rate is 3%, below the 6% market rate). The government is liable for loans not redeemed. In addition, monthly warehouse rental is paid to farmers.
- The National Rice Policy Committee set the MY 2008/09 second-crop intervention prices at 10,800 – 12,000 baht/ton ($324-$360/ton) for white rice paddy and targets 2.5 M tons of paddy for the same period effective March 16-July 31, 2009.
- The credit line for farmers is also revised down to 350,000 baht ($9,804) per farmer for the same period compared to the 500,000 baht ($14,006) per farmer in the previous program.
- Millers are required to buy rice from the market at no less than half of the total mortgaged price. The government pays storage and quality control costs to millers after 90 days. Millers are responsible for rice quality until the rice is milled.

Soybeans

- Soybean growers receive no production support from the government but processors are required to purchase soybeans at minimum prices. Currently, food processors must buy domestic Grade 1 soybeans for no less than 14 baht/kg ($10.49/bu) at the factory or 13 baht/kg ($9.75/bu) at the farm. Feed manufacturers must buy Grade 2 soybeans for no less than 12 baht/kg ($9/bu) at the factory or 11 baht/kg ($8.25/bu) at the farm. Crushers are required to buy domestic Grade 3 soybeans for no less than 11.50 baht/kg ($8.62/bu) at the factory or 10.50 baht/kg ($7.87) at the farm.

- Import controls have been the primary means by which domestic prices are supported. Eligible importers must make purchases from domestic producers at announced prices.
- The structure of the soybean crushing industry has developed into oligopolistic competition. Although there are about 10 soybean crushing mills in Thailand, Thai Vegetable Oil Co. (TVO) and Thanakorn Vegetable Oil Products Co. (TVOP) are currently the two largest crushers which capture almost 90% of total soybeans utilized by oil crushers.
- Thailand has a TRQ for soybeans with an in-quota tariff rate of 20% and an out-of-quota rate of 80%. However, imports from WTO country members currently have a 0% import duty.
- Imports from non-WTO member countries must be approved on a case by case basis by the Ministry of Commerce. The current import duty is 6%. Imports from Cambodia, Burma, and Laos are subject to 0% tariff under the Ayeyarwaddy-Chao Phaya-Mekong Economic Cooperation Strategy.

Sugar

- The government maintains minimum prices for sugarcane (807 baht/MT or about $0.08/lb raw sugar equivalent).
- The government controls sugar prices in the domestic market and regulates sugar sales by millers in the domestic market.
- Sugarcane has a 65% tariff rate under the quota of 13,760 MT and an out-of-quota tariff of 94%.

Wheat

- Wheat production is insignificant.
- The tariff rate on imported wheat is 0.1 baht/kg (roughly $0.07/bu) and the tariff rate on wheat flour is 5% (0.5 baht/kg).

TURKEY

The agricultural policy in Turkey has been characterized by *ad hoc* changes in policy under an environment of high inflation. Agricultural policy has moved from market price support and input payments to income support payments. However, the direct support program which started in March 2000 and was funded by the World Bank was discontinued after MY 2007. The budget of direct support payments was then diverted to deficiency payments, chemical fertilizer payments and diesel support payments. While the government has not released official support budget for the grain sector, available information shows no direct support payments in MY 2009 but that the budget for chemical fertilizer and diesel support will increase. In 2008, 7 YTL/ha ($5.4/ha) was paid in the form of direct support payment, 3.25 YTL/ha ($2.5/ha) in diesel support, 5 YTL/ha ($3.8/ha) in seed support, 4.25 YTL/ha ($3.3/ha) in chemical fertilizer support, and 1.7 YTL/ha ($1.3/ha) in irrigation energy support.

As a result of IMF negotiations, in January 2009 the government decreased the amount of agricultural support from 5.5 billion TRL ($3 B) to 4.96 billion TRL ($2.7 B).

Corn and Sorghum

- Tariff rates for corn imports is 130% for 2008/09.
- Premium payments for corn are made on per kilogram of production basis.
- The diesel and chemical fertilizer support for corn are $18.83/ha ($7.62/ac) for diesel fuel support and $12.51/ha ($5.06/ac) for chemical fertilizer support.
- Although there is no report of sorghum production, exports, or imports, an import tariff of 130% is in place in 2008/09.

Cotton

- The support mechanisms for the cotton sector are in three categories: (1) Premium support, (2) Direct support, and (3) Diesel and Chemical fertilizer support. The premium support is a payment based on production, given directly to the farmer per kilogram of unginned cotton production, which is approximately $0.17/kg for the producer using certified seeds and about $0.14 /kg for producers using non-certified seed ($0.24/lb and $0.18/lb lint equivalent).
- In April 2008, the government announced that payments ("production bonuses") for 2007/08 seed cotton would be YTL 0.348 (approximately $ 0.28) per kilogram, which will continue until 2011.
- The diesel and chemical fertilizer support payments are made on per hectare basis. For cotton, these payments are $35.43/ha for diesel fuel support ($14.34/ac) and $23.57/ha for chemical fertilizer support ($9.54/ac).

Rice

- Since 2003, Turkey has applied a TRQ on rice imports. There is a dispute between Turkey and the U.S., in which the U.S. claims that Turkey has required licenses in order to import rice both at the in-quota and over-quota rates, which is a non-transparent and discretionary process.
- Rice tariff rates are between 12% and 45% in 2008/09.
- In 2008, the Turkey Marketing Organization paid prices varying from YTL 720 for short grain to 960 ($630) per MT for Baldo rice varieties (16-20% higher than in 2007). In addition to the intervention price, an additional 100 YTL ($59)/MT premium was paid to producers.

Soybeans

- Production bonuses of TL 240,000/kg ($5/bu) are paid on soybeans as well in order to support local production.
- The import tariff rate on soybeans is 10%.

Sugar

- Turkey has a production quota for sugar to discourage production.
- Sugar produced under the quota receives a procurement price announced by the state-owned Turkish sugar corporation.
- The import tariff for sugar is 135% in 2008/09 from all origins other than those countries with which Turkey has trade agreements.

Wheat

- The support premium established in 2005 for wheat is 0.017 euros/kg (approximately $0.60/bu).
- Turkey has an import quota of approximately 200,000 MT (7.3 million bu) for milling wheat and 100,000 MT (3.7 million bu) for durum wheat. However, wheat imported from the EU countries has zero duty.
- Wheat tariff rates were increased from 50% to 80% in 2008/09. It is expected to increase to the maximum bound rate of 130% on May 15, 2009.
- For 2004 the diesel and chemical fertilizer supports for wheat are $18.83/ha ($7.62/ac) and $12.51/ha ($5.06/ac).

UZBEKISTAN

Agriculture receives high policy priority in Uzbekistan. The main objectives of Uzbekistan's agricultural policy in recent years are to (1) maximize and stabilize export revenues from agricultural outputs, (2) redistribute revenue from agriculture to other sectors, and (3) improve rural standards of living.

On October 21, 2008, the government adopted a decree called "On Measures of Optimizing Sown Area and Increasing Production of Food Crops." The goal is to increase production and variety of food crops in order to meet domestic demand. According to this decree, in MY2009/10 cotton planted area will be decreased by 75,000 hectares to 1.315 million hectares, and accordingly, the official seed cotton production target will be lowered to 3.4 MMT. The freed land will be reallocated to grains and vegetables.

Cotton

- The government maintains control over all aspects of production, including planted area, production targets, prices, inputs, procurement, and marketing.
- The state fixes the area that farmers have to cultivate to produce cotton.
- Before 2004, cotton farms were state owned. In 2003 the government decreed that all state farms reorganize into private farms by 2006. By the beginning of 2006 more than half of the existing state farms were reorganized into private farms.
- The current average procurement price for seed cotton (based on grade 2 class 5) equals Sum 430,000 per ton ($318/MT).
- The state provides subsidies for irrigation, fertilizer, seed, and financing.
- Debts are written off based on special resolutions issued by the government. Most of the debt write-offs are associated with collective farms being restructured.

Soybeans

- Farmers interested in growing soybeans have been unable to obtain necessary land area. State orders dictate that all good land areas be strictly devoted to wheat and cotton production.
- The import tariff on oilseeds is 5%.

Sugar

- Zero tariff on imported raw and refined sugar.

Wheat

- The government of Uzbekistan controls planted area, production, and marketing of wheat, both in the domestic and international markets.

VIETNAM

The Government of Vietnam has many programs under which inputs such as seed, fertilizer, and irrigation water are subsidized. At the provincial level, seed are provided to farmers at subsidized rates. Fertilizer manufacturers and importers have access to low-interest credit. Approximately half of the cultivated land in Vietnam is irrigated and farmers pay a subsidized fee for using water for irrigation. The irrigation fee is set by each province under the guidelines of the Ministry of Water Resources. On average, farmers pay approximately half of the irrigation maintenance and operation costs.

Vietnam joined WTO on January 11, 2007 as the 150th member of the organization. Its commitments for joining WTO included reduction in tariffs, a ceiling on agricultural subsidies, and a phase out period for quota elimination.

Corn

- Import tariff on corn was reduced to 0% as of January 1, 2008.

Cotton

- Vietnam has a guaranteed purchase price for seed cotton, currently about $0.38/kg ($0.52/lb lint equivalent).
- Cotton fiber has no import tariff, but cotton waste has a tariff of 10%, cotton yarn a tariff rate of 20%, and cotton fabric a tariff of 40%.

Rice

- The Vietnamese government sets a minimum purchase price on paddy, currently VND3,500/kg ($9.35/cwt).
- Selected farmers produce certified seed, provided by government rice institutes, which is then distributed to farmers at subsidized prices for commercial rice production.
- Almost all rice exporters are state owned companies.
- Rice is subject to a 5% value added tax (VAT), and exporters are refunded VAT based on the purchase price in Vietnam. More than $50 million in VAT was rebated for rice exported in 2005.
- The Vietnamese Trade Promotion Fund is used to assist Vietnamese enterprises to carry out trade activities.
- Rice export companies receive credit subsidies.
- The Vietnam Ministry of Trade provides incentive rewards for companies whose total export value increases. The total incentive reward for rice exporters in 2005 was about $6 million ($104 million for all exported goods).

Soybeans

- Vietnam has an import duty rate of 5% for countries with Most Favored Nation Treaty status.
- The duty rate is 0% for soybeans imported from ASEAN countries.

Wheat

- No wheat production or controls.

WEST AFRICA

In this report, West Africa refers to Mali, Benin, Burkina Faso, and Chad. These countries have implemented structural change policies. Under these programs, all forms of government intervention, including commodity subsidies in different sectors, were eliminated. As members of the WTO and the Economic Community of West African States (ECOWAS), Benin, Mali, and Burkina Faso adopted protection policies that satisfy their commitments to both entities. The duty on agricultural products entering these countries has risen under the common external tariff, thus resulting in higher average applied MFN tariffs.

Corn and Sorghum

- Corn and sorghum in these four countries are subsistence crops and there is technical support available to producers through the development and dissemination of improved seed varieties.
- There is no official government policy regarding marketing or price fixation, but the governments maintain buffer stocks for cereals that are released in food shortages.

Cotton

- In Benin, the producer price is fixed at the beginning of each marketing year, now set at 200 FCFA/kg for first grade seed cotton ($0.55/lb of lint equivalent) and 150 FCFA/kg for second grade seed cotton ($0.42/lb lint equivalent).
- In Burkina Faso, the producer price is set at 170 FCFA/kg for first quality grade ($0.48/lb lint equivalent), 140 FCFA/kg for second grade ($0.39/lb lint equivalent), and 120 FCFA/kg for third grade ($0.33/lb lint equivalent). Cotton producers may receive bonuses or deductions accounted for in the following year pre-season set price.
- In Mali, the base price is established at 160 FCFA/kg for first grade seed cotton ($0.45/lb lint equivalent).
- Chad's procurement prices are the lowest among the African countries.
- There are no specific border policies to limit cotton imports, mainly because of weak domestic textile industries that exclusively use locally produced cotton.
- Exports of cotton are subject to a tax, which vary from one country to another. Mali applies a 3% tax on exports.

Rice

- Rice producers in Burkina Faso and Mali are guaranteed a floor price
- In May 2008, Benin suspended the import duty on milled rice.
- Rice imports require a national conformity certificate to be allowed to enter Burkina Faso. On October 14, 2008, authorities in Burkina Faso agreed to extend for another 6 months the suspension of tariffs and VAT on rice imports.

Soybeans

- Under the ECOWAS common external tariff, bulk soybean imports are assessed a 5% import duty. Additional surtaxes may be applied depending on the country.

Sugar

- Sugar imports are subject to tariffs. For Mali, a 20% tariff is applied under the CET while a 55% special tariff is applied for sugar imported from outside the ECOWAS countries. Burkina Faso also applies a 20% tariff under the CET and an additional tax based on the reference value of imported sugar.

Wheat

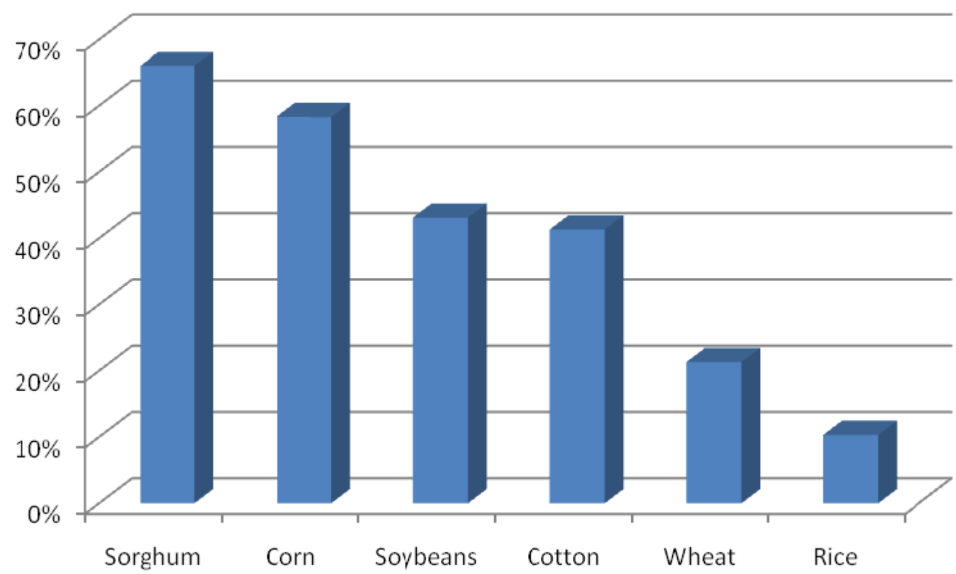
- Among the four countries, only Chad produces wheat on a limited basis. Almost all the wheat consumed is imported. Wheat falls into the category of non-sensitive good and is subject to import duty ranging between 5 and 10%, depending on the country. Additional taxes such as statistical tax (1%), community charge tax (1%), and other port charges may also apply.

CONCLUDING REMARKS

U.S. farmers account for about 1% of Gross Domestic Product (GDP) and make up about 1.85% of the total U.S. labor force. However, by including the activity of firms that assemble, process, and transform raw commodities into final products, agriculture and its related industries account for about 5% of GDP and about 14% of total U.S. employment[4].

For decades, the U.S. has been regarded as a dominant force in the world food and fiber market. The U.S. is currently the leading exporter of wheat, corn, soybeans, sorghum, and cotton and is the fourth largest exporter of rice (Figure 4). Exports of these and other agricultural products combine to make agriculture the only major U.S. industry with a trade surplus.

Figure 4. U.S. Share of Global Exports



Source: PS&D Database, FAS

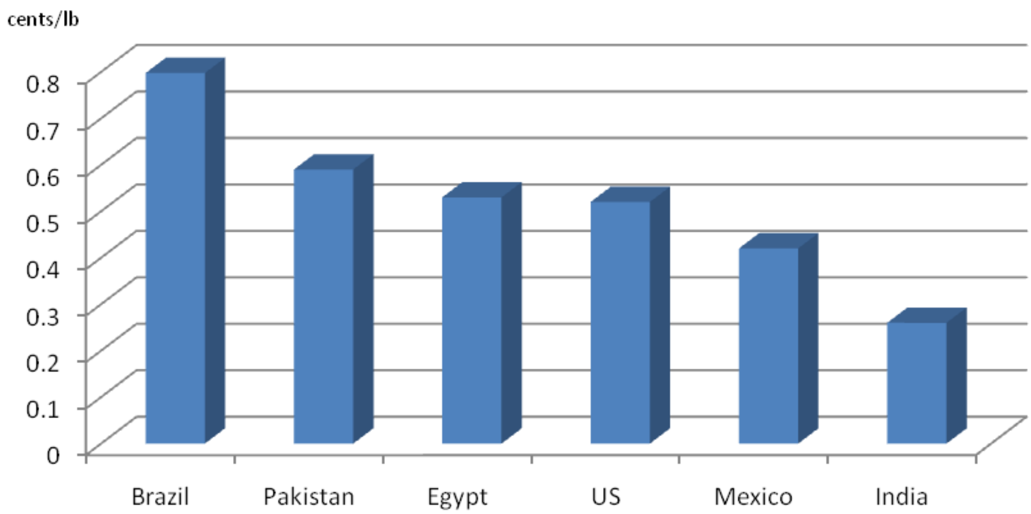
[4] Labor statistics are from ERS, "Farm and Farm Related Employment" (2007). Previous estimates of the contribution of agriculture to the U.S. economy attributed 12% of GDP to the agricultural sector. Recent revision by ERS in the methods used to calculate this statistic uses a narrower scope for agriculture and related industries and thus a smaller percentage contribution. See ERS, "Methodology notes for *Amber Waves* Indicators" for more information.

The vitality of U.S. agriculture has been questioned in recent years by such organizations as the World Bank, the International Monetary Fund, and OXFAM International (Panagariya, 2005). These institutions allege that agricultural subsidies and trade protection provided by the U.S. and other developed countries are hurting less developed nations. Recent WTO rulings on the U.S. cotton programs have augmented these contentions. There is no denying that agriculture in developed countries like the U.S. is protected and subsidized. But the implication has been drawn that agriculture subsidies are largely a developed country activity and developing countries do not protect and/or subsidize their agricultural sectors. This report attempts to shed light on this misconception by providing a compilation of various policies and programs that directly and indirectly influence the production, marketing, and trade of six agricultural commodities (corn, cotton, rice, sorghum, sugar, and wheat) in 21 foreign countries. These countries were selected to represent major players from both developing and developed countries.

Agriculture around the world has a long history of government intervention and remains a highly distorted sector of the world economy. One thing is obvious from this report: there is a great array of programs and combinations of programs that are used to achieve policy goals in different countries. There are common goals that all countries, regardless of stage of economic development, political philosophy, or natural resource endowment, seem to pursue. These include self-sufficiency in food production, safety of food supply, and the sustainability of natural resources. Yet while sharing common goals, the policies governments employ in pursuit of those goals are very diverse. While this report does not or cannot explain why such diversity exists, it does offer evidence of it.

That said, an overview of the evidence offered in the report suggests several generalizations. Most countries in the world, both developed and developing, use some form of guaranteed minimum price to the producers and use import tariffs or tariff-rate-quotas to protect domestic industries. The guaranteed minimum price is known by many names: loan rate in the U.S., intervention price in the E.U., minimum support price in India and Pakistan, and minimum floor price in China. In the case of cotton for instance, our findings reveal that the minimum support price in the U.S. is lower than that of other cotton producing countries (Figure 5).

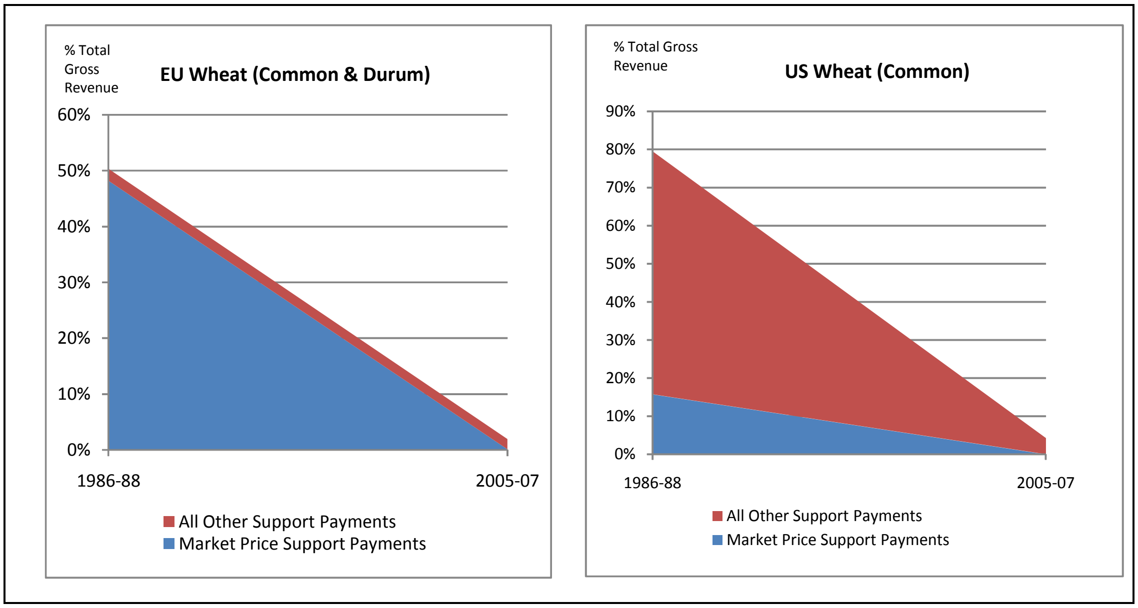
Figure 5. Cotton Minimum Support Prices



Sources: Various sources cited in this report.

However, developed/industrialized countries in recent years are moving away from price supports in favor of broader farm income support mechanisms and/or direct income payments as a means of supporting and stabilizing their agriculture sectors. The U.S. uses counter cyclical payments to supplement farm income in years of low prices and provides direct payments to farmers decoupled from farm production. Similarly, the EU is moving from commodity price support policies to an income support policy through decoupled payments. Figure 6 shows how support policies for wheat have shifted in the E.U. and the U.S. over the past two decades. The charts below graph all forms of governmental support for wheat as a percentage of total farm gross revenue. Contributions of price support programs as a percentage of gross farm receipts have decreased significantly. In addition, the overall level of support has declined in both cases meaning that a greater percentage of gross receipts are coming from the marketplace.

Figure 6. Evolving Support Programs*



*All other support payments include payments based on output, payments based on input use, payments based on current area (production required), payments based on non-current area (production required) according to OECD nomenclature.

Source: OECD Database, 2008

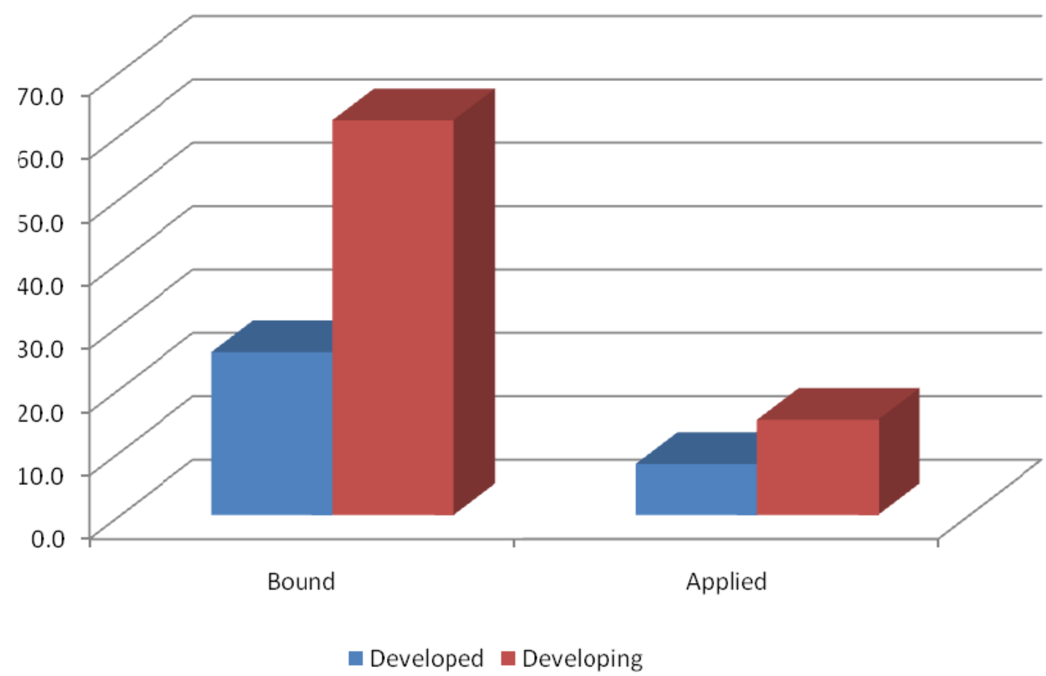
Japan also implemented a new farm program that replaced the commodity-based farm payments, which included producer quotas, income stabilization policies, deficiency payments, and the rice diversion program, with targeted direct payments. Yet these generalizations regarding developed countries' farm programs do have notable exceptions. For example, Australia provides no price support programs or direct income payments for its agricultural producers.

If we consider *per unit* price or income support, the extent of support may be higher in the developed countries than in the developing countries. But major developing countries supplement their price support programs with a sizable amount of input subsidies to protect their agriculture sectors. For example, India provides annual subsidies of $12 billion for food storage and distribution, fertilizer, water, and electricity (Landes, 2004). Similarly, China provided its producers subsidized seed and machinery purchases, technology adoption, and investments in rural infrastructure of $43.44 billion in 2007, up from $18 billion in 2004 and $15 billion in 2003 (Gale et al., 2005). Brazil, a rising force in the world agricultural market, provides $26.1 billion in various forms of credit assistance and agricultural production insurance (Bastos, 2006; Ministerio da Agricultura, 2007).

Input subsidies given by developing countries are exempt from inclusion in the Aggregate Measure of Support (AMS) because of "special and differential" treatment, and thus not subject to reduction commitments. Apart from this, developing countries prefer to subsidize inputs rather than support output prices because they are easy to implement and can be enacted at the source. Unlike price support programs, input subsidies keep domestic food prices low, which is politically popular.

It is clear from this report that both developed and developing countries extensively use import tariffs to protect their agriculture sectors. But an interesting point is that average bound/applied tariffs for agriculture are higher in major developing countries than in the developed countries. In 2007, the average applied tariff rates were 3.5% for the U.S. and 2.9% for the EU. For major developing countries like India and China, the average applied tariff rates for agriculture were 39% and 15% in the same year. Even countries like Mexico (9%), Brazil (9%), and Thailand (22%) also had higher average applied tariff rates for agriculture than that of the U.S. and the E.U. The differences are even more pronounced when one compares average bound tariff rates for agriculture between major developed and developing countries (Figure 7).

Figure 7. Average Bound and Applied Tariffs for Agriculture: Developed versus Developing Countries, 2007



Source: OECD Database, 2008

It is also worth mentioning that developed countries allow a greater number of agricultural products to enter their markets duty-free than do developing countries. Both the U.S. and the E.U. allow more than 25% of agricultural products to enter without any tariffs at all, whereas for most developing countries that share is less than 3% (Panagariya, 2005).

Sanitary and phytosanitary (SPS) regulations have been frequently used by countries in the past to restrict trade [5]. As the crop tables of this report show, the use of SPS measures are more frequent among developing countries than in developed countries. For example, in the last few years Brazil has cited concern over possible contamination by weed seeds to restrict wheat imports from the United States. Russia has completely shut off rice imports citing the need to upgrade its inspection stations with more modern equipment that can better insure the quality and safety of imports.

Finally, it is important to note the differences that exist between developed and developing countries in the areas of environmental regulations and labor standards. The implementation of policies that protect both the environment and workers will likely impose additional costs on agricultural producers. On the environmental front, this would include such programs as those that affect the use and management of pesticides, fertilizers, water resources, and air quality. In the area of labor standards, minimum wage legislation, workplace safety standards, freedom from forced labor, and basic union rights are policies that promote the health and well being of the work force. It has been argued that the cost savings from lax or nonexistent environmental and workforce protection policies in developing countries may be a source of competitive advantage for their producers. In effect, low standards in these areas may be considered a form of subsidy in that they represent costs that producers in developing countries do not have to bear. The presence and enforcement of environmental and worker standards increases the cost of production of producers in developed countries who must abide by them.

[5] SPS provisions allow a country to take measures to protect human, animal, and plant life and health from foreign pests, diseases, and contaminants.

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