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# Guide To Foreign Crop Subsidies and Tariffs





# Guide To Foreign Crop Subsidies and Tariffs

**CERI Staff Report**

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\* All of the information presented is from secondary sources, many in the native language of the country. Some of the information on cotton subsidies presented here was collected as part of research supported by Cotton Incorporated. Every effort has been made to accurately interpret and convey the most up to date information possible. However, policy tools and implementation mechanisms that countries use are constantly changing. The intent of this report is to present the most current information available as of early February 2007.

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# EXECUTIVE SUMMARY

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This study attempts to summarize information on farm policies being used for 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.

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**“All countries, both industrialized and developing, support their agriculture sectors, . . . .”**

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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), but are nonetheless trade distorting.
- Developing countries’ tariff protection is substantially 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

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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.

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**“Virtually all countries, through their governments, interfere with the markets for agricultural products through a public policy framework.”**

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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 money transfer to farmers, either by raising farmers’ revenues or by reducing their production expenses. One widely used measure of the extent of public transfers to producers is the Producer Support Estimate (%PSE)<sup>1</sup>. There are large differences in the level of support and protection for agriculture across countries and commodities as measured by the %PSE, ranging from 63% in South Korea to 1% for Russia (see 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 2004 were as low as 1% for Australia and as high as 43% for Turkey. The range of protection is even broader in a comparison of World Trade Organization (WTO) sanctioned bound tariff rates (see Figure 3)<sup>2</sup>.

The objective of this report is to provide an accurate, readable 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. This report attempts to

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<sup>1</sup> %PSE measures the monetary value of all public support to producers (derived from such policies as trade barriers, price supports, commodity programs, input subsidies, tax exemptions, etc.) as a percentage of farm receipts.

<sup>2</sup> 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 its notified rates.

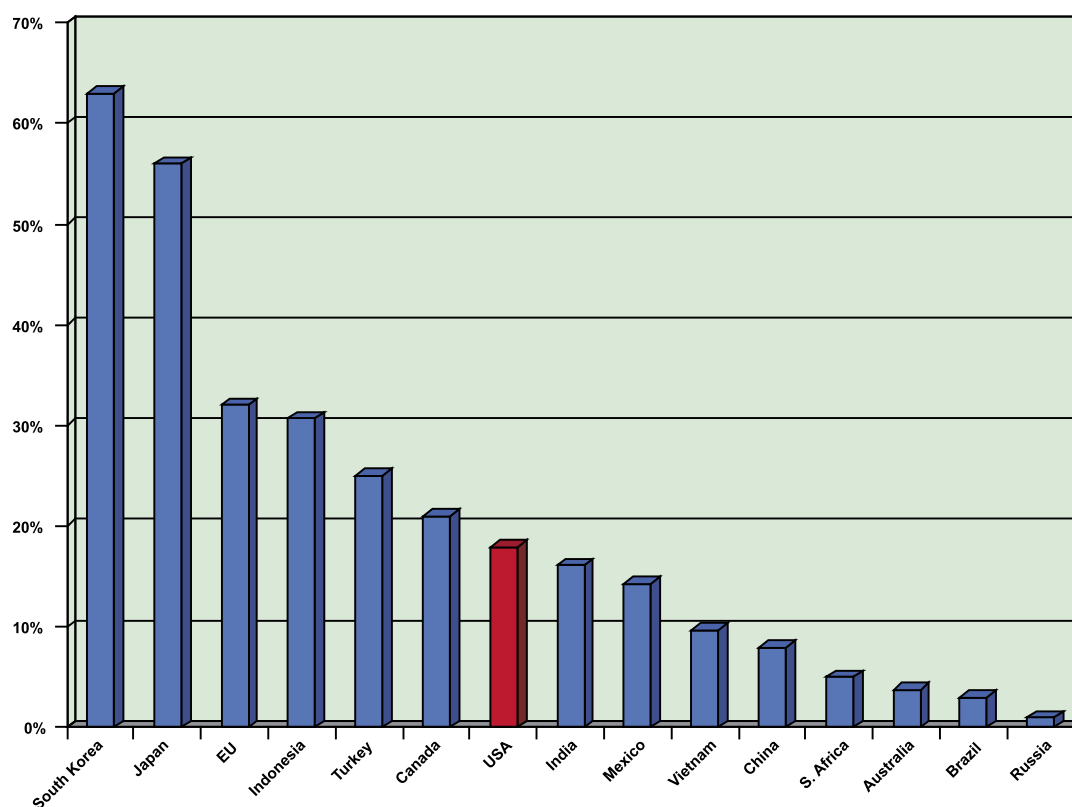
describe general trade positions of countries, although bilateral/regional trade agreements may alter these policies. Descriptions of these exceptions have been noted in the country summaries where they have been located.

This study was initiated at the request of a consortium of commodity groups known as the Southwest Council of Agribusiness. We focus on seven commodities: corn, cotton, rice, sorghum, soybeans, sugar, and wheat. While the emphasis on seven commodities is broader than the usual focus of Texas Tech's Cotton Economics Research Institute, our research experience on the interrelationship between commodity production, consumption, trade, and policies fits us well for the task. The commodity groups requested the study as one means to prepare for the policy debates on the 2007 Farm Bill. Their request was for reliable, objective, easily understood information, no more and no less.

The report is organized into four sections: (1) summary tables of policy instruments by commodity; (2) a brief description of these policy tools and major farm support programs by country; (3) a summary of findings and policy implications; and (4) a list of the sources of information used to compile this report.

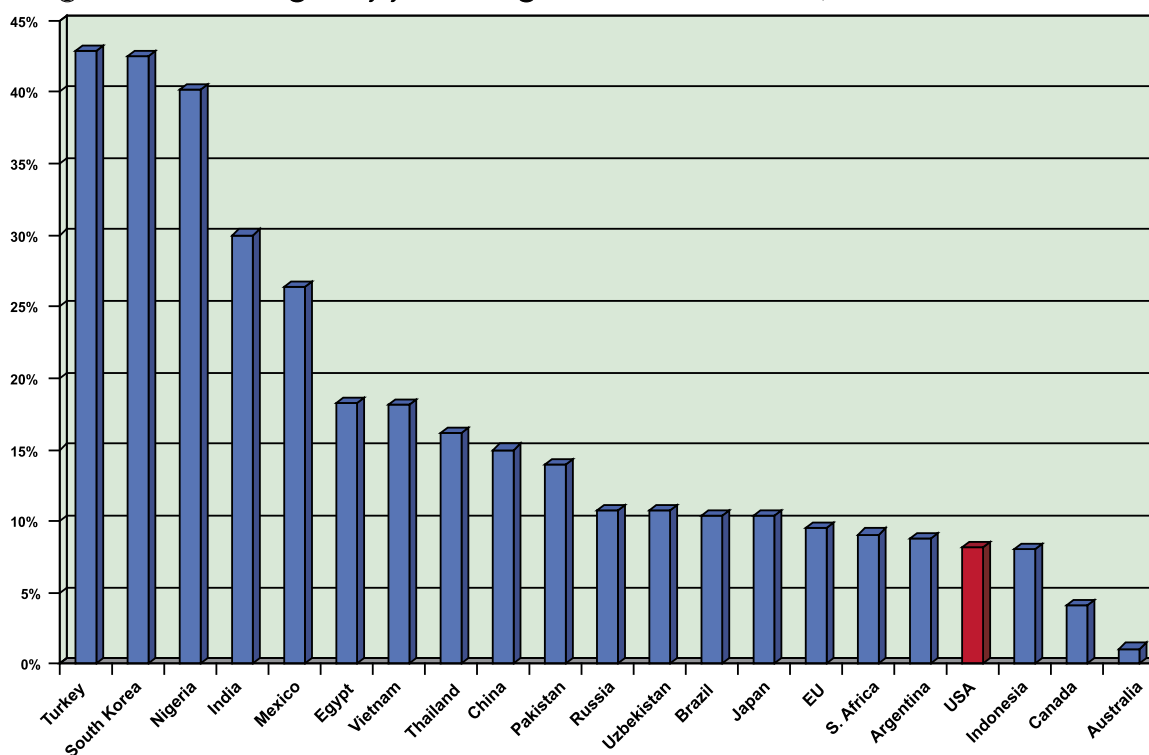
The research employed here is designed to be “positive” (describing what is) rather than “normative” (prescribing what ought to be). The primary function of research as it relates to policy is to provide reliable information. That is our goal. Decisions on public policies are the function of policy makers. In a representative democracy, such as the system of government in the United States, these are the elected representatives of the people.

**Figure 1.**  
**Producer Support Estimate (%PSE), Selected Countries**



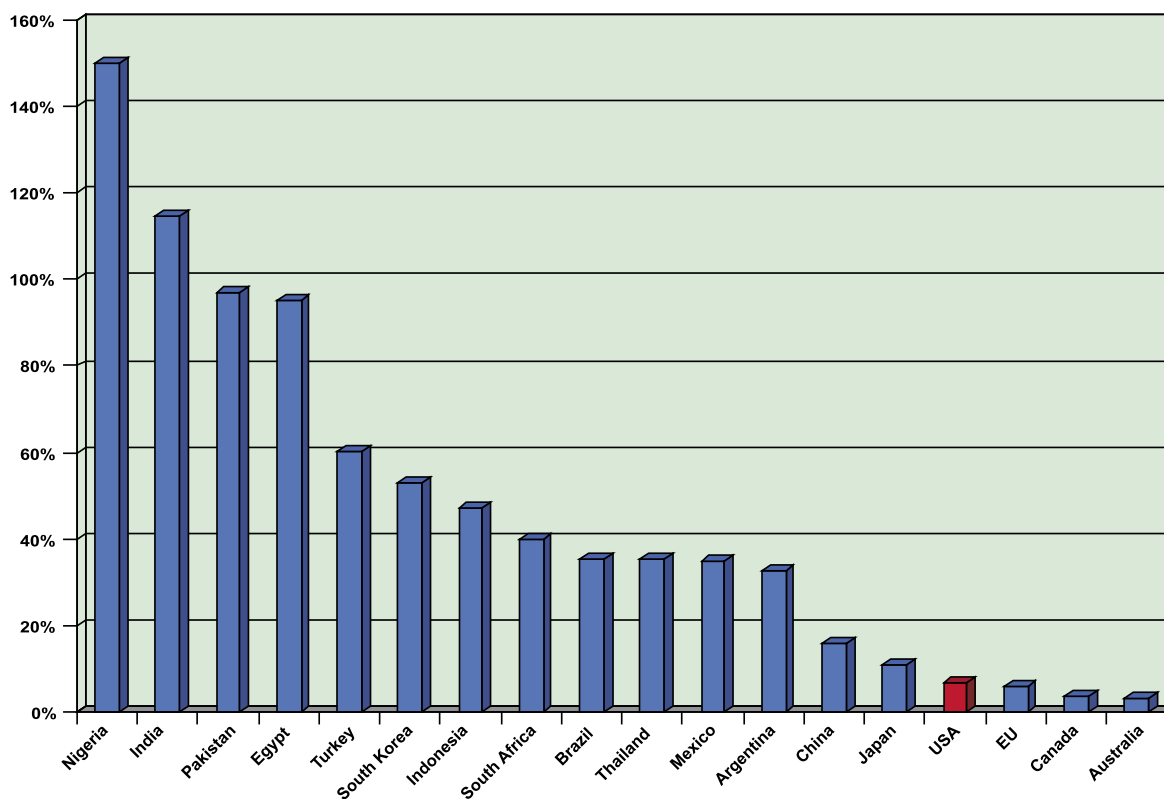
Source: OECD and IFPRI, 2006

**Figure 2. Average Applied Agricultural Tariffs, Selected Countries**



Source: U.S. Department of Agriculture, WTO Agricultural Trade Policy Commitments Database, 2007 and World Bank, 2007

**Figure 3. Average Bound Agricultural Tariffs, Selected Countries**



Source: World Bank, 2007



# CROP SUBSIDY TABLES

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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 last 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-25	India	Indonesia	Japan
<b>Direct</b>										
Support Price			X				X	X		
Direct Payments				X	X		X			
Import Quota										
Import Tariff	X	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					•	•		•		
<b>Indirect</b>										
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		
<b>Statistics (2004/05 - 2006/07)</b>										
Share of World Production (%)	3	<1	6	1	20	<1	7	2	<1	<1
Share of World Consumption (%)	<1	<1	6	2	19	2	7	2	1	2
Export Market Share (%)	15	<1	3	<1	6	<1	<1	<1	<1	<1
Import Market Share (%)	<1	<1	<1	3	<1	6	4	<1	1	21

## CORN

	South									
	Mexico	Nigeria	Pakistan	Russia	Africa	South Korea	Thailand	Turkey	Uzbekistan	Vietnam WAC
<b>Direct</b>										
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	•		•	•				•		
<b>Indirect</b>										
State Trading										
Sanitary Import Controls				X	X					
Long-term Investment Assistance										
Credit Subsidies			X							
Transport/Storage Subsidies	X		X							
<b>Statistics (2004/05 - 2006/07)</b>										
Share of World Production (%)	3	1	<1	<1	1	<1	<1	<1	<1	<1
Share of World Consumption (%)	4	<1	<1	<1	1	1	<1	<1	<1	2
Export Market Share (%)	<1	<1	<1	<1	2	<1	<1	<1	<1	<1
Import Market Share (%)	<1	<1	<1	<1	<1	11	<1	<1	<1	<1

Crop Subsidies

## COTTON

	Argentina	Australia	Brazil	Canada	China	Egypt	EU-25	India	Indonesia	Japan
<b>Direct</b>										
Support Price	X		X			X	X	X		
Direct Payments					X	X	X			
Supply Control										
Import Quota	X	X	X	X	X			X		
Import Tariff										
Single	•	•	•					•		
Two-Tier (TRQ)					•					
Export Subsidies	X									
Export Tax	X									
Input Subsidies	X				X	X		X		
Fertilizer					•			•		
Irrigation					•	•		•		
Seed	•				•	•		•		
Electricity/Fuel	•				•	•		•		
<b>Indirect</b>										
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		
<b>Statistics (2004/05 - 2006/07)</b>										
Share of World Production (%)	<1	2	5	<1	24	<1	2	17	<1	<1
Share of World Consumption (%)	<1	<1	4	<1	37	<1	3	14	2	<1
Export Market Share (%)	<1	6	4	<1	<1	1	5	7	<1	<1
Import Market Share (%)	<1	<1	<1	<1	36	1	6	2	6	2

# COTTON

	Mexico	Nigeria	Pakistan	Russia	South Africa	South Korea	Thailand	Turkey	Uzbekistan	Vietnam	WAC
<b>Direct</b>											
Support Price	X		X					X		X	X
Direct Payments	X										X
Supply Control									X		
Import Quota	X	X	X			X					
Import Tariff											
Single	•	•	•								
Two-Tier (TRQ)						•					
Export Subsidies		X									
Export Tax											X
Input Subsidies	X		X					X	X		
Fertilizer			•					•	•		
Irrigation			•						•		
Seed			•						•		
Electricity/Fuel	•		•					•			
<b>Indirect</b>											
State Trading			X						X		
State Ownership									X		
Sanitary Import Controls											
Long-Term Investment Assistance											
Credit Subsidies			X						X		
Transport/Storage Subsidies			X								
<b>Statistics (2004/05 - 2006/07)</b>											
Share of World Production (%)	<1	<1	9	<1	<1	<1	<1	3	5	<1	3
Share of World Consumption (%)	2	<1	10	1	<1	<1	2	6	<1	<1	<1
Export Market Share (%)	<1	<1	<1	<1	<1	<1	<1	<1	11	<1	8
Import Market Share (%)	4	<1	5	4	<1	3	5	8	<1	2	<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 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										
Credit Subsidies			X		X	X		X		
Transport/Storage Subsidies			X		X			X		
Statistics (2004/05 - 2006/07)										
Share of World Production (%)	<1	<1	2	<1	31	1	<1	22	9	2
Share of World Consumption (%)	<1	<1	2	<1	31	<1	<1	21	9	2
Export Market Share (%)	1	<1	<1	<1	3	4	<1	15	<1	<1
Import Market Share (%)	<1	<1	3	1	3	<1	4	<1	2	3

## RICE

	Mexico	Nigeria	Pakistan	Russia	South Africa	South Korea	Thailand	Turkey	Uzbekistan	Vietnam	WAC
<b>Direct</b>											
Support Price	X		X			X	X	X		X	
Direct Payments	X					X					
Import Quota											
Import Tariff	X	X	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	•		•	•							
<b>Indirect</b>											
State Trading			X				X			X	
Sanitary Import Controls				X							X
Long-Term Investment Assistance			X								
Credit Subsidies			X				X			X	
Transport/Storage Subsidies							X				
<b>Statistics (2004/05 - 2006/07)</b>											
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	10	<1	<1	<1	27	<1	<1	17	<1
Import Market Share (%)	2	6	<1	1	3	1	<1	1	<1	1	2



## SORGHUM

	Argentina	Australia	Brazil	Canada	China	Egypt	EU-25	India	Indonesia	Japan
<b>Direct</b>										
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								•		
<b>Indirect</b>										
State Trading										
Sanitary Import Controls										
Long-Term Investment Assistance										
Credit Subsidies			X					X		
Transport/Storage Subsidies			X					X		
<b>Statistics (2004/05 - 2006/07)</b>										
Share of World Production (%)	5	4	3	<1	4	2	<1	13	<1	<1
Share of World Consumption (%)	4	3	3	<1	4	2	1	3	<1	2
Export Market Share (%)	5	3	<1	<1	<1	<1	<1	<1	<1	<1
Import Market Share (%)	0	<1	<1	<1	<1	<1	5	<1	<1	27

## SORGHUM

	Mexico	Nigeria	Pakistan	Russia	South Africa	South Korea	Thailand	Turkey	Uzbekistan	Vietnam	WAC
<b>Direct</b>											
Support Price	X										
Direct Payments	X										
Import Quota		X									
Import Tariff	X				X			X			
Single	•				•			•			
Two-Tier (TRQ)											
Export Subsidies											
Export Taxes											
Input Subsidies	X			X							
Fertilizer											
Irrigation											
Seed				•							
Electricity/Fuel	•			•							
<b>Indirect</b>											
State Trading											
Sanitary Import Controls											
Long-Term Investment Assistance											
Credit Subsidies											
Transport/Storage Subsidies											
<b>Statistics (2004/05 - 2006/07)</b>											
Share of World Production (%)	10	18	<1	<1	<1	<1	<1	<1	<1	<1	3
Share of World Consumption (%)	15	18	<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 (%)	56	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1

SOYBEANS

	Argentina	Australia	Brazil	Canada	China	Egypt	EU-25	India	Indonesia	Japan
<b>Direct</b>										
Support Price			X					X		
Direct Payments							X			X
Import Quota				X	X					
Import Tariff	X		X		X	X		X	X	
Single		•	•		•	•		•		•
Two-Tier (TRQ)										
Export Subsidies										
Export Taxes	X									
Input Subsidies					X	X		X		
Fertilizer					•			•		
Irrigation					•	•		•		
Seed					•			•		
Electricity/Fuel					•			•		
<b>Indirect</b>										
State Trading					X					
Sanitary Import Controls							X			
Long-Term Investment Assistance				X						
Credit Subsidies			X		X	X		X		
Transport/Storage Subsidies			X		X			X		
<b>Statistics (2004/05 - 2006/07)</b>										
Share of World Production (%)	18	<1	25	1	8	<1	<1	3	<1	<1
Share of World Consumption (%)	15	<1	14	<1	21	<1	7	3	1	2
Export Market Share (%)	12	<1	36	2	<1	<1	<1	<1	<1	<1
Import Market Share (%)	1	<1	<1	<1	44	1	22	<1	2	6

## SOYBEANS

	Mexico	Nigeria	Pakistan	Russia	South Africa	South Korea	Thailand	Turkey	Uzbekistan	Vietnam	WAC
<b>Direct</b>											
Support Price	X						X	X			
Direct Payments	X										
Import Quota											
Import Tariff	X	X	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	•			•				•			
<b>Indirect</b>											
State Trading											
Sanitary Import Controls				X							
Long-Term Investment Assistance											
Credit Subsidies											
Transport/Storage Subsidies											
<b>Statistics (2004/05 - 2006/07)</b>											
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 (%)	6	<1	<1	<1	<1	2	2	1	<1	<1	<1

## SUGAR

	Argentina	Australia	Brazil	Canada	China	Egypt	EU-25	India	Indonesia	Japan
<b>Direct</b>										
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 Tax										
Input Subsidies					X	X		X		
Fertilizer					•			•		
Irrigation					•	•		•		
Seed					•			•		
Electricity/Fuel					•			•		
<b>Indirect</b>										
State Trading					X					
State Ownership										
Sanitary Import Controls										
Long-Term Investment Assistance			X					X		
Credit Subsidies			X		X			X		
Transport/Storage Subsidies			X		X			X		
<b>Statistics (2004/05 - 2006/07)</b>										
Share of World Production (%)	1	4	20	<1	7	1	14	14	2	<1
Share of World Consumption (%)	1	<1	8	1	8	1	12	14	3	2
Export Market Share (%)	1	9	38	<1	<1	<1	11	2	<1	<1
Import Market Share (%)	<1	<1	<1	3	3	2	6	2	4	3

## SUGAR

	Mexico	Nigeria	Pakistan	Russia	South Africa	South Korea	Thailand	Turkey	Uzbekistan	Vietnam	WAC
<b>Direct</b>											
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	•		•	•							
<b>Indirect</b>											
State Trading			X		X						
Sanitary Import Controls		X									
Long-Term Investment Assistance			X				X				
Credit Subsidies	X		X	X						X	
Transport/Storage Subsidies			X								
<b>Statistics (2004/05 - 2006/07)</b>											
Share of World Production (%)	4	<1	2	2	2	<1	4	2	<1	<1	<1
Share of World Consumption (%)	4	<1	3	4	1	<1	2	1	<1	<1	<1
Export Market Share (%)	<1	<1	<1	<1	2	<1	7	<1	<1	<1	<1
Import Market Share (%)	4	3	2	8	<1	4	<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			X	X	X	X	X	X	X	X
Import Tariff										
Single			•			•		•	•	
Two-Tier (TRQ)				•	•		•			•
Export Subsidies			X		X		X			
Export Tax	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 (2004/05 - 2006/07)										
Share of World Production (%)	2	3	<1	4	16	1	21	11	<1	<1
Share of World Consumption (%)	<1	1	2	2	17	2	19	12	<1	<1
Export Market Share (%)	9	12	<1	15	2	<1	13	1	<1	<1
Import Market Share (%)	<1	<1	6	<1	3	7	7	2	4	5

# WHEAT

	Mexico	Nigeria	Pakistan	Russia	South Africa	South Korea	Thailand	Turkey	Uzbekistan	Vietnam	WAC
<b>Direct</b>											
Support Price	X		X	X				X			
Direct Payments	X										
Supply Control									X		
Import Quota								X			
Import Tariff	X	X		X	X	X					X
Single		•		•	•						•
Two-Tier (TRQ)	•					•					
Export Subsidies											
Export Tax											
Input Subsidies	X		X	X				X			
Fertilizer			•					•			
Irrigation			•								
Seed			•	•							
Electricity/Fuel	•		•	•				•			
<b>Indirect</b>											
State Trading			X						X		
State Ownership									X		
Sanitary Import Controls											
Long-Term Investment Assistance				X							
Credit Subsidies			X								
Transport/Storage Subsidies			X								
<b>Statistics (2004/05 - 2006/07)</b>											
Share of World Production (%)	<1	<1	3	7	<1	<1	<1	3	<1	<1	<1
Share of World Consumption (%)	<1	<1	3	6	<1	<1	<1	3	<1	<1	<1
Export Market Share (%)	<1	<1	<1	8	<1	<1	<1	2	<1	<1	<1
Import Market Share (%)	3	3	<1	1	1	3	1	<1	<1	1	<1



# COUNTRY SUMMARIES

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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 prices 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 United States by way of the loan rate), 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<sup>3</sup>. 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.

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<sup>3</sup> 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).

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# ARGENTINA

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Historically, the agricultural sector in Argentina has received little direct government support. Policies in the export-oriented agricultural sector were influenced 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, Sorghum, and Wheat

- The export tax for corn, sorghum, and wheat was 20% in 2005.

## Cotton

- 5% export tax for cotton in 2005.
- 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 with the goal of establishing a minimum price.
- The import tariff for cotton from Non-Mercosur (Southern Common Markets) countries was 6% in 2005.

## Rice

- The export tax for seed paddy rice was 5% in 2005.

## Soybeans

- Over 95% of Argentina's soybean production is exported, either as beans, oil, or meal.
- Soybeans are assessed a 23.5% export tax.

### Notes:

[illegible]

# AUSTRALIA

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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.

## 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%.

## 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.
- On January 1, 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 mill 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 to help the industry through immediate short term difficulties and longer term measures to help the industry undertake reform.
- WTO bound import tariff level: raw sugar—13.9%, refined sugar—10.0%.

# Wheat

- Wheat is the major crop in Australia with production for 2005/06 estimated as 24 million metric tons (881 million bushels).
- 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 for a period of six months.

## Notes:

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# BRAZIL

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The removal of some taxes, tariffs, and other trade restrictions in the early 1990s has fueled rapid growth in the Brazilian agricultural sector. In 2004, agriculture and allied industries accounted for 40% of Brazilian total exports and virtually all of a \$34 billion trade surplus. Most of its support to producers is in the form of subsidized credit. Currently, Brazil is proposing \$26.1 billion in various forms of credit assistance and agricultural production insurance.

Apart from subsidized credit, 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.

Brazil is 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 5<sup>th</sup> in world cotton exports. Exports account for about 40% of Brazilian cotton production.
- Basic minimum support price for cotton lint is R\$44.60/15 kg (\$0.6289/lb).
- WTO bound import tariff for cotton is 35%.

## 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.
- 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).
- Recent declines in the profitability of soybean production have prompted the government to offer R\$14 billion (about \$6 billion) of emergency assistance to soybean producers. This assistance will come in the form of 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 have been used recently to prevent imports of wheat, specifically from the U.S. and Ukraine.
- 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.

## Notes:

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# CANADA

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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.

## 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 earn market premiums by 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.

### Notes:

[illegible]

# CHINA

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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 in 2004.

Historically, China has pursued food security and grain self-sufficiency objectives. The government of China 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 wheat, rice, and corn. Soybeans and cotton are no longer part of this group.

China provides agricultural support at both the central and local government levels. The central government will provide \$43.44 billion to support agricultural and rural development in 2007, mainly as subsidies for seed, fertilizer, machinery, and other inputs and technical training. Local governments will provide additional support to local farmers. In 2004, the government reduced the agricultural tax on farmland and introduced a system of direct income payments to farmers.

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.

## Corn and Sorghum

- Both central and provincial governments subsidize the fuel-ethanol sector. The government provided \$225/MT (\$5.72/bu) of corn for corn-based ethanol in 2005, reducing it by \$37.5/MT (\$0.95/bu) in 2006, thereby indicating intention to curb the expansion of fuel ethanol plants based on grain production.
- China's TRQ in corn had a quota of 7.2 MMT (283 million bu) in 2004. 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; ADBC allocated \$5.15 billion for this program in 2005.
- China is changing its cotton classification system to be more consistent with international standards and appropriated \$9.76 million 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.

- 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.

## 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. Floor prices for early indica (unmilled) and japonica (unmilled) are \$173/MT (\$7.85/cwt) and \$186/MT (\$8.44/cwt).
- There is a seed subsidy program for rice, but the amount of subsidy is not available (the combined value of the seed subsidy for wheat, rice, corn, and soybean was \$480 million in 2005).
- China uses a TRQ for rice, with 50% traded by state owned companies. The quota was 2,660,000 MT (59 million cwt) in 2004.

## Soybeans

- The government of China pays \$20 to \$25/ha (\$8-\$10/ac) in seed and agricultural machinery subsidies to soybean farmers, particularly in the Northeast provinces.
- 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.
- The TRQ quota for CY2006 is 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 cwt) is reserved for non-state trading enterprises and 70% is assigned to state trading enterprises.

## Wheat

- The government sets an unofficial target price (\$178/MT or \$4.52/bu in 2005) below which it will purchase wheat to support the market price.
- 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 has a TRQ in wheat, with a total quota of 9.6MMT (350 million bu) in 2004. 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, the average applied tariff was 5.8% in 2005. The bound rates for agricultural products were above applied duties for most products. The Egyptian government still 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 was provided to producers in 2005/06 because of low world prices.
- The government has initiated a subsidy program directed to textile mills to purchase affected cotton varieties at prevailing prices of LE 100/kantar of seed cotton (a lint equivalent of about \$0.53/lb).
- Egypt has removed all export restrictions on its cotton, which may in turn lead to higher imports for the domestic textile industry.
- 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.

## Soybeans

- Egypt produces soybeans on a limited basis in the newly reclaimed lands. Production is hampered by favorable import prices and low yields.
- Imports have been declining 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 increased from \$23 to \$28/MT (\$0.08 to \$0.10/lb raw sugar equivalent) in 2005/06. Under the policy, producers receive 60% of funds on delivery and the remaining 40% is paid out 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, 12% for raw sugar, and 22% for syrups and molasses.
- Additionally, 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 was recently increased from \$208/MT (\$5.66/bu) to \$237/MT (\$6.45/bu).
- Imports into Egypt are subject to a 2% import tax.

## Notes:

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# EUROPEAN UNION (EU-25)

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Recent reform of the Common Agricultural Policy (CAP) reduces support prices for selected commodities and introduces direct payments to producers based on crop area. Single Farm Payments (SFP) that will not require production will replace 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 would 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 will be made beginning in 2006. A coupled payment of up to 35% will be 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

- With the 2003 reform, the rice intervention price was reduced by 50% and annual intervention purchases were limited to 75,000 MT (1.7 million cwt). Direct payments compensate for the price reduction. Part of the payment is included in the SFP and part converted to crop-specific aid.
- The rice intervention subsidy is 150 euros/MT (\$8.80/cwt). A trade agreement with 49 least-developed countries reduces duties on unmilled rice from those countries to zero in 2009.

- 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-25.
- 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. This is due to the equalization of compensatory payments for oilseeds and cereals, removing crop specific payments to oilseed producers.

- 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) over the next 4 years.
- 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).

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# INDIA

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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. A significant portion of government funds have been allocated to subsidizing production inputs such as fertilizers, seed, power, and irrigation. The fertilizer subsidy alone has more than doubled in the last decade, increasing from 60 billion rupees (\$1.25 billion) in 1992/93 to 140 billion rupees (\$2.88 billion) in 2001/02. Overall, India provides annual subsidies of \$12 billion for food storage and distribution, fertilizer, water, and electricity.

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 as part of their World Trade Organization (WTO) commitments.

## Corn and Sorghum

- 2006/07 minimum support price (MSP) for corn is Rs. 5,400/MT (\$3.02/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%.
- MSP for sorghum is Rs. 5,400/MT (\$3.02/bu) for the current marketing year.

## 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). 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. 6,100/MT (\$6.10/cwt) for 2006/07.
- Since April 2000, the government of India has applied import duties of 70-80% to keep imports low.

## Soybeans

- MSP is 1020 Rs/quintal (\$6.11/bu) for yellow soybeans and 900 Rs/quintal (\$5.39/bu) for black soybeans in 2006/07.
- 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. 802.5/MT in 2006/07 (about \$0.06/lb raw sugar equivalent).
- 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 2006/07 is Rs. 7,500/MT (\$4.49/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. Recently the government of India has lowered the tariff on private imports because of a tight supply situation.

## Notes:

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# INDONESIA

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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. 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 in 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 (118 thousand bu) 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 Purchasing Price (guaranteed) is \$0.19/kg (\$8.62/cwt). 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.
- The government of Indonesia subsidizes seed and fertilizer (Rp 3 trillion or about \$350 million in 2006).
- Sanitary and phytosanitary (SPS) and food quality regulations have led to import restrictions.

## Soybeans

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

## Sugar

- The government sets a floor price (Rp. 3,800/kg in 2005/06, about \$0.18/lb).
- To control imports, the Minister 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.
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### Notes:

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# JAPAN

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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.

## 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 has 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

- In Japan’s price support system, a guaranteed price for domestic beet and cane producers is set each year. The government then sets a price at which it will buy raw sugar from refiners that will allow refiners to pay the guaranteed price for beets and cane, then purchases sugar at the set price, resells the sugar to the refiners at a lower price, roughly equivalent to the import price.
- In 2007, the sugar beet support program is scheduled to shift from a price support to a direct payment system.

# Wheat

- Farmers who cultivate more than a specified acreage of wheat receive a direct payment, currently 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.

### Notes:

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# MEXICO

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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 price 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. 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 was 1,650 pesos/MT (about \$3.71/bu) in 2004.
- Corn producers also receive an income subsidy support through the government program PROCAMPO. A flat-rate payment of 963 pesos/ha (about \$37/ac) was given for corn in 2005. Farmers with production areas of between 1 and 5 ha (2.5 and 12 ac) received approximately 1,160 pesos/ha (\$44/ac) in 2005.
- Since the implementation NAFTA, the out-of-quota bound tariff on corn has been reduced from 206% to 37% for 2006. During this period, the TRQ quota has increased from 2.5 MMT (approximately 98 million bu) to 3.515 MMT (138 million bu). Out-of quota tariff will reduce to 18.4% for 2007 and to zero after 2007.
- Target income for sorghum producers was 1,270 pesos/MT (about \$2.85/bu) for 2004.
- Sorghum producers receive the same flat-rate payments per hectare as corn producers.
- The bound tariff rate for sorghum is 45% and the applied rate is 7.5%.

## Cotton

- In 2004/05, the target price for cotton was \$0.64/lb.
- Cotton producers also receive a per hectare income support subsidy through PROCAMPO.
- Mexico applies a 7.5% tariff on cotton (not carded) imports and a 10% tariff on carded cotton. The bound rates are 38.1% for carded cotton and 45% for not carded cotton.

## Rice

- The target income support price for rice was 2,100 pesos/MT (\$8.43/cwt) in 2004.
- Rice producers also received an income support payment through PROCAMPO.
- The applied import tariff on rice is 7.5%. The bound rates are 27% for unmilled and 45% for milled.

# Soybeans

- The target income support price for soybeans in 2004 was 3,000 pesos/MT (\$6.74/bu).
- Soybean producers also receive a per hectare payment through PROCAMPO.
- With reforms in Mexico's domestic crop support programs, imports have virtually displaced domestic soybean production. Nearly all imports come from the United States.
- The bound tariff rate for soybeans is 33% and the applied rate is 5%.

## Sugar

- The Mexican Government maintains domestic sugar prices above international prices through different policies. The price since 2000 has averaged around \$0.235/lb.
- 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 was 1,800 pesos/MT (\$4.34/bu) in 2004.
- Wheat producers also receive a per hectare payment through PROCAMPO.
- The wheat TRO has an in-quota rate of 50% and an out-of-quota rate of 67%.

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# NIGERIA

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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 polypropylene (plastic) 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 new harmonized tariff scheme, the tariff on rice was reduced from 110% to 50%. However, an additional special tariff of 50% was initiated for non- ECOWAS countries, which brings the import tariff to 100%.

## Soybeans

- A rapidly growing Nigerian poultry sector (due to a governmental ban on poultry imports) is significantly increasing the demand for soybeans. Domestic production currently 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.
- 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.
- Nigeria's sugar market is protected with a total import tariff and surcharge reaching 60%.
- 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.

## Notes:

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# PAKISTAN

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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 2006/07 the support price is Rs.1025/40kg (a lint equivalent of \$0.59/lb).
- Bound import tariff for cotton is 100%. Applied tariffs range from 37.5% for non-carded cotton to 65% for carded.

## Rice

- MSP for 2005/06 was Rs 300/40kg (\$5.72/cwt) for paddy rice.
- There is a 10% import duty and 15% sales tax on rice imports.

## Sugar

- The MSP for sugarcane varies by region. In 2005/06 it ranged from Rs 45/40kg (\$0.07/lb raw sugar equivalent) to Rs60/40kg (\$0.09/lb raw sugar equivalent).
- Pakistan's bound tariff on raw sugar is 100%. Its average applied tariff is 35%.

## Soybeans

- The government of Pakistan offers no price support mechanism for soybeans nor engages in any state procurement programs.
- The bound tariff rate for soybean imports is 100%. The applied rate is 10%.

## Wheat

- The MSP for wheat for 2005/06 was Rs.415/40kg (\$4.74/bu).
- The government now allows duty free imports of wheat and wheat flour by the private sector, conditional on meeting prescribed specifications. Wheat and wheat products can be traded freely and banks can finance such trade.

Notes:

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# RUSSIA

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Russia has no direct financial support of grain production aside 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.

Energy use in Russia continues to be 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 upon 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 on May 7, 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.

## Rice

- Rice is the only grain product imported in significant quantities.
- On December 4, 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.

# 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.
- 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.

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# SOUTH AFRICA

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South Africa has undergone profound policy changes since the end of Apartheid. While the major policy changes with respect to agriculture were dominated by an expensive land reform 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 as the corn market is deregulated.
- Import duty at R84.24/MT (\$0.38/bu) on January 2005 is free as of Dec 8, 2006.
- South Africa has banned corn imports under its SPS regulation for imports of genetically modified corn.
- The applied tariff rate 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. This is 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 biodiesel production.
- Current imports are subject to an 8% import tariff.

## 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 African 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 zero because of higher world price.
- Import tariff may remain at this level because of the ethanol effect on sugar price.

# Wheat

- As of July 2005, the South African government applies a 2% tariff on imports.

### Notes:

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# SOUTH KOREA

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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

- For 2007, the in-quota tariff rate for corn for processing is 2% for 2.15 MMT (85 million bu). The feed corn in-quota tariff rate is 0% for 8 MMT (315 million bu).

## Cotton

- The WTO bound tariff rate for raw cotton is 2%, but the current applied rate is 0%. This is technically a TRQ being applied with an unlimited quota amount.

## Rice

- A fixed annual payment of 600,000 won/ha (about \$253/ac) is made to rice farmers for maintaining rice paddies.
- The target price for rice for crop years 2005 to 2007 is 2,126 won/kg (\$94.35/cwt). If the price falls below the target price, the government pays farmers 85% of the difference between the target and market price for rice purchases made by the government. The target price is revised every three years.
- Korea has an import quota for rice with country-specific provisions. Tariffs within the quota are 5%. Korea has the right to terminate the minimum-access quota and move to the tariff-rate quota.

## Soybeans

- The Korean government maintains a program to encourage producers to reduce rice area and increase soybean production. In the 2005/06 crop year, the government purchased soybeans from converted rice paddies at 4,204 won/kg (\$114.31/bu).
- 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 5% and the out-of-quota tariff rate is 487%. The TRQ quantity is 1.350 MMT (50 million bu).

## Sugar

- The government has announced a reduction in the import tariff on refined sugar from 50% to 40%.

## 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 to remain unchanged at 1% for 2.4 MMT (88 million bu).

### Notes:

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# THAILAND

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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 2005/06 loan rates were set at 4.75 baht/kg on farm (\$3.02/bu).
- Thailand uses a TRQ for corn imports. The import quota in 2006 was 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.
- Intervention price in 2005/06 was 9700-10,000 baht/MT (\$12.24-12.62/cwt) for fragrant paddy rice. Intervention prices are based on three year average market prices.
- 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. 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.
- 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 are currently unlimited with 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 (800 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%.

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# TURKEY

The agricultural policy in Turkey has been characterized by *ad hoc* changes in policy under an environment of high inflation. Agricultural policy has been moving from market price support and input payments to income support payments. An effort to converge agricultural policy with that of the European Union has been accelerated. Reductions in output and input linked support have been offset by an increase in Direct Income Support payments. These payments are based on a flat rate per hectare.

## Corn and Sorghum

- Different tariff rates for different types of corn.
- Premium payments for corn are linked to production and are made on a per kilogram basis depending upon presentation of sales documents.
- Diesel and chemical fertilizer support for corn were established at \$18.83/ha (\$7.62/ac) for diesel fuel and \$12.51/ha (\$5.06/ac) for chemical fertilizer in 2004.
- Although there is no report of sorghum production, exports, or imports, an import tariff of 130% was in place in 2004.

## 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 was approximately \$0.17/kg for the producer using certified seeds and about \$0.14 /kg for producers using non-certified seed in 2005 (\$0.24/lb and \$0.18/lb lint equivalent).
- The diesel and chemical fertilizer support payments are made on per hectare basis. For cotton, these payments were \$35.43/ha for diesel fuel support (\$14.34/ac) and \$23.57/ha for chemical fertilizer support in 2005 (\$9.54/ac).

## Rice

- Since 2003, Turkey has applied a TRQ on rice imports. Currently 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.
- The premium support for rice in 2005 was 0.017 euros/kg (about \$1/cwt).

## Soybeans

- Production bonuses are paid on soybeans as well in order to support local production. In 2005, the soybean bonus was TL 240,000/kg (\$5/bu).
- 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 was 135% in 2006 from all origins other than those countries with which Turkey has trade agreements.

# Wheat

- The support premium established for wheat was 0.017 euros/kg (approximately \$0.60/bu) in 2005.
- 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.
- For 2004 the diesel and chemical fertilizer supports for wheat were \$18.83/ha (\$7.62/ac) and \$12.51/ha (\$5.06/ac).

## Notes:

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# UZBEKISTAN

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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.

## 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 during 2004-2006 reorganize into private farms. By the beginning of 2006 more than half of the existing state farms were reorganized into private farms.
- 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 areas. 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 has complete control on the planted area, production, and marketing of wheat, both in the domestic and international markets.

### Notes:

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# VIETNAM

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The government of Vietnam has many programs under which inputs such as seed, fertilizer, and irrigation water are subsidized. At the provincial level, seeds are provided to farmers at subsidized rates. Similarly, fertilizer manufacturers and importers have access to low-interest credit. Approximately half of the cultivated land in Vietnam is irrigated. 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. Half of the irrigation maintenance and operation costs are subsidized.

Vietnam became the 150<sup>th</sup> member of the WTO on January 11, 2007 and committed to substantial reductions in tariffs, a ceiling on agricultural subsidies, and a phase-out period for quota elimination.

## Corn

- Vietnam's tariff on corn is 5%. It applies a preferential lower tariff on corn from ASEAN countries and China.

## 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 rice, currently VND1,500/kg (about \$4.30/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 (MFN) Treaty status.
- The duty rate is 0% for soybeans imported from ASEAN countries.

# Wheat

- No wheat production or controls.

## Notes:

[illegible]

# WEST AFRICA

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In this report, West Africa refers to Mali, Benin, Burkina Faso, and Chad. These countries have implemented structural adjustment policies to reform their economies. Under these programs, all forms of government interventions, 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 some 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 except for the maintenance of buffer stocks for cereals that are released in instances of food shortages.

## Cotton

- In Benin, the producer price is fixed at the beginning of each marketing year. In 2004/05, producers and ginneries agreed on 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, for the 2005/06 marketing year, the producer price was 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.
- The price scheme in Mali is a fixed producer price determined by the Malian Parastatal Cotton Company (CMDT) based on the prevailing world price and marketing and ginning costs. The base price is established at 160 FCFA/kg for 2005/06 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.
- Mali and Burkina Faso apply a 10% import tax on husked rice.
- Rice imports require a national conformity certificate to be allowed to enter Burkina Faso.

# 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 relatively high 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 regressive tax based on the reference value of imported sugar.

# Wheat

- Among the four countries considered, 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.

## Notes:

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slight shadow on its right side, suggesting it's resting on a surface.



# CONCLUDING REMARKS

This report attempts to provide a compilation of various policies and programs that directly and indirectly influence the production, marketing, and trade of seven agricultural commodities (corn, cotton, rice, sorghum, soybeans, sugar, and wheat) in 21 foreign countries. These countries were selected to represent major players from both developing and developed countries.

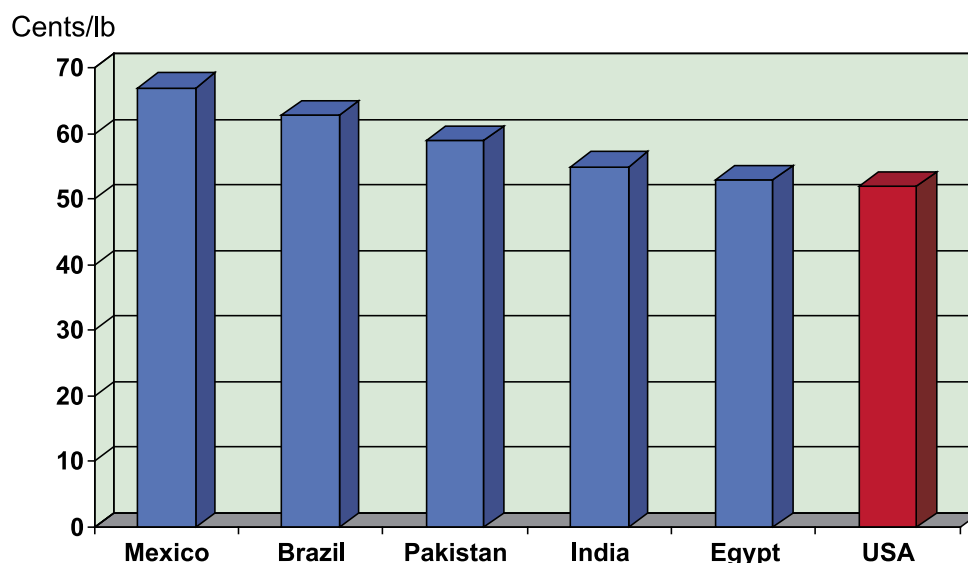
**“Agriculture  
around the world  
has a long history  
of government  
intervention . . .”**

Agriculture around the world has a long history of government intervention and remains the most 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 EU, 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 4).

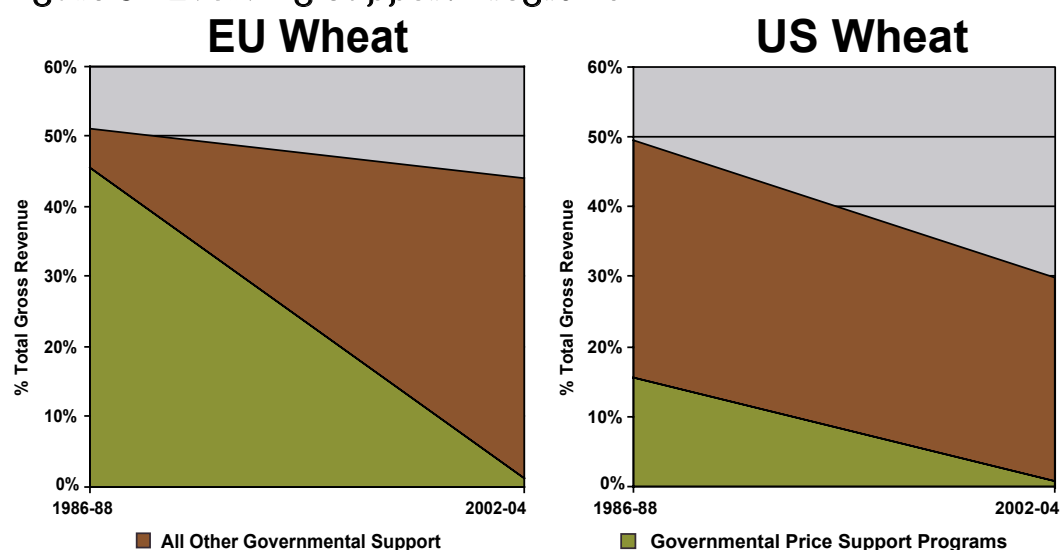
**Figure 4. Cotton Minimum Support Prices**





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 United States 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 European Union is moving from commodity price support policies to an income support policy through decoupled payments. Figure 5 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. Other program payments (such as direct farm payments, historical entitlements, disaster aid, etc.) comprise a much larger proportion of governmental support now compared to recent years. 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 5. Evolving Support Programs**



Source: OECD Database 1986-2005

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

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**“But major developing countries supplement their price support programs with a sizable amount of input subsidies to protect their agriculture sectors.”**

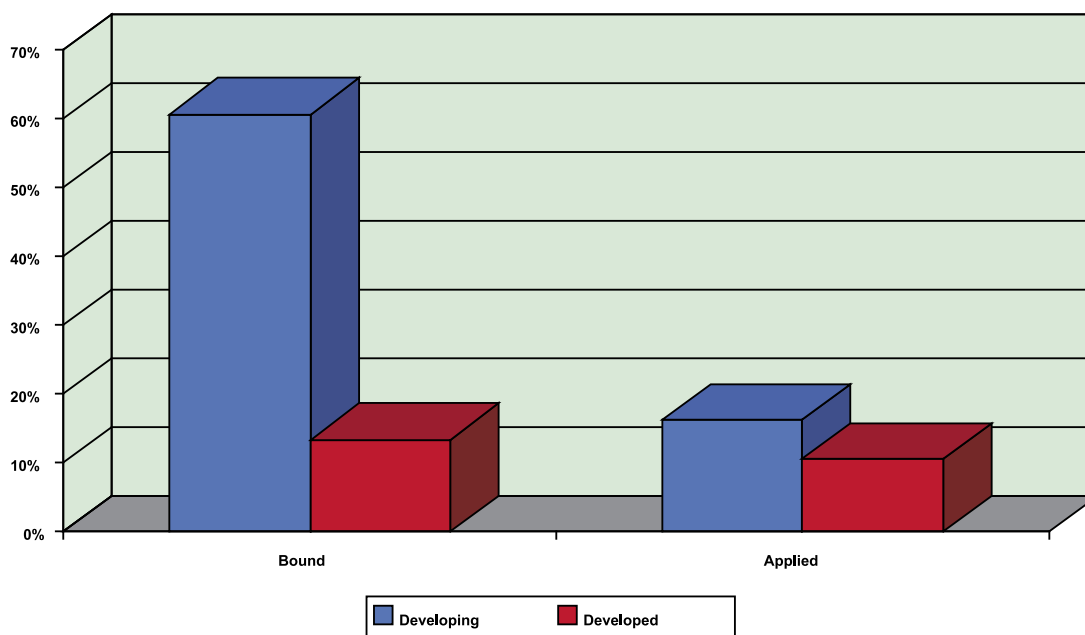
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food storage and distribution, fertilizer, water, and electricity (Landes, 2004). Similarly, China provided its producers subsidized seed and machinery purchases, technology adoption, and investments in rural infrastructure of \$43 billion in 2006 (CMOA, 2006), up from \$18 billion in 2004 and \$15 billion in 2003 (Gale et al., 2005). Brazil, a rising force in the world agricultural market, is proposing \$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, supported by World Bank estimates (Nicita and Olarreaga, 2006), is that average bound/applied tariffs for agriculture are higher in major developing countries than in the developed countries. In 2004, the average applied tariff rates were 8.2% for the U.S. and 9.5% for the EU. For major developing countries like India and China, the average applied tariff rates for agriculture were 30% and 15% in the same year. Even countries like Mexico (26.4%), Brazil (10.4%), and Thailand (16.2%) also had higher average applied tariff rates for agriculture than that of the United States and the European Union. The differences are even more pronounced when one compares average bound tariff rates for agriculture between major developed and developing countries (Figure 6).

**Figure 6. Average Bound and Applied Tariffs for Agriculture: Developed versus Developing Countries**



Source: World Bank, 2007. Developing country tariffs are an average of rates from 1998-2004. Developed countries' tariff rates are an average of 2002-2004.

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 United States and the European Union 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<sup>4</sup>. 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.

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<sup>4</sup> SPS provisions allow a country to take measures to protect human, animal, and plant life and health from foreign pests, diseases, and contaminants.

**Notes:**

[illegible]



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