

Executive Summary

“World Trade Organization Impacts on U.S. Farm Policy”

New Orleans, LA, June 1-3, 2005

Farm and trade policy have merged in the multilateral trading system known as the World Trade Organization (WTO). At no time has this relationship been more apparent than in 2005 when the WTO ruled that U.S. cotton programs and export credit guarantees had violated international rules and must be modified. Change to other U.S. farm programs could follow. Consequently, the 2007 farm bill will be developed in a complex domestic and international setting. Major consideration will be given to U.S. obligations in the WTO, federal deficit reduction and financing biosecurity and new trade agreements. This conference discussed these and other important issues affecting U.S. farm and trade policies and how they might influence the upcoming farm bill debate.

The Doha Development Agenda and Progress on the Doha Work Program

Conference attendees were reminded that the benefits of trade in general, and of trade agreements in particular, had been oversold by academia, government and the private sector as a panacea for the ills plaguing U.S. agriculture. The importance of objectivity and honesty in analyzing and explaining complex trade issues was emphasized. Major players affecting the outcomes of multilateral trade negotiations have changed. During the Uruguay Round, the EU, United States and Japan largely determined the agenda and pressed their issues. In Doha, Brazil, China, India and Africa are having much more of an impact on the WTO agenda, its timeline and the outcome. The EU, the United States, Japan and other developed countries are finding progress more difficult. As a result, much of the detail needed to move forward has yet to be developed and agreed. It is clear, however, that if the negotiations succeed, the United States will likely face substantial reductions in trade distorting policies (Amber Box and Blue Box) and export subsidies will be eliminated at some agreed upon future date. It was pointed out that for the U.S., EU and Japan to agree to major cuts in farm support, developing countries would need to implement sharp tariff reductions. Further, it may also be necessary to implement some type of ‘peace clause’ in order to secure a final outcome of the Doha Development Agenda.

International Views on WTO Domestic Policy Obligations: Issues and Prospects for the Future of Farm Programs

A panel of agricultural minister/counselors from Australia, Brazil, Canada and the European Commission provided their views on the WTO and its relation to domestic policy. It was noted that the results of the Uruguay Round were largely oversold and that factors such as the global supply chain and new global competition are now affecting trade. Phytosanitary issues were cited as one issue that could have major negative impacts on trade. The EU’s Common Agricultural Policy was discussed, emphasizing that major reform is moving government payments from price and market support to rural development. It was also noted that U.S. agriculture stands to gain from more open

international markets and that being competitive will facilitate trade. Regarding emerging agricultural players, Brazil was cited as increasing its planted area 25 percent in recent years. Although land is inexpensive in Brazil, its agricultural output likely peaked in 2003/04 due to limits on infrastructure and a stronger currency relative to the U.S. dollar. Brazil would also like for other developing countries to reduce their tariffs.

U.S. Views on WTO Domestic Policy Obligations

Representatives from the U.S. sugar, rice, corn and cotton organizations related their views on how the WTO is shaping policy for their respective sectors. The sugar industry believes it can compete on a global scale, but producers have concerns about subsidized foreign competition, and are struggling with higher production costs and lower real prices for their products. The industry appears dubious that major gains in market access will result from Doha because of the high degree of government intervention practiced by most major sugar producing countries. The U.S. should not agree to major changes in farm support unless other countries agree to more open markets. U.S. rice is a highly export dependent industry. Rice favors a large market access package with the highest tariffs being reduced the most and some form of 'peace clause' for U.S. producers, along with continuation of a marketing loan program. Corn producers believe that bio-based research, building farmer-owned branded products and investment in value-added industries such as ethanol will improve economic prospects. It was also noted that Doha will likely lead to more decoupled program support and less market price support for farmers. The cotton industry believes a 'peace clause' will be needed in order to negotiate a successful outcome to Doha. The uncertain nature of the changes needed to comply with the WTO cotton panel further cloud the situation.

Legislative Issues Affecting WTO Obligations and U.S. Farm Policy

U.S. Senate and House staff provided their views on WTO, farm policy and the federal budget and how these issues will shape the next farm bill debate. Trade negotiations are now intertwined with domestic farm policy formulation. Deficit reduction will figure prominently in developing a new farm program. It was noted that a reduction of 40-50 percent in trade distorting support might occur if Doha is successfully completed. U.S. programs that restrict acres of specialty crops will need to be addressed. Further, reductions in farm program support (Amber and Blue Box), coupled with international competitive pressures, will reduce land values and farm rental rates future. Finally, policymakers need to be mindful of how farm program changes are implemented in order to reflect WTO commitments.

This conference was sponsored by S-1016 Regional Research Committee, The Impacts of Trade Agreements and Domestic Policy on Southern Agriculture; Center for North American Studies, Texas A&M University, Louisiana State University, and Texas Tech University; National Center for Peanut Competitiveness, University of Georgia; Center for Agricultural Policy and Trade Studies, North Dakota State University; and Farm Foundation, Oak Brook, Illinois.