

Reforms of US Agricultural Policies in the context of the AoA

by

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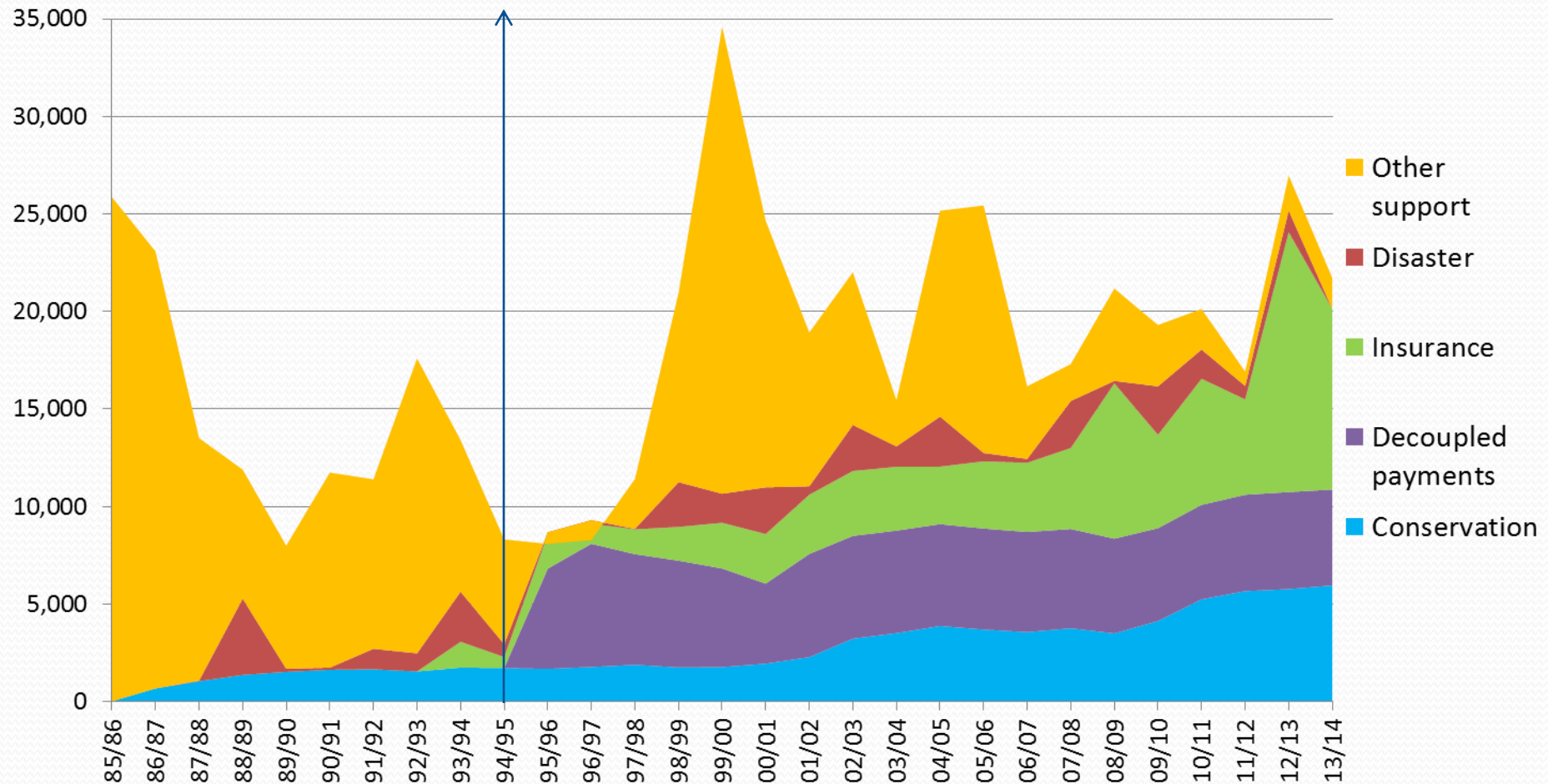


FAPRI

Agenda

- Evolution of the US policy in context of WTO and changing market conditions
- Effects of the policy changes on commodities and regions
- Current policy developments
- Conclusions

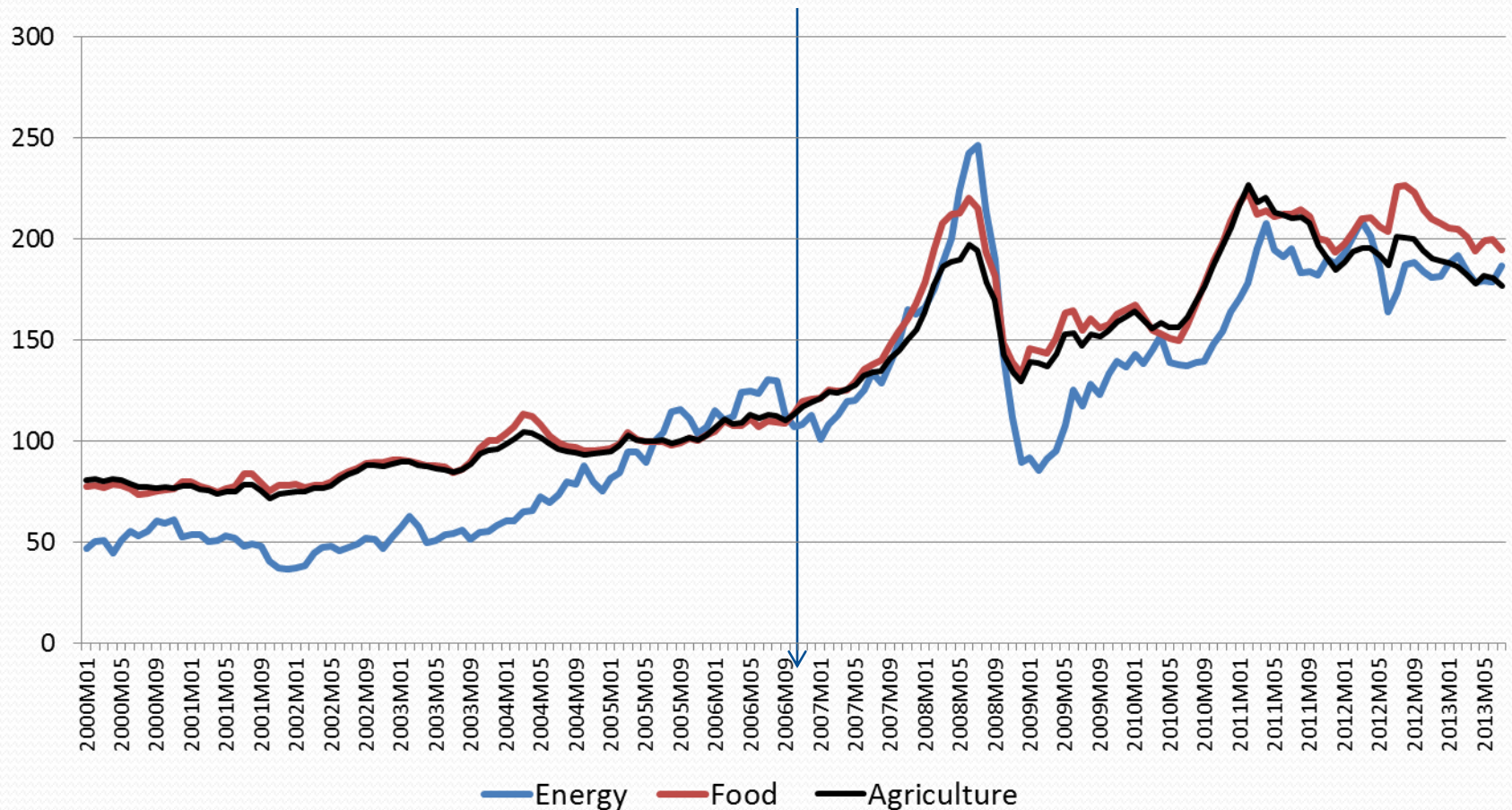
Evolution of US Policy measures and expenditures to 13/14est, \$billion



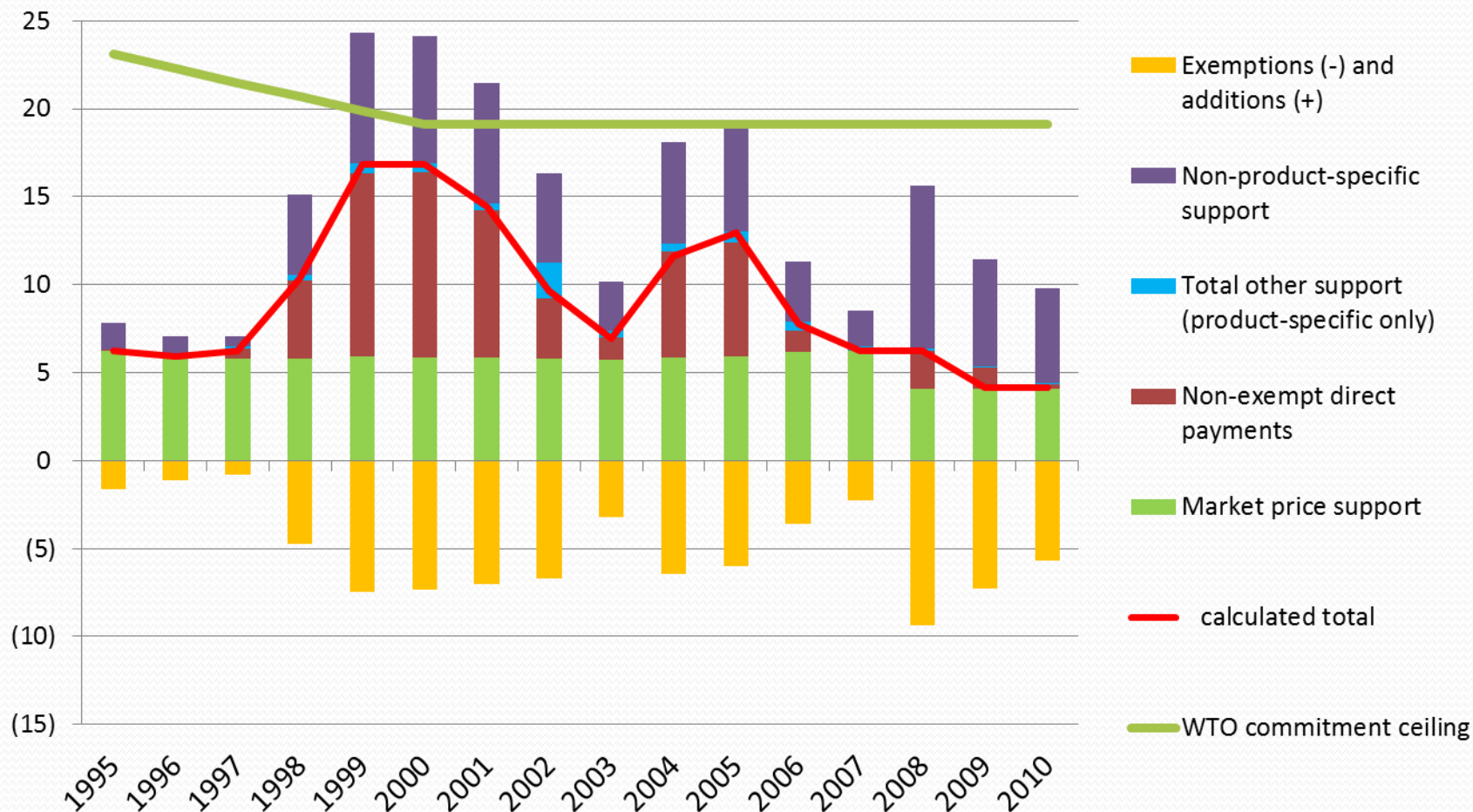
Main policy changes since 1995

- 1996 Federal Agriculture Improvement and Reform Act
 - End of target price-deficiency payment and land set aside
 - New decoupled payments based on *historical production*
- 2002 Farm Security and Rural Investment Act
 - New countercyclical s and milk income loss payments based on *current price*
 - Added impacts of Biofuel policies from 2005 onward
- 2008 Food, Conservation, and Energy Act
 - New Acre revenue guarantee program on *current plantings*
 - New permanent disaster program for crops and livestock
 - Repeal of Export Enhancement and some export credit

World Bank food, agr. and energy price indices, 1/00 to 7/13, 2005=100

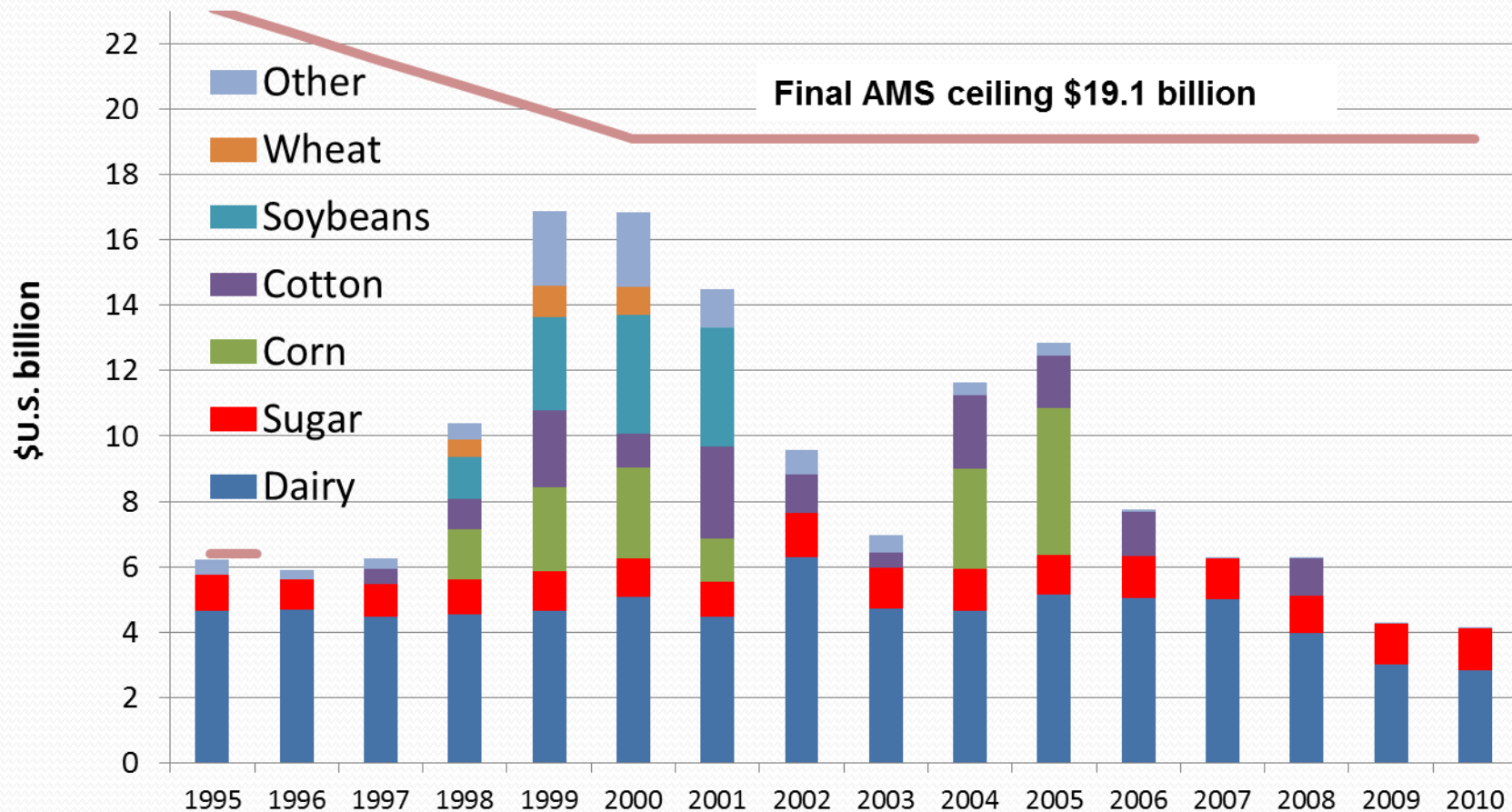


Aggregate measure of support, billion US\$



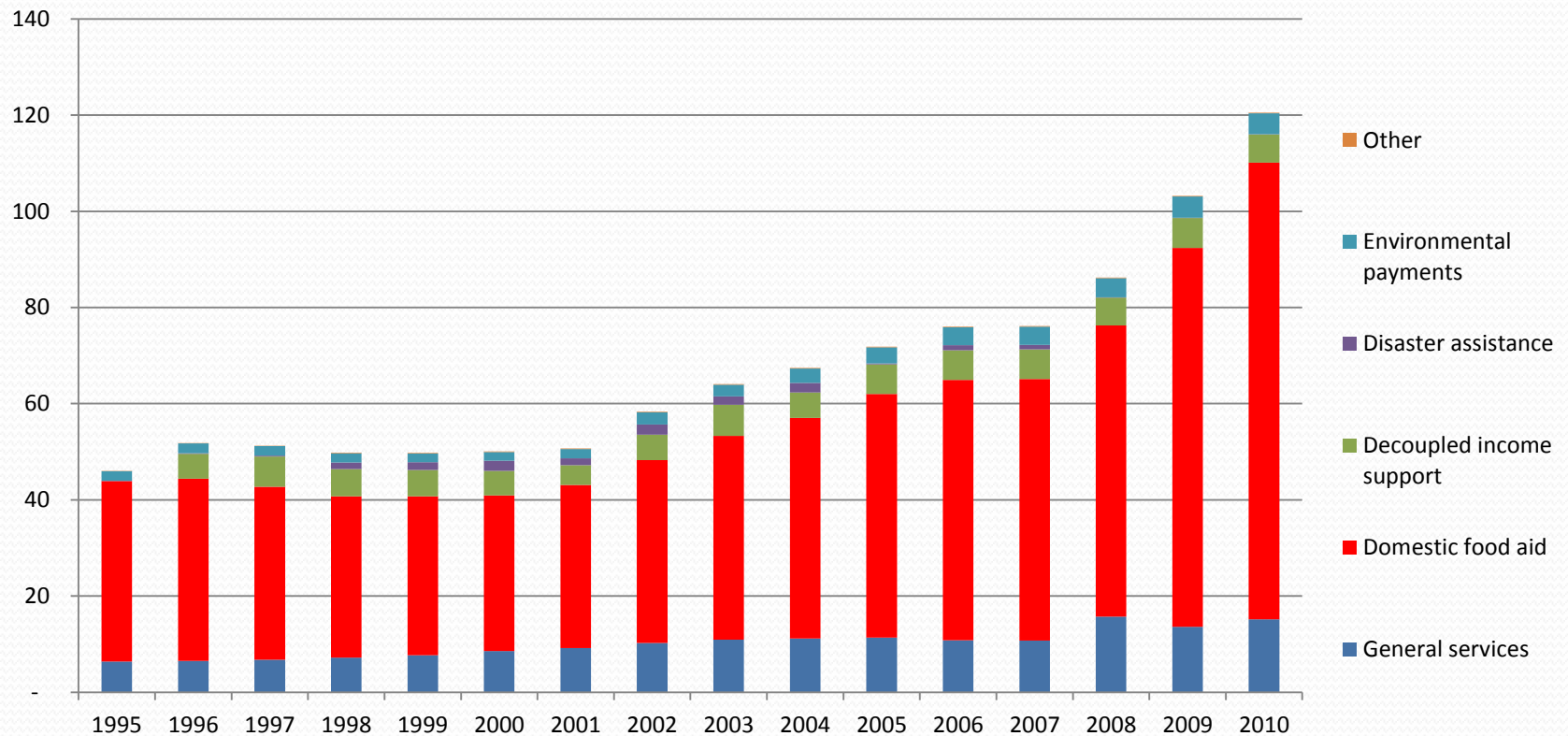
Source: US domestic support notifications to WTO

AMS by commodity



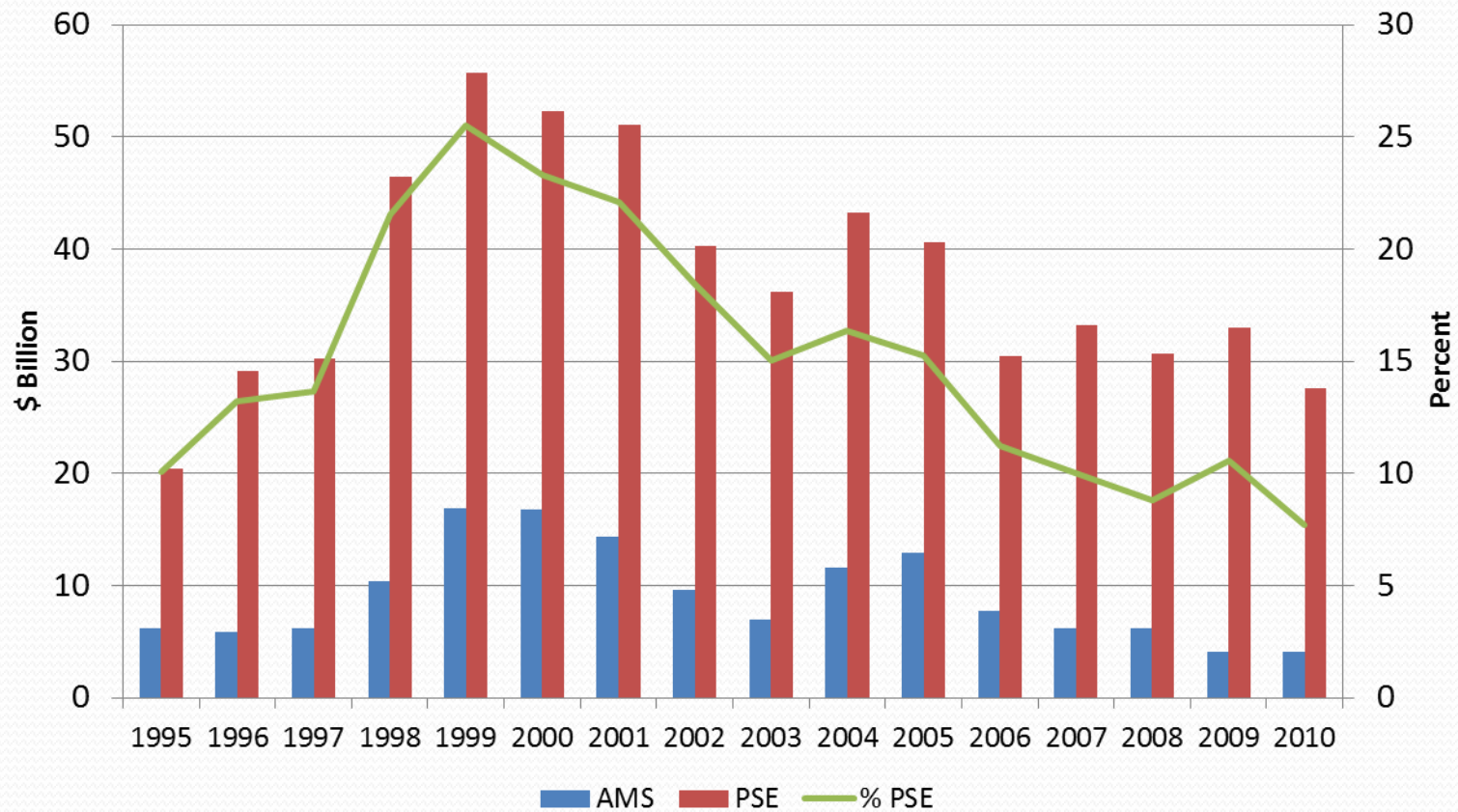
Source: U.S. domestic support notifications to the WTO

US domestic support green box notifications, million US\$



Source: US domestic support notifications to WTO

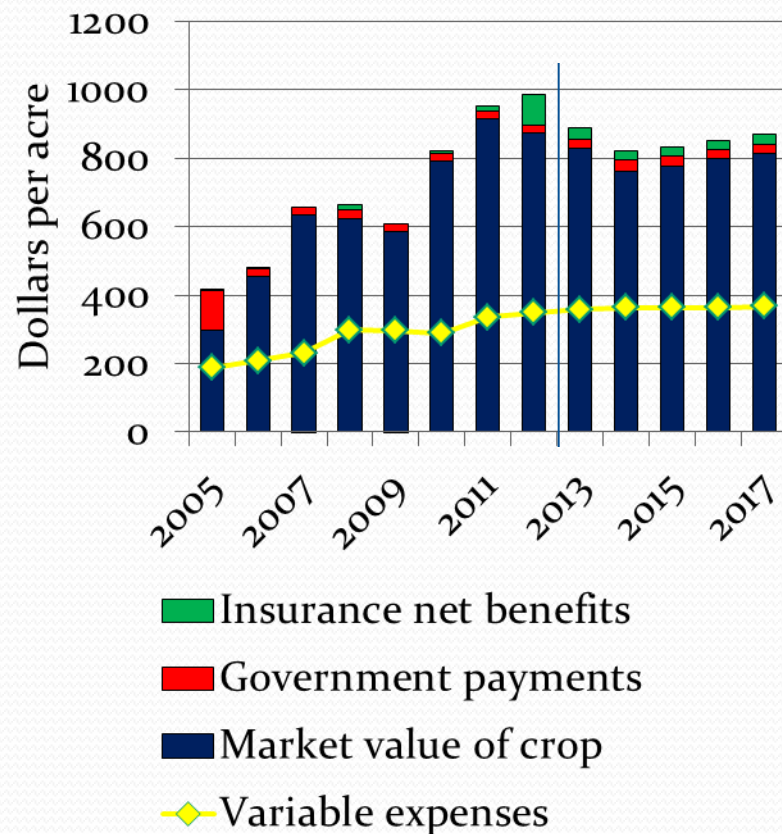
Differences between OECD and WTO methodology



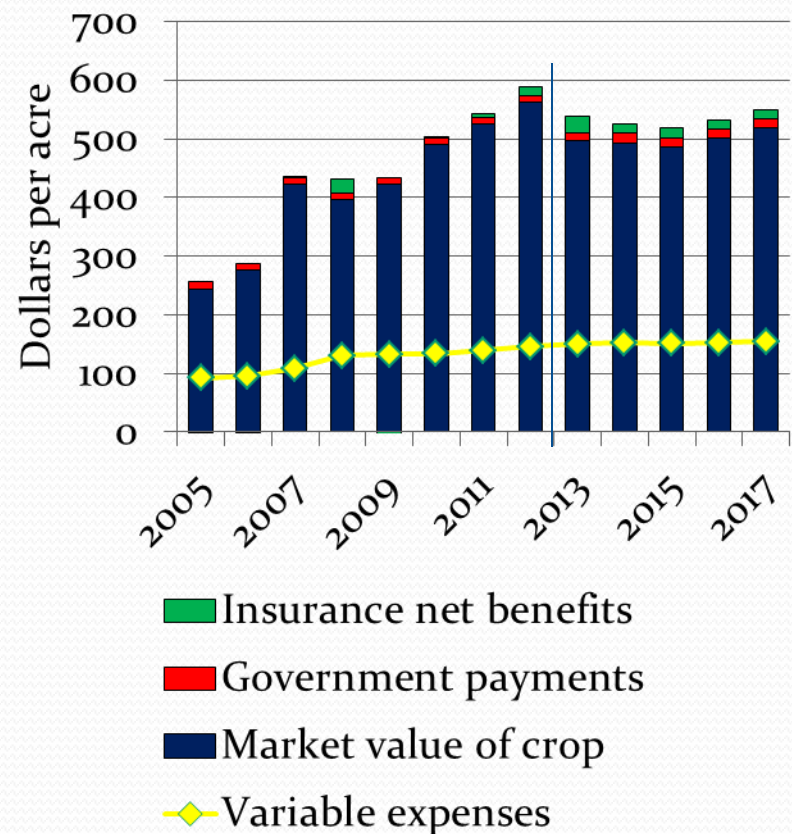
Source: **author calculations:** OECD Producer and Consumer Support Estimates Database, 1986-2012; ERS US WTO domestic support reduction commitments and notifications data set .

A small share of U.S. crop producer returns

U.S. corn



U.S. soybeans



Source: FAPRI-MU Jan. 2013 baseline, assuming a continuation of 2008 farm bill provisions.

The Shifting boxes

- Old deficiency payments: Blue box not needed after 1996 farm bill
- PFC/direct payments: U.S. declared green
- Counter-cyclical payments: Amber box, non-commodity specific
- Crop insurance: recently shifted from reporting net indemnities to premium subsidies

US Congressional farm bill proposals

- Both would eliminate many existing farm programs
 - Direct payments, countercyclical payments, ACRE
 - Dairy price supports and MILC payments
- Allocation of “savings”
 - Reduce federal deficit (ABOUT HALF)
 - Create new programs that pay farmers when prices or revenues fall below a trigger
 - House and Senate have different proposals for these new programs
- Major difference on SNAP (food stamps)
 - Senate makes relatively small cuts (<1%)
 - House makes about \$39 billion in cuts over 10 years (10x Senate cuts)

Estimating impacts of eliminating two current programs

- Elimination of fixed direct payments (DPs)
 - \$5 billion per year, largely decoupled
 - Very small effects on production
 - But does affect farm income, land values
- Eliminating countercyclical payments (CCPs)
 - Tied to prices, but fixed base area and yields
 - At current prices, irrelevant for most crops
 - Stochastic analysis, as some chance payments can occur

Budget and farm income impacts

(FAPRI estimates, FY 2014-23 total, billion dollars)

	Baseline (2014-23 average)	House change vs. baseline	Senate change vs. baseline
CCC net outlays	9.2	-2.8	-2.8
Crop insurance	8.6	+1.5	+1.0
CCC + crop ins.	17.8	-1.3	-1.8
Net farm income	108.1	-1.8	-2.1

Conclusions

- Limits have not been very binding
 - Some reforms were anticipated and captured
 - Higher market prices and biofuel demand contributed
 - U.S. did come close to the limit in late 1990s—and Brazil has challenged U.S. accounting
- Support is a very small part of net returns in most cases but decoupling had significant impacts on crop mix
- Some recent policy changes moved away from decoupling
- Continuing reforms are mainly driven by budget constraints

Spasibo!

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