Agriculture and Trade Policy Outlook

- Introduction
- Farm bill implementation
  - Status/sign-up/CRP sign-up
- Disaster assistance package
  - Main features
  - Implementation/approach/timing
- Trade policy agenda
  - Strategy and approach
  - Regional/Bilaterals/WTO DDA
- Summary observations
Farm Bill Implementation

- Review
  - Direct and CC payments program
    - Signup: began Oct. 1 – continues
    - $1.3 bil in direct
    - $712 mil in CC (rice, peanuts, cotton)
  - Peanuts
    - Quota buyout ($1.2 bil) – MLP – direct/CC payments
  - Dairy
    - MILC – signup began mid-Aug.; payments Oct. 11
    - $1.1 bil
Farm Bill Implementation

- Review
  - EQIP
    - Annual increases in funding – $5.5 bil total
    - Proposed rule announced Feb. 10 – sign-up this Spring
  - CSP
    - Payments for practices already in place – higher tiers
    - Work in progress; ANPR published – 30 days for comments
FARM BILL SIGNUP
Key Grain and SE States = 45%

COLOR KEY
Key Grain States (51%)
Southeast States (42%)
Natl. Avg. (41%)
Default option est. (25-33%)
Farm Bill Implementation

- CRP Sign-up Plans
  - Complete DCCP enrollment
  - Preparation for disaster package
  - Suggests early 2nd quarter – first general sign-up since Jan. 2000
Disaster Assistance Package

- Major features
  - Crop disaster assistance – ($2.1 bil)
    - Payments for ’01 or ’02 losses (prove > 35% loss)
    - Encourages crop insurance participation
    - Benefit cap: payments + crop insurance + crop value can’t exceed 95% of crop value
  - Livestock assistance – ($365 mil)
    - Expands eligibility for LCP: disaster counties after 9/20 - enactment
    - LAP for forage losses
    - Prohibits double-dipping
Disaster Assistance Package

- Major features
  - Misc. provisions (tobacco, cottonseed, sugar beet and cane, Sec. 32, etc.) – ($635 million)
Disaster Assistance Package

- Implementation plans
  - Farm Bill Working Group continues
  - Web site enhancements this week
  - Evaluate/assess requirements
  - Update software/ write regs
  - Train staff
  - Sign-up for LCP – late Spring; for Crops – late Summer
Trade Policy Agenda

- **Strategy and approach**
  - “Competition for liberalization” - if progress stalls on one front, shift attention and efforts to others
  - Multilateral/Regional/Bilateral
  - TPA approval Aug. 2002
Trade Policy Agenda

- Regional FTAs – FTAA
  - Largest (800 mil) and most affluent ($13 tril)
  - Jan 2005 completion date
  - All tariff offers tabled by Feb. 28
  - US offer tabled last week
  - US-Brazil chair remaining negotiations - Nov. Miami ministerial
Trade Policy Agenda

- Regional FTAs – *Southern African Customs Union (SACU)*
  - 50 mil potential buyers
  - US meat, wheat, grains expected to benefit
  - Aids regional integration – S. Africa at core
  - To be completed 2004
Trade Policy Agenda

- Regional FTAs – Central American Free Trade Area (CAFTA)
  - 35 mil potential buyers – currently a $1.2 bil market
  - SPS capacity in region/institutions priority
  - To be completed 2003
Trade Policy Agenda

- Bilateral FTAs
  - 130 in world – EU signatory to 25 – US only 3! 30 in W. Hemisphere – US party to only 1!
  - Broader geopolitical interests
  - Chile, Singapore – completed, awaiting Congressional review and ratification
  - Morocco, Australia – Congress notified of intent to negotiate. Morocco to be completed 2003; Australia 2004.
Trade Policy Agenda

- **WTO: Doha Development Agenda**
  - Launched Nov. 2001 – Jan 2005 completion
  - Build on URAA progress
  - Developing countries assuming important role

- **Negotiations at critical juncture**
  - Modalities due March 31
  - Harbinson (synthesis) approach
  - Harbinson 2nd draft March 15
  - September Cancun Ministerial
Trade Policy Agenda

- US proposal/approach emphasizes:
  - Reduced disparities, inequities
    - Export subsidies
    - Market access
    - Domestic support
  - Harmonization/elimination
- Urging greater reflection in 2nd Harbinson paper
Proposed Tariff Reductions
Proposed Domestic Support Reductions

Current Ceiling vs. U.S. Proposal

- EU
- Japan
- US
Trade Policy Agenda

Open new markets...Keep markets open

- Market maintenance now a major ongoing function
- Current issues: China/Mexico/Russia
- Problems accompany trade – aggressive interagency action
- Rules-based system helps
Summary Observations

- Complex farm bill implementation on course – safety net in place
- Disaster assistance package – to be implemented efficiently and quickly
- USDA actively keeping markets open – while opening new markets
- Trade policy agenda – holds enormous promise for trade expansion – at critical juncture – EU/Japan must show movement
Agriculture and Trade Policy Outlook

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