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Question1: I. An Alternative Program

A. A safety net is needed during the global transition to a level playing field where adequate labor, environmental, health and safety standards prevail.
1. The solution to providing an adequate safety net while at the same time remaining internationally competitive is to adopt a policy that treats production used domestically different than production that is exported. Thus, a farmer can receive income support on his equal share of production used domestically with a direct payment while exported production receives no support. The entire production is sold at world market prices, but a farmer?s direct payment is calculated only on production consumed domestically. This replaces the current direct payment, counter-cyclical payment, and loan deficiency payment.
2. The new historical production formula used to calculate the direct payment would be as follows:

A producer?s direct payment (for each program commodity) =

A. Average commodity production per producer as calculated by the Economic Research Service (ERS) in the previous base year times the percent of production used domestically.
X
B. USDA?s estimated cost of production minus average market price in the trailing year.
X
C. The lesser of a farmer?s total production or the maximum production eligible as determined by A.

B. Advantages of Alternative Program
1. Part A of the direct payment provides an adequate safety net for family farmers on their equal share of production consumed domestically.
a. The direct payment is based upon the farmer?s production rather than the farm?s historical production.
b. Payments go to the farmer on his portion of actual production used domestically, rather than to the landlord through historical production capitalized into increased rent.
c. The production that is subsidized is very stable since it is based upon stable domestic consumption.
d.
2. Part B of the direct payment allows for it to be counter-cyclical, whereas previous direct payments were not.
a. Payments increase as the market price declines
b. Payments decrease as the market price increases and no payments are made when market prices exceed USDA?s estimated cost of production. This makes this new direct payment a true safety net, whereas the old direct payment did not operate like a safety net.

3. Part C of the direct payment provides a built in mechanism to target payments to family farmers, which under this program is really an average farm for each particular commodity. This allows each producer an equal and fair base of financial stability, maintaining the survivability of family farms.
4. Exported production is market driven giving free rein to supply and demand forces finding their balance.
a. This gives the WTO the opportunity to make positive steps in improving market access by eliminating tariffs, removing export subsidies and credits, and restricting State Trading Entities (STEs) on all exported production.
b. The ability to support their family farmers with a safety net on production used domestically in a manner that does not distort trade gives countries the opportunity to be much more flexible in reducing trade barriers on the exported portion.
c. Pressure can be applied to the E.U. to adopt a similar program, which would eliminate their export subsidies and raise prices worldwide.
5. The Alternative Program is adaptable to other countries and other commodities.
a. Not just for the major storable commodities.
b. No arbitrary figures for price or income support.
c. No arbitrary limitations on payments; always have a safety net focused on the average producer for that commodity.
d. Adaptable to each country with debate narrowed to cost of production estimates.

Question2:
Question3:
Question4:
Question5:
Question6: