

Agriculture and Trade Policy Outlook

**USDA Agricultural
Outlook Forum
Washington, DC
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J. B. Penn

Under Secretary
Farm and Foreign
Agricultural Services



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 Implementation

- ◆ CRP Sign-up Plans
 - Complete DCCCP 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.

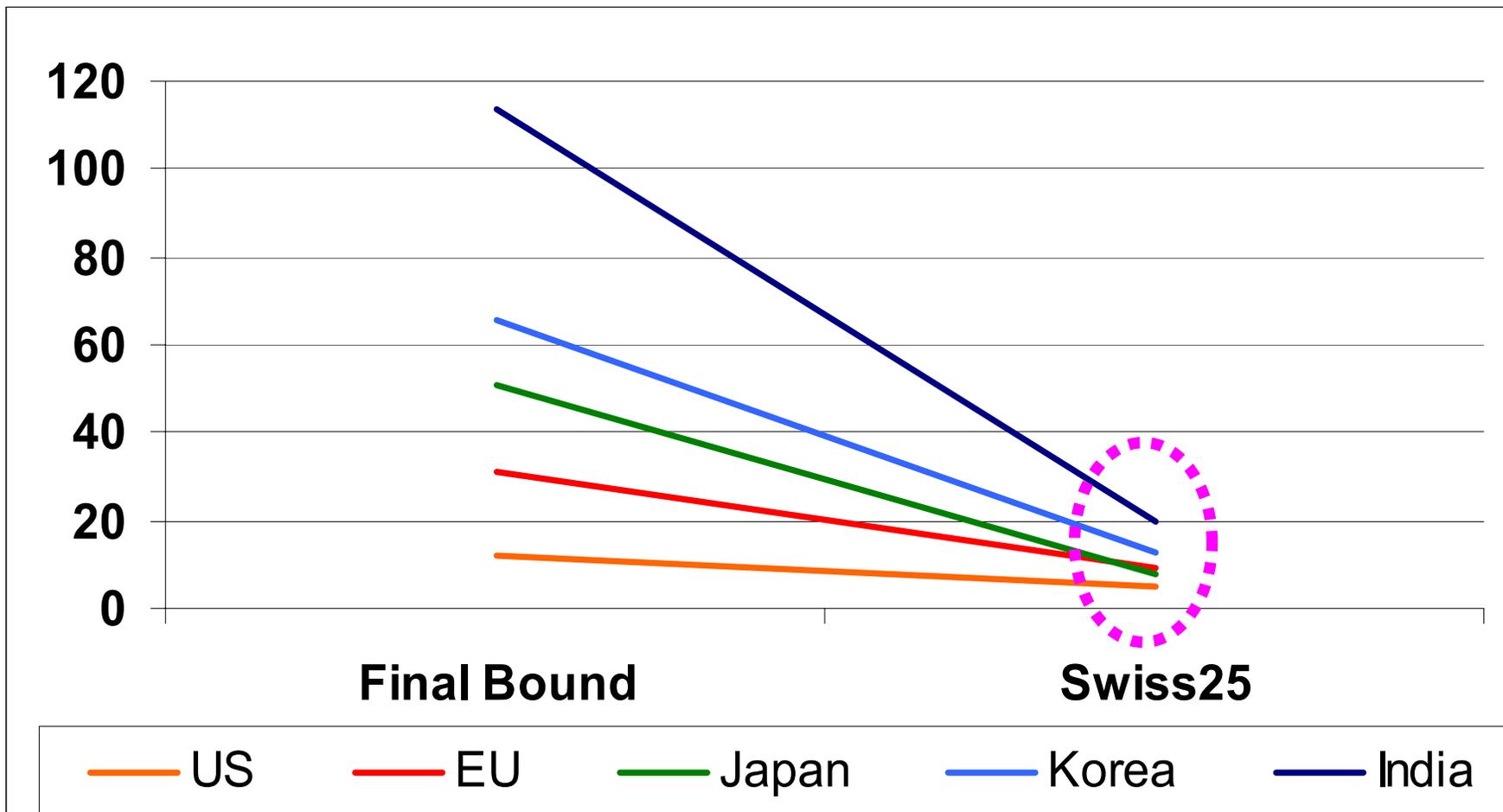
Trade Policy Agenda

- ◆ 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

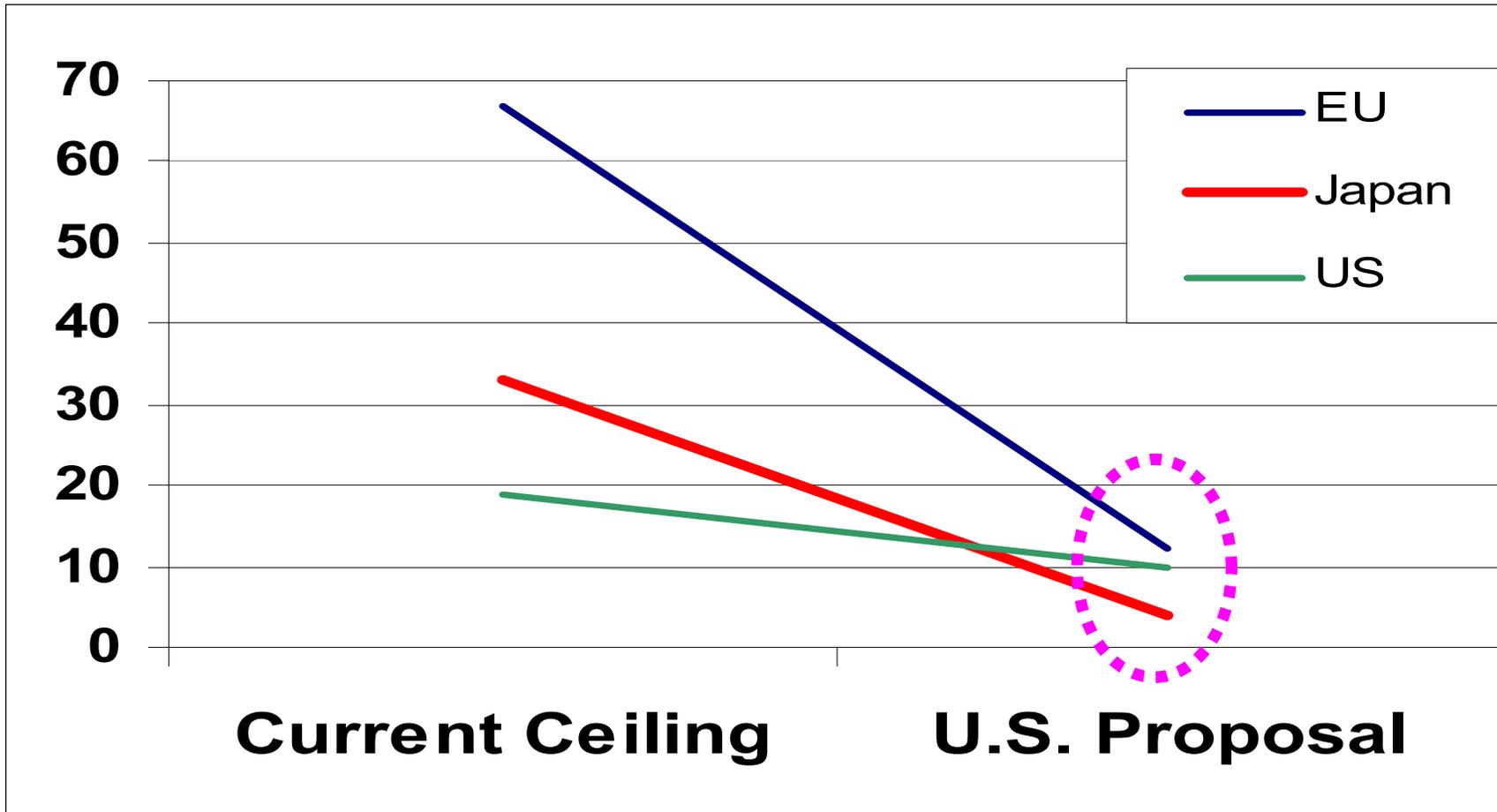
Trade Policy Agenda

- ◆ 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



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

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