APAC Agricultural Policy Analysis Center
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PolicyPennings by Dr. Daryll E. Ray

USDA's farm bill announcement dashes expectations of WTO compliance

In the build up to the 2007 Farm Bill the expectation was that the administration would propose legislation that would include major policies that would be compliant with their trade liberalization agenda, and that it would be Congress that would resist major changes. Some in Congress have argued for minimal changes in farm legislation until they see what develops at WTO.

Well, the administration has rolled out its farm bill proposal and part of Secretary of Agriculture Mike Johanns' pitch is that it would move the US in the direction of WTO and trade compliance. Let us take a look and see how they did.

The administration's proposal eliminates provisions that prohibit crop farmers from planting fruits and vegetables while they collect their decoupled payments and other benefits. Certainly, allowing Illinois farmers to plant fruits and vegetables on their corn and soybean ground does address an issue that was raised in the Brazil WTO cotton case.

But what about lowering the loan rate and increasing the direct payments? How is that supposed to address concerns that the US is dumping agricultural commodities on the world marketplace at prices well below the cost of production?

The administration has tinkered with the payment mechanism to reduce the cost of the marketing loan program. But that doesn't solve the dumping problem and—just as now under the 2002 Farm Bill—loan deficiency payments remain 100% coupled to both current prices and current-year production.

The direct payments in the USDA proposal have been increased a little, well for cotton a lot. But the direct payment program remains basically unchanged from the 2002 Farm Bill.

The Counter-Cyclical Program (CCP) is significantly different under the administration's proposal. The CCP is not just based on price. It is based on price and production. Rather than being triggered by one coupled variable, it is triggered by two. Can't imagine the WTO being happy about that.

Unless allowing fruits and vegetables on grain fields trumps all other considerations, it seems like a stretch to argue that the administration's farm bill proposal has moved US policy appreciably closer to WTO compliance, as if that is what the farm bill ought to be all about.

We would assert that a good farm bill would be one that would be good not only for farmers in the US, but for farmers around the world. Many have argued that the complete elimination of US subsidies would eliminate overproduction and benefit farmers in less developed countries. If that is true then someone needs to explain to us why coffee prices have fallen dramatically over the last two and a half decades.

If the lack of US crop subsidies will result in a vibrant agriculture for farmers in less developed countries, then why are the prices of tropical crops in the tank? We don't have subsidies for coffee, cacao, tea, and other tropical crops. However, there used to be international agreements that limited production to better match demand at profitable prices.

As an alternative to talking about WTO compliance, the administration could be talking about the nature of agricultural and food markets and developing ways that make them work for farmers and consumers alike. If they were to do that, the problems of dumping would disappear very quickly and farmers everywhere would be able to get the bulk of their income from the marketplace instead of the mailbox.

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