

Woodrow Wilson Center

North American Agriculture in a Connected World

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Political Forces Shaping Policy Decisions

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Trade Policy Outlook

- Peru, Panama, and Korea FTAs will probably be voted in the fall, but Colombia will only be considered when the Democrats signal ok. Difficulties involve not just labor considerations.
- Korea is the biggest market for US agriculture among the new FTA partners (US exports may reach \$3 bn in 2007), but Colombia is the most important agricultural trade partner in South America (exports could exceed \$1 bn in 2007).
- Democratic Congress may extend TPA, but only to complete the Doha Round. This means that new US FTA negotiations with major partners are unlikely before 2010.
- Recalibration of positions in Doha Round is necessary for Doha to conclude, but the outcome will not be ambitious.

Happy Times in US Agriculture

- Net farm income is up 10% this year, and the ratio of farm debt to farm assets is the lowest level since 1960, at 12%.
- Commodity prices are up for across the board except cotton. Corn is particularly strong. Larger quantities are driving a surge in livestock receipts.
- High prices limit payments under price-triggered subsidies. Direct government payments are expected to decrease to \$12 bn in 2007, from \$16 bn in 2006, and \$24 bn in 2005.
- ERS forecasts 10%+ growth of agricultural exports, reaching \$78 bn in 2007. Weaker dollar curtails agricultural imports. Agricultural trade surplus may reach \$7 bn this year.
- Good conditions should improve policy outlook – but “keeping what you got” seems to be the Congressional motto.

Farm Bill 2007

- After USDA submitted proposals, House Committee on Agriculture began drafting. Basic idea is to keep much the same level of federal support, but reshape the way it is delivered.
- Proposals: [a] reduce “trade distorting subsidies”; [b] address foreign concerns over US food aid; [c] bring CCC export credit guarantee programs into compliance with WTO ruling (cotton case); [d] terminate supplier credit guarantee and export enhancement programs.
- New attention on specialty foods, energy & agriculture, and conservation. New funds under all these titles, and a special effort to redress foreign “unfair trade practices” (chiefly SPS).
- If, as expected, Doha delivers a low caliber agreement, few changes will be required in the farm bill. Remember that farm subsidies enjoy bipartisan support – the only real fight is over who gets the money, not whether public money should be spent.

Other Important Ag issues

- **Food Safety**

Policy response to the threat of agro-terrorism; safeguards for normal food safety; single agency for food security?; food traceability -- will mandatory <<spell out>> COOL be implemented for meats, produce and peanuts?.

- **Farm disaster assistance**

Debate over supplementary aid package of about \$4 bn for production losses that might be caused by future natural disasters (the piggy bank today is less than \$1 bn).

- **Immigration**

This year's immigration debate is not centered on agriculture, unlike past episodes, but any guest worker program will have important agricultural implications (e.g., fruit, horticulture) and will probably spell new burdens on employers.