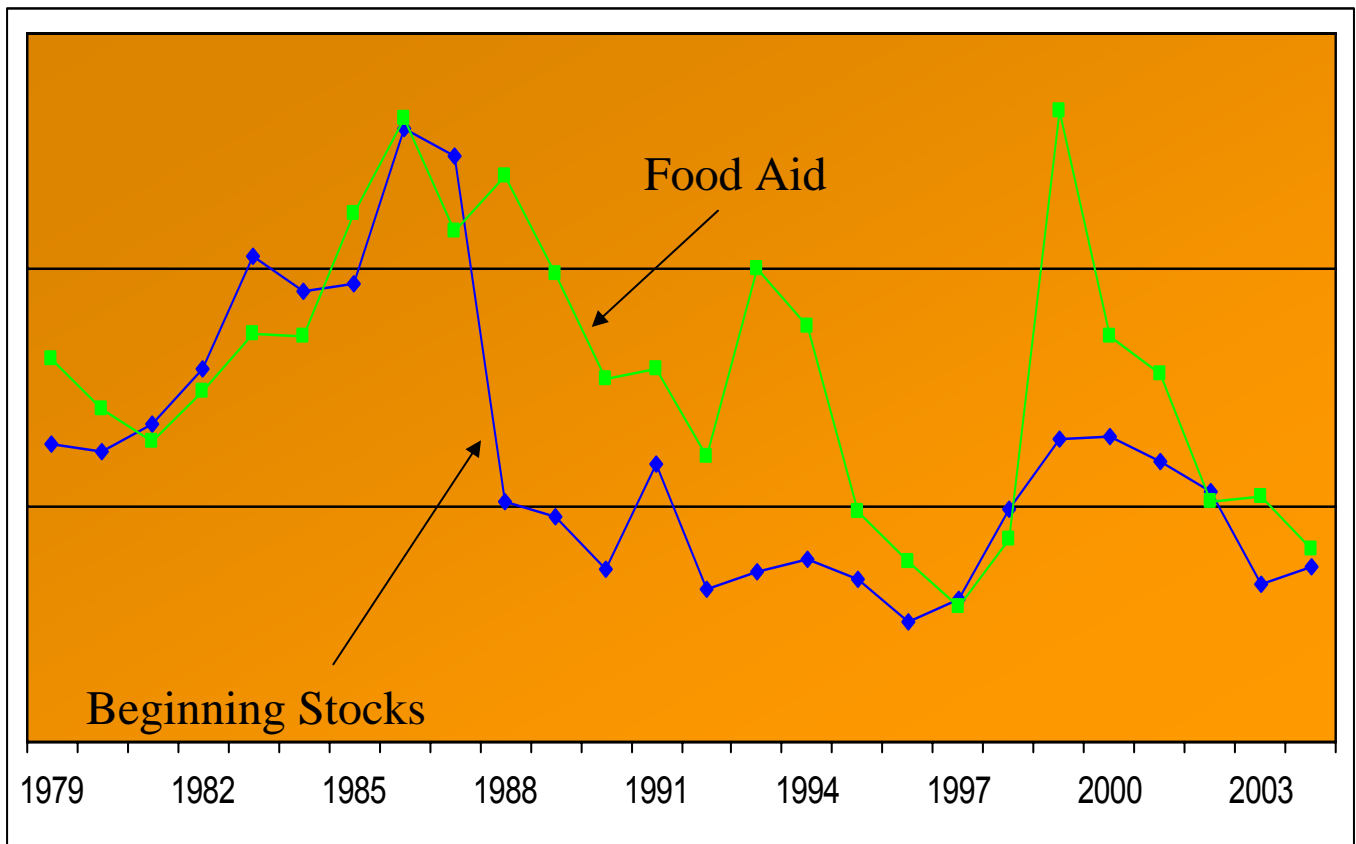


Food Aid and Surplus Disposal

The Effects of Export Competition Disciplines on the Disposition of Food Aid



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OF MANITOBA



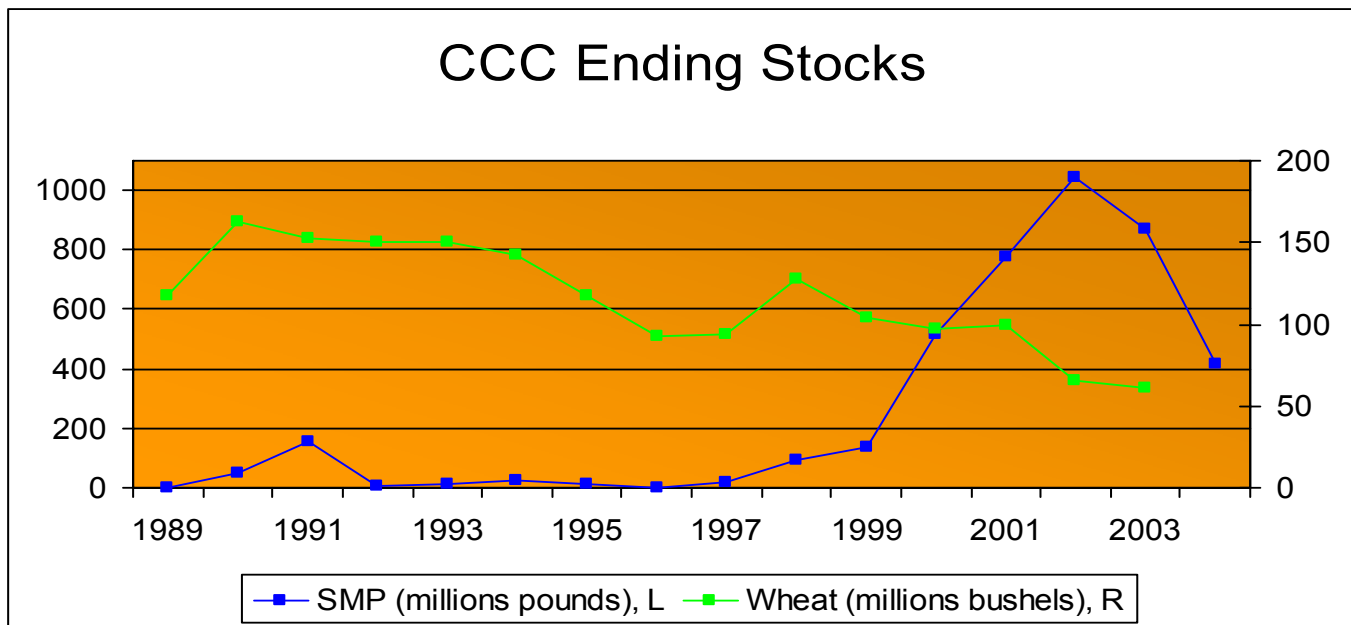
CATPRN

Canadian Agricultural Trade Policy Research Network

1. Agricultural Support Programs and Food Aid

US Support Programs and Surplus Disposal

- Surplus Acquisition - Commodity Credit Corporation
 - 1) nonrecourse loans
 - 2) dairy intervention



- Disposition of Surplus - “additional” consumption

“We are primarily interested in getting rid of these surpluses...we... want the commodities sold for dollars first and then for foreign currencies or then donate them.” -Harold Cooly, 1959

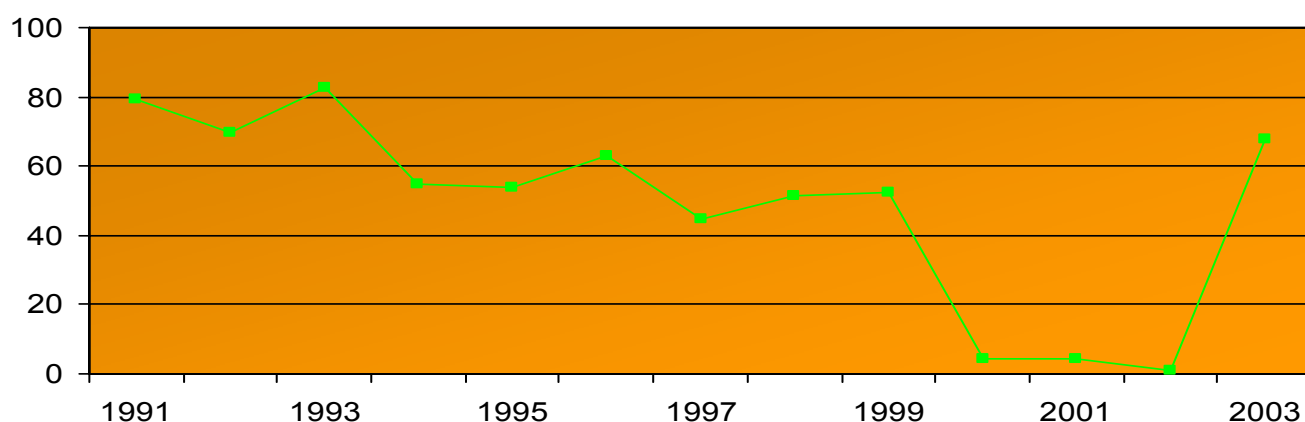
- 1) export under credit guarantees or subsidies
- 2) donation for “additional” consumption
- 3) hold as stocks



2. WTO and Food Aid

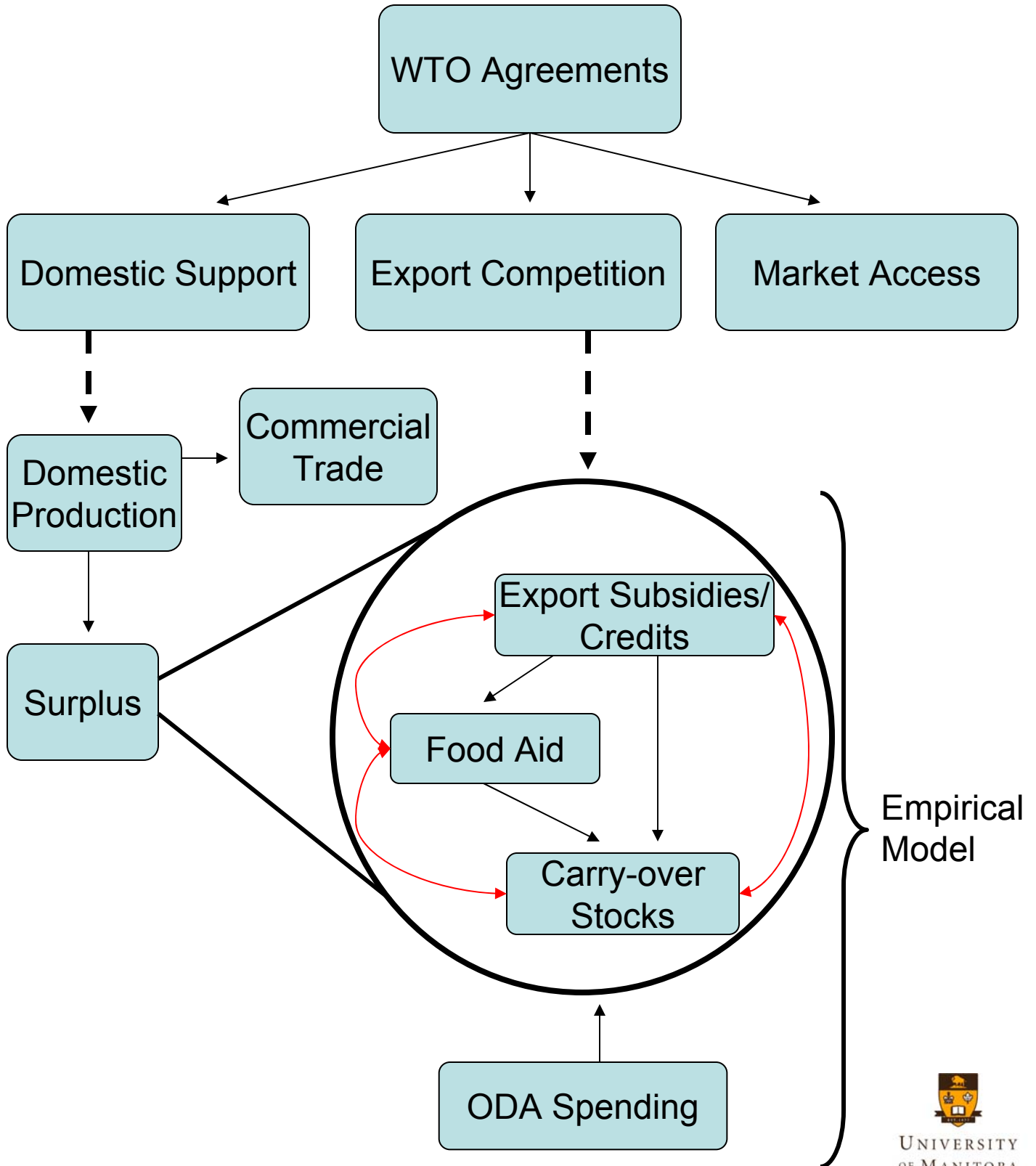
	Uruguay Round	Doha Round
Food Aid	<ul style="list-style-type: none"> • untied • comply with CSSD <ul style="list-style-type: none"> - UMRs, notification • grant/concessional 	<ul style="list-style-type: none"> • grant/concessional • definitions <ul style="list-style-type: none"> - “safe box”
Export Competition	<ul style="list-style-type: none"> • export subsidies <ul style="list-style-type: none"> - bound and reduced - “water” in limits • export credits <ul style="list-style-type: none"> - no disciplines 	<ul style="list-style-type: none"> • export subsidies <ul style="list-style-type: none"> - eliminated • export credits <ul style="list-style-type: none"> - disciplined
Domestic Support	<ul style="list-style-type: none"> • reduction commitments 	<ul style="list-style-type: none"> • further reductions

Percent of Food Aid Notified to CSSD, FAO



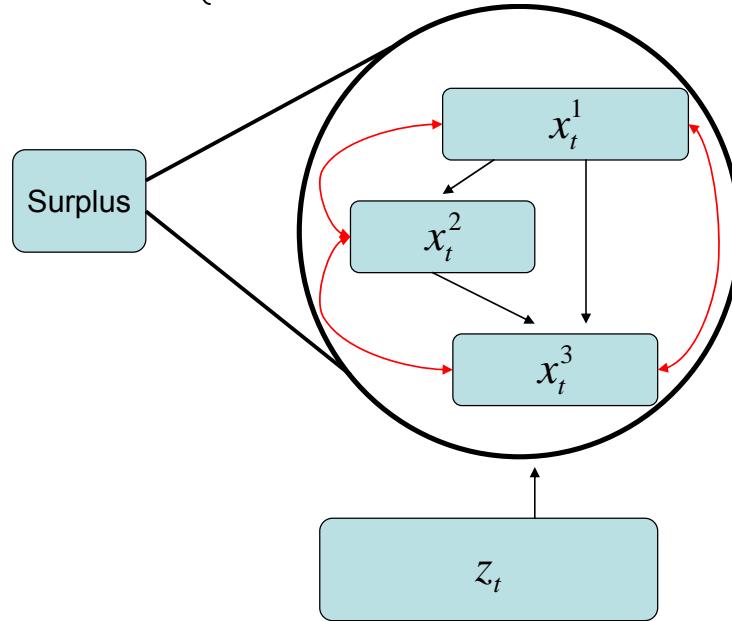
3. Model

How might a change in WTO disciplines affect the disposition of commodities as export subsidies/credits or as food aid?



3. Model

Structural-Form VAR $\left\{ \begin{array}{l} \mathbf{B}x_t = \Gamma_0 + \Gamma_1 x_{t-1} + \Gamma_2 z_t + \varepsilon_t \end{array} \right.$



Standard Form $\left\{ \begin{array}{l} x_t = A + Cx_{t-1} + Dz_t + e_t \end{array} \right.$

Data

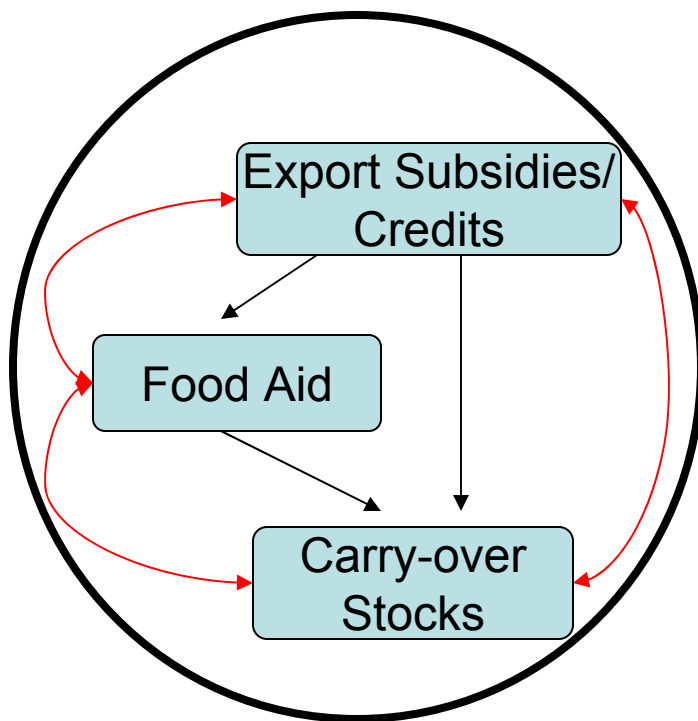
- export programs, USDA commodity yearbooks
 - CCC credit programs and EEP
 - aid shipments, USDA commodity yearbooks
 - PL480, Food for Progress, Section 416, USAID shipments
 - CCC end stocks, commodity yearbooks
 - ODA budget, OECD
- } volume
- } value



4. Empirical Results

Question: How might a change in export subsidies or credit sales affect the disposition of commodities as food aid and/or carry-over stocks?

- identification of contemporaneous coefficients
 - structural decomposition



$$Bx_t = \Gamma_0 + \Gamma_1 x_{t-1} + \Gamma_2 z_t + \varepsilon_t$$

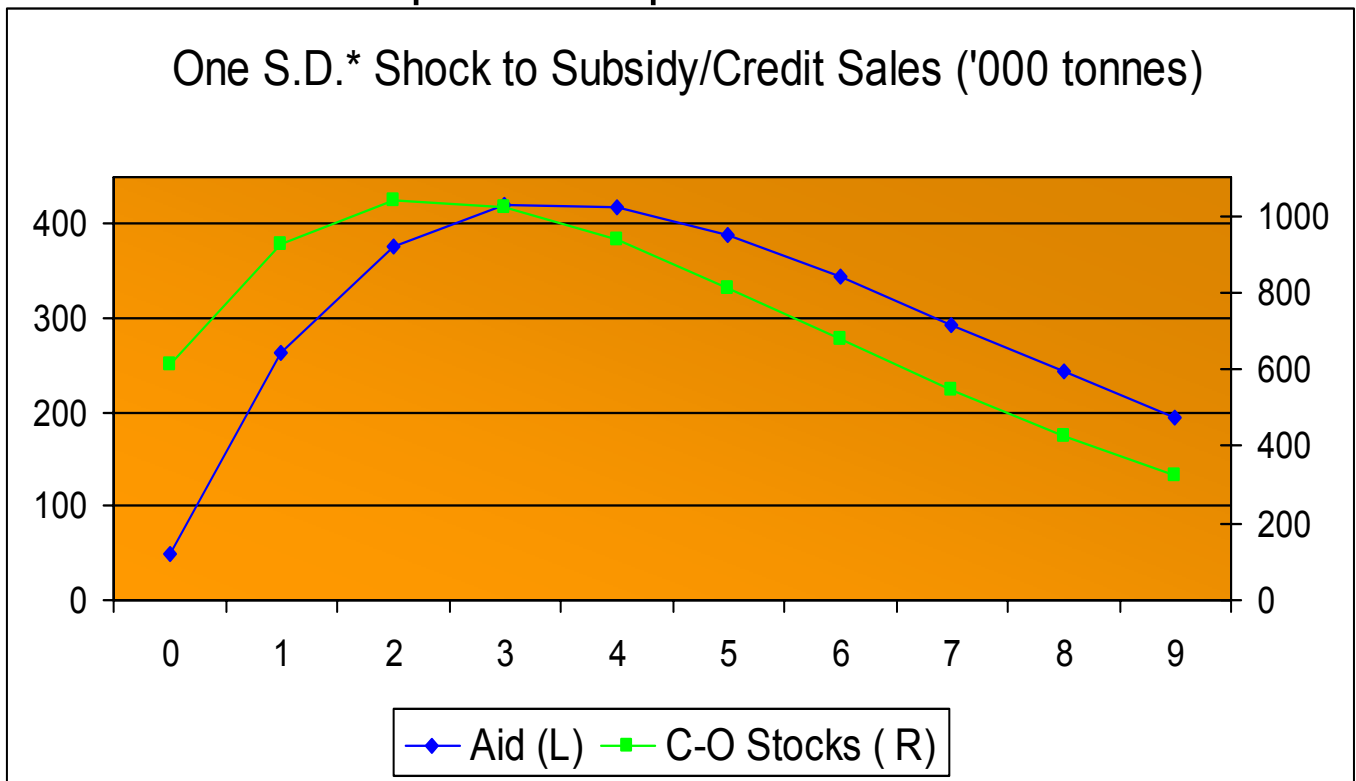
$$B = \begin{bmatrix} 1 & 0 & 0 \\ \beta_{21} & 1 & 0 \\ \beta_{31} & \beta_{32} & 1 \end{bmatrix}$$

- how does a change in disposition of surplus as subsidy/credit affect aid shipments?
 - impulse responses to a subsidy/credit shock



4. Empirical Results

Impulse Responses - Wheat



Variance Decomposition (%) - 1 S.D. shock to Subsidy/Credit

Responding Variable: Food Aid

Lead (years)	Subsidy/Credit	C-O Stocks
1	2.1	4.2
5	13.2	23.1
9	16.9	24.9

Responding Variable: C-O Stocks

Lead (years)	Subsidy/Credit	Aid
1	5	1.2
5	9.6	6.6
9	10.8	8.2



5. Discussion

- Endogenous relationship between alternative vents for surplus disposal.
- How large is the effect?
 - 4.5m tonne subsidy/credit shock
 - 50 000 tonne contemporaneous food aid response
 - 600 000 tonne carry-over stock response
 - mean of aid shipments over past 10 years = 2.6m tonnes
 - persistent and decaying responses
- Is this a bad thing?
 - WTO/competing exporters - contrary to spirit of the agreements
 - recipient country
 - depends on commodity/situation
 - unlikely to arrive in one place
- Future of food aid and trade rules
 - Whither Doha?
 - Alternative venues (Food Aid Convention)



5. Discussion



6. Appendix

Impulse Responses - Wheat

