

The 2006, 2007, 2008, Maybe 2009 U.S. Farm Bill

WTO and World Trade

Agricultural Executive Education Program

Guelph, Ontario

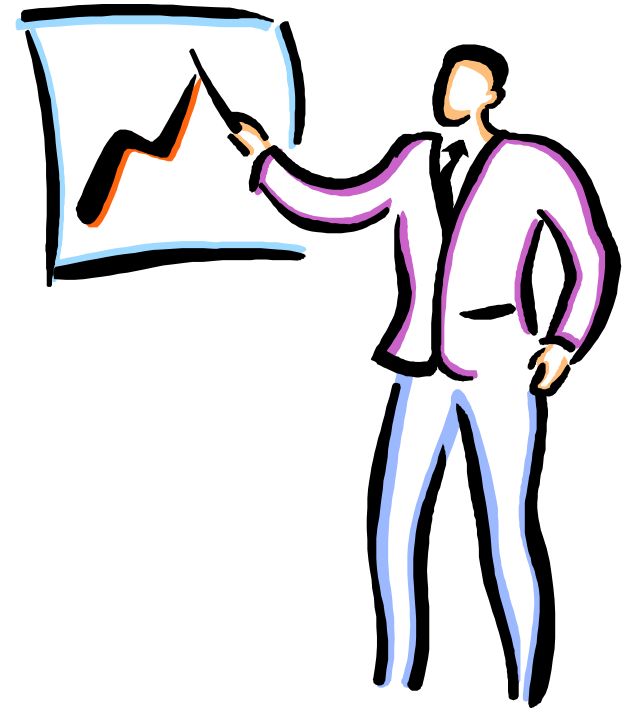
April 10, 2006

Robert Young - Chief Economist

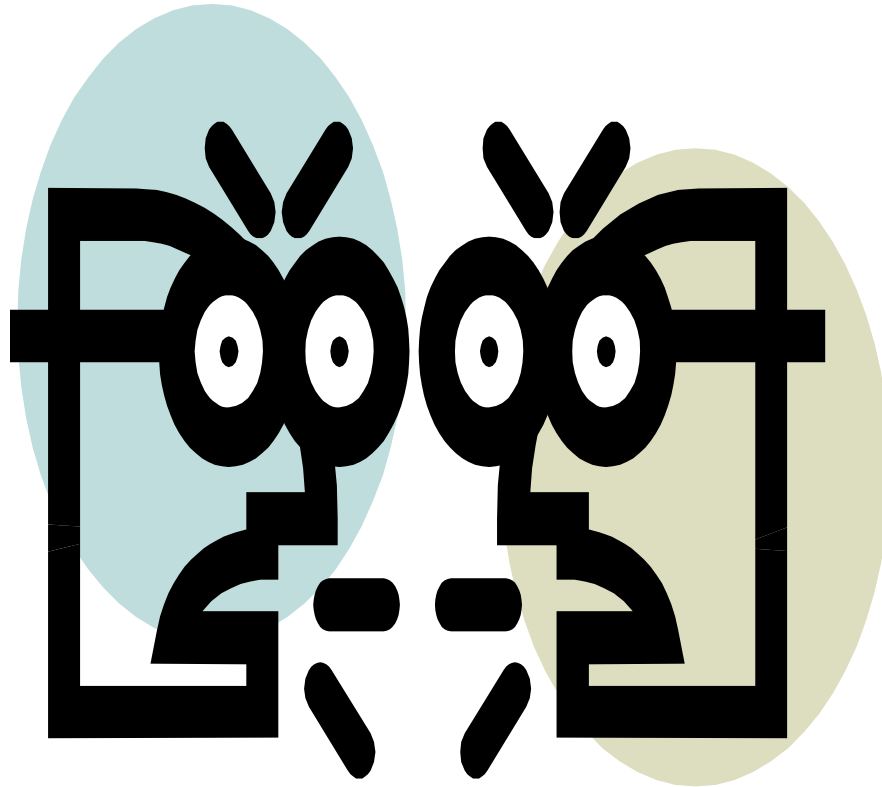
American Farm Bureau Federation

Discussion Topics

- Yes, I Know...
- Ticking Clocks
- One Organization's Viewpoint
 - And Why We Look At Things The Way We Do
- A Willingness To Consider Other Options
- Taking It From Here

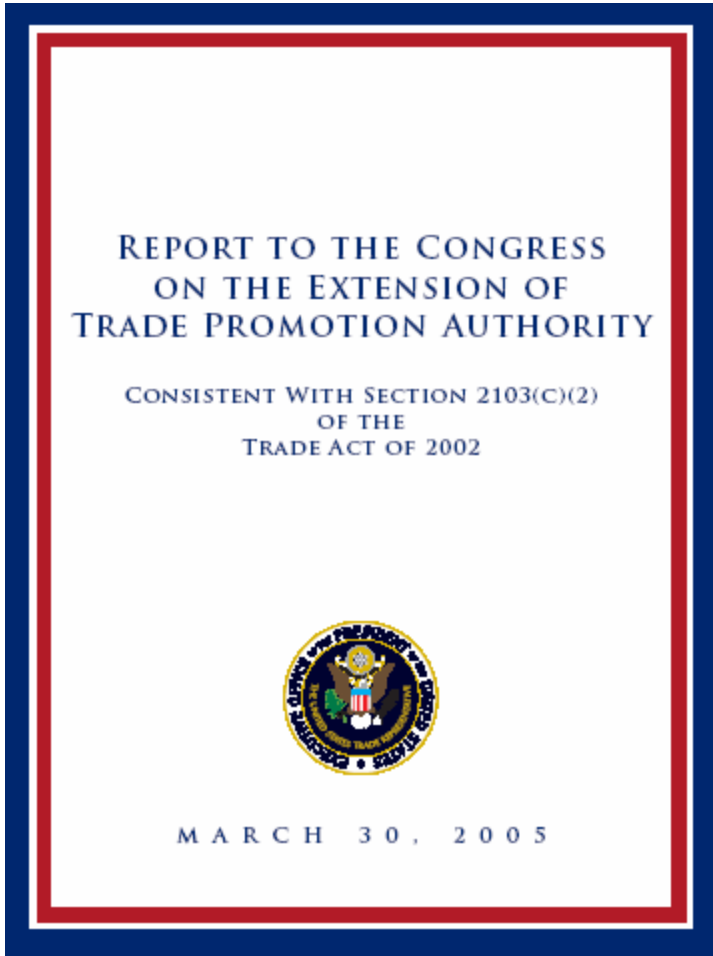


[Yes, I Know...]



- From Your Perspective All Yanks Are...
- Well, From Our Perspective All Canuck's Are...
- While You May Have More Snow, Not Sure Either Is As Pure As...

[One Ticking Clock]



Gives President Authority To Negotiate Agreement, Congress Only Option To Vote Up Or Down...

- Expires July 1, 2007
- What You Need Before Then...
- Does NOT Mean Congress Has To Pass By July 1, 2007

Another Ticking Clock – The 2002 Farm Bill

Public Law 107–171
107th Congress

An Act

May 13, 2002
[H.R. 2646]

To provide for the continuation of agricultural programs through fiscal year 2007,
and for other purposes.

*Be it enacted by the Senate and House of Representatives of
the United States of America in Congress assembled,*

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Farm Security
and Rural Investment Act of 2002”.

(b) **TABLE OF CONTENTS.**—The table of contents of this Act
is as follows:

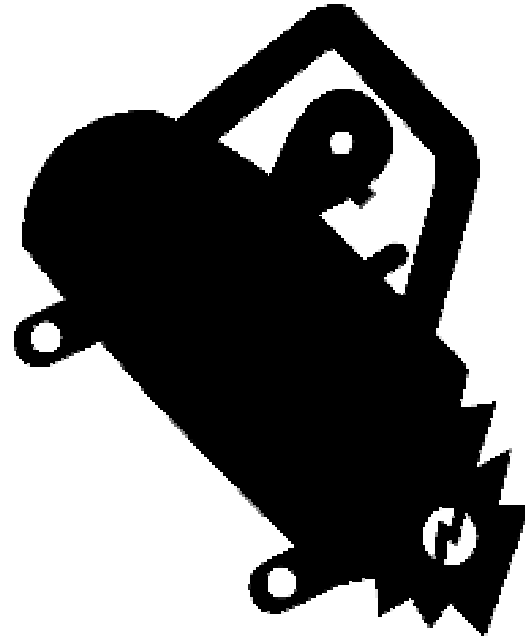
Farm Security
and Rural
Investment Act
of 2002.
7 USC 7901 note.

A Property Of All Recent Farm Bills...

- SEC. 1602(b) Agricultural Act of 1949.--
The following provisions of the Agricultural Act of 1949 shall not be applicable to the 2002 through 2007 crops of covered commodities, peanuts, and sugar and shall not be applicable to milk during the period beginning on the date of enactment of this Act and through December 31, 2007:

What The 1949 Act Means...

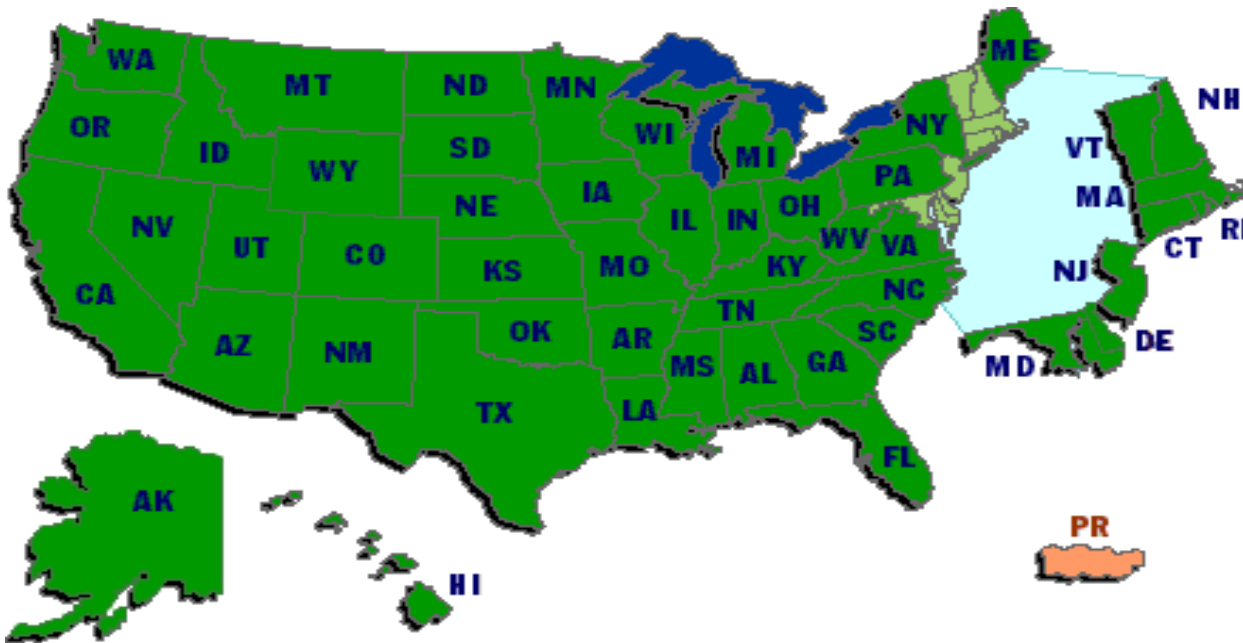
- About The Time You Harvest The 2008 Winter Wheat Crop You Better Have A New Farm Bill
- Govt. To Provide Price Support
 - Wheat - \$5.15 to \$9.27/bu
 - Corn - \$3.83 to \$6.89/bu



The 1949 Act

[A Quick Commercial...]

THE VOICE OF AGRICULTURE STATE FARM BUREAUS



Just
Over 6
Million
Member
Families

The Culmination Of All Those State Efforts...



FARM BUREAU®
POLICIES
FOR
2006

Resolutions on National Issues Adopted
by Elected Voting Delegates of
the Member State Farm Bureaus
to the 87th Annual Meeting of the
American Farm Bureau Federation

Nashville, Tennessee
January 2006

- The Farm Bureau Process...
- County To State To National
- Truly A Grassroots Effort...

[Farm Bureau's View Of Farm Policy...]

Future Farm Policy Design

We support an extension of the current farm bill until a new World Trade Organization (WTO) agreement is reached. We support extending concepts of the Farm Security and Rural Investment Act of 2002 into the next farm bill. However, if changes are necessary, consideration should be given to the following:

[#6 Of “the following:”]

- (6) Trade-distorting domestic support (amber box) may be reduced in exchange for an economically proportionate increase in agricultural market access and elimination of export subsidies. Such reduction in U.S. "amber box" supports should be offset by a transfer to fully funded "green and blue box" eligible programs.

Willingness To Consider Alternatives...The Rest Of #6

- “...This could be accomplished through working lands conservation programs, risk management, the Market Access Program (MAP), enhanced crop insurance, revenue assurance or government programs that increase producer profitability that may include direct payments...”



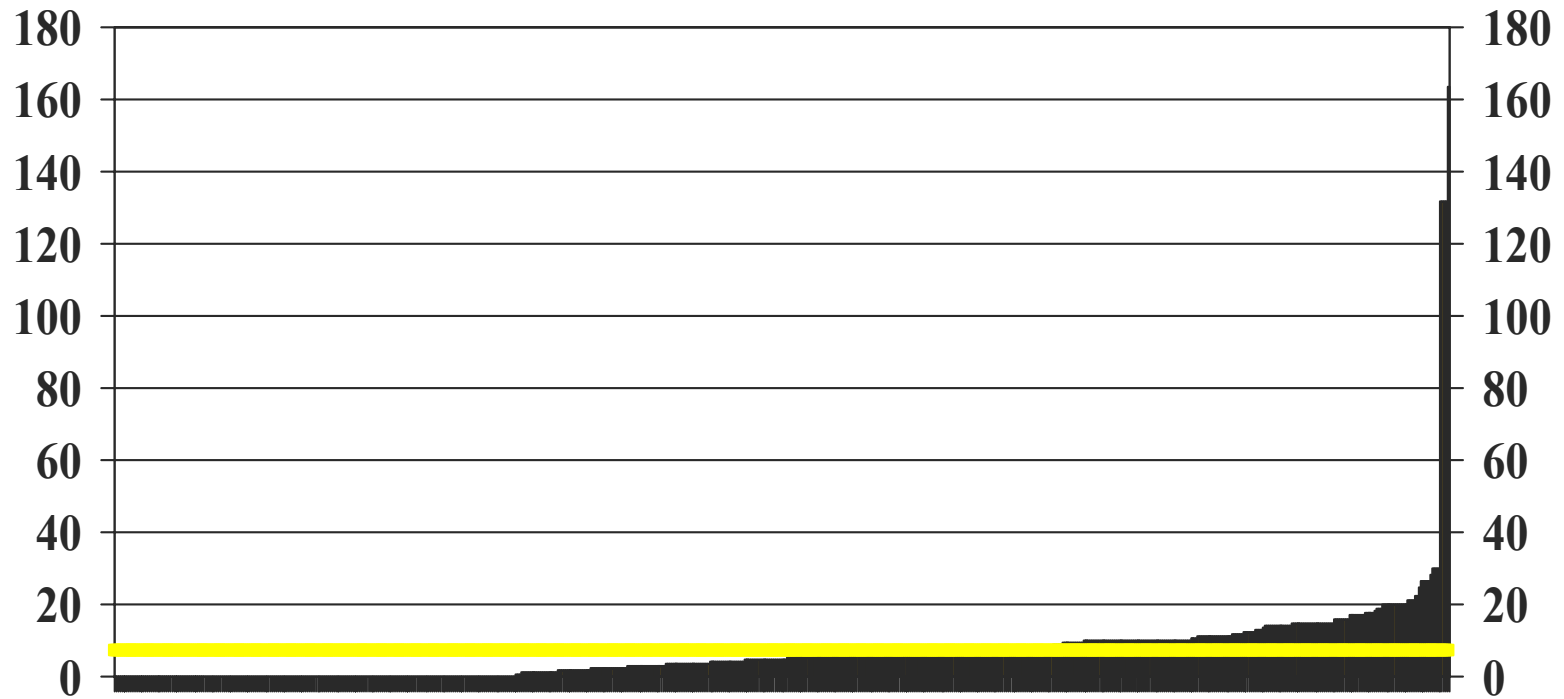
Average Tariff Rates for Selected Commodities

Weighted by Population

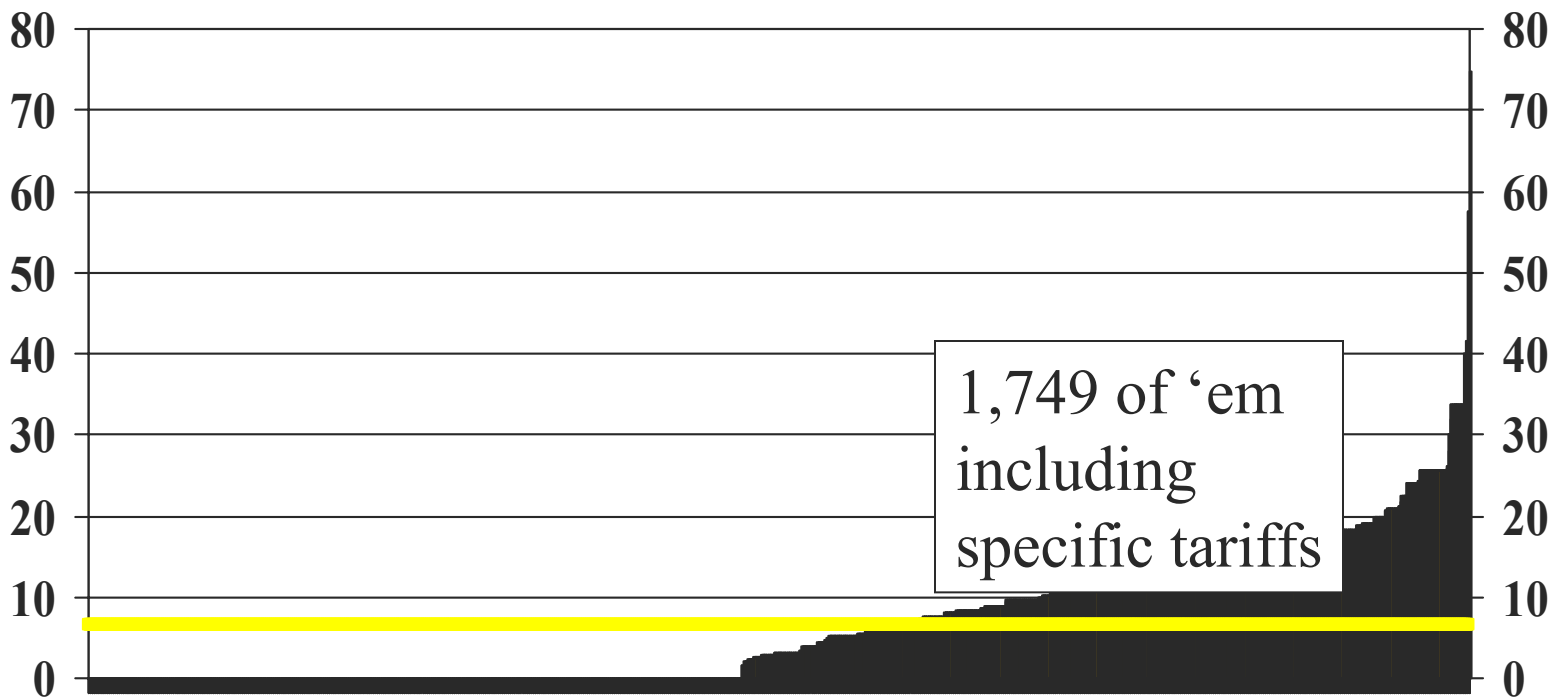
(Values in Percentage)

Commodity	United States	Developed Countries	Developing Countries	World
Bulk: Wheat				
Bound	2.6	69.4	83.1	82.0
Applied	0.0	7.1	42.2	33.1
Semi-Processed: Soybean Oil				
Bound	19.1	11.2	77.1	67.8
Applied	19.1	6.9	52.9	42.3
Processed: Poultry				
Bound	17.4	31.7	54.1	55.8
Applied	6.9	6.2	29.6	26.5

US Bound Ad Valorem Ag Tariffs



EU Bound Ad Valorem Ag Tariffs



Schedule XII - INDIA

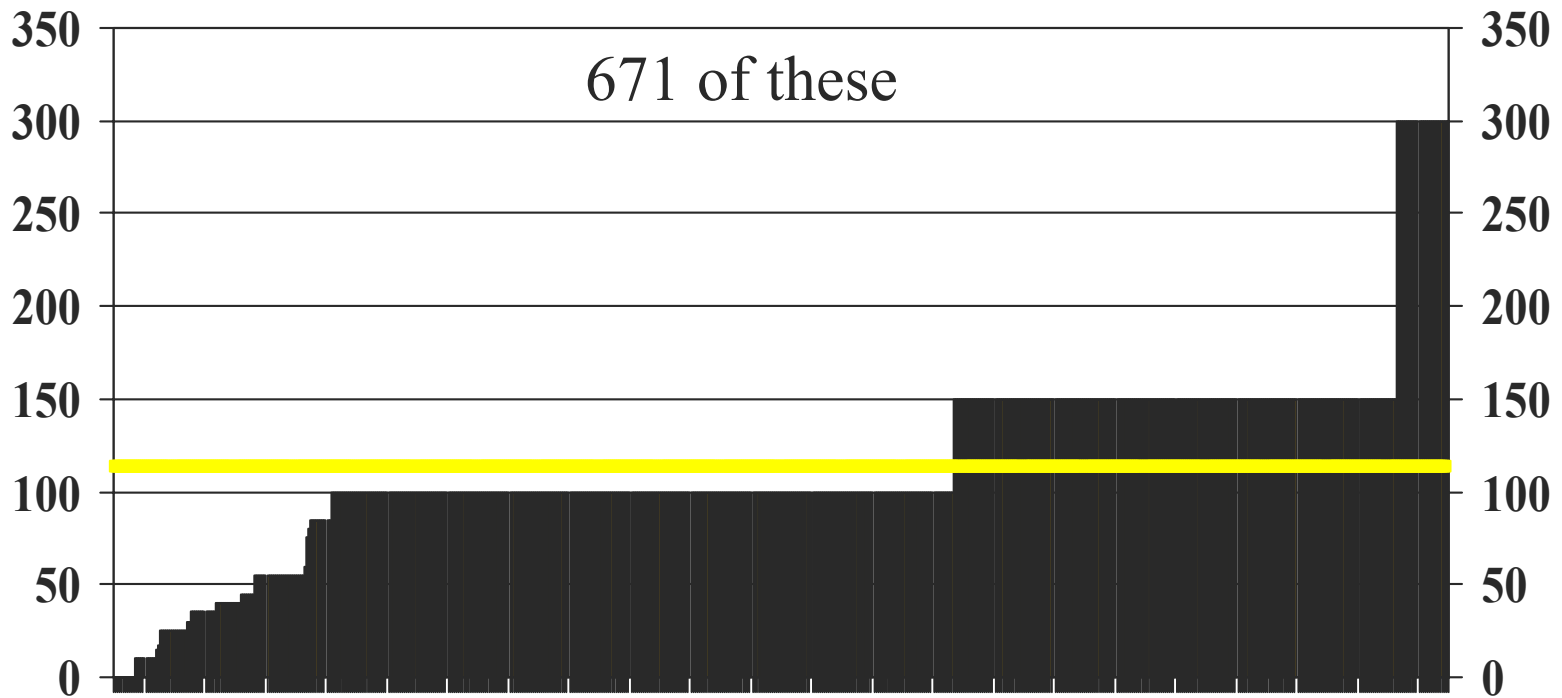
PART I - MOST-FAVOURED-NATION TARIFF

SECTION I - Agricultural Products

SECTION I - A Tariffs

Tariff item number	Description of products	Base rate of duty		Bound rate of duty	
		Ad valorem (%)	Other	U/B Ad valorem (%)	Other
1	2		3		4
0101.11	-- Pure-bred breeding animals	140		100	
0101.19	-- Other	140		100	
0101.20	- Asses, mules and hinnies	100		100	
0102.10	- Pure-bred breeding animals	100		100	
0102.90	- Other	100		100	

India's Bound Ad Valorem Ag Tariffs



Other Economic Protection Schemes

■ Quotas

- Absolute Quotas
 - Sometimes global
 - Sometimes specific countries
 - Marijuana?
- Tariff Rate Quotas
 - Low quota up to certain quantity
 - High tariff above

■ Voluntary Export Restraints

- Pretty Well Gone
 - Japanese cars
 - Textile VER's

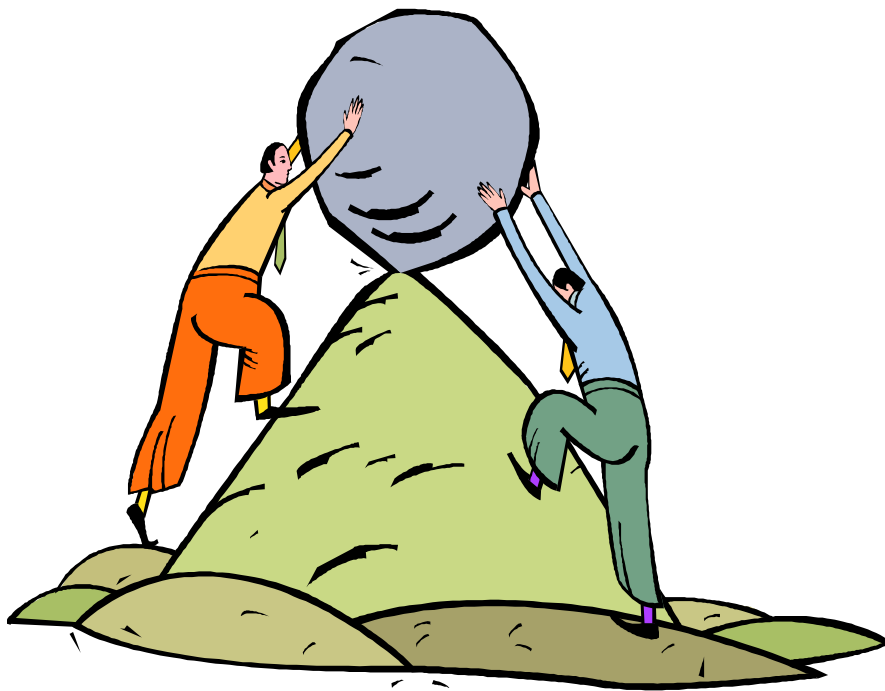
■ Export Taxes

- Flat Unconstitutional
- But other countries use to help keep processing at home

[Non-Economic Schemes]

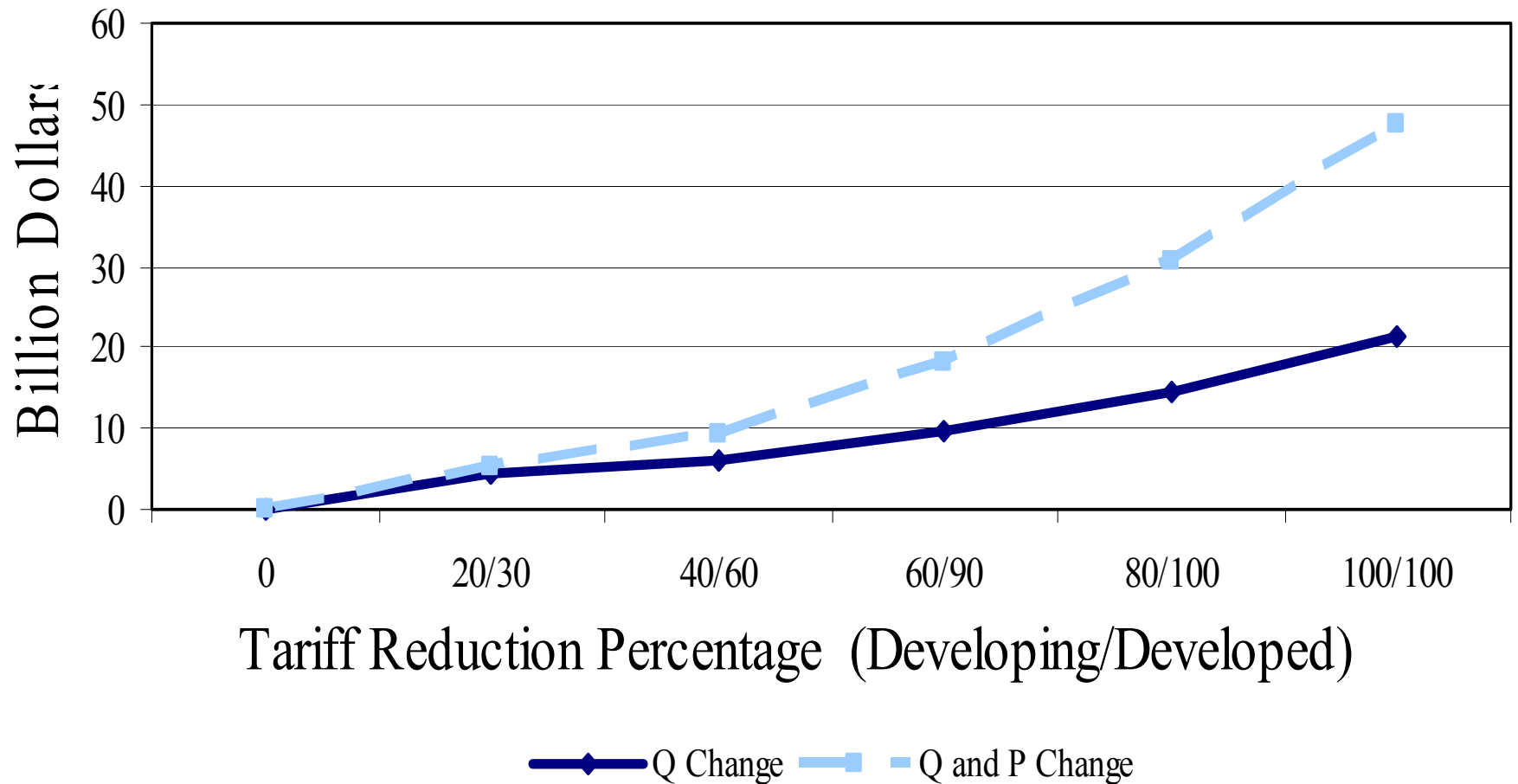
- Sanitary/Phyto-Sanitary Standards
- Inspection Programs (VCR's To France)
- Other Administrative Hurdles

Why We View Things As We Do...

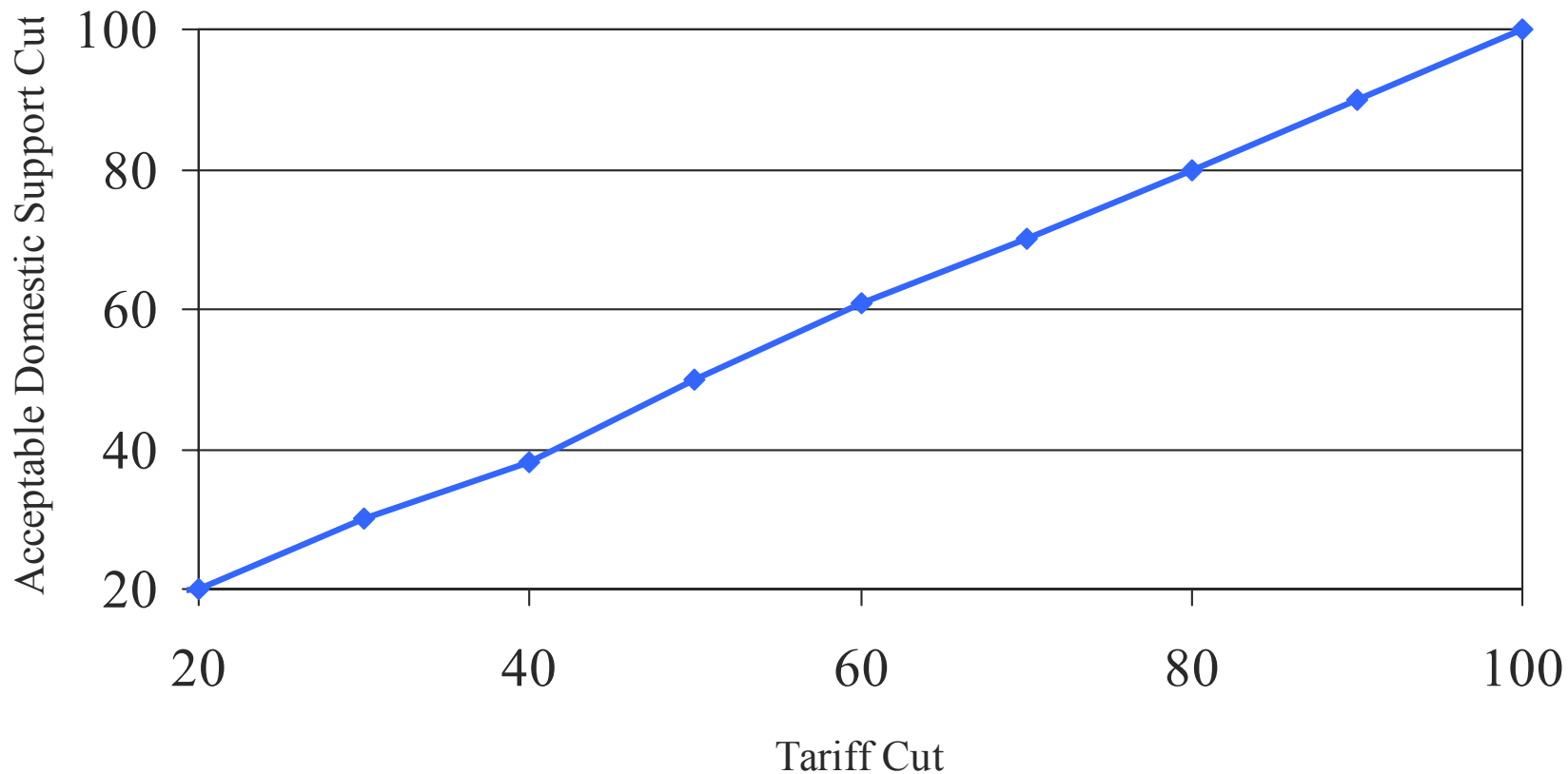


- Why Not?
- Balance Market Access Gains Against Domestic Support Reductions
- Looking At Sector As A Whole, Not Specific Commodities

Estimated Impact of Tariff Reductions on U.S. Agricultural Exports of Selected Commodities



Trade-Off Between Tariff and Domestic Support Reductions



Key Country/Commodity Pairs

■ Beef

- European Union
- China
- Japan
- South Korea

■ Pork

- Japan
- South Korea
- Philippines

■ Feed Grains

- China
- European Union
- South Korea
- Philippines

■ Wheat

- China
- European Union
- India

SCHEDULE LXXX - EUROPEAN COMMUNITIES

PART I - MOST-FAVOURED-NATION TARIFF

SECTION I - Agricultural Products

SECTION I - A Tariffs

Please refer to file CEENTE1.WK4 for the Headnotes and to files CEEAN1.WK4, CEEAN1A.WK4, CEEAN1B,WL4, and CEEAN1C.WK4 for the Annexes.

Tariff item number	Description of products	Base rate of duty			Bound rate of duty		Implementatio Other eriod from/t	Special safeguard
		Ad valorem (%)	Other	U/B/C	Ad valorem (%)			
1	2	3			4		5	6
0101	Live horses, asses, mules and -Horses:							
0101.11.00	--Pure-bred breeding	0.0			0.0			
0101.19	--Other:							
0101.19.10	---For slaughter(2)	4.0			0.0			
0101.19.90	---Other	18.0			11.5			
0101.20	-Asses, mules and hinnies:							
0101.20.10	--Asses	12.0			7.7			
0101.20.90	--Mules and hinnies	17.0			10.9			
0102	Live bovine animals:							
0102.10.00	-Pure-bred breeding animals(2)	0.0			0.0			
0102.90	-Other:							
	--Domestic species:							
0102.90.20	---Steers (bullocks) of a weight	16.0	+ 1454 ECU/T		10.2	+ 931 ECU/T		SSG
0102.90.30	---Other	16.0	+ 1454 ECU/T		10.2	+ 931 ECU/T		SSG

[Wither From Here...]



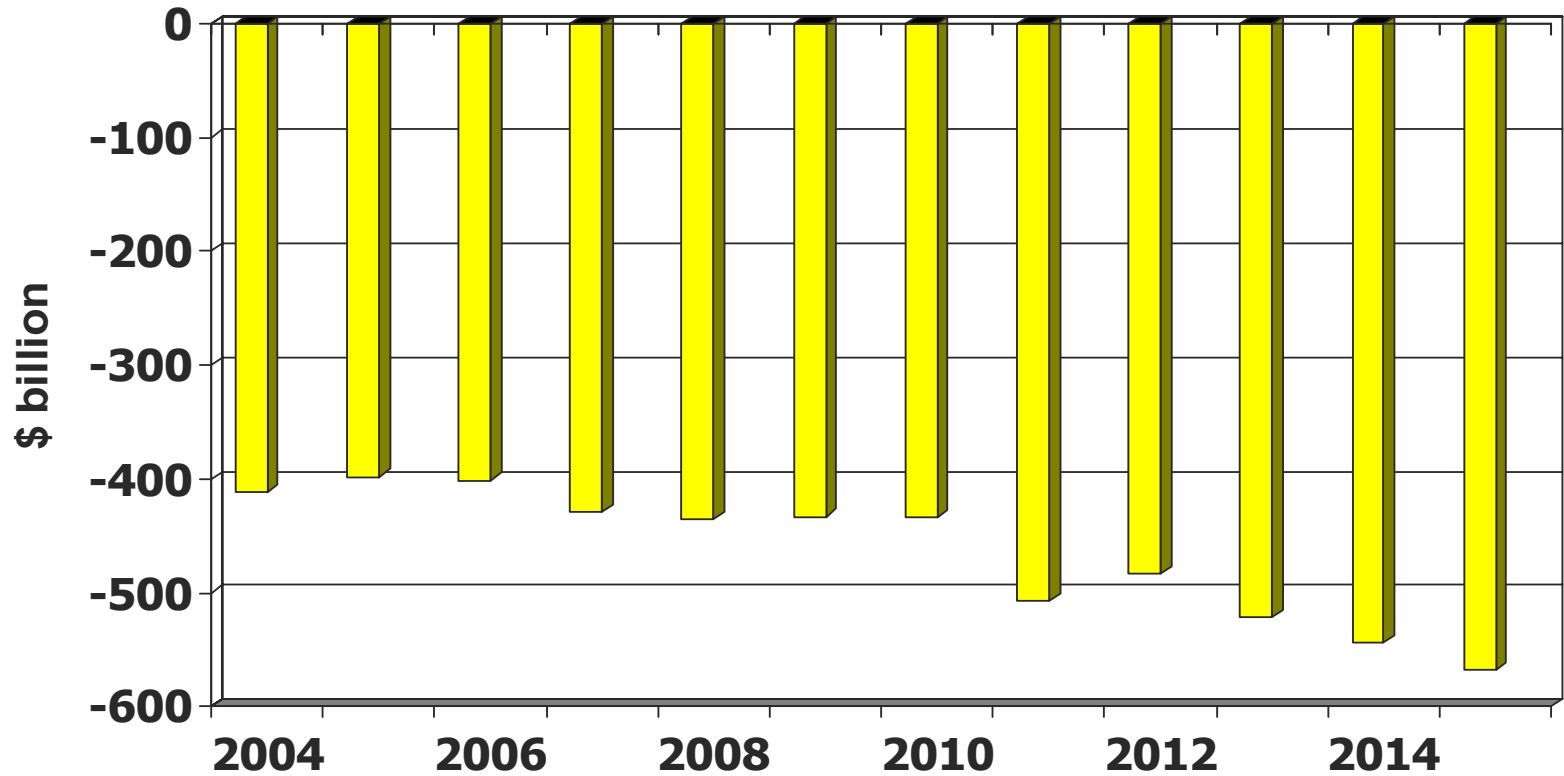
- Other Pressures To Reform
 - Domestic Budget Pressure
 - Shift Of Political Will

The One-Handed Federal Budget (FY04) (Billions & Billions)



Defense	\$454
Social Security	\$492
Medicare	\$297
Medicaid	\$176
Interest	\$160
Subtotal	\$1,579
Total Fed On Budget	\$1,913/\$1,345

Projected Resulting Deficit



Intellectual Bias



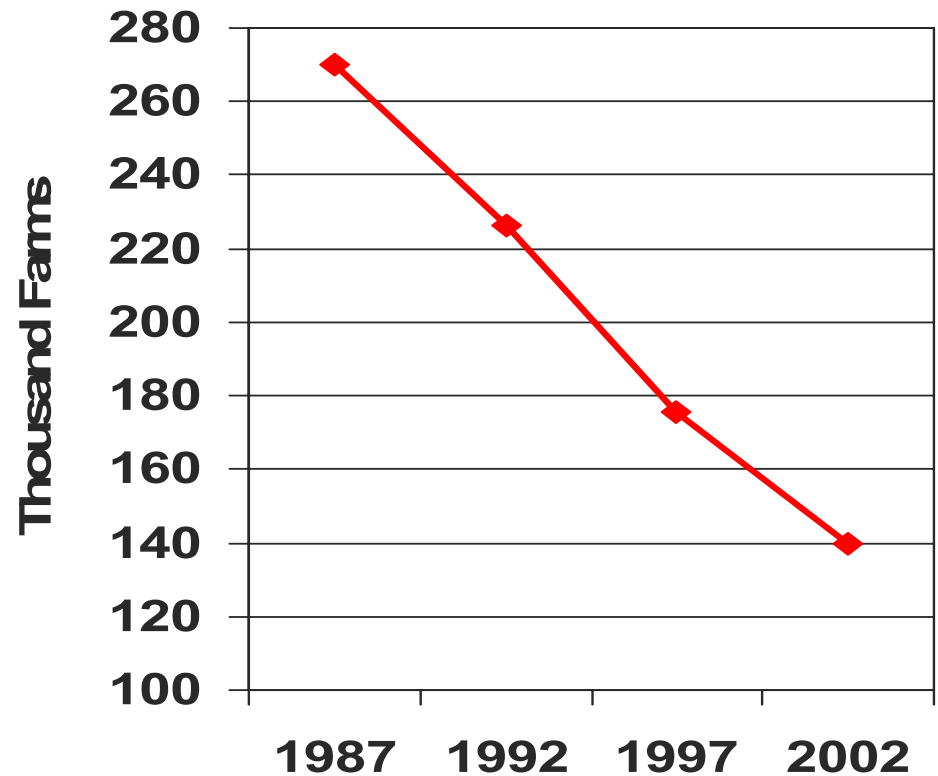
- When's The Last Time You Read An Article By 'Renowned' Ag Economist Quoted In Popular Press That Said We Should Increase Farm Program Payments?
 - No names, but...

[Other People's Money...]

- Strong Effort During 2002 Bill To Shift Funds From Commodity to Conservation Title
- Not Clear Where Votes Are Today, Particularly On House Side

Collapse of the Middle

- Minimum number of farms to produce between 25% and 75% of the value of agricultural output



Just A Couple Numbers

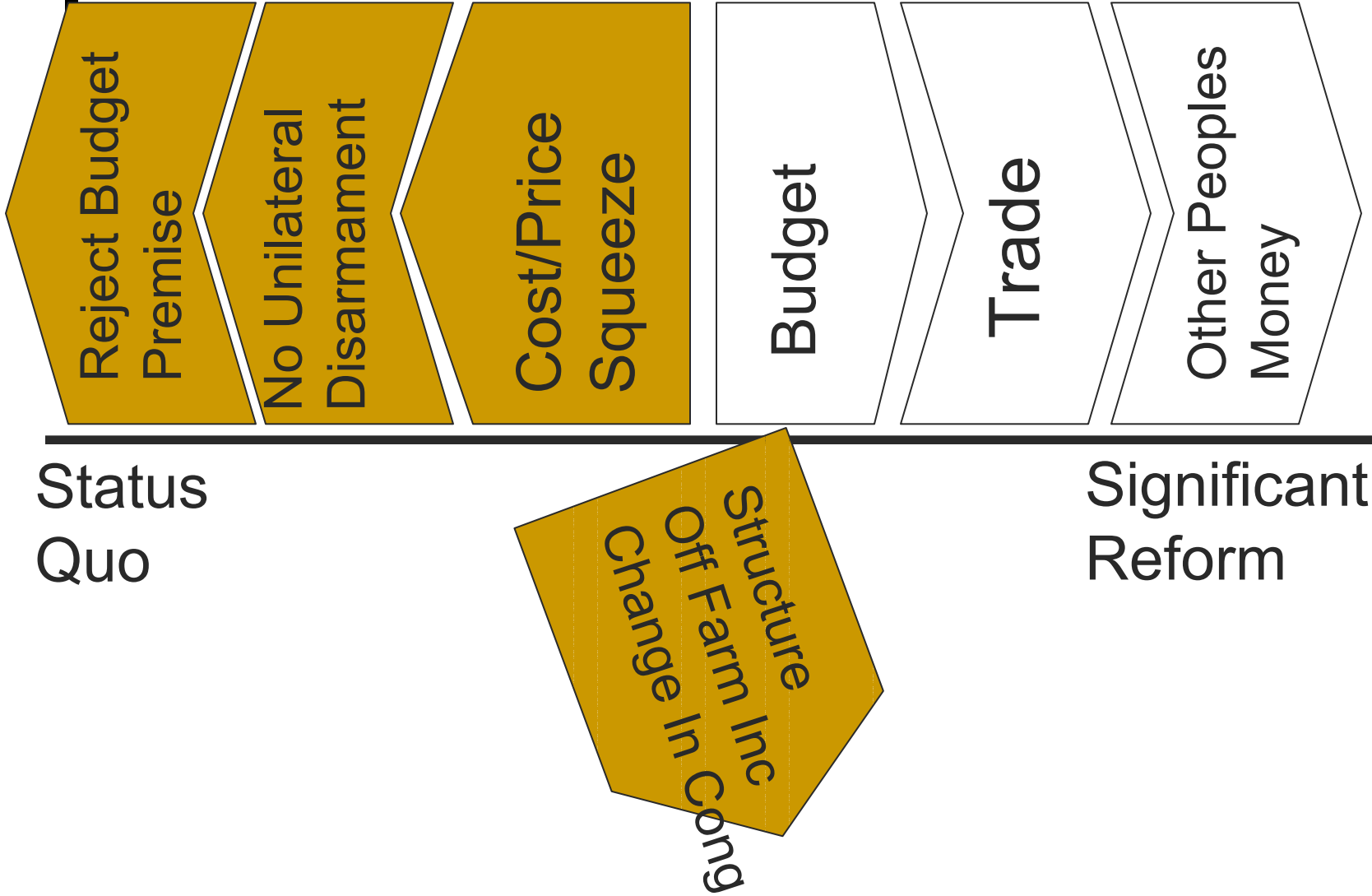
- Members Who Have **Not** Been On The Committee For A Farm Bill

- House – 28
- Senate - 7

- Members Who Have Been On The Committee For A Farm Bill

- House – 18
- Senate - 13

Correlation Of Forces..



[The Bottom Line]



- Evolutionary Change, Not Revolutionary
- Will Take Producers Being Convinced They Are Better Off With Something Else Than Modified Status Quo