

# AGRICULTURE IN DOHA: PRESENT STATUS & PROSPECTS

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# Agreement on Agriculture: The key objectives

- Long-term objective: to establish a fair and market-oriented agricultural trading system
- Substantial progressive reductions in agricultural support and protection sustained over an agreed period of time
- Developed country Members to fully take into account the particular needs and conditions of developing country Members by providing greater access for agricultural products of particular interest to these Members
- Special and differential (S&D) treatment for developing countries - an integral element of the AoA
- Non-Trade concerns
  - ❖ Food security and livelihood concerns
  - ❖ Environmental concerns

# Problems in implementation

- Subsidies discipline was ineffective
- Market access constraints
  - ❖ High tariffs continued to be used
    - ✓ Ceiling bindings
    - ✓ Presence of non ad valorem tariffs
  - ❖ Ineffectiveness of the tariff quota regime

# High level of domestic support granted by the US and the EU

- Increase in domestic support by the US
  - ❖ US \$ 30 billion increase between 1995 and 2005
  - ❖ No evidence of decrease in subsidies in the recently unveiled Farm Bill proposals
- Domestic support granted by the EC remains high
  - ❖ EUR 85 billion in 2001/2002
  - ❖ Impact of enlargement of the Union



# Change in the form of domestic support from Amber Box to Green Box

- Nearly 80% of the US subsidies are spent on “Green Box” measures (2005)
- Increase in share of exempt subsidies in EU’s spending on domestic support measures
  - ❖ Further increase in “Green Box” planned as a part of reform of the Common Agricultural Policy of the EU

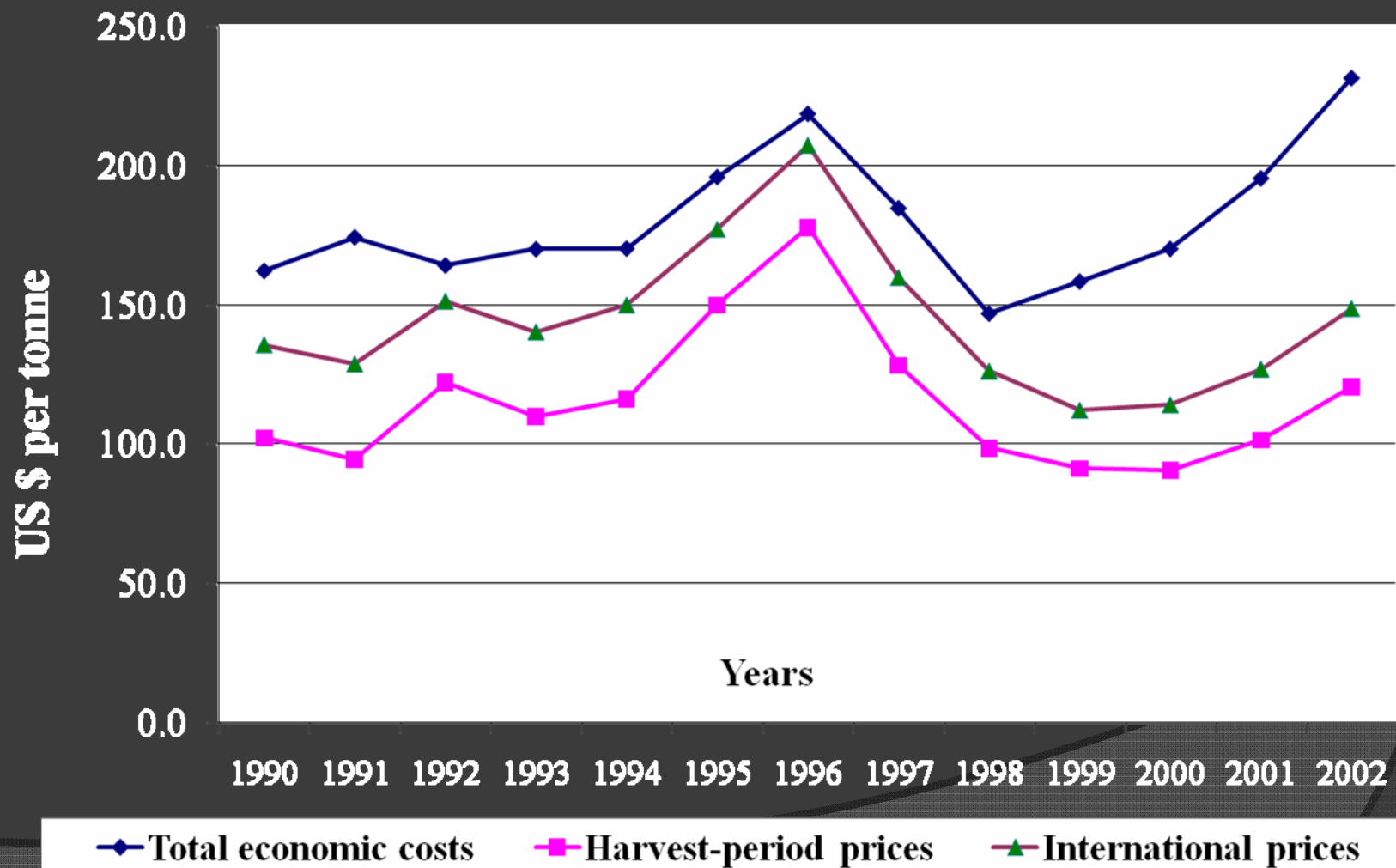
# Targeting of subsidies

- Sharp increase in support for commodities that are of export interest to the US
  - ❖ Corn – \$ 32 million in 1995 to \$ 4.5 billion in 2005
  - ❖ Cotton - \$ 32 million in 1995 to \$ 1.6 billion in 2005
  - ❖ Wheat - \$ 5 million in 1995 to \$ 974 million in 1999
  - ❖ Soybeans - \$ 16 million in 1995 to \$ 3.6 billion in 2001
- High levels of support for products of export interest to the EU
  - ❖ Sugar - \$ 5.2 billion in 2000/2001
  - ❖ Butter - \$ 4.0 billion in 2000/2001
  - ❖ Beef - \$ 10.0 billion in 1999/2000

# US Domestic Food Aid: A surplus disposal mechanism?

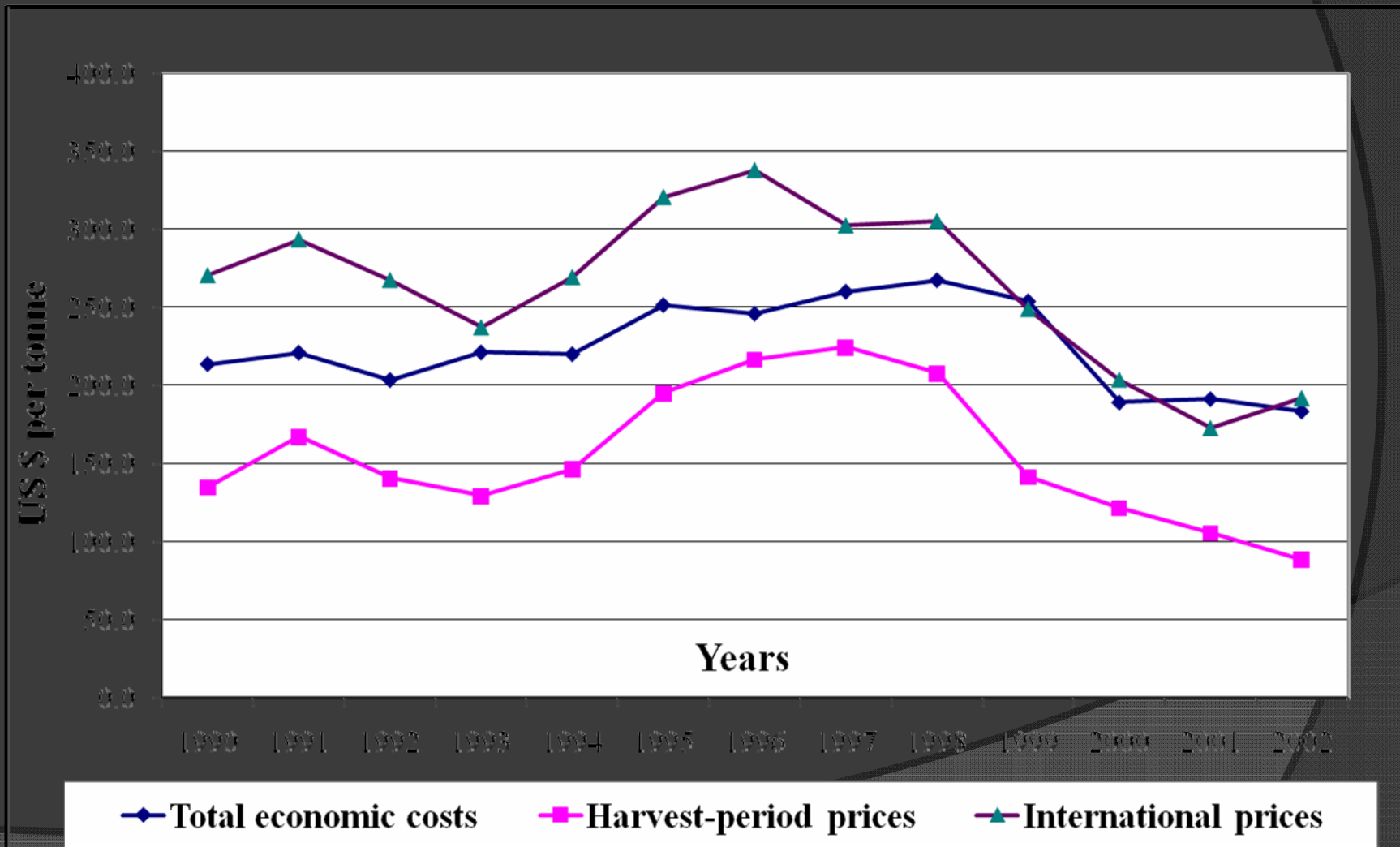
- Food Stamp programme has historically been used for disposal of surplus
- An USDA study conducted in 1994 commented that “as a surplus disposal program TEFAP (the Emergency Food Assistance Program) returned to farmers approximately 85 cents for every dollar of Federal TEFAP expenditure” (Comparing The Emergency Food Assistance Program and the Food Stamp Program. USDA-ERS. Agricultural Economic Report Number 689, June 1994)

# Implications of US Wheat subsidies





# Implications of US Rice Subsidies



# Problems in obtaining effective market access

- Tariff peaks
  - ❖ Average applied peak tariffs
    - ✓ For OECD Countries 239 % (2001-02)
    - ✓ For advanced developing countries 112 % (2001)
- Tariff escalations
  - ❖ Product groups affected: oils, fruits and vegetables, meat products
- Significant presence of non-ad valorem tariffs
  - ❖ Lack of transparency associated with the rates
  - ❖ Conceal the level of protection being provided

# The Problem of Non Ad Valorem Tariffs

- Share of non-ad valorem (NAV) tariffs in total bound tariff lines in select countries
  - ❖ US: 43%
  - ❖ EU: 46%
  - ❖ Switzerland: 89%
  - ❖ Thailand: 44%
- Average of NAVs are almost three times higher than that of ad valorem tariffs
- Ad valorem equivalents of NAVs
  - ❖ EC
    - ✓ Raw cane sugar – 230 %
    - ✓ Bovine meat – 142 %
    - ✓ Rice in husk – 94 %
  - ❖ US
    - ✓ Raw cane sugar: 177%

# Key Concerns for Developing Countries

- Meeting the Objectives of Food Security and Livelihoods
- How to ensure that effective market access is available in the larger markets
- How to ensure that market prices reflect efficiency costs



# Doha Work Programme on Agriculture

- Negotiations aimed at:
  - ❖ Substantial improvements in market access
  - ❖ Reductions of, with a view to phasing out, all forms of export subsidies
  - ❖ Substantial reductions in trade distorting domestic support
  - ❖ Special and differential treatment for developing countries to enable these countries to effectively take account of their development needs, including food security and rural development

# Proposals in the Draft Revised Modalities

# Elements of the Proposed Domestic Support Discipline

- Defines “Overall Trade Distorting Domestic Support”
- Limits on “Blue Box” spending
- Capping of product specific subsidies
- Subsidies discipline to exclude payments made to low income and resource poor farmers in developing countries

# Domestic Support Discipline

- Limits on “Overall Trade Distorting Support”

- ❖ US: \$ 14.5 billion

- ❖ EU: €22.4 billion

- Implications

- ❖ Does not challenge US subsidies regime

- ✓ Limit on the use of “trade distorting” support to decrease from \$ 19.1 billion to \$ 14.5 billion

- ❖ Restricts EU’s use of “trade distorting” support

- ✓ Limit to decrease from €67.2 billion to €22.4 billion



# The Grey Area: US Farm Act 2008

- Commodity support programs have remained largely unchanged
- Estimates of spending on Farm Act 2008 are modest since they were based on high price assumptions
  - ❖ Commodity prices are currently well below the 2007 highs
- Two-thirds of the estimated spending on Farm Act 2008 would be on domestic food aid

# Marketing Loan Rates

	1996 Farm Act	2002 Farm Act		2008 Farm Act		
Commodity	2001	2004-2007	2002-2003	2008	2009	2010-12
Corn (bu)	\$1.89	\$1.98	\$1.95	\$1.95	\$1.95	\$1.95
Sorghum (bu)	\$1.71	\$1.98	\$1.95	\$1.95	\$1.95	\$1.95
Barley (bu)	\$1.65	\$1.88	\$1.85	\$1.85	\$1.85	\$1.95
Oats (bu)	\$1.21	\$1.35	\$1.33	\$1.33	\$1.33	\$1.39
Wheat (bu)	\$2.58	\$2.80	\$2.75	\$2.75	\$2.75	\$2.94
Soybeans (bu)	\$5.26	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
Minor oilseeds (cwt)	\$9.30	\$9.60	\$9.30	\$9.30	\$9.30	\$10.09
Upland cotton (lb)	\$0.5192	\$0.52	\$0.52	\$0.52	\$0.52	\$0.52
Rice (cwt)	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50

# Direct Payment Rates

<b>Commodity</b>	<b>1996 Farm Act</b>	<b>2002 Farm Act</b>	<b>2008 Farm Act</b>
<b>Corn (bu)</b>	\$0.261	\$0.28	\$0.28
<b>Sorghum (bu)</b>	\$0.314	\$0.35	\$0.35
<b>Barley (bu)</b>	\$0.202	\$0.24	\$0.24
<b>Oats (bu)</b>	\$0.022	\$0.024	\$0.024
<b>Wheat (bu)</b>	\$0.461	\$0.52	\$0.52
<b>Soybeans (bu)</b>	--	\$0.44	\$0.44
<b>Minor oilseeds (cwt)</b>	--	\$0.80	\$0.80
<b>Upland cotton (lb)</b>	\$0.0572	\$0.0667	\$0.0667
<b>Rice (cwt)</b>	\$2.05	\$2.35	\$2.35

# Tariff Reduction Proposals

- Tiered approach
- Special and differential treatment
  - ❖ Principle of “less than full reciprocity” in reduction commitments applied in case of developing countries
  - ❖ Lesser/no reductions in case of products that fit the criteria of food security/livelihoods security/rural development: “Special Products”
  - ❖ Special Safeguard Mechanism



# Reductions Proposed: Developed Countries

Bound Tariffs (%)	Proposed reduction (%)
$> 75$	70
$>50$ and $\leq 75$	64
$>20$ and $\leq 50$	57
$\leq 20$	50

- Average reduction to be at least 54%

# Reductions Proposed: Developing Countries

Bound Tariffs (%)	Proposed reduction (%)
> 130	46
> 80 and <= 130	42
>30 and <= 80	38
>=30	33

- Average reduction to be at least 36%

# Developing Country Gains

- Recognition of “Special Products”
  - ❖ Proposal in draft modalities (December 2008)
    - ✓ Current bound tariffs can be retained for 5% of agricultural tariff lines
    - ✓ Tariff cuts on an additional 7% of tariff lines to be less than the formula cut
    - ✓ Overall average cut on SPs to be 11%
- “Special Safeguard Mechanism” to protect against import surges and/or fall in prices of agricultural commodities

# Problem areas

- Presence of non-ad valorem tariffs
- Sensitive products:
  - ❖ Proposal: 4% of tariff lines
    - ✓ EU can include nearly 90 tariff lines (at 8-digit)
    - ✓ US can include nearly 70 tariff lines (at 8-digit)
  - ❖ Japan and Canada have disagreed



# Future prospects of free and fair agricultural trade

- Developed countries, in particular, the US would continue to support their domestic agriculture for food, fibre and fuel
  - ❖ *“We’re a blessed nation we can grow our own food and, therefore we’re secure. A nation that can feed its people is a nation more secure”* President George W Bush in 2002
- Developing countries having large farm population are wary of embracing free trade fearing the likely adverse impact on small farmers

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Thank you