

Discussion of Agricultural Trade Reform and Food Security (Session 1)

**(specifically “Export Restrictions and Price Insulation during
Commodity Price Booms,” Will Martin and Kym Anderson, WB
Research WP 5645, May 2011)**

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Trade Policy and Farm Policy Context

Weighted T's for High-income Countries for Wheat

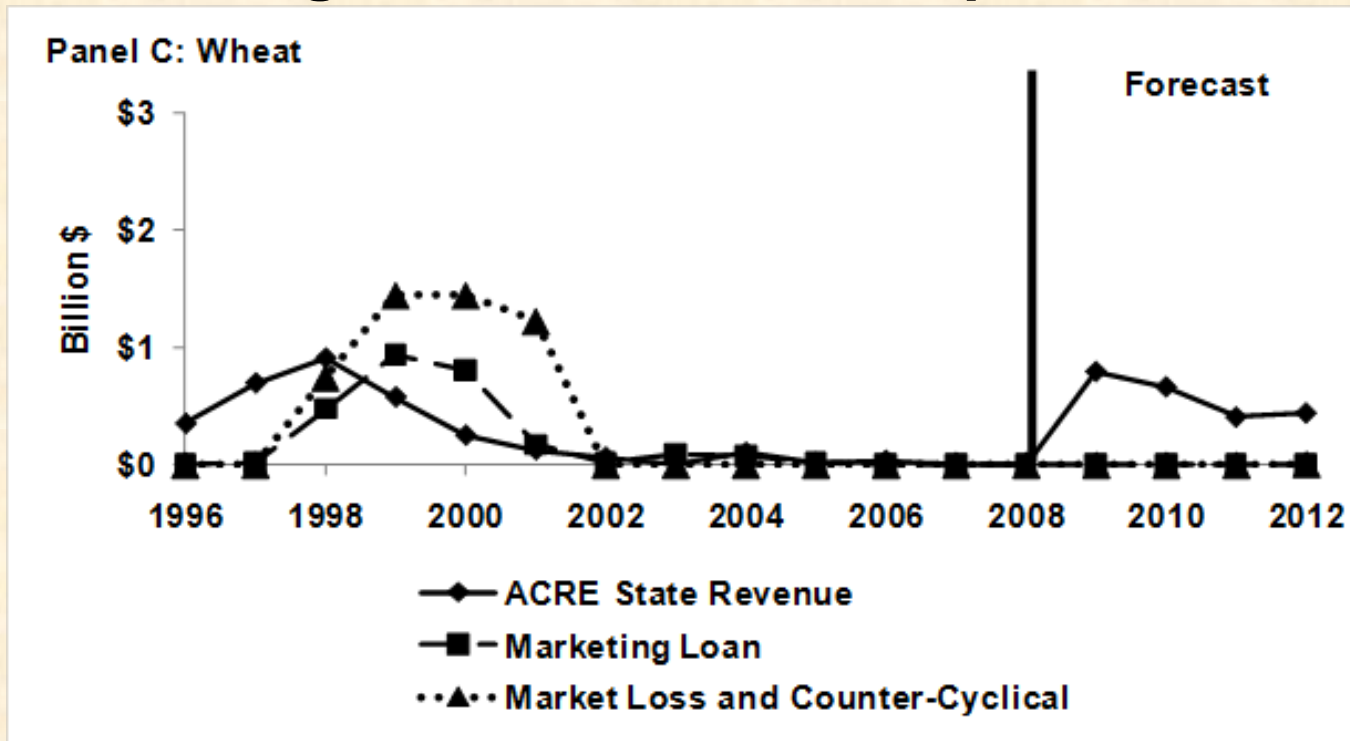
1972	1973	1974		2005	2006	2007	2008
1.11	0.83	0.80		1.20	1.17	1.04	1.03
EU: variable import levies and export subsidies fell as prices rose				EU: by 2005 largely shifted from variable levies and export subsidies to Single Payment Scheme with payments decoupled from direct link to production or prices (while still high subsidy level)			
US: payments to farmers fell from \$4 billion to zero				US: set-asides eliminated in 1996 farm bill; by 2005 prices already high enough that price-linked payments for wheat were essentially zero			
Missing Policy Dimension: US total annual set-aside (idled) acreage fell from 59 million acres in 1972 to 16 million in 1973 and zero in 1974. Acreage planted to 15 major crops rose by 14 percent (33 million acres)				Missing Policy Dimension: biofuel subsidies and mandates increase crop demand			
Policy-based shift in US ES counteracted trade policy upward pressure on world prices				Policy-based shift in ES (contraction) counteracts neutral trade policy effect on world prices			

Current Policy Challenges

- **Agree with Will, on weakness of existing WTO disciplines (see Orden, Blandford and Josling, 2011)**
 - **Use of (and need for disciplines upon) export restrictions that discriminate against agriculture is not a new issue (illustrated by T's for Asia during 1972-74 going from 1.33 to 0.88)**
 - **Reemergence of various state interventions: grain procurements and stockholding, fertilizer subsidies, increased nominal price support levels—all inefficient and costly even while output prices discriminate against agriculture**
 - **Irony of controversy arising over Market Price Support as measured in WTO increasing (relevant to legal commitments/dispute settlement) as nominal support prices rise, even with discrimination against agriculture**
 - **Potential for reversion to distorting policies in the US**
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Potential US Expansion of Revenue Insurance Programs

Estimated US Annual Payments by ACRE State Revenue Program (assuming 100% sign up) versus Actual and Projected Payments by the Traditional Price-Based Programs, 1996-2012 Crop Years



Source: Zulauf and Orden, 2010

References

Orden, D., R. Paarlberg and T. Roe. Policy Reform in American Agriculture. University of Chicago Press. 1999.

Orden, D, D. Blandford and T. Josling. WTO Disciplines on Agricultural Support. Cambridge University Press, 2011.

Zulauf, C. and D. Orden. “The Revenue Program Option in the 2008 U.S. Farm Bill: Evaluating Performance Characteristics of the ACRE Program.” Agricultural and Resource Economics Review 39:3 (Oct. 2010): 517-533.
