

## THE U.S. FARM BILL 2002: A VIEW FROM NEW ZEALAND\*

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### Introduction

The FAIR Act of 1996 was hailed as a milestone in U.S. farm policy, by introducing direct and decoupled payments and moving away from the long-established price-support mechanisms. Under FAIR, a schedule of declining fixed payments was put in place. Don Paarlberg was moved to write a piece for *Choices* (First Quarter 1999) entitled 'Obituary for a Farm Program' although it included the prescient observation that "it is not clear that the alleged corpse has really expired; it may resurrect itself and start walking around, to the embarrassment of myself and others who pronounced it dead". In contrast, the 2002 Farm Bill has increased ban rates for some crops thereby increasing production-enhancing spending, and introduced a counter-cyclical payments program for crops (arguably also with production-enhancing impacts), which could be viewed as a policy U-turn back to price-distorting intervention. However, the 2002 Bill refrained from reintroducing production controls, and it was the first U.S. farm bill to explicitly recognise that spending had to be contained within international WTO obligations. Others have estimated about a 20% probability that spending will go above WTO limits (FAPRI 2002), so the odds are that it will remain consistent with the Uruguay Round Agreement on Agriculture (URAA), even if the legislation goes against the spirit of reducing farm subsidies. The divergence from the farm payments trend as scheduled in the FAIR Act occurred not in the 2002 Bill, but in the emergency payments authorised by Congress since 1998 (see Figure 1). Some of these payments counted towards the production-distorting spending on which the URAA had placed a cap, and the new 2002 legislation has in effect institutionalised such payments so allowing spending to continue at or near the WTO limits.

### New Zealand Concerns

Unlike many developed economies, agricultural commodities still dominate New Zealand's exports to the tune of over 50% (Figure 2) with dairy products and meats alone accounting for nearly 40% of total merchandise exports. The United States is a major trading partner for New Zealand, ranking second only to Australia as both an export destination and an import source. Last year, for example, 15% of New Zealand's export revenue was earned from the U.S. market. Beef and sheepmeat comprised 25% of those export revenues, and dairy products over 20%. Other significant agricultural or food items exported from New Zealand to the U.S. include fish, fresh fruit and alcoholic beverages.

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I have been asked to give ‘a New Zealand view’ on the U.S. Farm Bill. Without pretending to speak for the rest of the country, study of media releases at the time do provide insights into the views held at least by people of some standing in New Zealand agriculture and politics. Taken together, these actually add up to a reasonably consistent “New Zealand view” on the Farm Bill. There are two common threads to this view – one is the view that prices received by New Zealand farmers will decline as a result of the Farm Bill, and the other that multilateral trade negotiations will be set back therefore reducing prospects for higher farm returns in future. Examples from the media include:

*From the Minister of Trade and Agriculture:*

“The U.S. owed the world an explanation over its proposed Farm Bill...

The U.S. always got an “A” for rhetoric about trade liberalisation, but at the moment it would be lucky to get an “F” for effort”

*ACT New Zealand agricultural spokesman:*

“...would have a big negative impact on New Zealand sheep and dairy farmers, as they (increased subsidies) would depress prices of their products on international markets”

*Executive Director of New Zealand Meat Industry Association:*

“It is a complicating factor as we move into the WTO Round. It’s a regressive measure”

*President of Federated Farmers of New Zealand:*

“Bad news for local farmers...prices for New Zealand farm commodities will be hurt...apart from price effects, what worried farmers was the possible damage to multilateral efforts to reduce trade barriers...it is very upsetting that they have gone away from the principles of the Freedom to Farm Act” and “I cant believe that U.S. farmers are so inefficient or incompetent that they need to have their Government subsidise up to 40% of the production”

In what follows I will attempt to explain how the Farm Bill might impact on New Zealand exporters. In some cases those effects may not be quite as damaging as the above rhetoric suggests, but they could be more damaging for other commodities. I then address the expressed fears regarding Doha outcomes and put my view that such opinions, if widespread, risk a side-tracking of negotiating effort away from the issues that really matter. Successful management of this risk may require a more informed understanding of the U.S. Farm Bill and its likely impacts on global markets, which in turn requires further research, as well as a better understanding of Doha agricultural priorities. Therefore my views of the Farm Bill are assembled in two parts –(i) the direct impacts of the bill itself on U.S. and other markets for products of interest to New Zealand, and (ii) the indirect effects on global markets through influencing future progress of trade negotiations and the positions taken by the various players. I will also take this opportunity to mention briefly the U.S. Trade Promotion Authority

(TPA) – compared with the Farm Bill this has received a much more enthusiastic reception in New Zealand, but it also contains elements that may have serious consequences for New Zealand farmers and exporters.

### **The Farm Bill: Components of Interest to New Zealand**

A major component of the Bill is that related to support mechanisms for the major *arable crops*. By and large, these are not major crops in New Zealand - no doubt speakers from Australia will have cause to say more about this component of the Bill. Given the importance of livestock farming in New Zealand, of more concern might be the effect that changes in support to these major crops in the U.S. will have on *livestock feed* costs, both in the U.S. and elsewhere. For example lower world feed costs could increase the competitiveness of foreign beef and dairy suppliers relative to New Zealand, while lower white meat prices could lead to a decrease in demand for red meats including those exported from New Zealand. Higher U.S. grains production encouraged by the Farm Bill will exert downward pressure on world prices. However, it would appear that these effects will not be strong. Estimates currently available (FAPRI 2002) suggest that wheat and corn prices in the U.S. may fall slightly (4-6 cents per bushel) while those for soybeans could rise somewhat (around 6 cents per bushel). Thus on balance feed costs may be little effected. Even so, livestock supply elasticities with respect to feed costs are typically small and on the demand side cross-elasticities between red meat demand and white meat prices also tend to be rather small. Given what appear to be relatively small impacts on grain and soybean prices in the U.S. and globally, and the small elasticities involved, it is difficult to imagine that the New Zealand livestock sector faces serious competitive threats from foreign livestock producers as a result of the Farm Bill's consequences for cereals and oilseeds markets.

Changes to the U.S. *dairy* programme could be of greater significance to New Zealand. The U.S. has witnessed a substantial increase in milk production (up about 2.5% from a year earlier in July). U.S. farm prices for milk going into major manufactured dairy products are currently down 30% to 40% from a year earlier. All major manufactured dairy products in the U.S. have fallen to near price support levels. The U.S. has a large structural surplus of non-fat dry milk powder, of which current uncommitted government inventories total about 567,000 tonnes. However, the U.S. will be unable to sell much of this product on world markets at subsidized prices since the WTO limits for the U.S. on subsidized exports of the product total only 68,200 tonnes per year.

Changes introduced in the 2002 Farm Bill suggest the U.S. dairy industry is even more inward-looking and support-oriented than before. By making permanent the \$9.90/cwt support of dairy prices through intervention buying of butter, skimmed milk powder and cheese, the U.S. has again delayed the reform of its dairy policy. Of course, this price support remains underpinned by high above-quota tariffs and only very limited tariff quota access, and export subsidies (the latter were extended to 2007). In addition, a new counter-cyclical payment is introduced (the 3 ½ year National Dairy Market Loss Payment programme) that makes up 45% of the

difference between the market price in Boston for Class I milk and a target price of \$16.94/cwt. All producers are allowed to receive this payment on up to 2.4 million pounds of milk annually (equivalent to the production from about 140 animals).

Therefore the U.S. now has a plethora of interventions: strong border protection, a dairy price support program, a federal milk order program (price discrimination device), a dairy export incentive program (export subsidy program), and the new counter-cyclical payment program. The numerous interventions make it difficult to assess what is really going on in U.S., or to predict future impacts. However, it is almost certain that there will be a domestic supply response and larger budget outlays for dairy farmers from the 2002 Farm Bill.

The new counter-cyclical payment will likely encourage additional output from at least smaller dairy farms. FAPRI estimate an extra 1.2 billion pounds (0.5 million tonnes) of liquid milk produced annually (compared with 2001) and a decline of up to 40 cents/cwt in the all-milk price. To put this additional production into perspective, U.S. milk production is currently about 75 million tonnes and U.S. exports and imports are about 2.90 million and 1.95 million tonnes milk equivalent respectively (FAOSTAT). Thus while this extra output is small in terms of domestic production, it is somewhat more significant compared with the quantity of current stockholdings (e.g. it is equivalent to about 50,000 tonnes of skim milk powder) or dairy imports. New Zealand may continue to receive a substantial share of the cheese imports permitted by the U.S. under the tariff rate quota system. However, any quota rents on those imports will be somewhat lower given the lower U.S. prices for cheese and other manufactured dairy products that will result from increased U.S. production.

The Farm Bill also provides for a new levy to be charged on imported milk products at an equivalent rate to that already charged on domestic milk to fund promotion and research. Such funds raised from imported products are not to be used for promotion of domestic product or for foreign market promotion. Cheese, butter and dried milk imports to the U.S. are controlled by quotas, most of which are binding. Therefore foreign suppliers face only limited benefits (i.e. higher prices) from any expansion in demand, even if it were to result from promotional activities, in the absence of quota expansion. Viewed in this way the new levy could resemble a tariff and could be the subject of a WTO dispute - although the legislation requires that the levy be implemented in a way that is WTO-consistent. Other dairy products such as casein and protein concentrates are not (at least presently) subject to quota restrictions, but promotion of such products appears of little benefit since these products are used as inputs to other processed foods and non-food industrial applications.

The Farm Bill introduces new country-of-origin labelling regulations for *meats* that have caused some consternation in the New Zealand industry, given its reliance on the U.S. market especially for beef. Guidelines for voluntary labelling are to be issued by 30 September 2002 and will become mandatory two years later. Such regulations would not apply to meat used as an ingredient in a processed food item or to meat

prepared and served in a food service establishment such as a restaurant. Meat New Zealand's CEO has been quoted as saying "our concern is that this labelling move is intended to suggest to U.S. consumers that U.S. beef is safer than imported meat", "we're dealing with consumer perceptions here, which are notoriously quick to shift" and "we feel that U.S. retailers ought to be able to choose whether they promote on the basis of country of origin, and not have it imposed on them at a cost estimated in the U.S. at U.S.\$1 billion". One is left to ponder how U.S. cattle interests might use such legislation to their benefit, in the light of their recent efforts to fight McDonald's trial of New Zealand and Australian beef in some U.S. restaurants. It remains to be seen whether this aspect of the Bill will constitute an unwarranted impediment to trade.

The U.S. is an important market for New Zealand fruit, including a 20% share of New Zealand's *apple* exports. The Farm Bill incorporates new support programmes for specialty crops, of which one is the Market Loss Assistance for Apple Producers. This allocates U.S.\$94 million to subsidise apple producers supposedly in compensation for low market prices in 2000. Payments are to be based on the smaller of year 2000 production volumes or 5 million pounds. While not linked to current production or prices, such assistance could be used to modernise and/or replant some orchards, thus having some impact on future production levels. While apples are a seasonal product, increased storage life and late-yielding varieties mean that imported supplies are increasingly competing with domestic product.

### **Domestic Subsidies and Global Distortions: Are There Bigger Fish to Fry?**

The URAA classification of farm domestic subsidy and support expenditures differentiated between those that had no, or at least minimal, impact on production and trade (the 'green' box) and those that did (the 'amber' box). Countries agreed to reduce total spending in the latter box compared with 1986-88 levels. For example the decoupled payments of the FAIR Act were included in the 'green' box but deficiency payments counted towards 'amber' box support. The spending authorised by the 2002 Farm Bill will need to be allocated to the various URAA categories. No doubt a substantial component of total spending will be reported as in the 'green' box. Provided this meets the requirement of no (or minimal) production impacts, it is difficult to claim that global markets will be impacted upon. What is more likely to be of international concern is any increased U.S. spending on 'amber' support. Whether U.S. payments under the various programmes can be classified as 'amber' or 'green' is at present not entirely clear. The loan deficiency payments are clearly 'amber' and the crop counter-cyclical payments may also be 'amber' as they are related to current prices. The same could be said about the new dairy market loss payments. Even the allegedly-decoupled and currently 'green' box direct payments could come under scrutiny due to farmers being given the option to update their base areas – this encourages increased plantings through building an expectation that further updating may be allowed in future. This comment also applies to the counter-cyclical payments as growers may expect to be able to update base areas and yields in future.

To what extent might increased ‘amber’ or ‘green’ box spending on the part of the U.S. distort global agricultural and food markets? Some limited evidence is beginning to appear. Young and Westcott (2000) examined the links from four U.S. programmes (Production Flexibility Contract payments, crop and revenue insurance, marketing loans and disaster assistance) to exports. They concluded that exports were marginally increased as a result of these programmes and that production flexibility payments were the least directly coupled to production. Burfisher *et al* (2000) modelled direct farm payments programmes in Canada, the U.S. and Mexico and simulated that a 50% increase in direct payments would increase output of major crops by 1% or less. They concluded that the effects of increased direct payments on output were relatively small. Hoekman *et al* (2002) estimated a net import demand function with exempt and non-exempt domestic support payments included amongst the explanatory variables. Using cross section data covering many countries and commodity groups, elasticities of net import demand with respect to both exempt and non-exempt support payments were computed. Over all commodities and countries the elasticity for non-exempt (‘amber’) support was estimated as -0.10 (i.e. a 10% increase in non-exempt support would encourage a 1% decrease in net import demand), while that for exempt support was negative but not significantly different from zero. The non-exempt support elasticity was also separately estimated for the U.S. at -0.09 (which may be interpreted as a 10% increase in non-exempt subsidies giving rise to a 0.9% increase in U.S. net exports).

The GTAP applied general equilibrium model offers another approach to simulating the elasticity of net import demand/export supply with respect to non-exempt and exempt support. The author’s calculations for the U.S. provided an elasticity of aggregate food and agricultural net export supply with respect to non-exempt support of 0.15, and that for exempt support was even closer to zero.

These pieces of evidence suggest that the U.S.’s net export supply is quite inelastic to increased ‘amber’ box support. However the additional distortions to global markets due to increased ‘amber’ spending in the Farm Bill will depend on the extent of such increased spending. The most recent U.S. notification to the WTO of AMS (‘amber’) spending was \$10.4 billion in 1998, but other sources indicate such spending reached \$13-14 billion by 2001 (Hart and Babcock 2002). Potentially, the Bill could increase such spending to \$19.1 billion, an increase of around 40%. The above elasticities suggest this could lead to an increase in net agricultural export supplies of the order of 3-6%. Clearly such an estimate requires refinement, but it would appear that, at least for some commodities, the increased U.S. ‘amber’ spending will have some negative impacts on global markets.

But the global distortions currently caused by countries tariffs and other market access impediments, and export subsidies, are much greater than the distortions due to domestic farm support programmes. So too, therefore, are the potential benefits of lowering tariffs and export subsidies worldwide. For example, consider a possible WTO Doha agricultural agreement to reduce all agricultural and food tariffs by 36% in developed countries and by 24% in developing countries, to reduce developed

country spending on export subsidies by 36%, and to reduce ‘amber’ and ‘blue’ box spending in developed countries by 40%. Using the GTAP model (version 5 based on 1997 data), the above reform scenario was simulated. The resulting regional welfare gains were then decomposed into the amounts due to each group of policy instrument reforms (i.e. tariffs and export subsidies, ‘amber box’ and ‘blue box’). Table 1 records how the reforms to each group of policy instruments contributed to real income gains. At the global level, the simulated reforms to agricultural trade policies contributed over 75% of the total gain in welfare (\$16.6 billion out of \$21.3 billion), and over 100% of the gain experienced by developing countries as a group. Therefore the \$16.6 billion global welfare gain from these trade policy reforms dwarfs the contribution to global welfare of even the substantial 40% cuts to domestic support programmes (\$4.8 billion). It seems illogical, therefore, that progress in the Doha Round that has the potential to deliver substantial gains from trade policy reforms, should be thwarted because of one country’s actions regarding domestic subsidies. Effort now seems required to prevent international reaction to the Farm Bill from moving attention away from the main game.

**Table 1 Welfare Gains due to Comprehensive Agricultural Reforms (1997 U.S.\$million)**

Region	Due to reforms in:			Total
	Tariffs & export subsidies	Amber support	Blue support	
Developed countries	10,620	648	4,532	15,800
Developing countries	5,943	-478	61	5,526
Global	16,562	170	4,593	21,326

Source: Author’s calculations

### **The Farm Bill and Doha**

The Farm Bill may have indirect effects on global markets through influencing the future progress of trade negotiations as well as the positions taken by the various players. To what extent will the Farm Bill influence negotiations over multilateral agricultural trade reform within the Doha Round? Recall that the Bill covers the period through to 2008, while the Doha Ministerial Declaration gives a conclusion date of 1 January 2005. Should the latter negotiations run to schedule, agreed reforms could begin implementation during the final year or two of the Farm Bill.

### ***Compatibility between the Farm Bill and the US Doha Proposals***

While the Farm Bill made explicit that it will be consistent with URAA obligations, one might be excused for thinking that the authors of the Bill had little in common with those responsible for the latest U.S. agricultural proposal to the current Doha Round of trade negotiations (July 2002). Table 2 compares a summary of some important features of that proposal with the situation that may arise due to implementation of the Farm Bill and illustrates some of the inconsistencies between them.

**Table 2 The U.S. Doha Proposal of July 2002 and the 2002 Farm Bill**

Item	Doha Proposal	2002 Farm Bill
Import tariffs	Phase I: To be reduced from the smaller of applied or bound levels, using a formula that allows no tariff to exceed 25% Phase II: seek agreement to eliminate all tariffs by an agreed date.	Unaffected. Some mega-tariffs exist, including tariff equivalents of 190% (raw sugar), 115% (butter), 65% (cheddar cheese)
Tariff rate quotas	Eliminate in-quota tariff and expand all quotas by 20%	Unaffected. The U.S. has 54 TRQs, including 24 on dairy products, most of which are binding.
Export Subsidies	To be eliminated over a 5-year period.	EEP and DEIP extended to 2007 at current funding levels.
Domestic Support (AMS)	Phase I: Simplify to two (exempt & non-exempt) categories and reduce latter to 5% of value of agricultural production in 1996-98. Current <i>de minimus</i> exemption would remain. Phase II: seek agreement to eliminate all non-exempt domestic support by an agreed date.	If 'amber' box spending will be exceeded (prob. = 0.2), Secretary to report to Congress on spending adjustments to be made.

The U.S. report that their average tariff on agricultural and food imports is relatively low (12%). However, some very high tariffs are levied on products such as dairy and sugar. Should the U.S. be successful in negotiating all agricultural tariffs down to a maximum of 25% over a 5-year period and establish the dates for eventual elimination of tariffs and trade-distorting support in the Doha negotiations, there would be major ramifications for the dairy industry in particular. Should tariff adjustments be required before the current Bill expires, and if U.S. dairy incomes are to be maintained, then further decoupled ('green') support will be an option given that 'amber' spending is likely to be at its limit. While the URAA allows special safeguards to be applied in the form of temporarily-higher tariffs, which could be another option for the U.S. to continue dairy sector protection, the U.S. Doha proposal proposes the elimination of these safeguards. The U.S. is also proposing that TRQs (of which the U.S. imposes many on dairy products) be expanded by 20%, hence

giving exporters improved access to that expanded market and “only” a 25% tariff hurdle to leap to make further sales.

Further changes to U.S. dairy policy would appear to be likely should the Doha round agree to the elimination of export subsidies, since the U.S. has provided an average annual subsidy to dairy exporters of \$95 million over the 1995-99 period. These subsidies have made a contribution to the domestic price support arrangements through diverting supplies away from the domestic market. Other means would have to be found to legitimately dispose of domestic surpluses, unless policy reforms can be introduced to reduce the likelihood of such surpluses arising.

The U.S. proposes a simplification of domestic support categorisation, that includes elimination of the ‘blue’ box (used primarily by the EU at present). The proposal is to limit non-exempt expenditures to a maximum of 5% of the value of agricultural output over the base period 1996-98. For the U.S., this would impose a limit on all such spending of about \$10 billion. Over the 1999-2001 period, total U.S. spending in this category (over and above the *de minimus* exemptions) was 7.5% of the value of base production (Hart and Babcock). Hence if the Doha Round is to be concluded and implementation begun prior to expiration of the Farm Bill, U.S. negotiators would appear to have little room to move in pursuing their own proposal, especially given the likelihood that non-exempt U.S. spending will, under the Bill, exceed that spent in the recent past. Unless, that is, other components of a Doha agreement reduce the market price support component of the AMS and/or Congress were to approve modifications to the Bill that would permit greater use of support programmes that would qualify as non-trade-distorting and hence transfer spending from the ‘amber’ to the ‘green’ box.

Given that the Uruguay Round was extended by a further three years beyond its original completion date, it is not impossible that delays will occur in the current Round. In this case, the U.S. could find itself in the position of negotiating both the final details of the Doha agreement, but also the new farm bill for the period beyond 2008. Under this scenario, the U.S. would have greater opportunity to both vigorously pursue meaningful and significant international reforms and to craft domestic policies that would be consistent with such trade and domestic subsidy reforms that hopefully will emerge from Doha. This could include greater emphasis within the U.S. on truly decoupled programmes that provide some support of domestic farm incomes (should that still be judged desirable) at the same time as allowing access to foreign suppliers over barriers considerably lower than those currently in place for some commodities. If the U.S. is to get domestic political support for reduced farm spending, then a good Doha outcome is surely necessary, which from a U.S. perspective involves improved access for U.S. exporters to foreign markets.

Contrary to first appearances, another piece of legislation that might actually constrain the negotiating scope of the U.S. is the Trade Promotion Authority (TPA) Bill passed last month. This Bill provides authority for the President to enter into trade agreements until June 2005, with the possibility of extension for a further two years.

The concern relates to the TPA's provisions for special consultation and analysis procedures for agricultural negotiations. Before initiating such negotiations, the USTR has to identify those products considered to be 'import sensitive' and then consult with relevant House and Senate committees on how domestic industry would be affected by any tariff reductions. This may be contrasted with the U.S. proposal to the WTO to cut all agricultural tariffs to a maximum of 25%. The TPA's definition of import sensitive products includes dairy, beef, wool, fresh fruits and juices, vegetables and wine among others. The bulk of New Zealand's exports to the U.S. are within the Bill's definition of import-sensitive agricultural products.

### ***International Concerns***

Internationally, concerns have also been expressed on the impacts of the Farm Bill on Doha progress. EU Commissioner Franz Fischler is reported (EU Commission website) as saying "This risks calling into question the reform promises of Doha. At a time when all developed countries have accepted the direction of farm support away from trade and production supporting measures, the U.S. is doing an about turn..." Cairns Group Ministers are quoted on their website as saying "It is damaging to the international economy and could undermine efforts to achieve global reform..." and "It will provide comfort for those WTO members who are determined to resist meaningful reform..." While the Cairns Group will continue to pursue their ambitious reform agenda, the EU reaction is important for at least two inter-related reasons. First, opposition to the Common Agricultural Policy (CAP) reforms recently proposed by the EU Commission<sup>1</sup> may be further strengthened. These arguably radical reforms include further emphasis on decoupled programmes, environmental payments and limitations on payments to large farms, all reforms that the U.S. had earlier embraced. The U.S. move to increase spending on coupled policy instruments (both in the 2002 Bill and the earlier emergency payments) runs the risk of the EU considering itself a lone supporter of such reforms, which can only play into the hands of European opponents of such reform. Second, the resulting lack of domestic (EU) political backing for further movement towards decoupled farm programmes will hardly encourage the EU to agree to the kinds of tariff and subsidy reforms that the U.S. has recently proposed to the WTO, since the EU could wish to look to decoupled programmes as a means of providing compensation for such trade reforms.

Clearly, these international concerns have some validity. But another concern is that such views, which appear to be widespread and which arise from a Farm Bill that increases domestic support spending, risk a side-tracking of Doha negotiating effort away from the issues that really matter. And as far as agriculture is concerned, what really matters is obtaining substantially improved market access, including developing countries access to industrial country markets. This requires substantial reductions in tariffs, including proportionately larger cuts to the megatariffs, and meaningful expansion of tariff rate quotas. Table 1 above, as well as work of others (e.g. Sumner 2000, Hoekman *et al.* 2002, Rae and Strutt 2002) make the case that potential gains from reforms to trade barriers far outweigh the gains that might be obtained from

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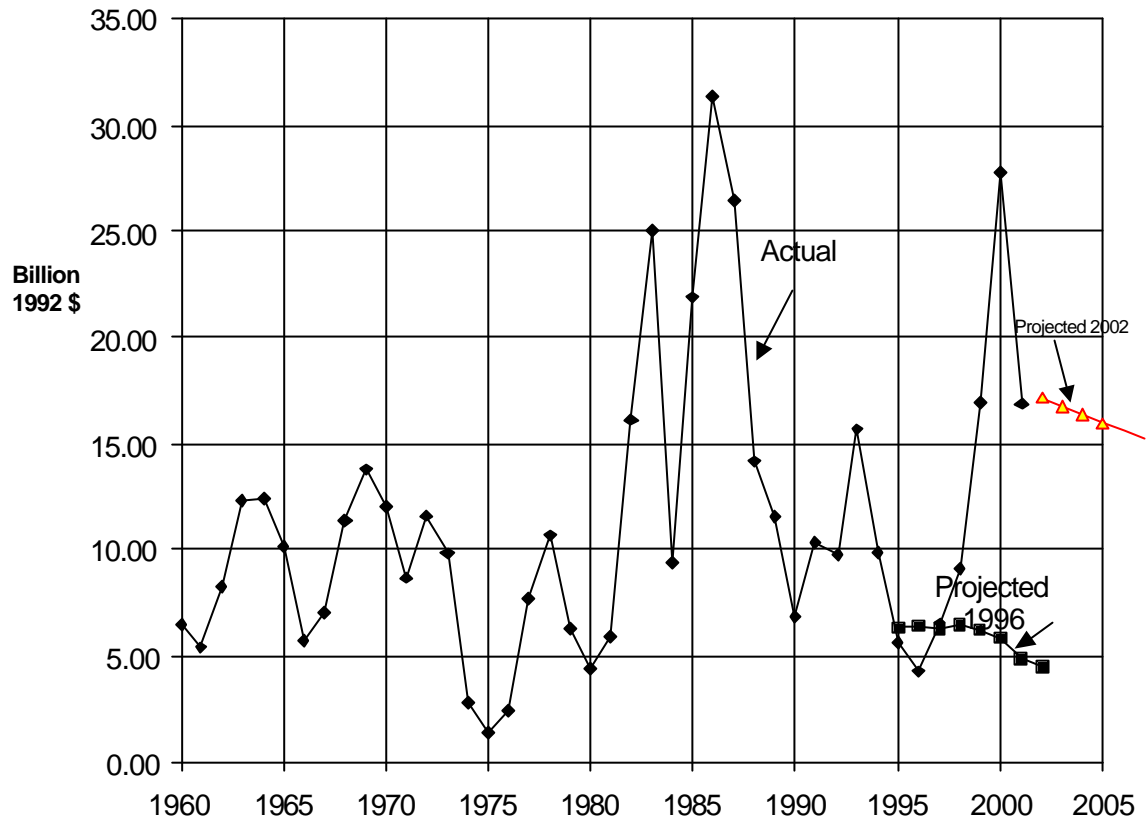
<sup>1</sup> Mid-Term Review of the Common Agricultural Policy, COM(2002) 394 final, Commission of the European Communities, Brussels, 10 July 2002.

reductions in domestic subsidies. Yet it is domestic farm subsidies that now seem to be the real villains (as also at the recent World Summit on Sustainable Development). It may not be a bad outcome if negotiators were to reach agreement on substantive trade reforms even if little or no progress was made in the area of domestic support. Since lowered border protection will require increases in domestic support spending if farm incomes are to be maintained, domestic fiscal and political realities may demand that such compensation be less than full, hence indirectly achieving a degree of domestic support reduction despite the lack of a specific WTO agreement so to do.

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**Figure 1 Real CCC Outlays**



Source: Bruce Gardner (Personal Communication)

**Figure 2 Commodity Shares of New Zealand's Merchandise Exports 2001**

