



# **Doho Round of Trade Negotiations and Its Impact on the US Dairy Sector**

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**32nd Southern Dairy Conference  
Atlanta, GA      February 1, 2006**

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# The World Trade Organization

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- *Began in 1995 as a result of the Uruguay Round of negotiations*
- *But, it is the successor to the General Agreement on Tariffs and Trade, or GATT, which dates back to the 1940's*

# The WTO Is Much More Than Just Agriculture

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- *Includes non-agricultural manufacturing goods, services, and intellectual property rights*
- *Includes tariffs, non-tariff barriers, anti-dumping, export subsidies, and domestic support*
- *Provides a process for trade dispute settlement*

# The Uruguay Round

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- *Began in 1989*
- *Was the first round to include an agreement on agriculture*
- *Implemented over six years beginning in 1995*
- *Reduced agricultural and food tariffs by 36%, and the value of agricultural and food export subsidies by 36%*

# The Doha Round To Date

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- *Began in Doha, Qatar in Nov 2001*
- *Disagreements over agriculture and other issues led to a failure to reach agreement in Cancun, Mexico in Sept 2003*
- *Subsequent deadlines for agreement have also passed, most recently in Hong Kong in December 2005*

# The Doha Round: What's Next

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- *New deadline to flesh out agreement for agriculture by April 30th of this year*
- *Must continue progress on details the rest of this year*
- *Conclude all agreements in this Doha Round by the end of 2006*

# Doha Round: Why The Rush?

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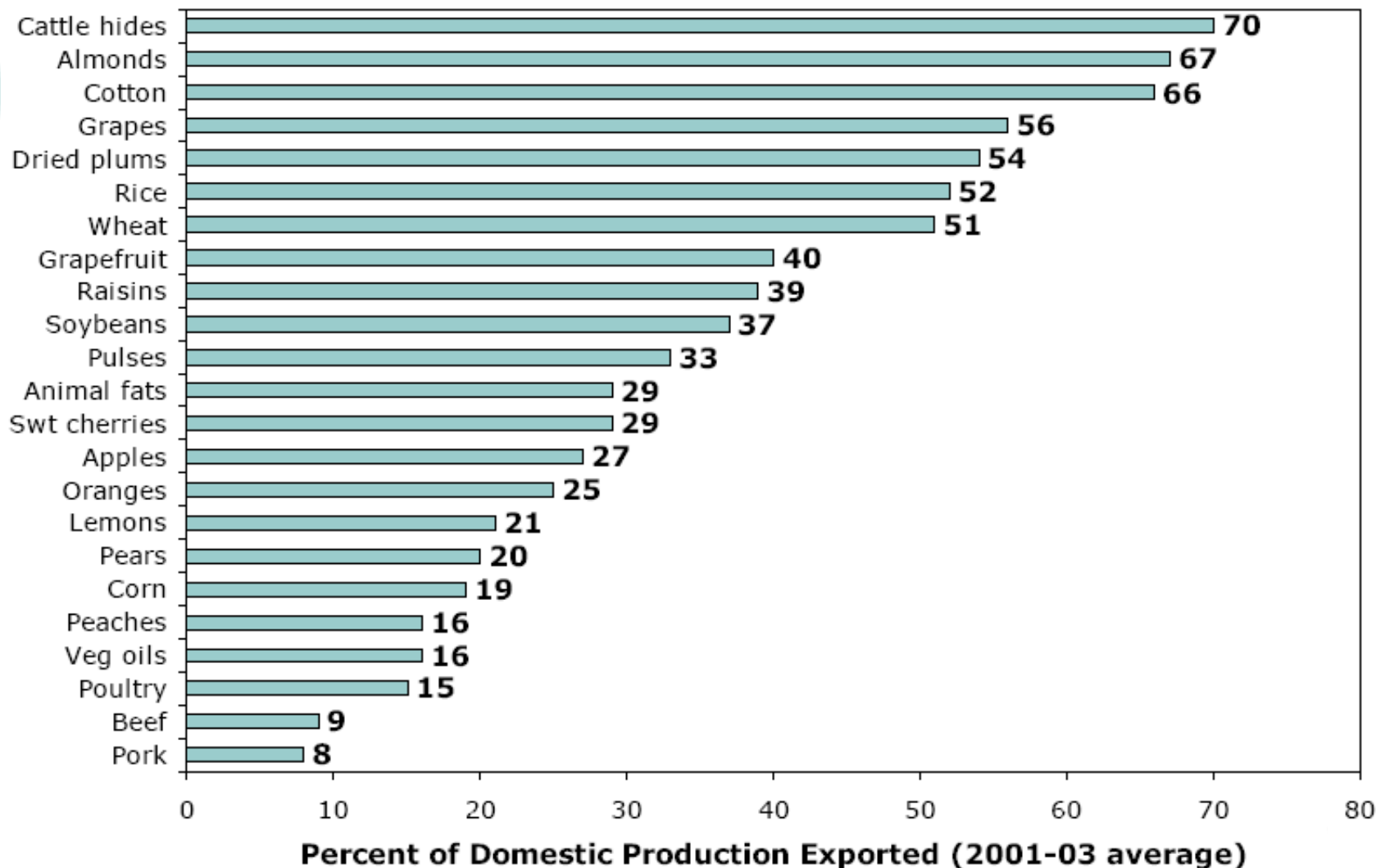
- *US Trade Promotion Authority (TPA) expires July 1, 2007*
- *U.S negotiators must have a WTO agreement and the necessary implementing legislation to Congress for a vote prior to the expiration of TPA*
- *Also looming on the horizon: 2007 Farm Bill, 2008 Elections, Budget Cuts; New Trade Disputes*

# Agriculture Issues in Doha

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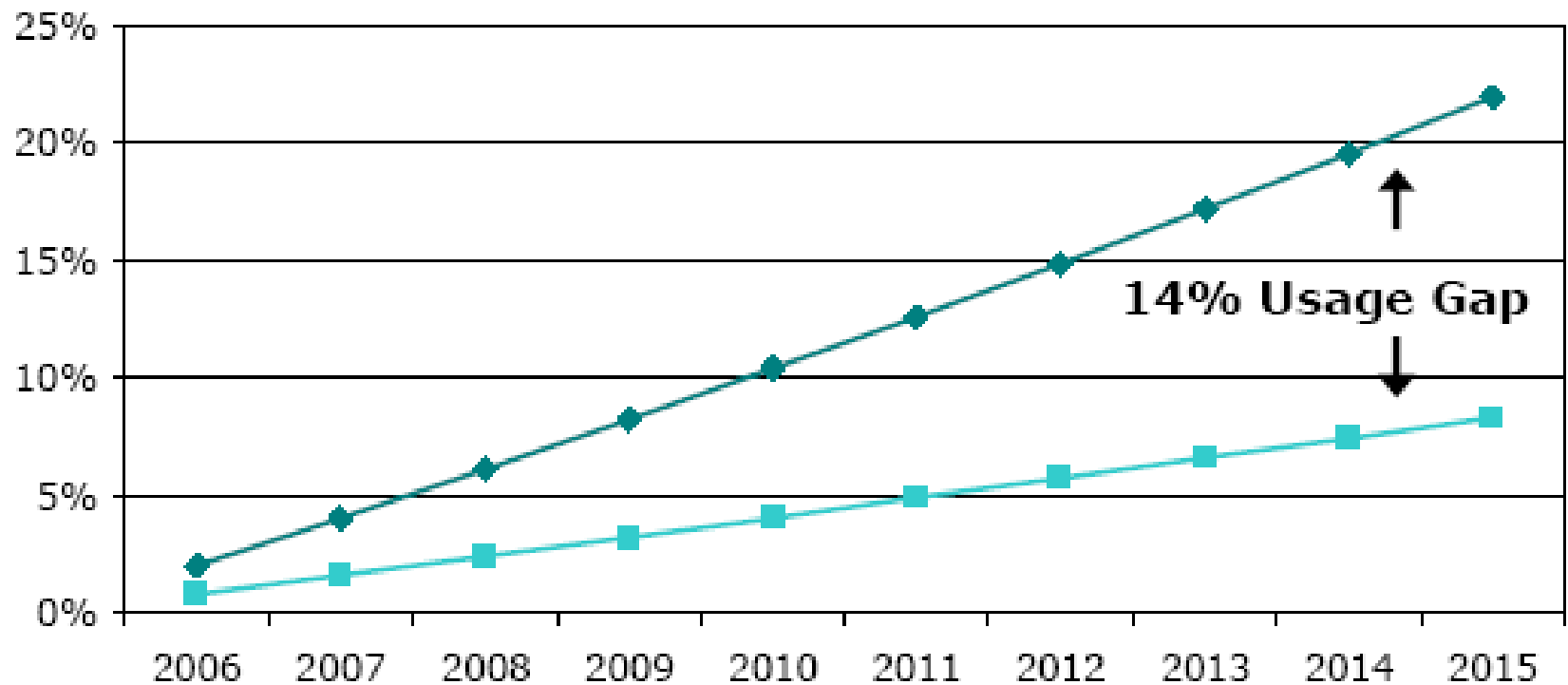
- ***Exports Subsidies:*** Only area of firm agreement - eliminate all export subsidies by 2013
- ***Market Access:*** So far, agreement on how to reduce tariffs, but still can't agree on how much
- ***Domestic Support:*** Again, limited agreement to reduce, but no numbers yet

# Importance of Exports to U.S. Agriculture



# Agricultural Productivity Grows Faster Than Consumption

Compound Growth From 2005

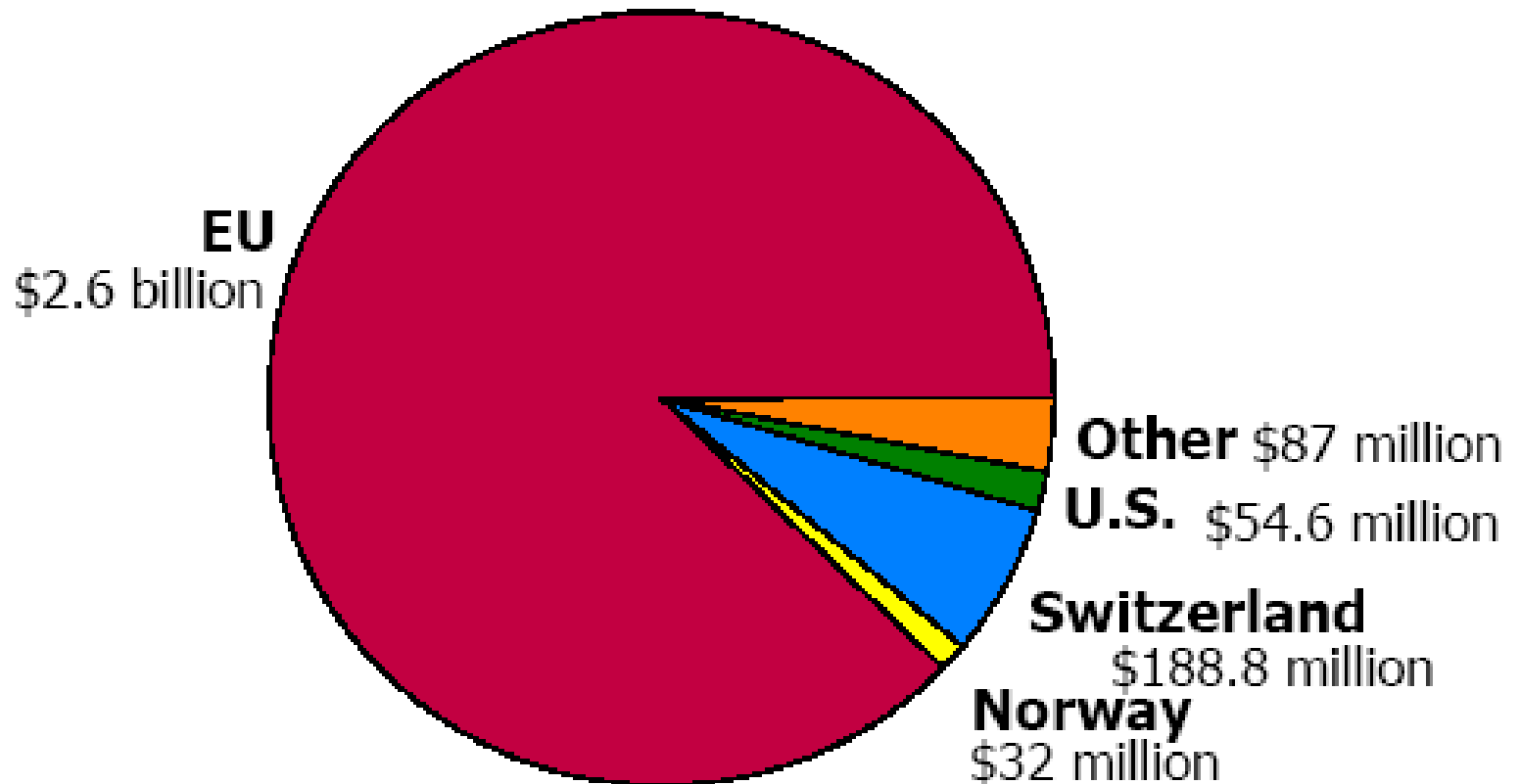


◆ Annual Production Capacity Growth = 2%

■ Annual Aggregate Food Consumption Growth = 0.8%

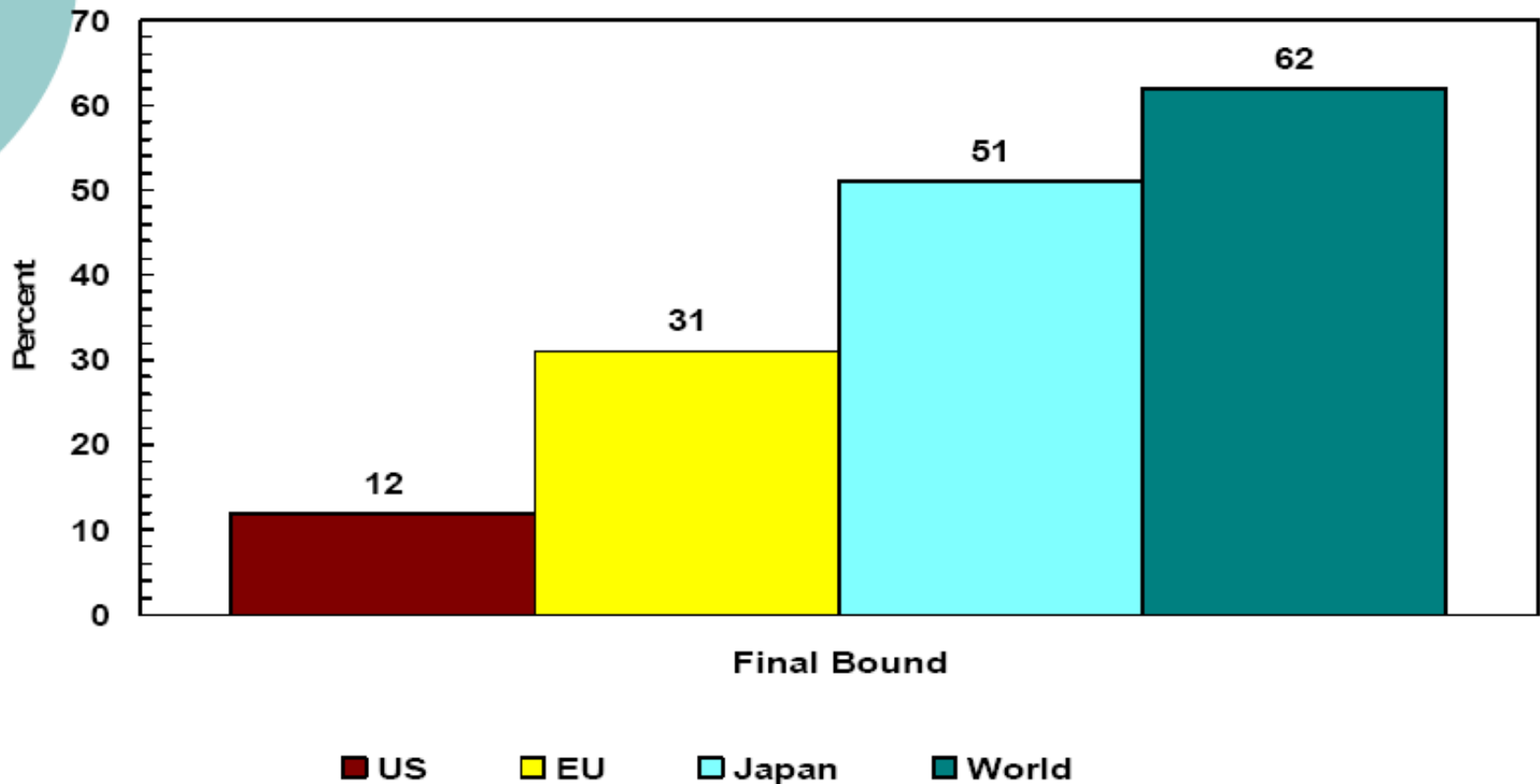
# Export Subsidies Today

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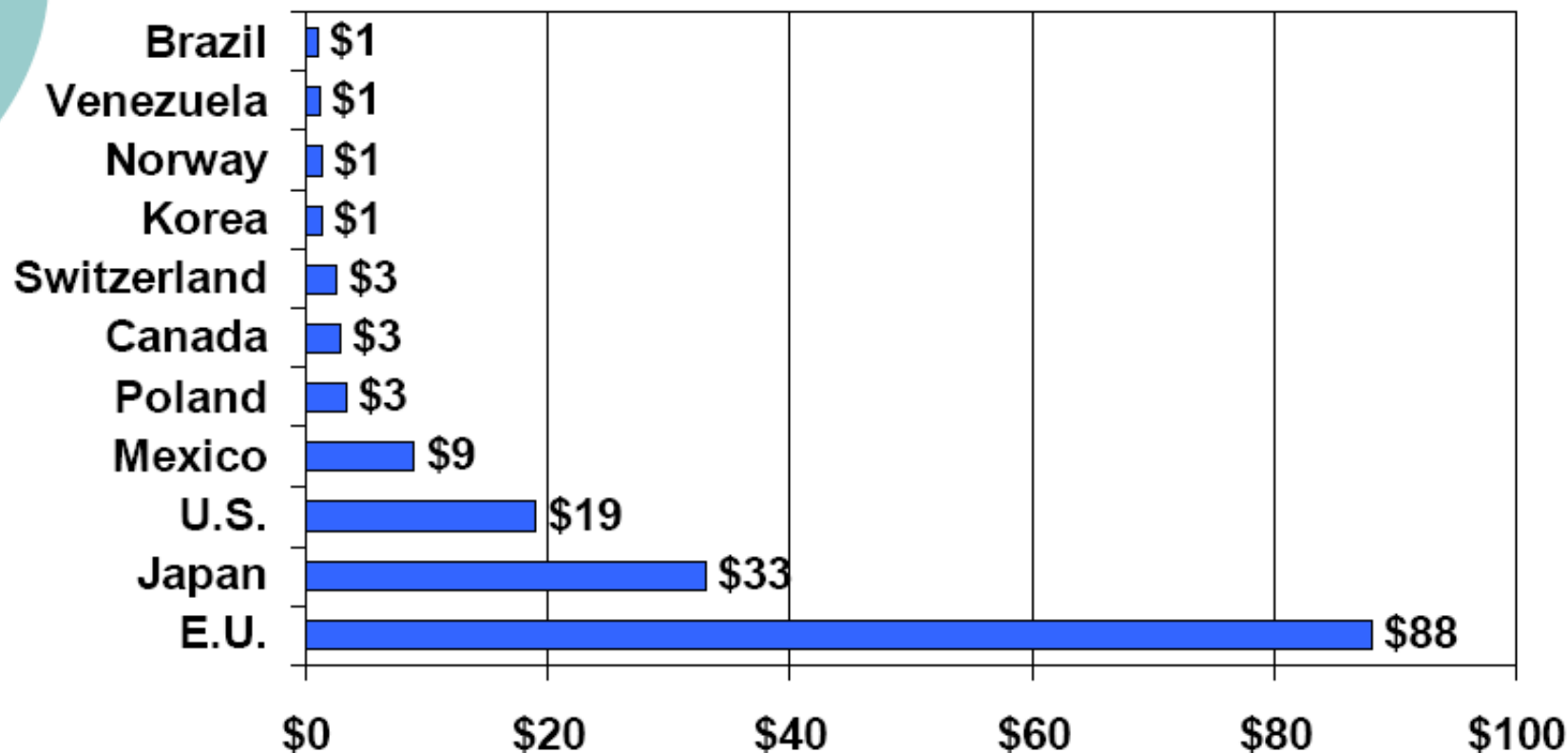
# Tariffs Today

Average of Maximum Allowed Tariffs



# Domestic Support Today

AMS Ceiling, (\$Bil)



# Doha: Who Are The Players?

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- *The United States, favors aggressive move toward freer trade*
- *The European Union, now 25 countries strong, says it supports freer trade, but wants to move slowly*
- *The Cairns Group, with 18 major exporting countries, supports removing obstacles to trade, especially export subsidies*

# Doha: Who Are The Players?

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- *The G-20, led by Brazil, India and China, favors forcing greater trade policy reforms by developed countries*
- *The G-90, an alliance of African and other developing countries, seeks trade reform but wants special rules to allow developing countries to reform less or at least a slower pace*

# Doha: Who Are The Players?

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- *The G-33, another alliance of countries who want to protect specific "strategic products" from trade reforms*
- *The G-6 (US, EU, Australia, Brazil, India, and Japan), leaders of the various groups who try to provide the leadership to come to agreement on contentious issues in agriculture*

# Trade Liberalization and US Agriculture

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- *Nearly every published study says that, on average, US agriculture benefits from freer trade*
- *Many studies point out that making only small steps in reducing subsidies and tariffs may hurt US agriculture, but that larger steps benefit US agriculture*
- *However, not every sub-sector of US agriculture will benefit*

# Trade Liberalization and the US Dairy Industry

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- *Nearly every published study says the US dairy industry benefits from freer trade*
- *FAPRI study of the US Doha Round trade position estimates that:*
  - *the all milk price paid to producers will rise 19 cents per cwt*
  - *total dairy cash receipts increase \$572 million*
  - *and CCC dairy costs fall by over 75%*

**Table 5. Comparison of Alternative Trade Policies Impacts on Representative Dairy Farms  
(Overall Ranking of Economic Viability Displayed as a Color and Average Annual Net Cash Farm  
Income for Baseline and Differences from Baseline (\$1,000), 2005-2013)**

	Baseline	Unilateral No Compensation	Multilateral Changes	
			No Compensation	With Compensation
CAD1710	973.0	-36.3	84.4	145.2
NMD2125	1313.6	-31.6	120.0	188.8
WAD250	183.9	-4.8	15.6	19.0
WAD850	107.3	-20.3	57.7	104.5
IDD1000	265.7	-18.4	69.4	128.9
IDD3000	1785.5	-61.8	184.7	318.0
TXCD550	-80.1	-9.0	27.6	59.3
TXCD1300	710.9	-19.9	65.9	111.8
TXED550	165.5	-6.8	25.4	41.1
TXED1000	560.6	-16.7	49.9	87.3
TXND2400	982.9	-40.0	129.7	233.8
WID145	158.2	-3.8	9.7	16.6
WID775	970.5	-17.9	46.0	77.9
NYWD1200	242.3	-27.7	76.3	163.9
NYWD800	146.3	-19.9	55.6	107.5
NYCD110	174.2	-2.5	7.1	11.1
NYCD500	353.4	-10.7	31.7	56.5
VTD134	123.4	-2.7	9.0	14.6
VTD350	70.1	-8.1	22.7	48.0
MOD85	68.9	-1.2	5.1	7.0
MOD400	273.5	-6.6	20.9	36.0
FLND550	696.5	-7.8	23.7	30.9
FLSD1500	-391.5	-20.6	93.8	198.4

**Baseline:** From FAPRI early 2005 stochastic baseline, adjusted for elimination of Step 2 program

**Unilateral, No Compensation Scenario:** Reduces crop loan rates and milk price supports by 11%, sugar price supports by 16%, and target prices by 7%, increases U.S. sugar TRQ, with no policy changes in other countries

**Multilateral, No Compensation Scenario:** Same as above, except other countries change policies consistent with provisions of the October 2005 U.S. WTO proposal

**Multilateral, With Compensation Scenario:** Same as above, except target prices set at baseline levels and direct payment rates increased by 7% of the baseline target price

Table 2. Comparison of Alternative Trade Policies Impacts on Representative Wheat Farms  
(Overall Ranking of Economic Viability Displayed as a Color and Average Annual Net Cash Farm  
Income for Baseline and Differences from Baseline (\$1,000), 2005-2013)

	Baseline	Unilateral	Multilateral Changes	
		No Compensation	No Compensation	With Compensation
WAW1725	111.8	-5.8	-1.2	1.8
WAW5000	277.1	-15.6	-1.8	13.0
WAAW3500	89.7	-4.1	-1.3	1.6
NDW2180	25.7	-8.2	-4.7	5.3
NDW6250	282.5	-22.1	-9.9	8.8
KSCW1385	53.7	-5.3	-2.8	1.5
KSCW4000	207.7	-11.8	-3.1	2.3
KSNW4300	113.2	-13.1	-2.7	7.3
KSNW2800	37.0	-7.6	-2.2	6.6
COW3000	153.1	-4.8	-2.2	-1.1
COW5640	198.9	-7.8	-2.2	0.5
MTW4500	176.7	-6.3	-2.6	5.9
ORW4000	132.9	-4.5	-1.3	2.2

Baseline: From FAPRI early 2005 stochastic baseline, adjusted for elimination of Step 2 program  
Unilateral, No Compensation Scenario: Reduces crop loan rates and milk price supports by 11%,  
sugar price supports by 16%, and target prices by 7%, increases U.S. sugar TRQ, with no policy  
changes in other countries  
Multilateral, No Compensation Scenario: Same as above, except other countries change policies  
consistent with provisions of the October 2005 U.S. WTO proposal  
Multilateral, With Compensation Scenario: Same as above, except target prices set at baseline  
levels and direct payment rates increased by 7% of the baseline target price

Table 3. Comparison of Alternative Trade Policies Impacts on Representative Cotton Farms  
(Overall Ranking of Economic Viability Displayed as a Color and Average Annual Net Cash Farm  
Income for Baseline and Differences from Baseline (\$1,000), 2005-2013)

	Baseline	Unilateral	Multilateral Changes	
		No Compensation	No Compensation	With Compensation
TXNP3000	141.1	-39.1	-34.4	-15.5
TXNP7000	447.9	-92.4	-81.5	-51.9
TXSP2239	99.6	-22.1	-21.4	-9.8
TXSP3745	185.0	-34.0	-32.8	-17.3
TXRP2500	70.9	-10.9	-10.1	-0.3
TXCB2250	55.3	-33.1	-31.2	-1.0
TXCB5500	-8.4	-75.5	-71.1	-11.5
TXVC4500	164.2	-56.0	-53.1	-3.5
TXPC2500	34.9	-42.2	-40.1	2.0
TXMC3500	178.9	-55.7	-50.8	-12.7
TXEC5000	24.6	-61.8	-60.8	-11.6
GAC1700	129.5	-33.9	-32.0	-24.8
TNC1900	325.4	-29.1	-26.1	-8.8
TNC4050	138.4	-71.6	-67.2	0.4
LAC2640	152.2	-45.9	-40.6	1.8
ARC6000	422.0	-108.4	-46.5	19.2
ARNC5000	280.2	-120.5	-117.3	-27.4
ALC3000	101.7	-51.8	-48.1	7.0
NCC1100	10.8	-23.0	-22.3	3.7

Baseline: From FAPRI early 2005 stochastic baseline, adjusted for elimination of Step 2 program  
Unilateral, No Compensation Scenario: Reduces crop loan rates and milk price supports by 11%,  
sugar price supports by 16%, and target prices by 7%, increases U.S. sugar TRQ, with no policy  
changes in other countries  
Multilateral, No Compensation Scenario: Same as above, except other countries change policies  
consistent with provisions of the October 2005 U.S. WTO proposal  
Multilateral, With Compensation Scenario: Same as above, except target prices set at baseline  
levels and direct payment rates increased by 7% of the baseline target price

Table 6. Comparison of Alternative Trade Policies Impacts on Representative Beef Cattle Ranches  
(Overall Ranking of Economic Viability Displayed as a Color and Average Annual Net Cash Farm  
Income for Baseline and Differences from Baseline (\$1,000), 2005-2013)

	Baseline	Unilateral	Multilateral Changes	
		No Compensation	No Compensation	With Compensation
MTB500	99.5	-0.1	11.7	15.9
WYB500	-27.6	0.0	11.5	21.8
COB250	46.6	-0.1	5.9	9.3
MOB150	59.4	-1.6	2.7	5.9
MOCB350	23.5	0.0	9.2	13.9
NMB240	23.0	0.1	4.3	6.8
FLB1155	5.0	-0.1	24.7	40.0
NVB700	15.1	-0.1	15.8	24.6
TXBB150	16.7	-1.4	18.6	22.5
CAB500	-25.4	0.1	12.4	21.2
SDB450	48.0	-0.4	10.3	14.8
TXSB250	58.7	0.0	5.2	7.5
TXRB500	105.1	0.1	9.1	10.8

Baseline: From FAPRI early 2005 stochastic baseline, adjusted for elimination of Step 2 program  
Unilateral, No Compensation Scenario: Reduces crop loan rates and milk price supports by 11%,  
sugar price supports by 16%, and target prices by 7%, increases U.S. sugar TRQ, with no policy  
changes in other countries  
Multilateral, No Compensation Scenario: Same as above, except other countries change policies  
consistent with provisions of the October 2005 U.S. WTO proposal  
Multilateral, With Compensation Scenario: Same as above, except target prices set at baseline  
levels and direct payment rates increased by 7% of the baseline target price

Table 4. Comparison of Alternative Trade Policies Impacts on Representative Rice Farms  
(Overall Ranking of Economic Viability Displayed as a Color and Average Annual Net Cash Farm  
Income for Baseline and Differences from Baseline (\$1,000), 2005-2013)

	Baseline	Unilateral	Multilateral Changes	
		No Compensation	No Compensation	With Compensation
CAR550	-3.6	-11.8	6.7	18.6
CAR2365	-428.6	-58.4	30.4	108.3
CAR2365	-428.6	-58.4	30.4	108.3
CABR1100	-176.7	-23.8	14.1	45.7
CACR715	-148.1	-17.1	10.8	34.9
TXR1350	29.6	-10.1	6.6	16.5
TXR2400	65.8	-20.7	17.4	31.3
TXBR1800	77.8	-16.3	13.5	23.0
TXER3200	-18.2	-28.7	16.5	47.5
LASR1200	-59.5	-11.0	5.7	19.5
LANR2500	49.6	-37.2	-3.1	31.0
ARSR3640	271.7	-29.2	3.7	29.0
ARWR1200	-150.9	-16.4	5.5	41.5
ARHR3000	-57.4	-45.0	20.6	65.1
MOWR4000	492.3	-48.9	11.1	36.8
MOER4500	454.8	-48.5	-0.2	24.1

Baseline: From FAPRI early 2005 stochastic baseline, adjusted for elimination of Step 2 program  
Unilateral, No Compensation Scenario: Reduces crop loan rates and milk price supports by 11%,  
sugar price supports by 16%, and target prices by 7%, increases U.S. sugar TRQ, with no policy  
changes in other countries  
Multilateral, No Compensation Scenario: Same as above, except other countries change policies  
consistent with provisions of the October 2005 U.S. WTO proposal  
Multilateral, With Compensation Scenario: Same as above, except target prices set at baseline  
levels and direct payment rates increased by 7% of the baseline target price

# Want More Information?

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- ***US Trade Representative WTO page***  
[http://ustr.gov/WTO/Section\\_Index.html](http://ustr.gov/WTO/Section_Index.html)
- ***FAPRI page***  
<http://www.fapri.missouri.edu/>
- ***AFPC page***  
<http://www.afpc.tamu.edu/>
- ***WTO Agriculture page***  
[http://www.wto.org/english/tratop\\_e/agric\\_e/negoti\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm)