

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

MTN/3E/DOC/2/Add.16
25 July 1974

Special Distribution

Multilateral Trade Negotiations

Original: English

GROUP 3(e) - BASIC DOCUMENTATION

Agricultural Policies

Addendum

UNITED STATES

UNITED STATES AGRICULTURAL POLICY AIMS AND MEASURES

The main aims underlying current policy are the following:

- To provide farmers the opportunity to earn incomes consistent with their management ability and capital investments and commensurate with incomes received in non-agricultural sectors of the economy.
- To ensure that the agriculture sector continues to produce adequate supplies of farm products and wholesome foodstuffs at reasonable prices for domestic and foreign markets without adverse effect on the environment.
- To move to market-oriented commodity programmes which permit farmers wide freedom of choice in selecting the most efficient mix of crops for their land.

The core of United States farm policy has been and still is to find acceptable solutions whereby the income objective can be co-ordinated with the necessity to remain competitive on domestic and export markets and when necessary to adjust excess production capacity of United States agriculture in order to keep carry-over stocks at manageable levels.

The Agricultural Act of 1970 made a major movement towards market-oriented policy compared with previous farm programmes. It did this by offering mainly low-level price guarantees while encouraging producers to rely more heavily than previously on the market for their income and for guidance in making decisions on which crops and how much to produce. It encouraged taking full advantage of available

technology and the changing of production patterns to obtain lower per unit costs of production. It encouraged producing products for which demand was increasing both at home and abroad. The trend towards market orientation reflects (1) the recognition that the technological revolution in agriculture was principally responsible for the pressure on farm prices and income and (2) that overseas markets are expanding faster than the United States market and that United States agriculture has a decisive comparative advantage in many areas of agriculture.

The Agriculture and Consumer Protection Act of 1973 is a four-year programme which continues the thrust towards producer freedom and market-oriented farm policy established in the Act of 1970. It allows market action to serve as a production guide and it provides the flexibility of farm operations that producers need to respond to market demand.

Agricultural markets are still largely organized on a commodity basis,

- Emphasis of price support or guaranteed price is on main cash crops, representing some 25 per cent of farmers' cash receipts, and on manufacturing milk. Price support or guaranteed price by law is mandatory (obligatory) for so-called basic commodities: cotton (both upland and extra long staple), rice, tobacco, peanuts, wheat and corn (maize), and the following non-basic commodities: oats, rye, barley and grain sorghum, milk and wool (and some minor commodities: tung nuts, honey, mohair).

Support of other commodities is permissive, at the discretion of the Secretary of Agriculture. Currently the list of permissive commodities supported includes: soybeans, flaxseed and dry edible beans.

A special marketing programme is applied for sugar. However, the Administration is proposing a change to a more market-oriented programme.

There are no support programmes for meats, eggs and horticultural products.

A new concept in the Act of 1973 is the provision of guaranteed or "target" prices and deficiency payments for wheat, feed grains (corn, sorghum and in 1974, barley), and upland cotton. A farmer will receive a guaranteed return on the portion of the crop produced on his acreage allotment in the event that average prices drop below the target levels. The Act establishes target prices for 1974 and 1975 crops and includes an escalator provision for 1976 and 1977 crops. Under the escalator clause, the target price for the 1976 and 1977 crops will be adjusted to reflect any change in the cost of production. Any increase that would otherwise be made to reflect a change in the production cost index will in turn be adjusted to reflect any change in yield per acre.

The 1973 Act provides authority to withdraw land from production (set-aside) when the Secretary of Agriculture considers land retirement a necessity. The Secretary may also provide for additional voluntary set-aside at fair and reasonable rates. There will be no set-aside for the 1974 crop.

Domestic market prices for crops not covered by the 1973 Act are mostly supported through non-recourse loans or purchases, so that a certain price floor in the market is maintained. This is at the support price, if the loan rate corresponds to this price. The loan rate for main commodities is now often fixed at a lower level. In such cases farmers participating in the programme receive price support payments which partly or entirely cover the difference between support price and loan rate level.

Support levels for these crops are determined according to the guidelines provided in legislation, such as upper and lower limits of support as related to parity; taking into account such factors as the market prospects for the commodity concerned, the availability of funds and the ability and willingness of producers to accept production limitations. Price determination in the dairy sector aims at ensuring adequate supplies on the domestic market.

Participation is voluntary, except for tobacco and peanuts, but only farmers participating in the programmes are eligible for price support and other benefits of the programmes.

Trade measures

Currently the United States has few restrictions on imports and no restrictions or subsidies on exports.

Under Section 22 of the Agricultural Adjustment as amended, the United States at present is limiting imports of specified dairy products, peanuts and cotton and cotton products. Imports of certain dairy products under Section 22 control have been expanded substantially over the past year by temporary increases in the quotas. The Tariff Commission currently is investigating, at the direction of the President, to determine whether import quotas on cotton and cotton products may be suspended. Quotas on wheat and wheat products have been suspended until 30 June 1974.

Under the Meat Import Act of 1964, import quotas can be established on fresh, chilled or frozen beef, veal, mutton and goat meat when estimated imports exceed trigger levels. Import restrictions under this authority have been suspended by the President since June 1972.

Under the sugar programme, about 45 per cent of United States domestic consumption is allotted to imports. Prices received by foreign suppliers for such shipments to the United States have, in most recent years, although not presently, been above world market prices.