

The US OTDS for 2006 and 2007, estimates for 2008 and in the Doha Round implementation period in a context of high prices for all agricultural products

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After a presentation of the data on the actual US applied OTDS and estimates for 1998 and the implementation period, we will make some comments on the reasons why much lower data on the applied OTDS are circulating widely in Geneva.

I – The US OTDS for 2006 and 2007, estimates for 2008 and the implementation period

The following table (on page 2 given its length) presents the actual figures for the total AMS and other components of the US OTDS for 2006 and 2007 and estimates for 2008 and during the Doha Round implementation period, in the borderline context where the prices of all agricultural products would be so high that there would not be any marketing loan benefit or countercyclical payment (CCP) nor any other PS AMS subsidy.

The present paper complements three others: "*Comments to Sophia Murphy and Steve Stuppan's analysis of the countercyclical payments in "The 2008 Farm Bill and the Doha Agenda" of 11 July 2008*"; "*The US allowed OTDS in the base period cannot be cut by more than 52.7%*", of 13 July 2008; "*The huge lies in the US notification of its agricultural trade-distorting domestic supports from 2002 to 2005*", of 3 January 2008.

The first two papers explain why CCPs should be notified in the product-specific (PS) AMS and why the fixed direct payments should also be notified in the amber box and could also be notified in the PS AMS. However for the OTDS calculus, this would not make any difference if they were notified in the NPS AMS because, as we have shown here in the last column called "beyond" of the table and referring to the implementation period, the whole NPS AMS will be transferred to the total AMS as it will exceed the allowed NPS *de minimis* which, according to paragraph 30 of the Revised Draft, has to be capped at 2.5% of the whole agricultural production value (VOP) on the first day of the implementation period.

All data are taken from the most recent official US sources. The end result is that, even without any PS subsidy during the implementation period and without applied PS *de minimis*, the applied OTDS will nevertheless be of \$20.326 billion and equal to the total AMS because the applied NPS AMS, inflated by the incorporation of the fixed direct payments, will exceed the allowed NPS *de minimis*.

II – The flaws in Canada's simulations and the figures of the US OTDS in 2006 and 2007

How is it that our calculus exceeds by so much the Canada's simulations of 19 May 2006 for the 1995-2005 period and the figures which are apparently circulating widely in Geneva that the US applied OTDS would have been of \$11 billion in 2006 and \$7 billion in 2007?

1) The Canada's simulations over the 1995-2005 period

These simulations, prepared with the agreement and the data provided by the US, EU and Japan were fundamentally flawed, here for the US, because:

a) They have confused the 2 allowed *de minimis*, ignoring that the allowed PSdm is only 5% of the production value of products without a PS AMS, not 5% of the whole agricultural production value (VOP). This has brought them to calculate an allowed level of US OTDS of \$48.224 billion, a figure taken for granted ever since.

US OTDS for 2006 to 2007, estimates for 2008 and beyond with high agricultural prices

\$ million	2006	2007	2008E	Beyond
Product-specific AMS				
Counter-cyclical payments	4,356	3,159	483	0
Marketing loan payments	4,630	174	8	0
Milk income loss program payments	352	157	0	0
Cotton user marketing payment	372	11	44	0
Processing, Storage and Transportation	103	85	19	0
Interest expenditures on marketing loans	448	128	108	0
Sub-total Commodity Credit Corporation (CCC)	10,261	3,714	662	0
Crop insurance subsidies	3,462	3,823	5,840	6,000
Sub-total CCC + crop insurance subsidies	13,723	7,537	6,502	6,000
Dairy market price support (MPS)	4,794	4,794	4,794	4,794
Sugar market price support (MPS)	1,114	1,114	1,114	1,114
Total product-specific AMS	19,631	13,445	12,410	11,908
Non product-specific AMS				
Direct payments	4,962	3,957	5,233	5,000
Tax rebates on agricultural fuels	2,385	2,385	2,385	2,385
Irrigation subsidies	300	300	300	300
Agricultural loans subsidies on inputs-investments	610	610	610	610
Subsidies to grazing fees on public lands	123	123	123	123
Total non product-specific AMS	8,380	7,375	8,651	8,418
Value of agricultural production (VOP)	238,100	291,500	314,500	314,500
Allowed NPS de minimis (5% of VOP)	11,905	14,575	15,725	
Allowed NPS de minimis (2,5% of VOP)				7,863
Total applied AMS				
Total applied AMS	19,631	13,445	12,410	20,326
Applied OTDS				
Applied NPS de minimis	8,380	7,375	8,651	0
Applied PS de minimis	0	0	0	0
Applied blue box	0	0	0	0
Total applied OTDS	28,011	20,820	21,061	20,326
Excess of allowed \$42.875 bn end implementation	14,864	22,055	21,814	22,639
Margin of reduction of the allowed OTDS	34.7%	51.4%	50.9%	52.8%

Sources: for most CCC subsidies: Table 35 – CCC Net Outlays by Commodity and Function, June 2008,

<http://www.ers.usda.gov/Publications/AgOutlook/AOTables/>

For crop insurances subsidies, the USDA FY 2009 (page 24) and FY 2008 (page 29) budget summary and annual performance plan at <http://www.obpa.usda.gov/budsum/fy09budsum.pdf> for 2008 and

<http://www.obpa.usda.gov/budsum/fy08budsum.pdf> for 2006. However for 2007 we have not taken into account the \$3.457 billion by the FY 2009 Budget as it was lower than the \$3,823 billion for the premium subsidies alone given by the Risk Management Agency report at <http://www.rma.usda.gov/data/sob.html>

For subsidies to grazing on public lands: Government Accountability Office (GAO)'s report of September 2005, <http://www.gao.gov/new.items/d05869.pdf>

For tax rebates on agricultural fuels and agricultural loans subsidies to inputs and investments: OECD

http://www.oecd.org/document/55/0,2340,fr_2649_33775_36956855_1_1_1_1,00.html

For irrigation subsidies: US notifications to the WTO for the years 2002 to 2005

- b) As they have also ignored the recurrent US (and EU) cheating of the existence of feed subsidies which have conferred PS AMS to all animal products, this explains that the allowed OTDS for the base period is in fact of \$42.875 billion instead of \$48.224 billion.
- c) They have ignored the EU and US massive under notification of subsidies on crop insurance and on agricultural loans and the tax rebates on agricultural fuel, even though many official reports testify on these cheatings (not to speak of irrigation subsidies for which there is not an official consensus).
- d) They have considered that the US countercyclical payments could be notified in the new blue box and that the fixed direct payments were definitely in the green box, ignoring the Appellate Body ruling of 3 March 2005 in the cotton case.

2) How to explain the rumour that the US OTDS was of \$11 billion in 2006 and \$7 billion in 2007?

Clearly this could only be explained by several oversights:

- a) CCPs would have been considered definitely to be in the new BB even though they have been notified in the NPS AMS up to 2005 and even though the WTO Appellate Body has ruled they are in the amber box.
- b) The crop insurances subsidies and the under-notification of the other components of the NPS AMS have been considered much lower than their actual level so that the NPS AMS would have remained much below the *de minimis* level which has therefore remained low itself.
- c) Or/and the dairy and sugar market price support components of the PS AMS have been ignored altogether.