

10/11
1985

AGRICULTURAL POLICY AND TRADE: ADJUSTING DOMESTIC PROGRAMS IN AN INTERNATIONAL FRAMEWORK

A Task Force Report
to The Trilateral Commission

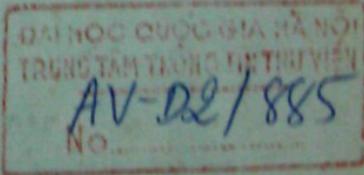
Authors: D. GALE JOHNSON
Professor of Economics,
University of Chicago

KENZO HEMMI
Former Dean of Faculty of Agriculture,
University of Tokyo;
Chairman of Board,
International Rice Research Institute (IRRI)

PIERRE LARDINOIS
Chairman of Executive Board, Rabobank;
Former Member of Commission of European
Communities;
Former Dutch Minister of Agriculture

Special Consultants: T. K. WARLEY
Professor of Agricultural Economics,
University of Guelph (Ontario)

P. A. J. WIJNMAALEN
Agricultural Counsellor,
Dutch Embassy, Paris



Published by
NEW YORK UNIVERSITY PRESS

New York and London

1985

AV 7/1 DKT

TRUNG TAM THONG TIN THU VIEN

Table of Contents

| | |
|-----------------------------------------------------------------|-----|
| Introduction | 1 |
| I. Domestic Farm Programs | |
| A. United States Agricultural Policy | 10 |
| B. Canadian Agricultural Policy | 13 |
| C. Agricultural Policies of the European Community | 15 |
| D. Agricultural Policy in Japan | 18 |
| E. Consumer and Taxpayer Costs | 22 |
| II. Implications for International Trade | |
| A. GATT Provisions for Agriculture | 26 |
| B. Effects of Farm Programs on Foreign Trade | 28 |
| C. Effects on Developing Country Exports | 31 |
| III. Moving to More Market-Oriented Policies | |
| A. Transitional Adjustments | 33 |
| B. Market-Oriented Policies and Farm Incomes Over Time | 37 |
| C. Diminishing Agricultural Employment in Growing Economies | 42 |
| IV. Recommendations | |
| A. Priority Adjustments | 46 |
| The United States | 46 |
| Canada | 47 |
| The European Community | 48 |
| Japan | 49 |
| B. Famine Conditions in Africa and Food Aid | 50 |
| C. New GATT Negotiations | 52 |
| * * * | |
| Appendix | |
| A. United States Agriculture and Policy | 59 |
| B. Canada's Agricultural and Food Trade Policies | 80 |
| C. The Common Agricultural Policy of the European Community | 99 |
| D. Agricultural Policy in Japan | 112 |
| E. Effects of Domestic Protection on International Prices | 127 |
| F. Relative Farm Prices and Rates of Decline of Farm Employment | 132 |

Tables and Figures

MAIN PART

| | | |
|----------|-------------------------------------------------------------------------------------------------------------------------------|----|
| Table 1: | Levels of Agricultural Price Supports in Japan, 1982/83 | 10 |
| Table 2: | Costs to Consumers and Taxpayers of Agricultural Support Programs in Canada, Japan and the United States, 1979/80 and 1982/83 | 11 |
| Table 3: | Average Net Income from All Sources of Farm Families Compared with that of All Families, Canada, 1971, 1974, 1978 and 1981 | 12 |
| Table 4: | Per capita Household Expenditures in Japan: Comparison between Farm Households and Wage-earning Households | 13 |

APPENDIX

| | | |
|-------------|------------------------------------------------------------------------------------------------------------------------------------|----|
| Table US-1: | Target Prices, Loan Rates and Prices Received by Farmers in the United States, 1974/83 | 81 |
| Table US-2: | U.S. Price Support or Loan Rates, 1950-83 | 81 |
| Table US-3: | U.S. Federal Government Expenditures upon Farm Price Supports and Income Stabilisation, 1950-83 | 83 |
| Table US-4: | Indicators of U.S. Government Intervention in Agriculture, Fiscal Years 1958-83 | 87 |
| Table US-5: | U.S. Market Prices, Supplementary Payments and Export Subsidies for Wheat and Feed Grains, 1968/69-1981/82 | 89 |
| Table US-6: | Selected Data for U.S. Agriculture, 1962, 1973 and 1983 | 91 |
| Table US-7: | Per Capita Personal and Disposable Personal Income of U.S. Farm and Nonfarm Populations, 1954-83 | 92 |
| Table US-8: | Net Farm Income and Off-Farm Income of Farm Operator Families | 93 |
| Table US-9: | Costs of Farm Price Support and Income Stabilisation Programs to Consumers and Taxpayers in the United States, 1979/80 and 1982/83 | 78 |
| Table CN-1: | Distribution of Farms and Gross Farm Sales by Organisational Categories, Canada, 1971 and 1981 | 81 |
| Table CN-2: | Selected Data for Canadian Agriculture, 1962, 1973, and 1983 | 83 |
| Table CN-3: | Major Commodity Specific Policy Instruments Affecting Output, Consumption and Trade, Canada, 1984 | 84 |
| Table CN-4: | Federal and Provincial Budgetary Expenditures on Agriculture, Canada, Fiscal Years 1980/81 and 1981/82 | 85 |

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Table CN-5: Effective Rate of Producer Protection (ERP), Canadian Agriculture, 1971-80 | 95 |
| Table CN-6: Market Value of Quotas, Ontario, 1984 | 96 |
| Table CN-7: Effect on Agricultural Trade Balance of Abandoning Support to Agriculture, Canada, 1980 | 97 |
| Figure EC-1: Levy and Refund System for Wheat | 102 |
| Table EC-1: Key Figures for European Community Agriculture, 1962, 1973 and 1983 | 106 |
| Table EC-2: EC Imports and Exports of Agricultural Products, by Trading Partner | 107 |
| Table EC-3: World Exports and EC External Trade | 108 |
| Table EC-4: Degree of Self-Sufficiency of European Community | 109 |
| Table EC-5: EAGGF Expenditures, Guarantee Section | 110 |
| Table JN-1: Key Figures for Japanese Agriculture, 1970, 1980 and 1983 | 112 |
| Figure JN-1: Changes in Food Self-Sufficiency in Japan | 114 |
| Figure JN-2: Rice Consumption and Production, Forecasted and Actual | 115 |
| Figure JN-3: Wheat Consumption and Production, Forecasted and Actual | 116 |
| Figure JN-4: Meat Consumption and Production, Forecasted and Actual | 117 |
| Figure JN-5: Consumption and Production of Milk and Milk Products, Forecasted and Actual | 118 |
| Figure JN-6: Economies of Scale in Rice Production in Northeast Japan | 121 |
| Table JN-2: Probable Effects of Import Liberalization on Domestic Prices and Domestic Use of Selected Foods in Japan | 122 |
| Table JN-3: Costs of Farm Price Support and Income Stabilization Programs to Consumers and Taxpayers in Japan, 1979 and 1983 | 124 |
| Table JN-4: Government Budget for Agriculture, Forestry and Fisheries in Japan | 126 |
| Table JN-5: Rate of Increase in Rice Prices | 126 |
| Table E-1: Effects of Multilateral Agricultural Liberalization in the Principal Market Economies and ASEAN on International Trading Prices | 128 |
| Table F-1: Prices Received by Farmers in Major Industrial Countries | 132 |
| Table F-2: Annual Rates of Decline in Farm Employment, 1955-79 | 132 |