

JOH
1985

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

A Task Force Report
to The Trilateral Commission

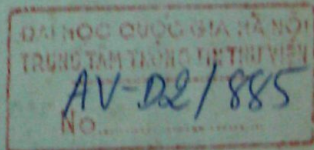
Authors: D. GALE JOHNSON
Professor of Economics,
University of Chicago

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. WIJNMÀALEN
Agricultural Counsellor,
Dutch Embassy, Paris



Published by
NEW YORK UNIVERSITY PRESS

New York and London

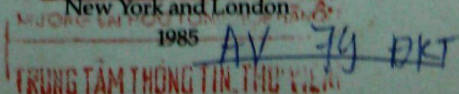


Table of Contents

Introduction	1
I. Domestic Farm Programs	8
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	25
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	33
A. Transitional Adjustments	33
B. Market-Oriented Policies and Farm Incomes Over Time	37
C. Diminishing Agricultural Employment in Growing Economies	42
IV. Recommendations	45
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	59
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 TEXT

Table 1:	Levels of Agricultural Price Supports in Japan, 1953-80	20
Table 2:	Costs to Consumers and Taxpayers of Agricultural Support Programs in Canada, Japan and the United States, 1979-80 and 1982-83	23
Table 3:	Average Net Income from All Sources of Farm Families Compared with that of All Families, Canada, 1963, 1971, 1976 and 1981	40
Table 4:	Per-capita Household Expenditures in Japan: Comparison between Farm Households and Wage-earning Households	40

APPENDIX

Table US-1:	Target Prices, Loan Rates and Prices Received by Farmers in the United States, 1974-83	61
Table US-2:	U.S. Price Support or Loan Rates, 1980-84	63
Table US-3:	U.S. Federal Governmental Expenditures upon Farm Price Supports and Income Stabilization, 1990-83	65
Table US-4:	Indicators of U.S. Government Intervention in Agriculture, Fiscal Years 1956-83	67
Table US-5:	U.S. Market Prices, Supplementary Payments and Export Subsidies for Wheat and Feed Grains, 1968-69-1983-84	69
Table US-6:	Selected Data for U.S. Agriculture, 1962, 1973 and 1983	71
Table US-7:	Per Capita Personal and Disposable Personal Income of U.S. Farm and Nonfarm Populations, 1934-83	72
Table US-8:	Net Farm Income and Off-Farm Income of Farm Operator Families	73
Table US-9:	Costs of Farm Price Support and Income Stabilization Programs to Consumers and Taxpayers in the United States, 1979/80 and 1982/83	76
Table CN-1:	Distribution of Farms and Gross Farm Sales by Organizational 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	92
Table CN-4:	Federal and Provincial Budgetary Expenditures on Agriculture, Canada, Fiscal Years 1980/81 and 1981/82	93

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