Possible WTO Impacts on U.S. Representative Farms

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Presentation Outline

• WTO Considerations
• Why It’s So Difficult to Say What Will Happen
• Representative Farms
• Importance of Payments to Farms
• Conclusions/Discussion
WTO Considerations

• Leaving to others to detail what ruling said

• From our perspective:
  – DPs – would make sense to eliminate planting restrictions
  – LDP/MLGs
  – CCPs \{ Must keep these 2 and other stuff under $19.1B \}
  – Step 2 – gone but let the industry try
  – GSM – gone or redo
Why It’s So Difficult to Say What Will Happen?

• No Fact Based Idea of How Congress will React
  – May or may not “really” act
    • May not even have to bother
  – If we do then -- when?

• Short of these issues and no sector forecasts of what will happen:
  – Came up with idea of measuring the importance of each of the three payment types on our representative farms
Corn Prices, Target Prices and Loan Rates, 2002-2014

- Price
- TGTP
- LR

($/bu)
Soybean Prices, Target Prices and Loan Rates, 2002-2014

- Price
- TGTP
- LR

- 2002
- 2004
- 2006
- 2008
- 2010
- 2012
- 2014

($/bu)
Rice Prices, Target Prices and Loan Rates, 2002-2014

Price  TGTP  LR

($/cwt)


($/cwt)
### January 2005 Baseline Summary

<table>
<thead>
<tr>
<th>Farm Type</th>
<th>Good</th>
<th>Marginal</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>5</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Feed grains</td>
<td>7</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Cotton</td>
<td>3</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Rice</td>
<td>1</td>
<td>3</td>
<td>12</td>
</tr>
</tbody>
</table>
Representative Farms

• Analyzed the Farms Under:
  – Baseline
  – No DPs
  – No CCPs
  – No LDP/MLGs

• Type and Location of Farms Most Dependent on Which Type of Payments or Conversely

• How Would the Farms Rank Losing Each Type of Payment?
  – Would they Differ by Crop or Region?
Importance of Payments to Farms

- Across all 44 farms, averaging from 2005-09, GP was 6x more than NCFI
  - Feed grains had 4 of 10 NCFI > GP
  - Cotton had 1 of 18 NCFI > GP
  - Rice had 1 of 16 NCFI > GP
- REAL Important
- Any change from current programs that don’t result in comparable GPs will be bad
• Calculated risk premiums for each scenario
  – These farms would rather give up more (in some cases a lot more) of the uncertain funding than the certain DP

• Recall no price response included – sector impacts
How Much is $1 Worth?

- For example:
  
<table>
<thead>
<tr>
<th>TXNP7000</th>
<th>2005-09 Ave LDP</th>
<th>2005-09 Ave CCP</th>
<th>2005-09 Ave DP</th>
<th>Total</th>
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<tbody>
<tr>
<td>15.5</td>
<td>$89.5</td>
<td>$97.9</td>
<td>$117.8</td>
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<tr>
<td>CE LDP</td>
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<td>$115</td>
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<tr>
<td>17.1</td>
<td>23.2</td>
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<tr>
<td>CE CCP</td>
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<tr>
<td>CE DP</td>
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</tbody>
</table>
Conclusions/Discussion

• Really Hard to Model Impacts With No Real Idea of What to Do
• Very Farm Specific as to What Type of Payments are Most Preferred
• Direct Payments Appear to be Worth More Than Others