

Changing Trends in Domestic Support

The Cairns Group coalition of twenty developed and developing agricultural exporting nations, led by Australia, tabled a series of unofficial documents to reignite the agriculture negotiations.

Among those working papers, the group which includes Canada, Argentina, Brazil, and New Zealand among its members analyzed the recent trends in agricultural subsidies in ten key WTO nations (Australia, Brazil, Canada, China, EU, India, Indonesia, Japan, Russia and the U.S.). They urged Members to resume negotiations on domestic support in accordance to the Doha mandate on agricultural negotiations, given the recent slide in the level of subsidies observed in those key countries.

“[T]he trend of reductions in support among relevant Members is an opportunity that should not be missed,” the Cairns Group states.

The paper demonstrates that traditional big spenders such as the EU and the U.S. have sharply reduced their domestic support over the last decade. The EU’s total trade distorting support (TTDS¹) has shifted from (all values in USD) \$36.1 billion in 2001 (15% of its value of agriculture production –VOP) down to \$10.3 billion in 2010 – 2% of VOP.

The same goes for the U.S. which saw its TTDS drop from 12% of VOP (\$21.5 billion) to 4% of VOP (\$14.4 billion) between 2001 and 2011. However, the study warned that the U.S.’s level of support may change due to the newly signed Farm Bill. “Assessing its impacts will require more in-depth analysis,” the Cairns Group cautioned.

The decrease in the EU and U.S.’s distorting farm support can be explained by the fact that both countries have benefited from reforms undertaken in recent years. The EU have moved away from market price support to decoupled payments while the U.S. has taken advantage of the high food prices which have lessened the need for governmental intervention. At the same time, both countries have seen their Green Box subsidies, i.e. agriculture spending that are considered to minimally impact global trade and thus free from capping, gradually increase in recent years.

While TTDS has dropped in the EU and the U.S., other developed countries have seen their TTDS increase over the past decade. This is the case of Japan whose TTDS went from \$6.4 billion to \$7.2 billion between 2001 and 2009, but remained around 8% of its VOP. Canada’s TTDS rose from \$2 billion to \$2.9 billion but actually dropped from 10% to 7% of VOP between 2001 and 2010.

Brazil, China & India Become Huge Subsidizers

Developing countries’ TTDS have significantly increased over the last decade and in cases such as Brazil, China and India, the total trade distorting support has doubled.

India’s TTDS grew from \$8.2 billion (8% of VOP) to \$16.4 billion (16% of VOP) between 2001 and 2008, and although Brazil’s total level of support appeared far less scary, it has likewise doubled, going from \$1.3 billion to \$3.6 billion between 2001 and 2012, the latter amount representing 3% of VOP.

¹ TTDS takes into account the sum of product specific and non-product specific support provided by the selected countries, including spending limits originating from inputs and investments subsidies provided to resource-poor or low-income farmers (so-called “special and differential treatment” support or Article 6.2 of Agreement on Agriculture)

However, the highest rise in TTDS came from China whose estimated support “increased exponentially” from \$320 million to a stunning \$13.9 billion between 2001 and 2008. China’s total support reached a staggering \$99.8 billion in 2008 when green box subsidies are taken into account while India’s reported level of all types of support (i.e. including green box subsidies) reached \$50.2 billion the same year.

“Despite significant increases in the support levels of some developing countries in the sample, the combined amount of domestic support (all types) in developed countries remains far greater. In fact, the total amount of support of the developed countries in the sample is twice as large as the support of the developing countries,” the Cairns Group paper states, adding that the lack of “complete and timely notifications” complicates the measurement of level of subsidies provided by Members.

“[I]t is evident that fulfilling the Doha Round mandate on agricultural domestic support is as relevant as ever, with a double objective of preventing increases in domestic support and ensuring that reductions of support are not reversed,” the group concluded.

Upcoming Events

- WTO Informal TNC, April 7, 2014
- WTO General Council, May 8-9, July 24-25, October 7-8, December 10-12
- APEC Ministers Responsible for Trade, May 17-18, Qingdao (China)
- TPP Chief Negotiators and Negotiating Groups Meeting, TBD
- OECD Forum 2014, May 5-6, Paris (France)
- WTO Regular Agriculture Committee, June 6, November 13
- G-20 Trade Ministers Meeting, July 19, Sydney (Australia)
- G-20 Leaders Summit, November 15-16, Brisbane (Australia)

Geneva Watch is published by Dairy Farmers of Canada, Chicken Farmers of Canada, Egg Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers to report on the various events occurring in Geneva, particularly on the WTO negotiations on agriculture.

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Legal Deposit: National Library of Canada, ISSN 1496-9254