



# **Liberalizing Trade In Feed grains & Oilseeds**

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# Agenda

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- **Draw on work of colleagues**
- **Be careful how you ask the question**
- **Some different answers**
- **Concerns for the future**

# **Lots of other people -- among others..**

- **Iowa State**
  - **Bruce Babcock**
  - **Jay Fabiosa**
  - **Holger Matthey**
  - **Murat Isik**
- **MU**
  - **Pat Westhoff**
  - **Scott Brown**
  - **Julian Binfield**
- **FAPRI-Ireland**
  - **Kevin Hanrahan**
  - **Trevor Donnellan**
  - **Thia Hennessy**

# Asking the Questions

- **Specifics very important**
  - **What do we mean by tariff reductions**
    - **Bound versus applied**
  - **On exactly what are we charging tariffs?**
    - **How/what or even do we average?**
    - **Boneless beef in EU or specific cuts?**

# More Questions about Questions

- **More Specifics**
  - **How do we allow trade policy to affect domestic policies**
    - **Does the EU lower intervention prices, or spend more on export restitutions?**
    - **Does Canada always maintain a milk quota program?**
- **Are we asking the question in isolation?**
  - **Interaction between commodities**



# **Our Resources**

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- **An Analysis of the Doha round Proposed Modality**
  - FAPRI-ISU staff – Forthcoming
- **The Doha Round of the World Trade Organization**
  - FAPRI-ISU staff – November 2002
- **The MTR and the EU Commission Proposal for the WTO**
  - FAPRI-Ireland/Missouri staff – May 2003

# Corn Tariff Rates

- **High bound rates**
  - ~65% weighted avg.
- **Applied rates much lower**
  - ~10%
- **TRQ's**
  - 20 Countries with corn TRQ's, 12 of them filled
- **In-Quota Tariff**
  - Current bound rate 58%, applied much lower
- **Export Subsidies**
  - Subsidized export limit ~9% total trade
  - Not being utilized at that rate

# **What Happens -- in isolation?**

- **Tariffs**
  - **Given low applied rate, marginal improvement**
- **TRQ's**
  - **Total change in TRQ accounts for only 6% of world corn trade**
  - **If under fill countries reflect full change, could see noticeable increase**

# Soybean Tariff Rates

- **Weighted Avg. Bound Rates**
  - Beans – 46%, Oil – 52%, Meal – 46%
- **Applied**
  - Beans – 5%, Oil – 17%, Meal – 4%
- **TRQ**
  - Beans – 4, Oil – 8, Meal – 3
  - Significant overfill, except China
- **Export Subsidies**
  - Mainly U.S. & Brazil oil subsidies allowed, not being utilized



# **Soybean Complex**

## **-- in isolation**

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- **Bound rates need to be sharply reduced to affect trade**
- **Not likely to see much effect from TRQ expansion either**

# **But No Commodity Is An Island**

- **Two approaches**
  - **Trade related policies only**
    - **Tariff rates, TRQ's, Export Subsidies etc.**
  - **Trade and domestic policy elimination**
    - **Also drops any production related support**



# Caveats

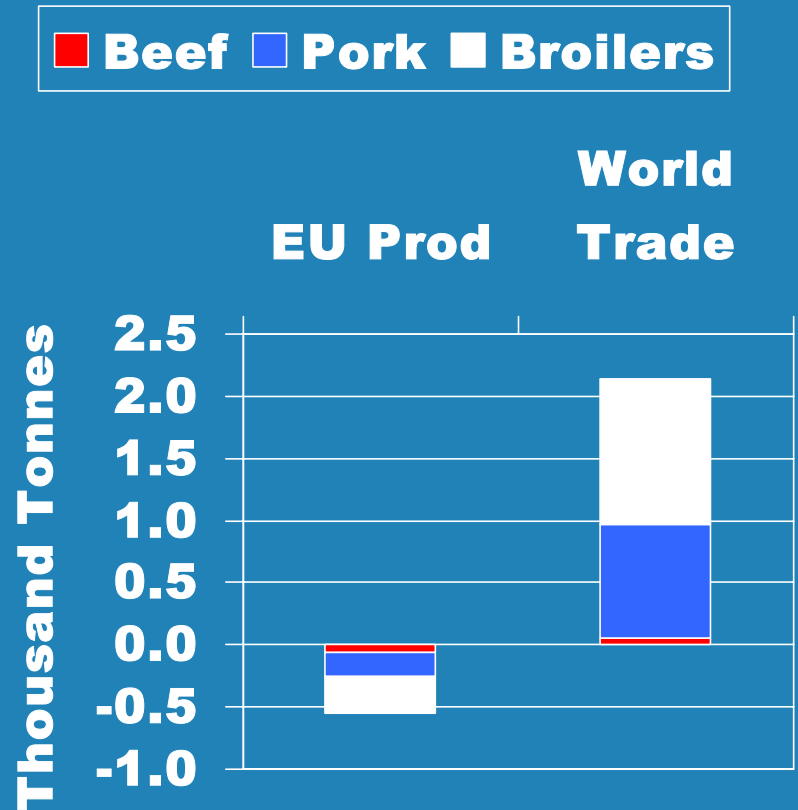
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- **Done before implementation of 2002 Farm Bill**
- **Not subjected to usual peer/industry expert review effort**
- **Should be viewed as more of an 'academic' exercise than other reports**

# Trade Related Only

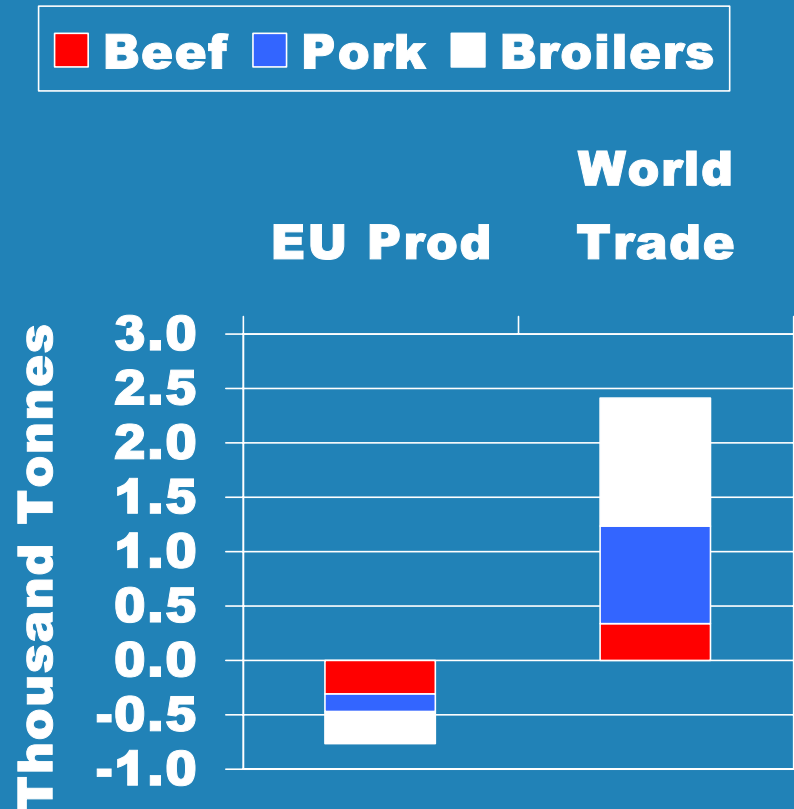
## -- Some Bigger Effects

- **EU livestock sector reduced**
  - Beef ↓ 1%
  - Pork ↓ 1%
  - Broilers ↓ 4%
- **Global meat trade increased**
  - Beef ↑ 3%
  - Pork ↑ 29%
  - Broilers ↑ 8%

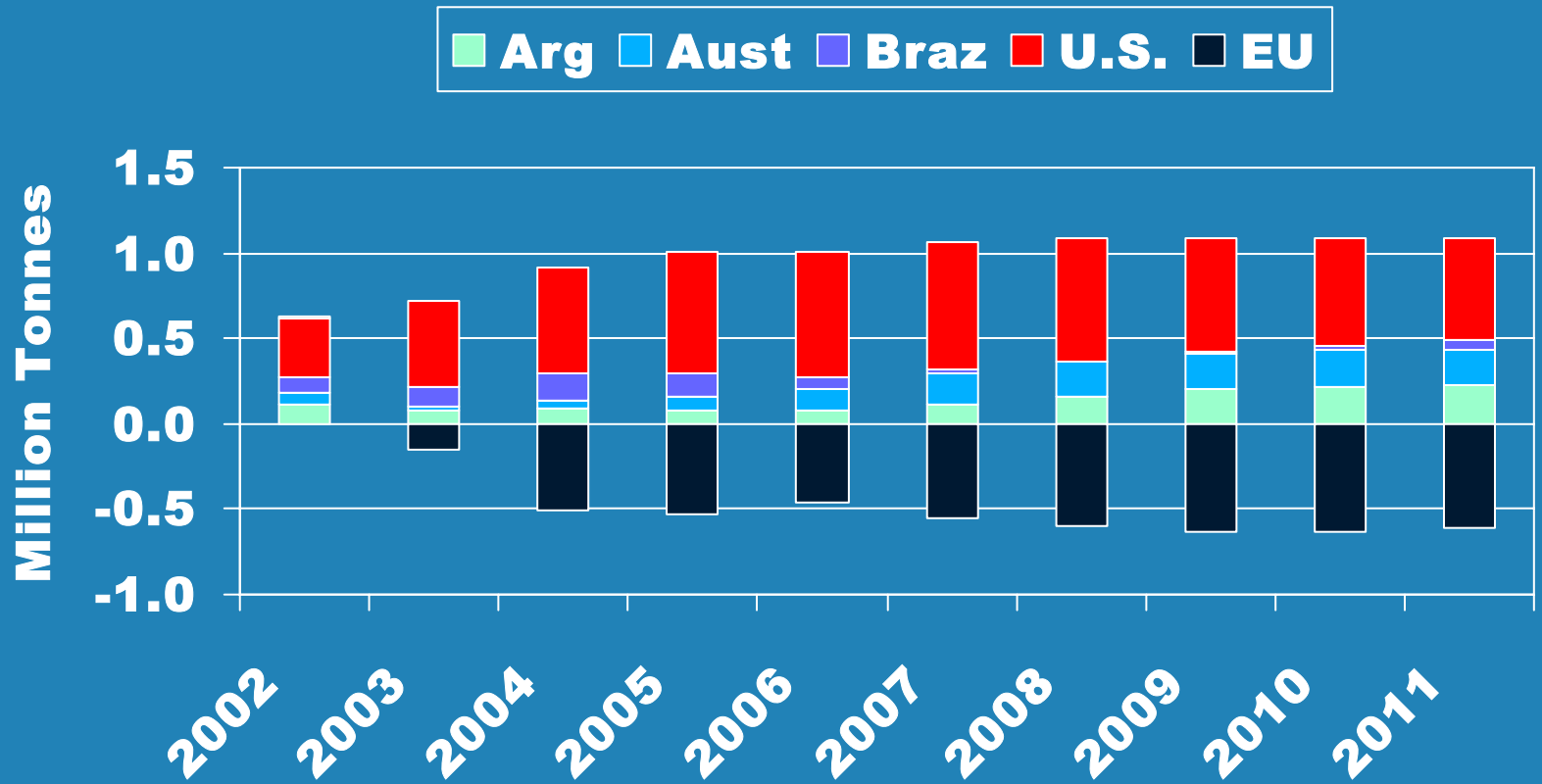


# Trade & Domestic Reform-- Bigger Effects

- **EU livestock sector reduced**
  - Beef ↓ 4%
  - Pork ↓ 1%
  - Broilers ↓ 4%
- **Global meat trade increased**
  - Beef ↑ 9%
  - Pork ↑ 28%
  - Broilers ↑ 19%

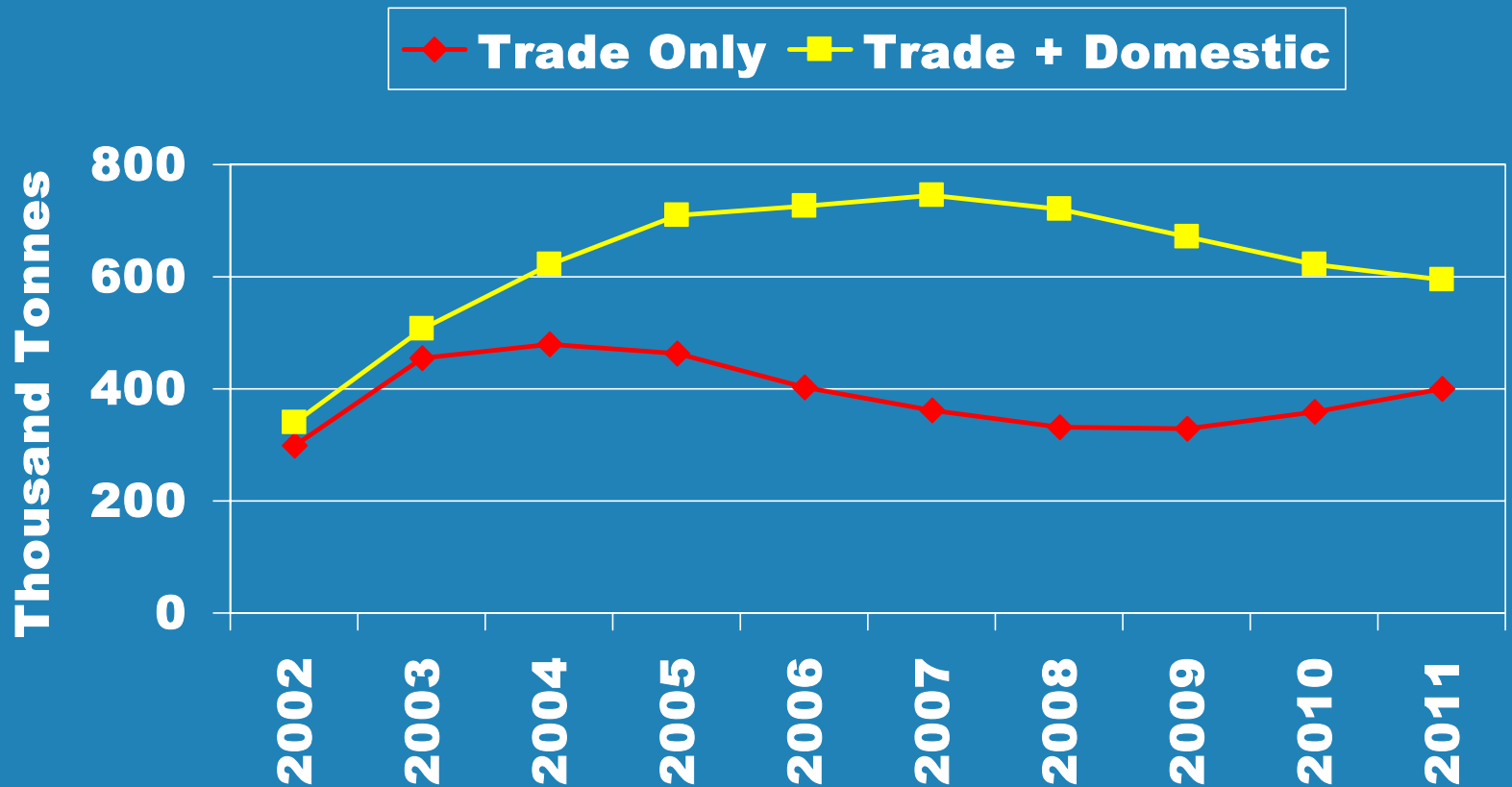


# Change in Beef Trade

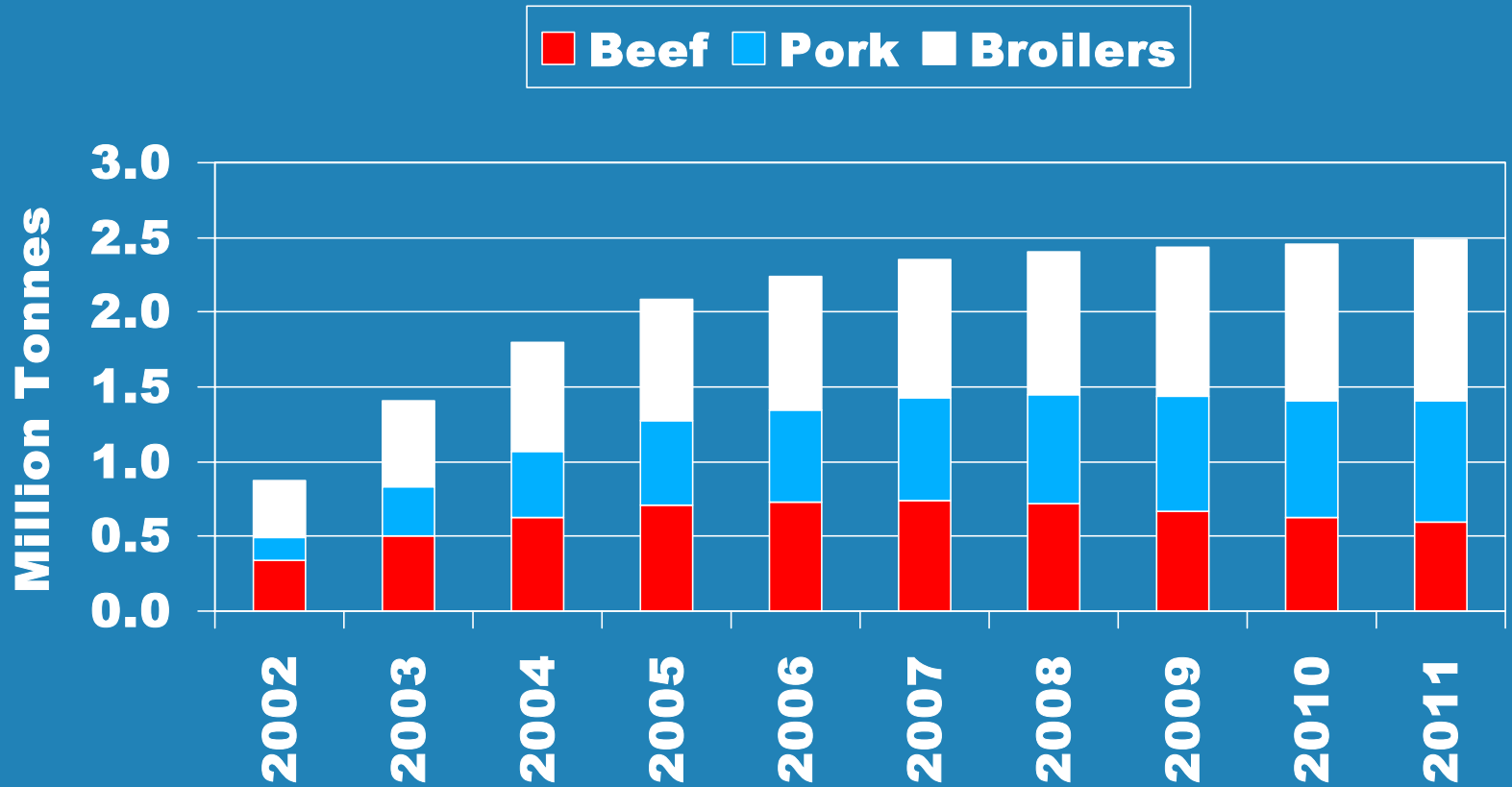


# U.S. Beef Exports

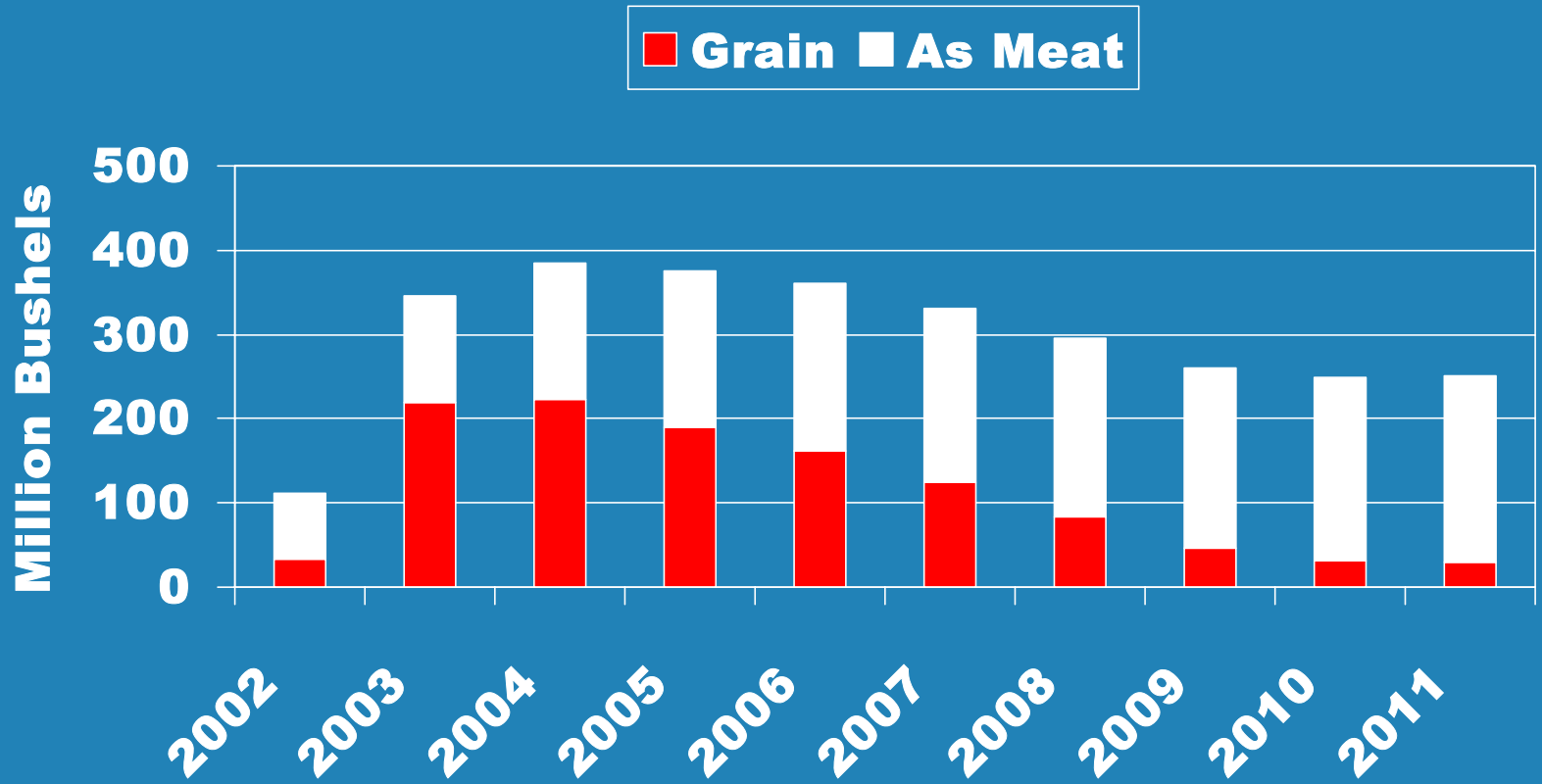
- Change from 2002 baseline



# Change in U.S. Meat Trade – Trade & Domestic



# Change in U.S. Corn Trade – Trade & Domestic



# **Slight Gear Change**

## **- The EU MTR/WTO Proposal**

- **Mid Term Review**

- **Cut cereals intervention 5%**
- **Permanent 10% set aside**
- **Decouple pymnts**
- **Cut producer pmnts 19% to fund dairy/sugar reform & rural development**

- **WTO Proposal**

- **Further 36% average tariff rate cut**
- **Cut budgetary outlays on export subsidies by 45%**
- **Reduce allowed domestic support measures by 55%**

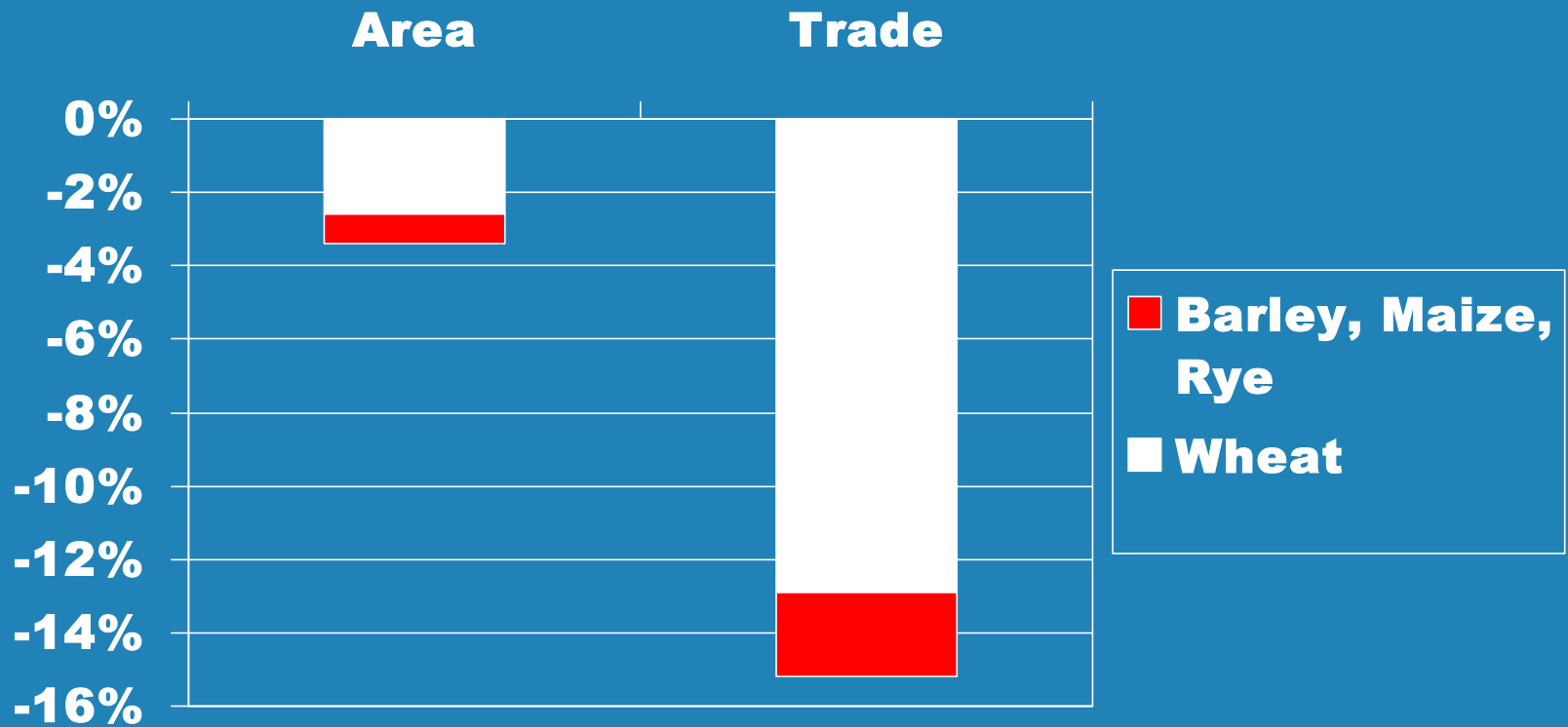


# Why?

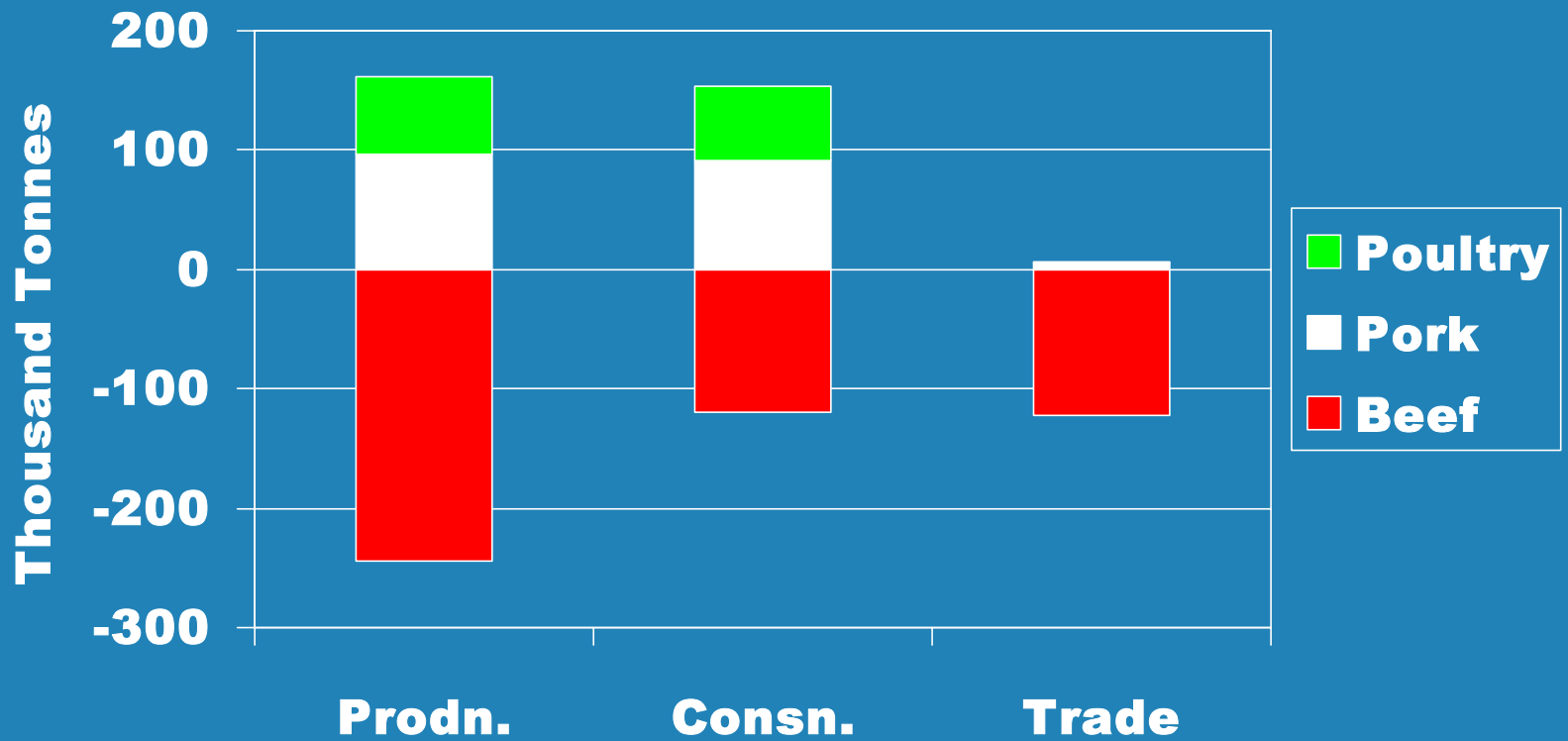
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- **Expansion of EU into Central Europe**
- **Makes them close to compliant without much further change needed**
- **Self-imposed budgetary limits**

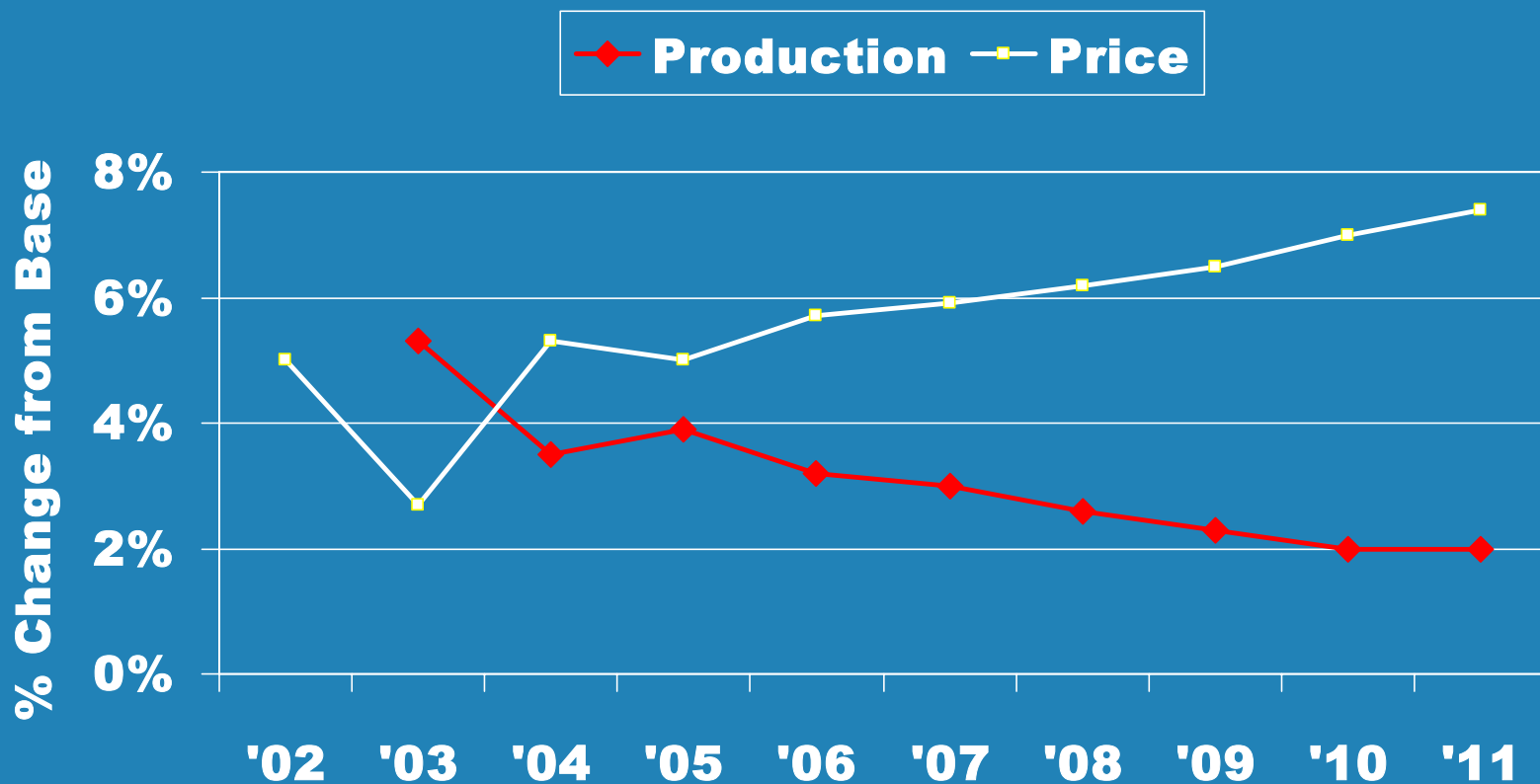
# Change In EU Grain Area & Trade 2010/11 MTR/WTO



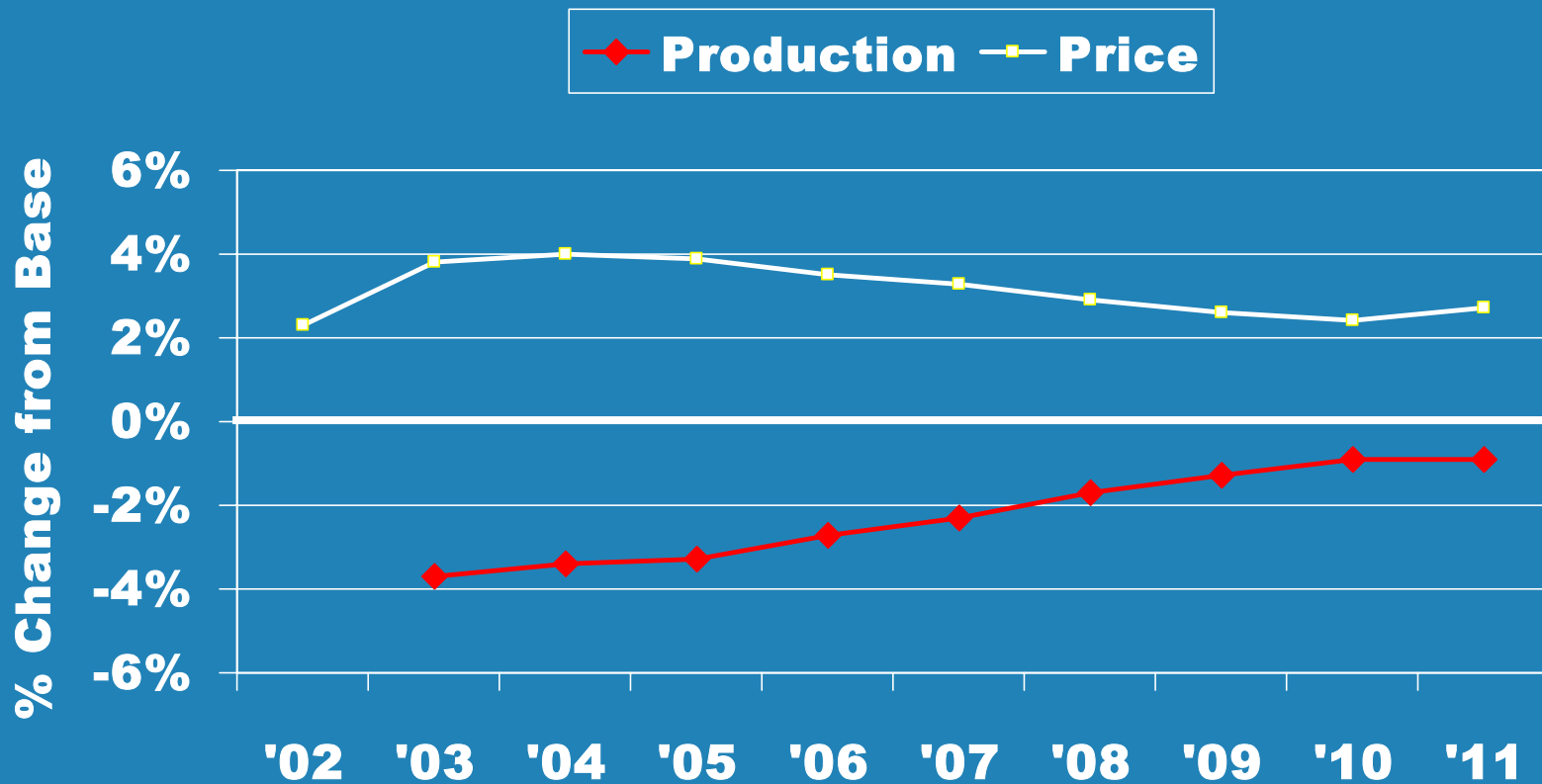
# Change In EU Meat 2010/11 MTR/WTO



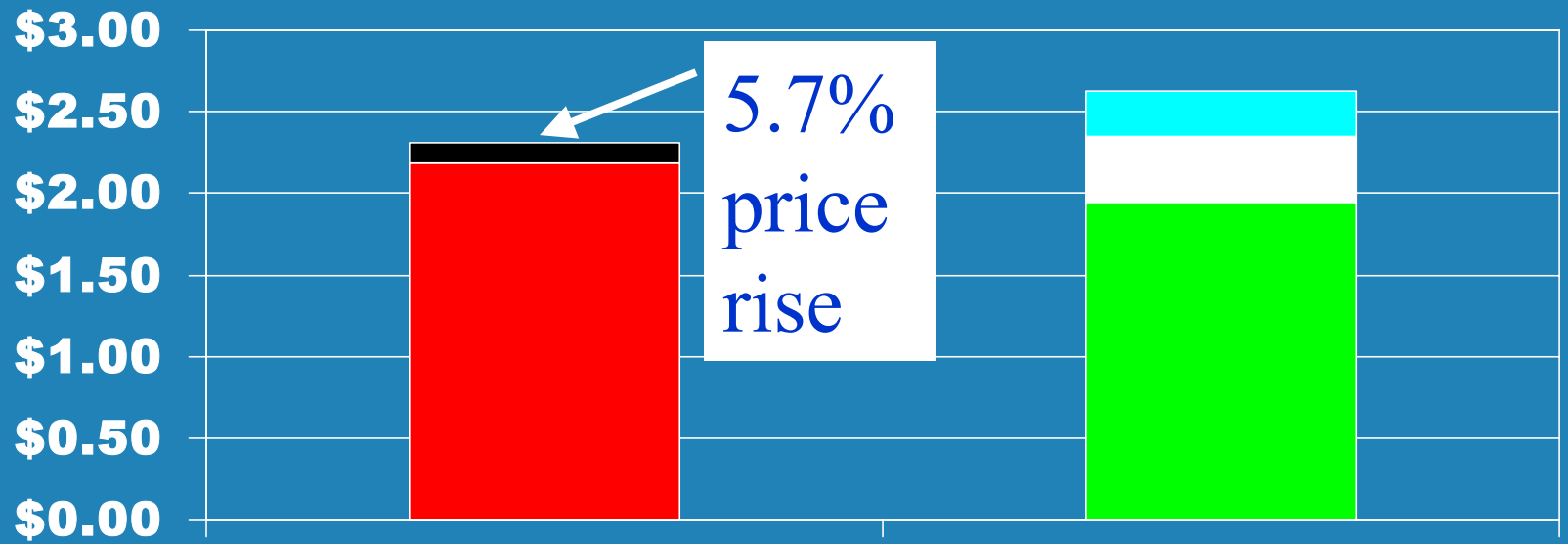
# Implications for U.S. Corn – Trade & Dom. Scenario



# Implications for U.S. Beans - Trade & Dom. Scenario



# Corn Price & Policy Levels '06 crop year



# Bottom Line - One

- **Trade Reform only**
  - **Corn trade rises early, below baseline later, but livestock demand offsets**
  - **Argentina/Brazil take bean & product market growth**
  - **Corn price up 6-7%, Beans 2-3%**

# Bottom Line - Two

- **Trade & Domestic Reform**
  - **Corn trade up early, less so later, again, livestock demand offsets**
  - **Global bean trade down early, up slightly in later years, meal down, oil up, Arg/Brazil increase share**
  - **Corn price up 3-7%, Beans 2-4%**

# **Final Conclusions**

## **-- recognize caveats**

- **For U.S., trade reform certainly good for feed grains, oilseed pdn pulled down due to corn pull**
- **Price increases likely to trade some market for gov't pmnts, but probably not in total**
- **Must take livestock sector into account to get full picture**