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Doha: EU Makes New Offer; CRP Analysis

Posted By [Keith Good](#) On July 22, 2008 @ 7:50 am In [Farm Bill](#), [Conservation](#), [Doha / Trade](#), [EU](#), [Food Prices](#) | [Comments Disabled](#)

Note: Due to travel plans, FarmPolicy.com will not be published tomorrow, Wednesday, July 23. Updates are planned to resume on Thursday, July 24.

Doha

[Stephen Castle](#) reported in today's New York Times that, "The European Union began crucial global trade talks Monday with an offer of reducing its farm tariffs by 60 percent — the highest figure it has yet offered — in a challenge to developing countries to make concessions.

"The offer from the European trade commissioner, Peter Mandelson, was intended to ignite the stalled Doha trade round, which began seven years ago.

"Until now, Europe has offered a maximum of 54 percent tariff reductions, but Mr. Mandelson's spokesman, Peter Power, said the higher figure could be achieved by including a range of tropical products."

However, the Times article added that, "It remained unclear whether Europe's intervention would break the overall stalemate, because **the basic shape of the European offer remained the same.**"

Associated Press writer [Bradley S. Klapper](#) reported yesterday that, "Washington praised Brussels' leadership Monday.

"These are the right kind of moves," said Gretchen Hamel, spokeswoman for the Office of the U.S. Trade Representative.

"But trade officials are wondering if the U.S. will make any such gesture itself, particularly in agriculture where it is being pressed to cut some of the billions of dollars in subsidies it gives out each year to American farmers.

"U.S. Trade Representative Susan Schwab declined to comment. Her spokesman Sean Spicer said Washington has made it clear it is 'a leader in this round' and ready to make a deal."

The AP article indicated that, "But what exactly the [EU] offer entailed was unclear. **Some trade officials suggested the cut was only an EU recalculation of its previous offer, while others suspected some creative mathematics.** Marianne Fischer Boel, the EU farm commissioner, and Michel Barnier, her French counterpart, denied that the EU had given ground.

"You can put anything in and come to a number," said Foreign Minister Celso Amorim of Brazil, which co-leads with India a broad coalition of developing countries. "Let's see if that 60 percent comes with the products that are of interest to us, such as ethanol, sugar and beef. **If not, it's not meaningful.**"

For more background and perspective from the EU regarding yesterday's Doha activity, see this [news release](#) that highlights Commissioner Mandelson's opening remarks, which were delivered to the Trade Negotiating Committee (TNC).

Commissioner Mandelson has also penned a "[daily update](#)" of EU action at the Geneva talks. Yesterday's post stated that, "Speaking with journalists after the TNC, I confirm that greater clarity in tropical products negotiations mean that the EU is now able to offer to **increase its average farm tariff cut offer to an average cut of 60%**. This is by far the highest farm tariff cut ever in any multilateral agricultural negotiation - the average farm tariff cut in the Uruguay Round was 36%. I stress that the offer will only be tabled if others match it with proportionate cuts of their own."

Meanwhile, Reuters writer [Doug Palmer](#) reported yesterday that, "The United States and European Union said on Monday they would open up their farm sectors to secure a new global trade deal, but called on big emerging countries like Brazil, India and China to do their bit too."

The article quoted U.S. Trade Representative Susan Schwab as saying: "We know we're going to need to make further contributions than the many contributions we already have on the table. We are looking forward to seeing the contributions of others, including these most significant emerging markets."

Mr. Palmer also explained that, "Monday's talks consisted of a general review of positions and did not get down to details in the core areas of agriculture and industrial goods, and **the United States did not make a new offer on farm support, ministers said.**

"EU Agriculture Commissioner Mariann Fischer Boel said the United States was likely to name a figure on Tuesday.

"I'm sure it will come tomorrow... Otherwise, it will be difficult to move a bit forward,' she told reporters.

"The latest negotiating draft sees the United States cutting its most trade-distorting subsidies to \$13-16.4 billion."

Reuters writer [Jonathan Lynn](#) reported yesterday that, "**Developing countries are waiting to see how much Washington is willing to cut its farm subsidies before adjusting their stances in key negotiations this week,** Indonesia's Trade Minister Mari Pangestu said on Monday."

Mr. Lynn noted that, "U.S. Trade Representative Susan Schwab earlier signaled the United States would contribute to a successful outcome of the Doha round talks by cutting its agricultural subsidies.

"We are looking for a concrete offer on the table which hasn't come out yet. We are looking for U.S. leadership on this issue,' Pangestu, whose country chairs the G-33 group of developing nations, told Reuters in an interview."

Reuters writers [William Schomberg and Laura MacInnis](#) reported yesterday that, "**The United States resisted calls on Monday to announce a cut in its ceiling for farm subsidies** as a critical week of talks opened, saying it was ready to act as long as others do likewise, especially developing economies like Brazil and China."

Schomberg and MacInnis stated that, "But U.S. trade chief Susan Schwab said Washington would not be rushing into playing its key card in the negotiations without signs that the big emerging economies were ready to move too.

"**When we address the...domestic support issue,** it will address our desire to invite others to also participate in a 'can do' type of conversation, instead of a 'can't do' conversation,' she told reporters.

"Latest WTO proposals would require the United States to cut trade-distorting farm subsidies to a range of **\$13 billion to \$16.4 billion a year** from a current ceiling of **\$48.2 billion.**

"The range is above current U.S. spending on subsidies of about \$7 billion although the handout figure is low because global food prices are so high."

And in a separate Reuters news article from yesterday, [Doug Palmer](#) reported that, "The United States should make deeper farm subsidy cuts than currently proposed in world trade talks and scale back demands on developing countries to open their markets, a leading development group said on Monday.

"This is the Doha Development Round, not the Doha tit-for-tat round. Rich countries must stop demanding harsh conditions from developing countries,' [Oxfam International said in a new report,](#) which concluded that new U.S. farm legislation had greatly complicated the task of negotiating a successful world trade agreement that curbs farm subsidies and tariffs."

Mr. Palmer noted that, "Current Doha proposals call on the United States to cut its spending cap on 'overall trade-distorting support' from the current ceiling of \$48.2 billion (24.1 billion pounds) to a range between \$13.0 billion to \$16.4 billion, well above what's actually spent because of current high farm prices.

“The draft text also requires Washington to cut its most trade-distorting farm programs by 60 percent, from a current cap of \$19.1 billion down to a new ceiling of \$7.6 billion.

“Because of generous new provisions of the 2008 farm act, the United States could easily surpass that \$7.6 billion limit if commodity prices fall, Oxfam said.”

“The U.S. Agriculture Department has estimated a new revenue insurance program in the 2008 farm law could cost as much \$16 billion per year if corn prices fell back to \$3.25 per bushel and most farmers participated in the program, Oxfam said.

“The best way to salvage the Doha negotiation was for the United States ‘to make a new offer to reform U.S. farm program and cut real spending. This must come first, before demanding concessions from developing countries,’ Oxfam said.”

The daily summary of news developments from the Doha talks posted at the [International Centre for Trade and Sustainable Development Online](#) noted today that, “In a comment directed at the developing countries that have been pushing the US to accept stricter constraints on its allowable trade-distorting farm subsidies, Schwab acknowledged that Washington had ‘a contribution to make,’ but said that ‘the US move on subsidies has been a convenient target for a lot of countries that would rather not get to the other parts of the negotiation, namely the market access parts... whether in terms of agricultural market access or manufactured goods or indeed services.’”

A transcript and audio reply of a press briefing Ambassador Schwab held yesterday in Geneva is [available here](#).

According to the transcript, a reporter from Brazil asked Amb. Schwab the following question: **“The high price of commodities have brought down the amount of subsidies that are given basically everywhere in the world. Do you think this can help the U.S. to put a new proposal on the table?”**

In part, Amb. Schwab responded by saying, “On the question of high food prices, it’s one of the things I commented on in [my TNC statement](#) this morning. High food prices, high energy prices, economic uncertainties in the world. We’re operating in a context where a successful Doha outcome really could make a positive contribution in the near term psychological contribution, mid term and long term, a meaningful contribution to economic development, particularly as it relates to developing countries and also in terms of poverty alleviation.

“When it comes specifically to food, first and foremost, the elimination reduction of export restrictions on food, as was discussed, for example, at the recent G8 outreach meetings, that’s critical. One country’s act to achieve food security generates food insecurity in most of the rest of the world. So I think that is important.

“In the context of our Doha Round discussions I would like to think that elevated food prices will enable countries to lower import barriers, lower subsidies, eliminate export subsidies, and use this negotiation to help reduce some of the distortions in the market, rather than use the situation in the market as an excuse not to act.”

A summary of Day One activities in Geneva has also been posted at the [WTO Online](#), and audio links from yesterday have also been posted at [this WTO webpage](#).

CRP Analysis

DTN’s [Anthony Greder](#) reported yesterday that, **“Despite mostly favorable growing conditions throughout the Corn Belt last week, development of the nation’s corn crop continued to lag behind normal.** As of Sunday, 34 percent of corn acres had reached the silking stage compared to the five-year average of 60 percent and last year’s 72 percent, according to [USDA’s weekly crop progress report released Monday](#).

“In the top corn-producing state of Iowa, only 14 percent of the crop was silking, far behind the five-year average of 53 percent and last year’s 66 percent. Silking also lagged behind normal in Illinois, where 55 percent of the crop was silking compared to the five-year average of 85 percent, and in Indiana, where 38 percent of corn was silking compared to 67 percent for the five-year average.

“Sixty-five percent of the nation’s corn crop was rated in good-to-excellent condition, up just 1 percentage point from the previous week.”

The [Associated Press](#) reported yesterday that, "Agriculture futures traded lower Monday on the Chicago Board of Trade.

"Wheat for September delivery fell 13 cents to \$7.91 a bushel; December corn dropped 20.25 cents to \$6.0825 a bushel; December oats slipped 12.75 cents to \$4.04 a bushel; November soybeans declined 45 cents to \$14.03 a bushel."

For more perspective on the market price of corn and soybeans, see this University of Illinois Extension item from yesterday, entitled, "[Corn and Soybean Prices- Now What?](#)" by Darrel Good.

After a background summary of recent price, production and demand developments, the article indicated that, "While yield uncertainty will persist **there is more than the typical amount of uncertainty about corn and soybean acreage**. The USDA will provide updated forecasts of planted and harvested acreage, along with the first yield forecast of the season, on **August 12**.

"Corn and soybean prices continue to weaken, but could settle into more of a sideways pattern as production prospects unfold. Still, large daily price movements can be expected."

Commodity and food price levels have caused policymakers to turn attention to the Conservation Reserve Program (CRP).

DTN writer Adam Templeton ([link requires subscription](#)) reported yesterday that, "Despite nearly two years of pressure from environmental and agricultural groups across the country, USDA hasn't done an environmental impact study on what would happen with a penalty-free early-out for acres in the Conservation Reserve Program.

"While livestock and commodity groups have been anticipating some imminent decision that could allow landowners to put CRP acres into production without paying the usual penalties, the lack of the required environmental impact study suggests USDA isn't taking the steps needed to announce an early out.

"We haven't done it yet," said Patricia Klintberg, director of USDA's Office of External Affairs. "We're just sort of waiting to see what sorts of compromises are arrived at by us and the National Wildlife Federation."

"The National Grain and Feed Association, a key group advocating more production acres, was shocked that USDA has not begun such a critical piece of prep work."

The DTN article noted that, "However, USDA officials claim the environmental impact statement has been put on hold for several reasons.

"On May 27, citing the high cost of animal feed, USDA announced it would allow haying and grazing on CRP land after the end of the primary bird nesting season, but the plan was halted after the National Wildlife Federation sued to stop the haying and grazing on the grounds that USDA had not followed environmental guidelines. A restraining order was issued, preventing any further haying or grazing of the land.

"The restraining order has slowed USDA's decision on whether to allow farmers to take land out of the CRP without paying a penalty, U.S. Secretary of Agriculture Ed Schafer told the National Association of Conservation Districts' officials on Monday.

"Until a final decision has been made about early-out for all CRP acres, an environmental impact statement would be premature, said Kerrie Humphrey, USDA spokeswoman."

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