Chapter 27. United States

Support to agriculture

The level of support provided to agricultural producers in the United States has been consistently below the OECD average. Producer support (PSE) was 10% of gross farm receipts in 2016-18. On average, prices received by farmers in 2016-18 were 4% higher than those observed in world markets, largely as a result of Market price support (MPS) for milk, sugar, and to a lesser extent sheep meat. These commodities are protected by border measures (including tariff rate quotas). Producer prices of other commodities are mostly aligned with border prices. Support to consumers accounts for close to half of total support to US agriculture as a result of US domestic food assistance programmes. Expenditures for general services (GSSE) were equivalent to 4.9% of agricultural value added in 2016-18, below the OECD average.

MPS has become a progressively smaller share of US support to agriculture. Budgetary support has increased in importance over time, mainly due to increases in payments that require production – reflecting the emphasis placed on farm insurance and risk management – and, to a lesser extent, increases in input payments. Reflecting the fact that crop insurance and the primary crop commodity programmes are counter-cyclical to market prices, the level of budgetary support is inversely related to market price developments. Support has peaked when world commodity prices were depressed (in terms of USD), while high commodity prices after 2007-08 contributed to lower levels of support.

Main policy changes

The Agriculture Improvement Act of 2018 (the 2018 Farm Bill), was enacted on 20 December 2018 and will remain in force through 2023. The 2018 Farm Bill largely continues programmes implemented under the 2014 Farm Bill and there are few major changes to agricultural and food policies. Around 76% of total expenditures are projected for domestic food assistance programmes. For the titles that affect agricultural producers most directly, spending on crop insurance accounts for 9% of total projected expenditures, while commodities and conservation programmes each account for 7%.

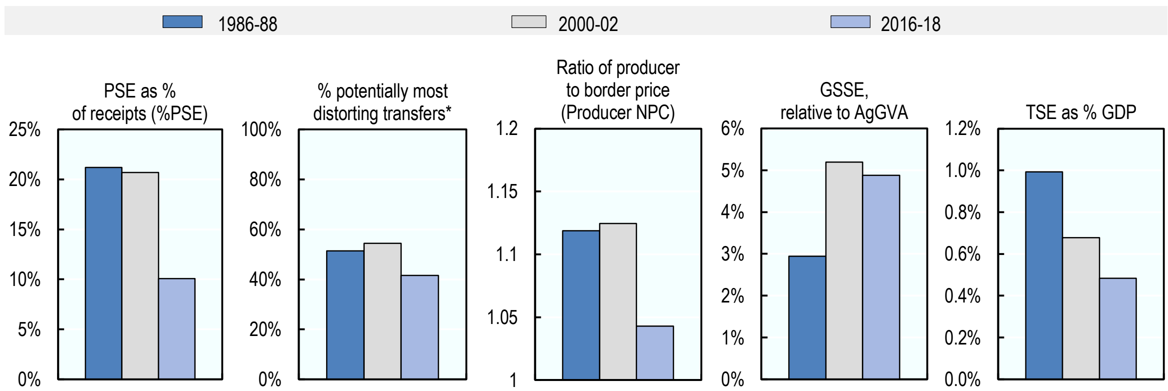
In July 2018, USDA announced a package of trade mitigation programmes to assist farmers affected by retaliatory tariffs resulting in the loss of traditional export markets. The USD 12 billion package includes: the Market Facilitation Program (MFP), which provided payments to producers of soybeans, cotton, wheat, sorghum, hogs, milk, fresh sweet cherries, and shelled almonds; the Food Purchase and Distribution Program (FPDP), which provides for purchases of up to USD 1.2 billion in other commodities targeted by retaliatory tariffs: and the Agricultural Trade Promotion Program (ATP), which will provide up to USD 200 million in cost-share assistance to eligible US organisations to develop foreign markets for US agricultural products.

On 30 November 2018, the United States, Mexico, and Canada signed a new trade agreement, the United States-Mexico-Canada Agreement (USMCA), which will replace the North American Free Trade Agreement (NAFTA) once it is ratified by all three countries and enters into force. The USMCA will preserve the existing agriculture commitments from NAFTA, and will eliminate tariffs for certain additional products between Canada and the United States. It creates new market access opportunities for United States exports of dairy, poultry, and eggs to Canada, and in exchange the United States will provide new access to Canada for dairy, peanuts, processed peanut products, and a limited amount of sugar and sugar containing products. All other tariffs on agricultural products traded between the United States and Mexico will remain at zero.

Assessment and recommendations

- Levels of producer support and border protection have decreased since the early-2000s. However, low levels of support since then have been primarily due to higher world commodity prices, as many of the agricultural support programmes are counter-cyclical to market prices.
- The increasing emphasis on insurance and risk management policy tools is, in principle, a good approach to providing support to producers when they are in need. However, most insurance programmes remain commodity-specific. Moving to an all farm-revenue approach would exploit differences in price and yield variability across products, reducing government costs for a given objective, and also remove distortions across commodity sectors. Risk management instruments should also be evaluated to ensure that they do not transfer risk that should be borne by farmers to the public budget.
- Established voluntary conservation programmes like the Environmental Quality Incentives Program (EQIP) and the programmes consolidated into the Agricultural Conservation Easement Program (ACEP) appear to be effective in addressing soil conservation and water pollution problems. Careful assessments are needed to ensure that these and newer programmes, like the Regional Conservation Partnership Program, are well targeted and provide additional environmental benefits to public spending.
- Recent Farm Bills have continued strong support for farm incomes and strengthened the risk management system to help build farmers' resilience to natural disasters and market shocks. Given this, the recent return to providing ad hoc support should be re-considered to ensure that it does not dis-incentivise necessary adjustments to new climate and market conditions.
- While a high rate of productivity growth – driven by farm consolidations and the adoption of innovations – has helped to maintain the competitiveness of US agro-food exports, future export competitiveness will also be determined by preferential access to markets facilitated by trade agreements. Resolving current uncertainties around access to markets will be important to ensure that farmers are able to pursue available market opportunities.

Figure 27.1. United States: Development of support to agriculture

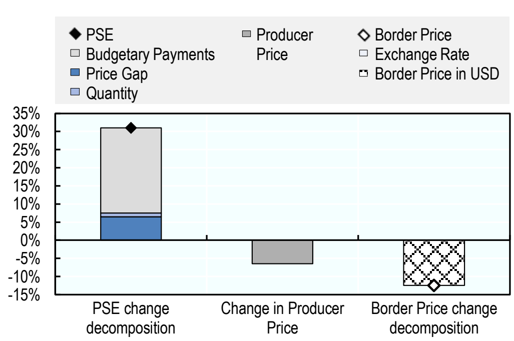


Note: * Share of potentially most distorting transfers in cumulated gross producer transfers.
Source: OECD (2019[1]), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), http://dx.doi.org/10.1787/agr-pcse-data-en.

StatLink https://doi.org/10.1787/888933939239

Support to producers (%PSE) has declined from 21% of gross farm receipts in 2000-02 to 10.1% in 2016-18. The share of potentially **most distorting transfers** was 42% in 2016-18, below the OECD average and lower than levels in 2000-02 (Figure 27.1). Expenditures for **general services** (GSSE) were equivalent to 4.9% of agricultural value added in 2016-18, down from 5.2% in 2000-02. **Total support to agriculture** represented 0.5% of GDP in 2016-18. In 2018, the level of support increased due to higher budgetary payments and MPS. The increase in MPS results from a larger price gap as domestic prices declined by less than world prices (Figure 27.2). On average, prices received by farmers in 2016-18 were 4% higher than those observed in world markets. This largely results from market price support for sugar, milk and sheep meat, as producer prices of other commodities are mostly aligned with border prices (Figure 27.3). Single commodity transfers (SCT) accounted for 54.9% of producer support in 2016-18. SCTs account for the highest share of producer support for sugar and milk.

Figure 27.2. United States: Drivers of the change in PSE, 2017 to 2018



Source: OECD (2019[1]), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), http://dx.doi.org/10.1787/agr-pcse-data-en.

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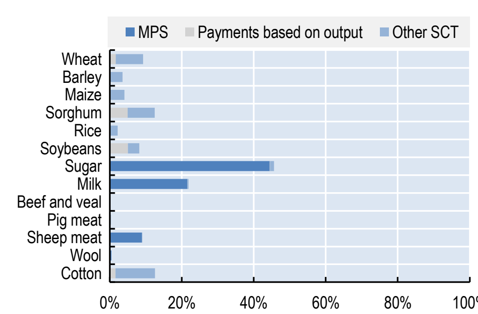
Figure 27.3. United States: Transfer to specific commodities (SCT), 2016-18



Source: OECD (2019[1]), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), http://dx.doi.org/10.1787/agr-pcse-data-en.

StatLink https://doi.org/10.1787/888933939277

Table 27.1. United States: Estimates of support to agriculture

Million USD

	1986-88	2000-02	2016-18	2016	2017	2018p
Total value of production (at farm gate)	**143 469**	**193 454**	**352 286**	**355 467**	**368 848**	**332 542**
***of which:** share of MPS commodities (%)*	78.3	73.6	75.3	76.2	75.8	73.8
Total value of consumption (at farm gate)	**121 087**	**162 491**	**289 044**	**274 294**	**290 989**	**301 849**
Producer Support Estimate (PSE)	**35 337**	**46 480**	**38 188**	**36 442**	**33 813**	**44 308**
Support based on commodity output	15 114	22 404	14 615	10 519	11 550	21 776
Market Price Support[1]	12 003	15 222	11 940	10 252	11 519	14 051
Positive Market Price Support	12 089	15 222	11 940	10 252	11 519	14 051
Negative Market Price Support	-86	0	0	0	0	0
Payments based on output	3 111	7 181	2 675	267	32	7 725
Payments based on input use	7 061	7 572	8 613	8 550	8 482	8 807
Based on variable input use	3 697	3 091	1 823	1 780	1 834	1 856
with input constraints	739	168	576	583	586	561
Based on fixed capital formation	1 233	361	1 796	1 672	1 748	1 969
with input constraints	1 233	358	1 741	1 631	1 669	1 922
Based on on-farm services	2 131	4 120	4 993	5 099	4 900	4 981
with input constraints	349	677	1 456	1 412	1 441	1 516
Payments based on current A/An/R/I, production required	12 231	5 655	8 699	8 059	9 334	8 703
Based on Receipts / Income	912	2 055	2 201	2 106	2 038	2 459
Based on Area planted / Animal numbers	11 319	3 600	6 498	5 953	7 296	6 244
with input constraints	2 565	1 570	6 492	5 946	7 288	6 242
Payments based on non-current A/An/R/I, production required	0	0	229	328	0	358
Payments based on non-current A/An/R/I, production not required	338	8 789	3 967	7 015	2 452	2 434
With variable payment rates	0	3 969	3 966	7 013	2 451	2 434
with commodity exceptions	0	3 969	3 966	7 013	2 451	2 434
With fixed payment rates	338	4 819	1	3	1	0
with commodity exceptions	0	4 819	0	0	0	0
Payments based on non-commodity criteria	592	2 061	2 065	1 970	1 994	2 231
Based on long-term resource retirement	592	2 050	2 044	1 948	1 974	2 210
Based on a specific non-commodity output	0	0	0	0	0	0
Based on other non-commodity criteria	0	11	21	22	20	21
Miscellaneous payments	0	0	0	0	0	0
Percentage PSE (%)	**21.2**	**20.7**	**10.1**	**9.5**	**8.6**	**12.2**
Producer NPC (coeff.)	**1.12**	**1.12**	**1.04**	**1.03**	**1.03**	**1.07**
Producer NAC (coeff.)	**1.27**	**1.26**	**1.11**	**1.11**	**1.09**	**1.14**
General Services Support Estimate (GSSE)	**3 108**	**6 164**	**9 987**	**9 824**	**10 937**	**9 201**
Agricultural knowledge and innovation system	1 129	1 805	2 358	2 212	2 399	2 462
Inspection and control	372	685	1 269	1 269	1 285	1 252
Development and maintenance of infrastructure	13	461	3 332	3 351	4 151	2 493
Marketing and promotion	495	957	1 279	1 235	1 355	1 247
Cost of public stockholding	0	107	3	9	0	0
Miscellaneous	1 100	2 149	1 747	1 747	1 747	1 747
Percentage GSSE (% of TSE)	**6.4**	**8.6**	**10.6**	**10.6**	**12.0**	**9.3**
Consumer Support Estimate (CSE)	**-2 630**	**2 952**	**32 687**	**35 048**	**32 950**	**30 064**
Transfers to producers from consumers	-11 699	-14 831	-11 738	-10 131	-11 289	-13 795
Other transfers from consumers	-1 314	-1 642	-1 728	-1 368	-1 846	-1 971
Transfers to consumers from taxpayers	10 089	19 425	46 154	46 546	46 085	45 830
Excess feed cost	294	0	0	0	0	0
Percentage CSE (%)	**-2.4**	**2.1**	**13.5**	**15.4**	**13.5**	**11.7**
Consumer NPC (coeff.)	**1.12**	**1.11**	**1.05**	**1.04**	**1.05**	**1.06**
Consumer NAC (coeff.)	**1.02**	**0.98**	**0.88**	**0.87**	**0.88**	**0.89**
Total Support Estimate (TSE)	**48 534**	**72 069**	**94 329**	**92 812**	**90 835**	**99 339**
Transfers from consumers	13 013	16 473	13 466	11 499	13 135	15 766
Transfers from taxpayers	36 835	57 239	82 590	82 681	79 546	85 544
Budget revenues	-1 314	-1 642	-1 728	-1 368	-1 846	-1 971
Percentage TSE (% of GDP)	**1.0**	**0.7**	**0.5**	**0.5**	**0.5**	**0.5**
Total Budgetary Support Estimate (TBSE)	**36 531**	**56 847**	**82 388**	**82 560**	**79 316**	**85 288**
Percentage TBSE (% of GDP)	**0.7**	**0.5**	**0.4**	**0.4**	**0.4**	**0.4**
GDP deflator (1986-88=100)	**100**	**139**	**189**	**185**	**189**	**193**
Exchange rate (national currency per USD)	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

Note: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
A/An/R/I: Area planted/Animal numbers/Receipts/Income.
1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for the United States are: wheat, maize, barley, sorghum, alfalfa, cotton, rice, soybean, sugar, milk, beef and veal, sheep meat, wool, pig meat, poultry and eggs.

Source: OECD (2019), "Producer and Consumer Support Estimates", *OECD Agriculture statistics* (database). doi: http://dx.doi.org/10.1787/agr-pcsedata-en

Contextual information

The United States is the world's second largest economy and the third largest country by land area and population. US GDP per capita is more than double the average of all countries analysed in this report (Table 27.2). Primary agriculture accounts for a small part of the economy – around 1.0% of GDP and 1.6% of employment – but agro-food exports account for almost 11% of total exports. The US agricultural sector benefits from a large domestic consumer market, as well as abundant arable and pasture land and diverse climatic conditions that support production of a wide range of commodities. In recent years, total agricultural production has been divided relatively equally between crops and livestock, although their shares vary over time. Key industries include grains (maize and wheat), oilseeds (soybeans), cotton, cattle, dairy, poultry, and fruits and vegetables.

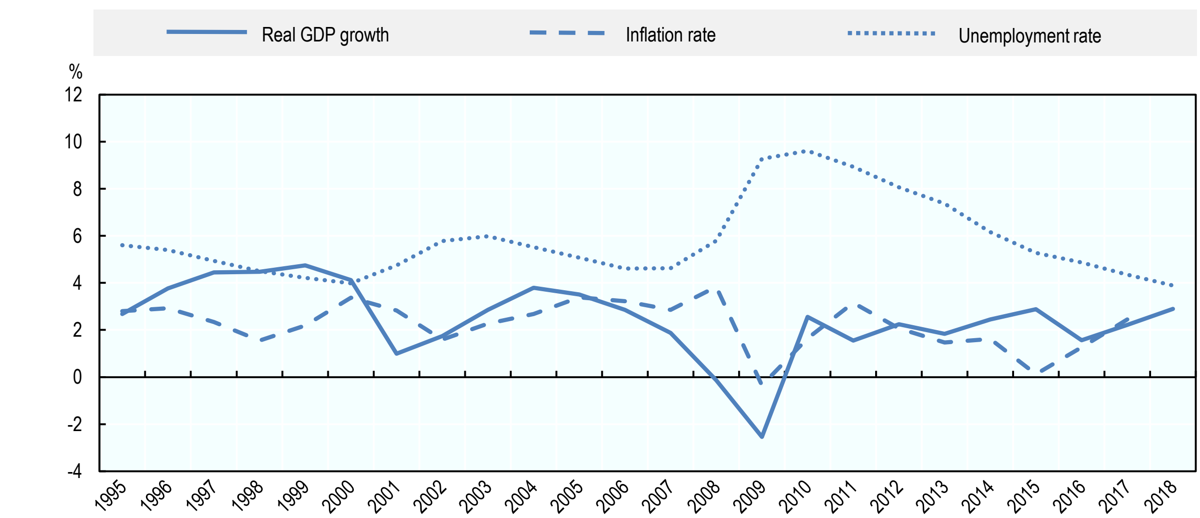
Table 27.2. United States: Contextual indicators

	United States		International comparison	
	1995*	2017*	1995*	2017*
Economic context			**Share in total of all countries**	
GDP (billion USD in PPPs)	7 640	19 485	25.9%	19.0%
Population (million)	267	326	6.9%	6.8%
Land area (thousand km^2)	9 159	9 147	11.5%	11.3%
Agricultural area (AA) (thousand ha)	420 139	405 863	14.0%	13.6%
			All countries[1]	
Population density (inhabitants/km^2)	29	35	48	60
GDP per capita (USD in PPPs)	28 749	59 535	7 642	21 231
Trade as % of GDP	9	10	9.9	14.7
Agriculture in the economy			**All countries[1]**	
Agriculture in GDP (%)	1.6	1.0	3.3	3.5
Agriculture share in employment (%)	2.8	1.6	-	-
Agro-food exports (% of total exports)	11.4	10.8	8.1	7.5
Agro-food imports (% of total imports)	4.4	5.6	7.4	6.6
Characteristics of the agricultural sector			**All countries[1]**	
Crop in total agricultural production (%)	61	57	-	-
Livestock in total agricultural production (%)	39	43	-	-
Share of arable land in AA (%)	43	38	33	34

Note: *or closest available year. 1. Average of all countries covered in this report. EU treated as one.
Source: OECD statistical databases; UN Comtrade; World Bank, WDI and national data.

The rate of US economic growth increased in 2018, and unemployment is at its lowest level since 2000 (Figure 27.4). The current expansion is now one of the longest on record. The United States is a net exporter of agro-food products and the world's largest agricultural exporter. In recent years the US agro-food trade surplus has narrowed (Figure 27.5). Exports to Canada, the People's Republic of China (hereafter "China") and Mexico accounted for over 42% of US agro-food exports in 2017, while over half of US agro-food imports are sourced from Mexico, Canada and the European Union. Exports are dominated by primary products for further processing and processed products for final consumers, while almost half of agro-food imports are processed products for final consumption.

Figure 27.4. United States: Main economic indicators, 1995 to 2018



Sources: OECD statistical databases; World Bank, WDI and ILO estimates and projections.

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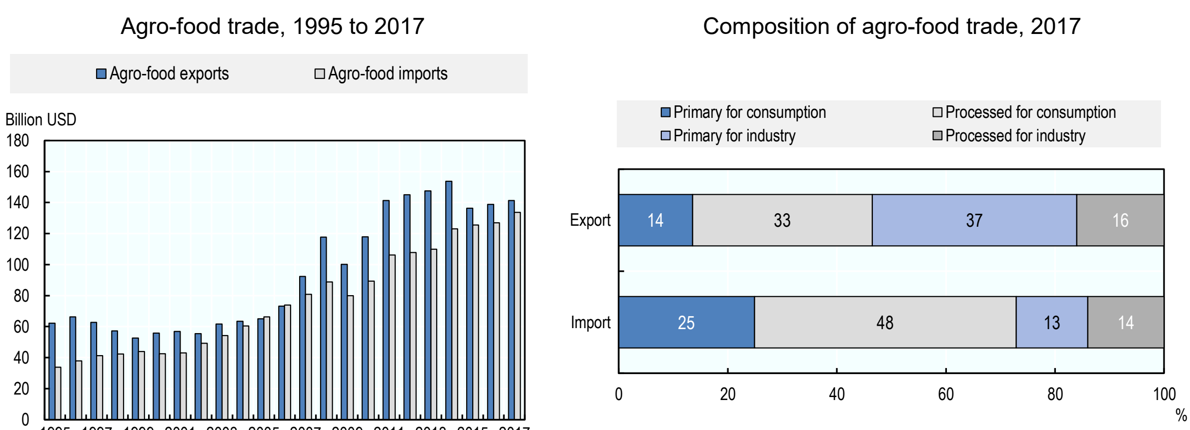
Figure 27.5. United States: Agro-food trade



Note: Numbers may not add up to 100 due to rounding.
Source: UN Comtrade Database.

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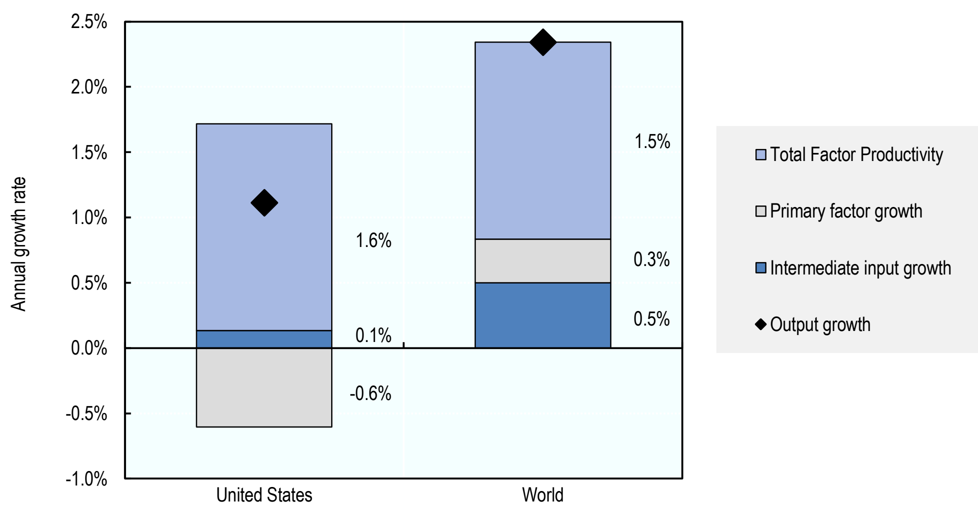
Total factor productivity (TFP) growth has driven agricultural output growth of 1.1% per year on average over the recent decade, offsetting declining use of primary factors (Figure 27.6). TFP growth averaged 1.6% per year between 2006 and 2015, driven by farm consolidation and the adoption of innovations in crop and livestock breeding, nutrient use and pest management, farm practices, and farm equipment and structures. The high productivity growth realised by US agriculture has been achieved with an overall reduction in environmental pressures from the sector. Nutrient surplus intensities at the national level have declined and are at similar levels to the average for OECD countries (Table 27.3).

Agriculture's share in energy use is below the OECD average, as are greenhouse gas (GHG) emissions. However, water stress in the United States is above the OECD average.

Figure 27.6. United States: Composition of agricultural output growth, 2006-15



Note: Primary factors comprise labour, land, livestock and machinery.
Source: USDA Economic Research Service Agricultural Productivity database.

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Table 27.3. United States: Productivity and environmental indicators

	United States		International comparison	
	1991-2000	2006-2015	1991-2000	2006-2015
			World	
TFP annual growth rate (%)	2.2%	1.6%	1.6%	1.5%
			OECD average	
Environmental indicators	**1995***	**2017***	**1995***	**2017***
Nitrogen balance, kg/ha	37.1	28.1	33.2	30.0
Phosphorus balance, kg/ha	4.0	2.7	3.7	2.3
Agriculture share of total energy use (%)	1.1	1.3	1.9	2.0
Agriculture share of GHG emissions (%)	7.6	8.6	8.5	8.9
Share of irrigated land in AA (%)	5.3	5.3	-	-
Share of agriculture in water abstractions (%)	41.3	35.8	45.4	42.5
Water stress indicator	18.8	19.8	9.7	9.7

Note: * or closest available year.
Source: USDA Economic Research Service, Agricultural Productivity database; OECD statistical databases; FAO database and national data.

Description of policy developments

Main policy instruments

The Agricultural Act of 2014 (2014 Farm Bill) provides the basic legislation governing farm programmes for the period 2014 to 2018. The 12 titles of the 2014 Farm Bill authorise policies for commodity programmes, crop insurance, conservation on agricultural land, domestic food assistance, agricultural trade promotion and international food aid, farm credit, rural development, agricultural research, forestry on private lands, horticulture and organic agriculture, and bioenergy, among others. Almost 80% of budgetary spending under the 2014 Farm Bill is allocated to domestic food assistance programmes – primarily, the *Supplemental Nutrition Assistance Program* (SNAP) – with farm programmes accounting for just over 20% of the projected budgetary outlays.

Agriculture in the United States is also affected by a wide range of other legislation, at both Federal, State and local levels, including trade measures, food safety regulation, commodity trading and finance, tax policy, energy, and transportation.

The primary crop commodity programmes under the 2014 Farm Bill include programmes that make payments to producers with historical base acres of programme crops (wheat, feed grains, rice, oilseeds, peanuts and pulses)[1] when prices fall below statutory minimums or when crop revenue is low relative to recent levels. Producers are not required to produce the historical covered commodity to receive payments on their historical base. Price Loss Coverage (PLC), a counter-cyclical price programme, makes a payment when market prices for covered crops fall below their fixed reference prices. Agriculture Risk Coverage (ARC), a revenue-based programme, makes a payment when actual revenue at the county level falls below rolling average benchmark revenues. For both programmes, payments are made on 85% of base acres. Participating producers were required to make a choice between the PLC and ARC programmes on a commodity-by-commodity basis, which then remained in place through 2018.

Sugar is supported by a tariff rate quota (TRQ), together with provisions for non-recourse loans and marketing allotments. Milk and dairy products are no longer supported by minimum prices with government purchases of butter, skim milk powder and cheddar cheese, but tariffs and TRQs continue. A programme for dairy producers, the Margin Protection Program for Dairy Producers (MPP-Dairy), insures the margin between milk price and feed costs for a premium, with payments made on enrolled historical milk production. The related Dairy Product Donation Program (DPDP) makes purchases of dairy products for feeding programmes under certain conditions, which did not occur during the 2014-18 period. Marketing assistance loans continue for wheat, feed grains, cotton, rice, oilseeds, pulses, wool, mohair and honey, as do border measures (including TRQs) for beef and sheep meat and some other products, although US agricultural tariffs are generally low.

The crop insurance programme offers coverage options for both yield and revenue losses. Traditional crop insurance makes available subsidised crop insurance to producers who purchase a policy to protect against losses in yield, crop revenue, or whole farm revenue. In addition, the Supplementary Coverage Option (SCO) offers producers additional area-based insurance coverage in combination with traditional crop insurance policies (but excluding crops for which producers have elected to participate in the ARC programme). The Stacked Income Protection Plan (STAX) provides premium subsidies to upland cotton producers to purchase area-based revenue insurance policies (cotton is not a covered commodity under the PLC and ARC programmes). Participants in the STAX programme may not purchase SCO policies for the same upland cotton acreage.

At the federal level, agri-environmental programmes focus on measures to: convert environmentally fragile cropland to approved conservation uses (including long-term retirement); and encourage crop and livestock producers to adopt practices that reduce environmental pressures. Since the enactment of the 1985 Farm Act, eligibility for most federal commodity programme payments is subject to the recipients having established an individual farm-based conservation plan to protect highly erodible cropland and wetlands.

The 2014 Farm Act restored the conservation compliance eligibility requirement for crop insurance premium subsidies that was removed in 1996.

Other farm programmes include direct and guaranteed loans – including microloans – for farmland purchase and for operating credit, which are designed to assist producers who face difficulty obtaining credit on their own in the private market, particularly beginning, military veteran, and socially disadvantaged farmers. Farm Bill programmes also support public agricultural research and technical assistance, including programmes targeted specifically to specialty crops, organic production, and pest and disease prevention, as well as promotion of sustainable farming practices.

Production of ethanol and other biofuels is mainly supported in the form of mandated blending for fuel use, and loan and grant programmes.

The United States is continually working to enhance agricultural productivity, even under increasing climate variability and extreme weather events. On climate adaptation, The United States Department of Agriculture (USDA) continues to operate its network of Regional Climate Hubs. These link USDA research and programme agencies in order to develop and deliver science-based, region-specific information and technologies to agricultural producers and professionals to enable climate-informed decision-making, and provide access to assistance to implement those decisions. USDA also helps producers mitigate GHG emissions and adapt to a changing climate, while improving the natural resource base, by providing technical and financial assistance to landowners through various conservation practices and programmes. The United States signed the Paris Agreement on Climate Change on 22 April 2016, but has since announced its intention to withdraw from the Paris Agreement.

Domestic policy developments in 2018-19

The most significant policy developments in 2018-19 include the enactment of a new Farm Bill, the Agriculture Improvement Act of 2018 (2018 Farm Bill), preceded by changes to farm programmes in the Bipartisan Budget Act of 2018 (BBA), and the package of trade mitigation programmes announced in July 2018 to assist farmers affected by retaliatory tariffs resulting in the loss of traditional export markets. The United States also renegotiated the trilateral trade agreement with Canada and Mexico, with the new United States–Mexico–Canada Agreement (USMCA) intended to supersede NAFTA.

The **2018 Farm Bill** was enacted on 20 December 2018 and will remain in force through 2023. The key changes to agricultural and food policies are highlighted in the following section on "Key changes from the 2018 Farm Bill", although their impact will not be seen until implementation begins in 2019. Other legislative changes to farm programmes that took effect during 2018 include programmes amended by the Bipartisan Budget Act of 2018 (BBA), which was enacted in February 2018, and include revisions to: the *Agriculture Risk Coverage* (ARC) and *Price Loss Coverage* (PLC) programmes, the *Margin Protection Program for Dairy* (MPP-Dairy), and disaster programmes.

In July 2018, USDA announced a package of **trade mitigation programmes** to assist farmers affected by retaliatory tariffs resulting in the loss of traditional export markets. The package included three programs: the *Market Facilitation Program* (MFP), the *Food Purchase and Distribution Program* (FPDP), and the *Agricultural Trade Promotion Program* (ATP). The MFP provided payments to producers of eight commodities – soybeans, cotton, wheat, sorghum, hogs, milk, fresh sweet cherries, and shelled almonds – directly impacted by retaliatory tariffs during the 2018 crop year, resulting in the loss of traditional export markets. Payments were made on 2018 production at fixed rates in two instalments and are expected to total USD 8-9 billion. The FPDP provides for purchases of up to USD 1.2 billion in other commodities targeted by retaliatory tariffs. The ATP will provide up to USD 200 million in cost-share assistance to eligible US organisations to develop foreign markets for US agricultural products through activities such as consumer advertising, public relations, point-of-sale demonstrations, participation in trade fairs and exhibits, market research, and technical assistance.

A number of changes to programmes that make **direct payments** to producers were implemented in 2018, including revisions to the ARC/PLC programme made under the BBA (OECD, 2018[2]). The BBA established seed cotton as a covered commodity under the ARC and PLC programmes. Producers with generic base acres (former upland cotton base acres) reallocated that base to either seed cotton or other covered commodities based on 2009-12 planting history. Producers allocating their base acres to seed cotton had a one-time opportunity to update former upland cotton payment yields to 90% of their average 2008-12 upland cotton yields. Producers allocating generic acres to seed cotton elected either ARC or PLC coverage for their seed cotton base acres; producers allocating to other covered commodities retained their existing ARC or PLC election for that base. Enrolment of seed cotton and other covered commodity base was completed in December 2018.

Payments to cotton producers under a second ad hoc *Cotton Ginning Cost Share* (CGCS) programme, announced on 3 March 2018, were completed by the end of September. Payments were based on a producer's 2016 cotton planted acres, multiplied by 20% of the average ginning cost for each production region. Producers were required to meet eligibility requirements, including active engagement in farming, conservation compliance, and adjusted gross income limits. Payments were limited to USD 40 000 per producer.

On **disaster assistance**, the BBA made a number of changes in eligible losses and payment limits to Supplemental Disaster Assistance Programs – the standing disaster programmes for livestock and trees, bushes, vineyards. Those changes came into effect in 2018 (OECD, 2018[2]).

The BBA also provided USD 2.36 billion in disaster assistance for crop, tree, bush, and vine losses caused by hurricanes and wildfires during 2017. That assistance was implemented through the Wildfires and Hurricanes Indemnity Program (WHIP). Producers with crop insurance or non-insured crop disaster assistance program (NAP) coverage were eligible for higher loss compensation than those who were uninsured. In addition, producers receiving 2017 WHIP payments are required to purchase crop insurance at the 60% coverage level, or NAP if crop insurance is not available, for the next two crop years after payments were received. NAP provides financial assistance to producers of non-insurable crops when low yields, loss of inventory, or prevented planting occur due to natural disasters.

In addition to WHIP, USDA provided a grant to the State of Florida to reimburse citrus producers for the cost of buying and planting replacement trees, including resetting and grove rehabilitation, repairing damages to irrigation systems, and for losses incurred during the 2019 and 2020 crop years resulting from damage caused by the 2017 hurricanes.

On **food labelling**, on 20 December 2018, the Secretary of Agriculture announced the National Bioengineered Food Disclosure Standard. The National Bioengineered Food Disclosure Law, passed by Congress in 2016, directed USDA to establish a national mandatory standard for disclosing foods that are or may be bioengineered. The Standard defines bioengineered foods as those that contain detectable genetic material that has been modified through certain lab techniques and cannot be created through conventional breeding or found in nature. The implementation date of the Standard is 1 January 2020, except for small food manufacturers, whose implementation date is 1 January 2021. The mandatory compliance date is 1 January 2022. Regulated entities may voluntarily comply with the Standard until 31 December 2021.

On **natural resources and environmental measures**, on 6 August 2018, USDA released a three-year action plan that outlines its priorities and goals for using current and future Farm Bill conservation programmes to help agricultural producers improve the water quality and overall health of the Chesapeake Bay watershed, which has been the focus of ongoing efforts to improve water quality and natural resources. The plan, developed by USDA's Natural Resources Conservation Service, will rely on financial and technical support from Farm Bill conservation programmes and will be implemented in close association with soil and water conservation districts, government agencies and non-government organisations in the Chesapeake Bay watershed.

On 18 September 2018, USDA released a set of standard indicators and associated laboratory procedures to assess soil health. These measures – recommended through a multi-organisation collaboration among soil health experts in the federal, university, public and private sectors – are being developed to improve conservation programme planning and implementation across the United States. The indicators include organic matter recycling and carbon sequestration, soil structure stability, general microbial activity, carbon food source, bioavailable nitrogen, and microbial community diversity. Laboratory methods for assessing each indicator were chosen based on interpretability, ease of use, cost effectiveness, measurement repeatability, and ability to inform agricultural management decisions.

On 7 December 2018, USDA announced updated guidance for making wetland determinations for conservation compliance, required for participation in USDA programmes and Federal crop insurance. The updates clarify and provide for increased uniformity, but do not change the definition of wetland. Updates to the conservation compliance provisions include: a specified date range for precipitation data; clarification of previously completed wetland determinations; adding definitions for specific wetland types to the regulation; clarifying the limits on where determinations are required; establishing that offsite impacts on neighbouring wetlands can be assessed when producers request minimal effects exemption determinations; and incorporating criteria to reflect on-field observations of hydrology.

Highlights from the 2018 Farm Bill

The 2018 Farm Bill was enacted on 20 December 2018, and will remain in force through 2023. The legislation is divided into 12 titles that authorise policies for commodity programmes, conservation on agricultural land, agricultural trade promotion and international food aid, nutrition programmes, farm credit, rural development, agricultural research, forestry on private lands, energy, horticulture and organic agriculture, and crop insurance, among others. The 2018 Farm Bill generally continues programmes under the 2014 Farm Bill and there are few major changes to agricultural and food policies, with changes made to some programmes under the Bipartisan Budget Act of 2018 (see (OECD, 2018[2]) and this section).

Total expenditures for the 2018 Farm Bill are projected to be USD 428 billion, slightly higher than the level projected for a continuation of the 2014 Farm Bill. Of that amount, 76% is projected for programmes in the Nutrition title, primarily for the Supplemental

Nutrition Assistance Program (SNAP). Crop insurance is projected to account for 9% of total expenditures, and Commodities and Conservation for 7% each. The remaining titles together account for only 1% of projected spending, although increases in funding for programmes in those titles make up half of the USD 1.8 billion increase in projected 2018 Farm Bill funding.

The 2018 Farm Bill extends the main **crop commodity programmes** that make payments to producers with historical base acres of programme crops – Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) – with only minor changes to yield calculations. ARC benchmark revenue formulas will reflect historical yield trends. The law also increased substitute (or plug) yields, which are used to mitigate the effects of years with unusually low yields on the benchmark. Producers will have a one-time option to update PLC payment yields on their base acres. In addition, the reference prices used to determine PLC payment rates and to provide a floor price for ARC revenue calculations will be allowed to rise up to 15% above the reference price established in the 2014 Farm Bill when the five-year average price for a covered commodity rises sufficiently above the statutory reference price. Producers with historical base will also be given the opportunity to change their programme election between ARC and PLC annually, beginning in crop year 2021. Finally, base acres that have remained in continuous grassland since 2017 will be suspended from eligibility for ARC or PLC, but will become eligible for conservation payments under the Conservation Stewardship Program (CSP).

The 2018 Farm Bill raises loan rates for most commodities under the Marketing Assistance Loan programme, although those loan rates remain below current market prices. The law also lifts payment limits for marketing assistance loans (including for peanuts). However, payment limits were not binding under the previous rule due to the availability of the certificate exchange repayment option, which was not subject to payment limits.

On **sugar**, the non-recourse loan rate for sugar, which allows producers to forfeit their commodity when sugar prices fall below that level, was raised from USD 0.1875/lb to USD 0.1975/lb.

On **dairy**, the 2018 Farm Bill replaces the Margin Protection Program for dairy producers (MPP-Dairy) with the Dairy Margin Coverage (DMC) programme. Some of the changes are carried over from the revisions to MPP-Dairy included in the BBA, including the increase in the share of historical milk production eligible for lower premiums, and the monthly margin calculation and payment period. DMC also increases the top level of margin coverage available on the first 5 million pounds of historical production from USD 8 to USD 9.50 per hundredweight (cwt), and reduces the premiums for other coverage levels. The 2018 Farm Bill also allows producers to participate in both DMC and dairy livestock insurance programmes.

On **disaster assistance**, the 2018 Farm Bill adjusted the Livestock Indemnity Program (LIP) to expand the losses eligible for coverage, including loss of un-weaned livestock due to adverse weather and livestock losses due to certain livestock diseases. The 2018 Farm Bill also removes the payment limit for the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP), leaving the Livestock Forage Disaster Program (LFP) the only livestock disaster programme subject to a payment limit. The BBA lifted the payment limitation for LIP.

On **animal disease prevention and response**, the 2018 Farm Bill reauthorises and provides mandatory funding for the National Animal Health Laboratory Network and directs USDA to create two new programmes to improve US systems to protect against, prepare for, and respond to animal and zoonotic disease outbreaks: the National Animal Disease Preparedness and Response Program (NADPRP) and the National Animal Vaccine and Veterinary Countermeasures Bank (NAVVCB).

On **crop insurance**, the 2018 Farm Bill makes only limited changes to the Federal Crop Insurance Program (FCIP). However, there are new provisions that address conservation issues. New penalties are added to "sodsaver" provisions that limit insurance availability for crops grown on native sod, and new definitions of "good farming practices" will include approved conservation practices like the use of cover crops. The law also expands the list of insurable commodities, including, but not limited to: irrigated grain sorghum, irrigated rice production, citrus crops, hops and industrial hemp. Emphasis is also placed on expanding research to improve insurance products for specialty and alternative crops, including whole-farm insurance, losses from tropical storms and hurricanes, citrus crops, greenhouse production, and local foods.

The 2018 Farm Bill makes no major changes to the suite of **conservation programmes** operated by USDA. Mandatory funding for conservation programmes is increased by a total of roughly 2% during 2019-23, but working land programme funding as a share of total conservation funding continues at the same level as under the 2014 Farm Bill, ending the shift in conservation programme funding towards working lands programmes that has held for the last three Farm Bills. Regarding programmes on working land (that is, cropland and grazing land in production), funding was increased for the Environmental Quality Incentives Program (EQIP). The Conservation Stewardship Program (CSP) was continued, but at a reduced funding level, and its acreage cap was replaced by a funding cap. Regarding land retirement programmes, funding was increased for the Agricultural Conservation Easement Program (ACEP) and the acreage cap for the Conservation Reserve Program (CRP) was increased from 24 million acres to 27 million acres by 2023. The Regional Conservation Partnership Program (RCPP) is now directly funded and no longer implemented through set-asides from the other Farm Bill conservation programmes

Provisions in the 2018 Farm Bill to protect drinking water require USDA to use at least 10% of funding for conservation programmes (except CRP) to encourage practices related to water quality and quantity that protect source waters for drinking.

On **finance and farm credit**, the upper limit on farm ownership and operating loans has been increased to allow producers to borrow larger amounts, reflecting increased land values and operating costs since that last increase in 2008.

On **trade**, a new Agricultural Trade Promotion and Facilitation Program, with mandatory annual funding of USD 255 million, consolidates funding for USDA's four continuing market development and export promotion programmes – the Market Access Program (MAP), the Foreign Market Development Program (FMDP), the Emerging Markets Program (EMP), and the Technical Assistance for Specialty Crops (TASC) programme – and adds to it the Priority Trade Fund (PTF). The PTF provides the Secretary of Agriculture USD 3.5 million annually to support new flexibility for expanding or maintaining markets when the other trade promotion programmes have reached authorised funding limits. In addition, funding under the MAP and FMDP programmes may now be used to carry out authorised programmes in Cuba, with some restrictions.

On **research**, among a number of provisions modifying continuing programmes, the 2018 Farm Bill establishes the new Agricultural Advanced Research and Development Authority (AGARDA) to develop technologies, research tools, and products through advanced research on long-term and high-risk challenges for food and agriculture. AGARDA will focus on basic and long-term research not supported by industry. The Research title also provides support for international capacity-building partnerships.

On **technical assistance**, the 2018 Farm Bill continues to make assistance for beginning, socially disadvantaged, and military veteran farmers a priority area for technical assistance.

On **domestic food assistance**, the 2018 Farm Bill makes few changes to the Nutrition title, but provides additional funds to expand education and training programmes for able-bodied low-income Americans eligible to receive food assistance through SNAP and expands data tracking for programme integrity.

The 2018 Farm Bill renames the Food Insecurity and Nutrition Incentive grant programme as the Gus Schumacher Nutrition Incentive Program, and makes it permanent with funding of approximately USD 50 million per year. The programme provides Federal matching funds to projects that encourage SNAP recipients to purchase fruits and vegetables by reducing their purchase cost. A "produce prescription programme" is established as a separate component of the grant programme, with funding to develop and evaluate projects that provide fruits and vegetables in hospitals and clinics to SNAP participants with or at risk of developing diet-related health conditions.

Trade policy developments in 2018-19

On 30 November 2018, the United States, Mexico, and Canada signed a new trade agreement, the **United States-Mexico-Canada Agreement** (USMCA). This new agreement will replace the North American Free Trade Agreement (NAFTA) once it is ratified by all three countries and enters into force. All food and agricultural products that have zero tariffs under NAFTA will remain at zero tariffs. Since the original NAFTA did not eliminate all tariffs on agricultural trade between the United States and Canada, the USMCA will create new market access opportunities for United States exports to Canada of dairy, poultry, and eggs, and in exchange the United States will provide new access to Canada for dairy, peanuts, processed peanut products, and a limited amount of sugar and sugar-containing products. All other tariffs on agricultural products traded between the United States and Mexico will remain at zero (USTR, 2018[3]).

On 16 October 2018, the US Trade Representative notified the US Congress that the Administration intended to initiate negotiation on trade agreements with the **European Union, Japan**, and the **United Kingdom**.

On 18 January 2018, the WTO compliance panel issued its report in the **China** – Anti-Dumping and Countervailing Duty Measures on Broiler Products from the United States case. The compliance panel found that China did not bring its measures into compliance with the panel's findings. China agreed to remove the antidumping and countervailing duties that were subject to the dispute (WTO, 2019[4]).

On 20 July 2018, the United States requested the establishment of a panel to examine **Canadian** measures governing the sale of wine in grocery stores. On 30 November 2018, the United States and Canada signed a side letter as part of the USMCA to modify the measures identified in the US panel request by 1 November 2019. The United States agreed to pause the WTO dispute until 1 November 2019 (WTO, 2019[5]).

On 1 August 2018, the US Commerce Department put in place an antidumping and countervailing duty order on **Spanish** ripe olive imports, following the final determination of the US International Trade Commission that subsidised imports of Spanish ripe olives had caused material injury to the US industry.

The United States initiated WTO dispute proceedings against **China** regarding its domestic support and administration of tariff-rate quotas for wheat, rice and maize continued in 2018. A WTO dispute panel circulated its report for the domestic support case on 28 February 2019 and found that China had exceeded its 8.5% *de minimis* level of support for wheat and rice. On that basis, the panel recommended that China bring its inconsistent measures into conformity with its obligations under the Agreement on Agriculture. The panel report did not make an assessment for maize, as the minimum purchase price system for maize was eliminated in 2016 (WTO, 2019[6]). The panel report in the TRQ case is expected in 2019 (WTO, 2019[7]).

In 2017, the United States proceeded with arbitration to determine the level of countermeasures against **India** in relation to its restrictions on imported US poultry and other products. The United States and India on several occasions postponed both the release of the Arbitrator's decision on the level of suspension of concessions and the remaining steps in the compliance panel proceeding while the two sides discuss potential resolution of the dispute. In March 2018, the United States and India agreed to veterinary export certificates for the shipment to India of US poultry and poultry products (WTO, 2019[8]).

In November 2017, the WTO Appellate Body ruled in favour of the United States in the case of Indonesia's licensing regimes affecting importation of certain horticultural products, animals and animal products. Indonesia was given until 22 July 2018 to comply with the panel ruling. On 2 August 2018, the United States requested WTO authorisation to suspend concessions pursuant to Article 22.2 of the Uruguay Round Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU). On 14 August 2018, Indonesia objected to the United States' proposed level of suspension of concessions and the matter was referred to arbitration (WTO, 2019[9]).

Note

[1] Base acres are a farm's historical crop-specific acreage of wheat, feed grains, upland cotton, rice, oilseeds, pulse crops, or peanuts eligible to participate in commodity programs. Base acres do not necessarily align with current plantings (USDA, 2019[10]).

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