

U.S. FEDERAL AND STATE SUBSIDIES TO AGRICULTURE AND NAFTA PROSPECTS

A PRESENTATION TO
DAIRY FARMERS OF CANADA
ANNUAL POLICY CONFERENCE

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Objective

The objective of this study is to determine:

- a) the total value of current and projected support;
- b) the total amount of support and subsidies directly and indirectly related to dairy production; and
- c) the estimated benefits of such support per hectolitre of milk produced in the USA

Programs Analyzed

GCS study:

- analyzes and quantifies all publicly available information on federal and state programs that directly or indirectly support U.S. agriculture.
- Includes:
 - domestic support programs,
 - export subsidy programs,
 - conservation programs,
 - crop and livestock gross margin,
 - insurance programs,
 - risk management programs,
 - disaster relief assistance programs,
 - loan programs, crop insurance and livestock support programs
 - as well as renewable fuels incentives and subsidies and irrigation programs.

Sources of Data

- **USDA Budget**
- **USDA ERS**
- **State Government Budgetary Statistics**
- **California Irrigation Data by Crop**
- **Congressional Analysis, and**
- **Think Tanks and Farm focussed universities**

Methodology

- **Budget data for first year after the last Farm Bill**
- **Must make assumptions for allocations to dairy in absence of precise data**
- **Assess all programs other than those which specifically do not apply to dairy**
- **Allocation based on dairy share in farm gate revenue (10.54%)**

Total Benefits 2015

Summary of U.S. Subsidies to Dairy (2015)

	Per cwt		Per hl	
	US\$	C\$	US\$	C\$
Federal	10.70	13.68	24.29	31.05
State/Local	1.36	1.74	3.09	3.97
Total	12.06	15.42	27.38	35.02

Methodology

The report provides extensive detail on each program reviewed or support activity, including:

- a) a description of the program;
- b) an assessment of the WTO compatibility of the program;
- c) expenditures made or support provided under the program;
and
- d) the portion of such support allocated to U.S. dairy production.

Program Analysis

- Direct to Dairy 100%
- Ignore Peanuts, Sugar, Cotton – No benefit
- 10.54% of general programs
- State programs based on dairy share of production
- +10.54 of water management programs at the Department of Interior Bureau of Reclamation
- Other irrigation analysis

Nutrition Programs – SNAP Expenditures

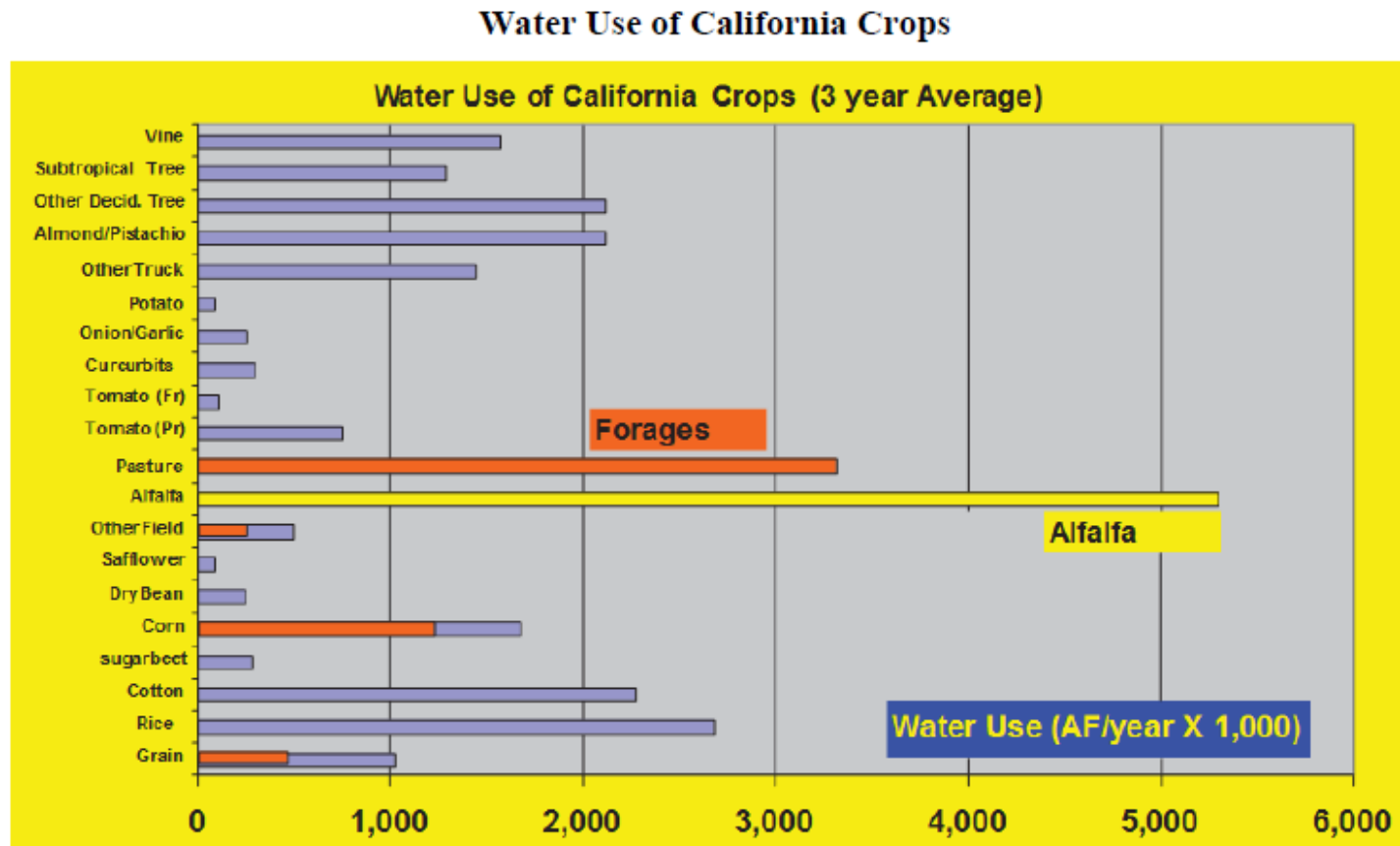
A study by the U.S. House of Representatives Agriculture Committee tracked expenditures on different food types included in SNAP (Supplemental Nutrition Assistance Program) as follows:

SNAP Household Expenditures by Summary Category

Summary Category	SNAP Household Expenditures	
	Rank	% of Expenditures
Meat, Poultry and Seafood	1	19.19%
Sweetened Beverages	2	9.25%
Vegetables	3	7.19%
Frozen Prepared Foods	4	6.92%
Prepared Desserts	5	6.90%
High Fat Dairy/Cheese	6	6.50%
Bread and Crackers	7	5.39%
Fruits	8	4.68%
Milk	9	3.54%
Salty Snacks	10	3.43%
Prepared Foods	11	3.07%
Cereal	12	2.84%
Condiments and Seasoning	13	2.65%
Fats and Oils	14	2.36%
Candy	15	2.10%

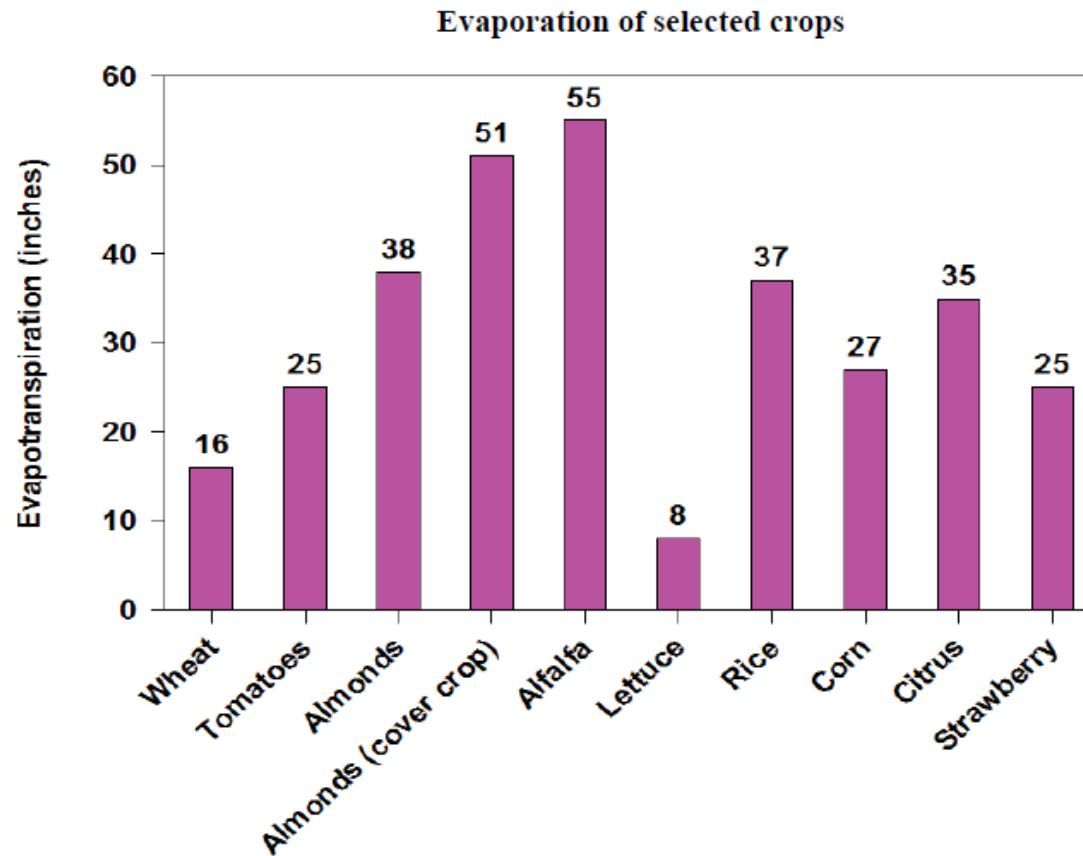
Source: USDA FNS Nutrition Assistance Program Report. Foods Typically Purchased by Supplemental Nutrition Assistance Program Households. November 2016. <http://www.fns.usda.gov/snap/foods-typically-purchased-supplemental-nutrition-assistance-program-snap-households>.

Irrigation (Alfalfa)



Source: Irrigation of Agricultural Crops in California, Department of Land, Air and Water Resources, University of California, Blaine Hanson

Irrigation (Alfalfa)

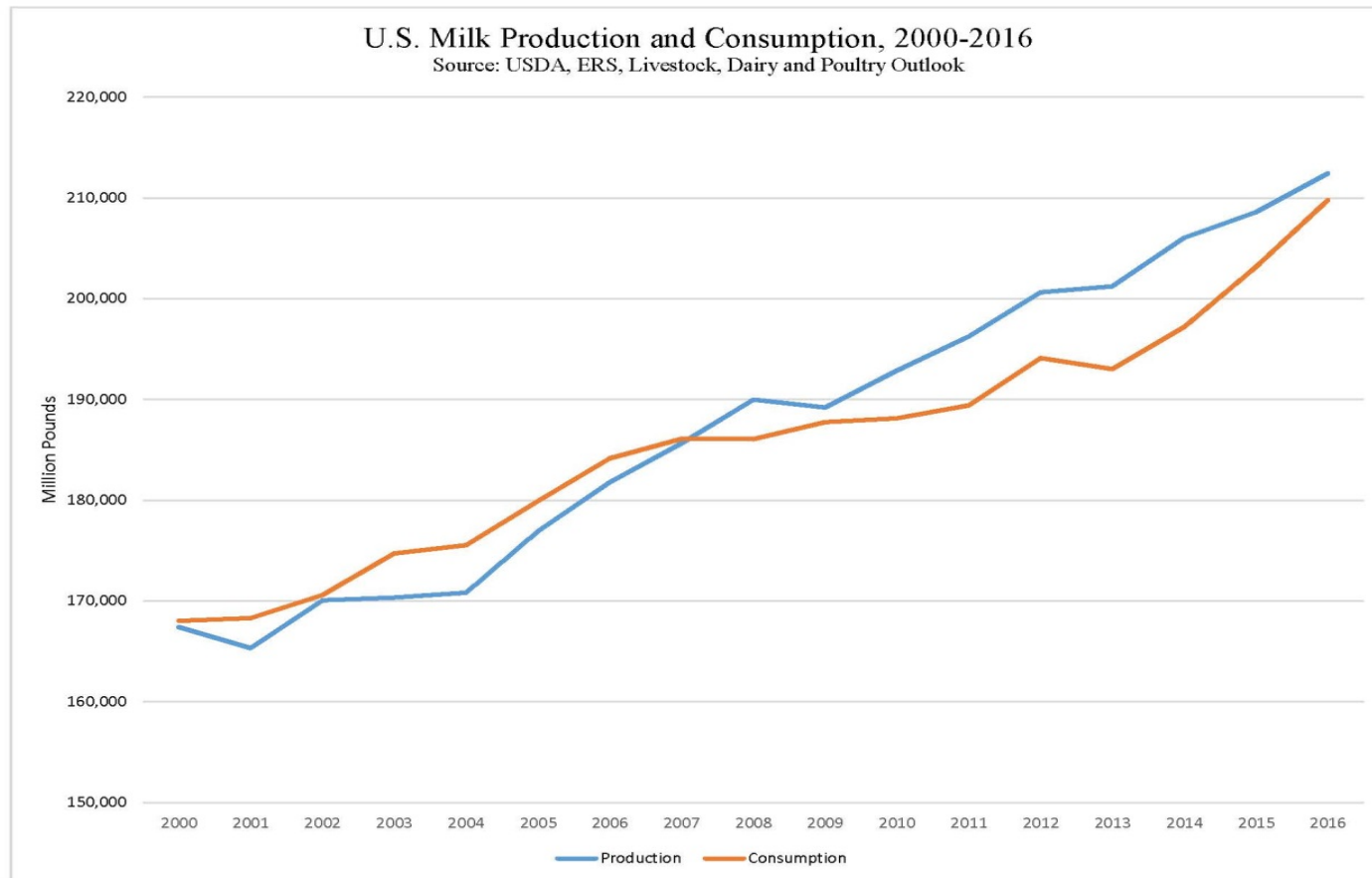


Source: Irrigation of Agricultural Crops in California, Department of Land, Air and Water Resources, University of California, Blaine Hanson

Conservative Approach

- did not estimate price support benefits
- did not adjust for the 50% of U.S. agriculture which gets no subsidies
- did not include the Article 9(1)(e) export subsidy benefits to avoid duplication
- did not attribute any benefits from Milk Marketing Orders

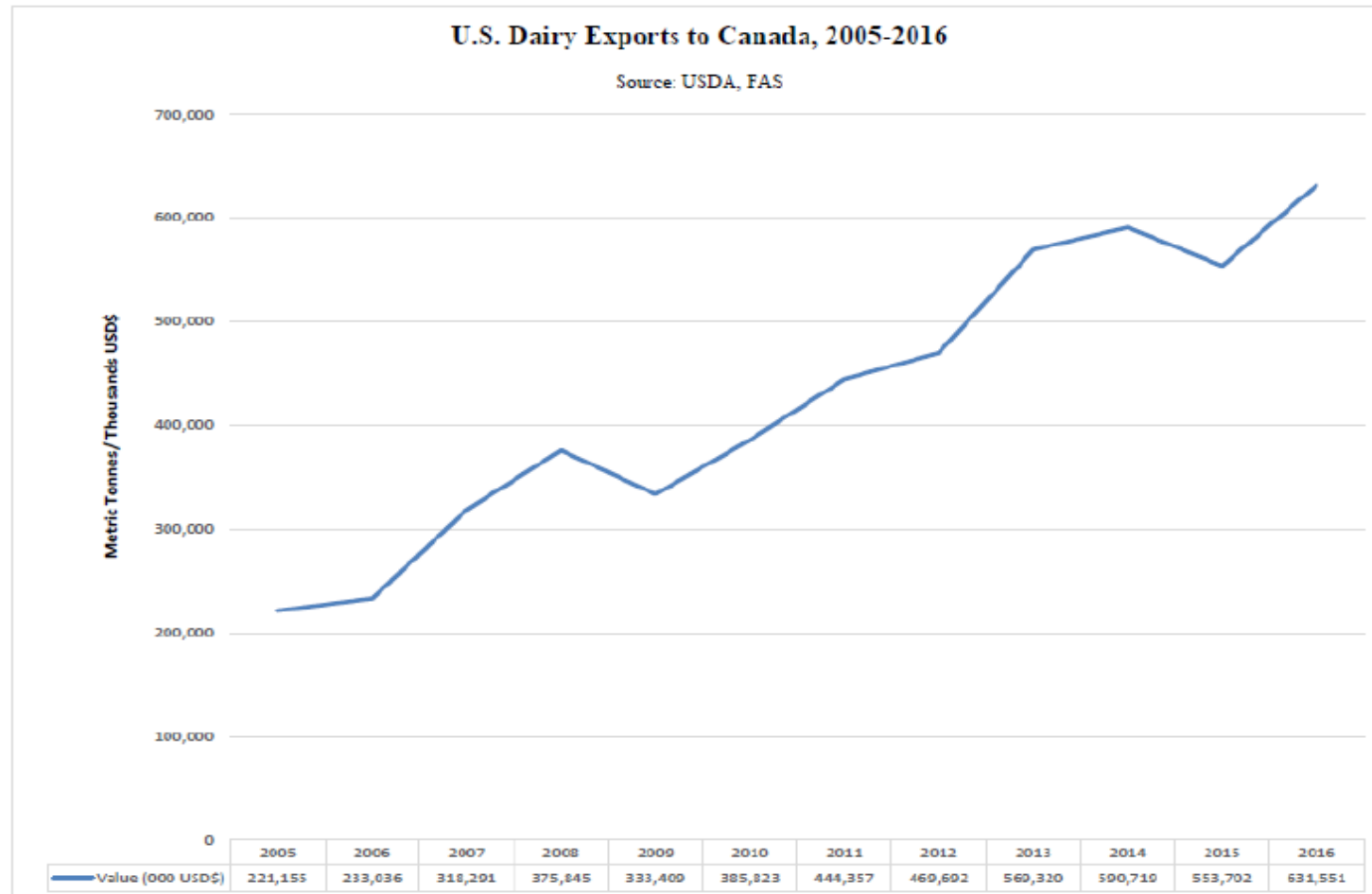
U.S. Milk Production and Consumption



U.S. Imports and Exports of Milk



U.S. Dairy Exports to Canada



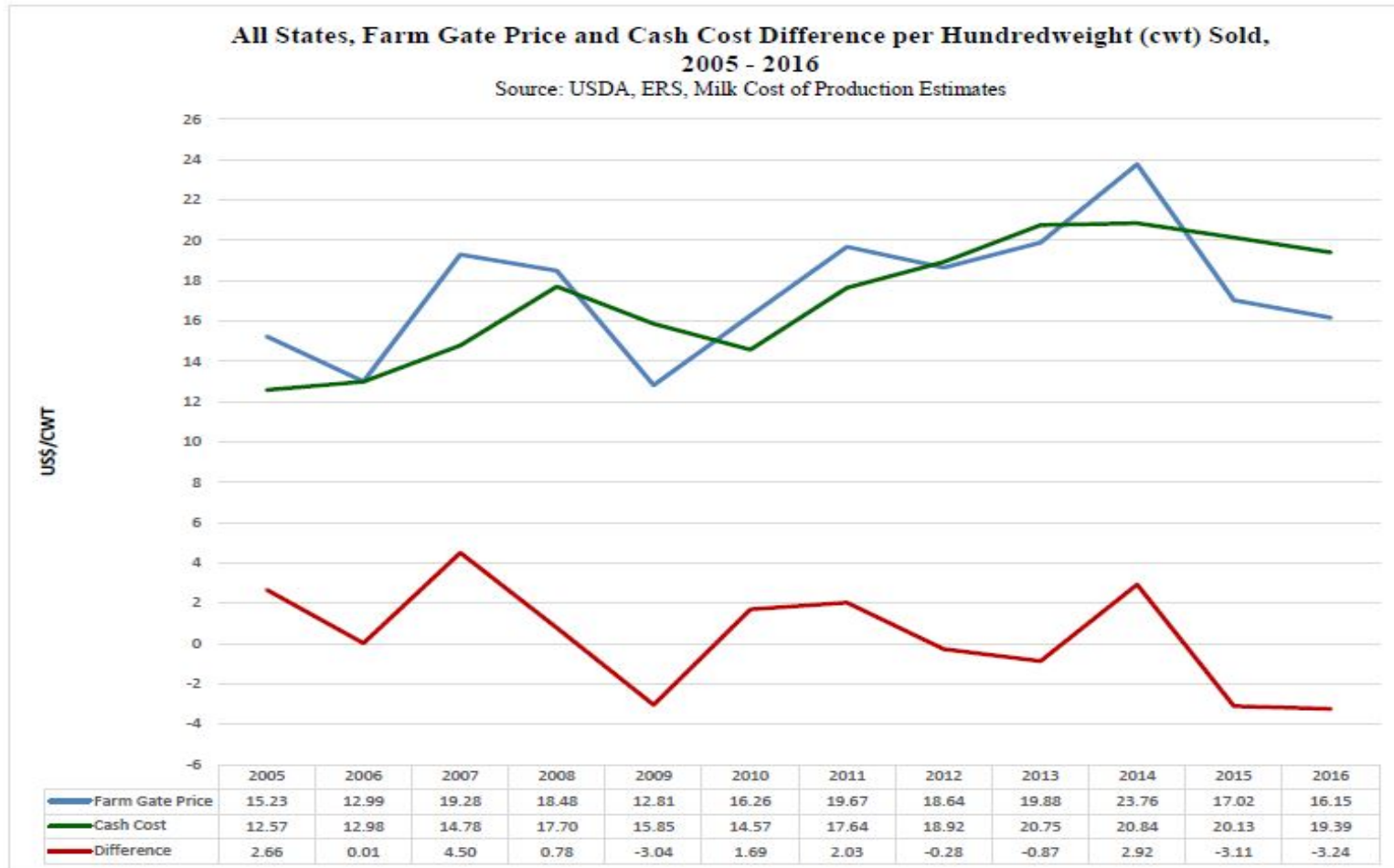
U.S. Dairy Farmer Returns from Milk Production

- National
- 24 States

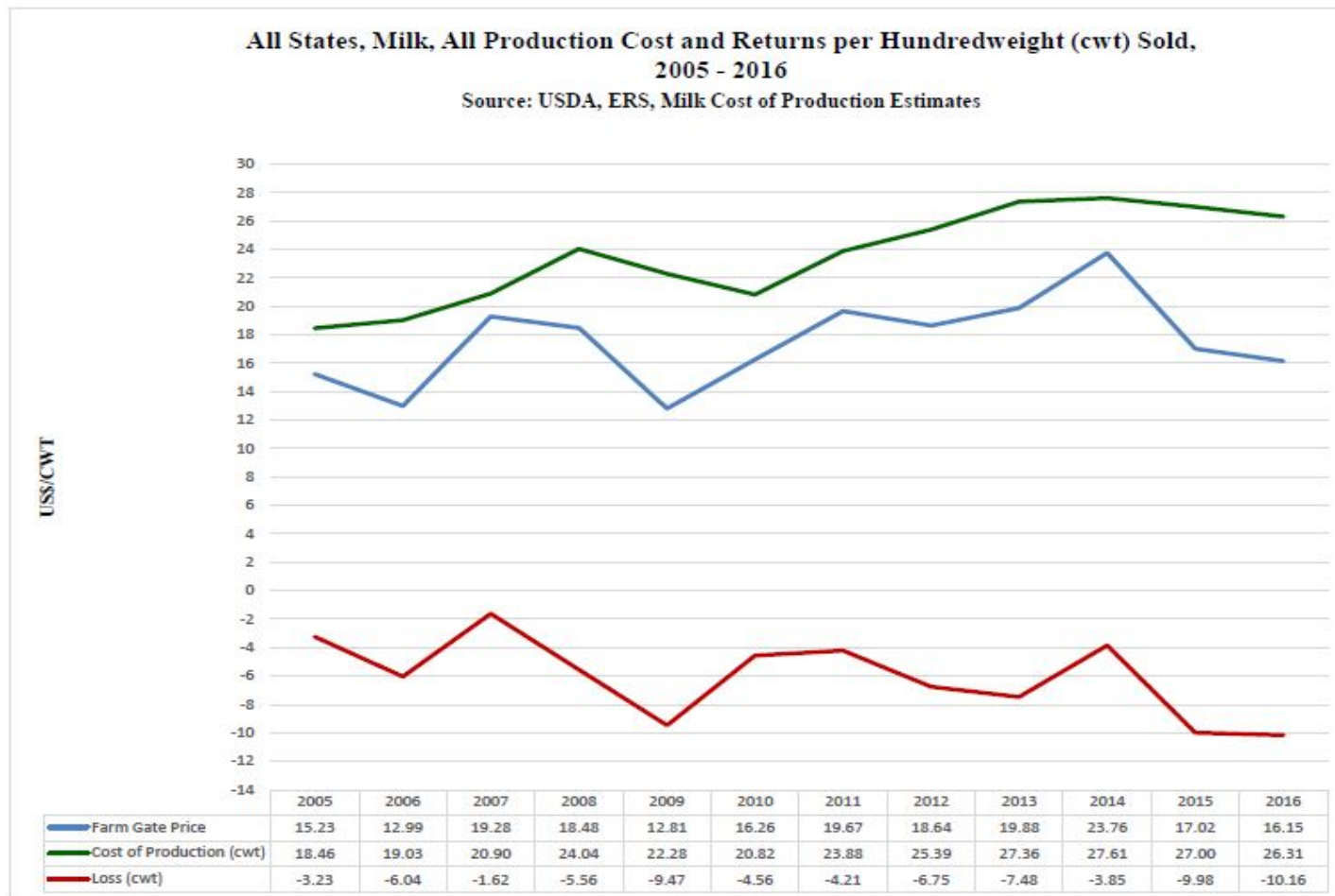
Cost of Production – Minus Farm Gate Price						
Source: USDA, ERS, Milk Cost of Production Estimates						
	National	New York	California	Wisconsin	Michigan	Vermont
2005	3.23	6.69	0.17	3.88	3.03	4.53
2006	6.04	10.99	3.03	5.53	6.24	8.17
2007	1.62	5.26	+1.12	0.52	1.68	2.27
2008	5.56	8.92	4.65	4.25	5.53	6.13
2009	9.47	12.27	6.53	9.24	10.52	9.68
2010	4.56	6.37	2.06	7.79	3.64	10.32
2011	4.21	5.66	2.77	6.51	2.98	10.19
2012	6.75	9.11	4.38	10.09	7.61	13.31
2013	7.48	10.72	4.57	13.97	7.76	14.18
2014	3.85	8.25	2.46	7.40	3.61	9.15
2015	9.98	14.65	10.36	10.16	10.94	17.40
2016	10.16	16.34	10.14	10.07	11.00	17.38

U.S. Dairy Farmer Returns - NATIONAL

- Cash Cost -

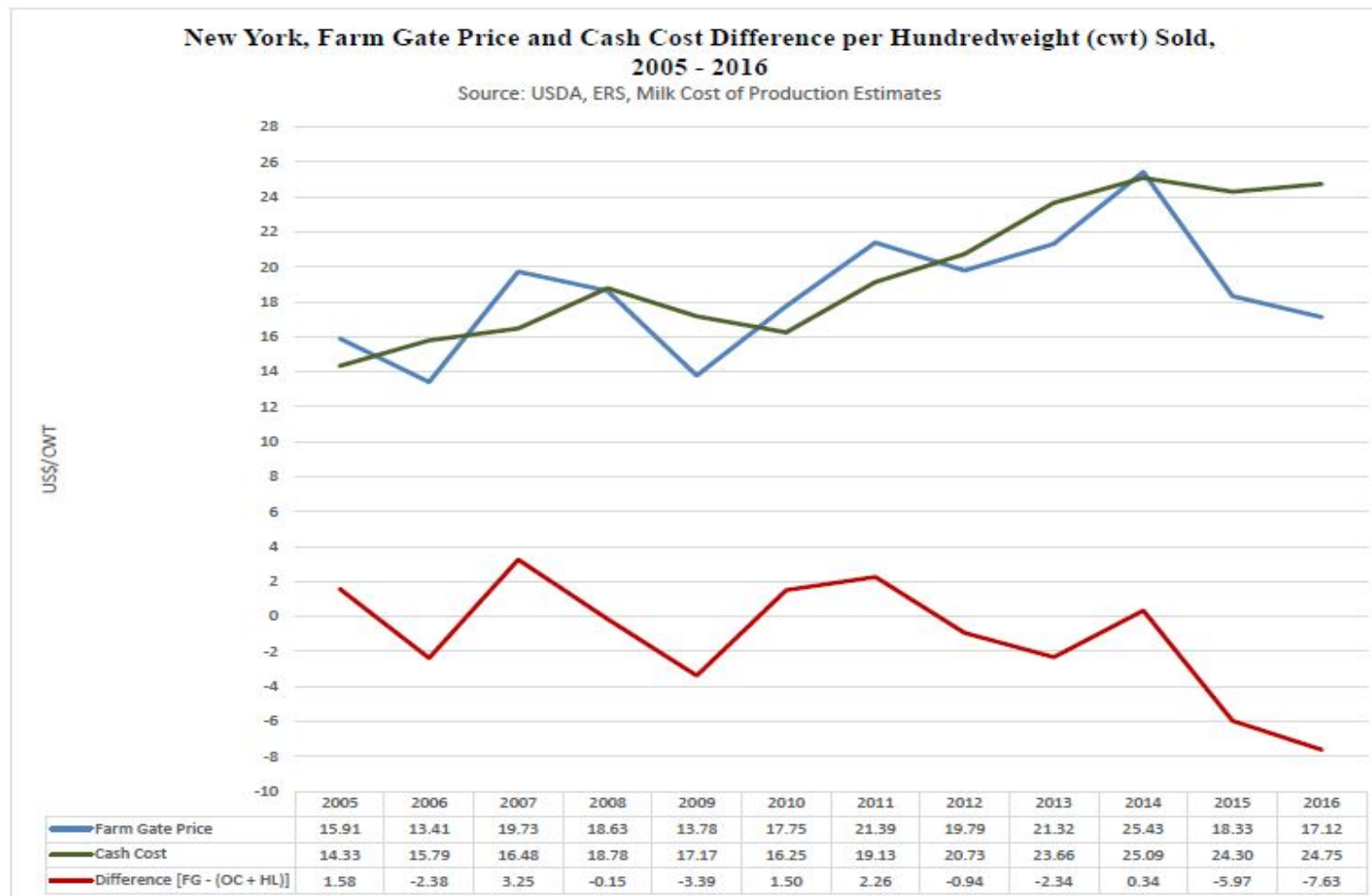


U.S. Dairy Farmer Returns - NATIONAL - Full Cost -



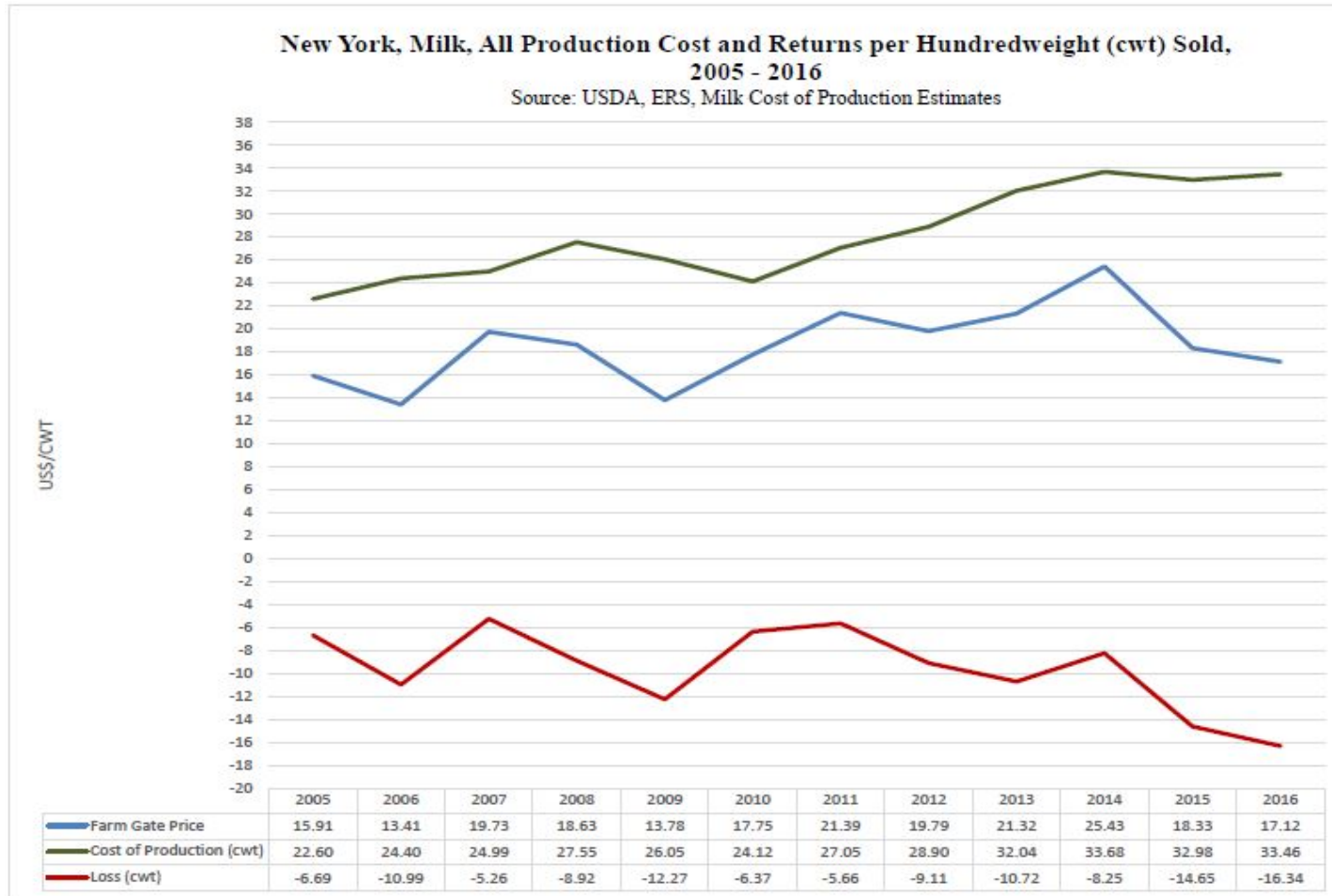
U.S. Dairy Farmer Returns - NEW YORK STATE

- Cash Cost -



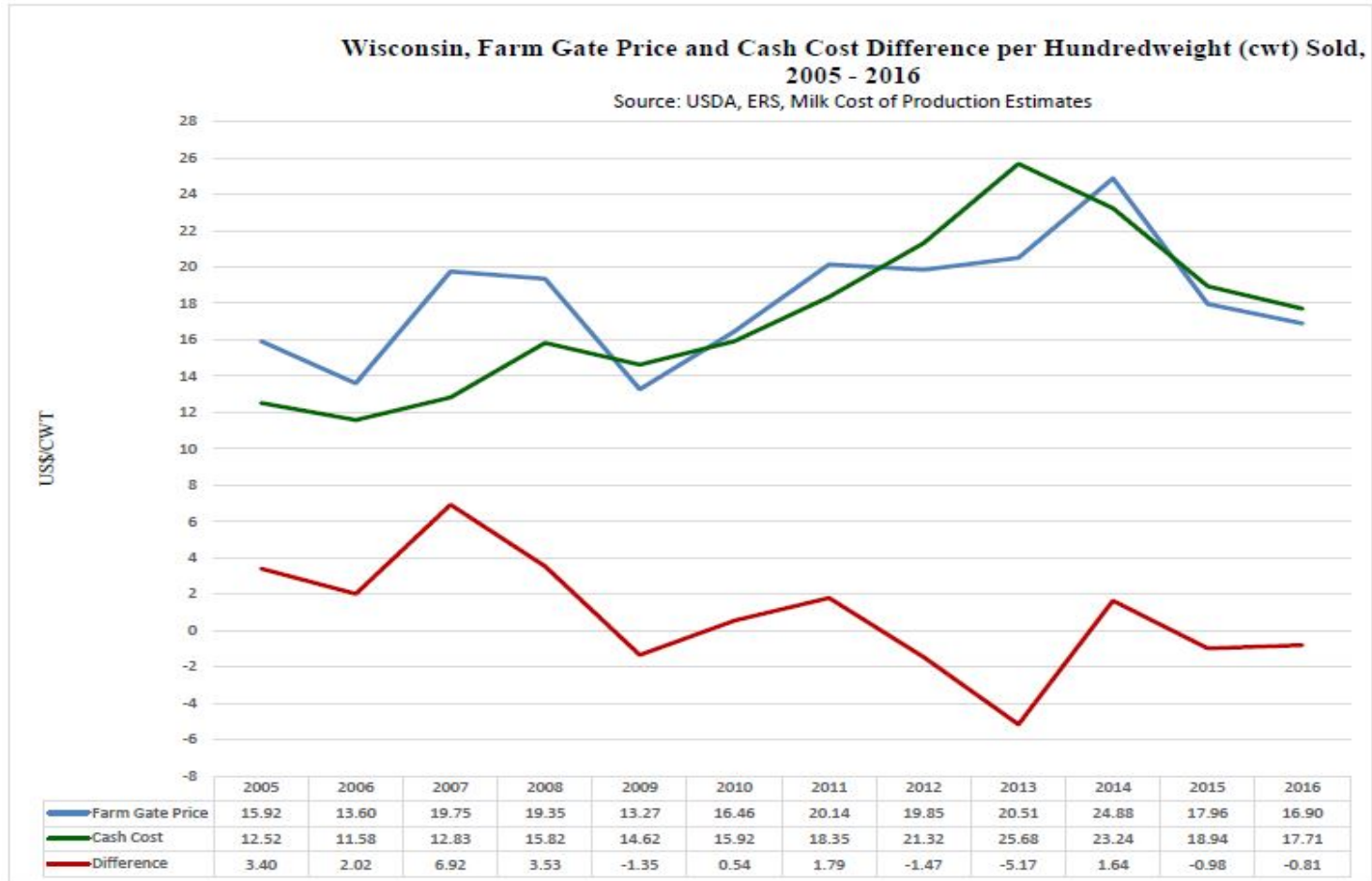
U.S. Dairy Farmer Returns - NEW YORK STATE

- Full Cost -



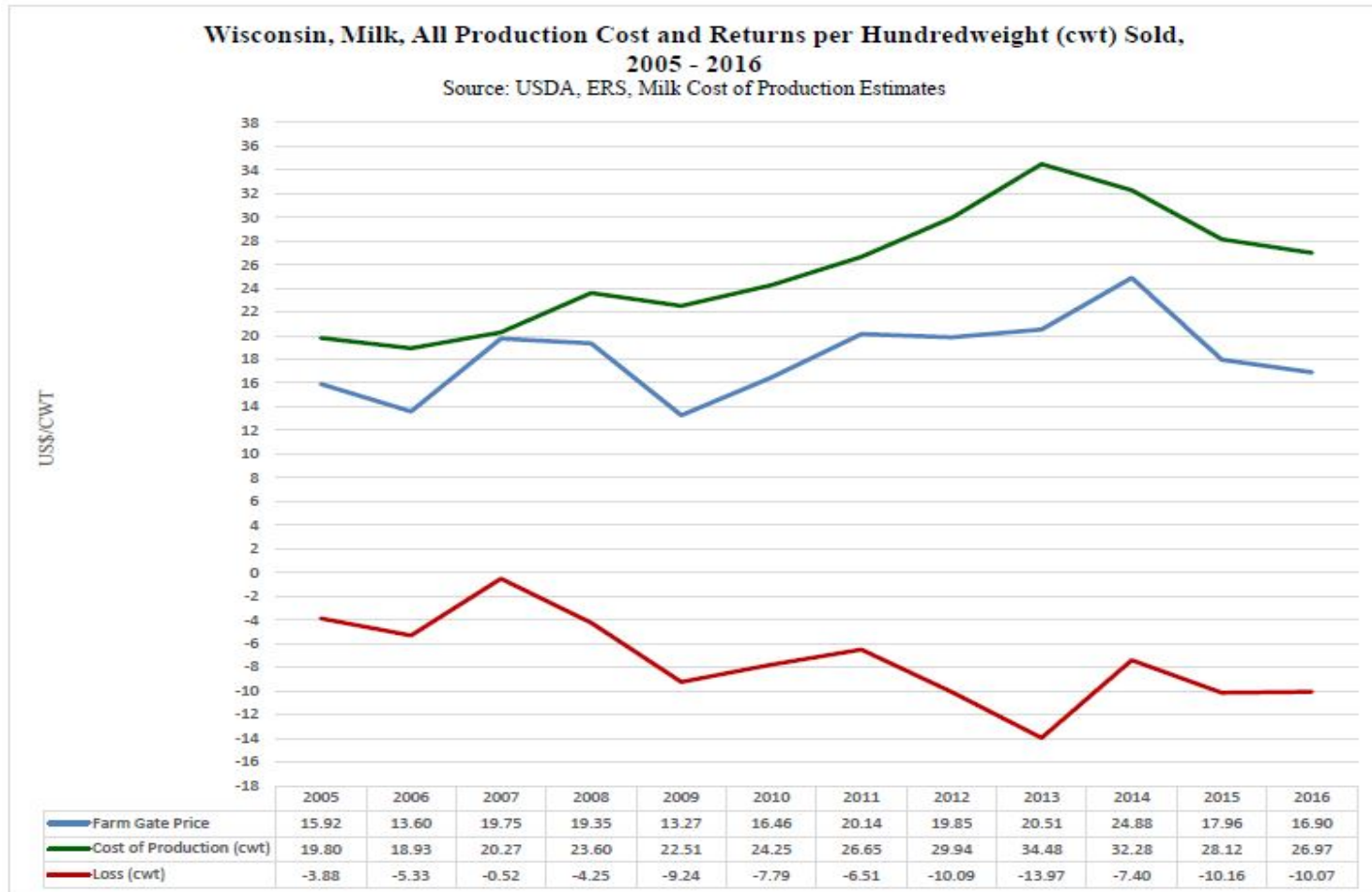
U.S. Dairy Farmer Returns - WISCONSIN

- Cash Cost -



U.S. Dairy Farmer Returns - WISCONSIN

- Full Cost -



U.S. Farm Policy

If you go to Congress from a farm state, you better bring home the bacon.

“Farm policy isn't really about policy. It's about farmers getting their money. And the agriculture committees in Congress are there to make sure that farmers get their money.”

Bruce Babcock

Iowa State University

In “Farmers get just as much money under new Farm Bill”, The Salt, February 1, 2016

NAFTA Issues

- **Canadian Press – Mike Blanchford data**
- **Representations to Trump on Canada dairy a “lot of baloney”**
- **Class 4 U.S – Class 7 Canadian**
- **Limits on access – WTO-consistent**