



CRS Issue Statement on Agricultural Trade and Development

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The United States is the world's leading commercial exporter and importer of agricultural products. At the same time, the United States is the world's largest provider of food security assistance in the form of U.S. commodities for food aid. The Obama Administration has called for a substantial increase in U.S. agricultural development assistance for food-insecure countries.

Agricultural exports are important both to U.S. farmers and to the U.S. economy. Production from almost a third of harvested acreage is exported, including an estimated 48% of food grain production, almost 20% of feed grains, and about 36% of U.S. oilseeds. Cotton exports amounted to more than 80% of production in 2009. The United States is a net exporter of agricultural products. Agricultural exports in FY2010 are forecast by the U.S. Department of Agriculture (USDA) to be \$98 billion. With estimated agricultural imports of \$77.5 billion, the FY2010 agricultural trade surplus would be \$20.5 billion. Exports also generate economic activity in the non-farm economy. According to USDA, each \$1 received from agricultural exports stimulated another \$1.61 in supporting activities to produce those exports. Recent data show that agricultural exports generate an estimated 841,000 full-time civilian jobs, including 441,000 jobs in the non-farm sector.

Expanding market opportunities for U.S. farm products through bilateral, regional, and multilateral trade negotiations has been a long-standing aim of U.S. trade policy. The U.S. agricultural sector has, for the most part, looked to trade agreements as a means to increase U.S. farm exports. Bilateral agreements reached with Canada and Mexico (NAFTA), Australia, and a group of Central American countries, among others, have resulted in increased agricultural trade for all parties involved. U.S. and global agricultural trade has benefited as well from multilateral trade liberalization under World Trade Organization (WTO) auspices. However, some commodity sectors face potentially greater competition under trade liberalization and view trade agreements less favorably. The fate of bilateral agreements negotiated with South Korea, Colombia, and Panama by the previous Administration is uncertain and the future of multilateral trade negotiations in the WTO is a question mark. At the same time, the Obama Administration has notified Congress that the President will enter into negotiations of a regional Asia-Pacific trade agreement, known as the Trans-Pacific Partnership (TPP) Agreement.

G8 and G20 leaders have called for completion of the Doha Round of WTO trade negotiations by the end of 2010. The U.S. Trade Representative has called for aggressive bilateral negotiations, especially with large developing countries like India, Brazil, and China, as a way to bring the Doha Round to a conclusion. Thus, continuing Doha Round negotiations, and their implications for U.S. farm policy, are likely to be closely followed during the 111th Congress.

While multilateral negotiations are stalled, litigation of disputes in the WTO's Dispute Settlement Body (DSB) has become a means for achieving trade policy objectives not yet attained through negotiations. A decision by the DSB in favor of Brazil's challenge to U.S. cotton subsidies, for example, accelerated the process of U.S. farm program changes outside of farm bill deliberations. The 111th Congress could be confronted with decisions in other WTO disputes that would require changes in U.S. farm policy in advance of the expiration of the current farm bill in 2012.

In addition to commercial exports, the United States also provides substantial commodity food aid to promote food security in poor countries. Global food and economic crises in 2008 and 2009 pushed the *number* of food-insecure or hungry people worldwide to historic levels—more than 1 billion people are undernourished, according to estimates by the United Nations (U.N.) Food and Agriculture Organization (FAO). In addition, the U.N. Secretary General reports that the

proportion of hungry people in the world has risen as a result of global food and economic crises. This rise in the proportion of hungry people threatens achievement of the U.N.'s Millennium Development Goal (MDG) of reducing the proportion of hungry people in the world by one-half by 2015.

The main U.S. response to global food insecurity has been to provide U.S. commodities as humanitarian food aid. Agricultural development also has been a significant component of the United States' foreign aid program, but U.S. funding for such aid is a smaller percentage of total U.S. aid than in the 1980s.

In his inaugural address, President Obama signaled that alleviating global hunger would be a top priority of his Administration. The Department of State has taken the lead in developing a U.S. global food security strategy that focuses on agricultural and rural development. The G8 and G20 Summits and the FAO-sponsored World Food Summit in Rome have all endorsed the Administration's food security concept and pledged financial support for a global effort. World leaders stress that humanitarian food assistance (along with other social and safety net protections) would continue to be an important component of a global food security strategy.

Congress plays a central role in funding and overseeing agricultural development programs, which are administered by several U.S. agencies and international organizations. Most development assistance programs are authorized by either the Foreign Assistance Act of 1961 (P.L. 87-191, as amended) or any of three food aid laws: Title II of the Food for Peace Act (P.L. 480); Section 416(b) of the Agricultural Act of 1949; and the Food for Progress Act of 1985. Congress typically influences development assistance programs through the appropriations process, most notably through congressional earmarks. The United States also works through multilateral institutions to deliver agricultural development assistance.

Bills that would authorize and fund aspects of the food security initiative have been introduced in the 111th Congress. These include bills to increase support for agricultural development assistance as well as food security safety net assistance. Proposed legislation to broadly revise the authorizing statute for U.S. foreign assistance would be relevant to the global food security initiative as well.

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