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Reducing Tariffs Under Uruguay Round Agreement

Tariffs are considered a highly visible and easily negotiable target in the next round of trade negotiations, to be launched by the World Trade Organization in Seattle on November 30. Under the Uruguay Round Agreement on Agriculture, developed countries agreed to reduce all agricultural tariffs by at least 36 percent, on average, over the period 1995 to 2000, with a minimum reduction of 15 percent per tariff-line (i.e., for a product or products to which the tariff applies). Countries had a great deal of flexibility in deciding how much to cut each agricultural tariff, so average reductions vary by country. The U.S., European Union, Japan, and Canada will each slightly exceed the average requirement. Australia cut 75 percent of its agricultural product tariffs by levels above the required average, resulting in an average reduction of 48 percent. Countries tended to cut the smallest tariffs by the greatest amounts, with most large tariffs reduced by only the minimum amount. In the next round, further reductions, particularly on large tariffs, will no doubt encounter serious resistance.

Cutting Ag Nitrogen Runoff To the Gulf of Mexico

A zone of hypoxic, or oxygen-deficient, water covers about 7,000 square miles of the Gulf of Mexico at peak periods of the year. The primary cause of oxygen deficiency is high loads of nitrogen in the discharge from the Mississippi River, with an estimated 65 percent from agricultural activities. USDA's Economic Research Service analyzed the economic and environmental effects of three strategies for reducing excess nitrogen releases into the Mississippi River basin: reducing nitrogen use, restoring wetlands, and combining wetland restoration with reduction in nitrogen use. To achieve a 20-percent reduction in nitrogen loadings, a policy of restrictions to cut nitrogen fertilizer use by 40 percent represents the most cost-effective strategy (least cost for achieving the targeted reduction), but the combined strategy is nearly as cost-effective.

Weak Demand Dampens Outlook For U.S. Cotton

The U.S. cotton crop is projected to rebound from 1998's decade-low output, but prospects of potential earnings from the larger output are dampened by weak demand and rising stocks. Sluggish U.S. mill demand is the result of persistent competition from manmade fibers and of double-digit growth in imports of textile and apparel products. While higher foreign demand will support increased U.S. exports, China's net exports of cotton are trending upwards, and world prices have been dipping as a result. Increased world economic growth and lower cotton prices are boosting cotton consumption in 1999/2000.

FSA Credit Programs Target Minority Farmers

Racial and ethnic minority farmers often rely on USDA's Farm Service Agency (FSA) loan programs for credit needs, especially in regions where minority farmers are clustered. Because many have limited financial resources, minority family farmers are less likely than other farmers to qualify for credit from private lenders. Loan targeting by FSA sets aside a share of the annual loan funding for farmers who may be socially disadvantaged—a term that includes those who have been subject to racial or ethnic discrimination. Racial and ethnic minorities comprise nearly 7 percent of all FSA direct borrowers in 1999.

What Makes a Successful Small Farm?

Farmers may measure success of their farming operations in different ways—e.g., providing adequate household income; providing a rural lifestyle; or increasing gross sales, acreage, or assets. In analyzing farming practices that support successful small farms, USDA's Economic Research Service focused on small-scale farms (sales under $250,000) where farming is the operator's primary occupation, ranking them by returns to assets and by operating expense ratios. The analysis found that top-performing farms are more likely than the lowest-performing farms to apply three critical management practices: using production strategies that control costs, actively marketing their products, and adopting effective financial strategies such as maintaining cash and credit reserves.

Traditional Ag Markets & the Dry Edible Bean Industry

Evidence from the dry bean industry suggests that some observers may underestimate the ability of traditional "spot" markets to handle a growing array of agricultural products. Conventional wisdom holds that as demand for nonstandard products proliferates, production contracts will increasingly come into use. In contrast to spot market sales—where buyer and seller do not interact prior to transactions—production contracts usually specify how the crop is to be produced and compensation to the grower. But even as commodity specifications become increasingly complex, use of spot markets continues to effectively coordinate buying and selling of nonstandard dry beans. Because it is relatively easy to verify typical product quality characteristics, dry bean buyers can purchase from suppliers who provide desired quality without using contracts.