Glossary

Ad valorem tariff. A tariff rate charged as a percentage of the value of a product.

Ad valorem equivalent (AVE). The ad valorem equivalent of a specific tariff.

Administered price. A WTO term covering the various national terms for price targets or floors that are used in calculating market price support, including intervention prices in the European Union and loan rates in the United States.

Amber box. WTO term indicating the most trade-distorting domestic support measures that do not qualify for exemption under the green box or blue box, as defined in the Uruguay Round Agreement on Agriculture. It includes both the aggregate measurement of support (AMS), which was capped and cut in the Uruguay Round, and de minimis subsidies that are permitted to a limited degree.

Aggregate measurement of support (AMS). WTO term indicating an agreed-upon measure of trade-distorting domestic support to agriculture that includes both market price support and subsidies. It is calculated for each commodity and then summed together with nonexempt, non–product-specific agricultural support (for example, input subsidies) if it is over 5 percent of the value of production to give a total AMS for agriculture.

Agreement on Agriculture. The first multilateral trade agreement dedicated to the agricultural sector, produced during the Uruguay Round, implementation of which began in 1995.

Blue box. WTO term indicating domestic subsidies that are linked to production-limiting programs and are therefore exempt from AMS calculations and reduction commitments and unlimited. Under the Uruguay Round agreement, these subsidies include (1) payments to farmers based on fixed historical areas or yields, (2) payments made on 85 percent or less of a base level of production, and (3) livestock payments made on a fixed number of head.

Cairns Group. Coalition of agricultural exporting nations lobbying for agricultural trade liberalization, formed in 1986 in Cairns, Australia, just before the beginning of the Uruguay Round. Members as of 2006 are Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Philippines, South Africa, Thailand, and Uruguay.

Countercyclical payment. Device created by the 2002 US farm bill to provide a safety net for farmers when prices decline. The payments are based on fixed historical acreage and do not require production of any specific crop, or of any crop at all, but are based on the difference between the higher of the loan rate or current market prices and a target price. From 1985 to 1996, there were similar payments, called deficiency payments, and between 1996 and 2002, Congress approved ad hoc emergency payments to compensate for low prices called marketing loss assistance.

De minimis. A provision of the WTO Agreement on Agriculture whereby otherwise nonexempt domestic support can be excluded from the calculation of total AMS for agriculture. If support on a product-specific basis is below 5 percent of the gross value of production for the product in question (10 percent for developing countries), that support is excluded from the AMS. If non-product-specific support (e.g., input subsidies) is less than 5 percent of the value of total agricultural production, it may also be excluded.

Decoupling (full decoupling). A policy is fully decoupled if it does not influence production decisions of farmers receiving payments and if it permits free-market determination of prices.

Deficiency payment. *See* countercyclical payment.

Generalized System of Preferences (GSP). An arrangement under which "selected products originating in developing countries are granted reduced or zero tariff rates over the [most favored nation] rates. The least developed countries . . . receive special and preferential treatment for a wider coverage of products and deeper tariff cuts" (www.unctad.org).

Green box. Under the Uruguay Round Agreement on Agriculture, certain domestic support measures that are minimally or non–trade distorting may be placed in the green box and will be exempt from reduction commitments and not be capped. Examples include decoupled direct payments, budgetary outlays on research, and subsidies for environmental purposes.

Group of 10 (G-10). Mostly higher-income agricultural importers with defensive interests in the Doha Round. As of August 2005 they were Bulgaria, Taiwan, South Korea, Iceland, Israel, Japan, Liechtenstein, Mauritius, Norway, and Switzerland.

Group of 20 (G-20). Group of developing-country agricultural exporters that came together just prior to the Cancún ministerial to oppose the joint EU-US proposal on agriculture. The membership has fluctuated, and as of August 2005 the members were Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, the Philippines, South Africa, Tanzania, Thailand, Venezuela, and Zimbabwe.

Intervention price. The internal market price that governments in the European Union seek to maintain through government policies for selected agricultural commodities.

Least developed countries (LDCs). An official category defined by the United Nations and accepted by the World Trade Organization. LDCs are a subcategory of low-income countries, and not all of the latter are LDCs.

Loan deficiency payment. The term used in the United States for payments made to farmers to compensate them when prices drop below the loan rate.

Loan rate. One of the government-set prices In the United States used to calculate payments to farmers under the marketing loan program, which sets the price floor for wheat, corn and other feed grains, cotton, rice, soybeans, and a few other crops. The term is also applied to the internal market prices the government tries to maintain through supply controls for dairy products and sugar.

Market price support (MPS). As defined by the OECD, "an indicator of the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers arising from policy measures that create a gap between domestic market prices and border prices of a specific agricultural commodity, measured at the farm-gate level" (OECD 2004b). A slightly different definition is used by the WTO, with a fixed base-year price, rather than the current reference price used by the OECD, used to calculate the gap with the government-set administered price. The price gap is multiplied by the volume of eligible production to get the value of MPS that is included in each country's AMS. Products that are protected purely through trade barriers and with no administered price are not included in the WTO's measure of MPS.

Preference erosion. Reductions in the margin of preference that developing countries receive under programs created by developed countries aimed at encouraging export growth and economic development. The margin of preference is the difference between the most favored nation tariff, which is applied to most partners, and the preferential duty applied to eligible developing-country exports, or between an internal market price supported by quotas that is available to quota holders and the world price. Preference margins can be eroded by multilateral or unilateral liberalizations that lower most favored nation tariffs or expand quotas.

Producer support estimate (PSE). As defined by the OECD, "an indicator of the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm-gate level, arising from policy measures that support agriculture, regardless of their nature, objective, or impacts on farm production or income" (OECD 2004b).

Sanitary and phytosanitary (SPS) standards. Measures implemented by governments to protect human, animal, and plant life and health, and to help ensure that food is safe for consumption.

Specific tariff. A tariff rate charged as a fixed amount per quantity unit.

Tariff binding. A commitment not to increase a rate of duty beyond an agreed-upon level. Once a rate of duty is bound, it may not be raised unless the affected parties are compensated.

Tariff escalation. Imposing higher import duties on semiprocessed products than on raw materials, and still-higher duties on finished products. This practice protects domestic processing industries and discourages the development of processing activity in the countries where raw materials originate.

Tariff-rate quota (TRQ). A two-tiered tariff, with a lower in-quota tariff applied to a set volume of imports and a higher overquota tariff applied to all subsequent imports.

Total support estimate (TSE). An indicator of the annual monetary value of all gross transfers from taxpayers and consumers arising from policy measures that support agriculture, net of the associated budgetary receipts, regardless of their objectives and impacts on farm production and income, or consumption of farm products.

Variable levy. Import duty that varies in response to changes in world prices so as to maintain a given internal price; used heavily by the European Union until it was prohibited in the Uruguay Round.