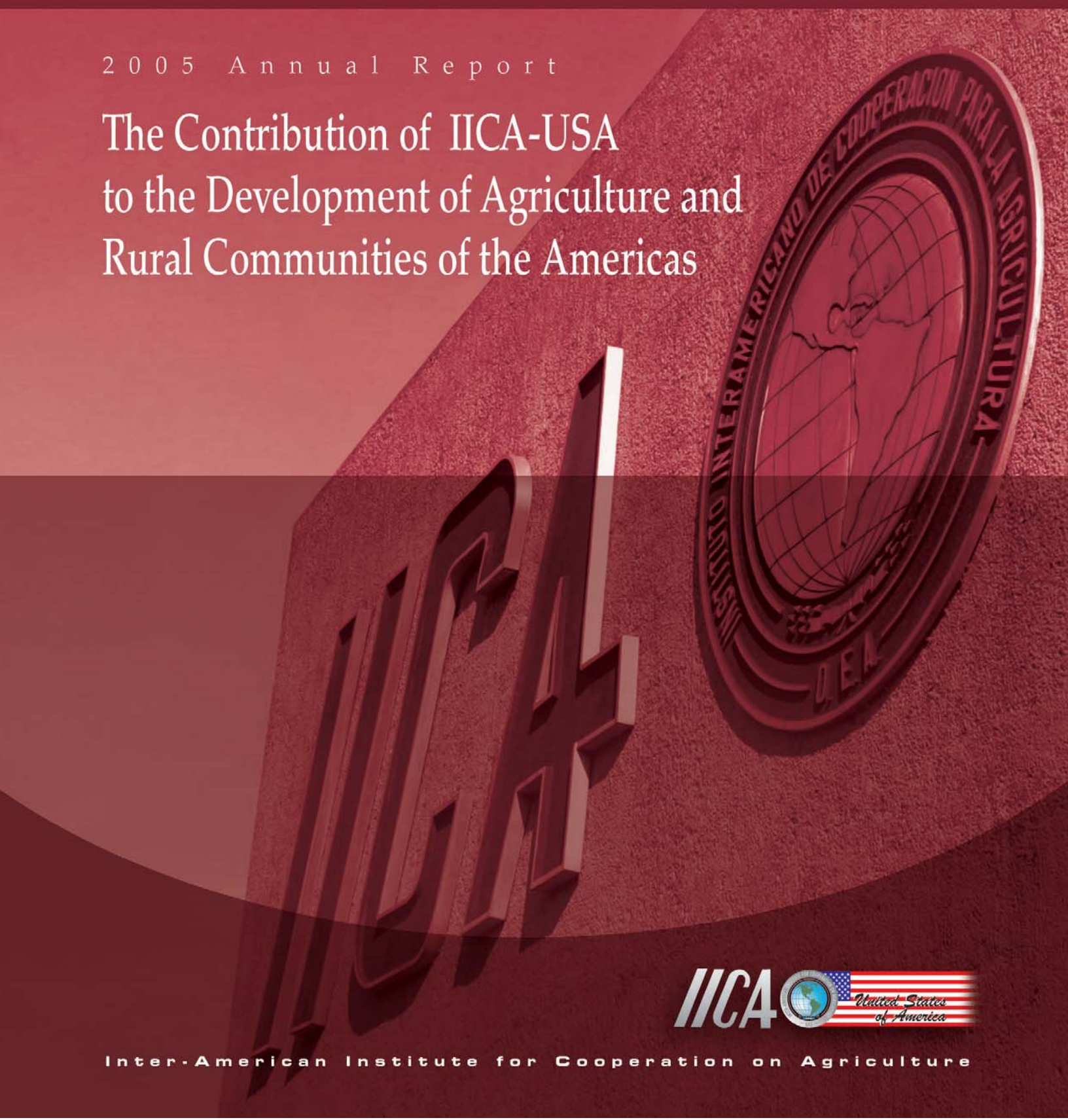
UNITED STATES OF AMERICA

2005 Annual Report

The Contribution of IICA-USA to the Development of Agriculture and Rural Communities of the Americas



IICA United States of America

Inter-American Institute for Cooperation on Agriculture

2005 IICA Annual Report

IICA's Contribution to Agriculture and the Development of Rural Communities in the United States of America

Directorate for Strategic Partnerships and the IICA Office in the United States

IICA's Contribution to Agriculture and the Development of Rural Communities in the United States of America

1. Introduction

The food and fiber system is an interrelated and interdependent part of the global economy. The United States is the world's top exporter of agricultural products. The value of U.S. agricultural exports equaled $61.3 billion for 2004, about $1.7 billion over calendar year 2003 and the largest in U.S. history. Imports were up about $6.6 billion over 2003, at $54.1 billion, their 13th consecutive record. These record levels leave an agricultural trade balance of %7.3 billion for calendar year 2004, compared with $12,2 billion the previous year.

Combined expenditures for food consumption, other personal fiber consumption, exports, food and fiber production amounted to over $1.24 trillion in 2001. Of the $1.24 trillion, almost $339 billion came from services, while $334 billion came from trade, and $73,8 billion from the farm sector. The FFS share of total GDP, a measure of the Nation's wealth, was 12.3% in 2001 and the employment generated by the system was 16,7%, providing jobs for 23,7 million workers. The FFS comprises the economic activities of the farms and the firms that assemble, process, and transform raw agricultural commodities into final products for distribution to U.S. and foreign consumers. The FFS includes all economic activity that supports farm production and the conversion of raw farm products to consumable goods –for example, machinery repair, fertilizer production, farming itself, food processing and manufacturing,, transportation, wholesale and retail trade, distribution of food and apparel, and eating establishments. The income and employment generated within the food and fiber system is the income earned jobs provided by these firmes.

Gains in export values for wheat, corn, and cotton basically offset losses in red meats and soybeans. Import values of almost all major commodity groups increased over last year, though there were modest declines in live animals, sugar, and tobacco. Red meats and product imports grew more than $1 billion over last year, while juice, nuts, vegetables and vegetable oils each rose more than $700 million.[1]

The International Food Policy Research Institute expects that 85% of the increase in global demand for cereals and meat will occur in developing countries by 2020. U.S. food and agricultural exports to Canada and Mexico expanded 59% since the implementation of NAFTA. It is clear that future growth potential for food consumption will occur primarily outside the United States where 96% of the world's population lives. These trends are similar for high value exports such as pet foods. In fact high value products now account for two-thirds of total sales. Trade is of strategic importance to U.S. food and fiber stakeholders and with a new round of negotiations, barriers and subsidies are key issues to be addressed in the immediate future.

U.S. farm sector policy has been under a process of rapid reform as agricultural production has become more consumer-driven. The wide diversity of farms' financial, technological and commercial arrangements has demanded a new, more customized approach to policy and service delivery. People whose principal occupation is not farming run most U.S. farms. Assisting these diverse operations to maintain their competitiveness and provide them with the new tools they need for participating in growing overseas markets is a central challenge to public policy and the agencies that implement it. Flexibility is imperative in matching government program design and intent with farm circumstances that vary with size, organization and geographic location. Public support to the food, farming and rural community

[1] The data and conclusions in this section of the report are drawn form "U.S. Agricultural Trade Update" by Nora Brooks and "Economics of the Food and Fiber System" by William Edmondson. Source ERS-USDA. And represent the most current information available as of February 1, 2006.

throughout the 9.1 million square kilometer nation involves a myriad of national, state and local agencies. These institutions focus on a broad range of services that include increasing attention to rural development and effective food assistance as well as renewed efforts to improve environmental conservation through science.

IICA's prime counterpart in its work within the United States has been with the U.S. Department of Agriculture, established in the mid 1800s to strengthen the science base for farming. In addition to its extensive network of offices throughout its 50 states, USDA also has 63 posts that cover trade issues for exporters in 130 countries. Its domestic farm sector strategy targets commercial farms (28% of farmland), intermediate farms (45% of farmland) that have some off-farm income resources and rural residence farms (29% of farmland) whose principal income comes from off-farm employment. In addition to improving conservation and productivity in the 38.2 million square kilometers of arable land, attention is also focused on alleviating hunger in over 3 million U.S. households with over 2.7 million children and in creating equal economic opportunities for 28 million rural residents whose median household income is 23% below that of urban residents.

USDA's strategic agenda focuses on six key themes: trade expansion; farm sector competitiveness; enhancing the physical and institutional infrastructure; greater environmental conservation; prosperous rural communities; improved nutrition and efficient food assistance. In 2002 USDA presented a White Paper on IICA that outlines a partnership agenda based on three central objectives: (1) expanding institutional capabilities in the hemisphere for greater competitiveness; (2) building consensus and compatible systems for agricultural health and food safety; and (3) improving the capacity for the U.S. and its partners to trade within the hemisphere.

The Inter-American Institute for Cooperation on Agriculture has a special historical relationship with the USA. The US Department of Agriculture was instrumental in founding the Institute in 1942 and over the years has provided nearly 60% of its core operating resources to promote the advancement of science and cooperation in agriculture throughout the hemisphere. IICA's new partnership with USDA and other agencies in the United States has undergone renewal due precisely to agricultural globalization issues and the importance of trade to U.S. agriculture and food safety to U.S. consumers. Concomitant with these issues are a host of other related priorities, especially related to agricultural health, food safety, cross-border issues and science and technology that are essential for improving competitiveness and deepening cooperation in the hemisphere.

The key role of the IICA Office in the USA is to build an active and diversified constituency for national, regional and multinational IICA programs within the USA, leveraging resources, influence and knowledge to promote hemispheric food security and rural prosperity. During 2004, the USA Office and its Directorate for Strategic partnerships focused its attention and limited resources in expanding IICA's inter-institutional reach with new partners while responding to the hemispheric concerns of USDA regarding the advancement of agriculture. Specific actions were taken to articulate technical, financial and policy-related resources with USAID to create new institutional arrangements with IICA offices throughout the hemisphere that improve development effectiveness. This series of activities provides key inputs in internal institutional alignment and establish new public-private sector partnerships to address rural poverty and generate greater international solidarity for agricultural and rural development.

Embedded in the strategic thrust of IICA USA are the core values of flexibility, accountability, commitment, efficiency and tolerance that permeate every action and activity undertaken. During the year 2004 the Office continued to reconstitute its relationship with U.S. stakeholders. Specific in-roads were made with U.S. universities, particularly land-grant colleges, on a wide variety of issues of national interest and international import affecting state and local rural development.

2. Executive Summary

During 2005, the IICA Office in the U.S.A. continued its work with the U.S. Department of Agriculture in ongoing actions related to food safety, trade policy and public-private partnership. The U.S. government continues to provide substantial support to the Institute, providing its quota of financing in a timely manner and additional resources for programs to achieve common goals of improving agriculture and trade throughout the hemisphere.

IICA's Directorate for Strategic Partnerships, also based in the Washington Office, serves to advance new and strengthen existing partnership arrangements to promote rural prosperity, food security and sustainable development throughout the Hemisphere. The DSP develops cooperative agreements and mutually beneficial partnerships that provide other forms of support to IICA technical and management units and country offices so that producers and policy makers in all thirty-four IICA Member States can enhance their capacities for development and change. DSP continued to furnish leadership and contacts to leverage resources for agricultural and rural development actions. It provided seed funds to capitalize on emerging opportunities to develop and implement new projects. The DSP also served as a bridge by providing internal units and outside stakeholders with useful information about partner portfolios and priorities.

Actions were undertaken to expand the capacities and opportunities of U.S. public institutions, private enterprise and centers of learning in technology and innovation to improve rural communities and agriculture in the Americas. In significant visits to the U.S., IICA's Director General participated in various forums on the themes of hemispheric integration, regional trade and agricultural health in conjunction with international organizations, such as PAHO, IDB and the OAS. Numerous IICA experts arrived to provide information and analysis of current trends in agriculture regarding agricultural health, food safety, trade and agribusiness, as well as education and rural development. As part of the partnership with CCAA, the Inter-American Council and USDA/ARS, IICA coordinated working luncheon events with speakers on the themes of agricultural trade and rural development.

Attention was focused on facilitating information, professional exchange and policy forums to build hemisphere-wide consensus on issues and approaches to agricultural health and food safety. Among other accomplishments, IICA forged a new alliance with the Rural Policy Research Institute (RUPRI) and was appointed to the advisory board of the World Agricultural Forum. In addition, the DSP continued to provide support to the Federal Assistance Program "Participation in WTO/SPS Committee Meetings, where IICA's role has been recognized in supporting trade negotiations related to sanitary and phytosanitary issues. Late in 2005 IICA cosponsored with PAHO the first hemispheric conference on avian influenza. This was made possible in large part by financial support from USDA and resporesented an important step in addressing this critical issue.

The IICA Office in the USA facilitates linkages between U.S. institutional, financial, professional and technical resources of the public and private sector to improve trade capacity in the hemisphere. IICA has engaged the Millennium Challenge Corporation in discussions regarding support to MCC qualified countries in the hemisphere, as those countries request IICA's expertise in developing their national compacts. Collaboration continues to be fostered with USAID, particularly in the development of initiatives in 2005 in Honduras and Colombia. IICA has also been designated as the implementing agency of the Andean Countries Cocoa Export Support Opportunities (ACCESO) working with the World Cocoa Foundation.

3. The state of agriculture and rural live in the United States in 2005

Below is a brief summary of data from USDA Economic Research Service that details the state and performance of agriculture during 2005, according to the latest data available, and places it in the context of trends during the past several years.

Due to significant increases in cash receipts up 11.4 percent from the previous year, direct government payments declined 22.7%. Net cash income increased 19.4 percent, less than the previous period that benefited from full implementation of the new 2002 Farm Bill policies. Livestock receipts increased 17% as access was reestablished in some foreign markets in the aftermath of the bovine spongiform encephalopathy case discovered in 2002.

Table 1 Farm, Rural, and Natural Resources Indicators

							Annual percent change		
item	**1990**	**2000**	**2001**	**2002**	**2003**	**2004**	**1990-2000**	**2002-03**	**2003-04**
Cash receipts ($ billion)	169.5	192.1	200.1	195.1	216.6	241.2	1.3	11.1	11.4
Crops	80.3	92.5	93.4	101.0	111.0	117.8	1.4	9.9	6.1
Livestock	89.2	99.6	106.7	94.0	105.6	123.5	1.1	12.3	17.0
Direct government payments ($ billion)	9.3	22.9	20.7	11.2	17.2	13.3	9.4	53.6	-22.7
Gross cash income ($ billion)	186.9	228.7	235.6	221.0	249.5	271.7	2.0	12.9	8.9
Net cash income ($ billion)	52.7	56.7	60.1	49.5	71.6	85.5	0.7	44.6	19.4
Net value added ($ billion)	80.8	91.9	95.0	78.6	101.2	125.9	1.3	28.8	24.4
Farm equity ($ billion)	702.6	1,025.6	1,070.2	1,110.7	1180.8	1,293.9f	3.9	6.3	9.6
Farm debt-asset ratio	16.4	14.8	14.8	14.8	14.4	13.8f	-1.0	-2.7	-4.2
Farm household income ($/farm household)	38,237	61,947	64,117	65,757	68.515	81.480P	4.9	4.2	18.9
Farm household income relative to average U.S. household income (%)	103.1	108.6	110.2	113.7	116.0	134.6	0.5	2.0	16.0
Nonmetro-metro difference in poverty rates (%points)	3.6	2.6	3.1	2.6	2.1	na	-3.2	-19.2	na
Cropland harvested (million acres)	310	314	311	307	315	312P	0.1	2.6	-1.0
USDA Conservation Program expenditures ($ bil.)[1]	3.0	3.3	3.7	4.2	4.3	5.1	1.0	2.4	18.6

Source: ERS November 2005

Results from the food and fiber sector were as yet unavailable, but existing trends were expected to continue. Agricultural exports increased by 11 percent and imports by 15.3 percent, depicting a robust trade in agricultural commodities and goods.

Food consumption reflects continued stability in food prices to consumers with food consumption as a percentage of total income steady at 10 percent.

Table 2	Food and Fiber Sector Indicators								
							Annual percent change		
item	1990	2000	2001	2002	2003	2004	1990-2000	2002-03	2003-04
U.S. gross domestic product ($ billion current)[2]	5,803	9,817	10.128	10.470	10.971	11.734	5.4	4.8	7.0
Food and fiber share (%)	7.9	5.8	5.8	5.8	4.9	na	-3.0	-15.5	na
Farm sector share (%)	1.3	0.7	0.7	0.7	0.8	na	-6.0	14.3	na
Total agricultural imports ($ billion)[1]	22.7	38.9	39.0	41.0	45.7	52.7	5.5	11.5	15.3
Total agricultural exports ($ billion)[1]	40.3	50.7	52.7	53.3	56.2	62.4	2.3	5.4	11.0
Exports' share of the volume of U.S. agriculture production (%)	18.2	17.6	17.6	16.7	17.9	16.3	-0.3	7.2	-8.9
CPI for food (1982-84=100)	132.4	167.9	173.1	176.2	180.0	186.2	2.4	2.2	3.4
Share of U.S. disposable income spent on food (%)	11.2	9.8	9.8	9.5	9.4	9.5	-1.3	-1.1	1.1
Share of total food expenditures for at-home consumption (%)	55.1	51.7	51.7	50.8	50.3	49.7	-0.6	-1.0	-1.2
Farm-to-retail price spread (1982-84=100)	144.5	210.3	215.4	221.2	225.6	232.9	3.8	2.0	3.2
Total USDA food and nutrition assistance spending ($ billion)[1]	24.9	32.6	34.2	38.0	41.8	46.2	2.7	10.0	10.5

f = Forecast. p = Preliminary. q = 2002 Administration request. na = Not available.
[1] Based on October-September fiscal years ending with year indicated.

Source: ERS 2005

3.1 Recent performance in the expanded agricultural sector

Below is a series of tables that best describe the performance of the agricultural sector in the 2005 macroeconomic context. The gross domestic product increased 3.5 percent, and interest rates remained low, though the Federal Reserve began a process of increasing the prime rate steadily.

Table 3 U.S. Gross Domestic Product & Related Data

	Annual			2004			2005			
	2002	2003	2004	I	II	III	IV	I	II	III
	Billions of current dollars (quarterly data seasonally adjusted at annual rates)									
Gross Domestic Product	10.469,6	10.971,2	11.734,3	11.457,1	11.666,1	11.818,8	11.995,2	12.198,8	12.378,0	12.605,7
Gross National Product	10.500,2	11.039,3	11.788,0	11.540,1	11.712,8	11.867,3	12.032,0	12.238,2	12.413,5	12.650,0
Personal consumption expenditures	7.350,7	7.709,9	8.214,3	8.032,3	8.145,6	8.263,2	8.416,1	8.535,8	8.677,0	8.844,0
Durable goods	923,9	950,1	987,8	974,2	974,6	993,8	1.008,6	1.017,3	1.035,5	1.050,9
Nondurable goods	2.079,6	2.189,0	2.368,3	2.302,7	2.355,2	2.378,4	2.437,1	2.476,6	2.533,7	2.604,9
Food	1.001,9	1.048,5	1.134,7	1.106,5	1.124,8	1.141,0	1.166,4	1.184,2	1.207,1	1.229,9
Clothing and shoes	303,5	310,8	329,0	326,7	325,7	328,3	335,2	340,5	344,9	343,9
Services	4.347,2	4.570,8	4.858,2	4.755,4	4.815,9	4.891,0	4.970,4	5.041,8	5.107,8	5.188,3
Gross private domestic investment	1.582,1	1.670,4	1.928,1	1.818,2	1.928,5	1.961,2	2.004,5	2.058,5	2.054,4	2.099,5
Fixed investment	1.570,2	1.654,9	1.872,6	1.772,7	1.856,6	1.908,7	1.952,6	1.998,7	2.058,5	2.119,2
Change in private inventories	11,9	15,4	55,4	45,5	71,9	52,5	51,9	59,9	-4,2	-19,7
Net exports of goods and services	-424,4	-500,9	-624,0	-559,6	-613,1	-638,0	-685,4	-697,5	-691,0	-730,4
Government consumption expenditures and gross investment	1.961,1	2.091,9	2.215,9	2.166,2	2.205,0	2.232,5	2.260,0	2.302,0	2.337,6	2.392,7
	Billions of 2000 dollars (quarterly data seasonally adjusted at annual rates) [1]									
Gross Domestic Product	10.048,8	10.320,6	10.755,7	10.612,5	10.704,1	10.808,9	10.897,1	10.999,3	11.089,2	11.202,3
Gross National Product	10.079,0	10.385,2	10.805,7	10.689,5	10.747,7	10.854,1	10.931,8	11.036,3	11.122,5	11.243,2
Personal consumption expenditures	7.099,3	7.306,6	7.588,6	7.501,4	7.536,6	7.617,5	7.698,8	7.764,9	7.829,5	7.907,9
Durable goods	964,8	1.028,5	1.089,9	1.071,6	1.072,5	1.100,4	1.115,1	1.122,3	1.143,9	1.169,7
Nondurable goods	2.037,1	2.101,8	2.200,4	2.171,9	2.186,1	2.206,9	2.236,5	2.265,6	2.285,9	2.305,8
Food	954,6	980,1	1.029,1	1.015,5	1.022,5	1.030,9	1.047,4	1.060,9	1.072,2	1.088,7
Clothing and shoes	318,3	334,1	355,0	352,6	349,7	354,9	363,0	367,9	374,4	377,2
Services	4.100,4	4.183,9	4.310,9	4.269,0	4.288,6	4.324,0	4.362,1	4.392,0	4.417,6	4.453,5
Gross private domestic investment	1.557,1	1.617,4	1.809,8	1.729,1	1.813,0	1.833,4	1.863,9	1.902,9	1.885,0	1.909,4
Fixed investment	1.544,6	1.600,0	1.755,1	1.684,4	1.744,5	1.780,2	1.811,3	1.842,2	1.884,7	1.921,5
Change in private inventories	12,5	15,5	52,0	41,9	65,6	50,4	50,1	58,2	-1,7	-13,3
Net exports of goods and services	-471,3	-521,4	-601,3	563,0	-601,7	-606,5	-634,1	-645,4	-614,2	-617,5
Government consumption expenditures and gross investment	1.858,8	1.911,1	1.952,3	1.938,4	1.949,5	1.958,4	1.962,8	1.971,9	1.984,1	1.998,1
GDP implicit price deflator (% change)	1,7	2,0	2,6	3,7	3,9	1,3	2,7	3,0	2,6	3,0
Disposable personal income ($ bil.)	7.830,1	8.169,2	8.664,2	8.475,3	8.580,3	8.670,9	8.930,4	8.902,0	8.979,7	9.042,8
Disposable pers. income (2000 $ bil.)	7.562,2	7.741,8	8.004,3	7.915,1	7.938,8	7.993,3	8.169,2	8.098,1	8.102,6	8.088,0
Per capita disposable pers. income ($)	27.165	28.065	29.475	28.939	29.231	29.461	30.265	30.103	30.298	30.431
Per capita disp. pers. income (2000 $)	26.236	26.596	27.230	27.026	27.045	27.159	27.685	27.384	27.338	27.218
U.S. resident population plus Armed Forces overseas (mil.) [2]	288,2	291,1	293,9	292,7	293,4	294,2	294,9	295,5	296,2	296,9
Civilian population (mil.) [2]	286,7	289,6	292,4	291,3	291,9	292,7	293,5	294,1	294,7	295,5

2002	2003	2004	Oct	May	Jun	Jul	Aug	Sep	Oct

Table 3 U.S. Gross Domestic Product & Related Data

	Annual			2004			2005			
	2002	2003	2004	I	II	III	IV	I	II	III
	Monthly data seasonally adjusted									
Total industrial production (1997=100)	100,0	100,5	105,4	106,9	108,7	109,0	109,1	109,6	108,8	110,4
Leading economic indicators (1996=100)	--	--	--	--	136,5	138,0	137,8	137,8	136,8	138,1
Civilian employment (mil. persons)	136,5	137,7	139,3	139,8	141,5	141,6	142,1	142,4	142,4	142,6
Civilian unemployment rate (%)	5,8	6,0	5,5	5,5	5,1	5,0	5,0	4,9	5,1	5,0
Personal income ($ bil. annual rate) [7]	8.881,9	9.169,1	9.713,3	9.858,4	10.180,6	10.231,5	10.268,8	10.167,7	10.342,5	10.385,0
Money stock-M2 (daily avg.) ($ bil.) [3]	5.802,9	6.085,2	6.430,7	6.369,3	6.482,8	6.515,6	6.525,1	6.554,4	6.587,9	6.627,2
Three-month Treasury bill rate (%)	1,62	1,02	1,38	1,75	2,86	2,99	3,22	3,45	3,47	3,70
AAA corporate bond yield (Moody's) (%)	6,49	5,67	5,63	5,47	5,15	4,96	5,06	5,09	5,13	5,35
Total housing starts (1,000) [4]	1.704,9	1.847,7	1.955,8	2.062	2.041	2.065	2.062	2.081	2.134	2.014
Business inventory/sales ratio [6]	1,37	1,35	1,30	1,29	1,29	1,28	1,26	1,26	1,26	--
Retail & food services sales ($ bil.) [6]	3.473,7	3.624,8	3.901,7	332,9	323,9	351,3	357,3	350,7	351,8	353,0
Food and beverage stores ($ bil.)	466,2	477,3	498,2	41,9	41,4	43,5	43,6	43,9	44,0	44,3
Clothing & accessory stores ($ bil.)	172,7	178,6	190,0	16,1	15,7	16,8	16,6	16,7	16,7	17,2
Food services & drinking places ($ bil.)	332,2	349,4	380,0	32,3	31,6	33,7	33,8	33,9	34,3	34,6

-- = Not available. 1. In December 2003, 2000 dollars replaced 1996 dollars. 2. Population estimates based on 2000 census. 3. Annual data as of December of year listed. 4. Private, including farm. 5. Manufacturing and trade. 6. Annual total of unadjusted data.
7. Personal income data for December 2004 reflect the payment of a special dividend by the Microsoft Corporation.
Most of the GDP data come from news releases published by the Dept. of Commerce's Bureau of Economic Analysis (BEA). GDP news releases can be found online at http://www.bea.gov/bea/rels.htm. For information on GDP data from BEA, contact Virginia Mannering at (202) 606-5304.

Published December 2005 - ERS

2002 Farm Bill

The Farm Security and Rural Investment Act of 2002 (i.e., the 2002 “Farm Bill,” that is in the process of being amended and renewed for 2007), which governs Federal farm programs, includes provisions to support the production of a reliable, safe, and affordable supply of food and fiber; promote stewardship of agricultural land and water resources; facilitate access to American farm products at home and abroad; encourage continued economic and infrastructure development in rural America; and ensure continued research to maintain an efficient and innovative agricultural and food sector. The 2002 Farm Bill also provides certainty and support for America’s farmers and ranchers by providing a generous safety net for farmers without encouraging overproduction and depressing prices.

Today, 25 percent of U.S. farm income is generated by exports. Foreign market access is essential to farmers, ranchers, and the entire agricultural sector. The 2002 Farm Bill helps keep international trade commitments and support the agency’s commitment to fair trade by complying with U.S. obligations to the World Trade Organization.

The Farm Bill offers incentives for good conservation practices on working lands, strengthens the farm economy over the long term, and promotes farmer independence. It has increased record-level funding for almost every existing environmental stewardship program and represents an unprecedented investment in conservation on America’s private lands, nearly $13 billion over the next 6 years. The bill emphasizes conservation on working lands and provides the most dramatic growth in the Environmental Quality Incentives Program, providing more than $5.5 billion over the next 6 years.

Below is a summary from ERS of net outlays for a ten year period. Note that due to strong performance during 2005, outlays were significantly lower than previous years.

Table 4 Commodity Credit Corporation (CCC) Net Outlays by Commodity and Function

	Fiscal year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005 E	2006 E
	$ million									
Commodity/Program										
Feed grains:										
Corn	2,587	2,873	5,402	10,136	6,297	2,959	1,415	2,504	6.240	8.600
Grain sorghum	284	296	502	979	478	207	106	213	415	528
Barley	109	168	224	397	217	97	45	119	224	225
Oats	8	17	41	61	36	7	4	5	21	34
Corn and oat products	0	0	0	6	8	25	2	0	0	0
Total feed grains	2,988	3,354	6,169	11,579	7,036	3,295	1,572	2,841	6.900	9.387
Wheat and products	1,332	2,187	3,435	5,321	2,922	1,190	1,118	1,173	1.691	3.052
Rice	459	491	911	1,774	1,423	1,084	1,279	1,130	578	533
Upland cotton	561	1,132	1,882	3,809	1,868	3,307	2,889	1,372	4.281	3.568
Tobacco	-156	376	113	657	386	-137	179	18	-640	0
Dairy	67	291	480	684	1,140	614	2,494	295	33	35
Soybeans	5	139	1,289	2,840	3,281	3,447	907	595	1.109	960
Peanuts	6	-11	21	35	136	129	1,562	259	410	340
Sugar	-34	-30	-51	465	31	-130	-84	61	-89	0
Honey	-2	0	2	7	23	-3	1	3	2	25
Wool and mohair	0	0	10	-2	38	-1	20	12	8	11
Operating expense [1]	6	5	4	60	5	55	81	6	10	6
Interest expenditure	-111	76	210	736	428	218	49	88	68	314
Export programs [2]	125	212	165	216	-2,047	-96	367	61	-763	285
1988-2002 Disaster/tree/ livestock assistance	130	3	2,241	1,452	2,326	248	2,119	936	2.867	0
Conservation Reserve Program	1,671	1,693	1,462	1,511	1,658	1,785	1,789	1,801	1.913	1.987
Other conservation programs	105	197	292	263	288	286	185	97	23	2
Other	104	28	588	858	1,163	389	898	-173	1.145	1.151
Total	7,256	10,143	19,223	32,265	22,105	15,680	17,425	10,575	19.546	21.656
Function										
Price support loans (net)	110	1,128	1,455	3,369	3,189	4,456	4,306	1,243	5.740	3.497
Cash direct payments: [3]										
Production flexibility contract	6,320	5,672	5,476	5,057	4,105	3,968	-294	-11	0	0
Direct payment	0	0	0	0	0	0	4,151	5,289	5.287	5.237
Counter-cyclical payment	0	0	0	0	0	0	1,743	809	2.463	5.893
Market loss assistance	0	0	3,011	11,046	5,455	-1	1,962	-3	0	0
Deficiency	-1,118	-7	-3	1	-1	-2	-1	-2	0	0
Dairy market income loss	0	0	0	0	0	0	0	221	50	20
Loan deficiency	0	478	3,360	6,419	5,293	5,345	693	461	4.411	5.124
Oilseed	0	0	0	460	921	0	0	0	0	0
Cotton user marketing	6	416	280	446	237	182	455	363	644	450
Other	1	0	1	461	820	7	1,323	20	38	17
Tobacco buy-out payments	0	0	0	0	0	0	0	0	958	958
Conservation Reserve Program	1,671	1,693	1,435	1,476	1,625	1,785	1,785	1,786	1.825	1.886
Other conservation programs	85	156	247	215	229	249	159	96	22	2
Noninsured Assistance (NAP)	52	23	54	38	64	181	237	124	247	326
Total direct payments	7,017	8,431	13,861	25,619	18,748	11,714	12,214	9,153	15.948	19.913
1988-2002 crop disaster	2	-2	1,913	1,251	1,848	230	1,867	804	2.370	0
Emergency livestock/tree/DRAP livestock indemn./forage assist.	128	5	328	201	478	17	251	132	498	0
Purchases (net)	-60	207	668	120	-1,310	-1,006	-2,248	-258	-4.133	-2.471
Producer storage payments	0	0	0	0	0	0	0	0	0	0
Processing, storage, and transportation	33	38	62	81	122	119	167	143	154	126

Table 4 Commodity Credit Corporation (CCC) Net Outlays by Commodity and Function

	Fiscal year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005 E	2006 E
	$ million									
Export donations ocean transportation	34	40	323	370	362	302	388	-121	46	47
Operating expense [1]	6	5	4	60	5	55	81	6	10	5
Interest expenditure	-111	76	210	736	428	218	49	88	68	314
Export programs [2]	125	212	165	216	-2,047	-96	367	61	-763	285
Other	-28	3	234	242	282	-329	-17	-679	-389	-60
Total	7,256	10,143	19,223	32,265	22,105	15,680	17,425	10,575	19.546	21.656

1. Does not include CCC Transfers to General Sales Manager. 2. Includes Export Guarantee Program, Direct Export Credit Program, CCC Transfers to the General Sales Manager, Market Access (Promotion) Program, starting in FY 1991 and starting in FY 1992 the Export Guarantee Program - Credit Reform, Export Enhancement Program, Dairy Export Incentive Program, and Technical Assistance to Emerging Markets, starting in FY 2000 Foreign Market Development Cooperative Program and Quality Samples Program, starting in FY 2003 Specialty Crops. 3. Includes cash payments only. Excludes generic certificates in FY 86-96. E = Estimated in FY 2006 President's Budget based on 'November 2004' supply and demand estimates. The CCC outlays shown for 2002-2006 include the impact of the Farm Security and Rural Investment Act of 2002, which was enacted on May 13, 2002. Minus (-) indicates a net receipt (excess of repayments or other receipts over gross outlays of funds).
Information contact: Richard Pazdalski Farm Service Agency-Budget at (202) 720-3675 or Richard.Pazdalski@wdc.usda.gov.
Published July 2005 - ERS

3.2 Critical issues in the international and national context that impact agriculture and rural life

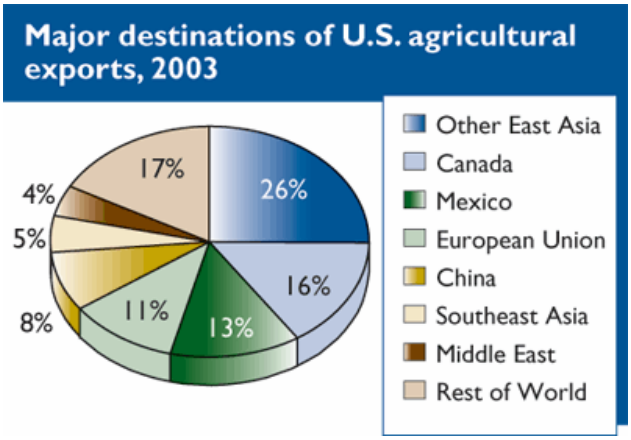
Trade is the most important issue for American farmers and food safety for consumers. Export agriculture will continue to drive supply, and imports seem to be increasing steadily as new international trade regimes continue to expand trade of all types. As part of increased trade, the niche for organic products is expanding, as will be seen. And there are other, non-agricultural issues that impact rural life, including education. The impact of education on the young people in the rural U.S. will be examined as an example of the transformation taking place in rural America.

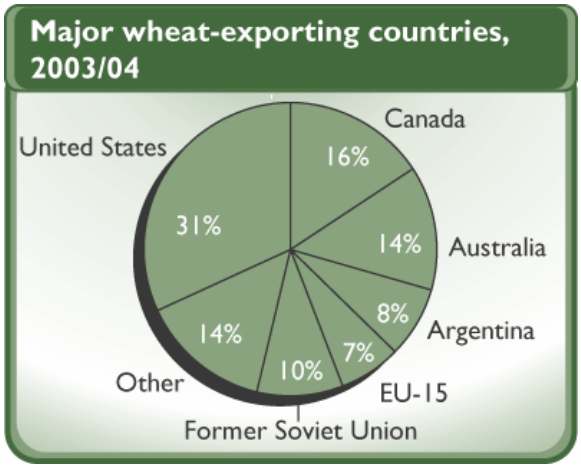
Table 5 Agricultural trade 1/, fiscal years, calendar years, year-to-date, and current month

	Fiscal years 2/				Fiscal year-to-date		November
	2002	2003	2004	2005	2005	2006	2005
	Billion dollars						
Agricultural exports	53.291	55.987	62.368	62.385	11.652	12.356	6.110
Agricultural imports 3/	40.954	45.686	52.656	57.716	9.122	10.183	5.214
Trade balance 4/	12.338	10.301	9.712	4.669	2.530	2.173	0.896
	Calendar years				Calendar year-to-date		November
	2001	2002	2003	2004	2004	2005	2005
	Billion dollars						
Agricultural exports	53.659	53.115	59.364	61.383	55.686	57.391	6.110
Agricultural imports 3/	39.366	41.909	47.376	53.977	49.119	53.920	5.214
Trade balance 4/	14.293	11.205	11.988	7.407	6.566	3.471	0.896

1/ USDA defines agriculture to include: live animals, meat, and products of livestock, poultry, and dairy; hides and skins (but not leather products); animal fats and greases; food and feed grains and grain products; oilseeds and oilseed products; fruits, nuts, and vegetables and products of these; juices, wine, and malt beverages (not distilled spirits); essential oils; planting seeds; raw cotton, wool, and other fibers (not manufactured products of these); unmanufactured tobacco (not manufactured tobacco products); sugar and sugar products; coffee, cocoa, tea, and products of these; rubber and allied products; and stock for nurseries and greenhouses, spices, and crude or natural drugs. Fish, shellfish, and forestry products are not included in "agriculture."
2/ October 1 of previous year through September 30 of current year.
3/ Customs value.
4/ Exports minus imports.
Data are not seasonally adjusted.
Sources: U.S. Department of Agriculture, using data summed from the Bureau of Census, U.S. Department of Commerce.

U.S. export agriculture competes well on the international markets. The U.S. is still the largest wheat exporter in the world. At the same time, the destination of exports for U.S. agricultural products is diverse.





Below is a more detailed breakdown of the distribution of U.S. agricultural exports by region. Exports to the Western hemisphere are equal to those of Asia, though dominated by trade with NAFTA partners Canada and Mexico.

Table 6 **U.S. Agricultural Exports by Region**

	Fiscal year 2004	2005	2006 F	2004 Sep	2005 Apr	May	June	July	Aug	Sep
Region and country					*Million dollars*					
WESTERN HEMISPHERE	23.252	24.710	26.100	1.912	2.105	2.079	2.230	2.117	2.102	2.031
NORTH AMERICA	18.015	19.549	20.600	1.558	1.683	1.686	1.750	1.680	1.696	1.658
CANADA	9.607	10.350	10.900	830	893	931	938	854	873	883
MEXICO	8.408	9.197	9.700	728	790	754	812	826	822	775
CARIBBEAN	1.843	1.848	1.900	102	169	133	168	135	154	130
CENTRAL AMERICA	1.396	1.511	1.600	95	132	128	162	141	88	103
SOUTH AMERICA	1.999	1.802	2.000	157	121	132	149	161	164	140
BRAZIL	325	220	300	17	19	17	17	18	21	14
COLOMBIA	600	598	700	36	34	55	60	56	52	38
VENEZUELA	391	351	300	45	27	21	30	27	30	36
ASIA	24.341	22.540	22.600	1.603	1.823	1.822	1.674	1.731	1.634	1.493
EAST ASIA	20.557	18.395	18.100	1.305	1.493	1.503	1.374	1.475	1.368	1.190
CHINA (MAINLAND)	6.095	5.290	5.500	395	368	344	299	454	315	236
HONG KONG	991	882	800	77	71	73	68	63	73	66
JAPAN	8.524	7.832	7.600	549	706	685	653	600	665	512
SOUTH KOREA	2.777	2.179	2.100	150	177	181	168	185	157	180
CHINA (TAIWAN)	2.142	2.197	2.100	127	171	219	186	173	158	195
SOUTH ASIA	662	695	900	61	49	46	38	30	62	61
SOUTHEAST ASIA	3.122	3.450	3.600	237	281	274	261	226	205	242
INDONESIA	978	982	1.000	58	99	77	79	62	48	56
MALAYSIA	376	382	400	36	22	24	33	29	27	35
PHILIPPINES	685	836	900	59	66	90	60	45	50	68
THAILAND	679	759	800	46	53	49	48	45	35	44
EUROPE/EURASIA	8.233	8.601	8.800	561	594	667	532	563	602	547
EUROPEAN UNION-25 [1]	6.799	6.930	6.900	443	451	508	417	429	434	432

Table 6 U.S. Agricultural Exports by Region

	Fiscal year 2004	2005	2006 F	2004 Sep	2005 Apr	May	June	July	Aug	Sep
OTHER EUROPE [2]	430	470	500	30	41	41	39	36	42	46
FORMER SOVIET UNION-12 [3]	1.004	1.201	1.400	88	103	117	76	97	125	69
RUSSIAN FEDERATION	736	901	900	68	91	103	53	76	101	47
MIDDLE EAST	2.743	2.879	3.100	161	235	271	196	236	222	192
SAUDI ARABIA	350	345	400	19	35	28	21	29	37	14
TURKEY	916	1.022	1.100	30	93	86	96	97	68	35
AFRICA	2.993	2.668	2.800	259	204	182	189	272	213	220
N AFRICA	1.633	1.273	1.400	124	90	75	69	125	94	84
EGYPT	977	808	800	88	51	44	30	105	67	55
SUB-SAHARA	1.360	1.395	1.400	135	114	107	119	146	119	135
OCEANIA	585	745	900	50	57	70	56	59	60	61
TRANSSHIPMENTS [4]	222	242	200	29	18	13	7	7	18	38
TOTAL AGRICULTURAL EXPORTS	62.368	62.385	64.500	4.574	5.035	5.104	4.885	4.984	4.850	4.581

Based on fiscal year (Oct. 1 through Sep. 30). F = Forecast.

1/ The former EU-15 plus 10 new states which acceeded in May 2004.

2/ Major countries include Switzerland, Norway, Iceland, Bulgaria, Romania, and the former Yugoslav States.

3/ The former 15 Republics of the Soviet Union minus the three Baltic Republics.

4/ Export transhipments through Canada have not been distributed by country for calendar years 1999-2004, but are included in the total.

Information contact: Nora Brooks (202) 694-5211.

Published Dec 2005 - ERS

Trends in world supply provide a useful indication of trends in major crops, livestock and products to assess adjustments in world commodity prices. It is important to note that in most major crops there is a steady decrease in areas under cultivation, yet production continues to rise, mostly due to the introduction of improved technology.

Table 7 World Supply & Utilization of Major Crops, Livestock, & Products

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05 F	2005/06 F
					Million units					
Wheat										
Area (hectares)	230,2	228,4	225,1	215,4	217,6	214,6	214,6	209,9	218,6	216,8
Production (metric tons)	582,6	610,0	590,0	585,8	581,5	581,1	567,7	554,6	626,6	615,3
Exports (metric tons) [1]	104,0	104,5	102,0	112,6	104,0	110,7	109,9	104,5	113,0	110,4
Consumption (metric tons) [2]	573,4	577,3	579,0	585,0	583,9	585,2	604,0	588,5	608,7	622,1
Ending stocks (metric tons) [3]	164,5	197,1	208,1	208,9	206,5	202,5	166,1	132,2	150,1	143,4
Coarse grains										
Area (hectares)	323,4	311,2	308,5	300,0	296,9	301,2	293,0	306,7	302,6	300,0
Production (metric tons)	909,0	881,2	890,5	876,9	861,3	891,8	873,6	912,9	1.008,2	953,6
Exports (metric tons) [1]	94,4	85,8	96,7	104,8	104,4	102,7	104,3	102,7	101,7	100,7
Consumption (metric tons) [2]	869,1	867,1	869,1	881,9	883,8	905,5	902,1	944,5	970,8	971,6
Ending stocks (metric tons) [3]	201,7	215,8	237,2	231,8	209,3	195,6	167,1	135,4	172,8	154,8
Rice, milled										
Area (hectares)	150,0	151,2	152,7	155,3	151,5	150,5	145,8	148,1	149,5	151,7
Production (metric tons)	380,9	386,9	394,6	408,8	398,7	399,1	377,5	391,5	402,1	406,8
Exports (metric tons) [1]	18,9	27,6	24,8	22,8	24,4	27,8	27,6	27,1	27,8	25,4
Consumption (metric tons) [2]	378,7	379,4	387,6	397,6	394,6	410,1	406,5	415,7	415,3	413,9
Ending stocks (metric tons) [3]	120,6	128,0	135,1	146,2	150,4	139,4	110,3	86,2	72,9	65,8
Total grains										
Area (hectares)	703,6	690,8	686,3	670,7	666,0	666,3	653,4	664,7	670,7	668,5

Table 7 World Supply & Utilization of Major Crops, Livestock, & Products

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05 F	2005/06 F
Production (metric tons)	1.872,5	1.878,1	1.875,1	1.871,5	1.841,5	1.872,0	1.818,8	1.859,0	2.036,9	1.975,7
Exports (metric tons) [1]	217,3	217,9	223,5	240,2	232,8	241,2	241,8	234,3	242,5	236,5
Consumption (metric tons) [2]	1.821,2	1.823,8	1.835,7	1.864,5	1.862,3	1.900,8	1.912,6	1.948,7	1.994,8	2.007,6
Ending stocks (metric tons) [3]	486,8	540,9	580,4	586,9	566,2	537,5	443,5	353,8	395,8	364,0
Oilseeds										
Crush (metric tons)	245,2	264,3	278,4	247,3	254,6	265,3	269,2	278,6	301,2	313,0
Production (metric tons)	299,9	338,6	346,0	303,9	314,3	325,3	330,4	334,5	379,2	384,9
Exports (metric tons)	55,1	62,1	63,5	59,9	66,9	62,8	69,9	67,1	75,0	79,6
Ending stocks (metric tons)	20,3	30,2	32,9	35,1	37,1	38,6	45,0	40,2	50,6	54,8
Meals										
Production (metric tons)	170,3	183,8	194,6	168,5	175,1	182,6	185,0	189,8	205,2	213,8
Exports (metric tons)	63,1	69,6	71,6	47,2	48,8	52,8	53,7	58,4	59,6	61,4
Oils										
Production (metric tons)	79,1	82,1	87,7	86,4	90,0	92,8	95,8	101,7	110,5	115,0
Exports (metric tons)	28,5	30,5	32,4	29,0	30,9	33,1	36,3	38,9	41,8	44,1
Cotton										
Area (hectares)	33,7	33,8	32,9	32,3	32,0	33,7	30,4	32,2	35,9	34,8
Production (bales)	90,0	92,2	85,5	87,7	88,9	98,8	88,3	95,3	120,4	112,3
Exports (bales)	26,9	26,7	23,5	27,2	26,4	29,0	30,3	33,2	34,7	41,3
Consumption (bales)	87,8	87,3	84,8	91,1	92,2	94,3	98,3	98,1	108,8	114,8
Ending stocks (bales)	44,3	48,8	51,3	49,2	46,8	52,1	42,3	40,7	51,5	50,9
	1996	1997	1998	1999	2000	2001	2002	2003	2004 P	2005 F
Beef and Pork [4]										
Production (metric tons)	117,9	123,3	128,2	131,4	132,1	133,2	137,7	139,0	142,4	146,0
Consumption (metric tons)	116,2	122,0	126,8	131,1	131,2	132,2	136,6	137,7	140,2	143,5
Exports (metric tons) [1]	7,9	8,5	8,2	9,2	8,9	8,9	9,9	10,3	10,9	11,6
Broilers and Turkeys [4]										
Production (metric tons)	47,1	47,8	49,5	52,3	55,3	57,1	59,0	59,1	60,5	62,5
Consumption (metric tons)	46,6	47,3	48,8	51,6	54,1	55,4	57,1	57,3	58,0	60,2
Exports (metric tons) [1]	5,6	4,6	4,7	4,9	5,4	6,1	6,3	6,6	6,7	7,1
Dairy										
Milk production (metric tons) [5]	--	370,1	373,7	376,7	381,6	385,9	393,7	397,8	403,4	410,1

-- = Not available. P = preliminary. F = forecast. 1. Excludes intra-EU trade but includes intra-FSU trade. 2. Where stocks data are not available, consumption includes stock changes. 3. Stocks data are based on differing marketing years and do not represent levels at a given date. Data not available for all countries. 4. Calendar year data, selected countries. 5. Data prior to 1989 no longer comparable.

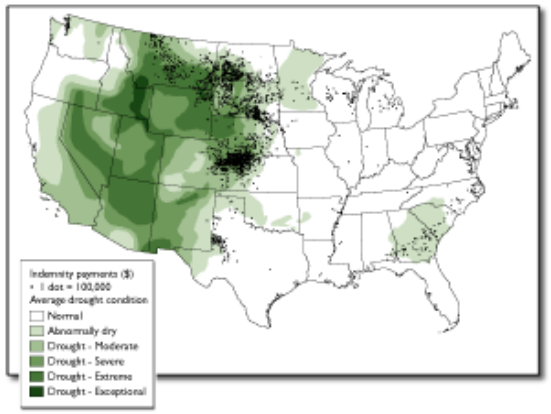
Information contacts: Crops, Ed Allen (202) 694-5288; red meat and poultry, Leland Southard (202) 694-5187; dairy, LaVerne Williams (202) 694-5190: ERS 2004

Drought in some areas

(USDA Economic Research Service)

Much of the western U.S. experienced severe, extreme, or exceptional drought in 2004. As of January 17, 2005, USDA had paid producers $260 million in crop insurance indemnities related to the 2004 summer drought plus an additional $200 million to winter wheat growers. Areas experiencing drought conditions and those receiving indemnity payments do not always overlap—drought impacts and indemnity payments depend not only on the physical extent and severity of drought, but also on economic factors, such as location, investment in irrigation,

Warm-season drought areas and drought-based crop insurance payments, 2004



Source: April to September drought severity index from the Drought Monitor (www.drought.unl.edu/dm/index.html) and data from USDA's Risk Management Agency (www.rma.usda.gov/ftp/miscellaneous_files/cause_of_loss/prem_and_indem). Excludes indemnity payment data for wheat in States where mostly winter wheat is grown.

and producers' choices about participation in crop insurance and other programs. Possible explanations for drought-driven crop insurance payments outside identified drought areas include localized drought conditions or inadequate moisture at critical crop development times in areas with otherwise adequate precipitation.

EU and U.S. Organic Markets Face Strong Demand Under Different Policies

By Carolyn Dimitri and Lydia Oberholtzer from Amber Waves, February 06, USDA Economic Research Service)

Organic markets in the European Union member states and the U.S. are nearly the same size in terms of retail sales. At the same time, their farm sectors differ significantly, with the EU-15 member states having more organic farmland and more organic operations than the U.S. (see "EU and U.S. Organic Sectors"). The U.S. and EU Governments have also adopted markedly different policy approaches to the organic sector. The EU actively promotes the growth of the organic sector with a wide variety of policies designed to increase the amount of land farmed organically, including government standards and certification, conversion and support payments for organic farmers, targets for land under organic management, and policies supporting research, education, and marketing.

The U.S. largely takes a free-market approach: its policies aim to facilitate market development through national standards and certification and federally funded grants that support research, education, and marketing for organic agriculture.

The policy approaches adopted by the two regions are the result of the inherently dissimilar perspectives and histories that the EU and U.S. governments have concerning agriculture, the environment, and by extension, organic agriculture. From the perspective of many EU countries, organic agriculture delivers environmental and social benefits to society, and is regarded as an infant industry requiring support until it is able to compete in established markets. This view of organic farming as a provider of public goods affords an economic rationale for government intervention in the market.

The U.S. Government's approach, while acknowledging organic agriculture's positive impact on environmental quality, treats the organic sector primarily as an expanding market opportunity for producers and regards organic food as a differentiated product available to consumers. In such cases, government-devised standards and labels facilitate market transactions and allay consumer concerns about product identity.

EU and U.S. Organic Sectors

The EU-15 countries (the countries that made up the EU prior to entry of 10 new countries in May 2004) are the focus of this article because much of the data on organic agriculture is on these countries. All references to the EU in this article refer to the EU-15: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

The EU and the U.S. together accounted for 95 percent of the $25 billion in world retail sales of organic food products in 2003. In 2003, retail organic sales in the EU, at almost $13 billion (€10 billion), exceeded the $10.4 billion (€8 billion) of U.S. sales. However, per capita retail sales were nearly equal, approximately $34 in the EU and $36 in the U.S.

The European organic markets are more mature than the U.S. market. The EU's organic sector—particularly Western Europe—had the fastest worldwide growth in the 1990s. Growth in organic retail sales, however, has slowed in some countries, with recent growth rates across the EU averaging 7.8 percent per year. Forecasts of annual growth for organic sales in the next few years range from 1.5 percent for Denmark to 11 percent for the United Kingdom. U.S. organic retail sales increased equally rapidly in the 1990s, averaging 20 percent per year, continued that pace well into 2005, and are predicted to grow 9-16 percent per year through 2010.

Certified organic land in the EU rose from 2.1 million hectares (5.2 million acres; 0.405 hectares = 1 acre) in 1997 to 5.1 million hectares in 2003, about 4 percent of total agricultural area. U.S. organic lands increased from 549,406 hectares in 1997 to 889,734 hectares in 2003—or 0.24 percent of all agricultural lands. Thus, in 2003, the EU had over five times the amount of organic farmland as the U.S., while the U.S. had three times as much total agricultural land.

EU and U.S. Adopt Organic Agriculture Standards and Certification

Both the EU and U.S. have established organic food standards, as well as systems that certify operations as organic. Such standards reduce transaction costs by ensuring that attributes of organic food do not have to be specified for each transaction. They also resolve an information problem since a product's "organic" status is unobservable to buyers, whereas the producer has knowledge of the production and handling methods.

Certification is a process providing third-party assurance that a product was raised, processed, and distributed appropriately, and meets the official organic standards. Thus, standards and certification work in tandem. Certification also reduces opportunistic behavior (such as falsely claiming a product is organic) by creating a specific enforcement system. In the U.S., penalties are clearly outlined for firms that use the organic label inappropriately, while the EU leaves enforcement up to individual member states.

In the EU, labeling of organic plant products is governed by EU Regulation 2092/91 (enacted in 1993); organically managed livestock is governed by EU Regulation 1804/99 (enacted in 2000). The regulations set minimum rules for production, labeling, and marketing for the whole of Europe, but each member state is responsible for interpreting and implementing the rules, as well as enforcement, monitoring, and inspection. EU labeling of organic products is complex because some member states have public labels, while private certifiers in other member states have their own labels, some well known to the public (e.g., KRAV in Sweden, Skal in the Netherlands, or the Soil Association in the UK). In addition, the EU introduced a voluntary logo in 2000 for organic products that could be used throughout the EU by those meeting the regulation. So far, few companies are using the logo. Most recently, in December 2005, the European Commission made compulsory the use of either the EU logo or the words "EU-organic" on products with at least 95 percent organic ingredients.

In the U.S., the 1990 Organic Foods Production Act (OFPA) required that USDA establish national standards for U.S. organic products. The three goals of OFPA were to (1) establish standards for marketing organically produced products, (2) assure consumers that organic products meet a consistent standard, and (3) facilitate interstate commerce. The legislation targeted environmental quality by requiring that an organic production plan pay attention to soil fertility and regulate manure application to prevent water contamination. It also included environmental and human health criteria to evaluate materials used in organic production. Along with the USDA organic logo, the USDA National Organic Standards (NOS) were implemented on October 21, 2002, replacing the prior patchwork system of State organic standards.

Both the EU and U.S. rely on accredited agents to certify organic farmers and handlers. The EU system is more complicated, largely because member states have some latitude as to how they approve and supervise certifying entities, resulting in a great deal of diversity among the states. A national authority from each member state certifies that organic products comply with EU law. These bodies, in turn, approve other entities that are allowed to certify organic production and handling processes. Most member states have government-approved private certification bodies, but some have public member state certification. In addition, some member states and certifiers have additional public or private standards, as well as standards for products not covered under the EU Regulation, such as fish and nonfood agricultural products. Some certifiers require stricter standards than those of the EU legislation. As a result, not all EU certificates are acceptable to each certification body. In contrast, in the U.S., agents are accredited by USDA to carry out organic certification, and the certification process is well defined so that all farmers and handlers are certified according to the same standard.

EU and U.S. organic sectors, 2003				
Country	**Retail sales**	**Organic operations**	**Organic land**	**Farmland under organic production**

	Million euros	*Number*	*Hectares*	*Percent*
Austria	400	19,056	328,803	9.7
Belgium	300	688	24,000	1.7
Denmark	339	3,510	165,146	6.1
Finland	212	5,074	159,987	7.2
France	1,578	11,377	550,000	1.9
Germany	3,100	16,476	734,027	4.3
Greece	21	6,028	244,455	6.2
Ireland	40-50	889	28,514	0.7
Italy	1,400	44,039	1,052,002	6.9
Luxembourg	NA	59	3,002	2.4
Netherlands	395	1,522	41,865	2.2
Portugal	NA	1,507	120,729	3.2
Spain	144	17,028	725,254	2.8
Sweden	420	3,562	225,776	7.4
United Kingdom	1,607	4,017	695,619	4.4
European Union[1]	9,966	134,434	5,099,179	3.9
U.S.[2]	8,047	8,035	889,734	0.2

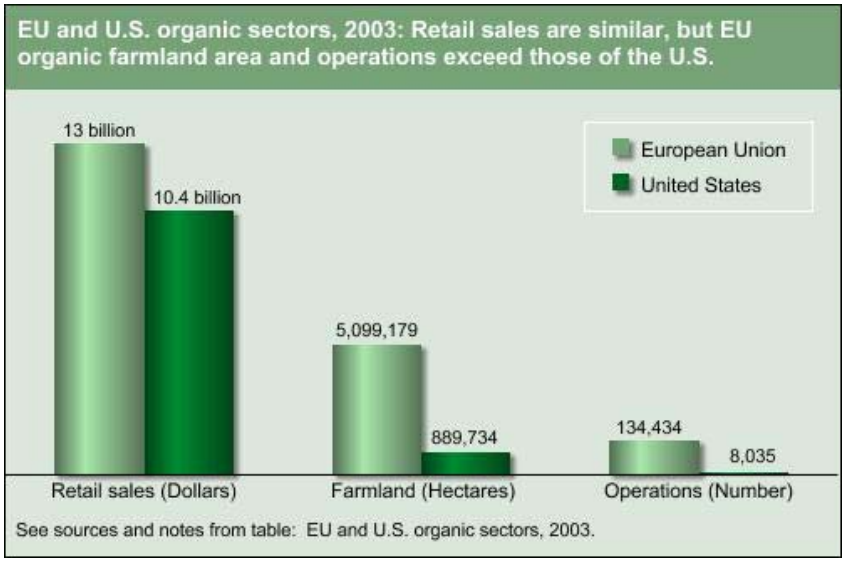
NA = Not available.

Note: U.S. retail sales dollars were converted to euros using an exchange rate of $1.29 = €1.00, May 2005.

[1]Some EU land numbers are provisional. All EU hectares and farms are for certified organic and in-conversion land. Numbers for Sweden do not reflect the substantial hectares that are managed organically but not certified. In Sweden, these lands are given governmental support payments as recognition by Sweden and increasingly other Scandinavian countries that financially supporting organic land management for environmental gain does not necessarily need to be linked to the marketing of organic food, for which certification is a legal requirement. In Sweden, these lands accounted for another 180,000 hectares and an estimated 12,500 farms in 2003.

[2]The U.S. reports certified organic acreage, which has been converted to hectares (1 acre = 0.405 hectares). The U.S. does not report farms or acreage in transition to organic production, as does the EU, and does not report subcontracted organic growers.

Sources: Various sources, cited in *Market-Led Versus Government-Facilitated Growth: Development of the U.S. and EU Organic Agricultural Sectors*, by Carolyn Dimitri and Lydia Oberholtzer,WRS-05-05,USDA, Economic Research Service, August 2005, available at: www.ers.usda.gov/publications/wrs0505/. U.S. operation and land numbers for 2003 are available at: www.ers.usda.gov/data/organic/



The EU, Unlike the U.S., Subsidizes Organic Production

European governments (including countries not in the EU, such as Switzerland) support organic agriculture through green payments (payments to farmers for providing environmental services) for converting to and continuing organic farming. The economic rationale for these subsidies is that organic production provides benefits that accrue to society and that farmers lack incentives to consider social benefits when making production decisions. In such cases, payments can more closely align each farmer's private costs and benefits with societal costs and benefits. EU green payments partly compensate new or transitioning organic farmers for any increase in costs or decline in yields in moving from conventional to organic production, which takes 3 years to complete.

EU support for organic agriculture falls under the EU's general agri-environment program that is part of the Common Agricultural Policy (CAP). The EU commission establishes the general framework and co-financing, and each member state chooses a set of policies from this menu of measures. The 1992 CAP reform (EC Regulation 2078/92) provided the policy framework for EU member states to support organic farming, and many of the payments currently granted were implemented under this reform, dating back to 1994. More recently, under Agenda 2000, these measures were included in the rural development program (Rural Development Regulation No. 1257-99), a CAP reform carried out from 1999 to 2001. In 2001, the EU-15 spent almost €500 million ($559 million; the average annual exchange rate for 2001 was $1 = €0.895) on organic lands under the two measures, with organic farms receiving average payments of €183-€186 ($204-$208) per hectare, compared with €89 ($99) per hectare paid to conventional farms.

EU agri-environmental support and organic farming, 2001

	Organic land supported under agri-environmental programs[1]				Average support premium for organic land	
Country	**1992 CAP reform**	**Agenda 2000**	**Share of organic land in policy support programs**	**Public support of organic land under 1992 CAP reform**	**1992 CAP reform**	**Agenda 2000**
	Hectares		*Percent*	*Thousand euros*	*Euros/hectare*	
Austria	36,193	210,833	89	67,905	211	286
Belgium	13,032	3,616	74	3,416	187	269
Denmark	79,731	78,347	94	16,377	137	199

Finland	23,948	113,631	93	3,402	141	117
France	54,727	82,508	33	23,951	196	188
Germany	278,884	254,715	84	84,477	154	163
Greece	4,928	10,614	50	17,505	401	445
Ireland	13,691	NA	46	1,848	135	NA
Italy	351,113	101,134	37	158,898	361	318
Luxembourg	736	1,224	98	328	158	173
Netherlands	8,140	14,593	63	4,446	266	156
Portugal	26,970	90	38	3,779	137	111
Spain	142,591	112,554	53	14,544	69	195
Sweden[2]	81,067	349,562	113	69,018	153	162
UK	285,633	122,330	60	27,591	42	45
European Union	285,633	122,330	60	27,591	42	45

NA = Not available.

[1]Organic support falls under EC Regulation 2078/92, the agri-environmental program of the 1992 Common Agricultural Policy reform. After 1999, organic farming support was part of Rural Development Regulation 1257/97, under Agenda 2000.

[2]Sweden's 113 percent signifies that there is more policy-supported organic land than certified area, reflecting the country's policy of supporting uncertified organically managed lands (see note to table: EU and U.S. organic sectors, 2003, on page 15).

Sources: Various sources, cited in Market-Led Versus Government-Facilitated Growth: Development of the U.S. and EU Organic Agricultural Sectors, by Carolyn Dimitri and Lydia Oberholtzer, WRS-05-05, USDA, Economic Research Service, August 2005

Many EU Member States Set Targets for Organic Land . . .

Many EU member states have established targets for the share of farmland under organic production in their organic farming action plans. The EU governments use targets to convey their level of commitment to growth in the organic sector. Some countries have selected relatively attainable targets, while others have chosen more ambitious ones. For example, in 1995, Denmark announced a target of 7 percent of farmland certified as organic by 2000 and nearly reached this goal with 6 percent. Denmark's goal of having 12 percent of farmland certified as organic by 2003, however, fell short. In response to the 2000 Bovine Spongiform Encephalopathy (BSE) crisis, Germany set a target of certifying 20 percent of farmland as organic by 2010, a number that may be hard to reach since only 4 percent of land was in organic production in 2003.

. . . and Higher Funding for Research

Public funding of organic-related research and programs is increasing in both the EU and U.S., although European governments are financing more programs with a broader range. European funding supports innovation in production techniques, food processing, food marketing, and food retailing, and is estimated at €70-€80 million annually from 2003 to 2005. Germany, the Netherlands, Switzerland, and Denmark accounted for 60 percent of this. In fiscal year 2005, the U.S. Government made approximately $7 million available exclusively for organic programs, including a certification cost-share program and $4.7 million for a research grant program. This amount is supplemented by other programs that benefit organic producers, including funding for organic research and technical assistance by Federal, State, and local agencies that focus on organic agriculture.

Consumers in Both Regions Drive Market Growth

In many ways, development of the EU and U.S. organic markets has followed a similar path. In the early days, the organic sectors were supply driven and organic products were introduced by farmers. More recently, consumers have been the driving market force in both regions. Studies indicate that most European consumers have shifted from buying organic food for altruistic reasons to more self-interested reasons, such as food safety and health. Ranking behind these are taste, nature conservation, and animal welfare. Similarly, U.S. consumers 20 or more years ago bought organic food because of their concern for the environment. In 2002, according to national surveys, two-thirds of U.S. consumers cited health and nutrition as a reason for buying organic, followed by taste, food safety, and the environment.

Consumers in both regions offer similar reasons for why they do not purchase organic food. In Europe, the main factors include high prices, poor product distribution, little obvious difference in quality, lack of information on the nature of organic products, and doubts about the organic integrity of the items. In the U.S., according to consumer surveys, price leads the list of barriers to purchasing organic products, followed by availability of organic products. Despite these factors, retail sales are growing rapidly in both regions.

In 2003, U.S. organic food sales were distributed almost evenly between natural product/health food stores (47 percent) and conventional retail stores (44 percent), with direct sales and exports accounting for 9 percent. This is a significant shift from 1998, when corresponding sales were 63 percent, 31 percent, and 6 percent. As in the U.S., mainstream European supermarkets in some countries stock a wide range of organic products. However, the main type of retail channel for organic food varies across countries. Over 85 percent of organic products are sold through general food shops in Denmark; in Luxembourg and Greece, organic foods are primarily sold through other stores (e.g., organic/health food stores, bakers, and butchers). In a number of countries, including Ireland, Italy, France, Belgium, the Netherlands, and Germany, sales are more evenly divided between supermarkets and other stores.

Although the organic market is growing in both the EU and the U.S., there are some problems with the flow of products to market. In Europe, the organic dairy and livestock industries, in particular, have grown rapidly over the last decade, and in some cases have outpaced the capacity of the market and distribution channels. Organic milk supplies in some regions were large enough to reduce organic prices, causing some producers to exit the sector because they were unable to turn a profit. The milk glut, however, appeared to be giving way to shortages in the UK, as demand continues to grow and supply has declined. The U.S. organic food market was formerly supply constrained, but now seems better able to meet consumer demand, especially for fresh produce. In the dairy market, however, with demand increasing rapidly, suppliers are struggling to provide enough organic milk to satisfy demand at current prices.

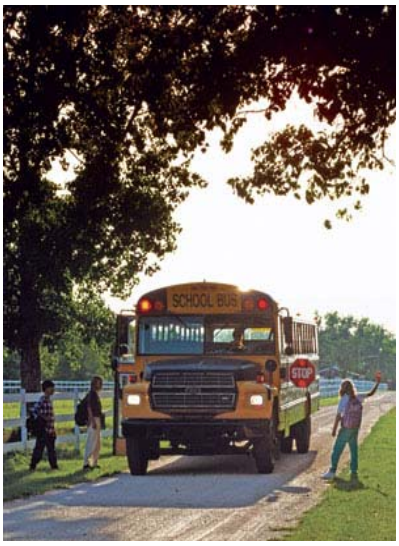
EU CAP Reform Renews Support for Organic Farming

In June 2004, the European Commission adopted an Action Plan for Organic Food and Farming, with 21 policy actions aimed at facilitating ongoing developments in the organic sector. The actions are focused on three main areas: information development e.g., increasing consumer awareness, improving statistics on organic production and demand); encouraging member states to apply a more coherent approach and to make better use of the different rural development measures; and improving/reinforcing the EU's organic farming standards and import/inspection requirements.

The 2003-04 CAP reforms partially shift agricultural policy toward a market-driven policy and convert the current system of direct payments to a single-farm payment independent of the volume of production. The single-farm payments began in 2005, with member states having discretion in implementing them. The farm payment will require cross-compliance with a wide range of standards, including environmental, food safety, animal welfare, and occupational health/safety. While the impact on organic agriculture is still unknown, the overall changes are expected to favor an expansion of organic farming.

Education as a Rural Development Strategy

(by Robert Gibbs from Amber Waves*, November 2005, USDA Economic Research Service)*



Educational attainment in rural America reached a historic high in 2000, with nearly one in six rural adults holding a 4-year college degree, and more than three in four completing high school. As the demand for workers with higher educational qualifications rises, many rural policymakers have come to view local educational levels as a critical determinant of job and income growth in their communities. Attracting employers who provide higher skill jobs and encouraging educational gains are seen as complementary components of a high-skill, high-wage development strategy.

But policymakers are faced with two key questions. First, does a better educated population lead to greater economic growth? According to a recent study, rural counties with high educational levels saw more rapid earnings and income growth over the past two decades than counties with lower educational levels. However, economic returns to education for rural areas continue to lag those for urban areas.

Ultimately, the strength of the tie between education and economic outcomes is influenced in part by the extent to which small rural counties lose young adults through outmigration. The loss of potential workers from rural areas, as young adults leave for college and work opportunities in urban areas, has concerned rural observers for many decades. This rural "brain drain" not only deprives rural employers of an educated workforce, but also depletes local resources because communities that have invested in these workers' education reap little return on that investment.

Rural Adults Post Major But Uneven Educational Gains

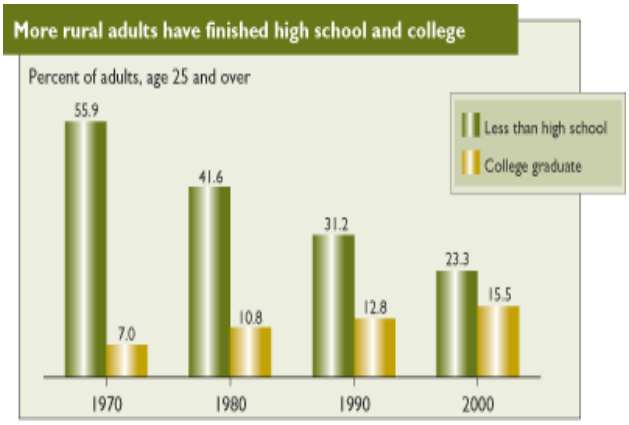
The rise in educational attainment since the end of World War II has been a remarkable success story in rural America. In 1970, 7 percent of rural adults had graduated from college, while 56 percent of the rural adult population did not have a high school diploma. By 2000, 16 percent of rural adults age 25 and older had completed college and more than 75 percent had finished high school.

Though rapid, these gains understate the educational attainment of the younger working population, ages 25-44. Nearly one-fourth of rural younger adults have at least a 4-year college degree, and over 80 percent have completed high school. Gains in educational attainment in rural areas were particularly pronounced during the 1960s, dividing the generation that viewed college as an option for the relatively few from the generation for whom college attendance became "ordinary."

A similar divide can be seen in the steady increase in job skill requirements of rural firms, as employment shifted over time from farm to factory to services. Between 1980 and 2000, for instance, the share of rural workers in low-skill jobs fell from 47 to 42 percent. The relationship between high educational levels and high-skill jobs has prompted many communities to pay closer attention to the role of workforce education and training in their economic development plans. But the benefit of raising educational levels will vary widely from place to place because of the sharp disparity in educational attainment across rural America. In nonmetro counties where at least one-fourth of the population age 25 and older lacks a high school diploma, job growth has been steady, yet income levels typically fall well below the national average. In other nonmetro counties where the great majority of adults have completed high school, the need to improve workforce education levels is likely to be less urgent.

Workforce Education Affects Economic Growth

Higher educational levels contribute to local economic development in several ways. First, a well-educated workforce facilitates the adoption of new ways of producing goods or providing services among local businesses. Second, prospective employers may view a well-educated local labor force as an asset when choosing among alternative locations for new establishments. Both factors could help improve a community's chances of attracting new businesses, particularly those businesses that require highly skilled employees. Finally, higher educational levels are almost always tied to geographic clusters of certain key industries, which in some cases have generated major economic growth in rural areas.



Source: Prepared by USDA, Economic Research Service using data from the U.S. Census Bureau.

According to research presented at a 2003 conference on rural education cosponsored by ERS, the higher the level of educational attainment, the faster the growth rates in both per capita income and employment (see The Role of Education in Rural America). Researchers at Clemson University found that counties in the rural South with a 5-percentage- point higher share of adults attending college in 1980 reported, on average, 3.5 percent faster growth per year in per capita income over the next 20 years and 5.5 percent faster growth in employment. For a typical county in 2000, this translates into $325 more in per capita income and 150 additional workers. Given an average population of 24,700 in the study counties, the average increase in total annual county income would be approximately $8 million, or about 4 percent above actual 2000 income levels. In urban areas, annual income growth after 1980 rose 9 percent for each 5-point gain in college-educated adults, and annual employment grew 7 percent.

Another study conducted by researchers at Penn State University found that rural counties with a 1-percentage-point higher share of adults with a high school diploma reported $128 more per capita income, even after adjusting for other characteristics that affect income, such as infrastructure, industry structure, and degree of urbanization. But the same 1-percentage-point increase in urban counties raised per capita income by $413.

These studies qualify the role of education in rural economic prosperity in two ways. First, urban areas benefit disproportionately from a well-educated workforce. Second, benefits from higher educational levels depend on other local factors, but primarily for urban areas. Within rural areas, population density, access to interstate highways, social capital, and school characteristics have little power to enhance or inhibit the influence of educational levels on income and employment. As a result, there is little evidence that economic development strategies based on raising workforce education levels will be equally successful regardless of a community's other characteristics. Areas with high educational levels also have high-skill employment bases that have adapted to the particular features of the area. Thus, infrastructure and urbanization enhance the effect of education primarily by influencing the kinds of jobs found in the local economy.

Better Schools Promote Higher Achievement and Earnings

If higher levels of education boost local economic performance, how might localities pursue a development strategy that incorporates improvements in education? In the past, rural areas seeking to stem the brain drain emphasized strategies to retain well-educated youth and adults and attract new residents by encouraging higher skill employment growth. "Workforce development" most often meant investing in job training programs, both by States and local jurisdictions. More recently, attention has turned to improving the quality of local schools in order to raise the level of performance and well-being of

the local workforce. Rural areas may also view good schools as an amenity for prospective employers and workers who must move families to the area.

The Role of Education in Rural America

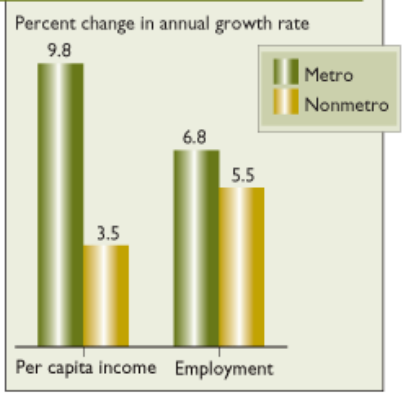
In April 2003, ERS cosponsored a 2-day conference with the Southern Rural Development Center (SRDC) and the Rural School and Community Trust that brought together researchers, policymakers, and educators from around the country to examine the issues surrounding rural education and local economic development. Findings from conference presentations were published in December 2004 as a major SRDC policy report, *The Role of Education: Promoting the Social and Economic Vitality of Rural America*, and in 2005 as special issues of two peer-reviewed journals, the *Review of Regional Studies* and the *Journal of Research in Rural Education*. The research of Stephan Goetz and Anil Rupasingha, Penn State University, and David Barkley, Mark Henry, and Haizhen Li, Clemson University, have been key resources for this *Amber Waves* article.

Improvement of rural schools, however, faces special challenges, especially in balancing resources and outcomes. As is often the case with service provision in rural areas, costs per pupil may exceed the national average because rural schools often cannot take advantage of economies of scale provided by a large population base. Moreover, rural counties often lose a large portion of their youth to places with better job and educational opportunities. Thus, the future income and tax revenues that rural students could generate—the "social returns" on school investments—may be lost to other, often urban, places, and investments designed to improve schools may not pay off for the local community in the long run.

The financial challenges and geographic isolation facing rural schools often contribute to educational disadvantages. Standardized test data show that rural students tend to score below suburban students in math and reading, but on par with central city students. Rural teachers earn less, on average, than urban teachers and are less likely to hold an advanced degree or be certified in the subject they teach. Rural schools are less likely to offer advanced classes in science and math. But rural schools are also smaller and have teacher-pupil ratios similar to urban schools.

Students in rural schools that offer advanced coursework and have more qualified and better paid teachers score higher on standardized math and reading tests. Once scores are adjusted for characteristics related to school quality, the rural disadvantage disappears. These factors are often closely related to the socioeconomic profile of the students' families. ERS found that characteristics of rural families—race, sex of family head, English as a native language, and family structure—actually gave rural students a slight advantage over both suburban and central city students. While family and personal characteristics contribute to the special challenges of rural school systems, especially those in persistently poor and low-education areas, they do not explain the rural disadvantage as a whole.

Income and employment gains due to higher educational levels in the rural South



Annual percentage change resulting from a 5-percentage-point increase in the share of persons age 25 or older with at least some college education.

Source: David Barkley, Mark Henry, and Haizhen Li, "Does Human Capital Affect Rural Growth? Evidence from the South," in *The Role of Education: Promoting the Economic and Social Vitality of Rural America*, Lionel J. Beaulieu and Robert Gibbs, eds., January 2005.

The effect of school characteristics on student achievement shows that schools have at least *indirect* influence over workforce quality. Rural schools can also influence the economy *directly* by their effect on workers' earnings. By age 26, workers who graduated from rural high schools earned about 3 percent less than workers who graduated from suburban high schools, after adjusting for educational attainment, type of job, and current residence. When earnings are further adjusted for rural school disadvantages, the rural-suburban gap disappears. Rural students who graduate from better schools will thus perform better in the labor market whether or not they remain in rural areas. Because students who

do better in school are more likely to attend college and leave their home communities, there is a tradeoff between improvements in local workforce quality and the loss of young adults due to outmigration.

Outmigration May Diminish School Effects

Recent research shows that improvements in rural schools boost local economic development prospects. Higher adult educational levels lead to faster income and employment growth, and better schools can produce higher academic achievements and improve longrun economic prospects for students. According to a study of rural South Carolina in the 1990s by researchers at Clemson University, a small but significant link occurs between school quality (measured by student-teacher ratios) and employment growth in the local community.

Continued movement of young adults from rural to urban areas for college or higher paying jobs means that much of the potential benefit to earnings from improving schools will be lost to the local community. This effect weakens the rationale for supporting good schools, especially if these improvements are perceived to encourage outmigration. Fifty-five percent of rural young adults who attended college no longer resided in their home county. Young adults who had not completed high school were about half as likely to reside in a different county, with high school graduates falling in the middle. Despite rural gains, the rural-urban educational attainment gap remains high, and high-skill jobs in large and medium-size cities continue to attract young adults. Jurisdictions with significant economic or social distress may find it especially difficult to leverage improvements in school quality without concurrent changes in the local economy.

Although rural America continues to lose a disproportionate share of its college-bound youth, the long-term loss is often substantially less than the initial outflow, as many outmigrants return to raise children, assist aging relatives, or use social networks to find jobs. Communities may find good schools to be a particularly effective way to capture a larger share of these potential returnees. Better schools, for example, can make a difference to parents who want to raise their children in the home environment they once enjoyed, but who also seek the best possible education for their children.

Current Federal policy supports raising academic standards and workforce educational levels regardless of a community's economic and social profile. Such an approach holds great potential for helping individuals. The benefit to rural communities, particularly in distressed areas, could be greatest where human capital improvements are but one of several parallel strategies (such as small business development) aimed at building a local economy with greater job opportunities and higher earnings.

4. Summary of the National Agenda

The IICA Office in the U.S.A. conducts institutional business in a unique environment. The Office represents the Institute with IICA's most significant contributor in one of the world centers for information, knowledge, policymaking and investment in agricultural and rural development. The special relationship between IICA and the U.S. government demands particular skills in advocacy, negotiation and dialogue that build bridges of understanding and commitment to innovative programs that are hemispheric in scope and that produce results on the ground. The Washington Office works with the U.S. Department of Agriculture to craft programs and projects that reflect U.S. interests and also have resonance in all of IICA Member States. Actions of the IICA Office in the U.S. transcend national borders and provide key linkages with other country offices in promoting development programs and policy dialogue.

For many years, the U.S. office of the Inter-American Institute for Cooperation on Agriculture (IICA) has had a low-profile role, primarily as a representational post, providing liaison to the U.S. Government as well as information services to other countries and regions. The U.S. Office began to expand in 1994 when the United States, through its interagency committee for issues related to international organizations, developed a strategic plan to transform its relationship with IICA from donor organization to full partnership in the activities and programs of the institute.

Since that time, officials from USDA and the Department of State have worked closely with the Director General and IICA's Representative in the United States to transform the Institute into a strong Inter-American organization that focuses on hemispheric and regional activities that can benefit all Member States. Over the last few years, the U.S. Office has developed new initiatives and activities that have contributed to increasing awareness of IICA in the United States and demonstrated the organization's benefits to U.S. interests and policies.

In addition, the Directorate for Strategic Partnerships (DSP) was created in 2002 as part of the U.S. Office as a new internal Management Unit of the Inter-American Institute for Cooperation on Agriculture. The DSP is responsible for advancing new and strengthening existing partnership arrangements to promote rural prosperity, food security and sustainable development throughout the Hemisphere. The DSP develops agreements and mutually beneficial partnerships that provide other forms of support to IICA management and technical units and country offices so that producers and policy makers in all thirty-four IICA Member States can enhance their capacities for development and change.

The Directorate for Strategic Partnerships initiates and supports:

- Building personal, professional and institutional relationships that are critical to developing international development partnerships based on a keen understanding of the mandates of our key partners,
- Intelligence gathering and dissemination to IICA management and technical units on opportunities and potential activities for collaboration with potential and existing partners,
- Building IICA institutional capacity to identify, develop, manage and implement successful partnership arrangements that advance shared goals and interests,
- An information base on international development programs and innovations appropriate for development of national and international policy in agriculture and rural development.

Goals of the Directorate for Strategic Partnerships

A. Mobilize resources
B. Enhance institutional presence and image of IICA as a credible and effective organization
C. Provide services to the various IICA offices and to other organizations
D. Increase the number and quality of strategic partnerships
E. Optimize functions and structure of the DSP internally and with IICA headquarters and the country offices

Core Strategies

DSP employs four core strategies that guide it in establishing priorities, identifying opportunities, and designing new programs and activities. They cut across all DSP programs and activities, and each is critical to accomplishing the five DSP outcome goals.

(1) Develop institutional capacity to forge partnerships
(2) Integrate partnerships seamlessly into IICA technical programs and strategies
(3) Promote innovation for opportunity-driven development.
(4) Expand the resource base and financial capital for agriculture and rural development

IICA's National Agenda for the United States responds to the priorities as defined by various national stakeholders:

National government

The United States Department of Agriculture (USDA)

- *Foreign Agricultural Service* related to agricultural development and trade issues, as well as overall political and policy coordination related to IICA's mission.
- *The Animal and Plant Health Inspection Service* related to agricultural health issues.
- *The Food Safety and Inspection Service* related to food safety issues.
- *The Agricultural Research Service* related to support for agricultural research, transfer of technology and development of research networks such as PROCINORTE.
- *The Cooperative State Research, Education and Extension Service and the National Agricultural Library* related to training and education and networking of libraries of the Americas.

The Department of State

- *The U.S. Mission to the Organization of American States* related to the Inter-American agenda, joint actions with other agencies in the Inter-American system, and budgetary and personnel matters.
- *The Bureau of International Organization Affairs* related to general budgetary and personnel matters.

The Department of Health and Human Services

- *The Food and Drug Administration related to food safety issues.*

U.S. Agency for International Development

- *Bureau for Latin America and the Caribbean and the Field Missions to explore areas for joint action and project development efforts.*

Key Actions

The strategic partnership arrangement that IICA seeks require renewed efforts to forge trust, establish credible joint actions that demonstrate the value-added of collaboration and that create recognition for IICA leadership. The key actions identified to attain the expected outcomes for 2003 are:

- *Liaise with USG on programmatic and administrative matters*: This includes the expansion of communications with a variety of Units within the Department of Agriculture and their vast network of offices at the international and state levels as well as more invigorating dialogue with USDA-IICA liaison officers.
- *Develop joint activities to implement strategic priorities with the US Government*: Agricultural globalization and the expected outcomes of this strategic plan require that more joint efforts be undertaken to link national priorities with hemispheric concerns as well as addressing national interests within the context of hemispheric integration. U.S. public and private institutions have tremendous capacity to promote and enrich dialogue, training and the institutional capacities of all stakeholders involved in trade, agricultural health, food safety, agricultural science and technology as well as rural

development issues related to market access, opportunity for rural women and First Peoples and territorial approaches to developing rural space. Configuring programs that link capacities with prioritized demands throughout the hemisphere and that require tailor-made programs will be a central concern of the Office in the USA.

- *Disseminate knowledge and exchange expertise and technology between US and LAC*: Building on a long historic relationship between U.S. institutions and Latin America and the Caribbean in agriculture, communication and exchange mechanisms are required to continue to share scientific advancement, to develop sound databases for public policy and to provide information that informs dialogue on agricultural trade disputes. Bridging gaps in information and expertise will permit greater possibilities for consensus and nexus for better communications between professionals and policy makers.
- *Strengthen the partnership between the US and IICA in support of regional and hemispheric priorities*: IICA's representational presence in every Member State offers an institutional platform for outreach and linkage between U.S. agricultural institutions and the hemisphere. The capacity to articulate national interests with regional priorities and international public goods provides the potential to foment dialogue, foster understanding and create international agreements in order to improve agricultural competitiveness throughout the hemisphere. The fact that market expansion for agricultural products will occur at a far greater rate outside of the United States has renewed interest of public and private enterprises to strengthen their relationships with trading partners, research associates and farmers throughout the hemisphere. The IICA Office in Washington will mobilize and prioritize its resources to effectively respond to these kinds of demands.
- *Promote the development of human talent of all Member States*: Transforming information and data into knowledge for action requires new capabilities on the part of professionals. In addition to multiple language skills, management, solid conceptual foundations to filter information, analytical skills and institutional frameworks to provide structure so that actions produce desired results and outcomes are all part of the new expertise that professionals involved in agriculture and rural development need to exercise with great precision and creativity. The development of tailor-made programs based on a firm grasp of local knowledge linked with global trends and a vast base of conceptual data also demand that professionals can articulate local, regional sub-national, national, regional supranational and global processes to create effective interventions that produce results. The U.S.A. is a storehouse of information, educational capacity and knowledge creation. Generating greater interaction between professionals and linking professionals in new paradigms of global research through public and private partnership will continue to be an important challenge for IICA in the U.S.A. and the hemisphere.
- *Co-design and jointly implement tri-national programs with Mexico and Canada*: The North American Free Trade Area (NAFTA) has a series of unique challenges and potential regarding agriculture and rural development that will demand the attention of the IICA Office in the U.S. The three nations have great interest in IICA's role as a broker and facilitator of dialogue, as well as a mechanism for the identification of key issues to improve competitiveness in the free trade area and to consolidate the efficiency of agricultural markets, especially in terms of labor productivity, technological innovation, food safety and coherent policy development. IICA will continue its efforts to improve tri-national efforts in this regard.

5. Results of technical cooperation

The Directorate for Strategic Partnerships does not provide direct technical cooperation services. The Office does, however, work with IICA Technical Cooperation Secretariat, and regional and country offices to identify opportunities, generate resources and seek partnerships with multi- and bi-lateral international organizations and donor agencies, universities, foundations and the private sector. Our mission is to develop and maintain policy level relationships with our strategic partnerships. By combining human financial, technical and policy resources, IICA seeks to expand its impact in providing benefits to its Member States, especially in the reduction and alleviation of poverty in the Americas.

Internally the DSP provides services to IICA's management units at Headquarters and in the countries, including: information and intelligence on potential opportunities; access to and liaison with partner organizations; assistance in preparing project documents and responding to requests for proposals; promotional and public affairs services; marketing; and follow-up.

Below are some concrete examples of activities undertaken by the Directorate for Strategic Partnerships in developing relationships and agreements with multilateral and bilateral institutions.

5.1 Facilitating competitiveness and global trade

The Andean Countries Cocoa Export Support Opportunities (ACCESO) Initiative joins the United States Agency for International Development (USAID) and the chocolate/cocoa industry, represented by the World Cocoa Foundation (WCF) in a private-public partnership to work on an Andean regional cocoa initiative. Initially focused on Ecuador, Colombia, Peru and Bolivia, but as a concept ACCESO can expand work to other countries and regions. The Partnership has the potential to become multi-donor in scope as other agencies (US Department of Agriculture and US State Department), institutions (Inter-American Development Bank and World Bank) and NGO's have expressed an interest to join efforts.

Through the ACCESO Initiative, the Washington Office has been engaged with the World Cocoa Foundation since 2001 in supporting the development of a regional initiative to promote cocoa production in the Andean Region. The WCF is an international non-profit whose goal is to promote a comprehensive program which "takes science into the field", improving production efficiency, increasing farmer yields, and using cocoa to promote production reforestation of degraded tropical lands- all in a sustainable, environmentally responsible manner. The WCF has a broad membership with the private sector throughout the world. It is composed of the organizations: Anecacao-Ecuador, CAOBISCO-Colombia, Chocolate Manufacturers Association-USA, National Confectioners Association-USA and the following corporations: ADM Cocoa , Blommer Chocolate Company, Cargill, Callebaut Consulting-Singapore, Chocolove, Ferrara Pan Candy Company, Ghirardelli Chocolate Company, Godiva Chocolatier, Inc., Goldenberg Candy Company, Guittard Chocolate Company, Hershey Foods Corporation, Jelly Belly Candy Company, Kraft, Machu Picchu Coffee Trading S.A.C., Mars Incorporated, Nestle, Nidar AS, Promotion in Motion Companies, Inc., Quality Candy, R.C. Purdy Chocolates Ltd., R.M. Palmer, See's Candies, Inc., Starbucks Coffee Company, Toms Confectionery Group, World's Finest Chocolate, Inc.

The ACCESO project represents an important step in this dialogue and in developing cooperation with the private sector. These discussions were intensified in July 2004 and have accelerated in November-December when USAID made a commitment to help the idea get off the ground. USAID has decided to support the initiative with an initial donation of US$400,000.00 from its Global Development Alliance funding. The GDA supports initiatives with the private sector to promote sustainable development. The WCF for its part will provide US$268,000 for the project. These initial contributions are seen as seed money and both the industry and USAID are engaged in convincing other agencies to join the ACCESO network and contribute resources. USAID missions in each country are watching to see how the initial phase unfolds to commit the local resources they have available to ACCESO. The Multilateral Investment Fund is launching a $1 million project to support ANECACAO in Ecuador

beginning in June and they have expressed interest in providing similar support to the private sectors of the other ACCESO countries.

The ACCESO Initiative brings together important stakeholders across the Andean Region to work together in a viable supply chain that will increase rural incomes for many poor families and build a new alliance to improve agricultural competitiveness. The importance and potential of this initiative has attracted the attention of the Ministers of Agriculture in the region and merits their attendance at the launch conference in order to demonstrate the commitment of the countries to working on a regional basis. It is a great opportunity for the Institute to provide leadership and guide stakeholders down the path of improving rural prosperity through working together. As this effort moves from formulation to implementation and the DSP role becomes one of backstopping rather than active involvement, the role of the regional staff will become prominent and critical so that ACCESO continues to expand its breadth and scope throughout the region and in each Andean country.

5.2 Promoting food safety and agricultural health

The DSP has been actively seeking support to continue efforts that ensure clean and safe food throughout the hemisphere. Extensive meetings have been held with officials from USDA, Agri-Foods Canada and the Mexican Secretariat of Agriculture to mobilize new resources for continued efforts that support delegations from all the Member States of the Americas to participate in the Sanitary and Phytosanitary Committee of the WTO. This project has been extremely successful and all stakeholders recognize its utility. Shifting donor priorities have made generated constraints for new funding support from U.S. government agencies. IICA seeks to expand participation of Member States as well in CODEX Alimentarius and International Plant Protection Convention.

IICA provided support and input in the design of the Food Safety Institute of the Americas, an initiative promoted by the Food Safety and Inspection Service of USDA. Backstopping was also given to the Biosafety Protocol project with the USDA Biotech group.

The IICA Office in the U.S. was actively involved in the organization and implementation of events related to the crisis surrounding BSE, at the request of USDA. A one day seminar was organized for the OAS Ambassadors to learn about the steps being taken by USDA and the private sector so that market access could be reestablished. IICA also worked with PAHO to include a one day session on BSE at the International Foot and Mouth Disease Conference held in Houston. Both these events provided USDA with an opportunity to describe their ongoing efforts to analyze the situation of BSE in the United States.

5.3 Strengthening rural communities

The DSP supported efforts to assist Haiti after flood disasters. The purpose and objectives of the Supporting Rural Flood Victims in Gonaives include providing immediate support to flood victims and communities affected by the situation by creating temporary jobs and developing local institutional capacities to manage and coordinate these efforts so that these communities become key actors in watershed management and disaster prevention.

This emergency response project will provide jobs that reconstitute productive infrastructure and aid in reducing future disaster risks. While a watershed management approach will eventually be required to address structural aspects of environmental problems, in the short term irrigation channels need dredging for more efficient water flows. Communities in both Desbarrieres and Ennery identified these as high priorities. IICA will use project resources to develop and strengthen the capacities of local organizations to manage the relief effort and prevent future disasters.

A similar project was also developed for another Haitian region, Petit Goave that will receive funding through the European Union.

5.4 Hemispheric integration

The U.S. Office in Washington provides backstop support to the Director of the Summit of the Americas process during the meetings of the Joint Summit Working Group and the Summit Implementation and Review Group. Support has also been provided to the U.S. ministerial delegate assigned to follow-up on the Summit process as it relates to agriculture and IICA's mandate to develop and implement the Plan Agro 2003-2015 action plan.

5.5 Developing Human Capital

The Washington Office provides a wide variety of information on agriculture and rural development to stakeholders throughout the hemisphere. The CaribNews is distributed daily. Reports and important documents emanating from different institutions are circulated to IICA offices so that they are abreast of the latest trends and information that affect agricultural development.

Timely and effective support was provided in the organization to launch the GDLN-Agriculture web-based communications system with the World Bank.

5.6 Environmental management

The Washington office facilitated the signing of a formal agreement with the World Bank to conduct research on the effects of climate change on agricultural production in the hemisphere. This research is now underway in South America.

The office has also been engaged with the Global Environmental Facility regarding a project to develop capacity for managing and conserving the genetic biodiversity of the Mesoamerican Biological Corridor that runs through Central America.

5.7 Institutional modernization

Support was provided to the Honduran Minister of Agriculture on his visit to the U.S. regarding his discussions with USDA Food for Progress program and concerning the Millennium Challenge Corporation. Similar actions were taken during the visit of the Guatemalan Minister of Agriculture.

The Office was instrumental in the organization and management of the Annual Tri-National meetings and the PROCINORTE meetings held in Washington in September. In both activities priorities were established for 2005.

For the first time in IICA's history, a comprehensive report on the situation of agriculture and rural life of the northern region was written. It examined the positive effects of the North American Free Trade Agreement and the challenges faced by the Canada, Mexico and the United States to improve market access and terms of trade.

5.8 Other activities

The IICA Office is actively engaged in supporting the consolidation and expansion of the Regional Fund for Agricultural Research (FONTAGRO). IICA provides technical assistance and administrative services to ensure that grants are implemented in accordance with established guidelines and procedures, and that the results meet the benchmarks established in the project documents. IICA has actively supported the Fund in its efforts to expand membership to other Member States, particularly Brazil and Central America. Over $2 million in project funds were awarded for 22 projects in 2004.

6. Inter-Agency Cooperation

The Directorate for Strategic Partnerships maintains ongoing dialogue and relationships with a number of key institutions based in the United States and Europe. Given its role in promoting links between IICA and its Member States, these partnerships are constantly being engaged on a variety of levels for a variety of purposes. Below is a summary of the key institutions contacted during 2004 and the themes discussed in exploring joint initiatives and collaborations.

Multilateral Institutions

- ⋆ Organization of American States (OAS): sustainable development; environment; disaster assessment; agricultural trade; Summit of the Americas process.
- ⋆ Inter-American Development Bank (IDB): rural development; territorial development; science and technology for agriculture; institutional modernization.
- ⋆ The World Bank Group (WB): community-driven development; rural development; agricultural policy; education and training of rural professionals.
- ⋆ Economic Commission for Latin America and the Caribbean (ECLAC): research on agricultural economics, trade and statistics; training and education.
- ⋆ Pan American Health Organization (PAHO): agricultural health and food safety.
- ⋆ International Fund for Agricultural Development (IFAD): rural development; rural finance; micro enterprise development.
- ⋆ Food and Agriculture Organization (FAO): information and communications technology; food security policy.
- ⋆ European Union/European Commission: information technology; agriculture policy; rural development; agribusiness development.
- ⋆ Andean Development Corporation (CAF): investments in agricultural activities.
- ⋆ Caribbean and Central American Action: agriculture and food policy; private sector investment.

Bilateral Institutions

- ⋆ GTZ: desertification; science and technology.
- ⋆ U.S. Agency for International Development (USAID): agribusiness development; rural development; agricultural trade policy; institutional capacity building; emergency relief.
- ⋆ Millennium Challenge Corporation: agribusiness development; irrigation; rural development; institutional capacity building.
- ⋆ U.S. Department of Agriculture (USDA): agricultural trade capacity building; agricultural health and food safety.
- ⋆ Spanish Agency for International Cooperation (AECI): rural development; agribusiness development; professional exchange.
- ⋆ U.S. Peace Corps: rural development.
- ⋆ FAVACA volunteer program to provide business training in the hemisphere.

Associations and NGOs

- ⋆ Grocers Manufactures Association (GMA): education and research in biotechnology.
- ⋆ World Cocoa Foundation (WCF): marketing; science and technology; environment.
- ⋆ The Rural Policy Research Institute (RUPRI): policy research and information for the U.S..
- ⋆ World Agricultural Forum: policy in agriculture and rural development worldwide.

Universities

- ⋆ University of Florida: agricultural development.
- ⋆ Iowa State University: biofuels; labor immigration; agricultural education.
- ⋆ Zamorano: agricultural education; rural development.

Foundations

- ⋆ Kellogg Foundation: rural education.

7. Support provided in the implementation of national development plans and strategies (implementation of Plan Agro 2003-2015)

This activity is outside the scope of the IICA Office in the United States. USDA's white paper provides focus for the mission of this Office to support hemispheric initiatives to promote agricultural trade, health and food safety.

8. Results of the implementation of investment projects

The role of the IICA Office in the United States is to identify and mobilize resources, participating in conceptual and design phases of project development. Investments are then implemented in the countries. Investment projects that received DSP support are being implemented in Honduras, Nicaragua, Colombia, Haiti and the Andean Region.

9. Future opportunities for cooperation

The Directorate for Strategic Partnerships is continually seeking opportunities with other organizations to combine a range of resources – policy, institutional, human, technical, and financial – to bring to bear on the problems of agricultural and rural development in the Americas. As IICA expands its work, the DSP continues to look to develop new partnerships to meet the needs of Member States. For example, IICA is concluding a partnership agreement with the University of Florida to underwrite professional exchanges, internships and training for IICA personnel, has been seeking ways to cooperate with State governments in the U.S., is developing a partnership agreement with IFAD, has concluded a partnership arrangement with FAVACA, a Florida-based NGO that provides volunteer experts to work in development in the Caribbean and was recently approached by the International Executive Service Corps (IESC) to develop a joint agenda for cooperation in the Hemisphere. IICA is also seeking to strengthen relationships with several foundations, and developing a strategy to approach those that most closely match specific needs and priorities of different regions and Member States.

10. Publications

The DSP developed IICA's Institutional Capabilities Statement through extensive consultations with IICA Headquarter staff, Representatives and Regional Specialists. The document was published and in process of distribution and translation into Spanish.