



# **Nuffield Scholars Global Focus Program Version 3.1**

## **Key Points of USA Leg**

**11th to 21st September 2010**

**8 days Oklahoma and 4 days in Washington**

**Bill O’Keeffe**

**Chris Ferguson**

**Don Madden**

**Steve Newman**

**Minh Hieu Ly**

**Ian Duthie**

### **Overview**

The World Trade Organisation’s (*WTO*) objective is the limitation of market distorting policies by individual countries. Negotiating these policies is complex and difficult and fraught with political overtones that are not always in agriculture’s best interest.

Understanding the US Farm Bill is crucial to understanding US agriculture. The Farm Bill is negotiated through a committee process headed by political appointees whose decisions can be influenced by a strong contingent of lobbyists who operate on many levels.

The US has the capacity to increase their food production in nearly all commodity sectors.

Access to water is vital for agriculture globally and lack of water can be to the determinant of a countries economic potential.

We need to understand where our sectors have a natural competitive advantage and focus on specialisation and economies of scale.

Ethanol policy will continue to distort global commodity markets into the future in 3 ways:

- (a) The success of second generation product (eg, Switch Grass) and it’s overall effectiveness on a commercial scale.
- (b) Subsidies paid to ethanol manufacturers 45c/litre and mandate of 15% of fuel to contain ethanol.
- (c) Trade tariffs distorting imports from Brazil of sugar cane derived ethanol.

## **Strengths**

**The size and strength of the US domestic market has enabled the development of a robust production system that can compete with global markets across a broad range of commodities.**

**At a government level agriculture appears to be punching above its weight.**

**Funding and facilities available for agricultural research are plentiful and well established.**

## **Weaknesses**

**US farmers are subsidised through direct payments and crop insurance.**

**Unsustainable farming practises are impacting the environment.**

**Policy centred on social welfare food stamps and school nutrition programs in farm bill distorts overall function, purpose and public perception of agricultural funding.**

**Public appreciation for agriculture is disadvantaged by the fact that average daily meals are highly processed and far removed from their natural state.**

**Lobby groups not necessarily focused on good agriculture and public policy.**

## **Opportunities**

**The USA has 300+ million immediate consumers resulting in an export market being a bonus rather than a necessity.**

**There is huge potential to increase agricultural output and food supply.**

**The USA agricultural sector enjoys low labour costs and vast agricultural resources.**

## **Threats**

**Only 0.5 % of the population are directly involved in agriculture.**

**Farming practices are regulated yet regulation is not necessarily conducive to innovation.**

**EPA and environmental legislation is strengthening.**

**Farming population is ageing with the average farmer aged 58.**

**Power of animal rights movement is increasing.**

**Disproportionate focus of research on energy creation rather than food production (ramping up wheat production for ethanol).**

## **Highlights**

**The observation of successful vertical integration on massive scale.**

**Noble Foundation ideology.**

**Gaining an understanding of global agriculture.**

**The overall highlight of the US leg of our Nuffield GFP experience was the conversation and discussion amongst the group following a visit or meeting. Our understanding grew with the interaction between members of the group as we shared strategic industry knowledge and developed an appreciation of each other's point of view and taste in beer. We all agreed on a quick as possible exit from the United States of America as we watched another US \$100 bill melt in a wad of cheese. Two days later we found ourselves eating croissants, grading steeples and singing Johnny Cash as we road tripped across the South of France. Ooooh La La.... Life as a Nuffield scholar is tough.**

**Bon voyage and Happy Trails cowboy.**

