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Increasing benefits to Australia from WTO agricultural trade liberalisation

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Despite the failure to launch a new round of trade negotiations at Seattle, further negotiations on agriculture are scheduled as part of the in-built agenda of the World Trade Organisation (WTO). In this paper it is shown that global benefits from agricultural trade liberalisation are substantial. It is desirable that Australia continues to press for a more comprehensive round of negotiations, while continuing to negotiate on agriculture. This is because the likelihood of negotiating a successful outcome for agriculture is greater under more comprehensive negotiations.

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Introduction

The Uruguay Round appeared initially to make some inroads into levels of market distorting support in the developed countries where the largest agricultural market distortions are apparent, mainly those in north east Asia, western Europe and north America. However, in 1998, there was a substantial increase in developed country support levels, coinciding with falls in agricultural prices. These are shown in figure 1 for the OECD, a large proportion of which is made up of these high support countries (figure 1).

There is considerable evidence that agricultural support levels rose further in 1999 to close to the extremely high levels that applied in the mid 1980s. That evidence includes greatly increased budgetary outlays for support for wheat, feed grains, rice and cotton in the United States and depressed world prices for major products including sugar and most livestock products.

These low prices, along with inflexible support prices in north east Asian and western European countries and also inflexible support arrangements for dairy products and sugar in the United States are likely to increase support levels in those areas as well. Such support has the effect of further depressing prices for agricultural products on world markets and making them more variable.

Agricultural liberalisation has the potential to redress these impacts of support. Most noticeably world agricultural prices should rise and become less variable. As a major agricultural exporter, Australia stands to benefit from such reforms. The objective in this paper is to quantify the magnitude of benefits that could flow to Australia from further agricultural trade liberalisation. In addition, factors affecting the likelihood of achieving those benefits will also be discussed.

Figure 1: **Nominal rates of assistance for agriculture in OECD countries** a

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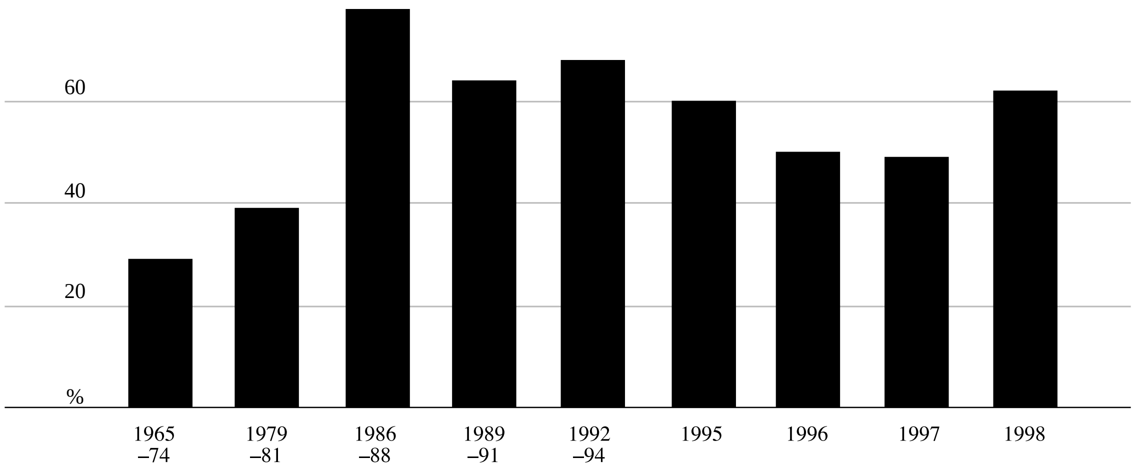


a Estimates are for 24 OECD countries which include the 15 EU members, Switzerland, Norway, Iceland, Turkey, Canada, the United Sates, Japan, Australia and New Zealand. The estimate for 1965–74 was derived from a comparison of data from Tyers and Anderson (1992), with OECD data for later years. As the OECD introduced a new method of calculation, 1998 data were rebased on a value basis to be comparable with previous data.

Agricultural reform – post Seattle

During 1999 a substantial effort was made to extend the coverage of negotiations beyond the built-in agenda, with some parties aiming to institute a comprehensive round of negotiations. In late November and early December 1999, a WTO ministerial meeting took place in Seattle and it was envisaged that it would set the agenda and provide the mandate for a new round of negotiations. The meeting not only failed to reach agreement for an overall round, but also failed to provide further guidance on the built-in agenda.

Many factors led to the failure to launch a new round at Seattle. These included disparate positions on such issues as trade and labor standards, trade and environment, antidumping and the perception by representatives of some countries that the procedures used had excluded them from the decision making process. Despite the failure of the Seattle ministerial meeting, the commitment and authority for the new negotiations on agriculture remains under Article 20 of the WTO Agreement on Agriculture (WTO 1995).

Article 20 provides broad objectives and issues for consideration for the next agricultural negotiations. The following issues are to be taken into account, as well as the long term objective of substantial and progressive reductions in support and protection resulting in fundamental reform:

- experience to date from reduction commitments under the WTO Agreement on Agriculture;
- the effect of reduction commitments on world agricultural trade;
- nontrade concerns;
- special and differential treatment for developing countries; and
- establishing a fair and market oriented agricultural trade system.

Article 20 does not indicate a timetable for the negotiations or any agreed method for negotiations to meet its objectives. From the perspective of flexibility to negotiate an effective outcome for agriculture, the absence of comprehensive negotiations covering other sectors as well as agriculture is a setback. As the number of sectors within negotiations increases, so countries have greater flexibility to negotiate. Thus wider negotiations would have the potential to extract more of the overall economic benefits from trade liberalisation. The prospect of achieving reforms for agriculture would therefore be greatest within a negotiating round that provides adequate opportunities for such tradeoffs.

Liberalisation scenario

The process of agricultural trade liberalisation agreed in the Uruguay Round is expected to be complete by 2004 — the date by which developing countries have agreed to meet their liberalisation commitments. The policy experiment assessed in this study is designed to estimate the potential gains from further liberalisation over and above that agreed in the Uruguay Round. In particular the experiment involves a 50 per cent reduction for agriculture in tariff equivalents, domestic support and the value of subsidised exports beyond what the Uruguay Round achieved. The reforms are implemented over the period 2005 to 2010. These reductions are assumed to apply to both developed and developing countries and to be phased in evenly over the six years. The modeling does not take into account gains from technology transfer and economies of scale. Future model development will focus on representing these gains in a more realistic fashion.

Quantifying the impacts of agricultural trade liberalisation

Modeling framework

The analysis of the impacts of agricultural trade liberalisation reported in this paper is based on simulation results from ABARE’s Global Trade and Environment Model (GTEM). GTEM is a multiregion, multiperiod general equilibrium model of the world economy. It is derived from the MEGABARE model (ABARE 1996) and the GTAP model (Hertel 1997). GTEM was designed specifically to assess economic policy issues with long term, global dimensions. A full description of the model can be viewed on ABARE’s web page (www.abareconomics.com).

The starting point for the GTEM database is the GTAP version 4.0 database (McDougall, Elbehri and Truong 1998), which contains 50 sectors — including 20 agricultural sectors — and 45 regions. It is based on 1995 production and trade data (expressed in US dollars). Support to sectors in each region is represented by tariff equivalents (to capture tariff and nontariff import barriers), direct support payments and export subsidies. The detailed information on agricultural support is included to allow policy experiments that test the implications of changing support for economic variables such as national income, terms of trade, production, consumption and trade.

The GTAP database for agriculture has required substantial alteration for use in GTEM. Where necessary, the input–output tables have been modified to remove obvious errors and improve consistency. Protection data have been modified to more accurately represent agricultural policies as they applied in the 1995 base period. For example, many bound tariff rates in the original GTAP database have been replaced by applied rates which more accurately capture the effects of tariffs on marginal returns to producers and consumer prices. The sectoral and country coverage are outlined in appendix table A1 and can be viewed on ABARE’s web page.

Accounting for the Uruguay Round

The implementation of the agricultural reforms stemming from the Uruguay Round have been represented in the model reference case. This representation has used more up to date support data and judgments about the likely support rates in 2004. Some of the factors taken into account when developing judgments on the impact of the agreement on agriculture are outlined below.

The agreed constraints negotiated under that agreement for developed countries were in:

- ***bound tariff rates and the tariff equivalents of other import barriers*** — an average reduction of 36 per cent and a minimum reduction of 15 per cent for individual items;
- ***domestic support*** — an overall reduction of 20 per cent; and
- ***subsidised exports*** — reductions of 21 per cent in volume and 36 per cent in value of subsidies for individual items.

In addition to the cuts to support levels, three key elements of the agreement related to reforming the instruments used to provide support to agriculture:

- ***Tariffication*** involved the conversion of all nontariff barriers to tariffs or tariff quotas. As part of this process, the impact of different border protection measures was calculated as a tariff equivalent. This became the maximum tariff that could be applied and was the basis for agreed tariff reductions.
- ***Tariff quotas*** were used to ensure minimum access levels for imports. This was done by setting a quota at least equal to the agreed minimum access level and applying a lower tariff to this amount. Amounts in excess of the quota could be imported but at a higher tariff rate.
- ***Decoupled support*** is intended to break the links between support payments and key market variables including production, prices and input use. In so doing it makes producers and consumers more responsive to world prices and therefore can lower market distortions. Such support was excluded from reduction commitments.

The reductions in support and reforms to support instruments appear impressive. However, a number of factors have weakened their impact substantially. The base periods from which reductions were calculated were times of unrepresentative high protection and low prices. Consequently, countries have had to do little, if anything, to meet their commitments to reduce support.

Tariff cuts across a broad range of products could be combined as a simple average to calculate the overall tariff cut achieved by countries. This means that cuts to tariffs on items traded little were given as much weight as cuts to tariffs on items traded heavily, allowing countries to reduce support on sensitive sectors by less.

Countries had the ability to exaggerate their base levels of tariffs by the selective use of prices in the base period. To elevate its base tariff equivalent a country could use base period domestic prices for a high quality product at a remote location where prices were well above representative levels. Further, they could use an import price for a low quality product at a port where prices were lower than in most other parts of the country. The result would be to make the calculated tariff equivalents in the base period well above what they would have been using representative prices.

Some gains were made in assuring current access and opening up markets through minimum access arrangements, mainly through the use of tariff quotas. However, the gains were not large. The tariffs for beyond quota imports were generally prohibitive, enabling tariff quotas to be used as tools for managing trade within highly distorting support systems.

Special safeguards are supposed to provide a cushion for producers against significant increases in imports and precipitous reductions in world prices. Such changes trigger import control mechanisms. However, in some instances safeguards are being used as an integral part of market management systems. With EU sugar, for example, they render the negotiated reduction in the tariff effectively irrelevant as sugar entering the European Union at world prices would be sufficient to trigger the special safeguard arrangements in most years.

Subsidised exports have declined greatly, particularly in the wheat market. However, the gains from reduced export subsidies are partly illusory, as the European Union has replaced much of its export subsidies for cereals with direct compensation payments that cover the quantities exported as well as output for domestic consumption. Those payments retain several production and trade distorting features but are excluded from reduction commitments. Also, the agreed upper limit on subsidised exports provides ample scope for increasing subsidisation in future.

Developing the reference scenario

For import barriers, simulating a 36 per cent reduction in tariff equivalents from 1995 (the beginning of the implementation for Uruguay Round commitments) provides an inaccurate estimate of the agreed Uruguay Round outcome because market conditions in 1995 make support in that year unrepresentative for some commodities. In addition, weaknesses and limitations of the Agreement on Agriculture are likely to reduce the impact of the agreed cuts, as noted above. The simulated reference scenario values for tariff equivalent support for 2004 are shown in appendix table A2 for the major developed countries. It is important to note that the recent move toward tariff quotas, in which different tariff rates apply depending on the level of imports, has not been fully captured in this model. While an attempt has been made to estimate the likely tariff equivalent of the tariff quota, the model does not change the tariff equivalent if simulated imports exceed or drop below the tariff quota quantity.

An observed switch from output subsidies to direct income support was encouraged by the blue box and green box arrangements agreed in the Uruguay Round. For this reason, for most countries it is assumed that there are no reductions in domestic support over the reference scenario. This requires an assumption that the new forms of support are as distorting as the original forms of support. There is substantial debate over this point, but at this time there has been no comprehensive empirical study on the implication of changing support.

An exception to the general rule is the European Union, where since 1995 domestic support has actually risen for coarse grains, vegetables, fruit and nuts, and other crops, but fallen for beef and veal. In addition, production quotas on sugar and milk in the European Union imply an implicit output subsidy that rises over the period.

Export subsidies are assumed not to act as a constraint in the reference scenario. The agreed 1986–90 base period allows scope for increases in some cases and the 1995 levels of export subsidies were rather low. In other instances unused credits from earlier years can be carried forward (until 2000) to allow greater subsidised volumes in future years.

Partial agricultural liberalisation scenario

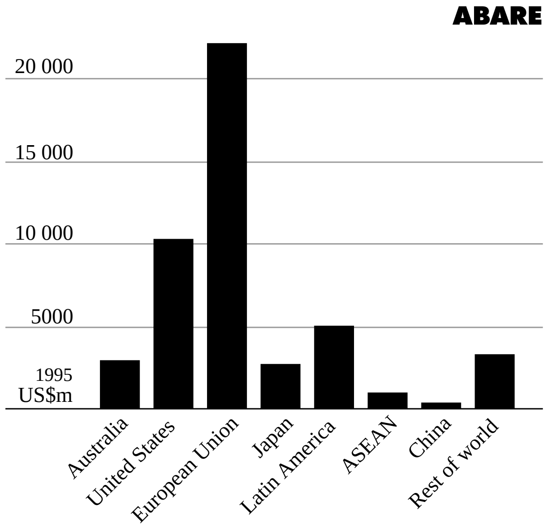
Impact on income

In this study, deviations in real gross national product (GNP) from levels in the reference scenario are used to measure the aggregate economic impact of trade liberalisation policies. GNP is equal to gross domestic product (GDP) plus foreign income transfers, and therefore measures the flow of income available to a nation’s citizens.

The economic impacts of agricultural trade liberalisation on economies will flow from three main sources. First, reductions in support will lead productive resources to flow away from agricultural production toward other sectors. In countries where nonagricultural sectors receive relatively low support, the flow of resources induced by agricultural liberalisation would tend to increase the value of aggregate output measured at liberalised price levels. Reduced tariffs would tend to reduce consumer prices, leading to consumer benefits. In some instances, however, where countries are sufficiently large to influence world prices, reductions in tariff levels could lead to deviations from optimal tariffs, leading to losses. The liberalisation process is likely to raise the traded prices of agricultural commodities. In general this terms of trade improvement is likely to provide a benefit to agricultural exporters. On the other hand higher prices could lead to some reduction in consumption benefits in agricultural importing countries.

GNP changes from the reference case as a result of partial agricultural liberalisation are shown in figure 2. The global gains in GNP amount to US$47 billion, about 0.1 per cent of base levels in 2010. Lowly protected agricultural exporters such as Australia, New Zealand and Argentina gain significantly from improved terms of trade as improved market access leads to higher export prices (figure 3). Gains to Japan and the European Union result principally from the reorientation of resources away from low value agriculture into other sectors leading to an increased value for output.

Figure 2: **Change in GNP from the reference scenario in 2010 from 50 per cent agricultural liberalisation**

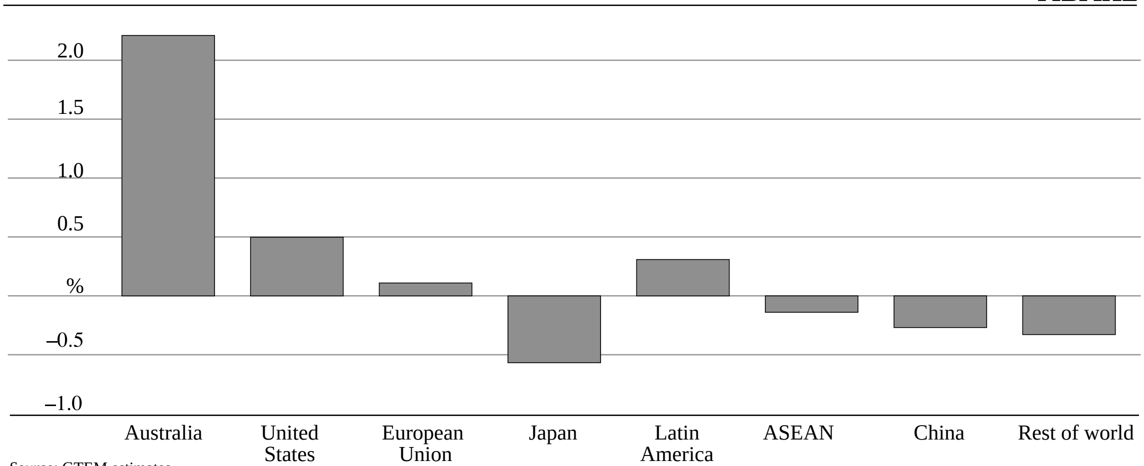


Sectoral effects of partial agricultural liberalisation

The liberalisation process would be expected to have substantial impacts on trade. Changes in the value of exports from agricultural liberalisation for the main OECD countries and Argentina, a significant developing country exporter of agricultural products, are shown in table 1. In interpreting these results, it is worth remembering that under the Armington specification used in GTEM, imports from different sources are treated as heterogeneous products. This means that countries may thus increase imports and exports simultaneously. Changes in imports for the main OECD countries are shown in table 2.

In the grains market the increase in the value of Japanese rice imports of 147 per cent resulting from reductions in import barriers is the largest estimated change. Such a change would take imports as a proportion of Japanese rice consumption from 9 per cent in 2004

Figure 3: **Change in terms of trade in 2010 from the reference scenario**



Source: GTEM estimates

Table 1: **Estimated change in value of agricultural exports relative to reference scenario in selected countries from partial agricultural trade liberalisation, 2010**

	Australia	New Zealand	Canada	United States	Argentina	European Union
	%	%	%	%	%	%
Wheat	14	na	19	8	19	–9
Other grains	31	–30	22	41	10	–41
Vegetables, fruit, nuts	5	10	34	20	23	3
Oilseeds	10	na	9	3	23	–1
Other crops	9	3	5	21	14	–2
Live cattle and sheep	5	15	10	77	3	–31
Other animal products	15	–29	–10	8	–10	–10
Wool	4	2	na	na	–1	–4
Beef and sheep meat	30	82	52	30	88	–8
Other meat products	18	25	9	22	38	6
Vegetable oils and fats	26	17	–7	–5	3	13
Dairy products	43	41	–14	22	42	9
Processed rice	107	na	na	54	4	–40
Sugar	13	na	na	na	na	2
Other food products	4	–4	4	5	2	2
Beverages and tobacco	36	30	0	29	13	8

na Not applicable.
Source: GTEM simulations.

to just over 24 per cent in 2010, a moderate increase reflecting the standard assumption of limited substitutability between imported and domestically produced rice. Nonetheless, the only suppliers of the Japonica rice favored in Japan — Australia, the United States

Table 2: **Estimated change in value of agricultural imports relative to reference scenario in selected countries from partial agricultural trade liberalisation, 2010**

	Japan	United States	European Union
	%	%	%
Wheat	18	16	33
Other grains	9	6	66
Vegetables, fruit, nuts	8	54	13
Oilseeds	7	7	24
Other crops	2	17	17
Live cattle and sheep	74	5	55
Other animal products	86	–3	–2
Wool	6	4	9
Beef and sheep meat	14	35	52
Other meat products	20	–2	3
Vegetable oils and fats	8	6	5
Dairy products	94	47	3
Processed rice	147	7	76
Sugar	25	43	43
Other food products	1	3	2
Beverages and tobacco	1	6	9

Source: GTEM simulations.

and China — experience significant increases in their exports of processed rice. In Australia's case, the estimated increase in exports would require a 40 per cent increase in rice production. As elsewhere in the model, no account has been taken of possible constraints relating to water availability or environmental restrictions on rice farming in Australia.

Despite the United States providing support for wheat and some other cereals, it is estimated that a reduction in agricultural support globally will result in an increase in the value of US wheat and other grain exports. Wheat production and exports decrease slightly in volume terms with the reduction in support, but world wheat price increases more than offset the reduced export volume. As the other grains sector has lower support in the reference scenario than for other land intensive activities in the United States the production of other grains increases despite the reduction of support. As a result, both the volume and value of exports of other grains increase.

In the livestock sector, substantial trade barriers exist for beef. Reform here leads to increases in beef imports into Japan, the United States and the European Union of 14 per cent, 35 per cent and 52 per cent respectively, generating a market for the major exporters. The United States increases exports as well as imports.

In the dairy sector, Australia and New Zealand are the major beneficiaries from liberalisation of the Japanese markets. It was assumed in the reference scenario that very little actual liberalisation would occur in the Japanese dairy sector to 2010. Currently, import quotas for some dairy products remain unfilled, but the differential between domestic and world prices suggests that administrative constraints may impede the filling of quotas. Thus, in the simulation a tariff of 340 per cent is reduced to 170 per cent, leading to an increase of imports of dairy products into Japan of 95 per cent. In addition, a reduction of import barriers by the United States leads to a 50 per cent expansion of US dairy imports relative to the reference scenario.

The European Union is both an exporter and importer of dairy products. While import barriers for dairy products are reduced, raw milk production is held constant in this scenario, under the assumption that production quotas are maintained. EU dairy consumption and imports also increase relative to the reference scenario as border protection is reduced. While export quantities of dairy products fall, a switch in exports to high priced markets including Japan and the United States leads to an increase in export values.

Increases in sugar imports of 25 per cent in Japan and 43 per cent in both the United States and the European Union following partial agricultural liberalisation expands the market for sugar exporters such as Australia and Brazil. The expansion of imports into the EU market is assumed to be fully taken up by traditional suppliers, predominantly former colonies of EU members in Africa, the Caribbean and Pacific.

Finally, liberalisation of the agricultural sector alone leads to a reallocation of resources into the textiles, manufacturing and motor vehicles sectors, which increase in output by around 0.5 per cent each in the European Union and between 0.2 and 0.4 per cent in Japan. Resources move out of these sectors in the United States and in Australia, slightly reducing growth in these sectors.

Means of effectively reforming agricultural support

While there are undoubtedly large potential benefits from further agricultural liberalisation, the challenge is to realise as many of the potential benefits as possible from the multilateral agreements. To realise these benefits, an approach needs to be developed that can reduce distortions, and an environment conducive to liberalisation needs to be developed.

The Agreement on Agriculture deals with agricultural support in three areas — market access, domestic support and export subsidies. The agreement introduced disciplines in each area, but they differed in nature and incidence. The strength of this approach was that it imposed disciplines on all forms of distortions that could affect trade in agricultural products.

As the agreed reductions in some areas were less constraining than in others, there has been a reorientation in forms of support. The recent increase in agricultural support indicates that such an approach may also have allowed some countries to minimise their support reductions by altering their support arrangements.

The first challenge for the coming agricultural negotiations is to develop and institute a strategy to effectively reduce agricultural market distortions, thereby enabling countries around the world to obtain more of the potential benefits that arise from the exercise of their comparative advantage. Such an approach will need to have comprehensive coverage of agricultural policy mechanisms and products and it must permit countries to change their support arrangements in order to reduce distortions while preventing the abuse of such flexibility. Abuse of this flexibility can arise if a country changes the forms of support from clearly market distorting arrangements to others that may continue to distort markets substantially and that are not subject to reduction commitments.

Necessary components of an agreement to reduce agricultural market distortions include more open and less controlled market access, further reductions in subsidised exports, reduced distortions from domestic subsidies, and controls to ensure that any movement of support from market access or export subsidies to domestic support is a change that reduces market distortions at least as much as would have occurred without the change in the method of support provision. Some domestic support arrangements are currently without limit under the assumption that they are minimally market distorting. It will be essential that such arrangements are actually minimally market distorting to ensure that a change to an unlimited amount of domestic support will not increase distortions in any situation.

Market access

Key elements of advancing reform in market access will include further reductions in tariffs. On sensitive commodities, if members insist on maintaining control over imported volumes, access through tariff quotas that provide opportunities for increased trade could also be important. In this context, expansion of market access through tariff quotas could pose a dilemma. While tariff quotas can be used to increase market access, they do so in ways which can preserve high levels of market insulation and market distorting support, especially when the quotas are allocated to specific supplying countries.

Export subsidies

Under the Uruguay Round, progressively stricter limits were placed on the value of export subsidies and the volume of subsidised exports on a commodity by commodity basis. These have restrained distortions to world markets arising directly from these subsidies which have declined markedly for some commodities, particularly wheat. However, the rules on export subsidies and domestic support in the agreement have probably been instrumental in encouraging some governments to restructure support away from overt export subsidies toward domestic support. Some domestic support may be less market distorting than export subsidies but could retain substantial market distorting characteristics.

Further reductions in the value and volume constraints for export subsidies would, alone, contribute to reductions in distortions, but there is still potential to misuse measures such as food aid, export credits and marketing assistance in ways that have similar market distorting effects to export subsidies. The ability to roll over unused export credits has also resulted in significant additional distortions and the removal of such a provision would have the effect of making export subsidy commitments more binding. In addition, the potential for redirection of support from export subsidies to domestic support arrangements that could still be heavily distorting needs to be addressed in a way that ensures actual reductions in distortions.

Domestic support

Under the WTO Agreement on Agriculture, domestic support was subject to lower reductions than either tariffs or export subsidies. As a result of the more lenient treatment there has been a redirection of assistance from price support which depends on market access limitation and export measures to domestic support. In particular, there has been a trend toward direct government payments in forms that are exempted from cuts in domestic support under the agreement.

If the criteria in the agreement are sufficient to ensure that exempted expenditure is indeed minimally market distorting, it is reasonable that such expenditure should not be subject to cuts. However, many doubts can be raised about the degree to which some such forms of support are actually minimally distorting. Such payments can be used, and are being used to maintain agricultural output in marginal production areas where it would otherwise not occur. In some countries they are being used to counteract a basic lack of comparative advantage in agriculture and are clearly market distorting. If market distortions are to be reduced, it is necessary to tighten the requirements on the areas of domestic support exempt from cuts.

Conclusions

There are substantial benefits to be achieved by most countries from further trade liberalising agricultural reforms. However, the chances for negotiating further liberalisation have probably been set back at least temporarily by the failure of the Seattle WTO ministerial meeting to institute a round of negotiations incorporating a relatively wide range of issues. An advantage of having a round with wider coverage is that it provides far greater scope for tradeoffs between sectors than narrow, single sector negotiations. For example, a country with a small, supported agriculture might be prepared to agree to cuts in its agricultural protection if it could obtain benefits through greater access to markets for its manufactured products.

A fundamental reason why negotiations for agriculture are more likely to be successful as part of a wider round arises from the nature of comparative advantage which forms the basis for the economic benefits from specialisation and trade. Because different countries have a comparative advantage in different activities, some will not benefit from trade liberalisation in one or two sectors alone. However, trade liberalisation, when covering a sufficiently wide range of economic sectors provides the signals for resources to flow into their areas of greatest comparative efficiency, maximising economic gains.

Broad based multilateral negotiations also offer developing countries potential benefits. In particular, further liberalisation in textiles and clothing and agriculture have the potential to raise the volume and value of exports from developing countries. As mentioned above, the scope of actual agricultural liberalisation could be increased through more comprehensive negotiations. Thus more comprehensive negotiations can benefit those countries that would mainly gain from agricultural liberalisation. For those countries that are predominantly importers of agricultural products, more comprehensive negotiations provide the opportunity to obtain benefits in other sectors.

A preliminary simulation involving 50 per cent liberalisation in all sectors was run to assess the scope of potential benefits. The estimates indicate that global gains from such comprehensive liberalisation could rise from US$47 billion for agricultural liberalisation alone to US$96 billion. Even if these gains are not shared evenly, the results imply that considerable potential benefits from liberalisation remain. While it appears that the potential benefits for Australia from comprehensive liberalisation are only marginally larger than for agricultural liberalisation, wider liberalisation represents a better chance of translating those potential benefits into actual benefits for Australia than if agriculture was liberalised alone.

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Appendix

Table A1: **Regional and commodity aggregation used**

Regions	Commodities
Australia	Paddy rice
New Zealand	Wheat
Japan	Other grains
Indonesia	Vegetables, fruit, nuts
Malaysia	Oilseeds
Philippines	Sugar cane, beet
Thailand	Other crops
India	Live cattle and sheep
China	Other animal products
Canada	Raw milk
United States	Wool
Argentina	Beef and sheep meat
Brazil	Other meat products
Chile	Vegetable oils and fats
Rest of Latin America	Dairy products
European Union (15)	Processed rice
North Africa	Other food products
Sub-Saharan Africa	Sugar
Southern Africa	Beverages and tobacco
Rest of World	Textiles
	Manufactures
	Motor vehicles
	Services
	Energy

Table A2: **Baseline rates of protection for selected countries at start of implementation of trade liberalisation in 2005**

	Tariff equivalents			Output subsidies			Export subsidies	
	Japan	United States	European Union	Japan	United States	European Union	United States	European Union
	%	%	%	%	%	%	%	%
Paddy rice **a**	0	0	0	19	40	4	0	0
Wheat	115	5	63	24	18	58	3	5
Other grains	123	1	116	23	5	108	1	28
Vegetables, fruit, nuts	10	78	13	–2	0	32	0	0
Oilseeds	0	1	0	42	8	99	1	0
Sugar cane and beet **a**	54	84	60	15	8	2	0	0
Other crops	4	28	6	–2	0	42	0	0
Live cattle and sheep	112	1	64	15	5	22	1	65
Other animal products	111	1	0	2	4	9	3	7
Raw milk	0	0	0	14	4	19	0	0
Wool	0	9	0	0	62	25	0	0
Beef and sheep meat	35	27	70	–1	0	0	1	16
Other meat products	45	4	24	–1	0	0	3	6
Vegetable oils and fats	0	1	5	–1	0	0	1	0
Dairy products	340	76	122	–2	0	1	53	55
Processed rice	323	4	183	0	0	1	1	83
Processed sugar	54	84	154	–1	0	1	65	52
Other food products	4	3	0	–1	0	1	0	0
Beverages and tobacco	1	4	8	–46	0	–23	0	0

a Paddy rice and sugar cane and beet are nontraded products. Rice and sugar is traded in a processed state.
Source: ABARE estimates and GTEM simulations.