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Trade Adjustment Assistance and California Commodities

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Introduction

The 2002 Trade Act authorized the Trade Adjustment Assistance for Farmers (TAA). For each of the fiscal years 2003 through 2007, the U.S. Department of Agriculture is provided with a maximum of $90 million to implement a program of payments and technical assistance to commodities adversely affected by trade.

There are two conditions for an industry to be eligible for assistance. The first condition is that the current year's price of a farm commodity must fall to less than 80 percent of the national average price for that commodity for the five preceding marketing years. If this first condition is met, the industry is eligible if the USDA determines that increased imports of that commodity have importantly contributed to the decline in the price. Similar TAA programs are in place for manufacturers affected by import competition and for workers who have become unemployed as a result of increased imports from, or shifts in production to, foreign countries.

This *AIC Issues Brief* describes the TAA in more detail and then examines 45 agricultural commodities that are important in California with the goal of determining which of those commodities might be eligible for TAA. We compare the 2002 prices with the previous five-year average prices. We then repeat the procedure for 2003 prices compared with the five-year average through 2002. We examine U.S. average national prices for California commodities. We also determine the 2004 price that would trigger the first condition for TAA eligibility.

Adjustment assistance payments

If an industry's petition for assistance under the program is found valid, the Farm Service Agency will issue payments to the producers of that industry. This payment (per unit) will equal to one-half of the difference between the national price in the marketing year when the petition was filed and 80 percent of the five-year average national price of the petitioning industry. An individual producer is limited to a maximum payment of $10,000 per year.

The TAA requires that an industry eligible for assistance participate in at least one meeting with Cooperative Extension Service officials. The Extension Service is expected to provide technical assistance to improve the competitive position of the commodity facing imports and may also provide information concerning alternative commodities. The TAA includes additional funding for the local Extension Service to provide assistance to eligible industries.

Producers will also be provided with information on applying for federal assistance for workers facing economic distress. Such assistance includes employment services and training benefits.

Approach to comparing prices over time

The two criteria for determining eligibility are the decline in prices compared to a base period and the role of imports. Here, we focus on the first criterion.

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Three issues arise in comparing prices: first, determination of the specific definition of the commodity; second, determination of the specific price series to represent a commodity; and third, determination of the base period and trigger year. We considered some alternatives for each of these issues for a large number of commodities important in California. The tables present data on 45 commodities that were selected for analysis because they are important in California, there are some imports into the United States and data was available for analysis.

We created five-year average national price data for the period from 1997 to 2001 and from 1998 to 2002. We also assembled 2002 and 2003 prices for each commodity. If the 2002 or 2003 price was lower than 80 percent of the 1997 to 2001 or 1998 to 2002 average, then that commodity would meet the initial criteria of being eligible for assistance.

Where data was available, we also created a five-year average price for the years 1999 to 2003. To this average price we also applied the 80 percent limit for eligibility in order to get an estimate of how low 2004 prices would need to fall for that specific commodity to become eligible for 2004 TAA payments.

We used annual and crop-year data from official government sources. In some cases there may be local market prices and more detailed commodity definitions that show different information. It is also possible that more limited seasonal prices may have dipped below the threshold compared to the same season in the prior years. The regulations require comparing annual national prices for the marketing season of the affected commodity. The commodity marketing season or year is based on USDA definitions, but in some cases can refer to a specific period as proposed by the petitioner if the Foreign Agricultural Service administrator certifies this specific period.

Data

The USDA National Agricultural Statistical Service (NASS) provided the price data needed in various issues of its annual reports on agricultural prices. Preliminary data for 2003 prices is from the February 2004 NASS Quick Stats and NASS reports on fruit and tree nuts and vegetables. Price data for citrus fruits was obtained from NASS citrus reports. The NASS publications provide price data by marketing year or season for each commodity.

Results

Table 1 lists the 2002 price and average prices for the five previous marketing seasons for 45 commodities. Table 1 also shows the ratio of the price in 2002 to the average price for the 1997 through 2001 period. Four California commodities - raisins, rice, navel and Valencia oranges - experienced price decreases large enough to meet the first condition for becoming eligible. The national 2002 price for California raisins was only 62.2 percent of the average national price for raisins for the five previous marketing years. The national 2002 rice price was similarly low at 65.3 percent of the average national price of the five previous years. The 2002/03 price for fresh California navel oranges was only 75.9 percent of the average price of the previous five marketing years. California navel orange growers applied for assistance, but USDA turned down the petition (see page six). The 2002/03 price for fresh California Valencia oranges was at 73.4 percent also lower than the avearge of the five previous marketing years. Other commodities that did not meet the 80 percent condition but came close were garlic at 80 percent, dairy at 86.3 percent and avocados at 86.8 percent.

Table 2 presents the same information as Table 1, but with 2003 as the base year. It shows that for the 2003 marketing year, three commodities—garlic, olives and raisins—had price levels that were more than 20 percent below the average prices of the five previous years. Two of these, garlic and onions, applied for assistance from the TAA program. While we found that the 2003 garlic price was about 77.9 percent of the previous five-year average, the USDA turned down the garlic growers request with the reason that the price data examined by USDA did not show a 2003 price that was less than 80 percent of the average price of the previous five years. We found that the 2003 national price for California olives was 77.1 percent of the previous five-year average. However, this petition was turned down by the USDA because the marketing year for which the petition was filed had not ended at the time of petitioning.

The raisin price in 2003 was 79.1 percent of the average price of the five previous marketing years.

TABLE 1. 2002 prices compared to average 1997-2001 prices

Crop	Marketing year or marketing season	Units	Average price, 1997-2001	2002 price	2002 price as percentage of average price, 1997-2001
Alfalfa hay	May-April	$/ton	93.6	100.0	106.8
Almonds	[8/5-11/15]	$/cwt	114.2	110.0	96.3
Apples*	June-May	$/lb	0.14	0.19	132.0
Apricots*	[5/25-8/20]	$/ton	354.4	357.0	100.7
Artichokes	Jan.-Dec.	$/cwt	67.2	71.5	106.4
Asparagus, fresh*	[1/1-10/31]	$/cwt	124.0	110.0	88.7
Asparagus, proc.*	Jan.-Dec.	$/ton	1,164.0	1,110.0	95.4
Avocados*	[11/1-10/31]	$/ton	1,786.0	1,550.0	86.8
Barley	June-May	$/bu	2.2	2.7	125.7
Bell peppers*	Jan.-Dec.	$/cwt	31.6	29.7	94.0
Broccoli, fresh*	Jan.-Dec.	$/cwt	28.2	32.1	113.9
Broccoli, proc.*	Jan.-Dec.	$/ton	370.2	386.0	104.3
Cantaloupes*	[5/1-11/30]	$/cwt	17.9	17.6	98.3
Carrots	Jan.-Dec.	$/cwt	14.4	19.0	131.9
Cauliflower	Jan.-Dec.	$/cwt	31.4	31.6	100.5
Celery*	Jan.-Dec.	$/cwt	14.4	12.9	89.7
Cherries*	[5/1-8/15]	$/ton	1,200.0	1,550.0	129.2
Cotton, Pima	Aug.-July	$/lb	0.93	0.86	92.5
Cotton, Upland	Aug.-July	$/lb	0.50	0.45	89.0
Dairy	Jan.-Dec.	$/cwt	14.1	12.2	86.3
Garlic*	July-June	$/cwt	34.5	27.6	80.0
Grapes, table*	[5/25-4/30]	$/ton	534.8	616.0	115.2
Grapes, wine	[8/1-12/15]	$/ton	532.2	474.0	90.6
Grapefruit	Sept.-Aug.	$/box	5.1	5.0	98.5
Lemons*	Aug.-July	$/box	12.4	10.9	87.4
Lettuce, head	Jan.-Dec.	$/cwt	16.4	21.2	129.0
Nectarines	[6/10-8/31]	$/ton	423.8	383.0	90.4
Olives*	Aug.-July	$/ton	563.2	590.0	104.8
Onions*	Jan.-Dec.	$/cwt	11.8	12.4	105.3
Oranges, Calif.navel	[11/1-6/15]	$/box	12.9	9.8	75.9
Oranges, Calif. Valencia	[3/15-12/20]	$/box	11.4	8.4	73.4
Peaches, freestone*	[6/1-9/30]	$/lb	0.19	0.20	105.5
Peaches, clingstone*	[7/1-9/30]	$/lb	0.12	0.12	103.3
Pears*	[7/1-4/30]	$/ton	277.8	295.0	106.2
Pistachios	Sept.-Oct.	$/cwt	110.2	110.0	99.8
Plums*	[5/25-9/30]	$/ton	401.6	386.0	96.1
Potatoes	Jan.-Dec.	$/cwt	5.8	6.7	115.2
Prunes*	[8/1-4/30]	$/ton	800.2	810.0	101.2
Raisins	Sept.-May	$/ton	244.4	152.0	62.2
Rice*	Aug.-July	$/cwt	6.9	4.5	65.3
Strawberries*	Jan.-Dec.	$/cwt	68.6	61.7	90.0
Tomatoes, fresh*	May-Nov.	$/cwt	30.8	32.3	105.0
Tomatoes, proc.	Jan.-Dec.	$/ton	63.0	58.2	92.4
Walnuts	[9/15-12/31]	$/ton	1,145.2	1,080.0	94.3
Wheat	June-May	$/bu	2.8	3.6	128.0

*Commodities that experienced higher 2002 import volume than the 1997-2001 average import volume

TABLE 2. 2003 prices compared to average 1998-2002 prices

Crop	Marketing year or marketing season	Units	Average price, 1998-2002	2003 price	2003 price as percentage of average price, 1998-2002
Alfalfa Hay	May-April	$/ton	92.2	98.0	106.2
Almonds	[8/5-11/15]	$/cwt	105.0	142.0	135.2
Apples*	June-May	$/lb	0.15	0.19	130.0
Apricots*	[5/25-8/20]	$/ton	359.4	355.0	98.8
Artichokes	Jan.-Dec.	$/cwt	65.6	73.4	111.9
Asparagus, fresh*	[1/1-10/31]	$/cwt	123.0	116.0	94.3
Asparagus, proc.*	Jan.-Dec.	$/ton	1142.0	1170.0	102.5
Avocados*	[11/1-10/31]	$/ton	1,784.0	n.a.	n.a.
Barley	June-May	$/bu	2.2	2.9	129.9
Bell Peppers	Jan.-Dec.	$/cwt	31.1	30.6	98.4
Broccoli, fresh*	Jan.-Dec.	$/cwt	28.8	32.5	112.9
Broccoli, proc.*	Jan.-Dec.	$/ton	362.8	403.0	111.1
Cantaloupes	[5/1-11/30]	$/cwt	17.8	16.7	93.7
Carrots	Jan.-Dec.	$/cwt	15.6	19.1	122.3
Cauliflower	Jan.-Dec.	$/cwt	31.3	32.7	104.5
Celery	Jan.-Dec.	$/cwt	14.0	13.6	97.0
Cherries*	[5/1-8/15]	$/ton	1,260.0	1,390.0	110.3
Cotton, Pima	Aug.-July	$/lb	0.90	1.15	127.9
Cotton, Upland	Aug.-July	$/lb	0.46	0.63	137.2
Dairy	Jan.-Dec.	$/cwt	13.9	12.5	90.2
Garlic*	July-June	$/cwt	30.4	23.7	77.9
Grapes, table*	[5/25-4/30]	$/ton	568.4	619.0	108.9
Grapes, wine	[8/1-12/15]	$/ton	517.4	491.0	94.9
Grapefruit	Sept.-Aug.	$/box	5.3	n.a.	n.a.
Lemons	Aug.-July	$/box	12.5	n.a.	n.a.
Lettuce, head	Jan.-Dec.	$/cwt	17.2	18.2	105.9
Nectarines	[6/10-8/31]	$/ton	425.4	436.0	102.5
Olives*	Aug.-July	$/ton	552.8	426.0	77.1
Onions*	Jan.-Dec.	$/cwt	11.7	15.0	127.8
Oranges, Calif. navel	[11/1-6/15]	$/box	12.7	n.a.	n.a.
Oranges, Calif. Valencia	[3/15-12/20]	$/box	10.9	n.a.	n.a.
Peaches, freestone*	[6/1-9/30]	$/lb	0.20	0.19	97.3
Peaches, clingstone*	[7/1-9/30]	$/lb	0.12	0.11	90.9
Pears*	[7/1-4/30]	$/ton	281.6	306.0	108.7
Pistachios	Sept.-Oct.	$/cwt	109.6	115.0	104.9
Plums	[5/25-9/30]	$/ton	416.4	418.0	100.4
Potatoes	Jan.-Dec.	$/cwt	6.0	5.9	97.2
Prunes*	[8/1-4/30]	$/ton	785.6	730.0	92.9
Raisins	Sept.-May	$/ton	222.4	176.0	79.1
Rice*	Aug.-July.	$/cwt	5.8	7.3	124.3
Strawberries*	Jan.-Dec.	$/cwt	67.8	63.9	94.2
Tomatoes, fresh*	May-Nov.	$/cwt	30.9	37.0	119.8
Tomatoes, proc.	Jan.-Dec.	$/ton	62.7	58.6	93.4
Walnuts	[9/15-12/31]	$/ton	1,075.2	n.a.	n.a.
Wheat	June-May	$/bu	2.8	3.4	118.9

* Commodities that experienced higher 2003 import volume than the 1998-2002 average import volume
Note: Prices for certain commodities were not available at the time of writing. Those are marked by n.a.

TABLE 3. Level to which 2004 prices must fall to become eligible for TAA

Crop	Marketing year or marketing season	Units	Average price, 1999-2003[1]	2004 price for TAA eligibility
Alfalfa hay	May-April	$/ton	94.2	75.4
Almonds	[8/5-11/15]	$/cwt	105.2	84.2
Apples	June-May	$/lb	0.16	0.13
Apricots	[5/25-8/20]	$/ton	365.0	292.0
Artichokes	Jan.-Dec.	$/cwt	66.2	52.9
Asparagus, fresh	[1/11-10/31]	$/cwt	122.8	98.8
Asparagus, proc.	Jan.-Dec.	$/ton	1,136.0	908.8
Avocados	[11/1-10/31]	$/ton	1,690.0	1,352.0
Barley	June-May	$/bu	2.4	1.9
Bell peppers	Jan.-Dec.	$/cwt	30.3	24.2
Broccoli, fresh	Jan.-Dec.	$/cwt	29.2	23.4
Broccoli, proc.	Jan.-Dec.	$/ton	265.8	292.6
Cantaloupes	[5/1-11/30]	$/cwt	17.6	14.1
Carrots	Jan.-Dec.	$/cwt	17.0	13.6
Cauliflower	Jan.-Dec.	$/cwt	30.9	24.8
Celery	Jan.-Dec.	$/cwt	14.3	11.4
Cherries	[5/1-8/15]	$/ton	1,320.0	1,056.0
Cotton, Pima	Aug.-July	$/lb	0.94	0.76
Cotton, Upland	Aug.-July	$/lb	0.46	0.37
Dairy	Jan.-Dec.	$/cwt	13.3	10.6
Garlic	July-June	$/cwt	27.6	22.1
Grapes, table	[5/25-4/30]	$/ton	592.4	473.9
Grapes, wine	[8/1-12/15]	$/ton	513.6	410.9
Grapefruit	Sept.-Aug.	$/box	5.2	4.2
Lemons	Aug.-July	$/box	12.4	9.9
Lettuce, head	Jan.-Dec.	$/cwt	17.6	14.1
Nectarines	[6/10-8/31]	$/ton	418.4	334.7
Olives	Aug.-July	$/ton	546.2	437.0
Onions	Jan.-Dec.	$/cwt	12.0	9.6
Oranges, Calif. navel	[11/1-6/15]	$/box	11.7	9.0
Oranges, Calif. Valencia	[3/15-12/20]	$/box	8.5	6.8
Peaches, freestone	[6/1-9/30]	$/lb	0.20	0.16
Peaches, clingstone	[7/1-9/30]	$/lb	0.12	0.09
Pears	[7/1-4/30]	$/ton	284.6	227.7
Pistachios	Sept.-Oct.	$/cwt	112.0	89.6
Plums	[5/25-9/30]	$/ton	394.2	315.4
Potatoes	Jan.-Dec.	$/cwt	6.1	4.9
Prunes	[8/1-4/30]	$/ton	778.8	623.0
Raisins	Sept.-May	$/ton	199.4	159.5
Rice	Aug.-July	$/cwt	5.5	4.4
Strawberries	Jan.-Dec.	$/cwt	65.8	52.6
Tomatoes, fresh	May-Nov.	$/cwt	31.2	25.0
Tomatoes, proc.	Jan.-Dec.	$/ton	61.4	49.1
Walnuts	[9/15-12/31]	$/ton	1,081.5	865.2
Wheat	June-May	$/bu	3.0	2.4

[1]Some 2003 price data are not yet included with average. Average will change.

Table 3 presents our estimate of the levels to which the 2004 prices must fall for those commodities to become eligible for assistance under the program.

Petitions to date

Farm and seafood commodity industry groups began applying for assistance under the TAA in September 2003. Among these early petitions were four agricultural commodities that are important in California: garlic, olives, rice and oranges. The USDA turned down all four petitions.

A group of garlic producers in California filed a petition for trade adjustment assistance in October 2003. Fresh garlic, whole and peeled, was the commodity identified in the petition. The petition cited prices for the marketing season 2002/03 being far below the average of prices from 1997 to 2001. The USDA found that prices had declined by 17.1 percent rather than the required 20 percent, and rejected the petition on that basis.

The Olive Growers Council, representing growers in California, applied for federal assistance in December 2003. The Council claimed that the decline in producer prices for fresh black olives was due to increased imports of black olives in a saline solution. The petition indicated that the marketing year impacted by imports was August 2003 through July 2004. The USDA turned down the petition on the basis that it requires a full year of data for comparison and these data will not be available until the end of the olive marketing year in July 2004. The Olive Growers Council is likely to apply again in August 2004.

The U.S. Rice Producers Association also filed a petition for assistance in December 2003. The petition represented all rice producers in the United States, not just those in California. The petition identified all imports of rice as directly competitive with rice produced in the United States. According to the petition, the marketing year affected by imports was August 2002 to July 2003. USDA found that the price in 2002/03 was 38.7 percent lower than the average price for the previous five years. However, USDA rejected the petition because it found that main contributing factors to the fall in producer prices were the growth of U.S. production and increased carry-in stocks of U.S. produced rice. According to the USDA, increased rice imports did not contribute importantly to the decline in domestic producer prices.

California orange growers filed for relief in February 2004. The petition indicated that the marketing year impacted by imports was November 2002 through May 2003. The five-year base period used for the purpose of a price comparison began November 1997. The petition identified imports of Clementine oranges as directly competitive with California navel oranges. The USDA found that 2002/03 prices for California navel oranges were low enough for eligibility under the first criterion of the TAA program. However, USDA turned down the petition for relief because it determined that the leading cause in price decline was the large increase in domestic navel orange production and that the increase in production was much higher than the increase in imports. They reasoned that imports did not contribute importantly to the price decline.

Conclusions

The TAA was created to provide financial relief and technical assistance to farm industries experiencing severe losses due to increases in imports. We found that the price criterion severely limits the number of industries eligible for such relief and the causation criterion further restricts the applicability of the TAA to California agriculture. We found that the negative impact of imports in California agriculture has generally not risen to the level required for relief. We should, therefore, expect only occasional relief for industries under special import-related stress from this program. ■

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