tariff. The world sugar price increases by 24 percent on average, driven by proposed E.U. sugar reforms. The E.U. imports over 4 million metric tons of sugar. Net exporting countries, such as Brazil, Australia, Colombia, Argentina, and Cuba, would respond to the higher world price with increased sugar production, lower sugar consumption, and increased exports.

**Cotton**

Cotton prices increase by about 2 percent in world markets. Given the modest foreign adjustments in the sector, the primary impact is through the reduction in domestic supports, which lowers U.S. production and exports. After the reduction in U.S. trade, the resulting higher world prices push other exporters to ship out more while importers decrease their net demand on world markets. There is an overall reduction in world trade. Larger exports out of Africa, Brazil, Pakistan, and Central Asia partially offset the lower U.S. cotton exports.

**U.S. Net Farm Income**

The reduction in U.S. target prices and loan rates reduces crop returns to producers. For some crops, this effect is more than offset by higher prices. Between 2012/13 and 2014/15 under this deterministic analysis, average returns, including all payments, increase for grains and most oilseeds but fall for cotton, peanuts, and sugar. Stochastic analysis led by FAPRI economists at the University of Missouri considers a range of possible market outcomes and yields slightly different average results. Considering a broader range of outcomes leads to circumstances in which the increase in prices may not be adequate to compensate producers for reduced loan program benefits and countercyclical payments, even for grain and oilseeds.

---

**Recent CARD Publications**

**Briefing Paper**


**Working Papers**


**Biosecurity and Infectious Animal Disease.** David A. Hennessy. November 2005. 05-WP 413.

**Business Organization and Coordination in Marketing Specialty Hogs: A Comparative Analysis of Two Firms from Iowa.** Brent Hueth, Maro Ibarburu, and James Kliebenstein. November 2005. 05-WP 415.

**EU Enlargement and Technology Transfer to New Member States.** Simla Tokgoz. November 2005. 05-WP 414.

**Inspection Intensity and Market Structure.** Stéphan Marette. October 2005. 05-WP 412.

**Managing Quality under Heterogeneous Consumer Demand and Product Quality.** Miguel Carriquiry and Bruce A. Babcock. October 2005. 05-WP 410.


**Tariff Equivalent of Technical Barriers to Trade with Imperfect Substitution and Trade Costs.** Chengyan Yue, John C. Beghin, and Helen H. Jensen. November 2005. 05-WP 383 (Revised).