

WTO misses mark in U.S. cotton case

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"Out of date and out of touch with market conditions." That's what the National Cotton Council had to say about a ruling by a World Trade Organization Appellate Body in Geneva, Switzerland, Monday.

The Appellate Body failed to overturn the report of a WTO Compliance Panel concerning the U.S. government's response to WTO rulings in the cotton case brought by the government of Brazil in 2003 and 2004.

Although the U.S. Congress eliminated the Step 2 program, which had been the focus of much of Brazil's complaint about the U.S. cotton program, and made other changes to the latter, the Compliance Panel ruled neither Congress nor the administration had done enough.

"As the National Cotton Council stated at the time the Compliance Panel report was made public, the Compliance Panel failed to consider appropriately the changes that were made to the U.S. cotton program since the original decision in 2004," the NCC said in press release.

"The United States has already taken significant steps to comply with that original decision, including the elimination of the Step 2 program, which was part of the Three-Step competitiveness program for cotton that was enacted in previous farm bills."

NCC leaders said the decision June 2 is far removed from the current cotton market and the current operation of the U.S. cotton program. The latest decision, in fact, was made with respect to the operation of the U.S. cotton program from 2003 to 2006.

"The market has changed and the U.S. cotton program has changed," the release said. "Expenditures under the cotton program components examined by the Compliance Panel have fallen dramatically since that decision was made. In fact, there will be virtually no expenditures under those programs for the foreseeable future."

World prices of cotton have strengthened significantly since the original panel ruling against U.S. cotton, NCC leaders noted. "It is simply not the case that world cotton prices are currently suppressed or were ever suppressed by payments made under the U.S. cotton program."

Cotton production in Brazil and in countries like India has risen over the past four years, while cotton production in the United States has fallen significantly. (In the Mid-South,

for example, cotton plantings have fallen from 3.8 million in 2003 to an estimated 1.96 million acres this spring.)

Finally, the Brazil case is based on the cotton program under the 2002 farm bill. Under the newly enacted Food, Conservation and Energy Act of 2008, cotton was the only commodity that received a decrease in its target price.

"Mandatory adjustments in the operation of the cotton loan program will result in a decrease in the average marketing assistance loan available to eligible U.S. cotton producers," the release said. "The new farm law also includes a dramatically modified income test which will result in some producers being ineligible for program benefits.

"The WTO findings regarding the U.S. cotton program are out of date and out of touch with existing market conditions."