

The High Cost of Cotton

Boston Globe
March 20, 2005
Editorial

AMERICAN TAXPAYERS are paying more than \$4 billion this year to subsidize cotton growers whose exports steal business from lower-cost cotton farmers in developing countries from Latin America to Africa. Earlier this month the World Trade Organization found that this practice violates trade rules, opening the door for other countries to retaliate against US products if Washington persists in its policies. To stop cotton subsidies from causing lasting harm to the US economy and further impoverishing farmers in poor countries, Congress should cut them and other farm giveaways even more extensively than the Bush administration is proposing.

American cotton farmers have sought and received government handouts because their crop costs about 65 cents a pound to produce while the world price runs less than 40 cents. In addition, the domestic textile industry has lost much of its market to foreign makers. Domestic mills have been prime customers for US cotton farmers because the mills receive a government rebate when they buy costly US cotton instead of the cheaper imports.

Instead of switching to different crops, the cotton farmers of the South, Texas, California, and Arizona simply ask for more subsidies, to the point where they have become the biggest recipients of Farm Bill assistance, getting about 25 percent of this year's total of \$17.8 billion. Farm Bill aid tilts toward the bigger producers with all crops, but particularly with cotton. According to the Environmental Working Group, which tracks Agriculture Department data, just 1 percent of the cotton farmers qualifying for subsidies received 28 percent of such payments between 1995 and 2003. In the Southwest, many cotton farms also benefit from favorable irrigation terms, encouraging the growers to draw down that region's scarce water supply.

President Bush's budget proposes to cut all farm subsidies by \$5.7 billion over 10 years. He would do so in part by capping the maximum payment to a farm at \$250,000 a year instead of the current \$360,000. Perhaps more important, his proposal would get rid of some of the loopholes that allow big cotton growers, for instance, to collect as much as \$2.4 million.

Bush's willingness to stick by his plan in the face of opposition from cotton-growing states still has to be tested. His allies should include deficit hawk conservatives as well as business leaders who don't want to see markets closed to the United States because of trade disputes over subsidized cotton. Still, as welcome as the Bush proposals are, they would not be enough to put the United States in compliance with the rules of the World Trade Organization. If Congress really believes in free markets, it should phase out aid and make farmers compete without Uncle Sam tilting the playing field.