U.S. Policies Enrich Agribusiness, Not Farmers

By R. Dennis Olson
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The U.S. government lost the first round of a dispute at the World Trade Organization (WTO) last week when a panel ruled that our cotton program violated international trade rules. There is much hand wringing from farm state legislators and Bush administration officials about what to do. But instead of trying to untangle the WTO's trade rules, it's time to confront the fact that our current U.S. agriculture and trade policies have not only devastated farmers around the world, but have failed U.S. farmers as well. The Brazilian victory provides an opportunity to reevaluate the failures of the bankrupt agricultural trading system, and begin an open and honest debate that would examine viable alternatives.

According to the promises made by the agribusiness cartels and other supporters of the existing system, passage of both NAFTA and the 1996 Farm Bill were supposed to have gotten the government out of agriculture, and let farmers export their way to prosperity. The record is now in, and the promises have not materialized on either count. According to a recent study by the University of Tennessee's Agricultural Policy Analysis Center, since NAFTA and the 1996 Farm Bill have been implemented, "U.S. crop exports have remained flat or declined, farm income derived from the marketplace has fallen dramatically, government payments to farmers have skyrocketed, and consolidation and corporate control in the marketplace have reached record levels."

Brazil challenged the U.S. cotton program at the WTO because widespread dumping at costs below production prices was driving global prices down and hurting Brazilian cotton farmers. Earlier this year, my organization issued an analysis that found U.S. cotton was being exported at over 60 percent below the cost of production in 2002 continuing a pattern that has steadily worsened over the last five years.

In essence, farm programs for the major commodities grown in the United States -- including cotton -- stimulate over-production, which in turn causes lower prices. When you strip away the technical jargon, the U.S. cotton program -- like the programs for corn, soybeans, and wheat -- is constructed to benefit multinational agribusiness cartels, which are reaping huge profits from the rock-bottom prices this system provides.

Brazil and many developing countries are hoping that if the WTO ruling compels Congress to slash U.S. farm subsidies, farmers will stop producing, production will fall, and supply will balance demand. But historically, farmers produce as much as they can whether prices are high or low. If subsidies are taken away, they'll simply try to produce more to make up for lost income. The independent farmers who can't survive low prices without subsidies will be bought out by even-larger corporate farms. We've already seen this play out in Mexico, Canada and Australia -- all countries that cut farm subsidies and saw overall production stay flat, while the number of farmers decreased.

A fair, market-oriented farm policy should include programs that limit production through tools like acreage set asides, and that manage inventory in the same way companies do in other sectors. These are not new concepts for U.S. agriculture. The government used to act as an honest broker to ensure a fair marketplace. Acreage set-asides, farmer-owned reserves, and government price supports all helped to make the market work for farmers prior to their complete dismantlement under the 1996 Farm Bill. These tools buffered farmers and rural communities from low prices in times of oversupply, and protected consumers from unscrupulous price gouging in times of shortages when harvests failed.

The WTO ruling provides a unique opportunity to debate whether we want an agriculture policy that supports independent family farmers, or one that subsidizes multinational agribusiness cartels. At the forefront of such a debate should be the goal of ensuring that market prices paid to farmers at the point of sale cover the cost of production. Such policies would not only make most government subsidies unnecessary for our farmers by providing them with a fair price from the marketplace, but would also eliminate agricultural dumping and thereby help farmers and rural communities in Brazil and around the world.

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