



United States dumping on world markets

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What is dumping?:

The basic definition of dumping is the sale of goods abroad at less than cost of production prices. In world agricultural markets, for example, if corn costs \$2.50 a bushel to grow, but is sold by grain companies in world markets at only \$2.00 a bushel, that would qualify as dumping, even if prevailing domestic prices were also only \$2.00 a bushel.

Levels of U.S. dumping

Analyzing data from the U.S. Department of Agriculture and the Organization for Economic Cooperation and Development to compare the cost of production with farm gate and export prices of five major commodities, it is clear that there is widespread dumping by U.S. grain companies. In 2003, wheat was exported at 28 percent below its cost of production, soybeans were dumped at 10 percent, corn was dumped at 10 percent, cotton was dumped at 47 percent and rice was dumped at 26 percent. The details for each commodity can be found on the back of this fact sheet.

Dumping caused by oversupply and uncompetitive markets

In the case of U.S. agriculture, market failures cause dumping. A few transnational agribusiness firms dominate nearly all agricultural commodity purchasing, transportation and processing in the U.S., which stifles competition in the marketplace. In the past, there were tools, such as grain reserves and set aside programs, designed to help farmers control supply and maintain some degree of market power. Most of those tools were stripped away under the 1996 Farm Bill. Today, there is significant overproduction in major commodities, which drives down prices. Foreign competition exacerbates the global glut. With little competition in the market and no controls on supply, prices sink well below the cost of production.

Dumping hurts farmers around the world

If farmers can't get a price that covers expenses then it's difficult to stay in business. Farmers in other countries are hurt because dumped exports push them out of local markets and eliminate their ability to export. Poor

countries facing hunger are particularly vulnerable if their farmers are pushed off the land. As domestic production falls, these countries become dependent on the fluctuating prices and availability of imports. Additionally, farmers are a vital part of local rural economies—they generate local capital and create employment through demand for farm labor and off-farm goods and services, such as clothing and schools. The phenomenon of plunging commodity prices, reinforced by dumping, has also driven U.S. family farmers off the land and has been an economic disaster for rural communities.

Dumping benefits multinational agribusiness firms

The largest commodity traders, who now finance trades, process commodities, ship commodities, etc., are the biggest beneficiaries of dumping. They are able to buy inputs and commodities at extremely cheap prices. Low prices in the U.S., along with increased global production, help keep world commodity prices down. Most major agribusiness firms now have facilities in all the major agricultural exporting and importing countries including Brazil, China, Australia and India. Nearly all of these companies have seen their profits skyrocket in recent years.

Dumping is against international law

Article Six of the General Agreement on Tariffs and Trade, which is one of the agreements overseen by the World Trade Organization, sets rules that prohibit dumping. However, the rules make it complicated, in practice, for smaller, poorer countries, to establish grounds for anti-dumping duties because of the requirements to demonstrate harm. Underlying technical challenges for using the WTO to stop dumping is the political reality of the multilateral trading system that makes it difficult for small countries to challenge powerful economic players like the United States. Governments must amend global trade rules to make it easier for developing countries to challenge agricultural dumping at the WTO. Importing countries should have the ability to immediately impose countervailing and anti-dumping duties to bring the dumping prices up to cost of production levels.

Recommendations

These latest numbers on agricultural dumping by U.S. agribusiness once again illustrate the need for immediate action at the international level. First steps include:

1. The elimination of visible export subsidies, as well as the establishment of strong disciplines on export credits and program food aid, as quickly as possible.
2. A commitment from exporting countries to keep products priced below the cost of production out of world markets.
3. The publication of annual full-cost of production estimates for OECD countries. To fully address agricultural dumping, governments must develop a more thorough and transparent methodology to measure the problem and make the relevant data publicly available within six months of the close of the fiscal year.
4. Agreement on strong international rules to prohibit restrictive business practices among the oligopolies that dominate trade in most agricultural commodities.

Table 1. Wheat

Year	Farmer production costs (US\$/bushel)	Government support costs (PSE)	Transportation and handling costs (US\$/bushel)	Full cost (U.S. \$/bushel)	Export price (U.S. \$/bushel)	Percent of export dumping
1990	4.41	0.10	0.82	5.32	3.72	30%
1991	4.74	0.11	0.82	5.66	3.52	38%
1992	4.46	0.11	0.82	5.39	4.13	23%
1993	4.62	0.11	0.82	5.54	3.83	31%
1994	4.63	0.11	0.82	5.55	4.09	26%
1995	5.33	0.13	0.82	6.28	4.82	23%
1996	5.94	0.12	0.82	6.88	5.63	18%
1997	5.02	0.10	0.82	5.93	4.35	27%
1998	3.99	0.08	0.82	4.89	3.44	30%
1999	4.30	0.08	0.82	5.20	3.04	42%
2000	4.62	0.09	0.82	5.53	3.17	43%
2001	5.31	0.10	0.82	6.23	3.5	44%
2002	6.30	0.12	0.82	7.24	4.09	43%
2003	4.69	0.12	0.82	5.63	4.04	28%

Table 1 shows the calculation of the percent of export dumping for wheat. The government support cost and the cost of transportation and handling are added to the farmer production cost to calculate the full cost of production. The percent of export dumping is the difference between the full cost of production and the export price, divided by the full cost of production.

Table 2. Soybeans

Year	Farmer production costs (US\$/bushel)	Government support costs (PSE)	Transportation and handling costs (US\$/bushel)	Full cost (US\$/bushel)	Export price (US\$/bushel)	Percent of export dumping
1990	5.76	0.20	0.54	6.50	6.24	4%
1991	5.87	0.20	0.54	6.61	6.05	8%
1992	5.51	0.17	0.54	6.22	6.01	3%
1993	6.71	0.20	0.54	7.45	6.53	12%
1994	5.29	0.16	0.54	5.99	6.52	-9%
1995	6.30	0.20	0.54	7.03	6.5	8%
1996	6.30	0.22	0.54	7.06	7.88	-12%
1997	5.72	0.18	0.54	6.43	7.94	-23%
1998	5.76	0.15	0.54	6.44	6.37	1%
1999	6.23	0.15	0.54	6.91	5.02	27%
2000	6.20	0.15	0.54	6.89	5.26	24%
2001	6.14	0.15	0.54	6.83	4.93	28%
2002	5.80	0.19	0.54	6.53	5.48	16%
2003	6.62	0.26	0.54	7.42	6.7	10%

Table 2 shows the calculation of the percent of export dumping for soybeans. The government support cost and the cost of transportation and handling are added to the farmer production cost to calculate the full cost of production. The percent of export dumping is the difference between the full cost of production and the export price, divided by the full cost of production.

Table 3. Maize

Year	Farmer production costs (US\$/bushel)	Government support costs (PSE)	Transportation and handling costs (US\$/bushel)	Full cost (US\$/bushel)	Export price (US\$/bushel)	Percent of export dumping
1990	2.49	0.08	0.54	3.12	2.79	10%
1991	2.65	0.09	0.54	3.28	2.75	16%
1992	2.26	0.07	0.54	2.87	2.66	7%
1993	2.90	0.08	0.54	3.52	2.62	26%
1994	2.25	0.07	0.54	2.86	2.74	4%
1995	2.88	0.10	0.54	3.52	3.13	11%
1996	2.70	0.08	0.54	3.32	4.17	-26%
1997	2.77	0.07	0.54	3.38	2.98	12%
1998	2.64	0.06	0.54	3.25	2.58	21%
1999	2.68	0.06	0.54	3.28	2.29	30%
2000	2.72	0.06	0.54	3.32	2.24	33%
2001	2.39	0.07	0.54	3.00	2.45	18%
2002	2.46	0.08	0.54	3.08	2.75	11%
2003	2.35	0.09	0.54	2.98	2.68	10%

Table 3 shows the calculation of the percent of export dumping for maize. The government support cost and the cost of transportation and handling are added to the farmer production cost to calculate the full cost of production. The percent of export dumping is the difference between the full cost of production and the export price, divided by the full cost of production.

Table 4. Cotton

Year	Farmer production costs (US\$/pound)	Income support payment rate	Transportation and handling costs (US\$/pound)	Full cost (US\$/pound)	Export price (US\$/pound)	Percent of export dumping
1990	0.842	0.131	0.080	1.053	0.712	32%
1991	0.760	0.067	0.080	0.908	0.696	23%
1992	0.751	0.101	0.080	0.931	0.539	42%
1993	0.802	0.203	0.080	1.085	0.553	49%
1994	0.706	0.186	0.080	0.971	0.732	25%
1995	1.034	0.046	0.080	1.160	0.934	19%
1996	0.848	0	0.080	0.927	0.779	16%
1997	0.746	0.088	0.080	0.914	0.696	24%
1998	0.961	0.076	0.080	1.117	0.670	40%
1999	0.836	0.122	0.080	1.038	0.523	50%
2000	0.910	0.157	0.080	1.147	0.574	50%
2001	0.834	0.152	0.080	1.066	0.396	63%
2002	0.862	0.126	0.080	1.068	0.370	65%
2003	0.838	0.137	0.080	1.054	0.562	47%

Table 4 shows the calculation of the percent of export dumping for cotton. The government support cost and the cost of transportation and handling are added to the farmer production cost to calculate the full cost of production. The percent of export dumping is the difference between the full cost of production and the export price, divided by the full cost of production.

Table 5. Rice

Year	Farmer production costs (US\$/cwt.)	Government support costs (PSE)	Transportation and handling costs (US\$/cwt.)	Full cost (US\$/cwt.)	Export price (US\$/cwt.)	Percent of export dumping
1990	9.61	0.27	9.49	19.38	15.52	20%
1991	9.94	0.30	9.49	19.73	16.46	17%
1992	9.16	0.21	9.49	18.86	16.8	11%
1993	9.95	0.28	9.49	19.72	16.12	18%
1994	9.90	0.22	9.49	19.61	19.14	2%
1995	11.31	0.29	9.49	21.09	16.68	21%
1996	11.06	0.30	9.49	20.85	19.64	6%
1997	11.70	0.29	9.49	21.47	20.88	3%
1998	12.02	0.30	9.49	21.81	18.95	13%
1999	11.42	0.21	9.49	21.12	16.99	20%
2000	8.51	0.20	9.49	18.21	14.83	19%
2001	8.61	0.15	9.49	18.25	14.55	20%
2002	8.26	0.17	9.49	17.92	11.8	34%
2003	8.65	0.28	9.49	18.43	13.68	26%

Table 5 shows the calculation of the percent of export dumping for rice. The government support cost and the cost of transportation and handling are added to the farmer production cost to calculate the full cost of production. The percent of export dumping is the difference between the full cost of production and the export price, divided by the full cost of production.