http://www.jornada.unam.mx/2002/dic02/021214/020a1pol.php?origen=index.html

December 14, 2002

## La Jornada (Mexico)

# Where the Light Never Shines: Export Dumping

## By Mark Richie

Dumping is the practice of selling products at prices below the cost of production. Many countries, like Mexico, help protect their farmers from dumped agricultural products from other countries through tariffs.

But January 1, 2003, most Mexican tariffs on U.S. agricultural imports set by the North American Free Trade Agreement (NAFTA) will be removed. This could open the door for widespread dumping from the U.S., the principle source of dumped agricultural produce in world markets, and have a devastating impact on Mexico's agricultural economy.

There are steps the Mexican government can take to protect its farmers, but it has to act fast. The government of Mexico should consider suspending the agricultural opening legislated by NAFTA and begin formal proceedings to institute anti-dumping and countervailing duties against dumped U.S. agricultural exports.

Much of the discussion over U.S. agriculture policy in the last few months has centered on agricultural subsidies to farmers. Last year, at the Doha Ministerial of the World Trade Organization (WTO), the U.S. demanded that countries around the world put an end to agricultural subsidies. But this spring, when President Bush signed a U.S. farm bill that provides billions in subsidies, he said, "America's farmers need a farm bill that provides support and help when times are tough. And that is why I'm signing this bill today."

As others have said, "They had the light on in the street, but the house was dark." The truth of the matter is, nobody is telling the truth about subsidies. US farm subsidies are the prop of a highly distorted marketplace that has lowered income for farmers both in the U.S. and around the world. And here is where the light never shines.

U.S. and Mexican farmers have a common problem. The government in Washington used to maintain a floor price for the US domestic market through a loan program. In 1996, it ended this model, and prices are now free to fall to the level agri-business is willing to pay. Instead of loan rates, the US government has turned to income support payments as the form for current subsidies. The remaining loan rates on many commodities are far below production costs, even on the most efficient farms. The US domestic price for most major commodities, including wheat, corn, cotton, rice, and soybeans, has always affected world prices because the volume of US exports is so great. By allowing prices to free fall, the US government is leaving producers everywhere at the mercy of a few dominant transnational agribusinesses to set prices.

When you find yourself asking the question, "How can they grow it so cheaply?" the answer is, they can't.

An analysis from the Institute for Agriculture and Trade Policy found that corn cost the average U.S. farmer $3.41/ bushel to produce in 2001. This does not include any profit, but does include a conservative transportation and handling cost of 54 cents/ bushel. In 2001, corn sold on the U.S. market for about $2.10/bushel and in the international market for $2.28/ bushel. The dumping margin - the gap between costs of production and the final export price - was 25% in 2001, slightly down from an average of 31% in the two preceding years.

When farmers are told they have to produce food cheaply to export, ask yourself, "Who exports grain?" Farmers don't export grain. Countries, for the most part, don't export grain. According to research at the University of Missouri, 82% of US corn exports are from Cargill, Archer Daniels Midland and Zen Noh (a Japanese firm with a relatively small percentage of the total). These same companies dominate the global corn trade.

To ensure a steady and abundant supply of cheap agricultural products, billions of dollars from the U.S. food and agriculture programs are paid out as welfare payments to farmers. Those who gain the most from this farm program are the highly concentrated agribusiness companies who are able to buy commodities for cheap prices, and export those commodities by undercutting farmers in other countries. Mexican producers and peasants throughout the developing world are expected to compete with these global giants.

Consider corn producers in Mexico. The NAFTA requires Mexico to dramatically increase the amount of corn imports from the United States. Although nutritionally inferior, the yellow corn raised in the United States for animal feed is sold at prices cheaper than the white corn traditionally raised in Mexico to make tortillas. In fact, U.S. grown yellow corn is normally sold into Mexico at prices 30% below the actual cost of production.

Mexican corn farmers have watched prices for their crops collapse. This sector of Mexican agriculture that provides livelihoods to millions, and is deeply rooted in the culture of the country, is in economic shock. The steady stream of migrants from rural Mexico to the United States is just one of the symptoms of this disaster. Ironically, corn farmers in the U.S. have also been receiving record low prices, pushing many into bankruptcy and foreclosure along with their Mexican colleagues.

The United States is a leading voice in justifying trade remedy laws --such as duties to raise the price of imports that US firms judge to be dumped into the U.S. market. However, it does not extend this vigilance to agriculture. Neither imports nor exports of agricultural products in the U.S. attract the same attention. The United States is the principle source of dumped agricultural produce in world markets.

By subscribing to the fiction that the world price is somehow the appropriate price for all markets everywhere, the US also becomes a victim of the this policy by allowing imports, often of the same products it exports, at dumped prices. Cattle, soybeans and much else besides move both ways across the border, all at prices that are far below the cost of production.

NAFTA and the WTO give countries the right to investigate where they judge import prices to be unfair and, if it can establish "material injury" to its domestic producers, it can impose antidumping duties to curb the damage. These dumping rules are in place because if imported goods are unfairly priced then domestic competitors will be put out of business.

When U.S. Undersecretary of Agriculture J.B. Penn suggests that the US might retaliate if Mexico takes steps to protect its farmers, it only seems right that President Fox should raise the issue of export dumping. There are provisions within the NAFTA and the WTO agreements that can be used to challenge global agribusiness. Instead of continuing to complain about subsidies to farmers and peasants, like sick people fighting over medicine, we need to turn the spotlight on those trade practices that are destroying farmers and peasants on both sides of the border.

Mark Ritchie is founder and President of the Institute for Agriculture and Trade Policy in Minneapolis.