



## **TRADE STRATEGY OF U.S ANALYSIS OF CURRENT AGRICULTURE POLICY**

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Thank you for this opportunity to join such distinguished company and convey my perspectives regarding the next agriculture negotiations at the World Trade Organization. I am very encouraged by some of the comments made here today by representatives of the new Social Democratic Party government of Germany. I am much less happy about the intentions of my own government, the United States of America, in these negotiations.

The US government has made its position entering the WTO agriculture negotiations very clear. It has three main goals:

First, continued support for the agribusiness agenda -- the production of cheap raw materials and growth in market share. The Uruguay Round agriculture policy, negotiated on behalf of the US by a career executive of the Cargill Company named Daniel Amstutz, has successfully promoted this objective. US agriculture exports in 1992, two years before the completion of the Uruguay Round, amounted to \$42.6 billion; by 1994, they amounted to \$60 billion. Agriculture is the largest positive contributor to the US' balance of trade, which is overall negative and falling, so you may be sure that efforts to expand US agriculture exports by further reducing tariffs and eliminating export subsidies will remain strong. (Please bear in mind that the dumping of US exports is disguised through other mechanisms such as credit guarantees, marketing promotion, and food aid for political allies.)

The second major goal of the US government is to force acceptance of genetically modified organisms (GMO) throughout the world. Our Secretary of Agriculture Dan Glickman has called this effort "the battle royale of the 21st century" -- that's how strongly he feels. The US Trade Representative disputes whether other countries' GMO regulations are based on "sound science" and calls labeling a "technical barrier to trade." It argues that GMO-products and non-GMO products are "like" products and "substantially equivalent," claiming that GMO regulations are unfairly discriminatory. It is noteworthy that genetically modified crops covered from one third to one half of all soy and cornfields in the US last year, so there is a large interest among exporters in this question.



A third major goal of the US government for the next WTO agriculture negotiations is to impose tight disciplines on state trading enterprises. In the words of the US Trade Representative, the objective is "eliminating their monopoly controls over imports and exports." But agriculture in the US is dominated by monopolies and oligopolies. If the proposed merger of Continental and Cargill is approved, one company will control up to 70% of all US grains. If several acquisitions proposed by Monsanto are approved, it will control 80% of all the cotton seed sown in the US, and close to half of all the corn and soy seed -- plus Monsanto has recently taken over all of Cargill's seed distribution outside of North America. The Iowa Beef Packers control 45% of all beef and, along with three other companies, a full 80% of all beef produced in the US. Tyson Foods, which is closely linked to President Clinton and politics in the State of Arkansas, sells 21% of all the poultry consumed -- only Brazil and Chile sell more than Tyson.

One percent of all farms in the US produce 30% of all crops and livestock; 12% of all farms produce 75%. According to a recent report of the National Commission on Small Farms, "policy choices perpetuated the structural bias..." -- among them tax policies for capital purchases and exemptions from labor laws for hired farm workers.

Only the bigger farms have survived the US' low price policy. One prominent agricultural economist acknowledged the purpose was to squeeze farmers out of production. Like toothpaste, he said, if it gets tough, you just have to squeeze harder! Since the 1970s, federal policy has deliberately lowered the price of major crops to less than half the cost of production, offering support through what we call "deficiency payments" to cover another quarter or so of the farmers' investment in production. Farmers have taken out private loans to cover the balance, with many unable to pay back the debt successfully. In the 1980s, when interest rates rose dramatically, hundreds of thousands went bankrupt. Most family farmers rely on other jobs to survive: as much as 88% of farm household income today derives from off-farm employment.

This year, we are seeing the lowest prices in 40-50 years. We hear predictions that one out of three farmers in the upper midwest region, where our Institute is based, may quit farming this year because they just can't afford to stay in business. These extremely low prices are partly due to the loss of markets in Asia, due to the financial crisis there, and partly due to the very high prices of 1996 which caused farmers to plant hedgerow-to-hedgerow, in some cases even on marginal lands. The net result was over-supply. But it's also true that there is no competition among buyers -- and they benefit enormously in the commodity markets from this price volatility. And because the Federal Agriculture Improvement and Reform Act of 1996, often referred to as the "Freedom to Farm Act," phases out deficiency payments, consistent with the Uruguay Round agreement, the farmers are more vulnerable than ever to the falling prices.

There is a severe sense of despair in rural America. But there is also a resistance movement growing across a wide range of public interest groups. There is an outcry against the huge livestock operations that have suddenly overwhelmed the countryside with housing for 100,000 chickens; 10,000 cattle; 20,000 hogs... One proposal for an Indian Reservation would hold 100,000 breeding sows! The environmentalists have joined family farmers in campaigning against these gigantic corporate operations. The



environmentalists and consumer organizations are campaigning against Monsanto and other biotech companies, fighting for labels on genetically modified foods and more stringent safety testing for both human and ecological health. Many farmers, environmentalists, consumers and labor unions are united in opposing further liberalization of trade under the WTO or any of the regional agreements.

Last year, a major victory was won by these coalitions when the fast track legislation, which would have given President Clinton a green light for further trade talks, was defeated. Another major victory was celebrated when the US Department of Agriculture withdrew its proposal for a new definition of "organic" that would have made genetically engineered foods, irradiated foods and foods grown with municipal sewage sludge eligible for this premium label. Yet another celebration was held when as many as 10 seats in the U.S. Congress were opened up for our side, after campaigns in which fast track and trade liberalization were among the key issues.

Our work is far from over, however. There are numerous proposals for an "omnibus" trade bill that would link fast track with trade assistance for Africa, the Caribbean and other developing regions of the world, and with financial assistance for US workers displaced by trade liberalization. Given growing fears of a global financial crisis and our ever-widening trade deficit, such an omnibus trade package will be difficult to defeat. With the Third Ministerial Meeting of the World Trade Organization taking place November 30-December 2 of this year in Seattle, we expect that the media and the American public will engage in a vigorous debate -- and that we will see plenty of protests, too.

Internationally, there is a vast network of organizations preparing for the Third Ministerial and the agriculture negotiations that will follow. The theme of "food security" has anchored critiques of the Uruguay Round and generated a variety of proposals for reform. First and foremost, many groups are calling for an end to dumping -- whether through export subsidies or credit guarantees or market promotion or what-have-you: there should be no dumping! Many are calling for a "food security box" that, like the green box and the blue box, allows nations to exempt certain support programs from WTO disciplines; in this case, we would create an exemption for staple foods in order to protect food security.

Other proposals call for the implementation of the 1994 Marrakesh Decision, which was supposed to trigger special assistance for net food-importing nations if the Uruguay Round worsened their food security; the implementation of "special and differentiated treatment" for developing countries in order to enable them to develop their productive capacity; reforms of the Food Aid Convention; a United Nations initiative for a "Global Food Security Convention" to balance the WTO's commercial approach to food policy; and the right of nations to maintain supply management programs and cost-of-production pricing. Still others are demanding that agriculture policy be removed from the scope of the WTO altogether. No-patents-on-life and strong competition, anti-trust and procurement policies are also on many agendas.

Central to this diverse set of proposals is the belief that food self-sufficiency and local productive capacity are essential for true food security. This belief contrasts sharply with the corporate vision that industrial agriculture based on genetically-engineered monocultural production is the only way to "feed the world." As the US Agriculture Secretary put it, this will indeed be the battle royale of the 21st century.

We are hopeful that the new German government, in its leadership role within the European Union during the coming season, will succeed in waging this battle. The discussion I've heard here in Schwerin supporting blue box payments to farmers, multifunctional agriculture and GMO bans and labeling is most encouraging. Likewise, many of us in the US find the EU's defense of the beef hormone and bananas cases at the WTO to be inspiring and of the utmost importance. Food is a fundamental human right that involves not just the right-to-eat but the right-to-produce. In solidarity with our partners in the South, we wish you courage.

Thank you again for this opportunity to be with you today.

Attachments:

US Agricultural Export Dumping Monitor – Gigi DiGiacomo

Exploring the Critical Linkages Between Agriculture, Trade and Environment: A Look at Decoupled US Agricultural Subsidies – Mark Ritchie and Gigi DiGiacomo

The U.S. Endeavor to 'Feed the World' Implications for Farmer Income, Food Security and the Environment – Mark Muller