

# United States Dumping on World Agricultural Markets



**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 bushel.

**Levels of U.S. dumping:** Analyzing data from the U.S. Department of Agriculture (USDA) and the Organization for Economic Cooperation and Development (OECD) 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 2002, wheat was exported at 43 percent below its cost of production, soybeans were dumped at 25 percent, corn was dumped at 13 percent, cotton was dumped at 61 percent, and rice was dumped at 35 percent. The details for each commodity can be found on the back of this fact sheet.

**Dumping caused by over-supply 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 signifi-

cant over-production 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.

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**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

**Table 1. Wheat**

Year	Farmer Production Costs (US\$/bushel)	Government Support Costs (PSE)	Transportation & Handling Costs (US\$/bushel)	Full Cost (US\$/bushel)	Export Price (US\$/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	0.10	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	6.24	3.5	44%
2002	6.29	0.12	0.82	7.23	4.09	43%

Table 1 shows the calculation of the percent of export dumping for wheat. The government support cost and the cost of transportation & 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 & Handling Costs (US\$/bushel)	Full Cost (US\$/bushel)	Export Price (US\$/bushel)	Percent of Export Dumping
1990	5.76	0.20	0.69	6.65	6.24	6%
1991	5.87	0.20	0.69	6.76	6.05	10%
1992	5.51	0.17	0.69	6.37	6.01	6%
1993	6.71	0.20	0.69	7.59	6.53	14%
1994	5.29	0.16	0.69	6.14	6.52	6%
1995	6.30	0.20	0.69	7.18	6.5	9%
1996	6.30	0.22	0.69	7.21	7.88	-9%
1997	5.72	0.18	0.69	6.58	7.94	-21%
1998	5.76	0.15	0.69	6.59	6.37	3%
1999	6.23	0.15	0.69	7.06	5.02	29%
2000	6.20	0.15	0.69	7.04	5.26	25%
2001	6.14	0.15	0.69	6.98	4.93	29%
2002	6.49	0.17	0.69	7.34	5.48	25%

Table 2 shows the calculation of the percent of export dumping for soybeans. The government support cost and the cost of transportation & 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 & Handling Costs (US\$/bushel)	Full Cost (US\$/bushel)	Export Price (US\$/bushel)	Percent of Export Dumping
1990	2.49	0.08	0.54	3.11	2.79	10%
1991	2.65	0.09	0.54	3.27	2.75	16%
1992	2.26	0.07	0.54	2.86	2.66	7%
1993	2.90	0.08	0.54	3.51	2.62	25%
1994	2.25	0.07	0.54	2.85	2.74	4%
1995	2.88	0.10	0.54	3.51	3.13	11%
1996	2.70	0.08	0.54	3.31	4.17	-26%
1997	2.77	0.07	0.54	3.37	2.98	12%
1998	2.64	0.06	0.54	3.24	2.58	20%
1999	2.68	0.06	0.54	3.27	2.29	30%
2000	2.72	0.06	0.54	3.31	2.24	32%
2001	2.39	0.07	0.54	2.99	2.28	24%
2002	2.46	0.08	0.54	3.08	2.69	13%

Table 3 shows the calculation of the percent of export dumping for maize. The government support cost and the cost of transportation & 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 (US\$/pound)	Transportation & Handling Costs (US\$/pound)	Full Cost (US\$/pound)	Export Price (US\$/pound)	Percent of Export Dumping
1990	0.8424	N/A	0.10	0.9396	0.7125	24%
1991	0.7602	N/A	0.10	0.8574	0.6969	19%
1992	0.7507	N/A	0.10	0.8479	0.539	36%
1993	0.8024	N/A	0.10	0.8996	0.5536	38%
1994	0.7057	N/A	0.10	0.8029	0.7324	9%
1995	1.0341	N/A	0.10	1.1313	0.9344	17%
1996	0.8477	N/A	0.10	0.9449	0.7793	18%
1997	0.7461	N/A	0.10	0.8432	0.6962	17%
1998	0.9608	N/A	0.10	1.0579	0.6704	37%
1999	0.8357	N/A	0.10	0.9329	0.523	44%
2000	0.9038	N/A	0.10	1.0070	0.5747	43%
2001	0.8342	N/A	0.10	0.9313	0.3968	57%
2002	0.8616	N/A	0.10	0.9588	0.3701	61%

Table 4 shows the calculation of the percent of export dumping for cotton. The government support cost and the cost of transportation & 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.

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 (GATT), 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 U.S. 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.

*The Institute for Agriculture and Trade Policy's full report, United States Dumping on World Agricultural Markets, can be found at [tradeobservatory.org](http://tradeobservatory.org).* ●

**Table 5. Rice**

Year	Farmer Production Costs (US\$/cwt.)	Government Support Costs (PSE)	Transportation & Handling Costs (US\$/cwt.)	Full Cost (US\$/cwt.)	Export Price (US\$/cwt.)	Percent of Export Dumping
1990	9.61	0.27	9.85	19.74	15.52	21%
1991	9.94	0.30	9.85	20.09	16.46	18%
1992	9.16	0.21	9.85	19.22	16.8	13%
1993	9.95	0.28	9.85	20.08	16.12	20%
1994	9.90	0.22	9.85	19.97	19.14	4%
1995	11.21	0.29	9.85	21.45	16.68	22%
1996	11.06	0.30	9.85	21.21	19.64	7%
1997	11.70	0.29	9.85	21.84	20.88	4%
1998	12.02	0.30	9.85	22.17	18.95	15%
1999	11.42	0.21	9.85	21.48	16.99	21%
2000	8.51	0.20	9.85	18.56	14.83	20%
2001	8.61	0.15	9.85	18.62	14.55	22%
2002	8.26	0.15	9.85	18.26	11.8	35%

Table 5 shows the calculation of the percent of export dumping for rice. The government support cost and the cost of transportation & 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.