



# Understanding Dumping

How U.S. crop prices hurt the world's farmers



## The ripple effect of low prices

U.S. prices for most major agricultural commodities have sunk well below the cost of production. The results are devastating U.S. farmers. When food companies export below-cost crops—called dumping—farmers around the world suffer. Without a safety net, farmers in poor countries are pushed off the land or forced to send family members away to earn money. Many factors allow this broken system to thrive.

To fix it, we need to address the root causes of low prices.

## The price squeeze

U.S. farmers have little control over input costs. Most inputs were generated on-farm fifty years ago. Today farmers depend on oil, hybrid seeds, inorganic fertilizer, pesticides and capital-intensive equipment. Only a few firms dominate these sectors—and they have steadily raised costs regardless of farm income.

## Agribusiness market power

Some of these firms operate across multiple sectors: The same firm worldwide sells seeds, buys grain, processes feed, raises livestock and delivers meat to the supermarket. Farmers must take the price they're offered in this concentrated system. Even when that price is below their production cost.



## U.S. farm policy **fails** to ensure fair prices

Without government involvement, inherent weaknesses in agricultural markets tend to result in overproduction. This leads to short-term extremes of price volatility and long-term trends of diminishing prices.

Farmers and consumers alike suffer as food supplies destabilize and long-term investments in innovation and land preservation are discouraged.

U.S. farm policy used to avoid these problems through a system of loans and grain reserves designed to keep prices fair and supply stable. Starting in the 1950s, Congress slowly lowered loan rates below the production cost. In 1996, the Farm Bill ended these stabilizing loans altogether. Prices collapsed and dumping accelerated. Farmers had **no choice** but to intensify production to try to make up in volume what they had lost in price.





## Who dumps?

Dumping profits exporting companies—not farmers or governments. When U.S. grain can be bought well below farmer production costs, it can be dumped on world markets and still enrich exporting companies. Major grain companies' profits have skyrocketed over the last decade—riding on the backs of U.S. policies that allow dumping.





## How do U.S. farmers **survive**?

### Off-farm income...

More than 90 percent of U.S. farm families have off-farm jobs to supplement their incomes and to get health insurance. Some of the highest poverty rates—and some of the biggest recipients of government support for the poor—are found in rural areas. Others sell farmland to developers or larger farmers to survive. Farming is a way of life. Despite financial loss, many farmers would rather stay on their land than give up the life they love.

### ...and government income support

54 percent of full-time farmers rely on government farm payments for survival. Over 80 percent of small-scale U.S. farmers receive government subsidies. Without this money, these farmers would be forced to sell their land to large industrial operations. Although income support helps compensate for low prices, they ensure profitability only for agribusiness. Subsidies are just a symptom of a larger problem. Reform must focus on the underlying causes of low prices.





## U.S. government's role in exporting the problem

U.S. export credit programs and some U.S. food aid programs subsidize the sale of under-priced U.S.-grown commodities worldwide. U.S. oil and transportation subsidies make these exports even cheaper.

## International pressure on poor countries

Pressure from the International Monetary Fund, World Bank and World Trade Organization has forced poor countries to abandon tariffs—even on dumped products.

The resulting surge of imports has pushed developing countries' farmers off their lands and further into poverty. These countries' rural laborers (who are even poorer than farmers) have lost their only means to survive. Without tariffs or a safety net these farmers are discouraged from producing food—even when their countries desperately need to grow more.

A woman wearing a white headscarf and a dark patterned top is shown in profile, looking upwards. She is standing in a field of tall, green grass. The background is slightly blurred, showing more of the field and some trees in the distance under a clear sky.

## WTO rules fail to protect against agricultural dumping

The World Trade Organization sets rules for international agriculture trade. But the WTO's agriculture rules do not explicitly forbid dumping. WTO rules that limit dumping are difficult to prove and hard to implement.

Even when the case is strong, small countries are reluctant to challenge a trading partner as powerful as the United States at the WTO.

Worse, the WTO—by poorly categorizing domestic support's impact on trade—has curtailed use of some of the best instruments to thwart dumping, such as supply controls, public grain reserves and production limiting payments.



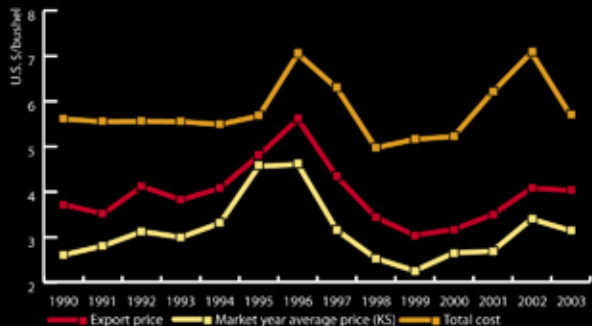


# How to **stop** U.S. dumping

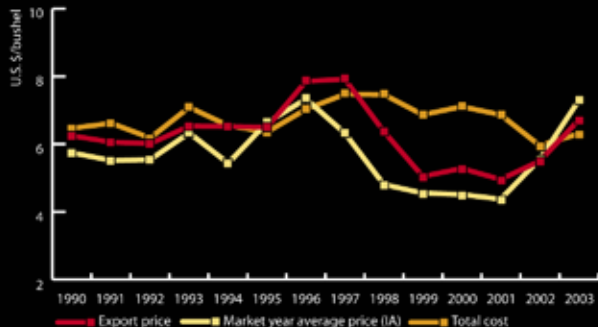
1. Lift U.S. farm prices by reestablishing a price floor and managing production.
2. Strengthen and simplify WTO rules against agricultural dumping.
3. Address the global market power of food companies.
4. Reopen international discussions on international commodity agreements to curtail global oversupply and ensure fair prices.
5. Ensure governments are able to meet their obligation to protect and promote the right to safe and nutritious food, including through domestic food production.



## Wheat



## Soybeans



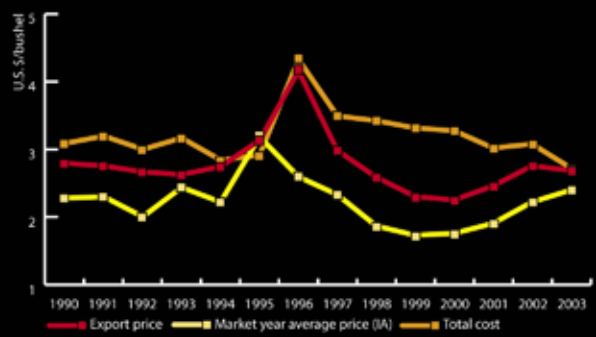
Dumping has been very much a damaging practice to small and marginal farmers who cannot get a proper price for what they produce, and pay back the loans from banks and other moneylenders. You may be surprised to know that some peasants have committed suicide because of [dumping].

—Biblap Halim  
South Asian Peasant Coalition

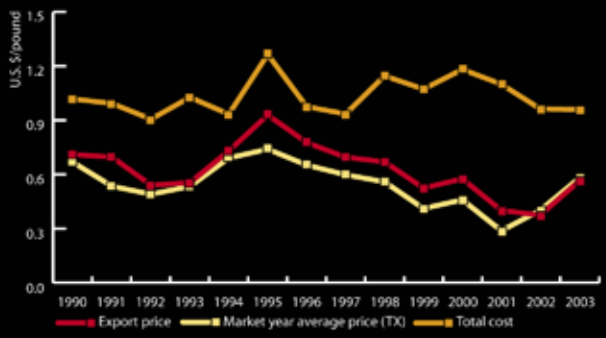
Dumping is very common. Most of the farmers have gradually left the land because they can't get income from their products. Some have gone to look for work in the towns.

—Mwadhini O Myanza  
National Network of  
Farmers Groups of Tanzania

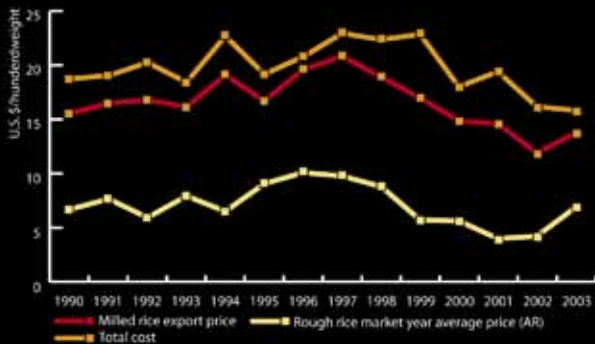
## Maize



## Cotton



## Rice



In the entire Caribbean dumping is a problem. In recent years, there has been a flood of cheap chicken parts - backs and necks - from the U.S. It is becoming very difficult for the farmers to supply cheap livestock products because they can't compete. It is quite clear that this influx of cheap food products is affecting the food security in the region.

—Renwick Rose

Winward Island Farmers'  
Association in the Caribbean



You will find that nearly everything coming into Africa is dumped because most of the things are sold below the products' cost. Soybean oil is dumped on the market here. While the soybean oil is dumped, it is not helping the market to grow. Even if you can produce cooking oil to compete, it will not penetrate the market because consumers are used to the soybean oil.

—Henry Mutebi Kityo  
*Uganda Farmers Association*



The Institute for Agriculture and Trade Policy promotes resilient family farms, rural communities and ecosystems around the world through research and education, science and technology, and advocacy.

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