

## **Free Trade Doesn't Help Agriculture**

**Anuradha Mittal | February 22, 2007**

FPIF asked Anuradha Mittal of the Oakland Institute and Gawain Kripke of Oxfam the following questions:

*Is it possible or desirable to construct an agricultural subsidy system in the North that protects small farmers in both the North and South? Is there a role for protective tariffs for agriculture in the global south? Some argue that agriculture should not be included in tariff reduction discussions at the WTO. Is this advisable or even possible?*

This is Anuradha Mittal's essay.

The most forceful justification for agricultural subsidies is that they are needed to save small farmers and preserve a way of life. The current agricultural subsidy system in rich countries, however, has only contributed to the decline of the countryside both in the North and the South. There is thus a contradiction between the purpose and consequence of subsidies making it obvious that there is an urgent need to move in a different direction.

The nearly U.S. \$1 billion daily that rich countries spend on subsidies don't go to farmers who resemble John Steinbeck's Joad family. Far from benefiting small farmers, subsidies go overwhelmingly to large, capital-intensive agriculture as support is closely linked with production levels and land ownership. Most family farms get nothing but a tax bill.

In the United States, family farmers have been sold out to corporate agribusiness with ever-increasing numbers of farm bankruptcies and foreclosures reaping a grim harvest of suicides, alcoholism, and a loss of community. Subsidizing well-heeled agribusiness interests has ensured the continued exodus of independent family farmers from the land. In the 1930s, 25% of the U.S. population lived on the nation's 6 million farms. Today America's 2 million farms are home to less than

2% of the population. The U.S. Department of Labor projects that the largest job loss among all occupations between 1998-2008 will be in agriculture. This is not surprising when the average farm-operator household earns only 14% of its income from the farm and rest from off-farm employment. A *New York Times* article in 2002 reported, "The biggest economic collapse is happening in counties most tied to agriculture, in spite of the subsidies." Out of the poorest 50 counties in the United States, 49 are rural counties.

In France, subsidies are skewed toward the rich farmers as well, with 15% of farms receiving in excess of 20,000 euros accounting for 60% of total payments. At the same time, the peasant population has declined by one third, with the number of suicides in the French countryside increasing rapidly.

This agricultural system robs not just the family farmers in rich countries but the world's poor. Today rich countries like the United States are bound under the Agreement on Agriculture (AOA) of the World Trade Organization (WTO) obligations to commit to reducing domestic and export subsidies, increasing market access, and governing agriculture trade with more rigorous disciplines on



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domestic farm policies. However, the federal government has been doling out an average of \$11.3 billion annually between 1995 and 2004. More than 90% goes to producers of corn, cotton, wheat, rice, and soybeans, with just 10% of farms receiving 74% of these subsidies. These five crops are dramatically overproduced and sell on global markets at below the cost of production, depressing the global commodity prices of crops that developing countries count on while wiping out poor farmers and enriching transnational food-industry giants.

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The numbers are alarming. The United States provides 200 times more support in hidden export support than it declares, equivalent to \$6.6 billion a year. The U.S. export price of wheat in 1995 was 23% below the U.S. cost of production; by 2001 the export price was 44% below the cost of production. In cotton, despite its higher production costs, the United States increased its world market share even when world prices fell to 38 cents a pound in May 2002. Africa lost about \$300 million, with Mali and Benin losing more than their aid receipts from the United States, and Burkina Faso losing more than what it got in Heavily Indebted Poor Countries (HIPC) debt relief. In 2003, around 28,000 U.S. cotton farmers received \$2.4 billion, 13 times more than the entire GDP of Burkina Faso, a country where more than two million people depend on cotton production for their living. The result is a reverse Robin Hood effect: robbing the world's poor to enrich American agribusiness.

Agriculture is the source of livelihood for over 40% of people on earth. Most of these producers are small-scale and subsistence farmers who constitute 75% of the world's poor. This fact lends strategic urgency to the need to change an agricultural subsidy system in the North that shores up an unjust and unsustainable corporate controlled industrial food system.

First we need to dismantle one of the great myths that free trade helps farmers and the poor. It does not! Attempts to leave farmers at the mercy of the free market only hasten their demise. The focus on export crops for trade has meant increasing yields, with farmers becoming dependent on chemical inputs. Many have stopped rotating their crops, instead devoting every acre to corn, wheat, or some other commodity crop and creating vast monocultures that require still more chemicals to be sustained. This has destroyed our biodiversity. Vast industrial farms require costly equipment for planting and harvesting, increasing the capital intensity of agriculture. As costs rise, prices fall in markets flush with surplus. As prices fall, farmers need subsidies, which are available to big growers and agribusiness only. Land values and cash rents increase. This encourages heavy borrowing. Rich landowners get richer and young farmers cannot afford to get started. An agricultural bubble economy is created. Inevitably it crashes as subsidies fail to keep pace with falling crop prices. Farms go bankrupt. Free trade in agriculture starves our farmers.

Our right to food has been undermined by dependence on the vagaries of the free market promoted by the international financial institutions. Instead of ensuring the right to food for all, these institutions have created a system that prioritizes export-oriented production and has increased global hunger and poverty while alienating millions from productive resources such as land, water, and

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seeds. The “world market” of agricultural products simply does not exist. What exists is an international trade of surpluses in grain, cereals, and meat dumped primarily by the EU, the United States, and members of the Cairns Group. Behind the faces of trade negotiators are powerful transnational corporations such as Cargill and Monsanto, which are the real beneficiaries of domestic subsidies and international trade agreements. Fundamental change in this repressive trade regime is essential.

Not surprisingly then, farmers organizations and social movements around the world have denounced the liberalization of farm products promoted by the WTO and other regional and bilateral free trade agreements. Instead of trade, small farmers movements prioritize healthy, good quality, and culturally appropriate subsistence production for the domestic market and for the sub-regional or regional markets. These farmers’ priority is to produce for their families and communities, then to seek access to the domestic market before seeking to export.

The Doha Round of the WTO will mean certain death for untold numbers of farmers who will face increased competition from foreign subsidized products when their agricultural tariffs are reduced. If this terrible situation occurs, the developing countries should be able to defend themselves by not reducing their tariffs on food products and products of their small farmers, and should be provided a Special Safeguard Mechanism, a tool that allows developing countries to work against the practice of dumping that is killing peasants. Under this mechanism, a developing country can raise the tariffs on a product if there is an import surge of the product. And they should be able to choose for themselves the Special Products (SP) that are exempted from obligations of tariffs and domestic subsidies. In essence, designating

products as SP means taking them out of the WTO. In addition the developing countries should also be able to revert to the use of quantitative restrictions, which they had given up in false expectation that the Northern countries would stop their protection. In the wake of WTO talks stalled at the mini-ministerial in June 2006, farmers groups worldwide, including the Asian Peasant Coalition, have already declared that all products are special products! This buffer would at least allow countries to protect their most sensitive sectors from tariff reductions, and therefore protect millions of farmers’ lives.

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Agriculture and food are fundamental to the well-being of all people, both in terms of access to safe and nutritious food and as foundations of healthy communities, cultures, and environment. To ensure this we need agricultural subsidies that support communities instead of supporting commodities. Instead of production- and price-linked subsidies, a fair subsidy system would ensure small farmers access to local markets, fair prices for their products, and, when necessary, credit and technical assistance. Such a system would support the development of cooperatives and promote the consumption and production of local crops raised by small, sustainable farms. It would ensure farmers’ rights to land, seeds, and water; support conservation practices; and protect indigenous rights.

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In short, this is about ensuring a new system of agricultural trade that would guarantee food sovereignty; the right of people and countries to define their own agricultural and food policies according to the needs and the priorities of local communities, including mechanisms to protect domestic food production; ensure strict control of food imports to stabilize internal market prices; and supply management systems to avoid dumping on the world markets.

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Published by Foreign Policy In Focus (FPiF), a joint project of the International Relations Center (IRC, online at [www.irc-online.org](http://www.irc-online.org)) and the Institute for Policy Studies (IPS, online at [www.ips-dc.org](http://www.ips-dc.org)). ©Creative Commons - some rights reserved.

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Recommended citation:

Anuradha Mittal, “Free Trade Doesn't Help Agriculture,” (Silver City, NM & Washington, DC: Foreign Policy In Focus, February 22, 2007).

Web location:

<http://www.fpiif.org/fpiftxt/4021>

Production Information:

Writer: Anuradha Mittal  
Editor: John Feffer, IRC  
Layout: Nick Henry, IRC

**p. 4**

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