

Farm Bill Outrage Goes Global

By Sophia Murphy

The ink was hardly dry on the furious newspaper editorials inspired by the Bush administration's decision to protect the steel industry when along comes the Farm Bill to further stoke the fire. The world is supposed to be moving toward more open markets, embracing liberalization as the route to globalization—and then the self-appointed leader of free trade abandons the script. These turnabouts couldn't come at a worse time, as negotiations to deepen global trade rules at the World Trade Organization (WTO), just getting started in Geneva, will now begin with almost every country in the world expressing disgust with the U.S. retreat behind trade barriers.

The Farm Bill seems to have hit a sore spot with nearly everyone, but howls of protest are perhaps the loudest outside of the United States. From Brazil to Brussels to Brisbane, countries are lining up to challenge the Farm Bill before the WTO. The Farm Bill really puts U.S. trade negotiators in a bind. The U.S. can no longer pretend that the billions of dollars it was already spending, in steadily increasing amounts since 1997, were somehow an anomaly related to emergencies.

The deal negotiated under the Uruguay Round, and confirmed in the U.S. 1996 Freedom to Farm legislation, was that countries could give as much as they wanted to their producers if the payments were “decoupled”—meaning that such government payments should not be linked to either what farmers grew or how much they grew. Economists supporting this type of farm subsidy asserted that results of these decoupled subsidies given by the U.S. government would not distort trade. But who really believed that the estimated \$28 billion spent on U.S. agriculture last year was somehow “decoupled” in any meaningful way from production? Certainly, not many farmers in

developing countries. This Farm Bill shouts from the rooftops what we have known quietly all along: that it is absurd to try to argue that unlimited payments, decoupled or not, do not affect production decisions and therefore trade.

The Farm Bill represents an increase of almost 80% in the subsidies allocated to agriculture. The bill reintroduces counter-cyclical payments that are very hard to label “decoupled” from production. The Farm Bill also continues a shameful history of refusing to confront the lack of competition in agricultural markets between buyers and sellers, leaving farmers with no choice on where to market their produce and limiting their prospects of getting a fair price.

From the shocked reactions around the world, an outside observer might assume that the Farm Bill marks a dramatic departure from previous U.S. farm policy. It doesn't. It simply makes U.S. policy a little more transparent. Over the past few years, the U.S. has experienced an unprecedented increase in market concentration in nearly all agricultural sectors. Alongside that trend, we have seen a gradual rural exodus, as farm communities collapse under a system that generates no local capital. Prices, and the price floors created by the government, are too low for farmers to recover their costs. Do farmers then reduce production? Not at all. The system just encourages larger, industrial operations while farm families try to grow more with less time, working other jobs to stay on the land. Who benefits? Agribusiness, which has posted record profits in the past few years, as they pay less and less for their input crops.

The WTO Agreement on Agriculture was ostensibly about disciplining EU and U.S. expenditures on agriculture. Currently, the U.S. is engaged in WTO negotiations to renew the Agreement on Agriculture while simultaneously increasing its spending on agriculture. Hence

the outrage around the world. This subsidization of U.S. agribusiness while at the same time demanding liberalization of farm trade abroad is indeed an outrageous and duplicitous strategy.

The WTO trade rules for agriculture and the U.S. Farm Bill share the same flawed vision for food production that is at the core of this outrageous behavior. That vision prohibits limits on production, privatizes stockholding of food, focuses attention and investment on commodities as inputs for food processing at the expense of food production and rural livelihoods, and, above all, not only ignores but aggravates the gross distortions in markets caused by private oligopolies. Rules are needed to ensure that agricultural trade—whether local or international—is carried out in markets free from the distortions created by dumped pro-

duction from large producers like the United States.

International trade rules should not attempt to prohibit a government role in food production. Governments have an obligation to protect people's right to food, and thus to ensure that whatever the distribution system, market-based or otherwise, a plentiful supply of nutritious food is available to all. Governments must also correct the market failures inherent in agriculture, not least to protect our soil and water, which will be the basis for adequate food production for future generations.

Instead of pouring money into a bankrupt system that subsidizes agribusiness, we need to rethink our objectives and the obstacles to their realization. Instead of subsidizing cheap inputs to grain companies and food processors, let's look instead at

how to regulate excessive market power, how to create incentives for more sustainable production, and how to keep dumped food off world markets where it wreaks havoc with production in developing countries. It seems the more government tries to get out of the market in the U.S., the more it costs the public purse. It's time to stop casting the struggle as a fight between market and government. We have to accept the essential role of public oversight and reconsider the Farm Bill, and our global trade rules, to ensure our policies address the real distortions in our food system.

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