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AGRIBUSINESS
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U.S. DUMPING OF FIVE MAJOR EXPORT COMMODITIES CONTINUES TO BE WIDESPREAD

U.S. based multinational food companies are continuing a decade-long trend of agricultural dumping of five major export commodities onto world markets, according to a new analysis released [recently] by the Institute for Agriculture and Trade Policy (IATP).

Agricultural dumping is the exporting of commodities at prices below their cost of production.

"Dumping is one of the most damaging of all current distortions in world trade practices," said Kristin Dawkins, Vice President for Global Programs at IATP. "Developing country agriculture, vital for food security, rural livelihoods, poverty reduction and trade, is crippled by the competition from major commodities sold at well below cost of production prices in world markets. U.S. family farmers are also being driven out of business by this system of low prices."

The U.S. is one of the world's largest sources of dumped agricultural commodities. This updated analysis is based on the most recent numbers available --- 2002. These latest numbers are an update to IATP's more comprehensive dumping report issued last year. This analysis provides dumping calculations from 1990 to 2002 for five commodities grown in the U.S. and sold on the world market: wheat, corn (maize), soybean, rice and cotton. The findings conclude that in 2002:

- * Wheat was exported at an average price of 43% below cost of production;**
- * Soybeans were exported at an average price of 25% below cost of production;**
- * Corn was exported at an average price of 13% below cost of production;**

- * Cotton was exported at an average price of 61% below cost of production;**
- * Rice was exported at an average price of 35% below cost of production.**

Article Six of the General Agreement on Tariffs and Trade (GATT), which is one of the agreements overseen by the World Trade Organization (WTO), 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 stringent requirements to demonstrate harm to the sector involved.

"Governments need to make it easier for poor countries to challenge agricultural dumping," said Alexandra Strickner, director of IATP's Trade Information Project in Geneva. "The easiest and most WTO-legal approach is for the importing country to have the ability to immediately impose countervailing and anti-dumping duties to bring the dumped prices up to cost of production levels."

The IATP analysis makes several recommendations for immediate action on agricultural dumping:

- * The elimination of visible export subsidies, as well as the establishment of strong disciplines on export credit and food aid.**
- * A commitment from exporting countries to keep out of world markets those products priced below the cost of production.**

*** The publication of annual full-cost of production estimates for Organization for Economic Cooperation and Development (OECD) countries. To fully address agricultural dumping, the development of a more thorough methodology with transparent data must be put in place.**

*** Agreement on strong international rules to prohibit restrictive business practices among the oligopolies that dominate trade in most agricultural commodities.**

In the longer term, governments must again turn their attention to the need for global commodity agreements that manage the supply-side problems. When global over-supply drives prices down for farmers around the world, global commodity agreements have restored the critical balance between supply and demand that has been damaged by the "race to the bottom" results of free trade.

Progress on agricultural dumping at the WTO seems unlikely as countries remain deadlocked over agricultural negotiations. Another opportunity to address agricultural dumping will take place in June, when the United Nations Committee on Trade and Development (UNCTAD) meets in Sao Paulo, Brazil.

UNCTAD has historically focused directly on promoting development through trade. UNCTAD has been home to global commodity agreements that have attempted to address chronic over-supply --- such as the coffee agreement. The UNCTAD meeting in Sao Paulo will be another opportunity to bring agricultural dumping to the forefront of international discussions, and to debate a variety of solutions.

IATP's full report, United States Dumping on World Agricultural Markets, and latest analysis can be found at:

<http://www.tradeobservatory.org>

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.