

UNITED STATES DUMPING ON WORLD AGRICULTURAL MARKETS

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Export Dumping

—the practice of selling products at prices below their cost of production—is one of the most damaging of all current distortions in world trade practices.

Developing country agriculture, vital for



food security, rural livelihoods, poverty reduction and trade, is crippled by the practice of major commodities sold at well below cost of production prices in world markets.

The structural price depression associated with agriculture dumping has two major effects on developing countries whose farmers produce competing products. First, below-cost imports drive

developing country farmers out of their local markets. If the farmers do not have access to a safety net, they have to abandon their land. When this happens, the farm economy shrinks, in turn shrinking rural economy as a whole. This is happening around the world, in places as far apart as Jamaica, Burkina Faso and the Philippines. Secondly, farmers who sell their products to exporters find their global market share undermined by the lower-cost competition.

The U.S. is one of the world's leading sources of dumped agricultural commodities. This report provides detail on dumping calculations for five commodities grown in the U.S. and sold on the world market from 1990-2001: wheat, corn (maize), soybean, rice and cotton. Data from the U.S. Department of Agriculture (USDA) and Organization for Economic Cooperation and Development (OECD) are used to compare the cost of production, including producer input costs paid by the government (a portion of the subsidies calculated in the OECD's producer support estimate, or PSE) with the export price.

The results are shocking. Levels of dumping hover around 40% for wheat, between 25% and 30% for corn (maize)



and levels have risen steadily over the past four years for soybeans, to nearly 30%. These percentages mean that wheat, for example, is selling for 40% less than it costs to produce. For cotton, the level of dumping for 2001 rose to a remarkable 57%, and for rice it has stabilized at around 20%. These calculations do not include many costs that are still not considered in traditional economics, such as the contamination and depletion of natural resources such as soil and water.

The damage of dumping is not confined to other countries. U.S. producers also lose out. The nearly \$1 billion discount documented in this report for exported wheat, for example, comes out of the pockets of U.S. producers. The government has put in place programs to make up some of the lost income. However, the steady erosion of independent family farms, the near-necessity of off-farm income to ensure a farm family can continue to farm, and the decline in net farm income, all point to the cost of policies that facilitate the sale of commodities at less than cost of production prices.

After many years of accepting agricultural dumping, a few countries



Photo by David Nance

have begun to respond with investigations into whether some U.S. agricultural exports are dumped. Brazil is considering a case against U.S. cotton before the World Trade Organization (WTO). In 2001, Canada briefly imposed both countervailing and anti-dumping duties on U.S. corn imports.

As this paper is released, member states of the WTO are meeting to review and reform existing multilateral trade rules on agriculture. **This is a critical moment for WTO member governments: the minimum acceptable outcome for the reform of the Agreement on Agriculture is to provide and enforce rules that outlaw dumping in world agricultural markets.**

There is cause for optimism as several new proposals to restrict dumping have been introduced within the WTO agriculture negotiations, most recently in late 2002.



This report recommends

three immediate steps to address the problem of agriculture dumping:

one

The elimination of visible export subsidies as quickly as possible.

two

A commitment from exporting countries to keep products priced below the cost of production out of world markets.

three

The publication of annual full-cost of production estimates for OECD countries.

If market distortions are going to be eliminated, then prohibiting all causes of dumping must head the list of reforms. Developing countries need healthy agricultural sectors to eliminate poverty. To achieve this, agricultural commodities must be priced fairly. Dumping is a gross distortion of commodity markets. It undermines the livelihoods of 70% of the world's poorest people. Trade rules provide the tools needed to address agricultural dumping. Now is the time for governments to act.



U.S. Dumping on World Agricultural Markets: Can Trade Rules Help Farmers?

"(W)e will have to leave dumping and countervail measures in place as a viable remedy because we haven't addressed the underlying problems... What we would like to see at the outset is a reasonable expression of interest on the part of our trading partners in the direction of eliminating the underlying problems that give rise to dumping and countervailing duty actions."

(U.S. Under Secretary of Commerce Grant Aldonas, October 2002)¹

Introduction

Export dumping—the practice of selling products at prices below their cost of production—is one of the most damaging of all current distortions in world trade practices. The United States is a leading voice in justifying trade remedy laws (border measures such as duties to raise the price of imports judged to be entering the market at an undervalued rate). The U.S. government argues they are a necessary protection against trade partners seeking to exploit trade access to undermine domestic producers. As the quote above shows, and as the imposition of new duties on steel imports entering

the U.S. early in 2002 underlined, the current U.S. administration does not intend to change its policy of taxing dumped imports.

Unfortunately, when it comes to agriculture and the U.S.' own dumping, the U.S. government has shown no interest in addressing dumping. Nor have many U.S. trading partners. An obvious role for the World Trade Organization (WTO) – that of disciplining abuses in international markets – is thereby neglected. The cost is high. Developing country agriculture, vital for food security, rural livelihoods, poverty reduction and for trade, is crippled by undisciplined world markets where major commodities are priced well below their cost of production. Consider this: in 1998 U.S.-based multinational companies sold U.S. wheat abroad at an average price of \$34.00 per metric ton (\$1.43 per bushel) below the cost of production. U.S. wheat exports totaled 28,332,000 metric tons in 1998, which means the companies sold the wheat at a discount worth a total of \$963,288,000 (almost \$1 billion).²

The damage is not confined to other countries. U.S. producers also lose out. The \$1 billion discount for exported wheat comes out of their pockets. The government has put in place programs to make up some of the lost income. However, the steady decline of independent family farms, the near-necessity of off-farm income to ensure a farm family can continue to farm, and the decline in net farm income, all point to the cost of policies that



facilitate the sale of commodities at less than cost of production prices.

For some years, the Institute for Agriculture and Trade Policy has quantified the U.S. contribution to dumping in world markets. Other organizations have begun to look at other countries – most recently, Oxfam International provided some similar numbers for the European Union.³ As this paper is released, member states of the WTO are meeting to review and reform existing multilateral trade rules on agriculture. This is a critical moment for WTO member governments: the minimum acceptable outcome for the reform of the Agreement on Agriculture is to provide and enforce rules that outlaw dumping in world agricultural markets.

The proposals put forward in the agricultural negotiations to date are not promising. Governments continue to attempt to distinguish between "trade-distorting" and "non-trade-distorting" subsidies, a distinction that fails to recognize and address dumping. There is still time, however, for WTO members to make dumping a central plank of any new agreement, thereby giving substance to the stated ambition to remove market distortions in world agricultural markets. Perhaps the U.S. government's strong defense of trade remedies for other areas of the economy can be used to open debate on its contribution to agricultural dumping.

This report describes what dumping is and what makes it possible. The authors

analyze the most recent evidence of export dumping of agricultural commodities originating in the United States. Data from the U.S. Department of Agriculture (USDA) and Organization for Economic Cooperation and Development⁴ (OECD) are used to compare the cost of production, including producer input costs paid by the government (a portion of the subsidies calculated in the OECD's producer support estimate, or PSE) with the export price. The impact of agricultural export dumping on developing countries is reviewed, including the impact on farmers, national food security, and balance of payments. The existing multilateral agricultural trade rules related to dumping are considered. The final section of the report suggests possible remedies, including the multilateral trade and other international agreements, to reduce and eventually eliminate this destructive practice. Annex 2 provides detail on dumping calculations for five commodities: wheat, corn (maize), soybeans, rice and cotton.





Definitions of Dumping

The justification for dumping rules in the international trading system (as established in the first General Agreement on Tariffs and Trade – GATT 1947) is that if imported goods are unfairly priced then domestic competitors will be put out of business unfairly. In other words, dumping puts competitive sectors—and livelihoods—at risk. If a country determines that imports into their country are dumped, and if they can establish that "material injury" to domestic competitors is occurring, then antidumping duties are a WTO-legal response.

There are two common definitions of export dumping contained in Article Six of the General Agreement on Tariffs and Trade (GATT), which is one of the agreements overseen by the WTO.⁵

The first definition describes the export of a product at a price below the normal selling price in its domestic market. For example, if a car made by Toyota is sold for \$20,000 in Japan yet exported for only \$15,000 into the U. S., then there is a case to be made that these cars are being dumped onto the U.S. market. If an investigation determines that these cars are in fact being sold into the U.S. market at a price lower than Japan's domestic price, and that this is harming U.S.-based producers, then an antidumping duty is authorized under U.S. law and current WTO trading rules. The duty is intended to raise the imported price up to the normal selling price in Japan's domestic market.

In practice, dumping cases are not so straightforward, but the example illustrates the basic mechanism. The process is initiated by the affected domestic industry, which takes a complaint to the U.S. authorities to investigate. The authorities make a determination on the merits of the complaint, and, if they find the complaint is justified by the evidence, they impose an antidumping duty in the amount that dumping is occurring. At the same time, the U.S. must inform the WTO and its members of their decision. The country affected by the duties then has to decide if it accepts the finding, and whether it wishes to challenge the duty through the WTO Dispute Settlement process.

The second definition of dumping contained in Article Six of the GATT (see annex 1 below) applies to situations where the domestic price is too distorted to provide a useful reference. This definition was required to account for situations where government regulation crowded out (or even prohibited) the functioning of an open market through regulations, subsidies, price supports and other instruments. For example, centrally planned economies do not work by allowing supply and demand signals to determine price in an open market. Instead, the government sets prices to reflect its priorities. If prices are not set in an open market, the second definition of dumping provides a way to judge whether dumping is occurring. Under this definition, export dumping is said to occur if the export price into another market is less than the cost of production in the country of origin plus a



reasonable addition for transportation, handling and profit. This calculation is referred to as the "constructed" value of the product. Agricultural production is rarely priced in an open market and so often qualifies for this treatment.

World Agricultural Markets: Open and Competitive?

It is hard to argue that agricultural prices in most countries are set in an open market. In the United States, all the major traded agricultural commodities are produced with a great deal of government intervention. Over the past 50 years, the U.S. has experimented with dozens of ways to administer prices, from target prices, non-recourse loan rates, quotas and price floors, to deficiency payments, payments in kind, and land set-asides. Efforts to break with the past, most evident in the 1996 Federal Agriculture Improvement and Reform Act (FAIR), still reflect the legacies of these various programs. Not all commodities are treated alike – some are grown under quota, others receive no support at all. Over half of U.S. farmers are not eligible for any government programs. However, the commodities that dominate U.S. exports are produced in markets that are anything but free.

Market prices are also distorted by the presence of oligopolies. A few transnational agri-business firms dominate all agricultural commodity production, transportation and processing in the United States. Over 80 percent of US corn is exported by three firms: Cargill, ADM and Zen Noh. The top four beef-

packers in the United States are Tyson (owner of Iowa Beef Packers), ConAgra, Cargill (owner of Excell Corporation), and Farmland National Beef Packing Company. They control 81% of the market. Three of these four (Smithfield replaces Farmland) are also the top pork packers; two (Tyson and ConAgra) are among the top poultry producers. Cargill ranks among the top three or four companies across the sector, from beef and pork packing, to turkeys, animal feed, grain terminals, corn exports, soybean exports, flour milling, soybean crushing, and ethanol production.⁶

The presence of grain traders and processors as owners of some of the largest livestock feeding and slaughter operations contributes to the dominance of closed, vertically integrated markets. In a vertically integrated market, the different stages of production – from corn to the crushing plant to generate animal feed, high fructose corn syrup and ethanol, to the feeding of cattle on a feeding lot – are internal to a company's operation. There is no price discovery at the different stages of production, meaning no competition to indicate what prices for different operations should be. A company may make so much money from its feedlot, that it can afford to make a loss on the high fructose corn syrup it generates turning corn into feed. Without price discovery, and with heavy governmental intervention in the market, it is necessary to construct prices to determine whether dumping is occurring. IATP offers a methodology to construct the prices.



Measuring the Problem

Since U.S. domestic markets do not meet the requirements of an open market, the charts and graphs below provide the information needed to construct prices for the five U.S. commodities examined in this paper. From there, a calculation is made to assess the level of international agricultural dumping. The price is constructed using costs of production, government subsidies to inputs and transportation and then compared to export prices. The results are shocking. Levels of dumping hover around 40% for wheat, between 25% and 30% for corn (maize) and levels have risen steadily to nearly 30% over the past four years for soybeans. The last five years have seen particularly high levels of dumping in many crops as world prices have fallen, leaving farmers dependent on government payments and other jobs to secure their income. This is without counting the many costs that are still not included in traditional economics, such as the contamination and depletion of natural resources like soil and water.

Thanks to excellent work by economists in the U.S. Department of Agriculture (USDA) and other agencies, figures for the cost of production paid by the producer are relatively easy to compile. In addition, the Organization for Economic Co-operation and Development (OECD) provides estimates of government support payments to agriculture through a formula called the Producer Support Estimate (PSE). The PSE provides reasonably accurate estimates of the cash values of government-paid subsidies as well as other interventions,

such as tax credits and services provided by government. One of the virtues of the calculation is the possibility of applying a similar analysis to other OECD members, for whom PSE numbers are also available. To measure dumping, it is only the government subsidies to input costs that are relevant – the normal costs of doing business that are met from the public purse rather than farm operation. These subsidies pay for production costs, and so are included to generate a fuller cost of production number.

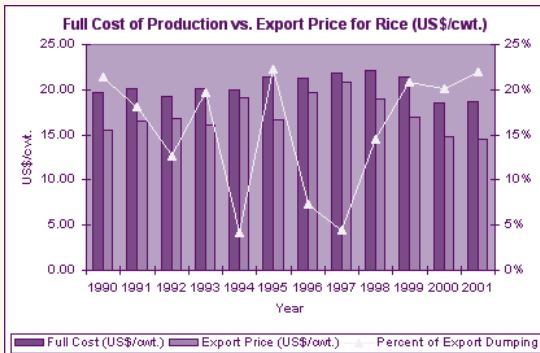
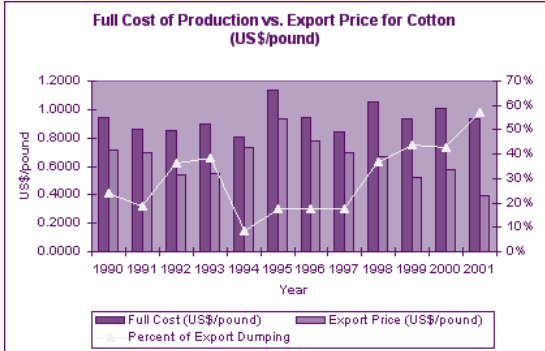
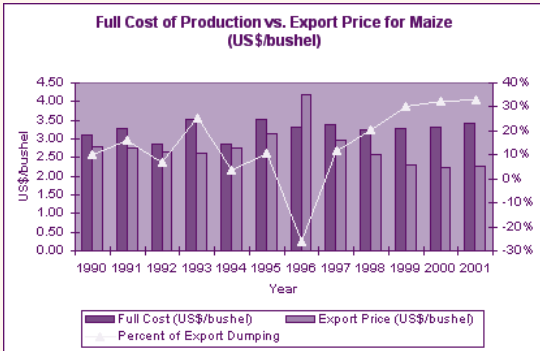
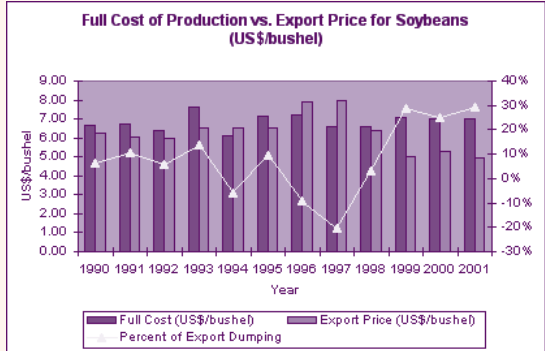
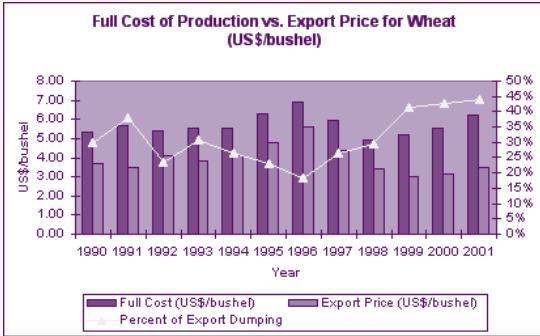
The calculation does not include the much larger sums that the U.S. government spends on income support. These payments are not related to production costs, but rather to an income standard determined in a political bargaining process. The calculations show that dumping levels are very high, regardless of the other subsidies paid by government. For dumping purposes, it is only the costs of production that can be included in the assessment of a constructed price.

In the accompanying tables, we have also used a variety of sources to construct a rough estimate for the average cost of transportation and handling of commodities from the farm gate to the export port. This cost is not included in the data available from the OECD or USDA but represents a significant part of the cost of exporting agricultural commodities. The estimates are very conservative, given the lack of accurate data. We have averaged the price over the years, as an acknowledgement that the numbers are only estimates.



The data used is imperfect; in fact some important costs of production are not available for inclusion on a crop specific basis, including the costs of inspection, and research and development. Such inputs as land values are also complicated – land values in the U.S. are heavily distorted by government policies. In these

circumstances, the calculations are as conservative as possible. The distortions revealed in this report are significant enough to merit serious attention and to justify the establishment of more stringent reporting methods to determine production costs and sale prices more accurately.





Dumping: What's the Big Deal?

When discussing the problem of dumping with economists and trade officials, two responses are common. The first is to dismiss dumping as an irrelevant issue. The argument is that eventually the market will force an end to the practice, since a company cannot operate forever at a loss, and in the meantime, consumers of the product concerned can benefit from the lower price for their inputs. This ignores the potential for structural damage caused by dumping. It may only take two or three years for a farmer to go out of business if he or she faces dumped competition in the market. Once out of farming, it takes years to start production again. If dumped food stops entering a market, as program food aid does in years of high prices, then the countries dependent on cheap supplies run the risk of serious short and medium-term food deficits. Studies that have looked at the impact of dumping on agricultural production in sub-Saharan Africa, for example, show how dumping destroys viable economic sectors. Côte d'Ivoire and Burkina Faso had healthy cattle sectors until beef dumped by the European Union undermined them.⁷

A second argument is to suggest the change process introduced by the WTO Agreement on Agriculture is slow, that problems still exist, but that the rules are on track. The argument is that we should give the reforms a chance to work, that dumping will eventually disappear, as governments implement commitments to

reduce subsidies and open market access. In the meantime, unfortunately, people go hungry while viable agricultural livelihoods are destroyed.

What about the subsidies?

A third response is now emerging, from some government leaders and a number of international agencies. They echo the arguments made during the Uruguay Round. The response is to agree that dumping is a serious issue, and to acknowledge the importance of domestic and export policies as a cause of dumping, but to continue to talk about subsidies as the cause of the problem. The proponents of this view assert that the elimination of subsidies in U.S. and European agriculture will solve the problem, so we must eradicate these subsidies as soon as possible. This supposes that subsidies are the cause of excessive supply in world markets, and thus low prevailing world prices.

Yet consider the facts. In the case of wheat production, for example: where has production increased over the last 6 years? In the heavily subsidized countries, or outside? Wheat production expanded in Europe, a big subsidy user, over this time, but production expanded much more dramatically in Australia and Argentina, where there are virtually no government subsidies. Canada too, has low subsidies for wheat, yet increased production significantly more than the European Union. In the United States, where subsidies continue at high levels, production has actually fallen.



Wheat production: 1994-2000⁸

European Union	+9.5%
United States	-3.8%
Argentina	+41.6%
Australia	+145.9% (+33.95) ⁹
Canada	+15.9%

These data suggest that despite low prevailing world prices, unsubsidized production is increasing. As agricultural economist Daryll Ray has argued, the recent explosion in domestic support levels in the U.S. is symptomatic of low world prices rather than their root cause.¹⁰ In fact, world commodity prices are far from adequate to provide producers anywhere with a living. The structural depression of agricultural prices hurts wheat farmers in Kansas and cotton growers in Burkina Faso. In the U.S., there is both money in the public purse and some political will to spend it on producers in an attempt to rectify the gross income collapse caused by the chronically low prices. The cotton farmers of Burkina are not so fortunate.

Why are prices so low?

U.S. grain growers cannot command cost of production prices in the domestic market, because of the degree of concentration among buyers. As in any economic activity where buyers are far fewer in number than their suppliers, an imbalance in market power has emerged. One of the reasons unions push for the right to organize is to redress the inherent imbalance of power between the employer and the employees. Only

through collective action, and supportive legislation, can workers avoid exploitation. This is the reason governments in many countries have established a legal minimum wage. The minimum wage is part of the basic terms of employment and ensures workers earn a fair return for their labor. The minimum wage is not a subsidy, but a regulation that ensures the proper distribution of income earned from economic activity. One of the ways to understand the rapid expansion in subsidy levels in the U.S. is to view recent policy changes, encouraged by the WTO rules, as a move from minimum wage legislation to providing a welfare payment.¹¹ Minimum wages ensure employers do not exploit their dominant economic power. Welfare checks subsidize the employer, providing a publicly funded safety net for workers to make up for the inadequacy of their salary. The failure of the market to deliver adequate prices to producers is evident in the gap between production costs and the price farmers receive. It is also clear in the failure of subsidies to keep farmers on the land. For example, despite significant subsidies, between 1993 and 1998, the U.S. lost some 26% of its dairy farmers.¹²

If a farmer does not recover his or her costs at the point of sale, then price distortions are built into the earliest point of commodity production. These distortions are transferred globally if those products become part of an international food production chain. As trade liberalization opens local markets to more and more



competition from imported goods, prices also trend to the same level. If this level is in fact too low to ensure adequate production in food-deficit regions, then policy interventions are needed to protect local prices. The globalization of dumping requires redress through disciplines to ensure orderly marketing.

Dumping in Developing Countries

Exports shipped at prices below the cost of production create an unfair trading advantage because they depress international prices and narrow or even eliminate market opportunities for producers in other countries.¹³ This structural price depression can have two major effects on developing countries whose farmers produce competing products. First, below-cost imports drive developing country farmers out of their local markets. If the farmers do not have access to a safety net, they have to abandon their land in search of other employment. This is happening around the world, in places as far apart as Jamaica, Burkina Faso and the Philippines. Secondly, farmers who sell their products to exporters find their world market share undermined by the lower-cost competition.

Economists have shown that agriculture is vital to reducing and eliminating poverty. John Mellor, former Director of the International Food Policy Research Institute, for example, cites many researchers in arguing that development

resources should be refocused on agricultural development.¹⁴ Farmers are a vital part of local rural economies; although often not among the poorest, they provide a vital source of economic stimulus for their communities, through demand for farm labor and for off-farm goods and services, such as clothing and schools.

The full impact of dumped exports has to be considered in light of the push over the past 20 years to reduce tariffs in developing countries. This push was encouraged, and locked into international law, with the Uruguay Round Agreement on Agriculture. But more importantly, bilateral arrangements with the World Bank and International Monetary Fund have introduced structural adjustment programs as a condition for access to international financing. These programs have tariff reduction as a cornerstone. The programs have also required the privatization of many governmental services, including agricultural marketing and distribution boards. As the world price for commodities such as wheat and cotton move up and down, prevailing prices in countries with open borders must match that price. With the world price set at dumping levels, this volatility means that farmers in those countries can only receive prices for their crops equal to, or below, the dumping price. Without government support or off-farm income, these farmers face bankruptcy if the prevailing price does not cover their costs.

Agricultural development in less developed countries is a catalyst for



broad-based economic growth and development.¹⁵ It is vital that the sector not be undermined by dumped food, which distorts vital economic signals as to supply and demand. Further, research shows that domestic food productivity growth is more effective in stabilizing developing country food security in the regular course of economic development, than the reliance on inexpensive (i.e. dumped) food imports.¹⁶ The idea that blocking access of dumped imports hurts consumers who would otherwise have access to cheaper food is questionable. This argument has to be carefully considered in different country situations, but there is evidence to suggest that a fall in food prices in local markets is sometimes an early warning sign of increased hunger to come. Not only are many of the poorest consumers dependent on selling food to realize essential cash income but farmers are often an important source of livelihoods in rural economies, providing employment for landless workers. A decent price for the farmer's production will help stabilize demand for wage labor in the local economy.¹⁷ A sound public policy response may be to increase consumer demand to stimulate production and provide additional capital to circulate in the local economy. For example, the government could consider providing food rations or income support payments to increase the effective demand of poor consumers.

Relying on cheap imports to meet food needs also ties up foreign exchange. Governments cannot allow food supplies

to run out in the same way that they might limit imports of cars or textiles if currency reserves run low. While the strong U.S. dollar is making some countries' exports more competitive, it is also making the food sold in world markets relatively more expensive to import – it takes more Kenyan shillings or Indonesian bhats to import the same amount of food. A country dependent on world markets for part of its food supply has to guarantee that it has adequate foreign exchange available to buy the food. For some countries this use of foreign exchange may be logical. Venezuela, for example, has oil to sell, which provides a degree of stability to its foreign exchange earnings.

Many other countries, however, lack ready sources of foreign exchange or find their foreign exchange tied up in servicing foreign debts. Some of these countries have abundant fertile land and the possibility of growing more food domestically. For such countries, a policy of dependence on cheap imports makes little economic sense. As many countries in sub-Saharan Africa have experienced, the dumped food creates a vicious circle where domestic supply is depressed, increasing the need for imports and so on. Demands on foreign currency reserves grow as local producers lose their share of the domestic food market to imports. Demands on the domestic budget increase, as farmers call for assistance from the state and unemployment rises. The direct causal chains in these scenarios are complex and specific to each country and commodity. However a broad trend is



observable and documented by numerous institutions and organizations including the Food and Agriculture Organization, Oxfam International, ActionAid UK, the Center for the Study of Change in Rural Mexico (CECCAM), and the IBON Foundation in the Philippines.¹⁸

Dumping Disciplines at the World Trade Organization

Article VI of the General Agreement on Tariffs and Trade addresses dumping. However, the rules make it complicated, in practice, for smaller, poorer states, to establish grounds for antidumping duties because of the requirement to demonstrate harm to the sector involved. A country must have domestic antidumping laws in order to invoke the duties. When, in the case of agriculture, the affected sector comprises 30% or more of a country's working population, and is spread out geographically without unifying representation, establishing the cause of harm is slow, expensive and not always possible. Although article VI.6.b. allows for a waiver of the requirement to demonstrate "material injury," each request must be made individually and it is up to the other WTO members to decide if it should be granted. A further concession, in article VI.6.c., allows that in extremis, a duty may be imposed without prior consent, although subject to immediate removal if the members disapprove.

Underlying these technical problems is the political reality of the multilateral trading system. When the ultimate threat

is the imposition of sanctions – the suspension of trade – then the tool is a lot easier to apply when the U.S. challenges Bangladesh than vice versa. Just under half of Bangladesh's exports are destined for the USA; this isn't a trade relationship Bangladesh can afford to jeopardize. This dependence is of course not reciprocal, leaving the U.S. with considerable leverage over what trade policy course Bangladesh follows.

The Agreement on Agriculture (AoA) overrules some GATT rules. The AoA legalized practices that were prohibited under GATT, including the use of export subsidies. U.S. government spokespeople have been explicit in their use of food aid to create future markets that will eventually provide paying customers for exporters that source U.S. agricultural commodities.¹⁹ The U.S. legislation passed to implement the Uruguay Round Agreement reauthorized the U.S. Export Enhancement Program (EEP) through 2001, specifying its use to help develop export markets.²⁰ Under EEP, the U.S. government grants agricultural exporters the authority to sell commodities held by the government's Commodity Credit Corporation to certain specified countries at prices below those prevailing in the U.S. domestic market - in effect, encouraging dumping. The 2002 Farm Bill set the allocation for EEP at a maximum of \$478 million per year.

While the preamble of the AoA commits members to the reduction of "trade-distorting subsidies" the rules have failed to curb dumping. In part this failure is



because the reduction commitments were based on inflated baselines. The baselines establish the amount of spending against which reductions are calculated. By 1994, neither the U.S. nor the E.U. was spending as much as the baselines assumed. Worse, by avoiding consideration of the overall impact of different subsidies (domestic and export), by sidestepping the use of export credits, by placing no disciplines on food aid and by ignoring the power of oligopolies in global agricultural commodity markets, multiple causes of export dumping were left untouched by the rules.

The structure of the AoA successfully deflects criticism onto the European Union for its heavy reliance on export subsidies, while managing to mask the extent of domestic support through dividing those expenditures into multiple categories. The U.S. proposal for the reform of the AoA, submitted in July 2002, continues to ignore the extent to which dumping is rife as a result of U.S. agricultural policies. The proposal would eliminate the domestic support already identified as "trade-distorting." It would leave in place the right to spend \$10 billion in general support to agriculture, as well as up to 5% of the value of any given commodity for that commodity, and would leave unlimited expenditures on food aid, decoupled payments and emergency payments. Experience has shown the theoretical distinction created between "trade-distorting" and "non-trade-distorting" to be of extremely limited value in practice, as the OECD and others have admitted.

What Can be Done?

After many years of accepting agricultural dumping, a few countries have begun to respond with investigations into whether some U.S. agricultural exports are dumped. For example, Brazil announced its intention to challenge the 2002 U.S. Farm Bill for its depressing effect on the price of cotton. In 2001, Canada imposed for a time both countervailing and anti-dumping duties on import of U.S. corn.²¹

In the negotiations on rules for agriculture, the submission to the WTO Committee on Agriculture in June 2000 by a group of developing countries on Special and Differential Treatment (reference: G/AG/NG/W/13) was the first sign that political acceptance of the system was eroding. The countries involved call for an end to the dumping of cheap, subsidized imports on developing countries.²²

Perhaps more significantly, governments have begun to discuss how to improve the rules to provide real disciplines on dumping. In September 2002, the Philippines introduced a proposal to the committee negotiating reforms to the AoA that would allow developing countries an automatic right to impose countervailing duties against imports that originate in countries that subsidize their agriculture.²³ The proposal rightly rejects the separation of agricultural disciplines into three distinct "pillars" (as export support, market access and domestic support are referred to) and instead looks at the effect of the



whole, and proposes a response to the structural problems. The proposal is a welcome sign that developing countries are now seeking to enforce long-standing GATT principles in the area of agriculture, rather than perpetuate the exceptions and categorizations of the current agreement, which have effectively legalized and exacerbated dumping.

Most recently, in December 2002, the WTO's Appellate Body ruled in a case concerning Canadian dairy production that importers and competing exporters were justified in using costs of production to determine whether Canadian milk was being exported at a fair price. The ruling specifically pointed to the possibility of cross-subsidies through a higher guaranteed domestic price, which enables Canadian dairy farmers to sell their milk for export at a price below their cost of production. This opens up possible challenges to U.S. farm programs as well, where domestic support programs similarly permit sales of commodities at less than cost of production prices.²⁴

How to End Dumping?

First, we should eliminate visible export subsidies as quickly as possible. The need to eliminate, or at least significantly reduce, direct export subsidies is agreed by almost everyone, so there is a basis to try to do this via the WTO or the OECD over the next few years. This reform is a logical outcome of the negotiations to date, although the political will to actually deliver reform is still lacking (note the most recent negotiating proposal from the

European Commission, which proposes an overall cut in export subsidies of 45% but would in practice mean no effective reduction at all). In exchange for a slower phase-out of export subsidies, users of such subsidies should expect to face higher duties for their exported products in developing countries.

Second, to tackle dumping in a serious way, countries must make a commitment to keep products priced below the cost of production out of world markets. Since the exporting and importing corporations that profit at present from this dumping are not likely to voluntarily give up this practice, countries will need to take policy measures to gain corporate compliance. By far the easiest and most WTO-legal approach is for the importing country to impose countervailing duties to bring the dumping prices up to the cost of production levels. The Filipino proposal mentioned above goes in this direction.

Experience has shown, however, that it is difficult for small countries to impose countervailing duties to protect themselves from larger countries' dumping practices. The world trading system manifests profound imbalances of political and economic power. The most effective way to end dumping will be to work inside the United States, the European Union, and other major grain exporters to secure legislation that ensures export prices capture the full cost of production, including the cost of marketing and a reasonable profit. In the United States, where domestic and export prices are more or less the same, this could be done by reestablishing a meaningful loan rate –



that is, by re-establishing a floor price for crops. This functions much as minimum wage legislation does, forcing companies that want to buy commodities to at least match the floor price offered by government. To work, it is essential that strict supply management policies are also enforced. If this price is set at least cost of production prices plus a normal profit, it ensures that commodity is not on the market at dumped prices. The enormous benefit for the U.S. would be to ensure its farmers earned fair prices for their production from the market, something that they have not been able to do for years.

Third, the OECD could publish each year a full-cost of production estimate, including all producer paid costs, government paid input costs, and the cost of marketing with a fair profit, as the GATT proposes in Article 6. It might start by doing this for OECD member states only, as this is where the problem is most aggravated. Importing countries could use these figures as a reference for establishing minimum import prices. Imports brought in at prices below these levels would be subject to countervailing duties in an amount equal to the level of dumping. These duties would be applied in local currencies, which would allow for adjustment on the basis of currency differentials and fluctuations.

We believe governments could phase out dumping over five years, through eliminating direct export subsidies and using full cost of production prices to ensure fair prices. Some developing countries, particularly those most dependent on cheap food imports, will

likely need a more flexible arrangement to adjust to the anti-dumping disciplines while continuing to meet their food security needs. However, the goal must be for all corporations in all exporting nations to stop dumping agricultural products.

Some additional steps are needed to address the problem of dumping. These include:

1. The publication of accurate and complete cost of production numbers for all crops that a country wants to export, including the dollar value of domestic support measures. This could include a minimum threshold level, where a country would be exempt from this provision if it had a very small share of the world market -- for example 3% or less.
2. Extend the transparency measures required of state-trading enterprises to private companies with a similar or greater degree of market power, to increase market transparency.
3. Extend the use of special safeguards to all developing countries and link its application to subsidy levels in the country of origin (rather than, as now, the historic levels of non-tariff barriers in the importing country).
4. Examine the possibility of remedial instruments that are easily accessible for developing countries and ensure economic damage through unfair competition can be limited as far as possible.



It is time for governments to get back to trade basics. If market distortions are going to be eliminated, then prohibiting all causes of dumping must head the list of reforms. It is also time to remember development fundamentals. Developing countries need healthy agricultural sectors to eliminate poverty as they develop. They need to generate sustainable rural livelihoods. To achieve this, agricultural commodities must be priced fairly. Dumping is a gross distortion of commodity markets that undermines the livelihoods of the 70% of the world's poorest people. We have the means to address agriculture dumping. It is now up to governments to act.



Photo by Keith Weller

Annex 1:

Article VI of the General Agreement on Tariffs and Trade (1994)

The text is available on-line at

http://www.wto.org/english/docs_e/legal_e/legal_e.htm#goods

Click on GATT 1994 and go to Article VI.



Annex 2:

Trade Tables

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%

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%

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	2.81	0.06	0.54	3.41	2.28	33%

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\$/bushel)	Government Support Costs (PSE)	Transportation & Handling Costs (US\$/bushel)	Full Cost (US\$/bushel)	Export Price (US\$/bushel)	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	0.9098	N/A	0.10	1.0070	0.5747	43%
2001	0.8342	N/A	0.10	0.9313	0.3968	57%

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.

Table 5. Rice

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	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	11.31	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	8.64	0.17	9.85	18.66	14.55	22%

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.



Wheat

Table 1.1 Farmer Cost of Production

Year	Total Economic Cost of Production (US\$/acre)	Yield (bushels/planted acre)	Cost of Production
1990	149.49	33.91	4.41
1991	133.96	28.28	4.74
1992	150.67	33.77	4.46
1993	153.32	33.18	4.62
1994	154.52	33.4	4.63
1995	170.03	31.92	5.33
1996	180.48	30.36	5.94
1997	180.27	35.9	5.02
1998	165.19	41.4	3.99
1999	166.15	38.63	4.30
2000	173.86	37.6	4.62
2001	183.34	34.5	5.31

Table 1.1 shows how the farmer paid cost of production per unit was calculated. Total economic costs are full ownership costs (cash and noncash) for operating the business. They include variable and fixed cash expenses (except interest payments), capital replacement, input costs of land, unpaid labor, and capital invested in production inputs and machinery. The total economic costs (1) are divided by the yield (1) to calculate the total cost of production per bushel of wheat.

Table 1.2 Government Cost of Production

Year	Payments Based on Input Use (US\$m)	Production (1000 bushels)	PSE Per Bushel (US\$/bushel)	Production (1000 tons)
1990	265.4	2,729,778	0.10	74,292.4
1991	218.0	1,980,140	0.11	53,890.6
1992	262.4	2,466,799	0.11	67,135.3
1993	251.5	2,396,439	0.10	65,220.4
1994	245.0	2,320,982	0.11	63,166.8
1995	293.6	2,182,708	0.13	59,403.6
1996	278.0	2,277,389	0.12	61,980.4
1997	236.0	2,481,467	0.10	67,534.5
1998	212.3	2,547,319	0.08	69,326.7
1999	187.6	2,298,998	0.08	62,568.5
2000	197.5	2,232,000	0.09	60,745.1
2001	204.8	1,957,998	0.10	53,288.0

Table 1.2 shows the government paid cost of production, which is represented by the Producer Support Estimate (PSE), Payments Based on Input Use (2). The figure is an indicator of the annual monetary value of gross transfers from taxpayers to agricultural producers arising from policy measures based on the use of a specific input or a specific group of inputs or factors of production. These payments are divided by total production (2), converted from tons to bushels using 1 metric ton = 36.7437 bushels, in order to calculate the cost of production paid by government.

Payments Based on Input Use is an indicator of the annual monetary value of gross transfers from taxpayers to agricultural producers arising from policy measures based on the use of a specific input or a specific group of input or factors of production. This figure is conditional on the on-farm use of specific fixed or variable input; it includes explicit and implicit payment affecting specific variable input costs. Policies included are: Agricultural Credit Program (or Agricultural Credit Insurance Program), Energy Payments, Irrigation Payments, Grazing Payments, Feed Assistance (or Emergency Feed Assistance Program, Forage Assistance Program, and Disaster Reserve Assistance Program), Extension Service, Agricultural Cooperative Service, Outreach for Socially Disadvantaged Farms, Grazing Land Conservation Initiative, Pet and Disease Control, Emergency Conservation Program, and Farmland Protection Program.

Table 1.3 Export Price

Year	Export Price (US\$/bushel)
1990	3.72
1991	3.52
1992	4.13
1993	3.83
1994	4.09
1995	4.82
1996	5.63
1997	4.35



1998	3.44
1999	3.04
2000	3.17
2001	3.5

Table 1.3 shows the export price for wheat, valued at f.o.b. at Gulf Ports (3).

Table 1.4 Transportation & Handling Costs

Year	Export Price (US\$/bushel)	Market Year Average Prices (Kansas)	Transportation & Handling Costs (US\$/bushel)	Full Cost (US\$/bushel)	Transportation Percentage of Full Cost	Average Transportation Cost (US\$/bushel)
1990	3.72	2.61	1.11	5.62	20%	0.82
1991	3.52	2.81	0.71	5.97	12%	
1992	4.13	3.13	1.00	5.65	18%	
1993	3.83	3.00	0.83	6.56	13%	
1994	4.09	3.32	0.77	5.67	14%	
1995	4.82	4.59	0.23	6.23	4%	
1996	5.63	4.63	1.00	7.60	13%	
1997	4.35	3.16	1.19	6.31	19%	
1998	3.44	2.53	0.91	4.78	19%	
1999	3.04	2.25	0.79	5.04	16%	
2000	3.17	2.65	0.52	5.73	9%	
2001	3.5	2.75	0.75	6.42	12%	

Table 1.4 shows the calculation of the transportation costs. The market year average price received by farmers in Kansas (4) is subtracted from the export price at the gulf. It should be noted that, since this value was not calculated previous to 1991, the 1990 price is a US average price received by farmers (5). Since this method provides only a rough estimation of this cost, the transportation and handling costs were averaged over the 12 years to create a transportation marker for the export dumping calculation.

Notes:

* Figures are presented in current year dollars, and are thus not adjusted for inflation.

(1) Source: USDA/ERS, U.S. Wheat Production Costs and Returns, 1989-2001.

(<http://www.ers.usda.gov/data/costsandreturns/testpick.htm>)

(2) Source: Producer Support Estimate by Commodity, Source OECD.

(<http://www.sourceoecd.org/content/html/index.htm>)

(3) Source: USDA/ERS, Agricultural Outlook, 1992-2002, Table 24.

(4) Source: USDA/NASS, Agricultural Statistics, 1994-2002. (<http://www.usda.gov/nass/pubs/agstats.htm>)

(5) Source: USDA/ERS, Agricultural Outlook, 1992-2002, Table 5.

Soybeans

Table 2.1 Farmer Cost of Production

Year	Total Economic Cost of Production (US\$/acre)	Yield (bushels/planted acre)	Cost of Production (US\$/bushel)
1990	190.54	33.1	5.76
1991	196.63	33.48	5.87
1992	203.02	36.83	5.51
1993	204.17	30.45	6.71
1994	218.4	41.27	5.29
1995	219.79	34.91	6.30
1996	233.77	37.1	6.30
1997	245.83	43	5.72
1998	247.56	43	5.76
1999	249.02	40	6.23
2000	254.1	41	6.20
2001	264.13	43	6.14

Table 2.1 shows how the farmer paid cost of production per unit was calculated. Total economic costs are full ownership costs (cash and noncash) for operating the business. They include variable and fixed cash expenses (except interest payments), capital replacement, input costs of land, unpaid labor, and capital invested in production inputs and machinery. The total economic costs (1) are divided by the yield (1) to calculate the total cost of production per bushel of soybeans.



Table 2.2 Government Cost of Production

Year	Payments Based on Input Use (US\$m)	Production (1000 bushels)	PSE Per Bushel (US\$/bushel)	Production (1000 tons)
1990	389.4	1,925,947	0.20	52,415.7
1991	390.3	1,986,541	0.20	54,064.8
1992	378.3	2,190,354	0.17	59,611.7
1993	377.6	1,869,718	0.20	50,885.4
1994	408.5	2,514,867	0.16	68,443.5
1995	424.4	2,174,253	0.20	59,173.5
1996	480.1	2,177,002	0.22	59,248.3
1997	477.9	2,688,750	0.18	73,175.8
1998	409.9	2,741,014	0.15	74,598.2
1999	397.9	2,654,001	0.15	72,230.1
2000	420.8	2,758,000	0.15	75,060.5
2001	452.9	2,923,002	0.15	79,551.1

Table 2.2 shows the government paid cost of production, which is represented by the Producer Support Estimate (PSE), Payments Based on Input Use (2). The figure is an indicator of the annual monetary value of gross transfers from taxpayers to agricultural producers arising from policy measures based on the use of a specific input or a specific group of inputs or factors of production. These payments are divided by total production (2), converted from tons to bushels using 1 metric ton = 36.7437 bushels, in order to calculate the cost of production paid by government. Payments Based on Input Use is an indicator of the annual monetary value of gross transfers from taxpayers to agricultural producers arising from policy measures based on the use of a specific input or a specific group of input or factors of production. This figure is conditional on the on-farm use of specific fixed or variable input; it includes explicit and implicit payment affecting specific variable input costs. Policies included are: Agricultural Credit Program (or Agricultural Credit Insurance Program), Energy Payments, Irrigation Payments, Grazing Payments, Feed Assistance (or Emergency Feed Assistance Program, Forage Assistance Program, and Disaster Reserve Assistance Program), Extension Service, Agricultural Cooperative Service, Outreach for Socially Disadvantaged Farms, Grazing Land Conservation Initiative, Pet and Disease Control, Emergency Conservation Program, and Farmland Protection Program.

Table 2.3 Export Price

Year	Export Price (US\$/bushel)
1990	6.24
1991	6.05
1992	6.01
1993	6.53
1994	6.52
1995	6.5
1996	7.88
1997	7.94
1998	6.37
1999	5.02
2000	5.26
2001	4.93

Table 2.3 shows the export price for soybeans, valued at f.o.b. at Gulf Ports (3).

Table 2.4 Transportation & Handling Costs

Year	Export Price (US\$/bushel)	Market Year Average Prices (Kansas)	Transportation & Handling Costs (US\$/bushel)	Full Cost (US\$/bushel)	Transportation Percentage of Full Cost	Average Transportation Cost (US\$/bushel)
1990	6.24	5.74	0.50	6.46	8%	0.69
1991	6.05	5.51	0.54	6.61	8%	
1992	6.01	5.54	0.47	6.16	8%	
1993	6.53	6.34	0.19	7.10	3%	
1994	6.52	5.43	1.09	6.54	17%	
1995	6.5	6.65	(0.15)	6.34	-2%	
1996	7.88	7.36	0.52	7.04	7%	
1997	7.94	6.33	1.61	7.50	21%	
1998	6.37	4.79	1.58	7.49	21%	
1999	5.02	4.53	0.49	6.87	7%	
2000	5.26	4.49	0.77	7.12	11%	
2001	4.93	4.30	0.63	6.93	9%	

Table 2.4 shows the calculation of the transportation costs. The market year average price received by farmers in



Iowa (4) is subtracted from the export price at the gulf. It should be noted that, since this value was not calculated previous to 1991, the 1990 price is a US average price received by farmers (5). Since this method provides only a rough estimation of this cost, the transportation and handling costs were averaged over the 12 years to create a transportation marker for the export dumping calculation.

Notes:

* Figures are presented in current year dollars, and are thus not adjusted for inflation.

(1) Source: USDA/ERS, U.S. Soybeans Production Costs and Returns, 1989-2001.

(<http://www.ers.usda.gov/data/costsandreturns/testpick.htm>)

(2) Source: Producer Support Estimate by Commodity, Source OECD.

(<http://www.sourceoecd.org/content/html/index.htm>)

(3) Source: USDA/ERS, Agricultural Outlook, 1992-2002, Table 24.

(4) Source: USDA/NASS, Agricultural Statistics, 1994-2002. (<http://www.usda.gov/nass/pubs/agstats.htm>)

(5) Source: USDA/ERS, Agricultural Outlook, 1992-2002, Table 5.

Maize

Table 3.1 Farmer Cost of Production

Year	Total Economic Cost of Production (US\$/acre)	Yield (bushels/planted acre)	Cost of Production (US\$/bushel)
1990	292.52	117.5	2.49
1991	292.55	110.38	2.65
1992	302.33	133.82	2.26
1993	287.1	99.15	2.90
1994	321.47	143.15	2.25
1995	333.42	115.85	2.88
1996	350.53	130	2.70
1997	360.29	130	2.77
1998	359.46	136	2.64
1999	361.3	135	2.68
2000	374.84	138	2.72
2001	390.59	139	2.81

Table 3.1 shows how the farmer paid cost of production per unit was calculated. Total economic costs are full ownership costs (cash and noncash) for operating the business. They include variable and fixed cash expenses (except interest payments), capital replacement, input costs of land, unpaid labor, and capital invested in production inputs and machinery. The total economic costs (1) are divided by the yield (1) to calculate the total cost of production per bushel of corn.

Table 3.2 Government Cost of Production

Year	Payments Based on Input Use (US\$m)	Production (1000 bushels)	PSE Per Bushel (US\$/bushel)	Production (1000 tons)
1990	655.1	7,934,022	0.08	201,534.8
1991	641.4	7,475,019	0.09	189,875.5
1992	626.7	9,477,023	0.07	240,729.1
1993	514.8	6,336,016	0.08	160,943.3
1994	688.7	10,050,544	0.07	255,297.3
1995	709.1	7,400,070	0.10	187,971.7
1996	700.8	9,232,579	0.08	234,519.9
1997	623.1	9,206,856	0.07	233,866.5
1998	581.4	9,759,024	0.06	247,892.3
1999	563.6	9,431,026	0.06	239,560.7
2000	605.7	9,968,025	0.06	253,201.2
2001	617.2	9,546,024	0.06	242,481.8

Table 3.2 shows the government paid cost of production, which is represented by the Producer Support Estimate (PSE), Payments Based on Input Use (2). The figure is an indicator of the annual monetary value of gross transfers from taxpayers to agricultural producers arising from policy measures based on the use of a specific input or a specific group of inputs or factors of production. These payments are divided by total production (2), converted from tons to bushels using 1 metric ton = 39.368 bushels, in order to calculate the cost of production paid by government.

Payments Based on Input Use is an indicator of the annual monetary value of gross transfers from taxpayers to agricultural producers arising from policy measures based on the use of a specific input or a specific group of input or factors of production. This figure is conditional on the on-farm use of specific fixed or variable input; it includes explicit and implicit payment affecting specific variable input costs. Policies included are: Agricultural Credit



Program (or Agricultural Credit Insurance Program), Energy Payments, Irrigation Payments, Grazing Payments, Feed Assistance (or Emergency Feed Assistance Program, Forage Assistance Program, and Disaster Reserve Assistance Program), Extension Service, Agricultural Cooperative Service, Outreach for Socially Disadvantaged Farms, Grazing Land Conservation Initiative, Pet and Disease Control, Emergency Conservation Program, and Farmland Protection Program.

Table 3.3 Export Price

Year	Export Price (US\$/bushel)
1990	2.79
1991	2.75
1992	2.66
1993	2.62
1994	2.74
1995	3.13
1996	4.17
1997	2.98
1998	2.58
1999	2.29
2000	2.24
2001	2.28

Table 3.3 shows the export price for maize, valued at f.o.b. at Gulf Ports (3).

Table 3.4 Transportation & Handling Costs

Year	Export Price (US\$/bushel)	Market Year Average Prices (Kansas)	Transportation & Handling Costs (US\$/bushel)	Full Cost (US\$/bushel)	Transportation Percentage of Full Cost	Average Transportation Cost (US\$/bushel)
1990	2.79	2.28	0.51	3.08	17%	0.54
1991	2.75	2.30	0.45	3.19	14%	
1992	2.66	2.00	0.66	2.99	22%	
1993	2.62	2.44	0.18	3.16	6%	
1994	2.74	2.22	0.52	2.83	18%	
1995	3.13	3.20	(0.07)	2.90	-2%	
1996	4.17	2.60	1.57	4.34	36%	
1997	2.98	2.33	0.65	3.49	19%	
1998	2.58	1.86	0.72	3.42	21%	
1999	2.29	1.72	0.57	3.31	17%	
2000	2.24	1.75	0.49	3.27	15%	
2001	2.28	2.10	0.18	3.05	6%	

Table 3.4 shows the calculation of the transportation costs. The market year average price received by farmers in Iowa (4) is subtracted from the export price at the gulf. It should be noted that, since this value was not calculated previous to 1991, the 1990 price is a US average price received by farmers (5). Since this method provides only a rough estimation of this cost, the transportation and handling costs were averaged over the 12 years to create a transportation marker for the export dumping calculation.

Notes:

* Figures are presented in current year dollars, and are thus not adjusted for inflation.

(1) Source: USDA/ERS, U.S. Corn Production Costs and Returns, 1989-2001.

(<http://www.ers.usda.gov/data/costsandreturns/testpick.htm>)

(2) Source: Producer Support Estimate by Commodity, Source OECD.

(<http://www.sourceoecd.org/content/html/index.htm>)

(3) Source: USDA/ERS, Agricultural Outlook, 1992-2002, Table 24.

(4) Source: USDA/NASS, Agricultural Statistics, 1994-2002. (<http://www.usda.gov/nass/pubs/agstats.htm>)

(5) Source: USDA/ERS, Agricultural Outlook, 1992-2002, Table 5.

Cotton

Table 4.1 Farmer Cost of Production

Year	Total Economic Cost of Production (US\$/acre)	Yield (pounds/planted acre)	Cost of Production (US\$/pound)
1990	508.49	603.64	0.8424
1991	436.65	574.36	0.7602
1992	420.46	560.07	0.7507
1993	441.02	549.6	0.8024
1994	464.26	657.87	0.7057
1995	502.07	485.5	1.0341
1996	500.58	590.53	0.8477
1997	516.27	692	0.7461
1998	461.16	480	0.9608
1999	488.07	584	0.8357
2000	517.66	569	0.9098
2001	530.52	636	0.8342

Table 4.1 shows how the farmer paid cost of production per unit was calculated. Total economic costs are full ownership costs (cash and noncash) for operating the business. They include variable and fixed cash expenses (except interest payments), capital replacement, input costs of land, unpaid labor, and capital invested in production inputs and machinery. The total economic costs (1) are divided by the yield (1) to calculate the total cost of production per pound of cotton.

Table 4.2 Government Cost of Production

Year	Payments Based on Input Use (US\$m)	Production (1000 pounds)	PSE(US\$/pound)	Production (1000 bales)
1990	N/A	7,442,592	-	15,505.4
1991	N/A	8,454,864	-	17,614.3
1992	N/A	7,784,880	-	16,218.5
1993	N/A	7,744,128	-	16,133.6
1994	N/A	9,437,760	-	19,662.0
1995	N/A	8,591,904	-	17,899.8
1996	N/A	9,092,160	-	18,942.0
1997	N/A	9,020,640	-	18,793.0
1998	N/A	6,680,736	-	13,918.2
1999	N/A	8,144,640	-	16,968.0
2000	N/A	8,250,384	-	17,188.3
2001	N/A	9,640,320	-	20,084.0

The Producer Support Estimate (PSE), Payments Based on Input Use, are not calculated for cotton by the OECD. Income Support Payment Rate (6) serves as a proxy for the Producer Support Estimate. Table 4.2 shows total annual cotton production, converted from bales to pounds using 1 bale = 480 lbs.

Table 4.3 Export Price

Year	Export Price (US\$/bushel)
1990	0.7125
1991	0.6969
1992	0.539
1993	0.5536
1994	0.7324
1995	0.9344
1996	0.7793
1997	0.6962
1998	0.6704
1999	0.523
2000	0.5747
2001	0.3968

Table 4.3 shows the export price for cotton, valued at 7-market spot (3).



Table 4.4 Transportation & Handling Costs

Year	Export Price (US\$/pound)	Market Year Average Prices (Texas)	Transportation & Handling Costs (US\$/pound)	Full Cost (US\$/pound)	Transportation Percentage of Full Cost	Average Transportation Cost (US\$/pound)
1990	0.7125	0.671	0.0415	0.8839	5%	0.10
1991	0.6969	0.536	0.1609	0.8531	19%	
1992	0.539	0.491	0.048	0.7637	6%	
1993	0.5536	0.535	0.0186	0.8240	2%	
1994	0.7324	0.696	0.0364	0.7771	5%	
1995	0.9344	0.746	0.1884	1.2675	15%	
1996	0.7793	0.656	0.1233	0.9420	13%	
1997	0.6962	0.601	0.0952	0.7553	13%	
1998	0.6704	0.561	0.1094	0.9372	12%	
1999	0.523	0.410	0.113	0.8917	13%	
2000	0.5747	0.459	0.1157	0.9205	13%	
2001	0.3968	0.281	0.1158	0.9210	13%	

Table 4.4 shows the calculation of the transportation costs. The market year average price received by farmers in Texas (4) is subtracted from the export price at the 7-market average spot. It should be noted that, since this value was not calculated previous to 1991, the 1990 price is a US average price received by farmers (5). Since this method provides only a rough estimation of this cost, the transportation and handling costs were averaged over the 12 years to create a transportation marker for the export dumping calculation.

Notes:

* Figures are presented in current year dollars, and are thus not adjusted for inflation.

(1) Source: USDA/ERS, U.S. Cotton Production Costs and Returns, 1989-2001.

(<http://www.ers.usda.gov/data/costsandreturns/testpick.htm>)

(2) Source: Producer Support Estimate by Commodity, Source OECD.

(<http://www.sourceoecd.org/content/html/index.htm>)

(3) Source: USDA/ERS, Agricultural Outlook, 1992-2002, Table 24.

(4) Source: USDA/NASS, Agricultural Statistics, 1994-2002. (<http://www.usda.gov/nass/pubs/agstats.htm>)

(5) Source: USDA/ERS, Agricultural Outlook, 1992-2002, Table 5.

Rice

Table 5.1 Farmer Cost of Production

Year	Total Economic Cost of Production (US\$/acre)	Yield (cwt./planted acre)	Cost of Production (US\$/cwt.)
1990	506.73	52.71	9.61
1991	539.23	54.24	9.94
1992	537.24	58.67	9.16
1993	551.8	55.45	9.95
1994	605.7	61.18	9.90
1995	630.17	55.72	11.31
1996	672.34	60.79	11.06
1997	684.75	58.55	11.70
1998	676.08	56.23	12.02
1999	671.04	58.78	11.42
2000	578.89	68.00	8.51
2001	596.03	69.00	8.64

Table 5.1 shows how the farmer paid cost of production per unit was calculated. Total economic costs are full ownership costs (cash and noncash) for operating the business. They include variable and fixed cash expenses (except interest payments), capital replacement, input costs of land, unpaid labor, and capital invested in production inputs and machinery. The total economic costs (1) are divided by the yield (1) to calculate the total cost of production per cwt. of rice.

Table 5.2 Government Cost of Production

Year	Payments Based on Input Use (US\$m)	Production (1000 cwt.)	PSE(US\$/cwt.)	Production (1000 tons)
1990	42.8	156,099	0.27	7,080.6
1991	47.3	159,399	0.30	7,230.3
1992	38.0	179,699	0.21	8,151.1
1993	44.0	156,099	0.28	7,080.6
1994	43.8	197,799	0.22	8,972.1
1995	50.6	173,870	0.29	7,886.7

1996	50.9	171,599	0.30	7,783.7
1997	53.1	182,993	0.29	8,300.5
1998	54.8	184,399	0.30	8,364.3
1999	43.5	206,000	0.21	9,344.1
2000	37.3	190,901	0.20	8,659.2
2001	36.1	209,699	0.17	9,511.9

Table 5.2 shows the government paid cost of production, which is represented by the Producer Support Estimate (PSE), Payments Based on Input Use (2). The figure is an indicator of the annual monetary value of gross transfers from taxpayers to agricultural producers arising from policy measures based on the use of a specific input or a specific group of inputs or factors of production. These payments are divided by total production (2), converted from tons to cwt. using 1 metric ton = 22.046 cwt, in order to calculate the cost of production paid by government.

Payments Based on Input Use is an indicator of the annual monetary value of gross transfers from taxpayers to agricultural producers arising from policy measures based on the use of a specific input or a specific group of input or factors of production. This figure is conditional on the on-farm use of specific fixed or variable input; it includes explicit and implicit payment affecting specific variable input costs. Policies included are: Agricultural Credit Program (or Agricultural Credit Insurance Program), Energy Payments, Irrigation Payments, Grazing Payments, Feed Assistance (or Emergency Feed Assistance Program, Forage Assistance Program, and Disaster Reserve Assistance Program), Extension Service, Agricultural Cooperative Service, Outreach for Socially Disadvantaged Farms, Grazing Land Conservation Initiative, Pet and Disease Control, Emergency Conservation Program, and Farmland Protection Program.

Table 5.3 Export Price

Year	Export Price (US\$/cwt.)
1990	15.52
1991	16.46
1992	16.8
1993	16.12
1994	19.14
1995	16.68
1996	19.64
1997	20.88
1998	18.95
1999	16.99
2000	14.84
2001	14.55

Table 5.3 shows the export price for rice, valued at f.o.b. in Houston (3).

Table 5.4 Transportation & Handling Costs

Year	Export Price (US\$/cwt.)	Market Year Average Prices (Arkansas)	Transportation & Handling Costs (US\$/cwt.)	Full Cost (US\$/cwt.)	Transportation Percentage of Full Cost	Average Transportation Cost (US\$/cwt.)
1990	15.52	6.70	8.82	18.71	47%	9.85
1991	16.46	7.69	8.77	18.89	46%	
1992	16.8	5.93	10.87	20.26	54%	
1993	16.12	7.97	8.15	18.32	44%	
1994	19.14	6.52	12.62	22.54	56%	
1995	16.68	9.14	7.54	19.22	39%	
1996	19.64	10.20	9.44	20.70	46%	
1997	20.88	9.87	11.01	22.87	48%	
1998	18.95	8.87	10.08	22.52	45%	
1999	16.99	5.71	11.28	23.02	49%	
2000	14.84	5.60	9.24	18.14	51%	
2001	14.55	4.15	10.40	19.41	54%	

Table 5.4 shows the calculation of the transportation costs. The market year average price received by farmers in Arkansas (4) is subtracted from the export price in Houston. It should be noted that, since this value was not calculated previous to 1991, the 1990 price is a US average price received by farmers (5). Since this method provides only a rough estimation of this cost, the transportation and handling costs were averaged over the 12 years to create a transportation marker for the export dumping calculation.



Notes:

* Figures are presented in current year dollars, and are thus not adjusted for inflation.

(1) Source: USDA/ERS, U.S. Rice Production Costs and Returns, 1989-2001.

(<http://www.ers.usda.gov/data/costsandreturns/testpick.htm>)

(2) Source: Producer Support Estimate by Commodity, Source OECD.

(<http://www.sourceoecd.org/content/html/index.htm>)

(3) Source: USDA/ERS, Agricultural Outlook, 1992-2002, Table 24.

(4) Source: USDA/NASS, Agricultural Statistics, 1994-2002. (<http://www.usda.gov/nass/pubs/agstats.htm>)

(5) Source: USDA/ERS, Agricultural Outlook, 1992-2002, Table 5.

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It is time for governments to get back to trade basics. If market distortions are going to be eliminated, then prohibiting all causes of dumping must head the list of reforms. It is also time to remember development fundamentals.

Developing countries need healthy agricultural sectors to eliminate poverty as they develop. They need to generate sustainable rural livelihoods. To achieve this, agricultural commodities must be priced fairly. Dumping is a gross distortion of commodity markets that undermines the livelihoods of the 70% of the world's poorest people. We have the means to address agriculture dumping.

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