FOOD SECURITY AND INTERNATIONAL TRADE

Global Cooperation Requires New Approach by U.S.

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The collapse of WTO trade talks late in July shows the need for the U.S. to rethink its food trade position. We'll only be able to build effective cooperation with the developing world if we are more honest about our global role.

The U.S. has been reluctant to admit that its farm subsidies hurt developing economies. By holding grain prices low, U.S. (as well as European) commodity policies have undermined food sovereignty in developing nations. When it is cheaper to import corn into Mexico, or wheat into Africa, than for local farmers to produce for nearby markets, developing economies are weakened.

Yet U.S. farm supports also turn back to haunt us. Our subsidies extract resources from rural communities, creating a "Third World" inside our borders, by encouraging farmers to take on external debt. Though our poor farmers have greater spending power than those in Latin American or African villages, they are caught in the same structures of dependency.

As a result, the U.S. may have lost more than we gained from "free trade." Once the dominant world producer, we are now poised to become a net food importer on a permanent basis. For the four months ending in May, 2006, our food trade balance hovered at zero. Nearly $8 billion (62%) has been shaved off the trade surplus we enjoyed three years ago. We import large quantities of fruit and vegetables —and, more troubling to our historical strength, meats and grains. As we become more dependent on others for food, we will be forced to be more honest in our trade dealings.

Some folks say imports are good for the U.S. We should admit, they argue, that our high labor and land costs make producing food too expensive. We should allow others to supply us. Nations like Brazil and China are certainly stepping up. The trouble is, this view fails to take into account the fact that commodity markets work best for the middlemen, not the farmer.

For example, U.S. farmers doubled productivity over the past 35 years, but they earn $40 billion less producing crops and livestock (in inflation-adjusted dollars) than they did in 1969. The benefits of farmer efficiency have gone to others in the economy—commodity traders, feed lots, and food manufacturers—who buy grains at artificially low prices. Meanwhile, farmers take on new debt to pay for new machinery and rising land prices, while commodity prices fall.

Through interest payments, farmers actually subsidize the mainstream economy. Since 1913, U.S. farmers have paid $595 billion more in interest on farm loans *than they received in federal subsidies*. They spend billions more buying inputs from distant sources. This draws capacity and wealth away from rural communities. In much the same way, Third World debt makes it impossible for developing nations to build wealth for themselves.

When mainstream economic structures extract wealth from rural communities, the antidote is for farmers to connect directly to consumers. Without market power, as economist Richard Levins points out, farmers won't benefit from new technologies or new policies.

Consumers, for their part, have to be loyal to producers they know—which may be a cooperative in Guatemala, an *appellation* in France, or the dairy down the road. Already, U.S. consumer groups buy coffee directly from Latin American producer coops at fair prices. Coops like Organic Valley pay such a premium for organic milk that the commodity milk market is upset. The Federation of Southern Cooperatives trains West African farmers to raise crops and build local market power. These domestic and international initiatives begin to build new "fair trade" infrastructure (see p. 9, "Keeping Social Justice in Organic Agriculture").

Consumers, for their part have to be loyal to the producers they know. Photo: Ken Meter ©2004

Ultimately, however, to go to scale, these pioneering efforts will need support from federal policy. We need *food* policies in the U.S.—not farm policies—that invest in communities rather than subsidizing extractive commodity markets. We will also require strong allies abroad—something we can only build by coming clean about our own trade dilemmas. Only then can we write fair trade policies.

Dr. Richard A. Levins' book ***Market Power for Farmers: What It Is, How to Get It, How to Use It*** *is available from the Institute for Rural America at 1-800-858-6636. For more on Dr. Levins, visit his web site at www.apec.umn.edu/faculty/dlevins/*