International farm trade reforms: the secret grain cartel agenda

by Robert L. Baker

On Oct. 25, the Bush administration presented a comprehensive initiative on world agricultural trade reforms to the member countries of the General Agreements on Tariffs and Trade (GATT) in Geneva. U.S. Trade Representative Carla A. Hills made an urgent and demanding statement to the more than 100 participating countries in the GATT to seek "fundamental reform of the global trading system."

Ambassador Hills said that these negotiation proposals may be "this century's last best chance to ensure a truly competitive global trading system." "Publicly and privately, our friends around the world are talking about the need to spur competition through a greater reliance on 'market forces.' "


Stuart Lewis
Carla Hills

The "market forces" to which Hills refers, are the top international grain-trading companies—Cargill (Tradex), Continental (Finagrain), Archer Daniels Midland-Toepfer, Ferruzzi-Central Soya, and Bunge—which control 90% of all grain traded in the world. According to their concept, national food self-sufficiency and domestic farm protection policies must be eliminated and markets brought under top-down control by these companies.

The Trilateral blueprint

The "friends" Hills refers to are also the architects of the GATT free trade controls, not farm producers and consumers. In 1985 an elite policy group, the Trilateral Commission, released a document, "Agricultural Policy and Trade: Adjusting Domestic Programs in an International Framework." Most of the recent agricultural policy in the European Community (EC) and the U.S. Department of Agriculture has been structured since, by the architects of this "free market trade" concept.

The same people who wrote this Trilateral report are today making GATT policy. The following were all members of the Trilateral task force: Art de Zeeuw, chairman, GATT Committee on Trade in Agriculture; Clayton Yeutter, U.S. Secretary of Agriculture; Helmut von Verschuer, EC Deputy Director General for Agriculture; and P.A. Wijnmaalen, assistant to EC Agriculture Commissioner Franz Andriessen (until January 1990).

The agricultural trade reform proposals the U.S. wants the GATT to implement by Jan. 1, 1991, address four areas.

1) Market Access of Imports. Countries would convert all non-tariff protective trade barriers such as quotas and variable levies into dollar-denominated tariffs and make substantial reductions in these protective tariffs over a 10-year transition period. This is the most controversial part of the process called "tariffication."

2) Export Competition. Export subsidies would be phased out over five years and export restrictions imposed on foodstuffs because of short domestic supplies would be prohibited upon enactment of the agreement.

3) Domestic Support Measures. a) Those which are most protective would be phased out, b) those which interfere less, would be disciplined, and c) those having a relatively minor protective impact would continue as long as they meet specific criteria.

4) Sanitary and Phytosanitary Measures. Regulations and barriers would come under an international process for dispute settlement and harmonization.

Criticism from producing nations

These agricultural trade reforms, proposed by the Bush administration, have drawn harsh criticism from food-producing countries around the globe. Farm groups in Europe and the United States are up in arms, because traditionally, the European Community, Japan, Korea, and the United States have established trade barriers to protect their agricultural producers, thus ensuring a financially stable farm sector and a secure supply of food for their people. These traditional policies have tended to conform to the protective methods of the American System of economics as established by Alexander Hamilton during the first administration of the United States.

In November, Andre Herlitska, the general secretary of the Central Committee of Producer Organizations, a coalition of European farm groups, called Bush's proposals a giant step backward. "We agree with the premise that we should try to eliminate trade-distorting subsidies, but what we're talking about with this plan is to turn agriculture over to a few large farmers and a handful of giant multinational corporations. What we're talking about here is having a world market completely controlled by Cargill and Monsanto," Herlitska said.

The European Community won't accept the U.S. proposals to convert to agricultural import tariffs and then substantially reduce them over a 10-year period, said European Community Agriculture Commissioner Ray MacSharry, after the Bush announcement in November. If that plan were followed, he said, "the tariffs that replace barriers such as quotas could too easily be reduced to zero, putting thousands of EC farmers out of business, just like in the United States."

In South Korea, angry farmers and students have taken to the streets in protest. The South Korean news agency, Yonhap, said in November that groups of farmers numbering in the thousands held protests and sit-ins in about 20 rural areas chanting, "Drive out the Yankees who enforce the opening of agricultural markets!"

Korea's farmers are angry because the United States, on the one hand, is the world's largest importer of beef, yet is demanding the elimination of Korean beef import quotas in order to export U.S. beef into the Korean market. Beef producers in Korea are already being put out of business by the cheaper American imports.

Speaking at a farm-food symposium in Japan, in October, co-sponsored by Japanese, European Community, and U.S. farm groups, Leland Swenson, president of the National Farmers Union in the United States, called Washington's free-trade proposals unrealistic and disastrous for farmers everywhere.

Swenson, referred to an August 1989 report published by the Economic Research Service of the USDA, which indicated that elimination of support mechanisms to agriculture would lower producer prices by "13% in the United States, by 20% in the EC, and by 49% in Japan." The report indicated that farmers in the developed countries would lose $15-25 billion due to lower producer prices and food output would decline as well.

The 1989 winner of the World Food Prize, Verghese Kurian, the administrator of the world's largest agricultural development program in India, summed up the protests in a recent interview with *AgWeek* magazine, "I'm mad about the Uruguay Round [of GATT] talks. What business do they have to say, lower your tariff barrier? GATT, in my opinion, is an instrument evolved by advanced countries to further exploit economically undeveloped countries."

Kurian continued: "You pay a farmer for not producing and it's like telling an artist not to be creative. To a world that is hungry, that is hard to justify."

Prices forced down

Prices for some U.S. agricultural commodities are already being forced down by cheap imports into the United States from other countries.

Grain: U.S. wheat growers want action to stop Canadian imports from driving down the U.S. market price of durum wheat. At a time when U.S. durum wheat supplies are unusually low due to the drought, and the price should be up, prices of durum have dropped from $6.20 per bushel to about $3.25 per bushel. Canada has exported 411 million metric tons into the United States in the last two years. This is about 15% of total U.S. durum wheat consumption.

Beef: U.S. supplies of 500- to 600-pound feeder cattle are very tight as the U.S. cattle herd is at a 28-year inventory low, and plans are being made to increase imports. Mexican President Carlos Salinas de Gortari said in early December, that the per head tariff on cattle exports into the United States would be reduced fërom $60 to $30 per head. This will aid the Mexican National Cattle Confederation's goal to export 1 million head into America, in 1989-90, more than a 100% increase over 1988-89. Cattle prices received by U.S. producers are currently below what is needed to meet costs and low-priced imports from Mexico help to keep U.S. cattle prices even further depressed.

Ironically, U.S. officials have succeeded in prying open Mexico's trade doors, to allow the U.S. to sell cattle-breeding stock for slaughter in Mexico.

Lamb: Live lambs from New Zealand have been imported into U.S. markets since last year, as U.S. producers find it unprofitable to maintain breeding stock foundation herds. Since there is no import duty on live lambs, about 100,000 New Zealand live lambs have been shipped into the United States, where they were fed and then sold. As a consequence, the price paid to U.S. lamb producers has tumbled.

"Producers, feeders, and packers are all taking a beating" as a result of low sheep prices, according to Tom McConnell of the American Sheep Industry Association. "Everyone is befuddled. . . . Lamb prices don't come any cheaper than this."

Are the low prices good news for consumers, by any chance? Not at all. Since food does not grow in supermarkets, pricing that drives the producers out of business may mean a cheaper lamb chop for some today, and no lamb chops for anyone tomorrow. It is becoming more evident that when the "free traders" talk about their "friends," the "market forces," they are leaving out the vast majority of farm producers and food consumers throughout the world. If the Trilateral policy is implemented it will mean that the "market forces" will have total control over who eats in the world. If protective mechanisms that have made it possible for sovereign nations to maintain self-sufficiency in agricultural production are removed, then all producers and consumers in all nations will become dependent on the "market forces"—the grain cartels.