On January 1, 1995, the World Trade Organization (WTO) was established. It is home to a series of trade accords that include agreements on services, agriculture, intellectual property rights, and other issues never before included in international trade rules. The organization was established with a commitment to raise standards of living and ensure full employment in the context of expanding trade, while upholding the objective of sustainable development. The reality has been almost the opposite.

At the last ministerial held in Seattle in 1999, negotiators were confronted by 70,000 protesters: a coalition of students, teachers, farmers, farmworkers, factory and steel workers, consumers, environmentalists, feminists, spiritual leaders, animals rights activists, human rights advocates, friends and families, and representatives from more than 100 countries. They stood together for fair labor standards, environmental protection, public health, human rights, and democratic values over the “corporate interest first” agenda of the trade talks. The meeting eventually collapsed under the weight of the protests inside and outside the conference center.

In the wake of the Seattle debacle and other protests against the international financial institutions that have gathered strength since then, the next ministerial was planned for Doha, Qatar. The built-in agenda for the WTO has several items of concern, with agriculture being one of the key areas. A communiqué issued following the twenty-second Ministerial held in Punta del Este, Uruguay, in September 2001, emphasized that the next ministerial should provide a clear commitment to end discrimination against agriculture.
and fully integrate it into WTO rules. This commitment is designed to achieve fundamental reform of agricultural trade through elimination of all forms of export subsidies and reduction of domestic support.¹

The US administration has been a key advocate of the Agreement on Agriculture (AOA) in the trade talks. President Bush has used agriculture as an excuse to push the vote on Trade Promotion Authority (TPA, once called Fast Track) through Congress. This will allow him to negotiate international trade agreements that Congress can only approve or reject, but not amend. President Bush has argued, "I want America to feed the world. We are missing some great opportunities, not only in our hemisphere, but around the world. These are opportunities for people who earn a living the hard way... These are opportunities for working people."² In other words, trade agreements are good for American farmers.

This position has been supported by the USDA secretary Ann Veneman and former secretaries Dan Glickman and Clayton Yeutter. Glickman claimed that "without expanding access to trade, we will see income come down. There are lots of positions on this, but there is no question that the President needs TPA... needs the authority to go out and negotiate trade deals."³ Yeutter even singled out labor unions, radical environmental advocacy groups, and anti-globalization forces as the main opponents of farmers.⁴

How the AOA has Affected Family Farmers in the US

Even before the AOA was drafted, US policy for the last 20 years has been to depress agricultural commodity prices, with the stated aim of increasing US market share in agricultural trade. Despite these efforts, the US market share in principal grain exports has fallen steadily during this period. Although only 30 percent of US agricultural production is traded internationally, the great weight of US agricultural policy is dedicated to dropping commodity prices, with devastating impacts on family farmers and rural communities.

Soon after the AOA came into effect in 1996, the US implemented the Federal Agriculture Implementation and Reform Act (FAIR). This new act was seen as a means to provide income and price stability for US farmers.⁵ The goal was to expand agricultural exports with promises of a return to a free market, greater freedom for farmers, and reduced levels of government spending and controls. This bill, drafted in a period of high agricultural commodity prices, was formulated and supported by the representatives of corporate farms and agribusiness, even though farmers as well as policy makers knew that it lacked a safety net for family farmers.⁶

The most significant change FAIR brought about was the elimination of deficiency payments. These payments compensated farmers for the difference between the price received for their crops and the actual cost of production.⁷ The deficiency payments were replaced with Production Flexibility Contracts, fixed payments to farmers based on past production levels, and not reflecting either current or projected production.⁸ Production Flexibility Contracts preserved and even enhanced export subsidy programs. For both wheat and dairy exports, the US Secretary of Agriculture was directed to implement maximum volume and funding levels consistent with the GATT Uruguay Round commitments to develop markets throughout the world.⁹

While the intent was to stabilize prices and farm incomes by maximizing export sales opportunities, export subsidies were distributed mainly to the exporters and agribusiness, and did little to alleviate market price volatility for family farmers.¹⁰ In fiscal year 2000, the US government paid $28 billion in subsidies, mostly to large landowners, under the so-called "Freedom to Farm" legislation of 1996. These payments comprised 49 percent of net farm income in 2000 and kept large farm operations in business, allowing US agribusiness to continue to pay below cost-of-production prices for agricultural raw materials.¹¹ All while the family farmers were driven off the land.

Recently, the US House of Representatives passed an emergency aid package of $5.5 billion for farmers. Once again, however, this money will not necessarily go to the farmers in dire straits, as the aid is not based on need.¹²

What is the Agreement on Agriculture?

Prior to the Uruguay Round in 1995, agriculture fell outside the discipline of the predecessor to the WTO, the General Agreement on Tariffs and Trade (GATT), ironically because of pressure from the United States. With the US threatening to leave GATT unless it was allowed to maintain protective mechanisms for sugar, dairy products, and other agricultural commodities, Washington was given a "non-time limited waiver" on agricultural products. Despite this early reticence, however, the need for "rules of engagement" in the struggle for Third World markets got the European Union (EU) and the US to press for the inclusion of an Agreement on Agriculture (AOA) in the Uruguay round. With the rhetoric of free trade, the two superpowers used the agreement to regulate monopolistic competition—for the right to exploit the Third World—between them.²

The AOA sought the liberalization of trade in agricultural products by opening up markets, and cutting domestic supports and export subsidies to help create more equal competition in the market. Instead this agreement has turned into the first step in making food production into a business monopolized by a few.³ The AOA has created an unfair global trade system. It has not only proven to be a threat to the stability of Third World farmers who do not have competitive advantages, but has resulted in a US domestic agricultural policy that favors agribusiness over family farmers.

The Bones of the Agreement

The three key provisions in the AOA are:

- Market access: The extent to which a country allows imports of foreign products. It aims to regulate and lower protectionist barriers relating to tariffs, and the minimum and current trade quotas in order to improve access to markets.

- Domestic support: The annual monetary support given by governments to agricultural producers either in direct payments or tax breaks, or in the form of infrastructure and research. The AOA classifies these supports into several categories—those that are acceptable because they are minimally trade distorting, and those that are not acceptable, those that have ceiling levels, and those that do not.

- Export subsidy: Provisions that strive to reduce the amount of subsidies countries can give to export goods on the world market at prices lower than those in their domestic markets. Today, the countries that can afford to subsidize exports can take markets away from more efficient producers by undercutting the actual cost of production.
The actual problem is not the amount of money the government spends, but how and to whom the money is allocated. These farm policies have generated an average 15 percent annual return on equity for agribusiness, compared to an average two percent return for the US farmers.13

The 1996 FAIR act reduced the number of strategies open to the producers in the US, forcing farmers to increase production in an effort to realize a more efficient scale.10 American family farmers have faced record low prices and unfair market competition, while taxpayers have footed the bill for record levels of spending on farm programs. At the same time, corporate agribusiness has made record profits. Farmers with little control over the price of their products, are exposed to an economically volatile situation.

**The Crisis of American Agriculture**

Today America’s family farmers are in a crisis. Thousands of farm families are being forced off the land each year, but the agricultural establishment sees their exodus as inevitable, saying that those who fail are simply inefficient and unable to keep up with the changing times. The only option farmers have been offered is to get big enough to be competitive, get corporate contracts to reduce risks, or get out of farming.

**Subsidies Evade Family Farmers**

After the Great Depression, government policies were designed to reduce risks to family farmers. Crop insurance and disaster programs reduced production risk, and a variety of price and income support programs, plus set-aside programs that paid farmers to remove excess land from production, reduced price risks. But the 1996 Farm Bill, based on the US commitment to international trade agreements, eliminated price and income supports and replaced them with annual income payments, to be phased out on a fixed declining schedule over seven years.

Taxpayers may not realize it, but the money they send to Washington is hastening the demise of family farms through agricultural subsidy programs that purport to save them. A recent study of federal farm data indicates that farm aid has gone to a host of individual and institutional investors, for whom farming is at most a minor sideline.11 Almost 63 percent of the $27 billion in federal farm subsidies doled out in 2000 went to just 10 percent of America’s farm owners, including multi-million-dollar corporations and government agencies.12 Basing subsidy payments on farm acreage rather than financial need means that some of the wealthiest members of Congress received farm aid from farm programs they voted for. At least 20 Fortune 500 companies and more than 1,200 universities and government farms, including state prisons, received checks from the federal programs touted as a way to prop up needy farmers. Subsidies also went to real estate developers and absentee landlords in big cities from Chicago to New York.

Government aid made up almost half of total farm income nationwide in 2000, most of it parcelled out through programs aimed at making sure farmers don’t go under when the prices they get for crops are not enough to pay their bills. However, two-thirds of America’s farmers did not benefit from traditional income support programs.13 The disparity is symptomatic of a support system that is out of kilter with the needs of the average cash-trapped farmer. Most payments are tied to acreage; more land equals bigger checks.

**Corporate Concentration of Agriculture**

Economic globalization, driven in part by the WTO, has increased corporate influence throughout the US food supply system. Giant multinational corporations now control almost all aspects of American agriculture, with agricultural decision-making consolidated in a handful of corporate boardrooms.

Part of the difficulties faced by family farmers are the logical result of a situation where farm prices are set by whoever holds the most power.14 In the 1980s, economic literature pointed out that there was a general agreement that the market is no longer competitive if the four largest firms held 40 percent of the market.15 This concentration ratio used as a benchmark shows that family farmers have little control over the market. For example, in the flour milling industry the top four firms held 62 percent of the market in 1997. The share of four largest pork packer corporations increased from 44 percent to 57 percent from 1992 to 1999.16 Today they control 62 percent of the market.17 The top four firms in poultry control 53 percent of the market and the top four firms in beef control 81 percent of the market.18

Corporate concentration of both farm inputs and markets has intensified. On the input side, considerable consolidation has taken place among firms that supply farmers with seeds and chemical inputs. The top 10 agrochemical corporations control over 84 percent of the $30 billion agrochemical market.19 Grain distribution is becoming even more concentrated. Two companies, Cargill and Continental, shared 50 percent of US grain exports in 1994; today they control about two-thirds of the grain in the world.20

This accelerated concentration of the food industry has had as much impact on the political process as it does on the livelihoods of small farmers. Cargill, the world’s largest grain-trading company, had a disproportionately large role from the start in shaping the rules under the old GATT framework. President Nixon’s first trade advisor was William Pierce, a vice president of Cargill. Another Cargill alumnus, Daniel Amstutz, drafted President Reagan’s agricultural proposal for GATT.21 Thus the long-standing trend in trade negotiations in which agribusiness profits are favored at the expense of family farms should be no surprise.

**Falling Prices**

The US agricultural policy has long been directed at bringing the unit price agribusiness pays to farmers down to at least the world market price of any given agricultural commodity.22 With the declining prices of agricultural commodities, farmer’s income and economic independence have been jeopardized. Overall, the “all farm products” index decreased from 107 to 95 in the period of 1997–1999. The ratio of prices received to prices paid decreased from 91 to 82 in the same period of time.23 The unit prices of wheat, rice, corn, and soybeans, all dropped between 1995 to 2000.
American family farmers have been the net losers, as the prices they receive are below the cost of production. Family farmers produce too little to affect total supply and ultimately prices. Reducing their output—rather than helping boost prices—would translate into less revenue for them. This means that family farmers have to keep boosting the production of agricultural commodities to bring home even the smallest amount of income.

"Non-enforcement of US laws has allowed corporate advocates of current US agricultural trade policy to reap record profits while farmers and ranchers go out of business or work second jobs to subsidize their operations. The independent family farmer is being destroyed in order to bring down prices enough to enable agribusiness to capture export markets."

—NEIL RITCHIE, NATIONAL ORGANIZER OF THE INSTITUTE FOR AGRICULTURE AND TRADE POLICY

Exported to Death
FAIR offered a deal to the farmers: accept a cut in subsidies in exchange for deregulation and the promise of increased exports through the WTO and new trade deals with Latin America. The rapid growth in US agricultural exports—they more than doubled between 1985 and 1996—encouraged many farmers to support the deregulation strategy. But for family farmers, the farm bill and the export-led growth strategy upon which it was based, has been a death knell. Rising exports have not translated into rising incomes for farmers, due to relentless declines in the real prices of basic farm products. The structure of American agriculture has been transformed for the worse.

As hard as it may be to believe, despite substantial growth in the volume of exports the total dollar value of all the exported wheat and flour, feed grains, and rice has dropped since 1996. In the fiscal year 1996, the highest export trade balance was recorded—$59,867 million—while the export balance of fiscal year 1999 was $49,148 million, roughly a 20 percent decrease over three years. The US farm trade balance declined by more than $13 billion between 1996 and 1998, and prices plummeted. Corn prices fell by 56 percent, from $4.30 per bushel in 1996 to $1.89 in 1998. Wheat prices dropped from $4.57 per bushel in 1996 to $2.46 in 1998; a drop of 46 percent. Export markets have proven more volatile than domestic ones, and globalization has increased the vulnerability of farmers to sudden price swings.

Farmer Income Is Declining
Small family farms are defined by the USDA National Commission on Small Farmers as farmers with less than $250,000 gross receipts annually on which day-to-day labor and management is provided by the farmer and/or the farm family that owns the production or owns, or leases, the productive assets. Approximately 94 percent of all US farmers fit into this category. $250,000 may appear quite large amount of money at first, however, after production costs are deducted, this is barely sufficient to provide a net farm income of $23,159.

More than 80 percent of a farmer’s gross sales go into farming expenses. According to a recent USDA census, total farm production expenses increased from $130,779,261 to $150,590,993—roughly 15 percent. On the other hand, net farm income decreased by almost 12 percent during 1998–2000.

Many who inherited farms are faced with the tough decision of whether or not to continue farming. In the years 1994 to 1996, about 25 percent of all US hog farmers, 10 percent of all grain farmers, and 10 percent of all dairy farmers went out of business. With little profit from the field, many of them had to let go of farms that had been in their families for generations. As the economic pressures of farming have intensified, the rate of suicides has jumped, as shame and severe depression have increased among farmers.

The Death of the Family Farm
Small farms contribute to “a diversity of ownership, cropping systems, landscapes, biological diversity, culture, and traditions” as well as environmental benefits and economic opportunities for rural communities. The crisis in American agriculture has endangered rural communities. As corporate agribusiness has replaced the owner-operated farms and ranches and, as farm size and absentee ownership has increased, social conditions in the local farming communities have deteriorated. Despite the annual influx of billions of taxpayers dollars to the farm sector, the US Department of Agriculture reports that since 1945, the number of farms has declined by two-thirds in the US, while the area in farmland acres has remained the same.

The Bureau of Labor Statistics of the US Department of Labor has projected that the number of people engaged in family farming will decrease from 1,307,712 in the year 1998 to 1,135,018 in 2008, a 13.2 percent decrease. This is the largest projected job loss among all occupations in 1998–2008. Farming towns are in deep poverty. The newest data on income levels in each of the nation’s 3,110 counties from the US Department of Commerce, Bureau of Economic Analysis, shows that only one among the
poorest 50 counties is a metropolitan county; most are very rural, agriculturally dependent counties. The average farm-operator household in 1990 earned 14 percent of its income from the farm and the rest from off-farm employment. In the same year, 22 percent of US farm-operator households had incomes below the official poverty threshold, twice the rate of all US families. Not finding economic opportunities in farming and rural areas, younger generations are leaving farming and rural towns.

The United States now has more prisoners than farmers. According to the Washington-based Justice Policy Institute, the American prison population recently topped two million. According to the last farm census, there were 1.9 million farms in the US. In other words, there are more people behind bars than there were behind the wheel of a tractor. An aging trend has also been observed in the farm and ranching population. According to the 1997 Census of Agriculture, between 1992 and 1997 the number of farmers and ranchers age 25 or younger decreased by 25 percent, and the number aged 25 to 34 decreased by 28 percent. According to the government statistics, nearly half of all US farmers are older than 55—the average age is 53—while just eight percent are younger than 35.

"This year’s crops will generate just enough revenue to break even. That’s nothing to live on."
—JOE WHITE, FARMER IN KANSAS

The fundamental reason for the existence of most rural communities is to support those engaged in agriculture. But it takes people, not just production, to support a community. Larger farms tend to bypass rural communities in buying the production inputs and marketing their products. Also a rural community is far more than a rural economy. It takes people to fill the church pews and school desks, to serve on town councils, to justify investments in health care and other social services, and to do the things that make a community. The decreasing number of family farms chronicles the deaths of rural communities, where family farm dollars paid to equipment dealers, grocery stores, and gas stations recirculated through the local economy four times.

Opportunity for Change
American family farmers, the supposed beneficiaries of the trade agreements, marched with the workers and environmentalists in Seattle and put the issue of the globalization of agriculture on the agenda of social and economic justice. Leland Swenson, president of the National Farmers Union at a Senate Agriculture Committee hearing said, "the outcome of previous trade talks—coupled with the Freedom to Farm program—have left US farmers and ranchers too exposed to the volatile global marketplace. The changes have put US producers at a disadvantage compared to competitors. The turbulent market has left family farmers and ranchers hanging by a thread. We will strongly oppose any effort to limit the level of direct aid governments may provide to producers."

This opposition to proposed trade rules is growing. At the Rally for the Rural America held in 2000 Washington, DC, family farmers and grassroots organizations came together to provoke congressional action on America’s deepening farm and rural crisis. The diversity of organizations backing the rally signaled how widespread the concern is over the future of rural America.

The message of this growing resistance is clear: It is time to stop artificially expanding trade without regard for the consequences. The 1996 Farm Bill, driven by America’s obligations under the trade negotiations, was a complete failure. It failed to generate export-led growth, and it transferred risks to farmers while cutting their income. The costs implicit in future WTO and other trade negotiations are potentially huge. These costs include the loss of livelihoods of tens of thousands of American farm families. Given the absence of benefits, the American government should not trade away American family farmers’ protections.

The model that drives overproduction in the US and drives American farmers off the land is the same model that drives peasants off the land in the Third World. For a fraction of the amount American taxpayers currently pay, it should be possible to design a system that preserves family farming and builds a healthy rural America without damaging the ability of farmers in other countries to make a living.

The growing opposition is beginning to build a blueprint for the New American Farm based on the multifunctional aspect of agriculture, which produces both public and private goods and services. The nation’s agriculture should provide national food security. This would guarantee that no nation is starved into submission by another nation. Agriculture should ensure national food equity so that no one goes hungry regardless of ability to buy food. Agriculture should be designed to protect the natural environment, to protect the soil, earth, air, and water that are absolute necessities of life on earth. All of these are legitimate public goods and services, invaluable to society, but cannot be provided by the private economy of free trade.

NOTES
1. www.cars.org/meetings/min22_communique.html
4. Ibid.
6. Ibid.
18. Ibid.
20. "House Approves $5.5 Billion in Emergency Aid," op. cit.
24. Ibid.
26. Ibid.
37. “Exported to Death,” op. cit.
40. Net farm income is the difference between cash receipts and cash expenses. This cash-based concept measures the total income farmers receive in a given year, regardless of the year in which it was earned. It indicates the availability of funds to cover expenses such as operating costs, finance capital investments and savings, service debt, maintaining living standards, and paying taxes.
42. “Agriculture and Food Security Under the Free Trade Area of the Americas Negotiations,” op. cit.
50. “Control of the World’s Food Supply,” op. cit.
53. Ibid.
55. “Control of the World’s Food Supply,” op. cit.
56. “NFU says WTO Agenda Must Preserve the Right to Set Domestic Farm Policy,” WTOWatch.org, October 1, 1999.