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Free Trade Versus Fair Trade

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FREE TRADE VERSUS FAIR TRADE

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I. INTRODUCTION

Time and time again American farmers have been told the key to economic freedom and prosperity is the export market. Since the mid-1980's, agribusiness, politicians, commodity groups, processors and some farm groups have been successful in tying agriculture's current and future prosperity to the export market. Along with glowing forecasts of a sustained export-driven prosperity for agriculture, the United States adopted the free market philosophy for agriculture.

Exports are important to agriculture. However, farmers and ranchers are only being told part of the trade story. National Farmers Union policy (compiled and voted on by grassroots producers)[1] says that the World Trade Organization framework will perpetuate a never ending race to the bottom in producer commodity prices, pitting farmer against farmer and country against country for the one commodity all humans must have: food.[2]

II. IS THE FARMERS UNION OPPOSED TO FREE TRADE?

Farmers Union has always been a proponent of *fair* trade. As trade agreements have been negotiated, and as federal farm policy has shifted to the "free market" approach, Farmers Union has remained steadfast in its call for fairness, accountability, and benchmarks for success in trade negotiations. Farmers Union policy implies they support free trade, as long as it is fair trade.[3]

National Farmers Union supports a fair trade system that protects the economic well-being, health and environmental concerns, working conditions and labor rights of our country's producers as well as producers in all other countries.[4] In the race to become the world's least-cost producer, individual farmers and ranchers are left to fend for themselves in global markets, while the processors and consumers enjoy the benefits of cheap commodities.

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*Past President of Rocky Mountain Farmers Union. With deep gratitude to Dr. Daryll E. Ray, Agricultural Policy Analysis Center, The University of Tennessee, and Dale Enerson, Agriculture Economist, North Dakota Farmers Union, for their many contributions.

1. NATIONAL FARMERS UNION, 2007 POLICY OF THE NATIONAL FARMERS UNION 8 (March 2-5, 2007), http://www.nfu.org/wp-content/2007_nfu_policy.pdf.

2. National Farmers Union, *Farmers Union Says WTO Negotiations Bound to Fail*, NATIONAL FARMERS UNION NEWSROOM, July 24, 2006, *available at* http://nfu.org/news/2006/07/24/farmers-union-says-wto-negotiations-bound-to-fail.html.

3. NATIONAL FARMERS UNION, *supra* note 1, at 41.

4. *Id*, at 115.

After the breakdown of the World Trade Organization (WTO) negotiations in 2003,[5] the United States' trade negotiators have instead tried to complete free trade agreements with many other countries and regions in bilateral and multilateral agreements, namely the Dominican Republic-Central American Free Trade Agreement,[6] the Australia Free Trade Agreement,[7] and the Free Trade Area of the Americas.[8] While each of these may seem to be minor in overall scope, collectively they could do great damage to our country's agricultural economy.

Many times in recent years, Farmers Union has been a lone voice in the agriculture community, the only purveyor of reason and perspective when it came to agricultural trade. Yet, the influence of the free trade ideology continued to grow and pervade our public policy decisions.

III. THE WORLD TRADE ORGANIZATION

The World Trade Organization today leads much of the discussion of free trade initiatives in the world. The United States and 150 other member countries have joined together since 1995 in an effort to improve the trading climate and opportunities in international markets.[9] The WTO replaced the GATT (General Agreement on Tariffs and Trade) organization that had been working on trade issues since the 1940s.[10]

Since 1995, there have been major initiatives called "rounds" or "agendas" in which member nations attempt to reach new trade agreements. There was the Uruguay round of discussions in the 1990s,[11] and in recent years, the Doha Agenda has been driving talks between nations.[12] Periodically, "ministerial" conferences are held throughout the world to negotiate specific initiatives or rules. One of the

5. David Livshiz, *Public Participation in Disputes Under Regional Trade Agreements: How Much is Too Much—The Case for a Limited Right of Intervention*, 61 N.Y.U. ANN. SURV. AM. L. 529, 530-31(2005) (discussing the importance of public participation in future free trade agreements).

6. Office of the United States Trade Representative, Central America-Dominican Republic-United States Free Trade Agreement Final Text, (Aug. 5, 2004), *available at* http://www.ustr.gov/Trade_Agreements/Bilateral/CAFTA/CAFTA-DR_Final_Texts/Section_Index.html [hereinafter *CAFTA-DR*].

7. Australian Government, Department of Foreign Affairs and Trade, Australia-United States Free Trade Agreement, (Jan. 1, 2005), *available at* http://www.dfat.gov.au/trade/negotiations/us_fta/final-text/index.html [hereinafter *AUSFTA*].

8. Free Trade Area of the Americas, Third Draft FTAA Agreement, (Nov. 21, 2003), *available at* http://www.ftaa-alca.org/FTAADraft03/Index_e.asp [hereinafter *FTAA*].

9. World Trade Organization, Members and Observers, *available at* http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm.

10. World Trade Organization, The 128 Countries That Had Signed GATT by 1994, *available at* http://www.wto.org/english/thewto_e/gattmem_e.htm. The WTO is headquartered in Geneva, Switzerland, and functions not only to foster trade between its member nations, but also acts as the dispute settler or arbitrator when nations disagree on trading practices. Its primary goal is the liberalization of all kinds of trade by all of its members. World Trade Organization, *What is the WTO?*, *available at* http://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm.

11. Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Apr. 15, 1994, 33 I.L.M. 1125 (1994).

12. World Trade Organization, Ministerial Declaration of 14 November 2001, WT/MIN(01)/DEC/1, 41 I.L.M. 746 (2002).

most recent ministerial conferences was in Cancun, Mexico, in September 2003,[13] but it ended in the failure of developed and developing countries to reach any consensus on many agricultural trade issues.[14]

Prior to the Cancun talks, and especially since the talks failed, the United States has also been negotiating with specific countries trying to achieve bilateral trade agreements. The United States has negotiated agreements with Chile[15] and Singapore,[16] and proposed agreements with Panama, Peru and other South American countries.[17] The U.S. Trade Representative, appointed by the President and working within the Commerce Department, primarily leads trade negotiations.[18] However, most of our trade representatives have not had an agricultural background, and have usually not understood the uniqueness of agricultural commodity markets.

Very recently, twenty-one Asia-Pacific trade ministers discussed the Doha round of trade liberalization negotiations in Cairns, Australia.[19] There, the effort focused on reviving the Doha round, which some have said is on its deathbed.[20] Ultimately, the United States trade representative stated that the Doha round would never meet its development promise "unless and until there is sufficient new market access in agriculture and manufacturing and services."[21]

IV. AREN'T EXPORTS THE KEY TO AGRICULTURE'S SUCCESS?

For years, agri-businesses, processors, politicians, commodity groups and some farm groups have perpetuated the belief that farmers and ranchers could export their way to prosperity by allowing the free market, not government, to negotiate agriculture and trade. American farmers and ranchers were told the key to economic freedom is the export market.[22] Many believed, and many still do, that free and expanding trade through NAFTA and WTO, along with Fast Track

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13. World Trade Organization, The Fifth WTO Ministerial Conference, *available at* http://www.wto.org/english/thewto_e/minist_e/min03_e/min03_e.htm.

14. Ramesh Jaura, *"Mixed Feelings" About the Debacle*, INTER PRESS SERVICE, Sept. 15, 2003, *available at* http://www.globalpolicy.org/socecon/bwi-wto/wto/2003/0915mixedfeelings.htm (discussing the failure to resolve difference between rich and poor nations).

15. United States-Chile Free Trade Agreement, U.S.-Chile, June 6, 2003, Temp. State Dep't No. 04-35, KAV 6375, *available at* http://www.ustr.gov/Trade_Agreements/Bilateral/Chile_FTA/Final_Texts/Section_Index.html (last visited Mar 1, 2008).

16. United States-Singapore Free Trade Agreement, U.S.-Sing., May 6, 2003, *available at* http://www.ustr.gov/new/fta/Singapore/final/2004-01-15-final.pdf.

17. CITIZENS TRADE CAMPAIGN, MINIMAL 'FIXES' TO BUSH'S PROPOSED 'FREE TRADE' AGREEMENTS, *available at* http://www.citizen.org/documents/FTAsminimalfixesfinal.pdf.

18. Negotiating and Other Authority, Office of the United States Trade Representative, 19 U.S.C. § 2171(b)(1)-(c)(1)(C) (1988).

19. FarmPolicy.com, Doha: Lula Speaks Out, *available at* http://www.farmpolicy.com/?p=382#more-382.

20. *Id.*

21. *Id.*

22. Neil Hamilton, *Feeding Out Future: Six Philosophical Issues Shaping Agricultural Law*, 72 NEB. L. REV. 210, 216 (1993).

Authority (now called Trade Promotion Authority[23]) and even "Freedom to Farm,"[24] would liberate farmers to reap the rewards of the unfettered global market place.

However, it was not the absence of good farm policy or the presence of bad trade deals that were blamed for hurting farmers and ranchers. Rather, the explanation was always an unforeseen aberration in the export market that could be fixed with more free trade agreements and less government interference.[25]

The most frequently touted solution for an ailing agricultural sector is expanding trade for U.S. agricultural products.[26] However, many times the export problems we identify, and the free trade answers we seek, simply do not reflect the realities of global trade or address the fundamental problems faced by American agriculture. In addition, whenever we have negotiated fewer trade barriers in foreign countries, we have usually opened the door to an even larger amount of imports to compete with our production. Since many countries have lower environmental standards and far lower wages for workers, we end up exporting jobs and importing greater amounts of foreign products.

Let us beware of falling exports. One of the most persistent myths surrounding "Freedom to Farm's" failure was that a collapse in the export market undermined the farm bill's ability to work the way it was intended.[27] After the so-called "collapse", commodity groups and politicians scurried about looking for scapegoats. They wagged their fingers at state trading enterprises, decried not using export enhancement programs, and called for further trade liberalization to make up for losses suffered in the export crash.

The question is whether the export markets really collapsed. The answer depends on how exports are defined. There seems to be some confusion between *export value*, which is the dollar value of exports, and *export volume*, which represents the quantity or amount of commodity exported.[28] The difference between the two is important.

Export values experienced a spike in 1996 due to higher commodity prices around the time "Freedom to Farm" was enacted.[29] Export values then dropped in

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23. Hal Shapiro & Lael Brainard, *Trade Promotion Authority Formerly Known as Fast Track: Building Common Ground on Trade Demands More Than a Name Change*, 35 GEO. WASH. INT'L L. REV. 1 (2003).

24. Emergency Farm Financial Relief Act, Pub. L. No. 105-228, 112 Stat. 1516 (codified as amended at 7 §§ 7201 note, 7212 (1998)).

25. *See* Daryll E. Ray, *1996 Farm Bill: A Pattern for Future Legislation or Failed Experiment*, U. OF TENN., AGRIC. POL'Y ANALYSIS CTR. [hereinafter APAC], Oct. 29-30, 2001, *available at* http://www.agpolicy.org/ppap/pdf/01/nd.pdf.

26. *Id.* at 10.

27. Daryll E. Ray, *Freedom to Farm: The Root of Current Farm-Related Problems*, APAC, Dec. 3, 2005, *available at* http://agpolicy.org/weekcol/281.html.

28. *See* Ray, *1996 Farm Bill*, *supra* note 25, at 2, 6.

29. Thomas A. Fogarty, *Freedom to Farm? Not Likely*, USA TODAY, Jan. 1, 2002, at 1B. "Freedom to Farm" is the common name for the Federal Agriculture Improvement and Reform Act of 1996.

the latter part of the 1990s.[30] However, one should not confuse export values with export volumes, which have remained relatively constant. Export volumes have, in fact, remained flat for nearly two decades compared to the volatility of export values.[31]

However, even the spike and subsequent fall in export value that occurred around the time of "Freedom to Farm" was really no more dramatic than fluctuations in other years. In other words, the value "crash" that occurred was not an unprecedented or even unforeseeable event.[32] It was a market fluctuation, not a cataclysmic fall. Therefore, a collapse in the export market did not cause the failure of "Freedom to Farm."

Is the difference between value and volume significant? Distinguishing between export values and volume challenges the U.S. trade mindset. Our current agriculture and trade policy is built around opportunities in export values, but it is also based on unrealistic expectations of future growth in export volume. We have been talking apples when we should have been talking oranges. In simple terms, a change in the value of our exports does not necessarily mean there has been a change in the amount exported. Values may go up and down, but the quantity traded may stay about the same.[33]

Export volumes were relatively flat even during the early days of "Freedom to Farm."[34] When there was a spike in the value of exports, volume remained constant.[35] This is a significant point because it dramatically undermines the current public policy mindset. Despite export volumes remaining flat for nearly two decades, compared to the volatility of export values,[36] the United States has highlighted opportunities in export values to build an agriculture and trade policy based on an unrealistic expectation of future growth in export volume.

If the intent of our agriculture and trade policy is to increase export volumes in order to reduce U.S. stocks, policymakers should take note of an interesting fact, brought to light by economist Daryll Ray. Dr. Ray points out that the United States has only experienced three periods of dramatically high export volume-driven prosperity in the last century, after both world wars and once during the late seventies.[37] Exports remained strong into the early eighties, but have remained flat ever since.[38] Unfortunately, we have been waiting for over two decades for export

30. *See* Ray, *supra* note 25.

31. *Id.* at 2.

32. *See* Daryll E. Ray, *Year in Review: Dollars Drive Farm Bill Debate*, APAC, Jan. 11, 2002, *available at* http://agpolicy.org/articles02.html.

33. *See* Daryll E. Ray, Daniel G. DelaTorre Ugarto & Kelly J. Tiller, *Rethinking U.S. Agriculture Policy: Changing Course to Secure Farmer Livelihoods Worldwide*, 17 fig.6, APAC, Sep. 12, 2003, *available at* http://agpolicy.org/blueprint.html.

34. *See id.*

35. *See id.*

36. *See id.*

37. Daryll E. Ray, *Corn Projections Have Been Too Optimistic*, SOUTHWEST FARM PRESS, Nov. 16, 2000.

38. *See* Daryll E. Ray, *Farm Policy for Farmers Around the Globe: Are Subsidies the Cause or Result of Low Crop Prices?*, 16 fig.7, APAC, 2003.

markets to rebound. In the meantime, the United States has based agriculture and trade policy on events that occurred only three times in the last century.

Did exports slump due to a drop in demand caused by the Asian flu? No. It is a myth that there was a "crash" of export markets caused by the accompanying financial crisis. The commonly held belief is that demand dropped off in countries affected by the epidemic, creating a domino effect that led to dramatically reduced world demand, which, in turn, devastated our agricultural export markets. The fact is that there was no drop-off in demand. World demand actually increased during the Asian flu crisis.[39]

Information gathered by Dr. Ray charts the rate of growth in domestic demand for agricultural products during the Asian flu crisis.[40] Dr. Ray's information shows that during this period of financial instability demand increased, not decreased, in both the eight Asian countries experiencing crisis and the rest of the world.[41]

What is the difference when there are drops in demand and surges in supply? Grain markets were in distress during the years of the Asian flu crisis, but it was not a slump in demand caused by the epidemic. Dr. Ray suggests it was a supply surge that caused market disruption,[42] a different problem altogether.

Differentiating between market disruptions caused by increased supply rather than decreased demand is significant. They are very different problems. Dr. Ray explains that a slump in demand is short term and the market will return when the economy recovers.[43] When the economically troubled countries begin to recover, they will once again be able to purchase agricultural products.

However, if the problem is a supply surge like that which the United States experienced during the same period as the Asian flu crisis, it is a longer-term problem. The market will not recover quickly because excess supply will not clear quickly from the market, even when prices fall. The resulting circumstance is that supplies overhang the market for prolonged periods, regardless of the economic health of importing nations.

There is a problem with "over supply." Supply surges and increased production can be problems for American farmers because they usually mean less export opportunities for the U.S.[44] This problem impacts both U.S. customers and competitors. If the United States' export customers increase their domestic production, they will have less need to buy U.S. products. If, at the same time, the

39. *See* Daryll E. Ray, *Year in Review: The Asian Crisis Was Not the Culprit in Farm Price/Income Problems*, APAC, Dec. 21, 2001, *available at* http://agpolicy.org/weekpdf/075.pdf.

40. *See* Daryll E. Ray, *News Flash: World Demand for Grain Increased During the Years of Asian Crisis*, APAC, May 18, 2001, *available at* http://agpolicy.org/weekcol/045.html.

41. *See id.*

42. *See id.*

43. *See generally* Daryll E. Ray, *The Importance of International Supply Growth*, APAC, July 13, 2001, *available at* http://agpolicy.org/weekcol/052.html.

44. *See* Ray, *supra* note 39.

export competitors increase their production, especially those that carry minimal stocks or use export subsidies, they will capture an even greater U.S. market share.

During the years of the Freedom to Farm Act and the 2002 Farm Bill, free trade ideologues frequently identified overproduction as a key problem and cited the need to "increase" exports as a way to deal with depressed prices.[45] They argued that free markets would eventually reduce supply by forcing the least productive land out of production.[46] However, free markets do not reduce supply sufficiently to raise price in a timely fashion.

Citing "overproduction" as a problem in agriculture is an oversimplification. This characterization is unfortunate because it places the burden on the farmer rather than on the public policies that have driven producers to seek maximum production levels in the first place. It is domestic farm policy and trade agreements that create the problem, not farmers producing their crop. United States farmers produce their crops, perhaps, better than any farmer anywhere in the world does. They should not be penalized for being good at what they do.

Given the current structure of markets and distribution, farmers need an inventory control mechanism. This not only keeps stocks from flooding the market in times of low prices, but also allows them to have stock on hand to sell when prices are high. Domestic farm policy has resisted this concept because supply management is considered an anathema to the free trade marketplace.[47]

Changing the prevailing free trade mentality about stock control mechanisms is a challenge because of negative perceptions abound. Arguments against such mechanisms claim that stock control programs that prevent farmers from benefiting from high prices are too expensive, are useless because private trade will hold stocks anyway, and that farmers cannot store their way to prosperity.[48]

Statistical information indicates that when prices are high, yields are often low.[49] Without a reserve, farmers are unable to benefit from high prices because they do not have anything to sell. Their entire product has been pushed onto the open market, where U.S. stocks overhang the world market and put the U.S. in the unfortunate position of being a residual supplier.[50]

The pendulum now seems to be swinging back and inventory management options, formerly called supply management, are again being considered in public policy circles. In a 2002 statement by President George W. Bush regarding the implementation of steel tariffs, which have been subsequently ruled illegal by the WTO and discontinued, he laid the groundwork for future inventory management programs: he called for restoring market forces to world steel markets by initiating an international discussion to encourage the reduction of excess global steel

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45. *See* Ray et al, *Rethinking U.S. Agriculture Policy, supra* note 33, at 15-19.

46. *Id.* at 16, 36.

47. *Id.* at 6, 44.

48. *See generally* Daryll E. Ray, Colloquia, *Farm Policy's Historical Roots and Modern Influences*, APAC, Mar. 13, 2007, *available at* http://agpolicy.org/present07.html.

49. *See* Ray, *Rethinking U.S. Agriculture Policy, supra* note 33, at 18.

50. *Id.* at 24.

capacity.[51] That sounds very much like a concession to farm policy advocates like Farmers Union, who have called for farmer-owned inventory management options.[52]

As we write the new Farm Bill, Rocky Mountain Farmers Union urges future farm programs to include an income support mechanism that includes an inventory management system to bolster farm prices for producers.[53]

V. INSTEAD OF TRYING TO SELL EXCESS COMMODITIES TO THE WORLD, COULD WE PRODUCE ENERGY INSTEAD?

In the past several years, a growing share of agricultural production has been diverted into energy production through ethanol, biodiesel, and other renewable fuels. At one time in our agricultural history, a large portion of production on a typical farm was energy crops (in the form of feed grains and hay) raised for feeding horses and other draft animals.[54]

While these energy crops are very positive for American agricultural markets and certainly have the benefit of reducing our country's dependence on foreign oil, it is important to note that they are not exports using supplies of commodities, but rather creative economic development encouraging further domestic demand. In addition, further economic benefits could be realized by increasing livestock enterprises using the high quality by-products of energy production. After making ethanol from a bushel of corn, you still are left with nearly a bushel of feed as a by-product.

Passage of a federal energy bill with a significant renewable fuels standard would create a much more consistent demand for agricultural commodities than the export market. Expensive energy prices, while a concern for both consumers and agricultural producers alike, will enhance demand for renewable fuels produced from our agricultural commodities.[55]

One of the concerns of the energy industry is: if we become more dependent on ethanol and biodiesel, will the necessary supplies of feedstocks be available when weather or other production problems occur? A system of farmer owned "energy reserves" may help alleviate concerns about a steady supply, and would help avoid the boom and bust cycles.[56]

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51. *See* Press Release, President George W. Bush, President Announces Temporary Safeguards for Steel Industry (Mar. 5, 2002) *available at* http://www.whitehouse.gov/news/releases/2002/03/print/20020305-6.html.

52. *See 2007 Policy of the National Farmers Union*, 105th ANNIVERSARY DELEGATE CONVENTION, Fla., Mar. 2007, at 13.

53. Kent Peppler, President, Rocky Mountain Farmers Union, Statement at the U.S. Senate Agric. Comm., Concerning U.S. Food & Farm Policy and Development of 2007 Farm and Food Policy (Mar. 12, 2007).

54. *See* VACLAV SMIL, ENERGY IN WORLD HISTORY, 71-73, Westview Press (2003).

55. *See generally* Daniel G. De La Torre Ugarte, Marie E. Walsh, Hosein Shapouri, & Stephen P. Slinsky, *The Economic Impacts of Bioenergy Crop Production on US Agriculture*, APAC (2003).

56. *See* Peppler, *supra* note 53.

The new Farm Bill also gives us an opportunity to look at farmer-owned energy reserves through a community-based strategic biofuels program. The establishment of a farmer-owned commodity loan would give farmers a tool to empower themselves, on a voluntary basis, and could help them influence market prices and protect against years of poor crop production.[57]

VI. WHY WON'T AGRICULTURAL MARKETS SELF-CORRECT?

Simple economics instructs that markets will self-correct. However, agricultural markets are "inelastic" and not as responsive as other industries. In other words, the market will not find a price low enough to clear excess production.

In non-agricultural markets, oversupply will generally cause prices to fall. Falling prices simultaneously increase the quantity demanded and reduce production until supply diminishes. Reduced supply, in turn, eventually spurs an increase in prices once again. Agricultural markets, however, do not work the same way.[58] Excess supply is not cleared from the market in a timely manner.

So why does it not work in agriculture? Under a purely academic model, production and supply drop in times of low prices.[59] If agriculture worked like other economic models, low prices would mean that producers would stop producing. However, in the real world that is not what happens. A farmer is going to produce when prices are high because he can make a profit, but he will also produce when prices are low in order to spread his high fixed costs over as many bushels as possible in an attempt to break even.

Low prices, according to the academic model, should also stimulate demand.[60] But, again, agriculture is unique. In most sectors of the economy, consumers take advantage of low prices and deplete inventories. For example, if there are too many TV's in the supply pipeline and prices fall, consumers will likely take advantage of the lower prices and buy an additional TV for the family room or kitchen, thereby reducing the stock. However, with food, demand stays relatively flat. Consumers may shift their diets to different foods depending on the price, but they probably will not eat more. In other words, if the price of food declines, people may switch from hot dogs to steak, but they will not start eating six meals a day instead of three.

Because agriculture is a unique economic enterprise, it is also a unique policy challenge. If agricultural policy is confined to economic models and free market ideology rather than the reality of the agriculture market, then independent producers will continue to struggle. Those who survive one crisis will most likely fall victim to the next crisis.

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57. *See id.*

58. *See* Ray, *Farm Policy's Historical Roots and Modern Influences*, *supra* note 48, at 27 fig.7 (2003).

59. Robert Schenk, *The Supply Curve*, OVERVIEW: MODEL OF SUPPLY AND DEMAND, (2007), *available at* http://www.ingrimayne.com/econ/DemandSupply/Supply3.html; NetMBA, *Supply and Demand*, ECONOMICS (2007), *available at* http://www.netmba.com/econ/micro/supply-demand/.

60. *Id.*

VII. DO INCREASED EXPORTS MEAN HIGHER COMMODITY PRICES?

Not necessarily. Despite the commonly held belief that greater exports translate into higher prices paid to our farmers, reality tells a different story. For example, our government cites increases in U.S. corn exports to Mexico as proof of NAFTA success.[61] In addition, the United States Trade Representative (USTR) reports, "[s]ince NAFTA was approved in 1993, United States agricultural exports to Mexico have nearly doubled. Mexico import[ed] $6.5 billion of United States agricultural products [in 2000], making it our third largest agricultural market."[62] USTR also points out that sales of U.S. corn to Mexico have increased eighteen-fold under NAFTA.[63] Thus, if the purpose of expanding trade and increasing U.S. exports is to benefit U.S. producers, one could safely assume that such dramatic success in corn exports to Mexico under NAFTA would translate into higher prices paid to U.S. farmers.

In fact, corn prices have dropped since NAFTA went into effect even though corn exports to Mexico have increased eighteen-fold.[64] Reduced production from 2003, and competition from higher priced oilseeds in 2004, has been the main reasons for increased corn prices.[65] In addition, since 2004, corn prices have increased due to greater ethanol production in this country.[66] Farmers and ranchers should be asking why the dramatic success in corn exports to Mexico under NAFTA have not translated into higher prices paid to U.S. farmers.

Farmers and ranchers have learned that our export competitors are as adamant about keeping their export markets as we are, and if we want to increase our sales abroad, we usually have to lower the U.S. commodity price to do so. It has been this drive for lower market clearing prices that has made the export market profitable for exporting companies but not necessarily for agricultural producers.

Do free trade agreements provide increased opportunities in developing nations? Proponents of new trade agreements and expanded trade often cite developing nations, where almost all income growth is spent on food, as an opportunity for U.S. export growth.[67] It is supposed that domestic demand grows faster in developing nations and that there is less growth in domestic agricultural

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61. U.S. Dep't. of State, Bureau of Int'l Info. Programs, NAFTA Agricultural Trade an Unqualified Success, U.S. Official Says: Agreement serves as building block for all trade liberalization (Apr. 20, 2004) *available at* http://www.america.gov/st/washfile-english/2004/April/20040420172550ASrelliM0.3547937.html.

62. U. S. TRADE REP., NAFTA GOOD FOR FARMERS, GOOD FOR AMERICA (June 6, 2001), *available at* http://www.ustr.gov/Document_Library/Fact_Sheets/2001/NAFTA_Good_for_Farmers,_Good_for_America.html.

63. *Id.*

64. Daryll E. Ray, *Mexico and Corn*, APAC, Sept. 5, 2003, *available at* http://agpolicy.org/weekcol/161.html.

65. Andrew Tanzer, *Something's Up Down on the Farm*, KIPLINGER'S PERSONAL FINANCE, vol. 61, No. 11, Nov. 2007, at 57-58.

66. *Id.*

67. *See, e.g.*, U.S. TRADE REP., CAFTA FACTS: MEETING THE NEEDS OF THE REGION'S RURAL POOR: CAFTA RECOGNIZES SENSITIVITIES AND EXPANDS NEW OPPORTUNITIES (May 2005).

production than in developed countries.[68] However, developing nations do not show a lot of promise as a source of export growth because they often experience *less* domestic demand than developed countries.[69] In fact, the average annual rate of growth in domestic demand for grains and seeds is decreasing in developing countries and domestic production is increasing at a faster rate than demand.[70] It is actually *developed* nations whose domestic demand is growing.[71]

Recently, developing nations of the world accused the U.S. of "exporting poverty"[72] because we no longer manage our supply and have no effective floor price under commodity prices. In fact, the United States and Europe can sell large quantities of cheap products into world markets, and rely on government programs to absorb some of the economic loss to producers.

In April, 2004, the WTO issued a preliminary finding that shows the U.S. cotton support mechanisms, including direct payments, counter-cyclical payments, crop insurance subsidies, and incentive payments made to cotton end users to encourage the use of U.S. produced cotton, are illegal under current trading rules.[73] The complaint was filed by Brazil, and while the United States will likely appeal the final ruling, it is an indication that the rest of the world, particularly developing countries, views the 2002 Farm Bill and some of its supports as being trade distorting.[74]

While this new WTO ruling applies only to cotton, there are many other commodity support programs for other products that may be challenged in the future. In fact, Brazilian President Luiz Inacio Lulada Silva recently stated that "a U.S. offer to limit agricultural subsidies to US $17 billion was 'absurd'," and added that, "Brazil's decision...to drop out of preliminary talks in the World Trade Organization's Doha round of negotiations symbolized the end of Brazilian 'subservience' to the industrial countries."[75]

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68. *Id.*

69. *See* Daryll E. Ray et al, *Rethinking U.S. Agricultural Policy: Changing Course to Secure Farmer Livelihoods Worldwide*, APAC, 27-30, Sept. 12, 2003, *available at* http://www.agpolicy.org/pub03.html.

70. *See* U.N. FOOD & AGRIC. ORG. (FAO) ECON. & SOCIAL DEP'T, FAO REPORT: ENOUGH FOOD IN THE FUTURE – WITHOUT GENETICALLY ENGINEERED CROPS §2 & §9 (Apr. 2000).

71. Stacey Rosen & Shahla Shapouri, *Rising Food Prices Intensify Food Insecurity in Developing Countries*, AMBERWAVES, Feb. 2008, *available at* http://www.ers.usda.gov/AmberWaves/February08/Features/RisingFood.htm.

72. *See* Daryll E. Ray, *International Producer Groups Offer a Competing Proposal for WTO Ag Negotiations*, APAC, June 27, 2003, *available at* http://www.agpolicy.org/weekcol/151.html.

73. *See* Daryll E. Ray, *Cotton Trade Dispute Ruling Released: U.S. Must Make Changes*, SOUTHWEST FARM PRESS, Dec. 2, 2004, *available at* http://southwestfarmpress.com/mag/farming_cotton_trade_dispute_2/.

74. William Krist, *Trade Policy and the Farm Bill*, WOODROW WILSON CENTER, presented on July 16, 2007.

75. Keith Good, *DOHA: Lula Speaks Out*, FARMPOLICY.COM, July 3, 2007, *available at* http://www.farmpolicy.com/?p=382#more-382.

VIII. DO OUR FARM PROGRAMS CAUSE POVERTY IN OTHER PARTS OF THE WORLD?

Since the U.S. government no longer has any control over the amount of agricultural production through acreage constraints or inventory management, some countries of the world have accused us of "exporting poverty" to the rest of the world.[76]

According to Dr. Ray, the U.S. has historically had both a *policy of plenty* and a *policy of managing plenty*.[77] Our *policy of plenty* includes ongoing public support to expand agricultural productive capacity through research, extension programs, and other means to encourage more production.[78] We also have ample evidence that our yields have increased as well as our costs.

In the past, our *policy of managing plenty* included mechanisms to manage capacity and to compensate farmers for consumers' accrued benefits of productivity gains.[79] We have dropped the "managing plenty" part of our farm programs, mostly since 1996, with no floor under commodity prices (marketing loans and loan deficiency payments); no effective control of crop mix and acreage (planting flexibility and no acreage set-asides); no price stabilization to producers (no reserves or long-term loans).[80]

Economic theory should then dictate that, as producers (both in the U.S. and in the rest of the world), no longer finding it profitable to produce commodities at the resulting low prices (without subsidies) should either raise different crops (likely also in surplus) or go out of business. The operating assumption behind such logic is that if subsidies were eliminated, production would decrease, and then farmers worldwide would benefit from improved commodity prices.

The key question then is "will freeing up trade rules and eliminating farm subsidies result in better prices?" A World Bank Report titled *2004 Global Economic Prospects: Realizing the Promise of the Doha Agenda* prescribes the nearly total elimination of supports in the European Union and the United States.[81] In a related study of the possible effects of this scenario, the International Food Policy Research Institute (IFPRI) estimates that corn prices worldwide would increase a whopping 2.9% after twenty years and that wheat prices would "soar" up by 0.8%.[82]

These predictions assume that the European Union countries would reduce their production of wheat, oilseeds, and other grains by 63%, as the comparative

76. *See* TIM JOSLING ET AL., THE 2007 US FARM BILL: IMPLICATIONS FOR DEVELOPING COUNTRIES, INTERNATIONAL FOOD AND AGRIC. TRADE POL'Y COUNCIL 3-4 (Sept. 2007).

77. *See* Ray et al., *Rethinking U.S. Agricultural Policy*, *supra* note 69, at 15-16 & 54 (App. A).

78. *Id.* at 54 (App. A).

79. *See Id.* at 15 & 54 (App. A).

80. *See Id.* at 16-17.

81. *See* CARLOS A. PRIMO BRAGA, 2004 GLOBAL ECONOMIC PROSPECTS: REALIZING THE PROMISE OF THE DOHA AGENDA, WORLD BANK REPORT 48 (Nov. 11, 2004).

82. Diaz-Bonilla Eugenio et al., *Food Security and the World Trade Organization: A Typology of Countries*, AGRICULTURAL TRADE LIBERALIZATION: POLICIES AND IMPLICATIONS FOR LATIN AMERICA 333-360 (Marcos S. Jank ed., Inter-American Development Bank 2005).

advantage would be for other countries with lower costs to raise these commodities.[83] Agricultural markets do not always respond the way other markets do, nor the way economists or trade negotiators think they will. It is highly unlikely that much land would be left idle and that these European countries, which have lived through previous famines, would choose to be dependent on other countries for vital foodstuffs. Likewise, history has shown that in the U.S., farmland is always used to produce something, and producers will not choose to let major acreage remain idle even at fairly low prices.

So, it would seem that just eliminating trade barriers and eliminating subsidies would not result in significantly higher prices for farmers in developing countries or anywhere else in the world. This may be a key point that our negotiators have missed. The high subsidy levels in the U.S. and Europe are the *result* of low prices, not the *cause* of low prices. Once we, and more importantly our trade negotiators, understand this concept, it is not so easy to reach the conclusion that the simple elimination of subsidies will bring better crop prices to all farmers of the world.

IX. SHOULD WE RELY ON PROJECTIONS TO DEVELOP PUBLIC POLICY?

Overly ambitious projections are a problem when it comes to determining agriculture and trade policy. In 1996, price projections showed farmers receiving high commodity prices for years to come; however, those projections did not even last the growing season.[84] Wheat closed at $7.16 in April 1996 when the FAIR Act was signed.[85] Six weeks later, the price of wheat had fallen to $5.00.[86] With the exception of soybeans, which peaked in 1997, crop prices for eight major crops reached their record highs before the first crop year governed by Freedom to Farm.[87]

Trade projections were also inflated. At the time The FAIR Act was under consideration, projectionists generally held that more free international trade, especially with China, would launch U.S. agriculture onto an export-driven path of sustainable prosperity.[88] For example, in 1996 China was projected to import 260 million bushels of corn in the year 1999. However, in reality they exported over 400 million instead.[89]

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83. *See generally* Daryll E. Ray, *Is it as Simple As: EU Lowers Farm Tariffs, U.S. Benefits?*, APAC, Oct. 28, 2005 available at http://agpolicy.org/weekcol/273.html.

84. Ray, *1996 Farm Bill, supra* note 25, at Introduction.

85. Daryll E. Ray, *Impacts of the 1996 Farm Bill, Agric. Pol'y Analysis Center*, APAC, at 9 (Feb. 2001), *available at* http://agpolicy.org/farmbill.html.

86. *Id.*

87. *See* Ray, *1996 Farm Bill, supra* note 25.

88. *See* DOUG BANDOW, TRADE WITH CHINA: BUSINESS PROFITS OR HUMAN RIGHTS?, (Cato Center for Trade Policy Studies 2000), *available at* http://www.freetrade.org/node/198.

89. *See* FRED GALE, SUBSIDIZING CORN EXPORTS HELP PRICES REBOUND 14 (Econ. Res. Service/USDA, DIANE Publishing) (2001), *available at* http://www.ers.usda.gov/publications/wrs012/wrs012e.pdf.

X. THAT MONOPOLY "UP NORTH"

In February 2002, North Dakota farmers received mixed results from their lengthy battle for trade justice. The findings of the North Dakota Wheat Commission's Section 301 case indicated that the Canadian Wheat Board was engaged in trade distorting practices; however, the Canadian Wheat Board took no action to remedy U.S. farmer's concerns.[90] Since that first decision, a 14% tariff has been imposed on incoming hard red spring wheat imports, but no tariff was imposed on durum wheat.[91] Although one can attribute some of the differences to currency rate changes, the tariffs have slowed the flow of Canadian wheat and durum dramatically.[92]

It is interesting to note that while the North Dakota media reported a victory, the Canadian media also reported victory, once again claiming vindication for the much-maligned Canadian Wheat Board.[93] There are few greater examples of a free trade whipping post for American wheat producers than the Canadian Wheat Board. Critics maintain that as a state trading enterprise, it is an anathema to free trade, and often blame it for the dismal situation in durum.[94] Indeed, the flood of Canadian durum has most likely contributed to driving down U.S. domestic prices.[95]

Politically, the Canadian Wheat Board is a popular and easy target for disgruntled farmers and frustrated politicians. However, is it the Canadian Wheat Board, or the trade agreements, that have put American farmers at a disadvantage? It may seem like the simple answer, but eliminating the CWB probably will not solve our problems and could even make them worse. Without individual western Canadian farmers being required to sell their wheat to the Wheat Board, there would be a flood of grain sold in the U.S. bordering states by individual producers and local elevators instead of one state trading enterprise.

Do we need price transparency? Yes. Do we need to address currency fluctuations? Absolutely. Do we need tariff rate quotas (TRQs) on Canadian durum? Without a doubt. In fact, several trading partners use TRQs on U.S. products,[96] highlighting its appropriateness. Our own government recently

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90. Press Release, U.S. Trade Representative, USTR Chief Ag Negotiator to go to North Dakota to Hear Concerns of Wheat Farmers Regarding Monopolistic Canadian Wheat Board (March 28, 2002).

91. RANDY SCHNEPF, U.S.-CANADA WHEAT TRADE DISPUTE, CRS Report for Congress, RL32426, at 12 (2004), *available at* www.nationalaglawcenter.org/assets/crs/RL32426.pdf.

92. North Dakota Union Farmer, Tariffs Imposed on Canadian Wheat", June Edition, 2002 [hereinafter North Dakota Union Farmer].

93. Press Release, Canadian Wheat Board, U.S. Wheat Tariff Comes Off; NAFTA Victory Complete For Western Canadian Farmers (March 1, 2006) (on file with The DJILP).

94. *See Wheat Board Elections Favour Pro-Monopoly Candidates*, CANADIAN BROADCAST CENTER, Dec. 12, 2006, *available at* http://www.cbc.ca/canada/saskatchewan/story/2006/12/11/wheat-board.html; *see also* JOHN HOEVEN, TESTIMONY OF THE HONORABLE JOHN HOEVEN PRESENTED AT THE U.S. INT'L TRADE COMMISSION 1 (State of N.D. 2003), *available at* http://governor.state.nd.us/media/news-releases/2003/09/docs/030904.pdf.

95. North Dakota Union Farmer, *supra* note 93, June Edition, 2002.

96. *See* DAVID W. SKULLY, ECONOMICS OF TARIFF-RATE QUOTA ADMINISTRATION, MARKET AND TRADE ECONOMICS DIVISION 1 (Econ. Res. Service/USDA 2001), *available at*

implemented TRQs on steel and lumber when it determined that other countries were using unfair trading practices to dump those products into the U.S. market.[97] TRQs could be an accepted and measured remedy to trade distorting practices.

However, the free trade agreements, not the Canadian Wheat Board, are at the root of US/Canadian trade disputes. We need to go straight to the heart of the problems in agriculture by addressing unfair trade agreements and market concentration. We would be wise to direct our efforts toward the end rather than chasing our tails about the Canadian Wheat Board.

XI. THE NAFTA SHUFFLE

U.S. exports to Canada and Mexico have grown under NAFTA, but imports to the U.S. from Canada and Mexico have grown much faster.[98] Even though USDA recognizes that imports have grown under NAFTA, our government downplays their significance. During the NAFTA years, the U.S. NAFTA trade surplus in agricultural products declined by 71%.[99] Before NAFTA, (1991 to 1994) the agricultural surplus with Canada and Mexico increased by $203 million.[100] During NAFTA, (1994 to 2000) the surplus fell by *$1.5 billion.*[101]

The agricultural product-trade surplus with NAFTA countries has declined more rapidly than the overall U.S. trade surpluses in agricultural products. It fell from $1.6 billion in 1995 to $456 million in 2000 (a 70.7%) drop.[102] In fact, there were two years of outright U.S. agriculture trade deficits with NAFTA countries in 1995 and 1999.[103]

In 1989, competitive imports (meaning those that replace crops grown in the U.S.) "were 38% of U.S. export levels and 71% of all U.S. agricultural imports."[104] Based on 2000 data, "competitive imports were 60% of U.S. export sales and represented 80% of all U.S. agricultural imports."[105] The increase in competitive

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http://www.ers.usda.gov/publications/tb1893/.

97. Press Release, U.S. Trade Representative, U.S. Outlines Process for Steel Safeguard Exclusions (July 3, 2002), *available at* http://www.ustr.gov/Document_Library/Press_Releases/2002/July/US_Outlines_Process_for_Steel_Safeguard_Exclusions.html?ht=.

98. PARR ROSSON & FLYNN ADCOCK, THE NORTH AMERICAN FREE TRADE AGREEMENT; DEEPENING ECONOMIC INTEGRATION AND RESPONSE TO COMPETITION 2-3 (Center for N. Am. Stud. 2003), *available at* http://cnas.tamu.edu/publications/WEAINAFCNAS.PDF.

99. MARK GEHLHAR ET AL., U.S. DEPT. OF AGRIC, GLOBAL GROWTH, MACROECONOMIC CHANGE, AND THE U.S. AGRICULTURAL TRADE 1 (Econ. Res. Service, USDA, 2007), *available at* http://www.ers.usda.gov/publications/err46/err46.pdf.

100. Elizabeth Henderson, *Why the National Campaign for Sustainable Agriculture Should Take on Free Trade Agreements*, 10 COMMUNITY, FOOD, & AGRIC PROGRAM NEWS 1, 1 (2002), *available at* http://media.cce.cornell.edu/hosts/agfoodcommunity/fap/newsletter/CFAPfall02.pdf.

101. ROSSON & ADCOCK, *supra* note 98, at 3.

102. PUBLIC CITIZEN, DOWN ON THE FARM 7 (2002), *available at* http://www.citizen.org/documents/ACFF2.PDF.

103. *Id.*

104. *Id.* at ii.

105. *Id.*

imports means that we are now in the unfortunate position of trying to export our imports.

XII. TRADE PROMOTION AUTHORITY (TPA)

Early in his term, President George W. Bush signed a bill containing Trade Promotion Authority (TPA), previously called Fast Track.[106] A major legislative priority for President Bush, proponents touted the TPA as creating "more good jobs for American workers, more exports for American farmers, and higher living standards for American families."[107] TPA essentially allows the trade negotiators and/or the administration to craft trade agreements knowing that Congress cannot modify any provisions to the document, but can only vote to approve or disapprove the document in its entirety.

Present and past administrations have maintained TPA was necessary because other countries were not willing to seriously negotiate with the United States if Congress could change agreements.[108] The Bush Administration argued that because TPA (Fast Track) was not re-authorized in 1994, the U.S. had missed out on many preferential trade agreements that other countries had negotiated without us.[109] Specifically, the administration informed farmers and ranchers that without TPA, the United States would be further excluded from trade, resulting in agriculture losing out on numerous export opportunities.[110]

Despite the fact that the U.S. has negotiated hundreds of trade deals without TPA (in both the Clinton Administration and the Bush Administration, totaling roughly 300 separate trade agreements without Fast Track),[111] the trade agreements negotiated under Fast Track, like NAFTA and CUSTA, have not been favorable to U.S. agriculture. Implementing a procedure that will increase the likelihood of more agreements like NAFTA does not seem prudent to Farmers Union.

In recent years, proposed Free Trade Agreements have been negotiated with Chile, Singapore, Thailand, Central American countries, the Dominican Republic

106. David Firestone, *Senate Grants Bush Authority on Trade Deals*, N.Y. TIMES, Aug. 2, 2002, at A1.

107. Press Release, The White House, President Signs Trade Act of 2002 (August 6, 2002), *available at* http://www.whitehouse.gov/news/releases/2002/08/20020806-4.html.

108. BUREAU OF OCEANS & INT'L ENVTL. & SCI. AFF., TRADE PROMOTION AUTHORITY FACT SHEET (2002), *available at* http://www.state.gov/g/oes/rls/fs/2002/12953.htm.

109. Press Release, U.S. Trade Representative, Statement from U.S. Trade Representative Robert Zoellick on House Passage of the Trade Promotion Authority Bill (July 7,2002), *available at* http://www.ustr.gov/Document_Library/Press_Releases/2002/July/Statement_from_US_Trade_Representative_Robert_B_Zoellick_on_House_passage_of_the_Trade_Promotion_Authority_bill.html?ht=.

110. *See* Nat'l Corn Growers Ass'n, *NCGA's Hume Speaks with Agriculture Secretary, Trade Ambassador on TPA*, 9 CORN COMMENT. 24 (2002), *available at* http://www.ncga.com/news/CC/volume9/ccVol9n24.html.

111. Press Release, U.S. Trade Representative, Statement of U.S. Trade Representative Susan C. Schwab regarding the Expiration and Renewal of Trade Promotion Authority (June 29, 2007), *available at* http://www.ustr.gov/Document_Library/Press_Releases/2007/June/Statement_by_US_Trade_Representative_Susan_C_Schwab_regarding_the_expiration_renewal_of_Trade_Promotion_Authority.html.

(CAFTA), and Australia (AFTA).[112] The U.S. is also attempting to negotiate a Free Trade Area of the Americas (FTAA).[113] In most of these countries, the demand for U.S. agricultural products is low, while the opportunity to sell foreign agricultural goods into our markets is considerably higher. In most of these agreements, trade negotiators often cite the demand in foreign countries for U.S. services like banking, movie and television rights, technology products and other products, but agricultural products are far down the priority list. Most often, opening our borders for agricultural imports into the U.S. is the price we pay for access to their consumer markets.

The U.S. has the largest and most powerful economy on earth. There is tremendous incentive for countries to enter into trade agreements with us, not necessarily because they want to *buy* from us, but because they want to *sell* to us. We are the most consumptive society the world has ever known. Trade Promotion Authority is not the deal breaker. Trade Promotion Authority is just one more in a long list of items where farmers and ranchers are used to provide political cover for other interests such as the elimination of estate taxes, vertical integration, and biotechnology. The bottom line is that TPA is not the answer farmers and ranchers are looking for.

XIII. WHO REALLY WINS WITH FREE TRADE?

Free trade conventional wisdom assumes that if farmers and ranchers operate in the free market, the most "efficient" producers will prevail, while the "less efficient" producers will finally fail when taken off the government dole. Of course, the problem with this assumption is that it is simply not true. Contrary to conventional wisdom, it is not the most efficient that will prevail, but rather those with the deepest pockets who can afford to stay in the game the longest. Economic theory that maintains countries quit producing agricultural commodities if prices get low enough is flawed, primarily because other nations view food production as a national security issue, and will produce food for their citizens regardless of the price.

Economics assumes that trade takes place between equal entities. It ignores the fact that the world is filled with those who are unequal in size and strength, and it ignores that giant corporations are capable of dominating conditions of trade at the expense of smaller businesses and individuals. That is exactly the case in agriculture, and it is especially true in the global marketplace.

Eliminating trade barriers, globalizing markets and erasing borders simply encourages dominant players to grow even larger. At the same time, trade agreements strive to eliminate the few protections that farmers have left, such as

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112. Implementation of Trade Agreements, 19 U.S.C. § 3805 (2008); Dominican Republic – Central America Free Trade, 19 U.S.C. §§ 4001-4111 (2008).

113. Press Release, U.S. Trade Representative, FTAA – Trade Negotiations Committee (Feb. 24, 2005), *available at* http://www.ustr.gov/assets/Document_Library/Press_Releases/2005/February/asset_upload_file804_7282.pdf.

domestic safety net programs and marketing agencies. Trade agreements also attempt to dismantle labor standards and environmental protections for all workers.

Fair trade is essential to American agriculture. However, liberalized trade is not the cure for all of agriculture's woes. Markets fluctuate, currency values change, trade balances shift, and supply and demand varies. That is the way markets work. That is why farmers and ranchers need federal farm programs, antitrust protections, and transparent trade agreements. The nature of the markets, coupled with the current free market ideology and undue market influence of international corporations, mean that the present situation in agriculture is not an aberration but a *chronic condition* brought to bear upon farmers by our public policy choices.

XIV. A SENSIBLE ALTERNATIVE

Agriculture is unique. Agricultural markets do not work like other markets, and food production is too important to be at the mercy of political whim and corporate wealth building. Agriculture needs public policies and trade agreements that recognize the realities of agricultural markets. World farmers need to cooperate, not compete, by fostering new trade rules that:

1. Establish an international food reserve to assure supply when natural disasters cut production. Exporting and importing nations should share the cost of the reserve.
2. Recognize that some of our world agricultural production could be used for energy needs and establish a national or international energy reserve of commodities that can be processed into energy in times of lowered production.
3. Attack world hunger and malnutrition: 800 million people in the world are starving and have suffered with for dozens of years. In addition, nearly one billion people in the world suffer from varying levels of malnutrition. Hunger results in an unstable, insecure, unhealthy and dangerous world.
4. Recognize that agriculture is unique among industries, and that changes in price do not necessarily change the levels of production. Agricultural producers will continue to produce all of their acres in times of low prices in an attempt to cover costs, and will continue to produce on all of their acres in times of high prices in an attempt to capitalize on good markets.
5. Recognize that the usual way to grow the amount of export volumes is to lower the price, and this "race to the bottom" decimates producers.
6. Recognize that U.S. and world output of agricultural commodities will continue to outpace demand.

7. Understand that we must view food and agriculture markets as they are, and not how we want them to be.[114]

Agricultural producers are in a global market that whipsaws food producers into the fruitless quest to be the lowest cost producers. We need a global market that rewards farmers for participating in the world's greatest occupation – growing food.

114. *See* NATIONAL FARMERS UNION, *supra* note 1, at 41-47.