

## **Congress pushed on world impact of farm policy**

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Congress must consider more carefully the impact of U.S. farm policy on the developing world, agriculture experts say in a forthcoming report which argues that copious subsidies at home may only further impoverish poor nations and stunt future export markets.

"It's the furthest thing from their mind," said Robert Thompson, one author of a report to be launched on Thursday by the International Food and Agriculture Trade Policy Council, a Washington-based group.

That report looks at the footprint of U.S. farm policy -- in the crosshair as Congress writes a new five-year farm, food aid and public nutrition law -- on developing nations.

Even domestic U.S. farm policies reverberate far and wide, in part because its exports of crops like corn, soybeans and cotton makes up such a big share of world trade. U.S. farmers produce 60 percent of world corn exports and 40 percent of world cotton exports, for example.

Many economists argue those abundant exports, fueled in part by government subsidies that have tallied around \$20 billion in recent years, depress world prices for some commodities by at least 10 percent.

"Once has to question the fairness, if not morality, of policies in high-income countries which reduce the income-earning potential" of the world's poor, said Thompson, a former senior economist at the Agriculture Department and director of rural development at the World Bank.

Thompson, now an academic, says Congress must reduce production-linked subsidies for crops which some poor countries rely on as an export staple for some poor countries, like cotton and rice, and lower entry barriers for their most competitive crops, like sugar, citrus and ethanol.

He also wants to see changes to food aid programs that critics argue distort developing world markets.

Not only is that the high road, he said, it will pad farmers' pockets in the long run. If poor countries can't compete on world commodity markets, the argument goes, they won't grow their economies and will never increase citizens' purchasing power and appetite for U.S. exports.

"Anything we do to keep developing countries down flies in the face of future markets," he said.

#### READY FOR REFORM?

Many see the moment as ripe for reform, with U.S. agriculture enjoying record-high prices driven largely by mounting demand for corn-based ethanol. That price boom has kept price-triggered subsidy spending low.

Still, Congress does not seem to be moving toward dramatic reform, or even embracing the administration's plan to increase direct payments and cut some production-linked supports.

Last week, a House Agriculture subcommittee voted to extend subsidies from past years and provide an incentive for the U.S. cotton industry similar to one repealed after Brazil won a World Trade Organization case against U.S. cotton subsidies.

Some lawmakers argued the move was a good step toward a final law that would balance reform with the need to give farmers a safety net in an increasingly uncertain world.

While it's too early to tell what the final farm legislation will look like, Thompson believes the move "sends completely the wrong message" to the world, which could augur poorly for world trade talks, and also ignores mounting pressure at home for reform to boot.

"To the rest of the world, the subcommittee's action is seen as yet another example of the United States' arrogance and unilateralist approach," Thompson said.

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