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International
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Policy Council



US Cotton Subsidies and the Next Steps for African Cotton

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Cotton has come to symbolize the “Development” in the Doha Development Round, as it exemplifies the impact of trade-distorting subsidies on developing country farmers. The International Food & Agricultural Trade Policy Council (IPC) is pleased to release a report by Daniel Sumner, the director of the University of California Agricultural Issues Center, titled "US Farm Programs and African Cotton," which describes the domestic and international factors influencing US cotton policy: the US Farm Bill, the US-Brazil WTO cotton case, and the WTO’s sectoral initiative on cotton. Sumner discusses how each of these factors might impact future US cotton production, and, in turn, developing country farmers.

Estimates about a reduction and elimination of US support to cotton vary given different models and assumptions used, but all point to the clear fact that US subsidies encourage US cotton production and exports, and suppress or depress international prices, which was also the finding of the WTO’s dispute settlement panel. Sumner calculates that elimination of all US cotton programs, with other US farm programs remaining in place, would reduce US production by 25 to 30 percent, decrease U.S. exports by about 40 percent, and raise world prices by about 10 percent. This would translate into \$75 million additional revenue for the C-4 countries. If production rose modestly to about 1.8 billion pounds, net gains to the African cotton industry would be around \$80 million. The economy-wide impact would be even greater. The report also suggests that cotton subsidy reform in the US would translate into positive benefits for rural communities in African countries, given that fifteen million African cotton farmers derive their livelihoods from cotton production. Sumner provides recommendations for what developing countries can do to advocate for cotton reform, which include:

- urging for the resumption of the Doha Development Round;
- appealing to Congressional members on humanitarian and economic development grounds for US farm bill reform; and
- providing background support to Brazil in the WTO case against US cotton subsidies.

IPC, the Woodrow Wilson International Center for Scholars, and the IDEAS Centre, have also published a report of the international conference on cotton organized by the three institutions in Washington, DC in October, 2006, titled “The Next Steps for Africa: A Report of an International Conference on Cotton.” It highlights the trade, competitiveness, and development assistance issues involved with enhancing cotton production in Africa, and the challenges of working toward a more just playing field in global trade. It also offers a concise summary of what the next steps for Africa are in cotton production and trade, including:

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- Resuming and rapidly concluding the Doha Round negotiations, as this provides the best vehicle for achieving cotton subsidy reform;
- Urging the US to reform its cotton subsidies in the 2007 Farm Bill;
- Calling for actions by African governments and the private sector to address competitiveness issues;
- Improving donor coordination, and
- Working toward a better donor-recipient dialogue on cotton.

These two publications are available online at www.agritrade.org

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The International Food & Agricultural Trade Policy Council (IPC) pursues pragmatic trade and development policies in food and agriculture to meet the world's growing needs. IPC accomplishes its mission by convening influential policymakers, agribusiness executives, farm leaders, and academics from developed and developing countries to clarify complex issues, build consensus, advocate policies to decision-makers, and foster broader stakeholder participation in the policy process.