

Food, Agriculture, and the Common Good

U.S. Food and Agricultural Policy should advance the common good and be evaluated in light of its impact on those who are most vulnerable, both domestically and internationally.

Introduction

The food system has great potential to promote the common good. The direct connection between agriculture and food means that a just agricultural policy can promote universal access to adequate food, which is a necessary ingredient for people to live dignified lives and be active participants in the development and governance of their communities. Current global economic, political, and social arrangements, however, permit growing inequality and injustice, which threatens the common good. Small farmers and farmworkers worldwide as well as African American farmers are among those who experience this growing injustice.

Farm Subsidies

For those who care about eliminating hunger and poverty it is important to understand the links between domestic agricultural policy in the United States and international trade. There are currently serious debates going on at the World Trade Organization (WTO) about the relationship between agricultural subsidies in the U.S. and the EU and their relationship to perpetuating hunger and poverty around the world.

What is a Farm Subsidy?

A farm subsidy is a form of support, usually money, given by a government to a farmer. Subsidies can be cash payments that farmers receive as checks in the mail or other forms of support such as loans.

Different Types of Subsidies:

There are two main categories of subsidies given to farmers: export subsidies and domestic subsidies.

1. Export Subsidies:

Export subsidies are payments given by the government to farmers so that they will sell their product abroad. Export credits ensure that those who want to export their goods will have the credit necessary to do so.

Problems with export subsidies and credits:

Export subsidies and credits make it easy and profitable for farmers to sell their goods abroad. But, farmers in other countries often do not have the same support from their government, which means that export subsidies and credits in the U.S. can lead to agricultural “dumping.” Dumping is when a business from one country sells agricultural goods to another country at a price that is lower than what it actually cost to produce the product. Dumping makes it difficult for farmers in the Global South to compete, even in their local markets, which perpetuates poverty for many small farmers in the Global South.

2. Domestic Subsidies:

Another form of farm support is domestic subsidies. These subsidies are given by the government to encourage a producer to grow more of a certain crop, assist farmers who are not making a profit, promote environmental protection, and respond to the needs of farmers when natural disasters occur. Different types of domestic subsidies include:

Farm Payments: These are usually cash payments or special loans made directly to participating producers. These payments are generally given only to the producers of certain commodities including corn, wheat, soybeans, rice, upland cotton, and oilseeds. Farm payments given to support the production of certain commodities totaled over \$11 billion in 2003 (www.ewg.org).

Conservation Payments: There are also agricultural subsidy payments made to farmers for

environmental and conservation purposes. The Conservation Reserve Program (CRP) and the Conservation Security Program (CSP) are two primary programs in this category. The CSP provides money to farmers who engage in sustainable agricultural practices. Since agriculture is one of the most heavily polluting sectors of the economy, this program is aimed at protecting environmental resources. In 2003, the U.S. spent just over \$2 billion on conservation payments to farmers (www.ewg.org).

Disaster Payments: Disaster payments are made to crop producers when either planting is prevented or crop yields are abnormally low because of problematic weather conditions. Funding for disaster payments totaled \$2 billion in 2003 (www.ewg.org).

Problems with domestic subsidies: In certain cases, domestic supports can encourage overproduction because if the government is paying producers of a certain crop, others will want to start producing it too or will produce more of it than normal. This can make global prices lower, which can lead to agricultural dumping and can make it very difficult for small farmers in developing countries to survive. The extent to which domestic supports actually create these problems is a topic of much debate among farmers, politicians, trade negotiators, and researchers.

African American Farmers

Small farmers in the U.S. have faced many challenges, but for African American farmers the difficulties in the agricultural sector have been extraordinary. The historical examples of slavery and sharecropping are clear, but the obstacles persist through the present:

- Even though African American farmers make up one percent of United States farmers, they only receive one-tenth of one percent of all crop subsidy payments (Jackson, “40 Acres and a Mule, Denied”).

- In 1910, African Americans owned 14 percent of the country’s farms. Today, they own about one percent of farms (Jackson, “40 Acres and a Mule, Denied”).
- The rapid decline in farm ownership among African Americans is not in line with the broader trend; African American farm ownership has declined at three times the rate that it has for white farmers (www.ewg.org).

The rapid decline in land ownership can be attributed to factors including various land inheritance problems, inaccessibility of affordable legal counsel, as well as racially discriminatory practices by the USDA around access to governmental resources (www.federationsoutherncoop.com). In seeking justice through farm policies, it is imperative that African American farmers receive the resources that they need.

Agricultural Dumping

The term “dumping” is used to describe the process whereby a business in one country exports a product to another country at a price **below the cost of production** (when the price a product is sold for is lower than what it actually costs to make the product). In our current global system, the United States and the European Union are most commonly criticized for dumping agricultural goods (wheat, soybeans, corn, rice, cotton, etc ...) into developing countries. It is necessary for people in the U.S. to understand “dumping” because it is one contributing factor to the perpetuation of poverty in developing countries, therefore inhibiting the common good.

Why does dumping happen?

Although there is much debate about the root cause of agricultural dumping, some of the factors contributing to dumping include:

- A lack of effective **supply management**. Traditional economic thinking would usually dictate that as prices drop, producers will slow down their production until prices rise again.

However, as agricultural prices drop, farmers tend to continue producing as much as they can to try to maintain adequate revenues.

Agriculture differs from other industries in this way. This means that oversupply occurs frequently in agricultural production, which means that prices are often low. In turn, this means that the cheap agricultural goods are exported at below the actual cost of production. A form of supply management could assist in solving this problem.

- Currently, the government gives payments to farmers who produce certain commodities such as corn, wheat, and cotton. These payments,

“Dumping Rates”

In 2003, the United States consistently “dumped” goods into markets in the Global South:

- **Wheat** was exported by the U.S. at an average price of **28%** below the cost of production
- **Soybeans** were exported from the U.S. at an average price of **10%** below the cost of production
- **Corn** was exported from the U.S. at an average price of **10%** below the cost of production
- **Cotton** was exported from the U.S. at an average price of **47%** below the cost of production
- **Rice** was exported from the U.S. at an average price of **26%** below the cost of production

Source: Sophia Murphy, “WTO Agreement on Agriculture: A Decade of Dumping,” Institute for Agriculture and Trade Policy (www.iatp.org)

called **domestic supports**, are the topic of much debate among politicians, farmers, and the international community. Some believe that these domestic supports encourage farmers to produce more of their crop, which creates an oversupply of that crop, which U.S. farmers and agribusinesses then dump into the developing world. Others believe that these domestic supports, in general, are not the cause of dumping. They see export subsidies and agribusiness consolidation as the leading factors contributing to dumping.

- A trend over the past few decades has been for the number of agribusiness firms to decrease, leading to fewer and fewer agribusiness firms controlling more and more agricultural processes. For example, three firms – Archer Daniels Midland, Bunge, and Cargill – control 71 percent of all soybean crushing. This level of **corporate consolidation** has contributed to international agribusiness firms being able to export agricultural goods at below the actual cost of production. A few agribusiness firms buy goods from thousands of farmers giving them the power to drive down the prices they pay to producers.
- Governments offer payments and credits to agricultural producers to encourage them to export their goods. These payments, called **export subsidies** or **export credits**, are given to farmers and are aimed at getting rid of the surplus of agricultural goods produced in a country and keeping exporters competitive in the global market. Export subsidies and credits, however, are one of the main causes of dumping because they make it cheap and profitable for agricultural goods to be exported to developing countries.
- Over the past decades there has been pressure on developing countries to remove any tariffs, quotas, or other protections for their economies. The process of removing protective measures, called **economic liberalization**, has made it difficult for developing countries to protect their

farmers from goods produced below the cost of production in other countries.

What are the problems with dumping?

Do below-cost imports in developing countries provide cheaper food to consumers in that country? Not necessarily. Dumping of agricultural goods creates serious problems in the Global South and does not necessarily mean cheaper prices for consumers. Some of the negative impacts of dumping include:

Flooding local markets in the Global South with below-cost agricultural goods makes it nearly impossible for small farmers to compete, even at their local market. This has far-reaching effects because such a large percentage of people in the Global South rely on agriculture for their primary income. Seventy percent of rural household income in Asia and sixty percent in Latin America and Africa comes from farming and farm labor.



Displacing small farmers. As small farmers are not able to compete, they are often forced to leave their land and find work by migrating to either a local city or another country. Many do not find a job that pays them enough to survive. Some farmers who are displaced from their farms in Latin America end up migrating to the United States to work as farmworkers, forced to work long hours, receive very little pay, and often have to work with dangerous pesticides.



Limiting agricultural development. As artificially cheap agricultural goods flood markets in the Global South and local farmers are not able to compete, improvement of the agricultural sector in the developing world becomes very difficult for an enormous number of people living in poverty. Dumping stunts the growth of the agricultural sector in the developing world, which in turn makes it more difficult for farmers to break free of poverty.

Conclusion:

The food and agricultural system has the potential to promote the common good in many ways – including providing food to the 852 million people on earth who are hungry. Control of the food system by large corporations and profit motives, however, prevents the agricultural system from realizing this goal.

Reflection Questions:

1. How is food and agricultural policy connected to the common good?
2. What are agricultural subsidies?
3. What specific obstacles do African American farmers face?
4. What is agricultural dumping?
5. What are some of the main causes of agricultural dumping?
6. What problems are produced by agricultural dumping?
7. How would you make an agricultural policy that increased the common good?

Sources:

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