

PolicyPennings by Dr. Daryll E. Ray

The present formulation of the WTO issue is backwards

The shift in control of the US Congress from the Republicans to the Democrats as a result of the November elections has fueled speculation on the impact this change may have on the shape of the 2007 Farm Bill. Colin Peterson, Minnesota, is poised to head up the House Ag Committee with Tom Harkin of Iowa slated to lead the Senate Ag Committee.

This last week Harkin met with Secretary of Agriculture Mike Johanns to discuss farm issues and open up a discussion of some of the issues that will be a part of the 2007 farm legislation. Both men agreed that energy issues will play a more significant role in the coming legislation than they have in past farm bills.

Another concern that certainly will play a more significant role in the coming farm bill is the World Trade Organization (WTO) and international trade rules. Press reports indicated that both Harkin and Johanns want farm legislation that will conform to WTO rules and insulate US farmers from WTO trade challenges.

Given our understanding of the unique characteristics of the crop sector (for both temperate and tropical crops), we would suggest that the present formulation of the WTO issue is backwards. Instead of being concerned that US farm legislation be shaped to conform to WTO trading rules, we would hope that WTO trading rules would be formulated in such a manner that they take into account the unique characteristics of temperate and tropical crop markets.

If the WTO rules were designed to recognize that the economic issues surrounding crop production and marketing are fundamentally different from those involving automobiles, computers, and a host of other consumer products, the issue of WTO compliance would cease to be a problem.

The problem with making farm legislation WTO compliant is the issue we talked about in our July 7, 2006 column—trying to pound square pegs into round holes (<http://www.agpolicy.org/weekcol/309.html>).

To us there is a disconnect between WTO agricultural prescriptions and the characteristics of and the needs of the food/farm sector.

Food is essential for life. Besides air and water, it is the only product that must be available to everyone each and everyday. For that reason, many countries — ours included — do not want to be beholden to other countries for staple foods. That value, that attitude, is rooted in centuries of lessons in self-preservation.

Given this view of food, ensuring that exporting countries have an equal opportunity to beat-out domestic producers to supply a nation's food would seem absurd. But, in large measure, that is what the WTO demands.

The WTO advances an “international policy” that would make it illegal for a country to directly influence the domestic price, production-based income or trade flows of specific foods such as staples, because doing so would be “trade distorting.” Obviously, it is much more complicated than just described and yet the essence of the international policy dictated by the WTO is substantially captured.

When combined with the understanding that food is not “constructed” in an assembly plant but is subject to nature's vagaries and the inability of farmers to significantly adjust TOTAL crop production to price changes even from one year to another, it becomes increasingly clear that the present formulation of the WTO issue is backwards.

In our view policy makers would do well to insist that trading rules be compliant with what we know about the nature of food and agriculture, rather than trying to design farm policies that are compliant with a set of WTO rules that are oblivious to the unique characteristics of food and agriculture.

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