

Is food too important to be left to WTO?

Most would agree that food is different from nearly anything else we consume or use. In contrast to most other items which we could get along without or delay purchasing, we must have food every day to survive. Just as food has a unique place in the lives of individuals, leaders of countries also view availability of food differently from the way they view the availability, price, and national origin of DVD players or toaster ovens.

In the U.S. and other countries, for example, public institutions were specifically created and funded to increase the productivity of agriculture through research, teaching and extension. No other industry has been afforded such an elaborate nationwide system of institutions. Yes, food and agriculture are indeed different from other products/industries. Even so, I do not think that these differences are always taken into account when formulating policy or creating institutions. The WTO (World Trade Organization) may be a case in point.

In general, a major mission of WTO is to facilitate freer trade by encouraging the elimination of policy-based price distortions. In the case of agriculture, WTO categorizes specific policies or programs based on the extent to which WTO believes the policy is price (and, therefore, trade) distorting. Using WTO criteria, tariffs and export subsidies on the demand side are among the worst price/trade distorters. WTO is equally concerned about price/trade distortions arising from the supply or production side. That is part of the motivation behind the discussions of decoupled payments including whether decoupled payments really do, or do not, affect the level of production and, therefore, generate price/trade distortions.

WTO wags its index finger at any commodity policy that affects the level of production. Notice I said commodity policy not farm policy. Therein, I believe lays a large share of the problem. Farm policy is, of course, much broader. Public expenditures for research, extension and education are under the more encompassing farm policy umbrella. WTO has declared that such research and education related expenditures have a minimal effect on trade. Such a declaration is inconsistent with the notion that any public policy that causes changes in production shifts the supply curve. In practice, these activities have a direct impact on price and trade, whether that be a set-aside

program or yield enhancing research. It is just that one—research—ultimately benefits farm commodity consumers and the other benefits farm commodity producers.

A few points to note: The cumulative output expansion effect of publicly funded research, extension and education (that benefit consumers) would almost certainly swamp the cumulative total of all output reduction, price support and government payment effects of commodity programs (that benefit producers).

A second point is that there most likely would be no need for price supports or payments if publicly funded agriculture-specific research, extension and education had not occurred. The problem then would have been the high price of food and food availability. A related point is that to some extent the level of direct payments and the need for production gauging of commodity programs is a major measure of the level of success of public investment in agriculturally related research, extension and education.

Third, since food is different, continued public investment in the productivity of agriculture to ensure reasonably adequate food supplies for generations to come is important. Having more capacity to produce food than is needed at the moment is a good, no, a great thing.

Fourth, keeping agriculture financially viable, so new technologies can be readily adopted as they become available, is part of a total food security package. This does not mean that agriculture must annually receive several tens of billions of dollars of government payments. But neither does it mean that livestock producers, millers and importers should pay only a fraction of the full cost of producing grain and oilseeds. What it probably does mean is that the public may have a responsibility to bridle the use of the commendable productive capacity that tax dollars help to continually expand.

As currently set up, it doesn't seem to me that WTO is geared-up to view food and agriculture in the way just described. Is food too important to be left to the WTO?

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