

Part of the Problem:

Trade, Transnational Corporations, and Hunger

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A huge proportion of the world's population still depends on subsistence farming or agricultural labor for its livelihood. Volatile climate conditions, long growing cycles and "information asymmetries" make it hard for farmers with limited resources to adapt quickly to market signals. Not surprisingly, poverty and malnutrition are most persistent in rural areas. Such factors lead many development experts to conclude that a judicious mix of government and market-based approaches must be applied to optimize food production and distribution and thereby reduce hunger.

But advocates of "free trade" have long resisted the argument that agriculture should be treated differently from other sectors of the economy, encouraging poor farmers instead to view tariff reduction and other liberalization measures as the best means to improve their prospects. Their views have definitely held sway in recent years. In 1995, the World Trade Organization adopted an Agreement on Agriculture designed to accelerate global food trade. And when leaders gathered in Rome for the 1996 World Food Summit and pledged to halve the number of hungry people in the world by 2015, their final declaration included a commitment to "strive to ensure that food, agricultural trade and overall trade policies are conducive to fostering food security for all through a fair and market-oriented world trade system."¹

WHO BENEFITS?

During the liberalization era, the volume of international agricultural trade has increased dramatically, growing four-fold over the past four decades to over 800 million tons per year.² But who has benefited from this trend? Evidence suggests that agricultural trade liberalization has proven disastrous for developing countries, dislocating farmers and accelerating the concentration of land ownership.³ Moreover, the December 2004 report of the United Nations Food and Agriculture Organization on *The State of Food Insecurity* shows "the number of hungry people in the world rising to 852 million in 2000-2002, up by 18 million from the mid-1990s."⁴ The report's bottom line is sobering: a decade after the Agreement on Agriculture, and just a decade before the Food Summit's self-imposed 2015 deadline, the number of hungry people in the world is growing.

Agricultural trade liberalization's failure to deliver on the goal of reducing hunger is only one of several reasons why it has become a major stumbling block as the WTO attempts to push forward its "Doha Development Round." Countries of the global south oppose the hypocrisy that forces them to open their markets to U.S. and European

agri-food companies without reciprocal access for their own exports. They note that food production in the developed world still receives government subsidies that poor countries are not allowed to offer their farmers, even if they could afford them.

Those subsidies will also be a major topic for domestic debate over the two years leading up to the 2007 Farm Bill. Forced by exploding budget deficits to seek cost savings wherever he can, President Bush is proposing payment limitations on commodity subsidies to U.S. farmers. Some family farm groups here are ready to discuss subsidy reform in the context of broader efforts to combat the collapse of commodity prices. In solidarity with their colleagues in developing countries, they call for multilateral measures to guarantee fair prices to farmers everywhere, through supply management and the creation of strategic commodity reserves.⁵ But the prospects for implementing such reforms are limited by stiff opposition from the agribusiness lobby.

AGRI-FOOD COMPANIES: THE LINK BETWEEN SUBSIDIES AND TRADE POLICY

Raising the prices that farmers receive from their production would certainly address rural poverty and hunger. But it need not lead to higher food prices for consumers. Even as farm income has progressively declined, especially under "free trade" agreements, retail food prices have risen. In 1970, American farmers received 37 cents of every dollar spent on a market basket of food products, but by 2000 their share had fallen to 20 cents.⁶ The growing spread between farm revenue and consumer food prices has been driven by the market power of large agri-food companies. As explained by Dwayne Andreas, former chairman of Archer Daniels Midland Co. (ADM), "the food business is far and away the most important business in the world. Everything else is luxury."⁷ Because business is about making profit, food companies choose not to pass their cost savings from low-farm prices on to consumers.

Trade liberalization and monopoly power allow global processing companies like ADM and Cargill to force down the price of basic grains such as corn, wheat, rice and soy worldwide. Even as prices fall below the cost of production, farmers face a perverse incentive to increase their output to generate as much income as possible from a collapsing market, until they go out of business. In a vicious downward spiral of supply and demand, increased global production then drives farm prices even lower. Subsidies are lifelines that keep enough U.S. farmers on this production treadmill to guarantee continued low prices to the processing companies.

Subsidy payments ensure continued overproduction and low commodity prices because 60% of the U.S. subsidy budget goes to the largest 10% of farmers.⁸ Processing companies “dump” much of their subsidized cheap grain onto developing country markets, discouraging local production and gaining effective control of grain distribution. But even as American and European taxpayers subsidize farmers to maximize agribusiness profits in the name of “free trade,” the companies themselves know better. ADM’s Andreas acknowledged that “there isn’t one grain of anything in the world that is sold in a free market. Not one! The only place you see a free market is in the speeches of politicians.”⁹

Corporate control of food policy and agricultural trade has been locked in by two factors: the industry’s extraordinary access to policymakers (often through “revolving door” appointments of executives to key government posts), and the degree of market concentration in the food system. Big companies are not shy about their political influence. Cargill’s Chief Executive Warren Staley acknowledged last year that “when we suggest to someone we have an issue and would like to meet them, the doors are almost always open because of the courteous manner in which we approach things, and our credibility.”¹⁰ Such influence was exemplified by the April 2003 appointment of former Cargill Vice-President Dan Amstutz to lead agricultural reconstruction efforts in Iraq. It was Amstutz who had “drafted the original text of the current Uruguay Round Agreement on Agriculture within the World Trade Organization, considered by many developing countries and pro-development groups as innately unjust. The agreement allows rich countries to dump their subsidy-backed agricultural surpluses on world markets, depressing prices to levels at which producers in developing nations can no longer compete.”¹¹ Amstutz quickly used his authority to commit Iraq to controversial laws that forbid farmers to save seeds and thus produce a financial windfall for seed companies like Monsanto—an important business partner for Cargill.¹²

CORPORATE CONTROL OF THE FOOD SYSTEM

As if the capacity to shape government policy were not enough, agri-food firms also use old-fashioned monopoly power to exert their control: in the absence of competition, they can fix prices both to farmers and consumers. A handful of companies now dominate every sector of the food system, from inputs like seeds, pesticides and fertilizers, through the processing and manufacturing of food products, all the way to retail and food service. Just two companies (Monsanto and DuPont) together dominate global seed markets for maize (65%) and soy (44%).¹³ Seventy five per

cent of all human food is grain-based, yet three companies (Cargill, Archer Daniels Midland and Bunge) control about 90% of the global grain trade.¹⁴ Over the past 20 years, the proportion of U.S. production controlled by the four largest firms has risen from 60% to 82% in beef packing, from 30% to 57% for pork, and from 54% to 80% in soybean crushing, to name a few key agricultural markets.¹⁵ Meanwhile, more than 300,000 U.S. family farms were lost over that same period.¹⁶

Important voices are becoming alarmed by this trend. The U.S. Catholic Bishops noted in November 2003 that as a result of “increasing concentration at every level of agriculture...fewer people are making important decisions that affect far more people than in the past....These forces of increasing concentration and growing globalization are pushing...us toward a world where the powerful can take advantage of the weak, where large institutions and corporations can overwhelm smaller structures, and where the production and distribution of food and the protection of land lie in fewer hands.”¹⁷

Pointing out that the quest for monopoly profits can lead companies to constrain food access for poor people, United Nations Special Rapporteur Jean Ziegler affirmed in October 2003 that “despite the fact that Transnational Corporations increasingly control our food system, there are still relatively few mechanisms in place to ensure that they respect standards and do not violate human rights.”¹⁸ Even the mainstream press has begun to focus on the problem. The editorial page of the *New York Times* declared last December that “it is essential to reverse the trend toward concentration in American farming.”¹⁹

TOWARD A SOLUTION

Key stakeholder groups are similarly concerned. Since 2002, in partnership with the National Catholic Rural Life Conference, the Center of Concern has been building the Agribusiness Accountability Initiative (AAI) into an international network of representatives from farm, labor, consumer, environment, church and development groups willing to work together to confront the political influence and market power of transnational agri-food companies. Hosting forum events in Chicago, Kansas City, London, Brussels and Sao Paulo, AAI has convened over 300 civil society leaders from more than 30 countries to share their analysis of food industry issues, to support each other’s existing reform efforts, and to create new cross-constituency research and advocacy to promote a more socially, politically and environmentally sustainable food system.

AAI Forums have already achieved important results. The October 2003 Forum in Kansas City launched a cross-sectoral working group to expose industry influence on U.S. agri-food policy, leading to the July 2004 publication of *"USDA Inc.—How Agribusiness has Hijacked Regulatory Policy at the U.S. Department of Agriculture."*²⁰ AAI then reached out to groups exploring conflict of interest in other federal agencies, and has now formed a broad coalition to create ethics laws that prevent "revolving door" appointments.

The Kansas City forum also set up a committee of food industry researchers to create a web-accessible matrix, showing which companies control what percentage of key agri-food markets around the world. AAI convened 24 researchers from around the world in Paris this January to share data, launch the matrix, and propose a plan for ongoing research. Meanwhile, the AAI Forum in Brussels in January 2004 led to the formation of a continent-wide coalition of groups working to create European Union regulations to limit the monopoly power of supermarkets.

Plans are now in place for a global AAI Forum on corporate control of the food system, to be held in Europe in June, with partial funding from the European Commission. AAI hopes to convene some 80 activists and experts from around the world to plan a global campaign of coordinated research, advocacy and public education designed to rein in the power of the handful of companies that now determine what will be grown and who will eat it. Readers can track the development of AAI's network by visiting www.agribusinessaccountability.org.

While food may be a "business" to Dwayne Andreas, those who see it primarily as a basic human right, as it is designated in Catholic social teaching texts, must work together to guarantee that food is available to all who need it—not just to those who can afford to pay a corporate premium.

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¹ http://www.fao.org/wfs/index_en.htm

² Brian Halweil, "Home Grown: the Case for Local Food in a Global Market," Worldwatch Institute, p.16.

³ See for example "Trade And Hunger – An Overview of Case Studies on the Impact of Trade Liberalization on Food Security" by John Madeley, at <http://www.grain.org/docs/T&Hunger.pdf>

⁴ <http://www.fao.org/newsroom/en/news/2004/51809/index.html>

⁵ See for example "Rethinking US Agricultural Policy: Changing Course to Secure Farmer Livelihoods Worldwide" at <http://apacweb.ag.utk.edu/blueprint.html>

⁶ Economic Research Service of the USDA, Agricultural Outlook

⁷ Interview with Reuters, Jan. 25, 1999

⁸ "Bush Is Said to Seek Sharp Cuts in Subsidy Payments to Farmers," New York Times, February 5, 2005.

⁹ http://www.motherjones.com/news/special_reports/1995/07/carney.html

¹⁰ "Cargill Prime Example of Current Incestuous Relationship Between Ag Biz and Politicians" Financial Times, February 26, 2004

¹¹ <http://www.gmwatch.org/archive2.asp?arcid=1005>

¹² http://www.vegsource.com/articles2/iraq_seeds.htm

¹³ Oligopoly, Inc. by the ETC Group. at <http://www.agribusinessaccountability.org/page/264/1>

¹⁴ quote from Dr. Bill Heffernan at AAI meeting of agri-food industry researchers, Paris, 1/15/05

¹⁵ http://nfu.org/images/heffernan_1999.pdf

¹⁶ See <http://www.consciouschoice.com/issues/cc1405/ourfamilyfarms1405.html>

¹⁷ From "Agricultural Signs of the Times" in the statement "For I Was Hungry and You Gave Me Food" (Mt 25:35) Catholic Reflections on Food, Farmers, and Farmworkers at <http://www.usccb.org/bishops/agricultural.htm>

¹⁸ Third annual report to the General Assembly by the United Nations Special Rapporteur on the Right to Food

¹⁹ New York Times Editorial: A New Hand at Agriculture; December 13, 2004

²⁰ <http://www.agribusinessaccountability.org/page/325/1>