



## **End to US cotton aid to hike price, help Africa - paper**

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By Missy Ryan

WASHINGTON (Reuters) - Doing away with generous subsidies for U.S. farmers would boost global cotton prices 10 percent and put \$75 million a year in the pockets of destitute African farmers, according to a report on the controversial multibillion-dollar support program.

Ending supports for some 10,000 commercial cotton growers in the United States, the world's leading exporter of the crop, would curb its output by up to 30 percent and exports by 40 percent, according to the paper to be released next month by the International Food and Agriculture Trade Policy Council.

"That will put more dollars in the pockets of the cotton growers in West Africa and other places," Dan Sumner, an agricultural economist at the University of California at Davis who authored the report, told Reuters.

Cotton accounts for just a fraction of world farm trade, but the crop has become an icon for a mounting campaign against rich countries' subsidies, which many people believe squeeze out farmers in the developing world. For some African countries, cotton represents up to 70 percent of farm exports.

Burkina Faso, Chad, Benin and Mali have spearheaded a push to reform U.S. and European subsidies, saying Africa's 15 million cotton farmers cannot compete with heavily subsidized crops. Their campaign even prompted the World Trade Organization to establish an unprecedented panel on the issue.

Cotton supports could take on an even higher profile in the coming year as debate heats up over the next U.S. farm bill.

"This is a perfect opportunity to change the structure of these programs," Sumner said, pointing to high commodity prices that might soften the pain of reform. "If prices were really in the tank, it would be the wrong year."

Sumner is a former USDA economist, who has also served as a consultant for Brazil in its landmark WTO case against U.S. cotton subsidies.

### **FIVE-CENT JUMP IN WORLD PRICE**

Up to \$2.5 billion a year in marketing loans, which give farmers a buffer when prices are low, provide artificial incentives to grow the crop and help flood world markets, Sumner says.

Subsidies, also including counter-cyclical payments and direct payments, totaled \$4.23 billion in fiscal year 2005, according to the Department of Agriculture.

Sumner argues that without those subsidies, U.S. production would slow by 25 to 30 percent and exports would fall by 40 percent. World prices, however, would jump by \$0.05 a pound.

But the United States maintains that its subsidies don't hold major sway over world prices. The supports are also strenuously defended by U.S. producers.

"We feel there is a balance" in the existing subsidy scheme, said Gary Adams, chief economist for the National Cotton Council. He believes the price impact of U.S. supports is much smaller, only around 1 to 2 percent.

Sumner said eliminating subsidies would certainly sting individual farmers and their landlords, and could trigger some farmers to switch from cotton to cattle, for example, in Texas, and from cotton to alfalfa in California.

"No one says there aren't losses," he said. Still, "those farms won't be out of business."

The United States is not the only target of would-be reformers. Subsidies for European cotton farmers, mostly in Greece and Spain, until recently were higher than U.S. supports. But because production there is so much smaller, they did not sway the world market in the same way, Sumner said.

Brazil's triumph in its WTO case rattled the U.S. agricultural community after the 2004 ruling prompted the United States to dismantle one cotton subsidy program.

Some argue the case sets a precedent for future lawsuits over support for crops like corn and rice.