

# USDA maps out 'farm subsidy' cuts

by Robert Baker

In recent months, a team at the U.S. Department of Agriculture Economic Research Service has been doing extensive calculations on what they call "Producer and Consumer Subsidy Equivalents" for food worldwide. This is no ordinary function of USDA data gatherers. The concocting of these food and farm subsidy values (called PSEs and PCEs) is part of a "free trade" campaign by international food trade interests to target and eliminate certain national government subsidies to farmers or consumers, that have been traditionally employed to ensure national food security. The preparation of these PSEs has been commissioned by food cartel interests who are putting "data" in circulation for their intended free trade onslaught at the mid-December Paris meeting of GATT (General Agreement on Tariffs and Trade) on agriculture, called the "Uruguay Round."

The USDA figures for PSEs quantify the effect of federal policies on the revenue or income of farm producers, and indicate the various forms of government investment in agriculture. Statistics have been compiled for every nation in the world, and a summary report was published in April 1988: "Estimates of Producer and Consumer Subsidy Equivalents," USDA, ERS Staff Report No. AGES880127, 1988. Besides its data banks on PSEs, the USDA has been publishing a battery of reports on other topics to support the food cartel campaign for free trade. For example, in August 1985, the USDA published a report, "Dynamics of Comparative Advantage and the Resistance to Free Trade," heralding the advantages of free trade.

## National security role of subsidies

Subsidies in various forms have been used as tools to help accomplish agricultural policy objectives for many years. They take the form of direct cash payments (disaster, deficiency, grain storage payments) and indirect non-cash (processing, research, tariffs, advisory, pest and disease control). Though farm subsidies are complicated to administer and are less adequate than American System parity prices, they have helped to keep food-producing farmers on the land. The subsidies have kept farmers in business by supplementing income during periods of low commodity prices.

In homage to the push by the international "free trade" crowd, all farm subsidies are being evaluated. Budget pressures associated with farm programs and the effects of what "free traders" call "price-depressing commodity surpluses" have encouraged the United States and a number of other GATT members to come to the negotiating table to discuss

the elimination of all agricultural subsidies. Driving this momentum is the ongoing work at the Organization for Economic Cooperation and Development (OECD) on measuring all forms of government intervention in agriculture, by use of the PSE indicator. By allotting each commodity the amount of its direct subsidy and a prorated portion of its indirect subsidy, a PSE value for each commodity is obtained. In comparing the PSE values for each country, GATT officials will have at hand the "aura" of an international standard with which to "document" relative amounts of subsidies for individual commodities in each of the various GATT member nations. Before the development of this PSE concept, it was next to impossible for GATT to contrive a pretense to compare the commodity subsidies of various countries, with the imputation that the government in question was doing something wrong by attempting to preserve its farm sector or feed its people.

World leaders and trade negotiators are now stampeding toward a completed international "free trade" policy once and for all. The development of PSE measuring units has provided them a breakthrough in developing a mechanism that will be used to rationalize the process of phasing out all agricultural subsidies throughout the world. Proposals for agricultural policy "reform," coming from such agencies as the Trilateral Commission, indicate that the PSE is regarded as having a pivotal role as a negotiating or monitoring device.

How will this PSE device be used? The accompanying table shows a listing of various direct and indirect farm subsidies that were formulated for the United States. This table provides a summary total of all subsidies for various crops. Notice, for example, the relatively high PSE values for U.S. dairy and sugar production. This PSE information is available for other countries in the same specificity as for the United States. The GATT negotiators will use these PSE tables to order subsidy reductions between countries, in a charade designed to make GATT member countries appear they are being treated "fairly."

Why is this PSE device significant? The multinational groups (with big bucks and power) want an international "free trade" world. By utilizing their networks, these multinational companies can scoop up food commodities wherever they are the cheapest, only if "protectionist" trade barriers are eliminated. Thus magic-of-the-marketplace "free trade" will make the labor of every producer in the world compete with the poorest farmer. The PSE is the development that is propelling the world toward an international agreement of "free trade." Income around the world will be reduced as farmers receive less and less for their commodities—a correlation well understood by the early American patriots.

## Back to colonialism

The idea that food and commodities trade should be "free" from protective mechanisms such as tariffs and internal production subsidies, is scented with the elixir of "Old Mother England's" colonialism, only with a more contemporary fra-

TABLE 1

**USDA's calculations of 'Producer Subsidy Equivalents' (PSE) for the United States**

Item	1982-86 average	Item	1982-86 average
<b>POLICY TRANSFERS BY POLICY</b>		<b>POLICY TRANSFERS BY COMMODITY:</b>	
(millions of dollars per year)		(millions of dollars per year)	
Direct payments/levies:	\$ 7,831.9	Wheat	3,815.8
Disaster	3.4	Corn	5,957.6
Deficiency	4,307.8	Rice	690.7
Diversion	595.8	Sorghum	786.0
Storage	561.7	Barley	393.1
PIK entitlements	1,945.3	Oats	55.4
Dairy diversion payments	193.3	Soybeans	964.6
Dairy assessments	-399.0	Dairy	9,796.8
Marketing loans	129.2	Sugar	1,204.1
Loan forfeit benefits	494.3	Beef and veal	1,903.9
Market price support:	\$ 11,134.9	Pork	566.6
Price enhancing policies	417.8	Poultry	608.2
Fluid milk premium	275.9	<b>PSE BY COMMODITY:</b>	
Price support/quotas	9,885.1	(percent per year)	
Tariffs	477.0	Wheat	36.5%
Beef purchases	79.1	Corn	27.1%
Input subsidies:	\$ 3,064.9	Rice	45.2%
Commodity loans	1,333.9	Sorghum	31.4%
Farm storage facility	1.7	Barley	28.8%
Farmers home administration	1,427.4	Oats	7.6%
Crop insurance	220.9	Soybeans	8.5%
Fuel excise tax	19.7	Dairy	53.9%
Emergency feed	4.0	Sugar	77.4%
Grazing fees	57.2	Beef and veal	8.7%
Marketing:	\$ 670.7	Pork	5.8%
Processing and marketing	75.6	Poultry	8.3%
Transport	273.2	<b>TOTAL POLICY TRANSFERS</b>	<b>\$ 26,742.5 million</b>
Inspection	321.9	<b>VALUE TO PRODUCERS</b>	<b>\$108,510.0 million</b>
Long-term:	\$ 1,452.6	<b>12-COMMODITY PSE</b>	<b>24.6%</b>
Research	583.5		
Advisory	233.3		
Pest and disease control	199.3		
Land improvements	436.4		
Other:	\$ 2,587.4		
Taxation	1,021.7		
State programs	1,565.7		

grance. The United States came into being, in part, out of a struggle for the inalienable rights of a people to develop without the economic subversion known as "free trade." American System "protectionist" trade policy was implemented by the first Congress under the federal Constitution, spurring the industrial development of the nation. President Abraham Lincoln reestablished protectionism during his presidency of 1861-64. In the present century, Gen. Douglas MacArthur encouraged the protectionist policy when he guided the postwar rebuilding of Japan, renewing an ap-

proach Japan's leaders had previously adopted in the late 19th century.

Now, the "free traders" are trying to destroy what they always hated, "protectionist" trade policy. Under the guise of more market orientation, powerful financial and grain cartel interests are trying to force through drastic price reductions for agricultural products of the industrial sector. These cartel interests also are trying to establish the GATT bureaucracy as a supranational institution to dictate agriculture policy worldwide.