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Introduction

Agricultural trade conflicts have escalated as major western economies have begun to subsidize their farm exports in an effort to gain or retain market shares. At the heart of this agricultural trade conflict is the escalating subsidies race between the United States and the European Economic Community.

Total US farm exports soared in just ten years (1971-1981) from $8 billion to $45 billion (Figure 1). Since then they fell dramatically to $28 billion in 1986. Simultaneously, the Economic Community expanded its value of agricultural export trade from $5 billion dollars in 1971 to $28 billion in 1981. By 1986, the EEC value of world agricultural export trade had fallen to $25 billion. In wheat, the high point of American exports was 1973-74 when the United States accounted for almost 50 percent (metric tons) of the world wheat market (Figure 2). In 1985-86 the US share had dropped to 29 percent. In 1973-74, the Economic Community had an eight percent share of the world wheat market, but by 1986-87 it had increased its share to slightly more than 18 percent.

These agricultural trade conflicts have brought the world's major agricultural producers to the General Agreement on Tariffs and Trade[1] (GATT) bargaining table. Two of the major players have offered radically

[1] The General Agreement on Tariffs and Trade grew out of deliberations initiated by the United States following World War II to lay the groundwork for an International Trade Organization. The commercial section of the Havana Convention of 1948 survived as the General Agreement on Tariffs and Trade (GATT).

Fig 1. US and EEC Export Trade

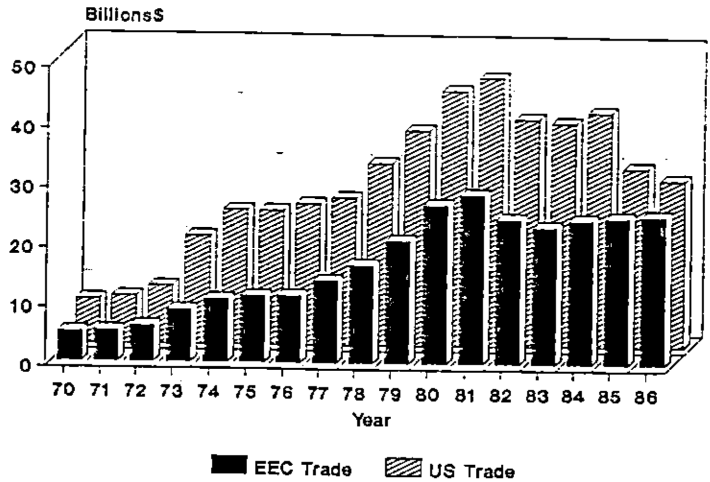
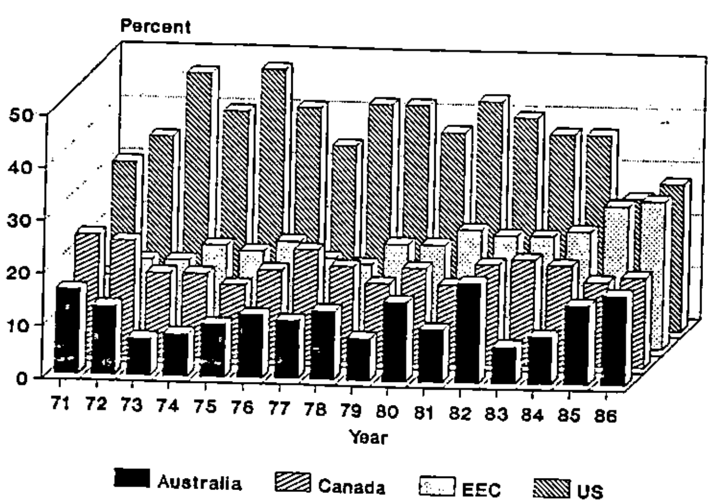


Fig 2. Wheat Export Shares



different proposals. The European Economic Community's (EEC)[2] proposal is unacceptable to the US negotiators, while the United States' (US) proposal is unacceptable to European Community negotiators. The purpose of this paper is to discuss the origins of these trade conflicts, to examine the differences between the two proposals being considered to relieve these conflicts, and to consider the likely impacts of these proposals on North Dakota agricultural producers.

Agriculture and World Trade in the 1980's

Agricultural Trade and the Farm Crisis

The United States and other western countries attempted to control inflation in the 1980s by restricting the money supply and raising interest rates. This anti-inflationary effort, however, plunged the world economy into a recession that reduced demand but did not reduce supply (Epstein and Womack, 1987). Extra production capacity was coming on line just as demand was declining. Rapidly rising interest rates increased the costs of production for farmers and of servicing the debt for developing countries. The increased debt service load, in turn, restricted developing countries' demand. Developing countries, under economic austerity measures imposed on them by the International Monetary Fund, increased agricultural export production in order to service their debts, further driving down prices.

In the United States, farm prices and asset values dropped precipitously, leading to the farm financial crisis of the early 1980's. Because of the farm crisis and policy inflexibilities, the United States was unable to lower farm support prices. Thus, the very US commodity programs that encouraged production during the 1970's when export demand was increasing continued to encourage US production in the 1980's when export demand slackened. Rather than moving these commodities onto the export market, these programs instead drew these supplies into government storage (Epstein and

[2] European Community Countries include Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and the United Kingdom.

Womack, 1987).

Commodity support prices, combined with a rapidly appreciating dollar, priced US exports out of export markets and stimulated production in other exporting countries (National Center for Food and Agricultural Policy, 1988). Therefore, price support programs tended to set a commodity price below which competing exporters could bid. Thus, the United States became a residual supplier and storage holder for the world. Besides selling their commodities below US prices to avoid accumulating stocks, other exporting countries also stepped up production to take advantage of US acreage reduction programs (Epstein and Womack, 1987).

Agricultural Trade Wars

Under the presence of excess supplies, practically all developed countries became exporters of agricultural products. They also became involved in a desperate scramble for markets (National Center for Food and Agricultural Policy, 1988). The result was a buyer's market that created intense competition among exporting countries that resorted to both direct and indirect subsidies to preserve and expand their export volumes and market shares (Epstein and Womack, 1987).

The Reagan administration blamed the EEC's export subsidies for the decline in US export shares. Particularly disconcerting to the Reagan administration was the fact that the United States operated expensive acreage reduction programs to reduce supplies while the Economic Community used export subsidies to export its increasing surpluses (Vogt and Womack, 1986). The administration contended that the EEC's export subsidies were stealing US export shares. According to the administration, this theft was illegal under GATT agreements that forbid export subsidies on primary products in a manner that displaces other trading countries' markets by "more than an equitable share of the world export trade in such a product."

This alleged loss of markets to the Economic Community did not go unchallenged (Vogt and Womack, 1986). US agribusinesses, representing wheat flour, citrus, pasta, sugar, poultry, canned fruits and raisins, brought complaints against the Economic Community under GATT rules. These complaints allowed the United States to challenge the EEC's alleged unfair foreign trade practices and to petition for their removal through dispute settlement procedures established in the GATT.

Besides these complaints, the administration began several actions to stop what it saw as an erosion of market shares (Vogt and Womack, 1986). First, it provided cheap credit to finance foreign purchases of US farm products. Second, by using subsidies, it undercut the EEC price in a sale of wheat flour to Egypt. Third, it used cheap credit with a three-year extended interest-free payment to sell dairy products to Egypt.

When these actions did not increase US agricultural exports, the administration began to harden its stance on the loss of export markets (Vogt and Womack, 1986). Under US law, the administration may take retaliatory action against EEC trade practices that GATT determines have injured US exports. After GATT had ruled that EEC actions had resulted in loss of citrus markets for the United States, the administration imposed tariffs on EEC pasta. The Economic Community countered this retaliatory measure with tariffs on US walnuts and lemons.

US Agricultural Policy Responses

While the pasta war was developing, the administration began the Export Enhancement Program (EEP) in June 1985 (Vogt and Womack, 1986). The purpose of the EEP was to offer commodities as bonuses to US exporters who expanded sales of US agricultural commodities to targeted markets that had been "unfairly taken" by foreign competitors. In particular, the administration announced that the EEP would target markets where the Economic Community had gained a substantial market share in wheat and wheat flour markets between 1979 and 1983 while the US share of those markets had declined. Congress later incorporated the EEP into the Food Security Act of 1985.

In response to the inability to gain access to protected markets and the domestic farm crisis, Congress passed the Food Security Act of 1985. The act had two major objectives (Tutwiler and Rossmiller, 1987). First, the act was intended to maintain farm incomes during the farm financial crisis. Therefore, target prices were frozen during the first two years of the act. Second, the act attempted to make US agriculture competitive in international markets. Accordingly, the act established loan rates at 75 percent of a moving average of world market prices with the Secretary of Agriculture given the discretion to reduce them further if necessary. Additionally, the act included an export enhancement program.

The enactment of the Food Security Act coincided with several interrelated conditions that were affecting world agricultural economy (Allen et. al, 1988): the fall in the value of the dollar, an inability of developing countries to repay the loans they took out at high interest rates in the 1970's, and world markets glutted with more grain than could be sold without the help of export subsidies. Together the Food Security Act and the Export Enhancement Program had the effect of raising the cost to the Economic Community and other exporters of their subsidies of production and exports (National Center for Food and Agricultural Policy, 1988).

The European Community, however, was unwilling to be subsidized into submission, and instead it matched the US subsidy dollar for dollar. According to EEC officials, the Economic Community did not unfairly expand its exports. Their opinion is that every sale has been legitimate under the agreed GATT rules on subsidies. The result was an unwinable subsidy war (National Center for Food and Agricultural Policy, 1988).

In a battle for export markets, the United States and the Economic Community spent billions to subsidize the exports of their farmers' products (International Summit, 1987a: 1). In 1986 the United States spent $2 billion to subsidize rice exports worth only $500 million, $6 billion to subsidize corn exports worth only $2 billion, and $4 billion to subsidize wheat exports worth $2 billion.

Pressures for Reform of Agricultural Trade Policy

The cost of domestic price support programs for agriculture became immense and intolerable both in the United States and the Economic Community (Tutwiler and Rossmiller, 1987). These costs were rising at a particularly alarming rate in recent years. The US farm program cost the taxpayers over $26 billion in 1986 compared with $3 billion in 1980. Since 1979, the agricultural budget costs in the Economic Community have doubled, and in 1987 agricultural expenditures consumed 72 percent of the total budget. In 1988, the CAP cost the EEC taxpayers almost $25 billion.

Export subsidies for wheat, feed grains, and cotton, including deficiency payments, marketing loans, and export enhancement payments, cost nearly $18 billion. These subsidies amounted to almost fourteen percent of the total US budget deficit. Paradoxically, the total value of the exports of these crops was only $9.2 billion, costing the US taxpayers $2 in subsidies for every $1 in exports (International Summit, 1987a: 1-2).

Besides the increasing budget outlays, other costs have to be included in calculating the total costs of these programs. Consumers in Japan, the Economic Community, and the United States also pay for farm programs through higher food prices. The estimated total costs to consumers and taxpayers of agricultural subsidies in industrialized countries in 1979-1981 were $100 billion. For 1984-86 the estimated costs of these subsidies totalled $220 billion (Allen et al., 1988).

The net effect of these costs was to bring agricultural exporting countries quickly to the negotiating table (Allen et al., 1988). Countries that subsidize little or not at all, largely represented by the Cairns' Group,[3] saw the United States and the Economic Community taking markets they had developed at considerable cost to their farmers. The Economic Community, the major target of US action, felt the impact in their agricultural budget outlays as the cost of export restitutions rose.

[3] The Cairns' Group is an association of thirteen countries--Argentina, Australia, Brazil, Canada, Columbia, Chile, Fiji, Hungary, Indonesia, Malaysia, New Zealand, Philippines, Thailand, Uruguay.

Proposals for Reform of Agricultural Trade

The Economic Community and the United States have presented two major proposals for reform of agricultural trade to the Uruguay Round of GATT negotiations (see Rossmiller, 1988).

The US Proposal

The objective of the US proposal is to eliminate over ten years all trade-distorting policies affecting all commodities in all countries. The US proposal argues that all contracting parties should first agree on the extent of policy coverage of an aggregate measure of support and estimates of support provided by each country.

The United States proposes using the Producer Subsidy Equivalent (PSE) as a measure of aggregate support provided to each country's farmers. The PSE is a measure of income benefit to producers derived through the policies that each country has in place. Policies to be included in the PSE include any that directly or indirectly subsidize agriculture, such as market price support, income support, and other supports.

Furthermore, the United States proposes the total elimination within ten years of all subsidies paid to farmers. The PSE would be used as an all-inclusive indicator of the amount of support each country provides to farmers. The only policies to be permitted under the US proposal which would not be included in the PSE would be direct income or other payments decoupled from production and marketing, and foreign and domestic aid programs. Regarding barriers to market access, the US proposal requires eliminating all import barriers to trade over ten years.

The EEC Proposal

The objective of the EEC proposal is to reduce supply- imbalance effects of major countries' commodities. It proposes to achieve this balance through market sharing arrangements with the major exporting countries. It also proposes to reduce significantly agricultural support levels. As part of its short-term negotiating position, the Economic Community wants all contracting parties to GATT to agree first on short-term measures to stabilize world markets and to reduce budget outlays. Its long-term negotiating position is to reduce general support levels while preserving market shares.

The Economic Community proposes using a PSE measure of support with a 1984-1985 baseline. However, it proposes modifying the PSE to account for supply control measures already undertaken and using a fixed external reference price to avoid complications from fluctuating world prices and exchange rates.

In the short-term, the Economic Community proposes stabilizing world markets for cereals through market sharing, for dairy by all countries adhering to the GATT International Dairy Agreement, for sugar by sugar importers maintaining access at past levels. It also proposes freezing support for rice, sugar, oilseeds, dairy, and beef/veal at 1984 levels.

On the question of agricultural subsidies, the Economic Community proposes reducing levels of support over the long-term and improving rules specifying types and circumstances for the use of subsidies.

Regarding the issue of market access, the EEC proposal calls for re-adjusting measures used to achieve market stability goals. This would involve reducing some barriers and raising others. The Economic Community firmly maintains that the CAP two-price system is not negotiable.

To carry out its proposal, the Economic Community proposes improving and supplementing existing GATT rules to fit new conditions. It also proposes accommodating state trading and allowing for tighter surveillance of trade.

Analysis of Proposals

Basic to the US proposal is the belief that everyone would benefit more under free trade than under managed trade. In contrast, the belief underlying the EEC proposal is that stability and managed trade are preferable to the increased risks involved in free trade. Europeans believe that the benefits from increased efficiency under free trade are less than the gains realized from trade liberalization.

Europeans view the US proposal as an ideological position that does not recognize political realities. The Economic Community sees the US position as being inflexible and nonnegotiable. On the other hand, the United States views the EEC proposal as consistent with its position since the Economic Community founded the CAP. According to the United States, the Economic Community gives homage to the principles of trade liberalization, but its intention is to close the CAP to permitted imports, to reduce CAP costs, and to increase market prices through allocation of market shares.

Gainers and Losers from Free Trade

The major proponent of the US proposal in Congress has been Sen. Rudy Boschwitz (R-MN). Boschwitz has introduced domestic "decoupling" legislation that would eliminate domestic farm support programs in order to lower farm prices to "market-clearing" levels. Although the "decoupling" legislation includes equity payments, the amount provided is insufficient to compensate producers for their loss of income. Furthermore, the "decoupling legislation" schedules the gradual elimination of equity payments.

In the United States, producers and consumers would support free trade if demand and prices increased substantially and deficiency payments were reduced to zero, even if consumer costs rose (Schmitz, 1988b). The only losers would be consumers, but producers would support free trade. If demand and prices do not increase, however, both consumers and producers lose while taxpayers would gain. Producers would lose because the reduction in government deficiency payments would be more than the increase in prices. In this case, producers would oppose free trade.

Generally, most producer groups in the United States oppose free trade. They believe quite correctly, that their incomes would decline under free trade because the gain in prices would be insufficient to offset the reductions in deficiency payments.

The major proponents of the US GATT proposal for free trade have been the agribusiness sector (Schmitz, 1988a). Multinational grain firms profit from large trade volumes and price instability, and they advocate policies that lower export price in order to increase export volume (Schmitz, et al., 1986). Obviously, it is advantageous for exporting companies to have access to large amounts of cheap grain to sell on volatile world markets where a few cents price differential can result in multi-million dollar windfall profits for them. Thus, they have consistently demonstrated a fondness for policies that advocate high target prices and low loan rates with "deficiency" payments, and now "decoupling" payments, with the public treasury subsidizing the difference. In a similar vein, they fight policies advocating export cooperation that would include production controls and market sharing. Agricultural supply firms also champion policies expanding acreage that would increase their sales.

If agricultural production truly becomes uncoupled from consumption, the net cost to most exporters, including the United States, will increase (Schmitz, 1988a). Although the volume of trade may well be large, the gains from trade will be offset by the cost to the treasury of maintaining agricultural and other associated interests (Sarris and Schmitz, 1981).

Underlying these beliefs regarding agriculture and trade are the goals of food security and the social organization of agriculture. Western European countries want to maintain a small, family-sized farm structure and to keep agricultural incomes on par with non-farm families (Ray and Plaxico, 1988). Because of their experiences with food shortages during wartime and their assessment of the consequences of food dependence, Western European countries also encourage food self-sufficiency. Thus, the Economic Community uses variable levies, high support prices, and export subsidies to support its farmers.

With their concern for food security, European consumers would not derive any benefits from free trade (Schmitz, 1988a). Instead, they may rather prefer expanded output through higher prices from import protection. Without compensation, European farmers will oppose free trade. Although European taxpayers may gain from free trade, they may view free trade as a cost rather than a savings if it increases food insecurity and threatens the rural fabric of European agriculture.

To US economists, such policies are inefficient and costly to society as measured against perfect competition and free trade. Although these goals may not appear rational from the point of view of economic efficiency, a country's long-term well-being is only partially decided by economic factors. Goals that are incompatible with the economic efficiency of the free market are entirely reasonable and must be considered (Hallberg and Cho, cited in Ray and Plaxico, 1988).

Gainers and Losers from Managed Trade

Under a model of export cooperation, the United States, Economic Community, Canada, and other major exporters could form a grain export cartel (Carter, et al., 1980; Schmitz, 1988a). To be effective, such a cartel would require the major exporters to have a cooperative production and export policy. A cartel is "an association of producers or governments who jointly determine levels of output, prices, and profits or returns" (Schmitz et al., 1981:18). Those who propose a grain cartel as an international policy alternative to deal with trade in grains do so with four possible objectives (Schmitz et al., 1981: 17): to stabilize markets to prevent wide price swings; to establish minimum prices to prevent price wars and maintain market shares; to use them as a threat to induce importers to reduce trade barriers to imports; to increase international grain prices thereby improving producers' incomes and reduce importers economic gains.

A cartel could take several forms depending on its objective (Schmitz et al., 1981). There are two major types of cartels-- government and producer. A governmental cartel maximizes welfare for everyone-- both producers and consumers-- in the exporting countries. It could result in lower grain prices for domestic consumers than would otherwise be the case. On the other hand, a producer cartel maximizes only producer welfare and would result in higher consumer prices.

A econometric assessment of a wheat grain cartel demonstrates that it would yield substantial net welfare gains to major wheat-exporting countries as compared to free trade (Schmitz, et al., 1981: 178-180). Within the exporting countries, the type of cartel arrangement has implications for the distribution of gains among producers and consumers.

Under a producer wheat export cartel, the imposition of an optimal export tax would decrease by 28 percent the amount of wheat traded to 73 million tons a year, increase the world price by 32 percent to $349 a ton, and increase annual domestic consumption in the major exporting countries by about 24 percent.

The gain accruing to consumers of wheat for all uses in exporting countries would be $5.4 billion a year. Thus, consumers in exporting countries would support a government cartel because they have the most to gain from it. Producers in exporting countries, however, are likely to oppose such a cartel compared to free trade. Even if they receive the total export tax revenue, their loss is estimated to be $1 billion a year. This suggests a government cartel arrangement should be combined with a producer income supplement.

Producers in exporting countries would support a producer wheat cartel while consumers would oppose it. In this arrangement, prices would increase by 37 percent to $362 a ton, and quantity traded would decrease by 52 percent. Producers would gain about $6.9 billion a year while consumers would lose about $3.6 billion.

Similar results were obtained for a feed grains export cartel (Schmitz et al., 1981: 182-185). An important consideration involved in a feed grains cartel is its impact on the livestock sector. A combined wheat-feed grains cartel, however, would probably increase the total revenue to meat producers by about 20 percent annually.

A cartel arrangement offers several advantages over current agricultural policy (Schmitz et al., 1981: 288). First, many past agricultural policies would not be necessary to support farm income. Rather than using the treasury to support farm income, the support would come from importers. Currently, importers extract this revenue through their domestic and international trade policies. Second, a government export cartel would create internal price stability by charging different prices for export than for domestic consumption.

Several barriers stand in the way of implementing a grain cartel (Schmitz 1989: 139-140). Often mentioned as the key barrier to the success of a cartel is the problem of supply management. This problem, however, should be a serious barrier. Under a cartel arrangement, export volume may not change much since free trade does not exist in grains. In addition, the United States, Canada, and Australia hold a large share of the export market. Therefore, a grain cartel should be relatively easy to organize because a few countries make up a large percentage of exports. Because the livestock industry is a major consumer of feed grains, its opposition to a cartel can be avoided if the cartel pursues pricing strategies which recognize this sector.

Impacts of Trade Liberalization in North Dakota

Under the US proposal, market prices for most agricultural commodities would rise with the greatest increases occurring for livestock products, especially beef. Incomes for crop farmers, however, would plunge with the abolition of government subsidies (International Agricultural Trade Research Consortium, 1988).

The regional impacts of these reforms on farm incomes would depend on the region's comparative advantage, crop mixture, and present participation in government programs. Because of the loss of deficiency payments, regions specializing in subsidized crops would lose much more than regions specializing in non-subsidized crops. Generally, there would be no change in the value of farm production in the Northern Plains (International Agricultural Trade Research Consortium, 1988). The gross value of crops, however, would decline by 14 percent while the value of livestock production would increase by nine percent. Economists estimate that gross returns would fall by seven percent, variable expenses would rise by ten percent, and net returns would fall by 20 percent. The above analysis does not include compensation payments that would be permitted in the US proposal.

A cursory examination of the estimated impact of the proposed "decoupling" legislation on the grains and oilseeds sector, which represents 55 percent of North Dakota's total farm receipts, shows the damaging impact of the United States GATT proposal (Tables 1 -3). Because "decoupled" prices are substantially below the costs of production, the total loss for one year without equity payments would be $1.29 billion dollars (Table 1). Even with equity payments, however, the total loss for one year would be $758 million dollars (Table 1). The taxpayer costs of the equity payments for one year in the state alone would be $669 million dollars (Table 2). This cost would be $43 million more expensive than the cost of the present wheat and feed grain program in 1986.

A comparison of the US GATT "decoupling" proposal with the EEC GATT proposal, the superiority of the later is evident (Table 3)[4]. Because the Economic Community's proposal bases support prices on an average cost of production rather than some world market price below the cost of production, the estimated revenue under the EEC proposal is 35 percent higher than under the "decoupling" proposal and 23 percent higher than under the present farm program.

North Dakota Farmers Reactions to US GATT Position

It should not be surprising that North Dakota farmers are reluctant to embrace wholeheartedly the US GATT "decoupling" proposal. Except for beef producers, most North Dakota farmers would suffer dramatic losses in income under the "decoupling" proposal. In this scenario, North Dakota producers would rather optimize their incomes through deficiency payments than to promote exports by reducing trade barriers (Schmitz, et., 1981).

Results from the 1987 ND Rural Life Poll demonstrate that 42 percent of the farmers surveyed were opposed to reducing price supports. When asked if production should be controlled to insure fair prices, almost 55 percent responded positively.

[4] This analysis assumes that North Dakota's proportion of US market share would not decrease under the EEC proposal. The Economic Community proposes that market shares be established at a ten year average of each country's annual market share for a particular commodity.

Table 1. Impact of US Proposal on Major ND Crops

Crop	Cost of Production[1]	Proposed Decoupling Prices[2] (First Year)	Proposed Equity Payments[3]	Loss Per Unit	Total Units Produced (1986 crop)	Total Loss Without Equity Payments	Total Loss Including Equity Payments
		($/unit)[4]	($/unit)	($/unit)	(dollars)	(millions dollars)	(millions (dollars)
Corn	2.80	1.30	1.04	.46	49.29	73.9	22.7
Barley	2.69	1.20	.90	.59	175.95	262.2	103.8
Oats	2.69	.90	.60	1.19	38.50	68.9	45.8
Soybeans	5.64	3.50	.80	1.34	16.68	35.7	22.3
Wheat	4.29	1.60	1.35	1.34	289.82	779.6	388.4
Sunflowers	7.14	2.78	.80	3.56	1613.25	70.3	57 4
		Total Loss One Year			$1290.6	$ 757.9	
		Total Loss for 6 Years			$7743.6	$4703.4	

1 From North Dakota Farm Management, State Average Annual Report, 1988 Prepared by Dr. Lawrence Heit, Farm Analysis Center, Bismarck State College. Does not include return to operators' management and labor.

2 S-1725 "Decoupling" Legislation (corn, soy, wheat) and computed equivalents (oats, sunflowers, oats, barley)

3 Equity payments for soybeans reduced 20% each year while all others reduced 10%

4 Hundredweight for sunflowers, all others bushels

Table 2. Taxpayer Costs of "Equity" Payments to ND Farmers as Stipulated in S-172 "Decoupling" Legislation.

Crop	Amount/ Unit	Year One Production[1]	Equity Payments[2]
	(dollars)	(million (units)	(million dollars)
Corn	1.04	49.29	51.2
Barley	.90	175.95	158.4
Oats	.60	38.50	23.1
Soybeans	.80	16.68	13.3
Wheat	1.35	289.82	391.2
Sunflowers	.96	1613.25	32.2
		Year One Total	669.4
		Total Costs	3091.2

1 Hundredweight for sunflowers, all others bushels

2 Each year reflects a 20% reduction in soybean and sunflower payments and 10% reduction in all other crop payments

Table 3. Impact of EEC Proposal on Annual ND Farmers' Income and Comparison to Income Under S-1725 "Decoupling" Legislation.

Crop	Units of Production[1] 1986	Costs of Production Under EEC Proposal Prices[2]	Estimated Revenue At Costs of Production Payments	Decoupling Prices Including Equity Proposal	Estimated Revenue Under Decoupling Minus Deficiency Payments[3]	Average Price Per Unit In 1986	Value of Production In 1986[4]
	(millions)	($/unit)	(million dollars)	($/unit)	(million dollars)	($/unit)	(million dollars)
Corn	49.29	3.00	147.87	2.34	115.34	1.35	66.54
Barley	175.95	2.74	482.10	2.10	369.50	1.25	219.94
Oats	38.50	2.33	89.71	1.50	57.75	1.20	46.20
Soybeans	16.68	6.80	113.46	4.30	71.72	4.40	73.41
Wheat	289.82	4.81	1394.03	2.95	854.97	2.38	689.00
Sunflowers	1613.25	8.88	143.26	3.58	57.75	6.60	106.48
Total			2370.43		1527.03		1201.73

Revenue Estimate Under EEC Proposal	$2370.43	
Estimated Revenue Under S-1725	$1527.03	
Value of Production in 1986	$1201.73	
Wheat Program Payments in 1986	$ 511.09	
Feed Grains Program Payments in 1986	$ 115.07	
Value of Production in 1986 Including Program Payments	$1827.73	
Net Gain Under EEC Proposal Compared to S-1725		$ 843.40
Net Gain Under EEC Proposal Compared to Existing Program		$ 542.70

1 Hundredweight for sunflowers, all others bushels
2 Crop Revenue plus "equity" payments during first year. In each subsequent year, the equity" payments would decline further widening the difference between EEC and US proposals.
3 North Dakota Agricultural Statistics, 1987, Agricultural Statistics Report No. 56
4 North Dakota Agricultural Statistics, 1987, Agricultural Statistics Report No. 56

These results were also found by another recent poll conducted by Rockwood Research (1988). In that poll, the majority of North Dakota farmers voiced their opposition of the US proposal: 75 percent were opposed to decoupling, and 71 percent were against lowering price supports for wheat. In contrast, a majority of those farmers polled supported the concept of supply management: 90 percent favored working through the farm program to balance wheat production with the demand of the market place, 75 percent supported the right of foreign countries to design their own internal farm policies without intervention from the US government, and 81 percent did not think that a free market existed where the buying and selling of wheat was concerned.

The ND Farmers Union, the largest farm organization in North Dakota, has voiced its objections to the US proposal before GATT (Union Farmer, 1989). At its 1989 annual meeting, the North Dakota Farmers Union called for cooperative agreements to stabilize world trade and opposed the directions being taken by the US in trade talks within GATT. Farmers Union President Alan Bergman said "we believe the unregulated free trade system being proposed by the US would be a dangerous and destabilizing force in world food production which would lead to boom and bust market cycles for producers and devastating price swings for consumers." The Farmers Union also opposed the continuation and escalation of international trade wars which only serve to weaken market prices and lower income to producers.

In place of the current US position in world trade talks, President Bergman said the Farmers Union wants to eliminate the use of export subsidies which allow the dumping of agricultural products into the international marketplace at less than the cost of production. In addition, the Farmers Union believes the right of nations to develop their own domestic food security and supply-management programs should be recognized. They want to develop international agreements which include minimum and maximum pricing agreements and would establish international food reserves. It also recommended that the US trade policies move away from free market confrontations and reprisals and toward reciprocal trade arrangements.

Conclusions

The purpose of this paper has been to examine the economic and agricultural context in which agricultural trade conflicts have developed. Pressures for reform of agricultural trade were identified, and the various proposals for reform were discussed. A comparison of the EEC and US proposals demonstrated substantial philosophical differences which are seemingly unresolvable. These differences have led to an impasse in GATT talks. Lost in all the debate about trade proposals is the acceptability of the US proposal for major agricultural groups in the US. Unless the US proposal offers increased benefits over existing policy, agricultural groups are unlikely to embrace it wholeheartedly.

A comparison of the impacts of the US and EEC proposals on North Dakota crop producers demonstrates the superiority of the EEC market sharing and supply management proposal compared to the US "decoupling" proposal. An econometric analysis of grain export cartels as compared to a competitive market also demonstrates the superiority of a grain cartel arrangement similar to that proposed by the European Community.

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