The EU dumps cheap subsidized food all over the world, of which in Africa

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To understand the issue let us start by looking at the GATT and WTO rules, before quoting experts and some concrete examples.

According to Article 6 of the GATT and the WTO Agreement on dumping, "*a product is to be considered as being introduced into the commerce of an importing country at less than its normal value, if the price of the product exported from one country to another (a) is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country.* (*b*) *in the absence of such domestic price, is less than either (i) the highest comparable price for the like product for export to any third country in the ordinary course of trade, or (ii) the cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit*".

And the WTO Appellate Body's ruling in the Dairy Products of Canada's case of 3 December 2001 stated, in paragraph 92, that "*the potential for WTO Members to export their agricultural production is preserved, provided that any export-destined sales by a producer at below the total cost of production are not financed by virtue of governmental action*" and in paragraph 96 that "*The average total cost of production would be determined by dividing the fixed and variable costs of producing all milk, whether destined for domestic or export markets, by the total number of units of milk produced for both these markets*". And the new Appellate Body's report of 5 December 2002 in the same case specified in paragraph 96 that "*the benchmark should be a single, industry-wide cost of production figure, rather than an indefinite number of cost of production figures for each individual producer. The industry-wide figure enables cost of production data for producers, as a whole, to be aggregated into a single, national standard that can be used to assess Canada's compliance with its international obligations*". Paragraph 148 generalized this ruling by stating: "*If governmental action in support of the domestic market could be applied to subsidize export sales, without respecting the commitments Members made to limit the level of export subsidies, the value of these commitments would be undermined. Article 9.1(c) addresses this possibility by bringing, in some circumstances, governmental action in the domestic market within the scope of the "export subsidies" disciplines of Article 3.3.*".

In other words the first (a) GATT definition of dumping says that, as long as a country – here the EU as a WTO Member – is exporting agricultural products at its domestic prices, there is no dumping. This is the first reason why the EU and US – which devised together the WTO rules, and particularly those of the Agreement on agriculture (AoA), at the end of the Uruguay Round before imposing them to all countries on 15 April 1994 in Marrakech – decided to change at the same time their agricultural policies – the EU CAP (Common agricultural policy) and US Farm Bill – by lowering their domestic guaranteed minimal prices – the EU *intervention prices* and the US *loan rates* – close to the world prices in order to export more by lowering their margin of dumping. These lower farm prices were offset by alleged non-trade-distorting direct payments of the blue and green boxes. This allowed also to import less due to the import substitution effect of lower domestic prices.

For Peter Einarsson (2000) "*All forms of direct payments function as a dumping mechanism to the extent that the production supported results in products for export. When border protection is reduced and replaced with direct payments (as required by the AoA), the result is lower prices in protected markets. The gap between the protected internal price level and world market prices is reduced, and the need for export subsidies thus reduced correspondingly (again in conformity with the AoA). But for the importing country, there is no difference. Whether the export price is artificially reduced by export subsidies or by direct payments, the dumping effect is the same… Within the EU, the price level for virtually all agricultural products is now considerably below actual cost of production. This is not accidental, but a deliberate consequence of the AoA requirements (reduced border protection). Direct payments are a necessary complement to fill the gap between the price level allowed by the AoA and the real cost of food production. The situation in the USA is very similar, although production costs are lower and the gap to prices therefore smaller… Export of a product benefiting from any combination of public support (direct payments, export credits, free public services, or other) would be allowed only if the exporting country applied an export levy equalling the value of that support*"[1].

For Daryll Ray (2007), "*There is no question that the present farm program policy elements are structured to enable the dumping of US agricultural products on the world marketplace at prices below the cost of production. In particular the Loan Deficiency Payments/Marketing Loan Gains (LDP/MLG) portion of the current farm program, by its design, recognizes that crop sales at prices below the loan rate are below the total cost of production. Counter-Cyclical Payments (CCP) are no different, just at a higher level. When one looks at farm receipts for 1999 and 2000, it becomes clear that even the decoupled/direct payments allow farmers to sell their crops into domestic as well as international markets at prices well below the cost of production. There is no other conclusion that one can come to when one sees government payments—including decoupled/direct payments—for major crop producing states well above net farm income. Farmers in those states used some of the subsidies just to cover operating costs*"[2].

Another difficult but essential issue is that of feed subsidies. According to the AoA article 6, "*agricultural input subsidies generally available to low-income or resource-poor producers in developing country Members shall be exempt from domestic support reduction commitments that would otherwise be applicable to such measures*": in other words input subsidies are not exempt from reduction for the developed countries but have to be notified in the amber box of trade-distorting domestic subsidies or AMS (aggregate measurement of support). If the EU direct payments to feed cereals, oilseeds and pulses (COPs) are fully received by the COPs' producers, the producers of animal products get the implicit but real subsidies corresponding to the lower prices they pay for the COPs of EU origin, prices that would be much higher in the absence of the subsidies granted to COPs' producers in compensation for the reduction in their intervention prices[3]. We can also read the concrete examples given by Carlos Gasperin and

[1] Peter Einarsson, *Agricultural trade policy as if food security and ecological sustainability mattered*, Forum Syd, Stockholm, November 2000, https://iatp.org/files/Agricultural_Trade_Policy_As_If_Food_Security_.pdf

[2] Daryll E. Ray, *Will the end of US crop subsidies leave farmers elsewhere better off*? August 1, 2007, https://www.agpolicy.org/weekpdf/335.pdf

[3] Annex 2 of "*The EU actual AMS and OTDS in 2013-14*", SOL, April 29, 2017, https://www.sol-asso.fr/analyses-politiques-agricoles-jacques-b-2/

Ivana Doporto Miguez[4]. The fact that the EU has notified in its AMS some secondary feed subsidies – to dried fodder and skimmed-milk fed to calves – attest clearly that it is perfectly aware that feed subsidies are coupled input subsidies but it has refused to notify its huge subsidies. The same cheating is made by the US and other developed countries which have surely agreed among themselves not to notify these feed subsidies to COPs. Tim Wise and his colleagues of Tufts University have made a long series of articles to show how the US large feed subsidies have allowed the US to export its animal products at below full production cost[5].

According to ROPPA "*The combined US and EU12 wheat and flour (in wheat equivalent) exports in the 1986-1988 period accounted for 45.5% of world exports – at least 50% with the wheat included in exported processed products – and, as the US was already the world "price maker" for wheat, the combined US and EU dumping rate of 97% was responsible for a global wheat price which had not been as low since 1973*"[6].

SOL has shown that "*In 2016, the EU28 exported 5.449 million tonnes (Mt) of dairy products, equivalent to 30.197 Mt in milk equivalent (MTE), at a FOB value of €15.343 bn. Subsidies reached €2.03 bn, with an average subsidy rate of 61.3 €/MTE, and an average dumping rate of 13.2% related to the FOB value*"[7]. In these €2.03 bn, feed subsidies accounted for €513 M (or 17 €/tonne of milk equivalent[8]). And the total subsidies to dairy products exported to West Africa were of €168.6 M, with an average subsidy of 67.43 €/TME and an average dumping rate of 20.8% related to the total FOB value of exports of €809.7 M for a total milk equivalent (TME) of 2.5 Mt.

SOL has also shown that the 59.3 Mt of cereal products exported by the EU28 in 2016 have received €3.585 bn (60.4 €/tonne), at a dumping rate of 34.4 % on raw cereals[9]. On this 3.375 Mt were exported to West Africa at a FOB value of €587 M owing to €203.7 M of subsidies.

[4] Carlos Gasperin and Ivana Doporto Miguez, *Green box subsidies and trade-distorting support: is there a cumulative impact?* In Ricardo Melendez Ortiz, Christophe Bellmann and Jonathan Hepburn, Agricultural subsidies in the WTO green box, Cambridge University Press, 2009, pp.239-57.
[5] Feeding the factory farm, http://www.ase.tufts.edu/gdae/policy_research/BroilerGains.htm
[6] ROPPA, *Let us dare to reform the WTO for an equitable development*, December 2015, https://www.wto.org/english/thewto_e/minist_e/mc10_e/roppappmc10_e.pdf
[7] SOL, *The huge dumping of extra-EU exports of dairy products and to the EPAs of West Africa, SADC, CEMAC and EAC in 2016*, April 11, 2017, https://www.sol-asso.fr/analyses-politiques-agricoles-jacques-b-2/
[8] J. Berthelot, *The EU feed subsidies to dairy products*, July 6, 2012, extract of a report for lawyers.
[9] SOL, *The subsidies to the EU exports of cereal products to Africa in 2016*, March 17, 2017, https://www.sol-asso.fr/analyses-politiques-agricoles-jacques-b-2/