

US Farm Bill Ructions

Australia is not alone in condemning the United States administration for signing into law one of the largest farm subsidy packages in US history.

The following article from the Toronto Star gives us an insight into the indignation being felt in Canada and lays bare the real reason for the massive farm bill – massive pork barrelling for the November 2002 Senate elections.

Rich U.S. farmers get \$180 billion subsidies `One of porkiest farm bills in history' likely to hurt Canadians

Robert Russo - CANADIAN PRESS

WASHINGTON — President George W. Bush yesterday signed into law a bloated farm subsidy bill that will further enrich the richest farmers in the world.

The legislative monster is a creature of a Republican president, desperate to regain control of the Senate, and Democrats anxious to bribe congressional voters in farm states. The bill showers \$180 billion (U.S.) in subsidies on a dwindling number of American farmers over the next decade — up 80 per cent from the farm bill Bill Clinton signed. The largesse is being larded out to two million U.S. farmers, as the Bush administration predicts a \$100-billion deficit. Bush signed the bill early yesterday (May 11th) morning. Then he left town. A small but sputtering line-up of Republican senators remained in his wake.

"This is an appalling breach of our federal-spending responsibility," said John McCain of Arizona.

"We know it's money we don't have," added Richard Lugar.

Don Nickles, another Republican from farm-state Oklahoma, said the bill gives farmers incentive to overproduce, which eventually pushes farm prices down.

But with close elections expected in November, few were willing to block the bill. The booty is for several battleground farm states. There are lavish subsidies for wheat-growing Minnesota, Nebraska, Montana and the Dakotas, where Democrats hold 8 out of 10 Senate seats. They face formidable battles to hold three.

The biggest windfall is for Bush's home state, Texas. Its direct subsidies go up \$582 million to \$1.2 billion. Bush supporters at The Wall Street Journal fumed at the bill. Editors at the paper called it "one of the porkiest farm bills in history."

http://www.thestar.com/NASApp/cs/ContentServer?pagename=thestar/Layout/Article_Type1&c=Article&cid=1021327307546&call_page=TS_World&call_pageid=968332188854&call_pagepath=News/World&col=968350060724

Elections, Farm Bills and Trade Policy

Critical senate seats lie in several major farm states and the new farm bill is nothing more than an electoral bribe to potential voters in critical farm states. The Bush administration is desperate to regain a majority in the senate to ease the passage of its legislative program and has apparently settled upon a strategy of buying votes with taxpayers' money to achieve its electoral ends.

The fact that farm subsidies in the Presidents home state are to double should not be overlooked as well.

Vote buying in the run-up to elections is a practice condemned in many countries by successive US administrations, referring to the 'perversion' and 'corruption' of democratic principles and processes when elections are held in Central and South America, throughout Asia and in, more recently, Easter Europe.

Yet the actions of the Bush administration in the run-up to this years Senate elections are the same in principle – the incumbent administration is using its tax and spend powers to pervert the electoral process by attempting to buy votes in critical states.

Not only is the current US administration guilty of vote buying. The decision early this year by the US to place tariffs of up to 30% on certain types of imported steel, has, in conjunction with the signing into law of the new Farm Bill, exposed the massive hypocrisy of US rhetoric on trade liberalisation and protectionism.

The US is happy to criticise the EU and other countries for farm sector support (and Australia for its single desk wheat exporting regime), but the righteous indignation over the 'corruption of world trade' the US has been critical of is now conspicuously absent as important Senate elections loom on the horizon. Could this be a case of **do as we say** – if you don't we will punish you – **and not as we do** – because we can punish you if you do?

The decision facing the US administration in both the US steel and Farm Bill cases was, Do we live up to our free trade rhetoric or resort to pork barrelling voters and protecting inefficient sectors (steel) ?

The answer was always a no brainer; domestic expediency 1 - economic and trade philosophy 0

Beef market worries.

Not only is the news coming out of South Korea – with FMD – and Japan – with another case of BSE being found – less than encouraging, but the Australian beef industry now has to contend with a rising tide of anger at beef imports into the US.

Ranchers in the US have been suffering for some time from depressed prices and other factors impacting on their returns. Herd size reductions in recent years have led to a decline in grass fed cattle production in the US. In turn this has led to a shortfall in lean beef and necessitated imports of beef to blend with high fat grain-fed beef for hamburgers and the like. Simple supply and demand stuff.

While **we** know that exports of grinding beef to the US from Australia and New Zealand have been occurring for quite some time (!) apparently some beef producers in South Dakota have only just discovered the fact.....

US Cattlemen Angry Over Beef Imports By McDonald's

Curt Nickisch

Winner, South Dakota, 12 May 2002 18:27 UTC, Voice of America News

The world's number one fast-food chain, McDonald's, is weathering a storm of criticism since publicly acknowledging its trial purchases of Australian and New Zealand beef for McDonald's restaurants in the United States. Some American beef producers are criticizing the company's decision, which comes at a time of growing international concerns about beef safety. The Great Plains state of South Dakota, ranchers are worried that McDonald's move could threaten their way of life. Ever since hearing the news that the All-American hamburger might not be all-American anymore, some people in the middle of ranching country are using the word "boycott." In the North Star Saloon near the town of Winner, under a sign that says: "If you drink to forget, pay before you start," a few ranchers are grumbling about the low prices they get for their cattle. Charlie Drews says when he goes to town nowadays, he drives right past the McDonald's restaurant and its familiar Golden Arches.

"I ain't gonna stop there," he said. "If they're gonna feed foreign meat there, I don't need to eat there. I raise good meat, and if people ate good meat, they wouldn't eat this other stuff." Mr. Drews is protesting McDonald's trial use of imported beef in the Southeast, in about 400 of its 1,300 U.S. restaurants.

McDonald's Corporation declined a recorded interview for this story. But in a written statement, the company says it remains the single largest purchaser of U.S. beef and says the imported beef is meant only to supplement dwindling supplies of lean American beef. Fast food restaurants like McDonald's make hamburgers more affordable by buying lean beef and then mixing it with fat trimmings. The lean meat typically comes from grass-fed cattle like dairy and breeding cows, not the millions of maize-fed cattle produced in the U.S. each year to supply juicy steaks. But droughts around the country over the last few years forced some livestock producers to sell off their herds, and lean beef production isn't keeping up with demand. Some agriculture groups are asking McDonald's to buy the more expensive maize-fed meat, which there's plenty of, instead of importing beef from Australia, where most cattle are grass-fed.

University of South Dakota economist Benno Wymar says those organizations should shut up. "McDonald's is the customer here. We usually believe in this country that the customer is king. And so if the customer wants to have a certain product, in this case: lean beef, well, that's the customer's choice." Mr. Wymar says McDonald's has to stay competitive as the fast food industry loses customers to the so-called "fast-casual" restaurants opening all across the United States. And he says rancher scare tactics to pressure McDonald's to drop imported beef could backfire. "If people raise this issue about, 'oh the meat might not be safe,' then that's going to remind people again, that there is the possibility that people can become sick from eating beef," he said. "And so then they're probably going to stop eating beef altogether, and switch to some different kind of meat, like chicken."

Finally, the impact of the McDonald's test on beef prices has been minimal. That's mostly because import quotas mean there really won't be any more beef coming from in New Zealand and Australia. Still, the fact that the Big Mac contains meat from the land of kangaroos is hard to stomach for even cattlemen who understand it's a business decision.

"McDonald's built their golden arches using domestic product. That's kind of always been their standard, said Shorty Jones, who runs a ranch with his two sons and two grandsons. "And now if they're saying they're going to have to imported product. It's depressing, I guess."

He says it wouldn't hurt as much if there weren't a surplus of other cuts of beef right now. It costs more and takes longer to raise the leaner cattle McDonald's is looking for, so Mr. Jones isn't supplying the company as much as he'd like. He can see why some ranchers are holding a grudge against McDonald's, but thinks that's a mistake.

"We need to listen to the customer, and you're disappointed that they're going to import some," said Mr. Jones, whose ranch is on more than 80 square kilometers of native grass prairie in central South Dakota. "But if they're still your major customer, and they're buying 90% or 95% of it in this country, why do you want to get in a fight with them?" Mr. Jones hopes the difference of opinion among American cattlemen won't do permanent damage to their \$40 billion a year industry.

<http://www.voanews.com/PrintArticle.cfm?objectID=B1B57335-0AF1-494D-9AF1448042DE8B3E&title=US%20Cattlemen%20Angry%20Over%20Beef%20Imports%20By%20McDonald%27s>
