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Doha- "Moment of Truth," Biofuels & Food Inflation, CRP Pressure

Posted By [Keith Good](#) On July 4, 2008 @ 5:22 am In [Ethanol](#), [Conservation](#), [Doha / Trade](#), [EU](#), [Food Prices](#) | [Comments Disabled](#)

Yesterday, a "[Memorandum to the World's Trade Ministers](#)," an item penned by WTO Director General Pascal Lamy, was posted at the International Herald-Tribune Online.

In part, the item stated that, "**The coming weeks represent the moment of truth for the Doha Round.** If we are to conclude the Doha Round, we must strike a deal this month on trade in agriculture and industrial goods, provide clear signals on opening services markets and clear the decks on the remaining issues."

After outlining some of the general benefits of a Doha agreement, Mr. Lamy indicated that, "Last week, I proposed to members of the World Trade Organization that you come to Geneva for the week of July 21 to bridge gaps in your positions. They agreed because they know final decisions on the most sensitive matters can only be made by you. At the moment, there remains much work to do to prepare for your arrival. This is why many of you have sent senior officials to Geneva to resolve as many of these differences as possible ahead of your visit. I'm very glad these officials are here, but I need to tell you we need more progress - soon. These officials operate on instructions from you. A word in their ears now to show more flexibility at the negotiating table would save you all a lot of headaches when you get to Geneva.

"I believe the chances of reaching agreement this month are better than 50 percent. If I did not believe this, I would not have asked you to come. But success is not guaranteed and I must tell you that an inability to reach accord by the end of the month means our chances for success in the Doha Round would be much less than 50 percent. Agreement is within our reach, but all of us will have a stretch a bit to get there."

Dow Jones writer [Matthew Dalton](#) noted yesterday that, "**Reaching a deal on the Doha round trade talks is 'feasible,' Pascal Lamy, the head of the World Trade Organization, said Thursday.**"

And Dow Jones writer [Andrea Thomas](#) reported today that, "The world economy, in its present difficult situation, needs a positive signal from the a successful conclusion of the Doha round of world trade talks, World Trade Organization Director General Pascal Lamy said Friday.

"The outlook for the world economy isn't very good for the time to come,' Lamy told reporters after meeting with German Economics Minister Michael Glos in Berlin."

The article noted that, "Glos stressed that Germany aims for a deal at the upcoming talks.

"I have great hopes for reaching a successful conclusion,' Glos said, adding 'we both agree that the world economy currently needs positive signals' given the problems it is dealing with, such as high energy and oil prices and the financial market crisis.

"A success of the Doha round in Geneva could be such a positive signal,' Glos said. 'That's why I will fight for the success of this round' of talks.

"However, in a written press statement he said **he wouldn't agree to a deal at any price.**"

Recall that a [Xinhua news article](#) from earlier this week reported that, "Germany will not sacrifice agriculture for an agreement in the Doha Round of World Trade Organization (WTO) talks, German Chancellor Angela Merkel said Tuesday."

The article added that, "**Merkel said an agreement would not be reached on the back of German agriculture**, adding that her government will accept the agreement only if it provides a fair and balanced offer.

"She praised the contributions of European agriculture to the liberalization of world trade and criticized other countries, including developing countries, for trying to secure unjustified economic

advantages through the Doha Round.

"Earlier in the day, German Economy Minister Michael Glos and visiting U.S. Treasury Secretary Henry Paulson expressed hope in Berlin for a breakthrough in the upcoming talks."

Meanwhile, the [Associated Press](#) reported yesterday that, "The WTO chief says European and American farm subsidies are partly responsible for current high food prices because they undermine farming in developing countries.

"World Trade Organization chief Pascal Lamy says the food supply is not growing fast enough — above all in poorer nations that still have large areas of land that could be farmed.

"But he said Thursday that the countries' capacity to grow food has been damaged by a lack of investment, as well as farm subsidies in rich nations that allow the EU and U.S. to export food cheaply to developing countries that could produce it themselves at a lower cost."

Biofuels & Food Inflation

[Tom Peterkin](#) reported today at the Telegraph Online that, "**Biofuels have caused a 75 per cent increase in world food prices, a new report suggests.**

"The rise is far greater than previous estimates including a US Government claim that plant-derived fuels contribute less than three per cent to food price hikes.

"According to reports last night, a confidential World Bank document indicates the true extent of the effect of biofuels on prices at a crucial time in the world's negotiations on biofuel policy.

"Rising food prices have been blamed for pushing 100 million people beneath the poverty line. The confidential report, based on a detailed economic analysis of the effect of biofuels, will put pressure on the American and European governments, which have turned to biofuels in attempts to reduce the greenhouse gases associated with fossil fuels and to reduce their reliance on oil imports.

"The report says: 'Without the increase in biofuels, global wheat and maize stocks would not have declined appreciably and price increases due to other factors would have been moderate.'"

[Aditya Chakraborty](#) reported today at the Guardian Online that, "Biofuels have forced global food prices up by 75% - far more than previously estimated - according to a confidential World Bank report obtained by the Guardian.

"The damning unpublished assessment is based on the most detailed analysis of the crisis so far, carried out by an internationally-respected economist at global financial body.

"The figure emphatically contradicts the US government's claims that plant-derived fuels contribute less than 3% to food-price rises. It will add to pressure on governments in Washington and across Europe, which have turned to plant-derived fuels to reduce emissions of greenhouse gases and reduce their dependence on imported oil.

"Senior development sources believe the report, completed in April, has not been published to avoid embarrassing President George Bush.

"It would put the World Bank in a political hot-spot with the White House,' said one yesterday."

The article added that, "President Bush has linked higher food prices to higher demand from India and China, but the leaked World Bank study disputes that: 'Rapid income growth in developing countries has **not** led to large increases in global grain consumption and was **not** a major factor responsible for the large price increases.'

"Even successive droughts in Australia, calculates the report, have had a **marginal impact**. Instead, **it argues that the EU and US drive for biofuels has had by far the biggest impact on food supply and prices."**

CRP Pressure

Higher market prices for some program crops and food price increases have caused attention to focus on the Conservation Reserve Program.

With respect to commodity prices, the [Associated Press](#) reported yesterday that, "**Soybean futures have shot up 9 percent in the last week**, driven by concerns of poorer-than-expected U.S. yields following devastating Midwest floods that ravaged corn and soybean fields. But weather forecasts for the next few days predict favorable conditions for much of the region, a scenario that would boost soybean crops as they enter the key growing period.

"We're basically trading the weather right now," said Jason Ward, analyst with Northstar Commodity in Minneapolis. "The weather looks to be normal heading into the weekend so that's a little bearish for soybeans."

AP writer [Henry C. Jackson](#) reported today that, "State officials are asking the U.S. Department of Agriculture to release land set aside for environmental reasons to help farmers recover from record flooding.

"[Iowa] Gov. Chet Culver and Iowa Agriculture Secretary Bill Northey made the request on Thursday, in a letter sent to U.S. Agriculture Secretary Ed Schaeffer. They are asking that land now covered by the Conservation Reserve Program be released for growing hay and grazing as soon as possible."

The article explained that, "**Environmental groups, which normally take umbrage when such conservation land is negotiated, said they supported Culver and Northey's request because it was limited to farming and grazing and appeared designed to get average farmer back on their feet.**"

[Richard Wiles](#), the co-founder and executive director of the Environmental Working Group, indicated yesterday in an item posted at the St. Louis Post-Dispatch Online that, "A [recent Post-Dispatch editorial](#) called for plowing up portions of the nation's premier farmland protection initiative, the Conservation Reserve Program, in hopes that planting corn on highly erodible lands will ease pressure on corn markets and lower prices of food and animal feed.

"This might sound like good policy, but it will not work. **Plowing up the land in the CRP will do nothing to lower food or feed prices, but it will flush billions of dollars of conservation progress down the Mississippi and very likely aggravate global warming.**

"There are few better investments of taxpayer dollars than the land reserve project, which has protected millions of acres of sensitive lands nationwide and significantly reduced soil erosion, all the while costing taxpayers about one tenth as much as traditional farm subsidies. And unlike most farm subsidies — which concentrate wealth in the hands of the wealthy — this program spreads the money around and creates more economic value than it costs."

Mr. Wiles noted that, "We could consider sacrificing portions of the CRP if there were any evidence that it might lower food prices for the poor or help us fight global warming. But opening up these lands for agricultural use would do neither.

"First, it is too late in the season to realize significant yields on any corn planted this year. And even over the long haul, there is no reason to believe that corn planted on these acres would yield enough to have any impact on food or feed prices, given surging global demand and the overzealous congressional ethanol mandate that, if unchanged, could divert up to half of all corn to ethanol production over the next several years.

"On top of that, the environmental effects could extend well beyond soil erosion, habitat destruction and tons of fertilizers added to rivers and drinking-water supplies; converting land now in the Conservation Reserve Program to corn production could be a huge step backward in the effort to slow global warming."

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