

LOS ANGELES TIMES

Growers Struggle as Trade Barriers Fall

Honduran rice farmers' livelihoods nearly vanished after import limits ended. Producers all over the world fear the same fate in an ever more globalized industry.

By Marla Dickerson and Evelyn Iritani, Times Staff Writers

SANTA CRUZ DE YOJOA, Honduras — Farming has never been easy in these misty, rugged highlands. But it has gotten a lot tougher for growers like Marcos Munoz Nunez.

He once owned 43 acres of farm ground, most of which he planted with long-grain rice. Earnings from that lush, grassy crop paid for his modest house, a small herd of cattle and school fees for his four children. But he went bust after Honduras opened its market to U.S. imports in the early 1990s. Today, Munoz is a squatter on disputed land, planting corn and beans by hand alongside other subsistence farmers in a struggling cooperative. Honduras, nearly self-sufficient in rice production as recently as 15 years ago, now buys most of this staple from the United States.

"Look at us hacking away with our machetes, drinking from the river, living in the open air," said the 50-year-old, who camps most nights in a flimsy shelter erected on the edge of the fields. "U.S. farmers have subsidies, technology. How can we compete?"

Around the world, farmers large and small are skeptical about their ability to survive in an increasingly competitive global economy. Though expanded trade in farm products allows consumers to enjoy low prices and a wide array of exotic fruits and vegetables, the mounting pressures are squeezing rural dwellers from western Honduras to California's rich Sacramento Valley.

Farmers in many developing countries worry that they'll be whipsawed by market forces, unable to match the quality and efficiency of First World producers. Growers in the U.S. and other developed nations fear they'll be undercut by low-cost producers in China and Brazil.

At the center of the controversy is government support that topped \$279 billion last year, according to figures from the Organization for Economic Cooperation and Development. Farmers in industrialized nations contend that help is needed to guarantee food security and preserve rural traditions in countries where land, equipment and labor are expensive.

Critics say those subsidies promote overproduction and encourage the dumping of cheap products, distorting global prices. They want the U.S. and other countries to end government aid to their agricultural sectors in exchange for easier access to export markets. The World Bank recently estimated that the removal of tariffs, subsidies and other domestic support programs could boost global economic output by almost \$300 billion a year by 2015, two-thirds of it in farm trade.

Rising anxiety among nations rich and poor threatens an ambitious global trade deal that is scheduled for completion in 2006. U.S. officials insisted recently that the so-called Doha round of trade talks could still succeed, though they acknowledged that they had scaled back hopes of a major breakthrough by next week's meeting of the World Trade Organization in Hong Kong.

Resolving the impasse over farm trade is key to gaining support for other aspects of the ambitious deal, which also seeks to eliminate industrial tariffs and lower barriers in services.

The world got a taste of the destabilizing effects of market liberalization this year, when a decades-long

system of managing trade in apparel and textiles was abandoned. Chinese exports to the U.S. and Europe surged and thousands of factory jobs in less competitive regions were lost. After their manufacturers cried foul, the U.S. and Europe reimposed limits on Chinese imports. But plant closings and job losses have hit hardest in developing countries, where the apparel industry is one of the main sources of employment.

Experts are concerned that the same thing will happen to the farm sector if trade protections are dismantled too quickly and poor nations aren't given sufficient help in adjusting to the new rules. More than 3 billion people worldwide scratch out a living in rural areas, according to the Food and Agriculture Organization of the United Nations. But global agricultural trade is dominated by a few large firms, including Cargill Inc., Archer Daniels Midland Co. and France's Louis Dreyfus Group, that use their buying power to keep farm commodity prices low.

The deck is stacked against the growers, said Sophia Murphy, an analyst with the U.S.-based Institute for Agriculture and Trade Policy, "because the farmers are so many and the buyers are so few."

Honduras offers a cautionary tale of what can happen if the transition isn't carefully managed. In the early 1990s, as part of economic changes pushed by the International Monetary Fund and the World Bank, the small Central American country began opening its farm sector.

Among other changes, federal price supports for rice and tight government controls over import licenses were replaced by a system more closely linked to global market forces. Import quantity restrictions were relaxed. But protections were built in to trigger import tariffs as high as 45% to cushion Honduran producers if world prices dropped precipitously.

Still, a flood of subsidized U.S. rice swamped the market starting in 1991 as trade barriers began falling, an event that many Hondurans still refer to as the *arrozazo*, or rice scandal. The high quality and low prices of the U.S. rice proved irresistible to Honduran millers, and the nation's farmers found themselves without a market for their product.

Prices went into a slide that lasted several years. Farmers took yet another hit in 1998 from Hurricane Mitch. Production plunged 87% in less than a decade, according to Honduran government figures. Over that time, Honduras has gone from growing the bulk of its own rice to importing as much as 90% from southern-U.S. producers.

The number of Honduran growers has plummeted to fewer than 2,000 today from 25,000 in the 1980s, according to Marvin Ponce Saucedo, a rice expert with COCOCH, a Honduran farm organization.

What's more, it appears that opening the country's rice market has not benefited Honduran consumers, who are paying more now for rice than they were a decade ago, he said, because intermediaries have pocketed the cost savings instead of passing them on.

The Honduran government reinstated price supports that helped domestic production rebound to 29.2 metric tons in 2004 from a low of 7.3 metric tons in 2000, according to the latest figures. But that's still much less than the 142,000 metric tons that Honduras purchased from the U.S. last year.

"Except for a few large importers, no one in Honduras has benefited," Ponce said. "We have more poverty, misery and unemployment."

Maria Angeles Amaya comes from a line of farmers stretching back as far as anyone in her family can remember. Rice helped build her clan's sturdy cinder-block house in Santa Cruz de Yojoa and bought school supplies and uniforms for the children. But she said the fall in prices forced her husband to migrate illegally to the U.S. for a time to earn money working in construction. She bought a battered old American school bus and now operates a jitney service ferrying passengers from the city center to the outskirts of town for 37 cents a ride.

Shifting the gears effortlessly on a recent afternoon, with a "Guide Me Christ" ornament plastered above the windshield and the road whizzing beneath the holes in the floorboard near her feet, Amaya looked like a natural-born teamster. But she longs for the rhythms of her old farming life. Bored by the work, she files her nails between runs and regrets time spent away from the seven children still under her roof, the youngest girl just 4 years old.

"I feel like they're growing up without a mother," said Amaya, 38. "We were never rich [when we were growing rice]. But we were better off."

What to do with millions of farmers like Amaya who could be displaced by globalization is a huge concern in nations such as Honduras, where more than half the working population still labors in the countryside.

The world needs fewer agricultural workers as efficiency increases. In the U.S., for example, one of the world's premier agricultural powers, less than 1% of the workforce is employed in farming. But rapidly falling trade barriers are forcing poor countries to make a transition in just a few decades that took some developed nations centuries to accomplish, said Sandra Polaski, a labor expert who was in the State Department in the Clinton administration and is now at the Carnegie Endowment for International Peace.

She said flexible trade rules that offer some basic protection for small farmers in developing nations such as Honduras, coupled with assistance to move them toward more productive enterprises over time, are in the interest of the U.S. "For our own security ... we should not be making poor countries poorer," Polaski said.

Mariano Jimenez, Honduras' minister of Agriculture, acknowledges that it's unrealistic for developing nations to say, "Let's protect everything forever." He favors a market-based approach in the upcoming trade talks, albeit with plenty of training and assistance to move farmers into products with which they can compete.

"Eventually, producers have to get efficient," he said.

Meanwhile, Jimenez said, Honduras is pushing its farmers to cultivate more-lucrative specialty crops such as palm oil and cantaloupe. Despite troubles in the rice sector, he noted, Honduras is running an agricultural trade surplus with the U.S., where products such as coffee, bananas and citrus have found a steady market.

But Honduran farmers such as Emilio Ventura remain unconvinced that they can profit from free trade in agriculture. He said that he lost everything after rice prices plummeted in the 1990s, and was forced to sell his tractor, a couple of trucks and other equipment to pay off bank loans. The wiry Ventura now grows corn, beans and other vegetables and hires himself out as a farm laborer to make extra money. None of his 12 children have followed him into farming, and he can't blame them.

"Who wants to work so hard for so little?" he said.

On a recent afternoon, he and other workers lingered around a rice field near the municipality of Jesus de Otoro, waiting for the sun to dry the emerald stalks with their pearl-like strands of kernels in preparation for harvest.

"It used to be green like this in every direction," Ventura said, motioning toward the horizon. "Not any more. We're done with rice."

Dickerson reported from Santa Cruz de Yojoa and Iritani from Los Angeles.