

September 26, 2000

For Immediate Release:

Contact: Mark Muller, 612-870-3420 or Ben Lilliston, 612-870-3416.

Midwest and South America Headed For Collision Course on Soybeans, New Study Finds

Mississippi River Navigation Project Would Help Create Soybean Glut

Minneapolis – As Midwest farmers fight low prices for soybeans, a new analysis of global markets concludes that projected increases in soybean production over the next 20 years will be disastrous for US soybean farmers. Major river renovation projects being pushed in both North and South America will likely create a glut of soybeans on the world market, according to the report by the Minneapolis-based Institute for Agriculture and Trade Policy.

The report, *Mississippi River Navigation: Helping the Midwest Compete with South American Soybeans?* by IATP Senior Associate Mark Muller, assesses the international soybean market and the impact of how the race to capture new international markets will affect US farmers and rural communities.

“The proposed Mississippi River Navigation Projects takes soybean farmers in the Midwest and South America a step closer to mutually assured destruction,” says Mark Muller, author of the report. “Even the most optimistic projections indicate that the global soybean market cannot absorb all these soybeans. Farmers and ecological resources will be devastated during the soybean battle.”

The report found that soybean production had increased over the last 40 years at a much quicker rate than utilization. While production is going up, soybeans have been in a long-term price decline since 1974. Increased exports have been touted as the answer to the soybean price problem.

China is considered a strong potential market for increased soybean exports. But even under a best case 8 million metric ton increase for exports to China through 2020, it won't approach the projected 118-million metric ton increase in soybean production, according to the report.

The proposed Mississippi River Navigation Lock and Dam project has been pushed by the US Army Corps of Engineers and large agribusiness companies as a way to increase US soybean exports. In Brazil and Argentina, many of the same agribusiness companies are pushing for a dredging project in the Hidrovia Paraguay-Parana River System to expand exports from that region.

“If the United States, Brazil and Argentina all proceed with their production and export plans, two things will result. First, all three countries will see substantial environmental degradation of precious river resources. Second, world soybean production will double in the next 20 years,” says Muller. “The ‘winner’ of this soybean competition will be the country most willing to withstand environmental damage, transfer private costs to its taxpayers, and endure the lowest prices for soybeans. One has to wonder if winning such a contest is worse than losing it.”

IATP Program Associate Gabriela Flora recently returned from six weeks in Brazil, Argentina and Paraguay where she researched the farm economy and efforts to expand river navigation in South America.

“It is interesting that the same companies are pushing strongly for river expansion in both North and South America,” says IATP Program Associate Gabriela Flora. “This should be an indicator to farmers that these companies are trying to pit North and South American farmers against each other in order to justify river projects that will drive global soybeans prices further down.”

The report recommends that the governments of the United States, Brazil, and Argentina abandon this competitive soybean war that will adversely impact their farmers in favor of a more cooperative approach that benefits farmers. The three countries should work together as partners and attempt to manage the supply of the global soybean market in a rational way that benefits all parties.

The Army Corps of Engineers proposal to expand the Mississippi River Locks and Dam system has been embroiled in controversy. Two Corps economists have publicly stated that they were pressured to change economic studies which showed that the project wasn't needed. The Corps has argued that the project will help increase farm exports and benefit Midwest farmers.

The report can be found at the Institute for Agriculture and Trade Policy's website:

http://www.iatp.org/foodsec/library/admin/uploadedfiles/showfile.cfm?FileName=Mississippi_River_Navigation_Helping_the_Midwe.pdf

The Institute for Agriculture and Trade Policy promotes resilient family farms, rural communities and ecosystems around the world through research and education, science and technology, and advocacy.