Down on the Farm: NAFTA’s Seven-Years War on Farmers and Ranchers in Florida

Dwindling Incomes for Small Farmers in Florida; Lost Farms and Rural Crisis are NAFTA’s Legacy

Public Citizen’s Global Trade Watch
August 2001
Note: This report has been prepared as a supplement to Down on the Farm: NAFTA’s Seven-Years War on Farmers and Ranchers in the U.S., Canada and Mexico - Dwindling Incomes for Small Rural Farmers in the U.S., Mexico and Canada; Lost Farms and Rural Crisis is NAFTA’s legacy. For more information on NAFTA’s impact on the national farm economies in the U.S., Canada and Mexico, please see our national report at www.tradewatch.org.

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Acknowledgments: Research and writing of this report have been provided by Patrick Woodall, Lori Wallach, Jessica Roach, Amanda Ballantyne and Darshana Patel. Additional invaluable assistance was provided by Global Trade Watch interns Michael Stein and David Desrosiers as well as Public Citizen staff Michael Dolan, David Vladeck, Booth Gunter and Angela Bradbery. Additional thanks are extended to Steven Suppan at the Institute for Agriculture and Trade Policy, Kathy Ozer at the National Family Farm Coalition and Larry Mitchell at the American Corn Growers Association for their guidance and insight.

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In the summer of 2001, family farmers and ranchers throughout North America are struggling.

During the 1993 debate over the fate of the North American Free Trade Agreement (NAFTA), Florida farmers and ranchers as well as farm communities across the U.S. were promised that NAFTA would provide access to new export markets and thus would finally bring a lasting solution to farmers’ off-and-on struggles for economic success.

Now, seven years later, the evidence shows the income of independent Florida farmers has declined, consumer prices have risen while some giant agribusinesses have reaped huge profits. Florida has lost 1,000 small and medium sized farms since NAFTA went into effect. Total net income for “farm operations” in Florida increased between 1993 and 1999 — but all of the income gain was in corporate farms. When corporate income increases are eliminated farm income drops steeply in Florida. During the seven years of NAFTA, net farm income for non-corporate Florida farm operations fell 74.4% between 1993 and 1999 from $51.4 million to $13.4 million. These bad outcomes for independent farmers are defining the growing national debates over President Bush’s proposals to establish Fast Track trade authority and to expand NAFTA to 31 other Latin American and Caribbean nations through the Free Trade Area of the Americas (FTAA).

This report documents the results that are causing farmers’ concern about NAFTA and its model of export-oriented agriculture. This special Florida supplement to a recent national report on NAFTA’s agriculture-sector outcomes examines the impact of NAFTA on Florida farmers. For the past seven years, Florida vegetable growers, especially tomato and bell pepper growers, have been facing intense pressure from increasing imported vegetables from Mexico. Florida’s citrus crop, the jewel of Florida’s agriculture production, is already facing increased pressure from Mexico and will face even further import threats if President Bush is granted Fast Track trade authority. President Bush has announced he is seeking trade authority to negotiate FTAA NAFTA expansion which could result in Florida facing severe competition from powerhouse citrus producer Brazil. Farmers raising beef cattle in Florida who have seen incomes decline as farmgate prices for beef have collapsed in Florida under NAFTA would face new FTAA imports from beef giants Argentina and Brazil. Moreover, sugarcane farmers, who received special protection from Mexican sugar imports when NAFTA was negotiated, face even greater threats from FTAA nation Brazil which dominates the world sugar trade. Brazil has announced that access to the U.S. for its citrus, beef, and sugar is a non-negotiable requirement for any FTAA deal.

Similar NAFTA outcomes are plaguing farmers and ranchers throughout the country. While Florida’s farmers were hardest hit, for the past seven years, Midwestern and Plains’ states wheat farmers; ranchers in Montana, Texas and other states; vegetable, flower and fruit growers in California; lumber mill owners in Louisiana, Arkansas and Washington; chicken farmers nationwide and others have
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suffered declining commodity prices and farm income while a flood of NAFTA imports outpaced U.S. exports to Canada and Mexico.

Yet it was not farmers in Mexico or Canada who benefitted from Florida farmers’ woes. Millions of campesinos throughout Mexico have lost a significant source of income and left their small corn farms. Some became farm laborers working in squalid conditions for poverty wages on large plantations growing produce for export to the U.S. Others moved to Mexico’s cities where unemployment is high. Canadian grain and dairy farmers also face steeply rising debt during the NAFTA era.

And consumers from Calgary to Chiapas have failed to see the price cuts for food promised during the NAFTA debate. While the prices paid to North America’s farmers for beef, grains, vegetables and other foods fell to record lows, the U.S. Consumer Price Index (CPI) shows that U.S. consumer food prices increased by almost 20% during NAFTA’s first seven years.2 The food price increases for food eaten at home in urban areas in the South increased 20.4%, slightly higher than the national increase in the CPI (which is tracked in urban areas across the country), but these food prices for cities with fewer than 50,000 residents in the South increased by 22.7% – or about 15% higher than the national average.3 Prices for food eaten at home in the Miami-Ft. Lauderdale area increased 21.4%.4 In the Tampa-St. Petersburg area the prices for food eaten at home rose 23.5% between 1993 and 2000.5 This report also documents the rise in Mexican staple food prices, such as in tortilla prices, even as the price paid to Mexican corn farmers dropped 48%.6

However, NAFTA has brought seven years of good fortune to many of the agribusinesses that pressed Washington, Ottawa and Mexico City to negotiate and ratify NAFTA’s corporate-managed trade terms. Since NAFTA stripped away many safeguards for the folks who produce raw agricultural products, relative power and leverage has grown for large agribusiness conglomerates to exert pressure on both farmers and consumers.

In Washington D.C., the Bush Administration is pushing forward with an ambitious plan to expand the NAFTA model throughout the hemisphere through FTAA. President George W. Bush and his principal trade policy advisors have stated that they intend to make the debate about NAFTA expansion and Fast Track (which they want to rename “Presidential Trade Promotion Authority”) a referendum on NAFTA.

Public Citizen agrees that the debate over NAFTA expansion – indeed, the national conversation about the premises and direction of U.S. trade policy – should be decided on the basis of the real-life results of NAFTA and the model on which it is based.

In this report, we show how Florida independent farmers and small and medium sized farmers throughout the U.S., Mexico and Canada have seen agricultural prices plummet, farm incomes collapse
and critical domestic agriculture safety net programs dismantled during NAFTA’s seven years. International free trade agreements and the domestic policies which furthered implementation of the export-oriented model, such as the U.S. “Freedom to Farm Act,” have proved to benefit only the largest agribusinesses while the majority of farmers and consumers have lost. Our principle findings on NAFTA’s impact on key Florida crops are these:

**NAFTA Has Devastated Florida’s Vegetable Growers**

NAFTA already has had a devastating effect on Florida’s vegetable growers. Between 1995 and 1999, the U.S. fresh, chilled and frozen vegetables trade deficit grew from $438 million to a deficit of more than $1 billion. Over the same period, the fresh, chilled and frozen vegetables industry lost 14% of its establishments and 11% of its workers. Before NAFTA, Florida’s tomato industry consisted of more than 300 major farms, but by 2001 there were only 15 remaining — with hundreds of farm workers laid off at each farm that folded. The number of Florida tomato growers had declined from 300 farmers before NAFTA to 70 by 2000. Florida’s tomato growers have been devastated absolutely since NAFTA. Florida’s tomato growers lost $112 million during the 1999-2000 growing season alone. Florida tomato production in 2000 was 9.4% below 1993 levels. Florida’s 1999-2000 tomato crop value of $418.4 million was the lowest in 15 years and 33.0% below the pre-NAFTA 1992-1993 crop value of $624.2 million. Florida’s tomato crop receipts in 2000 was $507 million — or 7.3% of the state’s agriculture receipts. In a *Palm Beach Post* interview Gary Smigiel, general counsel for Mecca Farms, one of Florida’s largest tomato growers described the problems that Florida’s tomato growers: “We’ve cut back operations 25% to 30% percent over the last six years. We were farming in almost every area of the state, now we are basically back to the east coast of Florida. [NAFTA] has taken the profit out of it.”

NAFTA continues to damage Florida’s vegetable growers. Florida’s harvested vegetable acreage declined 10.9% between 1993 and 2000 and the value of Florida’s vegetable crop declined by 2.4% while the U.S. economy expanded to $1.2 billion over the same period. Although the U.S. consumption of tomatoes has grown by 7% between 1995 and 1999, the share of domestically consumed tomatoes provided by imports has grown 13% over the same period to 34%. Mexico accounted for 83% of imports in 1999. Imports of tomatoes from Canada also rose more than 2,400% from $6 million in 1993 to $160 million in 2000, turning a $104 million tomato trade surplus with Canada into a $39 million tomato trade deficit over the same period.

Given how terribly Florida farmers have been hurt by NAFTA, the Bush Administration knows Florida’s congressional delegation will not be favorably disposed to expanding NAFTA to 31 more countries that would be major-exporters of competing produce raised using sweatshop-wage labor and lax safety and environmental conditions against which Florida farmers cannot compete. Thus, the Bush Administration is predicted to approach the delegation with a “deal” to try to secure some Florida
congressional votes. This same approach—of a presidential promise to deal with potential problems for Florida farmers—was how Florida’s congressional delegation was lured into becoming the swing block of votes that passed NAFTA in the first place.

In 1993, in exchange for supporting NAFTA, the Florida congressional delegation obtained the insertion of language into NAFTA’s implementation language to safeguard winter vegetables, especially peppers and tomatoes, against import surges from Mexico. Yet, while the U.S. International Trade Commission (U.S. ITC) has performed the annual reviews required by the deal, each year the U.S. ITC merely has documented the overwhelmingly negative impact that Mexican imports have had on domestic farmers, but then decided to take no action to protect the domestic producers. The only measure that would avoid a replay of such a damaging scenario is if the actual legislation granting President Bush Fast Track explicitly forbids future negotiations granting access to the U.S. market of certain vegetable and citrus products. To date, the Bush Administration has refused to include any such meaningful safeguards, perhaps in part because countries such as Brazil have announced they will not negotiate access to Brazil’s banking or others sectors targeted by the U.S. unless the U.S. drops even existing limits on citrus and other produce.

Indeed, the promised benefits for U.S. vegetable farmers and U.S. consumers never have materialized. In 1993, the California Tomato Board predicted that “growers see exports to Mexico increasing from 7,000 metric tons this year to 17,000 tons by 1995.” Yet, NAFTA’s reality was quite contrary to what NAFTA’s proponents predicted. In a 1995 interview, a Tomato Board representative said, “NAFTA hosed us! 1995 exports are down 90 percent from this period last year. We did not have problems before NAFTA. NAFTA is not worth writing home about.” Instead farm income has declined and consumer prices for food have risen while some agribusinesses — which lobbied hard for NAFTA and are avidly promoting Fast Track — have seen record profits. Anticipating the benefits to be gained from NAFTA’s passage in 1993, Green Giant, a subsidiary of agribusiness giant Pillsbury, moved its frozen food processing plant from Watsonville, California, to Mexico. The move meant cheaper wages and minimal food safety controls and thanks to NAFTA, the company could return the food for sale to U.S. consumer with no tariff. The same pro-NAFTA team is also inside the White House. The current Bush Secretary of Agriculture, Ann Veneman, was one of the previous Bush Administration’s negotiators for NAFTA and the Uruguay Round of GATT and then become a lobbyist.
Florida bell pepper farmers are also facing a flood of cheap pepper imports from Mexico which have depressed prices and put farmers out of business. In 2000, U.S. ITC found that between 1995 and 1999, the U.S. pepper market was inundated with Mexican pepper imports, while over the same period, the acreage of U.S. pepper production decreased. Mexico’s chili exports to the U.S. grew from 5,700 tons in the mid-1990s to 48,500 by the end of the decade — a 750% increase. Since 1993, the year before NAFTA, imports of peppers from Mexico are up 150% to $336 million in 2000 while exports are down 24%. The price paid to U.S. chili pepper producers has fallen from $2 a pound to $1.30 a pound, a 35% decline. U.S. chili pepper acreage has fallen 25% between 1999 and 2000. Pepper imports rose by 45% over the period and Mexico accounted for 76% of pepper imports.

Granting President Bush Fast Track to expand NAFTA could have a devastating effect on Florida vegetable growers. Vegetables still made up 20.9% of Florida’s agriculture cash receipts in 2000. President Bush seeks to expand NAFTA to all of South and Central America and the Caribbean. NAFTA already has had a devastating effect on Florida’s vegetable growers. FTAA would only accelerate the NAFTA devastation. Under FTAA, Florida farmers would face more imports from Chile, a world-class producer of fruits and vegetables, that compete directly with produce grown in the U.S. However, Chile’s produce can be sold at lower prices because labor there is cheap and pesticide and worker safety rules are nearly non-existent.

**NAFTA Has Damaged Florida’s Orange Growers**

NAFTA already has had a damaging effect on U.S. fruit growers — FTAA would greatly accelerate the NAFTA damage. Between 1995 and 1999, the U.S. fresh fruit sector lost 8% of its establishments and 4% of its jobs. The U.S. fresh fruit trade deficit grew from $127 million in 1995 to $469 million in 1999. The value of U.S. citrus exports fell by a third and the share of U.S. production going to exports declined by 37% between 1995 and 1999. Changes in trade is goods study The $18 million U.S. fruit and vegetable juice surplus in 1995 has become a $48 million deficit in 1999.

While NAFTA has been in effect, U.S. fresh citrus imports of limes, oranges and grapefruit from other countries rose 219% to $224 million, causing the U.S. world fresh citrus trade surplus to shrink by 35% to $379 million. Florida’s orange exports declined 27.1% between 1993 and 2000, according to the U.S. Department of Agriculture figures. Even though U.S. fresh citrus exports to Mexico rose between 1994 to 2000, imports into the U.S. from Mexico vastly outpaced U.S. exports to Mexico and the fresh citrus trade deficit with Mexico still grew by 61% to $53 million. U.S. fresh citrus exports to the South American nations of FTAA have grown 560% since the WTO was established causing the trade deficit to increase 721%. In contrast, the three years before the WTO saw the fresh citrus trade
deficit with South America shrink by 37%. U.S. citrus farmers simply cannot export their way out of free trade-induced economic troubles --- with Brazil flooding world markets with oranges produced with rock bottom wages and lax health standards.

Expanding NAFTA with the FTAA to include Latin America (for which President Bush seeks Fast Track) would threaten the survival of Florida orange growers and orange juice producers. If Congress grants President Bush Fast Track for FTAA, U.S. farmers would face stiffer competition from imports but would not gain in Latin American and Caribbean export markets. Orange exports to FTAA countries represented 0.07% of Florida’s orange exports in the 1999-2000 crop year. The proposed FTAA would grant foreign producers new import rights into the plum U.S. consumer market. However, since many of these countries already have lower-than-NAFTA trade barriers for U.S. goods and because production is cheaper because of lax environmental and food safety regulation and cheap labor, U.S. farmers will not see greater fruit exports to Latin America and the Caribbean.

Brazil is the world’s largest supplier of frozen concentrated orange juice with half the world production. In the 2000-2001 growing season, Brazilian orange production was estimated to be 350 million boxes, compared to 224 million boxes in Florida. In 1996 and 1997, two Brazilian companies bought processing plants in Florida, controlling enough of the Florida orange juice processing industry to have an impact on prices on bulk juice concentrate which they can import from Brazil, thereby depressing prices. The U.S. ITC predicts that without countervailing duties Brazilian imports will enter the U.S. at low prices and high volumes, hurting Florida orange growers and orange juice producers’ revenues, profits and employment levels. Brazil has said it will not agree to any FTAA negotiations that do not remove the countervailing duties that now protect Florida orange growers.

Farmers Raising Cattle in Florida Have Faced New Difficulties Under NAFTA

NAFTA already has had a damaging effect on U.S. ranchers which FTAA would expand given that FTAA would include the huge beef exporting nations of South America. The number of beef cattle in Florida declined by 7.3% between 1993 and 1996 to 983,000 head. Agribusinesses took advantage of NAFTA to invest in Mexico’s low-wage, minimal regulatory environment. For instance, a few months after Congress extended Fast Track powers to the elder President Bush in 1991 to negotiate NAFTA, Cargill Corporation purchased a beef and chicken production plant in Saltillo, Mexico, thus also securing access to lower wages and regulatory standards.
President Bush’s proposed South American NAFTA Expansion Will Place Added Burden on Florida farmers raising beef cattle. NAFTA went into effect in 1994. In 1995, the U.S. had a trade surplus with the world in the cattle and beef sectors’ of $21 million. By 1999, that surplus had become a $152 million deficit. A large share of that beef deficit is with the very nations that would comprise President Bush’s proposed FTAA NAFTA expansion -- such as Brazil and Argentina. The U.S. beef trade deficit with Argentina has been more than $100 million every year for the past ten years. The U.S. beef deficit with Brazil has grown 1400% since 1991, from $6 million to $91 million.

According to the USDA, the U.S. beef deficit with Uruguay has increased by 75% since 1991 from $26 million in 1991 to $46 million in 2000.

Increased beef imports to the U.S. have contributed to the decline in beef cattle prices paid to U.S. producers. The price Florida farmers received for beef cattle fell by 28.1% between 1993 and 1999. Despite the 16.4% increase in Florida marketings of cattle (deliveries to market) between 1993 and 1999, cash receipts for these marketed cattle fell by 14% over the same period.

While FTAA would require the U.S. to accept even more beef imports, Florida farms would not obtain new export prospects. On average South America already has lower average tariffs on meats (38%) than the EU (70%). Ten FTAA countries, including some of the largest markets, currently have lower applied agricultural tariffs (actual annual average tariffs) than NAFTA partner Mexico — meaning that U.S. beef producers are not finding export markets in these countries even while tariff rates there are already lower than the level FTAA would provide.

Meanwhile, even before the additional FTAA access to U.S. market, imports are soaring and the oversupply is dropping prices. A 2000 study of feedlot and retail prices for beef found that an East Texas feedlot sold a 1,000 pound choice steer for $620. However, by the time the meat was sold in the supermarket, it cost consumers the equivalent of $1,697 per steer — nearly three times the price the feedlot received which itself was greater than the price the rancher obtained from the feedlot.

FTAA nations Brazil, Argentina and Uruguay are major low-priced beef exporters. For example, although the average price per pound of beef imported into the U.S. was $1.07 in 2000, beef from Brazil cost 97¢ per pound and had declined by 22% since 1993 compared to the 3.5% decline in average beef import prices. Expanding the NAFTA model to South America would not benefit U.S. beef and cattle ranchers, instead it would flood the U.S. market with more imports.
The proposed FTAA-NAFTA expansion also has significant implications when considering the growing concentration in the food industry. Tyson Foods already has operations, either directly or through its subsidiaries, in Mexico, Brazil, Argentina and Venezuela.\textsuperscript{44} In December 2000, Tyson Foods, the country’s largest poultry producer, and meatpacker IBP, the nation’s largest beef packer, announced a merger which would create the world’s largest marketer of beef, pork and chicken.\textsuperscript{45} In the U.S., the merged entity would control 30\% of the beef market.\textsuperscript{36} By 2000, the top four U.S. cattle processors controlled 80\% of the U.S. market (double the market share of the top four in 1980).\textsuperscript{47}

\textbf{FTAA Threatens Florida Sugar Production}

The U.S. and Mexico have been locked in a dispute over the amount of sugar the U.S. is required to import under NAFTA. However, because of a special agreement in NAFTA, Florida’s sugarcane growers have been protected partially from surging imports of Mexican sugar. Even still, Florida’s sugar production suffered from the increase in surplus sugar imports from Mexico. Between 1995 and 2000, Florida’s cane sugar crop cash receipts declined by 2.9\% to $442 million.\textsuperscript{48} Florida’s sugarcane crop was $442 million in 2000, constituting 6.4\% of the state’s agriculture receipts.\textsuperscript{49}

Mexico contends that, under NAFTA, it was granted the right to export its surplus sugar to the U.S.\textsuperscript{50} The U.S. argues that a last minute U.S.-Mexico NAFTA side agreement allows the U.S. to prohibit surplus Mexican sugar imports until 2008.\textsuperscript{51} During the last moments of the NAFTA negotiations, the U.S. sugar industry managed to delay NAFTA’s sugar tariff reductions from 2001 to 2008, allowing only surplus Mexican sugar into the U.S. under a tariff rate quota system.\textsuperscript{52}

In addition, according to U.S. government officials and U.S. sugar producers, a so-called side letter --- again aimed at luring in Florida congressional votes for NAFTA --- required that the U.S. would have to provide access only for up to 250,000 tons of Mexico’s surplus sugar a year.\textsuperscript{53} Mexico contends that the Mexican government never signed the side letter and is entitled to unlimited access to the U.S. market for surplus sugar.\textsuperscript{54}

The sugar dispute took a further twist in 1997, after Mexico imposed an anti-dumping duty on U.S. exports of high fructose corn syrup (HFCS).\textsuperscript{55} The U.S. responded by refusing to raise the quota on Mexican sugar imports.\textsuperscript{56} The U.S. then challenged Mexico’s duty on U.S. HFCS at the WTO. In January 2000, a WTO panel ruled that the anti-dumping investigation used to justify Mexico’s HFCS duties against the U.S. was consistent with WTO commitments.\textsuperscript{57} However, the WTO also found that Mexico’s imposition of the anti-dumping measure was inconsistent with WTO commitments because it incorrectly assessed the material damages to its domestic industry, it inconsistently applied retroactive anti-dumping duties, and it failed to release the bonds or cash deposits collected under the duty.\textsuperscript{58} The WTO thus requested that Mexico bring its policy into conformity with the WTO agreement on anti-
dumping. Despite the WTO ruling, Mexico decided to maintain the duties that the WTO tribunal had ruled to be WTO-inconsistent.

Meanwhile, Mexico’s sugar surplus was estimated to be 575,000 tons in 2000. The side letter dispute was under intense negotiation in August 2000, when U.S. negotiators proposed increasing market access for Mexican sugar in exchange for maintaining the Tariff Rate Quota, which applies an additional tariff for imports over a certain quota volume, beyond 2008, as scheduled in NAFTA. In August 2000, Mexico requested that a NAFTA dispute panel be convened to resolve the sugar dispute.

In the U.S., 48% of the sugar produced is cane sugar. Despite these existing NAFTA troubles, sugarcane farmers are at ground zero of risk under the proposed FTAA NAFTA expansion. The FTAA would subject U.S. cane farmers to increased competitive pressures from Latin American and Caribbean sugar producers. Under the proposed FTAA, the USDA predicts that the domestic price will decline, imports would rise (especially from huge sugar producer Brazil) and U.S. production could slump. Brazilian Ambassador Rubens Barbosa stated this unequivocally by stating “The United States wants us to open further our markets for U.S. products. We cannot accept that we continue to open unilaterally our products unless it’s a two-way avenue.[...] Brazil is the most competitive producer of sugar in the world, had not the system of quotas that exists here been in place, Brazil would be the main supplier of sugar in the United States.”

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Public Citizen’s principle findings on NAFTA’s impacts on agriculture communities in Florida and throughout the U.S., Canada and Mexico are these (for a more detailed analysis of national-level data, please see Down on the Farm: NAFTA’s Seven-Years War on Farmers and Ranchers in the U.S., Canada and Mexico - Dwindling Incomes for Small Rural Farmers in the U.S., Mexico and Canada; Lost Farms and Rural Crisis are NAFTA’s Legacy at www.tradewatch.org.)

The U.S. Agricultural Trade Surplus Has Shrunk Under NAFTA

The U.S. trade surplus in agricultural products, which once was the flagship of U.S. exports, has declined significantly since NAFTA went into effect. Florida’s agricultural exports have waned since NAFTA. And Florida’s share of total U.S. agricultural exports fell by 16.7% between crop years 1992-1993 and 1997-1998. The declining U.S. agricultural trade surplus trend is most profound with NAFTA partners Canada and Mexico.

While the U.S. world trade surplus in agricultural products declined 29.6% during seven years of NAFTA, the U.S. NAFTA trade surplus in agricultural products declined 71%.
The U.S. agricultural trade surplus with Mexico and Canada increased before NAFTA by $203 million (between 1991 and 1994) but fell by $1.498 billion under NAFTA.\(^6\)

This declining trade balance is caused because U.S. exports to Canada and Mexico have grown modestly, while imports to the United States from those countries have grown much faster. In 1989, competitive imports (those that replace crops grown in the U.S.) were 38% of U.S. export levels and 71% of all U.S. agricultural imports.\(^7\) Based on preliminary 2000 data, competitive imports were 60% of U.S. export sales and represented 80% of all U.S. agricultural imports.

The vaunted promises of new NAFTA export markets for U.S. farm products have proven to be as elusive as NAFTA proponents’ promises of new U.S. manufacturing jobs created by exports to Mexico. Between the 1994-1995 growing season and the 1999-2000 season:

- U.S. corn export volume fell by 11% and prices fell by 20%.\(^8\)
- The volume of wheat exports declined by 8% and prices dropped 28%.\(^9\)
- The volume of cotton exports fell by 28% and prices plunged 38%.\(^10\)
- During the same period, even though the volume of soybean exports increased 16%, the total U.S. soybean crop value still declined by 2% because the per-bushel price fell by 15%.\(^11\)

The most consistent growth market for U.S. farmers has been the domestic consumer market. However, NAFTA provided guarantees of market access for agriculture products — even when domestic production meets domestic needs — so that U.S. farmers are now competing for the U.S. domestic market against a new flood of NAFTA imports. The result has been declining trade balances during the period of NAFTA for an array of commodities.

- **Poultry:** The poultry industry trade surplus fell 14% between 1995 and 1999.\(^12\)
- **Grain and Cereals:** The grain and cereals surplus has slid by a third since 1995.\(^13\)
- The oilseeds surplus has fallen 17%, and the animal and vegetable oils surplus has been cut in half since 1995.\(^14\)
- **Dairy:** The dairy trade deficit nearly doubled from $416 million in 1995 to $796 million in 1999.\(^15\)

**Agriculture Prices and Farm Incomes Have Collapsed Since NAFTA**

At the same time that U.S. agricultural trade surpluses with NAFTA partners dwindled to ever smaller surpluses and even deficits for two years, prices paid to farmers for agriculture commodities collapsed.

Growing imports required under NAFTA have resulted in excess supply and sharply declining commodity prices. Between 1995 and 2000, the bushel price received by U.S. farmers declined 33%
for corn, 42% for wheat, 34% for soybeans and 42% for rice. According to the U.S. International Trade Commission (U.S. ITC), the value of U.S. cereal and grain exports declined by 31% between 1995 and 1999 and the share of production going to exports fell by 17%. The value of U.S. oilseed exports declined 16% and the share of production going to exports fell by 15% between 1995 and 1999. The value of exports of U.S. tropical fruit such as pineapples, avocados and mangos fell 16%, and the share of production going to exports fell 40%. The value of poultry exports has declined 13% between 1995 and 1999 and the share of poultry production going to exports has fallen by 26%.

The result of the NAFTA agriculture model has been dwindling farm incomes for small farmers in all three countries.

C U.S. Farm Income: Florida lost 1,000 farms since NAFTA went into effect. In the U.S., 33,000 farms with under $100,000 annual income have disappeared during the seven years of NAFTA. This is a rate six times steeper than the pre-NAFTA period. Total net income for farm operations in Florida increased between 1993 and 1999 — but all of the income gain was in corporate farms, when corporate income increases are eliminated farm income drops steeply in Florida. Total Florida net farm income grew by 13.4% between 1993 and 1999 to $2.2 billion. However, net farm income for non-corporate Florida farm operations fell 74.4% between 1993 and 1999 from $51.4 million to $13.4 million. In the U.S., farm income is projected to decline 9% between 2000 and 2001 — from $45.4 billion to $41.3 billion in 2001. This compares to annual farm income of $59 billion before NAFTA went into effect in 1993 — a 43% drop compared to the 2001 farm income projected by the Farm and Agriculture Policy Research Institute.

C Mexican Farm Income: NAFTA-required changes have resulted in literally millions of Mexican peasant farmers leaving their small farms and their livelihoods and being forced to migrate. Projections range up to 15 million displaced Mexican small farmers because of NAFTA’s agriculture provisions. At the start of NAFTA, more than one quarter of Mexican workers were employed in agricultural production. While overall population growth in Mexico over the past decade was 20%, rural population growth is now 6% while urban population growth is 44%, showing a trend of displaced farmers migrating to Mexico’s cities, where unemployment rates are high, or to the north.

C Canadian Farm Income: While Canada’s NAFTA agricultural exports grew by C$6 billion between 1993 and 1999, net farm income declined by C$600 million over the same period instead of rising by $1.4 billion as Agri-Food Canada had predicted. Since NAFTA, the rate of Canadian farm bankruptcies and delinquent loans is five times that before NAFTA, even as Canadian agricultural exports doubled. Dropping prices meant that in Canada, farmers’ net
incomes declined 19% between 1989 and 1999, although Canadian agricultural exports doubled during that period.\textsuperscript{95}

**NAFTA Has Been Used to Justify Shredding Farm Safety Nets**

Using NAFTA both as a sales pitch and as the political instrument to force policy change, corporate and political elites in Washington, Mexico City and Ottawa set about eliminating domestic farm programs aimed at safeguarding growers. In the U.S., the same interests helped shape the 1996 Freedom to Farm Act, part and parcel of implementing the export-oriented NAFTA agriculture model.

While assorted export subsidies useful to commodity traders remained, domestic programs including price supports and commodity loans that had made family farming economically viable in the U.S. were cut. These domestic programs put protections into place to safeguard family farmers from the whims and dictates of the commodities brokers and speculators and to offer buffers against wild market fluctuations. When real grain prices fell by as much as 20\% in 1998 — after being depressed by half between 1978 and 1997 — farmers faced the cruel reality that the twin policies of free trade and elimination of domestic farm policies effectively would hand the entire food production and distribution sectors over to the agribusinesses who had pushed these trade and farm policies.

Ironically, to counteract the failure of NAFTA and the same farm deregulation policies embodied in the Freedom to Farm Act, Congress has had to appropriate emergency farm supports — in massive farm bailout bills — every year since the legislation went into effect.

NAFTA’s rule empowering investors, guaranteeing grain traders access rights and constraining government regulatory action has set up a race to the bottom in farm income, wages and sanitary and environmental standards. For instance, a quantity of the huge new NAFTA flood of tomatoes and peppers which are harming Florida farmers are coming from transnational agribusinesses which relocated production to Mexico to access $3.60/day rural labor, exploit the use pesticides banned in the U.S. and enjoy unlimited duty-free access back into the U.S. consumer market. Lax Mexican labor law enforcement also means the Mexican operations are not required to invest in worker safety or sanitation. The result is that Mexican farm workers are being exposed to toxic pesticides and squalid work conditions. Meanwhile, the food produced under such conditions runs a greater risk of contamination and poses increased risk to consumers. In 1998, contaminated strawberries were imported from Mexico, causing a massive hepatitis outbreak among Michigan school children eating the berries in school lunches.\textsuperscript{96} In 2001, two people died from salmonella after being infected by cantaloupe from Mexico which could have been contaminated through unsanitary working conditions such as a lack of bathrooms and hand washing facilities on Mexican farms.\textsuperscript{97}
Greater Concentration of Agribusiness in NAFTA Era

Many agribusiness concerns operating in North America took advantage of the new rights of market access for agricultural products and NAFTA’s new investor protections and began rapid consolidation. Agribusiness mega-mergers like the unions of Smithfield Foods and Murphy Family Farms, or top poultry producer Tyson Foods with meat packer IBP, have become a feature of the NAFTA era. Agribusinesses have been able to create new export platforms which play farmers from the U.S., Mexico and Canada against one another in a fight for survival as prices paid to producers are steadily pushed down. While the number of independent farmers dropped between 1993 and 2000, agribusiness giants such as ConAgra and Archer Daniels Midland had significant earnings gains. From 1993 to 2000, ConAgra’s profits grew 189% from $143 million to $413 million; and Archer Daniels Midland’s profits nearly tripled between 1993 and 2000 from $110 million to $301 million.98

The Record of Food Fights Under NAFTA

A review of the agricultural trade disputes that have occurred during NAFTA reveals that many of the commodity constituencies that were supposed to have benefitted under NAFTA have, in fact, found their legitimate expectations subordinated to NAFTA’s unfortunate reality. The national study, Down on the Farm: NAFTA’s Seven-Years War on Farmers and Ranchers: Dwindling Incomes for Small Farmers, includes a detailed review of the U.S.-Canada softwood lumber fights and an array of other cases.

FTAA Will Expand NAFTA’s Attack on Farmers

According to a comprehensive 1998 analysis of FTAA by the U.S. Department of Agriculture, FTAA will have a minimal positive impact on farm incomes in the U.S. at best. The report also found that FTAA would increase the U.S. agricultural trade deficit with FTAA countries. The USDA estimates that FTAA would increase agricultural imports into the U.S. by 3%, but increase U.S. agricultural exports by only 1%.99

FTAA would open U.S. markets to South American agricultural export giants such as Brazil, Argentina, Chile and Uruguay. However, FTAA would not offer significant new export opportunities for U.S. producers. This is because many of the FTAA countries already have lower than NAFTA-level agriculture tariffs, yet the U.S. has no export markets there because competitive goods can be produced more cheaply than in the U.S.

According to USDA, the U.S. already has an agricultural trade deficit within the FTAA region of $2.6 billion in 2000.100 The USDA found that the FTAA would increase the regional U.S. agricultural trade deficit by $250 million — an 18% increase.101 Updated 2000 USDA figures on FTAA show that if the FTAA were implemented, the U.S. agricultural trade deficit with the FTAA countries would grow by 1% for the first five years, 2% for the next 10 and then keep increasing.102
Oddly, both of USDA’s comprehensive FTAA analyses are noticeably silent on the potentially devastating impact the FTAA could have on fruit and vegetable growers, given that both Brazil and Chile would be FTAA participants. An array of U.S. commodities would be hurt if FTAA went into effect.

C In 1996, the U.S. had a $1.6 million soy surplus with Argentina, and in 2000 the U.S. had a $2.8 million soy deficit. In 1996, the U.S. had a $53 million soy surplus with Brazil, and in 2000 the U.S. had a $843,000 soy deficit.

C California’s dominant domestic market share of wine and table grapes is vulnerable to imports from Chile. The U.S. world grape trade deficit has doubled between 1996 and 2000 to $191 million in 2000. Over the same period, the value of grape imports from Chile has grown 32% since 1996, to $388 million in 2000.

Conclusions and Recommendations
Given the NAFTA models’ negative track record for farmers and consumers in the three NAFTA countries, growing opposition nationwide to the notion of expanding NAFTA through the proposed Free Trade Area of the Americas is not surprising. The seven-year record of NAFTA on agriculture sets the context for the increasingly heated debate about the demand by the Bush Administration that Congress delegate away its constitutionally designated authority to set U.S. trade policy by granting the Administration multi-year Fast Track trade authority.

The Administration argues that Fast Track is necessary for the U.S. to successfully negotiate and approve trade agreements. Yet although hundreds of trade pacts were implemented since Fast Track's 1974 inception, Fast Track has been used only five times. According to the Office of the United States Trade Representative, nearly 300 separate trade agreements were negotiated by the Clinton Administration.

At the last House Agriculture Committee hearing on trade, U.S. Commerce Secretary Evans could not name a single country that refused to negotiate with the U.S. because of the absence of Fast Track. Evans admitted that several additional Latin American countries already have approached the U.S. to negotiate bilateral FTAs even without Fast Track. Given that these countries join a list that includes Singapore, New Zealand and others, the issue seems to be a shortage of U.S. negotiators to work with all of the countries seeking deals, not a lack of Fast Track keeping away new potential trade partners.

The only way to ensure that U.S. trade policy suits the broad needs of U.S. farmers and consumers is for Congress and the public to play a more prominent and continual role in the entire policy process -- from setting the U.S. agenda to selecting appropriate prospective trade partners with whom to negotiating to ensuring the negotiations are obtaining U.S. goals and then to guaranteeing that only
agreements that meet U.S. goals are approved and implemented. This level of involvement and oversight is impossible under the Fast Track process. The conclusion also lists the principles of a fair agriculture trade policy.


27. “‘A Day Without Orange Juice is Like a Day Without...’ Louis Dreyfus, Cargill, Cutrale Citrus, Citrosuco Paulista,” The Agribusiness Examiner, Issue # 72, May 2, 2000.


29. ”Brazil Intensifies Complaints Against U.S. as Summit Nears,” Los Angeles Times, Mar. 14, 2001


64. “Sugar Program: Supporting Sugar Prices Has Increased Users' Cost While Benefitting Producers, GAO, RCED-00-126, June 2000.


68. Public Citizen calculation from USDA Foreign Agriculture Service data of agriculture product exports and imports. Data available on the Internet at www.fas.usda.gov.


89. Testimony of Bob Stillman, president of the American Farm Bureau Federation before the House Agriculture Committee, Feb. 28, 2001.


92. “A New Sun Poverty; A People in Want; Poverty Stalks the Nation but Nowhere is It Worse than in Countryside,” Houston Chronicle, Nov. 26, 2000.

93. “Población y Número de Localidades,” Indicadores Sociodemografica de Mexico, 1930-2000, Instituto Nacional de Estadística, Geografía e Informática (INEGI). Urban areas are those with 500,000 or more inhabitants. Rural areas are those with fewer than 2,499 inhabitants.

95. Testimony of the Canadian National Farmers Union to the Canadian Standing Committee on Foreign Affairs and International Trade, “The Effects of the WTO and FTAA Negotiations on Farmers’ Orderly Marketing Agencies, Safety Nets, and Agricultural Programs,” Apr. 27, 1999.


