# AGRICULTURE

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## INTRODUCTION

Trade and agriculture policy are social policy. They determine where and how people will live, how land is held and worked, and the number and sizes of enterprises that contribute to food production and processing. Trade and agriculture policy can contribute to a regenerative strategy for rural community development, but they can also undermine it.

The NAFTA text works against sustainable rural development and an economically and environmentally sustainable agriculture in its agriculture provisions. It provides many opportunities for increased corporate concentration in agriculture through the elimination of import restrictions, lowered food safety standards, and lower world prices for agricultural products.

## NAFTA AND AGRICULTURE

The NAFTA text for agriculture is really a compilation of three separate agreements. The Canada-U.S. Free Trade Agreement remains in effect to govern Canada-U.S. agricultural trade. Two new agreements, one between Canada and Mexico, and another between Mexico and the U.S. were negotiated. In addition, the three countries agree to abide by the same rules regarding market access, tariffs and quantitative restrictions, grading and marketing standards, domestic support, export subsidies, and sanitary and phytosanitary measures. Import restrictions, such as tariffs and tariff rate quotas, will be eliminated immediately or phased out over periods ranging from five to fifteen years depending on the product.

The text attempts to accomplish the objectives of the Uruguay Round of the GATT negotiations in relation to agriculture, whether or not the GATT is ultimately approved. This text guts the Meat Import Act and Section 22 for the U.S. as well as remaining protection for Mexico's most important domestic crop, corn, through the elimination of import restrictions. It supports tariffication of domestic support programs. It works toward the harmonization of sanitary and phytosanitary standards with those established by Codex Alimentarius and other international standards setting organizations with standards lower than those in the U.S., thus increasing the risk to the U.S. food supply. Under NAFTA rules of origin, it would be difficult, if not impossible, for consumers to distinguish foods produced under more strict standards from those produced under weak standards.

Through the elimination of domestic price supports and import restrictions, NAFTA will force large numbers of farmers in all three countries to switch to different crops, leading to oversupply in some commodities, falling prices, and disrupted markets for the traditional producers of the alternative crops. Additional problems may arise from import substitution, in which a country replaces its domestic consumption of a given product such as sugar or beef with cheap imports and exports its domestic product to the U.S.

Sugar, dairy, peanuts, cotton, beef, fruits and vegetables are the commodities that will be most negatively affected by NAFTA in the U.S. Although officials claim that NAFTA will increase grain exports, these exports may increase by only 3-4% which is nearly insignificant. NAFTA's real winners are multinational agribusinesses which benefit from increased access to low cost commodities and from increased capacity to establish contract growing and processing operations for export in Mexico.

## SECTOR SPECIFIC CONCERNS

### SUGAR

NAFTA offers Mexico the potential of unlimited access to the U.S. sugar market in six years if it can become a net sugar exporter for two consecutive years. This is likely to occur when Mexico develops a high fructose corn sweetener industry, largely based on imported U.S. corn. Sugarbeet growers in the upper midwest and western states may have to stop planting or cut back on the acres devoted to sugar. Studies on the impacts of shifting sugar land into potatoes, wheat and other crops indicate that there would be a sharp rise in production, lowering prices. Land prices will decline when lower value crops are planted, leading to tax base erosion and possible bankruptcies.

### SECTION 22 COMMODITIES

Commodities, such as dairy, peanuts and cotton, which were protected from imports by Section 22, will become vulnerable as Section 22 protections are converted to tariffs and phased out. NAFTA allows Canada to import peanuts from anywhere and then re-ship them processed as peanut butter to the United States without limit or duties. Mexico will be granted immediate access to the U.S. peanut market, with all import controls eliminated in 15 years. Canada believed that it was so important to maintain import restrictions on their supply managed commodities, dairy, poultry and eggs, that they ensured that these commodities would be protected in the Agreement with Mexico.

### BEEF

NAFTA will create five major problems for U.S. cattle producers. First, NAFTA will preempt the Meat Import Act of 1979 which limits U.S. beef imports to protect U.S. producers from being put out of business by highly subsidized beef exports from Europe or by low priced beef from rainforest regions of Central and South America. NAFTA also specifically bans the use of voluntary export restraints in meat.

Second, NAFTA immediately eliminates the tariff on feeder cattle imported from Mexico. U.S. cow/calf producers could face as many as 2.33 million head of feeder cattle eligible for the U.S. market annually. Given that the average over the last few years has been less than one million head, this would be a 100% increase, amounting to 10% of the cattle on feed in the U.S.

Third, Mexico could ship more of its current domestic production to the U.S., supplying its domestic demand with cheaper imported beef from the European Community or other Latin

American countries. Beef that can be sold on the U.S. market for 70 cents per pound can be bought from these other regions for 50 cents per pound. U.S. dairy farmers, hit by low milk prices for most of the last decade, have been helped greatly by good beef prices. Many are concerned that a huge influx of Mexican beef will lower U.S. prices, taking away an important source of income.

Fourth, NAFTA provides incentives for the U.S. meatpacking industry to locate its new investments in Mexico, where it will be able to take advantage of lower wages and less restrictive anti-trust laws. Excel, a subsidiary of Cargill, has already purchased a packing plant in Saltillo, Mexico. Because livestock feeding operations are closely associated with packing plants, the movement of meatpacking operations could also result in the shift of livestock feeding. The tariff schedules provide advantages for those interested in developing feeding operations in Mexico. Tariffs on pork and live swine, for example, are remaining relatively high for a ten year period, but tariffs on breeding stock are being eliminated immediately.

Fifth, NAFTA could pose a serious threat to U.S. consumer confidence. Unless the government is prepared to increase dramatically its budget for border inspections, U.S. consumers will face declining quality and safety in the marketplace, perhaps resulting in reduced meat consumption. Reliable country of origin labeling of beef is virtually impossible, thus making it difficult to determine whether beef imported from NAFTA countries originates there or whether it comes from other regions, such as Central America.

## FRUITS AND VEGETABLES

Fruit and vegetable producers, especially those in California, Texas and Florida, but including others in specific crops such as asparagus in the Upper Midwest, will be heavily damaged by NAFTA's provisions. Some fruits and vegetables which overlap with Mexican produce have been left unprotected in the tariff schedules which will result in the failure of those sectors and, where possible, conversion to other crops. Other vulnerable crops are those in which the movement of processing facilities and increased investment in Mexico could shift production patterns. These include frozen orange juice concentrate, canned tomatoes, and frozen vegetables, as well as some orchard crops, such as peaches.

## MEXICAN BASIC GRAINS

Mexican basic grain farmers will suffer disproportionately under NAFTA as they lose their supported corn price, currently twice that received by farmers in the U.S., and are forced to compete with cheaper grain from foreign suppliers. Large scale displacement of Mexican farmers, estimated at anywhere from 800,000 to 3,000,000 families, will result in increased migration to the U.S. with the attendant social problems that will be created on both sides of the border. Wages for farm labor in the U.S. will be pushed downward as the number of workers increases while sources of employment, especially in sugar beets and fruits and vegetables facing competition with Mexico, decline. Enforcement of labor rights for migrant workers will be more difficult as their numbers swell.

## AGRICULTURE AND THE ACCESSION CLAUSE

NAFTA's biggest agricultural impact may reside in the Accession Clause which allows any country or group of countries to accede to the NAFTA if they comply with the conditions imposed for admittance. Little or no research has been done on the implications of liberalized agricultural trade with these other countries. Not only Latin American countries, but other major agricultural exporting countries such as Australia and New Zealand could gain the same access to North American markets provided to Canada, Mexico and the U.S. by NAFTA, causing further market erosion. Under the Accession Clause, countries that are lower cost producers in nearly every commodity produced in the U.S. may increase their exports to the U.S. as a result of the elimination of import restrictions. Argentina and Brazil are the hemisphere's lowest cost producers of wheat and beef, New Zealand has lower dairy prices than the U.S., and Brazil could dominate the frozen orange juice market. Thus, while U.S. dairy producers will see little impact from liberalized trade with Mexico, the unrestricted imports of dairy products from countries like New Zealand could seriously damage U.S. dairy producers.

## SANITARY/PHYTOSANITARY PROVISIONS

The NAFTA text understates the downward harmonization of food safety standards while developing the mechanisms by which it will occur. These are further delineated in the section on Dispute Resolution. The Agreement allows states and nations to have higher standards. However, if challenged, these must be defended on scientific grounds and be shown to be without intent to restrict trade. Many laws, especially those regulating pesticides at the state level, may not meet the test of scientific evidence related only to human, animal or plant health, having been instituted as precautionary measures to protect the environment. In other cases where provisions relating to health have been enacted with the intent of preventing harm where the effects of a chemical or process are unknown, there may be insufficient scientific evidence to justify maintaining the standard.

## NEW INSTITUTIONS

The agriculture text establishes three bodies: the Working Group on Agricultural Subsidies, the Committee on Agricultural Trade, and the Committee on Sanitary and Phytosanitary Measures. These groups, all of which have as their mission the implementation of various subsections of the agriculture Agreements, have no expressed requirements to include agricultural producers or consumers in their memberships and therefore could seriously jeopardize accountability to the public.

## CONCLUSIONS

NAFTA, in concert with the Dunkel text for the General Agreement on Tariffs and Trade, will eliminate the best farm programs in North America. U.S. farmers could lose the only programs that have established supply management and reasonable prices for farmers if Section 22 provisions are converted to tariffs that will ultimately be eliminated. Canada, although its supply management programs are nominally respected in NAFTA, will lose them if the Dunkel text is approved. Mexican farmers will suffer the most as NAFTA, coupled with changes to the Mexican land tenure system, places an unprecedented burden on family farmers to enter the competition in global commodities markets without the infrastructure, technology and resources currently available to their northern neighbors.

## ALTERNATIVES

Good alternatives for agriculture require good trade policy. A good trade policy for North America must support the following:

1. Supply management based on cost of production pricing for agricultural products.

2. The enforcement of normal trading rules that prohibit export dumping.

3. Market share for competitive products.

4. Changes in the structure of farm labor.

5. National food safety standards based on locally determined levels of risk.

## SUPPLY MANAGEMENT AND COST OF PRODUCTION PRICING

Supply management is the system by which nations determine the quantities of food they will need to meet their domestic and export needs and set the production levels for farmers accordingly. Provisions are made for surpluses to protect against drought and famine. Supply management encourages farmers to produce the range of food products needed in a national economy. Successful supply management systems, such as those that exist in Canada and in the U.S. for some crops, fix quotas for production levels that will be sold at a cost of production price. Production over those levels receives a substantially lower price. Products are often sold through marketing boards or cooperatives. Because this system is structured to balance supply with demand, cheap imports that could destroy the balance are controlled. Restrictions on imports are essential to the maintenance of any successful supply management program as well as similar international commodity agreements. Under NAFTA, Canada maintained its supply management provisions, but the U.S. and Mexico negotiated away import restrictions on key commodities. Thus NAFTA must be renegotiated to respect supply managed commodities, including U.S. sugar, dairy, peanuts and cotton, and Mexican corn.

## PREVENTING EXPORT DUMPING

Current GATT rules (Article 6) ban the sale of goods overseas at prices below the cost of production, which GATT states must include the cost of marketing and reasonable profit. This rule is rarely enforced in agriculture. It needs to be clarified to describe what should be included in the full cost of production, and it should be enforced. Both the GATT and NAFTA should state this directly and explicitly.

## MARKET SHARE FOR COMPETITIVE PRODUCTS

Under the current NAFTA proposals, there will be "winners and losers" among major vegetable and fruit producing sectors in all three countries, not just the U.S. Such dislocations may be unnecessary. A sectoral approach to negotiations in which quotas are allotted and production decisions take into account both historic production patterns and the needs for development of new products, especially in Mexico, could result in less dislocation and new opportunities in all three countries. Points for negotiation would include market share for each country at the beginning and end of the season when prices are higher, and fair wage rates for agricultural workers.

## CHANGES IN THE STRUCTURE OF FARM LABOR

The question of farm labor and migration, especially between the U.S. and Mexico, is one which has not been adequately addressed in any current policy. Labor mobility was specifically excluded from the negotiations, except for professionals. Yet migrant labor is an integral part of agricultural production in both the U.S. and Mexico. Mexican farmers migrate to the U.S. to work in agroindustry, thus earning off-farm income that supports the farm in Mexico. U.S. corporate growers too often abuse vulnerable workers by paying less than minimum wage, reneging on contracts, and forcing employees to work in unsafe working conditions.

It is as important to assess the impact of migration on Mexico's domestic workforce as it is to examine the impact on the U.S. As men migrate to work in the U.S., women take on the burden of running the farms and the communities back home. Also, as agromaquilas grow in number, young women migrate to work in them. Thus the entire structure of rural life and work in Mexico is changing.

Migrant labor on the part of both U.S. citizens and undocumented workers is fundamental to the current production of labor intensive crops in the U.S. Thus it is unacceptable not to tackle the issue of migrant labor to ensure that farmworkers contribute to North American economies with dignity.

A Binational Commission on Migrant Labor should be established, the purpose of which would be to create proposals for a North American labor policy. Representatives of farm, farmworker, labor, human rights and legal rights organizations from all three countries should meet to develop proposals for a labor policy that would include incentives such as higher wages to reduce migration, terms of entry and protection on the job, and policies to reduce the impact of migration on the domestic work force.

## NATIONAL FOOD SAFETY STANDARDS

Each nation as well as subfederal jurisdictions should have the power to determine the level of health risk each is willing to tolerate in its food system. Downward harmonization of food safety standards is an unacceptable mechanism to increase the volume of food trade. States and provinces should have the ability to promote organic and sustainable agriculture programs, as well as enact higher pesticide and environmental standards based on factors not limited to scientific justification, such as biotechnological advances and other areas in which the impact on human health has yet to be determined. In the case of bovine growth hormone, for example, Mexico has approved its use but it has yet to be approved in the U.S. Mechanisms must be established to ensure that BGH dairy products do not enter the United States, thus making consumers vulnerable to a product not approved by the FDA and placing U.S. farmers who comply with the prohibition against the use of BGH at an unfair competitive disadvantage.

To ensure food safety, adequate inspection systems must not only be maintained, but improved. Safety guidelines should be improved on processed beef in all three countries. Border testing should be systematic for all entry and exit of beef for health reasons including the detection of screw-worm. The testing will also increase consumer confidence about beef production, slaughter, and packaging whether in the U.S., Canada or Mexico.

There should be a consistent policy against the Streamlined Inspection Service (SIS), a failed inspection service that was being tested by the U.S. Department of Agriculture at five pilot plants. It is important that Canada and Mexico adopt this same position against the SIS. Along the U.S.-Mexico border, U.S. agencies should be responsible for verifying all testing for the first 5 years. Money for technical assistance to improve monitoring and quality control should be part of the appropriation for implementation of the trade agreement and may be raised through a two-way customs duty on imports.

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