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Farm and Rural Opposition to the North American Free Trade Agreement

Like most Americans, farmers and small town residents oppose the Bush Administration's proposal for a North American Free Trade Agreement (NAFTA). Opinion polls, including two very recent ones by the Wall Street Journal and USA Today, find opposition to NAFTA running at nearly 60%, with an even higher percentage believing that the current NAFTA proposal would lead to greater job losses and environmental problems.

In addition to their concerns about jobs and the environment, many farm and rural organizations point to specific provisions of the draft NAFTA text which they believe would seriously harm the economic and social well-being of rural Americans. A wide range of agriculture-related groups have come out in formal opposition to NAFTA, while a number of others are calling for significant changes in the current text before they will consider supporting this agreement. Following are a few examples of the concerns that are being raised.

Overturning U.S. Farm Policy Legislation

A number of critical elements of current U.S. farm policy will be abolished, like our Section 22 import controls on sugar, dairy, peanut, cotton, wheat, and other crops and our beef import controls authorized in the Meat Import Act of 1979.

Tying the Hands of Congress

A number of important farm policy tools, like voluntary export restraints and import quotas, are specifically prohibited by the current NAFTA text. At the same time, a number of highly controversial policies, such as so-called "harmonization" of food safety standards or the concept of tarrification are imposed on Congress through this agreement.

1313 Fifth Street S.E. · Suite 303 · Minneapolis, Minnesota 55414-1546 · 612-379-5980
Fax 612-379-5982 · (E Mail) ECONET: IATP

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Import Substitutions

One of the most devastating "loopholes" in the current NAFTA text is the permission granted to Mexico to import all or part of its domestic food needs from other countries in order to be able to ship as much of its own domestic production into the United States. For example, Mexico now produces around 20 million head of cattle each year, consuming 18-19 million of these cows in Mexico and shipping 1-2 million to the United States. Under the NAFTA, Mexico can eventually export every single cow "produced" in Mexico to the U.S. and simply import cheap beef from the rainforests regions of Central and South America or highly subsidized beef from Europe to meet its domestic food needs. Beef that can be sold on the U.S. market for 70 cents per pound can be bought from rainforest regions or from the European Community for less than 50 cents per pound.

This provision which enables Mexico to import cheap products and to ship all of its domestic production to the U.S. is exacerbated by the foreign debt crisis. If Mexico can find food exporters willing to accept payment in either Mexican pesos or through barter arrangements, such as recent "oil for corn" trades made with Argentina, then Mexico can sell their entire domestic production to the U.S. for the dollars needed to pay their foreign debt and simply import their food needs.

Setting Dangerous Precedents for GATT

A numerous occasions, U.S. negotiators have stated their intention to use the NAFTA negotiations to set precedents for other trade talks, including the on-going General Agreement on Tariffs and Trade (GATT) and the upcoming Enterprise for the Americas (EAI) talks aimed at extending the NAFTA to all of Latin America. A number of the specific provisions, including the ban on import controls, manipulation of food safety and inspection standards, and the imposition of new policy prescriptions such as tarrification and harmonization, would be even more disastrous if they were imposed on a global basis in future negotiations.

Expansion of the Agreement to Other Countries

Even before the NAFTA has been formally signed, the U.S. government has started promoting the idea that other countries, such as New Zealand, Australia, and other Latin American countries could join this agreement. Given that the terms of this negotiations were highly specific to the actual conditions in the U.S., Mexico, and

Canada, it is likely that simply allowing other countries to sign-on without re-negotiations could be a disaster. For example, New Zealand produces milk at extremely low prices, which would devastate U.S. producers if it were shipped into the United States without limits, as proposed in the NAFTA. The cost of producing beef on rainforest lands in Central America are very low, which would be harmful to U.S. cattle producers. The entire process of using the NAFTA to get around Congressional authorization and approval of future free trade agreements is filled with great dangers for U.S. farmers.

Lower Consumer Confidence

For most items, the food safety laws and their enforcement in Mexico do not come close to U.S. standards. Under the current NAFTA text., it would be difficult if not impossible for consumers to distinguish between items produced under more strict standards and those produced under much weaker standards. Food safety problems, like the Chilean grape scare a few years ago, will cause an immediate crisis for all producers, U.S. and Mexican alike. A recent recall of peanut butter in Georgia due to aflatoxin contamination created a panic among consumers, hurting all peanut butter makers and peanut growers. The dangerous peanut butter was from Astor Foods, the only peanut butter made in America from imported peanuts.

Displacement of Crops

Under the proposed NAFTA, a number of farmers and ranchers will be put out of business, or will be forced to switch crops. For example, sugarbeet growers in the upper midwest and western states may have to stop or cutback on their acres devoted to sugar. This cropland is highly fertile and often irrigated, making it ideal for other crops. University studies on the impacts of shifting sugar land into potatoes, wheat, and other crops indicate that there would be sharp rises in production, leading to oversupply, falling prices, and disruptions in these sectors. Land prices will decline, leading to taxbase erosion and bankruptcies.

Sector Specific Concerns

In addition to these overall concerns, there are a number of specific concerns being raised by various sectors of agriculture. For example:

Poultry

National Turkey Federation executive vice-president Stuart Proctor, in the September/October 1992 edition of Poultry and Egg Marketing stated,
"While some parts of NAFTA are very good, on balance we're disappointed. It appears as though the agreement could actually reduce our exports to Mexico over the next few years."

Peanuts

The National Peanut Growers Group called on the negotiators to exclude peanuts, but this request was rejected by the Bush Administration. The current NAFTA text allows Canada to import peanuts from anywhere and then to re-ship these peanuts as peanut butter to the United States without limit or duties. Mexico will be granted immediate preferential access to the U.S. market, with all import controls eliminate in 15 years.

Sugar

The current NAFTA text allows for an immediate increase in sugar exports from Mexico to the U.S., and will eventually remove almost all import controls, allowing in over 250,000 metric tons. According to Jack Nelson, president of the Rio Grande Valley Sugar Growers Association in Texas, "the long term effect of it probably will end up destroying a major part of the domestic sugar industry." One of the major concerns for sugar producers is the possibility that Mexico will simply import or produce sugar substitutes, like high fructose corn syrup, which will free up a huge percentage of the Mexican sugar crop for export to the United States.

Dairy

Most major dairy farmer organizations, including National Milk Producers Federation (NMPF) and Farmers Union Milk Marketing Cooperative (FUMMC) have expressed outright opposition or strong reservations to NAFTA. Perhaps the major concern shared by all of these groups is the fact that current U.S. dairy import controls authorized under Section 22 of the farm bill will be pre-empted by the NAFTA, replaced by tariffs that will be phased out over 10 years. As with other agricultural items, the giant loophole that would allow Mexico to ship its entire domestic production to the United States and to replace that production with imports to cover their domestic consumption needs is a major concern. In September 23, 1992 testimony to Congress, FUMMC president Stuart Huber stated:

> "NAFTA poses potentially serious economic risks for U.S. dairy producers while failing to offer some of the big export opportunities which proponents had promised. We are concerned about the loss of our vital Section 22 quotas through tarrification. The loss of Section 22 under NAFTA will be greasing the skids for a bad GATT agreement, where we have very real concerns. Then there is the matter of the very uneven application of duties on dairy exports between the U.S. and Mexico. It appears that Mexican dairy exports will be subject to much lower tariffs entering our markets than our dairy products, particularly nonfat dry milk, will [meet entering] their markets."

In addition to economic issues, FUMMC raised concerns about the problems that could face U.S. producers and consumers due to the great difference in food safety standards that exists between the U.S. and Mexico.

> "NAFTA wrongly places the burden on the U.S. to prove that our sanitation standards are scientifically defensible before imported products can be denied entry. This is upside down in our view. Just consider, for example, the controversy over bovine growth hormone or BGH. Some scientists contend BGH is entirely safe. Others, including the General Accounting Office, suggest a go-slow approach to approval. The fact that BGH is authorized for use in Mexico but not in the U.S. illustrates the difficulties raised by placing he burden of proof on the importing country."

NMPF CEO James Barr, in testimony before the House Agriculture Committee on September 23, 1992, raised many of the same concerns as Huber but also stressed his fear that loopholes in the agreement will allow Canadian dairy products to be shipped into the U.S. through Mexico.

One additional problem being discussed is the open invitation by the U.S. government to New Zealand and Australia to join the NAFTA. With dairy costs of production around 50% of U.S. costs, New Zealand exports under a free trade agreement would devastate U.S. prices.

Beef

Already a net importer of beef, the U.S. could be flooded with additional imports from Mexico under the current draft NAFTA. The Meat Import Act of 1979 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 extremely low-priced beef from rainforest regions of Central and South America. The NAFTA not only preempts this law, but it also specifically bans the use of voluntary export restraints in meat. NAFTA will create at least four major problems for U.S cattle producers.

First, Mexico will ship more of its current domestic production to the U.S., importing cheaper beef from the EC or other Latin American countries to cover their internal market. ten to fifteen million head of Mexican cattle could be available for shipment to the U.S. if Mexico moves totally in this direction. The National Cattleman's Association, in testimony to Congress last September, expressed their concern that, "third country shipments of product into Canada or Mexico should not cause the disproportionate displacement of like Canadian or Mexican products into the United States."

Second, meat packing operations will move to Mexico in search of low wages and lax environmental and food inspection standards. Cargill's Excel division, the second largest U.S. meatpacker, has already started to move, buying a huge, new plant in Saltillo, Mexico. In their press release announcing this purchase they stated, "the plant will position Cargill and Excel to process steak-ready and portion-control products. It was purchased in anticipation of the North American Free Trade Agreement."

As U.S. meatpacking operations are moved to Mexico, the production of cattle will follow. Mexico is already developing barter trades of oil for feedgrains from Argentina, in anticipation of greatly expanded cattle feeding to supply these new meatpacking operations. Ivan Wyatt, president of Kansas Farmers Union, recently stated that "if the Mexican Free Trade Agreement is ratified, not only beef production but also the feeding and processing of cattle will move to Mexico." Confirming the fears of many that the conditions now exist for a major shift of cattle feeding to Mexico, the Farm Bureau stated that the feedlots in Northern Mexico are now "technologically comparable to those in the United States."

The third threat to U.S. cattle producers is the possibility of enormous increases in feeder cattle moving from Mexico to the U.S. According to the American Farm Bureau Federation, U.S. cow/calf producers could face as many as 2.33 million head of feeder cattle eligible for the U.S. market on an annual basis. Given that the average over the last few years has been less than 1 million head per year, this would be a 100% increase, amounting to at least 10% of the cattle on feed in the U.S.

A fourth threat is serious potential damage to consumer confidence. The red meat industry is already having a very difficult time with consumers. Many of the problems we are now having with the current U.S-Canada agreement, such as a lack of inspection of meat imports has lead to a large influx of tainted, rancid, and adulterated meat. By allowing meatpacking to flee to Mexico, this situation will become much worse. Unless the government is prepared to dramatically increase the budget for border inspectors, U.S. consumers will face declining quality and safety in the marketplace, creating a consumer confidence crisis for U.S. producers.

A number of organizations in the U.S. have spoken out against the NAFTA on the basis of these concerns over what will happen to U.S. beef producers. The American Corn Growers, for example, in testimony before Congress, expressed their fear that "large scale feedlot operations in Mexico controlled by non-hemispheric countries [could] destroy the US commercial feedlot industry with cheap labor and cheap feed."

Montana Farmers Union Executive Director George Paul, speaking to a rally in opposition to the agreement expressed his concerns that " Under the NAFTA, farm and ranch commodity prices will fall to the pressure of production from countries not bound by food health and safety standards."

Dairy farmers, hit by low milk prices for most of the last decade, have been helped greatly by good prices in the beef market when they have sold cows and calves. Many are concerned that a influx of Mexican beef will lower internal U.S. prices, reducing an important income source.

Fruits and Vegetables

No single sector will be hurt as badly as the producers of fruits and vegetables, with major damage to all segments of this industry. The winter produce industry may be entirely eliminated. According to the Florida Secretary of Agriculture Bob Crawford,

> "the proposed North American Free Trade Agreement, [will] have a devastating effect on Florida's $6 billion agriculture industry if it does not exempt winter-produced fruits and vegetables, citrus, and other products. On paper, 'free' trade looks good. But in reality, 'free' trade is very costly. Opening our back door to Mexico means this nation will pay a heavy price."

The Florida Citrus Mutual has also spoken out, calling for exclusion of citrus from the agreement. In testimony to Congress last April, Bobby McKown, executive vice president, pointed out the dangers of gradual tariff reductions called for in the tarrification proposals in the NAFTA.

> "We support a minimum 20 year period, and urge that tariffs remain unchanged during that time and be eliminated only at the end of the period. Adoption of the "drop dead" tariff elimination approach would at least permit the industry to engage in transition without the problems posed by a gradual tariff and price decline, and accompanying steady erosion of the substantial capital investment in trees which have a productive life of 20-25 years. Only a delay in the implementation of tariff elimination can prevent these developments from causing serious, immediate price depression in U.S. markets."

Organic Farmers

Organic fruit and vegetable producers are very concerned about the NAFTA, because they see it as creating an even wider gap between the prices they need to charge to meet their costs and the prices for commercial produce that will be imported from Mexico. Many fear that the differential between organic prices and commercial will become so great that the market for organically produced crops will fall below viability levels.