

Karen Lehman  
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I would like to thank the Association of Farmworker Opportunity Programs for giving me the opportunity to talk about the impacts of the North American Free Trade Agreement on migrant workers in the United States. Let me say from the outset that trying to predict the impacts of NAFTA at this point is like trying to predict the result of the Presidential election based on the candidates' astrological charts. I felt very sorry for all of the political pundits who were put on the spot the day before the election, and it was actually refreshing when one started talking about Bill Clinton's conjunctions, and where Pluto was in his house on inauguration day, and so on and so on. In fact, I rather envy him, for he had that vast tradition of astrological investigation to back him up while all I have is agricultural economics. Which would you rather believe? I'll make a deal with you. I know at least some of you read your horoscopes. If after hearing what I have to say you hold me as accountable for the future as you hold Linda Goodman's Sun Signs, we'll both be happy.

Having knocked agricultural economists, I will now say that some excellent work has been done, particularly by David Runsten and his colleagues at the University of California, Davis, on NAFTA's impacts on U.S. agriculture. In fact, my comments will be liberally sprinkled with the effects of their

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work, and while it may be regrettable for them, I am sure that it won't be for you if I don't cite them every time.

First, an overview of what NAFTA does before we get into what it means. We already have substantial trade among our three countries. Mexico is the third largest importer of U.S. agricultural products, and the U.S. buys three-quarters of Mexico's agricultural exports. This is equivalent to 12% of total U.S. agricultural imports, but 80% of all fresh vegetable imports. At present, each country protects its domestic producers at the times they are most vulnerable, imposing higher tariffs during peak harvest times or, in the case of Mexico, requiring import licenses which are given only after national production has been marketed domestically. The North American Free Trade Agreement will eliminate these protections, some of them immediately, and others over 5, 10 and 15 year periods. Non-tariff protections will be converted to tariff rate quotas, and these also will be phased out. Under a tariff rate quota, a duty-free quota is allowed, but tariffs will be imposed on any volume over that.

My remarks will be directed primarily to the impacts of trade and investment with Mexico. In agriculture, NAFTA is really a set of three bi-national agreements, and the Canada-US Agreement remains in force.

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As some of the most vulnerable workers in the nation, with fewer rights to job security, livable wages and safe working conditions than the rest of U.S. workers, farmworkers stand to feel the effects of the changing relationship between the U.S. and Mexican economies more immediately than many others. I have been asked to focus my remarks on the different crops that employ farmworkers in the U.S.--tomatoes, sugarbeets, citrus, strawberries, the range of crops that are labor intensive. Some of what I say may be what you expect, some it may surprise you. I'll start off with one of the unexpected ones. The crop that will affect migrant workers more than any other isn't tomatoes, or citrus, it's corn. What happens to corn production in North America will have more impact on work availability and wages than any tariff reduction in fruits or vegetables can ever have.

Why? Let's look at the forces at work on the market for farm labor. As people who sell their labor in the marketplace, migrant workers are affected by two things: the number of people with whom they are competing for jobs and the availability of work. In California, where there are twice as many farmworkers as there are jobs, there is either too little work, or too many workers. If you want to talk about the availability of work under NAFTA, you talk about fruits and vegetables. But if you want to talk about the number of workers who will be competing for those jobs, you talk about corn.

Currently, there are over 3.5 million heads of household in Mexico producing basic grains, most of which is corn. Corn producers receive a price for their product twice that of the price in the U.S., and their production costs are also nearly twice as high. With the North American Free Trade Agreement, that support price and the import licenses Mexico currently requires on corn will be eliminated. Whereas there are no really reliable numbers, studies have been released projecting migration from anywhere between 800,000 people to more than one million families.

Every year, Mexico needs one million new jobs just to handle the growth in population. There are half a million jobs currently in the maquila zone along the border, so employment growth there won't accommodate population growth. When you add the displacement of family farmers to the equation, you see a swelling number of under- or unemployed people with nowhere to go. Mexican cities cannot absorb them. Some cynics have commented that the Mexican government has decided that it is cheaper to have farmers leave the land and migrate to Mexican cities, but especially to migrate to the U.S. where the public costs will be borne by the American economy and American workers, than it is to invest in the agricultural infrastructure that would foster the continuity of family farmers on the land.

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These changes in the price and import policy on corn alone would be significant. But when coupled with the recent changes to the Mexican constitution privatizing the Mexican ejido system, as well as the privatization of what had previously been government supplied services to small farmers, the impacts are inevitable. Sources like the Office of Technology Assessment study stated that, "Management of this transition by Mexico will have consequences for the United States, most likely in higher levels of immigration. A top Mexican Department of Agriculture official, Luis Tellez predicts that the ejido reform alone will reduce the rural population by one half within a decade or two. Raul Hinojosa, an economist at UCLA who in general favors free trade, used a computable general equilibrium model to predict that 800,000 families may be displaced from the land. Jose Luis Calva at the Mexican National University thinks it is possible that more than 14 million people could be displaced, although most view his statistics as alarmist. Whoever, is right about the magnitude of the impact, all are in agreement that NAFTA will result in the displacement of small farmers and consequent migration, much of it to the U.S.

Let's look at why. Half of Mexico's area is currently held by ejidos. One third of the Mexican population is directly employed in agriculture, the same percentage that existed in the U.S. in the 1930's. The ejido was established by the Mexican agrarian reform of the 1930's to respond to the primary demand

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of the Mexican Revolution, voiced most profoundly by Emiliano Zapata, of the right of communities to their lands. The title to the ejido was held by the Mexican government, but a group of farmers could associate themselves to use the land. In most cases, each had the right to use a plot, which currently averages 15 acres nationwide. He or his family could not rent or sell the land, but they could pass it down to the next generation. As long as the land was actively used for agriculture, the ejido could not legally lose it.

In fact, in areas where there is modernized agriculture, population pressure from urban development, or the potential for tourism, the pressure on ejidatarios to rent their land has resulted in illegal renting for some time now. What the reform to the Mexican constitution does is privatize the ejido, making the former user of the plot the owner. The land may now be sold or rented, and the ejido may enter into joint ventures with private capital.

The pressure for the ejido reform came from a number of sources, not the least of which was foreign capital. Would-be investors complained that there was no collateral for their investments, since the farmers did not have title to their land and could not use it to guarantee loans. In addition, the tight restrictions on land ownership made it difficult for agribusinesses interested in establishing their own growing operations to gain access to land. The ejido reform will result

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in increased concentration of land holdings and provide new opportunities for foreign capital to get a foothold in the Mexican productive apparatus. As has already been shown in the Bajío region of Guanajuato, these companies will take advantage of this opening to move food production and processing operations to Mexico.

So what about Mexico's strategy to replace basic grain production with vegetable production? This is really the linchpin of their whole strategy. David Runsten has done some work on the capacity of the Mexican fruit and vegetable sector to absorb the displaced workforce. After calculating the farm labor demand in Mexico, compared with the U.S., and postulating an expansion in acreage of 20-30% over the next ten years in both the U.S. and Mexico in tomatoes, for example, the demand for labor would increase by only 10,000 workers. All fruit and vegetable production is projected to increase in at least one study by only 25%, and with the best case scenario, generalizing the most labor intensive sectors to other products, only 67,000 more workers would be needed. This falls far short of the 400,000 projected by others. In addition, there is some evidence that small scale operations are more labor intensive and that one strategy to forestall massive migration would be to provide support to this sector. The policy in place, however, is pushing them out, not building them up. Of the 100,000 vegetable producers in Mexico, 22,000 export their products. Of these, 50 foreign companies and Mexican

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families control the majority of the exports. Their costs of production and marketing are lower than the national averages and, to the extent that they continue to consolidate their control and drive smaller producers out of the export markets, Mexican produce could become more competitive.

If you scratch the laser print of the North American Free Trade Agreement to see what is underneath, you'll find that it might better have been named the North American Free Investment Agreement, and this is as true of agriculture as it is of other sectors. North American capital finances, produces and markets the majority of Mexican vegetable exports. Much of NAFTA is structured to foster investment. In general, NAFTA's greatest impacts on fruit and vegetable production will be in those sectors that show promise for investment in Mexico. These include perennial crops such as citrus and asparagus and processed foods such as tomato paste and frozen broccoli and cauliflower, all of which are made more competitive through the changes in the Mexican constitution and other reforms.

Some very good studies have been done about fruit and vegetable production in Mexico including one commissioned by the Farm Bureau and one very interesting study by a group of Mexican researchers, Gomez, Rindermann, and Merino, who say that the comparative advantage Mexican planners claimed to have in fruits and vegetables isn't all it's cracked up to be. Like in elections, there are winners and losers, but in this case,



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there is a lot of disagreement about who they are. While Mexicans fear that imports of U.S. potatoes will eliminate their producers, the National Potato Council of the U.S. fears that they will not be able to establish markets in Mexico before Mexico's production and processing apparatus get up to speed. Florida fruit and vegetable producers think that NAFTA is the death knell for Florida agriculture, yet some studies show that the impacts on Florida will not be as dire as predicted.

Here's the big picture. Vegetable production in Mexico has a high value in proportion to the percentage of land cultivated and has been steadily increasing for the past 50 years, a growth from half a million tons in 1944 to 7.5 million tons today. Of this volume, exports represent 15-20%.

Mexico currently cultivates approximately 35% of the land area that the U.S. does for vegetable production. Between 1975-1985, the area cultivated in the U.S. decreased by 17% and the area in Mexico increased 67.4%. Mexican increases in fruit and vegetable production may be traced to more land brought under cultivation, while U.S. increases result from increased productivity. Productivity is 43% higher in the U.S.

Why is Mexican productivity lower? The current convention in Mexican agriculture is to pay daily wages based on a minimum, and many workers pick the minimum, get their wages and go home. With no tax or insurance payments to worry about with

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increased numbers of workers, growers simply put more workers into the fields to increase productivity. Low wages may also be a disincentive for work, especially given that many of the workers know that these wages are low in comparison with the U.S. Also, there are more women and children working in Mexico. Finally, management in the field is more relaxed, and to the extent that U.S. corporations can institute their field management practices in Mexico, they can increase productivity.

Only six Mexican export vegetables have major importance in the U.S. market: fresh egg plant, cucumbur, squash and okra, and frozen broccoli and cauliflower. The biggest growth has taken place in the last two crops, the percentage of Mexican broccoli in the U.S. food supply having grown from 5% in 1975 to 60% in 1989. Nearly twice the volume of some crops, such as fresh tomatoes, squash, and chili peppers, are grown in Mexico as are grown in the U.S.

The U.S. is specializing in those crops for which it is possible to increase yields, such as potatoes, canning tomatoes, lettuce and carrots. The Mexican proportion of these crops in the U.S. market is insignificant and has been so for the past 15 years. The average productivity in these products in the U.S. is 97% higher than that of Mexico, much higher than the average levels of total vegetable production in either country.

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Mexico, on the other hand, is specializing in cucumber, squash, honey dew, chili peppers and okra. Their share of the U.S. market more than doubled between 1975 and 1988. Other real advantages may be found in frozen or canned produce such as frozen broccoli and cauliflower and canned tomatoes.

For many vegetables, it is more expensive to produce in Mexico than in the U.S., for several reasons. Packing, transportation, and marketing are cheaper in the U.S. than in Mexico. U.S. farmers have a higher yield per acre, and Mexico's cheap labor does not compensate for these factors. In Mexico, the costs of harvesting, which require great amounts of hand labor, are only 23.4% of those in the U.S. But packing, shipping and marketing costs 167% more in Mexico than it does in the U.S. Thus whereas the hourly wage gap between California and Mexico may be 6:1 or higher, lower Mexican productivity drops the unit labor cost to 2:1 or less. Also, Mexico's production costs may be higher because production for export, to take advantage of complementary harvest times, takes place at the least efficient time of year for Mexico.

U.S. farmworker wages have been falling while Mexican wages have been rising, mostly due to exchange rate shifts. In some parts of the country, like the Bajio, where piece rate schemes have been implemented for broccoli, garlic and similar crops, workers can earn up to 33\$ per day, but this is very unusual.

It bears noting that there will also probably be increased sales of U.S. fruits and vegetables to the Mexican market in summer and fall. Mexican per capita consumption has doubled in the last 30 years. American investors are acquiring warehouses in the central distribution center in Mexico City, as well as in Irapuato, the center of the frozen broccoli and strawberry production, and in Guadalajara. In fact, U.S. exports of fruits and vegetables to Mexico, especially fresh fruit and processed vegetables, are increasing at a high rate while Mexican exports have stagnated (Bivings and Runsten). One study concluded that the flow of vegetables to Mexico could result in the elimination of whole sectors such as Mexican potato farmers.

With this introduction, let's look at how NAFTA might shake out for U.S. produce. Vegetables and fruits can be divided into three major categories: significant impact, moderate impact, and little to no impact. Sugar, asparagus, processed tomatoes, cucumbers, citrus and frozen broccoli and cauliflower may have significant impact. Moderate impact will be felt in fresh tomatoes, and avocados. Little or no impact will be felt in strawberries, bell peppers, peaches, apples, table grapes, eggplant and squash.

We'll begin with sugar. Sugar, be it beet or cane sugar, is more often considered a commodity than a speciality crop, but it requires a great deal of hand labor and is a source of employment for farmworkers in 14 states. (show chart) Of all

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the crops that directly affect employment for farmworkers in the U.S., sugar will be hardest hit by the NAFTA.

Let me explain first how the sugar program has worked to date. The public perception in the rest of the world is that U.S. sugar production is highly subsidized. In fact, farmers and USDA officials describe it as a no-cost program that offers a guaranteed price to domestic producers and places tariffs on imports that exceed quotas. This maintains a domestic supply while making it possible for farmers to receive a good price.

The sugar program is established by the Farm Bill which is instituted more or less every five years, the last one being in 1990. The U.S. government provides price supports through nonrecourse loans for U.S. grown sugarbeets and sugarcane through 1995. Nine-month loans are made to processors by the Commodity Credit Corporation, using raw cane sugar and refined beet sugar as collateral. The processors pay the producers. When the processors sell the sugar, they repay the loan with interest.

To maintain the U.S. price, USDA estimates domestic supply and demand and limits imports. The import quota is based on the estimated demand in the U.S. market, carry forward stocks, and domestic production, and it is then allocated to 41 countries. The 1990 Farm Bill established a minimum quota of 1.25 million short tones, raw value, per year. All of this is to

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be done at no cost to the government. Costs will only be incurred when processors are unable to market sugar due to a surplus, in which case the Commodity Credit Corporation would receive it as a forfeiture from inability to repay the loan.

In the initial stages of the NAFTA negotiations, Mexico requested that all of the 1.25 million ton import quota be allocated to Mexico. Sugar producers and refiners alike in the U.S. have complained because Mexico is a net importer of sugar and up till now has had a relatively small import quota of 8,851 short tons. NAFTA will provide Mexico with unlimited access to the U.S. market after six years if Mexico can demonstrate self-sufficiency in sugar. This will effectively gut the sugar program, thus threatening the production of cane and sugar beets in the U.S.

Not only is Mexico investing significantly in sugar production and processing, but it is highly possible that transshipment or substitution of cheap sugar from countries like Cuba will take place through Mexico. Transshipment is the straight pass through of sugar from other countries under a Mexican label. Substitution is the importation of cheap sugar from other countries for domestic use and export of all of Mexico's production to the U.S.

Mexico's ability to export to the U.S. market depends on its capacity to become self-sufficient in sugar. The CEO of

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American Crystal Sugar, which produces 10% of the U.S. supply in the Red River Valley, recently returned from a trip to Mexico where he was told how Mexico plans to become self-sufficient. They will increase output while cutting back on the work force, the Mexican government will restrict imports to raise prices, and with the use of American capital, boost capacity by 25% for the next three years. The current gap of demand to supply is 500,000 short tons. If the 12 top mills in Mexico increase their output by 14% this year, the increase will be 150,000 short tons. With additional investment of capital in the other 52 mills, the gap shouldn't be hard to close. Finally, 25% of the sugar refineries are owned by soft drink companies. Once the differential between sugar and high fructose corn syrup closes, the industry can displace the cane sugar with corn sugars, made with newly importable cheap U.S. corn, and export domestic sugar to the U.S.

Conversion from sugar beet productions will be unlikely to go toward another labor intensive crop. In addition, dry edible bean production, which often occurs in tandem with beet production, will be affected. Thus NAFTA could have serious consequences for the sugarbeet farmers and farmworkers in these 14 states.

**Asparagus:** Fresh asparagus imports into the U.S. currently face a 25% tariff in the most competitive times of the year. Mexican asparagus imports compete with U.S. producers at the

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start and finish of the season. Imports from Mexico accounted for 75% of fresh asparagus imports into the U.S. in 1990. In a little more than ten years, Mexican imports from January through June have nearly quadrupled. 95% of these imports occur in the first three months before the U.S. harvest comes in, but producers argue that they lower prices, making production uneconomic in some regions.

California, Washington and Michigan produce 99% of the U.S. crop. Of these, California has the most direct competition with Mexico and produces 76% of the nation's fresh asparagus. The bulk of California's shipments are from February to May, and reduction of these tariffs has been given the longest transition period of 15 years. Mexico produces two crops per year one from January to March and the other from June through September. Chile and Peru also supply the U.S. winter market.

Mexico has a cost advantage in asparagus, due largely to the lower labor costs for harvesting and packing--\$5.86 per carton compared to \$6.64 in the Imperial Valley. When the tariffs are removed, the cost advantage will be significant. The American Farm Bureau Federation is sufficiently concerned about NAFTA's impact on asparagus to have commissioned a study at Michigan State University and to be attempting to change the asparagus provisions in the Agreement. With other labor intensive crops such as green onions and radishes having already moved south of the border, asparagus may be one soon to



follow, at least from less competitive regions. Because asparagus is a perennial, however, U.S. farmers are unlikely to invest heavily in Mexico until the impacts of NAFTA are more clear and until the Mexican land reform is firmly established. In terms of processed asparagus, there will probably be no real impact, given problems with some production regions in Mexico and the fact that other Latin American countries may be better suppliers.

**Processed tomatoes:** Mexico is extremely competitive in the production of tomato paste, but it is not yet a major export commodity. One-fifth of Mexico's national production is dedicated to processing for paste, yet tomato paste counts for less than 1% of Mexico's agricultural exports in value. Exports to the U.S. more than doubled in the 1980's, but California produces 14 times as much paste as Mexico does. Mexico's percentage of total U.S. paste imports ranges from 8.8 to 16.5 percent.

Mexico's paste production costs are lower than those of the U.S. and competitive with Chile, its most significant competitor. With the removal of the 13.6% duty on imported paste, Mexico's cost advantage with California paste would increase 7 to 8 cents per pound or \$25 per ton. The authors of the Farm Bureau study predict that this would increase Mexican imports by 25%, at the expense of Chile and other producers, including the U.S. The real issue is if these reduced prices would

stimulate investment in processing plants in Mexico, thus relocating tomato production as well.

Campbell's, through Sinaloapasta is the only foreign-owned processor in Mexico producing tomato paste, although others have links with Hunts. If these firms and others increase their investment in Mexico, upgrading the technology and management of existing facilities as well as constructing new ones, they could strengthen Mexican export capacity. Lower labor costs are important, but Mexico's advantage will be consolidated only if productivity and raw product supply to the processors are improved.

**Broccoli and Cauliflower:** 92-94% of Mexico frozen vegetable exports to the U.S. are broccoli and cauliflower. It is the best known example of the movement of an agriculture industry to Mexico, thanks to Green Giant's elimination of 1,200 jobs in Watsonville, California. With its current infrastructure, Mexico could be sending more product to the U.S. In 1990 they exported 300 million pounds of frozen vegetables but had the capacity to produce 500 million pounds. Between 1975 and 1988, frozen broccoli increased its percentage of the U.S. food supply 10 times, and in just nine years from 1980-1989, cauliflower jumped 6 times. Mexico currently supplies 60% of U.S. frozen broccoli.

NAFTA and associated structural changes in Mexico will increase the potential for contract growing and processing. However, Mexico has problems with water availability, appropriate varieties, and quality that will prevent rapid expansion. Mexican labor productivity is 69% that of California's. The phase-out of the 17.5% tariff will be significant, perhaps resulting in the closure of more U.S. processing plants. In terms of the fresh market, Mexican broccoli is not really a competitor.

#### Citrus:

Mexico and the U.S. are among the top six citrus producers in the world. In the U.S., citrus fruits are produced in Arizona, California, Florida and Texas and represent a \$3.5 billion industry to those states. Florida and California produce nearly all of the oranges. Ninety percent of Florida's oranges are squeezed into juice. Florida also produces 75% of the nation's grapefruit.

Generally, the concern is whether or not NAFTA will stimulate Mexico's latent potential for citrus production. Trade between Mexico and the U.S. has been limited by, on the one hand, high Mexican tariffs, and phytosanitary problems from the Mexican side. However, Mexico has begun to produce orange juice concentrate as high prices in the U.S. made that feasible. Mexico has little consumer demand for juice concentrate, consumers preferring fresh squeezed juice for which the

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majority of Mexican oranges are destined. Thus any juice concentrate will be exported.

The real issue for U.S. producers under NAFTA is the possibility of Mexico's production being converted to orange juice processing. With the removal of the tariff, which is currently at \$45.72 per metric ton juice, Mexico will gain an advantage. However, Mexico will require significant investment to develop groves and packing facilities as well as better transportation routes before Mexico will pose a real threat to the orange concentrate market.

These charts demonstrate the potential impact on the U.S. if Mexico goes into a full scale expansion of juice concentrate production. In this model, Brazil was actually more damaged than Florida.

Cucumbers are an important crop in several states: Florida, South Carolina, North Carolina, Maryland and Texas. Florida is by far the most significant, with nearly twice as many acres under cultivation as California at 13,700. Florida shipments peak in November-December and in April-May, with California being fairly uniform from May through November. Mexico peaks from December through March. Florida has been increasing its market share during this period. Tariffs on Florida's critical fall and spring seasons are being phased out over 15 years.

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Florida producers currently have a significant cost advantage: \$7.70 per bushel as compared to \$8.20 per bushel. This includes the U.S. tariff at \$1.24 per bushel during the 1990-91 season, which amounts to 16-21% of total unit cost, depending on the time of year. Yields in the two regions are similar. When the tariff is removed, Florida will have a cost 11% higher than Sinaloa.

#### Moderate Impacts:

Fresh tomatoes are Mexico's second most important export product, behind coffee. In 1990, they were 22% of total Mexican agricultural exports. Expansion in tomato production is projected to be 20-30% in both the U.S. and Mexico in the next decade.

In early 1991, cost of picking per pound was .58 in Baja California. In California, picking cost 1.5 to 1.9 cents per pound. Tomato pickers' wages in California were \$7.91 in 1991 while Baja pickers earned .88. The wage differential appears to be 9:1, but is really 2.5:1 when productivity is figured in. (Runsten) Mexican labor productivity is one-fourth California's. In a study of 2000 tomato/vegetable workers throughout Mexico, 53% were women and 15% were children under 14. In the Bajio, those in the fields are almost all women

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and children. In California, the majority of tomato workers are men. In San Diego, there are almost no women working, while in Stockton, 30% are women.

According to the American Farm Bureau Federation study, fears by U.S. growers that there will be an explosion of fresh tomato imports into the U.S. are largely unfounded. First of all, the tariff on tomatoes is relatively low, ranging from 4.6 cents per kilo in peak seasons, spring and fall, and 3.3 cents for the rest of the year. Elimination of this already low tariff will have little effect.

Second, Mexico's competitiveness in the U.S. market has been in decline since 1987, for a variety of reasons, including stagnating yields, exchange rates, and structural adjustment policies that have eliminated government subsidies for agriculture. Producers in Florida and California have been able to remain competitive, maintaining low per-unit production costs through high productivity.

Finally, Mexican domestic demand is growing, and many of the tomatoes that might formerly have been shipped to the U.S. are being consumed at home.

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Winter tomato tariffs are being phased out over 10 years, with safeguards. Other tomato duties will be phased out over five years.

**Avocados:**

Mexico is first of the world's avocado producers, the U.S. third. The U.S. has prohibited the import of Mexican avocados because of pest problems. U.S. exports to Mexico ended when the Mexican economy went into crisis in the 1980's.

Mexico can produce at significantly lower costs than the U.S., but they may have trouble proving that they are free of pests. In addition, poorer quality will keep Mexico from capturing a significant portion of the U.S. market. However, joint ventures between U.S. and Mexican firms are already developing to provide year-round supply to the U.S. market, with the key elements of U.S. investment and technology. As pressure mounts on U.S. producers to lower prices, these ventures might increase. The avocado tariff will be phased out over 10 years.

**Little or no impact:**

**Strawberries:** NAFTA will have little impact on fresh strawberry production. Tariffs are relatively insignificant: at most 2.2 cents per tray, with a market price of \$6.00 per tray. Although labor costs are lower in Mexico, these are offset by

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lower yields, transportation and processing costs. Overall, Mexican labor productivity is one-fourth California's in strawberry production.

Frozen strawberries are also unlikely to be greatly affected, because the tariff, 14%, still represents only 7-8% of the selling price. Imports into Mexico of both frozen and fresh fruit, however, are likely to go up, given that the Mexican tariff is at 20% and will be eliminated immediately.

#### **Bell Peppers:**

Conclusions about bell peppers are hard to make. While some studies have asserted that Florida has a production cost advantage over Sinaloa in Mexico, the Farm Bureau study folks found that Sinaloa had the advantage. Although the reduced tariff, currently at 69 cents per bushel, would increase the Mexican price advantage, it is not clear that this would greatly affect Florida producers who have to date been able to compete effectively.

**Peaches:** In the short run, peach growers in the U.S. will not be threatened and might increase exports to Mexico. However, with new investment possibilities in Mexico, long term investment in orchard development, particularly using high technology in existing, moderately productive orchards, could make Mexico more competitive.



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**Table grapes:** NAFTA will have virtually no effect since most of Mexico's grape imports are complementary to the U.S. season, and duties are low during that period anyway. California will face little competition with the Sonoran table grapes.

**Squash:** Removal of the U.S. tariff at 5% will not have significant impact. Costs are similar in the two regions, but the market seems to be determined by something other than cost.

**Eggplants** will not be significantly affected.

**What conclusions can we draw from these experiences?**

First, the North American Free Trade Agreement, and allied reforms, is making the development of an agromaquila industry in Mexico more possible. Those crops that to date have required investment, such as perennials or processed vegetables, have been retarded by Mexican policy and binational trade policy. The change in land tenure may make a difference in asparagus and citrus, and processed vegetables grown on contract like broccoli and cauliflower, and peas.

U.S. capital may take advantage of these changes and put new investment in Mexico, and consequently disinvest in the U.S. However, until Mexico improves its infrastructure, in

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phytosanitary issues as well as transportation and processing, Mexico will not be a true competitor in many of the fruits and vegetables currently grown in the U.S.

Ironically, this may not help farmworkers because growers will certainly use the threat of moving to Mexico to lower wages and forestall improvements in working conditions. The biggest task before us is to monitor the kinds of investment taking place in Mexico so that farmers and farmworkers can plan accordingly. The North American Free Trade Agreement is a bad deal for farmworkers, and should be resisted. Labor rights cannot be fixed by parallel agreements unless they reference the trade agreement. And unless corn is renegotiated, there will be increased migration to the U.S. It is important that farmworkers be heard in the debate. I hope I can be of further assistance to you.