Foreign Policy In Focus

NAFTA at 20: State of the North American Farmer

In the United States and throughout North America, NAFTA has accelerated the industrial consolidation of agriculture and pushed out smaller, more sustainable food producers.

By Karen Hansen-Kuhn, December 20, 2013.

NAFTA opened the doors for a flood of subsidized agricultural products and large-scale consolidation, eviscerating small farmers on both sides of the U.S.-Mexico border. (Photo: Bread for the World / Flickr)

Foreign Policy In Focus is partnering with Mexico's La Jornada del campo *magazine, where an earlier version of this commentary appeared, to publish a series of pieces examining the impacts of the North American Free Trade Agreement (NAFTA) 20 years since its implementation. This is the second in the series.*

One of the clearest stories to emerge in the two decades since the North American Free Trade Agreement (NAFTA) was implemented is the devastation wreaked on the Mexican countryside by dramatic increases in imports of cheap U.S. corn.

But while Mexican farmers, especially small-scale farmers, undoubtedly lost from the deal, that doesn't mean that U.S. farmers have won. Prices for agricultural goods have been on a roller coaster of extreme price volatility — caused by unfair agriculture policies and recklessly unregulated speculation on commodity markets, as well as by increasing droughts and other climate chaos. Each time prices take their terrifying ride back down, more small- and medium-scale farmers are forced into bankruptcy, concentrating land ownership and agricultural production into ever fewer hands.

Corporate Consolidation

It's hard to separate the impacts of NAFTA from another big change in U.S. farm policy: the 1996 Farm Bill. That legislation set in place a shift from supply management and regulated markets to a policy of "get big or get out." Farmers were encouraged to increase production with the promise of expanded export markets — including to Mexico. But almost immediately, commodity prices dropped like a stone, and Congress turned to "emergency" payments — later codified as farm subsidies — to clean up the mess and keep rural economies afloat.

Then, as new demand for biofuels increased the demand for corn, and as investors turned away from failing mortgage markets to speculate on grains, energy, and other commodities, prices soared. It wasn't only the prices of farm goods that rose, however. Prices also increased for land, fuel, fertilizers, and other petrochemical-based agrochemicals. As a result, net farm incomes became much more erratic.

In many ways, the family farmers who had been the backbone of U.S. rural economies really did either get big or get out, leaving a sector marked by inequality and corporate concentration. Over the last 20 years, there has been a marked shift in the size of U.S. farms, with the numbers of very small farms and very large farms increasing dramatically. The increase in the number of small farms is due to several factors, including urban dwellers returning to the land (almost all of whom rely on off-farm jobs to support themselves), and the growth in specialty crops for local farmers' markets. According to USDA researchers Robert Hoppe, James MacDonald, and Penni Korb, the number of farms in the middle — small operations that are commercially viable on their own — dropped by 40 percent, from half of total farms in 1982 to less than a third in 2007.

During this process of farm consolidation, corporations involved in agriculture and food production also consolidated. Mary Hendrickson at the University of Missouri has calculated the share of production held by just four firms in different sectors. In total beef production, for example, the share of the top four firms (Cargill, Tyson, JGF, and National Beef) increased from 69 percent in 1990 to 82 percent in 2012. The story is the same in poultry, pork, flour milling, and other sectors. Fewer firms control bigger and bigger shares of total production, making it harder for other farmers to get fair prices or earn a living from their production.

Trade Agreements

Enter the free trade agreements. As corporations consolidated in the United States, they grew even larger by taking advantage of provisions in NAFTA that let them operate across borders. For example, U.S.-based corporations can grow cattle in Canada and pork in Mexico, and then bring their products back to the United States for slaughter and sale. Efforts to label these meats under Country of Origin Labeling laws have been vigorously opposed by the Mexican and

Canadian governments. As a result of these advantages to large-scale growers, independent hog and poultry producers in the United States have virtually disappeared. Meanwhile the factory farms contribute to growing environmental devastation in all three countries.

Over time, the U.S. public has gained a growing appreciation of the need to change food and farm policies to ensure healthier foods and more stable rural economies. But policymakers in Congress and the Obama administration continue to support the same failed policies. They advocate for more free trade agreements, including the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. These are largely cut and pasted from NAFTA, but with a twist: they add dangerous new provisions that would limit any remaining restrictions on genetically modified organisms (GMOs), permit questionable food additives, and pave the way for even more questionable emerging technologies. A "new" U.S. Farm Bill currently being negotiated shifts the emphasis from commodity support to crop insurance, while locking in place advantages for even bigger farms and corporations. And it perpetuates the same willful ignorance of the devastating impacts of droughts and flooding caused by climate change.

The wild ride of prices under the NAFTA roller coaster has left us a food system that is dominated by fewer and bigger corporations. In many communities across the country, people are opting out of the existing Big Food system to rebuild smaller, healthier options that are rooted in local economies and nurture connections between farmers and consumers. Whether those experiences can scale up from local experiences to national agriculture, and whether they can change policy, is a big question — one made harder by the overwhelming dominance of corporate interests. But rebuilding the system from the ground up, and considering how to make fairer links to farmers in Mexico and elsewhere, is really the only path forward.

Karen Hansen-Kuhn is the International Program Director at the Institute for Agriculture and Trade Policy.