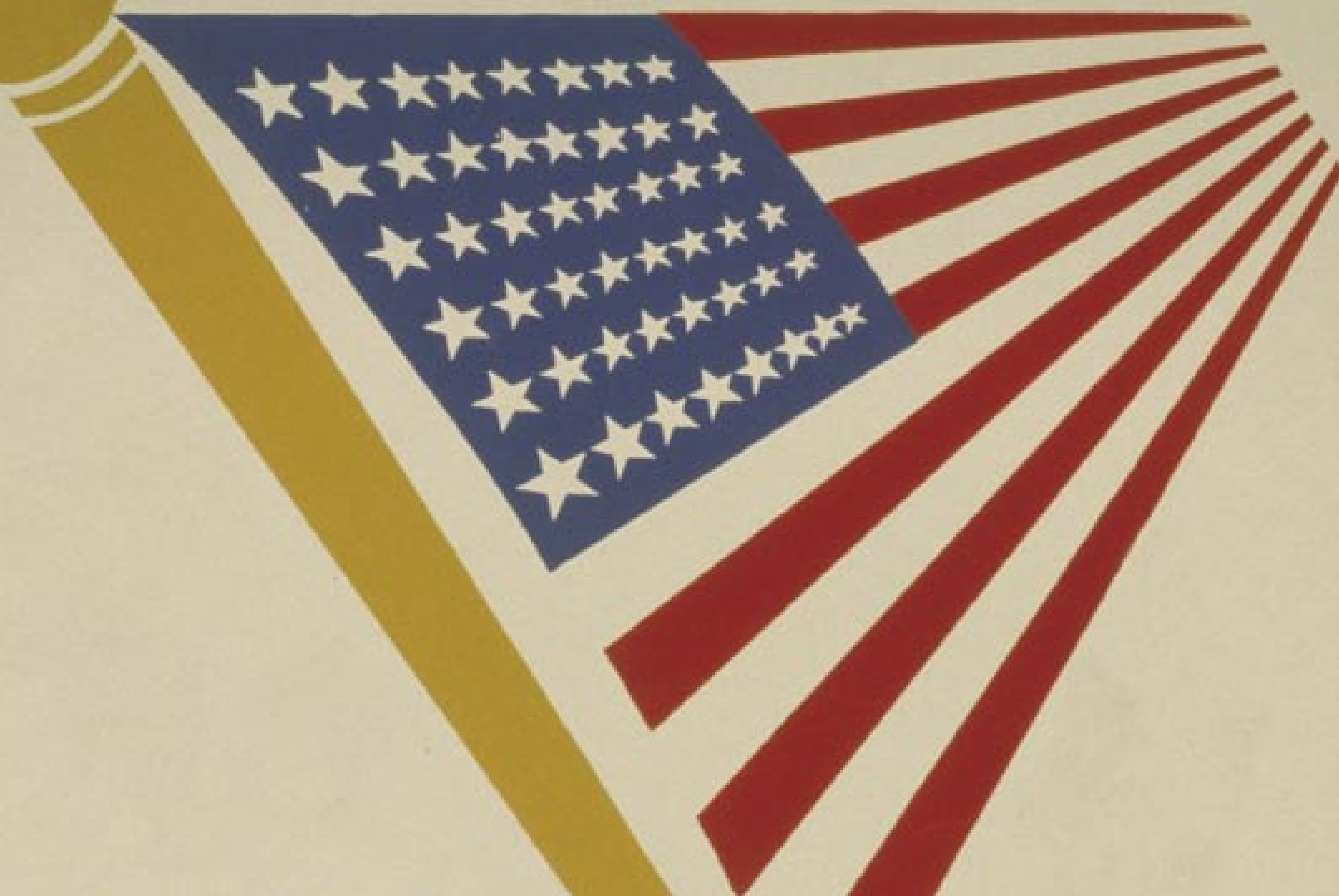
A Series of Papers on the 2007 U.S. Farm Bill



A Fair Farm Bill and Immigration

Institute for Agriculture and Trade Policy

The Institute for Agriculture and Trade Policy promotes resilient family farms, rural communities and ecosystems around the world through research and education, science and technology, and advocacy.

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About this publication
A Fair Farm Bill and Immigration

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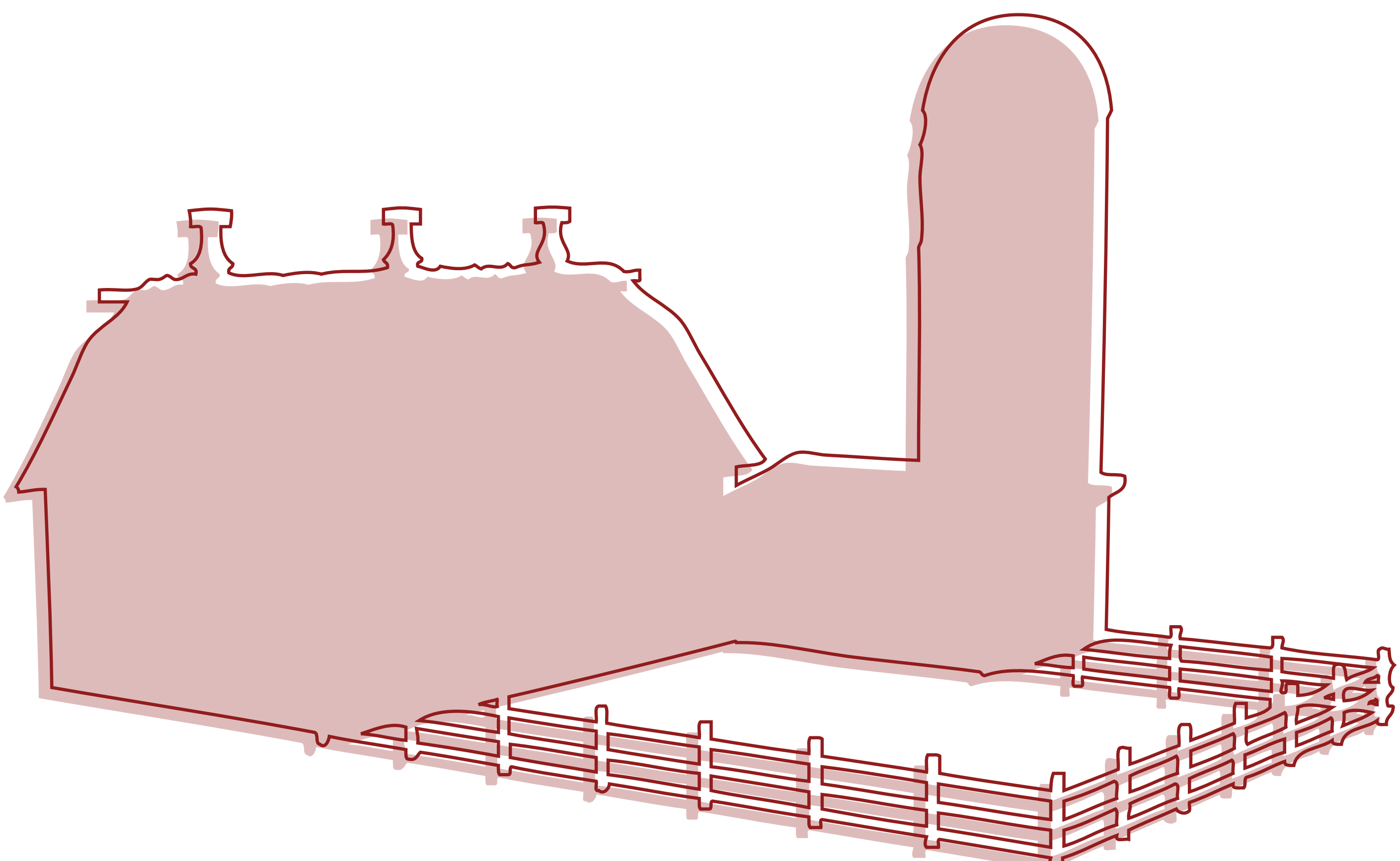
It is nearly impossible to look at the U.S. farm and food system and not see the imprint of Mexican immigrants. From the vegetable fields in California to the meatpacking plants in Minnesota, Mexican immigrants are helping to put food on our tables.

The current debate about immigration in Washington and at statehouses around the country has centered on how to manage this influx of new immigrants to the United States. But there has been little talk about how to address one of the root causes of immigration: the devastating economic circumstances new immigrants face in their country of origin and why they are forced to leave.

This paper examines how the U.S. Farm Bill has combined with a free trade agenda to contribute to unsustainable economic conditions in rural Mexico that have forced many people off of their farmland and increased pressure to migrate to the U.S. The paper also makes recommendations to reform aspects of the Farm Bill that could have a positive impact on family farmers in rural Mexico and the United States.



MEXICAN IMMIGRATION TO THE U.S.

The North American Free Trade Agreement (NAFTA) and domestic agricultural reforms in both the United States. and Mexico are in part responsible for the exponential growth in new immigrants entering the U.S. At the time of NAFTA's ratification, government leaders including former President Bill Clinton argued that NAFTA would eliminate the necessity for large-scale immigration because jobs would be created south of the border.[1] But a number of critics, including the Institute for Agriculture and Trade Policy's Karen Lehman, warned Congress that NAFTA would increase immigration because of its negative impact on Mexican farmers.[2]

In the period between 2000 and 2005, Mexico played a lead role in global migration, surpassing India, the Philippines and Turkey. During that time, the number of unauthorized immigrants from Mexico increased by about 1.5 million to 6.2 million, with an estimated 500,000 undocumented Mexican immigrants entering the U.S. annually.[3,4] Eleven million first-generation Mexican immigrants are now living in the U.S. alone. In 2006, unauthorized immigrants, a majority of whom were Mexican, formed 4.7 percent of the civilian workforce in the U.S.[5]

The number of men migrating from Mexico to the United States outnumbers women;[6] however, women are increasingly leaving their communities to find a better life too.[7] One of the reverberating consequences of both internal and external migration is the loss in human capital and the splitting up of families.

As the number of immigrants seeking to leave the country has increased, so have the dangers in the wake of increased militarization across the border. Various studies estimate that between 2,000 and 3,000 bodies have been found along the Southwest border with Mexico since 1995,[8] with the number of deaths more than doubling from 1995 to 2005.[9] The growing militarization of the border has not stopped the flow of undocumented immigrants. Rather, that number has continued to grow.

Aside from providing work for U.S. employers, new immigrants in the U.S. are sending large amounts of money back to Mexico to help their families and communities survive. A recent report from the Inter-American Development Bank indicates that Mexico is receiving $23 billion in remittances annually, the highest of all the other Latin American countries–which now send a total of $50 billion a year back.[10] These amounts exceed, by substantial margins, all other money flows such as portfolio investment, foreign aid and government and private borrowing.

According to the 2001-2002 U.S. National Agricultural Workers Survey (NAWS), the majority of new immigrants in agriculture are employed in seasonal jobs and are paid by the hour or by the amount of work done (e.g., pounds of produce picked). Approximately one half of farm workers receive less than $8.00 an hour. The majority are uninsured. Today, between 2.2 and 3.1 million undocumented immigrants–mostly from Mexico–work in the three agrifood sectors: farming and fishing, meat and fish processing, and food service.[11]

A number of groups are working to shed light on the difficult situations that U.S. migrant workers face. A few are included here. Immigrant rights groups such as Sin Fronteras have launched the Border Agricultural Workers Project to show how Mexican laborers who make it across the border are the victims of poor wages, poor health care and housing.[12] The United Farm Workers of America is organizing farm workers to win safe work conditions and fair wages through union contracts, and is spearheading efforts to for a compromise immigration reform bill (AgJobs), which is currently before Congress.[13] The Farm Labor Organizing Committee of the AFL-CIO is working to ensure that migrant workers' voices are heard and their human rights are secured.[14] The Rural Coalition is coordinating the Farm and Food Policy Diversity Initiative which represents people of color farmers, ranchers, farm workers and urban food system advocates in the U.S. who seek to ensure that those who are marginalized by U.S. farm policy can benefit from reform.[15]

U.S. AND MEXICAN AGRICULTURE POLICY AND FREE TRADE

The 1996 U.S. Freedom to Farm Bill was written with an eye clearly on expanding agricultural trade and reforming U.S. farm policy to comply with World Trade Organization rules. The bill originally required subsidies to be phased out by 2001 through a mechanism called "decoupling," which removed the historical tie between farm payments and the crops produced. It also removed the last remaining pillar of inventory management–the requirement for farmers to set aside a percentage of their acreage to qualify for government payments. When farmers were allowed to produce as much as they could, prices collapsed. And when the promised export expansion never materialized, commodity groups and others who had supported the phase out of subsidies lobbied to restore subsidies in the form of "emergency payments." Congress obliged with a series of $20 billion emergency bailouts over the course of the 1996 Farm Bill. The 2002 Farm Bill locked in those emergency payments, largely in the form of countercyclical payments, which increased as market prices dropped.

Mexico also reformed its agriculture sector, in part due to World Bank and International Monetary Fund loan conditions, and to pave the way for NAFTA. In 1992, the Salinas government amended its constitution to overturn its *ejido* laws that safeguarded public land for farming communities from private ownership. Mexico then opened its borders 10 years ahead of schedule to allow cheaper imports of corn and beans from the U.S. and Canada. It dismantled key programs such as crop price supports to staple producers, subsidies for agricultural inputs, credit and insurance, state-owned retailing, and targeted state consumption subsidies, among others. In the end, the Mexican government cut its overall investment in agriculture by 90 percent in the first seven years of NAFTA as well as its farm support payments by more than half.[16]

Farmers and rural communities in both countries have been hurt by these reforms. The 1996 Farm Bill and NAFTA eliminated production and price controls, which led to massive overproduction of subsidized cheap grain and agricultural dumping. It also consolidated corporate agriculture, which has had a negative impact on farmers and communities in both countries. Negative trends in rural development in Mexico are expected to continue when all tariffs on all agricultural products covered by NAFTA are removed on January 1, 2008, including tariffs on such basic elements of Mexican food security as white corn, beans and dairy products.

The Integration of Agricultural Markets

In a 2007 report, the U.S. Department of Agriculture boasts, "One of NAFTA's main accomplishments is advancing the integration of North America's agricultural markets. ... [M]any agricultural sectors in the NAFTA countries have made big strides toward becoming one North American market."[17]

U.S.-based agribusiness and food companies have taken advantage of NAFTA to export to Mexico and invest in subsidiaries in Mexico. U.S.-based companies are now major players in Mexico's flour milling, grain trading and meat processing industries. For example, in the highly concentrated Mexican poultry industry, the country's second- and third-largest poultry companies are affiliates of U.S. corporations.[18] The two biggest grain companies in the U.S., Archer-Daniels Midland and Cargill, are also major players in Mexico. ADM owns approximately 27 percent of Gruma, Mexico's leading tortilla maker, and a 40 percent share in a joint venture with Gruma to mill and refine wheat. ADM and Cargill, who have been accused of price-fixing in the U.S., have faced similar accusations in Mexico. Most recently, Cargill has been accused of hoarding white corn used for making tortillas with an eye toward increasing the price.[19]

In the United States, agribusiness has been one of the main beneficiaries of new immigrants, who are usually non-union and work for low wages. For example, Swift & Company had to shut down 100 percent of its beef production and 77 percent of its pork production following the high-profile immigration raids earlier this year that resulted in the arrest of 1,282 workers. In February 2007, Smithfield Packing Co., the largest U.S. hog processer, had to shut down its North Carolina plant after hundreds of workers left their jobs or refused to come to work to protest a crackdown on undocumented immigrants.[20] Agribusiness has been quite vocal about its support for immigration laws that would ensure an abundant migrant labor force in the U.S. as well as their supply chain.[21]

Increased U.S. Agricultural Dumping Hurts Mexican Markets

With cheap grains, cotton and rice, and pork, poultry and beef products receiving indirect subsidies in the form of artificially cheap feed, as well as an increasingly consolidated agribusiness industry, U.S. agriculture exports flooded the Mexican market during the implementation of NAFTA and following the 1996 Farm Bill.

Percent increase in volume of selected agricultural exports to Mexico, 1991-93 versus 2003-05[22]

Commodity	Percent increase
Corn	522
Wheat	381
Rice	329
Soybeans	373
Cotton	298
Beef and veal	158
Pork	455
Turkeys	170
Chickens	191

Not only did Mexican farmers have to compete with a flood of increased exports following the 1996 Farm Bill and NAFTA, but much of the U.S. exports were priced well below the cost of production, a practice known as dumping. Research by the Institute for Agriculture and Trade Policy indicates that global agriculture dumping of the five major U.S.-produced commodities increased dramatically after the 1996 Farm Bill.

GLOBAL EXPORT DUMPING OF U.S. CROPS, PRE- AND POST-1996 FARM BILL[23]

	1990-96	1997-2003
Wheat	27 percent	37 percent
Soybeans	2 percent	11.8 percent
Corn	6.8 percent	19.2 percent
Cotton	29.4 percent	48.4 percent
Rice	13.5 percent	19.2 percent

Mexico has been particularly hard hit by dumping and corn is of special importance. Corn has been at the heart of Mexican culture and history for centuries; it is at the center of the *campesino* family and a mainstay of the average diet.[24]

Prior to NAFTA, corn represented nearly half of Mexican land under cultivation and Mexico was self-sufficient in its corn production. Of the corn in Mexico planted prior to NAFTA and the 1996 Farm Bill, 90 percent was planted on plots of land less than 11 acres and 40 percent on less than two acres.[25] These small corn farms simply could not withstand the flood of underpriced U.S. imports, particularly when combined with the Mexican government's decision to dramatically scale down its support of small-scale farmers who grew white corn.[26] Yellow corn, used for animal feed or manufacturing starch, makes up the bulk of U.S. corn exports to Mexico. U.S. yellow corn exports to Mexico grew from an average of 914,000 metric tons in years 1991-93 to an average of over 55.6 million metric tons annually in 2003-05, according to the USDA.

According to *La Jornada*, between 1994 and 2001 real prices for corn for Mexican farmers (adjusted for inflation and the devastating peso devaluation of 1995) dropped by more than 43.4 percent.[27] Recent research from Veracruz has found that corn prices dropped 50 percent in real terms between 1994 and 2000.[28]

Mexican growers of other crops have been hit hard as well. Mexico continues to be the top single-country foreign market for U.S. rice. In 2002, the Mexican government accused the U.S. of dumping long-grain white rice and added duties to imports. In 2006, the Mexican government revoked the duties after the U.S. successfully challenged the duties before a WTO dispute settlement panel.[29]

Rising imports and restructuring of the Mexican hog industry have also resulted in several allegations of U.S. dumping into Mexico. Pork imports from the U.S. accounted for 28 percent of Mexican pork consumption in 2006, compared to 6 percent in 1996. From 1999 to 2003, Mexico imposed antidumping duties on U.S. hogs, which dramatically decreased U.S. hog exports. In May 2004, the Mexican government launched another antidumping investigation regarding pork products but later found the evidence insufficient to impose duties.

The same low-priced commodities dumped onto international markets by U.S. companies also benefited industrial hog, poultry and beef operations in the U.S. By using artificially cheap feed, these operations were essentially recipients of billions of dollars in indirect subsidies. Researchers at Tufts University estimated that in the nine years following the passage of the 1996 Farm Bill, the U.S. broiler chicken industry benefited from $11.25 billion in below-cost feed and industrial hog operations saved an estimated $8.5 billion.[30] These savings enabled the export of dumped poultry and pork, since there are no NAFTA or WTO disciplines on animal input subsidies.

MEXICAN FARMERS LOSE THEIR LIVELIHOODS

The impact of U.S. dumping has contributed to a steep decline in available agriculture-related jobs in Mexico. Agricultural employment in Mexico was at about 8.1 million in the early 1990s before NAFTA and the 1996 Farm Bill. In 2006, it had only 6 million employed—a loss of more than 2 million agriculture-related jobs.[31] The loss of agricultural jobs was consistent with a major shift from Mexico's rural countryside to both U.S. and Mexican urban cities. NAFTA and the 1996 Farm Bill accelerated that trend. From 1980 to 1994, migration from rural Mexico to the U.S. increased by 95 percent. By 2002, migration to the U.S. from rural Mexico was 452 percent higher than in 1980.[32] In response, the Mexican farmers' movement has called for the renegotiation of NAFTA's agriculture provisions, particularly for white corn and soybeans.[33]

The negative effects of NAFTA are much broader than just agriculture. Real wages for most Mexicans are lower today than they were when NAFTA initially took effect. Income inequality has been on the rise in Mexico since NAFTA's enactment.[34] Additionally, the informal economy[35] in Mexico has risen because of NAFTA, most notably in the rural sector.[36]

THE 2007 FARM BILL

Although Mexican farmers have been particularly hard hit by NAFTA and the 1996 Farm Bill, U.S. family farmers have faced the same low prices and increased market power from a few agribusiness companies. From 1992 to 2002, the U.S. lost over 200,000 farmers, as farms got fewer and larger.[37] Within the U.S. Farm Bill, the same policies that would benefit family farmers in the U.S. (fair prices, greater market competition) would also benefit farmers in Mexico.

A major new influence in both the Farm Bill and the agriculture economy is the introduction of biofuels, particularly ethanol. In the U.S., this fast-growing sector has temporarily lifted prices for many commodities and decreased agricultural dumping into Mexico and other countries. It is too soon to know whether this trend is temporary or permanent, and what effect it might have on immigrant communities.

Ultimately, the Farm Bill debate fits within an overall discussion about globalization, which seeks out cheap labor and the free movement of goods and services but militarizes and prohibits the movement of people. And while the causes of immigration are complicated and multifaceted, it is clear that the U.S. Farm Bill and NAFTA have contributed to the notable increase in immigrants from Mexico to the U.S. To address some of the root causes of immigration, here are two important recommendations for reform in the 2007 Farm Bill:

- **Reform U.S. Commodity Programs:** Farm programs used to include a price floor and other tools to ensure a fair market price. Reinstating and updating these tools to ensure a fair market price in the U.S. would greatly reduce export dumping into other countries, including Mexico.
- **Add a Competition Title:** Agribusiness firms have been the big winners from the current farm bill/free trade model. These companies have used their unregulated market power to exploit farmers and agricultural workers. A Competition Title in the 2007 Farm Bill would improve antitrust enforcement and increase competition in the marketplace.

Reforming these two areas of U.S. agricultural policy will go a long way toward securing a more beneficial relationship with Mexico based on mutual respect for farmers, rural development and healthy food.

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