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PRESS RELEASE

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Passage of DR-CAFTA Bad News for Farmers

Minnesota and Central American Farmers Stand to Lose

Minneapolis - The passage of the Central America Free Trade Agreement (CAFTA) in the U.S. House of Representatives late last night signals a major setback for U.S. sugar farmers and a damaging blow to Central American farmers, said the Institute for Agriculture and Trade Policy (IATP). The deal would lead to the destruction of the U.S. sugar program, and increase agricultural dumping of agricultural commodities below their cost of production into Central American countries.

"There's no question that sugar farmers are being sacrificed on the altar of free trade," said R. Dennis Olson, director of IATP's Trade and Agriculture Project. "We've seen the so-called `free trade' model fail farmers and rural communities for the last 10 years under the North American Free Trade Agreement. This is another bad trade deal filled with false promises for farmers and workers in all the participating countries."

As part of ushering CAFTA through the Senate, Minnesota Senator Norm Coleman negotiated a poorly conceived "sugar deal" with the White House that purported to help protect sugar farmers by curbing sugar imports. But the deal would only limit sugar imports for two years, until the 2007 farm bill is completed. And its methods for controlling increased sugar imports would likely lead to either increased dumping of under-priced U.S. crops to CAFTA countries or diverting sugar to compete with homegrown corn-based ethanol operations.

Since the announcement of the Coleman plan, two government reports have raised serious questions. The non-partisan Congressional Research Service questioned whether the U.S. Department of Agriculture has the legal authority to implement the deal and keep imported sugar off the U.S. market. And the non-partisan Congressional Budget Office (CBO) estimated that the CAFTA agreement would cost U.S. taxpayers $50 million a year in loan forfeitures by sugar farmers.

The CBO estimate is consistent with a report published by IATP earlier this year that found that increased sugar imports required by CAFTA would threaten the viability of the U.S. sugar program. The IATP report concluded that when combined with North American Free Trade Agreement (NAFTA) commitments made with Mexico and other trade agreements on the table, CAFTA would seal the fate of U.S. sugar growers, and lower prices for sugar growers in poor countries as well.

Over 32,000 people depend on the sweetener industry for their livelihoods in the upper Midwest. Minnesota, North Dakota and Montana rely on $62 million in state tax revenues generated annually by this industry.

The combined economies of CAFTA nations are less than half the size of the economy of the Metro Minneapolis area, according to the U.S. Conference of Mayors' Metro Economies Report. The Bush Administration's own International Trade Commission (ITC) projects that any gains in overall exports to CAFTA countries ($2.7 billion) would be negated by increased imports ($2.8 billion).

"These are not big export markets with high wage consumers ready to buy U.S. products," said Olson. "It's a real stretch to make the case that this deal will benefit any farmers. But it's easy to see how it will hurt U.S. sugar farmers, and push Central American farmers off the land."

CAFTA would force Central American countries to dismantle border protections against agricultural imports dumped into their markets at below cost by U.S. multinational agribusinesses. If CAFTA dismantles these protections, the U.S. could experience another wave of forced immigration of small farmers similar to when NAFTA forced 1.5 million Mexican farmers from their land with increased imports of dumped U.S. corn and other commodities. The Bush administration admitted as much in a promise to send additional funds to CAFTA countries for "rural development assistance," which will be needed to mitigate the anticipated eviction of small Central American farmers from their land.

IATP has issued three papers on the impact of CAFTA on farmers in the U.S. and in CAFTA countries: *Sweet or Sour? The U.S. Sugar Program and the Threats Posed by DR-CAFTA*; *CAFTA's Impact on the U.S. Ethanol Market*; and *Analysis of CAFTA Concerning Agriculture*. All three papers can be found at: www.tradeobservatory.org.

The Institute for Agriculture and Trade Policy works globally to promote resilient family farms, communities and ecosystems through research and education, science and technology, and advocacy.

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