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# Lessons from NAFTA: Food and Agriculture

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The North American Free Trade Agreement (NAFTA) has been the blueprint for the U.S. trade agenda and has served as the basis for other global and regional trade talks for the last 15 years. Since 1994, a growing body of academic and government studies have pointed to a number of negative consequences of NAFTA.

To understand NAFTA's effect on all three countries, one need only look at the mobilizations in the streets of Mexico over job losses in the countryside and growing food insecurity; the ghost towns in the rural areas of the U.S. and Canada, where fewer farmers are left to till the land; the hundreds of thousands of people crossing the Mexican-U.S. border every year because they cannot support themselves at home; and the growing number of food safety scandals and food price hikes.

Instead of supporting a thriving food system that keeps people on the land and communities eating healthy, local food, NAFTA has empowered global food corporations, increased market concentration and consolidated market power within and across sectors. Because a small number of unaccountable corporate leaders now exercise unprecedented control over the availability and price of food, farmers cannot get a fair price at the farm gate, while consumers are gouged by rising food prices at the grocery store. Meanwhile, the transnational agribusiness cartels have seen their profit margins rise to new heights.

There are growing efforts to push for a reform of NAFTA. In Mexico, hundreds of thousands of farmers who are struggling to make a living as a result of NAFTA have led marches under the slogan "Sin Maiz, No Hay Pais" (Without Corn, There is No Country). Canadian farmers continue to resist increasing internal and external pressure to dismantle their supply management programs, which help stabilize prices. And a growing chorus of U.S. farmers are calling for the reestablishment of grain reserves.

During this year's campaign, U.S. President-elect Barack Obama promised to renegotiate NAFTA, although whether that commitment would extend to the agricultural provisions is unclear. Meanwhile in Congress, the 2008 election swept into office 40 new representatives and senators who ran against the current trade deregulation model epitomized by NAFTA. These new members of Congress join the large contingency of candidates who also won by running against trade deregulation policies in 2006. The result is that the U.S. Congress now has a combined 2006-2008 total of 70 new fair trade members who replaced supporters of the old NAFTA model.

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At the same time, over 50 members of Congress have endorsed the Trade Reform, Accountability Development and Employment (TRADE) Act that provides a blueprint for an alternative trade model that would start with mandating a review and renegotiation of NAFTA and other trade pacts. Finally, leaders from the legislative branches of all three NAFTA countries have established a tri-national committee to push for changes to NAFTA that would directly challenge the inflexible trade deregulation orthodoxy it symbolizes.

As we look to the future, the people of Canada, Mexico and the United States must continue to lead efforts to forge an alternative, fair trade model that puts people first above the corporate deregulation dogma of trade for trade's sake. In all three countries, increasingly large and active grassroots movements now call for an immediate reevaluation and reform of the NAFTA clauses that have harmed their families and their livelihoods.

## Deregulating agriculture in Mexico

Mexico began its economic restructuring in the late 1980s, with mandates imposed by the International Monetary Fund (IMF) and the World Bank to deregulate its agricultural sector. Mexico cut its public investment in agriculture, dismantling key programs such as credit, subsidized farm inputs, price supports, food reserves, state marketing boards and extension services. NAFTA advocates promised that agricultural and trade deregulation would expand employment and exports while reducing Mexican migration to the United States.

In its eagerness to increase trade with the U.S., Mexico approved NAFTA in 1994, and immediately removed tariffs on yellow corn. Tariffs for other more sensitive products like sugar, white corn and beans were phased out gradually over the next 14 years. Cutting domestic agricultural support, combined with the opening of Mexico's borders to deregulated trade, cleared the way for multinational agribusiness cartels to dump agricultural commodities at below the cost of production into Mexico, displacing farmers from their own markets. Because Mexico had dismantled its publicly owned food reserve earlier, ADM and Cargill were able to profit by displacing domestic Mexican production with cheaper, below-cost corn imported from the United States. The result was that by 2006, Mexico had lost over two million agricultural jobs, including as many as 1.7 million small farmers who were forced from their land into urban areas within Mexico, or to migrate north to the U.S.

The U.S. response was to further militarize the border. As a direct result of these policies, an estimated 2,000-3,000 migrants have died trying to cross the border since 1995. Even so, the militarization of the border failed. Mexican migration to the U.S. increased by 1.5 million from 2000-2005, peaking at an estimated 500,000 undocumented migrants entering the country annually by 2005 and 2006. In 2007, there were an estimated 500,000 Mexicans deported from the United States. The number of immigrants appears to have declined in 2008, although there is still a huge influx of persons who are risking their lives to get into the United States.

A few transnational agribusinesses, like U.S.-based Cargill and Mexican-based (but partly U.S.-owned) corn giant Maseca, now exercise unprecedented market control over key agricultural sectors, including yellow and white corn and beans. This means that whenever prices rise for these commodities in the Mexican market, Cargill can stop buying in the Mexican market and turn to their own imported reserves. By doing so, they are able to undermine producer prices for Mexican farmers and push them out of their own market, leaving them with few options but to migrate from the countryside to the city or north across the border.

Agricultural trade deregulation advocates like to argue that such lower prices benefit consumers, especially poor people with limited incomes. However, while prices paid to Mexican farmers fell 43 percent between 1994 and 2000, prices for tortillas—the most important staple food for Mexicans—nearly tripled, rising 571 percent during the same period. By January 2007, tortilla prices had tripled again due to a combination of factors. In the meantime, the Mexican government has steadfastly ignored demands to investigate charges of price manipulation by transnational agribusinesses. The bottom line is that multinational agribusiness cartels do not pass on any savings from low crop prices to consumers. Instead, they pocket the difference, which is reflected in their escalating profit levels. For example, Cargill's net income increased over 660 percent from $597 million in fiscal year 1998-99 to $3.95 billion by fiscal year 2007-08.

## Canada's agriculture faces NAFTA challenges

Canadian farmers also suffered adverse impacts under NAFTA, and these negative trends can be traced back to the Canada-U.S. Free Trade Agreement signed in 1988. For example, even though agricultural exports tripled from \$11 billion to \$33 billion from 1988 to 2007, net farm income fell by more than half, from \$3.9 billion to \$1.5 billion over the same period. With rising input costs and falling farm prices, Canadian farm debt more than doubled from \$22.5 billion to \$54 billion. In the meantime, retail food prices climbed as farm prices fell. In this context, both Canadian farmers and consumers have lost in the post-NAFTA implementation period.

With the passage of NAFTA, big packers like Cargill and IBP (now Tyson) acquired large feedlots in Canada to supply live cattle to their packing plants in the U.S. to undermine any market rallies in cattle prices. They also built slaughterhouses in Canada to supply boxed beef over the border. These international captive supply pipelines allow big packers to manipulate live cattle and retail beef prices to the detriment of cattle producers and beef consumers in all three NAFTA countries. Additionally, because of the intercontinental market integration of the livestock sector under NAFTA, Canadian ranchers were devastated when the U.S. closed its border to cattle imports after mad cow disease was discovered north of the border.

In Canada, a sizeable contingent of farmers have challenged agricultural market deregulation with some relative success by safeguarding supply management systems for dairy, poultry and eggs, despite relentless internal and external political pressure to deregulate these markets. Canadian dairy farmers have released reports that demonstrate that farm prices are higher in these managed sectors while consumer retail prices are lower. The Canadian dairy industry has more (and smaller) farmers per capita than the U.S. deregulated dairy model. Canadians have also successfully defended ongoing attempts to shut down the Canadian Wheat Board, which gives farmers the leverage of block marketing 10 percent of the world wheat exports, and thereby fetching Canadian farmers a higher price than if they were left to individually face the global market power of Cargill and other transnational grain companies.

Nevertheless, the overall trend under NAFTA's trade deregulation has been U.S.-based transnational agribusinesses usurping an ever larger and more concentrated share of formerly Canadian-owned agro-processing, handling and machinery manufacturing.

## U.S. farmers hurt by NAFTA

In the United States, the promise of NAFTA and the "Freedom to Farm" Bill of 1996 was to "get government out of agriculture," based on the predicted expanded export markets. However, by 2001 farm subsidies had nearly tripled from \$8 billion to over \$20 billion, making U.S. farmers more dependent on the government for their income than at any point in history. And the United States has teetered on the edge of becoming a *net importer* of food for the first time since 1959.

Despite these failures on so many fronts, Congress passed the 2002 Farm Bill leaving the same market deregulation policies in place. It simply renamed the subsidies and continued them at the same multibillion dollar level to prop up the failed policy. Meanwhile, net income for U.S. farmers—even including the near tripling of subsidies—fell 16.5 percent, and an estimated 300,000 farmers were forced out of business. Many rural communities died as storefronts were boarded up; churches were closed down; people were forced from their homes by the toxic fumes of industrial animal factories; and a methylamphetamine epidemic swept the countryside.

Often lost in the U.S. farm policy debate were the real beneficiaries of agricultural market deregulation: the corporate owners and operators of industrial hog, poultry, dairy and cattle factories, who received an estimated \$35 billion in indirect subsidies by buying animal feed crops at 20-25 percent below cost from 1997-2005. This huge indirect subsidy to industrial animal factories fueled further concentration of livestock markets, as processors figured out that they could extract more money out of the meat supply chain by consolidating their ownership and control of the supply chains. In the United States, animal production based on meat represents as much value in the overall agricultural economy as all other sectors combined. Independent poultry and hog farmers are nearly extinct, as packers move production through captive supply pipelines based on exploitive contracts.

The environmental as well as social consequences of industrial meat production have been devastating. Formerly diversified, independent family farm feeding operations grew grass and other feed crops on their own farms. This meant they had to pay the actual cost of production for the meat or dairy products they produced. Conversely, corporately owned and controlled animal factories were able to purchase feed—primarily corn and soybeans—at below the cost of production, giving their meat and dairy products an unfair market advantage over those produced by independent livestock producers. Tens of thousands of independent, family farm feeding operations that had depended upon livestock for diversified crop rotations were unable to stay in business and sold off their herds. They plowed up their pasture lands to plant more corn and soybeans (depressing feed prices even further) and increased chemical runoff into waterways, resulting in an expansion of the lifeless Dead Zone in the Gulf of Mexico.

As with independent family farmers, the growing economic and political power of the transnational meatpacking companies was also turned against laborers in meatpacking plants, thus denying them a living wage and humane working conditions, and thereby increasing corporate profit margins. Combined with a growing supply of undocumented immigrant workers forced from their farms in Mexico in the post-NAFTA period, the meatpacking cartels broke union after union throughout the Midwest. It was easier for companies to intimidate and exploit immigrants with the threat of deportation hanging over their heads. With sophisticated union-busting tactics, the companies broke union contracts that had been won by decades of tough organizing going back to Upton Sinclair's novel, *The Jungle*, which documented the squalid working conditions in the slaughterhouses at the turn of the century. By 2005, union membership among meatpacking workers had fallen to 50 percent as compared to 80 percent in 1980, and the average wage for workers in the U.S. meatpacking industry was $11.47 per hour—about 30 percent less than average wages among all manufacturing jobs.

Of the 12 million undocumented immigrants in the U.S. in 2005, 7.2 million were in the labor force. Between 2.2 and 3.1 million undocumented immigrants worked in the three agri-food sectors: farming, fishing and forestry; meat and fish processing; and food services. Thus, between 31-43 percent of undocumented workers were employed in the agri-food sector. The Immigration and Naturalization Service has escalated "enforcement actions" against undocumented immigrants who now make up a significant percentage of the workers at meatpacking plants, even though it is these workers who have revitalized the dying rural communities with their rich culture. These U.S. communities were devastated by NAFTA policies, just like the Mexican communities many of the new immigrants were forced to flee.

## Time for a new model

NAFTA has greatly benefited transnational agribusiness at the expense of farmers, consumers and sustainable food systems. Even though certain agricultural exports have grown, most farmers in all three NAFTA countries have not realized any benefit from this growth. Nor have consumers, because today, they are eating more unhealthy processed food and paying higher prices. Families have been split. Biodiversity in the landscape and the accompanying cultural connections have been damaged and continue to be threatened. This is simply not a viable model for a fair trading system that puts people's well-being first.

In light of the failed NAFTA model, the people of Canada, Mexico and the United States must reject any further expansion of agricultural trade deregulation and move toward policy options that support a food sovereignty agenda. Such an agenda for North America would not abandon a commitment toward regional integration, but rather, would strengthen it by insisting that it be based on mutual respect, fairness, human rights and constructive cross-border collaboration instead of corporate domination. It would allow flexibility for each country to protect its key domestic agricultural and food sectors from trade rules that undermine local economies, culture and well-being, and that push people toward food insecurity, poverty, or dangerous and unnecessary migration. It would protect farmers' rights and safeguard natural resources. A food sovereignty agenda would require an honest and frank review of the mistakes made under NAFTA, and move us in a new direction that advances an alternative food system that ensures health, justice and dignity for all. It would ensure that farmers, farmworkers, ranchers and fishers will have control over their land, water, seeds and livelihoods; and that all people will have access to healthy, local, delicious food.

## A food sovereignty agenda

In this context, there is no legal or practical reason why NAFTA cannot be renegotiated in support of food sovereignty, and there is increasing support among civil society and legislators to move in this direction. But, in real terms, what would this mean? Any renegotiation would have to:

- Include rules to protect the livelihoods of family farmers and to promote domestic food systems.
- Ban the export dumping of commodities at below the cost of production into other countries because of its destabilizing effect.
- Promote supply and inventory management mechanisms, such as publicly held strategic food and bioenergy reserves that ensure farmers a fair price while protecting consumers from price surges.
- Promote strong anti-trust regulation so as to curb predatory, anti-competitive business practices and financial speculation.
- Make sure that substantial public investments are targeted to support small-scale farming, rural infrastructure and social programs needed in all three countries.
- Include migration policies that respect human rights rather than criminalize the movement of persons.
- Require that workers receive a living wage, and that social programs improve the economy and well-being.
- Require that international human rights and environmental treaties are given precedence over trade and investment rules.

Food sovereignty is possible in North America if we are ready to take a hard look at where we are today and how we got here. It is time to recognize that the NAFTA agricultural deregulation model is not working in this or other regions, and to take bold steps working across sectors and borders to shift toward a new fair trade model based on food sovereignty. Are we up for the challenge?

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