



FAST TRACK WILL EXACERBATE NAFTA'S DAMAGE TO U.S. RANCHERS AND FARMERS RAISING BEEF

Coming Fast Track Battle is a Referendum on NAFTA's Seven Year Record

President George W. Bush has asked Congress for Fast Track powers to expand NAFTA to 31 countries in Latin America and the Caribbean through a proposed Free Trade Area of the Americas (FTAA). President Bush and his principal trade advisors have announced that the debate about Fast Track is a referendum on NAFTA — and so it should be. Given Fast Track's purpose to expand the NAFTA model hemisphere-wide through the FTAA, the seven-year track record of NAFTA for family farmers and ranchers bears close review.

During the 1993 debate over the fate of NAFTA, U.S. ranchers were promised that NAFTA would provide a path to lasting economic success through rising exports. Consumers were promised lower food prices. These promised benefits never materialized during seven years of NAFTA: farm income has declined and consumer prices have risen while some agribusinesses — which lobbied hard for NAFTA and are avidly promoting Fast Track — have seen record profits.

Granting President Bush "Fast Track" to expand NAFTA could have a potentially devastating effect on ranchers. The U.S. already has significant and growing meat trade deficits with Argentina, Brazil and Uruguay. The FTAA is expected to increase dramatically Latin American beef exports to the U.S., according to the U.S. Department of Agriculture (USDA).

NAFTA Has Not Lived Up to Its Promise for U.S. Ranchers

NAFTA already has had a damaging effect on U.S. ranchers and FTAA, which would expand NAFTA to the huge beef exporting nations of South America, would only increase the problem. Agribusinesses took advantage of NAFTA to invest in Mexico's low-wage, minimal regulatory environment. For instance, a few months after Congress extended Fast Track powers to the elder President Bush in 1991 to negotiate NAFTA, Cargill Corporation purchased a beef and chicken production plant in Saltillo, Mexico, thus also securing access to lower wages and regulatory standards.

Using NAFTA both as a sales pitch and as the political instrument to force policy change, corporate and political lobbyists in Washington set about eliminating domestic farm programs aimed at safeguarding farmers and ranchers. The 1996 Freedom to Farm Act was part and parcel of implementing the export-oriented NAFTA agriculture model and directly impacts feedlot grain prices. Moreover, many agribusiness concerns operating in North America took advantage of the new rights of market access for agricultural products (and actual requirements to import agriculture products) and NAFTA's new investor protections and began rapid consolidation, moved plants to Mexico or both.

NAFTA Expansion Will Place Added Burden on U.S. Ranchers

In 1995, the U.S. had a trade surplus with the world in cattle and beef sectors' of \$21 million. By 1999, that surplus had become a \$152 million deficit. A large share of that beef deficit is with the very nations that would comprise FTAA. The U.S. beef trade deficit with Argentina has been more than \$100 million every year for the past ten years. The U.S. beef deficit with Brazil has grown 1400% since 1991, from \$6 million to \$91 million. According to the USDA, the U.S. beef deficit with Uruguay has increased by 75% since 1991 from \$26 million in 1991 to \$46 million in 2000.

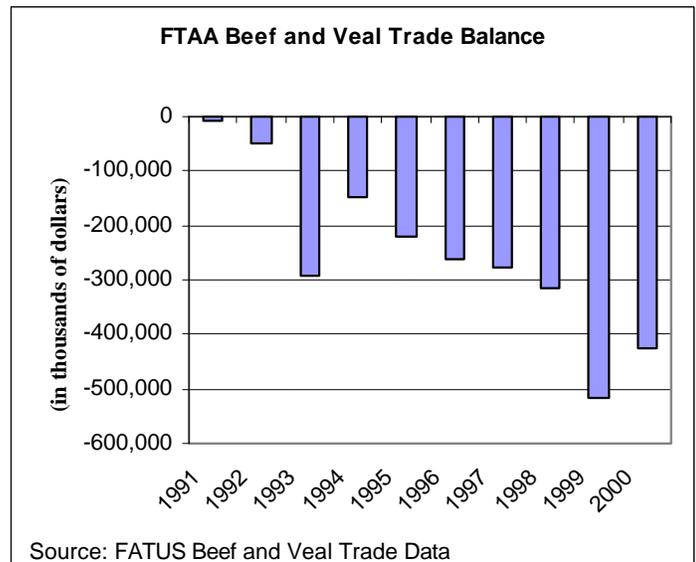
If Congress grants President Bush Fast Track for FTAA, U.S. ranchers would face stiffer competition from imports but would not gain in Latin American and Caribbean export markets. The proposed FTAA would grant foreign producers new import rights into the plum U.S. consumer market. However, since many of these countries already have

lower-than-NAFTA trade barriers for U.S. goods and because production is cheaper because of lax environmental and food safety regulation and cheap labor, U.S. ranchers will not see greater beef exports to Latin America and the Caribbean.

Furthermore, on average South America already has lower average tariffs on meats (38%) than the EU (70%). Ten FTAA countries, including some of the largest markets, currently have lower applied agricultural tariffs (actual annual average tariffs) than NAFTA partner Mexico — meaning that U.S. farmers are not finding export markets in these countries even while tariff rates there are already lower than the NAFTA level.

Meanwhile, even before the additional FTAA access to U.S. market, imports are soaring and the oversupply is dropping prices. A 2000 study of feedlot and retail prices for beef found that an East Texas feedlot sold a 1,000 pound choice steer for \$620. However, by the time the meat was sold in the supermarket, it cost consumers the equivalent of \$1,697 per steer — nearly three times the price the feedlot received which itself was greater than the price the rancher obtained from the feedlot. FTAA nations Brazil, Argentina and Uruguay are major low-priced beef exporters. For example, although the average price per pound of beef imported into the U.S. was \$1.07 in 2000, beef from Brazil cost 97¢ per pound and had declined by 22% since 1993 compared to the 3.5% decline in average beef import prices.

Expanding the NAFTA model to South America would not benefit U.S. beef and cattle ranchers, instead it would flood the U.S. market with more imports.



NAFTA Encourages Consolidation at Expense of U.S. Ranchers

While independent farmers have failed to see the promised price cuts for food, NAFTA and other free trade agreements have been good news for the large agribusinesses that pressured Washington for NAFTA and now are pushing Fast Track for FTAA. With the safeguards for the people who actually produced the raw agricultural products stripped away, the relative power and leverage of agribusiness conglomerates to exert pressure on both farmers and consumers was increased. Many agribusiness concerns operating in North America took advantage of the new rights of market access for agricultural products (and actual requirements to import agriculture products) and NAFTA's new investor protections and began rapid consolidation, moved plants to Mexico or both.

The growing concentration in the food industry also has significant implications when considering the proposed FTAA-NAFTA expansion. Tyson Foods already has operations, either directly or through its subsidiaries, in Mexico, Brazil, Argentina and Venezuela. In December 2000, Tyson Foods, the country's largest poultry producer, and meatpacker IBP, the nation's largest beef packer, announced a merger which would create the world's largest marketer of beef, pork and chicken. In the U.S., the merged entity would control 30% of the beef market. By 2000, the top four U.S. cattle processors controlled 80% of the U.S. market (double the market share of the top four in 1980).

Fast Track Is Unnecessary and Will Further Harm Independent Farmers

The only way to ensure that U.S. trade policy suits the needs of U.S. ranchers is for Congress and the public to play a more prominent and continual role in the entire policy process. Congress must be involved in setting the U.S. agenda, selecting appropriate prospective trade partners with whom to negotiating, and ensuring the negotiations are obtaining U.S. goals. Then, only agreements that meet U.S. goals should be approved and implemented. This level of involvement and oversight is impossible under the Fast Track process because Congress' delegation of its Constitutional trade authority allows the Executive branch to promise the world and deliver only woe.

For more information, contact Public Citizen's Global Trade Watch 202-546-4996

(See, Public Citizen's Global Trade Watch study, *Down on the Farm: NAFTA's Seven-Years War on Farmers and Ranchers in the U.S., Canada and Mexico*, at www.tradewatch.org)