

Down on the Farm: NAFTA's Seven-Years War on Farmers and Ranchers in Alabama

**DWINDLING INCOMES FOR SMALL FARMERS IN ALABAMA;
LOST FARMS AND RURAL CRISIS IS NAFTA'S LEGACY**



Public Citizen's Global Trade Watch

August 2001

Note: This report has been prepared as a supplement to *Down on the Farm: NAFTA's Seven-Years War on Farmers and Ranchers in the U.S., Canada and Mexico - Dwindling Incomes for Small Rural Farmers in the U.S., Mexico and Canada; Lost Farms and Rural Crisis is NAFTA's legacy*. For more information on NAFTA's impact on the national farm economies in the U.S., Canada and Mexico, please see our national report at www.tradewatch.org.

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Acknowledgments: Research and writing of this report have been provided by Patrick Woodall, Lori Wallach, Jessica Roach, Amanda Ballantyne and Darshana Patel. Additional invaluable assistance was provided by Global Trade Watch interns Michael Stein and David Desrosiers as well as Public Citizen staff Michael Dolan, David Vladeck, Booth Gunter and Angela Bradbery. Additional thanks are extended to Steven Suppan at the Institute for Agriculture and Trade Policy, Kathy Ozer at the National Family Farm Coalition and Larry Mitchell at the American Corn Growers Association for their guidance and insight.

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In the summer of 2001, family farmers and ranchers throughout North America are struggling.

During the 1993 debate over the fate of the North American Free Trade Agreement (NAFTA), Alabama farmers and ranchers as well as farm communities across the U.S. were promised that NAFTA would provide access to new export markets and thus would finally bring a lasting solution to farmers' off-and-on struggles for economic success.

Now, seven years later, the evidence shows the income of independent Alabama farmers and national farm income has declined, consumer prices have risen and some giant agribusinesses have reaped huge profits. Total net income for farm operations in Alabama increased between 1993 and 1999 — but all of the income gain was in corporate farms, when corporate income increases are eliminated farm income drops steeply in Alabama. Total Alabama net farm income grew by 31% between 1993 and 1999 to \$1.2 billion.¹ However, net farm income for non-corporate Alabama farm operations fell 74% between 1993 and 1999 from \$51.4 million to \$13.4 million.² In Alabama, 2,000 farms have disappeared during the seven years of NAFTA.¹ Nationally, farms have disappeared faster since NAFTA went into effect than in years that preceded it, but in Alabama, the number of farms grew before NAFTA was enacted but that gain was doubly reversed in the years since NAFTA. The total number of Alabama farms *grew* by 2.1% in the years before NAFTA (1988-1993) but fell by 4.1% after NAFTA went into effect between 1994 and 2000.³ These outcomes are defining the growing national debates over President Bush's proposals to establish Fast Track trade authority and to expand NAFTA through the Free Trade Area of the Americas (FTAA).

This report documents the basis for farmers' concern about NAFTA and its model of export-oriented agriculture with a special Alabama supplement which examines the impact of NAFTA on Alabama farmers. For the past seven years, the jewel of Alabama's agriculture, the state's peanut crop, has been decimated by NAFTA. Alabama farmers raising beef cattle have seen prices decline since NAFTA. Alabama Tomato acreage and prices have declined significantly, facing significant import competition from Mexican tomatoes. Alabama wheat and soybean growers also have seen farmgate prices decline significantly since NAFTA went into effect. Alabama lumber mills have faced unfair competition from cheap imports of Canadian softwood lumber.

The same conditions are plaguing farmers and ranchers throughout the country. For the past seven years, Midwestern and Plains states wheat farmers; ranchers in Montana, Texas and other states; vegetable, flower and fruit growers in California; lumber mill owners in Louisiana, Arkansas and Washington; vegetable growers in Florida; chicken farmers nationwide and others have suffered declining commodity

¹ Alabama did not provide farm data by size of operation until 1998, so there is no comparative data for the national figures.

prices and farm income while a flood of NAFTA imports outpaced U.S. exports to Canada and Mexico.

Yet it was not farmers in Mexico or Canada who benefitted from Alabama's farmers' woes. Millions of *campesinos* throughout Mexico have lost a significant source of income and left their small corn farms. Some became farm laborers working in squalid conditions for poverty wages on large plantations growing produce for export to the U.S. Others moved to Mexico's cities where unemployment is high. Canadian grain and dairy farmers also face steeply rising debt during the NAFTA era.

And, consumers from Calgary to Chiapas have failed to see the price cuts for food promised during the NAFTA debate. While the prices paid to North America's farmers for beef, grains, vegetables and other foods fell to record lows, the U.S. Consumer Price Index (CPI) shows that U.S. consumer food prices increased by almost 20% during NAFTA's first seven years.⁴ During NAFTA's seven years, increases in price for food eaten at home in urban areas in the South increased 20.4%, slightly higher than the national increase in the CPI (which is tracked in urban areas across the country). Prices for food eaten at home in cities with fewer than 50,000 residents in the South increased by 22.7% – or about 15% higher than the national average.⁵ This report also documents the rise in Mexican staple food prices, such as in tortilla prices, even as the price paid to Mexican corn farmers dropped 48%.

However, NAFTA has brought seven years of good fortune to many of the agribusinesses that pressured Washington, Ottawa and Mexico City to negotiate and ratify NAFTA's corporate- managed trade terms. For example, Tyson Foods operates five chicken plants in Alabama and has 6,500 contracts with chicken farm operators across the U.S., undoubtedly including the operators in Alabama that supply Tyson's plants,** which dominate the entire process of raising and selling chickens locally to operate internationally.⁶ Since NAFTA stripped away many safeguards for the folks who produce raw agricultural products, relative power and leverage has grown for large agribusiness conglomerates to exert pressure on both farmers and consumers.

In Washington, D.C., the Bush Administration is pushing forward with an ambitious plan to expand the NAFTA model throughout the hemisphere through FTAA. President George W. Bush and his principal trade policy advisors have stated that they intend to make the debate about NAFTA expansion and Fast Track (which they want to rename "Presidential Trade Promotion Authority") a referendum on NAFTA.

Public Citizen agrees that the debate over NAFTA expansion – indeed, the national conversation about the premises and direction of U.S. trade policy – should be decided on the basis of the real-life results of NAFTA and the model on which it is based.

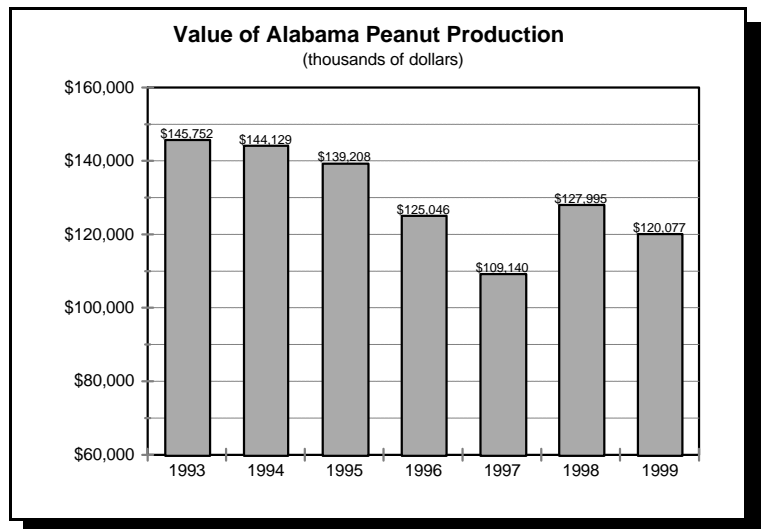
In this report, we show how Alabama independent farmers and small and medium-sized farmers throughout

** Tyson Foods does not reveal the terms, conditions or locations of its contracts with chicken farm operators.

the U.S., Mexico and Canada have seen agricultural prices plummet, farm incomes collapse and critical domestic agriculture safety net programs dismantled. International free trade agreements and the domestic policies which furthered implementation of the export-oriented model, such as the U.S. “Freedom to Farm Act,” have proved to benefit only the largest agribusinesses while the majority of farmers and consumers have lost. Our principle findings on NAFTA’s impact on key Alabama crops are these:

NAFTA has damaged Alabama’s peanut farmers NAFTA has had a disastrous impact on peanut farmers across the U.S., including the many peanut farmers in Alabama. Alabama is the third largest peanut producing state in the U.S.⁷ Alabama’s Second Congressional District ranked second in the nation for peanut acreage in 1997.⁸ The peanut crop is essential to Alabama farms representing 70% of the states crop income in 1998.⁹ During the debate over NAFTA, President Clinton made explicit promises to U.S. peanut growers that the Administration would use U.S. trade law to prevent Canada and Mexico from unfairly dumping cheap peanuts in the U.S. market. The NAFTA promise languished unfulfilled: despite an astounding 1400% increase in imported Mexican peanuts and a 10% increase in imported Canadian peanuts, no efforts were ever made to utilize U.S. trade law to protect domestic peanut growers from unfair competition.¹⁰

U.S. market access commitments in NAFTA and the global WTO trade pact eliminated the Section 22 provisions of U.S. trade law that had prohibited the importation of peanuts.¹¹ The new NAFTA and WTO rules increased the permitted imports of peanuts (at a lower in-quota fixed tariff rate) from 96,298 short tons in 1995 to 135,669 short tons in 2000.¹² Peanut imports above the in-quota limits face stiff tariffs, but under NAFTA and WTO the allowed in-quota volume increases each year. In 2003, peanut butter from Mexico will enter the U.S. duty free and the over-quota tariff rate will be low enough to allow increasing imports under NAFTA.¹³ In 2008, limits on cheaper imported peanuts from Mexico will be eliminated under NAFTA.¹⁴



Increasing peanut imports caused by NAFTA and WTO’s rules requiring access into the U.S. for foreign peanuts have had a devastating effect on U.S. peanut farmers. Since NAFTA and the WTO went into effect, the U.S. peanut surplus with the world has declined 38% from \$5.4 billion in 1995 to \$3.3 billion in 2000.¹⁵ Under the increasing NAFTA quotas, the import of Mexican peanuts grew 1,400% to \$1.8 million between 1993 and 2000 and the import of Canadian peanuts grew 10% to \$289 million.¹⁶

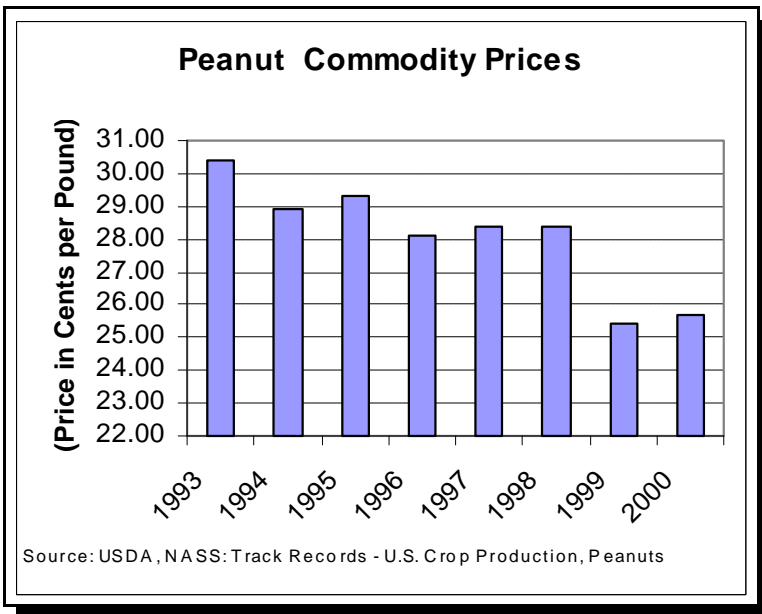
Since NAFTA went into effect, the value of Alabama peanut production declined 17.6% between 1993 and 1999 — more than three times the decline in Alabama peanut production over the same period which dropped 5.3%.¹⁷ The price Alabama peanut farmers received for their crop declined 13.0% between 1993 and 1999.¹⁸ According to a 1998 Auburn University study, U.S. peanut farmers lost \$64 million in gross farm income because of cheaper imports, primarily from Canada, Mexico and Argentina by 1996. \$36 million of that U.S. gross peanut farm income loss went to foreign peanut producers and \$27 million went to U.S. peanut product manufacturers who switched to cheaper imported foreign peanuts.¹⁹ The study further projected that peanut farmers would lose an additional \$19 million between 1999-2002 if market conditions remained constant. By granting even more access for imported peanuts to imports, FTAA will only accelerate the NAFTA damage, given that FTAA target nation, Argentina, is a major peanut exporter and already has rights to 80% of the U.S. import tariff-rate-quotas under the WTO.²⁰

NAFTA Has Been Used to Justify Shredding Farm Safety Nets for Peanut Farmers 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 growers, especially peanut farmers. The 1996 Freedom to Farm Act, part and parcel of implementing the export-

oriented NAFTA agriculture model, hit peanut growers particularly hard. The Freedom to Farm Act significantly reduced the peanut program safety net protections for peanut farmers that had been in place since the Depression. The peanut program restricted imports and set a poundage quota and floor price for food peanuts that was adjusted upwards for production cost inflation for the farmers with quota rights. Peanuts grown outside (known as ‘additional’) the quota could be sold for \$132 a ton to produce peanut meal or oil or sold on the world market. The Freedom to Farm Act reduced the peanut quota support price 10% to \$610 a ton, reduced the total quota poundage and eliminated the production cost adjustment.²¹

In 2002, U.S. peanut price supports are likely to be cut or eliminated when the Freedom to Farm Act is revisited.

Fast Track and FTAA Will Further Threaten U.S. Alabama Peanut Farmers South American countries now negotiating with the U.S. over terms for an FTAA NAFTA expansion are seeking the



removal of U.S. farm supports, such as the current peanut program. They also demand eliminating the U.S. anti-dumping and countervailing duty trade laws which protect domestic farmers from unfair import practices, such as commodity dumping. A recent *Los Angeles Times* story nicely summarizes agricultural export giant Brazil's negotiating position on FTAA: "Brazil says it won't join hemispheric free-trade bloc if United States won't open markets to orange juice, steel and other imports." The elimination of U.S. anti-dumping law, the removal of limits on agricultural imports, and the elimination domestic commodity support programs are the starting point on FTAA for Brazil, according to the article.

Thanks to the then-existing U.S. peanut program, imports of peanuts from South America were nonexistent before 1995, the year the World Trade Organization went into effect. Then, the first year the U.S. was required to accept imports of peanuts for food, peanut imports jumped to \$23 million. Since 1995, peanut imports from South America have risen 47% to \$34 million in 2000, with the U.S.-South American peanut trade deficit rising 44% to \$31 million.²² U.S. total peanut imports grew 57% since 1995 to \$50 million in 2000, driving the U.S. world peanut trade surplus down 26% to \$173 million from \$234 million in 1995.²³ Imports from South America accounted for 69% of peanut imports into the U.S. in 2000.²⁴

If the FTAA were to eliminate the current Tariff Rate Quota protection for domestic producers, a study by the U.S. Department of Agriculture (USDA) of possible FTAA outcomes predicts that a "very large share" of the domestic peanut market would be captured by foreign peanuts and products. The USDA reported that this would lead to a domestic production that would be "concentrated" in the southwestern producing areas and explicitly would cause a contraction of production in Georgia. Given that even USDA is predicting that the FTAA for which President Bush is seeking Fast Track would harm U.S. peanut producers, expect the Administration to make assorted offers to 'help' if there are future problems.

NAFTA Promises to Peanut Farmers Never Materialized In 1993, then-President Clinton gave assurances during the NAFTA debate that the government would deal with any peanut import problems caused by NAFTA. This pledge was given to then-Representatives Glenn English (D-OK) and Bill Sarpalius (D-TX) who were concerned that NAFTA would encourage surging peanut and peanut product imports from Canada. Specifically, President Clinton promised he would have the U.S. International Trade Commission (ITC) investigate whether "imports are being or are practically certain to be imported into the United States under such conditions, and in such quantities to interfere with, the peanut program of the Department of Agriculture." But as with an array of NAFTA "side" promises and deals that were not part of the core NAFTA text, this promise never came to fruition. The situation for American peanut producers has gotten worse because of NAFTA and other trade deals. Indeed, thanks to NAFTA, importation of Canadian peanut paste, made from some of the 11 million tons of peanuts grown in China, is "expanding," says the National Peanut Growers Group.

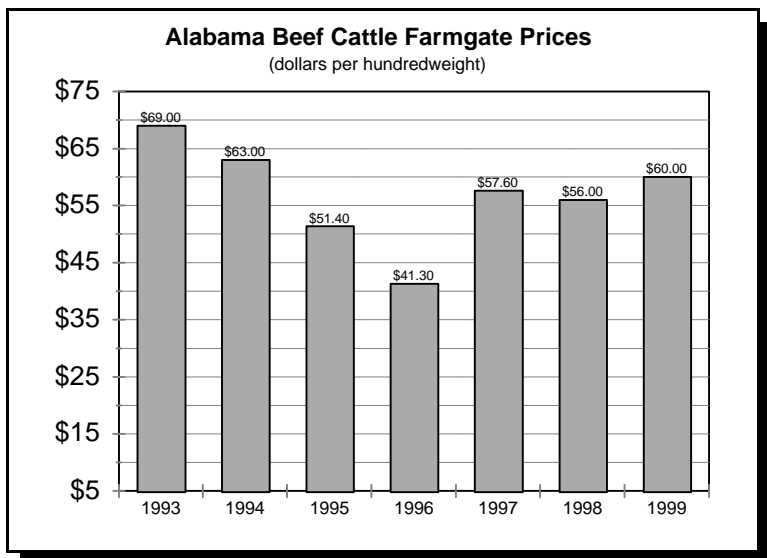
Although there have been hundreds of countervailing duty and import surge investigations performed by the ITC since 1993, when President Clinton promised that any adverse effects of NAFTA on peanut imports would be examined, no peanut investigation was ever performed. (There have been investigations

of aluminum horseshoes, bicycle speedometers, and kiwi fruits.) According to an ITC commodity analyst, a peanut report was initiated by the ITC before 1997, but then it was suspended at the request of President Clinton before the ITC could issue a final report or make recommendations. Given Argentina is a major peanut producer, expanding additional NAFTA import rights to Argentina and 30 more countries will only exacerbate the dire situation for U.S. peanut growers.

Farmers Raising Cattle in Alabama Have Faced New Difficulties Under NAFTA 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. The number of Alabama farms raising cattle declined 17.9% between 1993 and 1999.²⁵ 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.²⁶

NAFTA Expansion Will Place Added Burden on Alabama Farmers Raising Beef Cattle

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 President Bush's proposed FTAA NAFTA expansion — such as Brazil and Argentina. 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



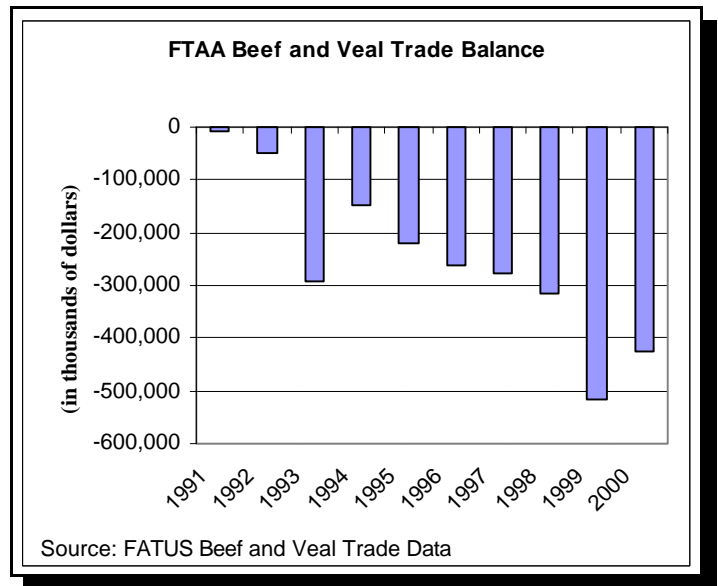
1991 from \$26 million in 1991 to \$46 million in 2000. Increased beef imports to the U.S. have contributed to the decline in beef cattle prices. The price Alabama farmers received for beef cattle fell by 13.0% between 1993 and 1999. Despite the 38.9% increase in Alabama marketings of cattle (deliveries to market) between 1993 and 1999, cash receipts for these marketed cattle grew less than half as quickly (19.8%) over the same period.²⁷

If Congress grants President Bush Fast Track for FTAA, these Alabama farmers raising cattle would face

stiffer competition from imports but would not gain in Latin American and Caribbean export markets for Alabama beef. 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.

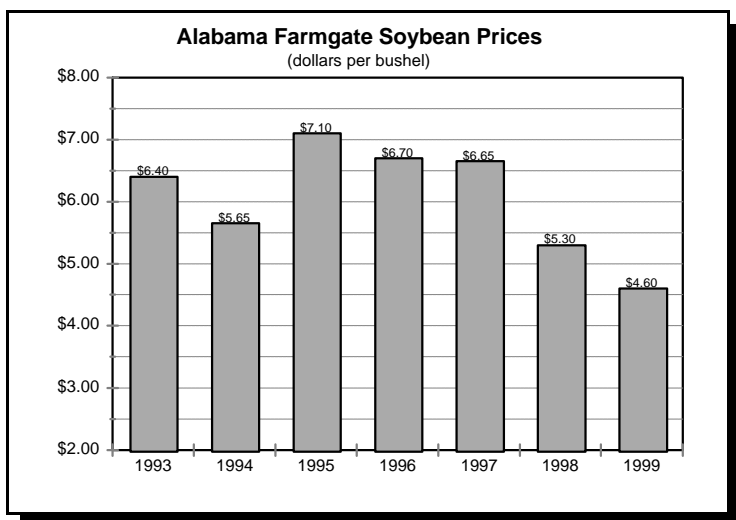
Meanwhile, even before the additional FTAA access to U.S. market, imports are soaring and the oversupply is dropping prices. A 2000 study of feedlot and retail prices for beef found that an East Texas feedlot sold a 1,000 pound choice steer for \$620. However, by the time the meat was sold in the supermarket, 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 Alabama Farmers Raising Beef Cattle 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).

Alabama Soy Growers Face Growing Competition NAFTA already has had a damaging effect on soy farmers — FTAA which would include soy export powerhouses Brazil and Argentina would only accelerate the NAFTA problems. Already soy commodity prices have plummeted in the U.S. market, which has been glutted by imports. Even though the volume of U.S. soybean exports increased 16%, the total U.S. soybean crop value declined 2% because the per-bushel price farmers are paid for soybeans fell by 15%. Alabama soybean prices have declined 28.1% between 1993 and 1999.²⁸ Although the production of soybeans in Alabama declined 54.8% between 1993 and 1999, the value of Alabama soy production fell by 67.8% over the same period.²⁹ Between 1996 and 2000, the \$1.6 million soy surplus with Argentina had turned into a \$2.8 million deficit. Over the same period, the \$53 million surplus with Brazil became an \$843,000 deficit as exports were increasingly overwhelmed by competitive imports.



U.S. soybean growers are increasingly at a competitive disadvantage: Iowan growers must spend \$1.50 more than their Brazilian counterparts to produce a bushel of soy — 20% more. They also must pay \$2.38 per bushel more for farmland, according to an Iowa State University study. Over the last five years, the U.S.' share of world soybean exports has fallen 27%, to about 53% of the global market while Brazil has more than doubled its share of the world market, reports the *New York Times* (Jul. 10, 2001).

Many agribusiness concerns operating in North America took advantage of NAFTA's new rights of market access for agricultural products into the U.S. (and actual requirements to import agriculture products) and NAFTA's new investor protections and began rapid consolidation, moved plants to Mexico or both. Cargill subsidiary, Cargill de Mexico, has invested \$184 million in facilities in Mexico, including a vegetable oil refinery and a \$30 million soybean processing plant built in 1997 in Tula, Hidalgo.

FTAA Will Expand NAFTA's Attack on Alabama's Soy Farmers If Congress passes Fast Track for FTAA, Alabama soy growers will face stiffer competition for export markets from soy growers in Brazil and Argentina. Already, Brazilian soy is displacing U.S. export opportunities abroad. Worldwide, U.S. exports, after rising 40% to \$10.0 billion between 1995 and 1997, are down 32% to \$6.8 billion in 2000 from the 1997 peak. Over the same periods of time, exports to the Caribbean, after rising 23% to \$171 million, are down 24% to \$130 million. Exports to South America, after rising 226% to \$698 million, are down 76% to \$164 million. Soy can be produced more cheaply in other countries. Even before an FTAA might grant new import rights into the plum U.S. consumer market, Archer Daniels Midland and others have invested heavily in Brazil and elsewhere to expand soybean operations to reduce costs of production, reports the *New York Times*.

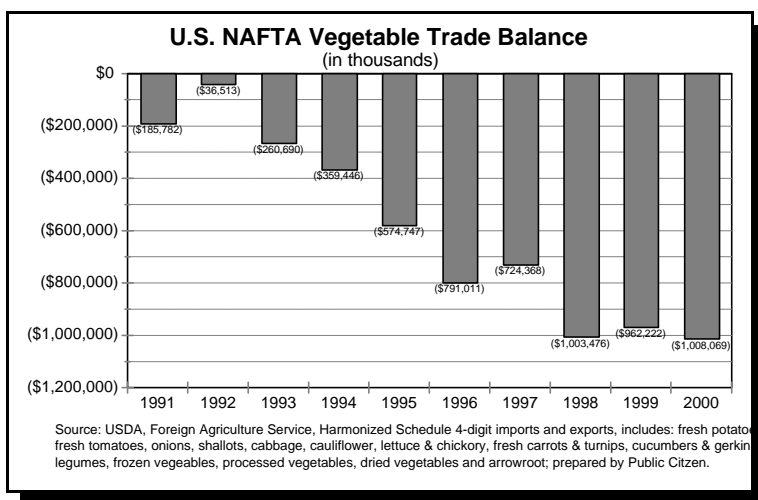
NAFTA Has Hurt Alabama Wheat Farmers Granting President Bush Fast Track to expand NAFTA will likely have a devastating effect on wheat growers. Although the U.S. is a major wheat producer, the promised jump in U.S. wheat exports never materialized under NAFTA. Instead, during the period of NAFTA, U.S. farmers have seen a flood of imported Canadian wheat enter the U.S. Since 1995, the price paid to U.S. farmers has dropped 42%. After NAFTA went into effect, the value of Alabama's wheat crop plummeted six times faster than the decline in Alabama's wheat production. Alabama produced 5.2% less wheat in 1999 than in 1994, but the value of Alabama's wheat crop fell by 30.0% over the same period.³⁰ Between 1994 and 1999, farmgate prices for Alabama wheat fell by 26.2%.³¹ The grain and cereals surplus has slid by a third since 1995. The flood of imports into the U.S. has driven down U.S. domestic wheat prices. Meanwhile, according to U.S. International Trade Commission (U.S. ITC), the value of U.S. cereal and grain exports declined by 31% between 1995 and 1999 and the share of production going to exports fell by 17%. Expanding NAFTA could intensify the injury to U.S. wheat farmers because the FTAA would include the South American breadbasket wheat exporters such as Argentina, Brazil and Uruguay. Wheat imports from South America grew by 309% since the WTO went into effect in 1995. Over the same period the U.S. wheat trade surplus with South America declined by 55%, falling from a \$502 million surplus in 1995 to a \$224 million surplus in 2000.

FTAA Will Accelerate NAFTA Devastation on Wheat Farmers NAFTA has already had a devastating effect on U.S. wheat farmers. Between the 1994-1995 growing season and the 1999-2000 season, the volume of U.S. wheat exports declined by 8% and prices dropped 28%. The price paid U.S. farmers per bushel of wheat declined 42% between 1995 and 2000. According to the Farm and Agriculture Policy Research Institute, the majority of the representative wheat farms are projected to be in poor financial condition by 2005, including 60% of wheat farms. According to the USDA, inflation-adjusted gross farm income per acre for wheat is projected to decline 15.7% from the 1990-1995 average to 2000. And all of these predictions do not even factor in the expanded imports to the U.S. that an FTAA would bring. If Congress grants President Bush Fast Track for FTAA, U.S. farmers 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. farmers will not see greater wheat exports to Latin America and the Caribbean. The U.S. wheat trade balance with FTAA countries has declined since the WTO went into effect, falling 38% since 1995 from a \$665 millions surplus to a \$409 million surplus.

NAFTA Encourages Consolidation at Expense of Wheat Farmers. While independent farmers have faced falling farm incomes and increased imports and consumers failed obtain the promised price cuts for food,

NAFTA and other free trade agreements have been good news for some large agribusinesses. By 2000, the largest five grain trading companies controlled three-quarters of the world’s cereal commodity market.³²



NAFTA Has Devastated Alabama Vegetable Farms

NAFTA has already had a devastating effect on U.S. vegetable growers. FTAA will only accelerate the NAFTA devastation. Between 1995 and 1999, the fresh, chilled and frozen vegetables trade deficit grew from \$438 million to a deficit of more than \$1 billion. Over the same period, the fresh, chilled and frozen vegetables

industry lost 14% of its establishments and 11% of its workers. In 1993, the California Tomato Board reported that “growers see exports to Mexico increasing from 7,000 metric tons this year to 17,000 tons by 1995.” Yet, NAFTA’s reality was quite contrary to what NAFTA’s proponents predicted. In a 1995 interview, a Tomato Board representative said, “NAFTA hosed us! 1995 exports are down 90 percent from this period last year. We did not have problems before NAFTA. NAFTA is not worth writing home about.” Harvested tomato acreage in Alabama has been cut in half since NAFTA went into effect — falling to 1,600 acres in 1999 from 3,200 acres in 1993.³³ Over the same period, the Alabama tomato crop value has fallen by 66.3%.

In exchange for supporting NAFTA, the Florida congressional delegation obtained the insertion of language into NAFTA’s implementation language to safeguard winter vegetables, especially peppers and tomatoes, against import surges from Mexico. Although the U.S. International Trade Commission (U.S. ITC) has performed the required annual reviews, each year the U.S. ITC merely has documented the overwhelmingly negative impact that Mexican imports have had on domestic farmers, but then decided to take no action to protect the domestic producers.

If President Bush obtains fast track to negotiate an FTAA NAFTA expansion, it would mean that Alabama

producers would face more imports from Chile, a world-class producer of fruits and vegetables that compete directly with produce grown in the U.S. However, Chile's produce can be sold at lower prices because labor there is cheap and pesticide and worker safety rules are nearly non-existent. Granting President Bush Fast Track to expand NAFTA could further devastate fruit and vegetable growers. Anticipating the benefits to be gained from NAFTA's passage in 1993, Green Giant, a subsidiary of agribusiness giant Pillsbury, moved its frozen food processing plant from Watsonville, California, to Mexico. The move meant cheaper wages and minimal food safety controls and thanks to NAFTA, the company could return the food for sale to U.S. consumer with no tariff. President Bush seeks to expand NAFTA to all of South and Central America and the Caribbean. NAFTA has already had a devastating effect on U.S. vegetable growers. FTAA will only accelerate the NAFTA devastation. Between 1995 and 1999, the fresh, chilled, and frozen vegetables trade deficit grew from \$438 million to a deficit of more than \$1 billion. Over the same period, the fresh, chilled, and frozen vegetables industry lost 14% of its establishments and 11% of its workers.

Alabama's African American Vegetable Farmers Devastated

NAFTA has had a severe impact on African American farmers in Alabama and across the U.S. The Federation of Southern Cooperatives, a 34-year old African American farm and rural community organization, contends that NAFTA's impact on African American farmers is comparable to the decades of institutional discrimination at the U.S. Department of Agriculture.³⁴ Many African American farmers have switched from growing commodities such as cotton and corn to growing vegetable produce for both large commercial markets in the U.S. and local community farmers markets.³⁵ Two of Alabama's Congressional districts have more African American farmers than 95% of the U.S. Congress (the seventh district covering Choktaw, Dallas, Greene, Hale, Lowendes, Marengo, Perry, Sumter, Wilcox and parts of Jefferson, Montgomery and Tuscaloosa counties; and the second district covering Autauga, Barbour, Bullock, Butler, Conecuh, Covington, Crenshaw, Dale, Elmore, Geneva, Henry, Houston and part of Montgomery counties).³⁶

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Public Citizen's principle findings on NAFTA's impacts on agricultural communities in Alabama and throughout the U.S., Canada and Mexico are these (for a more detailed analysis of national-level data, please see *Down on the Farm: NAFTA's Seven-Years War on Farmers and Ranchers in the U.S., Canada and Mexico - Dwindling Incomes for Small Rural Farmers in the U.S., Mexico and Canada; Lost Farms and Rural Crisis is NAFTA's legacy* at www.tradewatch.org):

The U.S. Agricultural Trade Surplus Has Shrunk Under NAFTA The U.S. trade surplus in agricultural products, which once was the flagship of U.S. exports, has declined significantly since

NAFTA went into effect, and that trend is most profound with NAFTA partners Canada and Mexico.

C While the U.S. world trade surplus in agricultural products declined 29.6% during seven years of NAFTA, the U.S. NAFTA trade surplus in agricultural products declined 71%.³⁷

C The U.S. agricultural trade surplus with Mexico and Canada increased before NAFTA by \$203 million (between 1991 and 1994) but fell by \$1.498 *billion* under NAFTA.³⁸

This declining trade balance is caused because U.S. exports to Canada and Mexico have grown modestly, while imports to the United States from those countries have grown much faster. In 1989, competitive imports (those that replace crops grown in the U.S.) were 38% of U.S. export levels and 71% of all U.S. agricultural imports.³⁹ Based on preliminary 2000 data, competitive imports were 60% of U.S. export sales and represented 80% of all U.S. agricultural imports.⁴⁰

The vaunted promises of new NAFTA export markets for U.S. farm products have proven to be as elusive as NAFTA proponents' promises of new U.S. manufacturing jobs created by exports to Mexico. Between the 1994-1995 growing season and the 1999-2000 season:

C even though the volume of **soybean** exports increased 16%, between 1994 and 1999, the Alabama soybean crop value declined 65% even though soybean production in Alabama only declined by 19%.⁴¹ Alabama's soybean growers — representing 3% of Alabama's crop receipts in 1999 — were more effected than average U.S. growers whose total U.S. soybean crop value still declined by 2% because the per-bushel price fell by 15%.⁴²

C in Alabama, **cotton** production — representing 25% of Alabama's crop receipts in 1999 — declined 14% and farmgate cotton prices fell by 31%, but total value of the cotton produced in Alabama declined by 40%.⁴³ Nationally, the volume of **cotton** exports fell by 28% and prices plunged 38%.

C the volume of **U.S. wheat** exports declined by 8% and Alabama's farmgate prices for wheat declined 26% between 1994 and 1999 comparable to the national wheat price decline of 28%.⁴⁴

C Alabama's **corn** production declined 18% between 1994 and 1999, farmgate prices fell 12% and Alabama's corn crop value fell by 27%.⁴⁵ U.S. corn export volume fell by 11% and prices fell by 20%.

The most consistent growth market for U.S. farmers has been the domestic consumer market. However, NAFTA provided guarantees of market access for agriculture products — even when domestic production meets domestic needs — so that U.S. farmers are now competing for the U.S. domestic market against a new flood of NAFTA imports. The result has been declining trade balances during the period of NAFTA for an array of commodities, including many that are important crops for Alabama farmers.

Meanwhile, although the U.S. overall NAFTA agricultural balance declined significantly since NAFTA, U.S. agribusinesses dumping of corn and other grains put Mexican peasant farmers at a devastating disadvantage. In contrast, in Canada, agricultural exports grew and the Canadian agriculture trade surplus grew since NAFTA was enacted. However, despite the growing agriculture trade surplus, farm incomes in Canada have declined and farm debt has risen sharply. The Canadian National Farmers Union explains that replacing consumption of domestically grown food with imported agricultural products has subjected Canadian farmers to the low prices and high volatility of export markets, even if the net agricultural trade balance remains positive and grows.

Agriculture Prices and Farm Incomes Have Collapsed Since NAFTA (pp. 13-15)

At the same time that U.S. agricultural trade surpluses with NAFTA partners dwindled to ever smaller surpluses and even deficits for two years, prices paid to farmers for agriculture commodities collapsed.

Growing imports required under NAFTA have resulted in excess supply and sharply declining commodity prices. Between 1995 and 2000, the bushel price received by U.S. farmers declined 33% for **corn**, 42% for **wheat**, 34% for **soybeans** and 42% for **rice**.⁴⁶ According to the U.S. ITC, the value of U.S. **cereal and grain exports** declined by 31% between 1995 and 1999 and the share of production going to exports fell by 17%.⁴⁷ The value of U.S. **oilseed exports** declined 16% and the share of production going to exports fell by 15% between 1995 and 1999.⁴⁸

The result of the NAFTA agriculture model has been dwindling farm incomes for small farmers in all three countries.

U.S. Farm Income: In Alabama, 2,000 farms have disappeared during the seven years of NAFTA.* Nationally, farms have disappeared faster since NAFTA went into effect than in years that preceded it, but in Alabama, the number of farms grew before NAFTA was enacted but that gain was doubly reversed in the years since NAFTA. The total number of Alabama farms *grew* by 2.1% in the years before NAFTA (1988-1993) but fell by 4.1% after NAFTA went into effect between 1994 and 2000.⁴⁹ Nationally, 33,000 farms with under \$100,000 annual income have disappeared since NAFTA went into effect.⁵⁰ This is a rate six times steeper than the pre-NAFTA period. Total net income for farm operations in Alabama increased between 1993 and 1999 — but all of the income gain was in corporate farms, when corporate income increases are eliminated farm income drops steeply in Alabama. Total Alabama net farm income grew by 31% between 1993 and 1999 to \$1.2 billion.⁵¹ However, net farm income for non-corporate Alabama farm operations fell 74% between 1993 and 1999 from \$51.4 million to \$13.4 million.⁵² In the U.S., farm income is projected to decline 9% between 2000 and 2001 — from \$45.4 billion to \$41.3 billion in 2001.⁵³ This compares to annual farm income of \$59 billion before NAFTA went into effect in 1993 — a 43% drop compared to the 2001 farm income projected by the Farm and Agriculture Policy

* Alabama did not provide farm data by size of operation until 1998, so there is no comparative data for the national figures.

Research Institute.⁵⁴

Mexican Farm Income: NAFTA-required changes have resulted in literally millions of Mexican peasant farmers leaving their small farms and their livelihoods and being forced to migrate. Projections range up to 15 million displaced Mexican small farmers because of NAFTA's agriculture provisions. At the start of NAFTA, more than one quarter of Mexican workers were employed in agricultural production.⁵⁵ While overall population growth in Mexico over the past decade was 20%, rural population growth is now 6% while urban population growth is 44%, showing a trend of displaced farmers migrating to Mexico's cities, where unemployment rates are high, or to the north.

Canadian Farm Income: While Canada's NAFTA agricultural exports grew by C\$6 billion between 1993 and 1999, net farm income declined by C\$600 million over the same period instead of rising by \$1.4 billion as Agri-Food Canada had predicted.⁵⁶ Since NAFTA, the rate of Canadian farm bankruptcies and delinquent loans is five times that before NAFTA, even as Canadian agricultural exports doubled.⁵⁷ Dropping prices meant that in Canada, farmers' net incomes declined 19% between 1989 and 1999, although Canadian agricultural exports doubled during that period⁵⁸.

NAFTA Has Been Used to Justify Shredding Farm Safety Nets

In Alabama, the impact of the elimination of farm safeguards in the Freedom to Farm Act had an impact on producers of cotton, soybeans and peanuts (by themselves responsible for 46% of the state's crop receipts in 1999) as well as other commodities including Alabama corn, cotton, wheat and soy. When real grain prices fell by as much as 20% in 1998 — after being depressed by half between 1978 and 1997 — farmers faced the cruel reality that the twin policies of free trade and elimination of domestic farm policies effectively would hand the entire food production and distribution sectors over to the agribusinesses who had pushed these trade and farm policies.

Ironically, to counteract the failure of NAFTA and the same farm deregulation policies embodied in the Freedom to Farm Act, Congress has had to appropriate emergency farm supports — in massive farm bailout bills — every year since the legislation went into effect.

NAFTA's rule empowering investors, guaranteeing grain traders access rights and constraining government regulatory action has set up a race to the bottom in farm income, wages and sanitary and environmental standards. For instance, a quantity of the huge new NAFTA flood of tomatoes and peppers which are harming Alabama farmers are coming from transnational agribusinesses which relocated production to Mexico to access \$3.60/day rural labor, exploit the use pesticides banned in the U.S. and enjoy unlimited duty-free access back into the U.S. consumer market. Lax Mexican labor law enforcement also means the Mexican operations are not required to invest in worker safety or sanitation. The result is that Mexican farm workers are being exposed to toxic pesticides and squalid work conditions. Meanwhile, the food produced under such conditions runs a greater risk of contamination and poses increased risk to

consumers. In 1998, contaminated strawberries were imported from Mexico, causing a massive hepatitis outbreak among Michigan school children eating the berries in school lunches.⁵⁹ In 2001, two people died from salmonella after being infected by cantaloupe from Mexico which could have been contaminated through unsanitary working conditions such as a lack of bathrooms and hand washing facilities on Mexican farms.⁶⁰

The Record of Food Fights Under NAFTA

A review of the agricultural trade disputes that have occurred during NAFTA reveals that many of the commodity constituencies that were supposed to have benefitted under NAFTA have, in fact, found their legitimate expectations subordinated to NAFTA's unfortunate reality. The study includes a detailed review of the U.S.-Canada **softwood lumber** fights and an array of other cases including:

- C **Softwood Lumber.** A long-standing trade dispute with Canada over timber policies which make Canadian softwood lumber considerably cheaper than similar U.S. lumber. So far, 160 lumbermills in the U.S. have been shuttered because of cheap Canadian imports, including one in Mobile, Alabama.⁶¹
- C **The Endless Durum Wheat Fight and the Canadian Wheat Board Battles.** A series of ongoing trade disputes over U.S.-Canada wheat trade have failed to remedy the pre-NAFTA or post-NAFTA problems for U.S. wheat farmers.
- C **Peppers.** Florida and California bell pepper farmers and New Mexican chile pepper farmers also are facing a flood of cheap chile pepper imports from Mexico, depressing prices and putting farmers out of business. To date, although the U.S. ITC has produced reports on the increasing importation of peppers into the U.S., required under NAFTA's implementing legislation, it has not recommended any actions to protect beleaguered domestic growers.
- C **Tomatoes.** Within the first two years of NAFTA's enactment, half of Alabama's tomato acreage and two thirds of Florida's tomato production was eliminated. Again, the U.S. ITC has recommended no import surge protection or other safeguards.
- C **Sugar from Mexico; U.S. High Fructose Corn Syrup** The U.S. and Mexico have been locked in a dispute over the amount of sugar the U.S. is required to import under NAFTA. The victims of this dispute are sugar beet growers in Colorado, Wyoming, Idaho, Michigan, Texas, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Ohio, Oregon, California and Washington.

FTAA Will Expand NAFTA's Attack on Farmers

Finally, the report reviews data on farmers' prospects under the proposed FTAA. According to a comprehensive 1998 analysis of FTAA by the U.S. Department of Agriculture, FTAA will have a minimal

positive impact on farm incomes in the U.S. at best. The report also found that FTAA would increase the U.S. agricultural trade deficit with FTAA countries.⁶² The USDA estimates that FTAA would increase agricultural imports into the U.S. by 3%, but increase U.S. agricultural exports by only 1%.⁶³

FTAA would open U.S. markets to South American agricultural export giants such as Brazil, Argentina, Chile and Uruguay. However, FTAA would not offer significant new export opportunities for U.S. producers. This is because many of the FTAA countries already have lower than NAFTA-level agriculture tariffs, yet the U.S. has no export markets there because competitive goods can be produced more cheaply than in the U.S.

According to USDA, the U.S. already has an agricultural trade deficit within the FTAA region of \$2.6 billion in 2000.⁶⁴ The USDA found that the FTAA would increase the regional U.S. agricultural trade deficit by \$250 million — an 18% increase. Updated 2000 USDA figures on FTAA show that if the FTAA were implemented, the U.S. agricultural trade deficit with the FTAA countries would grow by 1% for the first five years, 2% for the next 10 and then keep increasing.

Oddly, both of USDA's comprehensive FTAA analyses are noticeably silent on the potentially devastating impact the FTAA could have on fruit and vegetable growers, given that Chile is a world-class producer of fruits and vegetables that compete directly with produce grown in the U.S. (Only orange juice is noted by USDA, which reports that imports of Brazilian orange juice would increase steeply, wiping out U.S. production.) An array of U.S. commodities would be hurt if FTAA went into effect.

Conclusions and Recommendations

Given the NAFTA models' negative track record for farmers and consumers in the three NAFTA countries, growing opposition nationwide to the notion of expanding NAFTA through the proposed Free Trade Area of the Americas is not surprising. The seven-year record of NAFTA on agriculture sets the context for the increasingly heated debate about the demand by the Bush Administration that Congress delegate away its constitutionally designated authority to set U.S. trade policy by granting the Administration multi-year Fast Track trade authority.

The Administration argues that Fast Track is necessary for the U.S. to successfully negotiate and approve trade agreements. Yet although hundreds of trade pacts were implemented since Fast Track's 1974 inception, Fast Track has been used only five times. According to the Office of the United States Trade Representative, nearly 300 separate trade agreements were negotiated by the Clinton Administration.

At the last House Agriculture Committee hearing on trade, U.S. Commerce Secretary Evans could not name a single country that refused to negotiate with the U.S. because of the absence of Fast Track. Evans admitted that several additional Latin American countries already have approached the U.S. to negotiate

bilateral FTAs even *without* Fast Track. Given that these countries join a list that includes Singapore, New Zealand and others, the issue seems to be a shortage of U.S. negotiators to work with all of the countries seeking deals, not a lack of Fast Track keeping away new potential trade partners.

The only way to ensure that U.S. trade policy suits the broad needs of U.S. farmers and consumers is for Congress and the public to play a more prominent and continual role in the entire policy process -- from setting the U.S. agenda to selecting appropriate prospective trade partners with whom to negotiating to ensuring the negotiations are obtaining U.S. goals and then to guaranteeing that only agreements that meet U.S. goals are approved and implemented. This level of involvement and oversight is impossible under the Fast Track process. The national report also lists the principles of a fair agriculture trade policy.

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