Florida: Agricultural Exports Lag, Family Farms Decline under “Free Trade” Deals

Farmers and ranchers have been lobbied to support Free Trade Agreements (FTA) like the North American Free Trade Agreement (NAFTA) with promises that they would increase U.S. exports and thus improve farm income. The outcomes have often been the opposite: agricultural imports have surged and for some commodities exports slowed. Commodity price volatility has increased and family farms have disappeared. Many of these deals also resulted in major manufacturing job loss, eliminating critical non-farm income for rural families. Now, the Trump administration is gearing up to renegotiate NAFTA. Reviewing the actual outcomes for rural American from NAFTA and other deals based on the same model is critical to determining what changes are required to make these deals work better for farmers and ranchers.

Florida’s NAFTA Failure: Ag Exports Fall, Ag Imports Grow, Ag Balance Suffers

Nationwide, the U.S. agricultural trade balance with NAFTA partners has fallen from a $2.5 billion trade surplus in the year before NAFTA to a $6.4 billion trade deficit in 2016 – our largest NAFTA agricultural trade deficit to date. Even if one includes agricultural trade over the preceding several years, when export values were inflated by anomalously high international food prices, the decline is clear. The average U.S. agricultural trade balance with NAFTA countries over the last five years still fell $3.9 billion below the average balance in the five years before NAFTA.

Florida’s exports of ag products to NAFTA partners Mexico and Canada have fallen 20 percent, or $114.3 million, since 2008. While the state’s agricultural exports to the rest of the world also declined, the drop in Florida’s NAFTA agricultural exports is larger in relative terms. Meanwhile, Florida’s agricultural imports from NAFTA countries have increased by 41 percent. As a result, Florida’s NAFTA agricultural trade surplus of $218 million in 2008 has turned into a $41 billion trade deficit in 2016 (State-level ag trade data is not publicly available prior to 2008.)

68% of U.S. Food Imports Are from FTA Partner Nations, But Just 38% of Exports Go There

Most U.S. food imports come from nations with which we have “free trade” agreements. But our FTA partners are not the main purchasers of U.S. ag exports. This may seem counterintuitive – certainly it is the opposite of what FTA proponents promised U.S. farmers and ranchers. In 2016, the 20 U.S. FTA partners were the source of 68 percent of all U.S. food imports, but were the destination of just 38 percent of all U.S. food exports (measuring by volume). Indeed, nearly two-thirds of all U.S. agricultural exports were sold to nations without U.S. FTAs.
Replace NAFTA: Florida Cannot Afford Mere Tweaks to “Trade” Deals

U.S. Food Trade Balance Rises only 2% with FTA Partners, and Rises 15% with Rest of World

Counterintuitively, the U.S. food trade balance (by volume) with FTA countries has risen by 2 percent since 2008, the year before the drop in global trade following the financial crisis. In contrast, the U.S. food trade surplus with the rest of the world – countries with which we don’t have FTAs - has risen 14 percent since 2008. The reason is stagnant U.S. food exports to the countries with which we have FTAs and a surge in food imports from those countries.

U.S. Exports to NAFTA Nations & Korea of Top Florida’s Ag Exports Fall under Pacts

Farmers were promised that NAFTA and the Korea FTA would boost U.S. ag exports to Mexico, Canada and Korea. Instead exports to Korea of all U.S. ag products fell $388 million, or 5.4 percent, from the year before the FTA took effect to its recently-completed fifth year. And U.S. exports to Korea fell or grew more slowly than the global rate in three of Florida’s top 10 ag exports, comparing the year before the FTA and the pact’s fifth year. Forest product exports dropped 47 percent and poultry meats dropped 85 percent. Also, small gains in U.S. beef and live cattle exports to NAFTA nations have been swamped by high imports.

U.S. Food Exports Grow Slower under FTAs

The volume of U.S. food exports to the nations with which we don’t have FTAs rebounded quickly after the 2009 drop in global trade after the financial crisis. But U.S. food exports to FTA partners stayed below the 2008 level until 2014. Between 2008 and 2016, U.S. export growth to non-FTA countries outpaced export growth to FTA partners by 19 percent.

More Than 200,000 Small-Scale U.S. Farms Disappear in the FTA Era

Smaller-scale U.S. family farms have been hardest hit by rising agricultural imports and declining agricultural trade balances under FTAs. Since NAFTA and NAFTA expansion pacts have taken effect, one out of every 10 small U.S. farms has disappeared. By 2016, more than 200,000 small U.S. farms had been lost.

Sources: U.S. Department of Agriculture, International Trade Administration, U.S. Census Bureau