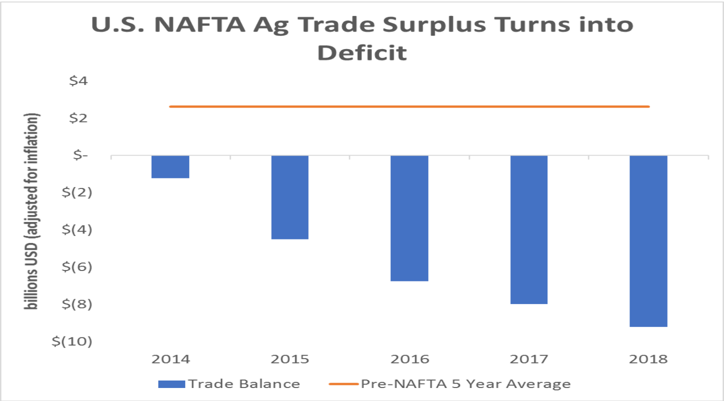
NAFTA's Legacy: Empty Promises for U.S. Farmers

U.S. farmers and ranchers were promised that they would benefit substantially from the North American Free Trade Agreement (NAFTA). NAFTA supporters sold the deal as the path to economic success for rural communities – hyping the agreement's prospects for increasing U.S. agricultural exports. But the most recent data from the U.S. Department of Agriculture (USDA) reveal that U.S. agricultural exports to the NAFTA countries have lagged, agricultural imports from those countries have surged and family farms have disappeared under NAFTA.

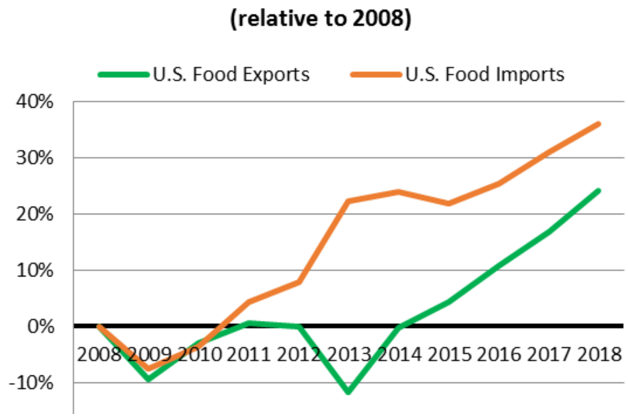
U.S. Agricultural Trade Surplus with Canada and Mexico Flips to a Deficit Under NAFTA

The U.S. agricultural trade balance with NAFTA partners has fallen from a $2.5 billion surplus in the year before NAFTA to a $9 billion deficit in 2018 – the largest NAFTA agricultural trade deficit to date. This was not an anomaly. A review of agricultural trade over the preceding several years shows that the average U.S. agriculture trade balance with NAFTA nations over the past five years dropped $8.54 billion below the average balance in the five years before NAFTA (see graph).



Source: U.S. Department of Agriculture

Food Imports From NAFTA Nations Grow Faster Than U.S. Exports Under NAFTA



Source: U.S. International Trade Commission

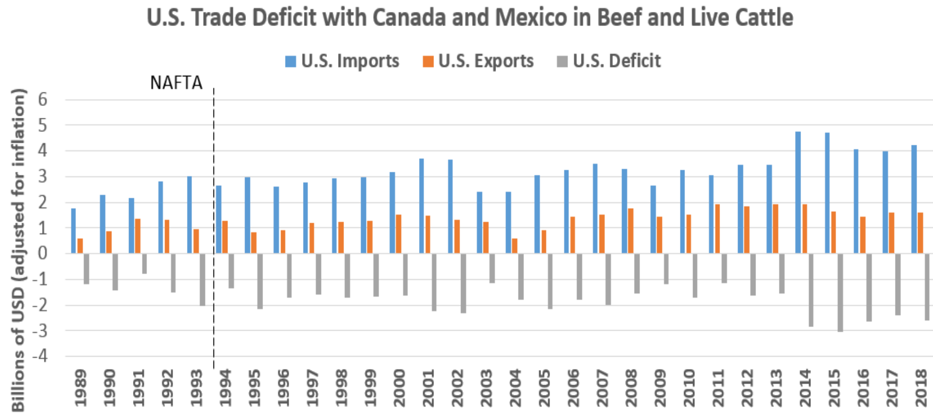
USDA data show imports of food into the United States from Mexico and Canada have risen more steadily and to a greater degree than U.S. food exports to those nations in recent years. The value of U.S. food imports from NAFTA partners rebounded quickly after the 2009 drop in global trade following the financial crisis. Meanwhile, U.S. food exports to NAFTA nations have increased at only half the rate that food imports have grown, relative to 2008, when exports declined significantly during the global financial crisis. As of 2018, the U.S. is importing 36 percent more food from Canada and Mexico than it was prior to the financial crisis (see graph).

Small U.S. Farms Disappear During NAFTA Era

While NAFTA proponents argued that the deal would benefit small farmers, evidence suggests otherwise. The United States' rising agricultural trade deficit with NAFTA countries has contributed to a decline in smaller-scale U.S. family farms. Since 1998 (the earliest year of available data on small farms), one out of every 10 small U.S. farms has disappeared. By 2017 (the last year data is available), nearly 243,330 small U.S. farms have been lost.

Many Agricultural Products - From Beef to Wine - Fared Worse Under NAFTA Than Before, Contributing to the Large Overall NAFTA Trade Deficit

Many of the agricultural products that were touted as prospective winners under NAFTA have actually been losers:



Source: U.S. International Trade Commission

Beef and Live Cattle: From 1993 to 2018, U.S. imports of beef and beef products from Mexico have gone up from 1,070 metric tons to 190,000 metric tons. The trade deficit in beef and live cattle has grown 27 percent during the NAFTA period (see graph).

Wine: U.S. net exports of wine to Canada and Mexico have fallen from a surplus of 35,000 kiloliters to nearly 0 kiloliters in 2018.

Vegetables: U.S. imports of vegetables from Canada and Mexico quadrupled under NAFTA, increasing from 2.1 million metric tons in 1993 to 9.1 million in 2018. Overall, the U.S. deficit in vegetables by value with NAFTA nations is now 35 times higher than it was in 1993. Among the vegetable products that have suffered the most are:

> **Tomatoes:** The U.S. trade deficit in fresh tomatoes with Canada and Mexico has increased from 250,000 metric tons to a trade deficit of 1.7 million metric tons during the NAFTA era. The value of U.S. exports of tomatoes actually declined 12 percent under NAFTA while imports increased 658 percent.
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> **Potatoes:** The U.S. trade deficit in fresh potatoes with Canada and Mexico has nearly doubled from 84,500 metric tons to 165,000 metric tons during the NAFTA era.

Pecans: U.S. net exports of fresh pecans to Canada and Mexico have fallen from a trade surplus of 542 metric tons to a trade deficit of more than 50,000 metric tons during the NAFTA era.

U.S. NAFTA Ag Deficit: Import Surges Outweigh Growth in U.S. Corn Exports

As NAFTA imports grew, the U.S. agricultural trade balance with Canada and Mexico flipped from a $2.6 billion surplus in the year before NAFTA to a $9 billion deficit in 2018. Many people are surprised to learn the United States has a NAFTA agricultural trade deficit, given broad press coverage of increased U.S. corn exports to Mexico displacing millions of Mexican farmers. But even as the United States now exports 58 times more corn to Mexico than pre-NAFTA, growing food imports from NAFTA countries outweighed that increase. But neither Mexican farmers nor consumers won from this shift. Prior to NAFTA, Mexico only imported corn if domestic supplies were insufficient. As subsidized U.S. corn exports to Mexico soared, the price Mexican farmers were paid for corn plummeted 66 percent in just NAFTA's first three years. More than 2 million farmers and agricultural workers lost their livelihoods. Yet contrary to free trade theory, at the same time, the price of tortillas – Mexico's staple food – shot up 279 percent in the pact's first ten years. NAFTA's service sector and investment rules facilitated consolidation of grain trading, milling, baking and retail so that in short order the relatively few remaining large firms dominating these activities were able to raise consumer prices and reap enormous profits as corn costs simultaneously declined. Many Mexicans displaced from the rural sector faced no option but migration. In NAFTA's first seven years alone, the number of people emigrating from Mexico to the United States per year more than doubled.