Down on the Farm: NAFTA's Seven-Years War on Farmers and Ranchers in the U.S., Canada and Mexico

Dwindling Incomes for Small Farmers in the U.S., Mexico and Canada, Lost Farms and Rural Crisis is NAFTA's Legacy

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EXECUTIVE SUMMARY

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), U.S. farmers and ranchers 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 farm income has declined, consumer prices have risen and some giant agribusinesses have reaped huge profits. 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 reveals the basis for farmers' concern about NAFTA and its model of export-oriented agriculture. 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 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 U.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 shows that U.S. consumer food prices increased by almost 20% during NAFTA's first seven years 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. 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 independent farmers in 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 are these:

The U.S. Agricultural Trade Surplus Has Shrunk Under NAFTA (pp. 7-12) 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.

- 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%.

- 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.

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. Based on preliminary 2000 data, competitive imports were 60% of U.S. export sales and represented 80% of all U.S. agricultural imports.

Meanwhile, 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:

- U.S. **corn** export volume fell by 11% and prices fell by 20%.
- the volume of **wheat** exports declined by 8% and prices dropped 28%.
- the volume of **cotton** exports fell by 28% and prices plunged 38%.

- during the same period, even though the volume of **soybean** exports increased 16%, the total U.S. soybean crop value still declined by 2% because the per-bushel price fell by 15%.

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.

- **Poultry:** The poultry industry trade surplus fell 14% between 1995 and 1999.
- **Cattle & Beef:** The cattle and beef sectors' $21 million surplus in 1995 had become a $152 million deficit by 1999.
- **Grain and Cereals:** The grain and cereals surplus has slid by a third since 1995.
- The **oilseeds** surplus has fallen 17%, and the animal and vegetable oils surplus has been cut in half since 1995.
- **Fresh Chilled and Frozen Vegetables:** The fresh, chilled and frozen vegetables trade deficit grew from $438 million in 1995 to a deficit of more than $1 billion in 1999.
- **Fruit:** The U.S. fresh fruit trade deficit grew from $127 million in 1995 to $469 million in 1999. The frozen fruit trade sector saw a $9 million surplus in 1995 become a $37 million deficit in 1999. The prepared and preserved fruit trade deficit grew by more than half, from a deficit of $236 million in 1995 to a deficit of $396 million.
- **Juice:** The $18 million fruit and vegetable juice surplus in 1995 became a $48 million deficit in 1999.
- **Dairy:** The dairy trade deficit nearly doubled from $416 million in 1995 to $796 million in 1999.

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.** According to the 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%. The value of U.S. **oilseed exports** declined 16% and the share of production going to exports fell by 15% between 1995 and 1999. The value of exports of U.S. **tropical fruit** such as pineapples, avocados and mangos fell 16%, and the share of production going to exports fell 40%. The value of **citrus exports** fell by a third and the share of production going to exports declined by 37% between 1995 and 1999. The value of **poultry** exports has declined 13% between 1995 and 1999 and the share of poultry production going to exports has fallen by 26%.

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

U.S. Farm Income: In the U.S., 33,000 farms with under $100,000 annual income have disappeared during the seven years of NAFTA. This is a rate six times steeper than the pre-NAFTA period. 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. 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 Research Institute.

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. The land redistribution program established in the Mexican Constitution at the time of the Mexican Revolution was changed to meet NAFTA's foreign investor protection requirements— meaning that, for the first time in 80, years small farmers could lose their land to bad debt. 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. 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. Since NAFTA, the rate of Canadian farm bankruptcies and delinquent loans is five times that before NAFTA, even as Canadian agricultural exports doubled. Dropping prices meant that in Canada, farmers' net incomes declined 19% between 1989 and 1999, although Canadian agricultural exports doubled during that period.

NAFTA Has Been Used to Justify Shredding Farm Safety Nets (pp.15-18)

Using NAFTA both as a sales pitch and as the political instrument to force policy change, corporate and political elites in Washington, Mexico City and Ottawa set about eliminating domestic farm programs aimed at safeguarding growers. In the U.S., the same interests helped shape the 1996 Freedom to Farm Act, part and parcel of implementing the export-oriented NAFTA agriculture model.

While assorted export subsidies useful to commodity traders remained, domestic programs including price supports and commodity loans that had made family farming economically viable in the U.S. were cut. These domestic programs put protections into place to safeguard family farmers from the whims and dictates of the commodities brokers and speculators and to offer buffers against wild market fluctuations. 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.

As well as the undoing of Mexico's land reform policy, the Mexican government eliminated floor prices for corn and caps on tortilla prices, and government investment in agricultural projects fell by 90% even though 39% of Mexico's population lives in rural communities.

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 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. 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.

Greater Concentration of Agribusiness in NAFTA Era (pp. 18-21)

Many agribusiness concerns operating in North America took advantage of the new rights of market access for agricultural products and NAFTA's new investor protections and began rapid consolidation. Agribusiness mega-mergers like the unions of Smithfield Foods and Murphy Family Farms, or top poultry producer Tyson Foods with meat packer IBP, have become a feature of the NAFTA era. Agribusinesses have been able to create new export platforms which play farmers from the U.S., Mexico and Canada against one another in a fight for survival as prices paid to producers are steadily pushed down. While the number of independent farmers dropped between 1993 and 2000, agribusiness giants such as ConAgra and Archer Daniels Midland had significant earnings gains. From 1993 to 2000, ConAgra's profits grew 189% from $143 million to $413 million; and Archer Daniels Midland's profits nearly tripled between 1993 and 2000 from $110 million to $301 million.[1]

NAFTA Encourages Transnational Agribusinesses to Dump Low-Priced Farm Commodities (pp. 21-25)

The report describes how U.S. corn dumping into Mexico has devastated Mexican farmers and undermined the genetic diversity of Mexico's corn breeds. Although NAFTA provided a 15-year phase-in of corn import levels, the Mexican government opened the market in two years. Tons of imported corn sold below the floor price Mexican farmers had received before NAFTA flooded into the market. Between NAFTA's enactment in 1994 and 1998, Mexico's import of cheap corn forced millions of Mexican maize farmers and their families off the land; some projections run to as many as 15 million people, or about one in six Mexicans. While millions of peasant farmers left their farms and livelihoods, perversely the price for Mexican consumers of corn tortillas increased proving wrong the oft-repeated free trade mantra that greater imports and lower commodity prices benefit consumers with price cuts. Worse, Mexico's new reliance on imported corn meant that when U.S. corn supplies fell in 1996, Mexico faced a corn shortage that contributed to the malnourishment of one in five children.

One More Agribusiness NAFTA Goodie: Intellectual property provisions that are patent protectionism and encourage biopiracy (pp. 25-28)

NAFTA contains a chapter establishing intellectual property rights that require the three countries to issue patents guaranteeing 20-year monopoly marketing rights on a vast array of items, including seeds and plant varieties. It also required Mexico to change its domestic law and institute criminal penalties for violating these NAFTA rules. These vast new intellectual property rights have established yet another way for U.S. and Canadian agribusinesses to benefit from NAFTA: biopiracy. Indigenous communities that have been planting and crossbreeding strains of food crops for centuries to develop perfectly adapted varieties can be required, under NAFTA, to pay an annual license fee to use their own saved seeds if a corporate bio-prospector has collected the seeds and patented them. The report documents several specific cases that have arisen in recent years.

The Record of Food Fights Under NAFTA (pp. 28-39)

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:

- 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.

- **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.

- **Tomatoes.** Within the first two years of NAFTA's enactment, two thirds of Florida's tomato production was eliminated. Again, the U.S ITC has recommended no import surge protection or other safeguards.

- **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 (pp. 39-43)

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. The USDA estimates that FTAA would increase agricultural imports into the U.S. by 3%, but increase U.S. agricultural exports by only 1%.

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. 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.

- In 1996, the U.S. had a $1.6 million **soy** surplus with Argentina, and in 2000 the U.S. had a $2.8 million soy deficit. In 1996, the U.S. had a $53 million soy surplus with Brazil, and in 2000 the U.S. had a $843,000 soy deficit.

- The U.S. has significant **beef** trade deficits with Argentina, Brazil and Uruguay. The U.S. beef deficit with Brazil has grown 1400% since 1991, from $6 million to $91 million.

- Even without special market access privileges for Chile, U.S. **fresh fruit** imports from Chile grew by 42%, to $597 million between 1996 and 2000.

- California's dominant domestic market share of **wine and table grapes** is vulnerable to imports from Chile. The U.S. world grape trade deficit has doubled between 1996 and 2000 to $191 million in 2000. Over the same period, the value of grape imports from Chile has grown 32% since 1996, to $388 million in 2000.

<u>Conclusions and Recommendations</u> (pp. 43-46)

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, 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 conclusion also lists the principles of a fair agriculture trade policy.

Down on the Farm: NAFTA's Seven-Years War on Farmers and Ranchers in the U.S., Canada and Mexico

Dwindling Incomes for Small Farmers in the U.S., Mexico and Canada, Lost Farms and Rural Crisis is NAFTA's Legacy

Introduction

In the seven years since the North American Free Trade Agreement (NAFTA) went into effect, independent farmers in the U.S., Mexico and Canada all 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 implement them, such as the U.S. "Freedom to Farm Act" have caused agribusiness giants to gain a disproportionate share of power over the entire agricultural sector from farm to table. Commodity trading, seed, chemical and processing agribusinesses have crossed national borders and are able to keep the prices paid to producers low by creating new export platforms which play farmers from the U.S., Mexico and Canada against one another in a fight for survival as prices paid to producers are steadily pushed down. Meanwhile, even as commodity prices have plummeted, consumer costs for food have increased in all three NAFTA countries. Although the total volume and value of U.S. world agricultural trade has increased slightly since NAFTA, the U.S. agricultural trade surplus has declined dramatically, particularly with the NAFTA partners of Canada and Mexico. U.S. farm income is significantly lower than before NAFTA went into effect.

Free trade in general and NAFTA in particular have been used as a justification for eliminating domestic farm programs in all three NAFTA countries. The absence of these programs in the face of consolidating agribusiness and declining commodity prices has been a substantial contributing factor to the demise of family farms in the U.S., Canada and Mexico.

Free trade proponents contend that gaining access to export markets is the way to stabilize and reinvigorate the economics of farm life, perennially difficult given weather and commodity fluctuations. Free trade proponents in agribusiness and in the Administration of George W. Bush continue to contend that gaining access to export markets is the way to stabilize and reinvigorate the economics of farm life, perennially difficult given weather and commodity fluctuations. Yet with more farmers and farm groups in the U.S. joining consumer, environmental, religious, anti-poverty and other groups opposing the NAFTA model, the Bush Administration is well aware that its only hope for expanding the NAFTA model is to take the decision out of the U.S.

> Although the total volume and value of U.S. world agricultural imports and exports has increased slightly since NAFTA, the U.S. world agricultural trade *surplus* has declined dramatically, particularly with the NAFTA partners of Canada and Mexico.

Congress' hands.

The U.S. Constitution gives Congress exclusive authority "to regulate Commerce with foreign Nations."[2] "Fast Track" is a mechanism established in 1974 and used only five times since that delegates away to the Executive Branch this congressional authority for setting trade terms as well as other normal congressional powers. Fast Track expired in 1994. President Bill Clinton's 1997 and 1998 requests to Congress to delegate its trade authority through Fast Track were refused by the House of Representatives.

Especially in the U.S. House of Representatives, which stands for election every two years and thus is most accountable to the American voters, a growing majority is concerned about, if not opposed to the expansion of the NAFTA model. Thus, Fast Track, which effects a significant lessening of congressional power and leverage vis a vis the Executive Branch regarding trade policy, becomes necessary to push expansion of the failed NAFTA model to the entire hemisphere over congressional objections. With this new political reality in mind, the Bush Administration, a coalition of the largest U.S.-incorporated multinational corporations and the usual agribusiness interests have begun pushing for Fast Track again.

While farmers received four percent less on average for their crops in 2000 than they did in 1990-1992, the consumer price index for food (real prices for food eaten at home) in the U.S. rose by 19.8% during the NAFTA era (1993 and 2000).

When NAFTA was debated in 1993, the large agribusiness interests succeeded in selling their vision of U.S. farmers' problems being solved by greater exports and thus in getting traded away many U.S. domestic agriculture programs the termination of which implemented their "free market" vision. Yet, while imposing free market disciplines on domestic producers, large commodity companies and farm insurance operators, such as the American Farm Bureau Federation, continue to push for agriculture export subsidies. Now, assorted export subsidies remain in U.S. law, but the domestic programs including price supports and commodity loans that had made family farming economically viable in the U.S., have been cut. It was these domestic programs which put protections into place to safeguard family farmers from the whims and dictates of the commodities brokers and speculators and to offer buffers against wild markets fluctuations.

Yet, during past trade debates the promise of vast new export markets was used to justify removing — through the so-called Freedom to Farm Act and other "market" reforms — crucial policies aimed at managing the most severe risks faced by U.S. family farmers. Promoters of the 1996 Freedom to Farm Act argued that strong export growth would replace the need for U.S. government price and income supports.[3]

At the same time, also in the name of implementing NAFTA, Mexican and Canadian farmers faced similar market "liberalization" policies which left producers throughout North America at the mercy of consolidating commodity and other agribusiness giants. 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 that had so vociferously lobbied for these trade policies.[4]

> In the seven years after NAFTA, small farms went out of business at six times the rate of the five years be͏f͏o͏re NAFTA, which was the middle of the small farm foreclosure crisis.

Independent farmers throughout North America have been cornered by a range of vested interests that sought control of all aspects of the food industry — except the work required to actually produce grains, meats, fruit, oilseeds, vegetables and timber. The free trade and domestic deregulation policies confronted family farmers with pressures unknown since the 19th century robber barons of finance, distribution, marketing and transportation. Small farms in the U.S. with sales under $100,000 a year declined rapidly during NAFTA's first seven years (between 1993 and 2000), with nearly 33,000 farms of this size eliminated.[5] Moreover, the decline in such small farms after NAFTA was six times steeper than the five-year period before NAFTA (between 1989 and 1993).[6]

Agriculture Commodity Prices Fall, But Food Prices Rise

Declining prices paid to farmers for agricultural goods have had little impact on the cost of food for consumers. Between the 1974-1979 period and 2000, consumer food prices have risen by 250%, while the prices that farmers receive have remained flat or even declined during that period.[7] According to U.S. Census Bureau figures, the consumer price index for food (real prices for food eaten at home) in the U.S. rose by 19.8% under NAFTA (1993 and 2000).[8] 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.[9] 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.[10] The story has been the same in Canada and Mexico. Between 1994 and 1999, Canadian farmers received less than $C5 a bushel for wheat, but the prices for bread from the same bushel rose from about $C80 a bushel to $C90 a bushel over the same period.[11] Although the flood of imported U.S. corn has cut corn commodity prices by nearly half in Mexico, devastating small Mexican farmers, market imperfections and cartelization in the retail trade has prevented these price slides from being passed on to consumers.[12] Indeed, the prices of tortillas have actually risen since NAFTA, despite the corn commodity price collapse.[13]

While the profits of major commodity traders boomed, key farm financial stresses also grew under NAFTA. For instance, grain growers in the plains states of the U.S. and western Canada were decimated by crashing commodity prices. According to data from USDA's Economic Research Service, the percentage of farms filing for bankruptcy and of farm loan volume that was more than 30 days delinquent was higher on average between 1994 - 2000 than between 1989-1993, the five years before NAFTA went into effect.[14] While the number of independent farmers dropped between 1993 and 2000, agribusiness giants such as ConAgra and Archer Daniels Midland had significant earnings gains. ConAgra's profits grew 189% from $143 million in 1993 to $413 million in 2000, and Archer Daniels Midland's profits nearly tripled from $110 million in 1993 to $301 million in 2000.[15] With these commodity broker giants operating worldwide, they, not weather or sweat equity, were able to determine both supplies and prices of many commodities, even as consumers face increased food prices. Meanwhile, while farmers received four percent less on average for their crops in 2000 than they did in 1990-1992[16], the consumer price index for food (real prices for food eaten at home) in the U.S. rose by 19.8% during the NAFTA era (1993 and 2000).[17]

"[Agriculture] is very special and important, and it shouldn't be subjected to arbitrary and exaggerated free trade policies." — Peter Rosset, Co-Director of Food First, *Multinational Monitor*, July/Aug. 2000.

Meanwhile, under NAFTA, U.S. fruit and vegetable growers have been swamped by produce from Mexican plantations. Some of these large plantations are owned and operated by transnational agribusiness concerns which, by relocating to Mexico, are able to use pesticides banned in the U.S., exploit $3.60-a- day5 Mexican farm labor[18] and avoid U.S. regulations regarding safe and sanitary working conditions.[19] Yet while produce exports to the U.S. from Mexico soared, Mexican peasant farmers growing food staples were being displaced by a surge of imported corn, wheat and rice, and their small plots of land have either been abandoned or merged into large plantations to grow produce for export.

The agribusinesses promoting NAFTA and other free trade deals like the World Trade Organization (WTO) (and currently Fast Track and the Free Trade Area of the Americas (FTAA)) promised that the farmers who had struggled through the farm bankruptcies of the Reagan administration could export their way to economic prosperity.

A group of 101 agriculture trade associations formed a coalition called "Ag for NAFTA" to pressure Congress to pass NAFTA, contending that farm exports would create an additional 50,000 agriculture jobs.[20] Yet, in expectation of NAFTA's passage, in 1991 Cargill Corporation invested in a meat packing plant in Mexico, gaining access to Mexico's much lower wages.[21] When NAFTA passed the House of Representatives, the National Pork Producers Council (NPPC) issued a press release touting the trade agreement for hog farmers, noting that NAFTA "[w]ill greatly enhance our opportunity to export pork and pork products as well as live hogs to Mexico," and predicting that pork exports would grow by 400,000 metric tons.[22] Yet pork exports to Mexico grew only by 80,000 metric tons between 1993 and 2000, 80% below the NPPC predictions.[23] However, the growth in exports to Mexico is dwarfed by the rising pork imports from Canada, which grew by 146,000 metric tons between over the same period.[24] Indeed, in 2001, a majority of the hog farmers whose mandatory fees fund the National Pork Producers Council voted to end the mandatory "check off" contributions for the Council, which had led the advocacy for pro-agribusiness production and free trade, including NAFTA, the WTO and China Permanent Normal Trade Relations.[25]

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."[26]

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."[27] In 1994, the Canadian Ministry of Agriculture and Agri-Food Canada predicted that every C$1 billion increase in farm exports, through agreements such as NAFTA, would generate an increase of C$235 million in net farm income.[28] However, although 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 C$1.4 billion as Agri-Food Canada predicted.[29]

Family farmers in the U.S., Mexico and Canada opposed NAFTA because the terms of the trade deal were designed to benefit giant agribusiness and not independent farmers. In the U.S., the National Farmers Union was concerned that NAFTA would undermine sustainable agriculture in all three NAFTA countries, dismantle farm supports for small farmers and eliminate the import limits necessary to protect family farms.[30] The Institute for Agriculture and Trade Policy pointed out that specific provisions in NAFTA encouraged concentration in the food processing industry and the expansion of factory farms and agribusiness in all three NAFTA countries.[31] In 1993, Victor Quintana of the Mexican Peasant Democratic Coalition (Prento Democratico Campesino) warned that after ten years of structural adjustment policies designed to attract foreign investment and promote export-oriented agriculture, Mexican family farmers were poorly positioned to compete with foreign producers.[32] Reduced subsidies and investment, he said, already had curtailed productivity and collapsed profitability for family farmers in Mexican agriculture.[33] He observed that NAFTA only would increase Mexican farmer dislocation in favor of multinational agribusiness, increase rural poverty and encourage unsustainable farming practices.[34] Even Mexican Undersecretary of Agriculture Luis Tellez predicted that NAFTA would push an average of one million farmers off their farms each year for ten years.[35]

Even Mexican Undersecretary of Agriculture Luis Tellez predicted that NAFTA would push an average of one million farmers off their farms each year for ten years.

The independent farmers who criticized NAFTA underestimated the devastating impacts it would have on rural communities in all three countries. Newly empowered by the terms of NAFTA and its domestic implementation, transnational agribusinesses were positioned to play independent family farmers from different countries off of each other. Absent the domestic agricultural safety nets, small farms could not survive on the prices being paid by agribusinesses, which could game supplies of commodities to keep prices low and profits high. Perversely, low-price agricultural imports flooding in under this game were putting domestic growers at a disadvantage in the U.S., Canada and Mexico.

> "It's hard to compete against folks who don't have the regulatory burden we do, or a minimum wage." — citrus and pistachio farmer Shawn Stevenson, *Time*, Apr. 9, 2001.

Expanding the NAFTA model to the entire western hemisphere through FTAA would threaten further small family farmers in the U.S., Mexico and Canada. According to the U.S. Department of Agriculture (USDA), the FTAA is also expected to dramatically increase Latin American wheat, beef, fruit, flower and other agriculture exports to the U.S.[36] Moreover, FTAA is unlikely to deliver benefits to U.S. farmers or the agricultural sector in general. In January 2001, the U.S. House Agriculture Committee received the final report of the Commission on 21st Century Production Agriculture, whose membership has a pro-NAFTA tilt and which had at best mixed views on the benefits of FTAA for farmers and agriculture. The Commission was established by the Freedom to Farm Act to measure the impact of federal farm policies, on farmers and the agriculture economy including trade, regulatory and tax policies, and report its findings to Congress.[37] The minority view[*] of the Commission on 21st Century Production Agriculture report to the U.S. President and Congress noted that the benefits from the FTAA are "likely to be mixed or inconsequential relative to other issues."[38] USDA's analysis of FTAA's implications is yet more negative.[39] Meanwhile, in Latin America and the

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* The eleven Commission members were appointed by President Clinton (3) and Republican Agriculture Committee Chairs in the House and Senate (4 each) and consist of past-leadership of agriculture commodity representatives (the Chairman Barry Finchbaugh is a Professor of Agriculture Economics of Kansas State University and sits on the Board of Directors of the Kansas City Board of Trade; Bob Stallman is a member of the American Farm Bureau Federation and a Governor Bush appointee to the Citizen's Committee on Property Tax Relief; Charles Kruse is President of the Missouri Farm Bureau and its five affiliated companies and served on former President Bush's USTR Carla Hills Intergovernmental Advisory Committee; Bruce Brumfield past-president of the National Cotton Council and the Mississippi Cattleman's Association; Donald Cook is a member of the U.S. Chamber of Commerce Food and Agriculture Committee and past-director and president of the Pacific Northwest Grain Dealers; John Campbell is the Vice President for Corporate Agricultural Affairs and Industrial Producers at Agriculture Processing Inc. (AGP) and served on the Senate Agriculture Committee under North Carolina Republican Senator Jesse Helms and Indiana Republican Senator Richard Lugar; William Northey is a past-president of the National Corn Growers Association), former congressional aides on agriculture policy (James Dupree was the former staffer for Arkansas Democratic Senators Kaneaster Hodges, Jr. and Dale Bumpers and Don Wilcox was the former staffer for Indiana Republican Senator Richard Lugar and is currently the Vice Pres,ident of the Indiana Farm Bureau) and leadership from farmer organizations (Leland Swenson is President of the National Farmers Union; Ralph Paige is the Executive Director of Southern Co-Ops/Land Assistance Fund Federation). From the current commissioners profiles available on the web at www.agcommission.org/members.

Caribbean, imposition of this model effectively would reverse the agrarian land reform of the past decades, delivering family farms into the hands of giant agribusinesses, as has occurred in Mexico.

Despite NAFTA's harsh rural outcomes, U.S. FTAA negotiators are not seeking to redress NAFTA's concentration of economic power in the hands of agribusinesses; instead they have put existing U.S. anti-dumping provisions on the table to be traded away.[40]

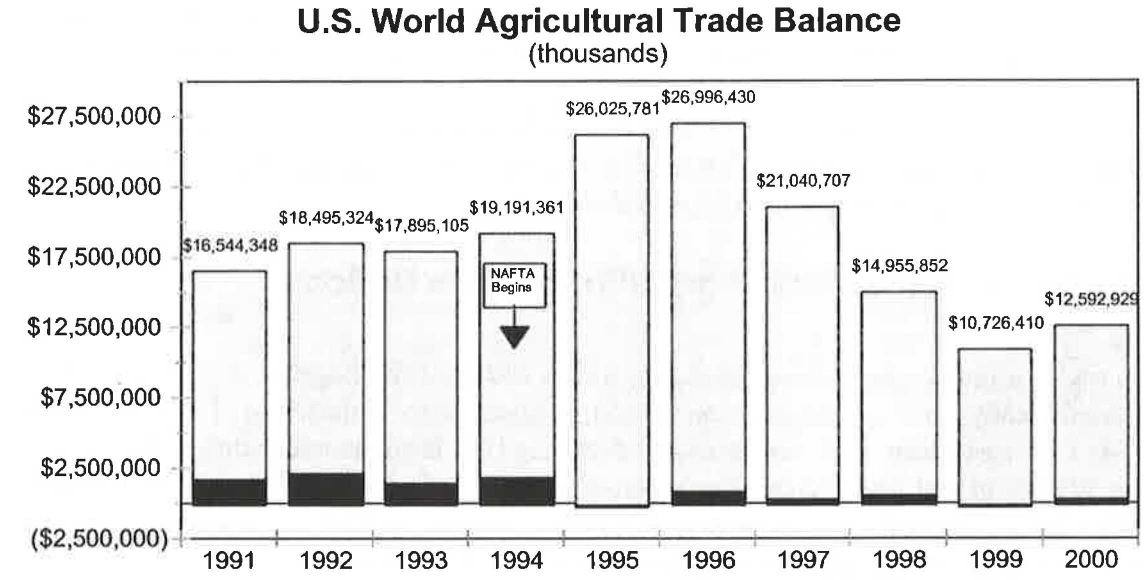
NAFTA Has Coincided with Agricultural Trade Deficits

The U.S. trade surplus in agricultural products, which was once the flagship of U.S. exports; has declined significantly, and U.S. employment in the agriculture sector is declining. The NAFTA trend of declining U.S. agriculture trade surpluses and declining U.S. farm income parallels the outcomes under the WTO's global trade rules. The vaunted promises of new NAFTA (and WTO) export markets for U.S. agricultural products have proved to be as elusive as NAFTA proponents' promises of new U.S. manufacturing jobs created by greater exports to Mexico.

> In a 1995 interview with Public Citizen, 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."

Under NAFTA, the volume of U.S. agricultural exports to Mexico and to Canada did rise, however, the volume of imports from Mexico and Canada grew even faster, eroding the U.S. agricultural trade surplus with NAFTA countries. Thus, while the U.S. agricultural trade* surplus with the NAFTA countries increased before NAFTA by $203 million (between 1991 and 1994), it fell by $1.498 *billion* during NAFTA (between 1994 and 2000).[41] The NAFTA agricultural product trade surplus has declined more rapidly than the U.S. worldwide trade surplus in agricultural products has declined, falling 70.7% — from $1.6 billion in 1993 to $456 million in 2000 (including two years of agriculture trade deficits in 1995 and 1999).[42] Meanwhile, farm income is declining as U.S. farmers face volatile and declining commodity prices on an international market dominated by a handful of huge multinational commodity trading corporations that advocated for and now can use NAFTA and WTO's rules for the farm sector.[43]

* Calculations based on Foreign Agriculture Service data for exports and imports of agricultural products which includes all "food and fiber" products including bulk commodities like corn, wheat and rice, soybeans; raw unprocessed tobacco and cotton; processed foods and beverages; meats, livestock and dairy products; horticultural products such fruits vegetables and tree nuts. This includes all goods on the Harmonized Tariff Schedule Chapters 1-24 (except fishery products in Chapters 3 and 16) as well as essential oils (Chapter 33), raw rubber (Chapter 40), raw animal hides and skins (Chapter 41) and wool and cotton (Chapters 51-52).



Sourcee: USDA Foreign Agriculture Service, all agricultural products.

Over the past two decades, contrary to promises of growing agriculture exports from new trade pacts, U.S. crop exports fell from nearly a quarter of world agriculture trade (24%) to 18% in 2000.[44] The U.S. world trade surplus in agriculture products has declined significantly since NAFTA and the WTO went into effect, and that trend is most profound with NAFTA partners Canada and Mexico. The U.S. world trade surplus in agricultural products declined 29.6% since before NAFTA from $17.9 billion in 1993 to $12.6 billion in 2000.[45] The U.S. NAFTA trade surplus in agricultural products declined 71% since NAFTA, from $1.56 billion in 1993 to $456 million in 2000.[46]

U.S. agricultural trade surplus with the NAFTA countries increased by $203 million before NAFTA (1991 and 1994), but fell by $1.498 *billion* during NAFTA (1994-2000). The agricultural product trade surplus with NAFTA countries has declined more rapidly than the U.S. overall trade surpluses in agricultural products, falling 70.7% — from $1.6 billion in 1993 to $456 million in 2000 — with two years of outright U.S. agriculture trade deficits with NAFTA countries in 1995 and 1999.

While the promise of new export markets for U.S. agriculture products was being held up as a cure-all for farmers as is Fast Track now, the reality is that demand arising from export markets has remained fairly flat over the past two decades. Export demand has tended to remain steady over time because most nations prefer to produce their own foodstuffs and primarily import agricultural products to offset unmet food demand due to natural disasters or because population growth exceeds agricultural production growth.[47]

Importantly, other countries' food imports are unresponsive even to significantly lower prices from foreign producers — no nation will import more of a staple, such as corn or wheat, than it can possibly eat.* Indeed, the most reliable source of demand for U.S. farmers has remained the domestic market, which has shown steadier population and income growth sufficient to increase consumption of U.S. agricultural farm goods.[48] However, increased agriculture imports into the U.S. under NAFTA and WTO are competing for this domestic demand. Meanwhile, grain trading and other agribusiness corporations newly empowered by NAFTA and the WTO are more able to control import supplies to drive down the price U.S. farmers can demand. However, while the growth in imports has lowered commodity prices paid to farmers, consumers' food costs have risen.

If this trend were not disturbing enough for producers and consumers, a recent study shows that USDA routinely overestimates future export market opportunities because USDA projections are based on faulty models which tend to underestimate world food supplies.[49] These projections have a poor track record because they are biased toward rising agricultural exports, rarely predicting stable or declining exports.[50] According to a recent report by C. Philip Bamuel of Iowa State University professor of Economics and Agriculture, for example, USDA models consistently project increasing U.S. grain exports even though grain exports actually have declined steadily from their 1980 peak.[51] Indeed, since 1985, the U.S. share of world agriculture trade not only has declined, but also major crop exports from the U.S. have decreased.[52]

An American Corn Growers Association long-term analysis of U.S. agriculture trade trends found that the overall agriculture trade balance (U.S. exports minus U.S. imports) between 1990 and 1995 averaged $22.8 billion in inflation-adjusted dollars, but between 1996 and 2000 the inflation-adjusted agriculture trade balance averaged $15.7 billion — a 31% decline.[53] The agriculture trade balance in 2000 fell to $12.6 billion — 45% lower than the early 1990s.[54]

Between the 1994-1995 growing season and the 1999-2000 season, U.S. corn export volume fell by 11% and prices fell by 20%; the volume of wheat exports declined by 8% and prices dropped 28%; and the volume of cotton exports fell by 28% and prices plunged 38%.[55] During the same period, even though

Between the 1994-1995 growing season and the 1999-2000 season, U.S. corn export volume fell by 11% and prices fell by 20%, the volume of wheat exports declined by 8% and prices dropped 28%, and the volume of cotton exports fell by 28% and prices plunged 38%. During the same period, even though the volume of soybean exports increased 16%, the total U.S. soybean crop value still declined by 2% because the per-bushel price fell by 15%.

* Generally, demand for food products is relatively constant, or inelastic, regardless of price and is most directly correlated with population and income growth. Domestically, this means that consumers are unlikely to eat twice as many loaves of bread even if the price of bread is halved. Internationally, the relatively higher volatility of incomes in the developing world creates a world demand that is, in the aggregate, flat or declining, even when there are significant price fluctuations. Instead, international demand appears to be more closely related to crop yields in the importing countries.

the volume of soybean exports increased 16%, the total U.S. soybean crop value still declined by 2% because the per-bushel price fell by 15%.[56]

On the import side of the trade balance, competitive imports (those that replace crops produced in the U.S.) are growing. In 1989, the U.S. agriculture trade surplus was $18 billion.[57] That year competitive imports were 38% of U.S. export levels and 71% of all U.S. agricultural imports.[58] By 2000, the U.S. agricultural trade balance fell to $12.6 billion.[59] Based on preliminary 2000 data, competitive imports were 60% of U.S. export sales and represented 80% of all U.S. agricultural imports.[60]

> "In three years' time, it will be 100 years since my great-granddad broke the land that I still am working, and I stand to lose it because of the free trade policies that you and your government instituted." Saskatchewan farmer Gerald Benneke to Canadian Intergovernmental Affairs Minister Stephane Dion at a town hall meeting, *Vancouver Sun*, Mar. 7, 2000.

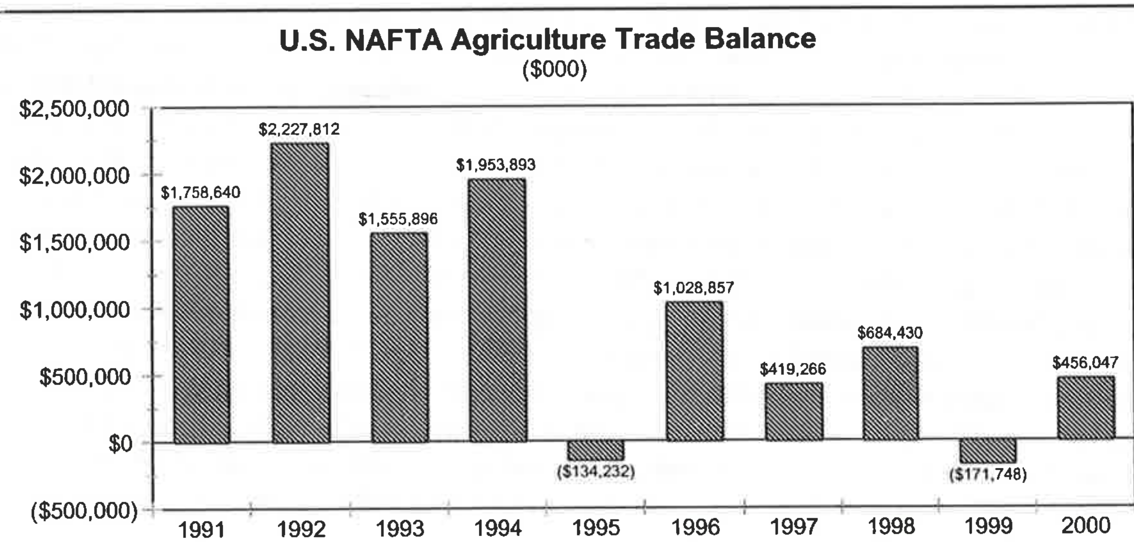
Even the pro-free trade Commission on 20th Century Production Agriculture admits that U.S. agricultural exports declined by 15.6% in 2000 from the peak in 1996.[61] The minority view of the Commission report noted that although agricultural exports increased an average of 2.5% annually since 1989, imports increased by 10% a year — four times as fast as exports.[62] The dissent identified two fundamental flaws in the majority's analysis. First, by focusing on exports, the free trade proponents downplayed the competitive imports, which now substitute for 17% of total U.S. farm and ranch output.[63] Second, the technique of measuring free trade's impact on agriculture on an acre-by-acre basis (i.e. total agricultural exports divided by farmland acreage) deceptively suggested that agriculture trade benefits came from farmland, downplaying the powerful added value of agribusiness processing and merchandising which requires little acreage.

According to data from the U.S. International Trade Commission (U.S. ITC), the total trade balance for many U.S. agricultural goods is worsening, especially for hard-hit products like fruits and vegetables.[64] Even for some stronger exports such as grain, the balances are declining. Even for agriculture products that had trade surpluses in 1995, trade balances now are declining, as are many U.S. businesses and livelihoods:

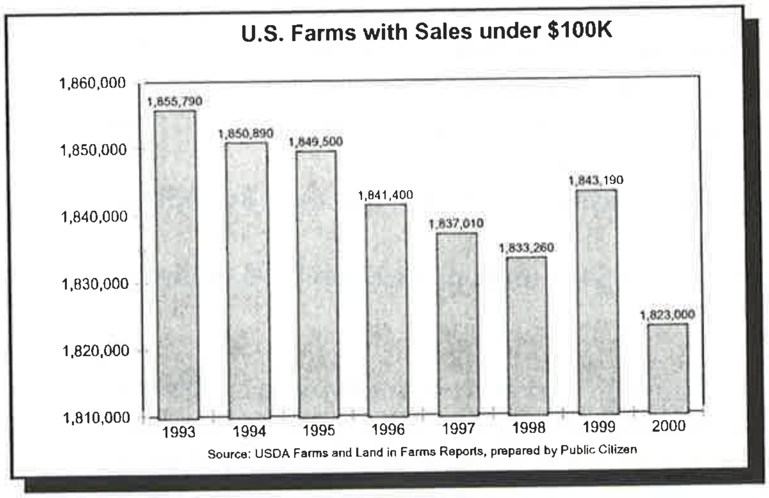
- **Cattle & Beef:** The cattle and beef sectors' $21 million surplus in 1995 had become a $152 million deficit by 1999.[65]
- **Grain and Cereals:** The grain and cereals surplus has slid by a third since 1995, the oilseeds surplus has fallen 17%, and the animal and vegetable oils surplus has been cut in half since 1995.[66]
- **Poultry:** The poultry industry trade surplus fell 14% between 1995 and 1999.[67]
- **Fresh Chilled and Frozen Vegetables:** The fresh, chilled and frozen vegetables trade deficit grew from $438 million in 1995 to a deficit of more than $1 billion in 1999.[68]

- **Fruit:** The U.S. fresh fruit trade deficit grew from $127 million in 1995 to $469 million in 1999.[69] The frozen fruit trade sector had a $9 million surplus in 1995 but saw a $37 million deficit in 1999.[70] The prepared and preserved fruit trade deficit grew by more than half, from a deficit of $236 million in 1995 to a deficit of $396 million.[71]
- **Juice:** The $18 million fruit and vegetable juice surplus in 1995 has become a $48 million deficit in 1999.[72]
- **Dairy:** The dairy trade deficit nearly doubled from $416 million in 1995 to $796 million in 1999.[73]

Mexico: At the start of NAFTA, more than 25% of Mexican workers were employed in agricultural production.[74] Mexico's farmers were ill-prepared to compete with the market power of the huge commodity trading companies that sought NAFTA as a means to access Mexico's food production market. Grain trading companies dumped tons of grains purchased cheaply — sometimes below production costs — from U.S. and Canadian farms. Even without underpaying U.S. producers, U.S. corn can be produced at 40% of the cost of production in Mexico.[75] Mexico's world agricultural trade balance also declined since NAFTA, and agriculture declined as a share of the Mexican economy. Under the dual regimes of free trade and structural adjustment, Mexico's agriculture declined from 10% of the gross domestic product in the 1980s to 5% in 2000.[76] Despite the fact that 39% of the Mexican population lived in small farming communities in 2000,[77] the growth in Mexico's agricultural production during the 1990s was lower than the growth levels during the 1970s.[78] Such a decline in the agriculture sector in a less-industrialized country such as Mexico has broad and severe effects on society. In Mexico, rural land was transferred to larger farms and the number of small farm units declined more dramatically in the 1990s than in previous decades.[79]



Sourcee: USDA Foreign Agriculture Service, all agricultural



Source: USDA Farms and Land in Farms Reports, prepared by Public Citizen

The damage to small Mexican farmers has occurred even though the growth of total agricultural imports into the U.S. from Mexico is significantly outpacing U.S. agricultural exports to Mexico. Yet even the limited U.S. export growth to Mexico in certain commodities has damaged Mexico's agricultural sector.

Between 1994 and 1998, Mexico's wheat imports, primarily from the U.S. and Canada, grew to 35% of total consumption from 12% in the 1980s.[80] Over the same period, Canada's agricultural trade surplus nearly doubled. Indeed, if current trends continue, Mexico's agriculture sector is projected to be a drag on Mexico's economic output by 2016.[81]

Although the U.S. overall NAFTA agricultural trade balance declined significantly since NAFTA went into effect as a result of vegetables, fruit and other labor intensive imports from Mexico, in some particular commodities, U.S. agribusinesses' dumping of corn and other grains put Mexican peasant farmers at a devastating disadvantage. The Secretary of Mexico's Senate Agriculture Commission, Salvador Becerra Rodriguez, speaking at the 2000 "Strategies for Change in Mexican Agriculture Seminar," reported that NAFTA has been hurting Mexico's agriculture sectors, particularly cereals such as corn, oil producing seeds and beef and pork.[82]

Canada: In contrast, in Canada, agricultural exports grew and the Canadian agriculture trade surplus have grown since NAFTA was enacted. However, farm incomes in Canada have declined and farm debt has risen sharply. Canada's world agriculture trade surplus nearly doubled from C$2.9 billion in 1993 to C$5.7 billion in 2000.[83] Canada's NAFTA agriculture trade surplus grew even faster. Between 1993 and 1999, Canada's NAFTA agriculture trade surplus more than tripled — from C$1 billion to C$3.2 billion.[84] Canada's agriculture surplus with the U.S. more than tripled between 1993 and 1999 — from C$950 million to C$3.1 billion — and its agricultural surplus with Mexico more than doubled from C$62 million to C$129 million over the same period. However, The Canadian National Farmers Union reports 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.[85] Indeed, under NAFTA, Canada's total net farm income declined by 17.6%, from C$3.6 billion in 1993 to C$3.0 billion in 1999.[86] Although total Canadian farm debt remained steady between 1991 and 1993 at about C$23.4 billion each year, under NAFTA Canadian farm debt increased by 53.0% to C$35.8 billion in 1999.[87]

Agriculture Prices and Farm Incomes Have Collapsed Since NAFTA

At the same time that U.S. agricultural trade surpluses with NAFTA partners dwindled to ever smaller surpluses and even deficits for two of the post-NAFTA years, prices paid to farmers for agriculture commodities collapsed while some key production costs, such as energy, rose. Multinational agribusinesses were positioned uniquely to take advantage of trade rules that force countries to accept agricultural imports regardless of their domestic supplies. The companies utilized their foreign holdings as export platforms to sell imported agricultural goods in the U.S., and by thus increasing supply, put negative pressures on U.S. agriculture prices. U.S. farm incomes then also declined rapidly.

In contrast, in Canada, agricultural exports grew and the Canadian agriculture trade surplus have grown since NAFTA was enacted. However, farm incomes in Canada have declined and farm debt has risen sharply. Indeed, under NAFTA, Canada's total net farm income declined by 17.6% from C$3.6 billion in 1993 to C$3.0 billion in 1999. Although total Canadian farm debt remained steady between 1991 and 1993 at about C$23.4 billion each year, under NAFTA Canadian farm debt increased by 53.0% to C$35.8 billion in 1999.

The predictable result has been that independent farmers are losing their farms. During NAFTA's first seven years, the number of small farms in the U.S. with annual sales under $100,000 fell by nearly 33,000, or 1.8%.[88] Moreover, the decline in these small farms was six times steeper than the five-year period before NAFTA (1989 and 1993).[89] A 1999 Economic Policy Institute report found that free trade policies such as NAFTA and the WTO led to a decline in the number of independent family farms because these agreements put into place national reliance on an export-growth agriculture strategy which had farmers competing to cross trade internationally the very crops that otherwise would be consumed at home.[90]

Declining Commodity Prices

- **Cereal Grains:** Between 1995 and 2000, the bushel price U.S. farmers received declined 33% for corn, 42% for wheat, 34% for soybeans and 42% for rice.[91] According to 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%.[92]
- **Oilseeds:** The value of U.S. oilseed exports declined 16% and the share of production going to exports fell by 15% between 1995 and 1999.
- **Tropical Fruits:** The value of exports of U.S. tropical fruit such as pineapples, avocados and mangos fell 16% and the share of production going to exports fell 40%.
- **Citrus:** The value of citrus exports fell by a third and the share of production being exports declined by 37% between 1995 and 1999.
- **Poultry:** The value of poultry exports has declined 13% between 1995 and 1999, and the share of poultry exports has fallen by 26%.[93]

The U.S. International Trade Commission (U.S. ITC) reports that awareness of the NAFTA model's damage in some sectors, such as vegetables, is better known than declines in dairy, poultry and beef. The fresh, chilled and frozen vegetables industry has lost 14% of its establishments and 11% of its workers between 1995 and 1999 between 1995 and 1999. During the same period, the fresh fruit sector lost 8% of its establishments and 4% of its jobs, and the dairy sector lost 9% of its establishments and 6% of its jobs, and the poultry industry lost 4% of its establishments and 8% of the jobs.[94]

Moreover, U.S. farm income is significantly below total agriculture income before NAFTA wer.. into effect and is projected to decline in the first years of the new century. 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.[95] This compares to annual farm income of $59.0 billion before NAFTA went into effect in 1993 — a 43% drop compared to the projected 2001 farm income by the Farm and Agriculture Policy Research Institute (FAPRI).[96] In 1998, the latest FAPRI 2001 survey of actual-versus-projected-data, found that U.S. net agriculture income stood at $59.1 billion.[97] Over the next decade, the USDA has projected that net farm income will fall from $42.3 billion in 2000 to $40.4 billion in 2010.[98]

The gross farm income for commodity growers in the U.S. is projected to be significantly lower in 2000 than the average gross farm incomes between 1990 and 1995. Even without factoring in the expanded imports to the U.S. that an FTAA would bring according to the USDA, inflation-adjusted gross farm income per acre for rice is projected to fall from the 1990-1995 average of $725 to $656 in 2000, a 9.5% decline.[99] Over the same periods, gross incomes per acre for cotton is projected to fall 23.4%, 16.0% for corn, 15.9% for soybeans and 15.7% for wheat.[100]

According to the FAPRI 2001 survey of representative farms, the next five years will be tough financially on most farmers. Contrary to the farm economy boom promised at the time of NAFTA and WTO's passage, the study found that 76% of farms are projected to have a negative cash flow between 2000 and 2005 even without added FTAA imports.[101] With the exception of cattle and hog farms, the majority of the representative farms are projected to be in poor financial condition by 2005, including 86% of feed grain farms, 78% of cotton farms, 75% of rice farms, 60% of wheat farms and 54% of dairy farms.[102] Ironically, the proposed FTAA NAFTA expansion would put the cattle sector in a similar position. 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.[103]

In Canada, farmers' net incomes declined 19% between 1989 and 1999 although Canadian agricultural exports doubled during that period.

Canada: Dropping prices meant that in Canada, farmers' net incomes declined 19% between 1989 and 1999 although Canadian agricultural exports doubled during that period.[104] In 1998, the average profitability of Canadian farms, measured by return on equity, was only 0.3%, but the return on equity for the cereal companies buying and using Canada's commodities such as Kellogg's, Quaker Oats and General Mills was 56%, 156% and 222% respectively.[105] Average net farm income in Canada in 1999 was $9,732, or about half the average farm incomes in the 1980s, adjusted for inflation.[106] Meanwhile, although Canadian pork production and exports have risen since NAFTA, the producers' price per pound dropped from just over C$1.50 in 1993 to C$1.19 in 1998 (about a 20% decline) and the concentration of ownership of pork processing plants has resulted in 40% wage cuts for workers at the plants.[107]

Mexico: In Mexico, real inflation adjusted prices paid to farmers for agricultural goods declined as the share of imported agriculture grew. Between 1993 and 1998, the real price paid to farmers for corn fell by 46%, the price of wheat declined by 32%, and the price of beans decreased by 51%.[108] Crashing commodity prices caused by the flood of imports plus the elimination of domestic farm programs though NAFTA and the structural adjustment policies of the 1980s have resulted in large increases in Mexican rural poverty rates. About 81% of the rural population in Mexico live in poverty, a 15% increase since 1984. (Mexico joined the WTO's predecessor, the General Agreement on Tariffs and Trade (GATT) in 1986 which required significantly deregulation of agriculture policies.) Extreme poverty has grown 23% since 1984 to consume 55.3% of Mexico's rural population in 1999. The gap between the poor and wealthy has risen in Mexico since NAFTA's inception in 1994, but the intensity of the poverty is worse in rural Mexico, where more than a quarter of the nation's poor live.[109]

Yet while the prices that grain trading companies and mills paid to farmers in all three NAFTA countries plummeted, the flood of imported agriculture goods did not translate into lower consumer prices. Indeed, the U.S. consumer price index for food eaten at home rose by nearly 20% between 1993 and 2000.[110]

Meanwhile, as family farmers in all three NAFTA countries have been facing significant economic hardships since NAFTA and consumers have faced rising food prices, profits for many agribusiness and food companies rose sharply between 1993 and 2000. Archer Daniels Midland's profits nearly tripled from $110 million in 1993 to $301 million in 2000.[111] ConAgra's profits grew from $143 million in 1993 to $413 million in 2000.[112] Quaker Oats' profits nearly doubled from $182 million in 1993 to $361 million in 2000.[113] Kellogg's profits surged nearly nine-fold between 1993 and 2000 — from $66 million to $588 million.[114]

> In Mexico, real prices for agricultural goods declined as the share of imported agriculture grew. Between 1993 and 1998, the real price of corn fell by 46%, the price of wheat declined by 32%, and the price of beans decreased by 51%.

NAFTA Has Been Used to Justify Shredding Farm Safety Nets

The increasing supplies of imported agricultural products and crashing prices paid to farmers have had a particularly severe impact because the policy mechanism designed to temper such extreme swings had been eliminated. Using NAFTA as a sales pitch and equally as the political instrument to force policy change, interests in Washington, Mexico City and Ottawa set about to eliminate domestic farm programs aimed at stabilizing the growers situation *vis a vis* market forces. The deregulation theory held that with increasing exports, the safeguards that protected independent farmers and plentifulness of the food supply were no longer needed.

In contrast to the pro-NAFTA promises of an export led miracle, in 1999, direct government payments represented 48% of net farm income in the U.S. — Darryll E. Ray, professor of Agricultural Economics at the University of Tennessee, Testimony before the House Committee on Agriculture, Feb. 14, 2001.

To implement that theory, agribusiness interests pushed the approval of NAFTA and its implementing legislation, which contained the changes to U.S. domestic farm policy required to conform with NAFTA's rules. Meanwhile, these interests pursued the same agenda with the Freedom to Farm Act, which also phased out U.S. domestic farm policies such as subsidies, price supports and loan guarantees. Proponents of the legislation contended it would make farming more efficient and responsive to market forces; in reality, it essentially handed the production of food to agribusiness, but made it extremely difficult for any but large, well-financed agribusinesses to survive. Ironically, to counteract the predictable failure of NAFTA and the similar 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.

Worse, while these emergency payments were represented as necessary to save small, independent farmers, the overwhelming majority of them have gone to the biggest farm operators. Despite the new "free market" approach embodied in NAFTA and the Freedom to Farm Act, federal agriculture spending rose to a record $23 billion in 2000.[115] But even with these notably non-"free market" emergency support payments, the NAFTA model is killing small, independent farmers. Only 1% of all farms were eligible for any of the emergency support in 1999, and the largest operators received on average 14 times the amount of the smallest farms.[116] The largest 10% of farms received 56% of the emergency taxpayer assistance despite the fact that smaller family farmers have faced higher rates of bankruptcies and loan delinquencies after the implementation of NAFTA,[*] the global WTO and the implementation of these pacts' philosophy through the Freedom to Farm Act.[117] In contrast to the pro-NAFTA promises of an export led miracle, in 1999, direct government payments represented 48% of net farm income in the U.S.[118]

[*] On average 0.5% of farm credit borrowers filed for bankruptcy between 1994 and 1999 — 20% higher than the 0.4% rate between 1989 and 1993. On average, 2.1% of farm loan volumes were 30 days or more delinquent between 1994 and 1999, 50% higher than the 1.4% rate between 1989 and 1993. Source: USDA Economic Research Service analysis of the annual American Bankers Association annual mid-year agricultural credit survey.

Bush Agriculture Policy: More of the Trade that Failed

The Bush Administration's number one agriculture policy goal is not to reassess the Freedom to Farm Act, nor to address the farm income crisis, but rather to increase trade.[119] The Bush Secretary of Agriculture, Ann Veneman, was one of the previous Bush Administration's negotiators for NAFTA and the Uruguay Round of GATT and subsequently was the lobbyist for international foods giant Dole Foods at Patton, Boggs and Blow.[120] At her first public speech as Agriculture Secretary, she promoted an "aggressive" trade agenda, including Fast Track, FTAA and a new WTO round.[121] At the Sparks Companies 9th Annual Food and Agriculture Policy Conference on April 17, 2001, Veneman stated that "[E]xpanding trade is the President's top priority for U.S. agriculture." Veneman also was a member of the International Policy Council on Agriculture Food and Trade, an agribusiness trade association funded by Cargill, Nestle, Kraft and Archer Daniels Midland.[122]

Mexico: Small farmers in Mexico and Canada faced similar erosions of government safeguards for small farmers and domestic production. In Mexico, NAFTA was a key instrument for forcing a shift from farming for domestic consumption towards export-oriented agriculture. The NAFTA transformations in Mexican agriculture policy included privatizing land grants made during Mexico's revolutionary-era land redistribution, eliminating price guarantees (including those on food) and reducing subsidized loans and government agricultural infrastructure investment.

In 1992, in preparation for NAFTA's new investment rules, which grant investor rights including land ownership, the government of then-president Carlos Salinas amended Article 27 of the Mexican Constitution. The amendment eliminated the land redistribution system that had been a cornerstone of post-revolution Mexico provided farmers with a guarantee of land granted in "ejidos." Under the ejido system, the right to land could be passed on within families, but not sold outright in order to ensure land ownership did not again become highly concentrated. The new NAFTA-compliant constitutional provision meant farmers could sell their farms outright, but also, more ominously, meant they now could lose their farms for debt.[123]

Then, in 1993, Mexico curtailed the CONASUPO program, under which the government had purchased staple crops such as corn and beans from farmers at a guaranteed floor price.[124] The new policy eliminated both the floor price and CONASUPO's obligation to buy these staple crops.[125] The guarantees were replaced with PROCAMPO, which provides direct-payment assistance to farmers.[126] However, without the price supports provided by CONASUPO, farmers were left at the mercy of commodities markets controlled by a handful of large private-sector multinational grain trading enterprises with no interest in Mexican food security or rural economies. With cheap American corn newly coming across the border as required under NAFTA, the real inflation-adjusted market price paid to Mexican farmers for corn fell by 46.2% between 1993 and 1999.[127] Then, in 1998, CONASUPO was eliminated completely. Access to farm credit which could offer farmers the opportunity to make capital improvements in hopes of increasing competitiveness fell 60.8% in real terms between 1994 and 1999.[128] Since Mexico's borders opened to U.S. imports, Mexican government investment in agricultural projects fell by 90% even though 39% of Mexico's population lives in rural communities.[129]

Mexican farmers had been hard hit by these dramatic changes. In late 1999, hundreds of Mexican farmers rode on horseback from Mexico City to Ciudad Juárez to protest the Mexican government's undercapitalization of Mexico's farms. The group El Barzon, which organized the demonstration, contended that these cutbacks were largely the result of complying with NAFTA.[130]

Canada: NAFTA also has weakened Canada's efforts to safeguard small farm incomes through the use of marketing agencies and supply management programs.[131] According to the Canadian National Farmers Union, the Canadian government routinely has used export-based trade agreements as an excuse and justification for eliminating domestic farm policies and safeguards and replacing them with export policies "dressed up as agriculture policies."[132] As well, under NAFTA, Canada's total government direct payments made to farm producers fell by 31.0% from C$2.8 billion in 1993 to C$2.0 billion in 1999.[133]

> Although not one of the individual seed producers had a measurable share of the world seed market in 1980, ten firms controlled one-third of the world market in 2000. By 2000, the largest five grain trading companies controlled three-quarters of the world's cereal commodity market. —
> Rural Advancement Foundation International, Dec. 21, 2000 and *Western Producer*, Mar. 8, 2001.

The Canadian Agricultural Income Disaster Assistance program was created to meet the requirements established in the General Agreement on Tariffs and Trade on domestic farm programs (the so-called "green box" programs), but it has been roundly criticized for inadequately addressing the farm crisis in Canada.[134] AIDA instituted the WTO-required farm support eligibility requirement that farms must lose 30% of their income for three consecutive years (or three of the previous five years) to receive government support — meaning that a farm that lost 30% of its crop two years straight would not be ineligible for assistance.[135] In 2001, while still touting the benefits of "free trade" in agriculture, the Canadian Parliament was pressured into responding to the agricultural price crisis in Canada by adding C$500 million to the farm income support safety net.[136] Given the scope of the crisis, critics on the Canadian House of Commons Agricultural Committee were asking for C$1 billion.[137]

NAFTA, Free Trade and Deregulation Accelerated Concentration in Agribusiness

While independent farmers in all three NAFTA countries have been hurt and consumers 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, Ottawa and Mexico City to establish the trade agreement. 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. Both the inputting industries (seeds, herbicides, pesticides and veterinary pharmaceuticals) and outputting industries (the wholesale commodity buyers and the retail operations that sell food to consumers) rushed to consolidate within and across their narrow sectors and create alliances with other food industries to encircle farmers and consumers in a web of agribusiness powerhouses from which neither can escape. These so-called "food clusters" increasingly are controlling the entire process of growing and raising food products — from selling seeds and bioengineering animal varieties to producing the pesticides, fertilizers, veterinary pharmaceuticals and feed to grow them to transporting, slaughtering, processing and packaging the final "product."

NAFTA provided an array of new corporate rights that fostered increased consolidation in numerous sectors. The NAFTA Cross-Border Trade in Services Agreement and the Right of Establishment of Investments guaranteed a commercial presence in other NAFTA countries.[138] NAFTA came into effect during the late 1990s when merger activity increased. Indeed, 1998 is considered the year of the mega-merger, witnessing more than 12,500 deals totaling more than $1.6 trillion.[139] The very nature of corporate foreign investment is changing, with cross-border mergers and acquisitions comprising 60% of foreign direct investment (FDI) in 1998, a greater percentage of FDI than at any time during the 1990s.[140]

In a 1995 interview with Public Citizen, 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."

By 2000, the largest five grain trading companies controlled three-quarters of the world's cereal commodity market.[141] The top five food retailers controlled 42% of retail food sales in the U.S. in 2000, up from 24% in 1997.[142] 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) and the top five U.S. hog processing firms controlled 63% of the U.S. market.[143] The top 10 seed companies controlled 31% of the $24.7 billion commercial seed market worldwide in 1999.[144] Although not one of the individual seed producers had a measurable share of the world seed market in 1980, ten firms controlled one third of the world market in 2000.[145] Biotech mergers, excluding pharmaceutical companies, rose from $9.3 billion in 1990 to $172 billion in 1998 — an 18-fold increase.[146] The four largest U.S. chicken firms control half the U.S. market of production and processing.[147]

Despite the visible and significant concentration in the agriculture sector, U.S. Congressional efforts to ensure compliance with U.S. competition policy and antitrust laws on the books* were met with

* These include the Sherman and Clayton Antitrust Acts, the Packers and Stockyards Act, the Federal

(continued...)

stiff opposition by industry and tepid efforts in the Clinton Justice Department. In the autumn of 1999, the Senate overwhelmingly opposed legislation to impose an 18-month moratorium on agribusiness mergers.[148] At a 1999 Senate Agriculture Committee hearing on the mega-merger of Smithfield Foods and Murphy Family Farms, the nation's two biggest hog producers and processors, the Justice Department claimed it was unable to find farm groups or farmers who felt they would be harmed by the merger.[149] Farm state Senators Tom Harkin (D-IA), Charles Grassley (R-IA) and Max Baucus (D-MT) doubted that farmers were so unconcerned about the mergers. At a Senate Agriculture hearing in April 2000, the Senators questioned John Nannes, Deputy Assistant Attorney General for Antitrust, about how much time the department had spent interviewing farmers about the merger.[150] Nannes admitted that very little time was spent on farms and ranches speaking to producers.[151]

With little attention paid to the initial mega-mergers, agribusinesses have felt free to consolidate further. 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.[152] In the U.S., the merged entity would control 30% of the beef market, 33% of the chicken market and 18% of the pork market.[153]

> In 1999, Archer Daniels Midland owned 52% of Canada's wheat milling capacity, ConAgra owned 64% of Canada's malt milling plants, and Cargill and IBP owned 66% of the beef packing plants in Canada — all U.S. based companies.
> — Canadian National Farmers Union, Submission to the Standing Committee on Foreign Affairs and International Trade, Apr. 26, 1999.

Canada: Canadian independent farmers faced the same extreme concentration. In 1999, Archer Daniels Midland owned 52% of Canada's wheat milling capacity, ConAgra owned 64% of Canada's malt milling plants, and Cargill and IBP owned 66% of the beef packing plants in Canada.[154] All are U.S. based companies. In 2000, the Canadian National Farmers Union noted in testimony to the Canadian Senate Standing Committee on Agriculture and Forestry that "[a]lmost every link in the chain, nearly every sector, is dominated by between two and ten multibillion-dollar multinational corporations."[155]

Mexico: In Mexico, NAFTA promoted foreign ownership of both farm land and agriculture-related industry, such as slaughter and packing operations. NAFTA's investor rights chapter raised the proportion a foreign company could hold in Mexican agricultural industry from 49% to 100%.[156] Agribusinesses took advantage of this opportunity to invest in Mexico's low-wage, minimal regulatory environment. Indeed, anticipating the benefits to be gained from NAFTA's passage, Green Giant, a subsidiary of agribusiness giant Pillsbury, moved its frozen food processing plant

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[*](...continued)
Trade Commission Act as well as state antitrust authorities through states' attorney generals. Additionally, the U.S. Department of Agriculture is required to investigate and regulate anti-competitive market tendencies in the meat packing industry through the Grain Inspection, Packers & Stockyards Administration.

from Watsonville, California, to Mexico, where cheaper wages and minimal food safety controls promise higher profits on frozen food, especially when NAFTA would allow it to return for sale to U.S. consumers with no tariff.[157] In an opinion piece in *Milling & Baking News,* the president of Cargill's Pan American Department celebrated the 1991 extension of Fast Track to President Bush to negotiate NAFTA.[158] A few months later, Cargill Corporation purchased a beef and chicken production plant in Saltillo, Mexico, thus also securing access to lower wages and regulatory standards.[159] 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.[160]

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.[161] ConAgra has a joint venture oilseed processing business in Argentina known as Pecom Agra.[162] Agribusiness giant Archer Daniels Midland owns a 29% stake in Gruma S.A. de C.V., the world's largest corn flour and tortilla manufacturer and marketer, which has operations in Mexico and throughout Central and South America.[163] ADM also leases or has joint ventures with many production facilities in FTAA countries, including oilseed crushing plants (Brazil, Mexico, Canada and Bolivia), a corn milling plant in Mexico, flour mills (Barbados, Belize, Canada, Grenada, Jamaica and the Netherlands Antilles), oilseed refineries (Bolivia and Brazil) and bioproducts factories producing feeds (Barbados, Belize, Canada, Grenada, Netherlands Antilles, Canada and Trinidad).[164] ADM also has half ownership of a Bolivian oilseed crushing and refining plant and half of a corn milling plant in Mexico.[165] Additionally, Wal-Mart, a giant food retailer in the U.S., also already operates in Argentina and Brazil.[166]

NAFTA Encourages Transnational Agribusinesses to Dump Low-Priced Farm Commodities, Disrupting Local Markets and Harming Family Farmers in the U.S., Mexico and Canada

Central to the NAFTA model is the notion that food should be treated like any other good or commodity. Thus, government polices aimed at ensuring food security or supporting small farmers are eliminated and food is covered by the same sorts of trade rules as tin ore or tires. The changes in domestic policy required by NAFTA have established new opportunities for transnational agribusinesses to develop export platforms in all three NAFTA countries for hoarding and dumping agriculture commodities across national borders, driving down local commodity prices paid to farmers in all NAFTA countries. In principle, importing countries are permitted under NAFTA rules to prohibit companies from exporting commodities at prices that are below the **cost** incurred in producing them, but in practice the dumping of agricultural products has continued and even grown under NAFTA. Indeed, all three NAFTA countries have accused their trade partners of illegally dumping agricultural products and adversely impacting domestic farm producers.

U.S. attempts to utilize NAFTA and WTO-legal "surge protections" against import floods into the

U.S. and to ensure access to foreign markets for U.S. agricultural products have been unsuccessful. The U.S. defense of domestic farmers from import floods has been especially disappointing; though required by law to monitor the impact that NAFTA imports have on domestic industry, the U.S. government essentially has refused to act to protect domestic farmers or has been left with only ineffective NAFTA and WTO legal tools to do so when it does take action.

For instance, in exchange for supporting NAFTA, a large portion of the Florida congressional delegation obtained a special U.S.-Mexico "side agreement" and the insertion of language into NAFTA's implementation language to safeguard winter vegetables, especially peppers and tomatoes, against import surges of these goods from Mexico. The U.S. government is required to monitor imports of those vegetable, especially from Mexico. Unfortunately, although the U.S. International Trade Commission (U.S. ITC) has performed the required annual reviews of these two vegetables, each year the U.S. ITC merely has documented the overwhelmingly negative impact that Mexican imports have had on domestic farmers and then decided to take no action to protect the domestic producers.

A quantity of the huge new NAFTA flood of tomatoes and peppers are coming from transnational agribusinesses, which relocated production to Mexico to access $3.60/day rural labor[167] and to use pesticides banned in the U.S. and enjoy unlimited duty-free access to the U.S. consumer market.[168] Lax Mexican labor law enforcement also means the Mexican operations are not required to invest in worker safety or sanitation. The result is Mexican farm workers being exposed to toxic pesticides and squalid work conditions.[169] 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.[170] In 2001, two people died from salmonella after being infected by cantaloupes from Mexico which could have been contaminated through unsanitary working conditions such as a lack of bathrooms and hand washing facilities on Mexican farms.[171]

Agribusiness' takeover of the developed world's farm production has significant implications for farmers in the developing world as well. The phenomena has been particularly damaging in Mexico. There, the influx of cheap agricultural commodities surging into the developing world first destabilized and then allowed giant agribusiness to capture local agricultural markets.[172] In the absence of small farm safeguard programs, farm income has been slashed, available jobs in the agriculture sector have been reduced and rural economies are devastated.[173] All of this amounts to tremendous pressure on small farmers in Mexico to leave their land to migrate to cities to replace their previous livelihoods.[174] This migration is a vicious circle driving down urban labor prices and increasing poor consumers' food costs as food production and distribution is consolidated in the hands of transnational agribusiness concerns.[175]

Mexican peasant corn and wheat farmers suddenly faced removal of price guarantees and thus drastic price cuts and removal of domestic safeguards and policies.[176] Under the NAFTA-required Mexican land-ownership changes farmers who fall into debt they lose their land leaving them without a home or a livelihood.[177] These small farmers are likely to migrate to Mexico's crowded major cities where unemployment is high, to the U.S.- Mexico border industrial zone where wages are low or to new agribusiness plantations where they work as farm laborers.

Case Study: U.S. Corn Dumping Into Mexico Devastates Mexican Farmers and Genetic Diversity

> A result directly contradictory to free trade theory, however, is that corn prices for consumers rose while corn growers faced lower prices.

By guaranteeing new market access and removing Mexico's supply management of corn and its price supports and other food security policies, NAFTA opened Mexico to imports of corn bought at low prices from U.S. and Canadian farmers who already had lower costs, given their highly mechanized large scale production.[178] The import prices at which commodity trading giants offered corn for sale in Mexico was well below the floor price Mexican farmers had received before NAFTA.[179] Some results were predictable:

- Mexican farmers who were unable to compete with U.S. and Canadian growers quit farming, and
- Mexico has became increasingly dependent on corn imports.

A result directly contradictory to free trade theory however is that:

- corn prices for Mexican consumers rose despite the fact that corn growers received lower prices.[180] Other results were less widely predicted: the importation of the genetically identical monoculture corn from the U.S. and Canada is pushing the genetic diversity of Mexico's indigenous corn varieties to the brink of extinction.

Mexican Corn Economics and Livelihoods: When NAFTA was being negotiated, corn produced in the U.S. cost $110 a ton at the U.S.-Mexico border, and farmers producing corn in Mexico received a guaranteed floor price of $240 a ton, the cost of production for farmers in Mexico.[181] The Mexican government also set a price ceiling on tortillas. During this period, corn was Mexico's most important crop, accounting for 60% of cultivated land with 3 million producers — 8% of Mexico's total population and 40% of all Mexicans working in agriculture.[182] NAFTA negotiators knew that the prospect of cheap grain commodity imports to Mexico would devastate Mexican peasant farmers. Mexican Undersecretary of Agriculture Luis Tellez predicted that NAFTA would push an annual average of one million farmers and their families off of their farms each year for ten years.[183]

The Mexican government maintained a guaranteed floor price by managing the supply of corn, only allowing imports if domestic production failed to cover demand. NAFTA opened Mexico's corn market to U.S. imports, providing a large quota. Mexico also agreed to end its guaranteed price floor subsidies for Mexican growers, reasoning that it would import cheaper U.S. corn.[184] Moreover, although NAFTA originally permitted a fifteen year phase-in of quota elimination for the corn sector,

Mexico to Seek Protections Against U.S. Corn Exports?

Mexican farmers and consumers have suffered for years under a deluge of cheap corn imports from the U.S., but in 2000 Mexican press accounts reported that the Mexican government was considering filing an anti-dumping complaint against the U.S. for dumping corn.[185] USTR's response to these press reports was to list the mere possibility of Mexico acting to stop corn surges as one of the items in trade contention between the U.S. and Mexico in its 2001 annual National Trade Estimates report, which catalogues the U.S. litany of trade complaints against its trading partners.[186]

Mexico eliminated its corn quotas within 30 months.

The predictable result under NAFTA's opening of Mexico's corn market was that corn imports surged into Mexico. Between NAFTA's enactment in 1994 and 1998, Mexico's import of cheap corn increased and led to drastic reductions in prices paid to Mexican farmers.[187] Total U.S. corn shipments to Mexico grew 15-fold between 1993 and 1999 to 5.6 million tons and accounted for 25% of Mexican corn consumption compared to a pre-NAFTA figure of 2%.[188] Between 1993 and 1999, the real price paid to farmers for corn fell by 46.2%.[189]

Within a year, Mexican production of corn and other basic grains fell by half, and millions of peasants lost a significant source of income. Mexican farmers could not compete with U.S. and Canadian imports and millions migrated to urban areas in search of paid work. Many more Mexican farmers and their families will be displaced in the coming years; some estimates run to as many as 15 million people, or about one in six Mexicans.

A recent study commissioned by Oxfam of Great Britain and the World Wildlife International found that the compressed opening of the Mexican corn market from 15 years, as permitted under NAFTA, to 30 months brought the Mexican corn prices in alignment with world prices 12 years early and that the price paid to Mexican corn farmers dropped by 48%.[190] At the same time, the elimination of the CONASUPO program, discussed above, meant many small corn farmers suddenly had no market for their crop at a price that covered production costs. Within a year, Mexican production of corn and other basic grains fell by half, and millions of peasants lost a significant source of income.[191]

Mexican farmers could not compete with U.S. and Canadian imports and millions migrated to urban areas in search of paid work.[192] Mexico's urban population has exploded over the last ten years, growing by 44% — more than twice the national average population growth of 20%. Meanwhile, rural population growth rates of 6% over the last decade are less than a third of the national average.[193] Many more Mexican farmers and their families will be displaced in the coming years; some estimates run to as many as 15 million people, or about one in six Mexicans.[194]

While NAFTA dramatically eroded the price Mexican farmers received for corn, the cost of corn tortillas, a staple of the Mexican diet, did not drop. The real price of corn in Mexico declined by

46.2% between 1993 and 1999.[195] Mexico's national consumer price index, which measures changes in the prices of common consumer goods such as food, energy and housing, more than tripled between 1994 and 2000.[196] At the end of 1998, Mexico ended the decades-old price controls over tortillas and ceased subsidizing tortilla mills.[197] Within one year of these price caps and subsidies being cut, consumer prices for tortilla dough in Mexico had risen 22%, tortilla prices in Mexico City rose by 50% and rural tortilla prices rose even higher.[198] Eliminating the tortilla protections meant that poor Mexican consumers, who receive half of their caloric intake in tortillas, were forced either to purchase the increasingly expensive tortillas made from imported U.S. corn or to go with less food.[199]

Mexico's increased dependency on staple food imported from the U.S. and Canada has threatened poor Mexican consumers' access to food in another way: When foreign supplies of staple crops decline, the supply for Mexico dries up. Indeed, when the U.S. experienced a corn shortage in 1996, Mexico was thrown into a food crisis.[200] According to the Mexican National Nutritional Institute, the U.S. corn shortage resulted in the malnourishment of one out of five Mexican children.[201] According to the Mexican Institute of Social Security, since NAFTA, 158,000 Mexican children die each year before reaching 5 years of age from illnesses related to nutrition.[202] Post-NAFTA Mexico no longer has policies to ensure it can feed itself.

The flood of U.S. and Canadian imports also has threatened the continued existence of the numerous traditional varieties of corn grown in Mexico. Corn has been cultivated for about 5,000 years in Mexico and this cultivation has generated over 41 distinct racial complexes and thousands of recognized varieties.[203] Approximately 60% of Mexican corn growers cultivate these locally bred, locally adopted corn varieties.[204] These varieties represent a huge reservoir of genetic diversity of corn, allowing these plants to cope with natural limitations, drought, certain pests and other conditions found in different regions of Mexico.[205] As Mexican farmers who grow the indigenous varieties of corn are driven off the land, and as more Mexican corn farmers cultivate purchased hybrid seed varieties of corn commonly grown in the U.S. and Canada, the genetic diversity of Mexico's corn is dwindling. By 2000, genetically engineered corn was expected to be planted in the fields of northwest Mexico.[206] There is significant concern in the agricultural and environmental scientific communities that these genetically engineered crops could lead to the destruction of the many wild corn varieties that are vital gene repositories for domesticated corn in Mexico, which are already declining at alarming rates.[207]

Within one year of the Mexican government eliminating price caps and subsidies for tortillas, consumer prices for tortilla dough in Mexico had risen 22%, tortilla prices in Mexico City rose by 50% and rural prices rose even higher.

NAFTA Seed Monopolies: Patent Protectionism

While Mexico's impressive diversity of corn varieties is being destroyed, U.S. and Canadian agribusiness and pharmaceutical businesses and research institutions are combing the ecological diversity of Mexico to "find" new foods and medicines which they could patent and market profitably in the U.S. and abroad. NAFTA contains a chapter establishing intellectual property rights that require the three NAFTA countries to issue patents guaranteeing 20-year monopoly marketing rights on a vast array of items, including seeds and plant varieties.[208] NAFTA's intellectual property terms required Mexico to change its domestic law and institute criminal penalties for violating these NAFTA's intellectual property rules. NAFTA terms also required Mexico to reverse the burden of proof regarding the required domestic civil and criminal prosecution of such violations — requiring the defendant to prove that the allegedly infringing product was made by processes other than the patented means.[209] These vast new intellectual property rights and strong enforcement provisions have established yet another way for U.S. and Canadian agribusinesses to benefit from NAFTA biopiracy.

The process of pharmaceutical and agribusiness pesticide and seed companies capturing indigenous seeds, herbs and traditional processes for obtaining medicinal or pesticidal benefits from local flora and fauna in the developing world is known as "biopiracy." Once corporations have obtained a patent on a locally developed seed, local farmers must pay annual fees to use the seed type, even if the seed was the product of breeding conducted over generations by the very ancestors of the local farmers themselves. Thus, under the intellectual property provisions of NAFTA, indigenous communities that have been planting and crossbreeding strains of food crops for centuries to develop that perfectly adapted variety can be required to pay an annual license fee to use their own saved seeds if a bio-prospector has collected it and patented it to some distant corporation. Under NAFTA, if the farmers do not pay the patentholder, the Mexican government is required to force the infringer to desist from violating the patent, for instance by pulling out the crop, and to order the infringer to pay the patent holder damages and expenses, including attorneys' fees.[210]

One version of biopiracy is corporate "patent appropriation" of plant varieties that rural and indigenous communities have been cultivating for hundreds or even thousands of years. Companies merely must claim that they have "altered" the plant in order to earn the right to patent it, even if that

Will Planned Anti-Biopiracy Policy Violate Extreme NAFTA IPR Rules?

The administration of Mexican President Vicente Fox is seeking to stop bio-piracy of Mexico's genetic diversity by agribusiness and pharmaceutical interests. Arguing that small farmers and traditional healers rely on these plants for their food and health security, the Fox administration has created Mexico's Intersecretarial Commission on Biosecurity. This is a new collaboration of six Mexican cabinet secretaries that is intended to establish national centers to protect and preserve the country's genetic resources and to promote laws to ensure that all Mexicans, including the indigenous Mayans living in the most ecologically diverse areas, benefit from the genetic diversity of Mexico's flora and fauna.[211] Despite these new efforts, several cases of biopiracy are ongoing in Mexico.

alteration — such as adding a marker gene through bioengineering — does not change the plant in any meaningful way.[212] Since patent examiners often do not have access to facilities to test the alleged "new trait," the patent is often granted and validity of the claim is left to be contested through civil litigation, which is too costly for many indigenous communities to undertake.[213]

The story of the rare exception to the typical NAFTA seed patent protection scenario proves the broad threat NAFTA's intellectual property provisions contain. In October 2000, a bean growers group representing 1,000 farmers in the Mexican state of Sinaloa was shocked when a Colorado rancher brought a patent infringement suit against its export of a dried yellow bean, known in Mexico as Mayacoba. The U.S. farmer, Larry Proctor, had filed a U.S. patent he claimed covered the Mexican farmers' beans for the seed-owning firm POD-NERs.[214] While the Mexican farmers had been growing the yellow Mayacoba bean for generations, the patent for the Colorado-bred "enola" bean (named after Proctor's wife) was awarded in 1999. The POD-NERs suit defending its bean patent asked for a 6¢-a-pound fee from the Mexican farmers for beans of the same color of enola beans.[215] This would amount to a 23% surcharge on beans that sold for 27¢ a pound in Los Angeles, making them economically unviable for Mexican farmers.[216]

According to Proctor's patent application, the "enola" bean was cultivated over three years from a package of dry beans purchased in Mexico in 1994 and brought to the U.S.[217] Proctor defined the enola bean as a bean that was cultivated from the field bean *phaseolus vulgaris* of a certain yellow color.[218] The patent was approved in 1999, along with a plant-variety protection certificate which grants POD-NERs the sole right to market the bean commercially.[219]

The Mexican government claims the bean was identified by genetic fingerprinting and registered with the agricultural state of Sinaloa in 1978 — 16 years before Proctor and POD-NERs filed for the "enola" patent in the U.S.[220] Moreover, plant and bean breeders and agricultural scientists believe that to breed a new variety of bean typically takes a decade and that a genetically distinct variety could not be bred in three seasons.[221]

> "We have solid scientific evidence that Andean peasant farmers developed this bean first, together with Mexico." — Dr. Joachim Voss, Director of CIAT, *New York Times*, Mar. 20, 2001.

The rare and unusual twist to this case is that the affected bean farmers organization, the Asociacion Agricultores de Rio Fuerte Sur, the importer Tutuli Produce International and the Mexican government countersued POD-NERs, charging that the U.S. patent was invalid.[222] The countersuit contends that the patent is illegitimate because the enola bean is neither "new, useful nor non-obvious," as is required by U.S. patent law; because it relied too heavily on color as a determinant; and because there was insufficient time to breed a genetically different variety.[223] In essence, it argues that Proctor did not breed enola, but rather that he stole it from Mexican genetic stocks. The Mexican government estimated it could cost $200,000 at a minimum to overturn the enola patent, but determined that the expense was necessary because yellow beans constitute over 90% of bean consumption in northwestern Mexico — consumption that absent overturning the patent would be require a 6¢ per pound payment to a U.S. seed company .[224] Meanwhile, one Mexican bean farmer, claiming that POD-NERs had sent letters to bean importers throughout the U.S. discouraging them from buying yellow beans from Mexico, reports that already the patent enforcement action has resulted in a wipe out of exports and a huge drop in farm income for Mexican farmers cultivating the beans.[225]

In December 2000, the International Center for Tropical Agriculture (CIAT), one of 16 international research plant and agriculture gene bank groups that holds germplasm (genetic material) in the public commons instead of private hands, joined the opposition to the "enola" patent and filed a formal request with the U.S. Patent & Trademark Office to reconsider its awarding of the "enola" patent to Proctor.[226] CIAT's petition notes that it has the world's largest collection of beans in its gene bank — more than 28,000 varieties — and 260 of the varieties are yellow, with six of those being "very similar" to the patented enola.[227] In February 2001, the U.S. Patent & Trademark Office determined that there were sufficient merits to proceed with the challenge, which should be resolved within months.[228]

The Record of Food Fights in the NAFTA Era

The Endless Durum Wheat Fight and the Canadian Wheat Board Battles

Although the U.S. is a major wheat producer, the promised jump in U.S. wheat exports has failed to materialize under NAFTA. In contrast, during the period of NAFTA, U.S. farmers have seen a flood of imported Canadian wheat enter the U.S., which has driven down U.S. domestic wheat prices.

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. Perversely, proposed FTAA NAFTA expansion could intensify considerably the injury to U.S. wheat farmers, given that the FTAA would include the South American breadbasket wheat exporters such as Argentina, Brazil and Uruguay. The U.S. government, often at the behest of wheat growers in the U.S., has long contended that the existence of Canada's state-run exclusive exporter of wheat, the Canadian Wheat Board, provides an illegal subsidy to the Canadian wheat sector. Since the 1989 formation of NAFTA's predecessor, the Canada-U.S. Free Trade Agreement (CUFTA), there have been disputes between U.S. wheat growers and Canada over the Canadian Wheat Board (CWB),[229] which is the sole purchaser of Canadian wheat for the export market. Canadian officials have long argued that the CWB has no more market power than U.S. agribusinesses.[230] The CWB is the largest state trade enterprise in the world and uses its market power to try to maximize the return for Canadian farmers.[231]

On the Durum wheat front, at issue is U.S. complaints about transportation subsidies for Canadian wheat. In order to obtain votes from several U.S. Members of Congress in wheat-growing districts in 1993, the White House offered to investigate transportation and other subsidies that Canadian wheat growers enjoy to the detriment of competitors in America. In a letter to Representative Glenn

English (D-OK), President Clinton promised to send the U.S. Secretary of Agriculture to negotiate remedies with the Canadian government and have the ITC investigate the impact the subsidies have on American growers.[232] The letter did not impress some agriculture officials from wheat growing states, who had similar concerns when the U.S. negotiated a bilateral trade agreement with Canada in the 1980s, which included wheat provisions. "What we had thought was protection was simply a series of hollow promises. The hortatory language in the Statement of Administrative Action and Implementing Act ended up as meaningless words on paper,"[233] North Dakota Agriculture Commissioner Sarah Vogel wrote before the NAFTA vote, warning against new "promises." Her prediction was that President Clinton's promise would be equally hollow, and she was right.

However, several members of Congress took the "deal" and supported NAFTA. When a dispute arose between the U.S. and Canada over these subsidies, the provisions of the existing bilateral pact proved useless, as predicted by skeptics. Indeed, U.S. wheat growers' frustration has grown each year of NAFTA.

The Clinton Administration did perform an investigation of Canadian wheat trading and found that "Canadian imports did cause material interference" with domestic production.[234] After negotiations, Canada voluntarily entered into a one-year agreement in 1994 to limit its wheat exports to the U.S. However, five years after the limit ended, U.S. wheat imports from Canada had climbed 17% by 1999. Meanwhile, U.S. exports to Canada declined by 51% over the same period.[235] The level of outrage by wheat farmers over the situation has resulted in electoral turmoil and in recent years has escalated so much that U.S. farmers have set up physical blockades of Canadian wheat at the U.S.-Canada border.[236]

In a speech to the Canadian Wheat Board in January 2000, the President of U.S. Wheat Associates, a trade association representing growers, government and wheat growers, scolded the Canadian Wheat Board (CWB) for abusing its market power and undercutting the prices of U.S. wheat exports.[237] U.S. Wheat Associates contended that CWB bids to sell wheat contracts to Sri Lanka, the Arab Emirates and the Philippines unfairly undercut the price of U.S. wheat exporters to win the sales.[238]

In September 2000, the North Dakota Wheat Commission (NDWC) filed a section 301 petition with USTR against the Canadian Wheat Board for anti-competitive practices that hurt U.S. wheat growers at home and depress worldwide wheat prices, hurting U.S. export sales.[239] While USTR considered its decision, the NDWC sought a limitation on Canadian wheat imports either through a tariff or tariff rate quota or a voluntary moratorium by the CWB.[240]

In October 2000, USTR accepted the North Dakota Wheat Commission's section 301 market-opening petition and initiated an investigation into the Canadian Wheat Board's practices and its impact on competition.[241] Despite Canada's changes to the operation of the Canadian Wheat Board, including the elimination of one of the transportation subsidies in 1995 and the planned privatization of the railcar fleet in 2002,[242] USTR continued to criticize the "government-sanctioned monopoly status" and other "privileges that restrict competition."[243]

Canada maintains that the Canadian Wheat Board complies with NAFTA and WTO guidelines. The CWB and its operations have survived eight U.S. investigations since 1990 (which Agriculture and Agrifood Canada catalogued: a 1990 section 332 U.S. ITC competitiveness investigation, 1992 GAO study on wheat marketing boards in Canada and Australia, a 1993 Canada-U.S. Free Trade Agreement dispute settlement panel on durum wheat sales, a 1994 audit of CWB durum wheat sales pursuant to the CUFTA dispute, an 1994 U.S. ITC section 22 investigation of whether Canadian wheat imports undermined U.S. farm policy and the Memorandum of Understanding on Wheat, a 1996 GAO report on state trading enterprises and a 1998 GAO report on the CWB[244]) that confirmed the CWB operates in compliance with international trade rules.[245] Canada contends that the CWB legitimately pursues the best possible return for western Canadian wheat farmers.[246] However, the U.S. has responded that repeated attempts by the U.S. ITC, the U.S. Department of Commerce, the General Accounting Office and the World Trade Organization have failed to get sufficient information to reach final conclusions on how the CWB operates, but that these bodies believe that the CWB operations have trade distorting effects.[247] Although these many investigations and disputes have identified some of the trade distorting effects of the CWB, none of the trade panels or commissions have acted either to require changes in the CWB or to impose countervailing duties or tariffs. In April 2001, U.S. ITC launched another section 332 competition fact finding investigation at the request of USTR in its efforts to complete its section 301 anti-competitive investigation.[248]

Canadian Softwood Lumber

NAFTA has been accompanied by a worsening in commodity trade disputes that have heightened conflicts between trading partners, rather than alleviating them. The case of lumber and other wood products is an interesting one given the proposed FTAA NAFTA expansion includes wood product export powerhouses such as Brazil and Chile.

Disputes between the U.S. and Canada over trade in lumber date back to the 1800s, but the dispute over the U.S. quota on "softwood lumber" (processed wood for home construction) reached a fever pitch in early 2001. Since 1982, the U.S. has tried to challenge Canada's lumber policies and practices as constituting illegitimate subsidies which should be disciplined with countervailing duty orders under U.S. trade law. The U.S. has failed each time.[249] The *Financial Times* has described the softwood lumber tensions between the U.S. and Canada as the largest, most controversial trade dispute between the world's largest trading partners over the past two decades.[250]

> "The U.S. lumber industry is in crisis. Mills are closing, unemployment is rising and our companies are hemorrhaging." — Rusty Wood, Chairman of the U.S. Coalition for Fair Lumber Imports, *Vancouver Sun*, Apr. 3, 2001.

The crux of the disputes has centered on the impact the different timber policies employed by Canada and the U.S. have on the lumber industries in there respective countries. The U.S. ITC has contended that the Canadian government subsidizes lumber production by setting the price lumber companies pay for harvesting rights (known as "stumpage fees") from public land at artificially low levels.[251] Nearly all (93%) of Canadian forests are owned by the government.[252] In contrast, more than half (58%) of the timber land in the U.S. is privately owned, and timber is sold at public auctions, which are more sensitive to market forces.[253] Environmentalists also have argued that Canada's lumber policies create subsidies which promote intensive harvesting of Canada's forests and sales of lumber at a fraction of its real value.[254]

After years of battling, the U.S. and Canada entered into a Softwood Lumber Agreement (SLA) in 1996 to set bilateral trade terms for softwood lumber through March 31, 2001.[255] Under the terms of the agreement, the U.S. set a volume quota on the importation of Canadian softwood lumber at 14.7 billion board feet.[256] For every 1,000 board feet imported to the U.S. in excess of the quota, a $50 fee was imposed on the imports, up to the next 650 million board feet.[257] A $100 per thousand board feet fee was assessed on imports in excess of 15.25 billion board feet.[258] In exchange, Canada received commitments that the U.S. would not initiate anti-dumping or countervailing duty investigations or orders on Canadian softwood lumber trade.[259] While the agreement was in force, Canadian exports to the U.S. remained fairly stable at about $7 billion worth of softwood lumber each year, accounting for a third of the U.S. market.[260]

As the expiration of the Softwood Lumber Agreement approached, the U.S. attempted to reach a compromise with Canada over a possible replacement for the agreement, but failed. In early March 2001, 51 U.S. Senators sent a letter to President Bush urging him to deny unfettered U.S. market access to Canadian lumber producers.[261] USTR proposed a special tax on Canadian lumber exports, but Canada rejected that idea, instead suggesting that a panel of experts resolve the dispute rater than the issue issue being brought before yet another U.S. ITC panel.[262] Even after the agreement expired on March 31, 2001, the U.S. pressed for the export tax.[263] However, Canada insisted that NAFTA rules alone should apply to the exports of lumber, without any additional limits on access to the U.S. market for Canadian softwood lumber.[264]

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The day after the Softwood Lumber Agreement expired, the Coalition for Fair Lumber Imports, an organization of lumber mills, owners and loggers representing 75% of U.S. production, asked the U.S. Commerce Department to begin an anti-dumping and countervailing duty investigation and to apply a 78% duty to future softwood lumber imported from Canada.[265] The Paper, Allied-Industrial, Chemical and Energy Workers International Union and the United Brotherhood of Carpenters and Joiners signed onto the industry coalition's complaint to the ITC.[266] The coalition contended that cheap Canadian softwood lumber imports were responsible for 160 lumber mill closings and that further imports threaten the jobs of 700,000 U.S. workers in the timber industry.[267] In the past few years, softwood lumbermills have been shuttered in Bellingham, Washington; Kalamazoo, Michigan; Cascade and Emmett, Idaho; Lock Haven, Pennsylvania; Camden, Arkansas; Washington and

Waycross, Georgia; Passadumkeag and Costigan, Maine; Moss Point and Louisville, Mississippi; Ruston and Bernice, Louisiana; and Mobile, Alabama.[268]

On April 25, 2001, the U.S. Commerce Department launched a countervailing duty order investigation into subsidies benefitting Canadian lumber producers.[269] On May 16, the U.S. ITC investigation's preliminary determination found that the U.S. softwood lumber industry potentially was threatened by "allegedly subsidized" Canadian imports and voted 5-0 to continue the investigation.[270] The Commerce Department identified four federal Canadian subsidy programs, including the Federal and Provincial Timber Management Systems, and an additional 13 provincial programs across British Columbia, Quebec, Ontario and Alberta which could constitute illegitimate subsidies.[271] The preliminary report also included these findings:

- Canada's production capacity, capacity utilization and overall production had increased each year between 1995 and 1999;
- the Softwood Lumber Agreement effectively restrained imports from Canada to some extent;
- the elimination of the SLA is likely to lead to substantial import increases; and
- the imminent subsidized low-price imports will exacerbate pressures on domestic producers and create material injury to domestic industry.[272]

Days after the preliminary ruling, a coalition of environmental organizations, including the Natural Resources Defense Council and Defenders of Wildlife, separately asked the U.S. Commerce Department to impose countervailing duties against Canadian softwood lumber imports. The environmentalists argue that Canada's failure to enforce its Fisheries Act's requirement to provide buffer zones around timber harvesting near streams amounted to an additional subsidy of $160 million.[273] In June, the Grand Council of Crees (Eeyou Istchee) submitted information to the Commerce Department documenting the annual C$106 million benefit conferred on the Canadian lumber industry by failing to enforce the environmental provisions of the Crees' territorial treaty rights guaranteed in the James Bay and Northern Quebec Agreements.[274]

While a diverse array of interests seek a new softwood lumber agreement, proponents of eliminating the SLA seek a future policy of no limits on cross-border U.S.-Canada timber trade. These interests include the Canadian government, Canadian softwood producers, and some of the huge U.S. timber companies which now have become transnational with Canadian operations and the softwood lumber-using industries such as construction that benefit from cheaper lumber. For instance, the U.S. National Association of Home Builders and Home Depot, the world's largest home improvement chain, both support the Canadian government's position so that they can profit from access to cheaper subsidized lumber imports.[275]

Even after the ITC panel's ruling, Canada has continued to recommend resolving the dispute through an "envoy" group which would study the problem and make non-binding recommendations to the governments. Senator Max Baucus (D-MT), now the Chairman of the Senate Finance Committee which has jurisdiction over trade policy, has called that proposal "potentially dilatory and without apparent merit."[276]

The British Columbia Lumber Trade Council and other Canadian lumber producers have coordinated their legal defense of the latest U.S. ITC countervailing duty investigation.[277] After the U.S. ITC's preliminary finding, the Ontario Forest Industry Association and the Ontario Lumber Manufacturer Association responded that the only acceptable outcome to the dispute was to follow NAFTA's terms and thus to eliminate all import controls that cushion the market forces that are driving U.S. lumber and paper mills out of business.[278]

Some U.S. lumber company giants have changed their position on the impact that subsidized Canadian softwood lumber imports have on their business — because they invested in Canadian mills and companies. Since the 1996 softwood lumber agreement was reached, some large U.S. timber companies have purchased lumber harvesting companies in Canada, providing access to Canada's allegedly cheaper lumber reserves. For instance, International Paper gained control of 15 mills in British Columbia during its acquisition of Champion International in 2000.[279] In 1999, Weyerhaeuser purchased Canadian-based MacMillan Bloedel for C$3.6 billion.[280] After the MacMillan purchase, Weyerhaeuser was silent on whether Canadian lumber producers should have greater access to the U.S. market.[281] However, after the the latest U.S. Countervailing Duty and Anti-Dumping Petition was submitted to the U.S. Department of Commerce, Weyerhaeuser sent a letter to Prime Minister Jean Chretien and President George W. Bush urging them to start a negotiated envoy solution to the softwood lumber dispute instead of an anti-dumping investigation which could lead to potential imposition of anti-dumping and countervailing duties.[282] After increasing its number of Canadian lumber mills to 12, Louisiana Pacific's opposition to the countervailing duties against Canadian lumber imports evaporated.[283]

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Canadian exports of softwood lumber to the U.S. have increased during April and May 2001 to 14.4% above the levels when the Softwood Lumber Agreement was in force. That jump in imports is 0.6% below the U.S. statutory level of a 15% increase that triggers automatic retroactive duties under U.S. trade law.[284] The ITC's preliminary determination of the level of countervailing duties against Canadian softwood lumber is expected in July 2001, with a final determination due in September 2001.[285] However, given the terms of NAFTA, it is unclear whether a U.S. ITC determination and imposition of countervailing duties might not be subject to a successful Canadian NAFTA challenge. Indeed, the majority of successful cases against the U.S. at the WTO have been attacks on U.S. anti-dumping laws.[286]

Mexican Peppers

NAFTA's implementing legislation required the U.S. ITC to monitor the pepper-growing sector annually to assess the impact NAFTA was having on U.S. pepper farmers. To date, although the U.S. ITC has produced reports on the increasing importation of peppers into the U.S., especially from Mexico, it has not recommended any actions to protect beleaguered domestic growers.

In 2000, U.S. ITC found that between 1995 and 1999, the U.S. pepper market was inundated with Mexican pepper imports, while over the same period, the acreage of U.S. pepper production decreased.[287] Pepper imports rose by 45% over the period and Mexico accounted for 76% of pepper imports.[288] The share of consumed peppers supplied by imports grew by more than 25% between 1995 and 1999, from 19% to 25%.[289] U.S. processed pepper production fell by 18% between 1995 and 1999 while imports surged 109% over the same period.[290] Although the unit value of U.S. exported peppers fell slightly (from 92¢ per kilogram to 89¢ per kilogram), the unit value of Mexican pepper imports declined precipitously from $1.22/kilo to $1.07/kilo. The acreage of U.S. pepper production fell 14% between 1995 and 1999, from 67,600 acres to 58,220 in 1999.[291]

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Although NAFTA legislation required only monitoring of non-chile pepper imports, 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. Mexico's chile exports grew from 5,700 tons in the mid-1990s to 48,500 by the end of the decade — a 750% increase.[292] The price paid to U.S. chile pepper producers has fallen from $2 a pound to $1.30 a pound, a 35% decline, and U.S. chile acreage has fallen 25% between 1999 and 2000.[293]

Mexican Tomatoes

Within the first two years of NAFTA's enactment, two-thirds of Florida's tomato production was eliminated.[294] Even the vocal NAFTA-cheerleader, the American Farm Bureau Federation, called for U.S. intervention with a Mexican tomato dumping case in 1996.[295] Under the same provisions of NAFTA's implementation legislation governing peppers, U.S. ITC is required to monitor the impact that imported tomatoes have on domestic tomato farmers. Again, although the Commission has studied the domestic industry and the dire impact that imported tomatoes have had on domestic tomato farmers' sustainability, to date it has recommended no import surge protection or other safeguards. Tomato imports into the U.S.grew by 19% from 1995 to 1999, and Mexico has been the leading source of these imports, accounting for 83% of imported tomatoes in 1999.[296] Although the U.S. consumption of tomatoes has grown by 7% between 1995 and 1999, the share of domestically consumed tomatoes provided by imports has grown 13% over the same period to 34% of consumed fresh tomatoes. Florida's cultivated tomato acreage fell from 5,600 acres in 1992 to 2,000 in 2000 — a 64% decline.[297] Florida's tomato growers lost $112 million during the 1999-2000 growing season alone.[298] Before NAFTA, Florida's tomato industry consisted of more than 300 major farms, but by 2001 there were only 15 remaining — with hundreds of farm workers laid off at each farm that folded.[299]

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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. Mexico contends it can export its surplus sugar to the U.S., while the U.S. argues that a last minute U.S.-Mexico NAFTA side agreement allows the U.S. to prohibit surplus Mexican sugar imports until 2008.[300] During the last moments of the NAFTA negotiations, the U.S. sugar industry managed to delay NAFTA's sugar tariff reductions from 2001 to 2008, allowing only surplus Mexican sugar into the U.S. under a tariff rate quota system.[301]

In addition, according to U.S. government officials and U.S. sugar producers, a so-called side letter required that the U.S. only would have to provide access for up to 250,000 tons of surplus sugar a year.[302] Mexico contends that the Mexican government never signed the side letter and is entitled to unlimited access to the U.S. market for surplus sugar.[303]

The sugar dispute took a further twist in 1997, after Mexico imposed an anti-dumping duty on U.S. exports of high fructose corn syrup (HFCS).[304] The U.S. responded by refusing to raise the quota on Mexican sugar imports.[305] The U.S. then challenged Mexico's duty on U.S. HFCS at the WTO. In January 2000, a WTO panel ruled that the anti-dumping investigation used to justify Mexico's HFCS duties against the U.S. was consistent with WTO commitments.[306] However, the WTO also found that Mexico's imposition of the anti-dumping measure was inconsistent with WTO commitments because it incorrectly assessed the material damages to its domestic industry, it inconsistently applied retroactive anti-dumping duties, and it failed to release the bonds or cash deposits collected under the duty.[307] The WTO thus requested that Mexico bring its policy into conformity with the WTO agreement on anti-dumping.[308] Despite the WTO ruling, Mexico decided to maintain the duties that the WTO tribunal had ruled to be WTO-inconsistent.[309]

Meanwhile, Mexico's sugar surplus was estimated to be 575,000 tons in 2000.[310] The side letter dispute was under intense negotiation in August 2000, when U.S. negotiators proposed increasing market access for Mexican sugar in exchange for maintaining the Tariff Rate Quota, which applies an additional tariff for imports over a certain quota volume, beyond 2008, as scheduled in NAFTA.[311] In August 2000, Mexico requested that a NAFTA dispute panel be convened to resolve the sugar dispute.[312]

In the U.S., 52% of sugar is produced from sugar beets grown on family farms in the northern plains.[313] Unlike cane sugar, which is grown on a very few huge plantations in several southeastern states, sugar beet family farms are spread throughout the country and are found in many states including Colorado, Wyoming, Idaho, Michigan, Texas, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Ohio, Oregon, California and Washington.

Even without the influx of Mexican sugar, U.S. sugar beet producers have been hard hit. Since the Freedom to Farm Act went into effect, seven sugar beet processing plants have closed and more than half the sugar beet processing plants were for sale to beet growers, the buyer of last resort in 2001.[314] The price paid per pound to sugar beet farmers plunged 30% between 1995 and 2000 to $22 per hundred pounds of refined sugar, an 18 year low.[315] The amount of sugar imported under NAFTA is about the same as the amount that was produced by sugar refineries in California before NAFTA.[316] A University of Idaho study found that sugar beet growers switching their acreage to potatoes would result in an oversupply which would cause a $105 million annual loss to Idaho potato farmers and a $512 million annual loss to potato growers in other states.[317] Sugar beet farmers switching to other crops growable in the northern plains would face similar issues. According to Idaho sugar beet farmer Tim Corder, "I could grow 400 more acres of wheat [instead of sugar beets], but I'd be selling it for less than what my grandfather sold it for in 1929."[318]

"I could grow 400 more acres of wheat [instead of sugar beets], but I'd be selling it for less than what my grandfather sold it for in 1929." — Idaho sugar beet farmer Tim Corder, *Associated Press*, Apr. 4, 2001.

Despite these existing NAFTA troubles, sugar beet farmers are at ground zero of risk under the proposed FTAA NAFTA expansion. The FTAA would subject U.S. sugarbeet farmers to increased competitive pressures from Latin American and Caribbean sugar producers. Under the proposed FTAA, the USDA predicts that the domestic price will decline, imports would rise (especially from huge sugar producer Brazil) and U.S. production could slump.[319]

NAFTA Promises Failed U.S. Asparagus Farmers

Before NAFTA was passed, a Republican House Member obtained written assurances from President Clinton's USTR Mickey Kantor: "Let me confirm again that I will devote my energies to ensuring that our asparagus farmers remain competitive under NAFTA."[320] Between 1996 and 2000, asparagus imports from Mexico doubled from $33 million to $68 million and these imports closely mirrors the U.S. asparagus trade deficit with Mexico of $67 million.[321] The U.S. world asparagus trade deficit was nearly eight times larger in 2000 at $63 million than it was in 1996 when it was only $8 million. The majority of these asparagus are imported from FTAA countries such as Peru, which supplied one third of U.S. asparagus in 2000.[322] Between 1994 and 1998, asparagus imports increased by 42% to 108 million pounds, but U.S. asparagus exports sales decreased by 30% over the same period to 33 million pounds.[323] Imports from Peru, Bolivia, Ecuador and Columbia have surged since tariffs were reduced by the 1991 Andean Trade Preferences Act, displacing more than

5% of the U.S. asparagus crop.[324] Lower-priced asparagus imports compete directly with the U.S. asparagus crop, which adds $133 million to the California economy, the primary asparagus producing state.[325] Although one quarter of California's crop is exported to markets such as Japan and Switzerland, the California asparagus crop for domestic consumption would have been worth $163 million had it not been replaced by competitive imports from Mexico and Peru.[326]

NAFTA Promises Fail to Save Cut Flowers Industry

Before the NAFTA vote, the Clinton Administration promised worried cut flower growers and interested Congressional representatives that the Department of Agriculture would monitor imports and exports of cut flowers under NAFTA.[327] However, representatives of the U.S. flower farmers say they have been crushed by unfair trade in cut flowers from Latin American countries.[328] In particular, domestic growers have been hurt by cut flowers from Ecuador and Columbia and by imports of Mexican roses.[329] According to the Floral Trade Council and the California Cut Flowers Council, during each of the first three years after NAFTA, 10% of U.S. growers were driven out of business by low-wage foreign competition.[330] By 2001, cut flower imports accounted for 70% of the flowers sold in the U.S.[331] Since 1996, cut flower imports from Mexico rose 24% to $18.5 million in 2000 and cut flower imports from Ecuador rose by 51% to $62 million in 2000.[332] The failure of the USDA to effectively prevent NAFTA from decimating the U.S. cut flower industry was one of two key reasons Representative Sam Farr (D-CA) announced his opposition to Fast Track in 1997, although he supported NAFTA in 1993 after obtaining the Clinton Administration's assurances to safeguard the many flower growers in his California district.[333]

U.S. Prohibits the Import of Prince Edward Island Potatoes

In October, 2000, the U.S. prohibited the import of potatoes from Prince Edward Island (PEI), Canada's largest producer of potatoes, because of a potato wart fungus outbreak.[334] In 1999, PEI exported C$36 million worth of potatoes to the U.S.[335] After the import ban on PEI potatoes, $24 million worth of seed and table potatoes rotted in storage barns.[336] More than one quarter of PEI residents work directly or indirectly producing potatoes — as farmers, packers, truckers and stevedores.[337] The fungus was found on only 72 potatoes in one acre in one field in PEI and has not been detected in other potato fields.[338] The Canadian Food Inspection Agency tested 9,777 soil samples from 74 fields and 39 household gardens near the infected field and found no evidence of the potato wart fungus, but U.S. scientists contend that the testing was not stringent enough.[339] In December 2000, the U.S. partially lifted the ban, but it remained in force for potatoes from a 100,000-acre quarantine zone.[340]

Canada requested NAFTA consultations over the conflict, contending that the U.S. is exploiting the fungus outbreak, which Canada characterizes as minor and under control as a result of the extensive testing, to justify protecting U.S. potato growers from Canadian imports.[341] Canadian agriculture officials expect to pay C$15 million to PEI potato farmers to plow their crops into the fields in 2000.[342] PEI projected provincial budget surplus in 2001, but emergency aid to potato farmers because of the potato wart crisis has created a budgetary deficit, and the province is expected to lose C$25 million because of the crisis.[343]

In late April 2000, the U.S. and Canada came to an agreement which allowed imports of table potatoes (but not seed potatoes or bulk potatoes for processing) from 80% of the island if they have been washed, sprouted and packed in 50-pound or smaller bags, as well as visually inspected.[344] After one truckload of PEI potatoes was turned away at the U.S. border for being too dirty, PEI shippers have been forced to add more nozzles to their cleaning equipment to increase the likelihood that no shipments will be turned back.[345] The agreement only covers the 2000 PEI potato crop.[346] Negotiations are already underway over the 2001 crop, but the late date of the settlement will permit only a few farmers to sell last season's crop.[347]

Canada Investigates U.S. Corn Dumping

Canada is investigating whether corn growers from Minnesota and North Dakota are dumping corn on Canadian markets. In August 2000, the Canadian Customs and Revenue Agency (CCRA) initiated a dumping and subsidy investigation (similar to the investigations performed by the U.S. ITC) into U.S. corn imports, with particular focus on the impact U.S. corn has on the corn market in western Canada.[348] Canada charged that the U.S. loan-deficiency program (which pays back farmers' loans when crop prices fall below loan rates) were essentially export subsidies and accounted for $6 billion in payments to farmers in 1999.[349] The Manitoba Corn Growers Association contends that U.S. exporters are selling corn for $2 a bushel even though average production costs in the U.S. are $2.60 a bushel.[350] The Manitoba Corn Growers Association used USDA Economic Research Service figures to determine that the U.S. corn dumping margin was 44% in December 1998 and rose to 48% in April 2000.[351] The low-cost corn from the U.S. has controlled 53% to 59% of the corn market in western Canada, thus depressing corn prices in Manitoba.[352] As a result of the preliminary investigation, Canada imposed a provisional C$1.58 a bushel tariff in November, 2000 on U.S. corn that crosses into Canada west of the Ontario-Manitoba border.[353] During the CCRA investigation, USTR contended that the Marketing Loss Assistance payments did not constitute a subsidy, nor were they focused on any particular crop, and thus were not export subsidies.[354] In February 2001, the Canada Customs and Revenue Agency upheld the November decision and maintained the provisional duties of C$1.58 per bushel.[355] However, when the Canadian International Trade Tribunal, the final arbiter of the duty, reviewed the CCRA evidence, it found that the corn was being dumped into Canada but was not causing or threatening to cause any harm to corn producers or processors in Canada. The tribunal thus rescinded the provisional duty.[356]

> The situation for American peanut producers has gotten worse because of NAFTA and other trade deals. Indeed, the importation of peanut paste from Canada, made from some of the 11 million tons of peanuts grown in China, is "expanding," according to the National Peanut Growers Group. U.S. peanut exports have been cut in half between 1991 and 1998.

Peanuts

During the NAFTA debate, President Clinton gave assurances that the government would investigate peanut import problems to address the concerns of Representatives Glenn English (D-OK) and Bill Sarpalius (D-TX) that NAFTA would encourage surging peanut and peanut product imports from

Canada. Specifically, President Clinton promised he would request that the U.S. 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."[357] But this promise never came to fruition, and the situation for American peanut producers has gotten worse because of NAFTA and other trade deals. Indeed, the importation of peanut paste from Canada, made from some of the 11 million tons of peanuts grown in China, is "expanding," according to the National Peanut Growers Group. U.S. peanut exports have been cut in half between 1991 and 1998.[358] Perversely, the proposed FTAA would worsen the situation significantly, given that FTAA nation Argentina is a major peanut exporter.

Although there have been hundreds of countervailing duty and import surge investigations performed by the ITC since 1993, when President Clinton promised that the effect of peanut imports from Canada would be examined, no peanut investigation was performed, although there have been investigations of aluminum horseshoes, bicycle speedometers, and kiwi fruits.[359] 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.[360]

In 2000, U.S. peanut farmers were guaranteed $610 a ton for peanuts sold domestically but Mexico and Argentina sell their peanuts for $350 a ton.[361] In 2002, U.S. peanut price supports are likely to be cut or eliminated when the Freedom to Farm Act is revisited. In 2008, limits on cheaper imported peanuts from Mexico will be eliminated under NAFTA.[362] Virginia's peanut crop value fell from $80 million in 1994 (the year NAFTA went into effect) to $59.9 million in 1999 — a 25% decline.[363] If the FTAA were to eliminate the current Tariff Rate Quota protection for domestic producers, the USDA predicts that a "very large share" of the domestic market would be captured by foreign peanuts and products, leading to a domestic production that would be "concentrated" in the southwestern producing areas and a contraction of production in Georgia.[364]

FTAA Would Expand NAFTA's Attack on Farmers

According to a comprehensive 1998 analysis of FTAA by the free-trade promoting 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. FTAA would open U.S. markets to South American agricultural export giants such as Brazil, Argentina, Chile and Uruguay. Now the USDA is working to "update" the damaging FTAA study, which had received little attention until it became the centerpiece of a May 2001 House Agriculture Committee hearing.

The USDA estimates that FTAA would increase agricultural imports into the U.S. by 3%, but increase U.S. agricultural exports only by 1%.[365] These FTAA trade flows would increase the regional U.S.

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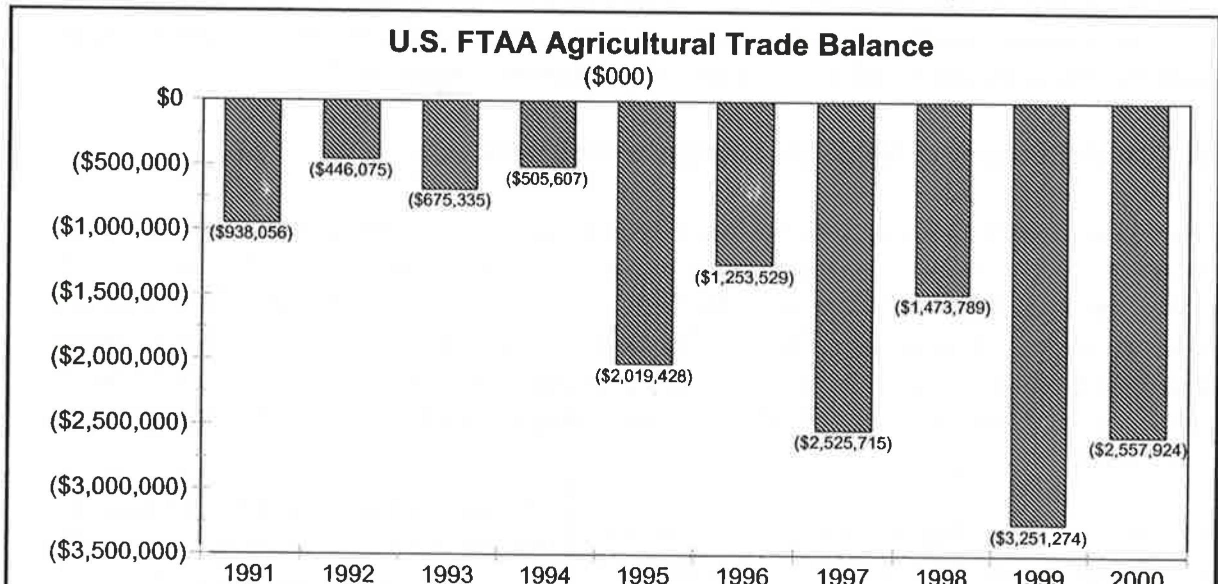
agricultural trade deficit by $250 million — an 18% increase — and put downward pressure on the U.S.'s already declining agricultural trade surplus with the world.[366] The USDA analysis found that FTAA would not change U.S. hemispheric rice sales, would offer "modest" gains in corn exports and no significant change in meat trade, would have a "relatively small" impact on cotton, and would have a negative impact on dairy, because of imports from Argentina.[367] The report concluded that if the Congress approved FTAA , U.S. agricultural income would grow by no more than 0.08%.[368]

According to USDA figures from the Foreign Agriculture Service, the U.S. had an agricultural trade deficit within the FTAA region of $2.6 billion in 2000 — more than five times larger than the $506 million deficit in 1994, before the WTO went into effect.

USDA's 2000 FTAA numbers echo the 1998 projections: in the short run (the first five years under the FTAA) U.S. agricultural exports would grow by 2% and imports into the U.S. would increase by 3%.[369] However, U.S. agricultural export growth under FTAA is projected to slow to 1% annually, while imports would maintain their 3% growth. After the first 15 years, U.S. agricultural export growth to the hemisphere under FTAA would decline below 1%, but growth of U.S. exports "could continue to grow."[370] The updated 2000 USDA figures 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 years and then keep increasing.

FTAA would not offer significant new export opportunities for U.S. producers for several reasons, including the current absence in the FTAA nations of high tariff barriers, the lack of demand and the ability of Latin American growers to produce competing crops more cheaply. A January 2001 USDA study found that South America and Central America have lower average agriculture tariffs



Sourcee: USDA Foreign Agriculture Service, all agricultural products.

(at 39% and 54% respectively) than the world average of 62%.[371] South America has lower average tariffs on grains (46%) than the EU (53%) as well as lower average tariffs on meats (38%) than the EU (70%).[372] Moreover, 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. Mexico's applied agricultural tariffs was 20% in 1998, compared to 13% in Argentina in 1998, 13% in Brazil in 1999, 17% in Costa Rica in 1999, 16% in Ecuador in 1999, 13% in El Salvador in 1998, 11% in Guatemala in 1998, 11% in Nicaragua in 1998, 12% in Panama in 1998, 13% in Uruguay in 1998 and 15% in Venezuela in 1999 (all years reflect the most recent data available as of January 2001).[373] Yet, even with these already lowered tariffs, U.S. producers have not found export opportunities. Yet FTAA would provide new opportunities for imports from the nations by cutting or eliminating existing U.S. policies now in effect.

Under the FTAA, Mexico and the Caribbean and Central American countries also would face displacing competition from South American growers. For instance, although the USDA predicts world agricultural trade volumes would increase under FTAA, Mexico's agricultural economy would suffer under the FTAA, with farm income declining by $90 million or 0.2%, because Mexico's exclusive access to the U.S. under NAFTA would be eroded.[374]

Strangely, 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, see below.) Moreover, Latin American countries negotiating FTAA are seeking the removal of the U.S. anti-dumping and countervailing duties laws which protect domestic farmers from unfair competition from imports. The sub-headline of a recent *Los Angeles Times* story about Brazil's negotiating position on the FTAA nicely summarizes the situation: "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 story described how elimination of U.S. anti dumping law and the removal of limits on orange juice and other imports were the starting point on FTAA for Brazil.[375]

The U.S. has significant beef trade deficits with Argentina, Brazil and Uruguay. 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. The U.S. beef deficit with Uruguay has increased by 75% since 1991, from $26 million in 1991 to $46 million in 2000.

Even without special market access privileges for Chile, U.S. fresh fruit imports from Chile grew by 42% to $597 million between 1996 and 2000.[376] The NAFTA experience suggests that increased competition from imports that are produced under less stringent environmental safeguards and at significantly lower labor costs would further increase the downward pressure on fruit and vegetable growers that has already led to the closings of farms in California and Florida where such crops as tomatoes and bell peppers faced surging Mexican imports. As well, California's dominant domestic market share of wine and table grapes is vulnerable to imports from Chile.

> In 1996, the U.S. had a $1.6 million soy surplus with Argentina and in 2000 the U.S. had a $2.8 million soy deficit. In 1996, the U.S. had a $53 million soy surplus with Brazil and in 2000 the U.S. had a $843,000 soy deficit.

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Chile's trade negotiators are particularly critical to FTAA negotiations of U.S. anti-dumping laws' application to exports of Chilean grapes and salmon.[384] The U.S. world grape trade deficit has doubled between 1996 and 2000 to $191 million in 2000.[385] Over the same period, the value of grape imports from Chile has grown 32% since 1996 to $388 million in 2000.[386] In May 2001, the WTO ruled in favor of California grape growers who requested punitive tariffs of between 22% and 99% on Chilean and Mexican grapes, which growers claimed were being dumped onto the U.S. market.[387] But in June 2001, the U.S. dropped an anti-dumping petition on table grapes from Chile.[388]

Raspberries from Chile

U.S. farmers and packers of high-quality individually-quick frozen raspberries are facing major imports from Chile, which are cheaper than U.S. production even after shipping because of lower wages and lax environmental conditions. Growers in Washington state pay labor at least $7.50 an hour, compared to $8 a day on Chilean farms.[389] U.S. farmers pay $70 an acre for pesticides, while Chilean farmers pay $7 an acre to use pesticides banned in the U.S.[390] These lower costs allow Chilean exporters to offer highly flexible pricing, pegging their exports to 5¢ below what Washington growers charge, driving prices below the cost of production for U.S. growers.[391] In May 2001, the U.S. ITC opened a preliminary countervailing duty and anti-dumping investigation to determine whether the U.S. individually-quick frozen red raspberries industry is being economically injured or threatened by imports from Chile.[392]

Brazilian Orange Juice

In 1987, the International Trade Commission found material injury to the orange growers and orange juice manufacturers and reissued an anti-dumping order against Brazilian frozen concentrated orange juice (FCOJ) that it had rescinded in 1983.[393] The commission also applied countervailing duties on the imports of Brazilian frozen concentrated orange juice.[394] The reinstatement was part of five-year "sunset" reviews of U.S. anti-dumping orders, which are required by the WTO.[395] Throughout the 1990s, while the countervailing duties have been upheld by successive sunset reviews, the U.S. countervailing tariff on Brazilian frozen concentrated orange juice rose to as high as 63%.[396] The duty level is set at a level to even the playing field for U.S. producers. In 1997-1998, imports of Brazilian FCOJ were down to 33% of the level imports had reached when the countervailing duty was lifted between 1984-1986.[397] Florida crop production accounted for 64% of available FCOJ and Brazilian imports accounted for 12% (carryover stock accounted for the remainder).[398] Between 1996 and 2000, imports of Brazilian orange juice products by volume only rose 3%.[399]

In March 1999, the Commission voted unanimously to expedite its five-year review.[400] It found that Brazil remains the world's largest supplier of frozen concentrated orange juice with half the world production; Brazil could and would establish a significant presence in the U.S. market; Brazil's capacity in orchard acreage and production had risen sharply since 1986; and Brazilian imports would enter the U.S. at low prices and high volumes.[401] The ITC's final determination was that without the countervailing duty order, surging imports of low-priced frozen concentrated orange juice would hurt Florida orange growers and orange juice producers' revenues, profits and employment levels, and thus the countervailing duty order should remain.[402]
Brazilian production and acquisition of U.S.-based manufacturing facilities could expose Florida growers and processors to surging frozen concentrated orange juice from Brazil if the countervailing duties are not maintained. Brazilian orange production was estimated to be 350 million boxes in the 2000-2001 growing season, compared to 224 million boxes in Florida.[403] In 1996 and 1997, two Brazilian companies bought processing plants in Florida, controlling enough of the Florida orange juice processing industry to have an impact on prices on bulk juice concentrate which they can import from Brazil, depressing prices.[404] If FTAA were to go into effect, the USDA predicts the incentives to increase imports of cheaper Brazilian orange juice are likely to displace much of Florida orange juice production.[405]

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Conclusions and Recommendations

Given the track record of the NAFTA model for farmers and consumer in the three NAFTA countries, the growing opposition from farmers nationwide to the notion of expanding NAFTA through the proposed Free Trade Area of the Americas is not surprising.

Time has proved that the export-led farm policy of NAFTA and its domestic counterpart the Freedom to Farm Act have failed U.S. agriculture producers; since NAFTA the U.S. agriculture trade balance with Mexico and Canada has declined and the prices paid farmers for crops and thus farm income has plummeted, resulting in rural crises in all three NAFTA countries. Meanwhile, consumers have not seen the promised decline in food prices that proponents of NAFTA promised.

NAFTA's salesmen promised that NAFTA would be a win-win-win for most people in all three NAFTA nations. Instead, seven years later, consumers in all three nations face higher food prices, and more small farmers in all three countries face bankruptcy, while agribusiness profits soar.

The seven-year record of NAFTA on agriculture sets the context for the increasingly heated debate about the demand by 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.

Fast Track provides the Executive Branch a way around congressional checks and balances because it delegates away four separate congressional powers in one lump sum, limiting Congress' leverage during trade negotiations and reserving for Congress the narrow role of formally approving final agreements and their implementing legislation once both are completed. Fast Track:

- Delegates Congress' constitutional authority to decide terms for international commerce at negotiations. Congress includes a list of "negotiating objectives," but these are not enforceable. For instance, past Fast Track bills have included negotiating objectives requiring linkages between labor rights and trade, but no such provisions have ever been included in trade agreements.[406]

- Permits the Executive Branch to lock down these trade terms and enter into pacts because under Fast Track, the Administration signs trade deals before Congress ever votes on them.

- Empowers the Executive Branch to write implementing legislation to change federal laws to conform them to an agreement's terms (usually Congress writes law, but Fast Track circumvents the congressional committee process of mark ups, etc.).

- Pre-sets the floor procedures for final consideration of trade deals before negotiations start. Congress must vote on whatever the Administration brings back (agreement and implementing legislation) within a set time with no amendments and only 20 hours of debate.

The Administration and the same agribusiness interests that pushed NAFTA and now are pushing again for Fast Track so they can facilitate a NAFTA expansion argue 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 ever. Despite the oft-repeated mantra about how every president since Ford has "had" Fast Track authority, in fact its only uses were the GATT Tokyo Round, U.S.-Israel FTA, Canada-U.S. FTA, NAFTA and the GATT Uruguay Round.

Indeed, according to the Office of the United States Trade Representative, nearly 300 separate trade agreements were negotiated by the Clinton Administration. Of these, only the GATT Uruguay Round Agreement and NAFTA were submitted to Congress under Fast Track procedures even though Fast Track authority was available when a number of the other deals were done. Business interests have attempted to undercut the relevance of the list of agreements done without Fast Track by focusing on the least important deals included in the list to support their contention that no significant trade deals can be done without Fast Track.

Not surprisingly, the corporate analysis excludes the many major deals done without Fast Track. The list includes, for instance, the following bilateral and multilateral agreements that USTR itself describes as "of truly historic importance": the Information Technology (IT) Agreement,[407] the Financial Services Agreement,[408] the global Basic Telecommunications Agreement,[409] and the U.S. bilateral agreement on China's WTO accession.[410] As well, complex, multi-sectoral agreements such as the U.S-Vietnam bilateral have been completed without Fast Track. Also, negotiators from countries such as Chile explicitly have stated that they will negotiate full NAFTA-style free trade agreements without Fast Track.

Indeed, in the last House Agriculture Committee hearing on trade, Commerce Secretary Evans could not name a single country that refused to negotiate with the U.S. because of the absence of Fast Track.[411] Evans admitted that several additional Latin American countries have already approached the U.S. to negotiate bilateral FTAs even *without* Fast Track. Given these countries join a list that includes Singapore, New Zealand and other countries, 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, that is 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 consumer 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 negotiate 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 following principles must be included in trade agreements if they are to be fair for consumers, farmers, farm workers, and help to sustain the small farms, rural economies and food security:

- Countries must be allowed to ensure the production and distribution of a safe, affordable, and abundant food supply to meet their domestic needs and achieve food security.

- Countries must be allowed to give priority to sustaining family farms and achieving and food security for their populations.

- Existing rules for the global economy that encourage excessive economic concentration in agricultural markets that results in the manipulation of global food supply increases and in consumer price increase while producer prices are depressed must be changed. This threatens food security for poor consumers as well as the survival of family farmers in the U.S. and around the world.

- Antitrust laws at the local, regional, national and international levels must be vigorously enforced, and strengthened where necessary, to guarantee fair conditions for small farmers and fair prices for consumers.

- Countries must be allowed to establish domestic and global reserves and manage food supplies.

- Consumers must be assured, through labeling and other means, the right to know the manner in which food has been produced and where it has been produced so that they can make informed choices.

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