

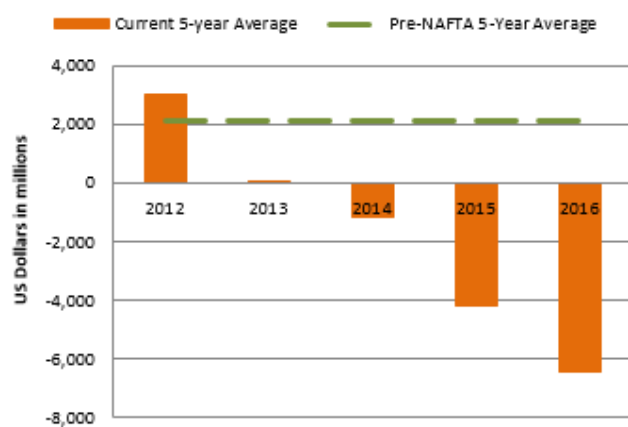


Don't Believe the Hype: U.S. Agricultural Exports Lag Under NAFTA and Other Past Trade Deals

Time and again, U.S. farmers and ranchers have been promised that “free trade” agreements (FTAs) would provide a path to economic success by boosting U.S. exports while imports from trade partners would only increase minimally. Time and again, these promises have been broken. Data from the U.S. Department of Agriculture (USDA) reveal that U.S. agricultural exports have lagged, agricultural imports have surged, and family farms have disappeared under existing FTAs. Undeterred by its own data, USDA has repeated the standard FTA sales pitch with claims that “free trade” agreements – like the North American Free Trade Agreement (NAFTA) – “create opportunities to increase U.S. agricultural sales internationally” by reducing barriers to trade.¹ Those promises contradict the actual outcomes of past FTAs.

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

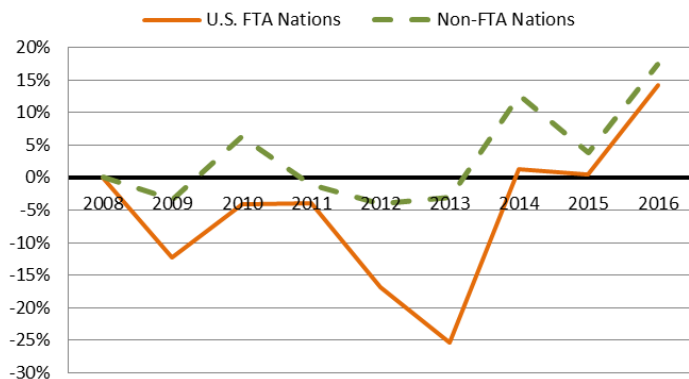
U.S. NAFTA Ag Balance Falls \$3.9 Billion



Source: USDA, Global Agricultural Trade System

Food exports to FTA partners lag behind exports to the rest of the world: USDA data show that U.S. food exports to FTA partners have trailed behind food exports to the rest of the world in recent years.² This is an important caveat to USDA’s claims that “in countries where the United States has free trade agreements, our exports of food and agricultural products have grown significantly.” The volume of U.S. food exports to non-FTA countries rebounded quickly after the 2009 drop in global trade following the financial crisis, but U.S. food exports to FTA partners remained below the 2008 level until 2014. Between 2008 and 2016, U.S. export growth to non-FTA countries outpaced export growth to FTA partners by 19 percent.³

U.S. Food Exports Grow 14% to FTA Nations, 17% to Rest of World, relative to 2008 (Pre-Crisis)



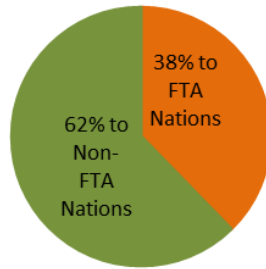
Source: USDA, Global Agricultural Trade System

FTA partners account for most U.S. food imports, relatively few food exports:

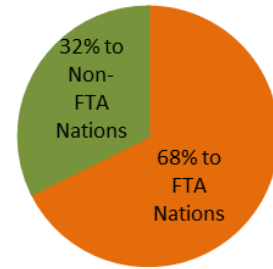
USDA’s trade factsheets make no mention of agricultural imports that undercut business for U.S. farmers. Most U.S. food imports come from the countries with which we have FTAs, while most U.S. food exports *are not sold* in FTA countries. This

counterintuitive outcome is the opposite of what FTA proponents have promised U.S. farmers and ranchers. *In 2016, the 20 U.S. FTA partners were the source of 68 percent of all U.S. food imports, but were the destination of just 38 percent of all U.S. food exports.*

U.S. Food Exports

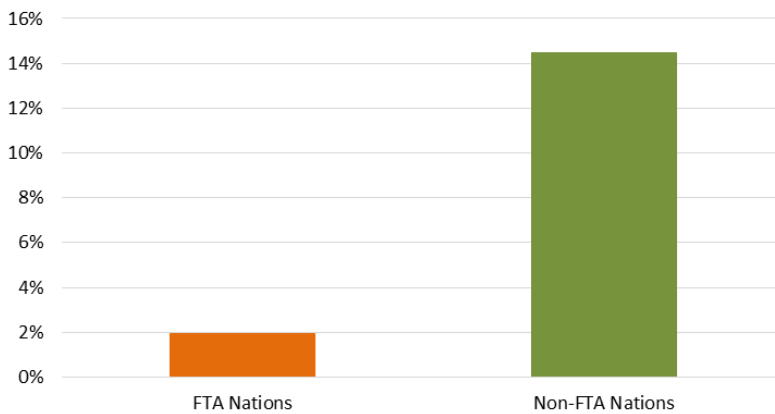


U.S. Food Imports



Source: USDA, Global Agricultural Trade System

Change in U.S. Food Trade Balance since 2008 (pre-crisis)



Source: USDA, Global Agricultural Trade System

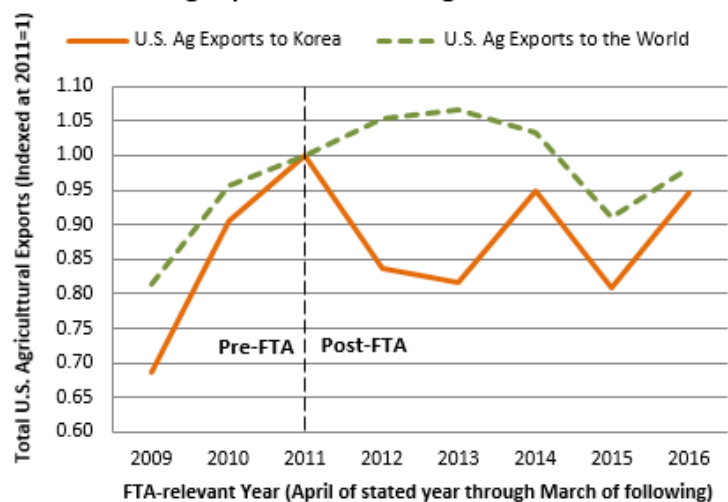
Food trade balance suffers under FTAs:

Due to stagnant U.S. food exports to FTA countries and a surge in food imports from those countries, the U.S. food trade balance with FTA countries has increased by a mere 2 percent since 2008, the year before the financial crisis. In contrast, the U.S. food trade surplus with the rest of the world has risen 14 percent since 2011.

U.S. agricultural exports decline under Korea FTA:

Before the 2011 passage of the U.S.-Korea FTA, U.S. Agriculture Secretary Tom Vilsack declared: “we believe a ratified U.S. Free Trade Agreement [with Korea] will expand agricultural exports by what we believe to be \$1.8 billion.”⁴ In reality, exports to Korea of all U.S. agricultural products *fell* \$388 million, or 5.4 percent, from the year before the FTA took effect to its recently-completed fifth year of implementation.⁵ During that same period, total U.S. agricultural exports to the world only declined by 1.9 percent.

U.S. Ag Exports to Korea Stagnate under FTA



Source: USDA, Global Agricultural Trade System

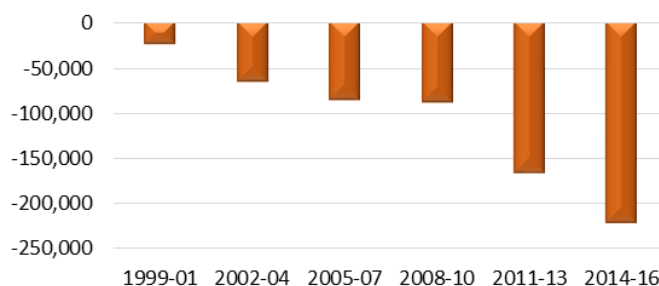
Small U.S. farms disappear during FTA era:

Smaller-scale U.S. family farms have been hardest hit by rising agricultural imports and declining agricultural trade balances under FTAs. Since NAFTA and NAFTA-expansion pacts have taken effect, one out of every 10 small U.S. farms has disappeared. By 2016, nearly 231,000 small U.S. farms had been lost.⁶

Most of the agricultural products that USDA highlights in its factsheets as prospective winners under free trade agreements have actually been losers:

- **Beef:** U.S. exports of beef to FTA partners have stagnated at 0.4 percent growth while growing by 19.9 percent, or \$548 million, to the rest of the world since 2011 (the year before the most recent FTAs took effect).
- **Beef and Live Cattle:** U.S. net exports of beef and live cattle have dropped substantially after NAFTA. Growing imports have swamped the small increase in U.S. exports of beef and live cattle, leading to a U.S. trade deficit increase of nearly \$2.5 billion.⁷
- **Corn:** U.S. corn exports to Korea have fallen 37 percent, or \$507 million, in the first five years of the Korea FTA.
- **Cotton:** U.S. cotton exports to Korea have fallen 42 percent, or \$139 million, in the first five years of the Korea FTA.
- **Potatoes:** The U.S. trade deficit in fresh potatoes with Canada and Mexico has doubled from 84,500 metric tons to a trade deficit of 165,000 metric tons during the NAFTA era.
- **Poultry:** U.S. poultry exports to Korea have fallen 15 percent, or \$70 million, in the first five years of the Korea FTA.
- **Soybeans:** U.S. exports of soybeans to FTA partners have decreased by 8.3 percent, or \$204 million, while growing by 26.4 percent, or \$4.3 billion, to the rest of the world since 2011 (the year before the most recent FTAs took effect).
- **Tomatoes:** The U.S. trade deficit in fresh tomatoes with Canada and Mexico has increased enormously from 250,000 metric tons to a deficit of 1.7 million metric tons during the NAFTA era.
- **Vegetables:** U.S. exports of fresh and processed vegetables to FTA partners have grown by 5.8 percent, or \$180 million, while growing by 17.6 percent, or \$275 million, to the rest of the world since 2011 (the year before the most recent FTAs took effect).
- **Wheat:** U.S. wheat exports to Korea have fallen 54 percent, or \$317 million, in the first five years of the Korea FTA.
- **Wine:** U.S. net exports of wine to Canada and Mexico have fallen 33,000 kiloliters during NAFTA – a decline of 93 percent from pre-NAFTA levels.

231,000 Small Farms Dissappear in FTA Era



Source: USDA, Agricultural Resource Management Survey

ENDNOTES

¹ U.S. Department of Agriculture, “Trade Agreements,” Foreign Agricultural Service, accessed May 31, 2017. Available at: <https://www.fas.usda.gov/topics/trade-agreements>.

² “Food” includes the following HTS 2-digit codes: meat/poultry, fish/seafood, dairy, vegetables, fruits/nuts, coffee/tea/spices, milling products, meat/fish preparations, animal/vegetable fats, sugars/confectionary, cocoa products, cereal/flour preparations, vegetable/fruit/nut preparations, miscellaneous edible preparations and beverages.

³ The source of all agricultural trade data in this document, unless otherwise specified, is: Foreign Agricultural Service, “Global Agricultural Trade System,” U.S. Department of Agriculture, accessed May 31, 2017. Available at: <http://apps.fas.usda.gov/gats/default.aspx>. All data not stated in dollar amounts is measured in volume. (Volume is preferred for products to eliminate the effect of price shifts, but value is used for some aggregations of products with different volume-based units of measurement to avoid agglomeration problems.) All dollar values have been inflation-adjusted and are expressed in 2016 dollars according to the CPI-U-RS series of the Bureau of Labor Statistics.

⁴ U.S. Department of Agriculture, “Agriculture Secretary Tom Vilsack Highlights Benefits of the U.S.-Korea Trade Agreement for U.S. Agriculture,” USDA press conference, March 8, 2011. Available at:

<http://www.usda.gov/wps/portal/usda/usdamobile?contentidonly=true&contentid=2011/03/0108.xml>.

⁵ The assessment of the change in the U.S. goods trade with Korea compares data from the year before the FTA’s implementation (April 2011 through March 2012) and data from the fifth (most recent) year of FTA implementation (April 2016 through March 2017). Because of this, all Korea trade data by value has been adjusted to 2017 dollars.

⁶ Farming typologies and numbers come from the USDA. Small family farms consist of “farming occupation” farms grossing less than \$250,000 per year (“lower sales” and “higher sales”), while large farms include family farms grossing more than \$250,000 per year (“large” and “very large”) and nonfamily farms. Comparisons are between 2016 and 1998, the latest and earliest data available for those typologies. Economic Research Service, “Agricultural Resource Management Survey: Farm Financial and Crop Production Practices,” U.S. Department of Agriculture, updated May 30, 2017. Available at:

<http://www.ers.usda.gov/data-products/arms-farm-financial-and-crop-production-practices/tailored-reports.aspx>.

⁷ U.S. International Trade Commission, “Interactive Tariff and Trade DataWeb,” accessed Jan. 18, 2017. Available at:

<http://dataweb.usitc.gov/>.