The Ten Year Track Record of the North American Free Trade Agreement

U.S., Mexican and Canadian Farmers and Agriculture

January 1, 2004 marks the tenth anniversary of the North American Free Trade Agreement's implementation. NAFTA promoters — including many of the world's largest corporations — promised it would create hundreds of thousands of new high-wage U.S. jobs, raise living standards in the U.S., Mexico and Canada, improve environmental conditions and transform Mexico from a poor developing country into a booming new market for U.S. exports. NAFTA opponents — including labor, environmental, consumer and religious groups — argued that NAFTA would launch a race-to-the-bottom in wages, destroy hundreds of thousands of good U.S. jobs, undermine democratic control of domestic policy-making and threaten health, environmental and food safety standards.

Why such divergent views? NAFTA was a radical experiment — never before had a merger of three nations with such different levels of development been attempted. Plus, until NAFTA, "trade" agreements only dealt with cutting tariffs and lifting quotas setting terms of trade in goods between countries. But NAFTA contained 900 pages of one-size-fits-all rules to which each nation was required to conform all of its *domestic* laws — regardless of whether voters and their democratically-elected representatives had previously rejected the very same policies in Congress, state legislatures or city councils. NAFTA required limits on the safety and inspection of meat sold in grocery stores; new patent rules that raised medicine prices; constraints on local governments' ability to zone against sprawl or toxic industries; and elimination of preferences for spending your tax dollars on U.S.-made products or locally-grown food. Calling NAFTA a "trade" agreement is misleading, NAFTA is really an investment agreement. Its core provisions grant foreign investors a remarkable set of new rights and privileges that promote relocation abroad of factories and jobs and the privatization and deregulation of essential services, such as water, energy and health care.

Remarkably, many of NAFTA's most passionate boosters in Congress and among economists never read the agreement. They made their pie-in-the-sky promises of NAFTA benefits based on trade theory and ideological prejudice for anything with the term "free trade" attached to it. Now, ten years later, the time for conjecture and promises is over: the data are in and they clearly show the damage NAFTA has wrought for millions of people in the U.S., Mexico and Canada. Thankfully, the failed NAFTA model — a watered down version of which is also contained in the World Trade Organization (WTO) — is merely one among many options. Throughout the world, people suffering with the consequences of this disastrous experiment are organizing to demand the better world we know is possible. But, we face a race against time. The same interests who got us into NAFTA are now pushing to expand it and lock in 31 more countries in Latin American and the Caribbean through the proposed Free Trade Area of the Americas (FTAA) and five Central American countries through a Central American Free Trade Agreement (CAFTA).

U.S. farmers and ranchers were promised that NAFTA would provide a lasting solution to their struggle for economic success by providing new access to the Mexican and Canadian markets for U.S. exports. Many agricultural producers were skeptical about this claim, in part because they knew their counterparts in Canada and Mexico were being promised NAFTA would benefit them because of improved access for their crops to U.S. markets. However some farmers — producers of corn, pork and other likely exports to Mexico — bought these promises. Plus, an "Ag for NAFTA" coalition, comprised of grain trading giants such as Cargill, ConAgra and Archer Daniels Midland (ADM), trade associations such as the National Cattlemen's Association, and the National Pork Producers Council, and seed companies such as the Monsanto Agricultural Group lobbied hard for NAFTA.[1]

Instead of the promised benefits, over 38,000 U.S. small farms have gone under during NAFTA and overall U.S. farm income has continued to decline. However, agribusiness profits are up significantly. And, contrary to the predictions of "free trade" proponents, consumer food prices in all three NAFTA countries have risen, even as prices paid to farmers have plummeted. In Mexico, millions of *campesinos* have been forced off their small corn farms by the dramatic plunge in prices caused by dumping under NAFTA, resulting in a social and economic crisis fueled by hunger, anger and hopelessness. These NAFTA victims have migrated to Mexico's overcrowded cities where competition for scarce *maquila* factory jobs has kept wages stubbornly low, or have risked the perilous journey to the U.S. in search of work. Independent Canadian grain and dairy farmers also have struggled to survive as prices have fallen to record lows, with 11% of Canadian family farms forced into bankruptcy between 1996 and 2001.[2]

The absence of promised benefits and new damage caused by NAFTA and the WTO's similar export-oriented

agriculture policies has changed many U.S. farmers' opinions about these agreements. More and more producers, including those who initially bought the NAFTA promises, have come to oppose continuation of the same trade policies even as the Washington, D.C.-based trade associations allegedly representing these rural voters remain in cahoots with the grain trading, seed and implement corporations to push for FTAA and other expansions of the failed NAFTA model.

NAFTA's Agribusiness Take-Over

The debate over NAFTA's agriculture terms was a proxy fight for a much broader issue: the future direction of U.S. and global agricultural policy. Given that food is a necessity of survival and that countries typically seek to ensure some level of food security through domestic production, most countries' farm policies — including in the U.S. — provide different treatment for agriculture than for other economic sectors. NAFTA greatly intensified a trend that had started several decades earlier towards replacing the food security model with a guiding principle pushed by agribusiness: that food should be treated like any other industry. The new goals included increasing export volumes, efficiencies-of-scale through massive factory pig and chicken farms and slaughter/packing plants, elimination of supply management, and incentives to maximize grain production levels regardless of demand levels.

NAFTA's agriculture rules — and the domestic policies that implemented this export-oriented model (such as the U.S. "Freedom to Farm Act") — cemented the U.S. shift toward prioritizing exports over domestic markets or producers. For instance, NAFTA required all three nations to eliminate limits on imports that had been used to manage domestic supplies of agricultural products both to ensure sufficient food supplies and to ensure that the market provided farmers a reasonable price for their crops. Quotas were transformed into tariffs to be phased out over 15 years. While NAFTA also required elimination of many programs relied upon by small producers, it allowed some government payments that mainly to go to large producers to continue.

The result was sadly predictable: farmers in the three NAFTA countries have been played off of each other by the major grain trading and food processing companies who exploited the removal of quotas and price floors to push prices paid to farmers downward in all three nations. It is a vicious circle of over-production and dumping: grain traders import stored wheat from Canada's previous harvest into the U.S. during the U.S. harvest, flood the market with supply, and thus depress prices paid to U.S. farmers — sometimes to below the cost of producing the crop. But, thanks to government payments, larger U.S. farms do not go broke but struggle on, continuing to produce the high volumes that help keep prices down and grain trader profits up. The same tactic using excess U.S. wheat is then used to drop Canadian prices with grain traders then buying that crop at artificially low prices — storing excess or shipping it to dump on a third market.

Meanwhile, U.S. corn farmers receive less than the cost of production for bushels of corn, which when dumped into Mexico has wiped out millions of Mexican farmers because they, like many small U.S. farmers, do no get government payments to help make up the difference between their cost of production and the market price. This scenario — made possible thanks to specific NAFTA (and WTO) rules and their domestic implementation — has forced thousands of small-scale farmers in all three countries off their lands and helped a handful of huge agribusiness interests capture an ever-larger share of the markets worldwide.

Corporations like ADM, Cargill, and ConAgra have intensified their control over all areas of production. Over 80 percent of US corn is exported by three firms: Cargill, ADM and Zen Noh.[3] The four largest chicken firms controlled half of the U.S. processing and production market, and the top four U.S. beef packers controlled 81% of the U.S. market (9% higher than in 1990).[4] In December 2000, Tyson Foods merged with meatpacker IBP and became the world's largest marketer of beef, pork and chicken products.[5] The 10% of U.S. farms that are "large" farms (defined as those with gross sales in excess of $250,000) now produce two-thirds of all agricultural goods on only 32% of agricultural land.[6] These large farms also receive the lion's share of U.S. government farm subsidies; by 2002, the top 10% of subsidy recipients collected 65% of total payments, a share worth $7.8 billion.[7]

During a period in which independent, diversified farmers have struggled with chronically low prices, diminished income and debt, U.S. agribusinesses have prospered. Cargill's net earnings more than doubled between 1999 and 2003 — from $581 million to $1.29 billion.[8] ConAgra's net income increased from $437 million in 2000 to $774 million in 2003.[9] ADM posted strong net earnings of $511.1 million in 2003, while also spending $3.5 billion on plant acquisition, construction, and expansions. The company also has a 50% interest in a wet corn milling plant in Mexico, a 29% interest in Gruma S.A and Associates (the world's largest producer and marketer of corn flour and tortillas with significant operations in Mexico), and major interest in joint wheat and corn operations with Gruma in both Mexico and the U.S. It also disclosed a 20% interest in Agricore United, one of Canada's largest agribusinesses.[10]

Many U.S. Farmers Hurt

Less than a quarter of all U.S. agricultural production is exported.[11] The most consistent growth market for U.S. farmers has been the domestic consumer market. Yet NAFTA is designed to increase agricultural imports into the U.S. domestic market by guaranteeing market access for other countries' agricultural goods, even when domestic production more than meets domestic needs. As a result, U.S. farmers must constantly compete for domestic market share against a flood of agricultural imports from both Canada and Mexico even as grain trading companies sell the same crops grown in the U.S. to these countries.

It is increasing imports mandated by NAFTA's agricultural terms (and those in WTO) that have resulted in excess supply and a drop of over 40% in the prices paid U.S. farmers since 1995/96.[12] At the same time, implementation of NAFTA meant the removal of critical domestic price support and commodity loan programs that made family farming economically viable in the U.S.

These low prices, program cuts and rising expenses have devastated small-scale, independent farmers. Between 1994 and 2001, the total contribution of agriculture to the U.S. economy declined by $4 billion.[13] U.S. net farm income was $36.2 billion in 2002 — 16% lower than the average net farm income for 1990-95.[14] Total farm business debt rose for the 11th straight year in 2003, for a total increase of almost 50% since before NAFTA.[15] Between 1995 and 2002, the U.S. lost 38,310 small farms,[16] and government studies predict that the future will remain tough for most U.S. farmers — 76% of farms were expected to have a negative cash flow in 2000-05.

'Free Trade' Consumer Fraud

Under NAFTA, the volume of trade in agricultural products has risen and low-priced imports have crashed prices paid to farmers for crops. Under free trade theory, while some farmers will lose from this scenario the economy overall is supposed to benefit because food prices are supposed to drop. Yet, while prices paid to farmers dropped in all three nations, the cost of food has increased during the NAFTA decade, directly contradicting the promise that consumers would benefit from lower prices under NAFTA. 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 22% between 1994 and 2002.[17] In Mexico, the price paid farmers for corn plummeted 70%, yet the price of Mexico's staple food — corn tortillas — rose by 50% in Mexico City and even higher in rural areas.[18] As in the U.S. and Mexico, lower prices paid to farmers in Canada under "free trade" rules have not led to lower consumer prices; in 1988, Canadian millers paid $7 per bushel of wheat and charged an average of $1.12 for a loaf of bread. By 2002, the cost of wheat had fallen to $4.48 per bushel but the average price of bread was up to $1.46.[19]

Decline in the U.S. Ag Trade Balances with Canada, Mexico

NAFTA boosters often tout the growth in U.S. farm exports under NAFTA. Yet, they ignore that under NAFTA food imports *from* Mexico and Canada have grown much faster than U.S. exports to those countries. It's like counting only the deposits to your checking account, not the withdrawals. Under NAFTA, the U.S. *balance* of agricultural trade with Canada went from a $300 million surplus in 1994 to a $1.7 billion deficit in 2002. The U.S. imported $10.3 billion of agricultural products from Canada in 2002 and exported $8.7 billion, compared to agricultural imports of $4.7 billion and exports of $5.3 billion in 1993.[20] Ten commodities — beef, cattle, pork, biscuits and wafers, potatoes, cocoa, swine, canola oil, wheat, and feeds and fodders — accounted for almost half of the new Canadian NAFTA imports.

Meanwhile, the overall U.S. agricultural trade surplus with Mexico has shrunk by over $1 billion under NAFTA, to $1.7 billion in 2002. Nine commodities (malt beverages, coffee, tomatoes, cattle, peppers, cucumbers, grapes, cauliflower and broccoli) accounted for more than half of all imports of U.S. imports from Mexico. In Florida, for example, Mexican tomato imports drove over two-thirds of the state's tomato growers out of business.[21] U.S. pepper growers in Florida, California and New Mexico have similarly been hurt by the flood of cheap NAFTA imports that have depressed prices for their produce.

Yet, much of the increase in U.S. agricultural imports from Mexico has not come from more efficient Mexican growers, but from U.S. agribusiness operations. NAFTA has encouraged these companies to move into Mexico where they can use NAFTA investor rules to newly acquire large tracts of land for massive factory farms, exploiting cheaper labor and using pesticides that are banned in the U.S., while still enjoying easy access to U.S. markets. In the meantime, Mexican workers on these agribusiness plantations — many of who are NAFTA victims who lost their own farms to corn dumping — have been exposed to toxic pesticides and squalid working conditions, while U.S. consumers have been placed at greater risk from contaminated produce. Imported Mexican strawberries caused a massive hepatitis outbreak among Michigan schoolchildren in 1998, and in 2001 two people died from salmonella poisoning from cantaloupes imported from Mexico. Most recently, imports of green onions from Mexico have been suspected in recent *hepatitis* A outbreaks that have killed 3 and sickened more than 900 in four U.S. states.

Mexican Agriculture in Crisis

Although the overall U.S. balance of agricultural trade with Mexico declined precipitously under NAFTA, the vast majority of Mexican farmers also have struggled to survive. As a condition for NAFTA, Mexico was required to amend the historic land redistribution provisions of the post-Revolution 1917 Constitution which forbade foreign ownership of land and had redistributed lands seized from large landowners to a system of *ejidos* under which peasants and indigenous communities were granted rights to small plots of land that could not be sold. When these progressive land rules were dismantled for the first time in 80 years, small farmers were threatened with forfeiting their land for bad debt. This has been the fate for hundreds of thousands of *campesinos*, who have been put at a devastating disadvantage by dumping of corn and other agricultural products by U.S. agribusiness.

At least 1.5 million Mexican farm livelihoods have been lost to NAFTA so far. In 2002 alone, an estimated 600 Mexican farmers were forced off the land every day.[22] Deprived of

their livelihoods, most of these displaced farmers have had little choice other than to become economic migrants, streaming into northern cities in search of scarce *maquila* factory jobs, or making increasingly desperate efforts to cross the border into the U.S. More than 1600 Mexican migrants have died attempting to reach the U.S. in the past five years.[23] If NAFTA is fully implemented many more Mexican farm families will be displaced; with some estimates as high as 15 million or about one in six Mexicans.[24]

Meanwhile, NAFTA's ruin of millions of *campesinos* farms also has serious implications for biodiversity. Peasant farmers have grown over 41 distinct varieties of corn in Mexico for over 5000 years. These varieties will disappear as *campesinos* are forced from their lands and are replaced by large monoculture agribusiness operations or imports of monoculture U.S. corn. Now U.S. agribusinesses also have launched an attack on Mexico's ban of genetically-modified seeds.

Canadian Farmers Also Hurt

Despite Canada's agricultural trade surplus with the U.S., small-scale farmers have been hit hard as the opening of their domestic market has subjected them to the low prices and high volatility of the NAFTA's export-driven model. In Canada, farm debt nearly doubled since the 1988 Canada-U.S. Free Trade Agreement (CUFTA) and its expansion into NAFTA — from C$22.5 billion in 1989 to C$44.2 billion in 2001. According to the Canadian National Farmers Union, net farm income in Canada dropped a staggering 24% across the same period. These enormous pressures have taken their toll on Canadian farmers: by 2002, nearly 50,000 Canadian farmers had been forced from their jobs and off the land since CUFTA came into effect in 1988.[25] Between 1996 and 2001 alone, Canada lost 11% of its family farms.

While CUFTA and NAFTA boosters in Canada promised new markets for Canada and farm co-ops, the main result has been greater corporate consolidation of agriculture and food production in Canada. Since CUFTA went into effect in 1988, the four main farming co-ops in Canada, Saskatchewan, Alberta, Manitoba Pools and United Grain Growers, have been consolidated into Agricore United of which the U.S. multinational ADM now owns a large portion.[26] Saskatchewan Wheat Pool and U.S.-based Cargill control 75% of western-grain handling; ADM also now controls nearly half of Canadian flour milling capacity; ConAgra owns 64% of Canada's malt milling plants, and Cargill and meatpacker IBP owned over two-thirds of all Canadian beef-packing plants.[27] As the NFU noted in recent testimony to the Canadian Senate Standing Committee on Agriculture and Forestry, "almost every link in the chain, nearly every sector is dominated by between two and ten multibillion-dollar multinational corporations."[28]

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