Food Security and Agricultural Trade Under NAFTA

Steven Suppan and Karen Lehman
Institute for Agriculture and Trade Policy
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Introduction

Three years after the implementation of the North American Free Trade Agreement began, as agricultural economists debate whether changes in trade flows of commodities may, or may not, be traced to NAFTA itself, a separate but related question remains unaddressed. Has NAFTA improved food security in North America?

One year ago, the Institute for Agriculture and Trade Policy reviewed NAFTA's effects on food security in the U.S. and Mexico. We found that the integrity of the Mexican food system was being threatened by changes in national policy undertaken to conform to NAFTA's trade liberalization agenda, and that the safety of the U.S. food supply was being compromised by inadequate border inspections. One year later, these trends have accelerated, with pronounced increases in negative consequences. Our conclusion is that NAFTA has produced an especially marked decline in food security in both countries in the past year, adding to the erosion of the first two years.

U.S. Concerns About Food Safety and Food Security

While the scale of U.S. poverty and food insecurity by no means is as great as Mexico's or other potential member countries of a Free Trade Area of the Americas, it continues to be the greatest among industrialized countries.[1] In 1995, according to federal government definitions of poverty, there were 36.4 million poor people living in the United States, about 13.8 percent of the population.[2] The federal government's definition of poverty is based on a formula from the 1960s, which does not take into account increases greater than the rate of inflation in the costs of health, education, transportation and housing that have occurred since then. If this formula were revised, the number of officially poor would certainly rise.[3] NAFTA has added to the ranks of people whose food security is threatened, at a minimum, for the 109,384 workers and their families who, as of February 19, 1997, have been certified under highly restrictive criteria to be eligible for Trade Adjustment Assistance resulting from NAFTA-related job loss.[4]

The financial health of the primary producers of U.S. food security, U.S. farmers, is ignored in official reporting of NAFTA impacts. The USDA does not monitor agricultural trade related job loss, and there is no NAFTA Trade Adjustment Assistance program for farmers. The U.S. Department of Agriculture's "NAFTA: Year Three" forty-six page narrative devotes just a short paragraph to reporting "employment equivalents" based on a highly controversial formula estimating job growth/loss according to export volume growth/loss. In 1996, according to the formula, only 1,088 jobs were lost due to U.S.-Mexico agricultural trade and just five jobs were lost due to U.S.-Canada agricultural trade.[5]

Yet U.S. farmers have repeatedly expressed fears for their livelihoods. U.S. potato growers charged that Canadian potato imports were having a "national impact," and the U.S. National Potato Council requested a snap-back tariff of one percent on Canadian potatoes as a remedy for alleged unfair trade practices.[6] The Western Grower's Association joined the Florida Fruit and Vegetable Growers Association in criticizing NAFTA's effect on the U.S. fruit and vegetable market, claiming that the peso devaluation gave Mexico an advantage in the U.S. market and that Mexico had not opened its market to U.S. fruit and vegetable imports. Reggie Brown of the Florida Fruit and Vegetable Association testified before the International Trade Commission that Florida had a 56 percent U.S. market share for winter tomatoes before NAFTA, but that its share had declined to 35 percent while Mexico claimed a 50 percent share in the 1995-1996 seasons.[7]

U.S. farmers lost a number of cases before NAFTA dispute resolution panels. So embittered are U.S. interests at losses in NAFTA dispute panels that 21 groups banded together in January 1997 as the American Coalition for Competitive Trade to file a lawsuit claiming that the NAFTA dispute resolution process violates U.S. Constitution guarantees of due process and equal protection under law. The lawsuit, which is expected to go to the U.S. Supreme Court as early as this year, calls into question the validity of all the dispute resolution panels.[8]

Many consumer concerns about food security in the United States center on issues of food safety. Disputes about U.S. consumer food security under NAFTA have largely concerned sanitary and phyto-sanitary requirements and inspection of imports, particularly produce, live animals and meat. The General Accounting Office released a report in May 1997 asserting that staffing shortages have resulted in shortcuts and cutbacks in inspection by the U.S. Department of Agriculture's Animal and Plant Health Inspection Service at border entry points. National Farmers Union president Leland Swenson characterized U.S. border inspections as "crippled due to the massive influx of imports since NAFTA," and said the lack of adequate inspections threatens the health and safety of domestic livestock and crops and the nation's food supply.[9]

The recent outbreak of 213 cases of hepatitis in Michigan due to strawberries imported from Mexico a year ago and then processed and frozen in California has focused public and Congressional attention on the trade rules relating to federal inspection and customs services. The U.S. government has yet to determine whether the contamination originated in Mexico or the United States. Nonetheless, concern over this food safety incident has been generalized by the release of a new audit from the USDA's inspector general which concluded that the Agricultural Marketing Service has not been able to carry out its legal responsibility to regulate imports of 15 commodities, due to the increase in agricultural imports under NAFTA. The report concludes that the USDA has allowed U.S. importers to violate health inspection rules by not cross-checking Customs data to catch and penalize offenders. Importers have responded that if the USDA wants to improve its sanitary and phytosanitary inspection, that it should focus on the produce industry as a whole, and not just on importers.[10]

The food safety issue is certain to receive wider public attention if video footage of Mexican horticultural and produce processing practices commissioned by a Florida growers' group is broadcast on a national television network. Lee Frankel, president of the Fresh Produce Association of the Americas, an importers group, warned that Mexican producers could retaliate by filming similarly dismal growing and processing practices in Florida.[11] He might have added, too, that a video about the sub-minimum wages and unhealthy conditions of strawberry workers in California, mostly Mexican migrant workers, who are the object of a United Farmer Workers organizing drive, would produce a similarly unappetizing view of the produce industry.[12]

The hepatitis incident has been cited as demonstration of need for stricter government controls on food imports. A bill introduced by Representative Sonny Bono of California to require country of origin labeling on all produce, with fines to be assessed against non-complying retailers, is gaining more support than it had when first introduced a year ago. Representative Marcy Kaptur, principal author of the NAFTA Accountability Act, is supporting the Imported Produce Labeling Act of 1997, on the assumption that such labeling will serve as a risk management tool for the consumer.[13]

U.S. Farm organizations, such as the National Farmers Union, which have been critical of NAFTA and oppose its expansion throughout the Americas, have come out in support of the Bono Bill. Indeed, NFU Legislative Director Larry Mitchell urged that all imported foods have a country of origin label.[14] Clinton Administration officials believe that if the country of origin labeling bill becomes law, it will violate WTO provisions concerning "national treatment" equivalence between domestic and imported products.[15]

The Florida Fruit and Vegetable Association, a supporter of NAFTA's passage, has told Florida's congressional delegation that it would be a "grave mistake" to back the Clinton Administration's request for "fast-track" negotiating authority until tariff-rate quota and sanitary/phytosanitary issues in NAFTA and the Uruguay Round are resolved, saying that extensions of current agreements to other countries would endanger the U.S. fruit and vegetable industry.[16]

Left unaddressed by the labeling bill are the problems posed by USDA plans to transfer more responsibility for inspection to industry, particularly in meat and poultry products, and Congressional pressure for budget cutbacks to the inspection agencies. The pressure to reduce the federal role in food inspection complicates the implementation of NAFTA's mandate that member countries recognize each other's inspection standards in regulations under certain specified conditions. A self-initiated USDA audit concluded that regulatory changes to implement NAFTA agricultural provisions, required by January 1, 1995, have yet to be completed, because of the complexity of "regionalizing" regulations concerning animal diseases.[17]

Mexican Food Insecurity Under NAFTA

Much more so than in the U.S., food security in Mexico has been severely compromised by trade liberalization. Ironically, this liberalization has been undertaken in violation of the very protections negotiated by the Mexican government into the NAFTA agreement. In January 1997, Mexican government officials, without consulting affected farmers, voluntarily eliminated the 15 year phase-out of the punitive tariffs—up to 250 percent, for example, of corn imports above 2.6 tonnes in 1996—it had negotiated in NAFTA. The phase-out period was supposed to have made the peasant farmer adjustment to competition with transnational agribusiness exports politically palatable and technically plausible.[18]

According to one analysis, had Mexico adhered to the support levels allowed by the Uruguay Round Agreement on Agriculture, it could have maintained up to a 90% tariff on corn at the end of the tariff phase-out period in 2008. Instead, by eliminating the phase out period, unsubsidized Mexican farmers will now go head to head with U.S. agribusiness, what the same analysis called an "ambitious and suicidal route."[19]

In 1992, a Mexican farmer, discussing a U.S. proposal for elimination of the Mexican import license system for corn said, "[i]f the U.S. sends subsidized corn into Mexico, send it in trains with benches to bring back the Mexican farmers who will need jobs". Raúl Hinojosa Ojeda, a NAFTA proponent at the University of California-Los Angeles, then forecast that lowering Mexican corn supports and eliminating import barriers could cause 600,000 Mexican farmers to cross into the United States in search of jobs.[20] Although there is no firm estimate of the number of Mexican migrants since NAFTA went into effect, the U.S. Immigration and Naturalization Service (INS) apprehended 1.5 million people trying to cross the border illegally in 1996, some of them more than once. The total cost of increased border patrolling is similarly unknown, but the doubling of INS agents to 867 in Arizona since 1994 is indicative of the high cost of policing NAFTA.[21] In one of free trade's many brutal ironies, many of these Mexican trade policy refugees are joining the swelling flow of immigrants who are harvesting and processing U.S. food in often dangerous and low-wage conditions (i.e. low wages relative to the cost of living in the U.S.).[22]

Just as the acceleration of opening the borders to U.S. agricultural commodities has, as predicted during the NAFTA implementation debate, undermined Mexican farmers, NAFTA has likewise contributed to endangering Mexican consumer food security. From January 1995 to June 1996, consumption of basic foods (corn, beans, wheat) dropped 29%, and as a result one of two Mexicans does not have access to the minimum caloric requirements established by the World Health Organization (2,340 calories). According to the Mexican Institute of Social Security, 158,000 Mexican children die now each year before reaching 5 years of age from illnesses related to malnutrition. The proportion of malnourished children in Mexico is about the same as in sub-Saharan Africa countries having a tenth of Mexico's per capita Gross Domestic Product. Mexico's growth in GDP is one of the macro-economic indicators of the alleged Mexican recovery from the effects of the December 1994 peso devaluation.[23]

Mexican hunger in 1996 derives not from the inability of Mexican farmers, often maligned by agribusiness and government, to produce enough food. According to the Mexican Secretary of Agriculture, as of November 1996, Mexican farmers had harvested a record 18 million tonnes of corn, the staple food of most Mexicans.[24] This record harvest is all the more remarkable since, even according to a euphoric U.S. Embassy in Mexico report on economic advice followed by the Mexican government, "improvements for the rural population remain a saliently absent feature in this standard reform program."[25]

Producer and consumer food insecurity resulted in part[26] from the NAFTA-induced policies that put the cost of food beyond the reach of many consumers and made it impossible for Mexican farmers to sell their harvests to importers. Certified importers could afford to buy subsidized U.S. commodities, thanks to about $1.5 billion in long term, 7-8 percent interest loans from the U.S. Commodity Credit Corporation.[27] Unsubsidized Mexican farmers—farming with loans at 30% and higher interest rates—could not compete.

In June 1996, an interagency task force coordinated by the Mexican Commerce ministry decided to import 7 million duty-free tonnes of corn, alleging that Mexican farmers could not supply Mexico due to drought. Commerce declined to collect the 189.2% tariff on the then-existing tariff rate quota tonnage. Farm organizations were not consulted about the decision, advocated by such U.S.-headquartered importers as Cargill, Continental, Purina and Pilgrim's pride, as well as national companies with direct ties to the government. The value of Mexican corn imports alone in 1996—nearly $1.1 billion—equaled the Mexican trade deficit for the agricultural and forestry sectors combined.[28]

Between September and December 1996, corn farmers in the states of Chiapas, Michoacán, Jalisco, Guanajuato, Durango and Baja California organized protests to demand that the government close the border to corn imports, since Mexico had already exceeded the import quota negotiated under NAFTA by 99.4 percent.[29]

On November 9, 1996, three corn farmers in Chiapas, who were among a thousand demonstrating for corn prices equivalent to the international prices plus the 189.2 percent NAFTA-allowed tariff, were killed in an unprovoked attack by Mexican police whose movements were coordinated by a helicopter. By January 1997, there had been no results in the investigation of those responsible for the killings and similar protests had resulted in the "disappearance" of 300 persons. And by January, protesters could no longer demand a price that would approximate a price that included some part of the NAFTA allowed tariff, since the Mexican government had "voluntarily" agreed to eliminate tariffs on corn altogether.[30]

By December 1996, Mexico had imported an unprecedented 12 million tonnes of basic grains (corn, soy, beans, rice, wheat sorghum and barley) half of which was corn, almost entirely from the United States.[31] Not only were U.S.-headquartered agribusinesses dumping corn, but the Mexican government had helped to dump by importing at a subsidized price lower than what those importers would pay Mexican farmers. Mexican farmers have 4 million tonnes of white corn they cannot sell to make tortillas, because grain bins are full of 6 million tonnes of No. 2 yellow corn imports from the U.S., corn traditionally regarded by Mexicans as fit only for feeding animals.[32]

The $650 million in corn exports to Mexico from January to July 1996 have a far greater impact on food security than the $478 million in tomato exports from Mexico to the United States. The abolition of the import tariff quota phase out period will increase Mexico's food insecurity.[33] While U.S. tomato growers will be protected from Mexican competition under terms of a "voluntary" private import price and quota agreement arranged outside of NAFTA agricultural dispute resolution procedures,[34] there will be few if any protections for Mexican farmers.

Ironically, the American Farm Bureau Federation testified to the International Trade Commission in May 1997 that the 189 percent increase in U.S. corn sales to Mexico between October-May 1995-1996 was a "sign that the Mexican economy is beginning to show signs of added strength." The Commodity Credit Corporation guaranteed loans which allowed selected importers to buy U.S. yellow corn at a price that undermined the domestic Mexican price for white corn. Such credit relationships are signs of economic weakness, not strength.

Mexican consumers are suffering as well. According to a December 1996 study by the Mexican Workers' Congress, following the peso devaluation of December 1994, staple foods cost 724 pesos a month for a family of five when the minimum wage was 458 pesos a month. During the so-called post-devaluation recovery, the price of those same foods rose to 1731 pesos a month while the minimum wage increased to only 670 pesos a month.[35] Although the Mexican government is discounting basic foods and household items10-40 percent just in time for the July elections, these discounts will only apply until the end of August.[36] As far as can be determined, the U.S. government has not protested this political intervention in the workings of the market.

Although U.S. agricultural trade officials and agribusiness executives praise the increase in exports to Mexico as a sign of successful trade policy, the longer term harvest of that policy is occurring as a result of the stepped-up pace of privatization of Mexican food security infrastructure. The Mexican government is desperately seeking hard currency reserves to pay the interest on the loans taken out to pay back the "bailout" loan from the U.S. Treasury.[37] Mexican agribusiness is looking for U.S. partners to help shelter it from the effects of peso devaluations to come. As the Mexican government sells off its grain storage operations and other publicly financed infrastructure in order to raise desperately needed dollars—perhaps $200 million for the grain storage operations alone—U.S.-based grain companies will be best positioned to take operational control of the farm-to-consumer pipeline. Mexican government provisions to require up to 10% ownership of grain storage facilities by highly indebted producer cooperatives will hardly counterbalance the financial, technical and political resources of such prospective bidders as Cargill, Archer Daniels Midland, Louis Dreyfus and Continental Grain.[38]

As a result of the collapse of Mexican food security under NAFTA, nearly 700 representatives from some 350 organizations met in Mexico City in August 1996 to discuss plans for recuperating Mexico's food sovereignty, and to prepare for participation in the World Food Summit. The resulting "Political Declaration of the National Forum for Food Sovereignty" was signed by 320 social organizations and published on October 16, 1996 in the national newspaper *La Jornada*.[39] Among the many proposals and conclusions of the Forum's working groups was that NAFTA must be renegotiated to exclude from trade disciplines the production and distribution of basic foods and that a Global Food Security Convention be created to regulate food security as an inalienable social right not subject to abridgment by trade rules.[40]

Expanding NAFTA?

The Clinton Administration is struggling to obtain "fast-track" authority from Congress, which calls for Congress to relinquish its constitutional prerogative to debate extensively and amend trade agreements negotiated by the Executive Branch. Clinton's refusal to specify a deadline for obtaining "fast-track," particularly to launch negotiations for a Free Trade Area of the Americas at the Summit of the Americas in March 1998, is one sign of that struggle. Insofar as the Administration must convince Congress that the results of the North American Free Trade Agreement (NAFTA) warrant the granting of "fast track," it has another fight on its hands. Despite NAFTA proponents' claims that "NAFTA is working," the Administration was reluctant to ask the U.S. International Trade Commission (ITC) for its independent evaluation of NAFTA because, according to a trade policy insider, Administration officials "were not sure that the ITC would [sic] say something not in line with what the Administration wanted to say."[41]

To get "fast track," the Clinton Administration strategy appears to be to delink U.S.-Mexico relations from NAFTA and delink NAFTA from U.S. global trade opportunities. In Congressional testimony on March 18, the U.S. Trade Representative, Ambassador Charlene Barchefsky, argued the Clinton Administration's case for why Congress should grant the Administration "fast track" authority. She advised Congress to avoid "an endless debate over NAFTA, primarily our relations with Mexico" in order to "seize the opportunities in the global economy and fully meet the competition."[42] It is quite possible that the Clinton Administration eventually will obtain fast track authority by acceding to Republican and corporate pressure to exclude from "fast track" any negotiating authority concerning environmental or labor matters.

However, it is unlikely that the Administration will be able to avoid a debate over NAFTA, if only because the interpretation of NAFTA's performance and NAFTA's applicability as a template for other trade agreeements is so controversial. Advocates for sustainable producer and consumer food security should make sure that a revision of NAFTA's agricultural trade policy make enhanced food security the bottom line of any performance review of NAFTA.

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