National Farmers Union

UNITED TO GROW FAMILY AGRICULTURE

June 12, 2017

The Honorable Robert Lighthizer
Ambassador
United States Trade Representative
600 17th Street NW
Washington, DC 20006

Re: Request for Comments on Negotiating Objectives Regarding Modernization of the North American Free Trade Agreement with Canada and Mexico

Dear Ambassador Lighthizer:

National Farmers Union appreciates the opportunity to present the U.S. Trade Representative (USTR) with comments on negotiating objectives regarding modernization of the North American Free Trade Agreement (NAFTA) with Canada and Mexico. NFU has nearly 200,000 family farmer, rancher, and fishermen members nationwide and organized divisions in 33 states. Since 1902, NFU has supported family agriculture and rural communities through advocacy, education, and cooperative development.

NFU is a grassroots organization with family farmer members engaged in all types of agriculture. NFU's policies are established annually by a recurring, vigorously democratic parliamentary process. While international trade is a critical aspect of family farm agriculture for U.S. farmers, NFU has a long history of skepticism about the benefits of free trade agreements for agriculture. During the NAFTA negotiations, NFU members passed policy that called for the prioritization of addressing trade with countries with which the U.S. has a trade deficit.[1] Additionally, NFU policy adamantly opposed NAFTA for its food safety, animal health, environmental, and offshoring implications. These concerns still ring true today.

NFU policy supports "a formal and thorough analysis of current agricultural trade agreements to determine their success at meeting promised goals before any new trade agreements are negotiated or proposed."[2] As strong proponents of fair trade, NFU supports this first step in an open and transparent process to renegotiate NAFTA for the benefit of family farmers and consumers.

I. U.S. Farm Economy

[1] "Policy of the National Farmers Union," March, 1993.

[2] "Policy of the National Farmers Union," March, 2017. https://nfu.org/2017-policy/. At Article IV.

The U.S. farm economy is on a downward trajectory. Net farm income is forecast to decline by 8.7 percent to $62.3 billion in 2017, the fourth consecutive year of decline.[3] Overall, net farm income has declined by 50 percent in the last four years.[4] The 2017 debt-to-asset ratio is the highest the agriculture sector has incurred in three decades.[5] Median farm household income is expected to be -$1,400 in 2017.[6] Farm lending has dropped and agricultural lenders are increasing interest and collateral requirements to loan terms.[7] Delinquency rates in farm country are increasing.[8] These are all indicators of a stressed farm economy. This is the context in which the U.S. will be approaching NAFTA renegotiation. Any renegotiation of NAFTA must, first and foremost, do no harm to family farmers and ranchers.

II. Trade Deficit

The U.S. has had a large and persistent trade deficit that has resulted in lost jobs and stagnant wages. For the past 40 years, the U.S. has maintained a massive trade deficit, despite the passage of free trade agreements with 20 countries. In 2016, the U.S. accumulated a trade deficit of $502.3 billion.[9] The trade deficit is a 3 percent drag on the U.S. gross domestic product (GDP). While agriculture typically maintains a trade surplus, which is beneficial, it represents less than 4 percent of the overall trade deficit.

Unfortunately, in recent years, even the agricultural trade surplus has declined. Free trade agreements have not resulted in a stable positive balance of trade for U.S. agriculture.

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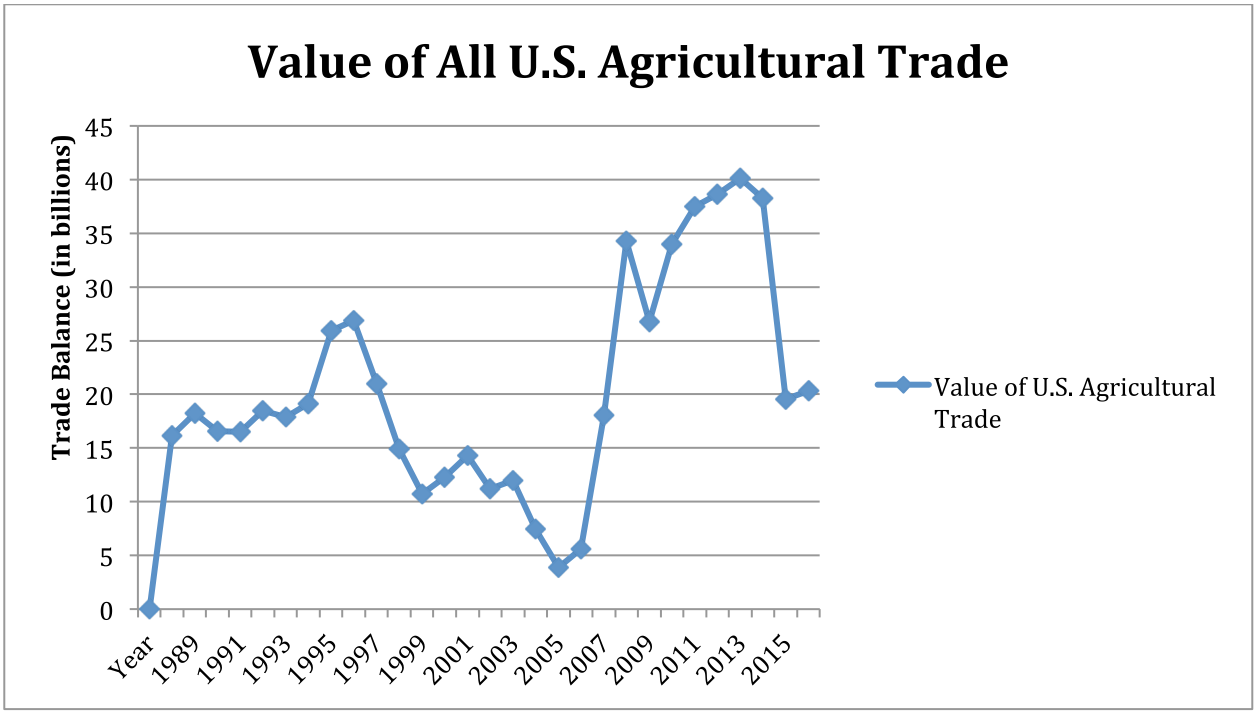
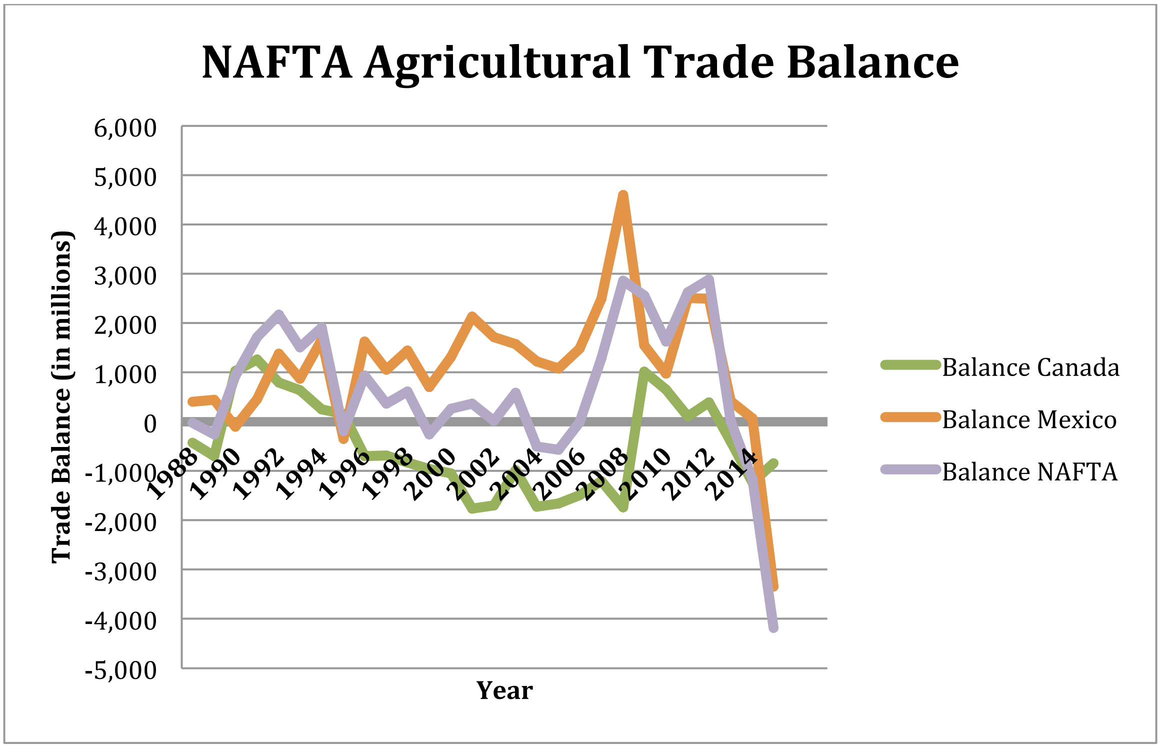
[3] "Farm Crisis Center." National Farmers Union. June, 2017. https://farmcrisis.nfu.org/
[4] "Farm Crisis Center."
[5] Ibid.
[6] "Farm Household Income Forecast" February, 2017. https://www.ers.usda.gov/topics/farm-economy/farm-household-well-being/farm-household-income-forecast/
[7] "Farm Crisis Center"
[8] Ibid.
[9] https://www.bea.gov/newsreleases/international/trade/2017/trad1216.htm



1 Source: "U.S. trade surplus smallest since 2007." U.S. Department of Agriculture. April 11, 2016. https://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=58310

Mexico and Canada are vital trading partners for U.S. agricultural goods, but the U.S. now has an agricultural trade deficit. In 2015, the U.S. had an agricultural trade deficit of $839 million with Canada and $3.3 billion with Mexico.[10] The renegotiation of NAFTA must maintain the goal of balanced trade with our partners.

[10] "U.S. trade surplus smallest since 2007." *U.S. Department of Agriculture*. April 11, 2016. https://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=58310



2 Source: "Standard Query." U.S. Department of Agriculture, accessed June, 2017. https://apps.fas.usda.gov/gats/Default.aspx

III. Cattle/Beef Trade

While organizations representing multinational meatpackers purport that NAFTA has been a boon to the cattle industry, the data suggests a different truth. While exports have increased since the implementation of NAFTA, imports have risen at a much more drastic rate in trade with both Canada and Mexico. While the increase in exports is positive, the overall trade deficit in beef and cattle is a detriment to family farmers and ranchers. From 1993 to 2015, the total U.S. beef and cattle trade deficit with Canada and Mexico increased by 131%, from almost $1.2 billion to over $2.7 billion.[11]

Additionally, the top four beef packers control 85 percent of the market, up from 70 percent in 1990.[12] These multinational corporations take advantage of rules in NAFTA that allow companies to operate across borders. In fact, NAFTA provisions essentially encourage

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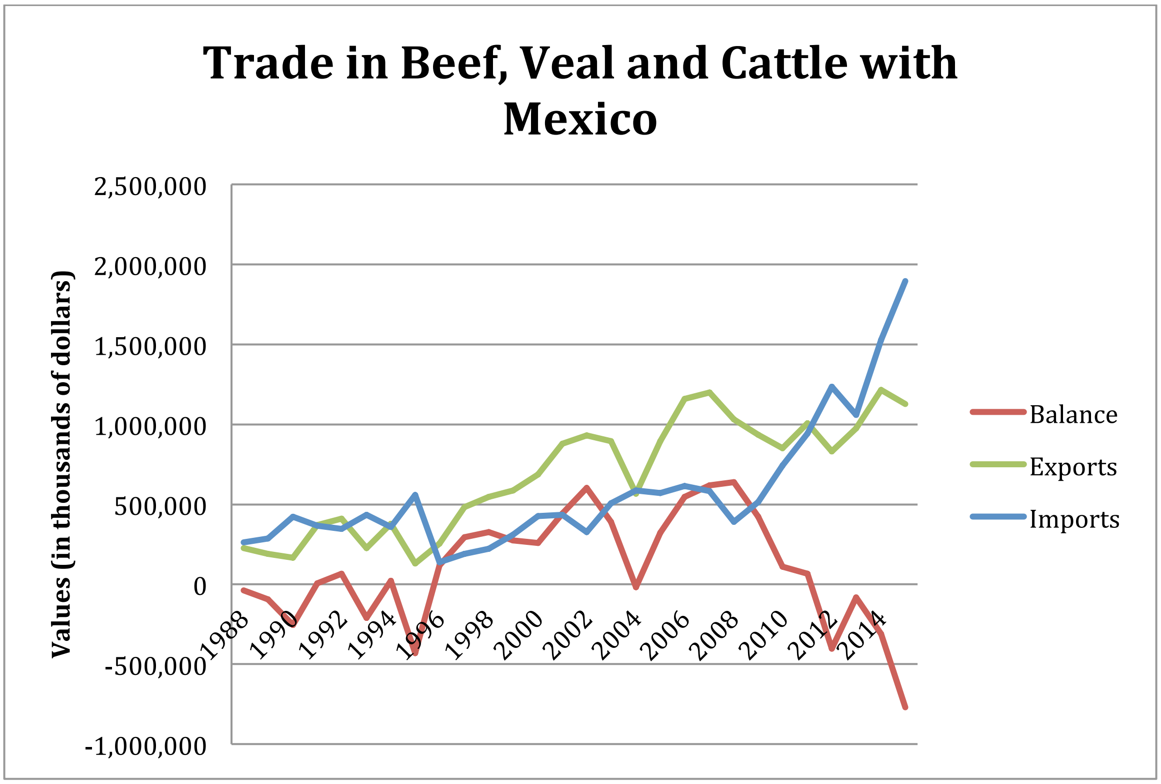
[11] "Standard Query." *U.S. Department of Agriculture*, accessed June, 2017. https://apps.fas.usda.gov/gats/Default.aspx

[12] Jerome, Andrew. "NFU Defends Family Beef Producers Against Meatpackers' Aggressive Market Control." *National Farmers Union*, October 21, 2016. nfu.org/2016/10/21/nfu-defends-family-beef-producers-against-meatpackers-aggressive-market-control/; United States. General Accounting Office. Resource, Community, and Economic Development Division. Beef Industry: Packer Market Concentration and Cattle Prices. By John W. Harman.

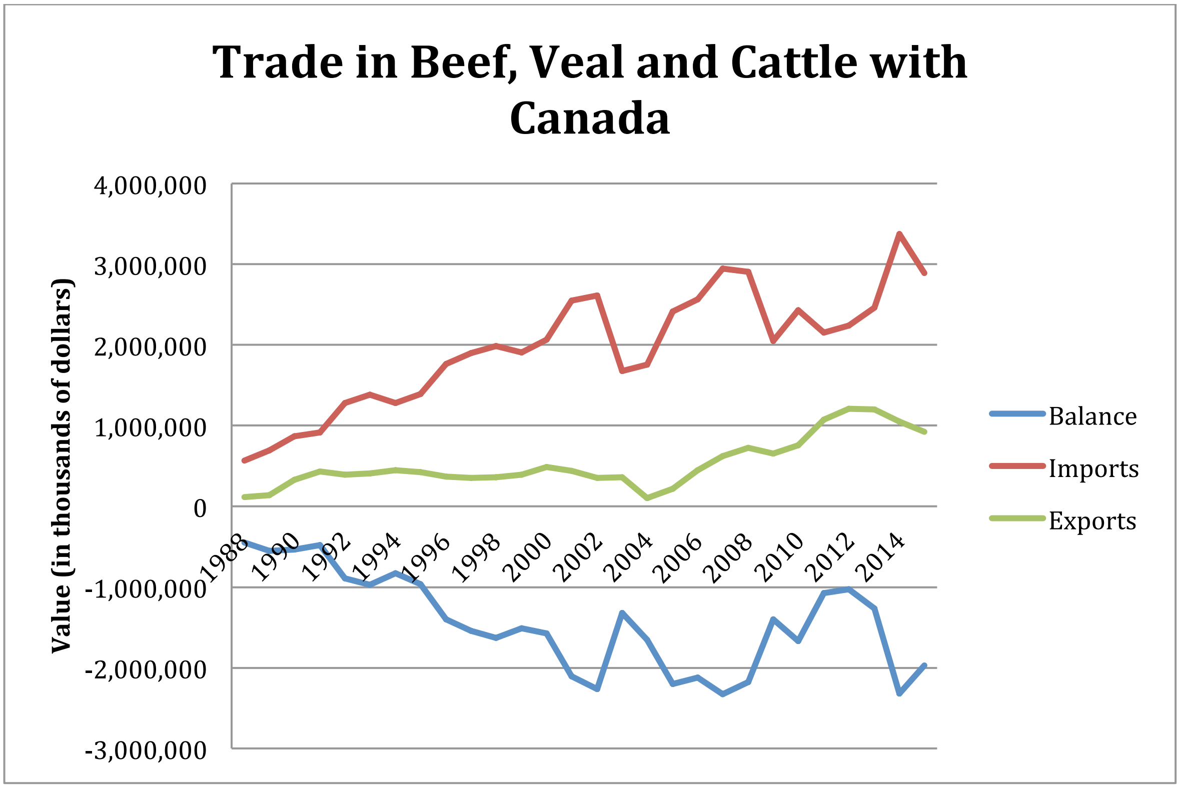
companies to shop for the cheapest production costs. Because of this, companies often raise cattle in Mexico and Canada and then bring the cattle back to the U.S. for slaughter and sale.

NAFTA has also contributed to a steep decline in the number of beef cattle operations in the United States. Between 1992 and 2012, the number of farms raising cattle and calves fell from 1,074,349 to 913,246, a decrease of almost 15%. At the same time, the number of the largest ranches – those with 5,000 or more head – increased from 704 to 1,124.[13] The largest operations' share of the total cattle population increased from 10.4% to 17.9%. This consolidation is not only bad for family farmers and ranchers, but it is particularly devastating on their rural communities. Family farmers and ranchers are the basis for vibrant rural communities. NAFTA's impacts have threatened rural communities across the country.



3 Source: "Standard Query." U.S. Department of Agriculture, accessed June, 2017. https://apps.fas.usda.gov/gats/Default.aspx

[13] U.S. Department of Agriculture. NASS. Census of Agriculture, 1992. Washington, D.C.: U.S. Dept. of Commerce, Economics and Statistics Administration, Bureau of the Census, 1996.; US.S Department of Agriculture, NASS. Census of Agriculture, 2012. Washington D.C.: Dept. of Commerce, Economics and Statistics Administration Bureau of the Census, 2014.



4 Source: "Standard Query." U.S. Department of Agriculture, accessed June, 2017. https://apps.fas.usda.gov/gats/Default.aspx

IV. Food and agriculture sovereignty

President Trump has stated, "We will have two simple rules when it comes to this massive rebuilding effort: buy American and hire American."[14] NFU supports efforts to purchase American made products. NFU strongly urges the Administration to include U.S. agriculture in its goals of domestic procurement. Like the President, consumers also want to support domestic producers. Country-of-origin Labeling (COOL) provides consumers with information on where their food comes from. In the case of livestock, COOL conveys where the animal was born, raised and slaughtered. Due to a dispute at the World Trade Organization from our NAFTA trading partners, led by multinational meatpackers aiming to source from the cheapest country and shield that information from consumers, Congress repealed COOL for beef and pork in December of 2015.[15] Canada and Mexico still have not ended the dispute despite the gutting of our domestic sovereignty to label meat products.

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[14] https://www.whitehouse.gov/the-press-office/2017/04/18/president-trump-promotes-buy-american-and-hire-american

[15] Huehnergarth, Nancy Fink. "Quashing Consumers Right-To-Know, Congress Repeals Country-Of-Origin-Labeling For Beef And Pork." Forbes. December 22, 2015. Accessed June 06, 2017. https://www.forbes.com/sites/nancyhuehnergarth/2015/12/21/quashing-consumers-right-to-know-congress-repeals-country-of-origin-labeling-for-beef-and-pork/#72c653c736e5.

NAFTA renegotiation provides an ideal opportunity to work with our trading partners to reinstate domestic sovereignty over respective laws regarding food and agriculture. The Administration should include restoring COOL as one of the chief negotiation objectives in agriculture. COOL is one strong example of a popular domestic law that has been usurped by free trade deals that undermine our nation's ability to pass and maintain laws for the benefit of America. In that same token, free trade agreements have threatened domestic policies for the benefit of corporations at the expense of family farmers.

Recently, Canada's pricing system on dairy has received substantial criticism from national dairy organizations and the Administration. While fair trade is essential and both parties to a trade agreement must carry out the provisions to which they have agreed, the U.S. should support other nation's sovereignty. In other words, the U.S. should not work to undermine a system that benefits family farmers on either side of the border. The establishment of food and agriculture policies within each nation's borders is one critical aspect of maintaining family farm agriculture and rural communities. Trade agreements should preserve that sovereign right.

V. Impacts of NAFTA

Since the implementation of NAFTA, massive consolidation of farmland and agribusinesses has occurred. NAFTA has had negative consequences for farmers in the U.S. and Canada, but the impacts on Mexican farmers and farmworkers has been devastating. NAFTA slowed economic growth in Mexico relative to growth prior to NAFTA, and Mexico's growth rate is much lower than that of the rest of Latin American countries. Mexico's poverty rate increased by nearly 3 percent from 1994 to 2014, resulting in 20.5 million more Mexicans living below the poverty line. From 1991 to 2007, 4.9 million Mexican family farmers were displaced. Additionally, at the annual number of Mexicans emigrating to the U.S. soared by 79 percent.[16]

NFU warned about these potential impacts in its 1993 policy statement, "Farmers Union is also concerned that NAFTA could have a devastating impact on family farmers in Mexico, decimating local markets for their own farms.[17] By some estimates, NAFTA could throw as many as 5 million Mexican peasant farmers off the land, putting additional pressure on Mexico's cities, labor force and economy, thus lowering the standard of living." When renegotiating NAFTA, NFU urges the Administration to take into consideration the impacts NAFTA has had on the Mexican farmer and worker.

VI. Investor-State Dispute Settlement

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[16] Weisbrot, Mark, Lara Merling, Vitor Mello, Stephan Lefebvre, and Joseph Sammut. Did NAFTA Help Mexico? An Update After 23 Years. Washington D.C.: Center for Economic and Policy Research, 2017. PDF.

[17] "Policy of the National Farmers Union," March, 1993.

NAFTA was the first trade agreement to include the Investor-State Dispute Settlement (ISDS) provisions that allow investors to have special privileges in international trade. These protections allow for and encourage the offshoring of domestic jobs and threaten the sovereignty and democratic policies of the U.S. and our trading partners. ISDS allows corporations to sue foreign governments. The tribunals are corporate lawyers who decide whether corporations have lost out on profits in violation of broad NAFTA rights. The fines are at the expense of taxpayers for the benefit of corporations. ISDS undermines laws and regulations related to safety, the environment, financial regulations, land use, and health. These broad corporate rights undermine our democracy and put corporations above the interests of people. ISDS is a harmful regime that must be eliminated in the renegotiation of NAFTA.

VII. Conclusion

Agriculture has been central to the advocacy efforts around free trade agreements for decades. NFU shares USTR's concerns with the trade deficit and encourages greater scrutiny of the purported benefits for U.S. agriculture. While exports and trade are essential to family farmers and ranchers, free trade agreements too often result in the corporate consolidation of power that ultimately undermines the economic opportunity for farmers. Renegotiation of NAFTA should prioritize family farmers and ranchers, not agribusiness, and the working people across our country. Thank you for consideration of these comments; NFU stands ready to assist USTR and the Administration in creating a new fair trade paradigm.

Sincerely,

Roger Johnson

Roger Johnson
President