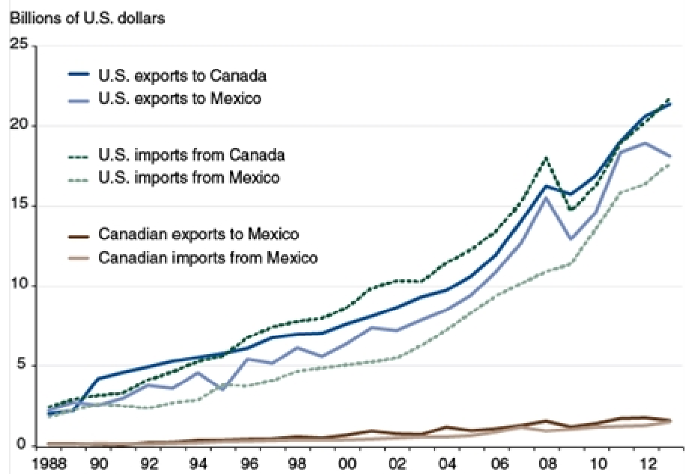
The Importance of North American Trade to the U.S. Food & Agriculture Industry

Together Canada, Mexico and the United States make-up one of the most competitive and successful regional economic platforms in the world. The success of this regional trading relationship depends largely on economic and commercial cooperation, integration, and policy alignment.

Growth in intraregional agricultural trade is a noticeable sign of NAFTA's impact



NAFTA = North American Free Trade Agreement.
Source: USDA, Economic Research Service, using data from U.S. Census Bureau, *Foreign Trade Statistics*, as cited by USDA, Foreign Agricultural Service, *Global Agricultural Trade System*.

Facts about Food & Agriculture Trade in North America

- The North American market has been a bonanza for U.S. farmers and ranchers. Over the past 20 years, U.S. agricultural exports to Canada and Mexico tripled and quintupled, respectively. One in every 10 acres on American farms is planted to feed hungry Canadians and Mexicans.

- Total U.S. agricultural exports to Canada and Mexico have more than quadrupled, growing from $8.9 billion in 1993 to $38.6 billion in 2015.

- U.S. agricultural exports, which are heavily reliant upon the North American market, also support 1,132,000 full-time civilian jobs, including 808,000 jobs in the non-farm sector.

- Based on a U.S. Department of Agriculture estimate, for every $1 of agricultural exports, another $1.22 is generated in business activity. That is, in 2015 U.S. agricultural exports to Mexico and Canada supported $47 billion in additional business activity.

- Foreign direct investment (FDI) in the processed food industry across North America translates into additional sales of U.S. agricultural products, further supporting American jobs. In 2012, majority-owned affiliates of U.S. multinational food companies had sales of $32.4 billion in Canada and $13.8 billion in Mexico, according to data from the U.S. Department of Commerce's Bureau of Economic Analysis.

U.S. Food & Agriculture Needs the North American Market

In the 20 years since the North American Free Trade Agreement was initiated, the U.S. food and agriculture industry has grown to support hundreds of thousands of good jobs, improved efficiency and innovation, and enhanced our competitiveness in a rapidly changing global economy.

Any major changes in this economic platform could result in extensive new tariffs and non-tariff barriers being applied against U.S. food and agricultural exports, with losses to American workers totaling in the billions of dollars. America's farmers, food manufactures and agribusinesses can't afford to lose any access to the Mexican and Canadian markets.

The U.S. food and agriculture industry looks forward to working with the new Administration in preserving and expanding upon the gains our sector has already achieved within the North American market.

Updated: 170119

Industry Success in North America

With a few key exceptions, intraregional agricultural trade is now free of tariff and quota restrictions, and in many of those cases the agricultural sectors of the North American region have become far more integrated, as is evidenced by rising trade in a wider range of agricultural products and substantial levels of cross-border investment in the processed food sector.

NAFTA has benefitted America's food and agriculture sector in many specific ways:

Apples

The apple industry has benefited greatly under NAFTA. Prior to the agreement, Mexico imposed a 20% tariff. With duty free access, Mexico is now our largest export market followed by Canada. From 1993 to 2015, exports to Mexico tripled while exports to Canada nearly doubled. Export sales to the two markets total more than $450 million annually.

Beef

North American integration of the beef industry has brought significant benefits in both the marketing and production of beef products. On the production side, NAFTA has boosted the competitiveness of the U.S. beef industry. For example, imports of Mexican feeder cattle to the United States bring the advantage of less expensive feed-grains, economies of scale, and proximity to packing plants. On the trade side, U.S. beef exports to Mexico and Canada grew from $656 million in 1994 to more than $1.9 billion in 2015.

Corn

Prior to the agreement, Mexico maintained strict controls on grains via licensing requirements and provided guaranteed prices to domestic producers of many field crop, including corn. Under NAFTA, Mexico transitioned to a system featuring duty-free trade with the U.S. and Canada. And rising demand for feed and food has created new opportunities for intraregional trade in grains. The U.S. now exports on average over $3.7 billion of corn and corn products to Mexico and Canada.

Dairy

The U.S.-Mexico portion of NAFTA has been a resounding success for America's dairy industry. The agreement eliminated all dairy tariffs with Mexico and put Mexico, at over $1 billion, head and shoulders above all other U.S. dairy export markets. U.S. dairy exports to Mexico now account for a quarter of total dairy exports. U.S. dairy exports to Mexico accounted for 3.4 percent of all U.S. milk production in 2015, which equated to 30,000 American jobs. In contrast to the strong and successful dairy track record with Mexico, Canada offers an area of unfinished business given the remaining Canadian tariff and nontariff barriers to dairy.

Food Manufacturing

America's food and beverage companies are the biggest source of U.S. manufacturing jobs, employing 1.4 million workers. These jobs are supported by exports to Mexico and Canada, which are the top two destination markets for U.S. processed products. In addition, American investment in Mexican food manufacturing has tripled since 1999, as have sales of American processed food products there. The United States supplies about 70 percent of Mexico's agri-food imports. With Canada, U.S. and Canadian food and beverage manufacturers have substantial direct investment in each other's processed food industries, and there is a significant and growing trade in intermediate products.

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Peanuts
The tariff-free access ensured by NAFTA has been essential for the U.S. peanut industry. Mexico and Canada are both among the top three importers of U.S. peanuts, and in 2016 the value of these two markets together reached approximately $250 million, exceeding one-third of the total value of U.S. peanut exports. Over the last five years the value of U.S. peanut exports to Mexico has increased by about 35 percent, and there is potential for much more growth.

Pork
Exports are vital to pork producers and to the financial health of the U.S. pork industry, totaling over $5.5 billion in 2015. Through the elimination of tariff and non-tariff barriers to trade our exports to Canada increased by over 20 times since the implementation of the U.S.-Canada Free Trade Agreement in 1989. Our pork exports to Mexico increased by over 12 times since the implementation of NAFTA in 1994. Exports contribute significantly to the bottom line of all U.S. pork producers, adding more than $48 to the value of each hog marketed in 2015. Mexico and Canada are our second and third largest foreign markets for pork, with U.S. exports totaling $ 1.26 billion and $ 778 million, respectively in 2015. Furthermore, pork exports to Mexico and Canada support more than 25,000 U.S. jobs. Disruption of the Mexican and Canadian markets would cause severe economic consequences for U.S. pork producers.

Rice
NAFTA is responsible for making Mexico the number one market for U.S. rice exports. Today, annual sales of U.S. rice consistently average just over 800,000 tons vs. less than 300,000 tons before NAFTA. Exports to Mexico account for just over one-fifth of all U.S. rice sales abroad, up from 6 percent in pre-NAFTA days. NAFTA replaced an environment of import licenses and discriminatory import duties on certain types and forms of U.S. rice. While all U.S. rice producers and marketers benefit in Mexico, the country is a long grain rice consumer, so Mexico, and the benefits of NAFTA, are particularly important to the industry in the mid-South. U.S. suppliers are facing increased competition from suppliers in South America and, recently, Viet Nam. It is critical to the ongoing competitiveness and commercial success of U.S. rice that the duty-free benefits of NAFTA continue.

Soybeans
Thanks to trade agreements with our North American partners, U.S. soy exports have grown significantly over the past 25 years. These agreements reduced tariffs and further integrated the North American market for grains, oilseeds and related products. The improved market access allowed the U.S. soy industry meet the demands for quality food and feed products from Mexico which needed to meet their country's growing demand for proteins. In 2015, the U.S. exported $438 million and $2.44 billion of soy products to Canada and Mexico, respectively. Mexico saw the greatest growth, nearly quadrupling their imports of U.S. soy products since the implementation of NAFTA.

Sugar & Sweeteners
Liberalization under NAFTA has led to active sweetener trade in both directions, most notably between the U.S. and Mexico. Food and beverage manufactures depend on a variety of sugar and sweeteners to meet their production needs. The U.S., a net importer of sugar, can depend on access to the Mexican sugar market, while Mexico continues to be a leading market for U.S. high fructose corn syrup for beverage manufacturers and bakery use. In 2015, the U.S. shipped over $640 million of corn-based sweeteners to Mexico and Canada, directly supporting over 7,900 American jobs.

Wheat
NAFTA has substantially grown the U.S. wheat market in Mexico through the removal of tariffs and state-run procurement and price supports. Wheat exports were 500% higher in the 10 years following NAFTA than the 10 years preceding. For the past five years, Mexico has consistently been the second largest market for U.S. wheat, importing on average nearly $1 billion/year. But Mexico is not a captive market by proximity, and U.S. wheat's share of the market would likely erode without the level playing field created by NAFTA.