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HOW NAFTA WILL AFFECT AGRICULTURE IN THE UNITED STATES: REGIONAL IMPACTS

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After more than a year of intense discussions, the North American Free Trade Agreement (NAFTA) negotiations were completed on August 14, 1992, in Washington. The result will be the largest free trade area in the world covering all trade between more than 360 million people and economies of more than \$7 trillion in Gross Domestic Product (GDP).

Fast Track

Consideration of the NAFTA is subject to the "fast-track" procedures provided by Congress for trade agreements.

The schedule is as follows: Ninety days after the official notice to Congress of the intent to enter into a trade agreement, the president may sign the agreement. In the case of the NAFTA, this notice was on September 18, 1992, so that means late December, 1992, is the earliest the agreement may be signed. Only after signing the trade agreement may implementing legislation be submitted, but there is no deadline for submitting such legislation.

Once the legislation is submitted, it will be entitled to "fast-track" treatment, meaning that Congress will vote "yes" or "no" on the agreement within ninety legislative days. No amendments are allowed. In recent cases, passage has taken considerably less than ninety days because Congress and the administration have collaborated on the drafting of implementing legislation.

Following the above schedule, a Congressional vote on the NAFTA might be expected perhaps as early as the spring of 1993. But no specific deadline can be specified because we do not know when the implementing legislation will be submitted. Clearly this "fast track" is only "fast" by Washington standards.

Although the NAFTA has been negotiated, implementing legislation is required for it to become effective. An intense public policy debate should be anticipated during 1993. This paper is designed to contribute to that debate.

Economic Effects of the NAFTA

The NAFTA negotiation successfully established what will become essentially free trade among the United States, Canada and Mexico. It builds on the 1988 agreement between the United States and Canada by strengthening that agreement somewhat and by adding Mexico to the free trade area. The NAFTA will reduce tariffs to zero for almost all products—both industrial and agricultural. It will improve access for services and investment and improve rules related to intellectual property.

Free trade in North America means faster economic growth in all three countries. There is a broad consensus among economic studies that economic growth rates are likely to increase by around 0.5 percentage points in Mexico and by perhaps 0.1 percentage points in the United States compared to the results with no NAFTA. The reason for the difference in percentage effects between countries is, of course, that the Mexican economy is so much smaller than the U.S. economy. Opening our market to Mexican exports and gaining better access to U.S. exports means much more in relative terms to the Mexican economy.

Improved growth rates translate into increased employment. The analytical studies done on the NAFTA all point to enhanced employment prospects for U.S. workers. An increase in economic activity of \$30 billion (about 0.5 percent of GDP in 1991) translates into roughly 1 million additional jobs. On net, we may expect the NAFTA to generate employment growth of roughly this order of magnitude (Office of the U.S. Trade Representative).

This enhanced growth and employment applies to the economy in rural America as it does to the urban areas. It is important to remember that most of the economic activity in rural areas is not in agriculture and, whereas we do not want to underestimate the influence of farming as a core industry, at the same time we do not want to neglect the benefits of the NAFTA in the manufacturing and service industries. The rest of this paper deals with commodity influences but, for rural areas, the general stimulus to economic growth is at least as important.

Commodity Effects

Between the United States and Mexico, all nontariff barriers are converted to tariffs and all tariffs are either eliminated immediately or phased out gradually with transition periods of up to fifteen years. For a few particularly sensitive farm commodities, tariff rate quotas effectively limit imports to some specified amount by introducing a two-tier tariff scheme. The first-tier tariff is set at low or zero rates, but once some pre-specified amount of imports have entered, any additional imports would be subject to a high tariff. These second-tier tariffs are likely to be prohibitive in the early years of the transi-

tion. Gradual market opening is achieved for these commodities by expanding the imports allowed under the low or zero duty by 3 percent each year and by lowering the tariff applied on any additional imports. By the end of the transition period, all tariffs will be reduced to zero (Sumner).

U.S. Department of Agriculture (USDA) analysis indicates that U.S. agricultural exports are expected to be \$2.0 billion higher than without NAFTA by the end of the transition. Livestock, meat and grains will account for much of the expansion. Cash receipts in agriculture will be about 3 percent higher compared with projected receipts without NAFTA (U.S. Department of Agriculture, Aug. 1992).

Mexico's main exports to the United States have been tropical and horticultural crops such as coffee, fruits and vegetables. U.S. imports of these products also are likely to expand with the agreement (U.S. Department of Agriculture, July, 1992).

The previous section has outlined the national commodity impacts. More detail on individual commodity results is now available in *Preliminary Analysis of the Effects of the North American Free Trade Agreement on U.S. Agricultural Commodities* from USDA's Office of Economics.

Livestock and Meat. Mexico is one of the fastest growing export markets for U.S. meat, especially fresh/chilled/frozen and processed products.

NAFTA will phase out the 10 percent tariff on U.S. pork entering Mexico, significantly increasing pork exports to Mexico and doubling exports by the end of the transition period. Beef exports to Mexico will expand due to income improvement.

NAFTA will increase live cattle trade in both directions between the United States and Mexico. As constraints such as tariffs, licenses and export taxes are removed, more young cattle from Mexico will be fed in the United States and more U.S. slaughter cattle will be shipped to Mexico. However, Mexican imports and exports will remain small relative to the total U.S. market, so the NAFTA will have effects on total U.S. cattle production and prices.

U.S. poultry exports have increased rapidly in recent years, from \$16 million in 1987 to over \$110 million in 1991, and Mexican demand is expected to continue to grow. U.S. exports will benefit from the removal of Mexico's import licensing requirement and economic growth in Mexico.

Dairy Products. Mexico is the world's largest market for milk powder and represents the most important outlet for U.S. nonfat dry milk exports. NAFTA will increase Mexican income growth and Mexican demand for dairy products. Overall, NAFTA will allow the United States to obtain a larger share of the Mexican dairy import market.

Cotton. NAFTA will provide an increased export market for the U.S. cotton industry. Although Mexico has been a cotton exporter in the past, it has been a net importer in recent years. Mexico has not filled its quota for imports into the United States since 1984/85. Liberalization will increase U.S.-Mexico trade in textiles and apparel, increasing Mexican demand for U.S. cotton in either raw cotton form or as textiles manufactured in U.S. mills.

Sugar. There is a fifteen-year transition period for sugar. U.S. tariffs on sugar from Mexico will decline by 15 percent over the first six years, and then be phased out to zero over the balance of the transition period. By year seven, Mexico will establish border protection, equal to that of the United States, for imports from third countries.

Under the NAFTA, Mexico retains its current export allocation to the U.S. market of 7,258 metric tons. Any additional access to the U.S. market depends on Mexico becoming a net exporter of sugar. The USDA analysis indicates that Mexico is unlikely to become a net sugar exporter and little impact on sugar trade is anticipated (Sumner).

Nuts, Fruits, and Vegetables. Mexican income growth will increase that country's consumption of fruits and vegetables, thus limiting Mexico's export potential to the United States and expanding the market for U.S. produce in Mexico.

NAFTA will provide increased market opportunities from reduced barriers and income growth in Mexico for U.S. horticultural commodities. The most significant gainers will include fresh apples, pears and peaches. U.S. exports of fresh vegetables to Mexico (counter-seasonal to their production) will also increase as Mexican consumers increase demand for high-quality fresh produce. U.S. tree nut exports to Mexico, already having grown from \$8 million to \$16 million during 1987-91, will continue to expand as NAFTA eliminates Mexico's 15 to 20 percent tariffs.

Grains and Oilseeds. NAFTA assures the United States access under an initial tariff quota of 2.5 million metric tons into the Mexican corn market. U.S. corn exports to Mexico in 1991, when exports were subject to import licensing requirements, were 1.3 million metric tons. Under NAFTA, as the tariffs are reduced and incomes grow, U.S. corn exports to Mexico will increase steadily over the longer term. NAFTA implies a small increase in U.S. corn prices and production.

U.S. sorghum exports will increase due to the immediate elimination of the sorghum tariff. U.S. wheat exports will increase under NAFTA as a result of the elimination of tariffs and licensing and higher Mexican incomes. U.S. wheat exports to Mexico are expected to grow to 1 to 1.5 million tons per year within a decade.

Under NAFTA, Mexico will reduce its 15 percent seasonal duty on

soybeans to 10 percent, which will then be phased out over ten years. The United States has traditionally supplied three-fourths of Mexico's imports of soybeans and meal. Mexico's demand for grains and oilseeds for feeding is expected to increase as its livestock and poultry sectors expand. The elimination of the seasonal duty will help increase the U.S. share of Mexico's soybean and product imports.

The gain in U.S. corn, sorghum, wheat and oilseed exports is expected to approach an additional 5 million tons per year by the time NAFTA is fully implemented.

Translating Commodity Impact into Regional Effects

Tables 1 and 2 indicate the importance of various commodities in each of the fifty States (U.S. Department of Agriculture, forth-coming). The simplest approach to linking national commodity impacts to how agriculture in each region will likely be affected by the NAFTA is to apply the national impacts to the commodity outputs in each state. However, there are additional considerations.

To consider how some policy or other economic event affects agriculture across regions of the country, it is useful to begin with an evaluation of commodity impacts. To at least a first order of magnitude, knowing what commodities a region produces provides a sense of what the policy change means to the agriculture in a region. That is the basic approach we take for an assessment of the North American Free Trade Agreement.

Of course, some refinements (and perhaps more than refinements) are in order. Commodity definitions need to be specified carefully to assess regional implications of a change in the commodity demand conditions on a national level and, often, significant disaggregation is required. For example, sometimes analysis of U.S. agriculture treats citrus as though it were a single industry. But, the lime, grapefruit, fresh market orange and juice orange industries are quite distinct. They differ in the markets they compete in and in the potential competition from Mexico and elsewhere. They are also different in different regions of the country. For example, the orange industry in California is likely to gain from the NAFTA. California oranges are used primarily for fresh consumption and face little potential import competition from Mexico. We expect export gains for the California orange industry. Little of the crop goes for juice, particularly as a share of total revenue. The Florida orange industry is primarily a juice supplier. The frozen concentrate orange juice produced faces strong import competition, especially from Brazil, but increasingly from Mexico. The NAFTA, by gradually eliminating the existing U.S. tariff (approximately 30 percent ad valorem equivalent) will make Mexican juice more competitive in the U.S. market relative to both Brazil and to Florida. USDA analysis indicates that Florida will

Table 1. Cash Receipts for Five Principal Commodities by States, 1991

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445 Potatoes 109 Eggs 86 Dairy prods 85 Aquaculture 39 1,332 Broilers 384 Granhs/nurs 197 Dairy prods 182 Soybeans 97 476 Granhs/nurs 143 Cranherries 97 Dairy prods 65 Begs 20 5,936 Corn 1,216 Dairy prods 1,149 Soybeans 1,009 Cattle/calve 978 2,422 Cotton 685 Broilers 579 Cattle/calve 222 Soybeans 248 3,661 Cattle/calve 874 Soybeans 74 Appleans 74 1,531 Cattle/calve 666 Wheat 406 Barley 53 Corn 38 1,531 Cattle/calve 4,783 Corn 1,754 Hogs 878 Soybeans 149 8, 821 Cattle/calve 43 Granhs/nurs 33 Apples 11 Cattle/calve 14 <tr< td=""><td>Louisiana</td><td>1,793</td><td>Cotton</td><td>388</td><td>Cattle/calve</td><td>221</td><td>Cane/sugar</td><td>192</td><td>Soybeans</td><td>174</td><td>Rice</td><td>169</td></tr<>	Louisiana	1,793	Cotton	388	Cattle/calve	221	Cane/sugar	192	Soybeans	174	Rice	169
1,332 Broilers 384 Granberries 197 Dairy prods 182 Soybeans 95 4,76 Granbsfnurs 143 Cranberries 97 Dairy prods 65 Soybeans 20 3,081 Dairy prods 643 Corn 393 Cattle/calve 285 Soybeans 286 2,422 Cotton 685 Broilers 579 Cattle/calve 252 Soybeans 248 3,861 Cattle/calve 874 Soybeans 730 Hogs 534 Corn 388 1,531 Cattle/calve 466 Wheat 406 Barley 156 Hay 74 8,821 Cattle/calve 478 Corn 1,754 Hays 878 Potatoes 14 8,821 Cattle/calve 43 Grnhs/nurs 48 Dairy prods 18 18 17 143 Dairy prods 43 Grnhs/nurs 33 Apples 11 Cattle/calve	Maine	445	Potatoes	109	Eggs	98	Dairy prods	82	Aquaculture	33	Cattle/calve	22
476 Grnhs/nurs 143 Cranberries 97 Dairy prods 65 Eggs 20 3,081 Dairy prods 6,936 Corn 1,216 Dairy prods 1,149 Soybeans 1,009 Cattle/calve 97 2,422 Cotton 685 Broilers 579 Cattle/calve 252 Soybeans 248 3,661 Cattle/calve 874 Soybeans 730 Hogs 534 Corn 38 1,531 Cattle/calve 666 Wheat 406 Barley 156 Hogs 74 8,821 Cattle/calve 4,783 Corn 1,754 Hogs 876 Soybeans 449 276 Cattle/calve 4,13 Corn 1,754 Hogs 876 Soybeans 149 276 Cattle/calve 4,13 Corn 1,754 Hogs 8,87 Soybeans 15 143 Dairy prods 4,8 Dairy prods 38 Potatoes	Maryland	1,332	Broilers	384	Grnhs/nurs	197	Dairy prods	182	Soybeans	95	Corn	81
3,081 Dairy prods 643 Corn 393 Cattle/calve 285 Soybeans 269 6,936 Corn 1,216 Dairy prods 1,149 Soybeans 1,009 Cattle/calve 978 2,422 Cotton 685 Broilers 579 Cattle/calve 226 Soybeans 248 3,861 Cattle/calve 874 Soybeans 730 Hogs 534 Corn 38 8,821 Cattle/calve 666 Wheat 406 Barley 156 Hay 74 8,821 Cattle/calve 4,783 Corn 38 Soybeans 449 8,821 Cattle/calve 141 Hay 48 Dairy prods 38 Potatoes 15 143 Dairy prods 43 Grnhs/nurs 33 Apples 11 Cattle/calve 7 660 Grnhs/nurs 23 Eggs 34 Peaches 27	Massachusetts	476	Grnhs/nurs	143	Cranberries	97	Dairy prods	65	Eggs	20	Apples	19
6,936 Corn 1,216 Dairy prods 1,149 Soybeans 1,009 Cattle/calve 978 2,422 Cotton 685 Broilers 579 Cattle/calve 252 Soybeans 248 3,861 Cattle/calve 874 Soybeans 730 Hogs 534 Corn 388 1,531 Cattle/calve 666 Wheat 406 Barley 156 Hogs 74 2,81 Cattle/calve 4,783 Corn 1,784 Hogs 878 Soybeans 449 2,76 Cattle/calve 141 Hay 48 Dairy prods 38 Potatoes 15 143 Dairy prods 43 Grnhs/nurs 33 Apples 11 Cattle/calve 7 660 Grnhs/nurs 203 Dairy prods 52 Eggs 34 Peaches 27	Michigan	3,081	Dairy prods	643	Corn	393	Cattle/calve	282	Soybeans	566	Grnhs/nurs	566
2,422 Cotton 685 Broilers 579 Cattle/calve 252 Soybeans 248 3,861 Cattle/calve 874 Soybeans 730 Hogs 53 Corn 388 1,531 Cattle/calve 666 Wheat 406 Barley 156 Hog 74 2,76 Cattle/calve 4,783 Corn 1,754 Hogs 878 Soybeans 449 2,76 Cattle/calve 141 Hay 48 Dairy prods 15 Potatoes 15 143 Dairy prods 43 Grnhs/nurs 33 Apples 11 Cattle/calve 7 660 Grnhs/nurs 203 Dairy prods 52 Eggs 34 Peaches 27	Minnesota	6,936	Corn	1,216	Dairy prods	1,149	Soybeans	1,009	Cattle/calve	876	Hogs	206
3,861 Cattle/calve 874 Soybeans 730 Hogs 534 Corn 388 1,531 Cattle/calve 666 Wheat 466 Barley 156 Hay 74 8,821 Cattle/calve 4,783 Corn 1,754 Hogs 878 Soybeans 74 2,76 Cattle/calve 141 Hay 1,754 Hogs 38 Potabeans 449 2,74 Cattle/calve 43 Grnhs/nurs 33 Apples 11 Cattle/calve 7 660 Grnhs/nurs 203 Dairy prods 52 Eggs 34 Peaches 27	Mississippi	2,422	Cotton	685	Broilers	579	Cattle/calve	252	Soybeans	248	Aquaculture	207
1,531 Cattle/calve 666 Wheat 406 Barley 156 Hay 74 8,821 Cattle/calve 4,783 Corn 1,754 Hogs 878 Soybeans 449 276 Cattle/calve 141 Hay 48 Dairy prods 38 Potatoes 15 143 Dairy prods 43 Grinhs/nurs 33 Apples 11 Cattle/calve 7 660 Grinhs/nurs 203 Dairy prods 52 Eggs 34 Peaches 27	Missouri	3,861	Cattle/calve	874	Soybeans	130	Hogs	534	Corn	388	Dairy prods	334
8,821 Cattle/calve 4,783 Corn 1,754 Hogs 878 Soybeans 449 276 Cattle/calve 141 Hay 48 Dairy prods 38 Potatoes 15 143 Dairy prods 43 Grnhs/nurs 33 Apples 11 Cattle/calve 7 660 Grnhs/nurs 203 Dairy prods 52 Eggs 34 Peaches 27	Montana	1,531	Cattle/calve	999	Wheat	406	Barley	156	Hay	74	Sugarbeets	22
276 Cattle/calve 141 Hay 48 Dairy prods 38 Potatoes 15 143 Dairy prods 43 Grnhs/nurs 33 Apples 11 Cattle/calve 7 660 Grnhs/nurs 203 Dairy prods 52 Eggs 34 Peaches 27	Nebraska	8,821	Cattle/calve	4,783	Corn	1,754	Hogs	878	Soybeans	449	Sorghum grai	192
143 Dairy prods 43 Grnhs/nurs 33 Apples 11 Cattle/calve 7 11 660 Grnhs/nurs 203 Dairy prods 52 Eggs 34 Peaches 27 1	Nevada	276	Cattle/calve	141	Hay	48	Dairy prods	38	Potatoes	15	Hogs	7
660 Grnhs/nurs 203 Dairy prods 52 Eggs 34 Peaches 27 1	New Hampshire	143	Dairy prods	43	Grnhs/nurs	33	Apples	11	Cattle/calve	2	Hay	9
	New Jersey	099	Grnhs/nurs	203	Dairy prods	25	Eggs	34	Peaches	27	Blueberries	24
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State New Mexico New York North Carolina	s		Receipts 752 1,387 1,055 854	Receipts Commodity 752 Dairy prods 1,387 Grahs/nurs 1,055 Broilers 854 Cattle/calve	Receipts 221 347 777 497	Receipts Commodity 221 Hay 347 Cattle/calve 777 Hogs 497 Barley	Cash Receipts 113 208 659 213	Receipts Commodity 113 Peppers, chil 208 Apples 659 Turkeys 213 Sunflowers	Eeceipts 59 133 431 191	Cash Receipts Commodity 59 Onions 133 Hay 431 Grahs/nurs 191 Sugarbeets	Cash Receipts 45 72 295 172
Ohio Oklahoma Oregon Pennsylvania Rhode Island South Carolina	3,893 3,808 2,454 3,503 1,225	Soybeans Cattle/calve Cattle/calve Dairy prods Grnhs/nurs	767 2,226 444 1,347 39 191	Corn Wheat Grnhs/nurs Cattle/calve Dairy prods Cattle/calve	761 383 358 448 5	Dairy prods Grnhs/nurs Dairy prods Grnhs/nurs Eggs Broilers	592 273 204 294 116	Hogs Broilers Wheat Mushrooms Potatoes Grnhs/nurs	415 189 154 256 88	Cattle/calve Dairy prods Hay Eggs Apples	325 152 104 222 2 87
South Dakota Tennessee Texas Utah	3,264 1,978 12,126 731 433	Cattle/calve Cattle/calve Cattle/calve Cattle/calve Dairy prods	1,470 485 6,157 283 311	Hogs Dairy prods Cotton Dairy prods Cattle/calve	397 262 1,572 149 45	Corn Tobacco Dairy prods Hay Grnhs/nurs	297 210 683 55 23	Soybeans Cotton Grnhs/nurs Turkeys Hay	290 203 564 45	Wheat Soybeans Broilers Grnhs/nurs Maple prods	287 186 509 26 11
Virginia Washington West Virginia Wisconsin	2,095 3,947 330 5,449 813	Cattle/calve Apples Cattle/calve Dairy prods Cattle/calve	412 800 104 2,850 590	Broilers Dairy prods Broilers Cattle/calve Sugarbeets	305 558 55 924 55	Dairy prods Cattle/calve Dairy prods Corn Hay	269 534 34 349 42	Tobacco Wheat Turkeys Hogs Barley	197 373 29 230 26	Turkeys Potatoes Apples Grnhs/nurs Sheep/lambs	123 272 24 143 24

Table 1. Cash Receipts for Five Principal Commodities by States, 1991—Continued

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Table 2. Increipts Smares for Filmerpal Committees by States, 1551	Juan Co Ion 1	Triban commit		Jemes, trees							
	Total Cash										!
State	Receipts	Commodity	Share	Commodity	Share	Commodity	Share	Commodity	Share	Commodity	Share
Alabama	2,978	Broilers	0.39	Cattle/calve	0.22	Grnhs/nurs	0.07	Peanuts	90.0	Eggs	90.0
Alaska	27	Grnhs/nurs	0.56	Dairy prods	0.11	Hay	0.07	Potatoes	0.07	Barley	0.04
Arizona	1,890	Cattle/calve	0.27	Cotton	0.21	Dairy prods	0.11	Lettuce	0.08	Hay	0.02
Arkansas	4,311	Broilers	0.32	Cattle/calve	0.12	Soybeans	0.12	Rice	0.11	Cotton	0.10
California	17,887	Dairy prods	0.14	Grnhs/nurs	0.11	Cattle/calve	0.09	Grapes	0.08	Cotton	90.0
Colorado	3,761	Cattle/calve	09.0	Corn	0.07	Wheat	90.0	Dairy prods	0.04	Hay	0.04
Connecticut	463	Grnhs/nurs	0.29	Eggs	0.18	Dairy prods	0.15	Tobacco	0.11	Aquaculture	90.0
Delaware	620	Broilers	0.63	Soybeans	0.07	Corn	90.0	Grnhs/nurs	0.05	Dairy prods	0.03
Florida	6,141	Oranges	0.19	Grnhs/nurs	0.16	Tomatoes	73	Cane/sugar	0.08	Dairy prods	90.0
Georgia	3,978	Broilers	0.28	Peanuts	0.16	Eggs	0.07	Cattle/calve	0.02	Hogs	0.05
	102		66.0	Discoular	01.0	omin/orthogo	71	Moood nute	90.0	Cattle/calva	90 0
ri i	120	Calle/sugar	0.00	riileappies	0.10	Drims/mas	0.13	Wheet	9 6	Sugarboote	80.0
Idaho	2,616	Cattle/calve	6.50	Potatoes	0.19	Dairy prods	0.12	wnear	0.10	Sugar Deers	0.00
Illinois	7,509	Corn	0.36	Soybeans	0.26	Hogs	0.16	Cattle/calve	0.10	Dairy prods	0.00
Indiana	4,475	Corn	0.28	Soybeans	0.21	Hogs	0.18	Cattle/calve	0.02	Dairy prods	90.0
Iowa	10,179	Hogs	0.29	Corn	0.24	Cattle/calve	0.20	Soybeans	0.18	Dairy prods	0.02
Kansas	6,935	Cattle/calve	0.62	Wheat	0.14	Corn	90.0	Hogs	0.02	Sorghum grai	0.04
Kentucky	3,179	Tobacco	0.27	Cattle/calve	0.24	Horses/mules	0.15	Dairy prods	0.08	Soybeans	0.07
Louisiana	1,793	Cotton	0.22	Cattle/calve	0.12	Cane/sugar	0.11	Soybeans	0.10	Rice	0.09
Maine	445	Potatoes	0.24	Eggs	0.19	Dairy prods	0.19	Aquaculture	0.0	Cattle/calve	90.0
Maryland	1,332	Broilers	0.29	Grnhs/nurs	0.15	Dairy prods	0.14	Soybeans	0.07	Corn	90.0
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Massachusetts	476	Grnhs/nurs	0.30	Cranberries	0.20	Dairy prods	0.14	Eggs	0.04	Apples	* o
Michigan	3,081	Dairy prods	0.21	Corn	0.13	Cattle/calve	0.03	Soybeans	0.09	Grnhs/nurs	9.0
Minnesota	6,936	Corn	0.18	Dairy prods	0.17	Soybeans	0.15	Cattle/calve	0.14	Hogs	0.13
Mississippi	2,422	Cotton	0.28	Broilers	0.24	Cattle/calve	0.10	Soybeans	0.10	Aquaculture	0.09
Missouri	3,861	Cattle/calve	0.23	Soybeans	0.19	Hogs	0.14	Corn	0.10	Dairy prods	0.09
Montana	1,531	Cattle/calve	0.44	Wheat	0.27	Barley	0.10	Hay	0.05	Sugarbeets	0.04
Nebraska	8,821	Cattle/calve	0.54	Corn	0.20	Hogs	0.10	Soybeans	0.05	Sorghum grai	0.05
Nevada	276	Cattle/calve	0.51	Hay	0.17	Dairy prods	0.14	Potatoes	0.02	Hogs	0.01
New Hampshire	143	Dairy prods	0.30	Grnhs/nurs	0.23	Apples	0.08	Cattle/calve	0.02	Hay	0.04
New Jersey	099	Grnhs/nurs	0.31	Dairy prods	0.08	Eggs	0.02	Peaches	0.04	Blueberries	0.04
											Continued

Table 2. Receipts Shares for Principal Commodities by States, 1991-Continued	hares for l	Principal Commo	dities by §	states, 1991—Con	tinued						
o to to	Total Cash	Commodity	Shore	Commodite	Shore	n ipommo	Chare	Allpommo	Share	Commodity	Char
State	receipts	Commodity	Snare	Commodity	Snare	Commodity	Snare	Commodity	Snare	Commodity	Share
New Mexico	1,501	Cattle/calve	0.50	Dairy prods	0.15	Hay	0.08	Peppers, chil	0.04	Onions	0.03
New York	2,868	Dairy prods	0.48	Grnhs/nurs	0.12	Cattle/calve	0.02	Apples	0.02	Hay	0.03
North Carolina	4,924	Tobacco	0.21	Broilers	0.16	Hogs	0.13	Turkeys	0.0	Grnhs/nurs	90.0
North Dakota	2,556	Wheat	0.33	Cattle/calve	0.19	Barley	0.08	Sunflowers	0.02	Sugarbeets	0.07
Ohio	3,893	Soybeans	0.20	Corn	0.20	Dairy prods	0.15	Hogs	0.11	Cattle/calve	90.0
Oklahoma	3,808	Cattle/calve	0.58	Wheat	0.10	Grnhs/nurs	0.07	Broilers		Dairy prods	0.04
Oregon	2,454	Cattle/calve	0.18	Grnhs/nurs	0.15	Dairy prods	0.08	Wheat		Hay	0.04
Pennsylvania	3,503	Dairy prods	0.38	Cattle/calve	0.13	Grnhs/nurs	0.08	Mushrooms		Eggs	90.0
Rhode Island	71	Grnhs/nurs	0.55	Dairy prods	0.07	Eggs	90.0	Potatoes	0.03	Apples	0.03
South Carolina	1,225	Tobacco	0.16	Cattle/calve	0.11	Broilers	0.09	Grnhs/nurs	0.07	Cotton	0.07
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South Dakota	3,264	Cattle/calve	0.45	Hogs	0.12	Corn	0.09	Soybeans	0.0	Wheat	0.09
Tennessee	1,978	Cattle/calve	0.25	Dairy prods	0.13	Tobacco	0.11	Cotton	0.10	Soybeans	0.09
Texas	12,126	Cattle/calve	0.51	Cotton	0.13	Dairy prods	90.0	Grnhs/nurs	0.02	Broilers	0.04
Utah	731	Cattle/calve	0.39	Dairy prods	0.20	Hay	0.08	Turkeys	90.0	Grnhs/nurs	0.04
Vermont	433	Dairy prods	0.72	Cattle/calve	0.10	Grnhs/nurs	0.02	Hay	0.03	Maple prods	0.03
Virginia	2,095	Cattle/calve	0.20	Broilers	0.15	Dairy prods	0.13	Tobacco	0.09	Turkeys	90.0
Washington	3,947	Apples	0.20	Dairy prods	0.14	Cattle/calve	0.14	Wheat	0.09	Potatoes	0.02
West Virginia	330	Cattle/calve	0.32	Broilers	0.17	Dairy prods	0.10	Turkeys	0.09	Apples	0.02
Wisconsin	5,449	Dairy prods	0.52	Cattle/calve	0.17	Corn	90.0	Hogs	0.04	Grnhs/nurs	0.03
Wyoming	813	Cattle/calve	0.73	Sugarbeets	0.07	Hay	0.05	Barley	0.03	Sheep/lambs	0.03

I/All cash receipts data are reported in million dollars. Shares based on data in Table 1. 2Not available. Source: Economic Research Service.

be a successful competitor, but the potential for more imports from Mexico does put pressure on the Florida orange industry not shared by the California industry.

Other examples of regional differentiation are the dairy industry, with respect to the share of fluid use, and the wheat industry, with respect to differences in types of wheat. These examples indicate the general principle that, in order to understand regional impacts, one must examine commodity effects at a sufficient level of disaggregation.

Sometimes the geographic placement of an industry is itself important in how the industry fares with a policy change. In the case of the NAFTA, the industries in the Southwest United States anticipate locational advantages through lower cost access to Mexico. Industries located near ports or transport facilities also gain directly. However, to the extent that a commodity in one state has a close substitute produced in other states, it does not matter if a direct export gain is realized.

To illustrate: This summer the U.S. Department of Commerce circulated data showing exports to Mexico by sector, by state. These data indicated the value of goods shipped from each state to Mexico, including agriculture. These data had some obvious errors, but the more important problem was that for most of agriculture, such information tells us little or nothing about how a region or its commodity producers may be affected. For example, there were almost no agricultural exports reported from Indiana to Mexico. But we know that corn, soybeans and hog exports to Mexico are significant nationally and are likely to expand with the NAFTA. Clearly, it does not matter to corn producers in Indiana if the product is shipped from Indiana or Illinois or Iowa. For the corn industry in Indiana, benefits from the NAFTA include higher prices and higher production. The demand curve facing the U.S. industry shifts out.

Finally, commodities also vary regionally in the importance of indirect cross-commodity impacts. In dealing with the feed and livestock industries, economists are accustomed to incorporating effects of supply shifts or demand shifts that apply to one commodity—say corn to other commodities—say from soybeans or hogs. These interactions (particularly on the supply side) are likely to vary regionally. For example, in Idaho, sugar beets compete with potatoes for land, whereas in southern Minnesota, sugar beets and corn are related. The NAFTA is likely to increase the demand for potatoes and potato products and will likely have a small cross-effect on the sugar industry. There will be a larger local effect on sugar supplies in Idaho than in Minnesota. Also, an effect on the demand for sugar, and therefore sugar acreage, would affect the potato industry in Idaho but have much less influence on the potato industry in Maine.

All these examples indicate the care with which regional analysis

should be undertaken. However, the major point remains that the first and key steps are to understand and specify correctly the policy shift itself and to model correctly the commodity impacts on a national basis.

Conclusion

The NAFTA will benefit all regions of the American economy. The gains in rural areas and even for farm families will arise from both increased demand for agricultural commodities and improved economic prospects outside of agriculture.

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