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## **From NAFTA to USMCA – A Better Deal for the U.S.?**

**Luis A. Ribera**

*Selected Paper prepared for presentation at the International Agricultural Trade Research Consortium's (IATRC's) 2019 Annual Meeting: Recent Advances in Applied General Equilibrium Modeling: Relevance and Application to Agricultural Trade Analysis, December 8-10, 2019, Washington, DC.*

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# From NAFTA to USMCA – A Better Deal for the U.S.?

**Luis A. Ribera**  
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2019 IATRC Annual Meeting,  
Washington, DC, December 10, 2019

# Outline

- Importance of Ag. Trade
- NAFTA/USMCA

# Importance of Ag Trade

- U.S. is the largest ag. exporter, \$140 billion in 2018
- Exports about 35% of ag income
- U.S. imports totaled \$129 billion in 2018
- Both exports and imports generate positive economic impacts

# U.S. Ag Exports as Share of Production 2016 and 2018

Commodity	Percentage of Production Exported	
	2016	2018
Cotton	86.9	80.3
Rice	51.2	41.5
Soybeans	50.4	39.1
Sorghum	49.5	23.3
Wheat	45.5	49.1
Pork	21.0	22.3
Poultry	16.7	16.8
Corn	15.1	16.0
Beef	10.1	11.7

# U.S. Ag Imports as Share of Consumption 2016 and 2018

Commodity	Percentage of Domestic Consumption	
	2016	2018
Coffee	100.0	99.9
Limes	100.0	99.8
Banana	99.8	99.8
Tomatoes	51.0	52.9
Orange Juice	58.1	51.4
Beef	11.7	11.2
Pork	5.2	4.9

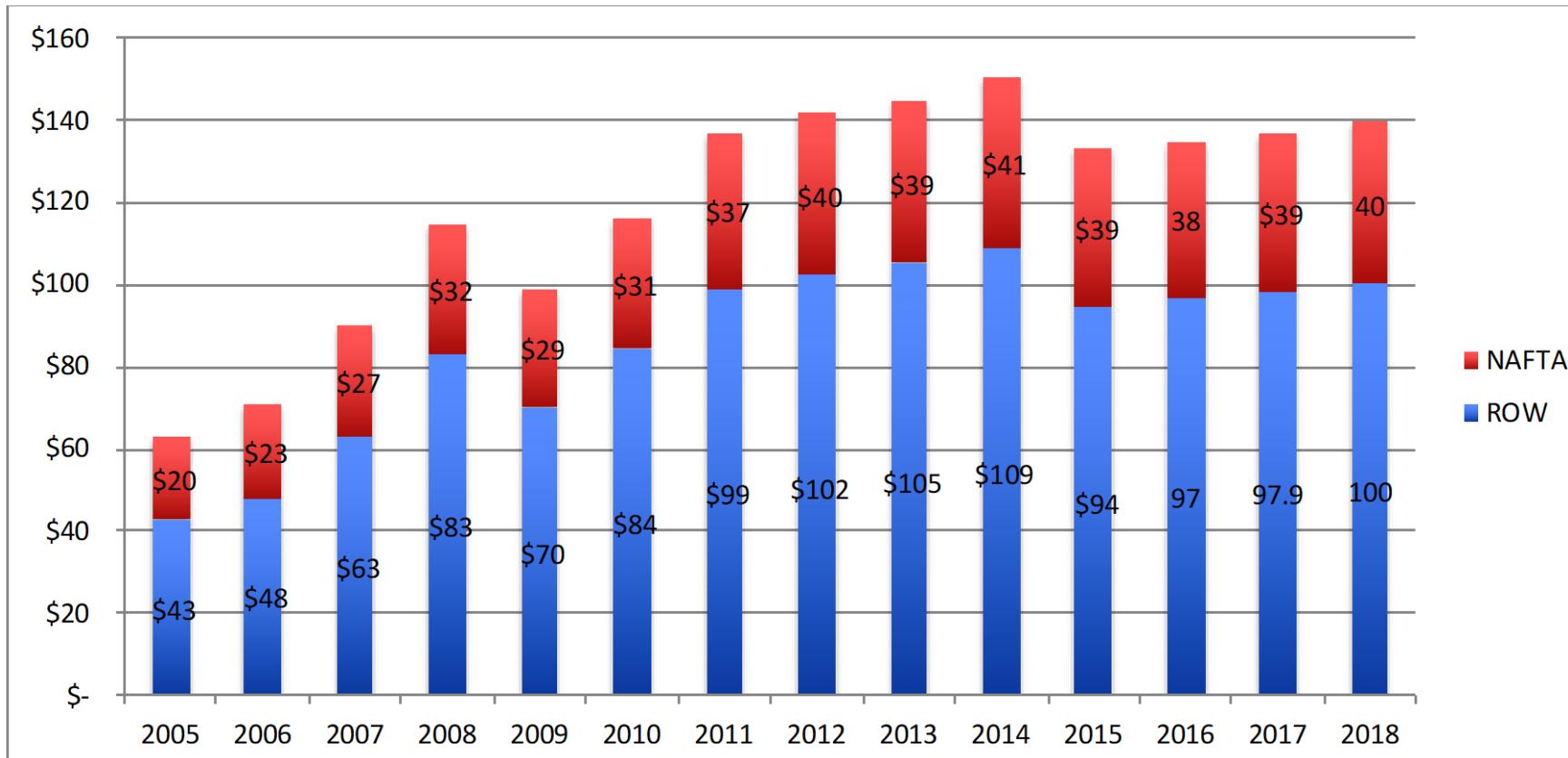
# NAFTA/USMCA

# NAFTA

- Fulfilled objectives
  - Increased trade and investment
  - Reduce tariff and non-tariff trade barriers
- Total U.S. exports increased by 202% from 1994 to 2018
- US ag exports to Canada and Mexico increased by 291% same period

# U.S. Agricultural Exports

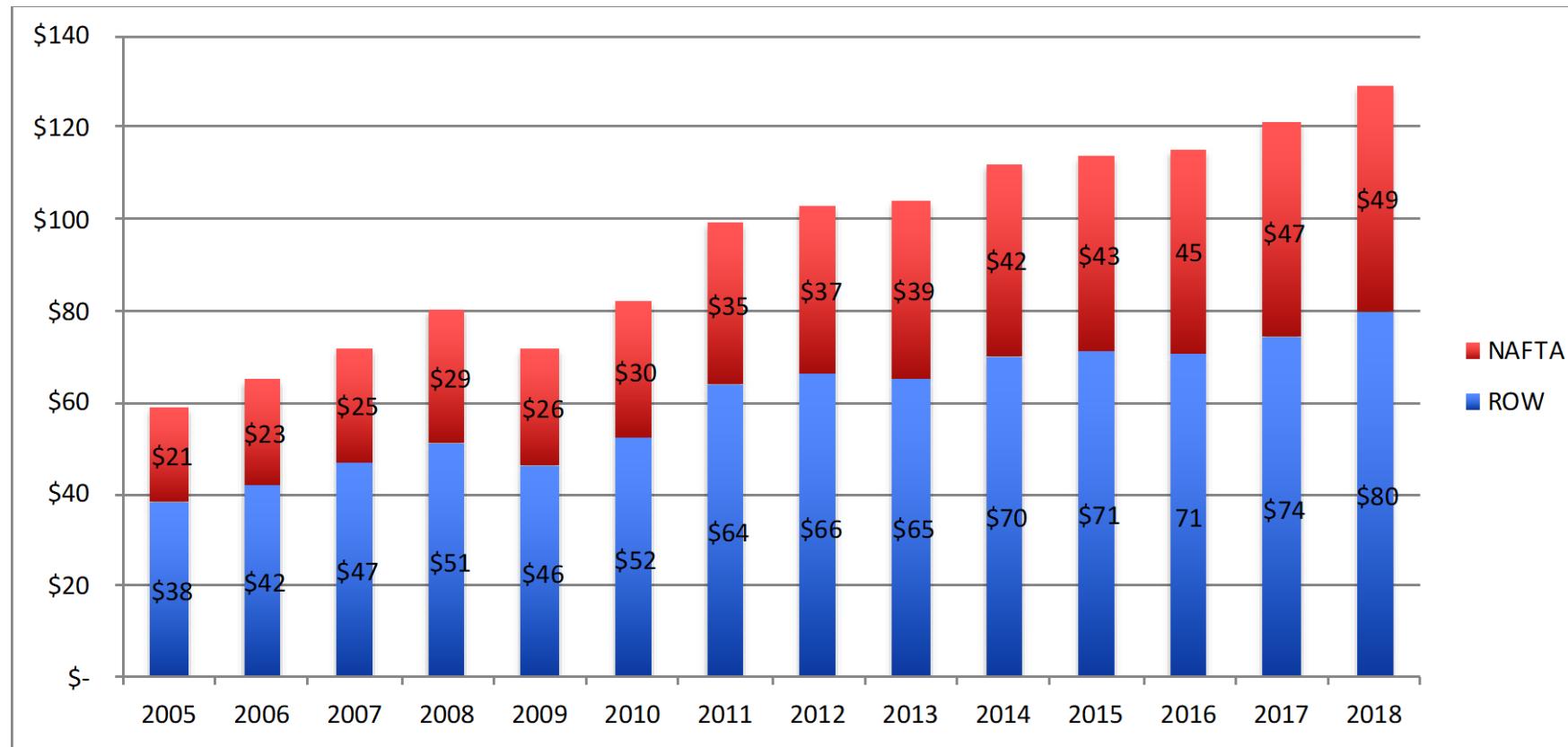
Billion Dollars



Source: U.S. Trade Internet System, [www.fas.usda.gov/ustrade](http://www.fas.usda.gov/ustrade)

# U.S. Agricultural Imports

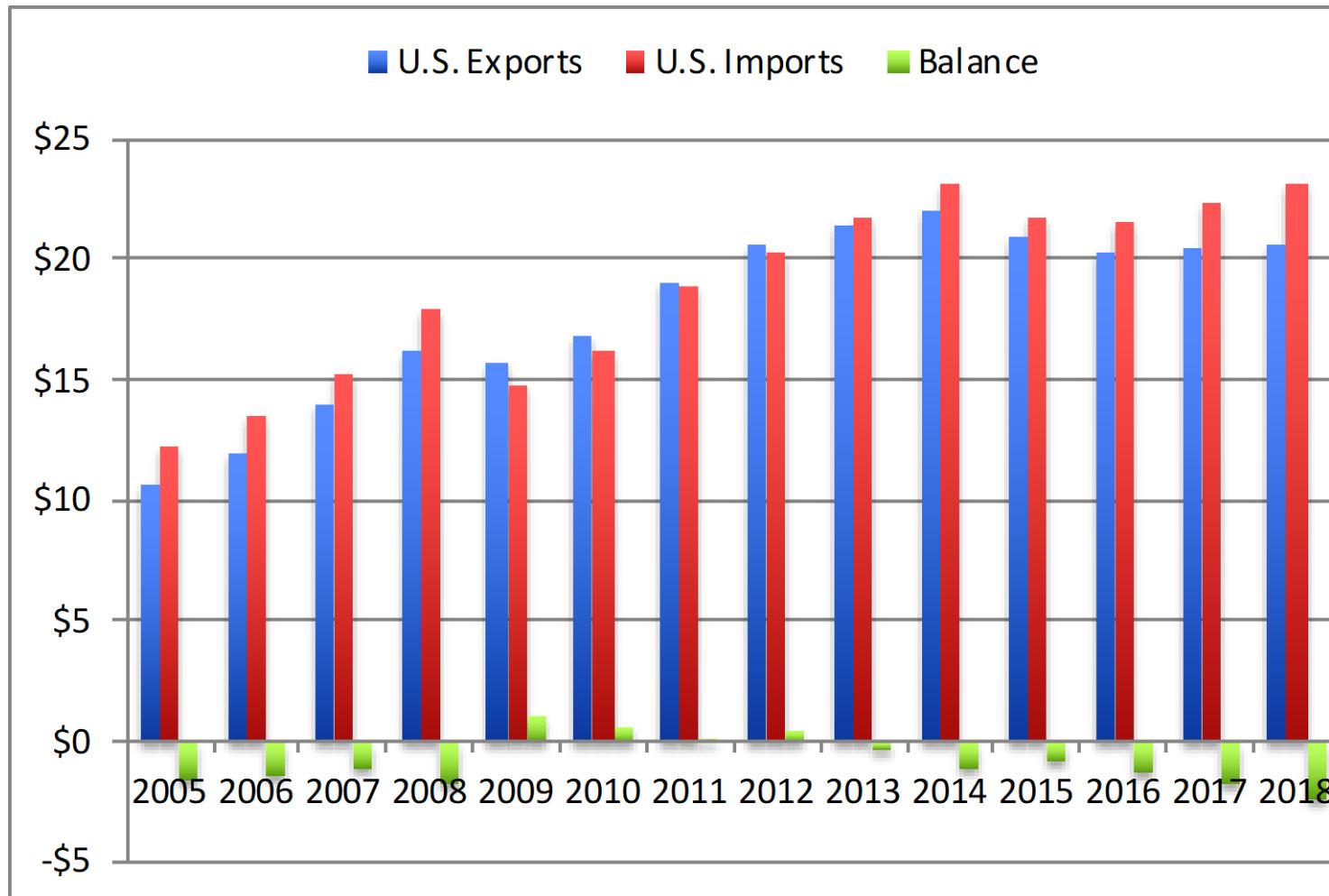
Billion Dollars



Source: U.S. Trade Internet System, [www.fas.usda.gov/ustrade](http://www.fas.usda.gov/ustrade)

# U.S.-Canada Agricultural Trade Balance

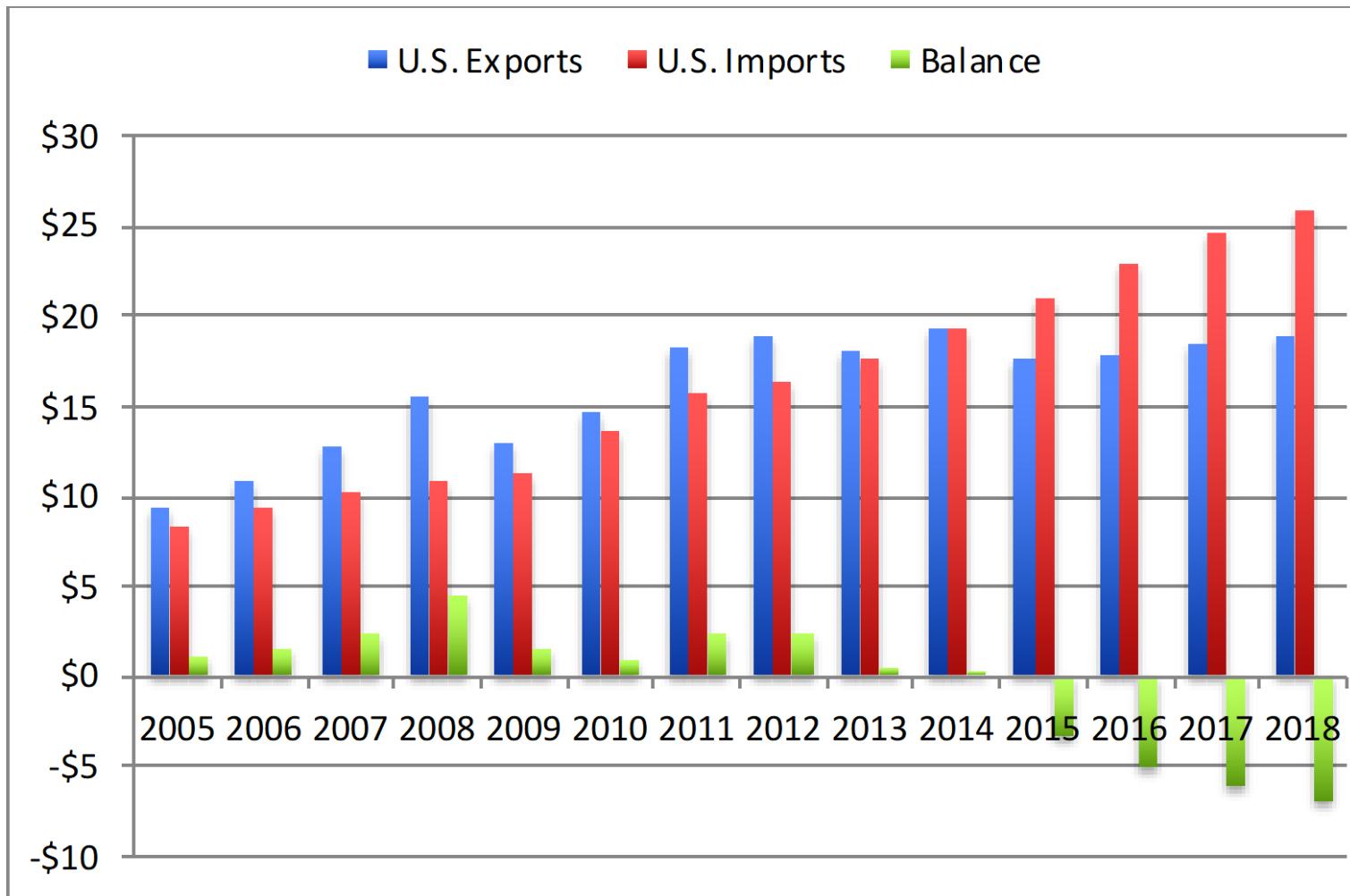
Billion Dollars



Source: U.S. Trade Internet System, [www.fas.usda.gov/ustrade](http://www.fas.usda.gov/ustrade)

# U.S.-Mexico Agricultural Trade Balance

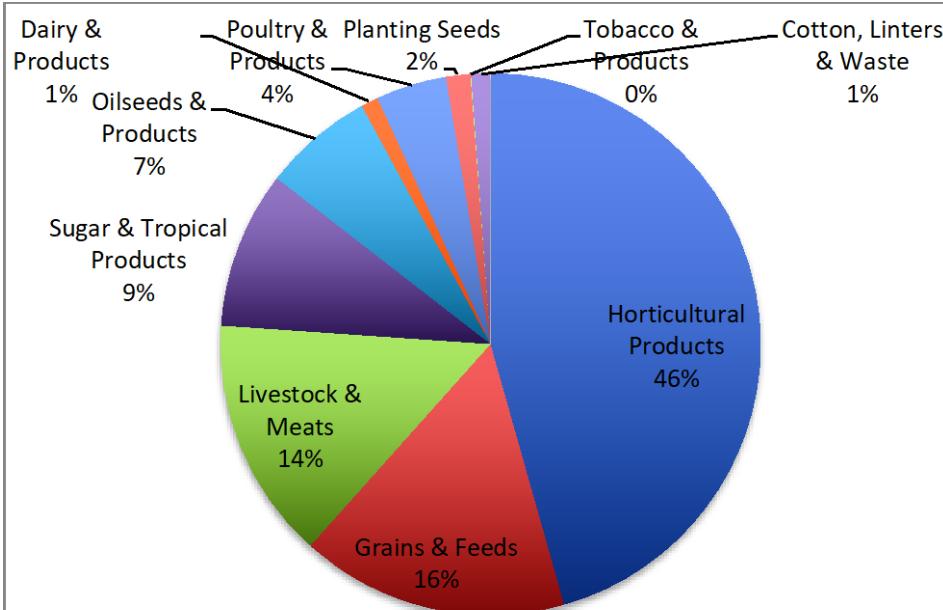
Billion Dollars



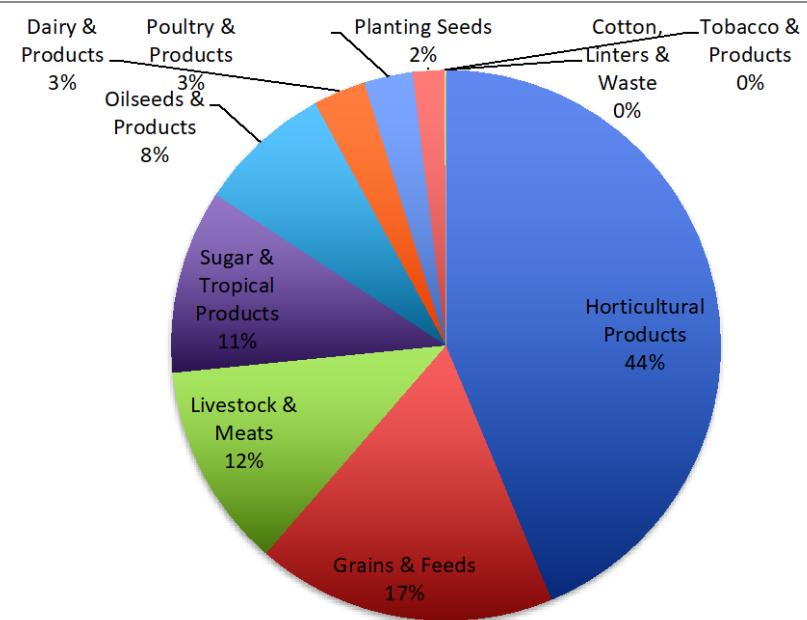
Source: U.S. Trade Internet System, [www.fas.usda.gov/ustrade](http://www.fas.usda.gov/ustrade)

# U.S. Agricultural Exports to Canada

1994 Exports: \$5.5 Billion



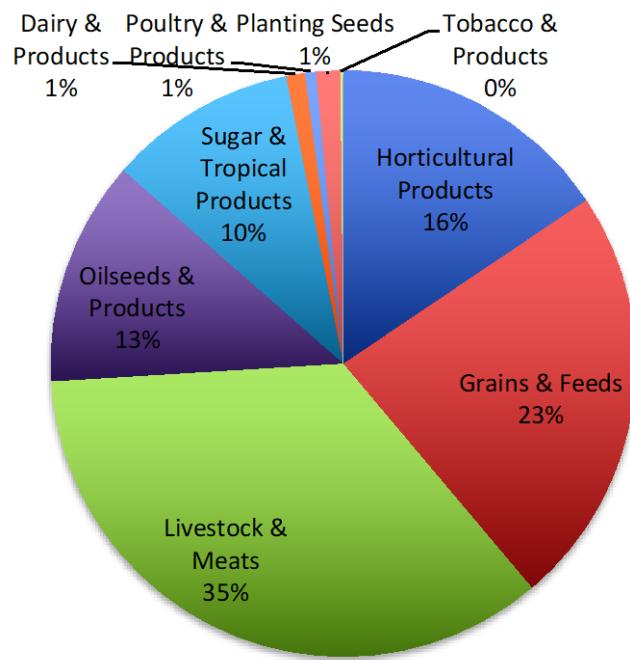
2018 Exports: \$20.7 Billion



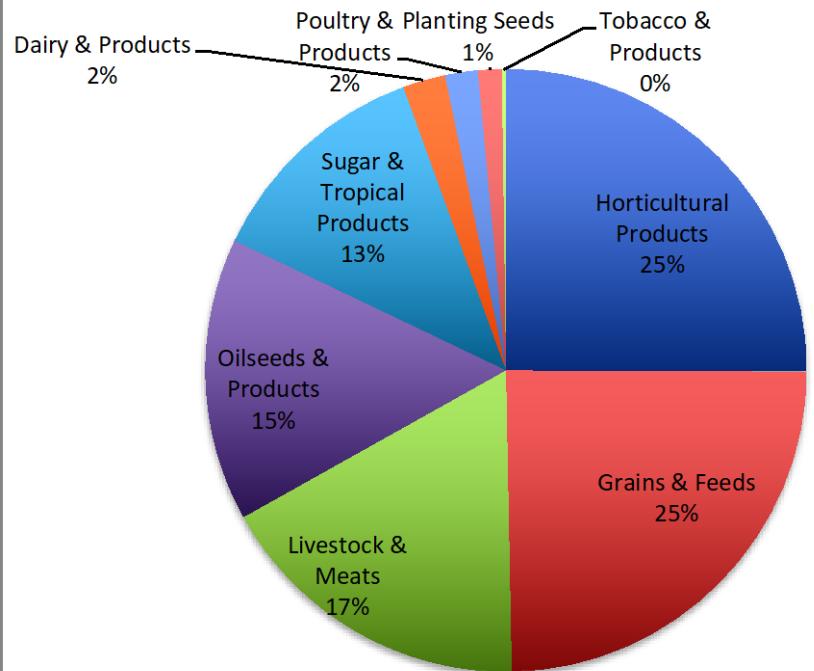
Source: U.S. Trade Internet System, [www.fas.usda.gov/ustrade](http://www.fas.usda.gov/ustrade)

# U.S. Agricultural Imports from Canada

1994 Imports: \$5.3 Billion



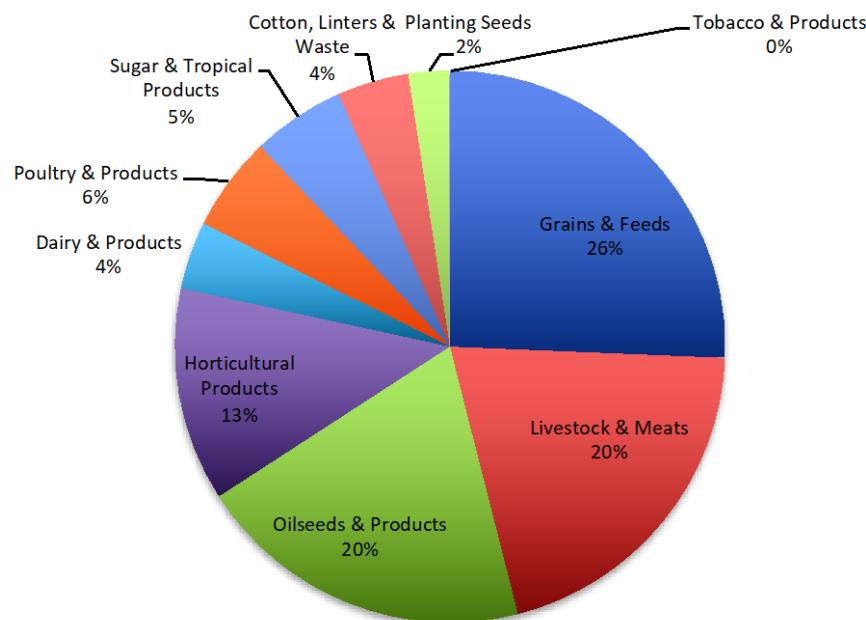
2018 Imports: \$23.1 Billion



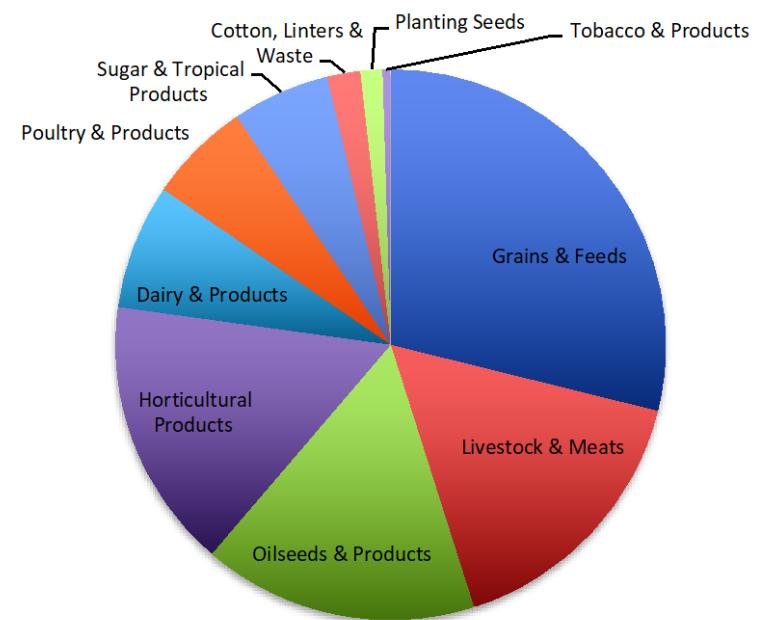
Source: U.S. Trade Internet System, [www.fas.usda.gov/ustrade](http://www.fas.usda.gov/ustrade)

# U.S. Agricultural Exports to Mexico

1994 Exports: \$4.5 Billion



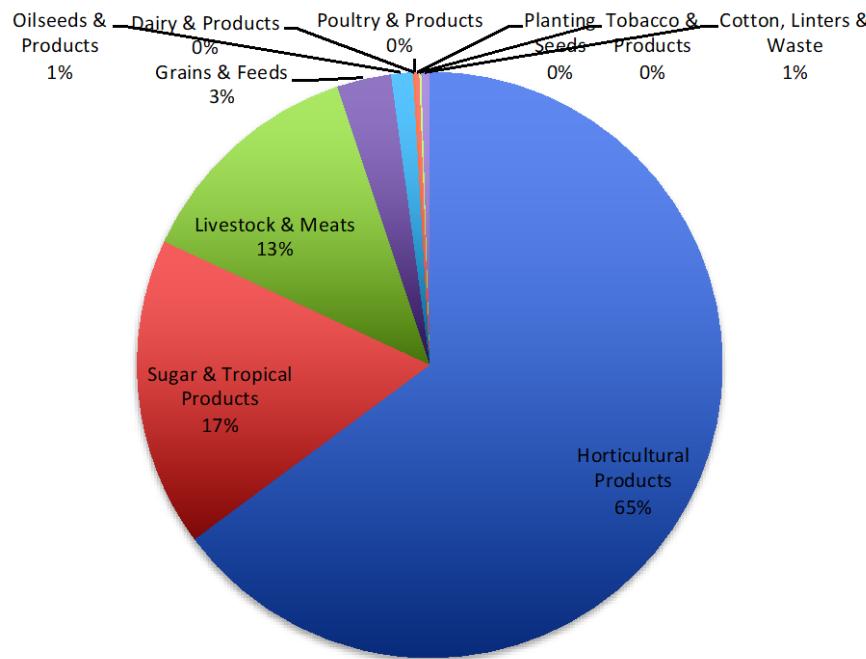
2018 Exports: \$19 Billion



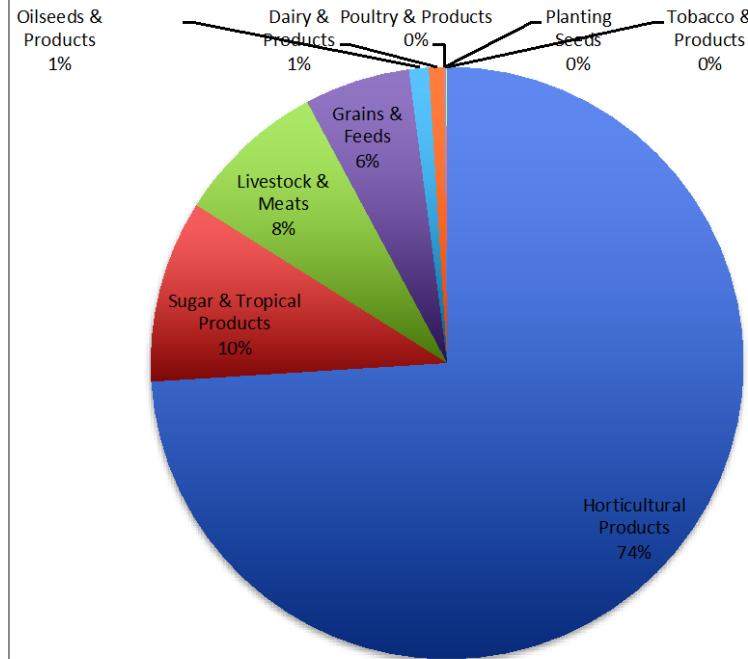
Source: U.S. Trade Internet System, [www.fas.usda.gov/ustrade](http://www.fas.usda.gov/ustrade)

# U.S. Agricultural Imports from Mexico

1994 Imports: \$2.9 Billion

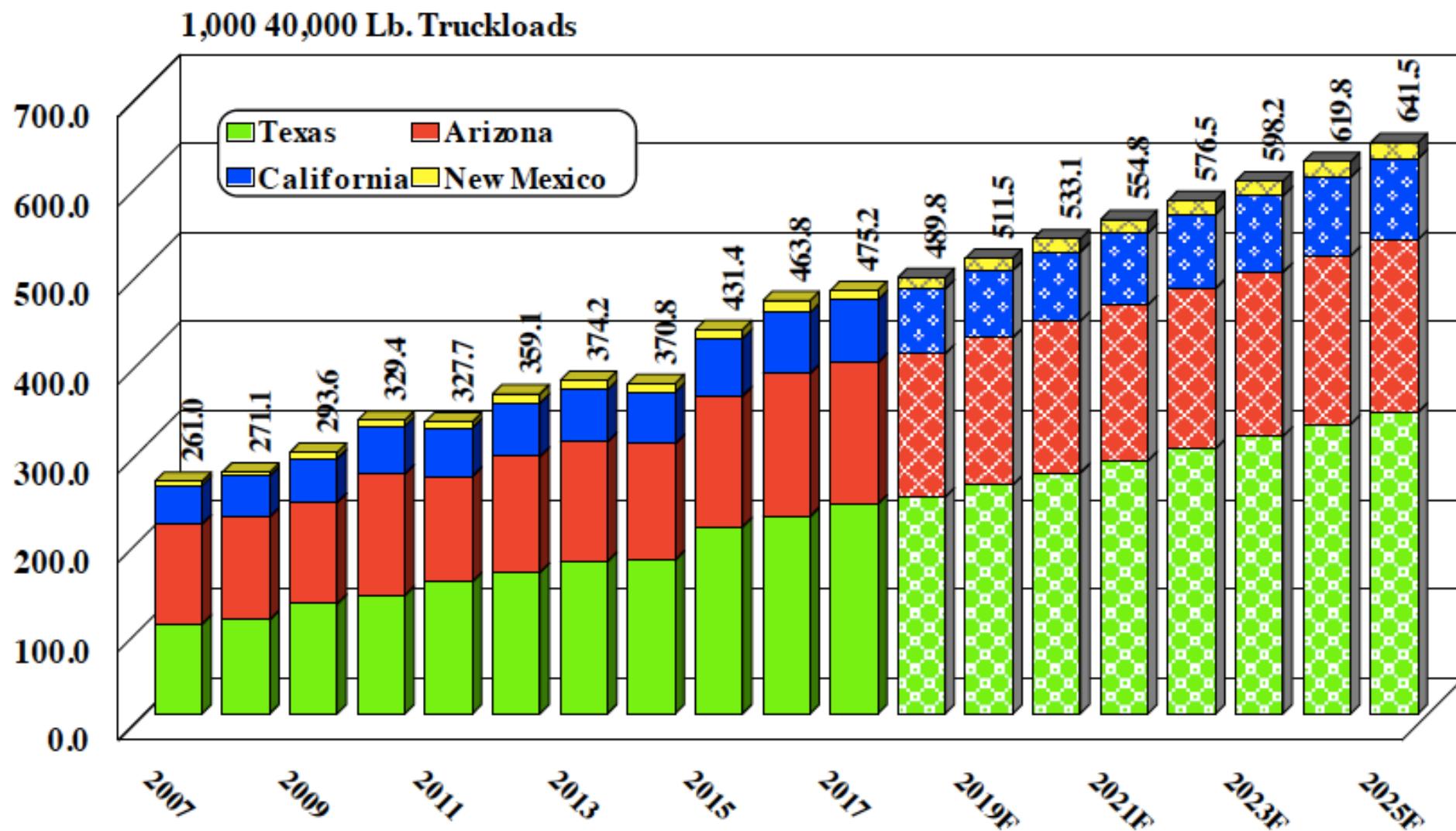


2018 Imports: \$26 Billion



Source: U.S. Trade Internet System, [www.fas.usda.gov/ustrade](http://www.fas.usda.gov/ustrade)

# Figure 1. U.S. Imports of Fresh Produce from Mexico by Truck, 2007-2025F



Source: Agricultural Marketing Service, USDA and Department of Agricultural Economics, Texas A&M University  
2018-2025 Forecast based on 2007-2015 Model

# Impacts of Produce Imports from Mexico

## Economic Activity from U.S. Produce Imports from Mexico over Land Borders, 2017 and 2025 Forecast with Industry Input

	TX/NM/AZ/CA		Texas	
	2017	2025F	2017	2025F
Total Truckloads	475,207	641,511	235,288	338,716
Direct Economic Output	<i>Million Dollars</i>			
Truck Transportation	\$237.6	\$320.8	\$117.6	\$169.4
Warehousing	\$185.3	\$250.2	\$91.8	\$132.1
Sorting, Grading and Packing	\$147.1	\$198.6	\$85.8	\$123.6
Customs Brokering	\$128.3	\$173.2	\$63.5	\$91.5
Miscellaneous Border Services	\$85.5	\$115.6	\$42.5	\$61.0
Total Direct Economic Output	\$783.9	\$1,056.2	\$401.1	\$577.5
Total Supporting Economic Output	\$884.7	\$1,194.3	\$448.5	\$645.7
Total Economic Output	\$1,668.6	\$2,252.5	\$849.6	\$1,223.2
Total Jobs Supporting Produce Imports	13,510	18,238	7,836	11,281

# Consumer Expenditures Spent on Food

Country/Territory	Share of consumer expenditures		Consumer expenditures <sup>3</sup>	Expenditure on food <sup>2</sup>	Population
	Food <sup>2</sup>	Alcoholic beverages and			
	Percent	U.S. dollars per person			
1 USA	6.4	1.7	41,311	2,626	329,064,917
2 Singapore	6.9	1.9	21,907	1,503	5,804,337
3 United Kingdom	8.1	3.2	26,770	2,168	67,530,172
4 Ireland	9.0	5.8	23,267	2,099	4,882,495
5 Canada	9.1	3.3	25,961	2,351	37,411,047
6 Switzerland	9.2	3.6	42,714	3,909	8,591,365
7 Australia	9.3	3.5	32,390	3,004	25,203,198
8 Austria	9.8	3.2	26,656	2,618	8,955,102
9 Germany	10.7	3.2	23,918	2,563	83,517,045
10 Netherlands	11.4	3.3	23,083	2,621	17,097,130
25 Taiwan	14.7	2.3	12,669	1,858	23,773,876
26 Hong Kong, China	14.7	1.2	34,037	5,002	7,436,154
28 Brazil	15.7	1.5	5,515	866	211,049,527
29 Japan	16.0	2.3	21,412	3,418	126,860,301
50 China	21.6	2.5	3,779	815	1,433,783,686
55 Mexico	23.4	2.8	6,406	1,500	127,575,529
71 India	29.8	2.4	1,250	372	1,366,417,754
74 Bosnia-Herzegovina	30.7	9.2	4,577	1,404	3,301,000
100 Kenya	52.9	4.1	1,380	729	52,573,973
101 Bangladesh	53.5	1.9	1,143	612	163,046,161
102 Myanmar	56.1	0.5	832	467	54,045,420
103 Ethiopia	56.6	3.8	455	257	112,078,730
104 Nigeria	59.0	1.0	1,723	1,017	200,963,599

Source: USDA-ERS

# Brazil & U.S. Food Price Comparison

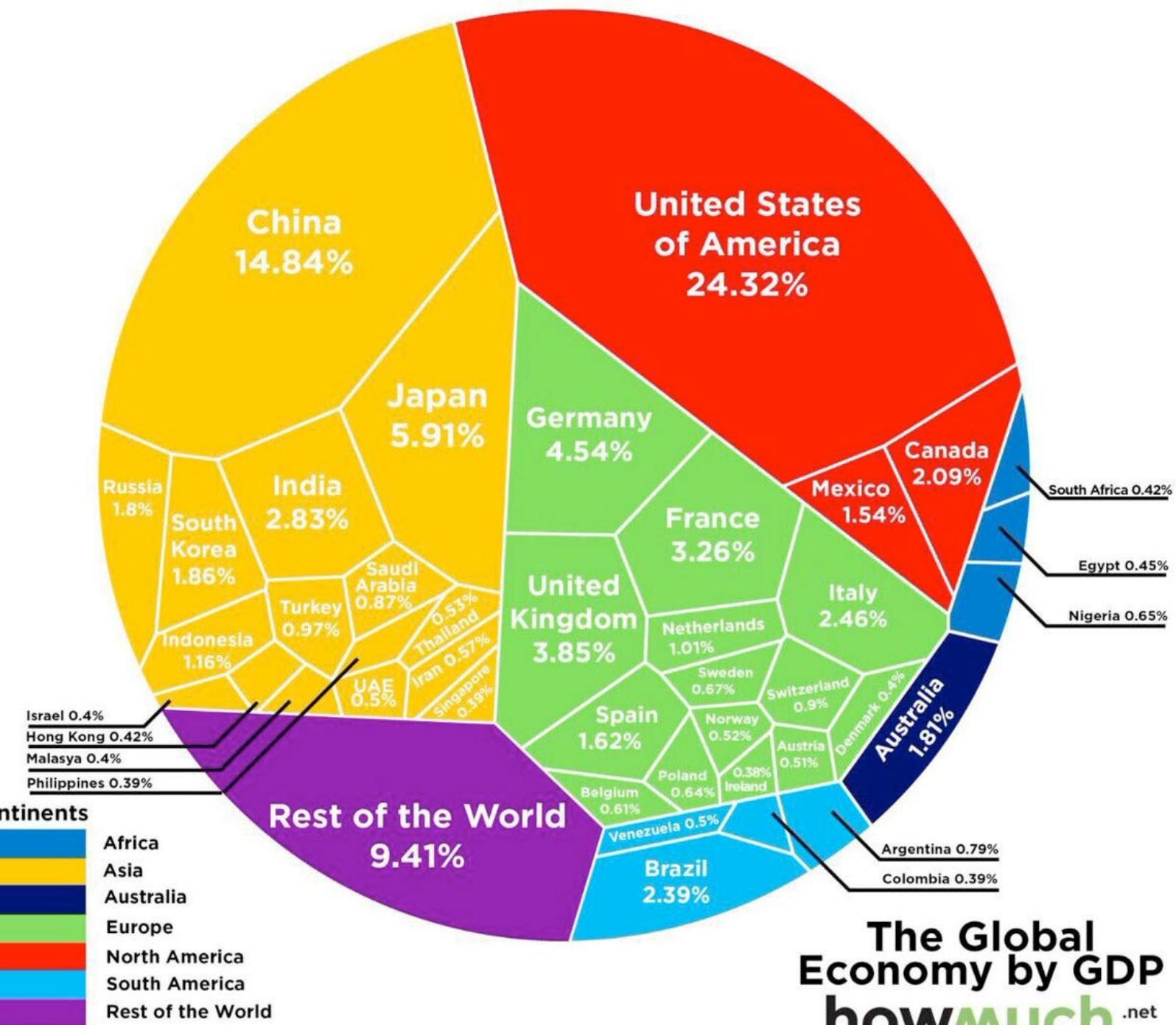
Table 2. Prices for a Similar Basket of Groceries, Brazil and U.S., Spring–Summer 2017

<u>Products</u>	<u>Brazil</u> <u>(Avg \$ Price)</u>	<u>Louisiana/Texas</u> <u>(Avg \$ Price)</u>
White Rice	\$0.51	\$0.85
Pinto Beans	\$0.75	\$1.11
Beef	\$5.23	\$6.35
Whole Chicken, Fresh	\$1.02	\$1.17
Coca Cola (2 L Bottle)	\$2.07	\$1.74
White Bread Loaf	\$1.71	\$1.17
Spaghetti	\$1.65	\$1.36
Heinz Ketchup (397 G)	\$2.58	\$1.40
Heinz/Hunt's Yellow Mustard (255 G)	\$3.55	\$1.41
Hellman's Regular Mayonnaise (340 ML)	\$2.11	\$2.62
Kellogg's Corn Flakes (200G)	\$2.37	\$1.70
Whole Milk, Refrigerated (1 L)	\$1.70	\$0.90
Whole Milk, Shelf Stable (1 L)	\$1.30	\$2.03
Papaya	\$0.69	\$0.67
Loose White Potatoes	\$0.50	\$0.85
Pineapple (Each)	\$2.56	\$2.50
Loose Yellow Onions	\$0.52	\$0.71
Loose Roma Tomatoes	\$0.85	\$1.12
White Eggs (Dozen)	\$2.20	\$0.98
Snickers (Bar)	\$0.81	\$0.92
Campbell's Soup (Can)	\$5.84	\$1.36
<b>Total Price for One Item or Lb. Purchased</b>	<b>\$40.51</b>	<b>\$32.92</b>
<b>Total w/o Campbell's Soup</b>	<b>\$34.67</b>	<b>\$31.56</b>

Unless noted, prices converted to per/lb. basis. Brazilian prices were converted to U.S. dollars using the daily exchange rate.

# NAFTA Uncertainty Resolved?

- Trump forced re-negotiation
- While NAFTA fulfilled objectives & has positive impacts for all countries, **Trump thinks US can do better**
- Talks dominated by non-ag issues
- Gamble:
  - a better deal (US gains more than Canada, Mexico?)
  - risk of losing gains (US consumers pay more & ag loses market gains)
- Thus, with TPP exit, & NAFTA threat, **much uncertainty created in market place in 2017**...followed by the tariffs & trade wars that increased uncertainty in agriculture, this was on top of a near **50% drop in net farm income**



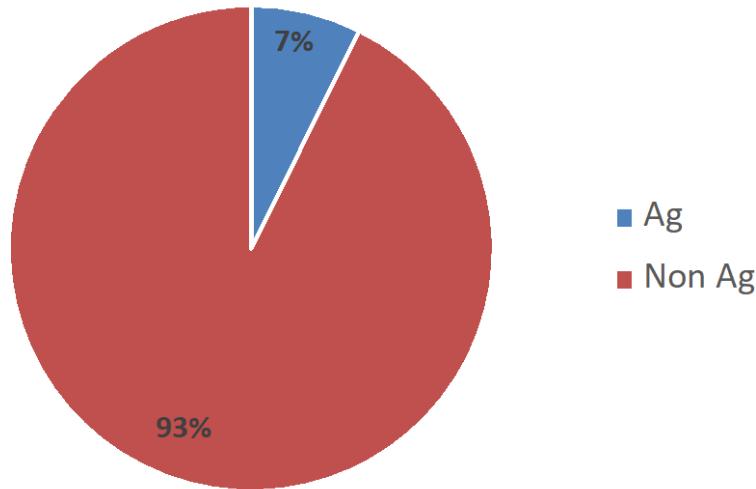
# The Global Economy by GDP

## howmuch.net

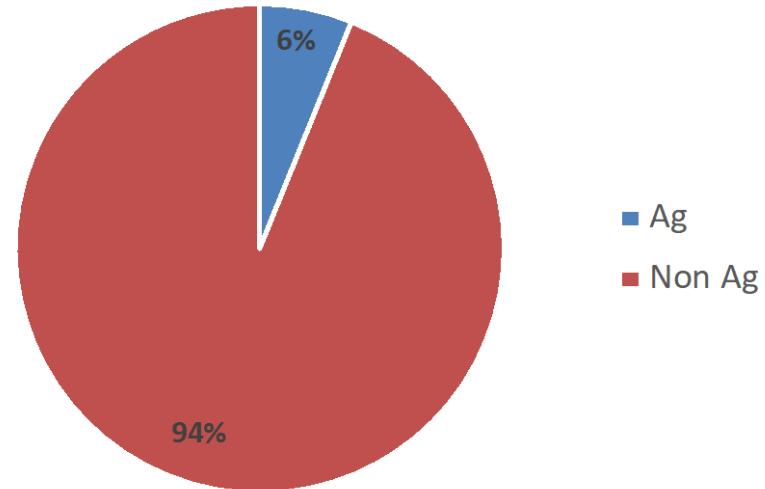
Sources: World Development Indicators database, World Bank, 1 February 2017

# Share of Ag Trade to Total Trade, 2018

Mexico Trade: \$671 Billion



Canada Trade: \$714 Billion



# Main Changes in USMCA for Ag

- Elimination of Canada's milk classes 6 and 7
- Setting standards for agricultural biotechnology
- Commitment to reduce trade distorting policies
- Fair treatment for quality requirements for wheat
- Strengthening disciplines for science-based sanitary and phytosanitary measures
- New procedural safeguards for recognition of new geographic indicators
- Market access for certain cheese names
- New protections for proprietary food formulas
- Continued the recognition of Bourbon Whiskey, Tennessee Whiskey, Tequila Mezcal, and Canadian Whiskey as distinctive products

# Implications to the U.S.

- U.S. ag remains export dependent
- NAFTA fulfilled objectives
- Positive economic impacts on both imports and exports
- USMCA negotiations dominated by non-ag industries/issues
- USMCA a better deal?
- USMCA start date?

# Questions

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