

October 25, 2017

The Honorable Wilbur Ross
U.S. Department of Commerce
1401 Constitution Avenue, N.W.
Washington, DC 20230

Dear Secretary Ross:

We are writing to respectfully share information relevant to your recent observation that there is “not a world oversupply of agricultural products” and that harm to American food and agriculture interests from a potential NAFTA withdrawal is an “empty threat.”

We recognize that the North American Free Trade Agreement (NAFTA) has not benefited some sectors as it has American food and agriculture. Accordingly, we appreciate President Trump’s initiative to modernize NAFTA with a “do no harm” pledge to American food and agriculture. We have endeavored to be helpful to Trump Administration efforts in that regard and agree with the Administration’s objective of an improved and modernized NAFTA.

The undersigned organizations represent the diverse U.S. food and agricultural industry that supports more than 21 million jobs from coast-to-coast, provides more manufacturing jobs than any other U.S. manufacturing sector, and accounts for 20 percent of the U.S. economy. The food and agriculture industry is the heart of rural America, providing employment all along the value chain, including associated industrial and manufacturing industries, to ensure that U.S. and global consumers have access to high-quality, safe, and affordable food and agricultural products.

We respectfully submit that notification of NAFTA withdrawal would cause immediate, substantial harm to American food and agriculture industries and to the U.S. economy as a whole. Under NAFTA, American food and agriculture exports to Canada and Mexico grew by 450 percent. In 2015, the United States held a 65 percent market share for agriculture products in the NAFTA region, and in 2016, we exported nearly \$43 billion worth of food and agriculture goods to Canada and Mexico, making our NAFTA partners the largest export consumers of U.S. agriculture. NAFTA also lowered the price of various inputs throughout the supply chain—benefitting U.S. consumers— and helped eliminate non-tariff barriers, making U.S. agriculture more competitive. Of course, NAFTA also has provided U.S. consumers year-round, reliable access to many forms of produce previously available only on a seasonal basis.

According to a study by ImpactECON, if Canada, Mexico, and the United States return to “most favored nation” (MFN) tariff rates upon any withdrawal from NAFTA, the negative impact on the United States will far outweigh any benefits from higher U.S. tariffs, including a net loss of 256,000 U.S. jobs, a net loss of at least 50,000 jobs in the U.S. food and agriculture industry, and a drop in GDP of \$13 billion from the farm sector alone. NAFTA withdrawal would also disrupt critical industry supply chains, close markets, eliminate jobs, and increase prices for the basic needs of American consumers.

More specifically, the detrimental impact that would begin with issuance of a notice of withdrawal from NAFTA includes:

- **Corn:** The U.S. exported \$3.2 billion worth of corn to Mexico and Canada last year, supporting 25,000 sector jobs. Withdrawal would cause U.S. production to fall by an average of 150 million bushels annually, erasing \$800 million in value and increasing the need for farm program payments by \$1.2 billion;
- **Pork:** Mexico and Canada account for nearly 40 percent of U.S. pork export volume. An economic analysis by Iowa State University found that withdrawal would decrease total U.S. pork production by 5 percent, resulting in an aggregate industry loss of around \$1.5 billion, jeopardizing more than 16,200 U.S. jobs;
- **Fresh Fruits and Vegetables:** Canada and Mexico account for 18 percent of U.S. fresh fruit exports and 60 percent of U.S. fresh vegetable exports. Since 1993, fruit and vegetable exports from the U.S. to Mexico and Canada have more than tripled, reaching \$7.2 billion. When Mexico applied temporary retaliatory tariffs to apples, cherries, and pears beginning in 2009, losses reached \$65 million per crop year, presaging some of the damage that could be done from a full NAFTA withdrawal;
- **Rice:** U.S. rice competes in a global market that is distorted by subsidies and government import controls, which artificially increase world rice supplies and restrict U.S. markets. NAFTA is a proven shield against these distortions. Mexico and Canada account for nearly 30 percent of all U.S. rice exports. Exiting NAFTA will open these markets to competitors from Asia and Brazil with no obvious home for displaced U.S. sales, as world rice stocks are rising;
- **Soy:** \$3 billion in annual soy exports would be jeopardized as Mexico and Canada look to our competitors in South America for supply;
- **Beef:** In 2016, U.S. beef exports to Mexico and Canada exceeded \$1.7 billion and accounted for 27 percent of total U.S. beef exports. Since NAFTA was implemented, exports to Mexico, an irreplaceable market for large volumes of certain beef cuts, have risen nearly 250 percent. NAFTA withdrawal would raise tariffs above 20 percent, causing a reduction in beef exports, a contraction in U.S. beef production, fewer jobs in the U.S. beef industry, and lower returns for U.S. cattlemen, ranchers, and meat packers;
- **Poultry:** U.S. chicken and turkey products have greatly benefited from NAFTA. In 2016, U.S. poultry exports were 7.95 billion pounds, over 16 percent of total production. Canada was second largest market for the chicken industry and in the top five for turkey. Mexico proved the largest single customer for U.S. poultry exports in 2016. Almost 70 percent of U.S. turkey exports go to Mexico. Disruption of this vital link in trade would be devastating. Mexico imported 23.5 percent of all U.S. poultry exports, while Canada received more than 5 percent of U.S. poultry exports;
- **High-Fructose Corn Syrup (“HFCS”):** U.S. exports to Mexico would decrease by \$500 million per year, as Mexico would replace U.S. HFCS with sugar and there is no alternative market for that production;

- **Spirits:** Canada and Mexico could impose tariffs of up to 45 percent, causing consumers in those markets to substitute away from U.S. spirits, while Canadian and Mexican origin spirits would continue to enter the U.S. market duty-free. Moreover, important provisions that protect U.S. spirits producers against the fraudulent use of the terms “Bourbon” and “Tennessee Whiskey” would be eliminated;
- **Wheat:** Prior to NAFTA, state intervention and import tariffs kept U.S. wheat exports out of the Mexican market. Now, most U.S. wheat state farmers rely on Mexico as their number one market. Without NAFTA, wheat from other sources will increasingly displace U.S. wheat from the Mexican and Canadian markets;
- **Processed food and beverages:** The processed food and beverage industry is the single largest source of employment in U.S. manufacturing and is highly integrated in North America. NAFTA is critical for the continued competitiveness of this industry whose inputs, finished goods, and investments cross both northern and southern borders of the United States, enabling U.S. food and beverage manufacturers to thrive as a key driver the U.S. economy and U.S. jobs;
- **Frozen fruit and vegetables:** Without NAFTA, tariff costs would likely exceed \$25 million for U.S. exports of frozen fruit and vegetables to Canada and Mexico, which would negatively impact U.S. manufacturing jobs in a sector that directly employs 160,000 U.S. workers;
- **Cotton fiber and cotton textiles:** At almost 1 million bales, Mexico is a reliable and important market for U.S. cotton fiber. Mexico also ranks 2nd among U.S. cotton textile and apparel export customers, buying 15 percent of total U.S. cotton textile and apparel exports;
- **Dairy:** Over \$1 billion a year in U.S. dairy products are shipped to Mexico. If Mexico reverts to MFN status, applied tariffs would range from 20 to 60 percent on cheese and up to 45 percent for skim milk powder, undermining the largest market by far for U.S. dairy exports at a time when Mexico is preparing to finalize negotiations with the EU, the world’s largest dairy exporter and a region keen to act as a substitute for U.S. dairy;
- **Oats:** Over 90 percent of oats milled and processed in the U.S. are imported from Canada. In addition, some of these wholesome oat food products are exported back to Canada and Mexico. Any disruption of NAFTA would be detrimental to the entire supply chain;
- **Confectionary:** Exports to Canada and Mexico have grown over 300 percent since the implementation of NAFTA. Without NAFTA, sustaining this growth is in jeopardy;
- **Feed:** \$2.3 billion in annual exports would be jeopardized. Mexico and Canada are the U.S.’s number 1 and 3 export destinations for feed, respectively; and
- **Pet Food:** \$707 million in annual exports would be jeopardized. Canada and Mexico are the U.S.’s number 1 and 3 export destinations for pet food, respectively.

Of course, market conditions change over time and we submit that long-term trade relationships should not be based on temporary market conditions. The adverse effects of issuance of a notice of NAFTA withdrawal would be abrupt and particularly severe for America’s farmers, food manufactures, and agribusinesses. For instance, the world grain market currently is experiencing the greatest oversupply of production since the 1980s – with the U.S. facing increasing competition from foreign competitors – and

net U.S. farm income has declined to half what it was just five years ago. 2018 would be an especially damaging time to lose America's two largest food and agriculture product markets.

Agricultural exporters from Brazil and Argentina, especially, are already moving aggressively to take advantage of the perceived opportunity to access our North American markets due to NAFTA negotiation rhetoric. In addition, the European Union is aggressively negotiating an updated FTA with Mexico to expand its sales there by seeking reduced Mexican tariffs on competitive EU export areas and the incorporation of rules creating *de facto* barriers to trade to advantage those products at the expense of U.S. suppliers. We trust you appreciate how harmful it would be for the U.S. to become the supplier of last resort of major commodities. Accordingly, we submit that it is imperative that America preserve and grow access to markets like Mexico and Canada where we have a competitive advantage over other global suppliers, notably integrated supply chains facilitated by over 7,450 miles of shared borders.

Notice of withdrawal from NAFTA would result in substantial harm to the U.S. economy generally and food and agriculture producers, in particular. While it has been asserted that negotiations could be completed and a new agreement approved subsequent to issuance of notice of withdrawal, but prior to actual withdrawal, that observation gravely underestimates the business complexity and contracting periods involved. We are sadly confident that issuance of a notice of withdrawal from NAFTA would trigger a substantial, immediate response in commodity markets as market-specific focus would turn to a scheduled return to trade-prohibitive tariff rates. Contracts would be cancelled, sales would be lost, able competitors would rush to seize our export markets, and litigation would abound even before withdrawal would take effect.

Therefore, we respectfully ask that the Administration continue to seek positive engagement that would advance America's economic interests by opening new export opportunities and by tackling non-tariff concerns our industries have identified. That forward progress must begin by maintaining the "do no harm" pledge toward food and agriculture trade within NAFTA renegotiation.

Thank you for your consideration.

Sincerely,

Agribusiness Council of Indiana

Agriculture Transportation Coalition

AgVentures NW

Almond Alliance of California

American Bakers Association

American Cotton Shippers Association

American Farm Bureau Federation

American Feed Industry Association

American Frozen Food Institute

American Peanut Council

American Peanut Product Manufacturers, Inc.

American Seed Trade Association

American Soybean Association

Animal Health Institute

Arizona Grain, Inc.

Attebury Grain

Aurora Cooperative

Bartlett Grain Company

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| Beachner Grain, Inc. | National Grain and Feed Association |
| CHS Inc. | National Milk Producers Federation |
| CoBank ACB | National Oilseed Processors Association |
| Corn Refiners Association | National Pork Producers Council |
| CropLife America | National Renderers Association |
| Dairy Business Milk Marketing Cooperative | National Sorghum Producers |
| D. E. Bondurant Grain Co. Inc. | National Turkey Federation |
| Deere & Co | North American Meat Institute |
| The DeLong Co., Inc. | North American Millers' Association |
| Demeter Lp | North Dakota Grain Dealers Association |
| Distilled Spirits Council of the United States | Northwest Grain Growers, Inc. |
| Farmers Grain Terminal, Inc. | Northwest Horticultural Council |
| Grain Craft | Ohio AgriBusiness Association |
| Grain and Feed Association of Illinois | Ohio Corn & Wheat Growers Association |
| Grocery Manufacturers Association | Pet Food Institute |
| GROWMARK, Inc. | Pride Ag Resources |
| International Dairy Foods Association | Produce Coalition for NAFTA |
| Land O'Lakes, Inc. -Purina | Rocky Mountain Agribusiness Association |
| Maplehurst Farms, Inc. | South Dakota Grain and Feed Association |
| Michigan Agri-Business Association | Stratford Grain Company |
| Michigan Agricultural Commodities, Inc. | Superior Farms |
| Michigan Bean Shippers | Team Marketing Alliance |
| Montana Grain Elevator Association | Texas Grain and Feed Association |
| National Association of Egg Farmers | Topflight Grain Cooperative |
| National Association of State Departments of Agriculture (NASDA) | United Fresh Produce Association |
| National Association of Wheat Growers | USA Poultry and Egg Export Council |
| National Cattlemen's Beef Association | USA Rice |
| National Confectioners Association | U.S. Apple Association |
| National Corn Growers Association | U.S. Dairy Export Council |
| National Cotton Council | US Dry Bean Council |
| National Council of Farmer Cooperatives | U.S. Grains Council |

U.S. Hide, Skin and Leather Association

U.S. Meat Export Federation

The Wenger Group

Wheeler Brothers Grain Company, LLC

WineAmerica

Wisconsin Agri-Business Association