Strengthening NAFTA Through U.S.–Mexican Cooperation in Agriculture

U.S. Department of Agriculture

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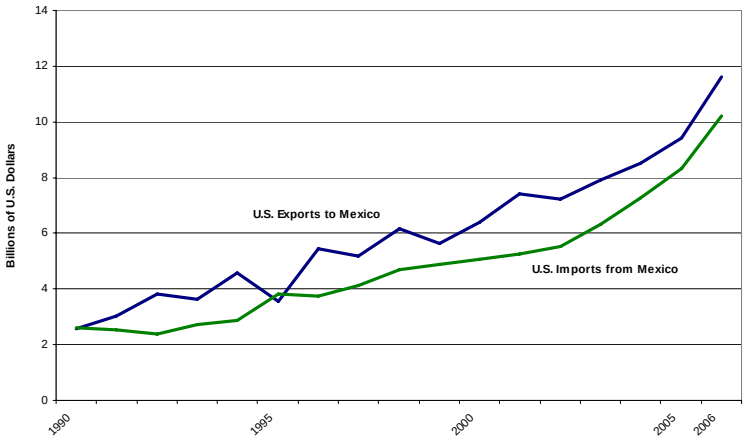
Introduction

The North American Free Trade Agreement (NAFTA) has resulted in expanded Mexican exports, higher wages for Mexican workers, and less poverty, more foreign investment, and a stronger agriculture sector in Mexico.

Agricultural trade between the United States and Mexico has risen dramatically since NAFTA was implemented in 1994. Mexico's agricultural exports to the United States have expanded by nearly 10 percent per year, growing twice as fast as they did before NAFTA. At the same time, U.S. exports to Mexico have grown about 8 percent per year, reflecting the mutually beneficial outcomes NAFTA has provided to the agricultural sectors in both countries.

With a growing population, an expanding economy, and an increasingly market-oriented agricultural sector, Mexico became the United States' second largest agricultural trading partner in calendar 2006, accounting for about 10 percent of U.S. agricultural imports and 14 percent of U.S. exports. The United States remains Mexico's principal agricultural trading partner. Over 80 percent of Mexico's agricultural exports go to the United States, and more than two-thirds of its agricultural imports come from the United States. Specifically, U.S. imports of Mexican agricultural, fish, and forestry products in calendar 2006 were valued at a record $10.2 billion, and U.S. exports of agricultural, fish, and forestry products to Mexico were valued at $11.5 billion (see Figure 1).

Figure 1: U.S. - Mexican Agricultural Trade Has Experienced Strong Growth Since NAFTA Implementation



NAFTA has enabled Mexico and the United States to take greater advantage of this complementary trading relationship. The United States tends to export different commodities to Mexico than Mexico exports to the United States. As a result, consumers and producers in both countries have benefited from greater market access to agricultural products. For example, the cross-border integration of grain and oilseed supply chains since NAFTA implementation has allowed the Mexican hog and poultry industries to expand dramatically to better meet Mexican consumer demand for meat. Mexican exports of fruits and vegetables to the United States have more than doubled over the last decade to meet U.S. consumer demand for fresh produce.

Foreign direct investment (FDI) has also expanded dramatically under NAFTA. In 2003, the stock of U.S. direct investment in Mexican processed food industries totaled $1.7 billion.[1] Mexican direct investment in U.S. processed food industries was $1.1 billion. FDI has created jobs in both Mexico and the United States and led to an expansion in foreign sales for multinational food companies in both countries.

U.S. Collaborative Programs With Mexico's Agricultural Sector

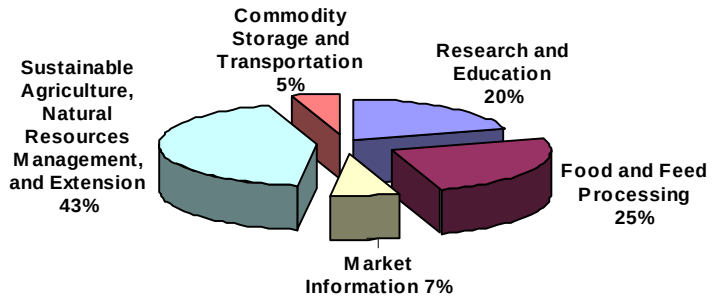
The importance of the agricultural economies of Mexico and the United States to each other has led to a strong cooperative relationship. Over the last two years, the U.S. government, private sector, and university community have invested nearly $20 million dollars in more than 120 projects to address issues affecting agriculture and agribusiness in Mexico. This number likely understates the total because not every project has been reported. Mexican government agencies, more than 20 Mexican universities, and Mexican private-sector partners are collaborating with U.S. counterparts, including 13 U.S. government agencies and nearly 25 U.S. land-grant universities. Program goals are to:

- Enhance agricultural research and education,
- Improve market information systems,
- Increase the efficiency of commodity storage and transportation,
- Expand food and feed processing capacity,
- Improve sustainable agriculture by enhancing agricultural productivity and farm management practices,
- Increase agricultural extension capacity, and
- Manage Mexico's natural resources effectively (see Figures 2 and 3).

The projects are spread throughout Mexico in 20 states (nearly two-thirds of the total), with about 60 percent of the projects carried out in the northern part of Mexico and about 40 percent in the south (see Table 1).

Assistance from the U.S. Department of Agriculture (USDA) has targeted a wide array of programs including improving market transparency, seed genetics, food processing, and natural resource conservation. USDA's National Agricultural Statistics Service, for example, has worked with Mexico's Ministry of Agriculture, the Agricultural and Fisheries Information Service, and other Mexican government agencies to increase the usefulness of Mexico's agricultural statistics program. As a result, Mexican farmers have increased access to critical price and production data, policy makers have improved

Figure 2: U.S. Agricultural Technical Assistance to Mexico (Percentage of Total Number of Collaborative Activities)

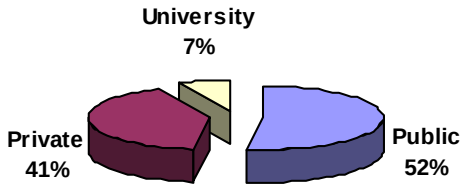


[1] This figure excludes beverages and production agriculture.

information for decision making, and the resulting transparency is allowing the market economy to become more efficient.

The United States is also collaborating with Mexican livestock producers and the meat processing industry, which depend on reliable sources of corn and other feeds. U.S. universities and private sector groups are working to improve animal health by conducting research on vaccinations against animal diseases, training Mexican veterinarians, and improving animal feed formulations.

Figure 3: U.S. Assistance to Partners in Mexico (Percentage of Total Number of Mexican Partners)



In addition, the United States is working with Mexican producers, processors, and researchers to explore crop diversification and rural development, thereby providing alternative employment opportunities for subsistence farmers. West Virginia University is working with Queretaro University to develop greenhouse technology for rural semiarid areas in Mexico. Ohio State University and the Centro de Investigación y Docencia Económica (CIDE) in Santa Fé are addressing ways to strengthen Mexico's rural financial market system by building rural micro-finance capacity. Several U.S. universities are working with Mexican counterparts to develop their agricultural extension services and post-secondary agricultural education, with an emphasis on rural poverty amelioration.

The United States has been working with Mexico to plan and conserve its natural resources in an effort to sustain the soil and water resources critical for Mexican agriculture and rural development. The U.S. Forest Service has been collaborating with groups in several Mexican states to strengthen their ability to manage natural resources. And the University of California has worked with the Mexican Center for Research and Advanced Studies at the National Polytechnic Institute to measure the effects of conservation agriculture on soils.

USDA is also working with the Mexican Ministry of Agriculture and the National Institute for Forestry and Agricultural Research to develop and maintain an automated data retrieval system for the Mexican germplasm collection and dissemination of information to plant breeders and researchers.

In addition, USDA's Animal and Plant Health Inspection Service has allocated nearly $100 million for 2005-2008 to cooperate with Mexican government agencies on plant and animal pests and diseases. Joint programs include screwworm eradication in livestock, Mexican fruit fly suppression to protect fruits and vegetables, eradication of the aquatic weed Hydrilla in irrigation systems, and surveillance of wild birds for avian influenza.

U.S. Collaboration With Mexico's Corn and Dry Bean Sectors

In addition to joint activities that benefit agriculture in general, there are also projects that benefit the corn and dry-bean sectors specifically. The U.S. and Mexican governments are jointly implementing programs to improve domestic corn and bean productivity, farm management, quality, marketing, transportation, storage, and processing. U.S. assistance in the critical areas of market information, seed genetics, animal health, and marketing is helping corn and dry bean producers and processors take full advantage of the benefits of NAFTA.

About 20 projects are dedicated to the corn sector, and 20 to the dry-bean sector.

Table 1
Mexican States Collaborating With U.S. Partners by Region

North	South
Baja California	Campeche
Chihuahua	Chiapas
Coahuila	Colima
Guanajuato	Jalisco
Michoacán	Oaxaca
Nuevo León	Puebla
Querétaro	Tabasco
Sinaloa	Veracruz
Sonora	Yucatán
State of México	
Tamaulipas	

U.S. universities are assisting Mexico's corn and bean producers to improve productivity. For example, Texas A&M University is helping to improve drought tolerance of corn. The U.S. private sector is also working with Mexican partners to enhance corn and bean marketing. In this effort, the U.S. Grains Council is providing market and technical information to Mexican grain buyers, livestock producers, and animal nutritionists, thereby helping the Mexican livestock industry to meet consumers' growing demand for meat.

In addition, USDA and Mexican scientists are working together to increase disease resistance of pinto and great northern beans. In July, USDA will be working with Mexican bean producers to determine the feasibility of constructing bean processing facilities.

Conclusion

The broad range of U.S. cooperation with and technical assistance to Mexico's agricultural producers and processors illustrates the U.S. commitment to assist Mexico in transitioning to full NAFTA implementation. Moreover, USDA remains committed to continuing work with Mexico to build technical capacity in areas of mutual concern.

For further information, contact the Office of Capacity Building and Development, Foreign Agricultural Service, U.S. Department of Agriculture (202-720-4055).