

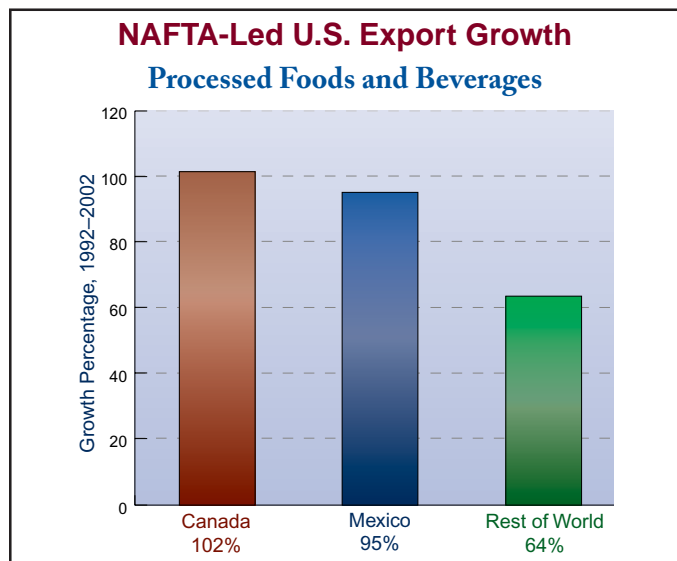


NAFTA 10 YEARS LATER

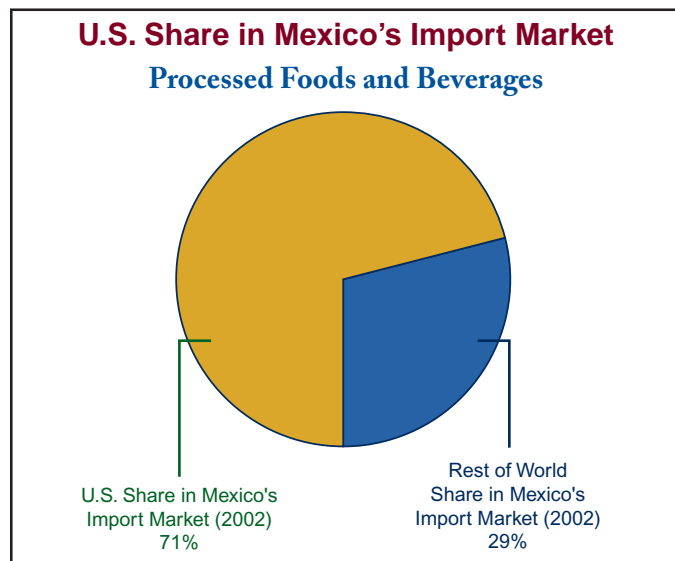
PROCESSED FOODS AND BEVERAGES

Export Highlights

U.S. firms exported a total of \$20.8 billion in processed foods and beverages in 2002, including \$5.7 billion to Canada and \$1.8 billion to Mexico. Together, our NAFTA partners account for 36% of total U.S. exports of processed foods and beverages..



From 1992 to 2002, U.S. processed foods and beverages firms increased exports to Canada by 102% and increased exports to Mexico by 95%.



In 2002, U.S. firms captured 71.4% of Mexico's processed foods and beverages import market and 67% of Canada's processed foods and beverages import market.

Industry Facts

- NAFTA has provided U.S. processed food and beverage firms with increased operational flexibility. The resulting cost reductions can be reinvested into new product development and the business in general. As a result of NAFTA, U.S. food companies have increased options regarding how to meet the "just in time" delivery requirements of customers, particularly those along border regions of NAFTA countries.
- U.S. manufacturers of processed foods and beverages benefit from NAFTA investment provisions that guarantee equal treatment for foreign and domestic investors.
- U.S. direct investment in Mexico's processed food industry—largely in snack foods, vegetable oils, meat and poultry, and confectionery products—has quintupled since 1987 to reach \$1.2 billion in 2001.
- U.S. investment in Canada in this industry, which grew sharply before NAFTA was implemented, experienced an additional 14% post-NAFTA growth to a level of \$3.4 billion in 2001.
- From 1992 to 2002, Mexico's exports of processed foods and beverages to the United States increased nearly 160%, to \$2.7 billion. Canada's industry exports to the United States increased 132%, to \$4.5 billion.



Trade Barrier Elimination

NAFTA eliminated most Mexican and Canadian tariffs on U.S. processed foods and beverages exports, which were as high as 20% on such products as chocolate and preserved meats before NAFTA took effect. U.S. firms now enjoy a price advantage over competitors who have to pay an average tariff of 24% in Mexico's market. U.S. exporters of milk and cream products have a price advantage over competitors whose products are subject to duties greater than 100%.

U.S. exporters of breakfast cereals, prepared meats, and processed fruits and vegetables have a significant price advantage over competitors because of NAFTA. These product areas have experienced great export growth since NAFTA took effect. U.S. malt beer exporters enjoy duty-free access to Mexico, while exports from competitors are subject to a 28% tariff. Since 1993, U.S. malt beer exports to Mexico have increased 185%.

NAFTA has also addressed some nontariff barriers that are important to the processed foods and beverages industry, including Mexico's regulations for product testing, certification, and labeling.

Key Exporting States

Arkansas, California, Georgia, Florida, Illinois, Iowa, Louisiana, Minnesota, Nebraska, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Texas, Washington, Wisconsin

Success Stories

- ▶ **Nestle's non-dairy creamer plant in Jacksonville, Illinois**, is operating at full capacity and achieving greater efficiency as a result of NAFTA. Prior to NAFTA, non-dairy creamer was produced in all three NAFTA partners, but now it is primarily produced in the United States.

- ▶ **NAFTA has enabled Orion Food Systems Inc., of Sioux Falls, South Dakota**, to increase sales and profits across Canada. Orion exports the majority of products needed to open and maintain its fast food restaurants across western Canada. Its increased market presence in Canada has meant increased exports of pizza dough and pizza sauce, both manufactured in Sioux Falls. Orion's exports to Canada have quadrupled since 1998.

Employment Opportunities

The processed food and beverage sector employs 1.7 million people nationwide. Employment in this sector increased 2% from pre-NAFTA to 1998. While poultry and dairy processing experienced growth, overall industry employment decreased slightly after 1998 due to a global economic decline. Productivity has grown in all facets of the processed food and beverage industry over the past decade, and industry wages have increased by 35% overall since NAFTA was implemented.

The Sector

This sector includes a variety of processed and preserved foods and beverages including animal foods, grain and oilseed milling, sugar and confectionery products, fruit and vegetable preserving and specialty foods, dairy products, animal slaughtering and processing, seafood product preparation and packaging, bakeries and tortillas, and other food products.