Fair Trade or Free Trade? Understanding CAFTA

U.S Farm and Trade Policy

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Since the North American Free Trade Agreement (NAFTA) went into effect in 1994, family farmers in the United States, Canada and Mexico have suffered from declining prices and the loss of traditional markets. Trade liberalization policies have been accompanied by changes in U.S. farm policy, which has become increasingly "export oriented" over the last decade. Programs in the U.S. to encourage land-set asides and to regulate agricultural production have largely been eliminated since the passage of the 1996 Freedom to Farm Act and the 2002 Farm Bill. In the past, price-floors (guaranteeing a minimum price to farmers) were tied to land-set aside requirements, thereby encouraging farmers to produce less than full capacity. Today, farmers in the north and south are forced into all-out production for survival. As a result, production has increased and agricultural prices have fallen in the U.S. and worldwide. In the U.S., government payments to farmers and agribusiness keep the system afloat, but many small farmers—despite the payments—are forced to abandon their families' heritage of producing food and taking care of the land.

CAFTA will not benefit small farmers

CAFTA proposes to further liberalize agricultural trade between Central America and the U.S., which will have devastating effects for Central American farmers and is unlikely to benefit small and medium U.S. farms. Large corporations and exporters are likely to take advantage as the U.S. gains market access in Central America, with little benefit to family farms in the U.S. New market access for Central American farmers will be limited to non-traditional exports, for example in flowers, benefiting only a small portion of the sector.

Important facts about U.S. agriculture:

- Only three agribusiness firms control 82% of the world grain trade.
- Over 73% of the nation's farms share only 6.8% of the market value of agriculture products, while 7.2% of farms, including giant feedlots, receive 72.1% of the market value of products sold. These figures illustrate the growing shift towards large operations controlled by large agribusiness.
- During the first seven years of NAFTA, Archer Daniels Midland's (ADM) profits increased from $110 million to $301 million, while Cargill's net earnings from 1998 to 2002 jumped from $468 million to $827 million. ADM and Cargill are two of the main agribusinesses that control corn trade.
- Since 1984, the real price of food has remained constant, while the price farmers receive has fallen by 38%. In 1999, farmers received 21 cents on the dollar from food products, compared to 10 years ago, when they received 32 cents. These numbers demonstrate how consumers, taxpayers and farmers are paying the price so that agribusiness can earn record profits.

U.S. Responsibility

The citizens of the United States need to regain control of farm and food policy to create a sustainable family farm system and ensure a safe and healthy food supply. The National Family Farm Coalition has proposed a new farm bill: "The Food From Family Farms Act." This bill would establish fair farm prices; create a food security reserve so that bountiful crops won't depress markets; establish conservation set-asides to avoid wasteful over production; and create loans to help farmers adopt sustainable farming practices. Most importantly, The "Food From Family Farms Act" promotes trade cooperation based on the principle of food sovereignty—the right of every nation to devise farm and food policy ensuring food security in keeping with its traditions and need for sound social and environmental policies.