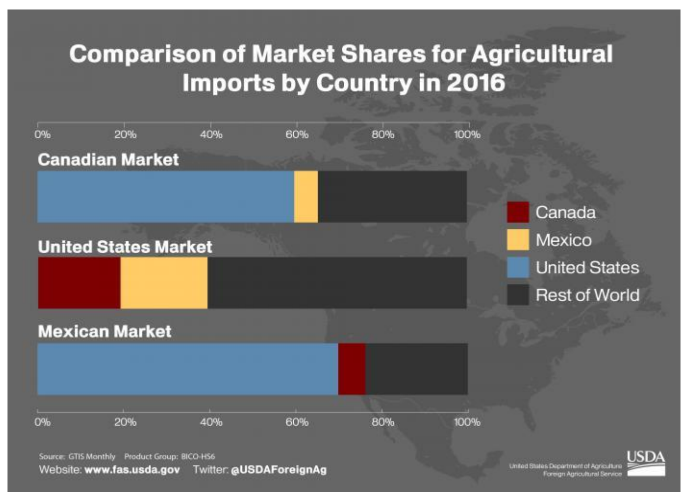
NAFTA Update

NAFTA, or the North American Free Trade Agreement, was established in 1994 to bring the United States, Canada and Mexico economies together by eliminating tariffs on agricultural commodities and manufactured goods traded. Under the current agreement, market prices are extremely competitive because of the complex supply chain created by NAFTA. For instance, the U.S. is able to obtain and export agriculture products from both Canada and Mexico, which allows competition within North America. NAFTA has increased the overall gross domestic product and the average U.S. income. "In 2016 alone, this resulted in $43 billion worth of food and agricultural goods being exported to Mexico and Canada, making those countries the largest export markets for American agriculture" (Skunes, 2018).

Negotiations are currently in progress to modernize the current NAFTA agreement with the United States, Mexico and Canada with several changes being discussed:

- The U.S. is proposing a 13 percent increase of auto parts sold in the North American region to stay within the region and that half of the auto parts sourced from the three countries must come specifically from the U.S.
- The U.S. is proposing "The Sunset Clause" in which NAFTA would terminate every five years unless all countries decide to extend the agreement for another five years.

The seventh round of negotiations that took place on Monday, March 5, 2018 in Mexico City created a new topic of discussion. President Donald Trump stated that unless Mexico and Canada agree to revamp NAFTA so it is fair to the U.S., the U.S. would not lower tariffs on steel and aluminum from Mexico and Canada.



Agricultural commodity groups are vocal about NAFTA and have assisted in facilitating the conversations. "The U.S. Grains Council estimates that without NAFTA in place, U.S. growers could see a $1.2 billion hit in production that would require some compensation in the form of payments" (Behsudi, 2018). Farm support programs could also be stretched thin if NAFTA agreements are not made which could put farmers in a tight position.

While some farmers and producers fear the potential U.S. withdrawal from NAFTA, some feel confident that the U.S. will come to an agreement with Mexico and Canada and continue supporting North American agriculture. "President Trump is very loyal to his base. He wants to support the people who supported him," said Brian Kuehl, executive director of Farmers for Free Trade. "So that gives us a bit of optimism that at the end of the day, we're not only going to see the U.S. stay in NAFTA, but we're going to push additional trade deals that are good for agriculture" (Behsudi,2018).

Updated 5/1/18

Over the past few weeks U.S., Mexico and Canada have met several times and have made strides toward continuing a deal. Meetings will resume on May 7th to continue the talks. "we're hopeful and optimistic that it'll be completed very soon," Perdue said (Agri-Pulse, 2018)

Updated 6/4/18

NAFTA deal has still not been struck because of the need of the sunset clause from the United States, even when discussions seemed to be finalizing the deal. “There was broad lines of a decent win-win deal on the table that I thought required a final deal-making moment, “Trudeau said. “If they were able to take that (precondition) off, I would be happy to come down, but that was not something that could ever be acceptable to Canada or … Mexico in the negotiation of the North American Free Trade Agreement” (Agri-pulse, 2018).

Updated 8/2/18
In a Senate hearing, Representative Robert Lightizer believes there will be a North American Free Trade Agreement rewriting agreement sometime in the month of August. This can bring some great needed relief to farmers as China has continuously increased the tariffs on U.S. agricultural products. Representative Lightizer agrees that if a new NAFTA can be put in place the U.S. will rescind the steel and aluminum tariffs and will help to end the retaliation agricultural product tariffs that Canada and Mexico currently have again the U.S. Tariffs from Mexico have especially been harsh on U.S. pork, dairy, potatoes and apples, while Canada is harsh on U.S. yogurt, ketchup, maple syrup, and other products.

Updated 8/16/2018
It’s been an entire 365 days since the trade officials from U.S., Mexico and Canada first started talked in Washington D.C. to discuss NAFTA. It’s just now showing signs that the U.S. and Mexico are looking to revamp their agreement. Final trade decisions are being lined up which can bring new hope to American farmers who are struggling with the other tariffs and low prices. In these negotiations, Mexico will have to accept the U.S. demands on autos and keep up-to date data on the seasonal fruits and vegetable prices being sold in the U.S. The biggest concerns are lack of the sunset clause and Canada’s interaction with NAFTA.

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