Analysis of US-Mexico Agricultural Trade Since NAFTA

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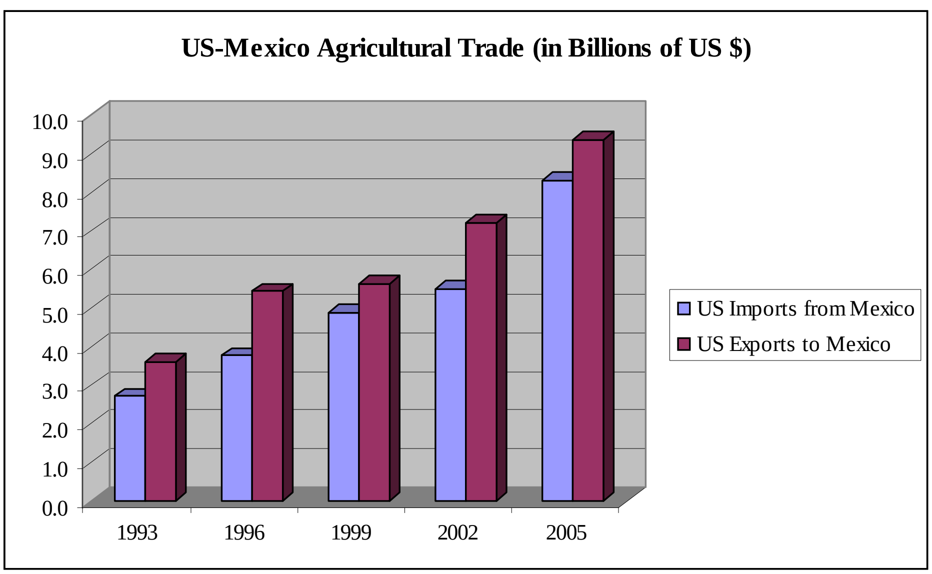
Background

Signed between Canada, Mexico, and the United States, the North American Free Trade Agreement (NAFTA) eliminated duties on half of all agricultural goods in 1994 and will phase out the remaining tariffs over a period of 15 years between the U.S. and Mexico, and between Canada and Mexico. The NAFTA accord did not create any new trade accord for agriculture between the U.S. and Canada.

Impact of NAFTA on US Agricultural Exports

NAFTA is beneficial to US agriculture and has provided substantial American export growth since its implementation on January 1, 1994. US agricultural exports to Mexico have grown faster than total US agricultural exports to the rest of the world.

Between 1993 and 2005, total US agricultural exports increased from $42.9 billion to $63 billion, a total gain of 47%, or $20.1 billion. During the same period, US agricultural exports to Mexico increased from $3.6 billion to $9.4 billion, an increase of 161%, or $5.8 billion, representing over 27% of all export growth. Locally, Colorado agricultural exports to Mexico grew from $73.3 million in 1993 to over $237 million in 2004, representing a 224% growth, exceeding the growth rate of US agricultural export. Mexico purchased 8% of all US agricultural exports in 1993 and grew to over 15% in 2005. Colorado's exports of beef products to Mexico grew from $27.3 million in 1993 to over $187 million in 2005 representing an increase of over 580% during this period.



Our increased exports occurred during a period (1995-mid 2002) when the high value of the US dollar put American exports at a competitive disadvantage. This is especially true in Mexico. In 1993, the value of the peso to the US dollar was 3:1. At the beginning of 2006, the exchange rate was 10:1, resulting in a three-fold increase in prices for Mexicans importing US goods. Despite the higher cost of American goods, record export growth continued. Now, as the value of the US dollar is decreasing, US goods are becoming less expensive for international buyers and will in turn further increase our export opportunities.

While a wide variety of US agricultural products have benefited from NAFTA, the best performers include: beef, including offal, corn, soybeans, cotton, fresh vegetables, fresh fruits, dried/dehydrated vegetables, feed ingredients, wheat, sorghum, grocery products and pork.

Mexico has also benefited from the NAFTA accord, with agricultural exports to the US growing from $2.7 billion in 1993 to $8.3 billion in 2005. Despite Mexico's increasing exports of agricultural products to the US, we maintain a positive export trade balance with Mexico of nearly a billion dollars annually.

Mexican Imports to the US

The majority of agricultural imports from Mexico to the United States do not compete with American industries because a) they are products of specific consumer choice (e.g. Corona beer), b) they are products not grown/produced in the United States (i.e. raw chocolate, coffee), or c) they are products available on a seasonal basis, such as winter time fresh fruits and vegetables.

Over 64% of the fruits and vegetables imported from Mexico are during the December to May winter months, providing products that are not available in the US and not competing with any Colorado agricultural production. December through May imports of fruits and vegetables represent over 40% of all annual imports from Mexico.

Other imports from Mexico that do not compete with Colorado products include: beer or liquor (including tequila), 21%; seafood products, 5.1%; and coffee and raw chocolate (e.g. cocoa), 3.7%.

2005 U.S. Agricultural Imports From Mexico

Note: statistics show agricultural commodities with import values > $500k/yr

Values in thousands of dollars

	Dec-May Value	Dec. - May % of Annual Total	Annual Value	% of Total Annual Mex. Ag. Imports
Beer & Liquor	--	--	1,844,180	21.0%
Fish/Seafood	--	--	445,499	5.1%
Coffee & Chocolate	--	--	322,522	3.7%
Fresh Fruits	665,649	54.8%	1,215,780	13.8%
Fresh Vegetables	1,632,262	69.0%	2,367,149	27.0%
Fr. Fruits + Veg.	2,297,911	64.1%	3,582,929	40.8%
Beer/Liq., Cof/Choc. & Seafood		--	2,612,201	29.8%
Beer/Liq., Cof/Choc. & Seafood, & Dec-May Fruit/Veg	4,910,112*	--		55.9%
U.S. Ag. imports from Mexico			8,332,982	
Fish/seafood imports from Mexico			445,499	
Total U.S. Ag. Imports from Mexico			8,778,481	

*Includes annual totals for Beer/Liq., Seafood, Coffee & Chocolate, and 6 months of Fresh Fruits and Vegetables

The Advantages of NAFTA

NAFTA has and will continue to benefit both Mexico and the United States with increased exports to the benefit of both countries. For business, this has provided opportunity. For consumers, this has produced better year-round product choice at better prices. Colorado agriculture's share of this market continues to exceed the growth benefits for U.S. agriculture.