USMCA trade deal could cost Georgia produce growers nearly $900 million, report says

Jeff Daniels
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Farm laborers work at a tomato field in Los Pinos, San Quintin Valley, Baja California State, Mexico on April 23, 2015.

ALFREDO ESTRELLA | AFP | Getty Images

Unless the proposed U.S. Mexico Canada Agreement (USMCA) is changed, it could “cause extensive economic damage to Georgia” and its fresh produce industry, according to economists at the University of Georgia.

“While the deal may be an overall positive for the United States, it exposes U.S. fruit and vegetable growers to a high risk of substantial harm through unfair competition from Mexican imports,” the report said.

The report projected annual economic losses to Georgia’s small fruit and vegetable industry under USMCA could be $340 million to nearly $900 million. It also said there could be job losses of about 3,300 to more than 8,600 under the proposed replacement to the 25-year-old North American Free Trade Agreement.

According to the report, Georgia’s blueberries usually have a market presence in Northern states ahead of local producers due to climate advantage. Similarly, it said Georgia’s climate is ideal to grow fall vegetables such as tomatoes, peppers, squash, cucumbers, and eggplant.

However, the UGA report dated April 22 said Mexico has ramped up production of fresh produce in recent years and now “their imports compete directly with

Georgia fruits and vegetables. Georgia's natural seasonal advantage has been diminished by Mexican imports arriving during Georgia's selling season at prices well below Georgia's production costs."

U.S. Secretary of Agriculture Sonny Perdue was not available for comment. Perdue is a former governor of Georgia and agribusinessman.

Sonny Perdue, U.S. secretary of agriculture

Al Drago | Bloomberg | Getty Images

But he recently defended the Trump administration deal.

"Not only does USMCA expand market access for commodities and crops, but also the agreement specifically addresses agricultural biotechnology, including new technologies such as gene editing, to support innovation and reduce trade-distorting policies," Perdue wrote in a guest column this week in the Gazettepaper in Cedar Rapids, Iowa.

Added Perdue, "USMCA ensures a level playing field for American agriculture. If we are to keep our economy booming and continue to feed and clothe the world, Congress must pass USMCA."

Some agricultural producers want changes to the deal first. They claim Mexico is "dumping" seasonal produce on the U.S. market with the help of government subsidies. Last month, a group of U.S. lawmakers from Florida and Georgia wrote a letter to U.S. Trade Representative Robert Lighthizer expressing concern about the lack of trade protections for seasonal and perishable produce in the proposed USMCA.

Florida tomato growers and a group of U.S. lawmakers have previously accused Mexico of unfair trade practices. Southeast growers argued that an anti-dumping clause in a new trade deal would give U.S. farmers more leverage to hold Mexico accountable for not playing by the rules.

But producer groups in California and other U.S. Western states cautioned against including anti-dumping provisions in a NAFTA replacement. They warned it could be used by Canada or Mexico to make a "dumping" case against U.S.-grown seasonal crops such as apples.

The U.S. Trade Representative's Office referred inquiries to the Commerce Department, which didn't respond to a request for comment.

The UGA study also criticized Mexico's government subsidies to its agriculture industry and added that Mexico's labor costs can be about one-tenth of U.S. labor costs. The report claimed, "the costs of the Mexican imports is often less than one half the price American growers were receiving before the Mexican imports arrived."

The UGA report said there's potential for "catastrophic damage" when it comes to tomatoes.

In February, the Trump administration indicated it planned to reopen an anti-dumping investigation into Mexican tomatoes and exit a 2013 agreement that has been criticized by U.S. growers. The 2013 agreement was described on a Commerce website as a commitment by Mexican producers and exporters to sell tomatoes "at or above the reference price, which will eliminate completely the injurious effects of exports of fresh tomatoes to the United States."

On Tuesday, Reuters reported the U.S. plans to impose a 17.5% tariff on Mexican tomatoes this week, coming after the two countries failed to renew the 2013 agreement. It cited Mexican officials as the source for report.

"As of tomorrow, a tariff of 17.5% will be applied on the value of the product ... Mexican exporters will be affected, it's going to affect their financial flows but that is going to be directly transferred to U.S. consumers," Mexican Deputy Economy Minister Luz Maria de la Mora was quoted as saying.

She added, "We're very disappointed but the good news is that negotiations continue, looking for a solution. And we hope that in the coming weeks we can, in fact, reach an agreement."