

November 14, 2017

Dear Governor:

We write to underscore the importance of the North American Free Trade Agreement (NAFTA) to the U.S. food and agriculture industry and to express concern about the potential of a withdrawal from this critical trade agreement. We appreciate President Trump's initiative to modernize NAFTA with a "do no harm" pledge to American food and agriculture, and we are committed to working constructively with the Trump Administration on efforts to improve and modernize NAFTA. We encourage NAFTA negotiations to continue without the threat of withdrawal.

We respectfully request that you let President Trump know that you support a modernized NAFTA that maintains and enhances food and agricultural trade between the U.S., Mexico, and Canada, and recognition that withdrawal from the accord would have adverse impacts, as articulated herein.

The undersigned organizations represent a diverse U.S. food and agricultural industry which supports more than 22 million jobs—including more manufacturing jobs than any other U.S. manufacturing sector—and accounts for 20 percent of the U.S. economy. Our industry is the economic backbone of rural America—stimulating employment all along the value chain. Additional information on how our industry positively impacts your State can be found at FeedingTheEconomy.com.

Under NAFTA, American food and agriculture exports to Canada and Mexico grew by 450 percent. In 2015, the United States held a 65 percent market share for agriculture products in the NAFTA region, and in 2016, we exported nearly \$43 billion worth of food and agricultural goods to Canada and Mexico, making our NAFTA partners the largest export consumers of U.S. agriculture. NAFTA also lowered the price of various inputs throughout the supply chain—benefitting U.S. consumers— and helped eliminate non-tariff barriers, making U.S. agriculture more competitive. Of course, NAFTA has also provided U.S. consumers year-round, reliable access to many forms of produce previously available only on a seasonal basis.

Notice of withdrawal from NAFTA would result in substantial harm to the U.S. economy generally, and U.S. food and agriculture producers, in particular. While it has been asserted that negotiations could be completed and a new agreement approved subsequent to issuance of notice of withdrawal; but, prior to actual withdrawal, that observation underestimates the business complexity, integrated supply chains and contracting periods involved. Such a notice of withdrawal would fuel additional uncertainty among our North American trading partners, creating a sense of urgency to explore non-U.S.-origin sources of supply. It would also trigger a substantial, immediate response in commodity markets, as market-specific focus would turn to a scheduled return to trade-prohibitive tariff rates. Contracts would be renegotiated or cancelled, sales would be delayed or lost altogether, able foreign competitors would rush to seize our export markets, and litigation would abound even before withdrawal took effect.

According to a study by ImpactECON, should Canada, Mexico, and the U.S. return to "most favored nation" (MFN) tariff rates upon any withdrawal from NAFTA and subsequently the U.S.-Canada Free

Trade Agreement, the negative impact on the U.S. would far outweigh any benefits from higher U.S. tariffs, including a net loss of 256,000 U.S. jobs, a net loss of at least 50,000 jobs in the U.S. food and agriculture industry, and a drop in GDP of \$13 billion from the farm sector alone. NAFTA withdrawal would also disrupt critical industry supply chains, close markets, eliminate jobs, and increase prices for the basic needs of American consumers.

More specifically, the detrimental impacts that would begin with issuance of a notice of withdrawal from NAFTA include:

- **Corn:** The U.S. exported \$3.2 billion worth of corn to Mexico and Canada last year, supporting 25,000 sector jobs. Withdrawal would cause U.S. production to fall by an average of 150 million bushels annually, erasing \$800 million in value and increasing the need for farm program payments by \$1.2 billion;
- **Pork:** Mexico and Canada account for nearly 40 percent of U.S. pork export volume. An economic analysis by Iowa State University found that withdrawal would decrease total U.S. pork production by 5 percent, resulting in an aggregate industry loss of around \$1.5 billion, jeopardizing more than 16,200 U.S. jobs;
- **Fresh Fruits & Vegetables:** Canada and Mexico account for 18 percent of U.S. fresh fruit exports and 60 percent of U.S. fresh vegetable exports. Since 1993, fruit and vegetable exports from the U.S. to Mexico and Canada have more than tripled, reaching \$7.2 billion. When Mexico applied temporary retaliatory tariffs to apples, cherries, and pears beginning in 2009, losses reached \$65 million per crop year, presaging some of the damage that could be done from a full NAFTA withdrawal;
- **Rice:** U.S. rice competes in a global market that is distorted by subsidies and government import controls, which artificially increase world rice supplies and restrict U.S. markets. NAFTA is a proven shield against these distortions. Mexico and Canada account for nearly 30 percent of all U.S. rice exports. Exiting NAFTA will open these markets to competitors from Asia and Brazil with no obvious home for displaced U.S. sales, as world rice stocks are rising;
- **Soy:** \$3 billion in annual soy exports would be jeopardized as Mexico and Canada look to our competitors in South America for supply;
- **Beef:** In 2016, U.S. beef exports to Mexico and Canada exceeded \$1.7 billion and accounted for 27 percent of total U.S. beef exports. Since NAFTA was implemented, exports to Mexico, an irreplaceable market for large volumes of certain beef cuts, have risen nearly 250 percent. NAFTA withdrawal would raise tariffs above 20 percent, causing a reduction in beef exports, a contraction in U.S. beef production, fewer jobs in the U.S. beef industry, and lower returns for U.S. cattlemen, ranchers, and meat packers;
- **Almonds:** NAFTA continues to play a crucial role in the success of the California almond industry. Since NAFTA entered into force in 1993, the total value of U.S. almonds exported to Canada and Mexico has increased over 650 percent. Taken individually, exports of almonds to Canada have increased from approximately \$40 million in 1993 to \$267 million in 2016, while exports to Mexico have increased from \$6 million in 1993 to almost \$80 million in 2016;

- **Poultry:** U.S. chicken and turkey products have greatly benefited from NAFTA. In 2016, U.S. poultry exports were 7.95 billion pounds, over 16 percent of total production. Canada was second largest market for the chicken industry and in the top five for turkey. Mexico proved the largest single customer for U.S. poultry exports in 2016. Almost 70 percent of U.S. turkey exports go to Mexico. Disruption of this vital link in trade would be devastating. Mexico imported 23.5 percent of all U.S. poultry exports, while Canada received more than 5 percent of U.S. poultry exports. Mexico and Canada are the top two markets for combined exports of U.S. eggs and processed egg products;
- **High-Fructose Corn Syrup (“HFCS”):** U.S. exports to Mexico would decrease by \$500 million per year, as Mexico would replace U.S. HFCS with sugar and there is no alternative market for that production;
- **Spirits:** Canada and Mexico could impose tariffs of up to 45 percent, causing consumers in those markets to substitute away from U.S. spirits, while Canadian and Mexican origin spirits would continue to enter the U.S. market duty-free. Moreover, important provisions that protect U.S. spirits producers against the fraudulent use of the terms “Bourbon” and “Tennessee Whiskey” would be eliminated;
- **Wheat:** Prior to NAFTA, state intervention and import tariffs kept U.S. wheat exports out of the Mexican market. Now, most U.S. wheat state farmers rely on Mexico as their number one market. Without NAFTA, wheat from other sources will increasingly displace U.S. wheat from the Mexican and Canadian markets. In fact, an upcoming shipment of wheat from Argentina to Mexico—a first in modern history— as Mexico looks to diversify suppliers amidst the uncertainty over NAFTA’s future;
- **Processed Food & Beverages:** The processed food and beverage industry is the single largest source of employment in U.S. manufacturing and is highly integrated in North America. NAFTA is critical for the continued competitiveness of this industry whose inputs, finished goods, and investments cross both northern and southern borders of the U.S., enabling U.S. food and beverage manufacturers to thrive as a key driver the U.S. economy and U.S. jobs;
- **Frozen Fruit & Vegetables:** Without NAFTA, tariff costs would likely exceed \$25 million for U.S. exports of frozen fruit and vegetables to Canada and Mexico, which would negatively impact U.S. manufacturing jobs in a sector that directly employs 160,000 U.S. workers;
- **Cotton Fiber & Cotton Textiles:** At almost 1 million bales, Mexico is a reliable and important market for U.S. cotton fiber. Mexico also ranks second among U.S. cotton textile and apparel export customers, buying 15 percent of total U.S. cotton textile and apparel exports;
- **Dairy:** Over \$1 billion a year in U.S. dairy products are shipped to Mexico. If Mexico reverts to MFN status, applied tariffs would range from 20 to 60 percent on cheese and up to 45 percent for skim milk powder, thus undermining the largest market by far for U.S. dairy exports at a time when Mexico is preparing to finalize negotiations with the EU - the world’s largest dairy exporter and a region keen to act as a substitute for U.S. dairy;
- **Oats:** Over 90 percent of oats milled and processed in the U.S. are imported from Canada. In addition, some of these wholesome oat food products are exported back to Canada and Mexico. Any disruption of NAFTA would be detrimental to the entire supply chain;

- **Confectionary:** Exports to Canada and Mexico have grown over 300 percent since the implementation of NAFTA. Without NAFTA, sustaining this growth is in jeopardy;
- **Peanuts:** Canada and Mexico are the two leading markets for U.S. peanut exports, and accounted for more than \$300 million of export sales in 2016. All of this trade would be jeopardized by any disruptions related to NAFTA;
- **Animal Feed:** \$2.3 billion in annual exports would be jeopardized. Mexico and Canada are the U.S.'s number 1 and 3 export destinations for feed, respectively; and
- **Pet Food:** More than \$673 million in annual exports would be jeopardized. Canada and Mexico are the U.S.'s number 1 and 4 export destinations for pet food, respectively, accounting for nearly half of all U.S. exports.

The adverse effects of issuance of a notice of NAFTA withdrawal would be abrupt and particularly severe for America's farmers, food manufacturers, and agribusinesses. For instance, the world grain market currently is experiencing the greatest oversupply of production since the 1980s – with the U.S. facing increasing competition from foreign competitors – and net U.S. farm income has declined to half what it was just five years ago. 2018 would be an especially damaging time to lose America's two largest food and agriculture product markets.

Therefore, we urge your support for continued positive U.S. engagement in NAFTA negotiations to advance America's economic interests by opening new export opportunities and by tackling non-tariff concerns our industries have identified. By building on the Administration's "do no harm" pledge toward food and agriculture trade within NAFTA renegotiation, modernization of trade relations with two of our largest export markets can and should be effectively advanced.

Thank you for your support.

AgPartners, LLC	American Feed Industry Association
Agriculture Transportation Coalition	American Frozen Food Institute
Agri-Mark, Inc.	American Peanut Council
Almond Alliance of California	American Peanut Product Manufacturers, Inc.
Amcot, Inc.	American Potato Trade Alliance
American Bakers Association	American Seed Trade Association
American Cotton Shippers Association	American Soybean Association
American Dairy Products Institute	Animal Health Institute
American Farm Bureau Federation	Archer Daniels Midland Company

Associated Milk Producers Inc.	Commercial Creamery Co.
Attebury Grain	Cooperative Network
Bartlett Grain Company	Corn Refiners Association
Beachner Grain, Inc.	Cotton Growers Cooperative
Bella Pak, Appleton WI	The Cranberry Institute
Biotechnology Innovation Organization	Dairy Farmers of America, Inc
Bluegrass Dairy and Food	Dairy Producers of New Mexico
Bunge North America	Darigold, Inc.
Calcot	Dean Foods, S.A. de C.V.
California Cherry Export Association	Deere & Company
California Dairies, Inc.	Distilled Spirits Council of the United States
California Dried Plum Board	Edge Dairy Farmer Cooperative
California Grain and Feed Association	Elanco Animal Health
California Pear Growers	Farmers Grain Terminal, Inc.
California Walnut Commission	Fresh Produce Association of the Americas
Cargill, Incorporated	Georgia Milk Producers, Inc.
Cayuga Milk Ingredients	Global Cold Chain Alliance (GCCA)
Center for Dairy Excellence	Global Trading Resources Inc. (Portland, OR)
CHS Inc.	Grain and Feed Association of Illinois
Coalition of New England Companies for Trade (CONNECT)	Grassland Dairy Products Inc
CoBank ACB	Grocery Manufacturers Association
Colorado Association of Wheat Growers	Hilmar Cheese Company, Inc.
Columbia Grain, Inc.	Hop Growers of America
	Idaho Dairymen's Association

Idaho Grain Producers Association	Missouri Dairy Association
Illinois Corn Growers Association	Montana Grain Growers Association
Illinois Milk Producers' Association	Nagel Farm Service
Ingredion Incorporated	National All-Jersey Inc.
International Dairy Foods Association	National Association of Egg Farmers
Iowa Institute for Cooperatives	National Association of Wheat Growers
James Farrell & Co.	National Confectioners Association
Kansas Association of Wheat Growers	National Corn Growers Association
Kansas Cooperative Council	National Council of Farmer Cooperatives
Land O'Lakes, Inc.	National Grain and Feed Association
Landus Cooperative	National Milk Producers Federation
Leprino Foods Company	National Oilseed Processors Association
Lortscher Agri Service, Inc.	National Pork Producers Council
Maginnis Associates, LLC	National Renderers Association
McCormick & Company, Inc.	Nebraska Grain and Feed Association
MCT Dairies, Inc, Millburn, NJ	Nebraska State Dairy Association
Michigan Agri-Business Association	North American Export Grain Association
Michigan Agricultural Commodities, Inc.	North American Meat Institute
Michigan Bean Shippers	North American Millers' Association
Midwest Food Products Association	North Dakota Grain Growers Association
Milk Specialties Global	Northeast Agribusiness and Feed Alliance
Minnesota Association of Wheat Growers	Northwest Dairy Association/Darigold
Minnesota Grain and Feed Association	Northwest Horticultural Council
Minnesota Milk Producers Association	O-AT-KA Milk Products Coop., Inc.

Ohio AgriBusiness Association	Staplcotn
Ohio Corn & Wheat Growers Association	Stratford Grain Company
Ohio Dairy Producers Association	Sunsweet Growers Inc.
Oklahoma Agricultural Cooperative Council	Sweetener Users Association
Organic Trade Association	Tate & Lyle Americas
Oregon Dairy Farmers Association	Team Marketing Alliance
Oregon Wheat Growers League	Texas Grain and Feed Association
Pacific Coast Council of Customs Brokers and Freight Forwarders Associations	Texas International Produce Association
Pacific Northwest Grain and Feed Association	Texas Wheat Producers Association
Pet Food Institute	The Andersons, Inc.
Plains Cotton Cooperative Association	Trugman Nash LLC, Millburn, NJ
Pride Ag Resources	T.C. Jacoby & Company, Inc.
Produce Coalition for NAFTA	United Dairymen of Arizona
Produce Marketing Association	United Egg Producers
Proliant Dairy	United Fresh Produce Association
Riceland Foods, Inc.	United Potato Growers of America
Rocky Mountain Agribusiness Association	USA Poultry and Egg Export Council
Sargento Foods Inc.	USA Rice
Schuman Cheese	U.S. Apple Association
Smithfield Foods	U.S. Apple Export Council
SNAC International	U.S. Dairy Export Council
South Dakota Grain and Feed Association	U.S. Grains Council
South East Dairy Farmers Association	U.S. Hide, Skin and Leather Association
	U.S. Meat Export Federation

U.S. Wheat Associates

Wheeler Brothers Grain Company, LLC

Washington Association of Wheat Growers

Whitgro Inc.

Washington State Potato Commission

WineAmerica

Western United Dairymen

Wisconsin Agri-Business Association