

# U.S. Onion Farmers at Risk from Peru Free Trade Agreement

The Peru Free Trade Agreement is based on the same flawed agriculture policies that have already threatened U.S. tomato, bell pepper, and cucumber growers under the North American Free Trade Agreement. The Peru FTA would provide permanent access to the U.S. market for Peruvian fresh and processed vegetables as well as other crops. American vegetable farmers would be especially vulnerable to Peruvian fresh and processed vegetable imports since Peruvian asparagus, green pea, and onion imports are already significant and growing. American vegetable companies are already investing in processing plants in Peru to take advantage of lower farmland, labor, and environmental costs.

Peruvian subsistence farmers will also face fierce competition from low-priced American exports, especially rice, corn, and chicken. NAFTA drove more than a million Mexican farm families off their land as cheap corn imports undercut the production of the national food staple. There are more than 3 million Peruvian agricultural workers and 26 million rural Peruvians that could be directly affected from increased U.S. exports of staple foods.<sup>1</sup>

Fresh and processed vegetable imports from Peru are already growing under current trade agreements that have given Peru duty free access to the U.S. market since 1991.<sup>2</sup> The proposed Peru FTA could increase these imports. The Peru FTA could likely spur increased investment in vegetable processing operations in Peru and facilitate increased imports of prepared veg-

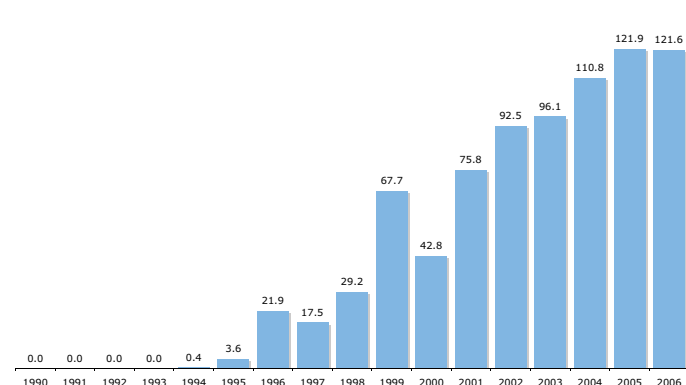
etable products.<sup>3</sup> For example, major American processors like Green Giant and Del Monte have relocated several asparagus processing plants to Peru since 2003.<sup>4</sup>

Over the past decade, fresh and processed vegetable imports from Peru have surged. The volume of fresh and processed vegetable imports from Peru have increased six-fold from 55.6 million pounds in 1997 to 353.4 million pounds in 2006.<sup>5</sup> The United States is a net importer of vegetables from Peru, importing 7.5 times as many fresh and processed vegetables from Peru as it exported there in 2006. That has generated a large and growing vegetable trade deficit with Peru, meaning the dollar value of vegetable imports is larger than the dollar value of vegetable exports to Peru. The U.S. fresh and processed vegetable trade deficit with Peru grew more than seven-fold over the past decade from \$27.2 million in 1997 to \$203.6 million in 2006.<sup>6</sup>

## How American Onion Farmers Will Be Hurt

Rising onion imports are making it harder for farmers in California, the Rockies, the Upper Midwest, the Pacific Northwest, Texas and parts of the Northeast to earn a reliable living growing onions. Total fresh onion imports have been increasing steadily since the early 1990s. Edible onion imports grew by 71 percent, from 377 million pounds in 1990 to 643 million pounds in 2006 and are estimated by USDA to rise to 850 million pounds in 2007.<sup>7</sup> Peru's onion exports to the United States have exploded more than 300-fold from 365 thousand pounds in 1994 to 122 million pounds in 2006.<sup>8</sup> In about a decade, Peru's fresh onion exports to the U.S. market grew from 1 percent of total U.S. onion imports in 1995 to 19 percent of onion imports in 2006.

Imports of Fresh Onions from Peru (millions of pounds)



Source: USDA Foreign Agriculture Service

As imports have skyrocketed, U.S. onion acreage has started to taper off. Although total U.S. onion acreage grew slightly during the beginning of the 1990s and fluctuates year to year, acreage declined as total imports and imports from Peru increased. The harvested acreage in 2006 was 6 percent lower than the 1999 high – and the Peruvian onion imports have doubled since then.<sup>9</sup> Major onion producing states in the West faced



## Endnotes

<sup>1</sup> United Nations Food and Agriculture Organization, “Food and Agricultural Indicators: Peru” November 2006.

<sup>2</sup> Peru has received duty free access to the U.S. market for a long list of foods since the Andean Trade Preferences Act went into effect and subsequently has been renewed under the Andean Trade Preferences and Drug Eradication Act.

<sup>3</sup> U.S. International Trade Commission, “U.S.-Peru Trade Promotion Agreement: Potential Economy-wide and Selected Sectoral Effects” June 2006 at 1-13.

<sup>4</sup> USITC at 3-15.

<sup>5</sup> USDA Foreign Agriculture Service trade database, harmonized tariff codes HS-07, HS-0710, HS-0711, and HS-0713, does not include pulses like lentils or chickpeas, available at [www.fas.usda.gov](http://www.fas.usda.gov) accessed October 2007.

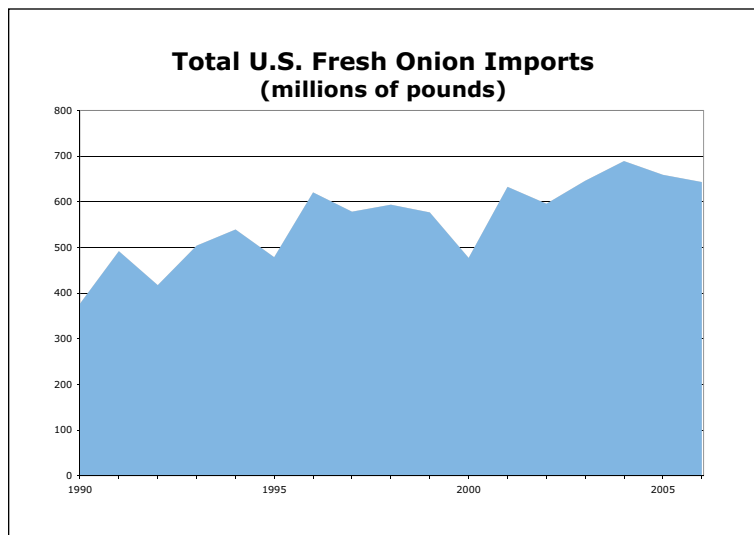
<sup>6</sup> Ibid.

<sup>7</sup> USDA, Economic Research Service, “Vegetables and Melons Situation and Outlook Yearbook” July 26, 2007 at 59-60.

<sup>8</sup> USDA FAS 10 digit HS codes for fresh onions, downloaded September 2007.

<sup>9</sup> Vegetables and Melons Situation and Outlook Yearbook at 18.

<sup>10</sup> USDA, National Agricultural Statistical Service, “Vegetables 2001 Summary” January 2002 at 32; “Vegetables 2005 Summary” January 2006 at 24.



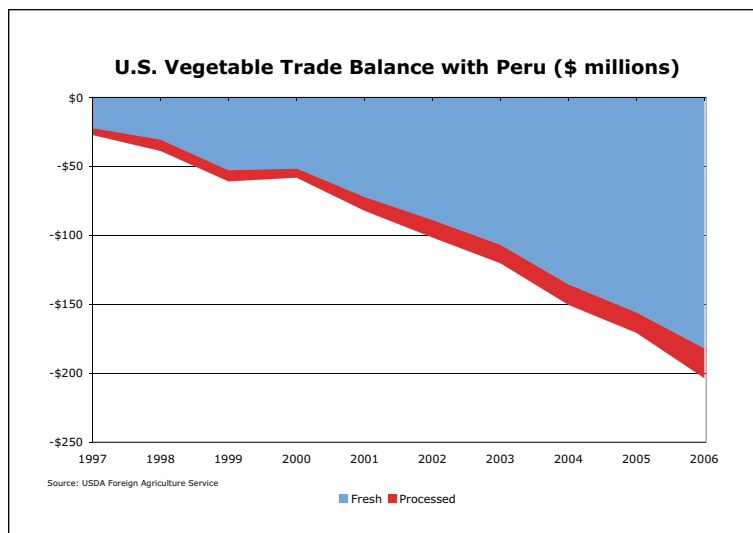
similar or steeper declines. California, the country’s largest onion producing state, lost 11 percent of their harvested onion acres between 1991 and 2005.<sup>10</sup> Colorado lost 5,000 acres of onions, cutting harvested acres by a third over the same period. The second largest onion producing state, Oregon, saw harvested onion acreage decline by about 1,000 acres, falling by the national average of 6 percent.

Although many U.S. onion and other farmers are benefiting from higher crop prices this year, competition from increased imports could quickly send prices plummeting. Increasing imports under the Peru Free Trade Agreement could jeopardize the livelihoods of onion farmers.

## What You Can Do:

Tell your members of Congress to vote NO on the Peru Free Trade Agreement!

To contact them, call the Congressional switchboard at (202) 224-3121.



## For more information:

web: [www.foodandwaterwatch.org/food/foodandglobaltrade](http://www.foodandwaterwatch.org/food/foodandglobaltrade)

email: [foodandwater@fwwatch.org](mailto:foodandwater@fwwatch.org)

phone: (202) 797-6550

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