

U.S. Pea 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.¹

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 1991.² 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 vegetable products.³ For example, major American processors like Green Giant and Del Monte have relocated several asparagus processing plants to Peru since 2003.⁴

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 2006.⁵ 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 to Peru 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 2006.⁶

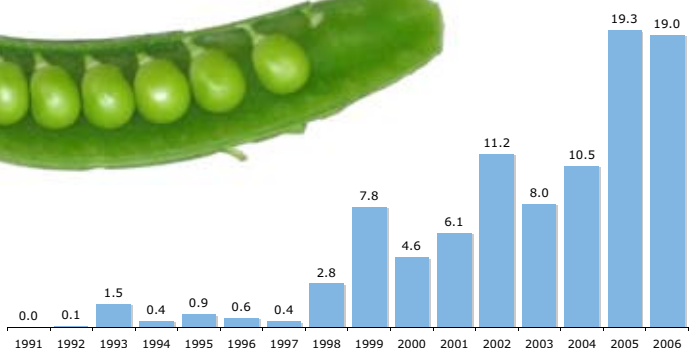
How American Pea Farmers Will Be Hurt

Rising pea imports are making harder for farmers in the Upper Midwest, the Pacific Northwest, and parts of the Northeast to earn a living growing green peas. Total green pea imports have been increasing steadily since the early 1990s. Fresh, processed, and frozen pea imports rose by 84 percent, from 101 million pounds in 1991 to 185 million pounds in 2006.⁷ Peru's total pea exports to the United States have grown from 41,000 pounds in 1991 (the year the Andean Trade Preferences Act went into effect) to 19 million in 2006 – rising more than 4600 percent and making up about a tenth of U.S. pea imports.

As imports have skyrocketed, green pea acreage in the United States has fallen drastically. Between 1995 and 2006, harvested pea acreage declined by a third. In Washington, the second largest green pea producing state, acreage has dropped by 44

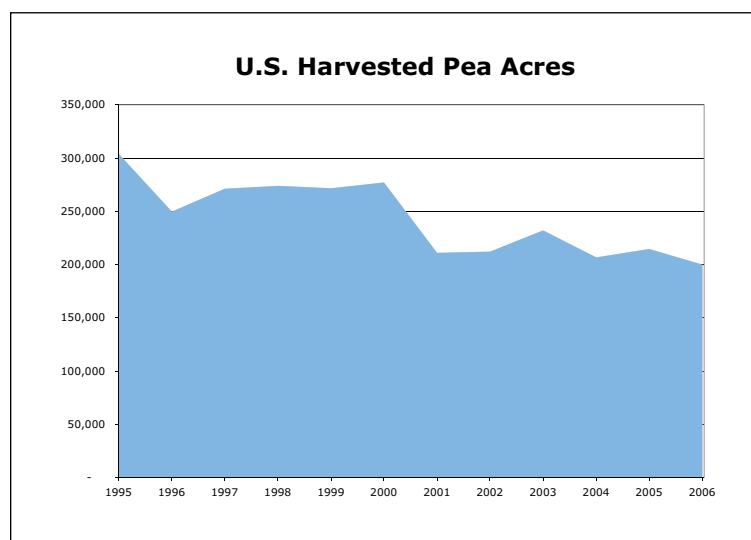
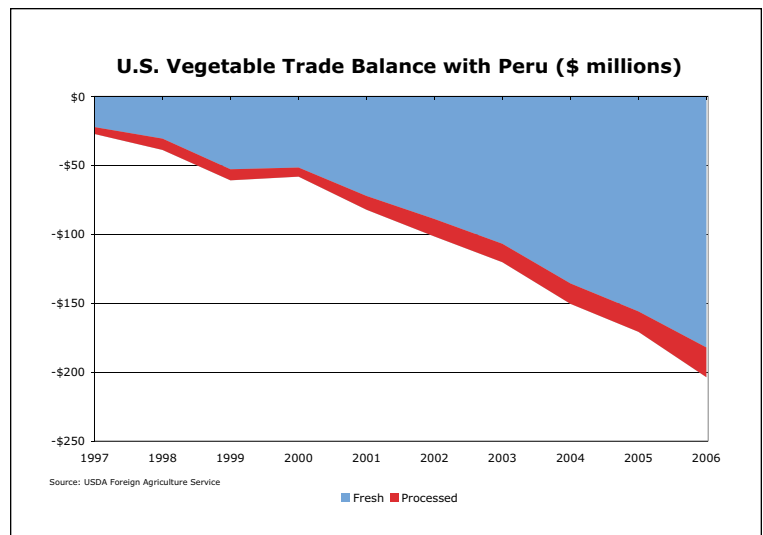


Total Green Pea Imports from Peru (millions of pounds)



percent.⁸ Major pea producing states in the upper Midwest also faced declines. The third largest pea producing state, Wisconsin, lost more than half its pea acreage between 1995 and 2006. Minnesota remains the largest pea producing state, but has lost more than 5,000 acres of peas over the past decade.⁹

Green peas go almost exclusively to processing, rather than the fresh market. Farmers rely on a steady demand from processors to sell their crop. Processing companies appear to be relocating to take advantage of imported vegetable supplies. In 2003, a vegetable processing plant in Wisconsin was closed and production was moved to Arkansas and Mississippi.¹⁰ These plants are far from green pea fields but close to port city New Orleans, where vegetable imports from Peru could be unloaded. U.S. processors would gain access to inexpensive fresh



pea imports as well as processed peas made overseas where farm and factory labor is cheaper. In a House Committee on Ways and Means hearing, the Grocery Manufacturers Association, which represents many vegetable processors and supports the Peru trade deal, stated: "Many GMA members benefit from these commitments through access to duty-free imports of seasonal vegetables."¹¹

Although many U.S. green pea 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 green pea farmers and workers in processing plants.

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.

Endnotes

¹ United Nations Food and Agriculture Organization, "Food and Agricultural Indicators: Peru" November 2006.

² 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.

³ U.S. International Trade Commission, "U.S.-Peru Trade Promotion Agreement: Potential Economy-wide and Selected Sectoral Effects," June 2006 at 1-13.

⁴ USITC at 3-15.

⁵ 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 accessed October 2007.

⁶ *Ibid.*

⁷ USDA, FAS data for fresh, frozen and processed peas accessed September 2007.

⁸ USDA, National Agricultural Statistical Service, "Vegetables and Melons Situation and Outlook Yearbook" 1997 through 2007.

⁹ *Ibid.*

¹⁰ Stogner, Alicia. "Allen Canning to buy Birds Eye subsidiary." *Arkansas Business*, June 23, 2003.

¹¹ Robert Aldrich, Statement of Grocery Manufacturers Association to the Committee on Ways and Means. Hearing on the Implementation of the United States-Peru Trade Promotion Agreement, July 12, 2006. Available at: <<http://waysandmeans.house.gov/hearings.asp?formmode=view&id=5228>>

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