



## Policy Brief: The Impact of the USMCA on Georgia's Small Fruit and Vegetable Industries

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The Trump Administration has renegotiated NAFTA, the North American Free Trade Agreement, to reach a new trade deal with Canada and Mexico, the U.S. Mexico Canada Agreement or USMCA. 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. This policy brief explains the economic damage Georgia fruit and vegetable growers are likely to suffer unless some provisions of the USMCA are renegotiated.

In recent years Mexico has greatly expanded the weeks during which their imports compete directly with Georgia fruits and vegetables. Georgia blueberries are ripe and hit the market before blueberries grown in Northern states and Georgia's climate is also well-suited to fall vegetables such as tomatoes, peppers, squash, cucumbers, and eggplants. 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.

Mexico has accomplished this expansion of import supply over a longer season by a government-subsidized surge in protected growing acres (greenhouses and high tunnels). Administered by SAGARPA, Mexico's equivalent to the USDA, this policy of subsidies, started in 2009 and known as the Strategic Project for Protected Agriculture, has led the acreage planted to blueberries and vegetables grown in Mexico to increase greatly and has lengthened the weeks each year when Mexico can bring its crops to market at the same time as Georgia. Since 2009 Mexico's protected production area has grown from 25,000 acres to over 100,000 acres.<sup>1</sup> Worse still, thanks to the government subsidies and the lower labor costs (about one tenth of U.S. labor costs) the costs of the Mexican imports is often less than one half the price American growers were receiving before the Mexican imports arrived. Crucially, the new USMCA as currently constituted contains no provision to protect American producers from seasonal damage or government subsidies, providing no remedy or relief mechanism to preserve the ability of American growers to compete fairly with Mexican imports. Thus, unless the current deal is amended, these Mexican imports can cause extensive economic damage to Georgia (and American) fruit and vegetable growers with no remedy available to American growers.

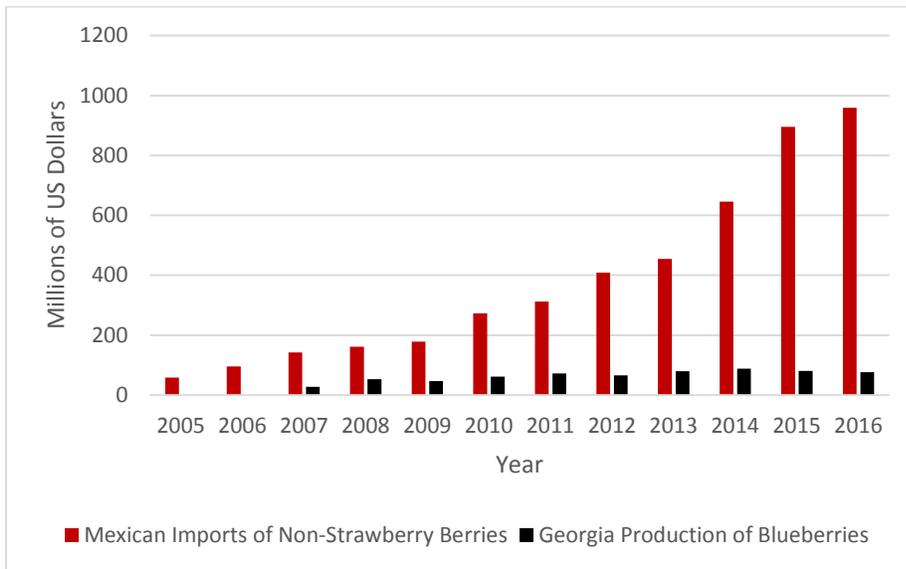
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<sup>1</sup> Wu, F., B. Qushim, M. Calle, and Z. Guan. "Government Support in Mexican Agriculture," *Choices* 33:3 (2018).

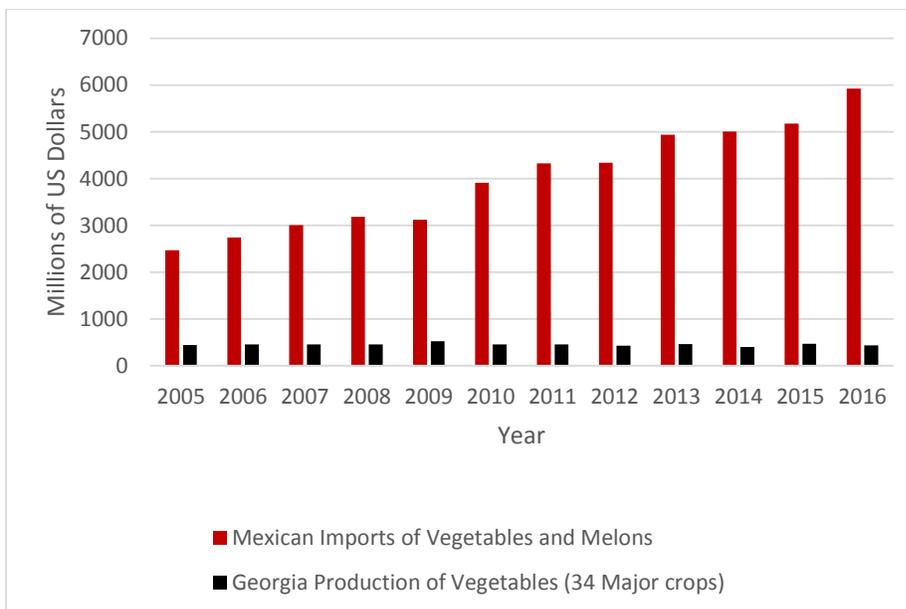


The impact of Mexico’s policy of subsidizing the expansion of protected acreage for small fruit and vegetable production can be seen quite clearly in Figures 1 and 2 which show the relative trends in production of blueberries and major vegetable crops in both Mexico and Georgia.

**Figure 1. Mexican Imports of Non-strawberry Berries compared to Georgia Blueberry Production**



**Figure 2. Mexican Imports of Vegetables and Melons compared to Georgia Production of 34 Major Vegetables**





## Modeling the Economic Losses

To model the potential damage from the USMCA as it currently stands, this policy brief presents three scenarios compared to the status quo and evaluates the possible loss of jobs, income, and economic output under those different scenarios. All scenarios and dollar figures below focus only on the most affected crops so far: blueberries, bell peppers, cucumbers, eggplants, squash, and tomatoes. Based on other reporting of Mexican acreage expansion and the observed drops in prices the past few years when Mexican imports entered the U.S. market, the three scenarios were constructed as follows.

The estimated economic damage from government-subsidized Mexican producers is confined to blueberries and the vegetables listed above; although other crops may be at risk, these were deemed the crops most at risk for Georgia’s fruit and vegetable growers. If Mexico expands production in a similar manner into other vegetables, Georgia vegetable growers could face even greater economic difficulties. Further, the baseline production values are based on the three-year average over the period of 2015-2017; this included some smaller blueberry crops due to weather. These combined modeling choices mean the estimates of potential economic damage below are likely on the conservative side with the possibility that reality will be even worse.

The baseline scenario of no further damage to the Georgia blueberry and vegetable industries is based on average production of the last three years, \$590.1 million. Three alternative scenarios were then hypothesized: one of mild additional damage, one of medium additional damage, and one of catastrophic damage to Georgia’s blueberry and vegetable growers. These scenarios are detailed in Table 1 below, with decreases in Georgia production of these crops specified in production value (quantity times price) capturing the reality that losses will occur as a combination of reductions in prices (from competing with subsidized Mexican imports) and decreases in production (due to lower profitability). Losses are anticipated to be higher in crops Mexican growers have already moved strongly into and somewhat smaller in crops for which they currently have fewer acres.

**Table 1. Scenarios for Damage to Georgia Growers from the USMCA**

Lost Production Value Relative to Current Baseline

| Crop               | Mild Damage | Medium Damage | Catastrophic Damage |
|--------------------|-------------|---------------|---------------------|
| <b>Tomatoes</b>    | 50%         | 75%           | 100%                |
| <b>Peppers</b>     | 10%         | 30%           | 50%                 |
| <b>Cucumbers</b>   | 40%         | 70%           | 100%                |
| <b>Eggplants</b>   | 40%         | 70%           | 100%                |
| <b>Blueberries</b> | 30%         | 50%           | 75%                 |
| <b>Squash</b>      | 10%         | 30%           | 50%                 |

Note: The baseline production value of these crops is \$590.1 million.



One way to think about the three scenarios, based on the current trends of protected acreage expansion in Mexico is the mild damage scenario is what is forecast to occur within the next one to two years, the medium damage scenario would be expected within three to four years, and the catastrophic damage scenarios should become reality within five to eight years.

The baseline and each of these three scenarios were then run through IMPLAN, an economic impact modeling software package, to estimate the total economic value of each of the four levels of economic activity in the combined Georgia blueberry and vegetable industries within the state of Georgia. IMPLAN calculates the jobs supported by economic activity, the labor income earned, state and local taxes paid, and the total economic output generated by the original activity being modeled plus all the multiplier effects of that money circulating through the Georgia economy. That is, a grower earns money and spends it at the local chemical and fertilizer company, the supermarket, the car dealer, a local mall, eating out at restaurants, etc. All that spending helps support other jobs and the money that those workers earn also gets recirculated, creating another round of spending. Each round of spending gets smaller as some money “leaks” out of the Georgia economy when we buy products produced outside the state of Georgia. IMPLAN sums up all these rounds to compute the total economic activity created by that original activity. In our case, the original activity is the growing and selling of blueberries and vegetables in Georgia. The impact of Mexico’s subsidies for protected small fruit and vegetable production and the inability of Georgia growers to defend against that under the currently negotiated USMCA are presented below in Table 2.

**Table 2. Projected Annual Economic Losses under USMCA by Georgia’s Small Fruit and Vegetable Industry**

| Scenario                           | Jobs   | Total Economic Output |
|------------------------------------|--------|-----------------------|
| <b>Baseline</b>                    | 11,496 | \$1,192.0 million     |
| <b>Mild Damage</b>                 | 8,172  | \$852.1 million       |
| <b>Medium Damage</b>               | 5,704  | \$589.9 million       |
| <b>Catastrophic Damage</b>         | 2,869  | \$297.3 million       |
| <b>Losses Relative to Baseline</b> |        |                       |
| <b>Mild Damage</b>                 | 3,323  | \$339.9 million       |
| <b>Medium Damage</b>               | 5,791  | \$602.2 million       |
| <b>Catastrophic Damage</b>         | 8,627  | \$894.7 million       |



The results above make clear that Georgia’s economy would suffer a significant blow unless the new trade agreement is amended. The potential job losses represent an increase in state unemployment of 0.2%, which is a 5% increase from the current level of 3.9%. The damage will be felt much more severely in Georgia’s rural communities and by Georgia’s agricultural sector.

To make the regional impacts clearer, IMPLAN was also used to calculate the impact of each scenario on the ten counties in Georgia that currently have the highest dollar value of blueberry and vegetable production. Table 3 below summarizes the results in the case of catastrophic damage, highlighting the potential income loss in these key production counties and the income loss as a percentage of total county income.

What Table 3 shows quite clearly is that in three Georgia counties (Bacon, Clinch, and Echols), a continuation of the current trend for Mexican imports of blueberries and vegetables without some ability to offset that damage would lead to truly breathtaking income losses. For a county to lose over 40% of its income, as Clinch and Echols are forecast to experience, is economic damage on the scale of the Great Depression. In four additional counties (Appling, Brooks, Colquitt, and Decatur), the percentage drop in incomes is in the range of 2 to 5% equivalent to what is commonly experienced during an economic recession. Thus, while the state of Georgia could withstand the economic damage forecast here, a number of counties would be particularly hard hit, with damage similar to past recessions or even the Great Depression for the three counties hardest hit.

**Table 3. Projected Annual Income Losses in the Catastrophic Damage Scenario for the Top 10 Production Counties**

| County          | County Income   | Income Drop  | % Drop |
|-----------------|-----------------|--------------|--------|
| <b>Appling</b>  | \$368,237,856   | \$16,465,208 | 4.5    |
| <b>Bacon</b>    | \$212,676,824   | \$48,722,330 | 22.9   |
| <b>Brooks</b>   | \$327,646,356   | \$11,962,883 | 3.7    |
| <b>Clinch</b>   | \$116,380,260   | \$46,930,622 | 40.3   |
| <b>Colquitt</b> | \$831,572,690   | \$16,767,324 | 2.0    |
| <b>Decatur</b>  | \$531,001,950   | \$15,095,859 | 2.8    |
| <b>Echols</b>   | \$82,582,479    | \$38,003,769 | 46.0   |
| <b>Lowndes</b>  | \$2,415,435,259 | \$7,798,045  | 0.3    |
| <b>Tift</b>     | \$843,044,800   | \$8,186,738  | 1.0    |
| <b>Ware</b>     | \$686,851,248   | \$3,663,853  | 0.5    |

Further details for each of the top ten producing counties are shown in Tables 4-13 at the end of the report and document the lost jobs and economic output at the county level under the three different damage scenarios forecast here.



## Conclusions

The conclusion of this modeling exercise is that if the new USMCA is approved as currently negotiated, without any recourse for American farmers to seasonal damage from Mexican government-subsidized production, the economic losses to the Georgia blueberry and vegetable industries will be considerable. The state is on track to lose nearly one billion dollars in annual economic output and over 8,000 jobs unless something occurs to slow down the increase in low-priced Mexican imports of blueberries and vegetables. On a county-by-county basis, the losses in a few cases will likely reach economic damage rarely seen since the Great Depression.

**Table 4. Possible Annual Job, Income, and Economic Output Losses in Appling County**

| Appling                            | Scenario            | Jobs | Labor Income (Millions) | Total Economic Output (Millions) |
|------------------------------------|---------------------|------|-------------------------|----------------------------------|
|                                    | Baseline            | 606  | \$22.0                  | \$73.2                           |
|                                    | Mild Damage         | 433  | \$15.4                  | \$51.3                           |
|                                    | Medium Damage       | 309  | \$11.0                  | \$36.6                           |
|                                    | Catastrophic Damage | 154  | \$5.5                   | \$18.3                           |
| <b>Losses Relative to Baseline</b> |                     |      |                         |                                  |
|                                    | Mild Damage         | 173  | \$6.5                   | \$21.9                           |
|                                    | Medium Damage       | 297  | \$11.0                  | \$36.6                           |
|                                    | Catastrophic Damage | 451  | \$16.5                  | \$54.9                           |

**Table 5. Possible Annual Job, Income, and Economic Output Losses in Bacon County**

| Bacon                              | Scenario            | Jobs  | Labor Income (Millions) | Total Economic Output (Millions) |
|------------------------------------|---------------------|-------|-------------------------|----------------------------------|
|                                    | Baseline            | 1,908 | \$65.0                  | \$134.6                          |
|                                    | Mild Damage         | 1,336 | \$45.5                  | \$94.2                           |
|                                    | Medium Damage       | 954   | \$32.5                  | \$67.3                           |
|                                    | Catastrophic Damage | 477   | \$16.3                  | \$33.7                           |
| <b>Losses Relative to Baseline</b> |                     |       |                         |                                  |
|                                    | Mild Damage         | 572   | \$19.5                  | \$40.3                           |
|                                    | Medium Damage       | 954   | \$32.5                  | \$67.3                           |
|                                    | Catastrophic Damage | 1,431 | \$48.7                  | \$100.9                          |



**Table 6. Possible Annual Job, Income, and Economic Output Losses in Brooks County**

| Brooks                             | Scenario            | Jobs | Labor Income (Millions) | Total Economic Output (Millions) |
|------------------------------------|---------------------|------|-------------------------|----------------------------------|
|                                    | Baseline            | 347  | \$15.5                  | \$47.7                           |
|                                    | Mild Damage         | 256  | \$11.5                  | \$35.1                           |
|                                    | Medium Damage       | 168  | \$7.5                   | \$23.0                           |
|                                    | Catastrophic Damage | 80   | \$3.6                   | \$10.9                           |
| <b>Losses Relative to Baseline</b> |                     |      |                         |                                  |
|                                    | Mild Damage         | 91   | \$4.1                   | \$12.5                           |
|                                    | Medium Damage       | 179  | \$8.0                   | \$24.6                           |
|                                    | Catastrophic Damage | 268  | \$12.0                  | \$36.7                           |

**Table 7. Possible Annual Job, Income, and Economic Output Losses in Clinch County**

| Clinch                             | Scenario            | Jobs  | Labor Income (Millions) | Total Economic Output (Millions) |
|------------------------------------|---------------------|-------|-------------------------|----------------------------------|
|                                    | Baseline            | 1,067 | \$62.6                  | \$115.6                          |
|                                    | Mild Damage         | 747   | \$43.8                  | \$80.9                           |
|                                    | Medium Damage       | 533   | \$31.3                  | \$57.8                           |
|                                    | Catastrophic Damage | 267   | \$15.7                  | \$28.9                           |
| <b>Losses Relative to Baseline</b> |                     |       |                         |                                  |
|                                    | Mild Damage         | 320   | \$18.8                  | \$34.7                           |
|                                    | Medium Damage       | 533   | \$31.3                  | \$57.8                           |
|                                    | Catastrophic Damage | 800   | \$46.9                  | \$86.7                           |



**Table 8. Possible Annual Job, Income, and Economic Output Losses in Colquitt County**

| Colquitt                           | Scenario            | Jobs | Labor Income (Millions) | Total Economic Output (Millions) |
|------------------------------------|---------------------|------|-------------------------|----------------------------------|
|                                    | Baseline            | 599  | \$21.2                  | \$68.5                           |
|                                    | Mild Damage         | 426  | \$15.1                  | \$48.8                           |
|                                    | Medium Damage       | 282  | \$9.8                   | \$31.7                           |
|                                    | Catastrophic Damage | 128  | \$4.5                   | \$14.4                           |
| <b>Losses Relative to Baseline</b> |                     |      |                         |                                  |
|                                    | Mild Damage         | 172  | \$6.1                   | \$19.7                           |
|                                    | Medium Damage       | 317  | \$11.4                  | \$36.8                           |
|                                    | Catastrophic Damage | 470  | \$16.8                  | \$54.1                           |

**Table 9. Possible Annual Job, Income, and Economic Output Losses in Decatur County**

| Decatur                            | Scenario            | Jobs | Labor Income (Millions) | Total Economic Output (Millions) |
|------------------------------------|---------------------|------|-------------------------|----------------------------------|
|                                    | Baseline            | 223  | \$15.3                  | \$40.7                           |
|                                    | Mild Damage         | 114  | \$7.8                   | \$20.8                           |
|                                    | Medium Damage       | 59   | \$4.0                   | \$10.7                           |
|                                    | Catastrophic Damage | 3    | \$0.2                   | \$0.6                            |
| <b>Losses Relative to Baseline</b> |                     |      |                         |                                  |
|                                    | Mild Damage         | 109  | \$7.5                   | \$19.9                           |
|                                    | Medium Damage       | 164  | \$11.3                  | \$30.0                           |
|                                    | Catastrophic Damage | 220  | \$15.1                  | \$40.2                           |



**Table 10. Possible Annual Job, Income, and Economic Output Losses in Echols County**

| Echols                             | Scenario            | Jobs  | Labor Income (Millions) | Total Economic Output (Millions) |
|------------------------------------|---------------------|-------|-------------------------|----------------------------------|
|                                    | Baseline            | 1,444 | \$70.0                  | \$132.2                          |
|                                    | Mild Damage         | 1,198 | \$58.2                  | \$109.9                          |
|                                    | Medium Damage       | 879   | \$42.7                  | \$80.6                           |
|                                    | Catastrophic Damage | 557   | \$27.1                  | \$51.2                           |
| <b>Losses Relative to Baseline</b> |                     |       |                         |                                  |
|                                    | Mild Damage         | 246   | \$11.8                  | \$22.3                           |
|                                    | Medium Damage       | 565   | \$27.3                  | \$51.6                           |
|                                    | Catastrophic Damage | 887   | \$42.8                  | \$81.0                           |

**Table 11. Possible Annual Job, Income, and Economic Output Losses in Lowndes County**

| Lowndes                            | Scenario            | Jobs | Labor Income (Millions) | Total Economic Output (Millions) |
|------------------------------------|---------------------|------|-------------------------|----------------------------------|
|                                    | Baseline            | 557  | \$12.0                  | \$33.2                           |
|                                    | Mild Damage         | 449  | \$9.7                   | \$26.8                           |
|                                    | Medium Damage       | 322  | \$6.9                   | \$19.2                           |
|                                    | Catastrophic Damage | 194  | \$4.2                   | \$11.6                           |
| <b>Losses Relative to Baseline</b> |                     |      |                         |                                  |
|                                    | Mild Damage         | 108  | \$2.3                   | \$6.4                            |
|                                    | Medium Damage       | 235  | \$5.0                   | \$14.0                           |
|                                    | Catastrophic Damage | 363  | \$7.8                   | \$21.6                           |



**Table 12. Possible Annual Job, Income, and Economic Output Losses in Tift County**

| Tift                               | Scenario            | Jobs | Labor Income (Millions) | Total Economic Output (Millions) |
|------------------------------------|---------------------|------|-------------------------|----------------------------------|
|                                    | Baseline            | 176  | \$10.3                  | \$30.0                           |
|                                    | Mild Damage         | 125  | \$7.4                   | \$21.4                           |
|                                    | Medium Damage       | 81   | \$4.8                   | \$13.8                           |
|                                    | Catastrophic Damage | 36   | \$2.1                   | \$6.2                            |
| <b>Losses Relative to Baseline</b> |                     |      |                         |                                  |
|                                    | Mild Damage         | 50   | \$2.9                   | \$8.6                            |
|                                    | Medium Damage       | 95   | \$5.6                   | \$16.2                           |
|                                    | Catastrophic Damage | 139  | \$8.2                   | \$23.8                           |

**Table 13. Possible Annual Job, Income, and Economic Output Losses in Ware County**

| Ware                               | Scenario            | Jobs | Labor Income (Millions) | Total Economic Output (Millions) |
|------------------------------------|---------------------|------|-------------------------|----------------------------------|
|                                    | Baseline            | 315  | \$4.9                   | \$22.6                           |
|                                    | Mild Damage         | 222  | \$3.5                   | \$16.0                           |
|                                    | Medium Damage       | 158  | \$2.5                   | \$11.4                           |
|                                    | Catastrophic Damage | 80   | \$1.2                   | \$5.7                            |
| <b>Losses Relative to Baseline</b> |                     |      |                         |                                  |
|                                    | Mild Damage         | 93   | \$1.4                   | \$6.6                            |
|                                    | Medium Damage       | 157  | \$2.4                   | \$11.3                           |
|                                    | Catastrophic Damage | 236  | \$3.7                   | \$16.9                           |