

# Bottlenecks to Free Trade

---

**17<sup>th</sup> Annual “Farming for Profit?” Conference**

**Moose Jaw, Saskatchewan**

**June 27, 2010**

**Flynn Adcock**

**Center for North American Studies**

**Department of Agricultural Economics**

**Texas *Agri*Life Research**

---



<http://cnas.tamu.edu>

# Overview

---

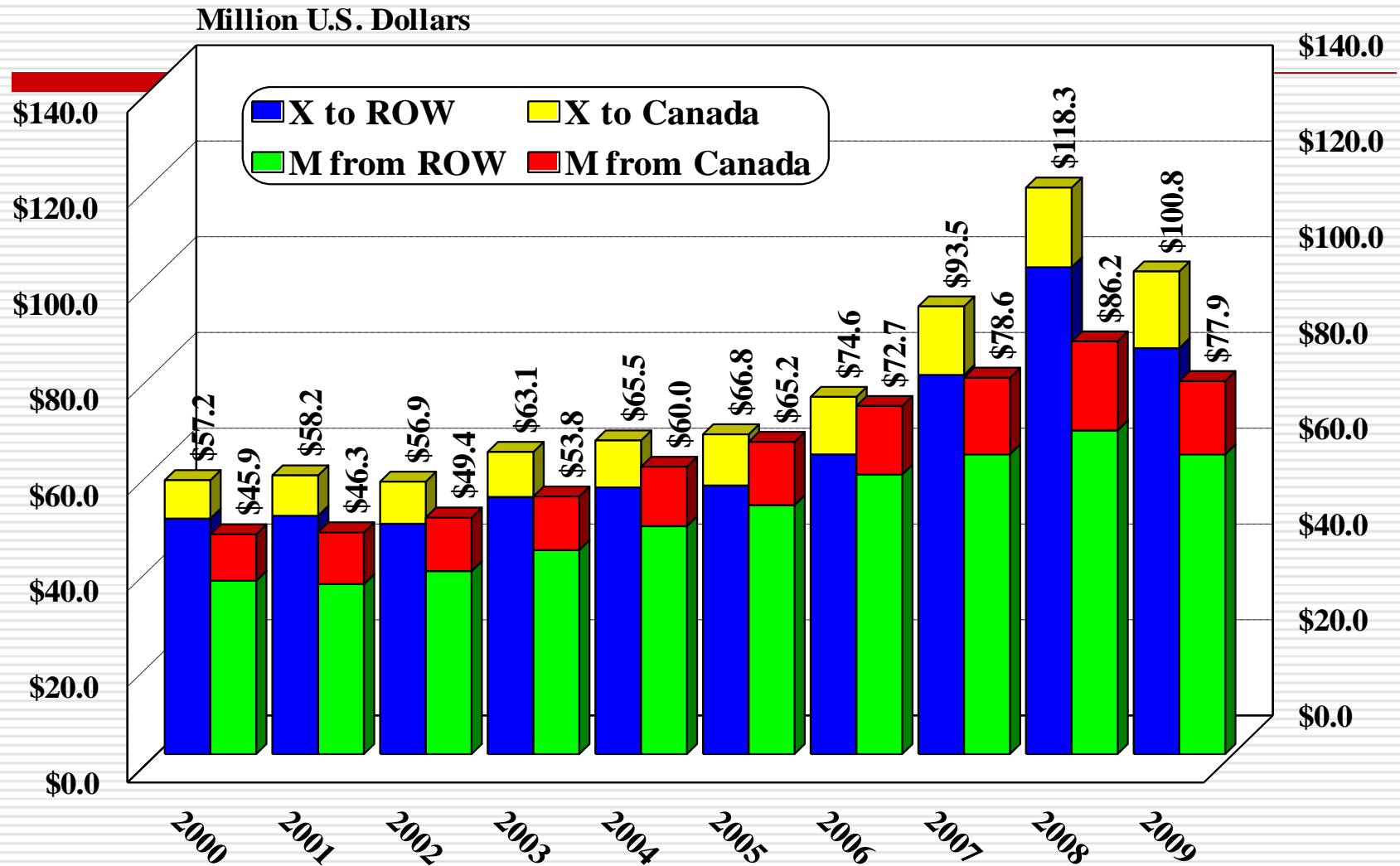
- **Overview of Agricultural Trade Patterns and Trade Agreements**
  - **Bottlenecks to Free Trade**
  - **Conclusions and Observations**
-

# **Agricultural Trade Patterns and Agreements**

---

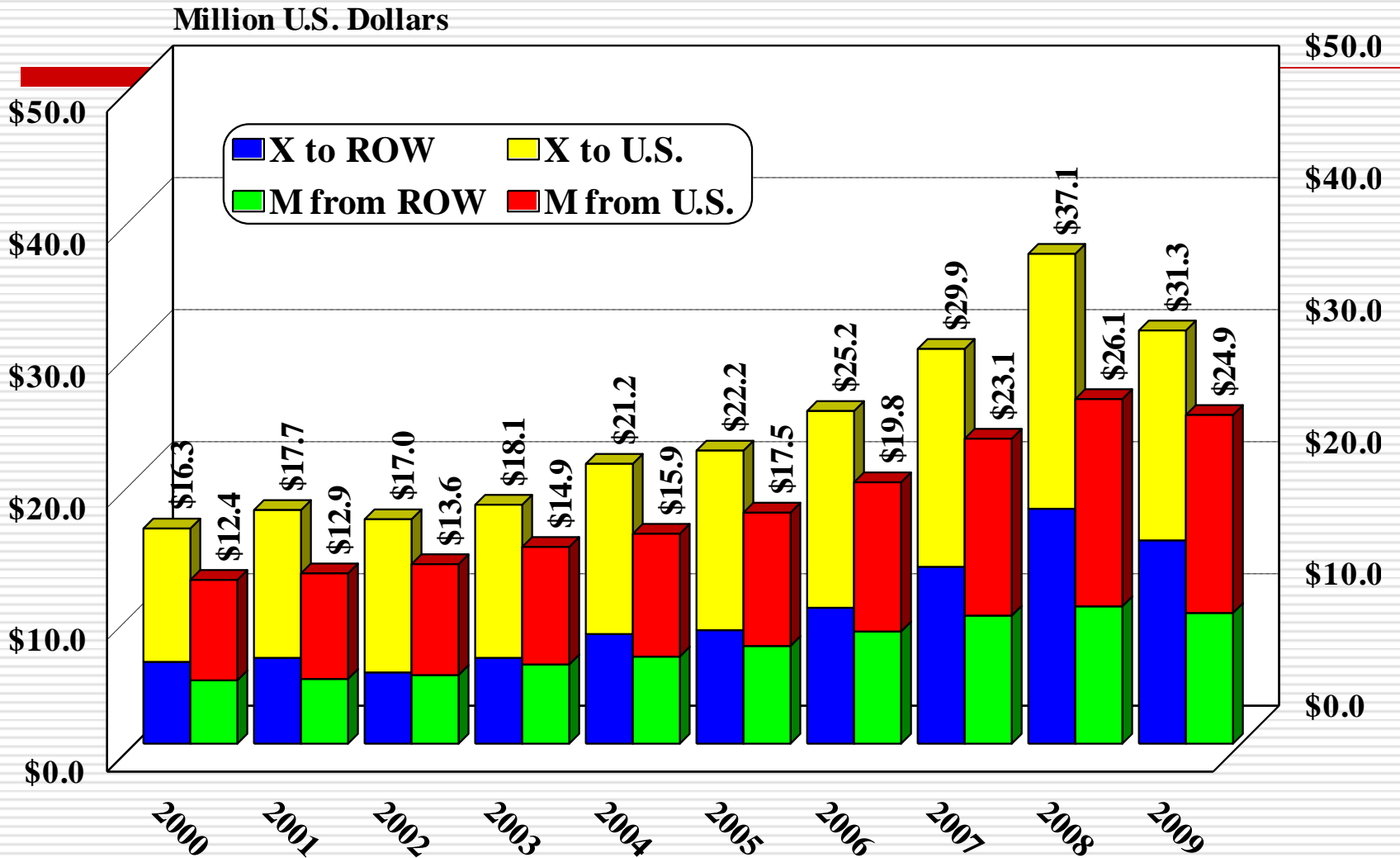
- **U.S., Canada, and 151 Other Countries Party to the World Trade Organization**
  - **U.S. has Trade Agreements in Place with 17 countries and 3 Awaiting Congressional Action**
  - **Canada has 13 Trade Agreements in Place and Negotiating 10 Others**
  - **U.S.-Canada under Trade Agreement since 1989 (CUSTA/NAFTA)**
  - **U.S.-Canadian Bilateral Agricultural Trade Crucial to Each Country**
-

# U.S. Agricultural Trade



Source: U.S. Global Agricultural Trade System, [www.fas.usda.gov/gats/default.aspx](http://www.fas.usda.gov/gats/default.aspx)

# Canadian Agricultural Trade



Source: Industry Canada, Trade Data Online, [http://strategis.ic.gc.ca/sc\\_mrkti/tdst/tdo/tdo.php](http://strategis.ic.gc.ca/sc_mrkti/tdst/tdo/tdo.php)

# Observations

---

- **CUSTA/NAFTA has Played a Role in Expanding Bilateral Trade – Fully Implemented since 2008**
  - **U.S.-Canada Ag Trade Important to Each, but Canada has Greater Reliance on the U.S.**
  - **Canada has Diversified Markets Over Past 10 Years - U.S. Still Dominant Import Source**
  - **Market Diversification Important to Maintaining Trade Flows**
-

# Bottlenecks to Free Trade

---

- **Traditional Bottlenecks**
    - ❑ **Transportation/Infrastructure**
    - ❑ **Border Measures**
  - **Events**
  - **Policy**
-

# Traditional Bottlenecks

---

- **Transportation Issues & Infrastructure can Impede the Free Flow of Trade**
- **In Times of High Demand, Availability of Containers, Rail Cars, and Shipping Vessels is Sometimes Limited**
  - ❑ **In times of low demand, struggling firms suffer more and may not be around for demand increase**
- **Adequate Infrastructure Today Does Not Mean Adequate Infrastructure Tomorrow**
  - ❑ **Houston, hub for UP, has suffered serious congestion**
  - ❑ **Western Sea Ports extreme examples of demand overcoming infrastructure – 2005-2008**



## Scope of the Task, Seattle



**Source: CBP**

# Port Congestion Can Impede Flow of Goods

## LA/Longbeach



# Traditional Bottlenecks

---

- **Border Measures such as Inspections and Local Practices can Disrupt Flow**
  - **Multiple Inspection Entities at the Border – In U.S., CBP and FDA**
  - **Security Concerns Result in Added Inspections – Biosecurity Act and Prior Notice**
  - **Local Practices such as Drayage Trucks at the Laredo/Nuevo Laredo Border**
-

# Congestion on Southern and Northern U.S. Borders

---



## Laredo/Nuevo Laredo

Source: TTI

## Detroit/Windsor



Source: AP



# Events as Bottlenecks

---

- **Even When Infrastructure and Transportation Adequate, Events can Derail Trade**
  - **Natural Disasters such as Hurricanes and Earthquakes can Slow Trade**
  - **Hurricane Katrina Caused a Temporary Disruption in Grain and Oilseed Exports Out of New Orleans**
  - **Double Whammy of Earthquake and Tropical Storm in Guatemala in May Continuing to Inhibit Their Exports as Internal Transportation Impacted**
-

# Free Trade Bottlenecks: Events such as Natural Disasters

**Source: The Packer**



Print

## Top Stories Volcano, tropical storm affect Guatemala exports

Published on 06/03/2010 04:42PM By Andy Nelson

Importers of fresh fruits and vegetables are feeling the effects of a tropical storm and volcano that hit Guatemala hard at the end of May.

The Pacaya Volcano, which erupted May 28, and Tropical Storm Agatha, which struck May 29-30, killed 180 people and caused significant damage in Guatemala.

Mango shipments to Miami-based J&C Tropicals Inc. abruptly stopped at the end of May, two weeks earlier than expected, said Mario Dominguez, commodity manager. A plantain shipment that was supposed to leave June 1 was expected to leave June 5-6, he said.

Volumes of French beans, snow peas, sugar snap peas, baby squash, baby carrots, leeks, radicchio and other Guatemalan vegetables imported by Southern Specialties Inc., Pompano Beach, Fla., could be down 30% in the near future, said Charlie Eagle, the company's vice president of business development.

"Our growing areas were significantly impacted — for the short duration, anyway," he said June 2, stressing that it was still too early to gauge exactly how much damage had been caused.

The volcano did not initially affect Southern Specialties' growers, Eagle said, but the storm washed ashes into drainage systems and plugged them up, causing flooding. Growers had power outages, and damaged roads and bridges hindered access to ports.

Southern Specialties' Guatemalan imports dropped 40% the week of May 31, Eagle said, but air shipments resumed by June 2. Arrivals were expected to soon be back on schedule, albeit with less product than normal, Eagle said.

"We'll continue to have product across the board, but it remains to be seen what the actual losses will be," he said.

The storm and volcano will likely affect sugar snap and snow pea markets in the U.S. for the near future, said Robert Schueller, director of public relations for Los Angeles-based World Variety Produce Inc.

"The eruption disrupted the logistics of getting product, and the tropical storm will affect supplies for the next month or so," Schueller said. "California product was already limited, and with Guatemala's problems, it raises the demand for and cost of U.S. product."

Pompano Beach, Fla.-based Fresh Quest Inc. wrapped up Guatemalan melon deals in early May, but the company's smaller radicchio, leek, herb and other specialty vegetable deals were at least temporarily delayed by the volcano and storm, said Lou Kertesz, vice president.

Two of the farms the company sources vegetables from suffered major flood damage, and on one, ash and rock from the volcano seriously damaged greenhouses, Kertesz said.

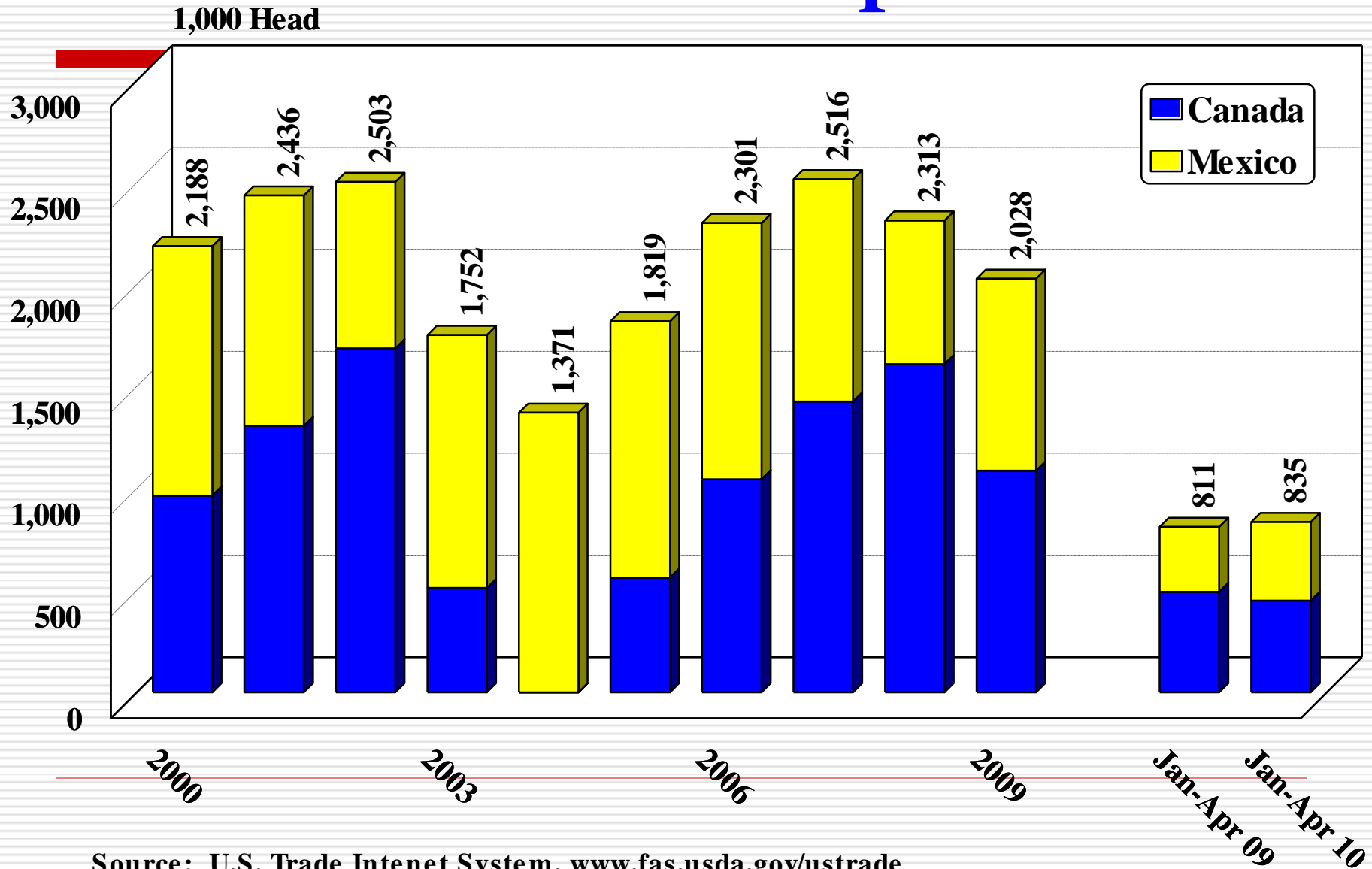
Homestead, Fla.-based Brooks Tropical Inc.'s papaya imports from Belize were not affected by the Tropical Storm Agatha, said Mary Ostlund, marketing director. Brooks was not importing any fruits or vegetables from Guatemala in late May or early June, she said.

# Events as Bottlenecks

---

- **Disease Outbreaks Often Have Long-Lasting Impacts on Trade Flows**
  - **2001 Salmonella Outbreak in Mexican Melons – Central American Shippers Took over Market**
  - **1996 Cyclospora Outbreak Guatemalan Raspberries – Just Now Regaining Market**
  - **Animal Disease Outbreaks Such as BSE, FMD, Newcastle Disease & Avian Influenza**
-

# Impact of BSE Outbreak in Canada: U.S. Cattle Imports



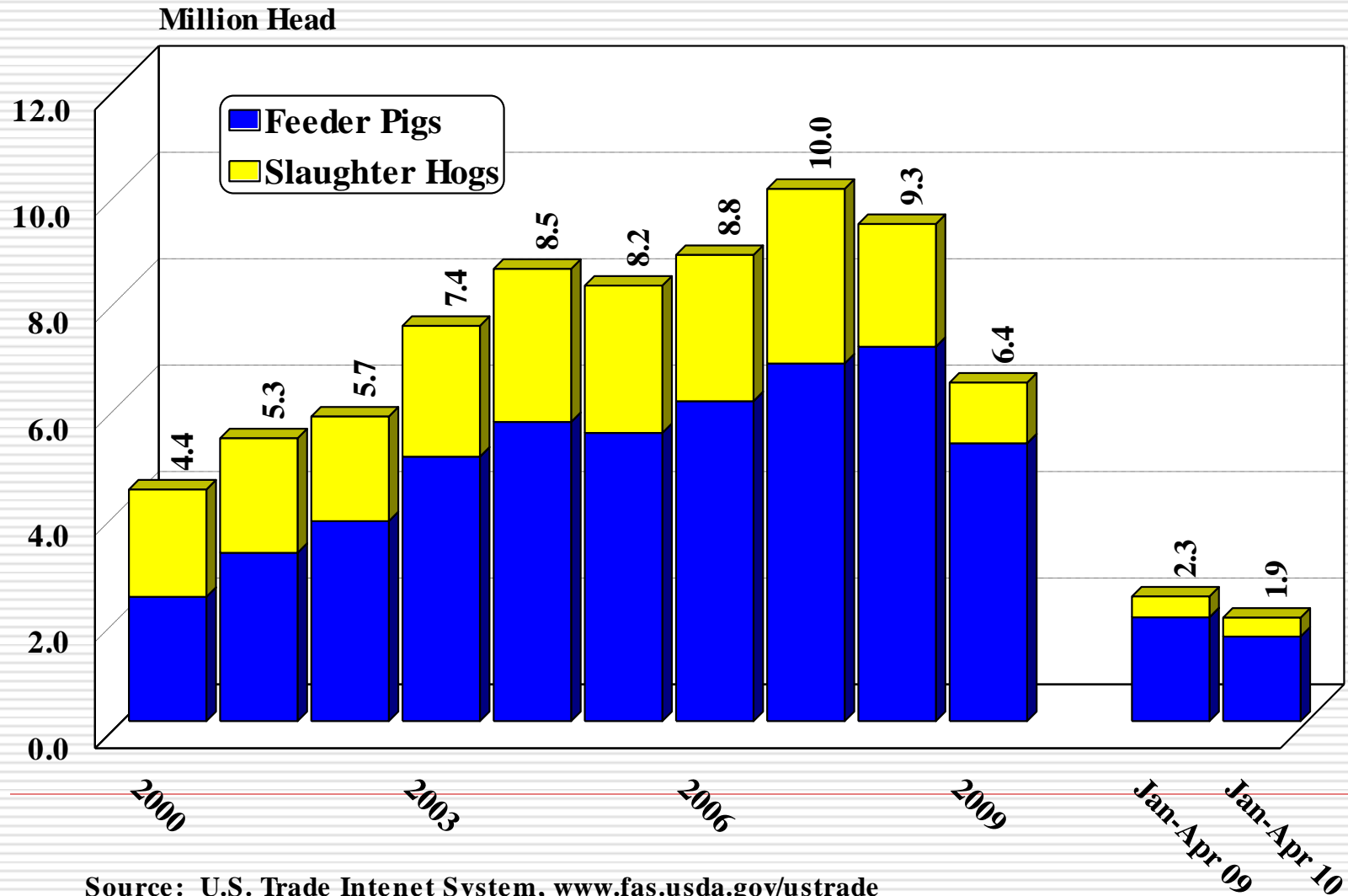
# Policy Related Bottlenecks

---

- **As Border Measures Reduced and Eliminated, Import Competition Intensifies**
  - **Domestic Producers Want Protections – Politicians Accommodate**
  - **AD/CVD Cases sometimes Gain Wider Use**
  - **Other Disputes – WTO and NAFTA**
  - **New Regulations like MCOOL Implemented**
-



# MCOOL Already Being Felt? Canadian Swine Exports to U.S.



# Policy Related Bottlenecks

---

- **Non-Harmonization of Border Regulations**
  - **Linkages to Non-Trade Issues such as Labor and Environment**
    - ❑ **Cap & Trade Bill Has Provision for Carbon Tariffs on U.S. Imports**
  - **Other Issues Dominate Agenda Leaving 3 Negotiated U.S. Trade Agreements in Limbo and No New Trade Promotion Authority**
  - **Standard Reactions to Economic Downturns such as Buy America Provisions**
-

# Conclusions and Observations

---

- **The WTO and Trade Agreements have led to Increased Ag Trade**
  - **Canada and the U.S. have Greatly Participated in this Expanded Trade**
  - **Bottlenecks Continue to Persist**
  - **Traditional Bottlenecks Increase with Demand as Existing Infrastructure is Stressed**
-

# Conclusions and Observations

---

- **Natural Events and Disease Outbreaks can Lead to Bottlenecks**
  - **Policy-Related Bottlenecks often as a Result of Import Competition**
  - **As Free Trade Agreements Increase and More Trade Occurs, Bottlenecks will be More Disruptive**
  - **Must Honor Agreements or Disputes Arise and Disrupt Trade**
-

# Thank You!

---

## Questions?

Flynn Adcock

Department of Agricultural Economics

Texas AgriLife Research

Texas A&M University

College Station, TX 77843-2124

E-mail: [fjadcock@tamu.edu](mailto:fjadcock@tamu.edu)

Telephone: 979-845-8694



<http://cnas.tamu.edu>

---