

## Trade Matters for the Northeast

American Farm Bureau Federation, supported by economic analysis performed by the U.S. Department of Agriculture's Economic Research Service, estimates that annual direct U.S. agricultural exports to Korea, Colombia and Panama will increase by nearly \$2.5 billion per year upon full implementation of these three agreements.



The three agreements in total are expected to increase direct exports from the Northeast region alone by **\$152.8 million** per year. It is estimated that the increased marketing opportunities for the Northeast region's farmers and ranchers will add **1,375** jobs in the Northeast region. Eliminating tariffs and other barriers on many of the Northeast region's agricultural products going into these countries, the agreements will particularly increase trade for a range of Northeast region agricultural products, including beef, poultry, and processed food products. These export sales make an important contribution to the Northeast region's farm economy, which had total cash receipts of **\$15.1 billion** in 2009.

Estimated Gains from the Pending FTAs with South Korea, Colombia and Panama				
NORTHEAST				
Agricultural Product	SOUTH KOREA	COLOMBIA	PANAMA	TOTAL
	<i>US Dollars</i>			
WHEAT	406,600	1,221,300	27,100	1,655,000
CORN	-244,000*	1,407,900	139,200	1,303,100
OTHER GRAINS	-1,200*	7,600	1,200	7,600
FRUITS, VEGETABLES, AND NUTS	7,990,600	150,200	492,100	8,632,900
SOYBEANS & PRODUCTS	1,128,500*	1,000,000	81,000	2,209,500
OTHER OILSEEDS & PRODUCTS	205,400*	114,800	14,200	334,400
BEEF	11,196,800	348,000	23,900	11,568,700
POULTRY	5,028,200	1,214,900	195,200	6,438,300
PORK	4,821,400	117,100	28,100	4,966,600
OTHER LIVESTOCK PRODUCTS	5,234,300	256,400	4,300	5,495,000
DAIRY	15,462,700	382,400	122,600	15,967,700
PROCESSED FOOD AND FISH	52,258,400	7,230,800	452,400	59,941,600
OTHER AG	33,825,300	460,700	0	34,286,000
<b>TOTAL</b>	<b>137,313,000</b>	<b>13,912,100</b>	<b>1,581,300</b>	<b>152,806,400</b>



## U.S.-Korea Trade Agreement (KORUS)

**Beef:** The Northeast region's increased exports of beef to Korea are estimated to be \$11.1 million per year. The KORUS agreement will provide many benefits to the region's beef producers.

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

**Processed Food and Fish:** The Northeast region's increased exports of processed food and fish products to Korea are estimated to be \$52.2 million per year. According to the 2007 U.S. Census the Northeast region's Food and Beverage Manufacturing industry supports more than 240,000 jobs.

- Korea's tariffs on imports of most snack foods and breakfast cereals will become duty free within 5 years.
- Korea's tariffs on dog and cat food will be eliminated immediately.

**Poultry:** The Northeast region's increased exports of poultry to Korea are estimated to be \$5.0 million per year. The KORUS agreement will provide many benefits to the region's poultry producers.

- Korea's tariffs of 18 to 27 percent on frozen leg quarters, frozen breasts and wings, and frozen turkey cuts, will be phased out in 7-12 years.
- As the number 2 market for U.S. egg products, Korea's tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

**Fruits, Vegetables, and Nuts:** The Northeast region's exports of fruits, vegetables, and nuts to South Korea are estimated to increase more than \$7.9 million per year.

- Tariffs on frozen potato fries and chipping potatoes (during the U.S. potato shipping season) will be eliminated immediately.
- A new 3,000-metric ton duty-free TRQ for fresh potatoes and a new 5,000-metric ton duty-free TRQ for dehydrated potatoes will bring opportunities for growers.



- The sweet corn grown in much of the region will see its tariffs phased out in 5 years.
- The 45-percent tariffs on blueberries and peaches will be phased out over 10 years.
- Tariffs of 45 percent on apples (other than Fuji) and pears (other than Asian varieties) will be eliminated in 10 years.

**Dairy Products:** Exports of dairy products are expected to increase exports to South Korea by \$15.4 million under the KORUS agreement:

- Duty-free tariff-rate quotas (TRQ) will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

**Pork:** As a result of KORUS, the Northeast region's exports of pork products are estimated to increase \$4.8 million per year.

- Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty free on January 1, 2016 or sooner. This includes all frozen and processed pork products.
- Date-certain duty-free access will enhance the competitiveness of U.S. pork compared to product from the European Union and Canada.

**\*Corn, Soybeans and Products:** For the Northeast regions' corn and soybean producers, exports of meat products will have a large and important impact, indirectly increasing exports of corn and soybeans. Indirect exports of corn as a result of KORUS are estimated to be \$4.3 million per year. Indirect exports of soybeans and products are estimated to be \$1.0 million per year.

## U.S. - Colombia Trade Agreement (CPTA)

### Potential Losses

Inaction on the Colombian Free Trade Agreement has caused and will continue to result in considerable losses for U.S. agricultural exports to the Colombian market. While passage of CPTA has languished in the United States, our competitors such as Brazil, Argentina, Uruguay,



and Paraguay (MERCOSUR) have passed their own agreements with Colombia, granting them preferential access to this growing market, at the expense of U.S. exporters. With Colombia continuing to negotiate and sign free trade agreements with additional U.S. competitors, such as the European Union and Canada, combined with further implementation of the MERCOSUR agreement, the U.S. competitive position will continue to erode, likely closing the U.S. out of the Colombian market if CPTA is not enacted. As a result, potential trade losses grow larger with each day CPTA is not passed. This inaction could lead to U.S. Agricultural export losses in excess of \$1.1 billion annually. Substantial annual losses for the state are detailed in the table below.

**Estimated Losses from Non-Passage of the Pending Colombia FTA  
NORTHEAST**

Agricultural Product	2006-2008 Average			2009-2010 Average			Potential U.S. Loss	Potential State Loss
	Imports from World	Imports from United States	U.S. Market Share	Imports from World	Imports from United States	U.S. Market Share		
	<i>\$US Dollars</i>							
RICE	43,866,200	584,900	1%	31,365,600	13,193,500	42%	-10,100,000	0
WHEAT	417,479,700	234,443,400	56%	353,782,400	159,251,800	45%	-166,400,000	-2,255,500
CORN	677,674,100	588,056,800	87%	729,834,700	195,707,100	27%	-115,500,000	-2,372,600
OTHER GRAINS	115,688,500	4,398,100	4%	110,145,800	6,300,300	6%	-1,270,500	-12,600
FRUITS, VEGETABLES, AND NUTS	246,869,500	31,445,700	13%	340,163,200	46,315,200	14%	-85,600,000	-5,142,800
SOYBEANS & PRODUCTS	629,120,400	320,609,300	51%	831,439,600	199,432,900	24%	-98,445,750	-1,563,300
OTHER OILSEEDS & PRODUCTS	155,713,000	21,518,800	14%	240,341,800	26,176,900	11%	-11,304,250	-179,500
COTTON	76,739,000	64,127,200	84%	94,814,400	91,393,400	96%	-347,200,000	0
BEEF	7,283,600	440,600	6%	11,443,300	649,400	6%	-350,000	-7,000
POULTRY	21,425,600	14,840,000	69%	32,428,600	21,518,900	66%	-14,500,000	-1,390,300
PORK	23,298,100	8,534,500	37%	31,896,000	12,372,500	39%	-13,100,000	-282,500
OTHER LIVESTOCK PRODUCTS	55,587,500	22,136,300	40%	60,054,900	16,658,000	28%	-8,000,000	-854,600
DAIRY	75,405,300	8,340,400	11%	73,003,500	5,001,700	7%	-14,566,000	-2,421,800
PROCESSED FOOD AND FISH	280,973,900	50,001,200	18%	384,900,000	98,131,900	25%	-207,700,000	-26,866,500
OTHER AG	416,092,200	134,230,700	32%	486,398,300	143,761,500	30%	-60,000,000	-6,742,600
<b>TOTAL</b>	<b>3,243,216,600</b>	<b>1,503,707,900</b>	<b>46%</b>	<b>3,812,012,100</b>	<b>1,035,865,000</b>	<b>27%</b>	<b>-1,154,036,500</b>	<b>-50,091,600</b>

### Potential Gains

**Poultry:** As a result of CPTA, the Northeast region's exports of poultry are estimated to increase \$1.2 million per year.

- The Northeast region's poultry producers currently face a system of variable levies (price band system) that results in tariffs as high as 209 percent. Colombia will immediately eliminate the price band system on imports from the United States.
- For chicken leg quarters, which currently face a 20-percent duty, Colombia will provide immediate duty-free access through a 27,040-metric ton tariff-rate quota (TRQ) that increases 4 percent annually.



- Colombia will phase out the 164.4-percent over-quota tariff for fresh, chilled and frozen leg quarters and the 70-percent over-quota tariff for processed leg quarters over 18 years, with no reductions during the first 6 years of the agreement.

**Wheat:** The Northeast region's exports of wheat to Colombia are estimated to increase more than \$1.2 million per year. However, if CPTA is not passed immediately the U.S. will likely experience a large erosion of these benefits as a result of the Canada – Colombia FTA that goes into effect July 2011.

- The Northeast region's wheat producers currently face a system of variable levies (price band system) that results in tariffs as high as 248 percent. Colombia will immediately eliminate the price band system on imports from the United States.
- Colombia will immediately eliminate all tariffs, which currently range from 5 to 20 percent, on wheat and wheat products.

**Corn:** The Northeast region's exports of corn to Colombia are estimated to increase more than \$1.4 million per year. However, if CPTA is not passed immediately Ohio will likely experience an increasingly large erosion of these benefits as a result of the Mercosur – Colombia FTA that went into effect in 2009.

- The Northeast region's corn producers currently face a system of variable levies (price band system) that results in tariffs as high 194 percent on some corn products. Colombia will immediately eliminate the price band system on corn imports from the United States.
- For yellow corn, Colombia will provide immediate duty-free access through a 2.1-million ton TRQ that will increase 5 percent annually. Colombia will phase out the 25-percent out-of-quota tariff over 12 years.

**Processed Food and Fish:** The Northeast region's exports of processed food and fish exports to Colombia are estimated to increase more than \$7.2 million per year.

- Colombia's WTO tariff bindings on processed products range from 70 to 143 percent, with applied tariff rates ranging from 5 to 20 percent. Under the agreement, most products will immediately enter Colombia duty free. All others will enter free of tariffs in 10 years or less.
- The Colombia TPA provides immediate duty-free access for all U.S. fresh and processed fruits, including apples, grapes, cherries, pears, and stone fruit.



## **U.S. - Panama Trade Agreement (Panama TPA)**

The Northeast region's exports of agricultural products to Panama are estimated to increase over \$1.5 million per year. The increase will largely be attributed to gains in exports of processed food and fish (\$452 thousand), and fruits, vegetables and nuts (\$492 thousand).

### **Processed Food and Fish:**

- Panama's tariffs on processed products range from zero to 50 percent. Tariffs will be eliminated immediately on 78 processed food tariff lines, and an additional 16 lines will be duty free in 5 years.

### **Fruits, Vegetables, and Nuts:**

- Panama will immediately eliminate its tariffs on nearly all fresh and processed fruits and fruit products, including cherries, pears, peaches, grapes, raisins, blueberries, cranberries, apples, and apple juice.
- The 10-percent tariffs on most dried fruits will be eliminated in 5 years, and the 15-percent tariffs on many single strength fruit juices and juice mixtures will be phased out over 5 to 15 years.
- Panama's tariffs on nearly all frozen and processed vegetables, currently 15 percent, will be eliminated immediately.
- Tariffs for most fresh vegetables will be eliminated in 10-15 years.

