



National Grain and Feed Association



Economic Growth, Job Creation and Rural Development

Is a Major Driver – U.S. Agricultural Trade – About to Shift into Reverse?

Issue: One of the biggest challenges confronting the United States is restoring economic growth and creating new jobs. In rural America, the situation is no different, with talk of the importance of rural development pervasive.

Ironically, the United States has within its power the ability to further unleash one of its greatest engines of economic growth and job creation – the economic multiplier effect of U.S. agricultural exports – by implementing already-negotiated trade agreements with South Korea, Colombia and Panama, as well as pursuing new trade accords with other countries and through the Doha Round of multilateral trade negotiations underway through the World Trade Organization.

Exports represent up to one-third of total usage of U.S. feed grains and 50 percent of total usage of U.S. wheat and soybeans – either as raw commodities or value-added products, such as meat and poultry. And U.S. agricultural trade represents one of the sole positive contributors to the U.S. balance of trade – contributing more than \$60 billion annually. **More importantly, every \$1 billion in U.S. agricultural exports generates more than 8,000 jobs**, the vast majority of which are off-farm jobs that benefit from U.S. agriculture's tremendous productivity – jobs in agribusinesses, transportation, supermarkets, restaurants, retail and many more.

But the failure of the United States to enact crucial free trade agreements with South Korea, Colombia and Panama have put U.S. agricultural exports with these important agricultural markets into a tailspin! Those nations are not waiting around for the United States to act; but instead they are inking trade pacts with major U.S. competitors. Colombia and Panama have completed negotiations on separate new trade agreements with Canada. In Colombia, where the United States once was the top exporter of agricultural products, market share is being taken over by other countries and U.S. agricultural exports dropped a staggering 50 percent between 2008 and 2009, reducing U.S. economic growth and jobs!

Meanwhile, Panama signed one with Chile in August 2009 and has expressed an interest in doing the same with the European Union. And South Korea – the fifth largest U.S. agricultural export market – has completed negotiations with the European Union, currently is completing an accord with Canada, and has negotiations planned or in the works with the 10-nation ASEAN, Chile, Australia, New Zealand, China, India, Japan, Mexico, the four-nation Mercosur, Peru, Pakistan and Russia.

NGFA Position: It is for these reasons – and the direct, quantifiable economic and job-creation benefits they would bring, that the National Grain and Feed Association (NGFA) supports **immediate passage** of legislation implementing bilateral agreements with Panama, Colombia and South Korea, as well as legislation renewing the president's Trade Promotion Authority.

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Why These Agreements Are Important to U.S. Agriculture...

- ◆ **U.S.-Colombia FTA:** Under the Colombian agreement, U.S. beef, cotton, wheat, soybeans, soybean meal, apples, pears, peaches, cherries and many processed food products would receive immediate duty-free treatment. Corn, poultry, fruits and vegetables and dairy products would benefit immediately from improved market access. The net additional benefit to U.S. agricultural exports when fully implemented: \$815 million annually. The agreement also would correct an inequity that exists between U.S. exporters of agricultural and industrial products and Colombian exporters to the United States. Currently, while 90 percent of Colombian products currently shipped to the United States are free from tariffs, most U.S. exports face significant tariffs – ranging from 5 to 20 percent – or other restrictions in Colombia. Had this agreement been in place, tariffs on 77 percent of all U.S. agricultural export tariff lines – accounting for more than 52 percent of current U.S. trade by value – would have been eliminated immediately.

The accord also has substantial benefits for jobs dependent upon non-agricultural trade. More than 80 percent of U.S. exports of consumer and industrial products would have become duty-free upon implementation, rather than continuing to be subjected to tariffs averaging around 14 percent.

- ◆ **U.S.-South Korea FTA:** Almost two-thirds of South Korean imports of U.S. farm products would become duty free immediately, including wheat, corn, soybeans for crushing, whey for feed use, hides and skins, cotton, cherries, pistachios, almonds, orange juice, grape juice, wine and a broad range of other high-value agricultural products. Other products would gain improved access through increased tariff-rate quotas and phased-in commitments. Further, it is estimated that U.S. pork exports would increase to almost 600,000 metric tons by the end of a phase-in period, nearly twice the level of the current number one U.S. pork export market – Japan. Likewise, U.S. beef exports are projected to increase to more than \$1 billion annually, up from about \$200 million in 2009. The result: America's fifth largest agricultural export market is projected to expand its imports by 46 percent – \$1.8 billion in additional sales!

But this accord offers major benefits for jobs and economic growth in the consumer and industrial sectors, too, since nearly 95 percent of U.S. exports of such products would become duty-free within three years of implementation. The U.S. Trade Representative's Office has estimated that the reduction in South Korean tariffs and tariff-rate quotas would expand U.S. merchandise exports to that country by around \$10 billion annually and contribute \$10 billion to \$12 billion to the U.S. gross domestic product.

- ◆ **U.S. Panama FTA:** More than 63 percent of current U.S. farm exports to Panama would receive immediate duty-free treatment, including wheat, soybeans, soybean meal, crude soybean and corn oil, sorghum, whey, high quality beef, mechanically de-boned chicken, frozen whole turkeys and turkey breasts, pork variety meats, cotton, barley, most fresh fruits, almonds, walnuts, many processed food products (including soups and chocolate confectionary), distilled spirits, wine and pet food. The accord also would provide duty-free tariff rate quotas on corn, rice, dairy products, standard beef cuts and chicken leg quarters. It is estimated that once fully implemented, this trade agreement would boost U.S. agricultural exports by more than \$195 million annually.

The agreement also would correct a disparity in which 99 percent of Panamanian agricultural exports enter the United States duty free, while the average Panamanian agricultural tariff on U.S. agricultural imports is 15 percent – with many key U.S. export products facing much stiffer rates; it's as high as 90 percent on U.S. grains, as high as 70 percent on U.S. meat products and a staggering 260 percent on U.S. chicken leg quarters.

- ◆ **Renewing the President's Trade Promotion Authority (TPA):** Trade agreements realistically can be achieved only if other countries can negotiate in good faith knowing the president's trade representatives are empowered to reach comprehensive accords that will be approved or rejected by Congress in their totality, without being amended piecemeal. Renewal of TPA is imperative for a successful completion of the Doha Round of multilateral World Trade Organization negotiations, which holds promise in providing U.S. agriculture with substantial gains in market access and elimination of export subsidies critical to the long-term viability of U.S. agricultural exports, U.S. economic growth, job creation and rural development.