

International Trade Workshop Bilateral Agreements

March 6, 2009

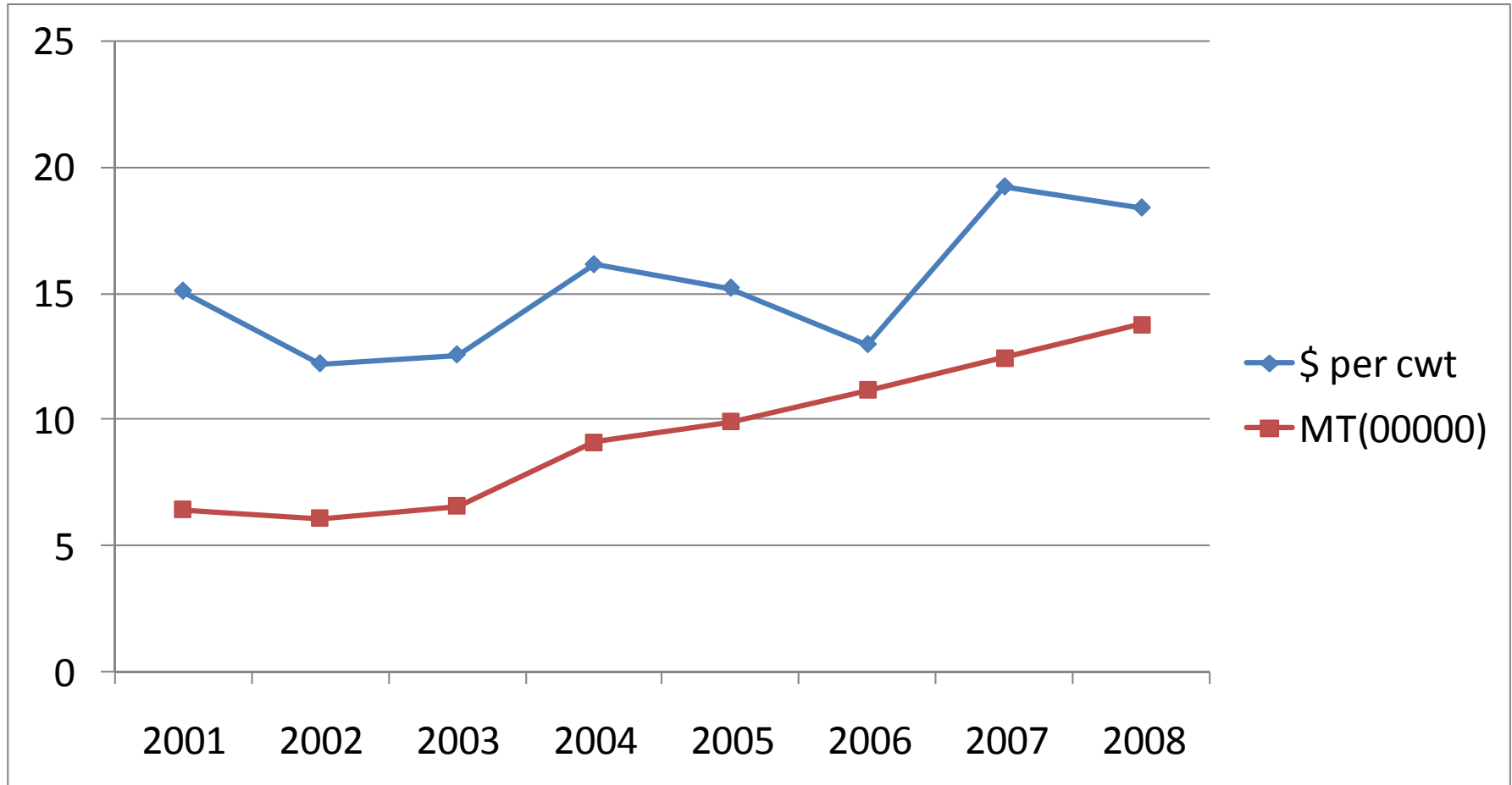
Objectives

- **Importance of Exports to US and VA Agriculture**
- **Importance of bilateral agreements**
- **Illustrate market impact of bilateral agreements**
- **“Inside the Korea FTA”**
 - **Substance**
 - **Negotiations**
- **Other opportunities and implications**

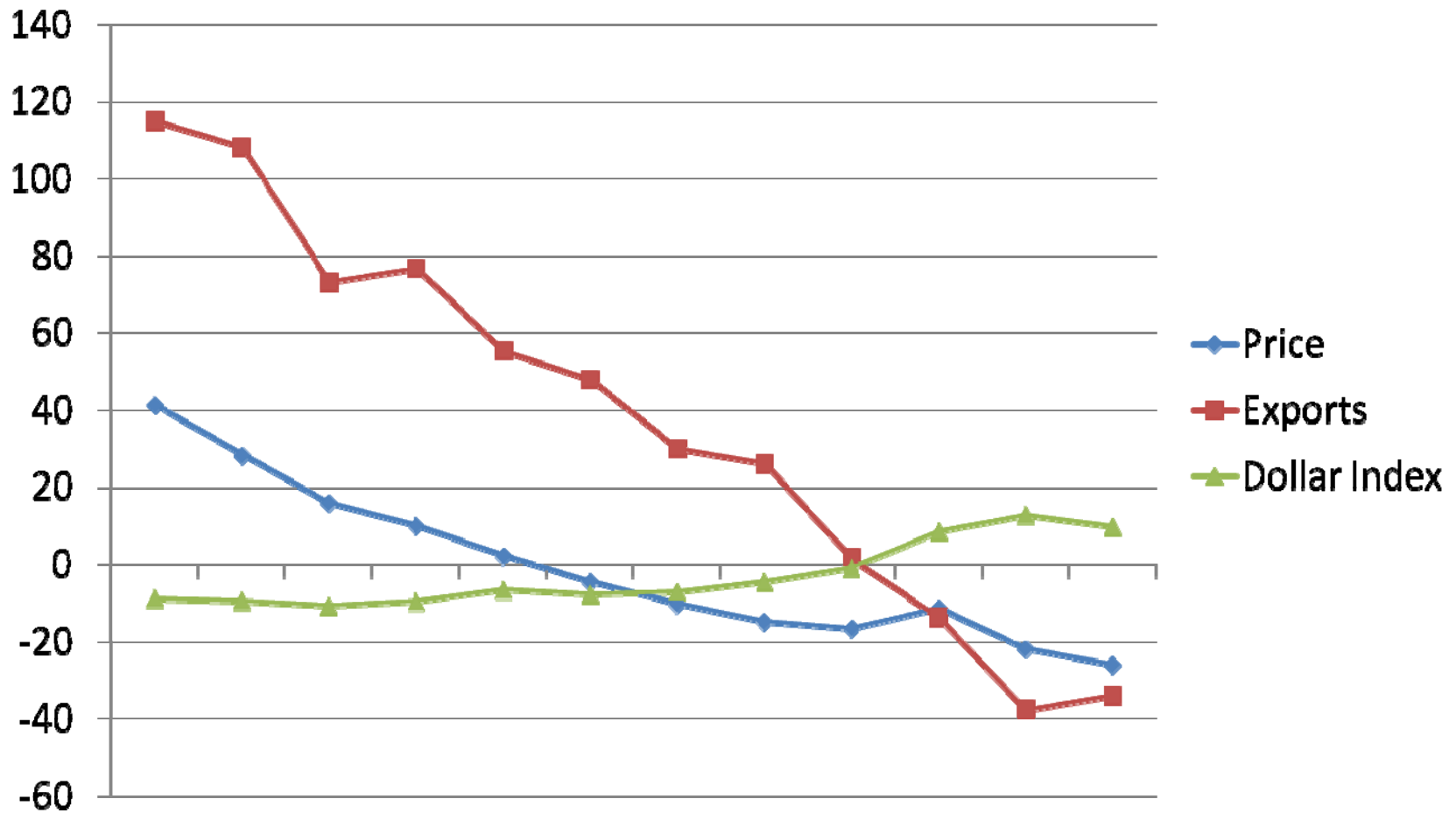
Importance of Exports (US)

- **US Acres**
- **US Value**
- **Soybeans**
- **Wheat**
- **Poultry**
- **Beef**
- **Pork**
- **Tobacco**
- **One-third exported**
- **About ¼ exported**
- **29% exported**
- **Almost ½ exported**
- **13 % exported**
- **2 percent but big impact**
- **11 percent**
- **74% Exports/cash receipts**

Dairy Exports and Milk Prices 2002-2008



% Change Dairy Exports and Prices 2008



Benefits of Bi-Lateral Agreements

- **Increase competitiveness of US products**
 - Relative to in-country production
 - Relative to exports from other countries
- **Reduction of non tariff barriers**
 - SPS agreements
 - Consultative mechanisms
- **Level playing field with other FTAs**
- **Address specific bilateral issues**

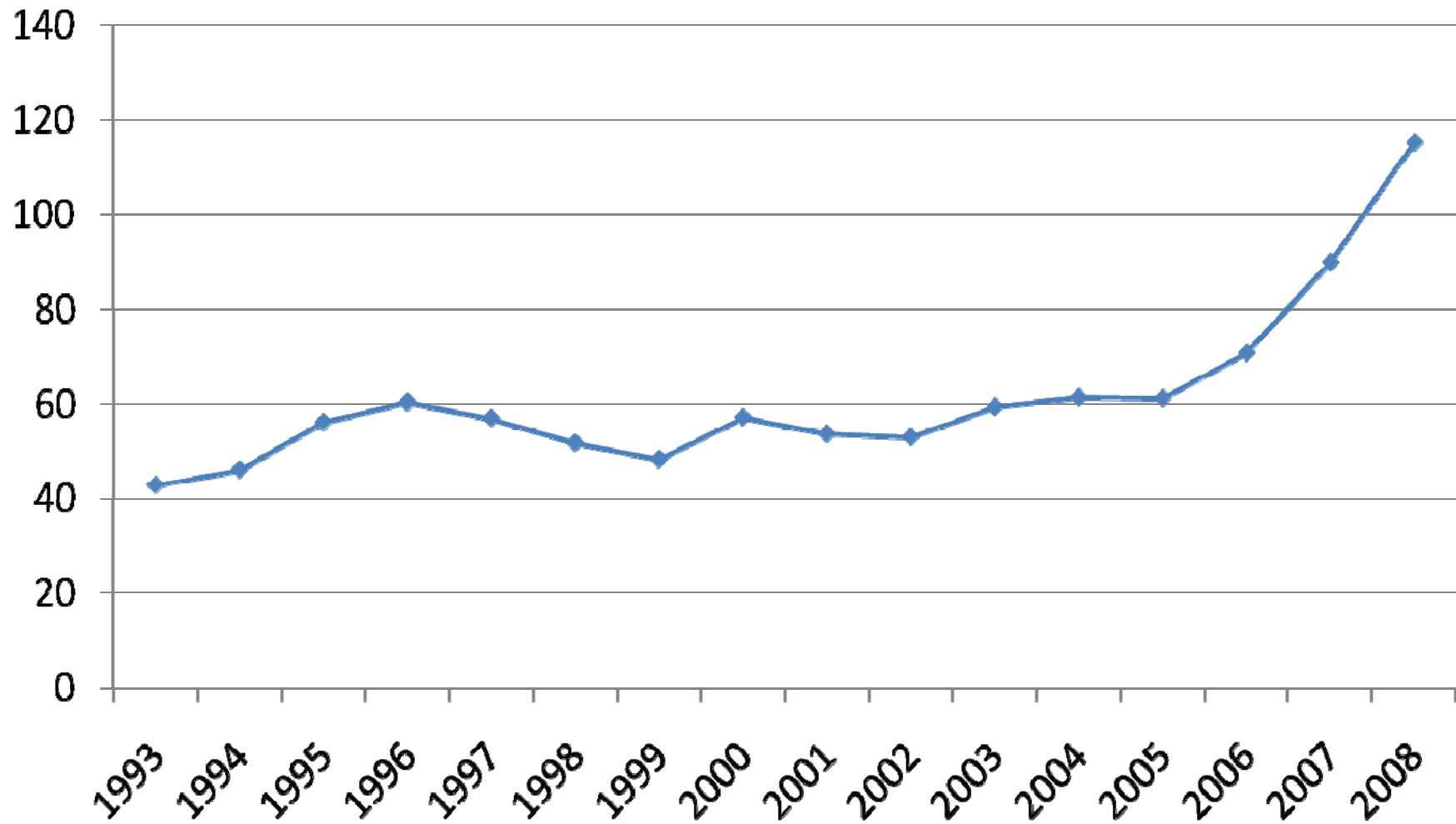
US Implemented FTAs

- **Israel**
- **Jordan**
- **Chile**
- **Singapore**
- **NAFTA**
- **CAFTA-DR**
- **Australia**
- **Morocco**
- **Bahrain**
- **Oman**
- **Peru**
- **Vietnam (accession)**

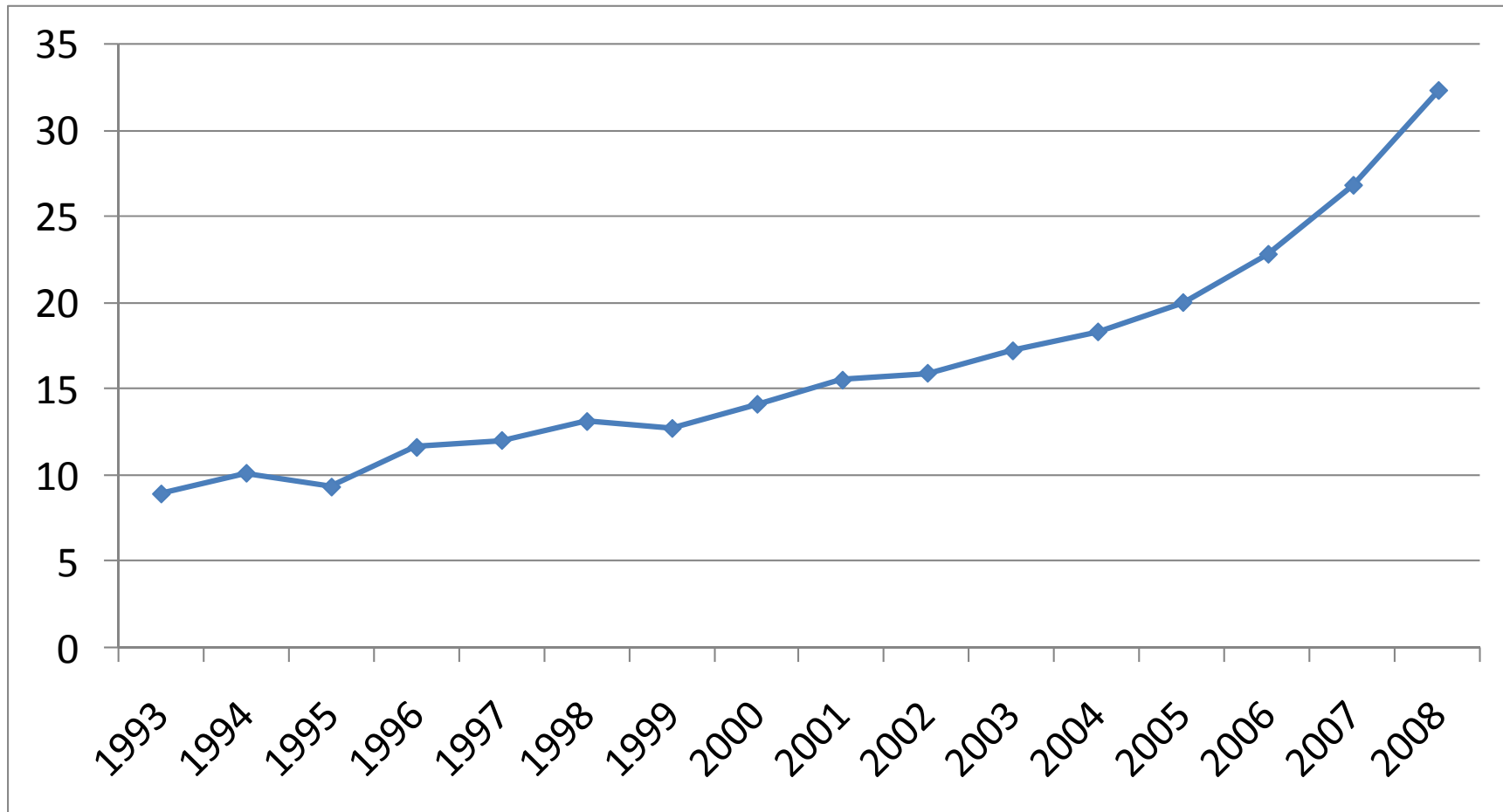
Pending US FTAs

- **Colombia**
- **Panama**
- **Republic of Korea**
- **Russian Accession**

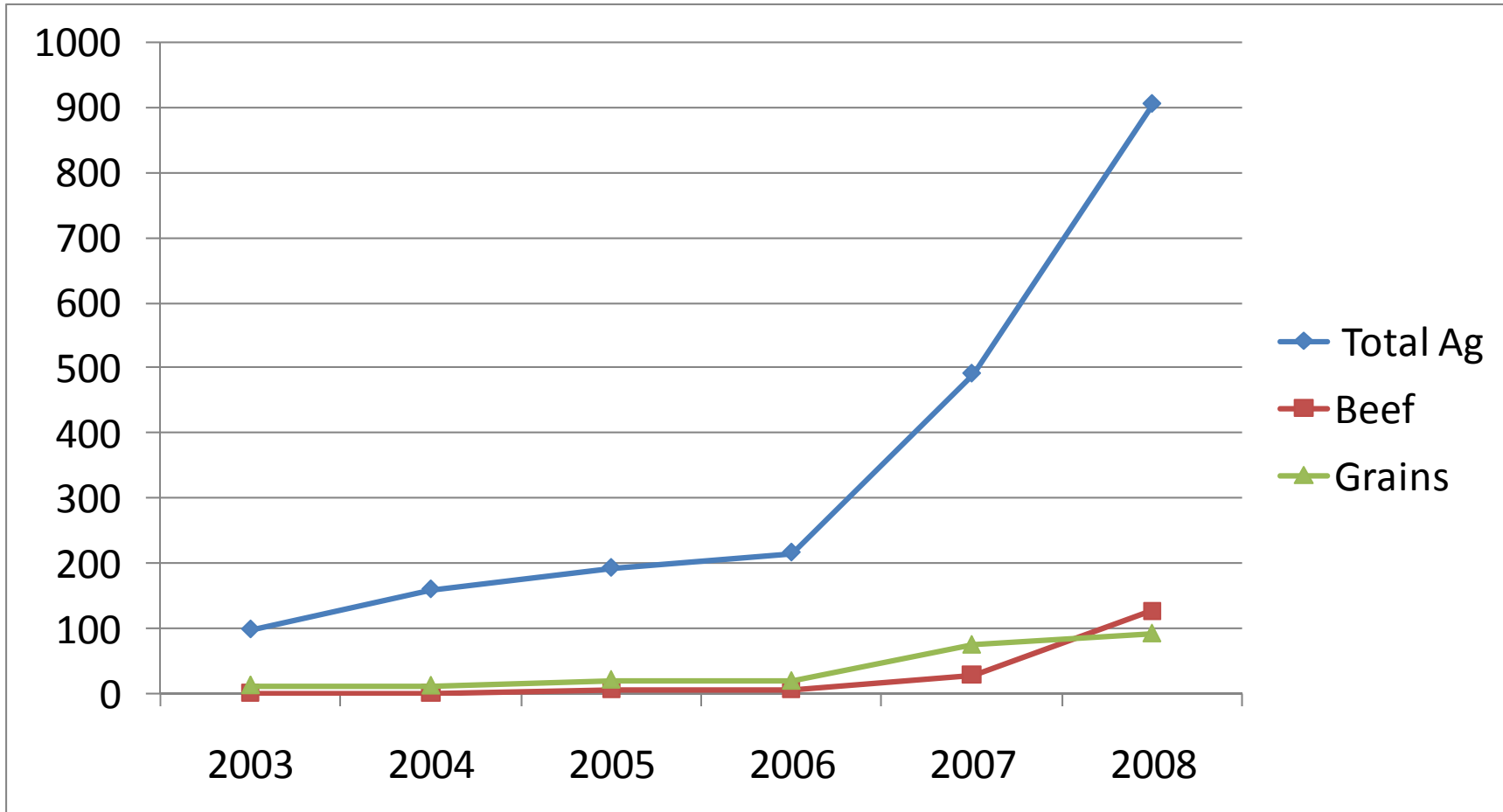
US Agricultural Exports (\$ Bil)



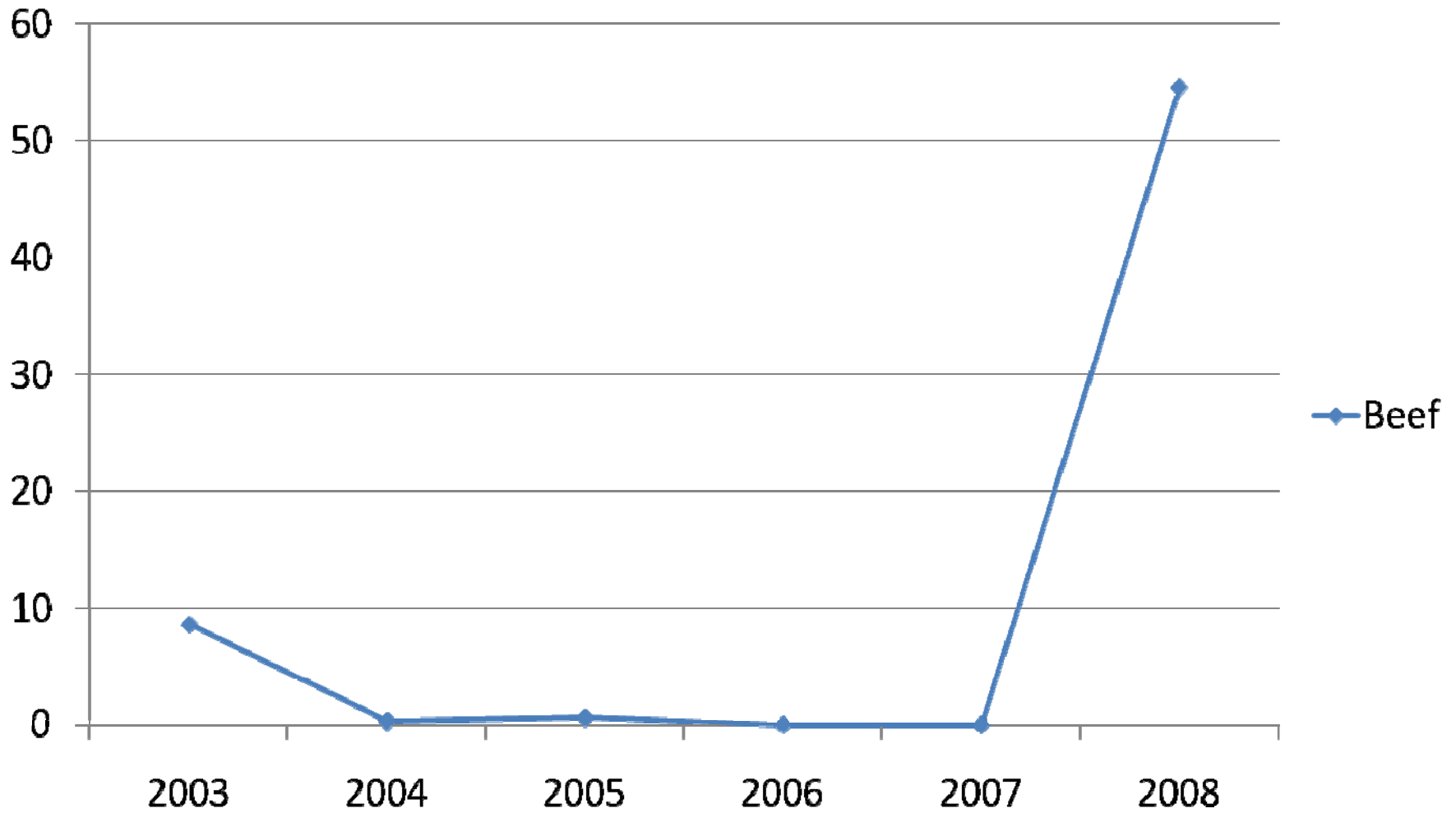
US Ag Exports to NAFTA



US Ag Exports Vietnam (\$mil)



US Beef Exports to Russia (\$mil)



Beef Exports to Russia and S&H Price

Month	Russian Imports (\$000)	Steer and Heifer Price/cwt
January	27	93.40
February	90	93.20
March	434	92.70
April	1434	90.10
May	6903	95.90
June	4224	95.90
July	7525	99.60
August	19924	100.00
September	6416	99.50
October	7380	93.00
November	627	93.00
December	123	85.60

Farm Cash Receipts - Top 10 VA

Commodity	(\$ Millions) 2007
➤ Broilers	➤ 559.4
➤ Cattle and Calves	➤ 430.0
➤ Milk	➤ 371.7
➤ Turkeys	➤ 298.6
➤ Soybeans	➤ 135.8
➤ Corn - grain	➤ 101.1
➤ Chicken Eggs	➤ 79.0
➤ Tobacco	➤ 71.1
➤ Tomatoes	➤ 66.3
➤ Wheat, winter	➤ 65.0

Exports Top 10 Agricultural - VA

Commodity Group

\$ millions - 2007

➤ Wheat and products	➤ 115.2
➤ Poultry and products	➤ 102.3
➤ Live animals and meat	➤ 94.6
➤ Soybeans and products	➤ 55.3
➤ Tobacco unmanufactured	➤ 52.6
➤ Feed Grains and products	➤ 30.7
➤ Feeds and fodders	➤ 29.1
➤ Cotton and linters	➤ 22.3
➤ Vegetables and preps	➤ 15.9
➤ Fruits and preps	➤ 7.4

Inside Korea FTA

Immediate Elimination

Commodity	Exports 2008	Tariff Rate
➤ Soybeans	\$187 mil	1%
➤ Wheat	\$527 mil	1.8%
➤ Corn	\$2.15 bil	0-3%
➤ Cotton	\$125 mil	3.0%

KORUS - Chilled and Frozen Beef

➤ Current

- 40 percent duty
- Pre BSE market = \$741 million (213,000MT)

➤ FTA Provisions

- Duty phased out in 15 years
- 270,000 MT safeguard – grows 2%
- No safeguard after 15 years

KORUS - Pork

➤ Current

- 22.5 - 25.0 percent tariff
- 2008 market = \$229 million (95,000MT)

➤ FTA Provisions

- Duties on frozen pork 90 percent of products phased out by 2014
- 8,250 MT safeguard on other 10 percent - grows 6% and phased out in 10 years

Tobacco, Apples and Hay

- **Tobacco** **\$22.5mil** **20%** **10 years**
- **Apples** **\$63,000** **45%** **23 years**
 - **9,000 MT TRQ initially**
 - **12,000 MT TRQ after year 5 growing 3% per year**
 - **Year 11 safeguard applies only to Fuji apples**
- **Hay** **\$85.9 mil** **2-100.5%** **0 in Yr 15**
 - **32,000 MT duty free quota in effect**
 - **200,000 MT duty free quota for 14 years**

Soybeans Food Grade, IP and Oil

- **Food Grade – (300K MT market in Korea)**
 - Immediate elimination of 5% duty on food grade
- **Identity Preserved**
 - Establish TRQ (10kMT,20kMT....26.5k MT) 3%
 - Outside STE – and \$250 per ton mark up
- **Soybean Oil (\$66.8 Mil)**
 - Crude – 5.4% duty eliminated over 10 years
 - Refined – 5.4% duty eliminated over 5 years

KORUS Poultry

- **Market in 2008 = \$73.2 million (53,825 MT)**
- **Current Broiler (\$61 million) 20%**
- **Frozen breasts and wings – 12 year phase out**
- **All other including leg quarters 10 year phase out**
- **Frozen turkey – 18% phase out in 7 years**
- **Egg products – 27% phase out in 12 years**

KORUS Potatoes

- **French Fries 18% duty Immediate Phase Out**
- **Fresh – \$4.1 million (13,000 MT)**
 - **No change in 304 % duty**
 - **3,000 MT TRQ growing 3% in perpetuity**
- **Dehydrated (304 % duty)**
 - **5,000 MT TRQ grows at 3% for 10 years**
- **Chipping – Seasonal TRQ phased out 15 yrs**
 - **Dec 1 to April 30 – immediate duty free**

KORUS Dairy

- **Cheese (36%)**
 - Initial duty free quota – 7,000 MT, 3% growth
 - Cheddar phase out 10 years, all other 15 years
- **Powder(176%) and evap. Milk (89%)**
 - Initial duty free quota – 5,000 MT, 3% growth
 - No reduction in over quota rates
- **Whey – current duty 49.5% to 20% day one**
 - Initial duty free quota – 3,000 MT, 3% growth
 - Duty phase out 10 years

Est. Dollar Savings in Tariff Reductions

Commodity

Savings @ Full Implementation

➤ Corn	➤ \$5.0
➤ Wheat	➤ \$5.0
➤ Soybeans Crushing	➤ \$2.0
➤ Soybeans Food Grade	➤ \$6.0
➤ Tobacco	➤ \$5.0
➤ Broilers	➤ \$15.0
➤ Turkeys	➤ \$1.0
➤ Eggs	➤ \$0.6

Est. Dollar Tariff Savings

Commodity	Savings @ Full Implementation
➤ Beef	➤ \$300.0
➤ Pork	➤ \$50.0
➤ Dairy	➤ \$28.0
➤ Potatoes	➤ \$6.0
➤ Total	➤ <u>\$423.6</u>

Other Opportunities

- **Colombia FTA**
- **Panama FTA**
- **EU Beef**
- **EU Poultry**
- **EU Pork**
- **Japan Beef**
- **Chinese Beef and Pork**

Implications

- **Bilaterals - important trade policy tools**
- **Market impact can be almost immediate**
- **Recent implemented agreements –paying off**
- **Huge potential in Korea, Colombia, Panama FTA**
- **Huge opportunities in other bilaterals**
- **Need to be an important part of agriculture's policy agenda**
- **Individual commercial opportunities**