



United States
Department of
Agriculture

Foreign
Agricultural
Service

FACT SHEET

U.S.-Korea Free Trade Agreement **California Farmers Will Benefit**

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The United States concluded free trade negotiations with Korea on April 1, 2007. The U.S.-Korea Free Trade Agreement (KORUS FTA) is the most commercially significant free trade agreement the United States has negotiated in nearly 20 years.

The KORUS FTA provides immediate elimination of duties on more than 60 percent of current U.S. exports and gives U.S. exporters improved access to the Korean market for many of the products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of California's agricultural products, including dairy, beef, vegetables, fruits, and tree nuts. California's agricultural exports to all countries, estimated at \$11.3 billion in 2007, supported about 120,425 jobs, on and off the farm. These export sales make an important contribution to the California farm economy, which had total cash receipts of \$36.5 billion in 2007.

Fruits and Fruit Products. California is the nation's leading grower and exporter of fruit, with exports of fresh and processed fruits valued at nearly \$2.4 billion in 2007.

- Fruits and fruit products gaining immediate duty-free access include cherries, raisins, grape juice, and frozen orange juice.
- Many other products such as dried plums, avocados, lemons, and grapefruit will see duties eliminated in either 2 or 5 years.
- For oranges, the FTA establishes front-loaded seasonal (March-August) tariff cuts that benefit 70 percent of exports through an immediate reduction in tariffs from 50 to 30 percent and a 7-year phase out. Access for orange shipments earlier in the year is provided through a duty-free quota.
- A 5-year front-loaded tariff elimination schedule will benefit an estimated 70 percent of U.S. table grape exports. Tariffs on the remaining 30 percent of grape exports will be eliminated over 17 years.

Tree Nuts. California is the nation's largest producer and exporter of tree nuts and has the world's largest almond industry, which continues to rapidly expand. California's tree nut exports totaled \$2.8 billion in 2007.

- Current duties on tree nuts range from 8 to 45 percent.
- Almonds and pistachios will become duty free immediately.
- Shelled walnuts will be duty free within 6 years.

Vegetables. As the nation's leading grower and exporter of vegetables, California's vegetable growers and processors will benefit from this agreement.

- Tariffs on asparagus, canned and processed tomatoes, frozen potato fries, and chipping potatoes (during the U.S. potato shipping season) will become duty free immediately.
- A new 3,000-ton duty-free quota is established for fresh potatoes giving new access.
- Other products such as carrots, lettuce, and sweet corn, with duties ranging from 30 to 45 percent, will have tariffs phased out in either 5 or 10 years.

Dairy Products. With cash receipts of \$7.3 billion in 2007, California's dairy industry is the nation's second largest and the leading exporter with overseas sales estimated at \$566 million.

- The FTA will provide immediate duty-free access for double the current export volume of total dairy products. Duty-free quotas will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports will gain duty-free access to the Korean market immediately.

Beef. With cash receipts of nearly \$1.7 billion in 2007, California's cattle and calf industry will benefit from this agreement.

- For beef muscle meats, the FTA provides a 15-year straight-line tariff phase out with a safeguard that begins growing from 270,000 tons, a quantity that is 17 percent larger than our largest historical shipments.
- Technical consultations continue toward the goal of allowing imports to take place consistent with World Organization for Animal Health (OIE) guidelines.
- Following the May 2007 decision by the OIE classifying the United States as a controlled-risk country, Korea has announced that it will undertake in a timely manner its regulatory process toward expansion of market access for beef and beef products.

Wine. California is home to the nation's largest wine industry and is the nation's number one exporter. California's wine producers will benefit from the FTA as all import tariffs on wine in the growing Korean market will be immediately eliminated.

For questions about the U.S.-Korea Free Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs Office at (202)720-7115 or LPA@fas.usda.gov.

For detailed information on how the Agreement benefits specific commodities, please visit: <http://www.fas.usda.gov/info/factsheets/Korea/us-koreaftafactsheets.asp>.