



United States  
Department of  
Agriculture

Foreign  
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Service

# FACT SHEET

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## *U.S.-Korea Free Trade Agreement* **Indiana 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 Indiana's agricultural products, including feed grains, soybeans, and pork. Indiana's agricultural exports to all countries, estimated at \$2.4 billion in 2007, supported about 25,575 jobs, on and off the farm. These export sales make an important contribution to the Indiana farm economy, which had total cash receipts of \$7.7 billion in 2007.

**Feed Grains.** Indiana farmers earned \$2.7 billion from corn in 2007, which represented the largest source of state farm cash receipts.

- U.S. exports of corn for feed are guaranteed to enter at zero duty immediately. Korea is currently the fourth largest market for U.S. corn for feed.
- The FTA includes a new 93,774-ton duty-free quota for corn for processing that grows quickly to 393,849 tons by year 7, after which quantities will be unrestricted.

**Soybeans and Products.** Farm cash receipts from soybeans equaled \$1.8 billion in 2007, and the state is the fourth largest exporter of soybeans and products with exports estimated at \$898 million in 2007.

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-ton market for food quality soybeans. Korea has agreed to immediately eliminate its 5-percent tariff on food-use soybeans.

- Korea will establish a duty-free quota starting at 10,000 tons for identity-preserved soybeans for food use (the production of soybean curd). This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors. (For comparison, based on trade data, Korea's average 2006 import price for soybeans used for food was \$330 per ton. This markup brings the price for imported quality beans to \$580.)
- Korean tariffs on imports of crude soybean oil (the majority of Korea's soybean oil imports) will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

**Pork.** With hog production being the state's third leading source of farm cash receipts, Indiana pork producers will benefit from this FTA.

- Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty free on January 1, 2014. This includes all frozen and processed pork products.
- Date-certain duty-free access allows for U.S. exports to compete on a level playing field with other Korean free trading partners.
- A transparent first-come first-serve safeguard quota for fresh pork bellies and miscellaneous fresh cuts starts growing at 8,250 tons, nearly double current trade volume.

**Dairy.** Dairy is Indiana's fourth leading source of farm cash receipts, and this FTA will benefit Indiana's dairy farmers.

- 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.
- Current annual U.S. feed whey exports of \$8 million will gain duty-free access to the Korean market immediately upon implementation.

**Beef.** Indiana's cattle and calf industry generated cash receipts of \$275 million in 2007, and cattlemen stand to 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.

*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](mailto: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>*