



United States  
Department of  
Agriculture

Foreign  
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Service

# FACT SHEET

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## *U.S.-Korea Free Trade Agreement* **Kentucky 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 Kentucky's agricultural products, including poultry, beef, and feed grains. Kentucky's agricultural exports to all countries, estimated at \$1.2 billion in 2007, supported about 12,788 jobs, on and off the farm. These export sales make an important contribution to the Kentucky farm economy, which had total cash receipts of \$4.4 billion in 2007.

**Poultry and Egg Products.** With \$721 million in farm cash receipts in 2007 broilers are Kentucky's second largest agricultural industry and account for 16 percent of total farm cash receipts. The state's poultry and product exports totaled \$94 million in 2007. Kentucky's poultry industry will benefit from this agreement.

- 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 to 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.

**Beef.** Kentucky's cattle and calf industry provides the third largest source of state farm cash receipts. This industry will benefit from this FTA.

- 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.

**Feed Grains.** Corn is the state's fourth largest source of farm revenue, generating cash receipts of \$465 million in 2007. Feed grain growers will benefit from this FTA.

- U.S. exports of corn for feed will be duty-free 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.** Kentucky soybean and product exports were estimated at \$120 million in 2007. Kentucky soybean producers will benefit from this agreement.

- 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.

*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>*