



United States
Department of
Agriculture

Foreign
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Service

FACT SHEET

U.S.-Korea Free Trade Agreement

What's At Stake for Tree Nuts?

September 2008

The U.S.-Korea Free Trade Agreement (KORUS FTA) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's 49 million consumers. If approved by Congress, this would be the most economically significant trade agreement for the U.S. agricultural sector in 15 years.

Under this agreement, more than 60 percent of U.S. agricultural exports will become duty free immediately. Lower tariffs benefit both U.S. suppliers and Korea's consumers. The KORUS FTA will help the United States compete against Korea's other major agriculture suppliers and help keep the United States on a level playing field with Korea's current free trade partners, such as Chile, and any future FTA partners.

Almonds

With the Agreement...

U.S. exporters will benefit from both shelled and in-shell almonds becoming duty free upon implementation of the agreement. This could result in a tariff savings of \$2 million in year 1 and \$8 million over the first 5 years of the KORUS agreement.

The Trade Situation...

Korea is the eighth largest market for U.S. shelled and in-shell almonds. From 2005 through 2007, U.S. suppliers shipped an annual average of 5,422 tons of almonds valued at nearly \$36 million. Sales have increased steadily over the past 5 years. The United States is one of the only suppliers of almonds to Korea with virtually 100 percent of the import market.

The Current Market Access Situation...

U.S. shelled and in-shell almonds are currently subject to an applied tariff of 8 percent. In 2006 and 2007, Korea established an autonomous tariff-rate quota (TRQ) for almonds of 5,300 tons. The in-quota rate is 5 percent while the out-of-quota rate remains at 8 percent. While the applied rate for almonds has been 8 percent for a number of years, Korea's global World Trade Organization (WTO) bound duties are 21 percent for shelled almonds and 45 percent for in-shell almonds. The FTA will prevent the arbitrary imposition of the higher tariffs should Korea decide to protect domestic nut industries (such as walnuts).

Pistachios

With the Agreement...

U.S. exporters will benefit from pistachios becoming duty free upon implementation of the agreement. This could result in a tariff savings of \$340,000 in year 1, and \$1.7 million over the first 5 years of the KORUS agreement.

The Trade Situation...

Sales are strengthening after several flat years. From 2005 through 2007, U.S. suppliers shipped an annual average of 238 tons of pistachios valued at \$1.4 million. The U.S. share of Korea's import market is 53 percent, and our closest competitor is Iran. Iran now has about 46 percent of Korea's import market.

The Current Market Access Situation...

U.S. pistachios are currently subject to applied tariffs of 30 percent. However, Korea's WTO bound duty is 45 percent. As with almonds, without the FTA Korea could impose the higher tariff should it decide to protect domestic nut industries

Walnuts

With the Agreement...

U.S. exporters will benefit from shelled walnuts (current tariff 30 percent) becoming duty free within 6 years. This commodity will see a tariff savings of \$1 million in year 1, and \$16 million over the first 5 years of the KORUS agreement. U.S. exporters of in-shell walnuts (current tariff 45 percent) will benefit from duty-free access for their goods within 15 years.

The Trade Situation...

Korea is the fifth largest market for U.S. shelled walnuts. From 2005 through 2005, U.S. suppliers shipped nearly 4,400 tons of shelled walnuts valued at almost \$28 million. Sales have been trending upward. U.S. exports of in-shell walnuts in 2006 were 247 tons valued at \$669,000. These exports of in-shell walnuts took place after phytosanitary issues that were keeping U.S. product out of the Korean market were resolved. With 90 percent of Korea's import market for shelled walnuts, the United States and Vietnam are the only major suppliers and the U.S. position has strengthened in recent years. The U.S. share of Korea's import market for in-shell walnuts was only 16 percent in 2006, but rose to 59 percent in 2007 due to the resolution of associated phytosanitary issues.

The Current Market Access Situation...

U.S. shelled and in-shell walnuts are currently subject to applied and bound tariff rates of 30 percent and 45 percent, respectively. For many years, in-shell walnut imports were prohibited in Korea for phytosanitary reasons. However, funds were used from USDA's Technical Assistance for Specialty Crops program to develop a walnut pest management alliance, which encouraged U.S. farms to adopt new pest management techniques. As a result, since May 22, 2006, South Korea permits in-shell walnut imports under a pre-clearance program, which includes mandatory fumigation. Since this new program became effective, U.S. in-shell walnut exports have grown substantially. The gradual reduction in the current 45-percent tariff under the FTA should accelerate that growth.

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