



United States
Department of
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Foreign
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Service

FACT SHEET

U.S.- Panama Trade Promotion Agreement Kentucky Farmers Will Benefit

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The U.S.-Panama Trade Promotion Agreement eliminates tariffs and other barriers on most U.S. goods, increasing export opportunities for agricultural products important to Kentucky. With immediate elimination of duties on over 60 percent of current U.S. trade, this agreement changes the one-way street of duty-free access currently enjoyed by most Panamanian exports into a two-way street benefiting both countries. The American Farm Bureau strongly supports the agreement, predicting widespread gains for U.S. agriculture exceeding \$190 million per year.

Kentucky's exports to all countries, estimated at \$1.2 billion in 2007, supported about 12,900 jobs, on and off the farm. These export sales make an important contribution to the Kentucky farm economy which had total cash receipts of \$3.9 billion in 2006.

Poultry Meat. With \$604 million in farm cash receipts in 2006, broilers are Kentucky's second largest agricultural industry accounting for 18 percent of total farm cash receipts. Kentucky's poultry industry will benefit from this agreement.

- The 260-percent tariff currently applied to chicken cuts will be eliminated immediately for mechanically de-boned chicken, within 5 years for wings and 10 years for other chicken cuts except leg quarters.
- Panama will provide immediate duty-free access within a preferential tariff-rate quota (TRQ) for chicken leg quarters that starts at 660 tons and grows each year by 10 percent. The 260-percent over-quota tariff will be eliminated in 18 years.
- U.S. poultry exporters will continue to have access to the global 756-ton TRQ for chicken cuts that is part of Panama's World Trade Organization commitments.
- Panama will eliminate its 15-percent duties on turkey meat immediately for frozen whole turkeys and most frozen turkey cuts. The 15-percent tariffs on processed turkey and chicken will be eliminated within 5 years.
- In addition, Panama has already implemented our December 2006 bilateral agreement on sanitary and phytosanitary (SPS) measures by recognizing the equivalence of the U.S. poultry inspection and disease monitoring systems, allowing U.S. inspectors to certify poultry for export to Panama without having each facility and shipment inspected by Panamanian authorities.

Beef. Kentucky's cattle and calf industry provides the second largest source of state farm cash receipts. They will benefit from this agreement.

- Panama will immediately eliminate its 30-percent duty on beef products of most importance to the U.S. beef industry--prime and choice cuts. Panama's tariffs on other cuts of beef will be phased out over 15 years.
- The 10-percent tariff on beef tongues and livers will be eliminated in 5 years, and the 15-percent tariffs on other edible offal will be eliminated immediately.
- Panama has already implemented our December 2006 bilateral agreement on SPS measures, reopening its market to U.S. beef by bringing its import requirements related to BSE into compliance with international standards.
- Panama also accepted the equivalence of the U.S. meat inspection system, which allows U.S. inspectors to certify beef for export to Panama without having each facility and shipment inspected by Panamanian authorities.

Feed Grains. Corn is the state's fourth largest source of farm revenue generating cash receipts of \$339 million in 2006. Feed grain growers will benefit from the Panama agreement.

- Panama will provide immediate duty-free access within a TRQ for 298,700 tons of U.S. corn that will grow at a rate of 3 percent each year. The 40-percent over-quota tariff will be eliminated in 15 years.
- The current zero-tariff treatment for crude corn oil will be locked in place immediately and Panama will provide immediate duty-free access for refined corn oil within a 368-ton TRQ that grows each year by 5 percent. The 30-percent over-quota tariff will be phased out within 10 years.

Soybeans. Kentucky soybean and product exports were estimated at \$120 million in 2007. Panama is the twelfth largest export market for U.S. soybean meal with exports for the most recent three years averaging 109,000 tons valued at \$24.7 million. Kentucky soybean producers will benefit from this agreement.

- Panama's current zero-tariff treatment for soybeans and soybean meal will be locked in place immediately upon implementation of the Agreement.
- The current zero-tariff treatment for crude soybean oil will also be locked in place immediately, while the 20-percent tariff on refined soybean oil will be phased out in 15 years.