



FACT SHEET

U.S.-Panama Trade Promotion Agreement New York Farmers Will Benefit

September 2008

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 New York. 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.

New York's exports to all countries, estimated at \$867 million in 2007, supported about 7,900 jobs, on and off the farm. These export sales make an important contribution to the New York farm economy which had total cash receipts of \$3.5 billion in 2006.

Dairy. The dairy industry accounted for 46 percent of the state's farm cash receipts with earnings of \$1.6 billion in 2006. New York is the nation's third largest exporter of dairy products. Dairy farmers will benefit from the Panama agreement.

- U.S. exporters will have immediate duty-free access to nine preferential dairy tariff-rate quotas (TRQs) with a combined total of 3,986 tons. These include 2,625 tons of skim milk powder, 728 tons of cheese, 263 tons of ice cream, and 370 tons of other dairy products. These quantities will grow by 4 or 5 percent each year and the over-quota tariffs for these TRQs, which range from 15 percent for ice cream to 50 percent for milk powders, will be phased out in 15 to 17 years.
- U.S. dairy exporters will continue to have access to the global TRQs for 3,830 tons of milk powder and 3,782 tons of cheese that are part of Panama's World Trade Organization commitments.
- Panama will eliminate its 30-percent tariff on dried whey products immediately. The tariffs on most other dairy products, which currently face duties as high as 140 percent, will be phased out over 15 years.
- In addition, Panama has already implemented our December 2006 bilateral agreement on sanitary and phytosanitary (SPS) measures and technical standards by recognizing the equivalence of the U.S. food safety systems for processed foods, including dairy products, and by streamlining its product registration system for packaged foods. This will allow U.S. food processors to export dairy

products to Panama without burdensome paper work and without having each facility and shipment inspected by Panamanian authorities.

- The National Milk Producers Association supports the Agreement, noting that “Panama imports nearly half its dairy products, and the U.S. stands to become a larger supplier once the FTA is finalized.”

Fruits. The fresh and processed fruit industry is important to the state. Apple growers alone earn \$204 million a year. New York’s apple producers will benefit from this agreement.

- Panama will eliminate its tariffs on nearly all fresh and processed fruits immediately.
- Following are examples of fruit products of importance for New York that will be duty-free immediately (the currently applied tariff is indicated in parentheses): apples (2 percent), concentrated apple juice (Free), and concentrated grape juice (15 percent).
- Panama will phase out its 15-percent tariffs on single-strength apple and grape juices in 12 and 15 years, respectively.

Beef. New York’s cattle and calf industry is the state’s fourth largest source of farm cash receipts with sales of \$157 million in 2006. The industry will benefit from the Panama FTA.

- 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.

Vegetables. New York exported an estimated \$71 million in fresh and processed vegetables in 2007. Potato and other vegetable growers will benefit from this agreement.

- Panama will eliminate its tariffs on nearly all frozen and processed vegetables immediately. The tariff faced by U.S. exporters for these products currently is 15 percent.
- The tariffs for most fresh vegetables will be eliminated in 10-15 years.
- Panama will provide immediate duty-free access within a preferential TRQ for frozen precooked French fries that starts at 3,640 tons and grows each year by 4 percent. The 20-percent over-quota tariff will be eliminated in 5 years.
- Panama will eliminate its 15-percent tariff on potato chips immediately and the

tariffs on potato flakes (15 percent) and other potato preparations (as high as 54 percent) will be phased out in 5 to 10 years. Panama will also establish a 765-ton duty-free preferential TRQ for fresh potatoes that will grow each year by 2 percent.

- Panama will eliminate its 15 percent tariffs on frozen and canned sweet corn immediately.

Wines. As a leading U.S. producer and exporter of wines, New York wine producers will benefit from this agreement.

- Panama's tariff on still wine is 15 percent. Under the agreement, the tariff on bottled table wine will be eliminated immediately while tariffs on all other wine categories will be phased out within 5 years.