Trade and Agriculture
What's at Stake for Tennessee?

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Tennessee produces agricultural products and exports them worldwide. The State's farm cash receipts totaled $2.0 billion in 2000, and Tennessee's agricultural exports reached an estimated $436 million. These exports help boost farm prices and income, while supporting more than 6,200 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports are increasingly important to Tennessee's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 22 percent in 2000.

Tennessee's top five agricultural exports in 2000 were:

- tobacco leaf -- $88 million
- cotton -- $60 million
- soybeans and products -- $57 million
- wheat and products -- $39 million
- poultry and products -- $33 million

World demand is increasing, but so is competition among suppliers. If Tennessee's farmers, ranchers, and food processors are to compete successfully for opportunities of the 21st century, they need *fair trade* and *more open access* to growing global markets.

Tennessee Benefits From Trade Agreements

Tennessee is already benefitting from a number of agricultural trade agreements. While there is much to be done, examples of market opportunities include:

- Tennessee benefitted under the Uruguay Round agreement because major importers moved to progressively reduce tariffs on tobacco products. The European Union and Japan reduced their tariffs by 2000, and Turkey is reducing its import duties by 2004. Supported by lower tariffs, U.S. leaf exports to Turkey rose from $60 million in 1995 to $86 million in 2000.

  In February 2001, the Protocol on Tobacco Blue Mold was signed with China, lifting that country's longstanding ban on leaf imports from the United States. This agreement paves the way for expanded U.S. flue-cured and burley sales to China that the tobacco industry believes could grow to $140 million by 2003/04.

- As one of the top 10 exporting States for cotton, Tennessee benefits under NAFTA with rules of origin that increased demand for U.S. textiles in Canada and Mexico. Mexico's 10-percent tariff on cotton will be eliminated by 2003. This tariff reduction supports U.S. cotton exports to Mexico, which rose to 1.5 million bales in marketing year 2000.

- # Tennessee benefits under the Uruguay Round agreement as South Korea reduces its tariffs on soybean oil by 14.5 percent from 1995 to 2004. The tariff reduction has supported a threefold increase in export volume, with total sales reaching $32 million in 2000. The Philippines is reducing its tariffs on soybean meal from 10 to 3 percent during the same period. This tariff reduction has supported a 40-percent increase in U.S. soybean meal exports that topped $160 million in 2000.

- # Tennessee benefitted from limits set on subsidized wheat exports as a result of the Uruguay Round agreement. These limits influenced the European Union's decision to change its Common Agricultural Policy, ultimately lowering internal EU market prices to world price levels. As a result, annual EU wheat exports dropped from 22 million tons to about 14 million tons as lower market prices stimulated domestic use, and annual EU wheat imports jumped from 1.5 million tons to 4.5 million tons as the levied margin of protection fell. This translates into an 11-percent reduction in global export competition and a 3-million-ton increase in the EU market, half of which is supplied by the United States.

  Under NAFTA, Mexico eliminated import licensing for wheat and is phasing out tariffs. Since 1994, average annual U.S. wheat exports to Mexico have more than doubled, from 20 million bushels to nearly 50 million bushels. In 2000, exports reached 66 million bushels valued at $200 million.

- # Tennessee benefits under the Uruguay Round agreement because South Korea eliminated its import quotas on frozen chicken (whole and parts) in 1997, and is progressively reducing its tariffs to between 18 and 20 percent by 2004. These market-opening steps supported a rise in U.S. poultry exports to South Korea from 22,000 tons valued at $28 million in 1996 to 83,000 tons valued at $52 million in 2000. The Philippines opened a tariff-rate quota for poultry meat of 16,701 tons in 1998, which will reach 23,500 tons by 2004. This arrangement permitted U.S. poultry exports to rise from 2,700 tons valued at $3 million in 1997 to 17,000 tons valued at $14 million in 2000.

  Under NAFTA, Mexico converted its import licensing regime for chilled and frozen poultry to a transitional tariff-rate quota that will be phased out by 2003. From 1993 to 2000, U.S. poultry exports to Mexico rose from 164,000 tons valued at $188 million to 281,000 tons valued at $243 million.