Trade and Agriculture
What's at Stake for Arkansas?

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Arkansas is an important producer and exporter of agricultural products. In 2002, the State's cash farm receipts totaled $4.4 billion. Arkansas ranked 19th among all 50 states in 2002 with agricultural exports estimated at $962 million. Agricultural exports help boost farm prices and income, while supporting about 14,304 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports remain important to Arkansas' agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 22 percent in 2002.

Arkansas' top five agricultural exports in 2002 were:

- rice -- $369 million
- poultry and products -- $253 million
- soybeans and products -- $231 million
- cotton -- $181 million
- wheat and products -- $90 million

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

Arkansas Benefits From Trade Agreements

Arkansas is already benefiting from a number of agricultural trade agreements. While there is still much to be done, examples of market opportunities for Arkansas include:

- Arkansas has benefited from the opening of the Japanese rice market under the Uruguay Round. Japan opened its market to 375,000 tons of imported rice in 1995; by 2000, the tariff-rate quota had expanded to 682,200 tons. As a result, Japan has emerged as one of the largest export markets for U.S. rice, with sales increasing from nearly 66,000 tons in 1995 to 312,000 tons in 2002. The United States has supplied about half Japan's rice import needs since 1995, and the country is the top destination for U.S. medium and short grain rice.

- South Korea also opened its rice market to imports after the Uruguay Round and is currently committed to import 171,023 tons in the seventh year of the ten year implementation period. In the last two years, the United States has benefited from this arrangement as Korea purchased at total of 90,000 tons (product weight basis) of high quality U.S. medium grain rice.

- Following their accession to the WTO, Taiwan opened its market to 144,720 tons (brown basis) of imported rice in 2002. The United States is estimated to have gained well over half of the new import market during this first year.

- Under NAFTA, tariff preferences have helped to increase U.S. market share for rice in Mexico from 79 percent in 1994 to nearly 100 percent by 1999. From 1994 to 2002, the value of U.S. rice exports to Mexico increased from $68 million to approximately $103 million.

- Arkansas benefits under the Uruguay Round as Korea reduces its tariffs on soybean oil by 14.5 percent from 1995 to 2004. Thus far, the tariff reduction has supported a three-fold increase in export volume with total sales reaching $34 million in 2002. The Philippines is reducing its tariffs on soybean meal from 10 to 3 percent during the same period. This tariff reduction has supported a 27-percent increase in U.s. soybean meal exports topping $146 million in 2002. China's accession to the WTO has helped to raise our exports of soybeans fourfold from 1999 to 2002, reaching nearly $1 billion in the latest year.

- As one of the leading states in poultry production, Arkansas benefits under the Uruguay Round agreement because Korea eliminated its import quotas on frozen chicken (whole and parts) in 1997, and is progressively reducing its tariffs to between 18 to 20 percent by 2004. These market-opening steps supported a rise in U.S. poultry exports to Korea from 22,000 tons valued at $28 million in 1996 to 120,000 tons valued at $79 million in 2002. The Philippines opened a tariff-rate quota for poultry meat of 16,701 tons in 1998, which will reach up to 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 over 17,000 tons valued at $14 million in 2002. Under NAFTA, poultry products, except leg quarters, thighs and drumsticks, are imported duty free as tariff-rate quotas (TRQ) were eliminated on January 1, 2003. The safeguard measure agreement between the U.S. and Mexico places a TRQ on leg quarters, thighs and drumsticks until 2007. From 1993 to 2001, U.S. poultry exports to Mexico rose from 164,000 tons valued at $188 million to 280,000 tons valued at $258 million. U.S. exports to Mexico in 2002 were hampered by outbreaks of Avian Influenza and Exotic Newcastle Disease within the United States. Under the 1999 U.S.-China Agricultural Cooperation Agreement, China accepts all poultry meat that is certified wholesome by USDA. Since 1999, direct exports of U.S. poultry meat rose from 77,000 tons valued at $48 million, to more than 100,000 tons valued at $49 million.

- Arkansas benefits under NAFTA with new rules of origin that increase demand for U.S. textiles in Canada and Mexico. Mexico's 10-percent tariffs on cotton has been eliminated. This tariff reduction supports U.S. cotton exports to Mexico, which rose from 558,000 bales to 2.2 million bales from marketing year 1995 to 2002. U.S.

industry estimates that the Caribbean Basin Initiative and Africa Growth and Opportunity Act will increase annual cotton sales by 100,000 bales.

- Arkansas benefited from limits set on subsidized wheat exports during the Uruguay Round. These limits influenced the EU's decision to make changes to its Common Agricultural Policy and ultimately lowered internal EU market prices to world price levels. Annual EU wheat exports dropped from 22 million tons to about 14 million tons as lower market prices stimulated domestic use. Meanwhile, annual EU wheat imports jumped from 1.5 million tons to 7 million tons as the levied margin of protection fell. This translates to an 11 percent reduction in global export competition and a 5.5-million ton increase in EU wheat imports, a third of which is supplied by the United States.

- Arkansas has also benefited from NAFTA and could benefit from China's accession to the WTO. 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 tripled from 23 million bushels to 85 million bushels valued at $349 million in 2002. China agreed in its WTO accession to lock in tariff rate quotas and lower tariffs, and ends export subsidies **B** all concessions that provide an opportunity to increase U.S. wheat exports. This should facilitate trade in future years, but has had little impact in the past year or so because of ample domestic production in China.