



Trade and Agriculture **What's at Stake for Michigan?**

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Michigan is an important producer and exporter of agricultural products. The State's farm cash receipts totaled \$3.3 billion in 2002, and its agricultural exports were estimated at \$735 million. Agricultural exports help boost farm prices and income, while supporting about 11,026 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports are important to Michigan's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 22 percent in 2002.

Michigan's top five agricultural exports in 2002 were:

- soybeans and products -- \$162 million
- feed grains and products -- \$127 million
- vegetables -- \$106 million
- fruits -- \$79 million
- live animals and meat -- \$53 million

World demand for these products is increasing, but so is competition among suppliers. If Michigan'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.

Michigan Benefits From Trade Agreements

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

- As a producer of soybeans, Michigan benefits as South Korea as 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 U.S. exports of soybeans fourfold from 1999 to 2002, reaching nearly \$1 billion in 2002.
- Michigan, a large feed corn producer, benefited under the North American Free Trade Agreement when Mexico converted its import licensing system for corn to

a transitional tariff-rate quota which will remain in effect until 2008. Under this new system, the volume of U.S. corn exports to Mexico has risen over 42 percent since 1994, reaching 120 million bushels valued at \$585 million in 2002. Under the Uruguay Round, the Philippines converted its import ban on corn to tariffs. Since then, the United States has exported well over 1 million tons of corn to the Philippines.

- As a large processor of sweet corn, Michigan benefits under the Uruguay Round as Japan, Korea and Thailand lowered their tariffs on sweet corn. By 2004, Thailand will reduce its tariffs on canned and frozen sweet corn to 30 and 40 percent, and Korea will reduce its tariffs on frozen sweet corn from 60 to 54 percent. Japan reduced its tariffs on frozen sweet corn from 12.5 percent in 1995 to 10.6 percent in 2000. Supported by lower tariffs, U.S. canned sweet corn exports to Japan topped \$52 million in 2002, up 24 percent since 1995. U.S. canned sweet corn exports to Korea hit \$14 million in 2002, up 40 percent from 1995.
- As one of the nation's larger commercial apple producers, Michigan benefits under the U.S.-Israel Agreement on Trade in Agricultural Products as Israel expands access to its apple market from 1,600 tons (duty-free quota) in 1995 to 1,855 tons in 2001. Currently, the quota remains at 1,855 tons and will hopefully be raised in future negotiations.
- Under the North American Free Trade Agreement, Mexico eliminated its tariffs on fresh U.S. pears, quinces, plums, prunes, and apricots in 1998. U.S. exports of pears and quinces to Mexico rose from \$26.6 million in 1998 to \$45.8 million in 2002. Fresh plum and prune exports to Mexico rose from \$3.5 million to \$5.7 million during the same period. Total U.S. exports of pears and quinces rose from \$81 million in 1998 to \$100.3 million in 2002, while U.S. exports of fresh plums and prunes rose from \$53.4 million to \$56.4 million during the same period.
- Under the Uruguay Round, Michigan benefits as Japan lowered its tariff on blueberries from 10 to 6 percent, U.S. exports of fresh wild and cultivated blueberries rose from \$2 million in 1998 to \$7 million in 2002.