Trade and Agriculture
What's at Stake for Oklahoma?

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Oklahoma produces agricultural products that are exported worldwide. In 2002, the State's farm cash receipts totaled $3.7 billion, and exports were an estimated $540 million. Agricultural exports help boost farm prices and income, while supporting about 8,050 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports are increasingly important to Oklahoma's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 14 percent in 2002.

Oklahoma's top five agricultural exports in 2002 were:

- wheat and products -- $242 million
- live animals and red meat -- $104 million
- poultry and products -- $47 million
- animal feeds and fodders -- $46 million
- feed grains and products -- $35 million

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

Oklahoma Benefits From Trade Agreements

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

- Oklahoma, the fifth largest wheat-producing state,, benefited 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 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 imports, half of which is supplied by the United States.

- Under the North American Free Trade Agreement, 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. Oregon could also benefit from China's accession to the WTO in which China agreed to lock in tariff-rate quotas and lower tariffs and end export subsidies. These concessions 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.

- Oklahoma, among the top 20 poultry-producing states, 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 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 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 more than 17,000 tons valued at $14 million in 2002.

  Under the North American Free Trade Agreement, poultry products, except leg quarters, thighs and drumsticks, are imported duty free as tariff-rate quotas were eliminated on Jan. 1, 2003. The safeguard measure agreement between the United States 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.

- Oklahoma benefited as some of the top international markets significantly reduced tariffs on chilled and frozen beef. In 2001, South Korea eliminated its import quotas on chilled and frozen beef, and will reduce its tariffs to 40 percent by 2004. Supported in part by these changes, South Korea's imports of U.S. beef rose from 60,000 tons valued at $227 million in 1994 to 213,000 tons worth $610 million in 2002. Under the North American Free Trade Agreement, Mexico eliminated its 15-percent tariff on live slaughter cattle, its 20-percent tariff on chilled beef, and its 25-percent tariff on frozen beef. Its 20-percent tariff on beef offal was eliminated in 2003. Mexico has been one of the fastest growing markets for U.S. beef, supported in part by the elimination of tariff barriers. U.S.

beef exports to Mexico rose from the 1993 pre-NAFTA level of 39,000 tons valued at $116 million to 207,000 tons valued at $596 million in 2002.