Trade and Agriculture
What's at Stake for Washington?

U.S. Department of Agriculture
Foreign Agricultural Service
September 2003

Washington is an important producer and exporter of agricultural products. In 2002, the State's cash receipts from farming totaled $5.3 billion. Washington ranked ninth among all 50 States in 2002, with agricultural exports estimated at $1.8 billion. Agricultural exports help boost farm prices and income, while supporting about 26,820 jobs both on and off the farm in food processing, storage, and transportation. Exports are important to Washington's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 34 percent in 2002.

Washington's top five agricultural exports in 2002 were:

- fruits -- $533 million
- vegetables -- $474 million
- wheat and products -- $267 million
- live animals and red meat -- $93 million
- hides and skins -- $46 million

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

Washington Benefits From Trade Agreements

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

- As the third largest fruit exporter nationwide, Washington benefits from increased access to the Mexican market. 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.

- Washington, the second largest vegetable exporter among all 50 States, benefits under the Uruguay Round as Japan, South Korea, and Thailand lower 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.

- Washington, the third largest wheat-exporting State, 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.

  Washington State 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, lower tariffs, and end 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.

- Washington 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.

- Under the Uruguay Round agreement, the European Union reduced tariffs on wine, and now the majority of U.S. wine exported faces EU tariffs at 13.1 ECUs per hectoliter or about 50 cents per gallon. By April 2000, Japan implemented its final wine duty reduction under the Uruguay Round agreement. The tariff rate on bottled wine was lowered to 15 percent. Supported by lower tariffs, U.S. wine exports to the EU more than doubled from the 1995-level, reaching $542 million in 2002. Likewise, U.S. wine exports to Japan increased from $32 million to $79 million. Under the U.S.-Canada Free Trade Agreement, Canada reduced its cost-of-service markup on U.S. wines. U.S. exports of wine and products to Canada rose from $27 million in 1990 to $92 million in 2002.