



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

U.S. Department of Agriculture
Foreign Agricultural Service
September 2009

Arkansas is an important producer and exporter of agricultural products. In 2008 the State's cash farm receipts totaled \$8.3 billion. Arkansas ranked 11th among all 50 states in 2008 with agricultural exports estimated at \$3.2 billion. Agricultural exports help boost farm prices and income, while supporting about 37,065 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 38 percent in 2008.

Arkansas' top five agricultural exports in 2008 were:

- rice -- \$918 million
- soybeans and products -- \$807 million
- poultry and products -- \$509 million
- cotton -- \$473 million
- wheat and products -- \$276 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.

How Trade Agreements Benefit Arkansas Agriculture

Rice, Arkansas' number one export will benefit tremendously from recently negotiated trade agreements. Under the U.S.-Chile FTA, Chile's import tariff on U.S. rice falls from 6 percent to zero over 12 years. Rice will be subject to price-based safeguards until tariffs are eliminated. If Congress ratifies the US – Dominican and Central American FTA in its current form, U.S. rice exporters gain preferential access through duty free in-quota access as out-of-quota tariffs are eliminated during 18 to 20-year transition periods. During this transition period, volume-based safeguards are available to the Central American countries. Quotas and their growth rates vary depending on the country and type of rice.

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.

As one of the leading states in poultry production, Arkansas benefited under the Uruguay Round agreement when Korea eliminated its import quotas on frozen chicken in 1997, and reduced its tariffs to between 18 to 20 percent by 2004. These steps supported a rise in U.S. poultry to 120,000 tons valued at \$79 million by 2002. The Philippines opened a tariff-rate quota for poultry meat of 16,701 tons in 1998, which rose to 23,500 tons by 2004.

Under the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR), all applied import tariffs on U.S. poultry meats that currently range between 30 and 164 percent will be eliminated over 10 to 18 years depending on the product and country. Each country also commits to adopting a “systems approach” to the recognition of the U.S. poultry inspection system, thereby eliminating plant-by-plant inspections and facilitating trade. From 2001 through 2003, U.S. poultry meat suppliers annually shipped on average 65,550 metric tons valued at \$61 million to all six countries combined.

Export Success Stories

As a major soybean producer, Arkansas has benefited from the efforts of the American Soybean Association (ASA), in partnership with USDA, and various producer organizations to increase demand for U.S. soybeans and meal in a number of key markets in Asia. For example, in China, ASA's technical assistance has increased demand for soy-based aquaculture feed. The Chinese aquaculture industry currently uses 3 million metric tons of soybeans, valued at \$616 million, compared to zero a decade ago.

The Arkansas rice industry has benefited from efforts of USA Rice trade association's efforts to expand the Japanese rice shop network selling U.S. rice year-round from 44 members in the Tokyo area to 105 members across Japan. U.S. rice is now penetrating Japanese supermarkets. USA Rice's sponsored delegation of Hong Kong importers/wholesalers last year has already resulted in trial purchases of U.S. rice, and more sales are expected.