Trade and Agriculture
What's at Stake for Idaho?

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Idaho produces agricultural products that are exported worldwide. In fiscal year 2002, the State's total cash receipts from farming reached $3.7 billion, and exports were estimated at $789 million. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation. These exports helped boost farm prices and income, while supporting about 11,770 jobs both on the farm and off the farm in food processing, storage, and transportation. The State's reliance on agricultural exports was 21 percent in 2002.

Idaho's top five agricultural exports in fiscal year 2002 were:

- vegetables -- $247 million
- wheat and products -- $158 million
- live animals and red meats -- $93 million
- dairy products -- $52 million
- hides and skins -- $47 million

World demand for agricultural, fish and wood products is increasing, but so is competition among suppliers. If Idaho's industries are to compete successfully for export opportunities in the 21st century, they need *fair trade* and *more open access* to growing global markets.

Idaho Benefits From Trade Agreements

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

- The nation's leading potato producer, Idaho benefits under the North American Free Trade Agreement as Mexico phases out its in-quota tariff rate on frozen potatoes (initially at 15 percent in 1993) by 2003. At the same time, a special safeguard tariff-rate quota of 1,800 tons will grow at a compound annual rate of 3 percent. These changes support U.S. potato fry exports to that Mexico, which jumped from $9.6 million in 1994 to $35 million in 2002. Frozen potato fry sales to Japan increased 23 percent to $152 million over this period. As for Korea, U.S. frozen potato fry exports to that country rose 47 percent to $22 million during the same period.

- Idaho, a large wheat producer, 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. 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.

- Idaho 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 doubled, 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 end export subsidies – 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.

- Idaho 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 (NAFTA), 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 market 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.

- Idaho benefited under the NAFTA when Mexico converted its import licensing system for corn to a transitional tariff-rate quota that will remain in effect until 2008. Under this 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 agreement, 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.