



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

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Kansas is an important producer of agricultural products and a major exporter. In 2002, the State's cash farm receipts totaled \$7.9 billion. Kansas ranked fifth among all 50 States in 2002 in the value of its agricultural exports, which reached an estimated \$3 billion. Agricultural exports help boost farm prices and income, while supporting about 44,700 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports are increasingly important to Kansas' agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 38 percent in 2002.

Kansas' top five agricultural exports in 2002 were:

- live animals and red meats -- \$748 million
- wheat and products -- \$695 million
- feed grains and products -- \$520 million
- feeds and fodders -- \$349 million
- hides and skins -- \$323 million

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

Kansas Benefits From Trade Agreements

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

- Kansas, the nation's largest wheat grower, benefited from limits set on subsidized wheat exports as a result of the Uruguay Round agreement. These limits influenced the European Union's (EU) 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 wheat imports, a third of which is supplied by the United States.

Kansas has also benefited from the North American Free Trade Agreement (NAFTA) and could benefit from China's accession to the World Trade Organization (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. In its WTO accession agreement, China agreed to lock in tariff-rate quotas (TRQs) and lower tariffs, and end export subsidies; all concessions that provide opportunities to increase U.S. wheat exports. This should facilitate trade in future years, but had little impact last year because of ample domestic production in China.

- Kansas benefited as some top international markets significantly reduced tariffs on chilled and frozen beef. In 2001, South Korea eliminated its chilled and frozen beef import quotas, 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 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 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.

- Kansas benefited under NAFTA when Mexico converted its import licensing system for corn to a transitional TRQ that 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 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.