



## *Trade and Agriculture* **What's at Stake for Louisiana?**

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Louisiana produces agricultural products that are exported worldwide. Louisiana's farm cash receipts were \$1.8 billion in 2002, and its agricultural exports were estimated at \$395 million in 2002. Agricultural exports help boost farm prices and income, while supporting about 5,960 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports are important to Louisiana's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 21 percent in 2002.

Louisiana's top agricultural exports in 2002 were:

- rice – \$104 million
- cotton – \$102 million
- soybeans and products -- \$51 million

World demand is increasing, but so is competition among suppliers. If Louisiana'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.

### **Louisiana Benefits From Trade Agreements**

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

- As the nation's third largest producer of rice, Louisiana has benefited from the opening of the Japanese rice market under the Uruguay Round agreement. Japan opened its market to 375,000 tons of imported rice in 1995, which expanded to a 682,200-ton tariff-rate quota by 2000. As a result, Japan has emerged as one of the largest export markets for U.S. rice, with sales increasing from nearly 66,000 tons in 1995 to 312,000 tons in 2002. The United States has supplied about half Japan's rice import needs since 1995, and the country is the top destination for U.S. medium- and short-grain rice.

South Korea also opened its rice market to imports under the Uruguay Round agreement and is currently committed to import 171,023 tons in the seventh year of the 10-year implementation period. Over the past two years, the United States has benefited from this arrangement as South Korea purchased 90,000 tons (product-weight basis) of high-quality U.S. medium-grain rice.

Following its accession to the World Trade Organization (WTO), Taiwan opened its market to 144,720 tons (brown basis) of imported rice in 2002. The United States is estimated to have gained well over half of the new import market during that year.

Under the North American Free Trade Agreement (NAFTA), tariff preferences have helped increase U.S. market share for rice in Mexico from 79 percent in 1994 to nearly 100 percent by 1999. From 1994 to 2002, the value of U.S. rice exports to Mexico increased from \$68 million to \$103 million.

- Louisiana, the seventh largest cotton producer, benefits under NAFTA with new rules of origin that increase demand for U.S. textiles in Canada and Mexico. Mexico's 10-percent tariff on cotton has been eliminated. This tariff reduction supports U.S. cotton exports to Mexico, which rose from 558,000 bales to 2.2 million bales in marketing year 2002. The U.S. industry estimates that the Caribbean Basin Initiative and the Africa Growth and Opportunity Act will increase annual cotton sales by 100,000 bales.
- As a producer of soybeans, Louisiana benefits under the Uruguay Round agreement as South Korea reduces its tariffs on soybean oil by 14.5 percent from 1995 to 2004. Thus far, the tariff reduction has supported a threefold increase in export volume, with total sales reaching \$34 million in 2002. The Philippines is reducing its tariffs on soybean meal from 10 to 3 percent during the same period. This tariff reduction has supported a 27-percent increase in U.S. soybean meal exports, topping \$146 million in 2002. China's accession to the WTO has helped raise U.S. exports of soybeans fourfold from 1999 to 2002, reaching nearly \$1 billion last year.