Trade and Agriculture
What's at Stake for Maryland?

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Maryland's agricultural goods are exported worldwide. In 2002, the State's farm cash receipts totaled $1.5 billion, and its agricultural exports were estimated at $236 million. Agricultural exports help boost farm prices and income, while supporting about 3,576 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports are increasingly important to Maryland's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 16 percent in 2002.

Maryland's top agricultural exports in 2002 were:

- poultry and products -- $57 million
- soybeans and products -- $51 million
- feed grains and products -- $38 million
- wheat and products -- $26 million

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

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

- One-fourth of Maryland's farm receipts come from broiler production. Under the Uruguay Round agreement, Maryland benefits as South Korea eliminated its import quotas on frozen chicken (whole and parts) in 1997, and is reducing its tariffs to between 18 to 20 percent by 2004. These steps supported a rise in U.S. poultry exports to South Korea from 22,000 tons valued at $28 million in 1996 to 120,000 tons valued at $79 million in 2002. The Philippines opened a tariff-rate quota (TRQ) for poultry meat of 16,701 tons in 1998, which will reach 23,500 tons by 2004. This permitted U.S. poultry exports to rise from 2,700 tons valued at $3 million in 1997 to over 17,000 tons valued at $14 million in 2002.

  Under the North American Free Trade Agreement (NAFTA), poultry products, except leg quarters, thighs, and drumsticks, are imported duty free as TRQs were eliminated on Jan. 1, 2003. The safeguard measure agreement between the United

States and Mexico places a TRQ on leg quarters, thighs, and drumsticks until 2007. From 1993 to 2001, U.S. poultry exports to Mexico rose from 164,000 tons valued at $188 million to 280,000 tons valued at $258 million. U.S. exports to Mexico in 2002 were hurt by outbreaks of avian influenza and exotic Newcastle disease in the United States. Under the 1999 U.S.-China Agricultural Cooperation Agreement, China accepts all poultry meat that is certified wholesome by USDA. Since 1999, direct exports of U.S. poultry meat rose from 77,000 tons valued at $48 million to more than 100,000 tons valued at $49 million.

- As a producer of soybeans, Maryland benefits under the Uruguay Round agreement as South Korea reduces its tariffs on soybean oil by 14.5 percent from 1995 to 2004. 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 World Trade Organization (WTO) has helped raise U.S. exports of soybeans fourfold from 1999 to 2002, reaching nearly $1 billion last year.

- Maryland 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.

- Maryland 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.

  Maryland 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. In its WTO accession agreement, China agreed to lock in 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.