



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

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Missouri is an important producer and exporter of agricultural products. The State's farm cash receipts totaled \$4.4 billion in 2002. Missouri ranked 15th among all 50 states in 2002, with agricultural exports valued at \$1.2 billion. Agricultural exports help boost farm prices and income, while supporting about 17,880 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports are increasingly important to Missouri's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 26 percent in 2002.

Missouri's top five agricultural exports in 2002 were:

- soybeans and products -- \$472 million
- feed grains and products -- \$245 million
- wheat and products -- \$134 million
- cotton -- \$68 million
- feeds and fodders -- \$55 million

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

Missouri Benefits From Trade Agreements

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

- The nation's sixth largest soybean producer, Missouri benefits 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 three-fold 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 to raise U.S. exports of soybeans fourfold from 1999 to 2002, reaching nearly \$1 billion in the latest year.

- Missouri, a large feed corn producer, benefited under the North American Free Trade Agreement when Mexico converted its import licensing system for corn to a transitional tariff-rate quota which 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, 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.
- An exporter of wheat, Missouri benefited from limits set on subsidized wheat exports during the Uruguay Round. These limits influenced the European Union's decision to make changes to its Common Agricultural Policy and ultimately lowered 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. Missouri has also benefited from the North American Free Trade Agreement 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. China agreed in its WTO accession to lock in tariff rate quotas and lower tariffs, and ends export subsidies **B** 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.