



U.S.-Korea Trade Agreement

What's at Stake for Fresh Citrus & Orange Juice?

March 2011

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's \$1 trillion economy and 49 million consumers. Under the agreement, nearly two-thirds of current U.S. agricultural exports will become duty free immediately and lower tariffs will benefit both U.S. suppliers and Korean consumers.

The KORUS agreement will help the United States compete against Korea's other major agriculture suppliers and keep the United States on a level playing field with Korea's current and future trade partners. Korea finalized its trade agreement with the European Union in October 2009 and presently has trade agreements in place with Chile, India, and the 10-country ASEAN group. In addition, the country is negotiating new trade agreements with Canada, Australia, New Zealand, and China. Most of these countries are U.S. competitors.

If the United States fails to implement the KORUS agreement, it will likely see its share of Korea's total agricultural imports, which stood at nearly 30 percent in 2010, steadily erode.

CITRUS

TERMS OF THE AGREEMENT

Lemons – Korea's current 30-percent lemon tariff will be reduced to 15 percent in the first year and eliminated on January 1 of the second year of the agreement.

Grapefruit – For grapefruit, the current 30-percent World Trade Organization (WTO) tariffs will be reduced to zero in five equal annual installments.

Fresh Oranges – Upon implementation of the agreement, an estimated 70 percent of current U.S. orange trade with Korea will be subject to lower tariffs immediately. On "out-of-season" product entering during the March 1-August 31 period, Korea's 50-percent tariff will immediately be reduced to 30 percent, and will then be reduced to zero in six equal annual installments.

An initial duty-free tariff-rate quota (TRQ) of 2,500 metric tons will apply for orange imports from the United States during Korea's "in-season" period of September 1 through the end of February. From the second year onward, the TRQ will grow at a compound 3-percent annual rate in perpetuity. In-season imports above the TRQ volume will continue at the current most-favored-nation rate of 50 percent.

THE TRADE SITUATION

Fresh citrus fruits are a sensitive group of commodities for Korea, and the country provides considerable protection to its domestic citrus industry. Highly restrictive tariff and non-tariff barriers help ensure that

Korea's internal demand for citrus fruit is met largely through domestic production of mandarin oranges, which USDA estimates to be 610,000 metric tons for the 2010-2011 marketing year.

Despite rigorous import restrictions, Korea has been the second largest market for U.S. oranges for the past several years. From 2008 through 2010, U.S. suppliers shipped an average 99,000 tons of oranges valued at \$92 million to Korea. In 2010, the United States had a 95-percent market share in Korea, with only limited competition from Chile, South Africa, and Spain.

Korea was the fourth largest market for U.S. lemons in 2010. From 2008 through 2010, U.S. suppliers shipped an average of 5,600 tons of lemons annually valued at \$6.8 million. Chile has a trade agreement with Korea and began shipping lemons to Korea in 2005. Chile now has a 13-percent market share in Korea.

The United States has historically been the dominant grapefruit supplier to Korea. Korea's imports of U.S. grapefruit in 2010 totaled \$8.6 million, with 90 percent market share.

ORANGE JUICE

TERMS OF THE AGREEMENT

Korea's 54-percent WTO tariff on frozen orange juice concentrate will be immediately eliminated. A 54-percent tariff rate advantage over Brazil and Israel – our key competitors in Korea's orange juice import market – presents a huge opportunity for U.S. exporters.

THE TRADE SITUATION

Korea is the fourth largest market for U.S. orange juice. From 2008 through 2010, U.S. orange juice suppliers annually shipped an average of \$10.3 million. Brazil currently supplies 60 percent of Korea's \$43-million orange juice import market and the United States 30 percent. Elimination of the duty for U.S. frozen orange juice concentrate more than offsets the price advantage Brazilian juice has enjoyed in Korea.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Public Affairs at (202) 720-7115 or LPA@fas.usda.gov.