

## ***U.S.-CAFTA-DR Free Trade Agreement*** **Arizona Farmers Will Benefit.**

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Exports of farm products help boost Arizona's farm prices and income. Such exports help support about 7,520 jobs both on and off the farm in food processing, storage, and transportation. In 2003, Arizona's farm cash receipts were \$2.6 billion, and agricultural exports were estimated at \$476 million, putting its reliance on agricultural exports at 18 percent. Implementation of the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) will increase Arizona's exports of agricultural products.

### **Arizona Benefits From the U.S.- CAFTA-DR Free Trade Agreement (FTA)**

Despite over \$1.6 billion in U.S. farm exports in 2003, CAFTA-DR countries continue to impose high tariffs and other barriers on most agricultural products, including Arizona's key exports. A primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. Over 50 agricultural industry and farm groups, including the American Farm Bureau support the FTA.

**Beef.** As the state's largest source of state farm cash receipts at \$761 million, Arizona cattle and calve producers benefit from the FTA.

- Current import duties on U.S. beef exports are as high as 30 percent, and the WTO permits duties as high as 79 percent.
- Duties on the products most important to the U.S. beef industry – Prime and Choice cuts – will be eliminated immediately in Central American countries, while the Dominican Republic will establish a zero duty TRQ of 1,100 metric tons which expands annually as duties are eliminated.
- Some immediate duty-free access will be provided by certain countries on other beef cuts through an initial TRQ totaling 1,165 metric tons, expanding annually until duties are fully phased-out.
- Duties currently applied to other beef products and beef offals will be phased-out in 5 to 10 years.
- CAFTA-DR countries are working toward the recognition of the U.S. meat inspection and certification systems in order to facilitate U.S. exports.
- *The American Meat Institute, the National Cattlemen's Beef Association, the National Renderers Association, and the U.S. Meat Export Federation have expressed support publicly for the CAFTA-DR FTA.*

**Dairy.** Contributing nearly one-fifth of the state's farm cash receipts at \$413 million, Arizona dairy producers benefit from the FTA.

- U.S. dairy exporters currently face duties as high as 60 percent, and the WTO permits duties as high as 100 percent.

- Each country will establish duty-free TRQs for certain dairy products totaling over 10,000 metric tons across the six countries – and each will receive the same level of TRQ access for dairy products entering the United States.
- TRQs will grow by 5 percent per year for the Central American countries and 10 percent per year for the Dominican Republic, with certain dairy products subject to safeguards during the phase-out period.
- All Central American and Dominican duties will be eliminated within 20 years, with duties on some dairy products eliminated earlier.
- *The National Milk Producers Federation, the U.S. Dairy Export Council, the Grocery Manufacturers of America, and the National Food Processors Association have expressed support publicly for the CAFTA-DR FTA.*

**Lettuce.** Contributing nearly 15 percent of the state’s farm cash receipts at \$356 million, Arizona’s lettuce producers benefit from the FTA.

- The FTA will benefit from immediate tariff elimination in the Dominican Republic and the elimination of duties over 5 years in El Salvador, Guatemala, and Nicaragua.
- Duties will be eliminated over 10 years in Costa Rica and Honduras.
- Under the WTO, CAFTA-DR countries could raise duties on lettuce to 35 to 60 percent, depending on the country.

**Cotton.** Providing the state’s 4<sup>th</sup> largest source of farm cash receipts (\$183 million) and as the state’s largest export sector, Arizona cotton farmers benefit from the FTA.

- The FTA will lock-in immediately zero tariffs for markets worth \$73.1 million to U.S. cotton suppliers.
- Under the WTO, CAFTA-DR countries could raise duties on cotton to 35 to 60 percent, depending on the country.

**Wheat.** As the state’s 5<sup>th</sup> leading export sector, Arizona’s wheat producers benefit from the FTA.

- U.S. grain suppliers will benefit from zero duties immediately on wheat in all six countries, as well as on some processed grain products.
- The WTO generally permits duties up to 60 percent, but can exceed 100 percent.
- *The National Association of Wheat Growers, the National Grain and Feed Association, the National Grain Trade Council, the North American Export Grain Association, the U.S. Grains Council, the U.S. Wheat Associates, and the Wheat Export Trade Education Committee have expressed support publicly for the CAFTA-DR FTA.*