U.S.-CAFTA-DR Free Trade Agreement

Michigan Farmers Will Benefit.

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Exports of farm products help boost Michigan's farm prices and income. Such exports help support about 13,300 jobs both on and off the farm in food processing, storage, and transportation. In 2003, Michigan's farm cash receipts were $3.8 billion, and agricultural exports were estimated at $842 million, putting its reliance on agricultural exports at 22 percent. Implementation of the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) will increase Michigan's exports of agricultural products.

Michigan 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 Michigan'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.

Dairy. As the leading source of state farm cash receipts, Michigan 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.*

Soybeans and Products. As the state's largest agricultural export with cash receipts of nearly $400 million, Michigan soybean producers benefit from the FTA.

- Central American and Dominican import duties range from zero to 20 percent, and the WTO permits duties as high 90 percent.
- CAFTA-DR countries will provide immediate duty-free access for soybeans. Duties on soybean meal and flour will be eliminated immediately in most CAFTA-DR countries.

- Most CAFTA-DR countries will immediately eliminate duties on crude soybean oil, and the current duties on refined soybean oil phased out over 12 to 15 years.
- *The American Soybean Association, the National Grain and Feed Association, and the National Oilseed Processors Association have expressed support publicly for the CAFTA-DR FTA.*

Corn. Providing the 3rd largest source of state farm cash receipts, Michigan corn producers benefit from the FTA.

- U.S. corn exporters face duties up to 35 percent, and the WTO permits duties as high as 75 percent.
- Costa Rica and the Dominican Republic will eliminate their duty on yellow corn immediately. The other countries will provide preferential access through individual duty-free TRQs totaling 1,151,259 metric tons initially, growing by 5 percent per year as the over-quota duties are phased out over 15 years (10 years in the case of Guatemala).
- All currently applied duties on corn products (including corn flour, corn gluten feed, corn oil and high fructose corn syrup) will be phased-out in 15 years.
- *The Corn Refiners Association, the National Corn Growers Association, the National Grain and Feed Association, the National Grains Trade Council, the North American Export Grain Association, the U.S. Grains Council, and the North American Millers Association have expressed support publicly for the CAFTA-DR FTA.*

Vegetables, Including Dried Beans. As the nation's 8th largest agricultural exporter with farm cash receipts over $300 million, Michigan vegetable producers benefit from the FTA.

- With over $90 million in farm cash receipts, Michigan potato producers benefit from immediate duty elimination on certain potato products, including frozen french fries, which will be duty-free immediately in most CAFTA-DR countries. All duties will be eliminated in 15 years, except for fresh potatoes in Costa Rica, where liberalization will occur through expanded TRQ access, with an initial quantity of 300 metric tons. Current duties in the CAFTA-DR countries are generally 15 percent, and the WTO permits duties as high as 60 percent.
- With over $60 million in farm cash receipts, Michigan dried bean producers benefit from immediate duty-free access for some dried beans and phase-out of other duties in 5 to 15 years. The Dominican Republic will provide a duty-free TRQ for mung, red, and kidney beans, of 8,560 metric tons, growing at a rate of 7 percent. All duties will be eliminated in 15 years. Currently, import duties in CAFTA-DR countries are as high as 89 percent, and the WTO permits duties as high as 110 percent.
- *The National Potato Council, the American Potato Trade Alliance, Washington State Potato Commission, United States Dry Bean Council, the American Frozen Food Institute, the Grocery Manufacturers of America, and the National Food Processors Association have expressed support publicly for the CAFTA-DR FTA.*

Beef. As the state's 5th largest agricultural exports and providing over $200 million in farm cash receipts, Michigan cattle and calve operators 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.*

Fruits. As the nation's 6th largest exporter, Michigan fruit producers and processors benefit from the FTA.

- With farm cash receipts totaling nearly $150 million, Michigan apple and cherry producers benefit from immediate duty elimination by all CAFTA-DR countries on apples and cherries. Current duties on these product can reach 25 percent in CAFTA-DR countries, and under WTO rules, could rise to as high as 60 percent
- With farm cash receipts over $60 million, Michigan blueberry producers benefit from immediate duty elimination by all CAFTA-DR countries except Cost Rica, that will phase-out its 15 percent duty within 5 years. Current duties on blueberries can reach 20 percent in CAFTA-DR countries, and under WTO rules, could rise to as high as 60 percent.
- *The U.S. Apple Association, the Northwest Horticultural Council, the National Food Processors Association, and the Grocery Manufacturers Association have expressed support publicly for the CAFTA-DR.*

Sugar Production in Michigan - Map