U.S.-CAFTA-DR Free Trade Agreement
South Carolina Farmers Will Benefit.

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Exports of farm products help boost South Carolina's farm prices and income. Such exports help support about 3,918 jobs both on and off the farm in food processing, storage, and transportation. In 2003, South Carolina's farm cash receipts were $1.6 billion, and agricultural exports were estimated at $248 million, putting its reliance on agricultural exports at 15 percent. Implementation of the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) will increase South Carolina's exports of agricultural products.

South Carolina 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 South Carolina'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.

Poultry. Providing the top source of farm cash receipts and the 2nd largest source of agricultural exports, South Carolina poultry producers benefit from the FTA.

- U.S. poultry exporters currently face duties as high as 164 percent on both fresh and frozen products, and the WTO permits duties as high as 250 percent.
- Each CAFTA-DR country will provide immediate duty-free access on chicken leg quarters, a product where the United States is the world's most competitive exporter, through country-specific TRQs that expand annually as duties are eliminated in 17 to 20 years.
- Costa Rica and the Dominican Republic will establish duty-free TRQs for chicken leg quarters totaling 850 metric tons, each expanding by 10 percent annually. The other four Central American countries will establish a total regional duty-free TRQ of 21,810 metric tons (with individual country minimum quota levels). After year 12, the TRQ quantity will be no less than 5 percent of regional chicken production.
- Duties on poultry products such as wings, breast meat and mechanically de-boned poultry meat will be reduced more quickly, with many eliminated within 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 National Chicken Council, the USA Poultry and Egg Export Council, and the National Turkey Federation have expressed support publicly for the CAFTA-DR FTA.*

Soybeans and Products. As the 4th largest agricultural export from the state, South Carolina 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.*

Wheat. As the 3rd largest agricultural export from the state, South Carolina 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. Wheat Associates, the Wheat Export Trade Education Committee, and the North American Millers Association have expressed support publicly for the CAFTA-DR FTA.*

Beef. Providing the 5th largest source of farm cash receipts, South Carolina 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.*

Cotton. As the 5th largest source of state agricultural exports, South Carolina cotton producers benefit from zero tariffs that the FTA locks-in immediately 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.

Tobacco. As the top state agricultural export, South Carolina tobacco farmers benefit from the FTA.

- Central American and Dominican import duties range from zero to 14 percent, and the WTO permits duties as high 90 percent.
- Under the FTA, duties will be immediately eliminated in El Salvador, Guatemala, Honduras and Nicaragua. Costa Rica and the Dominican Republic will eliminate duties in 10 years.
- U.S. tariffs on tobacco will be phased-out over a 15-year period, except where current duty treatment under CBI grants duty-free access. For those products, the tariff will be set at zero immediately.