United States Department of Agriculture

Foreign Agricultural Service

FACT SHEET

U.S.-Panama Trade Promotion Agreement

Illinois Farmers Will Benefit

September 2008

The U.S.-Panama Trade Promotion Agreement eliminates tariffs and other barriers on most U.S. goods, increasing export opportunities for agricultural products important to Illinois. With immediate elimination of duties on over 60 percent of current U.S. trade, this agreement changes the one-way street of duty-free access currently enjoyed by most Panamanian exports into a two-way street benefiting both countries. The American Farm Bureau strongly supports the agreement, predicting widespread gains for U.S. agriculture exceeding $190 million per year.

Illinois' exports to all countries, estimated at $4.7 billion in 2007, supported about 44,900 jobs, on and off the farm. These export sales make an important contribution to the Illinois farm economy which had total cash receipts of $8.6 billion in 2006.

Feed Grains. Illinois corn farmer cash receipts were $3.6 billion in 2006 accounting for 42 percent of the state's total, and Illinois is the nation's second largest exporter of feed grains and products. Feed grain producers will benefit from this agreement.

- Panama will provide immediate duty-free access within a tariff-rate quota (TRQ) for 298,700 tons of U.S. corn that will grow at a rate of 3 percent each year. The 40-percent over-quota tariff will be eliminated in 15 years.
- The current zero-tariff treatment for crude corn oil will be locked in place immediately and Panama will provide immediate duty-free access for refined corn oil within a 368-ton TRQ that grows each year by 5 percent. The 30-percent over-quota tariff will be phased out within 10 years.

Soybeans and Products. Illinois is one of the nation's top soybean producers. Soybeans are the second largest source of farm cash receipts and the state is the second largest exporter. In 2006, the state's farm cash receipts from soybeans were $2.5 billion, and exports of soybeans and products were estimated at $1.5 billion in 2007. Panama is the twelfth largest export market for U.S. soybean meal with exports for the most recent three years averaging 109,000 tons valued at $24.7 million. Illinois' soybean producers will benefit from this agreement.

- Panama's current zero-tariff treatment for soybeans and soybean meal will be locked in place immediately upon implementation of the Agreement.
- The current zero-tariff treatment for crude soybean oil will also be locked in place immediately, while the 20-percent tariff on refined soybean oil will be phased out in 15 years.

Pork. At nearly $803 million in 2006, hogs are the state's third leading source of farm cash receipts. Illinois' pork producers will benefit from this agreement.

- Panama will provide immediate duty-free access within preferential TRQs for 2,554 tons of U.S. pork products, including 1,600 tons of fresh and frozen pork cuts, 636 tons of pork fat and bacon, and 318 tons of processed pork. Most of these products currently face tariffs of 70 percent. The TRQ quantities will expand and the over-quota tariffs will be eliminated in 15 years.
- Panama will also eliminate its 10-percent tariff on pork variety meats immediately on entry into force of the Agreement.
- In addition, Panama has already implemented our December 2006 bilateral agreement on sanitary and phytosanitary (SPS) measures by recognizing the equivalence of the U.S. meat inspection system, allowing U.S. inspectors to certify pork for export to Panama without having each facility and shipment inspected by Panamanian authorities.
- The National Pork Producers Council supports the Agreement, saying "This agreement will contribute greatly to the bottom line of U.S. pork producers by opening up new market access to more than 3 million additional consumers in the Western Hemisphere."

Beef. Illinois' cattle and calf industry is the state's fourth largest source of cash receipts reaching $596 million in 2006. The industry will benefit from this agreement.

- Panama will immediately eliminate its 30-percent duty on beef products of most importance to the U.S. beef industry--prime and choice cuts. Panama's tariffs on other cuts of beef will be phased out over 15 years.
- The 10-percent tariff on beef tongues and livers will be eliminated in 5 years, and the 15-percent tariffs on other edible offal will be eliminated immediately.
- Panama has already implemented our December 2006 bilateral agreement on SPS measures, reopening its market to U.S. beef by bringing its import requirements related to BSE into compliance with international standards.
- Panama also accepted the equivalence of the U.S. meat inspection system, which allows U.S. inspectors to certify beef for export to Panama without having each facility and shipment inspected by Panamanian authorities.