



FACT SHEET

U.S.-Peru Trade Promotion Agreement Hawaii Farmers Will Benefit

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The U.S.-Peru Trade Promotion Agreement (PTPA) provides increased market access to Hawaii's agricultural exports by making agricultural trade a two-way street and leveling the playing field with respect to third country competitors in the Peruvian market. With immediate elimination of duties on nearly 90 percent of current U.S. trade to Peru, the PTPA will provide Hawaii producers and exporters the opportunity not only to preserve but to increase market share in Peru. The American Farm Bureau and over 40 other agricultural industry and farm groups strongly support the agreement stating that the agreement would benefit all U.S. agricultural sectors and allow the United States to become a competitive supplier of agricultural products to Peru.

Exports of farm products boost Hawaii's farm prices and income. Such exports support about 1,100 jobs both on and off the farm in food processing, storage, and transportation. Agricultural exports amounted to \$96 million and made an important contribution to Hawaii's farm cash receipts in 2006 that totaled \$555 million.

Fruits, Nuts and Preparations. Providing the top source of state agricultural exports, valued at \$58 million, Hawaii's fruit and nut producers benefit from the PTPA.

- U.S. exports of pineapples and macadamia nuts currently face duties of 25 percent, and the World Trade Organization (WTO) permits duties as high as 30 percent.
- Hawaii's pineapple and macadamia nut producers provide farm cash receipts of \$76 million and \$39 million, respectively.
- Peru will immediately eliminate tariffs on pineapple and macadamia nuts.

Sugar. There will be no reductions in the U.S. over-quota duty that currently provides the equivalent of a 100-percent tariff protection for domestic producers including the 0.036-percent of Hawaii's farms engaged in sugar production.

- The United States will establish a 9,000-ton tariff-rate quota (TRQ) for Peru. This amount grows very slowly by two percent a year into perpetuity, so that by year 15 of

the PTPA implementation, the TRQ will be 11,520 tons. The United States will also establish a 2,000-ton TRQ for specialty sugar goods from Peru. The specialty sugar TRQ will not grow.

- Provisions will ensure that Peru will only ship when it is a net surplus exporter, and provisions have been agreed to allow alternative forms of compensation to be established to facilitate sugar stock management by the United States.
- *The Sweetener Users Association, the Grocery Manufacturers of America, and the Food Products Association have expressed support publicly for the PTPA.*

Dairy. Providing the seventh largest source of farm cash receipts (nearly \$15 million), Hawaii dairy producers benefit from the PTPA.

- Under the PTPA, Peru will immediately eliminate its system of variable levies (price bands) facing U.S. exporters. Under the system, tariffs can be as high as the WTO ceiling of 68 percent on some dairy products.
- Peru will immediately eliminate tariffs on whey.
- Both Peru and the United States will establish duty-free TRQs for certain dairy products totaling 10,000 tons.
- TRQs will grow by ten percent compounded annually, with certain dairy products subject to safeguards during the tariff phase-out period.
- All Peruvian duties on dairy products will be eliminated within 17 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, the International Dairy Foods Association, and the Food Products Association publicly support the PTPA.*