



Trade and Agriculture **What's at Stake for Alabama?**

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Alabama is an important producer and exporter of agricultural products. In 2006, the State's cash farm receipts totaled \$3.6 billion. As for exports, the State's agricultural sales overseas were estimated at \$572 million in 2006. Agricultural exports help boost farm prices and income, while supporting about 6,800 jobs both on and off the farm in food processing, storage, and transportation. Exports remain important to Alabama's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 16 percent in 2006.

Alabama's top five agricultural exports in 2006 were:

- poultry and products -- \$247 million
- cotton -- \$143 million
- peanuts and products -- \$26 million
- wheat and products -- \$24 million
- feed grains and products -- \$12 million

World demand for these products is increasing, but so is competition among suppliers. If Alabama's farmers, ranchers, and food processors are to compete successfully for the export opportunities of the 21st century, they need *fair trade* and *more open access* to growing global markets.

How Trade Agreements Benefit Alabama Agriculture

As one of the leading states in poultry production, Alabama benefited under the Uruguay Round agreement when Korea eliminated its import quotas on frozen chicken in 1997, and reduced its tariffs to between 18 to 20 percent by 2004. These steps supported a rise in U.S. poultry to 120,000 tons valued at \$79 million by 2002. The Philippines opened a tariff-rate quota for poultry meat of 16,701 tons in 1998, which rose to 23,500 tons by 2004.

Under the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) all applied import tariffs on U.S. poultry meats that currently range between 30 and 164 percent will be eliminated over 10 to 18 years depending on the product and country. Each country also commits to adopting a "systems approach" to the recognition of the U.S. poultry inspection system, thereby eliminating plant-by-plant inspections and facilitating trade. From 2001 through 2003, U.S. poultry meat suppliers annually shipped on average 65,550 metric tons valued at \$61 million to all six countries combined.

Alabama benefits under NAFTA with new rules of origin that increase demand for U.S. textiles in Canada and Mexico. Mexico's 10-percent tariff on cotton has been eliminated. This tariff reduction supports U.S. cotton exports to Mexico, which rose from 558,000 bales to 2.2 million bales from marketing year 1995 to 2002. U.S. industry estimates that the Caribbean Basin Initiative and Africa Growth and Opportunity Act will increase annual cotton sales by 100,000 bales.

Export Success Stories

Since launch in 2000, Cotton Council International (CCI) and Cotton Incorporated's COTTON USA Sourcing Program, funded by FMD and checkoff resources, has dramatically enhanced the level of U.S.-made cotton textile exports to the Caribbean Basin. Cotton yarn exports to the region increased from \$30 million in 1999 to \$205 million in 2003. Meanwhile, knit fabric exports skyrocketed from \$21 million to \$618 million. CCI and Cotton Incorporated achieved these results by partnering the two organizations and their respective marketing and technical strengths, and by market development outreach to the supply chain and retail industries in the United States and supplying countries. The resulting business contacts have now become established trading relationships that compete favorably with products from anywhere in the world.

Using Market Access Program funds, the American Peanut Council promotes the value of U.S. peanuts over lower price peanuts from other origins by demonstrating the higher quality, superior flavor and longer shelf life of U.S. peanuts. Canada annually purchases over \$50 million worth of U.S. peanuts. In 2003, Canada purchased almost 3,500 metric tons of in-shell peanuts from the U.S. valued at approximately \$3 million.