# *Trade and Agriculture*
# What's at Stake for North Carolina?

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North Carolina is an important producer of agricultural products and a large exporter. The State's total cash receipts from farming reached $6.6 billion in 2002. The State ranked 11th among all 50 states in 2002 with agricultural shipments estimated at $1.5 billion. Agricultural exports help boost farm prices and income, while supporting about 22,350 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports are important to North Carolina's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 23 percent in 2002.

North Carolina's top five agricultural exports in 2002 were:

- tobacco leaf -- $442.1 million
- poultry and products --$209.4 million
- live animals and red meats --$193.8 million
- cotton -- $164.7 million
- soybeans and products -- $109.5 million

World demand is increasing, but so is competition among suppliers. If North Carolina'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.

**North Carolina Benefits From Trade Agreements**

North Carolina is already benefiting from a number of agricultural trade agreements. While there is still much to be done, examples of market opportunities for North Carolina include:

- North Carolina benefits under the Uruguay Round agreement because Korea eliminated its import quotas on frozen chicken (whole and parts) in 1997, and is progressively reducing its tariffs to between 18 to 20 percent by 2004. These market-opening steps supported a rise in U.S. poultry exports to Korea from 22,000 tons valued at $28 million in 1996 to 120,000 tons valued at $79 million in 2002. The Philippines opened a tariff-rate quota for poultry meat of 16,701 tons in 1998, which will reach up to 23,500 tons by 2004. This arrangement permitted U.S. poultry exports to rise from 2,700 tons valued at $3 million in 1997 to over 17,000 tons valued at $14 million in 2002. Under NAFTA, poultry products, except leg quarters, thighs and drumsticks, are imported duty free as tariff-rate quotas (TRQ) were eliminated on January 1, 2003. The safeguard measure agreement between the U.S. and Mexico places a TRQ on leg quarters, thighs and drumsticks until 2007. From 1993 to 2001, U.S. poultry exports to Mexico rose from

164,000 tons valued at $188 million to 280,000 tons valued at $258 million. U.S. exports to Mexico in 2002 were hampered by outbreaks of Avian Influenza and Exotic Newcastle Disease within the United States. Under the 1999 U.S.-China Agricultural Cooperation Agreement, China accepts all poultry meat that is certified wholesome by USDA. Since 1999, direct exports of U.S. poultry meat rose from 77,000 tons valued at $48 million, to more than 100,000 tons valued at $49 million.

- The North Carolina pork industry continues to benefit from tariff reductions negotiated under the Uruguay Round. Since 1994, the volume of U.S. pork exports has increased more than 210 percent to almost 550,000 tons in 2002. By 2004, South Korean tariff rates will have fallen to 22.5 percent for fresh and 25 percent for frozen pork. Even with modest cuts in the tariff rate, U.S. exports to Korea have grown 125 percent since 1997, from 9,300 tons to more than 21,000 tons, worth over $28 million, in 2002. China and Taiwan’s accession into the World Trade Organization on January 1, 2002, has expanded opportunities for U.S. pork. The China / Hong Kong market, already the fifth largest destination for U.S. pork exports, absorbed almost 17,000 tons of U.S. pork in 2002. While Mexico has threatened to impose anti-dumping duties on U.S. pork, U.S. exports there continue to be well above pre-NAFTA levels. Under NAFTA, U.S. combined pork exports to Canada and Mexico have grown from 40,000 tons valued at $91 million in 1993 to over 178,000 tons valued at $332 million in 2002. The success of the NAFTA framework bodes well for the recently negotiated Free Trade Agreements with Chile and Singapore.

- North Carolina benefited as some of the top international markets significantly reduced tariffs on chilled and frozen beef. In 2001, South Korea eliminated its import quotas on chilled and frozen beef, and will reduce its tariffs to 40 percent by 2004. Supported in part by these changes, South Korea’s imports of U.S. beef rose from 60,000 tons valued at $227 million in 1994 to 213,000 tons worth $610 million in 2002. Under the North American Free Trade Agreement, Mexico eliminated its 15 percent tariff on live slaughter cattle, its 20-percent tariff on chilled beef, and its 25 percent tariff on frozen beef. Its 20 percent tariff on beef offal was eliminated in 2003. Mexico has been one of the fastest growing markets for U.S. beef, supported in part by the elimination of tariff barriers. U.S. beef exports to Mexico rose from the 1993 pre-NAFTA level of 39,000 tons valued at $116 million to 207,000 tons valued at $596 million in 2002.