



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

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North Dakota is an important producer of agricultural products and a major exporter. In 2006, North Dakota ranked 11th among all 50 States with agricultural exports estimated at \$1.8 billion and its farm cash receipts were \$4 billion. Agricultural exports help boost farm prices and income, while supporting about 22,300 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports are important to North Dakota's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 45 percent in 2006.

North Dakota's top five agricultural exports in 2006 were:

- wheat and products -- \$699 million
- soybeans and products -- \$312 million
- vegetables and preparations -- \$207 million
- feed grains and products -- \$150 million
- sunflower seed and oil -- \$100 million

World demand for these products is increasing, but so is competition among suppliers. If North Dakota'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 North Dakota Agriculture

North Dakota, the nation's second largest wheat producer, benefited from limits set on subsidized wheat exports as a result of the Uruguay Round agreement. These limits influenced the European Union's decision to change its Common Agricultural Policy, ultimately lowering internal EU market prices to world price levels. As a result, annual EU wheat exports dropped from 22 million tons to about 14 million tons as lower market prices stimulated domestic use, and annual EU wheat imports jumped from 1.5 million tons to 7 million tons as the levied margin of protection fell. This translates to an 11-percent reduction in global export competition and a 5.5-million-ton increase in EU imports, half of which is supplied by the United States.

Under the North American Free Trade Agreement, Mexico eliminated import licensing for wheat and is phasing out tariffs. Since 1994, average annual U.S. wheat exports to Mexico have more than tripled, from 23 million bushels to 85 million bushels, valued at \$349 million in 2002. North Dakota could also benefit from China's accession to the

WTO in which China agreed to lock in tariff-rate quotas and lower tariffs and end export subsidies. These concessions provide an opportunity to increase U.S. wheat exports. This should facilitate trade in future years, but has had little impact in the past year or so because of ample domestic production in China.

As the nation's No. 1 sunflower grower, North Dakota benefits under the Uruguay Round agreement from a 50-percent reduction in Japan's tariffs and a 40-percent reduction (phased in by 2004) in South Korea's tariffs on sunflower oil. Sunflower oil exports to both countries combined were valued at \$7.4 million in 2002.

North Dakota benefits under the North American Free Trade Agreement as Mexico phases out its in-quota tariff rate on frozen potatoes (initially at 15 percent in 1993). At the same time, a special safeguard tariff-rate quota of 1,800 tons will grow at a compound annual rate of 3 percent. These changes support U.S. potato fry exports to that country, which jumped from \$9.6 million in 1994 to \$35 million in 2002. Frozen potato fry sales to Japan increased 23 percent to \$152 million over this period. As for South Korea, U.S. frozen potato fry exports to that country rose 47 percent to \$22 million during the same period.

Export Success Stories

In Peru, one of the largest mills purchased U.S. wheat after many years of using other suppliers. After attending several U.S. Wheat Associates activities, including a Peruvian durum wheat visit to North Dakota, the mill purchased a parcel of 5,000 metric tons of U.S. durum wheat with an estimated value of \$925,000.