USDA

Trade and Agriculture
What's at Stake for Oregon?

U.S. Department of Agriculture
Foreign Agricultural Service
September 2003

Oregon produces agricultural products that are exported worldwide. In 2002, the State's cash receipts from farming totaled $3 billion, and exports were an estimated $652 million. Agricultural exports help boost farm prices and income, while supporting about 9,685 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports are increasingly important to Oregon's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 22 percent in 2002.

Oregon's top five agricultural exports in 2002 were:

- vegetables -- $143 million
- fruits -- $98 million
- wheat and products -- $83 million
- planting seeds -- $46 million
- dairy products -- $16 million

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

Oregon Benefits From Trade Agreements

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

- Oregon, the sixth largest vegetable producer in the nation, benefits under the Uruguay Round as Japan, South Korea, and Thailand lower their tariffs on sweet corn. By 2004, Thailand will reduce its tariffs on canned and frozen sweet corn to 30 and 40 percent, and South Korea will reduce its tariffs on frozen sweet corn from 60 to 54 percent. Japan reduced its tariffs on frozen sweet corn from 12.5 percent in 1995 to 10.6 percent in 2000. Supported by lower tariffs, U.S. canned sweet corn exports to Japan topped $52 million in 2002, up 24 percent since 1995. U.S. canned sweet corn exports to South Korea hit $14 million in 2002, up 40 percent since 1995.

- Oregon 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) by 2003. 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.

- Oregon, the fourth largest fruit producing state, benefited under the North American Free Trade Agreement as Mexico eliminated its tariffs on fresh U.S. pears, quinces, plums, prunes, and apricots in 1998. U.S. exports of pears and quinces rose from $26.6 million in 1998 to $45.8 million in 2002. U.S. exports of fresh plums and prunes rose from $3.5 million to $5.7 million during the same period. Total U.S. exports of pears and quinces rose from $81 million in 1998 to $100.3 million in 2002, while U.S. exports of fresh plums and prunes rose from $53.4 million to $56.4 million during the same period.

- Under the Uruguay Round agreement, Oregon benefited from Japan lowering its tariff on blueberries from 10 percent to 6 percent. As a result, U.S. exports of fresh wild and cultivated blueberries rose from $2 million in 1998 to $7 million in 2002.

- Under the Uruguay Round agreement, the European Union reduced tariffs on wine by 20 percent, and now the majority of U.S. wines exported face EU tariffs of about 50 percents per gallon. In April 2000, Japan implemented its final bottled wine duty reduction under the Uruguay Round agreement, down to 15 percent. Supported by lower tariffs, U.S. wine exports to the EU more than doubled from the 1995 level, reaching $542 million in 2002. Likewise, U.S. wine exports to Japan increased from $32 million to $79 million. Under the 1989 U.S.-Canada Free Trade Agreement, Canada reduced its cost-of-service markup on U.S. wines. U.S. exports of wine and products to Canada rose from $27 million in 1990 to $92 million in 2002.

- Oregon, a large 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. Oregon 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.