



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

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Tennessee produces agricultural products and exports them worldwide. The State's farm cash receipts totaled \$2.6 billion in 2006, and Tennessee's agricultural exports reached an estimated \$924 million. Agricultural exports help boost farm prices and income, while supporting about 10,900 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports are increasingly important to Tennessee's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 35 percent in 2006.

Tennessee's top five agricultural exports in 2006 were:

- cotton -- \$291 million
- soybeans and products -- \$115 million
- wheat and products -- \$64 million
- tobacco leaf -- \$63 million
- live animals and meat -- \$52 million

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

How Trade Agreements Benefit Tennessee Agriculture

Tennessee 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.

As a soybean producer, Tennessee benefits under the Uruguay Round agreement as South Korea reduced its tariffs on soybean oil by 14.5 percent from 1995 to 2004. Thus far, the tariff reduction has supported a threefold increase in export volume. The Philippines reduced its tariffs on soybean meal from 10 to 3 percent during the same period. China's accession to the WTO has helped to raise our exports of soybeans to that country by over six fold from 1999 to 2004, surpassing \$2.4 billion this year.

Export Success Stories

Since its 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.