Trade and Agriculture
What's at Stake for California?

U.S. Department of Agriculture
Foreign Agricultural Service
September 2008

California is the largest producer of agricultural products and the top exporting State. In 2007, the State's cash farm receipts totaled $36.5 billion. California ranked 1st among all 50 states in 2007 with agricultural exports estimated at $11.3 billion. Agricultural exports help boost farm prices and income, while supporting about 120,425 jobs both on and off the farm in food processing, storage, and transportation. Exports are important to California's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 31 percent in 2007.

California's top agricultural exports in 2007 were:

- tree nuts -- $2.7 billion
- fruits -- $2.4 billion
- vegetables and preparations -- $1.7 billion
- dairy products -- $566 million

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

California 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.

Under the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR), a two-track approach will be established for dairy products with the objective of achieving free trade within 20 years. The first step is the establishment of reciprocal duty-free tariff rate quotas (TRQs). The second and concurrent step involves the immediate elimination of in-quota tariffs on dairy products. U.S. dairy products shipped to Central America face a range of different TRQs and import tariffs as high as 65 percent. From 2001 through 2003, U.S. suppliers annually shipped on average 17,880 metric tons of dairy products valued at $44.1 million to all six countries combined.

As one of the nation's largest tomato growing states, California benefits from an agreement with Japan that lifted all remaining restrictions on fresh U.S. tomatoes in 1999. As a direct result, U.S. fresh tomato exports to Japan jumped from $31,000 in 1994 to $1.1 million in 2002. California benefited under the Uruguay Round as Thailand cuts tariffs 50 percent on tomato juice and mixed vegetable juices from 1995 to 2004.

California benefits from the Uruguay Round as Japan and Korea make substantial tariff reductions on a wide range of fresh and processed fruits. From 1995 to 2000, Japan lowered its tariffs on fresh oranges to 16 percent (out-of-season) and 32 percent (in-season), and its tariffs on fresh grapefruit to 10 percent. During the same period, Japan also lowered its tariffs to 19.1-21.3 percent on fruit juices containing not more than 10 percent sucrose by weight.

South Korea established a tariff-rate quota for oranges, and reduced its tariffs from 99 to 50 percent by 2004. As tariffs fall, U.S. orange exports have increased almost ten times from $5.3 million in 1995 to $51.9 million in 2002. Korea is also reducing its lemon tariffs to 30 percent, and its tariffs on fresh grapefruit from 50 to 30 percent by 2004. Supported by lower tariffs, U.S. total fresh citrus exports to Korea jumped 266 percent from $20.9 million in 1995 to $76.6 million in 2002.

Under the 1999 U.S.-China Agricultural Cooperation Agreement, China lifted its import ban on citrus from this state. This agreement cleared away a major obstacle to trade with China. For the first time, U.S. exporters have direct access to the large central and northern coastal cities, creating a more efficient supply chain to meet China=s demand for top-quality, fresh citrus.

Under the U.S. – Australian FTA, Australia's 5-percent tariff would be eliminated on a number of fruit and nut products, including almonds, grapes, raisins, dried apricots, dried apples, dried plums, citrus juices, cranberry juice, fruit jams and jellies, and frozen strawberries. Australia has also committed to addressing outstanding phytosanitary issues, including those for apples, California citrus, and stone fruits. From 2001 to 2003, U.S. suppliers annually shipped on average $50 million worth of fruit and nut products to Australia. Under the U.S. – Australian FTA, Australia has also agreed to immediately eliminate a 5-percent duty on U.S. vegetable exports. From 2001 through 2003, U.S. suppliers annually shipped on average $21.5 million worth of vegetable and vegetable products to Australia.

Under the Uruguay Round, the EU reduced tariffs on wine, and now the majority of U.S. wine exported face EU tariffs at 13.1 ECUs per hectoliter or about 50 cents per gallon. By, April 2000, Japan implemented its final wine duty reduction under the Uruguay Round agreement. The tariff rate on bottled wine was lowered to 15 percent. Supported by lower tariffs, U.S. wine exports to the EU more than doubled from its 1995-level reaching $542 million in 2002. Likewise, U.S. wine exports to Japan increased from $32 million to $79 million. Under the U.S. –Canada Free Trade agreement, Canada reduced its cost-of-service mark-up on U.S. wines. U.S. exports of wine and products to Canada rose from $27 million in 1990 to $92 million in 2002.

Under the Uruguay Round, California benefited when Japan cut tariffs on almonds and other nuts from 1995 to 2000, and Korea, Thailand and Malaysia are doing likewise. Supported by these cuts, total U.S. walnut exports to Japan rose 17 percent from 1995 to 2002 to $37.3 million, and U.S. walnut sales to Korea increased 267 percent to $6.7 million during the same period. U.S. almond sales to Thailand rose from $652,000 in 1995 to $1 million in 2002.

Export Success Stories

As a significant producer of U. S. almonds, the 6,000 California almond growers have benefited from the joint export efforts of the Almond Board of California, Blue Diamond, and USDA through the Market Access Program. California almond shipments have surpassed past year records for the fifth consecutive year with U.S. almond exports for crop year 2003/2004 valued at $900 million, up 32 percent compared to the same 12-month period a year ago. Overall, exports accounted for 70 percent of the crop compared to 30 percent of the crop that moves into the domestic market. Exports to nine of the top ten overseas markets attained new record levels.