Trade and Agriculture
What's at Stake for Colorado?

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

Colorado is an important producer and exporter of agricultural products. In 2007, the State's cash farm receipts totaled $6.2 billion and its agricultural exports totaled $1.1 million. Agricultural exports helped boost farm prices and income, while supporting about 11,720 jobs both on and off the farm in food processing, transportation, and manufacturing. Exports remain vital to Colorado's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 17 percent in 2007.

Colorado's top agricultural exports in 2007 were:

- wheat and products -- $337 million
- live animals and meat -- $193 million
- feed grains and products -- $146 million
- hides and skins -- $134 million

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

Recently negotiated trade agreements will benefit Colorado's meat industry. For example, under the U.S. – Chile FTA, governments agree to immediately recognize each others' grading systems, making it possible for USDA to certify beef product for export to Chile. U.S. fresh and frozen beef products gain preferential access as tariffs are reduced and then eliminated in the 4th year of the agreement. Chile imported 85,000 tons of beef valued at $153 million in 2001, making it the world's ninth largest beef importer. It is expected that U.S. beef will find its niche in the high-end, higher valued Chilean beef market.

Under the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR), U.S. prime and choice cuts of beef gain preferential access as applied tariffs of 15 to 30 percent are immediately eliminated (except the Dominican Republic) while those applied to other cuts are phased-out over 15 years. Tariffs on beef offal and other beef products are phased out over 5 to 10 years. As part of the agreement, all six countries are working toward the recognition of the U.S. meat inspection and certification systems, which would replace the existing policy of plant-by-plant inspections and approval.

From 2001 through 2003, U.S. suppliers annually shipped on average 4,094 metric tons valued at $9.8 million to all six countries combined.

Export Success Stories

Colorado companies are still finding a valuable outlet for their meats in Poland, despite the discovery of BSE in a single cow in the United States that stopped all exports of beef products while negotiations to reopen the market were conducted. A beneficial agreement to open the market to U.S. beef and variety meats resulted in a 437 percent increase in exports by volume in the first seven months of 2004.

Continued exports of top quality U.S. bovine hides and skins to China help Colorado companies. Using USDA's market development programs, U.S. skins have grown 354 percent from calendar year 1999 to 2003, reaching $409 million. Exports for the first seven months of 2004 continue the trend, which now stand at $282 million, 27 percent ahead of last year’s pace.

Trade Disputes

U.S. Beef Exports Slowed by BSE Finding

U.S. exports of ruminants and ruminant products, including beef, continue to be banned in major export markets due to the finding of Bovine Spongiform Encephalopathy (BSE) in the United States. Based on 2003 export values, markets currently closed are valued at $3 billion, with Japan and Korea representing over 75 percent of the total. Since the BSE finding, USDA has recovered approximately 59 percent ($1.7 billion) of total U.S. beef and beef product exports to the rest of the world. The NAFTA markets (Mexico and Canada) were leaders in beginning the reopening to U.S. beef and beef products and Central America and the Caribbean have also reopened. USDA continues to work with government officials of major U.S. beef export markets where bans are currently in place. Technical discussions with Japan and Korea concluded this summer and negotiations with senior-level officials continue.

U.S. Potato Exports Affected by Phytosanitary Issues

In 2002, Brazil announced the requirement for Pest Risk Assessments (PRA) for each potato species from every country of origin. U.S. and Brazilian officials, along with the U.S. potato industry, completed a PRA, and the two governments plan to negotiate a market access agreement based on the PRA. If an agreement is reached, it could mean U.S. sales of an estimated $100,000 for the first year and $1 million in three to five years.

Japanese concerns about golden nematode and potato wart have resulted in Japan’s prohibition of all fresh potatoes from the United States. Irradiation is not an acceptable alternative, as Japan maintains that its consumers are not likely to accept products that have undergone this treatment. The Japanese Potato Chip Association and the U.S. Potato Board have proposed to the Government of Japan that U.S. chipping potatoes imported into special economic zones should be excluded from the ban. However, the Japanese government has rejected the proposal due to phytosanitary concerns.