Trade and Agriculture
What's at Stake for Minnesota?

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Minnesota is one of the leading producers of agricultural products and a major exporter. The State's farm cash receipts totaled $12.5 billion in 2007. Minnesota ranked seventh among all 50 States in 2007 with agricultural exports estimated at $3.6 billion. Minnesota is third after Iowa and Illinois in exports of soybeans and feed grains. Agricultural exports help boost farm prices and income, while supporting about 38,365 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports are increasingly important to Minnesota's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 29 percent in 2007.

Minnesota's top agricultural exports in 2007 were:

- soybeans and products -- $1 billion
- feed grains and products -- $948 million
- live animals and red meat -- $368 million
- wheat and products -- $355 million

World demand is increasing, but so is competition among suppliers. If Minnesota'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 Minnesota Agriculture

Minnesota, the nation's third largest soybean producer and fourth largest sunflower producer, 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 U.S. exports of soybeans to that country by over six fold from 1999 to 2004, surpassing $2.4 billion this year.

One of the nation's larger feed corn producers, Minnesota benefited under the NAFTA when Mexico converted its import licensing system for corn to a transitional tariff-rate quota that will remain in effect until 2008. Under this system, the volume of U.S. corn exports to Mexico has risen over 42 percent since 1994, reaching 120 million bushels valued at $585 million in 2002.

Minnesota benefited as some of the top international markets significantly reduced tariffs on cattle and beef. Under the NAFTA, Mexico eliminated its 15 percent tariff on live slaughter cattle, its 20-percent tariff on chilled beef, and its 25 percent tariff on frozen beef. Mexico is one of the fastest growing markets for U.S. beef. U.S. beef exports to Mexico rose from the 1993 pre-NAFTA level of 39,000 tons valued at $116 million to 207,000 tons valued at $596 million in 2002.

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 for pork, U.S. suppliers gain preferential access as tariffs of 15 to 47 percent are eliminated over 15 years. Tariffs on bacon and some offal products will be eliminated immediately. Duty-free in-quota tariff rate quotas (TRQs) amounting to 12,800 mt are established in the first year and then expand. As part of the agreement, all countries are working toward 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. beef suppliers annually shipped 4,094 metric tons valued at $9.8 million to all six countries, while the figures for pork were 9,935 metric tons valued at $18.4 million.

Export Success Stories

As a major soybean producer, Minnesota has benefited from the efforts of the American Soybean Association (ASA), in partnership with USDA, and various producer organizations to increase demand for U.S. soybeans and meal in a number of key markets in Asia. For example, ASA training programs for Taiwanese tofu and soymilk producers has enabled them to improve the quality and price of their products for high-end consumers. As a result, there was a 50 percent growth in the consumption of specialty soybeans between 1997 and 2003 and U.S. soybeans make up almost 98 percent of the food soybean market.

USDA's market development funding allowed a small Minnesota meat company to participate in the National Restaurant Association trade show in 2004. The show has a large contingent of foreign visitors and allowed the company to reach multiple foreign buyers without the expense of overseas travel. The company reported that it made several good contacts for potential sales.

The Minnesota Canola Council, in cooperation with North Dakota and Mid-America International Agri-Trade Council (MIATCO), sponsored Mexican trade teams to familiarize them with U.S. canola production areas, elevators and processing facilities. The first mission in 2000 resulted in 38,000 metric tons of canola sold to Mexico. The second mission in 2001 had actual sales of $600,000.