United States-Central America-Dominican Republic Free Trade Agreement

Commodity Fact Sheet

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What's at Stake for Feed Grains?

On August 5, 2004, the United States signed the United States-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) with Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua. The agreement, which Congress must now approve and enact implementing legislation, will provide America's farmers, ranchers, food processors, and the businesses they support with improved, and in many cases, new access to this growing regional market of 44 million consumers. The CAFTA-DR calls for eventual duty-free, quota-free access on essentially all products, and addresses other trade measures among the parties as well. Under the existing terms of the Caribbean Basin Initiative, which the CAFTA-DR replaces, nearly all agricultural exports from the CAFTA-DR countries to the United States already receive duty free treatment. The CAFTA-DR levels the playing field, providing U.S. exporters market access that is better than, or at a minimum equal to, that given to other competitor countries.

U.S. Gains Improved Access to the Dominican and Central American Dynamic Economies

Before CAFTA-DR*. . .* U.S. corn faced import tariffs ranging up to 45 percent depending on the country, and the WTO permits tariffs as high as 75 percent. U.S. sorghum faced import tariffs ranging from 15 to 20 percent, while the WTO permits tariffs as high as 90 percent. Barley, oats and rye faced no tariff in the Dominican Republic, El Salvador, Guatemala, Honduras or Nicaragua, and a 1 percent tariff in Costa Rica; the WTO permits tariffs on these feed grains as high as 60 percent. From 2002 through 2004, U.S. corn suppliers annually shipped on average 2.7 million metric tons (mt) valued at $303 million to all six countries combined, and the U.S. share of their import market averaged 99 percent. During this same period, U.S. suppliers of sorghum, barley, oats and rye annually shipped on average nearly 22,600 mt valued at $7.4 million to all six countries combined, and the U.S. share of their import market ranged from 18 to 98 percent.

After CAFTA-DR. . . Costa Rica immediately eliminates tariffs on yellow corn, and Guatemala eliminates them over 10 years. U.S. yellow corn gains preferential access through a duty-free TRQ in El Salvador, Honduras and Nicaragua as over-quota tariffs are phased out over 15 years. While in-quota tariffs are eliminated immediately, over-quota tariffs applied by these three countries remain unchanged during the first 6 years of the transition period. The tariffs are then phased out through a 40-percent reduction over the next 4 years, with the remaining 60 percent eliminated in the final 5 years. El Salvador, Guatemala, Honduras and Nicaragua will not reduce their out-of-quota duty for white corn, but market liberalization will occur through duty-free in-quota TRQs, which annually increase by 2 percent into perpetuity. In Costa Rica, white corn and sorghum gain preferential treatment as tariffs are gradually eliminated over 15 years. U.S. barley, oats and rye gain preferential access as tariffs are immediately eliminated.

Costa Rica
The tariff for yellow corn is immediately eliminated. Tariffs on white corn and sorghum are phased out in equal increments over 15 years. During the transition period, white corn is subject to a volume-based safeguard with an initial trigger of 9,000 mt, increasing by 900 mt each year until the tariff is eliminated.

Dominican Republic
Immediate duty free access is locked in for yellow and white corn, sorghum, rye, and barley.

El Salvador
During the 15-year transition period, U.S. yellow corn receives a duty-free 367,500 mt TRQ that expands 5 percent annually. U.S. white corn receives a 35,700 mt TRQ that expands by 700 mt annually. The tariff for sorghum is eliminated over 15 years. During this transition, U.S. sorghum receives a 263 mt TRQ, expanding by 5 percent annually, and is subject to a volume-based safeguard that can be triggered when imports exceed 110% of the quota.

Guatemala
During the 10-year transition period, U.S. yellow corn receives a 525,000 mt duty-free TRQ that expands 5 percent annually. The U.S. will receive a 20,400 mt TRQ for white corn that expands by 400 mt annually. The tariff on sorghum is immediately eliminated.

Honduras
During the 15-year transition period, the United States receives a 190,509 mt duty-free TRQ for yellow corn, growing by 5 percent annually. There will be a 23,460 mt TRQ for white corn that expands by 450 mt annually. The tariff on sorghum is eliminated over 15 years. The variable levy price band mechanism and performance requirements for corn and sorghum will be immediately eliminated.

Nicaragua
During the 15-year transition period, the United States receives a 68,250 mt duty-free TRQ for yellow corn, growing by 5 percent annually, which is subject to a volume-based safeguard. The safeguard may be used when imports exceed 115% of the quota. The United States receives a 5,100 mt TRQ for white corn that expands by 100 mt annually. The tariff for sorghum is eliminated over 15 years. During the transition period, sorghum is subject to a volume-based safeguard. The safeguard trigger is set at 1,000 mt and grows 100 mt per year until the end of the tariff phase out, at which time the United States will receive complete duty-free, safeguard free access.

U.S. Consumers Benefit

Before CAFTA-DR. . . U.S. import tariffs on Central American and Dominican feed grains are currently zero as a result of benefits granted under the Caribbean Basin Initiative.

After CAFTA-DR. . . Feed grains from all six countries gain preferential access as tariffs are immediately locked in at zero.