United States-Central America-Dominican Republic Free Trade Agreement

Commodity Fact Sheet

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What's at Stake for Peanuts and Peanut Butter?

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. peanuts and peanut butter faced import tariffs of 0 to 20 percent, depending on the country, and the WTO permits tariffs as high as 60 percent on peanuts and peanut butter. From 2002 through 2004, U.S. suppliers annually shipped on average 988 metric tons (mt) of peanuts and peanut butter valued at $1.2 million to all six countries combined, and the U.S. share of their import market was over 25 percent in 2004.

After CAFTA-DR. . . U.S. peanuts and peanut butter gain preferential access as tariffs are immediately eliminated for some countries, while tariffs are reduced and eliminated over 5 to 15 years for others.

Costa Rica
Tariffs on peanut butter are eliminated immediately. Tariffs on peanuts, which range from 10 to 15 percent, are eliminated over 10 years.

El Salvador
Tariffs on peanut butter and most tariffs on peanuts are eliminated immediately. The tariffs on some prepared peanuts, currently at 15 percent, are eliminated over 15 years.

Guatemala
Tariffs, currently at 10 percent, are eliminated over 10 years.

Honduras
Tariffs are immediately eliminated.

Nicaragua
Tariffs, currently at 5 to 15 percent, are eliminated over 5 to 15 years.

Dominican Republic
Tariffs are immediately eliminated.

U.S. Consumers Benefit

Before CAFTA-DR. . . Dominican and Central American producers competed for a share of the U.S. WTO tariff-rate quota, of 9,005 mt. Nicaragua is the only country in recent years to export peanuts to the United States. From 2002 through 2004, the United States imported from Nicaragua an average of 2,625 metric tons of peanuts per year, valued at $2.0 million, with a share of the U.S. import market at 7 percent.

After CAFTA-DR. . . Except where current duty treatment under the Caribbean Basin Initiative grants duty-free access, the U.S. duties on peanuts and peanut butter will be phased out over a 15-year period. Out-of-quota duties on peanuts are removed non-linearly over 15 years, with no reduction in the first 6 years, a 33-percent reduction divided over the next 4 years, and the remaining 67 percent divided over the last 5 years. Peanut butter out-of-quota duties are removed linearly over 15 years.

El Salvador
El Salvador is granted a preferential TRQ for peanuts of 500 mt in the 1st year, which grows by 5 percent annually until year 15 when the out-of-quota tariff is eliminated.

Nicaragua
Nicaragua is granted a preferential TRQ for peanuts of 10,000 mt, growing to 19,000 mt in the 14th year. The out-of-quota duty is eliminated in the 15th year. Nicaragua is also granted a TRQ for peanut butter which increases linearly from 280 mt in the 1st year to 644 mt in the 14th year, and the out-of-quota duty is eliminated in the 15th year