United States-Central America-Dominican Republic Free Trade Agreement

Commodity Fact Sheet

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What's at Stake for Soybeans and Soybean Meal?

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. soybeans and meal enter the Dominican Republic, El Salvador, and Honduras duty-free, but face applied import tariffs of 1 to 5 percent in the other three countries. The WTO permits tariffs as high as 91 percent on soybeans and 60 percent on soybean meal that could have been re-imposed on U.S. exports. From 2002 through 2004, U.S. suppliers annually shipped on average 203,359 metric tons (mt) of soybeans and 640,770 mt of soybean meal valued at $50 million and $140 million respectively to all six countries combined. In 2004, the U.S. share of CAFTA-DR import markets for soybean and soybean meal was 88 and 81 percent respectively.

Costa Rica
Costa Rica applies import tariffs of 1 and 5 percent on soybeans and soybean meal, respectively.

El Salvador
El Salvador does not impose an import tariff on soybeans or soybean meal, but the WTO permits tariff rates of 20 percent on each.

Guatemala
Guatemala applies a 5 percent tariff on soybean meal imports, but does not have an import tariff on soybeans. However, Guatemala is permitted to establish tariff-rate quotas (TRQs) under the WTO for soybeans and soybean meal with out-of-quota tariffs of 91 percent and 40 percent respectively.

Honduras
Honduras does not impose an import tariff on soybeans or soybean meal, but the WTO permits rates of 35 percent on each.

Nicaragua
Nicaragua does not impose an import tariff on soybeans, but does apply a 5 percent tariff on soybean meal. The WTO permits rates of 60 percent on each.

Dominican Republic
The Dominican Republic does not maintain import tariffs on soybeans or soybean meal. The WTO permits tariffs of 40 percent on each.

After CAFTA-DR. . . U.S. soybean and soybean meal exports gain preferential access as tariffs are immediately eliminated for the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua. In the case of Costa Rica, soybean tariffs are immediately eliminated, and soybean meal tariffs will be eliminated over 15 years.

U.S. Consumers Benefit

Before CAFTA-DR. . . U.S. soybean and soybean meal imports from all six countries entered duty-free. From 2002 through 2004, only Nicaragua exported soybeans (100 mt in 2002) to the United States. None of the CAFTA-DR countries currently export soybean meal.

After CAFTA-DR. . . CAFTA-DR countries will lock-in zero duties on soybean and soybean meal exports to the United States.