



## *Trade and Agriculture* **What's at Stake for South Dakota?**

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South Dakota is an important producer and exporter of agricultural products. The State's farm cash receipts totaled \$5.7 billion in 2007, and its exports were estimated at more than \$1.8 billion, ranking it 17<sup>th</sup> among all 50 states. Agricultural exports help boost farm prices and income, while supporting about 19,180 jobs both on the farm and off the farm in food processing, transportation, and manufacturing. Exports are increasingly important to South Dakota's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 32 percent in 2007.

South Dakota's top five agricultural exports in 2007 were:

- soybeans and products -- \$570 million
- feed grains and products -- \$468 million
- wheat and products -- \$454 million
- live animals and red meats -- \$159 million
- feeds and fodders -- \$63 million

World demand for these products is increasing, but so is competition among suppliers. If South Dakota's farmers, ranchers, and 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 South Dakota Agriculture**

As a soybean producer, South Dakota 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 our exports of soybeans to that country by over six fold from 1999 to 2004, surpassing \$2.4 billion this year.

A large feed corn producer, South Dakota benefits 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.

As a wheat producer, South Dakota benefited from limits set on subsidized wheat exports during the Uruguay Round. These limits influenced the EU's decision to make changes to its Common Agricultural Policy and ultimately lowered internal EU market prices to world price levels. Annual EU wheat exports dropped from 22 million tons to about 14

million tons as lower market prices stimulated domestic use. Meanwhile, annual EU wheat imports jumped from 1.5 million tons to 7 million tons as the levied margin of protection fell. This translates to an 11 percent reduction in global export competition and a 5.5-million ton increase in EU wheat imports, a third of which is supplied by the United States.

### **Export Success Stories**

As a major soybean producer, South Dakota has benefited from the efforts of the American Soybean Association (ASA), in partnership with USDA, and various producer organizations to increased demand for U.S. soybeans and meal in a number of key markets in Asia. For example, ASA's promotion of Full Fat Soybean Meal in Thailand has enhanced the competitiveness of buyers of U.S. soybeans by improving the quality of their product line. It is estimated that the target audience will consume an additional 60,000 metric tons of soybeans valued at \$16 million annually.