WTO and Agriculture

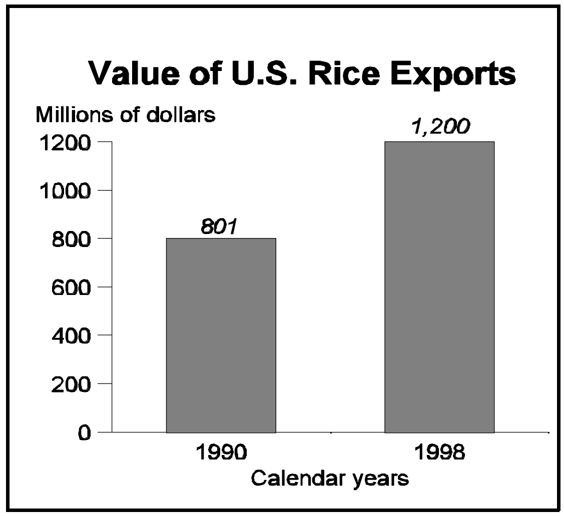
What's at Stake for Rice?

Future export prospects for rice depend, in large part, on the United States ability to maintain and expand market access, ensure fair competition, and further level the international playing field for U.S. producers and exporters. The World Trade Organization (WTO) and trade negotiations offer comprehensive new trade agreements aimed at achieving these objectives.

Why Trade Matters for U.S. Rice

U.S. rice farmers depend heavily on foreign markets to bolster sales, farm prices, and income. Exports typically account for approximately 45 percent of U.S. rice use.

In 1998, U.S. rice exports reached 69.8 million cwt (milled basis) valued at $1.2 billion. Since implementation of the Uruguay Round and the North American Free Trade Agreement (NAFTA), Japan and Mexico have emerged as two of the largest export markets for U.S. rice. The value of exports to Mexico has risen from $38 million in 1990, to $91 million in 1998. Similarly, the value of U.S. rice exports to Japan has increased from less than $1 million in 1990 to $116 million in 1998. Implementation of the Uruguay Round agreements and NAFTA were critical to making these gains possible.



How Trade Agreements Expand Market Opportunities

Trade agreements have opened markets, reduced unfair competition, brought some discipline to sanitary-phytosanitary barriers, and introduced more effective dispute-settlement procedures in global trade. These agreements have helped to expand export market opportunities for U.S. rice in a number of ways.

Market liberalization in Japan (resulting from the Uruguay Round) and trade concessions negotiated with the EU (following accession of Austria, Finland, and Sweden) have improved U.S. access to the world's highest quality/highest price rice markets.

Under the Uruguay Round, for example:

- Japan opened its market to rice imports beginning in 1995 at 12 million cwt and growing to 15 million cwt by 2001.

- South Korea opened its rice market, importing 1.1 million cwt in 1995, with imports growing to 4.5 million cwt by the year 2004.

- The EU established a cumulative recovery system which will increase the profitability of U.S. rice exports. This system allows U.S. exporters who sell high quality rice to the EU to receive a tariff rebate - favoring them over exporters of lower quality Asian and South American rice.

Under NAFTA, tariff preferences for the United States have helped to increase U.S. market share for rice in Mexico from 40 percent in 1992 to 99 percent in 1998.

Strict implementation of the WTO rules on phytosanitary measures have been used to combat recurring phytosanitary issues with rice in Central and South America.

Why Further Trade Negotiations Are Needed

Despite the progress already achieved, trade liberalization is far from complete. U.S. rice producers continue to face an array of tariff and nontariff barriers, unfair trading practices, and preferential trading arrangements in key markets around the world. A few examples follow:

Preferential tariffs for Mercosur partners Argentina and Uruguay give those countries an advantage over U.S. rice in Brazil. Brazil is one of the world's largest rice markets with 5-year average annual imports of almost 1 million tons.

State trading enterprises in some of the world's largest importing countries, such as Indonesia and the Philippines, monopolize purchases, restricting the access of U.S. exporters to potentially large niche markets. While both countries have recently begun to allow some private sector rice imports, tariffs and nontariff barriers, such as licensing, still impede trade.

The trade activities of single-desk exporters (Australia) undermine market transparency and artificially limit marketing opportunities for U.S. medium-grain exporters.

High tariff rates in Nigeria hinder the ability of U.S. exporters to compete in one of the world's top markets for parboiled rice.