



FACT SHEET

U.S.-Panama Trade Promotion Agreement California Farmers Will Benefit

September 2008

The U.S.-Panama Trade Promotion Agreement eliminates tariffs and other barriers on most U.S. goods, increasing export opportunities for agricultural products important to California. With immediate elimination of duties on over 60 percent of current U.S. trade, this agreement changes the one-way street of duty-free access currently enjoyed by most Panamanian exports into a two-way street benefiting both countries. The American Farm Bureau strongly supports the agreement, predicting widespread gains for U.S. agriculture exceeding \$190 million per year.

California's exports to all countries, estimated at \$11.3 billion in 2007, supported about 120,425 jobs, on and off the farm. These export sales make an important contribution to the California farm economy which had total cash receipts of \$36.5 billion in 2007.

Fruits. California is the nation's leading grower and exporter of fruit. As the nation's leading exporter of fresh and processed fruits at nearly \$2.4 billion in 2007, California's orange, grape, peach, and plum growers and processors will benefit from this agreement.

- Panama will eliminate its tariffs on nearly all fresh and processed fruits immediately.
- Following are examples of fruit products of importance for California that will be duty-free immediately (the currently applied tariff is indicated in parentheses): oranges (15 percent), peaches (2 percent), pears (5 percent), plums (free), prunes (5 percent), grapes (Free), raisins (2 percent), canned peaches and pears (Free), concentrated grape juice (15 percent)
- The 15-percent tariff on strawberries will be phased out in 10 years. The 10-percent tariffs on most dried fruits will be eliminated in 5 years, and the 15-percent tariffs on many single strength fruit juices and juice mixtures will be phased out over 5 to 15 years.

Tree Nuts. California is the nation's largest producer of tree nuts thanks to the world's largest almond industry which continues to rapidly expand. California is also the largest exporter of tree nuts with overseas sales estimated at \$2.7 billion in 2007. The state's almond, pistachio and walnut growers will benefit from this agreement.

- Panama will eliminate its tariffs on all shelled and roasted nuts immediately. The current tariffs on nuts are free, for shelled walnuts, 2 percent for shelled almonds

and pistachios, and 15 percent for all roasted nuts.

- Panama will also eliminate its tariffs on most in-shell nuts immediately, but the tariff on in-shell nut mixtures will be phased out in 5 years. These tariffs currently range from 5 to 10 percent.

Vegetables. As the nation's leading grower and exporter of vegetables, California's many vegetable growers and processors will benefit from this agreement.

- Panama will eliminate its tariffs on nearly all frozen and processed vegetables immediately. The tariff faced by U.S. exporters for these products currently is 15 percent.
- The tariffs for most fresh vegetables will be eliminated in 10-15 years.
- Panama will eliminate its 15-percent tariffs on fresh lettuce, tomatoes and broccoli in 12 years. The 30-percent tariff on fresh carrots will be phased out in 10 years. Panama will eliminate its 15-percent tariffs on frozen broccoli, carrots and vegetable mixtures immediately.
- Panama will provide immediate duty-free access within a preferential tariff-rate quota (TRQ) for tomato paste that starts at 798 tons and grows each year by 3 percent. The 81-percent over-quota tariff will be eliminated in 15 years.
- U.S. exporters will continue to have access to the global 1650 ton TRQ for tomato paste that is part of Panama's World Trade Organization (WTO) commitments. Panama has agreed to eliminate the tariff for imports under that TRQ for the period from September through February each year.

Dairy Products. California has the nation's second largest dairy industry with cash receipts totaling \$7.3 billion in 2007, and California is the nation's second leading dairy exporter with overseas sales estimated at \$566 million in 2007. This agreement will benefit California dairy producers.

- U.S. exporters will have immediate duty-free access to nine preferential dairy TRQs with a combined total of 3,986 tons. These include 2,625 tons of skim milk powder, 728 tons of cheese, 263 tons of ice cream, and 370 tons of other dairy products. These quantities will grow by 4 or 5 percent each year and the over-quota tariffs for these TRQs, which range from 15 percent for ice cream to 50 percent for milk powders, will be phased out in 15 to 17 years.
- U.S. dairy exporters will continue to have access to the global TRQs for 3,830 tons of milk powder and 3,782 tons of cheese that are part of Panama's WTO commitments.
- Panama will eliminate its 30-percent tariff on dried whey products immediately. The tariffs on most other dairy products, which currently face duties as high as 140 percent, will be phased out over 15 years.
- In addition, Panama has already implemented our December 2006 bilateral agreement on sanitary and phytosanitary (SPS) measures and technical standards by recognizing the equivalence of the U.S. food safety systems for processed

foods, including dairy products, and by streamlining its product registration system for packaged foods. This will allow U.S. food processors to export dairy products to Panama without burdensome paper work and without having each facility and shipment inspected by Panamanian authorities.

- The National Milk Producers Association supports the Agreement, noting that “Panama imports nearly half its dairy products, and the U.S. stands to become a larger supplier once the FTA is finalized.”

Beef. With cash receipts of nearly \$1.8 billion in 2007, California’s cattle and calf industry will benefit from this agreement.

- Panama will immediately eliminate its 30-percent duty on beef products of most importance to the U.S. beef industry--prime and choice cuts. Panama’s tariffs on other cuts of beef will be phased out over 15 years.
- The 10-percent tariff on beef tongues and livers will be eliminated in 5 years, and the 15-percent tariffs on other edible offal will be eliminated immediately.
- Panama has already implemented our December 2006 bilateral agreement on SPS measures, reopening its market to U.S. beef by bringing its import requirements related to BSE into compliance with international standards.
- Panama also accepted the equivalence of the U.S. meat inspection system, which allows U.S. inspectors to certify beef for export to Panama without having each facility and shipment inspected by Panamanian authorities.

Rice. The nation’s second largest rice exporter, California rice growers will benefit from this agreement.

- Panama will provide immediate duty-free access within TRQs for 12,190 tons of U.S. rice, including 7,950 tons of rough rice and 4,240 tons of milled rice. The 90-percent over-quota tariffs will be eliminated in 20 years and the TRQ quantities will grow by 6 percent each year.
- U.S. rice exporters will continue to have access to the global 9,711-ton TRQ for rice that is part of Panama’s WTO commitments.
- Panama has also committed to increase the size of the preferential TRQs when it has a short supply situation, as has occurred in recent years.

Wine. California is home to the nation’s largest wine industry, and exports far more wine than any other state. California’s wine industry will benefit from this agreement.

- Panama’s tariff on still wine is 15 percent. Under the agreement, the tariff on bottled table wine will be eliminated immediately while tariffs on all other wine categories will be phased out within 5 years.