



United States
Department of
Agriculture

Foreign
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Service

FACT SHEET

U.S.-Korea Free Trade Agreement

What's At Stake for Fresh Citrus and Orange Juice?

September 2008

The U.S.-Korea Free Trade Agreement (KORUS FTA) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's 49 million consumers. If approved by Congress, this would be the most economically significant trade agreement for the U.S. agricultural sector in 15 years.

Under this agreement, more than 60 percent of U.S. agricultural exports will become duty-free immediately. Lower tariffs benefit both U.S. suppliers and Korea's consumers. The KORUS FTA will help the United States compete against Korea's other major agriculture suppliers and help keep the United States on a level playing field with Korea's current free trade partners, such as Chile, and any future FTA partners.

With the Agreement...

Fresh Oranges

Upon implementation of the agreement, an estimated 70 percent of current U.S. orange trade with Korea will benefit from lower tariffs immediately. On "out-of-season" product entering during the March 1 – August 31 period, Korea's 50-percent tariff will immediately be reduced to 30 percent, which will be reduced to zero in six equal annual installments.

An initial duty-free tariff-rate quota (TRQ) of 2,500 metric tons will apply for orange imports from the United States during Korea's "in-season" period of September 1 through the end of February. From year 2 onward, the TRQ will grow at a compound 3-percent annual rate in perpetuity. In-season imports above the TRQ volume will continue at the current most-favored-nation rate of 50 percent.

The value of the TRQ and duty reductions in year 1 of the agreement, assuming current trade levels, will be nearly \$18 million. A conservative estimate places the cumulative value of savings after 7 years at \$208 million.

Lemons

For lemons, the story is simple and short. Korea's current 30-percent tariff will be reduced to 15 percent in year 1 and go to zero on January 1 of the second year of the agreement. Duty savings on the current \$5.8 million of Korean imports would be \$900,000 during year 1.

Grapefruit

For grapefruit, the current 30-percent WTO tariffs will be reduced in five equal annual installments to zero. Duty savings on the recent annual \$3.8 million of Korean grapefruit imports would be \$226,000 during year 1.

The Citrus Trade Situation...

Fresh citrus fruits are a sensitive group of commodities for Korea, and the country affords considerable protection to its domestic citrus industry. Highly restrictive tariff and non-tariff barriers help ensure that Korea's internal demand for citrus fruit is met largely through domestic production of unshu (mandarin) oranges, which FAO estimates was 615,000 metric tons in crop year 2007/08.

Despite rigorous import restrictions, Korea has been the second largest market for U.S. oranges for the past several years. From 2005 through 2007, U.S. suppliers shipped an average 102,000 tons of oranges valued at \$111 million to Korea. The United States has a 94-percent market share in Korea, with only limited competition from South Africa, Chile, and Spain.

Korea is the fourth largest market for U.S. lemons. From 2005 through 2007, U.S. suppliers shipped an average of 4,000 tons of lemons annually valued at \$5.8 million. Chile, which has a free trade agreement with Korea, began shipping lemons to Korea in 2005, and has captured 10 percent of market share in that time.

The United States is the dominant grapefruit supplier to Korea. Korea's imports of U.S. grapefruit in 2007, at \$6.4 million, were the highest for at least the last 20 years.

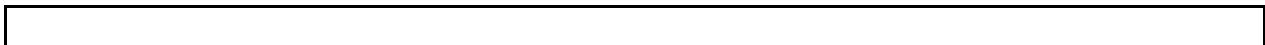
With the Agreement...

Orange Juice

Korea's 54-percent WTO tariff on frozen orange juice concentrate will be immediately eliminated. This tariff-free status offers U.S. orange juice a unique market growth potential. Duty savings on the \$17 million in juice imported annually from the United States will be \$9.3 million. The 54-percent tariff on other orange juice import categories (about \$1.5 million in trade) will be reduced in five equal annual installments to zero. A 54-percent tariff rate advantage over Brazil, which dominates Korea's orange juice import market, presents a huge opportunity for U.S. exporters.

The Trade Situation...

Korea is the third largest market for U.S. orange juice. From 2005 through 2007, U.S. suppliers annually shipped an average 20 million liters (single strength) of juice valued at \$13 million. Brazil currently supplies about 60 percent of Korea's \$71-million orange juice import market. Elimination of the duty for U.S. frozen orange juice concentrate more than offsets the price advantage Brazilian juice has enjoyed in Korea (from 11 to 23 percent below U.S. prices in recent years). Korea's imports of orange juice have been somewhat unpredictable, peaking in 1997 and 2002, though U.S. market share has remained quite stable for the past several years at 22-25 percent.



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