



United States
Department of
Agriculture

Foreign
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Service

FACT SHEET

U.S.-Korea Free Trade Agreement **North Dakota Farmers Will Benefit**

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The United States concluded free trade negotiations with Korea on April 1, 2007. The U.S.-Korea Free Trade Agreement (KORUS FTA) is the most commercially significant free trade agreement the United States has negotiated in nearly 20 years.

The KORUS FTA provides immediate elimination of duties on more than 60 percent of current U.S. exports and gives U.S. exporters improved access to the Korean market for many of the products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of North Dakota's agricultural products. North Dakota's agricultural exports to all countries, estimated at \$2.5 billion in 2007, supported about 26,642 jobs, on and off the farm. These export sales make an important contribution to the North Dakota farm economy, which had total cash receipts of \$5.5 billion in 2007.

Wheat and Barley. Wheat is the largest source of farm cash receipts for the state with sales of \$1.5 billion in 2007, or 28 percent of the state's total.

- An unlimited amount of U.S. wheat for milling can enter Korea duty free upon implementation of the agreement.
- Korea's imports of U.S. wheat will no longer be subject to Korea's 1.8-percent tariff or its autonomous tariff-rate quota (TRQ) of 1 percent.
- A new 2,500-ton duty-free quota established for unhulled and naked barley that will give the United States a tariff advantage over competitors such as Australia and China.
- A new 9,000-ton duty-free quota established for unroasted malt and/or malting barley provides the United States with 10- and 20-percent tariff advantages, respectively, over our competitors.

Beef. The cattle and calf industry generated cash receipts of \$741 million in 2007, the third largest source of farm earnings in the state. The industry will benefit from this agreement.

- For beef muscle meats, the FTA provides a 15-year straight-line tariff phase out with a safeguard that begins growing from 270,000 tons, a quantity that is 17 percent larger than our largest historical shipments.

- Technical consultations continue toward the goal of allowing imports to take place consistent with World Organization for Animal Health (OIE) guidelines.
- Following the May 2007 decision by the OIE classifying the United States as a controlled-risk country, Korea has announced that it will undertake in a timely manner its regulatory process toward expansion of market access for beef and beef products.

Soybeans and Products. North Dakota is the nation's ninth largest exporter of soybeans and products, and soybeans are the state's second largest agricultural export.

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent tariff on food-use soybeans.
- Korea will establish a duty-free quota starting at 10,000 tons for identity-preserved soybeans for food use (the production of soybean curd). This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors. (For comparison, based on trade data, Korea's average 2006 import price for soybeans used for food was \$330 per ton. This markup brings the price for imported quality beans to \$580.)
- Korean tariffs on imports of crude soybean oil (the majority of Korea's soybean oil imports) will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Feed Grains. Corn accounts for the fourth largest source of farm cash receipts with sales of \$537 million in 2007. North Dakota's feed grain producers will benefit from this agreement.

- U.S. exports of corn for feed will enter duty free immediately. Korea is currently the fourth largest market for U.S. corn for feed.
- The FTA includes a new 93,774-ton duty-free quota for corn for processing that grows quickly to 393,849 tons by year 7, after which quantities will be unrestricted.

Vegetables and Pulses. North Dakota exported an estimated \$240 million in fresh and processed vegetables in 2007 and growers can benefit from this FTA.

- A new 3,000-ton duty-free quota for fresh potatoes and a new 5,000-ton duty-free quota for dehydrated potatoes will bring opportunities for growers.
- Tariffs for flaxseed, canola, and sunflower seed oil will be phased out over 5-10 years.
- The current 27-percent tariff on most pulses (peas, beans, and other legumes) will be eliminated within 5 years and the tariff for lentils will be removed within 10 years.

For questions about the U.S.-Korea Free Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs Office at (202)720-7115 or LPA@fas.usda.gov.

For detailed information on how the Agreement benefits specific commodities, please visit:

<http://www.fas.usda.gov/info/factsheets/Korea/us-koreaftafactsheets.asp>