



FACT SHEET

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

September 2008

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 Missouri's agricultural products, including beef, pork, soybeans and related products, and feed grains. Missouri's agricultural exports to all countries, estimated at \$2 billion in 2007, supported about 21,314 jobs, on and off the farm. These export sales make an important contribution to the Missouri farm economy, which had total cash receipts of \$6.9 billion in 2007.

Beef. Cash receipts from the cattle and calf industry totaled \$1.2 billion or 20 percent of the state's total in 2007. This industry will benefit from this FTA.

- 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. Soybeans and related products are the second largest source of cash receipts in the state at \$1.3 billion, and they are also the state's top agricultural export. Missouri soybean producers will benefit from this agreement.

- 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 is the state's third largest source of farm cash receipts at \$1.2 billion in 2007. Missouri corn farmers and growers of other feed grains will benefit from this FTA.

- U.S. exports of corn for feed are guaranteed to enter at zero duty 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.

Pork. With cash receipts of \$809 million in 2007, Missouri's hog farmers will benefit from this agreement.

- Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty free on January 1, 2014. This includes all frozen and processed pork products.
- Date-certain duty-free access allows for U.S. exports to compete on a level playing field with other Korean free trading partners.
- A transparent first-come first-serve safeguard quota for fresh pork bellies and miscellaneous fresh cuts starts growing at 8,250 tons, nearly double current trade volume.

Poultry and Egg Products. Missouri's turkey industry generated cash receipts of \$327 million in 2007. The turkey and broiler industry will benefit from this FTA.

- Korea's tariffs of 18 to 27 percent on frozen leg quarters, frozen breasts and wings, and frozen turkey cuts, will be phased out in 7 to 12 years.
- As the number 2 market for U.S. egg products, Korean tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

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>