



FACT SHEET

U.S.-Korea Free Trade Agreement **Wisconsin 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 Wisconsin's agricultural products, including dairy and beef. Wisconsin's agricultural exports to all countries, estimated at \$2.1 billion in 2007, supported about 22,380 jobs, on and off the farm. These export sales make an important contribution to the Wisconsin farm economy, which had total cash receipts of \$8.8 billion in 2007.

Dairy. Wisconsin's dairy industry is the nation's largest exporter, and with cash receipts of \$4.6 billion or 52 percent of farm earnings in 2007, it is by far the state's largest agricultural industry. The dairy industry will benefit from this FTA.

- The FTA will provide immediate duty-free access for double the current export volume of total dairy products. Duty-free quotas will be established for cheese, skim/whole milk powder, food whey, and butter.
- Current annual U.S. feed whey exports of \$8 million will gain duty-free access to the Korean market immediately upon implementation.

Beef. Wisconsin's cattle and calf industry accounted for cash receipts of \$908 million in 2007 and 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.

Feed Grains. Corn is the second largest source of state farm cash receipts with sales of \$1.2 billion in 2007. The state is the nation's 11th largest exporter of feed grains and products.

- 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.

Soybeans and Products. In 2007, Wisconsin's soybean growers earned \$321 million, and this industry was the state's fourth largest source of farm revenue.

- 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.

Vegetables and Pulses. As a large greenhouse/nursery producer, Wisconsin vegetable producers will benefit from this agreement.

- Tariffs on frozen potato fries and chipping potatoes (during the U.S. potato shipping season) will become duty free immediately.
- 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.
- Other products such as carrots, lettuce, dried mushrooms, and sweet corn, with duties ranging from 30 to 45 percent, will have tariffs phased out in either 5 or 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>