



United States
Department of
Agriculture

Foreign
Agricultural
Service

FACT SHEET

U.S.-Korea Free Trade Agreement **Illinois 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 Illinois' agricultural products, including feed grains, soybeans, beef, and pork. Illinois' agricultural exports to all countries, estimated at \$4.7 billion in 2007, supported about 50,088 jobs, on and off the farm. These export sales make an important contribution to the Illinois farm economy, which had total cash receipts of \$11.6 billion in 2007.

Feed Grains. Cash receipts for Illinois' corn farmers were \$5.6 billion in 2007, accounting for 48 percent of the state's total. Illinois is the nation's second largest exporter of feed grains and products. Feed grain producers will benefit from this agreement.

- 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. Illinois is one of the nation's top soybean producers. Soybeans are the second largest source of farm cash receipts and the state is the second largest exporter in the country. In 2007, the state's farm cash receipts from soybeans were \$3.1 billion and exports of soybeans and products were estimated at \$1.4 billion. Illinois soybean producers will benefit from this FTA.

- 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.

Pork. At \$809 million in 2007, hogs are the state's third leading source of farm cash receipts. Illinois pork producers will benefit from this FTA.

- 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.

Beef. Illinois' cattle and calf industry is the state's fourth largest source of cash receipts with \$731 million in 2007. 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.

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>