



## *Trade and Agriculture* **What's at Stake for Texas?**

U.S. Department of Agriculture  
Foreign Agricultural Service  
September 2008

Texas is an important producer and exporter of agricultural products. In 2007, the State's cash farm receipts totaled \$19 billion. Texas ranked third among all 50 States in agricultural exports, with an estimated \$5.2 billion in sales to foreign markets in 2007. Agricultural exports help boost farm prices and income, while supporting about 55,416 jobs both on the farm and off the farm in food processing, storage, and transportation. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 27 percent in 2007.

The State's top five agricultural exports in 2007 were:

- cotton -- \$1.8 billion
- wheat and products -- \$529 million
- live animals and red meats -- \$509 million
- feed grains and products -- \$492 million
- feeds and fodders -- \$448 million

World demand is increasing, but so is competition among suppliers. If farmers, ranchers, and food processors in Texas are to compete successfully for opportunities of the 21st century, they need *fair trade* and *more open access* to growing global markets.

### **How Trade Agreements Benefit Texas Agriculture**

Texas benefited as some of the top international markets significantly reduced tariffs on cattle and beef. Under the NAFTA, Mexico eliminated its 15 percent tariff on live slaughter cattle, its 20-percent tariff on chilled beef, and its 25 percent tariff on frozen beef. Mexico is one of the fastest growing markets for U.S. beef. U.S. beef exports to Mexico rose from the 1993 pre-NAFTA level of 39,000 tons valued at \$116 million to 207,000 tons valued at \$596 million in 2002.

Under the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR), U.S. prime and choice cuts of beef gain preferential access as applied tariffs of 15 to 30 percent are immediately eliminated (except the Dominican Republic) while those applied to other cuts are phased-out over 15 years. Tariffs on beef offal and other beef products are phased out over 5 to 10 years. As for pork, U.S. suppliers gain preferential access as tariffs of 15 to 47 percent are eliminated over 15 years. Tariffs on bacon and some offal products will be eliminated immediately. Duty-free in-quota tariff rate quotas (TRQs) amounting to 12,800 mt are established in the first year and then expand. As part

of the agreement, all countries are working toward recognition of the U.S. meat inspection and certification systems, which would replace the existing policy of plant-by-plant inspections and approval. From 2001 through 2003, U.S. beef suppliers annually shipped 4,094 metric tons valued at \$9.8 million to all six countries, while the figures for pork were 9,935 metric tons valued at \$18.4 million.

Texas, the No. 1 cotton-exporting State, benefited under NAFTA with new rules of origin that increase demand for U.S. textiles in Canada and Mexico. Mexico's 10-percent tariff on cotton has been eliminated. This tariff reduction supports U.S. cotton exports to Mexico, which rose from 558,000 bales to 2.2 million bales from marketing year 1995 to 2002. U.S. industry estimates that the Caribbean Basin Initiative and the Africa Growth and Opportunity Act will increase annual cotton sales by 100,000 bales.

### **Export Success Stories**

Since its launch in 2000, Cotton Council International (CCI) and Cotton Incorporated's COTTON USA Sourcing Program, funded by FMD and checkoff resources, has dramatically enhanced the level of U.S.-made cotton textile exports to the Caribbean Basin. Cotton yarn exports to the region increased from \$30 million in 1999 to \$205 million in 2003. Meanwhile, knit fabric exports skyrocketed from \$21 million to \$618 million. CCI and Cotton Incorporated achieved these results by partnering the two organizations and their respective marketing and technical strengths, and by market development outreach to the supply chain and retail industries in the United States and supplying countries. The resulting business contacts have now become established trading relationships that compete favorably with products from anywhere in the world.