United States Department of Agriculture

Foreign Agricultural Service

FACT SHEET

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THE IMPORTANCE OF AGRICULTURAL TRADE

U.S. agriculture looks overseas to expand sales and boost incomes. Exports also generate additional economic activity that ripples through the domestic economy. According to USDA's Economic Research Service, every dollar of exports creates another $1.48 in supporting activities to process, package, finance and ship agricultural products. This means that agricultural exports, which reached a record $62.4 billion in 2005, will generate an additional $92 billion in supporting business activities.

Exports also mean jobs: jobs that pay higher than average wages and are distributed across many communities and professions, both on the farm and off, in urban and rural communities. Agricultural exports currently provide employment for 836,000 Americans.

How Dependent Are Agricultural Industries on Overseas Markets?

Compared to the general economy, U.S. agriculture is twice as reliant on overseas markets. Agriculture’s export reliance, measured as exports divided by farm cash receipts, ranged from 26 percent to 30 percent during the mid-1990s.

Bulk commodities have long depended on overseas markets. Nearly half of our wheat and rice crops are exported; about one-third of soybean, tobacco and cotton production is shipped overseas; and 20 percent of the corn crop is exported. High-value products, including fruits, vegetables and animal products, are increasingly dependent on overseas markets as well, and many are approaching or have already reached the same level of export dependency.

Since the mid-1980s, suppliers of high-value products have seen export sales outpace domestic sales by a wide margin. Today, for example, nearly 60 percent of U.S. cattle hides are exported, with a total export sales value of $1.6 billion. The export dependency of the almond industry is even higher, with 67 percent of the crop shipped overseas. One-third or more of fresh table grapes, dried plums, raisins, canned sweet corn, walnuts and animal fats is exported.

Major Agricultural States Are Most Reliant on Foreign Markets

A top supplier of fruits, vegetables and tree nuts, *California*'s agricultural industry, since 2003, has become more reliant on exports than the national average due to the sharp rise in the value of horticultural exports. It is the largest exporting state by a wide margin, with exports estimated at $9.2 billion in 2004.

Washington State, with exports of $1.9 billion in 2004, is highly reliant on export markets due to large fruit, vegetable and wheat shipments. *Texas*, with exports totaling $3.4 billion, is the second largest exporting state.

Located in the grain and soybean belts, the *Midwest states* are generally more reliant on export markets. The most obvious examples are *Iowa, Illinois, Indiana, Kansas, Minnesota* and *Nebraska*.

Trade Agreements Expand Employment and Economic Opportunities

Export gains attributed solely to trade liberalization since 1985 are conservatively estimated by USDA's Economic Research Service at $3.5 billion a year. Dozens of previous agreements have opened markets, reduced unfair competition, brought some discipline to sanitary and phytosanitary barriers, and introduced more effective dispute-settlement procedures in global trade.

Expanding existing market access and opening new markets under future trade agreements will significantly boost U.S. agricultural export sales. After all, 96 percent of the world's consumers live outside the United States. And many of them are in developing countries where almost all income growth is spent on food. The United States is the largest exporter of agricultural products in the world, and is a highly competitive producer of many products. And U.S. agriculture is one of the few sectors of our economy that consistently enjoys a trade surplus.

Here are some specific examples of how past trade liberalization has increased U.S. exports:

- **Uruguay Round—**The first multilateral trade round to address agriculture in a comprehensive manner, the Uruguay Round substantially addressed trade-distorting agriculture issues. It resulted in reduced export subsidies, cut excessive tariffs and opened the door for other trade facilitating measures.

- **North American Free Trade Agreement—**Implemented in January 1994, NAFTA established rules for free trade between Canada, Mexico and the United States. The agreement phases out most trade restrictions within 15 years, provides special safeguards for sensitive seasonal horticultural imports, sets country-of-origin rules, and disciplines sanitary and phytosanitary regulations. Together, our two NAFTA partners took an unprecedented $15.3 billion in U.S. agricultural products, for the first time in 2001, exceeding our sales to Japan and the European Union (EU) combined.

- **Looking to the Future Doha—**Priorities for future trade agreements that will benefit the U.S. food and agricultural sector include:

    - Completion of the Doha trade talks under the World Trade Organization (WTO);

    - Implementation of the Central American Free Trade (CAFTA-DR) agreement, which could expand U.S. farm exports by 1.5 billion a year;

    - A Free Trade Area of the Americas (FTAA) agreement to expand economic cooperation and opportunity in the Western Hemisphere; and

    - Other regional and bilateral trade agreements.