



Trade and Agriculture **What's at Stake for Indiana?**

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

Indiana is an important producer and exporter of agricultural products. In 2007, the State's cash farm receipts totaled \$7.7 billion. Indiana ranked 10th among all 50 states in 2007, with agricultural exports estimated at \$2.4 billion. Agricultural exports help boost farm prices and income, while supporting about 25,575 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports remain important to Indiana's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 31 percent in 2007.

Indiana's top five agricultural exports in 2007 were:

- soybeans and products -- \$898 million
- feed grains and products -- \$824 million
- live animals and red meats -- \$253 million
- poultry and products -- \$154 million
- wheat and products -- \$118 million

World demand for these products is increasing, but so is competition among suppliers. If Indiana's farmers, ranchers, and food processors 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 Indiana Agriculture

As one of the nation's leading soybean producers, Indiana benefits under the Uruguay Round agreement as South Korea reduced its tariffs on soybean oil by 14.5 percent from 1995 to 2004. Thus far, the tariff reduction has supported a threefold increase in export volume. The Philippines reduced its tariffs on soybean meal from 10 to 3 percent during the same period. China's accession to the WTO has helped to raise our exports of soybeans to that country by over six fold from 1999 to 2004, surpassing \$2.4 billion this year.

Indiana, one of the nation's largest feed corn producers, benefited under the NAFTA when Mexico converted its import licensing system for corn to a transitional tariff-rate quota that will remain in effect until 2008. Under this system, the volume of U.S. corn exports to Mexico has risen over 42 percent since 1994, reaching 120 million bushels valued at \$585 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 part of the agreement, all six countries are working toward the 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. suppliers annually shipped on average 4,094 metric tons valued at \$9.8 million to all six countries combined.

Export Success Stories

Since 1998, using Foreign Market Development program funds, the American Soybean Association has trained Taiwanese tofu and soymilk producers on modern production and marketing techniques in order to improve the quality and price of their products for high-end consumers. As a result, there was a 50 percent growth in the consumption of specialty soybeans between 1997 and 2003. Currently, there are more than 30 premium soy food shops in Taiwan and they imported a total of 7,500 MT of containerized specialty soybeans in 2003. These initiatives also helped preserve wholesome image of soy foods while the Taiwanese government was instituting labeling requirements for the products of modern biotechnology. Taiwan currently consumes 250,000 MT soybeans for food that is equivalent to a market value of \$62 million annually. U.S. soybeans make up almost 98 percent of food soybean market.