



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

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Pennsylvania produces agricultural products that are exported worldwide. In 2007, the State's cash receipts from farming totaled \$5.7 billion, and exports were estimated at \$1.5 billion. Agricultural exports help boost farm prices and income, while supporting about 15,985 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports are increasingly important to Pennsylvania's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 26 percent in 2007.

Pennsylvania's top agricultural exports in 2007 were:

- wheat and products -- \$188 million
- live animals and red meats -- \$180 million
- feed grains and products -- \$108
- poultry and products -- \$88 million

World demand is increasing, but so is competition among suppliers. If Pennsylvania'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 Pennsylvania Agriculture**

Pennsylvania 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.

Australia generally applies lower tariffs of around 5 percent on most processed foods. Under the U.S. – Australian FTA, U.S. processed foods and beverages will immediately receive duty-free tariff treatment. From 2001 through 2003, U.S. suppliers annually shipped to Australia on average: breads, cakes, and pastries valued at \$4.6 million; soups and broths valued at \$80,000; distilled spirits valued at \$56 million; and chocolate bars valued at \$1.3 million.

### **Export Success Stories**

Pennsylvania lumber producers were helped by a grading seminar conducted by the American Hardwood Export Council (AHEC). As a result of the seminar an importer in the Dominican Republic purchased 90,000 board feet of tulipwood (yellow poplar) lumber. This sale helped boost exports of tulipwood to the Dominican Republic by more than 250 percent in 2003.