



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

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

Virginia produces agricultural products that are exported worldwide. In 2007, the State's cash receipts from farming totaled \$2.9 billion, and exports were estimated at \$622 million. Agricultural exports help boost farm prices and income, while supporting about 6,630 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports are increasingly important to Virginia's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 21 percent in 2007.

Virginia's top agricultural exports in 2007 were:

- wheat and products -- \$115 million
- poultry and products -- \$102 million
- live animals and red meats -- \$95 million
- soybeans and products -- \$55 million

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

How Trade Agreements Benefit Virginia Agriculture

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.

As one of the leading states in poultry production, Virginia benefited under the Uruguay Round agreement when Korea eliminated its import quotas on frozen chicken in 1997, and reduced its tariffs to between 18 to 20 percent by 2004. These steps supported a rise in U.S. poultry to 120,000 tons valued at \$79 million by 2002. The Philippines opened a

tariff-rate quota for poultry meat of 16,701 tons in 1998, which rose to 23,500 tons by 2004.

If Congress ratifies the US – Dominican and Central American FTA in its current form, all applied import tariffs on U.S. poultry meats that currently range between 30 and 164 percent will be eliminated over 10 to 18 years depending on the product and country. Each country also commits to adopting a “systems approach” to the recognition of the U.S. poultry inspection system, thereby eliminating plant-by-plant inspections and facilitating trade. From 2001 through 2003, U.S. poultry meat suppliers annually shipped on average 65,550 metric tons valued at \$61 million to all six countries combined.

Virginia benefits from limits set on subsidized wheat exports during the Uruguay Round. These limits influenced the EU's decision to make changes to its Common Agricultural Policy and ultimately lowered internal EU market prices to world price levels. Annual EU wheat exports dropped from 22 million tons to about 14 million tons as lower market prices stimulated domestic use. Meanwhile, annual EU wheat imports jumped from 1.5 million tons to 7 million tons as the levied margin of protection fell. This translates to an 11-percent reduction in global export competition and a 5.5-million-ton increase in EU wheat imports, a third of which is supplied by the United States.

Export Success Stories

In August 2003, an FAS-led trade mission traveled to Nigeria to explore untapped commercial opportunities for U.S. seafood products. The team, which also included an official from the Virginia Department of Agriculture and Consumer Services and a North Carolina/Virginia-based supplier of Atlantic croaker met with importers, visited cold storage facilities and markets, and consulted with a Lagos-based shipping company interested in handling consolidated shipments of U.S. products to West Africa. Following the mission, the croaker supplier received several trade leads that resulted in sales of more than \$100,000.