

**STATEMENT OF THE
AMERICAN FARM BUREAU FEDERATION
TO THE
OFFICE OF THE UNITED STATE TRADE REPRESENTATIVE AND
TRADE POLICY STAFF COMMITTEE
REGARDING
REPUBLIC OF KOREA FREE TRADE AGREEMENT**

Presented by:
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Good morning, I am Bob Stallman, president of the American Farm Bureau Federation and a rice farmer from Columbus, Texas.

As a general agricultural organization, the American Farm Bureau Federation (AFBF) was pleased with USTR's announcement regarding Free Trade Agreement (FTA) negotiations with South Korea. While still self-designated as a developing economy in the World Trade Organization (WTO), South Korea is actually the tenth largest world economy¹ and is the seventh largest trading partner of the United States.² This agreement has the potential to provide growth in trade for both the United States and South Korea.

To realize the potential trade growth for both countries, the negotiations must be comprehensive. We are concerned by a recent request from South Korea that rice be excluded from the negotiations. All agricultural products should be on the negotiating table. Exclusion of products in FTA negotiations leads to losses for the FTA partners and undermines their ability to achieve full trade gains.

We support the decision of USTR to negotiate an FTA with South Korea and look forward to working with USTR during the negotiation process. Upon completion of the negotiations, AFBF will analyze the final agreement's impact on U.S. agriculture, and based on the analysis, the AFBF board will determine AFBF's position on passage of implementing legislation.

Agricultural Information

At the start of the economic boom in 1963, the majority of South Koreans were farmers. In fact, 63 percent of the population lived in rural areas. Over the next several decades, however, South

¹ Office of the United States Trade Representative. *Trade Facts*, "FTA: United States and Republic of Korea Economic and Strategic Benefits." February 2, 2006.

² Office of the United States Trade Representative. *Trade Facts*, "FTA: United States and Republic of Korea Economic and Strategic Benefits." February 2, 2006.

Agricultural Exports

The United States is the chief agricultural exporter to South Korea, supplying a range of products, with corn, beef, hides, soybeans, milling wheat and cotton the major items. From 2000 through 2004, the United States exported an average of \$2.6 billion per year of agricultural products to South Korea. The majority of products being sent to South Korea were bulk commodities, such as corn, wheat and soybeans. In addition to these bulk commodities, the United States also exports cattle hides, fruits and vegetables. The table below shows the top 10 exports, by value, sent to South Korea from the United States during 2000-2004.

Top 10 U.S. Exports to South Korea

(Values in \$1,000)

Commodity	2000	2001	2002	2003	2004	5 Yr Avg
Whole Cattle Hides	398,502	474,074	381,441	365,440	329,264	389,744
Soybeans	265,805	219,205	247,150	282,430	284,594	259,837
Corn	202,718	276,292	79,251	42,128	542,034	228,485
Wheat	180,559	172,978	187,244	205,363	230,919	195,413
Cotton	123,516	103,562	149,778	155,163	174,523	141,308
Feed, Ingredients & Fodder	85,257	84,841	98,217	122,875	114,791	101,196
Miscellaneous Horticultural Products	67,889	88,287	103,576	101,138	100,088	92,196
Fresh Fruits, Citrus	51,295	53,876	76,642	88,715	97,796	73,665
Vegetables, Prep or Pres	57,939	36,668	41,885	37,990	43,253	43,547
Pork	25,453	17,962	26,187	69,998	43,344	36,589

While the United States is a significant supplier of the South Korean food and fiber market, that market share is decreasing. The United States' market share of South Korea's agricultural imports has fallen from nearly 45 percent in 1996 to less than 30 percent in 2004. Other countries are moving into and increasing their share of the South Korean agricultural market. Other suppliers expanding in the South Korean market include Australia for wheat, beef, mutton, wool and sugar; Malaysia for rubber and palm oil; New Zealand for beef, kiwifruit and dairy products; Canada for feed grains and oilseeds; the European Union for pork, feed grains and processed meat; and China for a variety of agricultural products.

Agricultural Imports

From 2000 through 2004, the United States imported an average of \$156 million per year of agricultural products from South Korea. The table below shows the top 10 imports, by value, sent to the United States from South Korea during 2000-2004. Most of these agricultural imports do not compete directly with domestically-produced commodities (for example, off-season deciduous fruits) or processed products, such as miscellaneous grain and feed (which is mostly pasta) and prepared vegetables.

Tariff Rate Information

(Values in Percent)

Commodity	South Korea		United States	
	Bound	Applied	Bound	Applied
Barley	359.1	359.1	0.7	0.0
Beef	40.0	40.0	26.4	5.3
Butter	89.0	67.6	80.9	6.7
Cheese	36.0	36.0	36.4	9.8
Corn	403.5	403.5	0.6	0.0
Cotton	2.8	2.2	25.9	25.9
Milk	176.0	176.0	40.0	0.0
Skimmed Milk Powder	176.0	176.0	40.0	0.0
Pork	22.5	22.5	0.2	0.0
Poultry	19.5	19.5	17.4	6.9
Rice*	5.0	5.0	6.8	6.8
Sorghum	394.2	394.2	1.4	0.0
Soybeans	487.0	487.0	0.0	0.0
Soybean Meal	1.8	1.8	2.5	2.5
Soybean Oil	12.6	8.0	19.1	19.1
Sugar	18.0	13.5	195.0	195.0
Wheat	4.2	3.0	2.6	0.0
Aggregate Fruits	45.0	45.0	3.7	3.7
Aggregate Vegetables	45.0	45.0	6.8	6.8
Processed Products	51.5	51.5	11.4	11.4

*Represents in-quota tariff, only; see TRQ text below

As the table illustrates, agricultural tariff rates in South Korea range from just over 1 percent to nearly 500 percent, depending on the commodity. Eliminating, or even significantly reducing, these tariff rates through a free trade agreement could be extremely beneficial to the United States' agricultural sector. The lower tariff rate on United States products would put us in a better position to compete with Australia, China, Japan and other agricultural suppliers in that country.

Other Concerns

In addition to tariff barriers to trade, South Korea also imposes several non-tariff barriers to trade that must be addressed in a trade agreement. These barriers range from internal supports to quantitative restrictions to sanitary and phytosanitary concerns and are discussed further below.

Tariff Rate Quota Administration

South Korea utilizes their TRQs in a manner that slows, and in some cases halts agricultural trade entirely. For example, the South Korean government exercises full control over the purchase, distribution and end-use of all imported rice. The tariff rate table indicates that rice entering the South Korean market faces a 5 percent duty. This is true for in-quota rice, only. In 2005, South Korea should import 225,575 metric tons of rice, 50,076 metric tons of that from the United States, which will all face the 5 percent duty. South Korea does not have an over-quota