Trade Report

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Update on Trans-Pacific Partnership

Source: TTP Benefits to US Agriculture, USDA Foreign Agriculture Service, published 10/8/2015
Source: Hot Irons, California Cattlemen's Association, published 2/15/2016

- On February 4, 2016 the following countries signed the Trans-Pacific Partnership (TPP) trade deal: United States, Japan, Australia, New Zealand, Vietnam, Brunei, Chile, Singapore, Canada, Malaysia, Mexico, and Peru.
- The TPP will advance U.S. economic interests in the Pacific Rim, a critical region that accounts for nearly 40 percent of the global GDP.
- This high-standard agreement opens markets and will support expansion of U.S. agricultural exports, increase farm income, generate more rural economic activity, and promote job growth.
- If the trade deal is approved by Congress, it would immediately cut tariffs on U.S. Ag products, with big impacts on beef, rice, and dairy products.
    - Most farm products exports will receive duty-free treatment immediately. Other farm products will receive preferential access within the new tariff-rate quotas, which provide access for a specified quantity of imports at a preferential rate, generally zero
    - BEEF: Japan's 38.5% tariff on fresh, chilled, and frozen beef will be cut by 77% over 15 years
        - Recently, U.S. beef producers have lost a significant share of the Japanese market due to a separate trade deal negotiated between Japan and Australia. Slowing international exports of U.S. beef in the last quarter of 2015 contributed, in part, to the decline of live cattle prices last year
    - RICE: Malaysia and Vietnam will eliminate tariffs on rice immediately upon entry. Japan will establish a new duty-free CSQ for the U.S. rice starting at 50,000 metric tons
    - DAIRY: Malaysia will immediately eliminate most tariffs on rice and Vietnam will eliminate all tariffs within 5 years. Japan will eliminate many of its tariffs on cheese in 16 years and all tariffs on whey in 20 years. Canada will expand access for many dairy products. And U.S. will expand access for New Zealand for some products.
- If the United States fails to implement the TPP agreement it will likely lose market share to its competitors. Australia, Chile, Mexico and Vietnam and other countries already have preferential market access with Japan through their existing bilateral trade agreements.
    - Additionally, the European Union is negotiating free trade agreements with many of the TPP countries. If the US does not ratify the TPP agreement, the other TPP members, such as Canada may ratify a similar agreement without us. The TPP agreement is necessary for U.S. exports to remain competitive.
- Every day Congress sits idle on TPP, U.S. Ag producers stand to lose additional market share to other nations exporting to the Pacific Rim.