Trade Report

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Update on Trans-Pacific Partnership
Source: USDA Foreign Agricultural Service Update 3.31.2016

As the Transatlantic Trade and Investment Partnership (TTIP) negotiations intensify, it is worth taking a fresh look at agricultural trade flows between the United States and the European Union. While the United States had a $16 billion agricultural trade surplus with the rest of the world in 2015, it ran a record $12 billion trade deficit in farm and food products with the European Union (EU), up 15 percent from 2014.

Thanks to strong American demand for the EU's high-value products, and a relatively open market, the United States imported a record $25 billion in food and agricultural products in 2015. Meanwhile, **U.S. exports to the EU declined four percent to just under $13 billion, largely as a result of low commodity prices and the strength of the U.S. dollar, which has appreciated 25 percent against the Euro since January 2014**.

During most of the past decade, EU demand for consumer-oriented products helped increase U.S. exports. However, in recent years, U.S. sales have grown at a slower pace than imports from Europe. **At the same time, U.S. exports are disadvantaged by market access restrictions on a number of our most competitive commodities and higher tariffs than countries which enjoy preferential market access privileges with the EU.**

Every day Congress sits idle on TPP, U.S. Ag producers stand to lose additional market share.

Background on TPP
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.