CAFTA Facts

Office of the United States Trade Representative www.ustr.gov
CAFTA Policy Brief – February 2005

Opportunities for Agriculture

- Removing trade barriers between the United States and Central America and the Dominican Republic will create important new export opportunities for U.S. farmers, ranchers and processors. The American Farm Bureau Federation estimates that CAFTA-DR could boost U.S. agricultural exports by $1.5 billion when fully implemented.

- ***Leveling the Playing Field**.* The U.S. market is already largely open to agricultural imports from these countries, so the CAFTA-DR agreement will result in limited additional import competition. With population and consumption growth for many farm products stagnant in the United States, access to markets such as those in Central America is critical for the growth of U.S. agriculture.

- ***Central America will provide access to a large number of consumers in potential growth markets**.* The population of Costa Rica, El Salvador, the Dominican Republic, Guatemala, Honduras, and Nicaragua is over 40 million. Per capita incomes range from nearly $2,000 to over $8,500 (PPI, 2001 data), providing substantial upside potential for expanded growth of income and food demand.

- ***Central America and the Dominican Republic are already good markets for U.S. agricultural products.*** U.S. agricultural exports to the region totaled $1.6 billion in 2003. The United States is the region's single largest source of agricultural imports, accounting for 41 percent of imports by value in 2001. However, U.S. share declined from 54 percent of total imports in 1995, due in large part to preferential access conditions afforded third countries by the Central Americans through bilateral trade agreements.

- ***The CAFTA-DR eliminates barriers to U.S. exports, improving U.S. competitiveness against Central American and third country suppliers.*** The average allowed tariff for the Central American countries and the DR under their WTO commitments are 42% in Costa Rica, 41% in El Salvador, 40% in the Dominican Republic, 49% in Guatemala, 35% in Honduras, and 60% in Nicaragua. The simple average agricultural tariff applied to U.S. exports to these countries exceeds 11%, and can exceed 150% for import-sensitive products. Eliminating these tariffs will create in many cases preferences for U.S. exporters over third country suppliers, including those in Canada, Europe and South America, helping to restore lost U.S. market share and expand overall U.S. exports. Tariff elimination will also make U.S. exports more competitive with producers in the Central American countries.

- ***The U.S. market is already very open to Central American and DR exports.*** Over 99% of regional agricultural exports (on a trade-weighted basis) enter the United States duty free already under MFN tariffs and CBI preferences. The United States imported over $2 billion from the region in 2002. The vast majority of these imports are crops not competitive with domestically-grown commodities, such as coffee and tropical fruits.

- ***Important US sectors will benefit.*** Nearly every major U.S. agricultural sector will benefit from expanded market access under CAFTA-DR, with gains in such sectors as feed grains, wheat, rice, soybeans, poultry, pork, beef, dairy, fruits, vegetables, and processed products.

Sector-by-sector summaries of CAFTA-DR's benefits are available at:
www.fas.usda.gov/info/factsheets/CAFTA/commodity.html