

National  
Grain and Feed  
Association



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## **NGFA, NAEGA Commend House for Passing CAFTA-DR Trade Accord**

WASHINGTON – The National Grain and Feed Association (NGFA) and the North American Export Grain Association (NAEGA) today commended the House for approving legislation implementing the Central American-Dominican Republic Free Trade Agreement (CAFTA-DR).

The nation's two major grain organizations said the trade accord is essential both to create opportunities for increased U.S. agricultural exports to the second biggest market in Latin America (following Mexico), as well as to preserve U.S. leadership in negotiations designed to liberalize world agricultural trade under the World Trade Organization (WTO).

“The CAFTA-DR accord deserved strong support based strictly upon its merits,” said NGFA President Kendell W. Keith and NAEGA President Gary C. Martin. “It will enhance market access to the Central American region for a wide range of U.S. agricultural products, including grains, oilseeds, grain products and meat and dairy products, by reducing and eventually eliminating tariffs that today often are set at prohibitive levels that preclude trade.

“But much more than CAFTA-DR was on the line,” they said. “This vote was essential in signaling to the rest of the world that the United States still believes in the goal of liberalizing world agricultural trade under the World Trade Organization's (WTO) Doha Development Round, and is a trading partner that is to be negotiated with seriously.”

The CAFTA-DR trade accord, which the United States signed in August 2004, will encompass the United States, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic. Under the agreement, more than half of U.S. agricultural products will become eligible for duty-free treatment immediately upon implementation, with most remaining duties on U.S. products phased out over 15 years. Currently, those countries apply average tariffs on U.S. agricultural commodities ranging from 35 to 60 percent, the NGFA and NAEGA noted, and there is no assurance those countries won't increase these existing tariffs to substantially higher levels authorized by the WTO. Meanwhile, 99 percent of food and agricultural products exported to the United States from CAFTA-DR countries currently receive duty-free treatment.

The NGFA and NAEGA cited the following major benefits of CAFTA-DR for U.S. exports of grains, oilseeds and grain products:

- **Corn and Corn Products:** The accord will reduce applied tariff rates for U.S. corn and corn products exported to CAFTA-DR countries, which currently range from 15 to 35 percent (except for the zero and 1 percent tariffs in the Dominican Republic and Costa Rica, respectively). Costa Rica and the Dominican Republic are to eliminate their tariffs immediately, while the remaining Central American tariffs would be eliminated within 15 years. In addition, tariff rate quotas are to be established that immediately give U.S. corn preferential access for 1.1 million metric tons annually – a figure that would increase each year. In addition, all tariffs are to be eliminated within 15 years on corn products, such as corn flour, corn oil, corn gluten feed and high-fructose corn syrup.
- **Wheat and Barley:** Under the agreement, U.S. wheat and barley are to receive duty-free access in all CAFTA-DR countries, while the 10 percent tariff rate generally applied to U.S. wheat flour is to be eliminated in 15 years.
- **Soybeans and Soybean Products:** The zero to 15 percent tariff rates currently applied by CAFTA-DR countries to imports of U.S. soybeans and soybean products are to be eliminated immediately for soybeans. Duties on soybean meal and flour are to be eliminated immediately in most of the CAFTA-DR countries. Soybean oil duties are to be phased out

within 15 years, with duties on crude soybean oil locked in at zero immediately in El Salvador, Guatemala and the Dominican Republic.

- **Meat and Dairy Products:** The accord is a major benefit to exports of U.S. meat and meat products, an increasingly important way through which U.S. grains and oilseeds are “walked” to market. For pork, applied tariff rates ranging from 15 to 47 percent are to be eliminated within 15 years, with safeguards on certain products in some countries. However, CAFTA-DR countries are to establish tariff rate quotas on pork cuts totaling 13,613 metric tons, a level that is to increase by 5 to 15 percent annually until tariffs are eliminated.

For poultry, all tariffs on poultry and poultry products are to be eliminated within 18 years, while all Dominican Republic tariffs would be eliminated within 20 years. Tariffs on poultry products other than chicken leg quarters are to be reduced more quickly, many within 10 years. Currently, applied tariff rates exceed 164 percent in some CAFTA-DR countries.

For beef, where applied tariff rates currently range from 15 to 30 percent, all tariffs on prime and choice cuts are to be eliminated immediately in CAFTA countries, while the Dominican Republic is to immediately establish a tariff rate quota that expands annually as its tariff is phased out in no longer than 15 years. Duties on other U.S. beef products and beef offals in all CAFTA-DR countries are to be phased out in five to 10 years, except in Costa Rica, where tariffs on beef offals are to be eliminated immediately. For dairy, where applied tariffs reach as high as 60 percent, all Central American and Dominican Republic tariffs are to be eliminated within 20 years, with tariffs on some dairy products eliminated sooner. Further, each country is to establish tariff rate quotas for certain dairy products – totaling more than 10,000 metric tons among the six countries – and those tariff rate quotas are to expand at a 5 percent compound rate for Central American countries and at a 10 percent simple rate for the Dominican Republic.

The NGFA, established in 1896, consists of 1,000 grain, feed, processing, exporting and other grain-related companies that operate about 5,000 facilities that handle more than two-thirds of all U.S. grains and oilseeds. The NGFA’s membership encompasses all sectors of the industry, including

country, terminal and export elevators; feed manufacturers; cash grain and feed merchants; end users of grain and grain products, including processors, flour millers, and livestock and poultry integrators; commodity futures brokers and commission merchants; and allied industries. The NGFA also consists of 36 affiliated state and regional grain and feed associations, as well as two international affiliated associations. The NGFA has strategic alliances with the Pet Food Institute and the Grain Elevator and Processing Society; and is co-located and has a joint operating and services agreement with NAEGA.

NAEGA, established in 1912, is a not-for-profit trade association comprised of private and publicly owned companies and farmer-owned cooperatives involved in and providing services to the bulk grain and oilseed exporting industry. NAEGA-member companies ship virtually all of the bulk grains and oilseeds exported each year from the United States. The Association's mission is to promote and sustain the development of commercial export of grain and oilseed trade from the United States. NAEGA acts to accomplish this mission from offices in Washington D.C., and in markets throughout the world.