

**Texas Vegetable Assn. Mid-Year Meeting**  
**McAllen, Texas**  
**June 17, 2004**

**Central America Free Trade:**  
***What's at Stake For Texas Agriculture?***

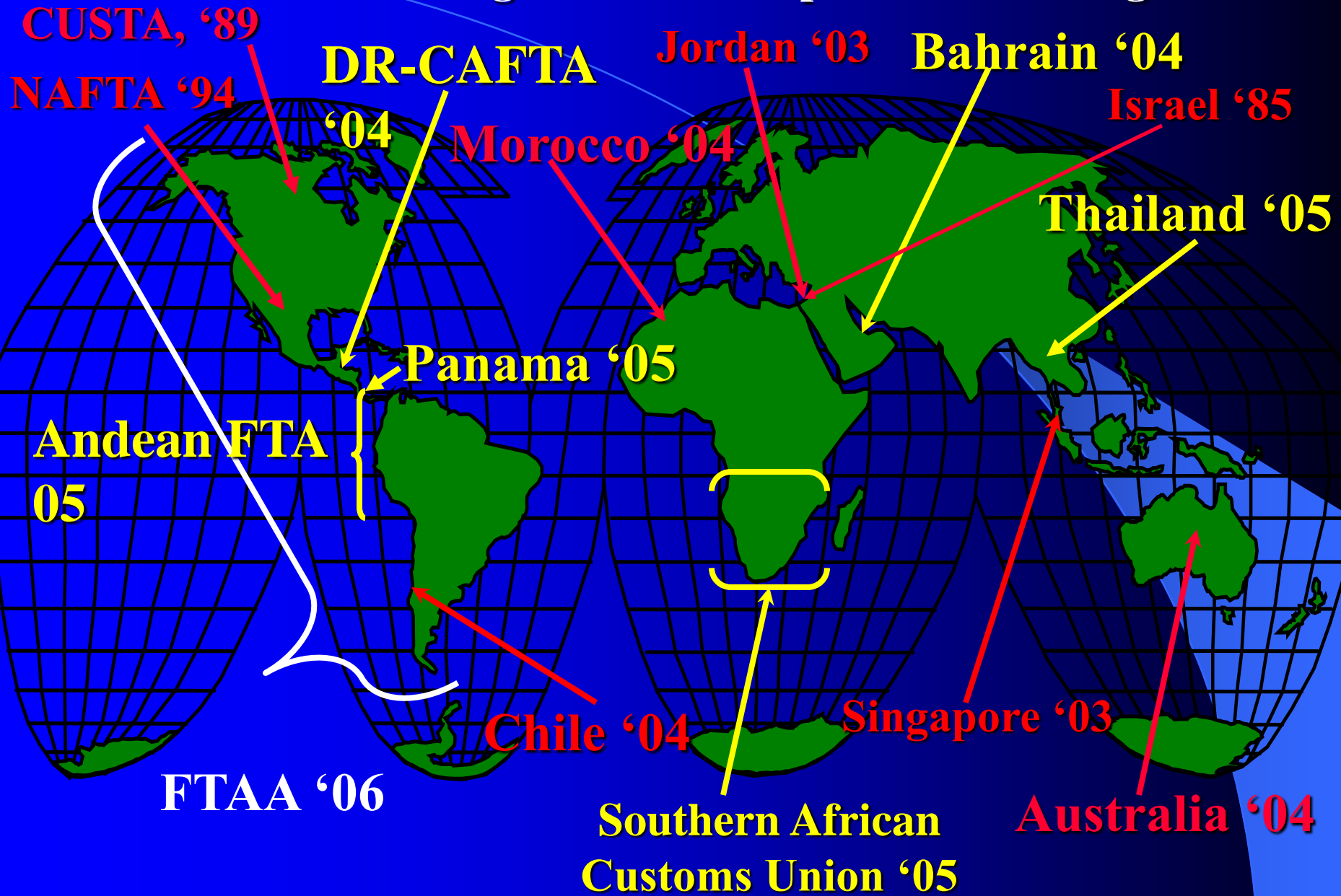
**Parr Rosson, Professor & Director**  
**Center for North American Studies**  
**Department of Agricultural Economics**  
**Texas A&M University**



# **What's At Stake?**

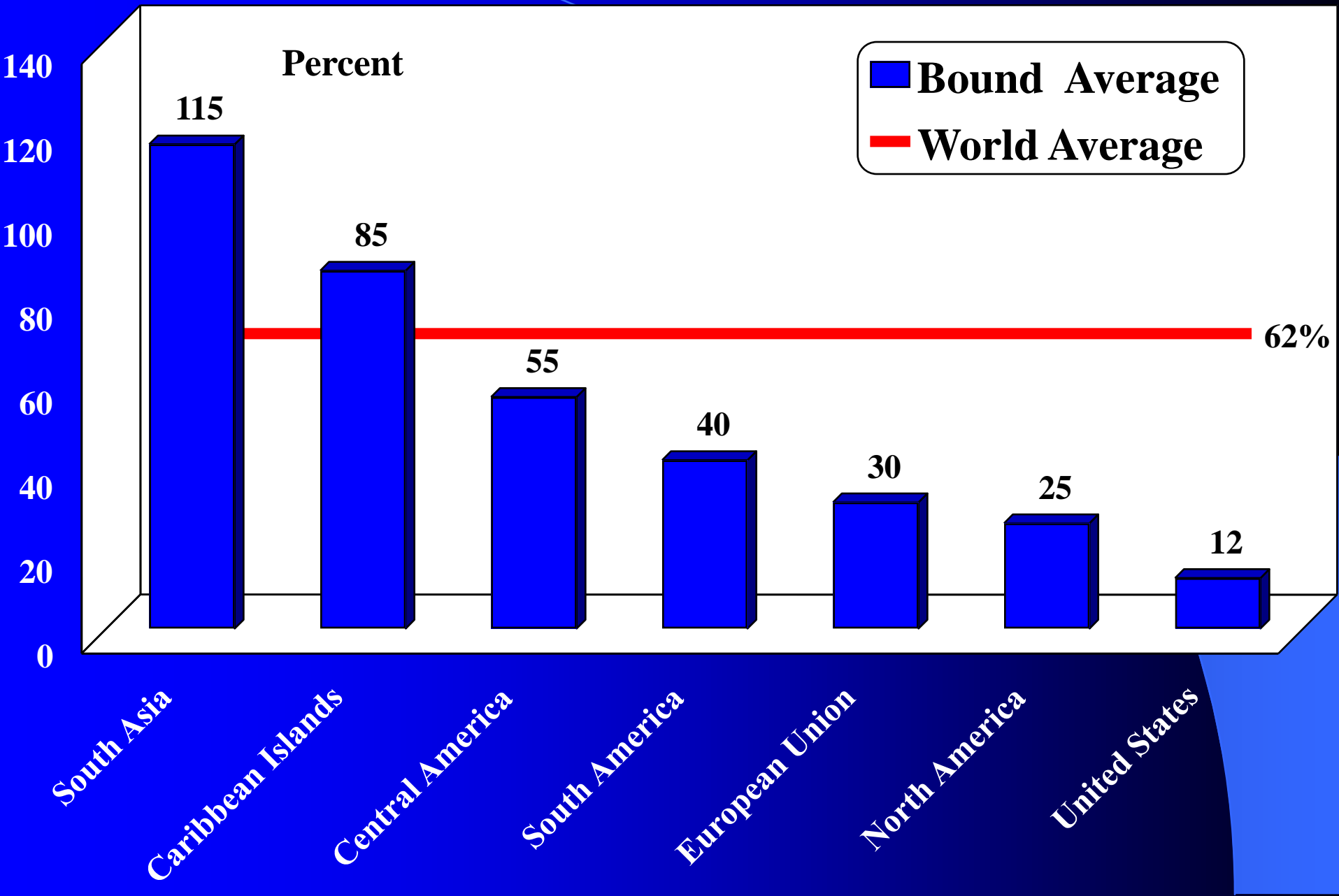
- **Access to Dominican Republic & Central American Markets**
- **Sources of Raw Materials**
- **Gains/Losses to Trade**
- **Greater Efficiency & Economies of Scale**

# 15 Trade Agreements Completed or Pending

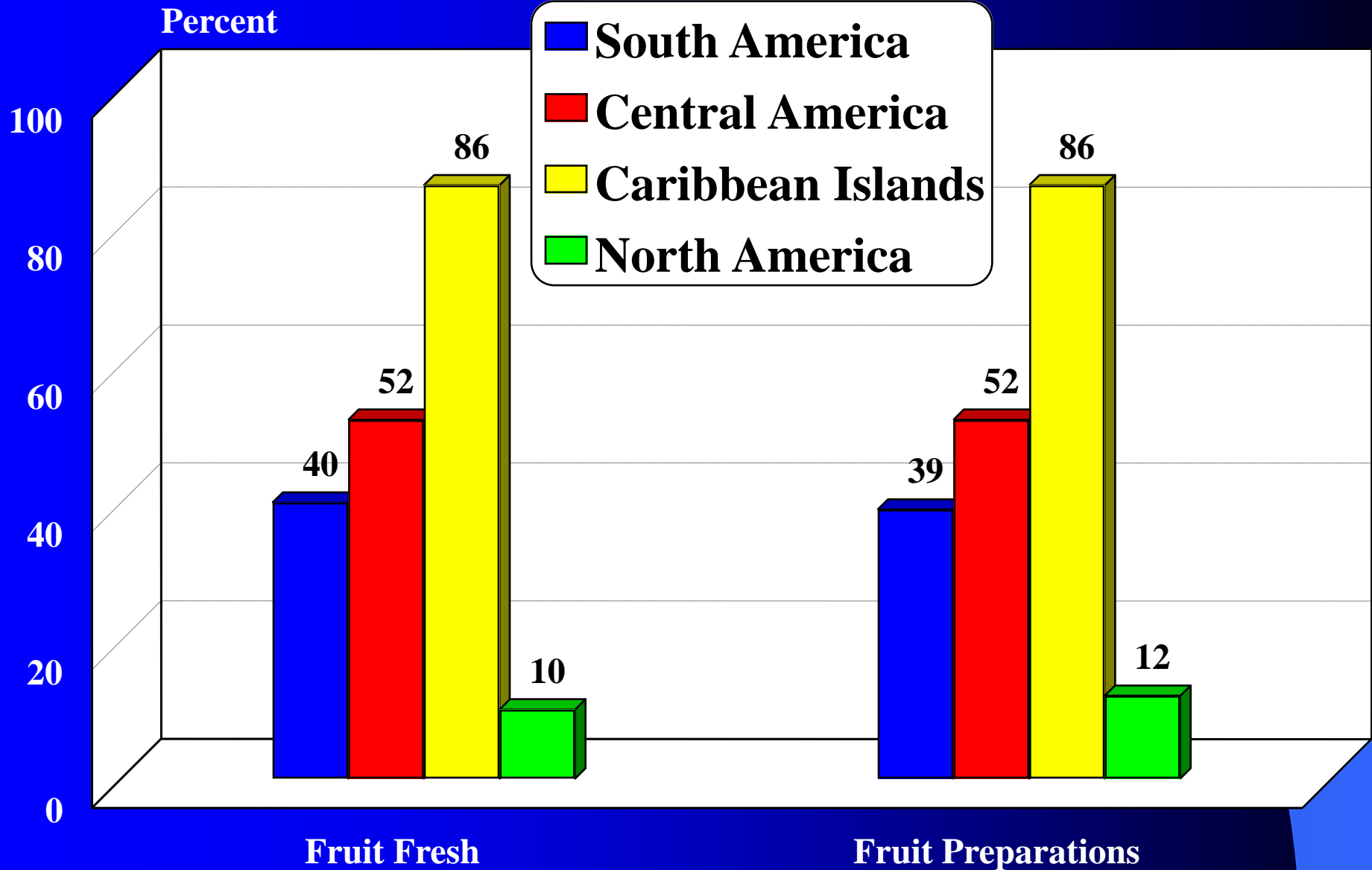


**U.S. Trade Agreements-3d Largest Market**

# World Average Agricultural Tariffs, 2000

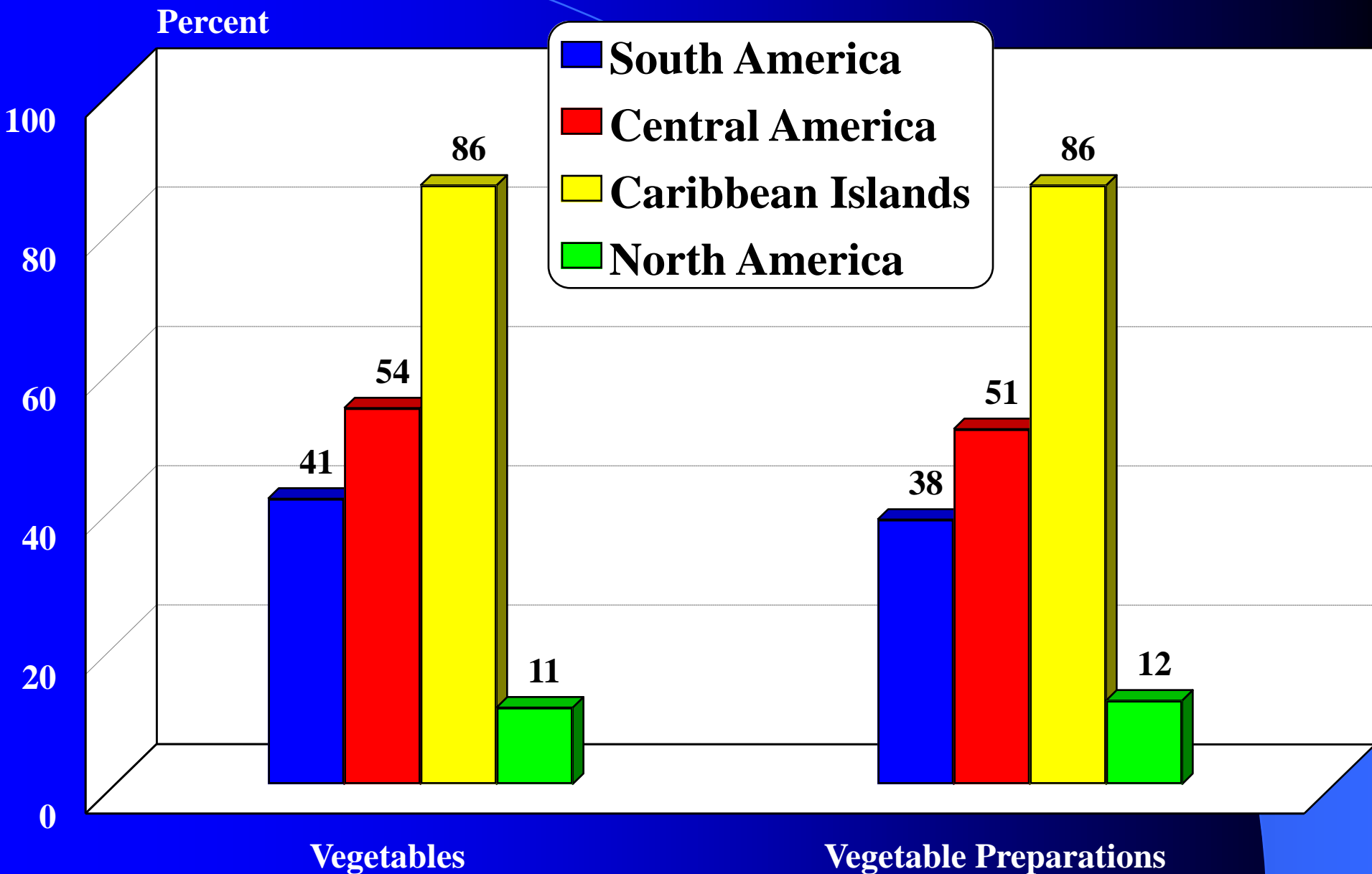


# Bound Tariffs for Selected Products, 2000



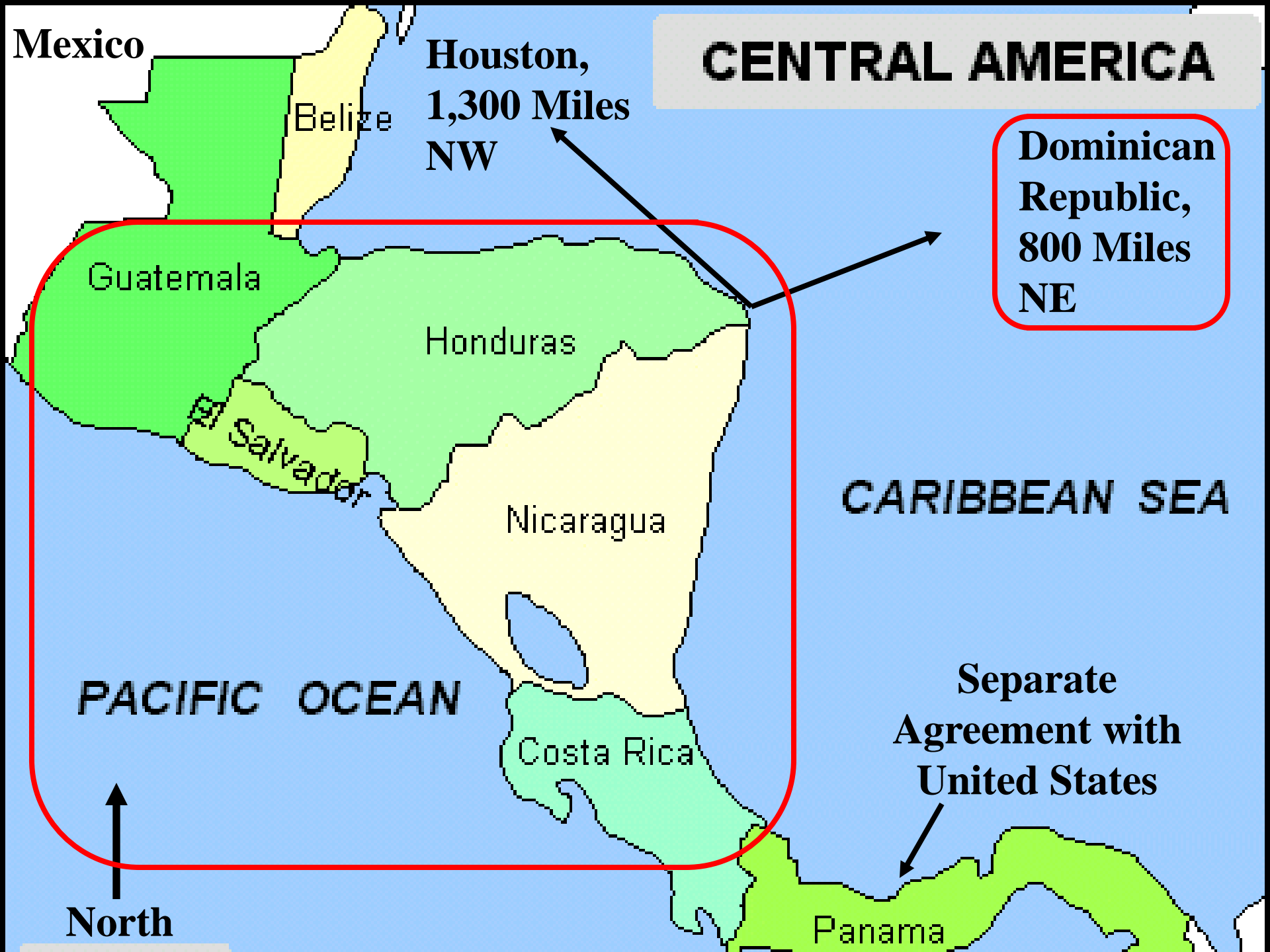
Source: ERS/USDA

# Bound Tariffs for Selected Products, 2000



Source: ERS/USDA

# **DR-Central American Free Trade Agreement**



**Mexico**

**CENTRAL AMERICA**

**Houston,  
1,300 Miles  
NW**

**Dominican  
Republic,  
800 Miles  
NE**

Guatemala

Honduras

El Salvador

Nicaragua

Costa Rica

Panama

**CARIBBEAN SEA**

**PACIFIC OCEAN**

**Separate  
Agreement with  
United States**

**North**



# CAFTA

- **WHO?**
  - Costa Rica
  - Dominican Republic
  - El Salvador
  - Guatemala
  - Honduras
  - Nicaragua
- **What?** Free Trade Area Between Each Country & the United States
- **When?** Early 2005, if Approved
- **How?** Trade Promotion Authority

# CAFTA (cont.)

- About 1/2 of Markets Open to U.S. Agriculture When Implemented
- **Opportunities:** HQ Beef, Cotton, Wheat, Soybeans
- Rest of Market Access Over 15-20 Years: Pork, Beef, Poultry, *Rice*, Corn, *Dairy*

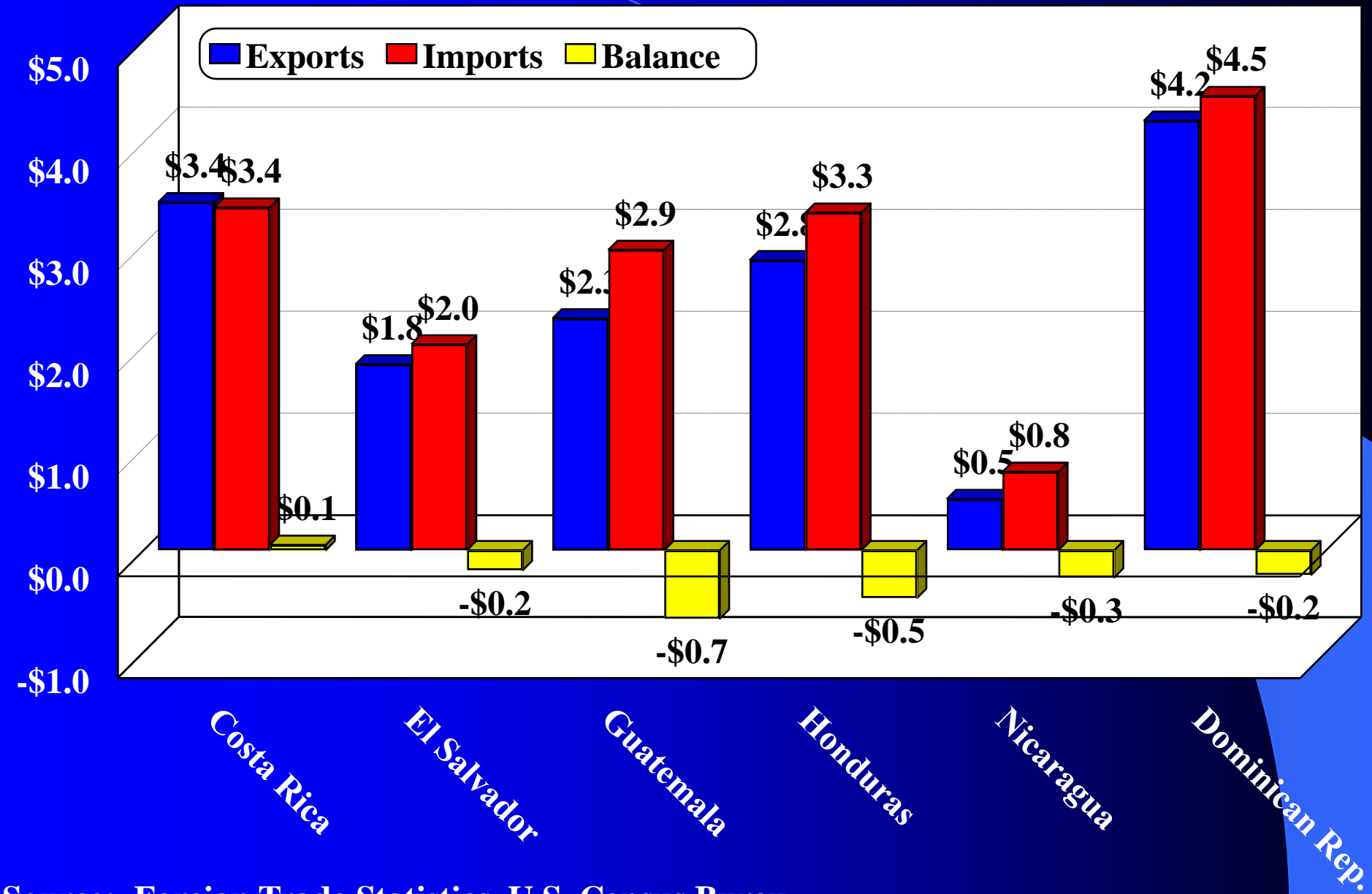
# DR-CAFTA Demographics

Country	Pop. (mil)	GDP/ Person	Poverty %	Lit. %	Ag. Pop. %
Costa Rica	3.9	<b>\$8,300</b>	20.6	96	20
El Salvador	6.5	\$4,600	<b>48</b>	80.2	30
Guatemala	<b>13.9</b>	<b>\$3,900</b>	<b>75</b>	<b>70.6</b>	<b>50</b>
Honduras	6.7	\$2,500	<b>53</b>	<b>76.1</b>	<b>34</b>
Nicaragua	5.1	\$2,200	<b>50</b>	<b>67.5</b>	<b>42</b>
Dom. Rep.	<b>8.7</b>	<b>\$6,300</b>	25	84.7	17

**Total/Avg.** 44.8 \$4,633 45.3 79.2 32.2

# U.S. Total Trade with CAFTA, 2003

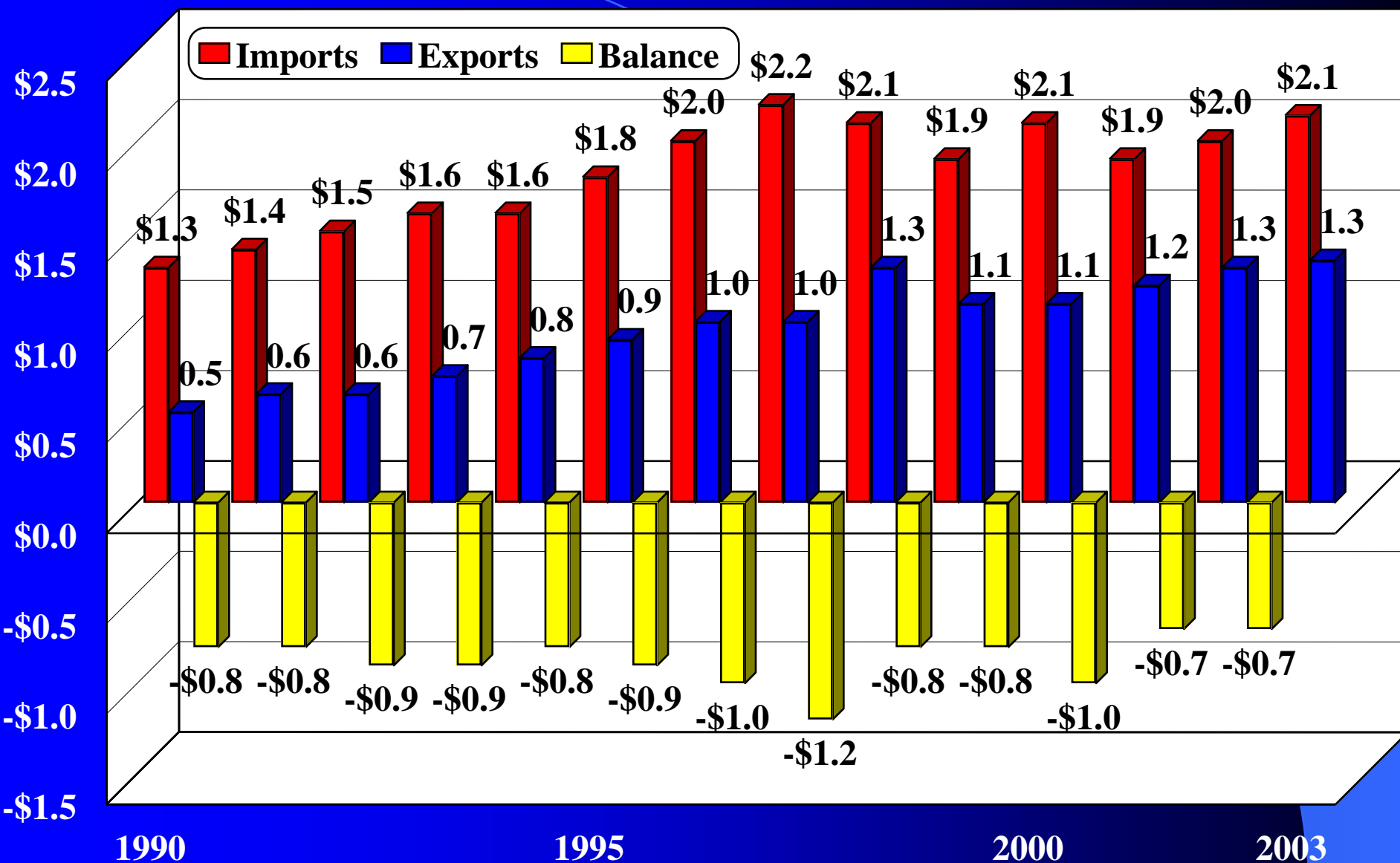
Billion Dollars



Source: Foreign Trade Statistics, U.S. Census Bureau

# U.S.-Central American Agricultural Trade, 1990-2003

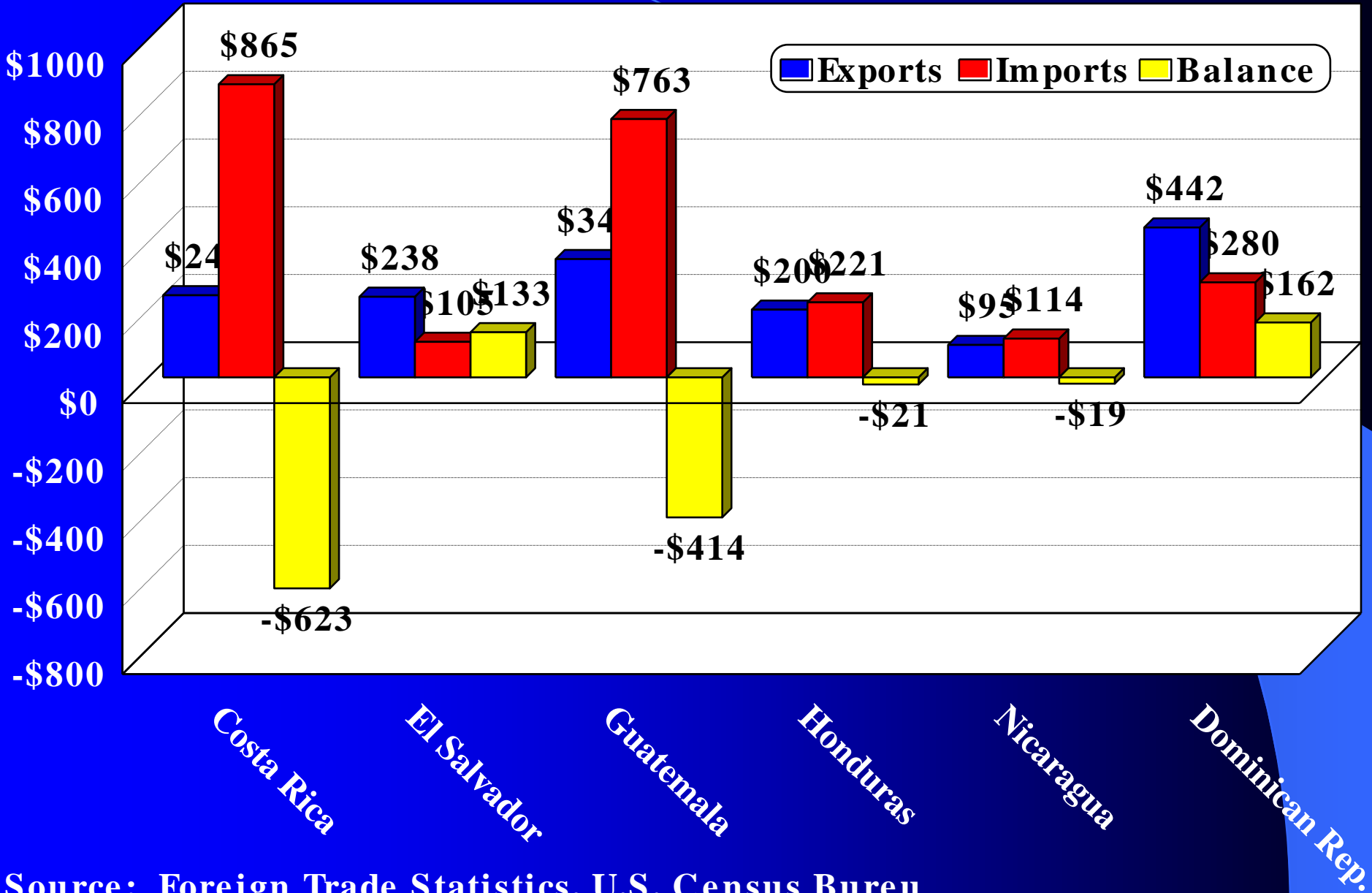
Billion Dollars



Source: *Foreign Agricultural Trade of The United States*, Calendar Year, USDA/ERS

# U.S. Ag Trade with CAFTA, 2003

Million Dollars

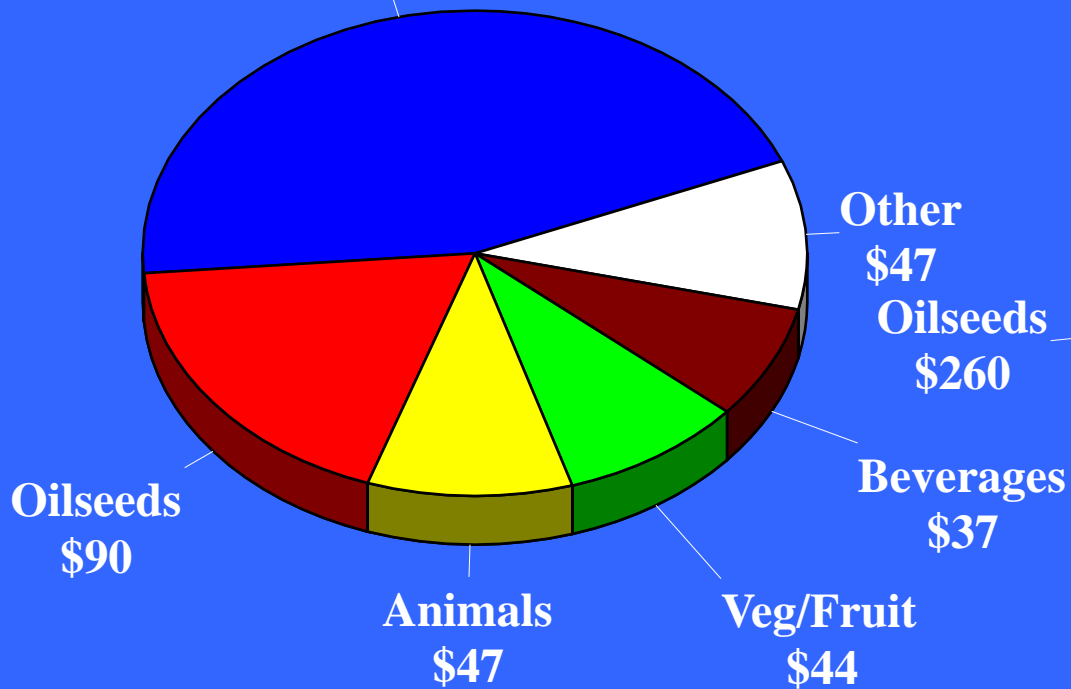


Source: Foreign Trade Statistics, U.S. Census Bureau

# U.S. Agricultural Exports to Central America

**Total, 1990: \$483 million**

**Grains & Feeds  
\$218**



**Total, 2003: \$1,339 million**

**Grains & Feeds  
\$582**

**Other  
\$47**

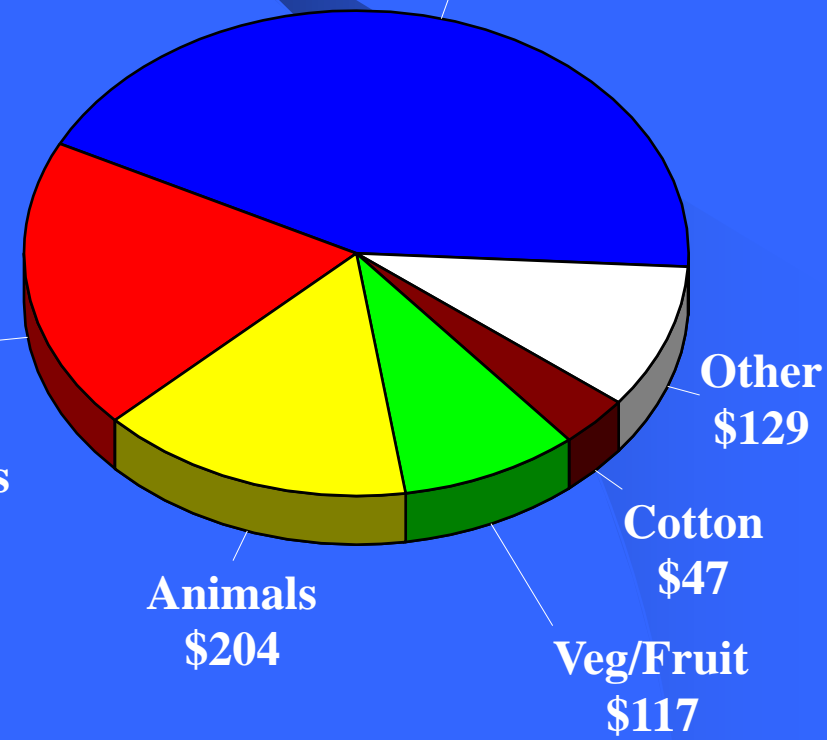
**Oilseeds  
\$260**

**Beverages  
\$37**

**Animals  
\$204**

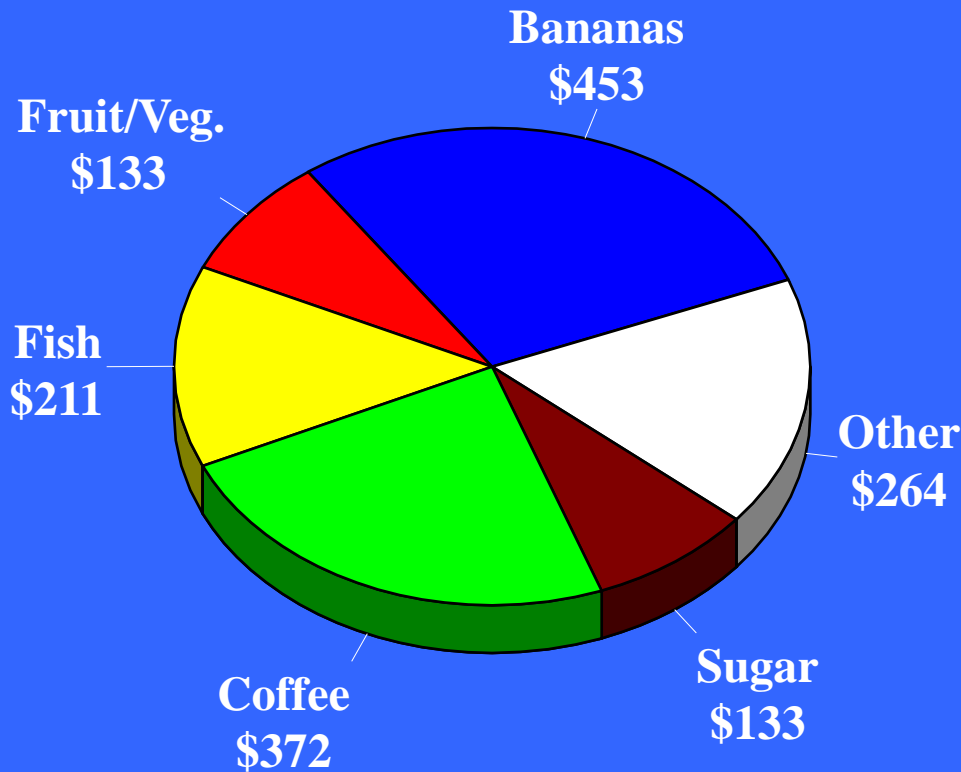
**Cotton  
\$47**

**Veg/Fruit  
\$117**

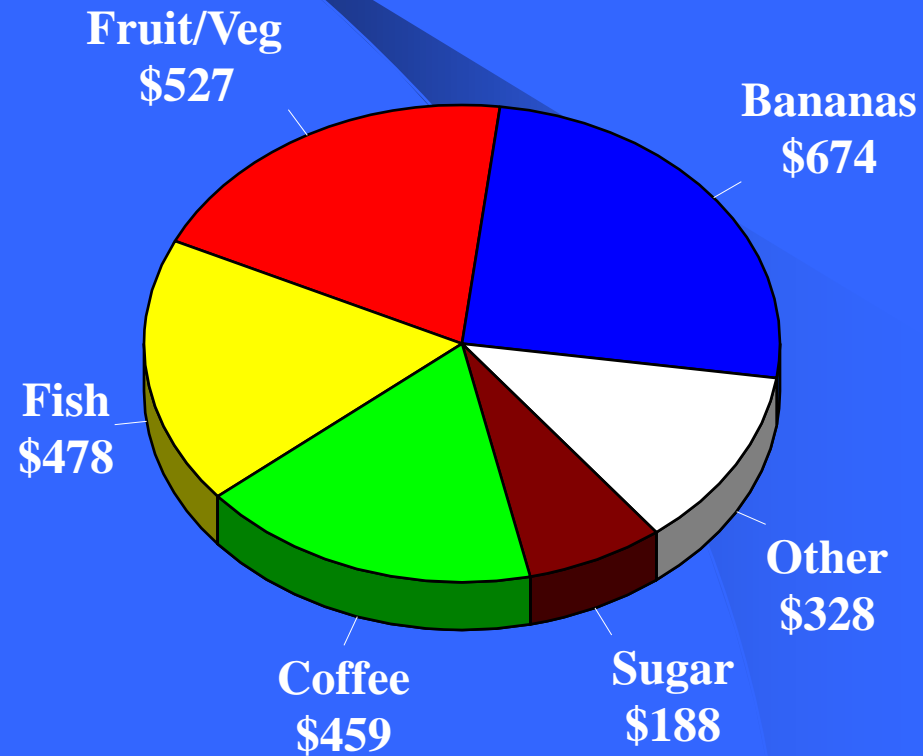


# U.S. Agricultural Imports from Central America

**Total, 1990: \$1,566 million**



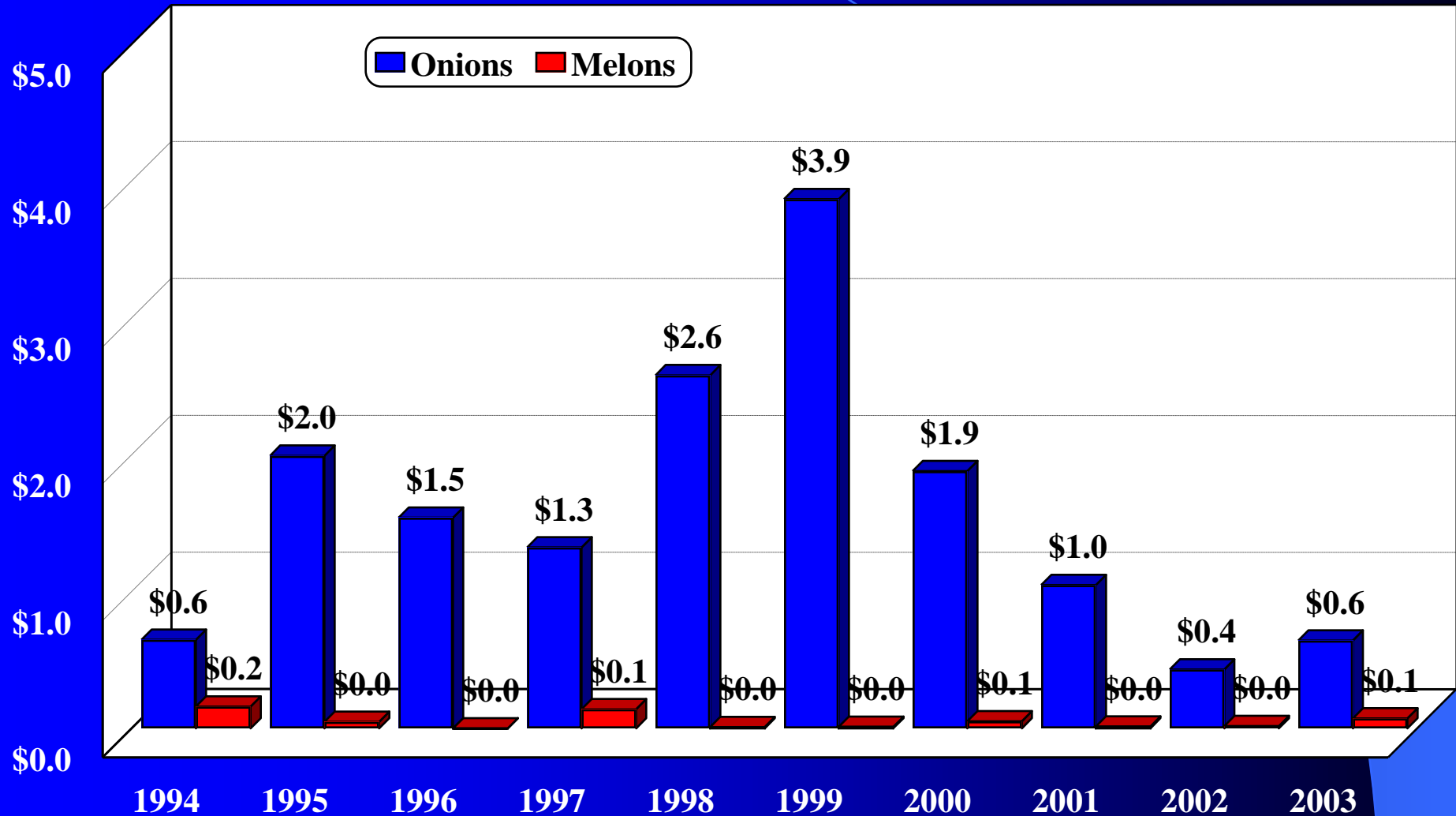
**Total, 2003: \$2,654 million**





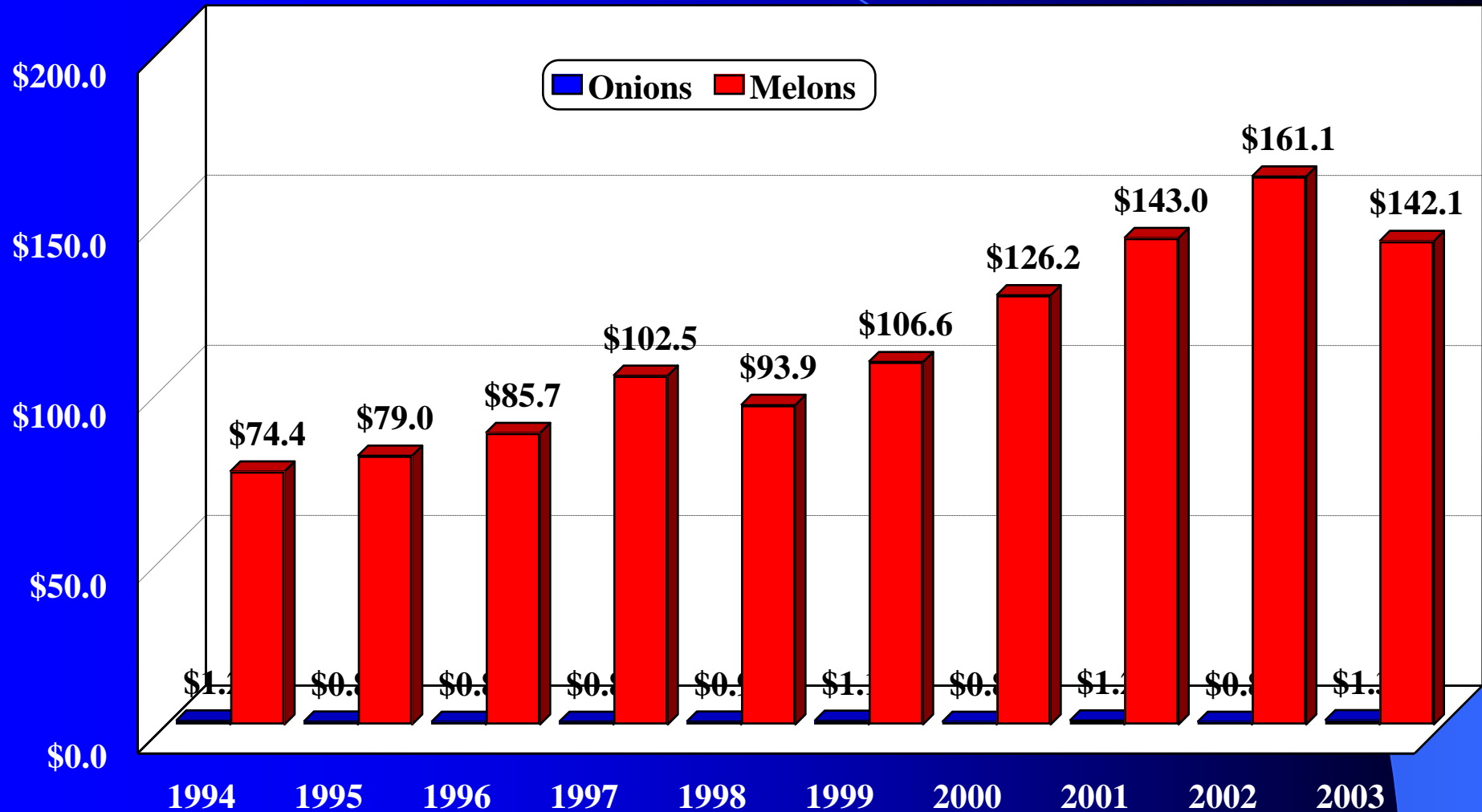
# U.S. Onion and Melon Exports to CAFTA

Million Dollars



# U.S. Onion and Melon Imports from CAFTA

Million Dollars



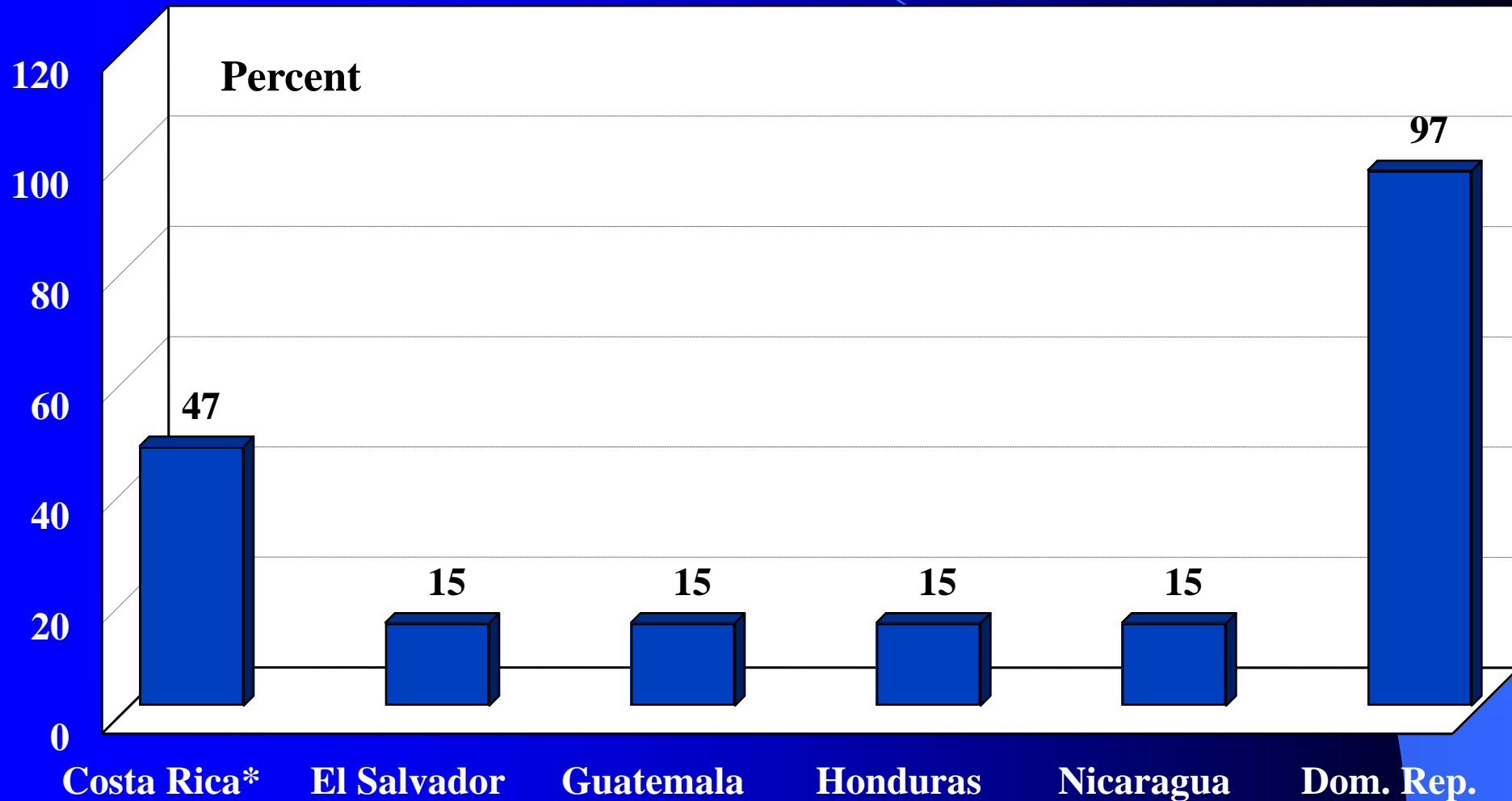
# Melon Tariff Phase-Out

- US Tariffs Eliminated Immediately
- Most CA Tariffs Eliminated Immediately
- Exception: Dominican Republic May Impose 20% Safeguard Duties
  - 5 Years for Watermelon
  - 10 Years for Other Melons

# **Onion Tariff Phase-Out**

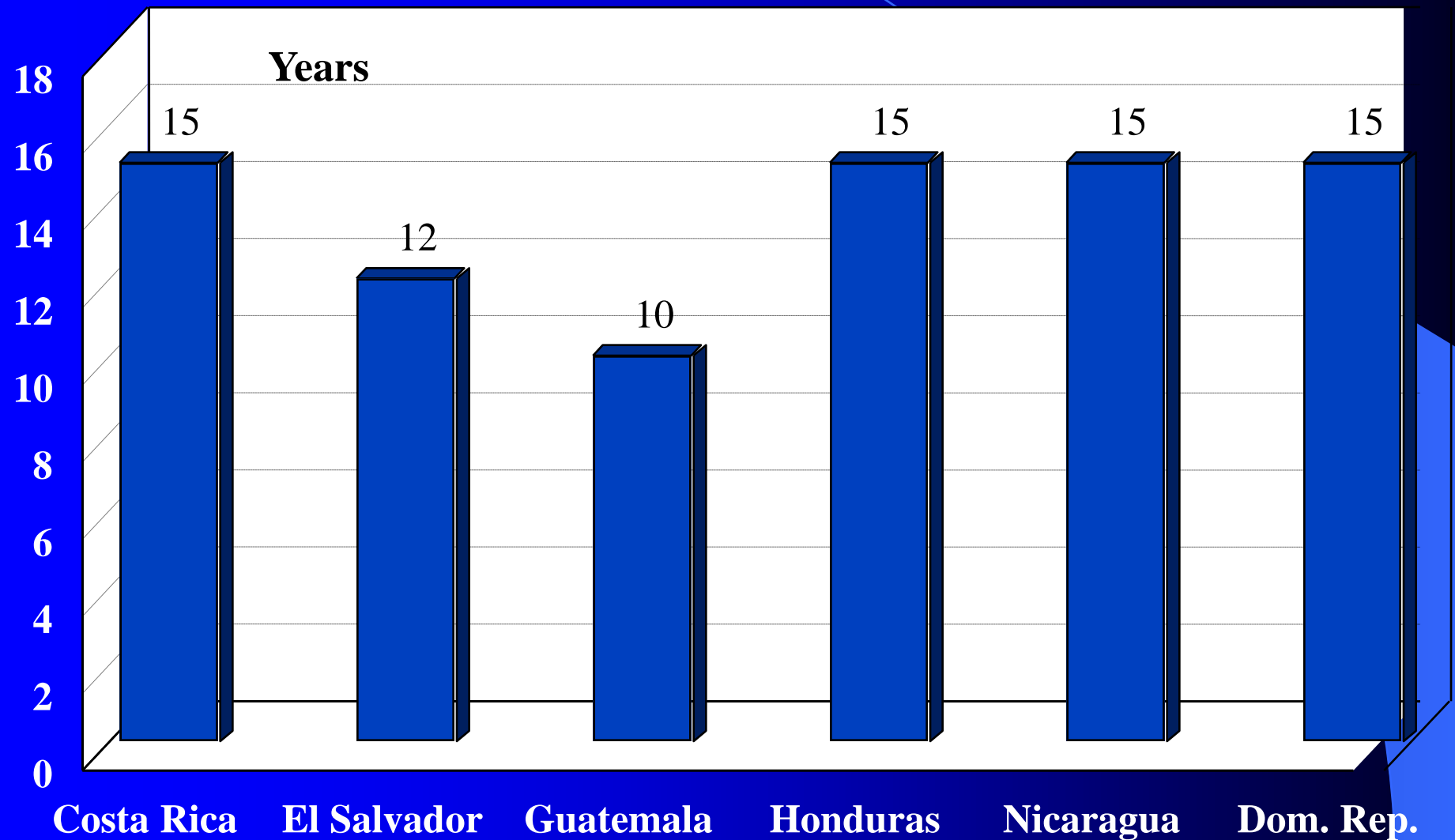
- **US Tariffs Eliminated Immediately**
- **CA Tariffs Eliminated Over 10 to 15 Years**
- **All But El Salvador Have Some Type of Safeguard or Tariff-Rate Quota**

# CAFTA Base Tariffs for Yellow & White Onions

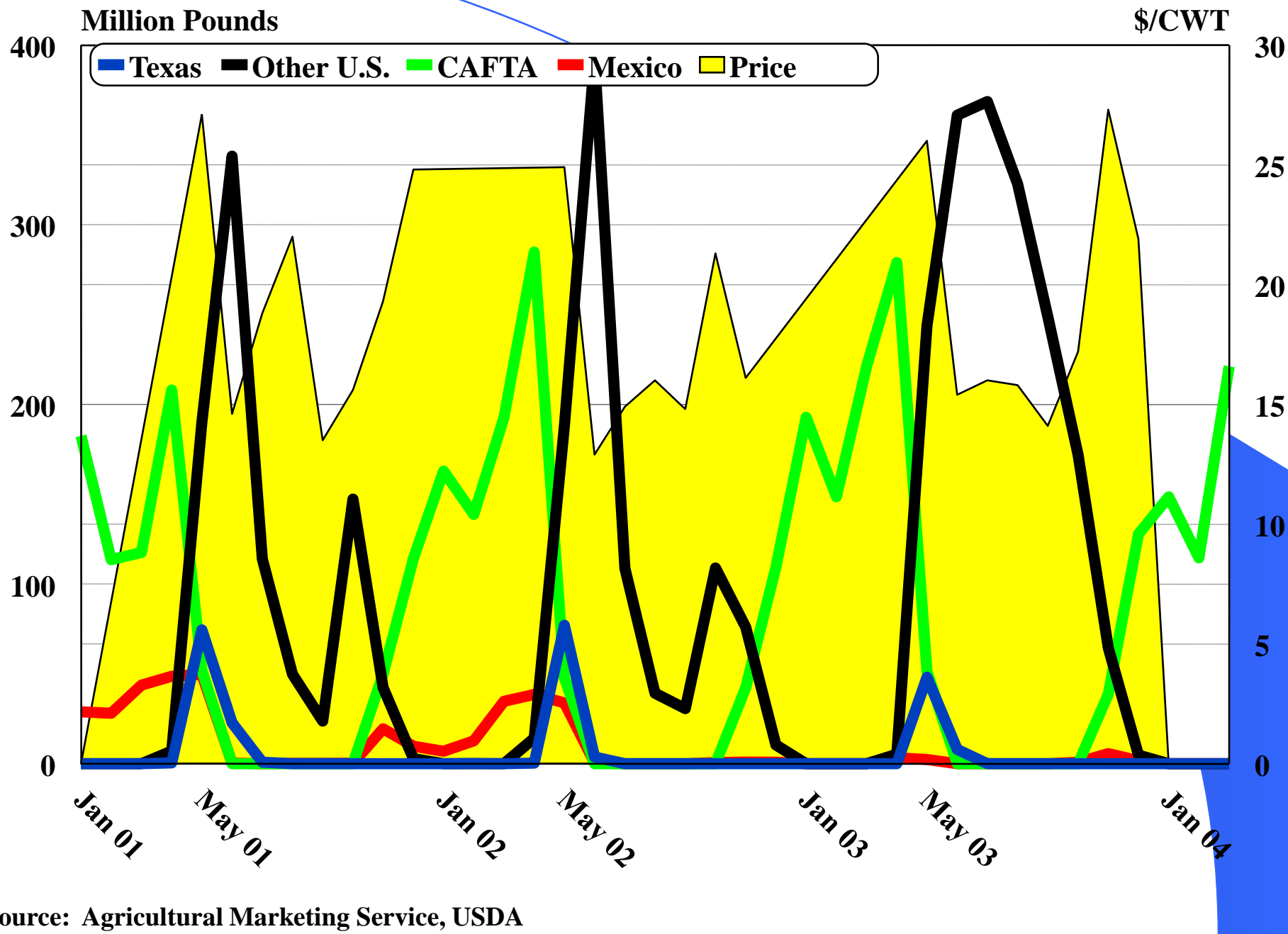


\* Denotes Tariff-Rate Quota

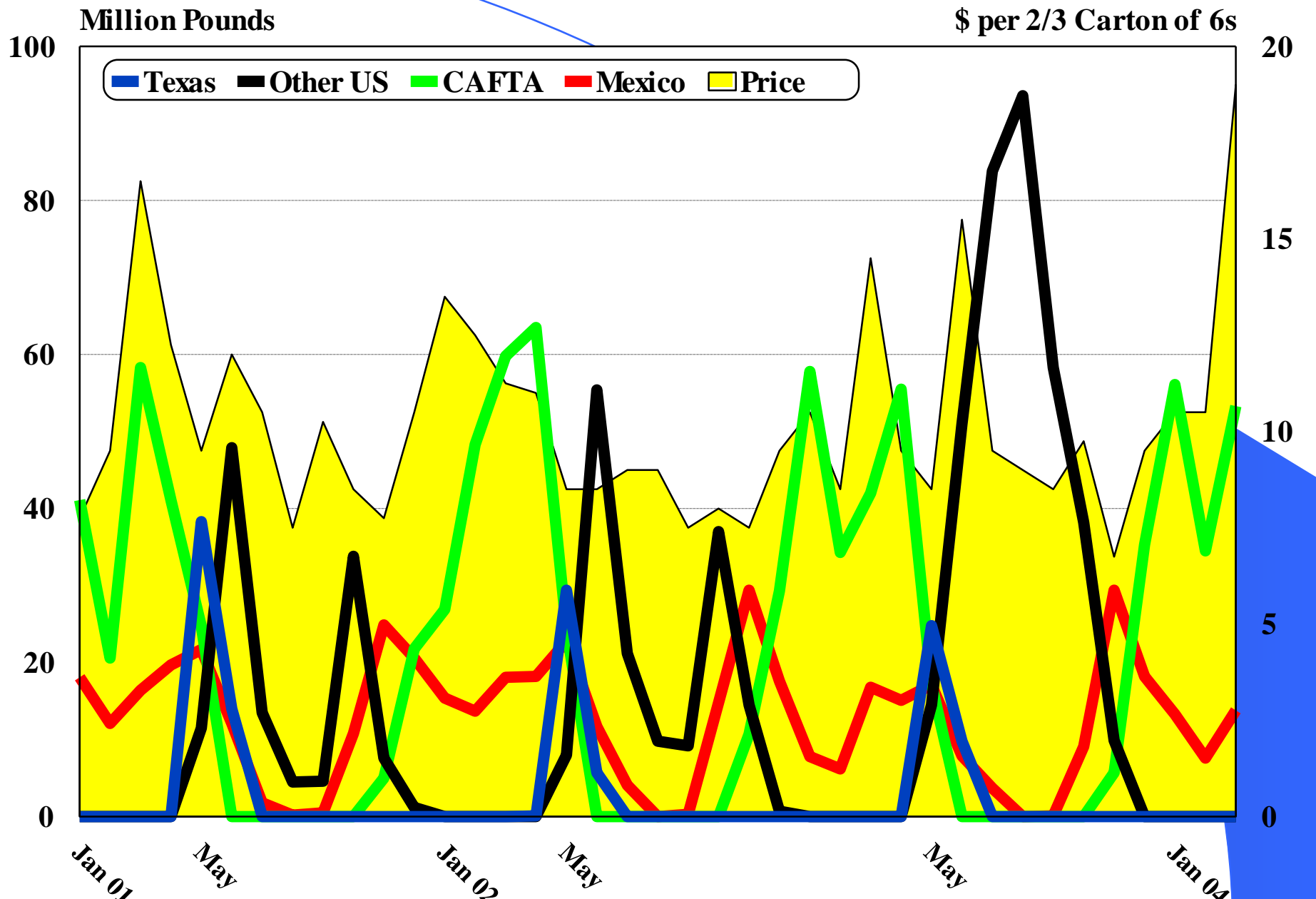
# CAFTA Phase-Out Period for Yellow & White Onions



# Monthly U.S. Cantaloupe Shipments and Imports



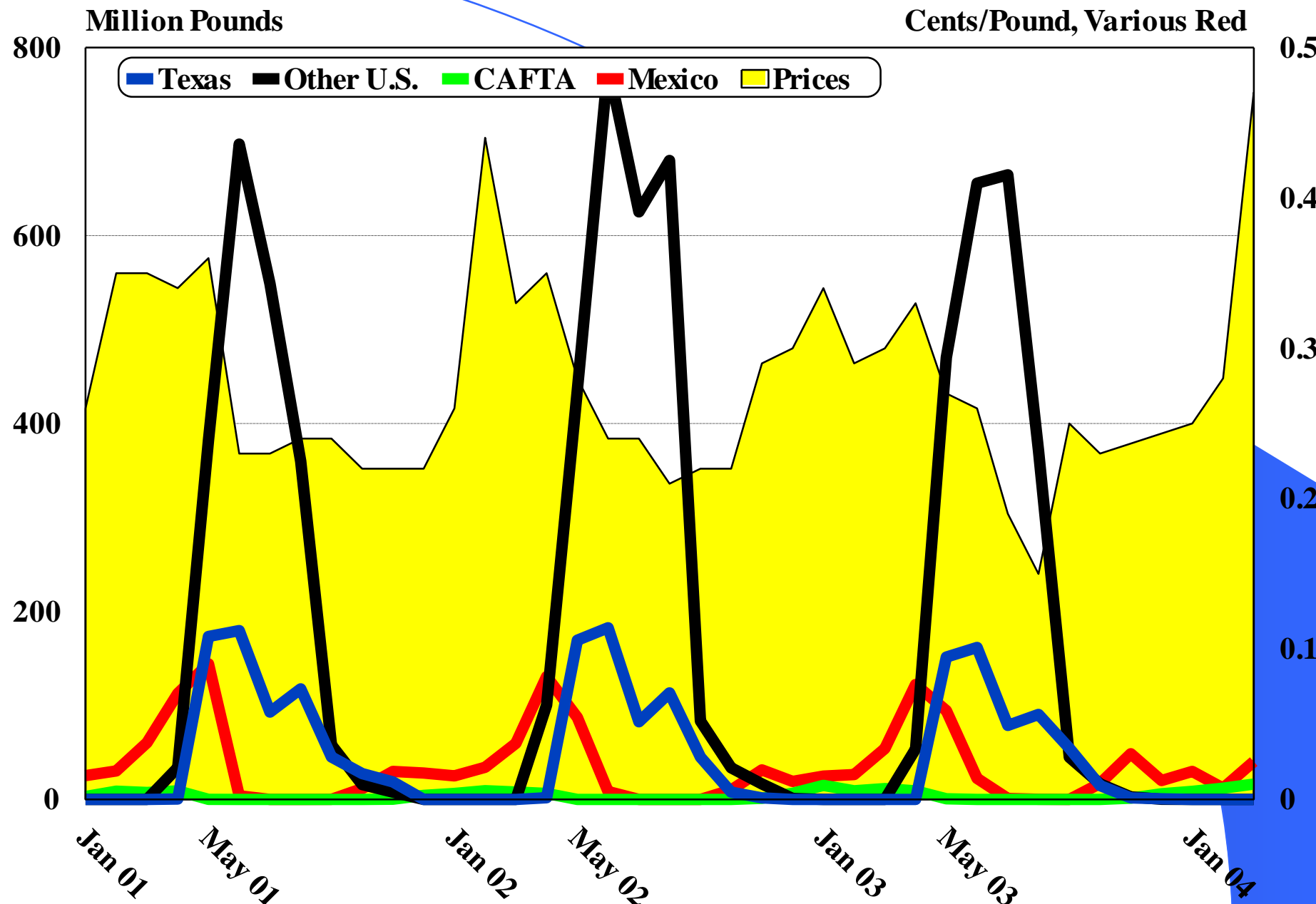
# Monthly U.S. Honeydew Shipments and Imports



Source: Agricultural Marketing Service, USDA

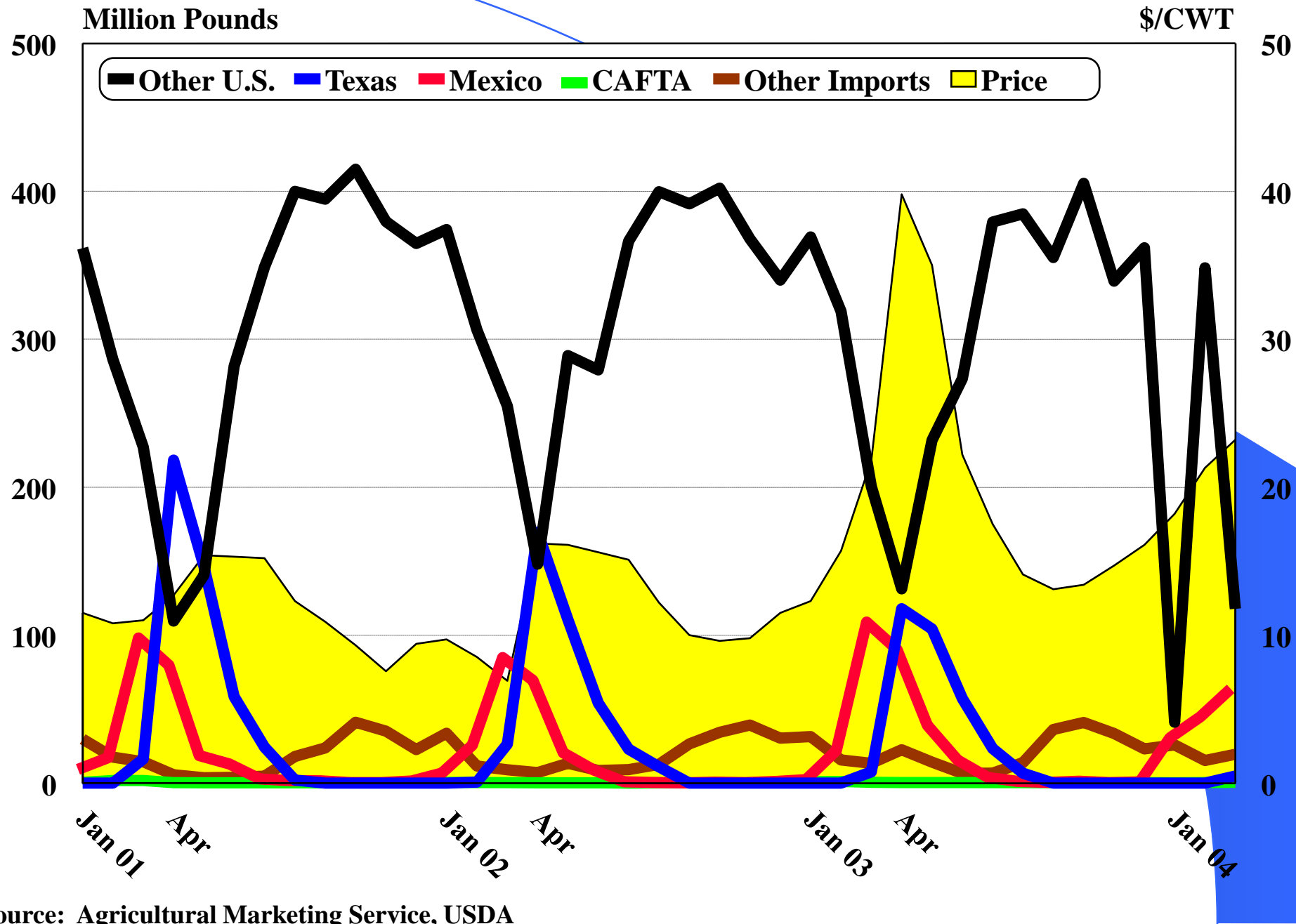


# Monthly U.S. Watermelon Shipments and Imports



Source: Agricultural Marketing Service, USDA

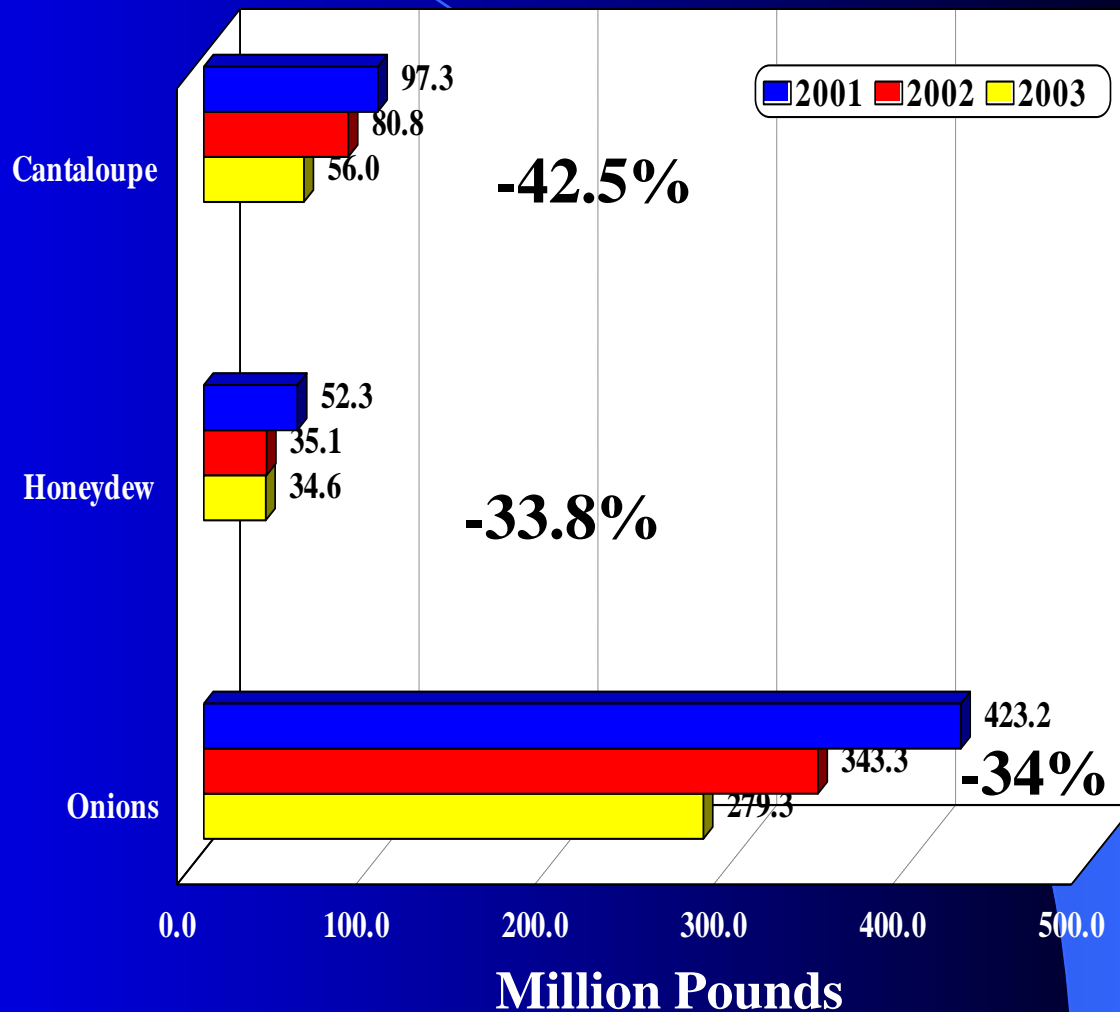
# Monthly U.S. Onion Shipments and Imports



# Shipping Trends

## Texas Shipments

- CAFTA Poses Biggest Threat to Texas Cantaloupe & Honeydew
- Other US Bigger Threat in Some Years
- Mexico Beneficiary of Higher Prices for Onions & Cantaloupe
- Texas Benefits from Higher Prices for Cantaloupe, Watermelon & Onions
- Declining Shipments from Texas



# Summary

- **Negotiations Completed**
  - DR-CAFTA May Go To Congress Soon
  - Labor & Environmental Interests Important to the Debate
- **DR-CAFTA Tariff Reductions Will Open Markets, Over Time**
- **Dr-CAFTA Major Supplier of Honeydew and Cantaloupe to U.S. Market**
  - Texas Season Overlaps with Rest of United States & DR-CAFTA
- **Mexico & Other US Major Competition in Watermelon & Onions**

# Issues for Texas

- **Are More Trade Agreements a Desirable Outcome?**
- **Without DR-CAFTA, U.S. Market Access Limited**
  - **Even with DR-CAFTA, No Guarantee of Market Growth, Some Countries Need Economic Development & Income Growth**
- **Investment in CA May Spur Production & Development of Infrastructure**
- **SPS Problems May Arise, More Trade Disputes Likely**
- **Recent Declines in Shipments of Texas Cantaloupe, Honeydew & Onions Troublesome**

# Center for North American Studies



*“Informed Decisions for Global  
Change”*

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