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# *Economic Impacts of CAFTA-DR on US & Texas Agriculture*

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# Overview of CAFTA-DR

- CAFTA-DR Implemented on a Rolling Schedule
  - El Salvador-March 1, 2006
  - Honduras & Nicaragua-April 1, 2006
  - Guatemala-July 1, 2006
  - Dominican Republic-March 1, 2007
  - Costa Rica-Approved October 7, 2007
- CAFTA-DR is Six Bilateral Pacts
- CAFTA-DR Upholds CACM & WTO Obligations

# CAFTA-DR Tariffs and Phase Outs

| Product | Range of 2004 *Applied* Tariffs | Maximum WTO *Bound* Tariffs | TRQ/Years |
|---|---|---|---|
| Beef | 15%-30% | 79% | HQ No/Immediate<br>Other Yes/15 |
| Cotton | 1% | 60% | N/Immediate |
| Rice | 15%-60% | 90% | Y/20 Years |
| Soybeans | 1%-5% | 91% | N/Immediate |

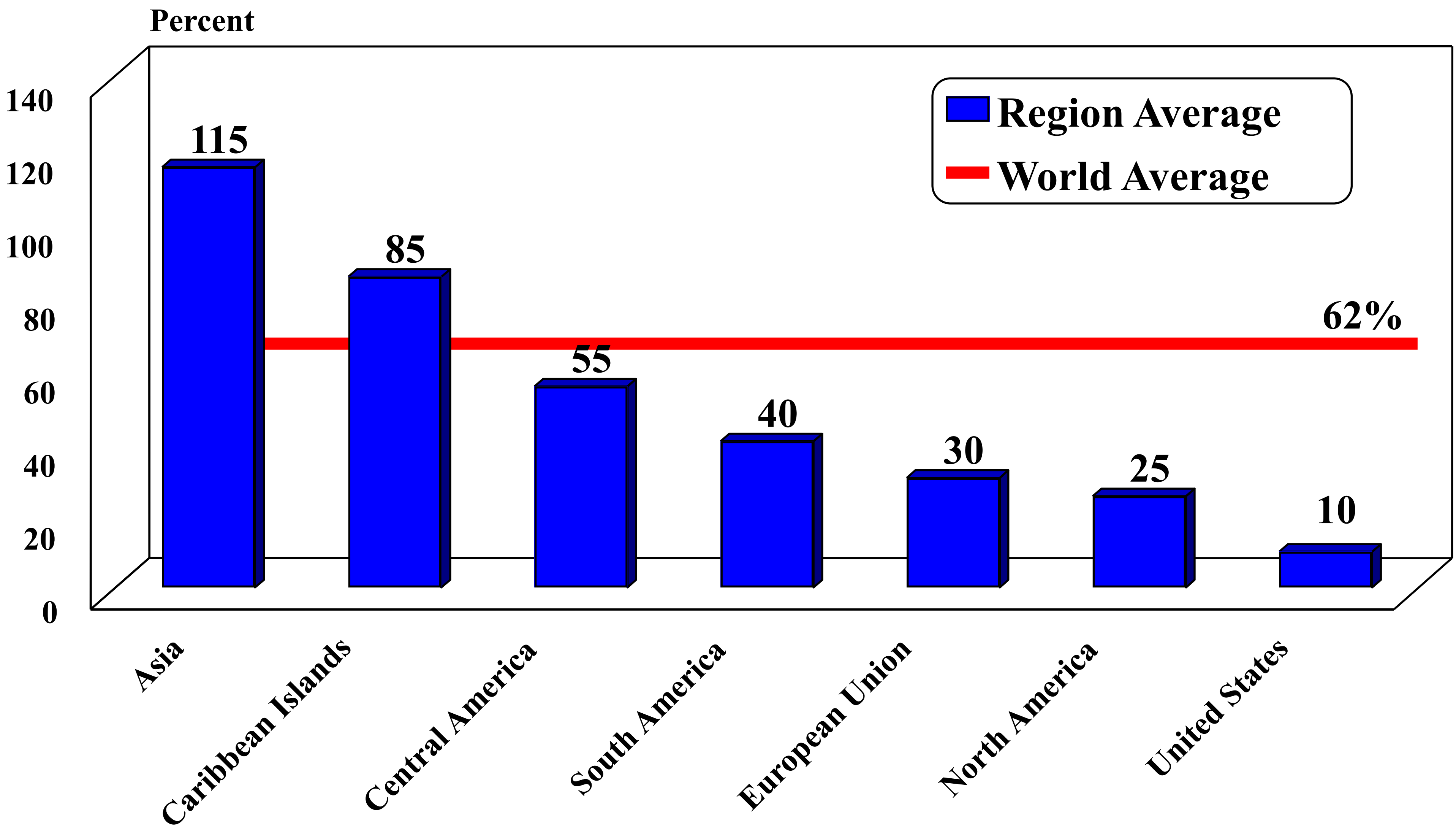
# CAFTA-DR Tariffs and Phase Outs

| **Product** | **Range of 2004 *Applied* Tariffs** | **Maximum WTO *Bound* Tariffs** | **TRQ/Years** |
|---|---|---|---|
| Wheat | 6-14% | 112% | N/Immediate |
| Corn | 45% | 75% | Y/10-15 |
| Sorghum | 15-20% | 90% | Mixed/Immediate |
| Dairy | 65% | 100% | Y/20/Varies |
| Poultry | 164% | 250% | Y/20/Varies |

# CAFTA-DR Prospects

- U.S. Agriculture Export Gains of $1.5 Billion Annually (AFBF)
- Near Term: HQ Beef, Cotton, Wheat & Soybeans
- Long Term: Rice, Dairy, Pork, Poultry & Corn
  - Many Tariff Reductions ‘Backloaded’
- Challenges: Sugar, Cantaloupe, Honeydew
- Limitations: Infrastructure, Income Growth/Distribution, Plant & Animal Health

# World Average Agricultural Tariffs, 2002



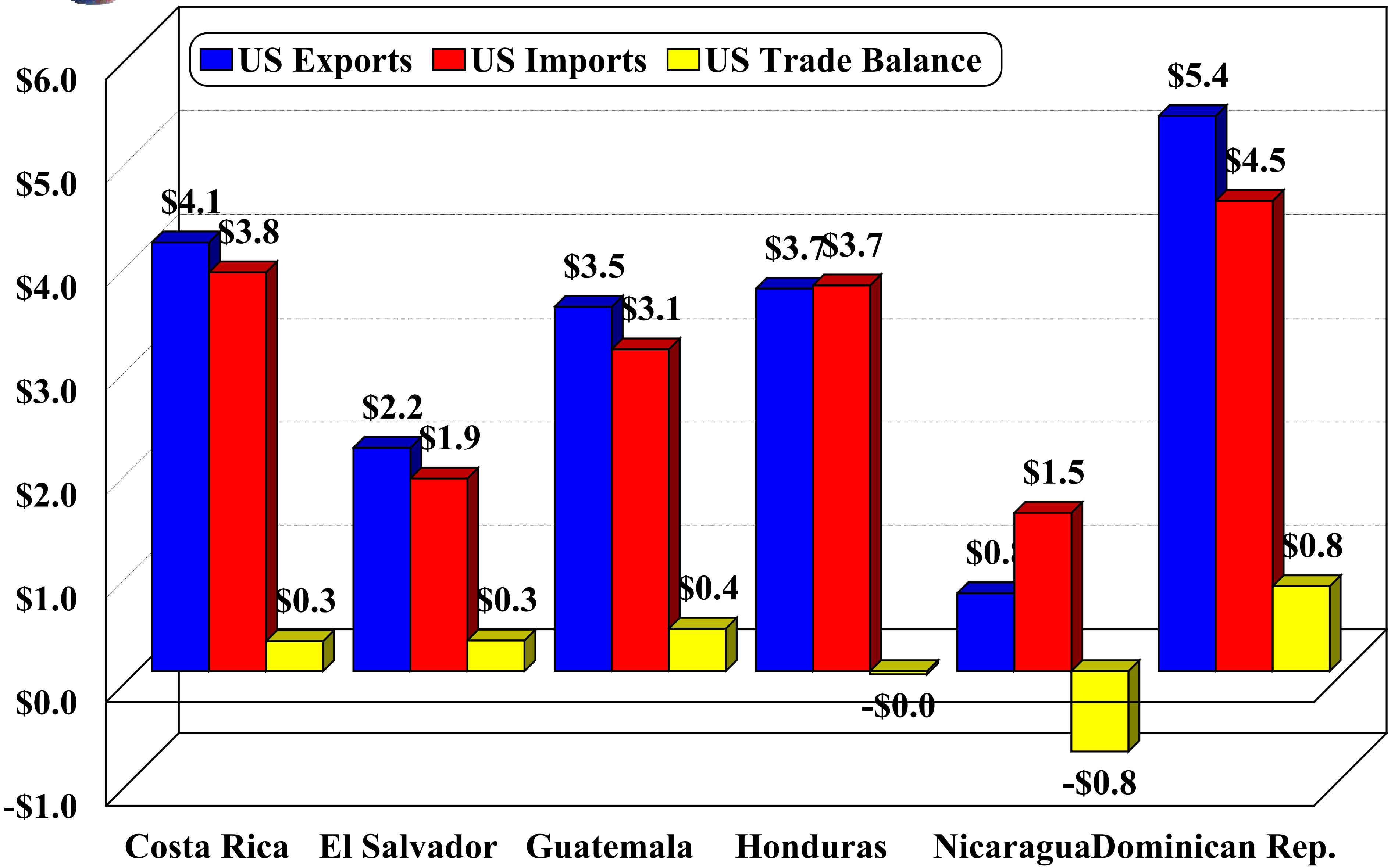

Source: WTO & ERS/USDA

# CAFTA-DR Demographic Overview

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

# U.S. Total Trade with CAFTA-DR, 2006

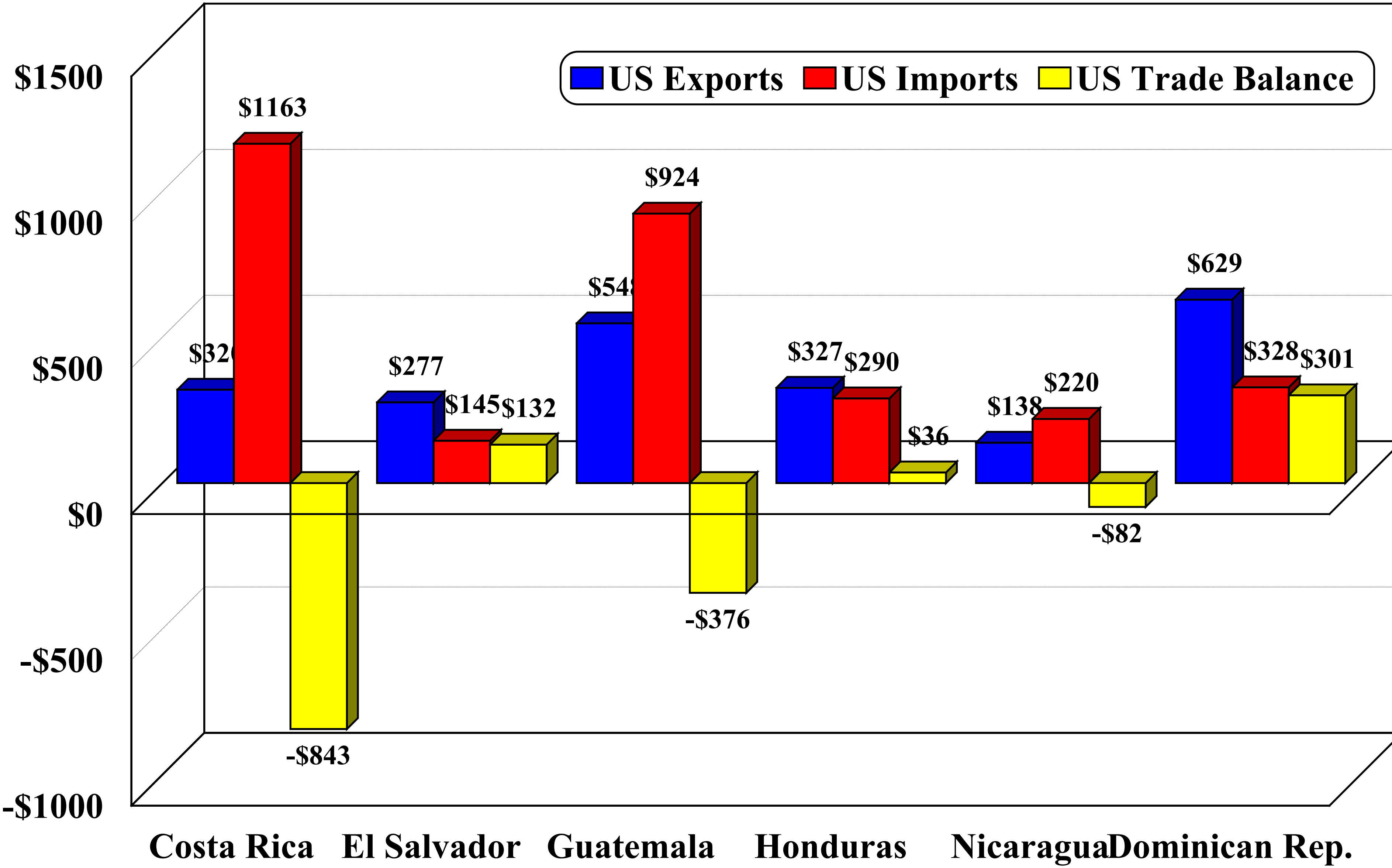
**Billion Dollars**




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

# U.S. Ag Trade with CAFTA-DR, 2006

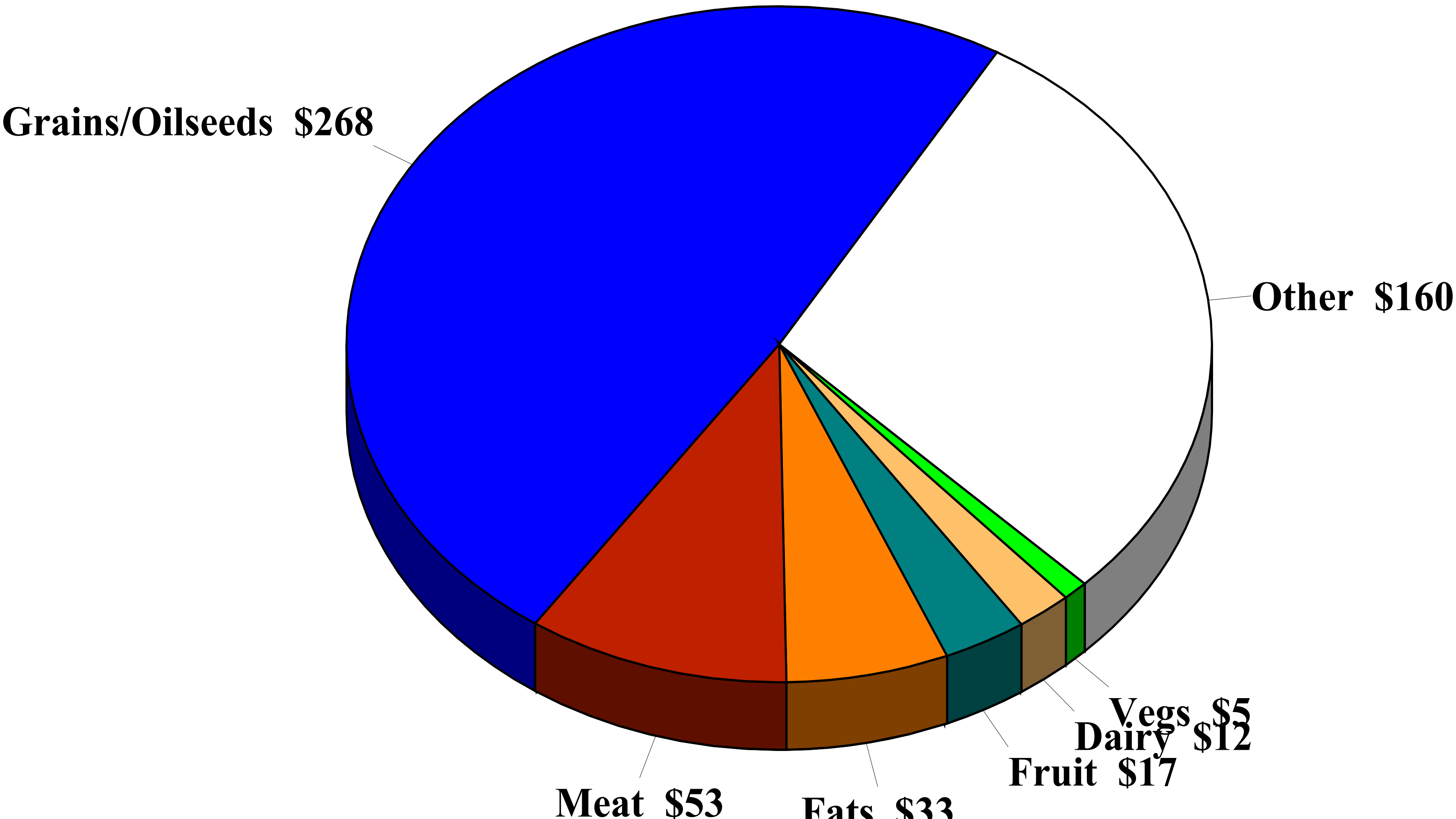
Million Dollars




Source: Foreign Agricultural Trade of the U.S.

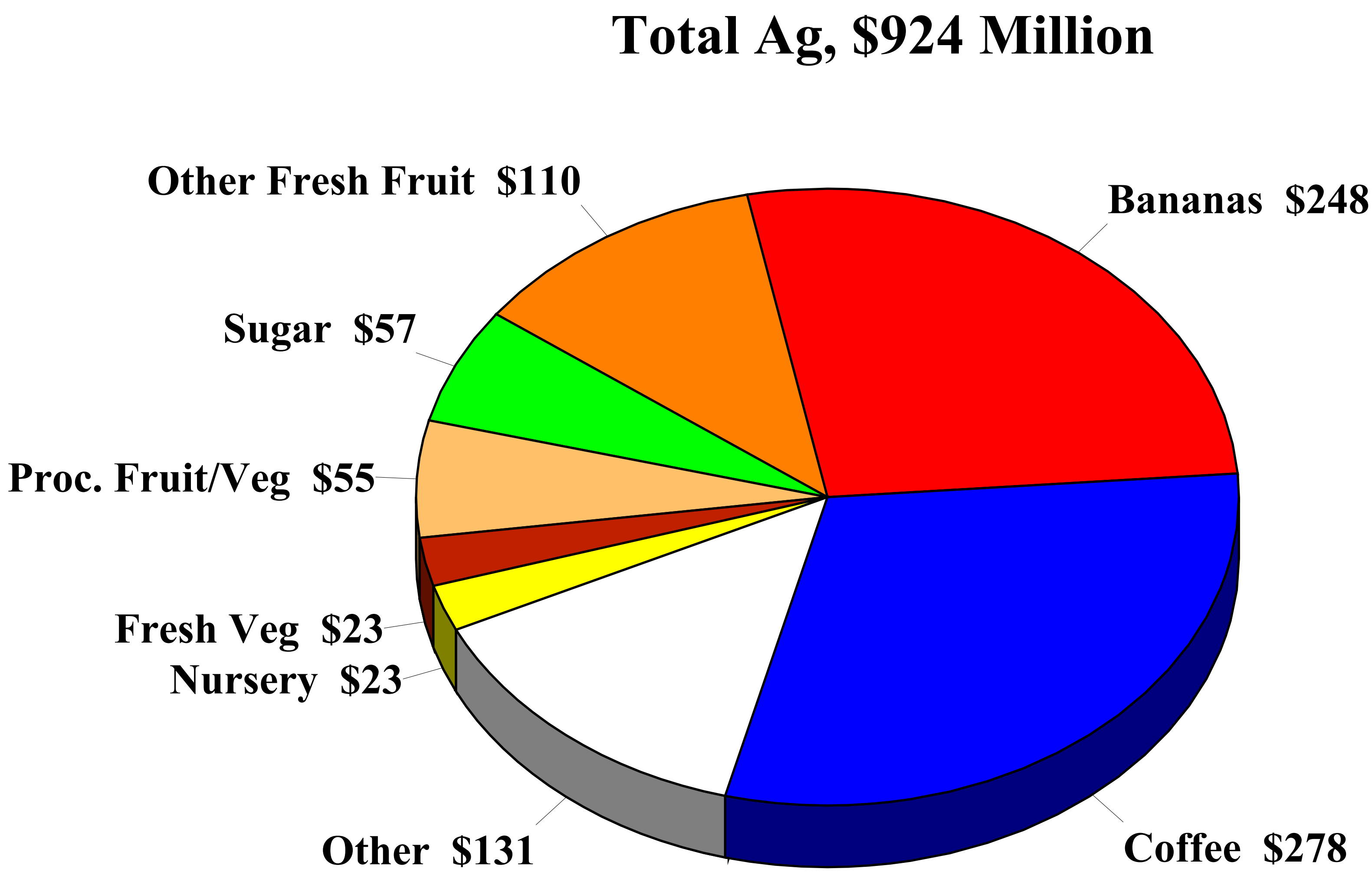
# US Ag Exports to Guatemala 2006

## Total Ag, $548 Million




FAS, USDA.

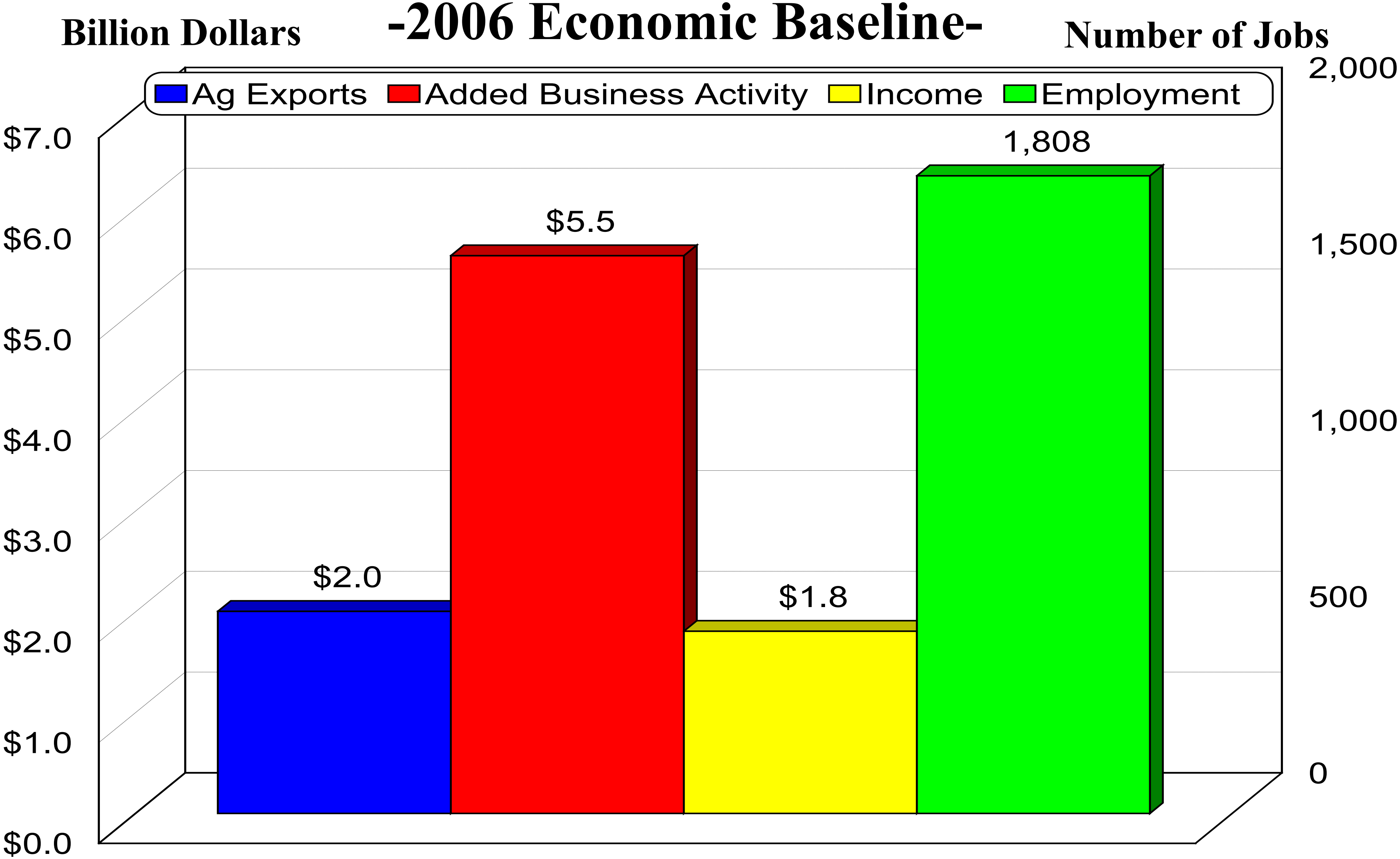
# US Ag Imports from Guatemala, 2006




FAS, USDA.

# CAFTA-DR Impacts on US

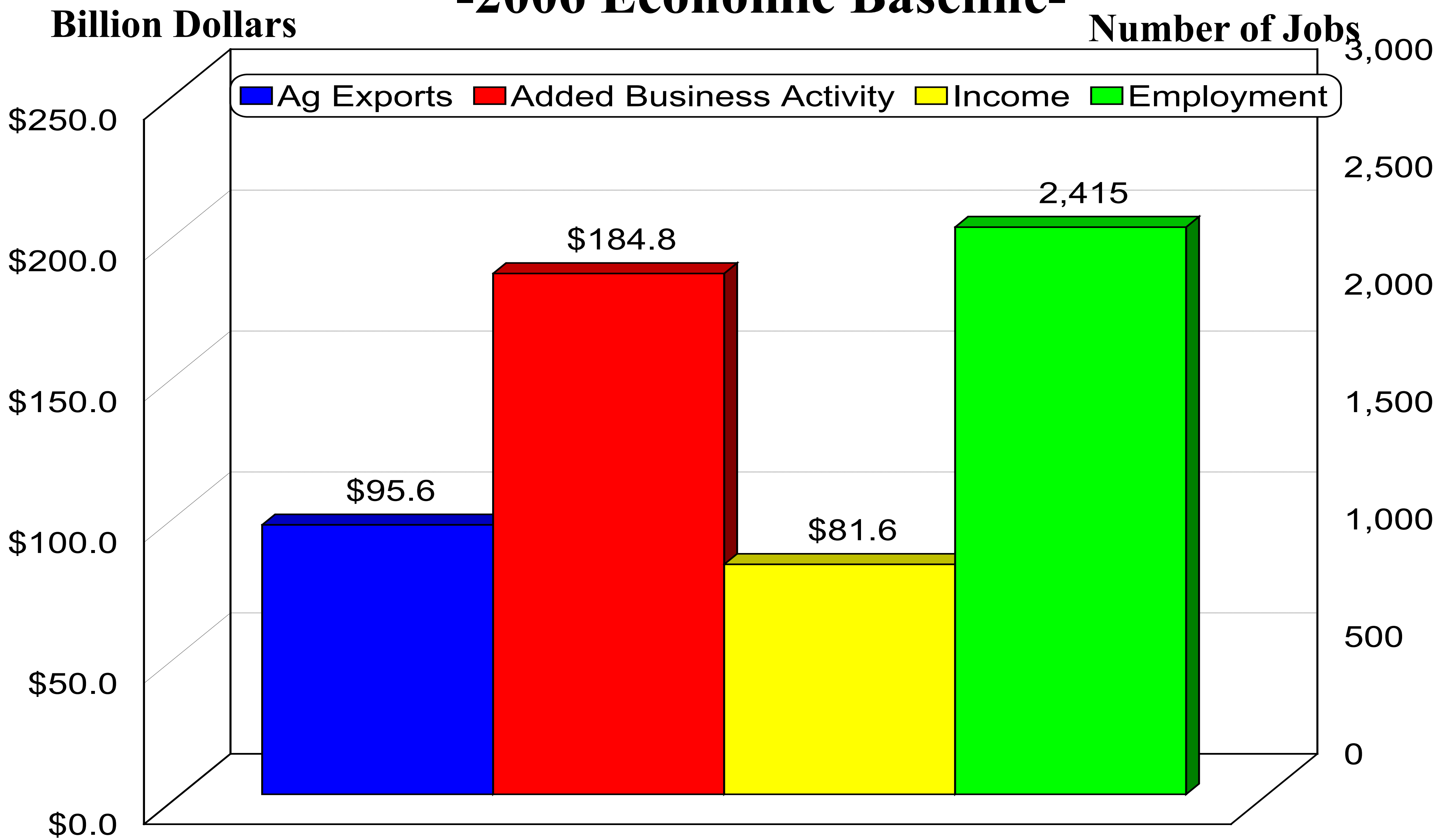
## -2006 Economic Baseline-




IMPLAN, Minnesota IMPLAN Group, 2006.

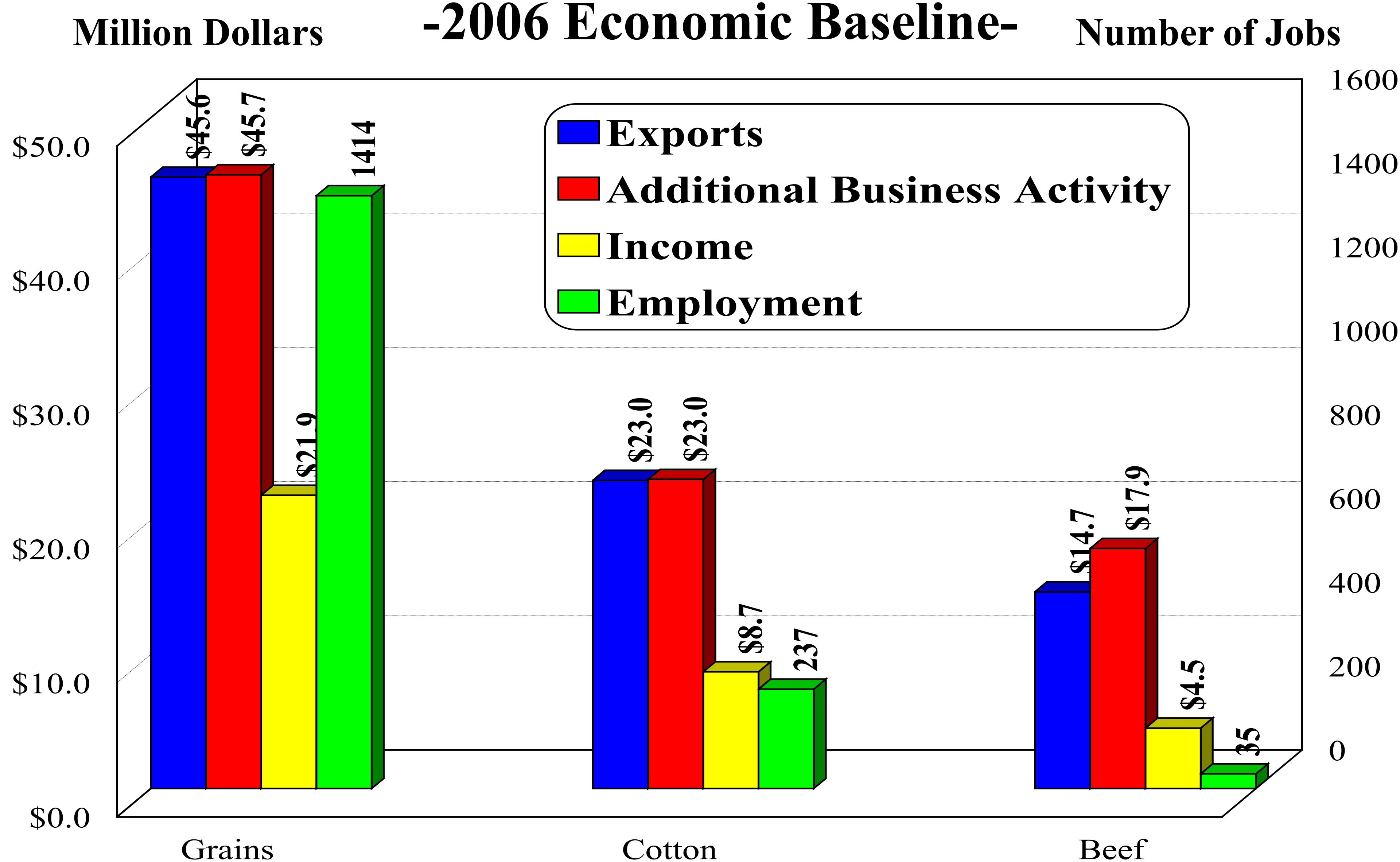
# CAFTA-DR Impacts on Texas

## -2006 Economic Baseline-



# CAFTA-DR Impacts on Texas

## -2006 Economic Baseline-




IMPLAN, Minnesota IMPLAN Group, 2006.

# Conclusions

- As a Group, CAFTA-DR Has Solid Potential
  - Guatemala is likely engine for early market growth
- Early US Gains for Beef, Wheat, Soybeans
  - Longer term gains for corn, rice, dairy
- Backloaded Tariffs Hinder US Export Growth (rice, dairy, corn)
- Poultry, Corn & Rice Certain Sore Points with CA Countries
- Sugar, Some Fresh Produce Likely Sore Points for US Producers

# *Thank You!*

# Questions?

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