CAFTA

Central America Free Trade Agreement

NOPA NATIONAL OILSEED PROCESSORS ASSOCIATION

ASA American Soybean Association® Because Farming Matters™

“The Right Market at the Right Time”

The Central America Free Trade Agreement (CAFTA) includes the U.S. and six Central American countries: Nicaragua, Honduras, El Salvador, Guatemala, Costa Rica and the Dominican Republic. This agreement will solidify our position as the preferred supplier of soybeans and soybean products to these Central American nations, and open new opportunities for exports of U.S. livestock products.

ASA and NOPA Strongly Support Approval of CAFTA

√ CAFTA countries are already a large and loyal market for U.S. soybean exports. The six CAFTA countries represent a growing region of 45 million people that imported $264 million in U.S. soy product in 2003 – about 95 percent of the region’s total soybean product imports.

√ CAFTA countries are important export markets for U.S. soybean farmers and the U.S. soy industry. Combined, CAFTA countries account for 14 percent of U.S. soybean meal exports, and total U.S. soybean product exports amounted to over 1.0 million metric tons (58 million bushels of soybean equivalent).

√ CAFTA will help protect this important market for U.S. soybean farmers and exporters by reducing existing tariffs. Our competitors are trying to take this “backyard” market away from us. CAFTA will give U.S. soy a tariff preference, helping to ensure that U.S. farmers continue to supply these markets.

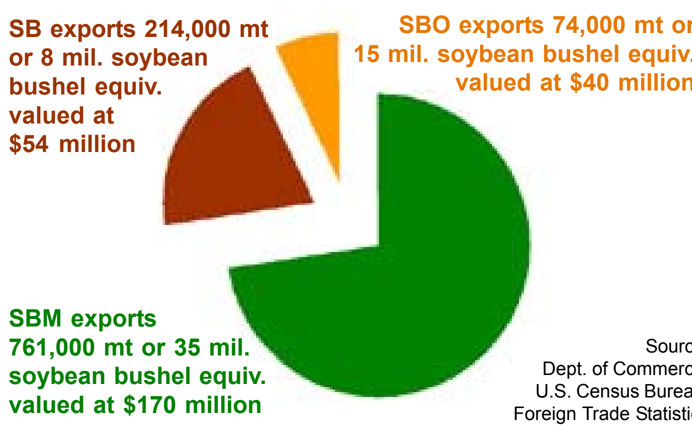
√ CAFTA is important in keeping U.S. soybean crushing plants operating efficiently, since these countries account for 14 percent of U.S. soybean meal exports. Keeping these plants open not only protects U.S. jobs, but also enhances farm income by improving local basis levels.

√ CAFTA will immediately eliminate tariffs on all soybeans and soybean products with the exception of refined soybean oil, where the tariff will be phased out over 15 years in equal annual cuts.

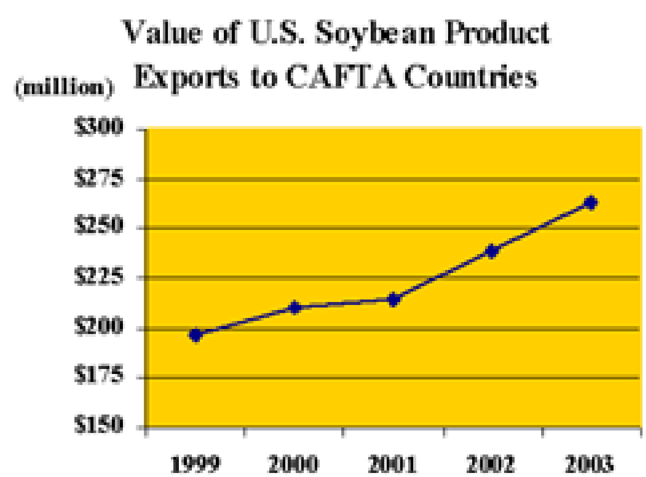
√ CAFTA makes this improved access permanent. By locking in these benefits, the agreement precludes member countries from shifting to higher bound tariff rates in the future. This ensures a competitive advantage for U.S. soybean exporters.

√ CAFTA countries currently provide preferential access to other trading partners through various other free trade or preferential arrangements. The U.S. already provides preferential access for imports of CAFTA food and agriculture products. It is time to give U.S. agriculture producers a level playing field with their counterparts in other countries.

U.S. Soybean Product Exports to CAFTA Countries



Source: Dept. of Commerce, U.S. Census Bureau, Foreign Trade Statistics



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CAFTA Is Important to U.S. Livestock Industry

The CAFTA not only is important to producers, processors and exporters of U.S. products, but also benefits the U.S. soybean industry through increased U.S. poultry and pork exports to the region.

√ CAFTA provides the U.S. with sizeable quotas for exporting pork duty-free. These quotas will increase each year until they are eliminated in year 15. During 2001-2003, U.S. suppliers annually shipped an average of 9,935 metric tons of pork products, valued at $18.4 million, to the six CAFTA countries. The U.S. share of these markets in value terms was 75 percent.

√ In addition to receiving favorable tariff treatment, significant sanitary and technical issues are being resolved. As a result of separate Sanitary and Phytosanitary (SPS) discussions, all 6 countries have agreed to recognize the U.S. meat inspection system and to accept pork from any USDA-inspected facility

√ In the first ten months of 2003, U.S. poultry meat exports to four CAFTA countries totaled $36.5 million. Poultry exports increased 33 percent over the same ten months in 2004

√ Tariffs and quotas on imports of U.S. poultry products will be eliminated over the term of the agreement. Tariffs on certain sensitive products will have a 15-year phase-out period with a growing in-tariff quota, while others will be eliminated immediately. The U.S. poultry industry currently does not sell chicken leg quarters to the Dominican Republic, but will receive an immediate quota of 500 metric tons per year. Quota and tariffs will be completely eliminated in 20 years.

√ While the CAFTA maximizes benefits for export-oriented U.S. food and agricultural sectors, it also minimizes the costs to import-sensitive U.S. food and agricultural sectors. Trade sensitive commodities will be provided special safeguard provisions to help protect U.S. producers from sudden surges in imports and most will also be provided the longest period of tariff phase-out under the Agreement.

√ U.S. agriculture is strategically positioned to translate an agreement with the six countries into export gains across a variety of products estimated at $1.5 billion in the year 2024, as reported in an American Farm Bureau Federation economic analysis.

Approval of CAFTA Will Set a Precedent for Trade Agreements With No Exclusions

√ The importance of comprehensive trade agreements that do not exclude sensitive products cannot be overstated. Excluding sensitive products set a precedent for other countries will be very harmful to market access opportunities for U.S. agricultural exports. For many countries, pork, poultry, and other meat imports are their most sensitive products. If sensitive products are excluded from trade agreements, U.S. poultry and pork producers will be big losers, as will soybean, corn, and other farmers who depend on vibrant meat industries with strong exports.