U.S. Agricultural Trade and Trade Policies: Focus on Colombia

Prepared for Cochran Fellowship Program

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U.S. Agricultural Trade with Colombia
Total U.S. Trade, 2000 - September 2019

Source: U.S. Census Bureau, Foreign Trade, www.census.gov/foreign-trade/balance/
Total U.S. Trade with Colombia
2000 - September 2019

Source: U.S. Census Bureau, Foreign Trade, www.census.gov/foreign-trade/balance/
U.S.-Colombia Average Monthly Exchange Rate
2000 - August 2019

Source: Federal Reserve Bank of St. Louis, https://fred.st.louisfed.org
**U.S. Ag and Food Trade with Colombia 2000 - September 2019**

**Million Dollars**

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan - Sep 2018</th>
<th>Jan - Sep 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$1,123</td>
<td>$1,921</td>
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<tr>
<td>2005</td>
<td>$926</td>
<td>$1,162</td>
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<tr>
<td>2010</td>
<td>$1,437</td>
<td>$1,977</td>
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<tr>
<td>2015</td>
<td>$2,468</td>
<td>$2,418</td>
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<td>2018</td>
<td>$2,528</td>
<td>$2,428</td>
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**Source:** Global Ag Trading System (GATS), FAS/USDA
U.S. Ag and Food Exports to Colombia
2005 - September 2019

Million Dollars

- **Consumer Oriented**
- **Intermediate**
- **Bulk**

Source: Global Ag Trading System (GATS), FAS/USDA
U.S. Agricultural and Food Exports to Colombia, 2018

2018 Total: $2.9 Billion

All Values below in Million Dollars

- **Corn**: $927.4
- **Feeds/Fodders**: $169.7
- **Wheat**: $87.9
- **Rice**: $84.4
- **Other Grain**: $43.2
- **Soybean Meal**: $480.7
- **Soybeans**: $256.1
- **Soybean Oil**: $100.0
- **Other Oilseeds**: $56.3
- **Soybean Oil**: $100.0
- **Pork**: $210.9
- **Other Red Meat**: $29.0
- **Dairy**: $72.6
- **Poultry**: $83.2
- **Other Hort**: $78.9
- **Other Animal**: $29.2
- **Other**: $50.4
- **Cotton**: $39.7
- **Veg/Fruit/Nuts**: $97.2
- **Sugars**: $37.7

Source: Global Ag Trading System (GATS), FAS/USDA; Note: Other Hort and Other Grains both include a wide array of products.
U.S. Ag and Food Imports from Colombia
2005 - September 2019

Million Dollars

Source: Global Ag Trading System (GATS), FAS/USDA
U.S. Agricultural and Food Imports from Colombia, 2018

2018 Total: $2.61 Billion

All Values below in Million Dollars

- Coffee $1,249.1
- Cut Flowers $745.1
- Bananas $195.1
- Other Fruit/Preps $75.1
- Sugar/Related $113.6
- Grains $56.4
- Animal Prod $50.3
- Vegetables/Prep $27.1
- Oilseeds/Prod $17.9
- Spices/Herbs $18.5
- Cocoa/Prod $17.1
- Nursery Stock $22.6
- Other $23.8

Source: Global Ag Trading System (GATS), FAS/USDA; Note: Other Hort includes a wide array of products.
Agricultural Trade Policies of the United States
General Types of Trade Policy

- **Unilateral**: Individual Country Action
  - Import Quotas, Duties, Export Subsidies
  - Embargoes, Market Promotion, Farm Support

- **Bilateral**: Agreement to Invoke Policy between 2 Governments
  - U.S.-Colombia FTA, U.S.-Korea FTA, CAFTA-DR, USMCA (NAFTA), etc.

- **Multilateral**: Agreement to Invoke Policy between Three or More Governments
  - GATT/WTO
  - Free Trade Areas (MERCOSUR, EU)
U.S. Trade Policy Process

 Legislative Branch
  - Congress - Authority Over Tariffs & Treaties
  - Authority Delegated to President

 Executive Branch
  - United States Trade Representative (USTR)
    - Ambassador Robert E. Lighthizer
  - Focal Points for Trade Negotiations, Complaints, & Administration
  - USTR Chief Ag Negotiator: Amb. Gregg Doud
  - Input from Industry via Advisory Panels
Trade Promotion Authority
‘Fast Track’

- Congress Authorizes (for a period of time) Executive to Negotiate Trade Agreements
- Necessary Due to Constitutional Limits on Revenue Position of the United States
- Provides Credibility to USTR
- Requires Vote: 45 Legislative Days
- Simple Majority Vote Required to Pass
- No Amendments Allowed
Trade Promotion Authority

- Lead Committees: Senate Finance & House Way & Means (Ag. & Others Involved)
- Limits Floor Debate to 20 Hours in Each Chamber
- TPA Under Title XXI of Trade Act of 2002
  - Upholds Environmental Regulations
  - Supports Core Labor Standards
  - Outlines Negotiating Objectives
- Granted Again in June 2015 thru July 2018; extended to July 2021
Generalized System of Preferences (GSP)/Most Favored Nation (MFN)

- **GSP** Created by United Nations In 1960’s
  - Provides Duty-Free Access to Industrialized Markets For LDC’s & Developing Countries
  - Important Economic Development Tool For Developing Countries
  - Non-Reciprocal and Unilateral

- **MFN** (also called Normal Trade Relations-NTR)
  - Created By GATT, continued by WTO
  - Same Trading Privileges among Member Nations of WTO, Most Favorable Tariffs
  - Reciprocal and Multilateral
Overview of Preferential Trading Arrangements (PTA’s)

- Currently 23 Forms of Preferential Trading Arrangements Among 119 Countries Account For 82% of World Trade

- Since 1985, the U.S. Has Negotiated Separate Trade Agreements with 20 Different Countries
  - NAFTA (3 bi-lateral agreements)
  - DR-CAFTA (6 bi-lateral agreements)
  - Israel, Jordan, Oman, Singapore, Bahrain, Morocco, Australia, Chile, Peru, Colombia, Korea, and Panama
Independent Government Agency of 6 Commissioners, Each Appointed by the President for 9 Years

Maintains the U.S. Tariff Schedule
https://hts.usitc.gov/current

Responsible for Investigating Alleged Violations or Complaints Regarding U.S. Trade Laws and Regulations
Most Complaints Relate to:

- **Dumping**: Sale of Goods Below the Price in Country of Origin or Below the Cost of Production
- **Anti-dumping Duties**: Less Than Fair Value and Material Injury (Tariff Act of 1930 - Smoot/Hawley)

Presidential Authority Granted For Imposition of Duties
Ag. Trade Programs

- Foreign Agricultural Service (FAS/USDA):
  - FAS Cooperator Program
  - Foreign Market Development Program
  - Ag. Counselor/Attaché Staff
  - Analysis & Education - Policy Function

- Public Law-480 (PL-480) - “Food for Peace”
  - Title I: Concessional Sales, Admin by USDA
  - Title II: Food Donation/Emergency Relief
  - Title III: Economic Development Grants
    - Titles II & III Admin by USAID
Protectionism
Why Protect from Trade?

- Affect Distribution of Gains From Trade
- Protect Infant or “New” Industry
- National Security
- National Health
- Combat Unfair Foreign Trade Policies
- Protect Domestic Programs
- Improve Balance of Trade/Payments
How is Trade Protected?

- Tariff Barriers
  - Ad Valorem/Specific/Combo
- Non-tariff Barriers
  - Explicit NTBs vs Implicit NTBs
- Technical Barriers To Trade
- Complex Packaging/Labeling Requirements

All Make It More Difficult for Foreign Sellers to Compete with Domestic Sellers
Non-tariff Barriers to Trade

Explicit Non-tariff Trade Barriers

- Import Quotas – Quantity Restrictions on Imports (ie. Up to 10,000 Tons)
- Variable Levy – Import Duties Adjusted Weekly, Monthly, or Quarterly by some countries (EU in the past)
- Voluntary Export Restraint – Export Quota Administered by Exporting Country
- Domestic Content – Requirement that Industry Use Specific Amount (Proportion) of Domestic Product
- Countervailing Duty – Special Duty Imposed to Offset Foreign Government Subsidy
- Export Subsidy – Payment to Firms For Exports
Implicit Non-tariff Barriers to Trade

- **Sanitary & Phytosanitary Regulations (SPS)**
  - Government Regulations Designed to Protect Animal, Human, and Plant Health

- **Sanitary Regulations**: Used to ensure the sanitation of meats, poultry & dairy products

- **Phytosanitary Regulations**: Used to ensure the health/sanitation of plants & plant material

- **Animal Health Regulations**: Used to ensure that animals are free from pests & diseases
Non-tariff Barriers to Trade (continued)

- Technical Barriers to Trade
  - Labeling, Licensing, Packaging, Mandatory Country-of-Origin Labeling, etc.

- Government Procurement
  - Domestic Preference in Bidding Public Contracts
Non-tariff Barriers to Trade (continued)

- Macroeconomic Policies
  - Monetary/Fiscal Actions Which Affect Exchange Rates, Prices, Interest Rates, and the Balance of Trade
- Public Financed Research & Development
Implicit Non-Tariff Barriers to Trade
WTO SPS Agreement

◆ The SPS Agreement Applies to SPS Government Measures that Impact Trade
  – Private firms can impose most any rules they want to – more and more are doing so

◆ An SPS measure is any law, regulation, decree, requirement, or procedure used to protect human, animal and plant life or health

◆ Must be science and risk-based, apply to all like products, and base standards on international standards

◆ SPS Agreement Provides Forum for Resolving Disputes
Implicit Non-Tariff Barriers to Trade

SPS Trade Barriers

- An SPS Measure Might be a Barrier to Trade if:
  - not developed in a transparent manner
  - not science-based
  - not based on international standards such as Codex, OIE, IPPC
  - only applies to foreign companies (imports)
  - compliance process is unclear
  - compliance time-frame is unreasonable

- Biotech a Target for Many SPS Trade Barriers - Precautionary Principle (Prove it does no Harm)
Implicit Non-Tariff Barriers to Trade (continued)

- Technical Barriers to Trade are those Technical Regulations and Standards which Unfairly Restrict Trade and Can Include:
  - Licensing Regimes
  - Labeling Regulations – ie MCOOL (Recent WTO Case, U.S. Lost)
  - Packaging Size/Weight Restrictions
  - Terminology
- Like the SPS Agreement, the WTO TBT Agreement Helps to Ensure Members Have Product Regulations Which Do Not Unfairly Restrict Trade
U.S. Regulatory Agencies which Help to Protect U.S. Agriculture/Food

  https://www.aphis.usda.gov

- **Food Safety Inspection Service – FSIS (USDA)** is Responsible for Assuring that Meat and Poultry Products Are Safe, Wholesome for Consumption, and Accurately Labeled 
  www.fsis.usda.gov

- **Environmental Protection Agency – EPA**
  ○ Establishes Tolerance Levels for Specific Pesticides That are Enforced by the FDA or USDA
U.S. Regulatory Agencies which Help to Protect U.S. Agriculture/Food

- **Food and Drug Administration – FDA**
  [https://www.fda.gov/international-programs](https://www.fda.gov/international-programs)
  - Ensures the Safety, Sanitation, and Proper Labeling of Imported Foods as Specified by the Federal Food, Drug, and Cosmetic Act and the Fair Packaging and Labeling Act
  - FDA Inspects Shipments, Collects and Examines Samples, and Conducts Investigations to Ensure Product Quality Standards are Met
  - Product Specific Regulations May Be Obtained through the FDA International Affairs Staff
U.S. Regulatory Requirements Which Help to Protect U.S. Agriculture/Food

Food Groups Under FDA Authority

- Dairy Products
  - Milk
  - Cheese
  - Butter
- Plant products
  - Vegetables
  - Fruits
  - Nuts
  - Juices
- Spices
- Dietary Supplements
- Infant Formula
- Seafood
  - Finfish
  - Shellfish
  - Crustaceans
  - Surimi based
- Grain-based
  - Bread
  - Cereals
  - Flour
- Bottled water
Food Safety Modernization Act (FSMA)

- Legislation Designed to be an Update to a Myriad of U.S. Food Safety Laws Dating back to 1906, When FDA was Created and Meat Inspection Act Passed
- New Import Authorities and Mandates for Imports Under FSMA Include:
  - Importer Accountable for Ensuring Foreign Suppliers Have Food Safety Measures in Place
  - New Program for 3rd Party Food Safety Certification
  - High Risk Foods for Import Require Assurance of Compliance
  - Voluntary Qualified Importer Program for Expedited Entry
  - FDA Will Now Have Authority to Deny Entry if FDA Denied Access to the Foreign Facility or Country
Importance of Food Safety Example: U.S. Cantaloupe Imports

- U.S. Imports 400-500 TMT/Year of Cantaloupes
- Mexico, a Cantaloupe Producer Located Next to the U.S., Had a Significant Share of U.S. Market
- Following Outbreaks of Salmonella in Mexican Cantaloupes (NOTE: Not Intentional Outbreaks), FDA Halted Imports of in October 2002
- Central American Countries Filled Mexico’s Share of the Market
- Mexico Allowed to Resume Exporting Shortly Afterward But Yet to Reclaim Previous Market Share
  - No Agreement with FDA to Clarify until 2005
  - Competitors Reluctant to Give Up Share
U.S. Imports of Cantaloupes, 2000 - 2018

Example: U.S. Cantaloupe Imports

- In 2012, Cantaloupe Imports dropped below 400 TMT first time in recent history
- Why? Numerous food safety outbreaks in recent years
  - 2008 – Honduran cantaloupes with salmonella
  - 2011 – Guatemalan cantaloupes with salmonella
  - 2011 – Colorado cantaloupes with listeria (33 died)
  - 2012 – Indiana cantaloupes with salmonella (3 died)
- The U.S. outbreaks seem to have impacted imports more than outbreaks in imported cantaloupes
- Outbreaks in U.S. and imported products continue to happen.
Sources of International Trade Info

- Center for North American Studies, cnas.tamu.edu
  - *Global Agricultural Trading System (GATS)*
    www.fas.usda.gov/gats/default.aspx
  - Others – GAIN Reports for most any country
- CIA World Factbook, at www.cia.gov
- Agriculture and Agrifood Canada – for Info on Many Countries, including the U.S.
Thank You!!

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