



House approves U.S--- Peru Trade Pact

By Sara Wyant, Agri-Pulse Editor

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House leaders cleared the way on Thursday for the first of several pending free-trade agreements, **approving a new trade pact with Peru by a 285-132 margin.** The measure now heads to the Senate, where it's expected to gain approval within the next 15 legislative days.

The vote was quickly applauded by the White House, which is making a full court press on Congress to approve other trade deals with Panama, Colombia and South Korea.

"Today's vote in the House is the first on a free trade agreement since my administration and the leaders of both parties in Congress agreed on a new bipartisan way forward," Bush said in a statement.

The remaining trade agreements are expected to face a rougher road. Despite a compromise reached earlier this year to include additional protections for workers and the environment, only slightly more than half of the House Democrats supported the Peru pact.

The American Farm Bureau Federation commended the House of Representatives for the bipartisan passage of the U.S.-Peru Trade Promotion agreement, because they say it will result in **an estimated increase in U.S. agricultural trade of \$705 million per year** after full implementation. **U.S. agricultural exports to Peru confront an average tariff of 18%, while 99% of Peruvian agricultural products enter the U.S. facing no tariffs.** As a result of this carefully negotiated agreement, all U.S. agricultural exports—meat, fiber, grains, oilseeds, fruits and vegetables—will enter Peru duty-free after full implementation of this agreement.

Corn Refiners Association (CRA) President Audrae Erickson noted that **exports of value-added, refined corn products will likely increase significantly as a result of this agreement.**

Tariffs on corn gluten feed and meal will be reduced to zero when the United States-Peru Trade Promotion Agreement becomes effective. Duties on other corn products, including corn oil, corn sweeteners and corn starch, will be phased out over the life of the agreement. U.S. exports of refined corn products to Peru have averaged \$830,000 over the past five years, but are expected to increase significantly under the deal, according to Erickson.

The National Pork Producers Council (NPPC) said the vote brings the U.S. pork industry **“one step closer to gaining 28 million potential new customers and increasing profits for U.S. pork producers.”**

“This is a critical step toward passage of a trade deal that is of vital importance to U.S. pork producers,” said Jill Appell, NPPC president and pork producer from Altona, IL. “Now we need the Senate to quickly pass the PTPA. The sooner the Senate passes the agreement, the sooner the U.S. and Peruvian governments can implement the deal, which will generate new exports that flow directly to the bottom line of our producers.”

When the PTPA is fully phased in, U.S. live hog prices will be 83 cents a head more than they would be in the absence of an agreement and producer profits will rise by 7%, according to Iowa State University economist Dermot Hayes.

Members of the National Cattlemen’s Beef Association (NCBA) were also excited about the growth opportunities. Under the Peru Trade Promotion Agreement, they noted:

- U.S. choice and prime beef will have immediate duty-free access.
- All tariff rate quotas will be eliminated within 12 years.
- Peru has committed to recognize the U.S. meat inspection system as equivalent to its own, thereby allowing imports from facilities approved by USDA-FSIS.
- Peru has committed in writing to specific Sanitary and Phytosanitary (SPS) terms.

NCBA said that beef comprises less than 8% of Peru’s total agriculture gross domestic product, making it an exceptional export growth opportunity for U.S. beef. In 2003, Peru was a \$6 million export market for U.S. beef, beef variety meats and beef products. This improved access could amount to roughly \$15 million a year, about half the value of Peru's current total beef imports, according to NCBA.

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