



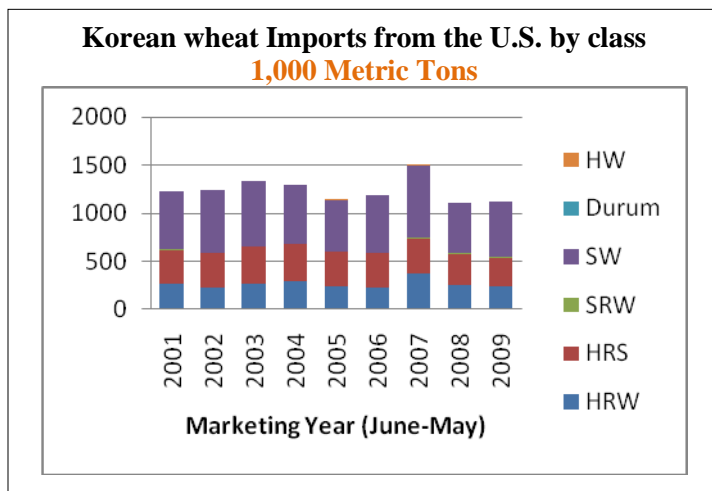
## Fact Sheet: U.S.-Korea Free Trade Agreement (KORUS FTA)

The U.S.-Korea Free Trade Agreement (KORUS) is important to the U.S. wheat industry in maintaining exports in an increasingly competitive trade environment. The U.S. wheat industry applauds the administration's effort to reach a side agreement in December 2010 to clear the path for ratifying and implementing the agreement. U.S. wheat exports to Korea have been trending lower since the mid-1990s, with occasional peaks in demand occurring. **The value of wheat exports to Korea in 2009 was listed at \$271 million**, making it the third largest U.S. agricultural export item to Korea.

### U.S. wheat producers face competition in Korea:

U.S. wheat producers face stiff competition from Australia and Canada for the milling wheat market in Korea. Korea also purchases substantial quantities of feed wheat, but the U.S. is not price competitive in the feed wheat market in most years. Between 2000 and 2009, **U.S. market share in the milling wheat sector has ranged from a low of 34 percent to a high of 63 percent**. Meanwhile, Australia's share has ranged from 31 to 46 percent and Canada's from 5 to 35 percent.

Australia has made the largest gains in the Korean market through the Australian Wheat Board (AWB) monopoly practices. During the years that the AWB operated a monopoly on Australian wheat exports, they were able to control price and offer a special quality of Australian wheat to the Korean market, often at prices below similar quality U.S. wheat. Canada's wheat export monopoly, the Canadian Wheat



Board (CWB), also plays this game, with market share increasing substantially in certain years at the expense of the U.S. industry.

*Upon implementation, U.S. wheat will secure permanent duty-free access to the Korean market.*

The EU signed an agreement with Korea in 2010. The approval process is underway in the EU, and the agreement is expected to be in full force by July 1, 2011. Australia and Korea finished their fifth round of FTA negotiations in May 2010. A Korea-Australia FTA would be harmful to U.S. wheat producers if it is signed and

implemented before the U.S. agreement. Canada is also negotiating a FTA with Korea.

**Upon implementation:**

An agreement was reached between U.S. and Korean negotiators in 2007. A key parliamentary committee in Korea approved the bill in April 2009, which means all that is remaining in Korea to ratify the agreement is a final floor vote in the National Assembly. Ratification of the agreement by the U.S. Congress is expected after a side agreement was reached in 2010 that resolved outstanding issues on automobiles.

**U.S. wheat imports face a 1.8 percent tariff and permanent removal of this duty**, although minor, never-the-less reduces the price of U.S. wheat imports and **allows U.S. producers to compete with cheaper sourced imports and maintain dominant market share**. While the European Union (EU) is not a regular milling wheat supplier to Korea, lower tariffs granted to EU wheat imports from implementation of their free trade agreement could also threaten U.S. market share.

**The U.S. wheat industry, along with other agricultural commodity groups, supports immediate ratification of the U.S.-Korea free trade agreement.**

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