
Implications of a Panama Trade Promotion Agreement on U.S. Agriculture



American Farm Bureau Federation
Economic Analysis Team

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Panama Trade Promotion Agreement Analysis

Executive Summary

On December 19, 2006, the United States and Panama completed negotiations on a bilateral free trade agreement. According to the U.S. Trade Representative, the agreement will “eliminate tariffs and other barriers to trade of goods and services, expand trade between the United States and Panama, and promote economic growth and opportunity.”

Agriculture actually makes up a small part of the agreement. Total agricultural trade between the United States and Panama totaled to just \$265 million in 2006. Other sectors of the United States and Panamanian economies, particularly services and investment, will benefit substantially from the PTPA.

For the U.S. agricultural sector, the PTPA, as proposed, involves a mix of costs and benefits. The benefits involve expanded exports of a wide range of farm products, some of which come later in the implementation period as Panama’s import demand for farm products expands. The costs, albeit minor, center on increased U.S. imports of Panamanian sugar. By 2027, when the agreement would be fully implemented, increased sugar imports are likely to total \$4 million while increased exports of the major grain, oilseed, fiber and livestock products are likely to exceed \$150 million. The total increase in United States farm exports associated with the PTPA could exceed \$195 million per year, when items such as fruits, vegetables, tallow and other high-valued processed products are included. The net impact of the PTPA is expected to be an increase in U.S. exports of more than \$190 million.

This trade impact is smaller than that of previous FTA partners. This is because the United States already has a very large share of the Panamanian agricultural market. In fact, averaged across all agricultural products, the United States already supplies 53 percent of Panamanian agricultural imports. For the commodities that the United States has the most interest in, the share is more than 80 percent. However, the agreement will prevent other countries, specifically other Latin American suppliers, from taking some of the current U.S. share of the Panamanian market. The agreement also levels the playing field by providing U.S. products exported to Panama with the same duty-free access already enjoyed by Panamanian products exported to the United States. Panama would also agree to deal with sanitary and phytosanitary barriers and other non-tariff barriers to U.S. exports.

The PTPA does allow some Panamanian sugar access into the U.S. market. But, for agriculture as a whole, the economics suggest it will have a positive effect on the overall American agricultural sector.

Background Information on Panama

On December 19, 2006, the United States Trade Representative (USTR) announced the conclusion of bilateral free trade agreement with Panama. The final text of the agreement, and specifically the text on agriculture, has not yet been released by USTR. However, AFBF has received enough information from USTR to conduct our economic analysis. But before we examine the specific impacts of the agreement, let's first look at the Panamanian economy and agricultural sector.

General Information

Panama is located in Central America, bordering both the Caribbean Sea and the North Pacific Ocean, situated between Colombia and Costa Rica. Panama is a relatively small country, with a size slightly smaller than that of South Carolina, with about 7 percent of that arable land.

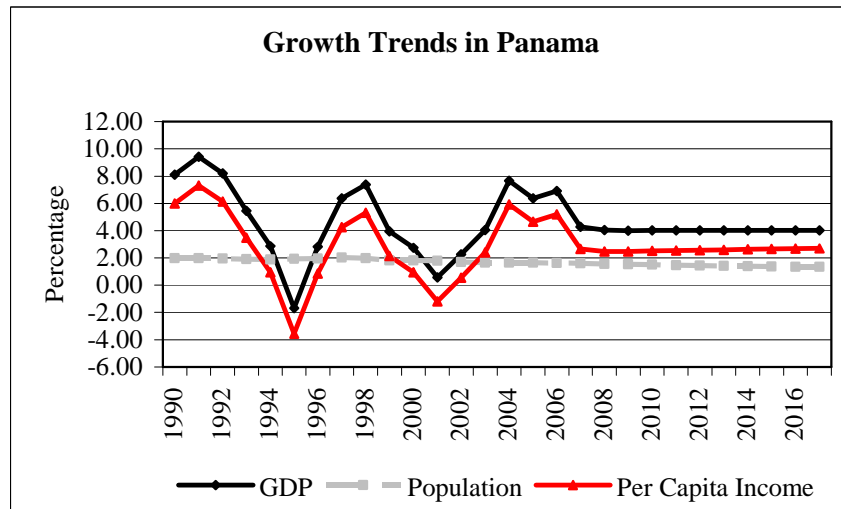
Panama has a population of just over 3 million people.

Unlike most Central American countries, Panama's economy rests primarily on a very well-developed services sector that accounts for roughly three-fourths of the nation's gross domestic product (GDP). These services include operating the Panama Canal and the Colón Free Trade Zone, container ports, flagship registry and tourism. A slump in the Colón Free Trade Zone and agricultural exports and the withdrawal of US military forces held back economic growth in the early 2000s. However, led by export-oriented services and a construction boom stimulated by tax incentives, economic growth improved in 2004. In October 2006, Panamanian voters overwhelmingly passed a referendum to expand the Panama Canal to accommodate ships that are now too large to cross the transoceanic crossway. Construction is expected to begin later this year and should be completed sometime in 2014 or 2015. This construction and expanded canal will further boost the economic growth in Panama.

Growth Trends in Panama

There are several growth trends that can be examined in an attempt to estimate what the Panamanian market could represent in the future. These growth trends include the gross

domestic product (GDP) growth rate, the population growth rate and the increase in per capita income. Each of these trends is shown in the graph below, which includes actual data from 1990 to the present and forecasts trends from the present to 2017.¹



The gross domestic product (GDP) is a measure of the value of economic production of a country. It is one of the measures of national income and output and is often seen as an indicator of the standard of living in a country. While the GDP in Panama was somewhat variable in the late 1990s, it has steadied since then and is forecasted to continue to grow at nearly 4 percent per year to 2017.

The population growth rate for Panama has been relatively stable at a little over 2 percent per year. This growth rate is expected to remain near 2 percent per year into the future.

Per capita income in Panama is expected to grow significantly in the future, at nearly 3 percent per year. The CIA World Factbook estimates the Panamanian per capita income at \$7,900. Rising incomes, like those experienced in Panama in the past few years and expected in the future, increase demand for more and better food, greater variety in diets and more processed/value-added foods as well as more livestock products, requiring more feed grains and proteins. This could translate into significant gains for the American agricultural sector.

¹ United States Department of Agriculture. "International Macroeconomic Data Set." Economic Research Service, Washington, DC, February 2007.

General Trade with Panama

The United States and Panama are significant trading partners. In fact, nearly half of Panama's total imports come from the United States.² Total trade between the United States and Panama was \$2.5 billion in 2005. The export of American goods totaled \$2.2 billion, with top export categories including fuel oils, plastics, machinery and electronics. The U.S. per capita imports from Panama in 2005 was just over \$1. United States imports from Panama totaled \$327 million, with top import categories including fish and selfish, sugar and non-monetary gold. The Panamanian per capita imports from the U.S. in 2005 was \$680. The United States currently has a total trade surplus with Panama of \$1.9 billion.³ On a per capita basis, the trade surplus is even more pronounced as the United States has a per capita trade surplus of \$679. The United States is one of the leading foreign investors in Panama. The stock of U.S. foreign direct investment in Panama in 2005 was \$5.2 billion.²

Agricultural Information

For centuries, agriculture was the dominant economic activity for most of Panama's population. However, after the construction of the Panama Canal, agriculture declined in its importance. In 1965, 46 percent of the Panamanian workforce was employed in agriculture; today that share has dropped significantly to just 20 percent.

Panama's climate and geology impose major constraints on the development of agriculture in the country. The Atlantic side of the country is inundated with heavy rainfall throughout the year, which prevents cultivation of most crops. The Pacific side, on the other hand, does experience a dry season and this area accounts for most of the cultivated land in the country. However, even this area is plagued by poor soil quality and poor conservation practices, further constraining the agricultural output of the small country.⁴

² Office of the United States Trade Representative. *Trade Facts*, "Free Trade with Panama." January 2007.

³ United States Census Bureau. "Trade in Goods (Imports, Exports and Trade Balance with Panama)." *Foreign Trade Statistics*. Washington, DC, February 2007.

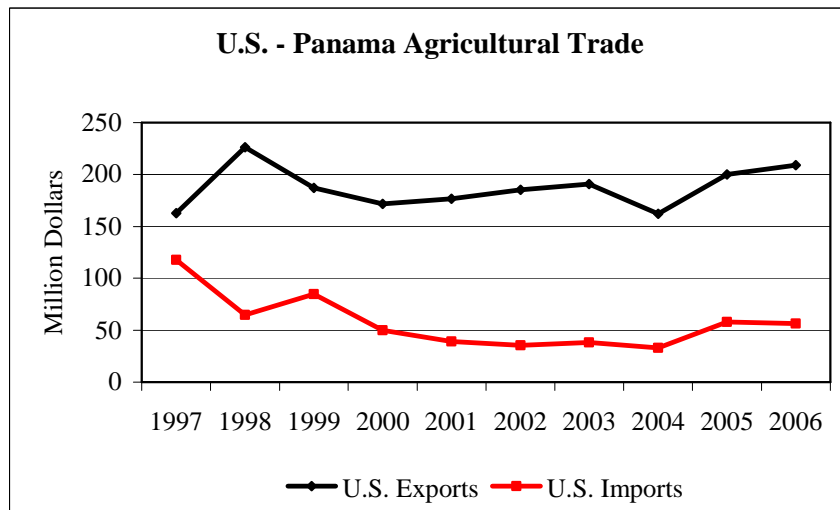
⁴ U.S. Department of the Army, *Country Studies/Area Handbook Series*, "Panama." 1986 through 1998.

Panama’s largest agricultural production commodities are bananas and sugar. In addition, the country produces some coffee and rice, and has recently begun investing in swine and poultry production. However, the nation is still far from producing enough to feed its population and remains a large importer of food and agricultural products.

Current agricultural and food consumption in Panama are centered on cereals and vegetable products, rather than meat products. This is best illustrated in the food balance sheet attached to this report. Most of the calories consumed in Panama come from wheat and rice. As the Panamanian consumer continues to experience increased income, they will likely diversify their consumption to include more meats. This could provide a great opportunity for American agricultural exports.

Agricultural Trade Information

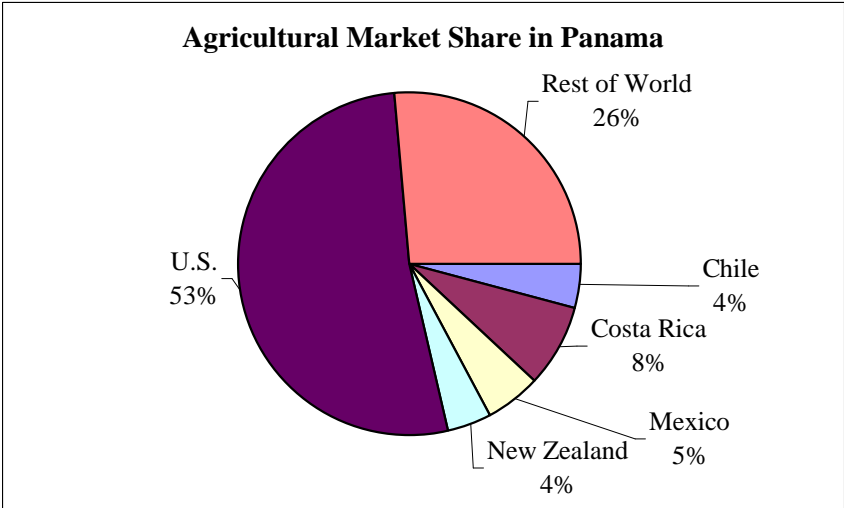
In 2006, Panama imported just under \$209 million in agricultural products from the United States. As the figure below shows, in 2005 the United States had a significant agricultural trade surplus with Panama of more than \$150 million.⁵



Unlike many other recent FTA partners, the United States already has a very large share of the Panamanian agricultural market. As the graph below shows, the United States supplies more

⁵ All trade data – United States Department of Agriculture. *U.S. Trade Data*. Foreign Agricultural Service, Washington, DC, February 2006.

than 50 percent of the agricultural market in Panama.⁶ For some commodities, notably corn, wheat and soybeans, the United States has more than 80 percent of the market. Because the United States is already such a significant supplier, agricultural exports cannot expect significant gains from increased market share through this agreement. The PTPA could, however, help the United States maintain its competitive advantage.



Agricultural Exports

Panama continues to be a net importer of food, and the United States is the top agricultural exporter to Panama, supplying a range of products, with corn, soybeans, wheat and rice making the top of the list. From 2002 through 2006, the United States exported an average of \$190 million per year of agricultural products to Panama. The table below shows the top ten exports, by value, sent to Panama from the United States during 2002-2006. (Note that the miscellaneous horticultural products category is, more specifically, mostly canned foods and beer.)

⁶ All market share data – U.N. Food and Agriculture Organizations. *World’s Agricultural Trade Flows (WATF)*. Statistics Division, Rome, Italy, February 2007.

Top Ten U.S. Exports to Panama

(Values in \$1,000)

	2002	2003	2004	2005	2006	5 Yr Avg
Corn	28,695	33,274	31,075	30,311	33,846	31,440
Soybean Cake & Meal	25,127	31,076	17,952	28,637	27,550	26,068
Wheat	13,985	17,792	16,420	19,205	22,983	18,077
Miscellaneous Horticulture Products	12,926	10,847	13,627	13,373	16,268	13,408
Rice	6,181	3,335	2,661	15,249	10,082	7,502
Fresh Fruits, Deciduous	3,981	4,464	4,476	6,531	7,729	5,436
Turkey Meat	3,506	3,768	5,963	5,582	7,481	5,260
Vegetables	5,677	6,947	5,810	7,324	6,541	6,460
Cocoa & Cocoa Products	10,011	6,687	3,920	5,943	6,466	6,605
Fruit Juices	9,096	9,752	4,385	2,827	5,811	6,374
Total Exports	185,370	190,801	162,315	199,983	208,988	189,491

Agricultural Imports

From 2002 through 2006, the United States imported an average of \$44 million per year of agricultural products from Panama. The table below shows the top five imports, by value, sent to the United States from Panama during 2002-2006. Most of these agricultural imports do not compete directly with domestically produced commodities (for example, coffee and products).

Top Five U.S. Imports from Panama

(Values in \$1,000)

	2002	2003	2004	2005	2006	5 Yr Avg
Sugar & Related Products	14,637	13,443	9,336	29,146	23,535	18,019
Coffee & Products	8,001	12,291	10,413	11,406	11,596	10,741
Fresh Melons	6,088	6,004	6,073	5,452	7,413	6,206
Other Fresh Fruits	644	653	2,007	3,695	5,000	2,400
Fresh Vegetables	3,726	3,488	3,130	5,069	4,339	3,950
Total Imports	35,275	38,184	33,023	57,781	56,411	44,135

Agricultural Tariff Rates

While Panama's agricultural sector is very small, there are some segments that are protected from imports. For the most part, Panama's tariffs on bulk and intermediate commodities are low. However, high-valued and consumer-ready products, which tend to compete directly with local Panamanian producers, generally face higher tariffs. The table below shows both the bound and applied tariff rates for some select agricultural commodities, both in the United States and in Panama.

Tariff Rate Information

(Values in Percent)

Commodity	Panama		United States	
	Bound	Applied	Bound	Applied
Barley	3.0	3.0	0.7	0.0
Beef	30.0	15.0	26.4	5.3
Butter	20.0	20.0	80.9	6.7
Cheese	30.0	30.0	36.4	9.8
Corn	40.0	6.0	0.6	0.0
Cotton	3.0	3.0	25.9	25.9
Milk	110.0	64.0	40.0	0.0
Pork	65.0	15.0	0.2	0.0
Poultry	30.0	15.0	17.4	6.9
Rice	159.0	33.3	6.8	6.8
Sorghum	25.0	7.5	1.4	0.0
Soybeans	7.5	7.5	0.0	0.0
Soybean Meal	15.0	0.0	2.5	2.5
Soybean Oil	20.0	6.5	19.1	19.1
Sugar	144.0	144.0	195.0	195.0
Wheat	2.3	2.3	2.6	0.0
Aggregate Fruits	26.7	2.0	3.7	3.7
Aggregate Vegetables	76.5	15.0	6.8	6.8
Processed Products	15.3	15.3	11.4	11.4

As the table illustrates, agricultural tariff rates in Panama range from just three percent to nearly 160 percent, depending on the commodity. Eliminating, or even significantly reducing, these tariff rates through free trade agreement negotiations could be beneficial to the United States agricultural sector.

On the U.S. import side, Panamanian agricultural exporters currently face little or no tariffs when exporting to the United States through the Caribbean Basin Initiative (CBI). This program was initially launched in 1983 through the Caribbean Basin Economic Recovery Act (CBERA) and was substantially expanded in 2000 through the Caribbean Basin Trade Partnership Act (CBTPA). Because of this agreement, in 2005 more than 95 percent of Panama's goods exports to the United States entered duty free.⁷

⁷ Office of the United States Trade Representative. *Trade Facts*, "Free Trade with Panama." January 2007.

AFBF Economic Analysis

Before discussing the economic impact analysis of the PTPA, an understanding of the agreement's content is important. Some important aspects of the agricultural sections of the PTPA are summarized below.

Major PTPA Provisions

Under the PTPA, more than half of current U.S. agricultural exports to Panama will become duty-free immediately. Items that receive immediate duty-free treatment include high-quality beef, mechanically de-boned chicken, frozen whole turkeys and turkey breast, pork variety meats, whey, soybeans and soybean meal, cotton, wheat, barley, most fresh fruits, almonds, walnuts and many processed products. In addition, the United States and Panama have worked to resolve sanitary and phytosanitary barriers to agricultural trade, including food safety inspection procedures for beef, pork and poultry. Some of the other specific provisions of the agreement are discussed further below.

All Commodities Included in the Agreement

The PTPA requires an eventual elimination of *all* tariffs on *all* agricultural products exported by the United States to Panama. Most agricultural products from Panama already enter the United States duty-free under the Caribbean Basin Initiative (CBI). The PTPA would level the playing field by ensuring the same open market access for United States exports to Panama as Panamanian exports currently receive in the United States. Tariffs on U.S. farm products are phased out completely over 20 years. The agreement not only eliminates the lower applied tariffs currently applied to agricultural imports from the United States, but would also preclude the possibility of Panama shifting to the much higher bound tariffs for farm products at anytime in the future. This elimination of both applied tariffs and bound tariffs ensures the United States open access regardless of market developments that might lead Panama to revert to their higher bound rates on record with the World Trade Organization.

Tariff Rate Quotas in the Agreement

In the PTPA, both parties utilized tariff rate quotas as a transition vehicle to open markets for a variety of agricultural products. A tariff rate quota, also known as a TRQ, is a two-leveled tariff, where the tariff rate charged on imports depends on the volume or quantity of imports. A lower tariff, also called an in-quota tariff, is charged on imports that fall within the quota volume. These tariffs are generally low and not very trade distorting. A higher tariff, also called an over-quota tariff, is imposed on imports in excess of the quota volume.

The United States will utilize TRQs to open its markets for cheeses, condensed and evaporated milk, ice cream and sugar. With the exception of sugar, all U.S. TRQs will be eliminated and the markets will be fully opened within 17 years. The sugar TRQ will grow by 60 metric tons per year for the first ten years of the agreement, with the over-quota tariff remaining in place. After year 10 of the agreement, the sugar quota “shall remain at 6,600 metric tons.”

Panama will also utilize TRQs as a means of transition to completely open markets. Like the United States, nearly all Panamanian TRQs will be eliminated and markets will be fully opened, but within 20 years. In Panama’s case, TRQs for fresh/chilled potatoes and fresh/chilled onions will grow by 2 percent per year into perpetuity, with the over-quota tariff remaining in place. The table below shows the commodities for which Panama will utilize a TRQ, the average U.S. export of these selected commodities (from 2002 to 2006) and the TRQ values for year one and year ten of the agreement’s implementation. There are a few Panamanian TRQs to take note of. The TRQs for U.S. exports of yogurt, rough rice and processed tomatoes are smaller than the average U.S. exports to Panama of those commodities over the last five years. In the case of yogurt, this was considered a small piece of an otherwise good dairy package where all other TRQs are well in excess of historical trade. In the cases of rough rice and processed tomatoes, these PTPA TRQs will be combined with already existing WTO TRQs. Rice is by far Panama’s most sensitive commodity. When negotiating the rice TRQs, trade data from 2001 through 2003 was used (not the 2002 through 2006 seen in the table) because Panama felt those numbers represented more “normal” trade levels. Panama has had weather and pest problems with its rice crop for the last three years, which have boosted imports beyond “normal” levels.

Panama's TRQ Commitments

(Values in Metric Tons)

Commodity	Avg Exports	Year 1 TRQ	Year 10 TRQ	Unlimited In
Fluid Milk	1	11	16	15 years
Nonfat Dry Milk	123	2,625	4,072	17 years
Whole Milk Powder	44	53	81	16 years
Yogurt	83	53	81	15 years
Butter	25	116	179	15 years
Cheddar Cheese	202	364	518	16 years
Other Cheese	281	364	518	17 years
Ice Cream	125	263	407	16 years
Other Dairy	N/A	137	212	15 years
Corn	282,783	298,700	389,736	15 years
Refined Corn Oil	19	368	Unlimited	10 years
Pork	1,465	1,600	3,212	15 years
Pig Fat	0	636	1,075	15 years
Some Processed Pork	60	318	537	15 years
Chicken Leg Quarters	28	660	1,556	18 years
Rough Rice*	30,841	7,950	13,431	20 years
Milled Rice	4,056	4,240	7,163	20 years
Fresh/Chilled Potatoes	376	765	914	Grows 2%/year
Frozen French Fries	3,159	3,640	Unlimited	5 years
Fresh/Chilled Onions	349	816	975	Grows 2%/year
Dried Kidney Beans	424	795	1,200	12 years
Processed Tomatoes*	1,512	798	1,042	15 years

* *These TRQs are in addition to WTO TRQs, which the U.S. already utilizes*

To ensure that these TRQs are administered in a manner that facilitates opening these protected markets, the agreement provides specific guidelines on how to operate these TRQs. The agreement states, “Each Party shall make every effort to administer its TRQs in a manner that allows importers to fully utilize them.” Specifically, the agreement requires that TRQ administration be transparent, that administration will be done by government authorities, and that TRQ quantities are made in commercially viable amounts.

Safeguard Mechanisms in the Agreement

The PTPA allows either country to impose a safeguard measure on selected agricultural commodities in the event that the domestic market for the commodity could be disrupted and producers could be harmed by a surge in imports. Panama has safeguard measures for beef other

than prime and choice beef, pork, chicken leg quarters, fluid milk, whole milk powder, yogurt, butter, cheddar cheese, other cheese, ice cream, other dairy products, rough rice, milled rice, certain vegetable oils, refined corn oil and processed tomatoes; the United States has safeguard measures for beef, condensed and evaporated milk, select cheeses, other cheeses and ice cream. A trigger level was set for each commodity in the text of the agreement and an additional duty (that varies by commodity) may be charged *temporarily* if this trigger is reached.

Sugar in the Agreement

The PTPA also requires the United States to expand its current sugar quota for Panama. Panama currently has authorization to export 37,168 metric tons of sugar to the United States each year. Under the PTPA, Panama's sugar quota would increase immediately by 6,060 metric tons up to 6,600 metric tons in the tenth year of implementation, and the quota will remain at that level.

However, the text of the agreement provides for a “sugar compensation mechanism.” The United States has the right to compensate Panama for their increased sugar quotas in lieu of actually importing the sugar. This provision is similar to that provided in the Dominican Republic-Central American Free Trade Agreement. However, the PTPA explicitly explains how this compensation will occur. The agreement states, “Such compensation shall be equivalent to the estimated economic rents that Panama's exporters would have obtained on exports to the United States of any such amounts of sugar goods and shall be provided within 30 days after the United States exercise this option.” Also similar to the DR-CAFTA, Panama must meet a “net-exporter” provision (or export more sugar than they import) in order to send any additional product to the United States market.

Analysis Methodology

This analysis of PTPA's impact on American agriculture is based on two different trade scenarios—the first assumes no agreement is implemented and the second assumes that the agreement is put in place. Since Panamanian producers already have open access to much of the U.S. agricultural market, the analysis focuses on assessing U.S. opportunities to increase exports to Panama. In the first scenario, Panamanian demand, supply, exports and imports for the major grain, oilseed, livestock, and fiber products in 2027 (by which time all TRQs will be eliminated

and the PTPA would be fully implemented) are estimated assuming continuation of the current market situation. The supply baseline assumes continuation of Panama's historical production trends for the last three decades; demand projections looked at economic growth and population gains; exports were projected based on trends as well. Imports were then calculated as a residual. Prices in this scenario were assumed to stay constant at 2000-2004 levels.

With an agreement in place, it was assumed that the main difference between the two scenarios would be due to the commodity price changes resulting from tariff elimination, and the higher general economic growth and per capita incomes likely with an agreement. Supply and demand price elasticities and income elasticities developed by the Food and Agriculture Organization of the United Nations were used to adjust production and consumption of the various commodities to reflect tariff-related changes in price and a PTPA's higher economic growth rates. Imports were then recalculated.

Once Panama's import needs were re-estimated, the market share likely to accrue to the United States under the two scenarios was calculated using historical data. For the non-agreement scenario, the 2000-2004 base market share was used. For the PTPA scenario, the U.S. share was increased by 25 percent to reflect the improved U.S. competitive position. These share estimates were then applied to the estimates of the country's overall import demand to generate U.S. export estimates.

Analysis of the sugar market was done separately and drew directly on the specific United States import levels provided in the agreement. Estimating the cost of the added U.S. sugar imports in question was fairly straightforward and the results would essentially be subtracted directly from domestic sugar producers' receipts and income.

Specific data for the remaining commodities moving between Panama and the United States, for consumption, production, and trade are much more limited. Consequently, the same kind of detailed analysis consisting of production and consumption adjustments due to lower tariff rates is not possible. Growth in United States exports of these items with an agreement is assumed to be at the same pace estimated for the major grain, oilseed, livestock and fiber commodities.

As with any economic report, it is necessary to list some caveats. First, due to data limitations, the study looked at fairly broad commodity aggregates. For example, beef is treated as a single commodity, despite differences between low and high quality beef products. Also, the data used for the analysis is from the Food and Agriculture Organization (FAO) of the United Nations. While FAO works very hard to ensure the quality and internal consistency of the data, the data is only as good as the information countries provide.

Agriculture Shares in General Gains

Focusing specifically on the farm-sector impact indicates that U.S. agriculture would be a net gainer with the PTPA in place. The PTPA ensure the United States the same open access to Panama’s market that the United States has extended to Panama for more than a decade. In this setting, PTPA-related expansion in United States farm exports to Panama is likely to significantly outpace expansion in United States imports of farm products from Panama.

Looking at the major commodities, the United States faces a small increase in sugar imports related to Panama’s quota increase. The table below illustrates that by the 2027 end of the implementation period, the PTPA 6,600 ton increase in the U.S. sugar quota, if filled, would translate into a \$3.3 million increase in sugar imports.

Impact of PTPA on U.S. Sugar Imports				
	<u>Without an Agreement</u>		<u>With an Agreement</u>	
	2007	2027	2007	2027
In 1,000 MT				
Export Quotas ¹	37.2	37.2	37.2	37.2
Increase in Quota w/ PTPA	0.0	0.0	6.1	6.6
Total Panama Quota	37.2	37.2	43.2	43.8
In \$1,000,000 ²				
Export Quotas ¹	18.8	18.8	18.8	18.8
Increase in Quota w/ PTPA	0.0	0.0	3.1	3.3
Total Panama Quota	18.8	18.8	21.8	22.1

1 Assumes import quotas for other countries and allocation to Panama does not change from 2007 levels

2 Priced at 1999-2001 average of 22.9¢ per pound or \$505 per ton

However, the PTPA will provide an opportunity for the U.S. to expand exports of grains, oilseeds, fiber and livestock products. So, the increase in sugar imports would be more than offset by export gains in excess of \$151 million per year by 2027 in items such as wheat, rice, corn, cotton, soybean products and livestock products. The increased total U.S. agricultural exports likely with a PTPA in place could exceed \$195 million if other agricultural and processed products grow at the same pace. The table below shows the value of these increased exports, by commodity.

Summary of PTPA Benefits to U.S. Agriculture

(Values in Million Dollars)

Commodity	2001-2004 Avg	2027 Imports from U.S.		2027 Difference
	Imports from US	Without PTPA	With PTPA	
Beef	1.4	21.1	30.9	9.8
Corn & Feeds	35.1	64.2	101.1	36.9
Cotton	0.2	2.1	3.3	1.2
Dairy & Products	4.7	11.7	14.8	3.1
Horticultural Products	17.1	35.2	49.8	14.6
Pork	2.9	22.6	31.9	9.3
Poultry	4.9	28.6	52.2	23.6
Rice	3.4	17.8	33.1	15.3
Soybeans & Products	27.5	43.1	72.2	29.1
Wheat	16.5	39.8	47.9	8.1
Estimated Impact of Selected Commodities	113.7	286.2	437.2	151.0
All Other Commodities	65.2	137.9	181.9	44.0
Total	178.9	424.1	619.1	195.0

As shown in the table, the analysis suggests a total surplus of PTPA-related gains in exports over imports of \$190 million.

Conclusion: Positive Impact on the Farm Sector

The PTPA involves a mix of costs and benefits for the U.S. farm sector. The benefits involve expanded exports of a wide range of farm products, some of which come later in the implementation period as Panama's import demand for farm products expands. The costs center on increased imports of sugar. By 2027, when the agreement would be fully implemented, increased sugar imports are likely to total \$4.1 million while increased exports of agricultural

products are likely to exceed \$195 million. The analysis indicates a total net benefit for the American agricultural sector of more than \$190 million.

In closing, it is important to understand that the PTPA allows the United States to maintain its competitive supplier position for agricultural products to Panama. While the PTPA does not guarantee the United States expanded exports, the United States will be able to land product duty free, along with Panama's other regional suppliers. This levels the playing field by providing U.S. products exported to Panama with the same duty-free access already enjoyed by Panamanian products exported to the United States. Panama would also agree to deal with sanitary and phytosanitary barriers and other non-tariff barriers to U.S. exports. The PTPA does allow additional Panamanian sugar access into the U.S. market. But, for agriculture as a whole, the economics suggest it will have a positive effect on the American agricultural sector.

United States Trade Representative Fact Sheet

Free Trade with Panama: Brief Summary of the Agreement

http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2006/asset_upload_file138_10233.pdf

Free Trade with Panama: Detailed Summary of the Agreement

http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2007/asset_upload_file975_10234.pdf

Food Balance Sheet

Panama

2004

All Values in 1,000 Metric Ton (Unless Otherwise Indicated)

Product	Domestic Supply			Domestic Utilization		
	Production	Imports	Exports	Feed & Seed	Other Uses	Food Consumption
Cereals (Excluding Beer)	341.15	610.58	21.09	358.95	-18.12	589.81
Wheat	0.00	234.82	3.06	0.00	39.29	192.47
Rice (Milled Equivalent)	243.38	23.96	6.67	9.00	-41.25	292.92
Barley	0.00	24.79	0.65	0.15	3.83	20.17
Maize	90.49	296.93	8.07	330.89	-19.40	67.86
Rye	0.00	0.49	0.01	0.00	0.06	0.42
Oats	0.00	7.26	0.00	4.19	-0.50	3.58
Millet	0.00	0.01	0.00	0.01	0.00	0.00
Sorghum	7.28	0.03	0.00	7.30	0.00	0.00
Cereals, Other	0.00	22.31	2.64	7.41	-0.14	12.39
Starchy Roots	87.29	18.02	8.22	4.57	16.08	76.44
Cassava	26.09	1.44	0.21	1.51	2.61	23.22
Potatoes	24.74	16.54	1.98	0.22	7.33	31.76
Sweet Potatoes	0.00	0.00	0.00	0.00	-0.00	0.00
Yams	28.28	0.00	0.58	2.10	6.96	18.65
Roots, Other	8.17	0.03	5.45	0.75	-0.82	2.82
Sugarcrops	1,749.49	48.39	337.70	64.77	636.96	758.44
Sugar Beet	0.00	8.80	0.22	0.00	2.96	5.62
Sugar Cane	1,749.49	39.59	337.48	64.77	634.00	752.83
Honey	0.00	0.11	0.04	0.00	0.03	0.04
Pulses	8.59	4.87	0.39	0.47	-1.37	13.97
Dry Beans	4.15	1.79	0.14	0.18	-0.27	5.89
Broad Beans	0.00	0.00	0.00	0.00	-0.00	0.00
Dry Peas	0.00	0.61	0.02	0.00	-0.07	0.66
Chick Peas	0.00	0.16	0.00	0.00	0.07	0.10
Lentils	0.00	2.30	0.00	0.00	-0.95	3.25
Pulses, Other	4.44	0.00	0.22	0.29	-0.14	4.07
Nuts	0.00	0.73	0.05	0.00	0.13	0.54
Almonds	0.00	0.17	0.00	0.00	-0.01	0.18
Pistachios	0.00	0.04	0.00	0.00	0.02	0.02
Cashew Nuts	0.00	0.09	0.05	0.00	0.04	0.00
Hazelnuts	0.00	0.03	0.00	0.00	0.01	0.02
Walnuts	0.00	0.26	0.00	0.00	-0.02	0.29
Chestnuts	0.00	0.00	0.00	0.00	-0.00	0.00
Nuts, Other	0.00	0.14	0.00	0.00	0.09	0.05
Oilcrops	77.55	170.69	30.02	1.60	90.86	125.76
Soyabeans	0.10	98.66	0.09	1.60	4.26	92.82
Groundnuts (Shelled Eq)	0.00	1.76	0.00	0.00	0.20	1.56
Sunflowerseed	0.00	24.68	0.02	0.00	12.36	12.30
Rape and Mustardseed	0.00	1.72	0.00	0.00	0.49	1.23
Cottonseed	0.00	2.87	0.02	0.00	2.45	0.40
Coconuts - Incl Copra	13.50	2.85	0.29	0.00	7.55	8.52
Sesameseed	0.20	0.84	0.00	0.00	0.47	0.57
Palmkernels	63.75	26.05	29.20	0.00	60.61	0.00
Olives	0.00	9.59	0.22	0.00	2.81	6.56
Linseed	0.00	0.05	0.05	0.00	0.01	0.00
Oilcrops, Other	0.00	1.60	0.13	0.00	-0.34	1.81

Product	Domestic Supply			Domestic Utilization		
	Production	Imports	Exports	Feed & Seed	Other Uses	Food Consumption
Vegetables	181.23	76.41	193.83	0.00	-23.75	87.57
Tomatoes	22.24	6.52	1.09	0.00	-2.26	29.93
Onions	19.31	1.18	0.00	0.00	-2.63	23.13
Garlic	0.00	2.32	0.00	0.00	-0.10	2.42
Carrots and Turnips	3.83	0.08	0.00	0.00	0.59	3.32
Cauliflower & Broccoli	0.00	0.06	0.00	0.00	-0.01	0.07
Leeks	0.00	0.00	0.00	0.00	0.00	0.00
Cabbages	4.25	0.11	0.29	0.00	0.98	3.09
Lettuce and Chicory	3.95	0.26	0.00	0.00	1.32	2.89
Cucumbers	2.63	0.00	0.09	0.00	2.54	0.00
Pumpkins and Gourds	0.00	0.00	0.00	0.00	0.00	0.00
Green Peas	0.00	0.02	0.00	0.00	0.00	0.02
Green Beans	0.00	0.01	0.00	0.00	0.00	0.01
Other Legum Vegetables	0.00	0.00	0.00	0.00	0.00	0.00
Artichokes	0.00	0.01	0.00	0.00	0.00	0.01
Asparagus	0.00	0.02	0.00	0.00	0.00	0.02
Mushrooms	0.00	1.25	0.08	0.00	-0.70	1.88
Chilis and Peppers	2.67	0.04	0.00	0.00	0.53	2.17
Watermelons	44.48	0.00	43.59	0.00	0.89	0.00
Other Melons	68.98	0.01	67.60	0.00	1.39	0.00
Eggplants	0.00	0.00	0.00	0.00	0.00	0.00
Spinach	0.00	0.01	0.00	0.00	0.00	0.01
Vegetables, Other	8.90	64.52	81.10	0.00	-26.29	18.61
Fruits (Excluding Wine)	734.05	97.00	429.96	13.20	140.96	246.93
Oranges, Mandarines	40.62	6.15	3.30	0.00	13.57	29.91
Lemons and Limes	0.00	2.64	0.16	0.00	-0.43	2.92
Grapefruit	0.00	2.28	0.15	0.00	-0.21	2.34
Citrus, Other	0.00	0.75	0.05	0.00	-0.18	0.88
Bananas	497.08	4.81	403.39	0.00	84.68	13.83
Plantains	109.49	0.03	0.61	13.20	8.47	87.25
Apples	0.00	13.80	0.19	0.00	2.24	11.37
Pineapples	49.77	3.38	17.05	0.00	11.94	24.17
Dates	0.00	0.64	0.01	0.00	0.24	0.39
Grapes	0.00	23.18	0.99	0.00	4.21	17.98
Figs	0.00	1.07	0.02	0.00	0.41	0.64
Avocados	3.70	0.16	0.04	0.00	0.52	3.29
Guavas and Mangoes	5.61	6.59	0.72	0.00	6.16	5.32
Tangerines	0.00	1.04	0.06	0.00	-0.68	1.66
Papayas	6.78	0.00	0.07	0.00	0.42	6.29
Pears and Quinces	0.00	5.87	0.25	0.00	1.60	4.03
Apricots	0.00	1.96	0.02	0.00	0.56	1.37
Cherries	0.00	1.68	0.02	0.00	-0.01	1.67
Peaches and Nectarines	0.00	4.71	0.12	0.00	0.21	4.38
Plums	0.00	3.64	0.15	0.00	0.96	2.53
Strawberries	0.00	2.88	0.03	0.00	0.08	2.77
Raspberries and Berries	0.00	1.56	0.02	0.00	0.05	1.48
Currants & Gooseberries	0.00	1.54	0.03	0.00	-0.11	1.61
Cranberries & Blueberries	0.00	1.69	0.02	0.00	0.08	1.60
Kiwi fruit	0.00	0.07	0.04	0.00	-0.03	0.07
Fruits, Other	21.00	4.88	2.46	0.00	6.22	17.21

Product	Domestic Supply			Domestic Utilization		
	Production	Imports	Exports	Feed & Seed	Other Uses	Food Consumption
Stimulants	13.35	10.63	6.01	0.00	5.81	12.16
Coffee	12.78	7.32	5.31	0.00	6.10	8.69
Cocoa Beans	0.42	3.06	0.69	0.00	-0.30	3.09
Tea	0.15	0.25	0.01	0.00	0.01	0.39
Spices	0.00	0.59	0.14	0.00	-0.13	0.57
Pepper	0.00	0.15	0.02	0.00	-0.02	0.14
Dry Chilis and Peppers	0.00	0.07	0.08	0.00	-0.07	0.07
Cloves	0.00	0.01	0.00	0.00	0.00	0.01
Vanilla	0.00	0.00	0.00	0.00	-0.01	0.01
Cinnamon	0.00	0.15	0.00	0.00	0.01	0.15
Nutmeg	0.00	0.01	0.00	0.00	0.00	0.01
Anise	0.00	0.02	0.00	0.00	0.00	0.02
Ginger	0.00	0.01	0.00	0.00	0.00	0.01
Spices, Other	0.00	0.17	0.05	0.00	-0.04	0.16
Meat	173.62	125.66	5.61	0.00	124.83	168.85
Bovine Meat	65.24	56.47	3.89	0.00	69.54	48.27
Pigmeat	20.94	63.07	0.14	0.00	51.10	32.77
Mutton & Goat Meat	0.00	0.11	0.00	0.00	0.05	0.05
Equine Meat	0.00	0.00	0.00	0.00	-0.00	0.01
Meat, Other	0.00	0.53	0.02	0.00	-0.35	0.86
Chicken Meat	87.42	2.58	1.14	0.00	5.25	83.61
Turkey Meat	0.03	2.90	0.42	0.00	-0.76	3.27
Duck and Goose Meat	0.00	0.00	0.00	0.00	-0.00	0.00
Rabbit Meat	0.00	0.01	0.00	0.00	0.00	0.01
Offals	8.71	2.65	1.81	0.03	-0.30	9.82
Animal Fats	4.94	11.18	0.02	0.00	11.48	4.62
Milk (Excluding Butter)	175.80	68.13	21.12	6.36	-27.97	244.43
Eggs	20.00	0.16	1.29	4.03	0.30	14.54
Fish, Seafood	44.09	3.72	37.94	0.00	0.00	15.87
Freshwater Fish	0.00	0.00	0.00	0.00	0.00	0.00
Demersal Fish	15.08	0.79	4.72	0.00	0.00	11.14
Pelagic Fish	0.00	0.00	0.00	0.00	0.00	0.00
Marine Fish, Other	12.81	1.44	18.76	0.00	0.00	1.48
Crustaceans	14.85	0.77	13.19	0.00	0.00	2.43
Molluscs, Other	1.36	0.43	1.22	0.00	0.00	0.57
Cephalopods	0.00	0.29	0.05	0.00	0.00	0.24
Aquatic Products, Other	0.03	0.00	0.00	0.00	0.00	0.03
Aquatic Mammals	0.00	0.00	0.00	0.00	0.00	0.00
Aquatic Plants	0.00	0.00	0.00	0.00	0.00	0.00
Aquatic Animals, Others	0.03	0.00	0.00	0.00	0.00	0.03