

## How Much is Iowa Corn Influenced by Free Trade Agreements?

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### What are Free Trade Agreements (FTA)?

Arrangements between two or more countries in which the mutual agreement to decrease or alter trade barriers for common benefit. In addition to decreasing trade barriers, more transparent trading environments are fostered in order to decrease export costs. The countries with whom the U.S. has FTAs with are Australia, Bahrain, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Israel, Jordan, S. Korea, Morocco, Canada, Mexico, Oman, Panama, Peru, and Singapore.

### Value of FTAs to Agriculture?

	Percent	Bushels
Iowa Share of US Corn Production	18.3%	2.123 Billion
Iowa Share of US Corn Exports	18.11%	330 Million
Share of Iowa Corn Exports Sent to FTA Countries	43%	143 Million

Table 1

advantages of efficient production to be capitalized upon. Thus, the most efficient allotment of resources will determine which actor produces a given commodity.

Margins are often tight in agricultural production and as such free trade permits producers to capitalize on the most profitable markets without red tape to increase their costs. The economic principle of comparative advantage which says that the economic actor who can produce goods with the greatest efficiency (i.e. the lower opportunity cost) should be the one to produce it then trade to balance out the deficiencies. This allows the geographical or other

For Iowa one of the most valuable crops, and the crop for which Iowa holds the competitive advantage for, is Corn. To put numbers next to these advantages of trade, Iowa produces an average of 2.126 billion bushels of corn annually, 18.3 percent of U.S. total production. Similarly, Iowa corn exports make up 18.1 percent of total U.S. corn exports. Looking at FTA-specific countries: 62 percent of U.S. corn exports go to FTA countries. Likewise, an average 43 percent of exported corn from Iowa goes to FTA countries, this represents 142 million bushels annually (229 million in 2016). See Table 1.

Since 2000, Iowa has increased corn exports to FTA partner countries by 127 million bushels, while decreasing exports to non-FTA partner countries by 39 million bushels. Thus, continued pursuit of FTA partners will open additional markets, with whom, Iowan corn farmers can benefit by Iowa's relative efficiency in corn production. See Figure 1.

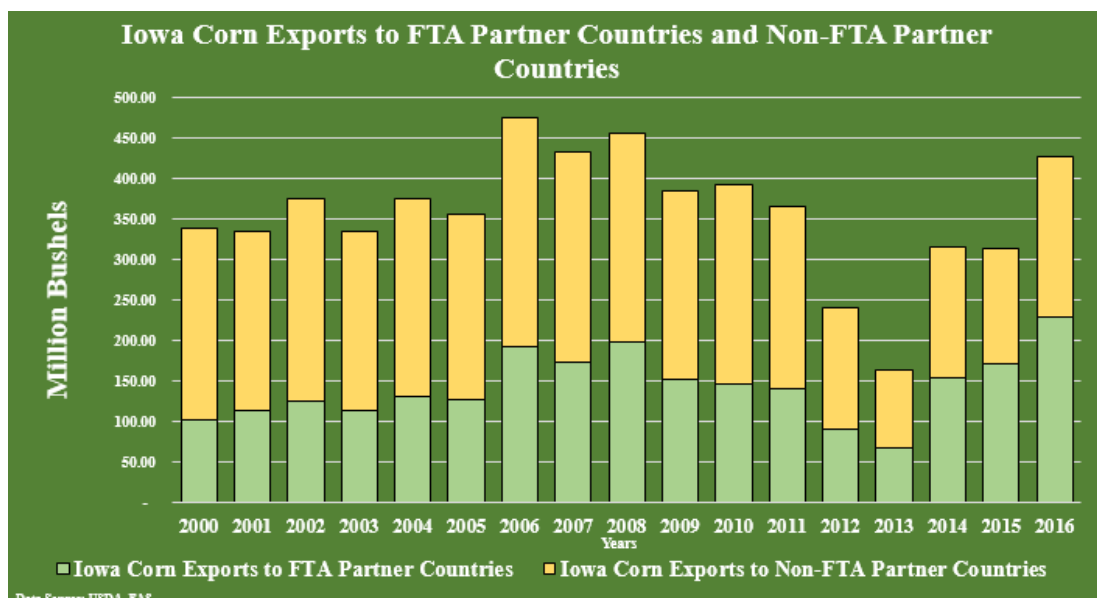
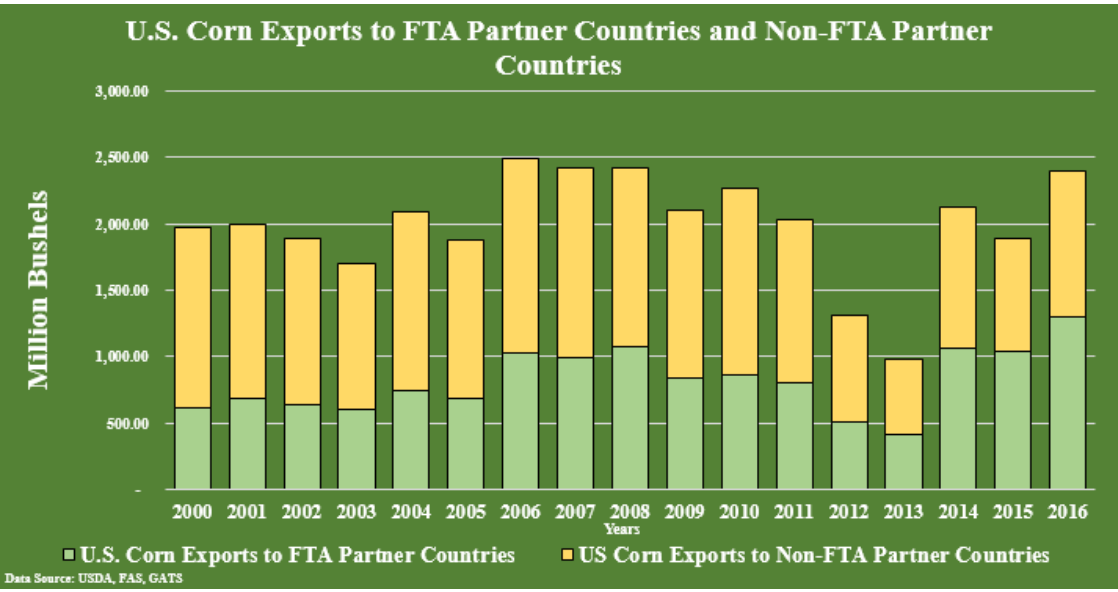


Figure 1



U.S. Corn Export data reports the same trend of an increasing export share to FTA Partner countries, while decreasing export market shares to countries the U.S. does not have free trade agreements with. This phenomenon occurs as exporters take advantage of decreased export costs.

Figure 2