



Trade Facts

Office of the United States Trade Representative

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Results of Bilateral Negotiations on Russia's Accession to the World Trade Organization (WTO)

Agricultural Goods Market Access

November 19, 2006

Russia imported nearly \$1 billion of U.S. agricultural products in 2005, an increase of over 20 percent from 2004 levels. As part of its WTO accession, Russia will bind its tariffs on all agricultural products, thereby providing more predictability on its tariff rates once Russia joins the WTO. Tariffs, after accession, cannot be increased except under WTO rules. U.S. farmers, ranchers, and food processors of wheat, corn, barley, apples, pears, grapes, raisins, almonds, walnuts, pistachio nuts, dairy, soybeans, soybean meal, soybean oil, pet food, wine, poultry, pork and beef, among others, will benefit from the market access provisions of the bilateral agreement, once Russia joins the WTO.

Meat Agreement Products (Poultry, Pork and Beef): Poultry was the top U.S. export to Russia in 2005 (over \$600 million). Russia imported nearly \$45 million in fresh and frozen pork in 2005. Prior to the 2003 trade restrictions, Russia was the top market for U.S. exporters of frozen beef livers. The agreement represents major progress in these sectors.

Trade between Russian and the United States in poultry, pork and beef, until 2009, is governed by the bilateral Meat Agreement that entered into force in 2005. The Meat Agreement established tariff rate quotas (TRQs) for beef, for poultry and for pork, and a 15 percent tariff for U.S. high quality beef.

- The bilateral agreement on agricultural tariffs incorporates the in- and over- quota tariff rates, quantities eligible for the in-quota tariff rates and U.S. country specific allocations of the Meat Agreement through 2009 for beef, pork and poultry. Russia also agreed to bind its 15 percent tariff for U.S. high-quality beef.
- The Meat Agreement calls for bilateral negotiations in 2009 to determine if the TRQs will remain or if Russia will provide tariff-only treatment for these products.
- The WTO bilateral agreement between Russia and the United States sets out framework, including time tables, for WTO negotiations on the post-2009 provisions for products currently covered by the TRQs in the Meat Agreement. These provisions are intended to avoid disruption of trade, and to provide U.S. exporters of beef, poultry and pork with predictability if Russia chooses to maintain the TRQs or to implement a tariff-only system.

- If Russia employs TRQs after 2009, the TRQs will be based on the in- and over- quota rates for TRQs in 2009 and the country- specific allocations set out in the Meat Agreement. If Russia moves to tariff-only treatment for any of the three commodities (beef, pork, poultry) post-2009, key U.S. beef, pork and poultry tariff lines:

- (a) will receive duties below Russia's current over- quota rates (which will apply to the other tariff lines covered by current TRQs) and
- (b) are subject to provisions to ensure a level playing field for the tariffs applied to U.S. products relative to other competitors.

Beef offals: Russia's tariff rates for beef offals employ *ad valorem* (percentage) rate and a specific rate, e.g. "x percent, but not less than y euros per kilogram". Russia will reduce its percentage tariff on beef offals and certain other frozen offals from 15 to 12.5 percent within 2 years. The "per kilogram" component receives cuts comparable to the changes in the percentage tariffs.

Apples: Russia will lower its specific tariff rate for apples by 70 to 85 percent within 5 years.

Grapes, raisins and pears: Russia will reduce tariffs on grapes, raisins and pears from 10 percent to 5 percent within 4 years.

Cherries: Russia will lower its tariff on fresh cherries from 10 percent to 8 percent within 2 years.

Oranges and grapefruit: The form of Russia's current applied tariffs for oranges and grapefruit are similar in structure to those for beef offals, with the percentage component set at 5 percent. Russia will bind its current applied tariff rates for oranges and grapefruit upon accession, and to lower the specific components within one year.

Almonds, walnuts, pistachios and macadamia nuts: Russia will bind its current applied rate of 5 percent on almonds, walnuts and pistachio nuts upon accession.

Wheat and barley: Russia will bind its current applied rate of 5 percent for durum wheat, common wheat and barley upon accession.

Corn: Russia will bind its tariff for corn (grain) at zero upon accession.

Dairy:

- Whey--Russia agreed to establish a TRQ of 15,000 metric tons, with a 10 percent in-quota duty, for special types of whey that U.S. suppliers have developed. The over-quota rate is 15 percent. In addition, Russia will reduce the duty from 15 to 10 percent after 3 years on two other whey tariff lines where the U.S. supplied nearly \$1.4 million in 2005.
- Cheeses--Russia's tariff bindings on cheese are generally 15 percent. In a few cases, these rates are achieved after 3-4 years. Also, Russia agreed that if the product description for a cheese tariff line contain a term like "Edam" such product descriptions are not intended to indicate the origin of the goods or be used as a basis for assigning tariffs.

Soybeans, soybean meal and soybean oil: Russia will bind its tariff on soybeans at zero and cut its tariff on soybean meal from 5 percent to zero within 2 years. The form of Russia's tariff on soybean oil is similar in structure to beef offals, with the applied percentage component set at 15 percent. Russia agreed to bind its current applied tariffs for soybean oil, and to lower the specific components within one year.

Pet food: The form of Russia's tariff on soybean oil is similar in structure to beef offals, with the applied percentage component set at 20 percent. Russia will reduce the percentage tariff on pet food from 20 to 10 percent within 5 years. The "per kilogram" component receives cuts comparable to the changes in the percentage tariffs.

Breakfast Cereals: Russia will reduce tariffs on breakfast cereals (e.g., corn flakes) from 15 to 10 percent within 4 years.

Frozen Fries and Potato Chips: The form of Russia's tariffs on frozen fries and potato chips are similar in structure to beef offals, with the applied percentage component set at 15 percent. Russia will reduce the percentage tariffs on frozen fries and potato chips from 15 to 12 percent within 3 years. The "per kilogram" component receives cuts comparable to the changes in the percentage tariffs.

Soups: Russia will reduce tariffs on soups from 15 percent to 13 percent within 3 years.

Snack Foods: The form of Russia's tariffs on corn chips and similar snack foods are similar in structure to beef offals, with the applied percentage component set at 15 percent. Russia will reduce the percentage tariffs on these snack foods from 15 to 10 percent within 3 years. The "per kilogram" component receives cuts comparable to the changes in the percentage tariffs.

Wine: Russia will reduce its tariffs on wine from 20 percent to 15 percent within 6 years, and more rapidly in some cases. As part of the accession, Russia agreed not to restrict the importation, marketing or sale of wine originating in the United States on the basis of either the wine-making practices and procedures used to produce the wine, or the wine specifications. Tariff bindings for wine in the Russian schedule are specified at the 6-digit tariff level and no special tariff line break-outs for geographical indications will be provided at that or any other level.