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U. S. Agricultural Export Markets

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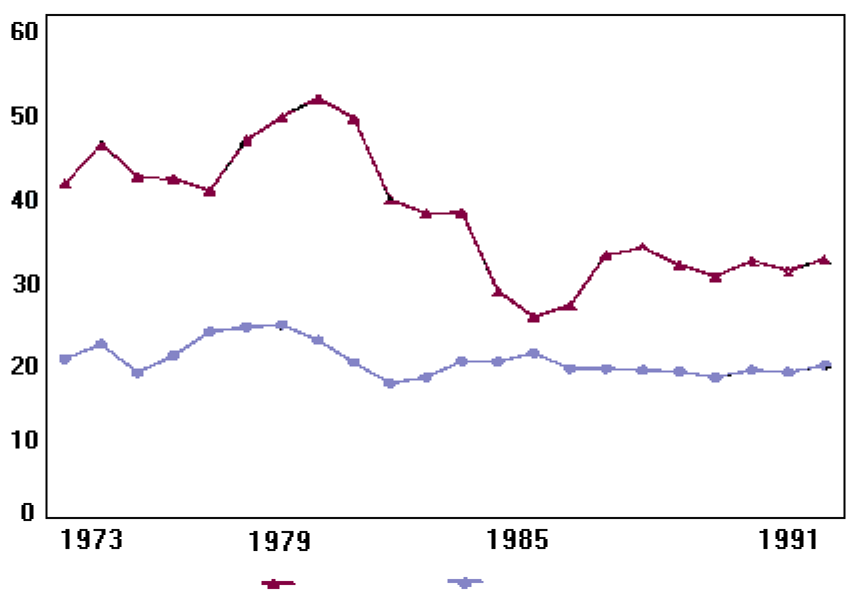
Export markets are important to U.S. agriculture, absorbing a substantial portion of total production of many important commodities. During the last two decades there have been periods of expansion and periods of contraction. Also, the mix of U.S. agricultural products exported has changed and so have the destinations for these products. This leaflet describes U.S. agricultural trade patterns over the last 20 years and examines the major markets for U.S. exports.

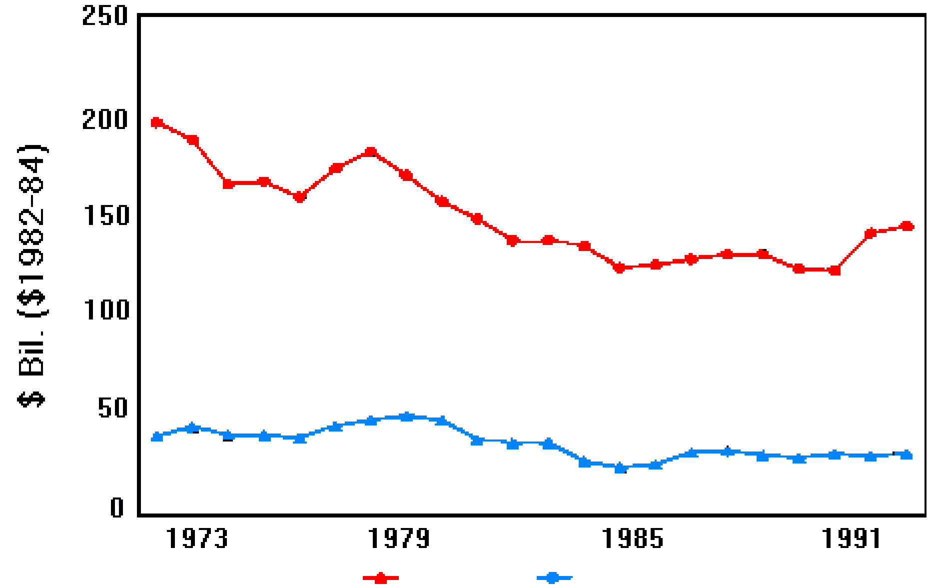
The changes in U.S. agricultural exports have been widely discussed - rapid growth in the 1970s, the slump in the early 1980s, and the subsequent recovery in export earnings. Throughout this entire period, the value of agricultural exports exceeded the cost of agricultural imports, generating a trade surplus, Figure 1. The data in Figure 1 have been adjusted to allow for the effects of inflation. In real or inflation adjusted terms, exports peaked in 1980, then declined dramatically before bottoming-out in 1986. Exports recovered somewhat in the latter part of the 1980s but have been fairly flat during the first half of the 1990s.

Figure 1. US Agricultural Exports and Imports, 1973-94, in 1982-84 Dollars



The dollar expenditures on agricultural imports show no pronounced trend during the last 21 years, Figure 1. Imports peaked in 1979, but there have been periods of decline and recovery during this 21 year period. The agricultural trade surplus peaked in 1981, then shrank when exports declined in the early 1 980s, reaching its lowest point in 1986.

Figure 2 US Gross Farm Sales and Exports, 1973-94, in 1982-84 Dollars



The importance of export markets to US agriculture is illustrated in Figure 2. The farm gate value of U.S. farm products generally decreased in real (inflation adjusted) terms from 1973 to 1994. It has been fairly static from 1986 through 1994, but increased somewhat in 1993 and 1994. Exports were equivalent to one fifth of this farm gate total in 1973 and rose steadily to 30 percent in 1980 and 1981. By 1986 this relationship had fallen to less than 20 percent, but partially recovered during the 1990s to 21-25 percent.

The relationship illustrated in Figure 1 masks a wide variation in the export dependence of individual commodities. Feed grains, oilseeds, and several other crops are much more dependent on export markets than are livestock products, Table 1.

Table 1. U.S. Agricultural Exports as Share of Production, 1992.

Commodity	Percentage of Production Exported
Wheat	64%
Soybeans	51%
Rice	45%
Cotton	39%
Tobacco	33%
Corn	21%
Poultry	7%
Beef	4%

Pork	2%

Source: "Foreign Agricultural Trade of the United Statest, U.S. Department of Agriculture, Foreign Agricultural Service, May/June 1994 issue.

Similarly, U.S. consumers are more dependent on imports for certain commodities than others, Table 2. Not surprisingly, these include tropical products not produced in the United States, such as coffee and bananas. Nevertheless, products such as these, which do not compete directly with domestically produced items, account for less than one-quarter of total imports. The share of agricultural imports classified as competitive with domestically produced items has increased from 66 percent in 1973 to 75-77 percent in the 1990s.

Commodity	Percentage of Consumption Imported
Coffee	100%
Tea	100%
Cocoa	100%
Bananas	100%
Spices and Herbs	93%
Broccoli for Processing	84%
Fish and Shellfish	56%
Grapes	38%
Frozen Orange Juice	24%
Beef	10%
Pork	4%

Source: Foreign Agricultural Trade of the United States", U.S. Department of Agricuiture, Foreign Agricultural Service, Sept/Oct 1993 issue.

What Causes Changes in Exports?

An important reason for the fluctuations in exports depicted in Figure 1 is changes in the value of the dollar relative to foreign currencies. The dollar lost value against foreign currencies in the 1 970s, making U.S. agricultural products less expensive in the importing countries and, predictably, sales increased. In the early 1980s the dollar gained strength, making U.S. exports more expensive to foreign buyers, and exports declined. The dollar then weakened again and exports recovered somewhat. The relationship between the value of the dollar and U.S. agricultural exports is shown in Figure 3. This graph is based on real {inflation adjusted) numbers.

Changes in exchange rates were not the only reason for these fluctuations in exports. For some commodities there was increased competition from other countries, for example Brazilian soybean production and exports increased dramatically. Western European countries were a large U.S. export market in the early 1970s. The agricultural policies in the European Community

(EC), now the European Union, encouraged domestic production and restricted imports. In addition, subsidized exports of EC surpluses represented increased competition for U.S. exports. Changes in U.S. farm programs and export promotion programs also played a part.

U. S. exports are also affected by changes in the economies of importing countries. Rapid economic growth creates increased demand for all products, including imports, and the inverse is true when economies slip into recession.

The Export Product Mix

The mix of agricultural products exported has changed during the last 20 years. In 1973, exports of crops and crop products accounted for nine of every ten export dollars, (Table 3). The animal product share of total exports more than doubled during the 1973-94 period, but crop products still accounted for four out of five export dollars in 1994. Bulk commodities - food grains, feed grains, oilseeds and their products - dominated crop exports during this period, but this dominance has beeen eroding and the composition of crop exports changed. Exports of high value items, such as vegetables, fruits, and nuts more than tripled, increasing from 5.8 percent of total exports in 1973 to 18.1 percent in 1994. These changes occurred gradually and irrespective of the fluctuations in the value of total exports.

These changes in the export mix have regional implications. The Mid-West dominates the production of feed grains and oilseeds, an export category that is declining in relative importance. A similar situation holds for wheat in the Plains states. Fruits and vegetable exports are increasing and production is concentrated in the Western and Southern states. Other specialized commodities with localized production areas inciude tobacco, rice, cotton, and poultry, all of which are imDortant to the Southern region.

Major Markets

The export destinations for U.S. have changed over the last 21 years, some have increased in importance and others have decreased. Asia is both a large market and an important growth area for US agricultural exports. Japan has been consistently ranked as the number one export market and it's importance has been increasing, (Table 4). South Korea and Taiwan are also important Asian markets. China has been an erratic buyer of U.S. exports and is not a major market.

To the north, Canada has increased in importance as an export market and ranked second only to Japan in 1992. To the South, Latin America, particularly Mexico, also has increased in importance. The major decline occurred in trade with the countries of Western Europe, particularly the members of what is now the European Union, but these remain a significant market.

Table 3. U.S. Agricultural Exports as Percentage of Annual Total, Selected Years.

Commodity	1973	1980	1986	1994
Total Exports, 1982-84 $ bil.	$39,820	50,068	23,925	30,839
-	**% of**	**% of**	**% of**	**% of**

	Total	Total	Trade	Trade
Animal Products	9.0%	9.1%	17.5%	20.0%
Meats	2.1%	2.2%	4.3%	8.1%
Poultry	0.7%	1.5%	1.9%	4.1%
Hides	2.7%	2.5%	4.5%	3.3%
Fats and Oils	1.9%	1.9%	1.6%	1.3%
Crop Products	81.0%	90.9%	82.5%	80.0%
Feed Grains	20.2%	23.8%	12.2%	10.7%
Oilseeds	24.4%	22.8%	12.2%	10.7%
Feeds & Fodder	1.5%	2.7%	5.0%	5.0%
Wheat	23.8%	16.2%	12.6%	9.3%
Rice	3.0%	3.1%	2.4%	1.8%
Cotton	5.3%	6.9%	3.1%	5.9%
Tobacco	4.0%	3.2%	4.7%	2.9%
Vegetables	2.1%	2.9%	4.2%	8.5%
Nuts	0.7%	1.8%	2.9%	2.8%
Fruit	3.0%	3.2%	5.0%	6.8%

Source: "Foreign Agricultural Trade of the United States" U.S. Department of Agriculture, Foreighn Agricultural Service, Annual Supplement, selected years.

Where are the Growth Markets?

Many factors affect exports. Some of these have been mentioned already: Changes in the value of the dollar, changes in production in competing countries, and changes in farm programs and trade policies in importing countries. Many other factors come in to play as well, including population growth, and growth in personal incomes in importing countries. Income growth in turn, is affected by political stability, or the lack of it, and the economic policies that are in place. U.S. farm programs and trade, foreign aid and export policies and Drograms all affect the competitiveness of U.S. farm products in foreign markets.

Trade with Mexico and Canada is expected to grow under North American Free Trade Agreement (NAFTA). U.S. exports to Mexico had been increasing, albeit somewhat erratically, prior to NAFTA. Periodic devaluations of the peso, changes in Mexican domestic economic policies and the debt crisis of the 1980s all had an impact on trade flows. Over the long term, certain U.S. agricultural exports will increase significantly as high Mexican trade barriers are phased out over a 1 5-year period. The expected impact of NAFTA is discussed in more detail in leaflet 9. Recent trade initiatives in Central and South American to create additional free trade areas may lead to increased U.S. export opportunities.

Asia will continue to be an important market for U.S. exports. Population growth and continued high rates of economic growth will create increased demand for food and improved diets. Many of these countries must rely on imports to meet this increased demand. In the near term, this growth will occur in traditional export markets. Although China has a huge population and limited agricultural resources, low per capita incomes limit export opportunities. If the recent economic reforms continue, per capita incomes are expected to grow and agricultural imports should increase eventually. India is another country with a huge population and a low per capita income. Recent changes in economic policy, away from a socialist philosophy and towards a more open and market directed economy, should lead to higher imports in the.years ahead.

Western Europe likely will continue to decline in importance as an export destination. The Common Agriculture Policy of the European Community, which is continuing under the European Union (EU), had a goal of self sufficiency. Farm programs encouraged higher agricultural production in virtually all commodities, to the point where surpluses of many products now exist. This increase in production has displaced some U.S. exports and has caused the mix of products to change. Membership has increased from the original six countries of the EC to the fifteen countries who constitute the EU. Additional countries are expected to join in the future and these new members will, in all likelihood, contribute to further surpluses of agricultural products, so the prospects for U.S. exports will suffer.

African countries continue to be plagued by political and civil unrest and economic policies that hinder the performance of their economies. Until these problems are resolved there is little prospect for increased commerciai trade in agricultural products. Similarly, the political and economic upheavals in the countries of the former Soviet Union will not end soon and this will be an continued impediment to economic growth and expanded trade opportunities.

The most recent trade agreement under the General Agreement on Tariffs and Trade (GATT), the so-called Uruguay Round (UR), is a far reaching agreement that covers many aspects of world trade in merchandise and services. It is expected to have a significant impact on world trade and the global economy. The changes for agriculture are fairly modest and are not expected to create major changes in agriculturai trade patterns. This is the first time comprehensive agricultural trade provisions have been included in a GATT agreement, which sets important precedents that could lead to significant changes in future rounds of negotiations. The opportunities and impacts of the GATT-UR agreement on U.S. agriculture are discussed in Leaflet 7.

Summary

Export markets are important to U.S. agriculture. Agricultural exports have accounted for 20 to 30 percent of total annual agricultural production over the last 20 years. Certain commodities are highly dependent on export markets, including feed grains and oilseeds. Crops still dominate the export picture but the export mix is changing. Livestock product exports have doubled over the last dozen years. Exports of high value crops, such as fruits and vegetables, account for an increasing share of crop exports.

Exports have fluctuated significantly over the last 20 years. There are many reasons for this, including large changes in exchange rates, changes in U.S. farm and trade policies, and changes in economic, and farm and trade policies in other countries.

The destinations for U.S. exports also are changing. Exports to Canada and Mexico have increased and this is expected to continue under NAFTA. Japan is the number one market, and

Asia is the number one region. Their market share is increasing and this is likely to continue. Agricultural trade with Western Europe has declined and this also will continue. Trade with Africa and the countries of the former Soviet Union will not improve until political and economic problems are resolved. Prospects for increased trade with Latin America will depend in part on the outcome of initiatives to create new free trade areas. The accords negotiated under the Uruguay Round of GATT will not have a dramatic impact on overall agricultural trade but do set precedents for major changes in future rounds.

Region or Country	**1973**	**1980**	**1986**	**1994**
World Total	-	-	-	-
1982-84 $Bil	$39,820	$50,068	$23,925	$30,839
-	% of Total	% of Total	% of Total	% of Total
Asia	36.5%	36.5%	40.4%	44.7%
-Japan	17.0%	14.9%	18.6%	20.3%
-South Korea	3.6%	4.4%	5.0%	5.1%
-Taiwan	2.3%	2.7%	4.5%	4.7%
-China (PRC)	3.3%	5.5%	0.2%	2.4%
Canada	5.8%	4.6%	5.9%	12.0%
Latin America	9.6%	14.9%	14.0%	17.6%
-Mexico	2.0%	6.0%	4.1%	9.9%
European Community (EC-12)	N/A	29.5%	25.3%	14.8%
-Netherlands	7.0%	8.4%	7.9%	3.7%
-Germany	6.7%	5.8%	4.0%	2.3%
Africa	3.3%	5.4%	7.7%	5.5%

Source: "Foreign Agricultural Trade of the United States" U.S. Department of Agriculture, Foreign Agricultural Service, Annual Supplement, selected years.

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