15 percent.) Shipments to Asian markets are also expected to continue growing, but these will face strong competition from chicken products.

Broiler exports should continue to expand, although slowly—about 3 percent in 2000 and less than 1 percent in 2001. Supporting the growth in exports is economic recovery and growth in Russia and China (including Hong Kong)—both major markets,

Pork exports are expected to continue to outweigh imports in 2000 and 2001. This year, exports are forecast at 1.275 billion pounds (down slightly from last year), rising to 1.305 billion pounds in 2001. Imports are forecast up 22 percent this year and unchanged next, reaching more than a billion pounds each year. Exports to Mexico and Asia—specifically, Hong Kong, Taiwan, and Japan—are likely to continue their gradual rise, reflecting the increasingly healthy economies in these regions.

Estimates of U.S. meat supply and use for 1999 and 2000 have been adjusted to reflect volumes of meat shipped during 1999 as part of the Russian Food Aid package. Official Census Bureau data report this meat as having been shipped in 2000. Census revisions to the official trade number will be adopted when available. Current USDA trade figures are available in the supply and utilization tables found at http://www.ers.usda.gov/briefing/animal

While U.S. pork production falls (following low returns in recent years) and with the dollar relatively strong, pork exporters, particularly Canada and Denmark, will find the U.S. an attractive market. The expanding, restructured Canadian pork industry is expected to continue to supply large quantities of pork and hogs to the U.S.

Hog imports from Canada are forecast at about 3.7 million head in 2000 (essentially the U.S. total) and 3.475 million in 2001. As long as Canada's hog and pig production goes on outstripping the country's finishing and slaughter capacity, Canadian feeder pigs are expected to continue to comprise more than half of total U.S. hog imports. **AO**

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Ag Trade

U.S. Agricultural Imports Head Higher

U.S. imports of agricultural commodities and products are projected to reach $39 billion in fiscal 2000, a 72-percent increase from 1990. This astonishing growth results in part from exceptional U.S. economic expansion during the decade (averaging 3 percent from 1990 to 1999). Also contributing to the surge in U.S. import demand in the last half of the decade have been low commodity prices, the strong U.S. dollar, recessions in Asia and Latin America, sluggish growth in Europe, and effects of trade agreements, particularly in North America.

Continued strong U.S. economic growth, the dollar's high purchasing power, and relatively low commodity prices point toward higher imports in 2001. Growth in high-value imports is expected to continue to push up overall import value.

The forecast $39-billion ag import tally for fiscal year 2000 is only $11 billion lower than projected U.S. agricultural exports, resulting in the lowest agricultural trade surplus since 1987. The expected share of imports in total U.S. agricultural trade (exports plus imports) is 44 percent for 2000, compared with 35 percent just 4 years ago.

Among the fastest-growing U.S. imports are high-value products, such as red meats, dairy products (mainly cheese), fruits and juices, vegetables, and wine and malt beverages, each increasing significantly since 1995. Even imports of

U.S. Agricultural Imports Increase As Dollar Appreciates

	U.S. agricultural imports				Exchange rate (inflation-adjusted*)	
	1990	1995	1999	2000	1990	1999
	$ billion				*1995=100*	
Total agricultural imports	22.7	29.9	37.4	39.0	103.0	114.7
Noncompetitive imports	5.6	8.5	8.1	7.9	108.7	123.7
Coffee, cocoa	3.0	4.4	4.5	4.4	106.8	118.6
Competitive imports	17.1	21.4	29.4	31.1	101.4	112.3
Red meats	2.8	2.3	3.1	3.6	99.0	117.1
Beef	1.8	1.5	2.0	2.5	102.2	117.9
Dairy products	0.9	1.1	1.6	1.6	105.1	119.2
Grains and feeds	1.2	2.2	2.9	3.0	91.8	114.2
Fruits and juices	3.1	3.4	4.7	4.9	113.5	109.3
Vegetables and preps.	2.3	3.1	4.5	4.6	95.7	102.4
Oilseeds and products	1.0	1.7	2.0	1.9	103.2	121.8
Sugar and products	1.2	1.3	1.6	1.6	109.2	111.9
Wine and malt beverages	1.8	2.2	4.0	4.3	103.7	113.1

Fiscal years ending September. 2000 forecast.
*Adjusted by foreign consumer price indexes (relative to U.S.) and weighted by 1997-99 average import values. A rise indicates dollar appreciation (i.e., a dollar buys more foreign currency).

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processed grain products grew substantially. Noncompetitive imports—coffee, cocoa, rubber, etc.—have risen in volume, but because of low world prices, have declined in value in 1999 (22 percent of total agricultural imports). Import values of bulk commodities—feed grains, soybeans, tobacco, and sugar—are also smaller due to lower prices, although imports have remained relatively flat in volume.

Low prices from abundant supplies, weak foreign demand, and foreign economic downturns have made foreign goods more affordable to U.S. consumers. Prices of U.S. food imports are about 12 percent lower than in 1995, based on an index of import prices calculated by the Bureau of Labor Statistics. Among imports with the steepest price declines are coffee, cocoa, sugar products, and other prepared foods. On average, prices of meat, fruits, and vegetables fell 5-10 percent between 1995 and 1999, and prices as of second quarter 2000 were below 1995 prices, except for wine and malt beverages. If the U.S. dollar maintains its high exchange value, domestic food price inflation based on high import costs is likely to be small, even if world commodity prices start to recover.

Along with low world prices, the dollar's relatively strong foreign exchange value in recent years helps explain the pattern of U.S. agricultural imports, particularly for high-value imports. For total U.S. imports from 1995 to early 2000, the dollar increased by 15 percent in real value against currencies of source countries. For noncompetitive imports, the dollar has risen by 24 percent.

The dollar's increased purchasing power, combined with strong U.S. income growth, drives the import surge of higher-value products like red meats, dairy products, fruits and vegetables, oilseed products, sugar products, and beverages. For vegetables, imports jumped 60 percent in value from 1995 to 1999 while the real exchange-rate index rose by only 2.4 percent. The index gain was modest because the Mexican peso actually *appreciated* in real terms against the dollar during that period, and Mexico is the source of more than 40 percent of U.S. vegetable imports.

Prices of Most U.S. Food Imports Fall After Rising in Mid-1990's

	1990	1995	1999	January-June 2000
	Index			
All-food import index	100.0	116.1	103.2	100.4
Meat and products	100.0	85.7	79.9	82.9
Fruits and juices	100.0	104.7	95.5	99.4
Vegetables	100.0	124.5	114.7	108.8
Wine and malt beverages	100.0	113.4	123.7	124.7
Coffee, cocoa	100.0	162.3	103.9	91.2
Sugar products[1]	100.0	104.1	85.9	79.3
Other prepared foods[2]	100.0	118.7	96.2	95.4

Calendar years.
1. Bakery and confectionery products 2. Other animal and vegetable preparations and nonalcoholic beverages.
Source: Bureau of Labor Statistics, U.S. Department of Labor.

Economic Research Service, USDA

Another influence on U.S. import growth is lower trade barriers, most notably under the North American Free Trade Agreement. Imports from Canada and Mexico are projected to reach $13.2 billion in fiscal 2000, up from $5.7 billion in 1990.

The U.S. depends on relatively few sources for its ag imports. Only 20 countries supplied an average 90 percent of total U.S. imports from 1996 to 1998, with Canada, Mexico, and the EU supplying half of U.S. imports. One-third of U.S. imports in fiscal 2000 is expected to come from Latin America (13 percent from Mexico alone), 21 percent each from Canada and the EU, and 14 percent from Asia. This pattern gives credence to the "gravity" theory, which explains high trade levels as a product of close geographic proximity. Canada, Mexico, and Chile show growing shares of the U.S. import market in the past two decades, while others such as Australia exhibit declining shares.

U.S. net imports of high-value products in fiscal 2000 are expected to be double the 1995 value. More than $6 billion in net imports of animals, dairy products, fruits, fruit juices, vegetables, sugar and products, and beverages are projected, versus $3 billion in 1995. While domestic producers face competition as a result of growing imports, lower prices and larger supplies benefit consumers.

The sharp growth in horticulture imports reflects an increasing dependence on imported food, although the total import share remains below 10 percent, based on estimates by USDA's Economic Research Service. In 1999, 16 percent of U.S. consumption of fruits, fruit juices, and tree nuts was imported, increasing from 13 percent in 1989. The import share of vegetable consumption was 12 percent in 1999, rising from 7 percent in 1989. Some of these gains result from expanded year-round availability when U.S. supplies are low or unavailable. The import share is 24 percent for cane and beet sugar, and 7 percent for beef. U.S. consumption of these foods continues to climb faster than domestic production, and per capita consumption also continues to rise. AO

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