

AGRICULTURAL OUTLOOK



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**The Statistical Indicators Section can be found in the printed version.
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EU Enlargement . . . U.S.–Mexico Avocado Trade . . . the Grape Industry . . . & State Trading Enterprises

Ag Trade Prospects In an Enlarged EU

The prospective enlargement of the European Union (EU) into Central and Eastern Europe (CEE) could add as many as 100 million new consumers to the EU market and double the number of farmers, having potentially profound effects on global and U.S. agricultural trade. Ten CEE countries, including the Baltic states, have applied for EU membership—Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

Initial USDA analysis indicates that accession to the EU and subsequent implementation of EU agricultural policies will raise CEE agricultural output, particularly in the livestock sector, increasing demand for feedstuffs. Preferential CEE trade agreements with the EU, in addition to geographic ties, could limit U.S. trade potential in this growing market. But the expanding CEE feed market will create opportunities for additional U.S. corn and oilseed exports, and the region will be a strong magnet for U.S. investment in ag-related enterprises.

Ban Lifted on Mexican Avocados

The partial lifting of a longstanding ban on avocado imports to the continental U.S. from Mexico is viewed in some quarters as an early indicator of the U.S. approach to new disciplines on sanitary and phytosanitary (SPS) measures under recent trade agreements. The decision followed comprehensive study of the pest risks and reflects USDA's commitment to basing phytosanitary policy on sound science, and to adopting risk-reducing measures that are least trade restrictive.

Revision of Q56, the Fruit and Vegetables Quarantine, will allow shipments of avocados from certified groves in Mexico to be exported to 19 northeastern states and the District of Columbia from November through February, beginning in 1997. The opening amounts to less than 5 percent of the current U.S. avocado market.



Taiwan's Hog Disease: Ripple Effects

The recent outbreak of foot-and-mouth (FMD) disease in Taiwan has precipitated bans on imports of Taiwanese pork by several FMD-free nations. The FMD crisis will also mean some reduction in U.S. corn exports as Taiwan's pork production falls. The U.S. supplies over 90 percent of the corn used as feed by Taiwan's pork industry.

Reductions in U.S. corn exports are expected to be partially offset by a rise in domestic feed use as hog production expands, enhanced by increased export opportunities. In the wake of the FMD problem, U.S. pork exports are expected to rise, especially to Japan, Taiwan's largest market. Taiwan's loss in exports to Japan is expected to be about 705 million pounds of pork, and the U.S. is expected to capture nearly 40 percent of the gap.

Grape Consumption Strong

The U.S. is the world's third-largest grape producer, accounting for 10 percent of global output. Domestically, the U.S. grape industry for the last 10 years has logged the highest farm value of all

harvested fruits, nuts, and vegetables. Following production declines in 1996, grape industry sources from the three major producing states (California, New York, and Washington) indicate their 1997 crops appear to be in good condition.

Fresh grape consumption has been trending upward in the U.S. since the mid-1970's. Grape juice consumption and demand for American wines have also increased, although per capita growth in domestic wine consumption in the 1990's has been limited, as increased demand combined with unfavorable weather to push wine supplies below average. The U.S. remains a net importer of grapes for all uses except raisins, but the export share of domestic grape production has risen steadily from a 9-percent average in the 1970's to 17 percent in the 1990's, with last year's export value reaching \$209 million.

State Trading Enterprises & the WTO

Agricultural state trading enterprises (STE's) have been important players in world trade for decades. Over 30 member-countries have reported to the World Trade Organization (WTO) the combined presence of nearly 100 STE's in their agricultural sectors, and there is concern that some WTO member countries will use export-oriented STE's to circumvent Uruguay Round commitments and engage in unfair trading competition. The lack of transparency which characterizes the operations of STE's makes it difficult to determine whether they win sales because of true competitive advantage or because of practices such as excessive price cutting.

Among current WTO member countries, four STE's dominate the list of STE exporters when ranked by value of major agricultural commodities shipped—the Canadian Wheat Board, the New Zealand Dairy Board, the Australian Wheat Board, and the Queensland Sugar Corporation. Also sparking interest in STE's is the number of countries seeking accession to the WTO—e.g., China, Taiwan, Russia, and Vietnam—which use these enterprises to implement agricultural policies.