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The Middle East & North Africa: A Robust Ag Market

U.S. farm exports to the Middle East and North Africa grew by over a third from calendar year 1990 to 1996. The region imports an estimated $30 billion annually in agricultural products, with the U.S. share around 15 percent. In 1996, U.S. agricultural shipments to the region tallied $4.5 billion (7.5 percent of the U.S. ag total), just under the record $4.6 billion of 1995.

The region continues to be a large importer of U.S. grains and feedstuffs, including oilmeals, as well as high-value products such as cotton, tobacco, and hides and skins. Rising incomes, urbanization, strong population growth, and trade policy changes are likely to spur import growth, particularly in livestock products, oilseeds, some feedstuffs, and high-value products.

The major U.S. markets in the region are Egypt ($1.3 billion in 1996), Turkey ($637 million), Israel ($617 million), and Saudi Arabia ($551 million). Together they account for $3.1 billion, or nearly 70 percent of U.S. sales to the region. In 1996, U.S. exports were between $100 million and $322 million to Algeria, Morocco, Jordan, Lebanon, United Arab Emirates, Yemen, and Tunisia. Exports were less than $100 million each to Syria, Kuwait, Cyprus, Bahrain, Oman, and Qatar.

Current U.S. trade sanctions preclude commercial sales to Iran—a market of about $3 billion for agricultural products. U.S. sales to Iraq have resumed under the United Nations' food-for-oil plan. As of early April, Iraq has purchased 100,000 tons of U.S. wheat. Prior to 1990, Iraq's food imports were at the $2.5-billion level, with the U.S. a major supplier. In addition, the U.S. and some of the region's countries face a number of trade issues such as market access and compliance with the World Trade Organization (WTO), which continue under discussion.

The Middle East and North Africa is the major grain importing region in the world and will remain so for the foreseeable future. Coarse grain imports are the second largest in the world after Japan's, at about 17 million tons, and the region imports over one-fourth of the world's rice and wheat. Total grain imports approach 46 million tons. With the exception of Morocco, Turkey, and Iran, all of the region's countries import over half of their food supplies.

The U.S. is a major supplier of bulk commodities (e.g., coarse grains and wheat) to the region, accounting for 40 percent of its imports. While U.S. corn exports declined in 1996, sales have trended upward in the 1990's, primarily a result of increasing demand by the region's expanding poultry and livestock industries. Corn shipments rose to 7.7 million tons in 1995, after averaging 4.1 million tons from 1984 to 1989. The demand for soybean meal has also risen, particularly in Turkey and Saudi Arabia.

Strong population and economic growth rates underpin relatively strong prospects for U.S. agricultural exports to the region. The Middle East and North African population—at 360 million—is growing at a rate of 2-3 percent per year. Annual growth in Gross Domestic Product (GDP) for the region is forecast at 3-4 percent in real terms to the year 2000, a result of somewhat higher oil prices, increasing capital flows, growing world trade, and continued progress in economic adjustment programs (e.g., privatizing state-owned industries, including agriculture).

Exports to Egypt At Record Levels

In 1996, Egypt was the tenth-largest national market for U.S. agricultural products, at $1.32 billion—down 9 percent from the 1995 record—by far the largest U.S. market in the region. U.S. agricultural exports to Egypt in 1995 marked the greatest expansion ever, from $872 million in 1994 to $1.45 billion.

The recent trade boom with Egypt reflects continued trade liberalization and privatization of its agricultural sector, partly related to Egypt's accession to the WTO in mid-1995. The 1995 rise represented a major jump in the U.S. market share of Egypt's agricultural imports from 30 percent in 1994 to 44 percent in 1995.

Egypt is primarily a bulk commodity market for the U.S., which has been Egypt's principal supplier of wheat for the last decade. From 1994 to 1996, imports of U.S. wheat averaged 5 million tons, about 80 percent of Egypt's import market and 16 percent of U.S. wheat exports. Simultaneously, the U.S. has dominated the corn market, and holds a major share of Egypt's soybean and soybean meal markets.

With the globalization of food technology and advertising, the Egyptian market for consumer-ready food products is growing rapidly. The percentage of two-income households is also rising, which should improve market prospects for high-value food products. The demand for consumer-ready products in this market of 64 million people could parallel the improvement in incomes that is expected to accompany the privatization process.

U.S. exports of consumer-ready agricultural products were about $11.4 million in 1996. Top consumer-ready products include juice, prepared sauces and dressings, nuts, milk powder, corn chips and breakfast cereals, and butter. The U.S. market share for each of these is at least 19 percent. Exports of processed meat,

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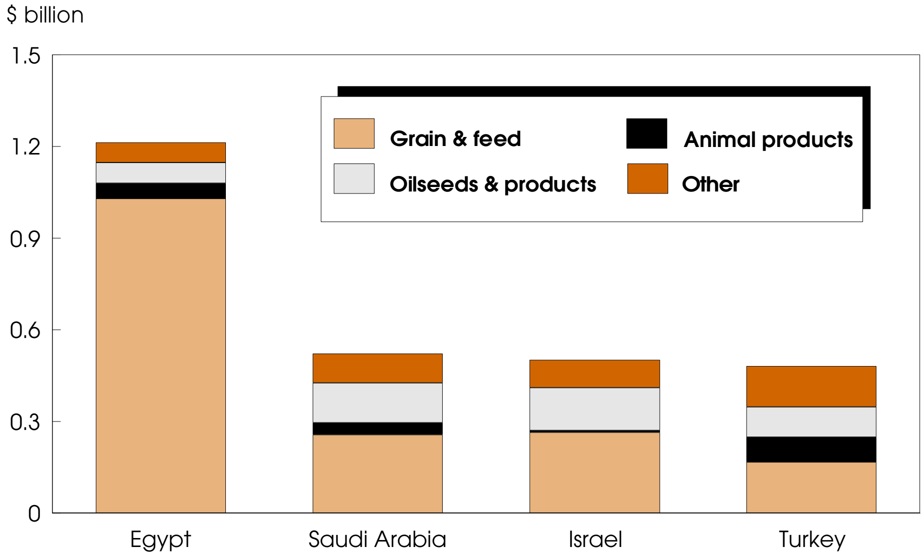
Egypt Is the Largest U.S. Ag Market in the Region



1994-96 average. U.S. exports to the region averaged $4.2 billion.

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cheese, and prepared or preserved fruits amount to about 2 percent of market share. U.S. competitors in this market include European countries such as France, Germany, Italy, Switzerland, Greece, Holland, and Denmark, as well as South Africa.

Besides foreign competition, several obstacles constrain U.S. exports of other processed food products to Egypt. First, many high-value processed products are produced domestically (e.g., macaroni, french fries, chips, ketchup, biscuits, confections, juice, beer, and wine). Output of these products has increased significantly in recent years. Second, Egyptian consumers lack familiarity with many U.S. products.

In addition, although the government has abolished most import bans, it continues to protect producers in certain sectors. For example, Egypt has banned poultry imports since 1988 to protect and stimulate the domestic industry (*AO* March 1997). The ban—maintained in violation of WTO commitments—is scheduled to be lifted by 2000. Import bans on textiles will be lifted over an 8-year transition period in accordance with WTO provisions.

Early in 1996, the Egyptian government allowed cotton imports for the first time in many years from sources other than California and Arizona, the only producers that meet Egypt's phytosanitary requirements. While the amount was small (from Syria), it signals a shift in policy toward easing quarantine restrictions on imported cotton and acquiring low-cost substitutes for California-Arizona cotton.

The U.S. has been a principal cotton supplier to Egypt. In response to changes in Egyptian output, U.S. exports have fluctuated widely from a record 66,660 tons in 1992 to 4,125 tons in 1994 and 10,327 tons in 1996. If the market is opened completely, lower priced cotton could be imported. However, lower prices alone would not be a serious threat to U.S. market share—quality and reliability of supply are important motives for continuing interest in U.S. cotton.

Turkey's Trade Reform Pulls Up Ag Imports

Turkey is one of the few countries in this region that was historically viewed as self-sufficient in agriculture (although at a high cost), with exportable surpluses. Agricultural imports have been historically small, with the exception of wheat—the result of an import substitution policy and strong border measures protecting the country's producers.

But recently Turkey has been importing significant quantities of basic agricultural products, including wheat, corn, sugar, rice, tallow, beef, hides and skins, as well as cattle for breeding and slaughter. The change is a result of a continued trade liberalization policy, a move towards privatization of the economy, including agriculture, and an increasing focus on development of the livestock sector.

Driven by rapid expansion of the textile sector and development of the country's poultry and livestock sector, U.S. agricultural exports to Turkey have moved up sharply from $226 million in 1990 to a record $637 million in 1996, 11 percent higher than 1995. The forecast of U.S. sales continues to be positive, with a strong showing early in 1997.

Turkey's textile industry continues to expand, and with a reduced cotton harvest in 1996, demand for certain types of imported cotton remains strong. Imports are projected at a record 250,000 tons in 1997, up 5 percent from last year. Up to the early 1980's, Turkey was a large net exporter of raw cotton, but sharply higher demand from domestic textile mills has made it a large net importer.

Like other countries in the region, Turkey does not produce enough feedstuffs to meet rising demand in its poultry and livestock sectors. Corn output has remained near the 2-million-ton level over the last decade, while consumption has been at the 2.4-million-ton level during most of the period, rising to 2.7 million in 1996. Rising imports, primarily from the U.S., have filled the gap. U.S. corn exports to turkey have risen sevenfold over the last 5 years to a record 525,000 tons in 1996; value was up 79 percent to $86 million. Turkey's total corn imports in 1996 were estimated at 739,000 tons.

Demand for soymeal and soybeans has also risen sharply, reflected in U.S. meal sales of 139,000 tons in 1996 (a nearly 10-fold increase over 1995), valued at $38 million (a 15-fold increase). Turkey's soymeal imports are estimated at 250,000 tons, with the U.S. share about 56 percent in 1996. Soymeal production, imports, and consumption have all tripled in the last decade. Increased production is almost entirely from imported beans, nearly 70 percent from the U.S. In 1996, U.S. soybean exports were 147,000 tons ($41 million), up 31 percent from 1995.

In addition, demand is increasing for several other agricultural commodities, including hides and skins for Turkey's expanding leather industry, tallow for its soap industry, tobacco for its expanding cigarette output, and seeds to upgrade the genetic quality of a number of its crops. U.S. tobacco exports to Turkey have quadrupled in value and quintupled in volume over the last 6 years to nearly 16,000 tons at $77 million in 1996.

In food consumption and marketing, Turkey is showing similarities with western nations—more health- and quality consciousness, with increased use of modern processing and storage techniques. The expansion of large supermarkets and distribution centers, combined with trade liberalization, has continued to diversify the Turkish diet, shifting it from grains to high-value commodities such as meat, fruits, and vegetables. Overall incomes have risen and the number of working women is growing rapidly, which implies increased demand for prepared foods. A large influx of tourists, numbering about 8.5 million in 1996, has created large demand and sophisticated tastes for higher quality food products.

The U.S. has made progress in exports of consumer-oriented agricultural products, which increased from $1.5 million in 1991 to $6.8 million in 1995 (they slipped to $5.2 million in 1996). Dairy products, processed fruits and vegetables, fish, and poultry are among the leading items. Despite the relatively large increase, U.S. exports of consumer-oriented products remain minor in comparison with competitors' exports and with U.S. bulk exports. The European Union (EU), with the advantage of proximity and consumer familiarity with its products, is by far the leading supplier of consumer-ready food products to Turkey.

However, the consumer-ready food market holds bright prospects for the U.S. in the medium- to long term, for several reasons: 1) young Turkish consumers have a preference for western food products, particularly from the U.S.; 2) Turkey is a large market with growing purchasing power; 3) an increasing portion of the demand for imported consumer-ready products is generated by the growing tourist industry and hotel and restaurant trade; and, 4) Turkey is rapidly becoming an important trade conduit to regional markets in the Middle East and central Asia.

Israeli Ag Sector Shrinks While Food Demand Rises

U.S. agricultural exports to Israel continue to rise strongly, reflecting unprecedented sustained economic growth (GDP growth averaged 5-6 percent a year from 1990 to 1996). The Peace Process has opened new markets to Israel not only in the region, but also with nations that had previously shunned the country. Tourism has also increased.

In addition, the country's population—now 5.6 million—has grown dramatically in recent years with an influx of 700,000 Russian and Ethiopian immigrants. Combined with almost 2 million Palestinians in the Palestinian Authority, the Israel-Palestinian market has more than 7 million consumers. (However, there is a significant difference in buying power between the two populations. Israeli per capita income in 1996 was about $15,000 annually, compared with about $1,500 for Palestinians living in the West Bank and Gaza.)

To keep pace with demand, imports of all goods and services rose from $24 billion in 1990 to over $42 billion in 1996. Israel's agricultural imports rose to a record $2 billion in 1995, up 14 percent from 1994 and continuing an upward trend of recent years.

While food demand grows, Israel's agricultural sector continues to shrink. In 1995, agriculture declined as a share of the nation's GDP, employment, and productive assets (investment goods). While agricultural employment has actually grown, the sector has become increasingly dependent on foreign laborers. Also, agriculture's share of total exports continues to decline—agricultural exports once offset imports, but now imports exceed exports by 50 percent.

The U.S. has been Israel's principal supplier of agricultural products for many years, due in part to long-standing commitments to buy 1.6 million tons of U.S. grains and oilseeds each year. U.S. exports have been primarily bulk items, which still comprise three-fourths of agricultural exports to Israel. In 1996, U.S. agricultural exports were a record $617 million, up 28 percent from 1995. Wheat, corn, barley, sorghum, and other feeds and products accounted for over half of the total value. In terms of volume, 1996 was a record year for U.S. bulk ag exports to Israel at 1.75 million tons, up only 2 percent from 1995 but 30 percent above 1990.

Until September 1995, the government required millers to source milling-quality wheat exclusively from the U.S., but trade liberalization under the GATT-Uruguay Round agreement means that possibly half of Israel's imports of milling wheat may come from non-U.S. sources. However, U.S. wheat exports in 1996 were a record 663,000 tons, up 11 percent from 1995, due to strong demand. Israel produces less than 200,000 tons of its annual milling wheat requirements (750,000 tons).

Before January 1996, soybeans were the only bulk product that had to be imported from the U.S. under a long-term commitment. However, with implementation of the Uruguay Round agreement, soybeans were freed from source limitations. Nevertheless, U.S. sales of oilseeds and other seeds to Israel reached a record $158 million in 1996 (80 percent were soybeans), as higher prices for fish meal—a key ingredient in poultry diets—boosted demand for soybeans.

Other commodities registering large gains in 1996 were fruits and preparations, with U.S. sales rising 20 percent to over $16 million. Volume grew 44 percent to 15,020 tons, a sixfold increase since 1990.

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The U.S. export value of nuts and preparations increased fivefold in the 1990's. The most spectacular rise has occurred in exports to Israel of vegetables and preparations, whose value has jumped 13-fold since 1990 to $51 million in 1996.

With neither the water nor the land to grow grains and oilseeds sufficient to meet rising food demand, Israel is a stable export market for U.S. exporters, and shipments to the country will continue to be heavily bulk-product driven, with increased sales of high-value products.

Higher Feedstuff Exports To Saudi Arabia

Saudi Arabia vies with Egypt as the largest single market for agriculture in the Middle East/North African region, with annual agricultural imports of more than $4 billion. Over the past decade, the U.S. share of Saudi ag imports has consistently been around 10 percent.

With an annual growth rate of 3.5 percent, the population is forecast to reach 25 million by the turn of the century and double over the next 20 years. More than half of Saudi Arabia's population is under the age of 17. With a young population, increased influence of satellite TV, and rising education levels, food consumption patterns are ultimately expected to resemble more closely those of the West. Customers are demanding more variety in their diets, and the supply is coming from domestic production as well as imports.

In 1996, U.S. agricultural sales to Saudi Arabia continued strong at $551 million, only 2 percent below the 1990 record. Significant increases have occurred in feedstuffs, particularly oil meal and corn as the country's dairy and meat sector has expanded. U.S. oil meal exports were a record $100 million in 1996, up 84 percent from 1995; volume rose 33 percent to just under 357,000 tons. Since 1990, U.S. soybean meal exports have more than doubled and the value has risen by a factor of two and a half. U.S. sales of corn to Saudi Arabia also continue to trend upward. In 1996, while volume fell by 12 percent from the previous year, value rose by 18 percent to a record $136 million.

U.S. Ag Exports to the Region Have Risen by Over a Third in the 1990's

	1990	1995	1996
		$ million	
Egypt	693	1,447	1,319
Turkey	226	536	637
Israel	304	484	617
Saudi Arabia	565	526	551
Algeria	513	401	322
Morocco	145	189	244
Jordan	185	168	165
Lebanon	27	114	138
United Arab Emirates	46	156	121
Yemen	57	133	115
Tunisia	94	108	101
Syria	34	69	50
Kuwait	23	66	42
Cyprus	39	45	37
Bahrain	7	22	18
Oman	8	14	14
Qatar	4	9	6
Iraq	329	0	3
Iran	2	136	0
Libya	0	0	0
U.S. exports to region	3,301	4,623	4,500
U.S. exports to world	39,363	55,814	60,431

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Overall demand for barley has risen, with imports estimated at 5 million tons in 1996 after a low of 2.9 million in 1995 when higher output reduced imports. However, the U.S. share has declined. A decade ago, U.S. barley sales were 2.4 million tons, but dropped to one-tenth that level last year as EU restitution payments made purchases from that source more attractive.

Saudi Arabia's general agricultural policy, according to its 6th Development Plan, is to achieve self-sufficiency while promoting agricultural production that does not require heavy reliance on water resources to achieve growth targets. For example, wheat output far exceeded domestic needs until the early 1990's, when producer subsidies were cut sharply to reduce budgetary outlays and to slow the depletion of ground water. Production dropped from 4.1 million tons in 1992 to 1.2 in 1996. Saudi policy is now to target production levels to meet domestic needs.

Saudi Arabia has achieved self-sufficiency in many other agricultural goods such as dates, eggs, fresh dairy products, and most vegetables. But the country is a significant importer of processed dairy products—powered milk, butter, cheese, ghee, and other milk products. U.S. exports of dairy products to Saudi Arabia were valued at $11 million in 1996 and have grown ninefold since 1990.

The Saudi market for consumer-ready food products is increasing and becoming more diverse. Fifteen years ago there were few supermarkets and the number of fast-food restaurants was minimal. Today, there are about 230 large modern western-style supermarkets, hundreds of corner grocery stores, and most major American fast-food chains are well represented. The number of cold storage warehouses and food processing plants has increased significantly over the past 3 years, boosting the country's capacity to import larger quantities of high-value food products.

The U.S. is a leading supplier of consumer-ready products to Saudi Arabia, exporting $118 million in 1995. U.S. exports of poultry meat reached a record $22.6 million in 1995 but declined somewhat in 1996 as domestic output rose. This trend is likely to continue as Saudi Arabia expands its poultry capacity. U.S. sales of nuts continue to rise, as well as sales of dried lentils, coffee, chocolate, beverages, and sugar and tropical products.

Competition for the Saudi market has increased. Many exporters, including the EU, Egypt, Thailand, China, India, Australia, and New Zealand, offer different forms of promotional assistance to importers such as subsidies and easy payment terms. But the U.S. share of consumer-ready food products has remained fairly steady at about 4 percent over the past 4 years, despite strong foreign competition and a significant increase in local production of food products.

Favorable Outlook For U.S. Trade

The large scale of the region's participation in the world grain market (25 percent of wheat and 19 percent each of coarse grain and rice imports) means that it will continue to be a pivotal force in global trade. Solid but not spectacular export gains are expected in 1997 for U.S. exports, as the region's expanding livestock and poultry sectors boost demand for feedstuffs, and as high-value products meet demand by a more affluent, urbanized society. Most countries in the region expect moderately strong economic growth in 1997.

In the coming years, the agricultural sectors in many countries are likely to shrink and to change in composition as trade liberalization and privatization continue to reduce government's role in agriculture. More sustainable use of scarce resources, especially water, will also force fundamental changes in the agricultural sectors in the region. Crop substitution—away from such water-intensive crops as rice and sugarcane and toward less water-demanding, higher priced crops such as fruits and vegetables—is a likely trend.

Weather continues to play a major role in the region's agricultural well-being. The region is heir to devastating droughts which have caused wide swings in grain production and therefore, imports. Limited arable area, continuing depletion of water resources, young and more urbanized populations with higher incomes, and growing tourism in many countries all forecast rising food demand which cannot be met with available local resources. Under such a scenario, and given the growth in the region's population and economies, U.S. agricultural exports will reflect continued strong demand for basic commodities and an increasingly sophisticated high-value market.

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May Releases—USDA's Agricultural Statistics Board

The following reports are issued electronically at 3 p.m. (ET) unless otherwise indicated.

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Egg Products
Poultry Slaughter
5 Crop Progress (after 4 pm)
7 Broiler Hatchery
12 Cotton Ginnings, Annual (8:30 am)
Crop Production (8:30 am)
Crop Progress (after 4 pm)
14 Broiler Hatchery
Potato Stocks
Turkey Hatchery
15 Milk—Production, Disposition, & Income
Milk Production
16 Cattle on Feed
Farm Labor
19 Crop Progress (after 4 pm)
20 Cold Storage
21 Broiler Hatchery
22 Chickens & Eggs
23 Catfish Processing
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27 Crop Progress (after 4 pm)
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Peanut Stocks & Processing
30 Agricultural Prices