

## World Agriculture & Trade



Virginia Port Authority

### U.S. Ag Exports In Fiscal '98 To Surpass '97

Fiscal 1998 U.S. agricultural exports are projected at \$58.5 billion, up \$2 billion from the 1997 forecast and second only to the 1996 record of \$59.8 billion. At \$38 billion, agricultural imports also are projected up \$2 billion, so the agricultural trade surplus will remain unchanged from the 1997 forecast of \$20.5 billion. The export value of both bulk and high-value products (HVP's) is expected to rise—HVP value is projected up \$1.5 billion over fiscal 1997, and bulk exports are expected up \$500 million.

Meat and horticultural products account for much of the increase expected in HVP exports in 1998. Another record in horticultural exports is projected, reflecting continued strong economic growth, particularly in Mexico, Asia, and South America. Larger meat exports to Japan are anticipated as Japanese consumer concern over beef safety dissipates and the emergence of foot-and-mouth disease and swine fever in Taiwan limits its exports of pork to Japan.

Bulk export volume will be pushed up by larger U.S. exportable supplies of wheat,

declining export competition for wheat and corn, and strong foreign demand for soybeans. But while corn prices remain firm, wheat prices will weaken. And for soybeans, larger crops in major soybean exporting countries will raise competition and reduce prices.

U.S. agricultural imports have set records every year since 1975. The forecast for fiscal 1998 continues this trend as agricultural imports, at a record \$38 billion, are projected 6 percent above 1997's forecast. The rate of growth in imports in 1998, however, is expected to slow from the high levels of recent seasons as prices for coffee and other tropical products stabilize or fall from their 1997 levels.

#### *High-Value Exports Expand Again*

U.S. exports of high-value products are projected up 4 percent to \$35 billion in fiscal 1998. As expected for 1997, most of the increase in 1998 will be in consumer-ready food items such as meat, fruits, vegetables, and tree nuts. But strong gains are also expected in soybean oil, an intermediate product, and some growth is expected in other intermediate products such as hides and skins.

World income growth continues to favor expanded exports of HVP. Projected growth in gross domestic product (GDP) in 1998 in countries other than the U.S. is 3.3 percent, a slight gain from the 3-percent growth estimated for 1997. Modest growth is projected for the EU and Japan, but the strongest growth continues to be in Latin America and Asia. Expansion of GDP in China, which has been the most rapid for several consecutive years, still leads the way and is projected to exceed 8 percent, down slightly from its forecast 1997 growth.

Income growth is largely responsible for the recent expanding consumer demand for meats and thus for the rapidly rising global demand for livestock feeds. This trend is expected not only to buoy demand for bulk commodities in 1998, but also to contribute to expanding exports of commodities such as soybean meal, a major feed ingredient. U.S. exports of soybean meal are projected up 500,000 tons to 6.6 million in 1998.

However, soybean meal value is projected lower due to the price-weakening record U.S. crop and strong international competition. The EU continues to be the largest importer of soybean meal, and strong gains continue to be expected there. But the percentage gains projected for Asia are larger, led by expanding demand in China.

U.S. soybean oil exports in 1998 are also expected to expand markedly, rising to 1 million tons and \$600 million compared with 1997's forecast of 800,000 tons and \$500 million. Mexico and other Latin American countries will account for much of the growth, although demand for vegetable oils also continues to expand rapidly in China.

The \$600-million gain projected for 1998 exports of beef, pork, and variety meats reflects the strong growth expected in export volume to 1.6 million tons from the 1997 forecast of 1.4 million. Japan continues to be the major importer of U.S. beef and pork, although exports to Mexico have been rising rapidly. Gains projected for Japan in 1998 reflect fading concerns about beef safety which reduced exports in 1997, and the outbreak of foot-and-mouth disease and swine fever in Taiwan which will curtail Taiwan's pork exports.

Poultry meat exports are projected to rise 100,000 tons to 2.6 million in 1998. But the export value of poultry and poultry products likely will remain relatively unchanged at \$3 billion, since exports are dominated by lower-priced parts. Russia, a big growth market for poultry exports in recent years, is expected to continue

*Bulk commodities* include wheat, rice, feed grains, soybeans, cotton, and tobacco. *High-value products* comprise total exports minus the bulk commodities. HVP includes semi-processed and processed grains and oilseeds (e.g., soybean meal and oil), animals and products, horticultural products, and sugar and tropical products. Appendix table 27 presents a breakout of U.S. agricultural exports and imports by major commodity group for 1996-98, for both volume and value.

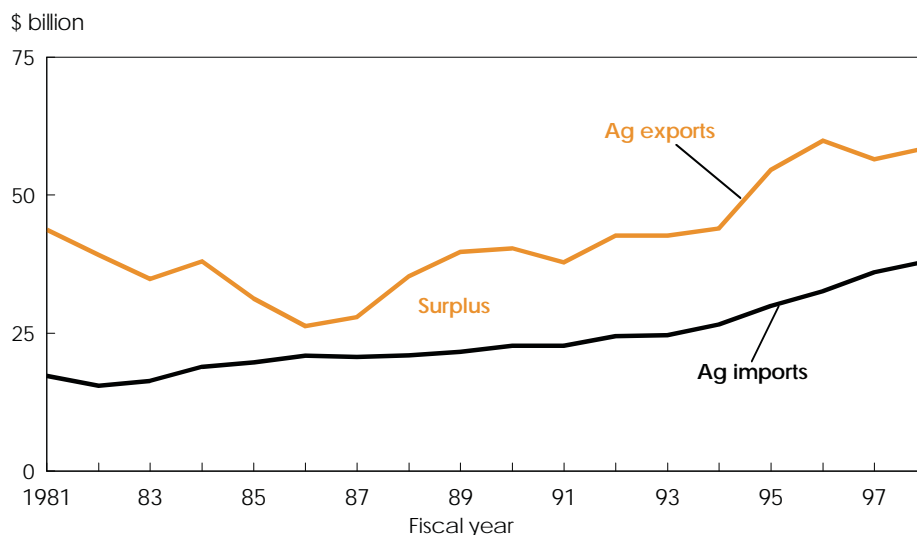
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levying import duties on poultry in 1998, limiting future gains there. Gains in poultry exports to Latin America, particularly Mexico, have been significant and are expected to continue in 1998.

Record U.S. exports of horticultural products are projected for 1998 at \$11.2 billion, up 6 percent. Gains of \$100 million each are expected for fruits, vegetables, and tree nuts, which will reach \$3.5 billion, \$2.7 billion, and \$1.4 billion. Growth in 1998 is expected to equal the 1997 gain.

In 1997, oranges and apples are leading the fruit export growth. Orange exports are expanding to Hong Kong and South Korea, while increased apple exports are going to South America, the Middle East, and Southeast Asia. Tomatoes and lettuce, particularly to Canada, show the largest growth among the vegetables exported so far in 1997. Wine and essential oils account for much of the remaining growth estimated for both 1997 and 1998. HVP sales to Canada have benefited from the progressive lowering of duties, while growth in sales to Asia and Latin America reflects demand growth driven by economic development and expanding incomes.

### U.S. Ag Trade Surplus to Be Unchanged in 1998



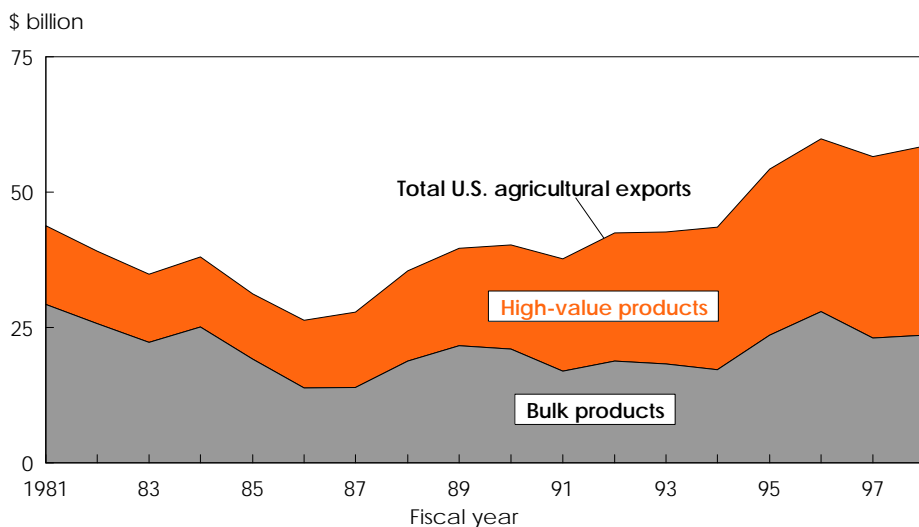
1997 forecast, 1998 projected.  
Economic Research Service, USDA

### Bulk Export Volume To Rebound in 1998

Initial forecasts for fiscal 1998 place the volume of bulk commodity exports (wheat, rice, coarse grains, soybeans, and cotton) at 118.5 million tons, a 14-percent or 15-million-ton gain from the 1997 forecast. The value of fiscal 1998 bulk

exports is projected at \$23.5 billion, up 2 percent. Gains in bulk exports are a shift from declines of the last 2 years. In fiscal 1997, bulk export volume is expected to reach only 103.5 million tons, 13 percent below 1996. And in 1996, bulk exports were 6 percent below 1995, when a large surge in bulk product shipments had catalyzed total volume figures to a record 169.7 million tons.

### HVP and Bulk Ag Exports to Rise in 1998



1997 forecast, 1998 projected.  
Economic Research Service, USDA

Wheat, corn, and soybeans account for much of the gain expected in bulk exports in fiscal 1998. U.S. wheat and flour exports are projected at 30.5 million tons and \$4.6 billion, a 28-percent increase in volume and a 15-percent gain in value from 1997's forecast. U.S. exports will benefit from smaller exportable supplies of major export competitors—Canada, Australia, and Argentina—where production will drop in 1997/98 in response to poorer growing conditions and recently lower prices. And reduced production in Morocco, Algeria, and Tunisia in 1997/98 will raise import demand in these countries again.

Rice export volume is also projected to rise nearly 8 percent to 2.7 million tons on the strength of a larger 1997/98 U.S. crop. But the increased rice production will likely reduce prices, leaving the forecast of export value unchanged at


\$1 billion. Rice import demand is projected to rise in 1998 in Indonesia, China, Brazil, and Iran, all large importers. Drought in parts of Southeast Asia and Central America, as well as torrential rains in northwestern South America, may enable the U.S. to capture additional market share in both South America and Southeast Asia.

Coarse grain exports are projected up 6 million tons and \$600 million to 58.2 million tons valued at \$7.5 billion. Corn accounts for all the increase, as little change is expected for the other coarse grains. China increasingly consumes a growing share of its own production, exporting less and reducing international export competition. A smaller 1997/98 corn crop in Argentina, along with lower barley production in Canada and Australia, may also help reduce export competition. And strong global feed demand, as livestock industries expand worldwide, continues to support coarse grain exports.

Soybean exports also are benefiting from the strength of global feed demand. U.S. soybean exports in fiscal 1998 are projected up 2.3 million tons to 26 million. But

large crops in Argentina and Brazil, as well as the U.S., are expected to push prices down, lowering export value by \$800 million to \$6.1 billion for fiscal 1998. However, despite larger production, South American soybean export competition is expected to be about unchanged. Argentina continues to promote exports of soybean meal rather than soybeans, so its 1998 exports of beans are expected to show only modest gains. And although Brazil is estimated to have more than doubled soybean exports in 1996/97 due to elimination of an export duty on raw commodities, it is projected to shift back toward greater exports of meal and less of beans again in 1997/98.

Fiscal 1998 U.S. cotton exports are forecast at 1.6 million tons, the same as in 1997, reflecting fairly flat U.S. supplies. But continued strong global demand, coupled with declining U.S. and foreign stocks, is expected to push export value up to \$2.8 billion. Mexico and other Latin American countries are likely to continue as important destinations for U.S. cotton. And U.S. exports to Southeast Asia could rebound in 1998 as the region's imports increase; but exports to China are likely to decline as China relies increasingly on its own supplies.

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### October Releases—USDA's Agricultural Statistics Board

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

#### October

- 1 *Broiler Hatchery*
- 2 *Dairy Products*
- 3 *Egg Products*  
*Poultry Slaughter*  
*Cheddar Cheese Prices*
- 6 *Crop Progress (after 4 pm)*
- 8 *Broiler Hatchery*  
*Vegetables*
- 10 *Cotton Ginnings (8:30 am)*  
*Crop Production (8:30 am)*  
*Cheddar Cheese Prices*
- 14 *Crop Progress (after 4 pm)*
- 15 *Broiler Hatchery*  
*Milk Production*  
*Turkey Hatchery*
- 17 *Cattle on Feed*  
*Cheddar Cheese Prices*
- 20 *Cold Storage*  
*Crop Progress (after 4 pm)*
- 21 *Chickens & Eggs*
- 22 *Broiler Hatchery*
- 23 *Catfish Processing*
- 24 *Cotton Ginnings (8:30 am)*  
*Livestock Slaughter*  
*Cheddar Cheese Prices*
- 27 *Crop Progress (after 4 pm)*
- 29 *Broiler Hatchery*  
*Catfish Production*  
*Peanut Stocks & Processing*
- 31 *Rice Stocks (8:30 am)*  
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