



International Agricultural Trade Report

March 19, 1998

Fiscal 1998 Monthly Export Update

Pace of U.S. Agricultural Exports Holds Steady as Declining Sales to Asian Pac-Rim Nations Are Largely Offset by Gains to Canada and Latin America

Summary

Major highlights of the January trade statistics released on March 19 were:

- ▶ During the first 4 months (Oct. 1997 — Jan. 1998) of fiscal 1998, the value of U.S. *agricultural exports* was \$21 billion, or just 1 percent behind the same period last year. This is the same sales pace we have observed over the past few months. So far, slower sales to Asian Pac-Rim nations are largely offset by gains to Canada and Latin America. From a commodity perspective, falling corn, tobacco, animal hides, and poultry meat exports are largely offset by rising exports of soybeans and products, vegetable oils, red meats, and dairy products.
- ▶ *Fish and forest product exports* totaled \$2.8 billion, down 16 percent from last year's pace. Reduced sales are mainly due to continued weakness in the Japanese economy, and increased competition in the Japanese fish and wood products market.
- ▶ *Special Note on the Asian Financial Crisis:* With 4 months of fiscal 1998 complete, U.S. agricultural exports to Korea were down \$614 million (45 percent lower) compared to the same period last year. U.S. sales to ASEAN were down \$289 million, or 23 percent lower. Although corn is suffering the single largest loss, declines are broad-based across many agricultural products. Sales declines for fish and forest products are also severe.

Commodity Highlights

Bulk Commodity exports totaled \$9.3 billion during the first 4 months of fiscal 1998, down 9 percent (\$889 million) from the same period last year. A sharp drop in corn exports and smaller declines for tobacco and rice have swamped gains for soybeans and wheat. So far, U.S. corn exports are down 34 percent in volume and 44 percent in value as East European and Chinese corn exports rise and Asian demand slows. On the positive side, U.S. wheat shipments are up 22 percent largely due to increased sales to Egypt and Pakistan. Soybean shipments are up 12 percent on strong sales to South America, Mexico, and Taiwan.

Intermediate Agricultural Product exports reached \$4.6 billion during the first 4 months of fiscal 1998, up 8 percent (\$348 million) from the same period last year. Most of this strength is due to rising soybean meal, oil, and other vegetable oil shipments and higher oil prices, and is largely the result of a record U.S. soybean crop, strong foreign demand, and reduced Malaysian palm oil production. U.S. soybean meal sales are up to the EU-15, while vegetable oil sales are up to China/Hong Kong, Canada, Mexico, and North Africa. On the downside, U.S. exports of animal hides and feeds are declining largely due to falling sales to Korea (hides) and the EU-15 (feeds).

Consumer Food exports totaled \$7.1 billion during the first 4 months of fiscal 1998, up 3 percent (\$225 million) from the same period last year. Eleven of the 15 product groups registered year-over-year increases. Beef and pork exports, one of the major product groups, have remained strong with shipments rising 21 percent thus far in 1998. Dairy product and fresh vegetable exports have also recorded strong gains. On the downside, poultry meat export value has fallen 9 percent due to weaker prices, and tree nut exports are also down due to lower prices.

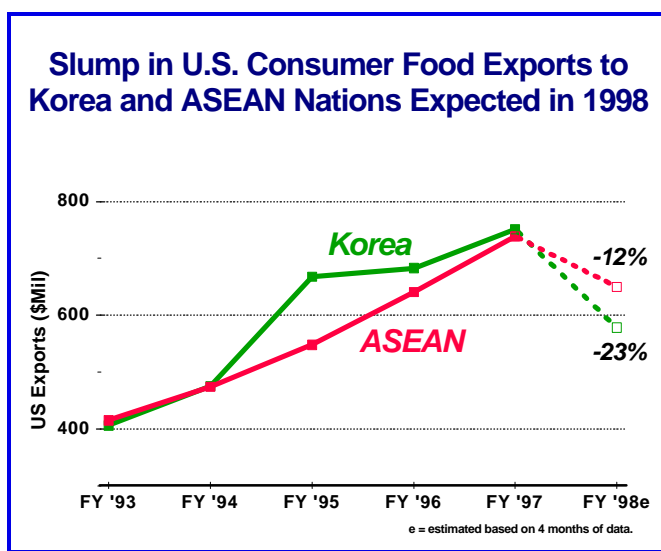
Fish and Forest Product Exports: Reaching \$668 million during the first 4 months of fiscal 1998, U.S. fish and seafood exports fell 16 percent (\$122 million) from the same period last year. Weak Japanese demand and competition from other suppliers is resulting in declining U.S. export values across most product groups. At \$2.1 billion during the first 4 months of fiscal 1998, U.S. forest product exports were also down 16 percent (\$403 million) from the same period last year. In Japan, the weak economy, reduced housing starts, and large inventories are sharply reducing U.S. log and softwood lumber exports.

Market Highlights

The Asian Financial Crisis: Currency devaluations and the ensuing financial and economic problems in Thailand, Indonesia, Malaysia, and the Philippines began in July/August 1997. This crisis then engulfed South Korea in November. With 4 months of fiscal 1998 complete, U.S. agricultural exports to Korea and ASEAN are down 45 percent and 23 percent, respectively. Within ASEAN, U.S. exports to Malaysia and Thailand have suffered the largest declines.

Lower U.S. corn sales, largely the result of increased competition from Chinese corn and weaker Asian demand, account for 60 percent of the overall sales loss to Korea and 40 percent of the sales loss to ASEAN. Sales losses are occurring in almost every group with especially large declines in major exports like hides and skins, soybeans, cotton, animal feeds, soybean meal, meats, fruits and vegetables, and hardwood lumber.

Perhaps the clearest sign of a direct impact on U.S. trade is the decline in U.S. consumer food exports to the region. Having risen on



average 16 percent each year to Korea and the ASEAN nations since 1993, this category is now suffering its first decline in a decade. So far this year, U.S. consumer food exports to Korea and ASEAN are down 23 percent and 12 percent, respectively.

In news on Japan, U.S. agricultural exports to that market are off 8 percent during the first 4 months of fiscal 1998. Sales declines are broad-based with especially large losses recorded for corn, rice, tobacco, hides and skins, and fresh fruit. The situation is even worse for U.S. fish and forest products, sales of which are down 32 percent and 48 percent, respectively. On the positive side, sales have risen for wheat, feeds and fodders, and red meats.

In other news, U.S. agricultural exports to Canada, Mexico, and other Latin American countries are up 10 percent, 12 percent, and 19 percent, respectively. Accounting for 30 percent (\$16.5 billion) of total U.S. agricultural exports last year, 1998 sales are already \$650 million ahead of the same 4-month period last year. Consumer food sales are driving most of the export growth to Canada and Mexico, and record U.S. soybean exports account for most of the sales growth to South America. U.S. fish and forest product exports are also expanding rapidly to these markets in 1998.

Attachments

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