

Fiscal Year Trade Forecasts for Ag, Fishery & Solid Wood Products

Initial Public FY 2008 Forecast

AgExports rise \$4.5 billion to record \$83.5 billion

AgImports rise \$4.5 billion to record \$75.0 billion

AgSurplus remains at \$8.5 billion

Changes in FY 2007 Forecast since May

AgExports increased \$1.5 billion to record \$79.0 billion

*Includes summaries on all ag groups except tobacco, planting seeds, and sugar & tropical products. Forecasts for fishery and solid wood products are unofficial.

USDA's "Outlook for U.S. Agricultural Trade"

Was released on August 31, 2007, 4pm EST

Slides prepared by OGA/FAS

U.S. Agricultural Trade

Record export values forecast for all major commodity groups in 2008. Bulk commodity unit values continue rising, and export volume rises for nearly every group except oilseeds. Import growth slows slightly.

Trade Value (\$Billion)



Key Revisions in FY 2007 Export Forecasts Since May

Grains  \$400 million to \$23.0 billion **record**

- (-) corn / volume lowered 2 mmt on more competition from Argentina/Brazil
- (+) wheat / higher vol & unit value – less comp. from Canada/EU; tighter supply

Oilseeds  \$500 million to \$13.1 billion **record**

- (+) soybeans / higher vol (**record**) & unit value – strong demand from China/EU

Cotton  \$400 million to \$4.3 billion

- (+) 200,000 tons to 3.2 mil tons due less competition from India; unit value higher

Livestock/Poultry/Dairy Products  \$500 mil to \$15.3 bil **record**

- (+) dairy products up \$380 million to **record** \$2.3 billion on (+) vol & world prices

Commodity Developments, 2007 to 2008

Grains & Feeds \$1.3 billion to \$24.3 billion record

- (+) \$800 mil. cgrains on higher prices/vol – record corn crop & reduced comp.
- (+) \$195 mil. wheat on higher prices/vol – tight global supply & reduced comp.
- (+) \$170 mil. rice on higher prices/vol – smaller US crop

Cotton \$1.2 billion to \$5.5 billion record

- higher vol due to largest carry-over stocks in 40 yrs & strong demand (China)
- unit values higher due to tighter global stocks – limited production growth

Horticultural Products \$800 million to \$18.6 billion record

- strong global demand and weak US dollar support growth

Oilseeds & Products \$640 million to \$13.7 billion record

- (+) unit values – strong domestic & foreign demand (feed, ethanol, biodiesel)
- (-) 2.1 mmt soybean export volume due to smaller crop

Livestock/Poultry/Dairy Products \$350 mil to 15.6 billion record

- (+) \$400 million for beef to \$2.2 bil. due to 110,000-ton increase (Japan/SKorea)
- pork remains at 1 mmt (\$2.6 billion); no significant chgs for broilers & dairy

Export Outlook for Grain & Feed Products

Revised FY 2007 Forecast:  \$400 Million to \$23 Billion

Initial FY 2008 Projection: \$24.3 Billion

Revised FY 2007 Forecast

Key Developments

- Wheat vol & unit prices rise – less Canada/EU comp. & tighter supply
- Corn vol down w/ increased comp.

Initial FY 2008 Projection

Upside Developments

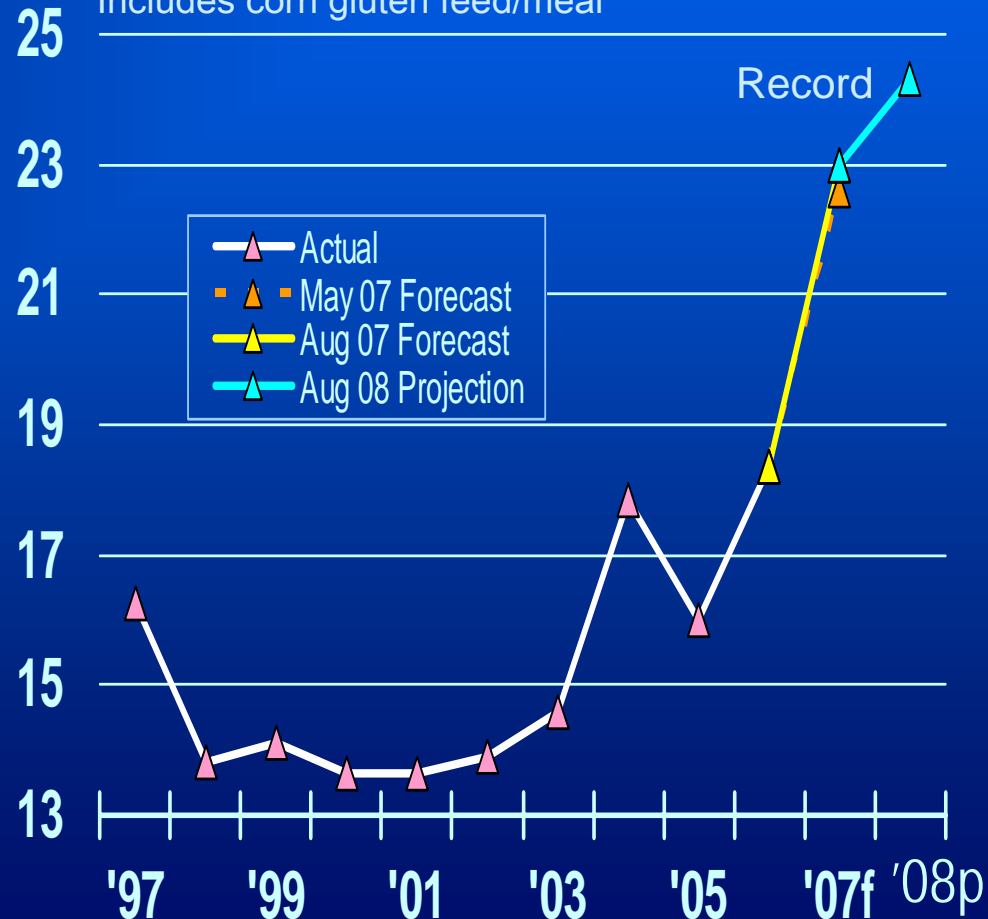
- Larger export vols (esp corn) & higher unit values (tight world supply)
- Record US corn crop, reduced comp. & strong foreign demand boost corn 1.5 mmt & \$600 mil.
- Wheat vol up +500,000 mt & prices rise – HRW & HRS benefit from tight global high-protein wheat supply

Wild Cards

- High prices & competition could slow corn & wheat shipments
- US & foreign 2007/08 crop size

Export Value (\$Bil)

Includes corn gluten feed/meal



Export Outlook for Oilseeds & Products

Revised FY 2007 Forecast:  \$500 Million to \$13.1 Billion
Initial FY 2008 Projection: \$13.7 Billion

Revised FY 2007 Forecast

Key Developments

- (+) volume to China/EU & (+) unit values boost soybean export volume & value to new records

Initial FY 2008 Projection

Upside Developments

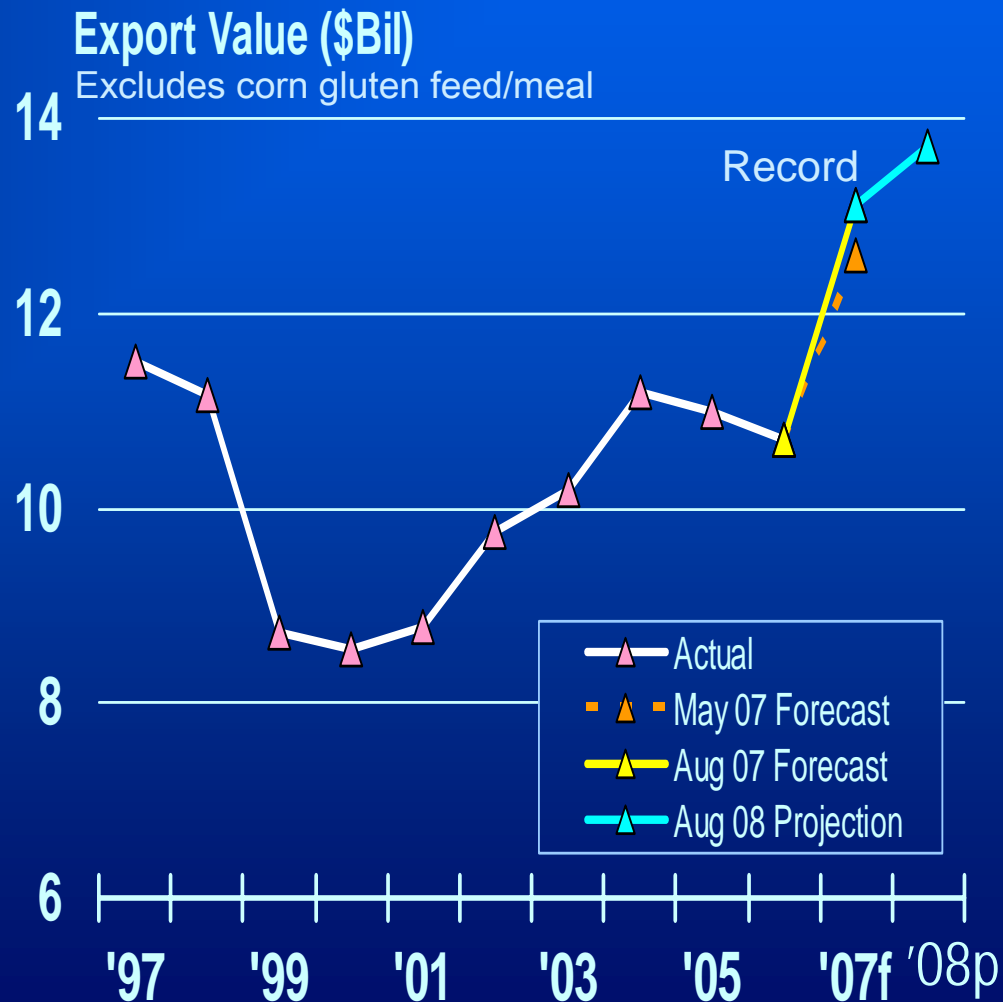
- Demand from China and EU biodiesel mkt keep oil mkts tight & soybean & product prices high
- Large carry-in stocks help offset lower US soybean production

Downside Developments

- Smaller soybean crop & strong domestic demand limit export vol

Wild Cards

- US & SAmerica 2007/08 crops
- Impact of higher prices on China soybean demand



Export Outlook for Cotton

Revised FY 2007 Forecast:  \$400 Million to \$4.3 Billion
Initial FY 2008 Projection: \$5.5 Billion

Revised FY 2007 Forecast

Key Developments

- (+) unit value & vol; less comp. (India) & solid demand (Turkey)

Initial FY 2008 Projection

Upside Developments

- Export vol +400,000 mt to 3.6 mmt largest carry-over stocks in 40 yrs help capture early season demand
- Higher unit value – foreign production growth not expected to match China demand growth
- Most export vol gain due to China

Downside Developments

- Continued competition from India

Wild Cards

- US & foreign crop size
- Increasing uncertainty over China's production estimates



Export Outlook for Dairy, Livestock & Poultry

Revised FY 2007 Forecast:  \$500 Million to \$15.3 Billion

Initial FY 2008 Projection: \$15.6 Billion

Revised FY 2007 Forecast

Key Developments

- Dairy jumps to record \$2.3 bil – strong vol gains for cheese and by-products; higher global prices
- (-) pork export vol – sales to Mexico slow due to less disposable income; Brazil regains pre-FMD dominance in Russian market

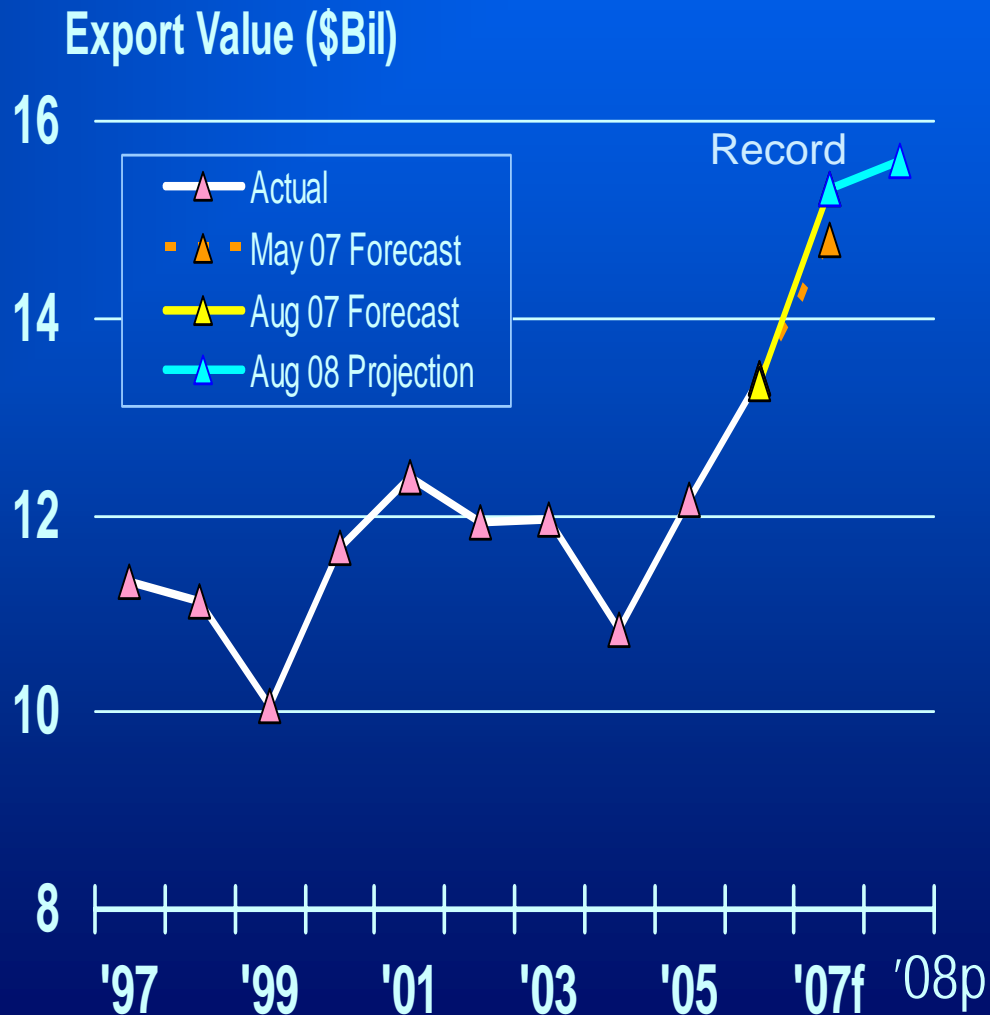
Initial FY 2008 Projection

Upside Developments

- Beef up 110,000 mt & \$400 mil; broiler export vol up on lower prices due to US production increase

Wild Cards

- Progress in normalizing Asia beef trade disrupted by BSE bans
- Ractopamine ban on pork plants eligible to export to China



Export Outlook for Horticultural Products

Revised FY 2007 Forecast:  \$200 million to \$17.8 Billion
Initial FY 2008 Projection: \$18.6 Billion

Revised FY 2007 Forecast

Key Developments

- Fresh/processed fruit & veg exports raised on higher volumes & unit values
- Tree nut exports lowered – large US almond crop lowers prices, and almond export volume lower to EU
- Slower wine sales growth to EU

Initial FY 2008 Projection

Upside Developments

- “Misc.” products like essential oils and food preparations continue to fuel most of the export growth

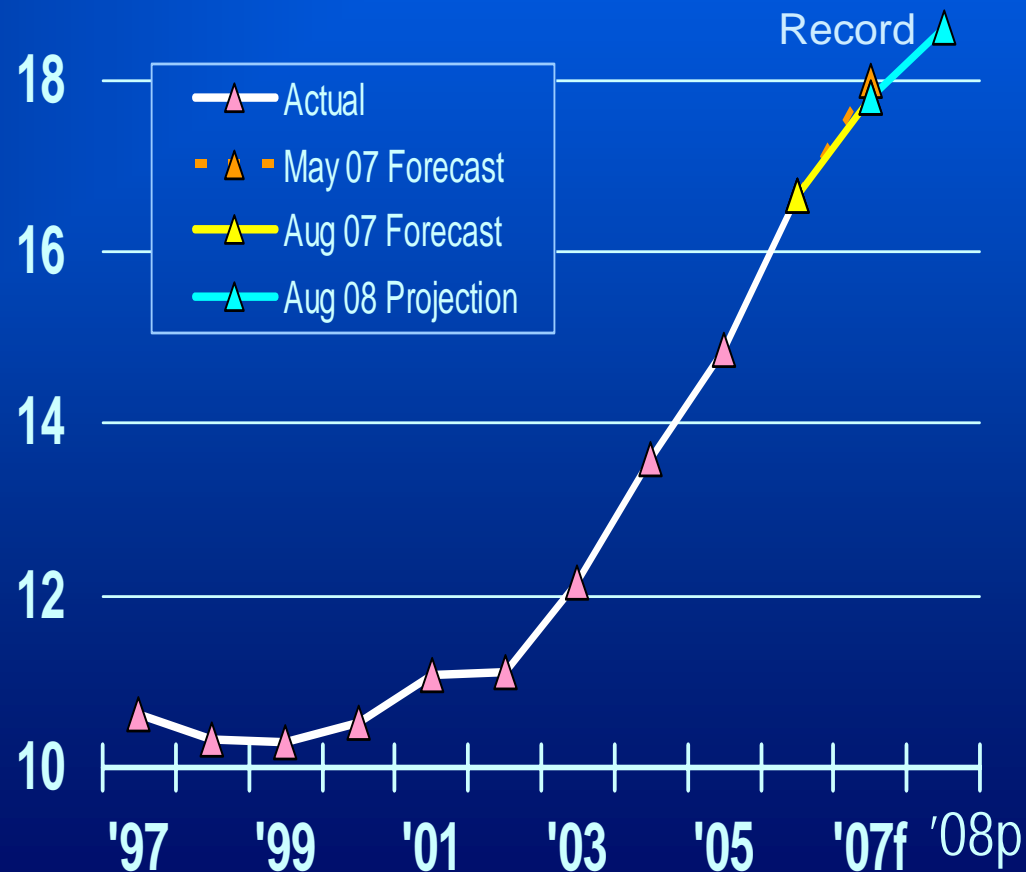
Downside Developments

- Tree nuts unchanged at \$2.9 bil. as record almond crop lowers price

Wild Cards

- Weather & US crop sizes

Export Value (\$Bil)



Export Outlook for Fishery Products

Revised FY 2007 Forecast:  \$200 Million to \$4.0 Billion

Initial FY 2008 Projection: \$4.1 Billion

Revised FY 2007 Forecast

Key Developments

- Export vol & unit value of squid, surimi and some other fishery products are down
- Very large sockeye salmon catch; salmon exports may increase because of disease problems with salmon from Chile & Norway

Initial FY 2008 Projection

Upside Developments

- US exports to Europe rise on strong demand

Downside Developments

- None

Wild Cards

- Size of U.S. harvests of lobster, salmon, pollock and other species

Export Value (\$Bil)



Export Outlook for Solid Wood Products

Revised FY 2007 Forecast: Unchanged at \$6.5 Billion

Initial FY 2008 Projection: \$6.6 Billion

Revised FY 2007 Forecast

Key Developments

- Japan's demand for US softwood is rebounding

Initial FY 2008 Projection

Upside Developments

- Continued strong demand for hardwood logs/veneer & softwood lumber from Europe & China

Downside Developments

- Exports to Canada and Mexico expected to decrease slightly largely due to hardwood lumber
- Weakness in US housing market continues to dampen US solid wood exports to Canada

Wild Cards

- None



A Word (or Two) on Imports ...

AgImports Continue Nearly Four Decades of Expansion . . .

Long-term demand drivers for food imports

- ❑ changing consumer preferences (variety, luxury, healthful, ethnic)
- ❑ population growth – 2.7 million more consumers every year since 1980
- ❑ high disposable incomes which are growing rapidly for some segments

Key products driving most of the increase in FY 2008

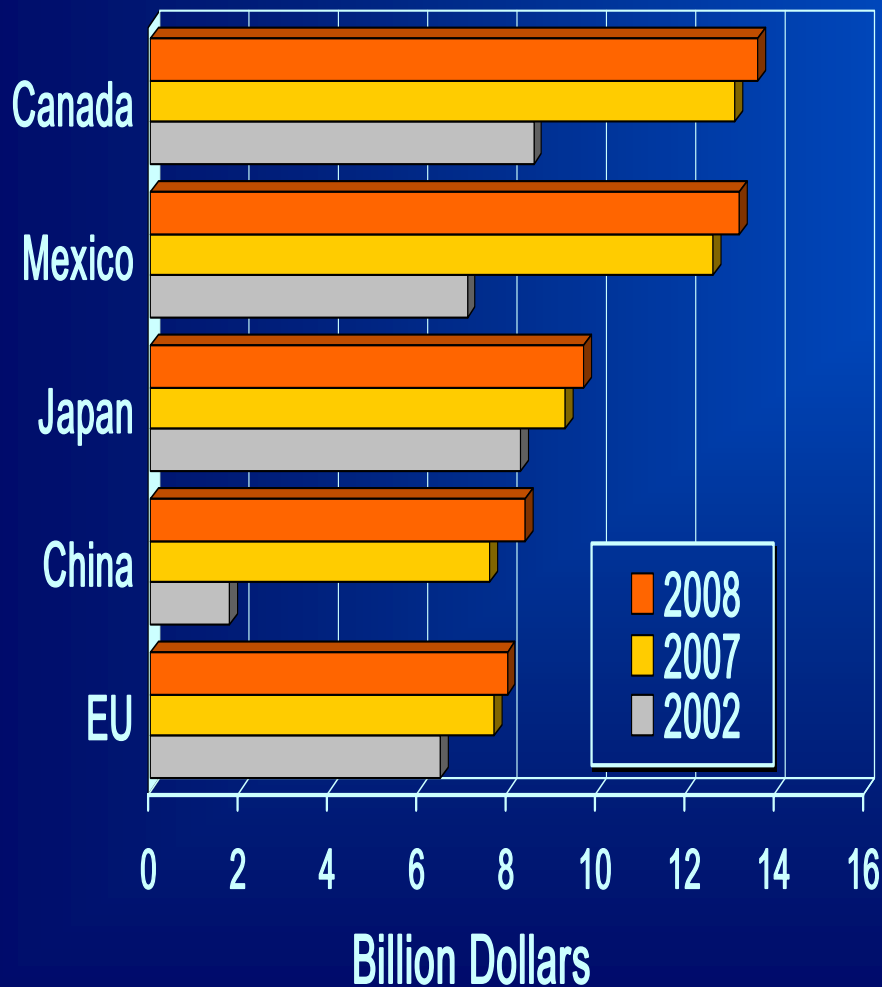
- ❑ import growth rate slows to pre-2003 level reflecting a weak dollar and negative impacts of higher fuel prices and the housing market slump
- ❑ continuing a well established trend: horticultural products account for 60% of increase with fruits, wine and beer driving much of the growth in this category
- ❑ not typical of long-run trends: coffee/tropical products continue strong gains & bulk grain import value is up on sharply higher unit value and some vol increase

Import values for product groups driving most long-term growth

- ❑ horticultural products \$35.4 billion, of which fresh/process f&v \$17.9 billion, wine & beer \$9 billion, essential oils 2.5 billion, tree nuts \$1.2 billion
- ❑ snack foods \$5.2 billion, beef & pork \$4.7 billion, vegoils \$3 billion, dairy \$2.6 bil

Top Ag Markets and Ag Suppliers

Top Ag Markets...



Top Ag Suppliers...

