

Fiscal Year Trade Forecasts for Agricultural Products

Changes in 2008 Forecast Since May

AgExports rise \$5.5 billion to record \$114.0 billion

AgImports rise \$500 million to record \$79.0 billion

AgSurplus reaches record \$35.0 billion

Initial 2009 Forecast

AgExports set at \$113.0 billion

AgImports reach record \$83.0 billion

AgSurplus drops to \$30.0 billion

Summaries on all groups except tobacco, planting seeds, and sugar & tropical products

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

Released on August 28, 2008, 4pm EST

Slides prepared by Office of Global Analysis/FAS

U.S. Agricultural Trade

In 2008, bulk grains & oilseeds account for half of the \$32-billion export gain, animal & horticultural products account for most of the rest. In 2009, reduced grain sales nearly offset by gains for all other product groups. Import growth slows.

Trade Value (\$Billion)



Final Forecast for FY 2008 AgExports

Increased \$5.5 Billion Since May to Record \$114 Billion Exports Surging an Amazing \$32 Billion or 39% in 1 Year!

Wheat, Soybeans & Meats Account for Largest Revisions Since May

- wheat + \$1.3 bil supported by 1.7 mmt increase & higher prices – stronger global demand, esp. from North Africa
- soybeans + \$1.2 bil supported by 1.5 mmt increase & higher prices – stronger late-season sales (mostly China) and record prices; soybean products add \$600 mil.
- animal products jump \$1.4 billion supported by further increases for pork and dairy

US Exports to Top 5 Markets (\$ bils) – China moves up to #4

#1 Canada \$16.1 #2 Mexico \$15.2 #3 Japan \$12.6 #4 China \$12.3 #5 EU \$10.8

Headed Toward Closing Out An Amazing Year!

- large US supplies, strong foreign demand, reduced grain competition, weak dollar, link to energy markets, some foreign governments move to restrict grain trade
- all major groups post large gains and reach record export values – agexports jump \$32 billion over 2007, or 2.5 times the gain of 2007's record increase
- bulk at record 139.3 mmt, up 14.5 mmt from 2008 and 2.9 mmt over 1980 record
- higher prices drive export increase, but widespread volume gains also important
- exports and high prices support record farm equity and net farm income

Headed Toward Closing Out An Amazing Year

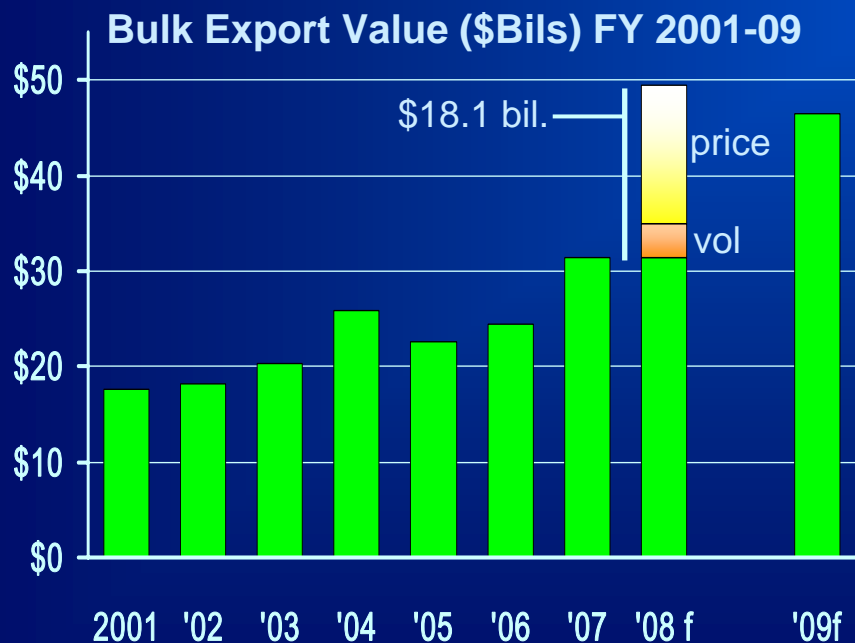
Higher Prices Drive Most of The Expected \$32-Billion Increase in 2008, But Widespread Volume Gains Also Important

Bulk products rise \$18.1 billion, accounting for 56% of \$32-billion gain

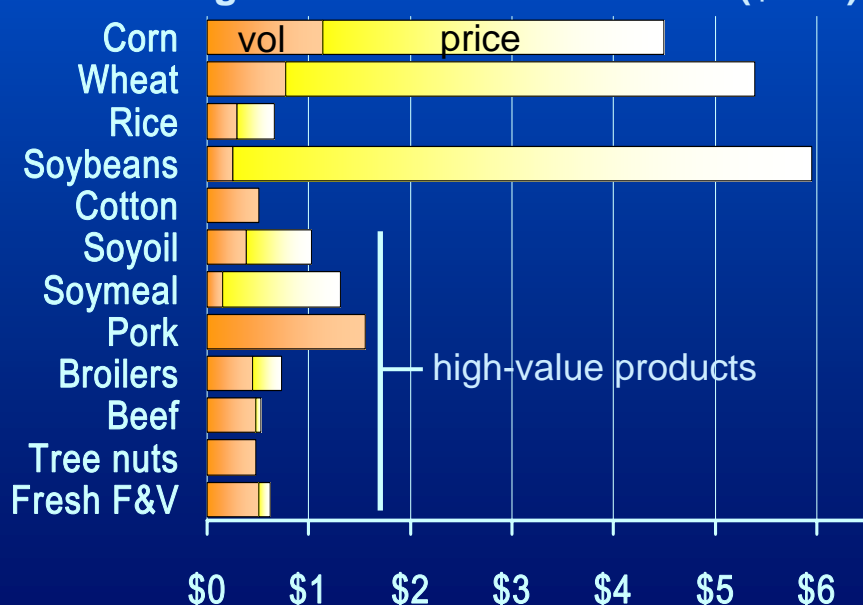
Increased volumes account for 20% of value gain (80% price). Soybeans 4% of \$5.9 bil., wheat 14% of \$5.4 bil., corn 25% of \$4.5 bil., rice 46% of \$660 mil., cotton 100% of \$510 mil

High-value products rise \$14 billion, accounting for 43% of \$32-billion gain

Volume increases more significant: pork 100% of \$1.6 bil., broilers 61% of \$730 mil., beef 91% of \$530 mil., dairy mixed. Horticultural products mixed, but tree nuts 100% of \$475 mil., fresh fruit & vegs 82% of \$625 mil.



**Export Value Gains by Product, FY 2007/08
Value Chgs Due to Volume vs. Price (\$Bils)**



Commodity Developments, FY 2008 to 2009

AgExports Forecast to Fall \$1 Billion to \$113 billion

Grains & Feeds \$4.8 billion to \$32.2 billion

- wheat down \$3.6 bil. due to (-) 5.7 mmt & (-) 15% price – increased competition
- corn down \$670 mil. as (-) 11 mmt offsets some (+) price – increased competition from abundant feed-quality wheat; sorghum shipments down 3 mmt
- rice up \$300 million due to (+) avg. price – some export restrictions remain

Horticultural Products \$2 billion to record \$22.7 billion

- less favorable foreign economic growth conditions slow export growth rate
- fresh & proc. fruits/vegs up \$1.2 bil.; tree nuts up \$300 mil., record almond crop

Cotton \$1.1 billion to record \$5.9 billion

- up \$1.1 bil. due to (+) 300,000 mt & (+) price – large supply & less competition

Animal Products \$500 million to record \$22.4 billion

- pork up \$380 mil. & beef up \$300 mil. mostly on (+) volumes – competitive prices expand sales to traditional markets; dairy down \$400 mil. – lower US supply/prices

Oilseeds and Products \$300 million to record \$23 billion

- soybeans up \$600 mil. as (+) 19% price offsets (-) 4 mmt – smaller US supply, tight markets & strong demand support price; similar for soybean meal and oil

Export Outlook for Grain & Feed Products

Revised FY 2008 Forecast:  \$1.7 Billion to \$37 Billion

Initial FY 2009 Projection: \$32.2 Billion

Revised 2008 Forecast

Key Developments

- Wheat up 1.7 mmt & \$1.3 bil – volume & unit value rise on increased North African demand
- Corn unit value rises, vol falls – increased competition

Initial 2009 Forecast

Key Developments

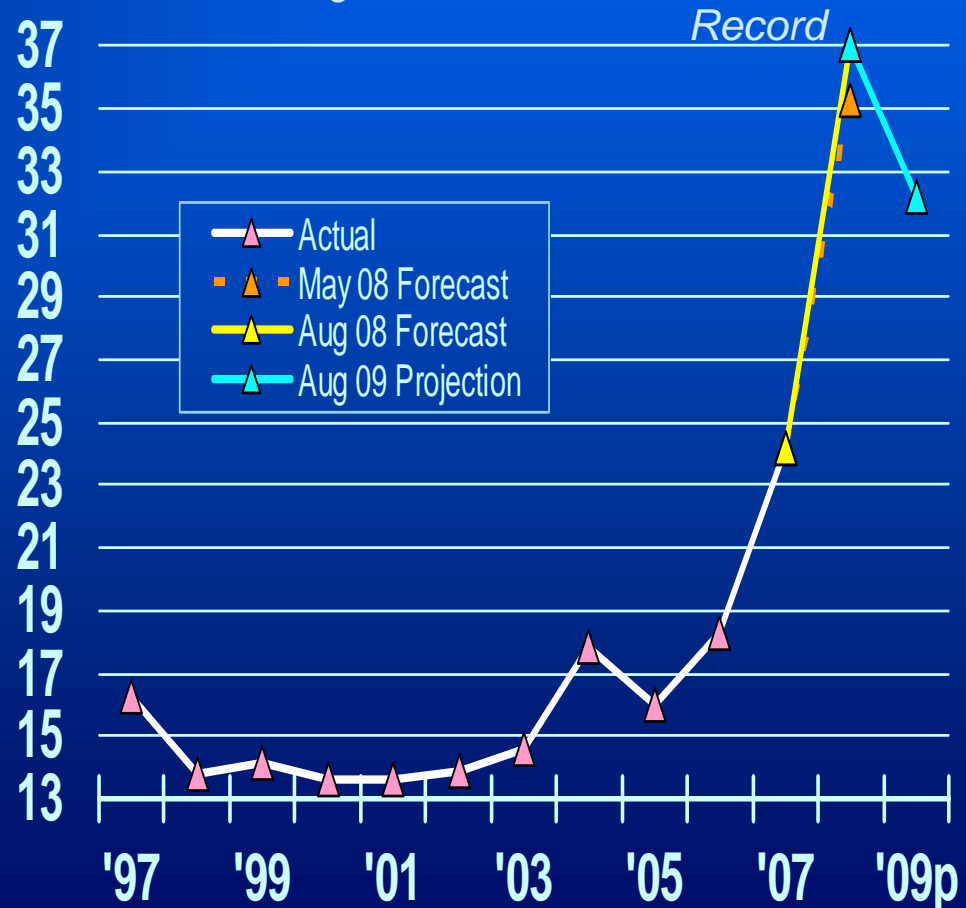
- Wheat down \$3.6 bil on 5.7 mmt drop & lower prices – foreign crops recover increasing competition from EU, Black Sea & Australia; markets remain tight
- Coarse grains down 14.7 mmt – increased foreign exportable supplies of feed-quality wheat, corn and barley
- Second largest US corn crop supports ethanol production and exports

Wild Cards

- Australia wheat crop; US, Argentina, and Brazil corn crops

Export Value (\$Bil)

Includes corn gluten feed/meal



Export Outlook for Oilseeds & Products

Revised FY 2008 Forecast:  \$2.0 Billion to \$22.7 Billion
Initial FY 2009 Projection: \$23 Billion

Revised 2008 Forecast

Key Developments

- Soybeans up 1.5 mmt & \$1.2 bil – strong demand, mostly China; meal and oil volumes & values higher
- Continued high prices boost value

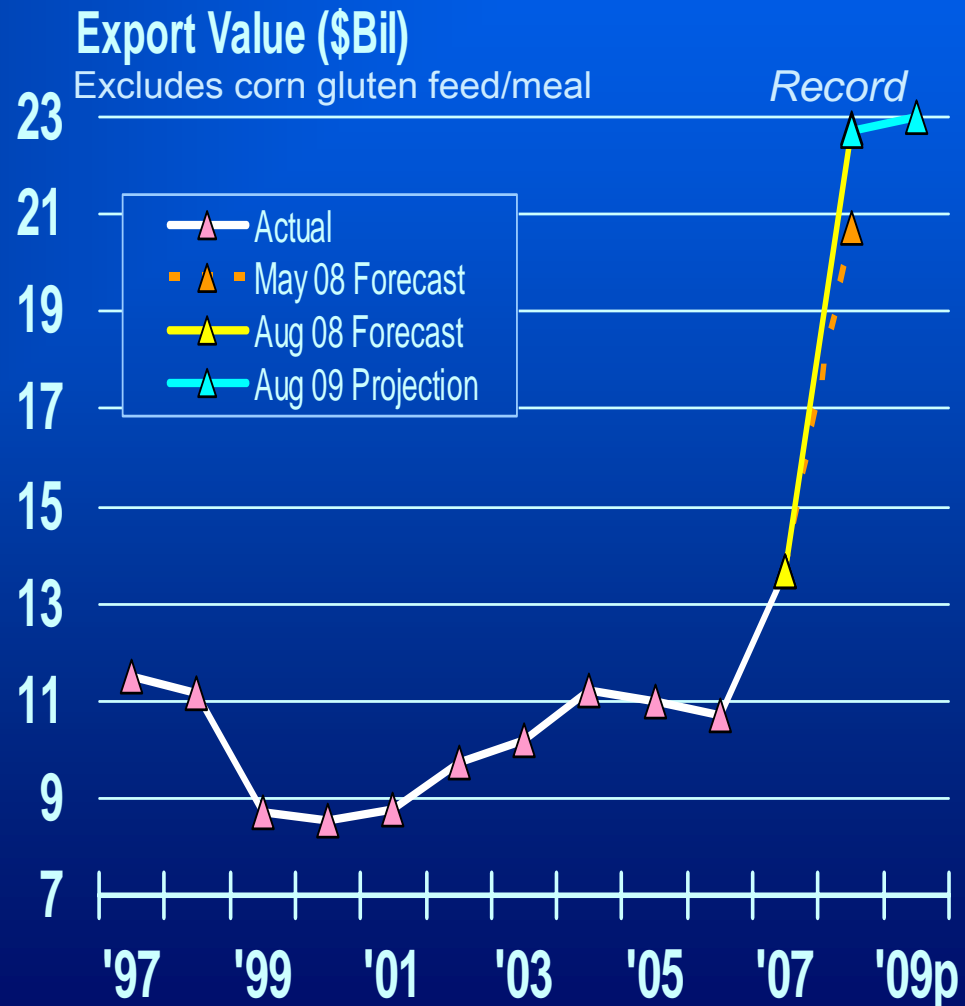
Initial 2009 Forecast

Key Developments

- Soybeans fall 4 mmt on reduced US soybean supply; strong demand limits stock growth while raising unit values boost total export value \$600 million
- Demand for soybean meal & oil to keep export volumes near FY '08 level

Wild Cards

- Impact of higher grain & other oilseed production on soy product demand
- Prices remain volatile & sensitive to US production changes
- Soybean acreage expansion in Brazil



Export Outlook for Cotton

Revised FY 2008 Forecast:  \$300 million at \$4.8 Billion
Initial FY 2009 Projection: \$5.9 Billion

Revised 2008 Forecast

Key Developments

- Export value lowered mostly due to 100,000 ton reduction – softening consumption, weaker import demand
- Tighter market keeps prices firm

Initial 2009 Forecast

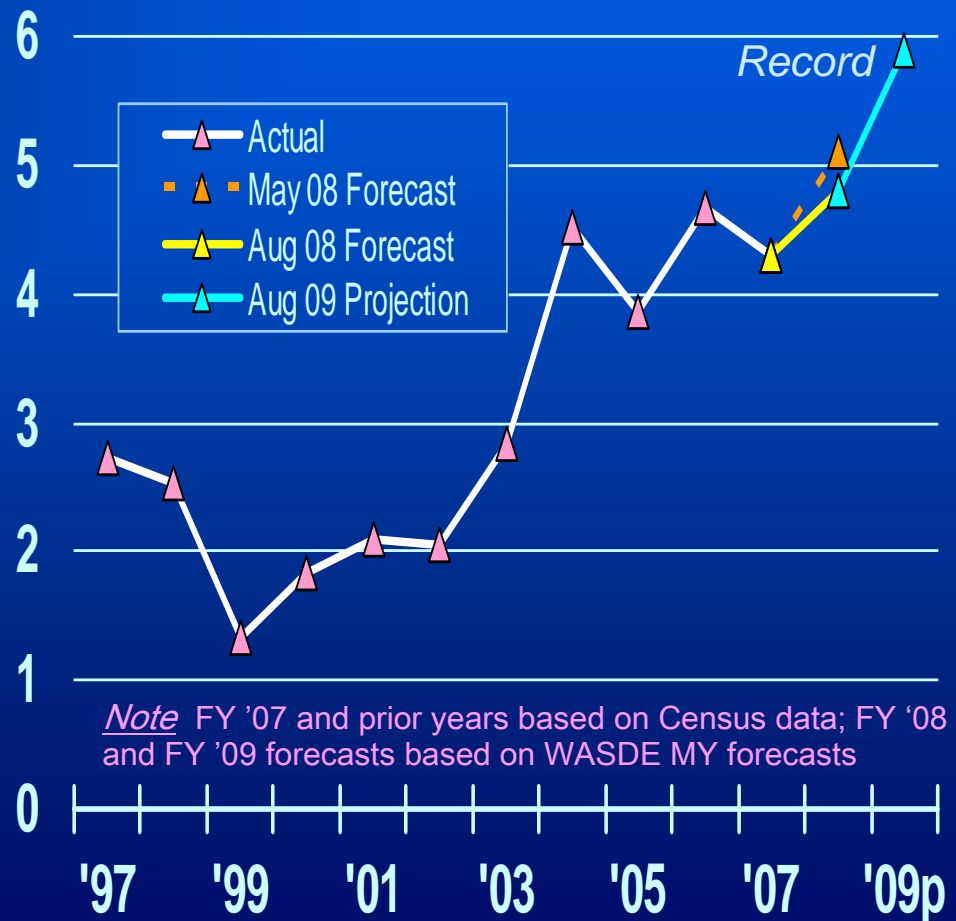
Key Developments

- Cotton up 300,000 tons – large US stocks relative to competitors will favor US exports
- Continued decline in global production due to competition for acreage will further tighten stocks and boost prices

Wild Cards

- US/foreign crops; increased price volatility; China's demand

Export Value (\$Bil)



Export Outlook for Dairy, Livestock & Poultry

Revised FY 2008 Forecast:  \$1.4 Billion to \$21.9 Billion

Initial FY 2009 Projection: \$22.4 Billion

Revised 2008 Forecast

Key Developments

- Pork + \$700 mil. to record \$4.2 bil. – strong demand from China
- Dairy + \$300 mil., broilers + \$275 mil., beef + \$130 mil. – strong demand from many markets
- Higher volumes, not prices, drive value increases for meats

Initial 2009 Forecast

Key Developments

- Pork up \$380 mil to record \$4.6 bil. & beef up \$300 mil. to \$2.7 bil. – mainly vol gains
- Dairy exports down \$400 mil as prices moderate, competition rises, and US milk expansion slows

Wild Cards

- Increased price volatility; beef shipments to Korea



Export Outlook for Horticultural Products

Revised FY 2008 Forecast:  \$200 Million to \$20.7 Billion
Initial FY 2009 Projection: \$22.7 Billion

Revised 2008 Forecast

Key Developments

- Fresh & processed fruits & veg exports raised on sales to Canada

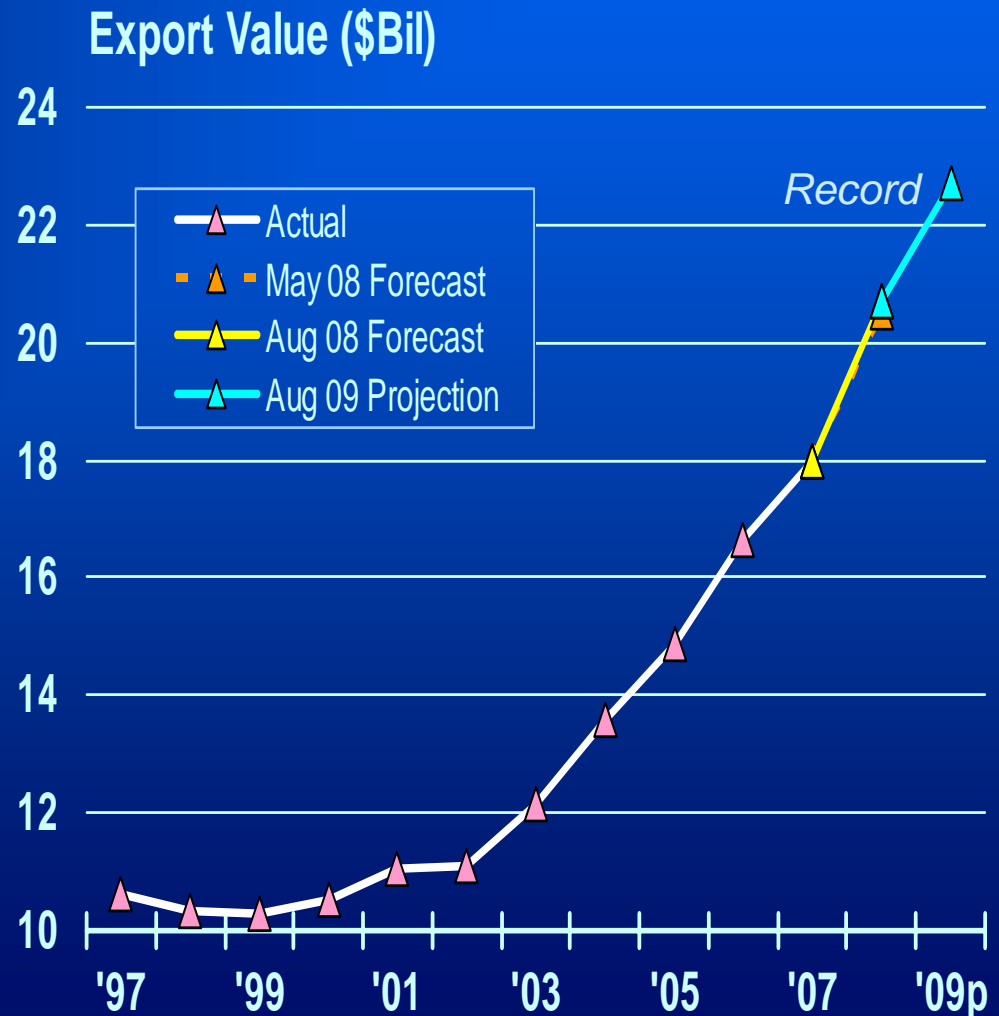
Initial 2009 Forecast

Key Developments

- Fresh fruits & vegs up \$600 mil. on higher vol & price – Canada, Mexico and Japan are key
- Processed fruit & vegs up \$600 mil. on higher vol & price – potato and tomato product sales accelerate despite EU/China competition
- Record almond harvest and exports anticipated – higher vol offsets lower prices

Wild Cards

- Assume good weather & crop sizes
- Will pace of sales growth to Canada continue?



AgImports

Continue Four Decades of Expansion

Demand & supply factors at work in a relatively open market

- Demand: consumer preferences (variety, luxury, ethnic foods); high disposable income; population growth near 3 million/year
- Supply: capital flows build foreign capacity; technology transfer; global supply chains; lower wages favor foreign suppliers of labor-intensive crops

FY 2009 import values for products driving most long-term growth

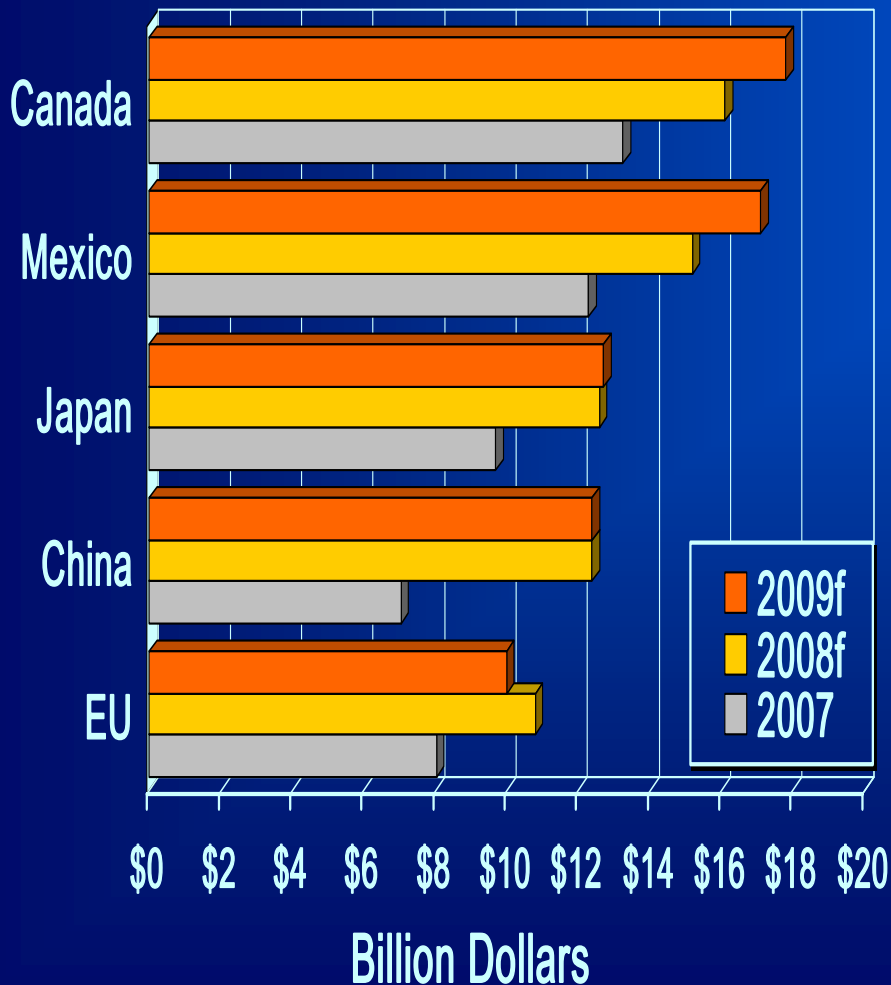
- Horticultural products \$36.3 billion (fruit & vegs \$18.4 bil, wine & beer \$8.7 bil)
- Snack foods \$5.5 bil, beef & pork \$4.2 bil, vegeils \$4.8 bil, dairy products \$3.1 bil

Key observations for FY 2009 – imports up \$4 bil to record \$83 bil.

- Import growth rate slows to lowest in years: (1) weaker US economy due to housing-market bust & credit crunch; consumer spending squeezed by higher food & energy prices; (2) \$4.7 bil. jump for grains & oilseeds in 2008 will not repeat
- Horticultural products (+) \$1.8 bil., accounting nearly half of total gain
- Tropical products (+) \$1.2 bil as natural rubber, coffee & cocoa continue to grow above trend with high prices and volume gains

Top Ag Markets and Ag Suppliers

Top Ag Markets...



Top Ag Suppliers...

