



## FCA Focus on Growing Globalization of Agriculture

FCA Board Member Ann Jorgensen visited with U.S. Secretary of State Madeleine Albright November 29 in Cedar Rapids, Iowa where the Secretary was meeting with a group of farmers to discuss agriculture and trade. Albright was in Iowa during a brief stop on her way to Seattle for the World Trade Organization talks.

"I told Secretary Albright that although everyone recognizes exports are important to agriculture, we can't overemphasize the growing globalization of agriculture and just how vital the export market is to the economic future of America's farmers and ranchers," said Jorgensen. Following the meeting, Jorgensen said it was "most encouraging" that the Clinton administration, U.S. Trade Representative Charlene Barshefsky and Secretary Albright are all focused on agriculture.

FCA staff also recently analyzed the trends in U.S. agricultural exports to determine the extent of their importance to farmers and ranchers. Tom McKenzie, FCA's Director of the Office of Policy and Analysis, said research conducted by his staff not only shows the importance of exports to the U.S. agricultural economy, but also identifies the states that are most exposed to the trends in agricultural exports.

"Our research shows that during the past 40 years, there has been a 98 percent correlation when comparing the trends of agricultural exports with the trends of farm receipts," said McKenzie. He noted exports peaked



*FCA Board Member Ann Jorgensen (left) discusses the importance of agricultural exports with U.S. Secretary of State Madeleine Albright. (photo courtesy of the Iowa Farm Bureau Federation)*

at \$60 billion in 1996 but declined to an estimated \$49 billion for 1999. Illinois ranked number 1 (40%) in the percentage of agricultural exports compared to total cash receipts.

"Illinois was not a surprise," said McKenzie, "but Louisiana (35%) ranked number 3, and that surprised us." He noted that California and Iowa, which rank number 1 and 2 in total agriculture cash receipts, did not make the top five when comparing agricultural exports to cash receipts. California (31%) ranked number 8 while Iowa (32%) came in at number 7 in terms of exports as a

share of cash receipts. (See chart on page 2 showing the top 10 states.)

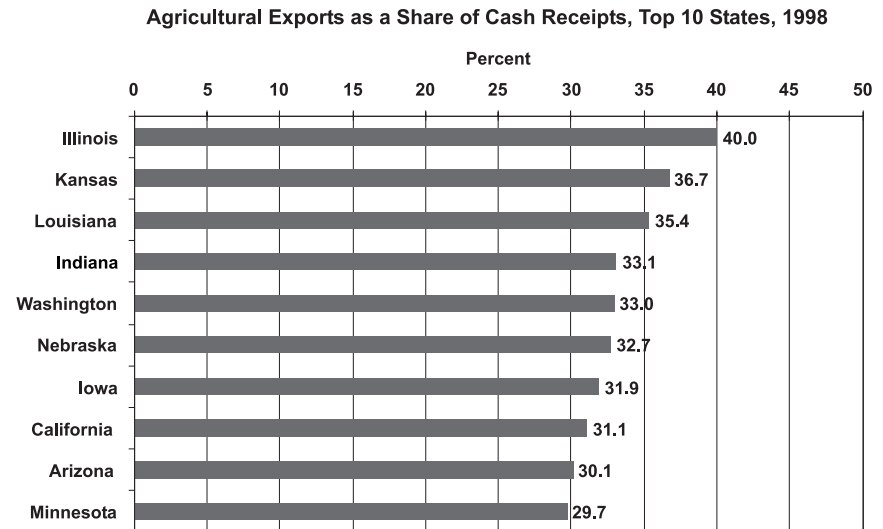
Nationally, 28 percent of cash receipts stemmed from exports in 1998, up from 20 percent in the 1970s. The dependence on foreign markets, however, varies considerably by commodity. During the 1990s, the U.S. exported large shares of its crops – wheat (50%), rice (45%), cotton (40%), soybeans (33%), and corn (21%). The U.S. also exported increasing shares of its livestock production – sheepmeat (13%), poultry (12%), beef (7%), and pork (4%).

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## Globalization of Agriculture (continued from page 1)

“We are providing this information to Farm Credit System (FCS) institutions to help them better appreciate the vulnerability to international developments of the geographic regions they are serving,” said McKenzie. “This information will also help us identify for examiners where the most potential risk may be in FCS institutions,” he added.

Recently, the FCA Board has been increasing its attention to the growing globalization of agriculture and to world trade issues. As reported in the August 1999 issue of the *Newsline*, FCA Board Chairman Marsha Pyle Martin addressed several hundred prospective buyers of U.S. wheat from Southeast Asia at a conference last summer in Singapore. She discussed agricultural policy issues that could affect U.S. agricultural trade. In November, Tom McKenzie represented Chairman Martin at the World Congress on Agricultural Credit in Florence, Italy, where he moderated a round table discussion on “The Future of Financial and Agricultural Systems in Non-European Countries.” The Congress was sponsored by the International Confederation on Agricultural Credit (CICA), which is headquartered in Zurich, Switzerland.



Source: Calculated from USDA data.

Many issues were discussed at the conference including the implementation of the euro and its challenge to the dollar as the dominant currency. On January 1, 1999, the euro became the single currency for 11 European Union states. Other issues discussed included competition in the financial sector, not just in Europe but throughout the world; removal of trade barriers and the effects of increasing competition; and the increased emphasis on customer service on a global scale.

McKenzie emphasized that we must stay in touch globally so that our policy makers have the information they need about the growing

effects of globalization on agriculture. He referred to a statement made by Dr. Neil Harl, a noted economist at Iowa State University, who spoke at FCA last month. Dr. Harl said, “We may produce locally but we market, and therefore, must think globally.”

Knowing the events taking place in agriculture’s foreign markets can help us set priorities for our policy and risk analysis agenda, said McKenzie. “It’s important that our policy makers are fully apprised of the effects that can be expected from the total market before new FCA regulations or policies are implemented.”

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The Farm Credit Administration is the Federal agency responsible for the regulation and examination of the Farm Credit System, a nationwide network of cooperatively owned agricultural lending institutions and their service organizations.