

AgLetter



U.S. AGRICULTURAL EXPORTS

U.S. agricultural exports retreated in both value and tonnage terms during the fiscal year that ended September 1997. The value of U.S. agricultural exports declined to \$57.3 billion, down 4 percent from the year before but still the second highest on record. In terms of volume, some 147.3 million metric tons of agricultural products were exported in fiscal 1997, down 7 percent from the year before. Despite mounting problems in many Asian countries, USDA projections suggest that agricultural exports in the current fiscal year will edge higher. For Midwest crop farmers, however, the pattern so far has been mixed. Soybean exports are off to another strong start while corn shipments remain sluggish.

Last year's decline in agricultural exports was mostly concentrated among bulk commodities. After rising sharply to a cyclical high the year before, the value of bulk agricultural commodities exported in fiscal 1997 fell 16 percent to \$24.1 billion. The most pronounced declines were for wheat (40 percent) and corn (27 percent), reflecting lower per unit prices as well as deep cuts in the tonnage of those grains shipped abroad. For Midwest farmers, these adverse trends were partially offset by another strong rise (10 percent) in soybean exports.

Exports of both intermediate and consumer-oriented agricultural products registered further gains to set new highs in fiscal 1997. But the implications were somewhat mixed for those types of products most prevalent in the Midwest. A strong world demand for oilseeds and products, along with limited supplies elsewhere, propelled soybean meal exports to a new high in fiscal 1997 (up 34 percent). Soybean oil exports also rebounded sharply (up 90 percent) but failed to reach the high of two years ago. Conversely, Midwest livestock producers mostly experienced a downturn in the foreign markets for the products they provide. The combined value of live animal and hide and skin exports in fiscal 1997 edged slightly (4 percent) higher. But the value of animal fat exports declined nearly a fifth while that for red meats was down 6 percent.

A regional breakdown of the destinations for U.S. agricultural exports shows declines to most areas other than the Western Hemisphere in fiscal 1997. The value of the

agricultural products shipped to Latin America edged nominally higher, due entirely to a slight rise in shipments to Mexico. The modest rise in shipments to Mexico reflected the balance from strong gains in value-added products which offset a large decline in bulk commodity shipments. The value of agricultural products shipped to Canada last year rose a tenth, reflecting comparable gains for bulk commodities (especially soybeans) and for valued-added products. The steepest cuts by destination were in shipments to the relatively small markets of Eastern Europe and Africa (down 24 percent). Elsewhere, a 2 percent decline for the European Union pulled the value of all shipments to Western Europe slightly lower for the year

Shipments to most all regions within Asia also registered declines in fiscal 1997. The only exception was Hong Kong, a market mostly for value-added products as opposed to bulk commodities. The value of agricultural goods sent to China declined 2 percent as grain shipments to that market

U.S. Agricultural Exports by Destination* (billion dollars)

| | 1990 | 1995 | 1996 | 1997 | Percent Change |
|---------------------|--------|--------|--------|--------|----------------|
| Western Europe | \$7.38 | \$8.67 | \$9.29 | \$9.40 | -1 |
| European Union | 7.10 | 8.31 | 8.93 | 8.78 | -2 |
| Eastern Europe | .47 | .28 | .40 | .30 | -24 |
| Former Soviet Union | 2.92 | 1.16 | 1.65 | 1.59 | -3 |
| Asia | 16.24 | 24.26 | 25.99 | 23.85 | -8 |
| Japan | 8.19 | 10.67 | 11.88 | 10.71 | -10 |
| China | .91 | 2.42 | 1.82 | 1.77 | -2 |
| Hong Kong | .69 | 1.44 | 1.53 | 1.64 | 7 |
| Taiwan | 1.82 | 2.56 | 2.93 | 2.59 | -12 |
| South Korea | 2.71 | 3.58 | 3.71 | 3.29 | -11 |
| Southeast Asia | 1.19 | 2.61 | 3.39 | 3.12 | -8 |
| South Asia | .73 | .98 | .73 | .73 | 0 |
| Middle East | 1.93 | 2.41 | 2.54 | 2.51 | -1 |
| Africa | 1.92 | 2.81 | 2.95 | 2.23 | -24 |
| North Africa | 1.43 | 1.97 | 2.07 | 1.46 | -30 |
| Latin America | 5.18 | 8.24 | 9.95 | 9.97 | 0 |
| Mexico | 2.67 | 3.74 | 5.02 | 5.08 | 1 |
| Canada | 3.74 | 5.91 | 6.00 | 6.62 | 10 |
| Oceania | .32 | .57 | .48 | .53 | 12 |
| Total** | 40.32 | 54.62 | 59.79 | 57.26 | -4 |

* For fiscal years ending with September.

**The total includes a small amount of unidentified transshipments.

Source: U.S. Department of Agriculture.

virtually dried up in fiscal 1997. However, the combined value of soybean and soybean meal and oil shipments to China soared more than three-fold and accounted for 44 percent of all agricultural products shipped to that destination. Cotton shipments, despite declining a tenth for the second consecutive year, accounted for another 36 percent of all agricultural products exported to China.

Shipments to other key Asian markets were down about a tenth last year. The decline for Japan reflected roughly comparable cuts for bulk commodities and value-added products. Red meat and poultry shipments to Japan were off about a fifth last year. A disease-plagued hog sector in Taiwan contributed to a large (20 percent) cut in bulk shipments to that country in fiscal 1997, more than counteracting the roughly 10 percent growth in value-added shipments. The downturn in shipments to South Korea reflected large cuts for grains and cotton which offset an 11 percent rise in the value of soybean and soybean products shipped to that market as well as an 8 percent rise for all other high-valued products. Indonesia, Malaysia, the Philippines, and Thailand represent four key markets in Southeast Asia that—like South Korea—have attracted increased attention in recent months because of eroding currency values and slow economic growth. Collectively, those four markets accounted for nearly 90 percent of the \$3.12 billion of agricultural products shipped to Southeast Asia in fiscal 1997. The value of bulk commodities exported to those four markets fell more than a fifth last year, despite substantial growth in soybean shipments. Conversely,

shipments of high-valued products increased more than a fifth despite the erosion in the value of their local currencies over the last half of the fiscal year.

The prospects for U.S. agricultural exports in the year ahead are clouded by the continuing currency devaluations and the sluggish economic growth in several key Asian markets and the uncertainty as to the extent to which new packages of financial and trade assistance to those markets will arrest the problems. In early December, the U.S. Department of Agriculture suggested the financial crises in Southeast Asia and in South Korea had trimmed this year's U.S. agricultural export prospects by \$500 million. Nevertheless, the USDA left its projection of the value of all U.S. agricultural exports for fiscal 1998 unchanged from an earlier (August) estimate as firming grain and soybean price prospects offset expectations of a smaller rebound in the volume of shipments.

The \$58.5 billion in U.S. agricultural exports projected by the USDA for fiscal 1998 implies an increase of \$1.2 billion (2 percent) from the year before. The projections for several bulk commodities assume lower prices than last year will more than offset a larger volume of shipments. Corn exports are projected to be up modestly in tonnage terms but unchanged in terms of value. Soybean exports are expected to record another sizable increase in tonnage but may decline slightly in terms of value. Among higher-valued products, the USDA is projecting modest gains for several items in fiscal 1998, including red meats, poultry and products, fruits and vegetables, and other horticultural products.

By destination, the USDA projections for fiscal 1998 point to stable to somewhat higher shipments to most areas other than Asia. A large share of the overall \$1.2 billion increase in agricultural exports projected for fiscal 1998 will apparently go to Mexico (\$700 million) and other Latin American countries (\$400 million). The latter partly reflects a large volume of soybean shipments to Brazil and Argentina to sustain processing plant activities in those normally exporting countries until domestic supplies are replenished by the forthcoming spring harvest. Projected trends for Asian markets vary. Small gains (totaling \$400 million) are anticipated for Japan, Hong Kong, and South Asia. But shipments to China, Taiwan, and Southeast Asia are forecast to be down by a combined \$600 million. Shipments to South Korea are forecast to hold close to last year's level.

The export focus of most Midwest farmers is on corn and soybeans. Developments so far in the 1997/98 crop marketing year* continue to reflect a strong pace for soybeans

U.S. Agricultural Exports by Type of Product*

(billion dollars)

| | 1994 | 1995 | 1996 | 1997 | Percent change |
|---------------------------------|-------|-------|-------|-------|----------------|
| Bulk commodities | 17.97 | 24.45 | 28.79 | 24.14 | -16 |
| Corn | 3.82 | 6.62 | 8.37 | 6.11 | -27 |
| Soybeans | 4.16 | 5.27 | 6.31 | 6.95 | 10 |
| Wheat | 4.03 | 4.96 | 6.89 | 4.12 | -40 |
| Cotton | 2.31 | 3.50 | 3.03 | 2.74 | -10 |
| Intermediate products | 9.57 | 11.46 | 10.96 | 12.32 | 13 |
| Soybean meal and oil | 1.45 | 1.89 | 1.58 | 2.26 | 43 |
| Feeds and fodders | 1.72 | 1.89 | 1.95 | 1.93 | -1 |
| Animal fats, hides, and skins | 1.96 | 2.53 | 2.29 | 2.19 | -4 |
| Consumer-oriented products | 16.32 | 18.72 | 20.05 | 20.79 | 4 |
| Red meats | 3.44 | 4.29 | 4.65 | 4.36 | -6 |
| Poultry meat | 1.42 | 1.89 | 2.38 | 2.50 | 5 |
| Fresh fruit & vegetables | 2.87 | 3.10 | 2.96 | 3.15 | 6 |
| Processed fruits & vegetables** | 2.18 | 2.53 | 2.58 | 2.74 | 6 |
| Snack foods | 1.10 | 1.06 | 1.14 | 1.25 | 10 |
| Tree nuts | 1.12 | 1.11 | 1.37 | 1.28 | -7 |
| Total | 43.86 | 54.62 | 59.79 | 57.26 | -4 |

*For fiscal years ending with September.

**Includes juices.

Source: U.S. Department of Agriculture

*The crop marketing year for corn and soybeans ends in August, one month sooner than the fiscal year export figures discussed above.

U.S. Corn and Soybean Exports by Destination*

| | Corn | | | Soybeans | | |
|-----------------------------------|-----------------|----------------|---|-----------------|----------------|---|
| | Actual 1996/97 | | Percent change in 1997/98 commitments** | Actual 1996/97 | | Percent change in 1997/98 commitments** |
| | Million bushels | Percent change | | Million bushels | Percent change | |
| Western Europe | 93 | -33 | -45 | 321 | -6 | 10 |
| East Europe & former Soviet Union | 24 | 189 | -95 | 4 | 54 | 7 |
| Africa | 159 | 2 | -25 | 6 | 1 | -43 |
| Western Hemisphere*** | 324 | -22 | -25 | 153 | 26 | 47 |
| Mexico | 113 | -48 | -24 | 115 | 17 | 5 |
| Brazil & Argentina | 0 | n.a. | n.a. | 8 | n.a. | 524 |
| Asia | 1,151 | -22 | -24 | 416 | 5 | -1 |
| Japan | 580 | -7 | -5 | 137 | -7 | -9 |
| China | 0 | -100 | 0 | 59 | 281 | 38 |
| Taiwan | 221 | -8 | -18 | 77 | -24 | -17 |
| South Korea | 206 | -37 | -63 | 54 | 8 | -8 |
| SE Asia-4**** | 50 | -51 | -74 | 69 | 8 | -11 |
| Other | 94 | -5 | -20 | 21 | 19 | 25 |
| Total | 1,751 | -20 | -25 | 900 | 4 | 10 |

*Based on USDA's "Export Sales Report" for various dates. Export estimates in that report differ slightly from other estimates published by the USDA. Marketing years end with August.

**Based on total commitments--exports to date plus outstanding orders--as of December 4, 1997.

***Includes nominal amounts for Oceania countries.

****Indonesia, Malaysia, The Philippines, and Thailand.

and a sluggish pace for corn. Weekly reports that track both grain export inspections and export shipments and sales suggest that corn exports during the first three months of the 1997/98 marketing year were about 20 percent less than in the same period the year before and among the lowest for the period in the last ten years. Conversely, soybean exports in the September-November quarter were a record high for the period and up about 25 percent from the high year-earlier level.

World demand for soybeans and soybean products remains strong. But the pace in U.S. soybean exports will slow in the months ahead, especially if the Southern Hemisphere harvest this spring achieves the 15 percent gain now projected by the USDA. Despite the likely slowing, U.S. soybean exports will easily set a new high for the 1997/98 marketing year. Currently, the USDA projects the 1997/98 tally will rise 11 percent to 980 million bushels. Despite a weakness in export commitments to some Asian markets (see table below), that projection seems to be well within reach.

Corn export prospects continue to be disappointing as earlier expectations for a sizable recovery in shipments for the entire 1997/98 marketing year have waned. Cuts the last two months have lowered the USDA's corn export estimate for this year to 1,875 million bushels, narrowing the projected year-over-year gain from 13 percent in their October projection to 4.5 percent in the most recent forecast. Based on the 686 million bushels of total corn export commitments (shipments to date plus export sales still awaiting shipment) as of December 4, the latest USDA corn export projection may also prove to be too high.

The pace in lining up export commitments varies from year to year, depending on numerous factors. But over the last eleven years, early-December U.S. corn export commitments—as a percent of export shipments ultimately made during the entire marketing year—have ranged from a low of 38 percent (in 1986/87) to a high of 60 percent (in 1995/96). Six of those years were relatively “slow-committing” years when the ratios hovered close to an average 41 percent. The other five were relatively “fast-committing” years when the ratios averaged 53 percent. The current marketing year will hopefully prove to be a “slow-committing” year for corn exports. (However, importers that view El Nino as a serious threat to the next round of world crop harvests would presumably try to line up commitments early.) But even if this year matches the 11-year low in the early December commitment ratio, it implies that corn exports for all of the 1997/98 marketing year may only nominally exceed those of the previous marketing year. Alternatively, if this year's early December commitment ratio matches the average of other slow-committing years, it implies corn exports for all of 1997/98 will be down some 7 percent from last year.

As suggested in the above table, declining currency values and slow economic growth in several Asian markets contribute to the sluggish corn export prospects. But other factors add significantly to the slow shipments, both to Asian countries and elsewhere. China is proving to be a pivotal factor. Despite a large decline (18 percent) in its own corn harvest this year, China continues to export corn. Apparently, China's smaller corn harvest was substantially

countered by a large wheat harvest that produced relatively ample quantities of feed-quality wheat. That plus large carryover stocks of old-crop corn has sustained China's corn exports at a level substantially above earlier expectations. Instead of reverting back to a net importer status as most analysts expected earlier, it now appears China will be a net exporter of corn again this year.

China's corn exports are undercutting U.S. shipments to Japan and—more importantly—to South Korea. Japan and South Korea represent two of the top three markets for U.S. corn, accounting for about 45 percent of all U.S. corn exports. During 1996/97, total corn imports into Japan and Korea fell only marginally (2 percent). But U.S. corn exports to those two markets declined 17 percent. The China factor no doubt accounts for part of the lagging export commitments to those two markets for this year.

Prospects for U.S. corn exports to Taiwan—the other top-three foreign market accounting for an additional 10 percent of U.S. corn exports—were hit earlier this year (March) when a major disease destroyed much of the hog sector in that country. U.S. corn exports to Taiwan declined 8 percent in the 1996/97 marketing year that ended last August. Another large decline is likely this year, based on total commitments as of early December (down 18 percent).

Other factors are also contributing to the sluggish corn export prospects for non-Asian markets. For example, a large coarse grain harvest in Eastern Europe and in the

former Soviet Union will apparently transform both of those regions from modest net importers to modest net exporters of coarse grains this year. Moreover, U.S. corn exports to Western Europe—which fell a third in 1996/97—are apparently headed toward another decline this year. As of early December, total U.S. corn export commitments to Western Europe were down 45 percent. A similar picture is emerging for U.S. corn exports to Western Hemisphere countries which fell 22 percent last year. As of early December, total U.S. corn export commitments to Western Hemisphere countries for shipment this year were down a fourth.

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