

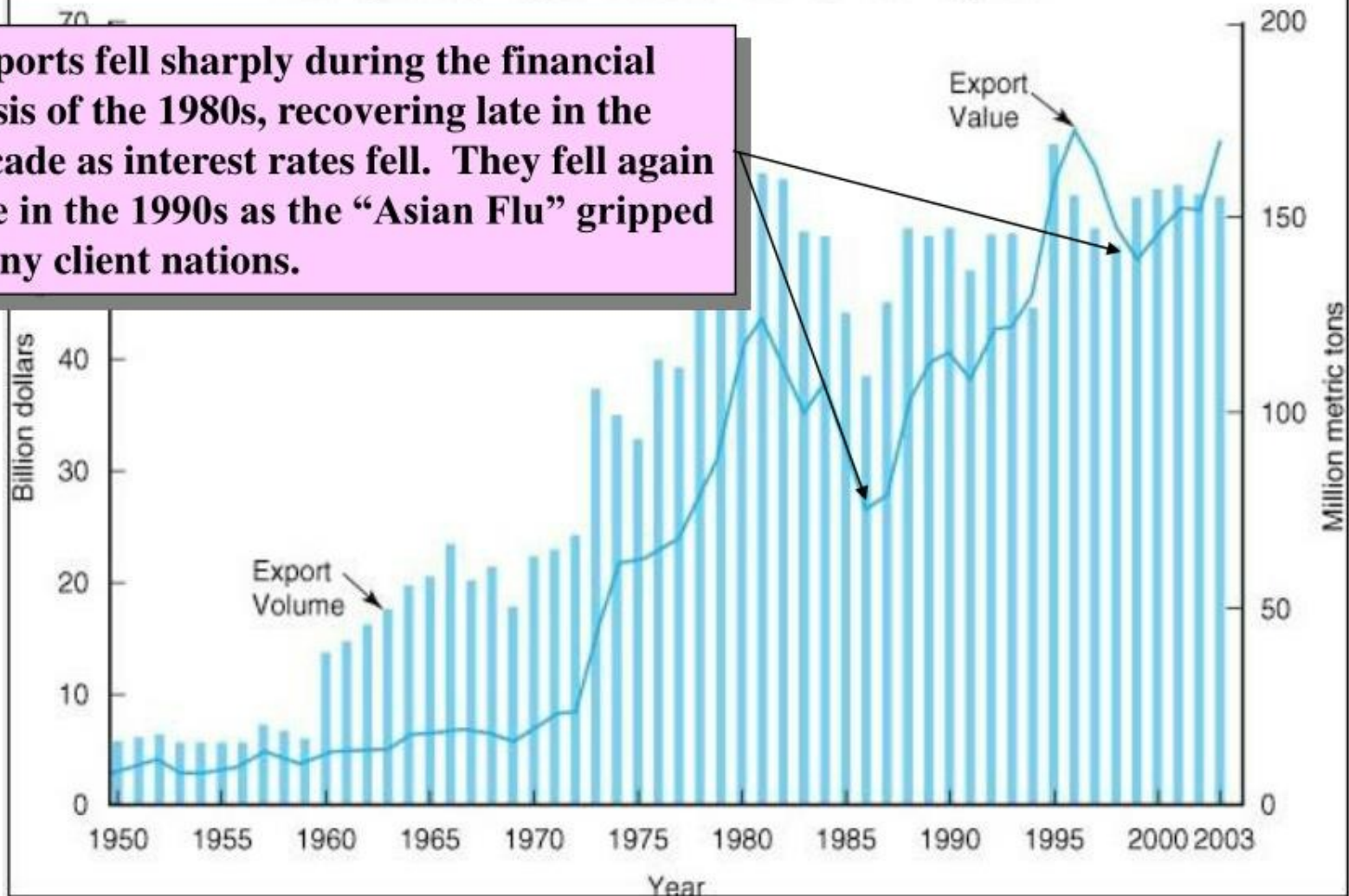
Agriculture and International Trade

Chapter 16



U.S. Agricultural Export Value and Volume, 1950–May 2004

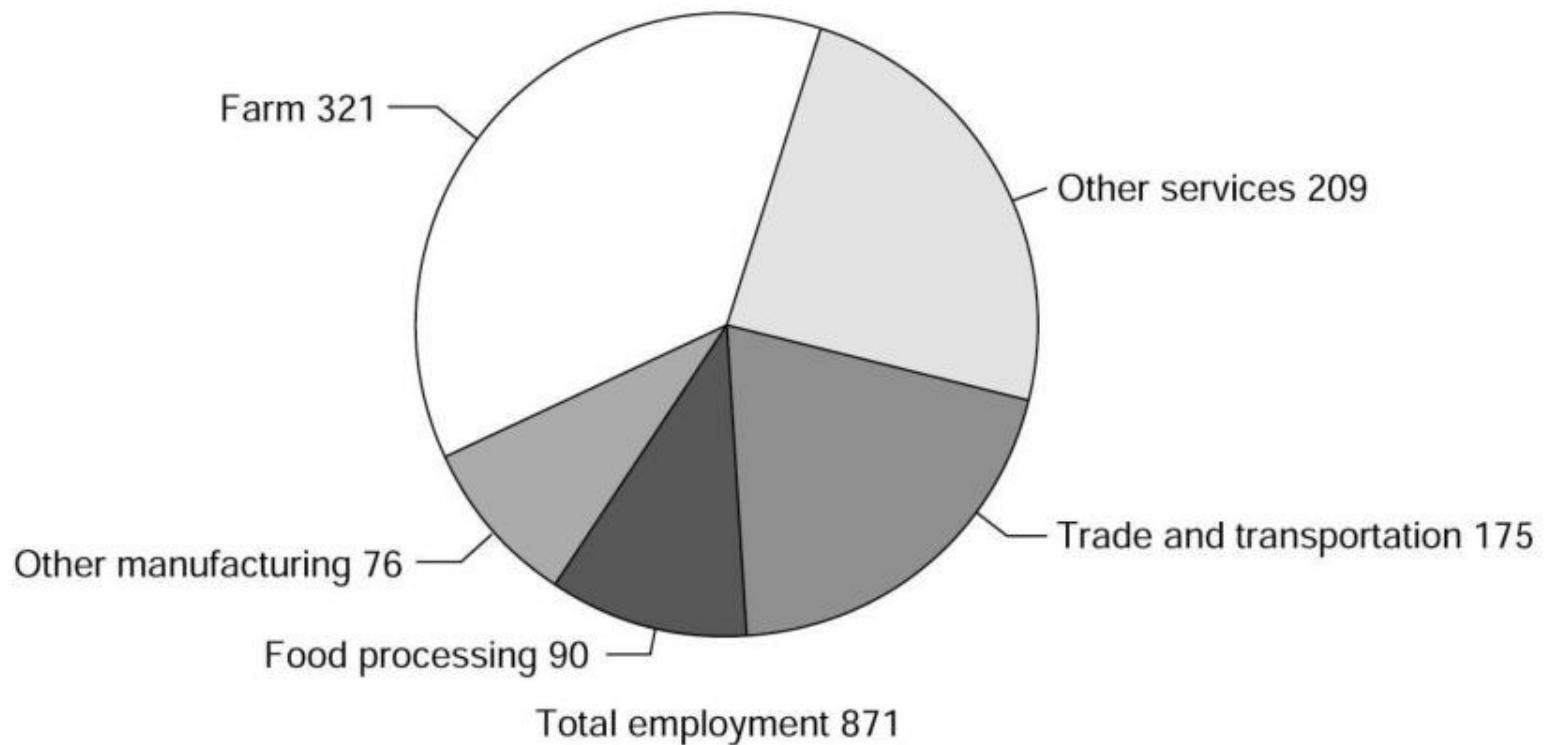
Exports fell sharply during the financial crisis of the 1980s, recovering late in the decade as interest rates fell. They fell again late in the 1990s as the “Asian Flu” gripped many client nations.



Discussion Topics

- ✓ **Growth and instability in agricultural trade**
- ✓ **The importance of agricultural trade**
- ✓ **The composition of agricultural trade**
- ✓ **Direction of U.S. agricultural trade**
- ✓ **U.S. agricultural trade performance**

Employment Attributed to U.S. Agricultural Exports, 1997 (thousands of jobs)



U.S. agricultural exports generate jobs in both the farm and nonfarm sectors...

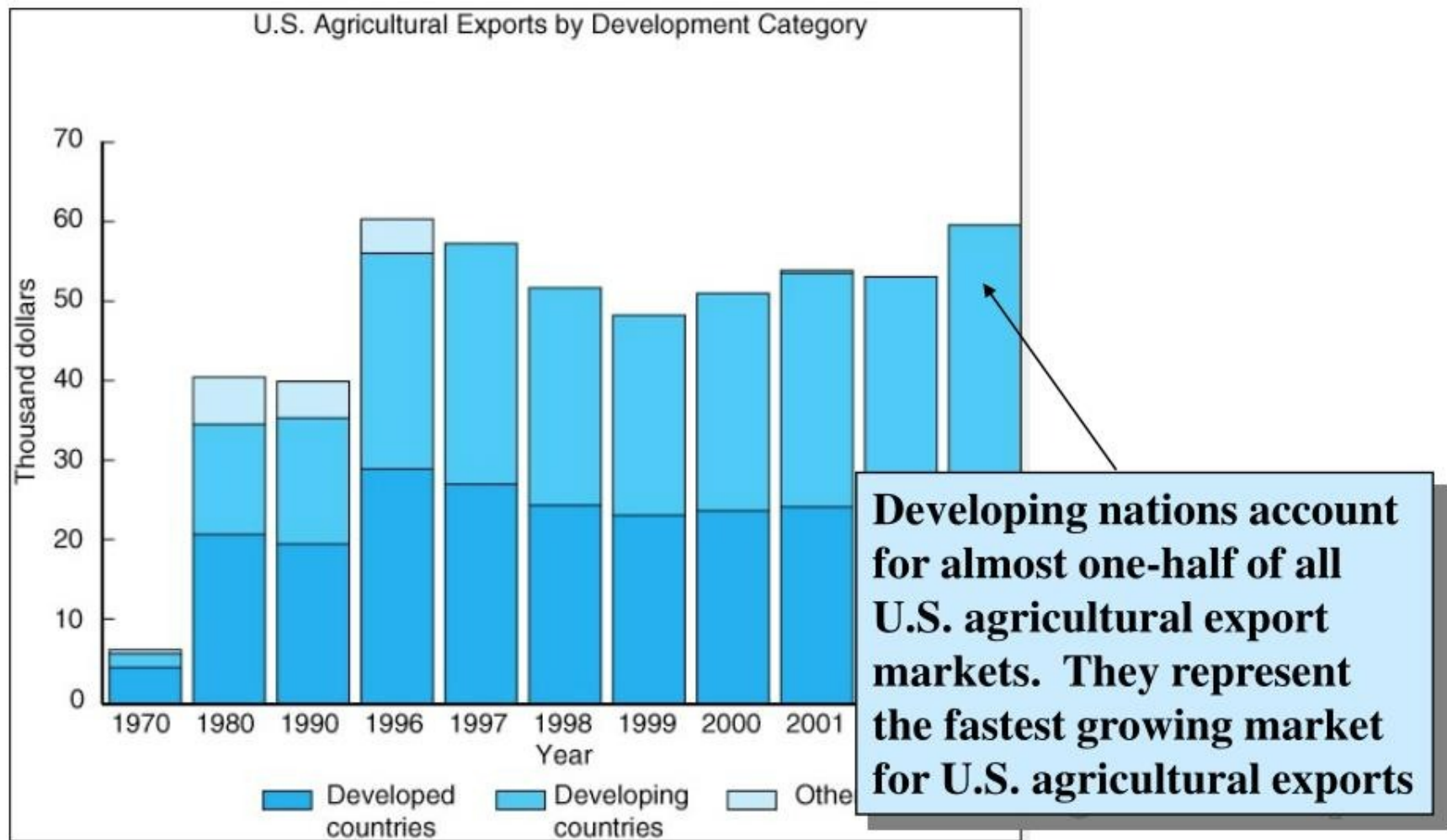


Table 16.3 U.S. Agricultural Exports by Region and Selected Countries, 1970 and 2003

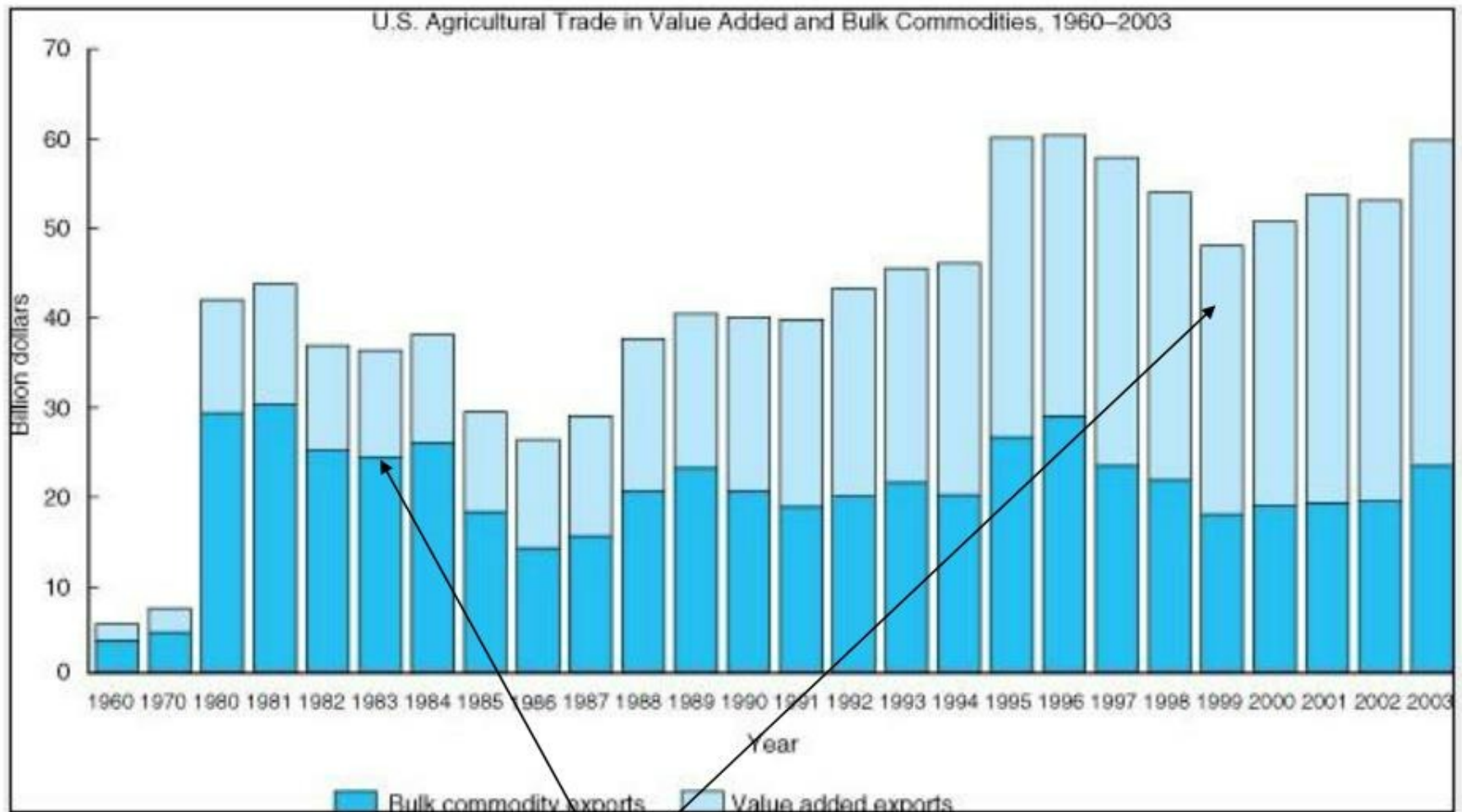
Region	1970		2003	
	Value (Million \$)	Percent of U.S. Exports	Value (Million \$)	Percent of U.S. Exports
Western Europe	\$2,369	35.2	\$ 6,659	11.2
European Union*	2,087	31.1	6,454	10.8
Eastern Europe	133	2.0	659	1.1
Former Soviet Union	17	.3	739	1.2
Asia	2,452	36.5	23,681	39.8
Japan	1,089	16.2	8,903	15.0
China	0	0	5,016	8.4
Rep. of Korea	171	2.5	2,884	4.8
Hong Kong	55	.8	1,113	1.9
Singapore	15	.2	266	.5
Taiwan	114	1.7	2,025	3.4
Other Asia	1,008	1.5	3,474	5.8
Canada	767	11.4	9,313	15.6
Africa	229	3.4	2,297	3.9
Latin America	649	9.7	11,782	19.8
Mexico	137	2.0	7,878	13.2
Oceania	56	.8	511	.9
Other	50	.7	0	.0
Total†	6,721	100.0	59,561	100.0

*Adjusted

†Individual

Source: U.S.

U.S. agricultural exports by region and selected countries.
Note the growing importance of Asian markets (39.8%).
Canada (15.6%) accounts for more than all of Western Europe.



Bulk commodity exports dominated agricultural exports until recent years when value added sales began to increase.

Trade Liberalization

- ✓ Creation of *WTO* to implement URA provisions, settle disputes, and review policy
- ✓ Convert quotas to *tariff equivalents* and phase in reduction of tariffs by 36% over time
- ✓ Reduce *export subsidies* by 36% over time
- ✓ Lower *domestic subsidies* by 20% over time
- ✓ Use accepted *international standards* for food safety and plant health regulations, harmonize standards and establish disease free zones

Importance of Trade

- ✓ **Crop agriculture in U.S. has become *export dependent*.**
- ✓ **More than one-half of annual cotton, rice and soybean production is exported**
- ✓ **Livestock agriculture less dependent on foreign sales for sustainable demand**
- ✓ **Greater dependence on *imports* as well**

Balance of Trade

The balance of trade is a measure of overall trade performance.

Trade Surplus = Exports > Imports

Trade deficit = Imports > Exports

A trade surplus provides capital since the nation is selling more than it is buying. A trade deficit, on the other hand, can reduce a nation's capital reserves over time, forcing it to either limit imports or borrow capital.

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U.S. agriculture has recorded trade surpluses since the 1950s.

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Chapter 17 focuses on
***exchange rates* and their impact**
on trade....

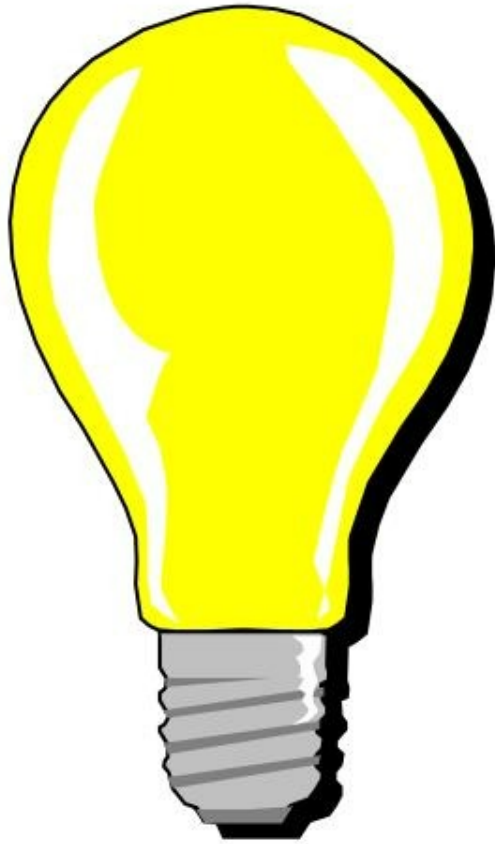


Table 16.4 U.S. Agricultural Imports by Region and Selected Countries, 1970 and 2003

Region	1970		2003	
	Value (Million \$)	Percent of U.S. Imports	Value (Million \$)	Percent of U.S. Imports
Western Europe	5864	15.8	10,956	23.1
European Union*	698	12.7	10,656	22.5
Eastern Europe	83	1.5	326	.7
Former Soviet Union	.4	—	48	.1
Asia	871	15.9	6,252	13.2
Indonesia	129	2.4	1,227	2.6
Philippines	293	5.3	492	1.0
Thailand	30	.5	926	2.0
Malaysia	147	2.7	446	.9
China	0	—	1,288	2.7
Canada	275	5.0	10,286	21.7
Africa	581	10.6	1,224	2.6
Latin America	2,214	40.4	14,217	30.0
Mexico	435	7.9	6,301	13.3
Colombia	159	2.9	1,031	2.2
Brazil	526	9.6	1,550	3.3
Other	1,094	19.9	5,335	11.3
Oceania	592	10.8	3,499	7.4
Australia	395	7.2	2,120	4.5
New Zealand	182	3.3	1,318	2.8

U.S. agricultural imports by region and selected countries. Western Europe is a more significant supplier of imports to the U.S. than it was a source of export sales for U.S. agricultural exports. Latin America was also a significant supplier to U.S.

Summary



- ✓ Trade distortions have prompted nations to seek general agreements on tariffs and trade (GATT).
- ✓ U.S. agriculture becoming *increasingly dependent* on export sales.
- ✓ Imports supplying a growing share of domestic food and fiber consumption.
- ✓ Developing countries are supplying a growing share of world exports.
- ✓ U.S. agriculture generates a *trade surplus* each year, partially offsetting the trade deficit in other merchandise.