

The Agricultural Trade Environment Facing The New Administration

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*Peter Tabor
Director, Plant Division
Office of Scientific & Technical Affairs
USDA Foreign Agricultural Service*



The Role of Agriculture in Growing US Exports

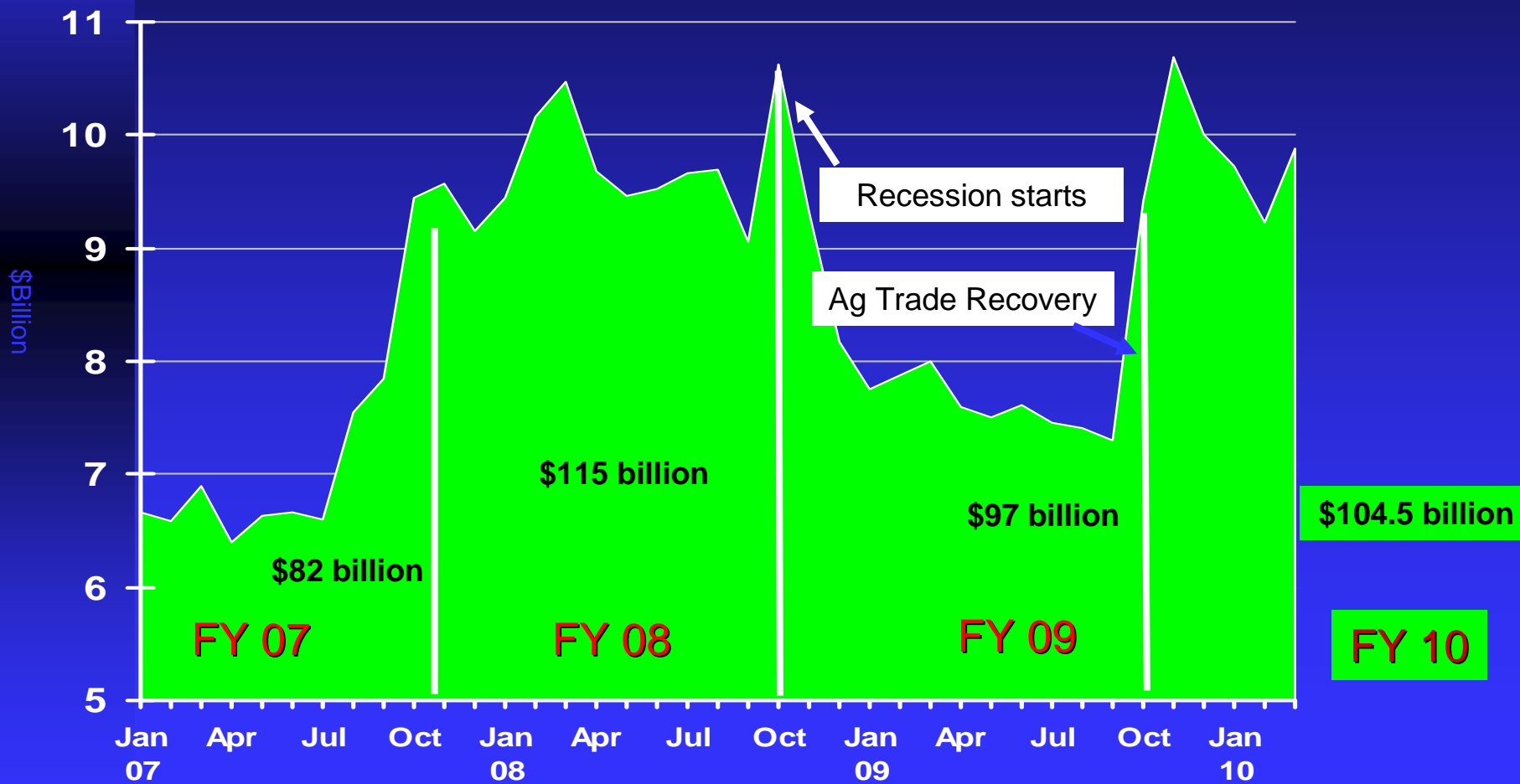
- Following the economic downturn in 2009, US food & agricultural exports in 2010 are rebounding strongly
 - ◆ 14 percent increase to date compared with 2009
- The “perfect storm” arrived in 2008: Growth in U.S. and foreign demand and a weakening dollar combined to drive ag prices higher between 2002-2008. Also reduced competitor supplies and low ending stocks for grains & oilseeds in 2008, contributed to the price surge in 2008. All these factors are unwinding in 2009 driving prices down.
- Impact on U.S. agricultural sector in 2008? Unprecedented prosperity -- *record export value, record production value (rising crop and livestock values), record net farm income, and record farm equity (from rising land values) ...* while government farm payments have eased. In 2009, farm income and exports are off 15-20% due to falling prices but the sector is still strong.

Current Trade Situation and Outlook

The global economic recession and lower commodity prices led to a fall in agricultural exports in 2009. However, abundant U.S. supplies and recovering global demand are supporting exports, which are forecast to be the second highest ever in 2010

U.S. Agricultural Exports by Month

Agricultural Trade Soars to a Record for the First Half of FY 2010



Booming Agricultural Exports Have Been A Major Growth Factor For Producers Since 2000

Rising foreign demand, falling dollar, higher prices fuelled expansion.

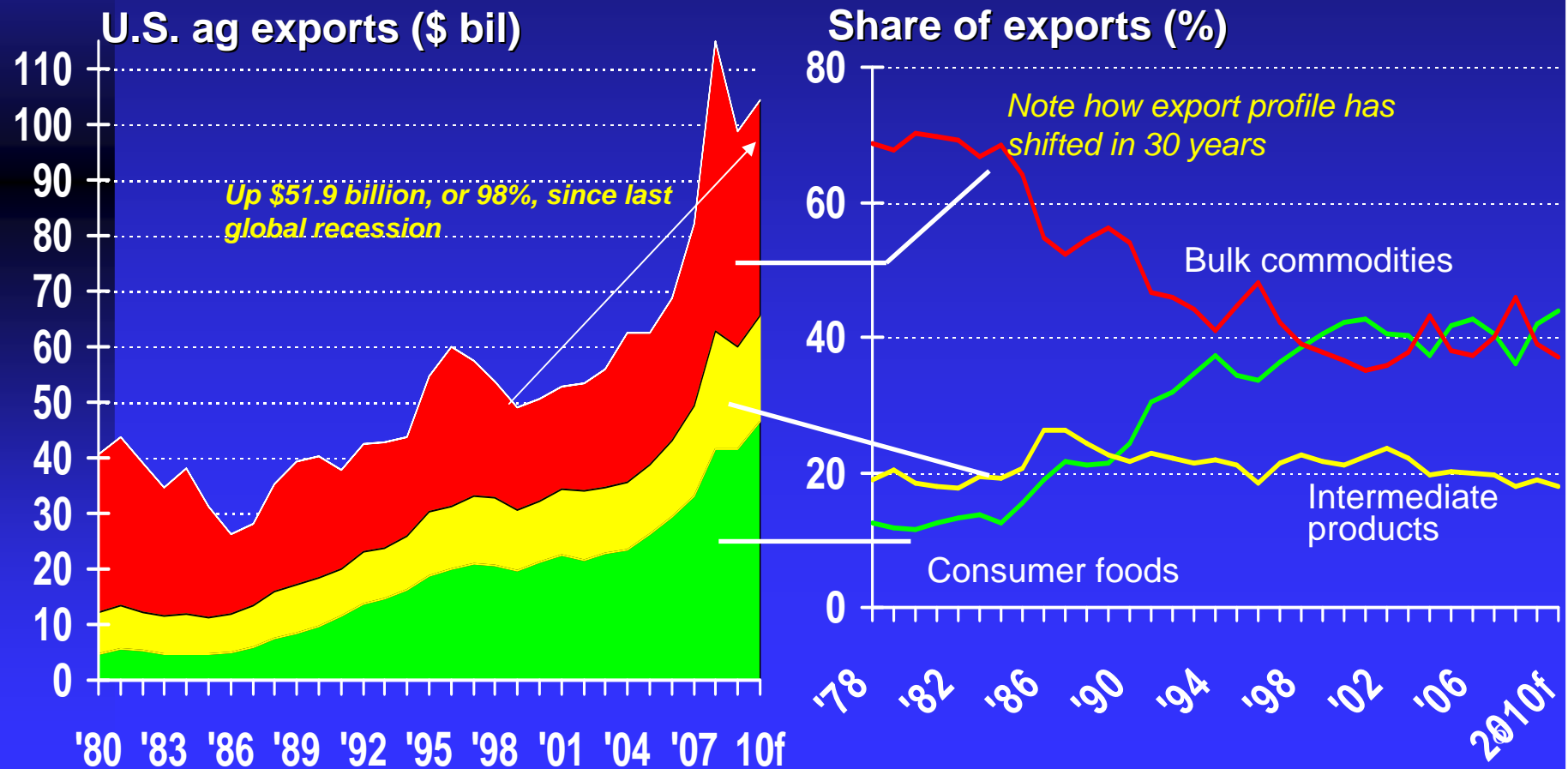
Trade surplus to rebound from \$23 billion in 2009 to \$28 billion in 2010



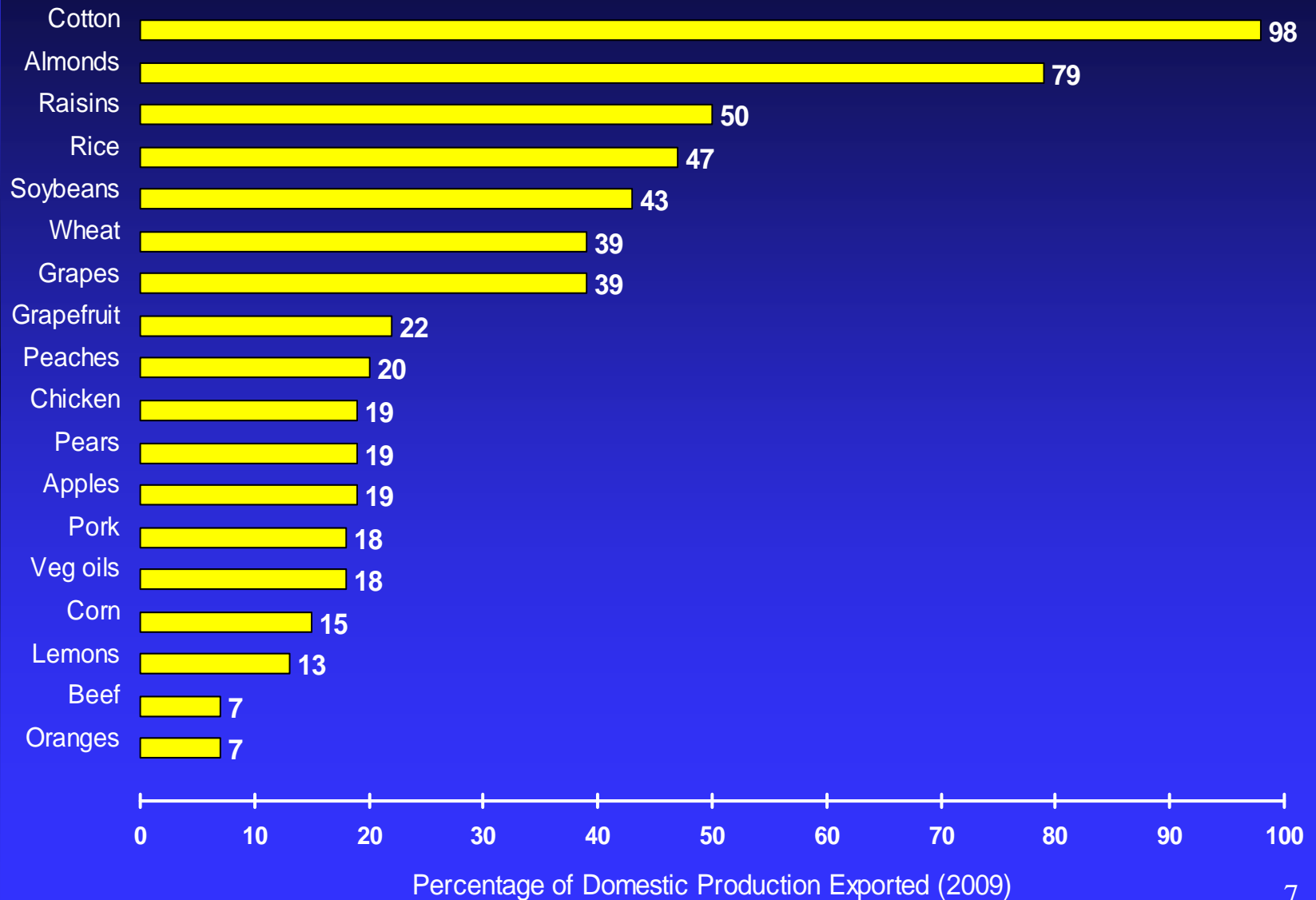
Agricultural Exports Forecast at \$104.5 Billion in 2010, Up \$8 Billion From 2009

Exports up \$36 billion since 2006 and up \$55 billion since 1999

All major agricultural categories except grains are forecast up in 2010
consumer-oriented HVPs roughly unchanged due to strong F&V exports



Many Products Depend on Overseas Markets



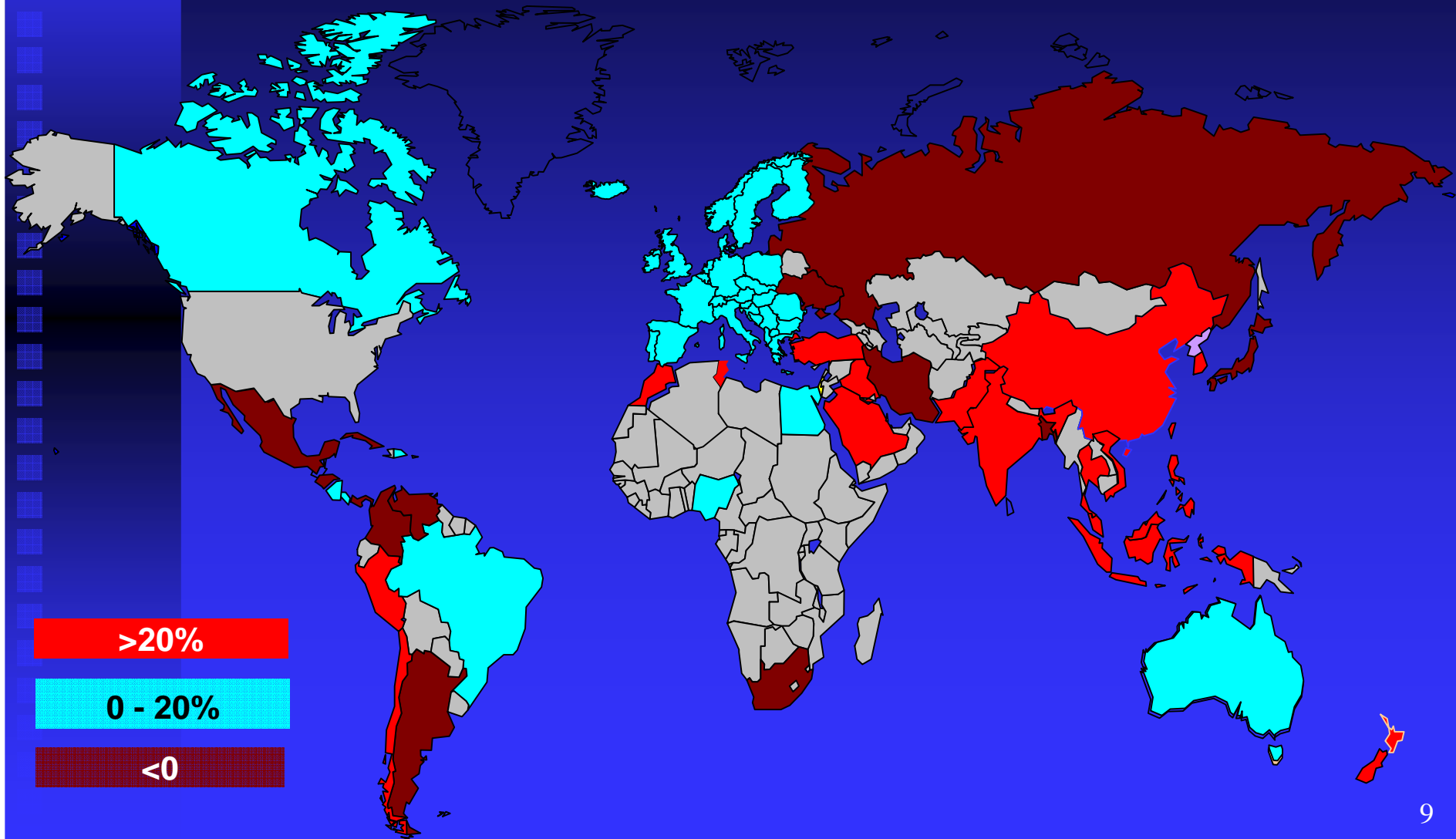
U.S. Agricultural Trade

Strong sales to China and S.E. Asia lead exports higher to \$104.5 billion while surplus expands to \$28 billion



Exports Strong to China and S.E. Asia

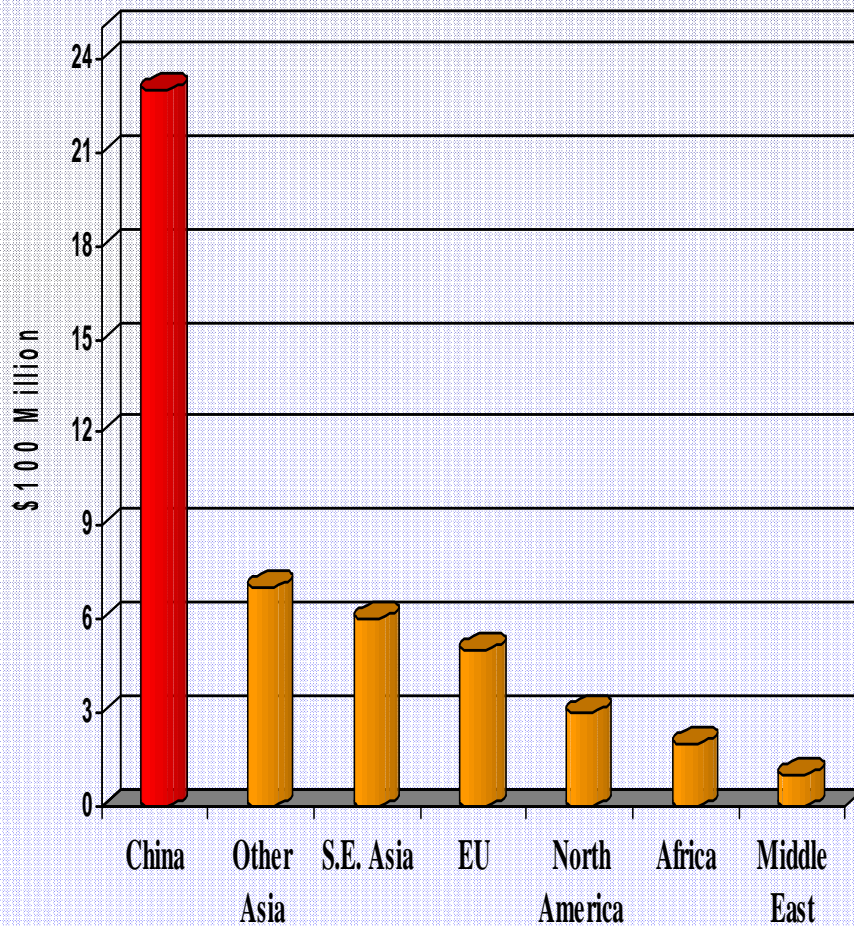
Change (Oct-Mar) FY 09 – FY 10



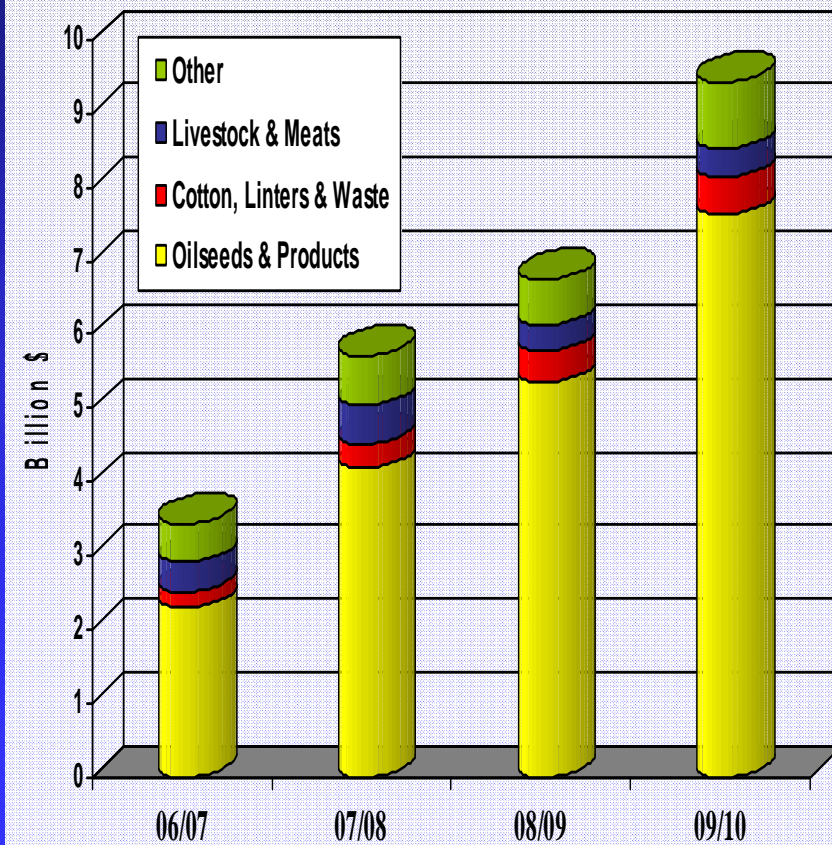
China Drives Strong U.S. Export Pace

Oilseed Exports Drive Shipments to China

Change in Export Forecast From February Outlook



October - March (FY 2007-10) U.S. Exports to China



Factors Influencing Exports and Ag Prices in 2010

- **Global economic recovery** – *Economies, particularly in Asia, experiencing strong economic growth*
- **Value of the U.S. dollar** – *previously weak but now volatile*
- **Energy, freight rates, and ag input prices** – *previously strong; quickly weakened*
- **Supply situation** – *Record US grain and oilseeds crops lead to price competitiveness*
- **Export restrictions** – *problematic in early 2008 but now eased*
- **Global biofuels market** – *still strong in US, EU and Brazil, which is providing price support*

Factors Influencing U.S. Ag Trade Over the Next Decade

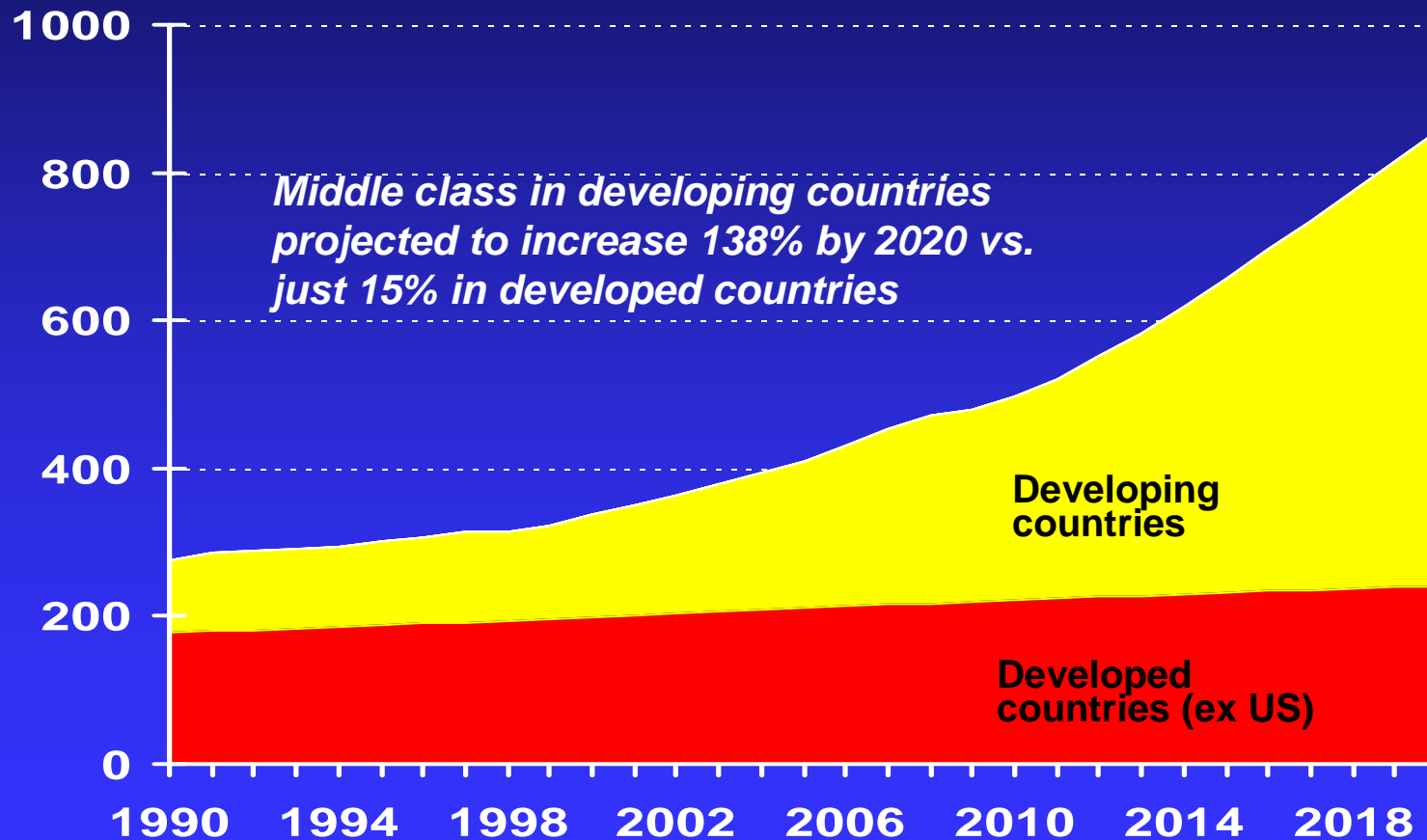
U.S. Farm Bill provisions not expected to play a significant role

- **Global economic growth** – *Impact of recession on middle class in emerging markets is key to recovery*
- **Value of the U.S. dollar** – *Next major move (up or down) could effect commodity prices*
- **Energy prices** – *Production and transportation costs could be affected, which will impact profit growth, and thus global farm sector's supply response*
- **Biofuels production** – *Growing production in US, EU, and Brazil boost demand (and prices) for grains, oilseeds and sugar. Other countries are just starting their biofuels industry*
- **Additional trade agreements?** – *Doha Round, to-be-ratified FTAs (Korea, CAFTA) and the Trans-Pacific Partnership*
- **Biotech developments** – *New products plus wider adoption could significantly boost productivity worldwide thus keeping prices from rising too high as demand for ag increases*
- **Outbreaks of Diseases** – *Threats to animal and plant production could impact global supply*
- **Additional crop land** – *How will producers around the world react, especially in Brazil?*
- **Water shortages** – *What impact will this have on Chinese and Indian crop production?*

“Middle Class” Outside the U.S. Expected to Double By 2020 – Approaching 1 Billion Households

Worldwide food consumption will be impacted

*Foreign households w/real PPP incomes greater than \$20,000 a year
(in millions of households)*



Source: Global Insight's Global Consumer Markets data as analyzed by OGA

“Middle Class” in Developing Countries Could Reach 616 Million Households By 2020, Up 138% From 2009 Levels

25% of households in these countries are middle class. By 2020, this could increase to 49%, with a significant impact on food consumption

Developing countries with fastest growing “middle class”

