US Ag Exports Forecast to Set New Record[1]

U.S. agricultural exports are forecast to set a new record of $91 billion in fiscal year 2008, six percent above last year's $81.9 billion (figure). This will be the fifth straight record year for export sales. A weaker dollar, stronger foreign economic growth in China and other markets, and tight supplies for some products are expected to stimulate U.S. export growth. While the dollar has declined 17 percent in real terms since 2004, the drop is expected to slow in 2008, with some analysts even predicting a slight increase. U.S. agricultural imports are also expected to set a record at $75.5 billion. The U.S. agricultural trade surplus is forecast to reach $15.5 billion, well below the record $27 billion set in 1996.

Export gains are expected for most major commodity groups. Leading the way are exports of dairy, grains, oilseeds and cotton. Recovering exports of beef, along with major gains in horticultural exports is welcome news. Lower crop prospects in Argentina and Canada, coupled with strong global demand, is expected to fuel grain and oilseed exports. Tripling of global biofuels output has raised concerns about higher food prices, lower exports and impacts on the global food system. Cotton exports will be driven by strong demand in China and reduced foreign production growth in the near term. Beef exports are forecast to reach $2.4 billion, only 60 percent of pre-BSE levels, with some recovery expected in Japan and South Korea. Larger exports of processed fruits and vegetables are largely responsible for increases in horticultural exports.

About 80 percent of the forecast export gains are attributed to stronger trade prospects with China, Canada and Mexico. Exports to Canada are forecast to reach $14.7

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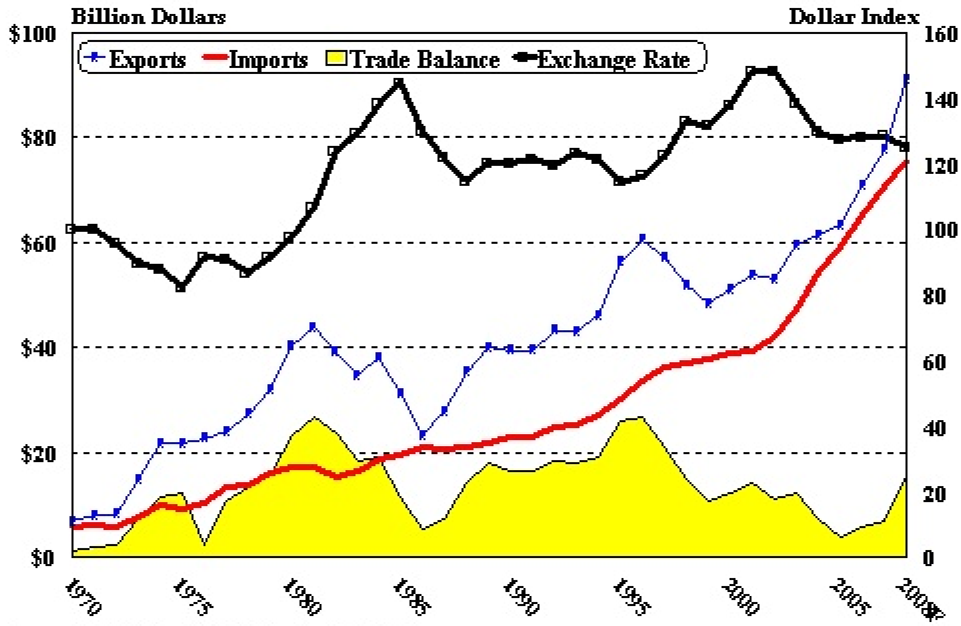
billion, while sales to Mexico should reach $13.7 billion, both representing new records for these markets. Exports to the European Union (27) are expected to reach $8.9 billion. Other important growth markets include Central America, the Caribbean, South Korea, Indonesia and Thailand.

About two-thirds of all U.S. agricultural imports are represented by tropical products and sugar. Major import growth is expected for fruits, coffee, wine and beer. A weaker dollar, coupled with slower demand growth, is expected to limit import gains during 2008 to six percent growth overall when compared 2007. Grain and feed imports are expected to increase by $600 million, while horticultural imports will reach $35.2 billion, followed by $15.2 billion for sugar. Beef imports are forecast to increase three percent to $3.6 billion, while pork is down slightly to $1.2 billion and dairy steady.

Factors that could alter these forecasts include a stronger U.S. dollar, declining economic growth here and abroad, higher energy costs, and animal or plant disease outbreaks and subsequent trade disruptions. If energy prices continue to rise, it is likely that U.S. agricultural exports, such as beef and horticulture, could be adversely affected as foreign consumers limit their purchases of more costly higher valued foods. Bulk commodity exports would likely not fall as much. U.S. import growth could also be limited by higher energy costs and a continuing weak dollar as foreign products increase in cost to U.S. consumers. Success in world trade negotiations would improve the overall export outlook longer term, but will not be a major factor in 2008. Trade agreements, such as CAFTA-DR, will provide some boost to U.S. exports in the near term as tariffs are lowered and incomes rise in participating countries.

U.S. Agricultural Trade, 1970-2008 Forecast



Source: USDA/FAS and ERS (November 30, 2007.)