OUTLOOK for U.S. Agricultural Exports

Approved by the World Agricultural Outlook Board, Economic Research Service, and Foreign Agricultural Service, U.S. Department of Agriculture

AES-2

May 27, 1994

EXPORT FORECAST REMAINS AT $42.5 BILLION, IMPORTS RISE TO $25 BILLION

The forecast for fiscal year 1994 U.S. agricultural exports remains at $42.5 billion. Compared with the February forecast, stronger export prospects for cotton and horticultural products offset sharp drops in the coarse grain and soybean outlook. The forecast for cotton is raised $500 million to $2.5 billion because of higher world prices and increased demand for U.S. cotton in China. Lower production in major foreign producers has pushed cotton prices higher, boosting U.S. cotton export value. Weak demand for corn and soybeans accounts for a $500 million decrease since the February forecast. Declines in forecast exports for rice and animal feeds are offset by a $200 million increase in horticultural products, primarily fresh fruit and tree nuts. Export volume is estimated at 123.9 million tons, 3.2 million tons lower than in February because of lower corn and soybean shipments.

The fiscal 1994 U.S. agricultural import forecast is increased $500 million to $25 billion, primarily reflecting a $400 million increase in the coffee import forecast since February. The value of coffee imports is expected to increase because of a sharp rise in world prices due to tight supplies. The forecast for grains and feeds and horticultural products has also been raised. The projected 1994 agricultural trade surplus is revised to $17.5 billion.

Table 1--U.S. agricultural trade balance, fiscal 1988/89-1993/94

	-- Year beginning October 1 --						
Item	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	Forecast FY 1994 Feb.	Forecast FY 1994 May
	-- Billion dollars --						
Exports	39.6	40.1	37.5	42.3	42.5	42.5	42.5
Imports	21.5	22.5	22.6	24.3	24.5	24.5	25.0
Trade balance	18.1	17.6	14.9	18.0	18.0	18.0	17.5
	-- Million tons --						
Export volume	146.3	148.7	129.4	143.6	146.8	127.1	123.9

This Export Outlook reflects commodity forecasts in the May 10, 1994 World Agricultural Supply and Demand Estimates.

Approved by the World Agricultural Outlook Board and released May 27, 1994.

Contents

Tables

Coordinator (ERS):

Joel Greene (202) 219-0822

Commodity Economics Division
Economic Research Service (ERS)

Coordinators (FAS):

Michael Dwyer (202) 720-3124
Ernest Carter (202) 720-2922
Trade and Economic Analysis Division
Foreign Agricultural Service (FAS)

U.S. Department of Agriculture
Washington, D.C. 20250

The forecasts in the Outlook for U.S. Agricultural Exports are based on information provided by the following analysts in the Commodity Economics Division of the Economic Research Service and in the Commodity Divisions of the Foreign Agricultural Service.

ERS: Karen Ackerman (EEP, 219-0821), Linda Bailey (Livestock-beef, 219-1285), Thomas Capehart (Imports, 219-0822), Jaime Castaneda (Oilseeds, 219-0825), Stephen MacDonald (Cotton, 219-0825), Nancy Morgan (Oilseeds, 219-0821), Peter Riley (Coarse Grains, 219-0825), Randall Schnepf (Rice, 219-0825), Sara Schwartz (Wheat, 219-0825), Shayle Shagam (Livestock-Pork, 219-0767), Mark Smith (GSM, 219-0821), Nydia Suarez (Food Aid, 219-0821), Larry Witucki (Poultry, 219-0766).

FAS: Mary Chambliss (Export Programs, 720-3573), Peter Downing (Dairy, Livestock, and Poultry, 720-7285), Alan Holz (Oilseeds, 720-0143), Robert Lerman (Tobacco, Cotton, and Seeds, 720-9513), Alan Riffkin (Grains and Feeds, 690-4198), Mark Thompson (Horticultural and Tropical Products, 720-6877).

The regional highlights are based on information from the following analysts in the Agriculture and Trade Analysis Division, ERS: Millie Haley, Elizabeth Jones, Mary Lisa Madell, Mary Anne Normile, Daniel Plunkett (European Union, 219-0620), John Dyck (Japan, 219-0610), Mark Simone (Canada, 219-0689), Sharon Sheffield (Former Soviet Union, 219-0620), Douglas Maxwell (Central and Eastern Europe, 219-0620), Hunter Colby (China, 219-0610), Sophia Wu Huang (Taiwan, 219-0610), Ruth Elleson (South Korea, 219-0610), Lois Caplan (Hong Kong, 219-0610), Liana Neff (Philippines, 219-0610), Anwarul Hoque (Pakistan, 219-0610), John Parker (Middle East and North Africa, 219-0635), Miriam Stuart (Brazil, 219-0689), and Constanza Valdes (Mexico, 219-0689).

The Outlook for U.S. Agricultural Exports is published in February, May, August, and November. The next quarterly summary is scheduled for release on August 26, 1994. The report summary may be accessed electronically. For details, call (202) 720-5505.

Commodity Highlights

The forecast for fiscal year 1994 exports of U.S. wheat and flour was lowered to 32 million tons, 600,000 tons lower than the previous forecast in February because of the slow pace of sales in the last quarter. Given this downward revision, the forecast export quantity for fiscal 1994 is 14 percent lower than fiscal 1993 exports. Export value was lowered $100 million from the February forecast to $4.2 billion.

Fiscal 1994 coarse grain shipments were reduced 2 million tons from February's forecast to 37.1 million tons, down 26 percent from last year. The lower forecast for total exports was due to a downward revision for U.S. corn exports because of lower global demand, particularly by the Russian Federation as its imports of grains continues to drop, and increased export competition from South Africa and the European Union (EU). Despite higher U.S. prices than last year for corn and sorghum due to tight domestic supplies, lower forecast export volumes resulted in a $400 million downward revision in the fiscal 1994 export value to $4.3 billion.

Reflecting lower-than-expected world prices, the forecast for U.S. rice exports was lowered slightly from the previous forecast to 2.6 million tons valued at $1 billion for fiscal 1994. Japan's decision to open its market to rice from the United States and other countries has resulted in a substantially higher forecast value over the previous year.

The forecast for fiscal 1994 exports of oilseeds and products was 23.5 million tons, down 600,000 tons from February's forecast. Total export value was lowered $200 million from the previous forecast to $6.8 billion due mainly to lower forecast soybean export quantities. This revision reflects a further weakening in foreign demand, particularly in the EU and the countries of the former Soviet Union. U.S. soybean exports for fiscal 1994 are now forecast at 16.1 million tons valued at $4.1 billion, down 400,000 tons and $200 million from February's forecast. U.S. soybean oil exports were revised slightly downward from the previous forecast to 500,000 tons valued at $300 million.

The fiscal 1994 revised forecast for U.S. cotton exports is 1.6 million tons valued at $2.5 billion. This forecast is about 7 percent higher in quantity and 16 percent higher in value than the previous forecast. The upward revision in export volume reflects a further tightening in foreign cotton supplies, the result of reduced expectations for production in India and Pakistan. With adequate domestic supplies, the United States is expected to meet much of the unfilled demand. The sharply higher revision in export value is due to higher world prices resulting from tighter world supplies.

The forecast for U.S. unmanufactured tobacco exports remained unchanged at 200,000 tons valued at $1.2 billion for fiscal 1994. This represents a 15-percent decline in both volume and value compared with the previous year. World tobacco leaf markets generally remain in a condition of oversupply, with greater supplies, particularly from Brazil, China, and Zimbabwe, weakening the United States' competitive position in many export markets.

The fiscal 1994 forecast for U.S. exports of livestock, poultry, and dairy products remains virtually unchanged from the previous forecast in February. A slight downward revision of $100 million for U.S. red meat exports was offset by an upward

Table 2--U.S. agricultural exports: Value by commodity, 1992-94

Commodity	October-March 1992/93	October-March 1993/94	Fiscal 1993	Fiscal 1994 Forecast
	--Billion dollars--			
Grains & feeds 1/	7.736	7.261	14.332	13.1
Wheat & flour	2.634	2.310	4.954	4.2
Rice	.388	.463	.768	1.0
Coarse grains 2/	2.886	2.613	5.094	4.3
Corn	2.367	2.220	4.251	3.7
Feeds & fodders	1.141	1.174	2.196	2.2
Oilseeds & products	4.777	4.439	7.371	6.8
Soybeans	3.170	2.879	4.606	4.1
Soybean meal	.723	.615	1.146	.9
Soybean oil	.194	.228	.327	.3
Livestock products	2.932	3.042	5.886	6.1
Beef, pork & variety meats	1.456	1.504	3.052	3.1
Hides & skins (incl. furs)	.625	.659	1.271	1.3
Poultry & products	.646	.803	1.315	1.6
Dairy products	.455	.477	.891	.9
Tobacco, unmanufactured	.823	.671	1.443	1.2
Cotton & linters	.870	.970	1.538	2.5
Seeds	.448	.423	.664	.6
Horticultural products	3.573	3.876	7.298	7.9
Fruits & preparations	1.248	1.347	2.742	3.0
Vegetables & preparations	1.020	1.058	2.102	2.2
Nuts & preparations	.540	.680	.920	1.1
Sugar, tropical, & other	.885	1.000	1.716	1.8
Total 3/	23.144	22.962	42.454	42.5

Table 3--U.S. agricultural exports: Volume by commodity, 1992-94

Commodity	October-March 1992/93	October-March 1993/94	Fiscal 1993	Fiscal 1994 Forecast
	--Million metric tons--			
Wheat	19.044	17.105	36.081	31.0
Wheat flour	.550	.520	1.067	1.0
Coarse grains	28.777	22.044	50.100	37.1
Corn	23.613	18.665	41.766	31.0
Feeds & fodders	6.094	6.176	11.885	11.9
Rice	1.243	1.325	2.713	2.6
Oilseeds & products	19.827	15.694	29.408	23.5
Soybeans	14.406	11.219	20.400	16.1
Soybean meal	3.563	2.879	5.653	4.4
Soybean oil	.387	.381	.644	.5
Beef, pork & variety meats	.434	.481	.903	1.0
Poultry meat	.459	.637	.974	1.2
Animal fats	.723	.650	1.362	1.2
Cotton & linters	.656	.752	1.163	1.6
Horticultural products	3.066	3.360	6.188	6.8
Other	3.508	3.211	5.051	5.0
Total agriculture	84.381	74.690	146.895	123.9
Major bulk products 4/	64.126	52.445	110.457	88.4

1/ Includes pulses and corn products. 2/ Includes corn, barley, sorghum, oats, and rye. 3/ Totals might not add due to rounding. 4/ Includes wheat, rice, coarse grains, soybeans, and cotton.

revision of $100 million for poultry meat and products. The forecast fiscal 1994 exports of livestock and dairy products remained unchanged at $6.1 billion and $900 million, respectively. Poultry and product exports are now forecast to reach $1.6 billion. Improved market access and growing foreign demand for U.S. red meats and poultry in key markets like Mexico, Japan, Korea, Hong Kong, Eastern Europe, and the former Soviet Union continue to support overseas sales.

U.S. exports of horticultural products are expected to reach a new record high of $7.9 billion in fiscal 1994, $200 million higher than the previous forecast. This upward revision is due to higher-than-expected almond export value and stronger than anticipated exports of certain fresh fruits. In particular, U.S. apple exports continue at a record pace, and fresh grapefruit and grape shipments are up. Ongoing market liberalization in Mexico, Japan, and other Asian markets, a growing foreign demand for healthful foods in major overseas markets, and continuing promotion activities of U.S. producers assisted by the Market Promotion Program continue to drive exports higher.

Economic Outlook

The outlook for world real Gross Domestic Product (GDP) growth in 1994 is expected to be 2.7 percent, an upward revision of 0.1 percent points since the February forecast. Growth remains sluggish in Japan where GDP is expected to rise only 0.5 percent in 1994. The Japanese yen has remained stronger relative to the dollar than earlier anticipated because of uncertainty in the U.S.-Japan trade arena and the resignation of the Hosokawa government which has likely delayed implementation of an economic stimulus package until later in the year. Germany's GDP growth is expected to be 1 percent in 1994. The Deutsche mark is expected to decline against the dollar in late 1994, as the U.S.-German interest rate differential narrows because of Federal Reserve tightening to curtail inflationary pressures. GDP growth in 1994 is expected to surpass 1993 levels in most Asian trading partners, with particularly strong growth expected in Korea. China is expected to slow, but still grow at 10 percent. Mexico's real growth is expected to recover to around 3.2 percent after only 0.4 percent in 1993. U.S. GDP growth in 1994 is expected at 4.1 percent, the strongest among developed nations, which should aid the economic recovery of U.S. trading partners into 1995.

Regional Highlights

European Union

U.S. exports to the EU are expected to decline to $6.5 billion in fiscal 1994, down $300 million since the February forecast, and $500 million less than the previous year. The outlook for U.S. exports dimmed on much lower demand for U.S. soybeans and meal and tobacco. The EU's continued recession in 1994 has hampered U.S. agricultural sales. U.S. exports of fruit and vegetables to the EU declined during the first half of fiscal 1994 compared with 1993.

U.S. exports of oilseeds and products to the EU in fiscal 1994 will decline as U.S. exports of soybeans fall both in volume and value because of poor crush margins in the EU and reduced demand for U.S. soybean meal. Lower EU grain prices, high soybean prices, and improved domestic availability of rapeseed meal make the outlook

Table 4--U.S. agricultural exports: Value by region, 1992-94 1/

Region	October-March 1992/93	October-March 1993/94	Fiscal 1993	Fiscal 1994 Forecast
	--Billion dollars--			
Western Europe	5.006	4.344	7.474	7.2
European Union	4.765	4.083	6.999	6.5
Other Western Europe	.241	.261	.475	.5
Central and Eastern Europe	.278	.182	.467	.4
Former Soviet Union	.767	1.021	1.556	1.5
Asia	8.302	8.911	15.860	16.5
Japan	4.174	4.725	8.434	9.2
China	.172	.207	.321	.5
Other East Asia	2.612	2.744	4.919	5.0
Taiwan	1.051	1.210	1.993	2.2
South Korea	1.095	1.032	2.034	1.9
Hong Kong	.454	.500	.877	.9
Other Asia	1.344	1.236	2.185	2.0
Pakistan	.168	.139	.235	.3
Philippines	.312	.272	.511	.5
Middle East	1.055	.946	1.916	1.9
Israel	.190	.170	.381	.4
Saudi Arabia	.283	.264	.462	.5
Africa	1.520	1.242	2.662	2.3
North Africa	.876	.855	1.654	1.6
Egypt	.417	.296	.753	.6
Algeria	.232	.404	.457	.7
Sub-Saharan Africa	.644	.387	1.009	.8
Latin America	3.491	3.545	6.861	7.0
Mexico	1.810	1.896	3.648	3.9
Other Latin America	1.681	1.649	3.213	3.1
Brazil	.147	.140	.230	.2
Venezuela	.289	.233	.501	.4
Canada	2.504	2.516	5.203	5.3
Oceania	.220	.254	.455	.5
Total	23.144	22.962	42.454	42.5
Developed countries	12.094	12.009	21.947	22.5
Developing countries	9.832	9.543	18.163	17.7
Other countries	1.217	1.410	2.344	2.3

1/ Country totals are adjusted for transshipments through Canada.

for soybean meal demand less favorable. EU hog numbers are likely to fall by the end of 1994, reducing demand for soybean meal, and dairy production is not expected to expand because the dairy quota continues to restrain production. The United States is facing strong competition from South America in the EU market. This year record production is expected in both Brazil and Argentina.

U.S. sales of feed grains to the EU are governed chiefly by the U.S.-EU Enlargement Agreement, under which the EU imports corn and sorghum into Spain with a reduced levy. The EU has extended this agreement for 1994, and will maintain its provisions as a minimum import agreement under the GATT. In addition, a further tariff-rate quota for 500,000 tons of corn into Portugal has been opened, and will operate like the Spanish agreement.

Large world supplies, the availability of cheaper-priced tobacco, and a decline in cigarette consumption in Europe have reduced U.S. exports of unmanufactured tobacco to the EU during the first two quarters of fiscal 1994. The extent of the decline will depend, in part, on the quality of the EU's 1994 flue-cured crop.

U.S. exports of beef to the EU are primarily boneless primal cuts shipped with an affidavit certifying that it was raised without hormones. The decline in this category is due to the appreciation in the dollar. Almost all of the variety meats being shipped to the EU are beef. U.S. exports consist mainly of beef tongues shipped to France and kidneys to the United Kingdom. There is some trade in hearts to the United Kingdom, and livers for pet food manufacturing. European consumption of organ meats, which is much higher than in the United States, outstrips internal supply, and the U.S. price is competitive even after application of the 20-percent tariff. October-March 1994 exports of variety meats dropped 32 percent in volume because 2 of the 11 slaughterhouses approved to export to the EU were delisted. An EU inspection team, which visits U.S. slaughterhouses periodically, revoked approval on the basis of claimed deficiencies in sanitary conditions.

U.S. export volume of poultry meat to the EU in fiscal 1994 is expected to slightly exceed fiscal 1993 levels. Trade value may fall below that of last year, as U.S. average export prices are lower. Domestic EU market conditions--higher soybean meal prices and lower export refunds--point to reductions in poultry meat production; thus, import demand for U.S. chicken parts and prepared chicken cuts should continue to increase.

Canada

Exports are expected to rise slightly in fiscal 1994 to $5.3 billion, $100 million lower than the February 1994 estimate. The value of total U.S. agricultural exports to Canada during the first 6 months of fiscal 1994 was unchanged from the same period a year earlier. Declines in corn and vegetable exports account for the slowdown in exports to Canada.

U.S. beef exports to Canada are slightly above the fiscal 1993 pace and probably will increase during the latter stages of fiscal 1994. A 25-percent ad valorem tariff on non-U.S. (mainly Australia and New Zealand) boneless beef imports applies on imports exceeding 85,000 tons in 1994.

U.S. corn exports to Canada have declined significantly in fiscal 1994 because of a much improved 1993 corn crop in Canada. U.S. soybean exports to Canada have fallen in fiscal 1994 because of record Canadian oilseed production in 1993. Despite record high Canadian rapeseed production, U.S. vegetable oil exports to Canada are similar to fiscal 1993, although exports have shifted from soybean oil to rapeseed oil. Strong export demand for Canadian rapeseed exports has absorbed much of Canada's excess supply for domestic crushing.

Japan

The high yen has led to lower prices (or greater profit margins to importers) for a wide variety of imported agricultural goods. Despite the generally negative effect that Japan's poor economic performance has had on spending, the lower prices of agricultural imports have stimulated growth in the trade of many foodstuffs. Japan's poor 1993 growing season for most crops has also spurred food imports in 1994. The overall value of U.S. agricultural exports to Japan is likely to be $9.2 billion, an increase of 8 percent from fiscal 1993.

Japan's beef imports are up significantly in fiscal 1994. Although beef consumption is directly related to income changes, which have been flat or falling, imported beef became cheaper in Japan as the yen rose. Additionally, Japan imported lower-priced cuts than before in order to further reduce prices. The volume of U.S. beef exports to Japan rose 21 percent in the first half of fiscal 1994. Export unit values (in dollars) were down 12 percent, so that total value was only 6 percent higher than for the same period a year earlier. U.S. pork exports rose slightly in volume, but were unchanged in value. The important variety meat exports are down by 25 percent in the first part of 1994, chiefly because of a 21-percent drop in volume. The value of U.S. meat exports to Japan is expected to fall in 1994, although the volume growth in beef is expected to continue.

Japan's livestock sector has been adversely affected by the poor economy. U.S. exports of feed grains to date are running slightly below fiscal 1993, and will probably slow further due to greater competition from South Africa in the next few months. Japanese use of soymeal is expected to drop slightly, but the United States is expected to increase its share of Japan's soymeal imports because of the high quality of U.S. meal and the sharp decline in export availability of meal from China. Exports of other feeds and fodders are up 19 percent.

U.S. soybean exports are expected to drop somewhat from the relative high in 1993 because of increased imports of soybean meal and Canadian rapeseed. However, export unit values are up significantly, and the value of exports is expected to be higher than in 1993. U.S. exports of corn oil and cottonseed oil are showing strong growth. U.S. rice has been well received in Japan, as over 232,000 tons have been imported during October-March. Wheat and wheat flour imports have also risen.

Japan's imports of U.S. fruits and vegetables have shown strong growth in recent years, which continues even in the bleak economic climate of 1994. The higher value of the yen, reductions in trade barriers against citrus fruits and products, and efforts by some Japanese firms to provide consumers with lower-priced products have helped strengthen trade. U.S. fresh vegetable export volume to Japan more than doubled from 30,000 tons to 71,000 tons in the first 6 months of fiscal 1994, led by broccoli and cauliflower, and frozen and canned vegetable exports increased in volume and value. Fresh, frozen, dried, and canned fruit exports increased, but fruit juice volume exports are sharply lower in fiscal 1994, partly in reaction to significantly higher export unit values for all juices. U.S. export prices for almonds are also higher, but volume has stayed constant, leading to higher values. Wine exports have been steady; increased exports would be difficult in Japan's depressed economy.

Japan's imports of cotton and hides have fallen since 1991 as the industries using them--textiles and leather--have declined in the face of increasing foreign competition for the intermediate and final products. The value of U.S. cotton exports was down 13 percent in the first half of fiscal 1994, and hides and skins fell 12 percent. Exports of flue-cured tobacco have been strong, however, with tobacco volume up 34 percent and value up 50 percent over October-March 1993.

Former Soviet Union

Fiscal 1994 U.S. agricultural exports to the former Soviet Union (FSU) are forecast at $1.5 billion, up $200 million from the previous estimate, but down 4 percent from fiscal 1993's $1.6 billion. The upward revision is due to higher-than-expected fiscal 1994 carryover shipments of programmed fiscal 1993 food aid. Factors affecting FSU imports from the United States include poor access to hard currency, unclear prospects for Russia's participation in the GSM-102 program, only slightly reduced projected 1994/95 grain production and lower use, and continued economic restructuring in the region. While partial fiscal 1994 data show continued decline of U.S. bulk exports to the FSU, sharply higher sales of U.S. high-value products have been recorded. However, in the short-to-medium term, FSU agricultural imports of U.S. commodities will continue to be largely dependent on U.S. export financing and donations. Continued economic difficulties and calls for increased protectionism also could dampen FSU import demand for high-value products.

As of May, less than $270 million in U.S. fiscal 1994 export assistance programming (GSM-102, PL 480 Title I, Food for Progress, Section 416(b)) for the FSU had been announced. Food programming is likely to be significantly lower than fiscal 1993's $1.9 billion, due to a likely continuation of Russia's non-participation in the GSM program, and the reimposition of the Food for Progress funding cap that was increased in 1993 to provide $700 million to Russia at the Vancouver Summit. However, while lower programmed export assistance would likely indicate lower fiscal 1994 U.S. exports, 6-month (October-March) data show U.S. exports up 32 percent from the corresponding period in fiscal 1993. The primary explanation for this trend is not a sudden increase in FSU import demand, but more likely late shipments of previously programmed FSU food aid, particularly part of the $700 million Food for Progress package for Russia. Given that overall food assistance will likely be lower than last year's high level, this trend is not likely to be sustained.

USDA is forecasting 1993/94 (July/June) FSU total wheat and coarse grain imports at 20.4 million tons, over 40 percent lower than estimated for 1992/93, and the lowest in almost 20 years. Relatively stable FSU production and procurement in 1992 and 1993, along with reduced utilization and constrained import purchasing power (particularly given lower export credit allocations), largely accounts for this fall. During the first 6 months of fiscal 1994, FSU grain purchases from the United States fell nearly 24 percent, with sharp declines in wheat, flour, rice, and barley imports. The drop in Russian grain import demand is also illustrated by first-quarter import statistics that show Russia purchased less than 400,000 tons of grain during January-March, down 90 percent from 1993 imports of 3 million tons during the same period.

Import data for October-March show continued growth in U.S. consumer food products not traditionally purchased by the FSU. The export of U.S. animal products increased nearly 207 percent from the corresponding period in fiscal 1993, largely due to increases in pork, poultry, and other meat products sold to the FSU, and has already resulted in record-setting exports of these commodities. Continued export growth of sugar and tropical products, fruits, nuts, vegetables, snack foods, and seeds was also registered during October-March. Oilseed and oilseed product sales were also up significantly from fiscal 1993, largely due to the late sale of nearly 700,000 tons of soymeal to Russia under its Food for Progress package. However, significant increases in the export of protein meals and vegetable oils also contributed to this rise.

While some of these high-value commodities have been exported through donation programs, growth in certain foodstuffs, most noticeably poultry meat and chocolate, has largely occurred in private sector trade on a cash basis. The primary factors contributing to this trend are increased liberalization of trade activity in some FSU countries, and most notably in Russia in 1993, an appreciation of the real ruble/dollar exchange rate, reported increased per capita consumption of most foodstuffs (including livestock products), and real wage growth. In addition, the transition to a market economy has created in most FSU countries a new class of consumers with sizable disposable incomes and a preference for high quality goods.

While private traders and consumers benefit from increased imports of consumer goods, domestic producers are often unable to compete with lower priced (and likely higher quality) imports. As a result, conservative agrarian interests, particularly in Russia and Ukraine, have called for and initially received approval for substantial import tariffs on many high value agricultural products. However, vocal opposition in Russia to increased protectionism from urban regions, private traders, and even the Ministry of Foreign Economic Relations led the Government to delay the introduction of new tariffs 1 month after they had been announced, while indicating that a revised tariff schedule would be introduced by July 1, 1994. If these tariffs are reinstated, import demand for many of these products that are imported through private channels could decrease, although quality conscious consumers with sufficient purchasing power would likely continue to demand certain imported goods. Additionally, the interest of most FSU countries in joining the GATT also puts pressure on these countries to refrain from overly protectionist policies.

Central and Eastern Europe

U.S. exports to Central and Eastern Europe (CEE) for fiscal 1994 are forecast to fall to $400 million, a decline of 14 percent from fiscal 1993. Reasons for this decline include the expected increase in CEE grain production from the 1992/1993 drought-reduced harvest, and higher grain production and lower animal inventories leading to reduced pressure for grain imports. With most of the region continuing to suffer from economic decline or slow growth, only modest increases can be expected in CEE imports for the next few years. Even in those countries with income growth, unemployment will stay high or rise. Any major exceptions are likely to be the result of weather-induced supply problems, concessional sales by the West, or some sort of resolution to the conflict in the former Yugoslavia--which would help the economies of the neighboring countries as well.

So far in fiscal 1994, food aid allocations to the CEE countries are: $15 million of Food for Progress to Albania, $35 million of P.L. 480 Title I, and $53 million of P.L. 480 Title II to Bosnia, Croatia, and Slovenia (mostly Bosnia). The P.L. 480 Title I is allocated as follows: $5 million for Poland, and $10 million each for Slovakia, Croatia, and Romania. Bulgaria gave back its $10 million Title I allocation, and Slovakia has not exercised its allocation.

As of May 6, 1994, GSM-102 allocations were unchanged during the last quarter ($35 million to Slovenia, $20 million to the Czech Republic, and $20 million to Hungary.) Since February, GSM-102 sales were $1.2 million for feed grains to Slovenia and $5.2 million for protein meals to the Czech Republic. Hungary had not used any of its allocation.

USDA made 1993/94 marketing year Export Enhancement Program (EEP) allocations for the Czech and Slovak republics, Poland, Romania, and Slovenia. A total of 2.35 million tons was allocated for wheat, 325,000 tons for barley, and 175,000 tons for malting barley. In addition, Romania was allocated 5,000 tons for barley malt and Slovenia was allocated 40,000 tons for flour and 20,000 tons for vegetable oil. The only wheat sales under the EEP program as of the last quarterly report were to Poland and Slovenia--and neither country was close to buying its total allocation. The only sale this quarter was 20,000 tons of barley to Slovenia, which leaves 12,500 tons unused. No other commodities have been sold.

China

U.S. agricultural exports to China in fiscal 1994 are forecast to increase to $500 million, 55 percent above 1993 exports of $322 million. U.S. exports were $207 million through March, 19 percent higher than a year ago. The surge stems from a sudden upswing in cotton imports, which are expected to rise substantially. Cotton shipments totaled 10,000 tons for the first 6 months of fiscal 1994, compared with 160 tons in fiscal 1993. China began a flurry of buying in March 1994. Following the recent purchases, China's 1994 cotton import forecast has been revised sharply upwards.

Textile exports account for 25 to 30 percent of China's total export earnings, and China can ill afford any serious disruption in cotton supplies. The current jump in imports follows two consecutive poor cotton harvests due to an outbreak of bollworms. Market reports indicated the yarn industry experienced tight supplies over the winter. In addition, the government announced a purchase price increase prior to the end of last year's procurement season, perhaps prompting certain farmers to withhold cotton until the new price takes effect this summer (though the amount withheld would be relatively small). And finally, the official state procurement agency had difficulty purchasing cotton from farmers following last year's harvest. Non-State mills sent representatives into the countryside offering farmers high cash prices for their cotton. Apparently, some farmers accepted these offers because of the State agency's history of using IOU's rather than cash. Until recently, it appears that China was not drawing down what are believed to be relatively high levels of State cotton stocks, but is resorting to imports. Some analysts believe the quality of these stocks is so poor as to be unspinnable.

Taiwan

U.S. farm sales to Taiwan in fiscal 1994 are forecast at a record $2.2 billion, slightly higher than the February forecast and 10 percent higher than the previous year's $2 billion. Compared with fiscal 1993, the gain is mainly caused by higher prices but also by strong import demand for coarse grains and soybeans from Taiwan's livestock sector, as well as fast growth of many high-value products. In addition, U.S. cotton is expected to increase its market share in Taiwan.

The volume of coarse grain and soybean imports, accounting for more than half of U.S. farm exports to Taiwan, is forecast to remain at about the same high levels as in fiscal 1993 because of strong demand from hog and poultry producers--Taiwan's two dominant livestock sectors. In particular, the high prices of corn and soybeans resulting from the U.S. flood in summer 1993 are not likely to discourage hog production because of high hog prices, but hog farmers who are striving to meet the current rigid environmental requirements are not expected to expand their production. As a result, Taiwan's pork production is projected to flatten at its present high for the short run.

In contrast to previous forecasts, U.S. cotton exports to Taiwan are expected to increase in fiscal 1994. Taiwan's textile industry continues to follow that of the Japanese industry, producing higher quality products with superior technology and marketing. According to Taiwan importers, the United States is the only quality supplier that is reliable and consistent. In addition, U.S. cotton is expected to increase its market share significantly in fiscal 1994 because disease and pest damage have slashed cotton output in exporting countries like Pakistan and China.

In addition to bulk commodities, high-value agricultural products, particularly consumer food items, are growing fast among the imports. This trend reflects the fundamental change in Taiwan's economy: rising incomes and the relative decline of agriculture in Taiwan have shifted consumers' preferences to high-value consumer food items. As Taiwan authorities busily adopt measures to facilitate its entrance into GATT, its agricultural markets will likely open further. As U.S. exports of high-value food products enjoy both widespread consumer recognition and a head start in marketing, the United States is in a good position to increase its agricultural exports.

South Korea

U.S. exports to South Korea are expected to total $1.9 billion in fiscal 1994, 7 percent below the previous year. During October-March, exports were 5 percent lower than last year because of low demand for cattle hides, corn, and soybeans.

The decline in U.S. exports of cattle hides is expected to continue in fiscal 1994 as the Korean leather shoe and garment industries continue to move offshore. Cattle hides, the largest single U.S. export to Korea, declined 3 percent to $289 million during the first 6 months of fiscal 1994.

The outlook for U.S. beef exports in fiscal 1994 is for continued improvement over the depressed levels in fiscal 1993. Expectations are for increased domestic cattle slaughter and stable prices, but the rapidly growing economy should lead to a double-digit growth in demand. During the first 6 months of the current fiscal year, U.S. beef exports reached $100 million, 25 percent ahead of the same period last year.

U.S. grain and feed exports to Korea are expected to weaken again in fiscal 1994. China will dominate the Korean corn market for feed use, while U.S. corn will remain limited to GSM purchases for processing. This situation reflects the continuing price gap between U.S. and Chinese corn, in large part because China's shipping cost advantage over the United States is greater in Korea than in any other market. Also, purchases of wheat for feeding is up sharply, which is reducing Korea's overall demand for corn.

U.S. soybean exports to Korea are expected to decline moderately in fiscal 1994. During the first 6 months, U.S. soybean exports declined 11 percent to $136 million. This year's decline is caused by reduced though still higher-than-normal oil stocks, and an increase in cheap meal imports from India.

U.S. cotton exports are expected to decline again in fiscal 1994, but the decline may be less sharp than last year's 14 percent. For the first 6 months of fiscal 1994, U.S. exports declined to $152 million, down 11 percent from the same period last year. The Korean textile industry is facing increasing competition from the rapidly growing economies of Southeast Asia and China where wages are significantly lower. In addition, the continued downturn in the Japanese economy has reduced Japanese demand for Korean products made from high-quality yarns (extra-long staple cotton) of which the United States is the primary supplier.

Hong Kong

The value of U.S. agricultural exports to Hong Kong in fiscal 1994 is forecast at $900 million, 3 percent above last fiscal year. The main changes from February include higher volume and value estimates for exports of poultry meat (up 45 percent in volume for the first 6 months of the fiscal year compared with last year), cattle hides (up 124 percent in volume), cotton (up 227 percent in volume), and higher export value estimates for fruits and vegetables. The prospects for wheat and tobacco declined.

Hong Kong's economy is expected to do well in the near term: real GDP is projected to rise between 4.5 to 5.5 percent during this year and the next. However, some clouds appear on the horizon that could upset the course, including higher U.S. interest rates and uncertainty about China's ability to control its economy. Because the Hong Kong dollar is linked to the U.S. dollar, the recent rise in U.S. interest rates has caused interest rates in the colony to rise, which has had an unsettling effect on the colony's financial and property markets.

The Philippines

Several factors are expected to contribute to continued economic stability and possible economic growth in the Philippines. On May 1, 1994, President Ramos opened a thermal power plant to help solve power shortages and help to improve investor confidence. Also, on March 31, 1994, the Senate approved bills to open the banking market. The Philippine Government is also expected to deregulate the investment market. Lastly, negotiations continue with the International Monetary Fund to develop an economic plan, which along with these other factors, will contribute to economic growth.

U.S. agricultural exports to the Philippines are expected to be about $500 million in fiscal 1994, down from the previous estimate. U.S. exports through March were 12 percent below the previous year. U.S. wheat exports to the Philippines are expected to continue to grow in volume in fiscal 1994, although, lower export prices will hold value down. Importers in the Philippines purchased all of the 1.9 million tons of wheat made available under EEP in June 1993 and most of the April 1994 allocation. Evidence has shown that greater substitution of wheat for other staples is being made than previously thought.

Middle East and North Africa

U.S. agricultural exports to the Middle East and North Africa are expected to reach $3.5 billion in fiscal 1994, about the same as the previous year. Gains are expected for Algeria, but exports to Egypt are expected to drop. Algeria continues to import wheat, coarse grains, and oilseeds because drought conditions persist. Exports to Egypt during October-March were 29 percent lower than the previous year because of lower wheat shipments and no cotton exports.

Exports to Israel are expected to total $400 million as larger wheat shipments should offset smaller feed grain exports in fiscal 1994. U.S. wheat exports to Israel declined 551,000 tons in fiscal 1993, but a rebound is expected for fiscal 1994, following a 67-percent rise in wheat imports during October-March.

The area's growth markets for fiscal 1994 are likely to include some smaller markets such as Kuwait, the United Arab Emirates (UAE), and Yemen. U.S. agricultural exports to Kuwait rose 13 percent in the first 6 months of fiscal 1994. There were gains in horticultural products, and resumed gardening activity in Kuwait contributed to a 293 percent rise in U.S. seed exports in the recent period. The once important poultry and dairy industries are yet to rebound to a substantial level, and very little U.S. corn has been sold to Kuwait since early 1990.

Yemen is a growing market for U.S. farm products, and exports were 16 percent higher through March on larger wheat and wheat flour shipments assisted by EEP bonuses. However, the recent outbreak of civil war could slow exports in the latter part of 1994.

The UAE is a growing market for U.S. high-value products such as cooking oil, dairy products, poultry, dairy cattle, and horticultural products. Exports are likely to increase. U.S. exports through March were $61 million, 44 percent higher than a year earlier. The UAE is one of the world's most open markets, with few import barriers. Its agricultural development is concentrated in the horticultural, dairy, and poultry farms. This means good opportunity for U.S. exporters to sell vegetable seed, nursery stock, and animal feed to UAE importers.

Pakistan

Recent government decisions and market activities raised the prospect of higher wheat imports by Pakistan during 1994. The government wheat stocks have been reduced to a low level. The stocks at the end of March were 590,000 tons, while the offtake in April is expected to be 550,000 tons. The harvest began in April and the procurement has not picked up yet.

The production estimate is lowered from 16.1 million tons in marketing year 1993/94 to a forecasted 15 million tons in marketing year 1994/95, because of less than favorable weather conditions. To meet the shortfall the government has increased prices by 23 percent, which sparked the possibility of private sector wheat imports due to the attractive profit margin. During 1992/93, the private sector imported 177,306 tons; this year it is expected reach more than 200,000 tons. The remaining shortfall would have to be met by the public sector imports.

Brazil

U.S. exports to Brazil are expected to be $200 million in fiscal 1994, unchanged from fiscal 1993. Exports were 4 percent below last year for the October-March period. Most of the decline is due to much lower shipments of wheat and corn.

Brazil announced a change in its wheat tariff structure in March 1994. Wheat tariffs had been a flat 10 percent for non-MERCOSUR imports since July 1993. Under the new scheme to begin later this year, third country wheat tariffs will remain at 10 percent, except during the peak domestic marketing season from September 15 through January 30. During this time, tariffs will be a "sliding-scale" of 15 to 20 percent, depending on the c.i.f. value of the imported wheat.

Argentina, Brazil's major wheat supplier, has a marketing season similar to that of Brazil. In addition, Argentina exports wheat to Brazil under a preferential tariff rate of 1.8 percent under MERCOSUR, and is exempt from Brazil's Merchant Marine Maritime Tax on freight costs. Thus, the net result of the new scheme will be even higher tariffs for U.S., EC, and Canadian wheat during the time of heavy sales of Argentine wheat to Brazil.

Mexico

The fiscal 1994 forecast for U.S. agricultural exports to Mexico remains at $3.9 billion, unchanged since February. This forecast is 7 percent higher than in fiscal 1993, when Mexican demand for imported products exceeded the previous year by only $10 million. Increased Mexican agricultural production and a slowdown in Mexico's economic activity were the main reasons for the reduction in the growth rate of agricultural trade in 1993. The expected improvement in the Mexican economy in 1994 and the start of the NAFTA will likely lead to higher import demand for food and agricultural products. The value of U.S. food and agricultural exports to Mexico also is expected to increase.

Trade reforms under NAFTA are expected to lower producer prices of basic food crops in Mexico and encourage more rapid economic growth. The NAFTA is expected to have the most immediate impact on U.S. exports to Mexico of beef, cattle, and sorghum which began to enter the Mexican market duty free as of January 1, 1994. Some U.S. agricultural exports will enter Mexico subject to a tariff-rate quota (TRQ). These commodities include corn, barley, poultry, and pork, among others. The TRQ will enable a portion of U.S. exports to enter Mexico duty free, and once the quota is reached any additional imports will be subject to a tariff. The quota will be raised each year and the tariff reduced to zero over the phase-in period. Some U.S. agricultural exports will enter Mexico subject to a tariff which will be reduced to zero over a specified transition period, a maximum of 15 years for selected products. These commodities include wheat, soybeans, and cotton. As the tariffs on these commodities are reduced, U.S. agricultural exports to Mexico will likely increase.

Mexico has begun implementing regulatory changes to conform with NAFTA by issuing guidelines to administer the tariff-rate quota (TRQ) for all products under licensing prior to the agreement. Since March 1994, Mexico has announced auction procedures for the tariff-rate quota for eggs, milk powder, bacon, lard, and animal fats and greases. In April 1994, Mexico announced that the allocation of quotas and tariff-rate quotas under NAFTA will be based on a system of direct assignment, sealed public bids and special provisions for specific industries and/or geographic zones. The auctions for "Quota Certificates" (Certificados de Cupo) are to be administered by SECOFI, the Ministry of Foreign Trade.

In fiscal 1994, U.S. corn exports to Mexico are expected to rebound from the relative lows observed during 1992-93, as price and trade policies become less aggressive in promoting import substitution and the NAFTA eliminates the Mexican import license giving the United States duty-free access for 2.5 million tons of corn for calendar 1994. Under NAFTA, U.S. exports of sorghum to Mexico no longer face the seasonal (May 16-December 15) 15-percent ad valorem tariff. U.S. sales of sorghum to Mexico are expected to decline slightly in fiscal 1994 as more domestically produced corn is used and imports of corn rise. The final outcome is highly dependent on feed requirements and the amount of corn used for feed.

In fiscal 1994, U.S. sales of wheat to Mexico are estimated to rise to meet increasing demand. In April 1994, ASERCA, the government grain marketing agency, announced a new subsidy to the Mexican wheat millers to purchase domestically produced wheat instead of imported wheat.

U.S. exports of soybeans to Mexico will likely increase in fiscal 1994 as a result of the reduction in both the tariff and the dutiable season under NAFTA. Soybean imports will continue to grow based on expanding crushing demand and further productivity gains. Soymeal imports are expected to increase, reflecting growth in protein feed requirements.

U.S. exports of beef and cattle to Mexico should increase in fiscal 1994 as a result of the elimination of the import duty on cattle (15 percent) and beef (20 percent on fresh beef and 25 percent on frozen beef), the growth in Mexican consumer incomes, and the effect of lower consumer beef prices on slaughter demand.

In fiscal 1994, the outlook for both hogs and pork calls for increases in the volume and value of Mexican imports from the fiscal 1993 levels. The initial reduction in tariffs and income growth will influence demand for pork and boost hog slaughter.

Mexican demand for and consumption of poultry meat, up sharply in recent years, should continue to increase, driven primarily by rising incomes and lower prices of poultry relative to beef. However, U.S. exports of poultry meat to Mexico may slow in 1994 as the NAFTA TRQ is binding at 1993 levels and imports above the duty free 95,000 tons will be subject to a 133-260 percent tariff.

Agricultural Export Programs

The Export Enhancement Program

USDA is continuing to use the EEP to meet subsidized competition in export markets in fiscal 1994. EEP bonuses of $763 million as of May 12 assisted sales of commodities valued at more than $2.1 billion.

EEP wheat sales of 11.6 million tons as of May 12 are down 14 percent from last year's sales for the same period (table 5). Average EEP bonuses of $51 a ton are up by 48 percent. Sales to China, the former Soviet Union (FSU), Morocco, and Sri Lanka are down, while sales to Algeria, Egypt, the Philippines, and Sub-Saharan African countries are up. On April 1, USDA announced supplemental initiatives for wheat importers in Lebanon (100,000 tons), the Philippines (230,000 tons), and Yemen (300,000 tons). Importers in Yemen already have purchased all of the wheat available to them under the April 1 announcement. As of May 12, Philippine importers have purchased 145,000 tons of the 230,000 tons announced. The EEP initiatives for trade year (July/June) 1993/94 will expire at the end of June and no initiatives for 1994/95 have been announced to date.

On March 1, USDA announced EEP initiatives for 38,000 tons of frozen poultry for importers in Egypt, the Gulf States, Saudi Arabia, and Singapore. Major buyers have been importers in Near East countries. Fiscal 1994 EEP sales of frozen poultry totaling 17,047 pounds are more than double 1993 sales.

Table 5--Status of the EEP as of May 12, 1994

Commodity	1993 sales	1994 sales	1994 total EEP bonus	Average EEP bonus	Recent EEP initiatives	Remaining balance
	----- Metric tons -----		dollars	$/MT	-----Metric tons-----	
Barley	1,280,850	923,565	52,124,747	56.44	3,375,000	2,451,435
Barley malt	55,230	48,000	6,963,760	145.08	175,500	125,500
Eggs (dozens)	45,569,920	30,666,890	7,196,005	$0.23/doz	55,000,000	32,463,120
Frozen poultry	7,260	17,047	12,750,222	747.95	38,000	34,119
Pork	0	0	0	--	20,000	20,000
Rice	278,452	13,780	901,840	65.45	--	0
Semolina	--	--	--	--	50,000	50,000
Vegetable oils	373,196	187,090	22,879,059	122.29	835,000	647,910
Wheat	21,603,243	11,589,313	595,003,961	51.34	33,330,000	16,096,619
Wheat flour	756,636	463,025	65,484,497	141.43	1,745,000	1,195,165
Total EEP bonus:			763,304,091			

Source: FAS, Export Credits Division, for EEP sales and bonuses; ERS calculations from FAS press releases for remaining balances.

The Market Promotion Program (MPP)

The MPP is an export expansion program funded jointly by USDA, commodity producer organizations, and private companies. The MPP, authorized in the 1990 Food, Agriculture, Conservation, and Trade Act, assists eligible marketing organizations to conduct advertising, consumer promotions, trade servicing, and technical service activities in selected export markets. High-value and value-added products account for about 70 percent of MPP expenditures, while bulk commodities account for the rest.

On May 6, USDA announced that $99.5 million of CCC funds will be allocated to 59 commodity groups and regional trade organizations in fiscal 1994 (table 6). Organizations that allocated more than $4 million include those promoting Alaska seafood, California wine, cotton, red meats, and poultry and eggs. The four regional associations of State departments of agriculture also received more than $4 million each to assist in promoting regional agricultural specialties including those produced by small and medium-size businesses.

Table 6--Market Promotion Program (MPP) allocations

Agricultural product(s)	FY 1993 allocation	FY 1994 allocation	Change from FY 93 allocation	Percent of total MPP allocation
	$ million		percent	
Products receiving more than $4 million:				
Red meats	10.4	7.2	-31%	7%
Cotton	10.3	6.4	-38%	6%
Poultry and eggs	7.1	5.1	-28%	5%
California wine	11.7	5.0	-58%	5%
Alaska seafood	7.0	4.4	-36%	4%
Regional associations of State departments of agriculture:	19.9	17.3	-13%	16%
Eastern U.S. Agricultural and Food Export Council	4.2	4.4	5%	4%
Mid-America International Agri-Trade Council	4.4	4.5	1%	4%
Southern U.S. Trade Association	4.9	4.4	-11%	4%
Western U.S. Agricultural Trade Association	6.4	4.0	-37%	4%
Total 1/ 2/	66.4	45.5	-32%	46%
Total MPP:	147.7	99.5	-33%	

1/ Many other agricultural products were allocated MPP funds in 1994. Of MPP funds, 40 percent were allocated to organizations that promote the exports of fruits, vegetables, and tree nuts.
2/ Numbers may not add due to rounding.
Source: Calculated from USDA, FAS press release of May 6, 1994.

CCC Export Credit Guarantee Programs

As of May 6, GSM-102 and -103 credit guarantee applications received by the CCC amounted to slightly more than $2 billion, approximately one-quarter below those at the same time last year. Applications represent the amount of credit guarantees requested by exporters and are an indication of sales activity under the program. Lower credit guarantee applications for sales to Russia and Mexico account for most of the decline. Markets to which higher credit guarantee applications have been received are mainly Algeria and Egypt.

Excluding shipments to the former Soviet Union (FSU), U.S. agricultural exports through February, the latest data available, are down about 3 percent. Since sales registered under the GSM-102/103 programs are down much more (even excluding sales to the FSU), the GSM-102/103 programs will likely play a lesser role in U.S. agricultural exports in fiscal 1994 compared with fiscal 1993.

Food Aid Programs

Shipments under the Public Law (P.L.) 480 program are again expected to account for less than 5 percent of the value of total U.S. agricultural exports in fiscal 1994. Total U.S. agricultural exports are estimated to remain close to fiscal 1993 levels but the P.L. 480 budget is about 9 percent lower than the fiscal 1993 level.

The fiscal 1994 P.L. 480 Title I program level is $476.4 million compared with $555 million in 1993. As of April 7, $226.5 and $101 million have been allocated among 26 countries under Title I and the Food for Progress programs, respectively. The remaining unallocated funds for the purchase of commodities are being held in reserve.

Since the second quarter of fiscal 1994, agreements totaling $129 million have been signed with Belarus, Costa Rica, Jamaica, Jordan, Lithuania, Moldova, Morocco, Sri Lanka, Suriname, Turkmenistan, and Ukraine. While a total of $65 million previously allocated to Bulgaria, Dominican Republic, El Salvador, Latvia, and Pakistan have been returned to the unallocated reserve, allocations have been added for Angola ($5 million), Congo ($3 million), Ukraine ($20 million), and Slovak Republic ($10 million).

Of the approximately 1.4 million tons of commodities available under Title I allocations, East European countries were allocated more than half, followed by countries in Latin America and the Near East with 15 percent and 14 percent, respectively. Recipients in Asia and Africa received lesser amounts. Wheat and wheat flour allocations accounted for 60 percent of total Title I allocations. However, these were about 600,000 tons less than in fiscal 1993, mainly because of the withdrawal of Egypt and El Salvador from the Title I wheat recipients' list. Other commodities allocated were cotton, feed grains, oilseeds/and meal, rice, and soybean oil.

The Title II program level for fiscal 1994 is $841.6 million, $10 million higher than in 1993. Approximately 2 million tons in commodity shipments are expected to be provided. At the end of April, 1.7 million tons had been allocated, including 726,000 tons of wheat and wheat products, 616,000 tons of feed grains, 131,000 tons of rice, and 120,000 tons of vegetable oil, in addition to beans, lentils and peas. African countries had been allocated 41 percent followed by Asia with 28 percent and Latin America with 24 percent; Europe and the Near East received the remainder.

The fiscal 1994 Title III program level is $235.1 million, down $77 million from 1993. Agreements were signed with Bolivia, Guyana, Sri Lanka, and Uganda totaling $60 million. Bolivia, Guyana, and Sri Lanka were allocated about 230,000 tons of wheat and Uganda was allocated 16,000 tons of tallow. Other agreements are in negotiation.

Import Commodities

The fiscal 1994 forecast has been increased to $25 billion from the February forecast of $24.5 billion. The revised forecast reflects a sharp increase in coffee import value due to rising prices and strong horticultural and grain shipments.

The forecast for competitive imports has been raised $100 million to $19.1 billion. The grains and feeds forecast has been increased because of continued growth in wheat, oats, and barley imports from Canada, and oat shipments from Sweden and Finland. Through March, the value of shipments was 46 percent ahead of last year. Grains and feeds are forecast at $2.2 billion, up $100 million. The volume forecast is 8 million tons.

Strong vegetables shipments boosted the horticultural forecast. The forecast for vegetables has been increased $100 million since February to $2.6 billion. The fruit and nut forecasts are unchanged at $2.1 billion and $400 million, respectively. Wine and beer imports for the year are up 12 percent in value and the February forecast has been revised upwards 500 hectoliters to 14,000 hectoliters, and value is now forecast at $1.9 billion. Year-to-date wine imports are 5 percent ahead of last year at $519 million.

Oilseeds rose compared to second quarter fiscal 1993, increasing 37 percent in value. Rapeseed imports increased from $1.3 million in October-March of fiscal 1993 to $68.4 million this year. The oilseed forecast remains $1.4 billion.

Cattle imports fell from first quarter levels and were 19 percent behind a year ago. Imports through March totaled $608 million compared with $751 million last year. The forecast for live animal imports has been reduced to $1.4 billion. Beef imports are up 36 percent from first quarter levels although year-to-date shipments are down. The forecast is unchanged.

The tobacco forecast was revised upward with leaf imports now at $800 million. Although import quantity is down due to restrictions on foreign leaf use in U.S. manufactured cigarettes, the leaf that is being imported is of higher quality.

The non-competitive import forecast is up $400 million to $5.9 billion due to higher than expected coffee and cocoa imports. October-March non-competitive imports increased 1 percent from fiscal 1993. Sharply higher coffee prices have raised import values in spite of reduced quantities. Fiscal 1994 coffee imports are now forecast at $2 billion, up $400 million from the February forecast. Volume is now forecast 200,000 tons below the previous forecast.

Key producers, led by Colombia, held back coffee to boost prices and U.S. coffee imports for fiscal 1994 are 28 percent behind last the same period in fiscal 1993. Although the retention scheme ended in April, low stocks, increasing consumption, and poor crops in Colombia and Brazil will continue to boost prices.

Table 7--U.S. agricultural imports: Value by commodity, 1992-94

Commodity	October-March 1992/93	October-March 1993/94	Fiscal 1993	Fiscal 1994 Forecast
	--Billion dollars--			
Competitive Products	9.613	10.312	18.929	19.1
Animals and products	2.983	2.921	5.917	5.8
Live animals	.833	.689	1.569	1.4
Beef and veal	.926	.921	1.919	1.9
Pork	.338	.385	.663	.8
Dairy products	.420	.479	.860	.9
Horticultural products	3.597	3.786	6.863	7.0
Fruits (incl juices)	1.053	1.093	2.037	2.1
Vegetables and preps	1.369	1.492	2.440	2.6
Nuts and preparations	.283	.236	.508	.4
Wines and malt beverages	.892	.965	1.878	1.9
Grains, feeds, and products	.782	1.142	1.639	2.2
Sugar and related products	.495	.504	1.060	1.1
Oilseeds and products	.641	.736	1.204	1.4
Tobacco, unmanufactured	.529	.577	1.101	.8
Seeds	.115	.149	.214	.2
Noncompetitive products	2.879	2.906	5.525	5.9
Bananas and plantains	.533	.500	1.083	1.0
Coffee, incl. processed	.826	.813	1.502	2.0
Cocoa, incl. processed	.548	.583	1.028	1.1
Rubber and allied gums	.426	.425	.839	.9
Spices	.138	.158	.259	.3
Tea	.092	.101	.187	.2
Total	12.492	13.218	24.454	25.0

Table 8--U.S. agricultural imports: Volume by selected commodities, 1992-94

Commodity	October-March 1992/93	October-March 1993/94	Fiscal 1993	Fiscal 1994 Forecast
	--Thousand metric tons--			
Competitive Products	7,785	11,122	15,338	19,060
Beef and veal	401	382	793	780
Pork	136	167	276	315
Cheese & casein	107	128	221	235
Horticultural products	2,596	2,670	4,478	4,580
Fruits and preparations	1,151	1,131	2,159	2,100
Vegetables-fresh & frozen	1,341	1,442	2,126	2,300
Nuts and preparations	104	97	193	180
Wines and malt beverages 1/	5,764	6,646	12,804	14,000
Fruit juices 1/	12,536	16,002	27,053	22,000
Grains, feeds, and products	2,271	4,969	4,942	8,000
Sugar, cane or beet 2/	714	709	1,569	1,700
Oilseeds and products	1,267	1,734	2,484	2,900
Tobacco, unmanufactured	186	191	386	275
Seeds	107	195	189	275
Noncompetitive products	3,562	3,414	6,937	7,050
Bananas and plantains	1,856	1,811	3,737	3,700
Coffee, incl. processed	658	510	1,185	1,050
Cocoa, incl. processed	402	422	770	800
Rubber and allied gums	502	517	981	1,200
Spices	71	71	124	140
Tea	73	83	140	160

1/ 1,000 HL. Not included in horticultural totals.
2/ Imports for consumption, product weight.

Table 9--U.S. agricultural imports: Value by region, 1992-94

Region	October-March 1992/93	October-March 1993/94	Fiscal 1993	Fiscal 1994 Forecast
	--Billion dollars--			
Western Europe	2.541	2.679	5.080	5.1
European Community 1/	2.382	2.485	4.735	4.8
Other Western Europe	.159	.194	.345	.3
Eastern Europe	.131	.148	.281	.2
Former Soviet Union	.016	.016	.029	7/
Asia	1.929	1.921	3.746	3.7
Japan	.130	.136	.258	.3
China	.197	.225	.425	.4
Other East Asia 2/	.144	.138	.297	.3
Other Asia 3/	1.458	1.422	2.767	2.7
Middle East 4/	.202	.185	.426	.3
Africa	.312	.349	.623	.6
North Africa 5/	.031	.024	.054	7/
Sub-Saharan Africa	.281	.325	.569	.6
Latin America	4.301	4.514	7.969	8.3
Mexico	1.526	1.636	2.708	2.9
Other Latin America	2.774	2.878	5.261	5.4
Brazil	.602	.783	1.199	1.2
Canada	2.162	2.553	4.422	5.0
Oceania	.899	.853	1.879	1.8
Total	12.492	13.218	24.454	25.0
Developed Countries 6/	5.758	6.253	11.639	12.2
Less Developed Countries	6.520	6.720	12.080	12.2
Other Countries 7/	.215	.245	.735	.6

1/ Korea, Hong Kong, and Taiwan.
2/ Afghanistan, India, Pakistan, Nepal, Bangladesh, Sri Lanka, Burma, Thailand, Vietnam, Laos, Cambodia, Malaysia, Singapore, Indonesia, Brunei, the Philippines, and Macao.
3/ Turkey, Cyprus, Syria, Lebanon, Iraq, Iran, Israel, Jordan, Kuwait, Saudi Arabia, Qatar, United Arab Emirates, Yemen, Oman, and Bahrain.
4/ Morocco, Algeria, Tunisia, Libya, and Egypt.
5/ Western Europe, Japan, Canada, Israel, South Africa, and Oceania.
6/ Includes the former Soviet Union.
7/ Less than $50 million.

U.S. Department of Agriculture
Economic Research Service

SUMMARY OF REPORT SB-875

U.S. Exports More, Consumes Less Fresh Fruit than Previously Estimated

April 1993

Contact: Diane Bertelsen, 202-219-0884

During 1978-89, the United States exported more fresh fruit than had been reported by the Bureau of the Census. Import data made available by Statistics Canada revealed that some shipments of fresh fruit from the United States to Canada had not been counted by the Bureau. Using the Canadian data raised total U.S. fruit exports and lowered consumption. U.S. consumption of citrus fruits was 5 percent lower and consumption of noncitrus fruits was 1 percent lower than previously estimated. Since 1990, the Bureau of the Census has used the Canadian import data as a measure of U.S. exports to Canada. This bulletin reports the revised U.S. export and per capita consumption for 13 fresh fruits: grapefruit, lemons, limes, oranges, tangerines, apples, avocados, sweet cherries, grapes, peaches and nectarines, pears, prunes and plums and strawberries. The report also includes 40-year trends for fresh fruit consumption.

These estimates are published in a new report from USDA's Economic Research Service, *U.S. Fresh Fruit Export and Consumption Estimates, 1978-92.*

Substituting Canadian import data for U.S. export data reduced annual estimates of fresh-market orange and grape consumption the most, an average 7 percent. Exports of these commodities to Canada were substantially underreported, and Canada was a major destination, receiving 50-75 percent of all U.S. orange and grape exports. Because exports averaged about 25 percent of orange and grape supplies during the study period, raising exports markedly reduced consumption.

Annual consumption estimates for fresh-market avocados, limes, peaches, and strawberries were lowered just 2-3 percent, on average, despite substantial underreporting of U.S. exports during 1978-89. Canada was the destination of more than 80 percent of U.S. peach and strawberry exports, about 70 percent of limes, and nearly 50 percent of U.S. avocado exports. However, even after the author revised the data, avocado exports were less than 10 percent of total U.S. supplies. Thus, upward adjustments of exports had little impact on consumption estimates.

Annual consumption estimates for fresh-market apples were revised downward barely 1 percent, on average. Canada accounted for about 25 percent of all U.S. apple exports and adjusting for underreporting raised total U.S. apple exports an average of only 10 percent. The effects of higher exports on consumption estimates were dampened further because exports averaged just 12 percent of U.S. fresh-market apple supplies during the study period.

Pear consumption estimates were reduced only about 2 percent because exports were just 14 percent of supplies. Although Canada accounted for about 50 percent of U.S. pear exports, the degree of underreporting was less than for the other fruits. Total annual pear exports were revised upward an average of 15 percent.

Grapefruit exports, however, were relatively large compared with total supplies, averaging nearly 30 percent. Thus, modest adjustments for underreported exports to Canada lowered annual consumption estimates by an average of 5 percent during the study period, 1978-89.

To Order This Report...

The information presented here is excerpted from ***U.S. Fresh Fruit Export and Consumption Estimates, 1978-92,*** SB-875, by Diane Bertelsen. The cost is $9.00.To order, dial **1-800-999-6779** (toll free in the United States and Canada) and ask for the report by title.

Please add 25 percent to foreign addresses (including Canada). Charge to Visa or MasterCard. Or send a check (made payable to ERS-NASS) to:

ERS-NASS
341 Victory Drive
Herndon, VA 22070.

U.S. Department of Agriculture
Economic Research Service

SUMMARY OF REPORT #AER-683

U.S. land and labor devoted to agricultural exports have changed

May 1994

Contact: Chinkook Lee, 202/219-0785

The commodity composition of U.S. agricultural exports has changed since the 1970's. In 1977, grains and oil crops were more than half of U.S. agricultural exports. By 1990, grains and oil crops had fallen to more than a third of U.S. agricultural exports, and high-value products, such as meat and other processed products, had doubled their 1977 export volume to total about a quarter of the exported agricultural commodities. The commodity composition of U.S. agricultural exports has changed because production technology for U.S. high-value commodities has become highly mechanized, which allows greater use of the United States' abundant farmland and requires little use of labor. These factors combine to make U.S. agricultural exports highly competitive with those from other nations.

Factor Intensity and the Changing Commodity Composition of U.S. Agricultural Trade, a new report from USDA's Economic Research Service, examines the amount of U.S. land, labor, and capital devoted to the production of agricultural exports and the associated patterns of U.S. agricultural trade.

The composition of U.S. exports reflects the purchasing patterns of different nations. Over time, these patterns change as nations alter their purchases in response to changes in income, relative prices, and domestic shortages. Perhaps the most important of these factors are changes in income that result from the development process. As a nation develops, its agricultural imports tend to shift away from food grains and industrial raw materials toward high-value commodities, such as meat products and fruits and vegetables.

As developing nations earn higher incomes and become increasingly self-sufficient in food production, the composition of U.S. agricultural exports will likely shift toward high-value products, such as meats, fruits and vegetables, and other processed foods. However, products importing countries use to produce high-value commodities, for example feed grains and oil crops (used to produce livestock), will likely also remain a major share of U.S. agricultural exports. As the commodity composition of agricultural exports changes, the use of land and labor for producing agricultural exports will also change, because different commodities have different direct and economywide land and labor requirements.

Share of U.S. agricultural exports, by commodity group, 1977-90

Commodity group	1977	1982	1990
		Percent	
Livestock	0.9	1.2	1.7
Food grains	11.6	18.3	10.3
Feed grains	20.8	17.7	18.3
Cotton	6.5	5.4	7.1
Vegetables, fruits, and nuts	4.1	4.8	7.6
Oil crops	20.3	18.6	9.8
Tobacco	4.6	4.2	3.7
Meat products	6.4	5.8	12.2
Feeds and flours	6.6	6.4	8.2
Vegetable fats and oils	9.9	8.2	5.4
Other processed foods	6.0	6.9	12.2
Other agricultural products	2.4	2.5	3.5

To Order This Report...

The information presented here is excerpted from ***Factor Intensity and the Changing Commodity Composition of U.S. Agricultural Trade***, AER-683, by Chinkook Lee and Michelle Robinson. The cost is $9.00.

To order, dial **1-800-999-6779** (toll free in the United States and Canada) and ask for the report by title. Please add 25 percent for shipment to foreign addresses (including Canada). Charge to VISA or MasterCard. Or send a check (made payable to ERS-NASS) to:

ERS-NASS
341 Victory Drive
Herndon, VA 22070.

We'll fill your order by first-class mail.

United States
Department of Agriculture
1301 New York Avenue, NW
Washington, DC 20005-4789

OFFICIAL BUSINESS
Penalty for Private Use, $300

MOVING? To change your address, send this sheet with label intact, showing new address to: EMS Information, Rm 228, 1301 New York Ave., NW, Washington, DC 20005-4789

FIRST CLASS
POSTAGE & FEES PAID
USDA
PERMIT NO. G-145

✓ Want to Subscribe? ✓ Time to Renew?

Subscribe to ***Outlook for U.S. Agricultural Exports*** today! If you already subscribe to this timely periodical, note that expiration information about your subscription appears on the top line of your mailing label. **Expiration information will appear in one of two formats: 1-AES-2** (this means you have TWO issues remaining in your subscription) or APR95 (expiration date is April 1995). Disregard this notice if no renewal information appears. **Call toll free, 1-800-999-6779,** and tell us whether you want to subscribe or renew, or return this form to: **ERS-NASS, 341 Victory Drive, Herndon, VA 22070.**

Outlook for U.S. Agricultural Exports

- ❑ Yes! I want to **start** my subscription.
- ❑ Yes! I want to **renew** my subscription.

	1 Year	*2 Years*	*3 Years*
Domestic:	❑ $17.00	❑ $32.00	❑ $48.00
Foreign:	❑ $21.25	❑ $40.00	❑ $60.00

New subscribers:

Name: ______________________

Address: ______________________

City, State, Zip: ______________________

Daytime phone: (______)______________________

Renewals:

ATTACH MAILING LABEL HERE

Payment method:

❑ Enclosed is $__________.

Use purchase orders, checks drawn on U.S. banks (and in U.S. funds), cashier's checks, or international money orders. **Make payable to ERS-NASS.** Please do not send cash.

Credit card orders: ❑ MasterCard ❑ Visa Total charges $__________.

Credit card number:

Card expiration date:

Month/Year

For *fastest* service, call our toll-free order desk 1-800-999-6779 in the U.S. and Canada; other areas please call 703-834-0125, or FAX this page to 703-834-0110.