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Outlook for U.S. Agricultural Trade

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U.S. Agricultural Exports Forecast at \$57.5 Billion in Fiscal 2003, \$4 Billion Over 2002; Imports Also Projected Higher

Drought in the United States, leading to sharply higher prices, particularly for grains and soybeans, is expected to help boost the value of fiscal 2003 U.S. agricultural exports to \$57.5 billion, a 7.5-percent gain over 2002. Corn volume is expected to rise taking advantage of less foreign competition and ample beginning stocks. But lower soybean and wheat volumes are expected to reduce bulk commodity shipments. Modest volume gains for meats and horticultural products also support the improved outlook.

Imports for 2003 are forecast at \$42 billion, continuing the general upward trend, particularly for horticultural products. The expected 2003 export surplus rises to \$15.5 billion, substantially more than in 2002.

Since May, total 2002 exports remain unchanged. But value for wheat, corn, and soybeans is revised up, boosted by higher prices and soybean volume. The expected value of hides and skins exports is reduced slightly. Estimated 2002 imports rise, as horticultural imports, especially fruits, continue strong.

Table 1--U.S. agricultural trade, fiscal years 1998-2003, year ending September 30

| Item | 1998 | 1999 | 2000 | 2001 | Estimate | | Forecast |
|-----------------|------|------|------|------|-------------|------|-------------|
| | | | | | Fiscal 2002 | | Fiscal 2003 |
| | | | | | May | Aug. | Aug. |
| Billion dollars | | | | | | | |
| Exports | 53.6 | 49.1 | 50.7 | 52.7 | 53.5 | 53.5 | 57.5 |
| Imports | 36.8 | 37.3 | 38.9 | 39.0 | 40.0 | 40.5 | 42.0 |
| Balance | 16.8 | 11.8 | 11.9 | 13.7 | 13.5 | 13.0 | 15.5 |

Reflects forecasts in the Aug. 12, 2002, *World Agricultural Supply and Demand Estimates* report.
Sources: U.S. Department of Agriculture and Bureau of Census, U.S. Department of Commerce.

Contents[Economic Outlook](#)
[Export Products](#)
[Export Programs](#)
[Regional Exports](#)
[Import Products](#)
[Regional Imports](#)
[Contacts and Links](#)**Tables**[Ag. Exports](#)
[Regional Exports](#)
[Ag. Imports](#)
[Regional Imports](#)**Web Sites**[U.S. Ag. Trade](#)
[FATUS Data](#)
[FAS U.S. Trade](#)-----
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Department of
Agriculture.

Economic Outlook

The global slowdown, which started in 2001, has largely continued into 2002, and is leading to global growth below 2 percent. In 2003, world growth is forecast to increase more than 3 percent. Although world growth is expected to turn around in 2003, significant downside risks remain.

Developed Economies

In 2002, unlike most developed economies, the U.S. economy is rebounding somewhat. This year, world growth outside the United States is averaging 1.4 percent, the same rate as in 2001. Although the United States is growing out of recession, Japan and Germany remain in recession through mid-2002. Consequently, developed economy growth is up only modestly to 1.5 percent from 1.1 percent in 2001. Given that the expected world recovery is largely dependent on renewed growth in the United States, Europe, and Japan, economic recoveries around the world are uneven.

Output growth in the European Union (EU) for 2002 remains at 1.5 percent, roughly the same as 2001. Despite its recent appreciation, the euro continues to be weak against the dollar, slowing U.S. exports to the EU and putting U.S. products at a competitive disadvantage in other markets. Gross Domestic Product (GDP) in the EU is expected to recover to about 3 percent growth in 2003, paralleling the recovery in the United States and other developed countries.

Japan is likely to experience extremely slow economic growth of about 1 percent in 2003. Even this modest projection is subject to doubt as news about the depth of its financial system's structural problems continues to weaken business and consumer expectations. Therefore, some analysts expect Japan to remain in recession in 2003.

Developing Economies

Developing country economic growth in 2003 is forecast to increase to about 5 percent. However, growth expectations for trade-dependent developing countries continue to hinge on recoveries in the United States, Japan, and Europe. Developing

country growth in 2002, at 3 percent, is slower than expected due to spotty recoveries in developed economies, but represents an improvement over 2001 growth of 2.3 percent.

Overall, growth in the Asian developing countries is projected to rise from 4.7 percent in 2002 to about 6.0 percent in 2003. Among Asian economies, South Korea, Taiwan, Malaysia, the Philippines, and Thailand appear likely to be the most affected by growth rates of developed nations, and are expected to experience the sharpest rebounds in 2003.

The notable Asian exceptions to sluggish growth in 2002 are China and India. These two economies are estimated to be growing at 7.1 and 5.5 percent, respectively, as they are largely unaffected by slow world growth. In 2003, China's economy is expected to grow by 7.9 percent, and India's economic growth rate is expected to plateau at 5.8 percent.

In Latin America, three countries of some concern for U.S. agricultural interests are Argentina, Brazil, and Mexico. Argentina's economy is estimated to be shrinking by 9.1 percent in 2002, and prospects for recovery in 2003 remain in question. Argentina's continued serious economic and financial problems may hamper its competitiveness in world agricultural markets. However, the shift to a floating exchange rate and subsequent depreciation of the Argentine peso appear to enhance export potential for several agricultural goods. Similarly, the economic outlook in Brazil is uncertain.

Mexico's growth potential is closely tied to U.S. demand, which will see some modest growth in 2003. Consequently, Mexico's projected growth for 2003 is more favorable.

Exchange Rates

Recently the U.S. dollar has depreciated against the euro and other developed economy currencies. However appreciation against the yen and the continued relative strength of the U.S. dollar may temper expected gains in U.S. agricultural exports and continue to encourage U.S. import growth.

Export Products

Wheat and flour exports are projected to reach \$4 billion in fiscal 2003, up \$500 million over the revised forecast for fiscal 2002. This is solely due to higher export unit values since wheat shipments are expected to fall 500,000 tons to 24.5 million tons. The smallest U.S. wheat crop in 30 years--forecast 7.4 million tons lower than in 2001/02--and drought-reduced crops in Canada and Australia are pushing prices higher. However, large supplies from the Black Sea region, at prices sharply below U.S. levels, and a record crop in the EU will reduce opportunities for U.S. export volume to expand. Forecast 2002 wheat and flour exports are reduced, but higher unit prices (due to tighter supplies) lead to a slightly higher estimated value.

Mostly the result of significantly higher export unit values for corn, fiscal 2003 U.S. coarse grain exports are projected to rise \$1.6 billion from the 2002 estimate. Corn exports are projected at 51 million tons valued at \$6.2 billion, up 2.5 million tons and \$1.5 billion from the revised estimate for 2002. Despite a forecast 16-million-ton reduction in the U.S. corn crop from 2001, U.S. supplies will be sufficient to offset reduced competition from Argentina. A smaller U.S. crop and reduced demand from Mexico lower sorghum exports 300,000 tons.

Fiscal 2003 U.S. rice exports are projected at 3.4 million tons, up 100,000 tons from the 2002 estimate. Food aid shipments and larger U.S. supplies account for the slightly improved outlook. Prices are also expected to increase somewhat from 2002 levels.

The fiscal 2003 export projection for oilseeds and products calls for a \$200-million increase from the revised 2002 forecast to \$9.8 billion, despite decreased soybean and soybean meal shipments. Compared with revised 2002 estimates, U.S. soybean and soybean meal exports are projected to fall 6.5 million tons and 800,000 tons to 22.3 million tons and 6.1 million tons, respectively. Larger South American supplies and tighter U.S. supplies could push U.S. soybean exports to their lowest level since 1994. At the same time, a smaller U.S. crop and reduced ending stocks are projected to boost soybean export unit values to a 5-year high. Prospective U.S. soybean oil exports in fiscal 2003 also are likely to rise in value. Ample domestic supply coupled with below-normal expansion in foreign oilseed

production and continued growth in foreign demand should permit shipments to expand somewhat from last year at higher average export unit values. The 2002 forecast for soybeans is increased 1 million tons to a record 28.8 million tons, due to the slower-than-expected pace of South American shipments.

The fiscal 2003 outlook for cotton exports calls for an increase of 120,000 tons to 2.5 million tons and a \$400-million gain to \$2.7 billion. Large exportable supplies, coupled with higher prices, are expected to support the higher value. Although somewhat smaller than last year's record crop, this year's crop promises to continue large, as do ending stocks.

Fiscal 2003 livestock, poultry, and dairy product exports are projected at \$12.6 billion, up \$500 million from the revised 2002 forecast. The improved outlook is due primarily to better prospects for broiler meats. Broiler exports are projected to increase \$200 million to \$1.7 billion due to a 300,000-ton increase in shipments. Although the recent agreement on veterinary certificates should allow trade with Russia to resume, export growth is expected to be moderate. In addition, somewhat higher volumes for beef and slightly higher unit values for both beef and pork are projected, supported by increased sales to traditional markets in Asia and North America. The 2003 hides and skins projection remains unchanged from the revised 2002 forecast of \$1.8 billion. Growth in U.S. cattle hide shipments to China and South Korea should remain constrained due to relatively high prices for the U.S. product. For fiscal 2002, broiler meat volume is lowered 200,000 tons mostly due to reduced sales to Russia.

Exports of horticultural products are projected at a near-record \$11.5 billion in fiscal 2003, up \$300 million from the fiscal 2002 forecast. A more competitive dollar and solid demand in key Asian and North American markets are expected to support U.S. sales of these high-value products. Broad-based volume increases are expected for fruits, vegetables, and tree nuts. With respect to production risks, the U.S. 2002/03 apple crop is somewhat smaller, but Washington State's apple crop, which accounts for 80 percent of exports, is larger. A smaller Florida orange crop may slow frozen orange juice concentrate exports. U.S. almond, walnut, and pistachio crops are projected to remain at or near record size.

Table 2--U.S. agricultural exports: Value and volume by commodity, 2001-2003

| Commodity | October-June | | Fiscal | Estimate | | Forecast |
|------------------------------------|--------------|--------|---------|-------------|-------|-------------|
| | 2001 | 2002 | 2001 | Fiscal 2002 | | Fiscal 2003 |
| | | | | May | Aug. | Aug. |
| Billion dollars | | | | | | |
| VALUE | | | | | | |
| Grains and feeds 1/ | 10.292 | 10.425 | 13.892 | 14.0 | 14.1 | 16.5 |
| Wheat and flour | 2.514 | 2.614 | 3.370 | 3.4 | 3.5 | 4.0 |
| Rice | 0.590 | 0.583 | 0.758 | 0.7 | 0.7 | 0.7 |
| Coarse grains 2/ | 3.757 | 3.880 | 5.239 | 5.4 | 5.4 | 7.0 |
| Corn | 3.166 | 3.352 | 4.514 | 4.6 | 4.7 | 6.2 |
| Feeds and fodders | 2.091 | 1.928 | 2.747 | 2.6 | 2.6 | 2.9 |
| Oilseeds and products | 7.416 | 8.143 | 8.781 | 9.2 | 9.6 | 9.8 |
| Soybeans | 4.507 | 4.718 | 5.089 | 5.1 | 5.4 | 5.4 |
| Soybean meal | 1.098 | 1.048 | 1.387 | 1.3 | 1.3 | 1.3 |
| Soybean oil | 0.192 | 0.375 | 0.240 | 0.4 | 0.4 | 0.6 |
| Livestock products | 6.650 | 6.533 | 8.787 | 8.8 | 8.7 | 8.9 |
| Beef, pork, and variety meats | 3.622 | 3.559 | 4.833 | 4.8 | 4.8 | 4.9 |
| Hides and skins, incl. furs | 1.446 | 1.318 | 1.933 | 1.9 | 1.8 | 1.8 |
| Poultry and products | 1.865 | 1.774 | 2.538 | 2.4 | 2.4 | 2.6 |
| Broiler meat 3/ | 1.255 | 1.192 | 1.711 | 1.6 | 1.5 | 1.7 |
| Dairy products | 0.793 | 0.749 | 1.056 | 1.1 | 1.0 | 1.1 |
| Tobacco, unmanufactured | 0.953 | 1.012 | 1.181 | 1.3 | 1.2 | 1.3 |
| Cotton and linters | 1.531 | 1.668 | 2.093 | 2.3 | 2.3 | 2.7 |
| Seeds | 0.597 | 0.682 | 0.738 | 0.8 | 0.8 | 0.8 |
| Horticultural products | 8.400 | 8.413 | 11.062 | 11.2 | 11.2 | 11.5 |
| Fruits and preparations | 2.587 | 2.539 | 3.494 | 3.5 | 3.5 | 3.6 |
| Vegetables and preparations | 2.353 | 2.321 | 3.035 | 3.0 | 3.0 | 3.1 |
| Tree nuts and preparations | 0.874 | 0.956 | 1.133 | 1.3 | 1.3 | 1.4 |
| Sugar and tropical products | 1.912 | 1.723 | 2.569 | 2.5 | 2.3 | 2.4 |
| Major bulk product value 4/ | 13.652 | 14.275 | 17.630 | 18.1 | 18.4 | 21.0 |
| Total value 5/ | 40.410 | 41.124 | 52.699 | 53.5 | 53.5 | 57.5 |
| Million metric tons | | | | | | |
| VOLUME | | | | | | |
| Wheat | 18.728 | 18.737 | 25.286 | 25.5 | 25.0 | 24.5 |
| Wheat flour | 0.436 | 0.407 | 0.486 | 0.5 | 0.5 | 0.5 |
| Rice | 2.387 | 2.665 | 3.066 | 3.3 | 3.3 | 3.4 |
| Coarse grains 2/ | 39.327 | 40.397 | 55.164 | 56.0 | 55.2 | 57.4 |
| Corn | 33.643 | 35.331 | 48.192 | 49.0 | 48.5 | 51.0 |
| Feeds and fodders | 9.644 | 9.757 | 12.647 | 12.7 | 13.0 | 12.6 |
| Oilseeds and products | 31.849 | 34.657 | 37.068 | 38.9 | 40.2 | 32.6 |
| Soybeans | 23.622 | 25.524 | 26.569 | 27.8 | 28.8 | 22.3 |
| Soybean meal | 5.516 | 5.566 | 6.998 | 7.0 | 6.9 | 6.1 |
| Soybean oil | 0.519 | 0.968 | 0.635 | 1.0 | 1.1 | 1.1 |
| Beef, pork, and variety meats | 1.442 | 1.452 | 1.917 | 1.9 | 2.0 | 2.0 |
| Broiler meat 3/ | 1.878 | 1.690 | 2.482 | 2.4 | 2.1 | 2.4 |
| Animal fats | 0.798 | 0.961 | 1.051 | 1.2 | 1.3 | 1.2 |
| Tobacco, unmanufactured | 0.143 | 0.142 | 0.177 | 0.2 | 0.2 | 0.2 |
| Cotton and linters | 1.177 | 1.798 | 1.686 | 2.4 | 2.4 | 2.5 |
| Horticultural products | 6.242 | 6.068 | 8.112 | 7.9 | 7.9 | 8.2 |
| Sugar and tropical products | 1.025 | 0.904 | 1.358 | 1.3 | 1.2 | 1.3 |
| Total major bulk product volume 4/ | 85.384 | 89.263 | 111.948 | 115.2 | 114.9 | 110.3 |

1/ Includes pulses and processed grain products. 2/ Includes corn, barley, sorghum, oats, and rye. 3/ Includes only Federally inspected product. 4/ Includes wheat, rice, coarse grains, soybeans, cotton and linters, and tobacco. 5/ Includes a small amount of miscellaneous product not elsewhere specified.

Sources: U.S. Department of Agriculture and Bureau of Census, U.S. Department of Commerce.

Export Programs

Export Subsidy Programs

Allocations under the Dairy Export Incentive Program (DEIP) for marketing year July 2002 through June 2003 are still under review and have not yet been announced.

Export Credit Guarantee Programs

Country allocations under fiscal year 2002 export credit guarantee programs (GSM-102, GSM-103, the Supplier Credit Guarantee Program (SCGP), and the Facility Guarantee Program (FGP)) totaled \$6.0 billion as of August 16, 2002. Sales approvals of about \$2.9 billion were 2 percent higher than fiscal year 2001 approvals at the same time last year. GSM-102 credit guarantee approvals since October 2001 were \$2.6 billion, about the same as last year at this time. For the same time period, SCGP approvals were \$375 million, up \$179 million from the same period last fiscal year. No sales have been approved for GSM-103 or for FGP this fiscal year.

U.S. Food Aid Programs

Program levels for fiscal 2003 have not yet been determined.

Approximately \$108 million of P.L. 480, Title I funding is committed for fiscal 2002 concessional sales of U.S. products. These allocations will provide more than 600,000 tons to countries that include Indonesia, the Philippines, and Pakistan. Commodities that will be purchased under this

program include wheat (300,000 tons), rice (210,000 tons), and soybeans and products (115,000 tons).

In fiscal 2002, the U.S. government will donate approximately 1.7 million tons of food valued at more than \$400 million through the section 416(b) authority. Of this amount, 300,000 tons (\$63 million) will support school feeding programs in the Global Food for Education Initiative. Commodities provided will consist of wheat and wheat products, corn and corn products, rice, soybeans and products, and non-fat dry milk. Recipient countries will include Ethiopia, Afghanistan, and Pakistan.

More than 400,000 tons of food valued at more than \$110 million will be provided in fiscal 2002 through the Food for Progress program. Recipient countries will include Vietnam, Guyana, and Ecuador.

Appropriations for the Title II program are estimated at \$945 million for fiscal 2002, up 13 percent from the previous year. More than half of these allocations are geared toward the emergency components of the program as opposed to development. As of August 8, commodity allocations under approved Title II programs totaled more than 1.8 million tons. Sub-Saharan Africa received 44 percent of these allocations, but the largest single recipients are in the Asian region. Afghanistan is receiving 237,000 tons of emergency assistance, while India has nearly 200,000 tons of development assistance. Wheat and wheat products account for half of the total approved program allocations.

Regional Exports

Initial projections for fiscal 2003 U.S. agricultural exports by country and region will be made in the December issue of this report.

With no change since May in the forecast for fiscal 2002 total agricultural exports, very little change has been made in the distribution of these exports by country and region. Estimated exports to the Middle East and Oceania are unchanged from May. Expected shipments to Asia and the Western Hemisphere are lowered slightly, particularly for Japan, Central America, and South America. Prospects for Western Europe and Africa are boosted somewhat, with more going to western European countries outside the EU and to SubSaharan Africa.

Year-over-year, fiscal 2002 U.S. agricultural exports to the Western Hemisphere still are projected up about \$400 million from \$19.6 billion to \$20 billion. Exports to Western Europe are projected up \$500 million, while exports to the Middle East and Africa rise \$400 million each compared with 2001. But, shipments to Asia are forecast to slip to \$19.3 billion in 2002 down \$800 million from 2001.

Canada is the largest U.S. agricultural export market in 2002, surpassing Japan for the first time. Projected exports to Canada remain at \$8.5 billion, while expected exports to Japan are reduced to \$8.1 billion. Canada continues to be a major importer of U.S. vegetables, grains, fruits, oilseeds, and meats. Soybeans have shown the strongest export gains to Canada so far this year. Canada's imports of U.S. soybeans already exceed \$150 million in value this year, more than 140 percent above 2001. While some of this gain reflects slightly higher prices, most is increased volume. Canada's imports of U.S. corn also are up 42 percent to more than \$226 million this year. Higher imports of both soybeans and corn reflect the Canadian drought of 2001. Canada's largest imports from the United States--fresh fruits and vegetables--show more modest gains.

Although Japan remains the second largest U.S. export market with a forecast \$8.1 billion in exports from the United States in 2002, its poor economic situation prevented greater gains in imports from the United States. Red meats and corn remain the largest

U.S. exports to Japan; but exports of red meat have fallen significantly as Japan's economy contracted and beef consumption fell following the discovery of BSE in Japan's cattle. Other normally large U.S. exports, such as vegetables and fruits, are contracting.

Of the other Asian markets for U.S. agriculture, only Thailand and South Asia are expected to take more from the United States in 2002 than in 2001. Thailand has shown improved economic growth, raising demand for U.S. goods. For South Asia, export growth mainly is due to increased aid to the region. But, this aid is not moving as fast as earlier projected, so exports to South Asia are reduced to \$900 million, less than in May, but still up from \$600 million last year.

Exports to South Korea are increased slightly over May forecasts. U.S. exports of poultry to South Korea already set a record in the first three-quarters of the year. Exports of beef are up sharply and broad-based gains for high-value products are evident.

Mexico, the other major Western Hemisphere market for U.S. agriculture, is expected to import \$7.1 billion, the same as in 2001. Soybeans, beef and veal, vegetables, sorghum, and corn account for much of U.S. exports to Mexico. Vegetables and beef and veal show strong growth in the year-to-date, while exports of corn and sorghum slipped below those of 2001 due to the U.S. drought.

U.S. agricultural exports to South America are projected at \$1.7 billion, about unchanged from 2001. Earlier growth has been offset by recent economic problems on the continent. Although exports to Brazil still appear fairly good due to shipments there earlier in the year, the financial crisis in Argentina recently has begun to pull down the pace of exports to the continent.

Stronger than earlier expected shipments to western European countries other than the EU reflect substantial gains in exports of tobacco to Switzerland. Exports to these countries are projected up more than 50 percent over the previous year.

Table 3--U.S. agricultural exports: Value by region, 2001-2002

| Region | October-June | | Fiscal | Forecast | |
|------------------------------|--------------|--------|--------|-------------|------|
| | 2001 | 2002 | 2001 | Fiscal 2002 | |
| | | | | May | Aug. |
| Billion dollars | | | | | |
| Asia (excluding Middle East) | 15.592 | 14.978 | 20.081 | 19.5 | 19.3 |
| Japan | 6.973 | 6.318 | 8.942 | 8.2 | 8.1 |
| China | 1.658 | 1.467 | 1.875 | 1.7 | 1.7 |
| Hong Kong | 0.941 | 0.863 | 1.252 | 1.0 | 1.1 |
| Taiwan | 1.484 | 1.423 | 1.986 | 2.0 | 1.9 |
| South Korea | 1.868 | 2.042 | 2.541 | 2.7 | 2.8 |
| Southeast Asia | 2.278 | 2.235 | 2.907 | 2.8 | 2.8 |
| Indonesia | 0.675 | 0.603 | 0.877 | 0.8 | 0.8 |
| Philippines | 0.658 | 0.586 | 0.836 | 0.8 | 0.8 |
| Malaysia | 0.275 | 0.264 | 0.362 | 0.3 | 0.3 |
| Thailand | 0.443 | 0.526 | 0.532 | 0.6 | 0.6 |
| South Asia | 0.384 | 0.625 | 0.570 | 1.1 | 0.9 |
| Western Hemisphere | 14.653 | 15.007 | 19.555 | 20.2 | 20.0 |
| Canada | 6.061 | 6.396 | 7.994 | 8.5 | 8.5 |
| Mexico | 5.385 | 5.333 | 7.277 | 7.1 | 7.1 |
| Caribbean | 1.064 | 1.129 | 1.398 | 1.5 | 1.5 |
| Central America | 0.877 | 0.912 | 1.191 | 1.3 | 1.2 |
| South America | 1.265 | 1.237 | 1.695 | 1.8 | 1.7 |
| Brazil | 0.165 | 0.198 | 0.219 | 0.3 | 0.3 |
| Colombia | 0.331 | 0.356 | 0.442 | 0.5 | 0.5 |
| Venezuela | 0.295 | 0.229 | 0.416 | 0.3 | 0.3 |
| Western Europe | 5.473 | 5.894 | 6.761 | 7.1 | 7.3 |
| European Union | 5.025 | 5.225 | 6.249 | 6.5 | 6.5 |
| Central and Eastern Europe | 0.161 | 0.178 | 0.201 | 0.2 | 0.2 |
| New Independent States 1/ | 0.745 | 0.730 | 1.029 | 0.9 | 0.9 |
| Russia | 0.581 | 0.589 | 0.823 | 0.7 | 0.7 |
| Middle East | 1.652 | 1.956 | 2.190 | 2.6 | 2.6 |
| Turkey | 0.436 | 0.607 | 0.564 | 0.8 | 0.8 |
| Saudi Arabia | 0.328 | 0.274 | 0.470 | 0.4 | 0.4 |
| Africa | 1.564 | 1.830 | 2.126 | 2.3 | 2.5 |
| North Africa | 1.062 | 1.256 | 1.464 | 1.6 | 1.7 |
| Egypt | 0.696 | 0.837 | 1.004 | 1.1 | 1.1 |
| Sub-Saharan Africa | 0.502 | 0.574 | 0.662 | 0.7 | 0.8 |
| Oceania | 0.360 | 0.364 | 0.472 | 0.5 | 0.5 |
| Transshipments 2/ | 0.211 | 0.186 | 0.285 | 0.2 | 0.2 |
| Total 2/ | 40.410 | 41.124 | 52.699 | 53.5 | 53.5 |

Total may not add due to rounding.

1/ New Independent States (NIS) are the former Soviet Union, including the Baltic Republics.

2/ Transshipments through Canada have not been allocated to their final destinations for 1999 through 2002, but are included in the total.

Sources: U.S. Department of Agriculture and Bureau of Census, U.S. Department of Commerce.

Import Products

The import forecast of \$42 billion for 2003 is up, partly due to a trend effect from continued growth of imported food. In addition, the modest recovery of the U.S. economy thus far in 2002 is expected to continue, helping to boost import demand.

Horticulture imports will lead growth next year, but grains and tropical products are expected to climb as well. Upward trends in import of fruits, beer and wine, and vegetables are expected to continue through 2003 as U.S. income growth picks up and as imports from Canada, Mexico, and the EU continue their usual pace.

For fiscal 2002, estimated U.S. agricultural imports have been increased to \$40.5 billion, up \$500 million from the May forecast and up \$1.5 billion from fiscal 2001. The higher import projections reflect larger orders of fruits and wine and beer in the spring, which are after-effects of the strong dollar last year. So far in 2002, imports of horticulture products are almost \$800 million above 2001, leading import growth. A \$300-million increase in fruit imports from the May forecast accounts for much of the upward adjustment in the fiscal 2002 import estimate. Avocados, grapes, melons, and strawberries are being shipped at a pace faster than in 2001. Imported wine and beer also are up more than \$300 million over the value in the first three-quarters of fiscal 2001. Demand for vegetables is nearly \$200 million higher than last year with tomato paste and sauce and dried beans leading growth.

Overall, the import forecast is unchanged for animals and animal products in 2003 compared with 2002. Live animals and red meats are expected to post moderate gains, but dairy imports are forecast to decline. In 2002, animal product imports are reduced from May as gains in dairy products are offset by lower imports of live animals. Beef imports remain strong. Imported cheese and casein lead dairy purchases.

Total grain imports are expected to rise by about \$200 million in 2003. Because of higher prices, all grain imports are projected greater in value than in 2002, raising expected imports close to \$1 billion. Corn imports, much from Eastern Canada, are projected up. Volume also will increase, except for wheat. In contrast, estimated 2002 grain imports have been adjusted down from the May forecast, reflecting slower shipments to date. While 2002 wheat, corn, and rice import volume is stronger than in 2001, imports of barley and oats are weaker. Nevertheless, the net import gain for all grains and products over 2001 is about \$400 million.

The value of overall 2003 U.S. oilseed and product imports is projected up, but volume is down. The value of vegetable oil imports in 2003 grow, as prices are expected to rise. Oilseed and product imports for 2002 are increased from May reflecting higher prices and volume.

Tropical products, such as rubber and gums, cocoa, and coffee are staging a comeback in 2002 and 2003, as both prices and demand rise. While coffee imports in 2002 and 2003 will still be under 2001's value, a slight recovery is expected. Coffee prices remain relatively low, as world supplies are abundant. Rubber and gums show a similar import pattern, although rubber prices are moving up. But 2002 imports of cocoa and products have gained in value as prices inched up and demand remains strong, so further gains in 2003 are expected.

Greater U.S. demand for sugar and confectionery products raises projections in both 2002 and 2003 as sugar prices remain low. In contrast, demand for unmanufactured tobacco is weak and expected to remain so, even if tobacco prices stay down.

Table 4--U.S. agricultural imports: Value and volume by commodity, 2001-2003

| Commodity | October-June | | Fiscal 2001 | Estimate Fiscal 2002 | | Forecast |
|---------------------------------|-----------------|--------|----------------|-------------------------|------|---------------------|
| | 2001 | 2002 | | May | Aug. | Fiscal 2003 Aug. |
| | Billion dollars | | | | | |
| VALUE | | | | | | |
| Animals and products | 6.743 | 6.905 | 9.030 | 9.3 | 9.2 | 9.2 |
| Live animals, except poultry | 1.725 | 1.602 | 2.198 | 2.2 | 2.0 | 2.1 |
| Red meats and products | 2.970 | 3.141 | 4.091 | 4.2 | 4.3 | 4.4 |
| Dairy products | 1.269 | 1.371 | 1.728 | 1.7 | 1.8 | 1.7 |
| Grains and feeds | 2.347 | 2.604 | 3.189 | 3.8 | 3.6 | 3.8 |
| Grains | 0.502 | 0.557 | 0.687 | 1.0 | 0.8 | 1.0 |
| Grain products and feeds | 1.845 | 2.047 | 2.503 | 2.8 | 2.8 | 2.9 |
| Horticulture products 1/ | 12.746 | 13.500 | 16.427 | 17.0 | 17.3 | 18.0 |
| Fruits and preps. and juices | 3.670 | 3.946 | 4.603 | 4.7 | 5.0 | 5.2 |
| Bananas | 0.866 | 0.890 | 1.156 | 1.2 | 1.2 | 1.2 |
| Nuts and preparations | 0.503 | 0.476 | 0.656 | 0.6 | 0.6 | 0.7 |
| Vegetables and preparations | 4.054 | 4.238 | 5.183 | 5.4 | 5.4 | 5.5 |
| Wine and malt beverages | 3.368 | 3.700 | 4.521 | 4.9 | 5.0 | 5.2 |
| Cut flowers and nursery | 0.920 | 0.894 | 1.156 | 1.1 | 1.1 | 1.2 |
| Sugar and related products | 1.134 | 1.209 | 1.618 | 1.6 | 1.7 | 1.8 |
| Tobacco, unmanufactured | 0.502 | 0.558 | 0.648 | 0.8 | 0.7 | 0.7 |
| Oilseeds and products | 1.264 | 1.197 | 1.680 | 1.5 | 1.7 | 1.9 |
| Coffee and products | 1.364 | 1.157 | 1.761 | 1.4 | 1.5 | 1.6 |
| Cocoa and products | 0.997 | 1.229 | 1.391 | 1.7 | 1.7 | 1.8 |
| Rubber and gums | 0.504 | 0.443 | 0.668 | 0.5 | 0.6 | 0.7 |
| Other noncompetitive imports 2/ | 1.026 | 1.003 | 1.334 | 1.2 | 1.3 | 1.3 |
| Other competitive imports 3/ | 0.966 | 1.009 | 1.280 | 1.3 | 1.3 | 1.4 |
| Total agricultural imports | 29.593 | 30.816 | 39.027 | 40.0 | 40.5 | 42.0 |
| Million metric tons | | | | | | |
| VOLUME | | | | | | |
| Fruit juices 4/ | 21.953 | 21.435 | 29.293 | 29.0 | 29.0 | 29.3 |
| Wine and malt beverages 4/ | 21.927 | 23.723 | 29.678 | 32.0 | 32.0 | 32.4 |
| Red meats and products | 1.169 | 1.226 | 1.600 | 1.6 | 1.7 | 1.7 |
| Cheese and casein | 0.223 | 0.236 | 0.301 | 0.3 | 0.3 | 0.3 |
| Grains and feeds | 4.481 | 4.594 | 6.123 | 6.2 | 6.3 | 6.3 |
| Grains | 3.543 | 3.670 | 4.914 | 5.0 | 5.1 | 5.1 |
| Feeds and fodders | 0.938 | 0.924 | 1.210 | 1.2 | 1.2 | 1.3 |
| Fruits and preparations | 6.247 | 6.599 | 7.857 | 8.2 | 8.3 | 8.4 |
| Bananas | 3.104 | 3.120 | 4.093 | 4.1 | 4.1 | 4.1 |
| Nuts and preparations | 0.201 | 0.216 | 0.262 | 0.3 | 0.3 | 0.3 |
| Vegetables, fresh or frozen | 3.289 | 3.523 | 4.023 | 4.3 | 4.3 | 4.4 |
| Cane and beet sugar | 0.894 | 0.956 | 1.378 | 1.3 | 1.5 | 1.5 |
| Tobacco, unmanufactured | 0.158 | 0.204 | 0.211 | 0.3 | 0.3 | 0.3 |
| Oilseeds and products | 3.014 | 2.598 | 4.082 | 3.4 | 3.6 | 3.2 |
| Vegetable oils | 1.443 | 1.454 | 1.945 | 1.9 | 1.9 | 1.8 |
| Coffee and products | 0.920 | 0.868 | 1.214 | 1.2 | 1.2 | 1.2 |
| Cocoa and products | 0.663 | 0.741 | 0.898 | 1.0 | 1.0 | 1.0 |
| Rubber and gums | 0.774 | 0.782 | 1.059 | 1.0 | 1.1 | 1.1 |

1/ Includes essential oils. 2/ Includes tea, spices, and natural drugs. 3/ Includes nonalcoholic beverages, seeds, and other vegetable products. 4/ Liquid imports are measured in hectoliters. All other imports include only items measured in metric tons.

Totals may not add due to rounding. Sources: U.S. Department of Agriculture and Bureau of Census, U.S. Department of Commerce.

Regional Imports

The geographic distribution of U.S. imports is only slightly changed from the May projections. A small downward adjustment for Canada is more than offset by gains from the European Union, Southeast Asia, and Oceania. Nonetheless, half of the \$1.2 billion gain in U.S. imports thus far in fiscal 2002 compared

with 2001 originated from Canada. There appears to be a slight shifting of import shares in favor of Asia--largely Southeast and South Asia--and less from South and Central America. In addition, imports from Mexico have slowed this year.

Table 5--U.S. agricultural imports: Value by region, 2001-2002

| Region | October-June | | Fiscal 2001 | Forecast Fiscal 2002 | |
|------------------------------|-----------------|---------------|----------------|-------------------------|-------------|
| | 2001 | 2002 | | May | Aug. |
| | Billion dollars | | | | |
| Western Hemisphere | 16.501 | 17.096 | 21.479 | 22.4 | 22.3 |
| Canada | 6.923 | 7.533 | 9.521 | 10.6 | 10.4 |
| Mexico | 4.345 | 4.289 | 5.311 | 5.2 | 5.2 |
| South America | 3.484 | 3.535 | 4.376 | 4.4 | 4.4 |
| Brazil | 0.707 | 0.754 | 0.985 | 1.0 | 1.0 |
| Colombia | 0.768 | 0.702 | 0.962 | 0.9 | 0.9 |
| Chile | 0.918 | 1.009 | 1.023 | 1.2 | 1.1 |
| Other South America | 1.090 | 1.070 | 1.406 | 1.4 | 1.4 |
| Central America | 1.509 | 1.477 | 1.931 | 1.8 | 1.9 |
| Costa Rica | 0.638 | 0.615 | 0.817 | 0.8 | 0.8 |
| Caribbean | 0.239 | 0.262 | 0.341 | 0.4 | 0.4 |
| Western Europe | 6.028 | 6.320 | 8.113 | 8.2 | 8.5 |
| European Union | 5.870 | 6.177 | 7.913 | 8.1 | 8.3 |
| Eastern Europe | 0.194 | 0.226 | 0.249 | 0.3 | 0.3 |
| New Independent States 1/ | 0.063 | 0.062 | 0.081 | 0.1 | 0.1 |
| Asia (excluding Middle East) | 3.587 | 3.636 | 4.789 | 4.6 | 4.9 |
| China | 0.597 | 0.711 | 0.787 | 0.9 | 0.9 |
| Southeast Asia | 1.864 | 1.795 | 2.515 | 2.2 | 2.4 |
| Indonesia | 0.614 | 0.604 | 0.858 | 0.8 | 0.9 |
| Thailand | 0.535 | 0.509 | 0.726 | 0.6 | 0.7 |
| South Asia | 0.561 | 0.544 | 0.745 | 0.7 | 0.7 |
| India | 0.518 | 0.497 | 0.688 | 0.7 | 0.7 |
| Oceania | 2.241 | 2.338 | 3.071 | 3.0 | 3.2 |
| Australia | 1.275 | 1.382 | 1.798 | 1.8 | 2.0 |
| New Zealand | 0.935 | 0.917 | 1.228 | 1.1 | 1.2 |
| Africa | 0.601 | 0.729 | 0.762 | 0.9 | 0.9 |
| Ivory Coast | 0.154 | 0.231 | 0.163 | 0.2 | 0.2 |
| Middle East | 0.379 | 0.409 | 0.483 | 0.5 | 0.5 |
| Turkey | 0.235 | 0.256 | 0.294 | 0.3 | 0.3 |
| TOTAL | 29.593 | 30.816 | 39.027 | 40.0 | 40.5 |

Totals may not add due to rounding.

1/ New Independent States (NIS) are the former Soviet Union, including the Baltic Republics.

Sources: U.S. Department of Agriculture and Bureau of Census, U.S. Department of Commerce.

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