

US Department of Agriculture's FY 2007 US Agricultural Trade Forecast

Ag Exports forecast to reach record \$78 billion
Ag Imports set at record \$70 billion
AgTrade Surplus rises to \$8 billion

Changes since November...

AgExports and AgImports each revised upward \$1 billion

*Includes unofficial forecasts for fishery and solid wood product

USDA's "Outlook for U.S. Agricultural Trade"

Released on March 1, 2007, 9am EST

Prepared by OGA/FAS/USDA

U.S. Agricultural Trade

Grains (mostly corn) followed by soybeans, meats, and processed horticultural products drive export growth in 2007. Imports are up across many groups with horticultural & tropical products accounting for some 80% of the growth.

Trade Value (\$Billion)



Key Commodity Developments, FY 2006 to FY 2007

AgExports forecast to rise \$9.3 billion . . .

- ❑ **Grains & Feeds**  \$4.4 billion to \$22.8 billion - record
 - ❑ sharply (+) corn values – tighter domestic mkt due to (+) ethanol production
 - ❑ corn (+) \$3 billion to record \$9.2 billion
 - ❑ wheat (+) \$550 million - reduced competition from Australia
 - ❑ rice export value reaches \$1.4 bil with (+) unit value offsetting (-) volume

- ❑ **Oilseeds & Products**  \$2.0 billion to \$12.7 billion
 - ❑ higher oilseed values & volumes boost export value
 - ❑ soybeans (+) \$1.4 billion and (+) 3.3 million tons (mmt)
 - ❑ higher unit values due to demand for feed and energy products
 - ❑ vols rise – larger US soybean crop + smaller SAmer production increase

- ❑ **Livestock/Poultry/Dairy Products**  \$1.2 bil to \$14.6 bil - record
 - ❑ 60% of increase due to (+) beef and pork volumes to many markets

- ❑ **Horticultural Products**  \$1.3 billion to \$18 billion - record
 - ❑ strong global demand and weaker US dollar support growth
 - ❑ 75% of increase driven by processed products (not fresh)

Note - minor changes forecast for tobacco, planting seeds, and tropical products

Key Country Developments, FY 2006 to FY 2007

Top 5 Markets . . .

#1 Canada +\$1.4 billion to \$13.0 billion

- diverse high-value market; fruit & vegs, pkg foods, meats

#2 Mexico +\$2.2 billion to \$12.6 billion

- closing the gap on Canada; corn, soybeans, but also fruit & vegs, meats

#3 Japan +\$1.1 billion to \$9.3 billion

- below pre-Asia financial crisis record; corn, wheat, meats, vegetables

#4 China +\$1.6 billion to \$8.3 billion

- moves into 4th position; soybeans & soy oil, (cotton), hides, poultry meat

#5 EU-25 +\$300 million to \$7.4 billion

- \$7.6 billion trade deficit; soybeans, tobacco, live animals, hort. prods

Top Regional Mkt: W. Hemisphere at \$32.5 bil (Asia 2nd at \$28.7 bil)

Key Commodity Revisions in FY 2007 Exports

Ag Exports rise \$1 billion since November . . .

- ❑ **Grains & Feeds**  \$700 million
 - ❑ (+) corn volume and unit value – tight domestic mkt, limited competition
 - ❑ (+) feeds & fodders unit values
 - ❑ wheat (-) 1.0 mmt – (+) competition from Canada & Black Sea region

- ❑ **Oilseeds & Products**  \$300 million
 - ❑ higher unit values & volumes for soymeal and oil
 - ❑ soybeans (-) 1.3 mmt – higher prices slow shipments to China

- ❑ **Cotton**  \$500 million (vol & value fall below 2006 levels)
 - ❑ lower unit value and volume
 - ❑ (-) 380,000 tons due to (-) China imports, (+) competition from India

- ❑ **Livestock/Poultry/Dairy Products**  \$400 million
 - ❑ 40% of increase due to (+) pork volume & unit value

- ❑ **Horticultural Products**  \$400 million
 - ❑ (-) unit values for tree nuts; January hard freeze in California

Note – small increases forecast for tobacco and tropical products; no chg for planting seeds

Export Outlook for Grain & Feed Products

Revised FY 2007 Forecast:  \$700 Million to \$22.8 Billion

Revisions Since November

Upside Developments

- Coarse grain values (mostly corn) continue to climb (corn exports at record \$9.2 billion); feeds and fodders value also rise
- No impact on exports so far from high prices
- Corn competition from China and South America remains limited

Downside Developments

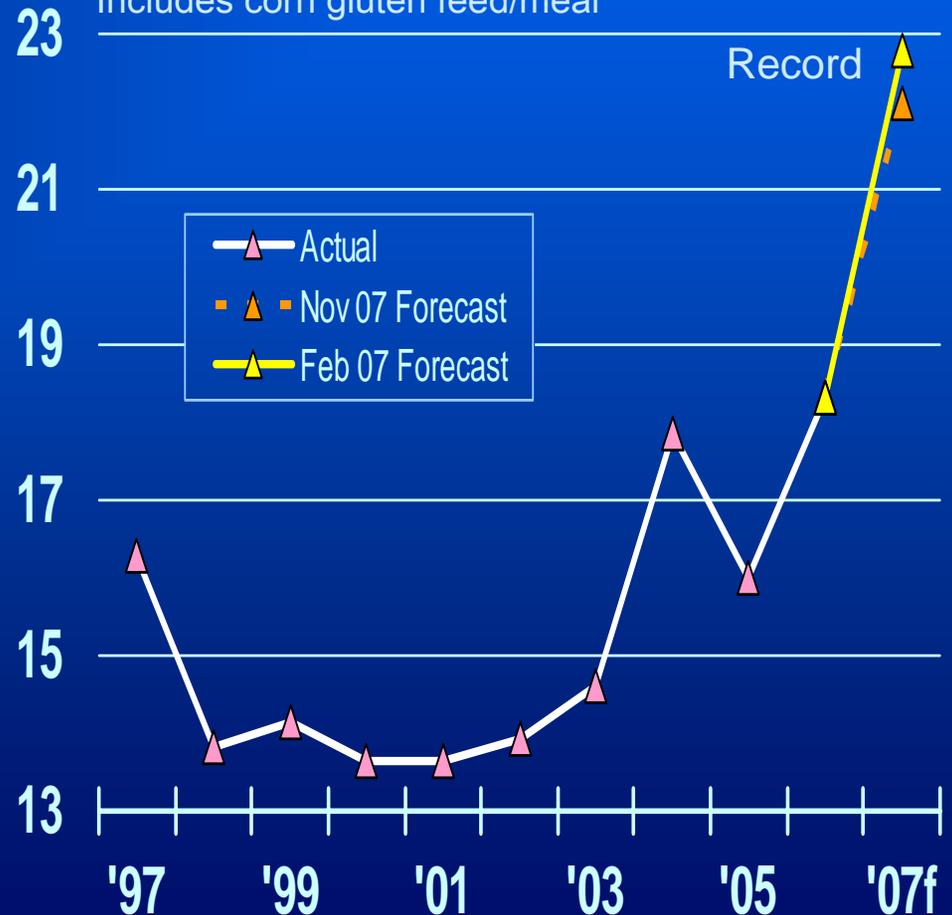
- Wheat shipments lowered due to increased competition from Canada and Black Sea region

Wild Cards

- High prices and the impact on feed demand
- Substitute grains will likely be “found” given high corn prices

Export Value (\$Bil)

Includes corn gluten feed/meal



Export Outlook for Oilseeds & Products

Revised FY 2007 Forecast:  \$300 Million to \$12.7 Billion

Revisions Since November

Upside Developments

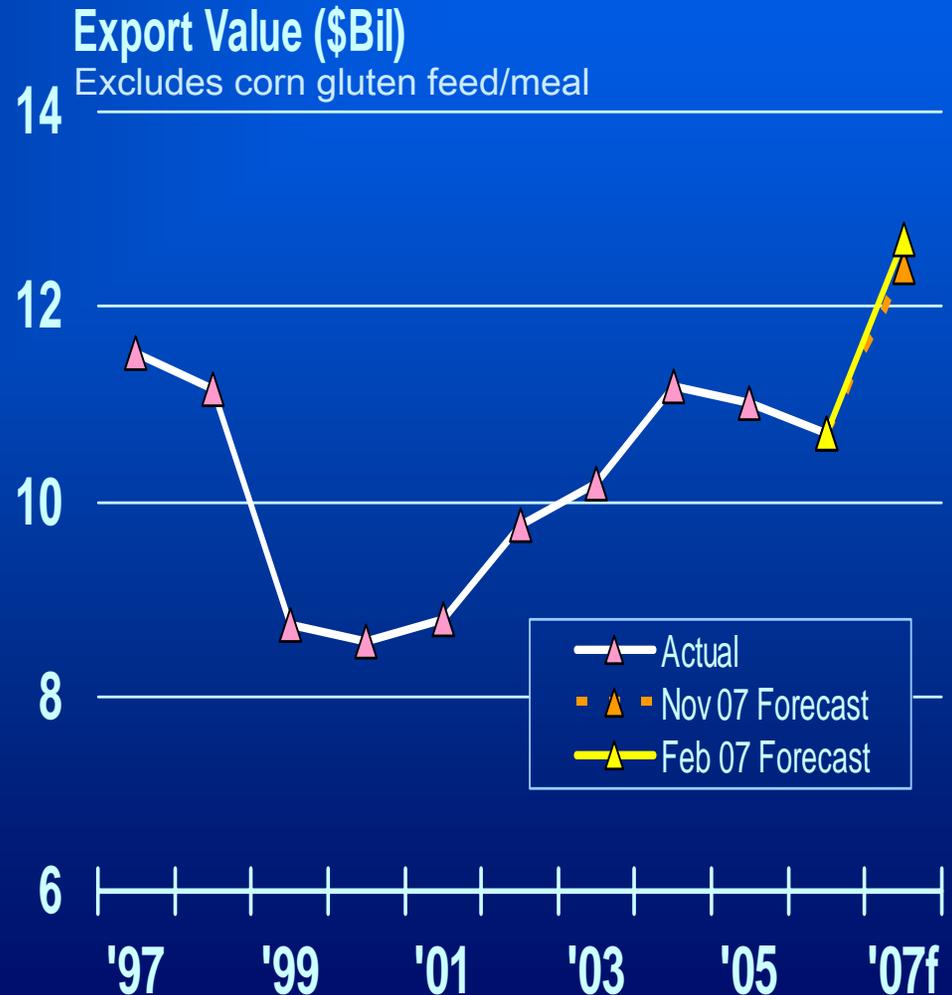
- Higher soybean and product prices
- Strong demand for soybean meal and oil

Downside Developments

- Slower pace of soybean exports to China due to higher US prices

Wild Cards

- South American oilseed production
- China's soybean import demand (record 31.5 mmt in MY 2006/07)



Export Outlook for Cotton

Revised FY 2007 Forecast:  \$500 Million to \$4.5 Billion

Revisions Since November

Upside Developments

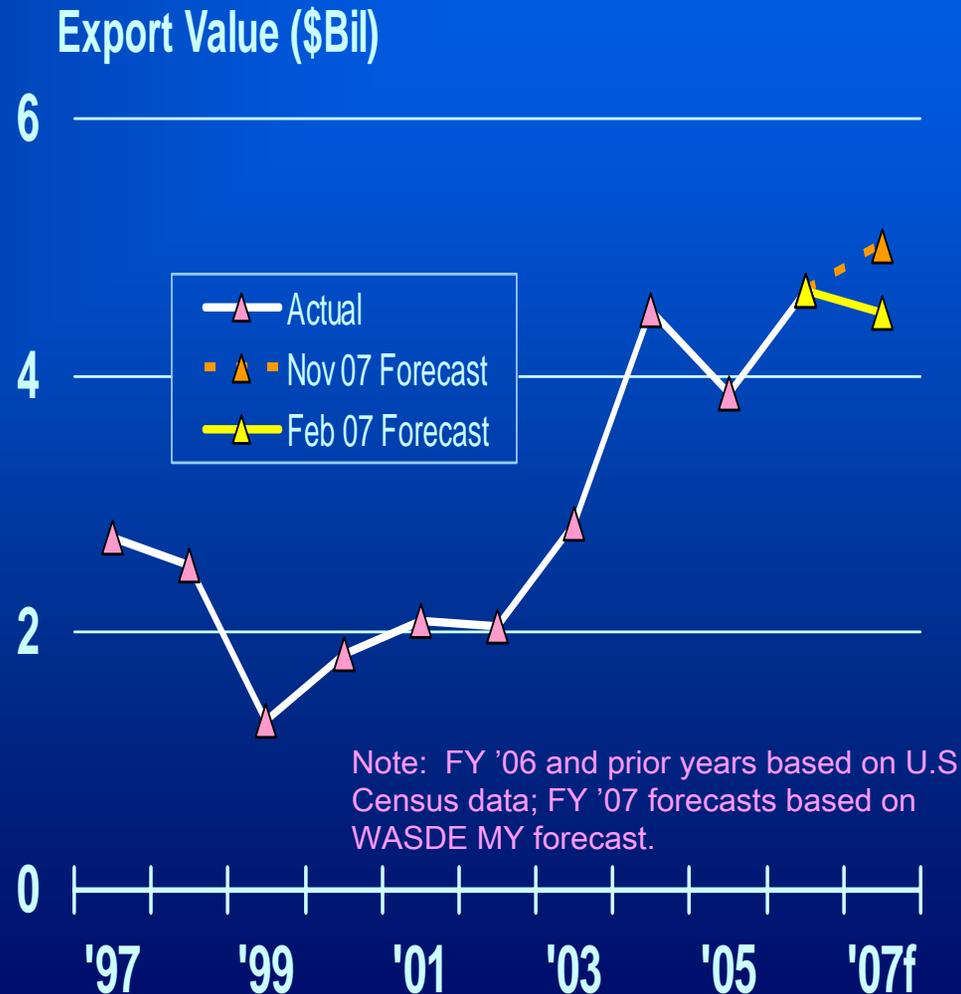
- Increased demand in Turkey

Downside Developments

- Increased competition from India
- China's production higher and imports less

Wild Cards

- Changes in China's import policy



Export Outlook for Dairy, Livestock & Poultry

Revised FY 2007 Forecast:  \$400 Million to \$14.6 Billion

Revisions Since November

Upside Developments

- Pork prices remain strong despite record production; record pork export vol & value supported by weaker dollar
- US pork sales to Russia soar due to greater meat consumption and sanitary restrictions on competitor Brazil's exports
- Broiler meat unit values rise due to expected lower production

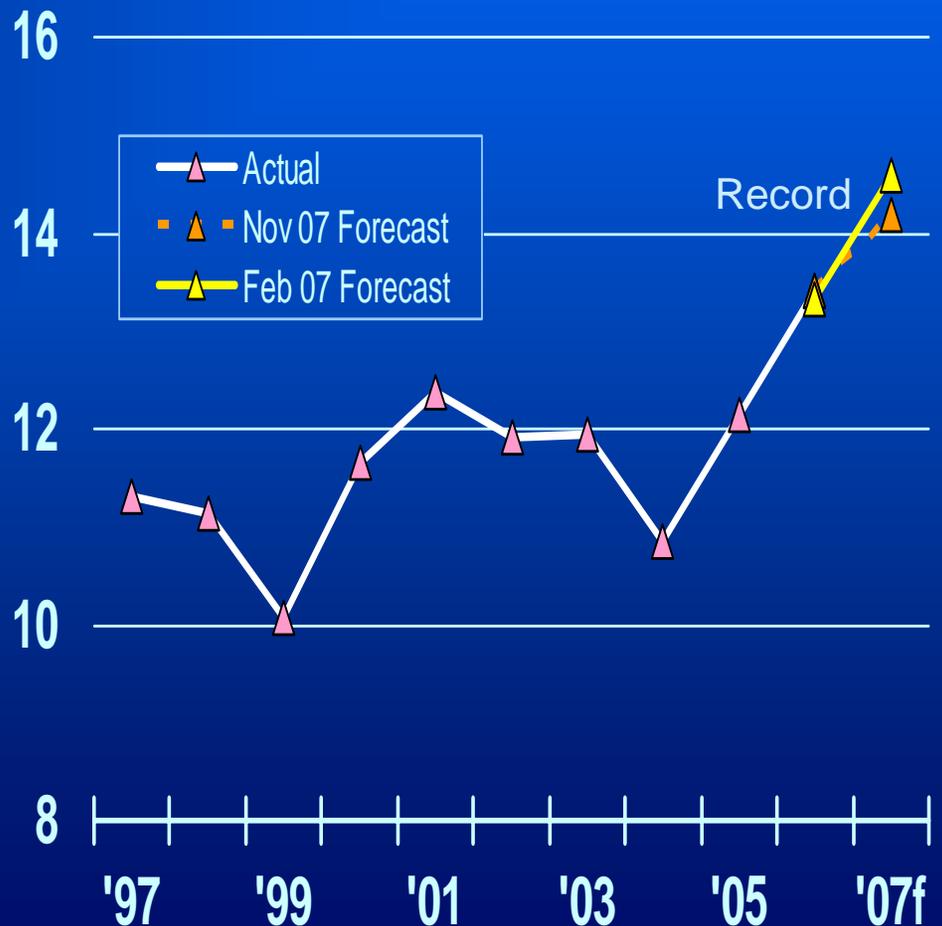
Downside Developments

- Lack of documented under-20 month cattle and SPS issues restrict exports to Japan and Korea, respectively

Wild Cards

- Outbreaks of H5N1 could negatively affect consumption & prices in major markets

Export Value (\$Bil)



Export Outlook for Horticultural Products

Revised FY 2007 Forecast:  \$400 million to \$18.0 Billion

Revisions Since November

Upside Developments

- Florida grapefruit exports recover

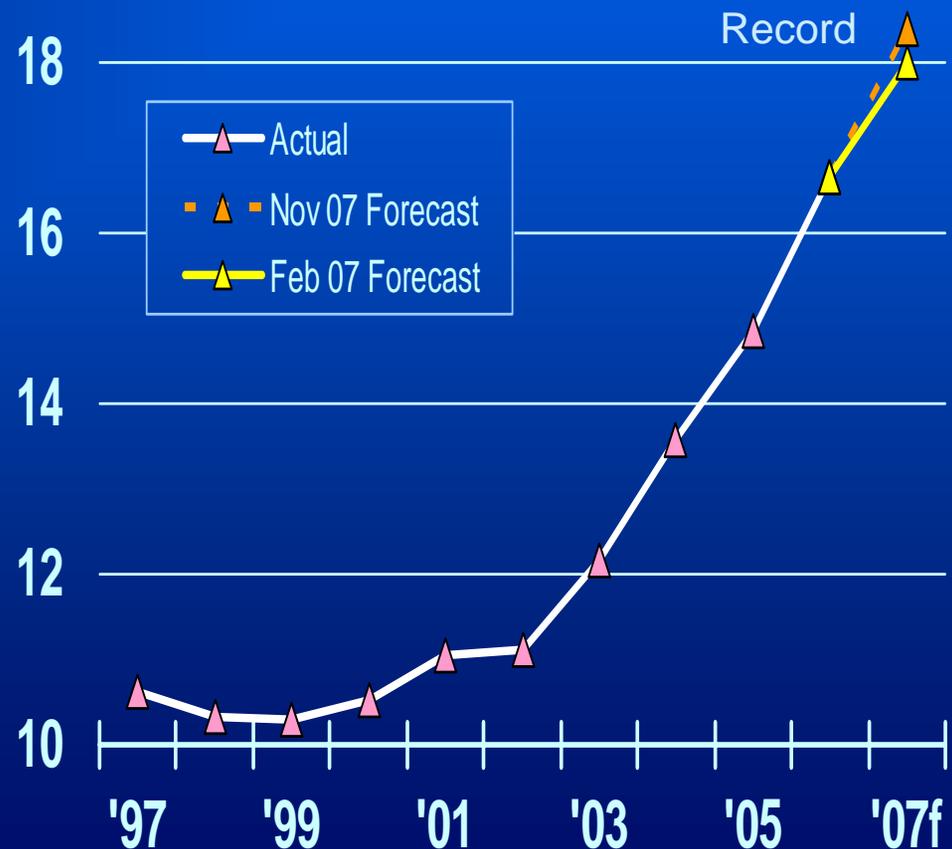
Downside Developments

- Tree nut (mainly almond) prices are weaker
- California citrus fruit production and exports lower due to freeze damage

Wild Cards

- SPS issues (eg. EU proposed testing for almond aflatoxin)

Export Value (\$Bil)



Export Outlook for Fishery Products

Revised FY 2007 Forecast: Unchanged at \$4.2 Billion

Revisions Since November

Upside Developments

- EU is now the top market for U.S. fishery products and exports are expected to continue increasing – exports to Japan were nearly double those to the EU in 2002
- The 2007 Alaska salmon harvest is forecast to increase 27% over the 2006 harvest

Downside Developments

- Estimates for lobster and squid harvests are lowered

Wild Cards

- Size of U.S. harvests of lobster, pollock, salmon and other species

Export Value (\$Bil)



Trade Balance

FY 2006 deficit was \$8.9 billion

FY 2007 deficit estimated at \$9.7 billion

Export Outlook for Solid Wood Products

Revised FY 2007 Forecast:  \$200 Million to \$6.6 Billion

Revisions Since November

Upside Developments

- Italy's furniture manufacturers consume more US yellow poplar
- Spain's wine industry uses more US cooperage products
- China's demand for hardwood logs, lumber & veneer for furniture production remains strong

Downside Developments

- Softwood exports to Japan continue losing market share to China and Malaysia

Wild Cards

- US housing starts

