

Fiscal Year 2009 Trade Forecasts for Agricultural Products

Changes in 2009 Forecast Since August

AgExports lowered \$14.5 billion to \$98.5 billion

AgImports lowered \$2.0 billion to \$81.0 billion

AgSurplus equals \$17.5 billion

Compared to FY 2008...

AgExports down \$17.0 billion from \$115.5 billion

AgImports up \$1.7 billion from \$79.3 billion

AgSurplus down \$18.6 billion from \$36.1 billion

Summaries on all groups except tobacco, planting seeds, and sugar & tropical products

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

Released on December 1, 2008, 4pm EST

Slides prepared by Office of Global Analysis/FAS

U.S. Agricultural Trade

In 2009, falling grain & oilseed volume and prices account for 70% of the \$17-billion export loss. Animal products & cotton exports also fall, but modest increase expected for horticultural products. Import growth slows due to lower prices & weaker demand

Trade Value (\$Billion)



Summary Outlook for FY 2009 AgExports

Global Grain Market: Increased Competition & Reduced Imports

Global Recession: Weaker Demand, Falling Prices, Stronger Dollar

1) Developments in the Global Grain Market Undercut US Grain Exports

- huge wheat exports from EU, Russia and Ukraine & reduced import demand (EU)
- US wheat & coarse grain export volumes down sharply; prices weaker

2) Financial Crisis and Economic Slowdown Spread Around the Globe

- US financial crisis spreads to Europe/Russia (less impact elsewhere), credit mkts prove difficult to unfreeze, deleveraging financial institutions & households takes time
- world growth slows to 1.0% in 2009 (2005-07 = 3.8%): recession in US, EU, Japan & slower growth for all regions; emerging mkts slow from 7.3% (3-yr avg) to 4.8%
- emerging mkts threatened as trade slows, commodity prices fall, & currency adjusts
- but, fiscal policies can cushion downturn & many countries have large reserves

Compared to 2008: All Categories Decline Except Horticultural Products

- grain & feed (-) \$10 billion to \$28.3 billion – vol declines account for two-thirds
- oilseeds (-) \$4.5 billion to \$18.4 billion – vol and unit value declines about equal
- cotton (-) \$800 million to \$4 billion – 25% due to vol decline, 75% due to price drop
- animal products (-) \$1.7 billion – dairy (-) \$900 million, broilers (-) \$550 (vol & price)
- hort. products (+) \$700 million to record \$21.5 billion – slowest growth in 6 years

Export Outlook for Grain & Feed Products

Revised FY 2009 Forecast:  \$3.9 Billion to \$28.3 Billion

Revised 2009 Forecast

Key Developments

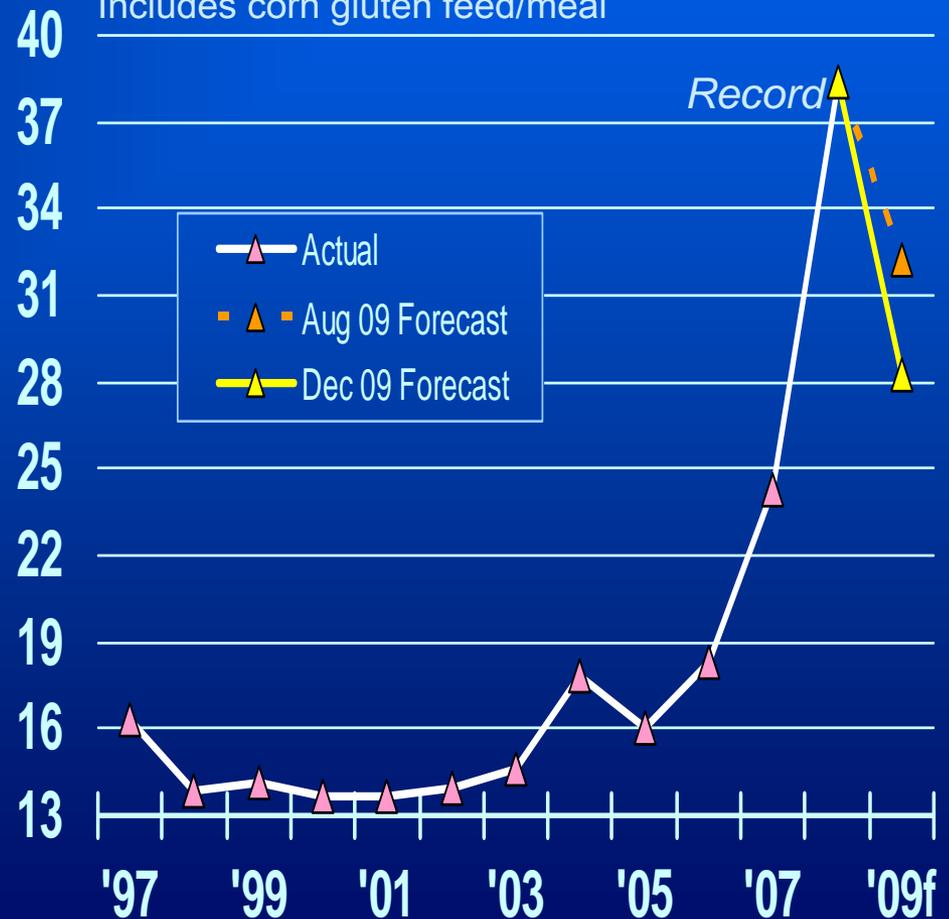
- Huge exportable wheat supplies in Russia, EU & Ukraine pressure prices for wheat and feed grains
- Despite intensified competition US wheat export volume unchanged at 26.5 mil. tons, but remains 20% lower than FY 2008
- Global corn trade reduced 6 mil. tons (14 mil. tons yr-to-yr) due to fierce competition from feed-quality wheat

Wild Cards

- Southern Hemisphere (Australia/Argentina) wheat and corn crops
- Global meat consumption and its impact on feed demand

Export Value (\$Bil)

Includes corn gluten feed/meal



Export Outlook for Oilseeds & Products

Revised FY 2009 Forecast:  \$4.7 Billion to \$18.4 Billion

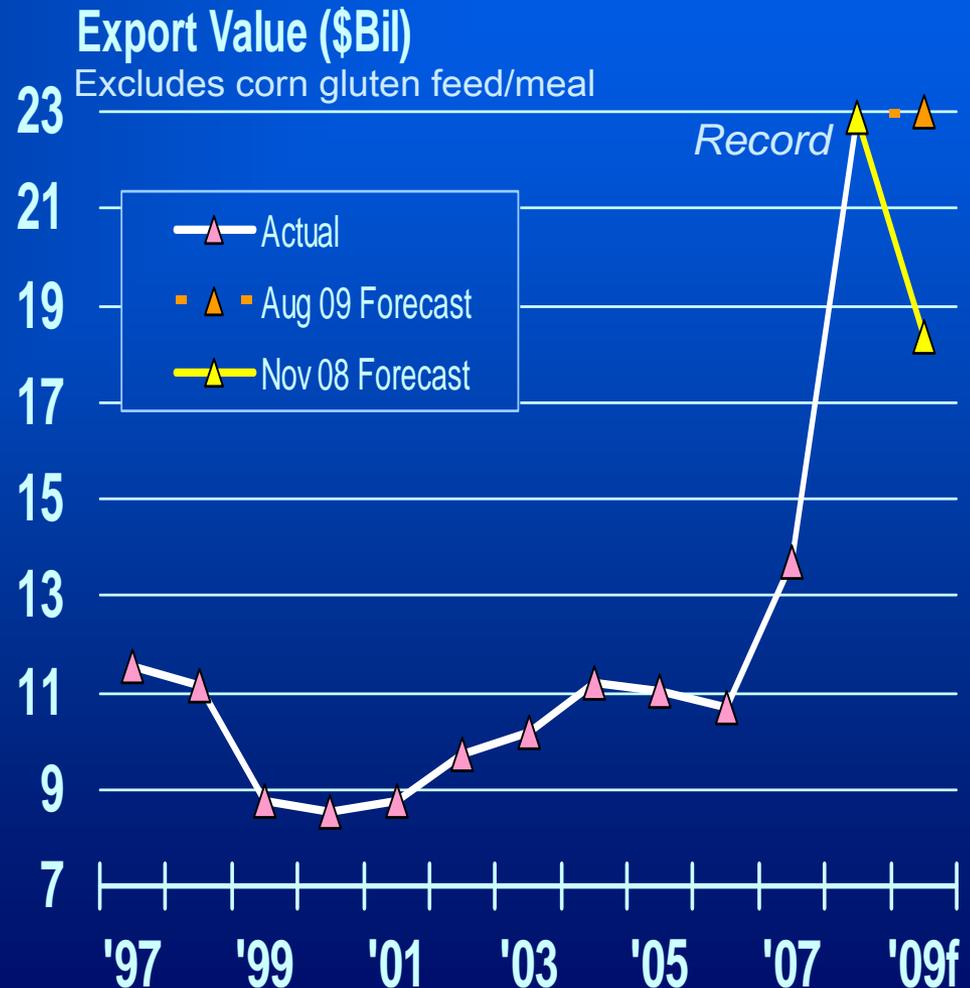
Revised 2009 Forecast

Key Developments

- Revised export value for entire category due mostly to lower oilseed & product unit values
- Strong early-season soybean sales to China raises export volume slightly to 27.8 mmt, but remains 3.1 mmt below last year because domestic supply is reduced
- Reduced domestic crush limits soymeal and oil exports

Wild Cards

- South American soybean production
- China's soybean demand



Export Outlook for Cotton

Revised FY 2009 Forecast:  \$1.9 billion to \$4 Billion

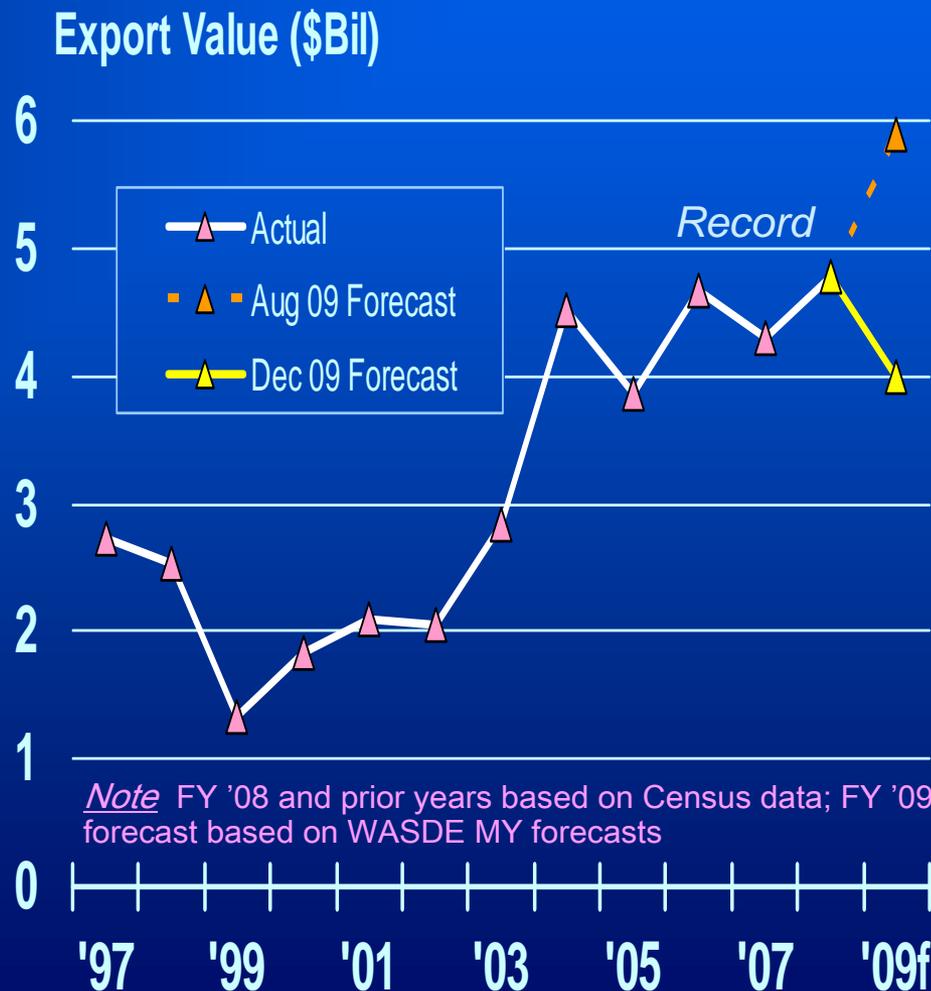
Revised 2009 Forecast

Key Developments

- US export volume lowered 455,000 tons to 2.8 mmt
- Weaker consumer demand for textiles weakens cotton import demand and lowers prices
- Reduced global consumption largely due to first annual decline in China's consumption since 1998/99
- Higher US ending stocks pressures prices

Wild Cards

- Global economic uncertainty translates into uncertainty about demand and prices



Export Outlook for Dairy, Livestock & Poultry

Revised FY 2009 Forecast:  \$2 Billion to \$20.4 Billion

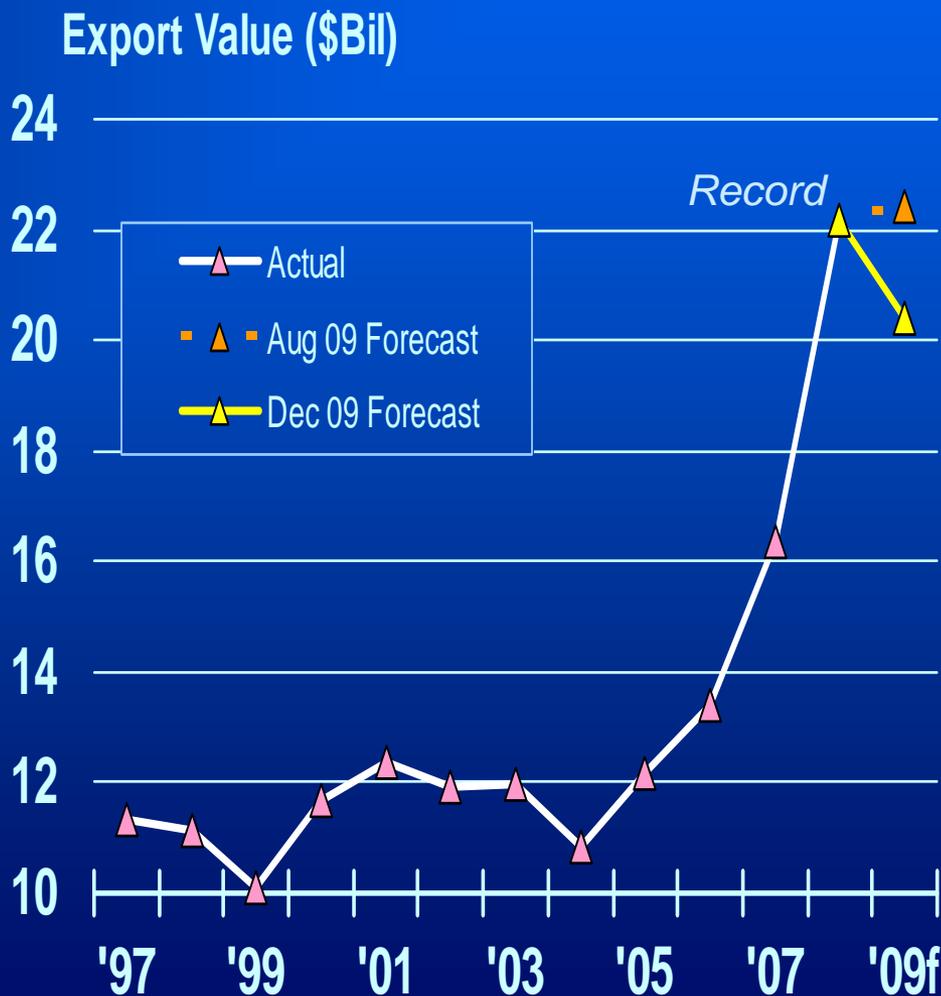
Revised 2009 Forecast

Key Developments

- Pork lowered \$550 mil. to \$4 bil. due to reduced volume (China's demand is lower)
- Broiler meat lowered \$300 mil. to \$2.9 bil., on lower prices due to weaker foreign demand and uncertainty over Russia trade
- Animal fats \$300 mil. lower reflecting weakness in veg oils mkt
- Dairy exports are lowered \$500 mil. to \$3.1 bil., due to falling global prices and some vol decline, esp. for nonfat dry milk

Wild Cards

- Impact of economic slowdown on meat demand



Export Outlook for Horticultural Products

Revised FY 2009 Forecast:  \$1.2 Billion to \$21.5 Billion

Revised 2009 Forecast

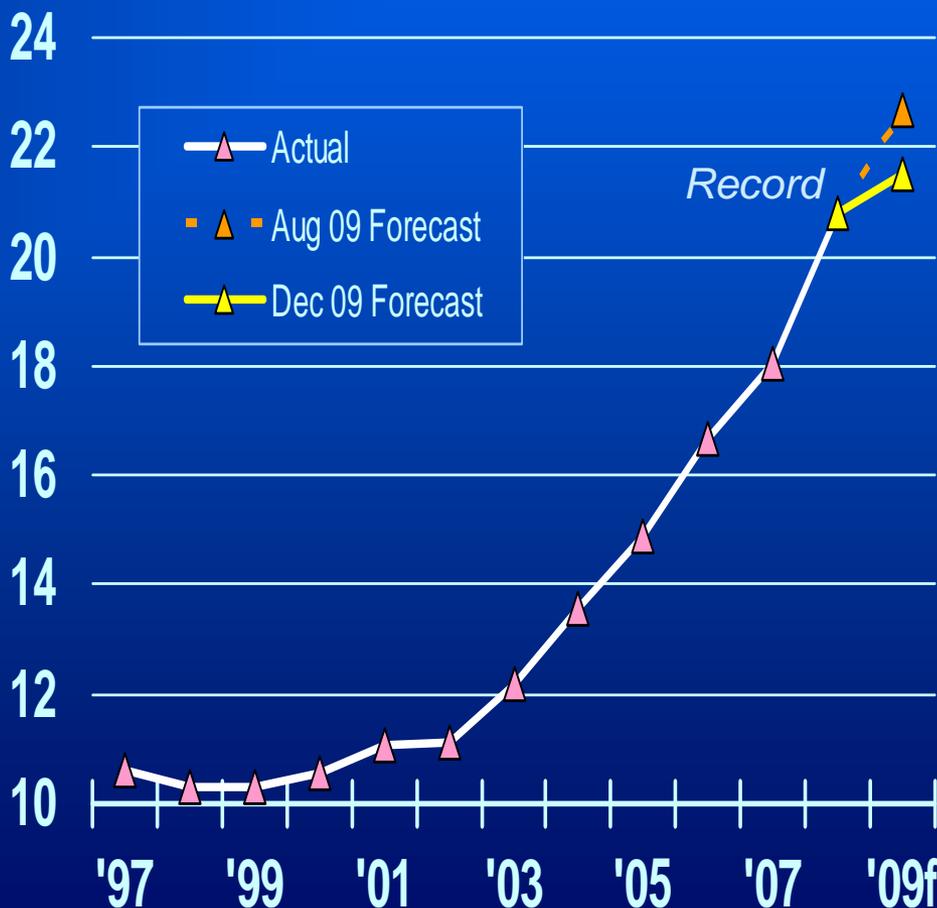
Key Developments

- Expected global recession, slows export value growth rate to 3%, the slowest in 6 years
- Highly-processed products, like essential oils and food preps, lowered \$700 mil to \$6.3 bil due to economic slowdown in major mkts
- Tree nuts & processed fruit & vegetables lowered \$500 mil as Europeans and Japanese seek lower-priced alternatives

Wild Cards

- Will fresh fruit and vegetable exports to Canada and Mexico remain strong?

Export Value (\$Bil)



AgImport Growth Slows in FY 2009

*Imports lowered \$2 billion from August to \$81 billion
Forecast remains \$1.7 billion above last year's record \$79.3 billion*

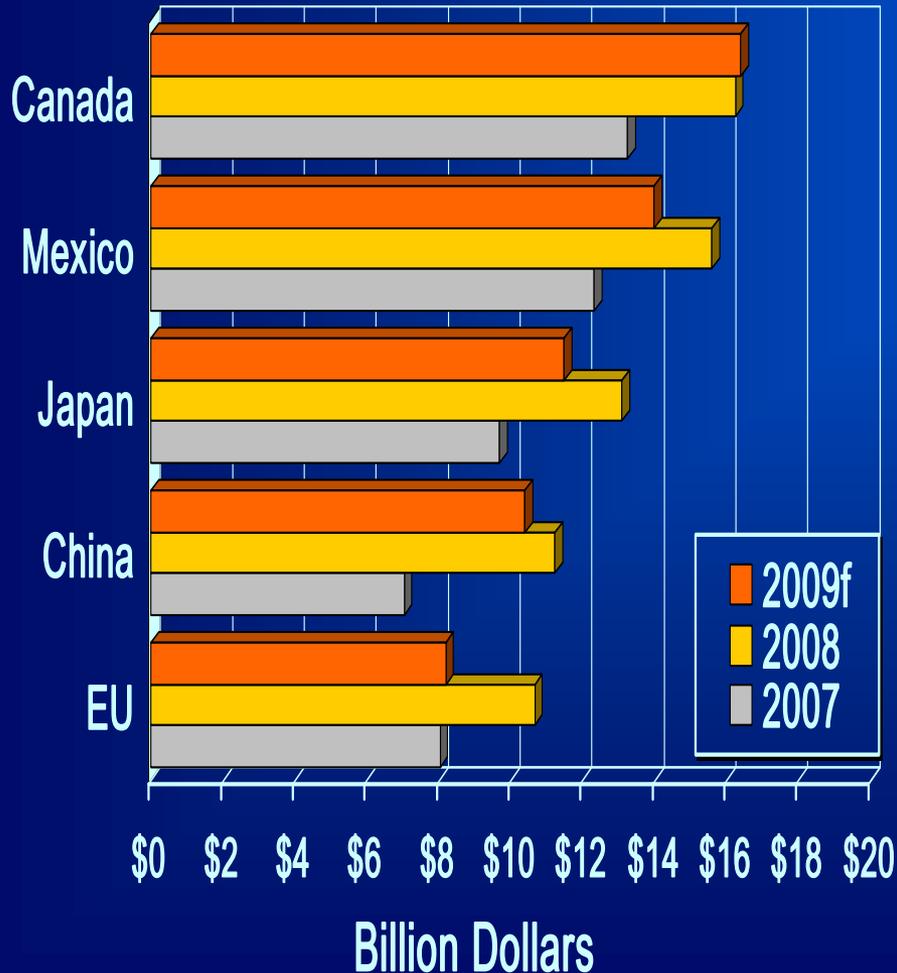
- ❑ US economy contracts in 2009 (real GDP growth averaged 2.6% 2005-07)
- ❑ Negative wealth effect with lower home values and falling stock market, unemployment heads toward 8%, and consumer spending contracts
- ❑ Some relief from sharply lower oil prices; stronger dollar lowers import costs

Key observations for FY 2009

- ❑ Import growth rate slows to lowest in years as volume gains level off, but no economy-related declines are foreseen
- ❑ Lower prices for grains, oilseeds and products – combined value falls \$800 million to \$13.7 billion (\$4.5-billion increase last year with higher prices)
- ❑ Cattle and swine shipments sharply reduced, as reduced Canadian inventories and COOL implementation alter trade patterns
- ❑ Horticultural imports lowered since August on weaker volume, but remains \$1.4 billion above 2008 level as prices hold firm

Top Ag Markets and Ag Suppliers

Top Ag Markets...



Top Ag Suppliers...

