

Fiscal Year 2009 U.S. Trade Forecasts for Agricultural Products

Changes in 2009 Forecast Since February
AgExports raised \$500 million to \$96.0 billion
AgImports lowered \$1.5 billion to \$81.0 billion
AgSurplus raised \$2.0 billion to \$15.0 billion

USDA's "Outlook for U.S. Agricultural Trade"
Released on May 28, 2009 at 4pm EST
Slides prepared by Office of Global Analysis/FAS

U.S. Agricultural Trade

Increased grain competition and global recession shape the export outlook. Falling grain volume & prices account for two-thirds of the \$19-billion export loss forecast in 2009. Import growth slows on weaker demand and lower live animal shipments.

Trade Value (\$Billion)



Summary Outlook for FY 2009 AgExports

Global Grain Market: Increased Competition

Global Recession: Weaker Demand, Lower Prices, Stronger Dollar

1) Increased Competition in Global Grain Markets

□ Large foreign exportable wheat supply, the result of record exports from Russia & Ukraine, Europe's crop recovery and a larger Australian crop, and reduced grain demand (esp. EU demand) force sharp decrease in wheat & coarse grain prices and US shipments

2) Global Financial & Economic Crisis

□ US financial crisis spread to Europe/Russia (less impact elsewhere); credit mkts prove difficult to unfreeze; deleveraging financial institutions & households takes time

□ World GDP contracts 2.5-3.0% in 2009 (2005-07 = +3.8%): recession in nearly every country; emerging mkts slow from +7.3% (3-yr avg) to near zero

□ Emerging mkts threatened as trade slows, commodity prices fall & currencies adjust

□ Fiscal policies cushion downturn in US and China; many countries have large reserves

FY 2008 to FY 2009: All Categories Decline Except Horticulture

□ Grain & feed (-) \$12.7 billion to \$26.5 billion – vol declines account for over half

□ Oilseeds (-) \$2.9 billion to \$20 billion – **soybeans rise to record 33.7 mmt**, but prices fall

□ Cotton (-) \$1 billion to \$3.8 billion – volume & price declines

□ Animal products (-) \$3.7 bil to \$18.4 billion – dairy (-) \$1.8 bil, fats & oils (-) \$520 mil, hides & skins (-) \$480 mil, pork (-) \$465 mil, broilers (-) \$270 mil

□ **Horticulture prods (+) \$700 million to record \$21.5 billion**, but slowest growth in 7 years

Export Outlook for Grain & Feed Products

Revised FY 2009 Forecast:  \$500 Million to \$25.6 Billion

Revised 2009 Forecast

Key Developments

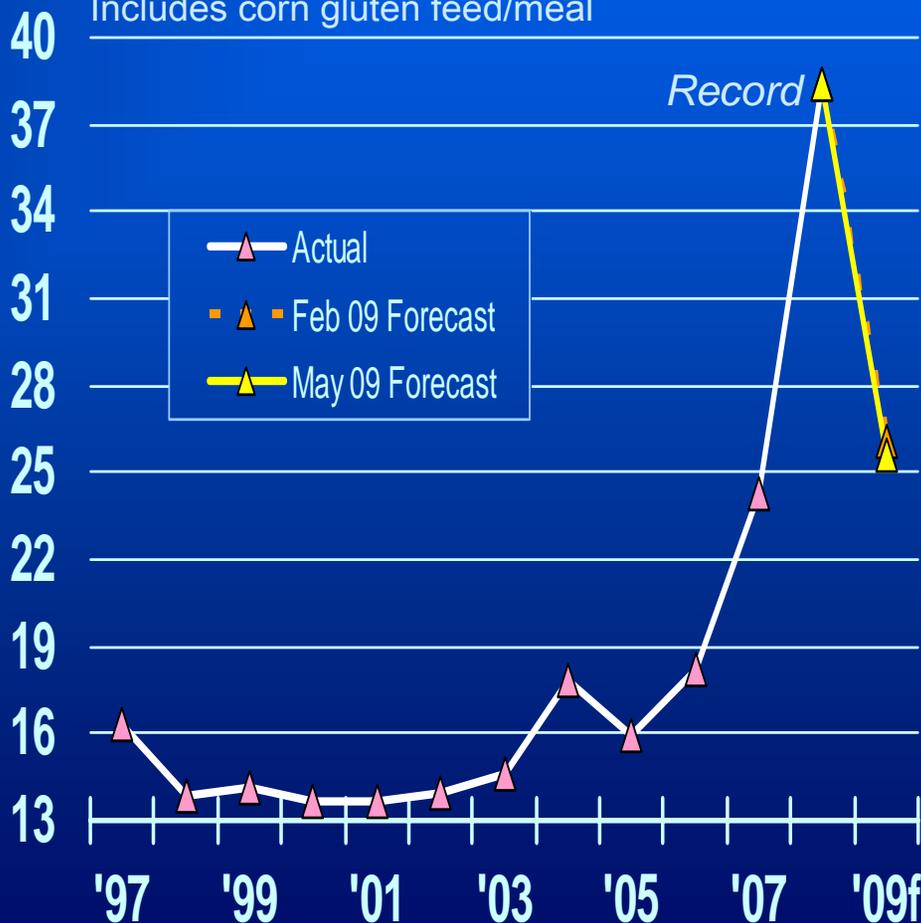
- Wheat is down \$1 billion (on equal reductions in unit value & volume) due to abundant global supplies and intensified competition
- Corn is up \$350 million (on higher unit value) due to some recovery of global demand and tightening US supplies. Volume is reduced slightly due to competition from nontraditional exporters, mainly Russia & Ukraine
- Rice is up \$200 million on greater sales of milled (vs. rough) rice, and a slower-than-expected decline in global prices

Wild Cards

- The release and timing of Russian wheat intervention stocks onto markets
- China's large crops and stocks

Export Value (\$Bil)

Includes corn gluten feed/meal



Export Outlook for Oilseeds & Products

Revised FY 2009 Forecast:  \$1.6 Billion to \$20.0 Billion

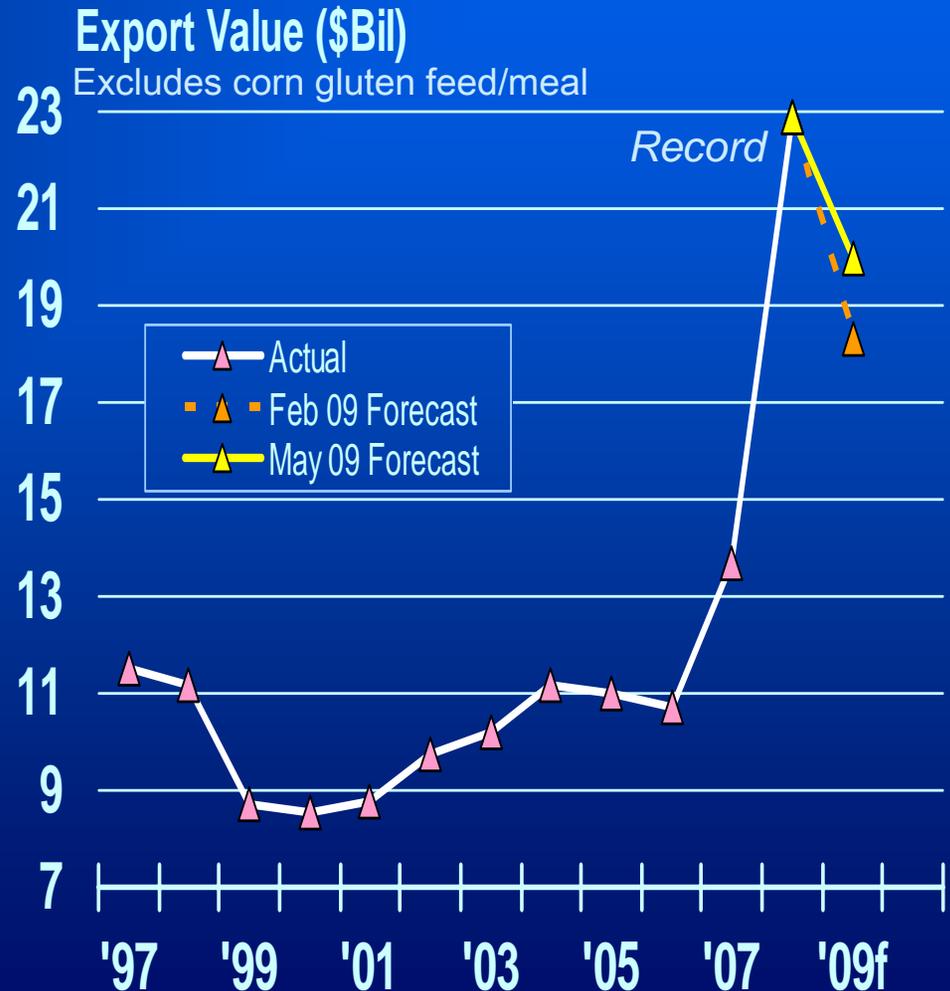
Revised 2009 Forecast

Key Developments

- Higher soybean & product export volumes due to strong demand from China and limited South American production
- Improved late-season prices

Wild Cards

- China's soybean import demand
- South America export capability



Export Outlook for Cotton

Revised FY 2009 Forecast:  \$200 Million to \$3.8 Billion

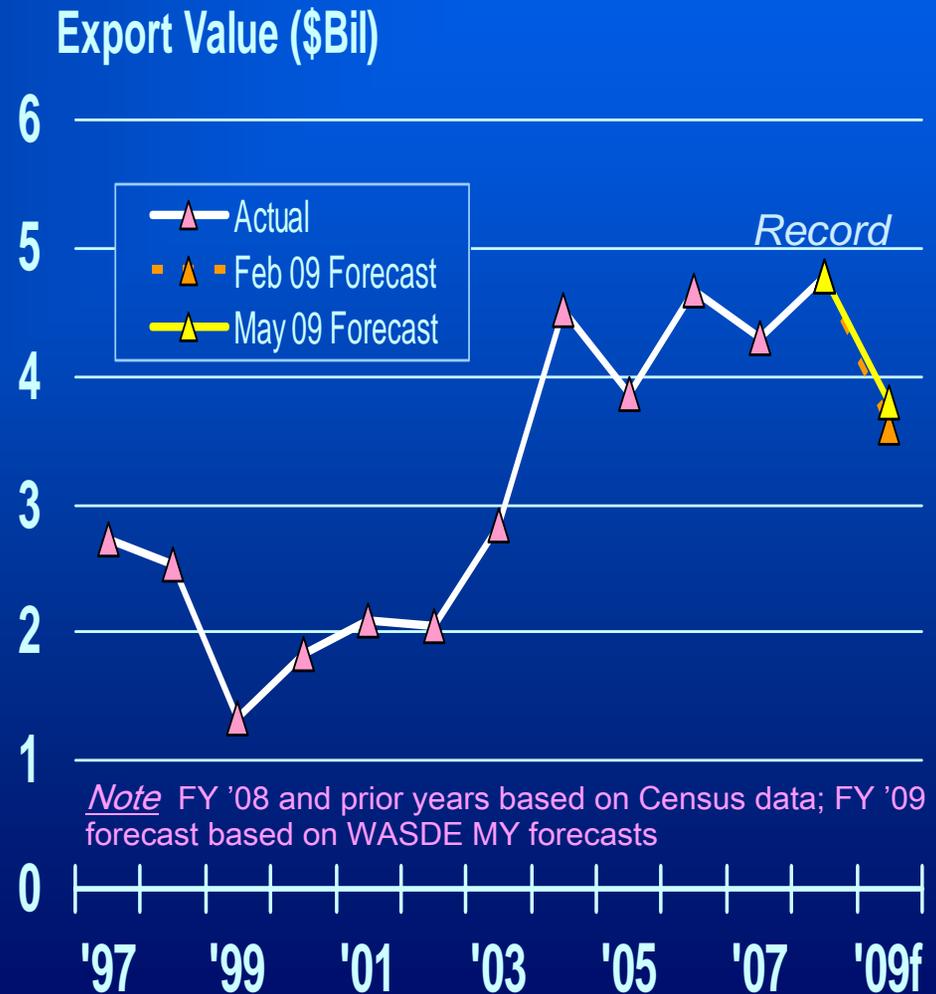
Revised 2009 Forecast

Key Developments

- U.S. cotton has increased share of world trade at India's expense

Wild Cards

- Changes in government stock policies in China and India
- Further decline in global economic situation



Export Outlook for Dairy, Livestock & Poultry

Revised FY 2009 Forecast:  \$500 Million to \$18.4 Billion

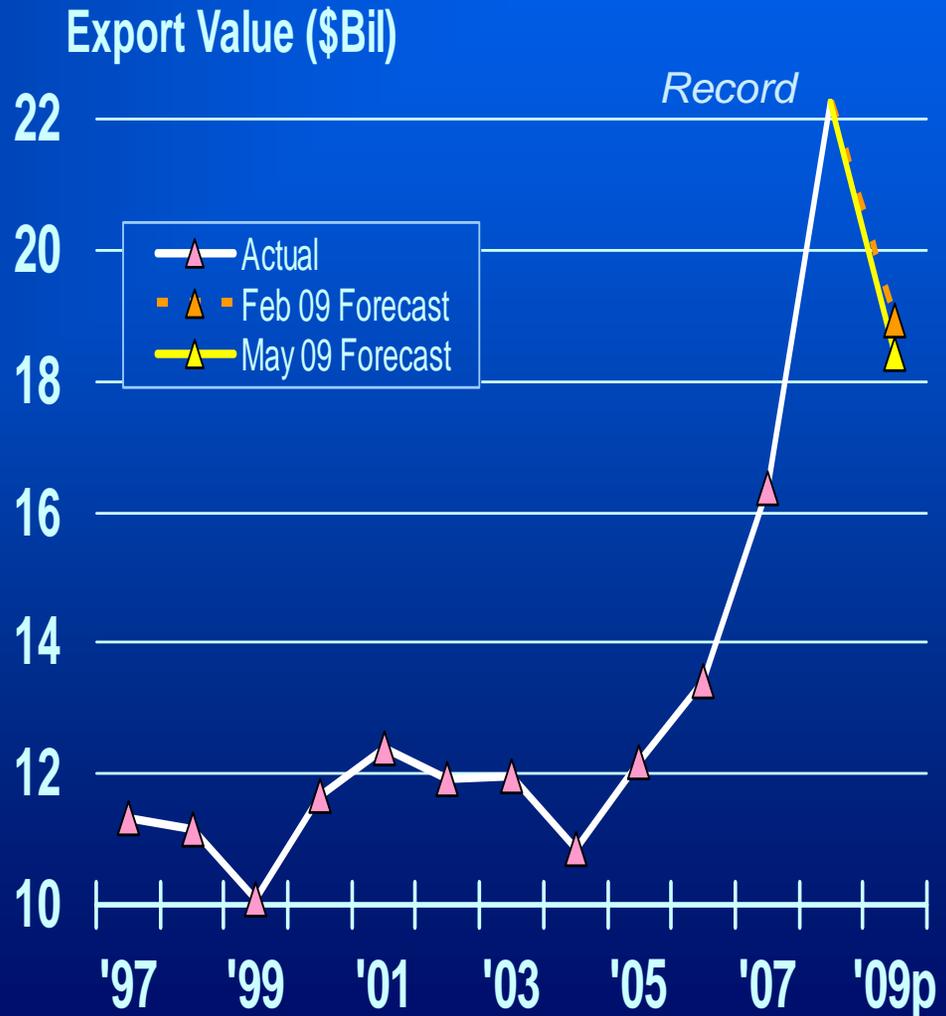
Revised 2009 Forecast

Key Developments

- Dairy lowered \$400 mil due to softening global demand and EU subsidized competition
- Beef dropped \$200 mil on weak demand in major markets
- Cattle hides fall \$200 mil on slumping car sales
- Broiler meat raised \$300 mil as consumers, especially in Mexico, shift to less expensive meat

Wild Card

- Improved beef access in Asia



Export Outlook for Horticultural Products

Revised FY 2009 Forecast: Unchanged at \$21.5 Billion

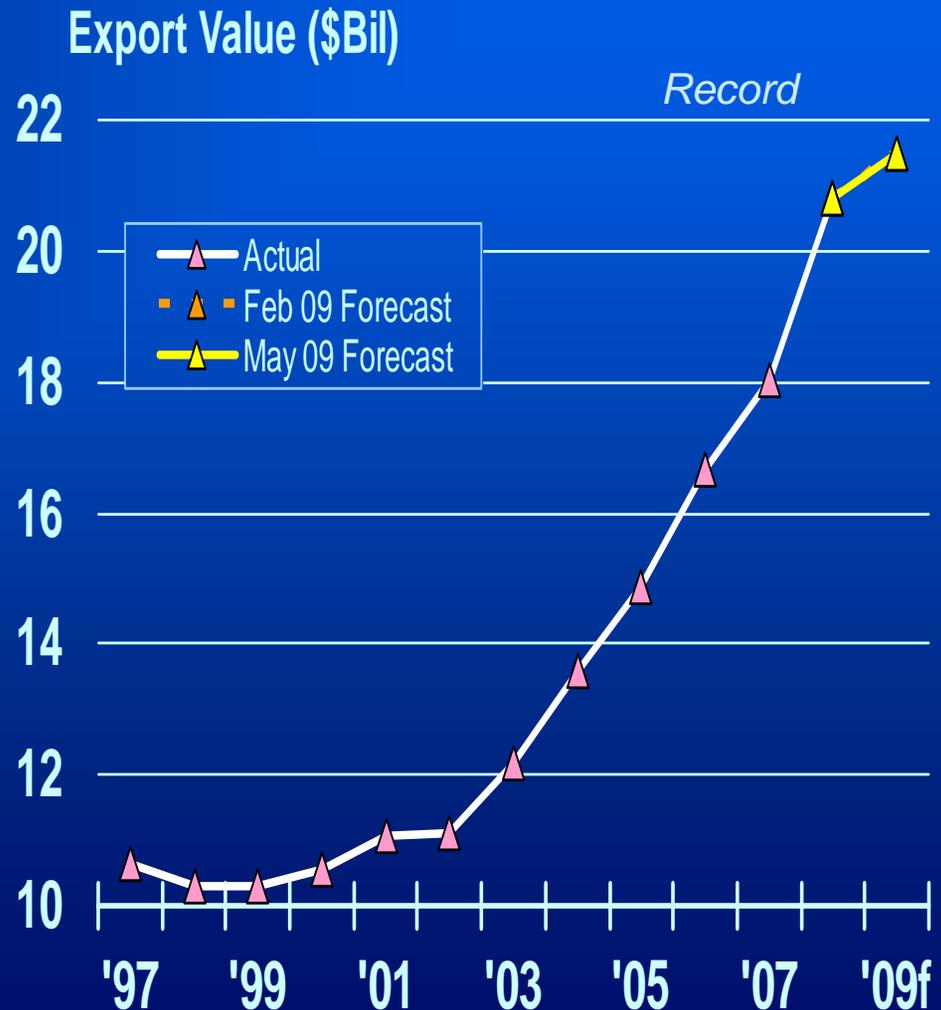
Revised 2009 Forecast

Key Developments

- Export growth remains at 3% due to global recession, the slowest rate in 7 years
- Flat export volumes for many commodities offset by moderate unit value increases
- Some decline in almond export value (lower prices) is offset by higher pistachio sales

Wild Card

- Will top markets continue to demand high-value products?



AgImport Growth Slows in FY 2009

*Imports lowered \$1.5 billion from February to \$81 billion
Forecast \$1.7 billion above last year's record \$79.3 billion*

- ❑ US recession remains severe, but the free-fall is probably over and the bottom is in sight. Rate of economic contraction slows in 2nd quarter and very weak expansion is possible for remaining quarters. Economy contracts 3-3.5% in 2009
- ❑ Consumer spending contracts with negative wealth effect (lower home values and sharply lower equities market) and soaring unemployment rate of 9-10%
- ❑ Some relief from sharply lower oil prices; stronger dollar lowers import costs

Key observations for FY 2009

- ❑ Import value growth rate slows to 2%, one of the lowest in over 40 years, as volume gains slow and deflationary pressures mount; recession-related volume declines expected for several groups including beer, fruit juices, rubber
- ❑ Horticultural product import value, typically accounting for 60% of overall growth, shows no expansion this year with volumes for many products flat to slightly down: wine volume up slightly but value is down as trade turns to less expensive wines, beer volume falls with shift to less expensive domestic labels
- ❑ Cattle and swine shipments from Canada fall as Canadian inventories decline; beef shipments from Australia rise on relatively strong US demand

Top Ag Markets and Ag Suppliers

Top Ag Markets...



Top Ag Suppliers...

