



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

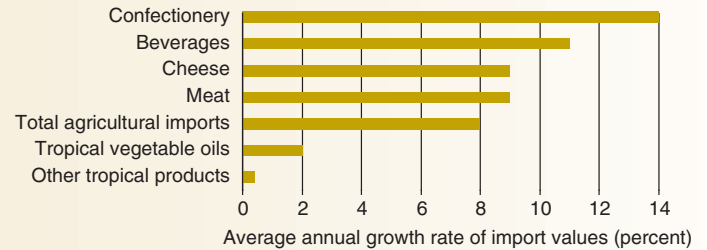
Americans Have Growing Appetite for Imported Foods

In fiscal year 2005, the U.S. trade surplus in agriculture is expected to significantly decrease, or even disappear for the first time since 1958. The reason is not so much declining exports as a surge in the value of agricultural imports, which are expected to reach \$58 billion this year, up from \$41 billion in 2002. Recent depreciation of the dollar played a role in this surge, contributing to a 12-percent rise in average import prices since 2001. The increase in the value of imports has been strongest in products coming from the European Union and Canada, where the U.S. dollar has weakened. U.S. demand for agricultural imports has proven to be relatively inelastic in volume (that is, rising import prices have not led to much decline in quantity consumed). Thus, a large part of the growth in the value of U.S. agricultural imports since 2001 can be attributed to higher import prices resulting from the lower exchange rate of the dollar.

Another driver of growth in U.S. agricultural imports has been a dramatic rise in consumer demand for prepared and processed foods, which, in turn, is driven by population growth, increasing ethnic diversity, and rising incomes. These preferences are seen in higher domestic sales by food manufacturers as well as a growing share in U.S. agricultural imports. The share of processed food in U.S. agricultural imports is now close to 63 percent.

Within the processed food category, the value of imports of confectionery; beer and wine; dairy products, such as cheese; and meat have grown the fastest over the last 5 years. Other fast-growing processed foods include nuts and seeds; grain products, such as flour and pasta; soft drinks; and prepared foods, such as snacks. Another major contributor to import growth is the supply of fresh fruits and vegetables during months when domestic production is seasonally low.

In 2000-04, U.S. agricultural import growth was greatest in nontropical processed food products



Source: Bureau of the Census.

The volume of agricultural imports has increased roughly in line with the U.S. population, which is about 1 percent per year. The variety of imported foods, including tropical products, has increased along with the ethnic diversity of the population and consumers' greater exposure to ethnic foods. Rising disposable incomes have made purchases of expensive foreign foods, such as wine, beer, cheese, meats, chocolate, and premium coffee, more affordable. *W*

Alberto Jerardo, ajerardo@ers.usda.gov

This finding is drawn from . . .

The ERS Briefing Room on U.S. Agricultural Trade, at: www.ers.usda.gov/briefing/agtrade/

U.S. Agricultural Trade Update, available at:

www.ers.usda.gov/publications/so/view.asp?f=trade/fau-bb/



Will Hard White Wheat Become a Sustainable Wheat Class?

Hard white wheat (HWW) has gained popularity in the domestic market and overseas, particularly in Asia. HWW has the potential for yielding 1-3 percent more flour than other wheats. Its end-use characteristics—such as lighter color in bread made

from HWW flour and good color stability and noodle texture—are particularly well-suited for whole-wheat products, pan breads, tortillas, and certain kinds of oriental noodles.

Though U.S. wheat farmers have grown mostly hard red winter and hard red spring wheats, many State breeding programs began refocusing their wheat breeding toward HWW in the mid-1990s anticipating rising demand for its end-use characteristics. By the late 1990s, Kansas State University was devoting three-quarters of its program to HWW. Other States soon followed suit.

HWW plantings spiked in 2003. A major factor contributing to this was a \$20 million government incentive program created by Congress for 2003-05. Farmers receive \$0.20 per bushel for high-quality HWW (denoted as U.S. grade No. 1 or No. 2), which, in 2003, together with other potential government payments, amounted to about 10 percent of the expected farm price. These incentive payments, combined with newly released, higher yielding varieties and above-average quality attributes, caused HWW

plantings to nearly triple in 2003 to 900,000 acres, up from 310,000 in 2002. Still, HWW production accounts for barely over 2 percent of all wheat acreage in major HWW-producing States, and sales are mostly limited to domestic milling.

The expansion of HWW acreage is limited by concerns over the risk of sprout damage, caused by excessive precipitation after the crop has matured. The 2004 HWW crop suffered widespread sprouting, particularly in Kansas, where sprouting affected 40-50 percent of the crop. Affected producers lost their incentive payment when their wheat graded worse than No. 2. However, they were not entitled to crop insurance indemnity payments for quality loss unless their wheat graded No. 5 or worse. Thus, producers with wheat graded No. 3 or 4 received neither payment.

The discontinuation of the incentive program beyond the 2005 crop and concerns that sprout damage could recur will likely slow the expansion of HWW production. In addition, strong competition from Australia and Canada in the Asian noodle markets makes it unlikely that the marketplace will generate strong price premiums for HWW. Continuing expansion of HWW production thus depends on the development of new, higher yielding varieties that are more tolerant to sprout damage. *W*

William Lin, wwlin@ers.usda.gov
Gary Vocke, gvocke@ers.usda.gov

This finding is drawn from . . .

Hard White Wheat At A Crossroads, by William Lin and Gary Vocke, WHS-04K-01, USDA/ERS, December 2004, available at: www.ers.usda.gov/publications/whs/dec04/whs04k01/