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FINDINGS

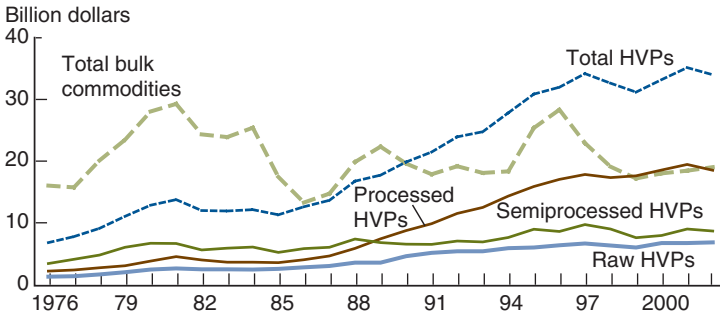
Processed Products Propel Gains in U.S. Agricultural Exports

PhotoDisc

Processed high-value products (HVPs) accounted for most of the growth in U.S. agricultural exports between 1976 and 2002, with $11 billion of the $30-billion total gain in U.S. agricultural exports during that period. In 2000 and 2001, exports of processed HVPs alone (meats; canned, dried, and frozen fruits and vegetables; processed grain products; dairy products; essential oils; juice; and wine) surpassed bulk agricultural exports to become the largest category of U.S. agricultural exports. Most of the growth in processed HVP export value occurred in the 1990s, the result of the depreciation of the dollar (between 1986 and 1996) and trade agreements, such as the North American Free Trade Agreement (NAFTA).

Exports of raw HVPs—fresh fruits and vegetables, live animals, nuts, and nursery products—also expanded over the 26-year period and have shown strong growth since 1989. These benefited greatly from NAFTA because of the high cost of special handling needed to preserve freshness. Shipping by truck to neighboring countries is far less costly than air freight to more distant destinations. Exports of raw HVPs rose 5.1 percent annually between 1989 and 2002. In 2002, as a result of growth in exports of U.S. raw HVPs to Canada and Mexico, U.S. agricultural exports to the Americas exceeded those to Asia for the first time in history. Canada surpassed Japan as the largest single market for U.S. agricultural exports, with Mexico ranked third.

U.S. agricultural exports, bulk and high-value products



Source: Economic Research Service, USDA, and Census Bureau, U.S. Department of Commerce.

The third subgroup of HVPs, semiprocessed HVPs, includes feeds, hides, fats, fibers, and oilseed products. Semiprocessed HVPs showed much less growth in exports, averaging only 2 percent yearly from 1989 to 2002.

U.S. exports of bulk commodities—wheat, rice, coarse grains, oilseeds, cotton, and tobacco—formerly the largest category of U.S. agricultural exports, were overtaken by HVPs in 1991. Bulk exports were $3 billion lower in 2002 than in 1989, and between 1976 and 2002, their share of total U.S. agricultural exports plummeted from 70 to 30 percent. Bulk exports are more variable than HVPs, depending on global supplies, global income growth and consumer demand, prices, and relative exchange rates. Gains in bulk exports were dampened, particularly in the 1990s, by the protectionist policies of the European Union, reduced demand from the former Soviet bloc countries as they became more market oriented, and increased export competition from these countries, as well as Argentina, Brazil, and China.

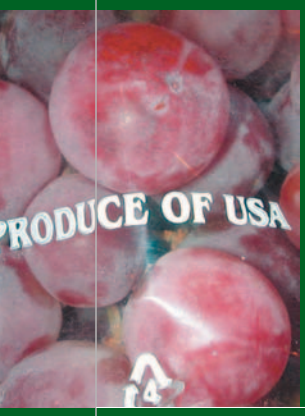
Although corn, soybeans, and wheat—all bulk commodities—are still the largest U.S. agricultural exports in value, fresh beef has been the fastest growing export. In 2002, beef ranked fourth among individual product exports.

Carol Whitton, cwhitton@ers.usda.gov

This finding is drawn from . . .

Processed Agricultural Exports Led Gains in U.S. Agricultural Exports Between 1976 and 2002, by Carol Whitton, FAU-85-01, USDA/ERS, February 2004, available at: www.ers.usda.gov/publications/fau/feb04/fau8501/

Mandatory Country-of-Origin Labeling—Will It Benefit Consumers?



Barry Krissoff, USDA/ERS

Demands for mandatory country-of-origin labeling (COOL) for some retail food products have sparked considerable controversy. Proponents—primarily some cow-calf producer and fruit and vegetable grower/shipper associations—claim such labels would benefit consumers who are concerned about food safety, who wish to support U.S. producers, or who believe that U.S. foods are of higher quality than imports. Others—cattle feeder and hog finishing operators, meatpackers, processors, and retailers—argue that mandatory labeling will merely raise costs and bring few benefits.

In 2002, Congress incorporated COOL in the Farm Security and Rural Investment Act. Mandatory labeling rules were slated to go into effect by September 30, 2004, but Congress has recently agreed to delay COOL for 2 years to revisit some of the legislative requirements and consider making COOL voluntary. Unless the law is changed, retailers will be required to identify red meats (beef, lamb, and pork), fish and shellfish, fresh and frozen fruits and vegetables, and peanuts as being from the United States, from another country, or from mixed origins. The 2-year delay will apply to meats, produce, and peanuts, but not to farm-raised and wild fish.

Researchers have tried at least two ways to determine whether benefits of mandatory COOL exceed costs. The first, an engineering approach, requires a calculation of likely expenditures for segregation and recordkeeping—the activities necessary to prove a product's origin—along with an estimate of what labels are worth to consumers. To estimate value to

U.S. Seafood Market Shifts to Aquaculture

Ken Hammond, USDA

The wild harvest of seafood, man's last major hunting and gathering activity, is at a critical point. Technology has enabled harvesting to outpace the speed at which species can reproduce.

In response, the seafood industry is beginning to shift from wild harvest to aquaculture, the production of aquatic plants and animals under grower-controlled conditions. Aquaculture is growing rapidly in many countries, particularly China, Chile, and Thailand. It is also expanding in the United States—the estimated value of U.S. production in 2001 was $935 million. Aquaculture accounts for a growing share of U.S. seafood consumption as well.

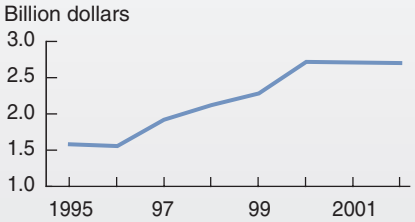
Aquaculture has a number of advantages over wild harvest. Growers can more easily maintain a steady supply of products. Farmed seafood is likely to be more uniform in size and quantity, thus moderating price swings. Selective breeding can be used to enhance disease resistance, increase growth rates, or promote other desirable traits, such as better feed conversion. Finally, consumers benefit from declining real prices as growers increase their efficiency and supply.

There are also a number of possible disadvantages to farmed seafood production. These include waste disposal from intensive production sites, the introduction of non-native species, and the destruction of coastal marsh areas for the development of new production areas. Concerns have also been raised about possibly dangerous levels of cancer-causing chemicals in farmed salmon.

Despite such concerns, the United States has become a major market for the global aquaculture industry. U.S. seafood consumption has been steady over the past decade at around 16 pounds per person per year, but a growing share of the supply is being imported, much of it from countries using aquaculture. In 2002, imports accounted for roughly 45 percent of seafood consumed in the U.S. Seafood imports included shrimp (946 million pounds), Atlantic salmon (413 million pounds), and tilapia (148 million pounds). Most of the imported salmon and tilapia and approximately half the shrimp were farm-raised, representing over 1 billion pounds of aquaculture products with a value of $2.7 billion. To put these imports in perspective, the U.S. poultry industry, the world's largest poultry exporter, shipped 5.4 billion pounds of poultry products, valued at $1.6 billion in 2002. Aquaculture also supplies U.S. consumers with catfish from Vietnam, crayfish and mollusks from China, and mussels from Canada and New Zealand.

For a number of countries, aquaculture has become a major part of their economies and a growing source of foreign exchange earnings. For the U.S., the large influx of imported aquaculture products has meant lower prices for consumers, but lower returns for producers. In response, a number of anti-dumping suits have been filed against foreign aquacultural producers.

U.S. aquaculture imports have risen dramatically since 1996



Source: Economic Research Service, USDA, and Census Bureau, U.S. Department of Commerce.

David J. Harvey, djharvey@ers.usda.gov

This finding is drawn from . . .

Aquaculture Outlook, by David J. Harvey, LDP-AQS-17, USDA/ERS, March 2003, available on the ERS Briefing Room on Aquaculture: www.ers.usda.gov/briefing/aquaculture/

consumers, some analysts have relied on consumer surveys asking consumers whether they want labels. Such surveys must be carefully designed if they are to reveal consumers' willingness to pay for labels. The second approach entails drawing inferences about costs and benefits from the actual behavior of suppliers and consumers in the marketplace.

Food manufacturers infrequently label food as "Made in USA." The absence of such voluntary labeling suggests that suppliers believe consumers either do not care where their food comes from or prefer the imported product. It is also possible that consumers prefer domestic products, but are unwilling to pay higher prices to cover labeling costs. Any of these explanations implies that suppliers believe it is generally not profitable to label.

Some consumers may actually prefer such labels, but this group may be too small for markets to satisfy their demands profitably. In this case, consumers who value the information may be better off with mandatory COOL, depending on how much they are willing to pay for label information and the cost of providing it. Even for these consumers, however, costs could exceed the benefits. For consumers who are indifferent to labels, the higher prices resulting from mandatory COOL would make them unequivocally worse off.

Barry Krissoff, barryk@ers.usda.gov
Fred Kuchler, fkuchler@ers.usda.gov

This finding is drawn from . . .

Country-of-Origin Labeling: Theory and Observation, by Barry Krissoff, Fred Kuchler, Kenneth Nelson, Janet Perry, and Agapi Somwaru, WRS-04-02, USDA/ERS, January 2004, available at: www.ers.usda.gov/publications/wrs04/jan04/wrs0402/