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High-Value Food Products Boost Agricultural Exports

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U.S. exports of high-value agricultural products (HVP's) reached a record \$24 billion in fiscal 1993, accounting for over half of total U.S. agricultural exports of \$42.6 billion. Continuing the trend of surpassing bulk commodity exports since fiscal 1991, the gap has kept growing. In fiscal 1994, HVP exports probably topped \$25 billion, with the margin between HVP and bulk exports expected to broaden to nearly \$8 billion. But the growth has not been even among HVP's.

"High-value" is a term given to a group of agricultural products, generally those with value added through processing (such as soybean oil) or because they require special handling or shipping (such as fresh fruit).

High-value products can be grouped into two categories—intermediate commodities and consumer food products. Intermediate commodities are those that have been partially processed (such as soybean meal and cattle hides) or those used as inputs on the farm (such as seeds and animal feeds) or used by food manufacturers (such as flour and sweeteners).

Consumer food products are primarily shipped for consumption in the retail market and foodservice sectors in the importing country. These include highly processed foods and beverages (such as condiments, wine and beer, processed meats, and frozen dinners) and less processed foods (such as fresh fruit, vegetables, and meats). (Fish, seafood, and distilled liquor exports are not included in this data set.)

HVP's Turn the Tide

During the past few years, HVP exports have been the positive side of the U.S. agricultural trade picture. Rising HVP sales abroad have kept exports near \$40 billion since 1989, as bulk export growth stalled (see fig. 1). The value and quantity of U.S. bulk exports fell in the 1980's because the European Union (EU) and other U.S. competitors expanded their exports and grain



Just as U.S. export gains shifted from bulk commodities to HVP's, most of the recent growth in HVP exports has shifted from intermediate commodities to the more value-added consumer-ready food products.

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prices fell. Also, much lower demand for imported grains in the former Soviet Union (FSU) has sharply cut into U.S. bulk exports.

The HVP share of total agricultural exports approached 50 percent toward the end of the 1980's as bulk exports fell and as HVP export growth accelerated after stalling in the early 1980's. This is a marked shift from accounting for about a third of all U.S. agricultural exports from the 1960's to the early 1980's. HVP exports increased an average of 4 percent annually during the 1980's, while bulk commodity exports decreased an average of 3 percent annually. In 1990-93, export growth in HVP's picked up to 6 percent annually, while bulk shipments continued to decline.

The boost in U.S. HVP exports occurred after 1985 when the value of the dollar began to fall against other foreign currencies. Between 1985 and 1993, the U.S. dollar declined 37 percent relative to currencies of major U.S. trading partners, making U.S. agricultural exports more competitively priced in world markets. Reduced import tariffs and lower nontariff barriers in foreign markets also have provided increased access for U.S. food products.

Another factor improving U.S. HVP exports is income growth—notably a rising middle class in countries such as Mexico, Hong Kong, South Korea, and Taiwan. Changing lifestyles that require convenience and growing tastes for western foods has generated greater demand for a variety of food products.

Intermediate Commodity Exports Remain Flat

Just as U.S. export gains shifted from bulk commodities to HVP's, most of the recent growth in HVP exports has shifted from intermedi-

ate commodities to the more value-added consumer-ready food products. Intermediate commodity exports have remained flat at around \$9 billion annually, due to declining sales of U.S. oilseed meals, live animals, and hides.

Animal feeds are the largest intermediate HVP commodity that the United States exports, valued at over \$2 billion in 1993. This group has continued to grow at nearly 5 percent annually during 1988-93. In 1993, 45 percent of U.S. animal feed exports went to the EU, 23 percent to Japan, and 13 percent to Canada.

U.S. exports of hides and skins and oilcakes and meals are the next two largest groups in value, each with sales of about \$1.3 billion in 1993. However, both have declined in recent years. Exports of hides and skins have fallen off because of weakened demand for leather goods in the slow economic climate of the last couple of years. The major markets for U.S. hides and skins have been South Korea (43 percent

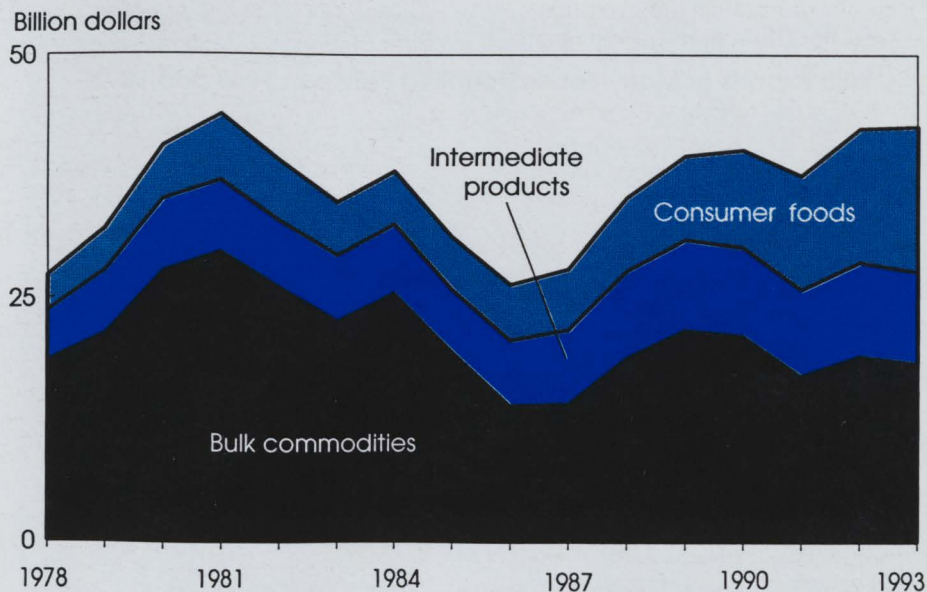
in 1993), Japan (21 percent), and Taiwan (10 percent), although Mexico (9 percent) may be gaining on Taiwan.

Oilcake and meal exports (mostly soybean meal) have fallen 3 percent annually since 1988. One of the biggest declines has been soybean meal shipments to the FSU because the shrinking livestock sector there has reduced demand.

Consumer Food Exports Rising

In 1990, consumer food exports reached nearly \$10 billion and exceeded exports of intermediate products (\$8 billion) for the first time. In 1993, the United States exported \$14.6 billion worth of consumer food products, amounting to over 60 percent of all U.S. HVP exports (fig. 2). This group of HVP exports has increased an average of 14 percent annually during 1988-93, with gains in almost every product category (table 1).

Figure 1
HVP Sales Continue To Surpass Bulk Exports



Improving economic conditions as well as trade agreements that open foreign markets to imports are keys to the recent expansion of U.S. consumer food product sales abroad. Canada, the EU, and Japan have been the biggest markets for U.S. consumer food exports during the past 3 years. But the fastest growth in U.S. exports of these

products has been in the Asian markets of Hong Kong, South Korea, Taiwan, Indonesia, Malaysia, and Thailand, as well as in Mexico where economic growth improved since the late 1980's.

The 1989 Canadian Free Trade Agreement with the United States and the 1994 implementation of the North American Free Trade Agree-

ment between Canada, Mexico, and the United States have reduced tariffs on agricultural commodities and removed trade barriers, which resulted in increased U.S. exports of food products. Japan's elimination of quotas and tariff reductions under the 1988 bilateral Beef and Citrus Agreement increased U.S. exports of beef significantly. A 1993 U.S.-China agreement to relax Chinese quarantine regulations that prohibited U.S. apple imports because of the Mediterranean fruit fly and a 50-percent tariff reduction on imported apples in January 1994 should substantially increase Washington State apple exports to China.

Totaling \$7.2 billion in sales in 1993, the largest group of consumer food exports is made up of fruit, nuts, and vegetables. Almost one-third of that is sent to Canada, and 20 percent goes to each the EU and Japan.

The United States exported \$2.6 billion worth of fresh fruit and vegetables in 1993. Over half of the fresh exports went to Canada, and 20 percent went to Japan. The EU was the leading destination for nut shipments, with about 40 percent of U.S. exports. The majority of American processed fruit and vegetable exports—including canned, frozen, and highly processed products—were also destined for Canada, Japan, and the EU, with each buying a 19-percent share between 1988 and 1993.

However, U.S. exports of fresh and processed fruit, vegetables, and nuts to Mexico, Hong Kong, South Korea, and Taiwan have grown 24 percent annually during 1988-93 as rising incomes and preferences for western foods in these countries have increased the demand for high-quality U.S. food products.

Red meat exports—primarily beef, pork, and variety meats (mainly bovine offals)—are also important sales for U.S. producers, to-

Figure 2
Consumer Food Share of HVP Exports Has Taken Off in the Last Decade...

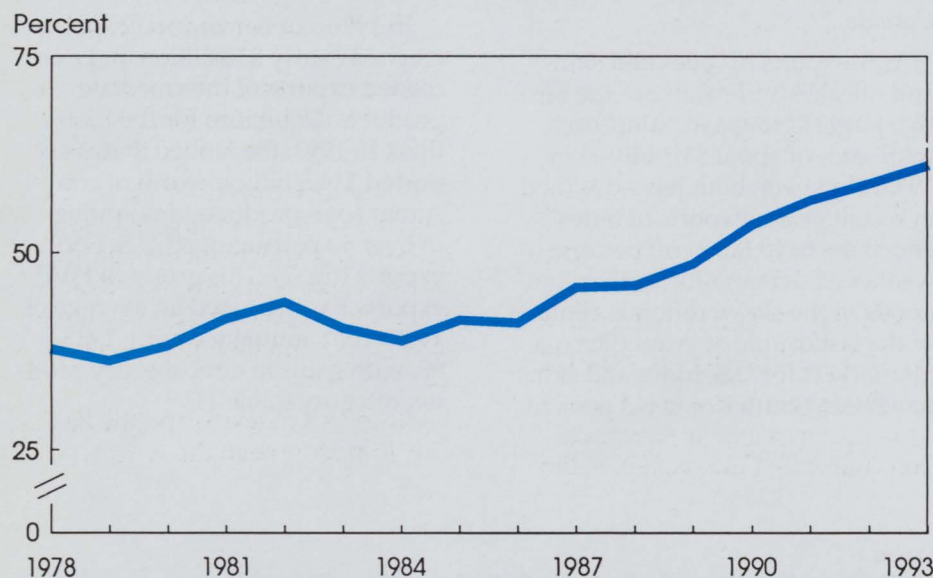


Table 1

...With Exports of Many Foods Doubling Between 1988 and 1993

Selected products	1988	1993
	<i>Billion dollars</i>	
Processed fruit/vegetables	1.4	2.9
Fresh fruit/vegetables	1.4	2.6
Beef	1.0	2.0
Nuts	.9	1.1
Poultry meat	.4	1.0
Dairy products	.5	.8
Grain products	.1	.6
Beer/wine	.1	.4

Source: "BICO Report," USDA, Foreign Agricultural Service, Trade and Economic Analysis Division.

taling \$3.3 billion in 1993. Reduced tariffs and increased quotas in markets such as Japan and South Korea, combined with growing red meat consumption, have contributed to a 13-percent annual rise in U.S. meat sales since 1988. During 1988-93, beef and pork exports expanded 15 percent per year, and variety meat shipments rose 7 percent. Japan continues to be the largest market for U.S. beef, with exports of \$1.2 billion in 1993—over half of foreign sales of U.S. beef. The strong Japanese yen relative to the U.S. dollar, the elimination of a beef import quota in 1991, and lower Japanese tariffs on beef have raised U.S. exports to over \$1 billion per year since 1992.

Beef export growth to Canada, Mexico, and South Korea has also been strong. Trade negotiations with South Korea resulted in a broadening of its minimum import quota for beef. When the North American Free Trade Agreement was implemented in January 1994, Mexico removed the high tariffs on beef imposed in November 1992, and exports expanded from \$55 million during January-May 1993 to \$84 million in the same period of 1994.

With a 20-percent expansion per year since 1988, poultry meat has been one of the fastest growing exports, topping \$1 billion in sales in 1993. U.S. poultry meat exports have risen because of greater market access and income growth. The United States is a competitive supplier of low-priced poultry parts. Low-priced parts, such as wing parts, chicken feet, and leg quarters, are less popular with U.S. consumers but are preferred in markets such as Hong Kong and the FSU. Growth has been above average in the biggest markets: Canada, Mexico, Hong Kong, Japan, and South Korea.

Processed grain products, such as breakfast cereals, pasta, and baked goods also have produced strong sales gains. These U.S. ex-

ports grew nearly 37 percent annually from 1988 to \$620 million in 1993. The largest foreign markets for U.S. processed grain products are Canada, Mexico, and the EU.

Coffee, cocoa, chocolate, and tea exports have grown 22 percent each year since 1988 to over \$600 million in 1993. These tropical commodities are imported raw, processed into such consumer products as instant coffee or chocolate candy bars, and then exported. Canada is the largest market for these processed U.S. exports, with 42 percent of U.S. shipments in 1993. About 10 percent of these exports each went to the EU and Japan, but recently the EU market has grown while Japan's market has remained relatively flat. Although Mexico's share reached 9 percent in 1993, it is the fastest growing of the larger markets for these commodities.

A Wave of New Markets for U.S. Consumer Foods

U.S. exports of consumer foods are concentrated in just a few regions (table 2). Canada, Japan, the

EU, Mexico, and Hong Kong bought \$11.2 billion worth of U.S. consumer food exports in 1993, over three-quarters of the total U.S. exports of these products.

This trade is weighted heavily toward Canada and Japan, with nearly \$4 billion in consumer food exports to each. Almost 75 percent of all the U.S. agricultural trade with Canada is in consumer food products. The EU and Japan import 25 percent and 44 percent, respectively, as they purchase significant quantities of soybeans, feed grains, and intermediate HVP products from the United States. Consumer foods also accounted for 80 percent of total U.S. agricultural exports to Hong Kong and 73 percent to Singapore in 1993.

Growth prospects for U.S. consumer food exports have shifted somewhat to developing countries, as U.S. exports of consumer foods to the developed markets of Canada, Japan, and the EU have slowed.

Since 1990, Mexico and the Pacific Rim have been the fastest

Table 2

Leading Markets for U.S. Consumer Food Exports in 1993

Market	Leading U.S. consumer food exports	
	<i>Billion dollars</i>	
Canada	3.8	Vegetables, fruit, meat
Japan	3.7	Meat, fruit, vegetables
European Union	1.7	Tree nuts, fruit, meat
Mexico	1.3	Meat, dairy products, poultry meat
Hong Kong	.7	Poultry meat, fruit, vegetables
South Korea	.4	Meat, fruit, vegetables
Taiwan	.4	Fruit, dairy products, tree nuts
Former Soviet Union	.2	Dairy products, poultry meat, snack food
Singapore	.2	Fruit, vegetables, poultry meat
Saudi Arabia	.1	Fruit, poultry meat, vegetables

Source: *Foreign Agricultural Trade of the United States*, USDA, Economic Research Service, various issues.

growing markets for these U.S. goods. For example, shipments of consumer foods to the Pacific Rim, excluding Japan, rose 19 percent annually. Growth has remained strong in Hong Kong, South Korea, and Taiwan, but the strongest increases were in Southeast Asia. The Philippines and Singapore have become the major markets there. The fastest growth was in Indonesia, Thailand, and Malaysia, where U.S. consumer food exports expanded annually since 1988 by 44, 32, and 19 percent, respectively. Some of the largest increases have been in U.S. exports of fruit, vegetables, and red meats.

Shipments of U.S. consumer food products to Latin America grew 19 percent a year since 1988 to \$2.1 billion in 1993. In Mexico, these U.S. exports expanded over 30 percent to a record \$1.3 billion

in that period. During 1988-93, there was double-digit annual growth for many U.S. HVP exports to Mexico. The major U.S. consumer food products shipped to Mexico in 1993 were dairy products (\$245 million), poultry meat (\$199 million), vegetables (\$184 million), and beef (\$137 million). Growth also has been strong in Central America and South America.

Consumer Foods Exports Will Continue To Rise

Exports of all agricultural commodities will likely increase under the trade agreement established in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) negotiations. The agreement seeks to reduce tariffs and eventually eliminate many non-tariff barriers, such as quotas and licensing requirements, in the world's agricultural markets. There will be greater opportunities for

trade and exposure to U.S. food products in foreign markets as trade barriers fall.

The consumer food component of agricultural exports also is expected to continue increasing, as more countries' economies advance and as U.S. food firms actively promote their products in these foreign markets. Rising incomes will generate more demand for a variety of food products, as diets shift away from the traditional staple foods to the more convenient packaged consumer foods which will become more affordable.

Much of the growth is expected to occur in the Pacific Rim countries of Japan, Hong Kong, South Korea, Taiwan, Indonesia, Malaysia, the Philippines, and Thailand, and in Mexico because U.S. trade has shifted in recent years to these areas with growing economies. ■