

Fiscal Year 2011 Agricultural Exports Forecast at Near Record

Summary

Fiscal year 2011 agricultural exports are forecast to be the second highest level ever at \$113 billion, which is \$5.5 billion greater than the 2010 forecast and nearly \$17 billion above 2009. Much of the increase is due to increased grain and feed shipments resulting from sharply reduced competition from Russia, Kazakhstan, and the Ukraine. Record exports are forecast for China as it surpasses Mexico to become the second largest U.S. market. Though imports are forecast at a record \$81.5 billion, the agricultural trade surplus is forecast to be the second highest ever at \$31.5 billion as agriculture remains one of the few industry sectors to consistently post a trade surplus.

Grains, Cotton, and Horticultural Products Lead the Export Surge

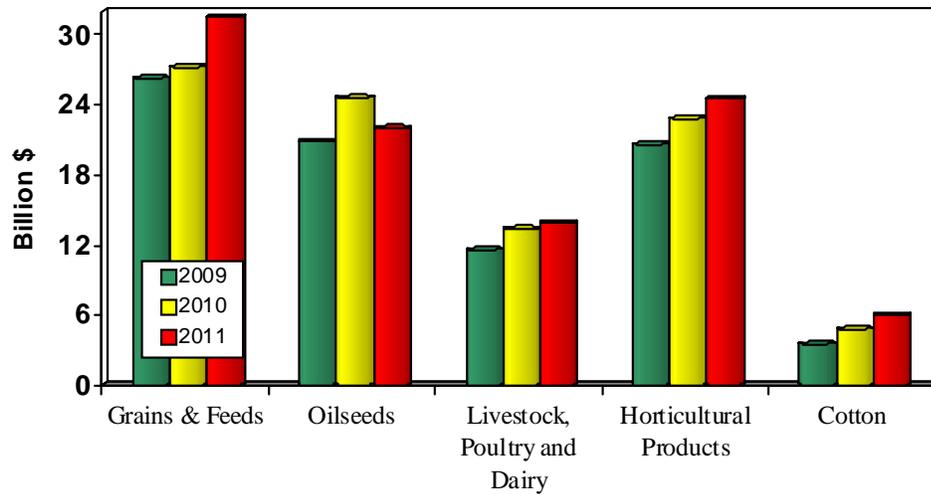
Grain and feed exports are forecast over \$4 billion greater than the 2010 estimate as sharply higher prices and volumes for wheat and corn are the primary drivers, as well as increases in distillers' dried grains. Shrinking exportable wheat supplies in Russia, Ukraine, Kazakhstan, and Canada provide opportunities for U.S. expansion in the Middle East and North Africa regions. Corn exports will benefit from reduced foreign supplies of feed-quality wheat and coarse grains. Rice exports are up on a record U.S. crop and strong sales to Latin America and the Middle East.

Cotton exports are forecast at \$6.0 billion, up \$1.2 billion from the 2010 estimate. U.S. exports are forecast to increase 22 percent to 3.3 million tons due to a larger domestic crop and tight supplies held by foreign competitors. The U.S. share of world trade is also expected to rise while U.S. and foreign ending stocks are forecast to remain tight. Chinese import demand is expected to continue to expand. Meanwhile, the fiscal 2011 export forecast for horticultural products is a record \$24.5 billion, \$1.7 billion higher than the 2010 estimate. Fresh fruit and vegetable exports are forecast at a record \$6.2 billion, as exports to Canada and Japan, and the EU, should continue to expand. Processed fruit and vegetable exports are forecast at \$6.2 billion with prices for several processed products expected to continue rising with demand from top markets. Whole and processed tree nuts are forecast up \$300 million as demand from Asian markets continues to grow, particularly for almonds and walnuts.

Livestock, poultry, and dairy exports are forecast up \$600 million with expected growth in meat, livestock, and poultry outweighing reductions in dairy. A decline is forecast for dairy exports due to increased competition from Oceania and an expected decline in global prices. Fiscal 2011 oilseed and product exports are forecast down \$2.6 billion from the 2010 estimate. A rebound in South American soybean crush and resulting recovery in product exports will erode U.S. export gains in soybean meal and oil made in FY 2010.

Grains lead All Categories in Expected Growth

FY Exports (Oct-Sept)



China Leads All Markets in Forecast Growth

Much of the increase in exports in FY 2011 is expected to be headed to Asia (up \$2.3 billion). Strong demand for U.S. cotton should account for much of the increase in China (up \$1 billion) while shipments of tree nuts, pork, corn, and soybeans are also expected to contribute to the record forecast. China is forecast to surpass Mexico and become the second largest U.S. market. Japan is forecast up slightly over the current year due in part to increased fresh fruit and pork demand. The forecast for Southeast Asia is up \$600 million over 2010 as lower soybean and soybean meal are more than offset by greater wheat, cotton, and high value product shipments. Exports to South Asia are forecast up \$400 million over the current year due to greater cotton demand in Pakistan and continued growth in pulse and horticultural exports to India.

The Western Hemisphere is forecast up \$2.0 billion over the current fiscal year as exports to Canada and Mexico are stronger based on more horticultural exports to Canada and greater corn and pork shipments to Mexico. Meanwhile, the forecast for both Central America and the Caribbean are up \$200 million over FY 2010. South America is expected to be an improved market (up \$700 million) based on continued strong demand from Peru and Brazil. Shipments of cotton to Brazil are expected to be strong while wheat to several markets in the region should be up due to less competition from Canadian supplies.

Exports to the EU are forecast up just \$100 million over the current FY 2010 forecast as greater horticultural products and wheat should only be partially offset by lower soybean shipments. The Middle East and North Africa are forecast up as less export competition from Russia, Ukraine and Kazakhstan should lead to greater exports and higher prices for wheat, particularly in Turkey, Iraq, Egypt, Morocco, and Tunisia.

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