

United States – European Union Agricultural Trade Flows

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Introduction

Population growth and general economic performance drives global demand for food and agricultural products, which lays the foundation for trade and U.S. exports (ERS a). Through the effects on employment, purchasing power and income, agricultural exports play a significant role in both the farm and nonfarm economy (Edmondson). In 2006, each export farm dollar earned generated an additional \$1.65 in business activity in 2006 (Edmondson). As a result, the \$71.0 billion earned in agricultural exports stimulated an additional \$117.2 billion in general economic activity in 2006 (Edmondson). Over the past five years, values of agricultural exports from the U.S. have been on the rise hitting record levels (Brooks). Increased demand in Canada and Mexico are primarily responsible for the renewed growth within agricultural exports (Brooks). Figure 1-1 shows all major agricultural products being exported from the U.S. over the past five years.

The largest area of agricultural exports from the U.S. has consistently been cereal products. These types of products include major cereals such as barley, millet, and oat, as well as pseudo cereals that include buckwheat, amaranth and quinoa (Seibel). These products currently compose 23% of total U.S. agricultural exports and have traditionally been the largest export product (ERS a).

Since the 1990's, high value products (HVP), including meats, poultry, live animals, oilseed meals, vegetable oils, fruits, vegetables and beverages, have been on the rise due to an increase in world population and income (ERS a). These products have become key players for U.S. exports. Although all U.S. exports have been on the rise, HVP's have increased at a faster rate than bulk products (such as wheat, rice, coarse grains, oilseeds, cotton and tobacco) and as a result represent the majority of U.S. agricultural exports (ERS a).

Oil seed products represented fourteen percent of total U.S. agricultural exports in 2007. Most of the U.S. oil seed production is being exported to Canada and Mexico (FAS). Within the meat category, a large portion of poultry products are being exported to the Russian Federation and Mexico. Japan, Mexico and Canada are the largest importers of U.S. red meat products (FAS). However, meats are a relatively small percentage of total U.S. exports due to disease outbreaks and related trade restrictions, with the cattle and beef sectors impacted the most by these restrictions (Brooks).

Together, fruits, nuts, fish and vegetables contribute fourteen percent of total U.S. agricultural exports. The U.S. has been recognized as providing high quality nuts for snacks and confectionary's on the world market (Brooks). Top nut exports are almonds, representing 70% of total production, followed by walnuts (Brooks). Fresh grapefruit are the number one fruit product being exported, accounting for nearly 40% of sales (Brooks). Fish and vegetables contribute a total of 7% to the total U.S. agricultural exports.

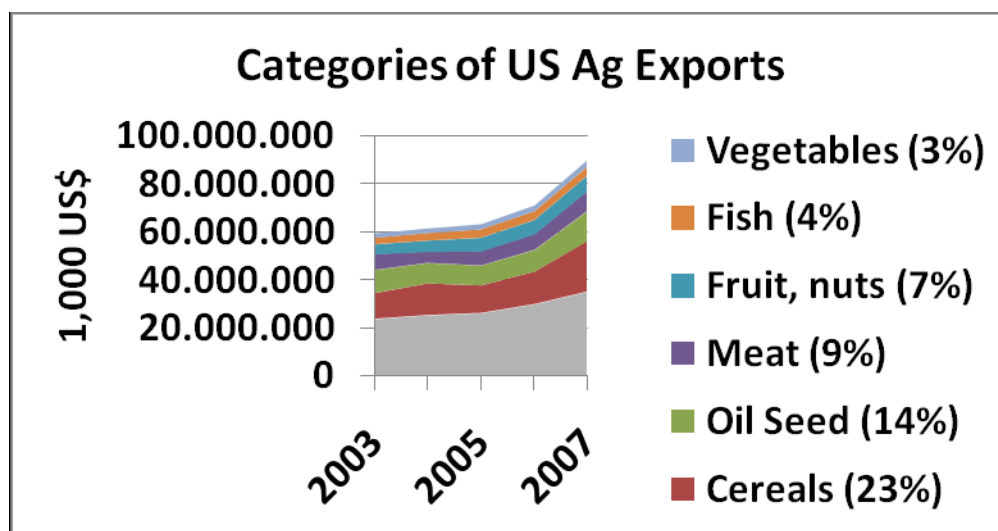


Figure 1. Categories of total U.S. Agricultural Exports (FAS)

General U.S. Exports to the European Union

The U.S. and European Union account for the largest bilateral trade alliances in the world when both goods and services are considered together (EuroStat). Due to the significant volume of trade between the two political regions, there is a high level of interdependence between the two economies (EuroStat). Together, they account for about 40% of the world's trade (External). The largest percentage of trade between the U.S. and E.U. comes from the trade of machinery and vehicles (EuroStat). Among the member states, the United Kingdom and Germany are the two largest importers of U.S. goods and services (EuroStat).

However, when evaluating U.S. agricultural exports, the E.U. is no longer the number one trading partner, but does remain a primary market for several products produced in the U.S. (ERS b). Figure 2 shows the total amount of U.S. agricultural exports to the E.U. In 2007, the U.S. exported a value of \$89.9 billion in agricultural exports, while the E.U. imported \$8.7 billion in agricultural products from the U.S., equaling 9.7% of total U.S. agricultural exports (FAS). In the same year, the E.U. ranked fourth in total agricultural U.S. imports by U.S. dollar values (ERS b).

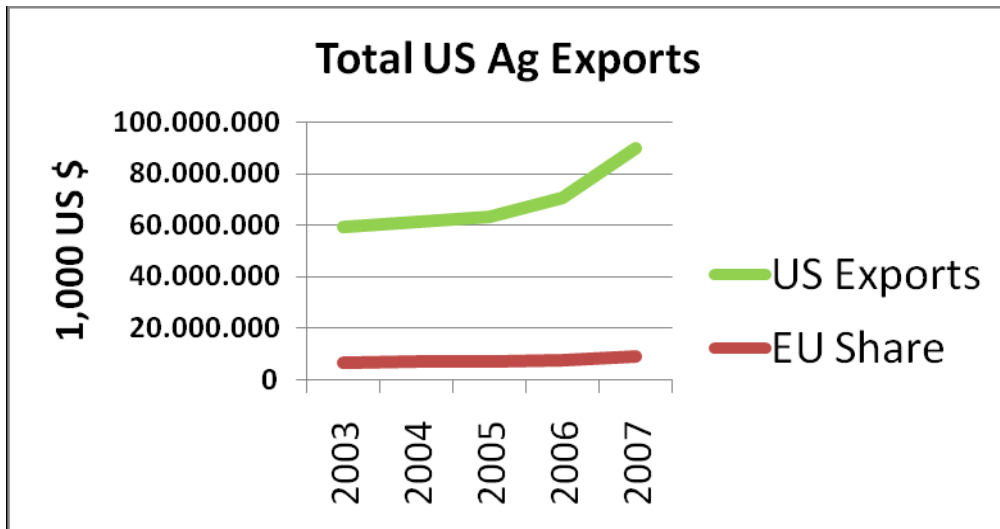


Figure 2. Total U.S. Agricultural Exports (FAS)

Major agricultural commodities being exported into the EU over the past five years are shown in Figure 3. As in the world market, HVP's are increasing at a rapid rate for exports going to the EU. Fruits and nuts are again the largest trade area within the specialty HVP crops. The top products in each category are shown in Table 1 with their U.S. levels of production, exports, and share of exports going to the European Union.

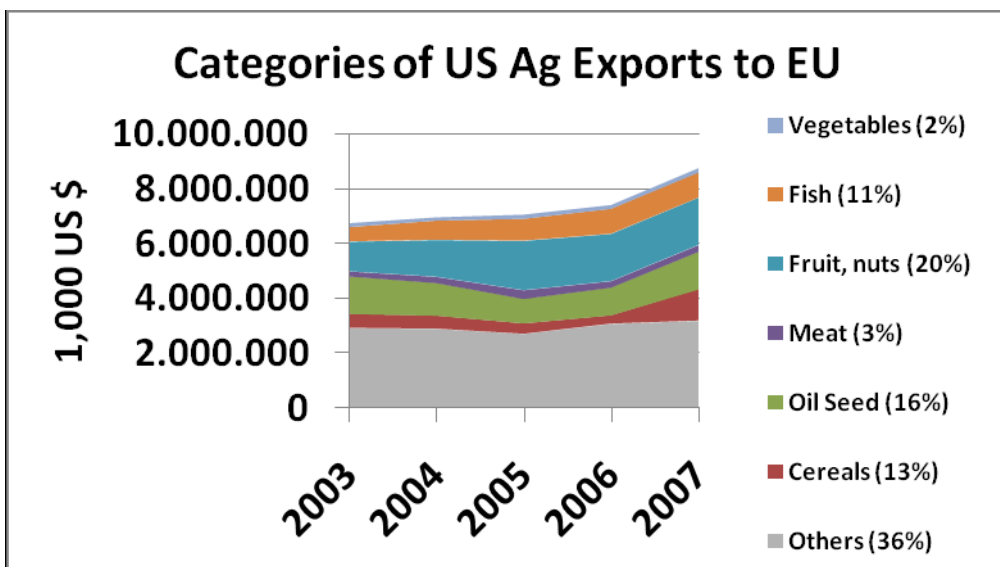


Figure 3. Categories of Agricultural Exports from the U.S. to the EU

Table 1. USA total domestic production and export volume of selected commodities, 2007

Product	USA Total Production		US Export Volume		USA Exports to EU (actual)		USA Exports to EU (percent)	
	(MT)	(US\$1,000)	(MT)	(US\$1,000)	(MT)	(US\$1,000)	(% MT)	(%US\$1,000)
Grains:								
Wheat (Not Durum)	56,237,333	13,743,708	30,678,261	7,742,306	1,166,888	337,385	3.80	4.38
Grain Sorghum	13,741,306	2,095,709	5,703,842	1,051,512	2,744,567	500,727	48.12	47.62
Oilseeds:								
Soybean	70,358,994	26,752,197	7,195,308	2,016,757	1,182,714	323,372	16.44	27.34
Processed Fruit:								
Dried Grapes (Raisins)	280,502	526,895	118,653	212,688	45,044	78,699	37.96	37.00
Dried Plums (Prunes)	140,082	255,684	64,955	175,432	26,592	75,927	40.94	43.28
Walnuts	320,000	521,600	11,868	60,073	3,986	19,212	33.59	31.98
Fresh Fruit:								
Grapefruit	656,689	220,994	377,186	267,305	73,055	50,609	19.37	18.93
Apples	4,424,263	2,397,849	651,564	638,660	41,985	42,393	6.44	6.64
Fresh Vegetable:								
Sweet Potatoes	836,825	373,723	39,668	35,609	15,961	14,258	40.24	40.04

The top two fresh fruit products being exported into the EU are grapefruit and apples (FAS). Nearly 20% of U.S. exports of grapefruit are to the EU, with both France and the Netherlands importing about one-third of the volume (total value shipped to the E.U. is approximately \$50 million). However, the quantity has decreased substantially over the past ten years. Overall production has been declining with possible reasons including citrus canker and major hurricane damage to the industry in 2004. Less than 7% of U.S. exports of apples are shipped to the E.U. Both dried grapes (raisins) and dried plums (prunes) are grown on the western coast of the US in California. Both are processed items that are with large markets within the EU. Two-thirds of that production is consumed in the US and Canada while one-third is exported. Japan and the United Kingdom are the largest export markets. Walnuts in various forms and processed states are the top nut products being exported to the EU (FAS), who accounts for about one-third of U.S. walnut exports. The countries these products are shipped to in the EU vary (Tables 2 and 3), with Germany importing the most grapefruit, dried prunes and walnuts and the United Kingdom importing the most apples and dried grapes.

Table 2. FAS trade data on the top two destinations of US fresh fruits and nuts exported to EU, 2004-2007

<i>Product/ Country</i>	<i>2004</i>		<i>2005</i>		<i>2006</i>		<i>2007</i>	
	<i>Quantity (MT)</i>	<i>Value (US\$1,000)</i>	<i>Quantity (MT)</i>	<i>Value (US\$1,000)</i>	<i>Quantity (MT)</i>	<i>Value (US\$1,000)</i>	<i>Quantity (MT)</i>	<i>Value (US\$1,000)</i>
<i>Fresh Grapefruit</i>								
GERMANY	8,756	16,959	4,837	12,634	5,096	15,481	9,743	\$30,134
ITALY	4,852	10,118	3,329	9,306	3,638	10,757	4,109	\$12,405
<i>Fresh Apples</i>								
UNITED KINGDOM	26,443	26,390	31,128	4,247	27,426	30,984	31,639	\$32,155
FINLAND	878	810	1,968	\$1,694	1,456	1,420	1,819	\$1,956
<i>Walnuts</i>								
GERMANY	946	2,807	659	2,496	1,994	6,436	1,548	8,524
SPAIN	687	2,042	804	2,733	1,649	4,941	1,212	6,053

Table 3. FAS trade data on the top two destinations of US processed fruits exported to EU, 2004-2007

<i>Product/ Country</i>	<i>2004</i>		<i>2005</i>		<i>2006</i>		<i>2007</i>	
	<i>Quantity (MT)</i>	<i>Value (US\$1,000)</i>	<i>Quantity (MT)</i>	<i>Value (US\$1,000)</i>	<i>Quantity (MT)</i>	<i>Value (US\$1,000)</i>	<i>Quantity (MT)</i>	<i>Value (US\$1,000)</i>
<i>Dried Grapes</i>								
UNITED KINGDOM	2,117	33,245	15,393	28,728	162,33	29,640	16,910	29,794
GERMANY	7,158	10,059	6,389	10,433	8,732	12,642	9,012	13,808
<i>Dried Prunes</i>								
GERMANY	8,756	16,959	4,837	12,634	5,096	15,481	9,743	30,134
ITALY	4,852	10,118	3,329	9,306	3,638	10,757	4,109	12,405

Cereals and oilseeds are also exported to the EU from the U.S. and trade flows are shown in Tables 4 and 5. The U.S. led the world in wheat exports in the marketing year 2006/07, representing a 24% market share of global wheat trade. Although non-durum wheat is the largest dollar value cereal shipped to the EU from the US (over \$337 million), this amounts to only 4% of the non-durum wheat exported from the U.S. Overall grain sorghum production in the U.S. is up in 2007. Grain sorghum is the third most important cereal crop produced in the U.S. The U.S. is the #2 producer and #1 exporter of grain sorghum, with nearly half going to the E.U. Spain is the leading importer of both of these products. Soybeans are a major portion of U.S. agricultural exports, with over \$1 billion in value shipped to the EU, however, this makes up only 17% of U.S. exports of soybean. The Netherlands are the leading EU importer of U.S. soybeans.

Table 4. FAS trade data on the top two destinations of USA cereal products exported to EU, 2004-2007

<i>Product/ Country</i>	<i>2004</i>		<i>2005</i>		<i>2006</i>		<i>2007</i>	
	<i>Quantity</i> (MT)	<i>Value</i> (US\$1,000)	<i>Quantity</i> (MT)	<i>Value</i> (US\$1,000)	<i>Quantity</i> (MT)	<i>Value</i> (US\$1,000)	<i>Quantity</i> (MT)	<i>Value</i> (US\$1,000)
<i>Wheat (not durum)</i>								
SPAIN	168,239	25,261	230,936	35,613	62,841	10,455	583,412	157,991
BELGIUM	141,229	22,302	69,529	11,729	46,332	8,545	156,880	47,318
<i>Grain Sorghum</i>								
SPAIN	140,902	18,439	152,524	20,554	203,436	26,196	1,376,855.6	236,789
NETHERLANDS	0	0	0	0	0	0	214,178	37,306

Table 5. FAS trade data on the top two destinations of major US soybeans exported to EU, 2004-2007

<i>Product/ Country</i>	<i>2004</i>		<i>2005</i>		<i>2006</i>		<i>2007</i>	
	<i>Quantity</i> (MT)	<i>Value</i> (US\$1,000)	<i>Quantity</i> (MT)	<i>Value</i> (US\$1,000)	<i>Quantity</i> (MT)	<i>Value</i> (US\$1,000)	<i>Quantity</i> (MT)	<i>Value</i> (US\$1,000)
<i>Soybeans</i>								
NETHERLANDS	105,895	31,989	198,692	44,309	438,546	104,042	715,010	195,488
PORTUGAL	103,436	29,943	166,397	36,938	56,681	13,582	125,320	35,406

One fact worth mentioning is the nearly non-existent export of meat products to the EU. This is a direct result of the trade restrictions mentioned earlier due to disease outbreaks and production practices. Vegetables make up a small portion of the U.S. – EU agricultural trade. The top two vegetables exported from the U.S. to the EU are sweet potatoes and potatoes, but the amount of potatoes is very small (approximately \$3.5 million of which 99% goes to the United Kingdom). As seen in Table 6, slightly over \$14 million of sweet potatoes are exported from the U.S. to both the United Kingdom (87%) and the Netherlands (11%). Demand for U.S. sweet potatoes has improved in recent years as evidenced by larger exports, rising per person use and higher prices despite a larger crop. Gains are expected to continue, as exports expand at a double-digit pace.

Table 6. FAS trade data on the top two destinations of major US fresh vegetable (sweet potatoes) exported to EU, 2004-2007

<i>Product/ Country</i>	<i>2004</i>		<i>2005</i>		<i>2006</i>		<i>2007</i>	
	<i>Quantity</i> (MT)	<i>Value</i> (US\$1,000)	<i>Quantity</i> (MT)	<i>Value</i> (US\$1,000)	<i>Quantity</i> (MT)	<i>Value</i> (US\$1,000)	<i>Quantity</i> (MT)	<i>Value</i> (US\$1,000)
<i>Sweet Potatoes</i>								
UNITED KINGDOM	6,014	5,785	6,577	5,436	11,256	10,092	12,495	11,298
NETHERLANDS	725	619	1023	731	1,616	1,284	1,878	1,421

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