# U.S. Agricultural Trade Under Fire

**Economic Report**
**Office of Regulatory Policy**
**Agricultural and Economic Policy Team**

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## Summary

U.S. agricultural exports are projected to decline by 11 percent for FY 2016 to $125 billion, the second consecutive annual decline. Factors behind the decline include: the strong dollar, competition from other exporters, trade restrictions, lower commodity prices and sluggish economic growth in key importing countries like China.

Exports of all major row crops are projected to decline in both volume and value for FY 2016 except for a slight increase in wheat volume, while exports of soybean oil, tree nuts, fruits and vegetables are projected to show increases in value. Exports of all animal and dairy products are projected to decline in value for FY 2016 on lower prices with export volume increases expected for beef, pork and broilers.

Lower projected export sales for most U.S. crop and livestock products for 2016 is expected to put additional downward pressure on prices received by farmers and, in turn, lower farm income. Producers with large amounts of debt could have difficulty making timely payments on their loans, which could result in deteriorating credit quality for agricultural lenders.



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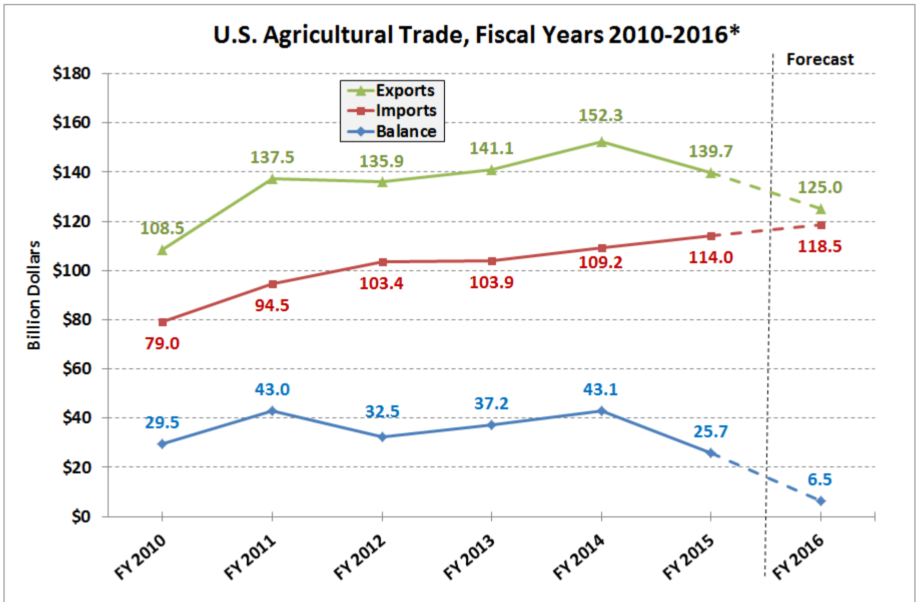
This report provides an update on the U.S. agricultural trade outlook for fiscal year 2016 and discusses the various factors behind the second consecutive annual decline projected for agricultural exports.

### U.S. Agricultural Exports Projected to Drop for a Second Year

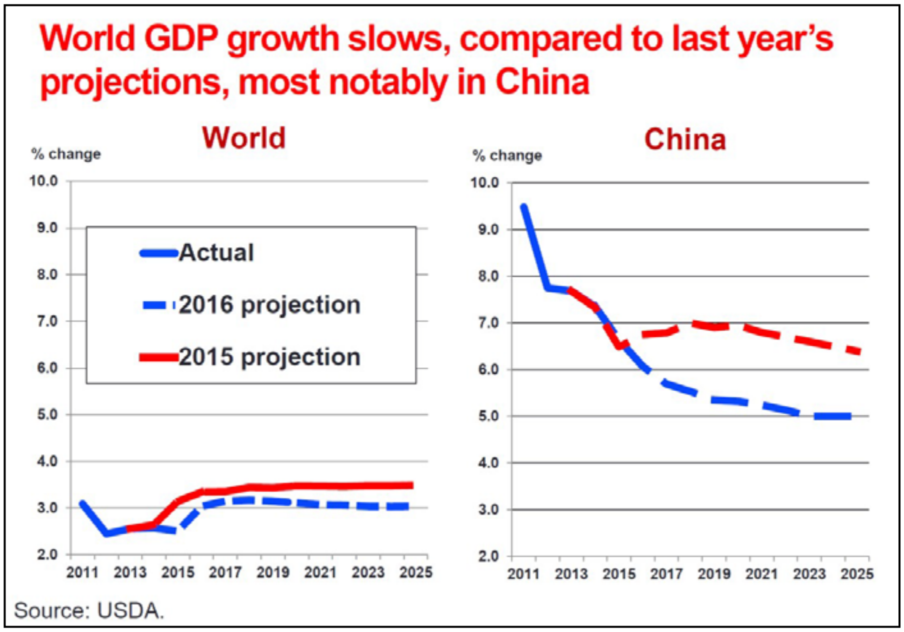
According to USDA's latest trade outlook report, U.S. agricultural exports in fiscal year (FY) 2016 are forecast to fall for the second year in a row to $125 billion, down nearly 11 percent from FY 2015 and nearly 18 percent below FY 2014's record export value. The last time a consecutive year drop in exports occurred was 17 years ago in 1999. The strong dollar, stiff competition from other major exporting nations, trade restrictions by key importers, lower commodity prices and reduced demand from slowing economies around the world account for much of the decline.



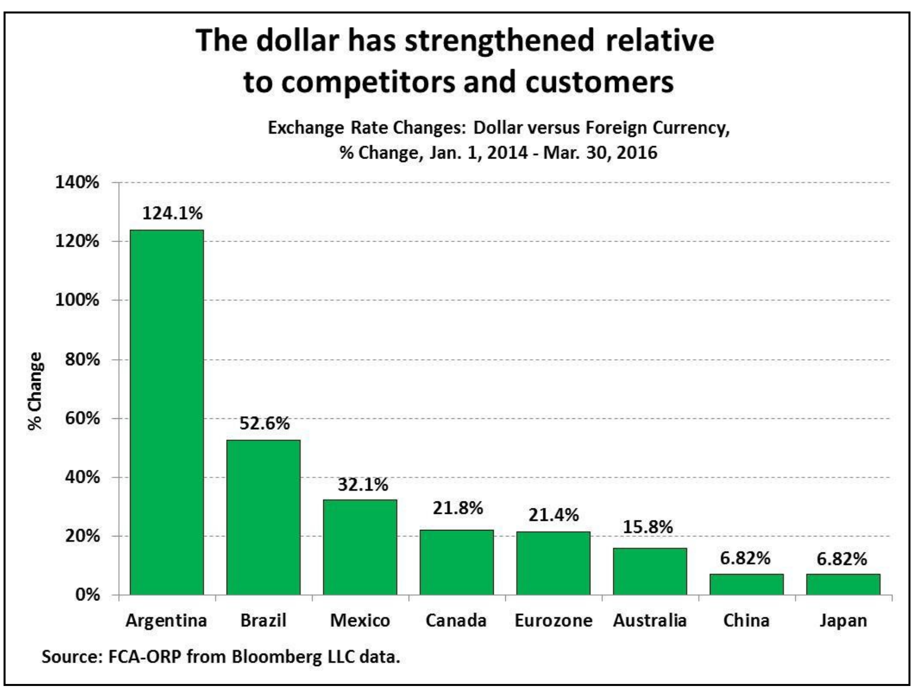

*Fiscal years = October of previous year through September of year indicated.
Source: FCA-ORP from USDA-ERS, Outlook for U.S. Agricultural Trade, Feb. 25, 2016.

### Global Forces Driving U.S. Agricultural Trade

USDA's Chief Economist, Robert Johansson, in the opening address at this year's Agricultural Outlook Forum stated: "The overall picture for agriculture in the United States is being driven more by lower global economic growth and currency valuations." He highlighted the general economic slowdown in many countries, particularly China, which is one of the world's leading importers of agricultural products and other raw materials. Countries that rely on exporting goods to China are seeing a sharp reduction in their earnings from abroad, which in turn is contributing to slower economic growth. Low petroleum prices are also reducing the earnings of OPEC and other petroleum producing countries, reducing their capacity to buy imported products.

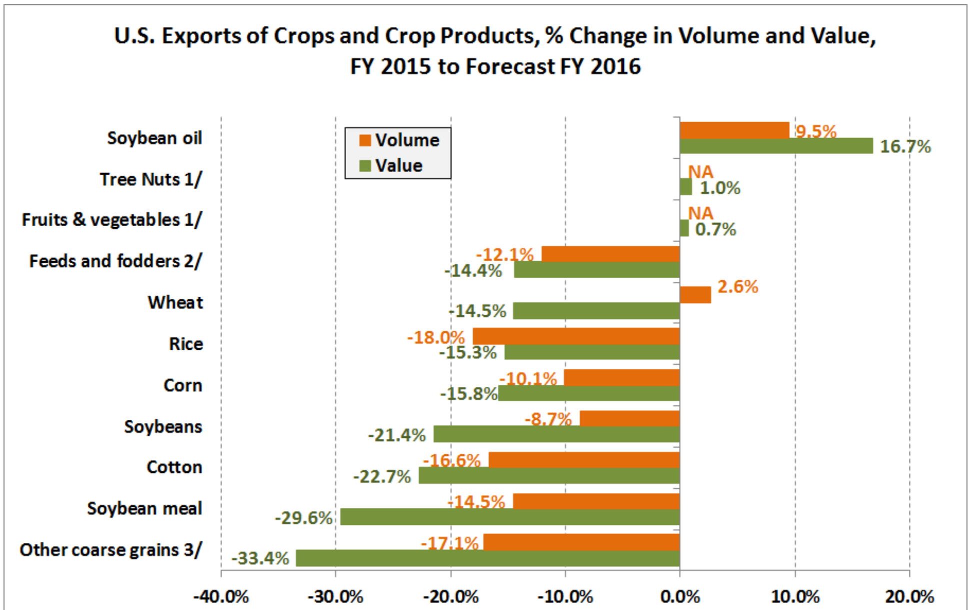



In terms of our customers and competitors in agricultural trade, the value of the dollar increased substantially since 2014 relative to many of their currencies, raising the cost of U.S. goods to importing countries and making our competitors' products a better bargain. Since January 2014, the U.S. dollar has appreciated 124 percent against the Argentine peso, 53 percent against the Brazilian real, 32 percent against the Mexican peso, 22 percent against the Canadian dollar, and 21 percent against the European Union's euro, which is the currency adopted by 19 of the 28 European Union (EU) member states, also known as the Eurozone. The strong dollar also makes foreign products cheaper for domestic consumers, which can displace American products in feed rations, at the grocery store, and in restaurants.



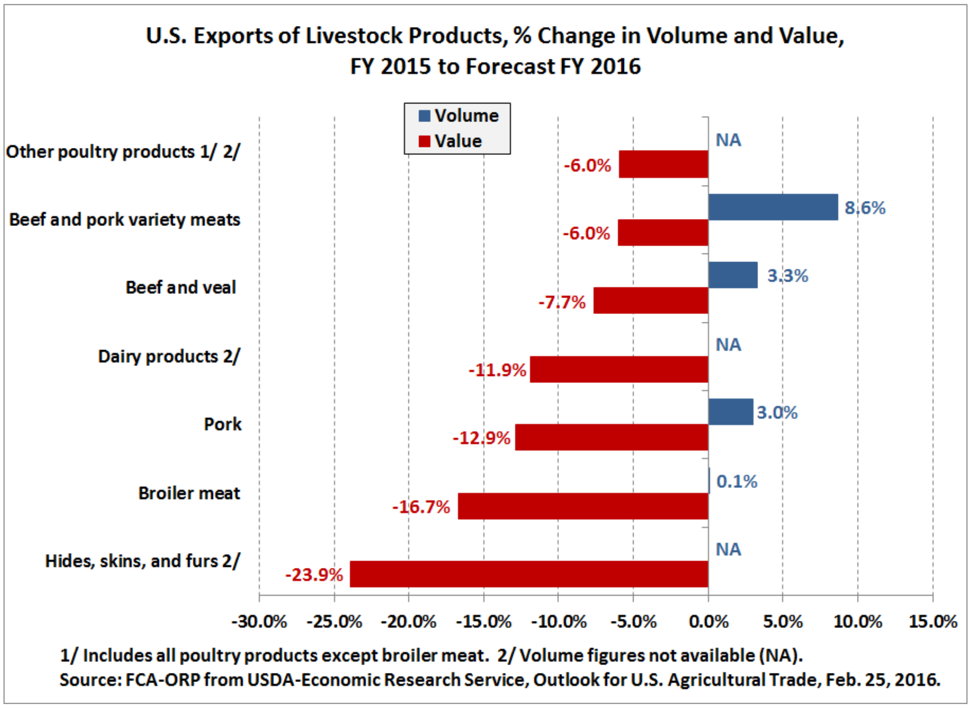
**Export Earnings Down for Most Crops and Livestock Products**

USDA's current projections for U.S. agricultural trade has most crops and crop products declining in value for FY 2016. Grains and feed exports are projected to drop $4.4 billion, or nearly 14 percent, to $27.2 billion for FY 2016 as exports of corn, other coarse grains, wheat and rice are all forecast to decline in value. The value of U.S. exports of oilseeds and products are also projected to decline in FY 2016 by $6.3 billion, or nearly 20 percent, as declines in soybeans and soybean meal offset an expected increase in soybean oil exports. The other export products that are projected to rise in value for FY 2016 include tree nuts, fruits and vegetables. On a volume basis, most crops and crop products are forecast to decline except wheat and soybean oil, which are projected to increase in FY 2016.



1/ Volume figures not available (NA). 2/ Includes corn gluten feed and meal and processed grain products. 3/ Includes barley, sorghum, oats and rye.
Source: FCA-ORP from USDA-Economic Research Service, Outlook for U.S. Agricultural Trade, Feb. 25, 2016.

The outlook for livestock product exports for FY 2016 is for a decline in export value of $3.6 billion, or 12.3 percent, to $25.7 billion, as all livestock categories are forecast to decline, due mostly to lower prices. The hides, skins and furs category is projected to drop the most in value at nearly 24 percent, followed by broiler meat exports, which are forecast to drop nearly 17 percent. On a volume basis (for categories with available data), livestock products exports are projected to increase slightly in FY 2016, led by beef and pork variety meats at 8.6 percent.




Lower projected export sales for most U.S. crop and livestock products for 2016 is expected to put additional downward pressure on prices received by farmers and, in turn, lower farm income. With USDA's February forecast of a third consecutive decline in farm income for 2016, U.S. farmers carrying large amounts of debt may experience cash flow problems, resulting in increased loan delinquencies and other credit quality issues for agricultural lenders in the coming year. The next report will look at credit conditions at agricultural lenders to look for signs of deteriorating credit quality.

## References

Johansson, Robert, Chief Economist, U.S. Dept. of Agriculture (USDA). The Outlook for U.S. Agriculture, USDA Agricultural Outlook Forum, Feb. 25-26, 2016. Link to speech, Link to slides.

U.S. Dept. of Agriculture (USDA), Economic Research Service (ERS). Outlook for U.S. Agricultural Trade, February 25, 2016. Link