Exports Then and Now

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It was not the worst of years for U.S. ag exports, but 1953 certainly was not the best. Export volume and value fell sharply, and the outlook appeared bleak. FAS analysts were worried about deteriorating trade prospects and what that meant for farm incomes and agriculture's future.

The surge in U.S. exports—sales and food aid—accompanying World War II and the postwar recovery was tapering off. European production was on the upswing. Fighting on the Korean peninsula came to an end in July 1953, and foreign customers were no longer stocking up on supplies.

One USDA publication at the time lamented the "shrinking outlets for the…greatly enlarged productive capacity" of U.S. agriculture that had developed to meet wartime needs. U.S. wheat stocks were climbing rapidly, soon to reach 1 billion bushels—most of it owned or controlled by the government.

P.L. (Public Law) 480, destined to become a cornerstone of U.S. food aid commitments around the world, would soon be approved as a means of surplus disposal with humanitarian motives. The first few rounds of tariff cuts had begun under the GATT (General Agreement on Tariffs and Trade), predecessor of the WTO (World Trade Organization), but meaningful reforms in ag trade policies were still decades away.

In published reports, FAS analysts began to ask if "our agricultural export trade [could] prosper only in periods of world catastrophe."

IN THE EARLY 1950s, SIX OF OUR TOP 10 MARKETS WERE IN WESTERN EUROPE.

The last half-century has answered this question. The global marketplace has grown enormously—more people, more production, higher incomes and much, much more trade. World population increased from about 2.7 billion in 1953 to a projected 6.3 billion this year. Urban populations have more than tripled.

Rising incomes have expanded trade not only by generating demand for more food, but also by helping to alter diets, sharply boosting per capita global consumption and trade in meats, cereals, fruits and vegetables, and processed grocery products. At the same time, trade liberalization, changing market structures and new technologies in processing, storage and shipping created new opportunities and new markets.

American producers, processors and exporters took advantage of these growing opportunities by increasing their productivity, improving quality and variety, and intensifying marketing efforts. Today, there are fewer than half as many U.S. farms as there were in 1953, but these farms are larger and more productive. Then, the average farm produced enough food for an estimated 26 people; by 2000, the average U.S. farm fed an estimated 139 people.

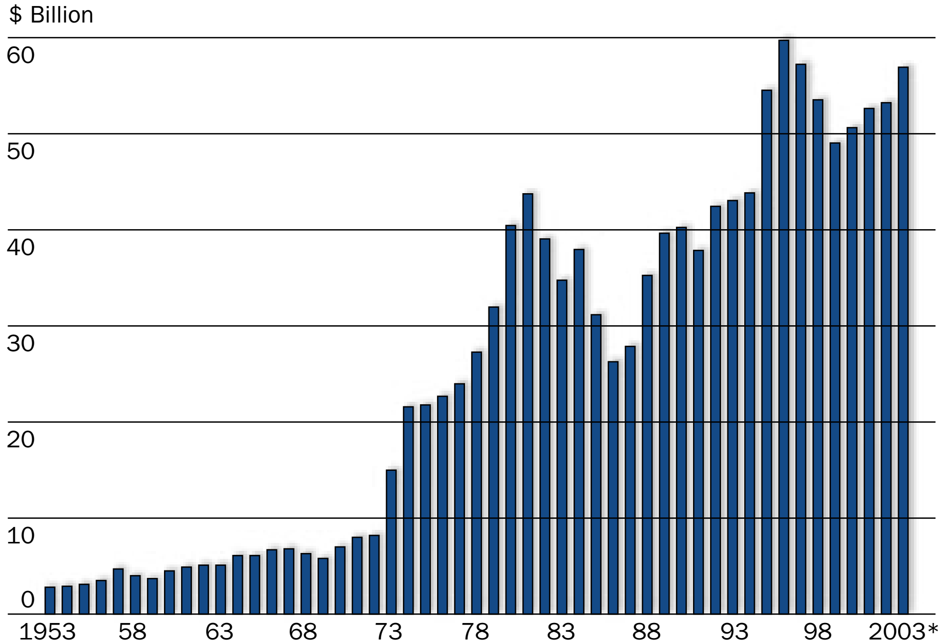
Government—including FAS—and the private sector developed a strong partnership, working together on market development and promotion programs, market-opening negotiations and new trade agreements, food assistance, and research and quality improvements.

In 2003, many of the issues and concerns of the 1950s persist—challenges relating to the excess productive capacity of U.S. agriculture, continued global ag policy reform, weather uncertainties and competition. But if history is any guide, world markets will continue to offer rewarding growth opportunities and play a vital role in the future strength and prosperity of American agriculture.

Exports Register Half-Century of (Mostly) Growth

The chart tells a tale of remarkable growth, but the path was neither straight nor smooth. Efforts to build markets were buffeted by competition, trade barriers and changing economic, financial and political conditions. Emerging from single digits, U.S. ag exports tripled to $22 billion from 1970 to 1974, jolted by large grain purchases by the then-USSR. Swelling demand from developing countries, a weak dollar and periodic foreign droughts kept the string of records going, and exports doubled to $44 billion by 1981. A severe downturn followed, triggered by global recession, a strong U.S. dollar, high crop loan rates and stiffer competition. A recovery finally began in the late 1980s, restoring sales to $44 billion by 1994. Then, poor foreign harvests and tight world grain supplies spurred exports to a still-unbroken record of $60 billion in 1996. Today, U.S. ag exports are 20 times the $2.8 billion of 1953. After adjusting for inflation, at least two-thirds of this increase is real.

U.S. Agricultural Exports, 1953-2003



Fiscal years. 2003 forecast.

Bushels, Bales and Pounds Show Evolution of U.S. Trade

A USDA report at the time boasted that our soybean exports set a record in 1953—42 million bushels. The 1950-54 average was much lower. We now export about a billion bushels a year. For most products, larger U.S. output is supplying more tonnage to more markets to meet greater global demand. Wheat, cotton and tobacco dominated our exports then. Some of the largest volume gains since 1953 are for products that have evolved into today's sales leaders, including corn, soybeans, meats, fruits and vegetables. In the early 1950s, meats trailed animal fats in export volume and value, horsemeat tonnage beat poultry meat, and the largest market for our meats was Cuba. Like meats, fruits and vegetables show huge export gains. Example: 164 million pounds of fresh apples were exported in 1952 and 1953 combined, compared with 2.9 billion pounds in 2000-01.

U.S. Export Volumes of Selected Products

	1950-54*	Today*
Wheat & flour (bu.)	342 mil.	1.0 bil.
Corn (bu.)	108 mil.	1.9 bil.
Rice (cwt.)	13.7 mil.	88.7 mil.
Soybeans (bu.)	26.4 mil.	1.0 bil.
Cotton (bales)	4.6 mil.	8.9 mil.
Tobacco leaf (lbs.)	473 mil.	404 mil.
Beef & veal (lbs., prod. weight)	21.4 mil.	1.8 bil.
Pork (lbs., prod. weight)	74.2 mil.	1.1 bil.
Lard (lbs.)	537 mil.	139 mil.

**Average for fiscal years 1950-54, and average for 2000/01-2001/02 marketing years for crops and 2000-2001 calendar years for meats and lard.*

DURING THE 1950s, OUR AG TRADE BALANCE WAS AWASH IN RED INK.

Leading Markets Reflect Both Continuity and Change

Besides millions of dollars becoming billions, what's changed? In 1950-54, six of our top 10 ag export markets were in Western Europe. In 2002, half were in Asia and only two were in Europe. Also, Canada and Mexico, our NAFTA (North American Free Trade Agreement) partners since 1994, ranked No. 1 and No. 3 in 2002. Together, they took 29% of total U.S. ag exports, up from 11% in the early 1950s when Mexico wasn't even in the top 10. Another difference: the spread between the biggest buyers at the top of the list and those lower down is much wider today. What's not so new? Four of our top five markets from 1950-54 still make the list, and Japan remains a frontrunner, despite losing its long-held No. 1 spot in 2002. In terms of market diversification, we ship more products to more countries now, but our 10 largest customers still account for two-thirds of total U.S. ag exports.

Top 10 Markets for U.S. Agricultural Exports

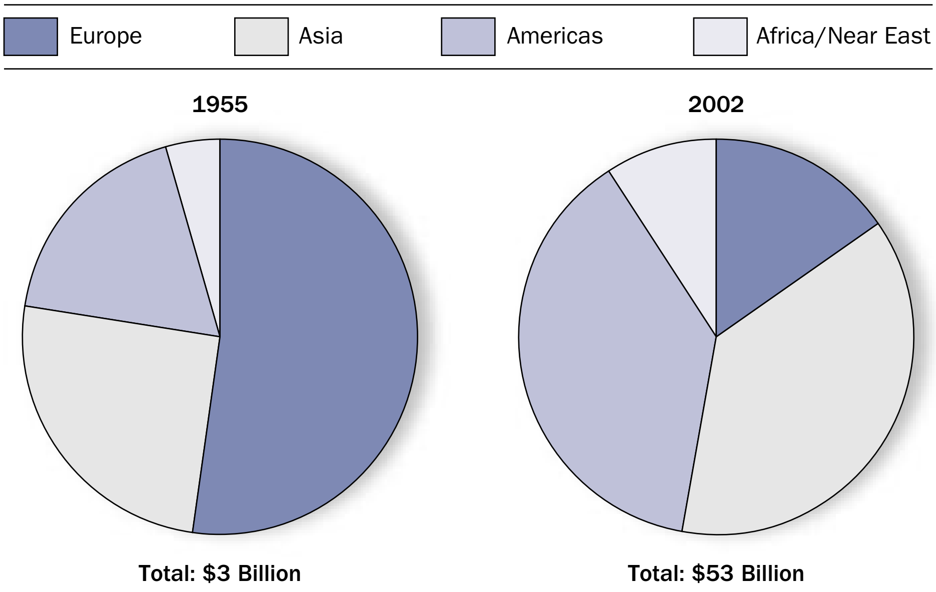
1950-54*	Rank	2002*
Japan, $397 mil.	1	Canada, $8.6 bil.
United Kingdom, $340 mil.	2	Japan, $8.3 bil.
West Germany, $298 mil.	3	Mexico, $7.1 bil.
Canada, $270 mil.	4	South Korea, $2.7 bil.
Netherlands, $167 mil.	5	Taiwan, $1.9 bil.
India, $161 mil.	6	China, $1.8 bil.
Italy, $151 mil.	7	Netherlands, $1.4 bil.
Cuba, $146 mil.	8	Hong Kong, $1.1 bil.
France, $128 mil.	9	Egypt, $1.0 bil.
Belgium, $111 mil.	10	United Kingdom, $1.0 bil.

**Average for fiscal years 1950-54, and fiscal year 2002.*
Notes: Exports to the Netherlands are mostly transshipments. Today, the 15-member European Union is generally viewed as a single market (as a single market, it would rank 4th in 2002, after Mexico). China and Hong Kong are also often reported as a single market.

Market Action Shifts to Asia and Americas

In 1955, more than half of U.S. ag exports went to Europe, mainly Western Europe. However, U.S. opportunities in those markets were limited first by post-war recovery in European farm production, and later by formation of the Common Market and Common Agricultural Policy, with its financial supports and import barriers. Meanwhile, strong economic gains, rising incomes and changing tastes shifted the export action to Asian markets. In 1979, Asia surpassed Western Europe as the leading regional market for U.S. ag exports. Today, exports to both Asia and the Americas are about 2 1/2 times our sales to all of Europe, including Russia. Canada and Mexico account for 75-80% of U.S. ag exports within our own hemisphere.

U.S. Agricultural Exports by Region



Fiscal years. Europe includes Russia and several other former Soviet states.

WHEAT, COTTON AND TOBACCO LEAF ACCOUNTED FOR UP TO 60% OF TOTAL U.S. AG EXPORT VALUE.

Catering to Consumers: Trade Momentum Favors High-Value

USDA 01di1433 CD8174-433

Grain trimmer directing flow of wheat into hold of Great Lakes ship, Superior, Wisconsin. 1941

Bulk commodities dominated the U.S. ag trade picture in the early 1950s. The big three at the time—wheat, cotton and tobacco leaf—accounted for up to 60% of total U.S. ag export value. Bulk and semi-processed commodities made up 85% of total ag exports.

That was then. In intervening years, the U.S. and global trade mix has been radically altered by rising incomes, partial trade liberalization, changing tastes and technologies, increased cultural exchange, consumer demand for convenience and other trends. Since the mid-1980s, meats, fruits and vegetables, and processed grocery products have set the growth pace. In 2002, consumer-oriented products accounted for 40% of total U.S. ag exports by value, followed by bulk commodities at 36% and intermediate products at 24%.

USDA 75cs0265 CD1447-097

Consistent Surpluses Replace Past Deficits

Year after year, agriculture's contribution to the U.S. trade picture is consistently positive, but it wasn't always so. During the 1950s, our ag trade balance was awash in red ink. In 1953, for example, U.S. ag imports were $4.3 billion and exports were $2.8 billion, leaving an ag trade deficit of $1.5 billion. Since the 1950s ended, agriculture has produced a trade surplus every single year. For fiscal 2002, U.S. ag exports topped $53 billion and imports were $41 billion, producing a surplus of more than $12 billion. By contrast, the overall U.S. merchandise trade balance has shifted from surpluses in the 1950s and much of the 1960s to persistent and growing deficits, estimated at just over $450 billion in 2002.

PhotoDisc TR001776

Non-Ag Outpaces Ag in Trade Picture

America of the 1950s was more rural and agricultural than it is today, and farm production played a larger role in the overall economy and trade. In the early 1950s, on average, ag exports accounted for 22-23% of the total value of U.S. merchandise trade. The percentage began to decline steadily around the mid-1970s as trade in other goods grew more rapidly, benefiting from lower tariffs and freer global market access for non-ag products. Ag's share was still about 18% when the downward trend accelerated in the mid-1980s during the prolonged slump in the U.S. ag economy and ag exports. Today, ag exports play a critical role in generating jobs, economic activity and higher rural incomes, but their share of U.S. merchandise trade is 7-8%.

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Chicago skyline.

Tobacco Is a Vegetable: Notes on the Data

Need to know U.S. wheat export tonnage for the last 10 years? Not a problem. Go to the U.S. Trade System on the FAS Web site, and a few clicks of the mouse will bring you the data.

But export data for the 1950s—that's another story.

"Database" was not yet a word, and trade statistics were maintained by manual entries, adding machines, typewriters and metal drawers stuffed with file folders and reams of paper. In many cases, the publications of the time are the only sources for this information today.

The now-versus-then comparisons selected for this presentation were not always the examples of first choice. Some of the examples or years cited were based on the availability of reasonably compatible data from the early 1950s. Lack of data ruled out other interesting comparisons.

Trade statistics were often compiled and presented differently then, category definitions were sometimes different and some of the detailed trade statistics readily available now were not published then, or just could not be found for this piece.

Some of these differences proved limiting, such as the fact that metric tons—one of the most widely used measures of trade volume today—had not yet been adopted in most USDA trade reports. Units exported or imported were reported only in pounds, gallons, bales, bushels, short tons, dozens, bags, crates and bunches, etc., depending on the commodity.

Other differences could easily be ignored without distorting trade comparisons between the 1950s and today. For example, U.S. fiscal year 1953 began July 1, 1952, and ended June 30, 1953. Today's official fiscal year is October-September.

And some differences stood out mainly as interesting curiosities. In the 1950s, for instance, FAS trade reports tended to categorize all agricultural products as either animal or vegetable—technically accurate perhaps, but confusing to today's reader who finds tobacco, cotton, wheat and grapes all listed under vegetable products.

The historical data was taken from past issues of *Agricultural Statistics, Foreign Agriculture* (the predecessor of *AgExporter* magazine), published trade reports at the time and other sources. Current export numbers are from USDA reports or databases compiled from U.S. Census Bureau trade statistics.