

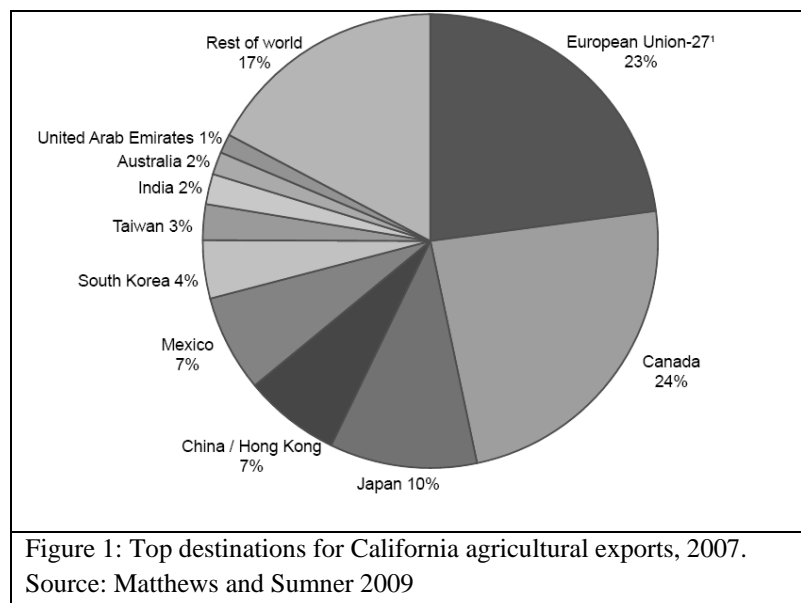
Global Markets & Trade

Access to foreign markets has long been important for U.S. farmers. U.S. agricultural exports totaled about \$115 billion in 2008. Agriculture in the United States is almost twice as reliant on overseas markets as the rest of the economy (FAS 2006). In recent years, the gross value of exports has been about one-fourth of farm cash receipts (Shane et al. 2009). Food demand has been rising in developing countries because population and income growth rates have been relatively high in the developing world. Moreover, as incomes rise in developing countries, food demand is shifting from locally produced staples to imported meat, dairy, fruits and vegetables.

California exports agricultural goods to more than 156 countries, and agricultural export earnings totaled about \$10.9 billion in 2007. Almonds are the state's top export and accounted for about 17 percent of total export value. Other significant exports include dairy products (about 9 percent of export value) wine (about 7.5 percent), table grapes (about 5 percent), and cotton (about 4.6 percent), walnuts (about 4 percent), pistachios (about 3.3 percent), rice (about 2.9 percent), processed tomatoes (about 2.7 percent) and strawberries (about 2.7 percent) (Matthews and Sumner 2008).

For some products, California is responsible for all or nearly all of U.S exports. Well over half of U.S. vegetable, fruit, and tree nut exports come from California. Indeed, the state accounts for at least 90 percent of strawberry, grape, processed tomato, plum, and lemon exports. California is accountable for all U.S. exports of almonds, walnuts, pistachios, raisins, dried plums, kiwis, dates, figs, olives, and garlic (Matthews and Sumner 2008).

In 2007, the top three export destinations for California agricultural goods were Canada, the European Union and Japan, which together account for 57 percent of 2007 export value, as shown in Figure 1. Mexico and China/Hong Kong each purchased about seven percent and Korea about four percent of California agricultural exports. For most California commodities exports diversify market opportunities and in general California agricultural has significant presence in many foreign markets.



Currency exchange rates specify the relative values between different currencies and are therefore an important factor in international trade. Of particular interest are the specific exchange rates between the U.S. dollar and for countries which import a significant portion of the California farm output. The commodity-relevant exchange rates for the top twenty California agricultural exports have generally experienced a moderate decline over the past ten years. Starting a decade ago, these exchange rates climbed slowly, generally reaching their peaks in the early months of 2002. After that, the indexes have declined gradually, with most of the commodities ending the period about one-third below their peaks. Thus part of the recent increases in California agricultural export success can be attributed to a weaker dollar in relevant markets.

In 2007, about 28 percent of California's agricultural output was exported, compared to about 16 percent in 1999 (Matthews and Sumner 2008). Although the state's largest trade partners are developed countries, exports to developing markets have shown the most growth in recent years and the current global recession will limit this growth. In fact, large developing country markets important to California agriculture already began to reduce their imports towards the end of 2008 (Shane et al. 2009).

Import competition is also important to California agriculture as is the access to imported inputs and the contributions to economic growth caused by more open markets. Some California agricultural products, dried fruit or garlic for example, have lost out in competition with imports, but generally California agriculture gains from global market opening as producers shift to those commodities, such as tree nuts, for which they are most competitive. Access to imports is an often overlooked aspect of international trade that is important to agriculture. California agriculture relies on fuel, fertilizer and even farm equipment from international sources and access to those farm inputs is vital for managing costs for some farms. Overall, increased access to growing global markets will help California growers to successfully compete for select export opportunities in world markets.

Important steps towards opening agricultural markets in agriculture were the 1994 North American Free Trade Agreement (NAFTA) and the 1995 Uruguay round of negotiations between members of the World Trade Organization (WTO). U.S. markets are generally already open to imports and therefore freer trade globally mostly means more access to California farm exports. A free trade agreement that would eliminate many tariffs and other trade barriers has been negotiated with South Korea but awaits clearance by legislatures in both countries. The Doha WTO negotiations, designed to eliminate export subsidies and lower tariffs and other trade barriers remain on hold. Thus two major opportunities to further open agricultural markets are currently suspended, while global protection and trade disruption has gradually increased.

– University of California Agricultural Issues Center, July 2009

Sources:

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Shane, Mathew. William Liefert, Mitch Morehart, May Peters, John Dillard, David Torgerson, and William Edmondson. 2009. *The 2008/2009 World Economic Crisis: What It Means for U.S. Agriculture*. U.S. Department of Agriculture, Economic Research Service, March 2009.

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