

OUTLOOK for U.S. Agricultural Exports



Approved by the World
Agricultural Outlook Board
Economic Research Service,
and Foreign Agricultural
Service, U.S. Department
of Agriculture

November 30, 1998 AES-20

EXPECTED FISCAL 1999 U.S. AGRICULTURAL EXPORTS LOWERED TO \$50.5 BILLION

Fiscal 1999 U.S. agricultural exports are reduced to \$50.5 billion, \$1.5 billion under the August forecast, largely reflecting lower commodity prices and reduced poultry and horticultural export volumes. Export volume estimates, however, are increased to 149.8 million tons, as grain shipments are expected to exceed 1998. The corn export volume is increased to 42.5 million tons, but value remains unchanged at \$4.2 billion as price expectations have declined. Sales of horticultural products and poultry meats have slowed considerably since August, and projections are lowered. Horticultural exports are forecast at \$10.1 billion, \$500 million less than in August, and are now also down 2 percent from 1998. Appreciation of the U.S. dollar against the Canadian dollar is partly responsible for this slowdown. Poultry meat exports to Russia virtually ceased in the wake of Russia's financial crisis. Expected 1999 U.S. poultry meat exports are reduced to \$1.8 billion, 25 percent less than the August forecast.

Expected U.S. agricultural imports in fiscal 1999 also have been lowered since August, to \$38.5 billion, but are still expected to exceed 1998 by 4 percent. Growth of fruit, beverage, and tobacco imports will be slower than earlier anticipated. The agricultural export surplus is expected to drop to \$12 billion, its lowest since fiscal 1987.

Table 1--U.S. agricultural trade, fiscal years, 1994-1999
-- Year ending September 30 --

Item	1994	1995	1996	1997	1998	1999 Projected Aug.	Nov.
--Billion dollars--							
Exports	43.9	54.6	59.8	57.3	53.6	52.0	50.5
Imports	26.6	29.9	32.6	35.8	37.0	39.5	38.5
Balance	17.3	24.7	27.2	21.5	16.6	12.5	12.0
--Million metric tons--							
Ex. volume	127.5	169.7	158.4	147.3	142.0	148.7	149.8

This outlook reflects commodity forecasts in the Nov. 10, 1998, World Agricultural Supply and Demand Estimates.

Approved by the World Agricultural Outlook Board
and released November 30, 1998.

Contents

	<u>Page</u>
Fiscal 1999 Agricultural Exports	1
Commodity Highlights	4
Economic Outlook	7
Regional Highlights	8
U.S. Agricultural Export Programs	11
Import Highlights	12

Tables

	<u>Page</u>
Table 1--U.S. agricultural trade, fiscal years 1994-99	1
Table 2--U.S. agricultural exports: Value by commodity, 1996-99	4
Table 3--U.S. agricultural exports: Volume by commodity, 1996-99	5
Table 4--U.S. agricultural exports: Value by region, 1996-99	9
Table 5--U.S. agricultural imports: Value by commodity, 1996-99	13
Table 6--U.S. agricultural imports: Volume by commodity, 1996-99	14
Table 7--U.S. agricultural imports: Value by region, 1996-99	15

Coordinator (ERS):

Carolyn Whitton (202)694-5287
Leader, Trade Data Analysis
Trade Analysis Branch
Market & Trade Economics Div.
Economic Research Service(ERS)

Coordinator (FAS):

Ernest Carter (202) 720-2922
Special Assistant
Office of Deputy Administrator
Commodity and Marketing Programs
Foreign Agricultural Service (FAS)

U.S. Department of Agriculture
Washington, D.C. 20250

The forecasts in the Outlook for U.S. Agricultural Exports are based on information provided by the Market & Trade Economics Division of the ERS and the Commodity Divisions of FAS. Editorial support is furnished by Martha R. Evans, Information Services Division, ERS. All telephones are area code 202.

Commodity Information--ERS: Karen Ackerman (Export Programs, 694-5264); Ed Allen (Wheat/Coarse Grains, 694-5288); Mark Ash (Oilseeds, 694-5289); Nathan Childs (Rice, 694-5292); Mark Gehlhar (Imports, 694-5273); Shayle Shagam (Beef, 694-5186); Mildred Haley (Pork, 694-5176); Dave Harvey (Poultry, 694-5177); Gary Lucier (Horticulture, 694-5253); Steve MacDonald (Cotton, 694-5305); Stacey Rosen (Food Aid, 694-5164); Andy Jerardo (Macroeconomic projections 694-5323).

Commodity Information--FAS: Mark Rassmussen (Tobacco, 720-9497); Lloyd Coonrod (Seeds, 720-9491); Joel Greene (Dairy & Livestock 720-6553); Nancy Morgan (Poultry, 720-1372); Alan Holz (Oilseeds, 720-0143); Linda Kotschwar (Grains and Feeds, 690-1147); Dee Linse (Export Programs, 720-9847); Peter Burr (Cotton, 720-9510); Debra Pumphrey (Horticultural and Tropical Products, 720-8899).

Regional projections--ERS: Jim Stout (Asia & Western Hemisphere, 694-5237) & Lori Mitchell (Europe, Africa, & Middle East 694-5158). For regional information call: Chris Bolling (Brazil, 694-5212); Nancy Cochrane (East Europe, 694-5143); Hunter Colby (China, 694-5215); Fred Crook (Hong Kong, 694-5217); John Dyck (Japan & South Korea, 694-5221); Anwarul Hoque (South Asia, 694-5222); Sophia Wu Huang (Taiwan, 694-5225); Susan Leetma (European Union, 694-5153); Michael Kurtzig (North Africa and the Middle East, 694-5152); Bill Liefert (New Independent States, 694-5156); John Link (Mexico, 694-5228); Suchada Langley (Canada, 694-5227); Gary Vocke (Southeast Asia, 694-5241).

The Outlook for U.S. Agricultural Exports is published in February, May, August, and December. **The next issue will be released Feb. 22, 1998.** The summary may be accessed electronically; call (202) 694-5050.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs). Persons with disabilities who require alternative means for communication of program information (braille, large print, audiotape, etc.) should contact USDA's Target Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

Commodity Highlights

The forecast for fiscal 1999 exports of U.S. wheat and flour remains unchanged from August at 32 million tons valued at \$4.2 billion. The average export unit value for wheat is \$130/ton--11 percent below the average unit value in fiscal 1998--and wheat shipments are still forecast at 31.5 million tons, a substantial year-over-year increase. This forecast reflects recently announced food aid and concessional sales to Russia. The outlook calls for weak global demand due to higher production in several key importing countries.

Table 2--U.S. agricultural exports: Value by commodity, 1996-1999

Commodity	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999 Projected Aug. Nov.	
--Billion dollars--					
Grains and feeds 1/	21.553	16.466	14.109	14.0	13.9
Wheat & flour	7.032	4.263	3.887	4.2	4.2
Rice	1.004	0.962	1.134	1.0	1.0
Coarse grains 2/	9.338	6.921	4.990	4.7	4.7
Corn	8.369	6.107	4.261	4.2	4.2
Feeds and fodders	2.627	2.673	2.411	2.3	2.3
Oilseeds and products	9.670	11.437	11.090	9.5	9.3
Soybeans	6.312	6.950	6.117	5.1	5.1
Soybean meal	1.305	1.746	1.944	1.5	1.4
Soybean oil	0.272	0.516	0.881	0.8	0.8
Livestock products	8.067	7.706	7.626	7.9	8.1
Beef, pork & variety meats	4.343	3.977	4.045	4.3	4.5
Hides & skins, incl. furs	1.677	1.693	1.358	1.4	1.5
Poultry & products	2.730	2.872	2.712	2.8	2.3
Poultry meat	2.353	2.516	2.347	2.4	1.8
Dairy products	0.719	0.842	0.897	0.9	0.9
Tobacco, unmanufactured	1.393	1.612	1.448	1.4	1.4
Cotton & linters	3.028	2.737	2.537	1.7	1.6
Seeds	0.727	0.924	0.838	0.9	0.9
Horticultural products	10.019	10.598	10.318	10.6	10.1
Fruits & preparations	3.311	3.412	3.202	3.3	3.0
Vegetables & preparations	2.423	2.655	2.805	2.9	2.8
Tree nuts & preparations	1.374	1.283	1.215	1.3	1.3
Sugar, tropical, and other	1.889	2.067	2.051	2.2	2.0
Total 3/	59.795	57.261	53.629	52.0	50.5

1/ Includes pulses and corn products. 2/ Includes corn, barley, sorghum, oats, and rye. 3/ Totals might not add due to rounding.

The fiscal 1999 forecast for U.S. coarse grain exports is raised 2.3 million tons from the August estimate to 48.2 million tons. For corn, the estimate is up 2 million tons to 42.5 million tons. The remainder of the gain is due to increased barley shipments. The forecast for corn shipments has been boosted because 500,000 tons of corn are to be included in the Russian food aid and concessional sales packages and because the export estimate for Argentina has been reduced 2 million tons. Despite increased shipments, the projected value for coarse grain exports remains unchanged at \$4.7 billion due to a downward revision in corn and sorghum prices. Lower prices are largely due to a higher forecast 1998/99 U.S. corn crop of 9.8 billion bushels (250 million tons). The corn forecast reflects an export unit value estimate of \$98/ton for corn, 13 percent lower than the average unit value in fiscal 1998.

Rice exports in fiscal 1999 are forecast at 3 million tons valued at \$1 billion. This represents a 300,000-ton volume increase from the August estimate, but export value is unchanged due to lower prices. Export volume has been increased following recent announcements of

Table 3--U.S. agricultural exports: Volume by commodity, 1996-99

Commodity	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999 Projected Aug. Nov.	

		--Million	metric tons--		
Wheat	33.716	24.531	25.800	31.5	31.5
Wheat flour	0.470	0.504	0.459	0.5	0.5
Rice	2.831	2.564	3.315	2.7	3.0
Coarse grains 1/	58.656	53.027	43.960	45.9	48.2
Corn	52.681	46.579	37.697	40.5	42.5
Feeds & fodders	12.065	12.259	11.688	11.9	11.9
Oilseeds and products	30.759	33.942	36.018	35.6	35.1
Soybeans	22.372	24.027	23.287	23.3	23.1
Soybean meal	5.445	6.345	8.464	8.2	7.8
Soybean oil	0.450	0.924	1.396	1.3	1.2
Beef, pork & variety meats	1.410	1.356	1.559	1.6	1.7
Poultry meat	2.330	2.553	2.663	2.8	2.3
Animal fats	1.376	1.056	1.365	1.1	1.3
Cotton & linters	1.703	1.648	1.602	1.1	1.0
Horticultural products	7.139	7.539	7.414	7.7	7.3
Other	5.917	6.338	6.174	6.3	6.0
Total agriculture	158.372	147.317	142.017	148.7	149.8
Major bulk products 2/	119.278	105.797	97.964	104.5	106.8

1/ Includes corn, barley, sorghum, oats, and rye. 2/ Includes wheat, rice, coarse grains, soybeans, and cotton.

concessional sales to Indonesia and Russia of 100,000 tons each and expected continued strong rough rice shipments to Brazil.

Reflecting only minor adjustments in the forecast, fiscal 1999 U.S. oilseed and product exports are lowered 500,000 tons and \$160 million to 35.1 million tons valued at \$9.3 billion. Soybean shipments are down slightly to 23.1 million tons, but somewhat higher unit values than in August, resulting from smaller than anticipated domestic production and stocks, leave value unchanged at \$5.1 billion. This forecast reflects an average export unit value of \$222/ton for soybeans, 16 percent lower than the average unit value in fiscal 1998. Soybean meal exports are reduced \$80 million to \$1.4 billion largely because of somewhat lower export volume. This reduction is due to an expected increase in competition from Argentina and India. The demand for vegetable oils remains strong due to continued slow growth in Malaysian palm oil output and lower global oil stocks. With record high prices, a small reduction in the forecast volume of U.S. soybean oil shipments leaves export value unchanged at \$800 million.

The forecast for fiscal 1999 U.S. cotton exports is decreased 100,000 tons and \$100 million to 1 million tons valued at \$1.6 billion. This minor revision reflects some additional reduction since August in the 1998/99 U.S. cotton crop estimate. This latest 1999 forecast (down 40 percent in volume from the previous year) reflects last summer's drought and reduced exportable supplies. The 1998/99 U.S. cotton crop hit a 9-year low and fell 30 percent below the previous season's production.

The U.S. livestock, poultry, and dairy products export forecast for fiscal 1999 is reduced \$300 million from the August forecast to \$11.3 billion. A \$200-million increase for livestock products is more than offset by a \$600-million decrease for poultry meat. Dairy products remain unchanged at \$900 million. Beef and pork exports are increased 120,000 tons to 1.7 million tons, and lower prices limit the gain in export value to \$200 million, for a total value of \$4.5 billion. This revision is entirely due to the inclusion of beef and pork in the Russian packages. Since August, U.S. poultry meat exports have been decreased 500,000 tons and \$600 million to 2.3 million tons valued at \$1.8 billion in expectation of sharply reduced sales to Russia. U.S. poultry meat exports to Russia dropped sharply, and prices weakened since the eruption of Russia's financial crisis and the ruble devaluation. Russia accounted for 30-35 percent of U.S. poultry meat exports in fiscal 1998. U.S. hides and skins exports are increased to \$1.5 billion for fiscal 1999 largely on the expectation of higher prices.

U.S. horticultural exports for fiscal 1999 are lowered \$500 million from the August forecast to \$10.1 billion, a 2-percent decline from 1998. Since August, the estimate for fruits and preparations has been dropped \$300 million; the estimate for vegetables and preparations is down \$100 million; and, the estimate for tree nuts remains unchanged.

This outlook assumes continued strong sales to Mexico, but reflects the threat of a slowdown in the rapid growth of sales to Canada since the U.S. dollar has appreciated against the Canadian dollar. Furthermore, Japan's economic recession and continued weakness in other Asian economies will continue to hamper exports to Asia. But on the positive side, horticultural exports continue benefitting from Uruguay Round and North American Free Trade Agreement (NAFTA) tariff reductions and the United States Department of Agriculture's (USDA) market promotion activities.

Economic Outlook--World Growth To Remain Weak in 1999

Foreign economic growth is expected to improve only slightly over the next year--from 1.3 percent in 1998 to 1.7 percent in 1999. Although a full world recovery from the financial crisis is not forecast until 2000, some developing regions are expected to post improved growth in 1999. The United States and the European Union (EU) are facing slower overall growth as a result of minimal import demand from Asia and a cyclical winding down of the U.S. economy.

The growth outlook of the major markets for U.S. agricultural exports in 1999 is mixed. While continuing weak, prospects in Japan and the rest of East Asia are not expected to worsen. Nevertheless, Japan will still be in recession. Economic activity in Latin America and Eastern Europe is projected to be slower than in 1998. Southeast Asia and the New Independent States will remain in recession next year.

Outlook for Asia

Except for the Philippines, Taiwan, and China, developing countries in East and Southeast Asia are expected to continue in recession in 1999, but the recessionary pressures will weaken compared with 1998. Import demand from these markets is expected to bounce back as their currencies appreciate in real terms against the dollar through the next year due to inflation rates exceeding nominal exchange rate depreciation. In general, except for Indonesia and the Philippines, foreign exchange reserves in these countries are at healthier levels, reducing the risk of another round of sharp currency depreciations or capital flight.

A gradual easing of Asia's credit crunch is seen in generally lower interest rates (below 10 percent) in most countries. Despite the region's steep decline in the past 2 years, the United Nations (UNCTAD World Investment Report 1998) expects foreign direct investment (FDI) to and from developing Asia in 1998 to remain roughly the same as in 1997, when it rose 8 percent to \$87 billion. FDI has become the most important source of private development financing in Asia. Transnational corporations are busy taking advantage of lower equity prices in the region and low Asian currency values.

The recent appreciation of the Japanese yen and the maintenance of the Chinese yuan's fixed exchange rate against the dollar will help the relative export competitiveness of other Asian countries. U.S. exports to Asia, however, face not only reduced purchasing power, but also non-tariff barriers and export-oriented policies, particularly in China and Japan. Until domestic demand in Asia significantly rises, U.S. export prospects in Asia will remain subdued.

The Western Hemisphere

The United States' NAFTA partners, Canada and Mexico, are forecast to have slower growth in 1999, in line with weaker U.S. economic activity. Since their currencies have continued to lose value against the dollar, U.S. export prospects to these markets are not expected to improve. The rest of Latin America offers poorer prospects as growth and currency values are projected to deteriorate in 1999. Low commodity prices further aggravate Latin American export earnings. Mexico and Venezuela, prime markets for U.S. products, face continued depressed oil export prices. Latin American prospects will be halved, from 2.2 percent average Gross Domestic Product (GDP) growth in 1998 to 1.1 percent in 1999, as Brazil is expected to slide into recession.

Brazil's 1999 recession forecast will slow imports from its MERCOSUR trade partners and from the United States. Tighter fiscal and monetary policies in Latin America and an effort to boost economic fundamentals and discourage capital flight will raise interest rates and lower aggregate demand. Efforts to reduce current account deficits will cut or possibly eliminate the U.S. trade surplus with the region.

The Dollar's Competitiveness

The summer of 1998 marked the dollar's peak since its steady rise in 1995. The real value of the dollar increased 29 percent over the last 3 years, helping to reduce price competitiveness of U.S. products. The outlook remains uncertain, but the lagged effects of the dollar's strength and weak foreign demand are expected to last at least through mid-1999.

The dollar has recently weakened, particularly against the Japanese yen. Forecasts show continued dollar depreciation over the next 2 years as the U.S. economy slows from unsustainably high growth rates of the past 2 years. Furthermore, narrower U.S. real interest-rate differentials, the ballooning U.S. current account deficit, and higher capital returns elsewhere will discourage investor demand for dollars and dollar-denominated assets. And as emerging markets recover and begin to attract foreign capital once again, the dollar should lose more exchange value.

Regional Highlights

Even though grain trade volume is projected higher, lower prices, along with reduced poultry and horticultural export volumes, are expected to

pull down the value of U.S. agricultural exports to all regions in fiscal 1999. But, the decline is expected to be spread more evenly across the regions in 1999 than it was in 1998.

Trade with major markets, Canada and Mexico, while down, likely will remain the strongest. With lower prices, export value to Canada will

Table 4--U.S. agricultural exports: Value by region, 1996-99

Region	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999 Forecast
--Billion dollars--				
Asia	26.018	23.873	19.668	18.0
Japan	11.882	10.713	9.459	8.8
China	1.828	1.774	1.514	1.4
Hong Kong	1.534	1.640	1.568	1.5
Taiwan	2.927	2.588	1.971	1.6
South Korea	3.731	3.293	2.245	2.0
Southeast Asia	3.386	3.136	2.282	2.1
Indonesia	0.909	0.768	0.529	0.5
Philippines	0.909	0.898	0.744	0.6
Malaysia	0.628	0.580	0.310	0.3
Thailand	0.600	0.562	0.449	0.4
South Asia	0.730	0.728	0.623	0.6
Western Hemisphere	15.995	16.604	18.370	17.5
Canada	6.004	6.620	7.022	6.7
Mexico	5.023	5.077	5.956	5.6
Brazil	0.593	0.461	0.566	0.5
Venezuela	0.451	0.552	0.516	0.5
Other Latin America	3.925	3.893	4.310	4.2
Western Europe	9.542	9.617	8.844	8.5
European Union	9.180	8.997	8.508	8.3
Central and Eastern Europe	0.408	0.317	0.320	0.3
New Independent States 1/	1.666	1.593	1.456	1.5
Russia	1.251	1.281	1.103	1.2
Middle East	2.593	2.562	2.285	2.1
Turkey	0.621	0.742	0.658	0.6
Saudi Arabia	0.580	0.630	0.535	0.5
Africa	3.190	2.265	2.167	2.1
North Africa	2.257	1.480	1.475	1.5
Egypt	1.532	0.928	0.939	0.9
Sub-Saharan Africa	0.933	0.785	0.692	0.6
Oceania	0.478	0.534	0.545	0.5
Total 2/	59.795	57.261	53.629	50.5

1/ New Independent States (NIS) are the former Soviet Union (FSU), including the Baltic Republics. 2/ Transshipments through Canada are distributed by country for fiscal 1996 and 1997, but included in the total only for fiscal 1998 and 1999.

fall. The volume of horticultural exports to Canada is likely to slip as well. Exports to Canada are projected at \$6.7 billion, a 4.6-percent drop from the \$7 billion in fiscal 1998.

With the end of a drought in Mexico, smaller imports of grain and feed are anticipated in fiscal 1999. Cotton shipments to Mexico, and to other destinations as well, also will fall sharply because of the very short U.S. supply. U.S. agricultural exports to Mexico are projected at \$5.6 billion, 6 percent less than in 1998.

Forecast 1999 exports to the EU at \$8.3 billion, however, are down from fiscal 1998 as lower soybean and soybean meal unit values are expected to more than offset higher volumes. The EU accounts for most of the likely drop in agricultural exports to Western Europe.

Weak demand remains an issue in 1999. Early in the year, exports to Asia and Russia are expected to continue declining, as the financial crisis continues to depress demand in these regions. However, some stabilization in the financial situation and export demand is likely as the year progresses, dampening further losses expected in these markets.

Exports to Asia are projected down 8.4 percent from fiscal 1998 to \$18 billion, reflecting both lower prices and continued weak demand. China will reduce imports of U.S. coarse grains and cotton. A large corn crop was harvested in China in 1998/99. Additionally, China is expected to return to net cotton exports in 1999 in competition with the United States, as well as taking less U.S. cotton due to the short U.S. supply. Forecast U.S. exports to China have been lowered by 7.5 percent from 1998 to \$1.4 billion.

Japan is expected to reduce imports of U.S. soybeans and corn for feed. But it may import more U.S. red meat. Exports to Japan are initially placed at \$8.8 billion, a 7-percent drop.

South Korea is forecast to take about \$2 billion in U.S. agricultural exports in 1999, nearly 11 percent less than in 1998. Initial demand is likely to continue slow, but could begin to recover during the year.

Anticipated exports to Southeast Asia have been reduced 8 percent to \$2.1 billion. As recession continues in Southeast Asian countries, lower prices and the reduced U.S. cotton supply will slow U.S. exports further.

In recent years, Russia has been the major destination for U.S. poultry meat. Despite poultry meat exports projected down 23 percent in fiscal 1999, U.S. agricultural exports to Russia are forecast up to \$1.2 billion in 1999, a 9-percent increase. Sales to Russia will be bolstered by donations and concessional sales from the United States.

Exports to countries in Latin America also are expected to slow in fiscal 1999, with Brazil and Venezuela projected at \$500 million each and the rest of Latin America, other than Mexico, slipping to \$4.2 billion. Of these countries, Brazil is likely to show the greatest drop as fiscal and monetary policies tighten.

Exports to the Middle East, Africa, and Oceania are each projected down. Of these three regions, the smallest drop is likely in Africa, where North African demand remains strong and aid donations tend to support exports to Sub-Sahara.

U.S. Agricultural Export Programs

The Export Enhancement Program (EEP) and the Dairy Export Incentive Program (DEIP)

The fiscal 1999 appropriation for the EEP of \$320 million is below the authorized level of \$550 million. There have been no EEP sales in fiscal 1999 as of November 23. Expenditures for EEP sales in fiscal 1998 increased from none in fiscal 1997 to \$2.1 million for one sale each of barley and frozen poultry.

The DEIP is starting slowly in fiscal 1999. As of November 27, 1998, bonuses valued at \$25.8 million assisted 23,631 metric tons of dairy product sales worldwide. DEIP export bonuses for fiscal 1998 of \$110 million were down 9 percent from fiscal 1997 bonuses, and sales under the program of 117,038 metric tons of anhydrous milk fat, butter, butter oil, cheese, and whole milk powder were down 17 percent from fiscal 1997.

Export Credit Guarantees

Fiscal 1999 GSM credit guarantee programming is much higher than last year. In fiscal 1998, the total value of \$4 billion approved under the GSM credit guarantee programs rose by 40 percent from \$2.9 billion in fiscal 1997.

As of November 6, 1998, fiscal 1999 export credit guarantee programming (GSM-102, GSM-103, and the Supplier Credit Guarantee Program) of \$4 billion is 41 percent above last year's programming for the same period. The leading countries targeted for GSM-102 credit guarantees are: Mexico (\$750 million), Indonesia (\$400 million), Turkey (\$350 million), and Thailand (\$300 million).

USDA also announced \$305 million in export credit guarantees for fiscal 1999 under a new program, the Facilities Guarantee Program (FGP). Under this program authorized in the 1996 farm bill, USDA authorizes credit guarantees for export sales of U.S. manufactured goods and services to improve agriculture-related facilities (such as cold storage) in importing countries. The FGP has been announced for Russia, the Caribbean region, the Central American region, Mexico, Peru, and Southeast Asia. On November 12, USDA authorized \$50 million

for the FGP in the Southeast Asian countries of Indonesia, Malaysia, the Philippines, and Thailand. Under the Facilities Guarantee Program for that region, the Commodity Credit Corporation (CCC) will cover up to 95 percent of the principal for loan terms extending up to 8 years. Interest rate coverage offered is adjustable, but is not to exceed 80 percent of the average investment rate of the most recent 52-week bill auction.

U.S. Food Aid Programs

For the fiscal 1999 P.L. 480 Title I program, USDA allocated \$216 million, nearly 8 percent less than in 1998. Fourteen countries will be eligible to receive this funding, while three countries will be eligible under Food for Progress funds.

Subsequent to this announcement, USDA reported a food assistance package for Russia for shipment of 3.1 million tons of commodities valued at \$625 million. Included in this 3.1 million tons are: 100,000 tons of commodities to be given to private voluntary organizations for distribution to the needy and elderly under the Food for Progress program; Title I donations of 1.5 million tons of commodities, principally corn, soybean meal, soybeans, and wheat; and, under section 416(b), a donation of 1.5 million tons of wheat that is to be sold in Russia, the proceeds of which are intended for social welfare programs.

For fiscal 1998, Title I agreements were signed with 17 countries, with allocations totaling about \$172 million. These funds provided more than 1 million tons of commodity assistance. Also, Title I funded Food for Progress Agreements were signed with seven countries, with allocations totaling more than \$55 million. These funds provided about 251,000 tons of commodity assistance. Most of this assistance was wheat to Albania, Bangladesh, Bosnia-Herzegovina, Kyrgyzstan, Mongolia, Mozambique, and Tajikistan.

Nearly half the 1998 Title II appropriations went to Sub-Saharan Africa, about 70 percent of which were emergency funds. Together Angola, Ethiopia, Rwanda, Sierra Leone, and Sudan received about two-thirds of the region's emergency funds. Ethiopia and Mozambique received the largest shares of the region's Title II development funds. Eritrea, Ethiopia, Mozambique, and Haiti received commodity assistance from Title III allocations.

Import Highlights

The value of fiscal 1999 total imports will grow at a slower pace than previously projected, but growth is still expected to exceed fiscal 1998's 3.4 percent. Imports are projected to reach \$38.5 billion, a 4-percent annual increase, but \$1 billion lower than the August projection. Lower-than-anticipated imports of fruits, beverages, and tobacco largely account for the downward revision. Horticultural

products will continue to outpace other import categories in fiscal 1999.

Animals and products are expected to remain steady at \$6.8 billion. Imports of live animals will dampen to \$1.4 billion, bringing imports down \$270 million from the previous year. Red meats are expected to increase by \$100 million from fiscal 1998. With higher expected U.S. beef prices in 1999, the United States will be an attractive market for beef sales from Australia and New Zealand whose beef exports are hurt by weak Asian demand.

Imports of horticultural products for fiscal 1999 are forecast at \$14.5 billion, up \$650 million from 1998. Fruit juice imports will increase only slightly as domestic supply satisfies U.S. demand over the next year. Vegetable imports in fiscal 1999 are expected to reach \$4.5 billion, a 6-percent increase from fiscal 1998 which was \$4.25 billion.

Table 5--U.S. agricultural imports: Value by commodity, 1996-1999

Commodity	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999 Projected Aug.	1999 Nov.

	--Billion dollars--				
Animals and products	5.955	6.426	6.814	6.8	6.8
Live Animals	1.551	1.525	1.670	1.5	1.4
Red Meats	2.251	2.583	2.718	2.8	2.8
Dairy Products	1.209	1.209	1.368	1.4	1.4
Horticultural products	11.692	12.673	13.850	15.1	14.5
Fruits, inc. juices	3.806	4.138	4.008	4.3	4.1
Bananas	1.177	1.218	1.214	1.3	1.3
Vegetables and preps.	3.421	3.604	4.249	4.6	4.5
Nuts and preps.	0.530	0.547	0.643	0.8	0.8
Wine and malt beverages	2.658	3.068	3.502	4.0	3.8
Nursery and cut flowers	0.949	0.974	1.082	1.2	1.1
Grains and feeds	2.517	2.941	2.919	3.0	3.0
Grains	0.674	0.979	0.811	0.8	0.8
Feeds and grain products	1.843	1.962	2.108	2.2	2.2
Sugar and related products	1.808	1.869	1.675	1.8	1.8
Oilseeds and products	2.059	2.248	2.243	2.4	2.4
Tobacco, unmanufactured	0.770	1.179	0.822	1.1	0.9
Coffee, incl. products	2.860	3.698	3.587	4.0	3.9
Cocoa, incl. products	1.333	1.414	1.701	1.9	1.9
Rubber and allied gums	1.441	1.315	1.027	1.3	1.3
Other products	2.143	2.036	2.366	2.1	2.1
Total	32.577	35.798	37.004	39.5	38.5

The major sources of imported vegetables are Canada, Mexico, and the European Union. Canada is expected to supply a greater share of fresh tomatoes and potatoes in fiscal 1999. Imports of fresh vegetables from Mexico should continue at a steady pace through fiscal 1999.

As growth in U.S. household income slows over the next year, spending on foreign beverages should weaken. The import pace of wine and malt beverages slowed in the past year, yet is still forecast to rise 9 percent in value next year. Projected imports are expected to reach \$3.8 billion, a \$200-million reduction from the August forecast.

The forecast for grains and feeds is higher at \$3 billion and 6.5 million tons. Oats are expected to make up the largest share of imported grains in 1999. Feed imports will increase slightly to 1.4 million tons from 1.3 million in 1998.

Projections for oilseeds and products are unchanged from August at 4.3 million tons valued at \$2.4 billion. Imports of Canadian rapeseed are expected to increase, but will be offset by other competing oilseed imports.

Table 6--U.S. agricultural imports: Volume by commodity, 1996-99

Commodity	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999 Projected Aug. Nov.	
	--Million metric tons--				
Red meats	1.024	1.140	1.230	1.2	1.2
Cheese and casein	0.243	0.254	0.263	0.3	0.3
Fruits and preps.	6.693	6.918	7.345	8.1	7.8
Bananas and plantains	4.007	3.950	4.175	4.0	4.1
Nuts and preps.	0.194	0.203	0.236	0.2	0.2
Wine and malt beverages	17.795	20.426	22.959	23.8	23.5
Fruit juices	24.370	29.829	26.577	28.0	26.6
Grains and feeds	5.019	7.093	6.431	6.5	6.5
Grains	3.563	5.643	5.101	5.1	5.1
Feeds	1.456	1.451	1.329	1.4	1.4
Sugar, cane and beet 1/	2.733	2.938	2.170	NA	2.1
Oilseeds and products	3.330	3.780	4.314	4.3	4.3
Tobacco, unmanufactured	0.259	0.338	0.241	0.3	0.2
Coffee, incl. products	1.109	1.212	1.155	1.2	1.2
Cocoa, incl. products	0.792	0.767	0.875	1.0	1.0
Rubber and allied gums	0.999	1.075	1.162	1.2	1.2

1/ NA = not available; 1998 sugar forecast not available because tariff-rate quota not yet announced.

The fiscal 1999 coffee projection remains the same at 1.2 million tons, while the value drops by \$100 million from August--to \$3.9 billion. Tobacco imports are lower than the August forecast as tobacco manufacturers are expected to purchase a greater share from domestic producers. Imported tobacco is expected to reach \$900 million in fiscal 1999, down \$200 million from the August projection.

Table 7--U.S. agricultural imports: Value by region, 1996-99

Region	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999 Forecast
--Billion dollars--				
Western Hemisphere	17.348	19.245	19.974	20.9
Canada	6.489	7.293	7.794	8.1
Mexico	3.729	3.941	4.669	4.9
Brazil	1.251	1.517	1.207	1.3
Colombia	1.146	1.349	1.360	1.4
Chile	0.697	0.755	0.756	0.8
Central America	1.957	2.165	2.180	2.3
Costa Rica	0.674	0.740	0.752	0.8
Other Latin America	2.080	2.225	2.006	2.1
Western Europe	6.523	7.127	7.477	7.7
European Union	6.344	6.943	7.295	7.6
Central and Eastern Europe	0.223	0.252	0.225	0.2
New Independent States 1/	0.180	0.070	0.052	0.1
Asia	5.394	5.769	5.698	5.8
China	0.546	0.645	0.754	0.8
Southeast Asia	3.590	3.795	3.484	3.6
Indonesia	1.521	1.591	1.360	1.4
Thailand	0.857	0.897	0.760	0.8
South Asia	0.631	0.687	0.804	0.8
India	0.547	0.618	0.727	0.8
Oceania	1.635	1.824	2.063	2.2
Australia	0.855	0.928	1.103	1.2
New Zealand	0.737	0.850	0.909	1.0
Africa	0.852	0.871	0.969	1.0
Ivory Coast	0.314	0.223	0.393	0.4
Middle East	0.422	0.640	0.546	0.6
Turkey	0.300	0.509	0.408	0.4
Total	32.577	35.798	37.004	38.5

1/ New Independent States (NIS) are the former Soviet Union, including the Baltic Republics.