APAC Agricultural Policy Analysis Center
The University of Tennessee

PolicyPennings by Dr. Daryll E. Ray

Export measures often need to be put into context to reflect reality

The quest for ever increasing exports of agricultural products is the mantra that has driven U.S. agricultural policy for more than two decades now. The rationale for this quest is the argument that the growth in the U.S. domestic markets is limited to the growth in population and that with increasing incomes in other countries like China the growth potential for U.S. farmers is to service those markets. After all, it is argued, 95% of the world's consumers live outside the borders of the U.S. What is ignored is the fact that 99.8% of all farmers also live outside the U.S. borders, but that is another story.

We are not arguing that exports are not important to U.S. farmers, particularly in some specific sectors like corn and soybeans, poultry and increasingly cattle and hogs. What we have argued over the years it the fact that increasing exports over the long-term is not the pattern that we have seen. In the last century, export stimulated agricultural prosperity has been episodic and limited to relatively short periods of time and have taken place in response to other factors than changes in U.S. agricultural policy.

To counter this contention and to bolster their arguments, pro-export proponents often recite a litany of statistics to argue that exports are increasing to the benefit of U.S. farmers. And depending on the measure one uses at any given moment in time it can be argued that indeed exports are increasing. For instance it could be argued that increasing exports between the 1995 crop year and the 1999 crop year benefited soybean farmers as exports increased from 849 million bushels to 973 million bushels, and increase of 14.6% over four years. According to that measure soybean farmers should have been very happy, right?

Well, no. Actually for the 1999 crop year soybean farmers were collecting emergency payments and LDPs in record amounts. How can this be? The season average price of a bushel of soybeans dropped from $6.72 in 1995 to $4.63 in 1999. As a result, in spite of exporting an additional 124 million bushels of soybeans, the value of exports dropped from 1995's $5.705 billion to 1999's $4.505 billion.

So, were soybean exports increasing or decreasing during that period? The answer depends on the measure one uses. In terms of volume, soybean exports did increase. But, in terms of the value of exports, soybean exports decreased.

The picture we see in soybeans in this time period is not unique. It can be applied to most agricultural exports and various time periods. One not only has to be aware of the fact that there is difference between export volume and export value, and the two may not tell the same story, one also has to ask what the base is against which the increase is being measured. In the example you just read, we deliberately chose to use a year of record sales value as the base against which the change was measured. One thing you can be certain of is that many times when someone is touting a gain in exports they have probably been very careful in choosing both the time period and the measure – value or volume.

Another measure to take into consideration is market share. In the case of soybeans, while the export volume increased in the 1995-1999 time frame, the U.S. market share dropped from 72.3% to 57.5%, a share decline of almost 15%. Meanwhile Brazil increased its share from 11.4% to 23.9%. Can one meaningfully talk about the increasing importance of exports when the U.S. market share dropped by 14.8%?

While the numbers are easy to come by for storable crops like corn and soybeans, a similar comparison could be done for the meat industry, poultry, pork, and beef. In addition to the questions raised above, livestock producers have to ask about what is being exported? Are the exports, high value prime cuts, or are they variety meats that might otherwise be put to other use in the U.S. thus adding little extra value for the producer.

For instance in one of our local supermarkets, ten pound bags of chicken leg quarters sell for a price that ranges from 10 CENTS a pound to 39 CENTS a pound. How much extra value do chicken producers receive from the export of these cuts, or do the exports simply reduce the cost of extracting the breast meat?

International trade implies a two-way street. Imports are often ignored when discussing exports, especially in the case of meat animals. Reporting exports net of imports would better reflect the trade component of some commodities than a singular focus on exports.

When tackling international trade in agricultural products, one needs to read the press releases with some care. What is the measure being used? How was the time period selected? What is happening with domestic demand? What is happening to market share? What impact does imports have on dampening the demand for domestic production? Yes, exports and international trade are important and always will be, but it is important to view them realistically rather than searching of ways to present all changes in a positive light.

Daryll E. Ray holds the Blasingame Chair of Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee, and is the Director of the UT's Agricultural Policy Analysis Center. (865) 974-7407; Fax: (865) 974-7298; dray@utk.edu; http://agpolicy.org. Daryll Ray's column is written with the research and assistance of Harwood D. Schaffer, Research Associate with APAC.

Originally published in *MidAmerica Farmer Grower*, Vol. 21, No. 45, November 5, 2004
Reproduction Permission Granted with 1) full attribution to Daryll E. Ray and the Agricultural Policy Analysis Center, University of Tennessee, Knoxville, TN;
2) Copy of reproduction sent to Information Specialist, Agricultural Policy Analysis Center, 310 Morgan Hall, Knoxville, TN 37996-001