

PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

US agricultural exports as percent of imports

Last week, in light of the completion of the negotiations for the Trans Pacific Partnership (TPP), we examined the results of the North American Free Trade Agreement (NAFTA) and found that the cumulative balance of trade for all agriculture for the 1997-2014 period was -\$9.6 billion. Though NAFTA was supposed to open up markets for US farmers, the US ended up importing more agricultural products than it exported. That is not to say that a single product might not have increased its exports to Mexico and Canada, but overall US agricultural producers saw more food come into the US than they shipped to the two NAFTA partners.

With that in mind, this week we are examining world trade, both to set a benchmark by which we can measure TPP, if it is ratified by Congress, and to look at the trend in agricultural trade over the 1997-2014 time period. We have chosen that time period because the US International Trade Commission (<https://dataweb.usitc.gov/>) provides data using North American Industry Classification System (NAICS) codes for that period. For the earlier period they used a different classification system.

One would presume that the goal of a trade agreement would be to increase exports of domestically produced goods and services relative to imports for consumption. Given differences in climate, natural resources, and investment in infrastructure, one would not expect this result for particular products, but overall one would expect net balance-of-trade benefits otherwise why would one engage in a trade deal that might make the situation worse?

In this analysis we look at domestic exports as a percentage of imports for consumption for various agriculturally related trade categories. In this analysis of world trade any number greater than 100 percent represents a positive trade balance with all of the other countries in the world and any number less than 100 percent indicates a negative trade balance. In either case we would expect that, on balance, those numbers would increase if we are to receive trade-balance benefits from international trade.

Looking at crop agriculture, which includes fruits, nuts, and vegetables as well as grains and oilseeds, we see that our exports of these products increased from \$28.4 billion in 1997 to \$70.1 billion in 2014 for an increase of \$41.7 billion, which looks like good news and it is. But when we look at exports as a percentage of imports for this category, we see that in 1997, US crop agricultural exports were 229.5 percent of imports. By 2014, that number had dropped to 208.3 percent. During this period, imports of crop agricultural products had increased faster than our exports.

If we look at animal agriculture, the story is worse. In 1997, US animal exports were 48.4 percent

of imports of these products for domestic consumption. By 2014, that percentage had declined to 34.6. So despite the increase of animal products sent across the US border, the US brought in more than it shipped out. For the forestry category, the story is similar with US domestic exports as a percent of US imports for consumption declining from 119.3 percent in 1997 to 103.2 percent in 2014.

For all unmanufactured agricultural products, exports increased from \$34.0 billion in 1997 to \$ 80.5 billion in 2014. During that same period, US domestic exports as a percentage of US imports for consumption declined from 147.5 percent to 137.7 percent.

Referring to the TPP, DTN's Washington Insider wrote, "the deal is potentially very important to producers." There is always the question of which producers, but if it is to be of net benefit to producers in general, we should see those numbers improve if TPP is ratified by Congress. And, most certainly, we would expect to see the percentages with our TTP partners—who are more like our competitors—improve.

The challenge with exports is that it is much like the game of "whack-a-mole" where when we increase our agricultural exports to a trading partner, the country who used to supply that market, just ships the product to another market that we previously sold to and it becomes a zero sum game.

Unless the US has an absolute advantage in the quality, production and/or delivery of agricultural products, trade deals have limited abilities to increase the US market share. That is especially true because the US land base is relatively fixed compared to Brazil and many other areas of the world where they can increase production to meet growing world demand. The bulk of any increase on the part of the US has to come primarily from yield or crop shifting, where Brazil can add to their total cultivated acres and increase yields at the same time.

Given the history of trade deals and the structure of US agriculture, we would be very cautious in making too many promises about the trade-balance benefits of any given trade agreement for the whole of US agriculture.

That is not to say that certain subsectors of agriculture might not contribute significantly an improved US trade balance from a given agreement. That will definitely happen. Other US agricultural subsectors may see deteriorating trade balances even with increased exports

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