POLICY PENNINGS

By Daryll E. Ray

Agricultural trade: Do we have a surplus or a deficit?

A recent press release that declared "Trade deficit sets back ag products" caught my eye. The article said that the U.S. imported more agricultural products than it exported. That was a surprise to me. One of the pitches that has long been made for promoting agricultural exports is the fact that agriculture contributes to reducing the U.S. balance of trade because the value of agricultural exports have exceeded the value of agricultural imports.

The last time I remember looking at the numbers the agricultural trade surplus was in excess of $10 billion, even with the low commodity prices of the last several year. With my curiosity piqued, I began to investigate.

What I found was that the headline was an accurate reflection of a part of a Department of Commerce report on the 2002 balance of trade. Indeed, the Commerce Department's numbers for "foods, feeds, and beverages" shows that imports of these items exceeded exports by $176 million. A Commerce Department staff member told me that this was only the second time since 1980 that this measure had gone negative.

Looking at some of the items that make up this measure reveals the following increases in imports: wine and related products rose by $663 million; bakery products by $468 million; fruits and frozen juices by $434 million; and fish and shellfish by $279 million. On the export side corn increased by $449 million; oilseeds and food oils increased by $291 million; and wheat increased by $283 million; while bakery products declined by $169 million; animal feeds declined by $294 million; and meat and poultry declined by $986 million.

These numbers come from one table in the Commerce Department report that classifies imports and exports of goods by the end-use category. In another table imports and exports are classified by production categories. The second table also includes non-food, but agriculturally important, items like cotton, tobacco, hides and skins, and logs and lumber.

It was in that section of the report that I found the numbers that I am the most familiar with. The U.S. exported $11 billion more agricultural commodities than it imported in 2002. In 2001 the agricultural trade surplus was $14.2 billion.

What does all this mean? These numbers are a reminder that trade is a two way street. With the removal of trade barriers there will be winners and losers. While the value of 2002 exports of major crops is down substantially from the mid-90s, price increases late in the year made corn, wheat and oilseeds export value winners in 2002 when compared to the previous year. Vintners, bakers and fruit growers were among the export-value losers. Next year? We will have to wait and see.

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.