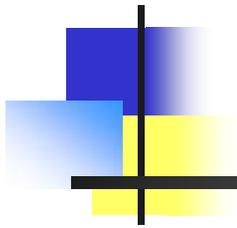


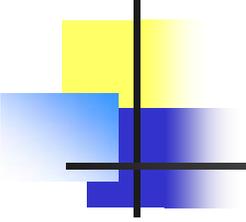
International Agricultural Trade Outlook



Presentation to the
2007 Agricultural Outlook Forum
March 1, 2007

A. Ellen Terpstra
Deputy Under Secretary
Farm and Foreign Agricultural Services
U.S. Department of Agriculture

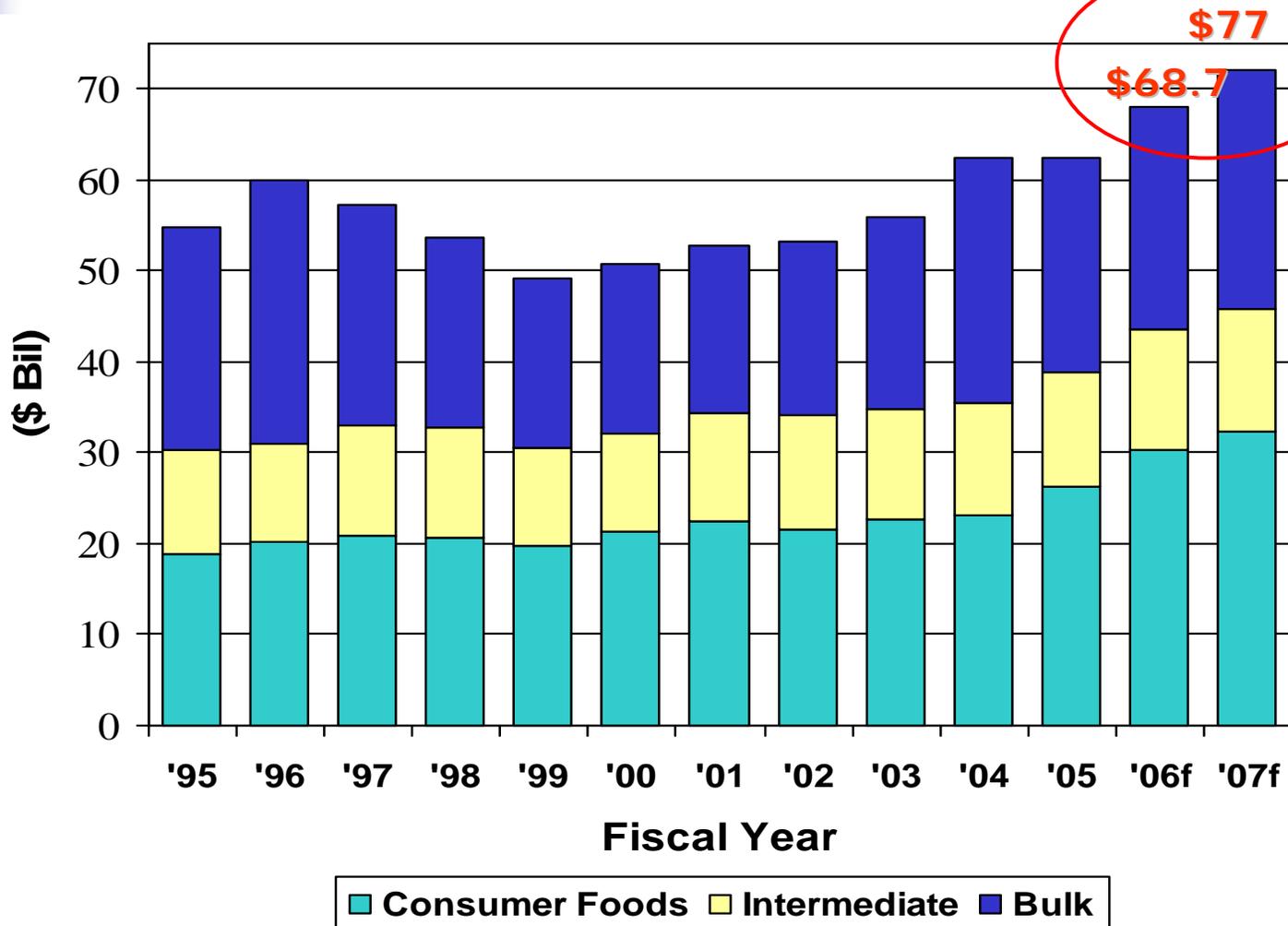




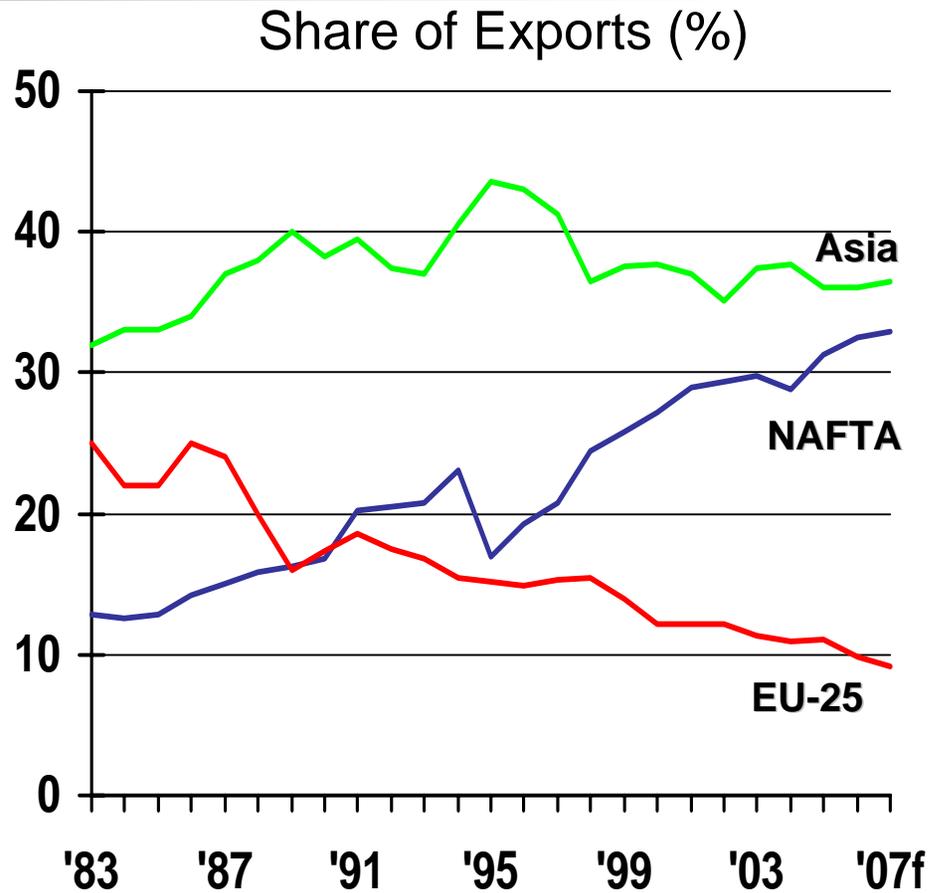
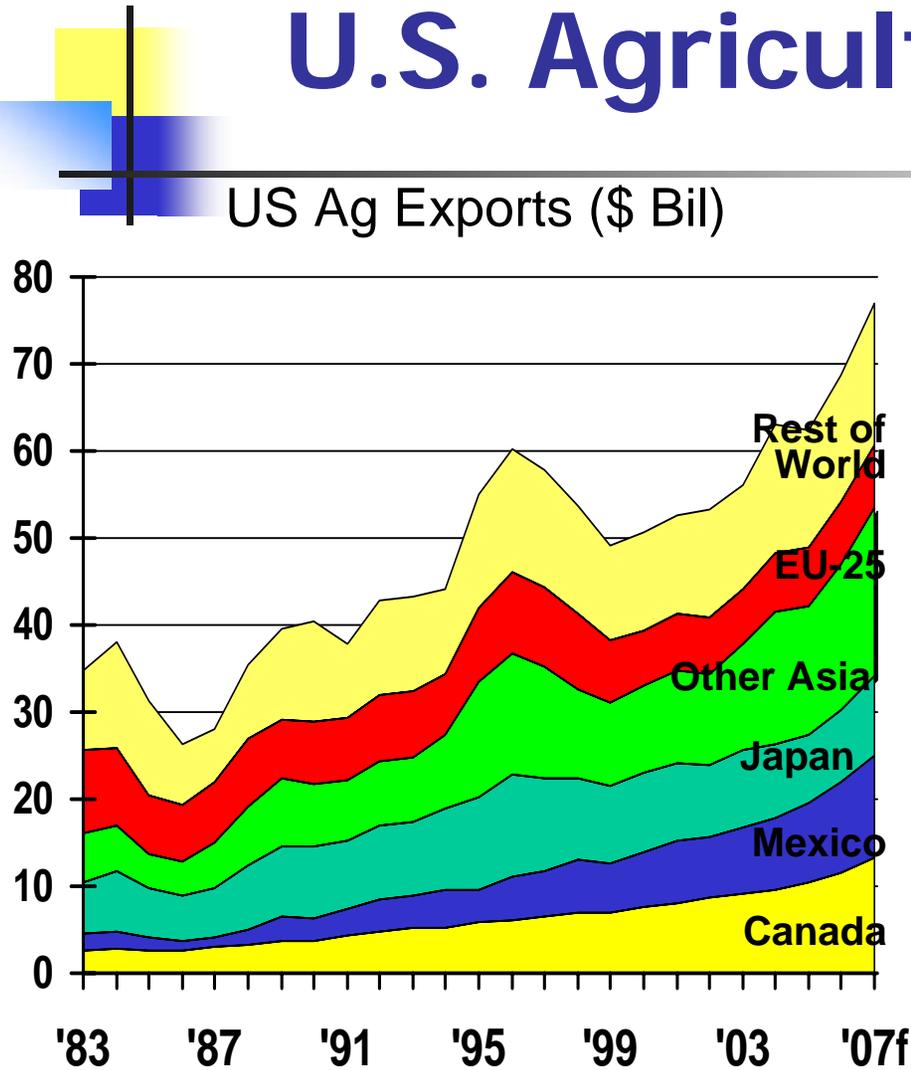
International Agricultural Trade Outlook

- U.S. Agricultural Exports
- The Trade Agenda
 - WTO
 - FTAs
 - TPA Extension
- SPS Issues
- Farm Bill Proposals
- Summary Observations

U.S. Agricultural Exports

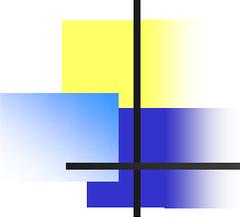


U.S. Agricultural Exports



Top Export Markets

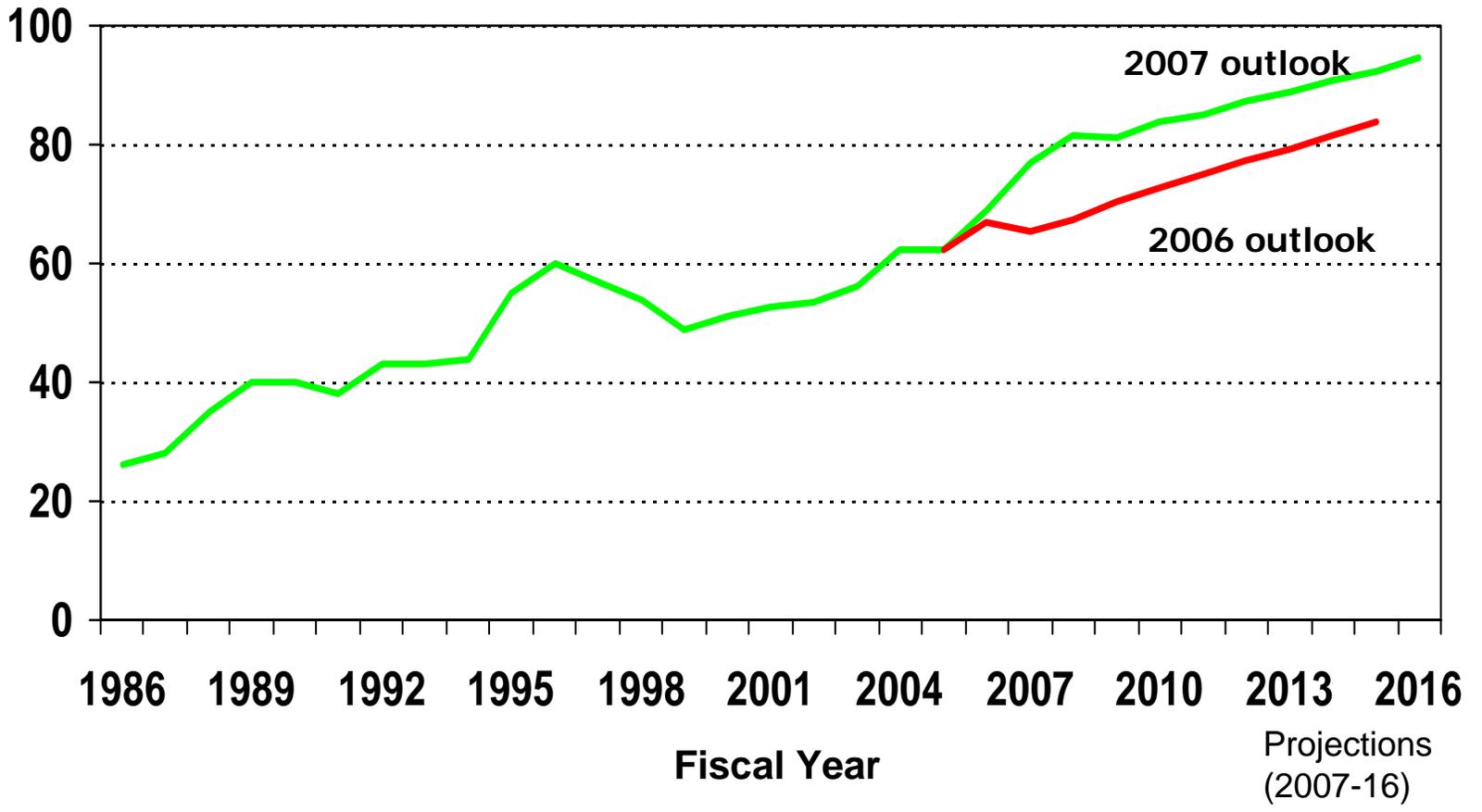
(\$ billions, FY basis)



	2007f	1996	% Δ from '96-07
▪ Canada	\$13.0	\$6.0	117
▪ Mexico	\$12.6	\$5.0	152
▪ Japan	\$9.3	\$11.9	- 22
▪ China	\$8.3	\$1.8	361
▪ EU-25	\$7.4	\$9.0	- 18
▪ South Korea	\$3.4	\$3.7	- 8
▪ Taiwan	\$2.7	\$2.9	- 7
▪ Indonesia	\$1.2	\$0.9	33
▪ Egypt	\$1.2	\$1.4	-14
▪ Colombia	\$1.1	\$0.6	83

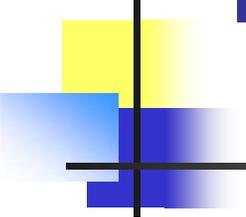
\$95 Billion By 2016, Up \$26 Billion From 2006

U.S. agricultural exports (\$ billion)

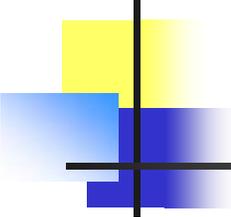


Source: USDA Agricultural Projections to 2016, February 2007

Importance of Trade for U.S. Agriculture Expected to Continue Over the Next Decade



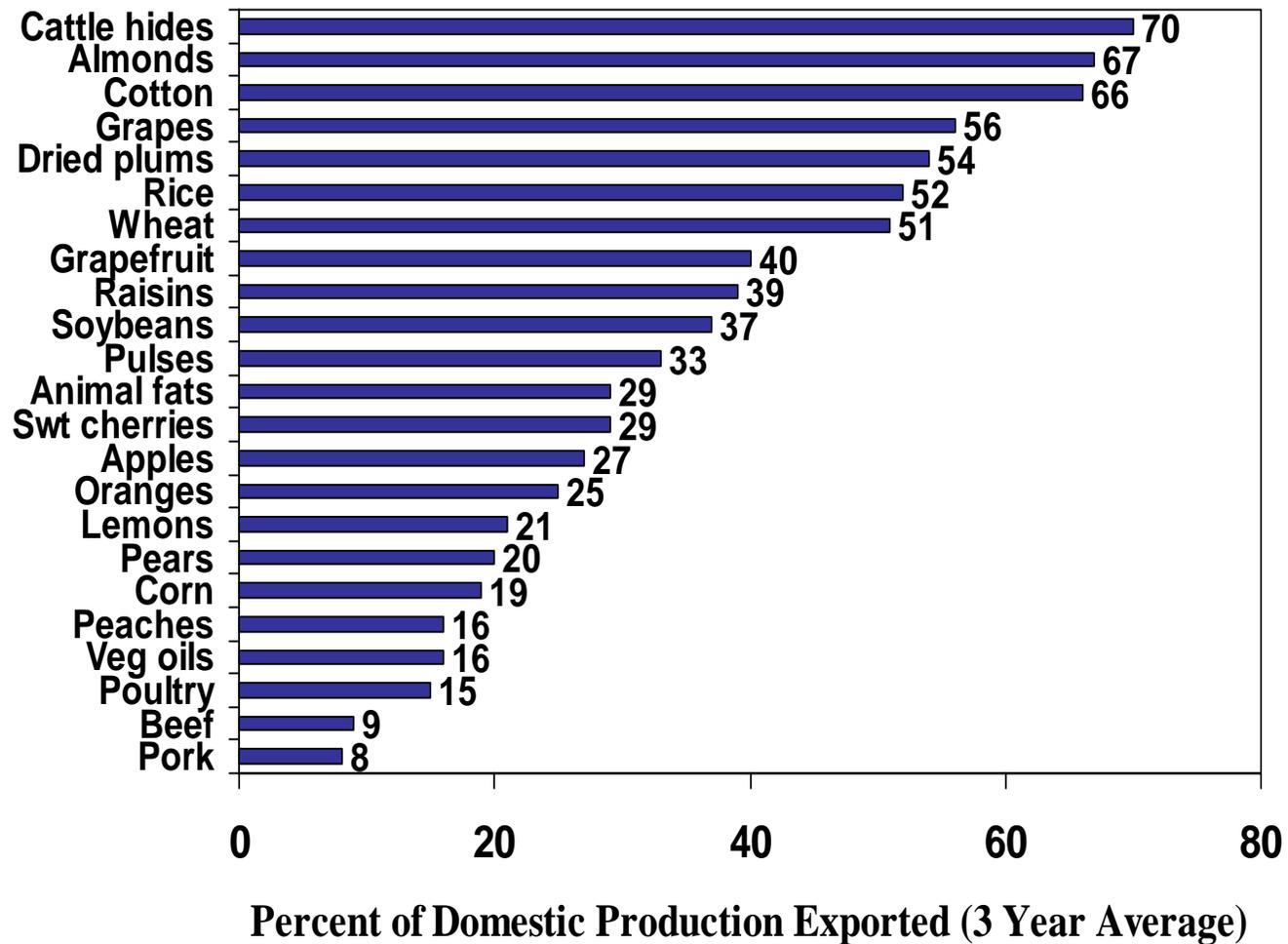
- Exports have historically been a major growth driver of U.S. agriculture. 20-25 percent of U.S. production is exported –much higher for some products
- Over the next decade, trade will share that stage with booming domestic biofuels production
- The result of these two strong drivers of demand growth -- rising farm prices, export value, cash receipts, farm income, and farm equity while government farm payments ease



Ethanol Impacts

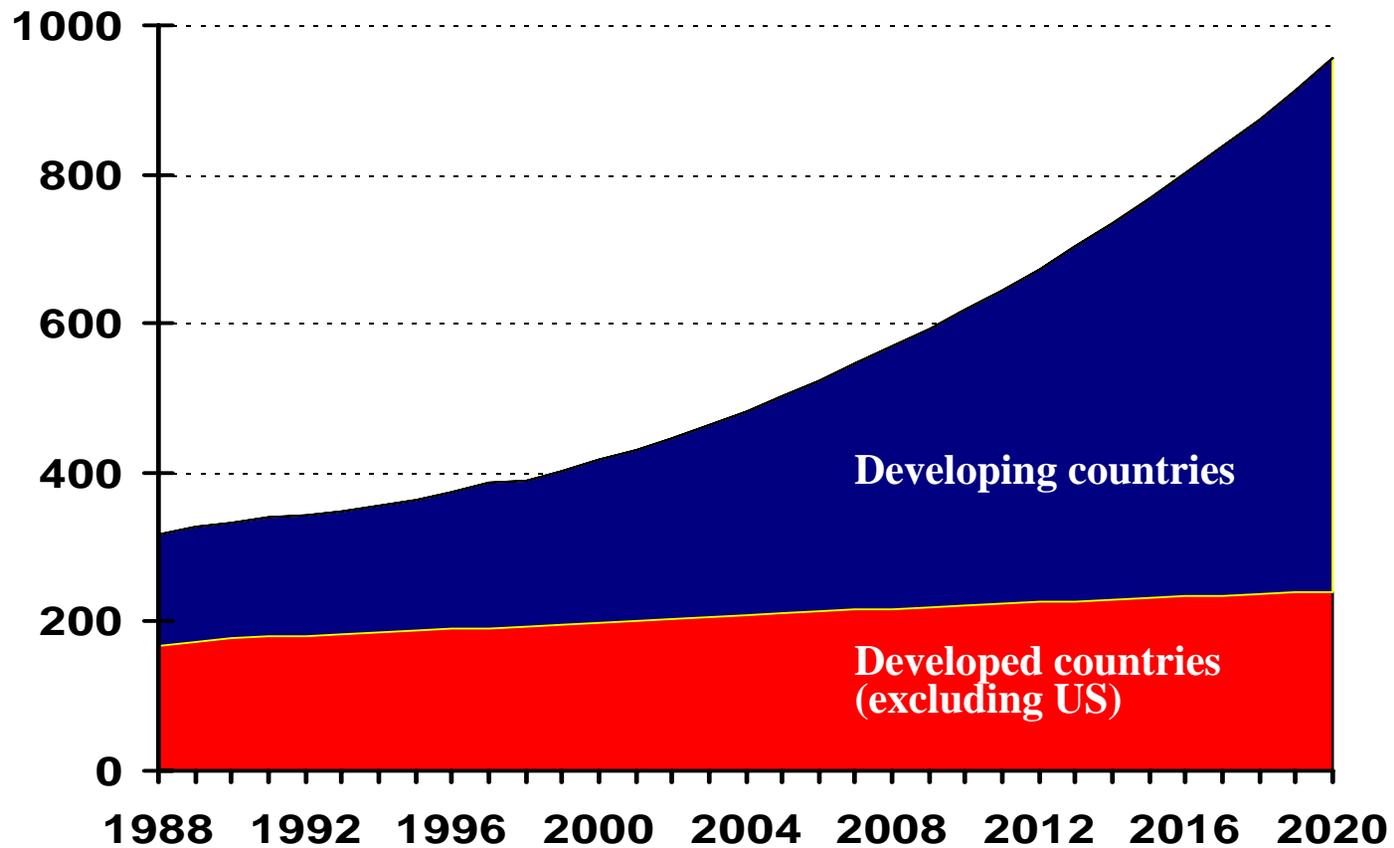
- Corn acreage will grow at expense of soybeans and cotton as rapid expansion in ethanol production increases corn demand, prices, and producer returns
- U.S. corn exports are projected to fall over the next several years as more corn is used domestically in the production of ethanol before returning to current levels
- U.S. share of world corn trade (60-70 percent) will decline to 55-60 percent
- U.S. soybean exports will fall as acreage is shifted to corn to support ethanol production and competition from Brazil strengthens

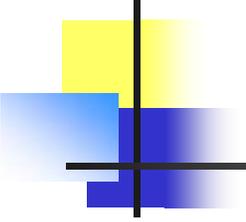
Exports Contribute Substantially to Cash Receipts



Middle Class Outside the U.S. Expected to Double By 2020

Foreign Households (millions)

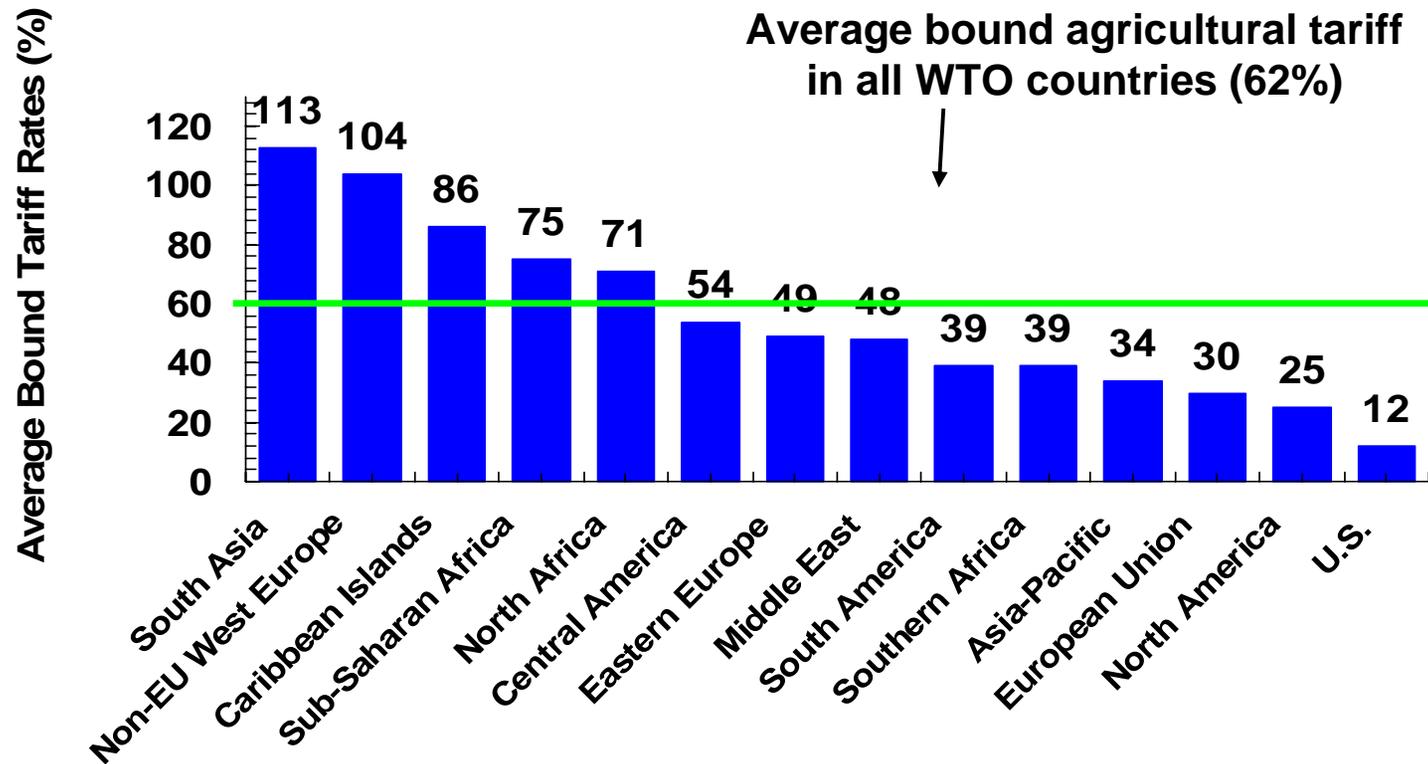


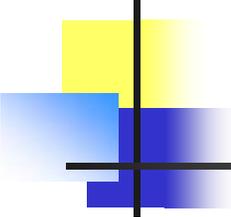


The Trade Agenda: WTO

- July 2006 G-6 Ministerial
 - Talks suspended
- August – December 2006
 - “Quiet discussions”
 - Drilling down below “headline” numbers to explore specific sensitivities and priorities
- January/February 2007
 - Endorsement of “bottom up” approach at Davos ministerial
 - Intensification of informal bilateral engagement with key partners
 - Geneva “fireside” chats

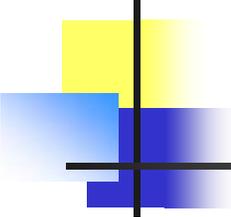
The Trade Agenda: WTO





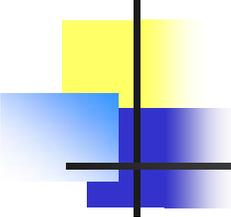
Doha Round Trade Negotiations

- What we need for success:
 - Substantial new trade flows
 - Market access in both developing and developed countries
 - Clarity on special product discipline
 - Robust treatment (TRQ / tariff cut)



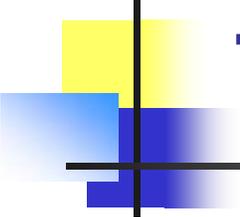
The Trade Agenda: WTO

- Brazil Cotton Case
 - WTO panel reviewing if U.S. actions on cotton complied with previous Dispute Settlement Body rulings
 - Panel meeting Feb. 27-28
 - Final report June 2007



The Trade Agenda: WTO

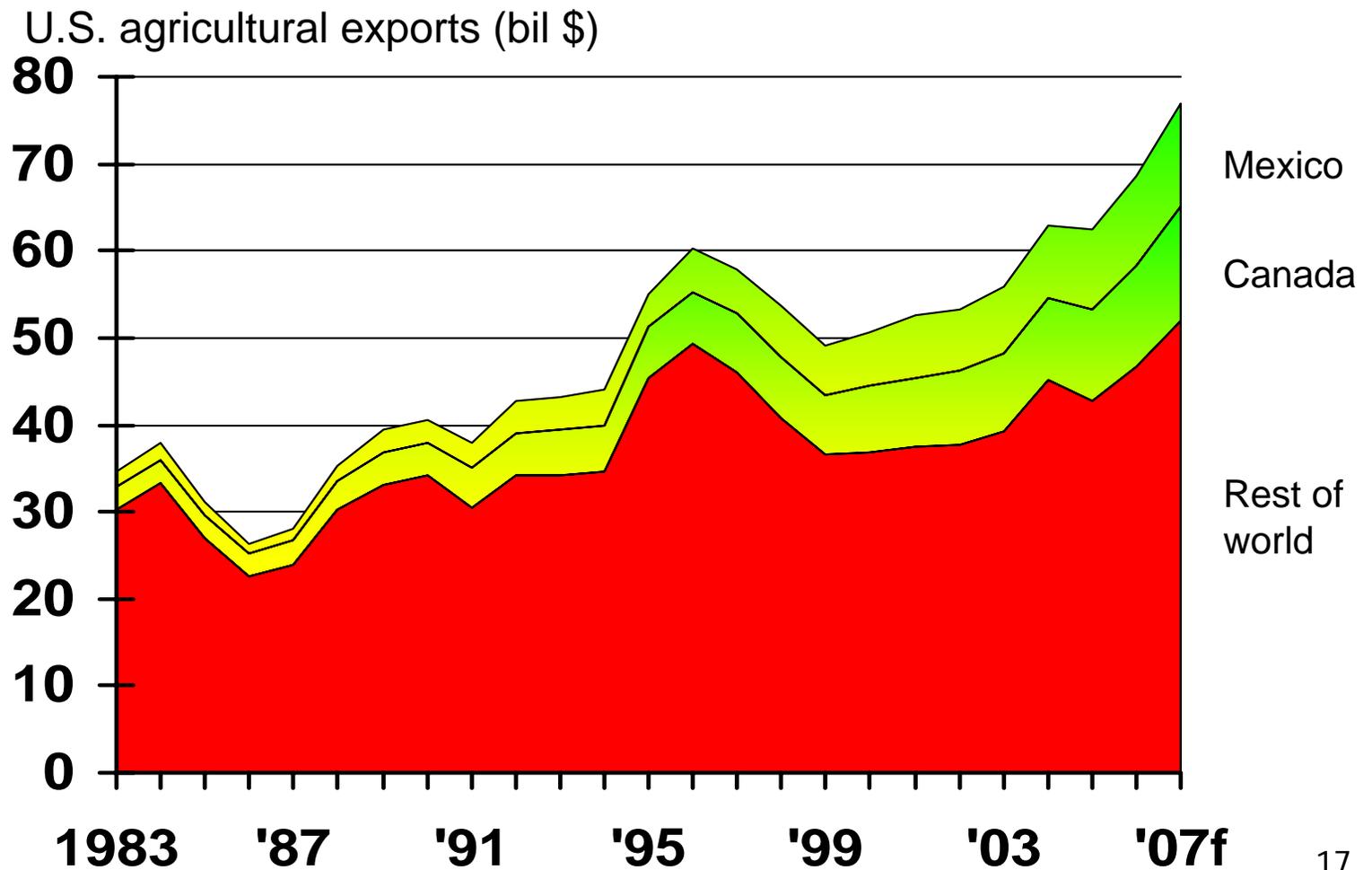
- Canadian Corn
 - Allegations
 - Serious prejudice
 - WTO export commitments (export credits)
 - WTO domestic support commitments
 - Consultations held Feb. 7
 - Canada plus 8

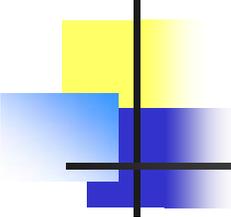


The Trade Agenda: FTAs

- NAFTA
- CAFTA
- Colombia, Peru, Panama
- Korea, Malaysia

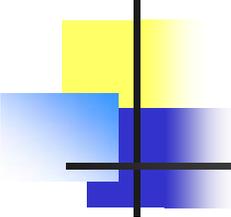
NAFTA Accounts For Much Of The Growth In U.S. Exports Over Past Decade





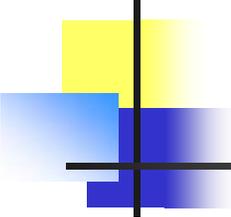
The Trade Agenda: DR-CAFTA

- El Salvador (3/1), Honduras (4/1), Nicaragua (4/1), and Guatemala (7/1) implemented agreement in 2006
- Exports to the DR-CAFTA region (\$2.24 billion in 2006) are expanding at pace above average rate for rest of world
- Expect agreement with Dominican Republic to be implemented very soon
- Costa Rican President pressing for ratification
- Tariffs on many products eliminated immediately
 - Rest phased out within 5 to 15 years
 - Completely eliminated on all products in 20 years
- Cooperation on plant and animal health safety
- Benefits for feed grains, wheat, rice, soybeans, cotton, poultry, pork, dairy, fruits, vegetables and processed foods



The Trade Agenda: FTAs

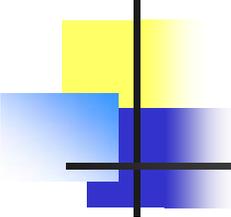
- Recently concluded: Colombia, Peru, Panama
 - Provide duty-free access for over half of U.S. agricultural trade immediately
 - Eliminate price band systems in Colombia and Peru
 - Recognize equivalence of U.S. meat inspection system



The Trade Agenda: FTAs

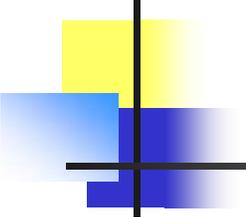
- Korea
 - 6th largest U.S. export market - \$3.4 billion 2007
 - Average ag bound tariff currently over 50 percent
 - Opportunities for horticulture, beef, pork, poultry, corn, soybeans, wheat and processed foods
 - End of March conclusion

- Malaysia
 - 3rd largest export market in SE Asia region
 - Next round has not been scheduled
 - Outcome of March 2 Malaysian Cabinet meeting critical to decision on how to move forward



Trade Promotion Authority

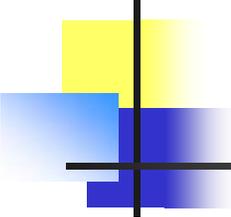
- Expires June 30, 2007
- Extension needed to successfully complete the Doha Development Round
- TPA enables U.S. to maintain its global leadership position
- Under TPA, U.S. has opened markets with free trade agreements



SPS Issues

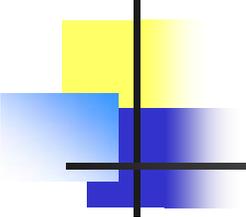
Keeping Markets Open – Challenges

- “Market maintenance” or “trade troubleshooting” has growing role
- Sanitary and phytosanitary issues grow in importance
- Adoption of science-based international standards critical
- Markets close when outbreaks occur (BSE, AI)– require lengthy technical and diplomatic discussions to reopen



2007 Farm Bill and Trade

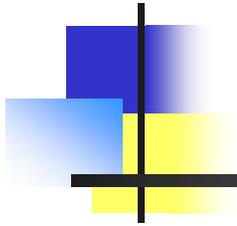
- Create a trade environment where science-based standards are the norm
 - Establish new \$20-million grant program
 - Increase TASC funding
 - Enhance U.S. presence within international standard-setting bodies



International Agricultural Trade Outlook

- Export outlook positive
- FTAs offer tremendous opportunities for U.S. agriculture
- WTO Doha negotiations must achieve increased trade flows
- SPS obstacles to predictable trade
- Future farm policy can enhance our trade prospects

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