

## Monitoring Agri-trade Policy

### MAP

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# Global and EU agricultural exports rebound

## *Summary*

The latest MAP looks at developments in trade over the past year, focusing in particular on the EU and how it has performed compared to other world players. World agricultural trade reached an all-time high, at least 12% (expressed in Euros) above the previous record set in 2008. The impact of the economic crisis led to a contraction of 6% in 2009 but global agricultural exports rebounded by over 19% last year.

The EU as well as the other top exporters all benefited from buoyant markets. Following the slump in 2009, the EU, the US and Brazil bounced back with over 20% growth in exports, to reach record levels in 2010. For the past 3 years, the EU and the US have been roughly neck and neck as the world's leading agri-food exporters. In 2010 US exports reached an all-time high of €2 billion, just ahead of the EU's record €1 billion exports.

The EU remains by far the world's biggest importer with imports worth €83 billion in 2008-10, well ahead of the US. EU imports grew by 9% in 2010 though they remain 5% below the peak of 2008. US imports grew strongly by 17% in 2010. China's meteoric growth in imports, surging by 47% in 2010, means that it surpasses Japan as the third largest importer.

The EU's trade balance improved to the extent that it turned into a net exporter in 2010, for the first time since 2006. The €6 billion agricultural trade surplus is largely due to expansion in the value of exports, driven by stronger demand for final products, as the EU's trading partners came out of recession and higher prices for commodities and intermediate goods. Exchange rate fluctuations may also have contributed, given the weakening of the Euro against a number of major currencies in 2010.

We estimated that 75% of the growth in the value of exports is driven by an increase in volume of sales, reflecting stronger demand, while 25% may be attributed to higher prices. Final goods account for 60% of the growth in exports. For some of the top exports e.g. whiskies, spirits and cheese there is evidence of higher sales volume as well as higher unit price.

EU export growth was widespread across destinations as well as products. The value of exports to the US, the EU's biggest market, recovered for the first time since 2006. The biggest absolute surge in exports was to Russia where sales grew by nearly one third. In addition record-breaking gains were made in China and Hong Kong, with exports up by 50%. These are among the top

growth markets for the EU, achieving annual growth of 24% and 19% respectively over the past 5 years. This compares to 7% annual growth for Russia and a contraction of 2% for the US over the same period.

The EU remains the biggest importer of agricultural products from developing countries, importing €59 billion worth of goods in 2008-10. This is far ahead of the US, Japan, Canada, Australia and New Zealand put together, whose combined imports from developing countries reached just €49 billion over this period. More than 70% of total EU imports come from developing countries compared to 50% for the US and just 40% on average for the 5 countries mentioned.

The EU is not the only major player to see trade rebounding. The US reached a record agricultural trade surplus of €27 billion with the value of exports up by 24% to an all time high. Brazil also saw record exports and growth of 23% despite the strengthening of the Real against the US\$, potentially damaging its competitiveness on global markets. The recovery of the markets of some major importers is witnessed by the sharp growth in imports; Russia's imports rebounded by 26%, despite continued market access restrictions for poultrymeat while China's imports surged by 47%. The prosperity of overseas markets is a key factor in determining opportunities for EU businesses. Trade growth now appears to be back on track after the exceptional decreases in 2009.