Monitoring Agri-trade Policy

MAP

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The Evolution of EU Agri-Trade

Summary

This MAP looks at recent developments in agricultural trade, particularly in the EU and how it has performed compared to other major world players. The EU and the US are still the leading exporters while the EU remains by far the world's biggest importer, followed by the US.

EU exports are dominated by final products, which accounted for over two thirds of export value, with wine the highest value export in 2007-09. Imports are more diverse. The top imports for 2007-09 were soybean meal, coffee, soybeans, bananas and cocoa beans, with most imports coming from a few key suppliers.

The global economic and financial crisis that emerged in 2008 had a dramatic impact on world trade in goods and services. Although world agricultural trade was relatively less affected, it nevertheless fell by 13% in value and 3% in volume in 2009. As regards EU agricultural trade, the year 2009 was also exceptional as it reversed the growth pattern of the previous years, with a decline both in imports and exports.

The impact of recession on EU exports was exceptional in terms of its size and was also widespread across destinations and products, with final products taking the hardest hit in absolute terms. The contraction was driven mainly poorer final products sales reflecting weaker demand in the countries most affected by the economic crisis. The EU lost sales to most of its top export markets (mainly developed countries). Sales to the US declined for the second year in a row by over 8%. But the biggest fall in exports was to Russia where sales fell by over 21%. The EU managed to increase its exports to China by over 20% (mainly final products).

EU agricultural imports fell more sharply than exports, down by 13% in value and 9% in volume. The drop was also widespread across origins and products, with commodities and intermediate products suffering the sharpest contraction. Maize, soybeans, wheat, vegetable oils and oilmeal together account for roughly half the decline in value of imports. The decline in prices of commodities and intermediate products in 2009 had a bigger impact on the value of EU imports than exports given that they account for a greater share of our imports than exports. Most of the top suppliers lost sales to the EU in 2009 with the US and Argentina decreasing the most, by 24% and 29% respectively.

As regards imports from developing countries, the EU remains by far the biggest importer of agricultural products, importing $83 billion worth of goods in 2007-09 (70% of our imports), more than the US, Japan, Canada, Australia and New Zealand put together.

Since imports contracted faster than exports, -13% compared to -8% in export value, the EU agri-trade deficit decreased from a record €7 billion in 2008 to €2.5 billion in 2009.

Looking at other countries, US agricultural exports fell by 14% in 2009. However, since the US farm sector went into the crisis with record-high exports, the drop still leaves US exports above the level of 2007. As imports were less affected, falling by 10% the record trade surplus of $36 billion in 2008 was reduced by $9 billion in 2009. Brazil's exports fared better, falling by 6% in 2009, with the decline mainly in final products, notably beef and poultry.

The weakness of the markets of some major importers is witnessed by the sharp contraction in imports. Russia's imports fell by 17% overall, partly due to weakness of demand and partly as result of trade restrictions, with import duties imposed on oilmeals, vegetable oils and sugar as well as measures in the pork and poultry sectors which are ostensibly linked to sanitary concerns. The impact of the crisis on China is witnessed by the 11% drop in the value of imports. Despite this China was one of the few growth markets for the EU in 2009, with an impressive 20% increase in EU exports.