



Global and EU agricultural exports rebound

CONTENTS

Editorial

EU still a leading exporter
EU still the world's top importer
EU emerges from recession as net exporter
EU specialises in exports of final products
EU exports bounce back
EU's top trading partners
Imports are more diverse
Expansion in EU trade with key partners
World trade bounces back after crisis

Conclusions

Graphs

Graph 1: EU27, US, Brazil, China - exports
Graph 2: EU27, US, China, Japan, Russia - imports
Graph 3: EU27 - structure of agricultural trade
Graph 4: EU27 main agricultural exports
Graph 5: Main products for net exports increase
Graph 6: Change in unit value & volume - exports
Graph 7: Volumes & unit prices - exports
Graph 8: Agricultural exports by destination
Graph 9: Export value by destination
Graph10: EU27 main agricultural imports
Graph11: Agricultural imports by origin
Graph12: Import value by origin
Graph13: Imports from developing countries
Graph14: EU27 trade with the US
Graph15: EU27 trade with Russia
Graph16: EU27 trade with China
Graph17: EU27 trade with Hong Kong
Graph18: US - agricultural trade balance
Graph19: Russia - agricultural trade balance
Graph20: Brazil - agricultural trade balance
Graph21: China - agricultural trade balance

Introduction

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 global agricultural exports in 2009 but they rebounded by nearly 20% 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.

The EU's trade balance improved to the extent that it emerged from recession as 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 key trading partners come out of recession and higher prices for commodities and intermediate goods.

We estimated that 75% of the increase in the value of exports is driven by an increase in volume of sales, reflecting stronger demand, while 25% may be attributed to an increase in 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, now among the EU's fastest growing markets, with exports up by 50%.

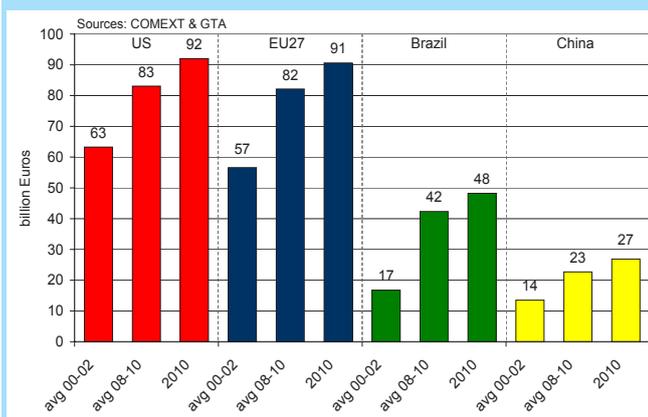


The EU is still a leading exporter

2010 was a year of impressive growth in world agricultural trade¹, bringing the value of world trade to an all-time high, at least 12%² above the previous record set in 2008. Although the crisis took its toll on international trade in 2009, when the value of trade, expressed in € terms³, dropped by 6%, last year saw global agricultural exports rebound by over 19%.

The EU and the other top exporters all benefited from buoyant export sales. Following the slump in the value of agricultural exports in 2009, (8% for the EU and 10% for the US), last year they both bounced back with spectacular growth of 21% and 24% respectively. For the past 3 years, the EU and the US have been roughly neck and neck as the world's leading agri-food exporters. The EU was in the lead from 2003 until 2007. In 2010 US exports reached an all-time high of €92 billion, just ahead of the EU's record €91 billion exports (graph 1).

Graph 1: EU27, US & Brazil and China - Agricultural Exports



¹ WTO definition of agricultural products.

² Trade data (source Global Trade Atlas), although not yet available for all countries for 2010, covers approximately 97% of global exports.

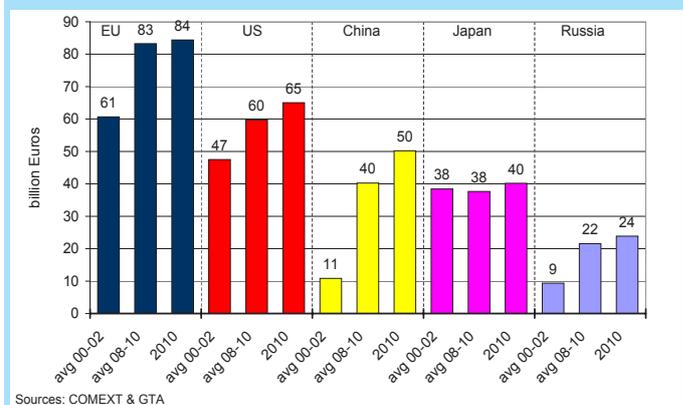
³ All trade values are expressed in Euros, unless otherwise stated.

Brazil and China suffered less from the recession, with relatively flat sales in 2009, but both grew strongly in 2010. Brazil remains the third largest exporter (with the biggest agricultural trade surplus), with 23% growth in the value of its exports last year after a slight drop in 2009. Meanwhile China inched ahead of Canada to become the world's fourth biggest exporter, with an impressive 30% surge in exports in 2010 after minimal growth in 2009. The US, Brazilian and Chinese share of world exports edged up slightly in 2010, while the EU share slipped to just below 17%.

The EU is still the world's top importer ...

The EU remains by far the world's biggest importer with imports worth €83 billion in 2008-10, well ahead of the US (see graph 2). EU imports grew by 9% in 2010 though they remain 5% below the peak of 2008, when they reached €88 billion. This is a result of the sharp drop of over 12% in 2009 after two years of very strong growth of over 13% per year. The EU's share of global imports was over 19% in 2009.

Graph 2: EU27, US, Japan, China & Russia - Agricultural imports





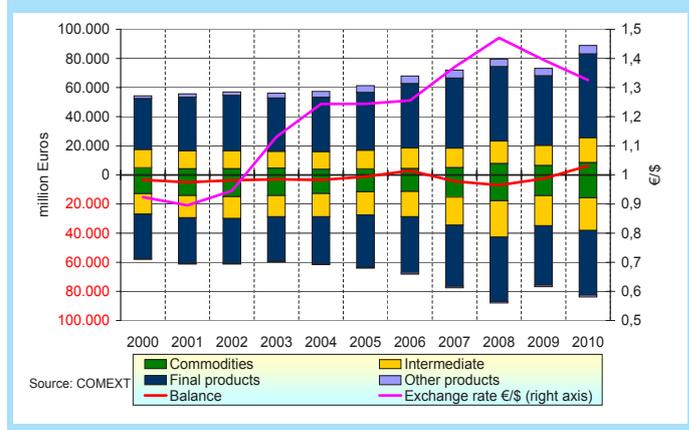
US imports grew strongly by 17% in 2010, having suffered a less severe decline (just 5%) than the EU in 2009. China's meteoric growth in imports, surging by 47% after a 6% drop in 2009, means that it surpasses Japan as the third largest importer. The latter's imports grew by a "mere" 10%. Russia's imports also rebounded strongly by 25% in 2010, having suffered a decline in value of 13% in 2009, after 5 years of continuous strong growth, making it the 5th biggest importer in 2010.

In 2010 the value of exports of commodities grew by 31%, intermediate products by 24%, while final goods and other products grew by 20% and 13% respectively. See box for description of new breakdown of structure of trade.

The EU emerges from recession as a net exporter in 2010

The EU's trade balance continued to improve in 2010 to the extent that it switched from being a net importer with a trade deficit of €2.5 billion in 2009 to a net exporter, for the first time since 2006, with an agricultural trade surplus of over €6 billion (graph 3). The surplus is largely due to growth in the value of exports after the contraction of trade in 2009 linked to economic crisis and the drop in commodity prices.

Graph 3: EU27 Structure of Agricultural Trade (2000-2010)



New breakdown of Agricultural Products

The definition "Agricultural products" is based on and in compliance with the WTO definition and covers chapters 1-24 (excluding fish and fish products), in addition to a number of headings in chapters 33, 35, 38, 41, 43 and 51-53. The following terms have been used in the past to classify agricultural products within the different aggregates: commodities are mainly traded in bulk (e.g. grains and oilseeds) and have not been processed, intermediate products have undergone a first stage of processing (e.g. from wheat to wheat flour) but are not ready for final consumption, while final products are ready for or very close to final consumption. This category encompasses both processed products and unprocessed ones such as fresh fruit and vegetables. Agricultural products were further disaggregated by adding a fourth category. Other products include those products which have little direct linkage to agriculture, although they fall within the WTO definition. The total remains the same as these are deducted from the 3 standard aggregates. The other products category now includes human hair, ivory, waters and odoriferous substances. The latter accounts for some two-thirds of "other" (equivalent to 4% of all EU27 agricultural exports) and was previously classified as an Intermediate product, while water accounts for most of the rest (over 2% of total agricultural exports).



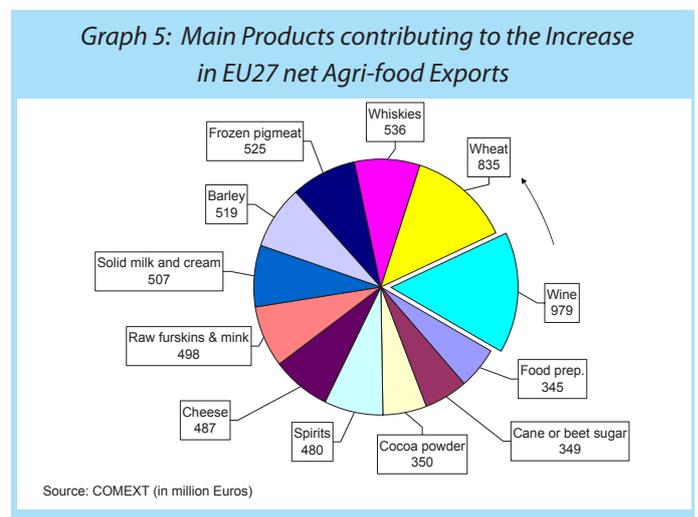
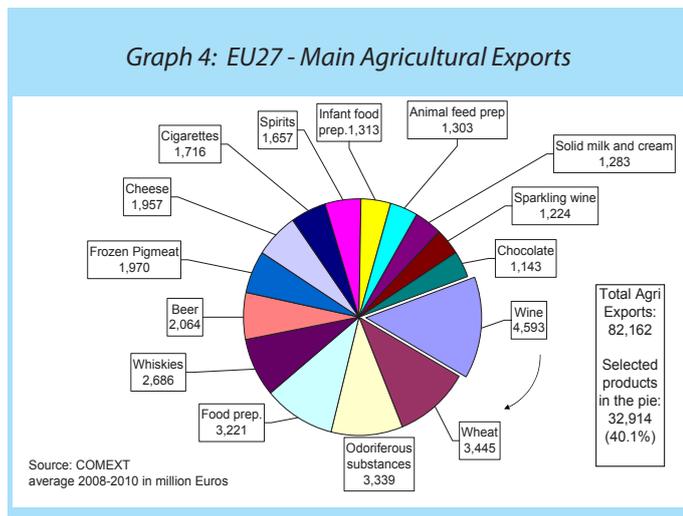
The EU specialises in export of final products

The EU's export profile has changed little in recent years. Final products and other products together account for 69% of the value of EU exports in 2008-10, while intermediate products and commodities represent 20% and 9% respectively. Graph 4 shows that 12 of the top 15 exports were final products, the exceptions being wheat (a commodity), milk and cream and odoriferous substances (other products).

The top 5 remain the same as last year and combined they account for one fifth of EU exports. Wine (€4.6 billion) is still the EU's highest value export in 2008-10, followed by wheat (€3.4 billion), odoriferous substances (€3.3 billion) food preparations (€3.2 billion) and whiskies (€2.7 billion).

(+€3.6 billion, +25%) and other products (+€700 million, +14%).

Graph 5 indicates the top 12 products contributing most to the improvement in the EU's trade balance in 2010. Together these products account for 73% of the change in trade balance.



EU exports bounce back

EU exports bounced back by 21% (€16 billion) in value in 2010 compared to 2009, with growth widespread across destinations and products. Final products surged by €9.4 billion in absolute terms (+20%), compared to commodities (+€2 billion, +31%), intermediate products

Most of the products shown are final goods (apart from wheat, sugar and skins), which account for more than 60% of the growth in exports. Most of the change can be attributed to increasing exports, apart from wheat, where the €835 million improvement in net trade position is made up of both an increase in export value (€577 million) and a reduction in import value (€270 million); i.e. roughly 70% higher exports and 30% lower imports, due to the export restrictions imposed by Russia and Ukraine. The biggest hike in export sales was recorded for wine, which accounts for 5% of the total increase in agricultural exports.

The expansion in the value of exports has been driven mainly by two factors; stronger demand for final products, as the EU's key trading partners come out of recession and higher global prices for commodities and intermediate goods. Exchange rate fluctuations may



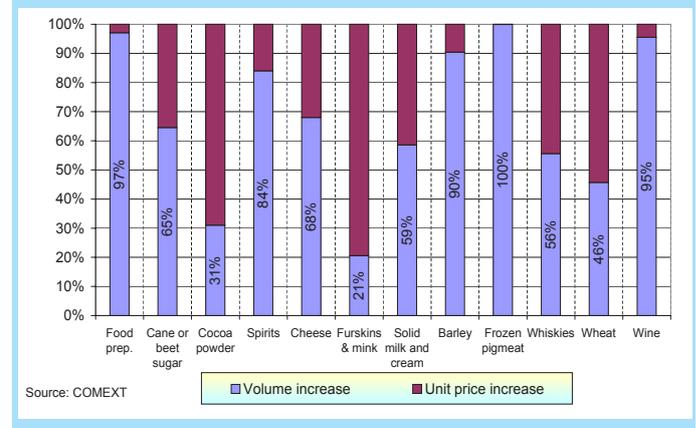
also have contributed to the upsurge in exports, given the continued weakening of the Euro against a number of major currencies in 2010 (down 5% against the US\$ and 15-18% against the CN\$, NZ\$, AUS\$ and Real).

For wine, the volume of exports rose by 22% and average unit value by just 1% (graph 6). For whiskies, the volume of sales grew by over 12% and unit value increased by 10%, suggesting a possible shift in consumer preference towards more expensive brands.

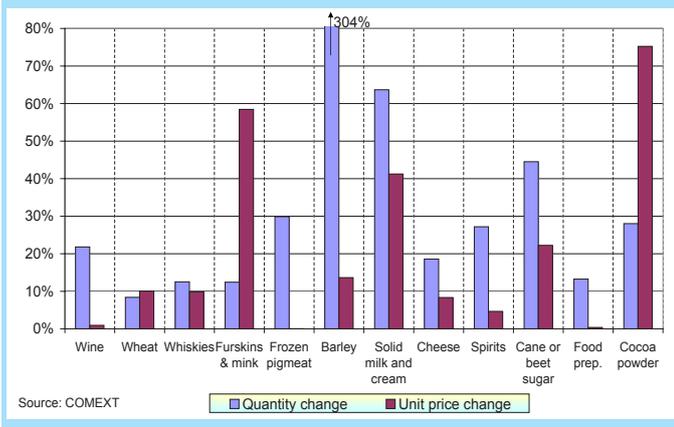
Strong increases were also recorded in the volume of exports of frozen pigmeat (up 30% from 0.8 to 1 million tonnes to Japan and Russia), barley (which soared by over 300% from 0.9 to 3.8 million tonnes mainly to Saudi Arabia and Tunisia), milk and cream (+60%), raw sugar (up 44% from 1.5 to 2.2 million tonnes) and cocoa (+28%). Significant price increases were also recorded for milk and cream (+40%), skins (60%), cocoa (+75%) and sugar (+22%).

is driven by an increase in volume of sales, reflecting stronger demand, while 25% may be attributed to an increase in prices.

Graph 7: Contribution of Volumes and Unit Prices to the Increase in Value of 2010 EU Exports



Graph 6: Change in Unit Value and Volume for Main Products contributing to Export Growth

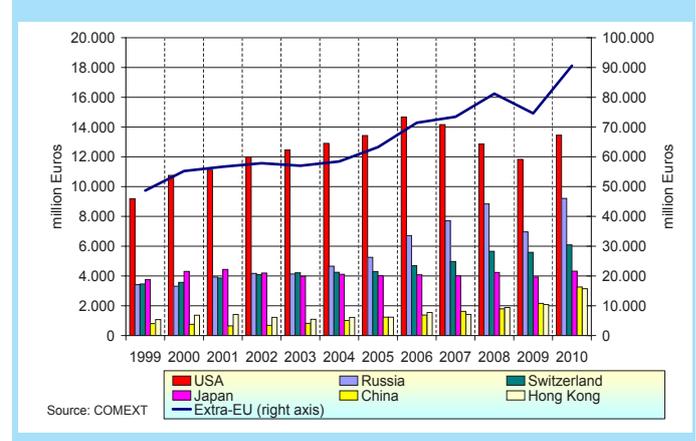


We also estimated the contribution of price increase and changes in quantities traded to the increase in value of EU net exports for the top 12 products, which had net export growth in 2010 (see graph 7). We estimated that on average 75% of the increase in the value of exports

EU's top trading partners

The EU increased sales to all of its top export markets (mainly developed countries) in 2010 (graph 8).

Graph 8: EU27 - Agricultural Exports by Destination



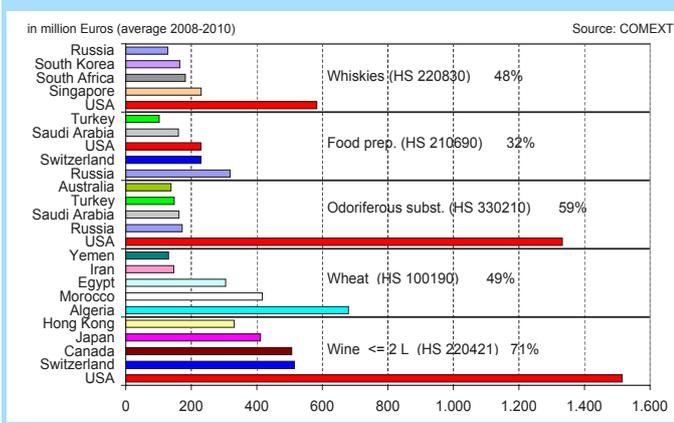


Exports to the US recovered for the first time since 2006, by almost 14% (€1.6 billion) in 2010. The US is still the EU's largest market, though its share went down to under 15% in 2010, followed by Russia, with over 9%. The biggest absolute gain in exports (€2.2 billion) in 2010 was to Russia where sales grew by nearly one third.

Furthermore record-breaking gains were made in exports to China and Hong Kong with exports up by around 50% generating increased value of more than €1 billion each. These are among the EU's fastest growing markets. Over the past 5 years exports to China and Hong Kong have recorded annual growth of 24% and 19% respectively. This compares to 7% annual growth for Russia and a contraction of 2% per year for the US.

The concentration of exports of the top 5 products in key markets in 2008-10 is shown in graph 9; with the US still the key market for wine, whiskies and odoriferous substances. The five markets identified for each product account for over 70% of EU wine, 60% of odoriferous substances and almost half of whiskey exports.

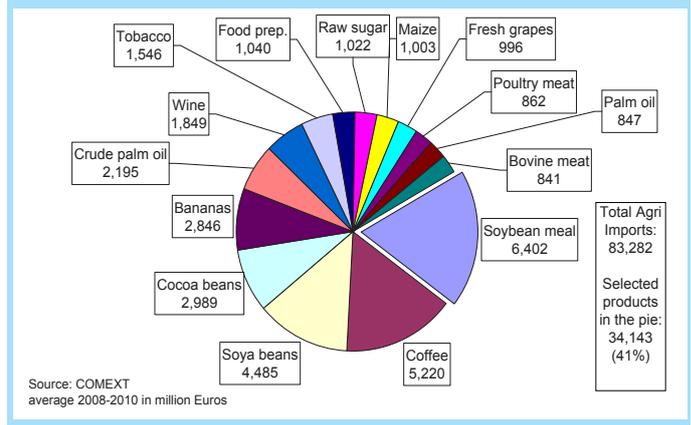
Graph 9: EU27 - Export Value of Main Products by Destination



Imports are more diverse

There is also very little change in the profile of imports compared to last year. Final products and other products still account for some 54% of the value of imports, while intermediate products and commodities have a share of 27% and 19% respectively. The top 15 imports for 2008-10 are shown in graph 10.

Graph 10: EU27 Main Agricultural Imports



Soybean meal (an intermediate product) remains the EU's top import, followed by coffee (a final product), valued at €6.4 billion and €5.2 billion respectively. Soybeans (a commodity), worth €4.5 billion is ranked at number 3 (together soybean meal and soybeans add up to 13% of total imports).

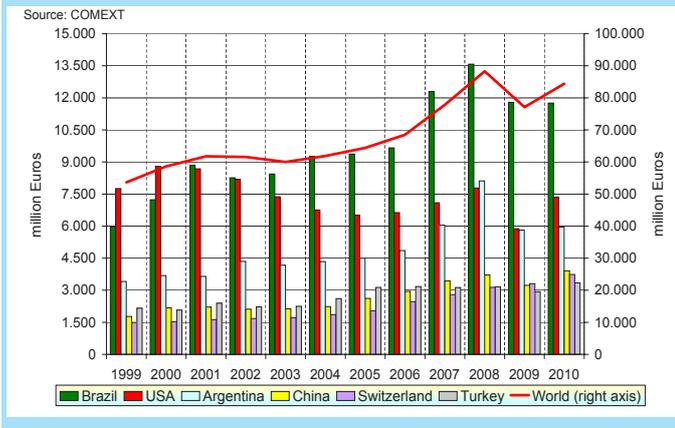
One important change is that poultrymeat and offal imports now feature in the top 15 (replacing wheat), with import value up by 8%. Imports from Thailand increased by 13% in value (and volume rose by 7%) while Brazil lost 3%. In addition imports from China almost tripled in value, albeit from a very low base in 2009.



Brazil remains the top supplier to the EU accounting for 14% of EU imports in 2010 (graph 11). Imports from Brazil and Argentina stayed fairly flat last year.

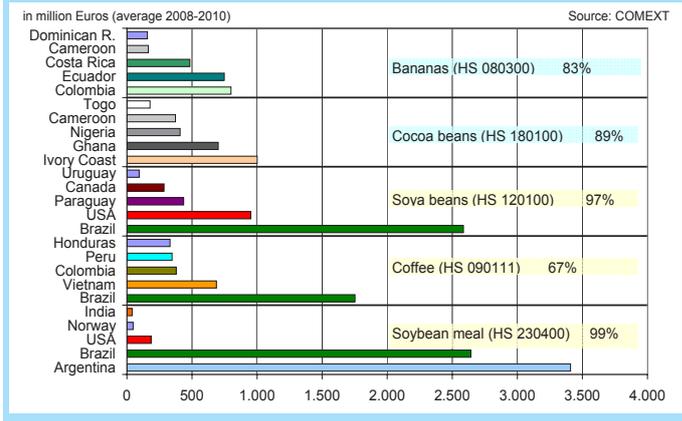
Meanwhile the US regained some lost ground with a 25% increase in the value of their imports into the EU, thus reaching nearly 9% EU market share, though imports are still below 2008 levels. China also increased sales by 21%, while other top suppliers Switzerland and Turkey stepped up their sales to the EU by 14% and 13% respectively.

Graph 11: EU27 - Agricultural imports by origin



The origin of the EU's top 5 imports is shown in graph 12. The soya market remains highly concentrated, with nearly 100% of EU imports coming from the key suppliers; Argentina and Brazil for meal and Brazil and the US for soybeans. Brazil is also the number one supplier of coffee. Ivory Coast and Ghana account for almost 60% of EU imports of cocoa beans.

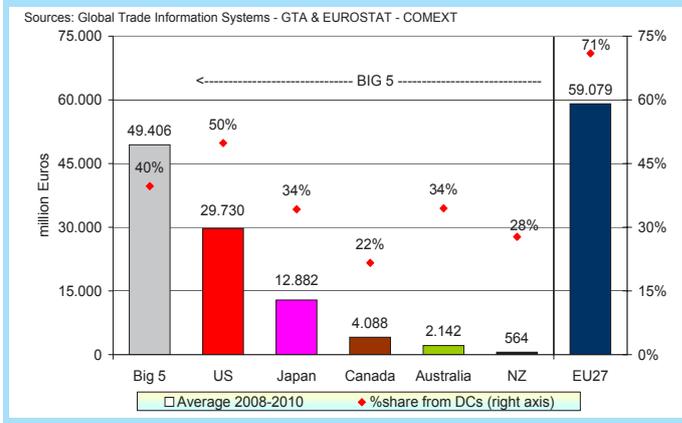
Graph 12: EU27 - Import Value of Main Products by Origin



EU is the biggest importer from developing countries

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 (see graph 13).

Graph 13: EU27 - Agricultural Imports from Developing Countries





Their 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.

Expansion in EU Trade with key partners in 2010

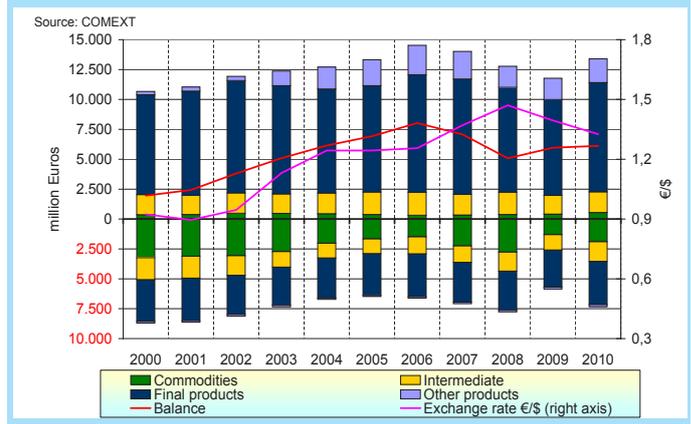
The EU and the US are important trading partners. The US is the EU's biggest export market while the EU is the fifth biggest market for the US. EU exports to the US made a 14% recovery in 2010 (+€1.6 billion), having fallen consistently since 2006. This growth can largely be attributed to the 14% increase (+€1.1 billion) in the value of final goods (more than two thirds of EU exports to the US), though commodities also grew by 35%.

The EU's top exports to the US are mainly final products and "other products". Spirits was the top export in 2010, valued at €2.4 billion, followed by wine worth €2 billion and odoriferous substances at €1.4 billion (now classified as other products and used mainly for flavour by the drinks industry).

The biggest increase in exports in 2010 was in spirits, which grew by €380 million (+19% in value and +18% in volume). Increases of over €100 million were also recorded for each of wine (+28% volume), cocoa and water. Together the top 10 products account for 75% of the value of exports.

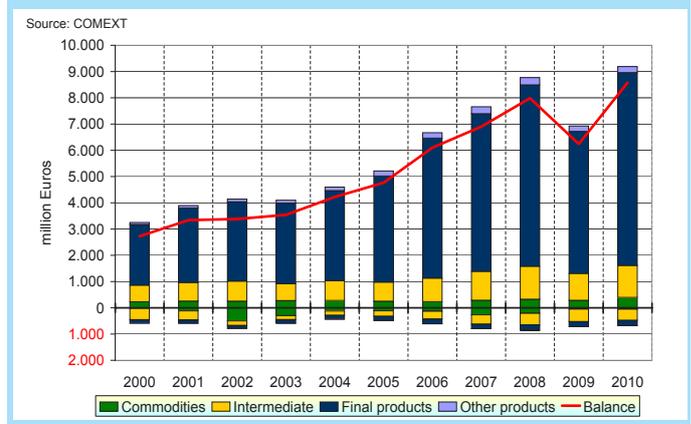
Turning to EU imports from the US, the sharp fall in 2009 (mainly commodities), was reversed with 25% growth in 2010 (+€1.5 billion), with 46% growth in commodities and 28% in intermediate products. The biggest increases were for soybeans (+70%) and oilcake (+50%). The EU's trade surplus in agricultural products with the US reached over €6 billion in 2010 (graph 14).

Graph 14: EU27 Trade with the US



The EU is the biggest supplier to Russia, accounting for 38% of its imports in 2010. Russia is also the EU's second biggest export market and is where the EU made the biggest gains in 2010. The downturn in exports in 2009 was reversed last year with growth of almost one third in the value of exports (€2.2 billion) of which €1.9 billion is final products (graph 15).

Graph 15: EU27 Trade with Russia



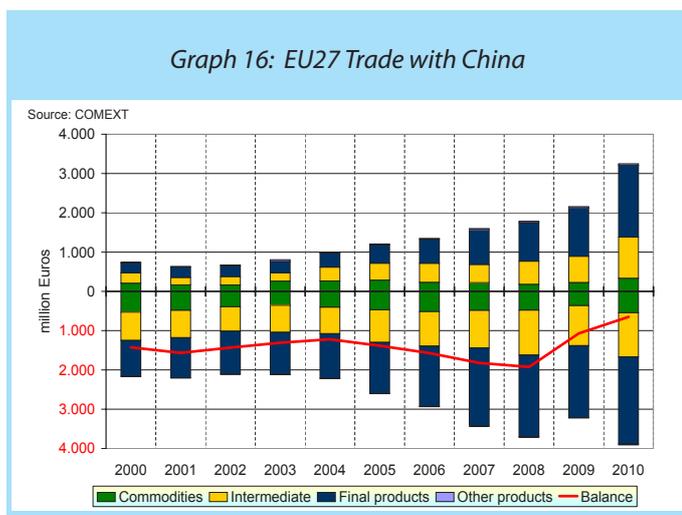


EU exports to Russia are spread across a wide spectrum of products; 80% of which are final goods. The top exports in 2010 were fresh fruits, cheese and frozen pigmeat. The biggest growth in sales was recorded for cheese (+63 %), fresh vegetables (+61 %) and fruits (+32 %).

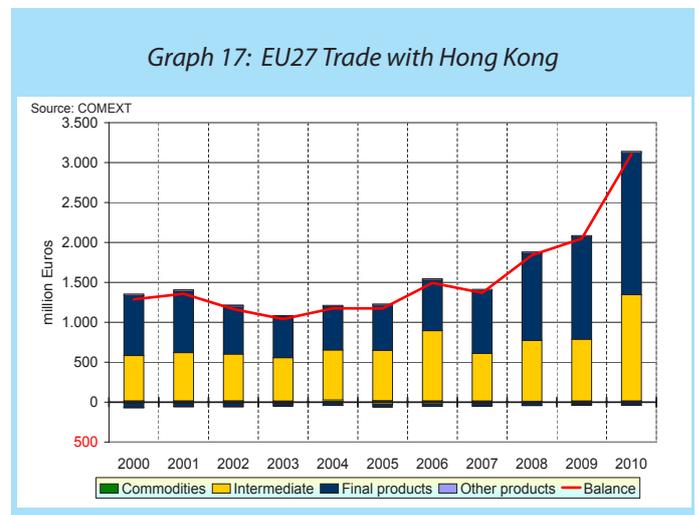
Exports of spirits and wine grew strongly with the value of sales growing well in excess of the volume increases, indicating that consumers may be switching to higher value products (whiskies +5% in volume but +63% in value, wines +14% volume and +44% value).

China and Hong Kong are now among the top growth markets for EU exports. EU exports to China shot up by over 50% in 2010 (well above the annual growth rate of 25% since 2006). The EU now ranks as the fourth biggest supplier to China. Final products account for 56% of EU exports (graph 16). The top exports were raw sugar, butter and sheepmeat.

Meanwhile EU imports from China rose by 21%, so the EU's trade deficit fell by €650 million in 2009. The biggest increases in imports were recorded for spirits and cotton and flax.



EU exports to Hong Kong have also grown rapidly in recent years (at an annual rate of 19% since 2006), turning it into the EU's 6th biggest export market. Sales are comprised of final products which account for 56% and intermediate products 42%. EU exports to Hong Kong surged by 51% in 2010 (graph 17).



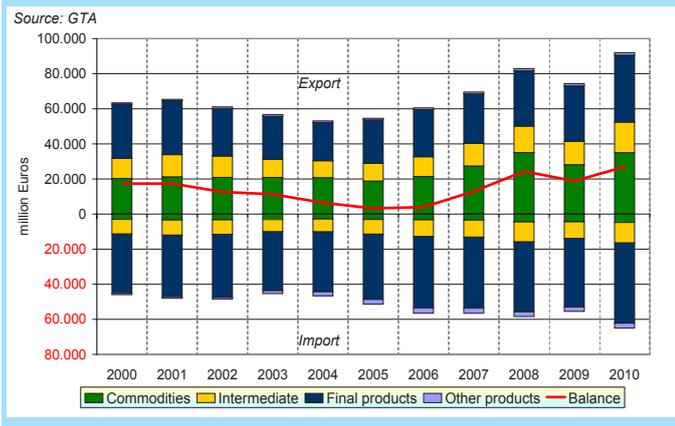
The EU's top exports were wheat flour (37% of total), coffee and tea (18%), both of which grew by over 80% in value in 2010, with dairy (milk, cream and yoghurt) in third place (and relatively static growth of 6%). Strong growth was also recorded last year for ice cream and confectionary and spirits.



World trade bounces back after the economic crisis

The EU is not the only major player to see trade rebounding. The EU's key trading partners all benefited from buoyant sales in 2010. The US reached a record agricultural trade surplus of €27 billion (graph 18), with the value of exports at an all time high of €92 billion (+24% on 2009).

Graph 18: US Agricultural Trade Balance 1999-2009



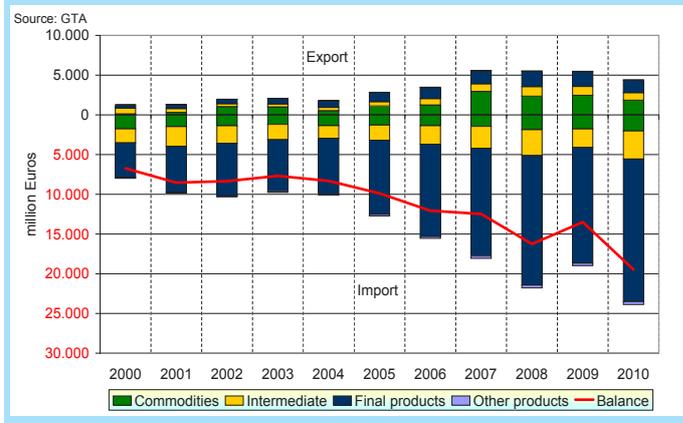
The US remains heavily dependent on commodity exports which accounted for 38% of all agricultural exports in 2010. The top US exports in value terms are soybeans and other cereals (mainly maize). Both grew by around 17% in value terms. Wheat and cotton saw growth of around 30% and 80% in value. Together these top 4 added up to over one third of exports in 2010.

NAFTA remains the key trading partner for the US in 2010, accounting for almost one third of exports. Canada is the top export market while Mexico slipped into third place, after China, (where US exports grew by 39%). The EU was in fifth place after Japan, with 8% share, with export value up 27% over 2009.

US imports also reached a record €65 billion, though growth was lower than for exports (+17% on 2009). Final products account for 70% of US imports in 2010. The EU remains the US's largest import partner, in value terms, up 14% on 2009 reaching 22% of the US market, followed by Canada and Mexico.

Russia, a net importer of agricultural products, has seen huge growth in imports in recent years, with the exception of 2009 (graph 19). Imports recovered by 26% in 2010, so that the trade deficit peaked at a new record of €19.5 billion.

Graph 19: Russia's Agricultural Trade Balance



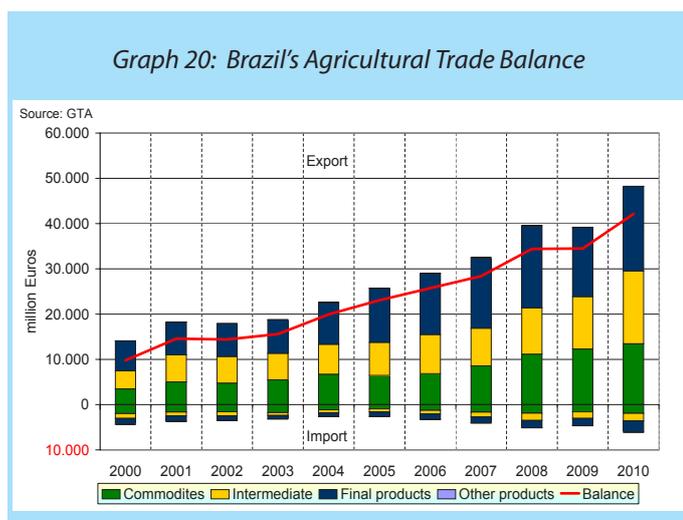
The main imports are final products (75% for 2007-2010), which grew by 23% in 2010, while imports of intermediate products were up by over 50%. The EU is the biggest supplier (38%) followed by Brazil (12%). Imports of pork grew by 10% and cheese by almost 60%, though poultry imports continued to fall, to a level 30% below the peak of 2008, due to continuing trade restrictions ostensibly linked to sanitary concerns.

Meanwhile agricultural exports contracted by 20% in 2010, having hardly been affected by the recession in 2009 (down 4%), to reach the lowest level since 2006.



This was driven by the cereals export ban imposed since August 2010. The value of wheat exports fell by 20% in 2010 (36% of all exports) while other cereals slumped by 58%.

Brazil's exports also reached record levels in 2010, with 23% growth despite the 12% strengthening of the Real against the US\$, potentially damaging its competitiveness on global markets. The rise was concentrated in intermediate products which gained 39% increase in value, thanks to higher prices and final products which are up by 22% (graph 20).



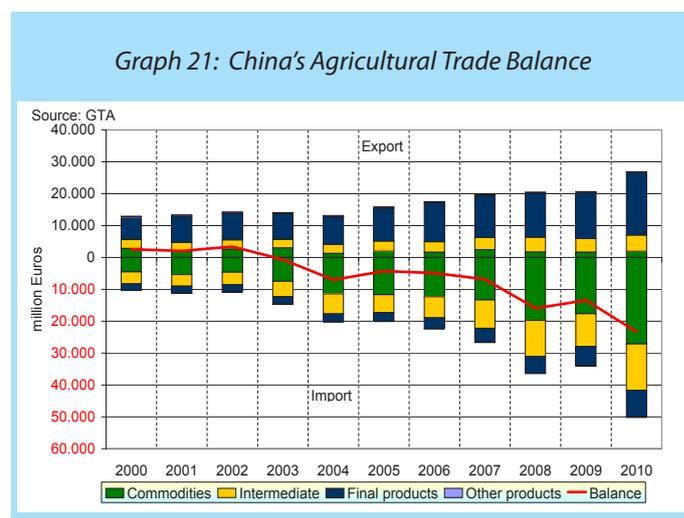
Raw sugar was the top export, expanding by 63% in value terms in 2010. Tropical coffee, tea & mate, a final product, grew by 44%. 2010 also saw a return to the trend of increasing meat exports. Poultry and beef exports recovered strongly (+36% and +27% respectively). This follows the dip in sales in 2009 linked to market access issues in the EU and Russia.

The EU is the number one export market, though its share declined from 36% in 2007 to 26% in 2010. China is in second place driven mainly by growth in soybean exports.

China's trade also grew sharply in 2010. Its trade deficit in agricultural products rose by 44% in 2010, as a result of a dramatic surge in imports (+47%). China tends to import commodities and to export final products, reflecting the scarcity of the country's arable land and water as well as an abundance of relatively cheap labour. More than half the value of imports (54%) is commodities.

The top import is soybeans which alone accounts for 38% of all agricultural imports and grew by 41% in value terms compared to 2009.

The Chinese textiles industry is catching up as witnessed by the sharp increase in imports of cotton, flax and hemp, raw hides and skins as well as wool and silk, which recorded growth of 170%, 50% and 42% respectively. Meanwhile China's exports grew by 30% in 2010, over 70% of which is in the final products category.





Conclusions

According to the WTO, global trade in goods and services expanded by 14.5% in 2010, after the slump of 12% in 2009. Agriculture trade fared rather better. The downturn in agricultural trade was less severe, contracting by 6% in 2009. Furthermore it has bounced back even more strongly than general trade, by almost 20% in 2010, to reach an all-time high, at least 12% above the previous record set in 2008.

The year 2010 saw the EU back on track, reaching a record level of exports, thanks to 21% growth. This reverses the 8% decline of 2009, after five years of consecutive growth. The strengthening of the EU market, consistent with economic growth, is witnessed by the 9% rise in imports in 2010, though it is still 5% below the peak of 2008. The resulting improvement in the EU's trade balance turned it into a net exporter in 2010, for the first time since 2006, with a €6 billion agricultural trade surplus.

This is largely due to expansion in the value of exports, driven by stronger demand for final products, as the EU's key trading partners come out of recession as well as high prices for commodities and intermediate goods. Exchange rate fluctuations may have contributed to the upsurge in exports, given the continued weakening of the Euro against a number of major currencies in 2010. Other factors such as the restrictions on cereals exports by Russia and Ukraine also played a role.

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 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.

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