

Colorado's Agricultural Export Trends

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The 2003 export value varied slightly from a record high in 2002 at \$1.019 billion in exports. In 2004, the export value will be significantly lower, impacted by the global impact of BSE (Bovine Spongiform Encephalopathy) in the beef industry. Effective December 2003, the export of all beef was halted due to the discovery of BSE in one dairy cow in the state of Washington. This discovery has resulted in the closure of world markets for beef products and live cattle.

Colorado's top agricultural export product category is beef and meat products, which

Colorado's agricultural exports					
<i>Value in US Million dollars</i>					
<u>Commodity</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004*</u>	<u>2005**</u>
Beef and meat products	382.6	366.8	435.7	163	288
Hides and furs	166.6	169.1	153.0	157	157
Course grains/feed/fodder	170.8	176.0	132.5	156	155
Wheat, flour & products	121.6	148.7	120.2	152	121
Fruit, vegetables-fresh/proc.	80.4	76.3	74.6	75	70
Misc. Processed foods & ag prod.	71.1	68.7	55.8	54	50
Dairy	17.6	16.1	11.2	11	11
Animal fats/oils	<u>20.8</u>	<u>29.5</u>	<u>36.7</u>	<u>37</u>	<u>35</u>
TOTAL	1031.5	1051.2	1019.6	805	887

* USDA Projection; **USDA Forecast

increased to 43 percent of total export in 2003, up from 35 percent in 2002. In addition, the exports of other livestock based products, including hides and animal fats represent an additional 18 percent of

exports. The 62 percent of exports for beef and products mirrors the value this sector represents in Colorado's farm/ranch revenue. Unfortunately, when a sector this large faces the loss of the export market, the impact on Colorado's agricultural exports is significant. Wheat represents the next largest export sector, the majority of all harvested wheat is exported each year. Course grains, feed and fodder sector is a collection of a wide range of farmed products and represent collectively a \$132 million market.

The closure of world markets effects more than beef exports. Colorado has developed a global reputation for beef cattle breedstock, which has ended with the BSE market closures. Mexico reopened their market on a limited basis in spring of 2003 to boneless beef products. This market is for beef from traditional feeder cattle, which are brought to market before they reach the age of 20 months. The export for beef, offal and other byproducts from all other cattle is still closed. In mid-October of 2004, the Japanese announced they have reached an accord with the US government to reopen the Japanese market. The market will now be open to meat from cattle that are under 20 months of age. The new protocol is under development and is welcomed by the U.S. cattle industry. The ban on other beef and meat products above this age limit will put additional pressure

on the U.S. industry, requiring additional special handling and segregation of products, not just for meat products but for offal and byproducts to enter the export market.

The U.S. beef industry is forecasting that even with the Japanese and other global markets reopening in late 2004 and early 2005, they anticipate it will be several years before the U.S. has regained the sales level's achieved before the market closure.

Colorado's top world markets continue to be dominated by Mexico, Japan and Canada, which represent over 55 percent of Colorado's total exports for agriculture. With the loss of the Japanese market in 2004, we anticipate that there will be further changes in our top

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Mexico	190.5	225.7	236.3
Japan	199.3	153.5	165.3
Canada	174.7	163.1	165.1
Korea	90.8	103.5	108.0
Taiwan	74.4	78.1	60.7
China	30.9	35.4	39.8
Hong Kong	32.1	28.2	29.8
Europe	41.9	38.0	30.3

markets for 2004. Japan's market has been sluggish for many years and 2004 represents the first year when the Japanese economic growth is projected to exceed 4 percent. Continued economic growth of 2.5 percent is forecast in 2005, so with the reopening of the Japanese market, the question is how quickly the Japanese market will return to the U.S. for their beef purchases. Mexico's economy is projected to grow 4 percent in 2004 and 2005. Korea's primary imports

from Colorado have been beef (over 66 percent). With the complete closure of this market in 2004, the U.S. is still in negotiations to reopen the Korean market for beef. Taiwan has announced in mid-October 2004 a reopening of their market to U.S. beef however, Taiwan's primary import from Colorado is hides, with just 8 percent of their imports from beef.

Colorado and the U.S. pet food market are also impacted by the BSE market closure. These sectors will struggle and are not assured of any return to market access for beef based products in the foreseeable future.

Colorado's 2004 and 2005 export trends will run counter to the greater U.S. agricultural export trends. Total U.S. agricultural exports are forecast to increase 10 percent in 2004 from 2003, which Colorado's exports will shrink 20 percent. In 2005 the U.S. exports of agricultural products are projected to decrease 7.3 percent, while Colorado's total agricultural exports will grow 10 percent, due largely to Colorado's re-entry into the export market for beef and beef products.