

International outlook for Colorado's agriculture, manufacturing, tourism and international education sectors

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GLOBAL ECONOMIC SUMMARY

According to data and trade statistics, the economy has slightly improved in 2003 over the last couple of years. The global economy appears to be ready for growth and the recently signed free trade agreements in Singapore and Chile should create new opportunities for US businesses.

Although the US has experienced global export growth from 2002 – 2003, it is still experiencing a large trade deficit that should continue to reach near record levels in 2004. Other world markets are also struggling to turn their economies around. From the strong Euro making European products less price competitive, to the SARS outbreak in Asia, to the political problems in the Americas, most regions are facing difficult times. This will impact how quickly the US economy can rebound.

COLORADO'S EXPORT TRENDS

Colorado's manufactured exports have trended downward during these economic hard times. Colorado's non-agricultural exports were down 10.4% in 2002 from 2001 levels.

Colorado's 2002 Exports	
<i>Value in Millions</i>	
	<u>2002</u>
Industrial machinery, incl. Computers	1,879.4
Electrical machinery, incl. Sound and TV equip	1,267.3
Agricultural	933.3
Optical, photo, medical or surgery equip.	631.6
Photographic or cinematographical goods	229.8
Aircraft, spacecraft, and parts	145.8
Vehicles except rail	80.8
All other exports	675.3

Many of the top manufactured categories have recorded growth in the first 9 months of 2003 compared to 2002 levels during the same time period.

Colorado's agricultural exports registered a 1.6% growth in 2002 over 2001 levels. Colorado's agricultural exports grew as a share of total state exports to 15.97% in 2002, up from

12.96% of all exports in 2000.

COLORADO'S AGRICULTURAL EXPORT TRENDS

Colorado's agricultural exports reached \$933.3 million in 2002 representing a 1.6% increase from 2001. This growth in exports has continued in 2003 with an additional growth through July 2003 of 1.2%, and projected year-end exports of \$944.1 million. The US Department of Agriculture forecast for 2004 indicates continuing strength in the

export markets that should provide an additional 6.2% growth leading to \$1 billion in sales.

Colorado's top agricultural exports are beef and meat products, representing over 39% of

Colorado's agricultural exports					
<i>Value in US Million dollars</i>					
<u>Commodity</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003*</u>	<u>2004**</u>
Beef and meat products	341.1	380.5	366.1	360.8	383.1
Hides and furs	137.5	169.6	169.1	169.1	171.2
Course grains/feed/fodder	135.6	124.7	129.5	135.9	141.8
Wheat, flour & products	188.9	134.8	160.3	169.2	195.3
Fruit, vegetables-Fresh/Proc.	10.7	10.2	10.8	11.2	11.1
Misc. Processed foods	20.6	36.7	29.7	30.9	31.8
Misc. ag. products	13.1	12.8	10.3	10.8	11.1
Sugar, confect. And beverages	10.5	10.5	10.0	10.4	10.7
Dairy	12.2	17.6	16.1	14.4	16.7
Animal fats/oils	<u>26.9</u>	<u>20.8</u>	<u>31.5</u>	<u>31.5</u>	<u>30.6</u>
TOTAL	900.1	918.2	933.3	944.1	1,003.3

* USDA Projection; **USDA Forecast

all exports. Other livestock based exports, including hides and animal fats represent an additional 18% of exports. Wheat represents the next largest export sector at 17%. The majority of all harvested wheat is exported each

year. The remaining top agricultural exports are shown on the chart.

The depreciation of the U.S. dollar against foreign currencies equaling almost 9% on a trade-weighted basis makes U.S. agricultural exports more competitive in the world

Colorado's Top Agricultural Export Markets			
<i>Value in US Millions</i>			
	<u>2000</u>	<u>2001</u>	<u>2002</u>
Mexico	78.7	202.9	237.7
Japan	203.0	166.8	119.2
Canada	131.9	113.2	102.7
Korea	86.7	88.6	100.7
Taiwan	75.4	77.5	79.4
China/HKong	46.6	63.9	63.8
Europe	21.8	19.6	21.0

market and this should continue to positively impact exports into 2004.

The top seven international markets for Colorado agricultural products represent \$727.4 million or 78% of all sales. Colorado's largest export markets have experienced a shift in the past three years, with the Japanese market, impacted by lackluster growth in GDP and food safety issues, affected Colorado's export of beef by a 41 percent market retraction in three years. On the positive side, the Japanese

economy projects a 1 percent growth in 2003, showing more than 40 percent growth in meat exports in the first eight months of this year. Mexico has surpassed Japan to become the largest agricultural export market for Colorado with over 200% growth in the past three years.

Beef and livestock, Colorado's largest export segment, has experienced negative market pressure from Japan's use of safeguard measures against imported beef and pork, but has

actually led the Mexican market. While Japan remains the largest US export market for beef, rising US market prices combined with Japan's increased tariffs on beef and pork will continue to impact the export sales. Despite these potential obstacles, the USDA is forecasting increased exports in this segment in 2004 for both value and volume of exported beef.

Colorado's wheat industry has started to recover from the lowest wheat harvest in thirty years, and people from this industry are developing production in a new class of wheat (hard white winter wheat). This product has strong global markets and Colorado is now the second largest state in production of this wheat class.

In conclusion, Colorado's agricultural industry will continue to be linked to the export market. The 2004 market outlook for key Colorado commodities forecasts a strong global demand for Colorado's agricultural products leading to record export growth in 2004.

STATE EXPORT OUTLOOK

For Colorado, manufactured, agricultural and mineral exports are up 3% as of July 2003 compared to this same time last year, and should continue a gradual turn around. The largest overall region for Colorado exports has been to Asia representing 39% of all foreign sales, secondly to the NAFTA partners at 32%, and thirdly to Europe at 24%. The state's single largest export market is Canada with \$776 million in export sales, followed by Mexico at \$291 million and then the Republic of Korea at \$249 million. Colorado's largest manufacturers export mostly to Europe and the NAFTA partners at 31% each, and then to Asia at 21%. They estimate that their export sales will grow by 10% during the next eighteen months. Colorado's agricultural exports are predicted to reach \$1 billion by the end of 2004. Depreciation of the US dollar is helping agricultural products be more price competitive.

International students attending college for academic year 2001 – 2002 increased by 6.4% on a national level and 3.9% on a state level. Leading country's of origin of foreign students are Japan, Republic of Korea, India, China and Thailand.

The only industry that has not yet improved is the tourism industry. For the third straight year, international arrivals to the U.S. declined. International visitors to the state also declined.

Because of projected uneven growth in the global economy and the instability of the US dollar, the International Trade Committee is guardedly optimistic regarding Colorado's export outlook for 2004.

The committee is forecasting a 2003 year-end increase of approximately 4.5%, which reflects an improvement in exports in the last three months of 2003 compared to 2002. The international Trade Committee is forecasting a 5% growth in exports from Colorado in 2004.