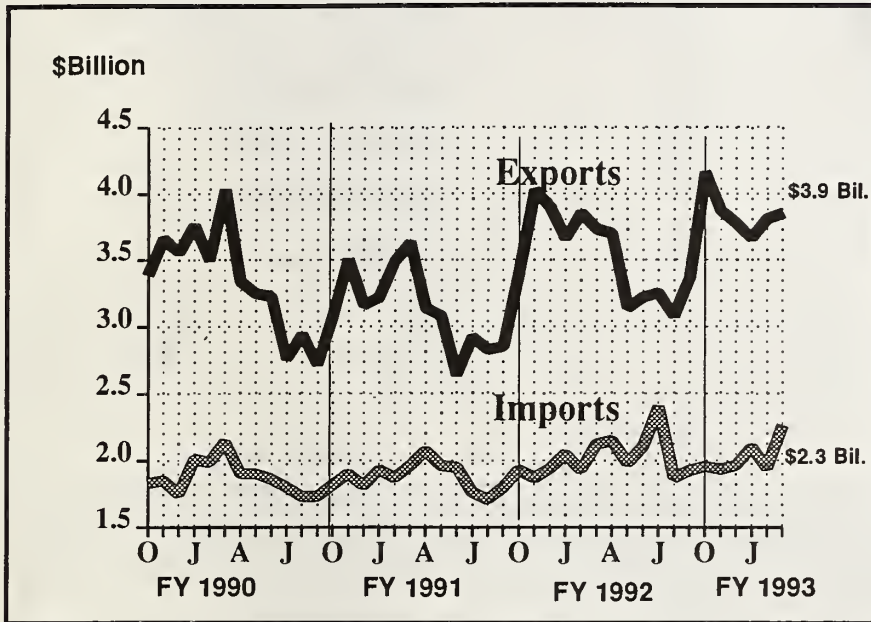


AGRICULTURAL TRADE HIGHLIGHTS

March Exports Total \$3.9 Billion

Sales Gains Led by Wheat, Soybeans, and Snack Foods



March trade statistics released on May 19 by the Commerce Department placed the value of U.S. agricultural exports at \$3.9 billion, up 1 percent from January's level and 3 percent higher than the same month last year. Increased sales of wheat, soybeans, soybean meal and consumer food products offset lower shipments of coarse grains, cotton, tobacco, and live animals from year-ago levels.

March shipments brought U.S. exports during the first six months of fiscal 1993 to \$23.1 billion, 3 percent ahead of the same period last year. Exports of consumer-oriented foods continued to outpace last year's levels, while exports of bulk and intermediate products are largely unchanged. USDA forecasts fiscal 1993 exports will reach \$42.5 billion, roughly unchanged from the previous year.

At \$1.8 billion, U.S. exports of bulk commodities in March were unchanged from the same month last year. Increased sales of wheat and soybeans offset sales declines for

coarse grains, cotton and tobacco. March's performance brought bulk exports for the first six months of fiscal 1993 to \$11.1 billion, up \$139 million from the same period in fiscal 1992.

March exports of intermediate products were up 11 percent from a year ago with shipments totaling \$827 million. Gains were registered in nearly all categories. Sharp increases in exports of soybean meal, vegetable oils and planting seeds more than offset lower shipments of live animals. March's performance brought intermediate product exports for the first six months of fiscal 1993 to \$4.9 billion, up \$27 million from the same period in fiscal 1992.

Consumer-oriented high-value products resumed their rise after a slight dip last month. March sales totaled \$1.2 billion, a 5 percent increase over the same month last year and 14 percent ahead of February's totals. Sharply higher shipments of snack foods, breakfast foods, and pet food

offset declines in fresh fruit exports. March's performance brought consumer food exports for the first six months of fiscal 1993 to \$7.2 billion, up \$426 million, or six percent, from the same period in fiscal 1992.

Trade performance for the top 10 U.S. agricultural export markets in March was mixed compared with the same month last year. There were double digit increases to Taiwan and the Philippines, and a single digit increase to Canada. On the down side, shipments to the republics of the former Soviet Union totaled only \$93 million, down 49 percent from year-earlier levels. Sales exports to Egypt, South Korea and Mexico also suffered double digit declines. Exports to Japan, the EC and Hong Kong were flat.

March agricultural imports reached \$2.3 billion, up 11 percent from a year ago. Higher imports of tobacco, beef, and fresh vegetables accounted for nearly all the gain. With exports at roughly double imports, the fiscal year-to-date agricultural trade surplus now totals almost \$11 billion, down slightly from the same 6-month period last year.

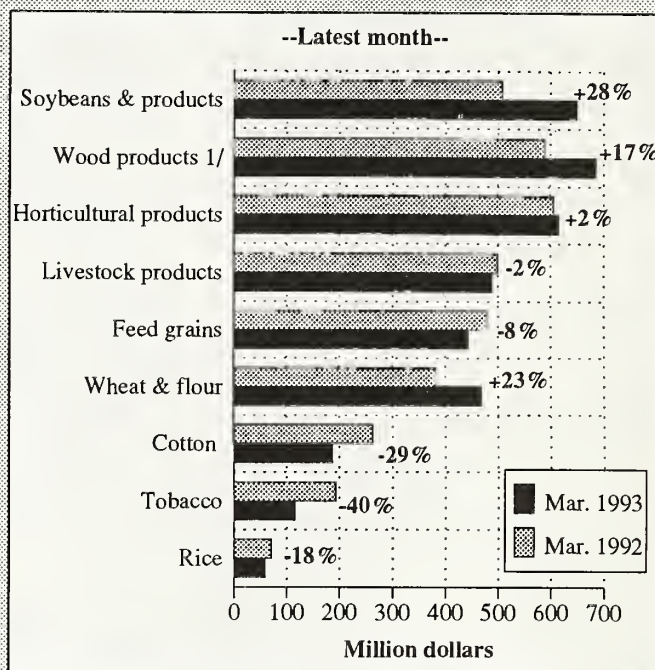
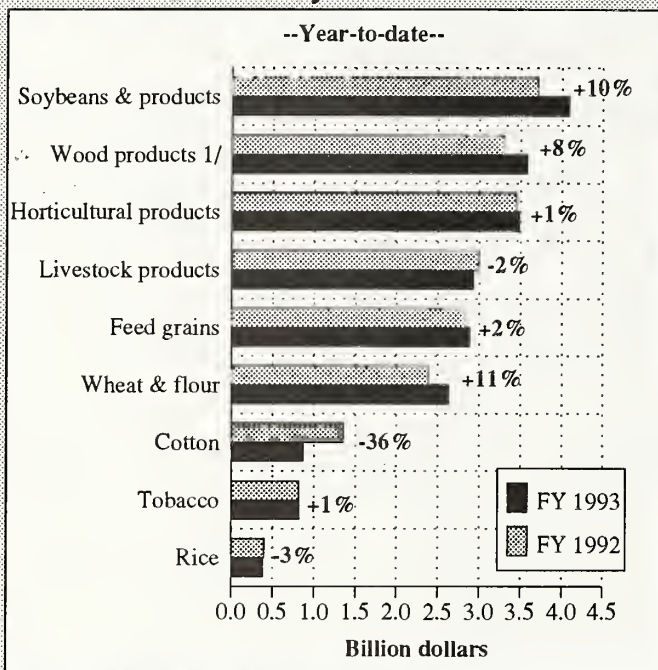
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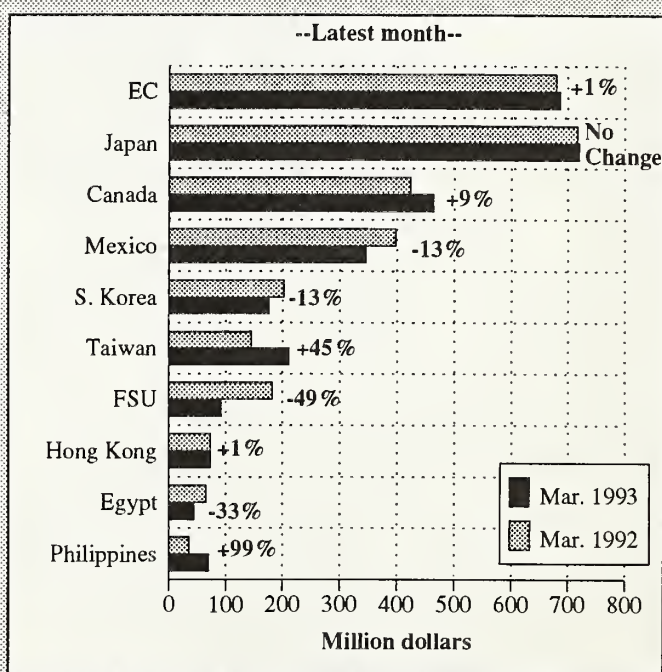
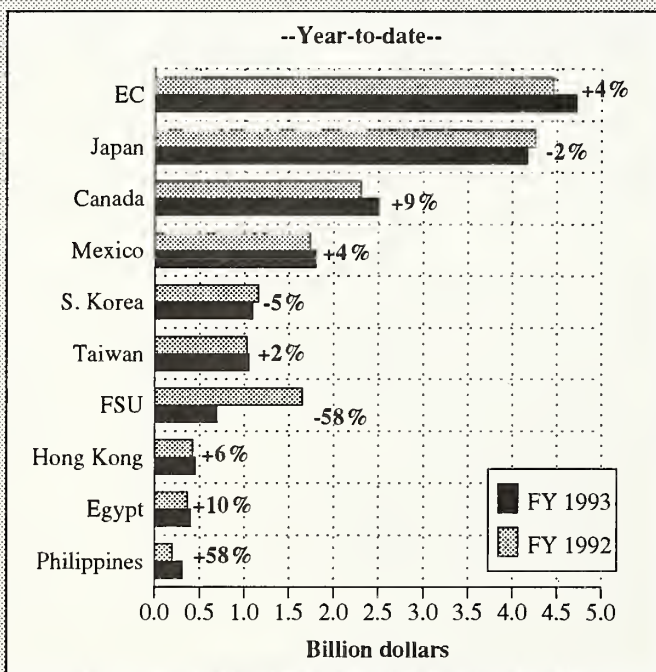
U.S. Agricultural Export Summaries

October-March and Latest Month Comparisons

Product Summary



Top Ten Markets Summary



Note: Percentages are computed as the change from a year ago.
1/ Not included in agricultural totals.

Commodity Highlights

March exports of *wheat and wheat flour* rose 23 percent from year-earlier levels to \$469 million on a 16-percent volume gain. During the first half of fiscal 1993, sales were up 11 percent to \$2.6 billion while volume was down 2 percent to 19.6 million tons. Lower supplies of Canadian and Australian wheat available for export are buoying market prices. Lower sales to the former Soviet Union, down 59 percent or \$351 million so far this year, have been more than offset by larger sales to many countries, led by Morocco, India, and the Philippines, with sales increases of \$99, \$84 and \$71 million, respectively.

Exports of *feed grains* fell 8 percent in March to \$443 million, but were up 8 percent on a volume basis. Fiscal year-to-date, shipments are up 2 percent to \$2.9 billion while volume is up 15 percent to 28.8 million tons. The record 1992 U.S. corn harvest has reduced market prices from year-earlier levels. Sales declines are largely limited to the former Soviet Union (which are down 54 percent to \$220 million), while the largest export increases are registered to South Africa, Canada and Poland, up \$182, \$69 and \$56 million, respectively.

March exports of *oilseeds and products* rose 28 percent to \$774 million. In fiscal 1993, sales are up 9 percent to \$4.8 billion and volume is up 12 percent to 19.8 million tons. Exports of soybeans and products, the largest category, are up 10 percent to \$4.1 billion on a 12-percent gain in volume. Lower competing soybean supplies from South America are boosting sales to the EC (up 23 percent to \$1.8 billion), and other major overseas markets, including Japan (up 13 percent to \$573 million), Taiwan (up 12 percent to \$292 million), and South Korea (up 15 percent to \$187 million). Sales to the former Soviet Union are down 83 percent to \$79 million.

Exports of *rice* dropped 18 percent in March to \$59 million, and were down 4 percent on a volume basis. Year-to-date shipments are down 3 percent to \$388 million while volume is up 4

percent to 1.2 million tons. The top five markets are showing mixed results. Exports to Saudi Arabia, Turkey and Mexico are up 39, 128 and 77 percent, respectively. Sales are down to the EC and Canada by 6 and 10 percent, respectively.

March *cotton* exports continued lower from year-earlier levels. Exports for the month were off 29 percent at \$186 million, on a 24-percent decline in volume. For the first six months of fiscal 1993, sales are down 36 percent to \$870 million and volume is down 28 percent to 656,000 tons. Weak demand in global markets and strong competition from other suppliers are the major reasons for these declines. Of the top five markets, only Mexico recorded a sales increase, up 513 percent to \$86 million. Shipments are down 19 percent to South Korea, 40 percent to Japan, 43 percent to the EC, and 55 percent to Indonesia.

March exports of *unmanufactured tobacco* were down 40 percent to \$156 million, on a 33-percent decline in volume. However, year-to-date sales are up 1 percent to \$823 million and volume is up 6 percent to 139,000 tons. These gains are being largely supported by sales to the EC, up 19 percent to \$370 million.

Exports of *horticultural products* rose 2 percent in March to \$615 million, which brings shipments so far this year to \$3.5 billion, up 1 percent from the same period last year. Year-to-date, fresh and processed fruit exports are down primarily due to the record 1992 fruit harvest in Europe and weaker U.S. citrus prices. Tree nut exports are also down due to a relatively poor U.S. almond crop. Fresh and processed vegetable exports, however, are up 12 percent to \$1.4 billion due to strong sales in East Asia. Sales to Canada are up 3 percent, while sales to the EC and Japan are down 12 percent and 15 percent, respectively.

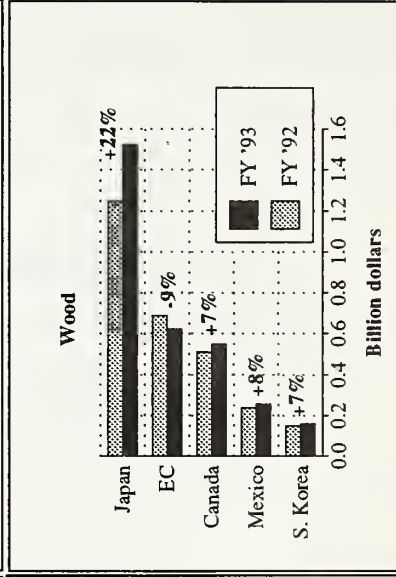
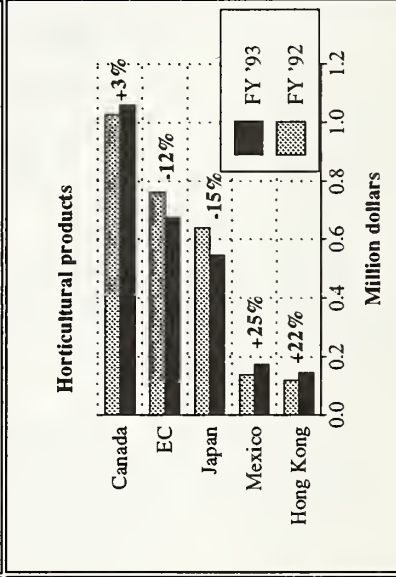
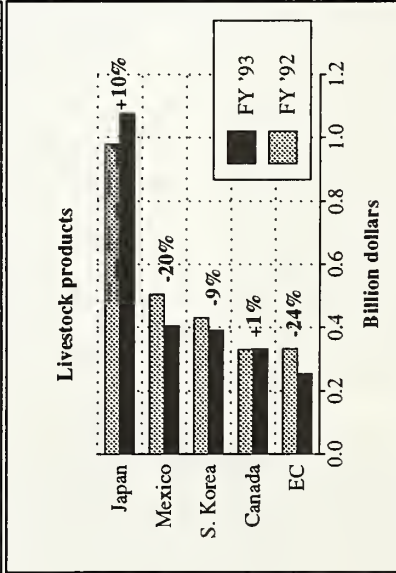
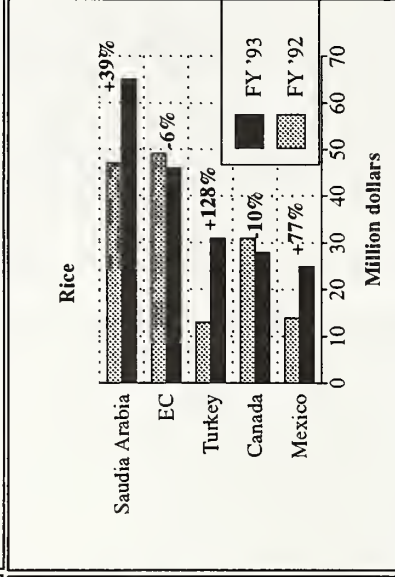
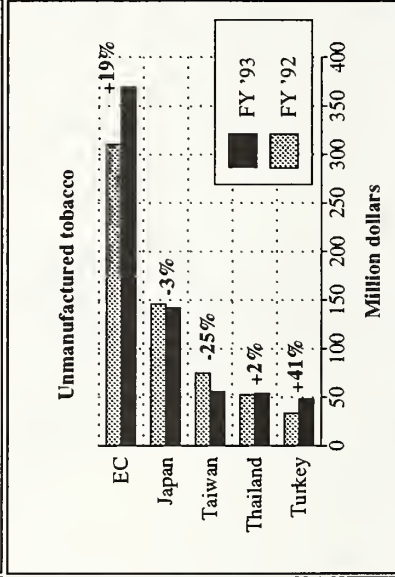
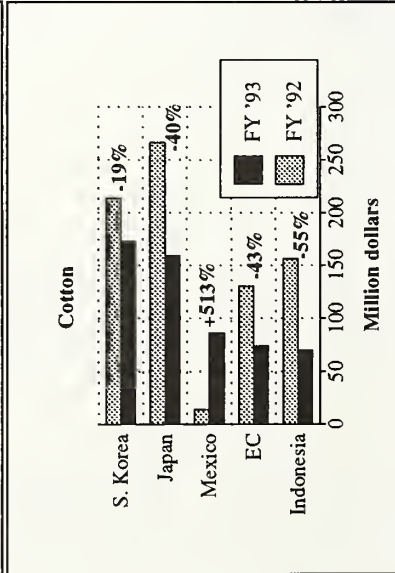
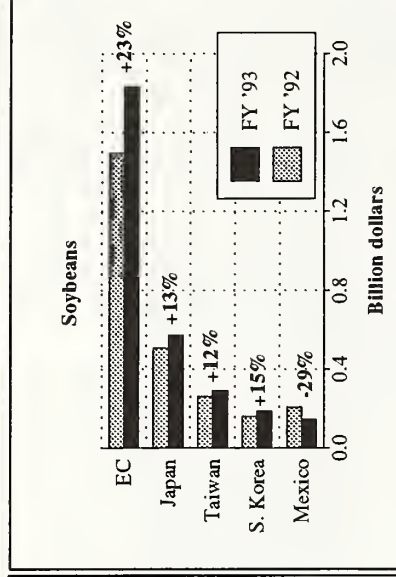
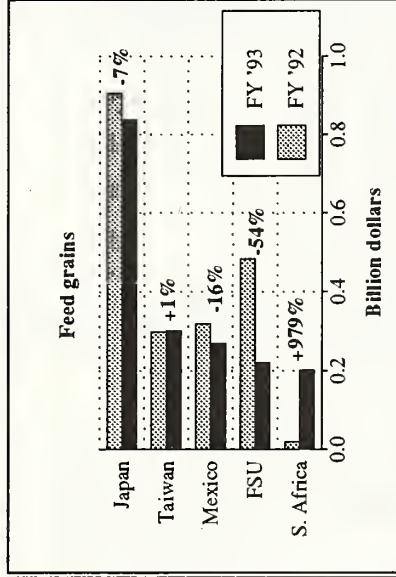
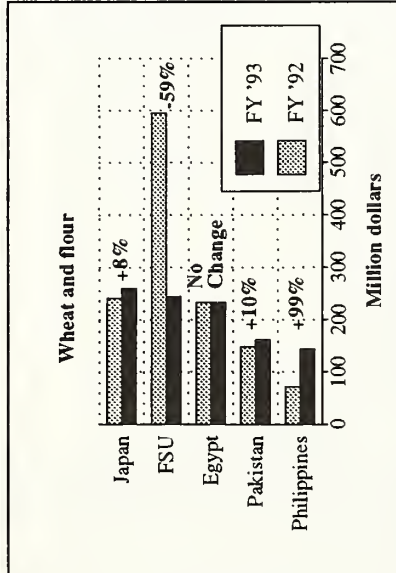
Exports of *livestock products* fell 2 percent in March to \$489 million. So far this year, shipments are down 2 percent to \$2.9 billion while volume is

up 1 percent to 1.4 million tons. Sales of red meats have been slowed by new tariffs imposed last November in Mexico and lower Korean government purchases. Shipments to Mexico and South Korea are down 20 percent and 9 percent, respectively, while sales to Japan are up 10 percent to \$1.1 billion.

March exports of *wood products* were up 17 percent to \$687 million, bringing year-to-date sales to \$3.6 billion, up 8 percent from year-earlier levels. Most of the gain is to Japan, up 22 percent to \$1.5 billion. Sales to Canada total \$549 million, up 7 percent from the first half of fiscal 1992.

For more information, contact Ernest Carter at (202) 720-2922.

Top Five Markets for Major U.S. Commodities October-March Comparisons



Note: Percentages are computed as the change from 1992 to 1993.
// Negligible exports reported during comparable period last year.

Country Spotlight: Chile



Chile's demand for U.S. agricultural products is expanding at an impressive rate. From 1991 to 1992, U.S. farm product shipments to Chile grew 28 percent, reaching almost \$90 million. This shows the strong comeback of U.S. product compared with preceding years, when sales were as low as \$35 million. Whereas Chile falls outside the U.S.' top 50 markets for agricultural goods, it nevertheless represents one of the most promising markets due to its relatively open import regime, strong currency and thriving domestic economy.

An overview of Chile shows the following: it spans a range of diverse climates in a narrow land mass, and produces large quantities of fruits, fish, forest products, and seeds for export. Its agricultural success is notable; production nearly doubled in 10 years while planted area actually declined. In 1991, Chile shipped \$1.6 billion of agricultural products while importing \$509 million. Its major trading partners are Argentina, the U.S., Paraguay, Brazil, and to a lesser extent, the EC

and Canada. The U.S. share of Chile's agricultural imports decreased from 19 to 14 percent from 1986-91, primarily due to a drop in the U.S.' share of Chile's grain imports.

Growing High-Value Sales

Since 1988, high-value products have been the fastest growing category of U.S. agricultural sales to Chile. In 1992, exports of intermediate (semi-processed) and consumer-oriented high value products reached \$43 million and \$14 million, respectively, up \$24 and \$10 million from 1988 levels. Preparations for manufacturing of beverages comprise the largest portion of semi-processed exports, and were up by the greatest amount (\$7 million). Soybean meal and planting seeds, both of which reached all time highs, constitute the next largest semi-processed purchases. Live animals and tree nuts also achieved record sales levels.

The rising incomes of 14 million Chileans and their greater consumption of processed foods together help explain last year's 137 percent increase in U.S. exports of consumer-oriented foods. By aggressively entering this market, U.S. firms have established footholds for products with excellent potential for expansion. Sales so far in 1993 are up 66 percent from a year ago, which bodes well for the future.

Dry milk had the sharpest growth among processed items; it accounted

for 65 percent of the gain in 1992. The majority of this moved under government assisted sales programs. Other areas of growth occurred in exports of pet food, beer, beef-based variety meats, chocolate snacks, condiments and sauces, frozen french fries, and corn chips. In many cases, these and similar retail items were previously unknown in Chile.

Bulk Commodity Imports

Chilean purchases of U.S. bulk commodities were erratic in the past seven years; moreover, they reflected lower overall levels of cereal imports due to escalating self-sufficiency. However, Chile will likely reduce its grain production in the future because its grain production is not competitive with global suppliers and with other products (fruits, forestry).

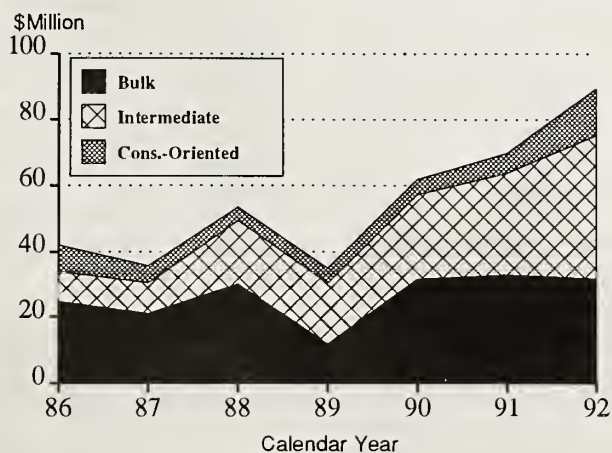
Long term, Chile will have to import some combination of livestock products, grains, and protein supplements. Continued economic growth will probably result in expanding bulk imports, although not as rapidly as imports for high value products. However, mounting bulk imports are as likely to come from Argentina and Paraguay rather than from the U.S.

Changing Eating Habits

Chileans' traditional eating habits have changed. For example, bread consumption per capita has declined as people substitute it with yogurt, cheese, and ice cream. Consumption of processed wheat products such as biscuits and crackers have increased. Fruit consumption has also gone up. New and prestige foods, especially imported foods, are beginning to be more attractive.

There is a visible increase in fast-food restaurants. Part of the popularity of these outlets is due to the increasing familiarity of the Chilean population with the United States, including knowledge of U.S. products and lifestyle from the media. The opening of McDonald's, Kentucky Fried Chicken and Pizza Hut has already had a positive influence on U.S. exports of food products intended to supply those outlets, such as chicken parts and tomato preparations.

U.S. Exports Expand 28 Percent to Meet Chile's Rising Demand



Economic Vigor Rooted in Export-Led Growth

Chile's economic vigor is rooted in its export-led growth. Chile is undergoing one of the world's most profound economic transformations, bringing greater wealth to the average Chilean, and most likely to all income groups in the future. The Chilean government privatized key industries, liberalized trade, diversified exports and reduced debt.

Chile's economic indicators forecast a bright future for U.S. agricultural exports, as prosperity brings increased demand for foods beyond a staple diet. GDP per capita rose from \$1,320 in 1985 to \$2,809 in 1992. Private consumption expanded, on average, 6.2 percent every year since 1986. The U.S. dollar weakened against their currency, making the United States more competitive in their market.

The agricultural sector is Chile's second largest foreign exchange earner after mining. Chilean farmers and agribusinesses work together to increase exports, particularly in horticultural products. Their success can be measured by the significant growth of Chilean fruit and wine imports to the U.S. Fresh fruit and fruit juice imports rose from \$190 million in 1986 to \$349 million in 1992. Wine imports from Chile gained tenfold during this period, capturing third place among wine suppliers.

Retail Opportunities

Chileans' purchases in supermarkets, divided between domestic and foreign competitors, surged to over \$2 billion. Although Chilean production of consumer-ready foods is increasing, quality advantages as well as a positive image of U.S. products will still generally provide a sales advantage to U.S. products, assuming a reasonable price differential. Foreign competition is particularly strong from Ecuador, Argentina, and the EC, each of which surpass the U.S. in exports of ready-to-eat foods. The U.S. and Brazil tied as fourth-ranked supplier in 1991. The advantage of most Latin American suppliers vis-a-vis the U.S. often comes through favorable import tariffs rather than lower transportation costs.

Most Chilean supermarkets are like large stores in the United States. The dairy, meat, fresh produce and canned food sections are similar to those sections in U.S. supermarkets; the frozen foods section is smaller but growing. Small businesses and major chains rely upon larger importing firms to purchase their consumer-ready items from the U.S. Selection of products and manufacturers are generally the responsibility of the U.S. distributors rather than the importer. Few middlemen are involved in Chilean commerce.

The U.S. share of Chilean food purchases could be increased by strengthening the visibility of American products and informing Chilean consumers about their benefits. U.S. suppliers should be prepared to support their trade with point-of-sale promotions either independently, jointly with their Chilean trade partner, or through the appropriate U.S. market development cooperator.

Chile's largest supermarket trade show, Supermercado '93, would be an excellent venue for U.S. agribusinesses to link with wholesalers overseas. Supermercados will be held in Santiago from August 25-27. At least 5,000 distributors representing the food, food service and supermarket sectors in Chile and other Latin American countries are expected to attend. For more information, contact the U.S. Agricultural Attache, Richard Helm, at (Tel.) 01156-2-671-0133 or (FAX) 011-56-2-698-9626.

Demographic Profile

The demographic and expenditure patterns of Chileans help shape their response to market promotions. Eighty-six percent of the people live in one of four major metropolitan areas, and 36 percent reside in the capital city; this concentration assists market entry. Nearly 21 percent of women are formally employed outside the home,

which leaves less time for cooking. The trend of more women joining the work force favors growing purchases of ready-to-eat foods. The significantly young population also bodes well for expected sales of processed foods.

The Next Free Trade Member

If pronouncements by the former Bush administration are acted upon by President Clinton, the U.S. may enter into a free trade agreement with Chile, after Mexico. A zero-tariff bilateral treaty with Chile has potential to create new opportunities for exports of a wide array of U.S. products. Reaching an agreement is within the framework of the Enterprise for the Americas Initiative, which laid out policy reforms needed for a U.S. commitment to an agreement.

Last year, the U.S. International Trade Commission examined U.S. market access in Chile and concluded it possesses a generally transparent and non-discriminatory trade and investment regime. However, Chile still maintains barriers to U.S. goods in several areas including certain agricultural sectors. Although Chile lowered most agricultural import tariffs, basic commodities such as wheat and wheat flour, sugar and vegetable oils remain subject to minimum price calls.

Prospects for Expansion

Prospects are excellent for further expansion of U.S. agricultural exports to Chile, and particularly high-value consumer food products. As Chile continues to explore where its agricultural comparative advantages lie, additional changes could boost imports of vegetable oils, and over the medium term, increase livestock inputs. Meanwhile, consumer food sales will grow briskly as Chile's economy shows continuing prosperity. The attraction of new taste sensations, high quality imported foods, and fast food establishments is expected to increase demand for U.S. exports.

For more information, contact Diane Dolinsky at (202) 720-6821 or Richard Helm in Santiago at (011-56-2) 671-0133

U.S. Agricultural Exports by Commodity Type to CHILE

Calendar Years 1988-1992 and Year to Date Comparisons

(In thousands of dollars)

Product	Calendar Years (Jan-Dec)					January-March		% Chg
	1988	1989	1990	1991	1992	1992	1993	
BULK COMMODITY TOTAL	30,130	12,106	31,723	32,952	31,937	4,536	8,172	80.2
Wheat	4,340	0	11,790	9	4,282	0	0	
Coarse Grains	22,471	7,047	15,352	28,152	26,012	4,302	6,341	47.4
Rice	1,665	180	850	1,697	11	0	0	
Soybeans	0	0	0	0	0	0	0	
Cotton	843	240	578	72	254	32	123	284.4
Tobacco	0	3,500	2,276	1,475	3	0	1,477	
Pulses	108	81	233	52	53	5	66	1220.0
Peanuts	106*	32	14	48	39	0	18	
Other Bulk Commodities	598	1,026	631	1,447*	1,284	197	147	-25.4
INTERMEDIATE TOTAL	19,289	18,420	25,631	30,797	43,194	13,284	9,206	-30.7
Wheat Flour	225	0	0	0	3	0	0	
Soybean Meal	0	0	0	1,896	4,370*	858	992	15.6
Soybean Oil	4	0	5	0	0	0	0	
Other Vegetable Oils	1,073	972	873	877	1,450	282	4	-98.6
Feeds & Fodders (Excl Pet Foods)	32	599	270	570	813	265	288	8.7
Live Animals	819	929	1,030	1,090	1,566*	370	548	48.1
Hides & Skins	35	8	20	596	761	466	0	
Animal Fats	768	1,141	940	1,868	2,680	560	1,032	84.3
Planting Seeds	3,331	3,077	3,472	3,802	4,192*	694	1,036	49.3
Sugars, Sweeteners, & Beverage Base	3,474	4,244	12,878	13,505	20,623	8,199	3,642	-55.6
Other Intermediate Products	9,527*	7,449	6,142	6,592	6,735	1,590	1,663	4.6
CONSUMER-ORIENTED TOTAL	3,965	4,407	4,591	5,988	14,187	1,954	2,639	35.1
Snack Foods (Excl Nuts)	227	518	1,367	1,671	1,403	328	445	35.7
Breakfast Cereals & Pancake Mix	39	79	144	134	247	33	111	236.4
Red Meats, Fresh/Chilled/Frozen	216	323	322	279	684	185	94	-49.2
Red Meats, Prepared/Preserved	0	18	3	30	49	7	17	142.9
Poultry Meat	0	46	42	164	268	25	100	300.0
Dairy Products	1,699	1,990	335	420	6,027	69	669	869.6
Eggs & Products	133	154	142	135	147	4	0	
Fresh Fruit	32	17	51	17	4	4	0	
Fresh Vegetables	0	0	12	28	124	0	0	
Processed Fruit & Vegetables	166	143	999	719	1,290	202	128	-36.6
Fruit & Vegetable Juices	4	13	0	38	61	9	55	511.1
Tree Nuts	331	279	51	504	1,102*	326	203	-37.7
Wine and Beer	41	55	102	156	545	40	27	-32.5
Nursery Products & Cut Flowers	59	155	114	24	111	23	3	-87.0
Pet Foods	25	16	34	43	222*	28	187	567.9
Other Consumer-Oriented Products	992	600	873	1,627	1,902	670	602	-10.1
AGRICULTURAL TOTAL	53,384	34,933	61,945	69,737	89,318	19,774	20,017	1.2

Note: (*) Denotes highest export level since at least 1970.

Product Spotlight: Lobster

A Seafood Success Story: Lobster Shipments Reach Record \$100 Million.

Exports of U.S. lobsters reached a record \$100 million in 1992 capping an eight year rise from only \$5 million in 1985. If present trends continue, U.S. lobster exports could more than double by the end of this century.

The world has developed a taste for the American (Maine) lobster. This global market has risen in importance along with export value to the U.S. lobster industry. According to USDA's Economic Research Service, exports rose from a 4 percent share of the value of the domestic lobster catch in 1985 to nearly 47 percent in 1991.

Combined, the EC and Canada represent more than three fourths of the U.S. lobster export market. In 1992 sales to both countries set record levels. Shipments to the EC reached nearly \$55 million or 55 percent of total lobster exports, and Canadian shipments rose to \$23 million or 23 percent of total exports. Japan, the third largest market, slipped in export share to 13 percent, showing the impact of its *bubble burst* recession on luxury good consumption. It dropped from its record shipment level of \$16 million in 1991 to \$13 million in 1992.

U.S. Exports the Maine Lobster

There are basically two types of lobster. The familiar Maine lobster

(*Homarus Americanus*) comes primarily from the cold waters off the coast of New England and Atlantic Canada. *Homarus Americanus* is distinguished by its two claws. U.S. regulations establish a minimum size lobster that may be caught. There are three main categories of lobster. These are: (1) Chicken (*chix*) lobster is the smallest size that may be legally sold in the U.S.; it may weigh one pound or less but must have a minimum carapace length of 3-1/4 inch and yield four ounces of meat; (2) Quarters, which may weigh between one pound two ounces to one pound four ounces, and yield 4-6 ounces of meat; this is considered a single serving.; and (3) Large lobsters, also known as halves, three quarters, and deuces, it may weigh one and one half to two and one half pounds, and are often shared by two persons.

The Other Lobster: Spiny

Spiny lobsters (*Palinurus* or *Jasus* species) are also known as rock lobster, crawfish, crayfish, and langosta. These lobsters have no claws and are consumed for their tail meat. Found around the world, Australia is the major source (20 percent) of the world catch, followed by Cuba (15 percent), Brazil (8 percent), Bahamas (8 percent), South Africa (5 percent), New Zealand (5 percent) and the U.S. (4 percent). The U.S. catch comes mostly from Florida and California. A quality distinction is made between cold and warm water spiny lobsters.

Cold water spiny lobsters are considered superior.

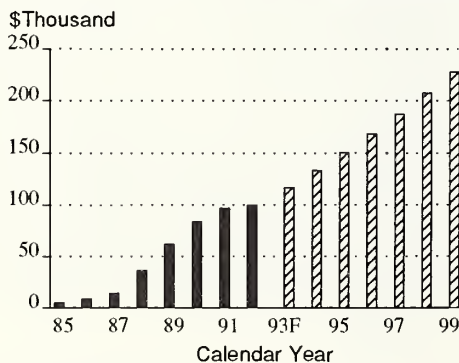
Nearly all U.S. lobsters exported are *Homarus Americanus* which are unique to North America. This uniqueness insulates *Homarus Americanus* from direct competition with spiny lobsters caught elsewhere in the world. This is because of the taste difference between spiny and *Homarus Americanus* lobster.

EC Is The Largest Market

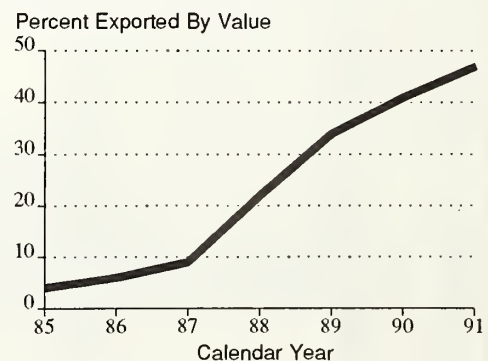
The EC has emerged as the largest market for American lobsters. It steadily rose in share of U.S. lobster shipments from 28 percent in 1985 to 55 percent in 1992. Lobster is the fourth most popular U.S. seafood export to the EC, after canned salmon, groundfish, and whole salmon, according to the Department of Commerc National Marine Fisheries Service.

Canada and the U.S. dominate the EC lobster import market. According to 1991 Eurostat statistics measuring the volume of all types of lobster (North American, and spiny) shipped to the EC, Canada held a 62 percent share with the U.S. second with 33 percent. The U.S. share of EC imports has risen from only 5 percent in 1986, while Canada's has nearly doubled from 32 percent. Part of the reason for the prominence of Canadian lobsters in the EC, is the U.S. rule which establishes a larger minimum size lobster that may legally be sold in the U.S. This rule has the effect of di-

U.S. Lobster Exports Set Record as Lobster Exports Rise in Importance



Note: Forecast 1993-1999



...Lobster

verting smaller Canadian lobsters from the U.S. market toward the EC.

Promotional efforts by the seafood industry at trade shows such as ANUGA have helped drive European demand for U.S. lobster. Other factors have been a plentiful supply of lobster, and favorable exchange rate shifts as the dollar declined against European currencies. Reinforcing this is the European consumers' familiarity with clawed lobsters. The European lobster, *Homarus gammarus*, is the only true relative of the North American lobsters. *Homarus gammarus* is found off the Atlantic coast of France and Spain. Consequently, the North American lobster has not had to face the marketing hurdle of customer acceptance.

Lobsters for EC consumers are luxury goods which are typically consumed in restaurants for special occasions. In Belgium, lobster salad consisting of lobster meat mixed with a light mayonnaise dressing is popular. Spanish cuisine incorporates lobster into paella. Lobster is especially popular in Galicia, the Spanish Atlantic province which is the source of the European lobster, and much of Spain's seafood cuisine.

EC's appetite for American lobster is led by Italy, France and Spain; combined they consume four fifths of U.S. shipments to the EC. Italy emerged as the leading EC country market in the 1990s. Shipments to Italy reached a record \$24 million (or 44 percent of lobster exports to the EC) in 1992. France and Spain, with strong lobster cuisine traditions are the number two and three EC country markets. 1992 U.S. lobster shipments are slightly off the 1991 record levels as recession in both countries affected demand for luxury goods. However, the demand for American lobster is expected to rebound with eventual economic recovery.

Canada is the second largest U.S. export market for lobster despite large U.S. imports of lobster from Canada.

Much of this trade is thought to be cross border trade. Nearly one fourth (\$23 million) of U.S. export shipments of lobster went to Canada in 1992.

Japan Develops an Appetite for Live Lobster

Japan is the world's leading consumer of seafood and currently is the third largest market for overseas shipments of U.S. lobster. This is no surprise since rising affluence over the last several decades whetted Japanese consumers appetites for new imported seafood products. This affluence led to a shift from canned to frozen lobster in the supermarket. Developments in air cargo and shipping techniques by Mitsui OSK, which developed the Fishtec live fish container system for shipping, led to live lobster shipments as well as chilled. The development of live lobster shipments coincided with a boom in live seafood restaurants where dinner resides in a tank of sea water.

Lobster is a luxury good in Japan. The high price of lobster means that Japanese consumers traditionally do not consume it whole. Lobster is often served in a salad consisting of lobster, crab or shrimp mixed with finely grated cucumber with a vinegar dressing. Another form of consumption is stir fried lobster chunks. The recent availability of fresh or live lobster introduced the American restaurant tradition of one person consuming a whole lobster. Because of the high price of lobster, restaurants are the primary venue of consumption where it is a popular business expense account item. Changing attitudes of younger Japanese who often dislike the smell of fried fish in the home, contributes to the popularity of eating lobster in a restaurant.

Nearly 90 percent of Japan's *homarus* lobster imports are supplied by the U.S. and Canada. The U.S. has a 22 percent market value share. Despite the recession induced sales dip in 1992, Japanese consumer analysts are confident that consumption will re-

bound along with the economy in the near future.

New Markets: Hong Kong & Netherlands Antilles

While still small, two new lobster markets have recently emerged: Hong Kong, and Netherlands Antilles. Sales of lobster to Hong Kong reached a record \$1 million in 1992, more than tripling 1991 sales. Hong Kong sales are driven by prosperity, and affluent status-conscious lifestyles. Luxury-good consumption is a way of displaying affluence. The Netherlands Antilles is a market that steadily grew from \$96 thousand in 1988 to \$691 thousand in 1992 to nearly \$1 million in the first two months of 1993. This surge is related to the affluent tourist trade.

Export shipments of U.S. lobster reached a record \$100 million in 1992. Major markets are the EC, Canada, and Japan which set export records in 1991 or 1992. Despite the impact of recession in these markets, any dip in exports will likely be only temporary. New lobster markets have emerged such as Hong Kong and the Netherlands Antilles. If present trends continue, the U.S. lobster export market could reach the \$250 million level by the end of this century.

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Trade Policy Updates

Delay In Initiation Of Shipments Of New Zealand Apples To Japan

The process for permitting the import of apples from New Zealand into Japan is progressing; it is, however, not expected to be completed in time for New Zealand to ship any apples from the 1993 crop (harvesting virtually completed now). New Zealand had hoped to get at least a few trial shipments in this year because it believes the requirements being developed for shipments are not commercially viable and will need to be modified after they implemented. Reportedly the Government of Japan has stated that no changes to the negotiated procedures will be made until after one season's shipments. Thus, it is likely there will only be limited shipments next year to test the system with negotiations afterwards to improve the commercial viability of the trade.

Poland Raises Poultry Tariff

On May, 4, 1993, Poland's minimum tariff for imported poultry meat and offals rose from 30 percent to \$0.35 per kilogram, an effective 15 percent increase. Based on last year's average imported price, the effective duty rate increased about 45 percent, and the wholesale price about 10 percent. The measure aims to protect producers from rising costs and inefficient operations. The higher tariff likely will slow imports of U.S. poultry parts, which last year reached \$22 million. However, demand for U.S. poultry meat is expected to recover later in the year as local supplies of red meat tighten.

Steichen Briefs Press On Meeting With Secretary Espy

Although EC Agriculture Commissioner Steichen reported that Secretary Espy's visit was "mainly a courtesy call," Steichen also announced that the U.S. and the EC agreed to have technical discussions to clarify market access issues in the Uruguay Round and that both sides confirmed their attachment to the Blair House Agreement. Regarding the Uruguay Round, Steichen said that the U.S. has problems regarding minimum market access and current access on which "their interpretation differs from ours," particularly concerning the Draft Final Act's provisions for current access "opportunities." He pledged to ensure that the agreement on corn gluten feed be adopted "according to the same time frame as the agreement on oilseeds."

Policy Changes In Russia Likely To Affect Import Of Food Products

Beginning July 1, 1993, under a new law titled "About Certification," all food products entering the Russian Federation will be required to have a Certificate of Conformity. The certificate must be either issued or recognized by the State Standards Committee. This new law prohibits all advertising of food products requiring certification, and only permits food products to be sold with a Certificate of Conformity. The implementation of the new law will make it harder to import food products because it adds another layer of Russian bureaucracy to the import regime. It can take about two months to obtain a Certificate of Conformity in the Russian Federation. However, the new law made provisions for food products whose contracts were concluded before January 1, 1993 to continue entering Russia, provided there is a copy of a valid sales contract.

EC To Accelerate Concessions To Central And Eastern European Countries

In order to forge closer political and economic links with Central and Eastern European countries, the EC Commission has proposed to accelerate the timetable outlined in the EC Association Agreements. For agricultural products, the 60 percent reduction in levies/duties and the 10 percent increase in quotas will begin six months earlier.

Central Asian Republics Establish Relations With Israel To Improve AG Sector

In the past two years, Israel has established relations with Azerbaijan and four republics in Central Asia: Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan. There are indications officials in these republics have aggressively courted Israel, in large part because of Israel's expertise in modernizing outdated farming techniques. As a result, Israel helped Kazakhstan multiply its tomato yields six-fold, and increased Uzbekistan cotton output by 30 percent while reducing water consumption by two-thirds.

...Trade Policy Updates

Nigeria Lifts Ban On Wheat Imports

On May 1, 1993, the Government of Nigeria agreed to lift the ban on all wheat imports. However, flour mills must still buy all available domestically produced wheat at an agreed price of 50 percent above imported wheat prices. In addition, master bakers are being asked to maintain bread prices at levels affordable to consumers. Flour mills must submit quarterly reports of all domestic and foreign wheat purchases, in order to maintain a balance between supply and demand of wheat for the country.

Taiwan Investment And Economic Ties With China Growing Rapidly

Indirect trade between Taiwan and China is rapidly expanding and has already made Taiwan the third largest foreign investor in China after Hong Kong and Japan despite a Taiwan government ban on direct trading and investment with China. Indirect trade via Hong Kong increased 24% in 1992 to \$74 billion. A growing consumer market in China and the economic benefits of significantly lower labor costs compared with Taiwan are spurring business interests on both sides to lobby their authorities to speed-up economic ties.

The implications for the United States of deepening economic cooperation and trade between China and Taiwan could be an expansion of China's trade surplus with the United States and increased competition with Taiwan-invested firms on the mainland as well as in third markets. FAS Market Development Cooperators with overseas offices in Taiwan are evaluating the benefits of strategic alliances with Taiwanese firms in order to expand into the China market.

USTR Ambassador Kantor Outlines Trade Policy direction For The Americas

The U.S. Trade Representative, Ambassador Michael Kantor, presented a major trade policy speech before a Conference of the Council of the Americas on May 4, 1993. In the speech he summarized the Administration's positions on the North American Free Trade Agreement and further free trade agreements in the Americas. Ambassador Kantor reiterated President Clinton's support for additional free trade agreements for successful market-oriented economies in the Americas. He stated that once NAFTA and the Uruguay Round are successfully concluded, the United States will proceed by expanding the NAFTA either through accession or bilateral agreements to countries of Central and South America -- particularly mentioning the commitment to a free trade agreement with Chile. He stated that the United States is open to bilateral "mini"-agreements that deal with issues such as investment or intellectual property provided they are consistent with GATT rules.

Ukraine Abolishes Grain, Meat and Dairy Monopolies

The Ukrainian Government adopted a resolution to abolish the state's chief grain procurement agent: the Ukrainian State Committee for Grain Products. In addition, the resolution recommends the abolition of the two-state agencies that represent virtually all the republic's meat and dairy plants.

According to government sources, these measures are designed to break up existing monopolies in the main branches of Ukrainian agriculture, as well as improve food supplies.

Japan's Zenchu Plans Summit Prior to Tokyo G-7 Meeting To Object To Uruguay Round Negotiating Positions

According to press reports, Japan's central union of farm co-ops (Zenchu) has announced it will convene a world summit of farm groups on July 4-5 to publicize its positions on the Uruguay Round agricultural issues. An official of Zenchu, which seeks to keep Japan's rice market closed, said the aim is to "reflect the voices of farmers and their families." The gathering will include representatives from the United States National Farmer's Union (NFU), the EC (COPA), South Korea, and Taiwan. Issues on Zenchu's summit agenda include the role of family farming, agribusiness, conservation, and maintaining stable food supplies. These groups object to reductions in subsidies to farmers and expanded agricultural trade.

...Trade Policy Updates

U.S. Pressure On Korea To Liberalize Balance-Of Payments (BOP) Commodities Pays Off

Excluding beef and grains, Korean imports of BOP items liberalized from 1989-1992 increased \$439 million from CY1988 to CY1992. Imports of BOP commodities from the U.S. increased from \$4.0 million in 1988 to \$84 million in 1992.

BOP commodities exported to Korea with significant sales increases from 1988 to 1992 include: soybean meal (with \$21 million in sales in 1992), surimi (\$12 million), corn oil (\$8 million), mixed fruit juice (\$7 million), sausages (\$6 million), animal guts (\$6 million), and a number of other items, including chilled cod, peanut butter, kiwifruit, alfalfa, fruit purees, dried kidney beans, mixed and other nuts, jams and jellies, prepared cherries, animal stomachs, sunflowerseeds, and pistachios.

Even higher gains are expected in the final tranche - between January 1, 1995 and July 1, 1997 - when a wide variety of products with significant potential for sales from the U.S. will be liberalized.

Japan's Food Agency To Allow Rice Imports By Mail

Food Agency Director General, Toshihiko Tsuruoka, told the Diet that Japan will allow individuals to import foreign rice for personal consumption in amounts of up to 100 kgs (220 lbs) by international mail. This admission comes after the establishment in Chiba Prefecture of a club that plans to order California rice in 40-pound parcels for members. This club plans to take advantage of a legal loophole in the Food Control Law that permits imports of rice for individual use in parcels less than 44 pounds. In order to reduce transportation costs, the club will ship California rice to Hong Kong and then mail the orders by international parcel to its members in Japan. The price will be about \$63.00 for 40 pounds of rice, including postage. This club may prove to be quite popular among the roughly 50 percent of Japanese consumers who favor liberalization of rice imports. Furthermore, since rice producers in Akita Prefecture have been exporting rice through the mail since March 1993, the change may signal government willingness to consider reform of the antiquated rice marketing system.

IMF study Of World's Economies Catapults China Into Third Place

The International Monetary Fund (IMF) revised the way it measures economic activity and concluded that China's economy is more than four times as large as previously measured. Instead of using the traditional method of valuing each nation's economic output by Gross Domestic Product (GDP) in terms of U.S. dollars, the IMF chose a new method endorsed by leading economists. The method calculates Gross Domestic Product (GDP) by using purchasing power parity, which compares currencies according to what they can buy within the home country. Using the new measure, per-capita income in China was about \$1,600 last year, compared with \$370 using the former method based on exchange rates. China's total GDP is the third largest in the world, behind the United States and Japan, according to the new method. Moreover, the World Bank says that the combined economies of China, Taiwan, and Hong Kong will be larger than the United States within 10 years if China continues to grow and modernize.

Korea Rejects Another Shipment Of U.S. Wheat

The Ministry of Health and Social Affairs (MOHSA) rejected a second shipment of U.S. wheat, this time alleging that it exceeded the Maximum Residue Level (MRL) for malathion. The Korean MRL for malathion of 2.0 ppm is significantly lower than the tolerance established by CODEX of 8.0 ppm, which is used by the U.S., Japan and other countries.

...Trade Policy Updates

Israel's Supreme Court Expected To Force Beef Market Liberalization

As previously reported, the Israeli cabinet decided in September 1992 that its beef import regime would be liberalized (it had been controlled through state trading bodies), effective January 1, 1993. Since then, various Israeli ministries have attempted to forestall the effective date because of pressures from domestic livestock and religious interests. The Israel supreme court is expected to rule to force the liberalization by the end of May that would make illegal, any attempt to block imports of non-kosher beef. McDonald's is currently negotiating to open its initial franchise in Israel. If the ruling is enacted, it could greatly expand the market for U.S. high quality beef.

Market Updates

EC Begins Aggressive 1993/94 Grain Export Program

The EC will open intervention export tenders May 27 for the sale of 2 million tons each of wheat and barley for 1993/94 beginning July 1. The volume is double the amount offered this time last year. This aggressive stance is a direct result of the record accumulation of intervention grain stocks, which will be several million tons higher than last year. Anticipated CAP reform and low domestic EC prices are causing a significant shift of private stocks to intervention; in a recent 30-day period, an additional 1 million tons of wheat has been shifted.

Nigeria Ends Wheat Import Ban

The Government of Nigeria ended its 6-year ban of wheat imports, effective May 1. The milling and baking industry agreed to purchase all domestically-produced wheat at a 50 percent premium and to control the price of bread and flour. Skyrocketing food prices last fall led to a temporary suspension of the ban; since then, Nigeria has purchased 630,000 tois of U.S. wheat. Bans on imports of other grains, including rice is also under review, as food price inflation remains a serious problem. Between 1981 and 1986, Nigeria's imports of wheat averaged 1.5 million tons a year, 85 percent of which came from the United States.

Venezuela Hikes Corn Tariff; U.S. Sales Will Be Hurt

The Government of Venezuela increased the tariff on corn by 60 percent, bringing the effective rate to 24 percent. The surcharge could be in effect for a year. The Ministry of Agriculture justified the tariff hike as protection for domestic sorghum, which competes directly with U.S. yellow corn. In recent years, due to short sorghum crops, Venezuela imported about 650,000 tons of corn annually, 90 percent of which comes from the United States. Venezuela's Association of Animal Feed Manufacturers protested, and estimate prices for broilers, eggs, and swine products will increase, some by as much as 20 percent.

Improved Prospects For U.S. Cotton Exports To Brazil

Following Brazil's reduced 1992/93 cotton harvest, Brazilian spinners are increasingly looking to imported cotton. Reduced planting and lower than expected yields have limited the availability of good quality cotton and raised domestic prices. Domestic cotton producers unsuccessfully sought tariff protection against competition from imports. Brazil will need to import approximately 1 million bales to satisfy its textile industry's consumption requirements. Spurred by recent investment in upgraded equipment, the domestic textile industry continues to increase exports, particularly fabric and yarn. Brazil exports textiles to Argentina, Paraguay and Uruguay (together with Brazil, forming Mercosur) as well as to the U.S. and the E.C..

U.S. cotton exports to Brazil should increase sharply during the remainder of the year as domestic prices are high and supplies are tight in Paraguay, Brazil's traditional principal supplier. Current marketing year (August 1992-July 1993) total U.S. cotton sales commitments to Brazil are 125,580 bales of which approximately 33,580 have been shipped through mid-April. This compares with no shipments at the same time last season.

U.S. Tobacco Exports To Turkey Show Continued Strength

U.S. exports of flue-cured and burley tobacco to Turkey are likely to remain strong in 1993. The increased popularity in Turkey of American Blend cigarettes, particularly TEKEL 2000 and TEKEL 2000 light, has increased domestic Turkish consumption of flue-cured and burley tobacco. These two brands of cigarettes use locally produced oriental and nearly 100 percent U.S. origin flue-cured and burley tobaccos in the blend. USDA Market Development Cooperator, Tobacco Associates, continues to provide assistance in the purchase of U.S. flue-cured and burley tobaccos, technical assistance in the production of TEKEL 2000, and to assist with the development of TEKEL 2000 Light. U.S. exports to Turkey of unmanufactured tobacco in the first two months of 1993 totaled 2,427 tons valued at \$16.4 million, an increase of 47 and 51 percent, respectively, compared to the same period in 1992.

...Market Updates

EC Expected To Extend Wine Accord Derogations For One Year

The EC Commission indicated the EC will extend for one year the derogations granted under the 1983 U.S.-EC Wine Accord, which expired on April 30. The derogations allow U.S. wineries exporting to the EC to use a simplified import certification procedure and to employ winemaking practices not normally permitted by the Community. The United States has been negotiating with the EC Commission for the past two years to get these derogations, which are essential for U.S. access to the EC market (1992 U.S. export value- \$63 million), made permanent. After the most recent set of talks in March, both sides agreed to take a break in the negotiations while each installed new policy teams.

Brazilian Orange Juice Terminal Opens In Japan

In a move that will make it easier for Brazilians to distribute orange juice to Japan and countries in Southeast Asia, two of Brazil's largest orange juice companies announced that their new frozen concentrate orange juice terminal at the port of Toyohashi, Japan began operation on April 22, 1993. Since the quota system for orange juice imports was eliminated on April 1, 1992, Brazil has increased its orange juice exports to Japan by 80 percent to 46,000 tons in 1992. In comparison, U.S. orange juice exports to Japan increased by 67 percent to 12,000 tons in 1992. Brazilian exports are expected to increase to 60,000 tons in 1993. The Brazilians invested \$3 million to advertise Brazilian orange juice in Japan. In comparison, U.S. investment to promote U.S. orange juice in Japan exceeds the Brazilian effort when U.S. industry funds and MPP funds are combined. The high quality of U.S. orange juice is being promoted in order to compete with lower priced Brazilian orange juice.

Federal Ban On Log Exports From State Land Overturned

The Ninth Circuit Court of Appeals overturned that portion of the 1990 Forest Resources and Conservation Act which restricted the export of timber harvested from state lands in the West to achieve both conservation and an increase in timber available to domestic mills. The Court ruled that the Federal government could not commandeer the legislative process of a state by directly compelling it to enact and enforce a federal regulatory process. The Court left in place those portions of the law prohibiting the export of logs from Federal lands in the West. The Court ruled that the Federal government could not order the States to take such action, but could unilaterally ban exports from state lands. Ramifications of this decision are not clear, but could impact the resolution of the timber supply issue and the Uruguay Round.

Colombia Eases Import Restrictions On U.S. Poultry Meat

On 30 April, the Colombian press reported that up to 300 tons per month of U.S. poultry meat will be allowed to be imported into Colombia's Caribbean Islands of San Andreas, Providencia, and Santa Catalina. Colombia imposed a ban on imports of all U.S. poultry products on 4 March in response to reports of isolated cases of non-pathogenic Avian Influenza in a small number of U.S. non-commercial poultry flocks. The ban on all U.S. poultry product exports to the mainland remains in effect, and U.S. eggs and live birds are still prohibited from entering the islands. Prior to the ban, Colombia was a thriving export market for U.S. poultry meat, and the 300 ton monthly import allowance will not come close to restoring previous trade levels. In February 1993, U.S. poultry meat exports to Colombia totaled 4,427 tons, valued at \$3.1 million.

Italian Millers Want U.S. Rice

Italian millers want to import U.S. unmilled rice to bolster the EC's drought-reduced supplies and maintain EC exports of milled rice. After processing, the rice would have to be re-exported outside the EC without subsidies, to avoid the variable import levy (currently \$400-1000/ton). U.S. millers are concerned that U.S. milled rice exports could be displaced.

...Market Updates

EC Inaction Stops \$285 Million In Lumber Exports

The EC's inaction in resolving the Pinewood Nematode issue stopped shipments of softwood lumber destined for EC ports -- valued at \$285 million in 1992. This trade stoppage generated strong congressional interest and brought immediate Administration action. Secretary Espy raised this issue with EC Commissioner Steichen, Danish Minister Westh, and Britain's Agricultural Minister Gummer during his recent EC visit. USTR Kantor also raised this issue with Sir Leon Brittan. Resolution of this issue was blocked by Member State opposition, specifically the UK, at the EC Ag Council meeting April 26.

EC Partially Lifts Ban On East European Livestock Imports

On April 28, the EC's standing veterinary committee lifted for eight countries the April 7 ban it imposed on livestock products coming from 18 Eastern European countries. The ban, covering imports and transshipments of cattle, swine, sheep, goats, and virtually all products coming from these animals, arose after an outbreak of Foot-and-Mouth disease in Italy, purportedly caused by cattle of unknown origin transshipped through Croatia. The ban is no longer in force for Hungary, the Czech Republic, Slovenia, Slovakia, Estonia, Bulgaria, and Romania. In addition, for Poland, the committee lifted the ban for all livestock products, but not for live animals. For the rest of the 18 countries, Macedonia, Serbia, Montenegro, Bosnia-Herzegovina, Belarus, Albania, Latvia, Lithuania, and Russia, milk and milk products have been removed from the prohibited list. The eight countries which received the complete lifting of the ban have assured the EC that they will abide by new EC-stipulated restrictions to minimize fraud associated with export certificates.

Taiwan Grants Preferential Tariff To Canadian Beef

On April 22, 1993, Taiwanese officials qualified Canadian AAA beef for a preferential tariff that in the past had only been enjoyed by U.S. Prime and Choice beef. The decision, which the United States vigorously opposed and which is subject to review in 1994, is a precedent that introduces a new threat to U.S. beef in a growing foreign market. Canada, like the United States, shipped only small quantities of beef to Taiwan in recent years, and trade sources in Canada do not anticipate an immediate surge in Canadian beef exports. However, Australia and New Zealand, which provided an estimated 90 percent of Taiwanese beef imports in 1992, are expected to petition for the same "special quality" beef tariff in the near future. Total Taiwanese beef imports are projected to increase 3.5 percent in 1993 to 60,000 tons. In 1992, nearly 90 percent of Taiwanese beef consumption, 3 kilograms per capita, was imported.

Canadian Wheat Board Monopoly Under Fire

The Canadian Wheat Board (CWB) flatly rejected a government-sponsored study's recommendation that it be stripped of monopoly sales authority for barley shipments into the United States. The study by a California economist concluded that Canadian farmers would get higher prices and revenue from more direct sales to North American barley markets. The results have been blasted by both the provincial barley pools and the CWB as misleading and simplistic. The study also concluded that Canada's exports to non-North American markets should continue to be controlled exclusively by the CWB monopoly.

U.S. Wines Make Headway in French Market

French imports of U.S. wines surged 380 percent in volume from 1991 to 1992, reaching 20,069 hectoliters, and 93 percent in value to about U.S. \$3.6 million. French purchases of U.S. bulk white wine experienced the greatest increase. The French consumer's new openness to foreign food products is one factor behind the increase in U.S. wine imports. U.S. wines imported in bulk are often sold by the glass in American-theme restaurants. The opening of EuroDisney, a large importer of U.S. wines, in April 1992 illustrates this trend. Shifting French wine consumption patterns also contributed to the increase in demand for American wines. Consumption of reasonably priced premium wines is rising relative to the less expensive "wine-as-food" category of wine that is more commonly drunk at home. In the on-premises market, U.S. wines is often a good buy when compared to higher priced wines from more famous French growing regions.

...Market Updates

Iran Offers Malaysia Opportunity To Build Palm Oil Refinery, Pledges To Buy Substantial Imports

The President of Iran and Malaysia's Foreign Minister signed agreements this month to boost trade and economic ties, including an offer by Iran to allow Malaysia to construct a palm oil refinery. As an incentive, Iran pledged to allocate 15 percent of its annual edible oil requirement to palm oil. USDA estimates Iran's vegetable oil requirements at 595,000 tons the 1992/93 marketing year, with palm oil imports accounting for 75,000 tons of the total.

Sri Lanka To Ban Rice, Corn, and Lentil Imports

The government of Sri Lanka reportedly plans to reduce and then ban imports of rice, corn, lentils, and other commodities in order to achieve self-sufficiency. Sri Lanka imported 220,000 tons of rice in 1992, about 12 percent of domestic consumption.

German Textile Industry Faces Tough Times - Hinders U.S. Cotton Exports

The German textile industry continues to face extremely bleak times. In 1992, the industry had a total decline in sales and production of 5 and 7 percent, respectively. As a result of lower production, 1992 employment in the German textile industry fell by 19,000 workers, amounting to a reduction of more than 10 percent in the German textile workforce. In the eastern region of Germany, the decline in textile production is more pronounced, falling more than 25 percent. The decline in the industry is largely attributed to the absence of profitable textile production conditions in Germany relative to the rest of the textile producing world. The German textile industry cites higher taxes, energy, labor, and environmental costs as conditions which are unfavorable to their industry relative to foreign competitors.

A further decline of the German textile industry is expected in 1993. Production in the first two months of 1993 registered a drop of 16 percent and additional reductions in the textile labor force of some 20,000 workers are expected for 1993.

Total cotton imports by Germany are projected to amount to 900,000 bales in MY 1992/93. This represents a 5-percent decline from MY 1991/92 and 10 percent from MY 1990/91 levels. U.S. cotton exports to Germany have fallen from 214,000 bales in MY 1990/91 to 101,000 bales in MY 1991/92. U.S. cotton exports to date in MY 1992/93 are only 43,500 bales, down 39 percent from the same period last marketing year.

Australia Ships 300,000 Tons of Wheat to Russia

The Australian Wheat Board recently arranged for the shipment of 300,000 tons of wheat to Russia. This is the first installment under a million-ton wheat-for-aluminum countertrade arrangement announced in March. Australia recently sold Russian-origin aluminum for cash on international markets. Russia put up some of its own cash to help pay for freight. Australia's total wheat shipments to Russia may reach 1.5 million tons in calendar year 1993.

France Signs Commitment Promoting BIO-Diesel Production Using Set-Aside Oilseeds

A protocol was recently signed by the Government of France (GOF), manufacturers of methyl-ester derived from rapeseed and sunflowerseed oils, and two public French petrol companies for the immediate production and distribution of specified quantities of methyl-ester destined for incorporation in diesel vehicles. GOF subsidies to oilseed producers and ester manufacturers is estimated to be \$55-73 million over the period 1993-1995. The protocol provides for the production and distribution of 123,000 tons of methyl-ester by 1995, requiring 102,000 hectares of land set-aside under the recent reform of the Common Agricultural Policy (CAP). The ultimate goal of this program is to produce 950,00 tons annually of methyl-ester from rapeseed or sunflowerseed on 790,000 hectares, representing slightly more than half the total set-aside area for France under CAP reform. The residual meal produced will compete with imported soy meal from the United States and South America.

...Market Updates

U.S. Protests Japan's Apple Ban

In letters to Japan's Ministers of Agriculture, Trade and Industry, and Foreign Affairs, Secretary Espy and USTR Ambassador Kantor expressed their concern over Japan's continued ban on imports of U.S. apples. Citing the 10 years of unsuccessful government and industry effort to address Japan's phytosanitary concerns and signs that Japan may revoke the requirements it announced in favor of even stricter standards, the letter concludes that the continued ban is an unfair barrier. The U.S. apple industry, which continues to view Japan as a major potential export market, is urging the U.S. Government to aggressively press Japan on this issue.

U.S. Beef Exports Plummet To Major Markets

The volume of U.S. beef exports fell abruptly to all major markets during the first 2 months of 1993 after reaching a record annual high in 1992 of approximately 435,000 tons. Beef exports were down 6 percent, 5 percent, 49 percent, and 64 percent to Japan, Canada, Mexico, and Korea, respectively, during January and February, compared to the same period in 1992. Exports to Japan, which accounted for nearly 45 percent of U.S. beef shipments abroad in 1992, have, however, apparently recovered since the Japanese tariff reduction on beef that occurred on April 1. According to a Japanese Livestock Industry Promotion Corporation survey of 36 beef importing companies, Japanese beef imports in April are estimated to be almost double that of March imports, reflecting the tariff reduction to 50 percent. The outlook for other U.S. beef markets is more uncertain. The continued depreciation of the Canadian dollar has hampered exports to Canada, the second largest market for U.S. beef. High Mexican tariffs instituted in November 1992 have stymied beef exports to Mexico. Korean officials restricted imports during the first two months of the year. Tenders resumed recently. Beef exports are forecast to recoup for the remainder of the year with an increase nearly 4 percent for the entire year.

Poland May Be Headed For A Second Year Of Drought

Recent persistent hot weather is raising fears that a repeat of last year's severe drought may be on the way. The weather is seriously stressing rapeseed and rye crops, now in vulnerable stages of development. Another drought would ravage the livestock sector and result in considerable food imports. Despite the looming drought, Polish officials indicated that on July 1 their country intends to re-instate MFN import duties on wheat and possibly other grains which were temporarily suspended because of the drought. Poland also temporarily introduced export bans for certain feed ingredients, poultry meat, and dairy products in short supply in response to the drought.

New Currency In Kyrgyzstan Stirs Up Controversy Among FSU Republics

On May 10, 1993, the government of Kyrgyzstan introduced the som as its official currency. Although approved by the International Monetary Fund (IMF), this new currency has created an antagonistic reaction on the part of many leaders of neighboring Former Soviet Union republics. Trade sources indicate the leaders in these republics felt the Kyrgyzsts did not know enough about world markets and its financial intricacies to start their own currency.

This new currency will likely disrupt trade because the som is not convertible in any of the FSU republics. In addition, traders in neighboring Uzbekistan and Tajikistan who now throng into Kyrgyzstan's market have expressed similar concerns that they will not accept the som because they cannot convert it in their respective countries.

U.S. Agricultural Exports by Commodity Type

Fiscal Year 1988-1992 and Year to Date Comparisons
(In thousands of dollars)

Product	Fiscal Years (Oct-Sept)					October-March		%
	1988	1989	1990	1991	1992	FY 1992	FY 1993	
BULK COMMODITY TOTAL	19,360,317	22,295,489	21,785,568	17,610,418	19,556,582	10,926,204	11,064,735	1.3
Wheat	4,470,267	6,020,571	4,224,046	2,856,570	4,319,227	2,306,293	2,526,450	9.5
Coarse Grains	5,116,109	7,250,439	7,971,761	5,653,145	5,659,056	2,833,876	2,886,185	1.8
Rice	728,969	955,826	829,505	751,944	757,799	399,082	388,170	-2.7
Soybeans	5,023,842	4,085,412	3,940,192	3,464,170	4,311,430	2,804,980	3,169,808	13.0
Cotton	2,150,111	2,058,885	2,719,485	2,619,294	2,194,588	1,360,304	869,607	-36.1
Tobacco	1,297,054	1,248,719	1,359,233	1,532,822	1,568,483	815,229	822,795	0.9
Pulses	210,872	269,587	320,000	329,993	218,263	138,097	116,560	-15.6
Peanuts	141,989	195,751	217,504	153,210	244,601	131,077	124,849	-4.8
Other Bulk Commodities	221,103	210,298	203,842	249,270	283,135	137,266	160,310	16.8
INTERMEDIATE TOTAL	8,615,566	8,875,032	8,569,981	8,492,626	9,237,737	4,877,237	4,904,292	0.6
Wheat Flour	170,388	254,756	202,492	200,874	162,804	73,941	107,993	46.1
Soybean Meal	1,469,822	1,356,766	1,020,449	1,009,698	1,333,981	738,982	722,826	-2.2
Soybean Oil	436,813	404,369	339,002	191,823	356,225	165,881	194,221	17.1
Other Vegetable Oils	450,987	415,722	393,571	411,505	490,555	229,929	262,008	14.0
Feeds & Fodders (Excl Pet Foods)	1,552,578	1,631,539	1,571,287	1,584,959	1,699,662	863,998	906,171	4.9
Live Animals	535,347	553,744	457,150	654,378	684,741	408,512	285,729	-30.1
Hides & Skins	1,834,438	1,697,009	1,772,828	1,438,733	1,316,667	654,183	625,362	-4.4
Animal Fats	527,904	524,329	467,976	404,260	479,527	231,301	274,697	18.8
Planting Seeds	406,732	498,057	578,319	624,909	667,236	444,811	447,860	0.7
Sugars, Sweeteners, & Beverage Bases	286,078	366,951	519,433	621,328	599,375	302,446	295,400	-2.3
Other Intermediate Products	944,480	1,171,791	1,247,475	1,350,159	1,446,965	763,252	782,024	2.5
CONSUMER-ORIENTED TOTAL	7,360,473	8,352,422	9,766,813	11,431,178	13,521,311	6,748,410	7,174,775	6.3
Snack Foods (Excl. Nuts)	252,350	349,027	477,301	591,653	781,532	385,343	490,462	27.3
Breakfast Cereals & Pancake Mix	54,498	82,200	133,068	219,290	196,823	98,914	141,229	42.8
Red Meats, Fresh/Chilled/Frozen	1,693,604	2,219,902	2,296,413	2,593,685	3,018,770	1,463,508	1,483,578	1.4
Red Meats, Prepared/Preserved	101,230	112,355	127,761	154,438	176,904	88,335	98,561	11.6
Poultry Meat	424,463	508,186	630,704	737,690	914,962	469,116	498,304	6.2
Dairy Products	540,922	489,640	352,650	356,591	718,030	343,475	444,315	29.4
Eggs & Products	109,903	100,968	96,146	137,157	136,745	74,660	74,282	-0.5
Fresh Fruit	1,065,708	1,112,545	1,363,196	1,522,803	1,737,141	846,855	723,649	-14.5
Fresh Vegetables	316,602	361,263	607,415	831,268	863,191	440,294	484,997	10.2
Processed Fruit & Vegetables	811,975	968,244	1,186,418	1,354,513	1,526,755	755,592	796,324	5.4
Fruit & Vegetable Juices	258,274	284,384	351,104	367,723	467,121	213,827	209,502	-2.0
Tree Nuts	779,721	693,607	744,938	821,566	944,828	573,372	539,638	-5.9
Wine and Beer	145,907	195,839	244,900	307,159	350,521	150,106	169,674	13.0
Nursery Products & Cut Flowers	80,005	99,554	173,354	194,507	200,981	106,280	104,683	-1.5
Pet Foods	124,241	165,460	218,146	308,871	377,665	191,410	234,624	22.6
Other Consumer-Oriented Products	601,068	609,250	763,299	932,263	1,109,342	547,323	680,954	24.4
AGRICULTURAL TOTAL	35,336,356	39,522,943	40,122,362	37,534,222	42,315,630	22,551,851	23,143,802	2.6

Note: Fiscal Years (FY) are on an October-September split year basis (ie. FY 1993 covers October 1992 through September 1993).
(*) Denotes highest export levels since at least FY 1970.

U.S. Agricultural Exports by Major Commodity Group

Monthly and Annual Performance Indicators

Export Values	March			October–March			Fiscal Year		
	1992	1993	Change	1991/92	1992/93	Change	1992	1993(f)	Change
	–\$Billion–			–\$Billion–			–\$Billion–		
Grains and Feeds 1/	1.200	1.281	7%	7.245	7.736	7%	14.095	14.2	1%
Wheat & Flour	0.382	0.469	23%	2.380	2.634	11%	4.482	4.8	7%
Rice	0.071	0.059	–18%	0.399	0.388	–3%	0.758	0.7	–8%
Feed Grains 2/	0.480	0.443	–8%	2.834	2.886	2%	5.659	5.3	–6%
Corn	0.374	0.346	–8%	2.225	2.367	6%	4.593	4.5	–2%
Feeds & Fodders	0.173	0.187	8%	1.055	1.141	8%	2.077	2.2	6%
Oilseeds and Products	0.607	0.774	28%	4.400	4.777	9%	7.338	7.5	2%
Soybeans	0.388	0.492	27%	2.805	3.170	13%	4.311	4.5	4%
Soybean Cakes & Meals	0.092	0.128	39%	0.739	0.723	–2%	1.334	1.2	–10%
Soybean Oil	0.029	0.031	8%	0.166	0.194	17%	0.356	0.4	12%
Other Vegetable Oils	0.036	0.057	57%	0.230	0.262	14%	0.491	NA	NA
Livestock Products	0.500	0.489	–2%	2.992	2.932	–2%	5.973	6.0	0%
Red Meats	0.244	0.241	–1%	1.413	1.456	3%	2.935	3	2%
Hides & Skins	0.122	0.119	–2%	0.654	0.625	–4%	1.317	1.3	–1%
Poultry Products	0.107	0.105	–1%	0.617	0.646	5%	1.195	1.3	9%
Poultry Meat	0.075	0.076	1%	0.457	0.479	5%	0.887	NA	NA
Dairy Products	0.067	0.064	–5%	0.351	0.455	29%	0.733	0.9	23%
Horticultural Products	0.606	0.615	2%	3.448	3.483	1%	6.844	7.0	2%
Unmanufactured Tobacco	0.193	0.115	–40%	0.815	0.823	1%	1.568	1.6	2%
Cotton and Linters	0.263	0.186	–29%	1.360	0.870	–36%	2.195	1.7	–23%
Planting Seeds	0.052	0.068	29%	0.445	0.448	1%	0.667	0.7	5%
Sugar & Tropical Products	0.137	0.162	18%	0.877	0.974	11%	1.706	1.7	–0%
Forest Products 4/	0.589	0.687	17%	3.299	3.578	8%	6.761	NA	NA
Total Agriculture	3.731	3.859	3%	22.551	23.143	3%	42.314	42.5	0%

Export Volumes	– MMT – Change			– MMT – Change			– MMT – Change		
Grains and Feeds 1/	8.238	9.088	10%	53.180	56.889	7%	NA	NA	NA
Wheat	2.804	3.233	15%	19.669	19.044	–3%	34.289	35.5	4%
Wheat Flour	0.090	0.115	28%	0.378	0.550	46%	0.808	1.0	24%
Rice	0.204	0.196	–4%	1.192	1.243	4%	2.281	2.4	5%
Feed Grains 2/	4.046	4.375	8%	25.040	28.777	15%	50.195	53.3	6%
Corn	3.151	3.437	9%	19.506	23.613	21%	40.597	44.5	10%
Feeds & Fodders	0.941	0.970	3%	5.869	6.094	4%	11.711	12.3	5%
Oilseeds and Products	2.443	3.125	28%	17.755	19.827	12%	28.881	29.8	3%
Soybeans	1.722	2.170	26%	12.606	14.406	14%	19.247	20.3	5%
Soybean Cakes & Meals	0.452	0.644	43%	3.430	3.563	4%	6.301	6.0	–5%
Soybean Oil	0.061	0.065	6%	0.355	0.387	9%	0.747	0.7	–6%
Other Vegetable Oils	0.059	0.097	65%	0.353	0.442	25%	0.782	NA	NA
Livestock Products 3/	0.246	0.247	1%	1.340	1.439	7%	2.770	NA	NA
Red Meats	0.071	0.071	0%	0.430	0.434	1%	0.870	0.9	3%
Poultry Products 3/	0.071	0.078	11%	0.414	0.479	16%	0.821	NA	NA
Poultry Meat	0.068	0.075	10%	0.397	0.459	16%	0.787	0.9	14%
Dairy Products 3/	0.038	0.036	–5%	0.196	0.252	28%	0.399	NA	NA
Horticultural Products 3/	0.557	0.537	–4%	2.980	2.950	–1%	5.951	6.1	3%
Unmanufactured Tobacco	0.027	0.018	–33%	0.131	0.139	6%	0.246	NA	NA
Cotton & Linters	0.186	0.141	–24%	0.906	0.656	–28%	1.527	1.4	–8%
Planting Seeds	0.052	0.068	30%	0.415	0.347	–16%	0.705	NA	NA
Sugar & Tropical Products 3/	0.093	0.074	–20%	0.565	0.468	–17%	1.102	NA	NA
Total Agriculture 3/	11.95	13.41	12%	77.88	83.44	7%	143.64	150.0	4%

1/ Includes pulses, corn gluten feed, and meal.

2/ Includes corn, oats, barley, rye, and sorghum.

3/ Includes only those items measured in metric tons.

4/ Wood products are not included in agricultural product value totals.

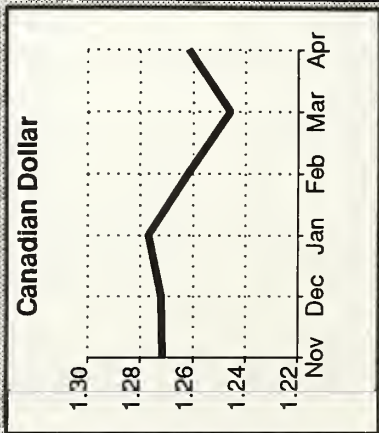
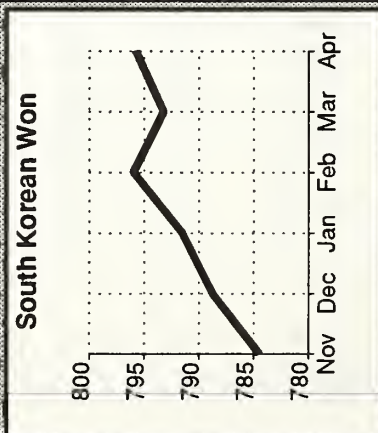
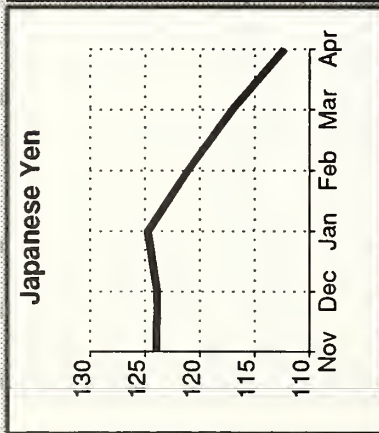
Note: FY 1993 forecasts (f) are based on USDA's "Outlook for Agricultural Exports," published on May 27, 1993.

U.S. Agricultural Export Value by Region
Monthly and Annual Performance Indicators

	March			October–March			Fiscal Year		
	1992	1993	Change	1991/92	1992/93	Change	1992	1993(f)	Change
	–\$Billion–			–\$Billion–			–\$Billion–		
Western Europe	0.725	0.730	1%	4.837	4.966	3%	7.726	8.1	5%
European Community	0.680	0.686	1%	4.537	4.725	4%	7.183	7.6	6%
Other Western Europe	0.045	0.043	–3%	0.299	0.241	–19%	0.543	0.5	–8%
Eastern Europe	0.014	0.061	343%	0.096	0.278	188%	0.221	0.5	126%
Former Soviet Union	0.182	0.093	–49%	1.650	0.694	–58%	2.640	1.9	–28%
Asia	1.403	1.446	3%	8.395	8.307	–1%	15.989	15.5	–3%
Japan	0.716	0.720	0%	4.256	4.174	–2%	8.364	8.1	–3%
China	0.085	0.031	–64%	0.443	0.172	–61%	0.690	0.4	–42%
Other East Asia	0.421	0.465	10%	2.616	2.617	0%	4.929	4.9	–1%
Taiwan	0.145	0.211	45%	1.030	1.054	2%	1.913	1.9	–1%
South Korea	0.202	0.176	–13%	1.159	1.098	–5%	2.200	2.1	–5%
Hong Kong	0.073	0.074	1%	0.427	0.454	6%	0.816	0.9	10%
Other Asia	0.180	0.231	28%	1.080	1.343	24%	2.005	2.1	5%
Pakistan	0.007	0.001	–89%	0.152	0.168	11%	0.226	0.2	–12%
Philippines	0.035	0.071	99%	0.198	0.312	58%	0.442	0.5	13%
Middle East	0.143	0.195	36%	0.875	1.025	17%	1.717	1.9	11%
Israel	0.035	0.027	–23%	0.192	0.184	–4%	0.342	0.3	–12%
Saudi Arabia	0.041	0.039	–4%	0.286	0.258	–10%	0.506	0.4	–21%
Africa	0.199	0.208	4%	0.932	1.505	61%	2.201	2.5	14%
North Africa	0.123	0.140	13%	0.660	0.860	30%	1.312	1.6	22%
Egypt	0.066	0.044	–33%	0.367	0.405	10%	0.709	0.7	–1%
Algeria	0.029	0.048	62%	0.192	0.228	19%	0.382	0.5	31%
Sub–Saharan Africa	0.076	0.068	–10%	0.273	0.645	137%	0.889	0.9	1%
Latin America	0.613	0.627	2%	3.145	3.466	10%	6.384	6.7	5%
Mexico	0.398	0.345	–13%	1.737	1.800	4%	3.653	4.0	9%
Other Latin America	0.215	0.282	31%	1.407	1.666	18%	2.731	2.7	–1%
Brazil	0.006	0.011	79%	0.109	0.147	34%	0.143	0.2	40%
Venezuela	0.022	0.064	189%	0.168	0.290	72%	0.393	0.4	2%
Canada	0.423	0.463	9%	2.309	2.505	9%	4.804	5.0	4%
Oceania	0.029	0.036	24%	0.231	0.219	–5%	0.424	0.4	–6%
World Total	3.731	3.859	3%	22.552	23.144	3%	42.314	42.5	0%

Note: FY 1993 forecasts (f) are based on USDA's "Outlook for U.S. Agricultural Exports," published on May 27, 1993.

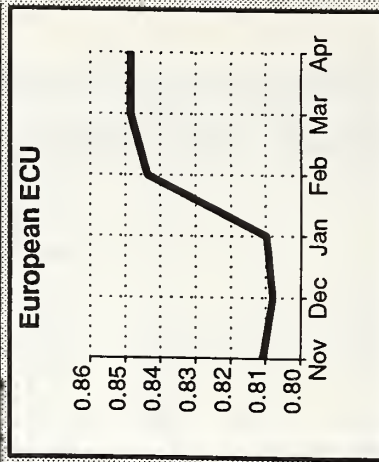
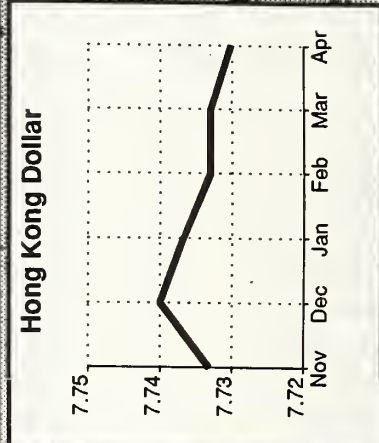
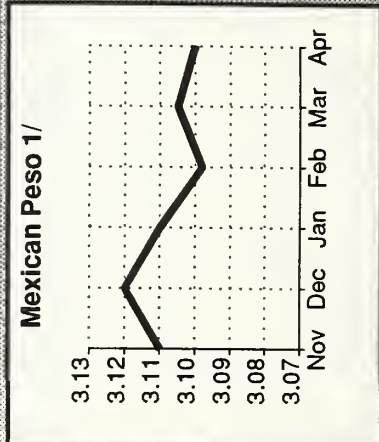
Exchange Rate Movements Of Major World Currencies Vis-a-Vis U.S. Dollar -- Daily Spot Quotations & Monthly Averages



Currencies	Current Rate 5/14/93	Month Ago 4/14/93	Year Ago 5/92	% Change Year Ago 5/92
Argentine Peso	.99	.99	.99	0.00
Australian Dollar	1.4223	1.3856	1.3198	7.77
Brazilian Cruzeiro	34928.03	26694.00	2489.00	1303.29
Canadian Dollar	1.2737	1.2630	1.2027	5.90
Hong Kong Dollar	7.7290	7.7300	7.7335	-0.06
Japanese Yen	110.78	113.95	130.10	-14.85
Mexican Peso 1/	3.1400	3.10	3.08351	1.83
Taiwan Dollar	25.70	25.79	24.69	4.09
South Korean Won	800.30	795.90	763.97	4.76
European ECU	.82604	.81907	.78388	5.38
-British Pound	.6498	.6445	.5485	18.47
-French Franc	5.4045	5.3925	5.4070	-0.05
-West German Mark	1.6115	1.5945	1.6105	0.06

1 Expressed in New Pesos. The Mexican Peso was converted on January 1, 1993 at a rate of 1,000 to 1.

NOTE: Exchange rates are daily spot quotes as of 3:00 PM Eastern Time, May 14, 1993.
Source: TEID/ITP/FAS Exchange Rate Database and Wall Street Journal.



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