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US Agricultural Exports to ASEAN Grow— But Face Competition

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Michael McConnell, International Trade Analyst at the US International Trade Commission, explains that while US agricultural exports to ASEAN countries continue to grow, “the United States is likely to face increasing competition, particularly from China, Australia, and New Zealand, all of which have free trade agreements with ASEAN.”

ASEAN countries have long been an important international market for US agricultural exports. The United States, in 2011, exported almost \$9.6 billion of agricultural products to ASEAN, making it the sixth-largest export destination for US farmers, ranchers, and agribusinesses—behind Japan (\$14 billion) and just behind the European Union (\$9.6 billion), but well ahead of South Korea (\$7 billion). Moreover, the value of agricultural trade between the United States and ASEAN almost doubled between 2007 and 2011, with the top four ASEAN markets in 2011 for the United States being Indonesia (\$2.8 billion), the Philippines (\$2.1 billion), Vietnam (\$1.7 billion), and Thailand (\$1.3 billion). With a population of 614 million and strong economic growth, it is expected that ASEAN will continue to be an important market for US agricultural products. However, the United States is likely to face increasing competition, particularly from China, Australia, and New Zealand, all of which have free trade agreements (FTAs) with ASEAN.

Agricultural exports to ASEAN markets made up 7 percent of all US agricultural exports in 2011, compared with 5.5 percent in 2007. Strong economic growth in these countries has raised per capita income levels, and as a result changed food consumption patterns. According to the International Monetary Fund, the aggregate gross domestic product for the region has more than tripled since 2001 and each member countries’ per capita income more than doubled over the same time period. As a result, ASEAN citizens are now consuming more higher-value food products, such as animal products, fruits, vegetables, and packaged foods. This in turn has created a larger and more diverse marketplace for US agricultural industries.

ASEAN has always been a strong customer for US bulk commodities, such as wheat, soybeans, and cotton; exports of these commodities have increased from \$1.4 billion to \$4.5 billion between 2001 and 2011. Furthermore, imports of US cotton facilitate the region’s textile and apparel industries. It is projected that imports of commodities used primarily for domestic milling and processing, such as wheat and soybeans, will remain strong with the growth of the middle class.

Exports of higher-value US agricultural goods are also rising. United States Department of Agriculture data shows that exports of consumer-oriented products—including beef, poultry, dairy products, and fresh and processed fruits—grew by over 350 percent between 2001 and 2011, from \$697 million to \$3.1 billion. Exports of semi-processed products—such as livestock feed, sugar and sweeteners, and wheat flour—have more than doubled, from \$828 million to \$2 billion during the same period.

Meats and animal products account for much of this growth. Like many developing countries, ASEAN nations have increased their consumption of meat—particularly beef



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and chicken—and dairy products over the past ten years as consumers increase food expenditures. For example, Vietnam’s per capita income increased 229 percent, from \$413 to \$1,362, between 2001 and 2011, during which time the country’s per capita consumption of meats—beef, pork, and poultry—nearly doubled to 36kg (79lbs) per person. Although pork is still the meat of choice, Vietnam’s per capita consumption of beef alone has nearly tripled during that period. This increased appetite for meat products has created a valuable market for US producers of fresh and frozen meat, with beef exports to ASEAN countries in 2011 valued at \$252 million, \$222 million for poultry, and \$88 million for pork.

Many ASEAN countries are also investing in their own domestic livestock industries to accommodate expanding local consumption and improve self-sufficiency. While this has the potential to moderate some export sales of US meat and dairy products to the region, it has also boosted US exports of animal feed. This trend has encouraged trade in bulk commodities, such as corn and wheat, but has also expanded the market for semi-processed intermediate products, including soybean meal and byproducts of ethanol production, such as dried distillers grains. Overall, the United States has increased its exports of feeds—distillers grains, hay and residual vegetable material—to ASEAN countries almost sevenfold between 2001 and 2011.

US exports of other consumer-oriented goods, such as fruit and vegetable products, and snack foods, are another important component of higher-value agricultural trade. US exports of fresh, processed, and juiced fruits and vegetables have increased 140 percent over the past ten years, in particular fruits that are not widely grown in ASEAN’s tropical climate. The US apple industry has tripled its sales of fresh apples to Indonesia—from \$21 million in 2001 to \$65 million in 2011. Similarly, over the past ten years US companies have nearly doubled their sales of snack foods, including baked goods, confectionery, and potato chips.

Looking ahead, increased competition for ASEAN market share will be a major challenge for US producers, particularly given the advantages China, Australia, and New Zealand will derive from their recent ASEAN FTAs. As these agreements take effect, producers in these countries will face lower tariffs than US producers on a number of products, including many higher-value products where the United States has experienced strong export growth. This is likely to remain a competitive disadvantage for US producers for the foreseeable future. With the exception of Singapore, the United States has not entered into any trade agreements with any individual ASEAN members.

However, the United States is currently negotiating with eight other Asia-Pacific countries for a Trans-Pacific Partnership (TPP) trade agreement, which according to the Office of the United States Trade Representative (USTR) aims “to enhance trade and investment among the TPP partner countries, promote innovation, economic growth and development, and support the creation and retention of jobs.” Four ASEAN countries—Brunei, Malaysia, Singapore and Vietnam—are participating in these negotiations, and if an agreement is implemented, USTR believes it would help the competitiveness of US products in ASEAN markets.

The relationship between US agricultural exports and ASEAN consumers continues to grow, with the United States continuing to increase its shipments of bulk commodities which have been the foundation of its trade with ASEAN, while also bringing new products to the region as incomes increase and consumers’ eating patterns develop. But it is clearly evident that competition in ASEAN’s markets will increase as US competitors encounter lower tariffs through their respective trade agreements. However, the region is projected to continue its economic growth over the next ten years, which means that ASEAN will likely remain a significant and growing market for US food and agricultural products.

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