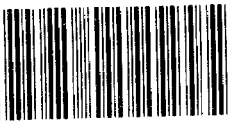
GAO

Fact Sheet for the Honorable Leon E. Panetta, House of Representatives

September 1987

AGRICULTURAL TRADE

Trends in Imports of Fruits, Vegetables, and Other Agricultural Products



GAO/RCED-87-177FS

GAO

United States
General Accounting Office
Washington, D.C. 20548

B-220851

Resources, Community, and
Economic Development Division

September 29, 1987

The Honorable Leon E. Panetta
House of Representatives

Dear Mr. Panetta:

In an October 22, 1986, letter, you asked us to evaluate how extensive the rise in farm imports has been in the recent past and the effect it is having on American farmers and food manufacturers. You expressed particular interest in receiving this information for fruit, vegetable, and nut products. In subsequent discussions with your office, we were asked to provide, before completion of our final report, a fact sheet of statistics showing trends in agricultural imports. As requested, this fact sheet focuses on fruit and vegetable imports.

Section 1 shows overall trends in agricultural trade, generally from 1975 through 1986. It shows, among other things, that the U.S. agricultural trade balance declined each year for the past 5 years and was reduced to a $5 billion surplus in 1986—the lowest level since 1972. A rise in agricultural imports (especially of products that compete with products produced by U.S. farmers) contributed to the declining trade balance over this period.

Section 2 contains statistics on fruit and vegetable imports from 1975 through 1986 showing the increases in imports of these products over the period. In 1986 fruits and vegetables comprised about a quarter of all competitive agricultural imports. Over a quarter of these came from Mexico and 16 percent came from the European Community.

Section 3 contains data for the years 1980 through 1986 on agricultural trade between the United States and the countries and regions that are major exporters to the United States. During that period, the balance of U.S. agricultural trade with Oceania (Australia, New Zealand, Papua New Guinea, and Fiji) and Africa rose slightly while that with Mexico, Canada, South America as a whole, and Brazil individually, the European Community, and Asia generally fell.

In section 4 we present overall statistics on the extent of investment by U.S. firms in agricultural affiliates located outside the United States, along with the value of food products imported from these affiliates, during the period 1982 through 1985. The statistics show a rising trend in both the extent of investment in, and the value of food products

imported from, the foreign affiliates. The section also includes data on foreign assets of 10 major U.S. food companies from 1980 through 1986.

We developed the information on agricultural imports and exports from data compiled by the Department of Agriculture's Economic Research Service. The Economic Research Service data was derived from official data released by the Bureau of the Census. Our information on foreign investment is based on data prepared by the Bureau of Economic Analysis of the Department of Commerce and by Standard and Poor's Compustat Services, Inc. The Bureau of Economic Analysis data are based on annual industry surveys. The Standard and Poor's data are based on information provided to the Securities and Exchange Commission by corporations.

In most of the figures, the value of exports is compared with the value of imports for each year. We present these data in current (past-year) dollars. A few figures in sections 1 and 2, however, focus on the time trend of imports. For these, we converted the data to their 1986 price level to discount the effects of price changes. We used the Department of Commerce's unit value index of agricultural imports for this purpose.

We discussed the facts presented with officials of both the Economic Research Service and the Bureau of Economic Analysis and have incorporated their comments where appropriate. As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this fact sheet until 30 days from the date of this letter. At that time, we will send copies to the Secretaries of Agriculture, Commerce, and the Treasury; the Director of the Office of Management and Budget; and other interested parties. Copies will be available to others on request. If you have any questions on the information provided, please contact me on 275-5138.

Major contributors to this fact sheet are listed in appendix I.

Sincerely yours,

Brian P. Crowley
Senior Associate Director

Contents

Abbreviations

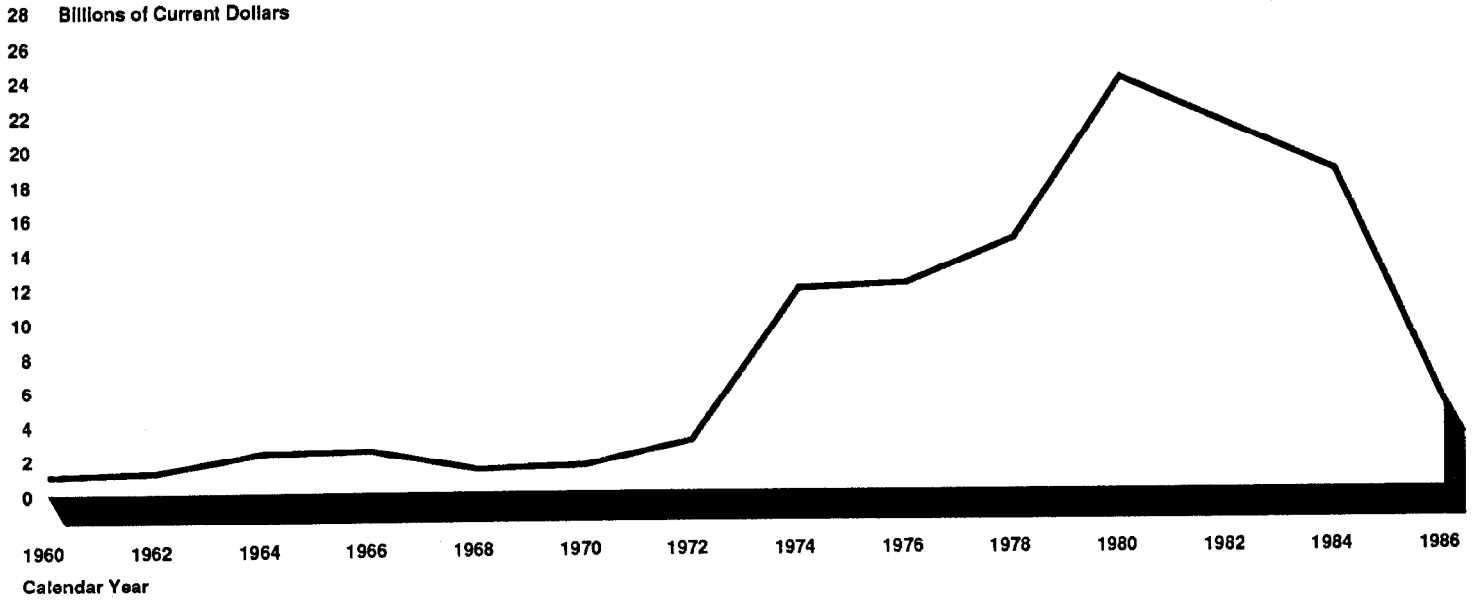
EC	European Community
ERS	Economic Research Service
FATUS	Foreign Agricultural Trade of the United States
GAO	General Accounting Office
USDA	U.S. Department of Agriculture

Trends in U.S. Agricultural Trade

Agricultural Trade Balance

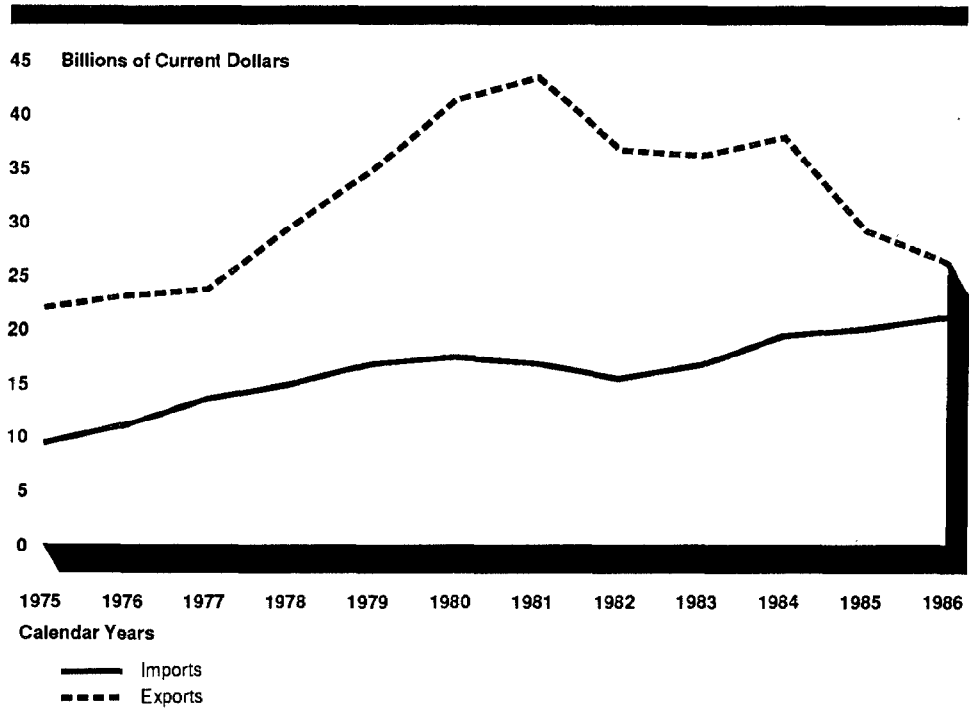
The U.S. agricultural trade balance declined each year for the past 5 years. From a high of about $27 billion in 1981, the annual surplus in agricultural trade fell to about $5 billion in 1986—the lowest level since 1972. This decline followed an increase from about $9 billion in 1973 to about $27 billion in 1981. As figure 1.1 shows, the large agricultural trade balances since 1972 have been well above the historically low levels. From 1960 through 1972, the trade balance remained positive but stayed below $3 billion. Although not shown in the figure, in 15 of the 25 years from 1935 through 1959, agricultural imports exceeded exports.

Figure 1.1: U.S. Agricultural Trade Balance, 1960-86



Note: Figure includes trade balances for even-numbered years only.
Source: Foreign Agricultural Trade of the United States (FATUS), Economic Research Service (ERS), U.S. Department of Agriculture (USDA).

Figure 1.2: Total U.S. Agricultural Imports and Exports, 1975-86

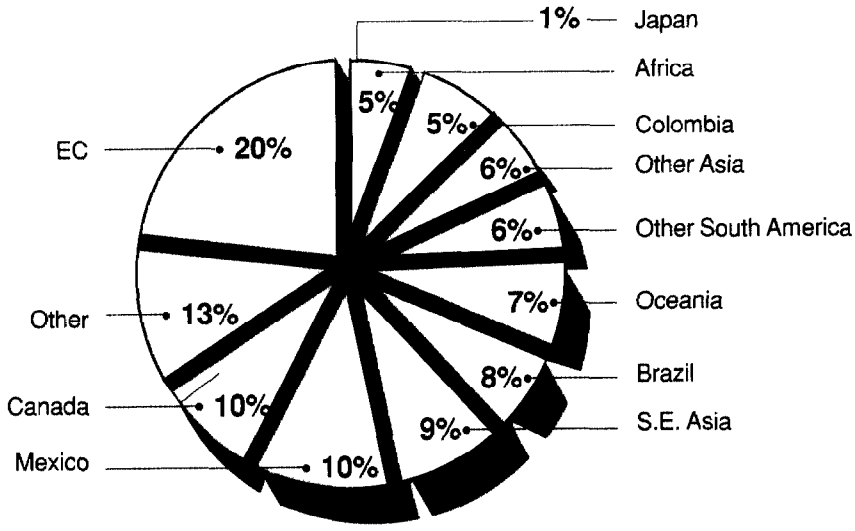


Source: USDA, ERS, U.S. Foreign Agricultural Trade Statistical Report, Calendar Year 1981; FATUS, Calendar Year 1985 Supp.; FATUS, Jan./Feb. 1987.

The value of agricultural exports fell 40 percent over the past 5 years, dropping from about $43 billion in 1981 to about $26 billion in 1986. During this same period, the value of imports increased 20 percent, rising from less than $17 billion to over $21 billion. (See fig. 1.2.)

In terms of value, the European Community (EC) was the major supplier of agricultural products to the United States in 1986, accounting for 20 percent of U.S. agricultural imports. (See fig. 1.3.) Other major suppliers were Mexico and Canada, each of which accounted for 10 percent of imports; Southeast Asia, 9 percent; and Brazil, 8 percent.

Figure 1.3: U.S. Agricultural Imports by Country/Region of Origin, 1986



Source: USDA, ERS, FATUS, Calendar Year 1986 Supp.

Experts differ in their views on the future path of agricultural trade. Some view the decline in the 1980s as a sign that the United States has lost its competitiveness in world agricultural export markets. They predict that the trend will continue unless dramatic changes in government policy and farmer productivity are made. Others see the downward trend as a return to the more stable levels of the past. They predict that the U.S. agricultural trade balance will stabilize once again at the historically low levels that preceded the 1970s.

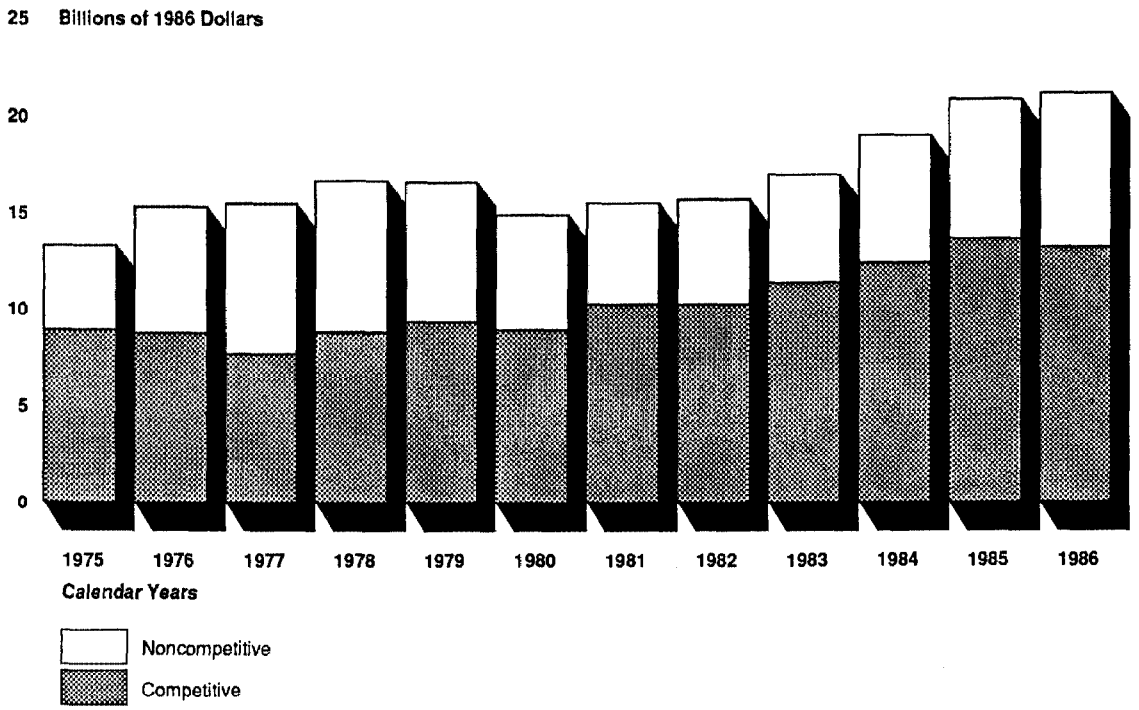
Competitive Imports

Although the decline in exports has been a greater factor in the falling agricultural trade balance, the trend of rising import levels has contributed to the deterioration of the trade balance and has become an issue of growing concern to members of Congress and segments of the agricultural community. In 1986 the value of U.S. agricultural imports exceeded $21 billion, the highest level ever. Among other reasons for the rise in imports are the increased value of the dollar from 1980 through 1985, changes in American consumers' tastes and preferences, lower production costs in many lesser developed and newly industrialized countries, and decreased U.S. production of certain food products because of weather and disease.

The 1986 increase was due to a large extent to very high prices for coffee imports, which are classified as "noncompetitive" imports by the Department of Agriculture (USDA). In the several years preceding 1986, total import values rose largely because "competitive" imports—those that compete with products produced by U.S. farmers—made inroads into the U.S. market. Competitive imports include commodities such as fruits, vegetables, animal products, grains, and sugar.

The trend in agricultural imports is illustrated in figure 1.4, which shows total agricultural imports for 1975 through 1986 broken out between competitive and noncompetitive products. Competitive imports rose steadily over the past decade; in 1986, they were about 73 percent higher than in 1977.

Figure 1.4: Total Competitive and Noncompetitive Agricultural Imports, 1975-86

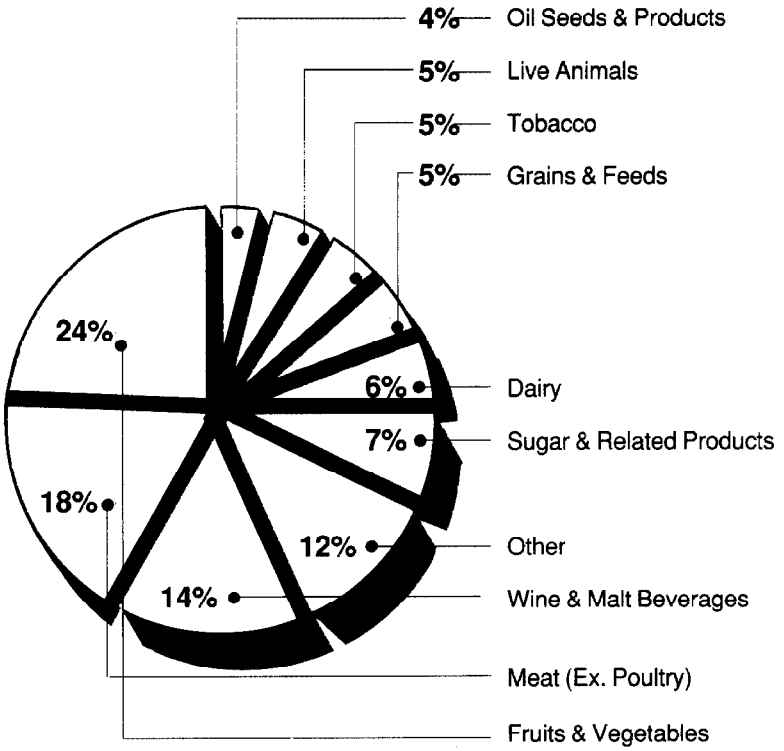


Source: USDA, ERS, U.S. Foreign Agricultural Trade Statistical Report, Calendar Year 1981; FATUS, Calendar Year 1985 Supp., FATUS, Jan./Feb. 1987.

Fruit and Vegetable Imports

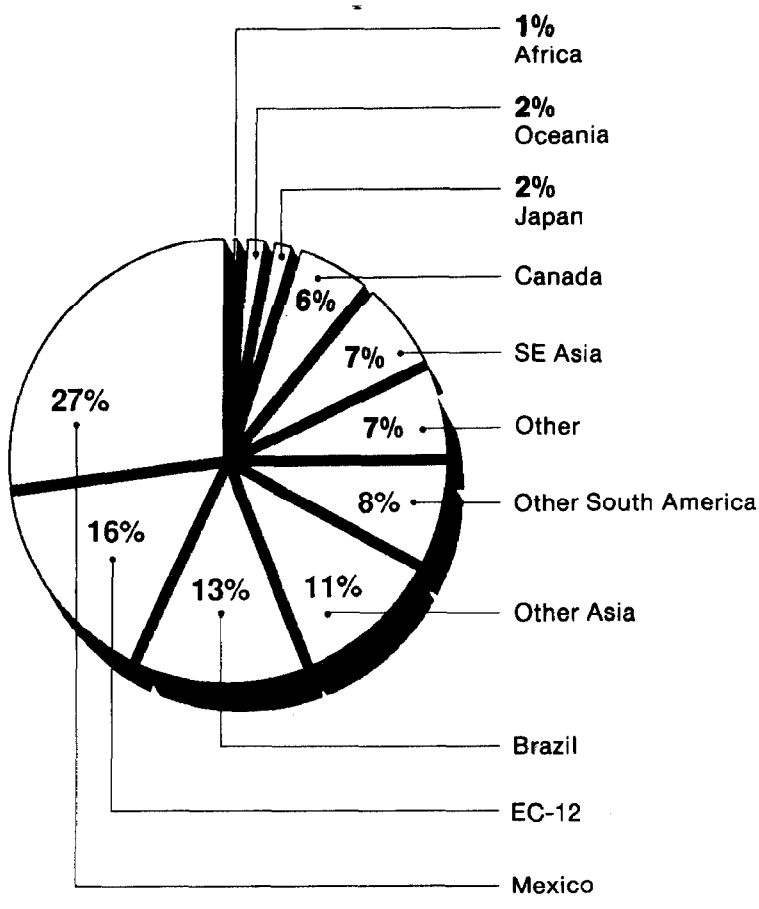
Fruits and vegetables comprised almost a quarter of competitive imports in 1986. Mexico and the European Community were the major sources of these imports. Over a quarter of the fruits and vegetables imported in 1986 came from Mexico, while about 16 percent came from the EC. (See figs. 2.1 and 2.2.)

Figure 2.1: 1986 Competitive Agricultural Imports, Product Share of Total Value



Source: USDA, ERS, FATUS, Jan./Feb. 1987.

Figure 2.2: U.S. Imports of Fruits and Vegetables by Country/Region of Origin, 1986

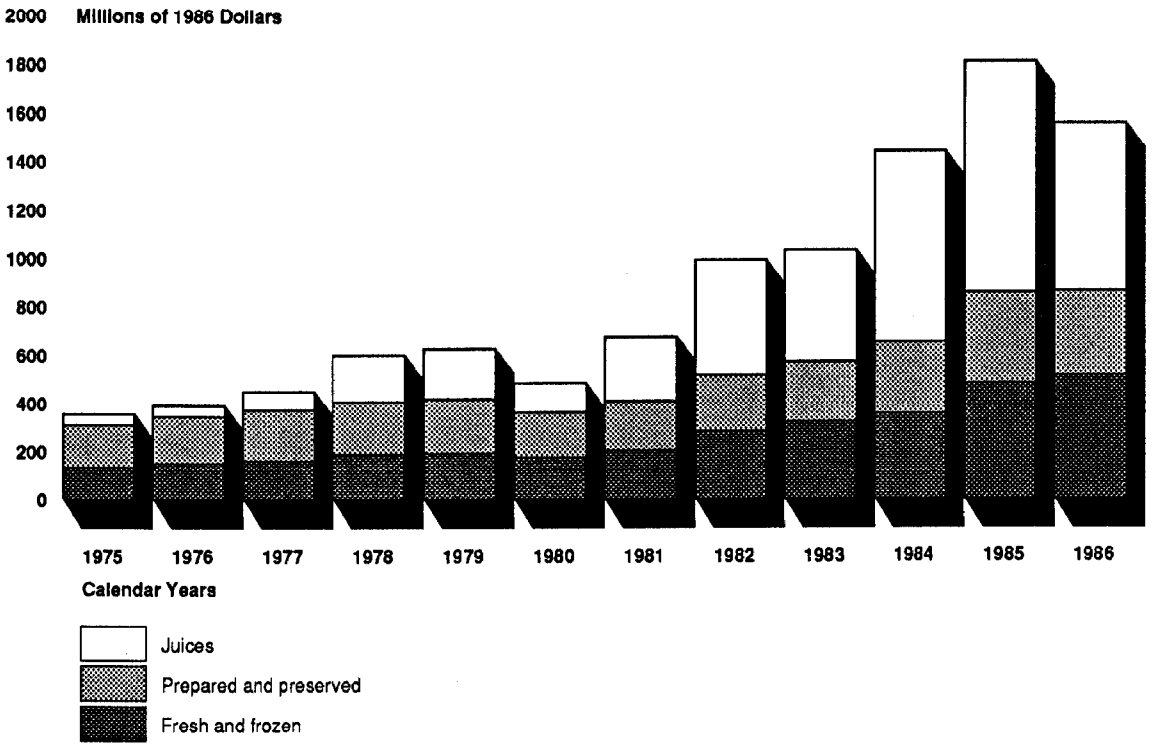


Source: USDA, ERS, FATUS, Calendar Year 1986 Supp., table 25.

Fruit Imports

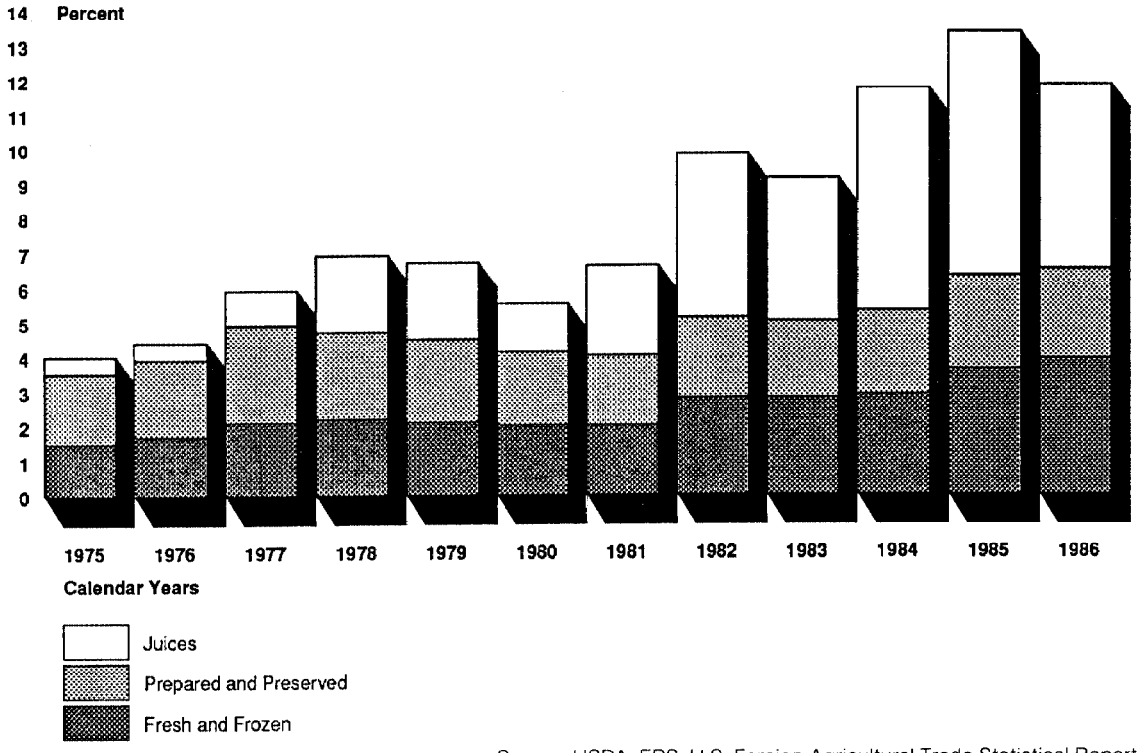
Fruit imports increased substantially from 1975 through 1986. (See fig. 2.3.) In constant 1986 dollars, these imports grew from about $350 million in 1975 to about $1.6 billion in 1986—over a 4-fold increase. Most of the rise in recent years was due to increased orange juice imports. Fresh and frozen fruit imports climbed gradually, as did prepared and preserved fruit imports.

Figure 2.3: Fruit Imports, 1975-86



Source: USDA, ERS, U.S. Foreign Agricultural Trade Statistical Report, Calendar Year 1981; FATUS, Calendar Year 1985 Supp.; FATUS, Jan./Feb. 1987.

Figure 2.4: Fruit Imports as a Percentage of Competitive Agricultural Imports, 1975-86

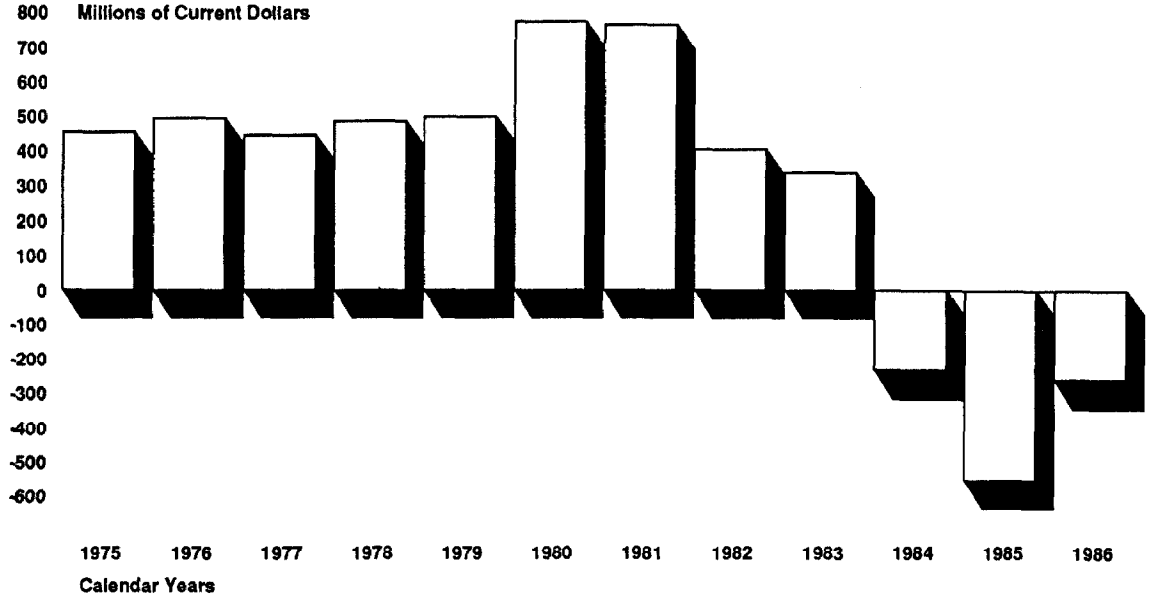


Source: USDA, ERS, U.S. Foreign Agricultural Trade Statistical Report, Calendar Year 1985 Supp.; FATUS, Calendar Year 1985 Supp.; FATUS, Jan./Feb. 1987.

Fruit imports accounted for a generally growing share of competitive agricultural imports from 1975 through 1986—increasing from about 4 percent in 1975 to almost 12 percent in 1986. (See fig. 2.4.)

From 1975 through 1983, the U.S. fruit trade balance was positive, contributing to the agricultural trade surplus. (See fig. 2.5.) As a result of increased fruit imports, the United States suffered a fruit trade deficit during the last 3 years.

Figure 2.5: Fruit Trade Balance, 1975-86

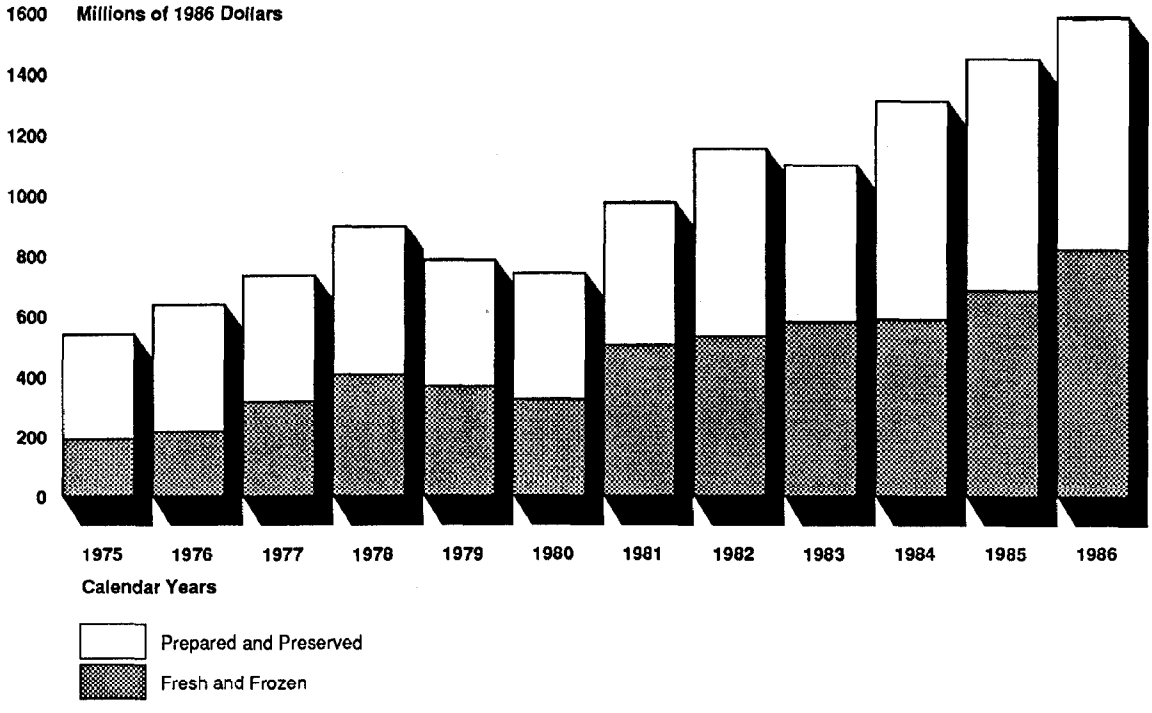


Source: USDA, ERS, U.S. Foreign Agricultural Trade Statistical Report, Calendar Year 1985 Supp.; FATUS, Calendar Year 1985 Supp.; FATUS, Jan./Feb. 1987.

Vegetable Imports

Vegetable imports almost tripled from 1975 through 1986, rising from about $537 million to $1.6 billion. Figure 2.6 shows the upward trend of vegetable imports since 1975 and compares the trend of prepared and preserved vegetable imports with that of fresh and frozen vegetable imports. In 1986, imports in these two categories were roughly equal, but fresh and frozen imports grew more rapidly than prepared and preserved imports from 1975 through 1986. Fresh and frozen vegetable imports in 1986 were 332 percent higher than in 1975, compared with a 119-percent increase for prepared and preserved vegetable imports.

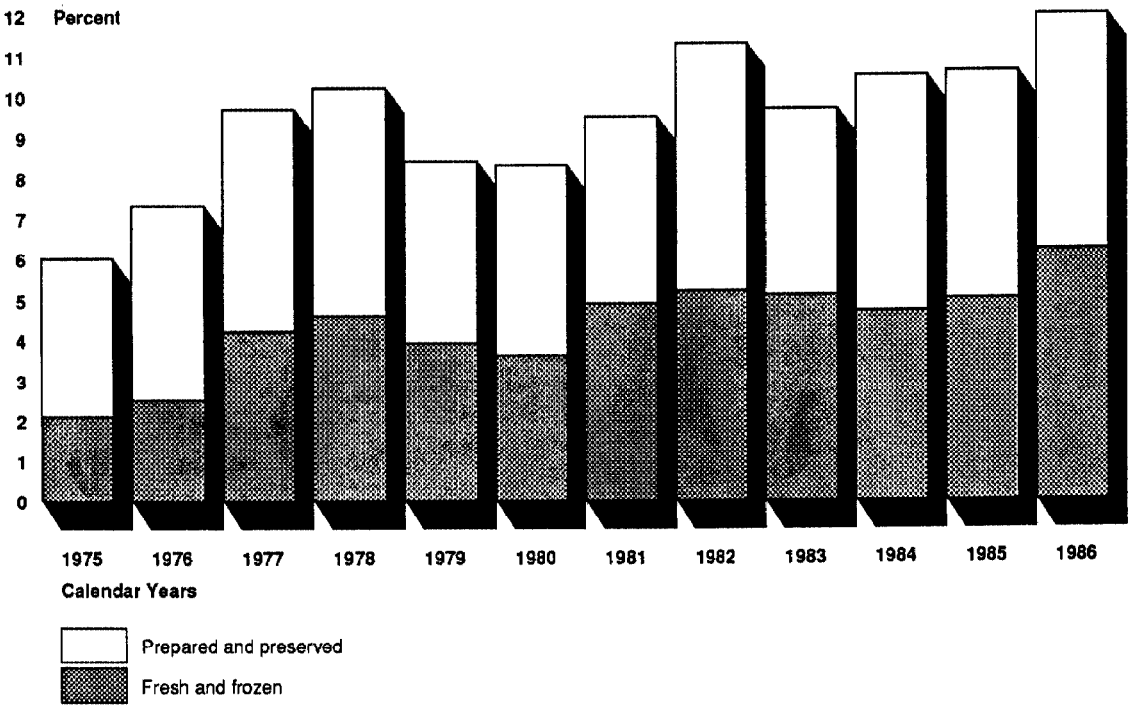
Figure 2.6: Vegetable Imports, 1975-86



Source: USDA, ERS, U.S. Foreign Agricultural Trade Statistical Report, Calendar Year 1981; FATUS, Calendar Year 1985 Supp.; FATUS, Jan./Feb. 1987.

The vegetable import share of total competitive agricultural imports was about twice as high in 1986 as it was in 1975. Over the decade from 1977 through 1986, the vegetable import share of total competitive agricultural imports averaged about 10 percent. (See fig. 2.7.)

Figure 2.7: Vegetable Imports as a Percentage of Competitive Agricultural Imports, 1975-86



Source: USDA, ERS, U.S. Foreign Agricultural Trade Statistical Report, Calendar Year 1985 Supp.; FATUS, Calendar Year 1985 Supp.; FATUS, Jan./Feb. 1987.

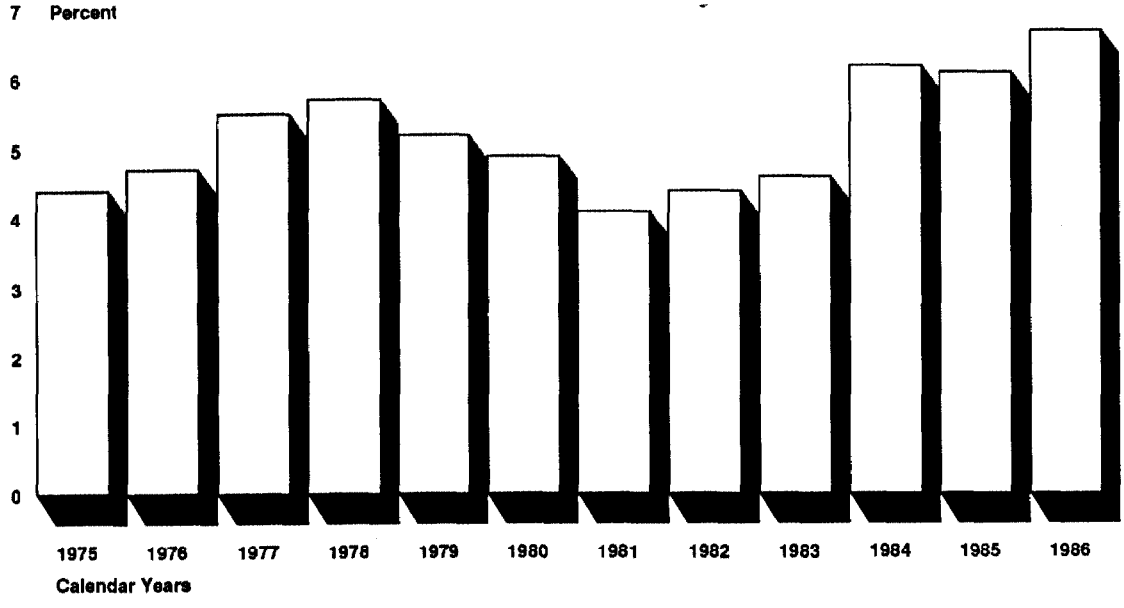
Figure 2.8: Vegetable Trade Balance, 1975-86

Source: USDA, ERS, U.S. Foreign Agricultural Trade Statistical Report, Calendar Year 1985 Supp.; FATUS, Calendar Year 1985 Supp.; FATUS, Jan./Feb. 1987.

The vegetable trade balance dipped into the red in 4 of the 9 years from 1975 through 1983. From 1984 through 1986, the deficits were much larger, with the 1986 deficit reaching nearly $500 million. (See fig. 2.8.)

Figure 2.9 shows the import share of the U.S. fresh vegetable market for eight major vegetables. The import share of the U.S. market for the eight vegetables trended upward from 1975 through 1978 and then declined from 1979 through 1981 before turning upward again in 1982. The imports' market share grew from a little over 4 percent in 1981 to about 7 percent in 1986.

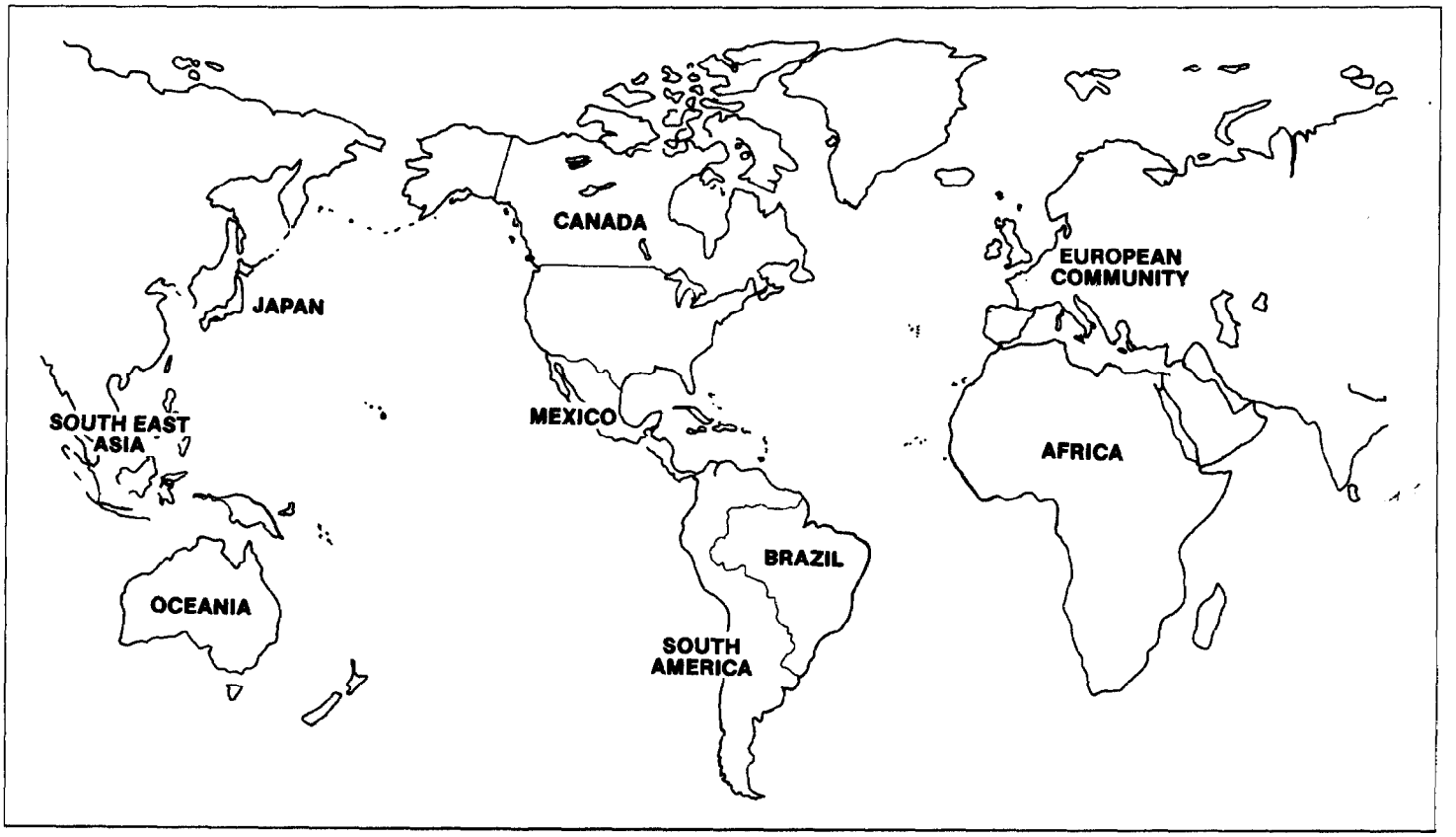
Figure 2.9: Major Vegetable Imports as a Percentage of Domestic Vegetable Market, 1975-86



Note: "Major vegetables" include broccoli, carrots, cauliflower, celery, sweet corn, lettuce, onions, and tomatoes.

Source: USDA, ERS, Vegetable Situation and Outlook Yearbook (Nov. 1986), and Vegetable Situation and Outlook (Feb. 1987).

Figure 2.10: Countries/Regions That Export Fruits and Vegetables to the United States



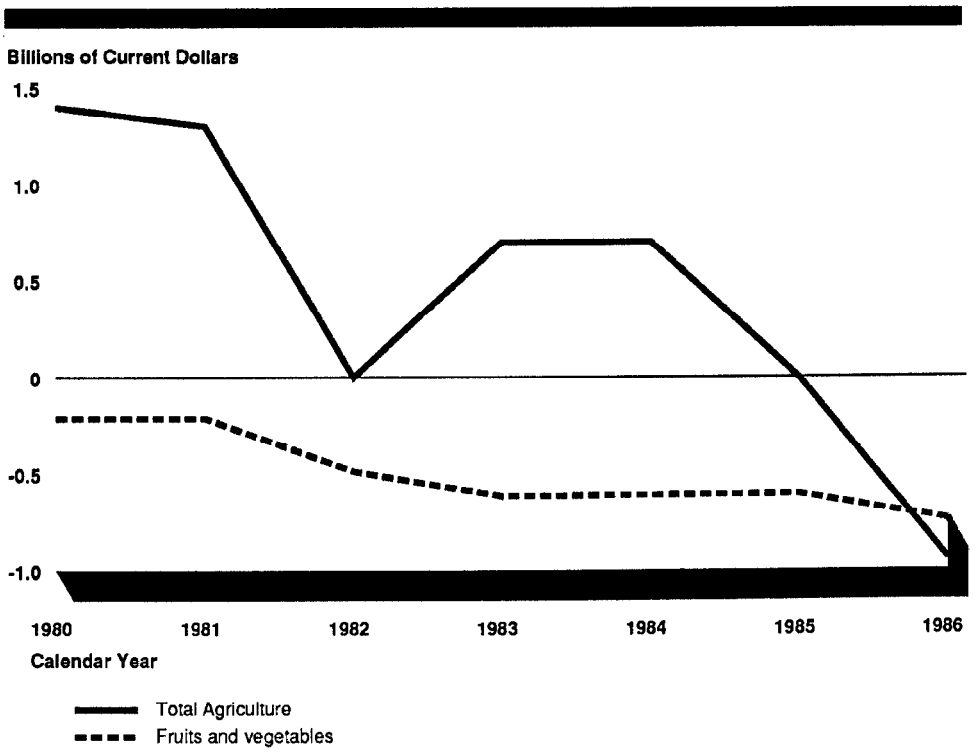
U.S. Agricultural Trade With Selected Countries/Regions

This section presents data on agricultural trade between the United States and the countries/regions that are major exporters to the United States. The countries/regions included are Mexico, Canada, South America, Brazil, the European Community, Oceania, Asia, Japan, and Africa. For each country/region, data are presented on the agricultural trade balance, exports, and imports for all agricultural products, as well as for fruits and vegetables.

U.S. Agricultural Trade With Mexico

During the 1980-86 period, the total U.S. agricultural trade balance with Mexico declined from a positive $1.4 billion in 1980 to a negative $944 million in 1986. As figure 3.1 shows, this downward trend was marked by a sharp decline to a near-zero trade balance in 1982, a recovery to a positive balance in 1983 and 1984, and a significant negative balance in 1986. During the same period, the fruit and vegetable trade balance, which was consistently negative, trended downward from a negative $215 million in 1980 to a negative $742 million in 1986.

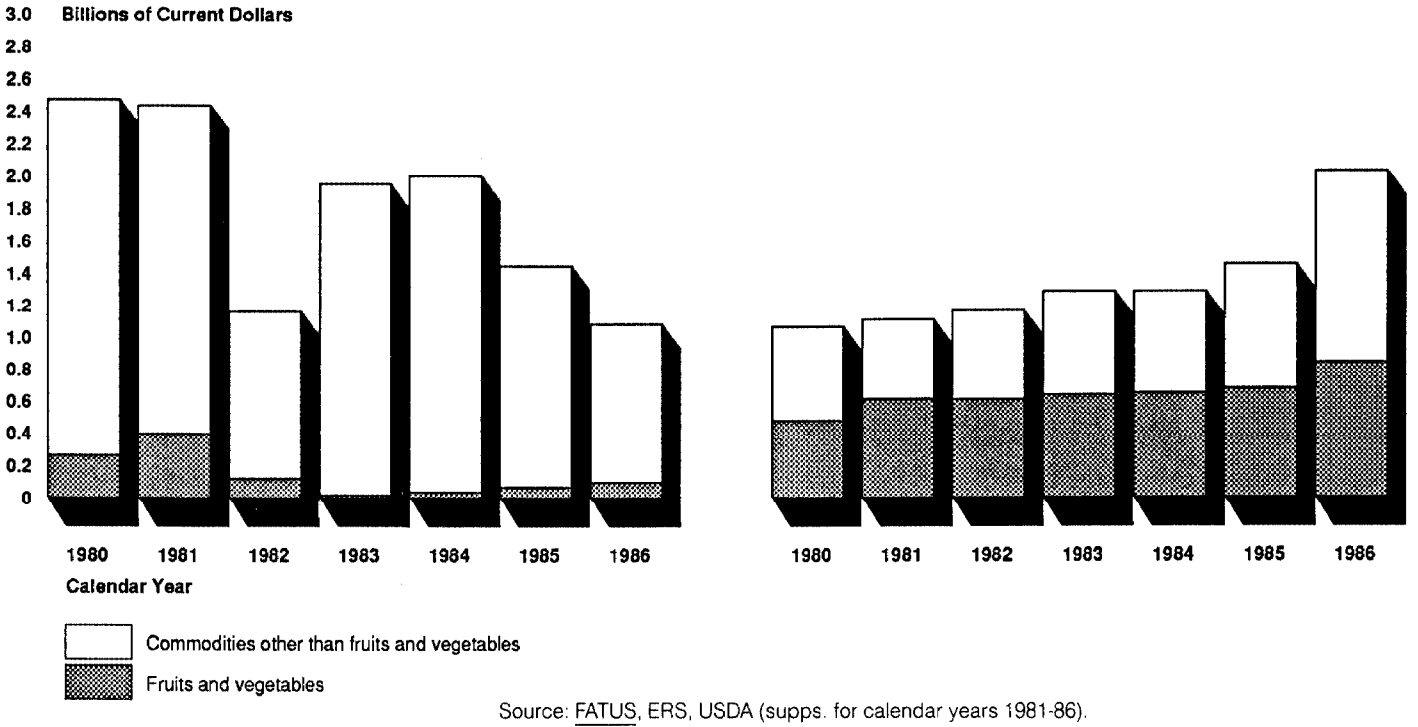
Figure 3.1: U.S. Agricultural Trade Balance With Mexico, 1980-86



FATUS, ERS, USDA (supps. for calendar years 1981-86).

Figure 3.2 shows that the 1982 drop in the total agricultural trade balance was the result primarily of a decline in all U.S. agricultural exports to Mexico (due primarily to the Mexican debt crisis, which substantially reduced Mexico's ability to purchase imports). The negative 1986 balance was the combined result of the downward trend in exports (of commodities other than fruits and vegetables) and a sharp rise in all agricultural imports. The principal commodity imported from Mexico, other than fruits and vegetables, is coffee.

Figure 3.2: U.S. Agricultural Exports to Mexico U.S. Agricultural Imports From Mexico 1980-86



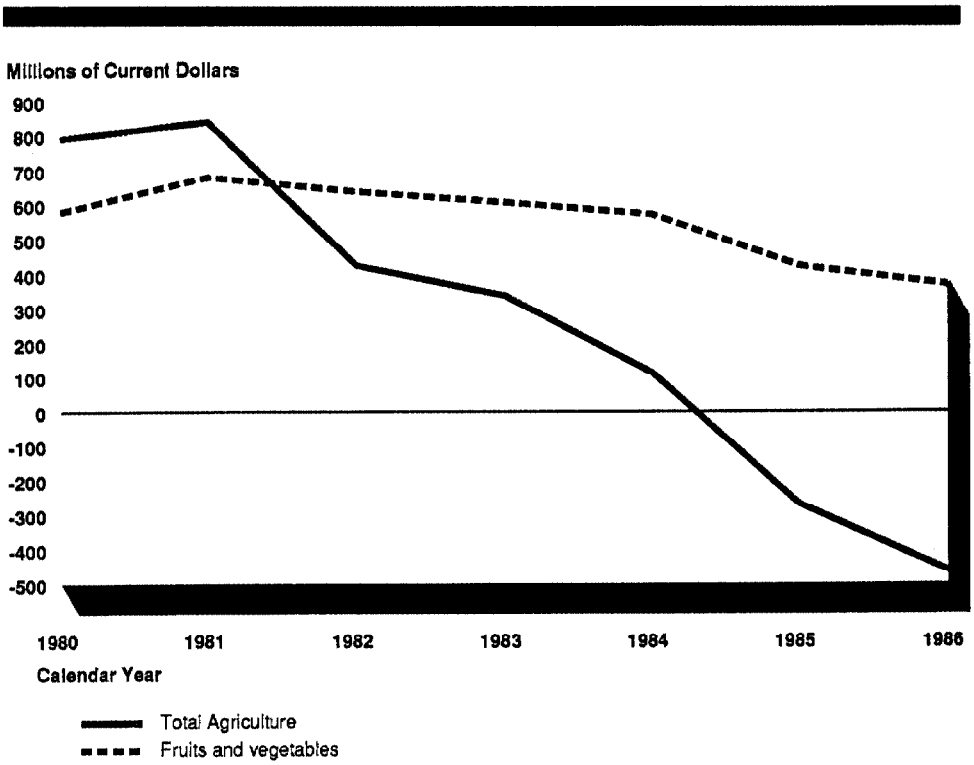
Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

U.S. Agricultural Trade With Canada

The agricultural trade balance with Canada declined from a positive $839 million in 1981 to $113 million in 1984 and dropped to a negative $463 million in 1986. (See fig. 3.3.) According to official U.S. data, the fruit and vegetable trade balance remained positive over the 1980-86 period, although declining from $680 million in 1981 to $369 million in 1986. The fruit and vegetable trade balance (and, in turn, the overall

trade balance) may be understated, however, because of undercounting of U.S. fruit and vegetable exports to Canada. For example, although U.S. government data show that fruit and vegetable exports to Canada totaled $575 million in 1985, Canadian government data (converted to U.S. dollars) show that fruit and vegetable imports from the United States totaled $944 million in the same year. According to a September 1986 USDA publication (Foreign Agricultural Circular, "Horticultural Products," FHORT-9-86), undercounting of U.S. exports to Canada is a persistent problem. An Economic Research Service (ERS) official responsible for compiling trade statistics told us that this problem appears to be unique to U.S.-Canadian trade.

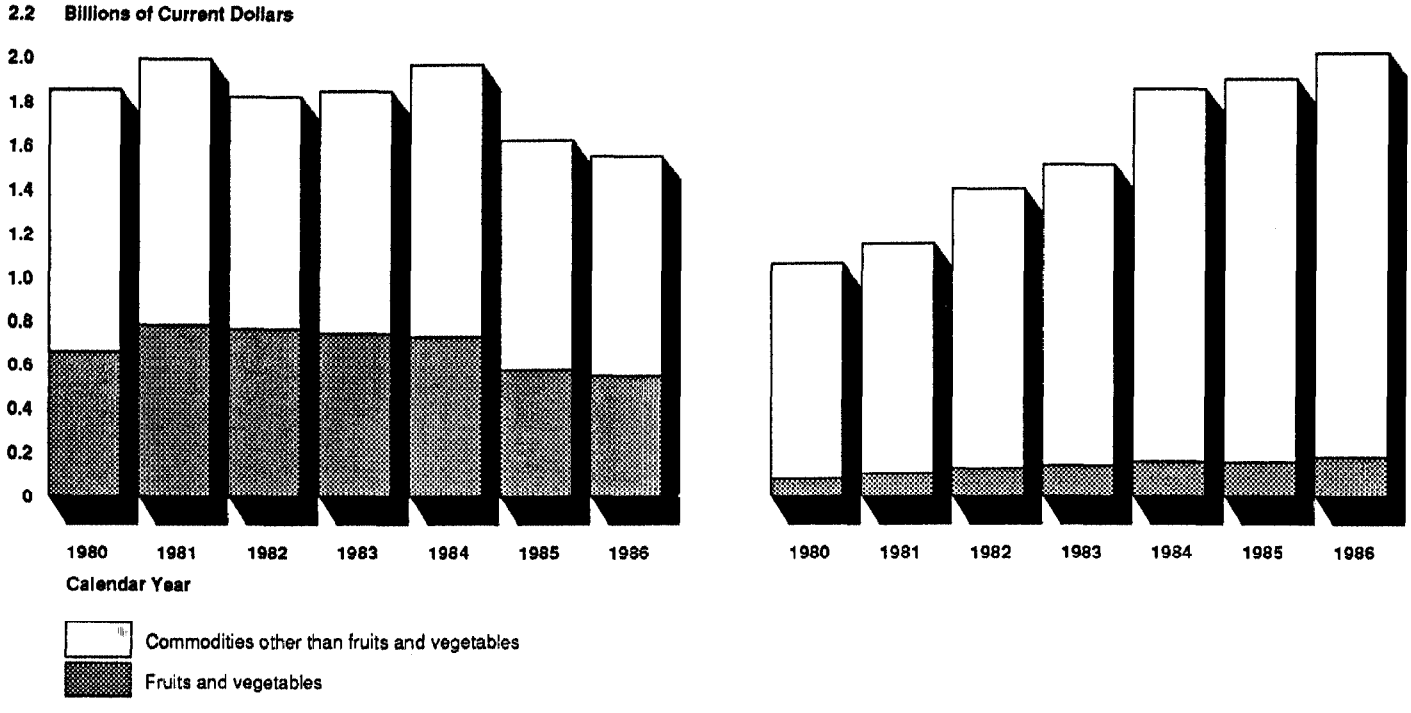
Figure 3.3: U.S. Agricultural Trade Balance With Canada, 1980-86



Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

Most of the decline in the U.S. trade balance with Canada over the 1980-86 period was the result of rising imports. As figure 3.4 shows, the largest share of the rise in imports from Canada over this period was of commodities other than fruits and vegetables. The main commodities imported from Canada are (1) meats and meat products and (2) grains and feeds.

Figure 3.4: U.S. Agricultural Exports to Canada U.S. Agricultural Imports From Canada 1980-86

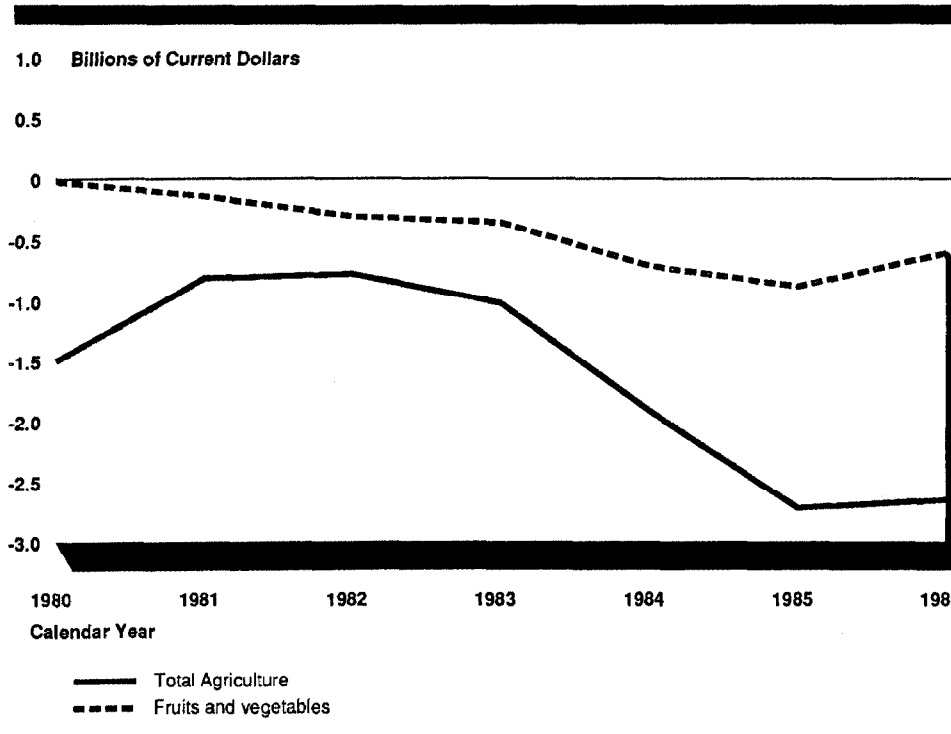


Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

U.S. Agricultural Trade With South America

The agricultural trade balance with all of the countries on the continent of South America remained negative during the 1980-86 period. (See fig. 3.5.) The agricultural trade deficit increased from 1982 to 1985 (from a negative $780 million to a negative $2.7 billion) as a result of rising imports, but improved slightly in 1986. The fruit and vegetable trade balance shifted sharply in favor of South America during this period, falling from a nearly balanced trade in 1980 (a negative $21 million) to a negative $881 million in 1985, and improving to a negative $608 million in 1986.

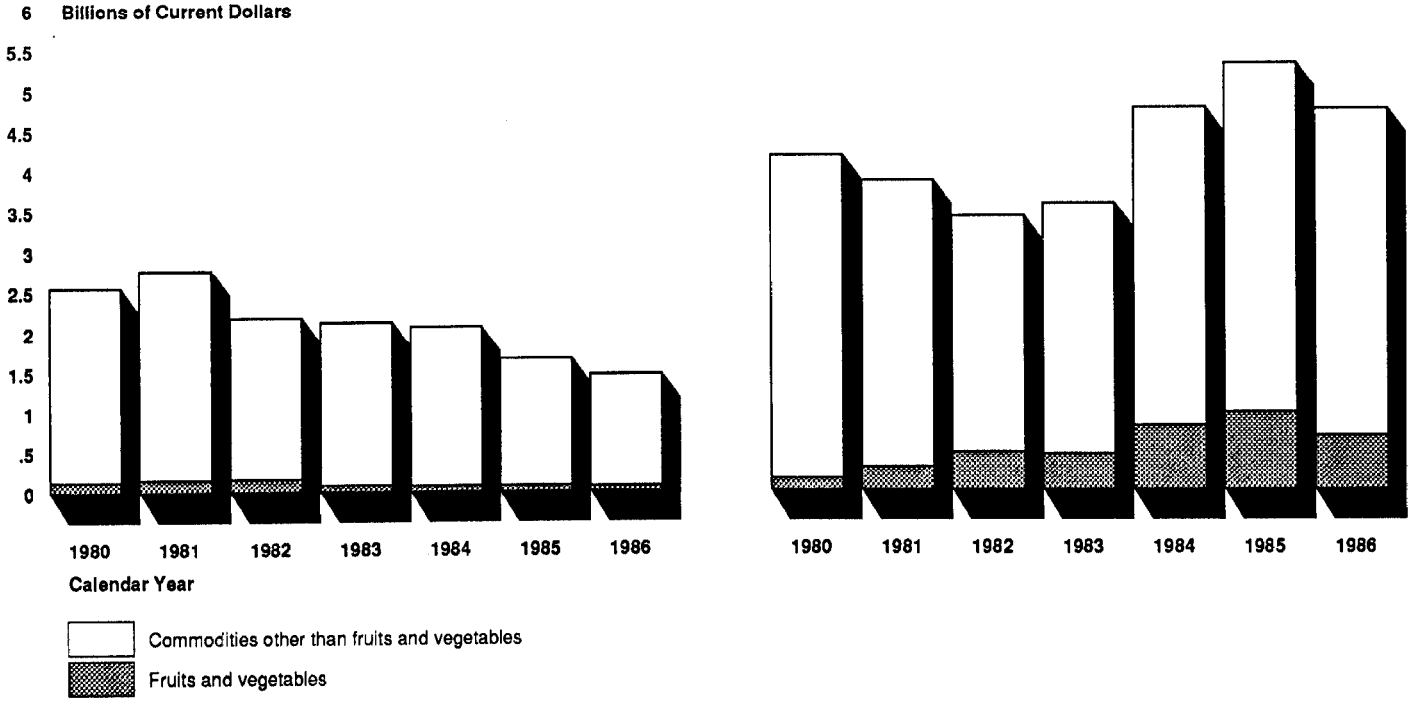
Figure 3.5: U.S. Agricultural Trade Balance With South America, 1980-86



Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

Total U.S. agricultural exports to South America declined steadily from 1981 to 1986. (See fig. 3.6.) Agricultural imports rose from about $3 billion in 1982 to $4.4 billion in 1985, declining slightly to $4.1 billion in 1986. Most of this increase was due to rising fruit and vegetable imports. Fruit and vegetable imports from South America rose from $140 million in 1980 to $953 million in 1985, before dropping to $663 million in 1986. Other important imports from South America include coffee, cocoa and cocoa products, sugar and sugar products, beef, and tobacco.

Figure 3.6: U.S. Agricultural Exports to South America **U.S. Agricultural Imports From South America 1980-86**

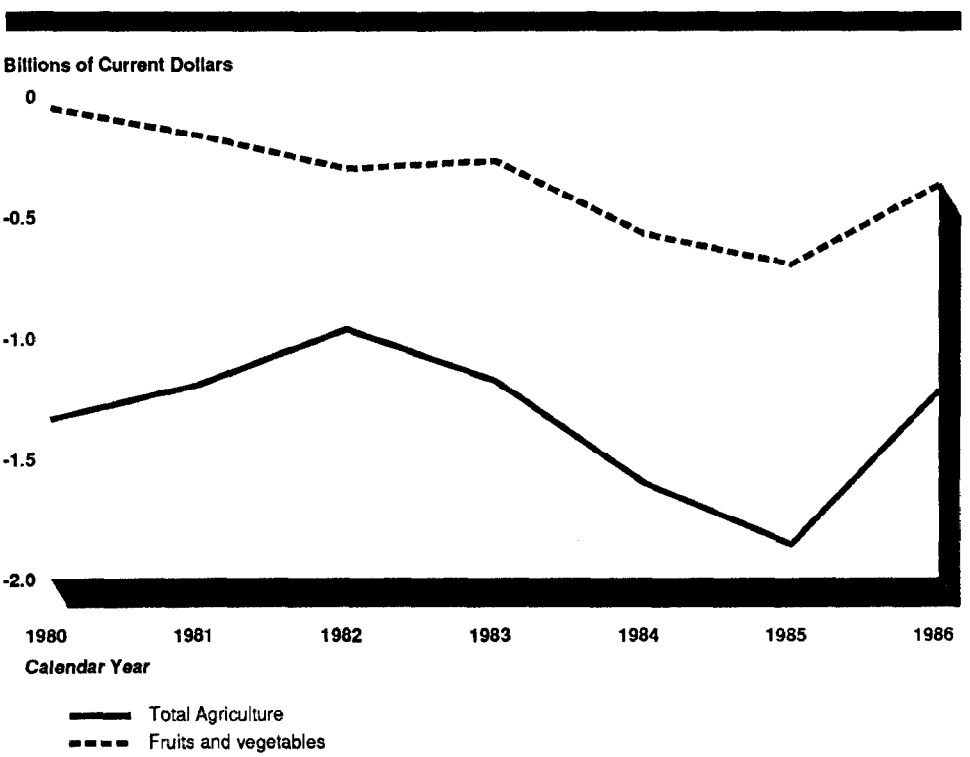


Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

U.S. Agricultural Trade With Brazil

The United States had a negative agricultural trade balance with Brazil throughout the 1980-86 period, ranging from a negative $969 million in 1982 to a negative $1.86 billion in 1985. (See fig. 3.7.) The fruit and vegetable trade balance was also negative during the period, ranging from a slightly negative $54 million in 1980 to a negative $698 million in 1985.

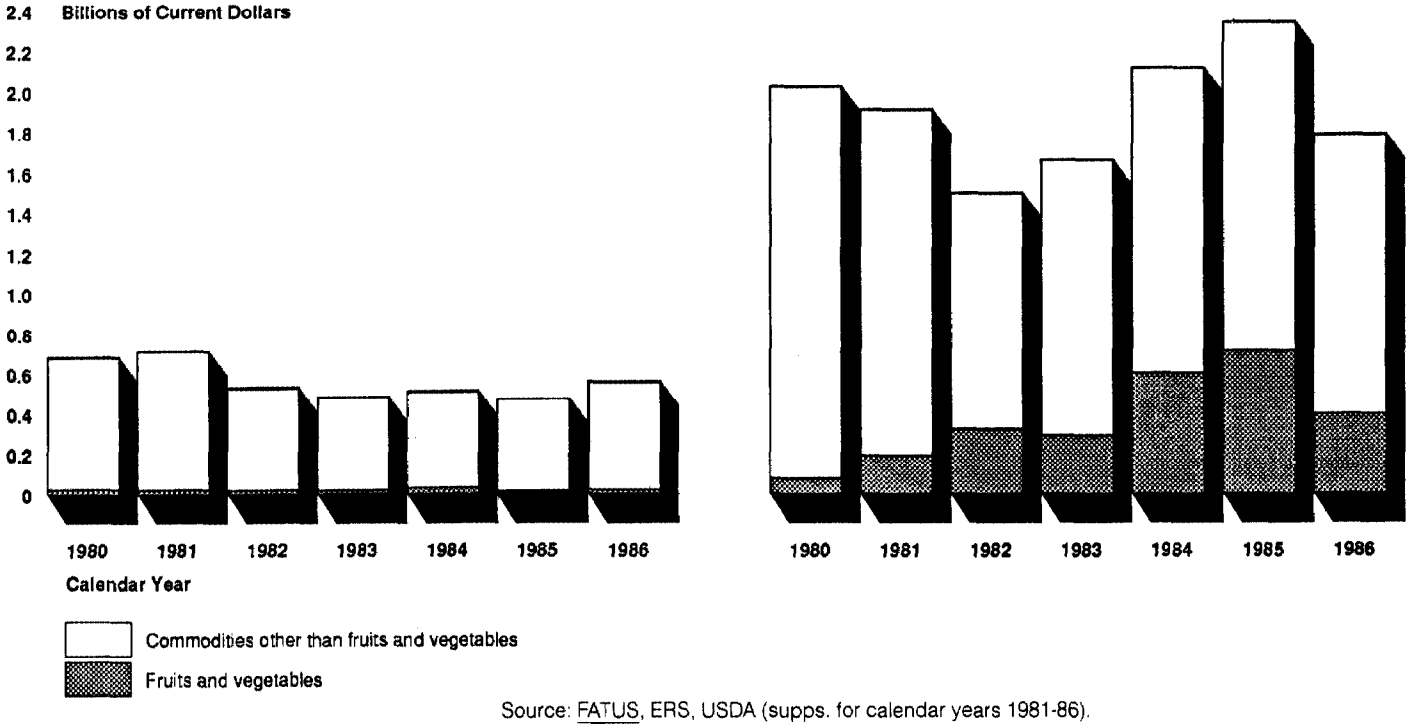
Figure 3.7: U.S. Agricultural Trade Balance With Brazil, 1980-86



Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

The decline in the agricultural trade balance with Brazil from 1982 to 1985 resulted to a large extent from a rise in fruit and vegetable imports, from $321 million in 1982 to $709 million in 1985. (See fig. 3.8.) A corresponding upward trend in total agricultural imports (coffee and cocoa products are the major ones) reversed somewhat in 1986 as imports fell from $2.3 billion in 1985 to $1.8 billion. Lower fruit and vegetable imports accounted for over half of this decline.

Figure 3.8: U.S. Agricultural Exports to Brazil U.S. Agricultural Imports From Brazil 1980-86

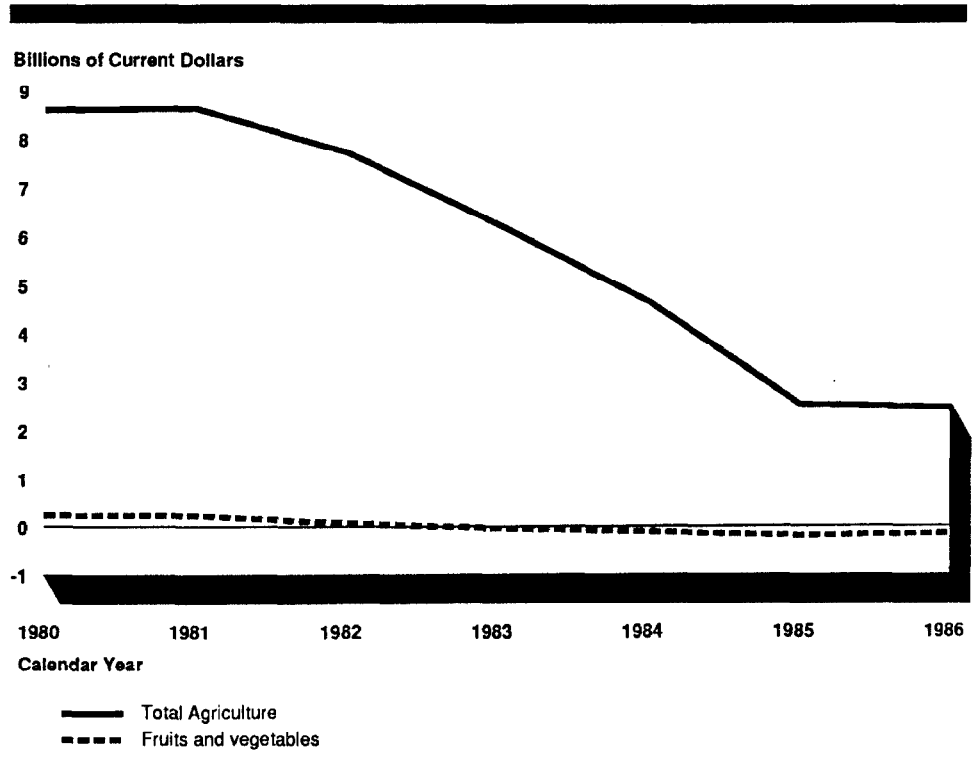


Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

U.S. Agricultural Trade With the European Community

The total U.S. agricultural trade balance with the European Community declined steadily from 1981 to 1985.[1] (See fig. 3.9.) This was due to a generally steady downward trend in exports to the EC and an upward trend in imports from the EC. (See fig. 3.10.) In 1986, agricultural trade between the United States and the EC did not follow these trends as both imports and exports remained stable.

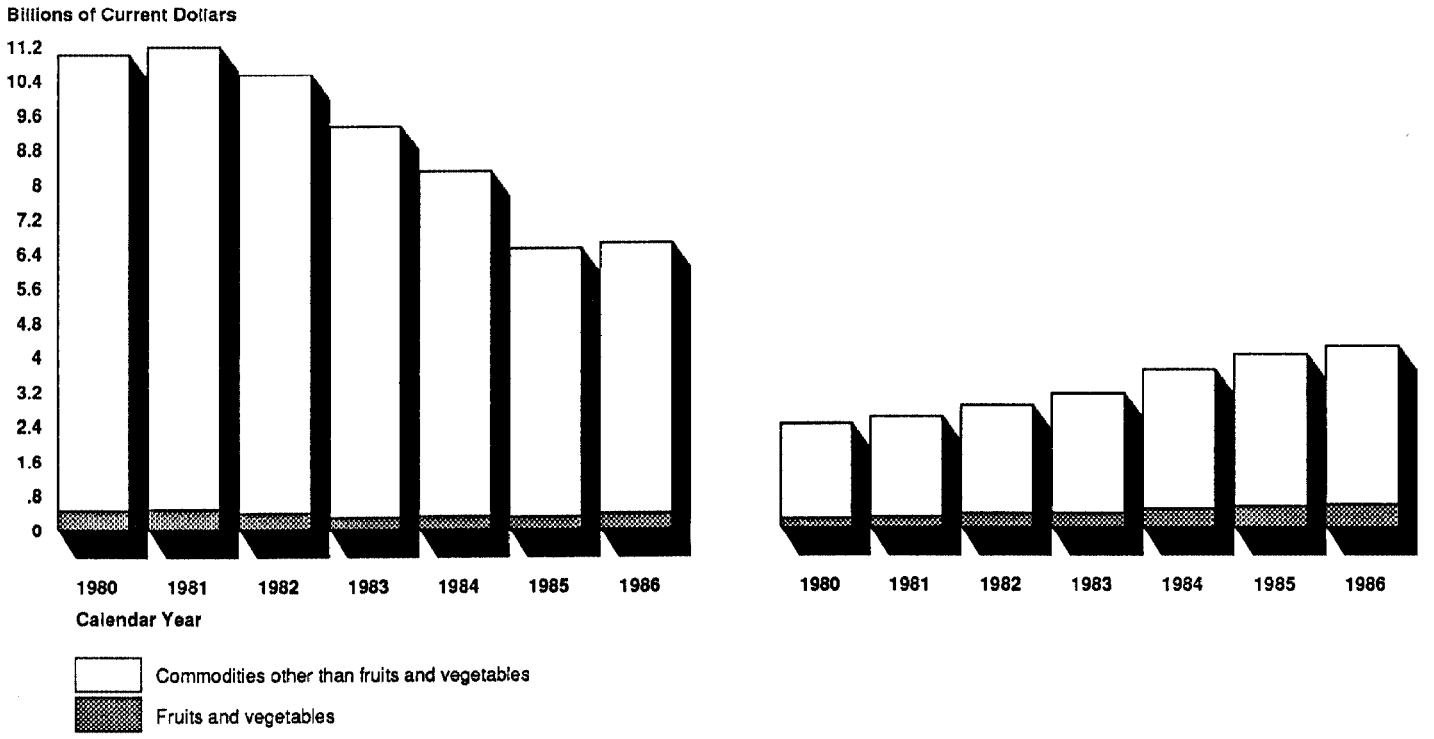
Figure 3.9: U.S. Agricultural Trade Balance With the European Community, 1980-86



Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

[1]The European Community includes Belgium, Denmark, the Federal Republic of Germany, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain (including the Canary Islands), and the United Kingdom. EC data for all years include data on Greece, which joined the EC in 1981, and on Portugal and Spain, which became EC members in 1986.

Figure 3.10: U.S. Agricultural Exports to the EC **U.S. Agricultural Imports from the EC** **1980-86**



Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

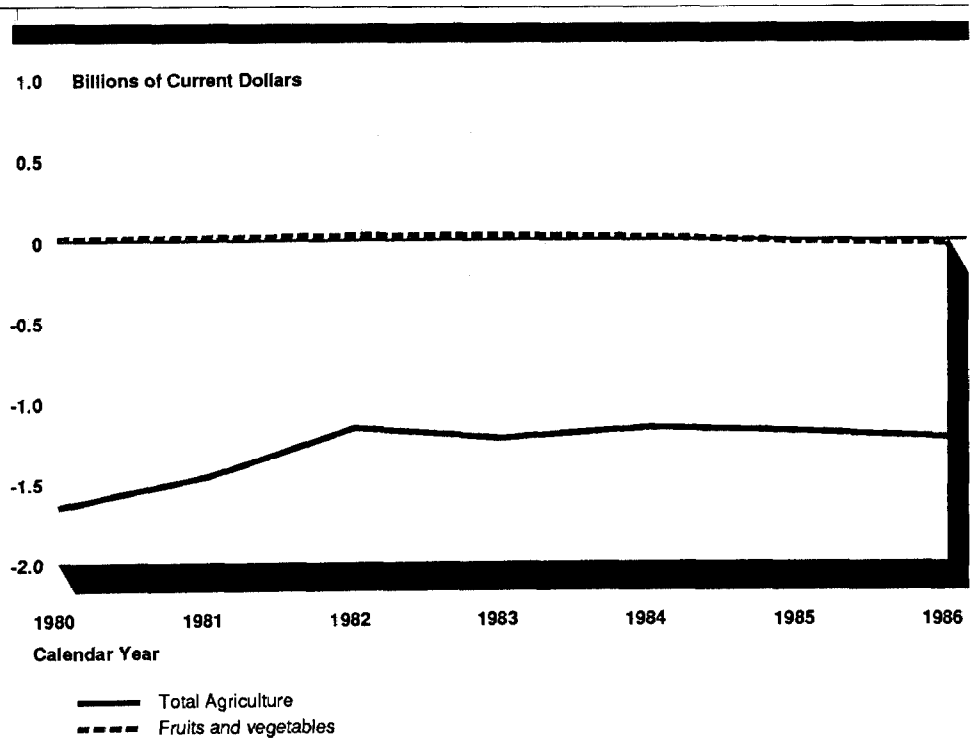
The fruit and vegetable trade balance with the EC remained at relatively low but positive levels from 1980 to 1982, dipped slightly into the red in 1983, and then remained at low negative levels through 1986. (See fig. 3.9.)

The principal agricultural import from the EC is wine. Malt beverages, meat, and dairy products also figure prominently.

U.S. Agricultural Trade With Oceania

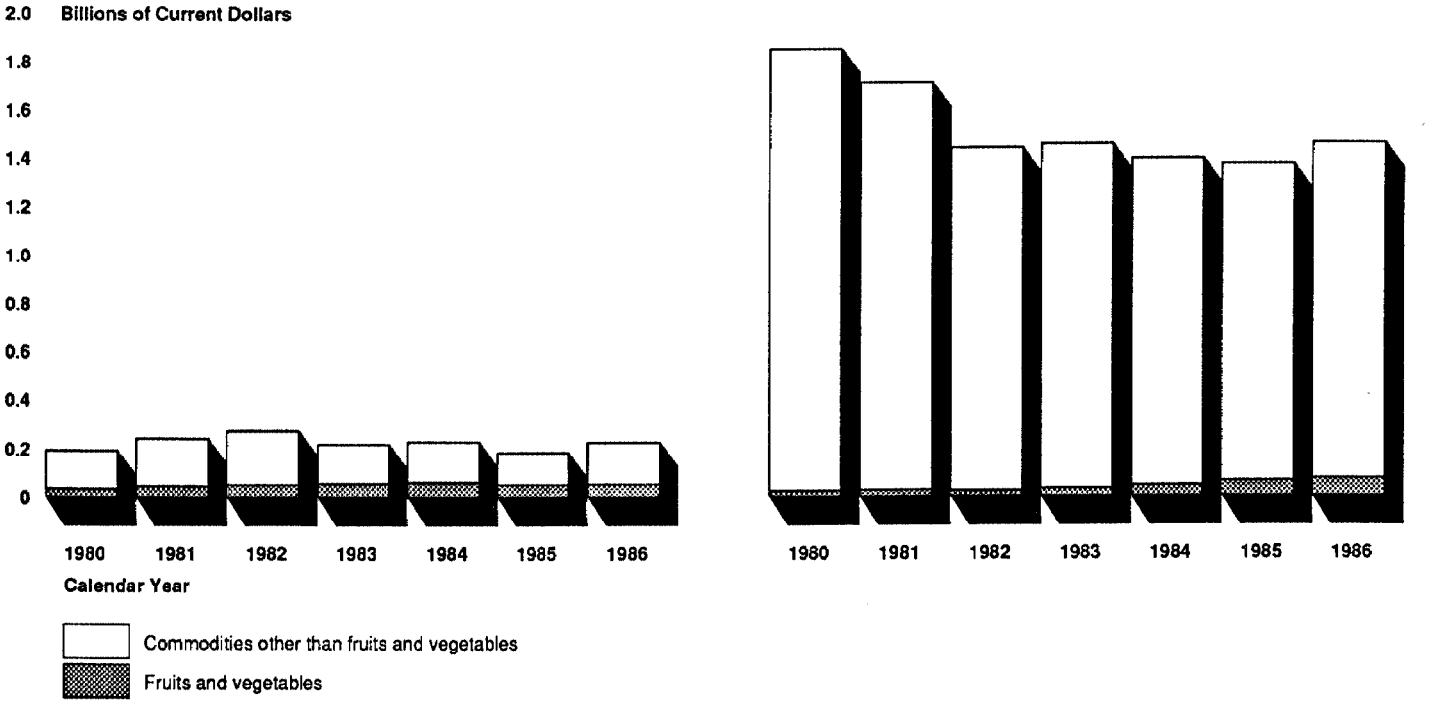
The Oceania region includes Australia, New Zealand, Papua New Guinea, and Fiji. The U.S. agricultural trade balance with this region remained at a fairly consistent negative level during the 1980-86 period. (See fig. 3.11.) The balance showed an improvement in 1981 and 1982 (rising from a negative $1.7 billion in 1980 to a negative $1.2 billion in 1982) as imports from the region declined from $1.8 billion to $1.4 billion. (See fig. 3.12.)

Figure 3.11: U.S. Agricultural Trade Balance With Oceania, 1980-86



Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

Figure 3.12: U.S. Agricultural Exports to Oceania U.S. Agricultural Imports From Oceania 1980-86



Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

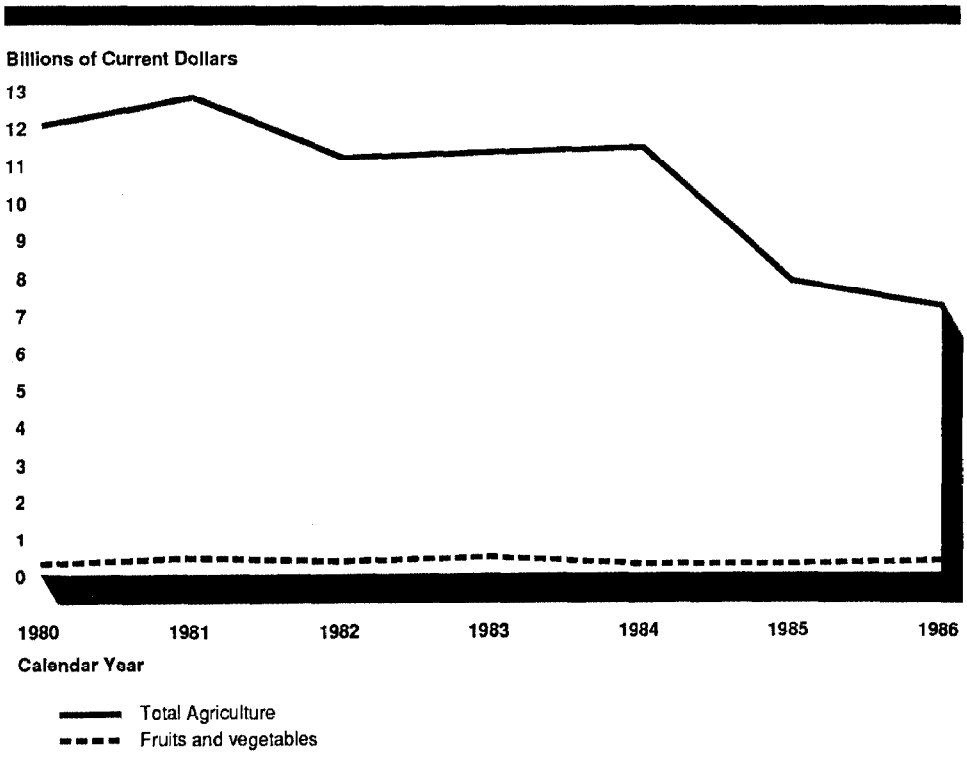
As figure 3.11 shows, the U.S. fruit and vegetable trade balance with Oceania remained small but positive from 1980 through 1984. In 1985 and 1986, it showed small negative balances of $10 million and $20 million, respectively.

Beef is the major import from Australia and New Zealand. Other major imported products include dairy products and sugar.

U.S. Agricultural Trade With Asia

The total U.S. agricultural trade balance with Asia (including Japan) remained positive from 1980 through 1986, although trending downward from $12 billion in 1980 to just over $7 billion in 1986. (See fig. 3.13.) The fruit and vegetable trade balance was relatively constant during this period, remaining small but positive.

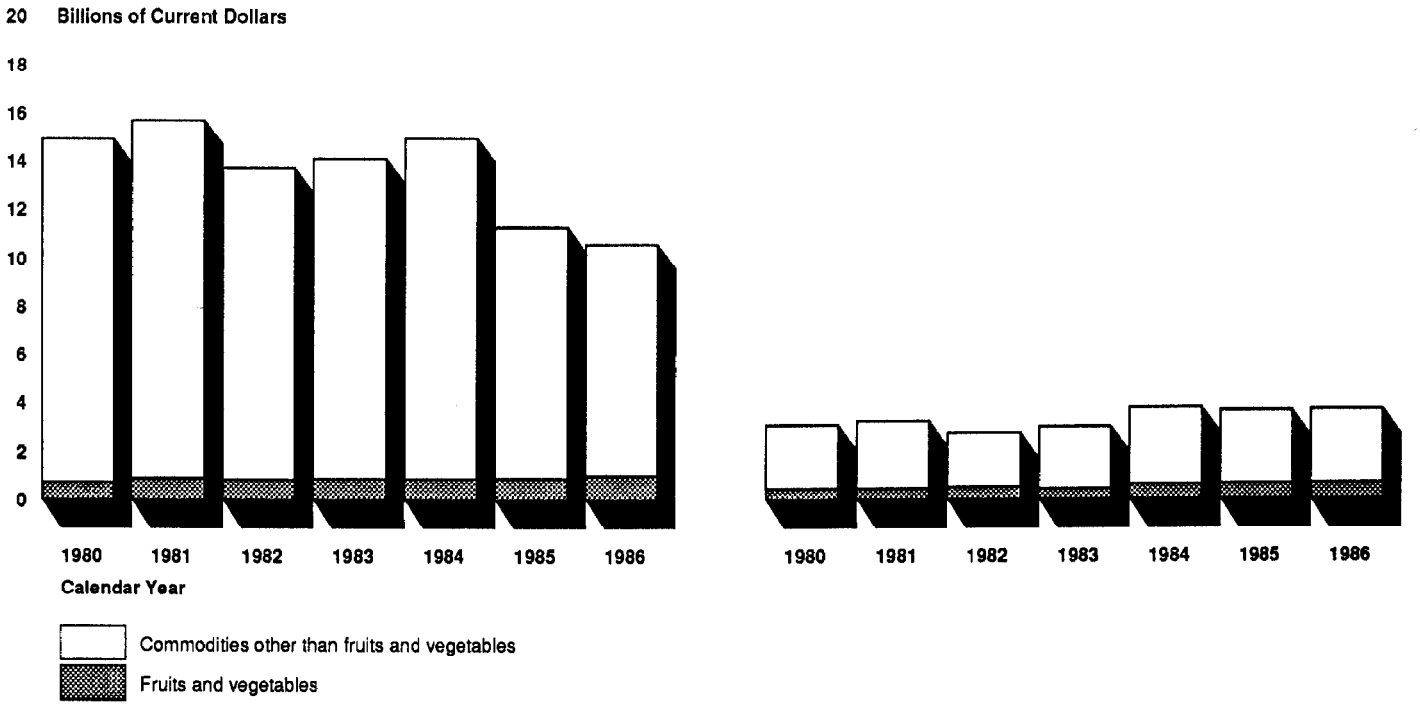
Figure 3.13: U.S. Agricultural Trade Balance With Asia, 1980-86



Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

Agricultural imports from Asia remained relatively steady during the 1980-86 period, ranging from a low of $2.8 billion in 1982 to a high of $3.5 billion in 1984. (See fig. 3.14.) Most of the drop in the balance of trade during this period resulted, therefore, from a decline in exports to Asia. Although they fluctuated during the period, exports dropped from $14.9 billion in 1980 to $10.5 billion in 1986. The major agricultural commodities imported from Asia, aside from fruits and vegetables, include rubber, coffee, and vegetable oils.

Figure 3.14: U.S. Agricultural Exports to Asia U.S. Agricultural Imports From Asia 1980-86

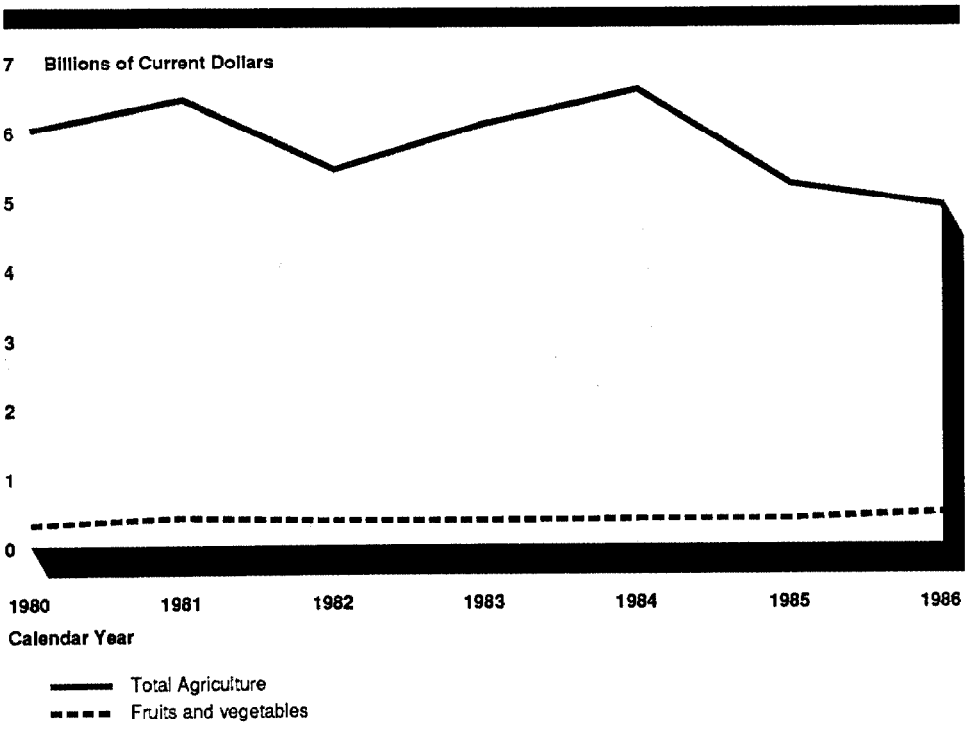


Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

U.S. Agricultural Trade With Japan

Unlike the manufacturing sector, the U.S. agricultural sector enjoyed a favorable balance of trade with Japan during the 1980-86 period. As figure 3.15 shows, the agricultural trade balance was a positive $6 billion in 1980 and a positive $4.9 billion in 1986. Japan has been the single largest market for U.S. agricultural exports since the late 1970s.

Figure 3.15: U.S. Agricultural Trade Balance With Japan, 1980-86

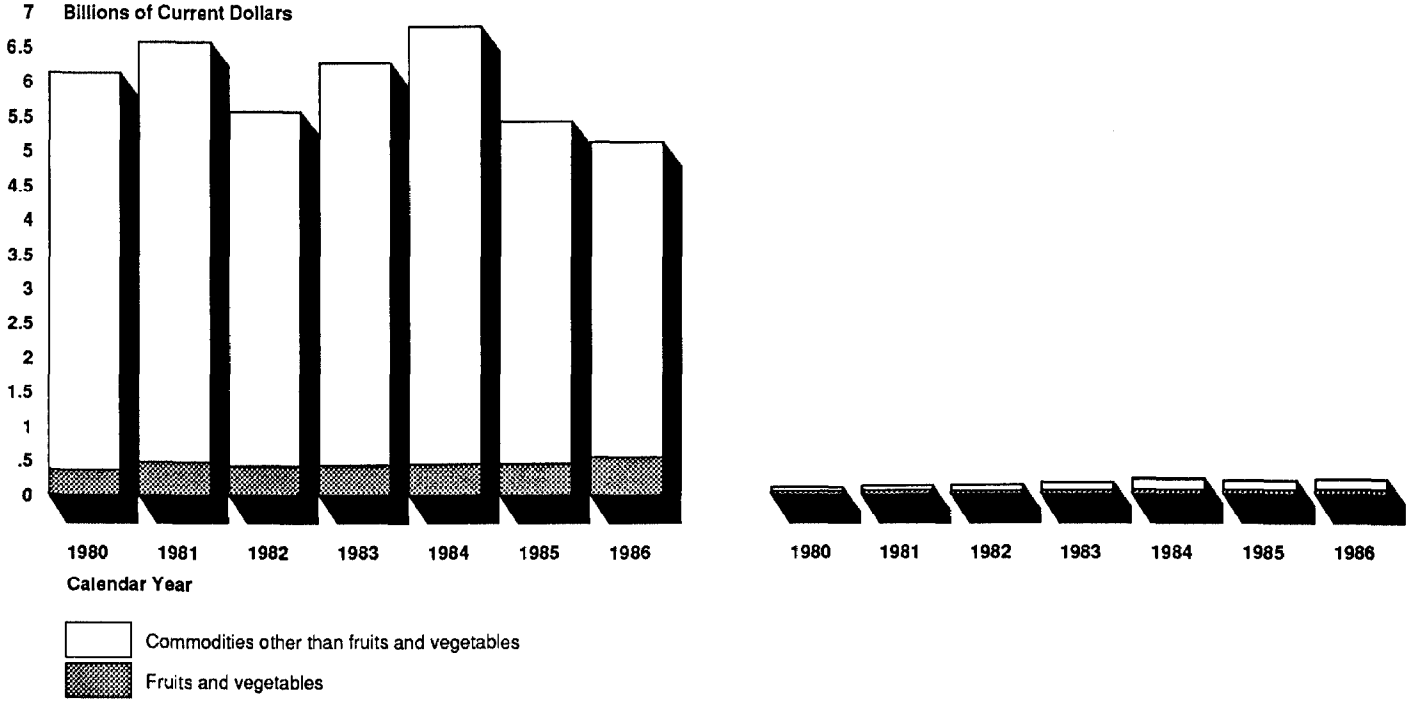


Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

Fruit and vegetable trade represented only a small part of total agricultural trade between the United States and Japan during the 1980-86 period. The U.S. fruit and vegetable trade balance grew from a surplus of $301 million in 1980 to $466 million in 1986.

U.S. agricultural exports to Japan during the 1980-86 period ranged from a low of $5.1 billion in 1986 to a high of $6.8 billion in 1984. (See fig. 3.16.) U.S. agricultural imports from Japan grew from $99 million in 1980 to $213 million in 1986. Fruits and vegetables are the major agricultural commodities imported from Japan. Other imports include dairy products and malt beverages.

Figure 3.16: U.S. Agricultural Exports to Japan U.S. Agricultural Imports from Japan 1980-86

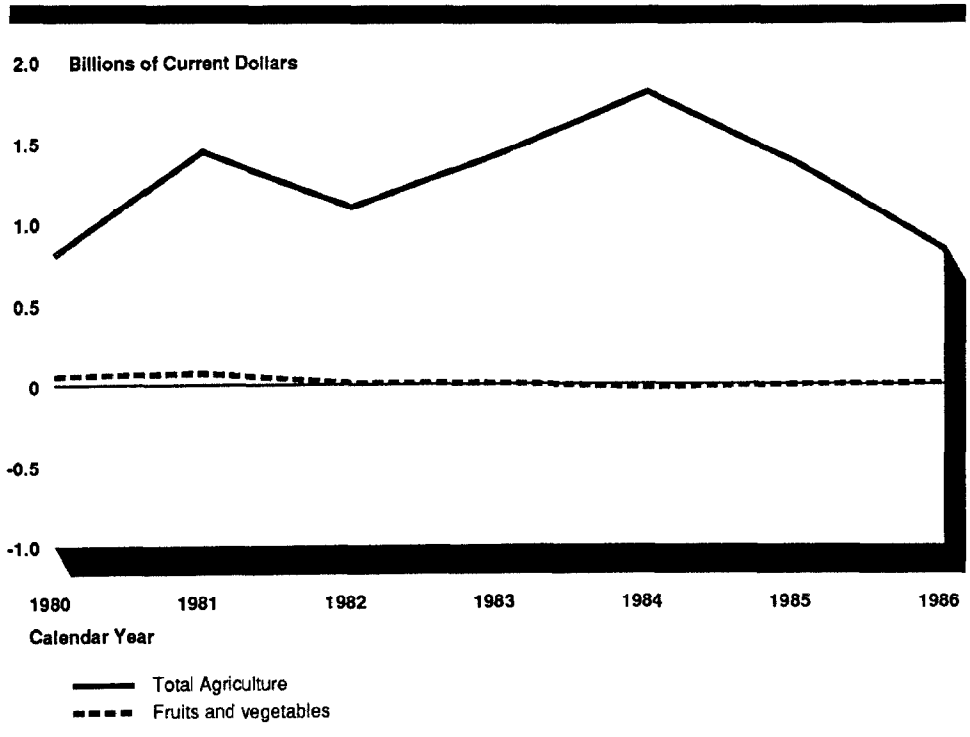


Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

U.S. Agricultural Trade With Africa

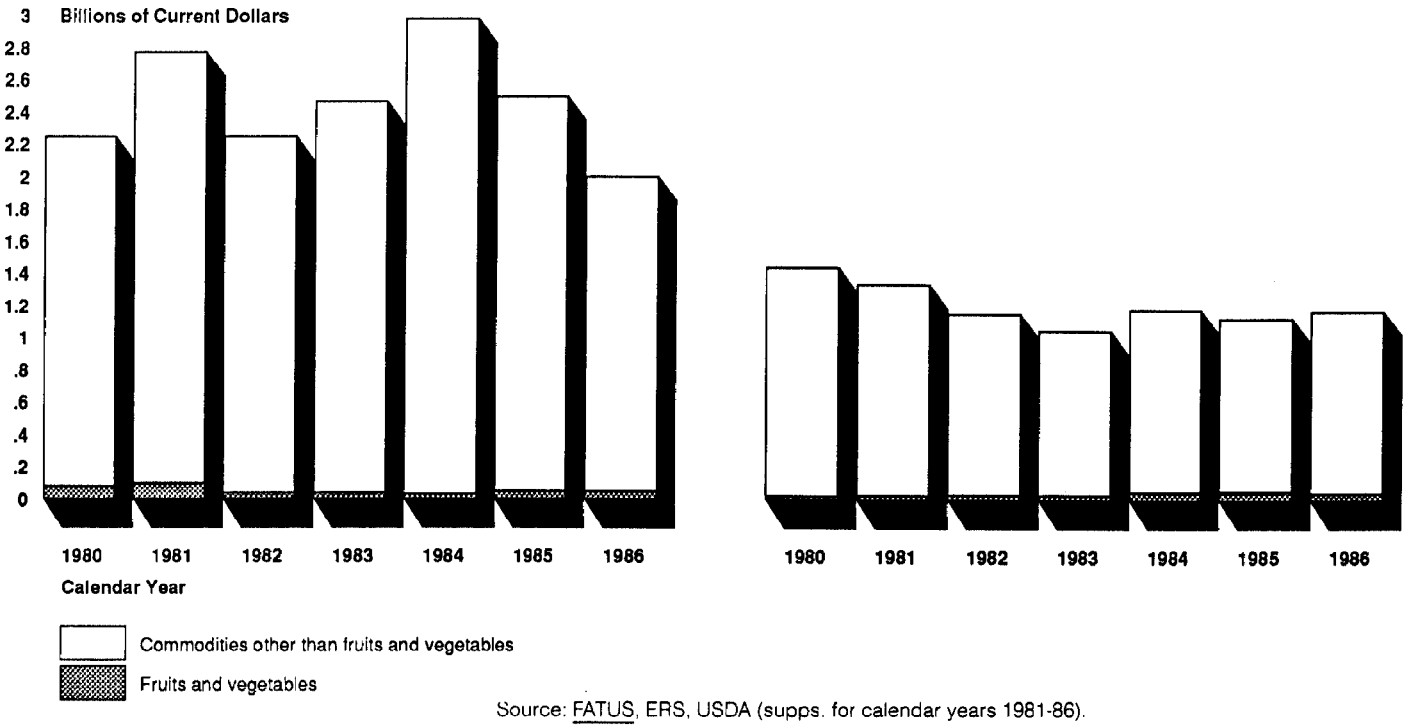
The United States had a favorable agricultural trade balance with Africa from 1980 to 1986. (See fig. 3.17.) The balance rose in 1981 and again in 1983 and 1984 primarily because of rises in exports during those years. (See fig. 3.18.) Agricultural imports remained relatively stable during the 1980-86 period. Most of the agricultural imports from Africa are noncompetitive products, primarily coffee and cocoa.

Figure 3.17: U.S. Agricultural Trade Balance With Africa, 1980-86



Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

Figure 3.18: U.S. Agricultural Exports to Africa U.S. Agricultural Imports From Africa 1980-86



Source: FATUS, ERS, USDA (supps. for calendar years 1981-86).

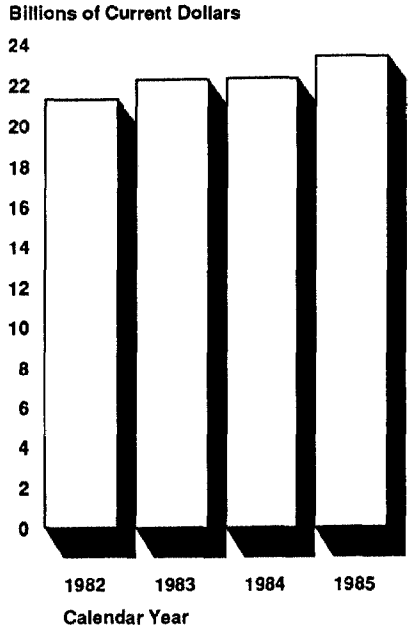
The fruit and vegetable sector comprised a relatively small part of total U.S. agricultural trade with Africa, as figure 3.17 shows. The fruit and vegetable trade balance ranged from a high of $73 million in 1981 to a low of negative $21 million in 1984.

Capital Investments Abroad by U.S. Food Firms

Investments Abroad by U.S. Food Firms

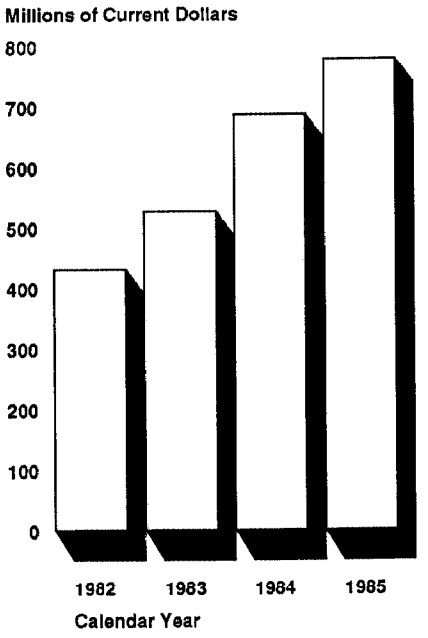
The rising trend of agricultural imports described in the preceding sections was accompanied by a steady rise in foreign capital investments in the food industry by U.S. firms. One form of such investment occurs when U.S. firms establish subsidiaries abroad. Some of these subsidiaries process foreign-grown products abroad and ship them to the United States. Figure 4.1 shows the total assets of foreign food industry affiliates of U.S. companies. To identify the foreign affiliates in the food industry, we used the Department of Commerce's Standard Industrial Classification: Food and Kindred Products. According to Commerce's Bureau of Economic Analysis, total assets of these affiliates rose from $21.3 billion in 1982 to $23.4 billion in 1985. The Bureau did not have data available for 1986.

Figure 4.1: Total Assets of Foreign Food Industry Affiliates of U.S. Companies, 1982-85



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

Figure 4.2: U.S. Food Imports Shipped by Foreign Affiliates of U.S. Companies, 1982-85

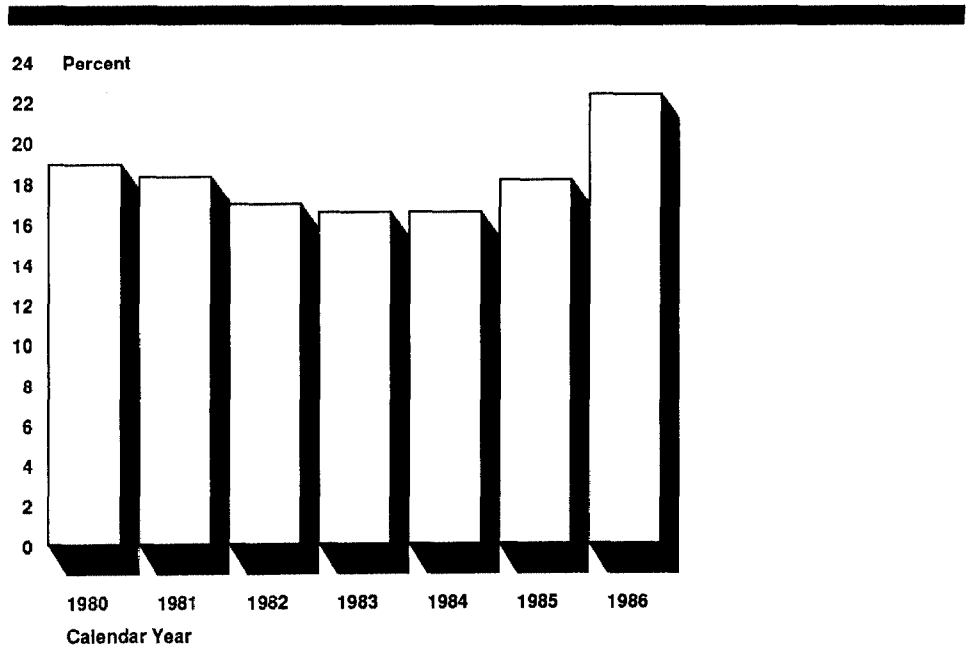


Source: Bureau of Economic Analysis, U.S. Department of Commerce.

Figure 4.2 shows the imports shipped by these foreign affiliates to their parent companies in the United States for the same years. Total imports rose steadily from $430 million in 1982 to $776 million in 1985—an increase of about 80 percent.

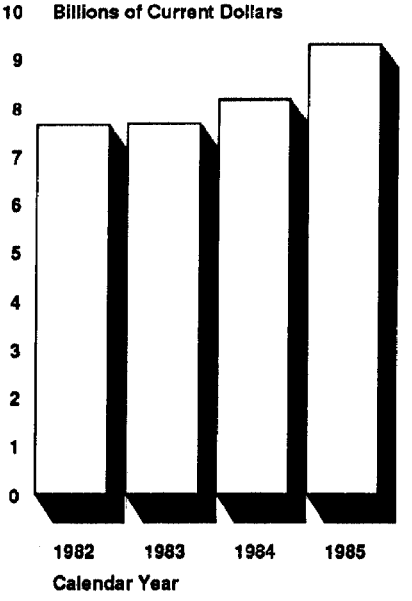
Another source of information on U.S. investment in foreign countries is the financial data reported to the Securities and Exchange Commission by U.S. firms. These data also reveal a recent upward trend in foreign capital investments by U.S. firms in the food industry. Figure 4.3 shows data on the combined foreign assets of 10 major U.S. food companies for which 1980-86 data were available as of July 1, 1987. The 10 companies are Campbell Soup Company; General Foods Corporation; Kellogg Company; Quaker Oats Company; RJR Nabisco, Inc.; Sara Lee Corporation; Kraft Inc.; Borden, Inc.; IC Industries, Inc.; and Seaboard Corporation. Foreign assets, as a percentage of total assets of these companies, decreased slightly from 18.9 percent in 1980 to 16.5 percent in 1983, then increased to 18.1 percent in 1985, and reached 22.3 percent in 1986.

Figure 4.3: Foreign Assets of 10 Major U.S. Food Companies as a Percentage of Total Company Assets, 1980-86



Source: Standard and Poor's Compustat II.

Figure 4.4: Direct Investment Position Abroad of U.S. Food Companies, 1982-85



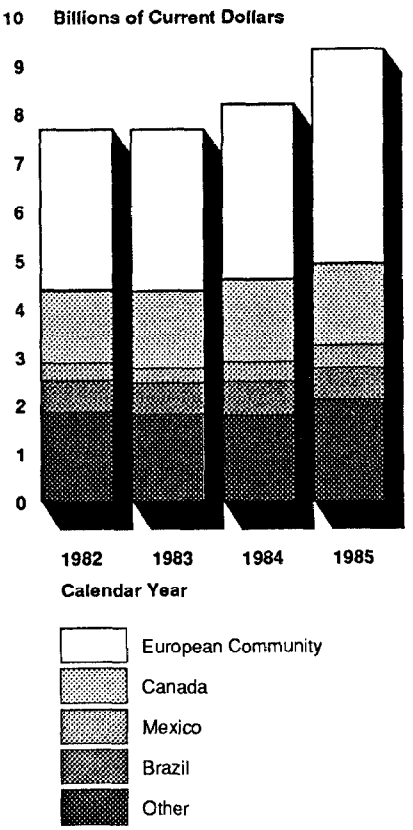
Source: Survey of Current Business, Bureau of Economic Analysis, U.S. Department of Commerce (1986), vol. 66, no. 8, table 37.

Another measure of U.S. overseas investment trends is found in the report on U.S. direct investment position abroad, which is prepared by the Bureau of Economic Analysis. These data measure the U.S. parent companies' contribution to the total assets of their foreign affiliates, or the debt or equity financing provided by U.S. parents to their affiliates. More specifically, the "position" is equal to the U.S. parent companies' equity in, and net outstanding loans to, their foreign affiliates.

Figure 4.4 shows, for the 1982-85 period, the direct investment position abroad of U.S. firms classified by Commerce as members of the food industry. The investment position of these companies in foreign subsidiaries increased from $7.6 billion in 1982 to $9.3 billion in 1985—an increase of about 22 percent.

Figure 4.5 shows the U.S. direct investment position abroad in selected countries and regions. As noted earlier, the combined U.S. investment position in all countries increased by 22 percent from 1982 to 1985. During this period, the largest increase—35 percent—was in the European Community. The investment position in Mexico increased by 24 percent over this 4-year period, while it changed very little in Brazil and Canada.

Figure 4.5: U.S. Food Companies' Direct Investment Position Abroad for Selected Countries and Regions, 1982-85



Source: Survey of Current Business, Bureau of Economic Analysis, U.S. Department of Commerce (1986), vol. 66, no. 8, tables 12-15.

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