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Outlook

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Changes in U.S. Agricultural Imports From Latin America and the Caribbean

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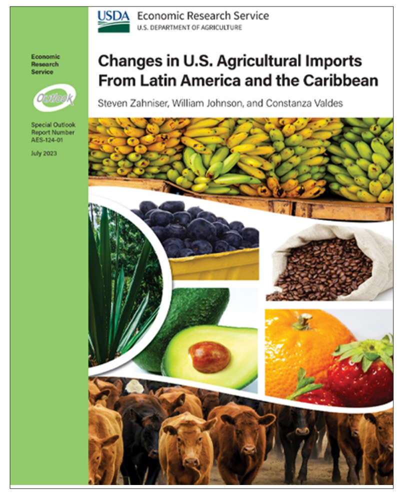
What Is the Issue?



Between 2007–09 and 2019–21, U.S. agricultural imports from the world increased at a compound annual growth rate (CAGR) of 5.6 percent (nominal value—i.e., not inflation-adjusted). Consumer-oriented products (such as beef, fruit, vegetables, and alcoholic beverages) became a more prominent part of imports, with their share rising from 66.3 percent to 70.7 percent. These trends were even stronger when considering imports from Latin America and the Caribbean (LAC). U.S. agricultural imports from LAC grew at a CAGR of 6.9 percent, and consumer-oriented products' share of these imports rose from 72.2 percent to 81.5 percent. To understand how and why U.S. agricultural imports from LAC changed in this fashion, USDA, Economic Research Service (ERS) economists used detailed trade statistics to explore the changing product and supplying-country composition of these imports. In addition, ERS economists conducted a detailed market and trade analysis of the five product groups for which the share of U.S. agricultural imports from LAC increased the most between 2007–09 and 2019–21 and the five product groups whose share decreased the most. These aspects of U.S. agricultural trade are significant, given LAC's role as a leading source of agricultural products and the market competition between U.S. and LAC producers of certain products, such as fresh berries and beef.

What Did the Study Find?

Examination of the trade data revealed that the increase in U.S. agricultural imports from LAC between 2007–09 and 2019–21 was primarily a story about Mexico. Mexico has been a partner of the United States in free-trade agreements (FTA) for nearly three decades—first through the North American Free Trade Agreement (NAFTA, January 1, 1994–June 30, 2020) and currently through the United States-Mexico-Canada Agreement (USMCA, July 1, 2020–present). During the period studied, U.S. agricultural imports from Mexico grew faster than corresponding imports from most other countries in LAC, including all other U.S. FTA partners in the region except Peru. As a result, Mexico's share of U.S. agricultural imports from LAC increased from 44.1 percent during 2007–09 to 58.2 percent during 2019–21.

Five products led the growth in U.S. imports of consumer-oriented agricultural products from LAC: fresh berries, tequila, fresh avocados, beef and beef products, and beer. While Mexico is the leading foreign supplier of these five products to the United States, other countries have seen their shares of the U.S. market increase in recent years. One key export example is fresh berries from Peru. In recent years, Peru has emerged as a major producer of blueberries and surpassed Chile as a major producer of blueberries to become the second leading foreign supplier of fresh berries to the United States, with Mexico retaining the leading position. Another important export example is beef and beef products from Nicaragua. Nicaragua is a growing supplier to the United States of beef and beef products—a category in which Mexico also emerged as an important exporter.

The five products whose share of total U.S. agricultural imports from LAC decreased the most were unroasted coffee, non-beverage ethanol, fresh bananas and plantains, fresh grapes, and orange juice. These products tended to have slower rates of growth in both the quantity of imports and their unit value. Coffee and bananas come from mature industries whose sales are expected to grow slower than sales of less mature industries such as fresh berries. Orange juice imports have been affected by the citrus disease Huanglongbing (HLB)—also known as citrus greening, which reduces fruit size, causes the fruit to drop prematurely, and eventually kills the tree—and by consumer preferences shifting away from beverages with high amounts of sugar. Ethanol's lower share of U.S. agricultural imports from LAC is due to the elimination of a U.S. ethanol tariff that partially exempted beneficiary countries under the Caribbean Basin Economic Recovery Act (CBERA).

How Was the Study Conducted?

This study explores changes in U.S. agricultural imports from LAC between 2007–09 and 2019–21. The study primarily relies upon trade data collected by the U.S. Department of Commerce's Bureau of the Census and compiled by USDA's Foreign Agricultural Service. Annual data were used to identify changes in the product and supplying-country composition of these imports. A more detailed market and trade analysis was conducted for the five product groups with the largest increases and decreases in their share of U.S. agricultural imports from LAC. The starting point (2007–09) of the period studied roughly corresponds to the completion of NAFTA's transition to intraregional free trade on January 1, 2008, while the period studied as a whole (2007–09 to 2019–21) spans an entire business cycle for the U.S. economy, starting with the Great Recession (December 2007–June 2009) and ending approximately with the onset of the Coronavirus (COVID-19) pandemic in late 2019 and early 2020.