Biosketch
Dermot Hayes

Dermot Hayes is a native of the Republic of Ireland. He obtained a Bachelor of Agriculture Science degree from University College in Dublin in 1981. He entered the Ph.D. program in the Department of Agricultural Economics at Berkeley in the fall of 1981, where he majored in International Trade. Dr. Hayes joined the Department of Economics at Iowa State University in March 1986. His research interests include food safety, livestock modeling, demand analysis, commodity markets, and agricultural and trade policy.

Dermot is currently the Pioneer Hi-Bred international chair in Agribusiness, a Professor in the Department of Economics, and a Professor in the Department of Finance at Iowa State University. He is also assistant director of the Meat Export Research Center at Iowa State University.
U.S. Agricultural Export Potential

Dermot Hayes
Pioneer Chair in Agribusiness
Professor of Economics
Professor of Finance
Iowa State University

Value of U.S. Agricultural Exports

Billion Dollars

- Animals and Animal Products
- Grains and Feeds
- Oilseeds and Products
- Cotton
- Other Products

Structural Factors

- The FAPRI analysis assumes that institutional and structural factors remain the same.

- Additional factors that might alter export patterns include; changes in relative transportation costs, changes in exchange rates, new trade arrangements and the integration of China into the world economy.

Transportation Costs and Exchange Rate Impacts

- In the mid eighties the U.S. meat sector discovered how to ship beef and pork, (but not poultry) in chilled but not frozen form.
- This new technology essentially reduced transportation costs for meat relative to feedgrains.
- At about the same time the U.S. dollar weakened on international markets.
- This weak currency increased the competitiveness of the U.S. labor and capital that are added when raw commodities are further processed in the U.S.
- The end result of both of these changes was a dramatic increase in U.S. beef, poultry and pork exports.
Impact of New Trade Agreements

- In the spring of 1999, the E.U. adopted a set of agricultural policies that will bring internal prices down to world levels within 5-10 years.
- The absence of E.U. opposition, plus a reduction in food security concerns may allow for real reductions in export barriers in agricultural markets.
- Most of the barriers currently in place restrict value added exports, and these may grow very quickly.
China

- China has about 21% of the world's people and 7% of the land. The 'missing' land is located in North America and the FSU.
- Chinese capital costs are very high, and capital appears to be necessary for most value-added exports.
- Our unpublished analyses show enormous export potential in China.
- As Chinese incomes grow and as farmers are given more flexibility, China becomes grain deficit.
- Then Chinese livestock farmers lose competitiveness and China imports as much as 12 million tons of pork!

Conclusions

- An extrapolation of past market behavior shows U.S. exports growing to $60 to $80 billion per year over the next ten years.
- Trade composition depends on relative capital costs, relative transportation costs and the exchange rate.
- Actual export values could be substantially higher than projected if we change the product mix towards value-added products, expand existing trade arrangements, or allow China to come into the WTO.
- For example, China has the potential to import $24 billion worth of pork within 10 years.