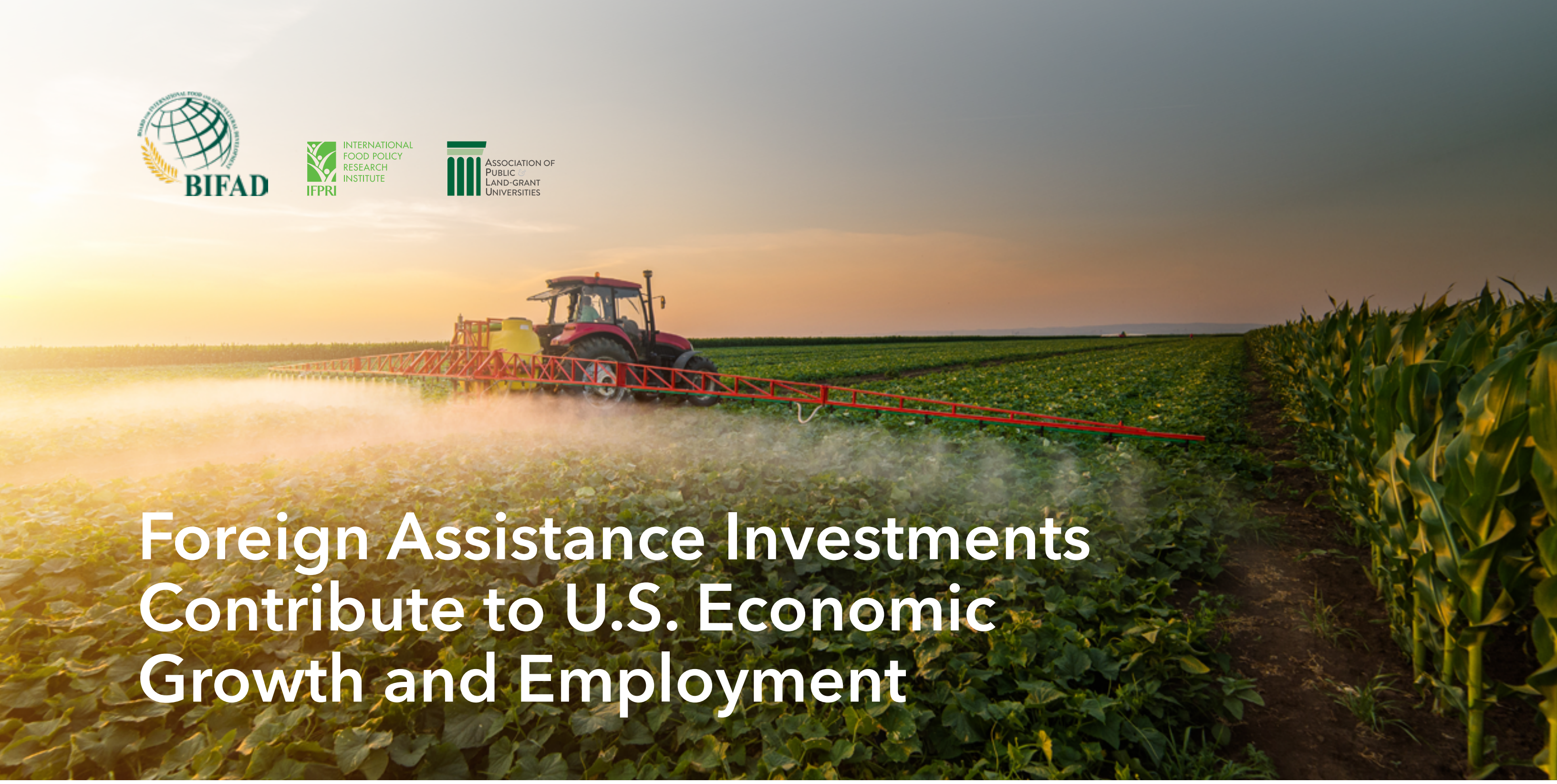

Foreign Assistance Investments Contribute to U.S. Economic Growth and Employment

Foreign agricultural assistance supports growth in household incomes abroad, increasing demand for U.S. agricultural and manufactured exports with broad impacts on economic growth and employment. Agricultural development in poorer countries with limited access to international markets is an important pathway to economic growth, poverty reduction, and integration into the world economy. In many developing countries, agriculture is the dominant source of employment. Boosting agriculture therefore spurs the growth of entire economies and stimulates demand for U.S. exports. In 2018, U.S. agricultural exports totaled $140 billion, with developing countries accounting for $90 billion, or nearly two-thirds of total agricultural exports.

Many U.S. agribusinesses and food and agricultural product exporters view developing regions of the world as their best opportunity for market expansion. The companies are attracted by the large and rapidly growing population in those regions, the high rates of economic growth in many developing countries, and the well-known shift by consumers to higher-quality and higher-priced food products as incomes rise. This shift in consumption patterns occurred decades ago in today's high-income countries, and growth in the demand for food has leveled off. In contrast, developing countries are still at the beginning of this transition toward higher-quality and higher-priced foods as a growing share of the population joins the middle class, creating market opportunities for U.S. exporters.

China and India both provide examples of strong U.S. export growth driven by income-induced changes in food consumption patterns. U.S. agricultural exports to China have increased by 2,300 percent and agricultural exports to India have increased by 1,693 percent since 1990. Similar potential for growth of U.S. exports exists in many other developing countries where U.S. foreign aid is designed to boost incomes. U.S. exports to Africa have grown, but there is potential for still far higher growth. Between 2000 and 2018, grain imports in sub-Saharan African countries grew by almost 6 percent annually, vegetable oil imports by 6.6 percent, and meat imports by 8 percent. Those trends are expected to continue. Poultry imports to sub-Saharan Africa are projected to account for 17 percent of global poultry trade by 2027 and rice imports in the region are expected to grow to 35 percent of global rice trade by 2027.

Agriculture is the predominant source of income for the majority of the population in most low-income developing countries. Foreign aid that makes agriculture more productive boosts incomes throughout the economy and increases demand for U.S. exports. The end result is more jobs for Americans producing goods and services for export, and more income in the American economy.

Between 2015 and 2050, 98 percent of global population growth is projected to occur in developing countries. The growth of global demand for food creates opportunity for continued expansion of U.S. agricultural exports. For this to happen, the agriculture sectors and the entire economies of developing countries must continue to grow. U.S. government investment in foreign agriculture is a "win-win" for the American economy.

Measuring the broader benefits of agricultural exports

USDA's Economic Research Service estimates that each dollar of agricultural exports stimulates an additional $1.87 in business activity in the United States. The economic multiplier effect is due to multiple rounds of income and spending that circulate through the entire economy, including manufacturing, trade, and transportation, as farmers purchase fuel, fertilizer, and other inputs to produce commodities for export. In 2018, total agricultural exports of $140 billion are estimated to have produced an additional $261 billion in U.S. economic activity, resulting in a total change in economic output of $401 billion. Agricultural exports in 2018 supported an estimated 1,203,000 full-time U.S. jobs. Every $1 billion in U.S. agricultural exports supported 8,619 full-time jobs throughout the American economy. Approximately 379,000 of these jobs were on the farm while 824,000 were in nonfarm sectors including food processing, services, trade, and transportation.

Over the past 20 years, total U.S. agricultural exports grew by 63% in real terms. Most of the growth was in exports to developing countries.

+103% Growth in exports to developing countries

+19% Growth in exports to developed countries

All the inflation-adjusted growth of U.S. bulk exports, and most of the growth of high-value products, is due to sales to developing countries.

	Bulk Commodities	High-value Products
Developing Economies	+77%	+125%
Developed Economies	-4%	+27%

1,203,000

U.S. jobs supported by agricultural exports in 2018.

Calculations by author based on USDA, GATS database.

U.S. foreign agricultural assistance investments bring substantial economic, health, and security benefits to the United States. This brief highlights a report commissioned by the Board for International Food and Agricultural Development (BIFAD) on how the United States benefits from agricultural and food security investments in developing countries. The full report is available for download at: https://doi.org/10.2499/p15738coll2.133419

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