

Euler Hermes: Amid recurring strains on profitability, California agrifood industry is set to seize growth opportunities

BALTIMORE, Md. – JUNE 28, 2013 – The fluctuations of commodity prices during the past six months may continue to affect profits for the California agrifood sector but growth country exports could offset the impact according to [Euler Hermes](#), the world’s leading provider of [trade credit insurance](#). The agrifood industry should show limited output growth and strained operating profits when performance for the first half of 2013 is reported, as detailed in Euler Hermes’ recent report, [“California: The Agrifood Valley at Risk.”](#)

“For the last six years, food manufacturing in California, as well as in the U.S. generally, has faced fluctuating agricultural raw material prices,” said Dan North, lead economist, Euler Hermes North America. “We are continuing to see the effects of this. However, there is light at the end of the tunnel. The industry is well-positioned to capture economic growth through the export of a wide range of products.”

In 2012, California’s food product exports grew 2.5% over 2011 to reach \$9 billion, accounting for 14% of total U.S. food exports. In 2013, these exports are forecast to rise at a similar pace, as growth drivers (Canada, Mexico and Asia except for Japan) are expected to offset declining demand from industrialized countries weakened by prolonged economic doldrums.

“The food sector shows upside potential, especially when taking advantage of upstream strongholds in agriculture,” said Bruno Goutard, sector economist, Euler Hermes North America. “More so than any other state, California is more integrated in offshore commerce than the industry nationwide.”

Californian food product exports

Exports destination	Value in 2012*	Exports**
Mexico	\$1.4bn (+5.6%)	Other food products (27%), dairy products (22%), meat products (20%)
Japan	\$1.4bn (-13.3%)	Grain and oilseed milling products (25%), fruit & vegetable products (22%), meat products (17%)
ASEAN	\$1.2bn (+7.6%)	Dairy products (43%), other food products (24%), fruit & vegetable products (10%)
Canada	\$1.2bn (+11.6%)	Fruit & vegetable products (31%), other food products (25%), bakery products (11%)
China / Hong Kong	\$1.0bn (+13.4%)	Meat products (47%), dairy products (18%), other food products (15%)
South Korea	\$0.7bn (-16.1%)	Other food products (26%), dairy products (18%), meat products (15%)
EU	\$0.5bn (-3.5%)	Fruit & vegetable products (58%), other food products (19%), grain and oilseed milling products (12%)

* in brackets, change 2012/2011

** in brackets, share of the subsector exports in Californian food product exports to the designated country

Source: International Trade Administration



Food production in California declined slightly during the economic recession and bottomed out in 2010. As a result of improvements in the U.S. economy, the sector's output has progressively recovered to its pre-recession level and posted a sound 4% growth rate in 2012 compared to 2011. For 2013, food manufacturing output should experience moderate growth in California, due to limited U.S. economic growth.

For more information and to access the full report, please visit:

<http://www.eulerhermes.us/mediacenter/news/Pages/economic-insight-june-07-2013.aspx>

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