



**Jason Hafemeister**  
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**TFAA**

Old school cash crop irrigation

# Trade and U.S. Agriculture

Market Access, Institutions, and Competition Policy

**USDA Outlook Forum**  
**February 18, 2021**

# Agenda: Looking Back, Looking Forward



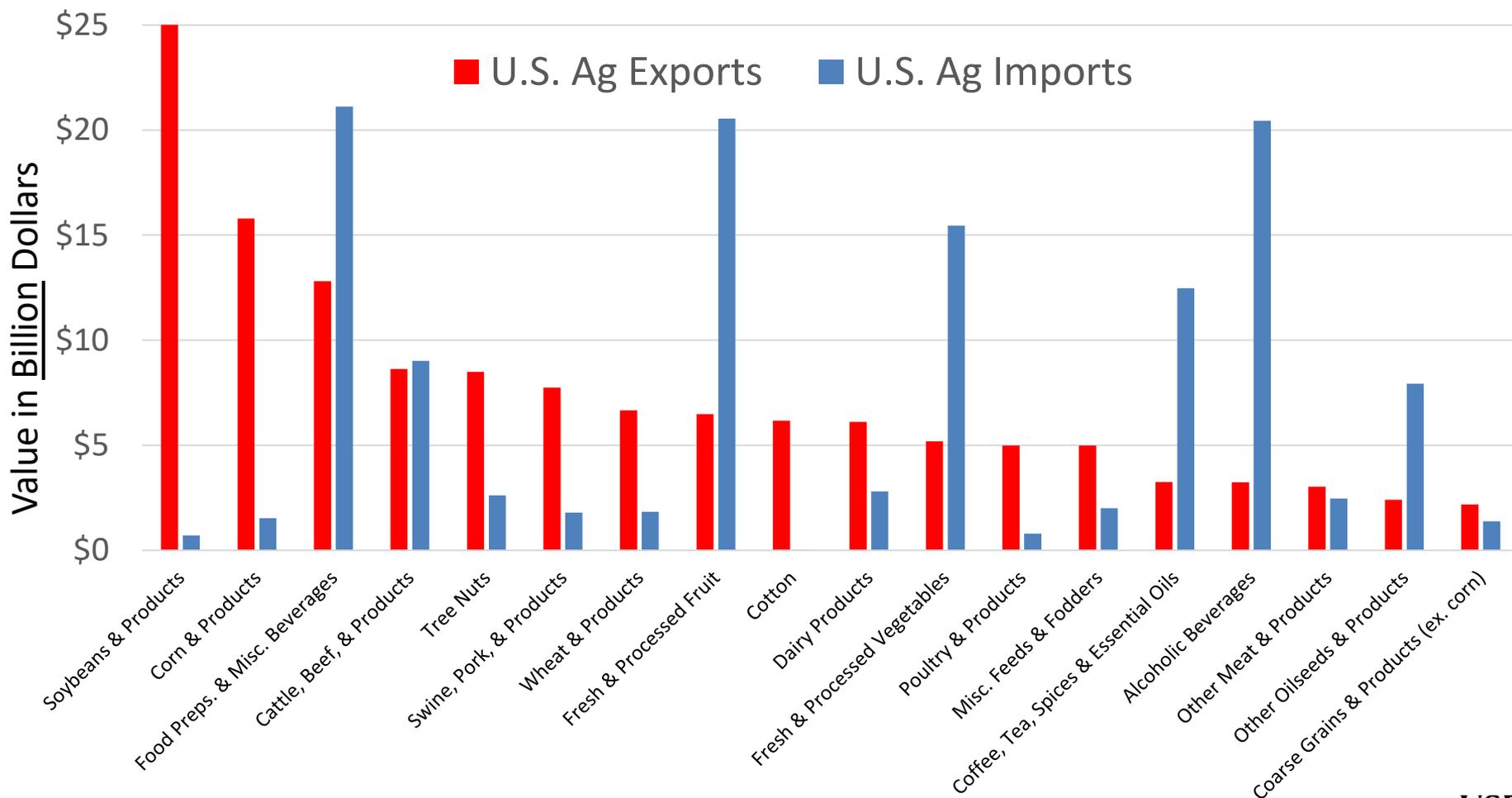
View from hilltop neighboring my folks' place

- Why U.S. Agriculture Cares About Trade
- Market Openings and Market Closings
- Institutions and The Evolution of Competition Policy

# Agricultural Trade is Important in the United States

## (Exports & Imports, 2020)

The United States is an export powerhouse. All sectors export and most have a trade surplus.  
The United States is a major importer of a diverse range of products.



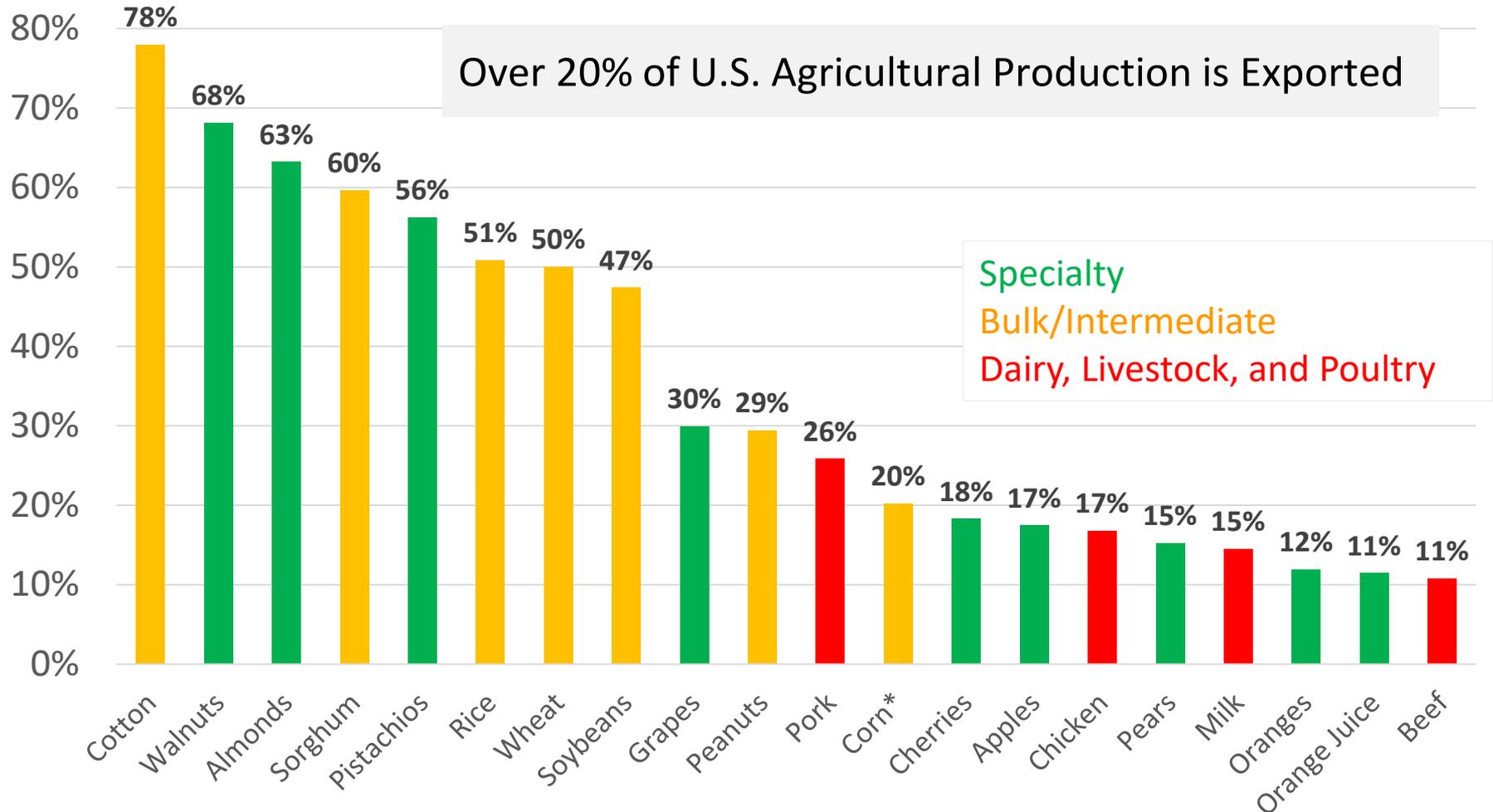
\* Includes vegetable oils

Source: U.S. Census Bureau Trade Data – WTO definitions

# Export or Shrink

## Percent of U.S. Production that is Exported

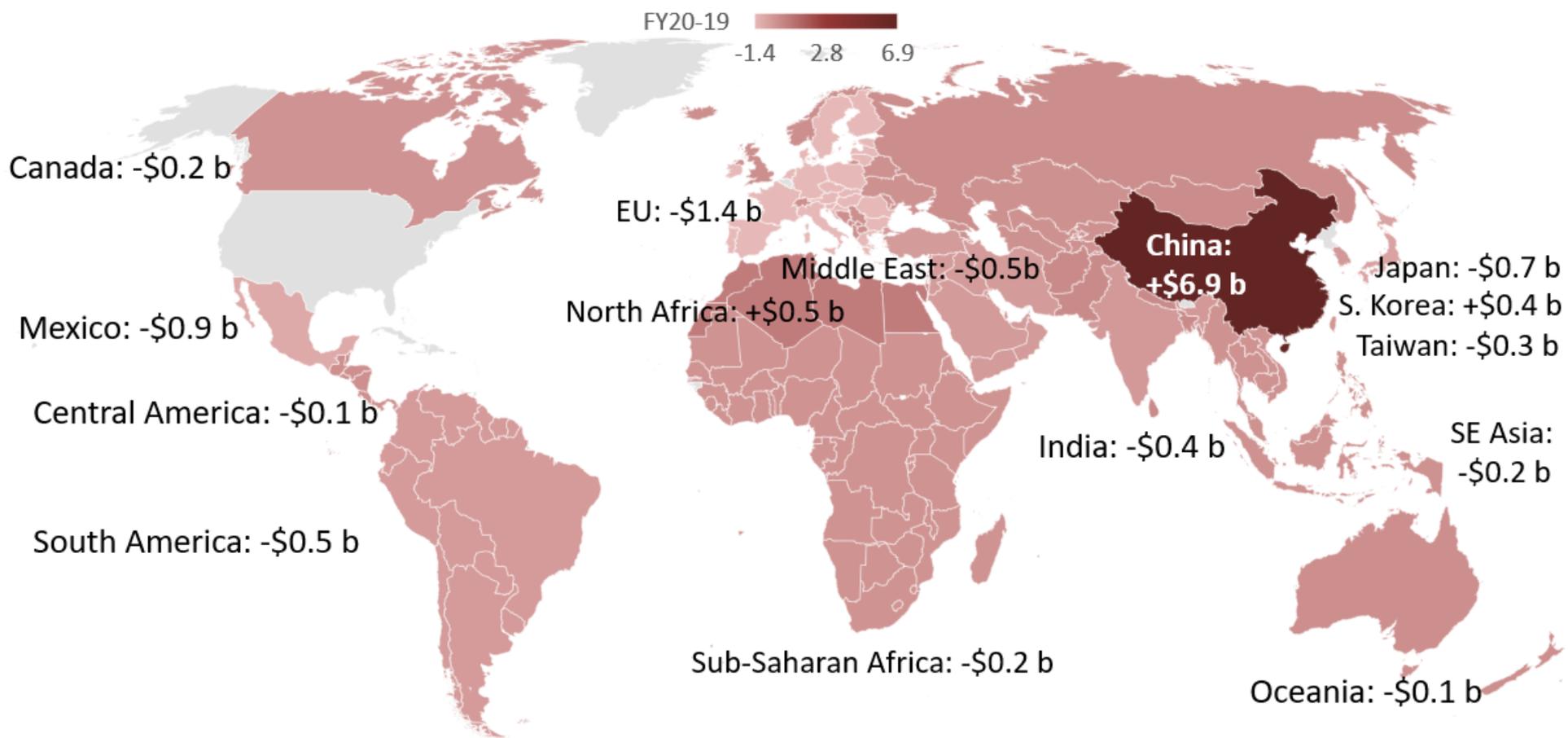
*Exports are a critical source of income for a wide range of ag products (2019/20).*



Source: USDA/FAS/PSD database, marketing year data; U.S. Dairy Export Council

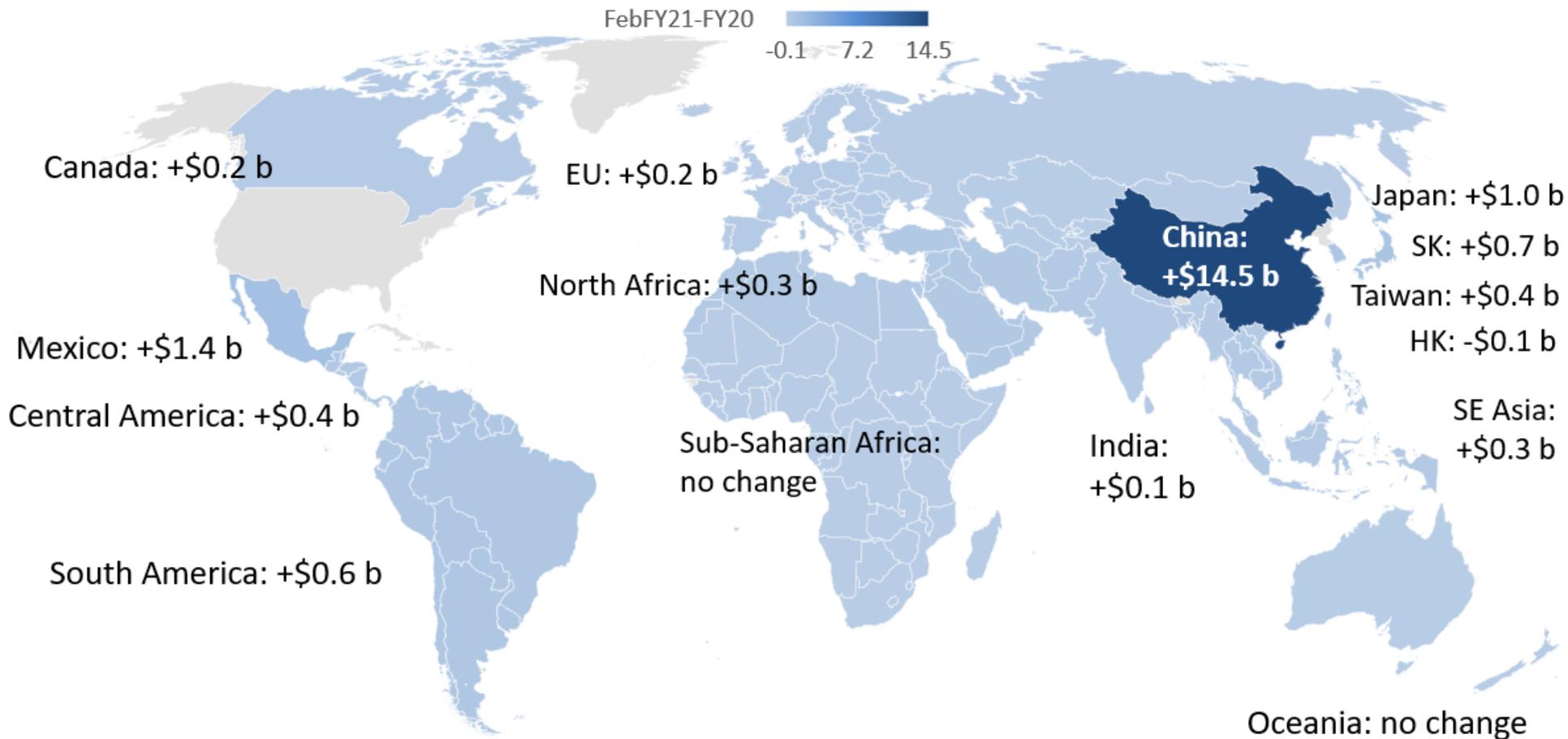
\*Corn & corn embedded in ethanol, DDGS, and high fructose corn syrup exports

# Change from FY19 to FY20



Source: USDA Quarterly Trade Forecast, November 2020  
FY19: Oct 2018 – Sept 2019. FY20: Oct 2019 – Sep 2020

# Change from FY20 (Actual) to FY21 (Forecast)

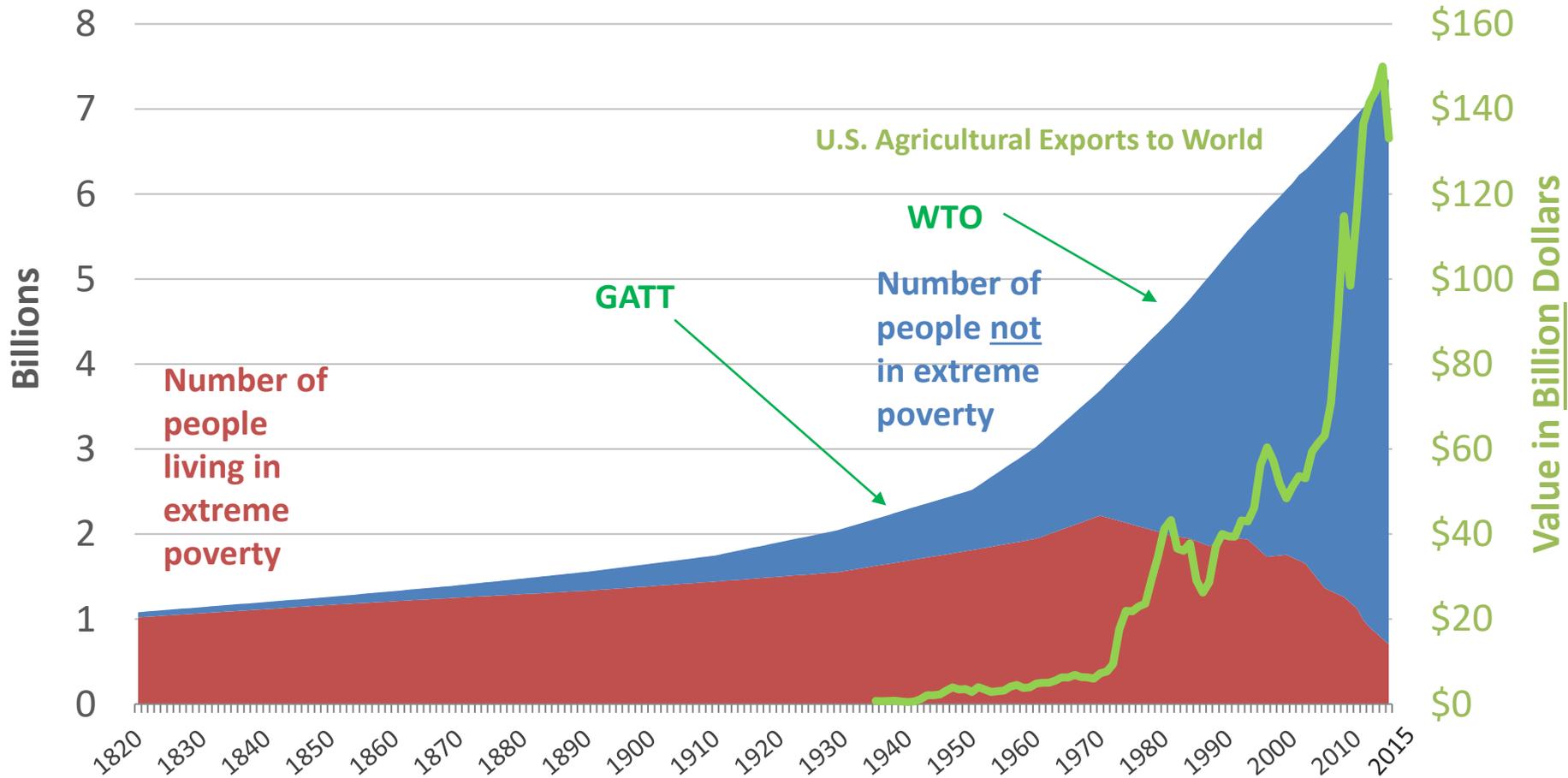


Source: USDA Quarterly Trade Forecast, February 2021  
FY20: Oct 2019 – Sept 2020. FY21: Oct 2020 – Sep 2021

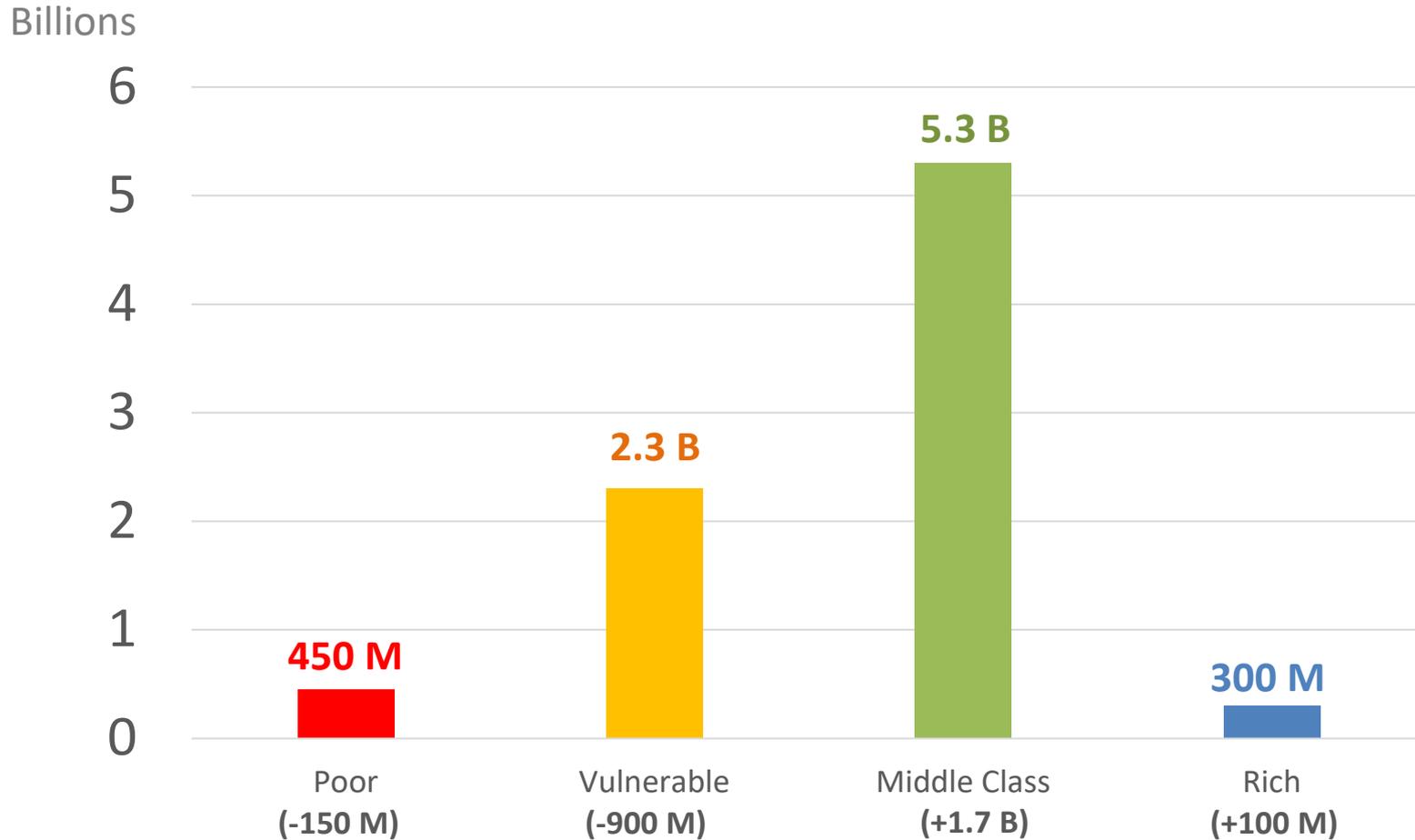
# The Fruits of Globalization

## World Population Living in Extreme Poverty: 1820-2015

Extreme poverty is defined as living at a consumption (or income) level below 1.90 "international \$" per day. International dollars are adjusted for price differences between countries and for price changes over time (inflation).

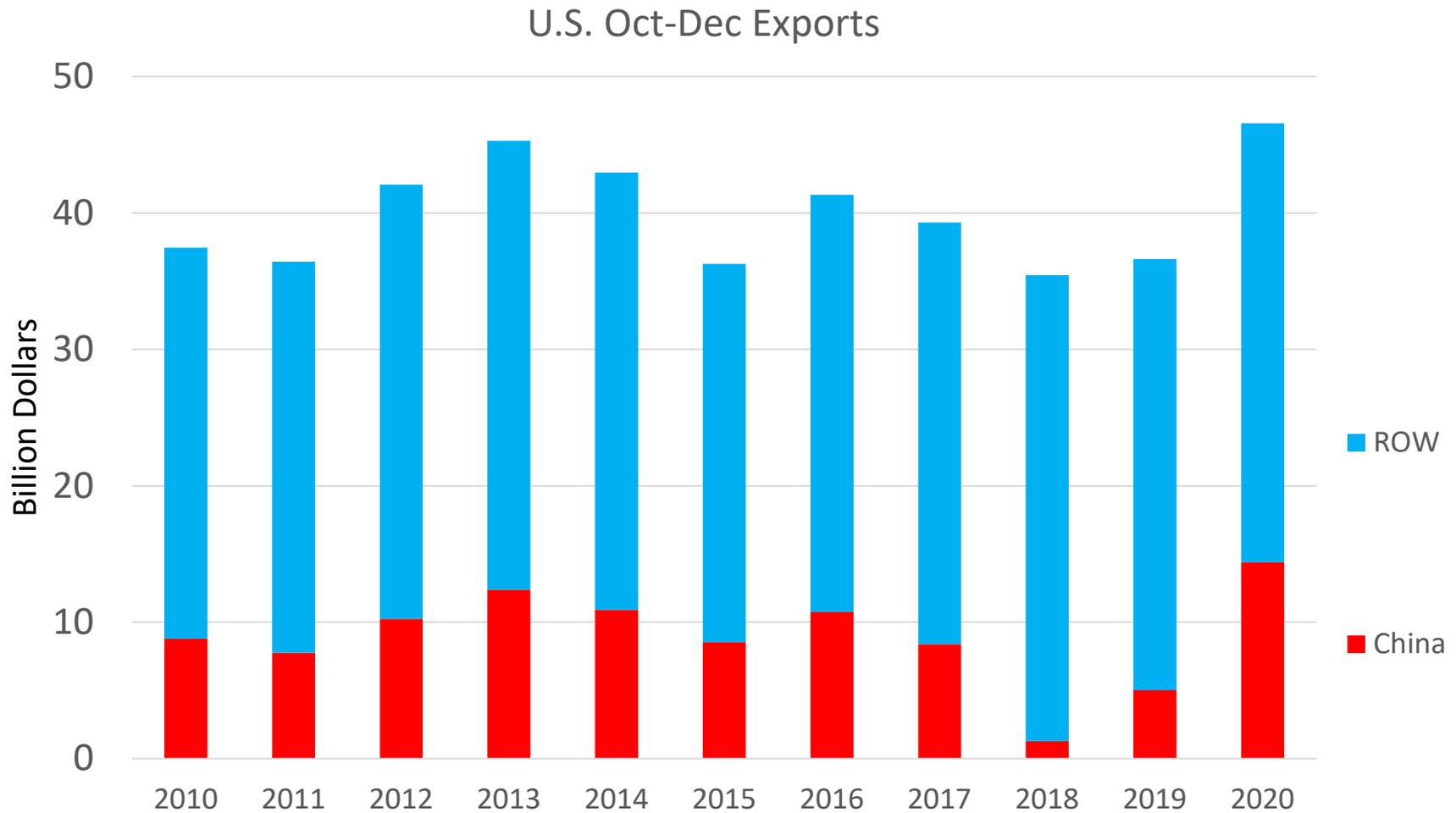


# The Future is Bright: Middle Class Dominance in 2030

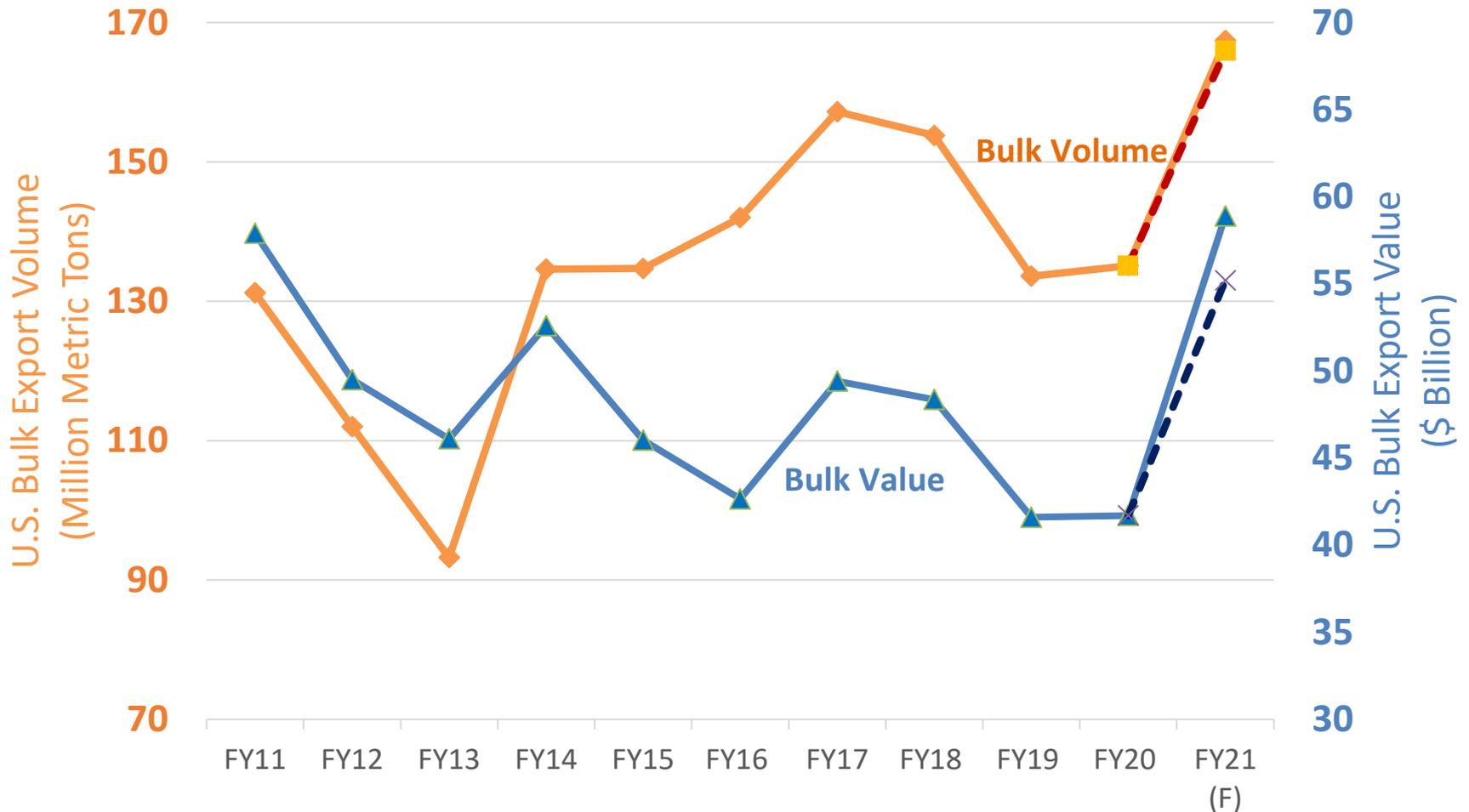


*Figures in parenthesis indicate the increase/decrease in the number of people in each category by 2030.*

# FY21 Record First Quarter Exports

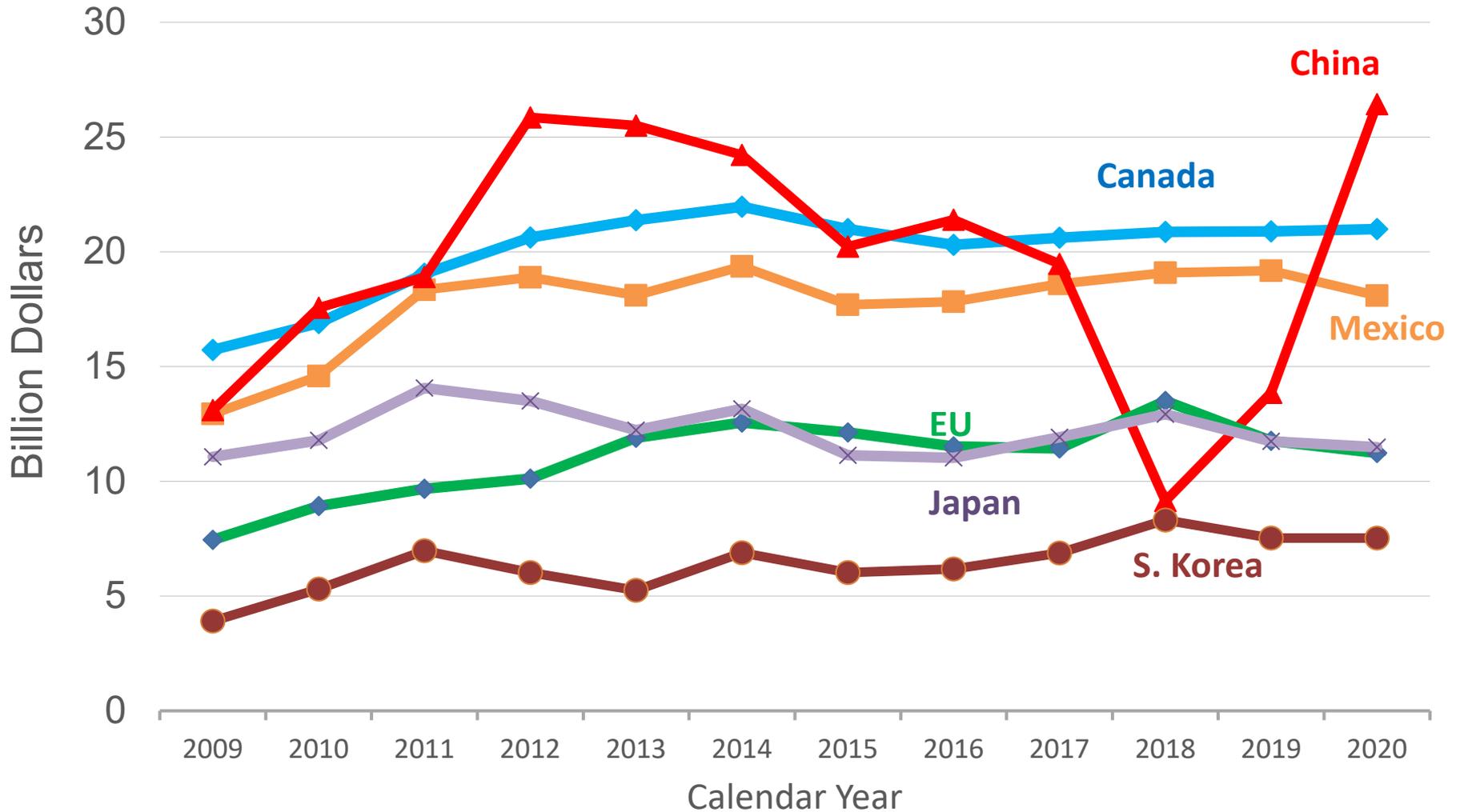


# Major Bulk Exports: Record Volumes and Value



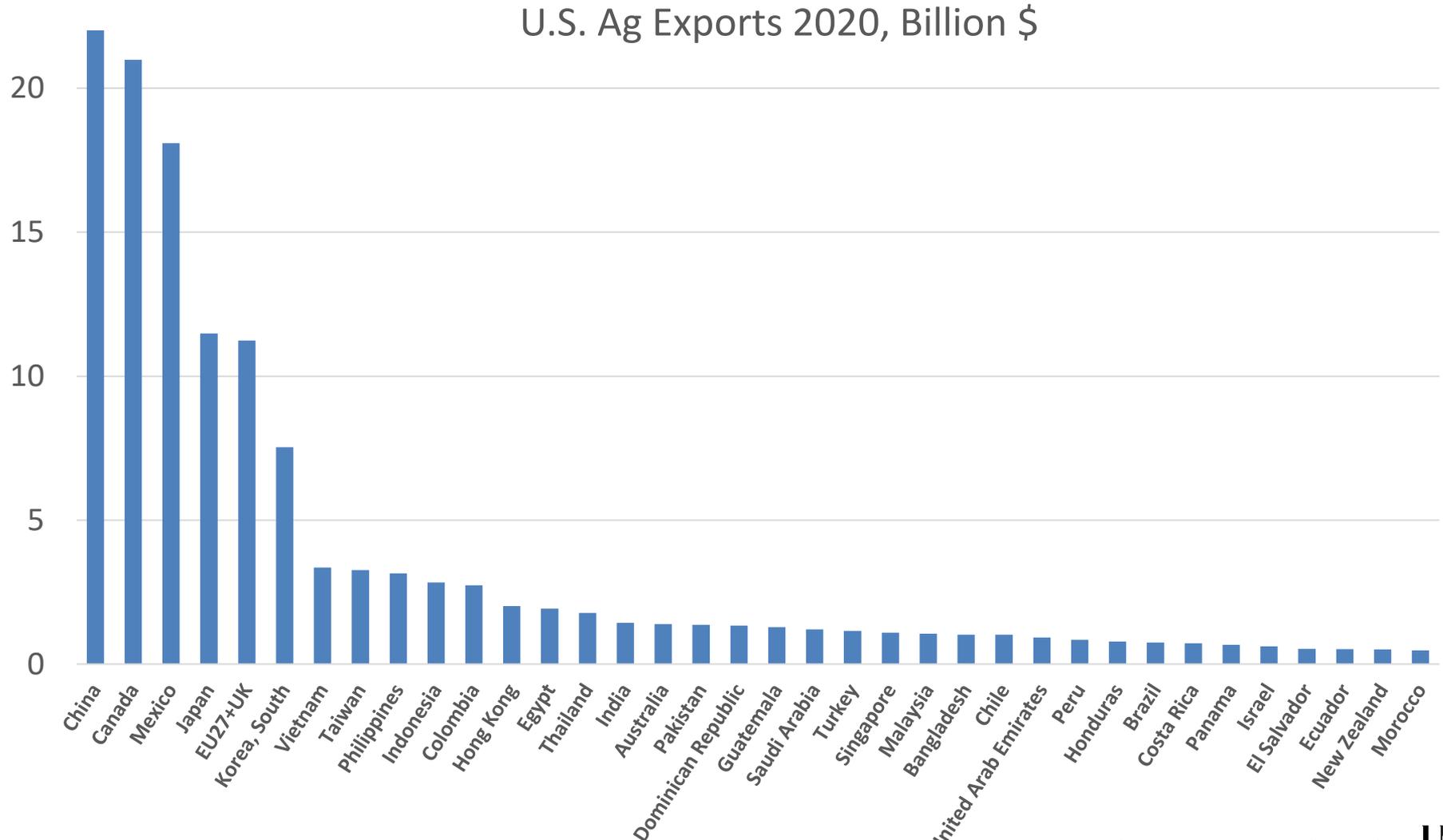
# Top 6 Export Markets

## Account for Over 60% of Total U.S. Ag Exports



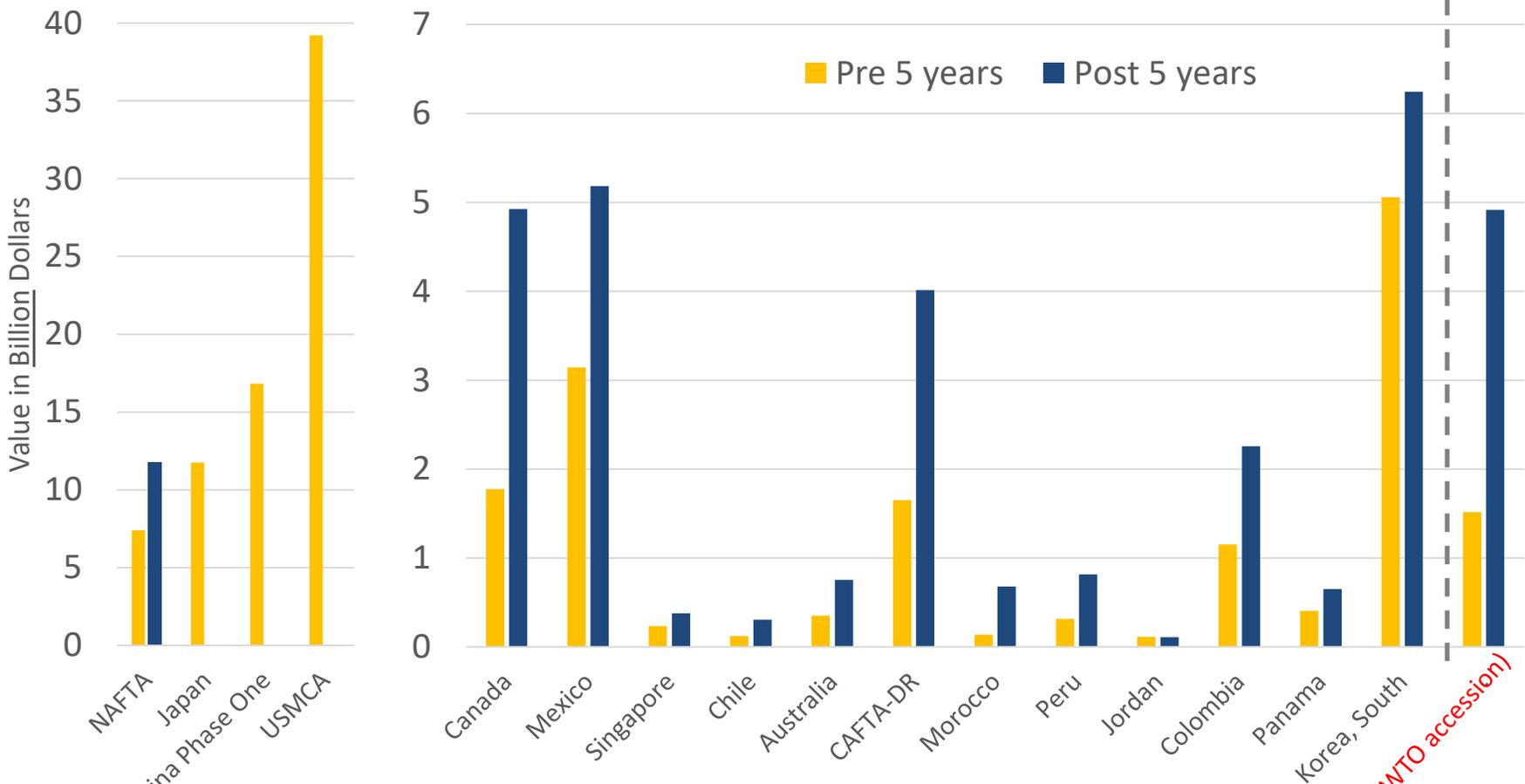
# A Classic “long tail distribution”

Over 20 markets with more than \$1 billion in Ag Exports



# U.S. Agricultural Exports: Before and After FTAs

(Comparison average pre and post five years)

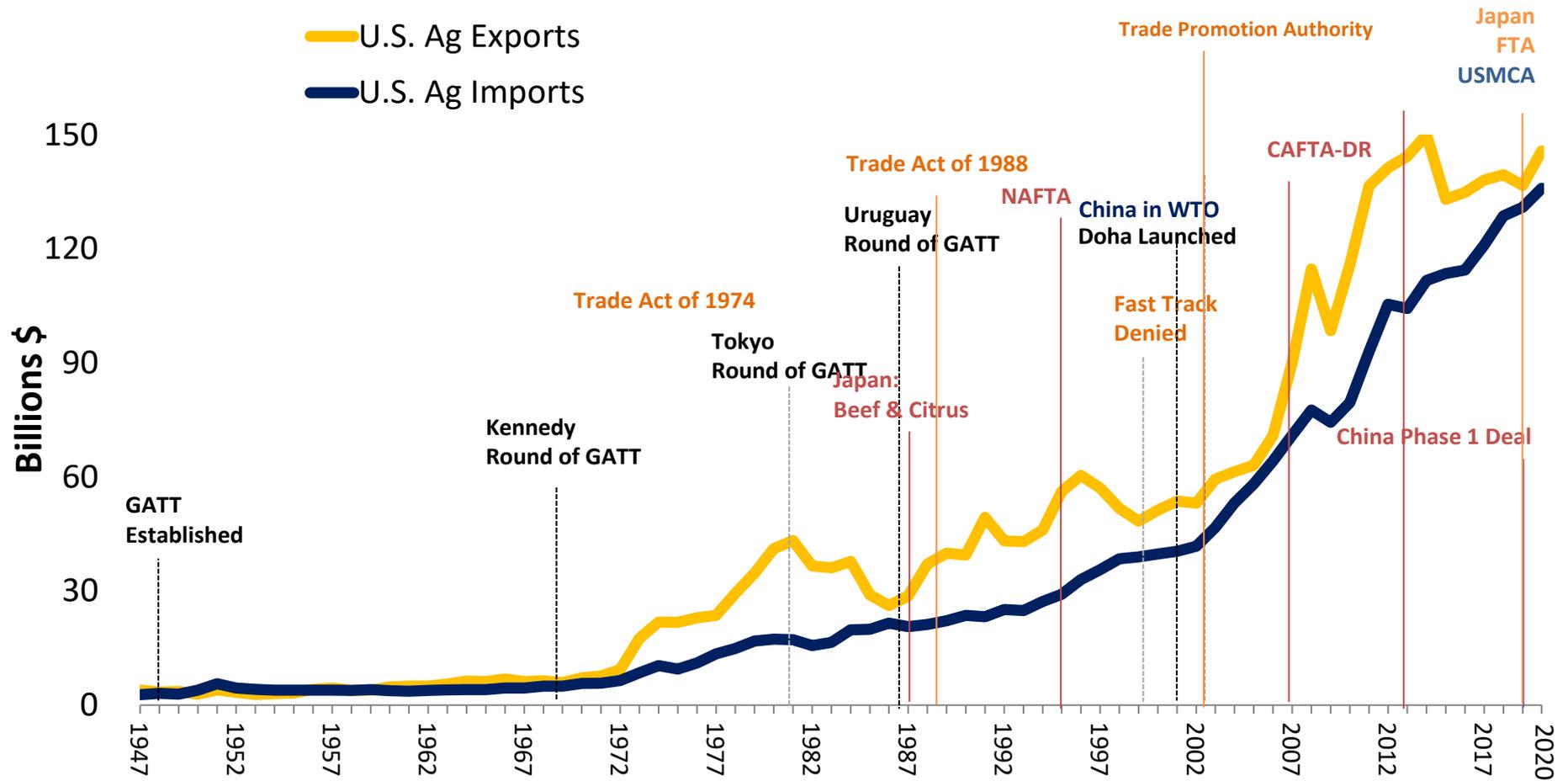


**Notes:**

- Canada timeline is for US-Canada FTA. Mexico timeline is for NAFTA.
- China is included for pre- and post- WTO accession comparison purposes.

China (WTO accession)

# Trade Agreements Help Create Opportunities For U.S. Agriculture

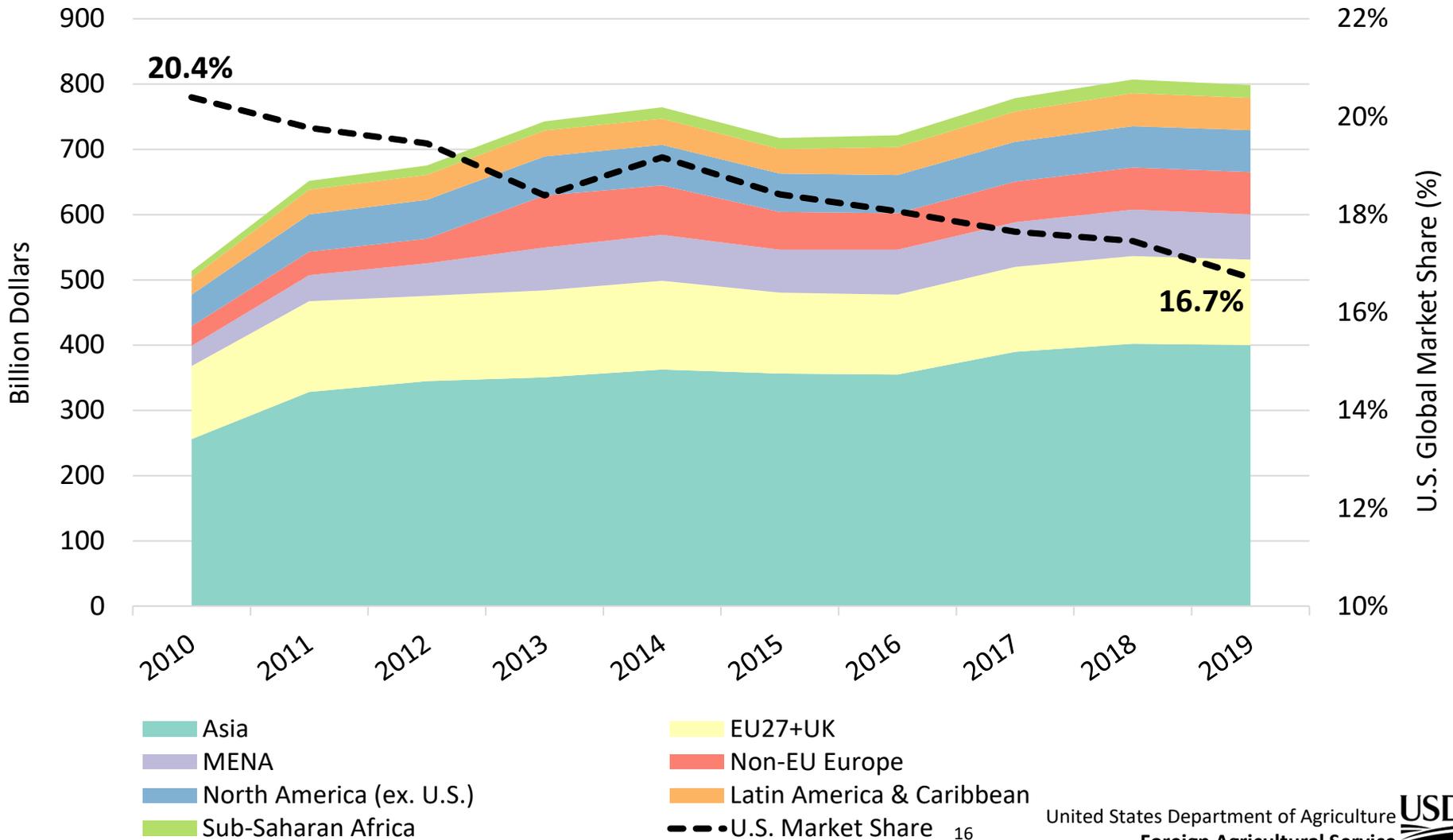


# Market Access

- China
- Japan
- TPP/Other Asia
- UK
- Mexico
- EU
- Unjustified Regulatory Restrictions
- Steel 232 retaliation

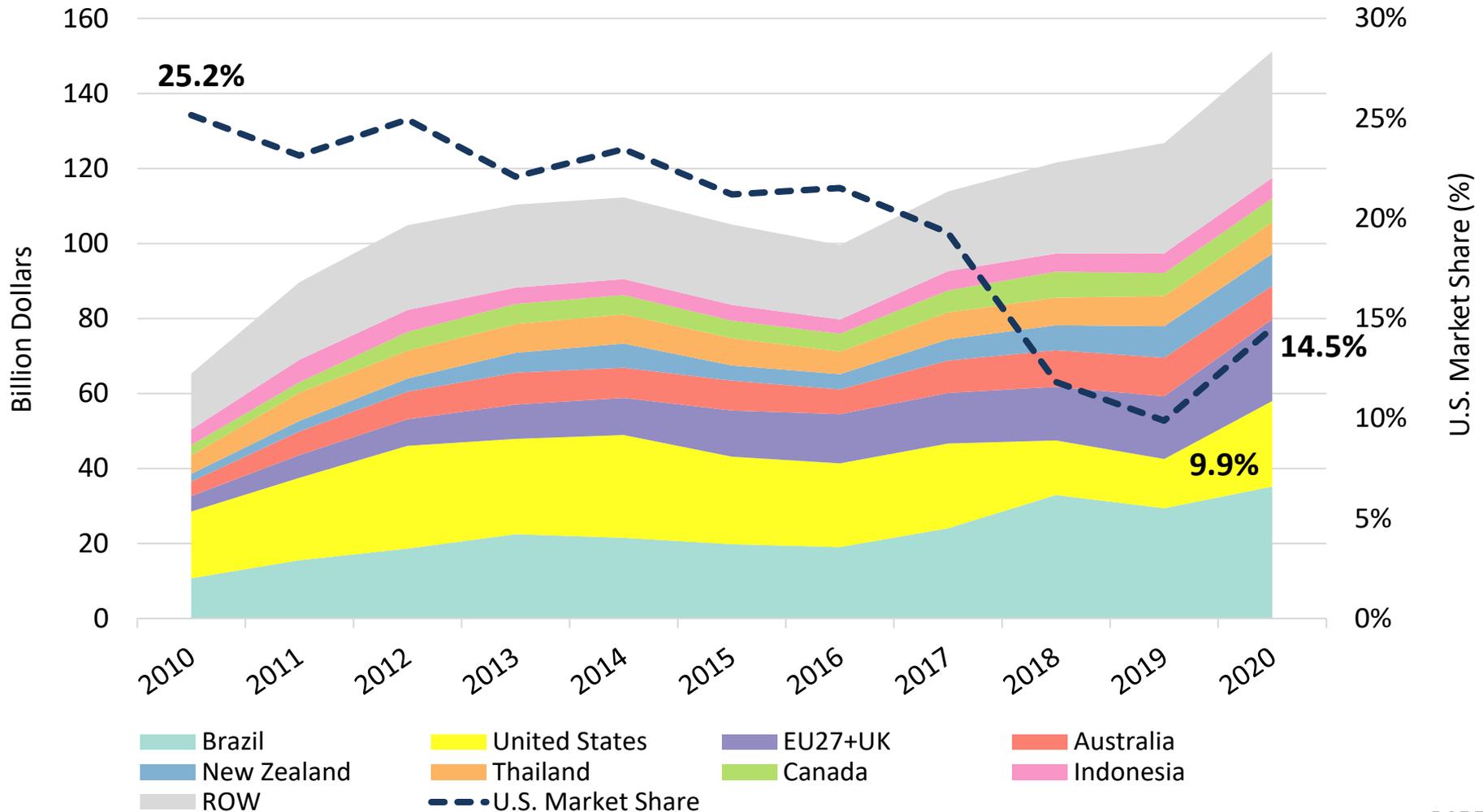
# Competition & U.S. Market Share

Global Agricultural Imports (excluding U.S.)



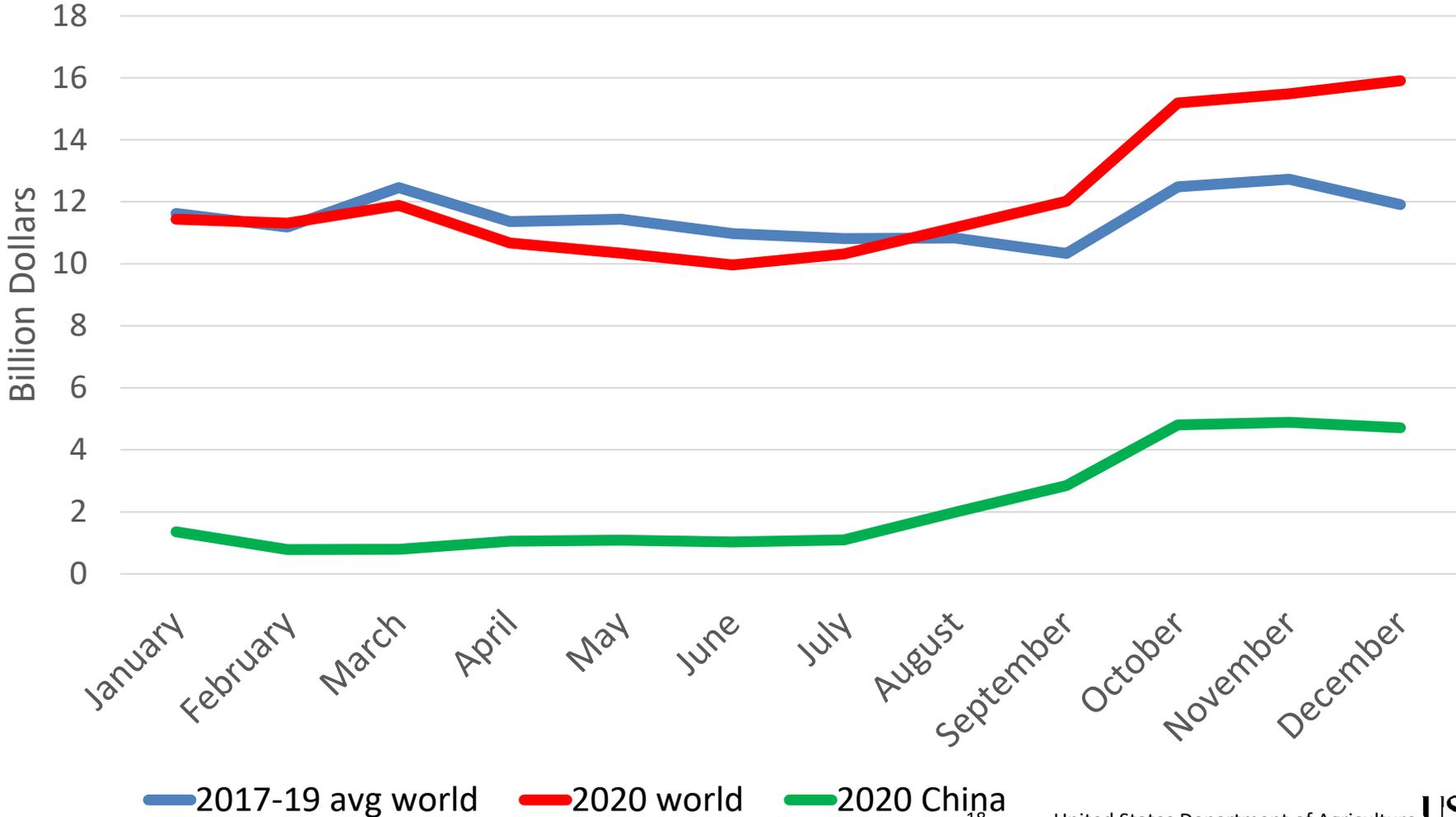
# U.S. Market Share in China

## China's Agricultural Imports, 2010 – 2020

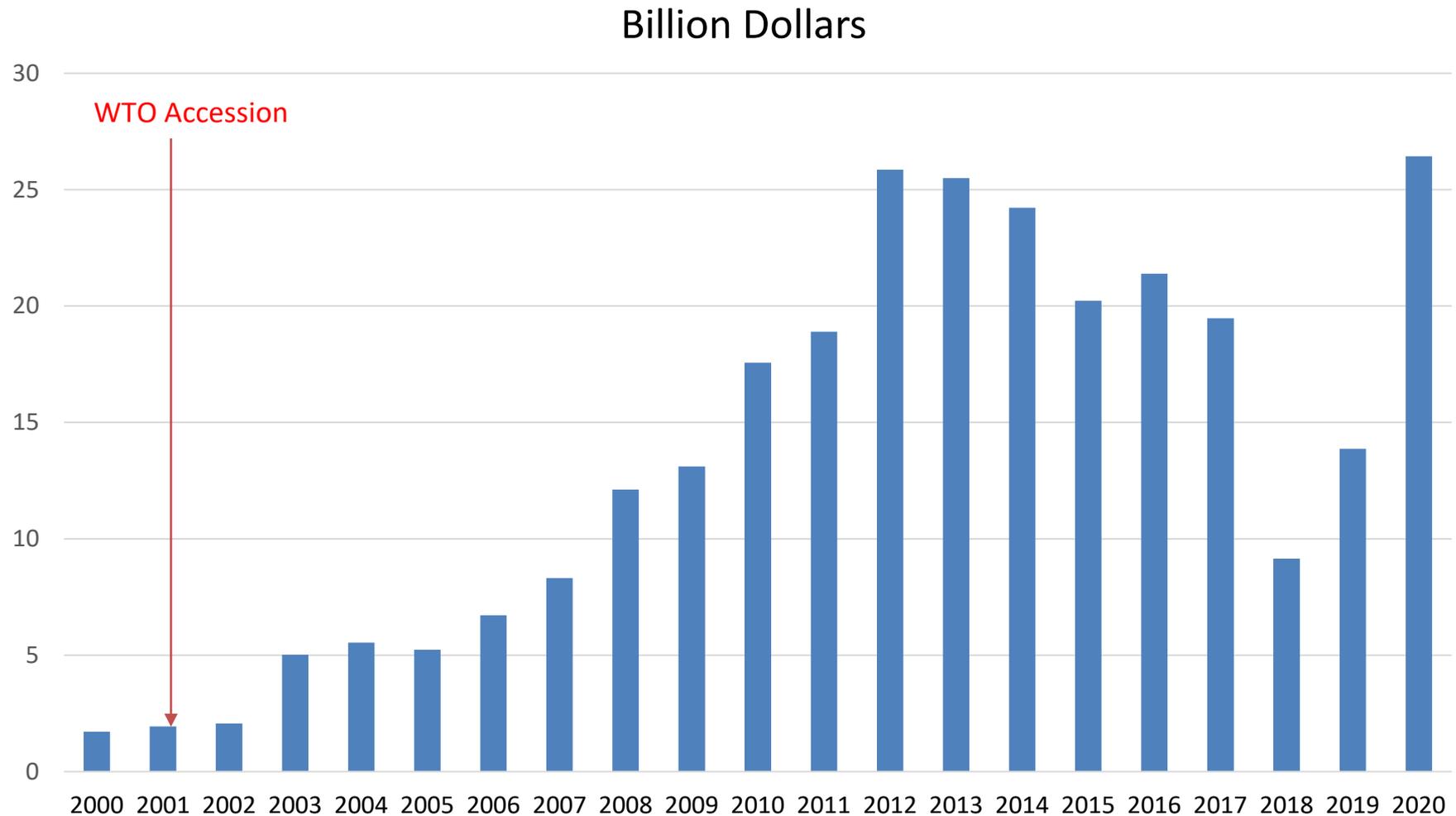


# Record Demand from China Outweigh Impact of Pandemic

U.S. Monthly Exports to World and China



# U.S. Ag Exports to China



# China Phase 1: Key Technical Measures

- Poultry: ban lifted and regionalization protocol signed
- Beef: MRLs established for synthetic hormones, 30-month age limit removed
- Pet Food: protocols signed to allow poultry and beef
- Rice: import protocol finalized
- Meat, dairy and feed ingredient: facility and product registration expedited
- Phytosanitary restrictions lifted: nectarines, blueberries, avocados, barley, hay, almond meal, and chipping potatoes.
- Expanded species list of seafood eligible to export to China
- Biotech
- WTO litigation on grains

# China Phase One Agreement: China's **Imports** of U.S. Ag & Seafood

China Imports from the United States, Billion USD (Phase One Agreement Agriculture Groups)

	2017	2018	2019	2020
Oilseeds	13.941	7.061	6.682	10.635
Cereals	1.534	0.922	0.285	2.456
Meat	1.187	0.537	0.867	3.131
Cotton	0.983	1.064	0.731	1.605
Seafood	1.320	1.255	0.915	0.779
Other	5.122	5.316	4.554	4.961
<b>Total</b>	<b>24.086</b>	<b>16.155</b>	<b>14.034</b>	<b>23.565</b>

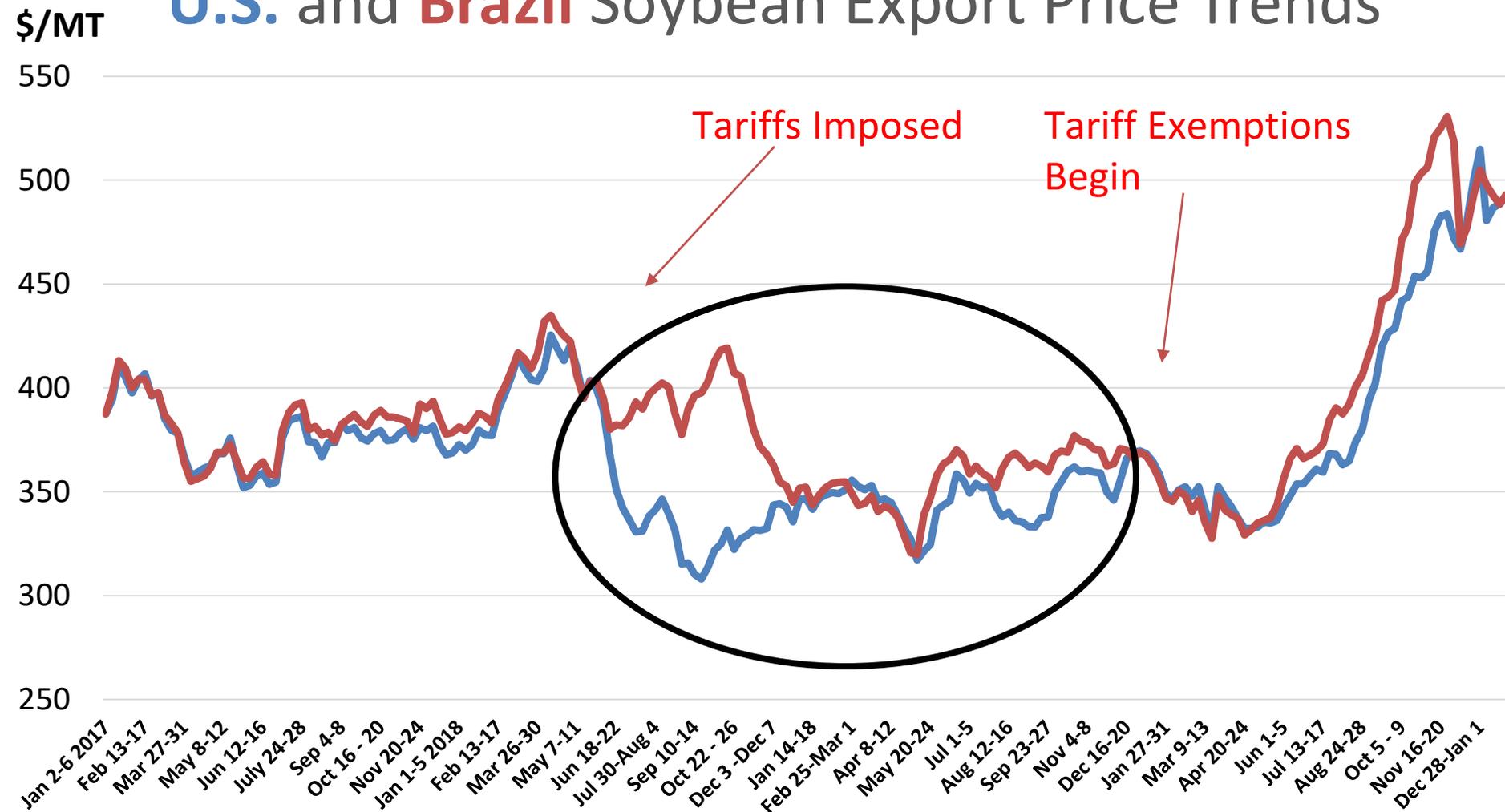
Source: China Import data

# China Phase One Agreement: U.S. Ag & Seafood **Exports** to China

United States Exports to China, Billion USD (Phase One Agreement Agriculture Groups)				
	2017	2018	2019	2020
Oilseeds	12.225	3.119	8.005	14.161
Cereals	1.358	0.696	0.316	2.938
Meat	0.559	0.440	1.193	3.165
Cotton	0.973	0.921	0.705	1.822
Seafood	1.234	1.055	0.823	0.689
Other	4.504	4.119	3.651	4.394
<b>Total</b>	<b>20.852</b>	<b>10.351</b>	<b>14.693</b>	<b>27.167</b>

# Oilseeds: Soybean Prices

## U.S. and Brazil Soybean Export Price Trends



# Japan Opportunities

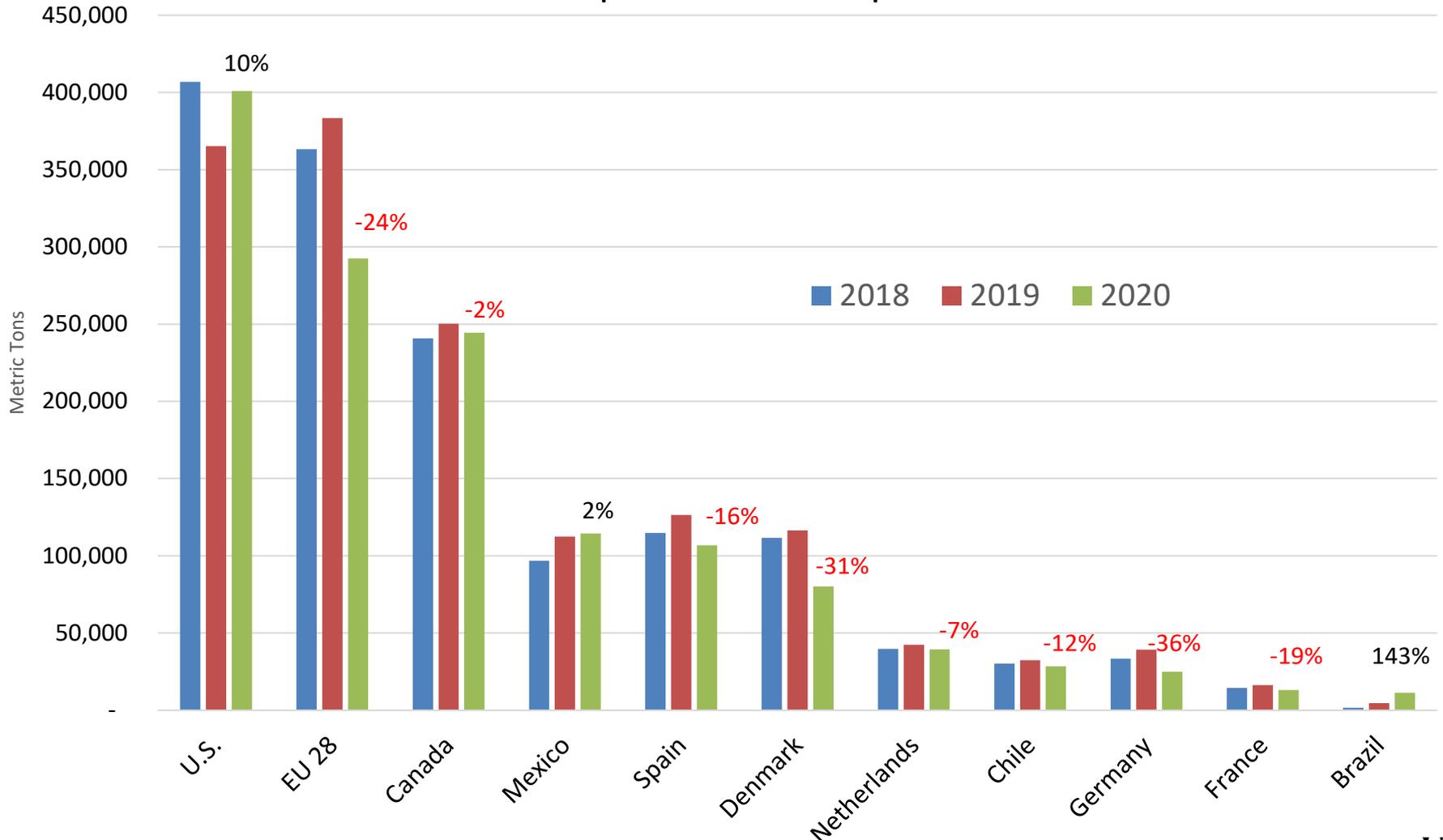
- Mature Market
- U.S. Agricultural Exports Down 2% in 2020.
- TPP parity – Phase one was 80% of the TPP deal
  - Rice, dairy, fruits (raisins, grapes, etc.)
  - Beef safeguard
- Remaining barriers
  - Residual tariffs on beef, pork, wheat, dairy, others
  - Regulatory issues

# Japan Residual Tariffs

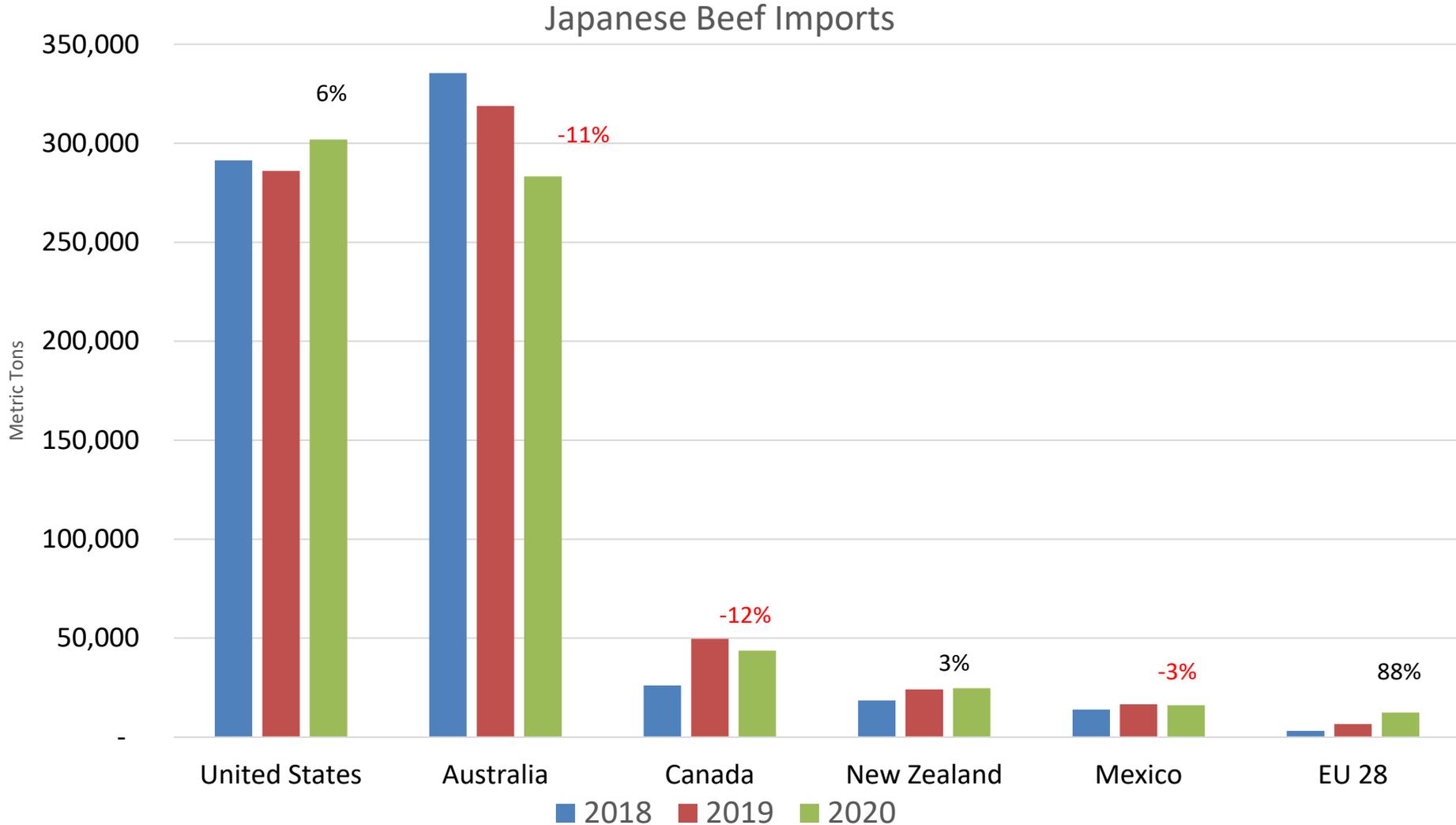
Key Products	Final Tariff Rate	2020 Japan Imports from U.S.
Beef	9%	\$1.4 billion
Pork	125 yen/kg EIF, reduction to 50 yen/kg in year 9	\$517 million
Wheat	mark up 15.3 yen/kg mark-up EIF, reduction to 9.4 yen/kg in year 8	\$696 million
Barley	markup 7.2 yen/kg mark-up EIF, reduction to 4.4 yen/kg in year 8	\$12 million
Blue Veined Cheese	27% EIF, reduction to 12.5% in year 10	\$16,000
High Fat Cream Cheese	26.8%	\$25 million
Milk Powder- for feed	354.17 yen EIF, reduction to 212.5 yen in year 5	\$606,000

# Japan Pork Imports: 2019 – 2020 Change in Import Volume

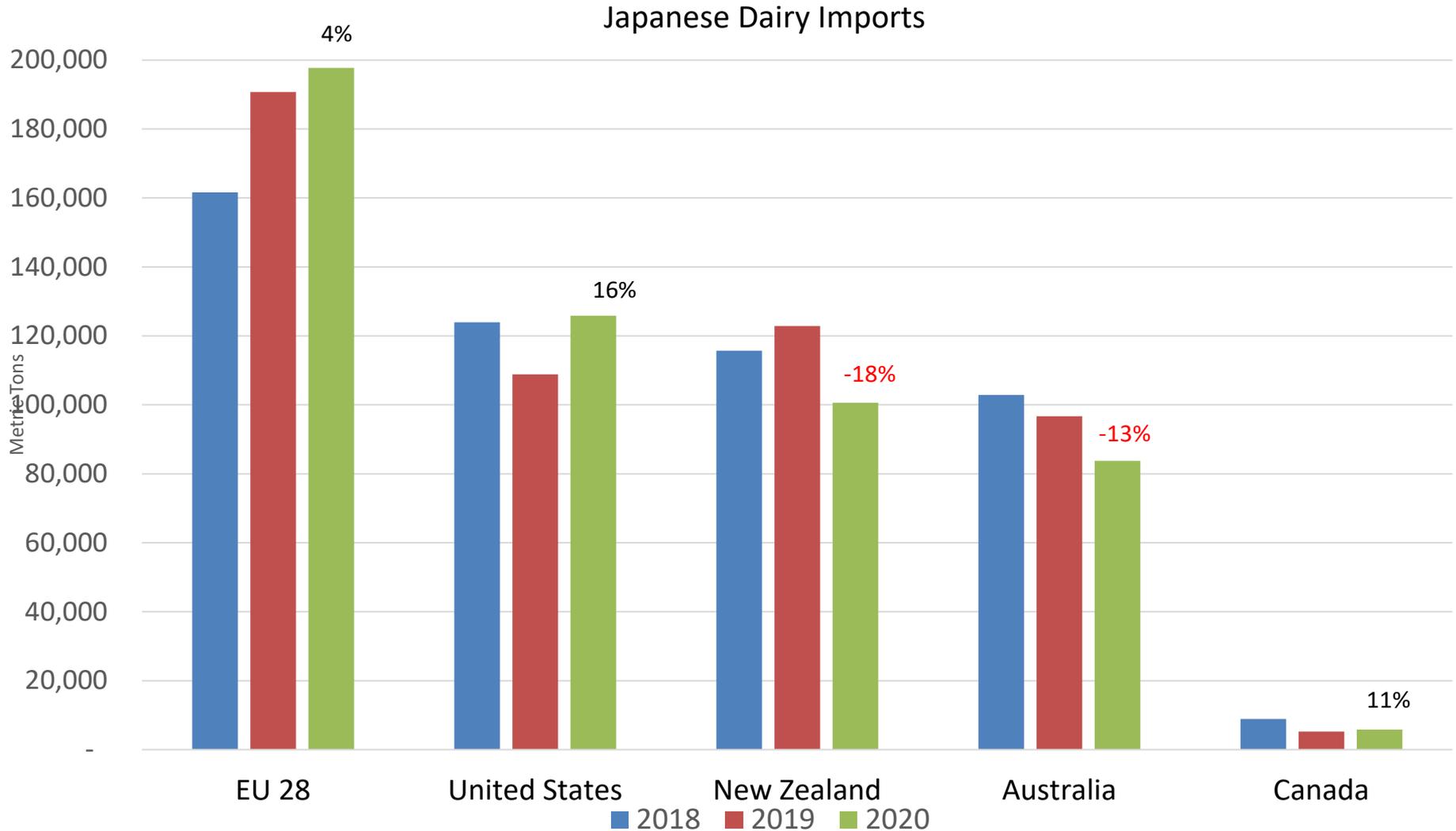
## Japanese Pork Imports



# Japan Beef Imports: 2019 – 2020 Change in Import Volume



# Japan Dairy Imports: 2019 – 2020 Change in Import Volume



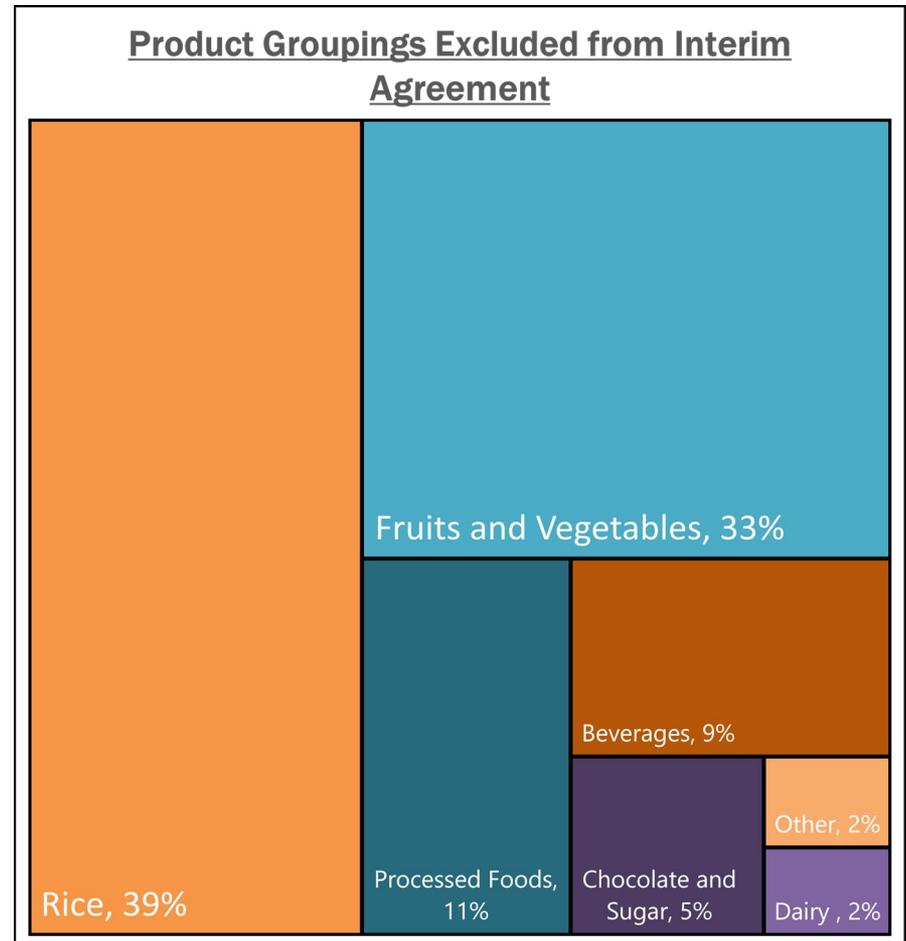
# U.S. – Japan Trade Agreement

## Bilateral Approach

- U.S. – Japan Free Trade Agreement

## Multilateral Approach

- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)
- Regional and Comprehensive Economic Partnership (RCEP)
- WTO Negotiations

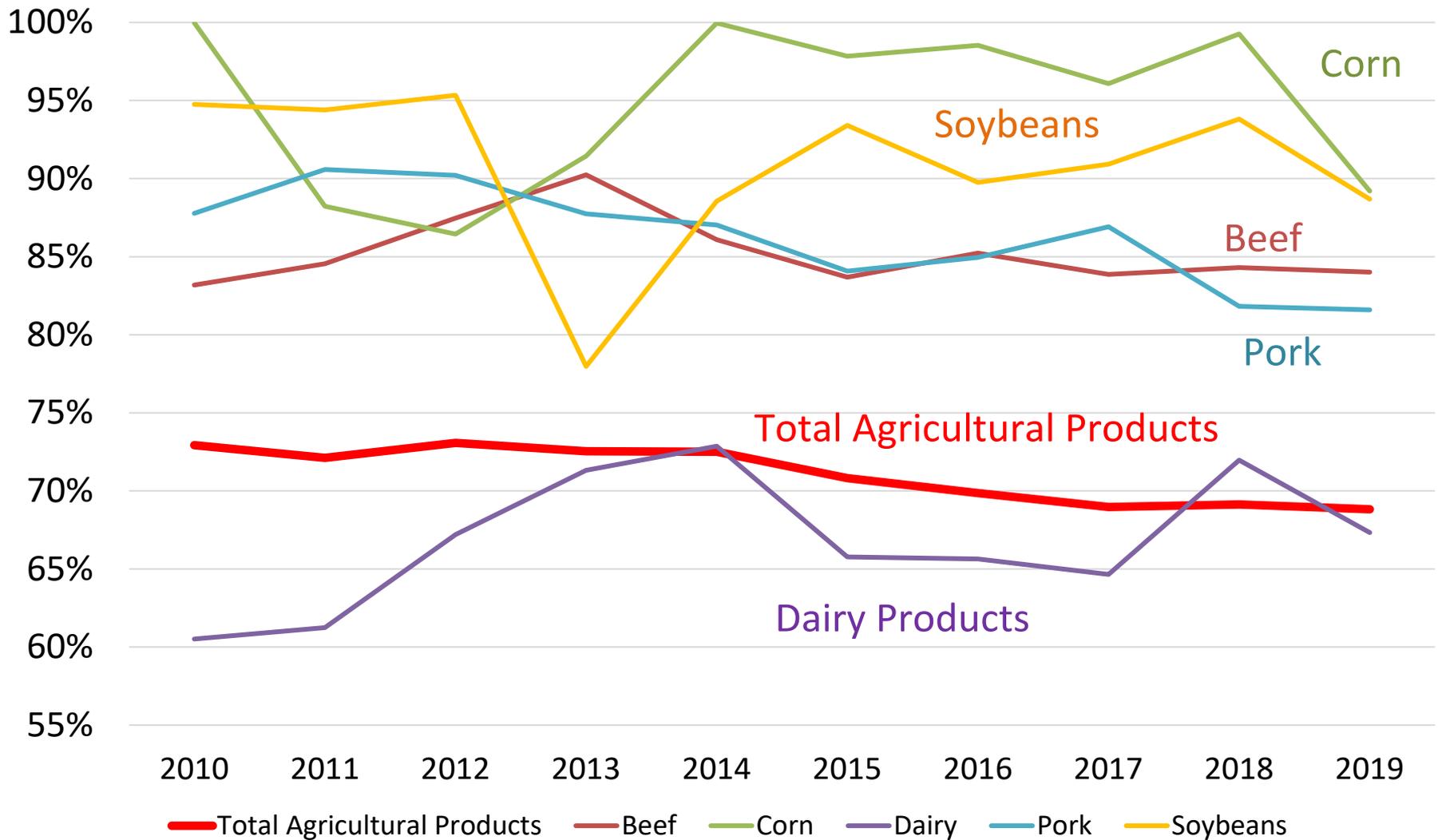


# TPP/Other Asia

- Vietnam
- Indonesia
- Philippines
- Taiwan
- Thailand
- Malaysia
- India

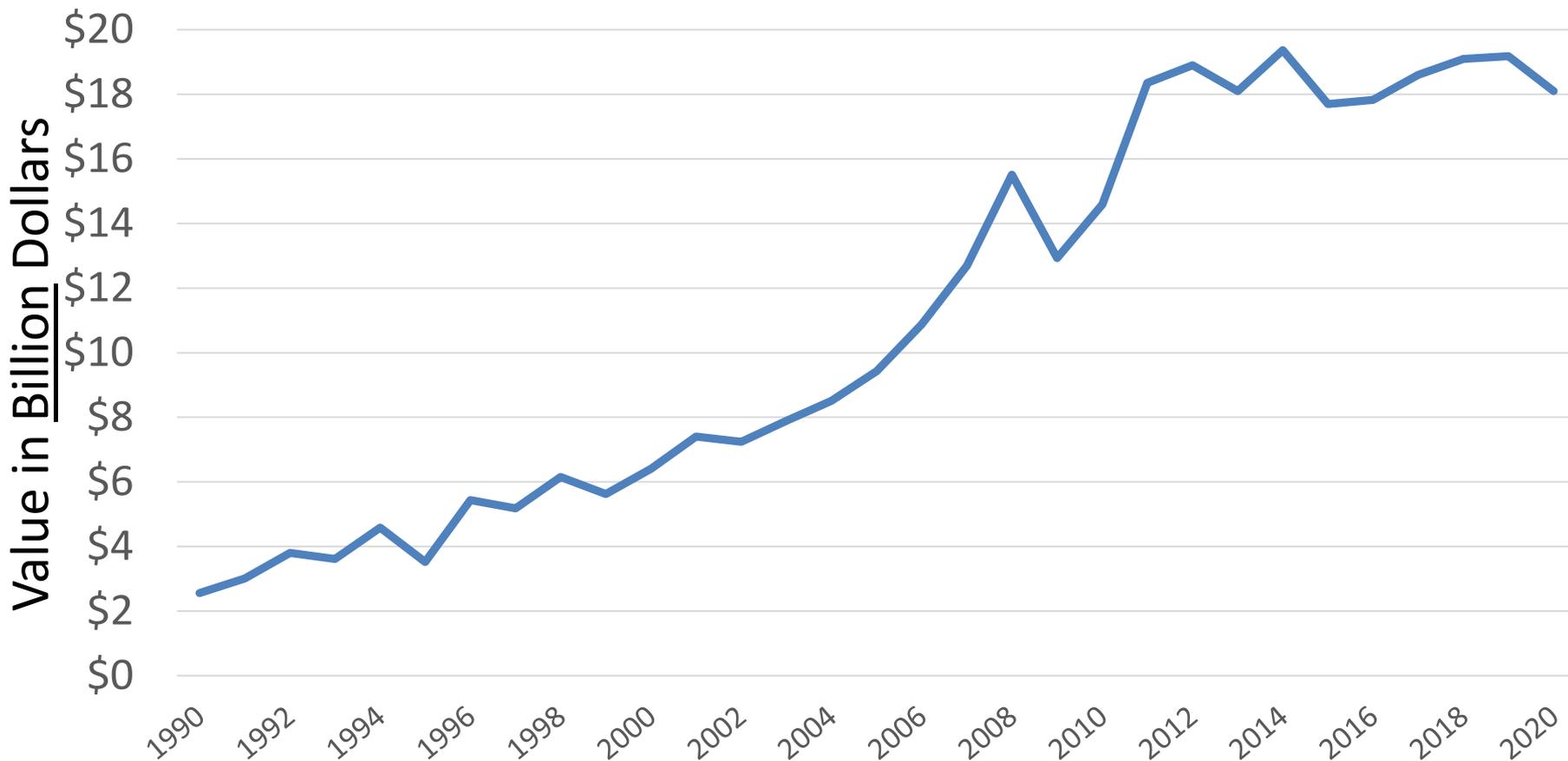
# Mexico

## U.S. Market Share (2010-19)

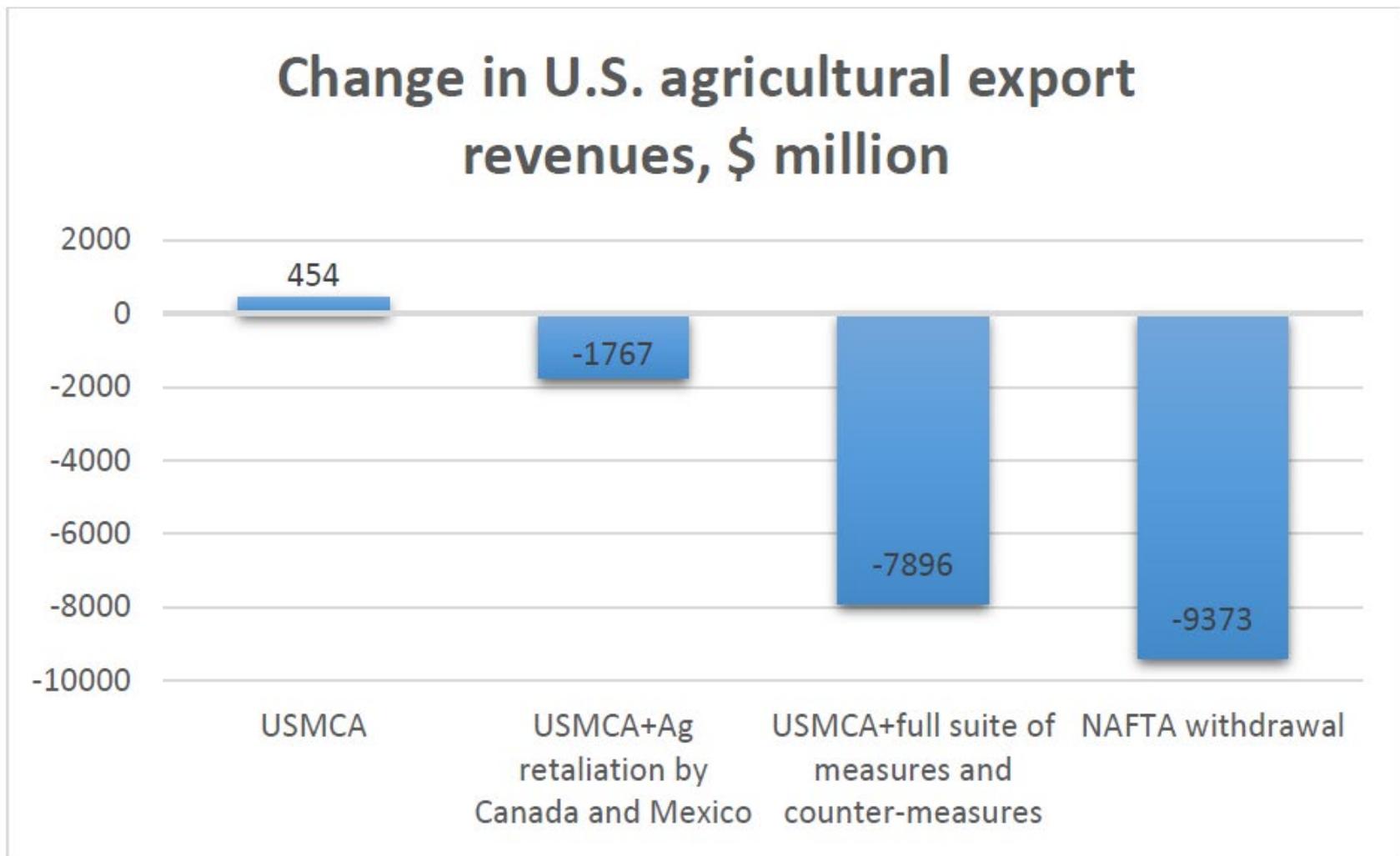


# Mexico

## U.S. Ag Exports to Mexico



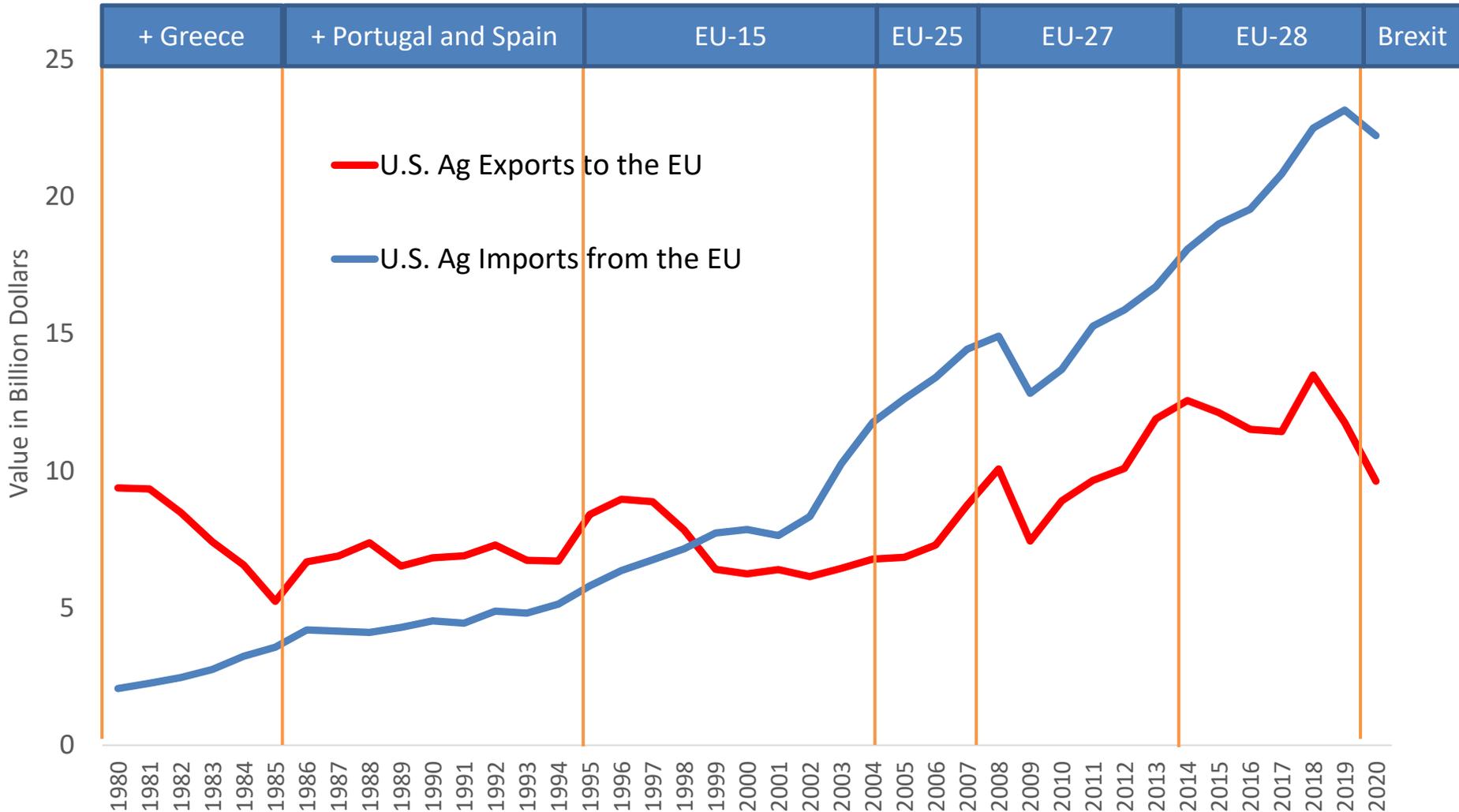
# Thank Goodness for USMCA



Source: How U.S. Agriculture Will Fare Under USMCA and Retaliatory Tariffs.

Farm Foundation. October 2018

# U.S. Trade with the EU



Source: U.S. Census Bureau Data

# Ongoing Initiatives

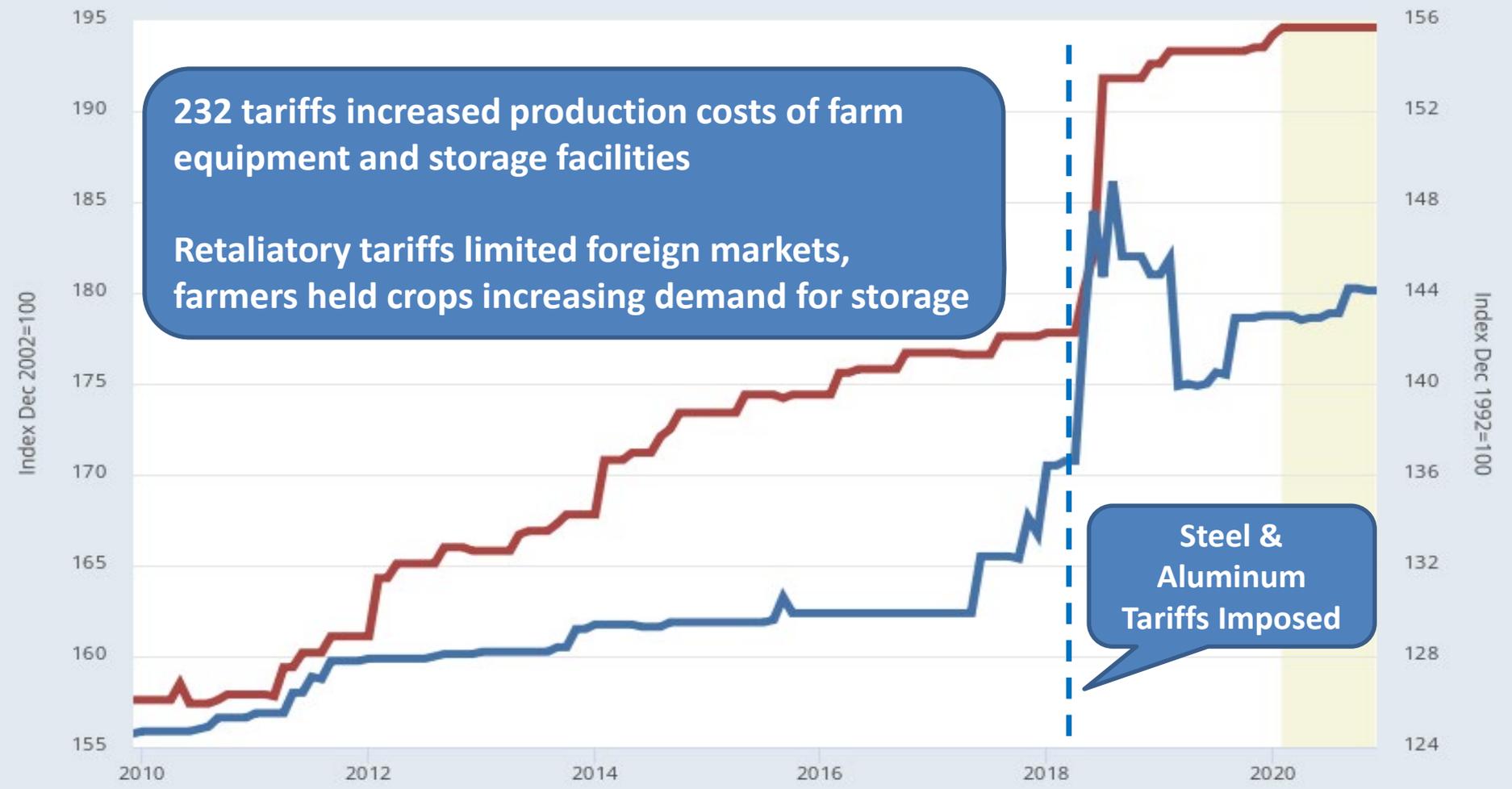
- TPA expires July 1, 2021
- Agreement needs to go to Congress by April 1, 2021
  - UK
  - Kenya
- Steel 232
- Boeing/Airbus Tariff Retaliation
- Seasonal / Perishable 332 and 201

# Farm Equipment & Storage Prices Spike

*Tariffs Hit Farmers at Home and in Markets Overseas*



— Producer Price Index by Industry: Farm Machinery and Equipment Manufacturing: Farm Plows, Harrows, Rollers, Pulverizers, etc., and Attachments (left)  
— Producer Price Index by Industry: Farm Product Warehousing and Storage (right)



# Steel & Aluminum Can Prices

Jan. 2011 - Dec. 2020

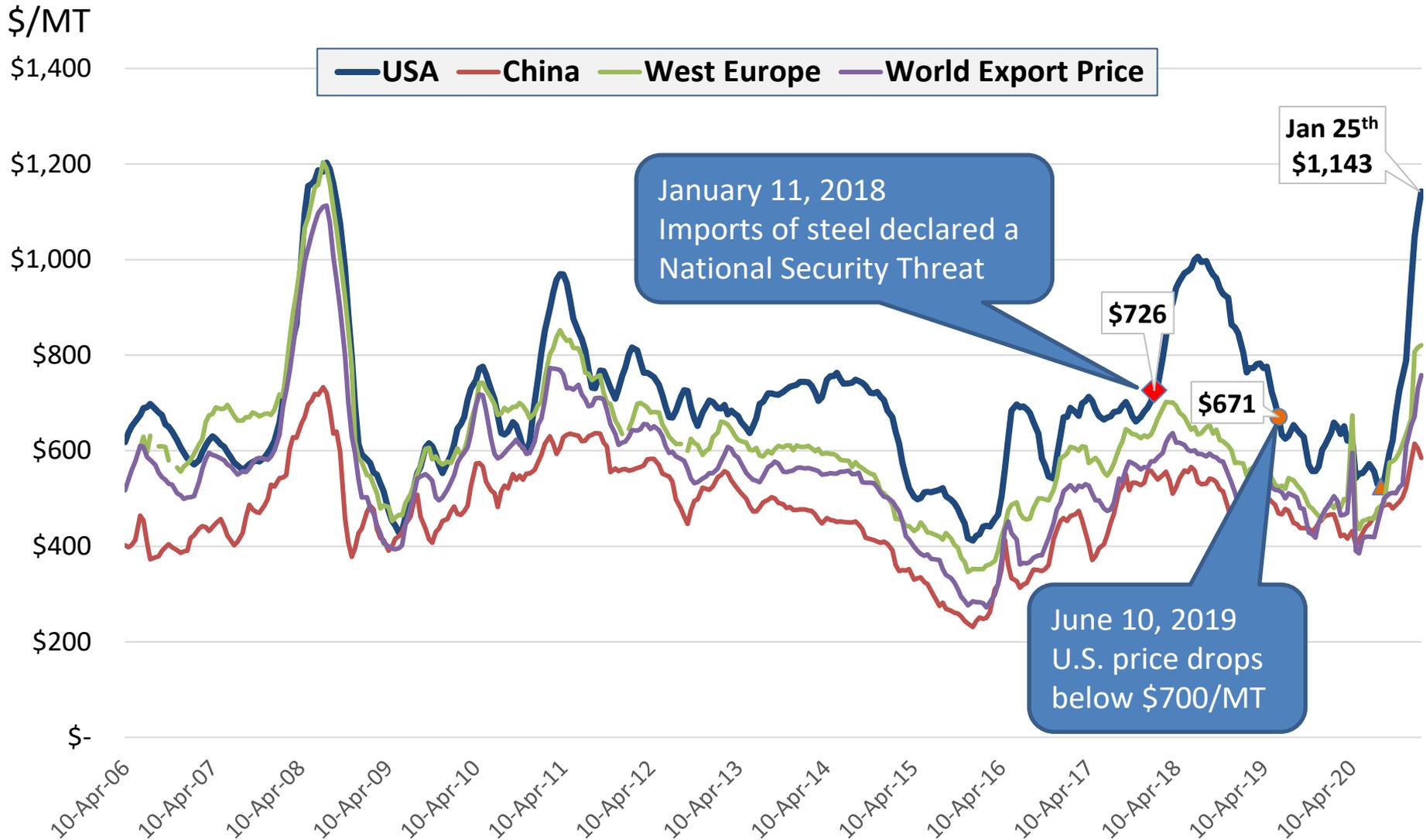
FRED

- Producer Price Index by Commodity: Metals and Metal Products: Aluminum Cans and Can Components (left)
- Producer Price Index by Commodity: Metals and Metal Products: Steel Cans and Tinware End Products (right)



# World Steel Prices

## April 2006 – January 25, 2021

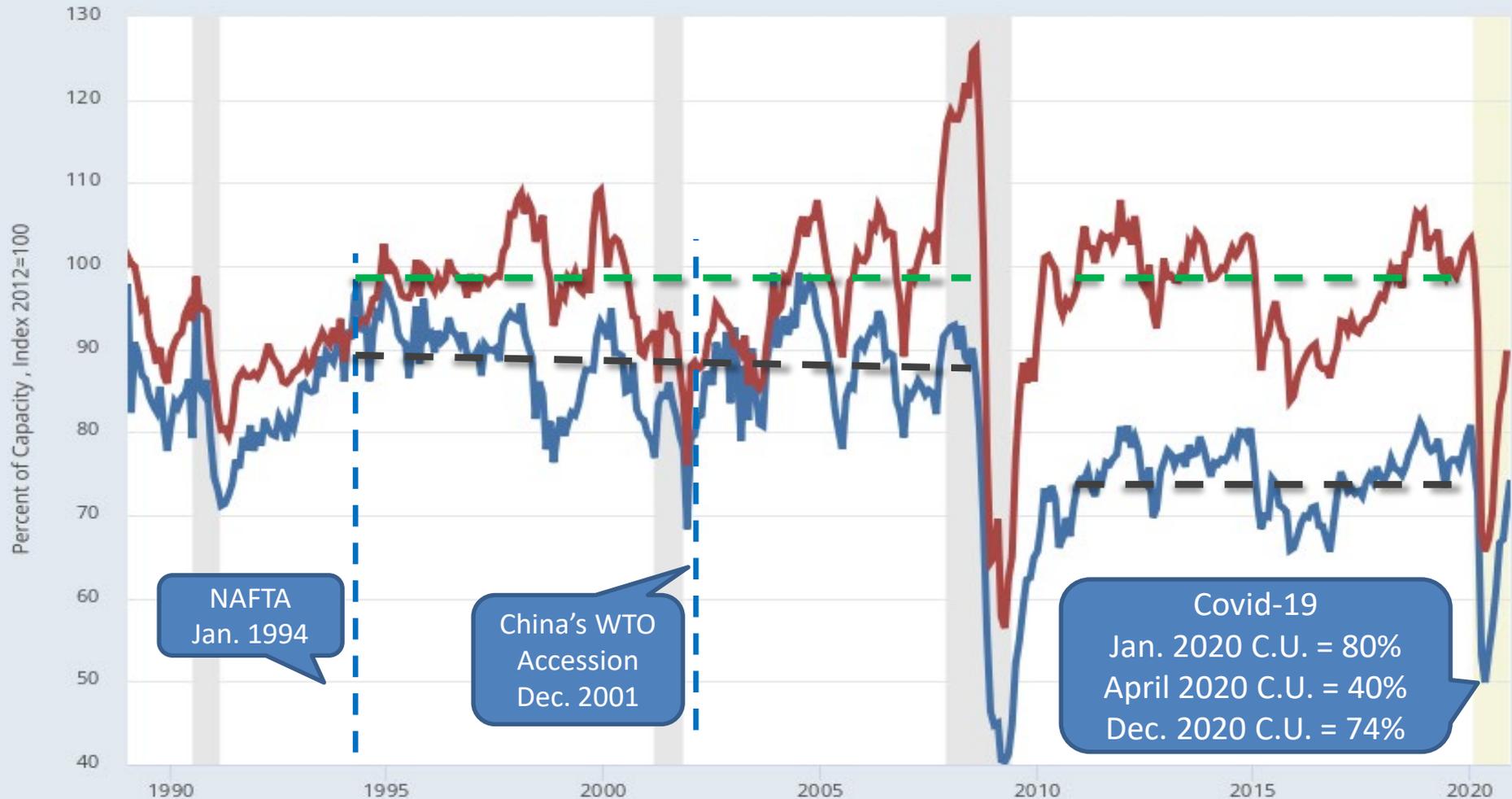


# U.S. Steel Capacity Utilization

## Jan. 1990 – December 2020

**FRED**

— Industrial Production: Manufacturing: Durable Goods: Raw Steel (NAICS = 3311,2pt.)  
— Capacity Utilization: Manufacturing: Durable Goods: Iron and Steel Products (NAICS = 3311,2)

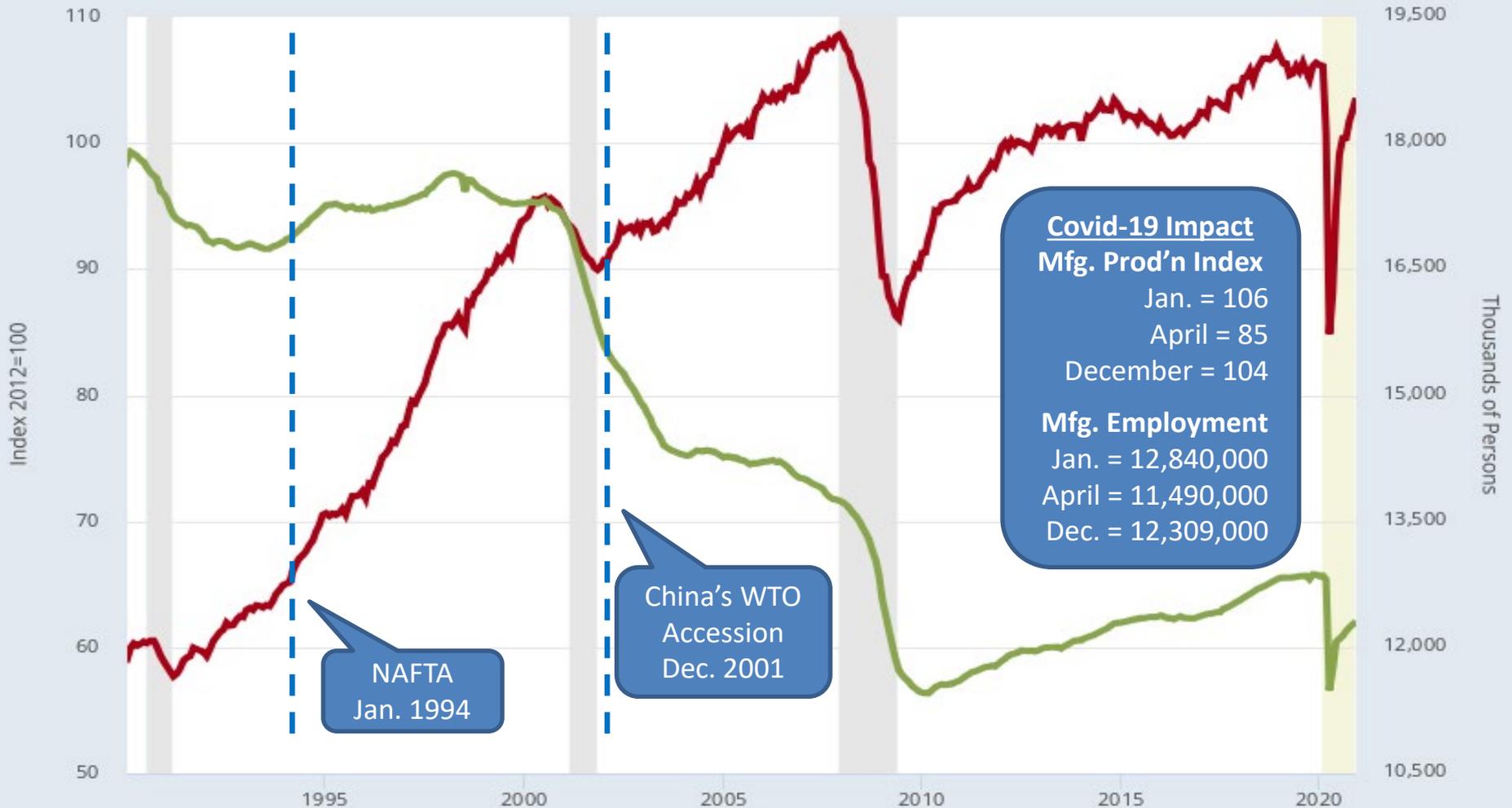


# Manufacturing Production & Employment

## Jan. 1990 – Dec. 2020

**FRED**

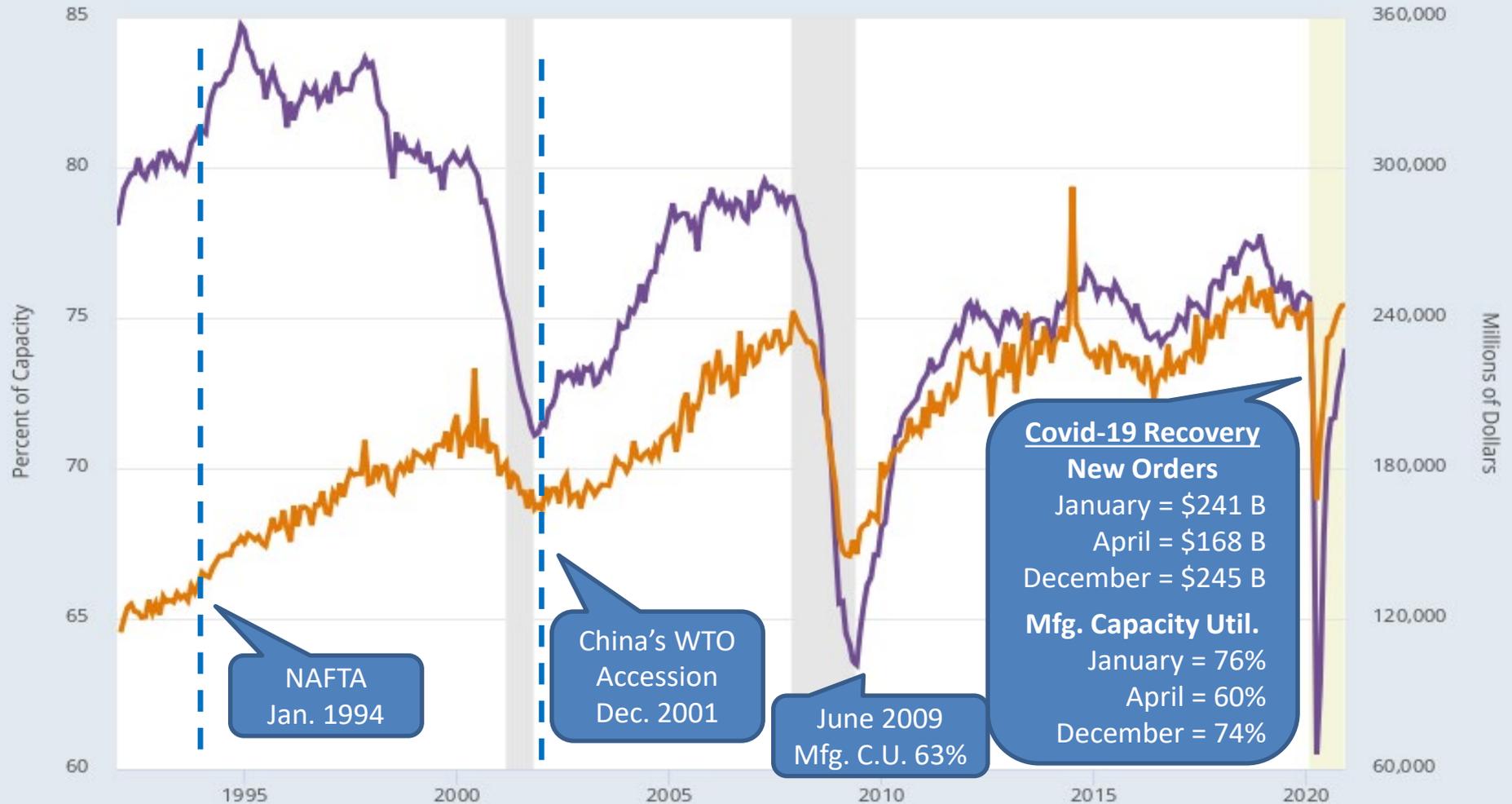
— All Employees, Manufacturing (right)  
— Industrial Production: Manufacturing (NAICS) (left)



# Mfg. Capacity Utilization & New Orders of Durable Goods (Jan. 1992 – Dec. 2020)

**FRED**

— Capacity Utilization: Manufacturing (NAICS) (left)  
 — Manufacturers' New Orders: Durable Goods (right)



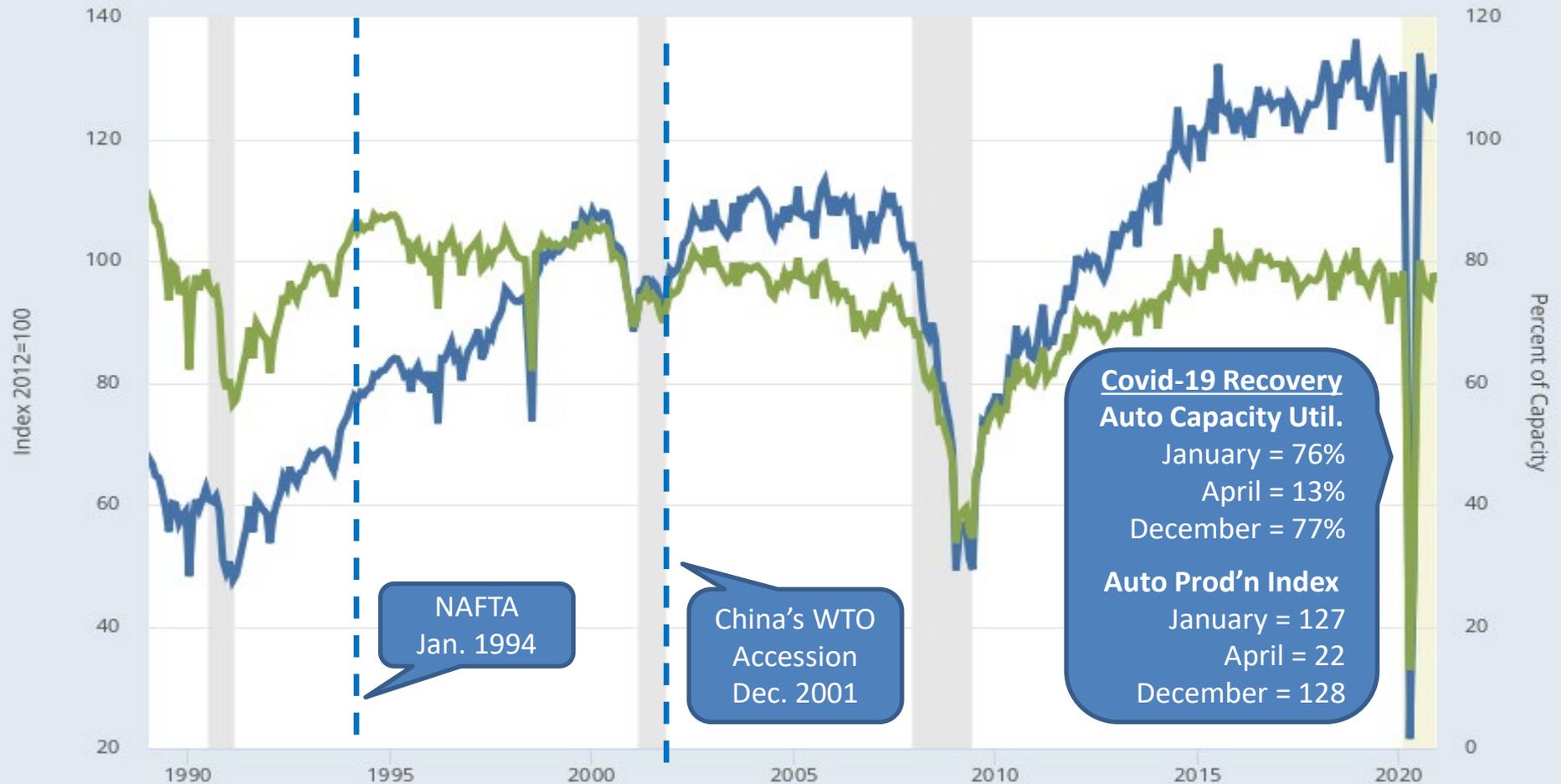
# Auto Output & Capacity Utilization

## Jan. 1990 – Dec. 2020

**FRED**

— Capacity Utilization: Manufacturing: Durable Goods: Motor Vehicles and Parts (NAICS = 3361-3) (right)

— Industrial Production: Manufacturing: Durable Goods: Motor Vehicles and Parts (NAICS = 3361-3) (left)



# Auto Output & Employment

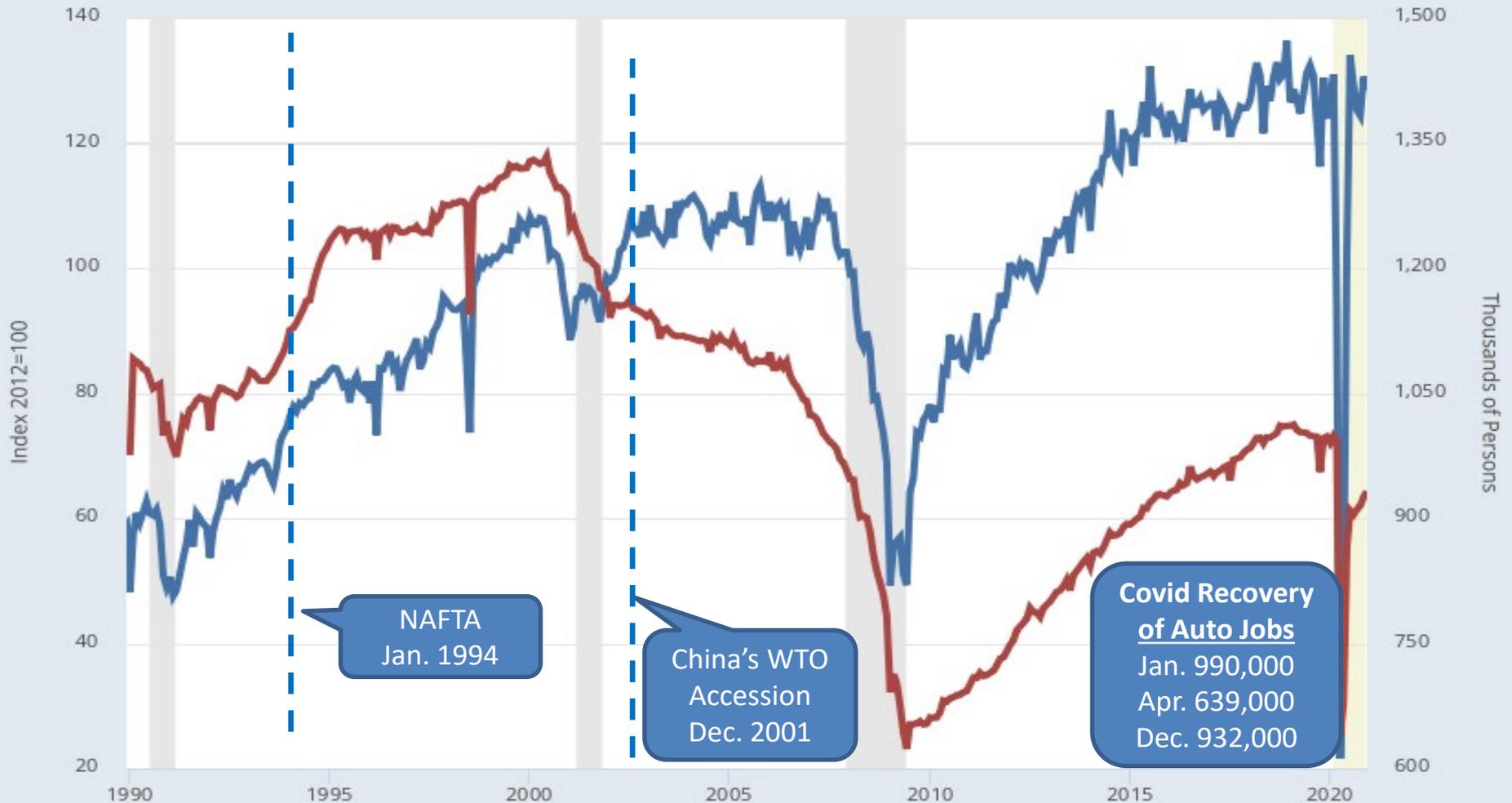
## Jan. 1990 – Dec. 2020

FRED



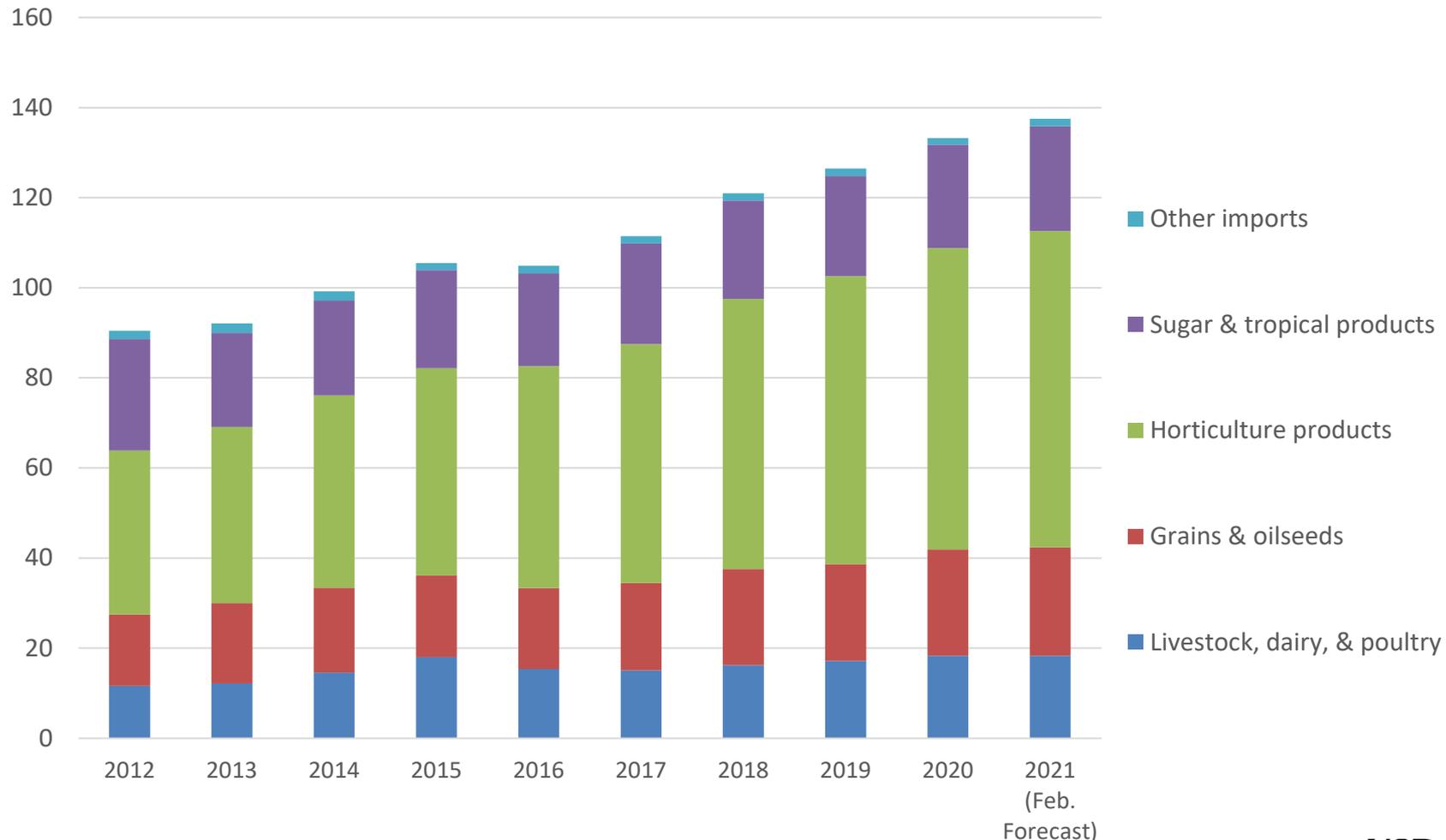
— All Employees, Motor Vehicles and Parts (right)

— Industrial Production: Manufacturing: Durable Goods: Motor Vehicles and Parts (NAICS = 3361-3) (left)



# Increased Imports Driven by Produce

Billion dollars (real)



Note: Base year=2020

# Seasonal and Perishable Issues

Commodity	Production				Per capita use			Imports' share of use		
	2006-08	2016-18	Change		2006-08	2016-18	Change	2006-08	2016-18	Change
	Metric tons (1,000s)		%	Metric tons (1,000s)	Kilograms		Percent	%		Percentage points
Sweet potatoes	800	1,430	78.7	629.8	2.24	3.14	40.4	1.1	1.5	0.3
Apples, fresh <sup>1,2</sup>	2,795	3,370	20.6	575.6	7.68	8.16	6.2	7.6	6.2	-1.4
Almonds <sup>1,2</sup>	518	954	84.2	436.2	0.43	0.93	115.8	2.9	4.6	1.7
Leaf and romaine lettuce	1,724	2,112	22.5	387.8	5.13	6.34	23.5	2.1	6.8	4.6
Pumpkins	730	1,055	44.5	325.0	2.17	2.96	36.8	1.6	3.3	1.7
Tangerines and tangelos, fresh <sup>1,2</sup>	296	587	98.5	291.1	1.26	2.53	100.5	28.1	32.9	4.8
Strawberries, fresh <sup>2</sup>	861	1,148	33.3	287.1	2.76	3.64	32.1	8.0	13.4	5.5
Onions, fresh	3,023	3,229	6.8	205.8	9.33	10.31	10.5	12.5	16.9	4.4
...										
Potatoes, fresh market	5,075	4,881	-3.8	-194.8	17.41	14.98	-13.9	8.9	10.2	1.2
Peaches and nectarines, fresh <sup>2</sup>	662	449	-32.2	-213.2	2.10	1.30	-38.0	10.2	9.9	-0.3
Sweet corn, fresh	1,257	1,044	-17.0	-213.6	4.04	3.19	-21.1	2.5	5.5	3.0
Cabbage	1,086	848	-21.9	-238.0	3.59	2.69	-25.0	4.7	11.0	6.3
Cantaloupe	913	640	-29.9	-272.8	4.31	3.19	-26.0	34.4	44.1	9.7
Grapefruit, fresh <sup>1,2</sup>	645	349	-45.9	-296.1	1.26	0.84	-33.5	4.7	7.2	2.5
Tomatoes, fresh	1,722	1,291	-25.0	-431.4	8.69	9.28	6.8	40.4	60.0	19.6
Head lettuce, fresh	2,615	2,174	-16.8	-440.3	8.36	6.73	-19.5	2.7	5.4	2.7

Notes: Commodities displayed are among the eight experiencing the largest increase in production over the last decade or the eight experiencing the largest decrease.

(1) Data correspond to crop years 2003/04 to 2005/06 and 2013/14 to 2015/16. (2) Production statistics refer to utilized production.

Source: USDA Economic Research Service using per capita use data from USDA Economic Research Service, production data from USDA National Agricultural Statistics Service, U.S. Census Bureau import data compiled by USDA Foreign Agricultural Service.

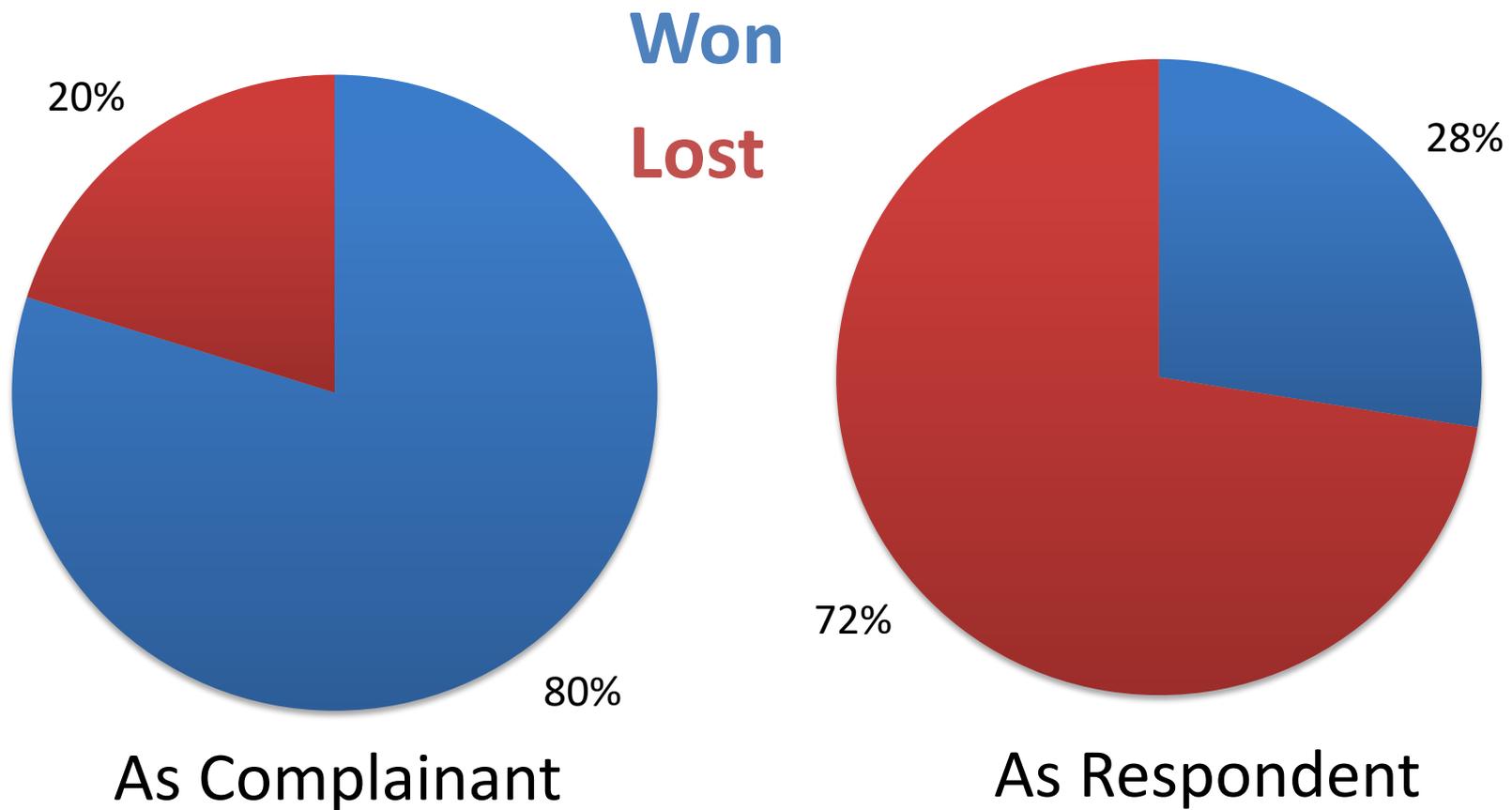
# Institutions



WTO, CODEX, WHO, FAO, UN ...

# WTO: Rules, #!@ Rules, and Judges

Ruling on individual claims in agricultural disputes involving the United States



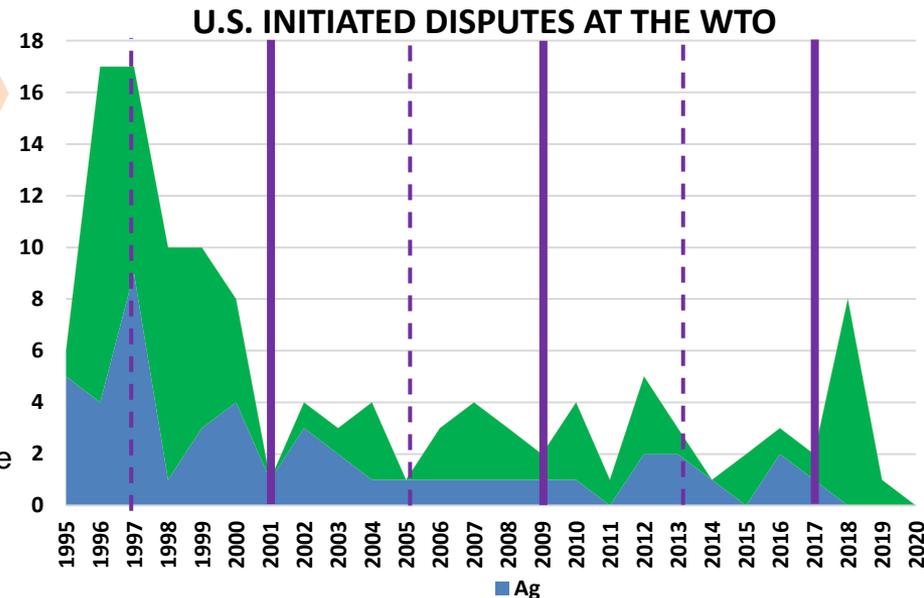
**Glauber (2020)** from author

# WTO: Rules, #!@ Rules, and Judges

## U.S. INITIATED DISPUTES SINCE 1995

**ISSUE:** Since 1995, the United States has initiated 124 disputes at the World Trade Organization (WTO), **39%** of which involve agriculture.

\*Note: The increase in cases during 2018 and 2019 is due largely to National Security (232) and the Trade Act of 1974 (301) investigations.



**41%** Disputes launched **prior to** Jan. 20, 2017 involving agriculture

**0** Agricultural disputes initiated **after** Jan. 20, 2017\*

**1** Dispute **lost since 1995** initiated by the U.S.

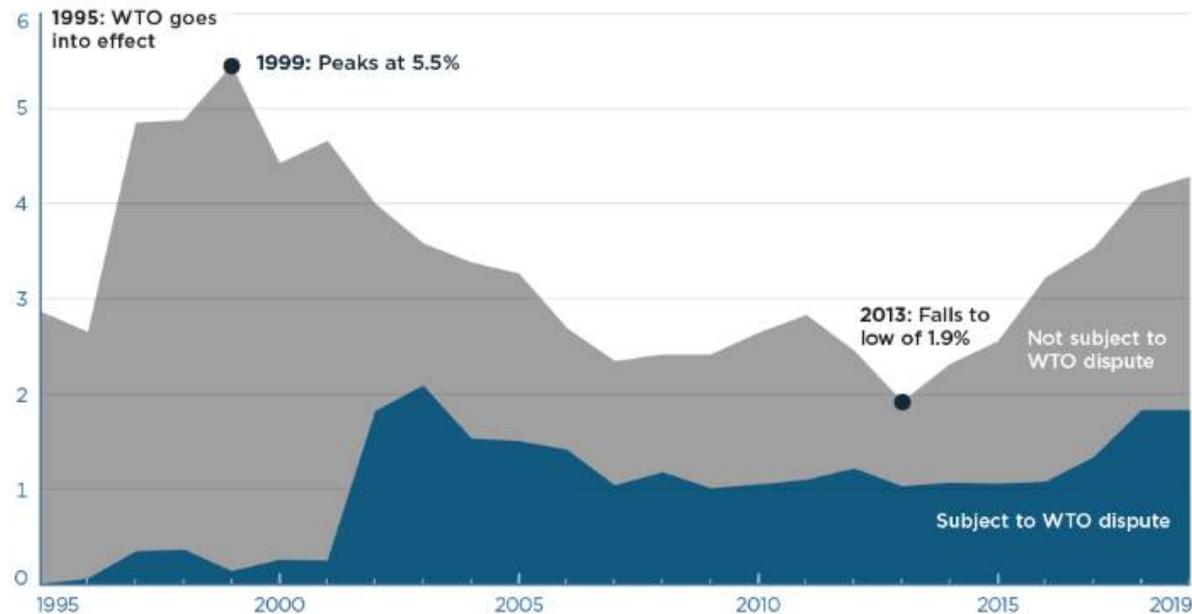
Vertical lines denote U.S. administration changes, where a dotted line indicates a second-term presidency.

\* A second complaint for BC-Wine was made in September 2017 but is considered a case from the previous administration.

# WTO: What are we fighting about?

## US trade remedies became subject to many WTO disputes, and their use fell until 2013

Percent of US imports covered by trade remedies and subsequently subject to WTO dispute settlement, 1995-2019



WTO = World Trade Organization

**Note:** Trade remedies include antidumping, countervailing duties, global safeguards, and China-specific transitional safeguards (2001-14 only). "Subject to WTO dispute" is the share of US imports covered by a trade remedy that is subsequently subject to a WTO dispute, with the beginning coverage being the date of the WTO dispute initiation.

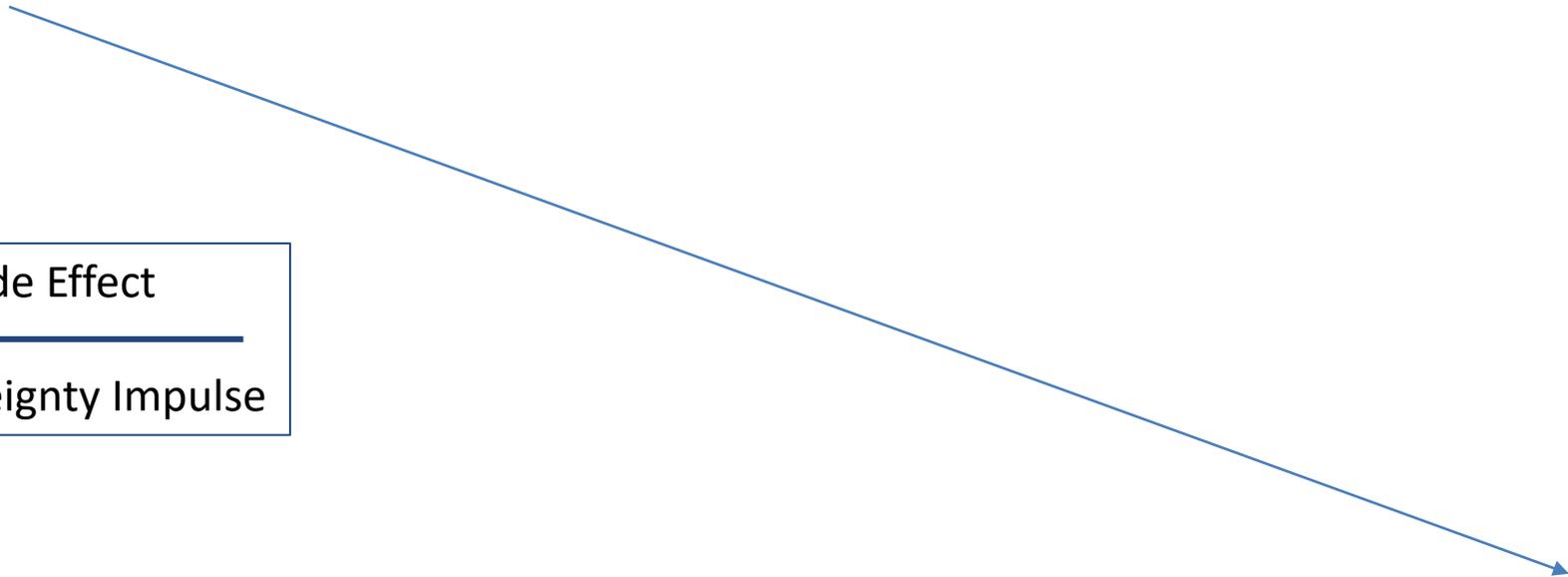
**Source:** Constructed by the authors with data from Chad P. Bown and Soumaya Keynes, 2020, Why Trump Shot the Sheriffs: The End of WTO Dispute Settlement 1.0, PIIE Working Paper 20-4, March.

# Competition Policy

## What is Fair Trade Anyway?

That's a trade barrier

Mind your own business

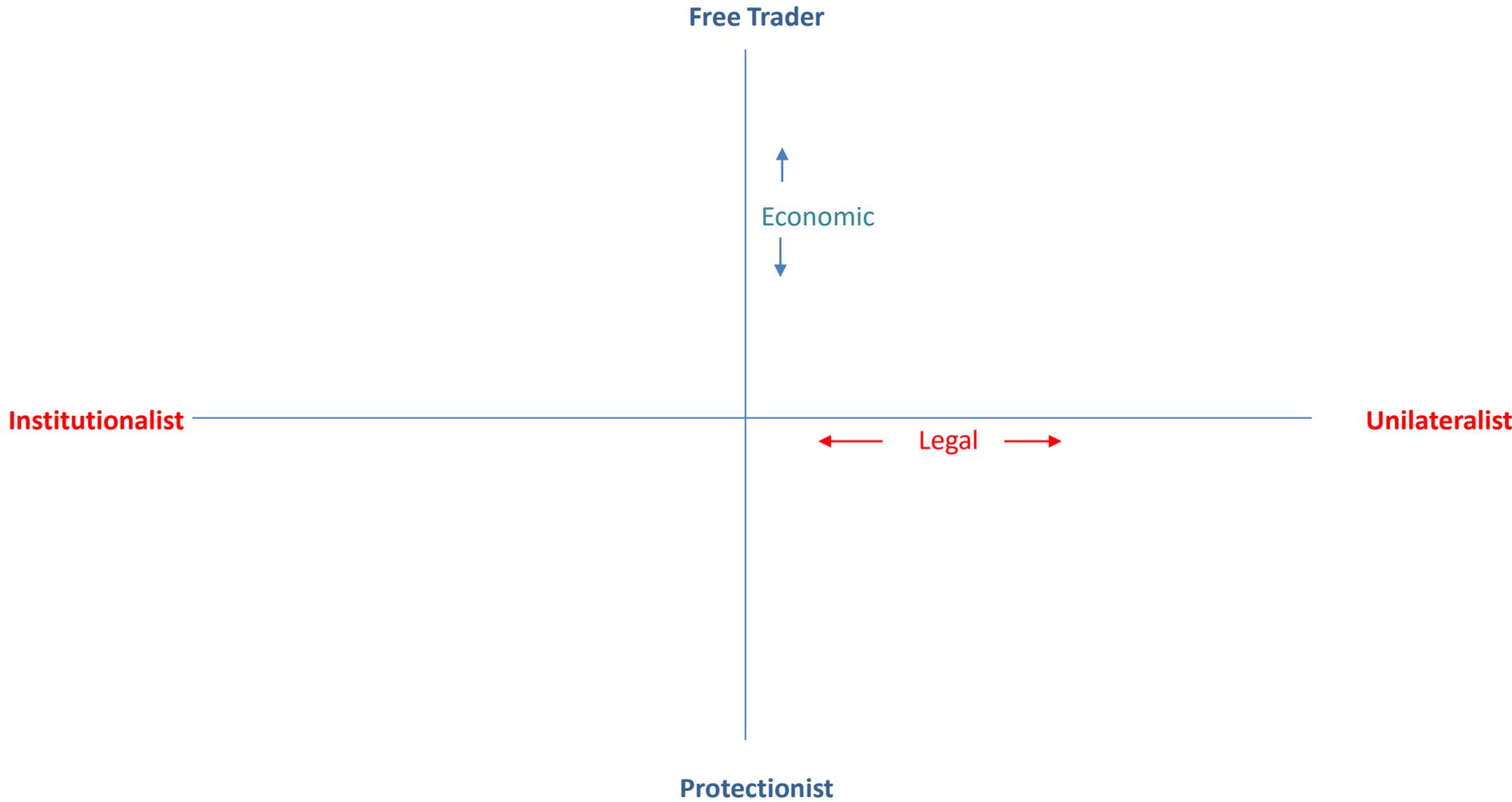


Trade Effect

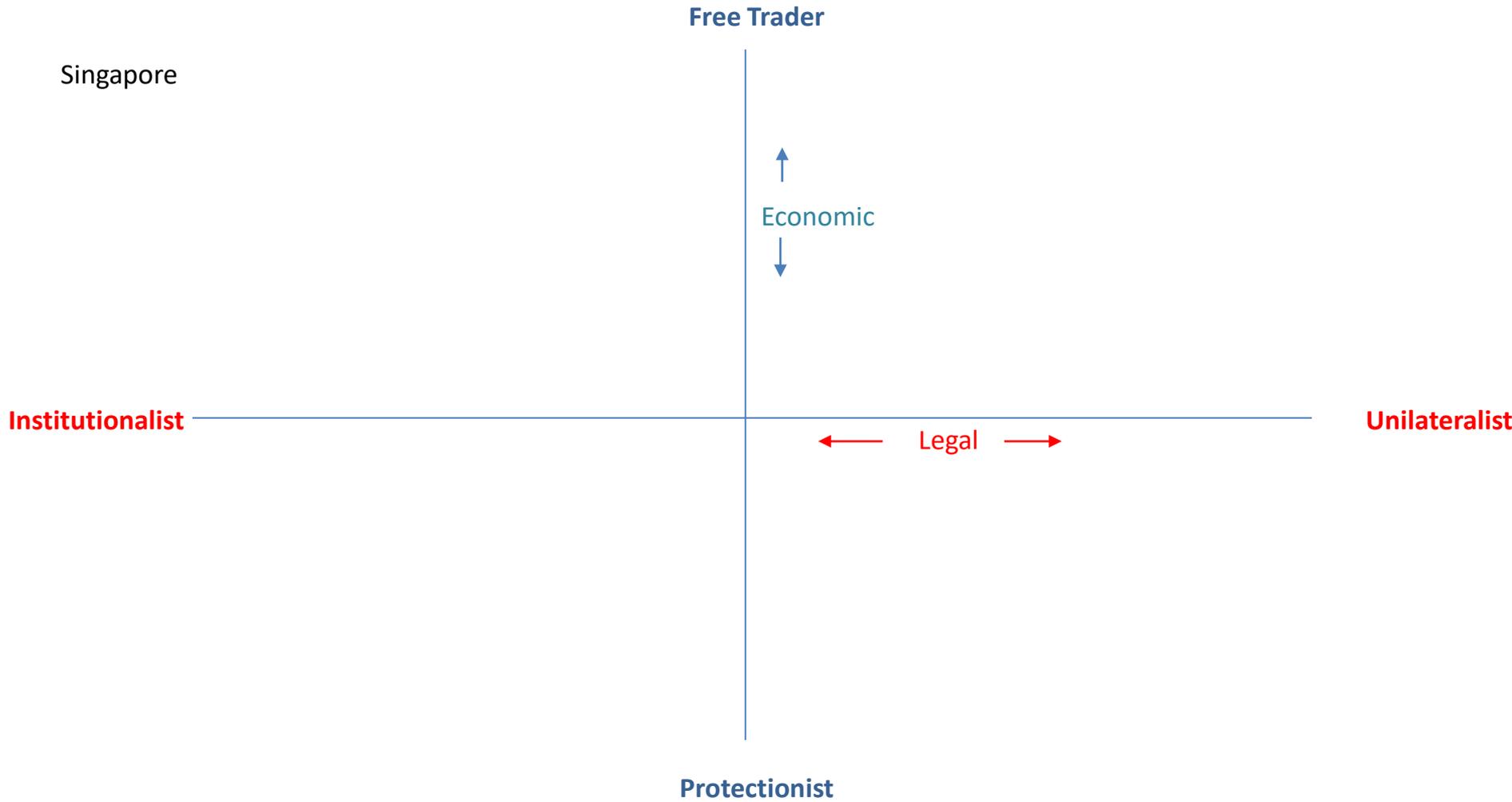
Sovereignty Impulse

Import Ban   Tariffs   Subsidies   Govt Procurement   Health/Safety   Labor   Environment

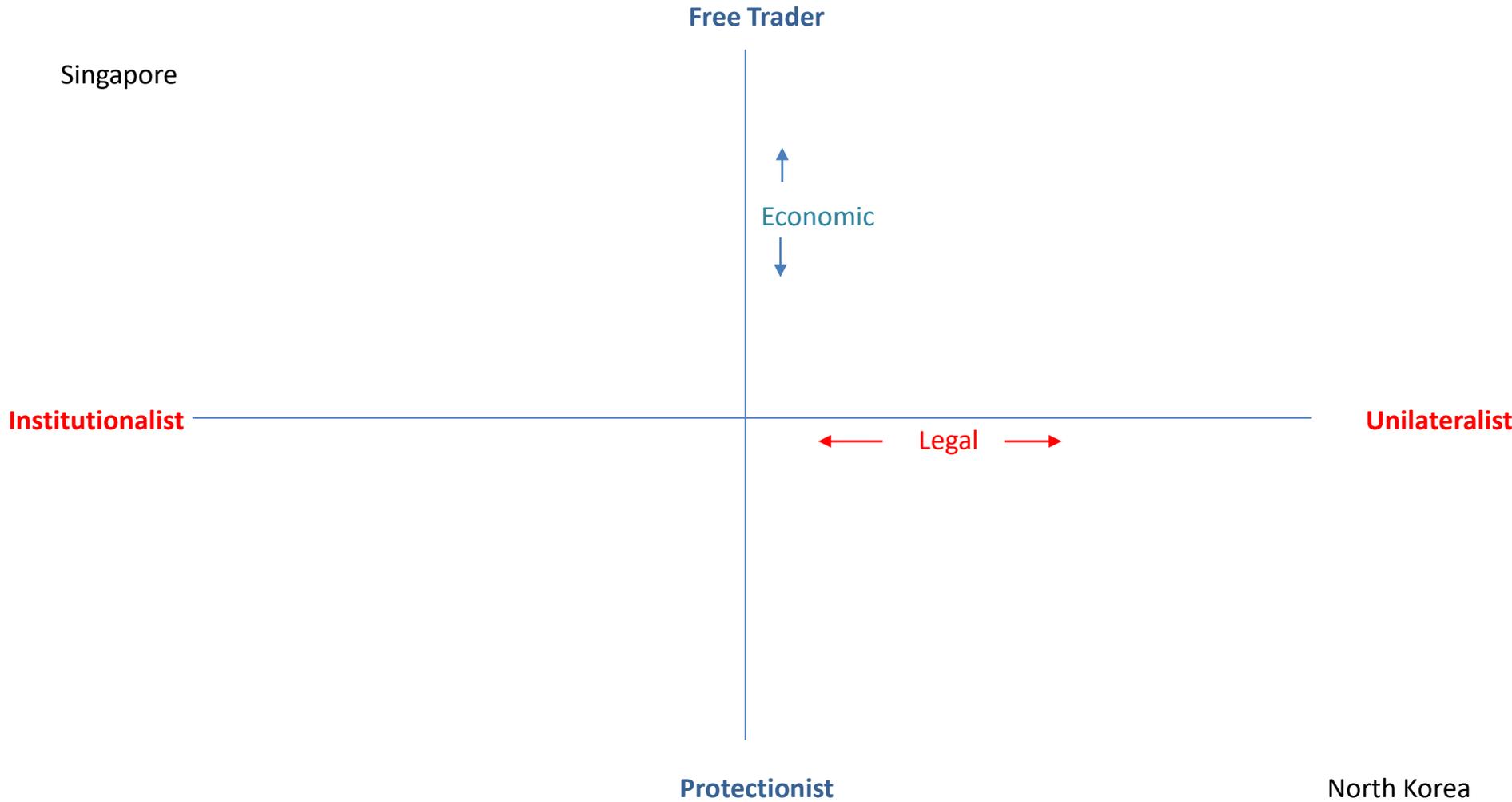
# Political Economy Conceptual Framework



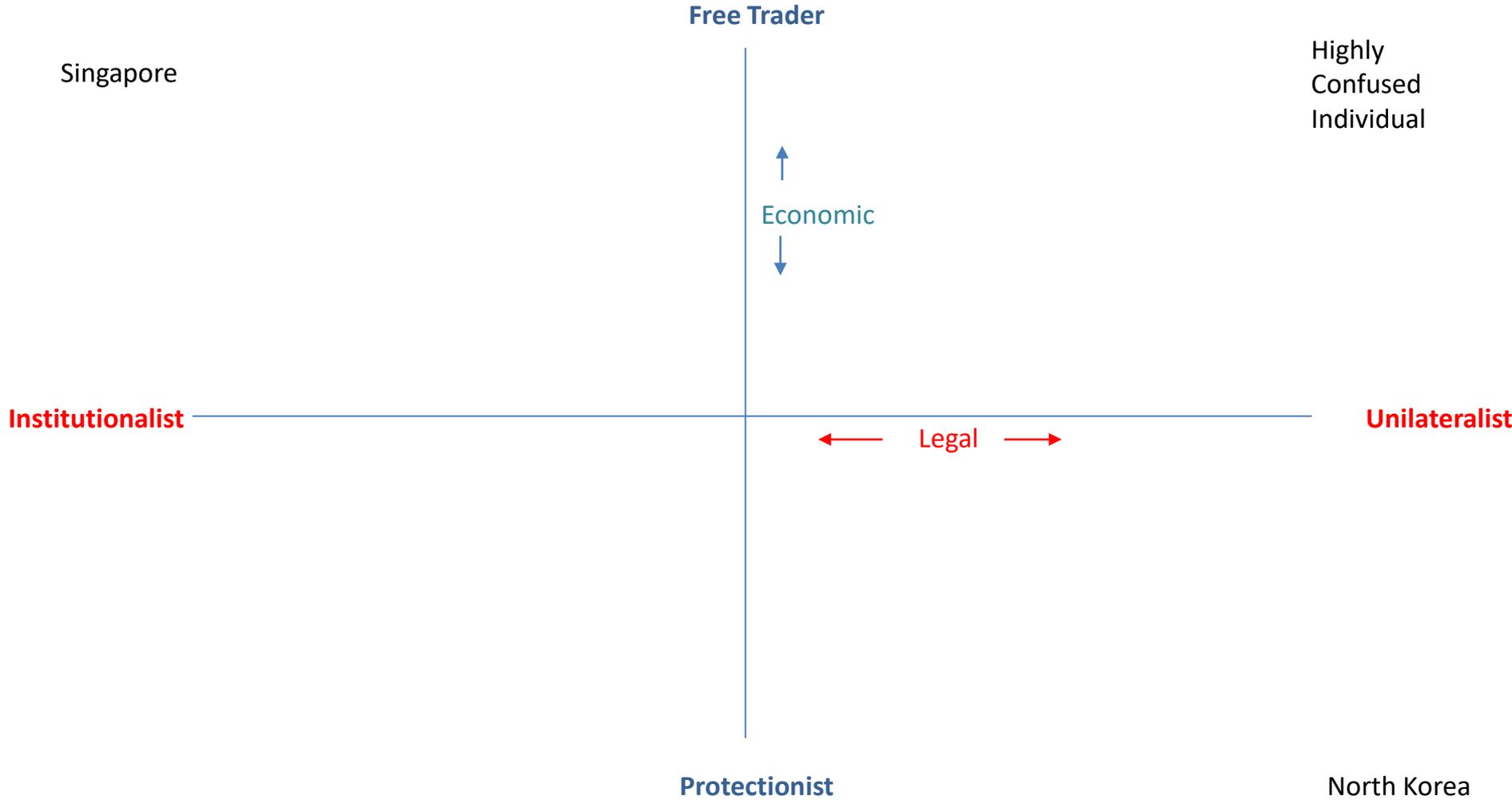
# Political Economy Conceptual Framework



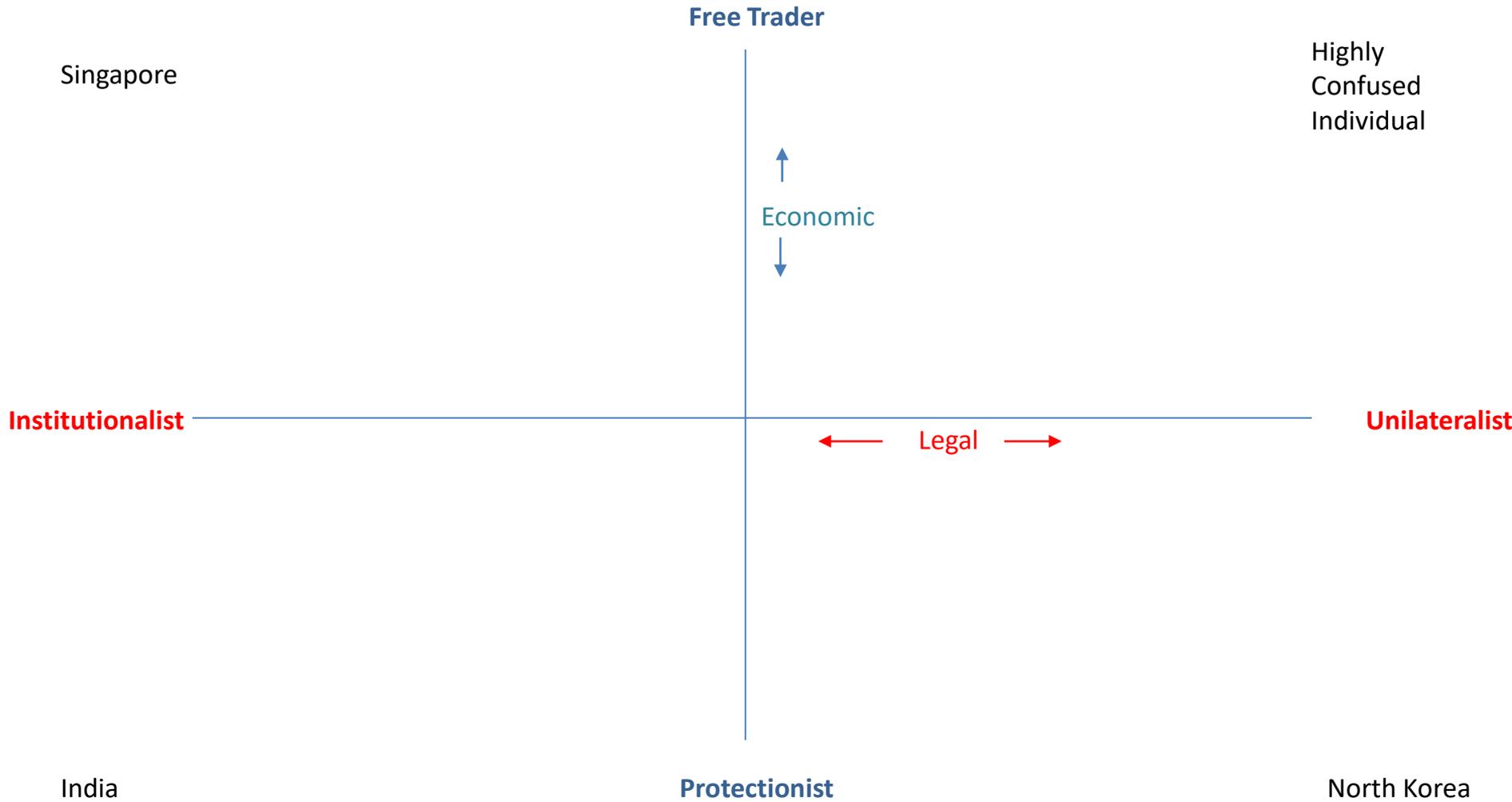
# Political Economy Conceptual Framework



# Political Economy Conceptual Framework

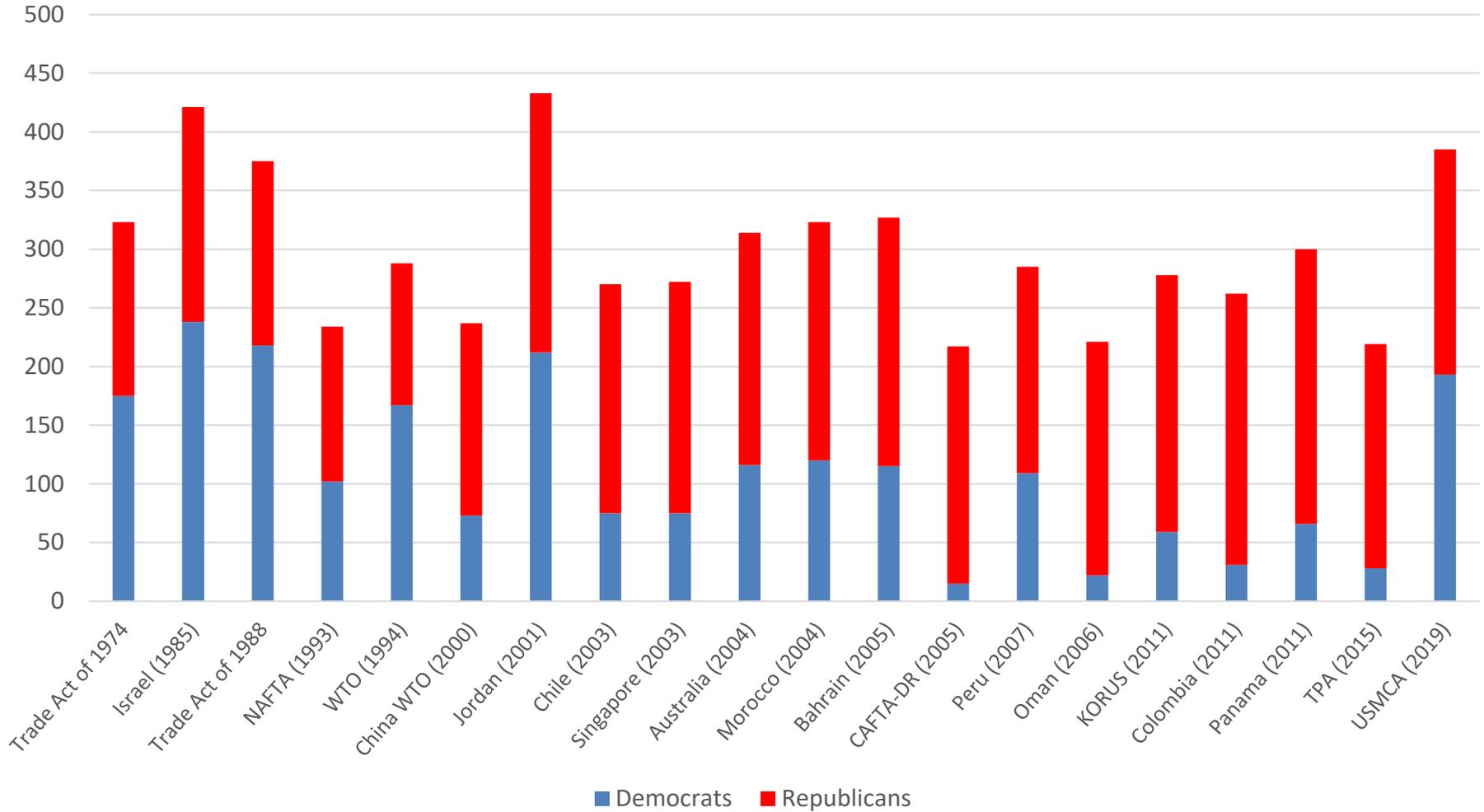


# Political Economy Conceptual Framework



# No Ag, No Trade Agreement House Trade Votes

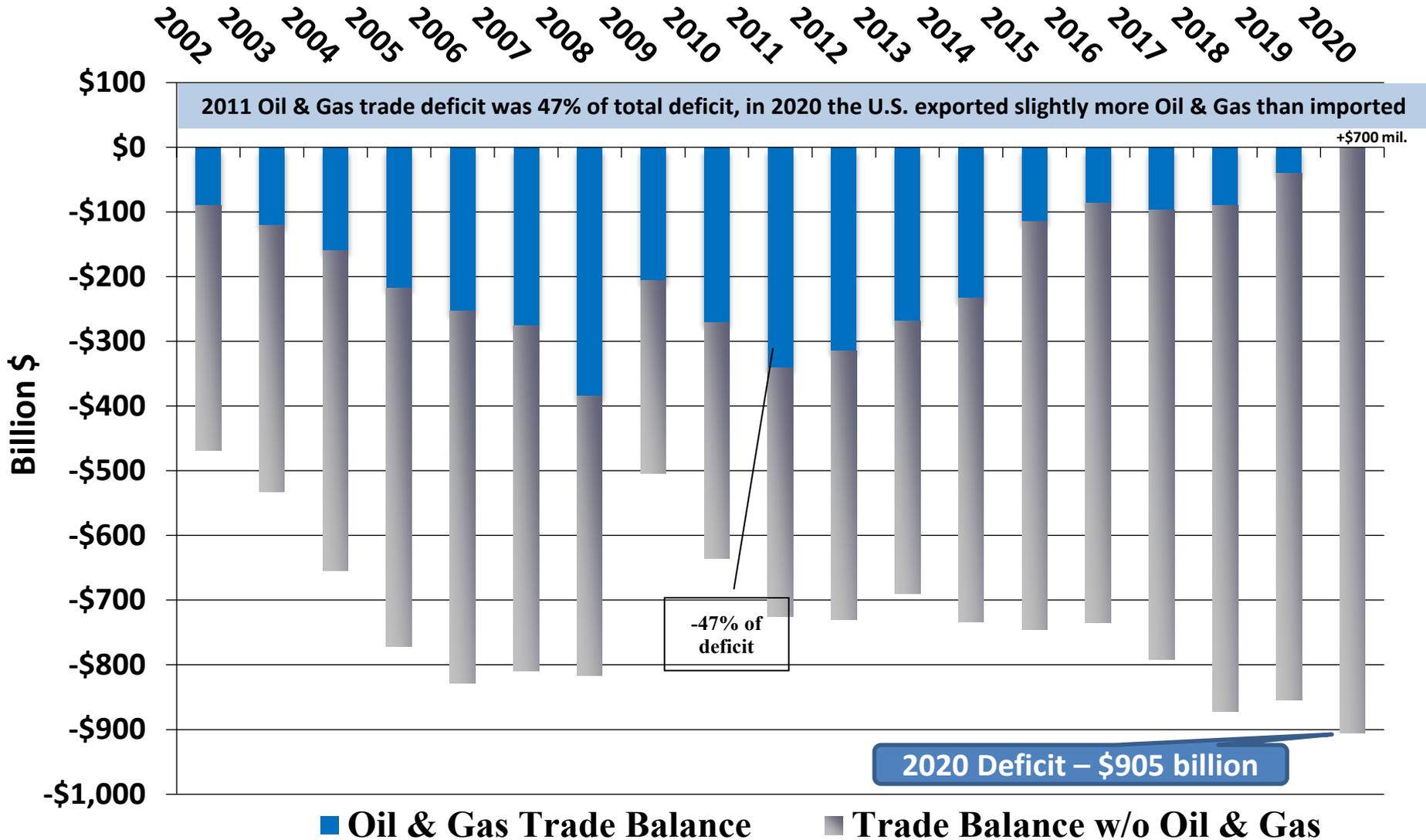
Final "Aye" Votes



■ Democrats ■ Republicans

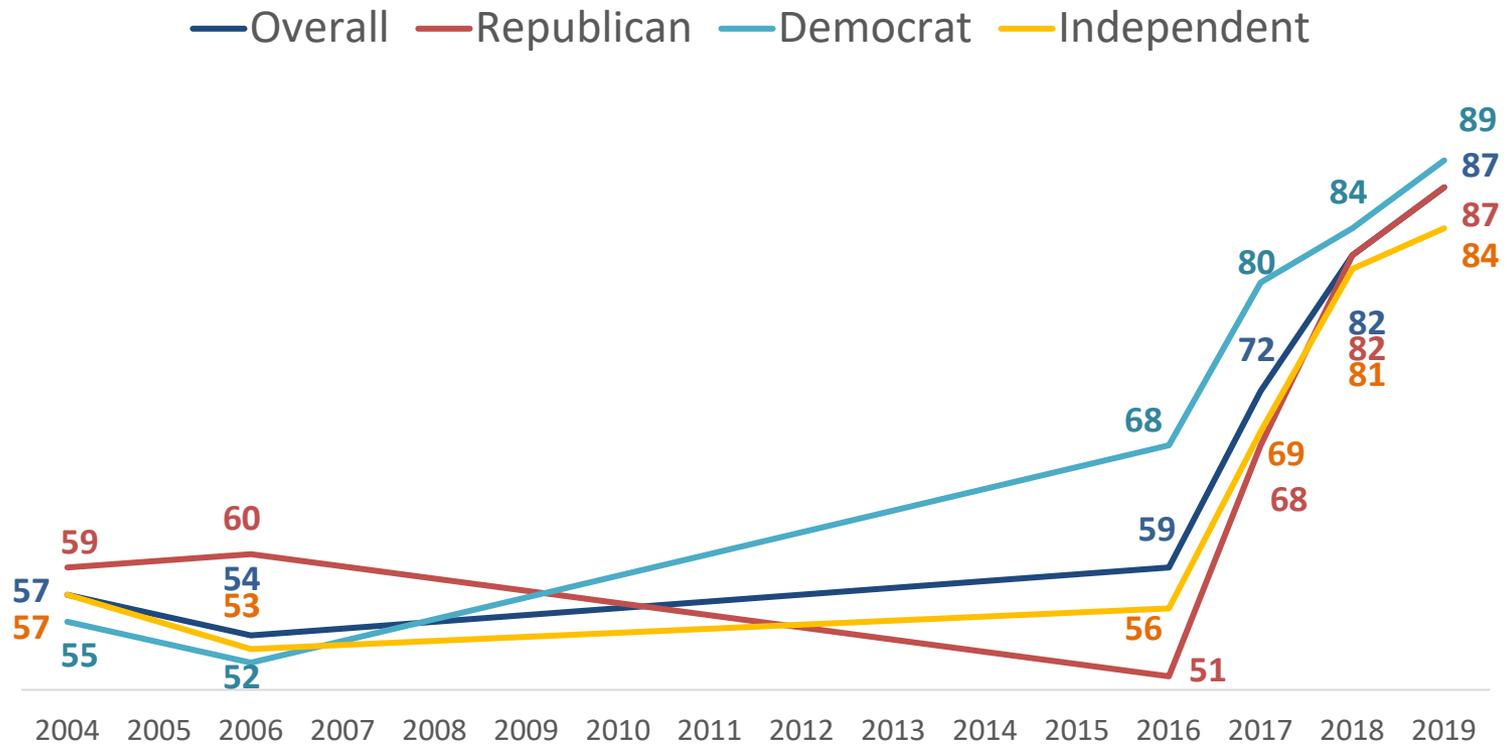
# U.S. Total Merchandise Annual Trade Balance

Total Trade Balance and Oil & Gas Trade Balance (2002-2020)



# Now Everybody Loves Trade

Overall, do you think international trade is good for the U.S. economy (%)?



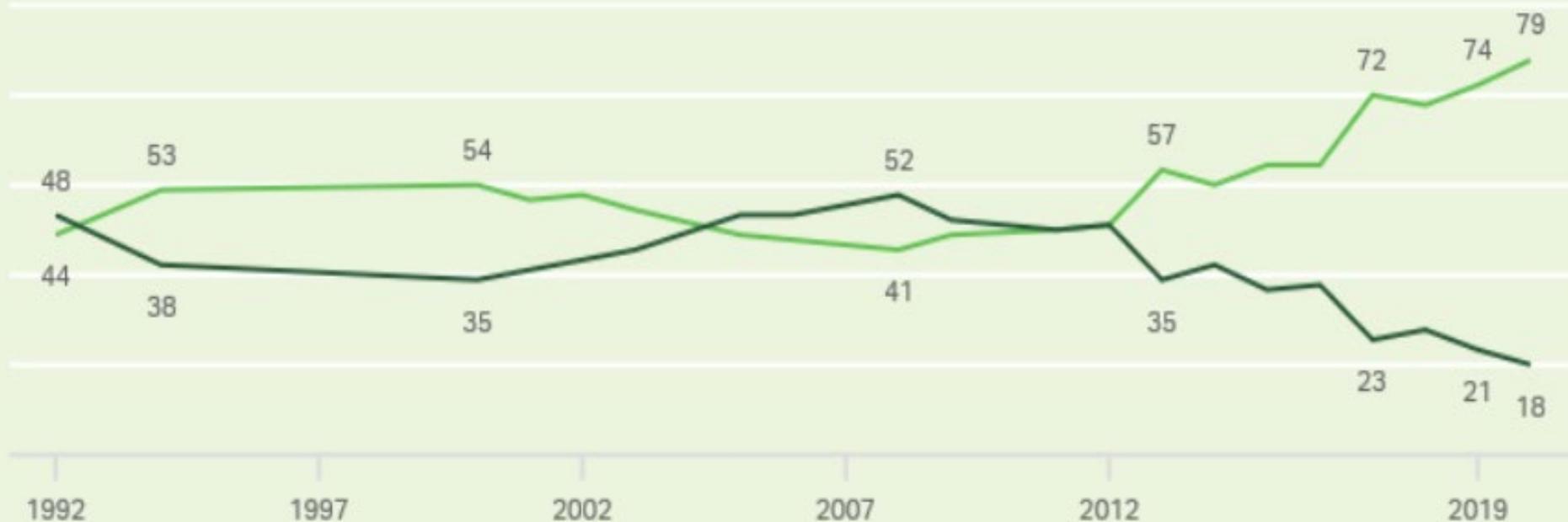
Source: Chicago Council Survey, June 7-20, 2019 | n: 2,059

# Trade and Public Opinion

## Americans' Views of What Foreign Trade Means for the U.S.

What do you think foreign trade means for America? Do you see foreign trade more as an opportunity for economic growth through increased U.S. exports or a threat to the economy from foreign imports?

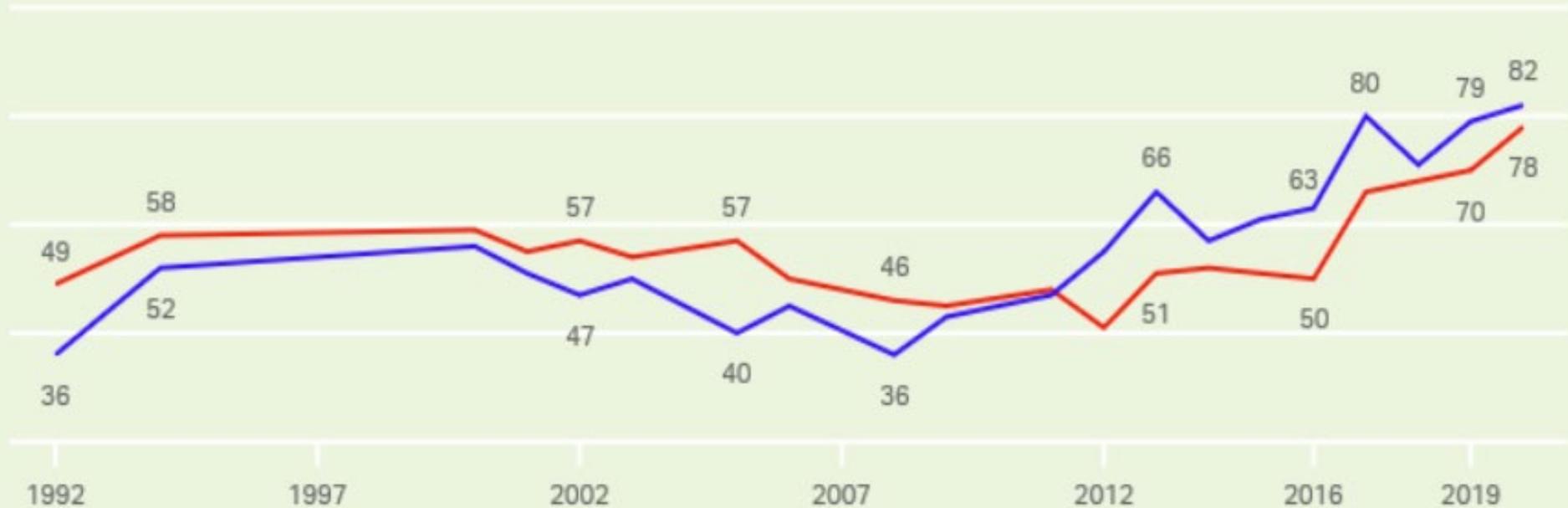
■ % Opportunity for economic growth ■ % Threat to the economy



# Trade and Public Opinion

Percentage Saying Trade Is Opportunity for Economic Growth, by Party ID

■ Republicans ■ Democrats

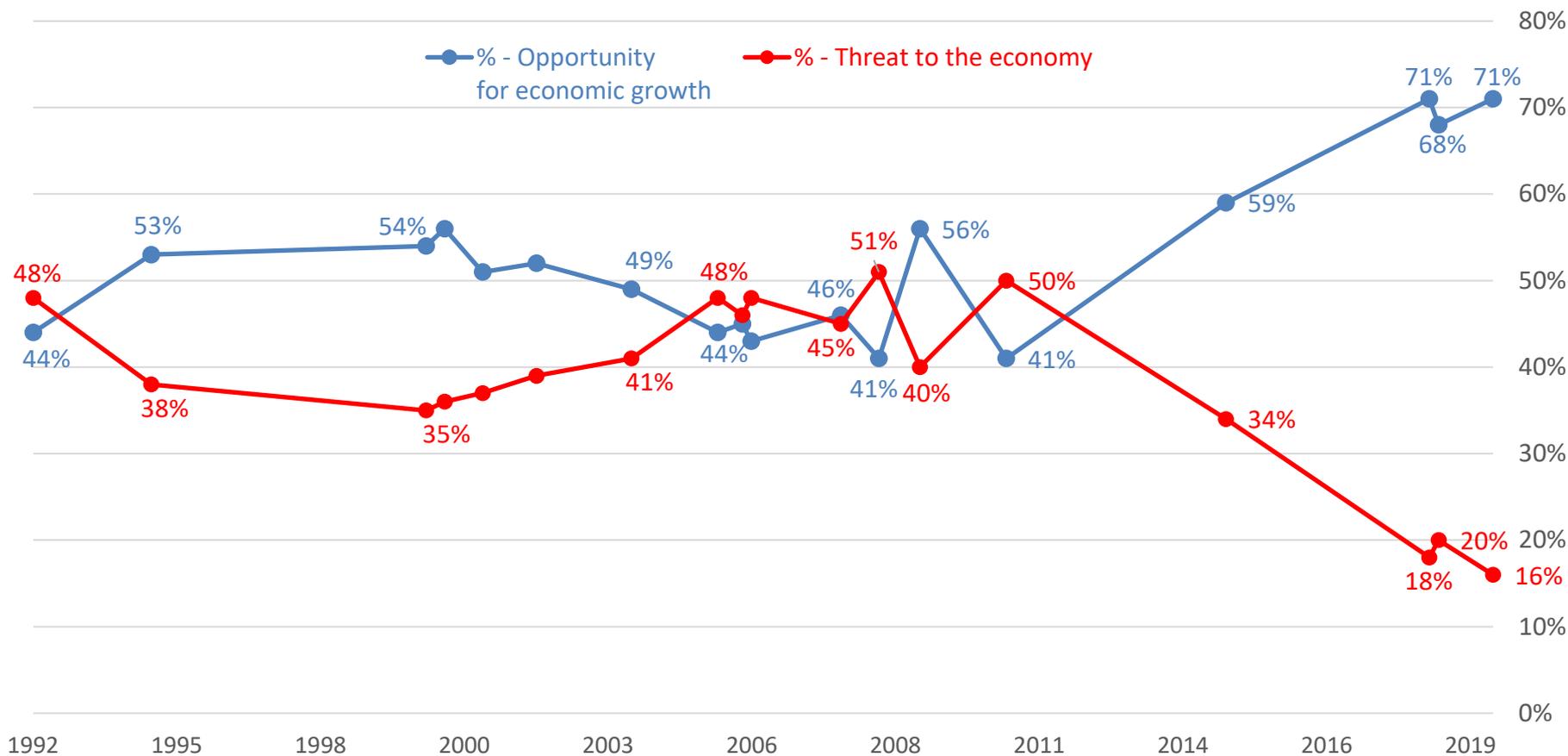


Republican and Democratic figures are based on unleaned party identification. Trend among political independents not shown.

# Trade and Public Opinion

## More People See Foreign Trade More as an Opportunity for Economic Growth in the United States

What do you think foreign trade means for America? Do you see foreign trade more as an opportunity for economic growth through increased U.S. exports, or more as a threat to the economy from foreign imports?

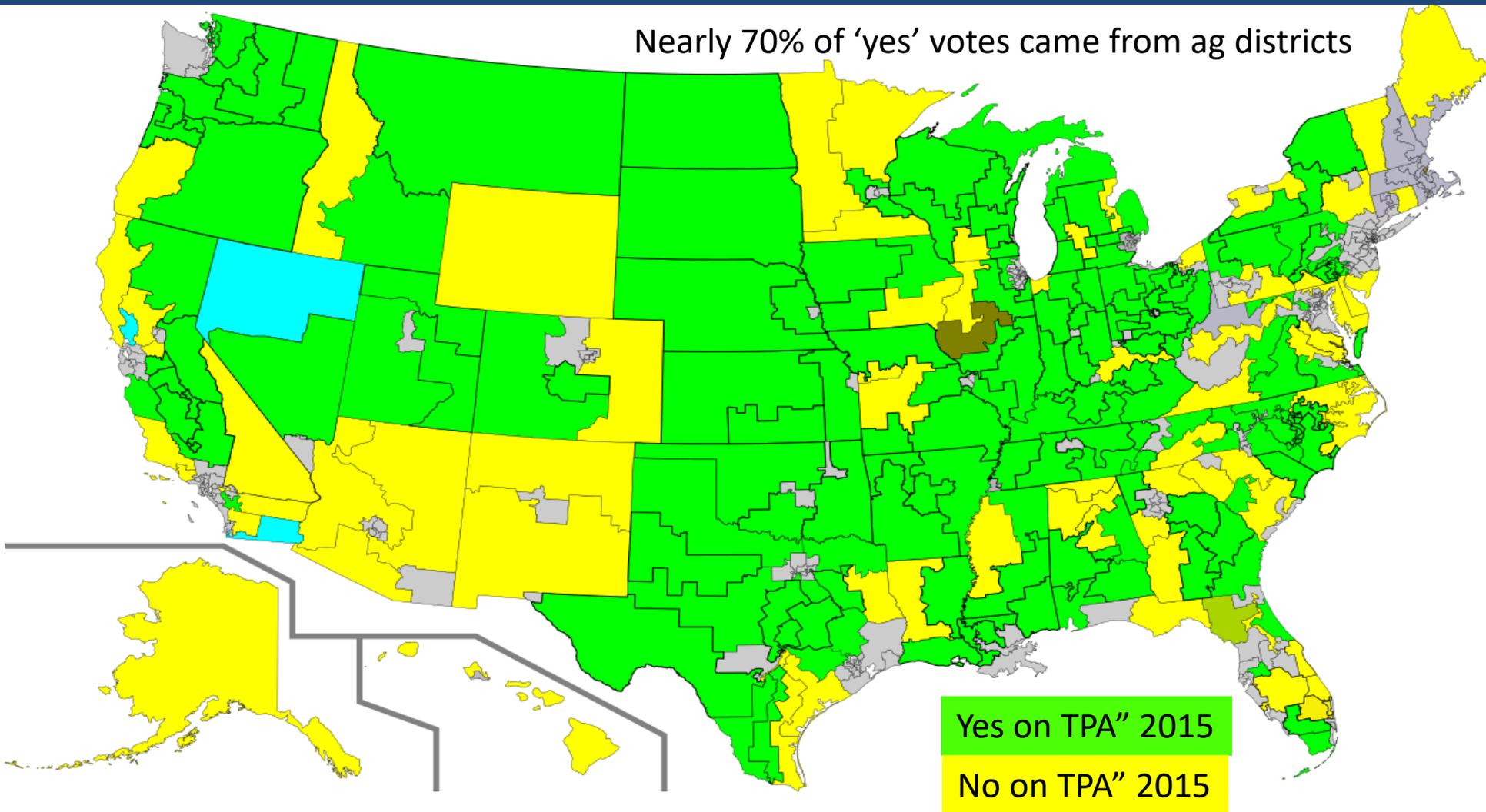


Source: CNN/SSRS

Sample of 1,005 respondents (for Dec 15, 2019 survey)

# TPA vote by Congressional District

Nearly 70% of 'yes' votes came from ag districts



Top 230 Congressional Districts ranked by value of ag production (\$200 million or greater)