

Where Are We Going With Global and U.S. Trade?

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2021 Agricultural Policy and Winter Outlook

Ohio State University

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THE OHIO STATE UNIVERSITY

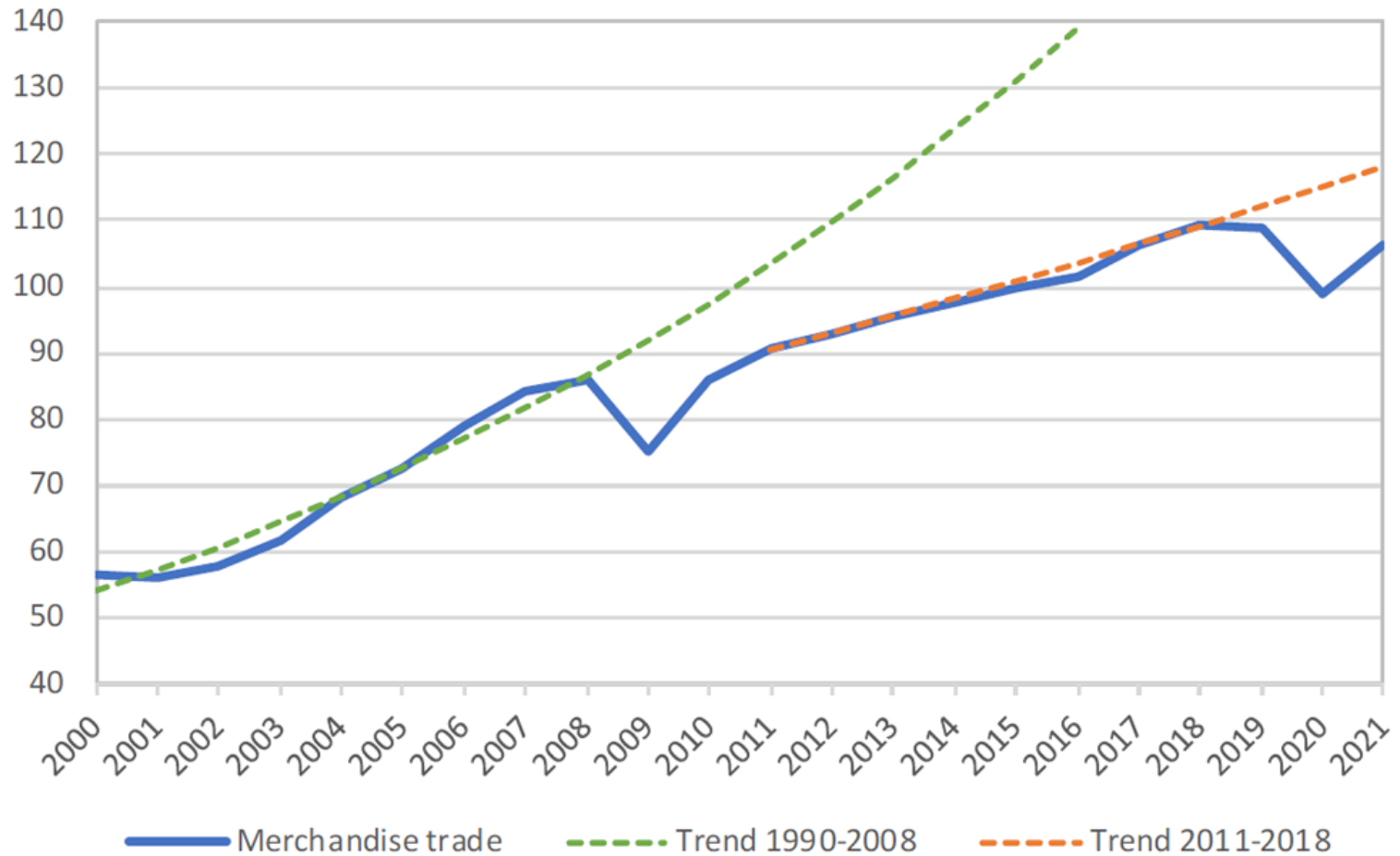
**COLLEGE OF FOOD, AGRICULTURAL,
AND ENVIRONMENTAL SCIENCES**

Global Trade and the Pandemic

- ❖ **Global trade forecast to decline by 9.2% in 2020, followed by 7.2% rise in 2021 (WTO)**
- ❖ **Could have been worse – April forecast was a 13-32% decline (WTO)**
- ❖ **Considerable uncertainty about trajectory of trade for rest of 2020 into 2021 – especially with resurgence of COVID-19**
- ❖ **Macroeconomic and trade policy critical to mitigating impact of pandemic on trade and GDP**

Global Trade

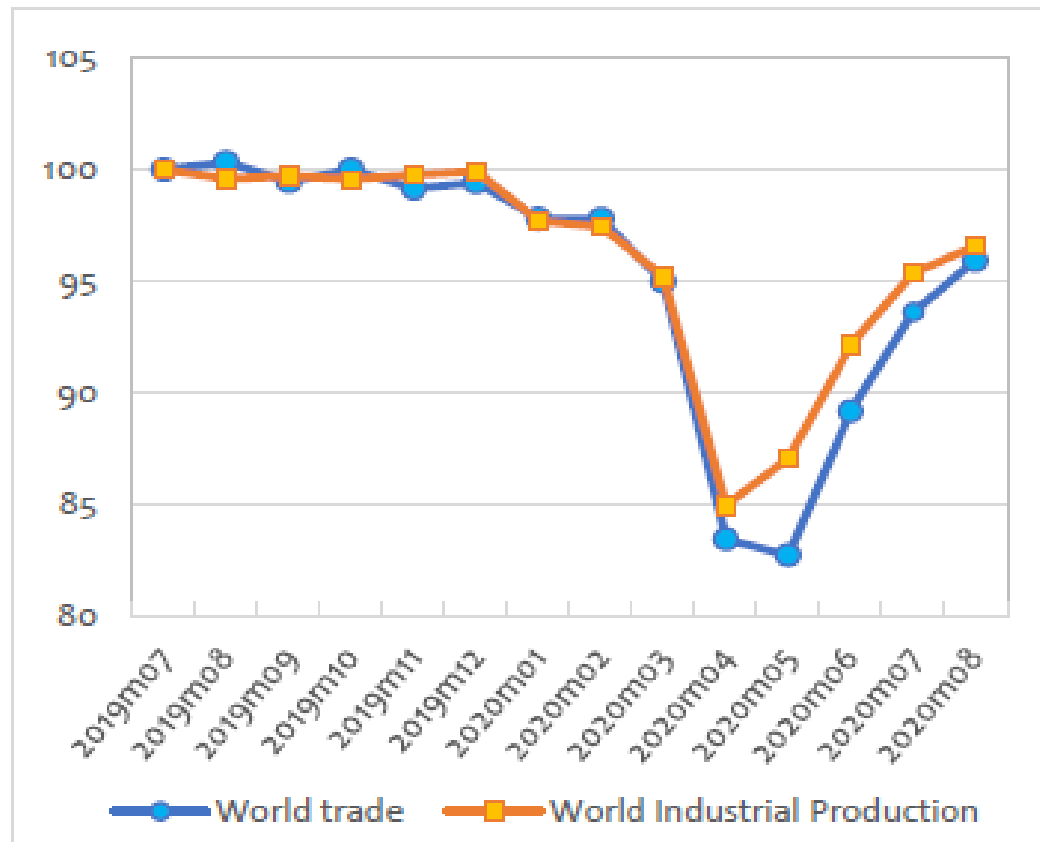
Index: 2015 = 100



Source: WTO (October 2020)

Global Trade and GDP

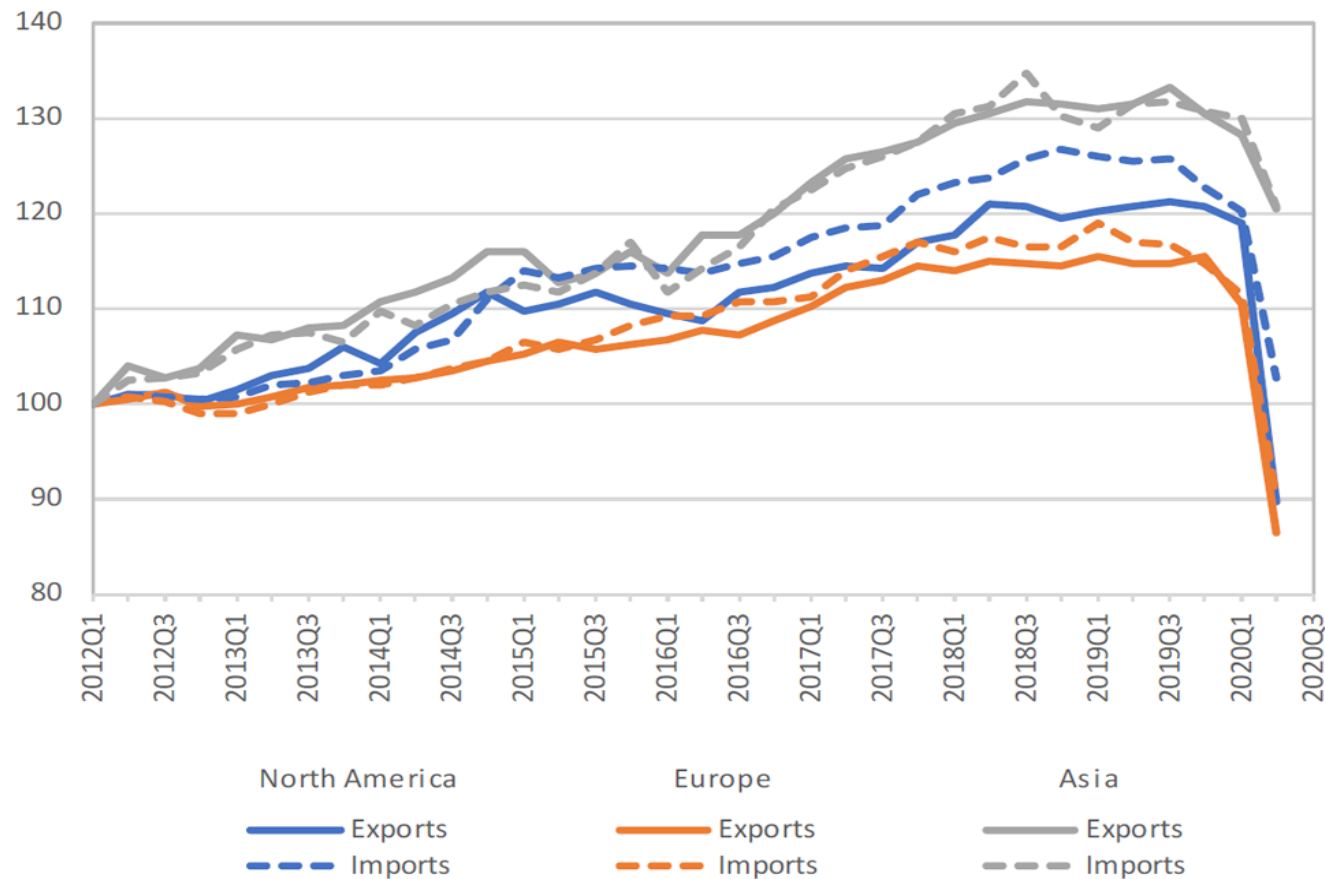
World Trade and World Industrial Production
(Index July 2019 = 100)



Regional Impacts of Pandemic

Exports and Imports by Region, 2012Q1-2020Q2

Index: 2012:Q1 = 100

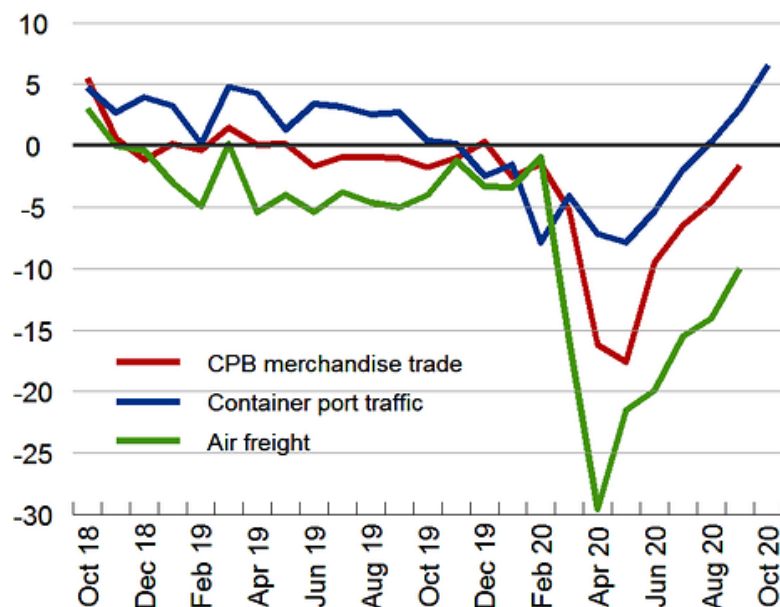


Source: WTO and UNCTAD (October 2020)

Pandemic and Transport Modes

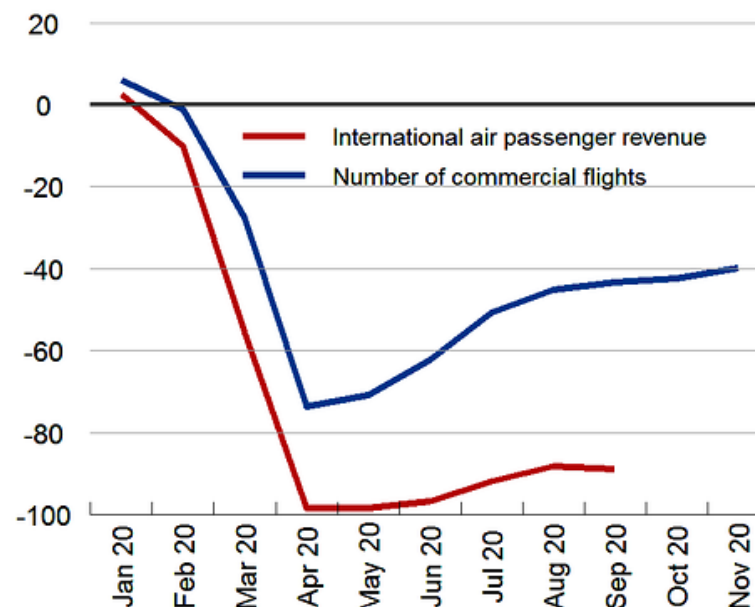
A. Global merchandise trade indicators

Y-o-y % changes



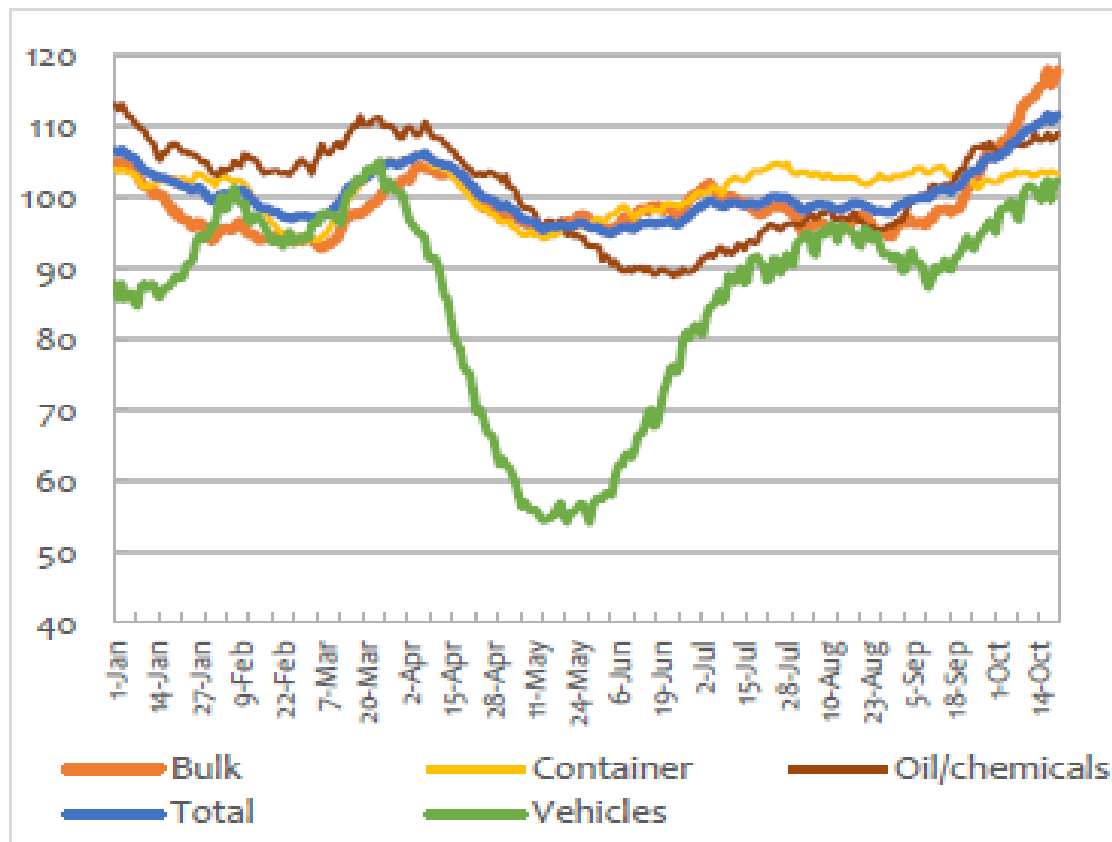
B. Air travel and flights

Y-o-y % changes



Pandemic and Product Types

B. Estimated Metric Tons of World Exports
(30-day moving average in ratio to 2017-19 average)



Pandemic and Value Chains

- ❖ **Double-dip in global trade as first China, then Europe and North America shut down**
- ❖ **Vehicle trade experienced largest initial decline, but recovered very fast**
- ❖ **Appears trade declined at *extensive* not *intensive* margin, i.e., firms cut volume of exports rather than reshoring production**
- ❖ **Likely due to high sunk costs of establishing global value chains, and pandemic not yet perceived as a persistent shock**

Downside vs. Upside Risks

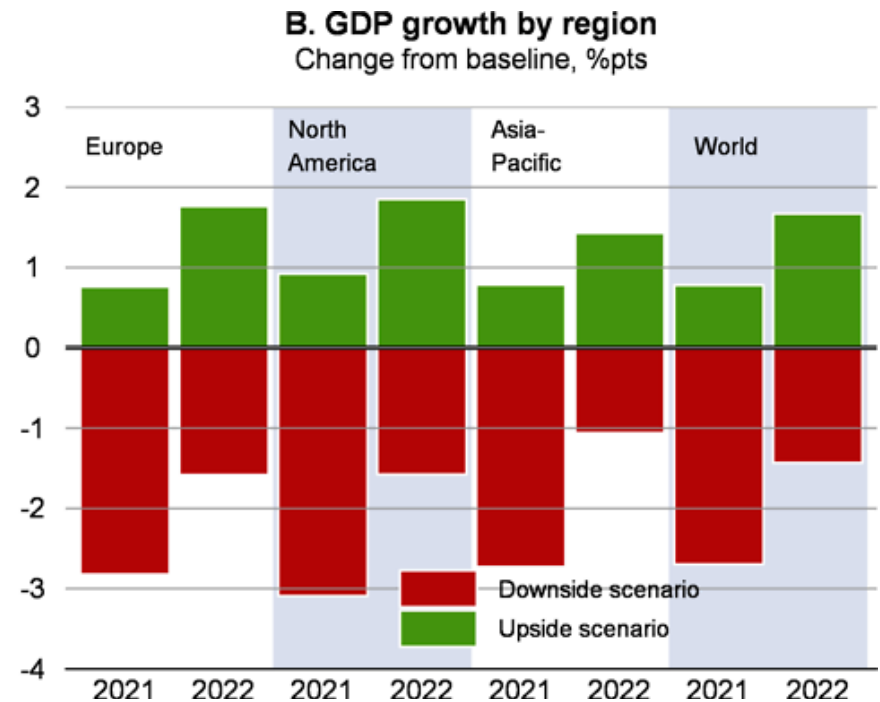
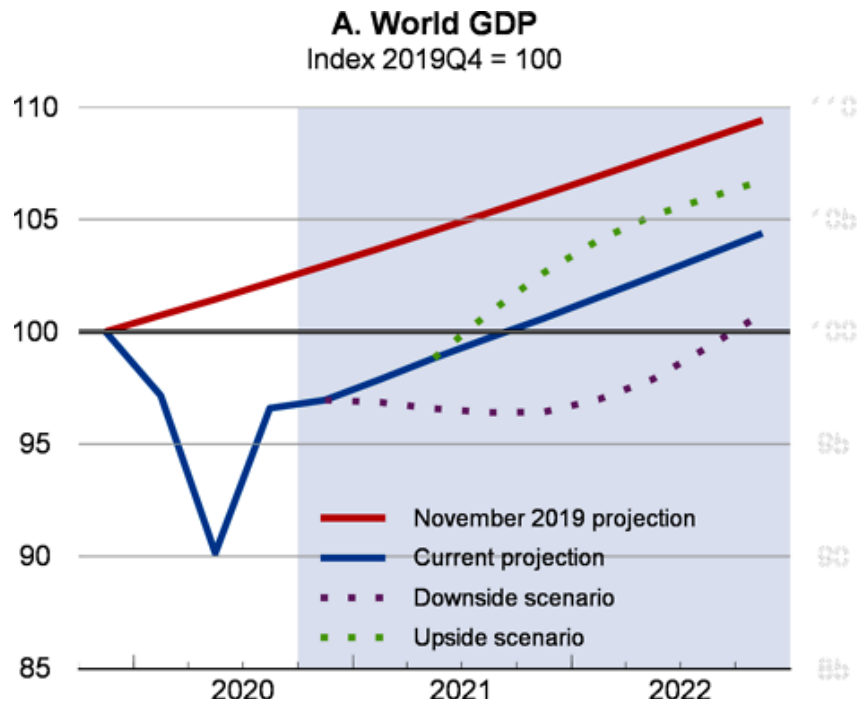
◆ Downside:

- **Resurgence of COVID-19 requiring lockdowns could reduce global GDP growth by 2-3% in 2021**
- **Uncertain outlook for fiscal policy and high rates of unemployment in many countries – could reduce global trade by 4% in 2021**

◆ Upside:

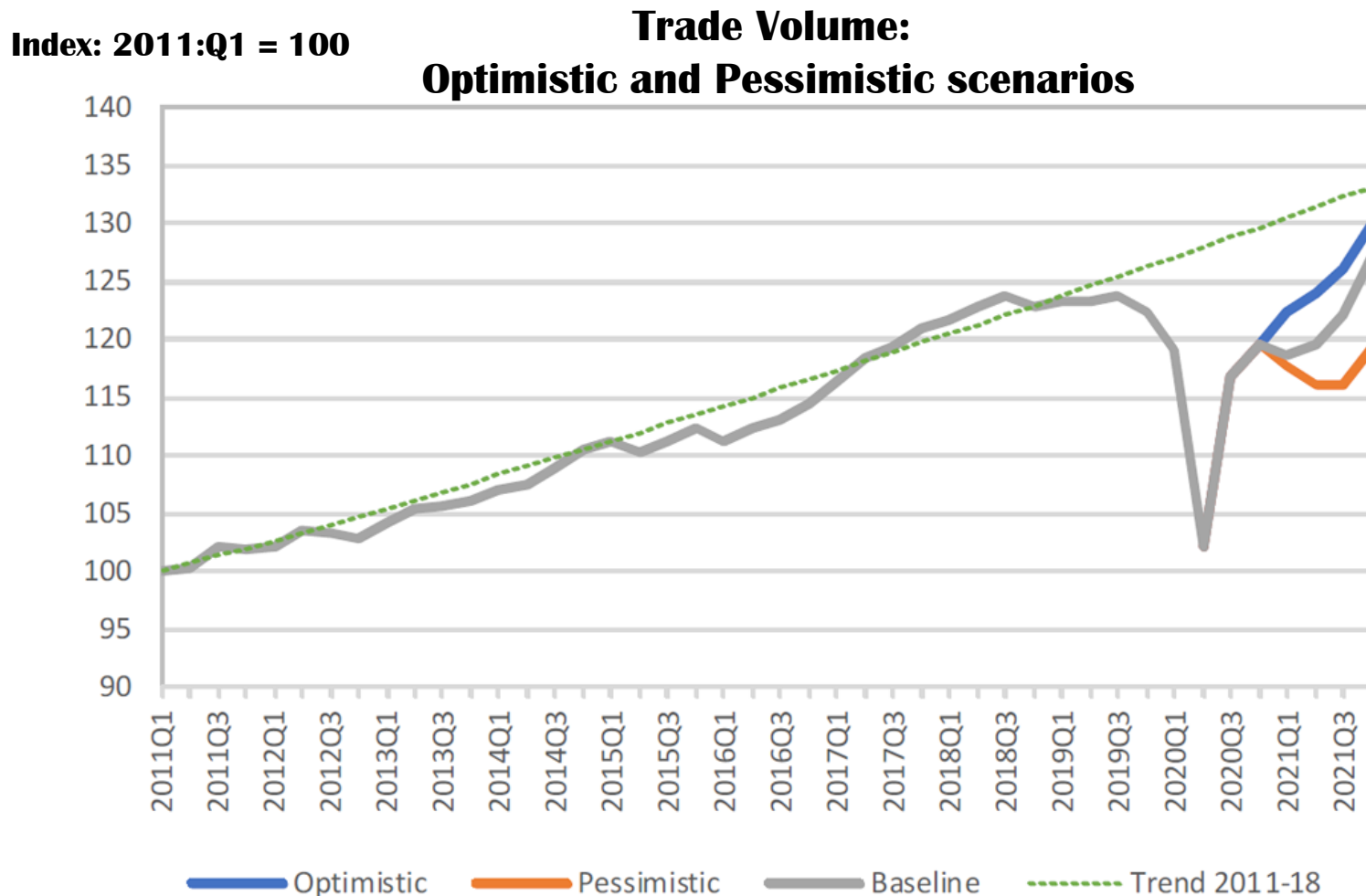
- **Rapid deployment of vaccine could boost confidence and raise global GDP growth by 1-2%, and global trade by 3% in 2021**
- **Trade may also be affected by growth in technology sectors, and leveraging of information technology**

GDP Projections



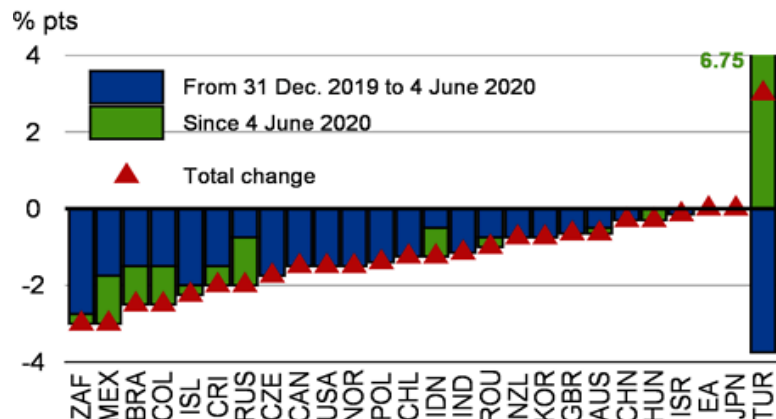
Source: OECD (December 2020)

Global Trade Projections



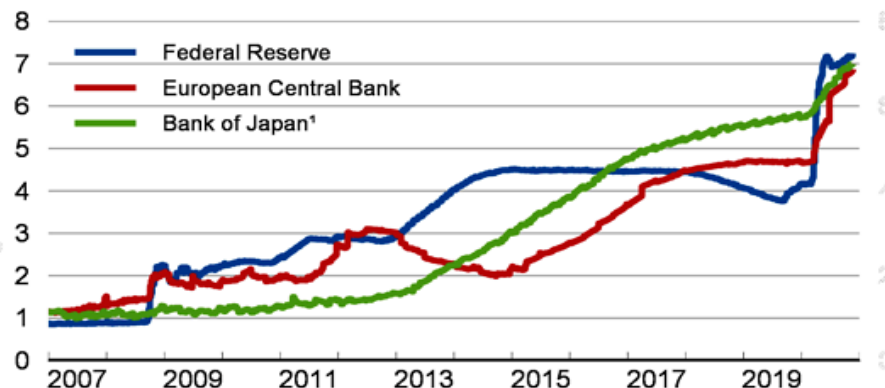
Monetary Policy and Pandemic

A. Change in policy interest rates

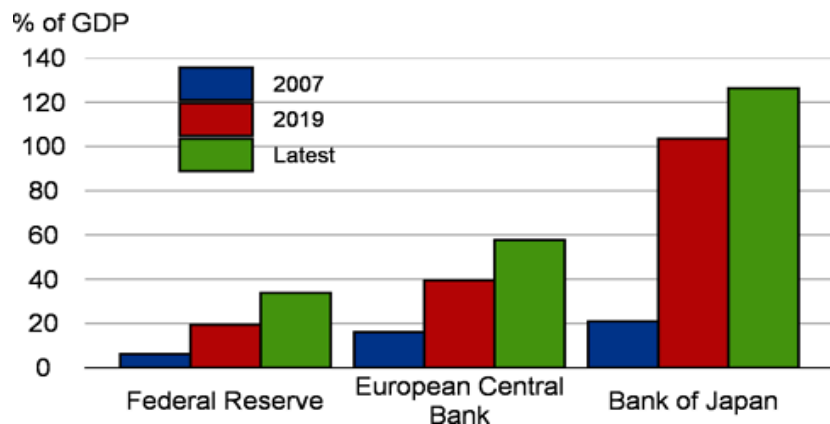


B. Central bank total assets

Trillion national currency



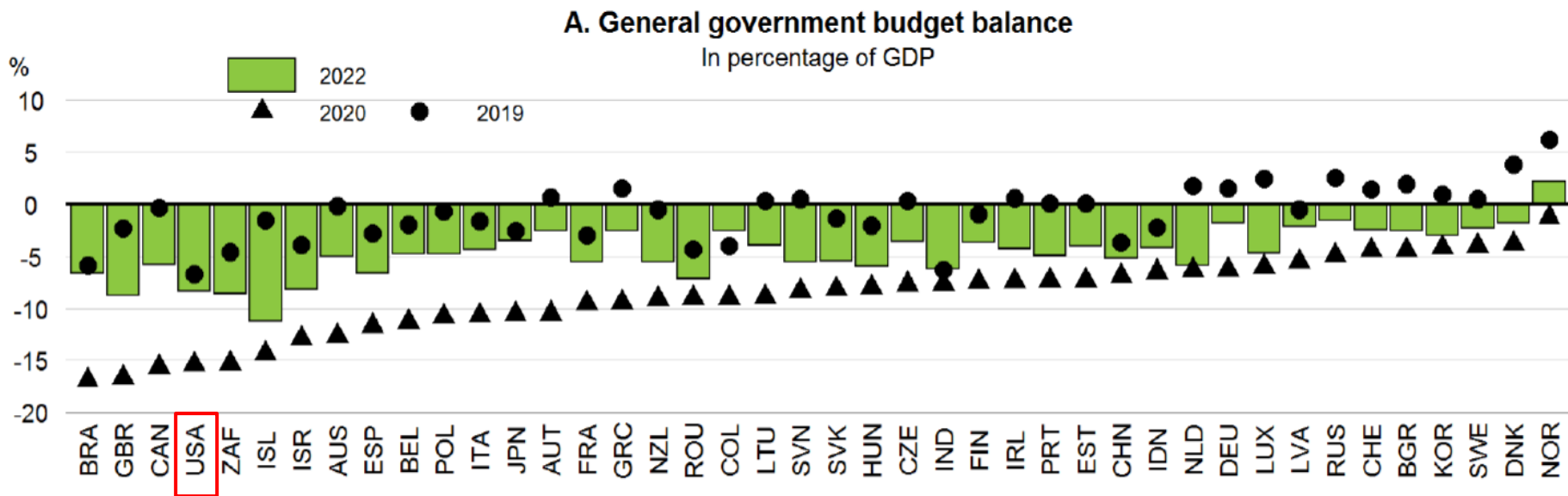
C. Central bank total assets²



- little “wiggle” room on interest rates
- focus on asset purchases

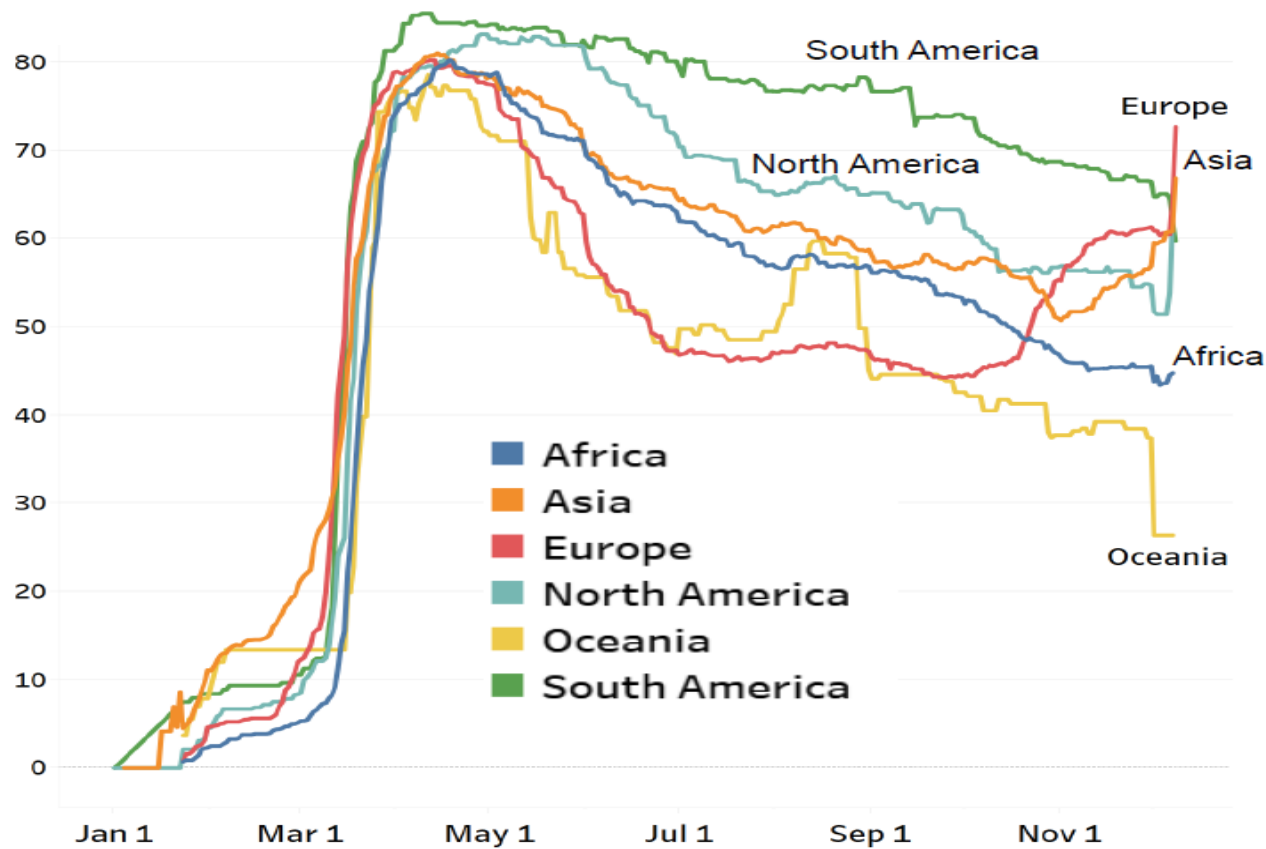
Source: OECD (December 2020)

Fiscal Policy and Pandemic



- key will be targeting

Stringency of COVID-19 Rules



Oxford Stringency Index: includes 1) school closings, 2) workplace closings, 3) cancellation of public events, 4) restrictions on gatherings, 5) closing public transport, 6) Stay at home orders, 7) Restrictions on internal movement, 8) International travel controls

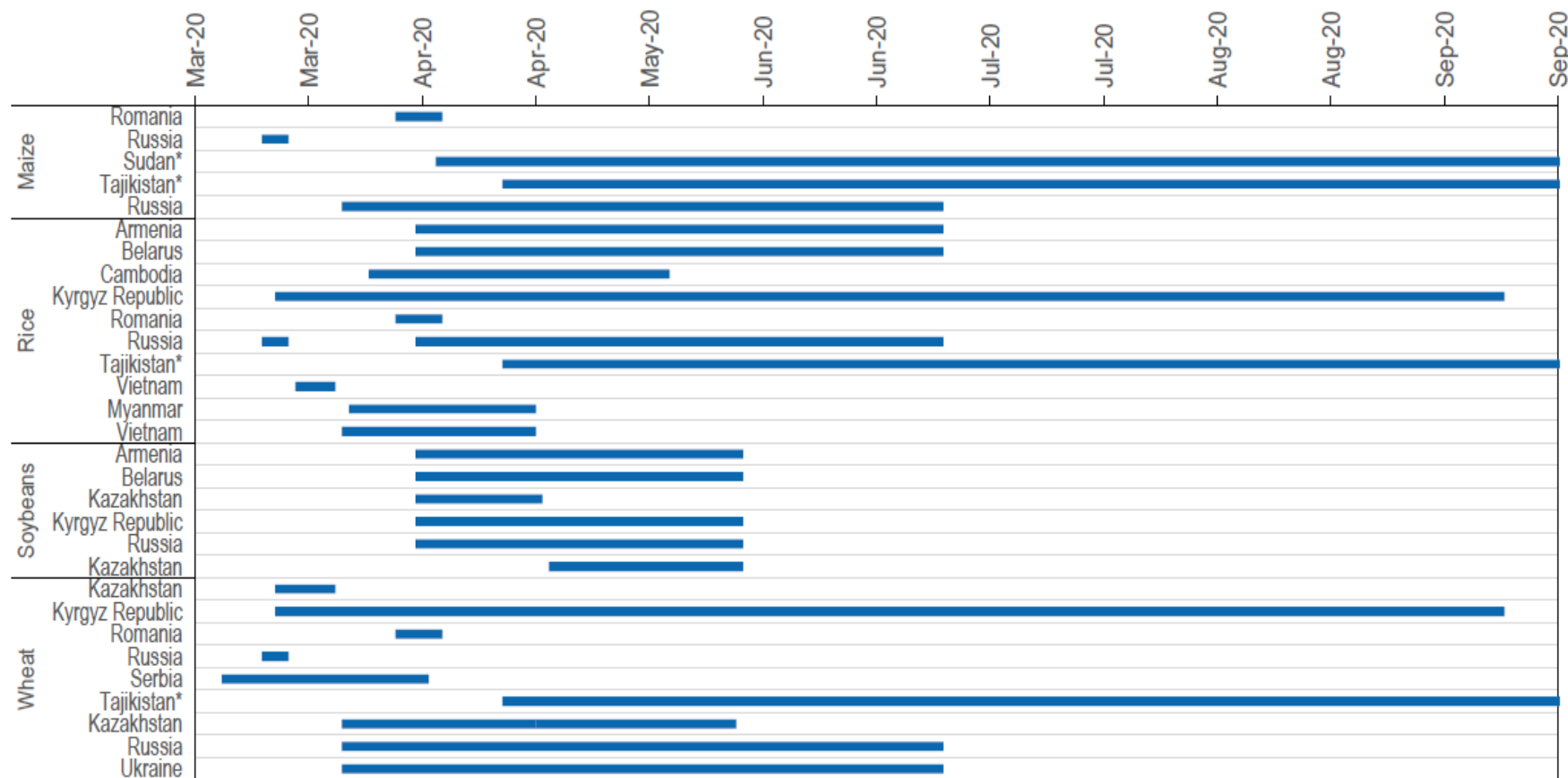
Source: University of Oxford (December 2020)

Global Agricultural Trade

- ◆ **Initial focus on food security: export restrictions and stockpiling**
- ◆ **But - agricultural trade proved resilient, exports rising by end of May, with variation across countries**
- ◆ **Reflects:**
 - **essential nature of food**
 - **bulk marine shipments of commodities (cereals and oilseeds) were not subject to major disruptions**
- ◆ **Conceals variation across products:**
 - **increased demand for staples, processed fruits and vegetables (panic buying/eating at home)**
 - **reduced exports of fresh produce, dairy and meat (decline in food service demand and tourism)**

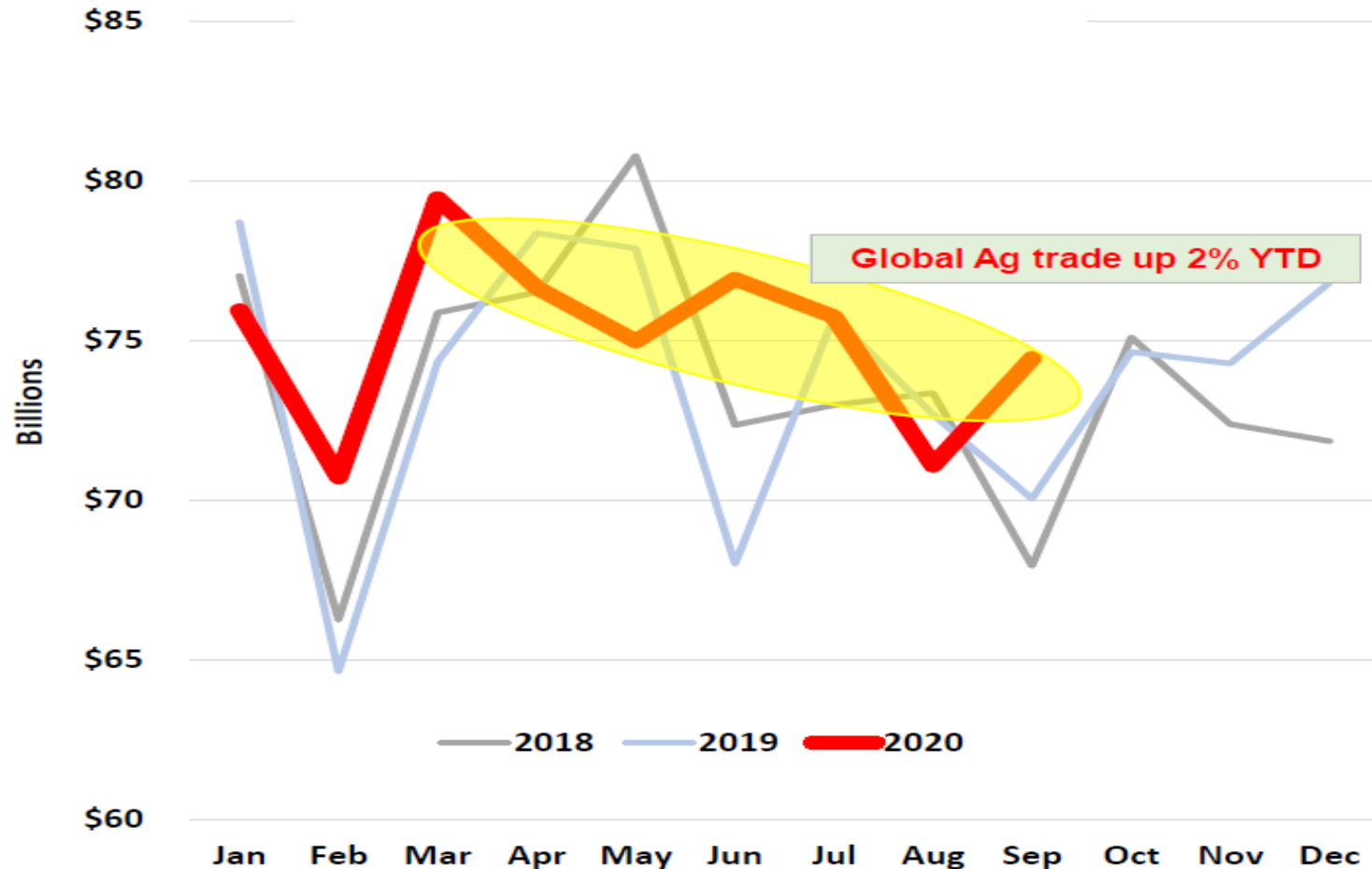
Agricultural Export Restrictions

Export restrictions imposed on staple crops in response to the Covid-19 outbreak



Source: OECD (September 2020)

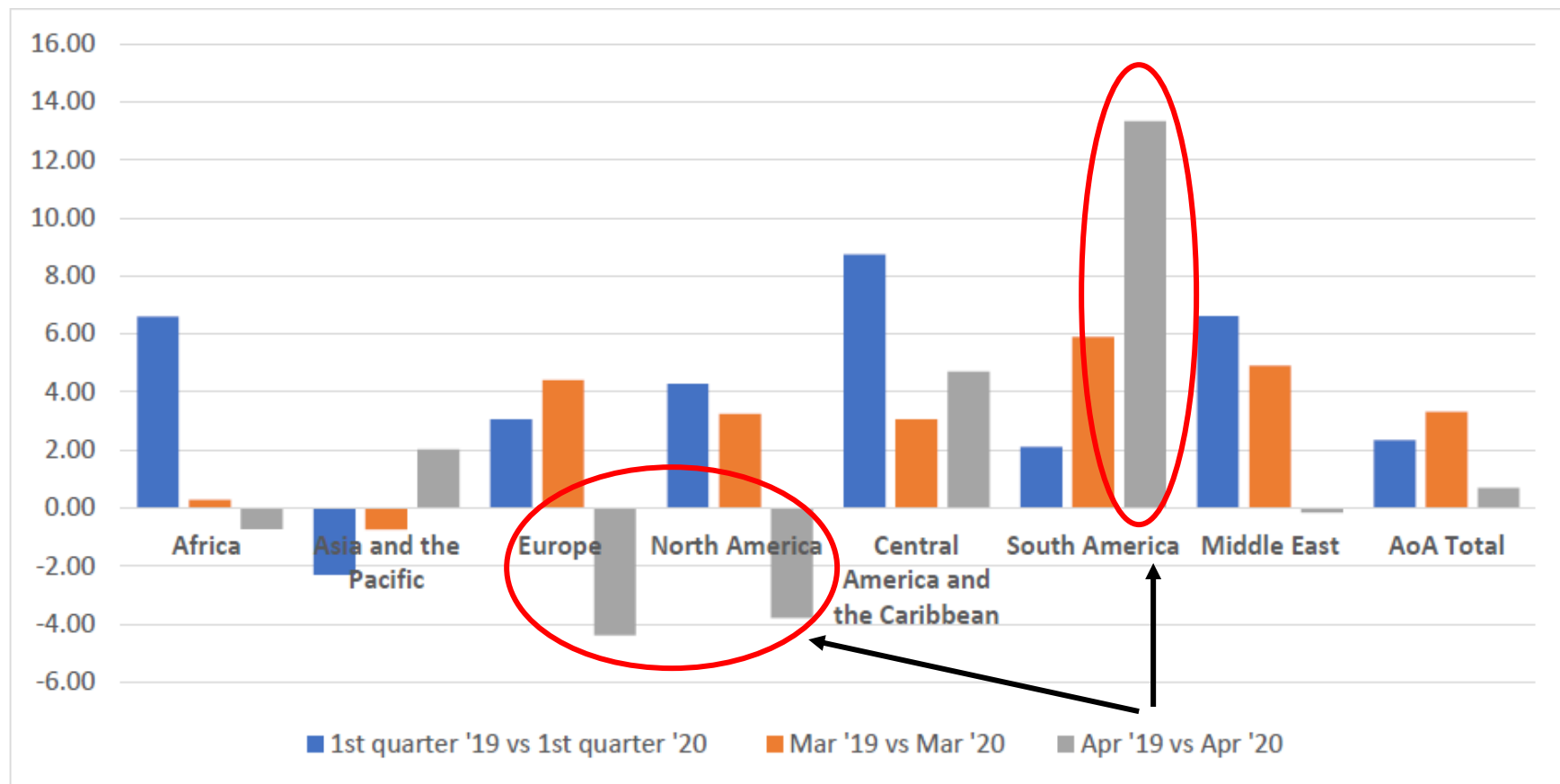
Global Agricultural Trade



Source: USDA (December 2020)

Agricultural Exports by Region

% change

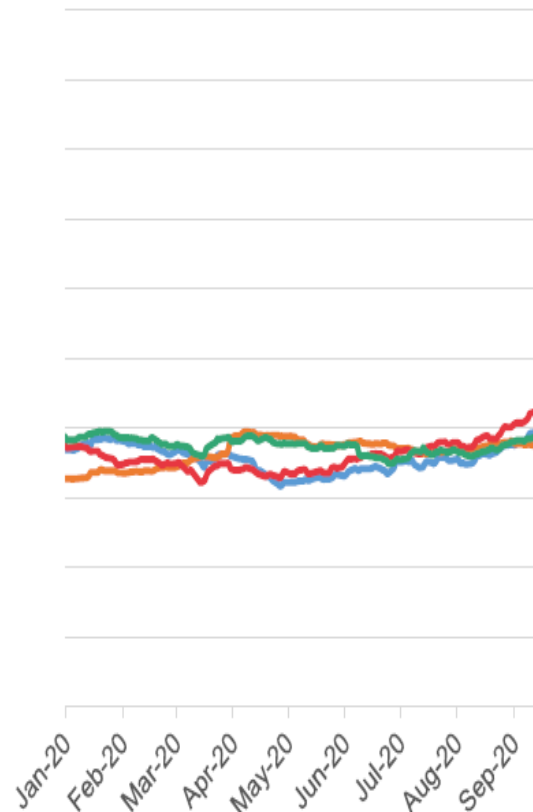


Source: WTO Secretariat (August 2020)

Global Agricultural Trade

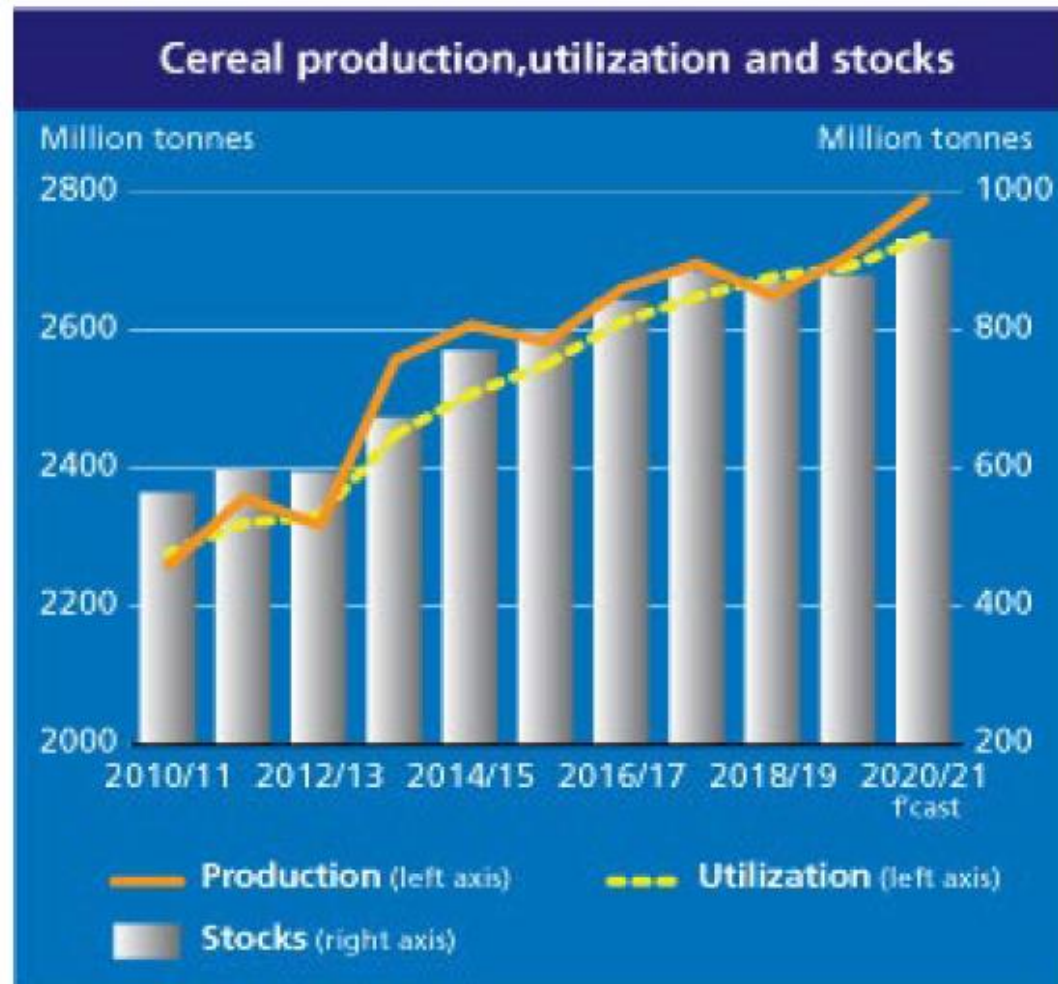
- ❖ **Agricultural commodity prices quite stable**
- ❖ **Stocks and production levels for key staples at all-time highs – i.e., no reason health crisis turns into global food security crisis**
- ❖ **However, by end of 2020, 270 million expected to be acutely food insecure – 82% increase on pre-pandemic (World Food Program)**
- ❖ **Critical to keep trade flows open and supply chains operational**

Agricultural Commodity Prices



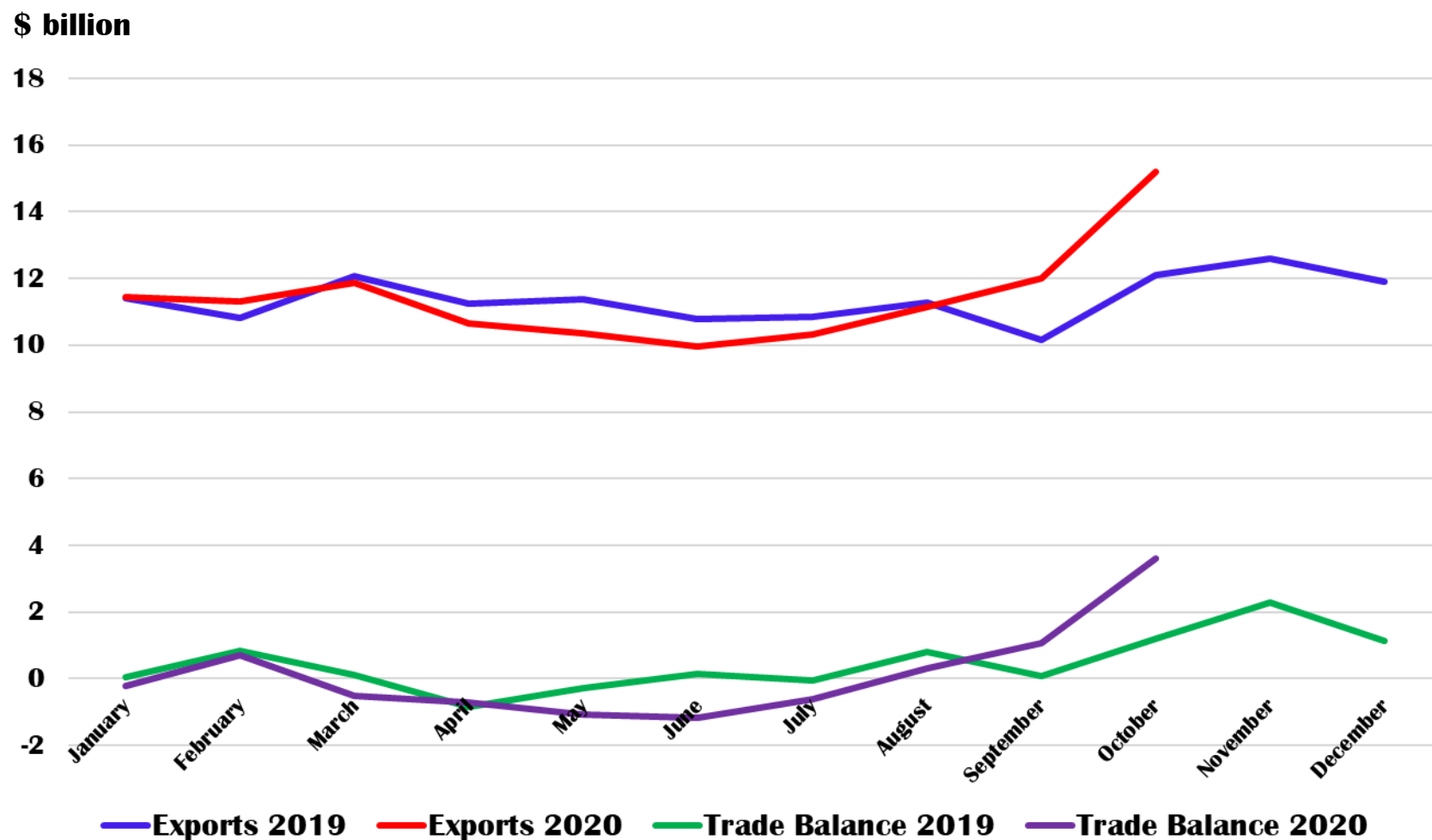
Source: International Grains Council (2020)

Global Production and Stocks



Source: FAO (2020)

U.S. Agricultural Trade



Source: USDA/ERS December 28, 2020

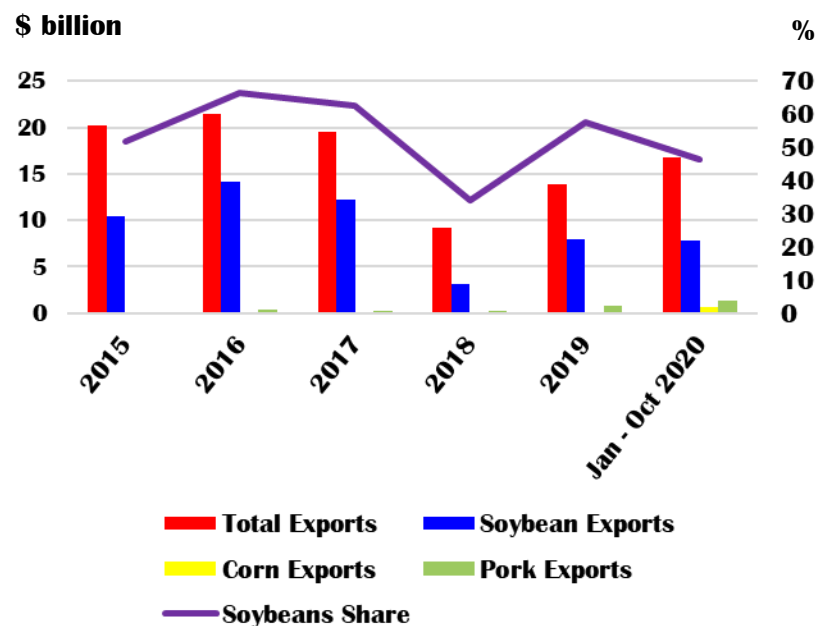
U.S. Agricultural Trade in 2021*

- ❖ **Agricultural exports projected at \$152.0 billion for 2021 – an increase of 12% over 2020**
- ❖ **Soybean exports projected to hit \$26.3 billion – due to higher prices, strong demand from China, and record volumes**
- ❖ **Likewise, for corn exports, which are expected to reach \$13.2 billion**
- ❖ **Exports to China projected to be at record \$27 billion – will become largest U.S. export market for first time since 2017**

***USDA/WASDE (November 23, 2020)**

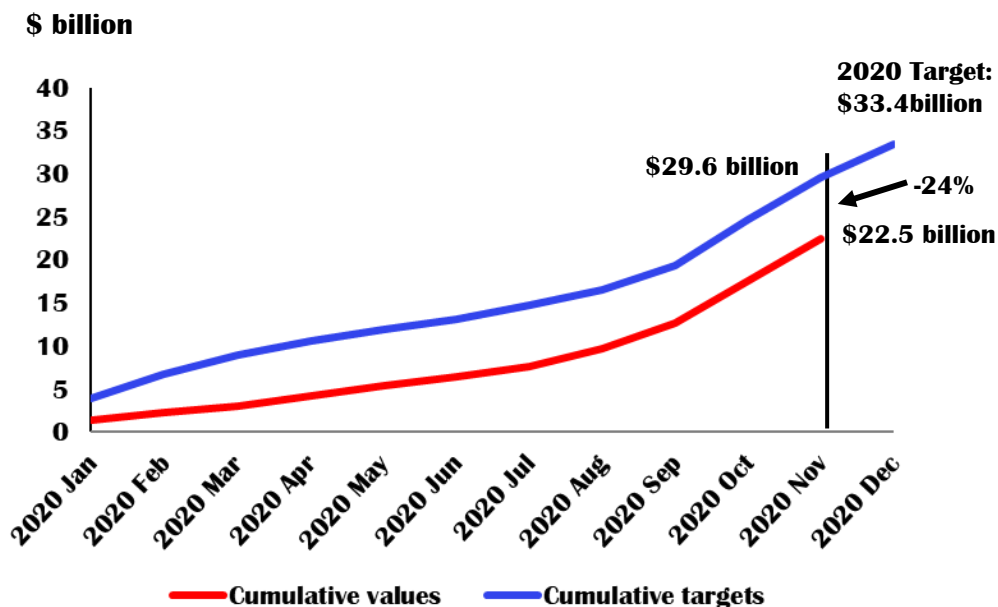
U.S. - China Agricultural Trade

U.S. Agricultural Exports to China



Source: USDA/FAS, November 2020

Phase 1 Agreement:
U.S. Export Values vs. 2020 Target



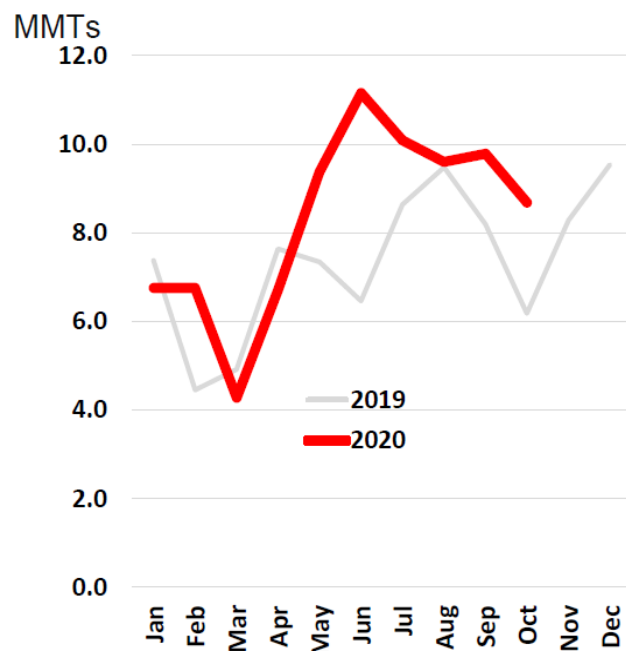
Source: PIIE, November 2020

U.S. - China Agricultural Trade

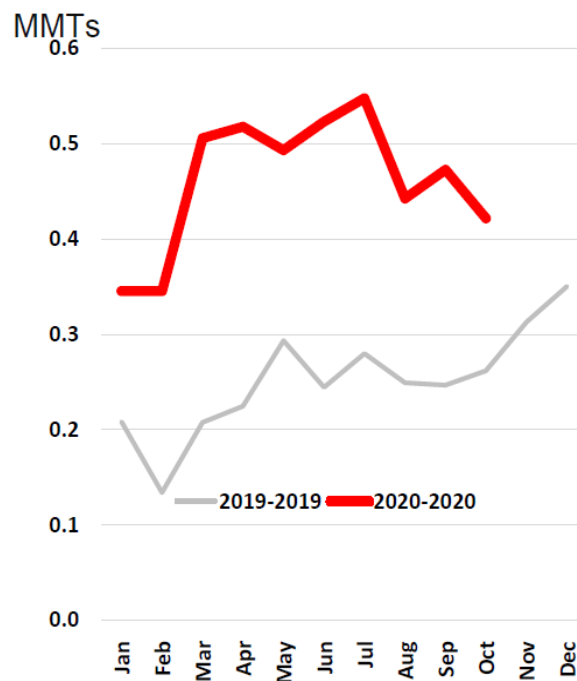
- ❖ **Significant growth in soybean and coarse grain exports – driven by faster than expected rebuilding of China's hog population (IFPRI)**
- ❖ **Chinese grain buying also driven by stocks rundown and weather damage to corn crop**
- ❖ **U.S. exports also benefited from problems in Black Sea region, China-Australia trade dispute, and concerns about South America**
- ❖ **USDA forecasts China as top U.S. export market in 2021 – first time since 2017**
- ❖ **Is it transient or not? (Seth Meyer, 1/24/20)**

Growth in U.S. Exports to China

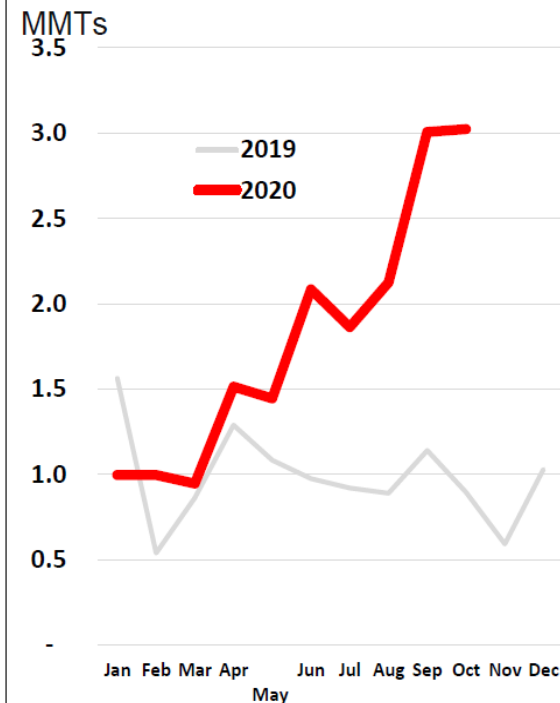
China Soybean Imports up 18%



China Pork Imports up 97%



China Coarse Grain Imports up 78%



Future of U.S. Trade Policy?

- ◆ **House Ways and Means trade lawyer Katherine Tai nominated as new U.S. Trade Representative**
- ◆ **Current tariffs against China will be reviewed by incoming Biden administration**
- ◆ **Likely coalition will be sought with allies to set trade rules and isolate China**
- ◆ **Support for WTO reform and U.S. leadership in setting new trade rules**
- ◆ **End “trade war” with EU, and seek to resolve Boeing-Airbus export subsidy dispute**
- ◆ **But: unlikely to see U.S. in new FTA negotiations**