

# **US Trade Policy and Prospects for Agricultural Trade**

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**<https://aede.osu.edu/research/andersons-program>**

**2022 Outlook and Policy Conference  
Ohio State University  
November 18, 2021**



**THE OHIO STATE UNIVERSITY**  
COLLEGE OF FOOD, AGRICULTURAL,  
AND ENVIRONMENTAL SCIENCES

# **Prospects for Agricultural Trade**

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- ◆ **Outlook for US agricultural trade**
- ◆ **Global food prices and commodity supply chains**
- ◆ **Outlook for US trade policy**
- ◆ **Evaluation of US-China Phase 1 Trade Agreement**

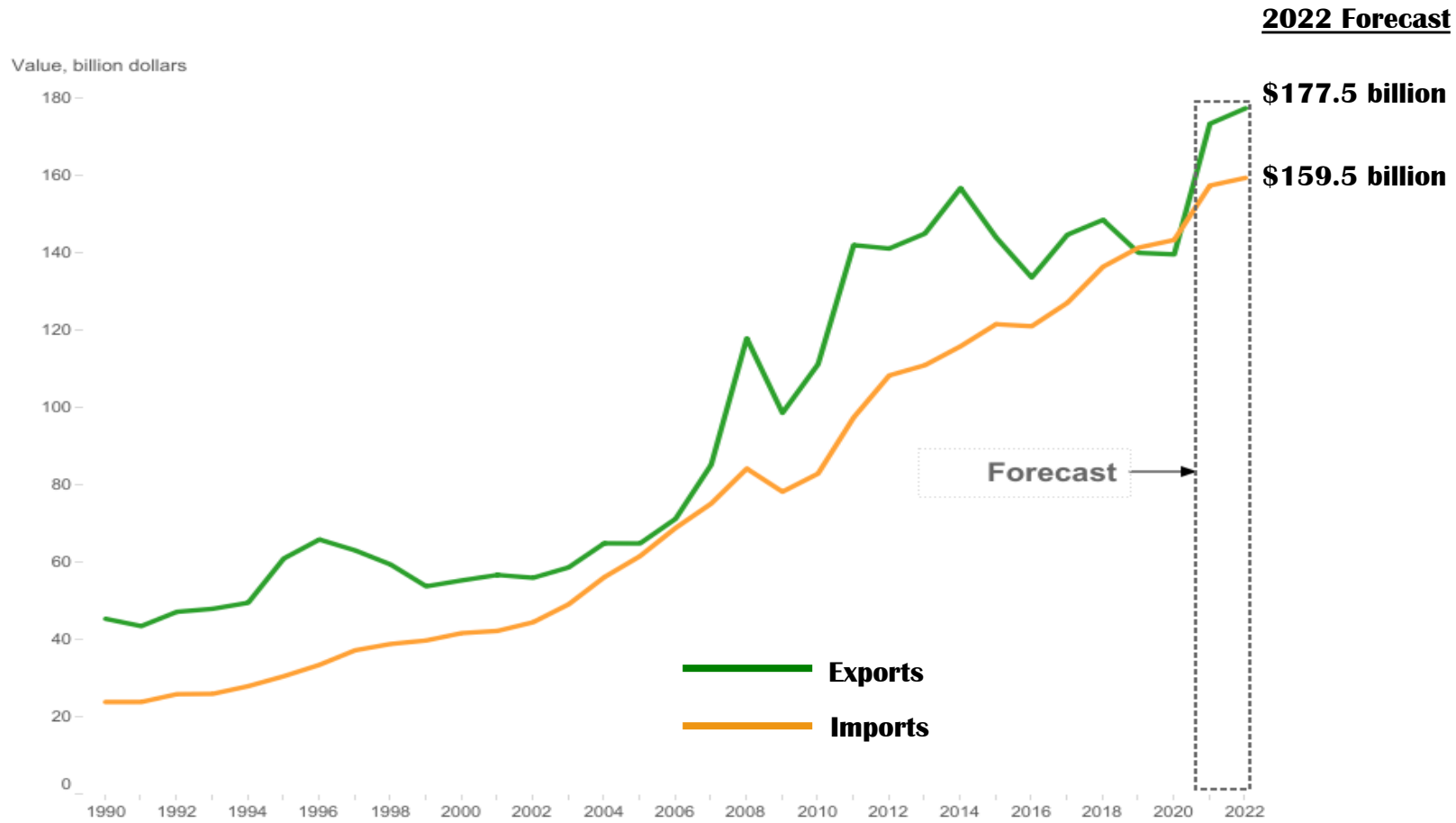
# **Outlook for US Agricultural Trade**

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- ◆ **Global agricultural trade very resilient through latter stages of 2020 and into 2021**
- ◆ **Chinese imports of oilseeds, corn and coarse grains have driven global trade – rapid rebuilding of hog production capacity after ASF**
- ◆ **US agricultural exports forecast to hit \$173.5 billion in 2021, up to \$177.5 billion in 2022\***
- ◆ **Driven mostly by higher export values for soybeans, cotton and horticultural products**

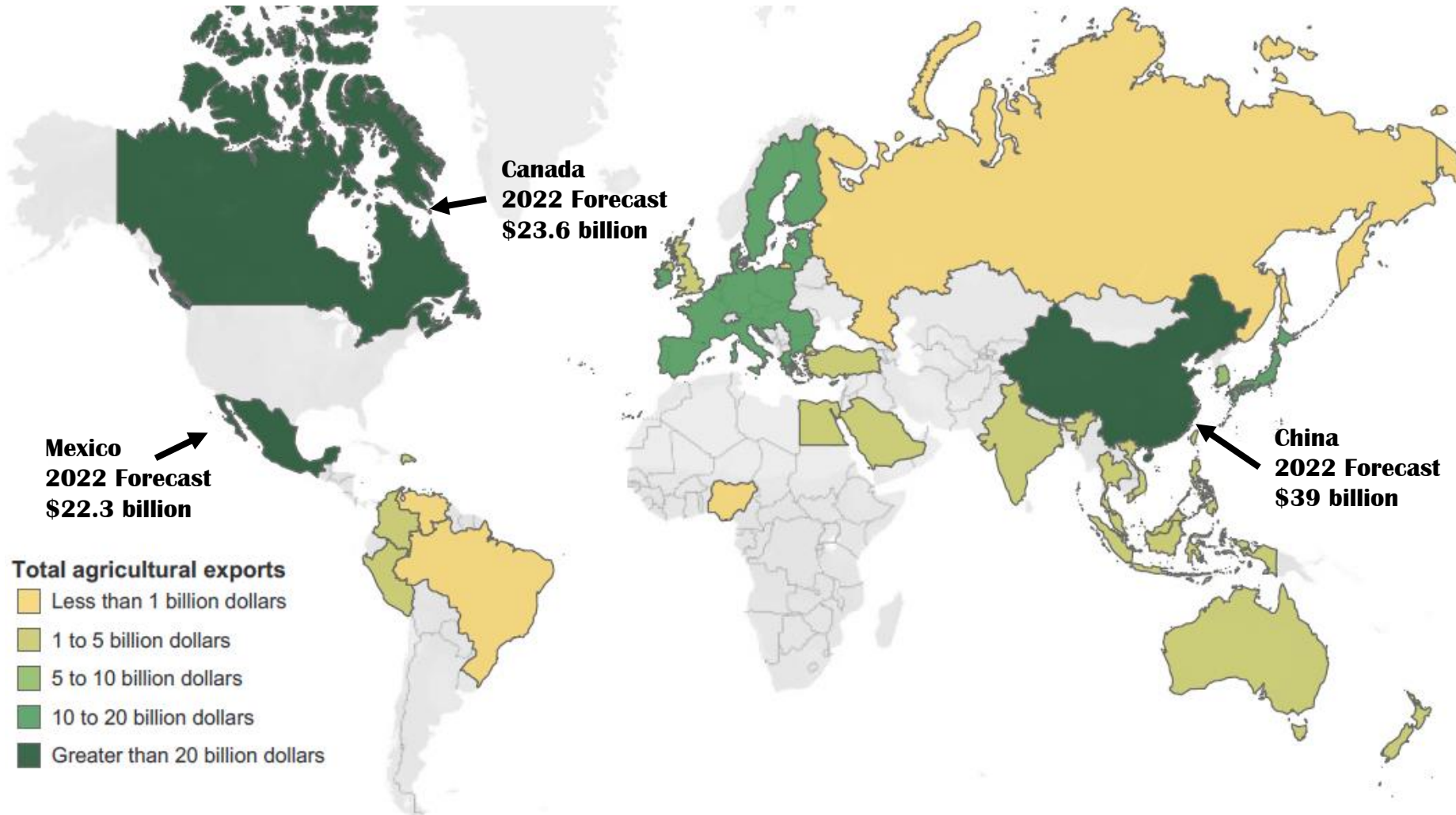
**\*USDA-FAS recently adopted WTO definition of agricultural products: 2018-20, exports/year higher on average by \$4.7 billion**

# US Agricultural Trade



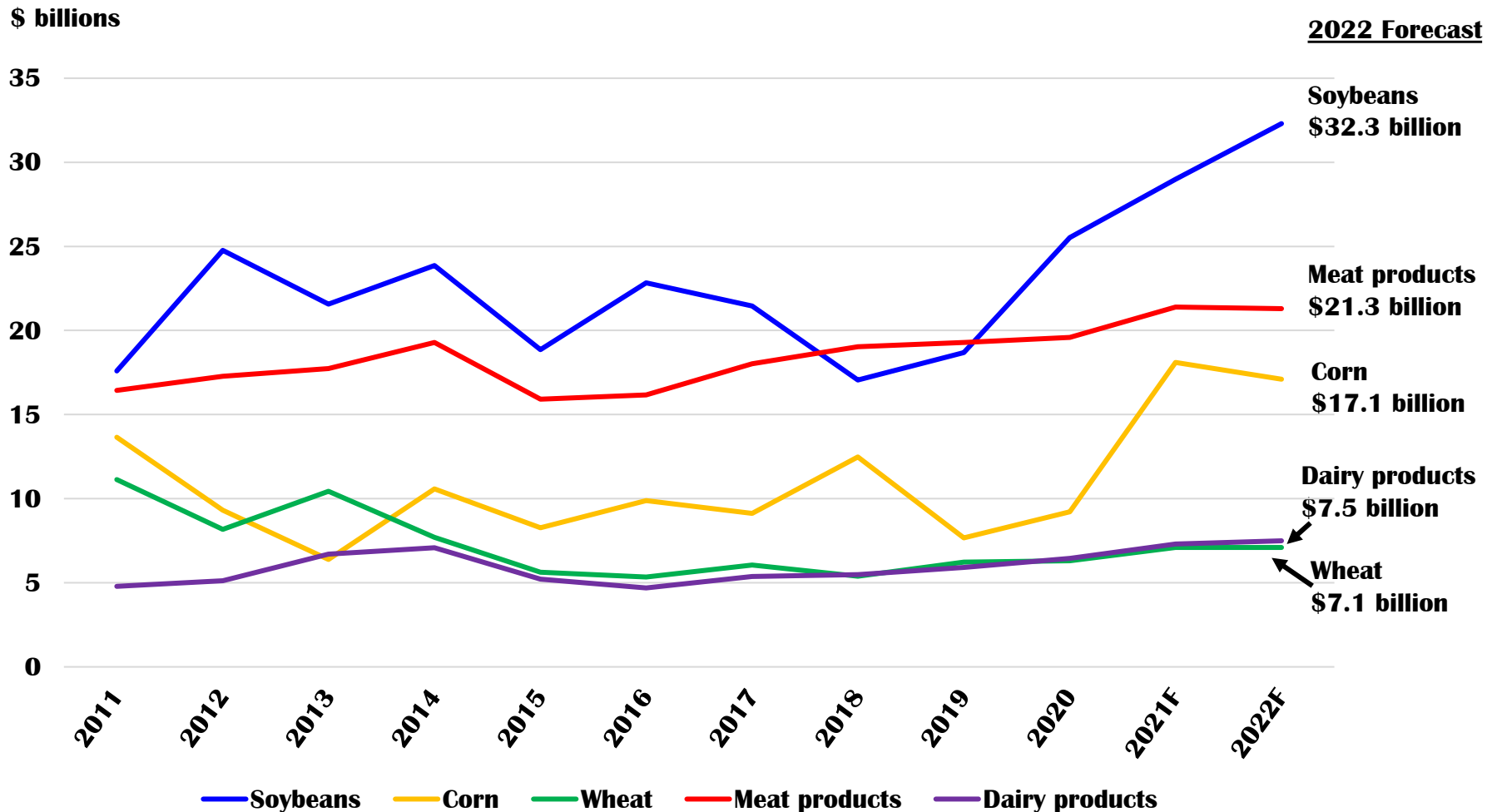
Source: USDA-ERS

# US Agricultural Export Markets

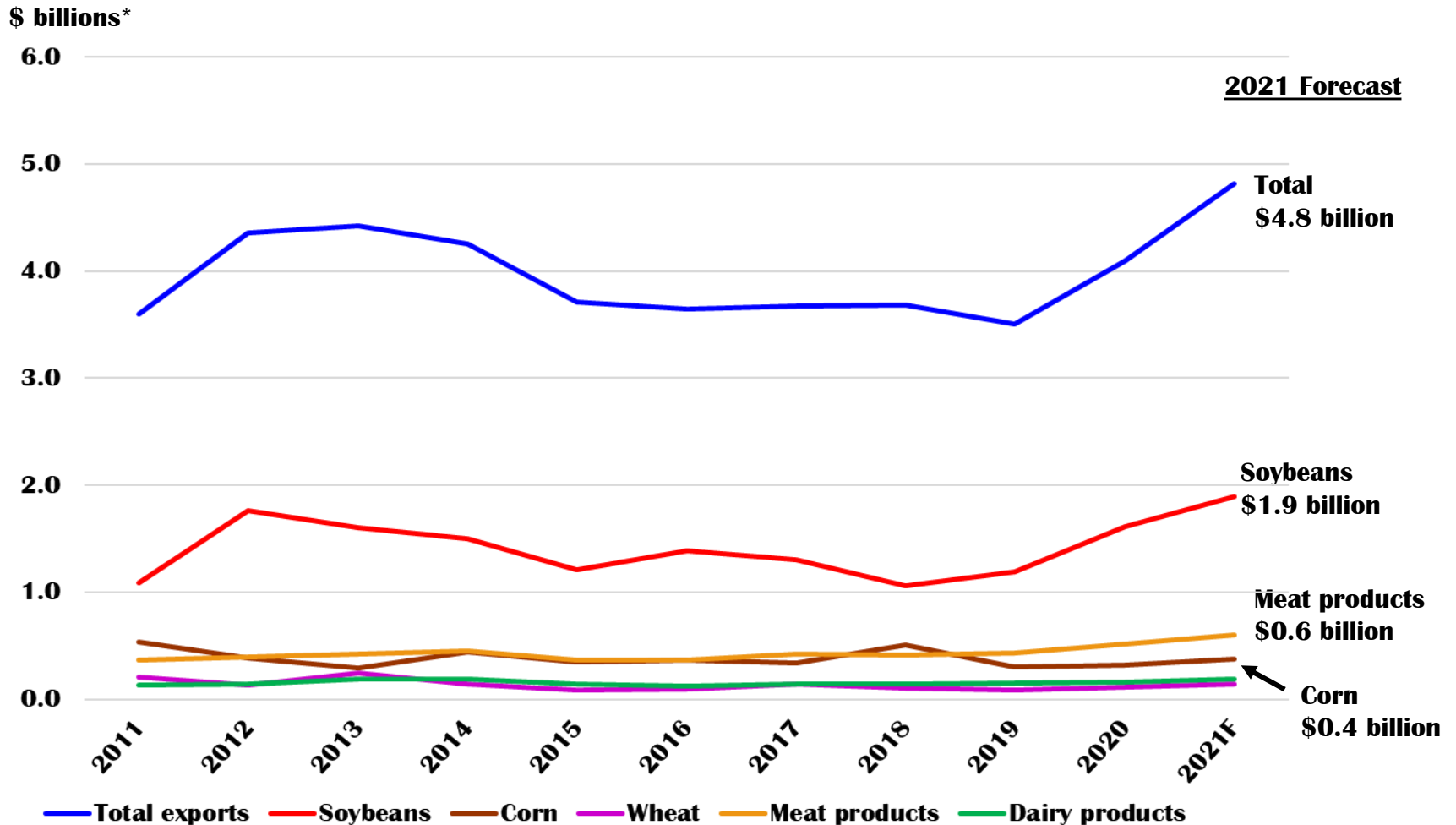


Source: USDA-ERS

# Key US Agricultural Exports



# Ohio Agricultural Exports



\*State export values based on share of US farm cash receipts for products in each state

Source: USDA-ERS

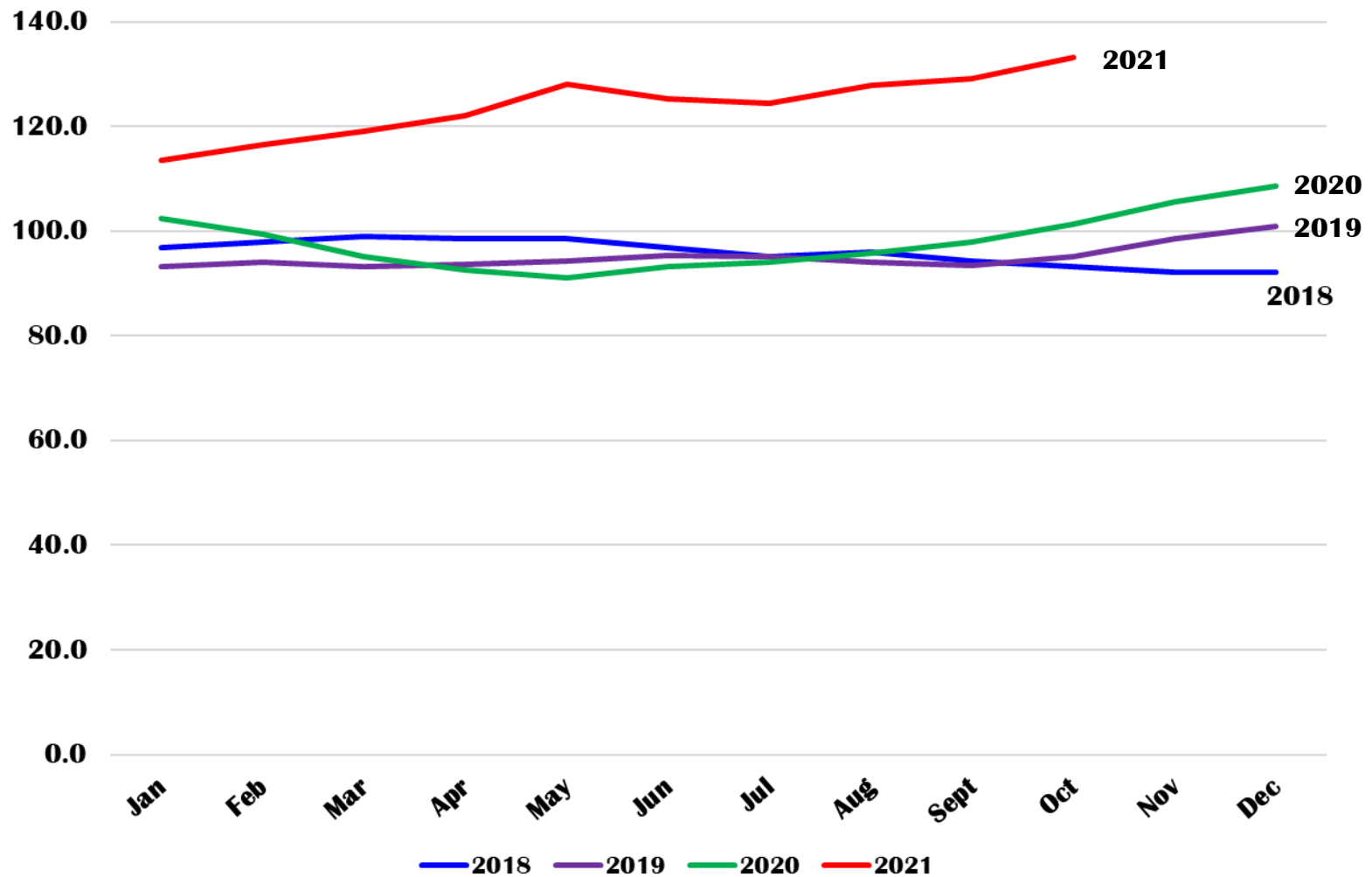
# **Global Food Prices**

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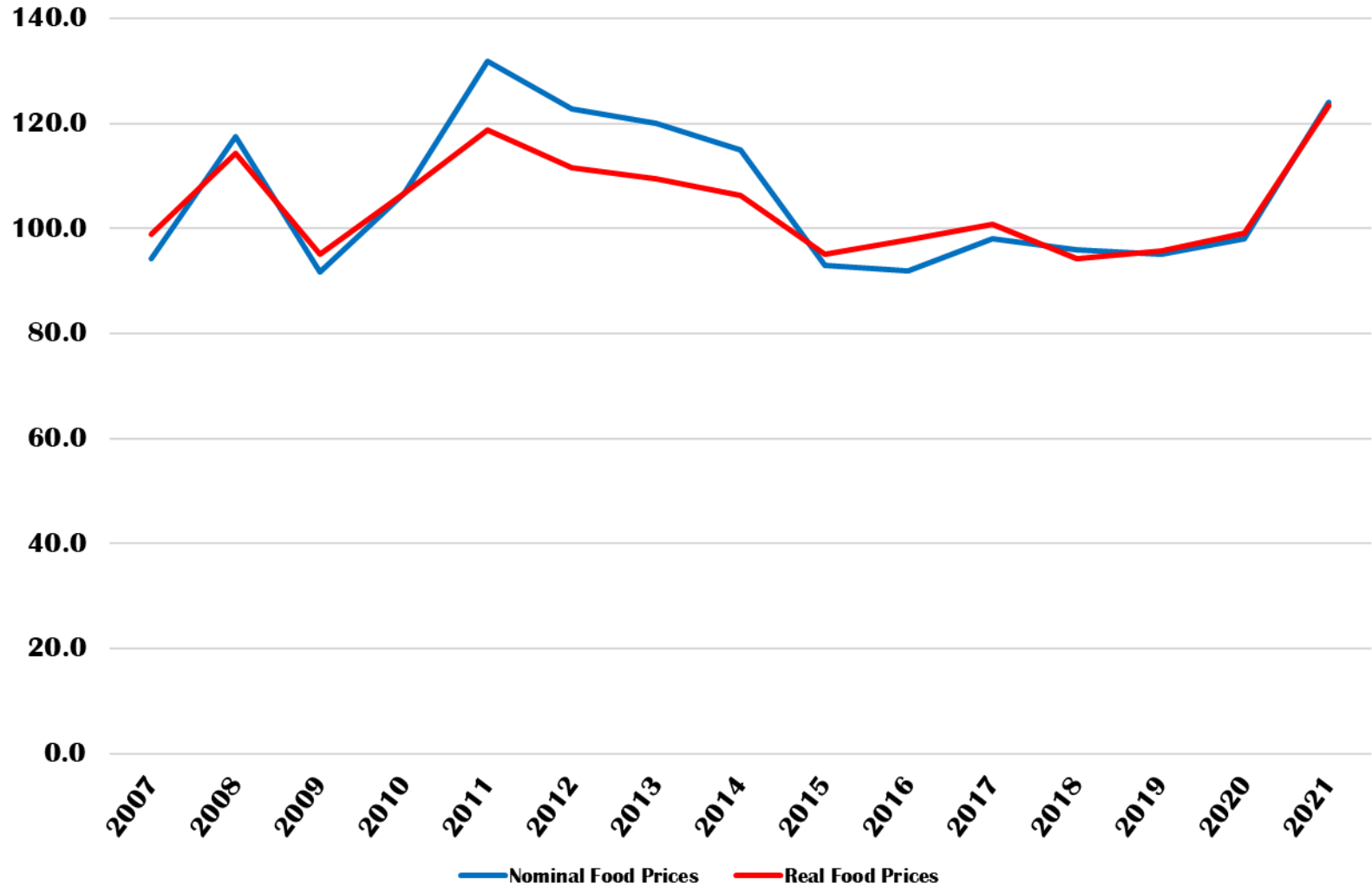
- ◆ **FAO food price index up 31.8 points from October 2020 – at highest level since July 2011 – driven mostly by prices of vegetable oils and cereals**
- ◆ **Significant surge in world wheat prices:**
  - **weather shocks (Canada/Russia)**
  - **tight exporter stocks (US/Canada)**
  - **strong import demand as other countries replenish stocks (Iran/Turkey)**
- ◆ **Wheat prices have major impact on low-income consumers in developing countries**



# Global Food Prices



# Global Food Prices



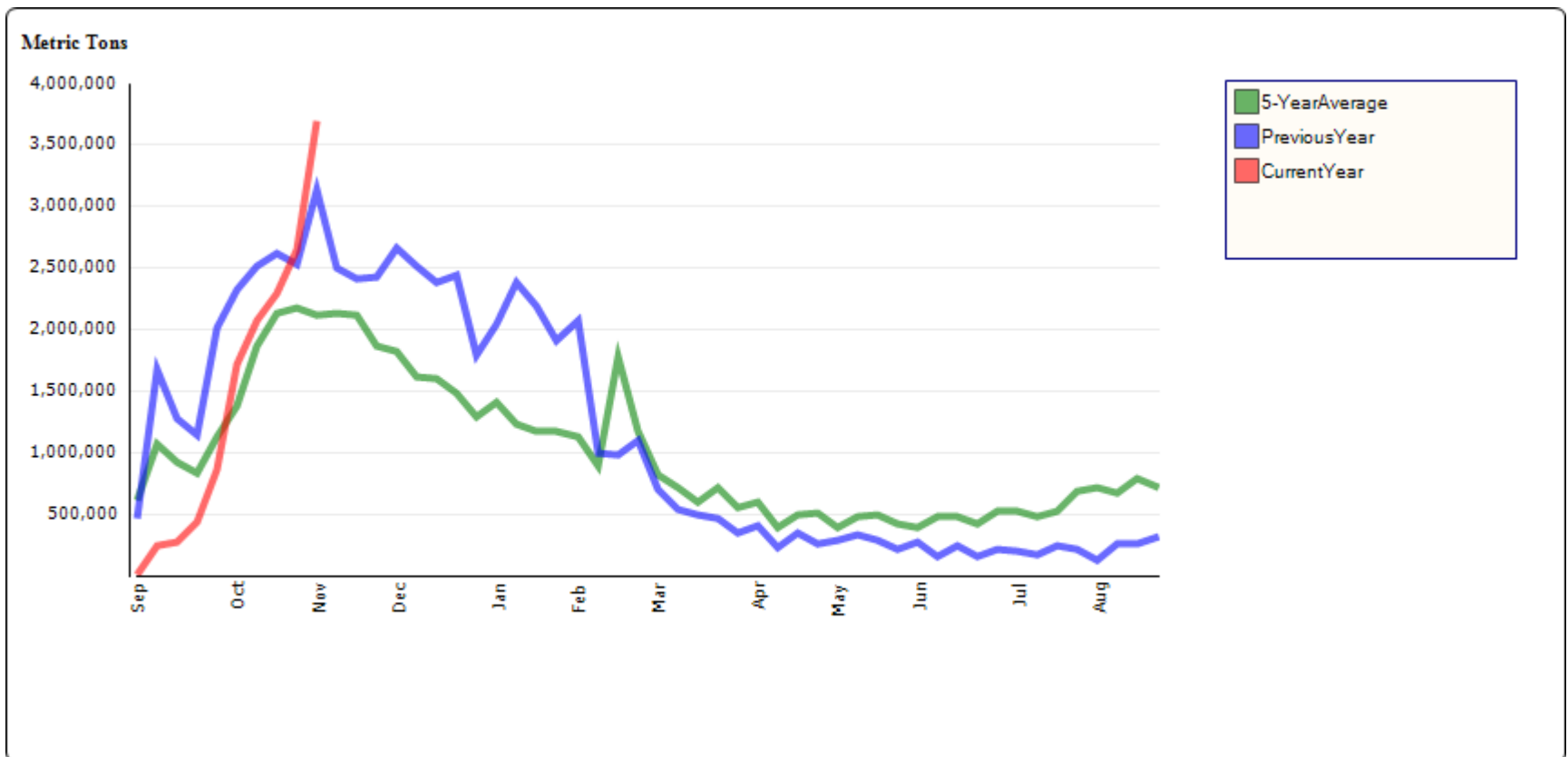
# **Commodity Supply Chain Problems?**

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- ❖ **Only 10% of US grain exports transported in containers, i.e., not significantly affected by container capacity/port issues as compared to dairy products (*NYT*, November 14, 2021)**
- ❖ **Hurricane Ida did affect US grain shipments from Gulf in September through damage to port facilities and power outages**
- ❖ **Significant increase in marine shipping costs:**
  - **rising bunker fuel costs**
  - **bulk shipping capacity constraints**
  - **longer port turnaround times due to Covid 19**

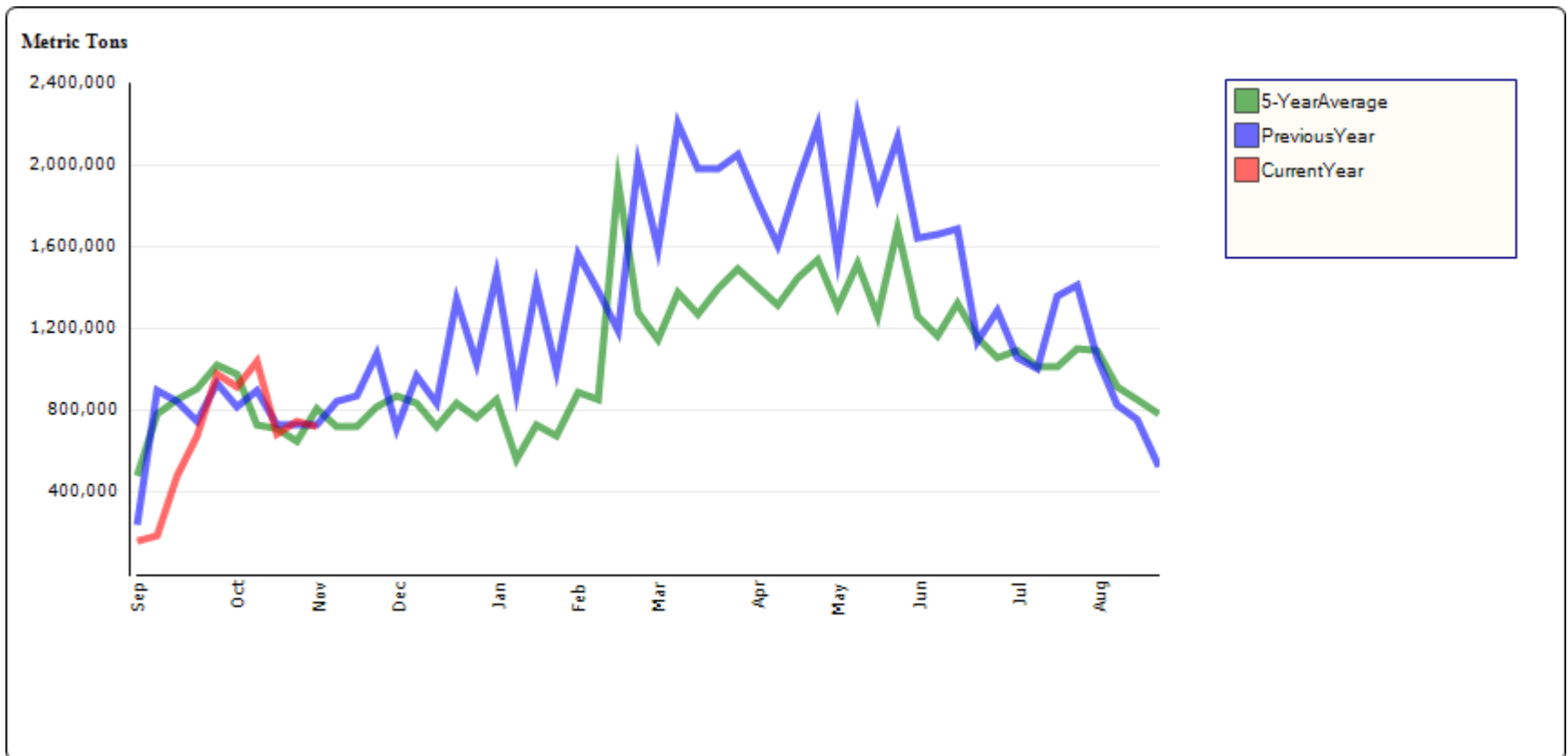
# Export Shipments

## Weekly Soybean Shipments



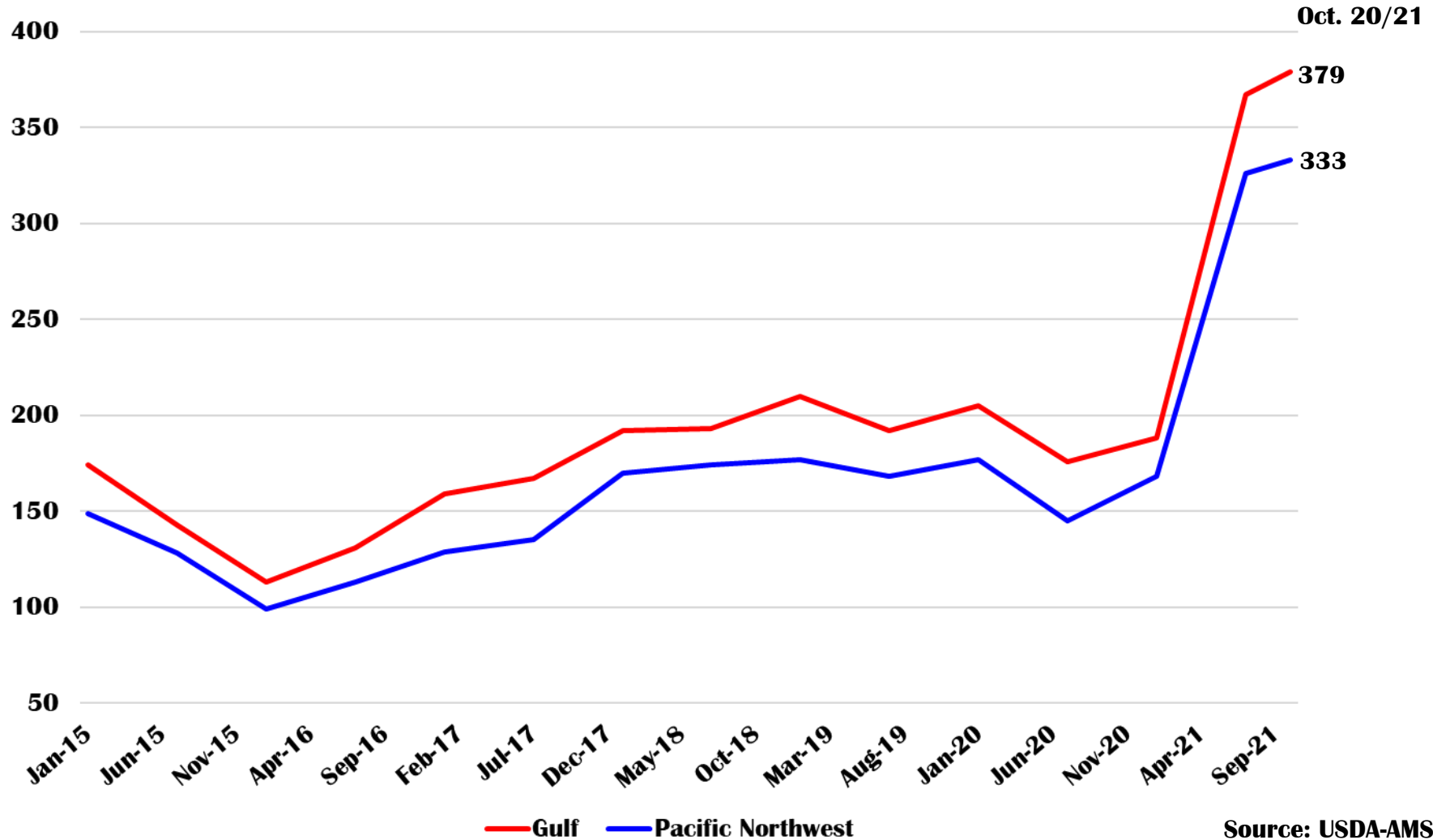
# Export Shipments

## Weekly Corn Shipments



# Marine Transport Costs

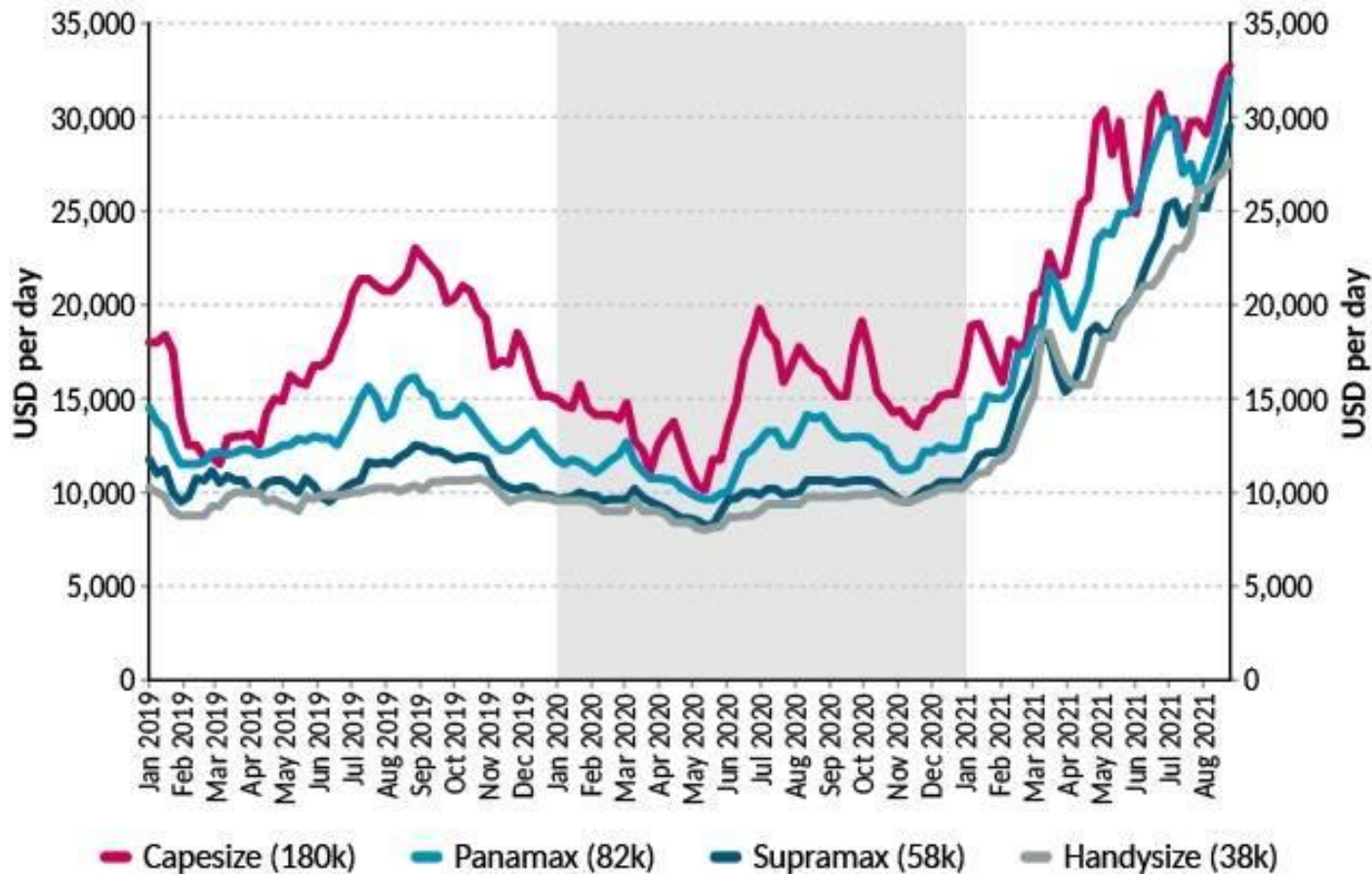
Bulk Grain Transportation Costs to Japan: 2000 = 100



Source: USDA-AMS

# Marine Transport Costs

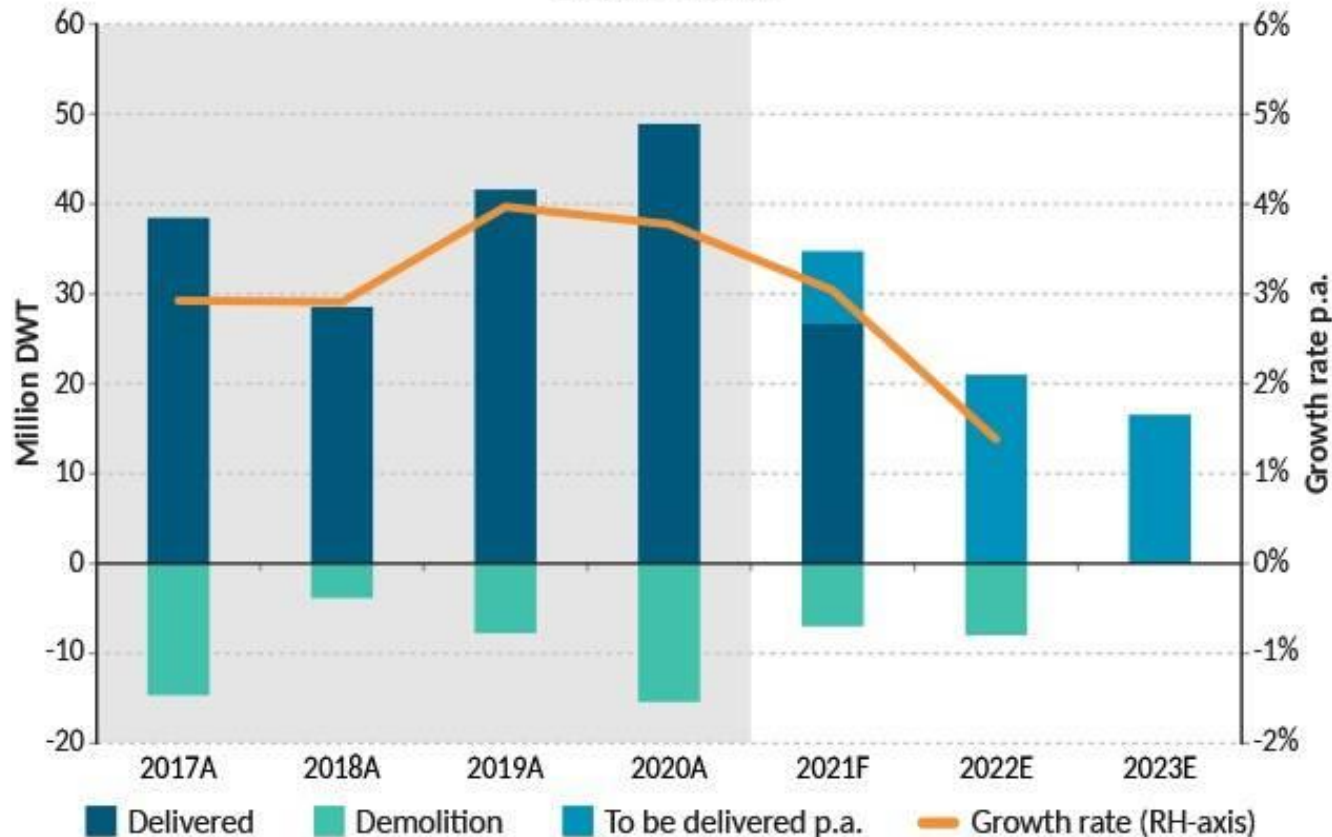
One-year dry bulk time charter rates  
2019-2021



Source: BIMCO, Clarksons

# Merchant Fleet Capacity

## Dry bulk ship fleet growth 2017A-2023E



Source: BIMCO, Clarksons

A is actual. F is forecast. E is estimate which will change if new orders are placed. The supply growth for 2021-2023 contains existing orders only and is estimated under the assumptions that the scheduled deliveries fall short by 10% due to various reasons and 25% of the remaining vessels on order are delayed/postponed.



# Outlook for US Trade Policy

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## ◆ Trade tensions eased with EU:

- **June 2021, US and EU reached truce in long-running Boeing-Airbus export subsidy dispute – WTO-sanctioned tariffs suspended by both sides**
- **October 2021, US and EU ended dispute over US steel and aluminum tariffs, agreeing to work on reducing global excess capacity, and EU removed its retaliatory tariffs**

## ◆ USTR Katherine Tai re-started trade talks with China

# Outlook for US Trade Policy

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- ❖ **No sign either US or Chinese tariffs imposed during 2018-19 will be removed anytime soon**
- ❖ **Although process for US importers seeking tariff relief has been re-established**
- ❖ **Focus of USTR very much on China's industrial subsidies, with threat of new Section 301 investigation and potential for new US tariffs**
- ❖ **Risk agriculture will be caught in crossfire again if trade hostilities ramp up**
- ❖ **Pressure being put on China to meet its import commitments under Phase 1 Trade Agreement**

# **US - China Phase 1 Trade Agreement: Where Are We?**

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- ❖ **In terms of agreed target for overall US exports to China, shortfall of -39% as of September 2021, with exports only slightly above 2017 levels**
- ❖ **For US manufacturing exports, which account for majority of covered goods, shortfall of -39%**
- ❖ **Poor performance in manufacturing exports driven by significant shortfalls in US exports of aircraft (-81%) and automobiles (-62%)**
- ❖ **Latter's exports devastated by China's retaliatory tariffs in 2018-19**

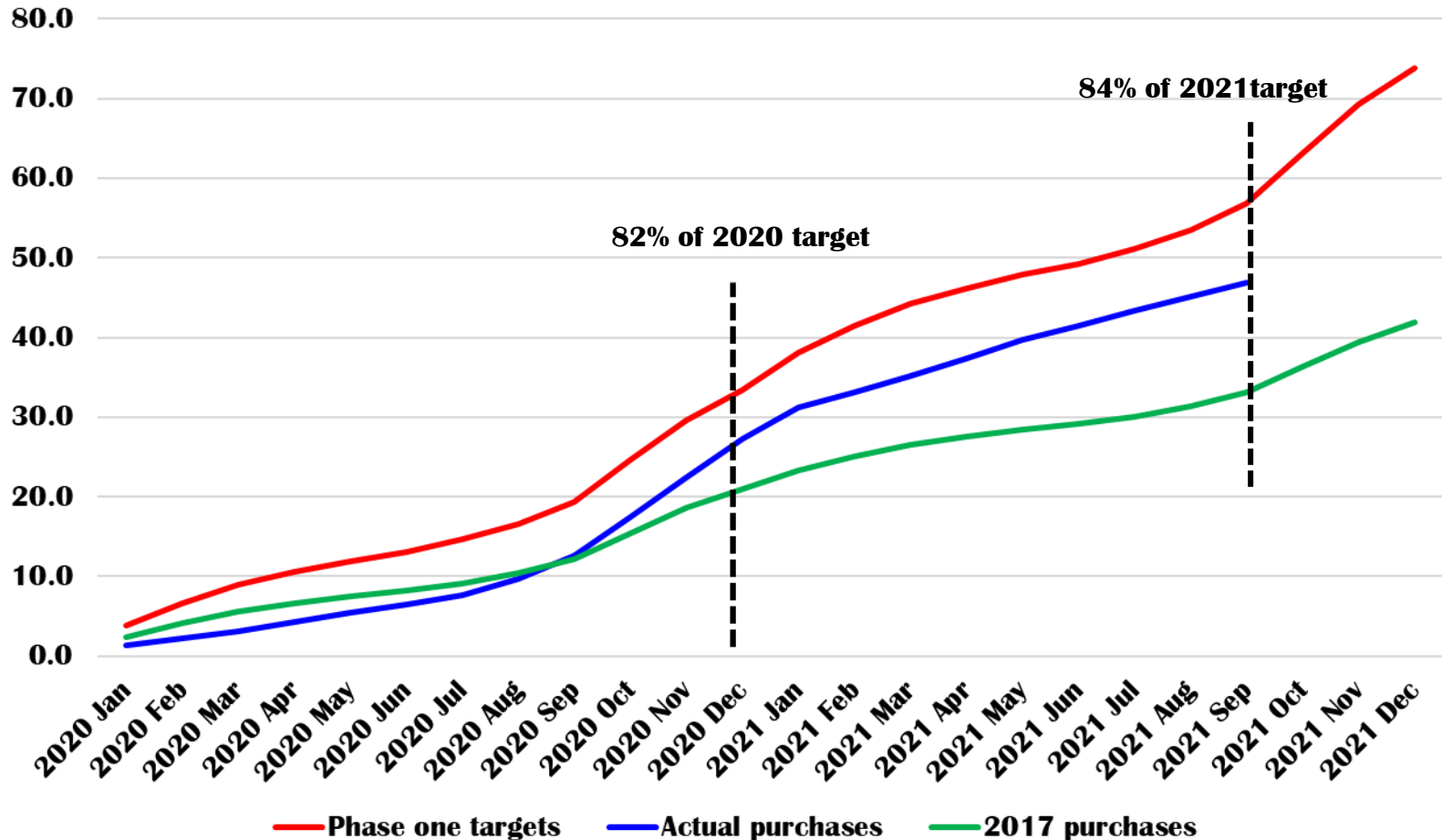
# **US - China Phase 1 Trade Agreement: Where Are We?**

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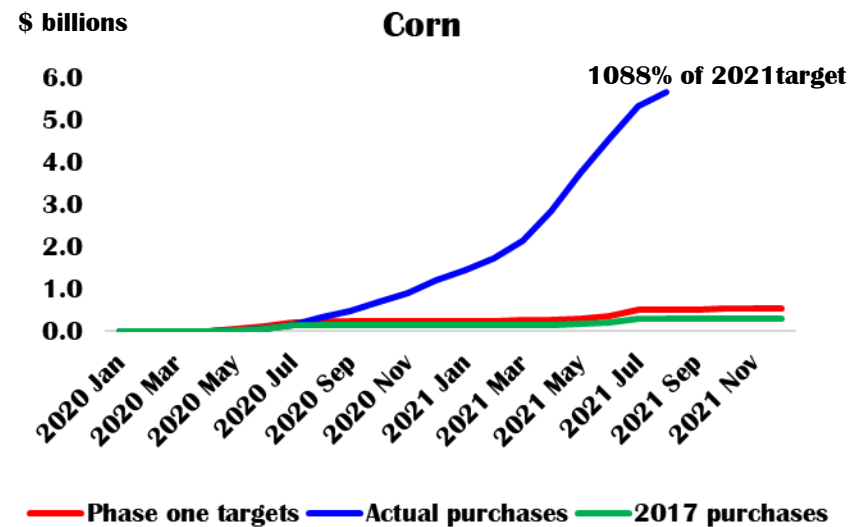
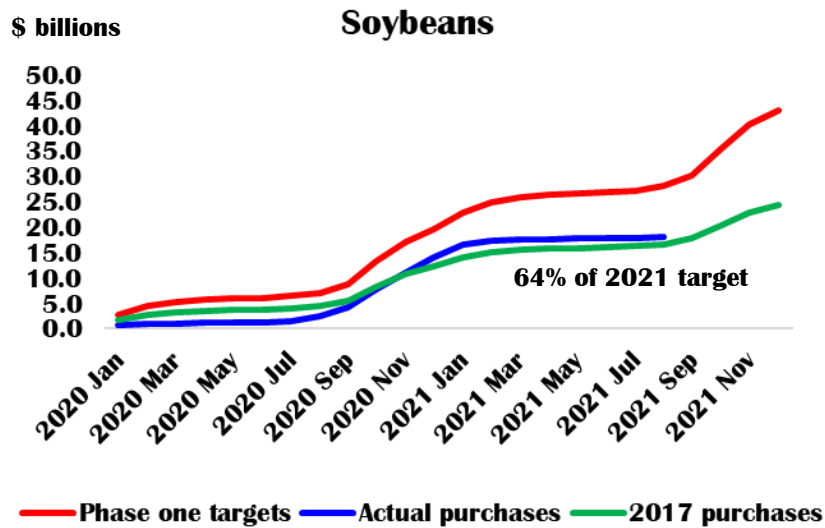
- ◇ US agricultural exports have been bright spot, currently at 84% of target as of September 2021, although still likely to fall short of commitment**
- ◇ As of August 2021, soybeans which account for 60% of value of covered agricultural exports running below target by -36%**
- ◇ Other farm exports such as corn, pork, cotton, wheat, and sorghum are running either close to or well above target**
- ◇ Key question: is this due to Agreement or other factors?**

# US - China Phase 1 Trade Agreement Total Agricultural Exports

\$ billions



# US - China Phase 1 Trade Agreement Soyabean and Corn Exports



# US - China Phase 1 Trade Agreement

## Wheat and Pork Exports

