US Trade Policy and Prospects for Agricultural Trade

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Prospects for Agricultural Trade

- 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

- 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

2022 Forecast

$177.5 billion
$159.5 billion

Value, billion dollars

Exports
Imports

Source: USDA-ERS
US Agricultural Export Markets

China 2022 Forecast $39 billion

Mexico 2022 Forecast $22.3 billion

Canada 2022 Forecast $23.6 billion

Total agricultural exports
- Less than 1 billion dollars
- 1 to 5 billion dollars
- 5 to 10 billion dollars
- 10 to 20 billion dollars
- Greater than 20 billion dollars

Source: USDA-ERS
Key US Agricultural Exports

- Soybeans: $32.3 billion
- Meat products: $21.3 billion
- Corn: $17.1 billion
- Soybeans: $32.3 billion
- Dairy products: $7.5 billion
- Wheat: $7.1 billion

Source: USDA-FAS/ERS
Ohio Agricultural Exports

- Soybeans: $1.9 billion
- Meat products: $0.6 billion
- Corn: $0.4 billion

2021 Forecast:
- Total: $4.8 billion

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

Source: USDA-ERS
Global Food Prices

- 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

Source: UN-FAO
Commodity Supply Chain Problems?

- 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

Source: USDA-FAS
Export Shipments

Weekly Corn Shipments
Marine Transport Costs

Bulk Grain Transportation Costs to Japan: 2000 = 100

Source: USDA-AMS

Oct. 20/21

Gulf

Pacific Northwest

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

Million DWT

Delivered  Demolition  To be delivered p.a.  Growth rate (RH-axis)


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

♦ 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

- 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?

- 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 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

84% of 2021 target

82% of 2020 target

Source: Bown, 2021
US - China Phase 1 Trade Agreement
Soyabean and Corn Exports

Source: Bown, 2021
US - China Phase 1 Trade Agreement
Wheat and Pork Exports

Source: Bown, 2021