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# US Agricultural Trade: Opportunities and Challenges Ahead

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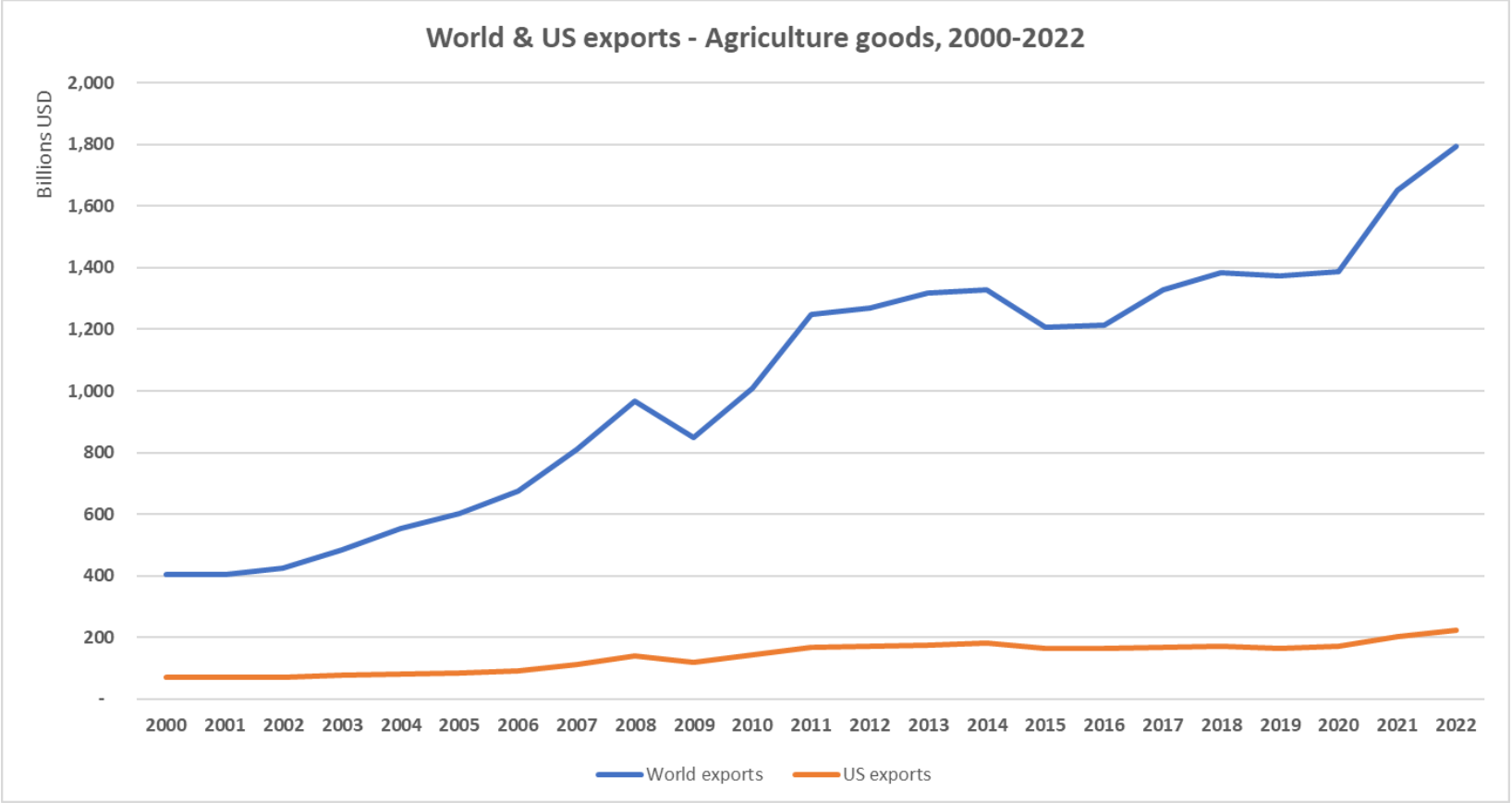
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# Overview of the Talk

- US farm economy benefits from robust growth in world trade, up 4-fold since 2000.
- Postwar trade agreements reduced foreign farm trade barriers/subsidies, improving access to overseas markets.
- But progress in trade talks is waning and new challenges threaten to stall/reverse gains.
- Key challenges: continued US-China trade war and transport blockages. Both may get worse in near term.
- Prospect for resolution/mitigation unclear given political frictions among major powers and deep fissures in trading system. WTO talks limited and likely to underperform.
- USMCA offers hope for progress on climate and trade issues, if partners take proactive approach to required 6-year review of the pact.

# Robust growth in world farm trade since 2000



Source: WTO Stats

Note: Intra EU trade has been excluded from the world exports

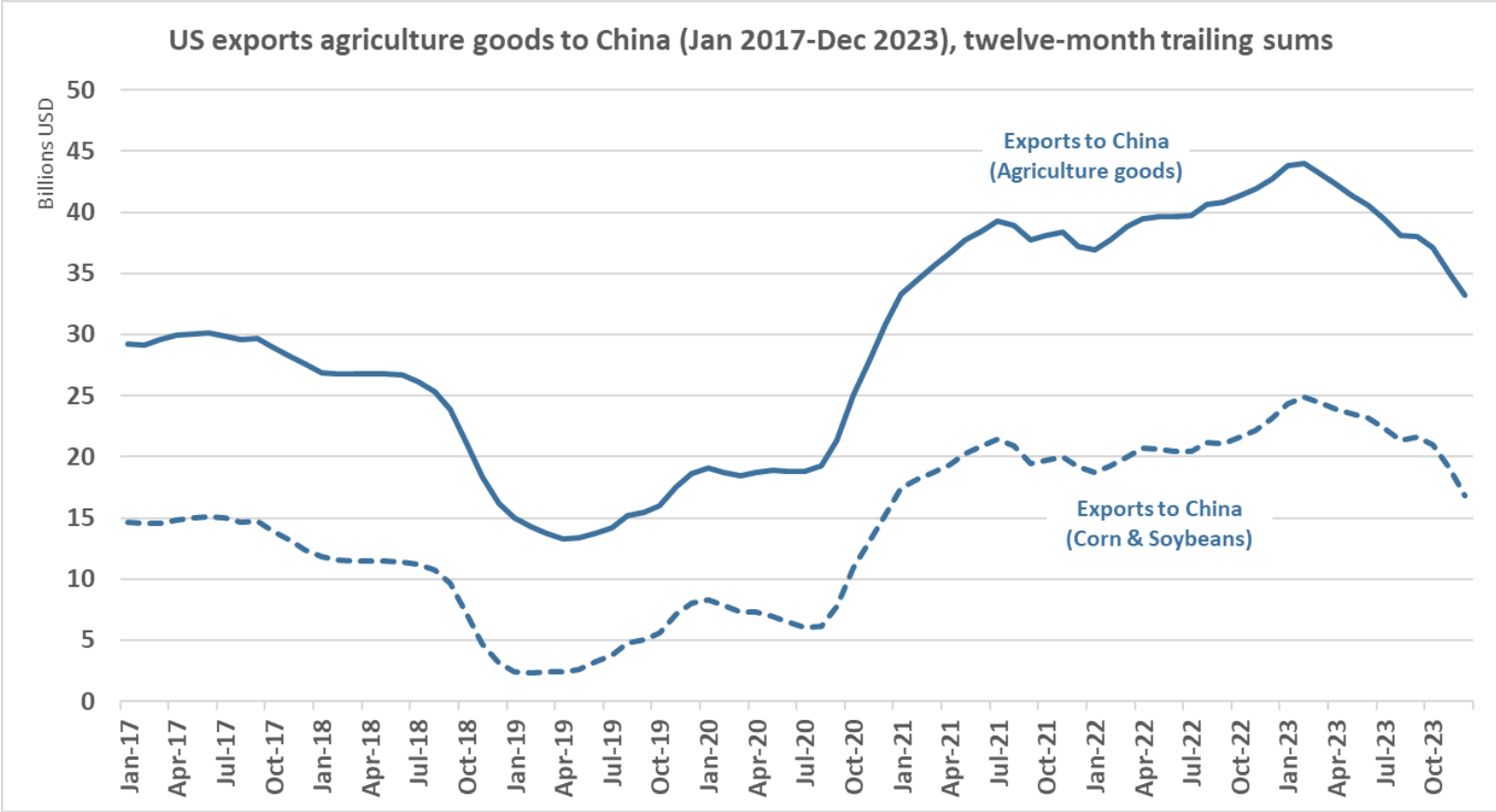
# US farmers benefited from US-led trading system

- Booming world farm trade driven by advances in biotech/transport, trade pacts that lowered trade barriers/constrained production subsidies/set SPS rules.
- US was key architect of postwar trading system/demandeur of each multilateral trade negotiation in GATT and WTO.
- US augmented modest multilateral reforms with deeper liberalization in FTAs with Canada, Mexico, South Korea among others.
- US farmers have benefited: US farm exports now exceed \$200 billion, more than 10% of world farm trade.

## **But US farm exports hit by political/climate shocks**

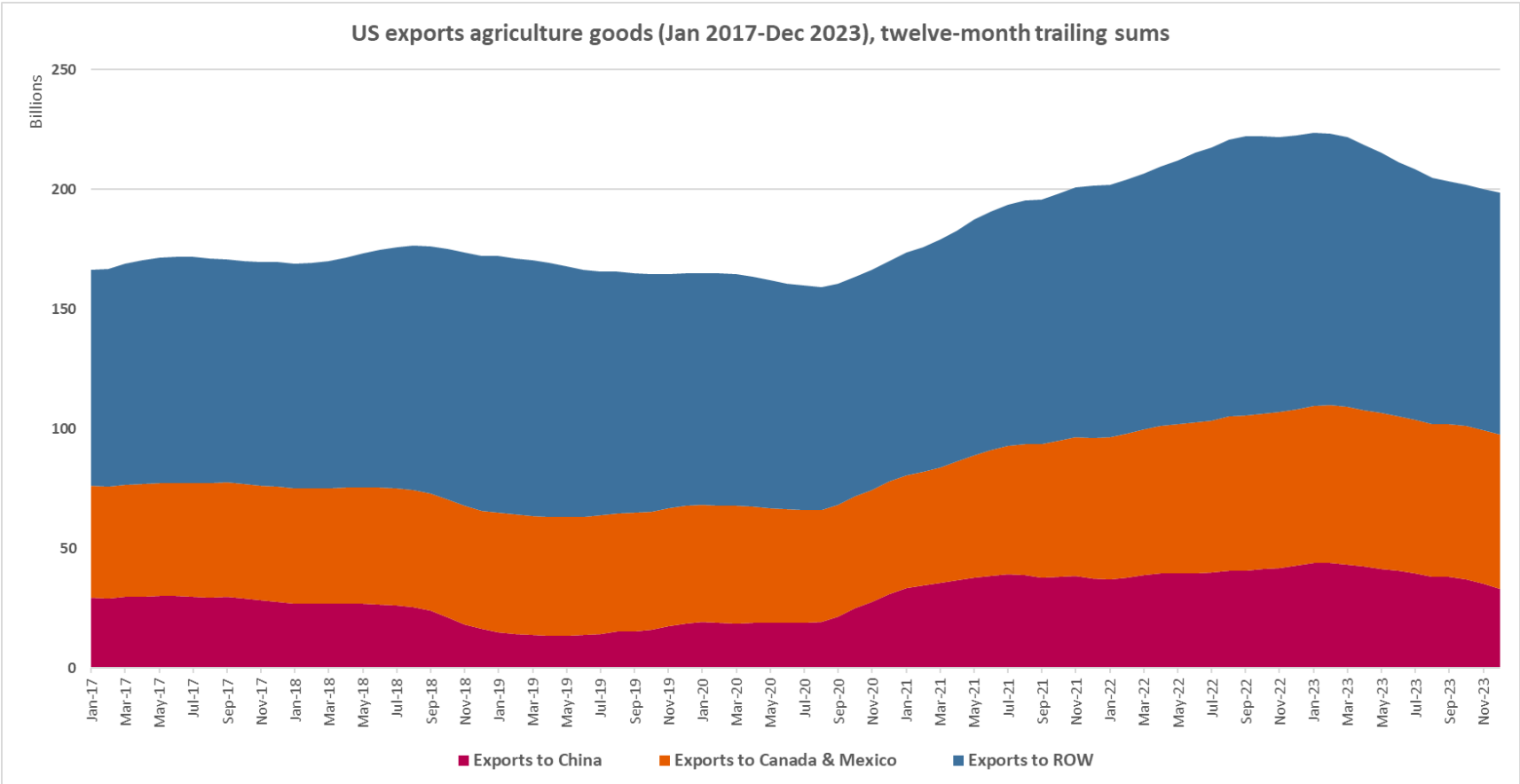
- US-China trade war led to Chinese retaliation against US farm exports, followed by African swine fever in China that reduced demand for animal feed. Soybeans/corn, which account for large share of US farm exports to China, hit hard.
- US-China “phase 1” accord in January 2020: China agreed to increase US imports just as pandemic was shutting down markets.
- Russian invasion of Ukraine disrupted trade in grains and fertilizers.
- Seaborne transport impeded by climatic events (drought/floods) and military attacks.

# US exports recovered from China trade war shock



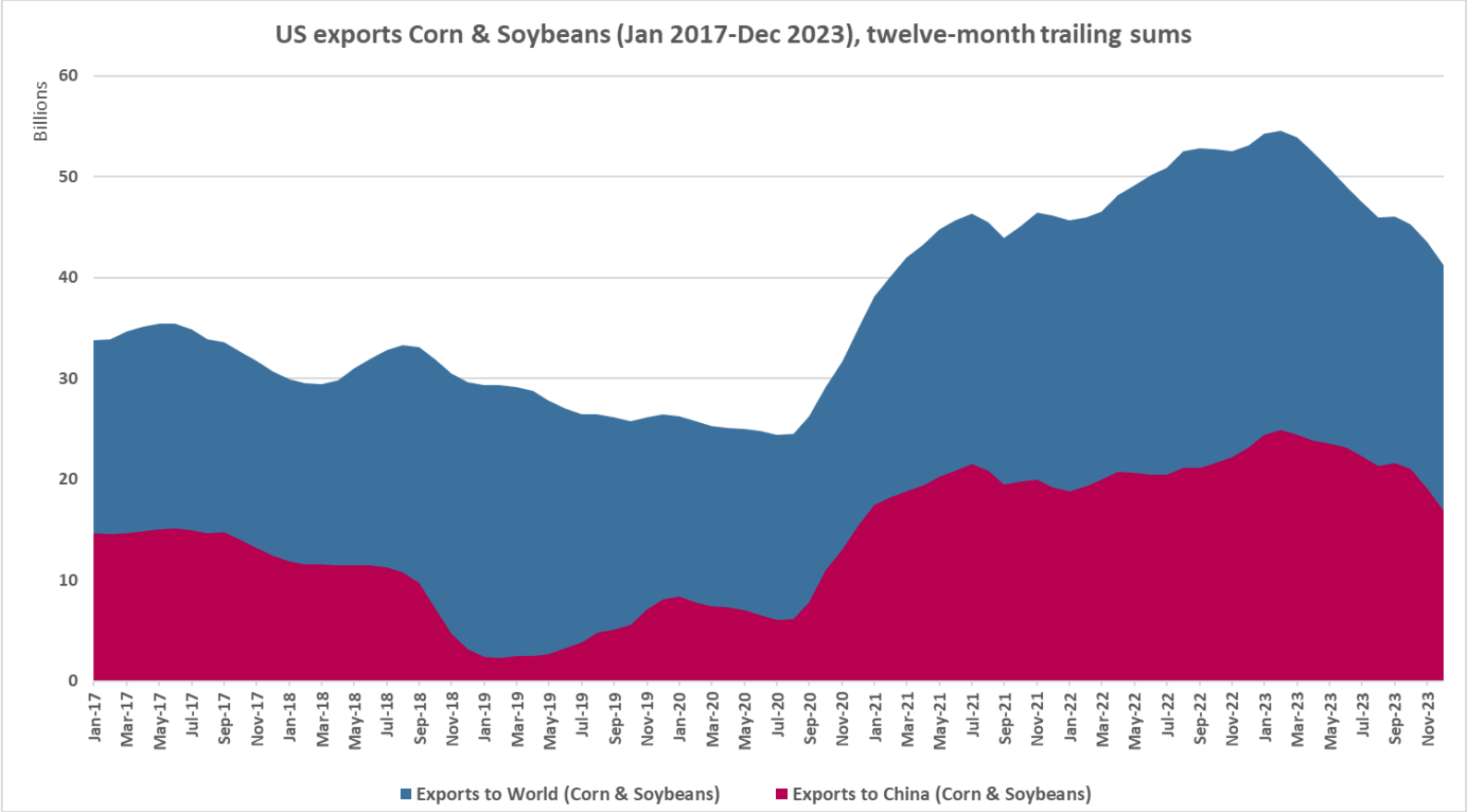
Source: US Census  
 Note: Corn & Soybeans: 100590, 120190

# Half of US farm exports go to Mexico/Canada/China



Source: US Census (via Dataweb)  
 Note: Agriculture goods is based on SITC definitions, which also includes fishery and forestry products.

# US corn/soybean exports rely heavily on China



Source: US Census  
Note: Corn & Soybeans: 100590, 120190



# Transport blockages becoming more frequent/costly

- Port congestion during pandemic showed need for more diverse/resilient supply chains.
- Producers/shippers adapted but now face continuing climate and political shocks that affect transport costs/world food prices.
- Panama Canal, facing water shortage driven by climatic events, reduced capacity from normal 36 vessels/day to 18 (now back to 24), hitting esp. dry bulk shipments.
- Droughts also limited river transport on Rhine, Yangtze, Mississippi, among others.
- Russian invasion of Ukraine, coupled with Black Sea naval blockade, impeded grain exports, now partly mitigated by EU road/rail pacts and narrow sea corridor from Odesa.
- Red Sea transit disrupted by Houthi attacks, forcing costly diversion around Africa.

# WTO Ministerial unlikely to yield concrete results

- WTO MC12 in 2022 reached agreement to exempt from export restrictions World Food Program purchases for “noncommercial humanitarian purposes”, plus an anodyne declaration on food insecurity that has not prevented new food export bans by India and others.
- Negotiations on fisheries subsidies, supplementing the limited constraints agreed in 2022 but not yet implemented, have floundered. MC13 unlikely to discipline subsidies that contribute to overcapacity or overfishing, risking further depletion of global fish stocks.
- Ability to negotiate new WTO fish subsidy rules undercut by disabling of WTO dispute procedures, which allows members to evade enforcement of their WTO obligations.
- Expect WTO decisions to be deferred to MC14 in late 2025 or 2026.

# USMCA review could advance trade/climate agenda

- USMCA requires 6-year review in 2026 to approve, revise, or sunset the pact.
- Opportunity to revisit/resolve longstanding disputes on softwood lumber, corn, dairy.
- Review also could augment USMCA rules to align climate policies and forestall imposing carbon border adjustment tariffs on intra-USMCA trade.
- But danger that next US president could threaten to kill the pact if Canada/Mexico do not comply with US demands, putting tens of billions of farm trade at risk.
- Important that the US farm community support a proactive agenda of USMCA trade and climate reform covering agriculture, manufacturing, and energy.



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