Trade and U.S. Agriculture
Market Access, Institutions, and Competition Policy

Old school cash crop irrigation
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
Exports are a critical source of income for a wide range of ag products (2019/20).

Over 20% of U.S. Agricultural Production is Exported

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
Change from FY20 (Actual) to FY21 (Forecast)

Canada: +$0.2 b  
EU: +$0.2 b  
North Africa: +$0.3 b  
Sub-Saharan Africa: no change  
China: +$14.5 b  
Japan: +$1.0 b  
SK: +$0.7 b  
Taiwan: +$0.4 b  
HK: -$0.1 b  
SE Asia: +$0.3 b  
India: +$0.1 b  
Oceania: no change  
Mexico: +$1.4 b  
Central America: +$0.4 b  
South America: +$0.6 b

Source: USDA Quarterly Trade Forecast, February 2021  
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).

Sources: Max Roser and Esteban Ortiz-Ospina (2017)
USDA Economic Research Service – Foreign Agricultural Trade of the United States (FATUS)
The Future is Bright: Middle Class Dominance in 2030

Billions

- Poor (-150 M) 450 M
- Vulnerable (-900 M) 2.3 B
- Middle Class (+1.7 B) 5.3 B
- Rich (+100 M) 300 M

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

Source: The Brookings Institution
Projections by World Data Lab – pre Covid
FY21 Record First Quarter Exports

U.S. Oct-Dec Exports

Feb 2021 Quarterly Export Forecast - Global
Major Bulk Exports: Record Volumes and Value

Feb 2021 Quarterly Export Forecast - Global
Top 6 Export Markets Account for Over 60% of Total U.S. Ag Exports

Source: U.S. Census Bureau
A Classic “long tail distribution”
Over 20 markets with more than $1 billion in Ag Exports

U.S. Ag Exports 2020, Billion $

Data Source: U.S. Census Bureau Trade Data
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.

Data Source: U.S. Census Bureau Trade Data
Trade Agreements Help Create Opportunities For U.S. Agriculture

- **U.S. Ag Exports**
- **U.S. Ag Imports**

Data Source: U.S. Census Bureau Trade Data
Market Access

- China
- Japan
- TPP/Other Asia
- UK
- Mexico
- EU
- Unjustified Regulatory Restrictions
- Steel 232 retaliation
Global Agricultural Imports (excluding U.S.)

- Asia
- MENA
- Non-EU Europe
- Latin America & Caribbean
- Sub-Saharan Africa
- U.S. Market Share

United States Department of Agriculture
Foreign Agricultural Service
U.S. Market Share in China

China’s Agricultural Imports, 2010 – 2020

- Brazil
- New Zealand
- ROW
- United States
- EU27+UK
- Australia
- Indonesia
- Thailand
- Canada

Billion Dollars

U.S. Market Share (%)


9.9%
14.5%
25.2%
Record Demand from China Outweigh Impact of Pandemic

U.S. Monthly Exports to World and China

- 2017-19 avg world
- 2020 world
- 2020 China
U.S. Ag Exports to China

Billion Dollars

WTO Accession

Source: U.S. Census Bureau Data - Not Phase 1 product group.
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**

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

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)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Oilseeds</strong></td>
<td>12.225</td>
<td>3.119</td>
<td>8.005</td>
<td>14.161</td>
</tr>
<tr>
<td><strong>Cereals</strong></td>
<td>1.358</td>
<td>0.696</td>
<td>0.316</td>
<td>2.938</td>
</tr>
<tr>
<td><strong>Meat</strong></td>
<td>0.559</td>
<td>0.440</td>
<td>1.193</td>
<td>3.165</td>
</tr>
<tr>
<td><strong>Cotton</strong></td>
<td>0.973</td>
<td>0.921</td>
<td>0.705</td>
<td>1.822</td>
</tr>
<tr>
<td><strong>Seafood</strong></td>
<td>1.234</td>
<td>1.055</td>
<td>0.823</td>
<td>0.689</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>4.504</td>
<td>4.119</td>
<td>3.651</td>
<td>4.394</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20.852</td>
<td>10.351</td>
<td>14.693</td>
<td>27.167</td>
</tr>
</tbody>
</table>

Calendar year, Phase 1 Agriculture Groups
Source: United States Census Bureau
Oilseeds: Soybean Prices

U.S. and Brazil Soybean Export Price Trends

$/MT

Tariffs Imposed

Tariff Exemptions Begin

Jan 2-6 2017
Feb 13-17
Mar 27-31
Apr 8-12
May 20-24
Jun 1-5 2018
Jul 13-17
Aug 24-28
Sep 5-9
Oct 16-20
Nov 23-27
Dec 16-20
Jan 27-31
Mar 9-13
Apr 20-24
Jun 1-5
Jul 13-17
Aug 24-28
Oct 5-9
Nov 16-20
Dec 28-Jan 1
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

<table>
<thead>
<tr>
<th>Key Products</th>
<th>Final Tariff Rate</th>
<th>2020 Japan Imports from U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>9%</td>
<td>$1.4 billion</td>
</tr>
<tr>
<td>Pork</td>
<td>125 yen/kg EIF, reduction to 50 yen/kg in year 9</td>
<td>$517 million</td>
</tr>
<tr>
<td>Wheat</td>
<td>mark up 15.3 yen/kg mark-up EIF, reduction to 9.4 yen/kg in year 8</td>
<td>$696 million</td>
</tr>
<tr>
<td>Barley</td>
<td>markup 7.2 yen/kg mark-up EIF, reduction to 4.4 yen/kg in year 8</td>
<td>$12 million</td>
</tr>
<tr>
<td>Blue Veined Cheese</td>
<td>27% EIF, reduction to 12.5% in year 10</td>
<td>$16,000</td>
</tr>
<tr>
<td>High Fat Cream Cheese</td>
<td>26.8%</td>
<td>$25 million</td>
</tr>
<tr>
<td>Milk Powder- for feed</td>
<td>354.17 yen EIF, reduction to 212.5 yen in year 5</td>
<td>$606,000</td>
</tr>
</tbody>
</table>
Japan Pork Imports: 2019 – 2020 Change in Import Volume

Source: Trade Data Monitor, BICO-Pork & Pork Products
Japan Beef Imports: 2019 – 2020 Change in Import Volume

Japanese Beef Imports

Source: Trade Data Monitor, BICO-Beef & Beef Products
Japan Dairy Imports: 2019 – 2020 Change in Import Volume

Japanese Dairy Imports

<table>
<thead>
<tr>
<th>Country</th>
<th>Metric Tons</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU 28</td>
<td>180,000</td>
<td>150,000</td>
<td>160,000</td>
<td>190,000</td>
</tr>
<tr>
<td>United States</td>
<td>160,000</td>
<td>140,000</td>
<td>150,000</td>
<td>170,000</td>
</tr>
<tr>
<td>New Zealand</td>
<td>120,000</td>
<td>100,000</td>
<td>120,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Australia</td>
<td>80,000</td>
<td>70,000</td>
<td>80,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Canada</td>
<td>20,000</td>
<td>18,000</td>
<td>20,000</td>
<td>22,000</td>
</tr>
</tbody>
</table>

Change in Import Volume:
- EU 28: 4%
- United States: 16%
- New Zealand: -18%
- Australia: -13%
- Canada: 11%

Source: Trade Data Monitor, BICO-Dairy Products
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
Thank Goodness for USMCA

Change in U.S. agricultural export revenues, $ million

- USMCA: 454
- USMCA+Ag retaliation by Canada and Mexico: -1767
- USMCA+full suite of measures and counter-measures: -7896
- NAFTA withdrawal: -9373

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

232 tariffs increased production costs of farm equipment and storage facilities.

Retaliatory tariffs limited foreign markets, farmers held crops increasing demand for storage.
Steel & Aluminum Can Prices
Jan. 2011 - Dec. 2020

Steel & Aluminum imports declared threats to national security
World Steel Prices
April 2006 – January 25, 2021

January 11, 2018
Imports of steel declared a National Security Threat

June 10, 2019
U.S. price drops below $700/MT

Source: Steelbenchmarker.com HRB Prices

Jan 25th
$1,143
U.S. Steel Capacity Utilization
Jan. 1990 – December 2020

- NAFTA: Jan. 1994
- China’s WTO Accession: Dec. 2001
- Covid-19:
  - Jan. 2020: C.U. = 80%
  - April 2020: C.U. = 40%
  - Dec. 2020: C.U. = 74%

Source: Board of Governors of the Federal Reserve System (US)
Manufacturing Production & Employment


Covid-19 Impact
- Mfg. Prod’n Index
  - Jan. = 106
  - April = 85
  - December = 104

- Mfg. Employment
  - Jan. = 12,840,000
  - April = 11,490,000
  - Dec. = 12,309,000

NAFTA
- Jan. 1994

China’s WTO Accession
- Dec. 2001

Sources: BLS; Board of Governors

myf.red/g/AFCs

- **NAFTA** Jan. 1994
- **China’s WTO Accession** Dec. 2001
- **June 2009** Mfg. C.U. 63%
- **Covid-19 Recovery**
  - New Orders
    - January = $241 B
    - April = $168 B
    - December = $245 B
    - January = 76%
    - April = 60%
    - December = 74%

Sources: Census; Board of Governors

myf.red/g/AFCG
Auto Output & Capacity Utilization

Covid-19 Recovery
Auto Capacity Util.
January = 76%
April = 13%
December = 77%

Auto Prod’n Index
January = 127
April = 22
December = 128

China’s WTO Accession
Dec. 2001

NAFTA
Jan. 1994

Source: Board of Governors of the Federal Reserve System (US)
Auto Output & Employment

- NAFTA Jan. 1994
- China’s WTO Accession Dec. 2001
- Covid Recovery of Auto Jobs
  - Jan. 990,000
  - Apr. 639,000
  - Dec. 932,000

Sources: Board of Governors; BLS
myf.red/g/AFDw
Increased Imports Driven by Produce

Billion dollars (real)

Note: Base year=2020
## Seasonal and Perishable Issues

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Production</th>
<th>Per capita use</th>
<th>Imports' share of use</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006-08</td>
<td>2016-18</td>
<td>Change</td>
</tr>
<tr>
<td></td>
<td>Metric tons (1,000s)</td>
<td>%</td>
<td>Metric tons (1,000s)</td>
</tr>
<tr>
<td>Sweet potatoes</td>
<td>800</td>
<td>1,430</td>
<td>78.7</td>
</tr>
<tr>
<td>Apples, fresh</td>
<td>2,795</td>
<td>3,370</td>
<td>20.6</td>
</tr>
<tr>
<td>Almonds</td>
<td>518</td>
<td>954</td>
<td>84.2</td>
</tr>
<tr>
<td>Leaf and romaine lettuce</td>
<td>1,724</td>
<td>2,112</td>
<td>22.5</td>
</tr>
<tr>
<td>Pumpkins</td>
<td>730</td>
<td>1,055</td>
<td>44.5</td>
</tr>
<tr>
<td>Tangerines and tangelos, fresh</td>
<td>296</td>
<td>587</td>
<td>98.5</td>
</tr>
<tr>
<td>Strawberries, fresh</td>
<td>861</td>
<td>1,148</td>
<td>33.3</td>
</tr>
<tr>
<td>Onions, fresh</td>
<td>3,023</td>
<td>3,229</td>
<td>6.8</td>
</tr>
<tr>
<td>Potatoes, fresh market</td>
<td>5,075</td>
<td>4,881</td>
<td>-3.8</td>
</tr>
<tr>
<td>Peaches and nectarines, fresh</td>
<td>662</td>
<td>449</td>
<td>-32.2</td>
</tr>
<tr>
<td>Sweet corn, fresh</td>
<td>1,257</td>
<td>1,044</td>
<td>-17.0</td>
</tr>
<tr>
<td>Cabbage</td>
<td>1,086</td>
<td>848</td>
<td>-21.9</td>
</tr>
<tr>
<td>Cantaloupe</td>
<td>913</td>
<td>640</td>
<td>-29.9</td>
</tr>
<tr>
<td>Grapefruit, fresh</td>
<td>645</td>
<td>349</td>
<td>-45.9</td>
</tr>
<tr>
<td>Tomatoes, fresh</td>
<td>1,722</td>
<td>1,291</td>
<td>-25.0</td>
</tr>
<tr>
<td>Head lettuce, fresh</td>
<td>2,615</td>
<td>2,174</td>
<td>-16.8</td>
</tr>
</tbody>
</table>

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.

Institutions

WTO, CODEX, WHO, FAO, UN ...
WTO: Rules, #!@ Rules, and Judges

Ruling on individual claims in agricultural disputes involving the United States

As Complainant

Glauber (2020) from author

80%

Lost

As Respondent

28%

20%

Won

72%
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.

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

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

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.
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

1995: WTO goes into effect

1999: Peaks at 5.5%

2013: Falls to low of 1.9%

Not subject to WTO dispute

Subject to WTO dispute

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

- Free Trader
- Economic
- Legal
- Protectionist
- Institutionalist
- Unilateralist
Political Economy Conceptual Framework

Singapore

Free Trader

Economic

Legal

Institutionalist

Protectionist

Unilateralist
Political Economy Conceptual Framework

Singapore

Institutionalist

Free Trader

Economic

Legal

Protectionist

Unilateralist

North Korea
Political Economy Conceptual Framework

Free Trader

Singapore

Highly Confused Individual

Economic

Institutionalist

Legal

Unilateralist

Protectionist

North Korea
Political Economy Conceptual Framework

Singapore

Institutionalist

Free Trader

Economic

Legal

Protectionist

Unilateralist

Highly Confused Individual

India

North Korea
U.S. Total Merchandise Annual Trade Balance

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

2011 Oil & Gas trade deficit was 47% of total deficit, in 2020 the U.S. exported slightly more Oil & Gas than imported.

2020 Deficit – $905 billion

Source: USA Trade Online, Foreign Trade Division, U.S. Census Bureau
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

Gallup
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.

Gallup
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?

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

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)