



**Jason Hafemeister  
Secretary's Trade  
Counsel**

# Ag Trade Policy Overview

November 2018

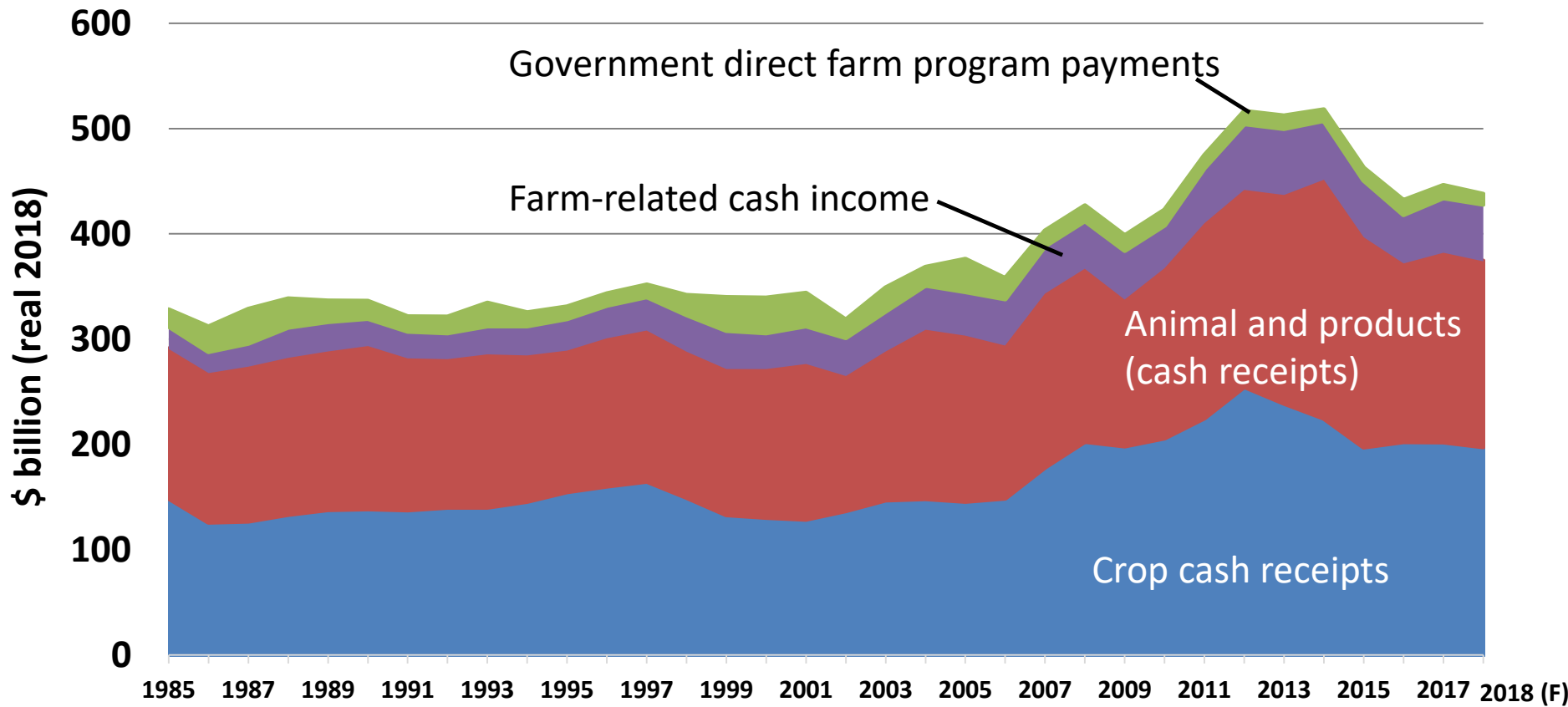
# Agenda

- **Agriculture and Exports**
- **Trade War**
- **Growing our Markets**



# Export or Die

**Government payments make up only a small share of farm gross cash income. Exports support farm prices, which generate jobs and income for rural America.**



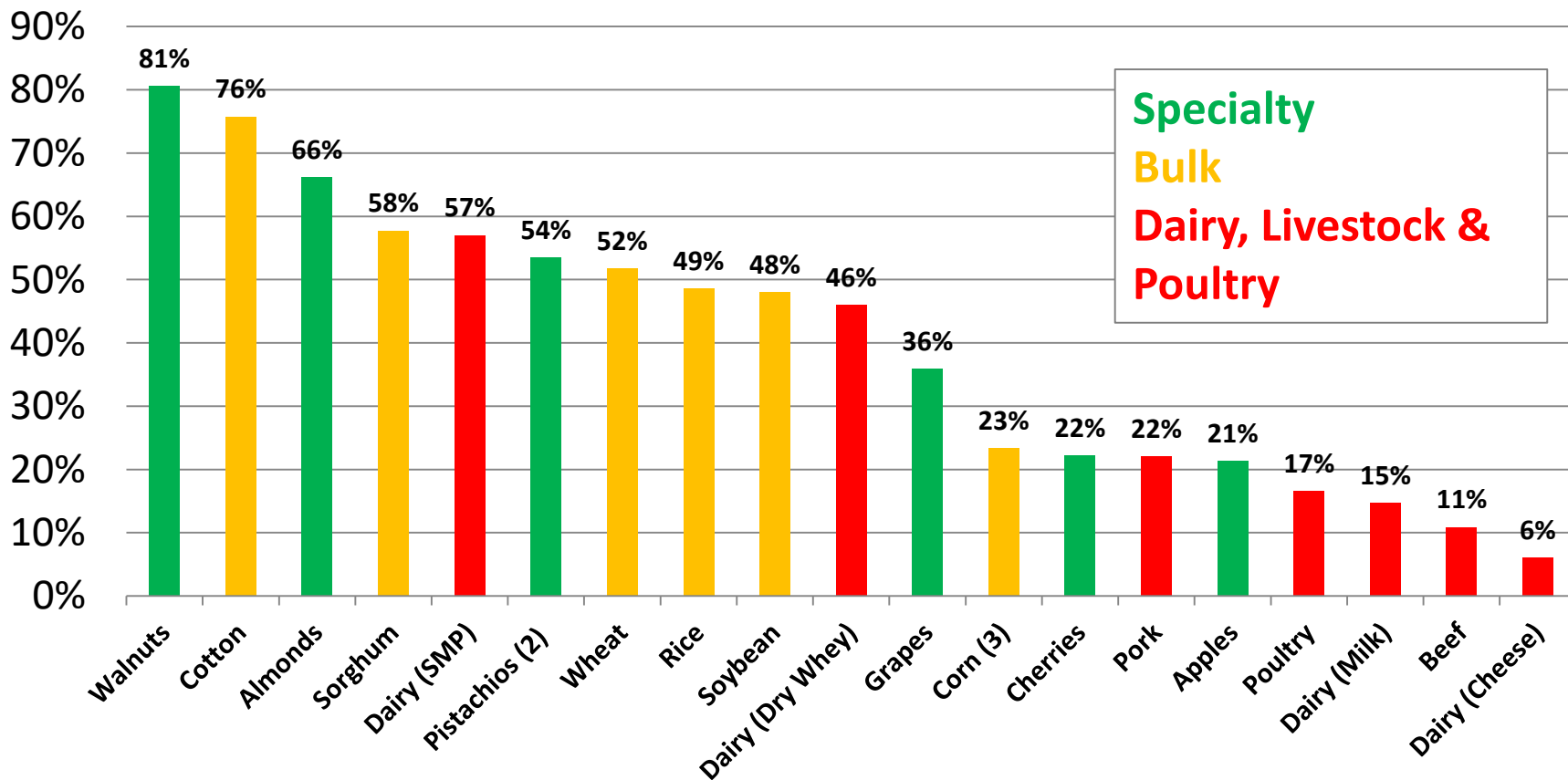
Note: Crop insurance net indemnities included in farm-related income.

Values are adjusted for inflation using the chain-type GDP deflator, 2018=100

Source: *Farm Income Data*, Updated August 2018. Economic Research Service, USDA.

# More than 20% of U.S. Ag Production is Exported

Exports are a critical source of income for a wide range of ag products (2017/18).



Source: USDA/FAS/PSD database, marketing year data  
U.S. Dairy Export Council

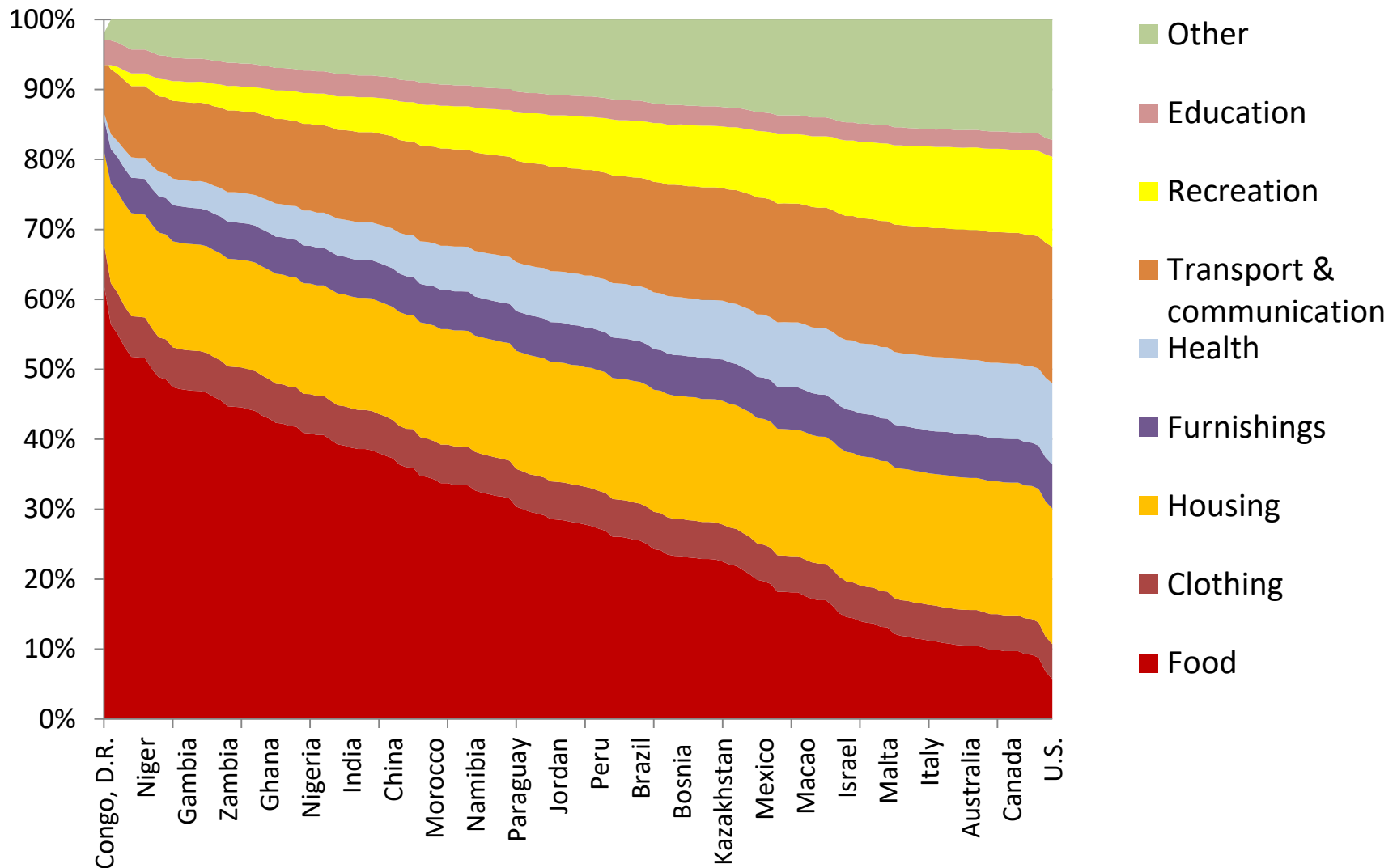
(1) All Dairy Products: Calendar Year 2017

(2) Pistachios: Marketing Year 2016/2017

(3) Corn & corn used for ethanol, DDGS, and HFCS exports

# Additional Dollar of Income: Impact On Food Consumption

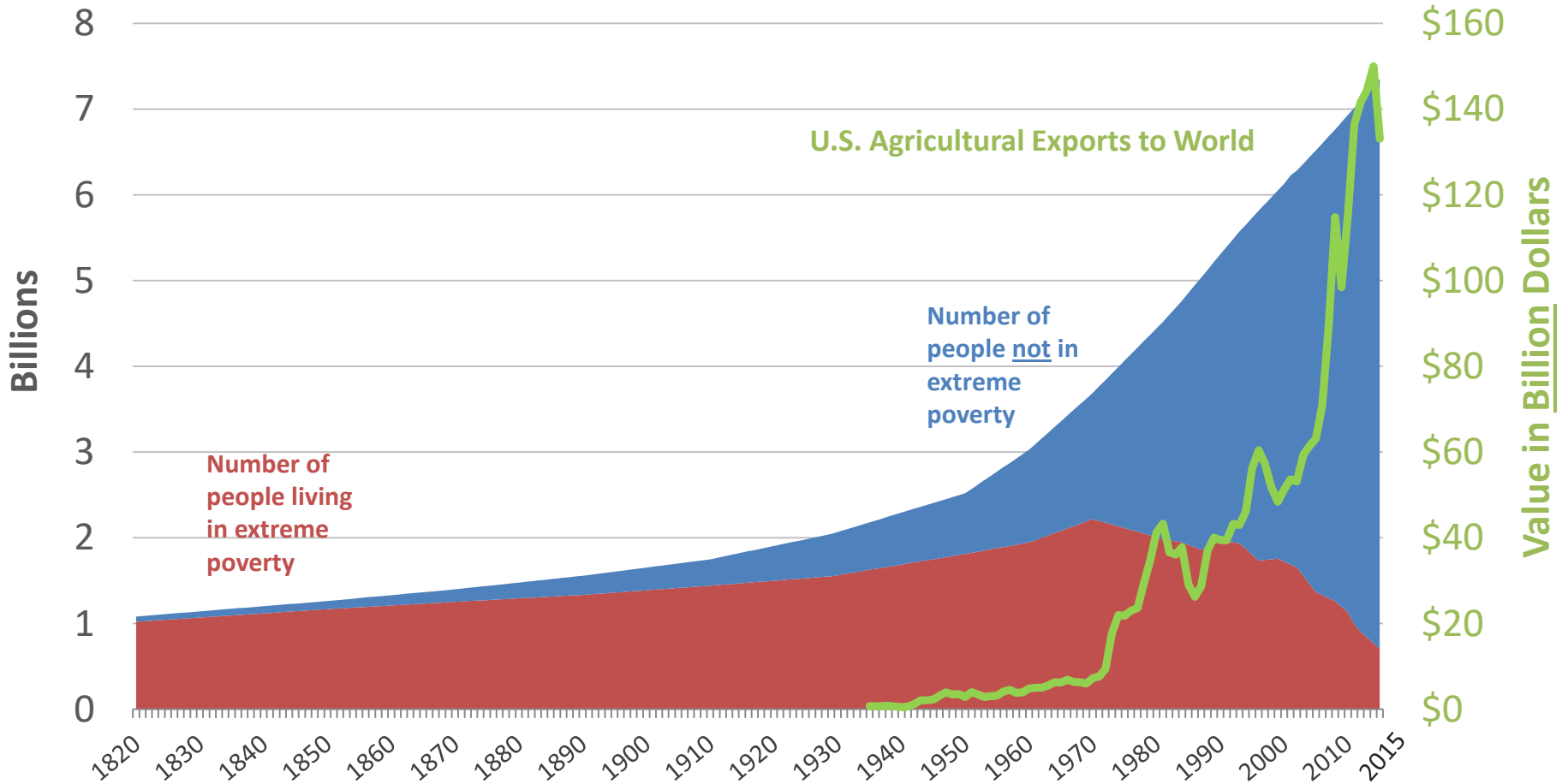
*Lower income countries spend much more of that additional income on food*





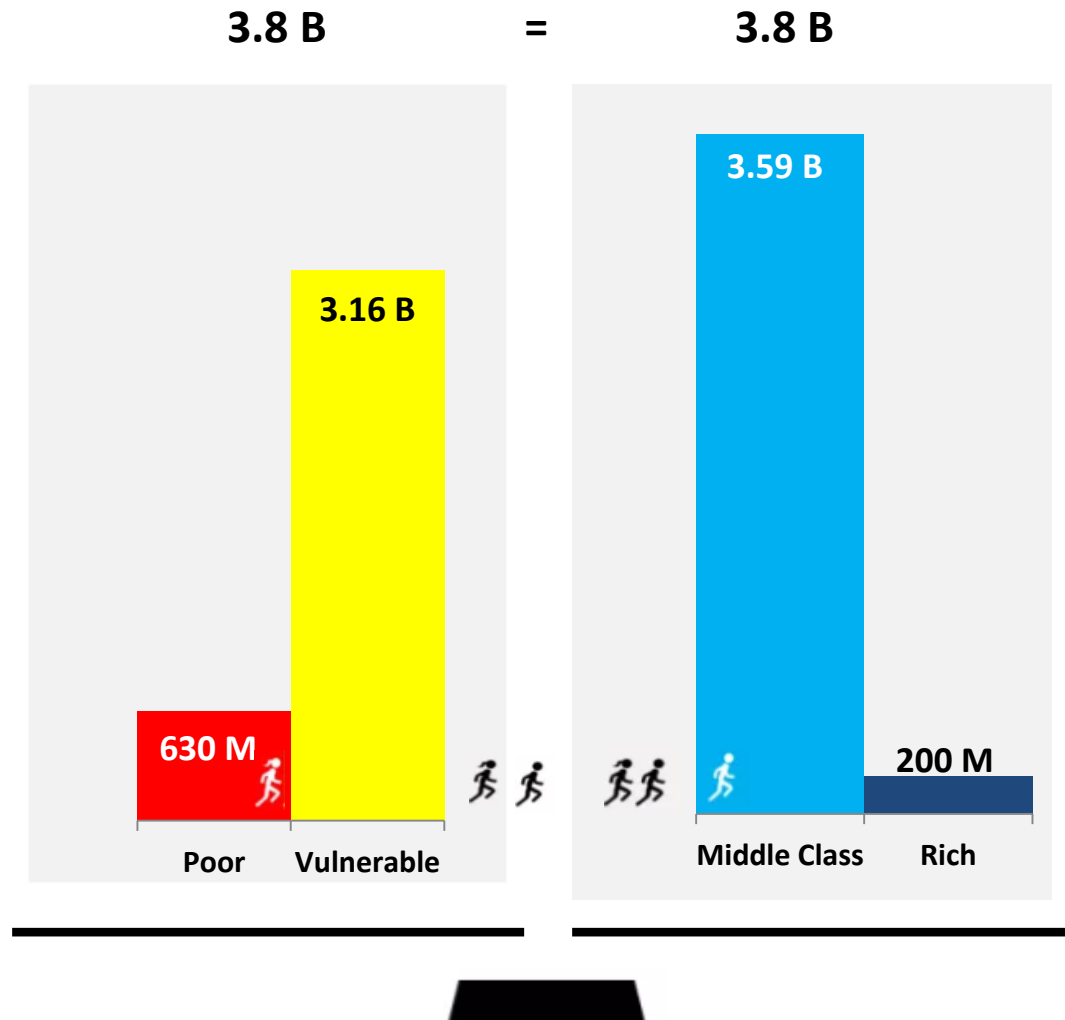
# World Population Living in Extreme Poverty 1820-2015

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).



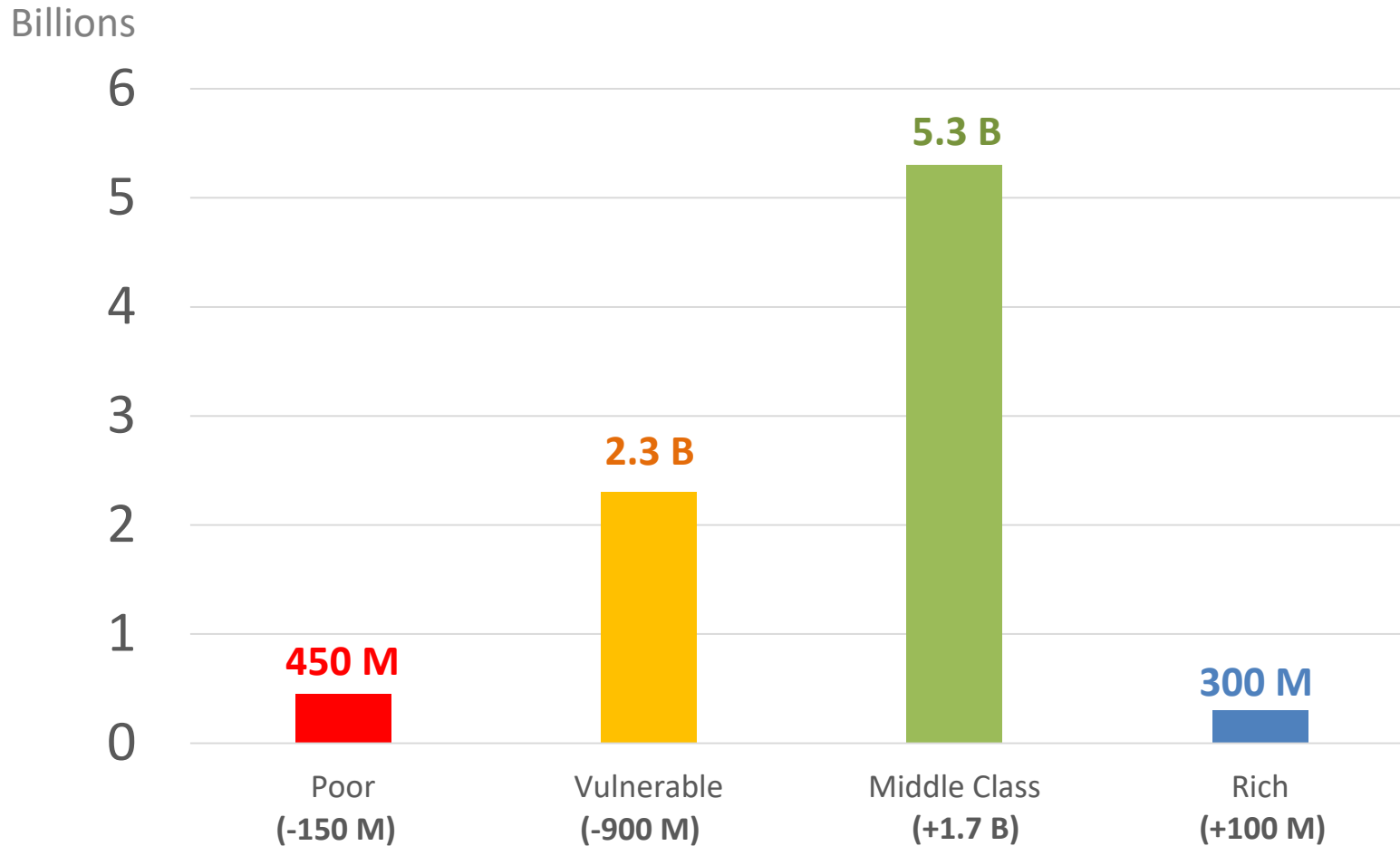
# September 2018 – The Global Income Tipping Point

*Number of people who are poor, vulnerable, middle class, and rich worldwide*



Source: The Brookings Institution  
Projections by World Data Lab

# Middle Class Dominance in 2030

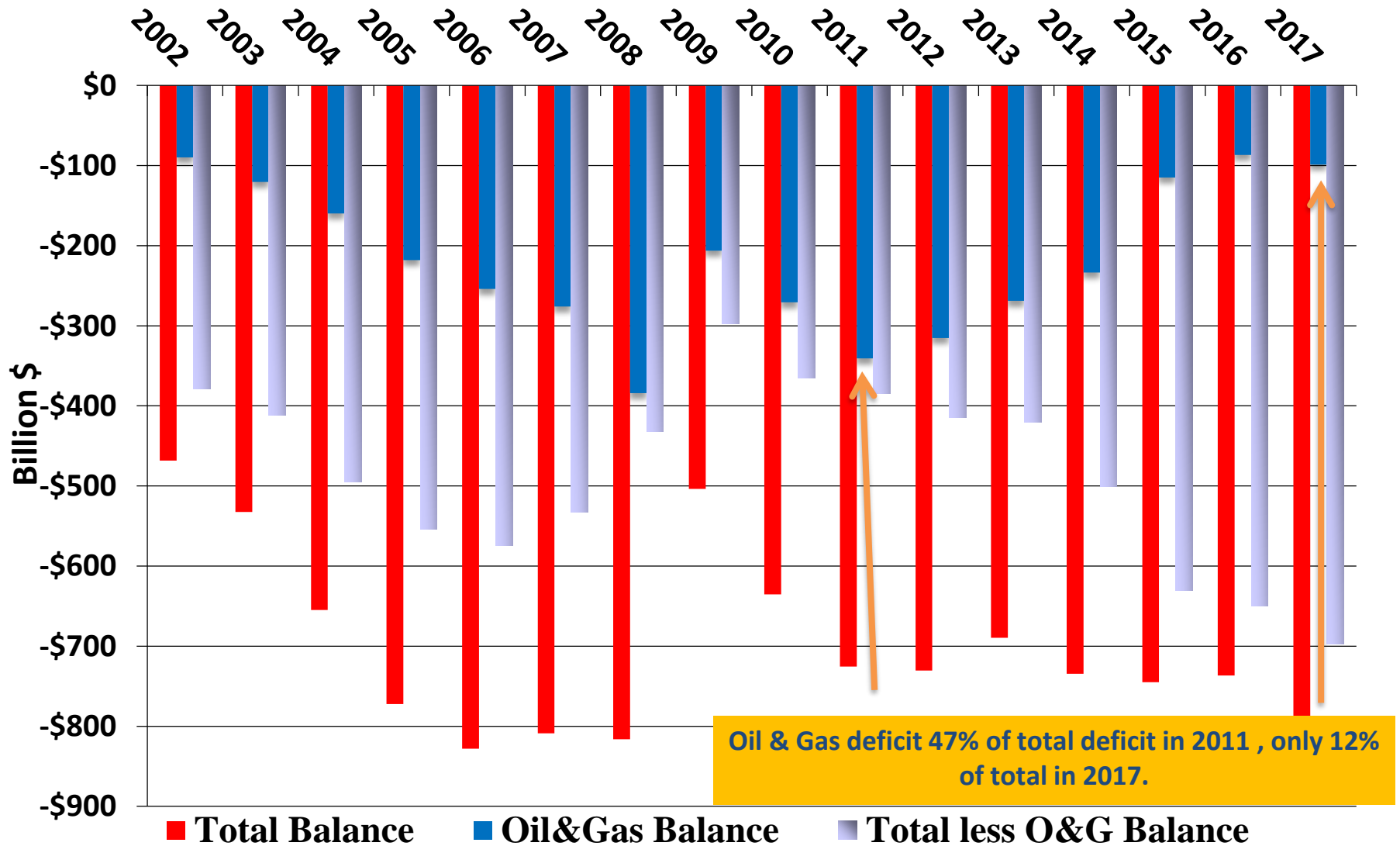


*Figures in parenthesis indicate the increase/decrease in the number of people in each category by 2030.*



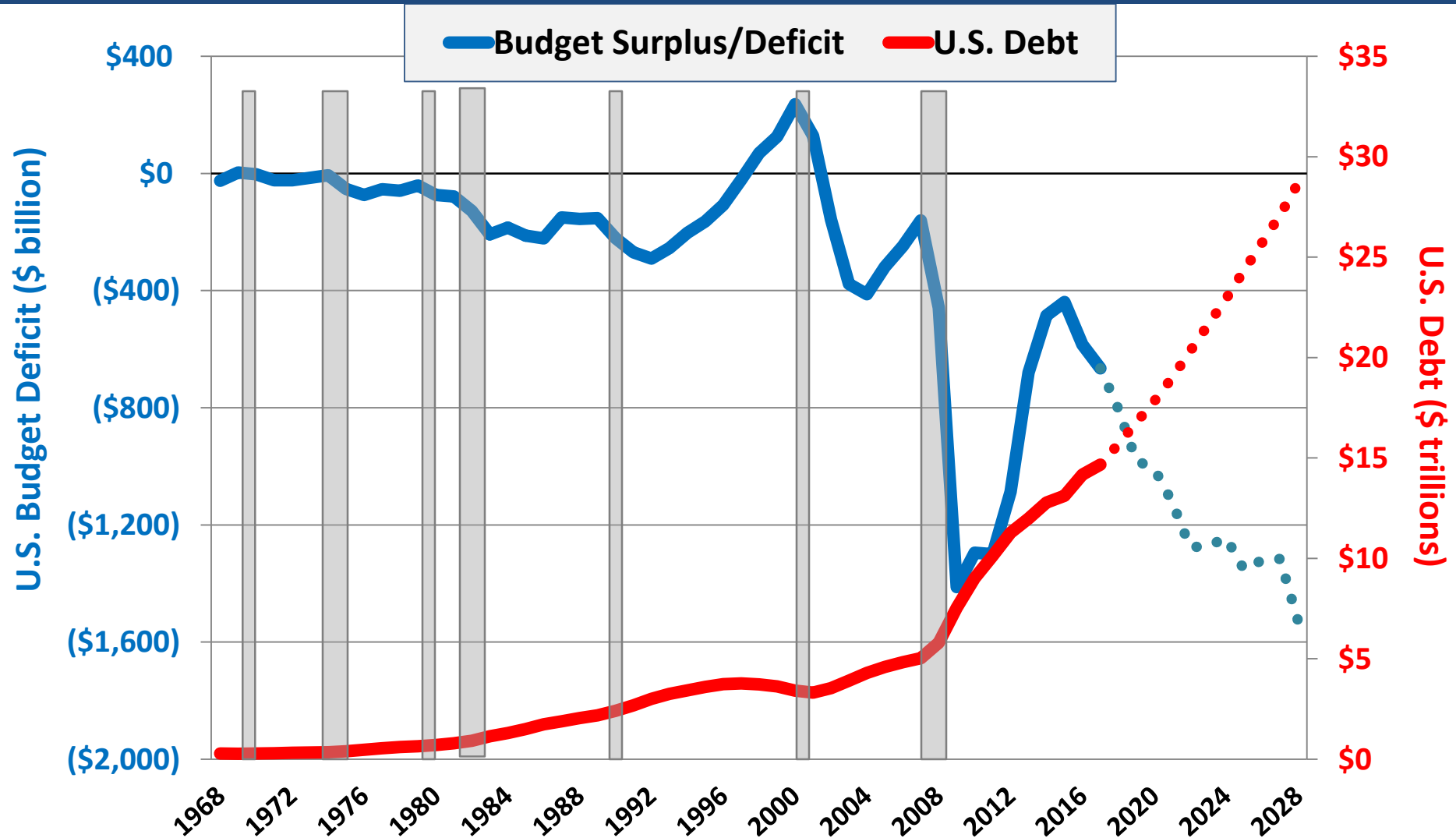
# U.S. Total Merchandise Trade

Total Trade Balance and Oil & Gas Trade Balances



# U.S. Federal Budget Deficit & Debt

(1968 – 2028 CBO projected)

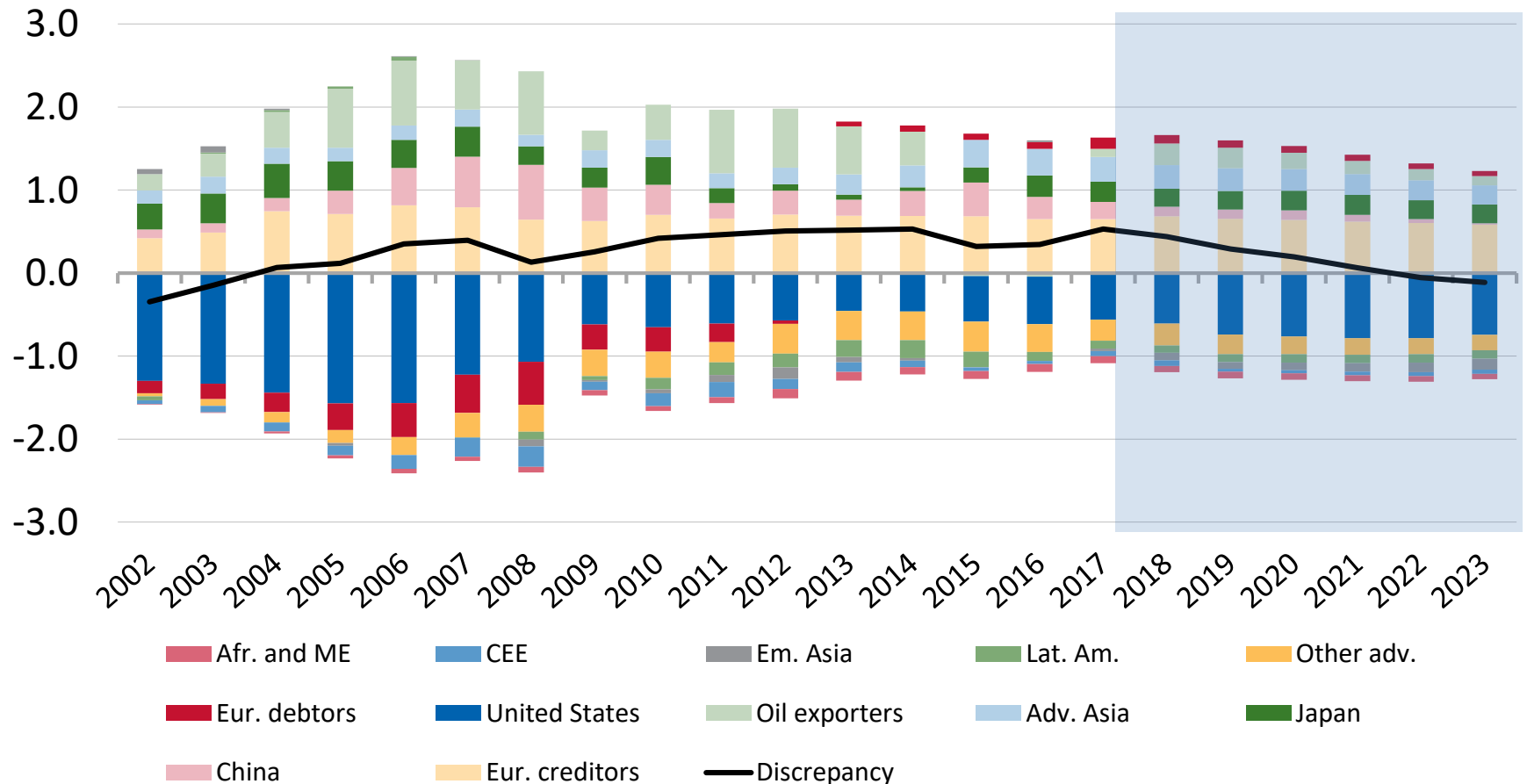


CBO data and projections, shading = recessionary periods

# IMF: Global Current Account Balance

Percent of World GDP

After a slight widening in 2018, current account balances are expected to narrow marginally over the medium term as the surpluses of oil exporters decline and the US current account deficit stabilizes with the fading of the expansionary effects of fiscal policy.

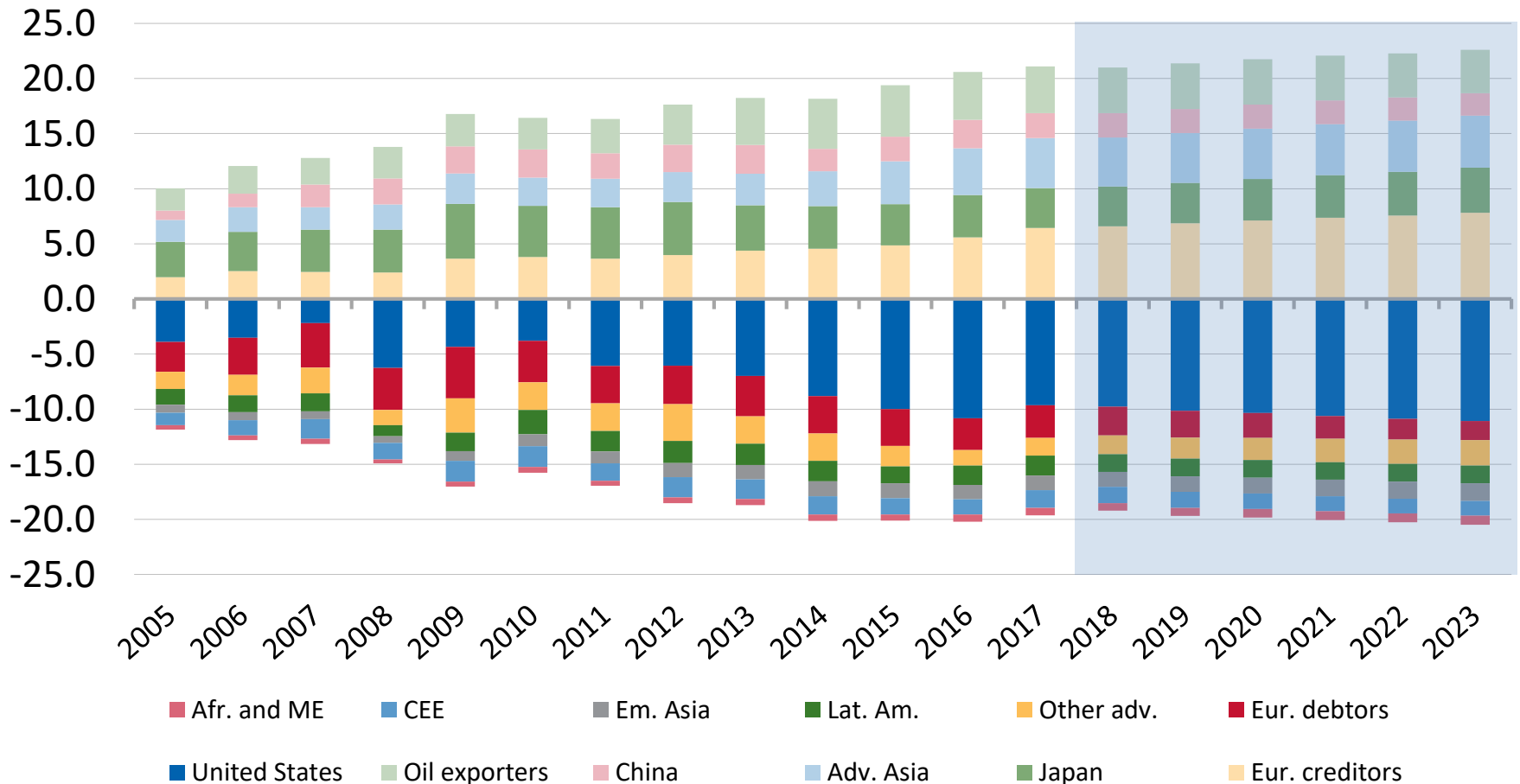


Source: IMF World Economic Outlook, October 2018

# IMF: Net International Investment Position

Percent of World GDP

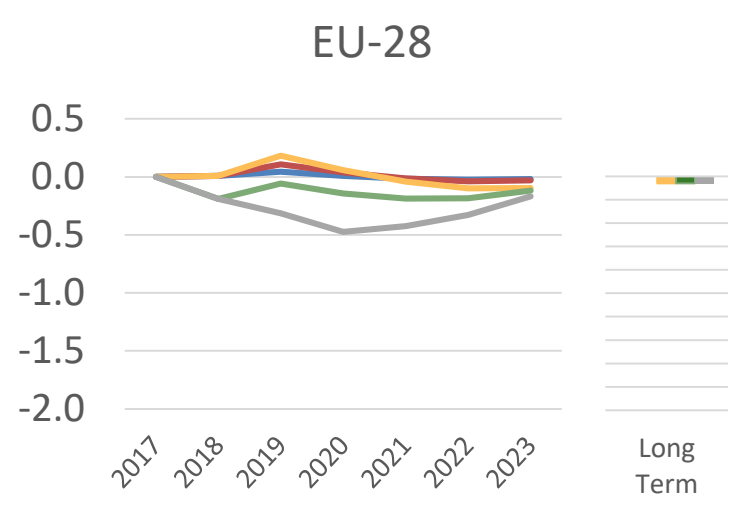
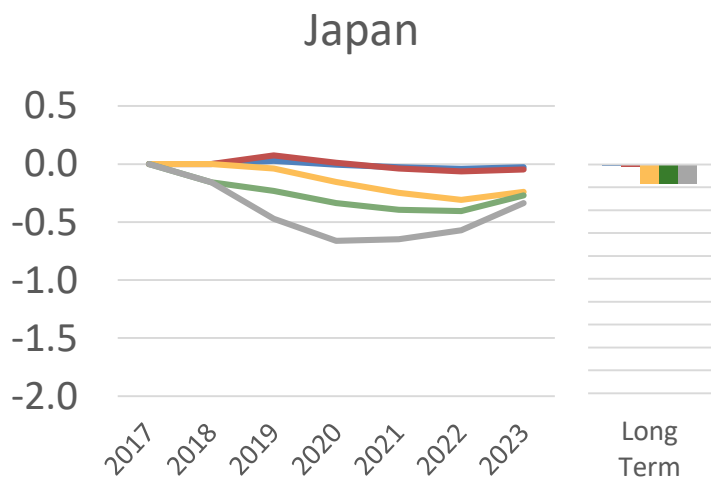
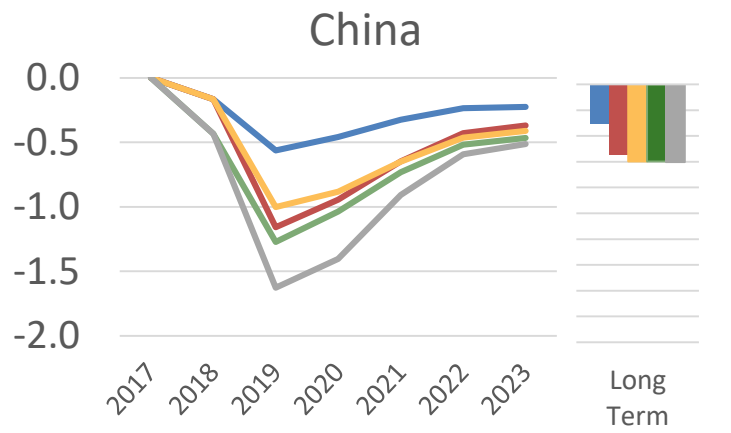
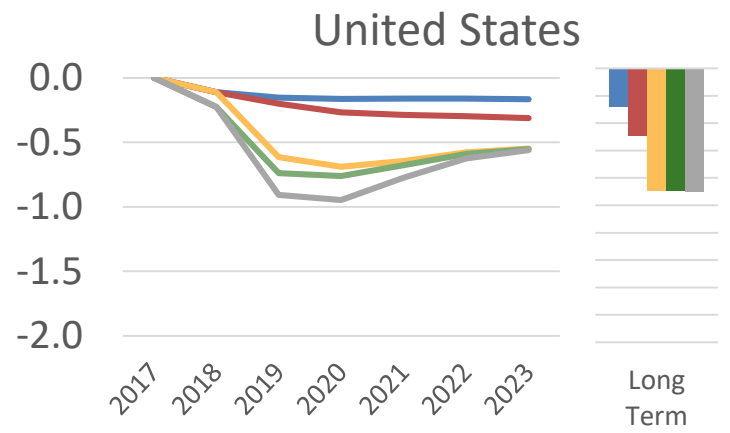
Creditor and debtor net international investment positions are projected to widen slightly over the medium term.



Source: IMF World Economic Outlook, October 2018

# IMF: Real GDP in Trade Tensions Scenarios

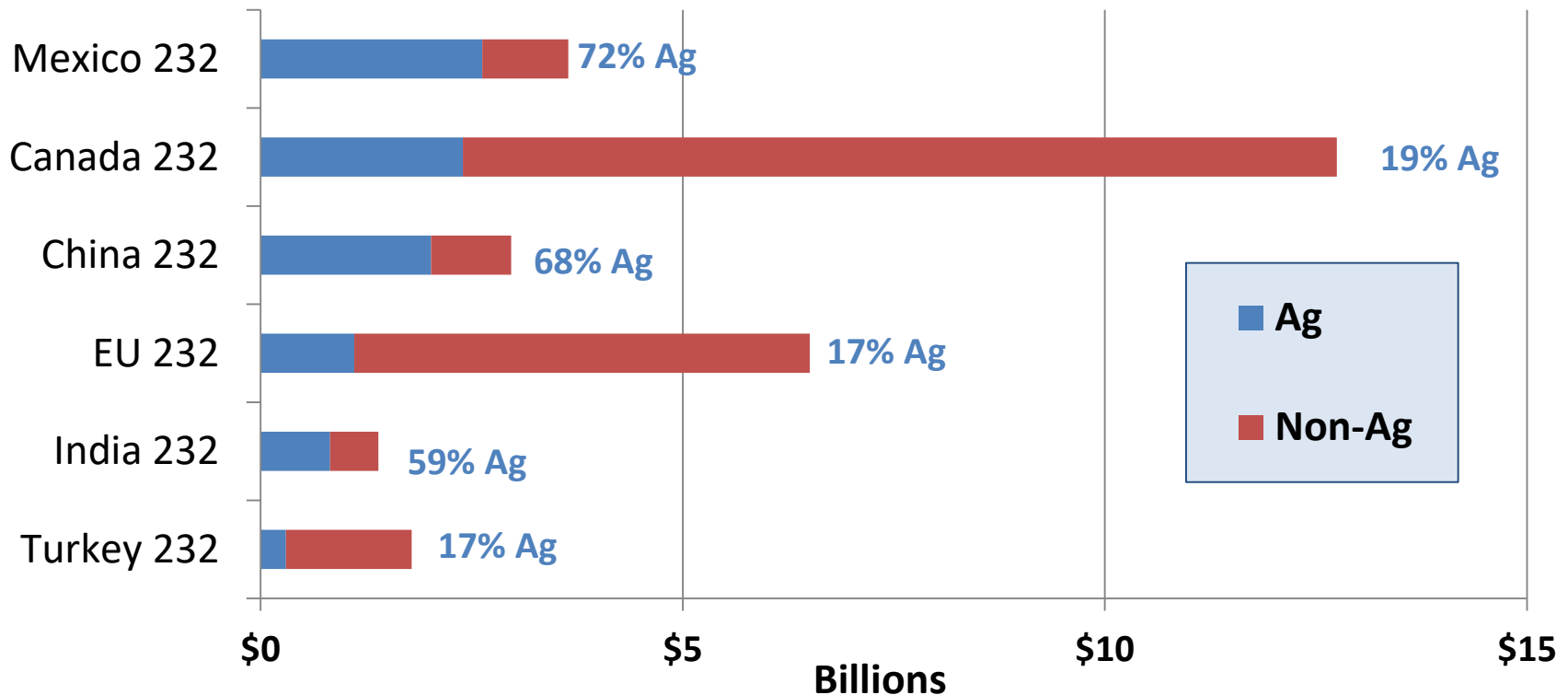
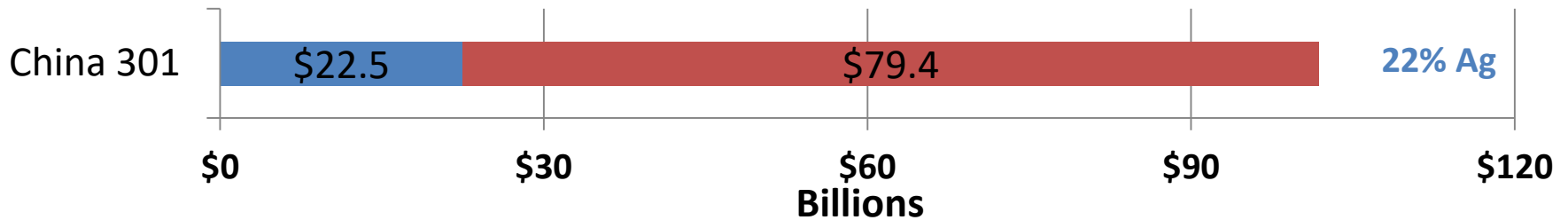
(Percent Deviation from Control)



- Tariffs in baseline
- Add China (25 percent on \$267 billion) with retaliation
- Add cars, trucks, and parts with retaliation
- Add confidence effect
- Add market reaction

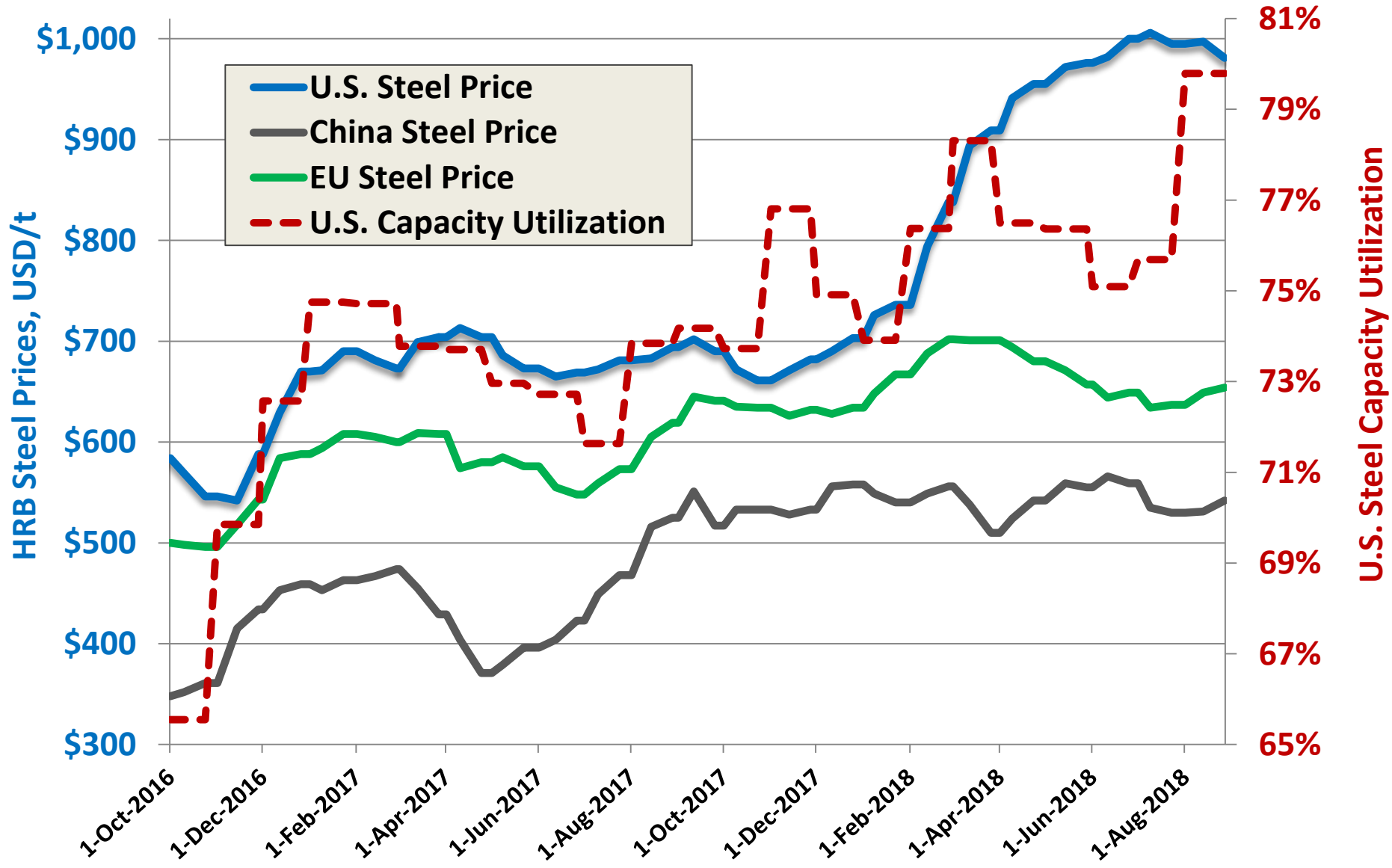
Source: IMF World Economic Outlook, October 2018

# U.S. Agricultural Exports and Non-Ag Exports Affected by Retaliation



# U.S. Steel Capacity Utilization & Price

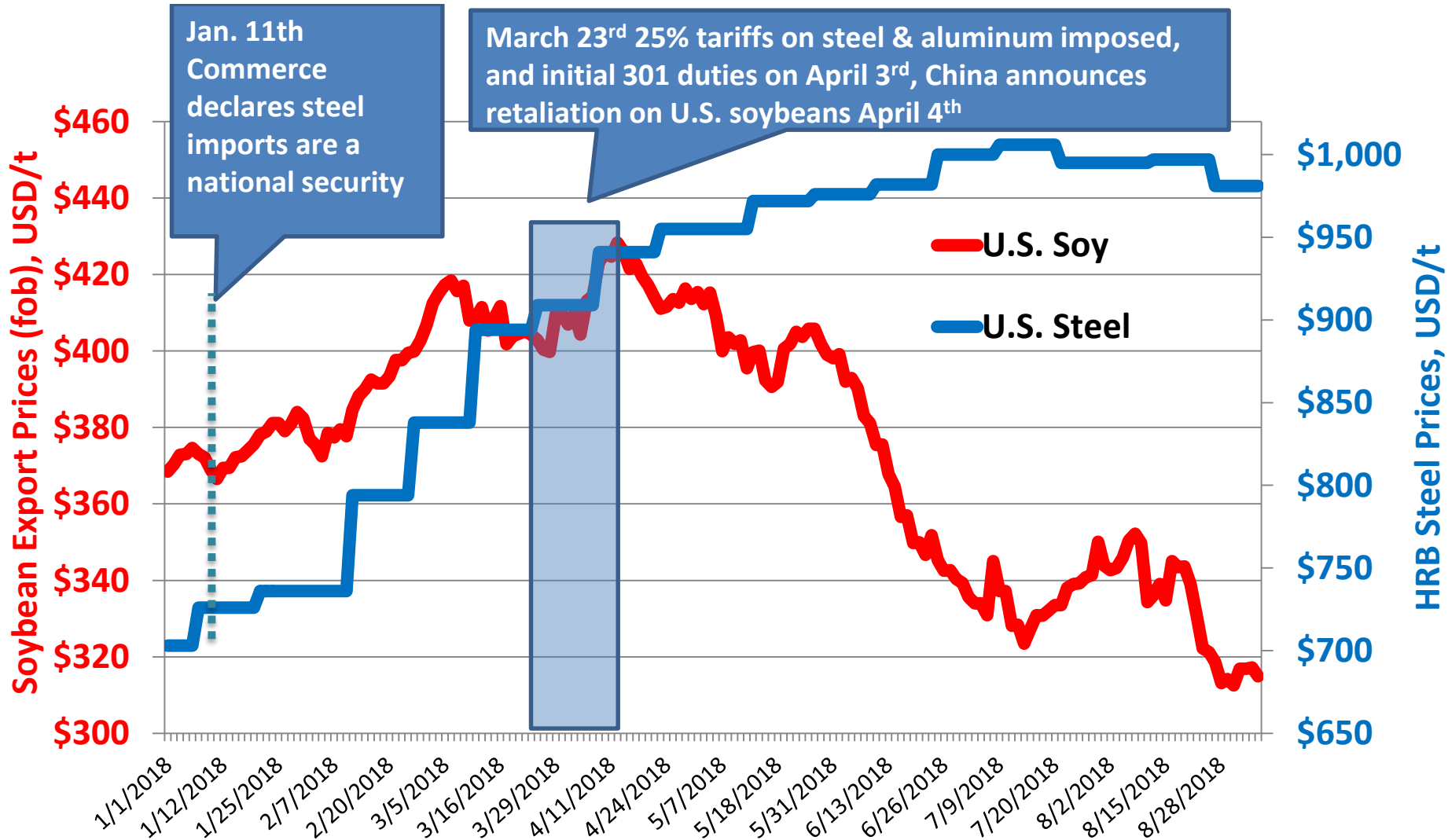
## October 2016 – August 2018





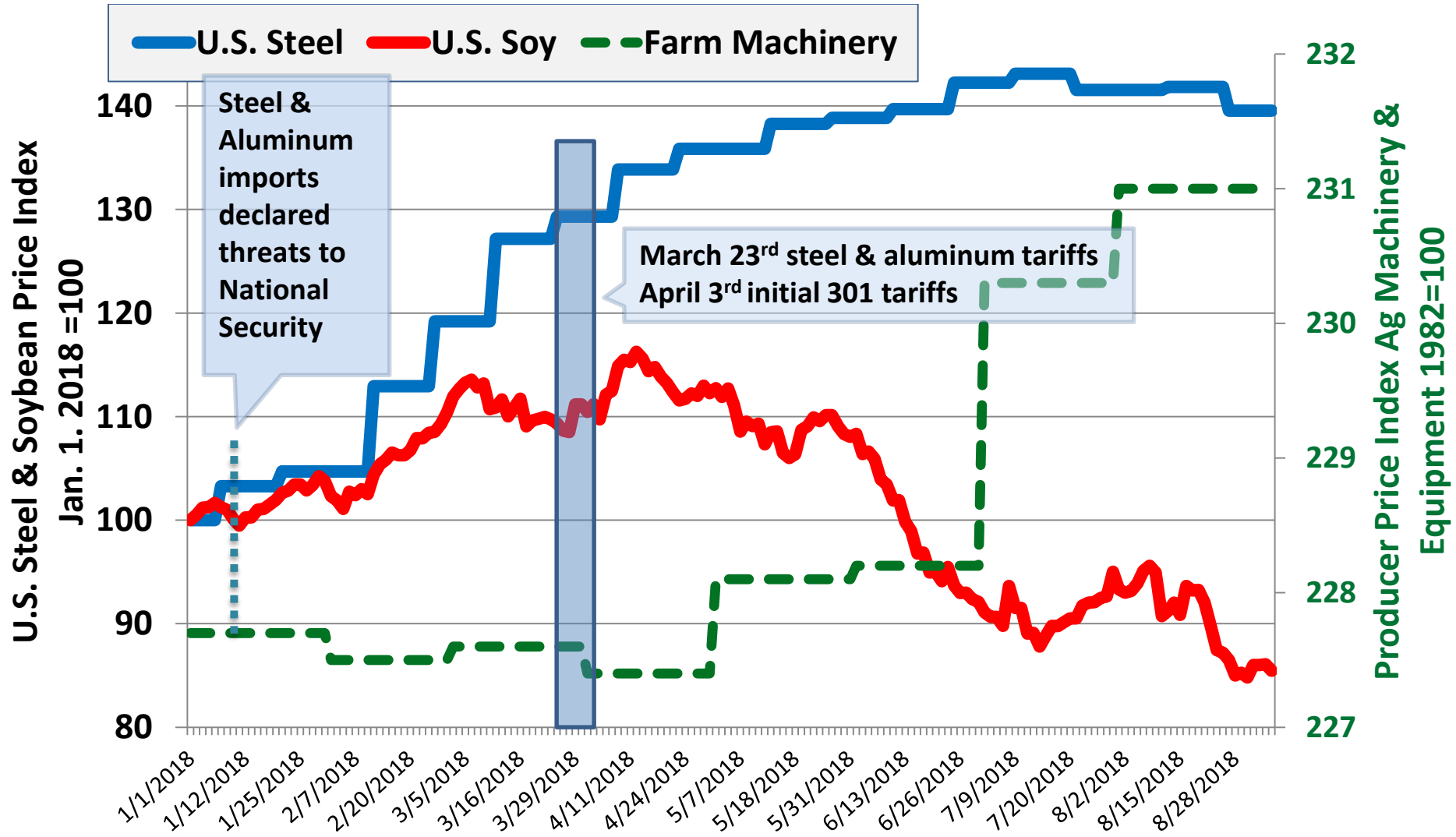
# U.S. Steel and U.S. Soybeans

Price Comparison (January 2018 – August 2018)



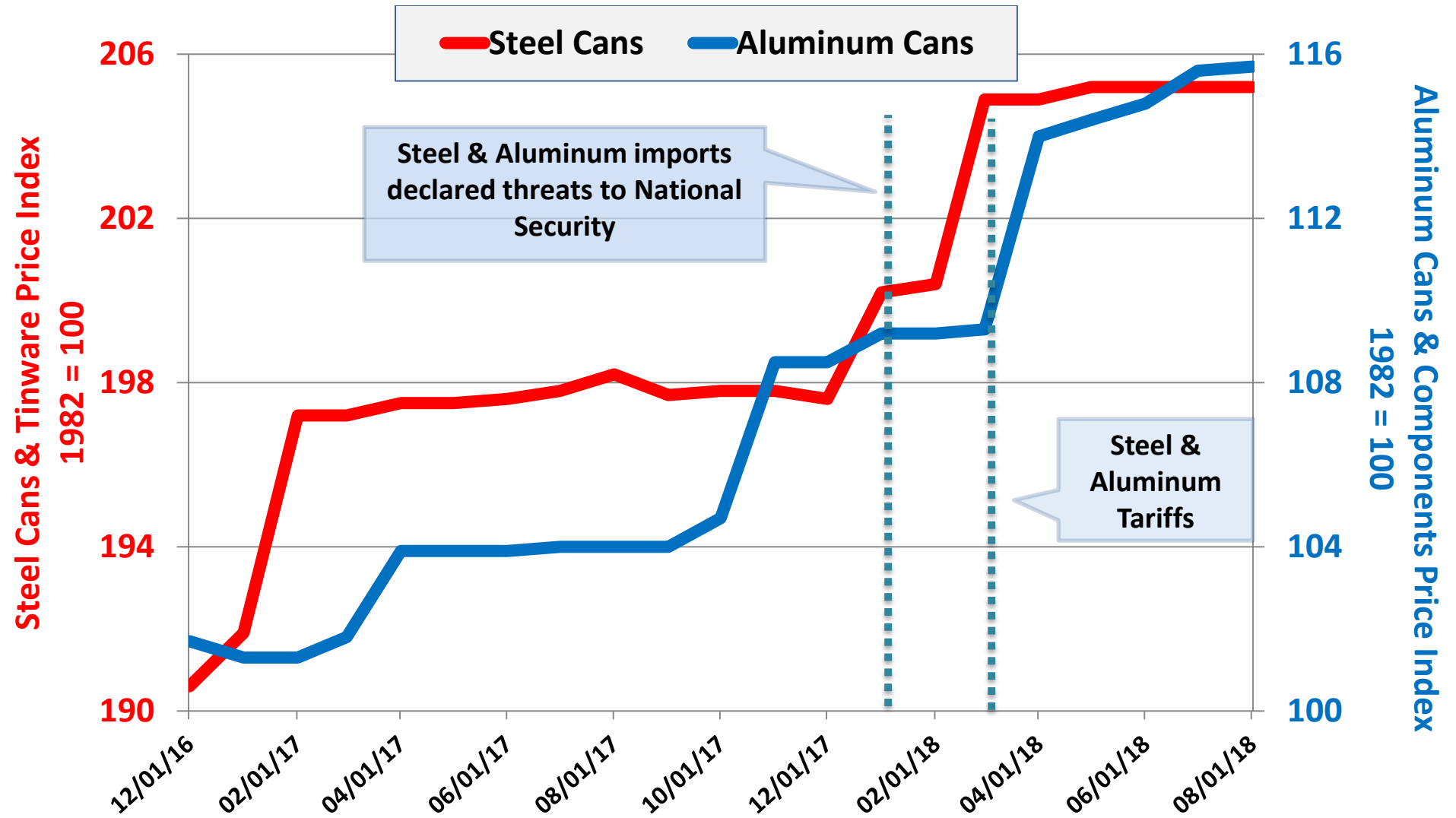
# U.S. Steel, Soybeans, & Farm Machinery Prices

Price Comparison (January 2018 – August 2018)



# Steel & Aluminum Can Prices

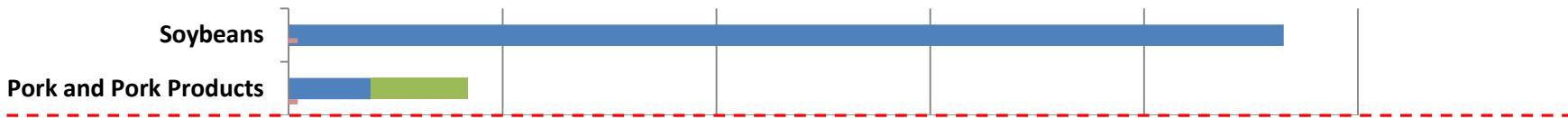
(December 2016 – August 2018)



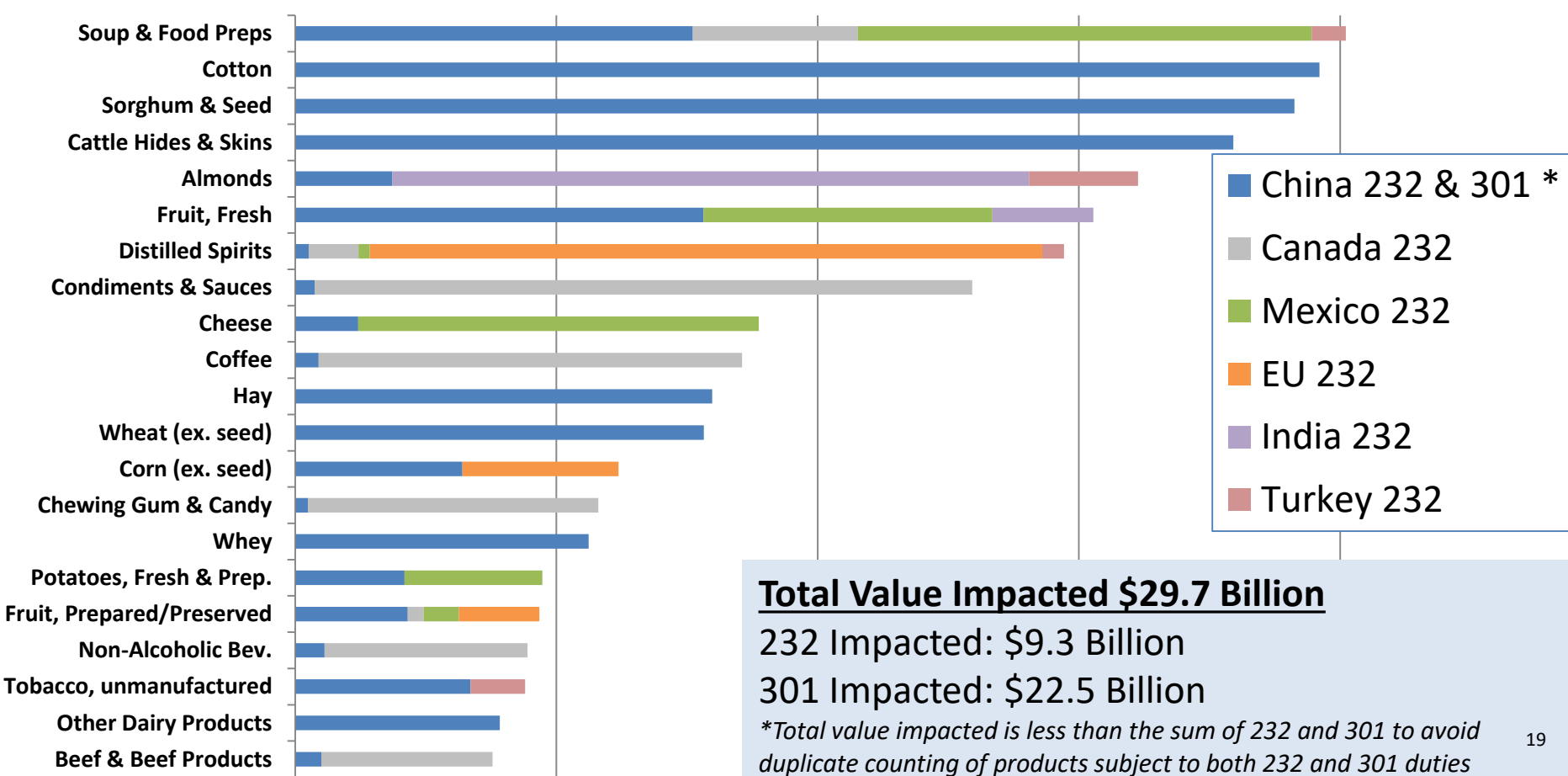
# Top U.S. Ag Exports Affected by Tariff Retaliation

*Products Across All U.S. Ag Export Sectors Are Impacted*

Billions USD \$0 \$3 \$6 \$9 \$12 \$15



Millions USD \$0 \$250 \$500 \$750 \$1,000



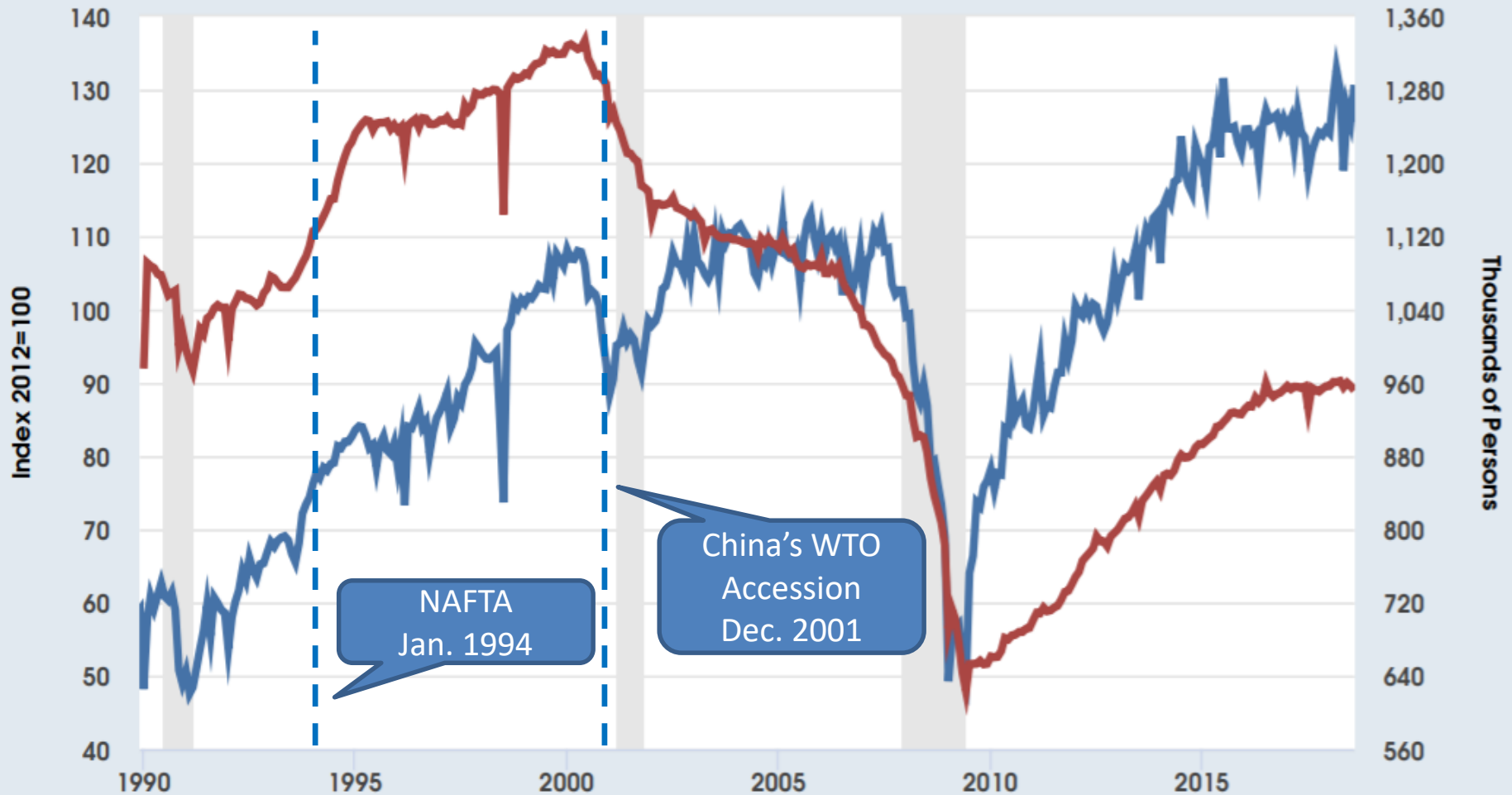
**Total Value Impacted \$29.7 Billion**  
 232 Impacted: \$9.3 Billion  
 301 Impacted: \$22.5 Billion  
*\*Total value impacted is less than the sum of 232 and 301 to avoid duplicate counting of products subject to both 232 and 301 duties*

# Auto Output & Employment

## Jan. 1990 - Aug. 2018

FRED

— Industrial Production: Durable manufacturing: Motor vehicles and parts (left)  
— All Employees: Durable Goods: Motor Vehicles and Parts (right)



Shaded areas indicate U.S. recessions

Sources: BLS, Board of Governors

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[myf.red/g/ltay](http://myf.red/g/ltay)

# Autos and Ag Trade

## The Top 6 U.S. Ag. Export Markets are also the Top 6 U.S. Autos & Parts Suppliers

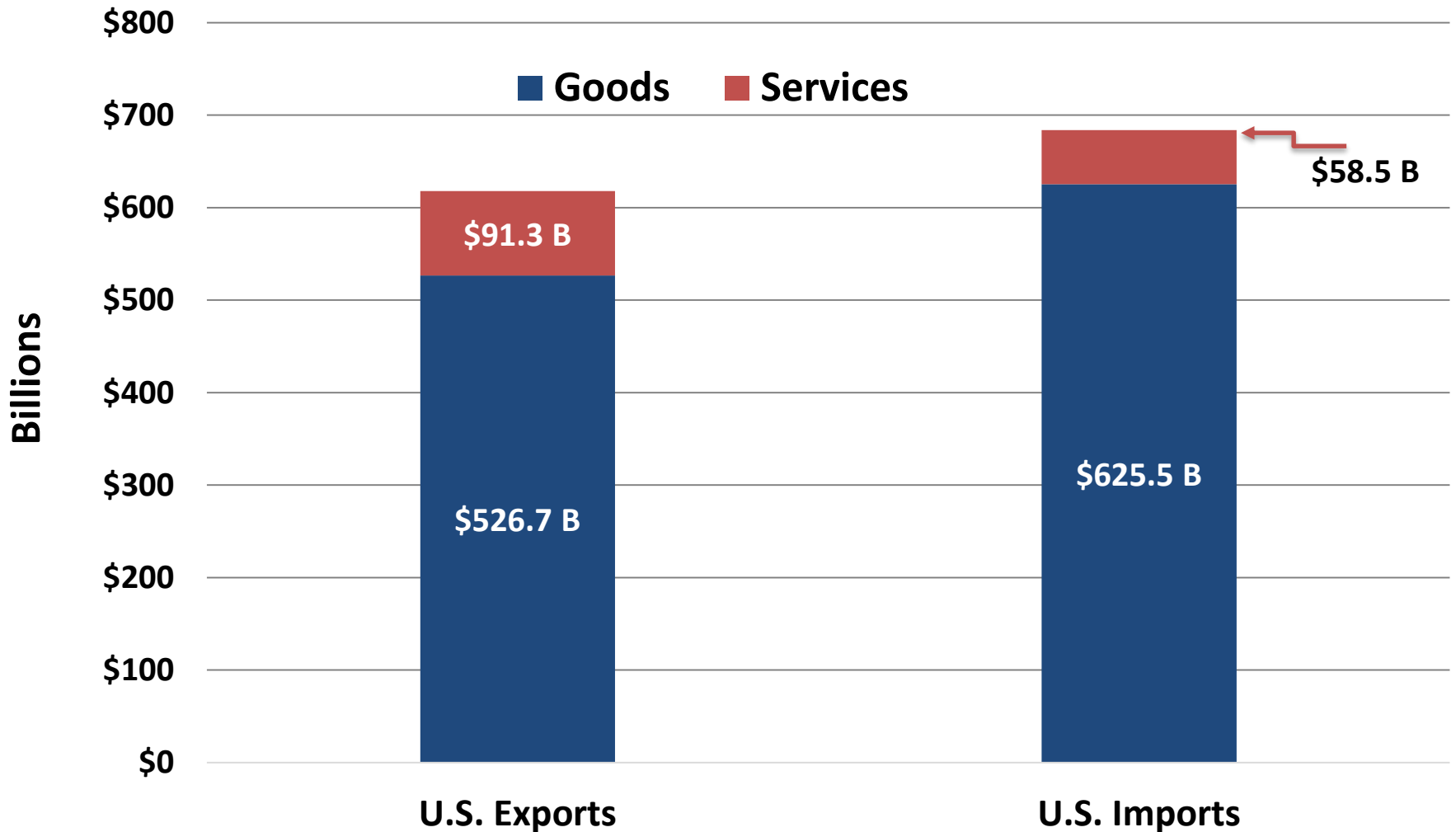
Market	Ag Market Rank	% of Ag Exports	U.S. Ag Exports \$billion	Auto Supplier Rank	% of Auto Imports	U.S. Auto* Imports \$billion
Canada	1	15%	20.5	3	17%	61.0
China	2	14%	19.6	6	5%	18.7
Mexico	3	13%	18.6	1	32%	110.9
Japan	4	9%	11.9	4	16%	55.5
EU	5	8%	11.5	2	18%	62.1
S. Korea	6	5%	6.9	5	7%	23.6
<b>Top 6 Subtotal</b>		<b>64%</b>	<b>89.0</b>		<b>95%</b>	<b>331.8</b>
<b>Total</b>			<b>\$138.4</b>			<b>\$349.2</b>

Sources: U.S. Census Foreign Trade Statistics via USDA/GATS and Commerce Office of Transportation

\*Auto Imports includes: New Passenger Vehicles & Light Trucks, Auto Parts, and Medium & Heavy Duty Trucks

# Spotlight on NAFTA

*U.S. Goods and Services exports to NAFTA partners were \$618 billion in 2017, while imports were over \$683 billion*

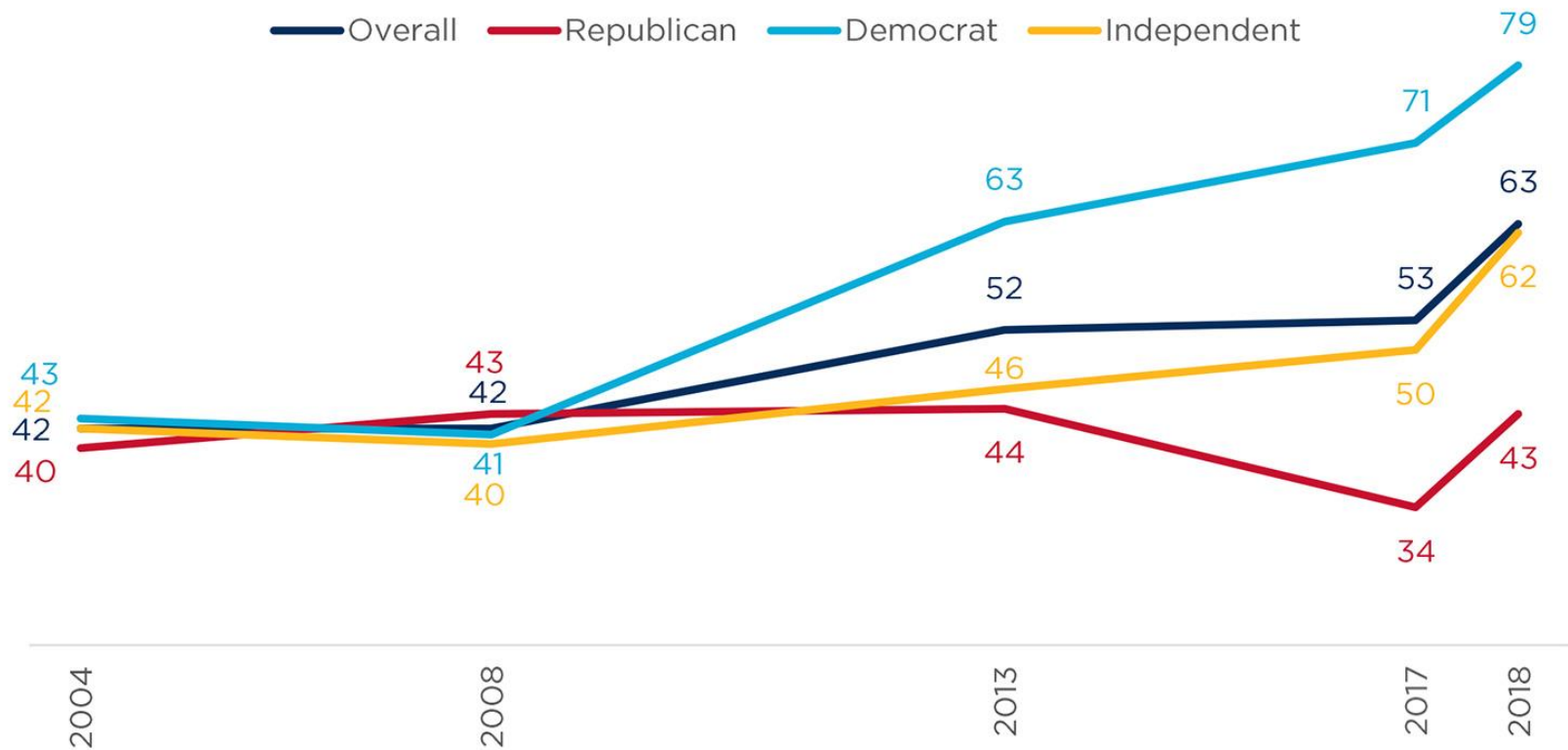




# NAFTA and Public Opinion

## NAFTA

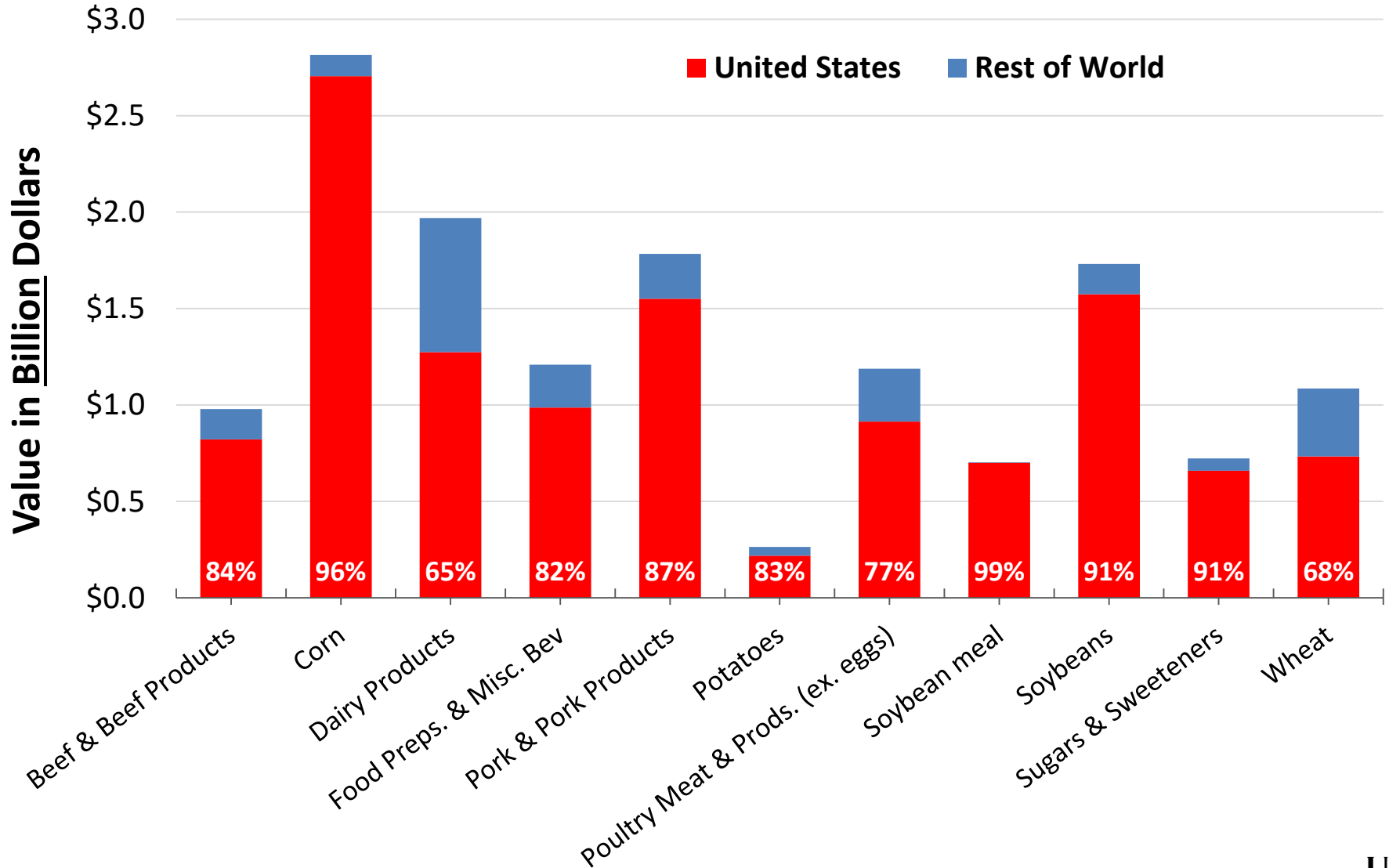
Overall, do you think the North American Free Trade Agreement, also known as NAFTA, is good or bad for the US economy? (% good)



July 12-31, 2018 | n=2046

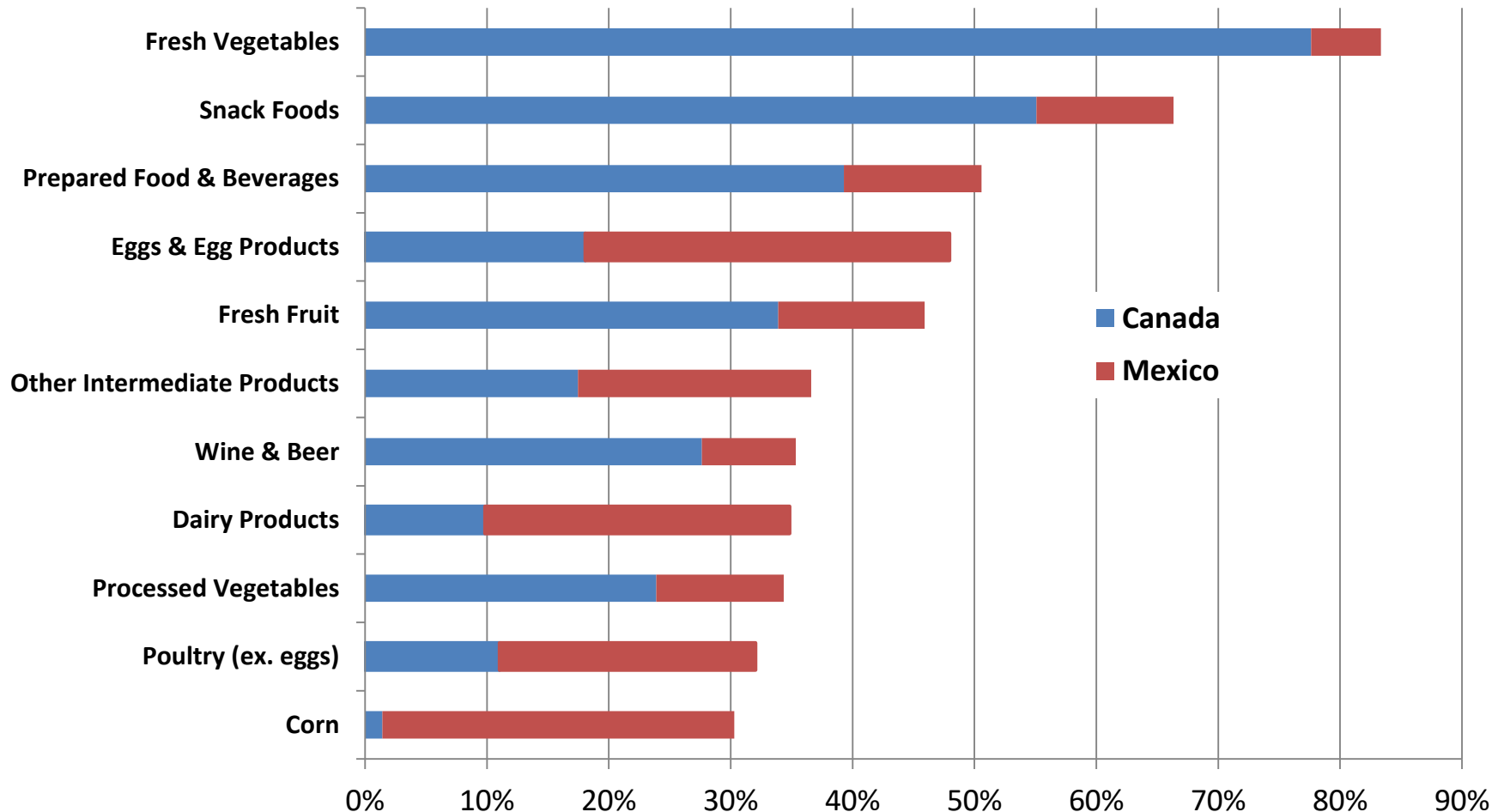
CHICAGO COUNCIL SURVEYS

# Mexican Agricultural Imports & U.S. Market Share 2017

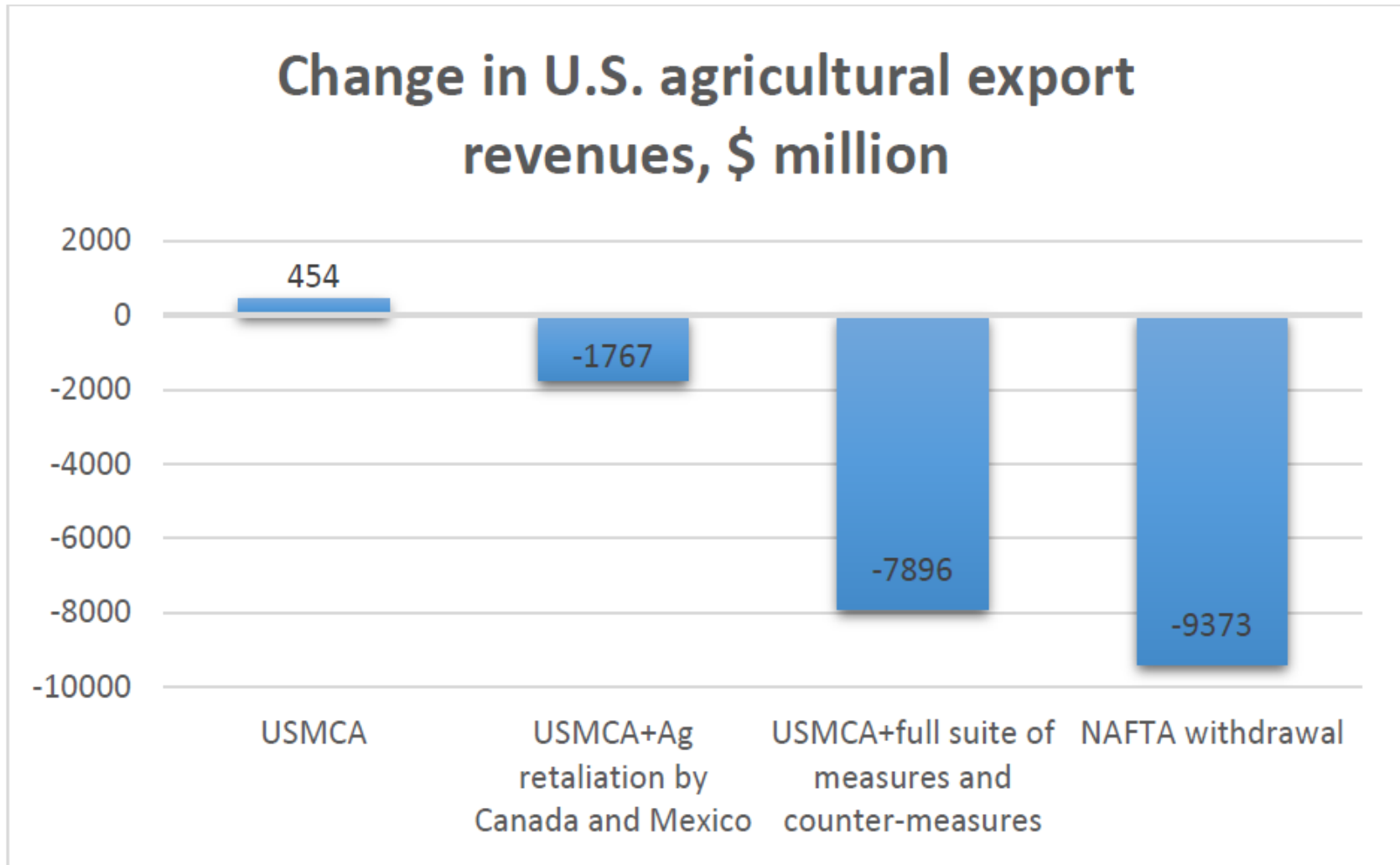


# Dependence on NAFTA Markets

## Percent of Select 2017 U.S. Agricultural Product Exports to NAFTA Countries



# We Want USMCA

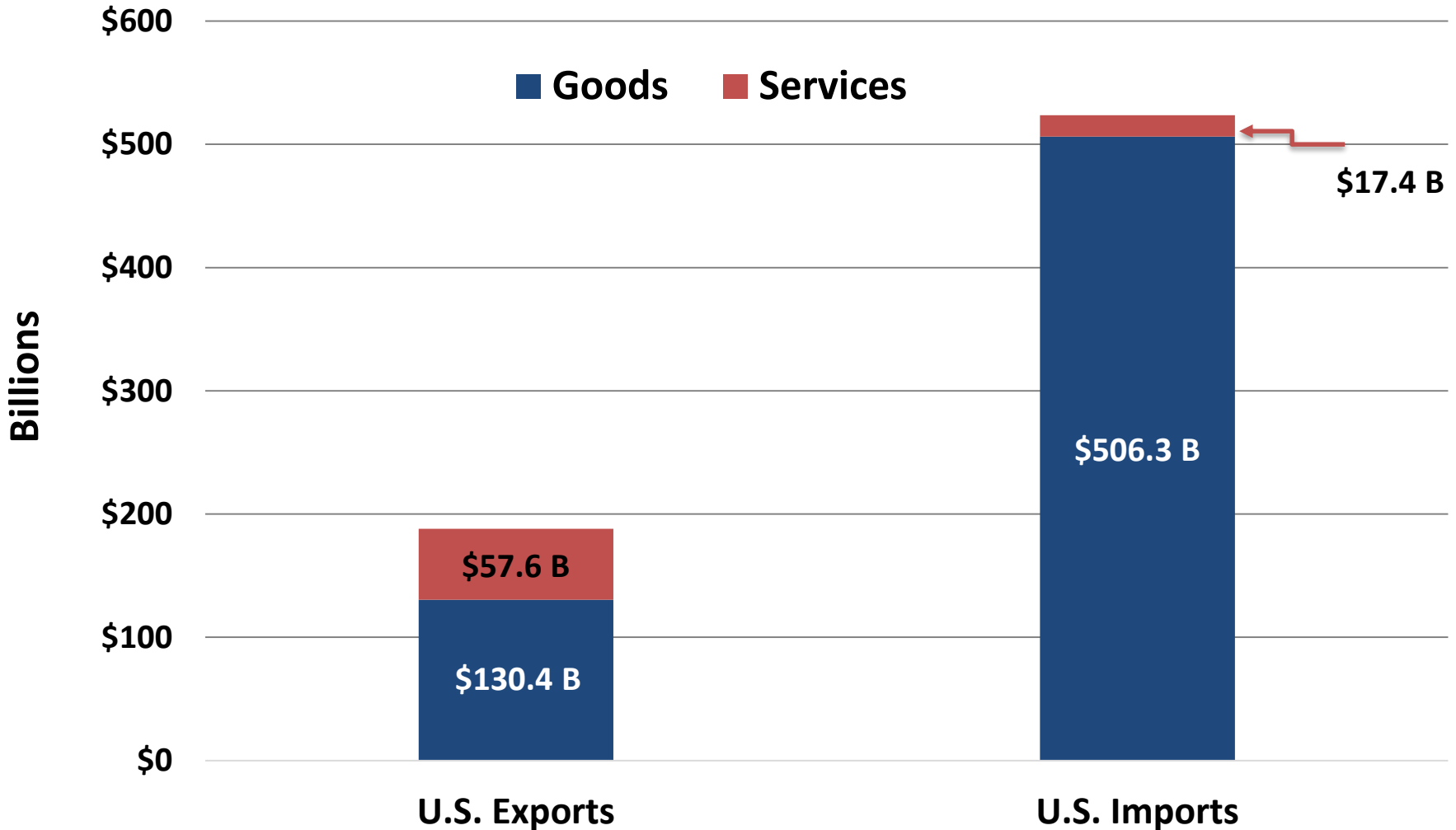


Source: How U.S. Agriculture Will Fare Under USMCA and Retaliatory Tariffs.

Farm Foundation. October 2018

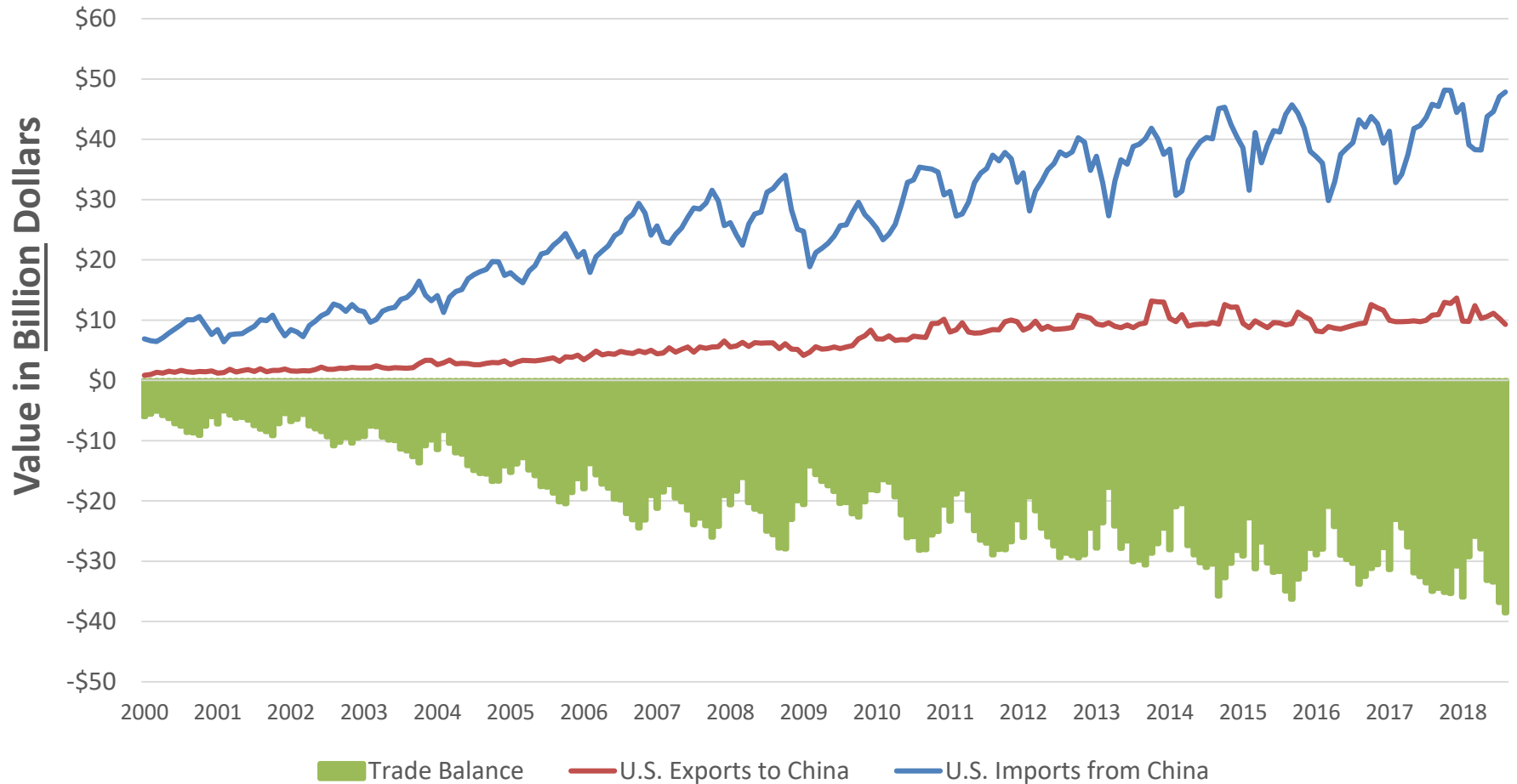
# Spotlight on China

*U.S. Goods and Services exports to China were \$188 billion in 2017, while imports from China were over \$523 billion*

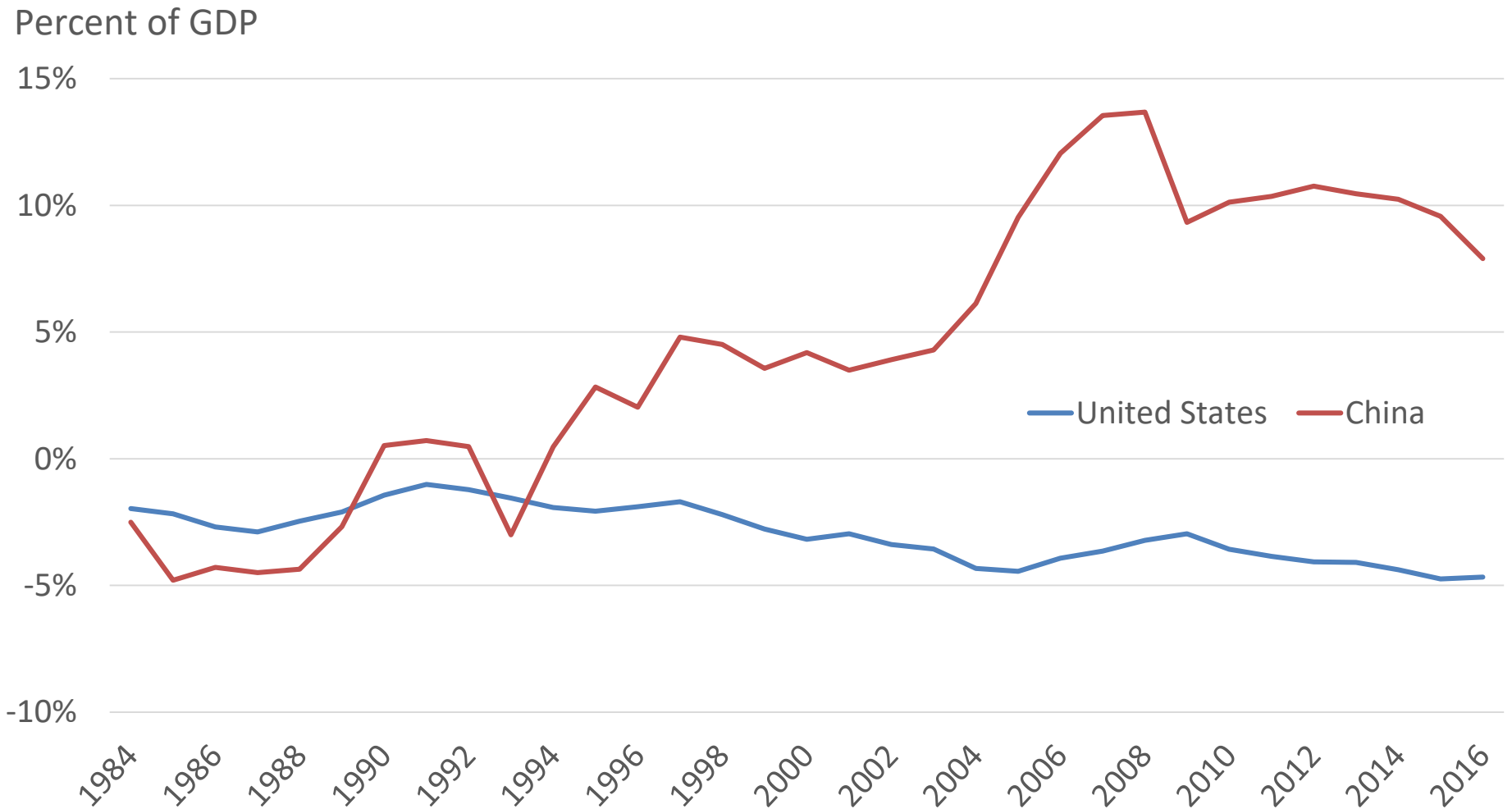


# U.S.-China Bilateral Trade Deficit

## Trade in Goods with China



# China and U.S. Net Exports of Manufactures



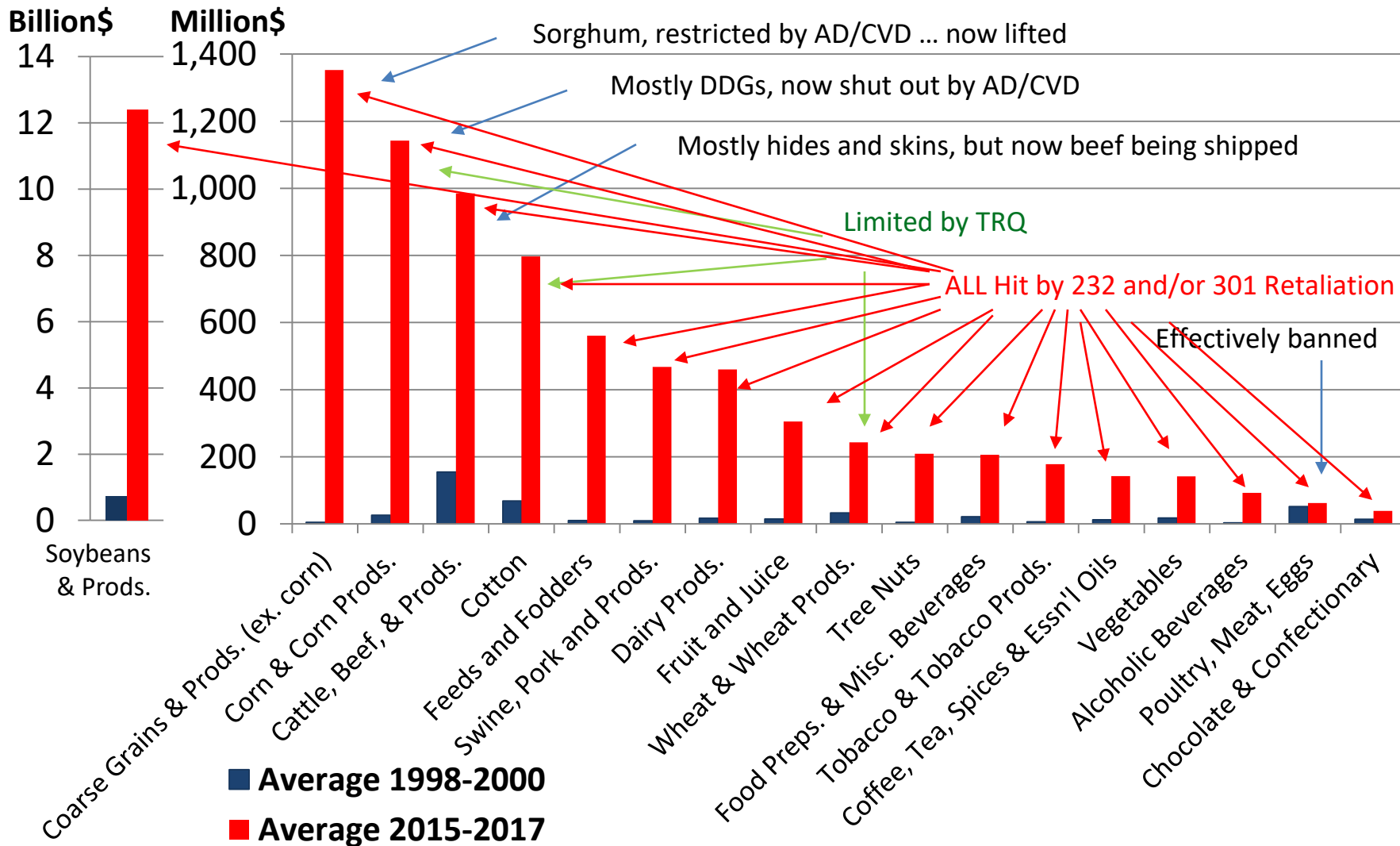
Source: World Bank – World Development Indicator Data

Hanson – “Distributional Consequences of Trade and Technology”, Oct 2018



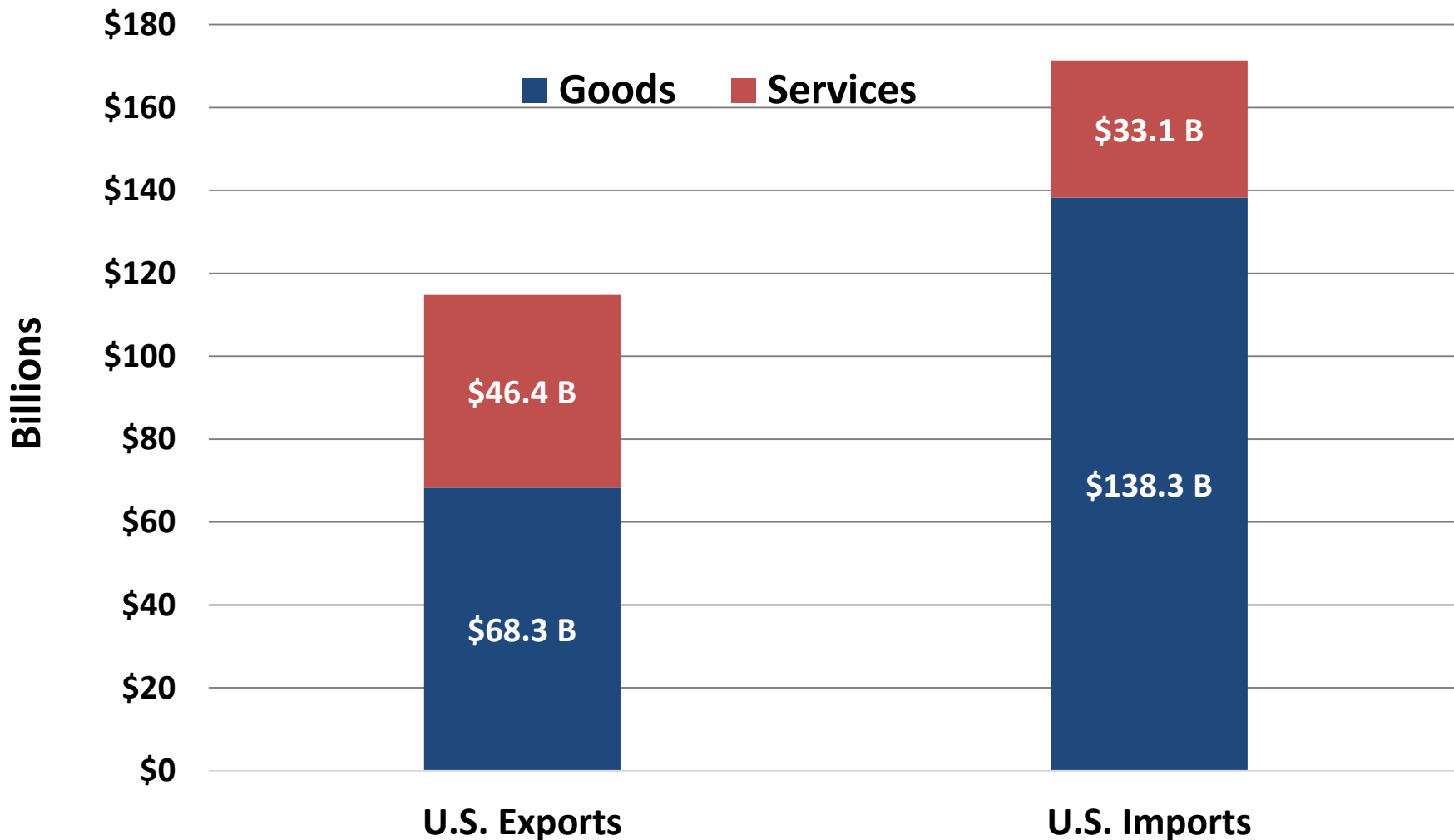
# U.S. Agricultural Exports to China

3 Years Prior to 2001 WTO Accession Compared to 2015-2017

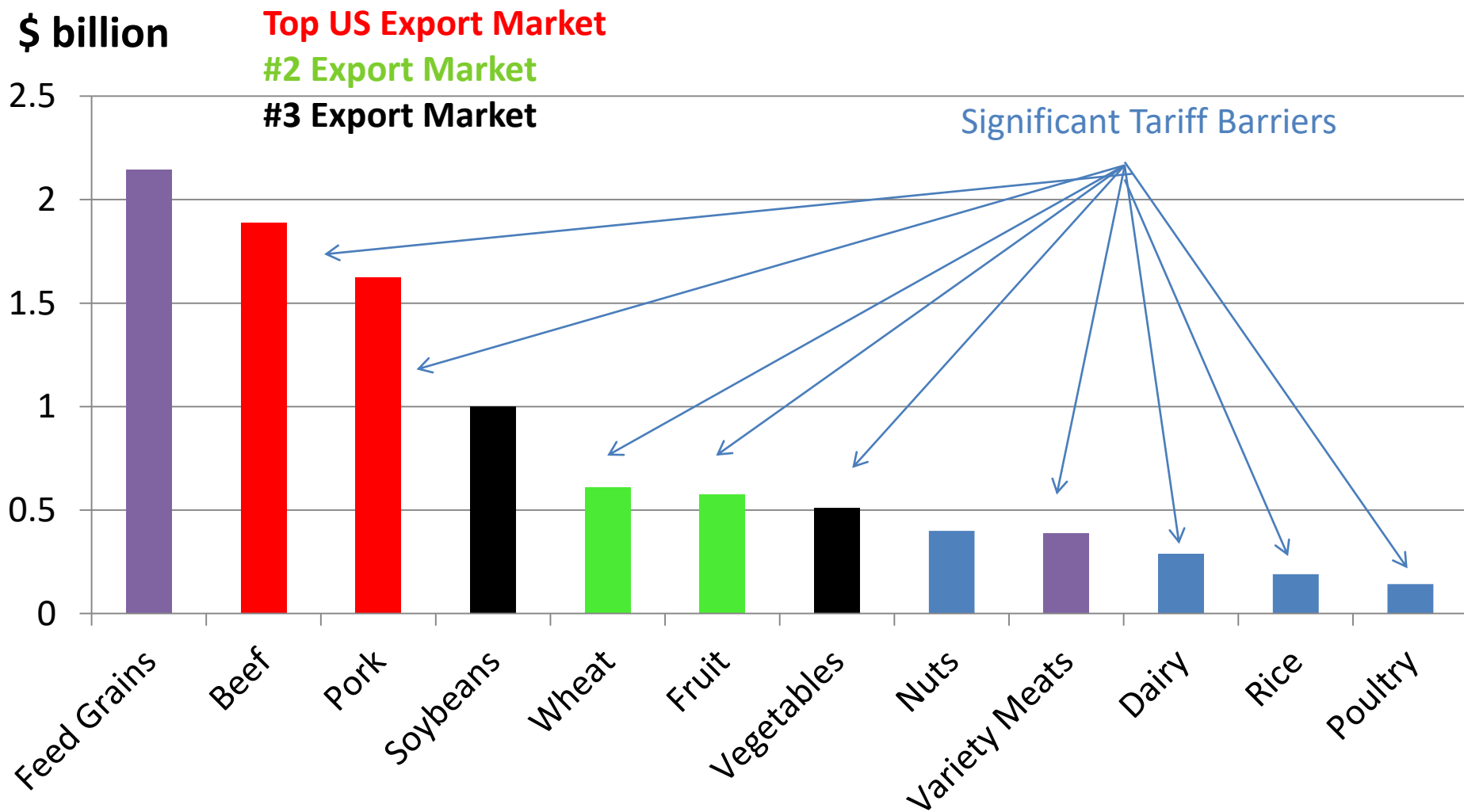


# Spotlight on Japan

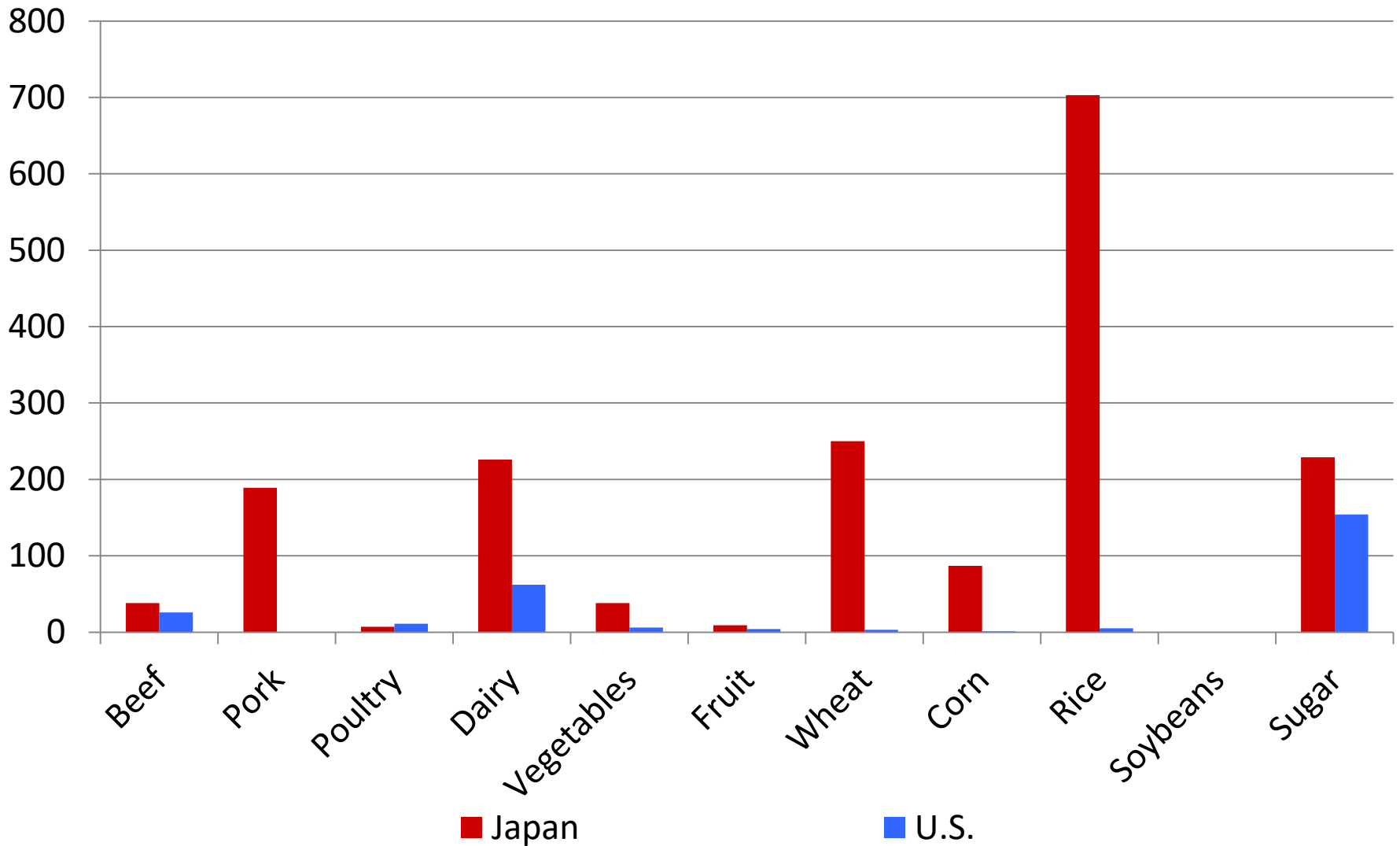
*U.S. Goods and Services exports to Japan were over \$114 billion in 2017, while imports from Japan were over \$171 billion.*



# Key U.S. Ag Exports to Japan: 2017



# Japan – U.S. Tariff Comparison



# Top U.S. Ag Exports to Japan

Top Export Products	2017 (value of Exports in Millions USD)	Highest Tariff Rate for U.S. <sup>3</sup>	Competitors' Tariff (full implementation)	Japan's Rank as U.S. Market
Corn	\$ 2,145	3%	Free	2
Pork & Pork Products	\$ 1,626	20%	Free <sup>1</sup> (Gate Price)	1
Beef & Beef Products	\$ 1,889	38.5%	9%	1
Soybeans	\$ 974	0%	Free	4
Processed Vegetables	\$ 510	23.8%	Free	2
Fresh Fruit	\$ 316	32%	Free	4
Prepared Foods	\$ 275	34%	Free	5
Dairy Products	\$ 291	40%	Free <sup>2</sup> (TRQ)	4
Rice	\$ 190	770% <sup>4</sup>	TRQ <sup>4</sup>	3
Wine & Beer	\$ 100	15%	Free	5
Poultry Meat & Prods. (ex. eggs)	\$ 84	12%	Free	11
<b>TOTAL</b>	<b>\$ 11,897</b>			<b>4</b>

1 Gate Price remains, but reduced from \$4.28 per kg to \$0.44 per kg.

2 Some products subject to TRQ, but with free in-quota tariffs.

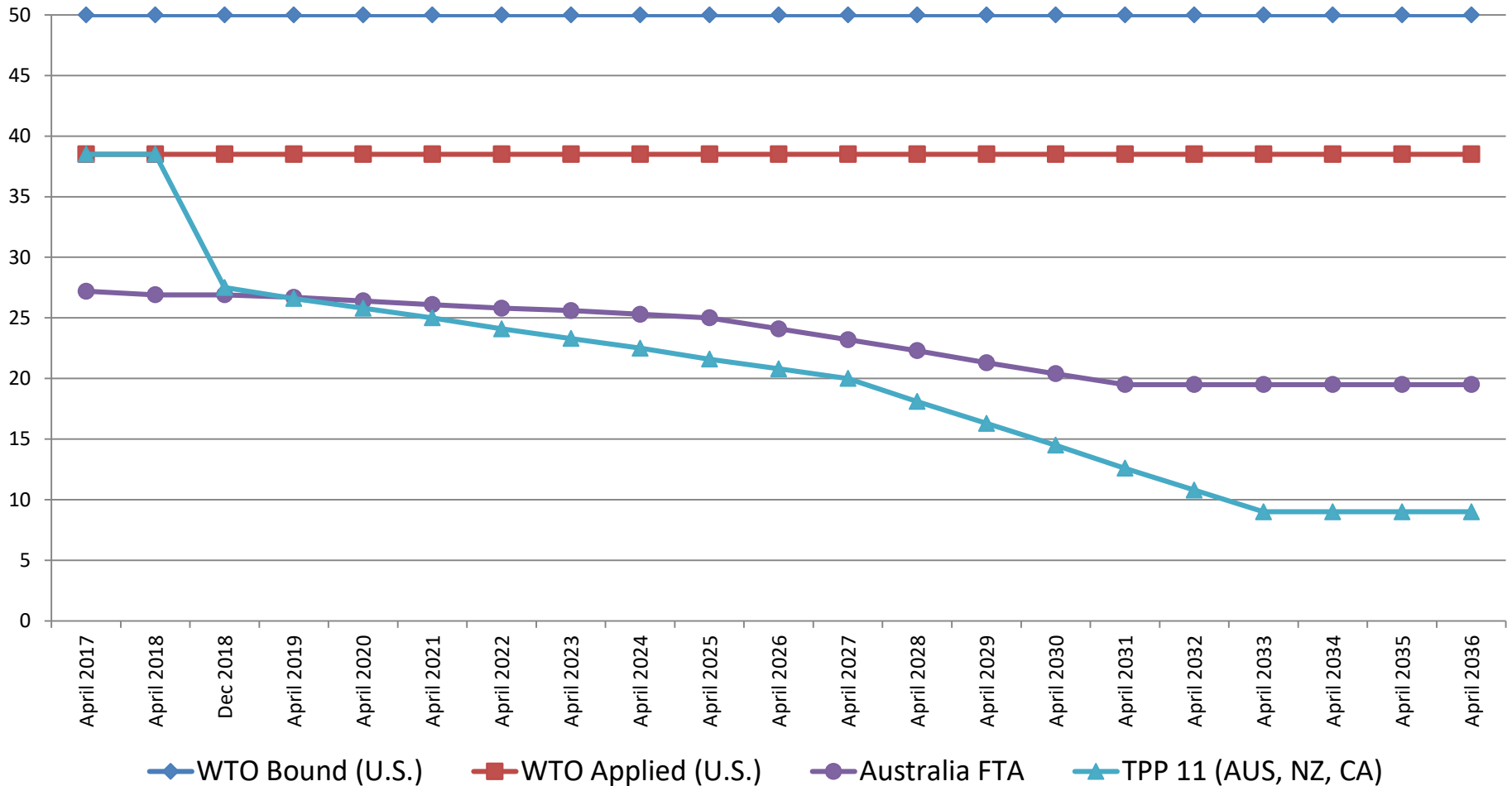
3 Applies only to the most prominent products (in the category) exported to Japan

4 Subject to TRQ. 770% out of quota tariff. Some TPP improvements to access under TRQ.

Source: U.S. Export Data: Global Agricultural Trade System (GATS), BICO HS-6

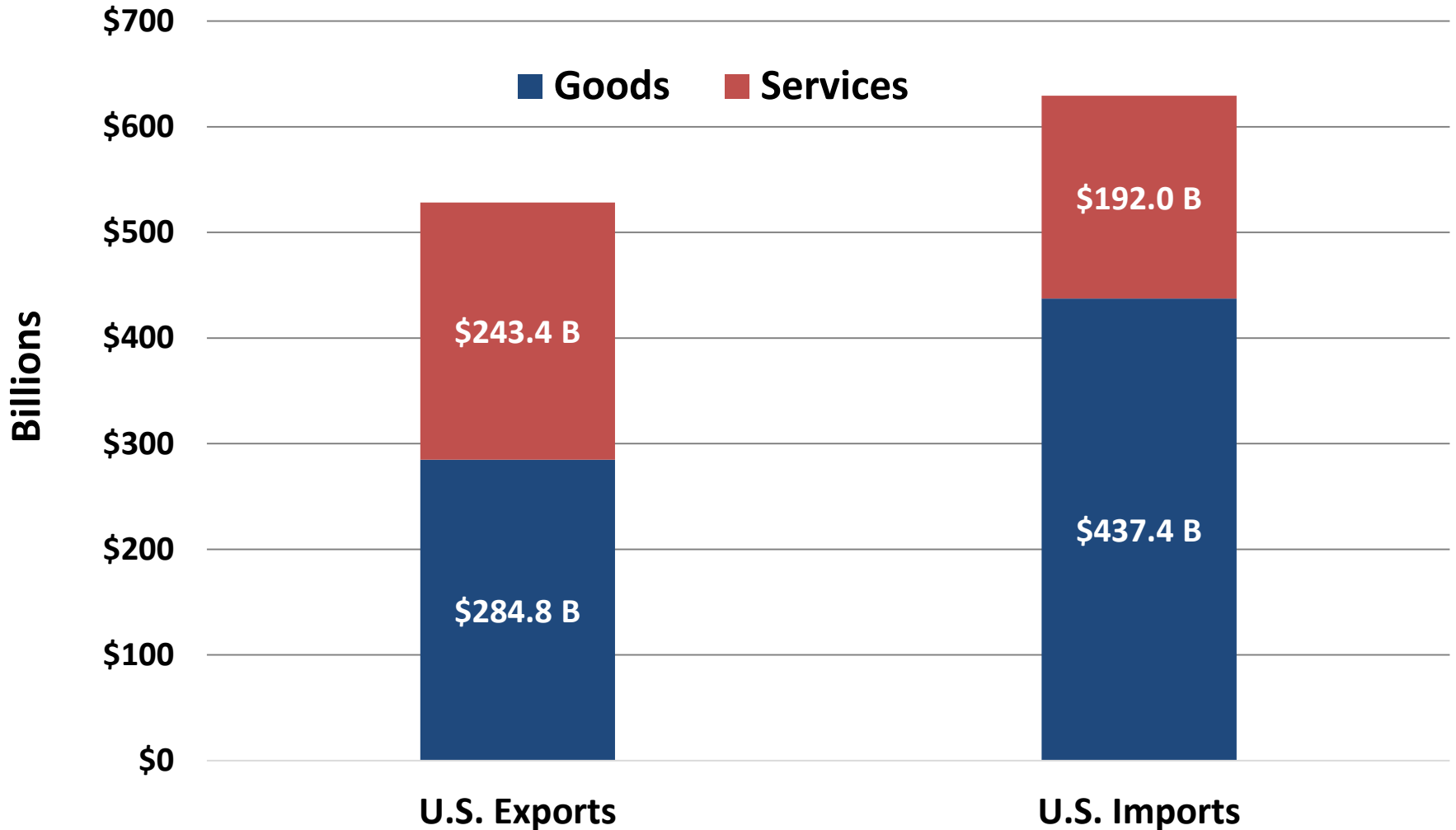
# Japan Beef Tariff

## Japan's Import Tariffs on Beef (%)



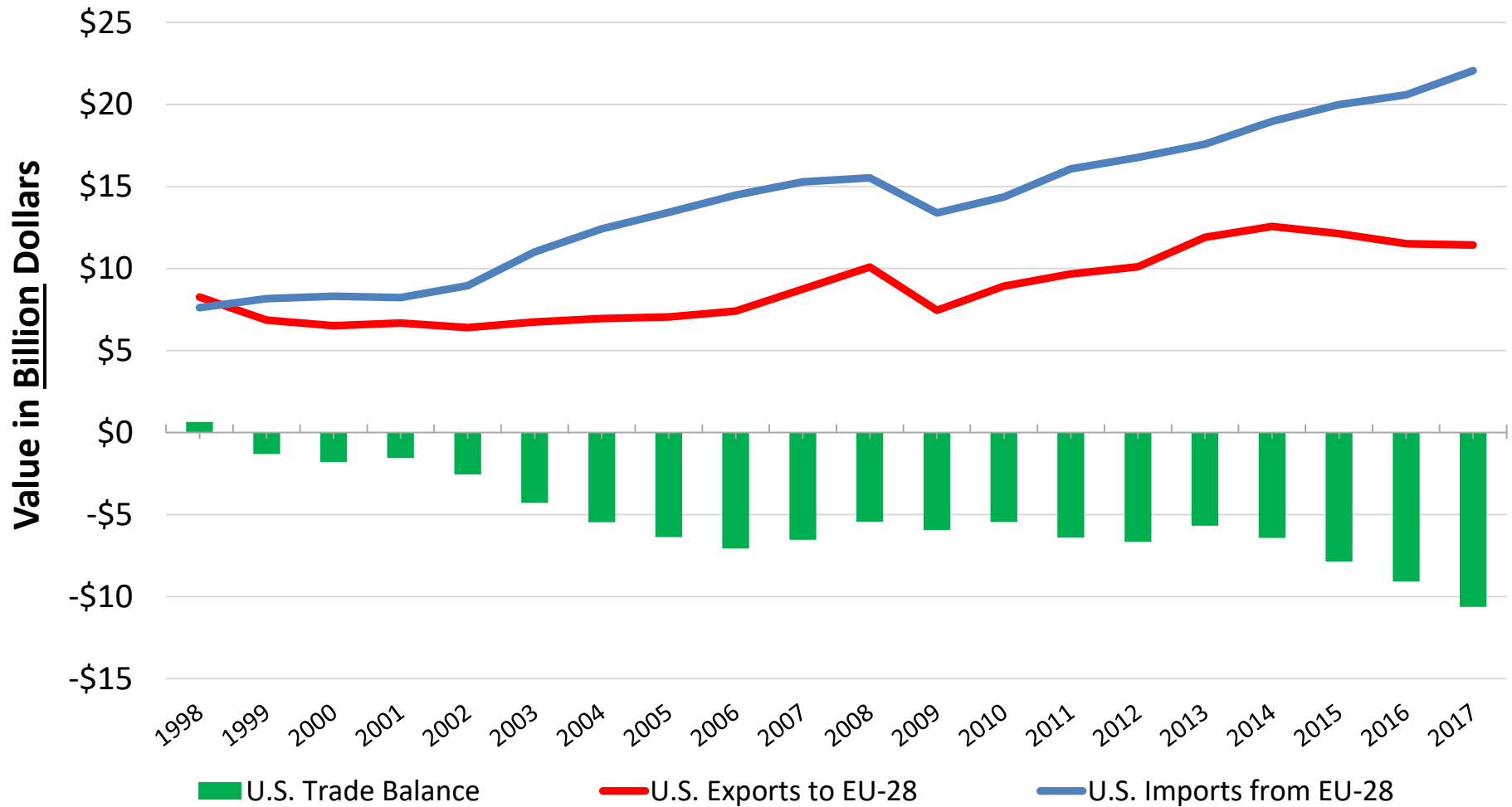
# Spotlight on European Union-28

*U.S. Goods and Services exports to EU-28 were over \$528 billion in 2017, while imports from EU-28 were over \$629 billion.*





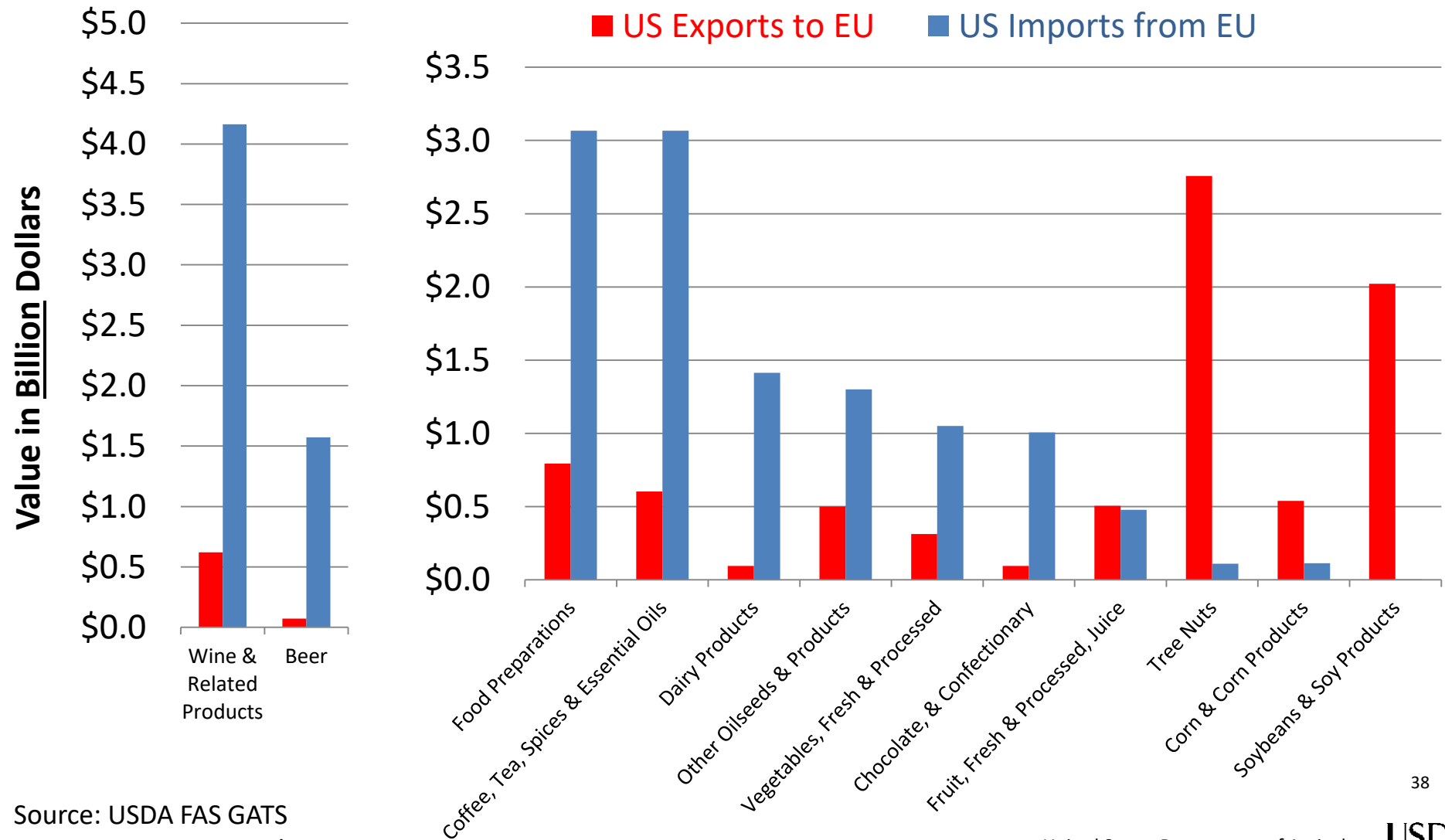
# U.S. Trade with European Union-28: Agricultural Products



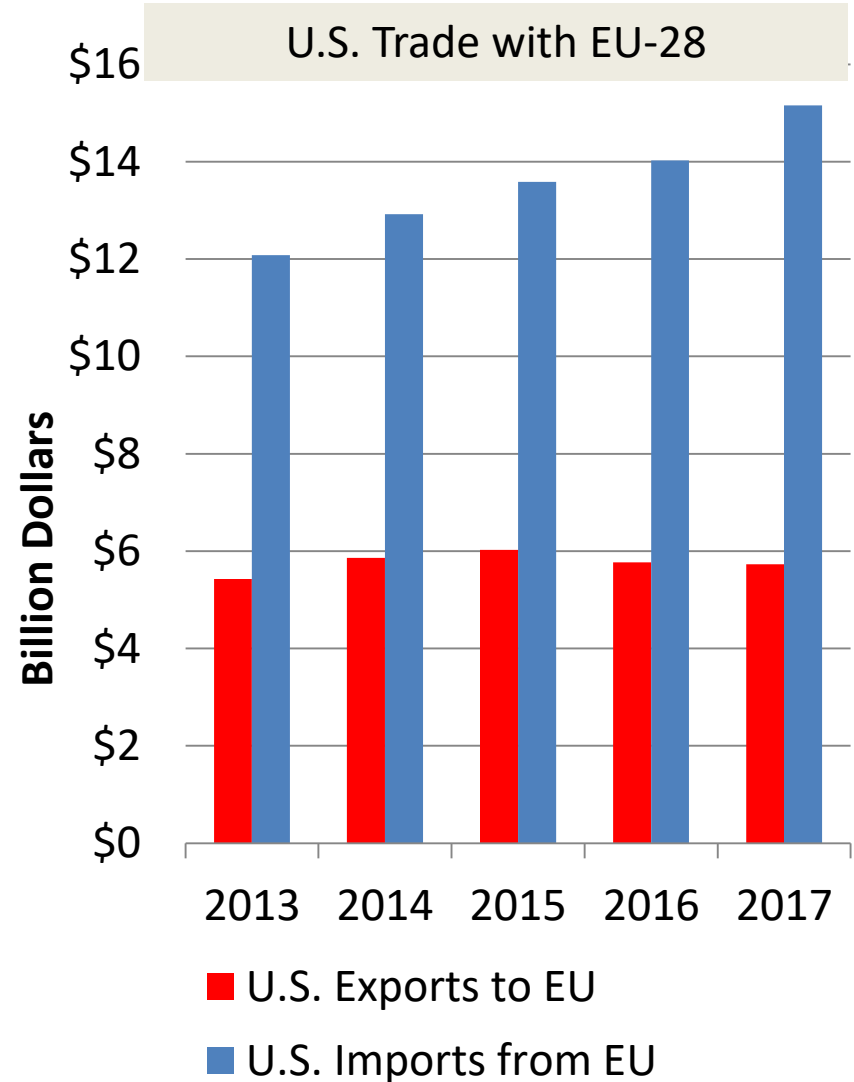
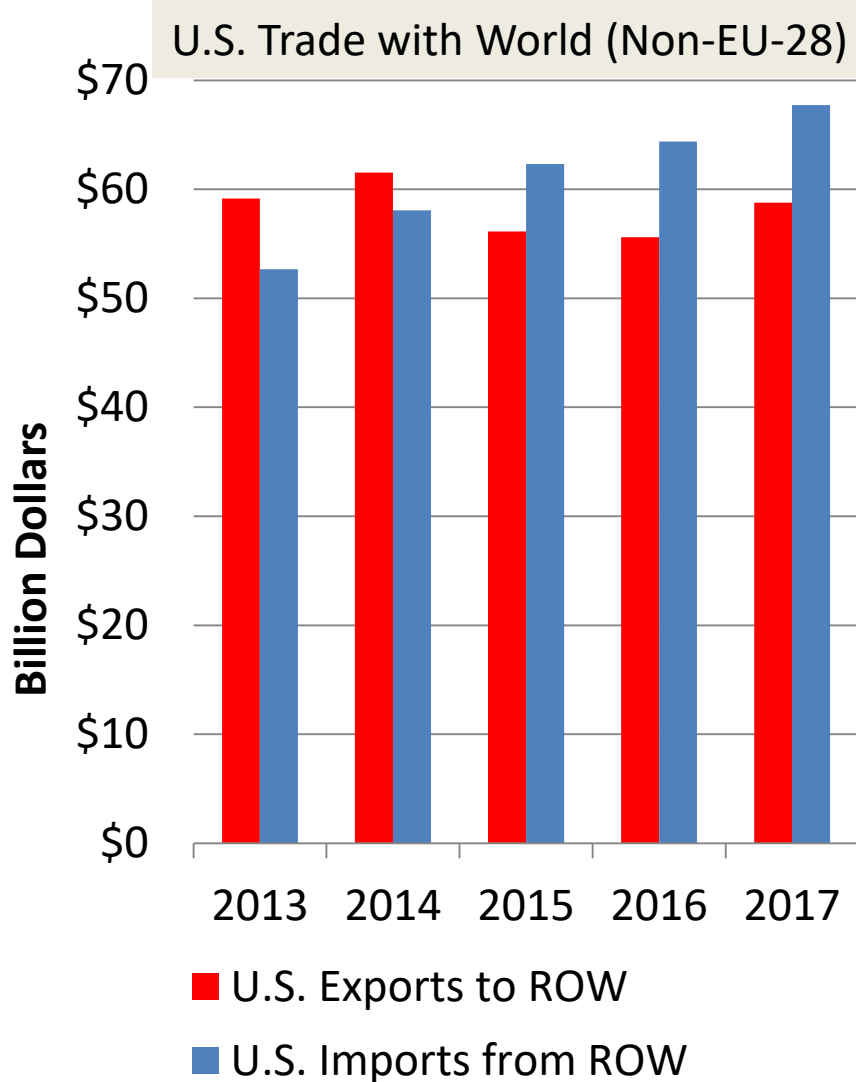
Source: USDA FAS/GATS BICO-HS10

# U.S. Trade with European Union-28: Agricultural Products

## (Three Year Average 2015-17)

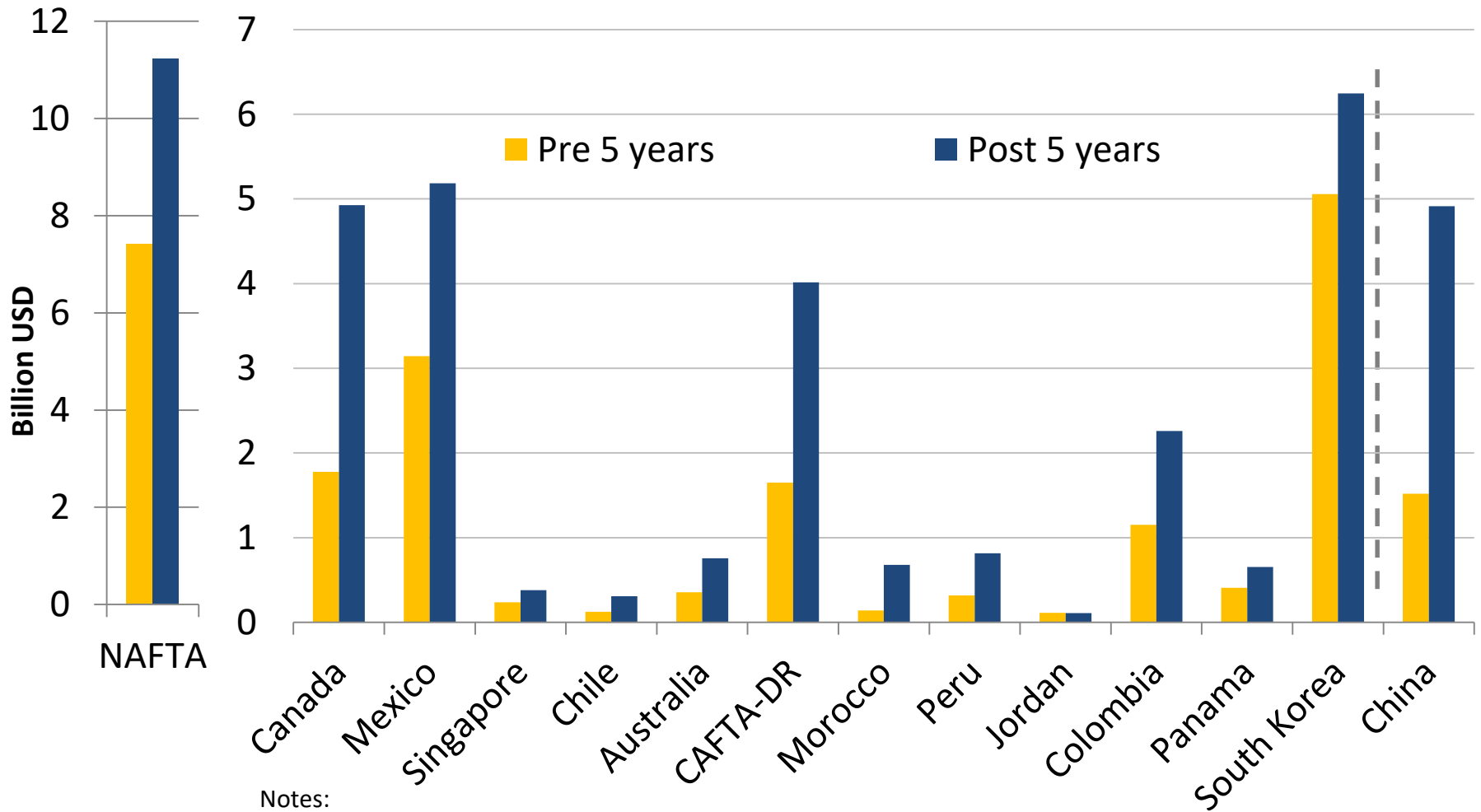


# U.S. Trade of Consumer-Oriented Agricultural Products



# U.S. Agricultural Exports: Before and After FTAs and WTO Accessions

*(Comparison average pre and post five years)*

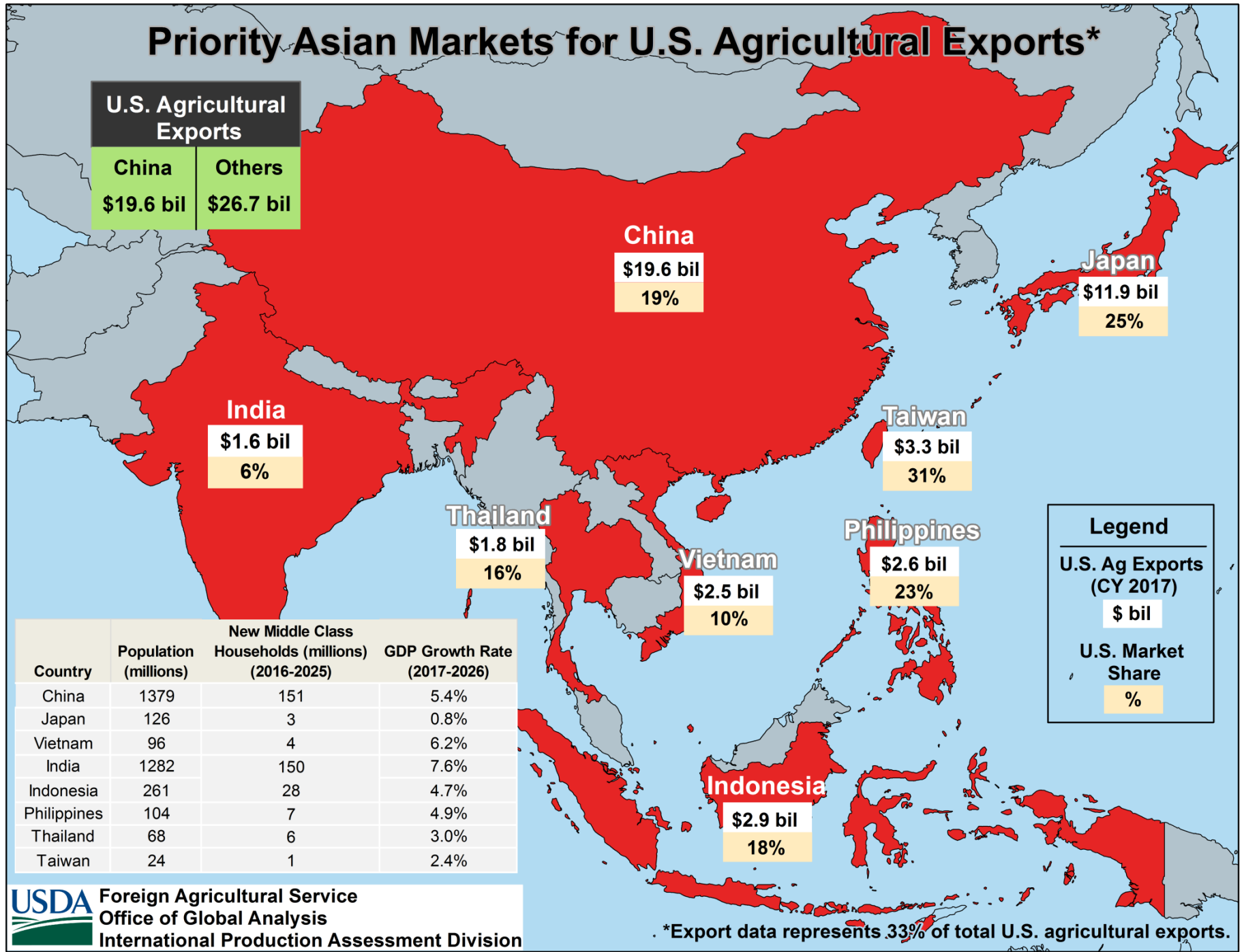


Notes:

- Canada timeline is for US-Canada FTA. Mexico timeline is for NAFTA.
- China is included for pre- and post- WTO accession comparison purposes.

# Priority Asian Markets for U.S. Agricultural Exports\*

U.S. Agricultural Exports	
China	Others
\$19.6 bil	\$26.7 bil



**Legend**

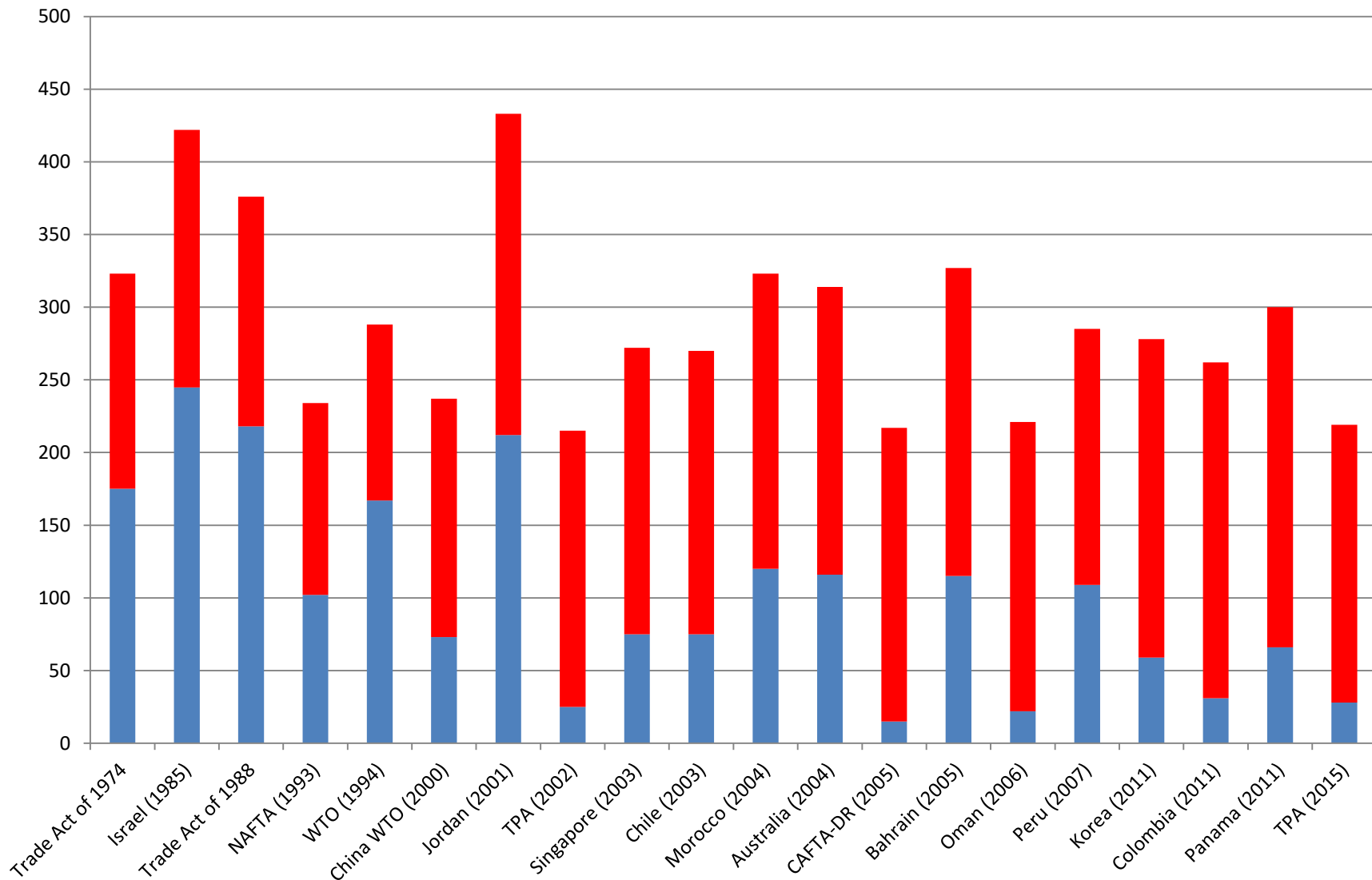
U.S. Ag Exports (CY 2017)  
\$ bil

U.S. Market Share  
%

Country	Population (millions)	New Middle Class	
		Households (millions) (2016-2025)	GDP Growth Rate (2017-2026)
China	1379	151	5.4%
Japan	126	3	0.8%
Vietnam	96	4	6.2%
India	1282	150	7.6%
Indonesia	261	28	4.7%
Philippines	104	7	4.9%
Thailand	68	6	3.0%
Taiwan	24	1	2.4%

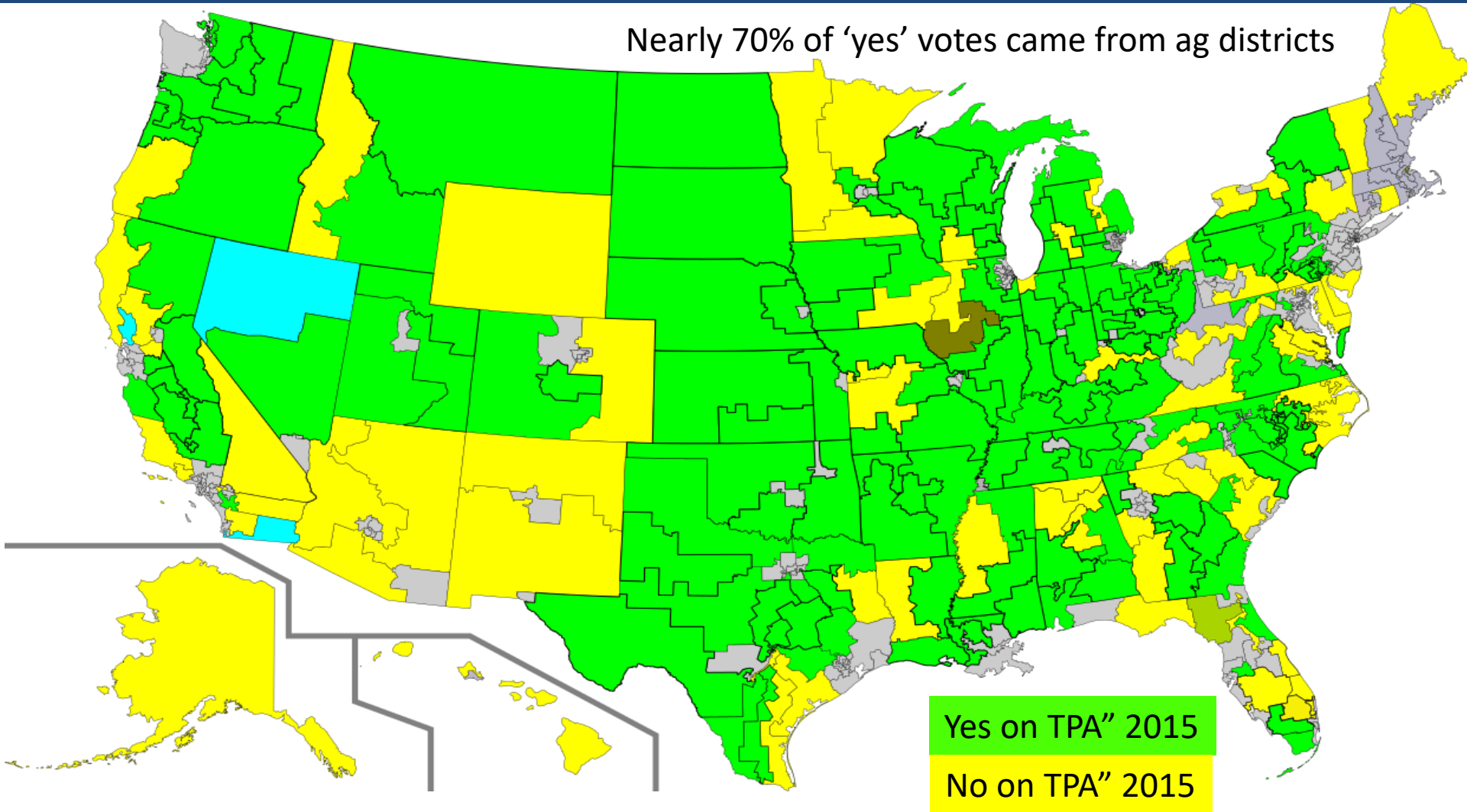
\*Export data represents 33% of total U.S. agricultural exports.

# No Ag, No Trade Agreement House Trade Votes



# 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)

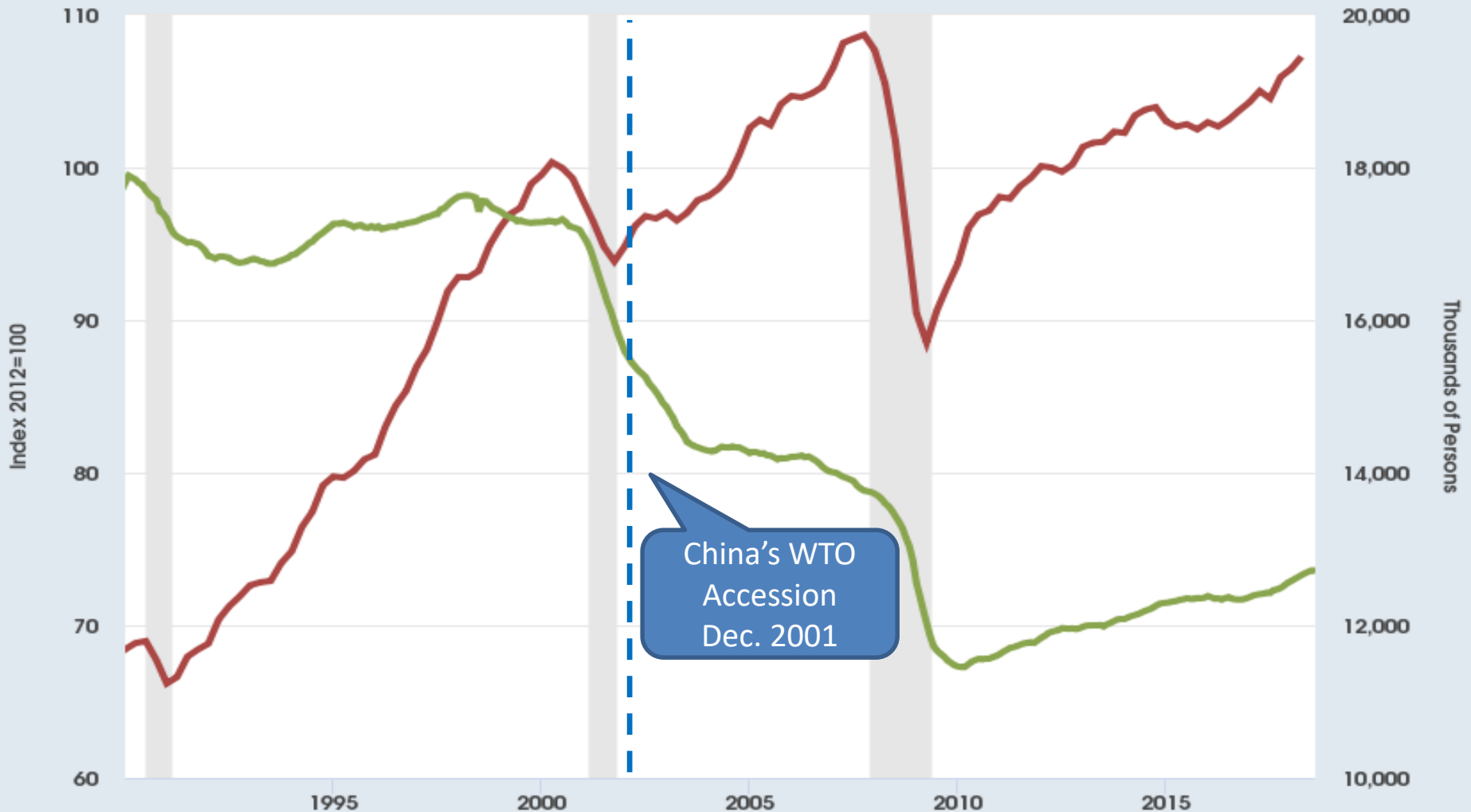
# Manufacturing Output & Employment

## Jan. 1990- Aug. 2018

FRED



— Manufacturing Sector: Real Output (left)  
— All Employees: Manufacturing (right)



Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Labor Statistics

myf.red/g/loff

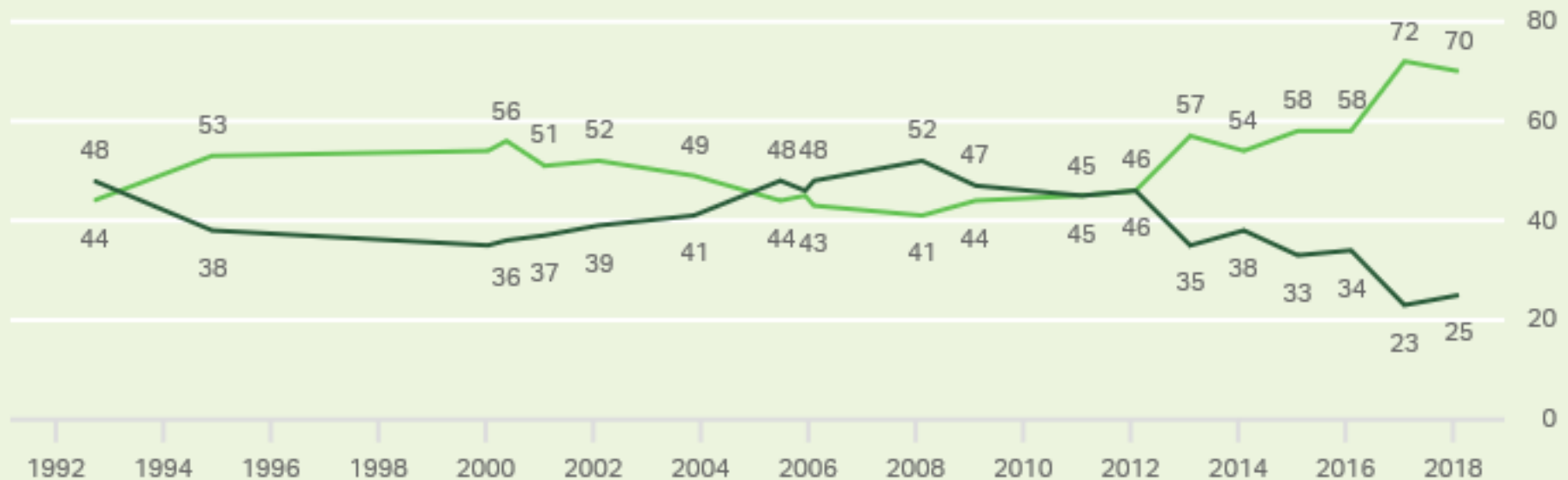


# Trade and Public Opinion

## Views of Foreign Trade as U.S. Opportunity Stay High

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 growth ■ % Threat from foreign imports

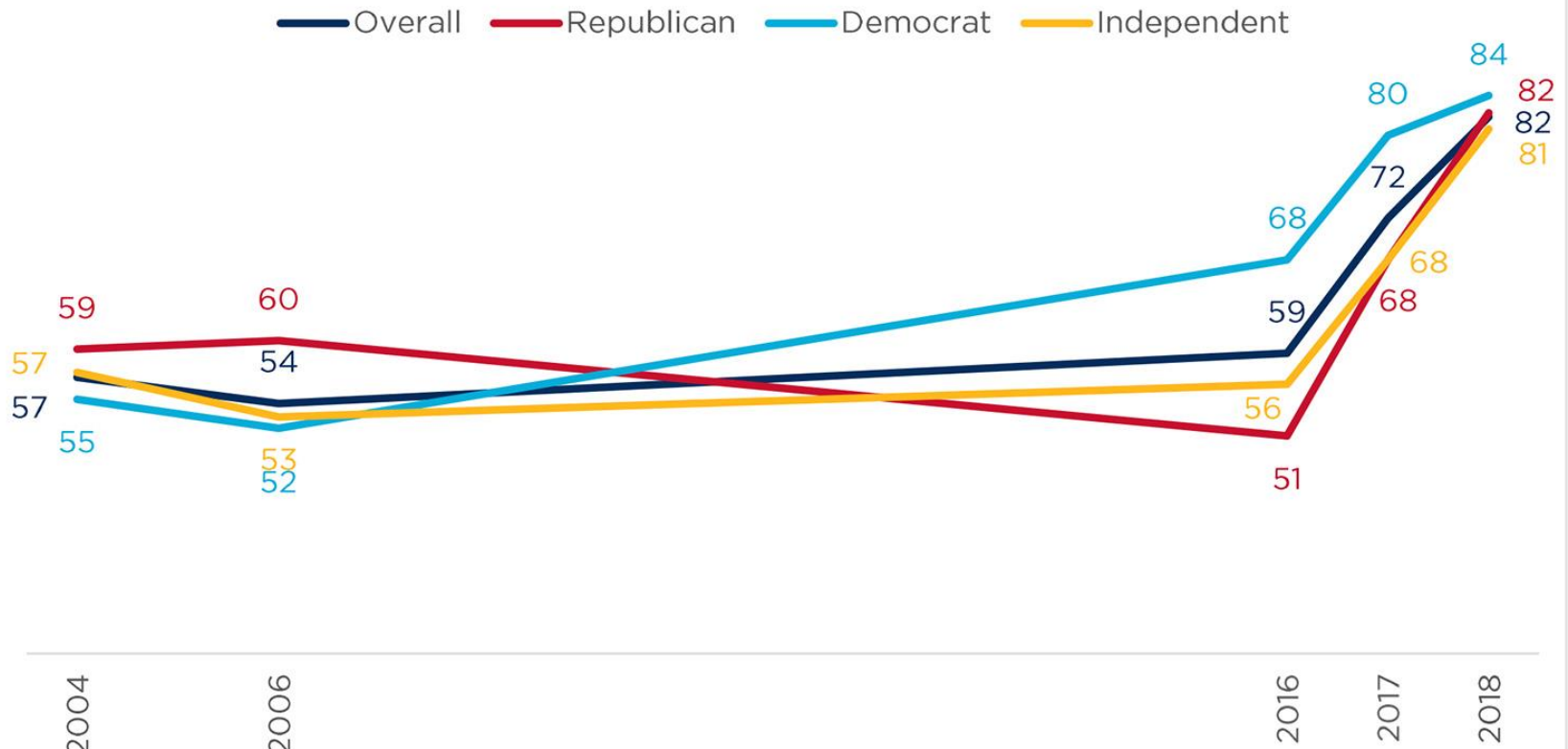


GALLUP

# Trade and Public Opinion

## International Trade and the US Economy

Overall, do you think international trade is good or bad for the US economy? (% good)



July 12-31, 2018 | n=2046

CHICAGO COUNCIL SURVEYS

# Korea's Tariffs on U.S. Agricultural Exports

Product	Without KORUS	With KORUS	Eliminated by	Significance
Beef	40	0	2026	2nd largest market for U.S. beef
Cheese	36	0	2026	2nd largest market for U.S. cheese
Wine	15	0	Currently duty-free	6th largest market for U.S. wine
Pork	25	0	Currently duty-free	5th largest market for U.S. pork
Cherries, fresh	24	0	Currently duty-free	1st largest market for U.S. cherries
Popcorn	632	0	2018	8th largest market for U.S. popcorn
Mung beans	607.5	0	2026	2nd largest market for U.S. mung beans
Barley	513	0	2026	4th largest market for U.S. barley
Potato flour or meal	304	0	2021	4th largest market for U.S. potato flour
Lemons and limes	144	0	Currently duty-free	3rd largest market for U.S. lemons and limes
Hay	100.5	0	2026	3rd largest market for U.S. hay
Butter	89	0	2021	6th largest market for U.S. butter
Orange juice	54	0	Currently duty-free	3rd largest market for U.S. orange juice
Whey	49.5	0	2021	13th largest market for U.S. whey
Grape juice	45	0	Currently duty-free	4th largest market for U.S. grape juice
Grapes, fresh	45	0	2028	8th largest market for U.S. grapes
Watermelons	45	0	2023	4th largest market for U.S. watermelons
Walnuts	30	0	Currently duty-free	4th largest market for U.S. walnuts
Poultry	20	0	2021	37th largest market for U.S. poultry (SPS issue)
Frozen french fries	18	0	Currently duty-free	3rd largest market for U.S. frozen french fries
Sausages	18	0	Currently duty-free	4th largest market for U.S. sausages
Sweet corn, fresh/chilled	15	0	Currently duty-free	11th largest market for U.S. sweet corn
Almonds	8	0	Currently duty-free	7th largest market for U.S. almonds
Bread, pastry, cakes	8	0	Currently duty-free	5th largest market for U.S. bread, pastry, cakes
Chocolate	8	0	Currently duty-free	3rd largest market for U.S. chocolate

Source: USDA FAS Global Agricultural Trade System (GATS) – WTO Agriculture  
 CY 2017  
 By value