

Agricultural Trade and Policy Outlook: 2018/2019

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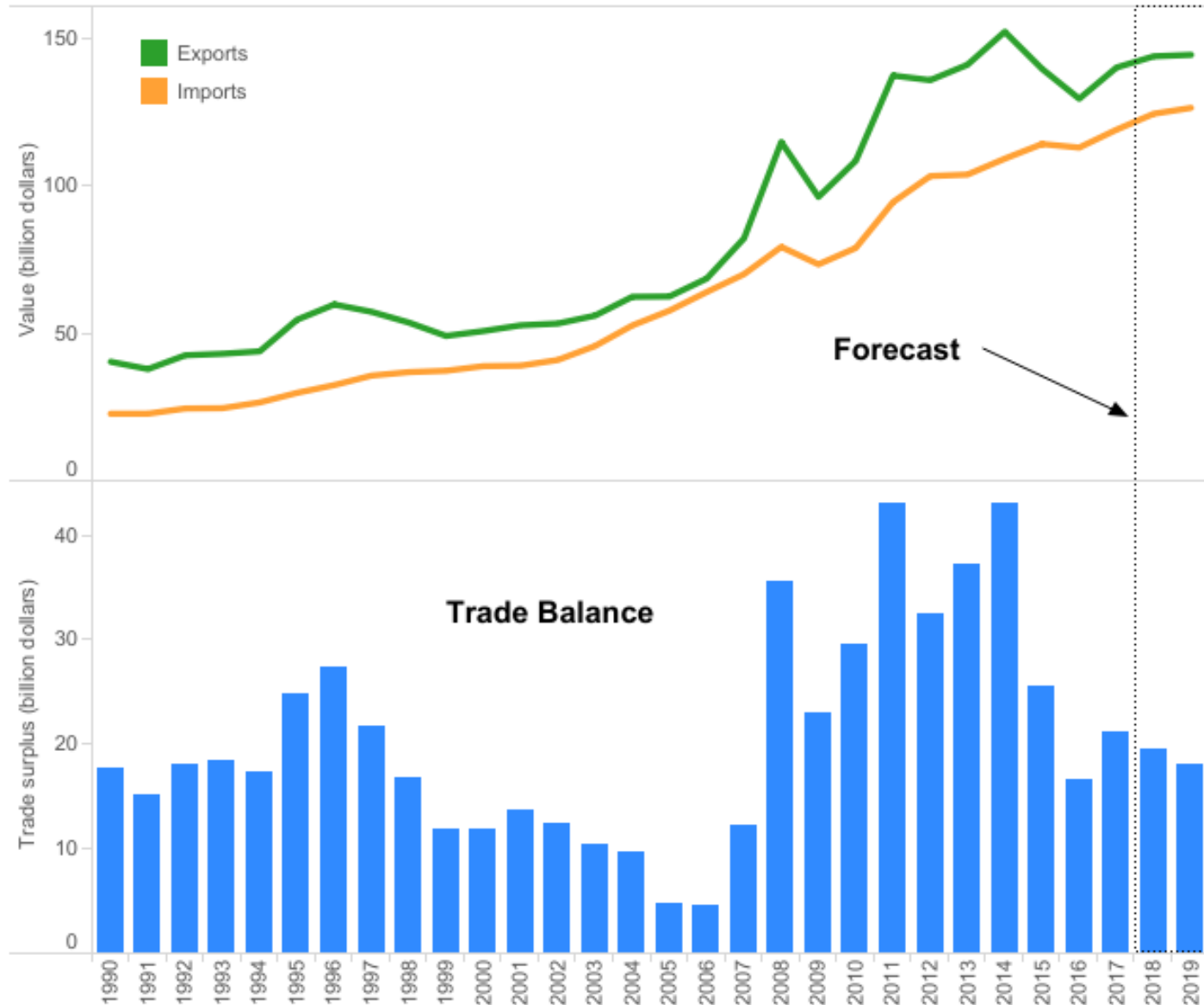
SEEC Meeting

Atlanta, GA

Sept. 24 – 26, 2018

AGRICULTURAL TRADE OUTLOOK: 2018/2019

U.S. agricultural trade and trade balance



Source: Compiled by USDA, Economic Research Service, using data from the U.S. Department of Commerce, U.S. Census Bureau.

2017 Agricultural and Related Exports: \$157.7 billion

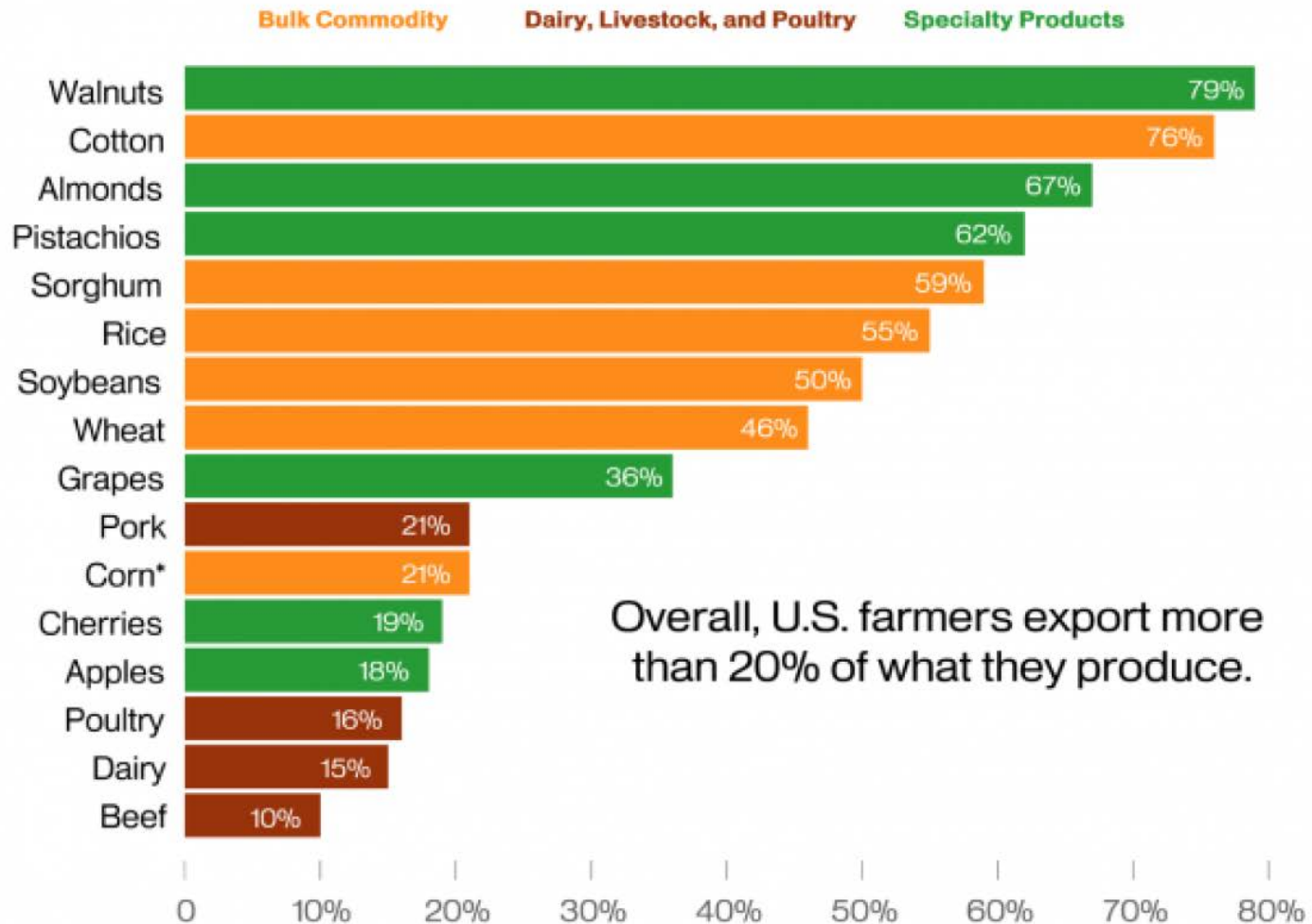
\$ Millions

Consumer Oriented	\$64,485	Bulk	\$48,237	Intermediate	\$25,676	Related Prods.	\$19,310
Tree Nuts	8,476	Soybeans	21,582	Other Intermediate	6,814	Forest Products	9,497
Beef/Beef Products	7,269	Corn	9,117	Soybean Meal	3,894	Fish Products	5,387
Pork/Pork Products	6,486	Wheat	6,089	Other Feed/Fodder	2,744	Ethanol	2,385
Prepared Food	5,907	Cotton	5,846	Hides/Skins	1,889	Distilled Spirits	1,645
Dairy Products	5,383	Rice	1,764	Distillers Grains	1,861	Biodiesel/Blends	396
Fresh Fruit	4,746	Other Coarse Grains	1,071	Planting Seeds	1,859		
Poultry Meat/Products	4,260	Tobacco	1,007	Other Vegetable Oils	1,691		
Processed Vegetables	2,693	Pulses	842	Sugar/Sweeteners	1,409		
Snack Foods NESOI	2,605	Other Bulk	617	Hay	1,244		
Fresh Vegetables	2,506	Other Oilseeds	301	Soybean Oil	886		
Wine/Beer	2,286			Live Animals	829		
Non-Alcoholic Bev.	1,999			Animal Fats	556		
Condiments & Sauces	1,760						
Chocolate/Cocoa Products	1,758						
Processed Fruit	1,604						
Dog/Cat Food	1,374						
Fruit/Vege. Juices	1,034						
Breakfast Cereals	641						
Meat Products NESOI	580						
Eggs/Products	566						
Other	551						

Source: USDA-FAS, GATS Database

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Percentage of U.S. Agricultural Production Exported



*Including ethanol, DDGS, and HFCS exports

Source: USDA-Foreign Agricultural Service, Production, Supply and Distribution System

Reference years: Marketing Year 2015/16 - 2017/18

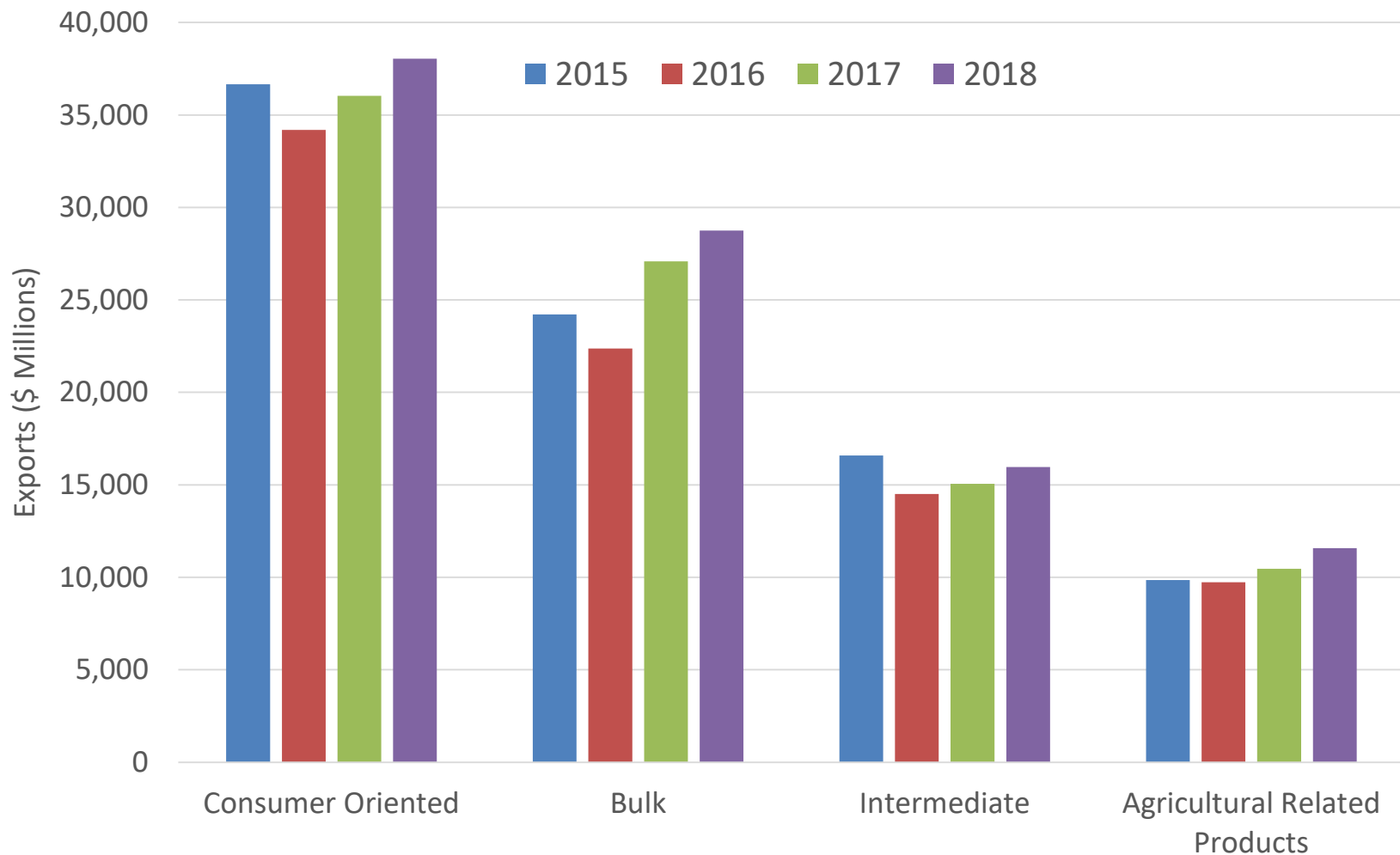
U.S. agricultural exports in FY 2019 are projected to be \$500 million up from FY 2018 estimates.

- Fiscal 2019 agricultural exports are projected at \$144.5 billion, up \$500 million from the revised forecast for fiscal 2018.
 - Increase is primarily due to higher exports of wheat and horticultural products, which offset expected declines in oilseeds, livestock, and dairy product exports.
- **Wheat exports** in fiscal 2019 are forecast up \$1.4 billion from the previous year to \$7.1 billion as a result of higher volumes and reduced competition.
- **Overall grains and feeds exports** are forecast at \$33.1 billion, up \$1.5 billion from the revised fiscal 2018 forecast.
- **Horticultural exports** are forecast up \$400 million to \$35.3 billion in fiscal 2019, with higher export volumes of whole and processed tree nuts and slightly higher unit values for fresh fruits and vegetables.

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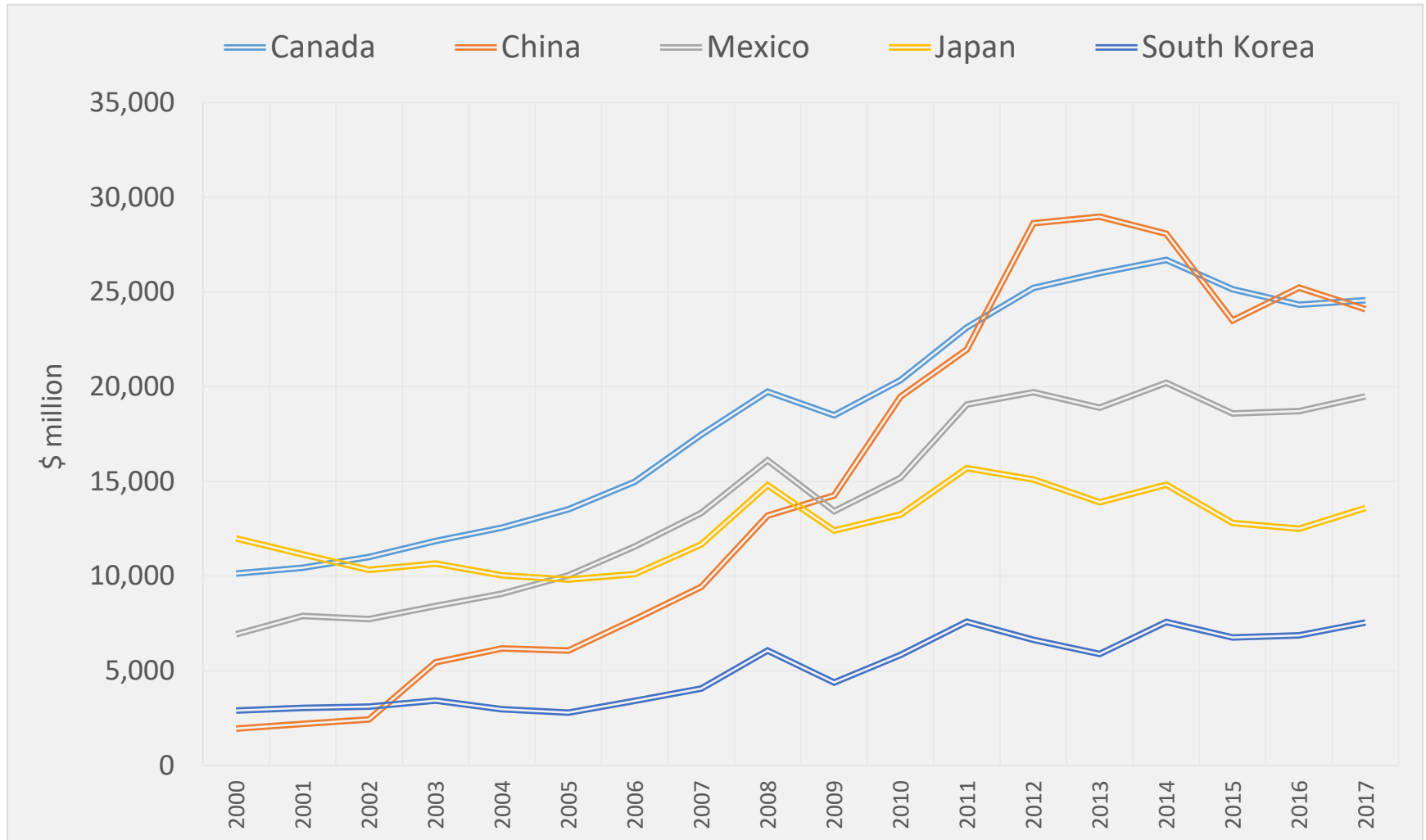
- Fiscal 2019 agricultural exports are projected at \$144.5 billion, up \$500 million from the revised forecast for fiscal 2018.
 - Increase is primarily due to higher exports of wheat and horticultural products, which offset expected declines in oilseeds, livestock, and dairy product exports.
- **Oilseeds and products** are projected down \$1.4 billion in fiscal 2019; soybean exports are forecast to fall \$800 million to \$21.0 billion as both volumes and unit values decline, in large part due to weakening demand from China.
- **Exports of livestock, dairy, and poultry products** are expected to be to be down \$300 million in 2019, driven by weaker shipment values for beef, pork, and dairy.
- The **cotton forecast** value is unchanged from fiscal 2018 to 2019 at \$6.9 billion, as lower volume offsets higher unit values.

U.S. Agricultural Exports: Year-to-date Comparison (Jan. – July)



Source: (Ag and Related Products) USDA-FAS, GATS Database

U.S. Agricultural Exports (Top 5): 2000-2017



Source: USDA-FAS, GATS Database

Total agricultural exports (billion dollars)



Source: Compiled by USDA, Economic Research Service, using data from the U.S. Department of Commerce, U.S. Census Bureau.

Total U.S. agricultural exports (billion dollars)



Source: Compiled by USDA, Economic Research Service, using data from the U.S. Department of Commerce, U.S. Census Bureau.

Canada is expected to be the top destination market for U.S. agricultural exports in FY19; China falls to fifth place behind Mexico, the EU, and Japan.

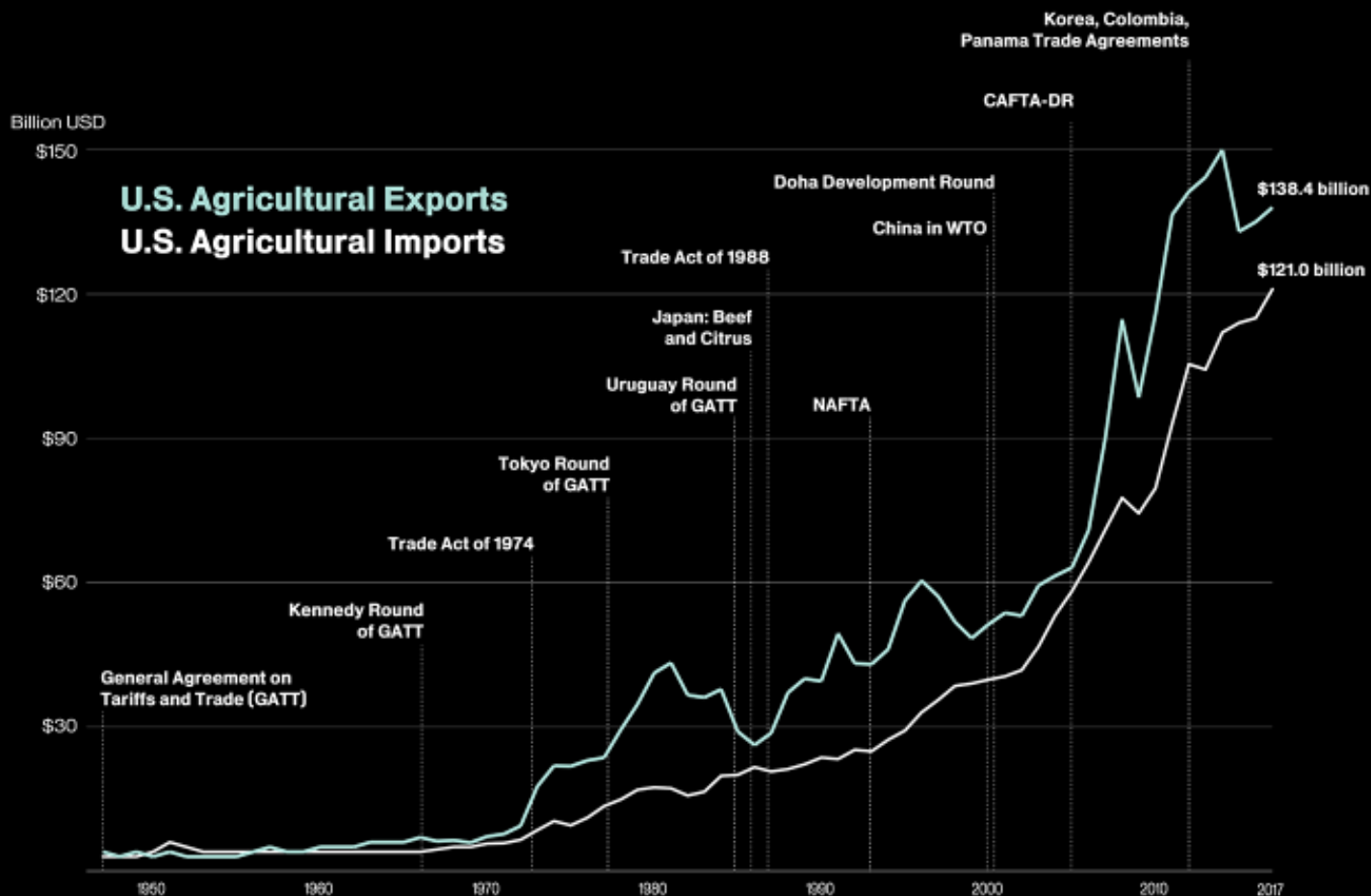
- **Canada** is forecast up \$300 million to \$21.5 billion, due to higher sales of fresh fruit and vegetables and soybean meal.
- **Mexico** is also forecast up \$300 million, reaching \$19.7 billion, on expectations of increased U.S. wheat and soybean exports.
- **Exports to South America** are up \$400 million in fiscal 2019 to \$6.8 billion, due to higher soybean sales to Colombia and greater sales of soybeans, meal, and oil to Peru.
- **Exports to the EU** are forecast at \$13.4 billion, up \$1.0 billion from fiscal 2018 estimates, due to strong demand for soybeans, soybean meal, and tree nuts.

Canada is expected to be the top destination market for U.S. agricultural exports in FY19; China falls to fifth place behind Mexico, the EU, and Japan.

- The forecast for **China** in FY19 is \$12.0 billion, \$7.0 billion below the revised fiscal 2018 estimate.
 - **Demand for soybeans** (and others) is expected to be sharply lower due to retaliatory tariffs.
- **Japan** is forecast at \$12.4 billion, up \$400 million from fiscal 2018, primarily due to expected higher tree nut, wheat, and soybean sales.
- **Exports to South Korea** are projected to increase \$500 million to \$7.9 billion on strong demand for soybeans, corn, and wheat.
- **Exports to Southeast Asia** are forecast up in fiscal 2019 by \$2.0 billion to \$15.2 billion, largely due to increases in soybean and soybean meal sales to the region (Vietnam and Indonesia).
- **Exports to South Asia** are forecast up \$400 million to \$4.4 billion as a result of strong demand for cotton and soybeans in Pakistan and Bangladesh.

TRADE AGREEMENTS AND TRADE POLICY ISSUES

Trade Agreements Create Opportunities for U.S. Agriculture



Source: USDA-FAS Global Agricultural Trade System (GATS)



U.S. Agricultural Exports Pre- & Post-Trade Agreements

Billion USD

\$12

\$10

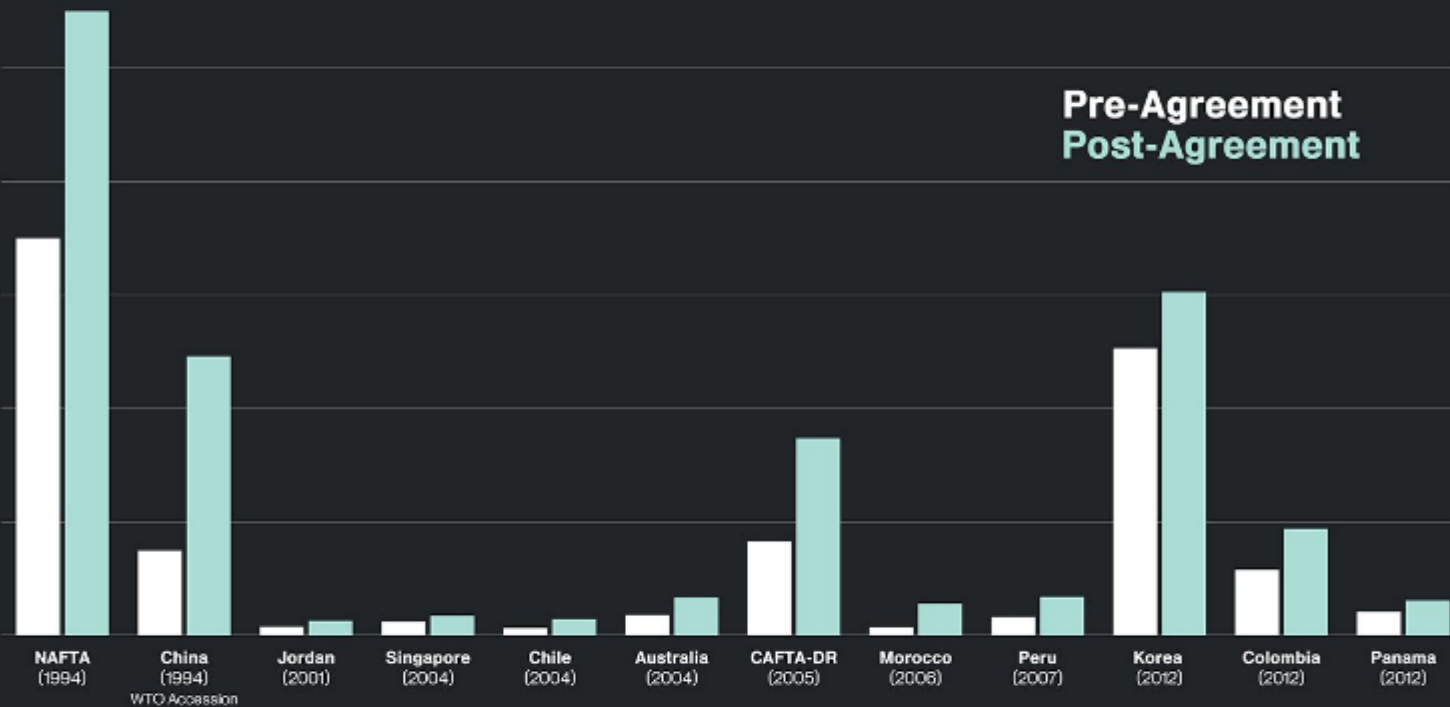
\$8

\$6

\$4

\$2

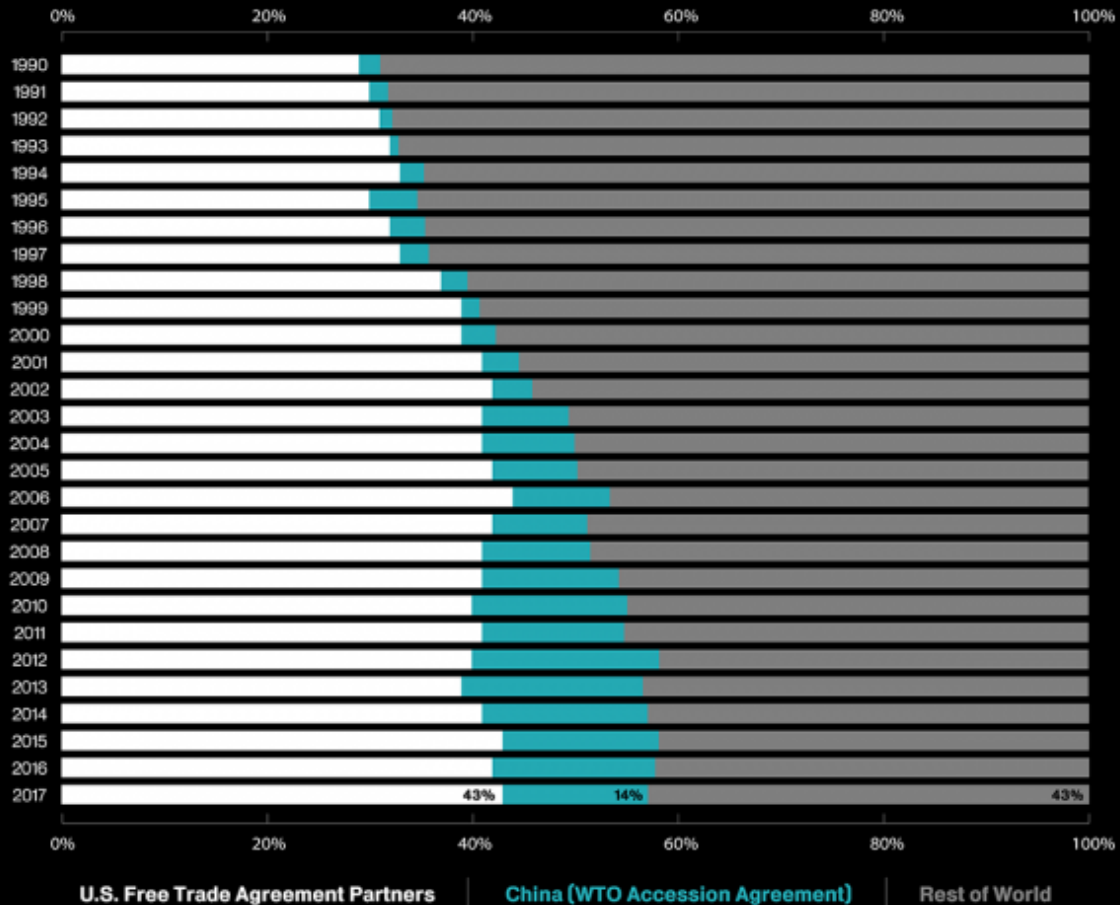
Pre-Agreement
Post-Agreement



Totals represent the five-year agriculture export average for periods immediately before and after implementation of agreement.

Source: USDA-FAS Global Agricultural Trade System (GATS)

A Growing Share of U.S. Agricultural Exports Go to Free Trade Agreement Partners



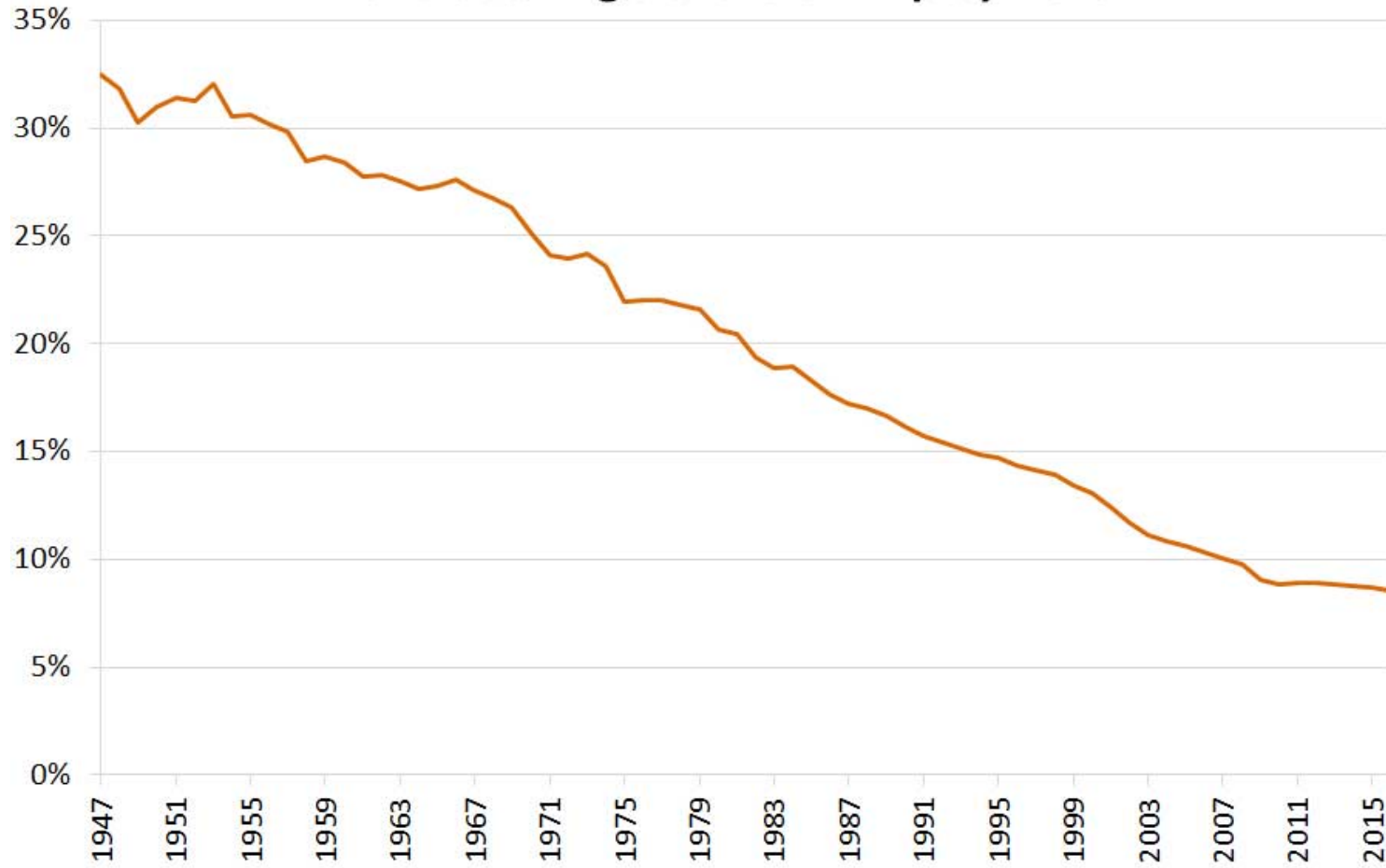
Source: USDA-FAS Global Agricultural Trade System (GATS)

“... We don't make anything anymore!”



Is this true about U.S. manufacturing?

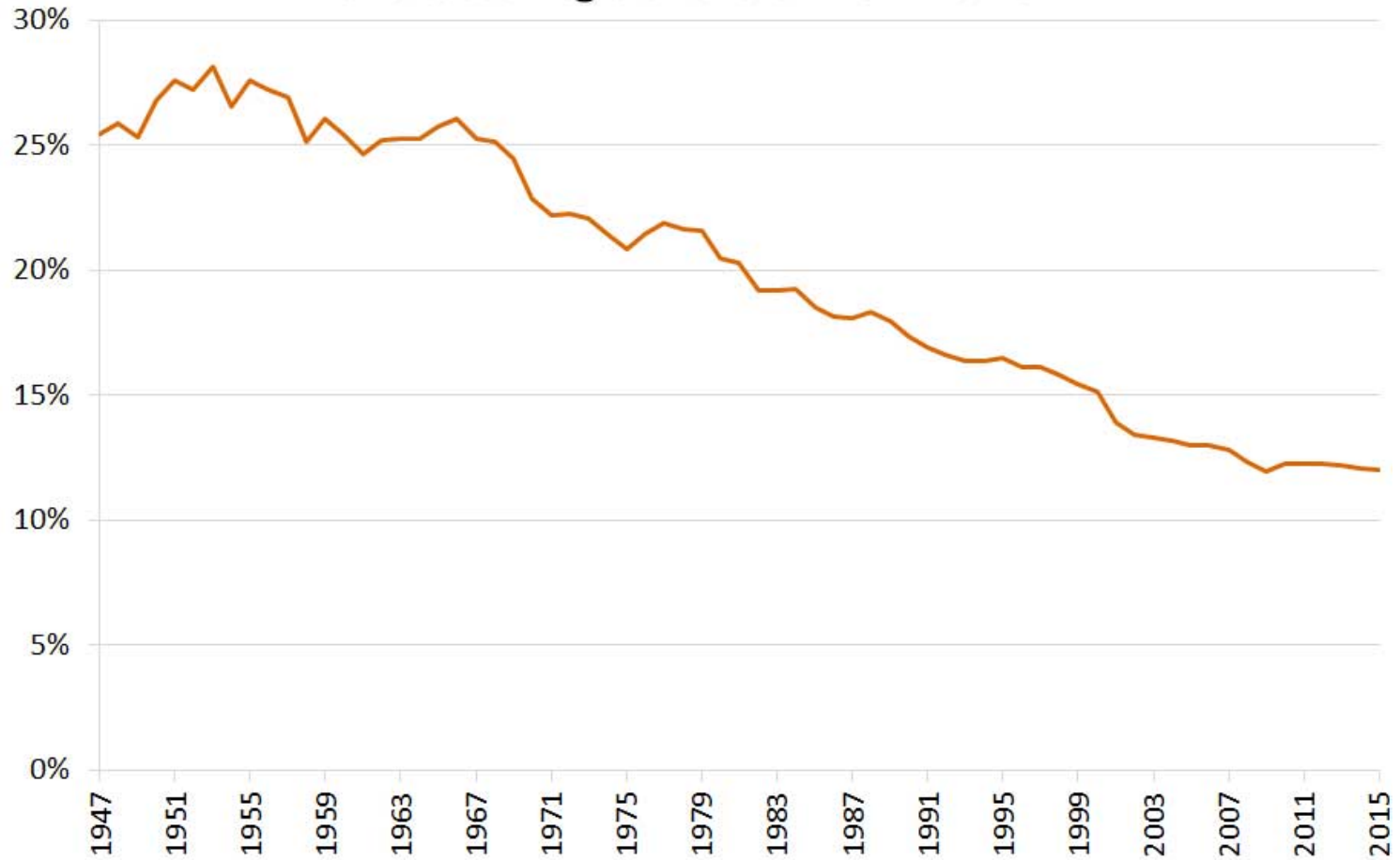
Manufacturing's Share of Employment



SOURCE: Bureau of Labor Statistics.

FEDERAL RESERVE BANK of ST. LOUIS

Manufacturing's Share of Nominal GDP



SOURCE: Bureau of Economic Analysis.

FEDERAL RESERVE BANK of ST. LOUIS

Output growth varies widely among manufacturing industries

*Change in manufacturing output index,
1987-2017*

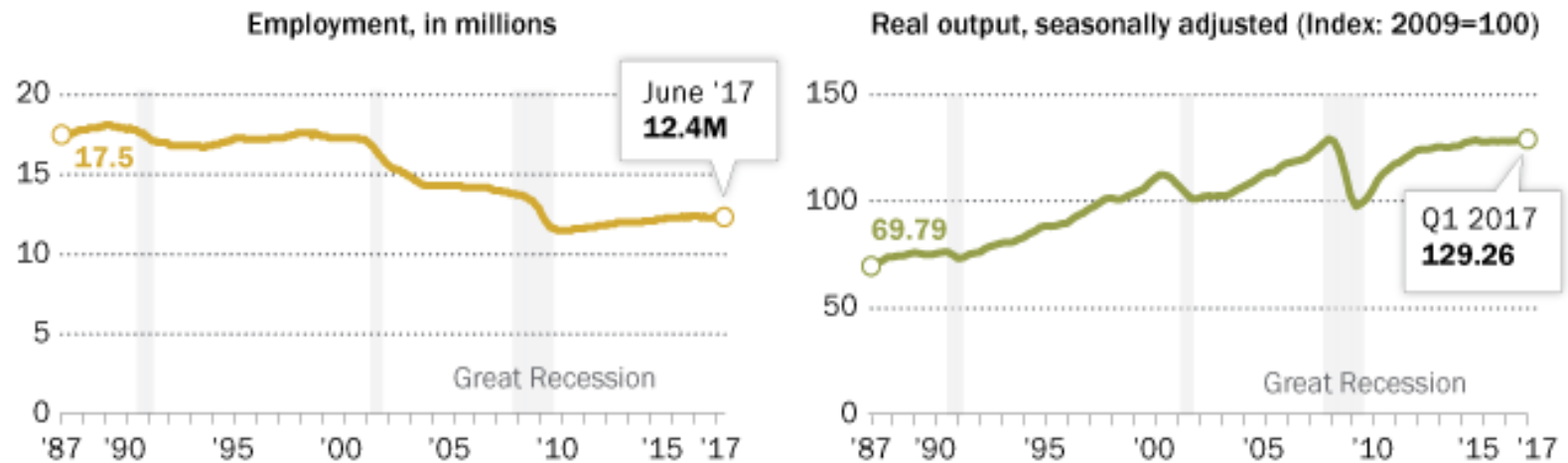
Durable goods manufacturing	+166%
Computer and electronic products	2,607
Motor vehicles and parts	124
Miscellaneous	81
Machinery	44
Fabricated metal products	27
Aerospace and misc. transportation equipment	27
Primary metals	14
Nonmetallic mineral products	9
Electrical equipment, appliances, components	7
Wood products	4
Furniture and related products	-4
.....	
Nondurable manufacturing	+17%
Plastics and rubber products	54
Chemicals	36
Petroleum and coal products	32
Food, beverage and tobacco products	30
Paper	-10
Printing and related support activities	-19
Textiles and product mills	-44
Apparel and leather goods	-85
.....	
Other manufacturing	-56%

Note: "Other manufacturing" includes logging and publishing.
Source: Federal Reserve Board, Pew Research Center analysis.

PEW RESEARCH CENTER

Manufacturing output has grown over the past three decades, even as payrolls have shrunk

Manufacturing monthly employment and quarterly real output, 1987–2017



Source: Bureau of Labor Statistics

PEW RESEARCH CENTER

Trade Agreements/Issues with Top-5 Partners

- President (Monday, 9/24) will sign a retooled U.S.-**Korea Free Trade Agreement** in New York, according to the White House.
- **Japan** has so far resisted the U.S. calls to enter into a bilateral free trade agreement, instead urging WH to rejoin the **Trans-Pacific Partnership**.
- President Trump notified Congress (early Sept.) of his intent to sign a trade deal with **Mexico** (NAFTA 2.0) in 90 days, without **Canada**.
- Outstanding agricultural issue in NAFTA 2.0 negotiations with **Canada** are dairy supply management.
- **China**: President Trump (last two weeks) directed USTR to impose 10% tariffs on \$200 billion worth of Chinese imports; plans to increase them to 25% (2019)...would impose tariffs on another \$267 billion in Chinese goods if China retaliates (again).



U.S./China Trade War

- Section 201 – President signed safeguard proclamations for imports of large residential washers and solar panels (January).
 - China responded with a dumping investigation against U.S. sorghum (resulted in 179% tariff)
- Section 232 – Proposed steel and aluminum tariffs due to “National Security” concerns (March).
 - China responds with list of tariffs mostly unrelated to Tennessee agriculture (wine is a possible exception).
- Section 301 – Proposed \$50 billion in tariffs on Chinese due to intellectual property concerns (March).
 - China responds with a new list of tariffs (25% on Beef and Products, Pork and Products, Soybeans, Corn, Cotton, Tobacco products, Wheat, etc.)

U.S. Soybean Exports

Year-to-date Comparison (Jan. – July)

Value (\$ Millions)

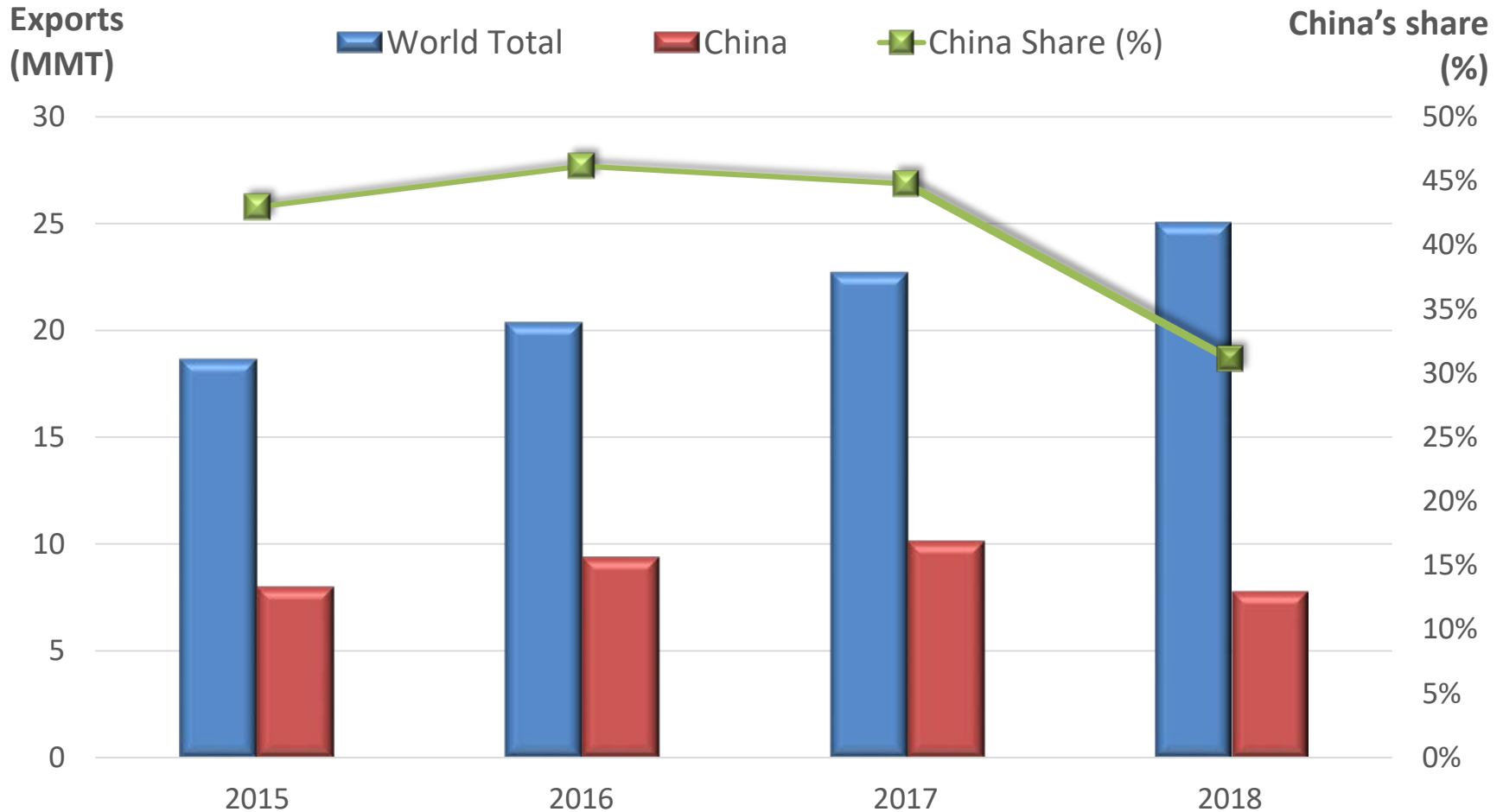
Product	2015	2016	2017	2018
Soybeans	7,974	7,657	9,027	9,677
Soybean Meal	3,146	2,472	2,384	3,217
Soybean Oil	423	437	576	579

Quantity (MMT)

Product	2015	2016	2017	2018
Soybeans	18.66	20.37	22.71	25.05
Soybean Meal	7.24	6.45	6.41	8.29
Soybean Oil	0.51	0.54	0.70	0.73

Source: USDA-FAS, GATS Database

U.S. Soybean Exports Year-to-date Comparison (Jan. – July)



Source: USDA-FAS, GATS Database

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Takeaways and Conclusion:

Are we winning the War?

- It appears that soybean exports to countries other than China will offset declines.
 - Non-drought year in Argentina?
- NAFTA 2.0 is still being hammered out with Canada.
 - Congress is not up for NAFTA “bilateral.”
 - Major changes to dairy is on the table.
- CPTPP could disadvantage U.S. exports, particularly in Japan.
 - Will the U.S. rejoin?
 - Is a bilateral with Japan possible?
- EU: Agreement with Mexico, Canada, and Japan (Maybe Brazil?).
- Irreversible impacts?

Thank You.
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