

Where do we go from here?: U.S. – China Trade Agreement

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EXTENDING KNOWLEDGE >> CHANGING LIVES

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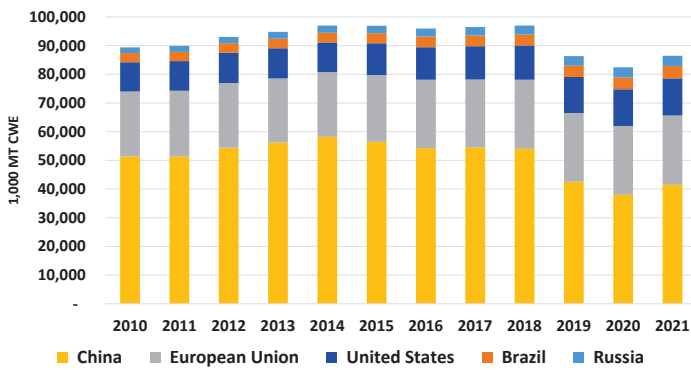
EXTENSION

Motivation for Chinese Buying: My Assessment

- Demand for livestock feed is growing.
 - Pork (herd rebuilding), poultry and eggs, dairy, aquaculture.
- Chinese corn production is good, not great.
 - Government continues to auction corn from reserves with strong buying interest.
 - Chinese imports of other feed grains (sorghum and barley) is also very strong.
 - More reports of low quality wheat and rice being used in livestock rations.

World Pork Production

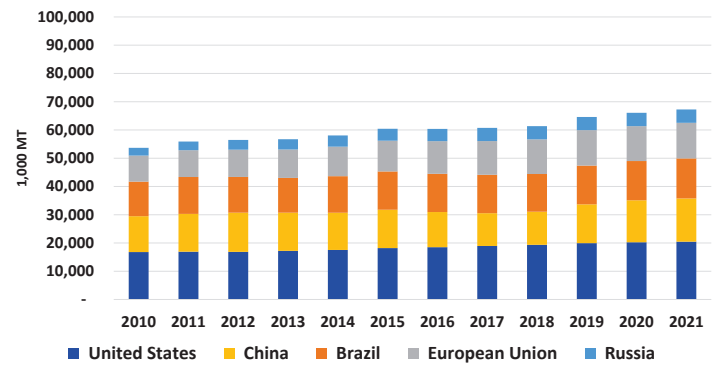
Swine Meat



USDA – PSD Online Custom Query

World Chicken Production

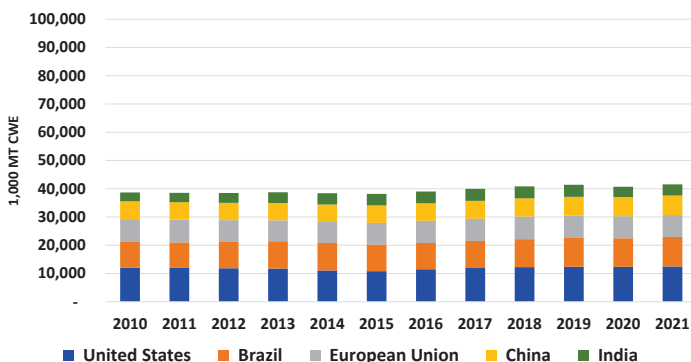
Chicken Meat



USDA – PSD Online Custom Query

World Beef & Veal Production

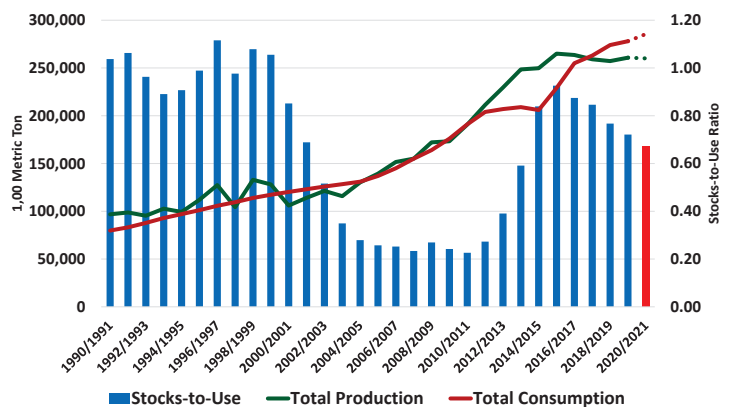
Beef & Veal Meat



USDA – PSD Online Custom Query

China Corn – Total Production & Use

(1,000 Metric Tons)



USDA – PSD Online Custom Query

Motivation for Chinese Buying: My Assessment

- Private and government owned grain buyers are building inventories due to:
 - Ongoing political, economic and trade tensions between U.S. and China.
 - Production concerns in Brazil and Argentina.
- Phase One trade agreement.
 - Phase One trade agreement is helping reduce hurdles to trade, but it is unlikely 2020 total purchasing targets will be met.

U.S. – China Phase One Review

- Six chapters, with two directly impacting agriculture.
 - Chapter 3 – Trade in Food and Agricultural Products reduces non-tariff trade barriers.
 - Chapter 6 – Expanding Trade describes additional purchases of U.S. products.

U.S. – China Phase One Review

- Additional \$32 billion in agricultural products over two years.
 - Additional \$12.5 billion in 2020.
 - Additional \$19.5 billion in 2021.
 - Over 2017 levels, but value is not specified.
 - U.S. records or China records?

U.S. – China Phase One Review

- Sub-category minimums are also specified but not released to public.
 - Oilseeds (soybean)
 - Meat
 - Cereals
 - Cotton
 - Other agricultural commodities
 - Seafood.

U.S. – China Phase One Review

- What does Chinese buying strategy look like?
 - China is value buyer.
 - Price is important, but not the only factor.
 - Quality, timeliness and consistency.
 - Chinese government influences ag import levels and timing by issuing tax exempt import permits.

U.S. – China Phase One Review

- What happens if U.S. and China can't agree on value of purchase?
 - “Parties shall engage in consultations.”
- What happens if China does not meet the agreed upon purchase levels?
 - Unknown.
- U.S. and Chinese trade officials are meeting on a monthly basis to monitor progress and discuss implementation issues.

Value of U.S. Ag. Exports to China

Product	2017		2020	
	Jan. – Oct. Total (\$1,000)	Annual Total (\$1,000)	Product	Jan. – Oct. Total (\$1,000)
Soybean	8,284,323	12,224,802	Soybean	7,829,034
Cotton	761,560	972,554	Meat of Swine	1,396,801
Raw Hides – Bovine	720,040	876,715	Cotton	1,344,685
Grain Sorghum	644,498	839,459	Grain Sorghum	761,363
Whole Frozen Fish	750,486	821,879	Corn	680,677
Animal Fodder	327,527	388,818	Poultry Meat	597,707
Total All 217 Products	15,331,581	20,836,706	Total All 217 Products	17,452,587

USDA – FAS – Global Agricultural Trade System

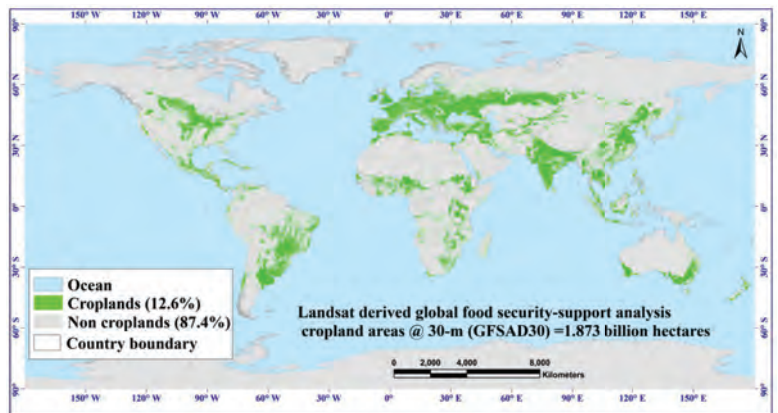
U.S. – China Political Issues

- U.S. trade deficit with China
- Intellectual property rights
- Banking and finance
- Business investment
 - U.S. companies operating in China
 - Chinese companies operating in U.S.
- Hong Kong oversight & Taiwan independence
- COVID-19 information
- Environmental standards
- Human rights issues
- Others!

Questions?

Other Sources for Ag Products

- South America
 - Brazil
 - Argentina
- Black Sea
 - Russia
 - Ukraine
- Central and South Africa



BR-162 Paving to North Ports Completed

Paved from Mato Grasso to Santarem, PA

Paving lowered shipping costs to Port of Miritituba by 11%



BR-163 Before

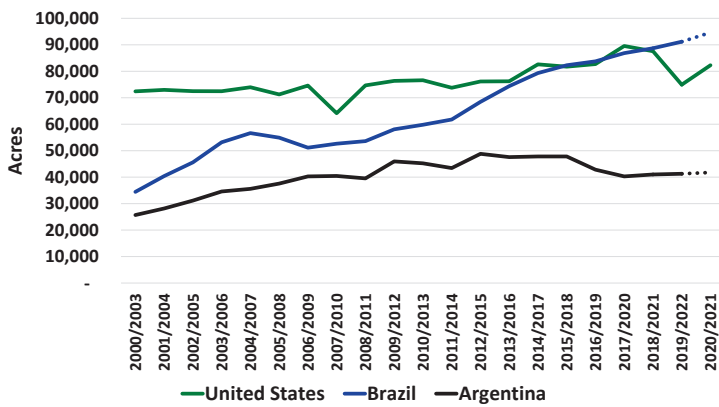


BR-163 After

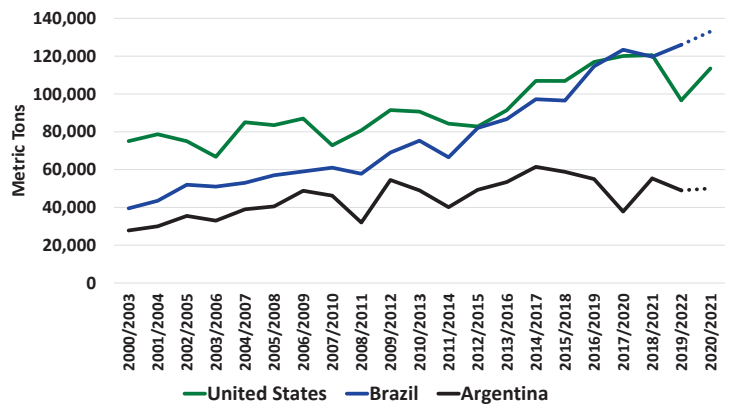
BR-162 Paving



Soybean Harvested Acres



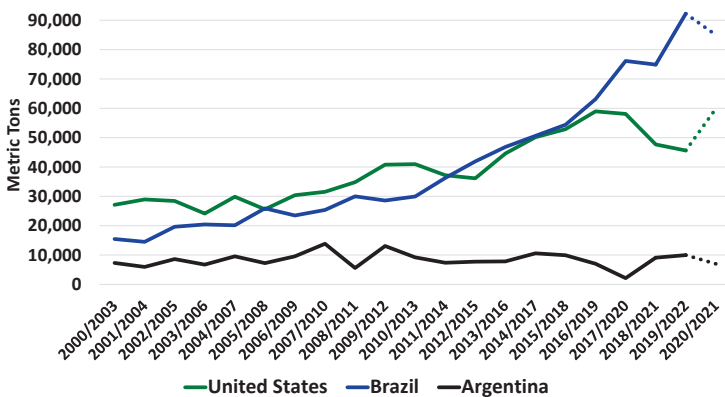
Soybean Total Production



Dec. 10, 2020 WASDE Report & PSD Online

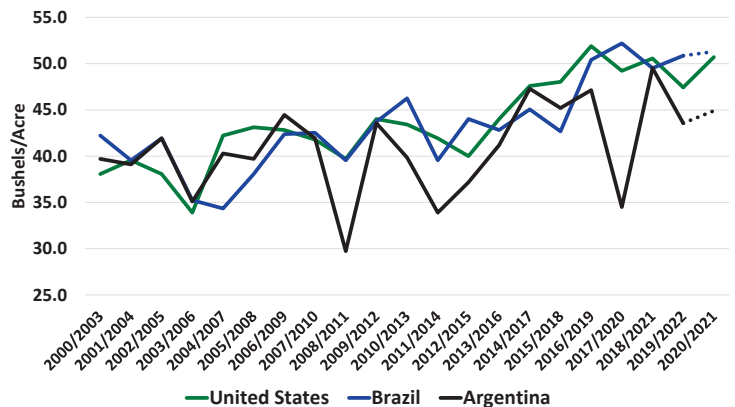
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Soybean Exports



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National Average Yield



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Questions?

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