

# Overview of Trade, Tariffs and Crop Marketing Strategies

**Frayne Olson, PhD**

Crop Economist/Marketing Specialist  
Director – Burdick Center for Cooperatives  
frayne.olson@ndsu.edu 701-231-7377 (o) 701-715-3673 (c)

NDSU Extension Service  
ND Agricultural Experiment Station  
Dept. of Agribusiness & Applied Economics

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## Current Negotiations

- U.S. and Chinese trade negotiators are meeting on January 7, 8 and 9, 2019 in Beijing, China
- Negotiators are at the vice ministerial level.
- Goal is to lay the ground work (provide a framework) for high level trade negotiators later.
- Providing support to soybean and corn markets.

## Chinese Soybean Purchases

- December 13, 2018 – 1.13 mmt
- December 14, 2018 – 0.30 mmt
- December 18, 2018 – 1.20 mmt
- December 20, 2018 – 0.204 mmt
- January 7, 2019 – 0.18 to 0.90 mmt.
- Total of 3.014 to 3.734 mmt vs. 19.59 mmt this time last year.
- Federal Government shutdown has stopped Export Sales Reports, but not Export Inspections Reports.

## Trade Rumor before Purchases

- Traders are awaiting confirmation of Chinese buying of U.S. soybeans. China intends to announce this month the first purchases of **U.S. beans that will be destined mostly, if not all, for state reserves**, according to Chinese officials.
- Details yet to be decided include whether the **volume should be 5.0 mmt to 8.0 mmt** and if **commercial companies should buy an additional 2.0 mmt** and be reimbursed for the 25% tariffs.

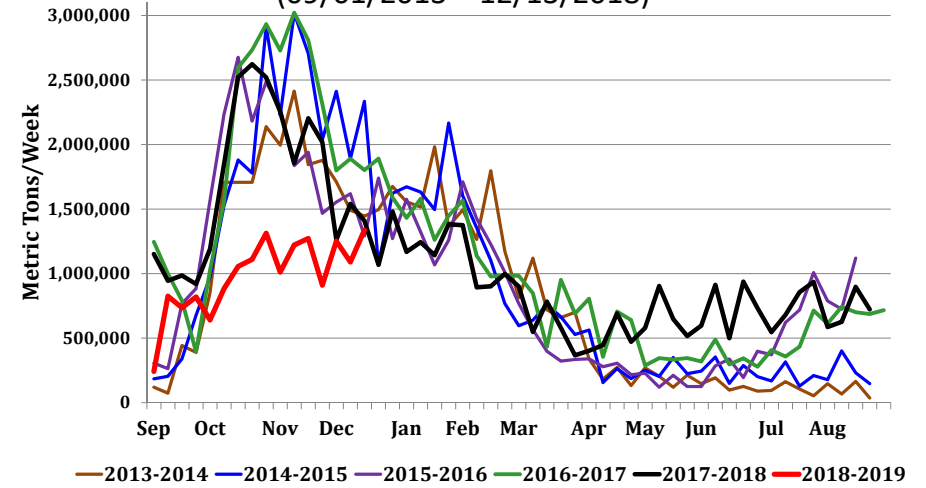
# March CBOT Soybean Futures



DTN Prophet X – 01-08-19 pm

# Weekly U.S. Soybean Export Sales

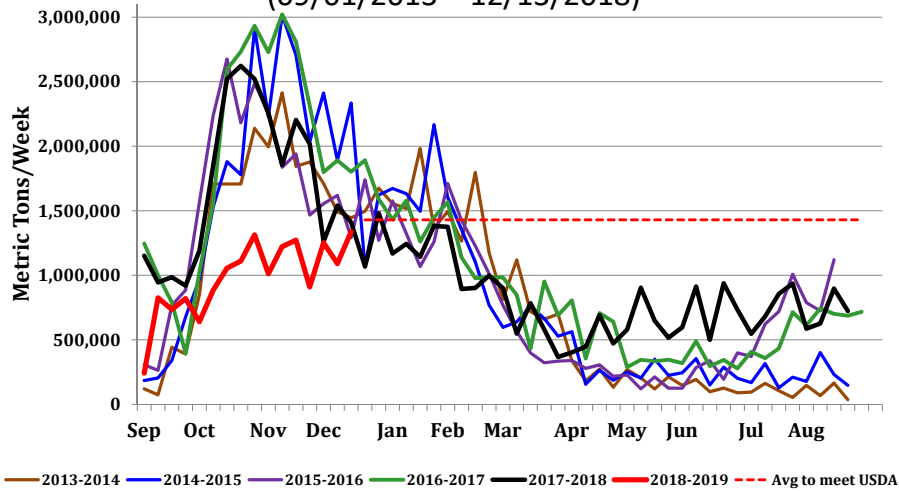
(09/01/2013 – 12/13/2018)



USDA-FSA Weekly Export Sales Report

# Weekly U.S. Soybean Export Sales

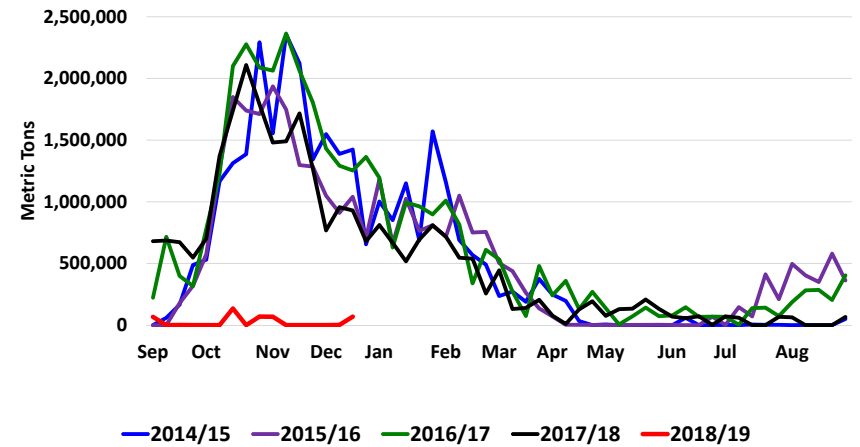
(09/01/2013 – 12/13/2018)



USDA-FSA Weekly Export Sales Report

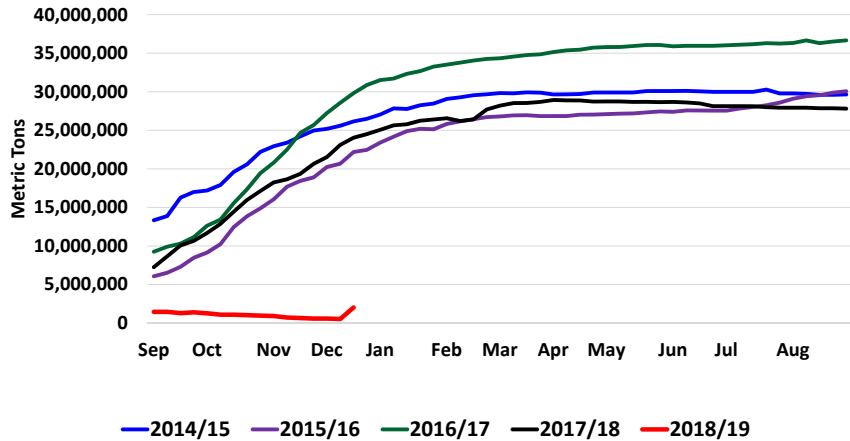
# Weekly U.S. Soybean Export Sales to China

(09/01/2014 – 12/13/2018)



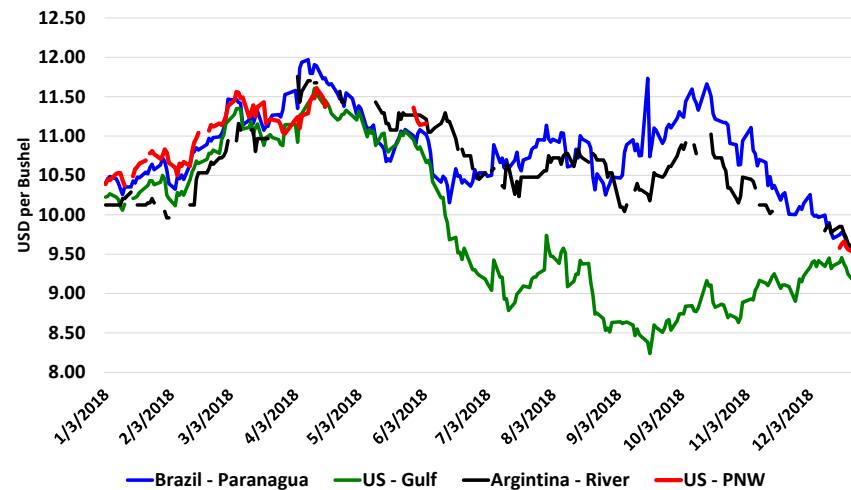
USDA-FSA Weekly Export Sales Report

## Weekly U.S. Soybean Total Commitments by China (09/01/2014 – 12/13/2018)



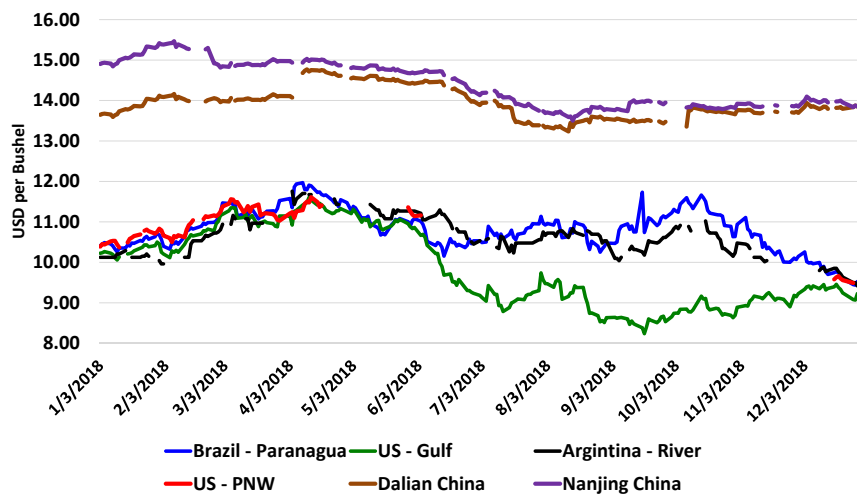
USDA-FSA Weekly Export Sales Report

## World Soybean Port Prices (01/03/2018 – 12/28/18)



Reuters

## World Soybean Port Prices (01/03/2018 – 12/28/18)



Reuters

# How will China compensate?

## World Soybean Imports

(1,000 Metric Ton)

Country	2014/15	2015/16	2016/17	2017/18	2018/19 (Jun)	2018/19 (Dec)
China	78,350	83,230	93,495	94,125	103,000	90,000
European Union	13,914	15,120	13,422	15,000	14,200	15,800
Mexico	3,819	4,126	4,126	4,873	4,650	5,030
Argentina	2	676	1,674	4,765	??	4,200
Egypt	1,947	1,300	2,115	3,250	2,900	3,350
Japan	3,004	3,186	3,175	3,256	3,250	3,300
Thailand	2,411	2,798	3,078	2,482	3,225	3,150
ROW	20,915	22,897	23,269	25,925	28,144	27,630
<b>Total</b>	<b>124,362</b>	<b>133,333</b>	<b>144,353</b>	<b>153,676</b>	<b>159,369</b>	<b>152,460</b>

USDA Oilseed: World Markets and Trade

## World Soybean Exports

(1,000 Metric Ton)

Country	2014/15	2015/16	2016/17	2017/18	2018/19 (Jun)	2018/19 (Dec)
Brazil	50,612	54,383	63,137	76,193	72,950	81,000
United States	50,136	52,870	58,960	57,945	62,324	51,710
Paraguay	4,576	5,400	6,129	6,250	5,900	5,800
Canada	3,763	4,236	4,592	4,925	5,800	5,300
Argentina	10,575	9,922	7,026	2,112	8,000	5,000
ROW	6,564	5,760	7,544	5,766	7,399	7,284
<b>Total</b>	<b>126,226</b>	<b>132,571</b>	<b>147,388</b>	<b>153,191</b>	<b>162,373</b>	<b>156,094</b>

USDA Oilseed: World Markets and Trade

## Adjusting S.B. Meal Inclusion Rates

(1,000 Metric Ton)

Percent Soymeal in Feed	Kilograms per Hog	Soymeal Needed for China's Hog Herd	Volume of Soybeans Needed	Reduction in Soybeans Used
20 Percent	66 – 72 kg	44,000 to 48,000	62,000 to 68,000	
15 Percent	45 – 54 kg	30,000 to 37,000	42,000 to 51,000	20,000
12 Percent	36 – 43 kg	25,000 to 28,500	35,000 to 41,000	27,000
8 Percent	24 – 29 kg	16,000 to 19,000	23,000 to 27,000	40,000

Reuters News – 09-19-18

## News from G20 Summit

- The agreement sets a 90-day deadline for the two countries to create some agreement on how to handle key differences on forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft, services and agriculture.
- The 90-day deadline started on Saturday, December 1, 2018 and ends March 1, 2019, but could be extended.

Bloomberg News – 12/02/18

## News from G20 Summit

- The Chinese Ministry of Commerce said “China will start from **agricultural products**, **autos and energy** to immediately implement specific items that China and the U.S. have agreed upon.”

Bloomberg News – 12/05/18

## Key Questions

- China did not remove the tariffs on U.S. soybean imports, and other agricultural products, as part of the initial agreement at the G20 summit.
- How many more U.S. soybeans will be purchased with the harvest of a record large Brazilian soybean crop just beginning?

## Key Questions

- What other “agricultural products” will be purchased and when?
  - Pork, beef, chicken, ethanol, DDGs, corn, sorghum, cotton, spring wheat, rice (?) ...
  - Rumor that China is looking to buy 3.0 million tons of corn in January, 2019.
    - Will 25% tariff apply?

## U.S. Spring Wheat Export Destinations

(1,000 Metric Ton)

Country	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Philippines	1,071.1	1,165.4	1,161.3	1,138.5	1,657.3	1,247.6
Japan	1,330.6	945.7	1,269.9	850.6	1,048.3	995.9
Taiwan	588.3	581.1	621.4	593.0	568.0	626.0
<b>China</b>	<b>475.2</b>	<b>467.0</b>	<b>256.8</b>	<b>629.6</b>	<b>1,042.6</b>	<b>542.9</b>
South Korea	385.4	352.8	396.2	353.0	393.6	399.7
Thailand	297.5	287.9	281.7	261.1	331.7	256.8

2017 All Wheat Exports by Country – FAS Online

## Background

- Trade and Tariff issues with China are not directly related to agricultural products.
  - The tariffs on soybeans are about political retaliation, not issues directly concerning soybean trade between the U.S. and China.
    - Administration's specific trade agreement objectives are not clear.
  - Traditional economic analysis of adjustments may not be as accurate due to the dominant political agendas.
  - The longer the tariffs are in place, the more permanent the adjustments will be.
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## Other Trade Agreements

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### Comprehensive & Progressive Agreement for Trans-Pacific Partnership (TPP Replacement)

- Trade agreement including:
    - Australia, New Zealand, Canada, Japan, Mexico, Brunei, Chile, Malaysia, Peru, Singapore, Vietnam.
  - Was signed on March 8, 2018.
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### Comprehensive & Progressive Agreement for Trans-Pacific Partnership (TPP Replacement)

- Began Jan. 1, 2019 with a 9 year transition.
  - When fully implemented, will give Australia and Canada a \$65/mt. reduction in tariff rates relative to the U.S. (\$150/mt. vs \$85/mt)
    - \$65/mt. = \$1.77/bu.
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## Other Trade Agreements

- U.S., Mexico and Canada Agreement (USMCA).
    - NAFTA replacement.
    - U.S. Congress, Mexican Congress and Canadian Parliament must ratify the agreement.
  - U.S. – Korea Free Trade Agreement (KORUS)
    - Originally passed in 2012, but refinements to auto tariffs are currently being negotiated.
  - U.S – Japan Free Trade Agreement.
    - Negotiations have just begun.
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## Other Trade Agreements

- Comprehensive Economic and Trade Agreement (CETA).
    - Canada – EU agreement expected to be signed soon.
  - U.S. and EU have just begun negotiations.
    - Steel (25%) and Aluminum (10%) tariffs are still in place.
  - Meeting this week (01-07-29) between U.S. – EU – Japan to discuss state-owned firms, forced technology transfer and China
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Questions?

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