Overview of Trade, Tariffs and Crop Marketing Strategies

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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.

Bloomberg News – 12/10/18
Weekly U.S. Soybean Total Commitments by China
(09/01/2014 – 12/13/2018)

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

How will China compensate?
### World Soybean Imports

(1,000 Metric Ton)

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

USDA Oilseed: World Markets and Trade

### World Soybean Exports

(1,000 Metric Ton)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>50,612</td>
<td>54,383</td>
<td>63,137</td>
<td>76,193</td>
<td>72,950</td>
<td>81,000</td>
</tr>
<tr>
<td>United States</td>
<td>50,136</td>
<td>52,870</td>
<td>58,960</td>
<td>57,945</td>
<td>62,324</td>
<td>51,710</td>
</tr>
<tr>
<td>Paraguay</td>
<td>4,576</td>
<td>5,400</td>
<td>6,129</td>
<td>6,250</td>
<td>5,900</td>
<td>5,800</td>
</tr>
<tr>
<td>Canada</td>
<td>3,763</td>
<td>4,236</td>
<td>4,592</td>
<td>4,925</td>
<td>5,800</td>
<td>5,300</td>
</tr>
<tr>
<td>Argentina</td>
<td>10,575</td>
<td>9,922</td>
<td>7,026</td>
<td>2,112</td>
<td>8,000</td>
<td>5,000</td>
</tr>
<tr>
<td>ROW</td>
<td>6,564</td>
<td>5,760</td>
<td>7,544</td>
<td>5,766</td>
<td>7,399</td>
<td>7,284</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>126,226</td>
<td>132,571</td>
<td>147,388</td>
<td>153,191</td>
<td>162,373</td>
<td>156,094</td>
</tr>
</tbody>
</table>

USDA Oilseed: World Markets and Trade

### Adjusting S.B. Meal Inclusion Rates

(1,000 Metric Ton)

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

### 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.
**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.”

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**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?

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**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?

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**U.S. Spring Wheat Export Destinations**

(1,000 Metric Ton)

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</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>1,071.1</td>
<td>1,165.4</td>
<td>1,161.3</td>
<td>1,138.5</td>
<td>1,657.3</td>
<td>1,247.6</td>
</tr>
<tr>
<td>Japan</td>
<td>1,330.6</td>
<td>945.7</td>
<td>1,269.9</td>
<td>850.6</td>
<td>1,048.3</td>
<td>995.9</td>
</tr>
<tr>
<td>Taiwan</td>
<td>588.3</td>
<td>581.1</td>
<td>621.4</td>
<td>593.0</td>
<td>568.0</td>
<td>626.0</td>
</tr>
<tr>
<td>China</td>
<td>475.2</td>
<td>467.0</td>
<td>256.8</td>
<td>629.6</td>
<td>1,042.6</td>
<td>542.9</td>
</tr>
<tr>
<td>South Korea</td>
<td>385.4</td>
<td>352.8</td>
<td>396.2</td>
<td>353.0</td>
<td>393.6</td>
<td>399.7</td>
</tr>
<tr>
<td>Thailand</td>
<td>297.5</td>
<td>287.9</td>
<td>281.7</td>
<td>261.1</td>
<td>331.7</td>
<td>256.8</td>
</tr>
</tbody>
</table>

**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.

Other Trade Agreements

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.

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.
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.

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

Questions?