

Protectionist View Impacts on American Agriculture

VERONICA NIGH

AMERICAN FARM BUREAU FEDERATION

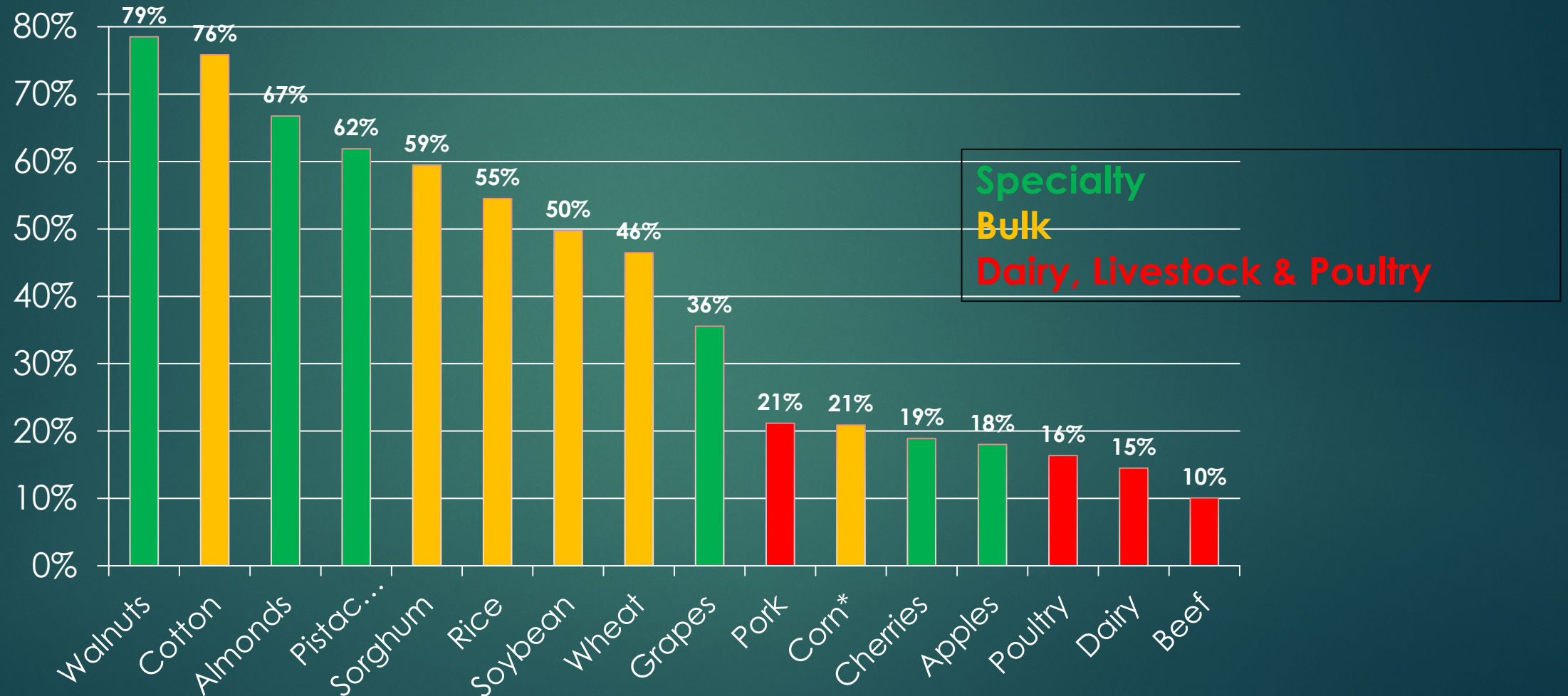
11/13/2018

What's Changed and What Hasn't

- ▶ Trade is Still Important
- ▶ FTA Renegotiation Finally Concluding
 - ▶ KORUS
 - ▶ NAFTA/USMCA
- ▶ Special Investigation Impact Ongoing
 - ▶ Trade Mitigation Package
- ▶ Future is Opaque

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

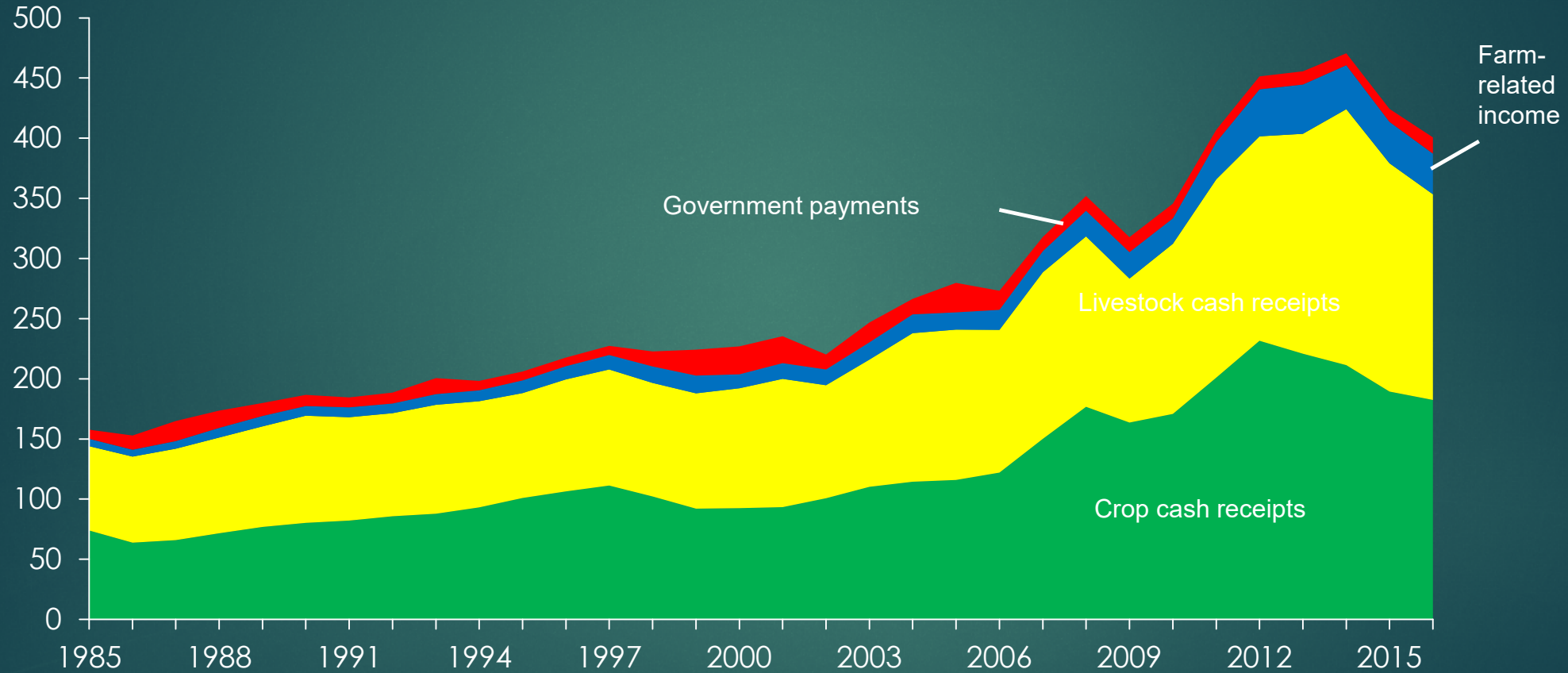
Exports are a critical source of income for a wide range of ag products (2017/18).



* Corn & corn embedded in ethanol, DDGS, and HFCS exports

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.

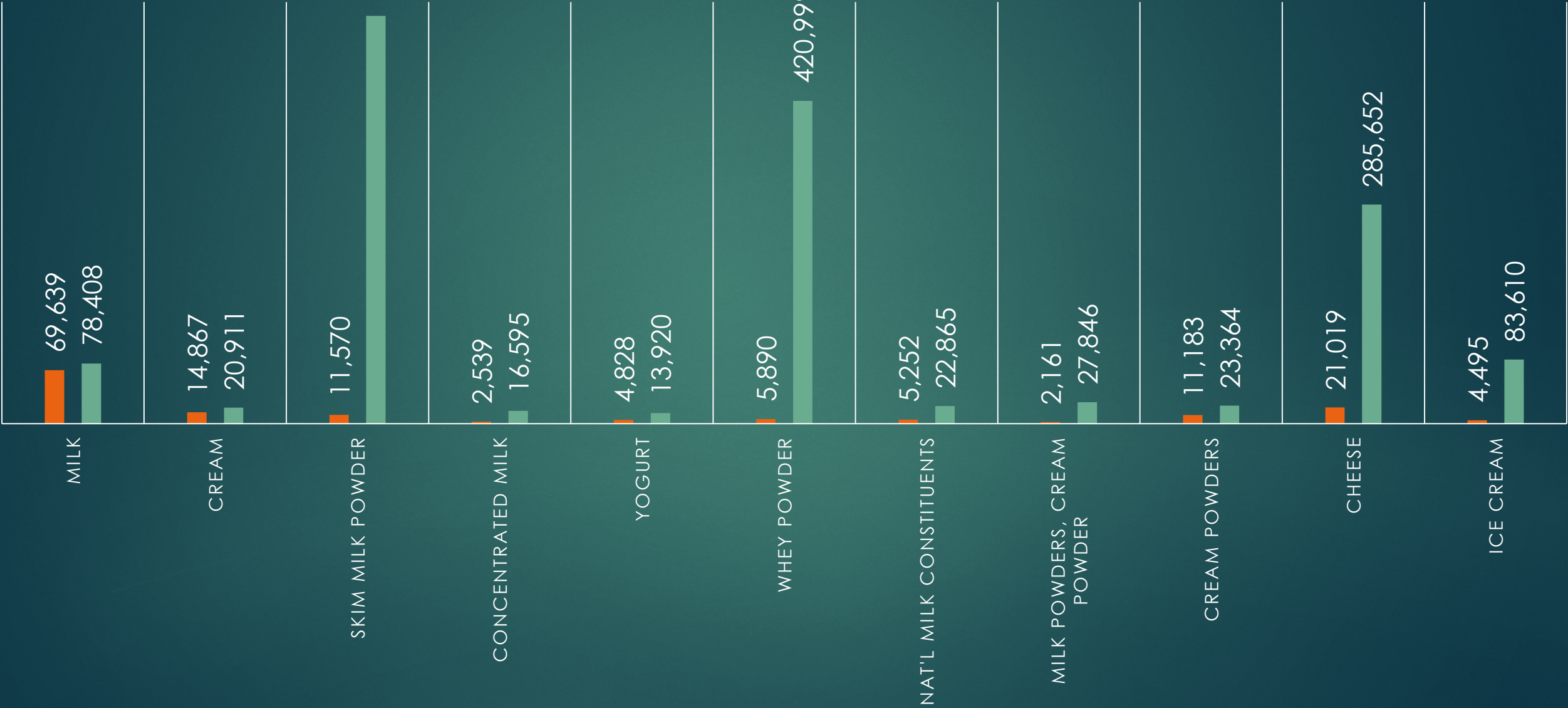
Source: *Farm Income Data*, Updated August 2016. Economic Research Service, USDA.

USMCA Agricultural Provisions

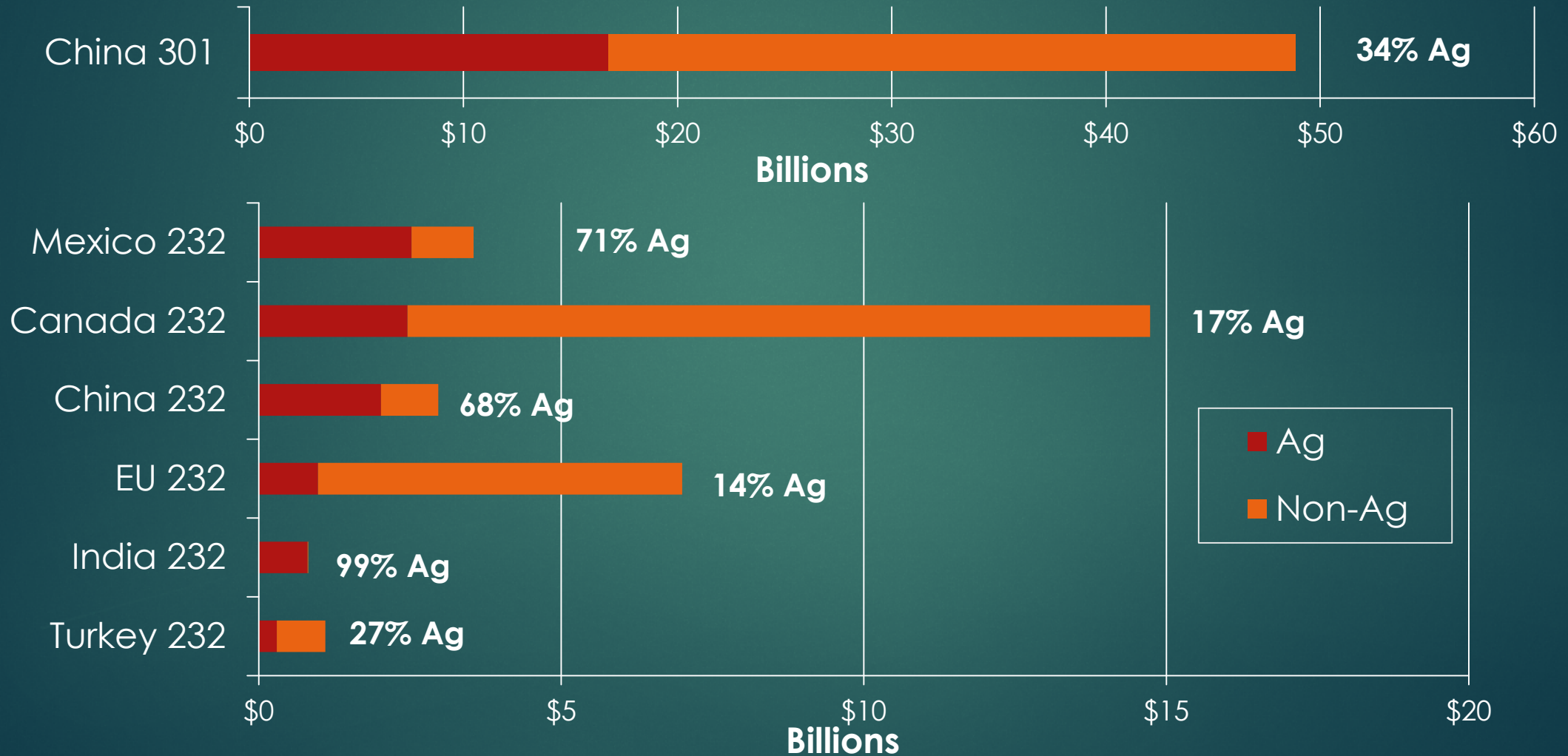
- ▶ Canadian Dairy Policy Changes
- ▶ U.S. Poultry Access to Canada
- ▶ Canadian Grain Policy Changes
- ▶ Sanitary and Phytosanitary Provisions
- ▶ Biotechnology Provisions
- ▶ Beer, Wine, and Spirits Labeling, Sales
- ▶ Geographical Indications and Distinctive Products
- ▶ Protections for Proprietary Formulas
- ▶ U.S. Imports of Canadian Sugar, Dairy, Peanuts, and Cotton
- ▶ Agricultural Trade Issues Not Addressed

DAIRY MARKET ACCESS BY COMPARISON (MT)

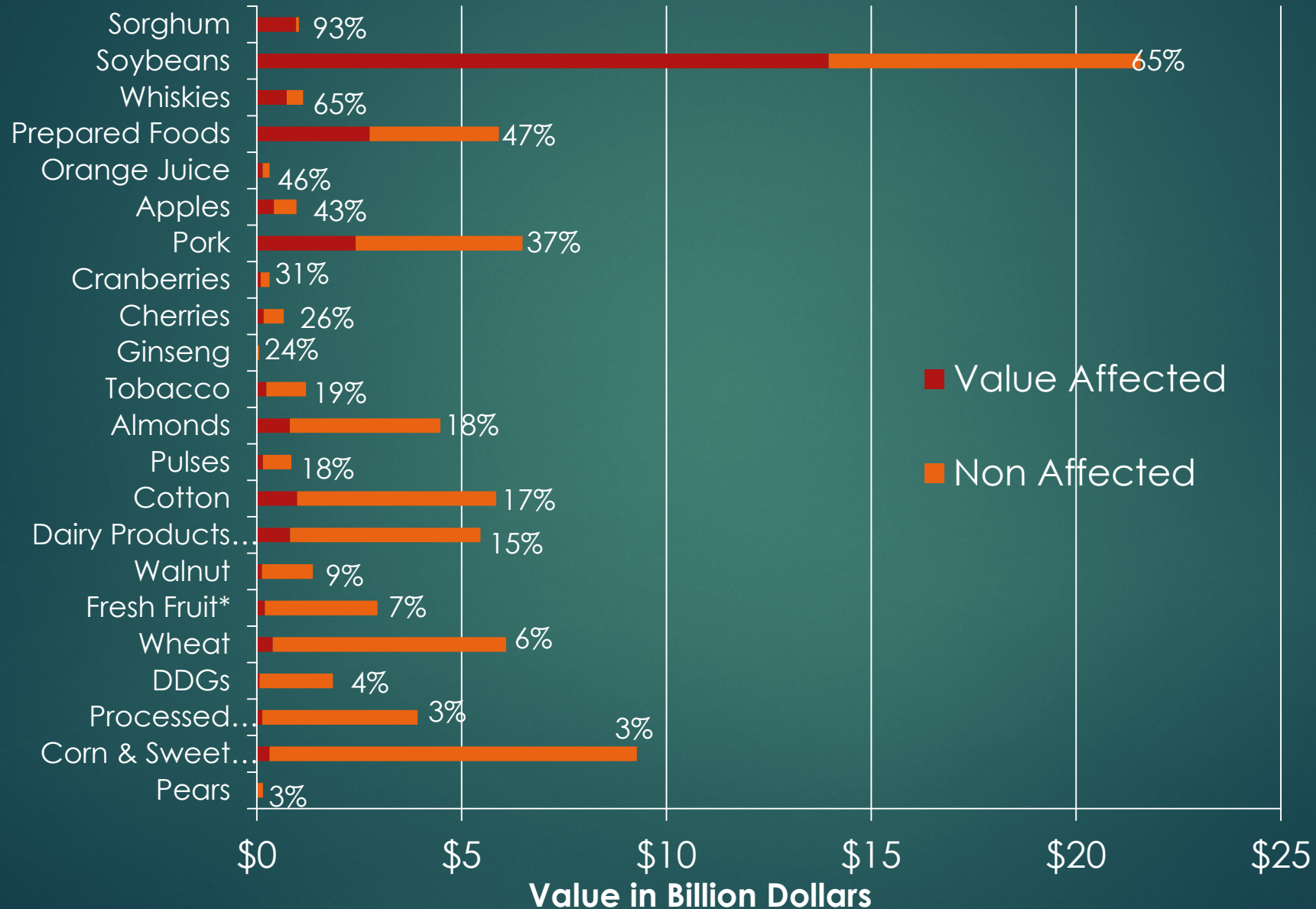
CA USMCA 2015-17 Global Exports



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

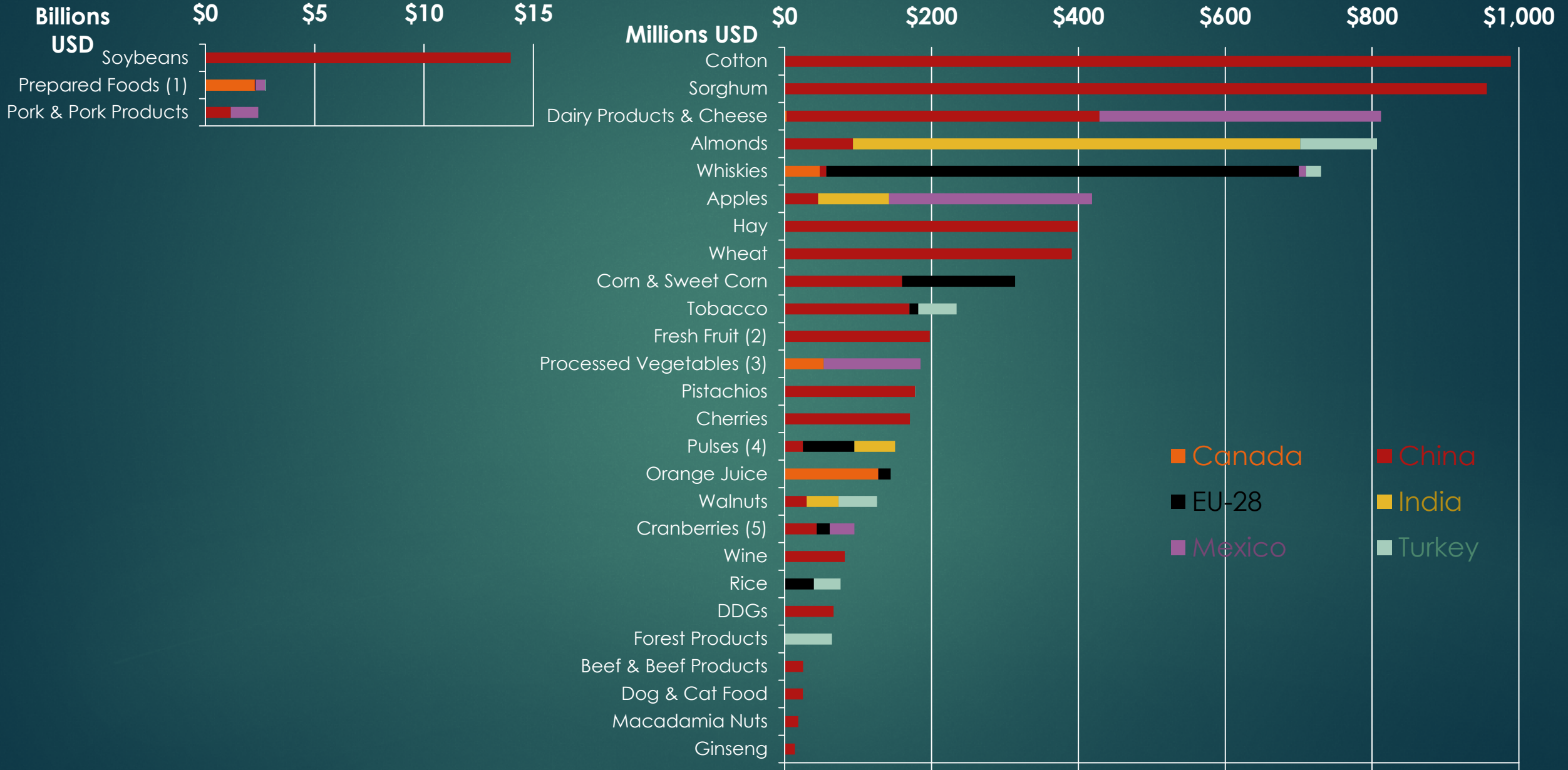


U.S. Ag Exports Affected by Tariff Retaliation

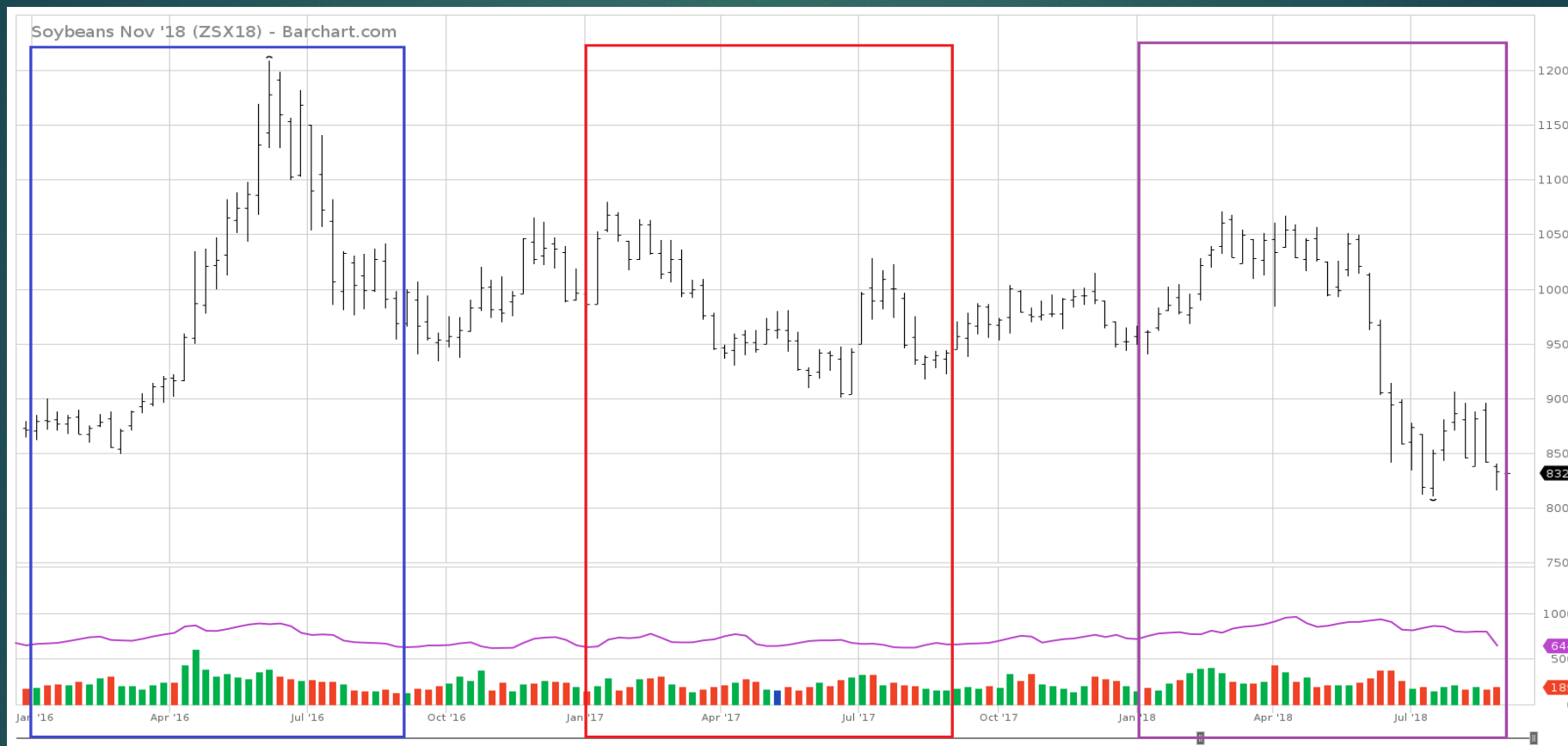


Source: USDA FAS
Global Agricultural
Trade System (GATS) -
BICO-HS10, WTO, FATUS

Value of 2017 U.S. Ag Exports Subject to 232 & 301 Retaliation

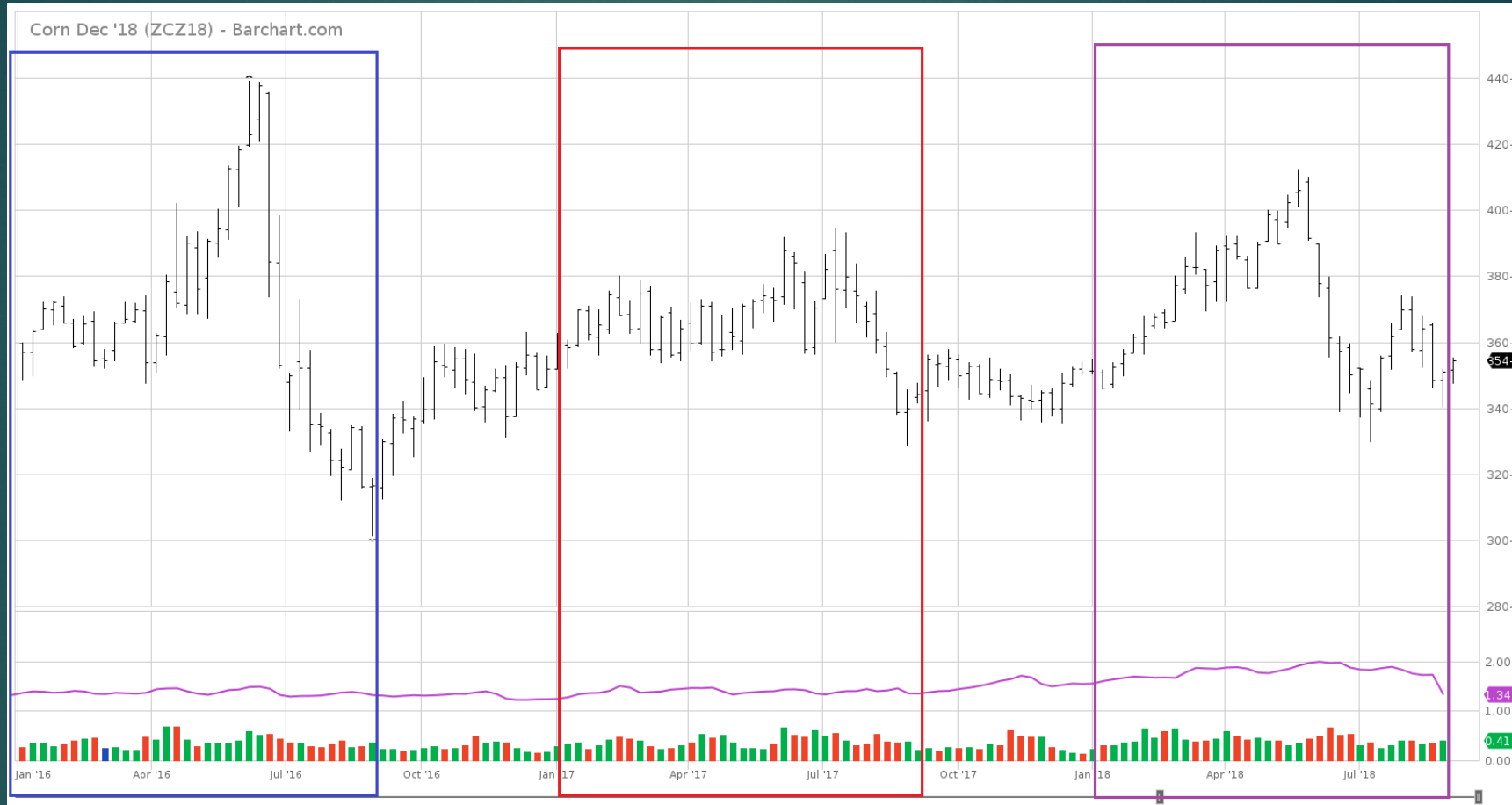


Soybean Futures



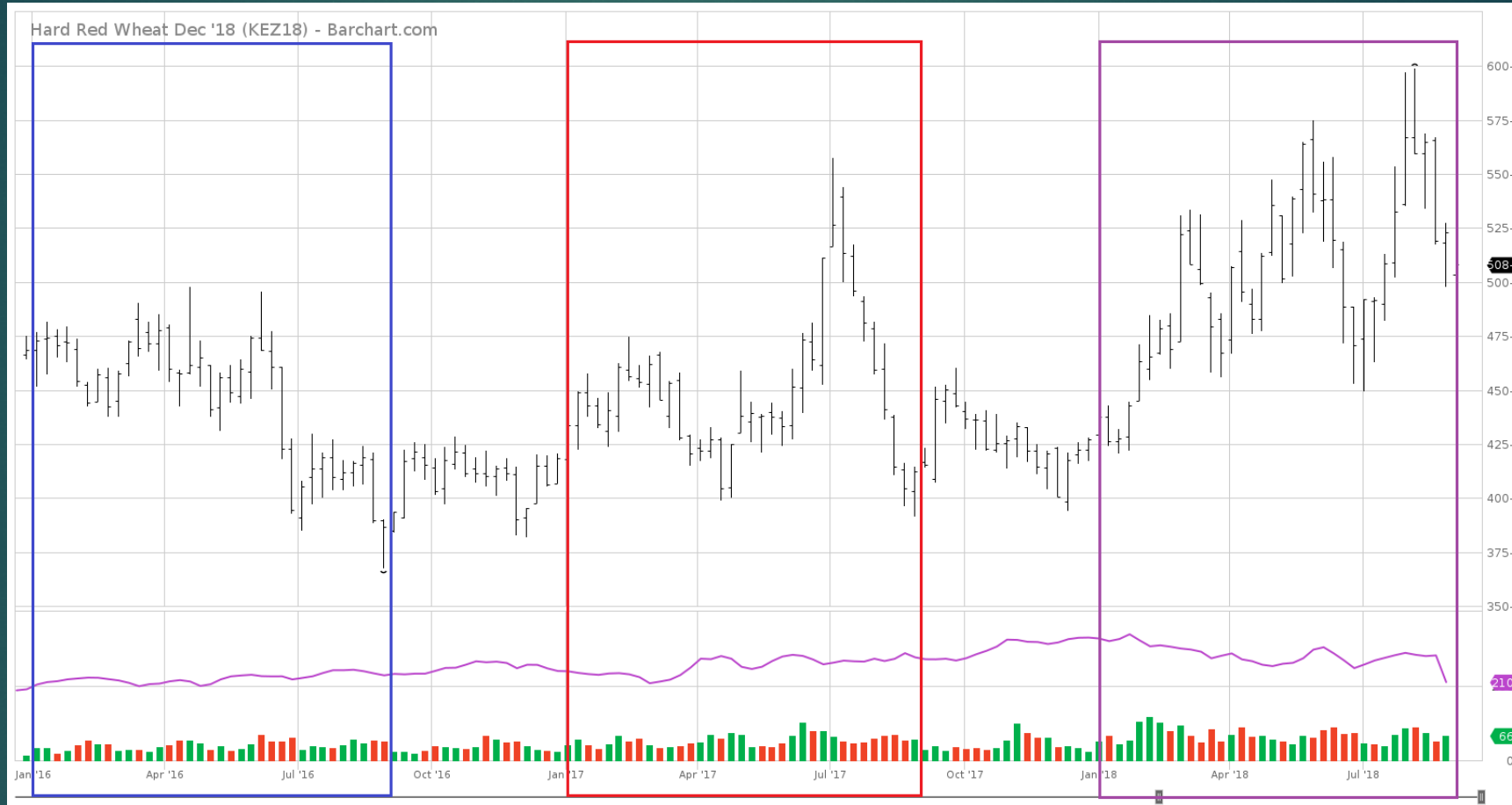
The November 2016, November 2017 and November 2018 soybean futures contract volatility from January through mid-August are compared here. Between April and July, the 2018 contract, when compared to the same months in 2016 and 2017, shows significantly more downward pressure. This is likely in large part due to the escalating trade dispute with key soybean purchasers, such as China.

Corn Futures



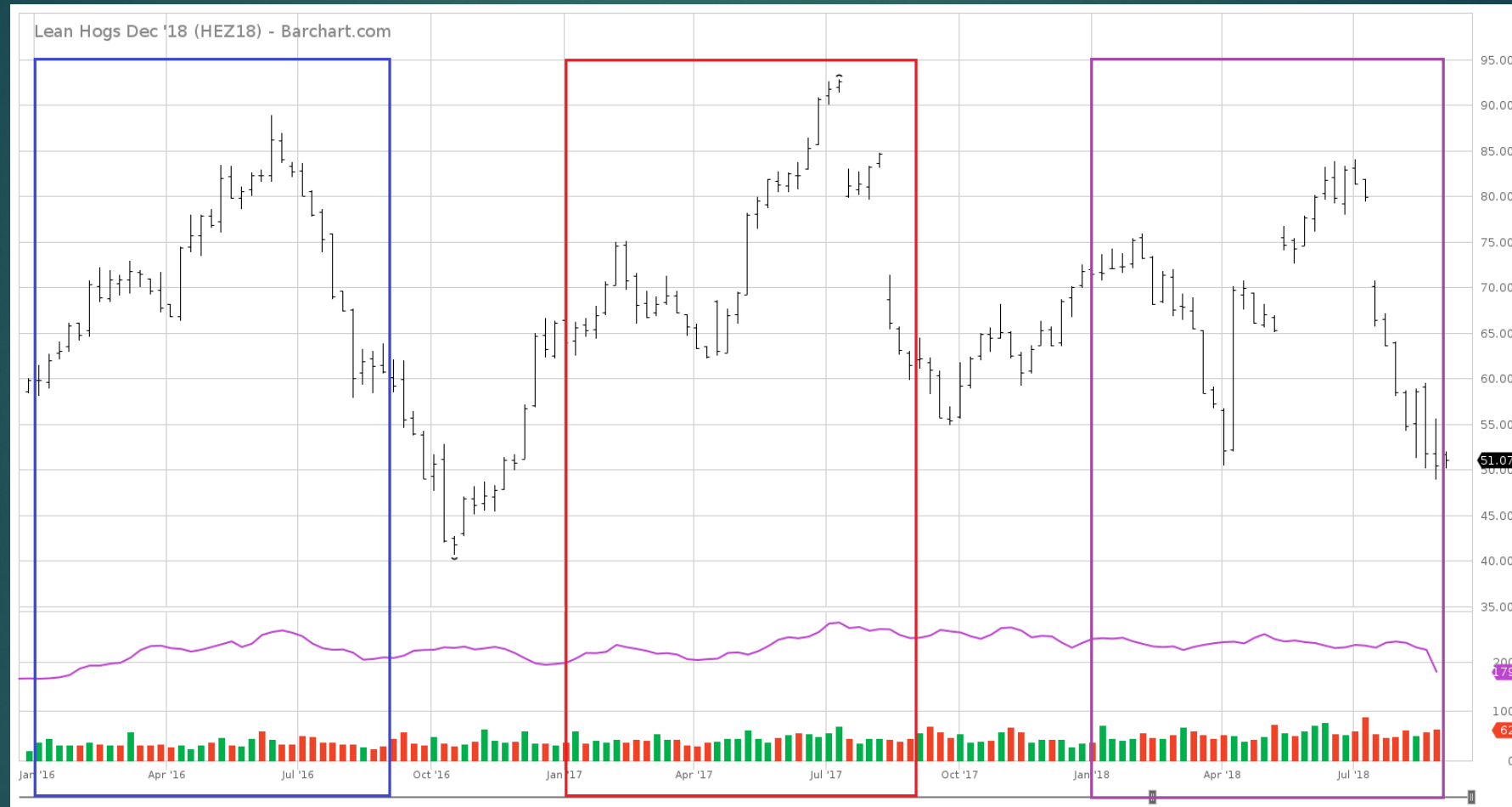
The December 2016, December 2017 and December 2018 corn futures contract volatility from January through mid-August are compared here. Between April and July, the 2018 contract, when compared to the same months in 2016 and 2017, shows a similar pattern, albeit the price downturn began a few weeks earlier than in 2016 and 2017. The small price recovery in July through mid-August is unique, especially given the expected large crop.

Hard Red Wheat Futures



The December 2016, December 2017 and December 2018 hard red wheat futures contract volatility from January through mid-August are compared here. Between April and July, the 2018 contract, when compared to the same months in 2016 and 2017, shows a similar pattern, albeit the price downturn began a few weeks earlier than in 2016. The price recovery in July through mid-August is unique.

Lean Hogs Futures



The December 2016, December 2017 and December 2018 lean hogs futures contract volatility from January through mid-August are compared here. Between January and April, the 2018 contract, when compared to the same months in 2016 and 2017, shows much more severe and significant downward pressure, especially from around February onward. This is likely in large part due to the escalating trade dispute with key pork purchasers, such as China.

USDA MARKET FACILITATION PROGRAM

Initial Direct Payments to Growers in 2018, **\$4.7 Billion**
Payments Based on 2018 Production



Source: USDA

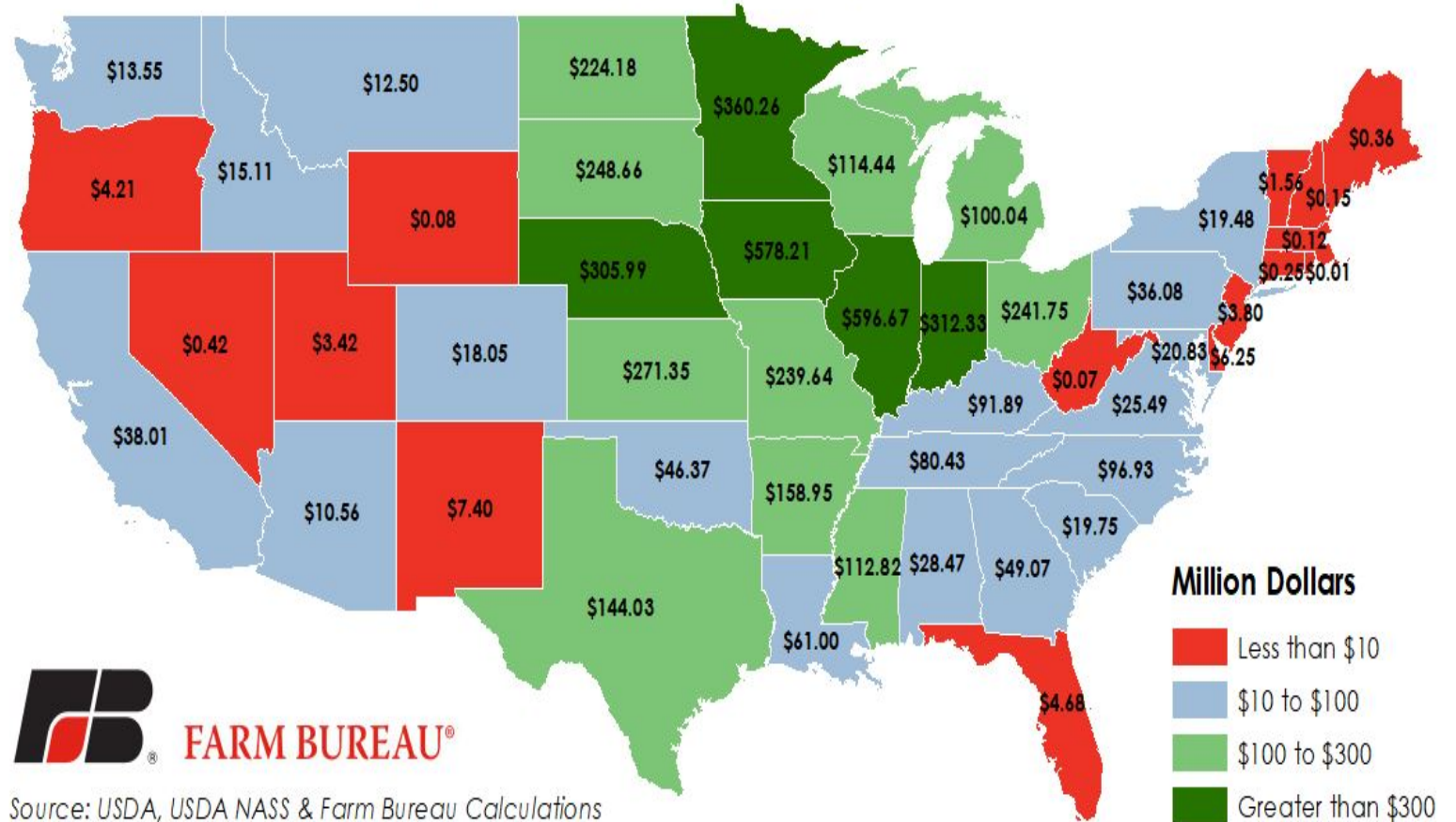
TRADE AID – MARKET FACILITATION PROGRAM

Market Facilitation Program Payment Rates and Estimated Round One Payments

Commodity	Initial Payment Rate	Est. Initial Payment (in \$1,000s)
Cotton	\$0.06 / lb.	\$276,900
Corn	\$0.01 / bu.	\$96,000
Dairy (milk)	\$0.12 / cwt.	\$127,400
Pork (hogs)	\$8.00 / head	\$290,300
Soybeans	\$1.65 / bu	\$3,629,700
Grain Sorghum	\$0.86 / bu	\$156,800
Wheat	\$0.14 / bu.	\$119,200
TOTAL		\$4,696,300

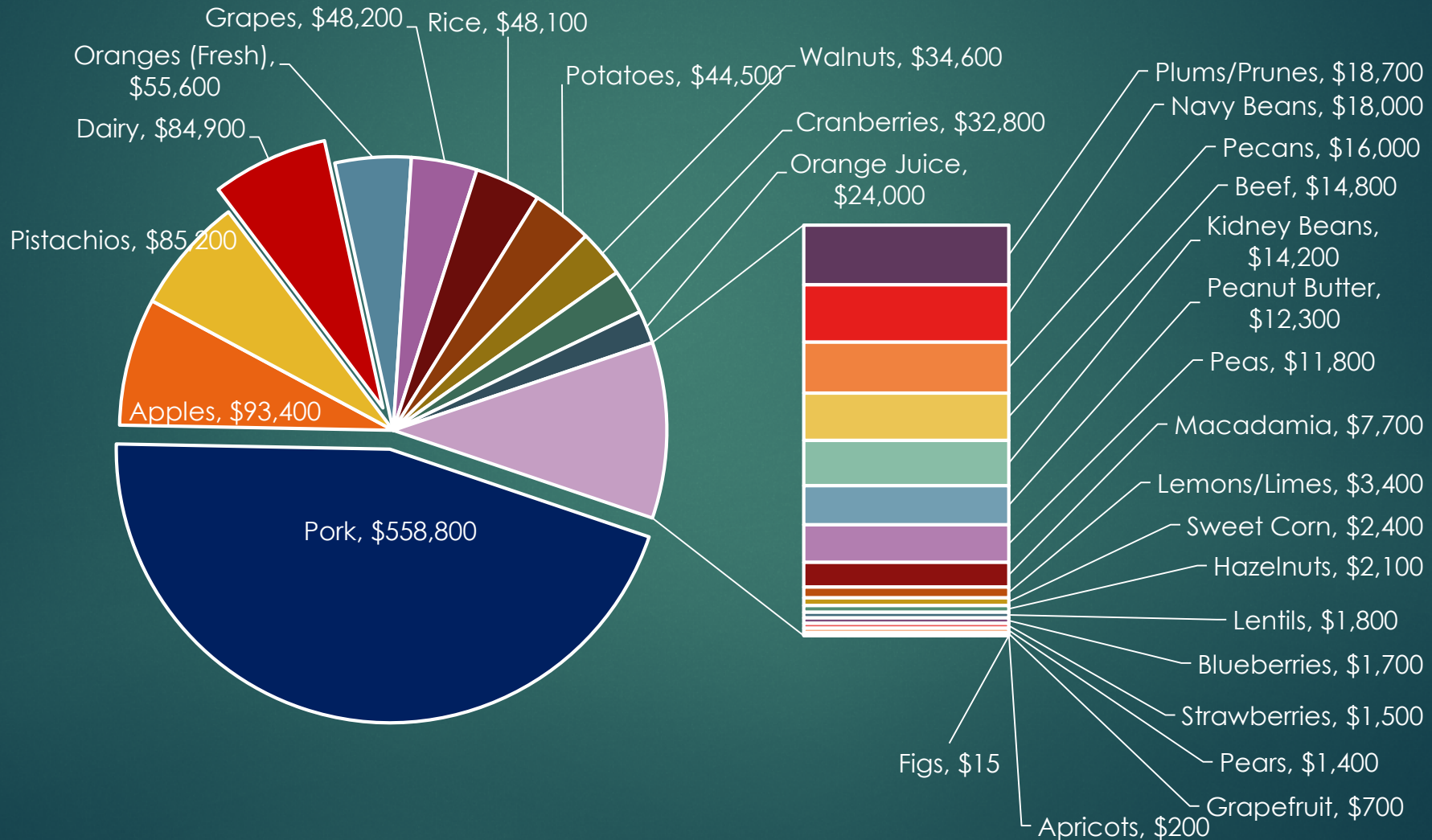
Figure 1. Total Market Facilitation Program Payments

50% Initial Payment, U.S. Total \$4.7 Billion



USDA FOOD DISTRIBUTION PROGRAMS

\$1.2 Billion Food Purchases in 2018, \$300M Unallocated

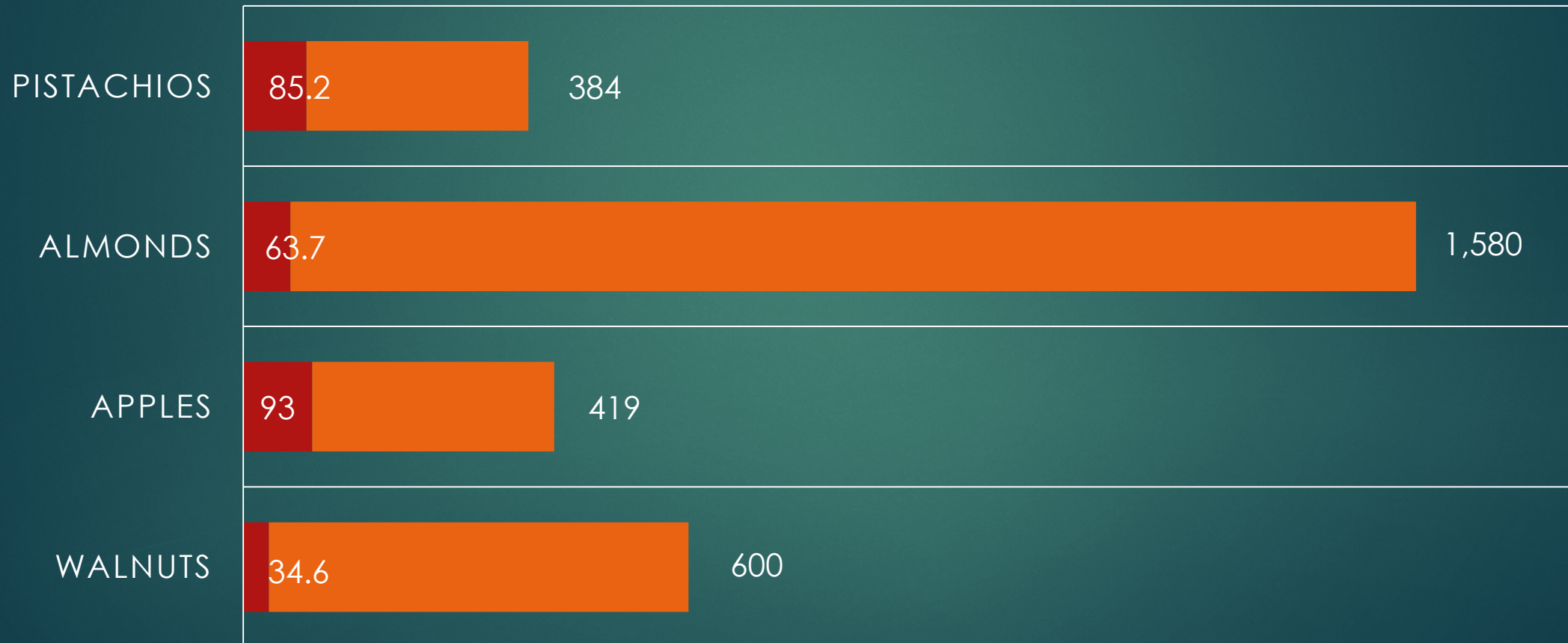


A Drop In the Bucket

**LOST U.S. FRUIT &
NUT EXPORTS
(PER YEAR) -
\$2.64 BILLION**

TRADE AID VS TOTAL ESTIMATED LOSSES

■ Trade Aid ■ Total Estimate Loss

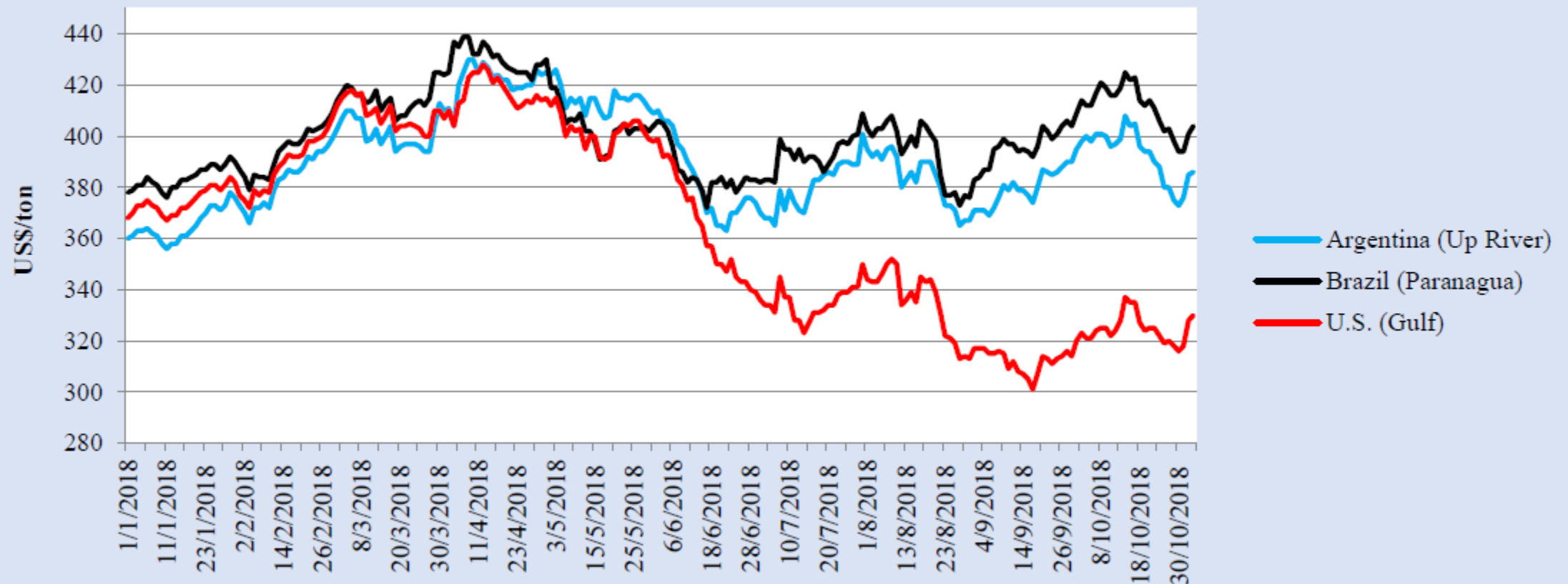


Deck Chair Movement

Partner	Top 5 Ag Markets FY 2017	Top 5 Ag Markets FY 2018 (May)	Top 5 Ag Markets FY 2018 (Aug)	Top 5 Ag Markets FY 2019
	\$ Billion			
China	21.8	21.6	19.0	12.0
Canada	20.4	21.2	20.4	21.5
Mexico	18.6	19.4	18.6	19.7
Japan	11.8	11.8	11.8	12.4
EU	11.5	12.0	12.4	13.4
South Korea	6.8	6.9	7.4	7.9

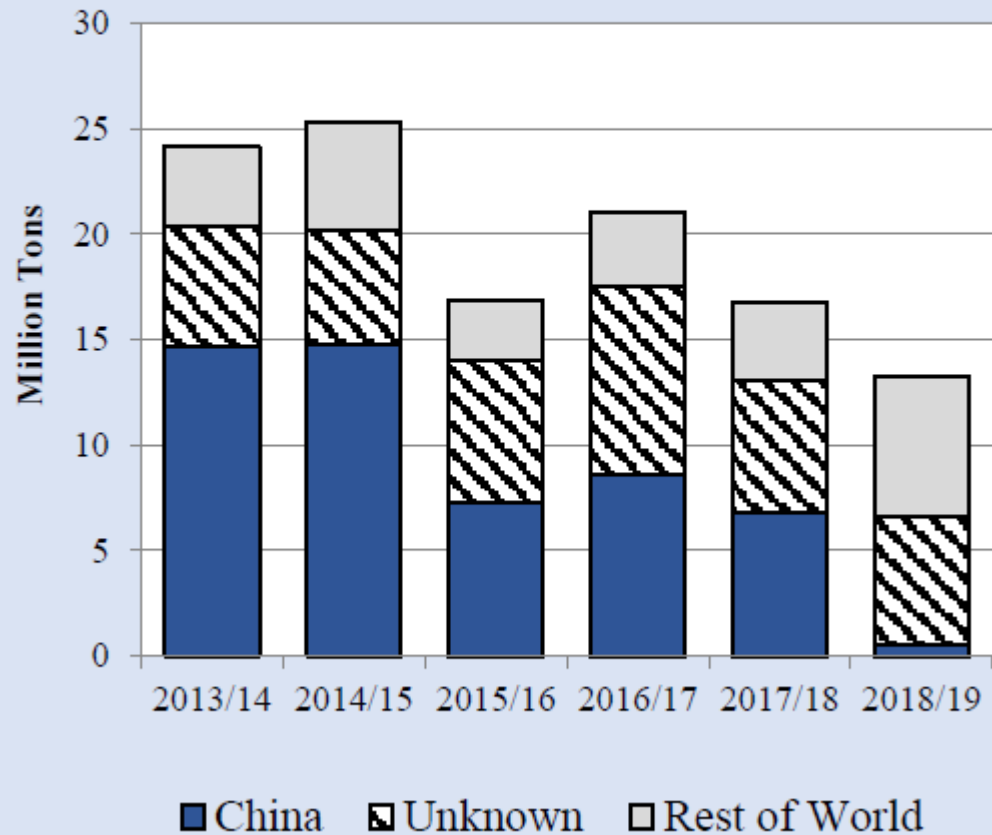
Making Brazilian and Argentinian Beans Great Again

SOYBEAN EXPORT PRICES

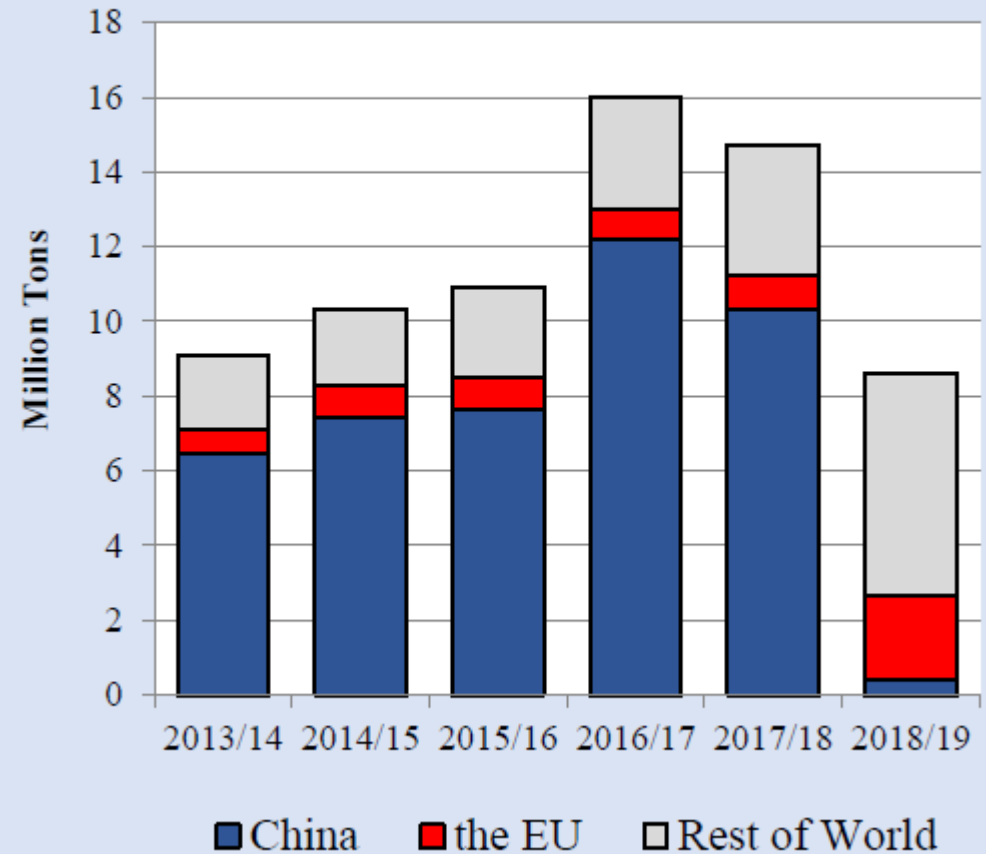


The Not So Mysterious Case of Missing Sales

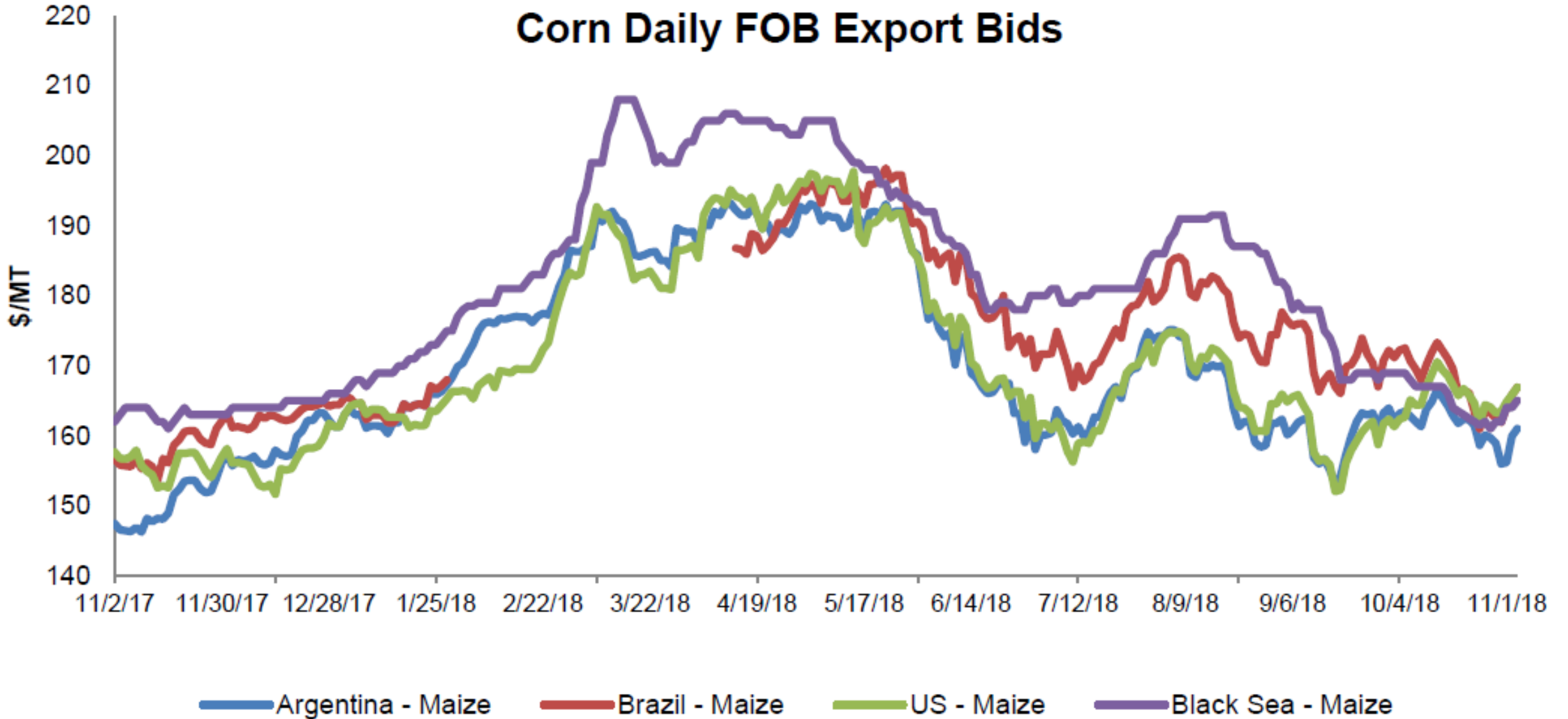
**U.S. Soybean Outstanding Sales
As of November 1**



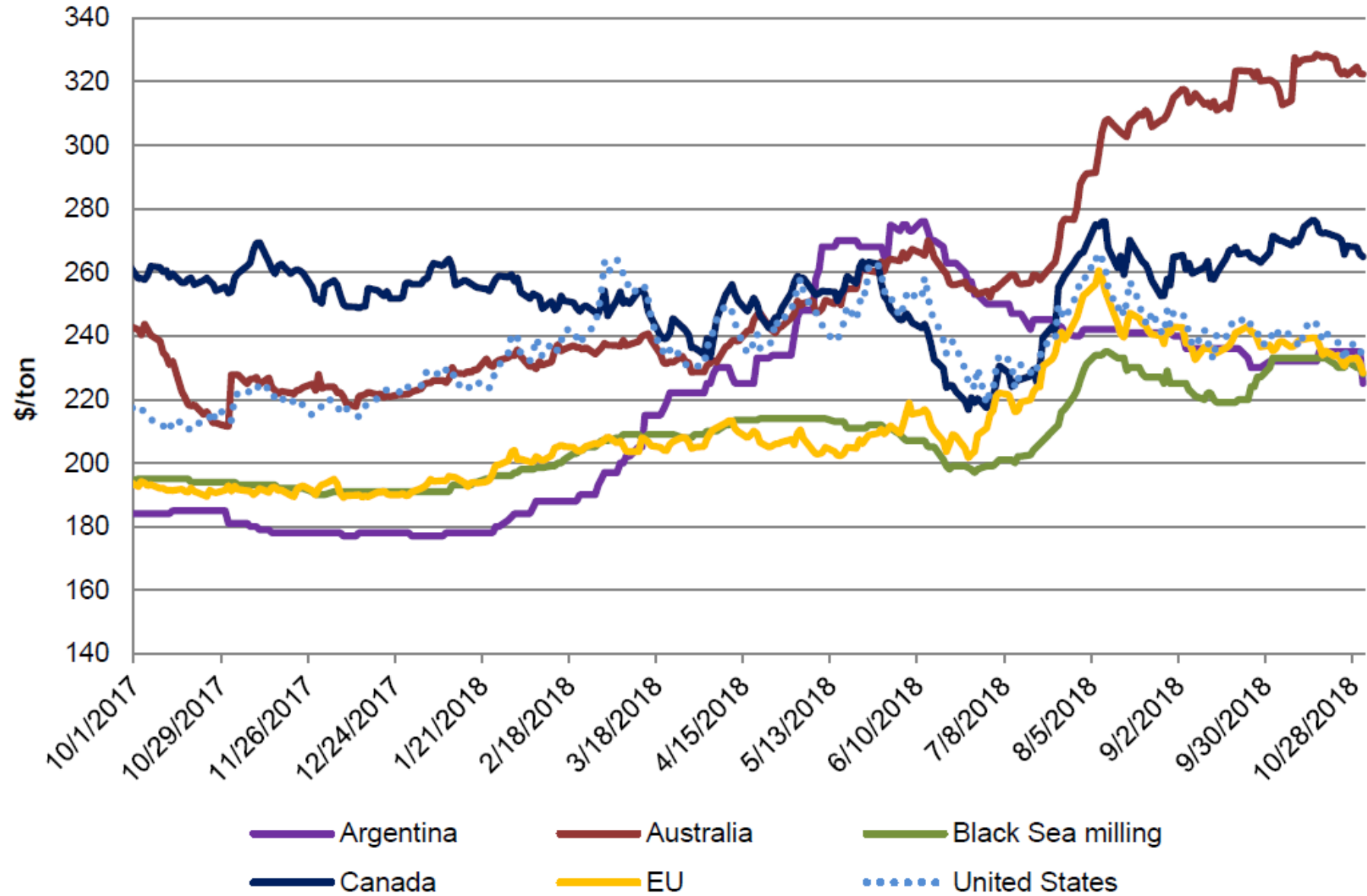
**U.S. Accumulated Soybean Exports
As of November 1**



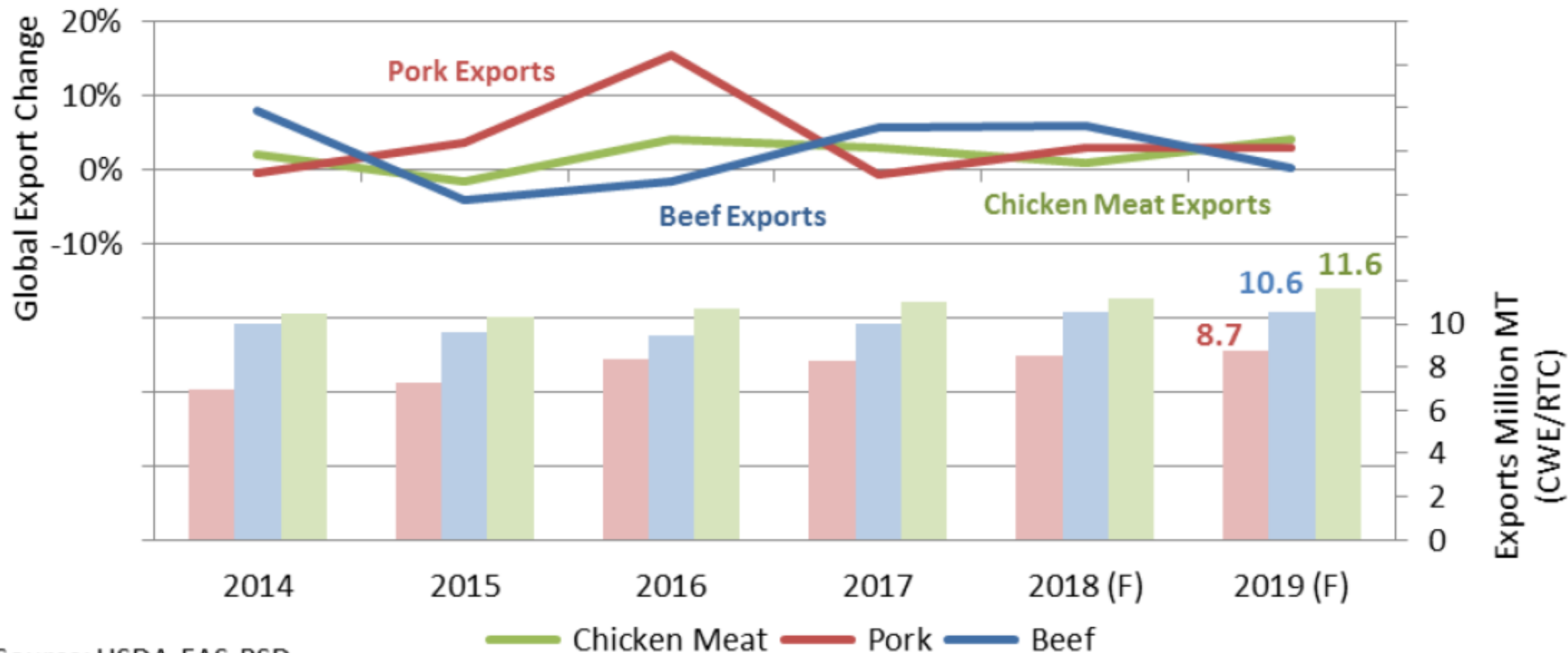
Corn Daily FOB Export Bids



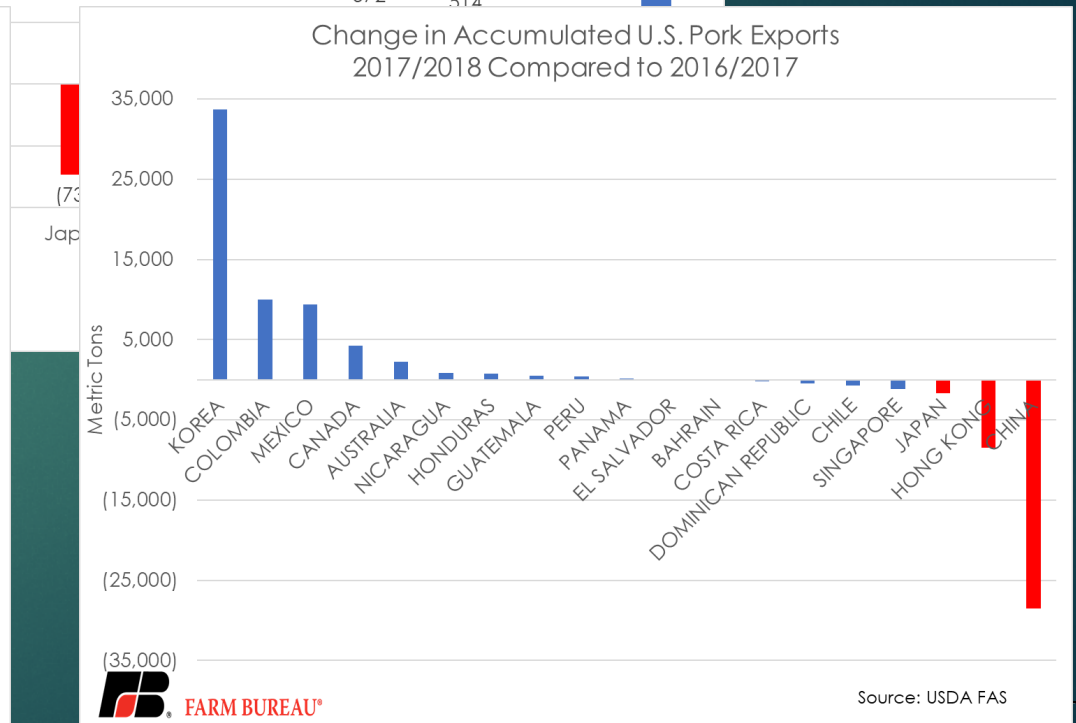
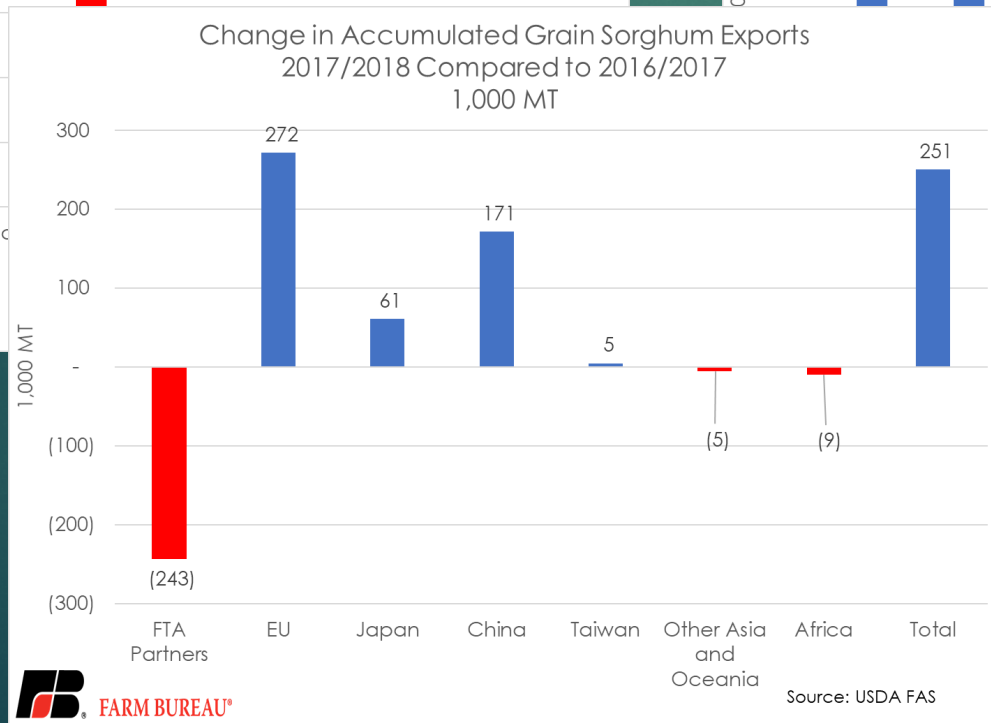
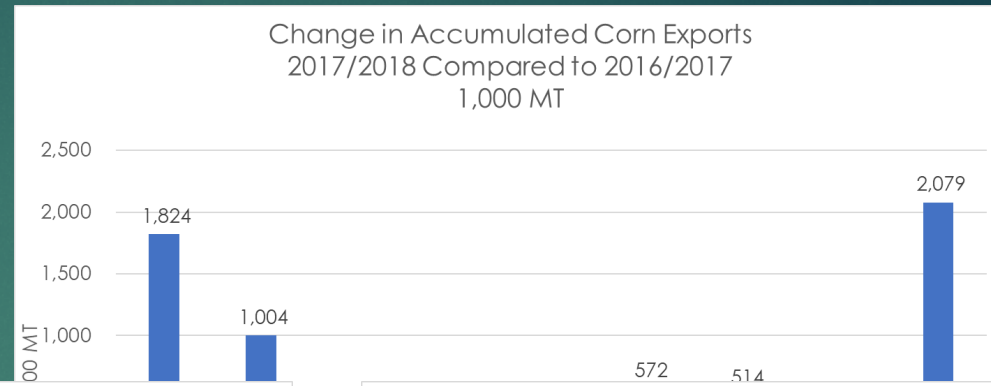
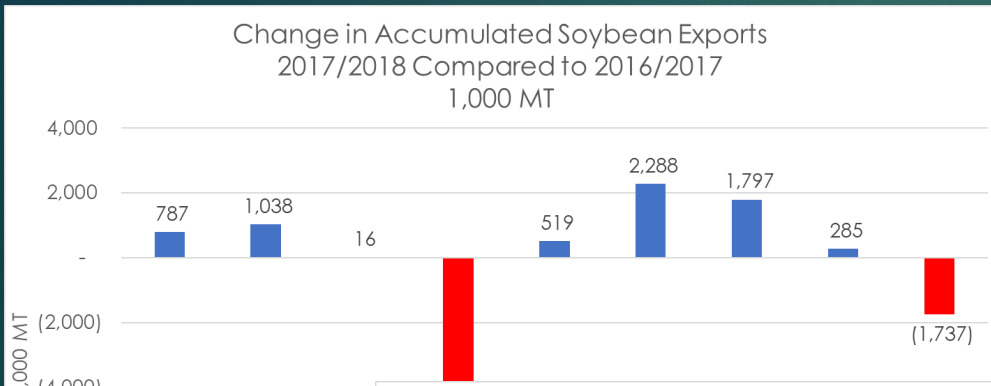
Wheat International Daily FOB Export Bids



Pork and Chicken Meat Trade Strengthen, Beef Trade Slackens in 2019



Source: USDA-FAS-PSD



Questions?

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