

farmdocDAILY LIVE | Coronavirus and Ag

Nick Paulson and Joe Glauber on Ag Trade



Joe Glauber



Nick Paulson



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Joe Glauber



Nick Paulson





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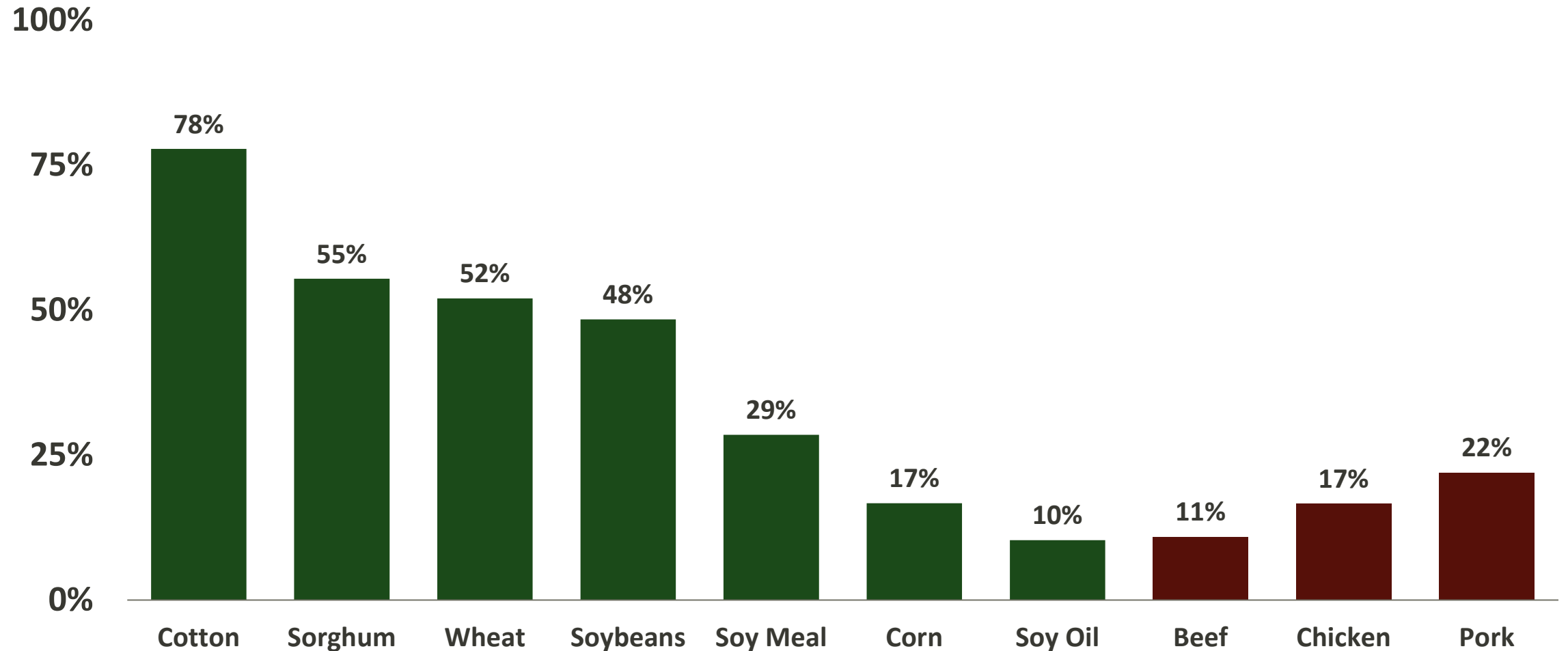
Nick Paulson

If production or other supply chain issues related to covid-19 create potential domestic shortages, **should the government intervene to limit meat exports?**

- Yes, exports should be stopped
- Yes, exports should be partially limited
- No, exports should continue
- I don't know

Importance of Ag Export Markets

Export Share of US Production, 2017/18

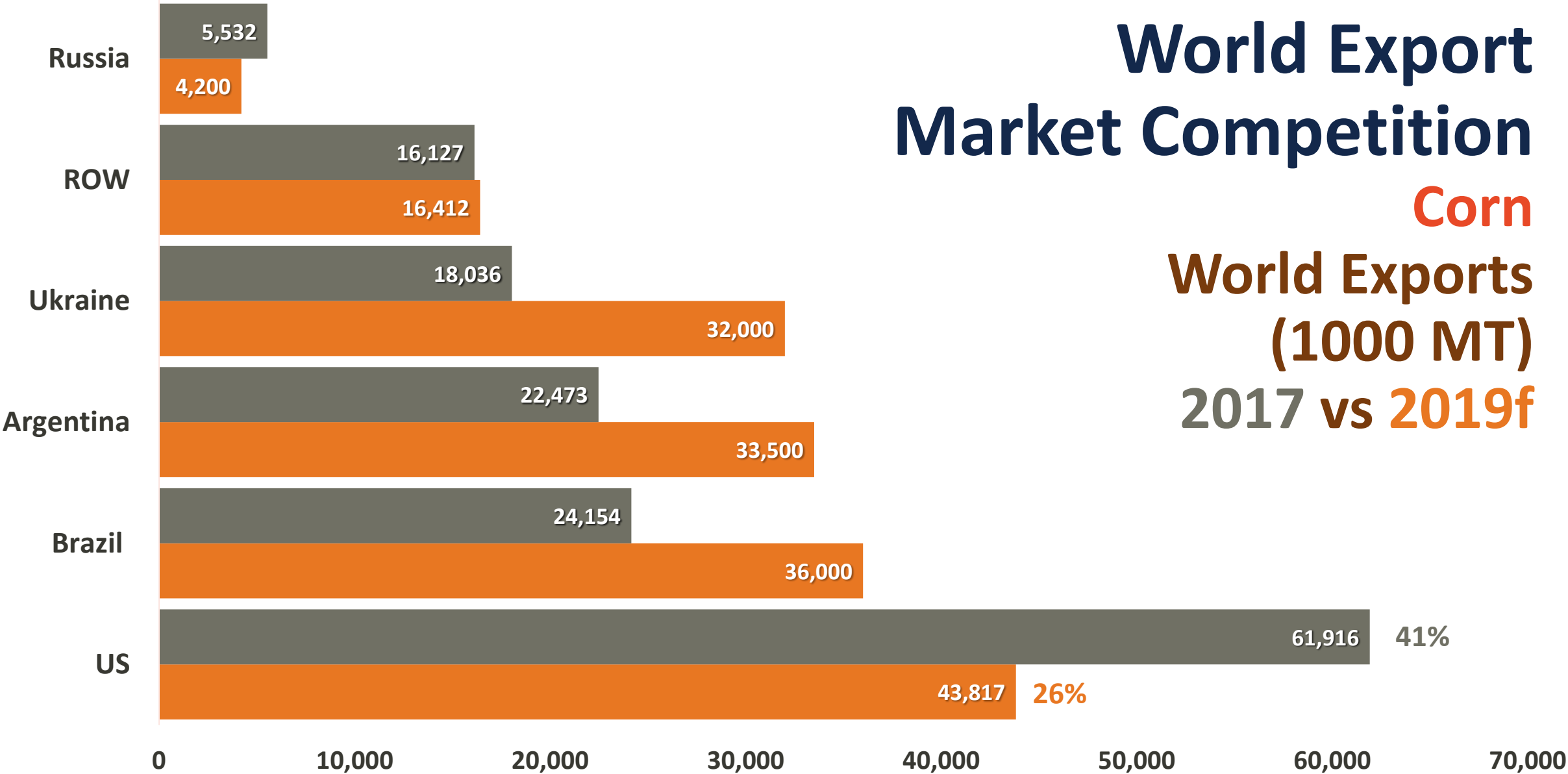


World Export Market Competition

Corn

World Exports
(1000 MT)

2017 vs 2019f

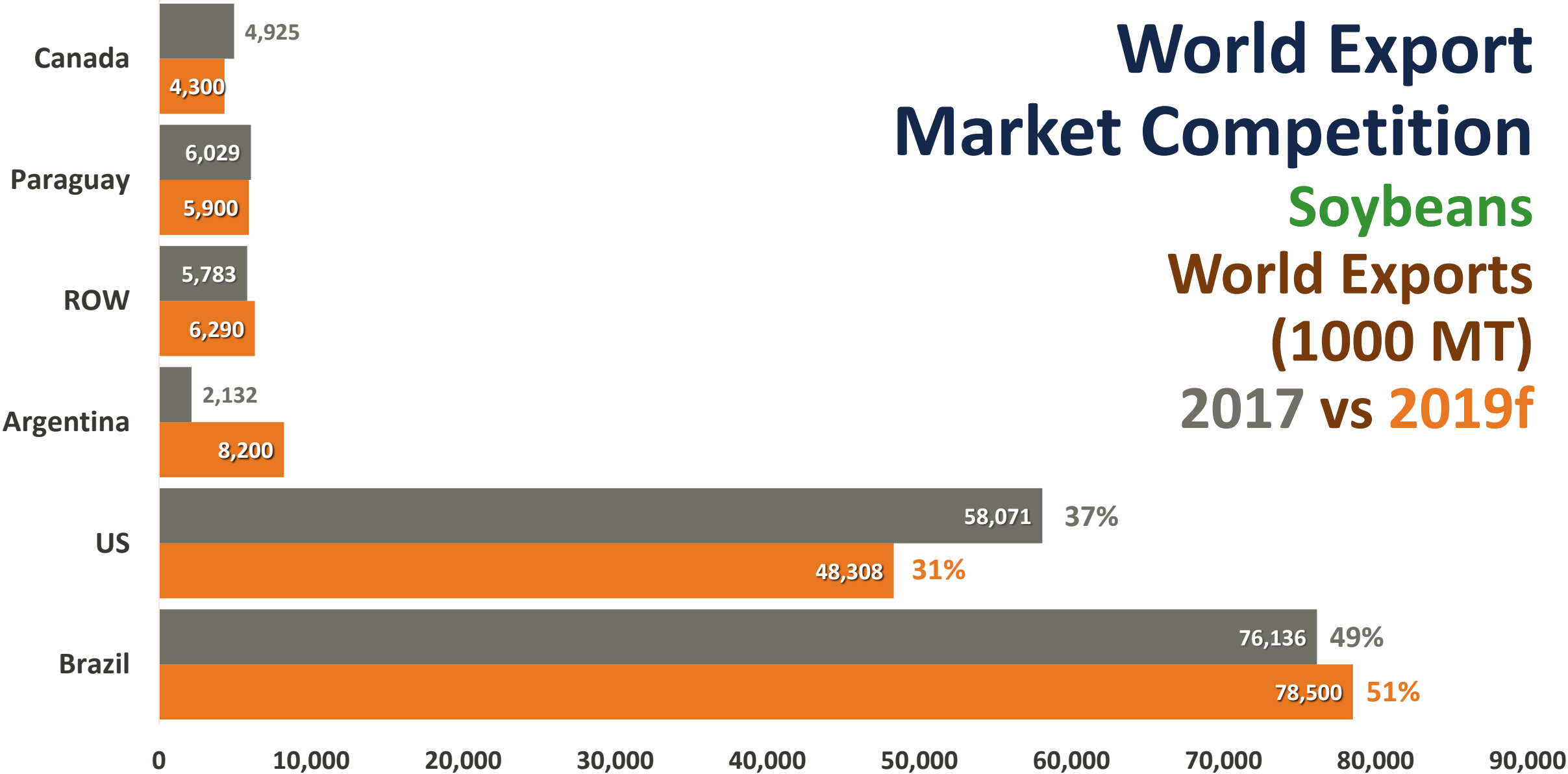


World Export Market Competition

Soybeans

World Exports (1000 MT)

2017 vs 2019f

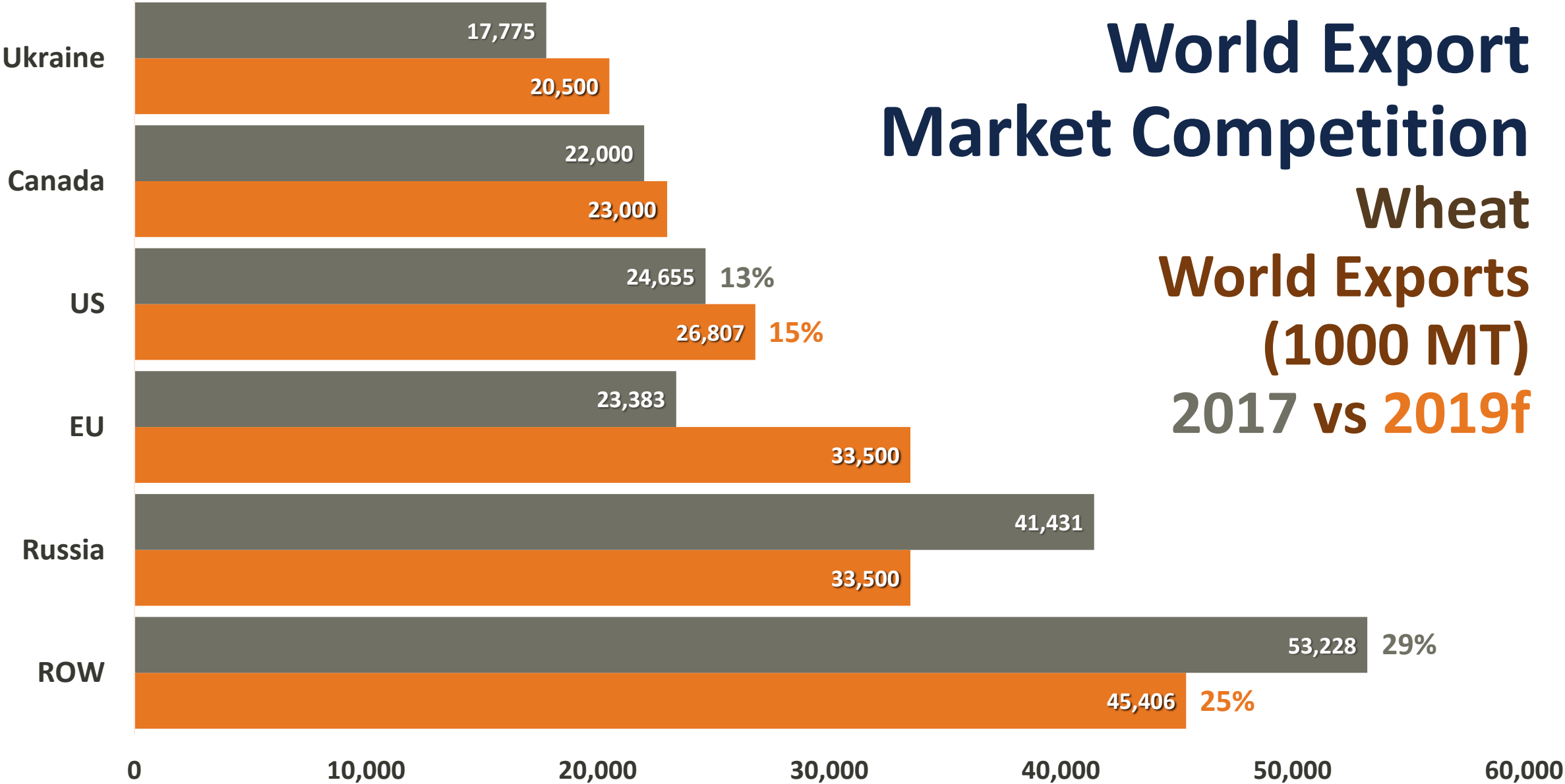


World Export Market Competition

Wheat

World Exports (1000 MT)

2017 vs 2019f

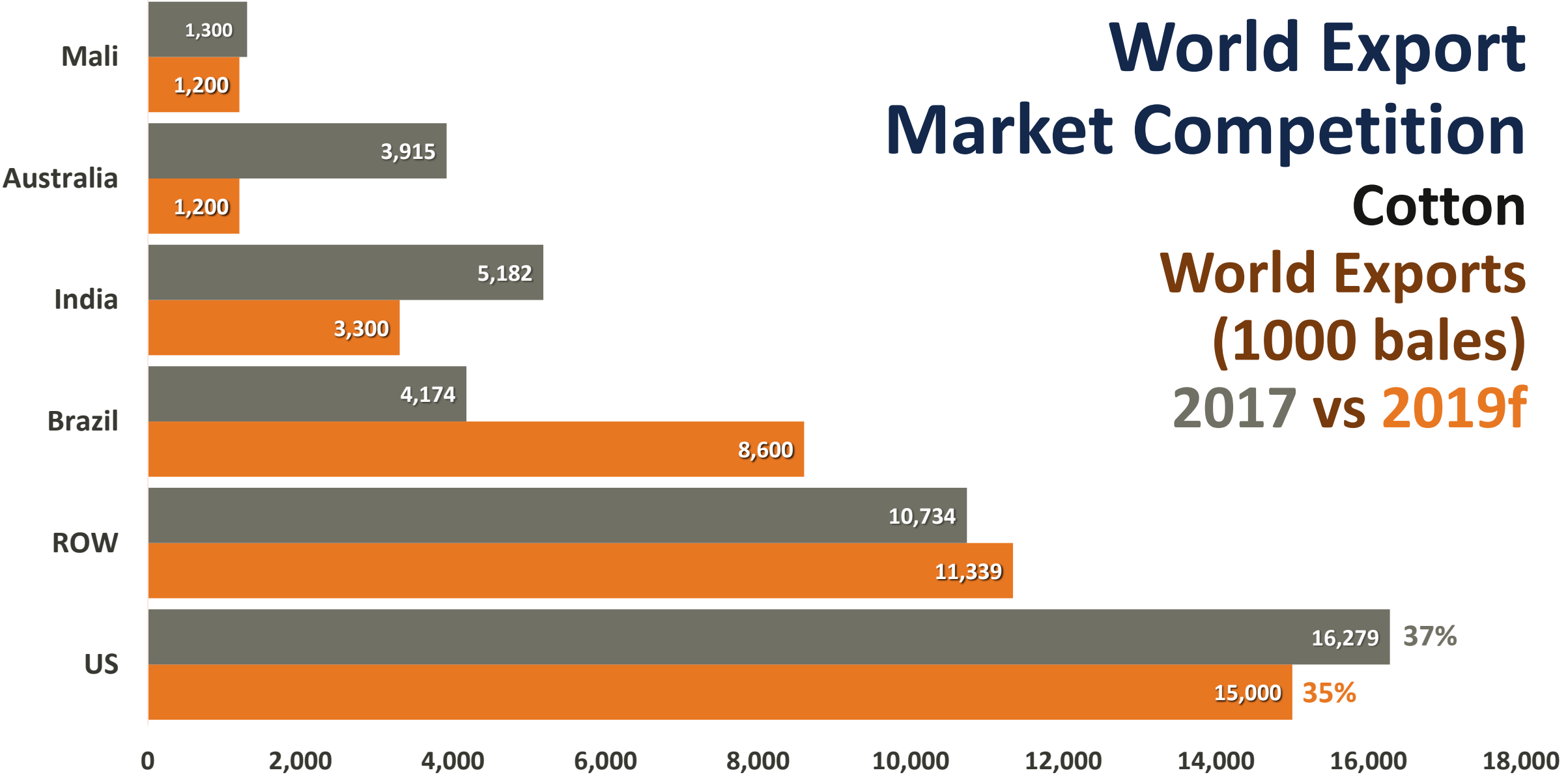


World Export Market Competition

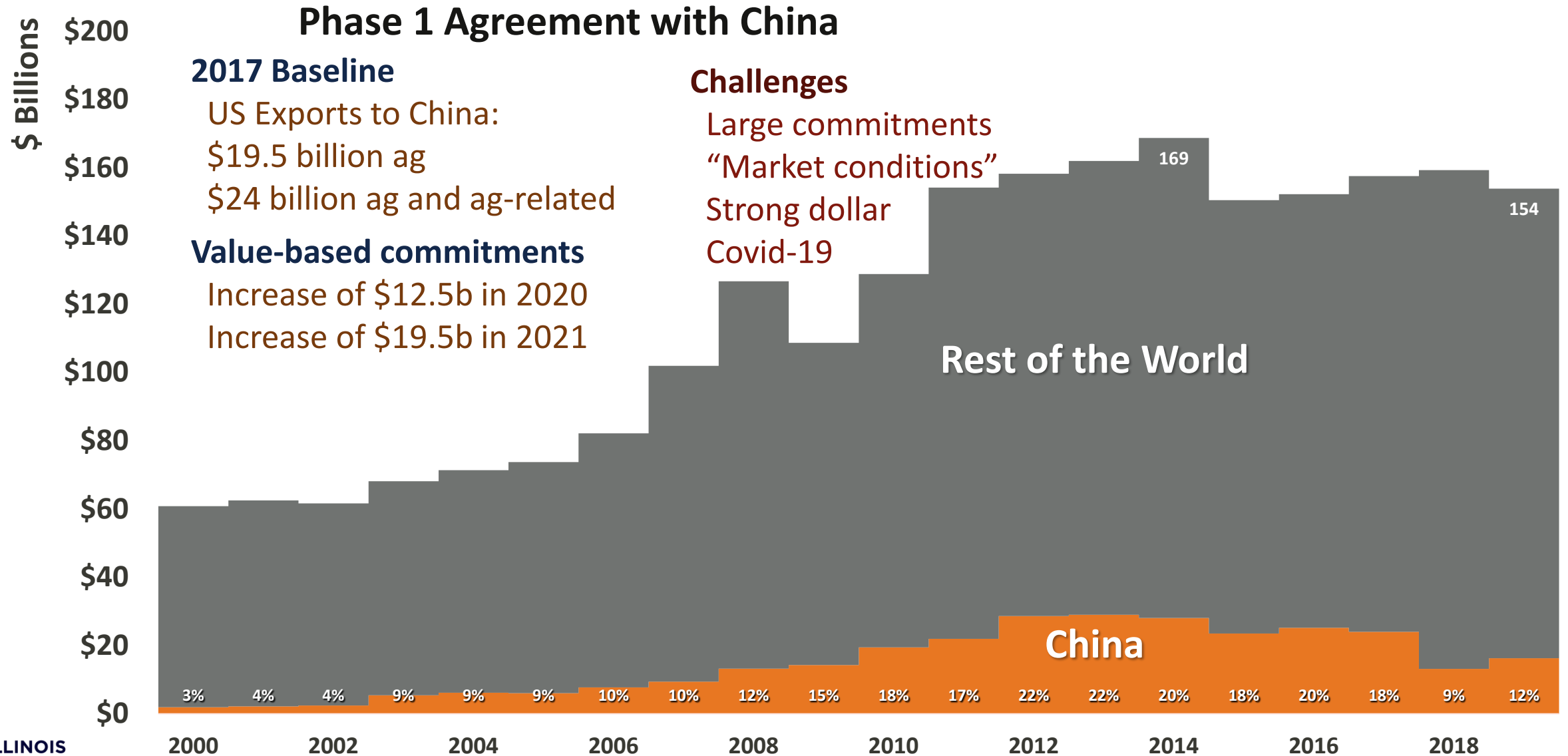
Cotton

World Exports
(1000 bales)

2017 vs 2019f

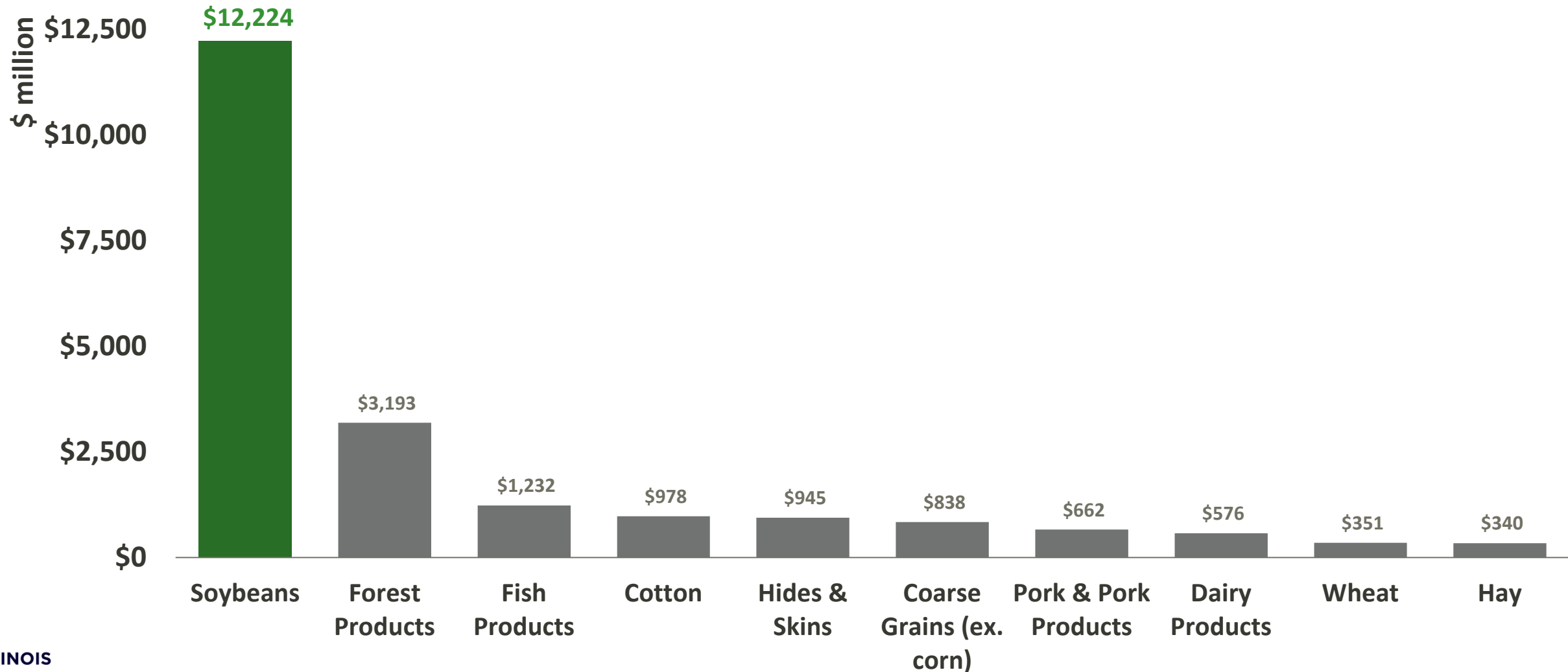


US Ag and Ag-Related Exports by Year and Value



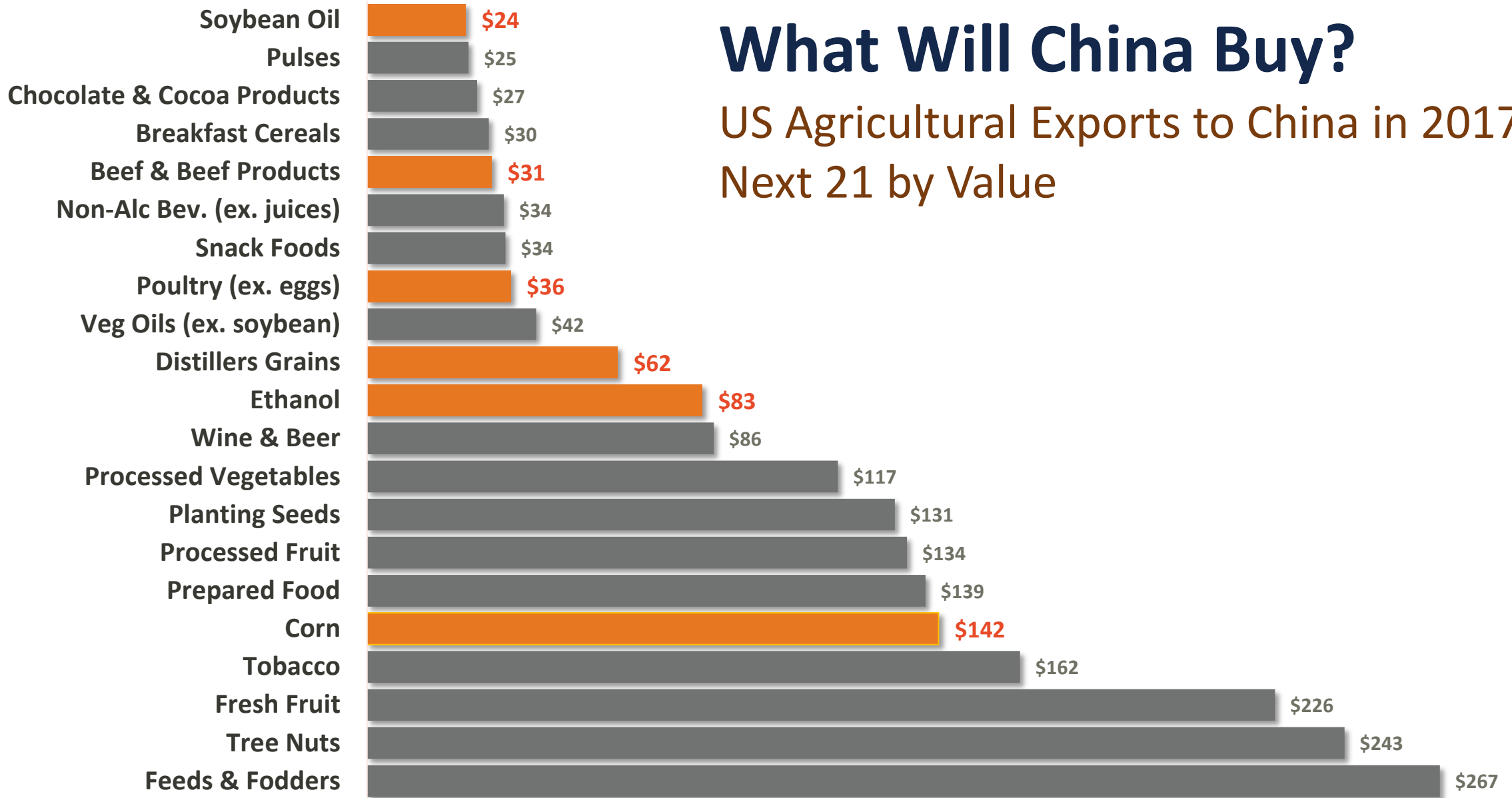
What Will China Buy?

US Agricultural Exports to China in 2017: Top 10 by Value



What Will China Buy?

US Agricultural Exports to China in 2017
Next 21 by Value



\$0 \$50 \$100 \$150 \$200 \$250 \$300

\$ million

Will China meet their Phase 1 import commitments for US ag products in 2020?

- Yes, commitments will be met
- No, but purchases will be above 2017 levels
- No, and purchases will be below 2017 levels
- I don't know



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Joe Glauber
Senior Research Fellow at IFPRI



Outline

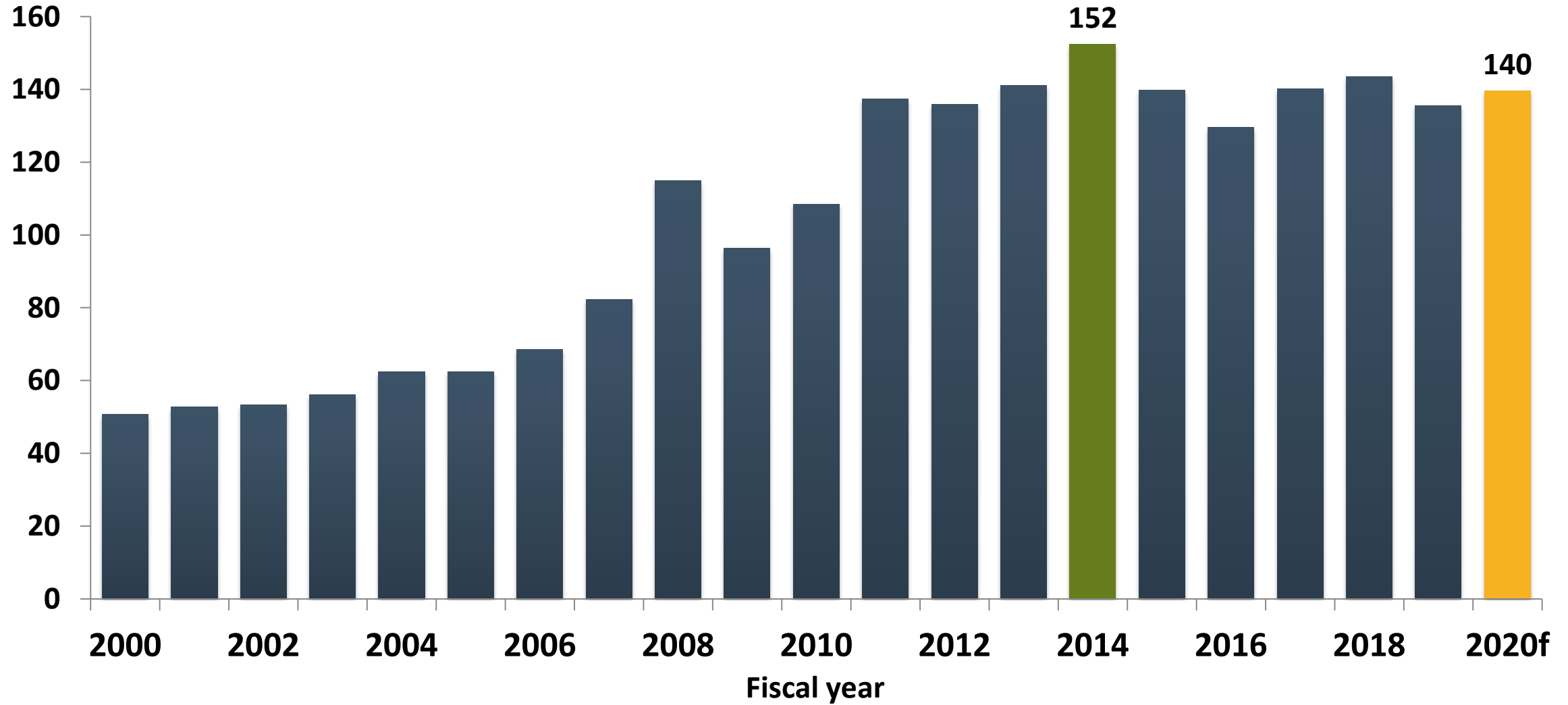
China and Phase 1
Prospects post-covid-19
Issues





US agricultural trade

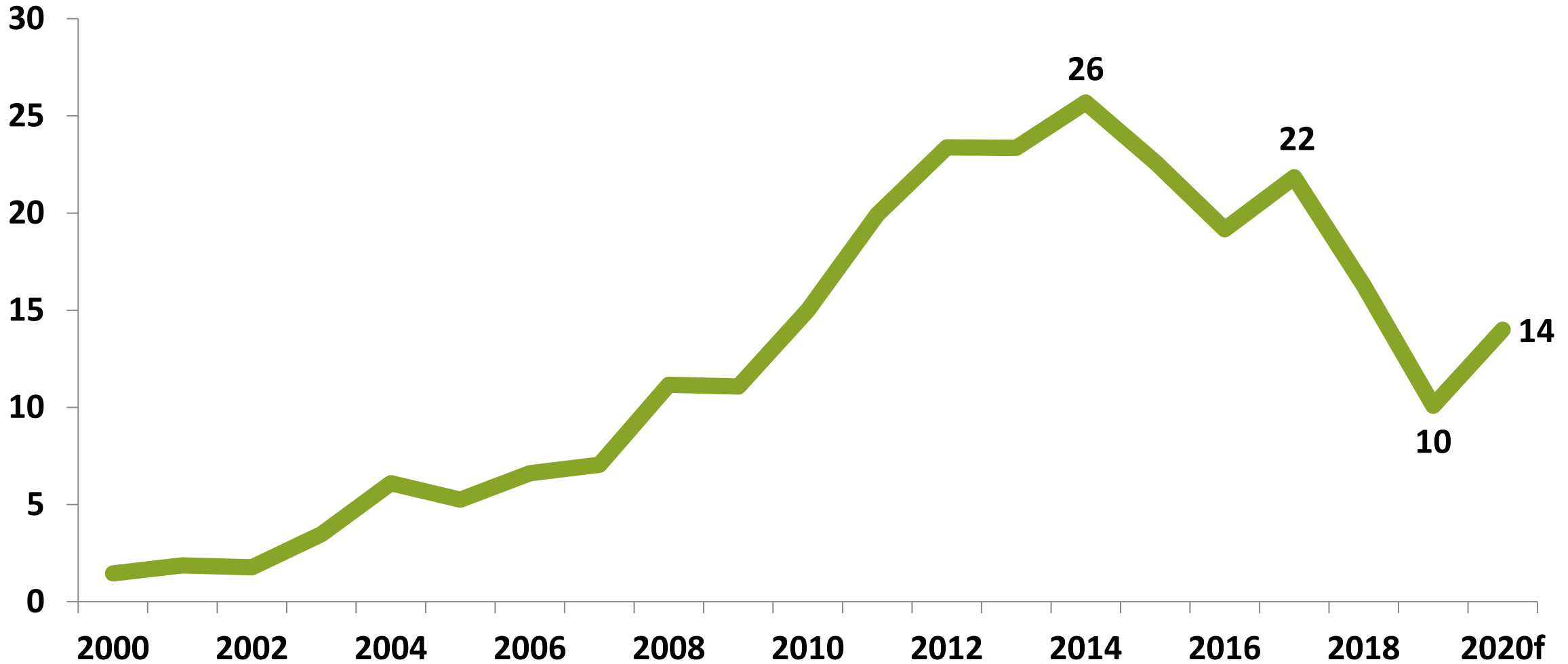
Billion USD





US agricultural trade to China

Billion USD





Phase 1 agreement

Ch. 3 Trade in Food and Agricultural Products

- Addresses NTBs affecting a wide range of productions
 - dairy and infant formula
 - poultry, beef, and pork products
 - pet food
- Compliance with WTO ruling on domestic support and TRQ administration (wheat, corn, rice)
- Speed and streamline biotech approval process



Phase 1 agreement

Ch. 6 Expanding Trade => ag imports

- \$12.5 billion above 2017 baseline in 2020
- \$19.5 billion above 2017 baseline in 2021
- purchases will be made at market prices based on commercial considerations and that “market conditions...may dictate the timing of purchases”



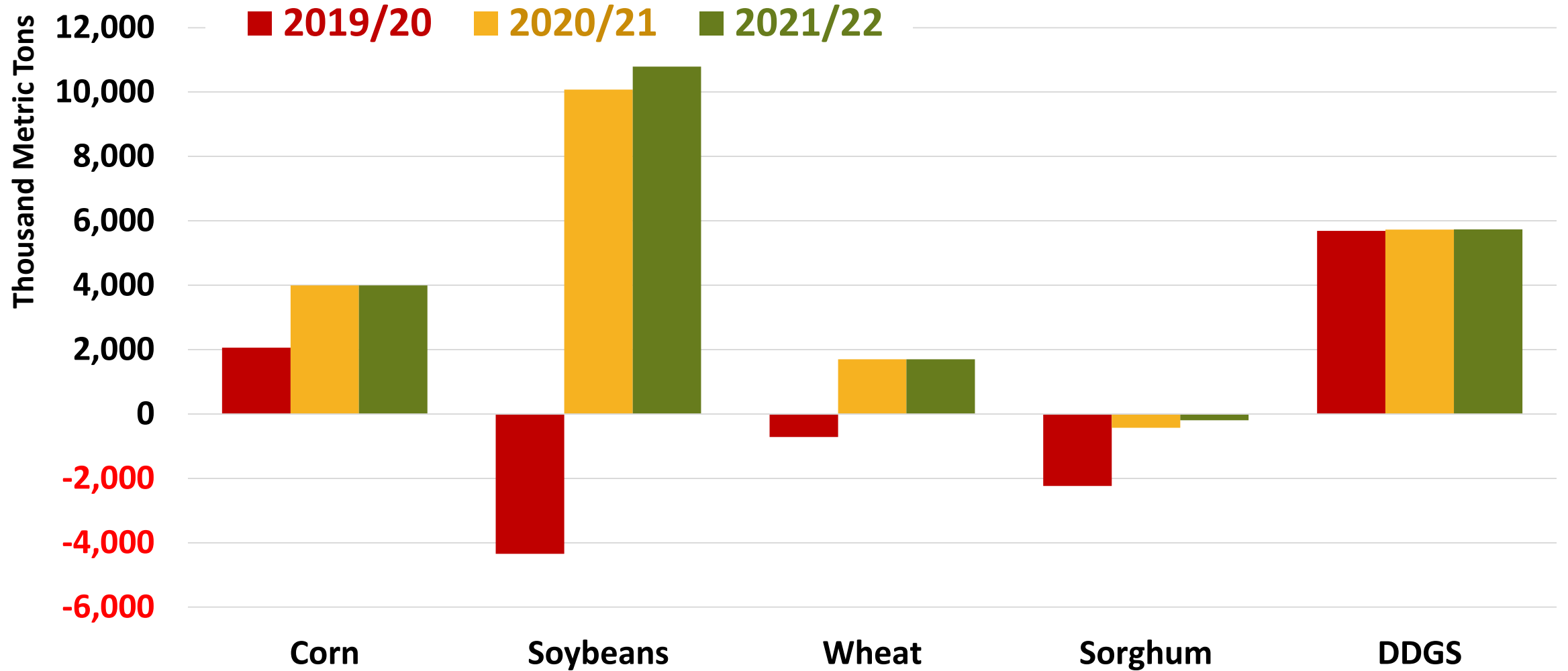
Phase 1: questions

- What is meant by agricultural products?
 - Seafood, distilled spirits, ethanol, processed food and wine
- Commitments are value not volume based.
- What is the baseline?
 - Calendar 2017 ag products ~\$21 billion, with seafood, ethanol & distilled spirits
 - Agreement considers baseline at \$24 billion
- How valued?
 - US exports valued fob US
 - China imports valued cif China
 - Agreement will use data from both China and US to monitor



FAPRI: Effects of Phase 1 on exports to China

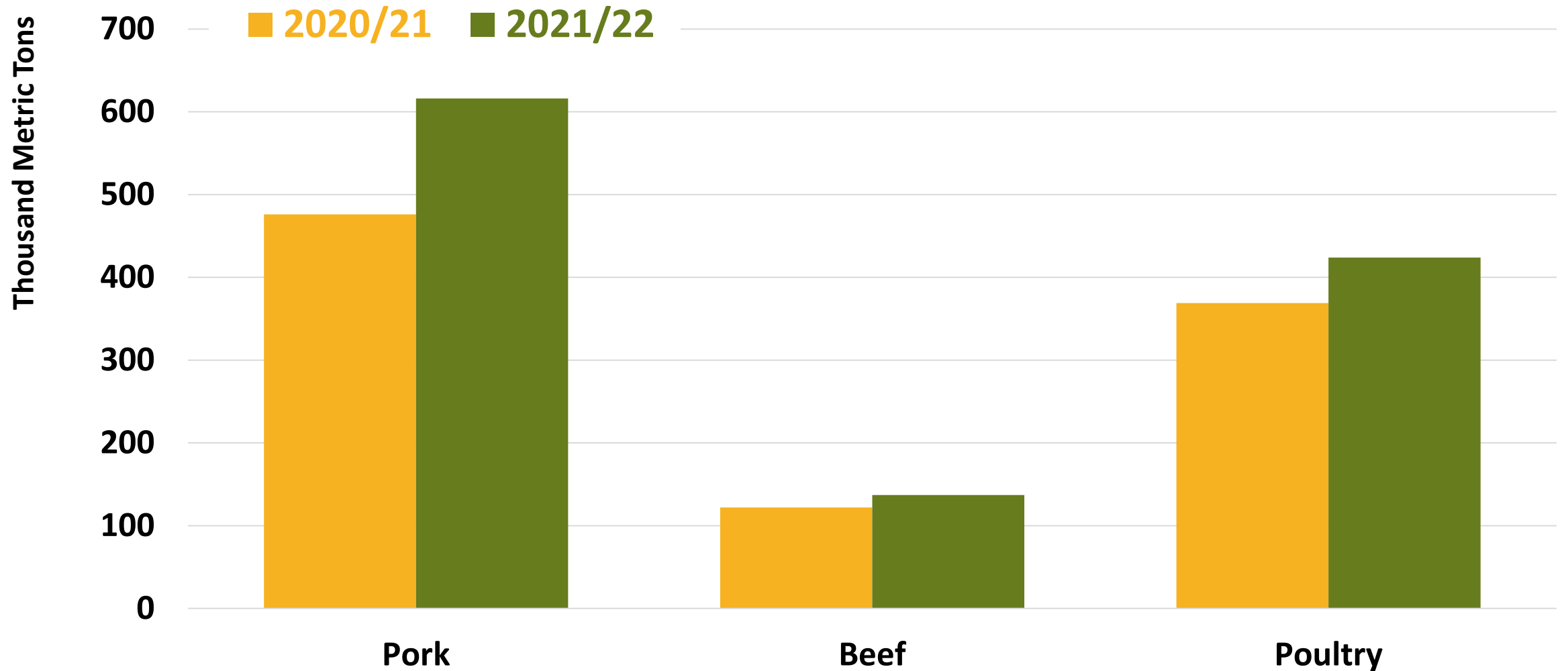
Difference from 2017





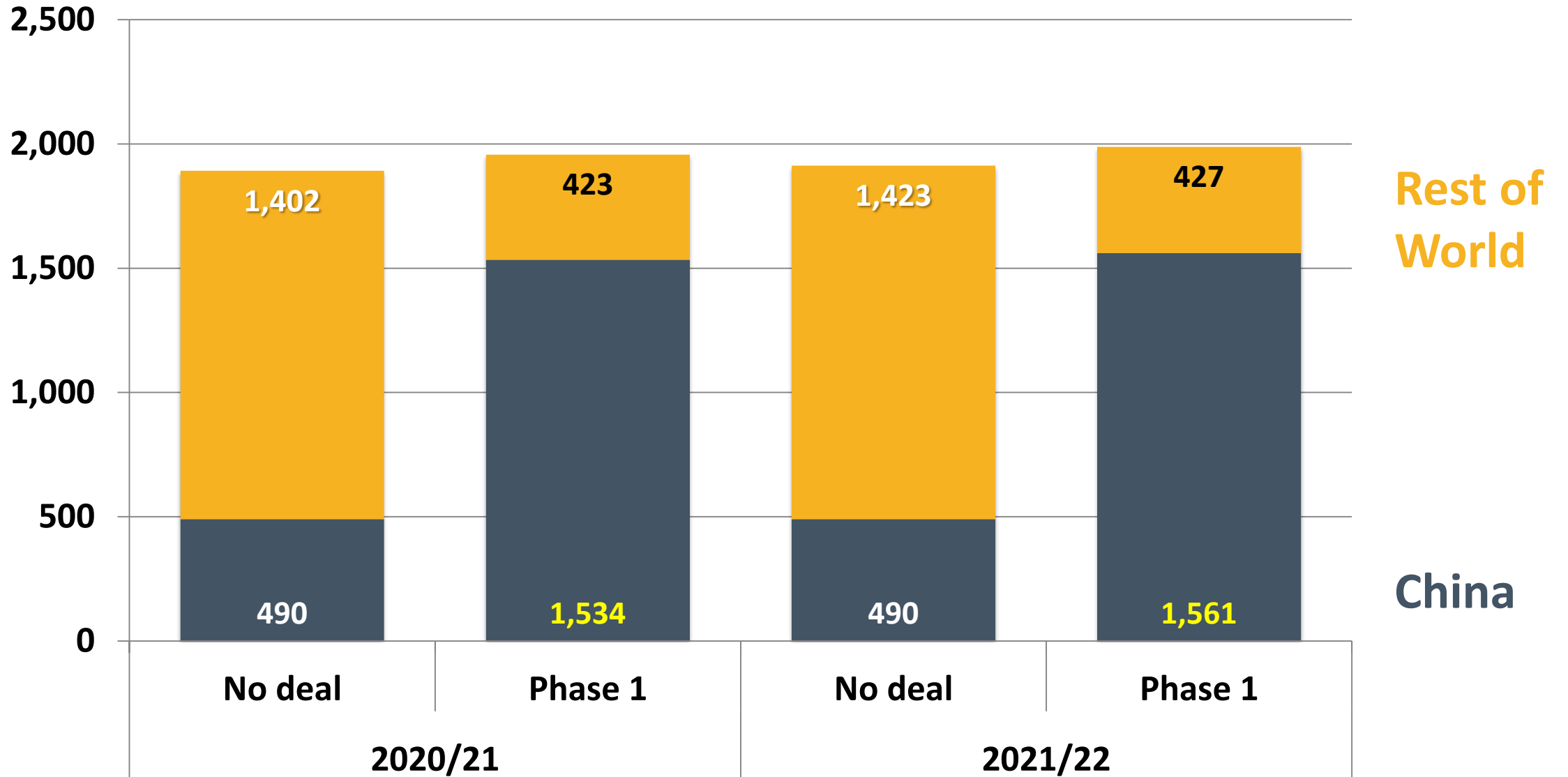
FAPRI: Effects of Phase 1 on exports to China

Difference from 2017



FAPRI: Impact on total US soybean exports

Million bu





FAPRI: Effects of Phase 1 on Net Farm Income in Billion Dollars

| | 2020 | 2021 | 2022 |
|------------|-------|-------|------|
| No deal | 98.9 | 94.9 | 92.5 |
| Phase 1 | 105.9 | 102.0 | 98.6 |
| Difference | 7.0 | 7.1 | 6.1 |



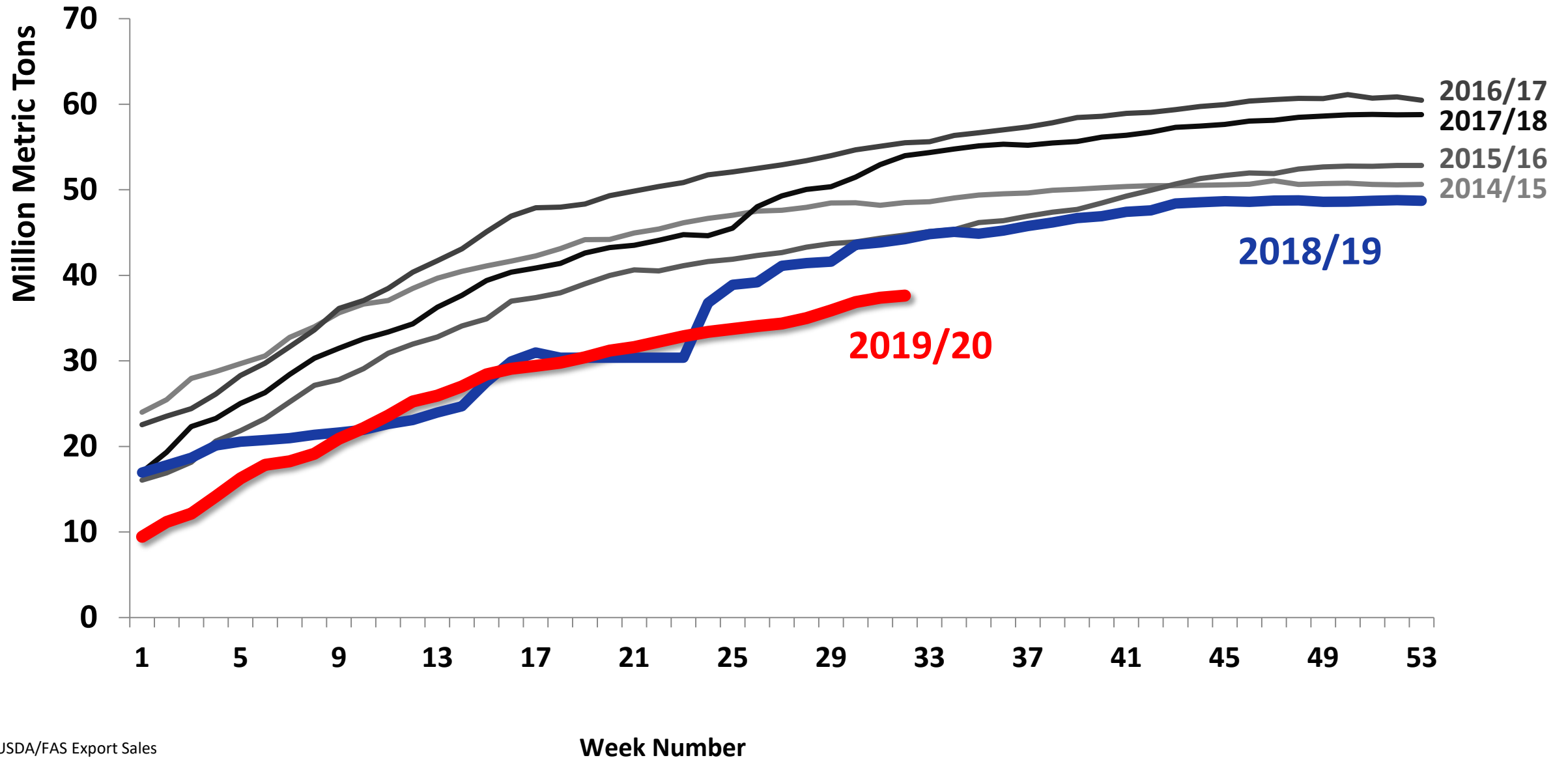
Still early but sales are lagging...

- For Q1, China reports ag product imports of \$5 billion (import value). Need about **2x that value** in each quarter Q2, Q3, and Q4 to reach target of \$36.5 billion
- Encouraging sales of pork, cotton, wheat, corn and sorghum, but **pace is very slow**
- Soybean export pace lagging and won't likely pick up **until late summer**



Soybean Total Commitments

(outstanding sales + shipments)



Source: USDA/FAS Export Sales



Impacts of Covid-19 on trade

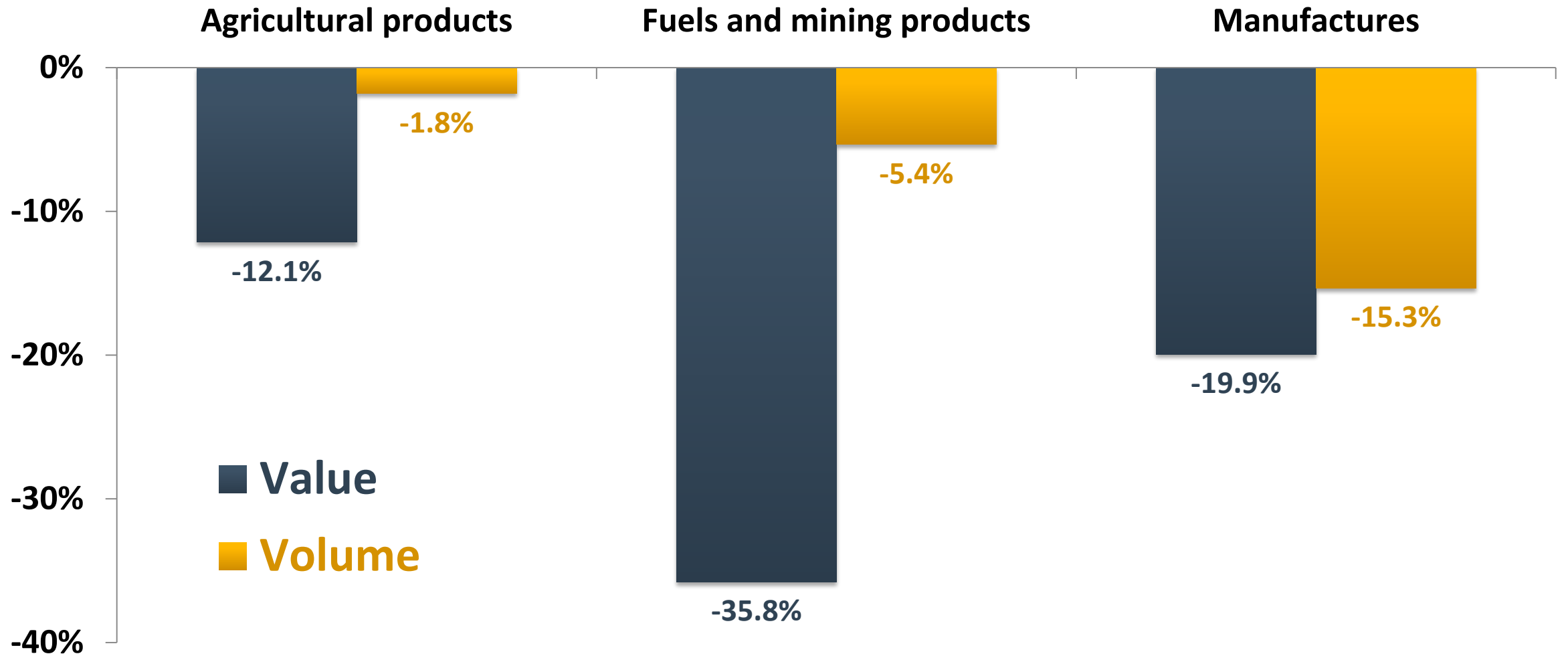


Impacts of Covid-19

- Direct impact on health
 - Farm labor (F&V production, dairies)
 - Meat processing
- Impact of containment policies
 - Closure of non-essential businesses
 - Shelter in place policies
 - Impact on motor vehicle fuel use
 - Disruption of supply chains; increased costs
 - Rising retail prices as producer prices fall
- Recessionary impacts on income



Decline in global goods trade: 2009 vs 2008 levels

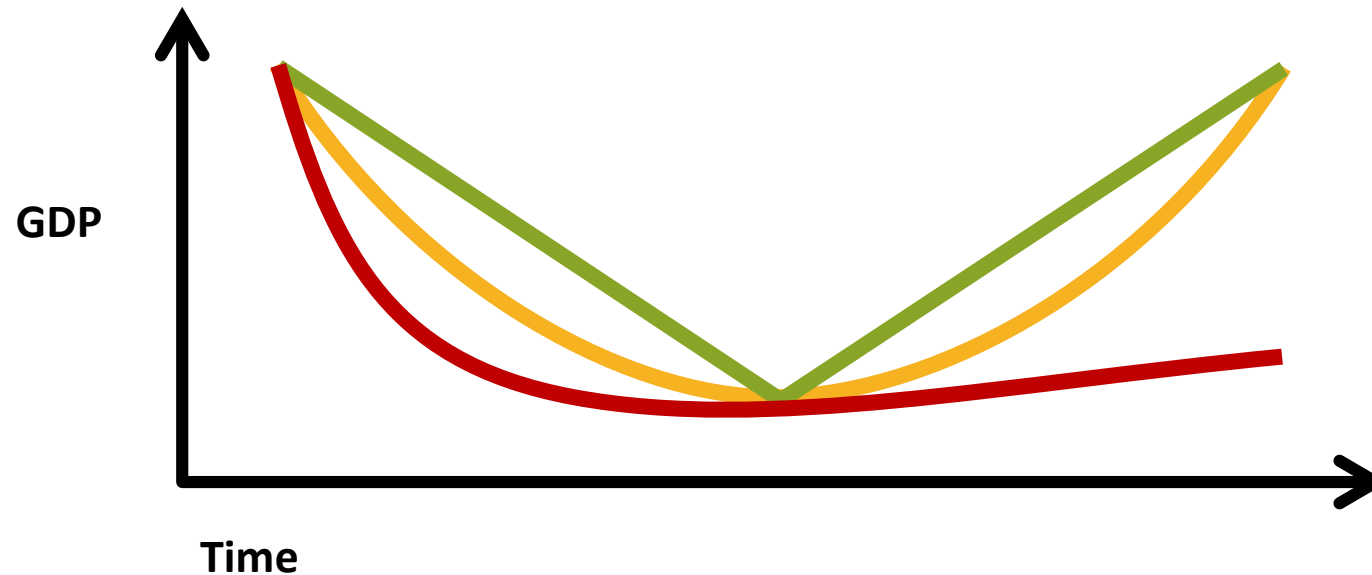


IMF forecasts

| | 2019 | 2020f | 2021f |
|-------------------------|-------------|--------------|-------|
| World output | 2.9 | -3.0 | 5.8 |
| Advanced economies | 1.7 | -6.1 | 4.5 |
| US | 2.3 | -5.9 | 4.7 |
| Emerging Markets | 3.7 | -1.0 | 6.6 |
| China | 6.1 | 1.2 | 9.2 |
| India | 4.2 | 1.9 | 7.4 |
| Brazil | 1.1 | -5.3 | 2.9 |
| Mexico | -0.1 | -6.6 | 3.0 |
| Global trade | 0.9 | -11.0 | 8.4 |

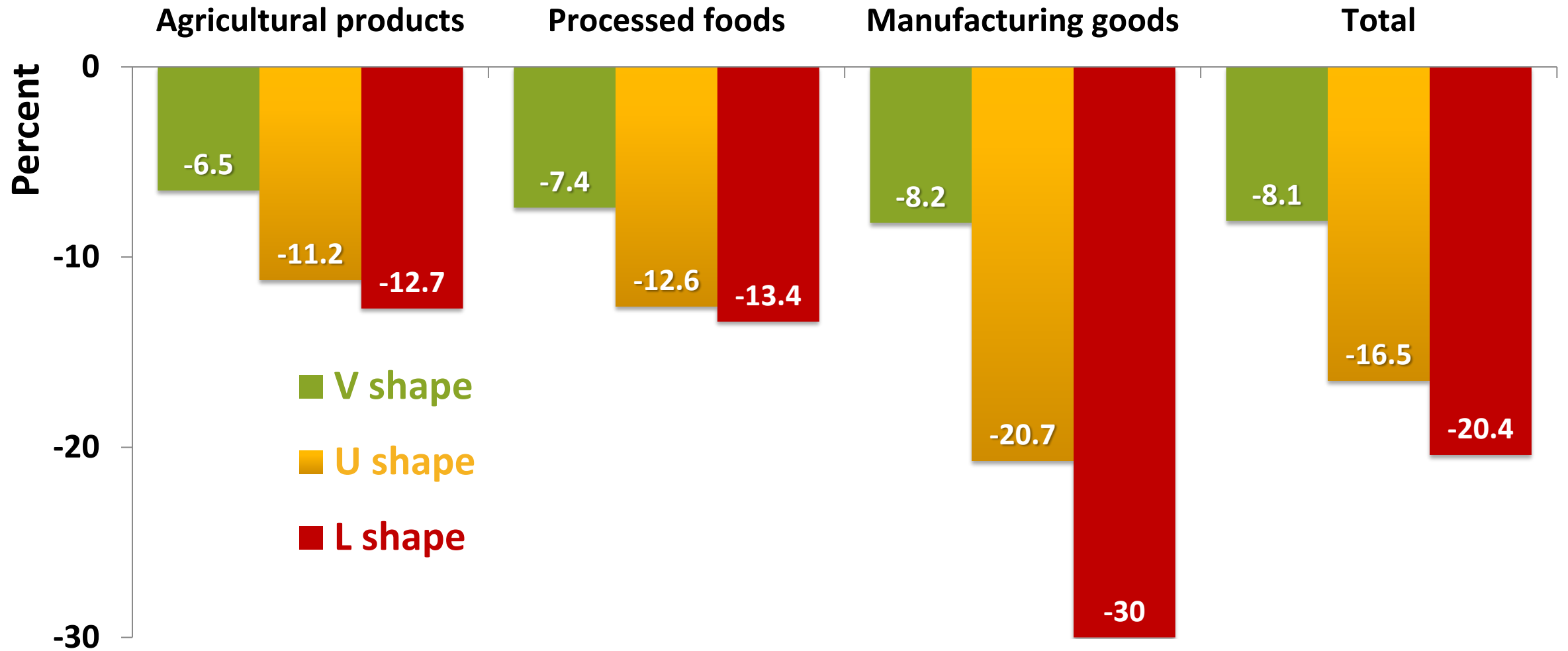
WTO: Estimated global GDP impacts

| Scenario | Work at home | 2020 | 2021 |
|----------|--------------|--------|------|
| V shape | 3 months | -4.8% | 4.2% |
| U shape | 6 months | -9.2% | 8.1% |
| L shape | 12 months | -11.1% | 2.8% |





Estimated impact of covid-19 on global trade in 2020 given various recovery scenarios





Issues and challenges

- Implementation of USMCA
- China
 - Implementation of Phase 1
 - Phase 2 negotiations
- US-Japan negotiations
Phase 2
- US-EU negotiations
- Brexit
- WTO
 - Fate of dispute settlement
 - US ag won over 80% of cases it has taken to WTO
 - Export restrictions on rise

Thanks and be safe!

Joe Glauber

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Upcoming Webinars

Impact of the Coronavirus Pandemic on Livestock Markets

11:00 to 11:45am CT, Friday May 1st

The impact of the coronavirus pandemic on livestock markets continues to unfold and place substantial stress on livestock producers. Lee Schulz of Iowa State University joins Todd Hubbs to discuss the impacts and outlook for markets.

US-China Agricultural Trade and Shifting Consumption Patterns in China

11:00 to 11:45am CT, Tuesday May 5th

Over the past two years, policy actions have had major impacts on trade in agricultural products between the US and China. In addition, shifts in the consumption patterns are changing the demand for agricultural products by Chinese consumers. Nick Paulson will be joined by Wendong Zhang, assistant professor in Agricultural Economics at Iowa State University, for a discussion of these issues and how they impact the outlook for U.S. agricultural exports.

Thank You for joining us!

Please submit your questions



The screenshot shows the farmdoc website interface. At the top, it says 'ILLINOIS EXTENSION farmdocDAILY Farm Policy News'. Below that is the 'farmdoc DECISION OUTREACH CENTRAL' logo and navigation links for Market Prices, Sections, Tools, Publications, Events, Sponsors/Donate, and About Us. The main heading is 'Coronavirus and Ag'. A paragraph explains that the farmdoc team discusses the impact of the Coronavirus on farmers and agriculture, and invites users to submit questions. A 'Submit Questions' button is visible. Below this is a section for 'farmdoc daily live: Coronavirus and Ag' with options to 'View All', 'See Upcoming', and 'Register For Series'. The page features a grid of 12 webinar thumbnails, each with a title, date, and 'Watch Video'/'Download Slides' buttons. The thumbnails include topics like 'Setting the Stage', 'Lessons from Infectious Disease and Livestock', 'Financial Perspectives on Agriculture and Coronavirus', 'Global Transportation and Cash Flow Considerations', 'Outlook and Farm Policy Moving Forward', 'Acreage Decisions 2020', 'Impacts of Covid-19 on Agricultural Assets and Lending Markets', 'Scott Irwin and Jeff Bunting on Crop Supply Logistics this Spring', 'Rural Economy Stimulus: CARES and PPP Funding', 'Getting the 2020 Crop Planted', 'The Impact of the Coronavirus Pandemic on Food Prices and Retail Food Sector', and 'An Update on Policy and Political Outlook for Coronavirus Pandemic Relief'.

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