Global Agricultural Trade: United States, China and Emerging Markets

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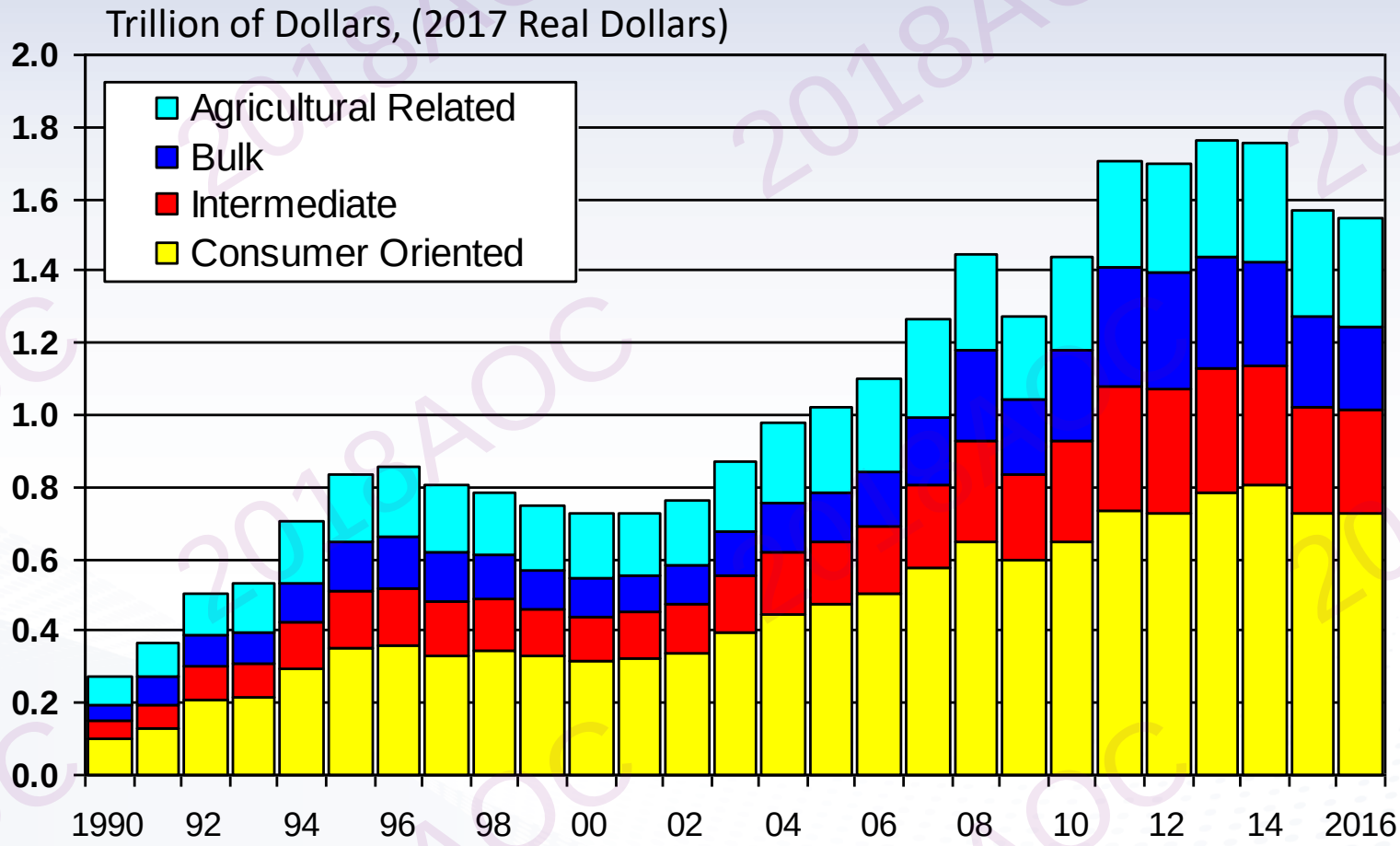
Outline

- World Agriculture Trade – A Growth Story
- China's and United States agricultural trade
- US Exports of bulk, Intermediate commodities, specialty products and niche markets,
- Emerging markets and growing agricultural imports

World Agricultural Trade



Source: U.N. Trade Data, WTO definition, *April 2018*.

USDA United States Department of Agriculture, Economic Research Service

The Largest Agricultural Trading Countries in Billion US$ 2016-2017 average

Imports		Exports	
• EU 28	456.3	• EU 28	456.2
• United States	125.9	• United States	141.1
• China	109.7	• Brazil	76.3
• Japan	55.3	• China	54.1
• Canada	34.7	• Canada	44.3
• Mexico	27.1	• Argentina	34.6
• India	26.1	• Australia	34.5
• Russia	26.0	• Indonesia	32.9
• South Korea	24.9	• India	30.1
• Hong Kong	24.9	• Mexico	29.9
• Indonesia	18.3	• Thailand	26.7
• Malaysia	14.9	• Malaysia	23.2
• Turkey	13.6	• New Zealand	22.0

Source: Global Trade Atlas, WTO AG Group 2012, World & Partners, *April 2018*.

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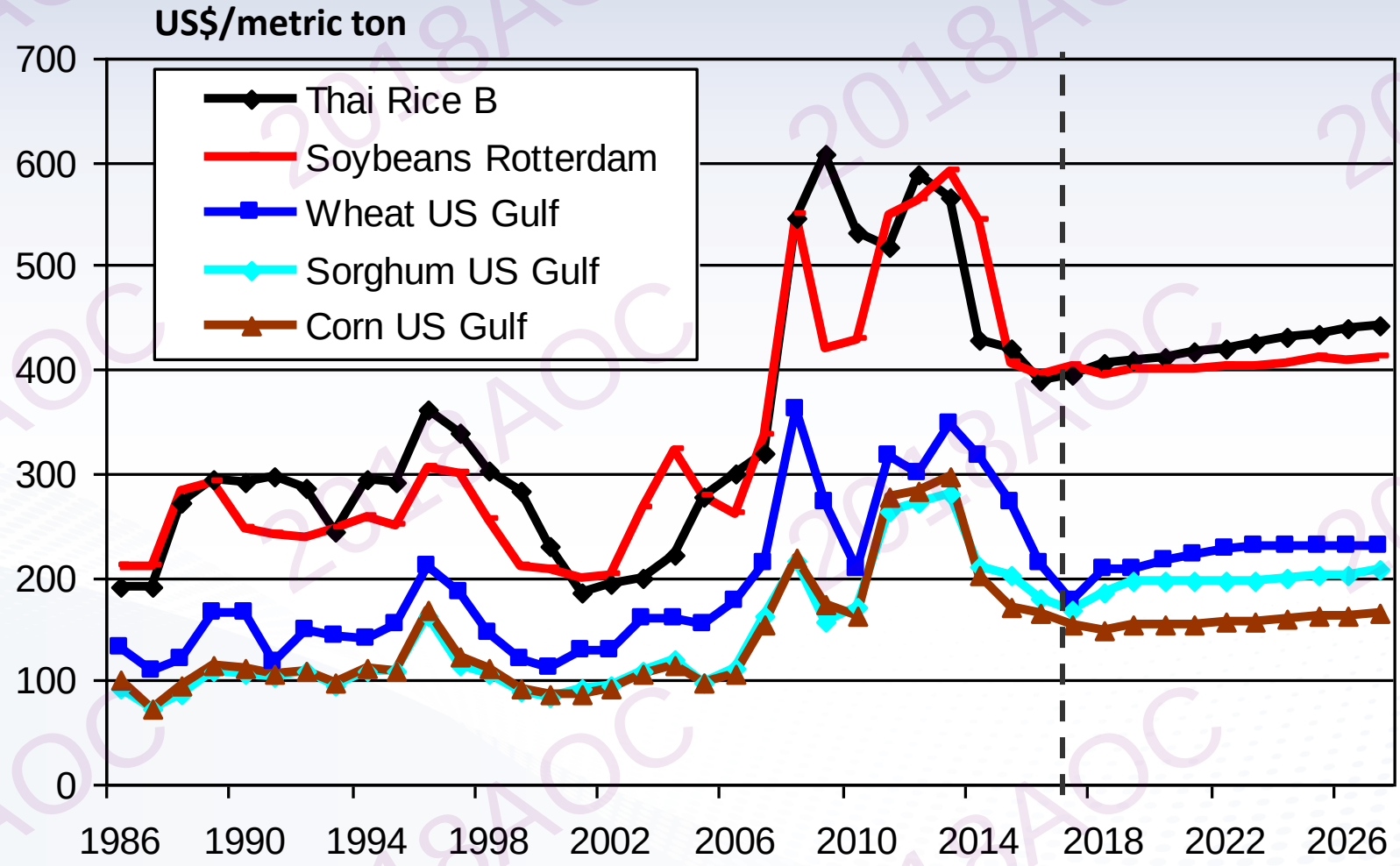
International Commodity Price
USDA's Projections 2018-2027 (US$/mt nominal)



Source: *USDA Agricultural Baseline Projections to 2027*, February 2018, based on November 2017 data.

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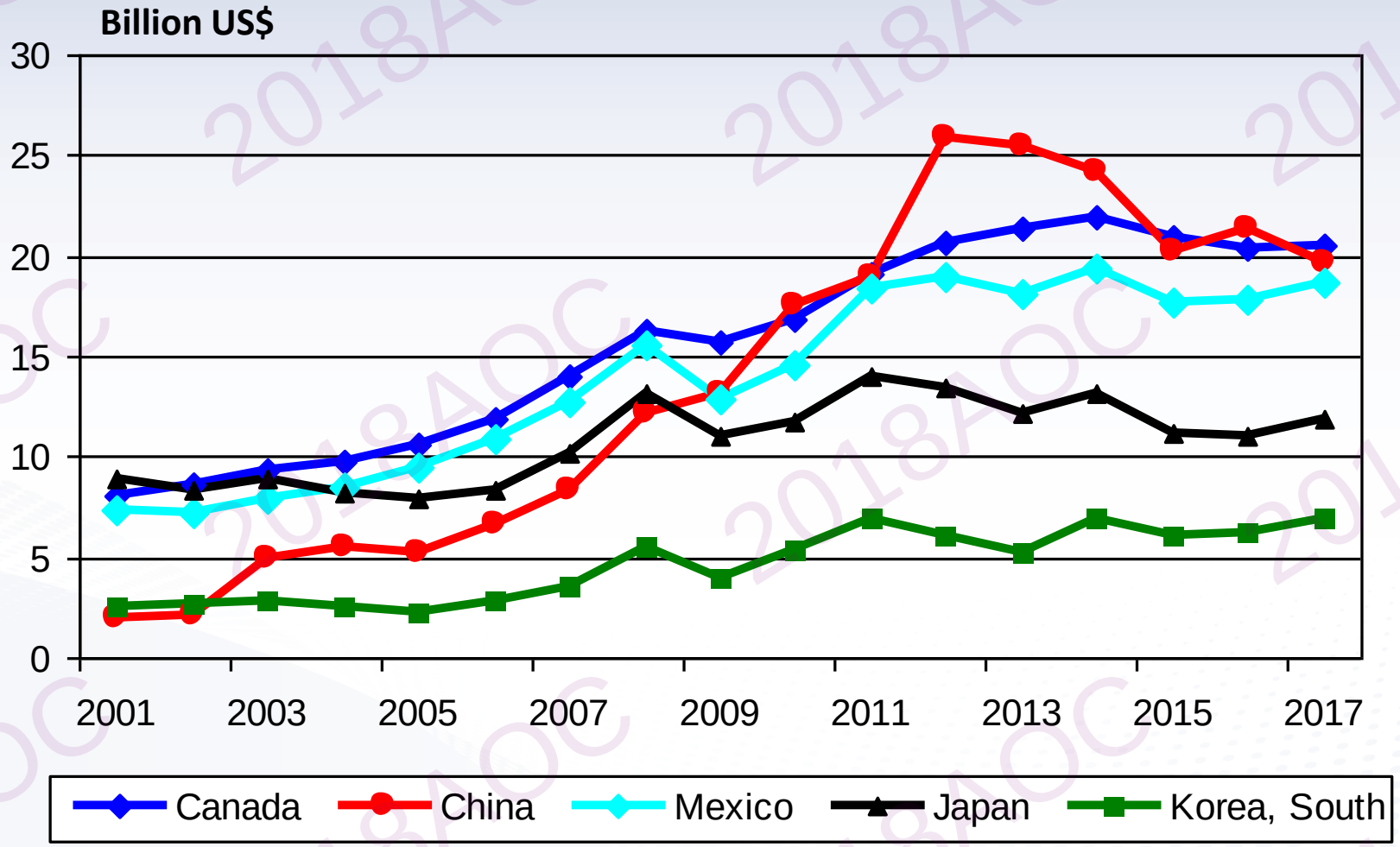
United States Agricultural Exports: Top Five Countries (US$ Billion)



Source: *USDA Agricultural Baseline Projections to 2027*, February 2018, based on November 2017 data.

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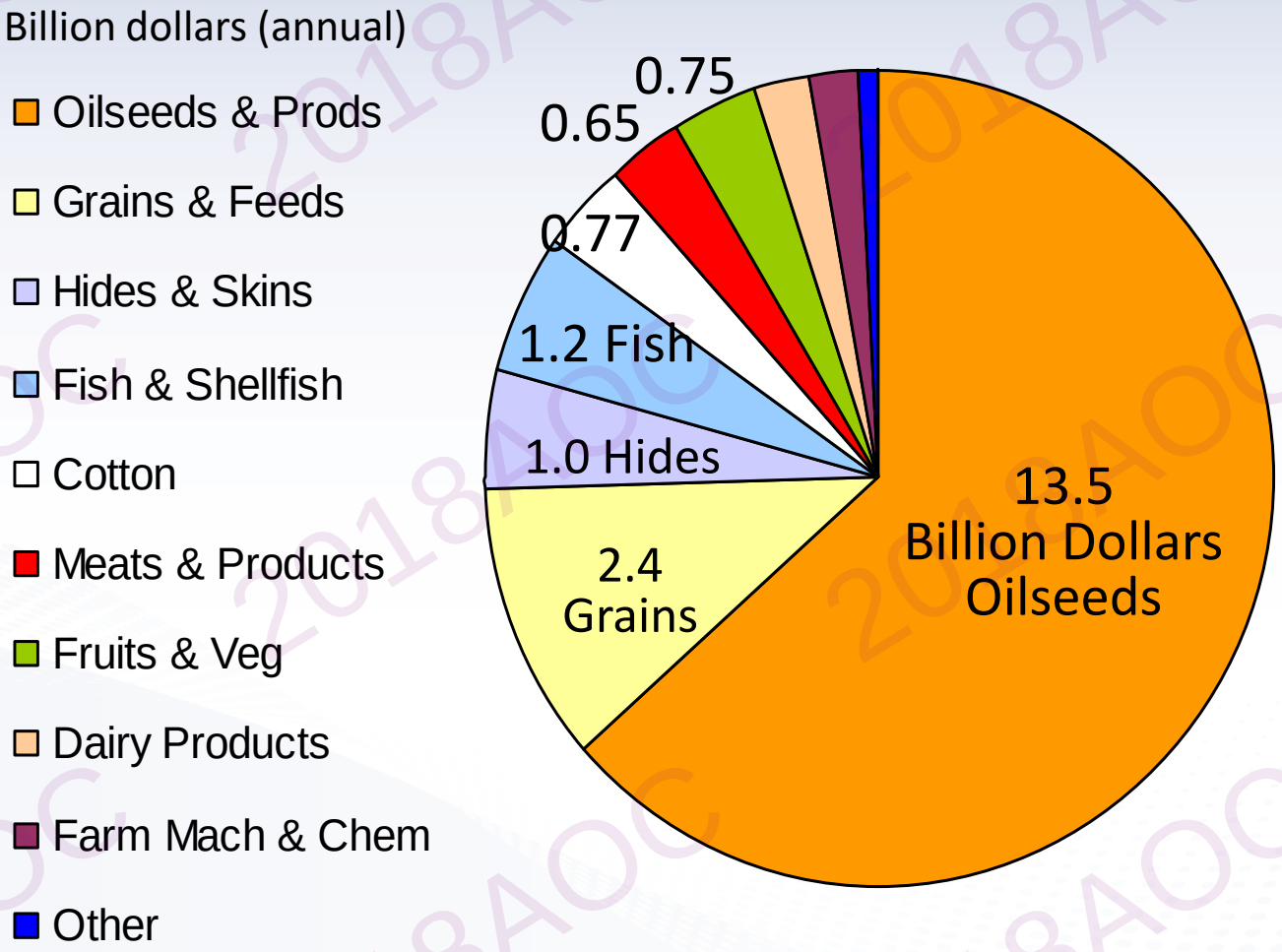
United States Agriculture Exports to China
In Billion Dollars (2016-2017 average)



Source: *USDA, Foreign Agricultural Service, Global Agricultural Trade System database, FATUS, April 2018*.

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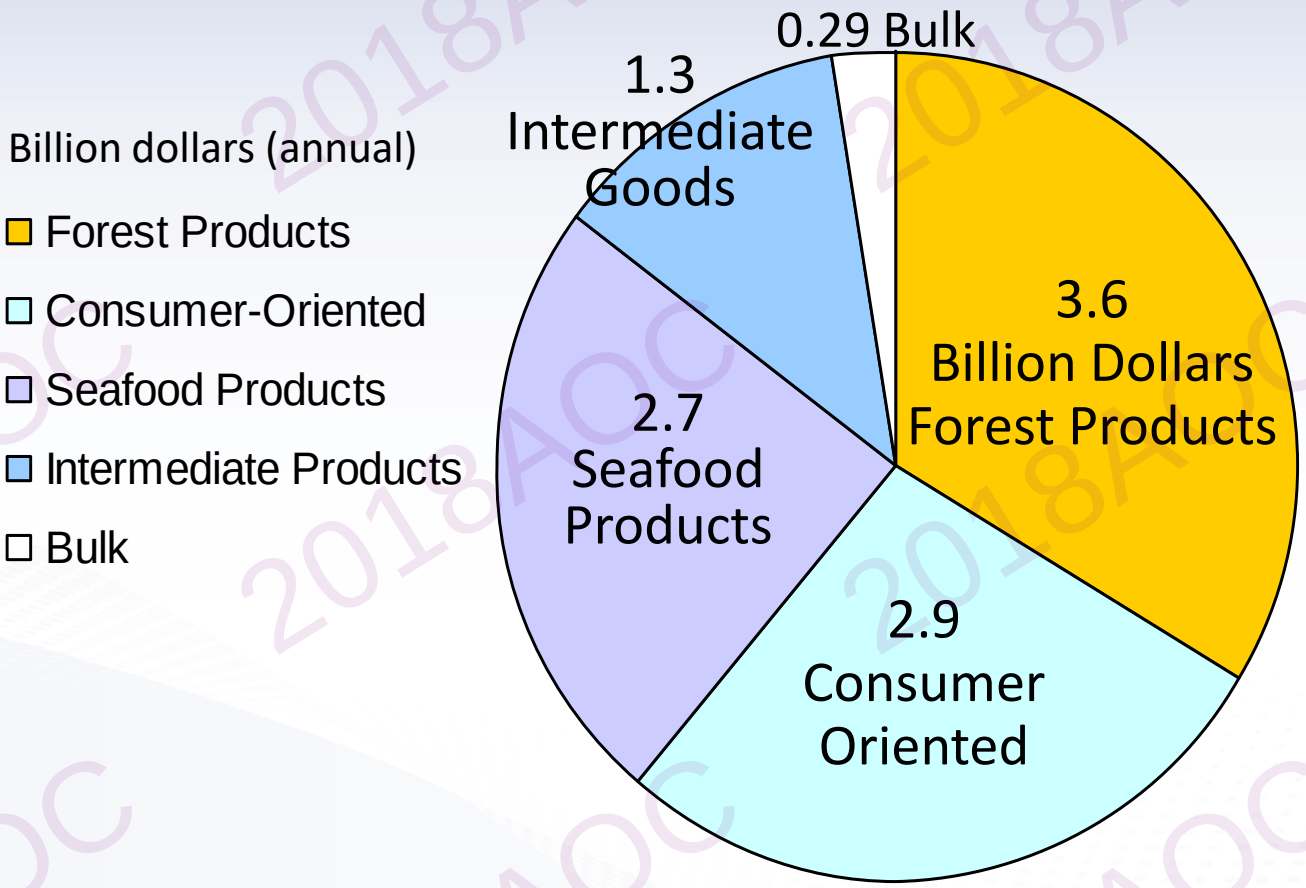
China Agriculture Exports to United States In Billion Dollars (2016-2017 average)



Source: *USDA, Foreign Agricultural Service, Global Agricultural Trade System database, FATUS, April 2018*.

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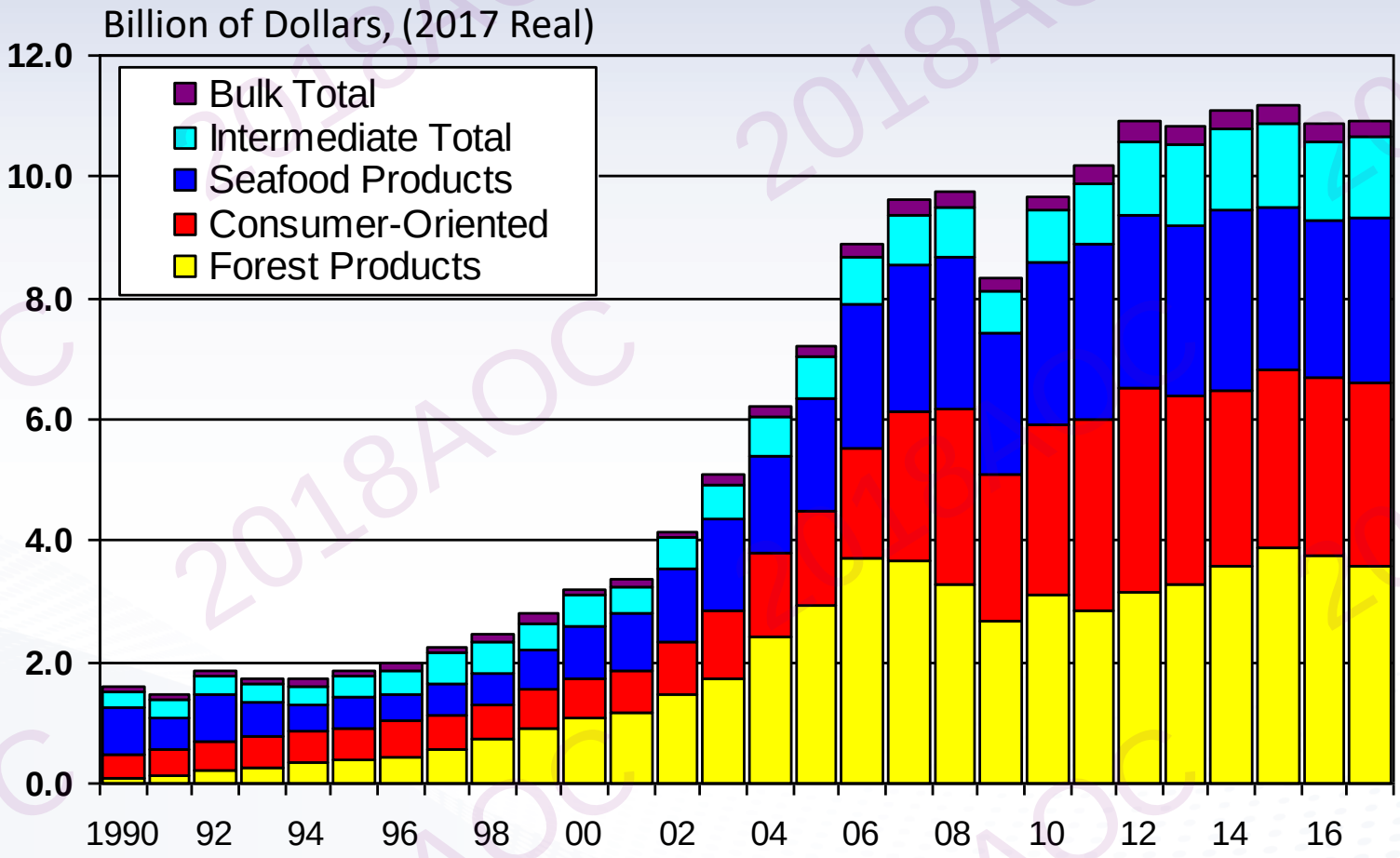
China's Annual Agriculture Exports to the U.S.



Source: *USDA, Foreign Agricultural Service, Global Agricultural Trade System database, BICO, April 2018.*

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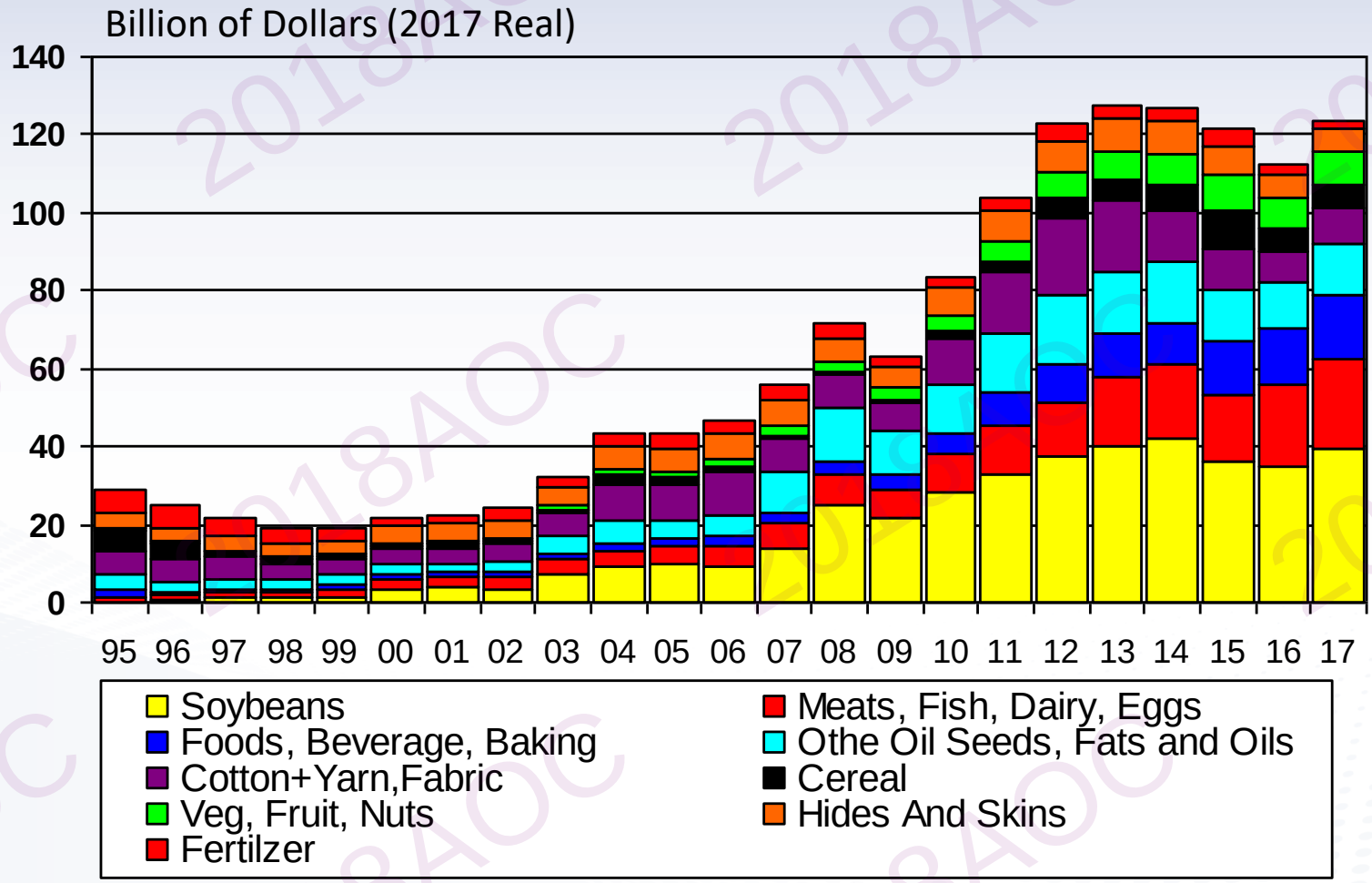
China's Annual Agriculture Imports from the World



Source: World Trade Atlas International, China Customs Data, *April 2018*.

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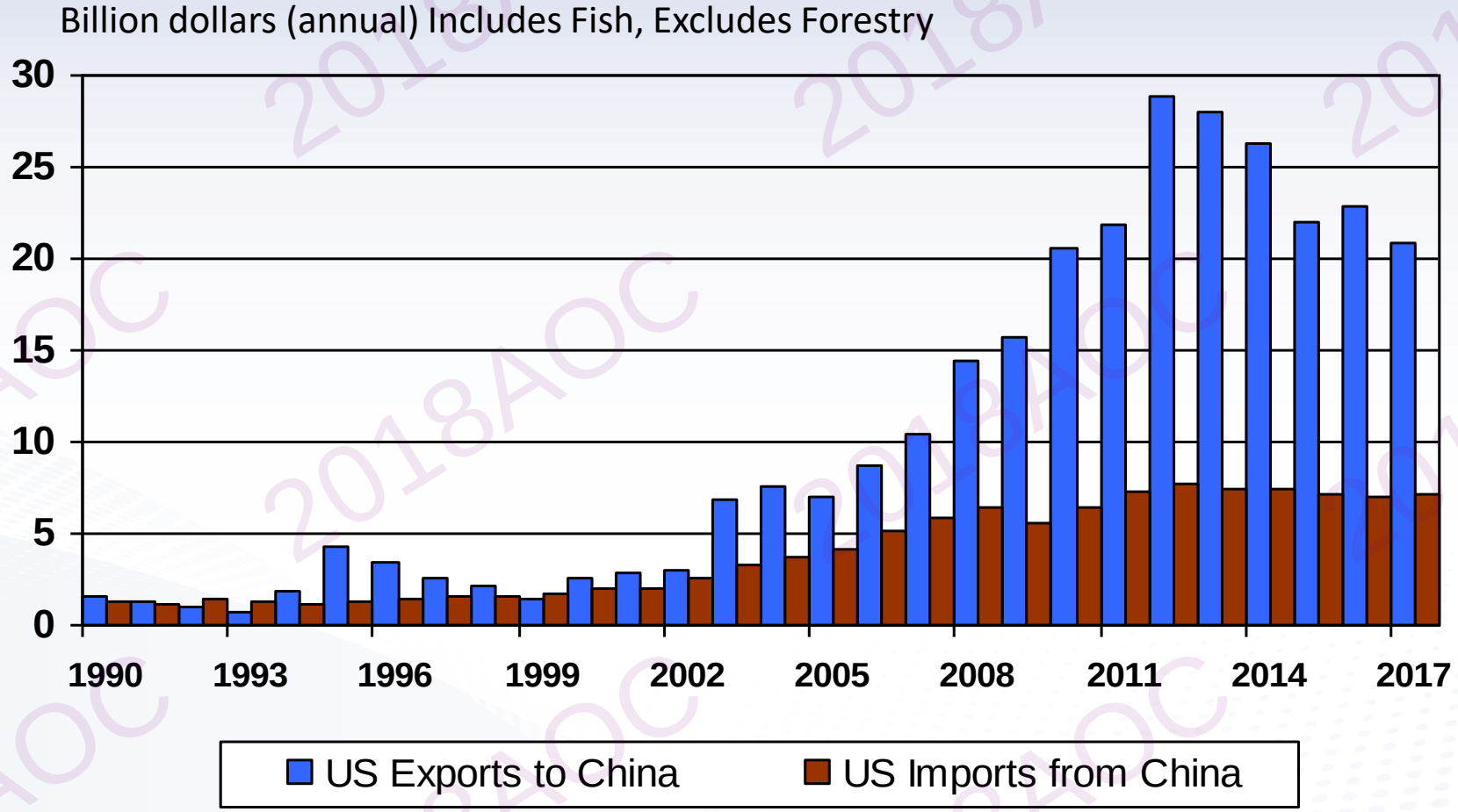
U.S. Agriculture Exports to China and U.S. Imports of China's Agriculture (billion dollars)



Source: *USDA, Foreign Agricultural Service, Global Agricultural Trade System database, BICO April 2018.*

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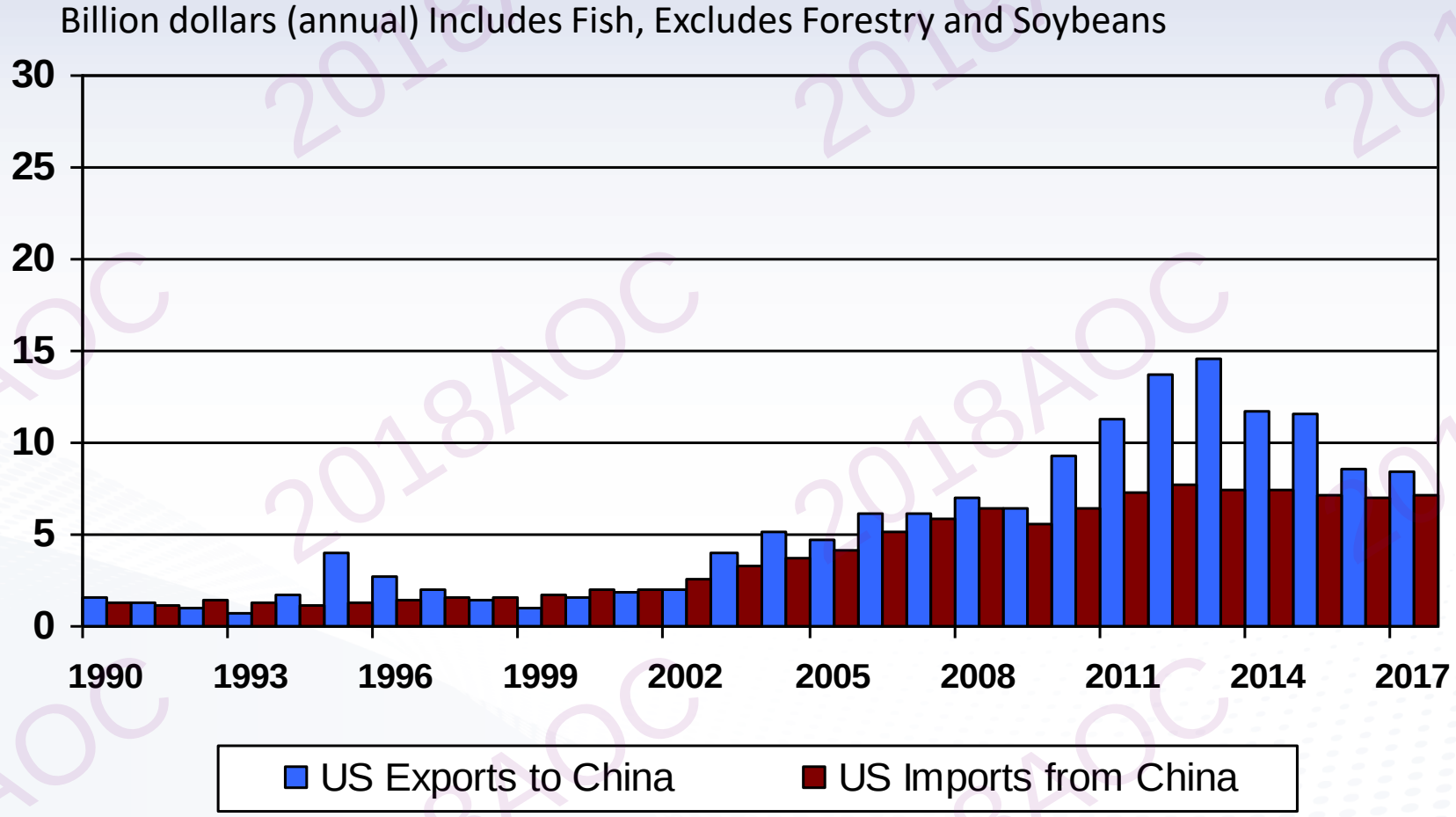
U.S. Agriculture Exports to China (No Soybeans) and US Imports of China's Agriculture (billion dollars)



Source: *USDA, Foreign Agricultural Service, Global Agricultural Trade System database, BICO April 2018.*

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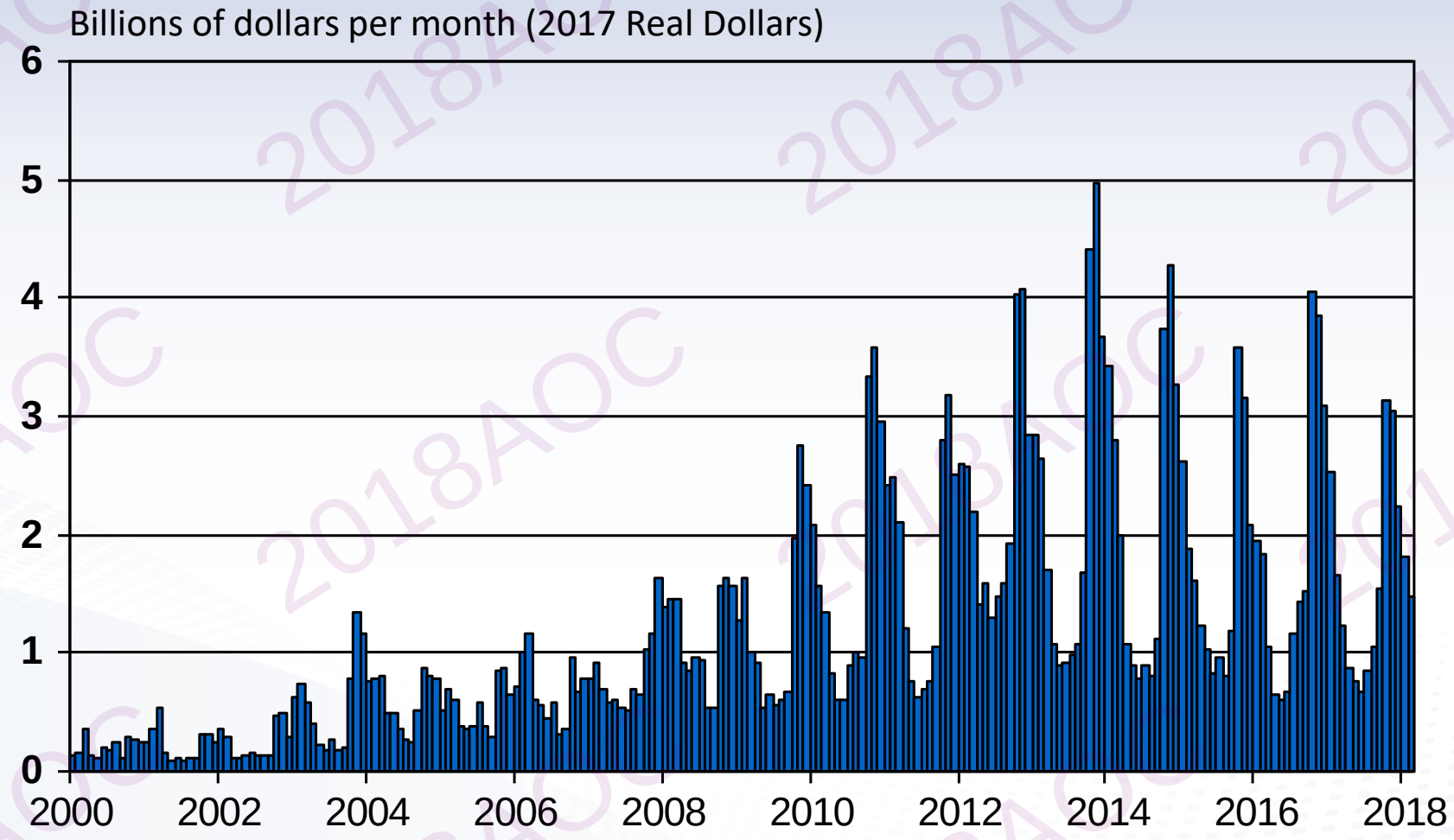
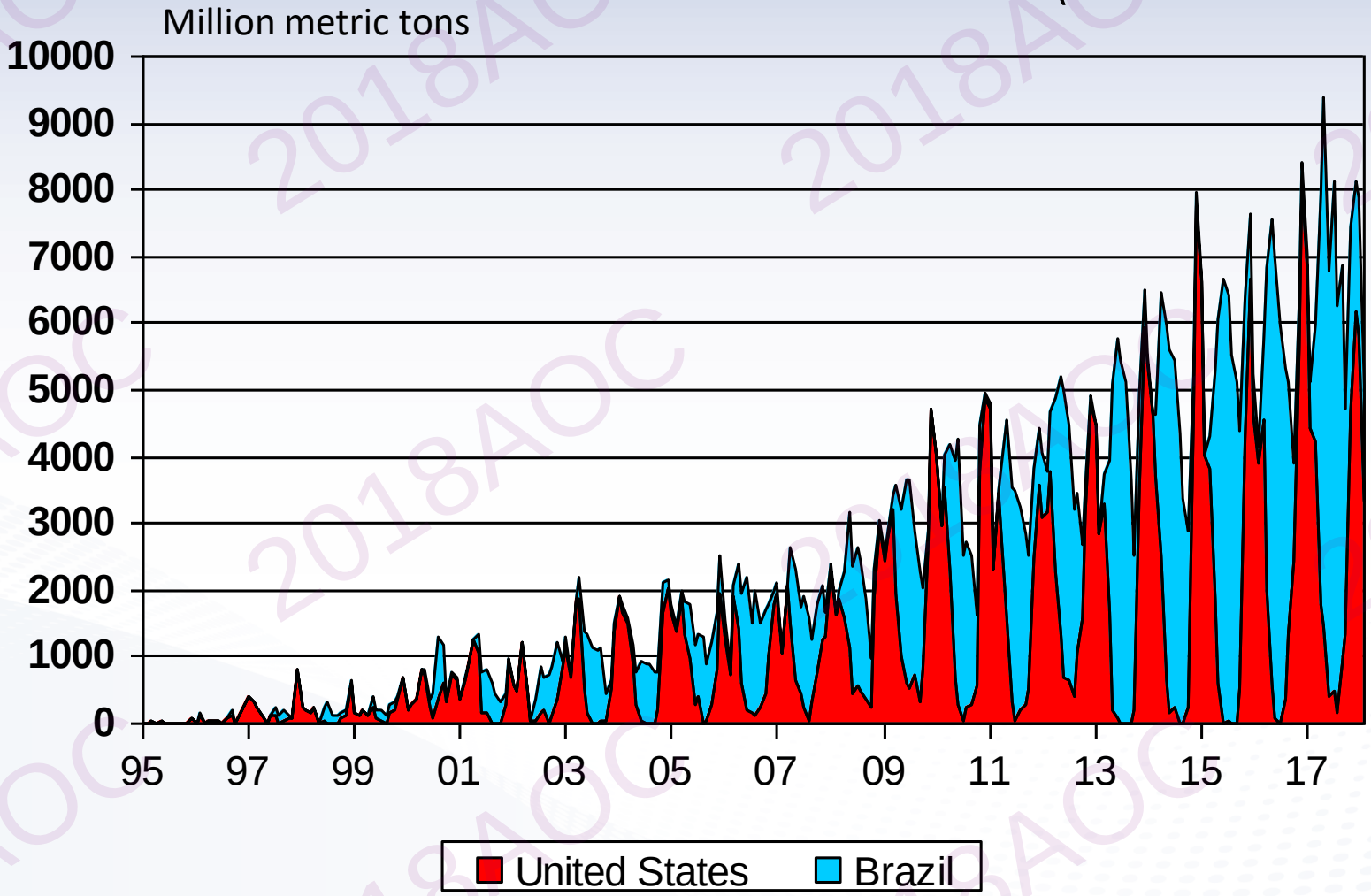
United States Monthly Agriculture Exports to China



Source: *USDA, Foreign Agricultural Service, Global Agricultural Trade System database, BICO, April 2018.*

China's Monthly Soybean Imports from the United States and Brazil (million metric tons)



Source: World Trade Atlas International, China Customs Data, *April 2018*.

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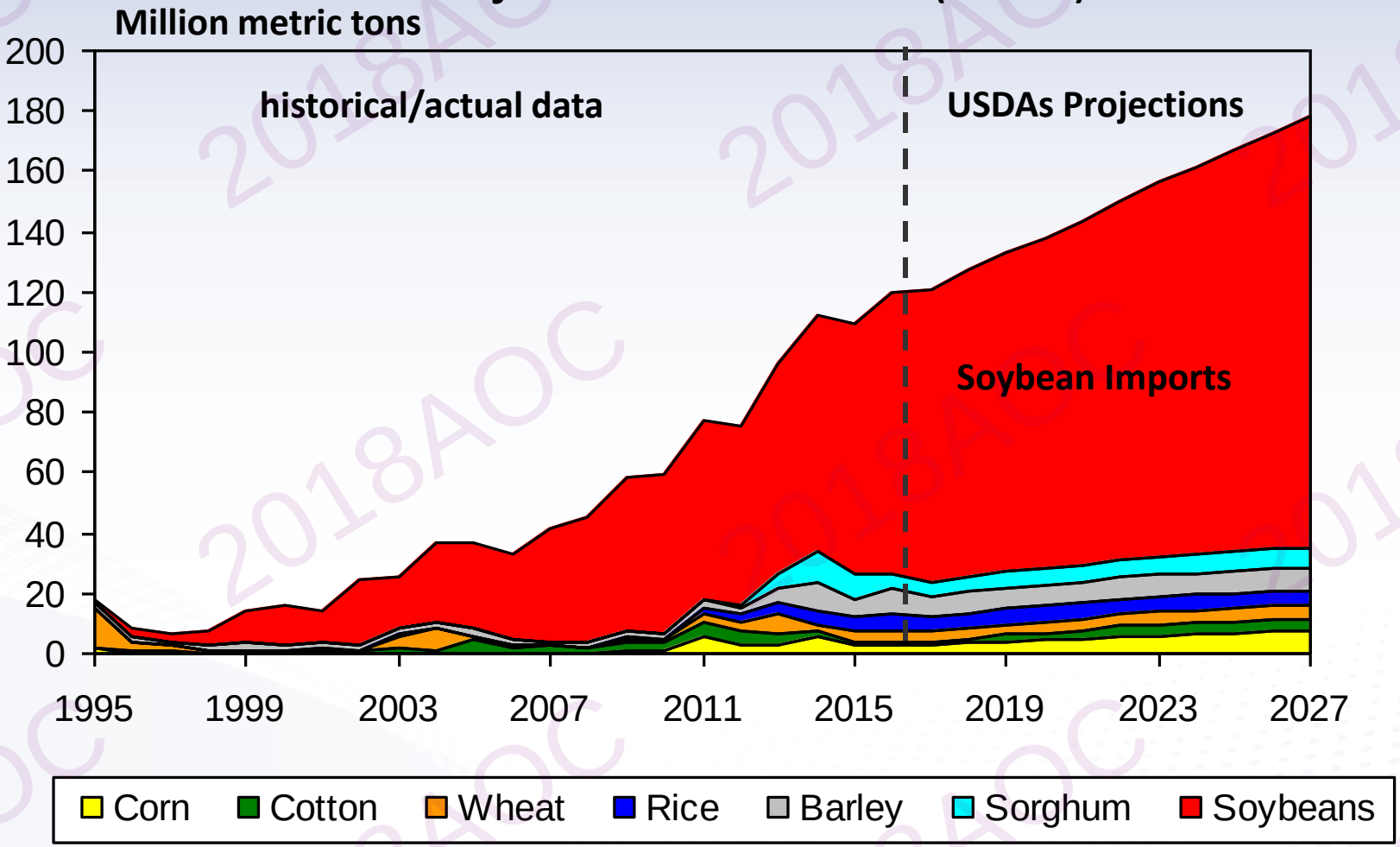
Strong Import Demand by China for some Bulk and Intermediate Commodities

- Soybeans - China's domestic demand for meal and oil is greater than domestic production, leading to large imports. Historically soybeans have been less profitable than alternative crops, like corn.
- Alfalfa – Strong demand, increasing dairy demand, and difficulties to produce large quantities of alfalfa in China.
- Hide and Skins, low cost for processing (labor costs), modern technology and less stringent environmental laws leads to strong import demand. 50 percent of U.S. hides to China
- Palm oil and coconut oil, strong demand for use in many products, and China has limited production. Imports from Indonesia, Malaysia and Philippines.

China's Soybean and Grain Imports from the World and Projections to 2027 (mmt)



Source: *USDA Agricultural Baseline Projections to 2027*, February 2018, based on November 2017 data.

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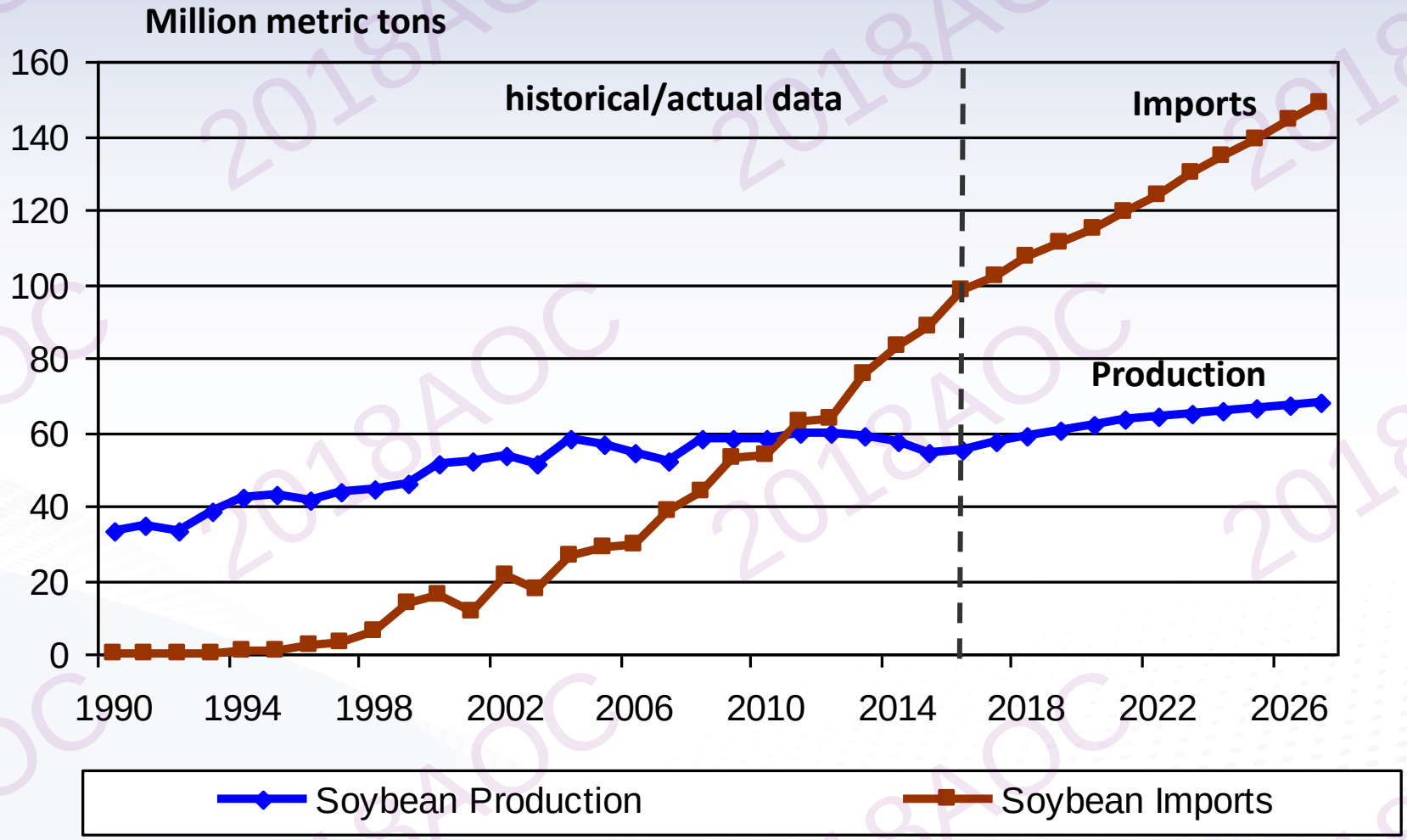
China's Soybean Production and Imports to 2027 (mmt)



Source: *USDA Agricultural Baseline Projections to 2027*, February 2018, based on November 2017 data.

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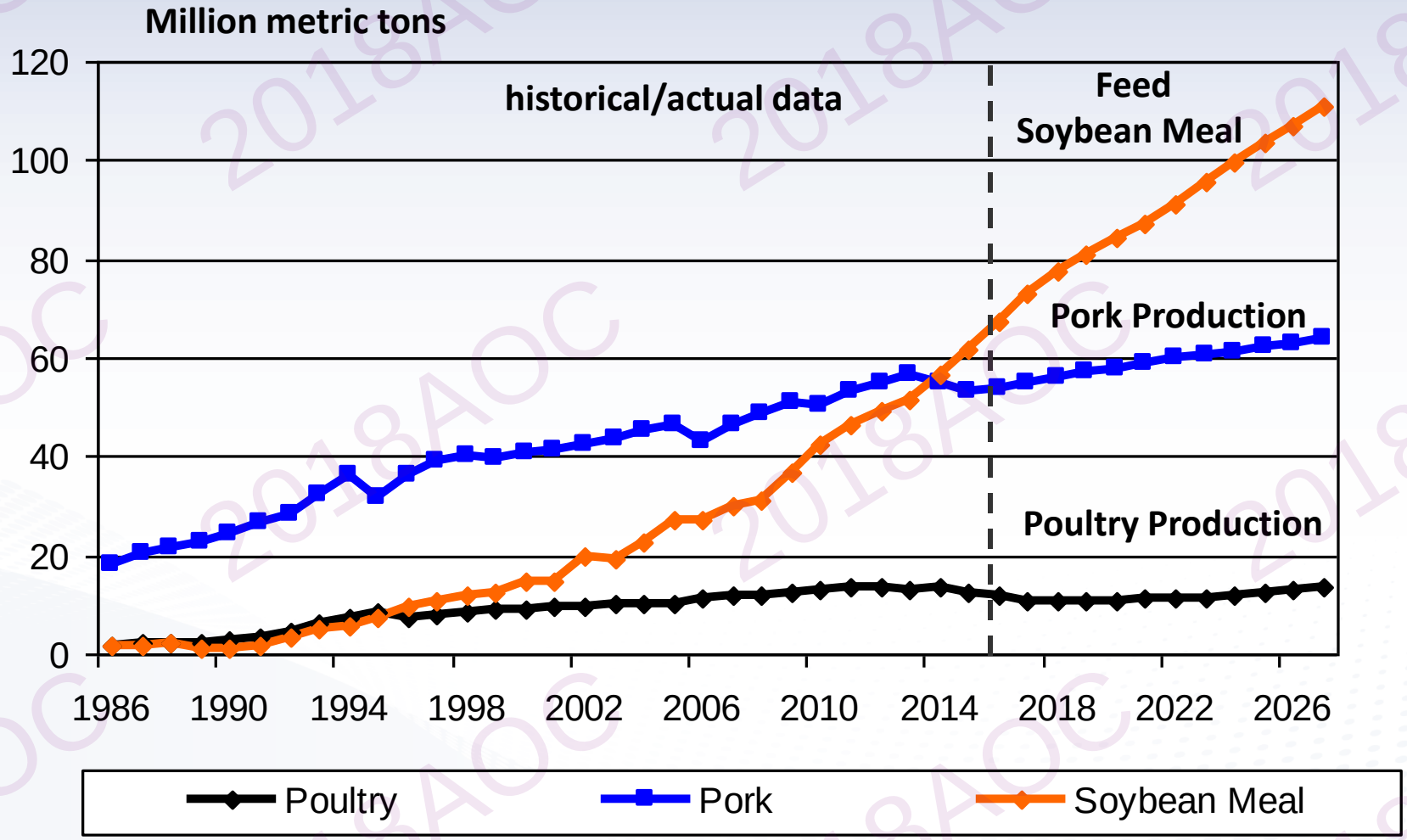
China's Pork and Poultry Production & Soybean Meal Feed Demand to 2027 (mmt)



Source: *USDA Agricultural Baseline Projections to 2027*, February 2018, based on November 2017 data.

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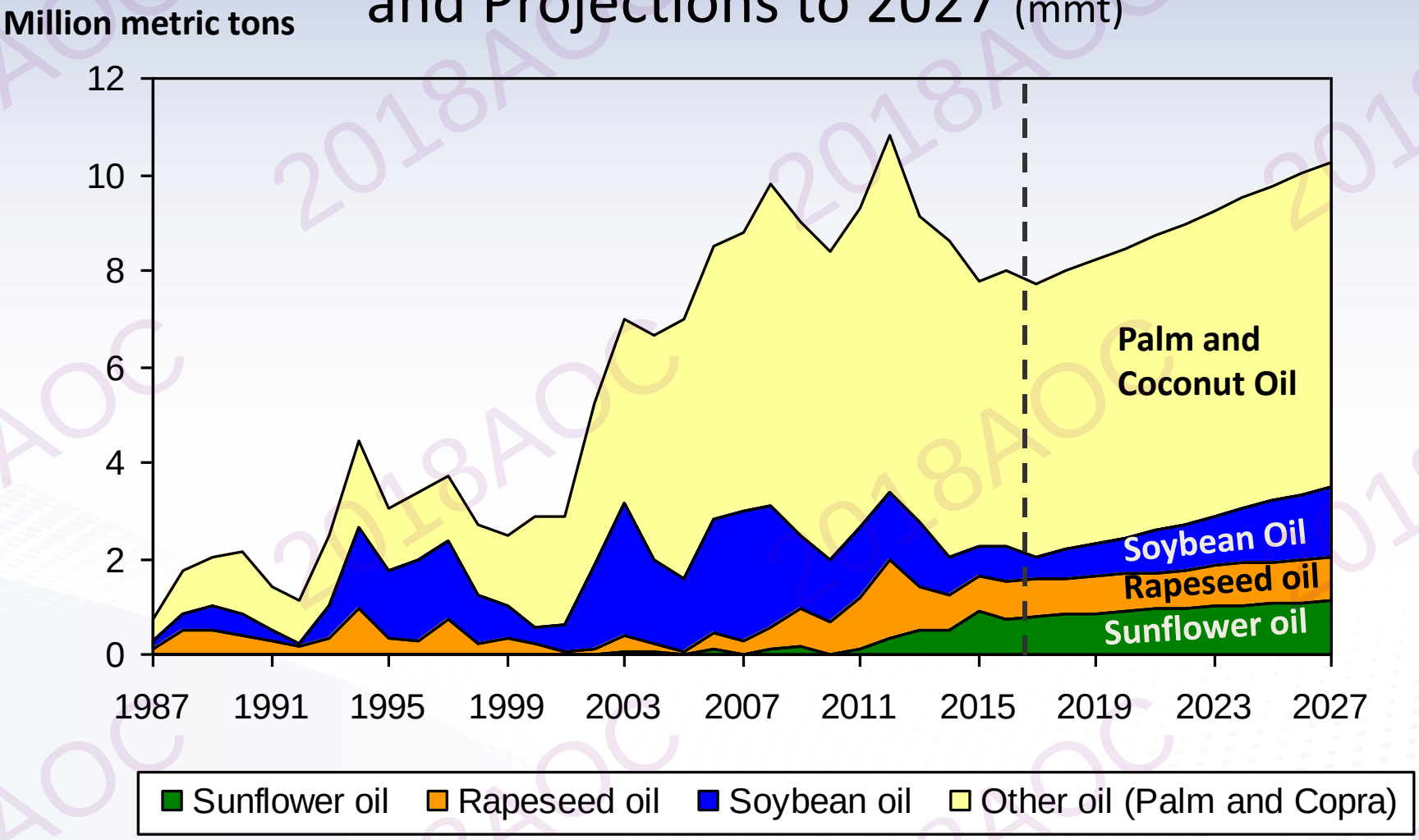
China's Crop Oil Imports from the World and Projections to 2027 (mmt)



Source: *USDA Agricultural Baseline Projections to 2027*, February 2018, based on November 2017 data.

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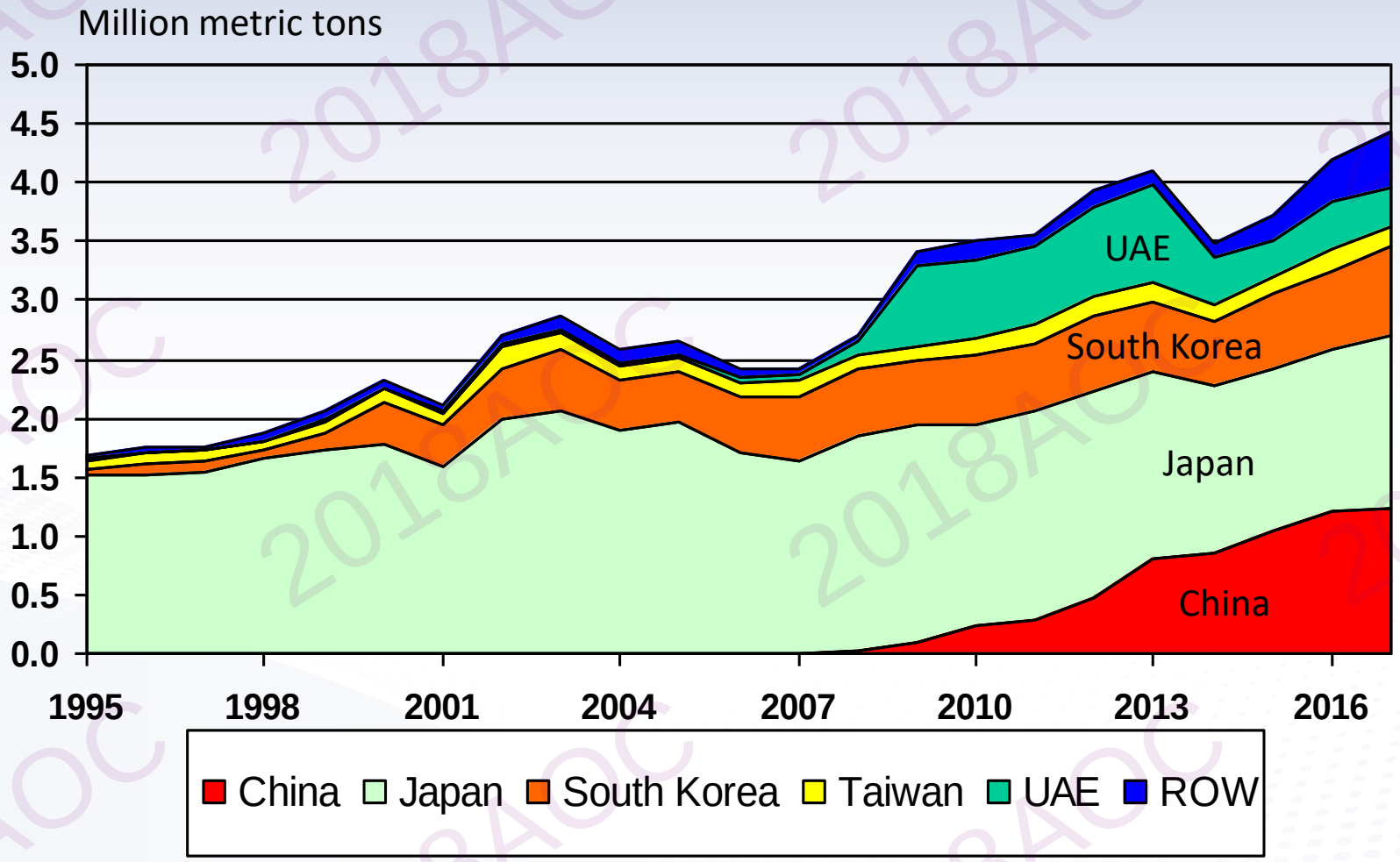
United States Alfalfa Hay Exports



Source: *USDA, Foreign Agricultural Service, Global Agricultural Trade System, Harmonized HS10-12141, April 2018.*

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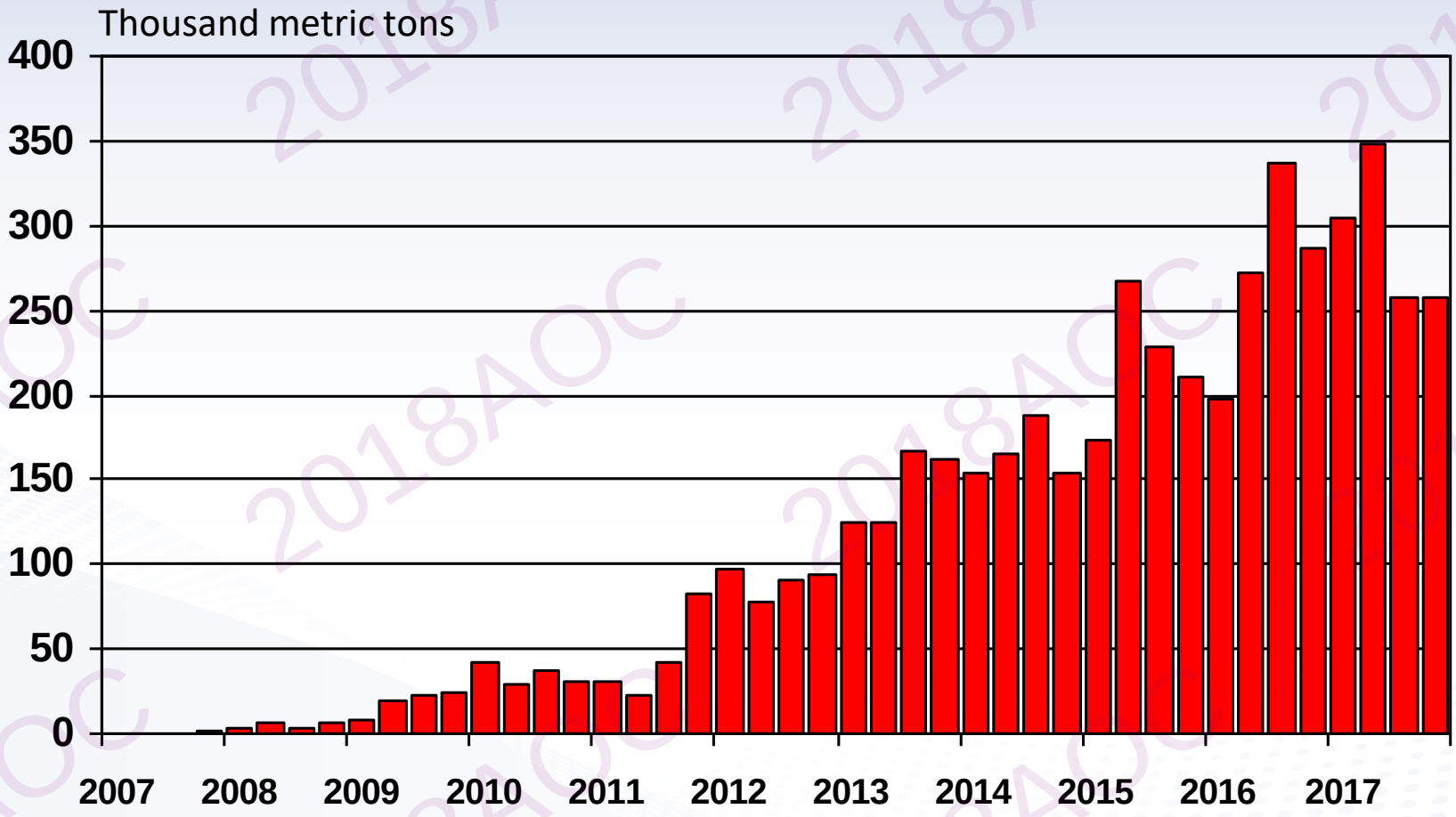
United States Alfalfa Hay Exports to China (per quarter)



Source: *USDA, Foreign Agricultural Service, Global Agricultural Trade System database, FATUS, April 2018*.

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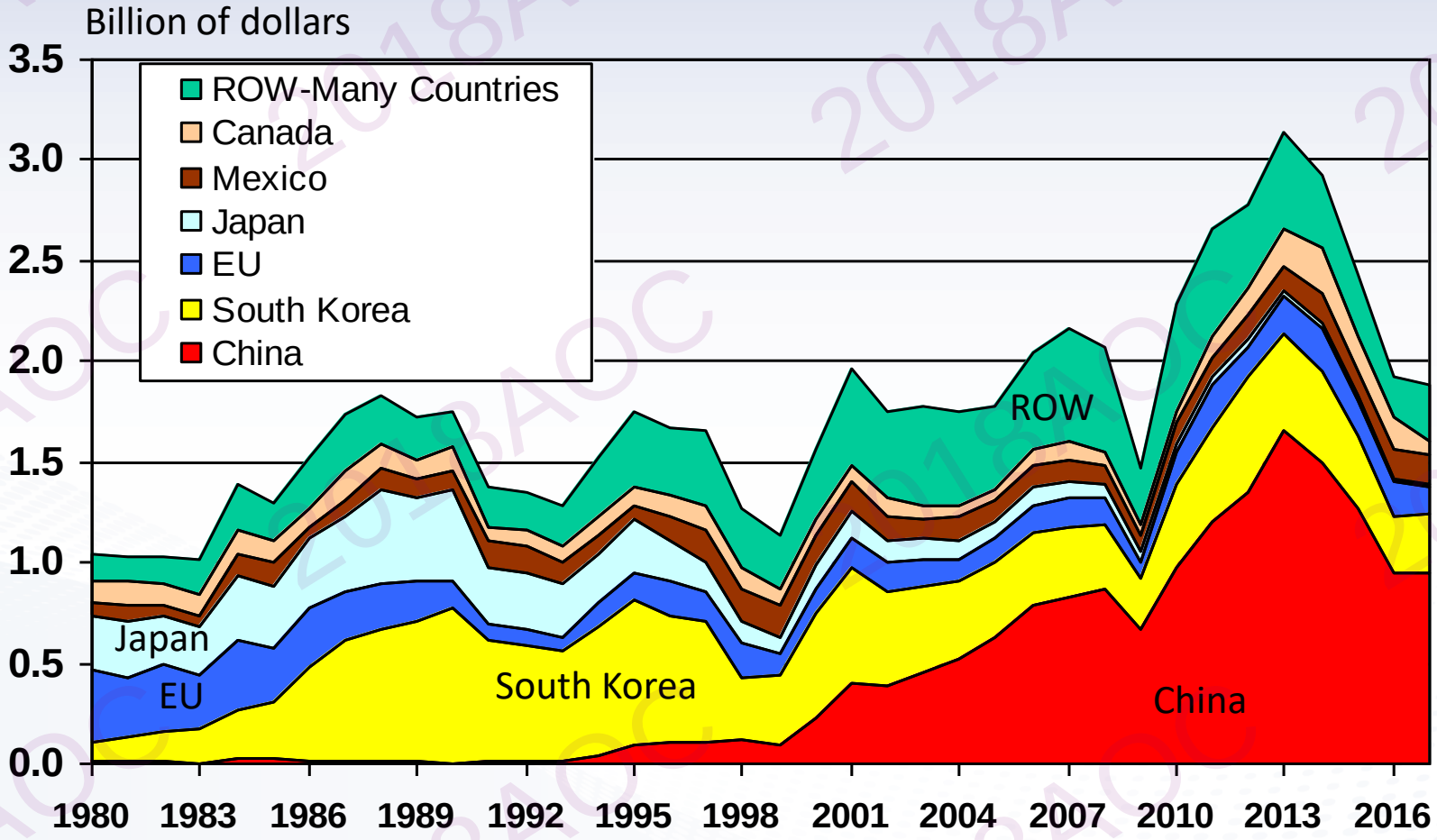
United States Exports of Hides and Skins to the World (China about 51% market share)



Source: *USDA, Foreign Agricultural Service, Global Agricultural Trade System database, FATUS, July 2016*.

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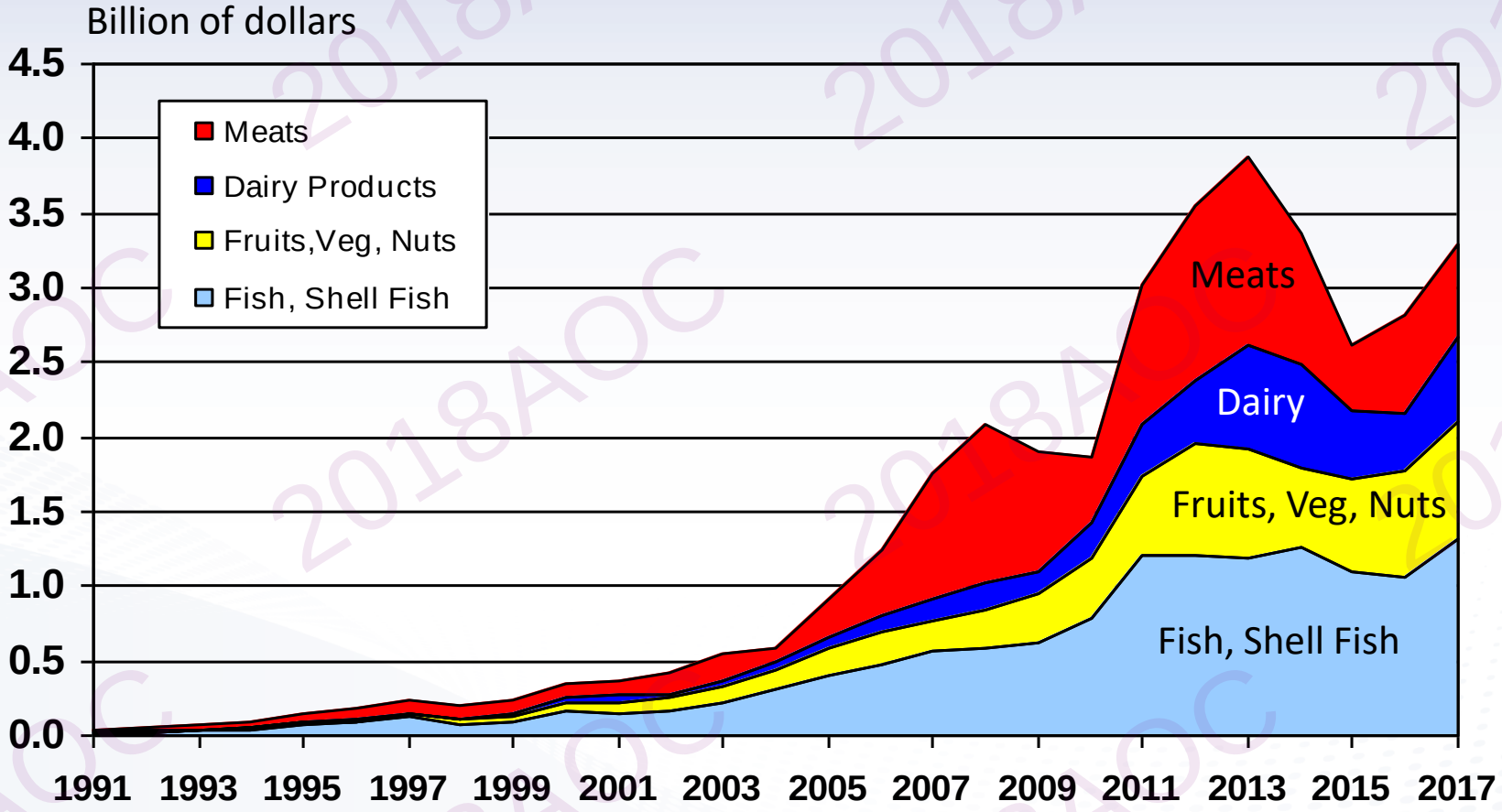
Specialty and Niche Market: Success Stories

- Exporters to China can do well in Niche and Specialty markets
- Specialty markets are less likely to compete with national and domestic companies. Less risk of food security concerns.
- Strong demand by increasing income in urban areas and often younger consumers
- Many food imports are viewed as safe, where U.S. has strong regulations
- Food safety is very important in China and seems to be of increasing concern – especially among higher income households
- USDA – Agriculture Trade Offices supports and assists exporters to China in these markets.

United States Exports to China: Food Products



Source: *USDA, Foreign Agricultural Service, Global Agricultural Trade System database, FATUS, April 2018*.

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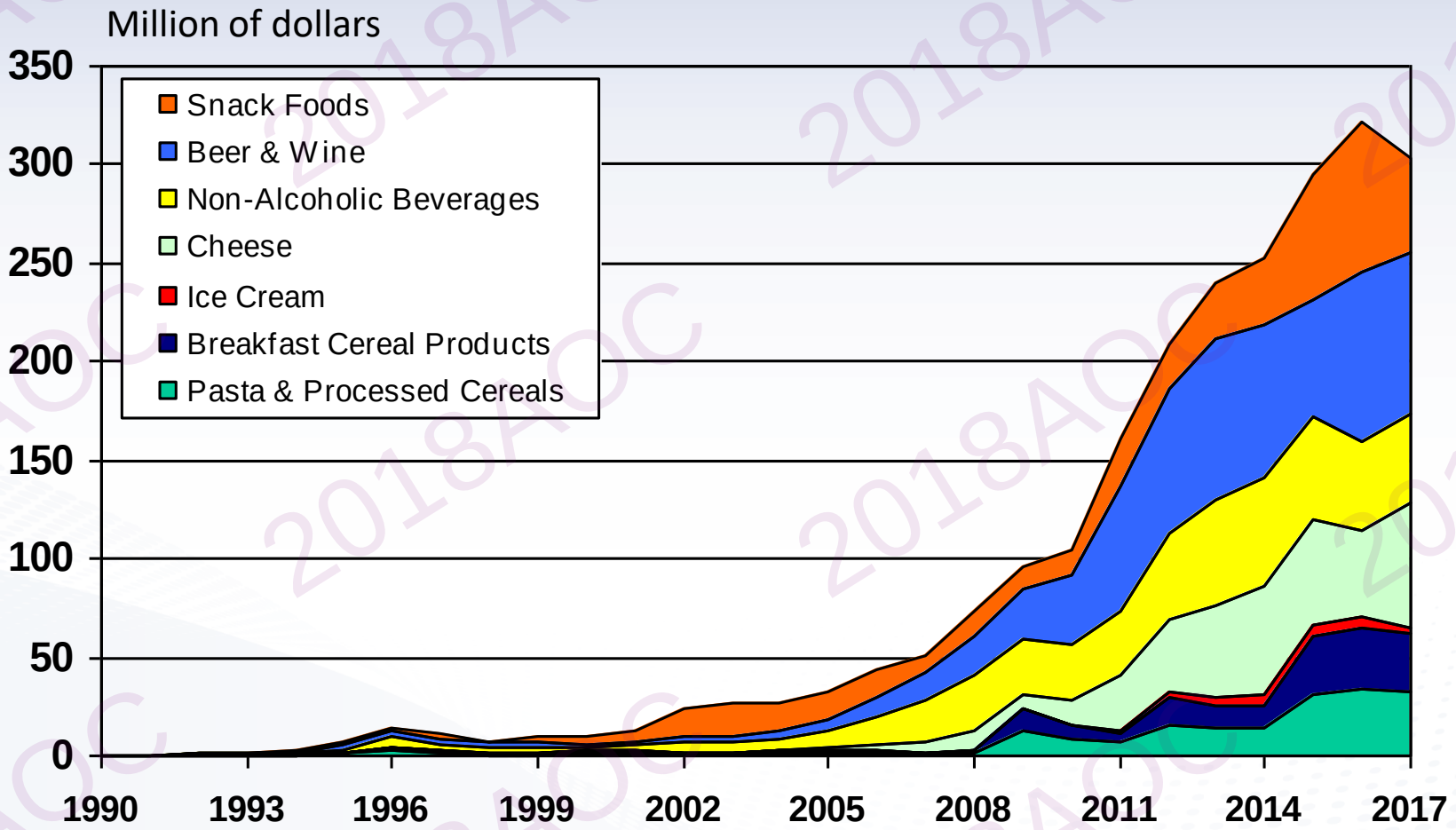
United States Exports of Selected Processed Foods to China



Source: *USDA, Foreign Agricultural Service, Global Agricultural Trade System database, FATUS, April 2018*.

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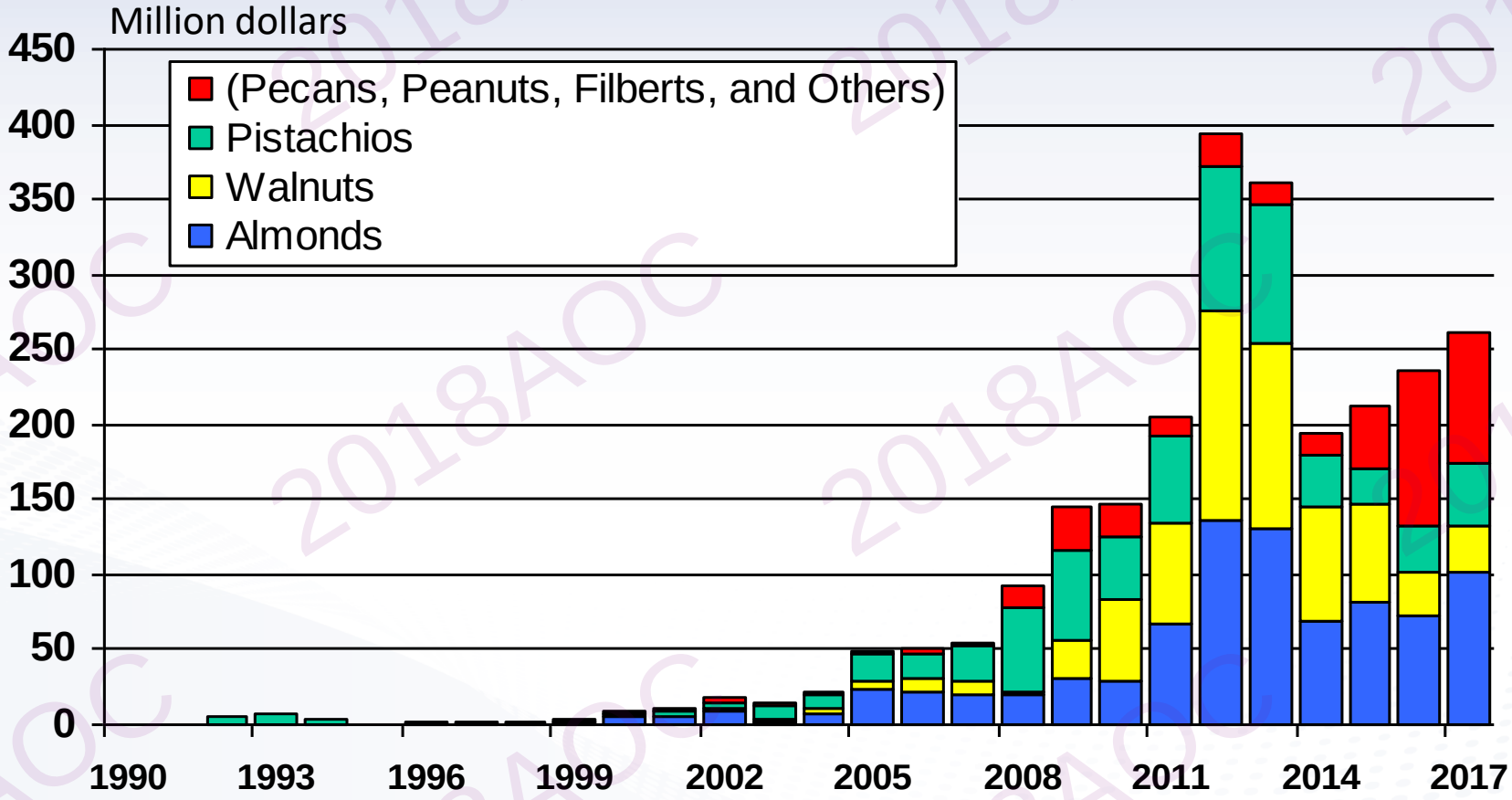
United States Exports of Nuts to China:

Almonds, Walnuts, Pistachios and Others



Source: *USDA, Foreign Agricultural Service, Global Agricultural Trade System database, FATUS, April 2018*.

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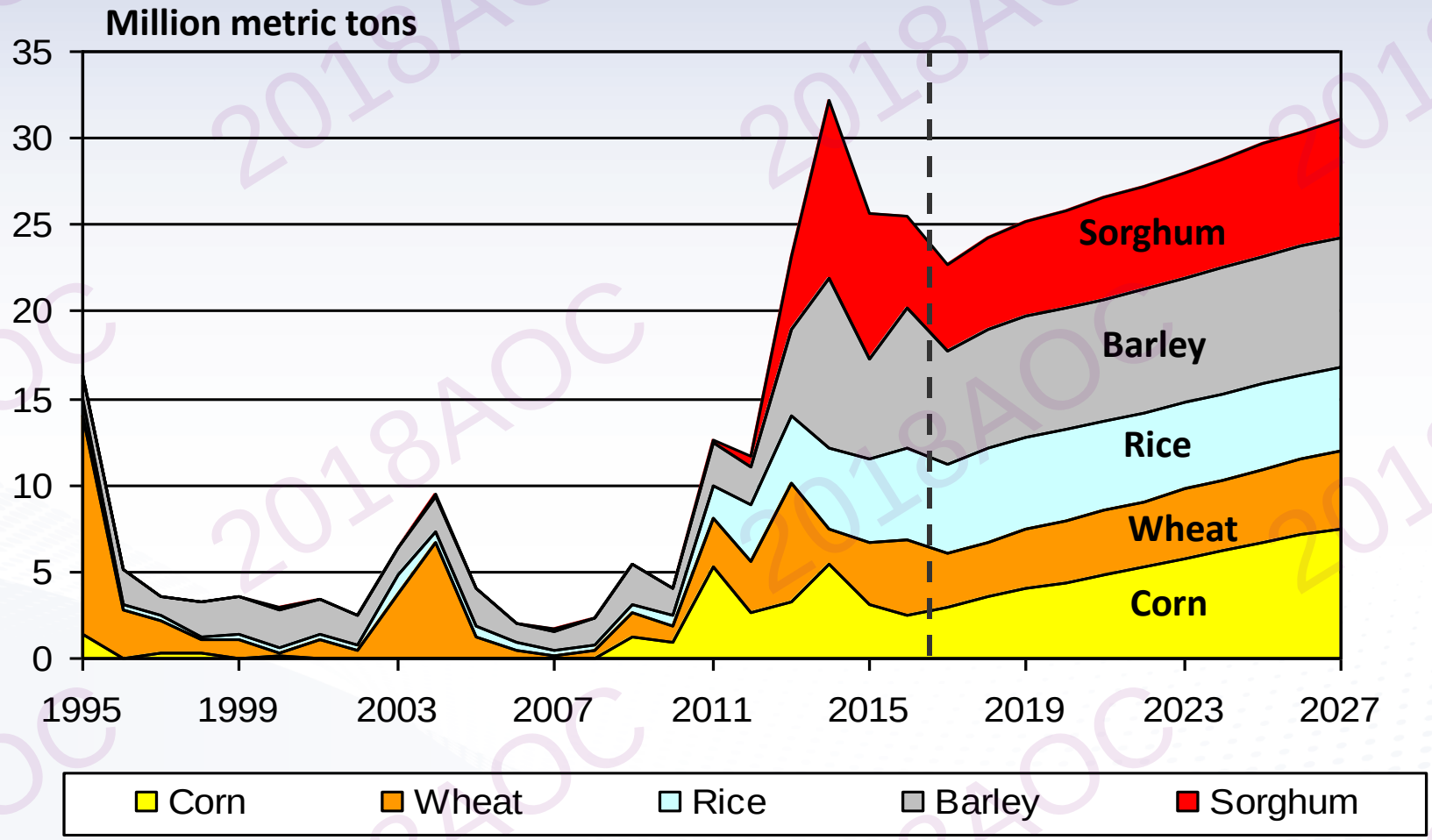
China's Major Grain Imports from the World and Projections to 2027 (mmt)



Source: *USDA Agricultural Baseline Projections to 2027*, February 2018, based on November 2017 data.

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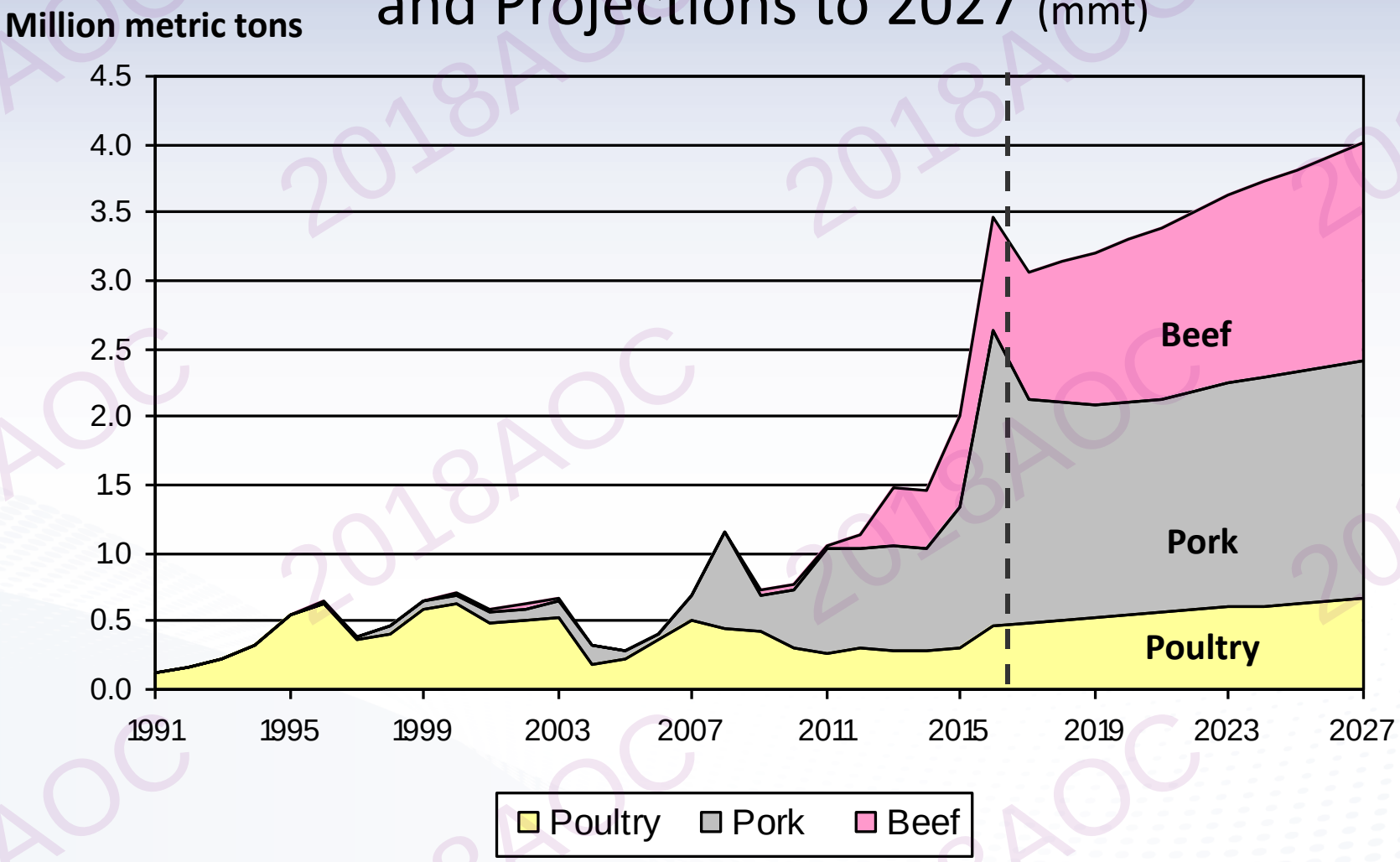
China's Meat Imports from the World and Projections to 2027 (mmt)



Source: *USDA Agricultural Baseline Projections to 2027*, February 2018, based on November 2017 data.

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World agriculture trade has expanded tremendously over the past two to three decades.

Both China and the United States have increased both agriculture exports and imports in the global market at very fast rates of growth.

China's imports are driven by increasing income and demand for higher quality products and food safety concerns in urban markets. Import niche markets can succeed quite well, which is more specialized and have less competition.

United States imports are driven by increasing demand for a wider variety of products from around the world especially as compared to 20 to 30 years ago.

But even as the world has a large focus on both China and the United States the emerging economies are growing.

Emerging Economies and Global Agriculture Markets

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Global Changes in Food Consumption:

- Greater consumption of:
  - Fruits & Vegetables
  - Vegetable Oils
  - Processed Cereal Products
  - Foods which are easy/quick prepare and cook (time effect)
  - Meats & Dairy Products

    Feed Demand Increases

    ↑ Import demand for Feed grains and Soybean meal

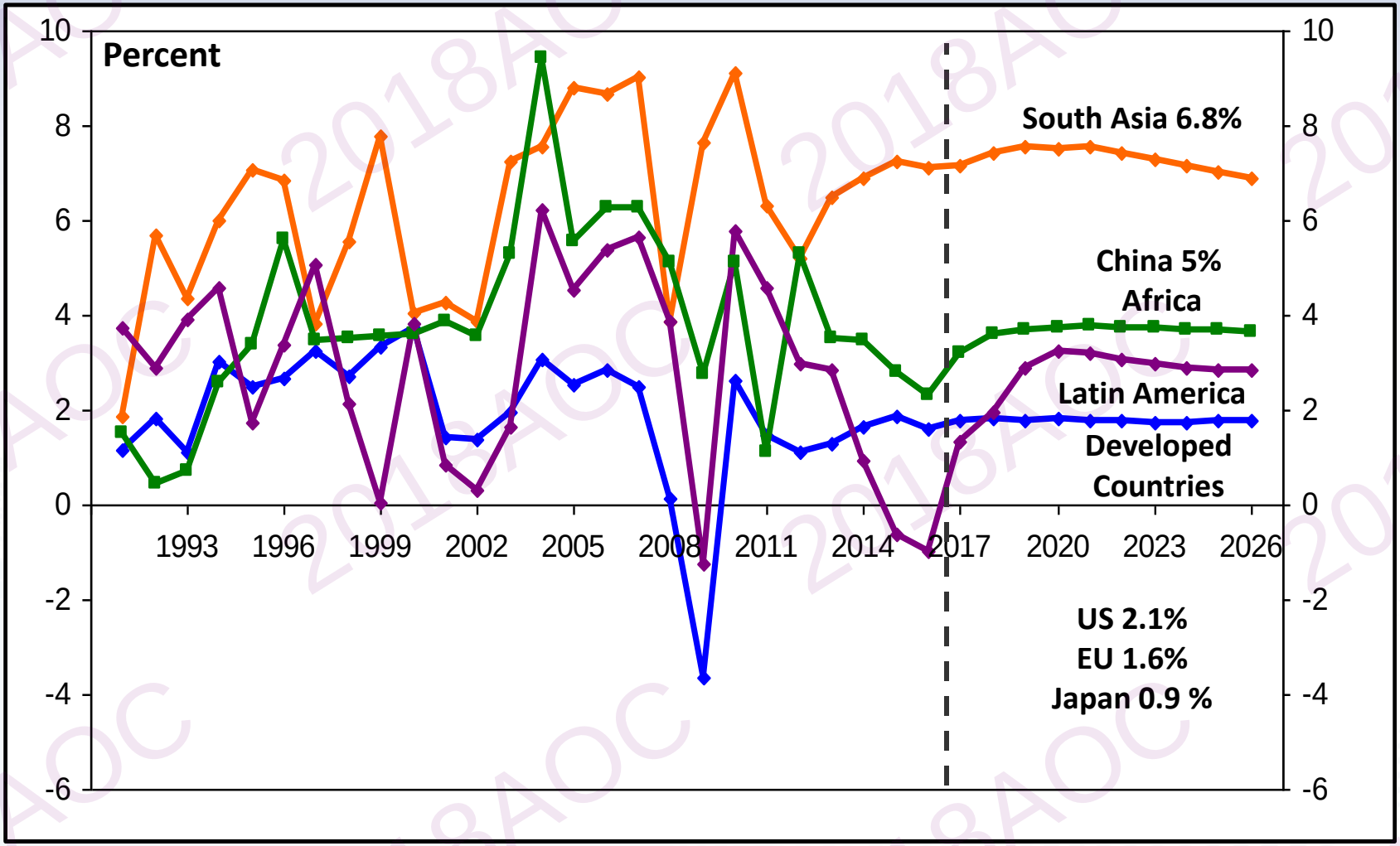
- Less consumption of:
  - Staple grains - rice in Asia, corn in Indonesia and Mexico
  - Low-quality grain varieties and switching to high-quality (high-quality varieties may lower yields)
  - Roots & tubers, millet in Africa

Global Structural Changes

- Shifting Economic Power – Emerging Markets
  - Increasing per capita incomes
- Evolving Demographics:
  - Declining population growth rates,
  - Urbanization,
  - Changing age structure, younger populations
- Infrastructure development in emerging markets
  - Transportation, roads, (also increasing congestion)
  - Market integration, modern food supply chains
- Food market development
  - Increased access to larger variety of food, retail outlets

GDP Growth for Major Regions:

Developing Economies Exhibit Strongest Growth



Source: *USDA Agricultural Baseline Projections to 2026*, February 2017.

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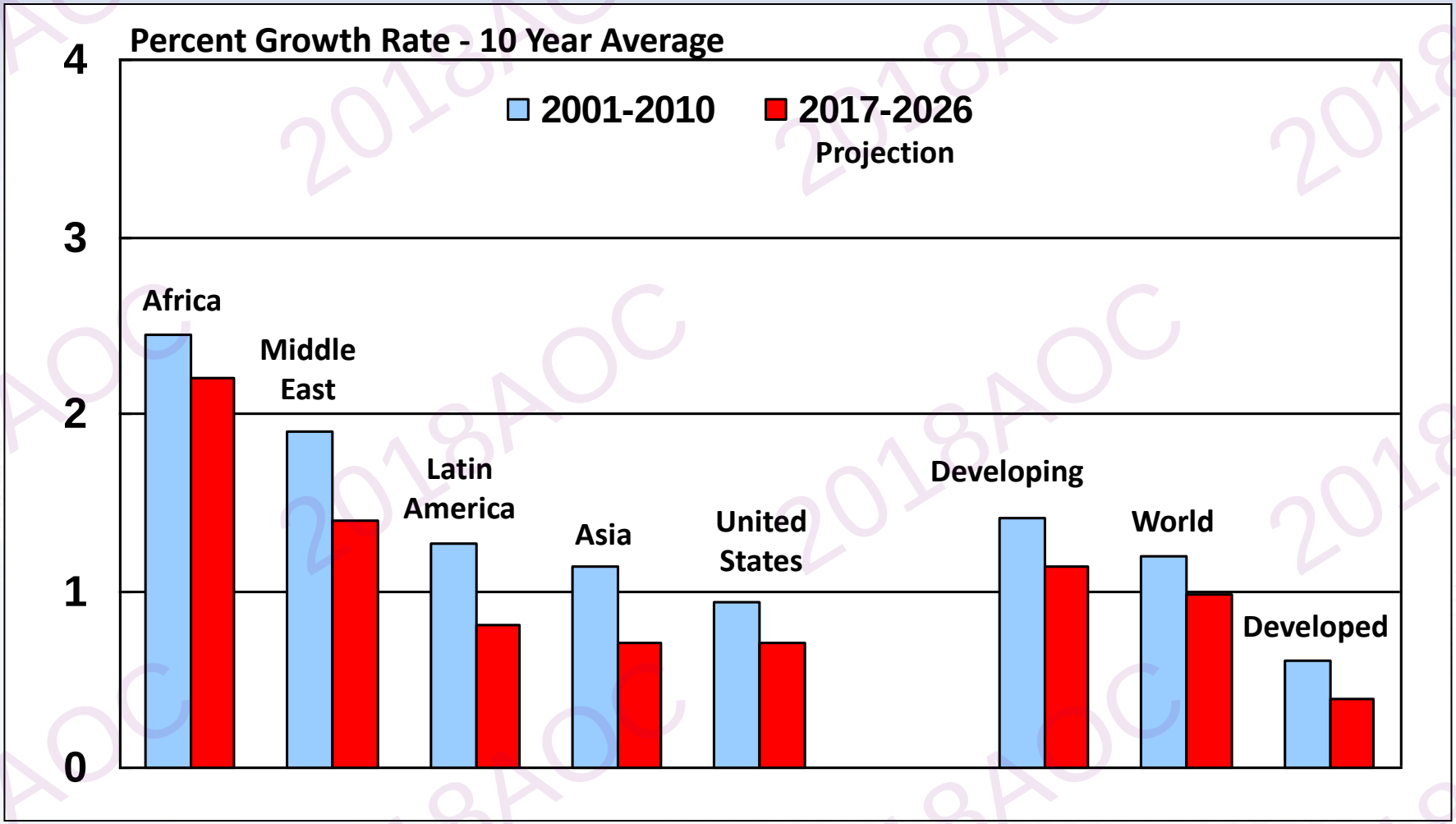
Population Growth Rates is Strongest in Emerging Economics but Less as Compared to Past Decades



1/ Based on population projections from the Census Bureau, U.S. Dept. of Commerce.

Source: *USDA Agricultural Baseline Projections to 2026*, February 2017.

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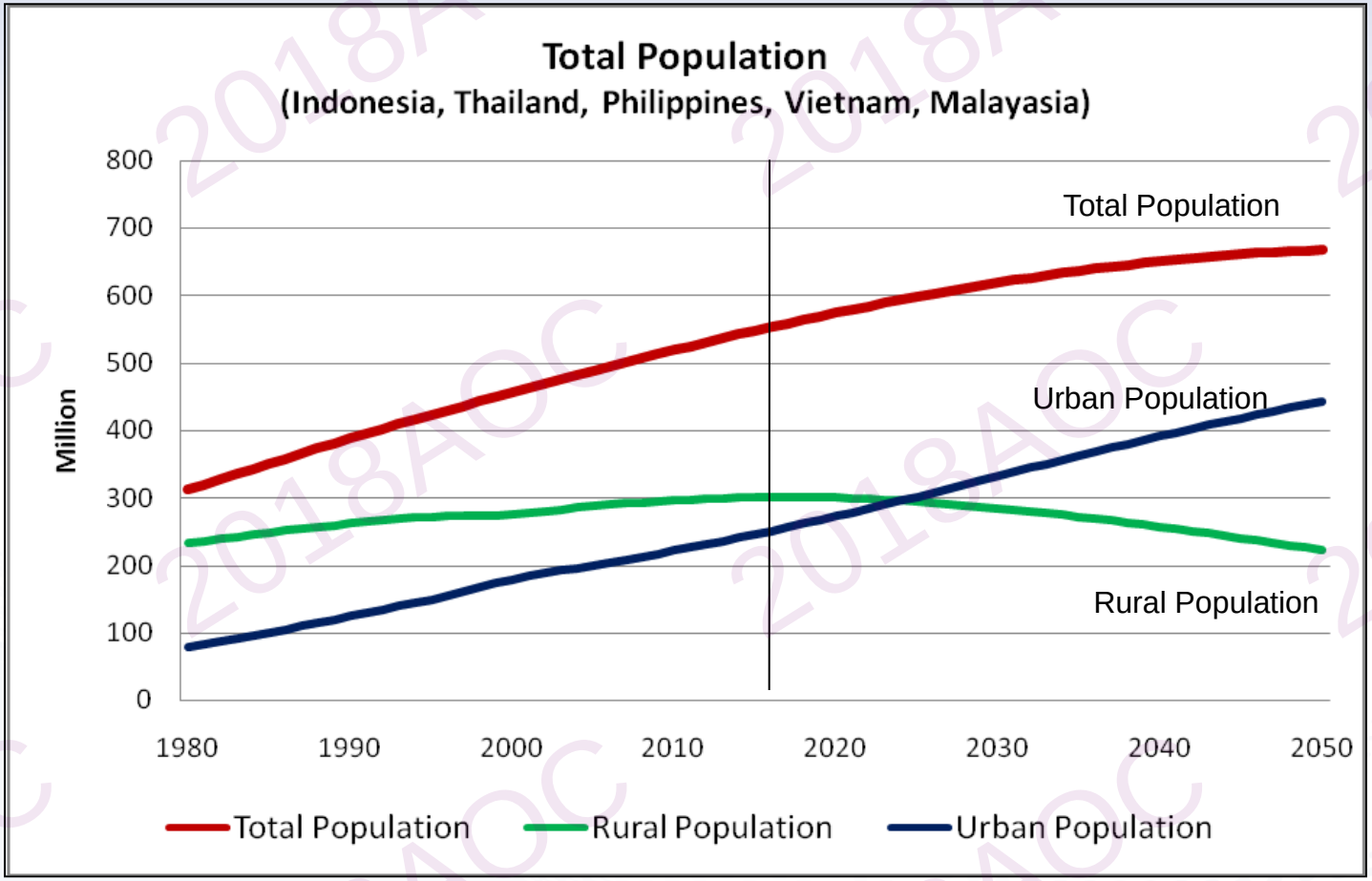
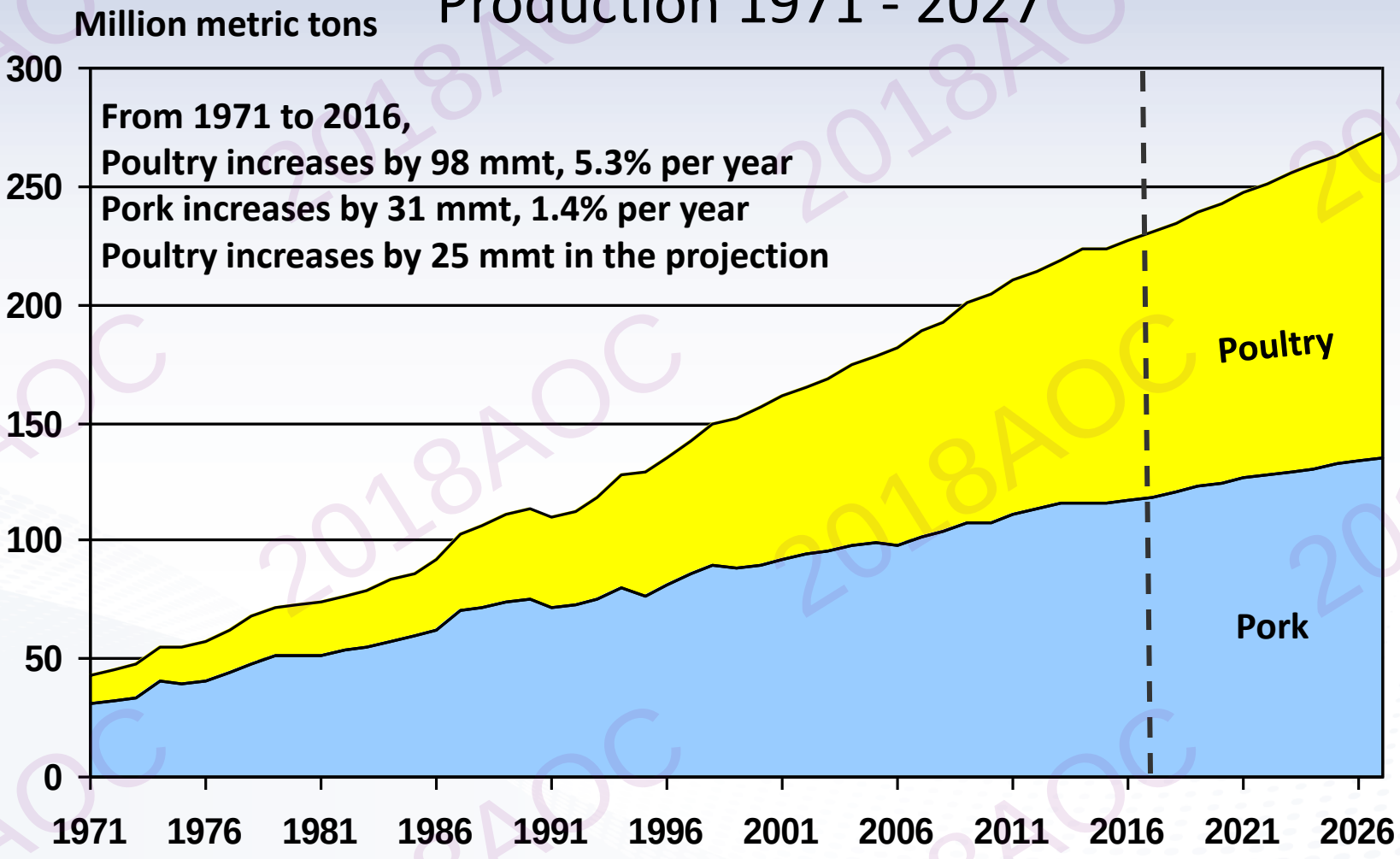
Population Growth And Urbanization In 5 Southeast Asian Countries Aggregate



Source: UN-FAO, FAOSTAT, http://faostat.fao.org

Global Pork and Poultry Production 1971 - 2027



Source: *USDA Agricultural Baseline Projections to 2027*, February 2018.

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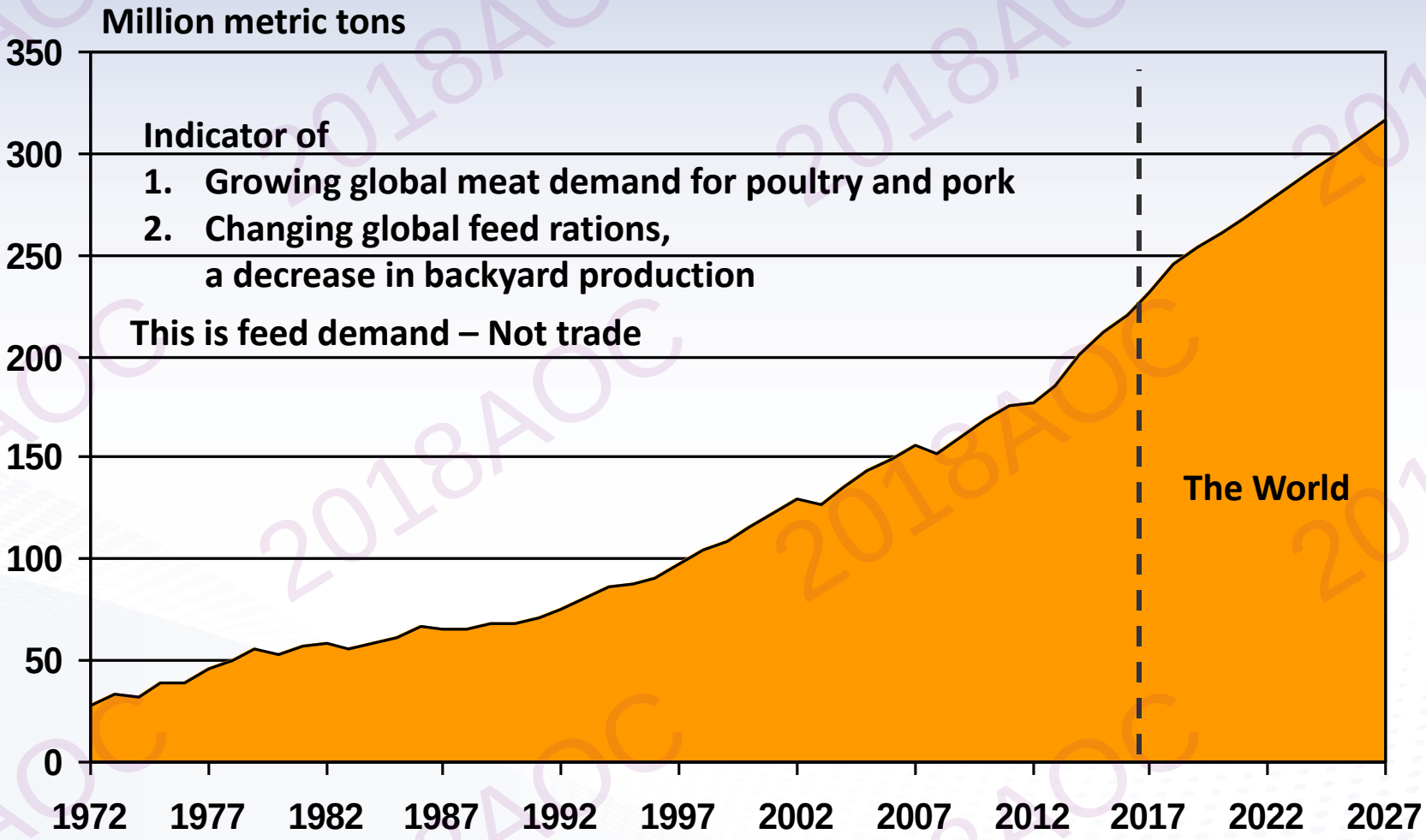
Global Soybean Meal Feed Demand: From 1972 and Projections 2018 to 2027



Source: *USDA FAS PS&D Data, November 2017.*

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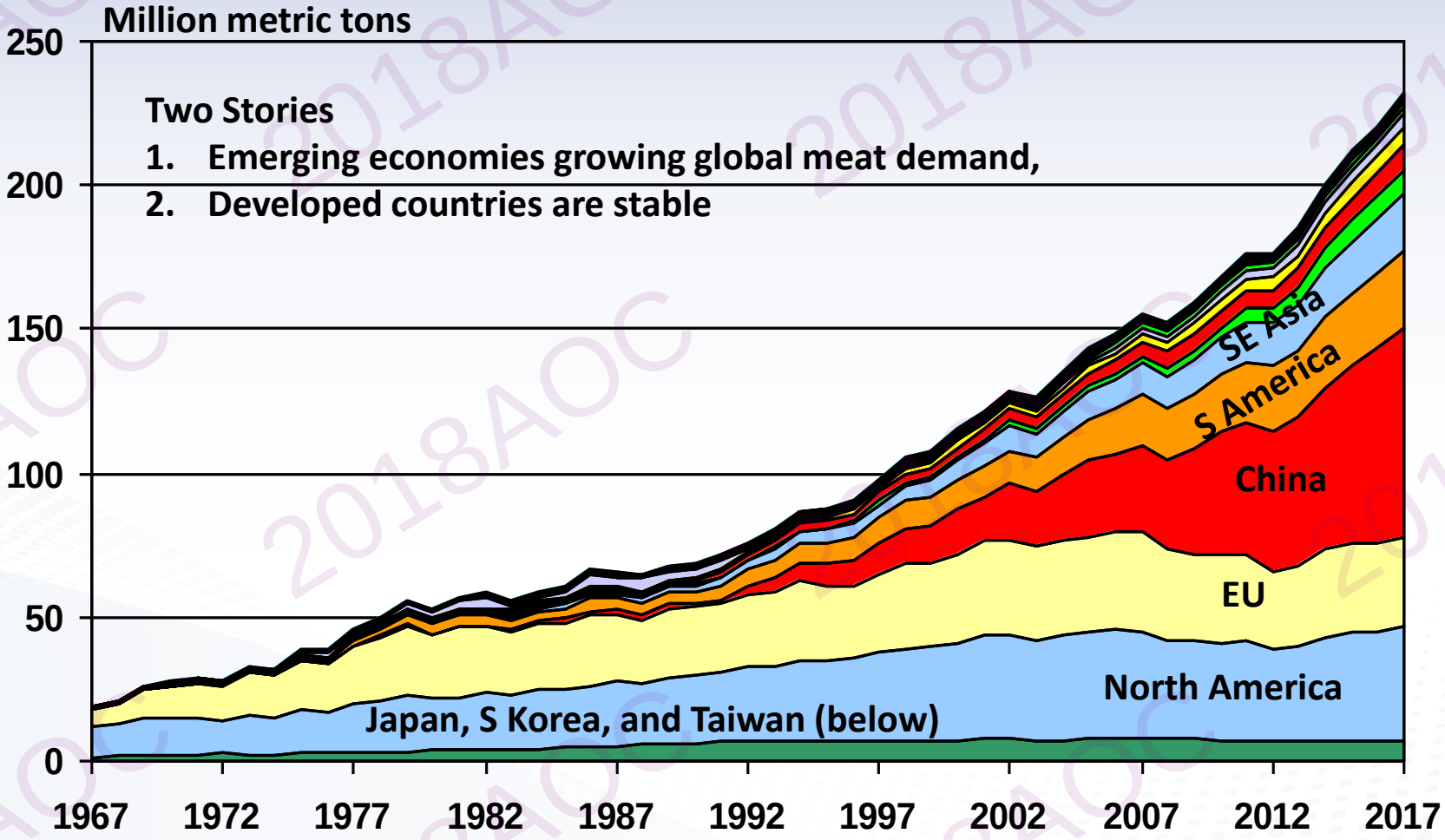
Global Soybean Meal Feed Demand: By Regions, 50 Years of Growth



Source: *USDA FAS PS&D Data, November 2017.*

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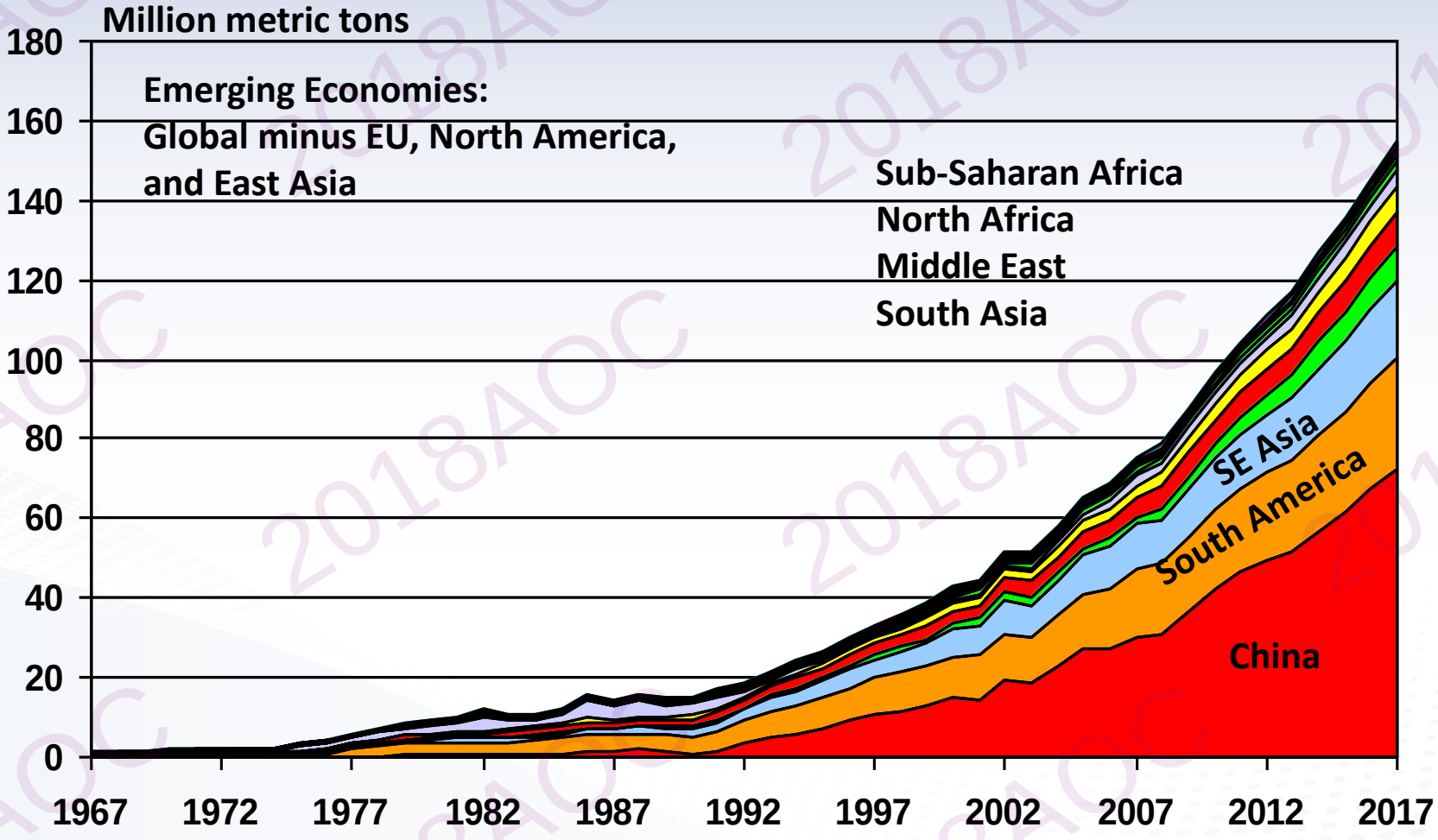
Greater Detail - Soybean Meal Feed Demand: By Regions, 50 Years of Growth



Source: *USDA FAS PS&D Data, 2017.*

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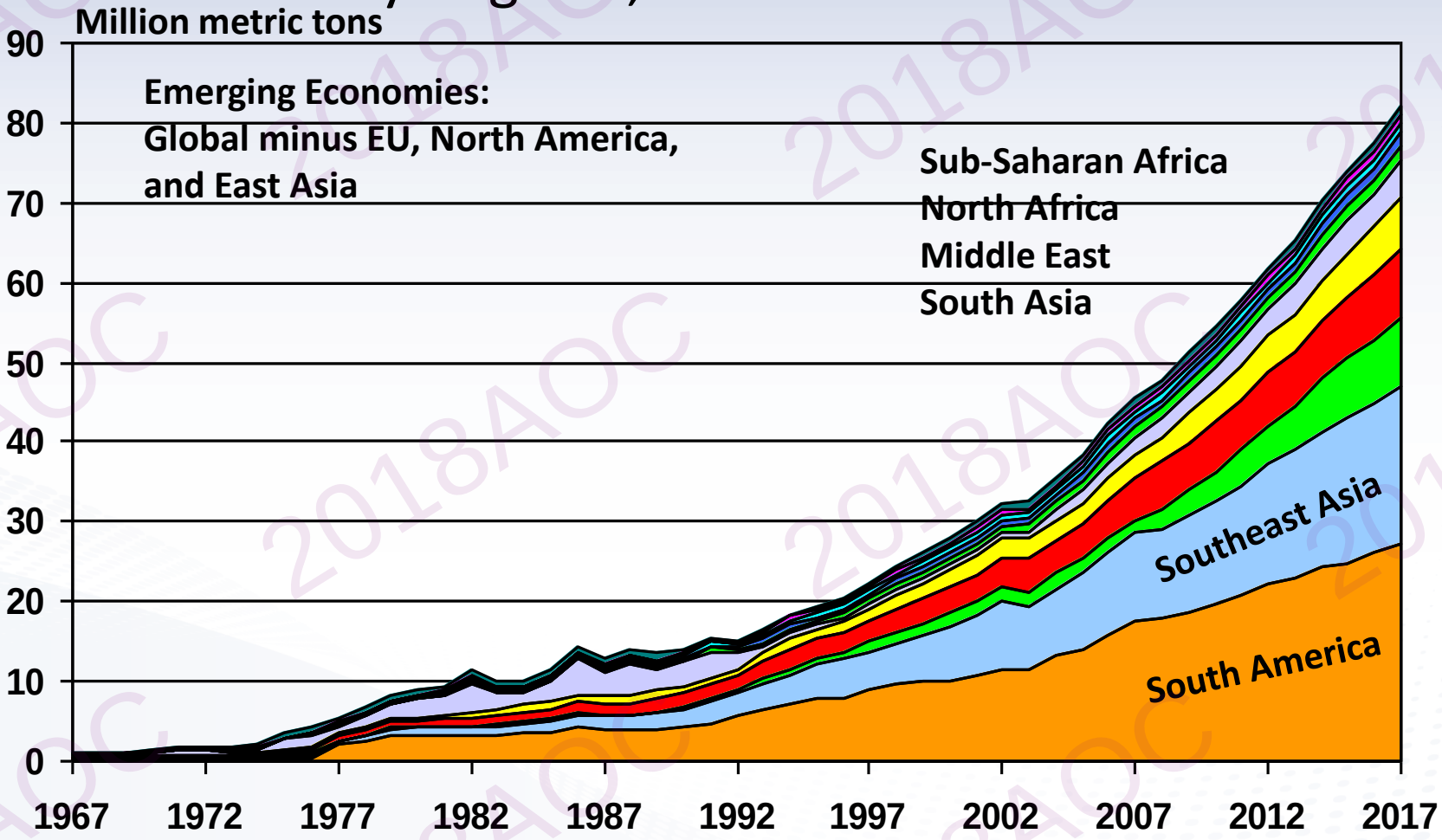

Source: *USDA FAS PS&D Data, 2017.*

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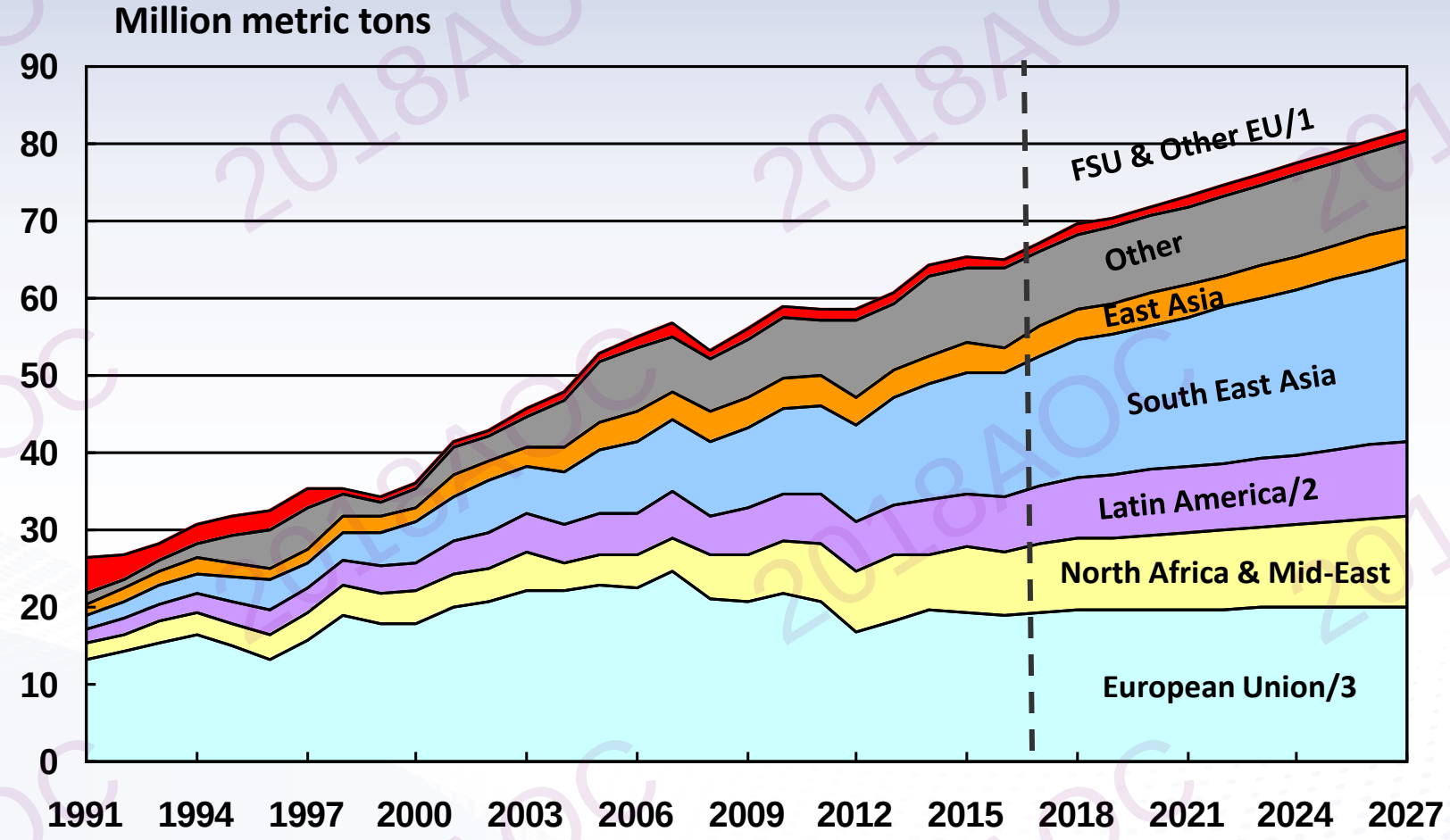
Global Soybean Meal Imports



1/ Former Soviet Union and Other Europe; prior to 1999. 2/ Includes Mexico.
3/ EU-28 excludes intra-trade after 2002, EU-15 intra-trade before 2003, Slovenia before 1992.
Source: *USDA Agricultural Baseline Projections to 2027*, February 2018.

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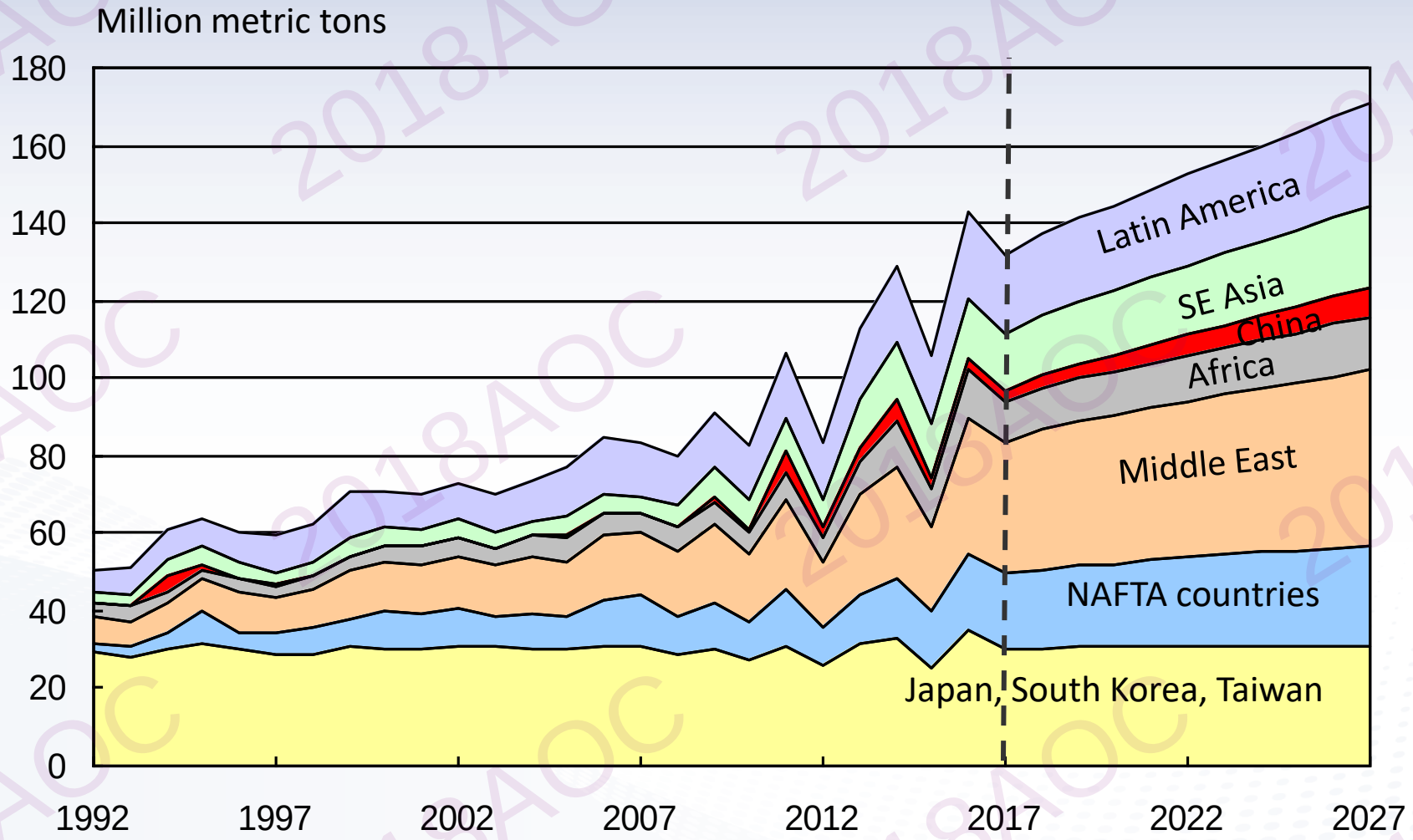
Global Corn Imports (mmt)



Source: *USDA Agricultural Baseline Projections to 2027*, February 2018.

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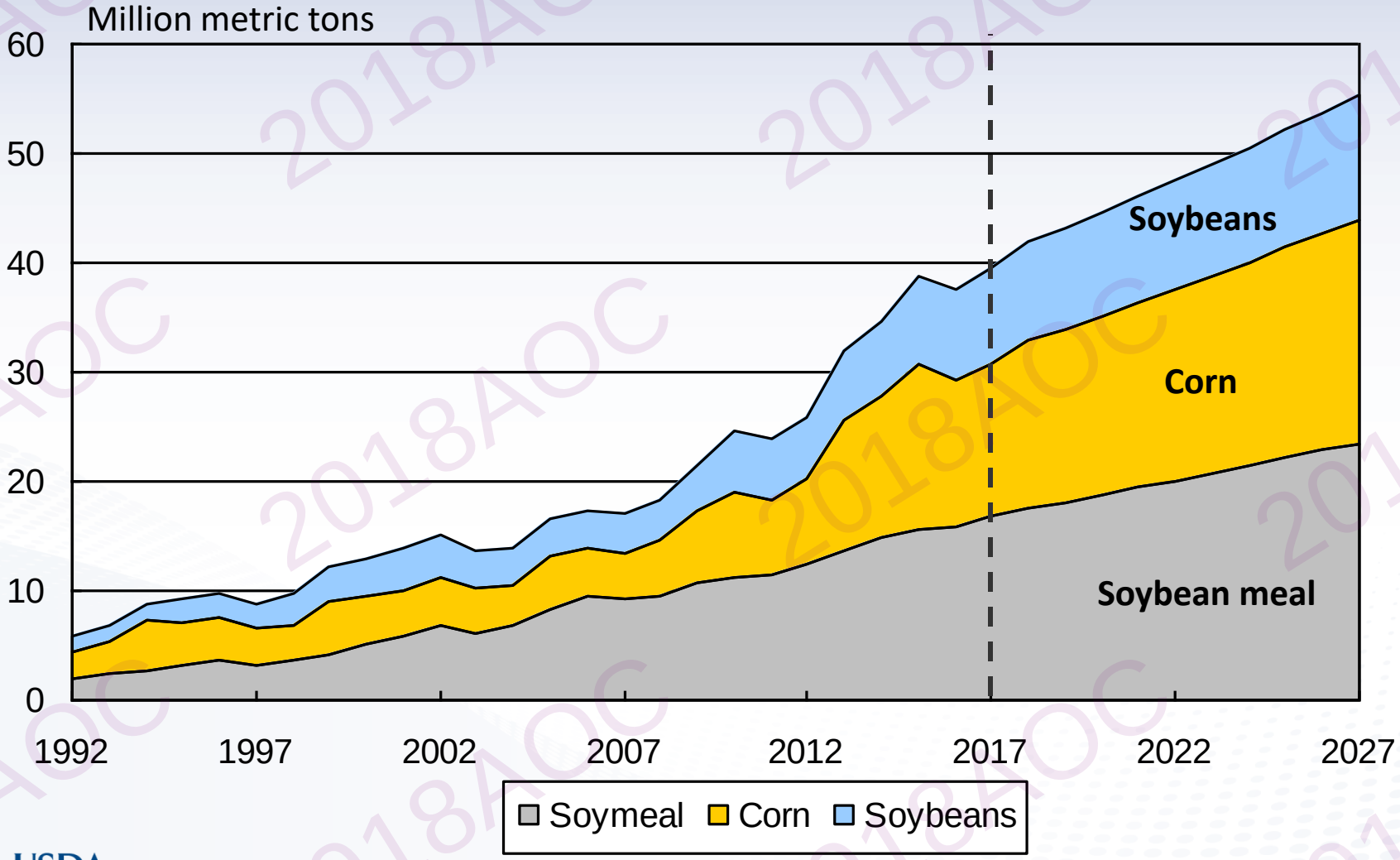
Southeast Asia: Corn, Soybeans & Meal Imports

(Vietnam, Thailand, Philippines, Indonesia & Malaysia)



Source: *USDA Agricultural Baseline Projections to 2027*, February 2018.

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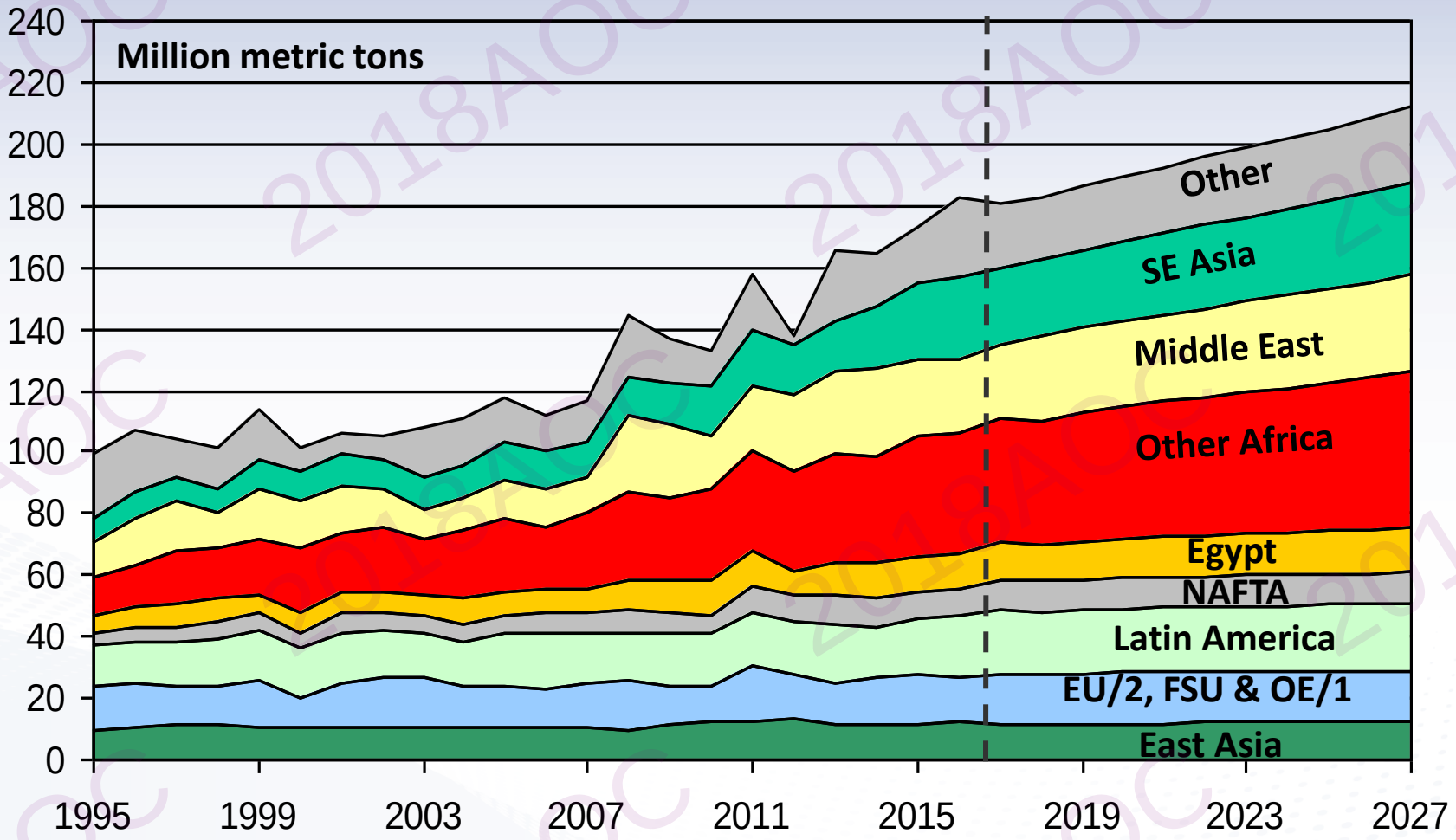
Global Wheat Imports



1/ Former Soviet Union and other Europe.
2/ Excludes intra-EU trade.
Source: *USDA Agricultural Baseline Projections to 2027*, February 2018.

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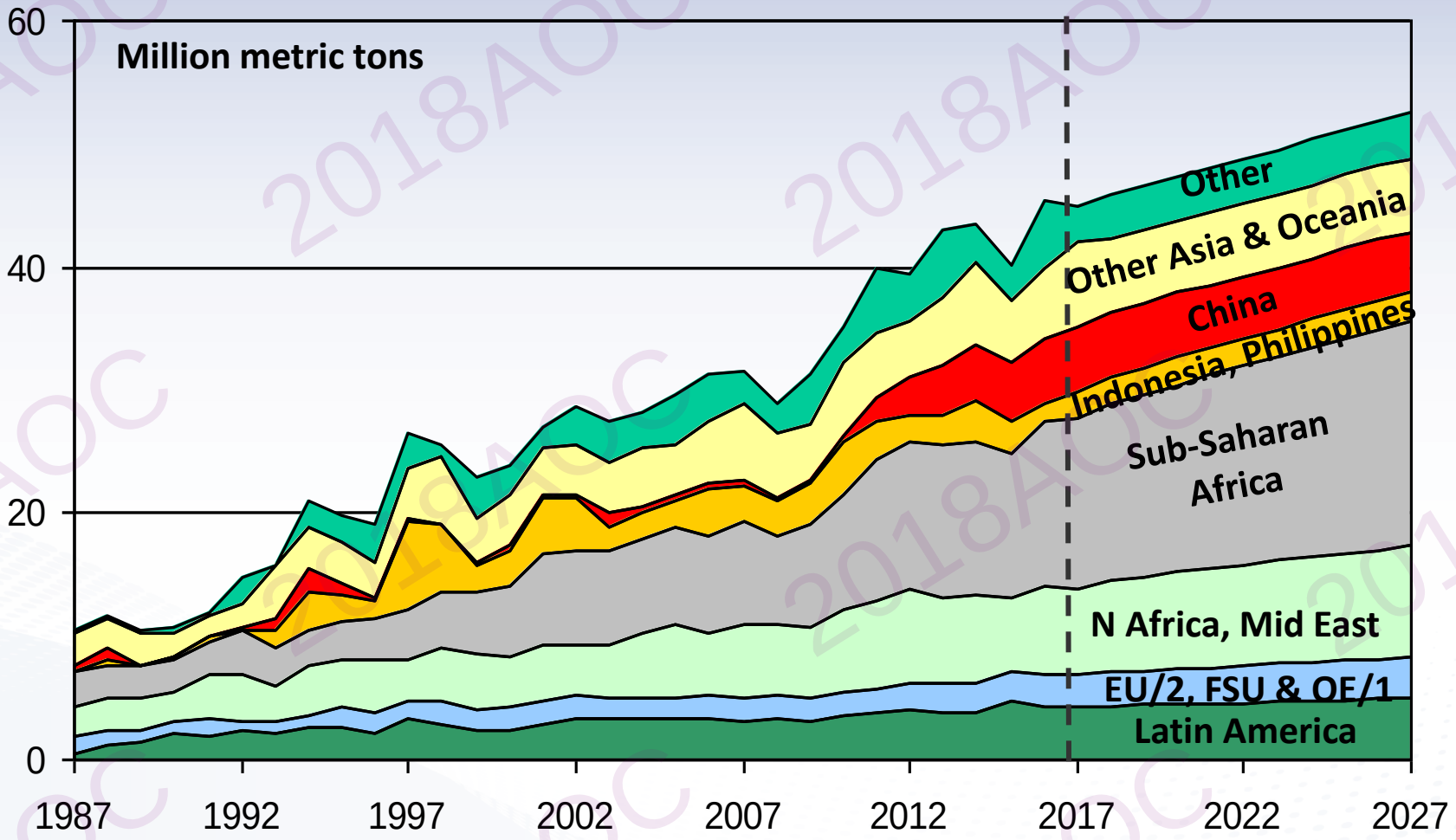
Global Rice Imports



1/ Former Soviet Union and other Europe,
2/ Excludes intra-EU trade.

Source: *USDA Agricultural Baseline Projections to 2027*, February 2018.

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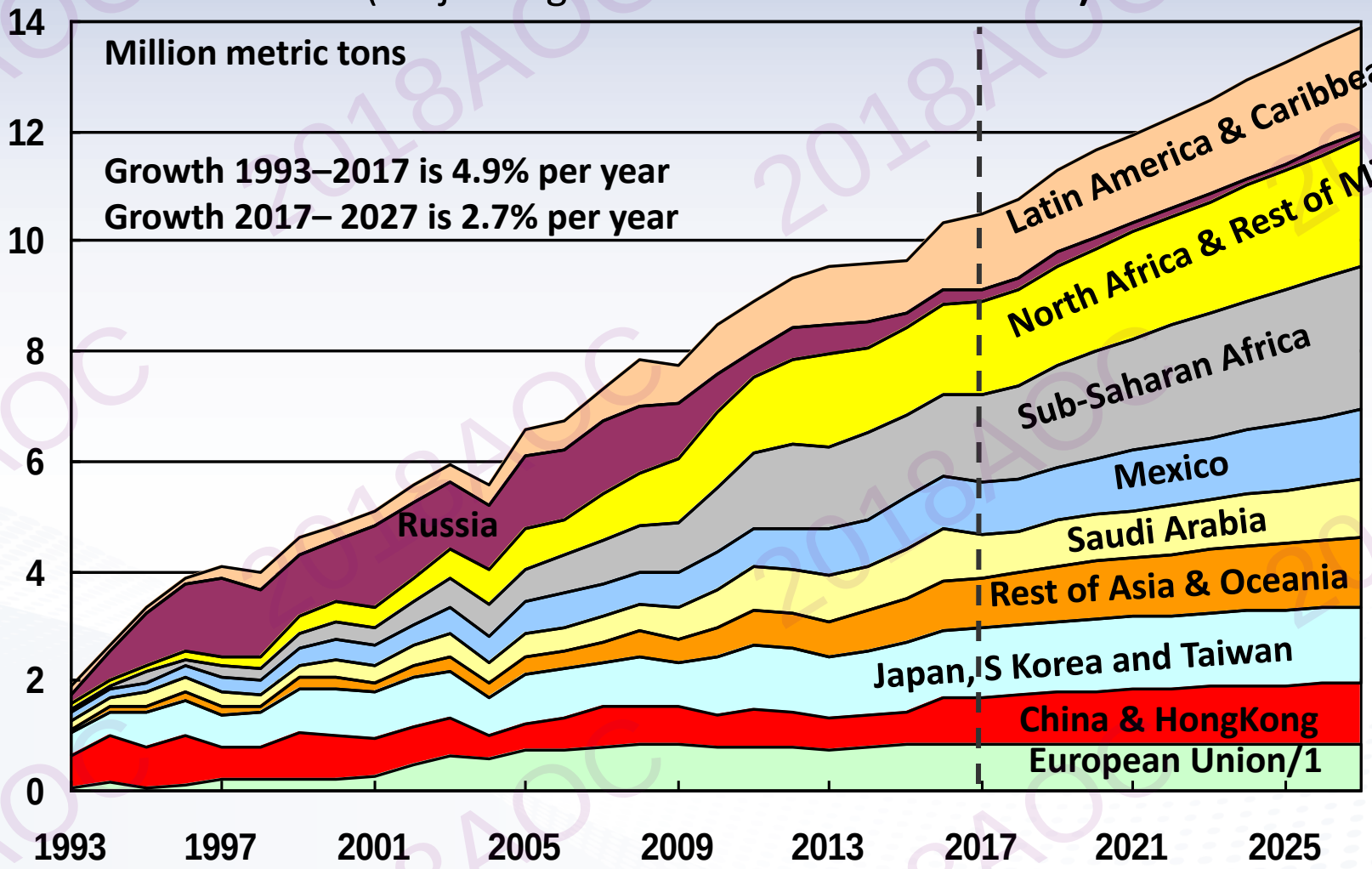
Poultry Imports

(Major Regions and Selected Countries)



1/ EU-28 excludes intra-trade after 2002, EU-15 intra-trade before 2003, Slovenia before 1992.

Source: *USDA Agricultural Baseline Projections to 2027*, February 2018.

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Conclusions and Summary:

- Continued global trade growth in agriculture commodities. Assumed normal weather conditions. There are no significant increases in real world commodity prices.
- Strong income and population growth in many developing countries and urbanization lead to increased import demand for grains, soybeans and High Value Products. Countries have large income elasticities for food, elastic.
- Trade to remain very competitive
  -- Expanding production potential in Brazil & Argentina, FSU, India and EU
- Mature markets / developed economies are not expanding imports, but maintain stable consumption patterns, such as East Asia (Japan, S Korea, Taiwan) and EU
- Unfortunately global agriculture prices and expected to be depressed in our projections. Farmers and producers will continue to face difficult times as they try to make profit.
- Uncertainty - Energy prices and costs of agriculture production
  - Policy changes by importers and exporters
  - Disease impacts, especially avian influenza
  - Weather impacts, increasing volatility in weather patterns
  - Potential for severe droughts and flooding,

Thank You

Data: USDA-FAS Global Agricultural Trade System Data Base
https://apps.fas.usda.gov/gats/default.aspx

Data: USDA-ERS Long-Term Projections briefing room
https://www.ers.usda.gov/topics/farm-economy/agricultural-baseline/

or
Use Search Engines for
USDA FAS GATS
USDA ERS agricultural projections