The background of the slide is a photograph of a sunset over a green field. The sun is low on the horizon, creating a bright orange and yellow glow in the sky. The field is a vibrant green, and there is a dark line of trees or bushes in the distance. A large black rounded rectangle is centered on the slide, containing the title and speaker information in white and yellow text.

The Trade and Policy Environment for Agriculture

Darren Hudson

Combest Endowed Chair for Agricultural Competitiveness

Texas Tech University

Mississippi Crop Short Course, December 3, 2019

The Trade Environment

- ◇ China, China, and...China
- ◇ Macroeconomic conditions globally
- ◇ Political instability

China

Trade dispute with China

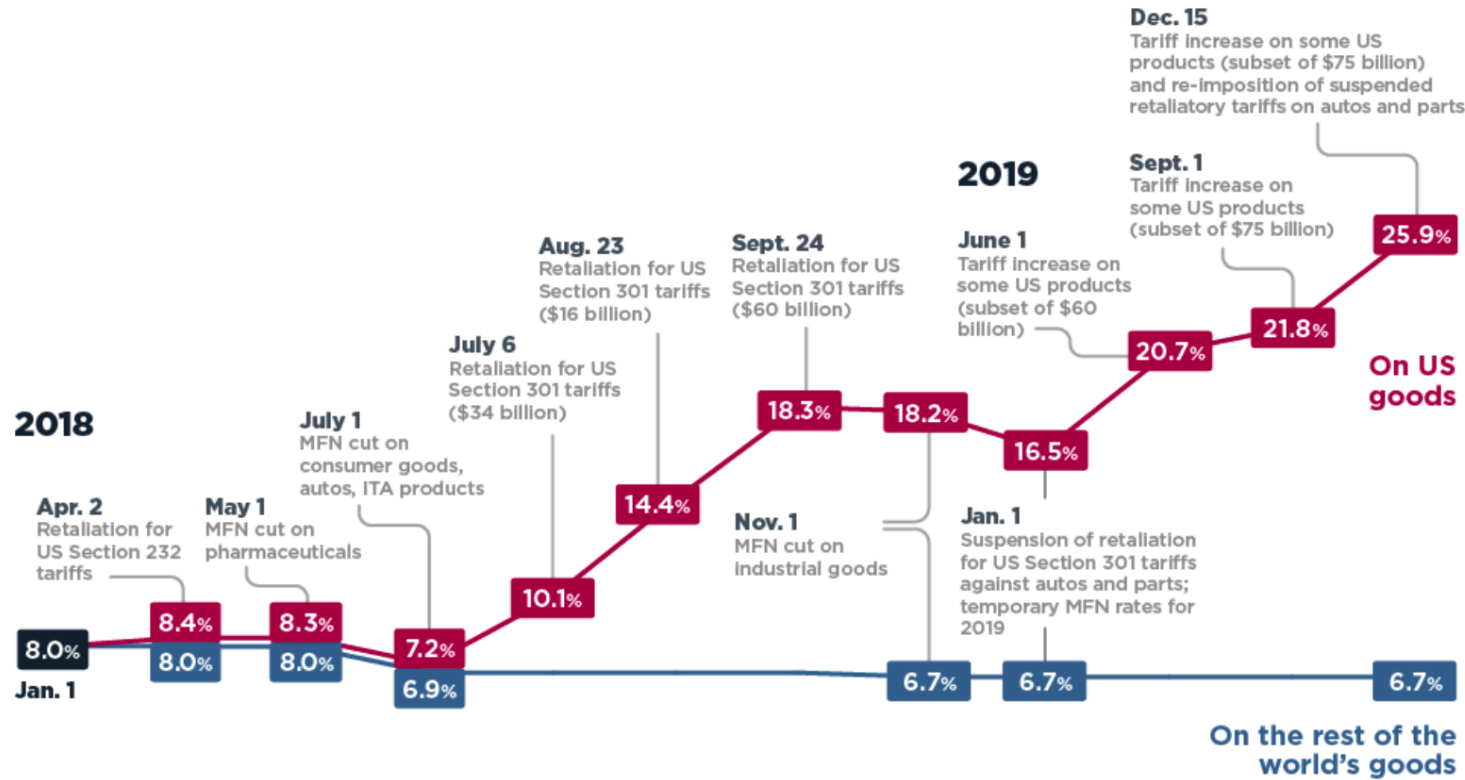
- Tariffs, retaliation, negotiation, outcome??

Agricultural subsidization in China

Will a trade agreement save the day?

Figure 1

China's average tariff rate is climbing on US goods and falling for the rest of the world



Timeline



ITA = Information Technology Agreement; MFN = most favored nation

Note: Trade-weighted average tariffs computed from product-level tariff and trade data, weighted by US exports to the world in 2017.

Sources: Updated on August 23, 2019, from Bown, Jung, and Zhang (2019). Constructed by the author with data from Trade Map and Market Access Map (International Trade Centre, marketanalysis.intracen.org) and China's Ministry of Finance's announcements.

Negotiations

BUSINESS NEWS OCTOBER 28, 2019 / 8:02 AM / A MONTH AGO

Trump: 'ahead of schedule' on China trade deal

2 MIN READ



WASHINGTON (Reuters) - U.S. President Donald Trump said on Monday he expected to sign a significant part of the trade deal with China ahead of schedule but did not elaborate on the timing.

NEWSLETTERS - CEO DAILY

U.S.-China Trade Talks: What's the Deal?

By [Clay Chandler](#) and [Eamon Barrett](#) November 9, 2019



President Donald Trump shakes hands with Chinese Vice Premier Liu He after announcing "phase one" of a U.S. trade agreement with China to end their 15-month trade war, which has caused upheaval in the world's two largest economies and rolled international trade overall.

WIN McNAMORE—GETTY IMAGES

#winning??



Council on Foreign Relations

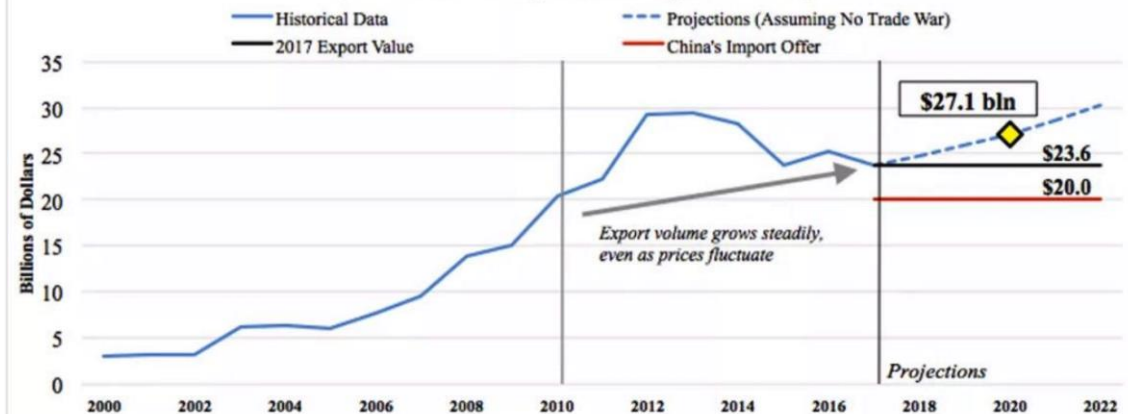
1 hr · 🌐



In short, if Trump accepts what he is calling a "massive" deal with China, he will actually be leaving American farmers at least \$7 billion worse... [See More](#)

U.S. Agricultural Exports to China

(Values After 2017 Projected Assuming No Trade War)



Notes: Values include exports both to Mainland China and Hong Kong, as aggregated by the U.S. Department of Agriculture. Projections exclude those categorized as "agriculture related products." Projections are made by extrapolating the annualized volume growth rates of Chinese imports of all agricultural products between 2010 and 2017. Annualized rates in excess of 20% or below -20% are capped to the aforementioned values. Soy-volume growth rates are revised slightly downward to match Chinese government projections from 2017 to 2022. For projections after 2018, all product prices are assumed to equal 2018 levels.

Key sources: U.S. Department of Agriculture; Chinese government estimates

Benn Steil & Benjamin Della Ratta
cfr.org/rap



CFR.ORG

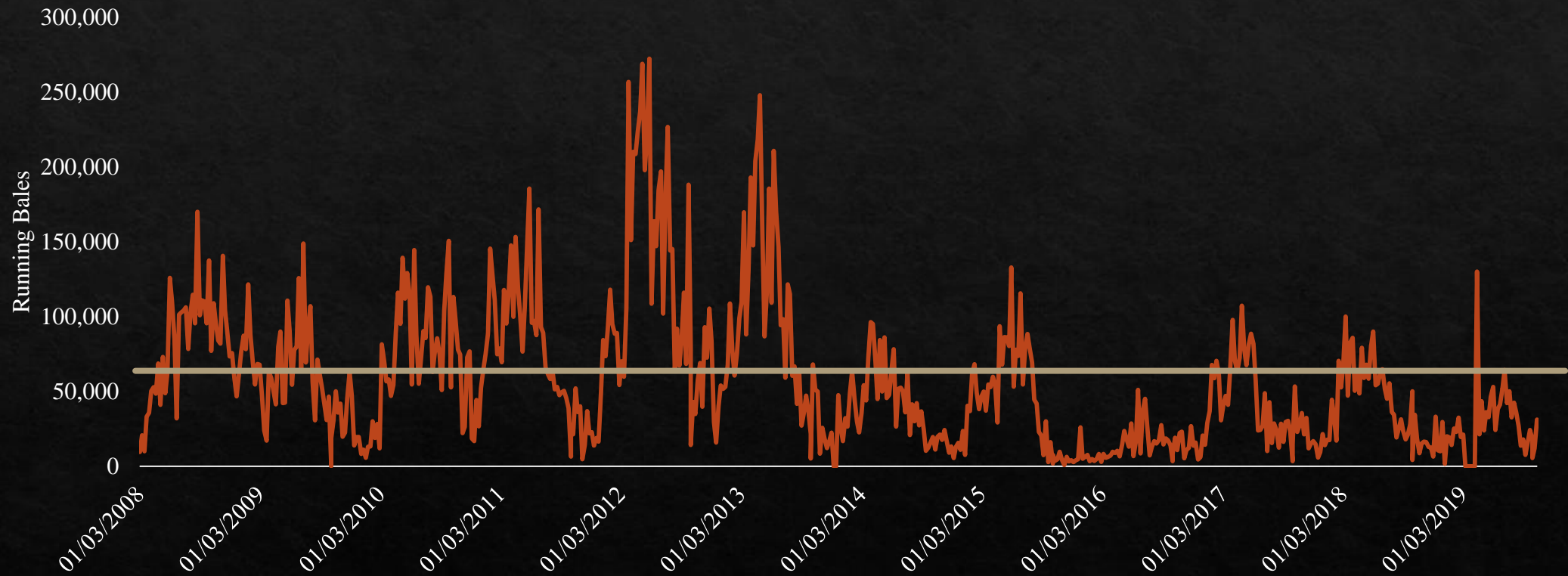
China's "Massive" Trade Offer Leaves U.S. Farmers \$7 Billion Worse Off

Details scant, but early indications are that "Phase 1" gets us back to even...

China Subsidies

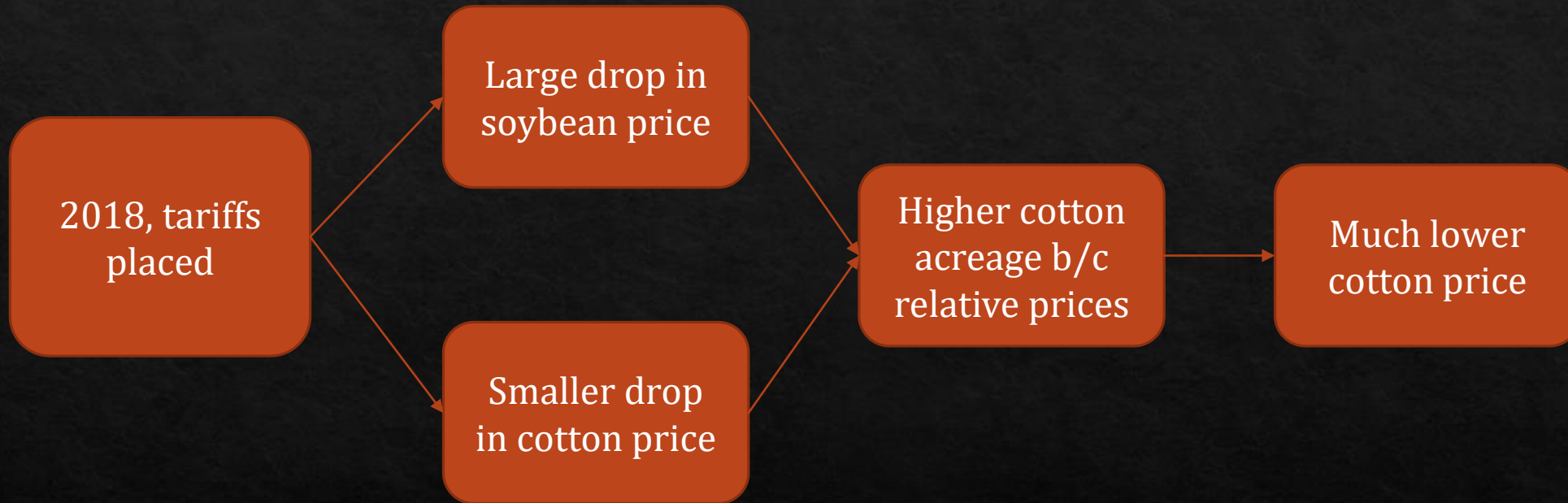
- ◇ China has been a consistent and egregious violator of their World Trade Organization (WTO) subsidy commitments
- ◇ China has maintained internal support prices for cotton well in excess of \$1.00/lb, for example
- ◇ China has met its import commitments, but fails on the subsidy side of the equation

Will a Trade Agreement Save the Day?



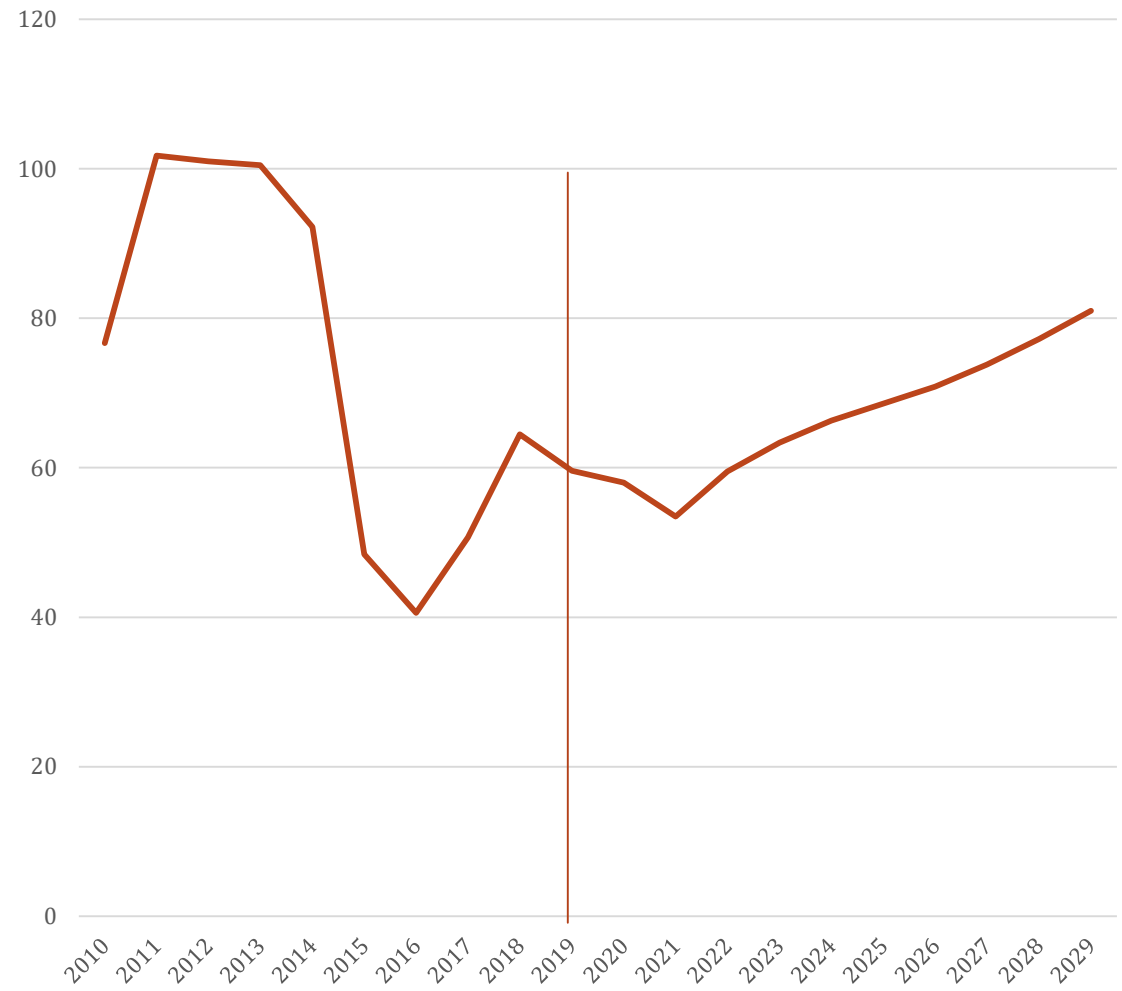
Weekly Export Sales, Cotton
Source: USDA

Will a Trade Agreement Save the Day?



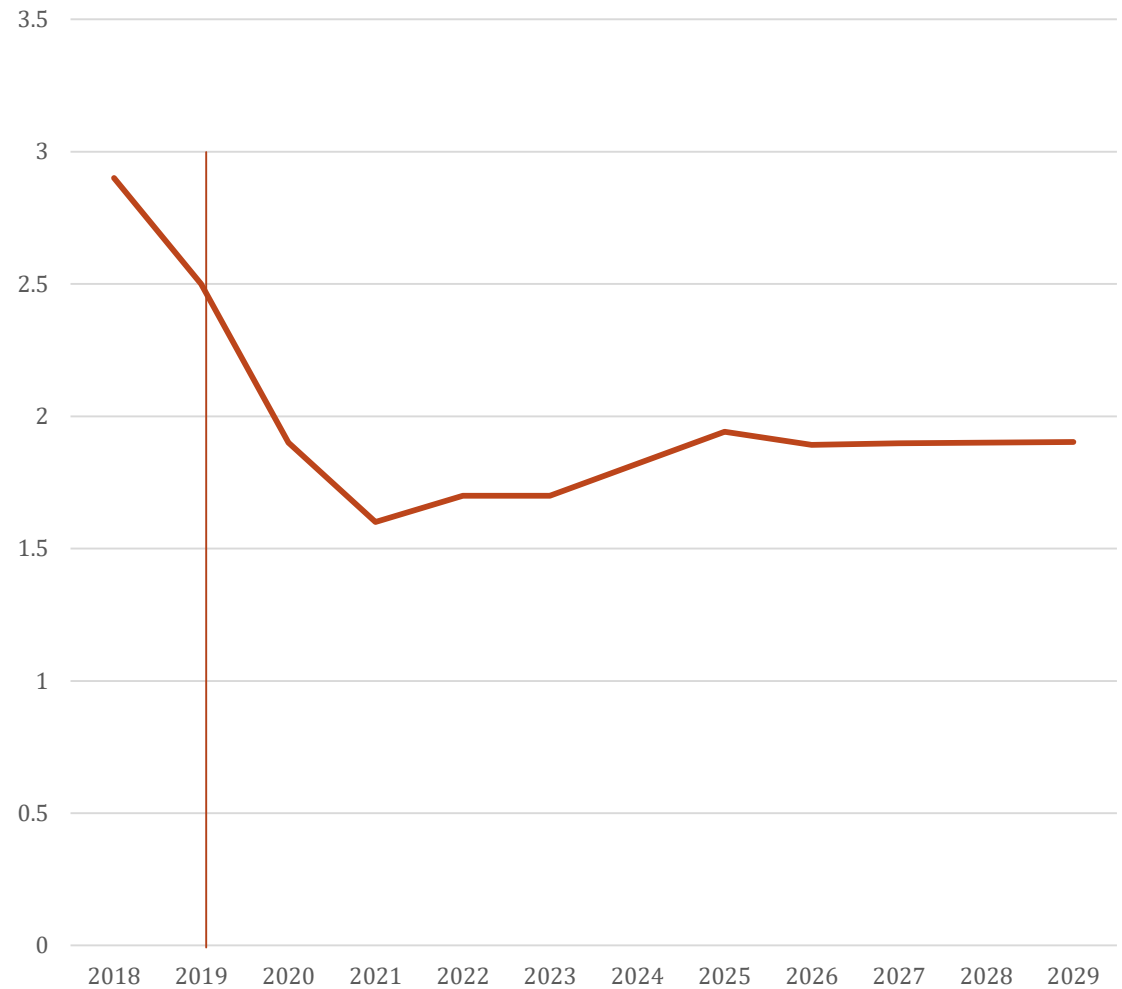
The evolution of the price effects on cotton, for example, imply that a trade agreement would not be an immediate impact on cotton.

Energy Prices



Refiner's Acquisition Price for Crude Oil
Source: IHS-Markit

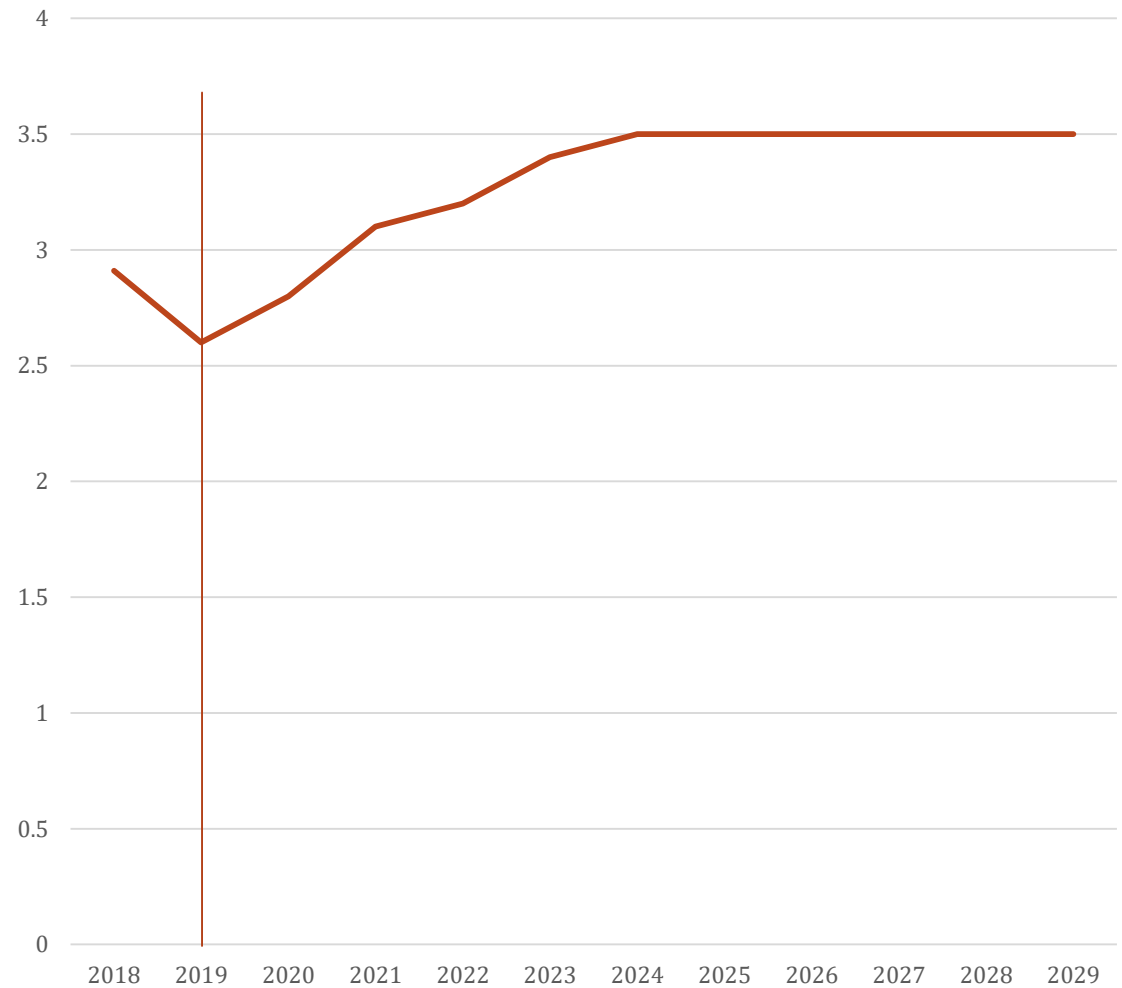
Macroeconomic Assumptions-- GDP



Real GDP Growth Rate

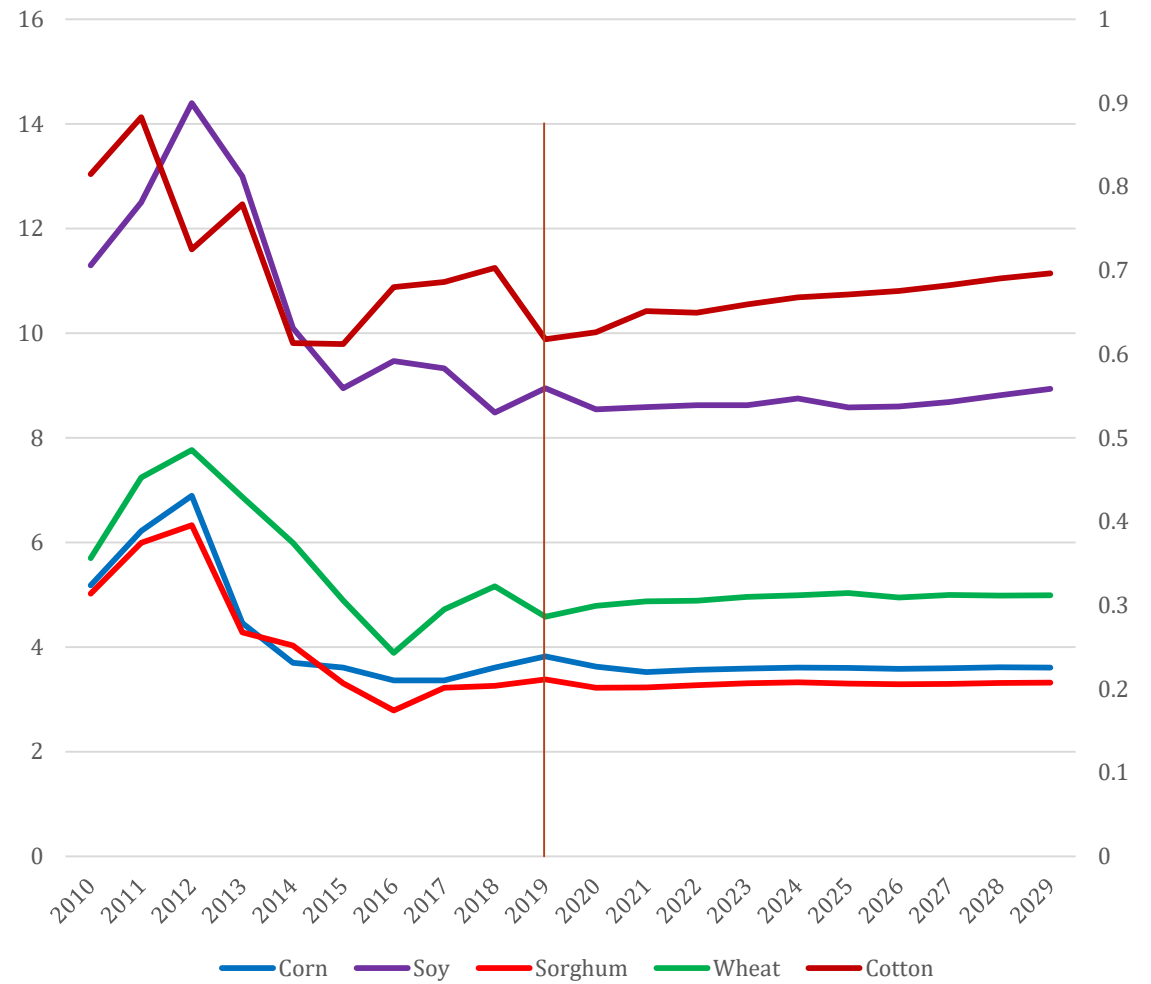
Source: USDA

Macroeconomic Assumptions— Interest Rate



10-Year Treasury Bond Rate
Source: USDA

Commodity Prices



Price Projections for Major Row Crops
Source: USDA (projections) and FAPRI (historical)

Political Instability

Impeachment

Hong Kong/China

Long-term economic/income growth and demand

Conclusions

- ◇ The China trade dispute rolls on—negotiations are sloppy, disjointed, and uneven...don't pay too much attention to the daily chatter
- ◇ Dispute resolution will help stabilize markets and even help agriculture regain footing, but there are structural issues in trade that need to be resolved in the long-term; TPP, USMCA, and other agreements
- ◇ Macroeconomics are largely neutral to bearish, which is reflected in flat price projections in the near term
- ◇ Of all commodities, cotton appears to have the only slightly positive bias
 - ◇ All projections assume current policy and trade rules