Global agricultural trade

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Farm Foundation Roundtable
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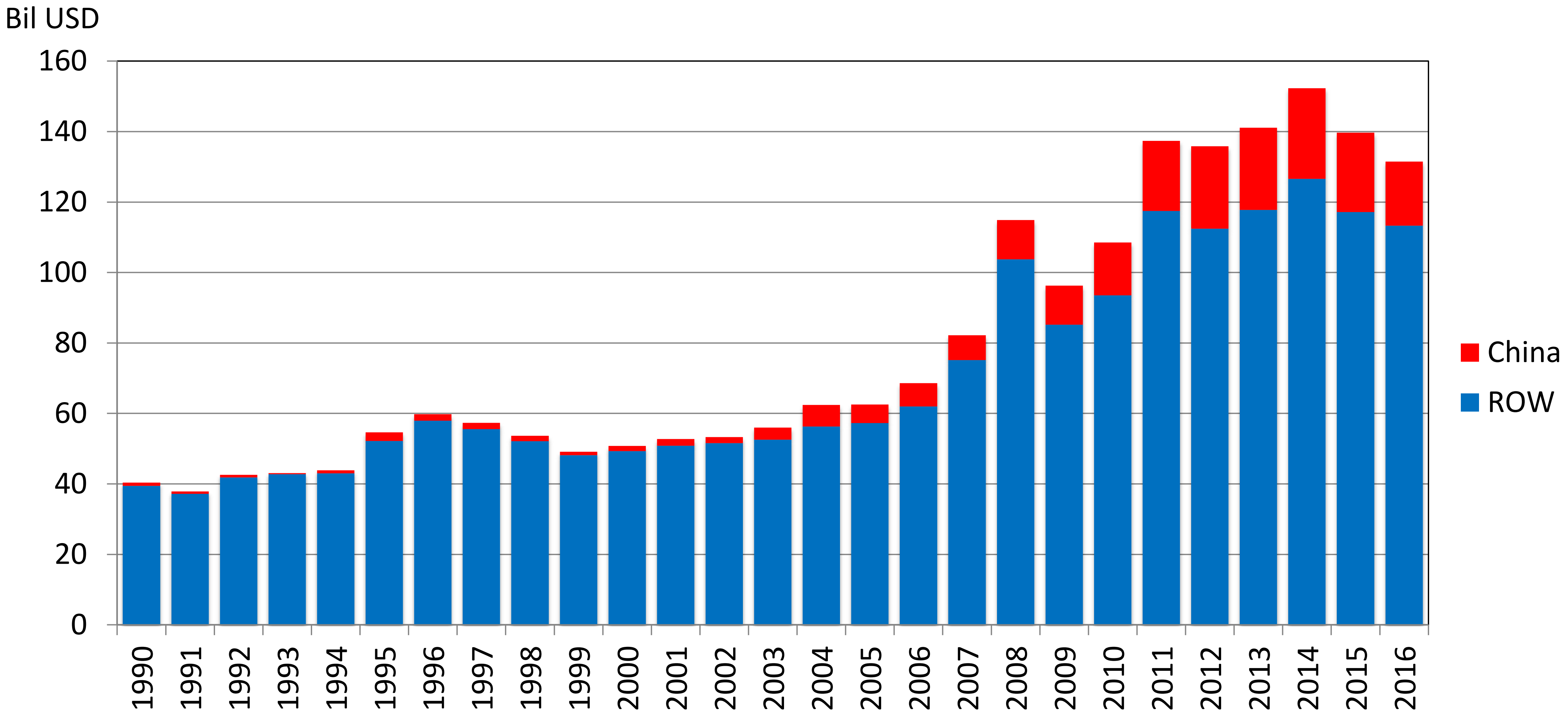
Outline

- Short term outlook
- Longer term trends
  - China
- Trade policy
  - Mega-regionals v WTO
  - Dispute settlement
- Conclusions

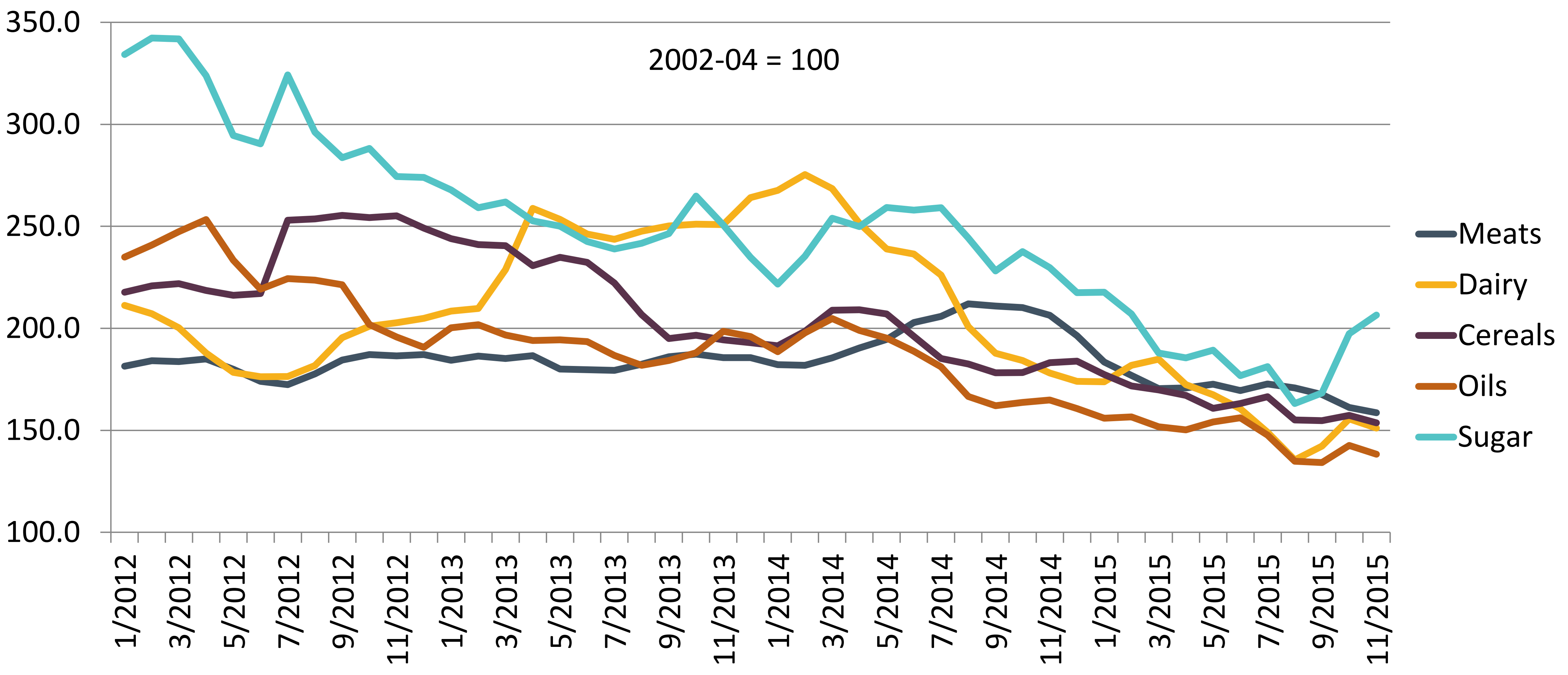
Short-term export outlook

FY 2016 US agricultural exports expected to fall to $131 billion; lowest since FY 2010

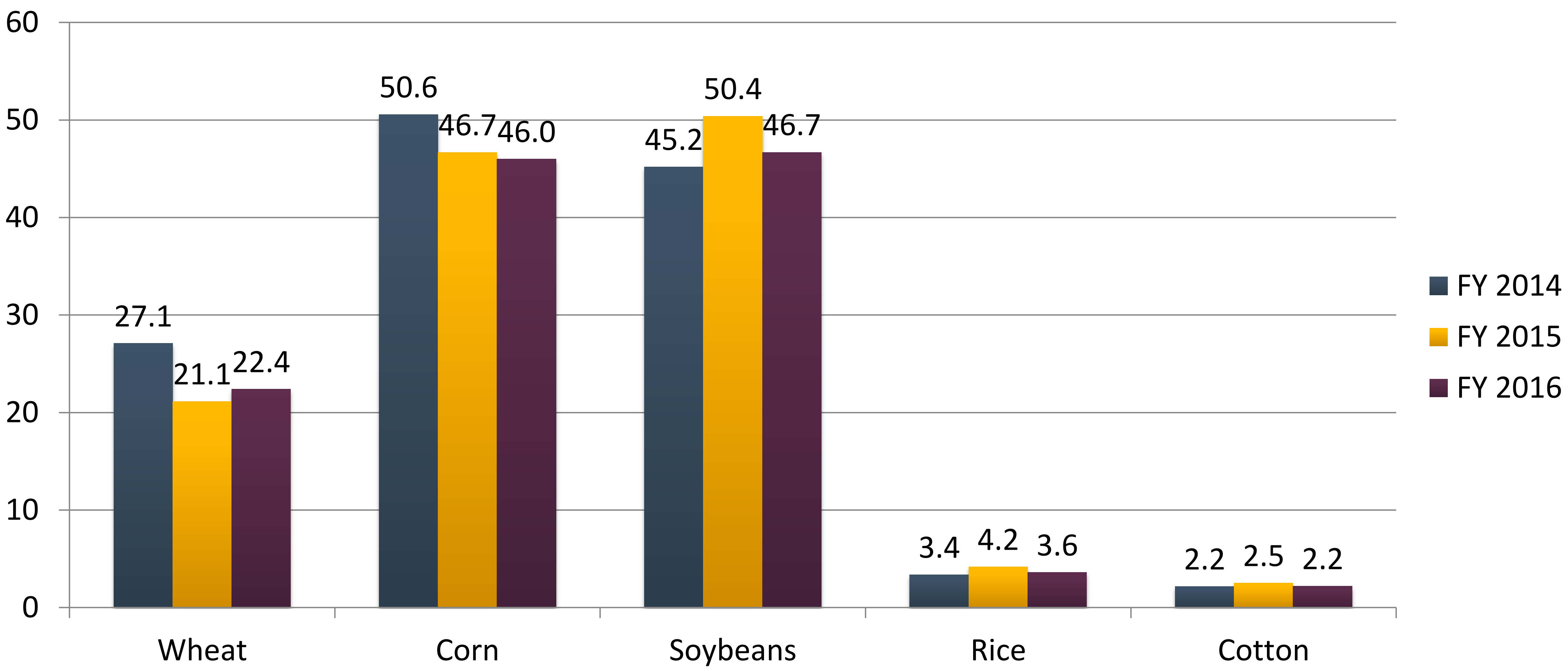


Source: USDA

Food prices decline since peaks in 2012



Trade volumes flat

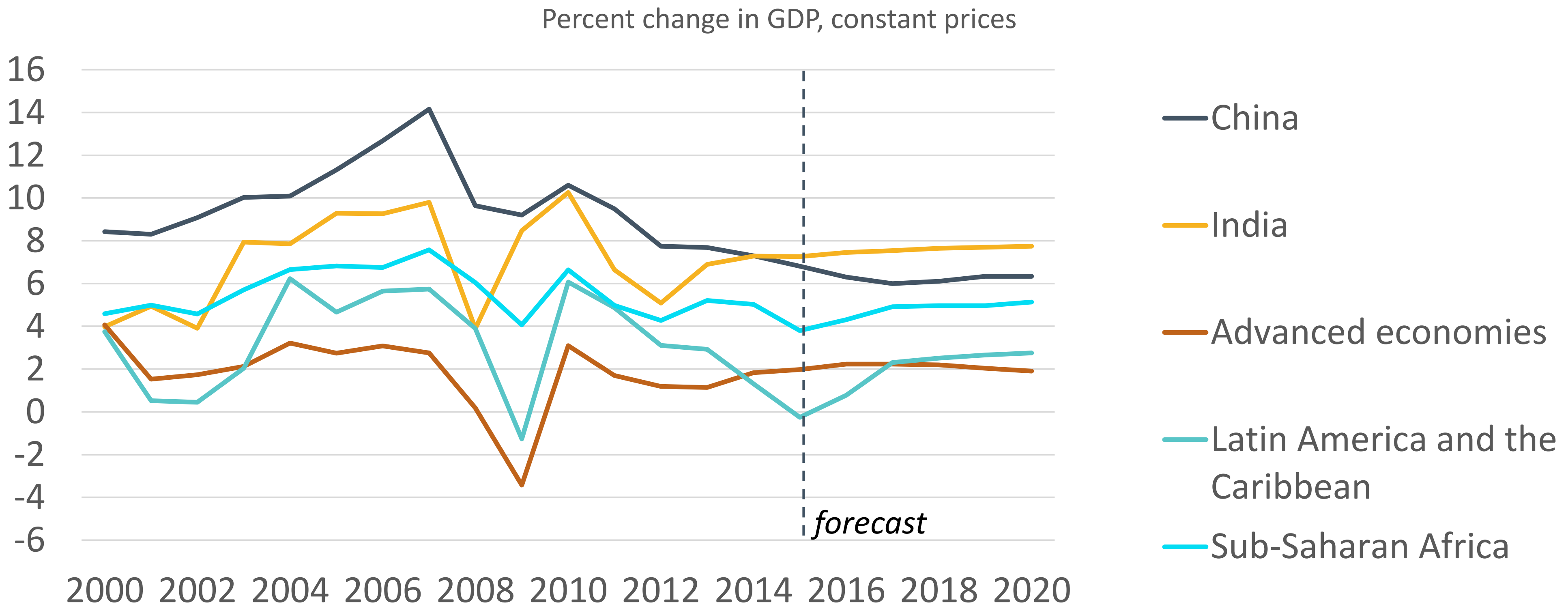


Global stocks of wheat, corn and soybeans rebound; rice stocks tighten

Days of use

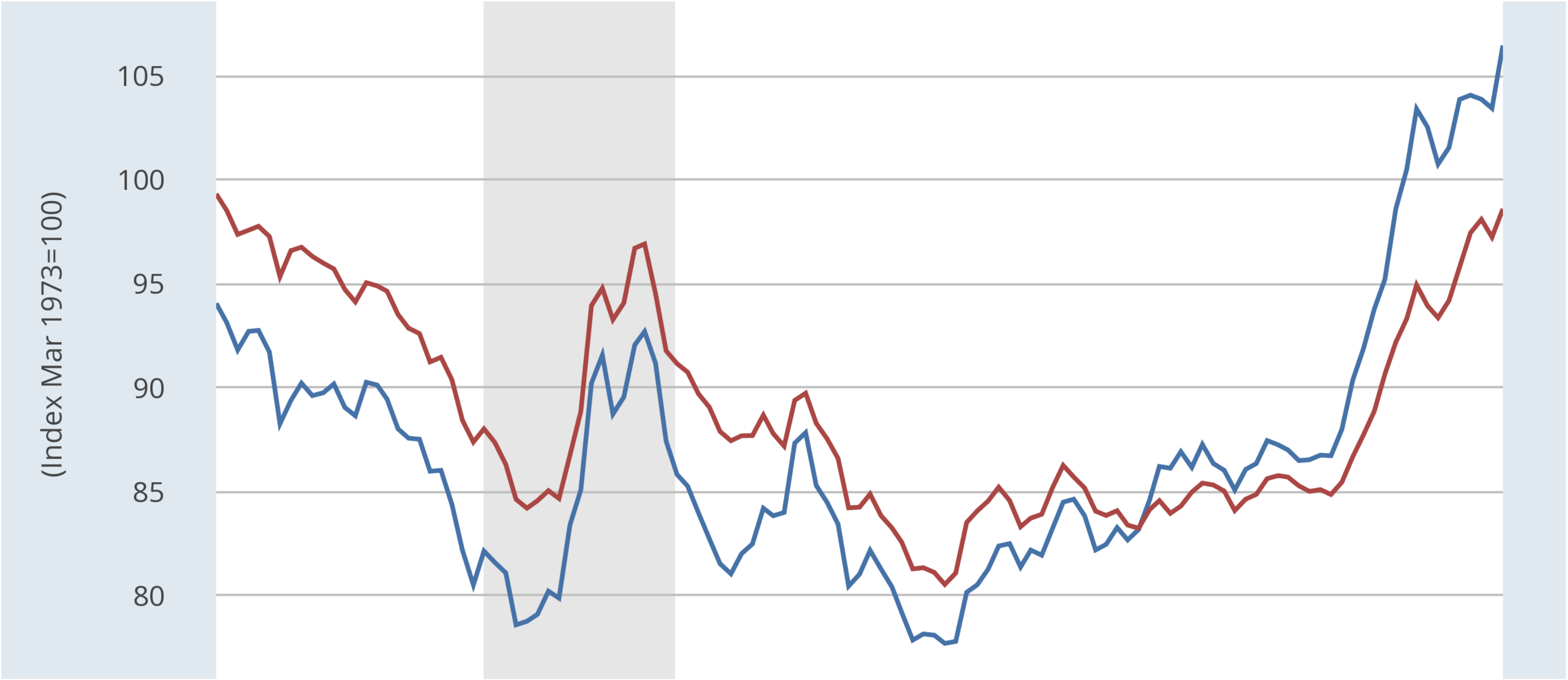
Crop	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Wheat	76	97	114	111	105	94	102	110	116
Rice	69	78	80	82	85	87	82	79	69
Corn	60	67	62	53	54	56	68	79	79
Soybeans	84	71	93	103	76	78	83	95	97
Cotton	188	210	146	162	262	311	343	370	347

World Output

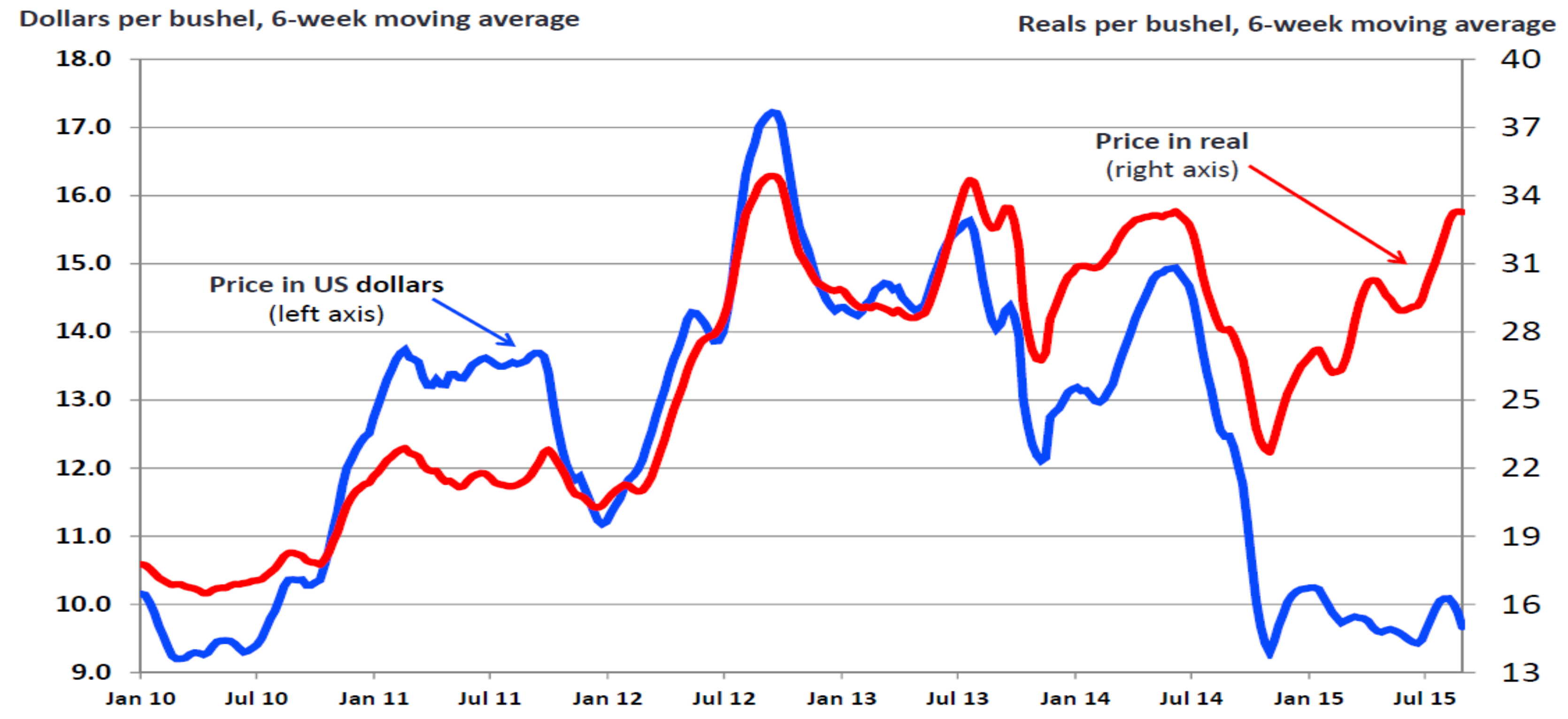


Source: IMF, WEO

Dollar strengthens against major currencies



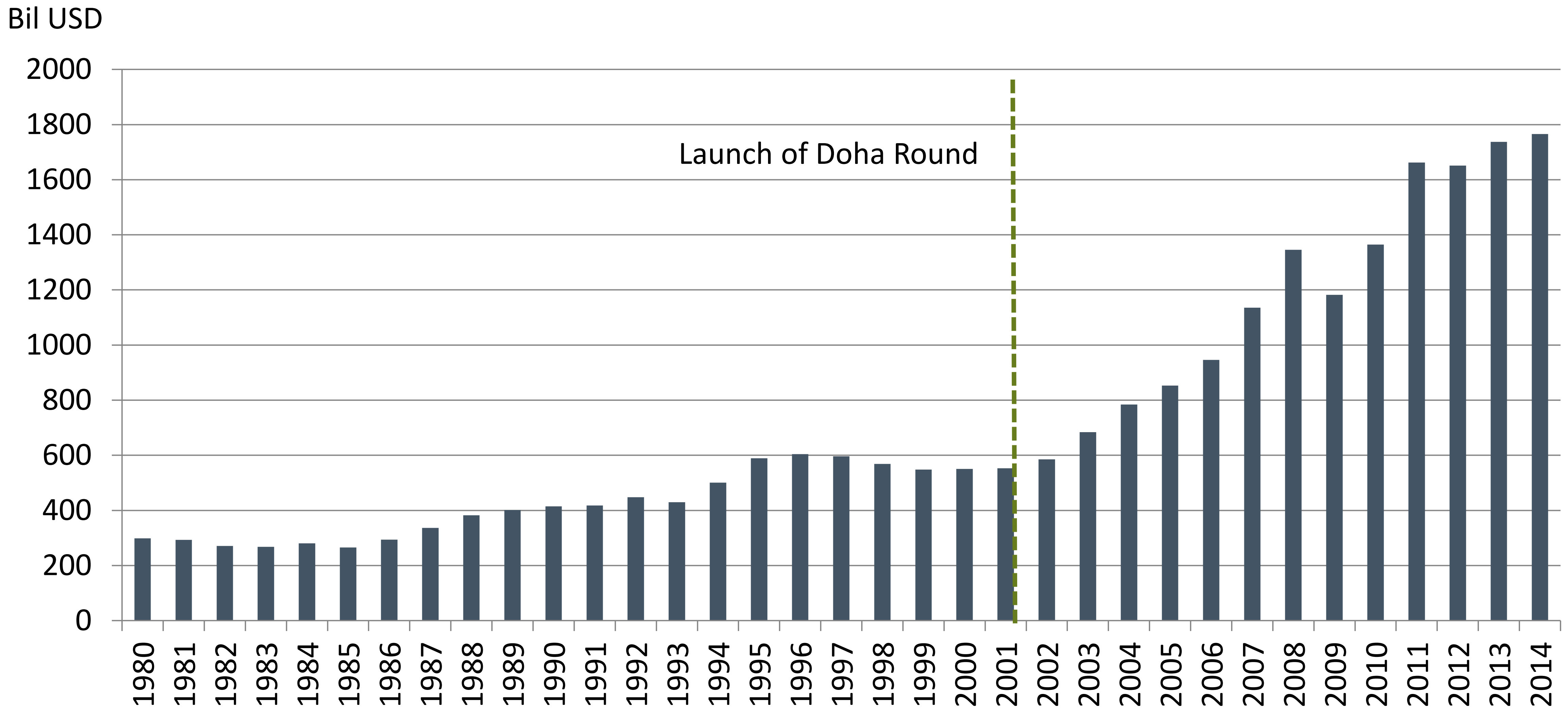
Illinois soybean price in dollars and reals



*Central Illinois

Export trends

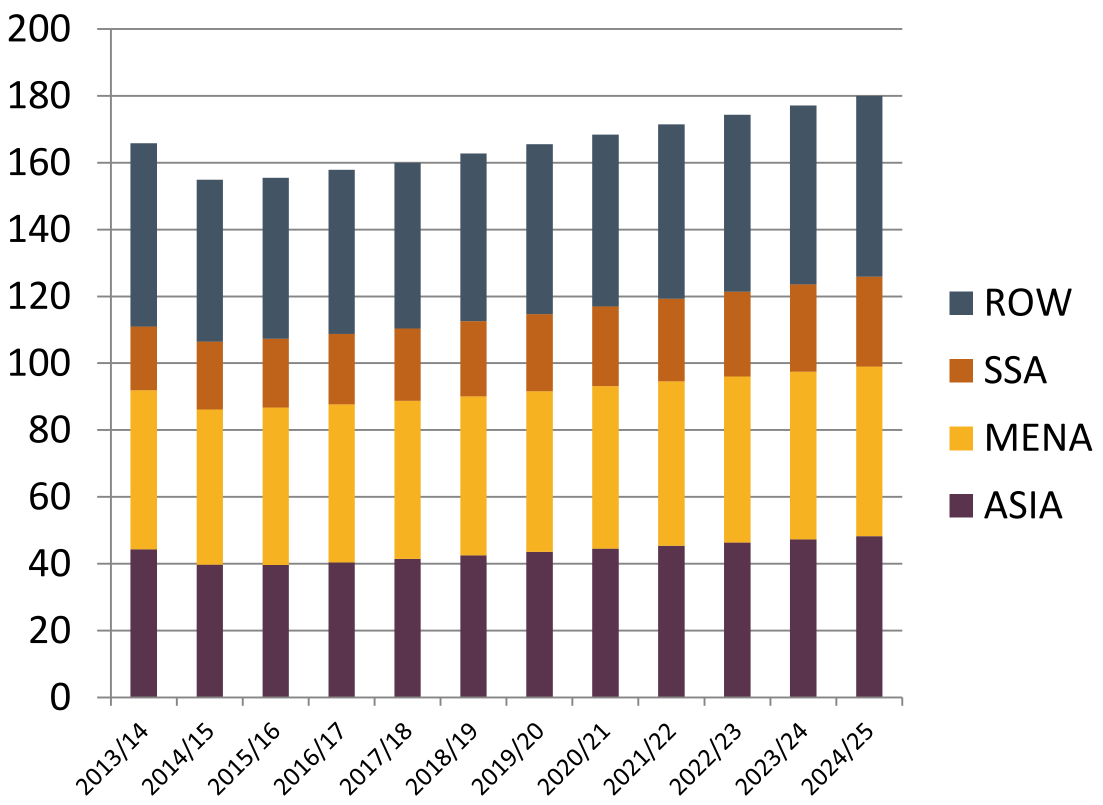
Growth in global agricultural trade



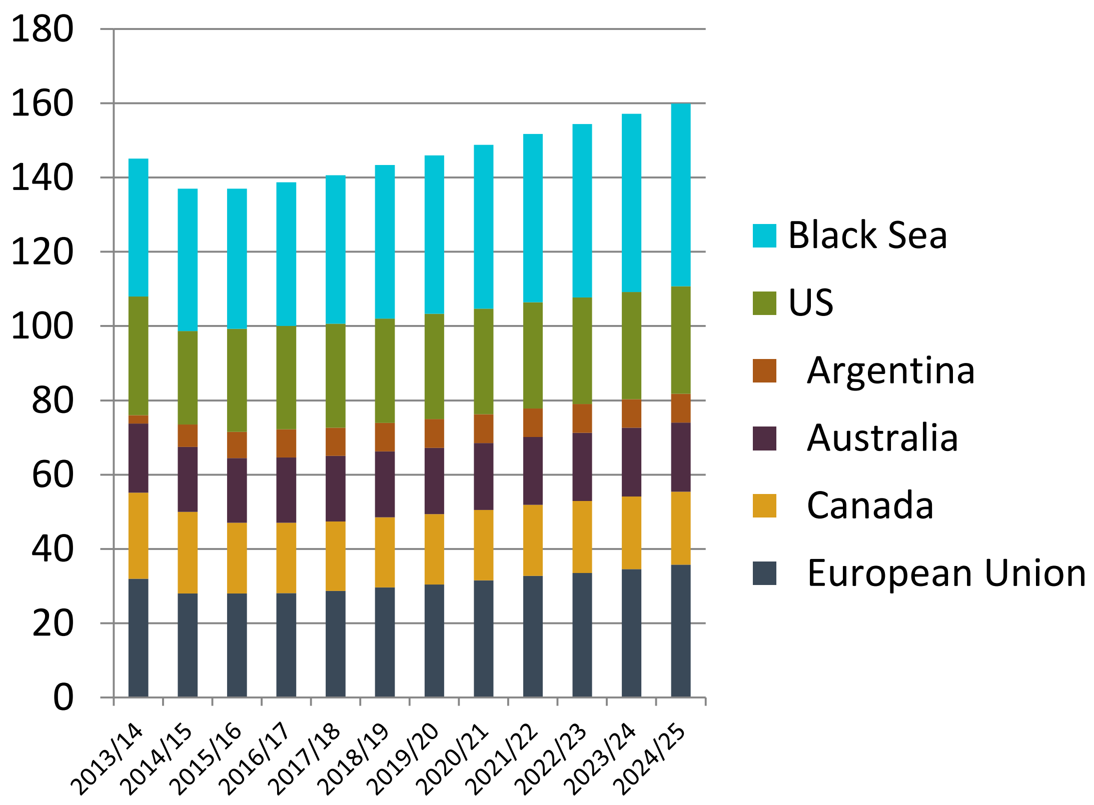
Source: WTO

Projected wheat trade

Imports



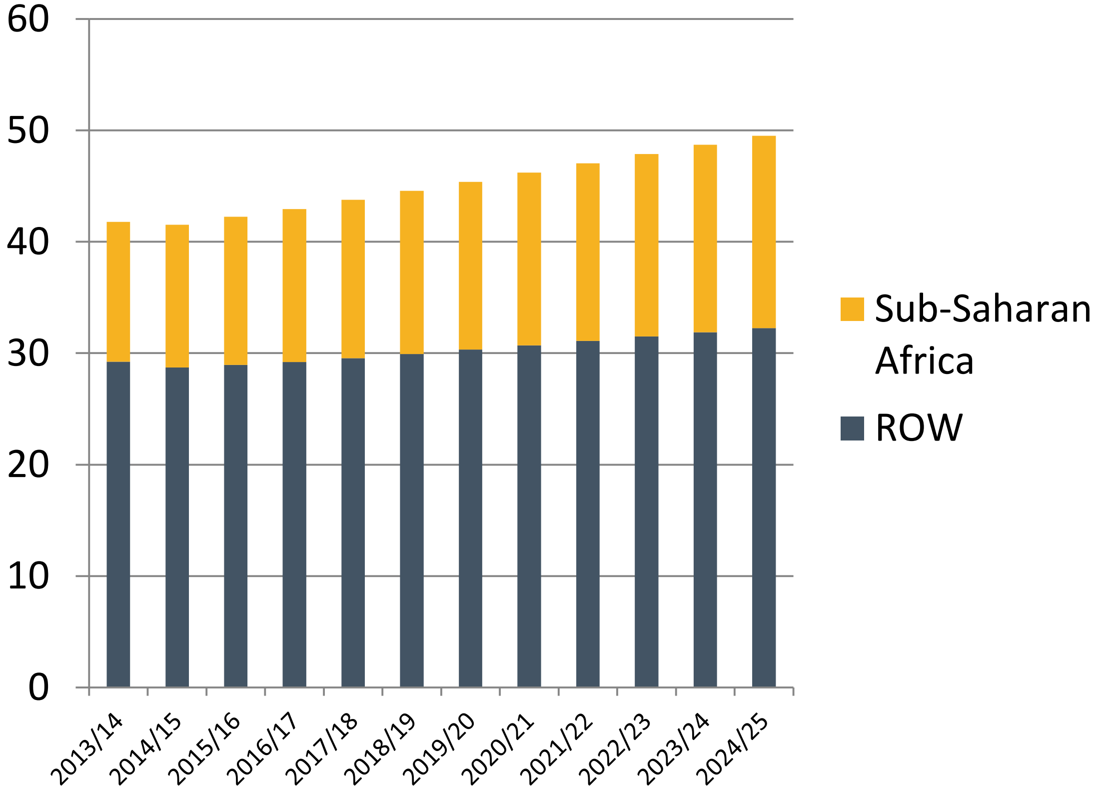
Exports



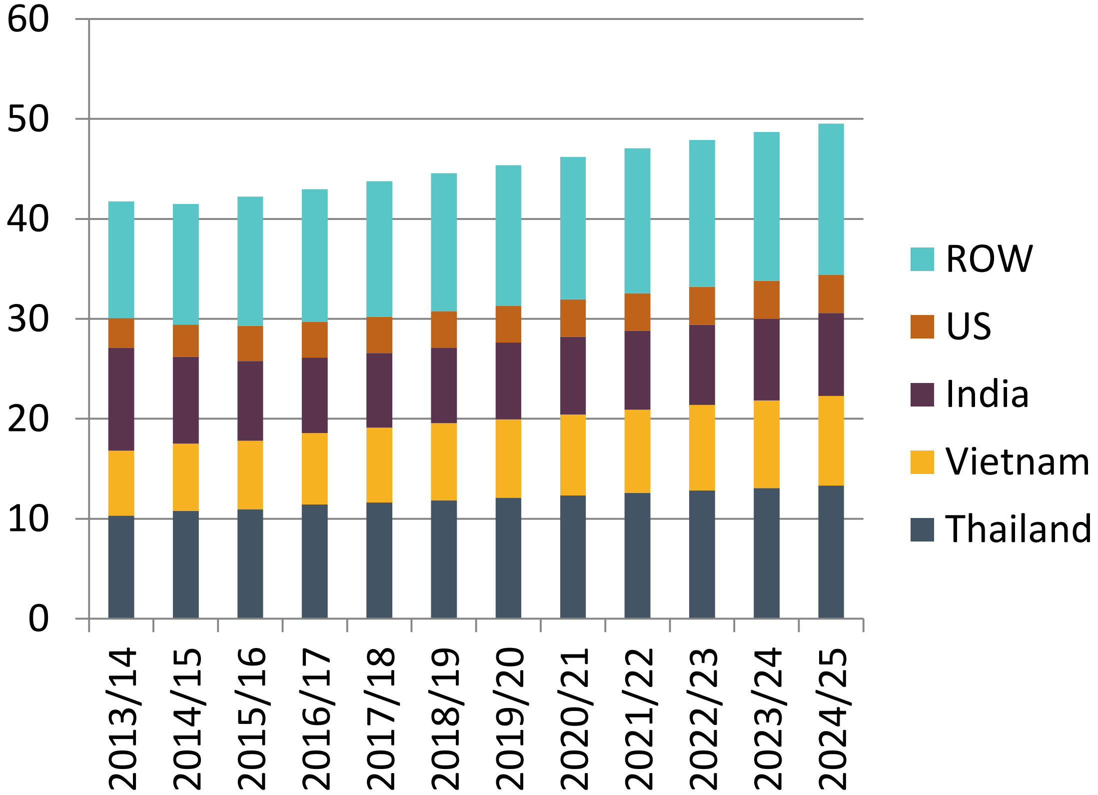
Source: USDA Agricultural Baseline, Feb 2015

Projected rice trade

Imports

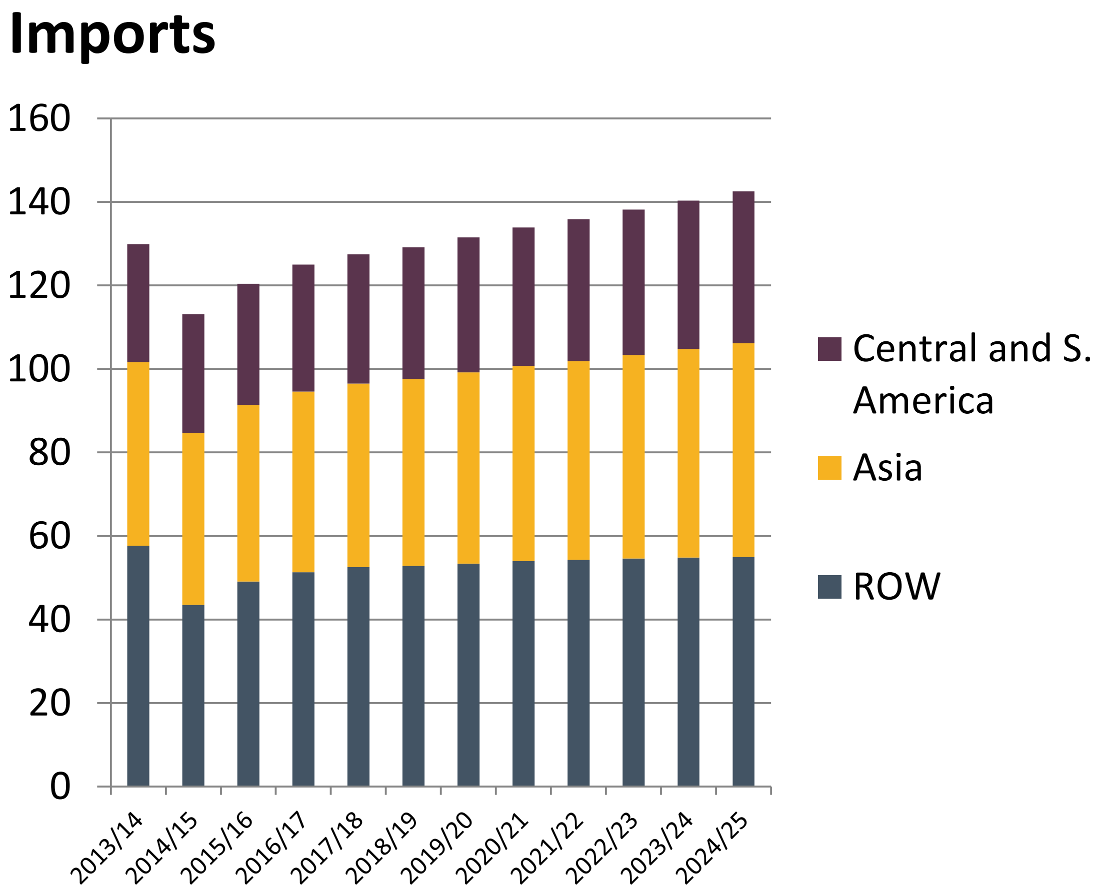


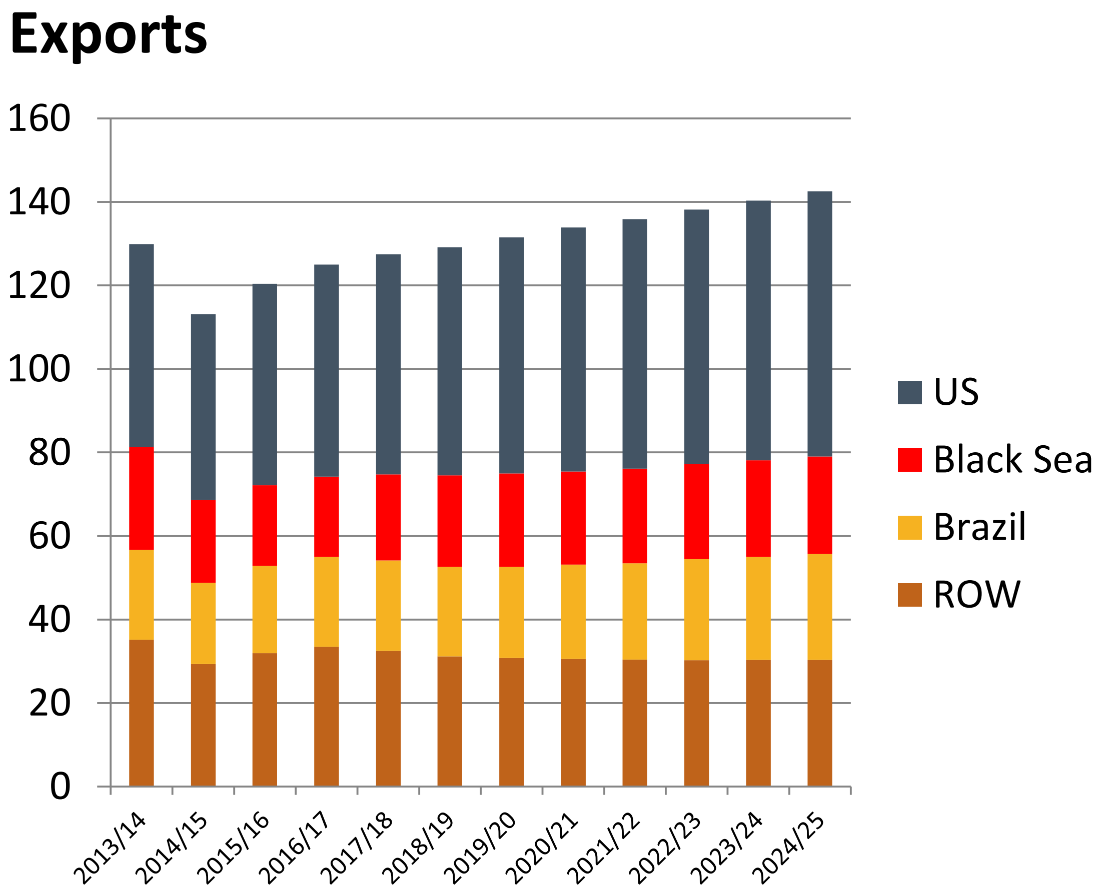
Exports



Source: USDA Agricultural Baseline, Feb 2015

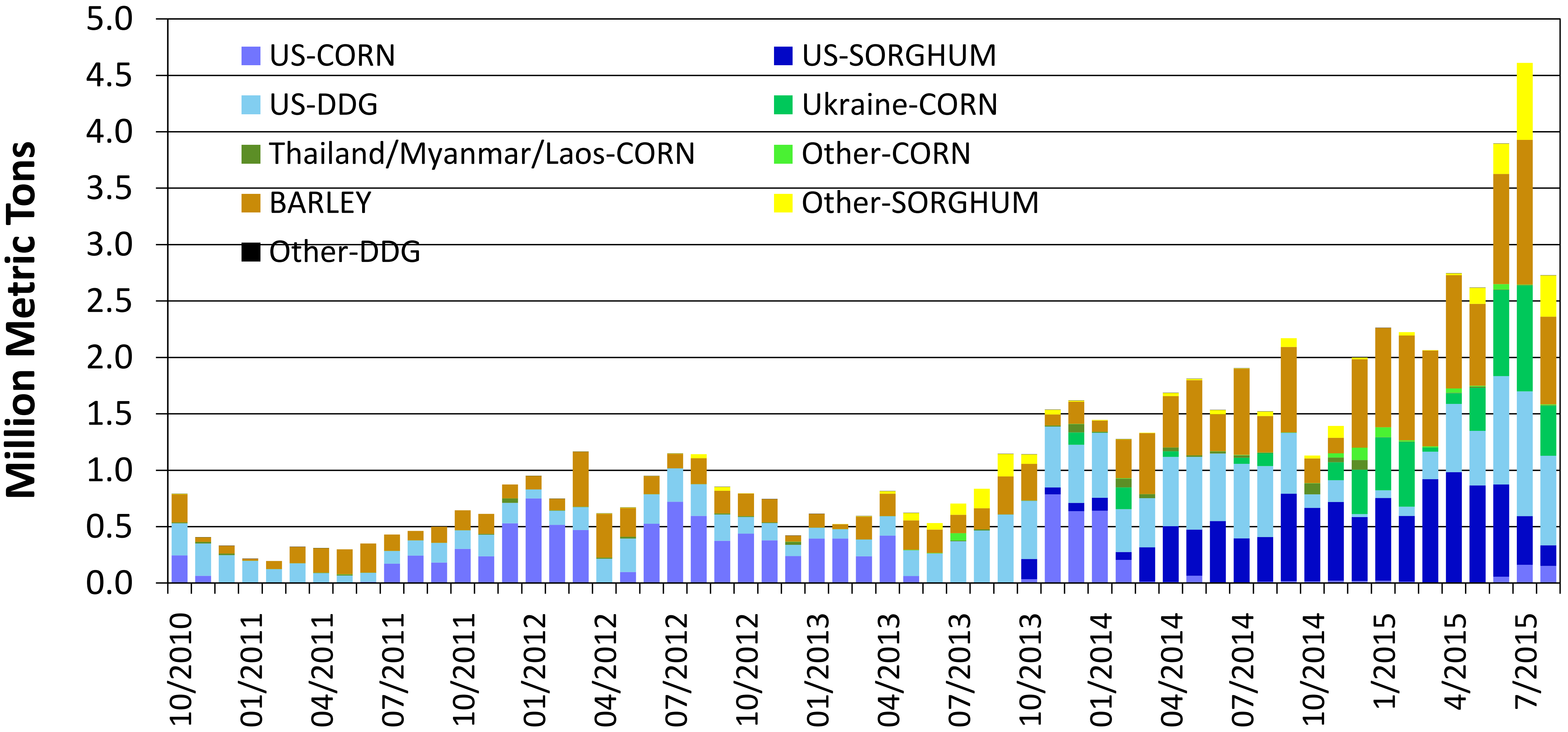
Projected corn trade





Source: USDA Agricultural Baseline, Feb 2015

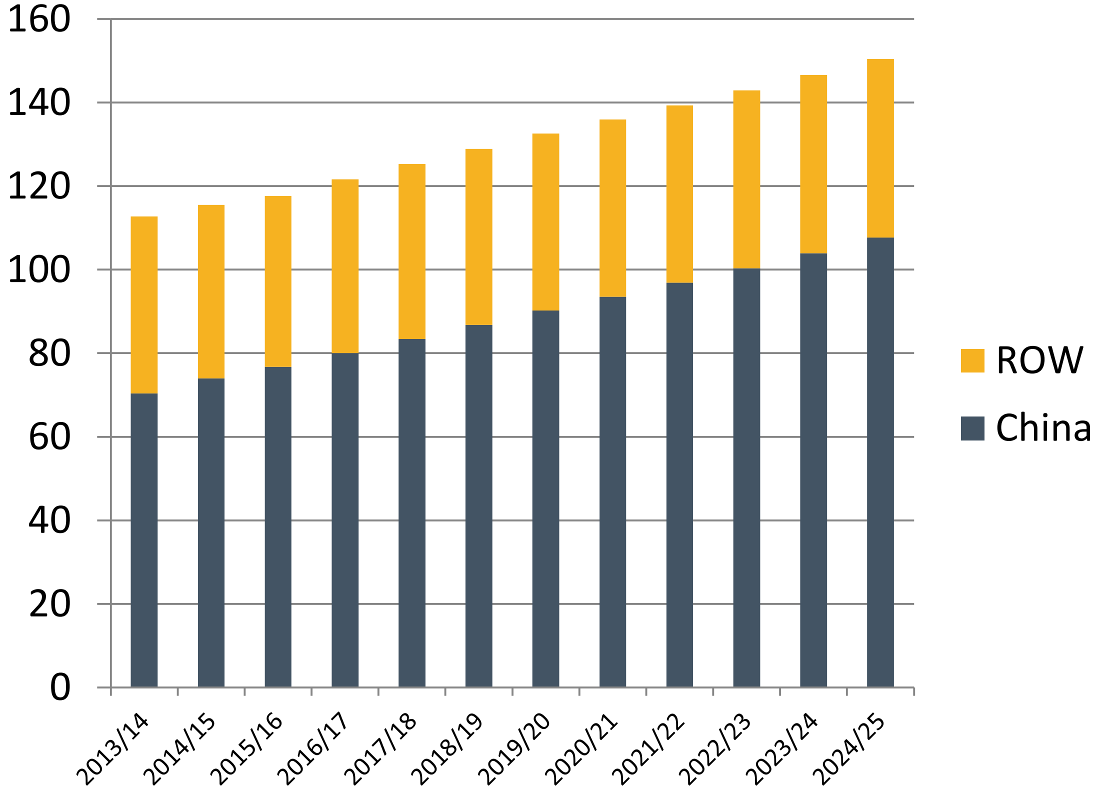
Monthly China corn, barley and sorghum imports by origin



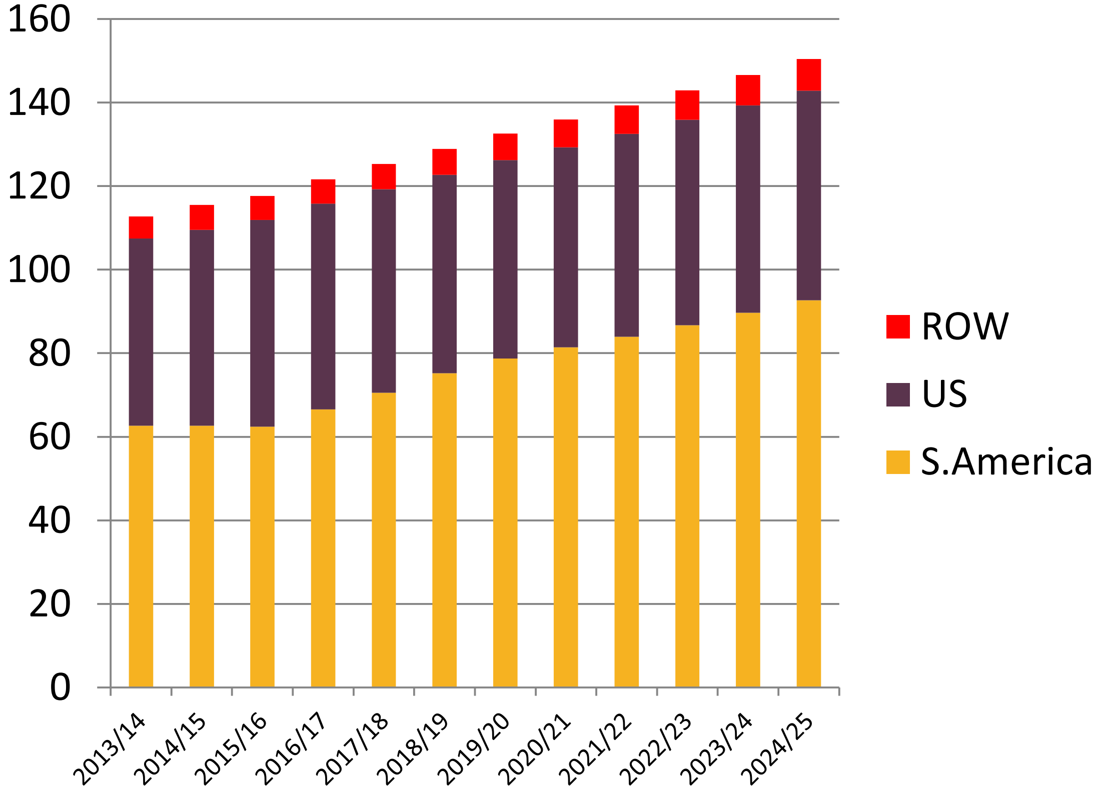
Source: Global Trade Information Services (GTIS)

Projected soybean trade

Imports

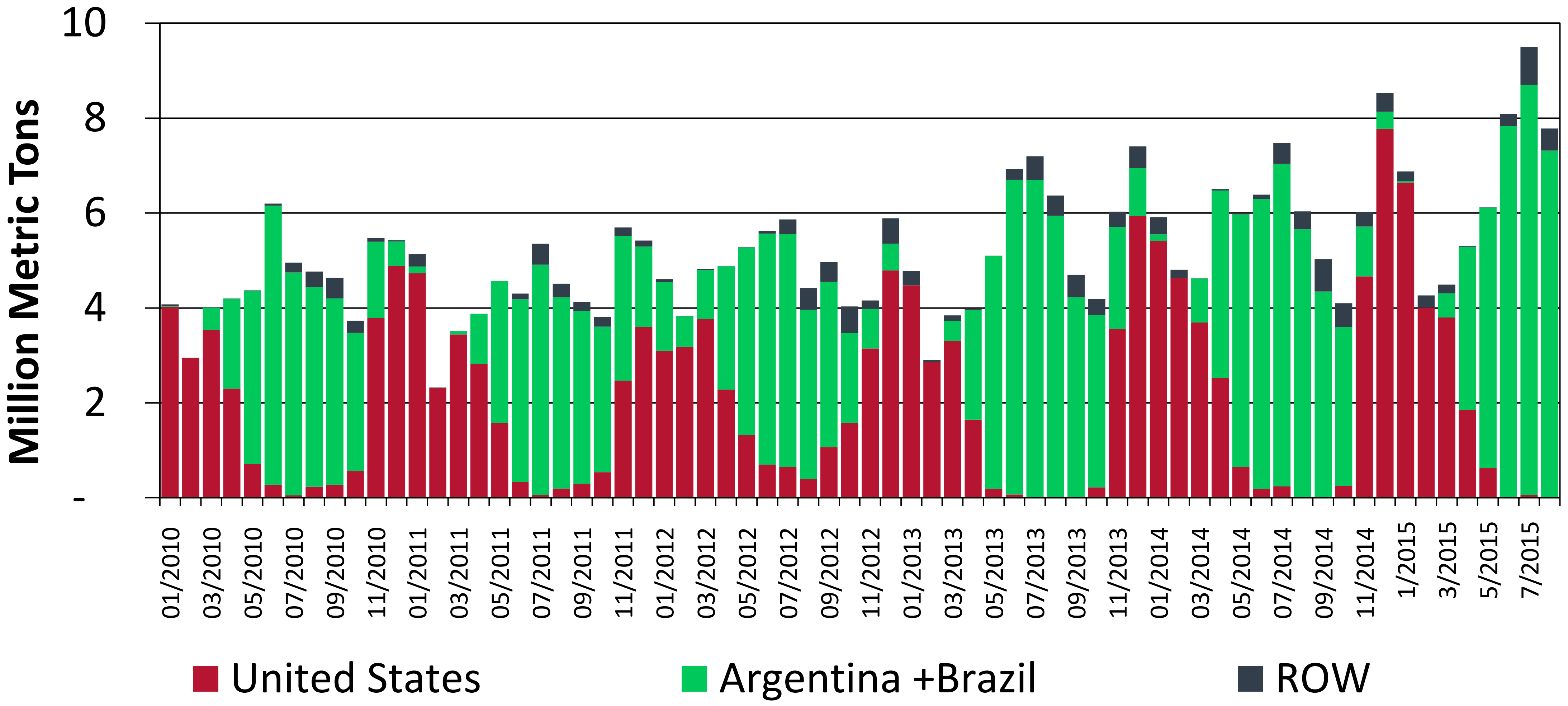


Exports



Source: USDA Agricultural Baseline, Feb 2015

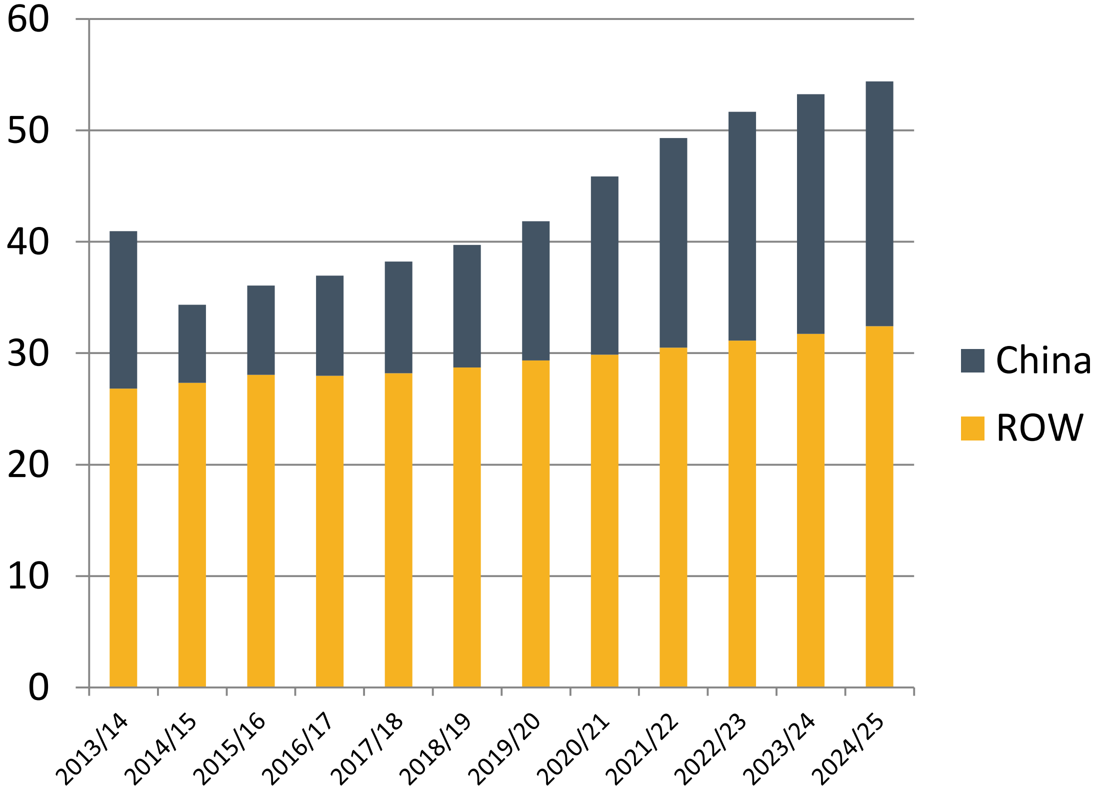
Monthly Chinese soybean imports by origin



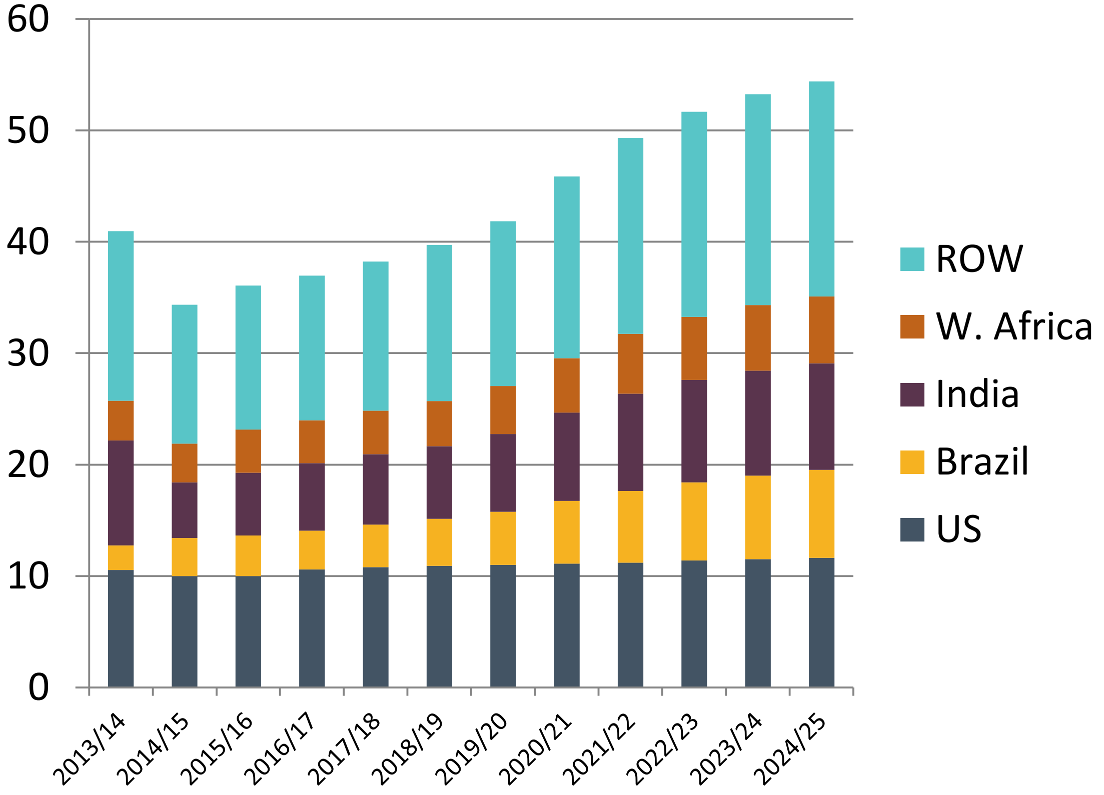
Source: Global Trade Information Services (GTIS)

Projected cotton trade

Imports

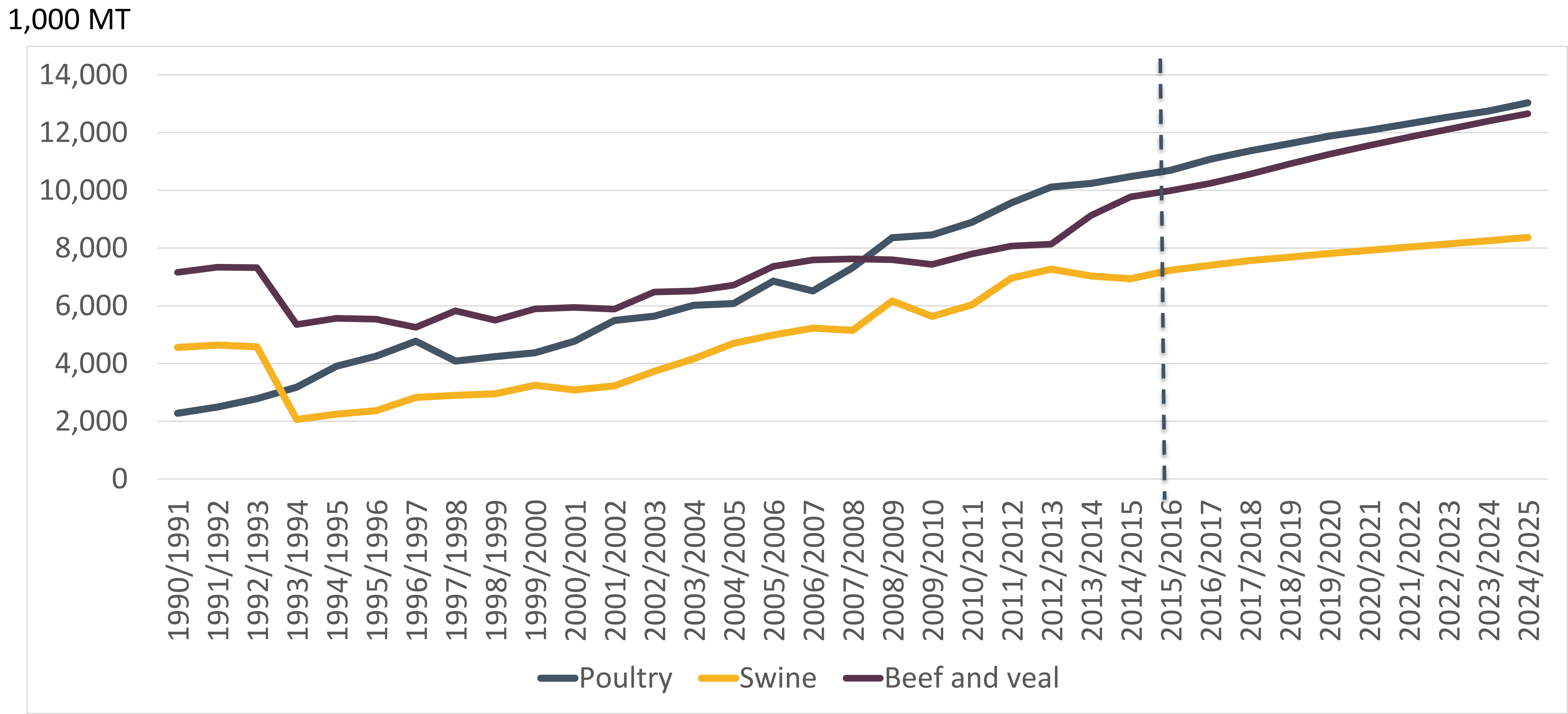


Exports



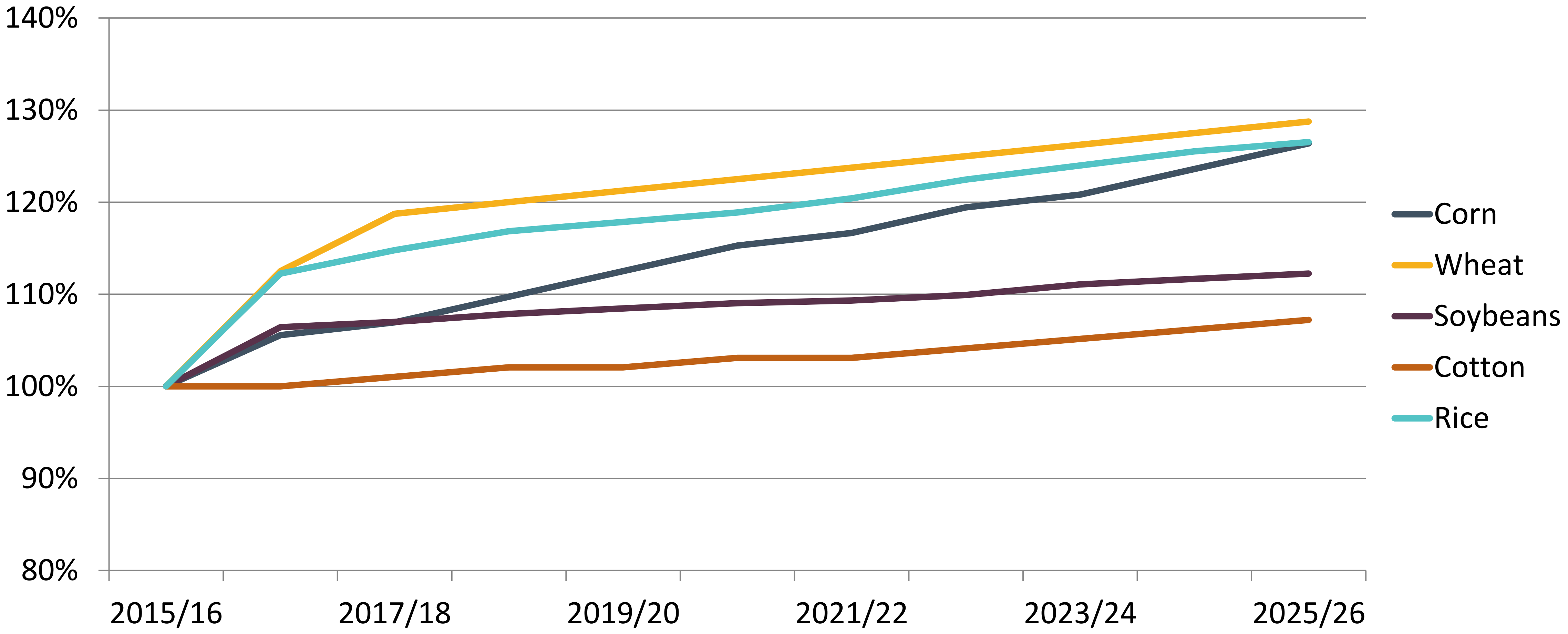
Source: USDA Agricultural Baseline, Feb 2015

Projected global meat exports



Source: USDA Agricultural baseline (Feb 2015)

Projected US export growth



Source: USDA Preliminary 2016 Agricultural Baseline

Trade Agreements

Doha Development Agenda, RIP

- 2001: Launch post 9/11
- 2003: Cancun ministerial => emergence of G20/G33/C4
- 2004: Framework Agreement => tradeoffs (CCPs for SSM/SP)
- 2005: Hong Kong ministerial => elimination of export subsidies
- 2006: Geneva meltdown => EU market access v US domestic support
- 2007: G4 process => Potsdam (EU/US v BZ/India)
- 2008: July ministerial => breakup over SSM (India v US)
- 2013: Bali ministerial => trade facilitation; public stockholding
- 2015: Nairobi ministerial => export competition

Nairobi Package

- Export subsidies eliminated
  - Developed countries: 2020
  - Developing countries: 2023
  - Dvlping use of marketing and internal transportation subsidies (Art 9.4): 2028
  - Volume standstill based on average of previous 5 years
- Export credits—repayment period restricted to 18 months
  - Developed: end of 2017
  - Developing: end of 2020
- Food aid
  - Best efforts on cash versus in kind
- State Trading Enterprises
  - Best efforts

Nairobi Package

- Special Safeguard Mechanism
  - Recognizes right of developing countries to have SSM (HK ministerial)
  - Committee on Agriculture will have special session to discuss
- Public Stockholding for Food Security Purposes
  - Reaffirmed Bali declaration—peace clause for stockholding practices; vulnerable to SCM challenge
  - Permanent solution to be found by MC11 (2017)
- Cotton
  - Market access—Developed and developing countries “in position to do so”: duty free/quota free access to LDCs
  - Domestic support—recognize efforts to reform policies; more to be done
  - Export competition—immediate phase out for dvlpd; by 2017 for dvlpng
- Market Access—
- Domestic support—

Impact of DDA reduction formula on applied tariff rates

	Baseline	Formulas without exceptions	Formulas with exceptions
Brazil	7.4%	7.3%	7.4%
China	7.0%	5.7%	6.7%
India	49.9%	47.3%	49.9%
Japan	23.2%	12.7%	17.6%
USA	3.3%	1.9%	2.6%
EU28	13.9%	4.9%	6.9%
Selected countries	12.2%	7.1%	9%

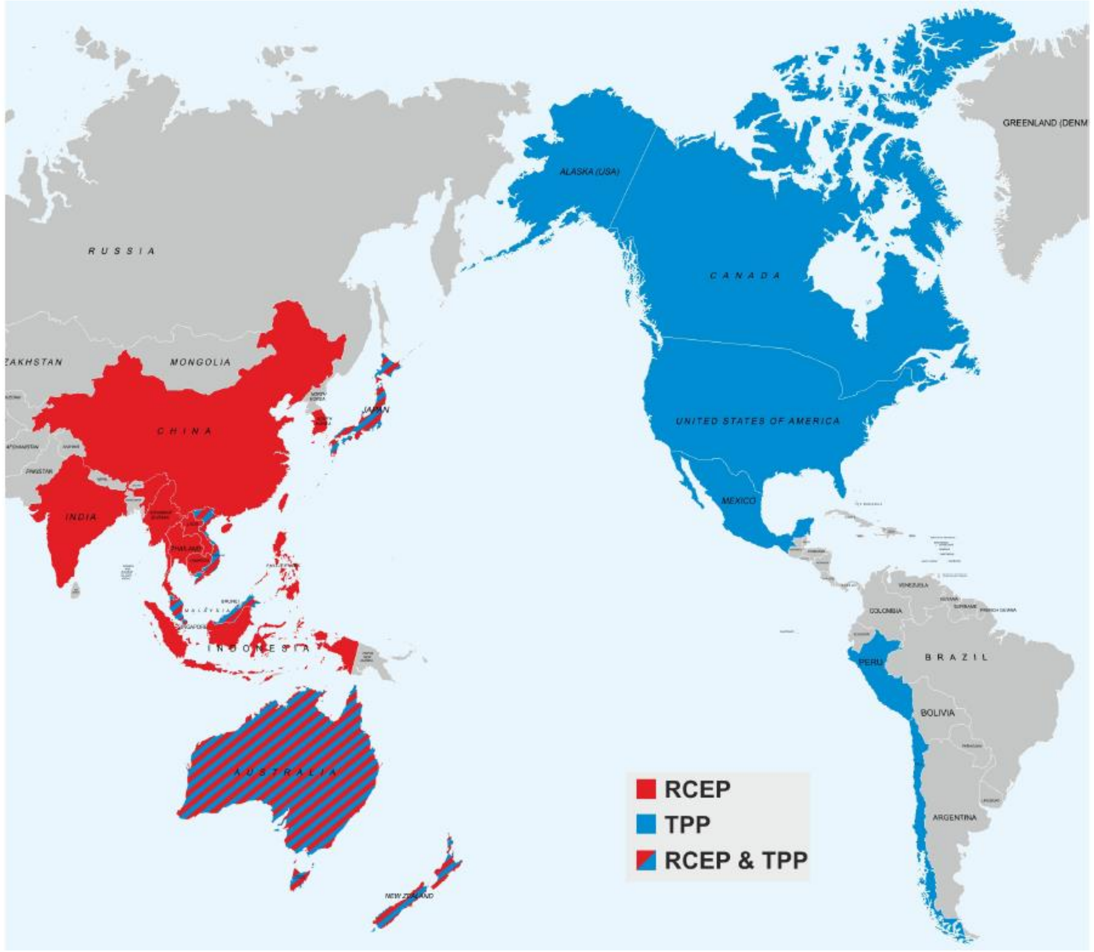
Minimal access in developing countries due to high tariff binding overhang

Most market access gains concentrated in key developed countries

Source: Laborde 2014.

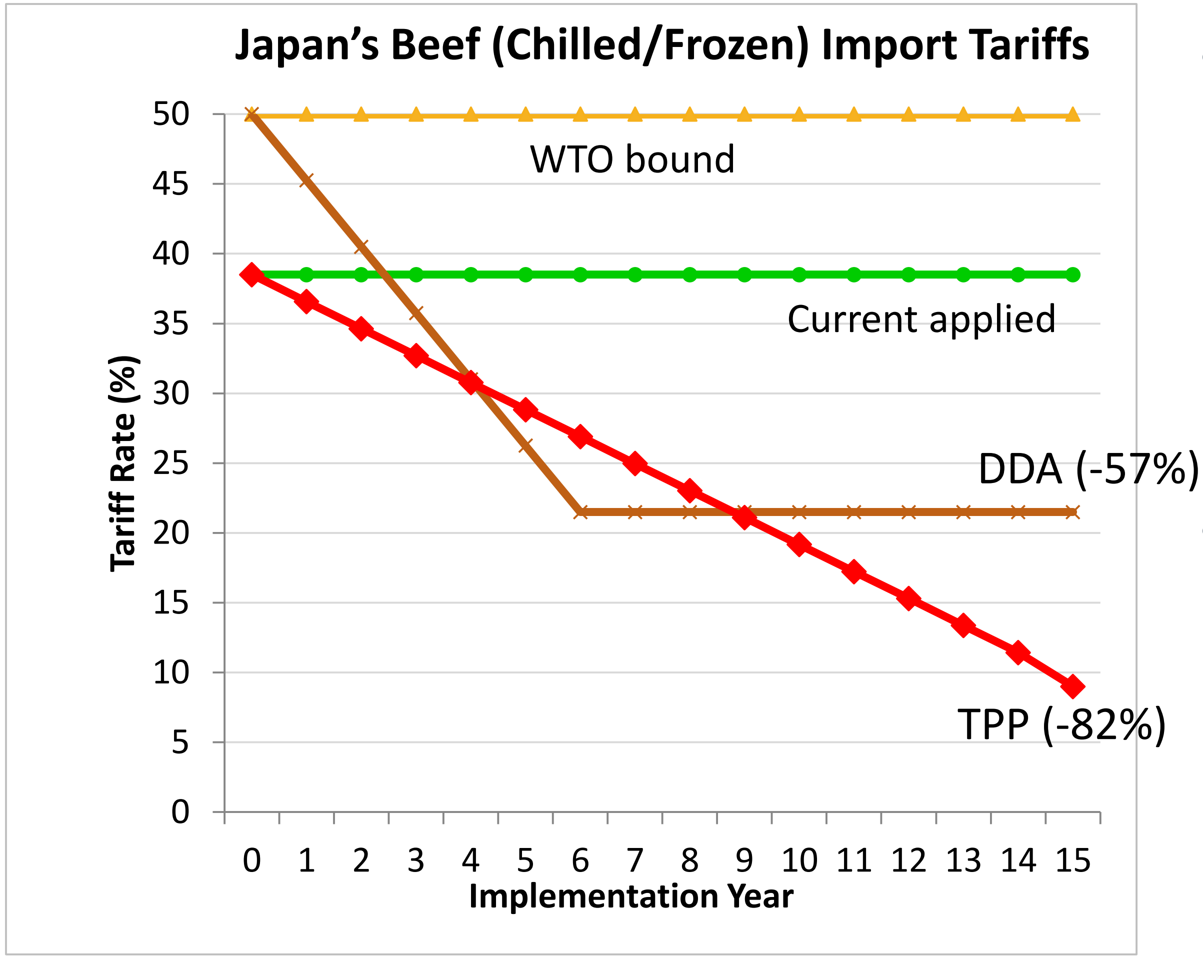
Mega-regionals

- Trans-Pacific Partnership (TPP)
  - 12 countries
  - Ag trade: $311 b (10.4% world trade)
- Regional Comprehensive Economic Partnership (RCEP)
  - 16 countries
  - Ag trade: $272 b (9.1% world trade)
- Transatlantic Trade and Investment Partnership (TTIP)
  - US and EU
  - Ag trade: $36 b (1.2% world trade)



Source: Jurenas 2015

DDA v TPP



- Sensitive products remain protected under TPP
  - Dairy
  - Sugar
  - Rice
- Sensitive products limited under DDA
  - Limited tariff lines
  - TRQs

“Deep” agreements => standardization and harmonization of standards

TPP

- Labor
- Environment
- Cross border services trade
- E-commerce
- SPS
- Dispute settlement

TTIP

- GMO approvals
- SPS harmonization
- Growth hormones
- Geographical indications

Implications for the WTO

- Do new mega-regionals establish standards for global trade?
- Multi-lateralize mega-regionals?
  - Expansion to TPP: Indonesia, Philippines, Korea, …
  - China? India??
  - Brazil
  - LDCs
- If inclusive, brought into the WTO
- If exclusive, does WTO primary role becomes dispute resolution?

With no agreement on domestic support, dispute settlement likely venue for addressing adverse trade effects

- *US—Upland Cotton*
- *US—Country of Origin Labeling*
- 2014 farm bill:
  - Peanuts
  - Soybeans
  - ARC/PLC for cottonseed
- Developing country subsidies

Conclusions

- Near term outlook: US ag trade falls reflecting lower commodity prices and strong dollar
- But, outlook for agricultural trade is bullish; continued growth expected as world demand grows => US remain important supplier of grains, oilseeds, meats and fiber
- Trade policy focus shifts to mega-regional negotiations; far reaching implications for standards and harmonization of global value chain
- WTO will remain as important arbiter of trade disputes