FARM FOUNDATION® FORUM

AG TRADE AND COMMODITY OUTLOOK FOR 2023

NOVEMBER 1, 2022

Today’s webinar is made possible by a grant from Farm Credit

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President & CEO
Farm Foundation
MEET FARM FOUNDATION

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We accelerate PEOPLE AND IDEAS into ACTION.
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GUIDE OUR WORK

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VISION:
To build a future for farmers, our communities, and our world.
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Please **include your name and company** so questions may be contextually understood.

Due to **time limits**, we may not be able to ask all questions submitted.

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FORUM
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BRIAN KUEHL
Moderator/Speaker
Director of Government and Public Affairs, Pinion
AMBASSADOR GREGG DOUD
Vice President of Global Situational Awareness and Chief Economist, Aimpoint Research
DR. AMANDA COUNTRYMAN
Associate Professor,
Colorado State University
Agricultural Trade and Policy Overview

Amanda Countryman
Associate Professor
Farm Foundation Fellow
Agricultural Trade and Policy Overview

• U.S. Agricultural Trade Snapshot
• War in Ukraine
• U.S. China Trade
• U.S. Trade Policy Highlights
• Global Challenges and Uncertainty
Outlook for U.S. Ag Trade

Ag Trade Forecast FY 2022
- Exports = $193.5 bn
- Imports = $197 bn

Source: USDA Outlook, August 2022
U.S. Ag Exports

Source: USDA Outlook, August 2022
U.S. Ag Export Partners

Total U.S. agricultural exports (billion dollars)

Source: USDA Outlook, August 2022
U.S. Ag Imports

U.S. imports by commodity

Value, billion dollars

Horticultural products | Sugar and tropical products | Livestock, dairy, and poultry | Grains and feed | Oilseeds and products


Source: USDA Outlook, August 2022
U.S. Ag Import Partners

Total U.S. agricultural imports (billion dollars)


Source: USDA Outlook, August 2022
Current Trade Challenges

- War in Ukraine
- Conflict with China
- Inflation
  - Input prices: fuel, fertilizer
- Exchange rates
- Transport logistics
  - For inputs and final products
- Trade policy
  - Tariff barriers
  - Nontariff barriers
    - Plant and Animal Health
War in Ukraine

Ukraine & Russia = **12%** of global ag exports

= **20%** of fertilizer exports

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### Share in global markets, volume

<table>
<thead>
<tr>
<th></th>
<th>Russian Federation</th>
<th>Ukraine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barley</td>
<td>14.2</td>
<td>12.6</td>
</tr>
<tr>
<td>Maize</td>
<td>13.3</td>
<td></td>
</tr>
<tr>
<td>Sunflower</td>
<td>19.6</td>
<td>4.3</td>
</tr>
<tr>
<td>Sunflower Oil</td>
<td>23.1</td>
<td>49.6</td>
</tr>
<tr>
<td>Wheat</td>
<td>24.1</td>
<td>10</td>
</tr>
</tbody>
</table>

*Source: Neyter et al. 2022*

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### Global markets of fertilizers in 2019

Market shares of main exporters and total amount of traded nutrients in metric tons.

- **Russian Federation**: 46.5
- **China**: 34%
- **Qatar**: 14%
- **Saudi Arabia**: 5%
- **Belarus**: 10%
- **Canada**: 18%
- **Germany**: 23%
- **Morocco**: 19%
- **United States of America**: 13%
- **Other**: 6%

*Source: Glauber and Laborde, 2022*
High Food, Fertilizer and Energy Prices

Real prices for food and fertilizer

Index based on constant USD prices. Base 100 = Average 2000-2020

- Fertilizers
- Grains

2008 food price crisis
2011 food price crisis
Russian invasion
China starts export restrictions on fertilizers
European natural gas price reached a five-year lowest level

Major price indexes

Index US$ (2010=100)

- Energy
- Metals
- Agriculture

Nominal price indexes, percent changes, September over August

- Energy
- Non-energy
- Agriculture
- Beverages
- Food
- Raw materials
- Fertilizers
- Metals & Minerals
- Precious Metals

Source: World Bank, 2022

Source: Hebebrand, and Laborde, 2022
### Share of imported calories impacted by export restrictions

Breakdown by economic group.

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Least Developed countries</td>
<td>29.6</td>
<td>18.2</td>
<td>26.3</td>
</tr>
<tr>
<td>Developing countries - net importers</td>
<td>21.9</td>
<td>13.9</td>
<td>20.7</td>
</tr>
<tr>
<td>Developing countries - net exporters</td>
<td>22.4</td>
<td>10.1</td>
<td>18.2</td>
</tr>
<tr>
<td>Developed countries</td>
<td>15.6</td>
<td>5.1</td>
<td>13.2</td>
</tr>
</tbody>
</table>

*Numbers include products used for food, feed or energy. Intra-EU trade excluded from computations.*

Source: Abdullah Mamun • Source: Export restriction tracker • Get the data • Embed • Download image

Trade Restrictions Increase Price Volatility

Volatility Warning

Days in volatility reflects the number of continuous days in the current level of volatility.

Source: FAO. Excessive Food Price Variability Early Warning System. Food Security Portal. 2022

Source: FAO. World Food Situation. 2022
U.S.-China Trade Conflict & Phase 1 Trade Deal

Current State of Trade Actions
- September 2020 Tariffs cut in half (previous tariff rounds remain)
- Exclusions for key imports including US Ag
- 58.3% US exports face retaliatory tariffs
- 66.4% Chinese exports face U.S. retaliatory tariffs

Commitments by China:
- Food Safety NTM Reductions
- Intellectual Property Protections
- Improved Foreign Investment
- Currency Commitments

Purchase U.S. Goods & Services: >$200bn in 2 years above 2017 levels
- Fulfilled 58% of total purchase commitments from 2000 to 2021
- Agriculture (83% fulfilled), Manufacturing (59% fulfilled), Energy (37% fulfilled), Services (54% fulfilled)
China is the #1 U.S. Ag Export Market

Total Ag Export Value
$35.9 Billion

3-Year Average
$26.99 Billion

Source: USDA FAS, May 2022
Farm Foundation China Trade Salons: 4 Key Themes from Agriculturalists

1. Trust and Stability
   • Uncertainty and hot-cold purchasing create risk management challenges

2. Increased Input Prices and Supply Chain Challenges
   • Fertilizer and shipping were the hot topics

3. Food Security and Production Practices
   • Worries about high food prices and decreased availability
   • Concerns about production constraints given the EU Farm to Fork Strategy

4. Trade Policy
   • Widespread disappointment that U.S. trade policy is stagnant
   • Universal desire to advance trade policy with China and other trade partners
   • Emphasis on the need for export market diversification
U.S. FTAs Increase Exports to Partners
U.S. Export Growth to FTA Partners

U.S. Agricultural Exports Before and After FTAs

Share of Total U.S. Exports to FTA Countries

Notes:
- Canada timeline is for US-Canada FTA. Mexico timeline is for NAFTA.
- China is included for pre- and post-WTO accession comparison purposes.

Data Source: U.S. Census Bureau Trade Data

Source: USDA-ERS Global Agricultural Trade System (GATS); ECD-4610
Regional Trade Agreements
-U.S. has 14 FTAs

RTAs in force, participation by region

Caribbean
West Asia
Oceania
Middle East
Central America
Commonwealth of Independent States (CIS)
Africa
North America
South America
East Asia
Europe

Source: WTO Secretariat, 2022
Trade Policy: Asia Pacific

- **RCEP**:
  - China
  - South Korea

- **ASEAN**:
  - Cambodia
  - Indonesia
  - Laos
  - Myanmar
  - Philippines
  - Thailand

- **CPTPP**:
  - Australia
  - Japan
  - New Zealand
  - Canada
  - Chile
  - Peru
  - Mexico

**U.S.** is crossed out, indicating its exclusion from the diagram.
Indo-Pacific Economic Framework for Prosperity (IPEF)

- May 23, 2022
- 13 countries, not China
- 40% of world GDP
- Agreed to cooperate on
  - Connected Economy
  - Resilient Economy
  - Clean Economy
  - Fair Economy
- Not a trade deal!
  - No Tariff Changes
Potential for Future U.S. Trade Agreements

-Priorities
• Increased market access
• SME focus
• Harmonize regulations for trade, labor, and environment
• Nontariff Barriers: Address problematic restrictions on conventional U.S. ag production

-China
-UK
-EU (TTIP)
-Kenya
-East African Community (EAC)
-More than IPEF Needed
-India Remains Challenging
Global Challenges and Uncertainty

- War in Ukraine continues
- China trade concerns remain
- Uncertainty for U.S. and global trade policy
  - U.S. lags as others move forward with trade agreements
  - Trade policy responses to food crisis increases volatility
- Supply chain issues persist
- Inflation >8%
- Food affordability and availability challenging
- And the list goes on...
Cautious Optimism

• U.S. agriculture faring well relative to other sectors

• Commodity prices outpace input cost hikes
  • Producer concerns about increased input costs

• U.S. ag export strength continues
  • Strong prospects for high-value products

• Potential for shocks
  • Geopolitical conflict
  • Energy
  • Weather
  • Inflation
  • Trade policy
  • Animal and plant health
Thank You!
Questions?
Amanda.Countryman@colostate.edu
DR. SETH MEYER
Chief Economist,
USDA
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