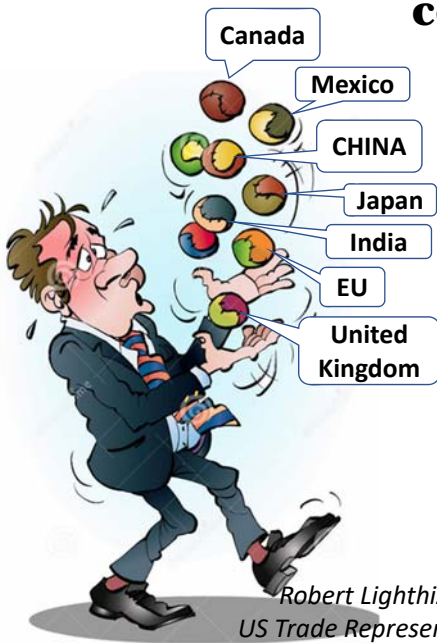


“When politics and economics collide, economics lose.”

**. . . . Professor Ernie Goss,
Creighton University**



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Three Trade Topics



Why We Like Trade?



Are Tariffs and Trade Interventions Really the Best Strategy?



Trade Negotiations Update.



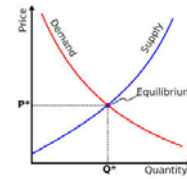
Why We Like Trade?



“Comparative Advantage Plus Trade Results in Greater Prosperity for All”
.... David Ricardo



Adam Smith (1723 – 1790)
 Scottish economist, philosopher and author



David Ricardo (1772 – 1823)
 British political economist

Comparative Advantage Plus Trade Results in Greater Prosperity for All



Comparative Advantage - Referring to the ability of one party to produce goods and/or services at a lower opportunity cost than another's.

Greater Prosperity – Referring to higher standards of living for ALL, due to lower costs.

Flint Hills Rancher Farmer

Kansas

10 Resource UNIT
 10 Resource UNIT

2 RU per 1 Beef
 3 RU per 1 Corn

3 RU per 1 Beef
 2 RU per 1 Corn

4 RU = 2 Beef
 Beef

6 RU = 2

6 RU = 2 Corn

4 RU = 2

Corn

0 RU remaining **0 RU remaining**

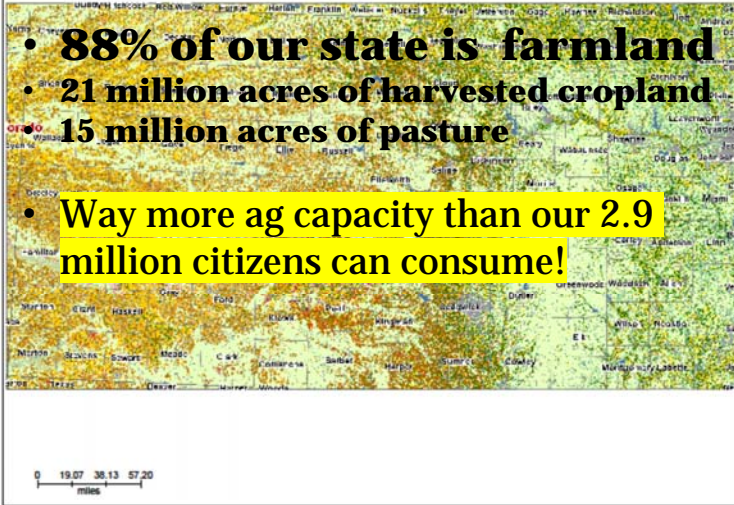


Kansas 2018 Crop Data Layer (USDA-NASS)



What's Kansas Agriculture's Comparative Advantage?

- **88% of our state is farmland**
- **21 million acres of harvested cropland**
- **15 million acres of pasture**
- **Way more ag capacity than our 2.9 million citizens can consume!**



Land Cover Categories (by decreasing acreage)

- AGRICULTURE***
- Grass/Pasture
 - Winter Wheat
 - Corn
 - Soybeans
 - Fallow/Idle Cropland
 - Sorghum
 - Other Hay/Non-Alfalfa
 - Alfalfa
 - Oil Crop: Mini/MiniSoybeans
 - Cotton
 - Oil Crop: Mini/MiniSorghum
 - Triticale
 - Rye
 - Oats
 - Canola
 - Sunflowers
- NON-AGRICULTURE****
- Deciduous Forest
 - Developed/Open Space
 - Developed/Low Intensity
 - Open Water
 - Woody Wetlands
 - Shrubland

- (KDA IMPLAN Study (adjusted for 2019) Kansas Agriculture
- Supports 245,539 jobs, or 12.7% of the state's workforce; and
 - Adds \$21.8 billion in value to our state or 13.4% of Kansas Gross Revenue Product.



Impact Analysis for Planning

Produced by CropScape - <http://kansasdata.gov.edu/CropScape>

colors categories are listed.

Comparative Advantage Plus Trade: Two Perspectives

Results in Greater Prosperity for All by:

- 1) Providing greater choice, and lower prices; and
- 2) Fostering more efficient use of resources.

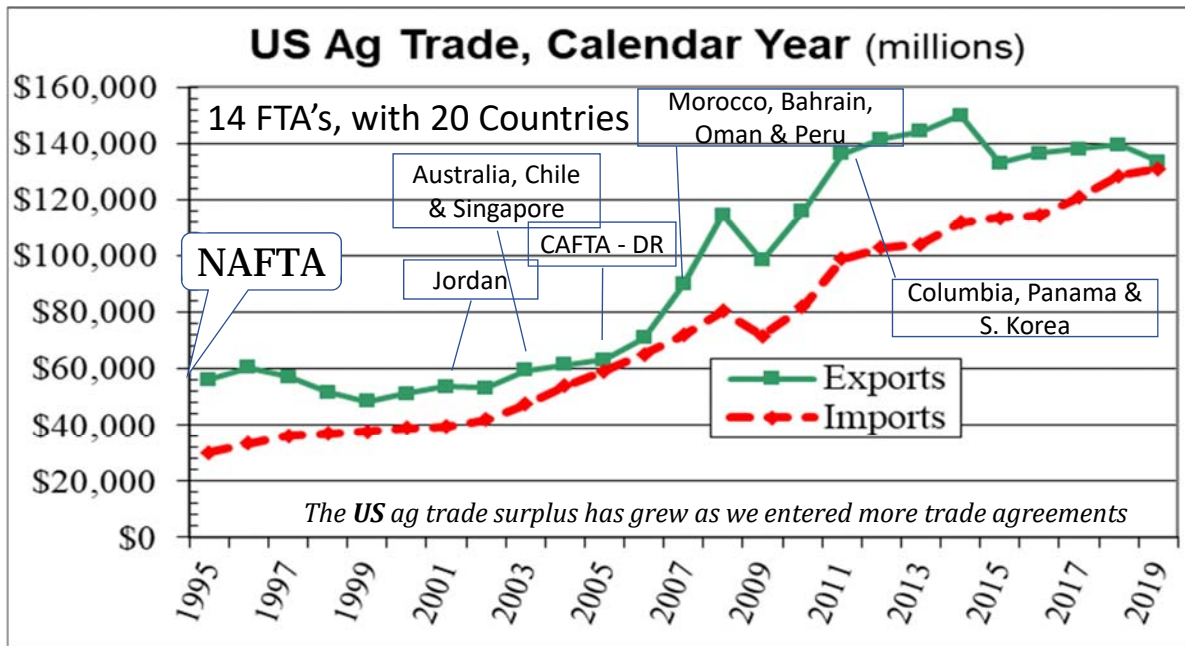
Or, Results in Havoc by:

- 1) Flooding markets with low cost goods; and
- 2) "Exporting jobs and factories" to low wage countries.

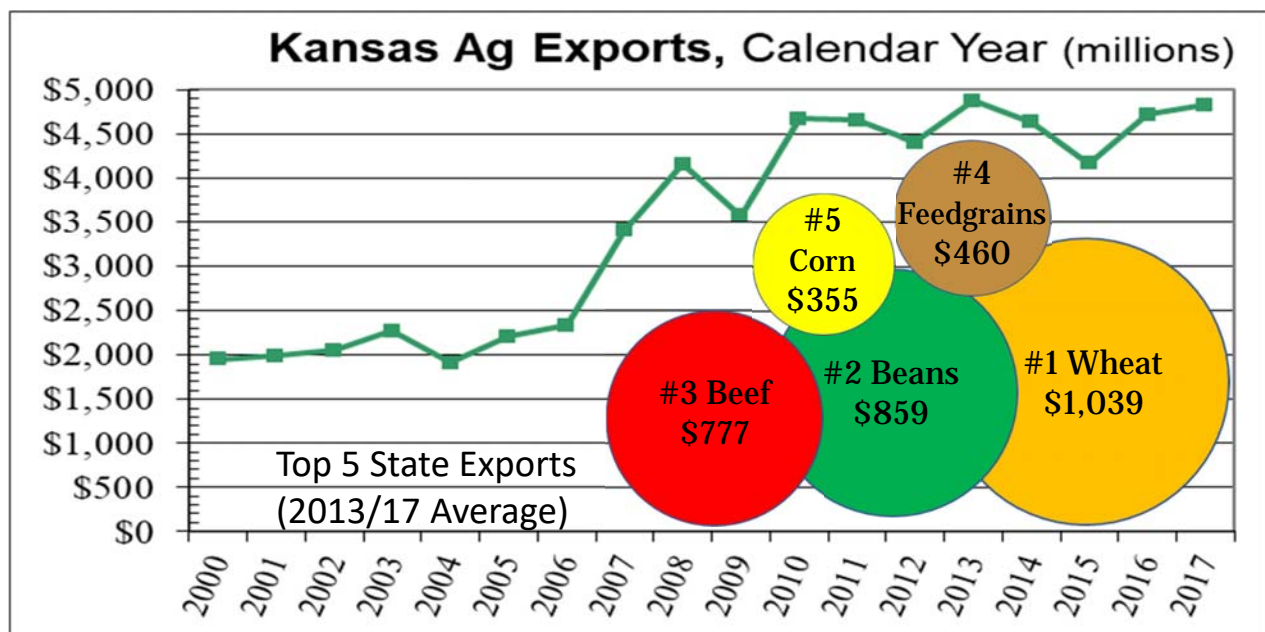
Either Way, Consumers See Greater Prosperity Through a Lower Cost of Living



Trade Agreements Have Been GOOD for Agriculture



Trade Agreements Have Been GOOD for Agriculture



Historically, tariffs and trade interventions have been disastrous for Agriculture



The **Smoot-Hawley Tariff Act of 1930** set US tariffs at their highest levels in over 100 years.

- Other countries retaliated;
- World trade plummeted by two-thirds from 1929-1934; and in part was responsible for deepening and lengthening the Great Depression.

Historically, tariffs and trade interventions have been disastrous for Agriculture

The **Carter wheat & corn export embargo of 1980**,

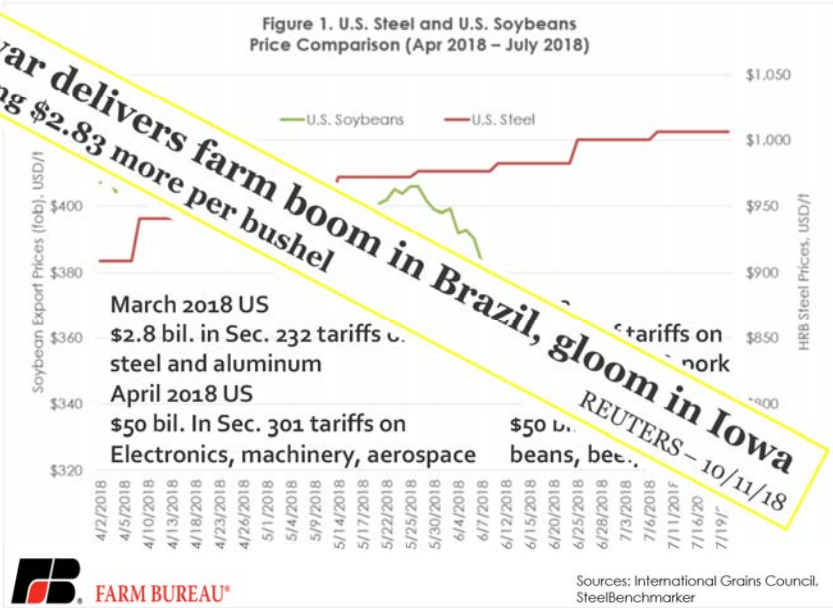
- Didn't stop the USSR from obtaining grain; and
- With high loan rates and reduced grain exports, led to burdensome US stocks;
- Which kept prices low and in part was responsible for crashing land values in the '80's.



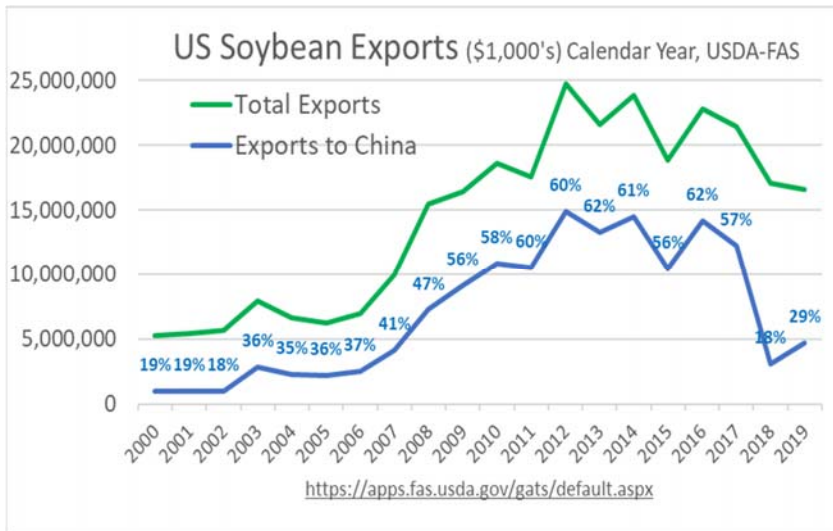
Trump trade war delivers farm boom in Brazil, gloom in Iowa

Winners: The U.S. Soybean Industry as they raise domestic prices to meet foreign prices plus the tariff.

Losers: US Steel Consumers (Farmers), as the cost of bins and equipment went up; and soybeans went down.



Soybean exports to China are WAY down and even though overall prices are lower, other buyers haven't stepped in to replace those sales African Swine Fever has clearly had an impact





Tariffs Are Taxes that Pick Winners and Losers



72% Tariff on US Pork



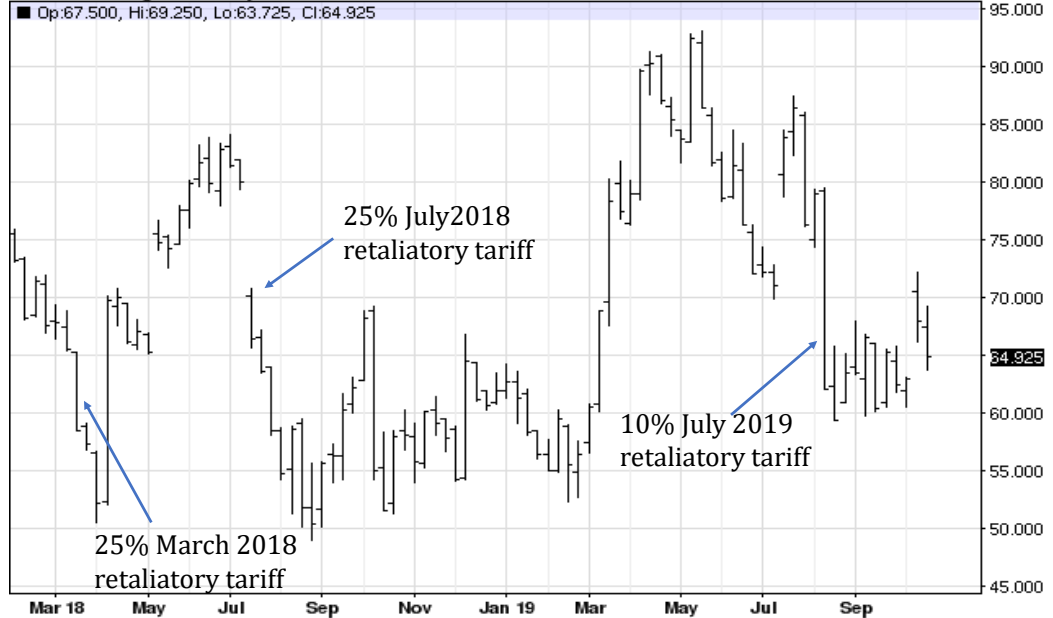
- 12% Original Chinese Pork tariffs
- 25% Retaliatory tariff for the March 2018, US Sec. 232 steel and aluminum tariffs
- 25% Retaliatory tariff for the July 2018, US Sec. 301 intellectual property tariffs
- 10% Retaliatory tariff for the additional \$300 billion in US tariffs announced in late July 2019



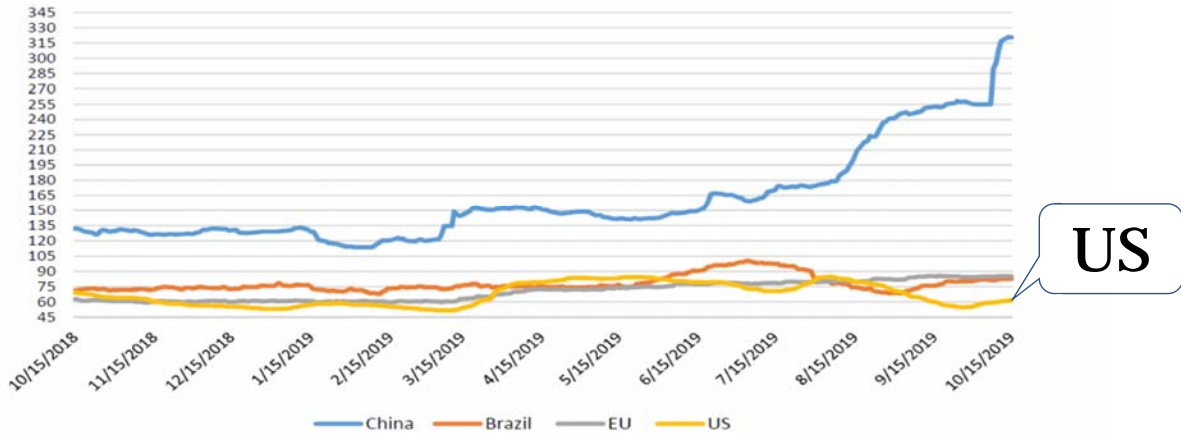
Tariffs Are Taxes that Pick Winners and Losers

HE - Lean Hogs - Weekly OHLC Chart

■ Op:67.500, Hi:89.250, Lo:63.725, Cl:64.925

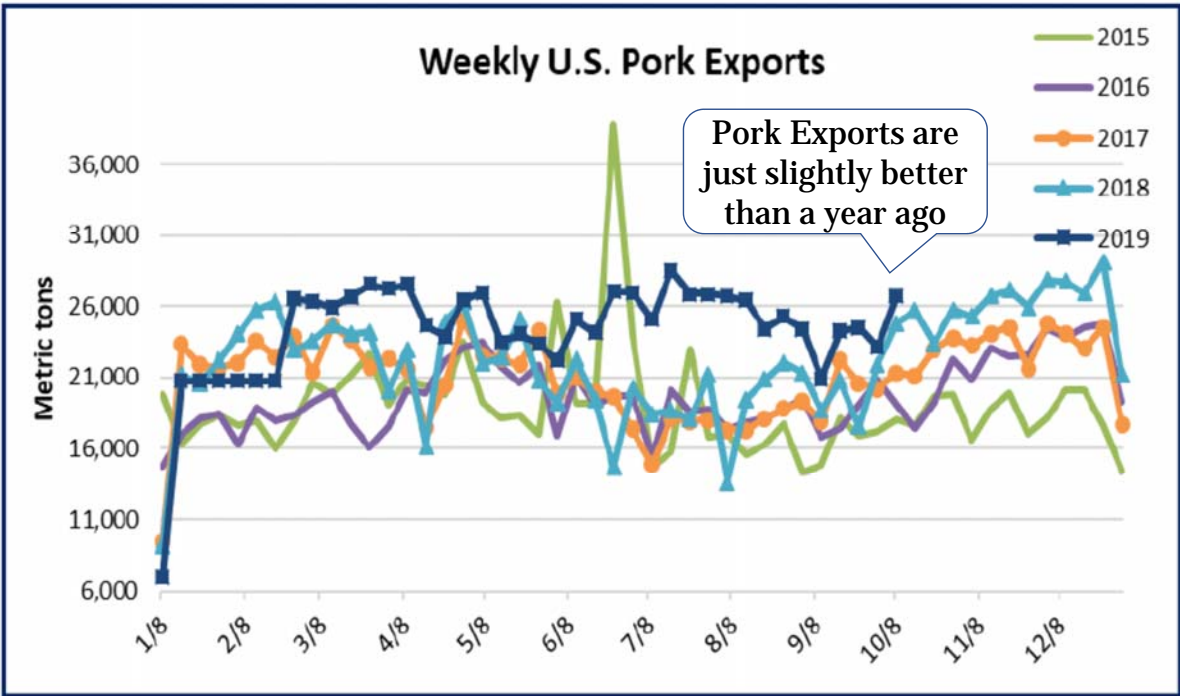


Global Hog Prices
 USD/CWT, Dressed Equivalent



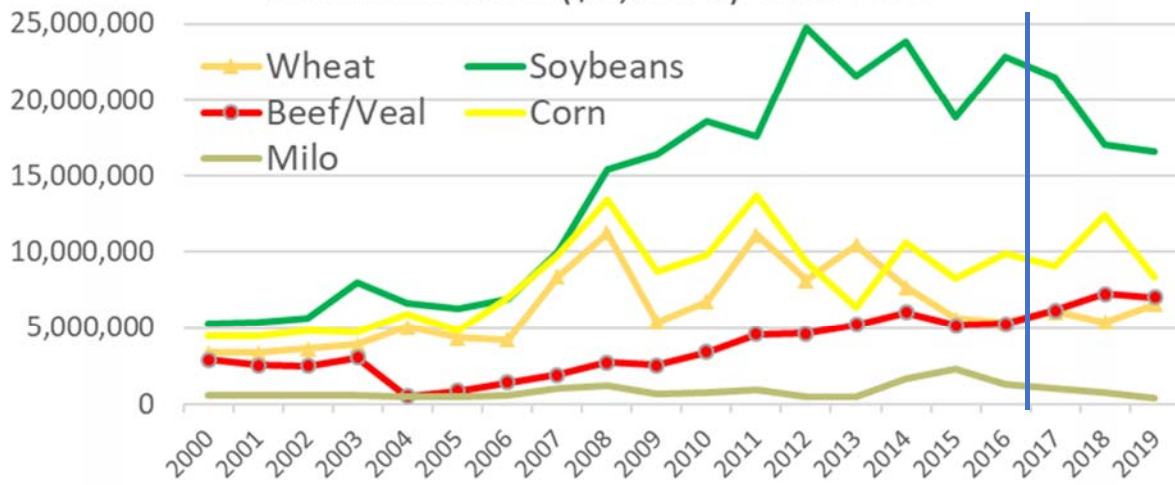
US

Weekly U.S. Pork Exports



Pork Exports are just slightly better than a year ago

Calendar Year, US Exports of Key Kansas Commodities (\$1,000's) USDA-FAS



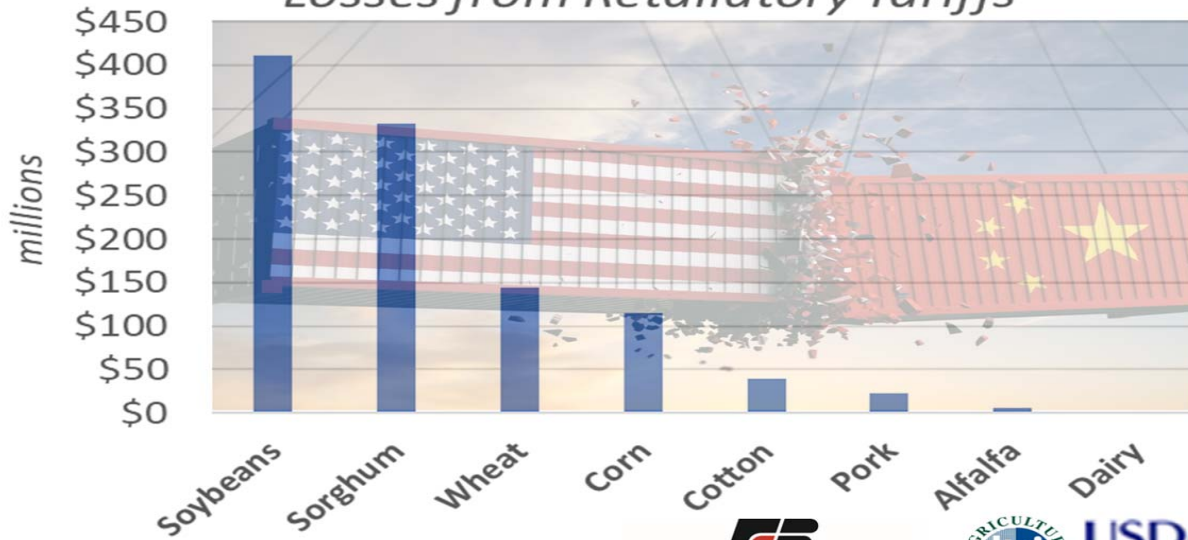
<https://apps.fsa.usda.gov/gats/default.aspx>

2019 Kansas Farm & Ranch Losses from Retaliatory Tariffs

Commodity	units	Tariff Impact Rates**	Production (1,000's)	Estimated Losses*
Soybeans	bu.	\$2.05	200,200	\$410.4
Sorghum	bu.	\$1.69	196,800	\$332.6
Wheat	bu.	\$0.41	349,800	\$143.4
Corn	bu.	\$0.14	816,000	\$114.2
Cotton	lb.	\$0.26	153,600	\$39.9
Pork	head	\$11.00	2,050	\$22.6
Alfalfa	ton	\$2.81	1,960	\$5.5
Dairy	cwt.	\$0.20	3,130	\$0.6
Estimated Total (millions of dollars)				\$1,069.3

* Losses estimated using the methodology outlined in the NEFB briefing, "NEBRASKA FARM AND RANCH LOSSES FROM RETALIATORY TARIFFS." Multiplying the USDA model-estimated retaliatory tariff impact rates** on a given commodity by the 2019 NASS estimated production as of September, and the June 1 hog inventory estimate.

2019 Estimated Kansas Farm & Ranch Losses from Retaliatory Tariffs

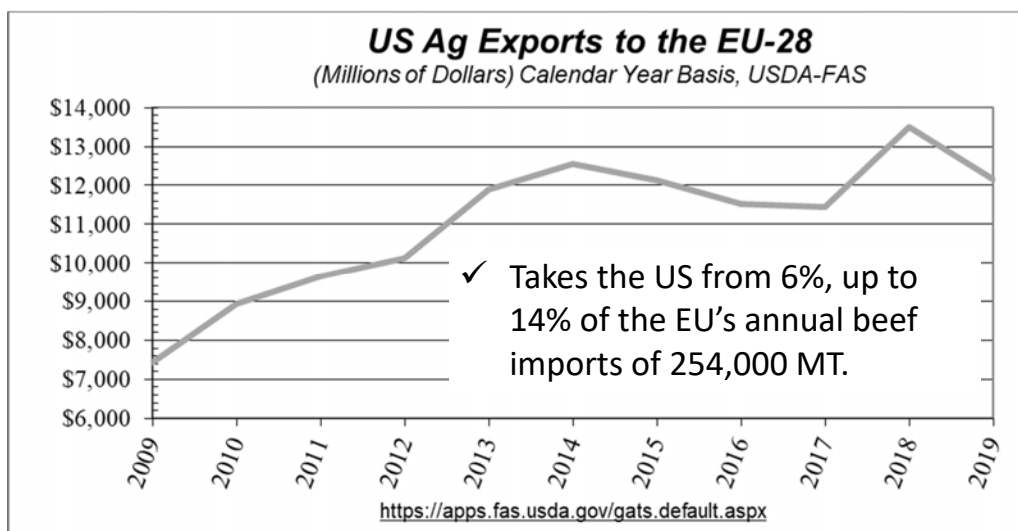


KANSAS FARM BUREAU
The Voice of Agriculture



US-EU Beef Deal Signed in August 2019

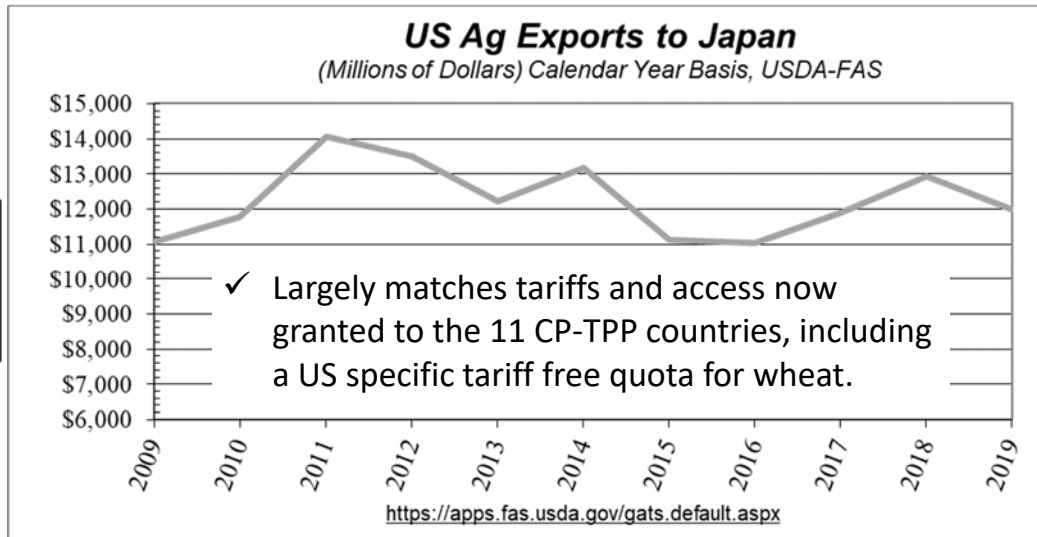
✓ 35,000 MT of the 45,000 MT hormone-free beef quota





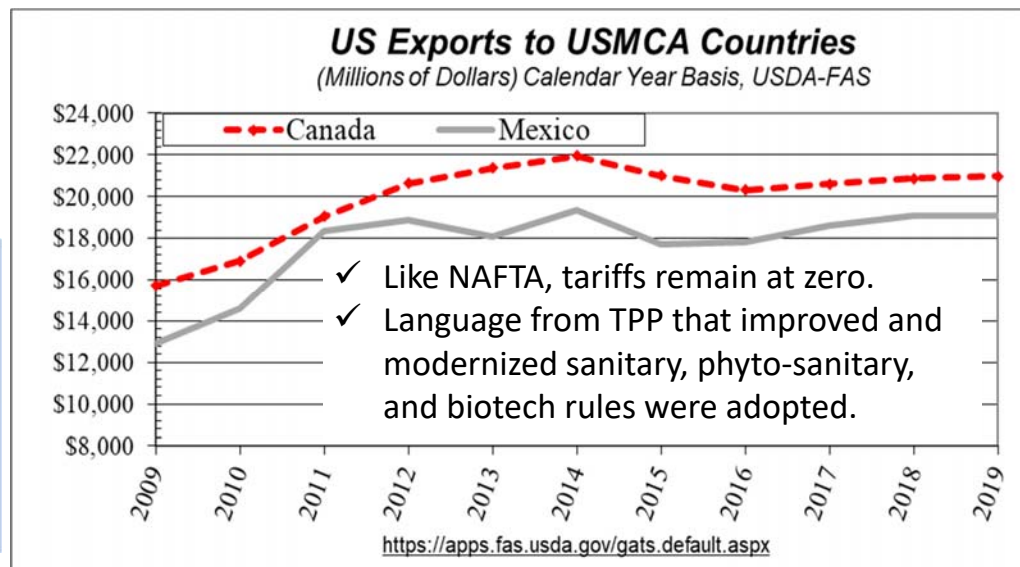
US-Japan Trade Deal, signed in September 2019

- ✓ Provides for a staged reduction of Japanese tariffs



USMCA 2.0 was “signed” on November 30, 2018

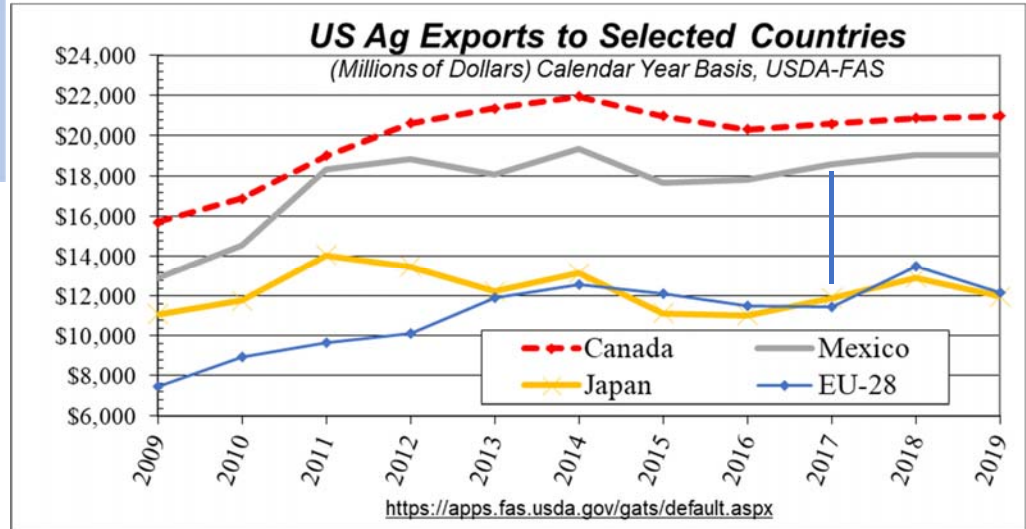
- ✓ Was ratified by Mexico and could be by Canada very soon;





Will we see a significant impact?

✓ Exports have held steady; just prices were impacted

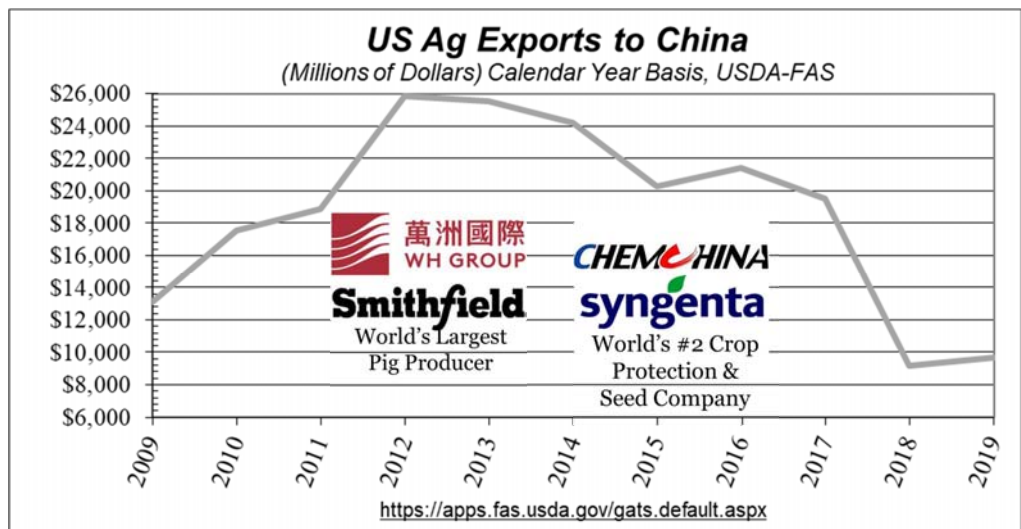


Our Trade War with China

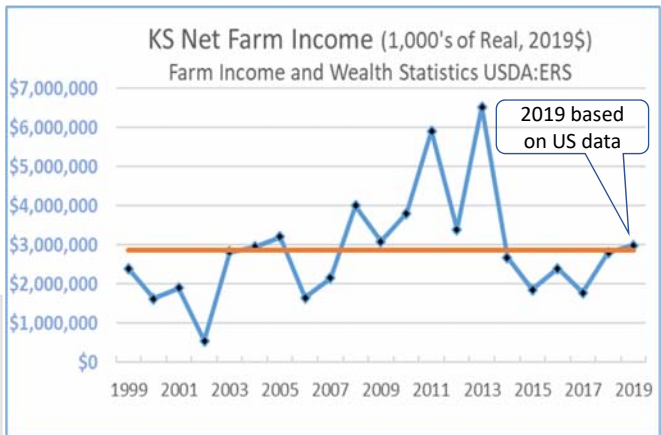
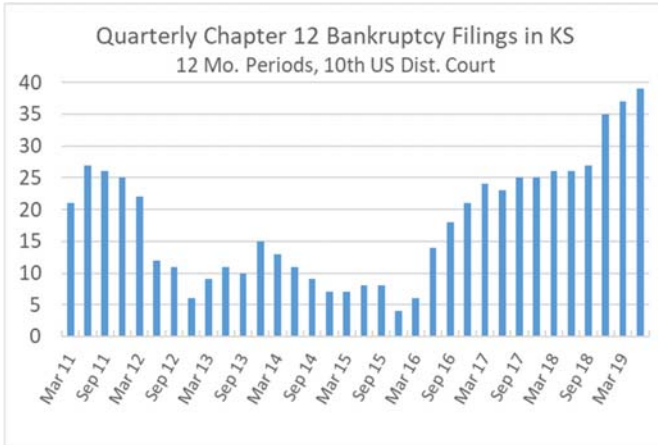


The "Middle Kingdom"

The World's most populous country, with the largest army and the second largest economy.



Our Trade War with China is Coming at a Very Difficult Stretch for Kansas Agriculture



Characterized by the 6th straight year of at or below average Net Farm Income, and rising bankruptcy levels.

Our Trade War with China

Trade War Cycle Model: Accurately predicting for the last 20 months



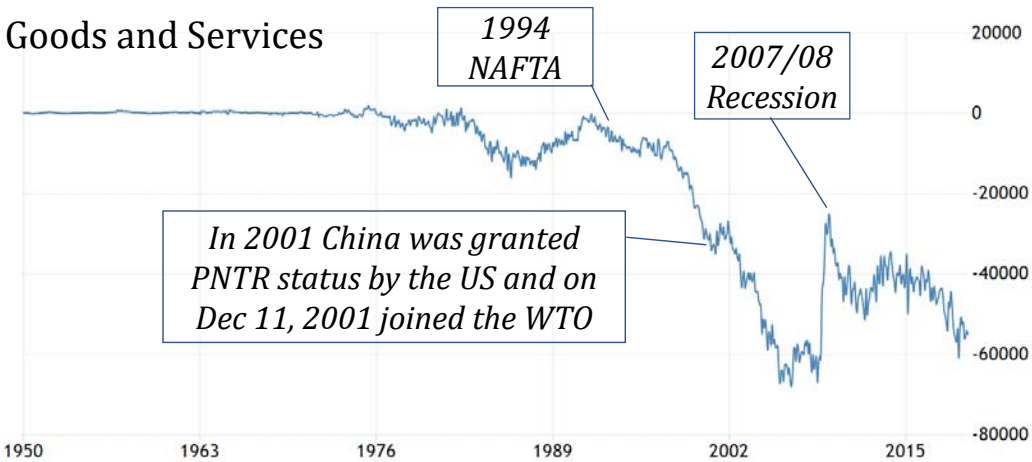
Courtesy: David Zelinski

Trade Balances Are a False Narrative



Monthly US Trade Balance (millions of dollars)

Goods and Services



The US trade deficit widened to \$54.9 billion in August 2019 from \$54.0 billion in the previous month

SOURCE: TRADINGECONOMICS.COM | U.S. CENSUS BUREAU



China Has ALWAYS Presented Trade Challenges

Before and after their ascension into the WTO in 2001

- ✓ Forced transfer of technology & intellectual property;
- ✓ Domestic subsidies & excess, non-economic capacity;
- ✓ Delays in GMO product approvals; costing the U.S. about \$7 billion over the past five years (CropLife International);
- ✓ A general lack of transparency.



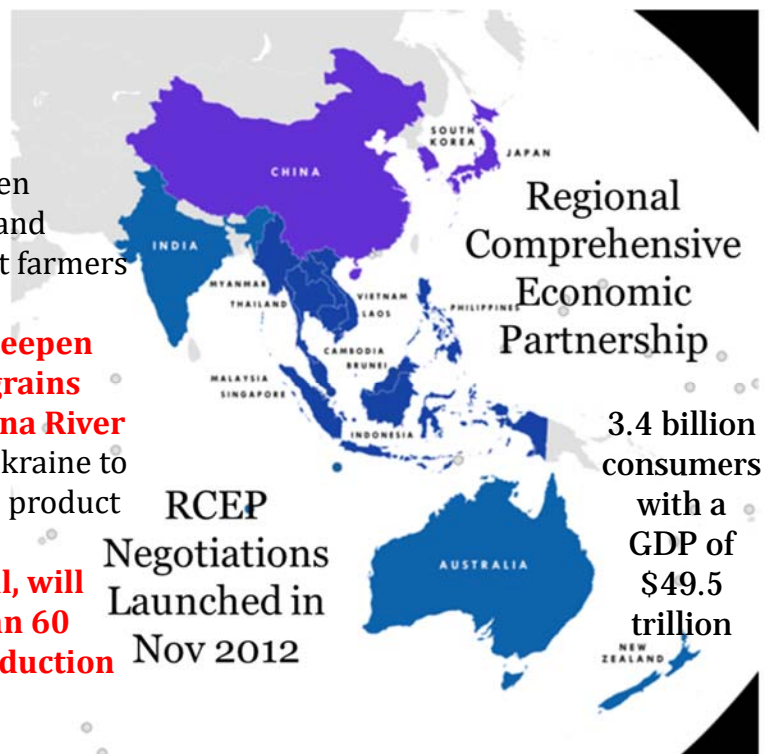
*HANDLING CHINA – Trans-Pacific Partnership (TPP):
Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico,
New Zealand, Peru, Singapore, Vietnam and the United States*



- China was part of the discussions/negotiations
- Signed February 4, 2016
- Unfortunately, TPP was politically unpopular during the 2016 elections
- And in early 2017, the administration pulled the US out

China is NOT just negotiating with the U.S.

- 8/22/19 AGRIPULSE - Brazil's chicken farmers spurred on by Chinese demand
- 8/19/19 AGRIPULSE - Canada wheat farmers snap up market share in China.
- **8/16/19 REUTERS - China set to deepen Argentine trade ties with bid for grains 'superhighway,' dredging the Parana River**
- 8/14/19 SUCCESSFUL FARMING - Ukraine to fill China's corn needs, replacing U.S. product with more acres & higher yields
- **8/6/19 DTN - COFCO International, will finance the expansion of more than 60 million acres of NEW soybean production in Brazil**



Trade is Between Individuals and Businesses

Governments can ASSIST, by tearing down barriers:

- Tariffs and Quotas;
- Intellectual property laws;
- Contract dispute settlement;
- Credit availability;
- Sanitary (phyto), grading, and food labeling standards;
- GMO approvals; and
- Port inspection procedures.

Or, Governments can SCREW things up by erecting barriers:

*Multi-lateral Free Trade
Agreements and the
WTO , address barriers
and play a key role in
setting the rules of trade.*

Thank You

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