

Midwest Crop Farmers' Perceptions of U.S.-China Trade War

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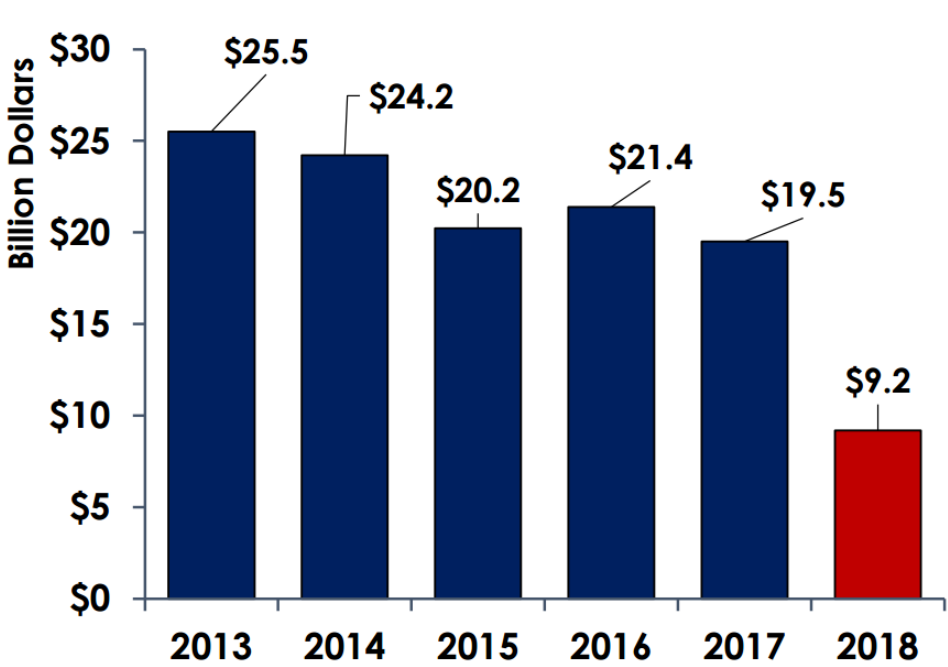
(Collaborators: Shuyang Qu, Minghao Li, Lulu Rodriguez,
Guang Han)

2019 NC-1177 Meeting

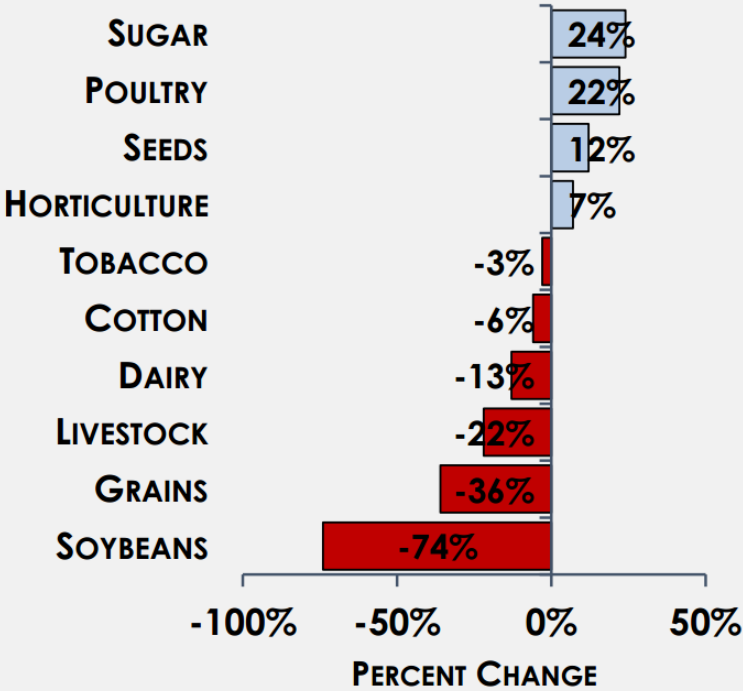
Dallas, TX October 8, 2019

#TradeWar Was, and Is, More Than Soybeans

Total Agricultural Exports to China Down
\$10 Billion in 2018



Year-Over-Year Change in U.S. Agriculture Exports to China
2018 Compared to 2017



September 2018
18-PB 25

The Impact of the 2018 Trade Disruptions on the Iowa Economy

- Overall losses in **Iowa's Gross State Product** are calculated to be \$1 to \$2 billion (off of a Gross State Product of \$190 billion).
- Overall losses to Iowa's **Soybean** industry of \$159 to \$891 million, with an average revenue loss across all models of \$545 million (Iowa soybeans are a \$5.2 billion industry).
- Overall losses to Iowa's **Corn** industry of \$90 to \$579 million, with an average revenue loss across all models of \$333 million (Iowa corn is an \$8.5 billion industry).
- Overall losses to Iowa's **Pork/Hog** industry of \$558 to \$955 million, with an average revenue loss across all models of \$776 million (the Iowa pork/hog industry is a \$7.1 billion industry).
- A 2% drop in **Ethanol** prices resulting in approximately \$105 million in lost revenues to Iowa ethanol producers.
- Revenue losses in these industries translate into **additional lost labor income** across the state. Labor income declines from the impacts to the corn, soybean, and hog industries range from \$366 to \$484 million without federal offsets and \$245 to \$364 million with federal offsets.
- Iowa **tax revenue losses** (personal income and sales taxes) range from \$111 to \$146 million. Federal offsets would reduce tax losses to \$75 to \$110 million.

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Midwest Farmer Trade Disruption Perception Survey

- Sent to 3000 Crop producers with at least 250 acres
- Sample bought from Dygenta - SSI
- 774 farmers responded and 374 provided written comments
- Stratified sampling for IA, IL and MN
 - 44% Iowa, 32% Illinois, 23% Minnesota
- Dillman's Tailored Mixed Mode Survey Design
 - Online + 2 Mail Surveys
 - March – early June 2019

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Midwest Farmer Trade Disruption Perception Survey

**More than
half of IA, IL,
MN farmers
support
tariffs on
China**

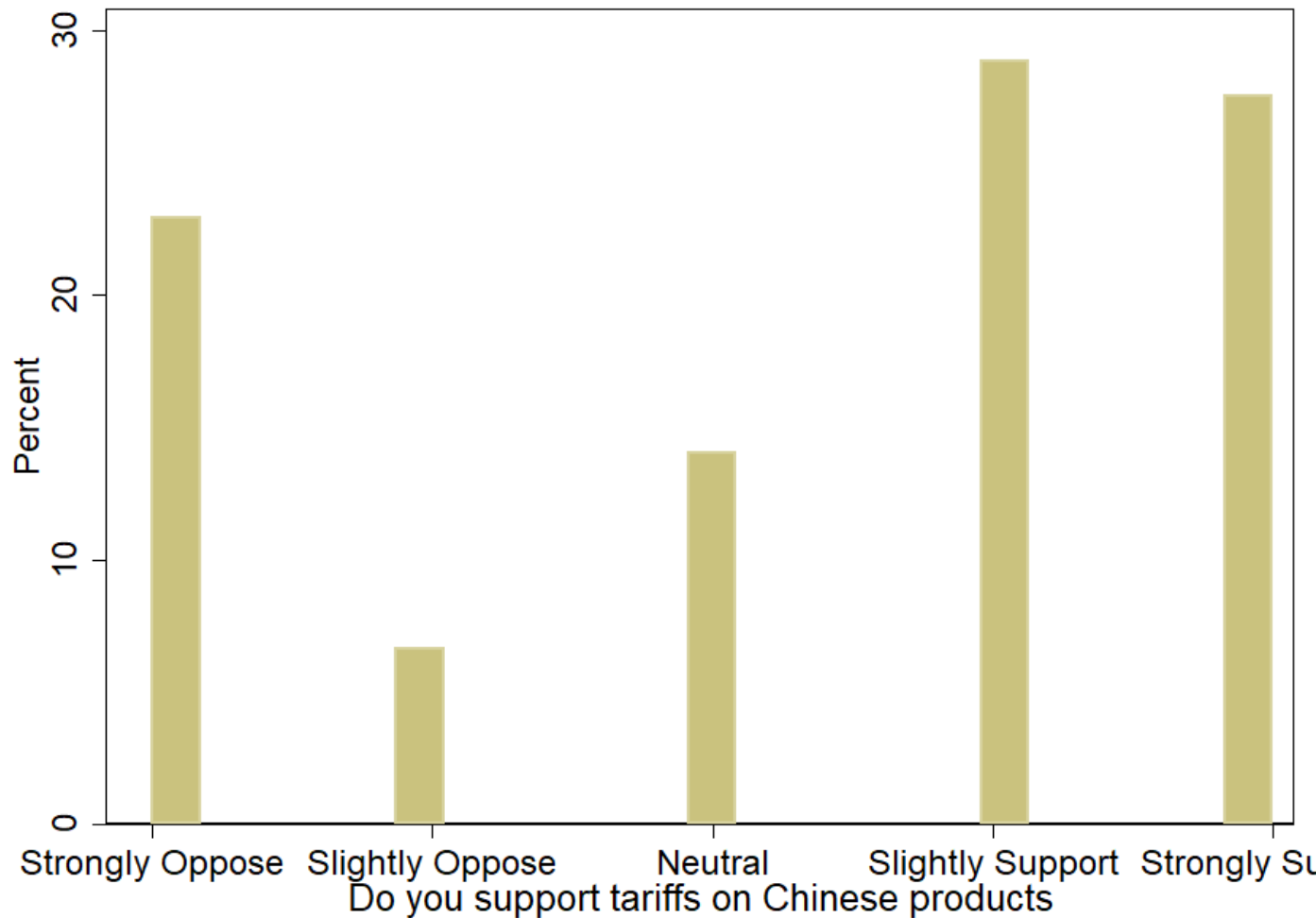
Collaborators:

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26. President Trump announced a Market Facilitation Program to help farmers affected by the trade disruptions in 2018. To the best of your knowledge, what was the payment rate for soybean producers?

- a. 1 cent per bushel
- b. 14 cents per bushel
- c. 86 cents per bushel
- d. \$1 per bushel
- e. \$1.65 per bushel

79% know MFP payment level

27. *Before receiving trade assistance from the USDA*, to what extent do you think your farm's net income in 2018 was affected by the trade disruptions?

- a. Down > 20%
- b. Down 10%–20%
- c. Down 5%–10%
- d. Down < 5%
- e. No change
- f. Up < 5%
- g. Up 5%–10%
- h. Up 10%–20%
- i. Up > 20%

30% saw income drop >20%
40% saw income drop 10-20%
20% saw income drop <10%

28. How helpful do you think President Trump's \$12 billion trade relief plan will be to your farm?

- a. Not at all helpful
- b. Somewhat helpful
- c. Quite helpful
- d. Very helpful
- e. Not sure

41% somewhat helpful, 18% quite helpful, 25% very helpful

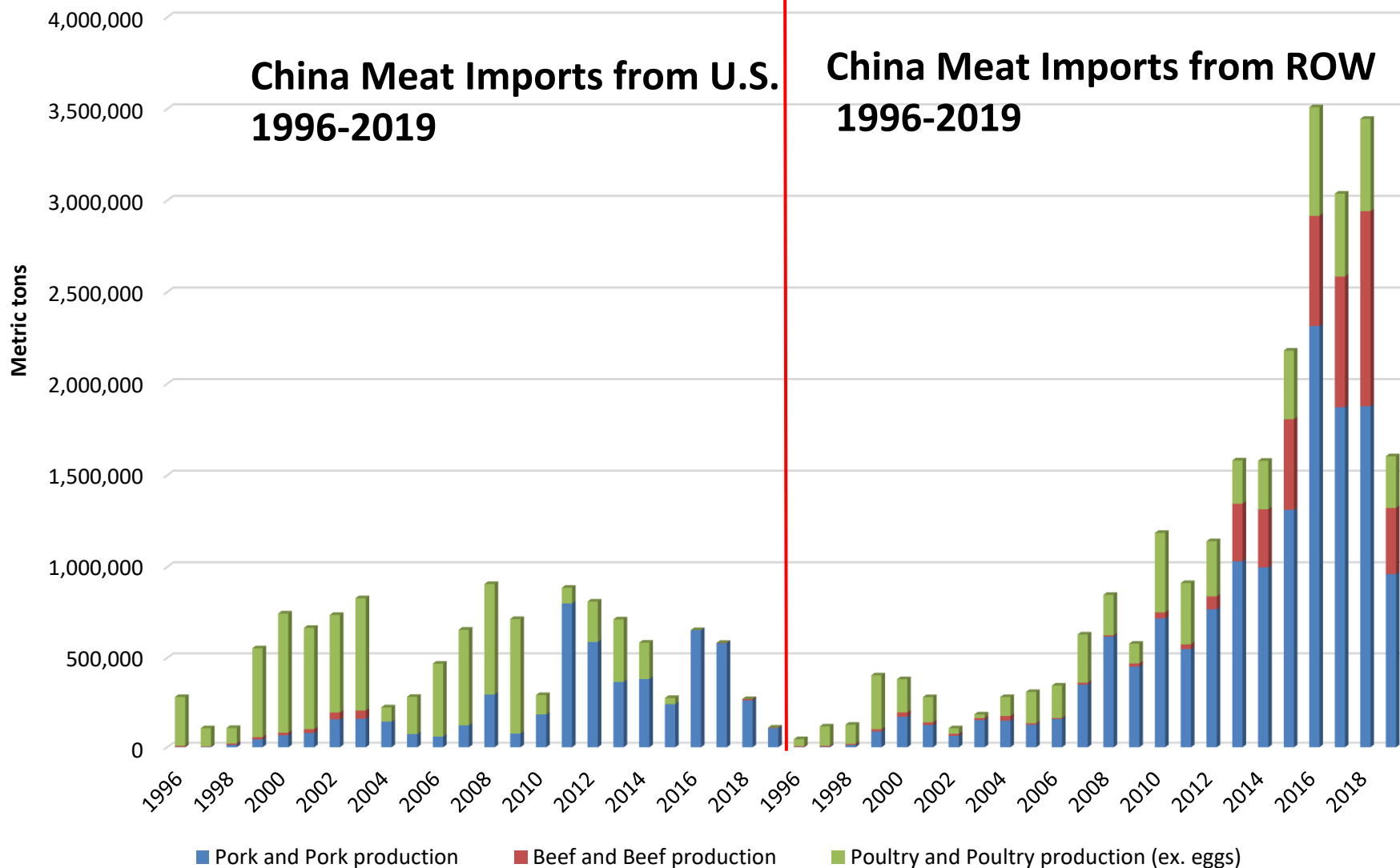
Perceived impacts on US Agriculture & “My Farm”

	Agree	Strongly agree
1.Nothing good will come out of this trade disruption.	17	13
2. I hope this trade disruption is resolved soon.	34	47
3. The trade disruption will make US agriculture lose markets to our competitors.	33	29
4. The US economy will suffer more than China’s economy due to this trade disruption.	24	13
5. American farmers will bear the brunt of the tariffs imposed by the Chinese government.	42	34
6. A year from now, my farm operation will be better off financially because of this trade disruption.	12	3
7. A year from now, US agriculture will be better off compared to now because of this trade disruption.	18	3
8. Three years from now, the US economy in general will be better off because of the trade disruption.	34	10
9. The tariffs imposed by the US and China on each other’s products will have long-term negative effects on US agriculture.	28	19
10. This trade disruption will enhance the economic relationship between the US and China in the long run.	31	5

China-U.S. agricultural trade shares: in decline since 2012



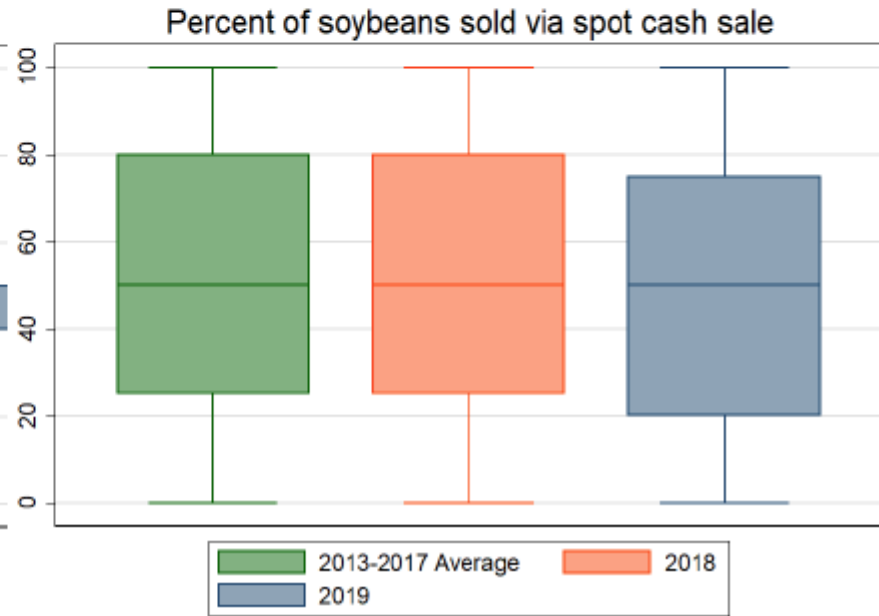
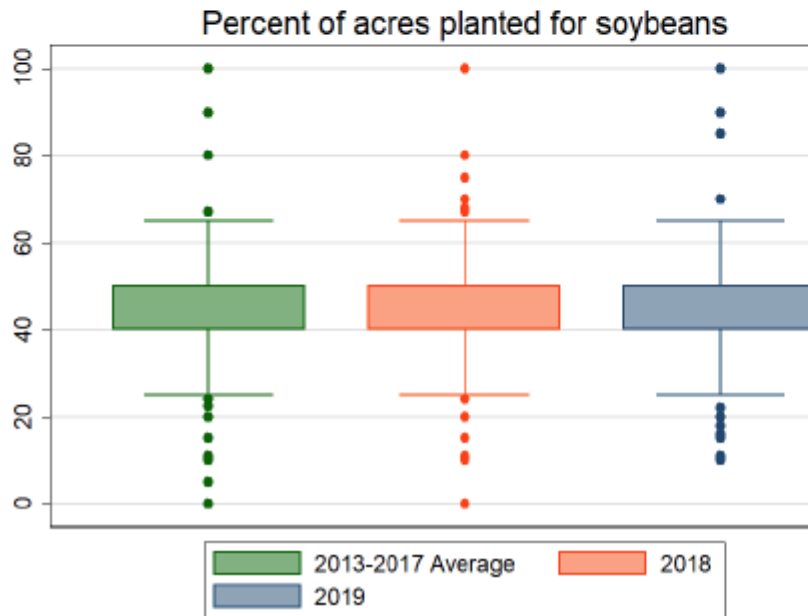
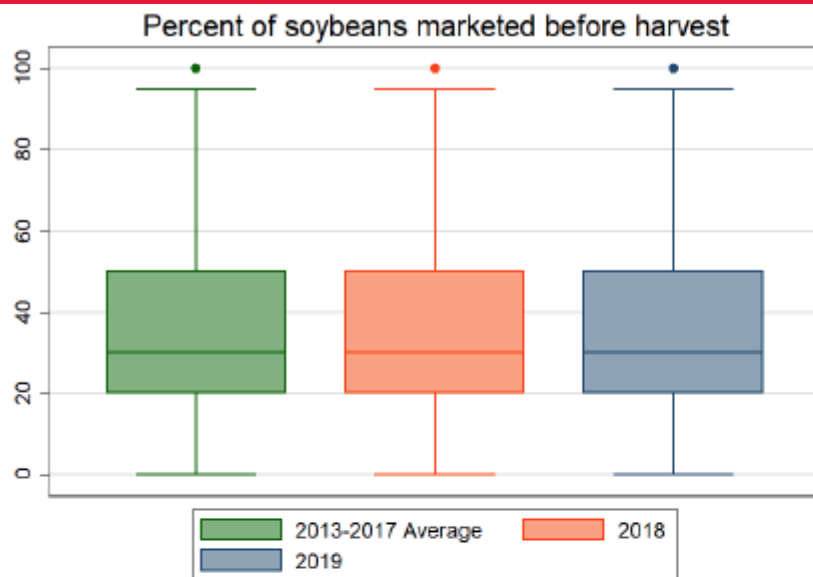
China's increasing diversification away from U.S. meat imports



Farmers' Views about US-China Trade & Economy Issues

	Agree	Strongly agree
1.The amount of US debt held by China is a serious problem for the US.	53	25
2. The trade deficit with China is harmful to the US economy.	54	18
3. China engages in cyber economic espionage against the US.	43	27
4. The number of jobs Americans lose to China is problematic.	49	15
5. Economically, China is an ally of the US.	28	3
6. It is important for the US to maintain a healthy economic relationship with China.	67	25
7. The US will be better off using a multilateral approach, rather than a unilateral one, in dealing with trade disputes.	36	14
8. The US is better off leaving the TPP	16	3
9. China exerts too much influence on its currency	45	14
10. China's intellectual property protection record is poor	45	31

Virtually no change in marketing & planting decisions



Does
higher
trade-
induced
loss lead to
greater
support for
Trump's
tariffs?

Dependent variable: Do you support President Trump's tariffs on Chinese products?						
	(1) OLS	(2) Logit - Binary	(3)	(4)	(5) Probit - Binary	(6)
Age	-0.017*** (0.006)	-0.031*** (0.010)	-0.030*** (0.010)	-0.018*** (0.006)	-0.018*** (0.006)	-0.018*** (0.006)
farm_income (mil.)	-0.000** (0.000)	-0.001** (0.000)	-0.000** (0.000)	-0.000** (0.000)	-0.000** (0.000)	-0.000** (0.000)
Off farm_job	0.099 (0.131)	0.160 (0.212)	0.124 (0.209)	0.096 (0.129)	0.083 (0.128)	0.113 (0.127)
acre_corn_18	0.163* (0.092)	0.315* (0.188)		0.189* (0.112)		0.194* (0.111)
acre_soy_18	-0.253** (0.118)	-0.394* (0.228)	-0.184 (0.165)	-0.241* (0.138)		-0.227* (0.135)
acre_corn_1317					0.222* (0.121)	
acre_soy_1317					-0.333** (0.159)	
pct_rented	0.457** (0.225)	0.376 (0.370)	0.394 (0.364)	0.253 (0.224)	0.274 (0.222)	0.207 (0.221)
Rely on FOX News	1.021*** (0.131)	1.595*** (0.243)	1.596*** (0.241)	0.951*** (0.139)	0.973*** (0.138)	0.920*** (0.136)
College degree	-0.083 (0.125)	0.022 (0.205)	-0.001 (0.203)	0.004 (0.125)	0.011 (0.124)	0.033 (0.122)
Knowledge_export	-0.003 (0.126)	0.051 (0.207)	0.051 (0.203)	0.035 (0.126)	0.033 (0.125)	
risk_loving	0.055 (0.048)	0.073 (0.079)	0.087 (0.078)	0.046 (0.048)	0.040 (0.047)	
have_livestock	0.001 (0.123)	-0.020 (0.201)	-0.020 (0.198)	0.008 (0.123)	-0.008 (0.122)	
_cons	3.638*** (0.497)	1.422* (0.833)	1.422* (0.833)	0.781 (0.495)	0.850* (0.492)	1.006** (0.427)
Obs.	509	529	529	529	538	541
R-squared	0.152	0.105	0.096	0.110	0.108	0.098
State fixed effects	Yes	Yes	Yes	Yes	Yes	Yes

Standard errors are in parenthesis; corn and soybean acres are in 1000 acres
 *** p<0.01, ** p<0.05, * p<0.1

Who finds the 2018 MFP payments most helpful?

\$1.65/bu. –
soybean;
\$.01/bu. - corn

Dependent variable: whether you find MFP payments helpful?

	(1)	(2)
	Logit-binary	
Age	-0.025*** (0.009)	-0.024** (0.009)
farm_income	-0.000** (0.000)	-0.001*** (0.000)
<u>offfarm_job</u>	0.298 (0.207)	0.317 (0.205)
acre_corn_18	-0.495** (0.241)	
acre_soy_18	1.221*** (0.323)	0.816*** (0.238)
<u>educ_higher</u>	-0.240 (0.199)	-0.172 (0.197)
<u>kldg_export</u>	0.249 (0.198)	0.213 (0.195)
q30_risk_farmer	0.023 (0.076)	0.003 (0.075)
have_livestock	0.018 (0.194)	0.048 (0.191)
pct_rented	-0.007 (0.356)	-0.006 (0.352)
<u>foxnews</u>	0.613*** (0.205)	0.653*** (0.203)
<u>iowa_fe</u>	-0.342 (0.231)	-0.387* (0.229)
<u>illinois_fe</u>	0.381 (0.247)	0.398 (0.244)
_cons	0.809 (0.789)	0.753 (0.787)
Obs.	529	539
R-squared	0.071	0.067

Standard errors are in parenthesis

*** p<0.01, ** p<0.05, * p<0.1

Written Comments – Info Needs and Claims

Table 1. The most frequently occurring themes in farmers' perceived information needs, claims and misperceptions, concerns, and suggested solutions

Categories/Themes	Number of times mentioned	% of n
<i>Information needs (n=12)</i>		
1. Need for reliable updates	4	9.52
2. Semantics of tariffs	3	25.00
3. Trade talks details	3	25.00
4. Others	2	16.66
<i>Claims (n=86)</i>		
1. Trump is doing a good job	19	22.09
2. China is being unethical	12	13.95
3. Trump and his administration lack competencies	11	12.79
4. Tariffs don't work	10	11.63
5. Temporary suffering, but long-term gain	10	11.63
6. Others	28	32.56

Written Comments – Concerns and Solutions

Table 1. The most frequently occurring themes in farmers' perceived information needs, claims and misperceptions, concerns, and suggested solutions

Categories/Themes	Number of times mentioned	% of n
Concerns (n=90)		
1. The farm sector will suffer great financial hardship	18	20.00
2. Farmers will get hurt the most	11	12.22
3. Lost markets will be difficult to recover	15	16.67
4. The farm crisis, spurred by the grain embargo to Russia in the 80s, will happen again	9	10.00
5. Overproduction is a bigger problem than the tariffs	6	6.67
6. The trade dispute will not be easy to solve	3	3.33
7. Others	28	31.11
Solutions (n=132)		
1. Get China on a level playing field	22	16.66
2. Trump is doing the right thing	21	15.91
3. Trump is messing things up, needs to go	12	9.09
4. More fair trade, free enterprise	10	7.57
5. Expand markets	5	3.78
6. Time to work together, end partisanship	5	3.78
7. Others	57	43.18

The U.S.-China trade war:

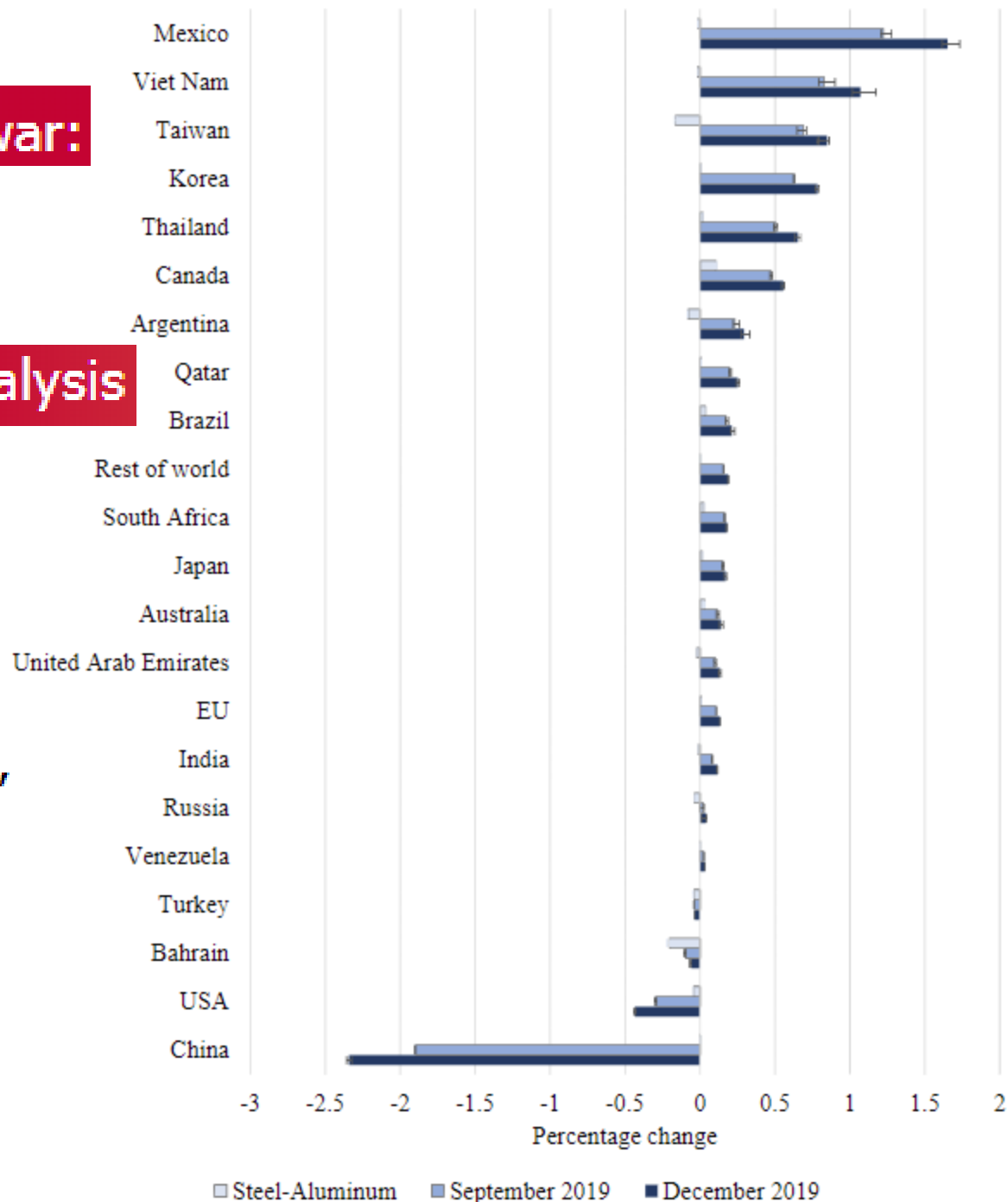
Tariff data and

general equilibrium analysis

Minghao Li, Edward J. Balistreri,

Wendong Zhang

October 2019 [19-WP 595]



Chinese Lesson Time

美国

中华民族伟大复兴

#6: Chinese economy and U.S.- China Relations at Inflection Points



HOW CHINA BECAME CAPITALIST

RONALD COASE

Nobel Laureate in Economics
& NING WANG

Description this book

How China Became Capitalist details the extraordinary, and often unanticipated, journey that China has taken over the past thirty five years in transforming itself from a closed agrarian socialist economy to an indomitable economic force in the international arena. The authors revitalise the debate around the rise of the Chinese economy through the use of primary sources, persuasively arguing that the reforms implemented by the Chinese leaders did not represent a concerted attempt to create a capitalist economy, and that it was marginal revolutions that introduced the market and entrepreneurship back to China. Lessons from the West were guided by the traditional

Chinese principle of seeking truth from facts . By turning to capitalism, China re-embraced her own cultural roots. How China Became Capitalist challenges received wisdom about the future of the Chinese economy, warning that while China has enormous potential for further growth, the future is clouded by the government's monopoly of ideas and power. Coase and Wang argue that the development of a

WORLD NEWS

OCTOBER 17, 2017 / 9:29 PM / A YEAR AGO

integral in

Xi says China will let the market play decisive role in resource allocation

WORLD NEWS

NOVEMBER 12, 2013 / 3:47 AM / 5 YEARS AGO



REUTERS

China vows 'decisive' role for markets, results by 2020

U.S.-China Relations at Critical Inflection Point

NATIONAL BESTSELLER

"Thucydides's Trap identifies a cardinal challenge to world order."

—HENRY KISSINGER, former US secretary of state

DESTINED FOR WAR

CAN AMERICA AND CHINA
ESCAPE THUCYDIDES'S TRAP?

GRAHAM
ALLISON

Lesson 4: Domestic performance is decisive.

Lesson 5: Hope is not a strategy.

"I t was the rise of Athens, and the fear that this inspired in Sparta, that made war inevitable." —Thucydides

THE
NATIONAL
INTEREST



Is a War between China and America Simply Unstoppable?

Building his analysis on Thucydides' study of the Peloponnesian War, Graham Allison and his colleagues have studied the classic international relations problem of military conflict between a rising power and an established dominant power. They identified 16 such situations over the past 500 years, and found that 12 of them ended in war — painting a gloomy picture of the future of US–China relations.



Seven things to know about China to understand the trade war

By Wendong Zhang, extension economist, 515-294-2536, wdzhang@iastate.edu

1. Ag is not China's comparative advantage
2. China suffers more economically, but retaliate on ag states like Iowa
3. Trade war makes China further diversify away from US
4. Trade war exposes early strategic misjudgments and growing mistrust
5. China is a country of rapid change
6. Chinese economy and relations with US at inflection points
7. Chinese producers and consumers increasingly think and act like Americans

<https://www.extension.iastate.edu/agdm/articles/zhang/ZhaFeb19.html>

Thank You!

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