

Update on US-China Trade Deal and Land Values

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Crop Advantage Series

Multiple Locations in Iowa January 2020

A Quick Introduction: Dr. Wendong Zhang

- Grown up in a rural county in NE China
- Attended college in Shanghai and Hong Kong
- Ph.D. in Ag Econ in 2015 from Ohio State
- 2012 summer intern at USDA-ERS on farm economy and farmland values
- Research and extension interests:

land value/ownership www.card.iastate.edu/farmland/agriculture and the environment

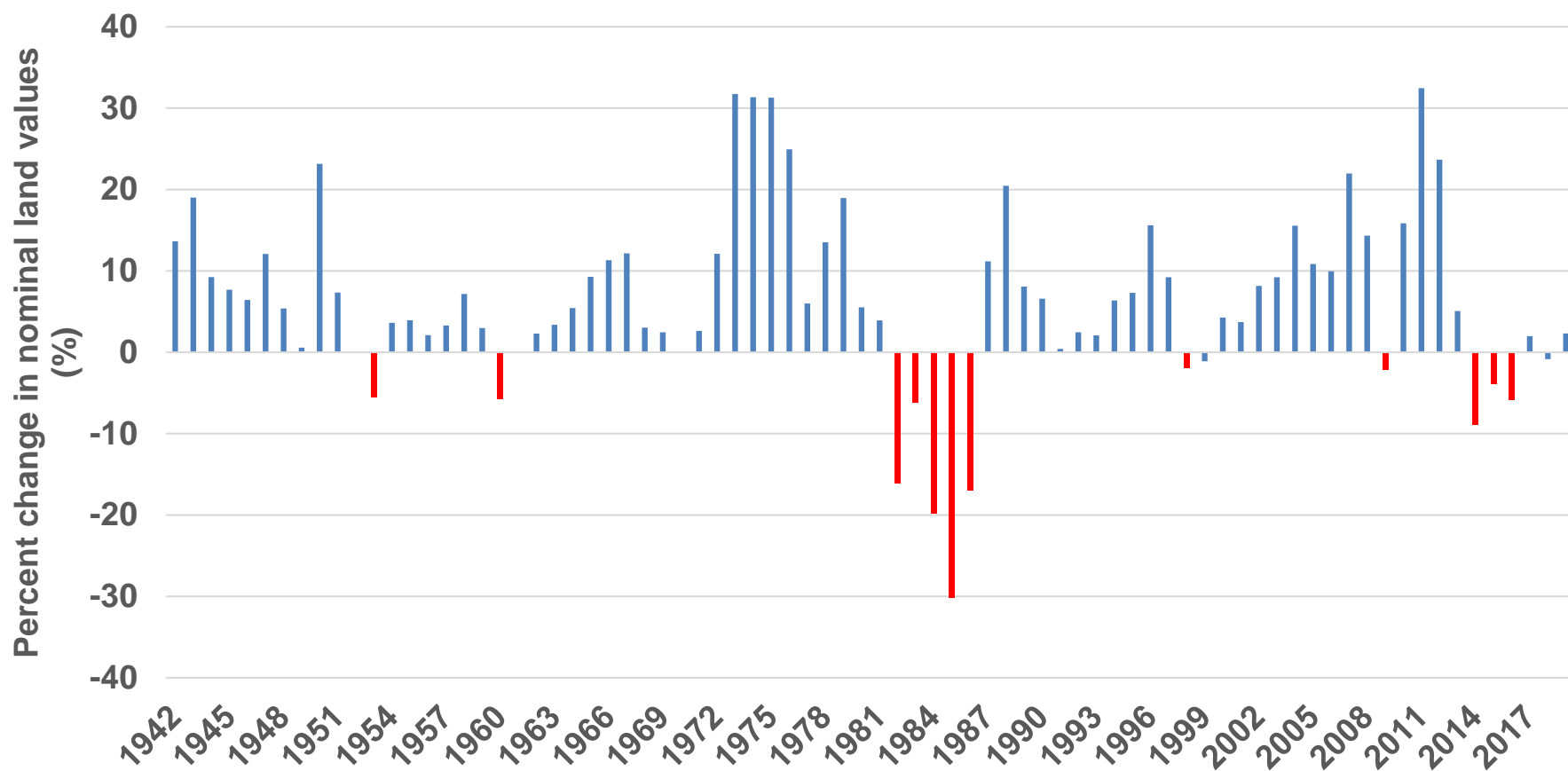
China Ag center www.card.iastate.edu/china

Land Values by District and Quality, Nov 2019

District	Average Value	% Change	High Quality	% Change	Medium Quality	% Change	Low Quality	% Change
Northwest	\$9,352	0.4%	\$10,757	-0.1%	\$8,633	1.0%	\$6,099	1.3%
North Central	\$7,912	1.6%	\$8,858	1.8%	\$7,248	0.5%	\$5,325	3.2%
Northeast	\$7,325	-2.9%	\$9,050	-1.6%	\$6,833	-4.0%	\$4,803	-5.0%
West Central	\$7,564	2.0%	\$9,017	2.1%	\$7,076	2.0%	\$4,950	4.9%
Central	\$8,336	5.5%	\$9,749	4.7%	\$7,649	4.2%	\$5,467	10.9%
East Central	\$8,475	5.9%	\$10,421	6.7%	\$7,823	5.0%	\$5,279	7.5%
Southwest	\$6,166	1.7%	\$7,768	0.4%	\$5,841	3.0%	\$3,844	1.4%
South Central	\$4,487	3.6%	\$6,416	6.0%	\$4,371	3.0%	\$2,955	0.1%
Southeast	\$6,868	3.8%	\$9,341	3.1%	\$6,616	4.1%	\$3,790	3.7%
Iowa Avg.	\$7,432	2.3%	\$9,078	2.4%	\$6,938	2.0%	\$4,759	3.3%

2019 hike represents 2nd rise in past 6 years

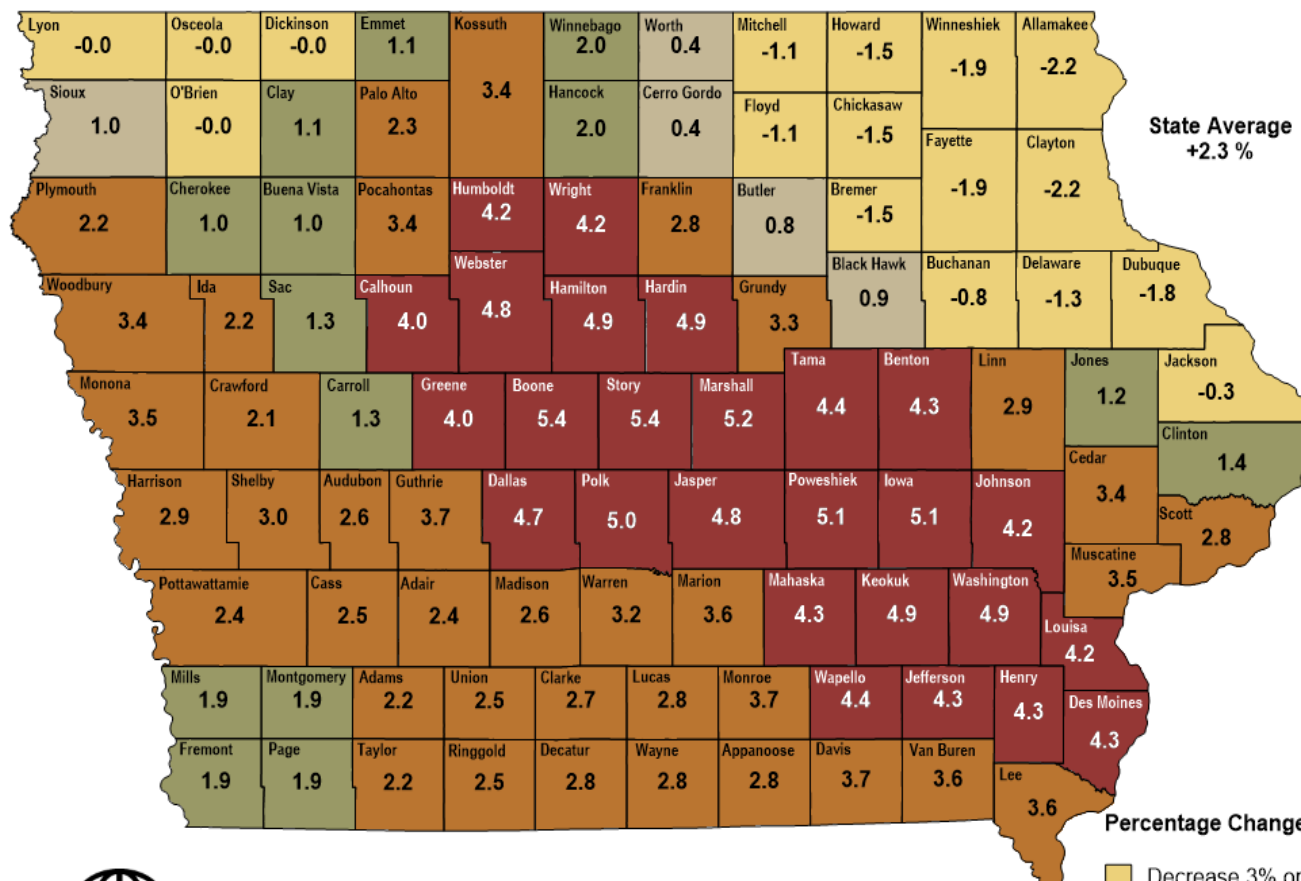
% Change in Nominal Iowa Farmland Values 1942-2019



Land Values by County, 2019



Percentage Change in Iowa Land Values 2018 to 2019



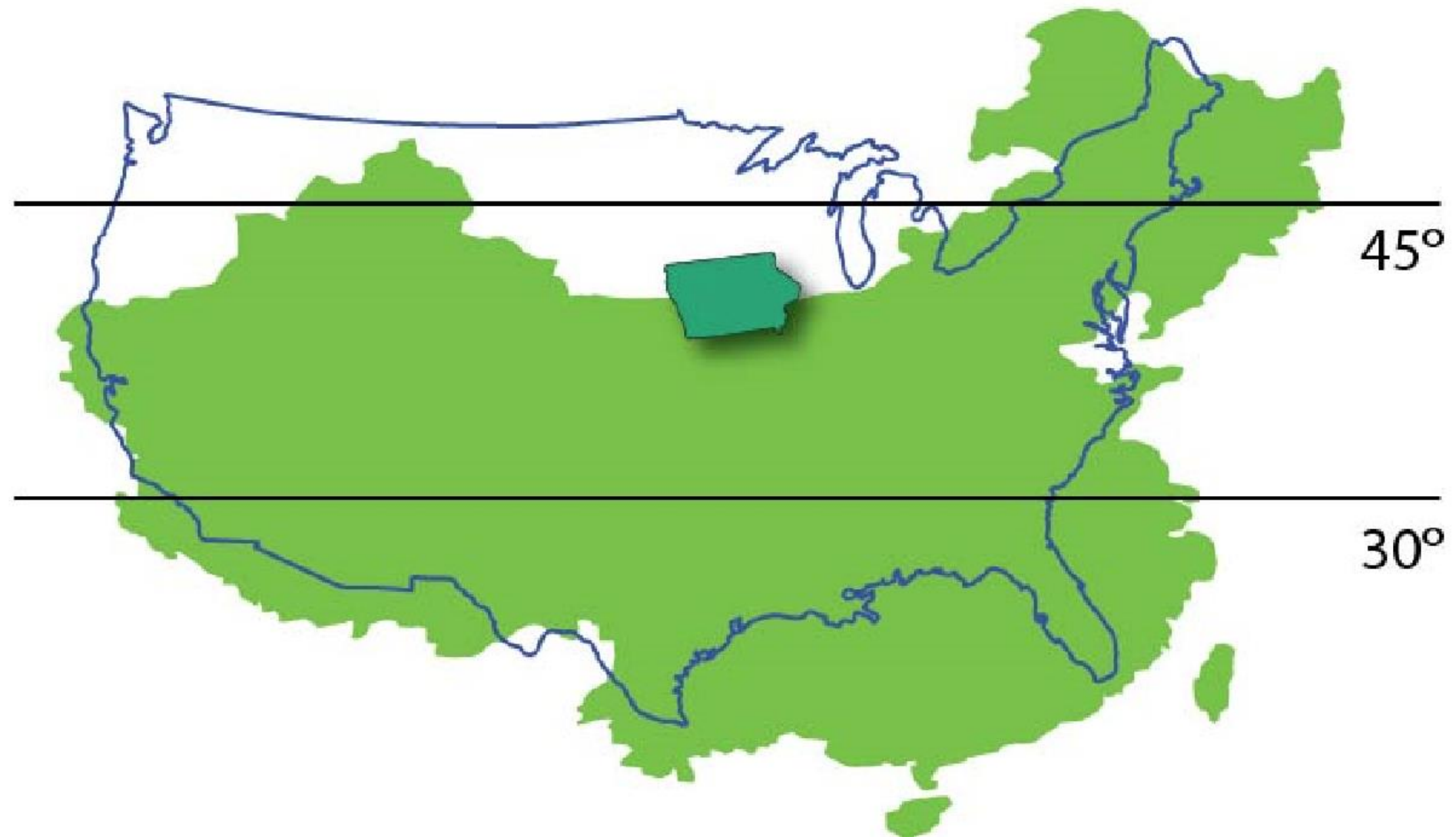
**Percent
Changes
in Land
Values
from Nov
2018**

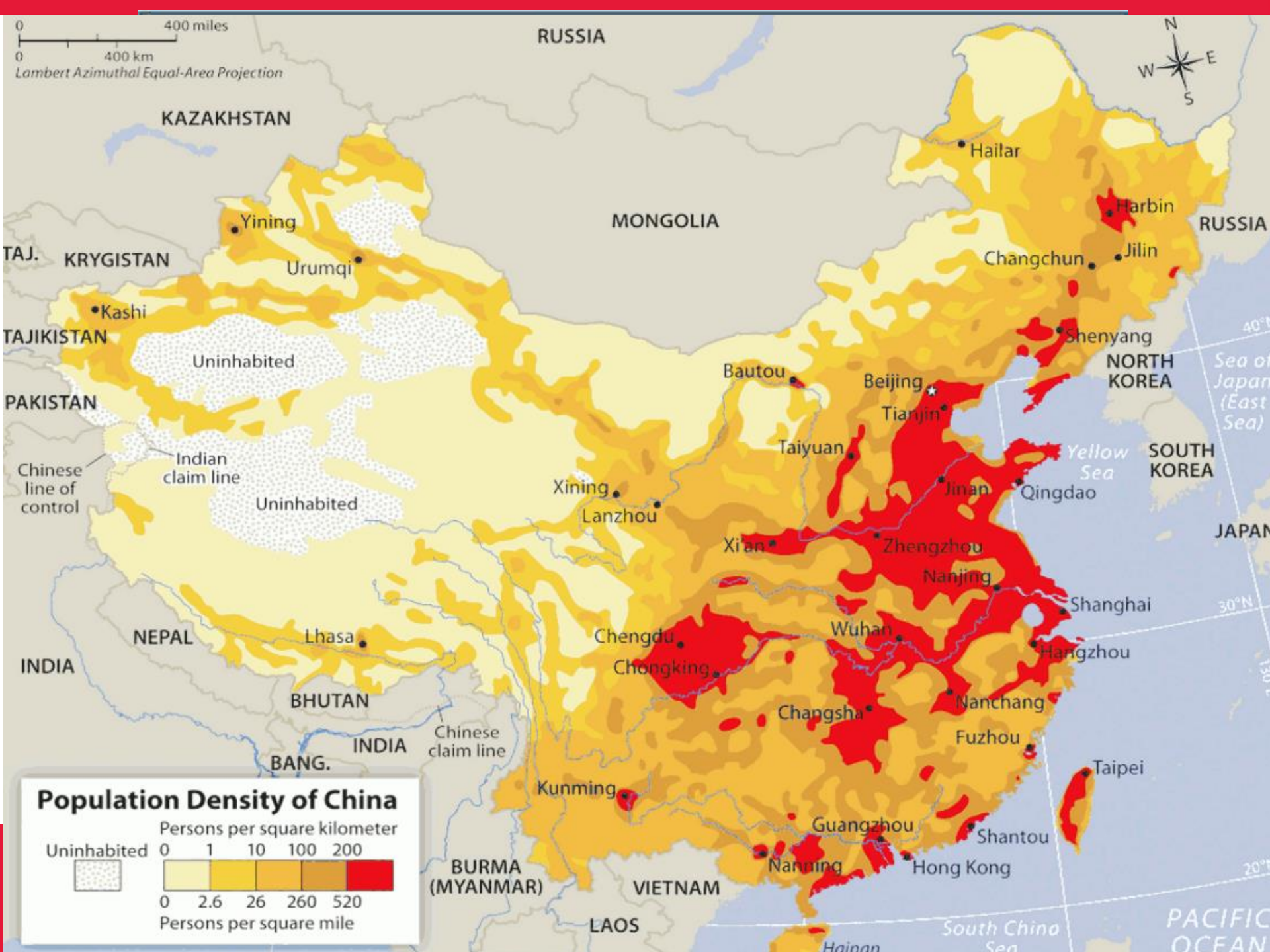


**IOWA STATE
UNIVERSITY**
Extension and Outreach

- Percentage Change**
- Decrease 3% or less
 - Increase less than 1%
 - Increase 1%–2%
 - Increase 2%–4%
 - Increase 4% or more

Mainland China vs. US





Total land size

Number of parcels

Family Rep.

30-year term

All family members

发包方 全称	美兰县灵山乡 (盖章)				
承包方代 表姓名	吴乾洪				
承包方 住址	美兰县灵山乡 村 村宅组				
土地承包 合同编号					
承包期限	1998年1月1日至2027年12月31日止				
承包方式	家庭承包				
承包土 地用途	农业用地				
承包方土地承包经营权共有人情况					
姓名	性别	年龄	姓名	性别	年龄
吴乾洪	男	51			
林桂兰	女	54			
吴坤森	男	24			
吴亚玉	女	23			


承包地总 面积(亩)	3.05			承包地块 总数(块)	8块		
地块 名称	面积 (亩)	等级	地类	东至			西至
秧田	0.32		水稻	东: 水沟 南: 乾荣			西: 亚花 北: 陈明
苏塘井	0.67		:	东: 陈亚 南: 陈			西: 陈明 北: 陈妹
秧田	0.76		:	东: 陈清 南: 陈金			西: 提地 北: 公路
公路园	0.32		:	东: 陈凤 南: 陈明			西: 陈凤 北: 乾荣
陈叶园	0.35		:	东: 陈清 南: 乾荣			西: 世昌 北: 水沟
大排地	0.20		:	东: 何洋 南: 乾清			西: 坎地 北: 坎
新市河	0.26		:	东: 水沟 南: 乾荣			西: 黑田 北: 正兰
大甘塘	0.11		:	东: 坎地 南: 才金			西: 坎地 北: 乾荣

Navigating the Chinese agricultural economy through the lens of Iowa

By Wendong Zhang, extension economist, 515-294-2536, wdzhang@iastate.edu; Minghao Li, postdoctoral researcher, Center for Agricultural and Rural Development, Iowa State University

The Trade War Challenge and the Phase One Trade Deal



Donald J. Trump  @realDonaldTrump · 2h

One of the greatest trade deals ever made! Also good for China and our long term relationship. 250 Billion Dollars will be coming back to our Country, and we are now in a great position for a Phase Two start. There has never been anything like this in U.S. history! USMCA NEXT!

 8.4K  15K  69K



Donald J. Trump  @realDonaldTrump · 6m

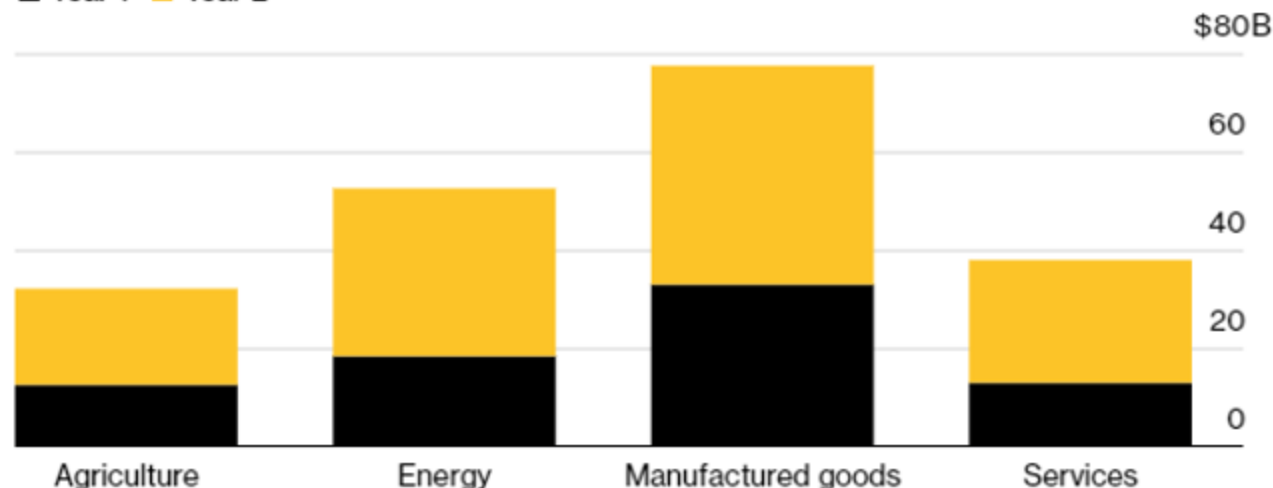
The farmers are really happy with the new China Trade Deal and the soon to be signed deal with Mexico and Canada, but I hope the thing they will most remember is the fact that I was able to take massive incoming Tariff money and use it to help them get through the tough times!

 1.1K  1.6K  6.1K

Beijing's \$200 Billion Buying Spree

China has committed to increase purchases from the U.S. over two years*

■ Year 1 ■ Year 2



Source: U.S. White House

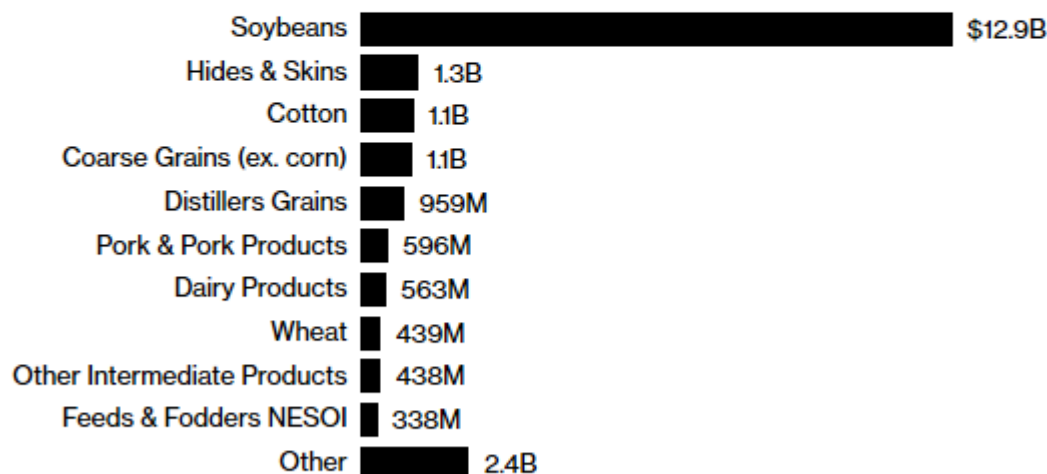
Note: *additional U.S. exports to China on top of 2017 baseline

“Purchases will be made at market prices based on commercial considerations and that market conditions, particularly in the case of agricultural goods, may dictate the timing of purchases within any given year,” according to the agreement.

The deal includes some terms that some observers say China could use to claim that the U.S. is at fault if it doesn't meet the purchase targets. For example, China could request consultations if China's purchases are “affected by an action or inaction by the United States,” the text says. That could come into play if U.S. export rules limit the technology products the U.S. lets China buy. A senior administration official said the provision just allows for discussions and wouldn't be a basis for China to claim it can't fulfill its commitments.

Trade Breakdown

U.S. averaged \$22b annually of agriculture exports to China pre-trade war



Source: USDA
Note: Average of 2013-17

Unappreciated hazards of the US-China phase one deal



Chad P. Bown (PIIE)

January 21, 2020 5:00 AM

WHAT THE AGREEMENT COMMITS CHINA TO BUY IS UNREALISTIC

Figure 1

The phase one deal does not cover all US exports to China, yet still sets incredibly ambitious targets

Total US goods and services exports to China, billions USD

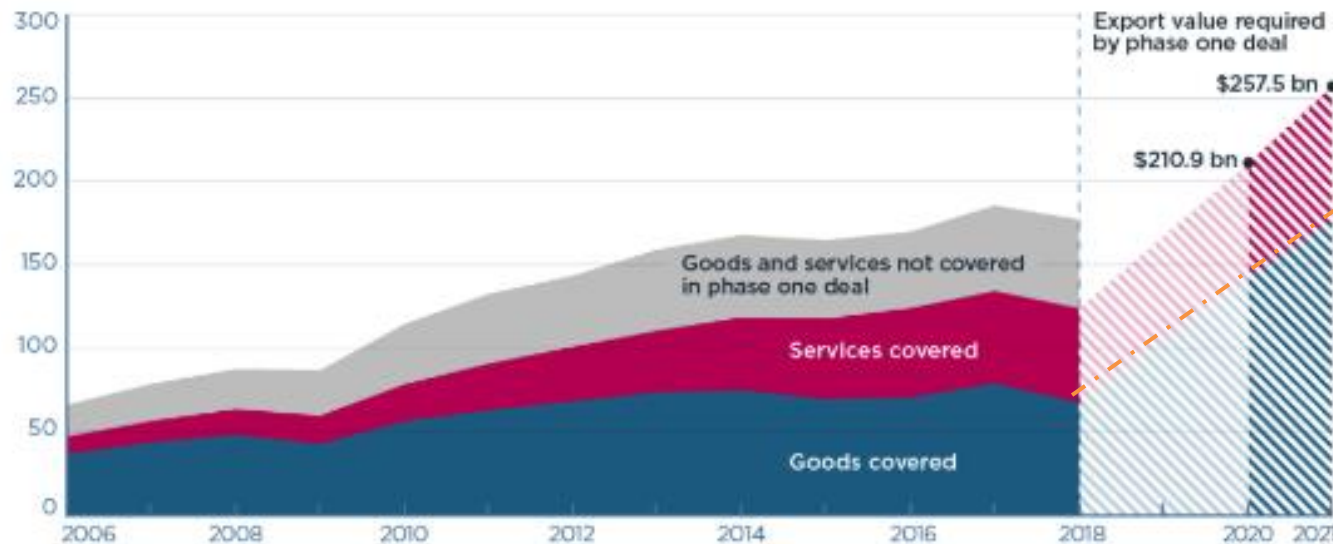


Figure 2

US export targets for agriculture, energy, and manufactured goods under phase one deal may be difficult to achieve

Total US exports to China by covered sector, billions USD

a. Agriculture



b. Manufactured goods



SOYBEANS PRICE COMMODITY

♥ 8.94 USD -0.04 (-0.45%)

MARKETSINSIDER



Scott Irwin @ScottIrwinUI · 19h

1. I think the market's reaction to the Phase 1 trade agreement with China can be characterized as, "If something looks too good to be true, it probably is." But I think it is worth pushing the analysis further than that.

6

17

40

[Show this thread](#)

Prev. Close 8.98 Open 8.98

Day Low

8.93

Day High

8.98

52 Week Low

7.81

52 Week High

9.49

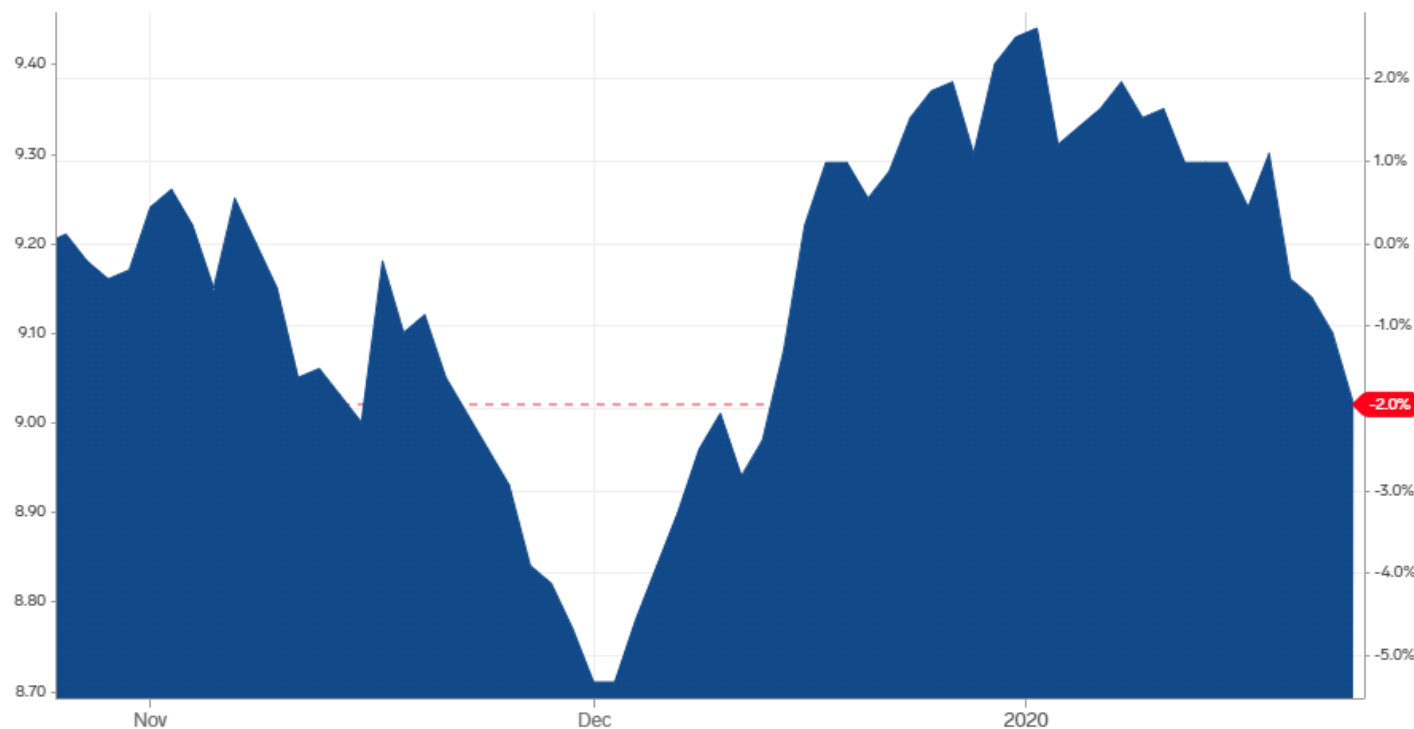
8.93

8.93

INTRADAY 1W 1M 3M 6M YTD 1Y 3Y 5Y 10Y MAX

INDICATORS

CHART OPTIONS



CARD

Center for Agricultural and Rural Development

Purchases: China will purchase and import on average at least \$40 billion of U.S. food, agricultural, and seafood products annually for a total of at least \$80 billion over the next two years. Products will cover the full range of U.S. food, agricultural, and seafood products. On top of that, China will strive to import an additional \$5 billion per year over the next two years.



- Poultry: \$0.5 bil. (2013) to \$1 Bil.
- Pork: \$0.7 Bil. (2017) to \$1.7 Bil.
- Beef: \$0 to \$1 Bil.
- Live breeding cattle: \$0.25-0.5 Bil.
- Processed meat: \$0 to 0.25 bil.
- Rice/dairy/fruits: \$0.3 bil.
- DDGS/feed additives: \$0.7 Bil.
- Pet food: \$0.3Bil.
- Conduct a risk assessment on ractopamine
- Review TRQ and domestic support for corn and wheat

**\$7 Billion
Increase
detailed**

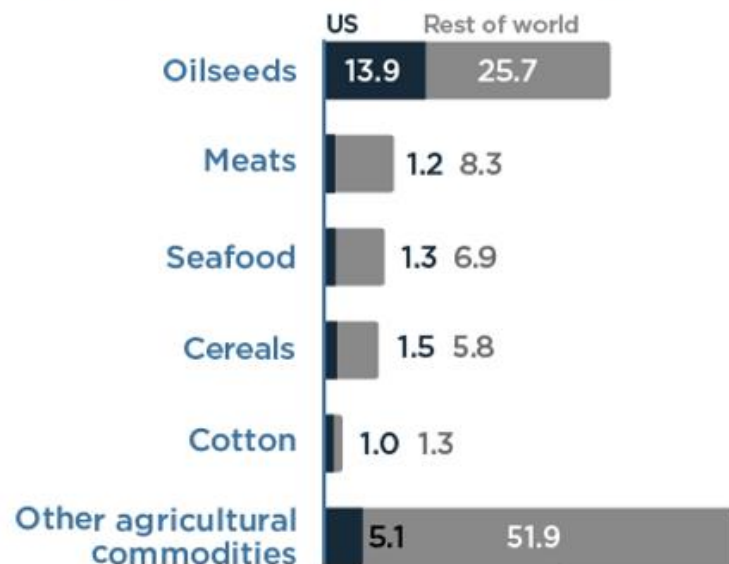
Figure 3

China may divert trade from a number of trading partners to meet US export targets in phase one deal

Chinese imports by sector and country, 2017

Agriculture

Amount, billions USD



Percent

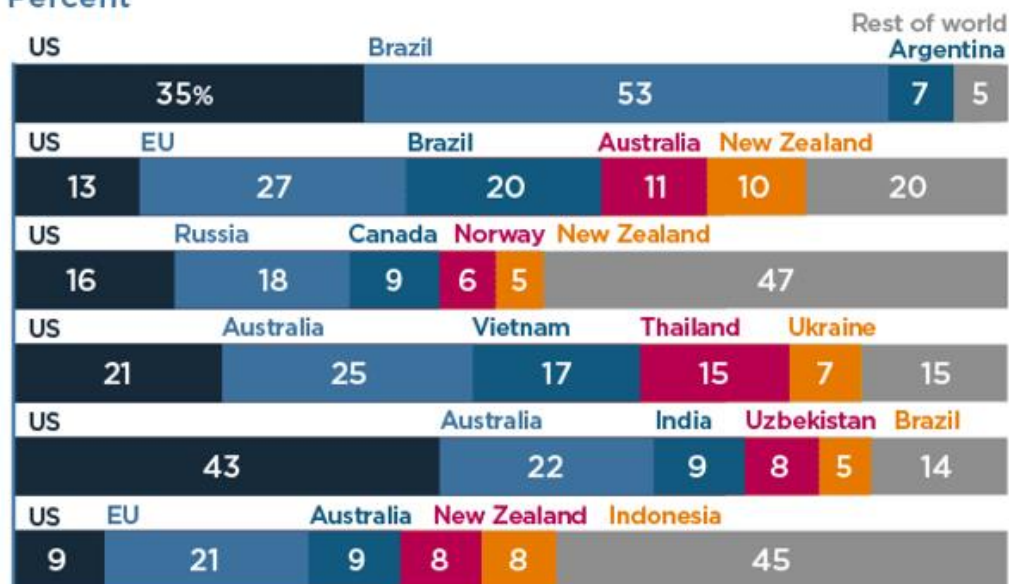


Figure 15. China Poultry, Meat, Eggs and Products Imports by Value and Import Market Share

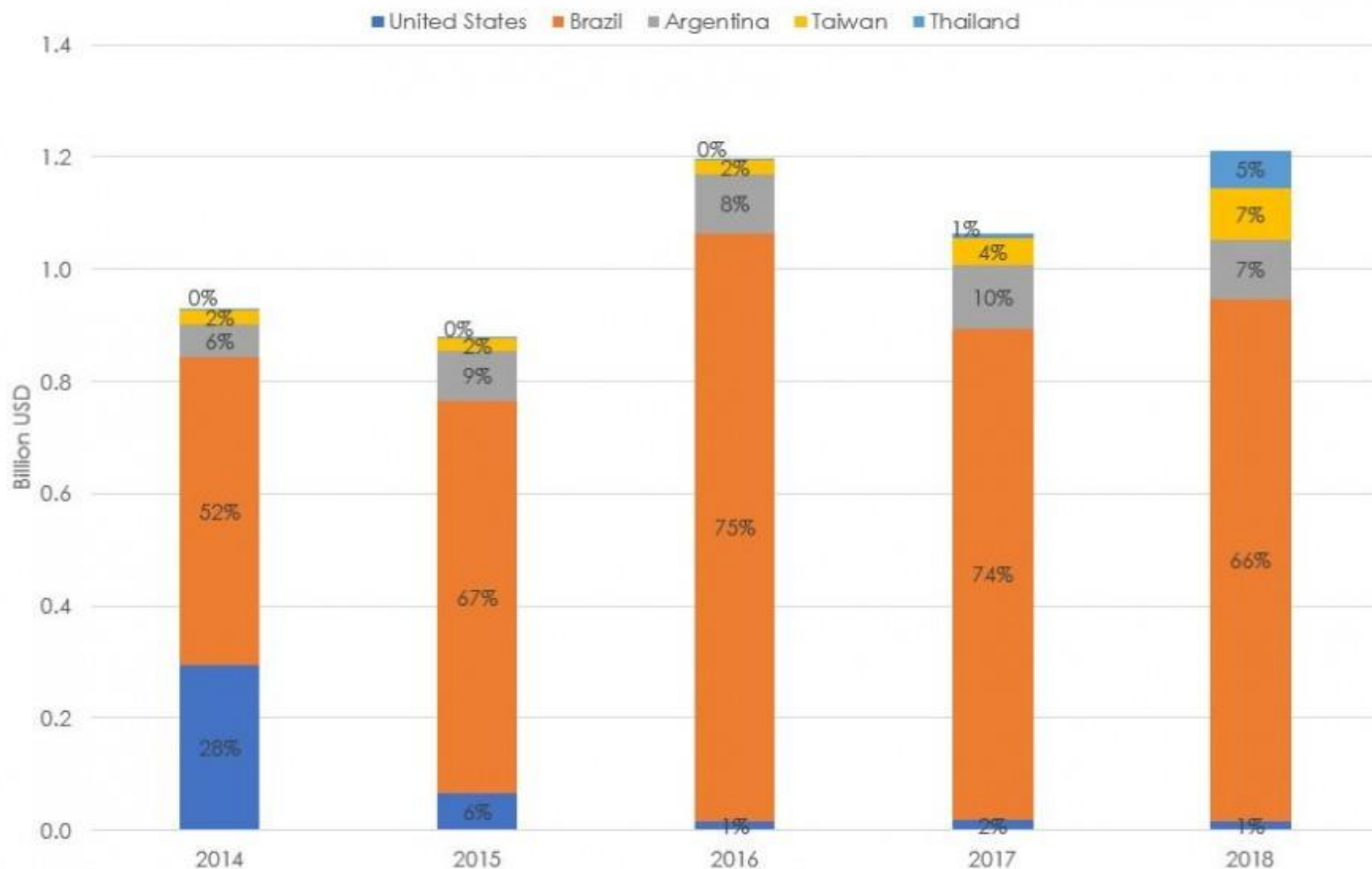
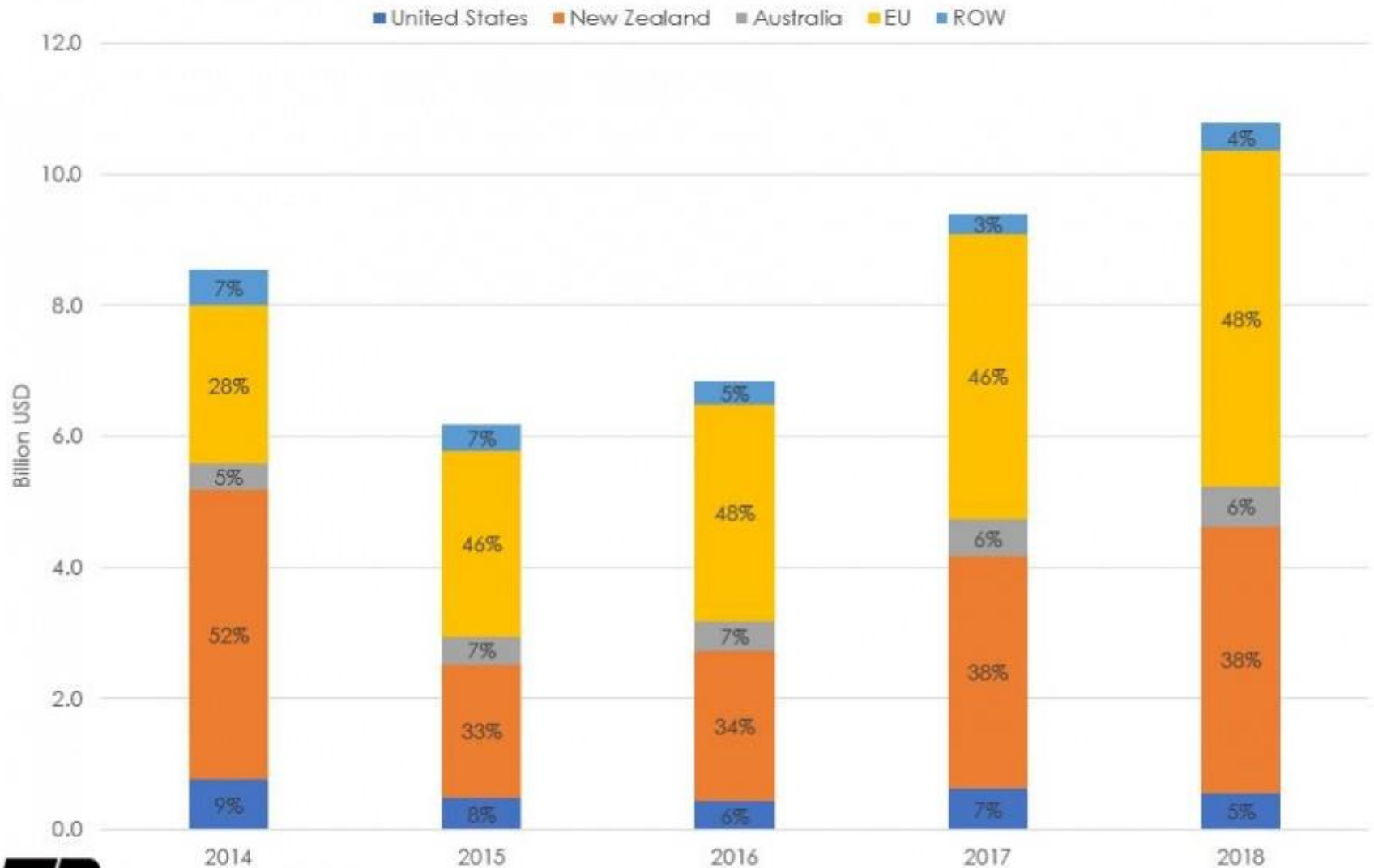


Figure 4. China Dairy Product Imports by Value and Import Market Share



FARM BUREAU®

Source: Trade Data Monitor

China's Agricultural Import Potential

by Minghao Li, Wendong Zhang, and Dermot Hayes

Table 4. Predicting China's Import Potential from the United States

	Increase in import quantity			Increase in import value (\$billion)		
	Low	Middle	High	Low	Medium	High
Corn	16.5 MMT	33.1 MMT	49.6 MMT	3.7	7.4	11.1
Wheat	8.9 MMT	17.9 MMT	26.8 MMT	2.4	4.9	7.3
Beef	0.2 MMT	0.5 MMT	0.7 MMT	0.9	1.8	2.7
Pork	2.2 MMT	4.3 MMT	6.5 MMT	4.5	8.9	13.4
Chicken	0.6 MMT	1.3 MMT	1.9 MMT	4.9	9.9	14.8
Cotton	55 TMT	110 TMT	165 TMT	0.11	0.22	0.33
Ethanol	110 Mil. L	220 Mil. L	330 Mil. L	0.08	0.15	0.22
Distiller grains	0.66 MMT	1.33 MMT	2.0 MMT	0.18	0.36	0.54
Others				0.87	1.7	2.6
Total				17.6	35.3	53.0

Note: Projections for corn, wheat, beef, pork, and chicken are calculated using the domestic elasticity method; projections for cotton, ethanol, distiller grains, and others are calculated using the import elasticity method. See text for descriptions.

MMT: million metric tons; TMT: thousand metric tons; Mil. L: million

CARD Policy Briefs

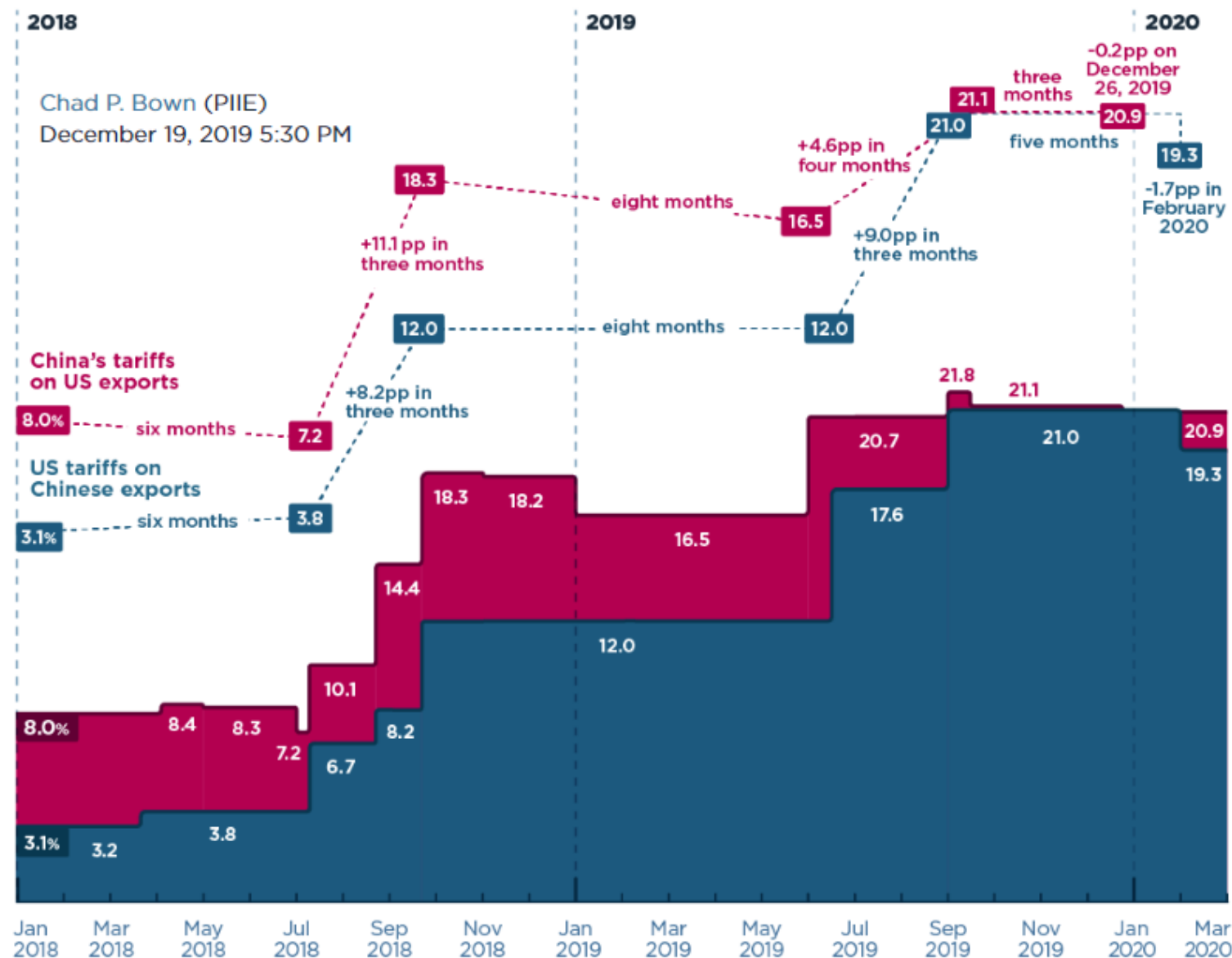
June 2018

18-PB 23

Figure 1

Phase one deal only slightly reduces average US tariff on imports from China

Average tariff rate, percent



The Long-term Consequences

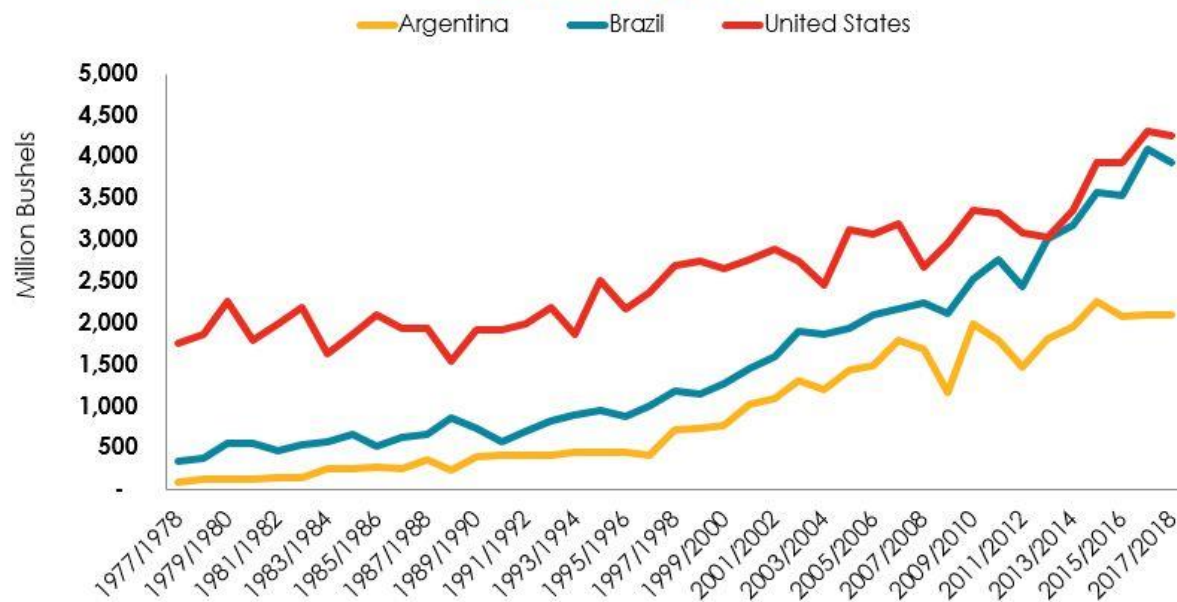
China's Feed Industry Association on Friday approved new standards for feed for pigs and chickens, lowering the protein levels in pig feed by 1.5 percentage points and those for chickens by one percentage point, the agriculture ministry said in a statement that day. It did not say when the new standards would take effect.

The ministry also said in the statement that China's overall yearly consumption of soymeal would fall by 11 million tonnes. The country used 71 million tonnes of soymeal to make animal feed in the 2017-18 crop year.

UPDATE 1-CHINA SAYS NEW ANIMAL FEED STANDARDS WILL CUT CHUNK OUT OF APPETITE FOR SOY

10/28/2018

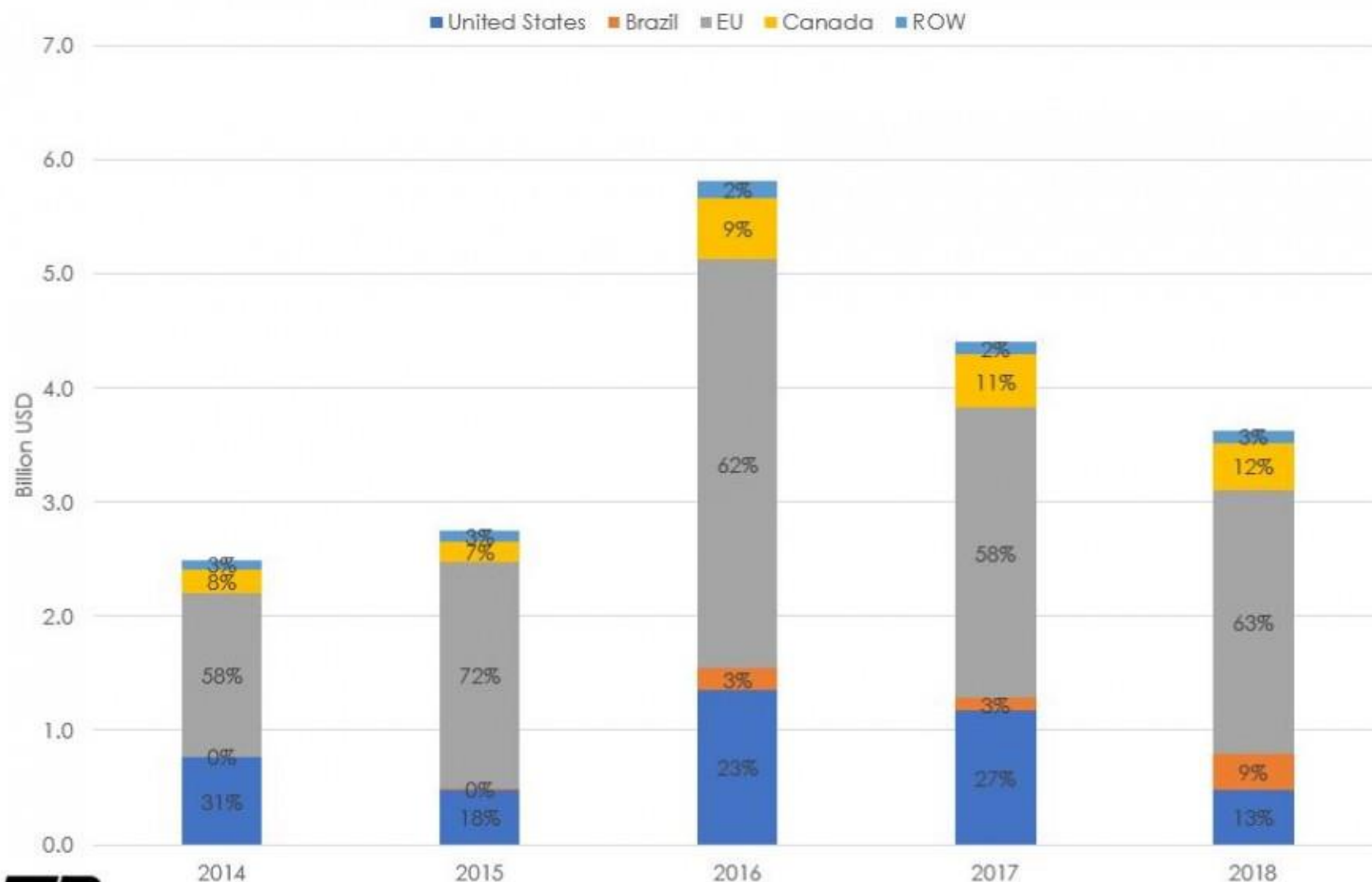
Figure 2. U.S. and South American Soybean Production
1977/78 to 2017/18



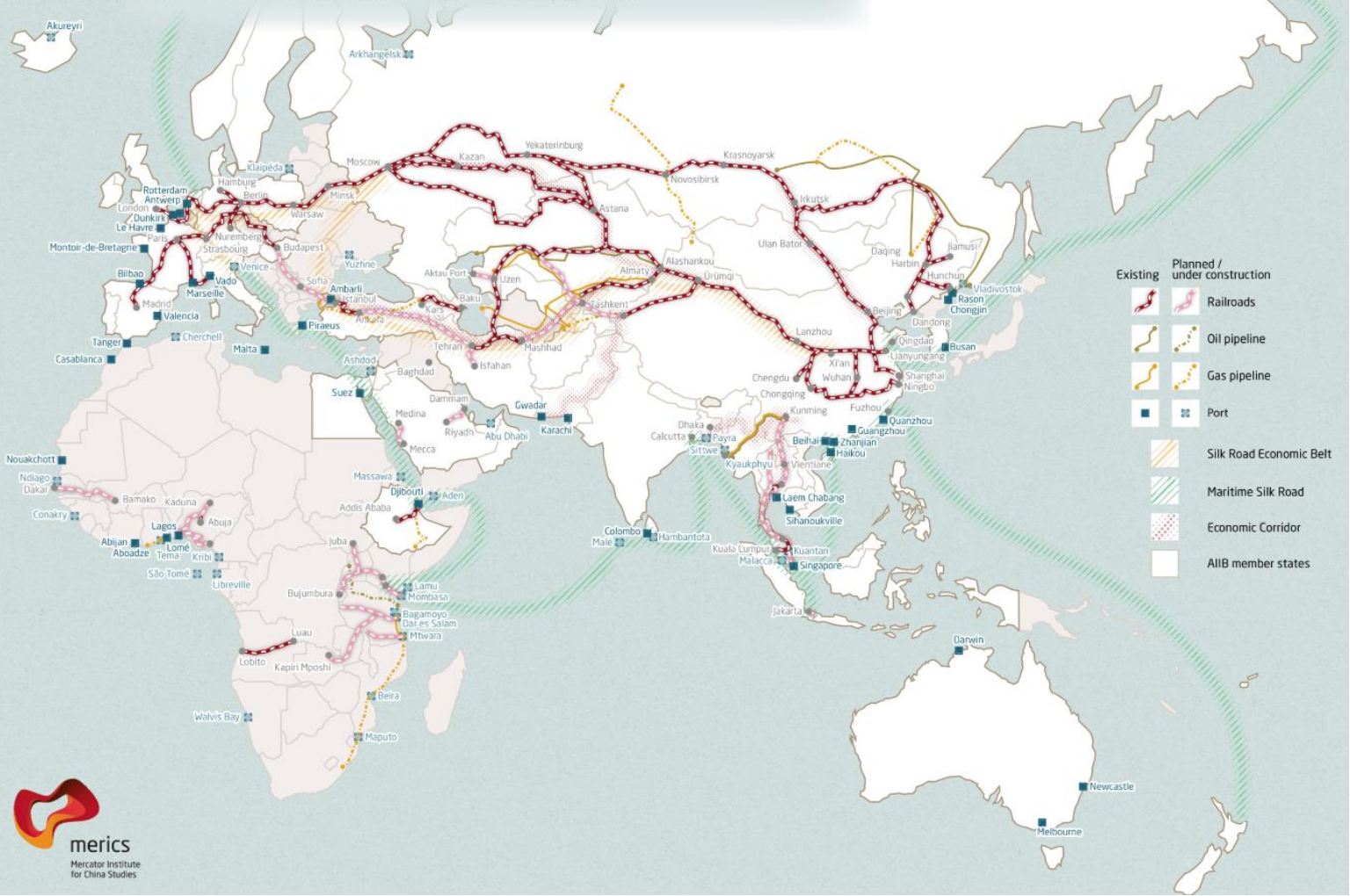
China-U.S. agricultural trade shares: in decline since 2012



Figure 9. China Swine, Pork and Pork Product Imports by Value and Import Market Share



The Belt and Road Initiative creates a global infrastructure network
 China uses, acquires and builds railroads, ports and pipelines



China's Belt and Road Initiative

Started in 2013/4



The Future of US-China Trade

Why China is Indispensable?

**88 percent of the next billion entrants
into the middle class will be in Asia**

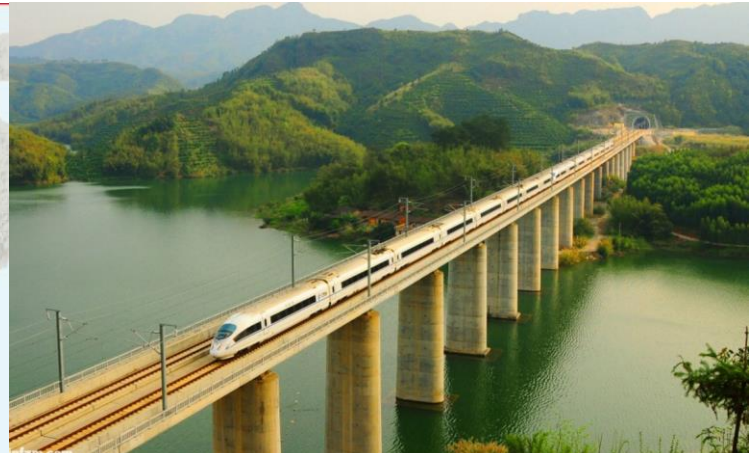
By 2030, Asia could represent 2/3
of the global middle class population.



BROOKINGS



China is a Country of Rapid Change



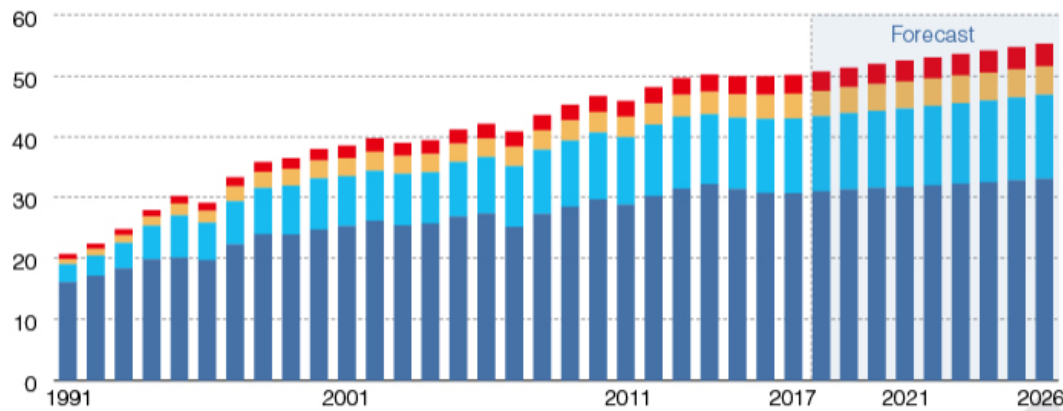
High Speed Rail

IOWA STATE UNIVERSITY
Extension and Outreach

A Meatier Middle Kingdom

■ Pork ■ Poultry ■ Beef and veal ■ Sheep

Unit: Kilograms per capita



Source:

Original
Develop



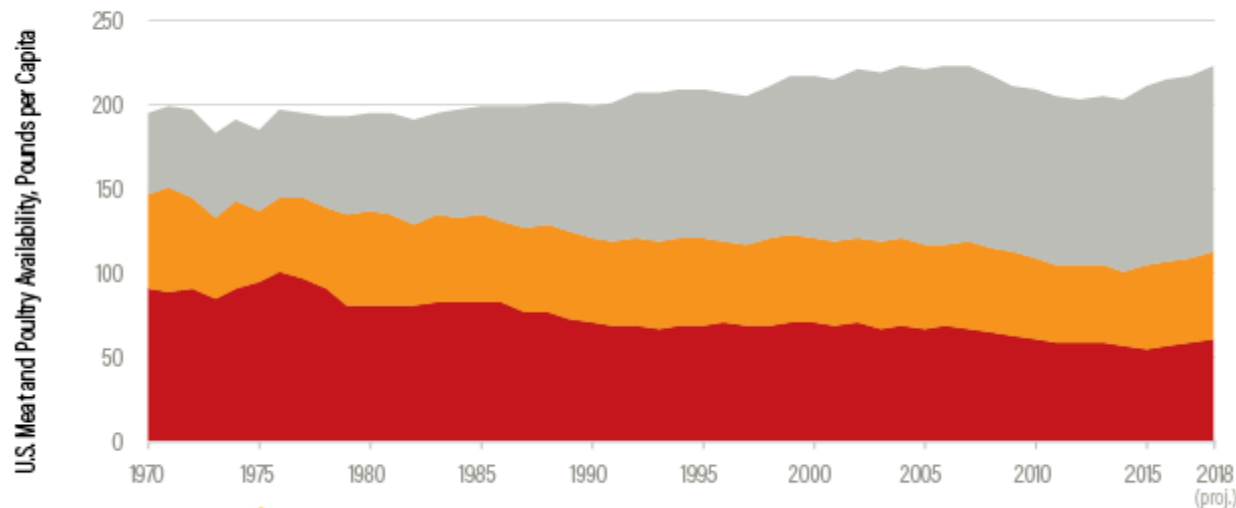
Co-operation and
tion of the United Nat

Scan to download



Charts of the Day: China's Growing Meat Consumption

U.S. Meat Consumption Has Shifted from Beef toward Chicken



WORLD RESOURCES INSTITUTE

beef

My hometown: Shenxian, Shandong Province

Greenhouse – plastic film - Shandong Province



#4: Arguably strategic misjudgments early on by both sides, exposing lack of mutual understandings and mistrust

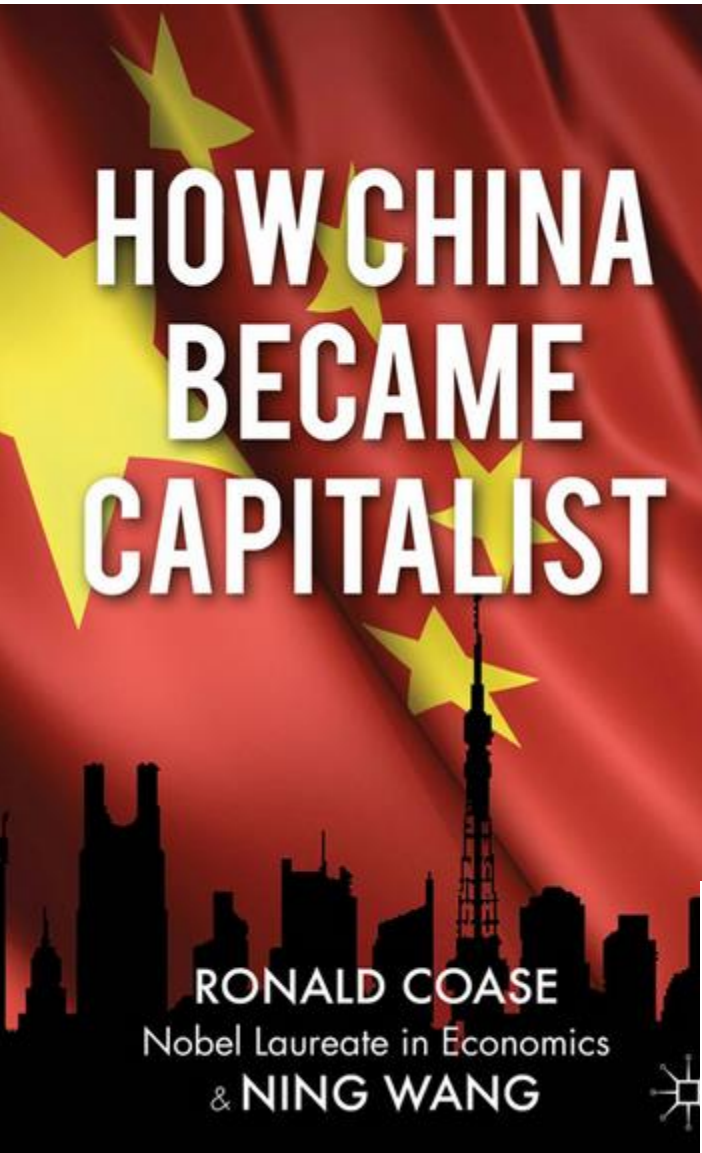


Chinese Lesson Time

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

ntegral 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.

Thank You!

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