

US-China Trade War and Phase-One Trade Deal

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South Central College - Ag Symposium

Mankato, MN February 19, 2020

A Quick Introduction: Dr. Wendong Zhang

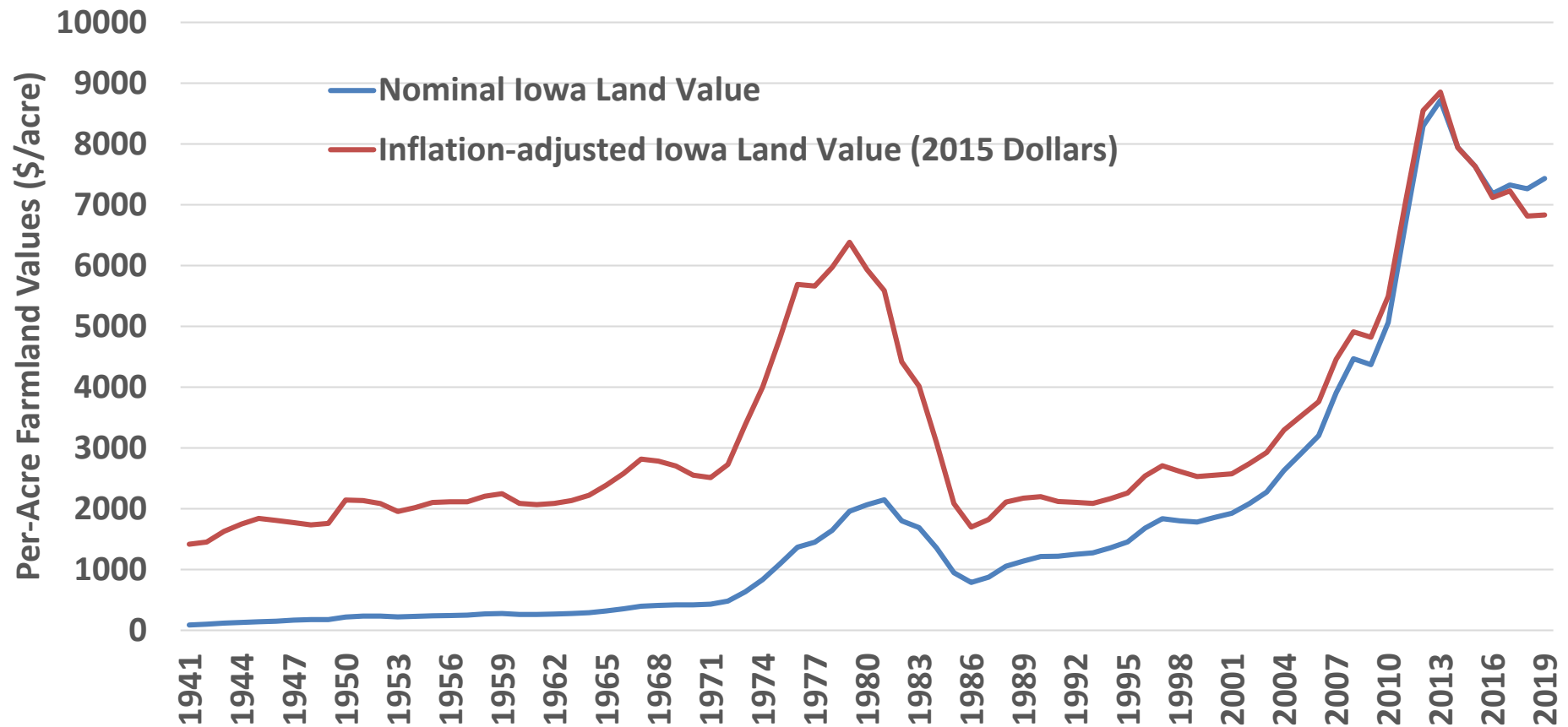
- Grown up in a rural county in NE China
- Attended college in Shanghai and Hong Kong
- Ph.D. in Ag Econ in 2015 from Ohio State
- 2012 summer intern at USDA-ERS on farm economy and farmland values
- Research and extension interests:

land value/ownership [www.card.iastate.edu/farmland/agriculture and the environment](http://www.card.iastate.edu/farmland/agriculture_and_the_environment)

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

The 2.3% hike in Iowa Land Values Just Exceeded the Pace of Inflation

Average Iowa Farmland Values: \$7,432/acre (2.3% increase)
Average values of all farmland 1942–2019



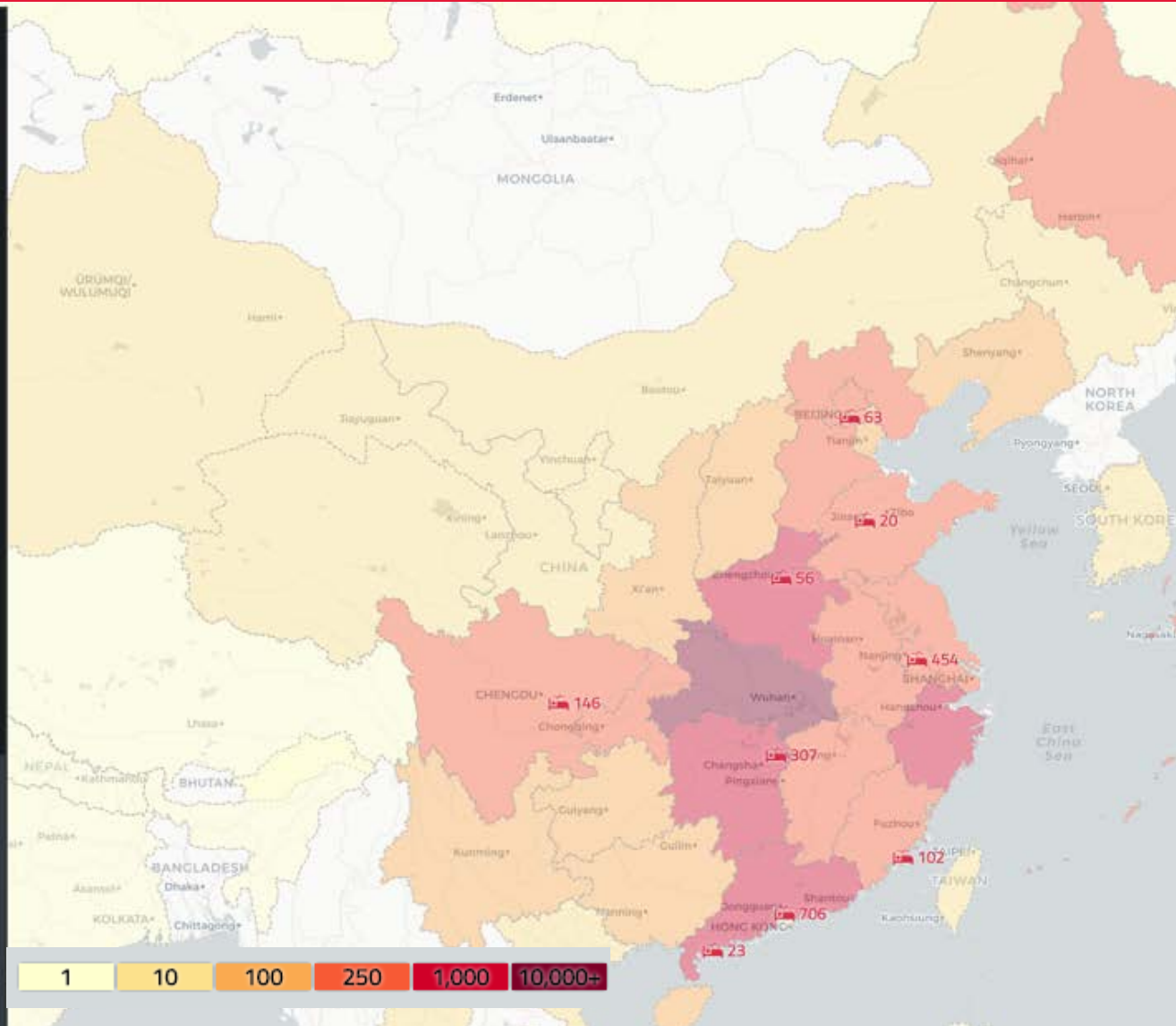
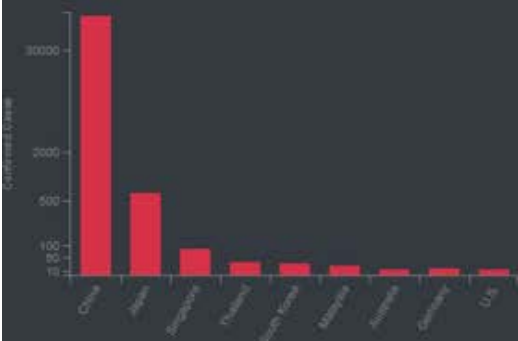
GLOBAL TREND

Last update: 2020-02-18 08:08:04 PST [Click a place to review local trend](#)

Confirmed
73461

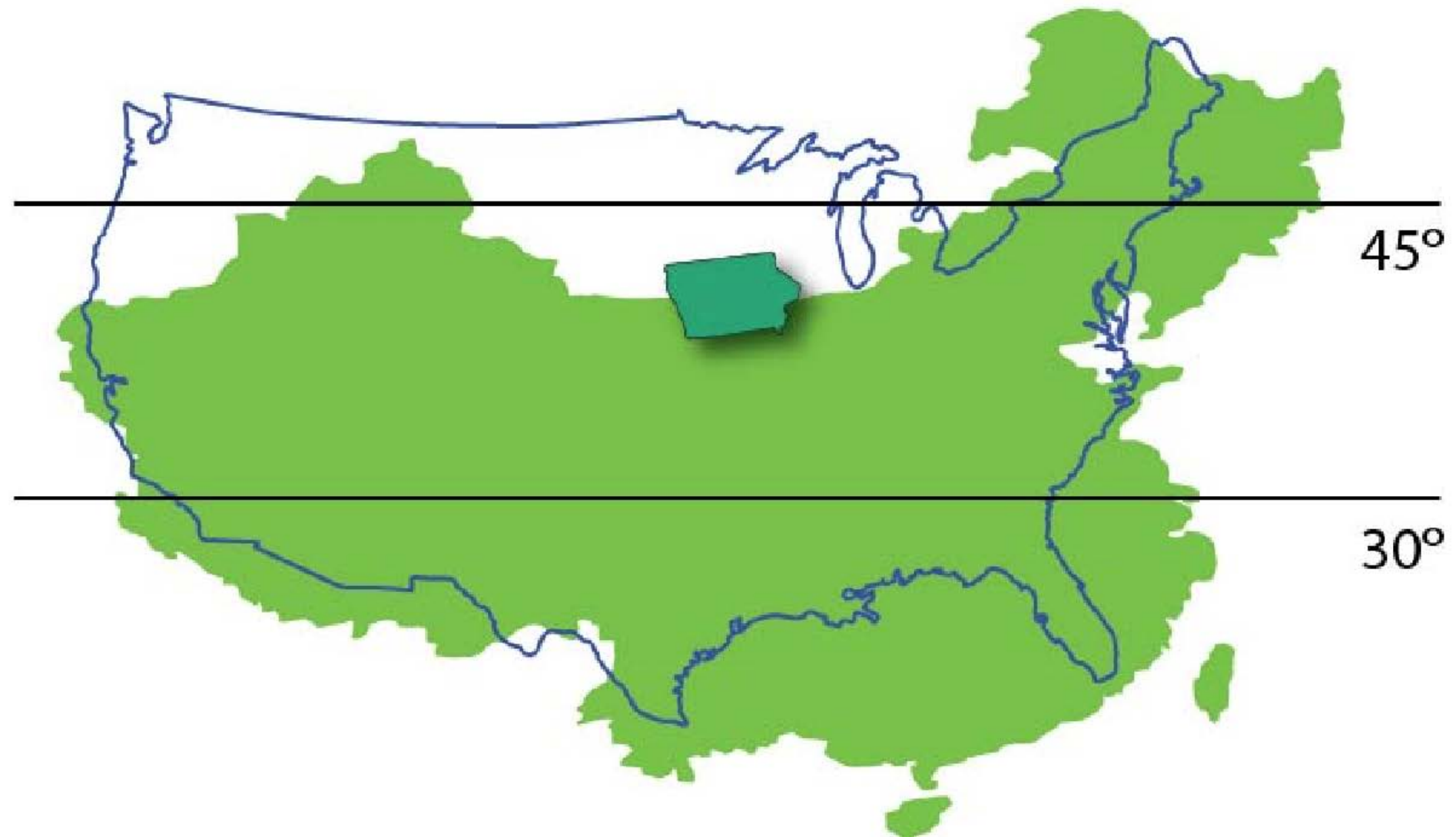
Recovered
13151

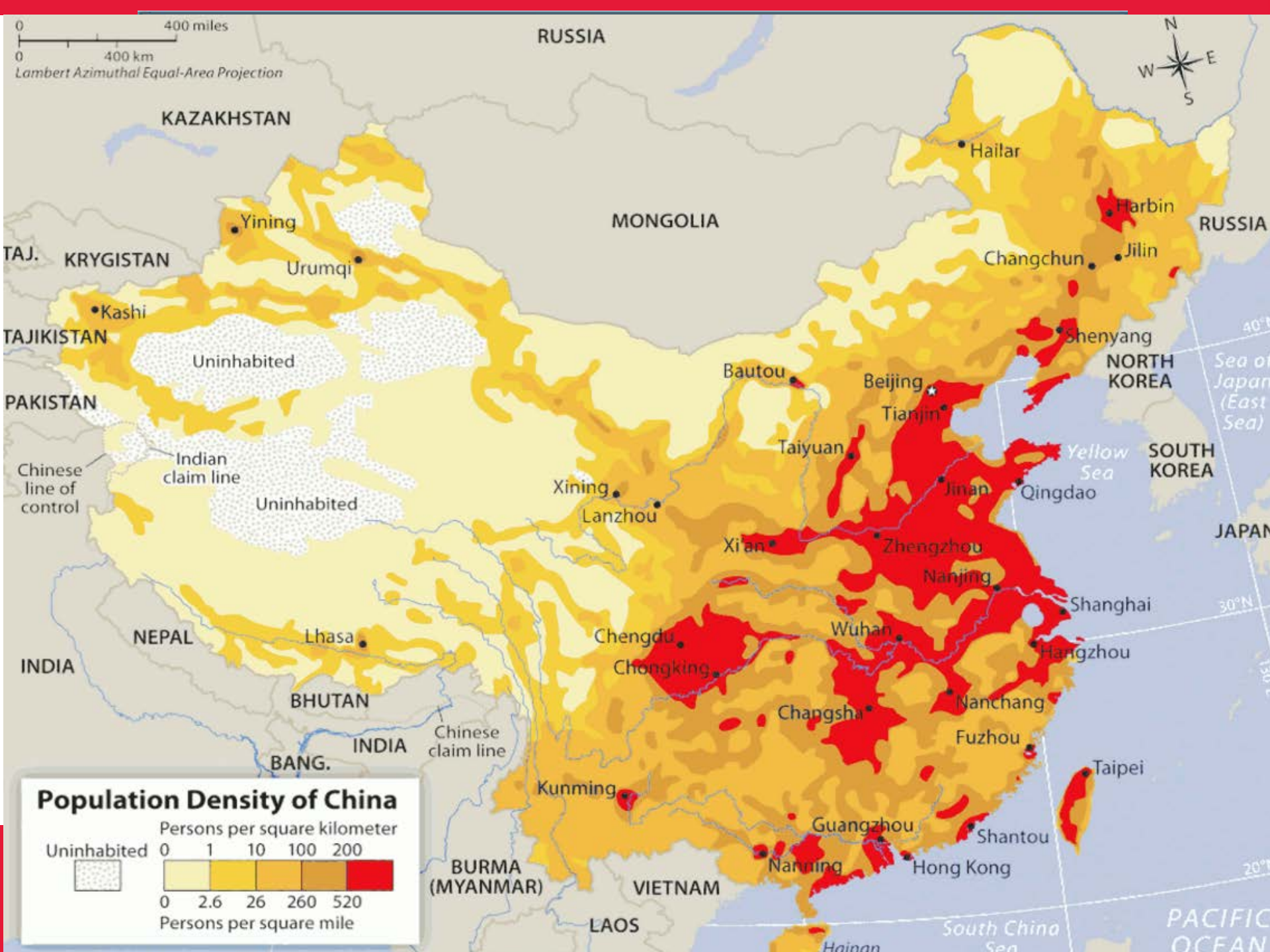
Death
1875



<https://hgis.uw.edu/virus/>

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 组				
土地承包 合同编号					
承包期限	1998年1月1日至2028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	四 至			
秧田	0.32		水田	东:水沟	南:乾荣		
苏薯井	0.67		:	西:亚花	北:清明		
秧田	0.76		:	东:好豆	南:路		
公路园	0.32		:	西:清明	北:好妹		
秧田	0.32		:	东:清明	南:世金		
秧田	0.32		:	西:提也	北:公路		
秧田	0.32		:	东:好豆	南:清明		
秧田	0.32		:	西:好豆	北:乾荣		
秧田	0.32		:	东:清明	南:乾荣		
秧田	0.32		:	西:世昌	北:水沟		
秧田	0.32		:	东:好豆	南:乾荣		
秧田	0.32		:	西:好豆	北:乾荣		
秧田	0.32		:	东:水沟	南:乾荣		
秧田	0.32		:	西:黑田	北:正兰		
秧田	0.32		:	东:好豆	南:才金		
秧田	0.32		:	西:好豆	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

U.S.-China Deal Key Passages

For the category of agricultural goods identified in Annex 6.1, no less than \$12.5 billion above the corresponding 2017 baseline amount is purchased and imported into China from the United States in calendar year 2020, and no less than \$19.5 billion above the corresponding 2017 baseline amount is purchased and imported into China from the United States in calendar year 2021;

The Parties project that the trajectory of increases in the amounts of manufactured goods, agricultural goods, energy products, and services purchased and imported into China from the United States will continue in calendar years 2022 through 2025.

The Parties acknowledge that 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.

Unappreciated hazards of the US-China phase one deal

Chad P. Bown (PIIE)
January 21, 2020 5:00 AM

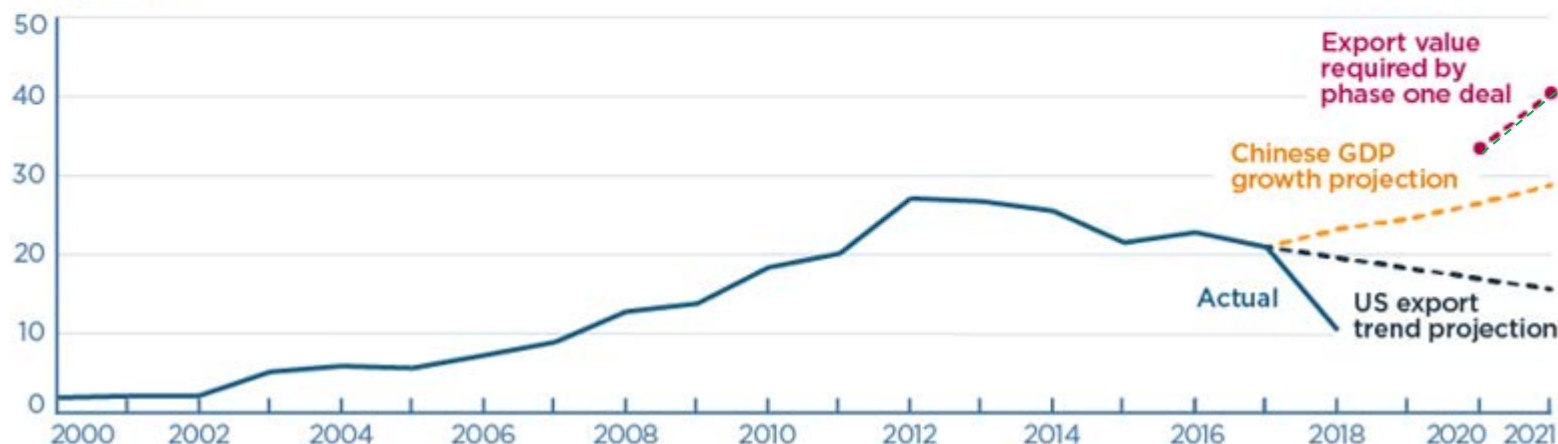


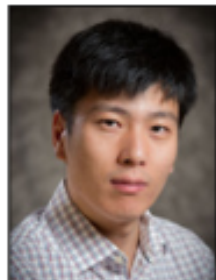
Figure 2

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





US-China Phase 1 Trade Deal and US agriculture: A big win for farmers or too good to be true?

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

Ag Decision Maker

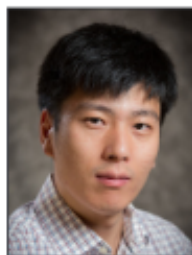
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February 2019



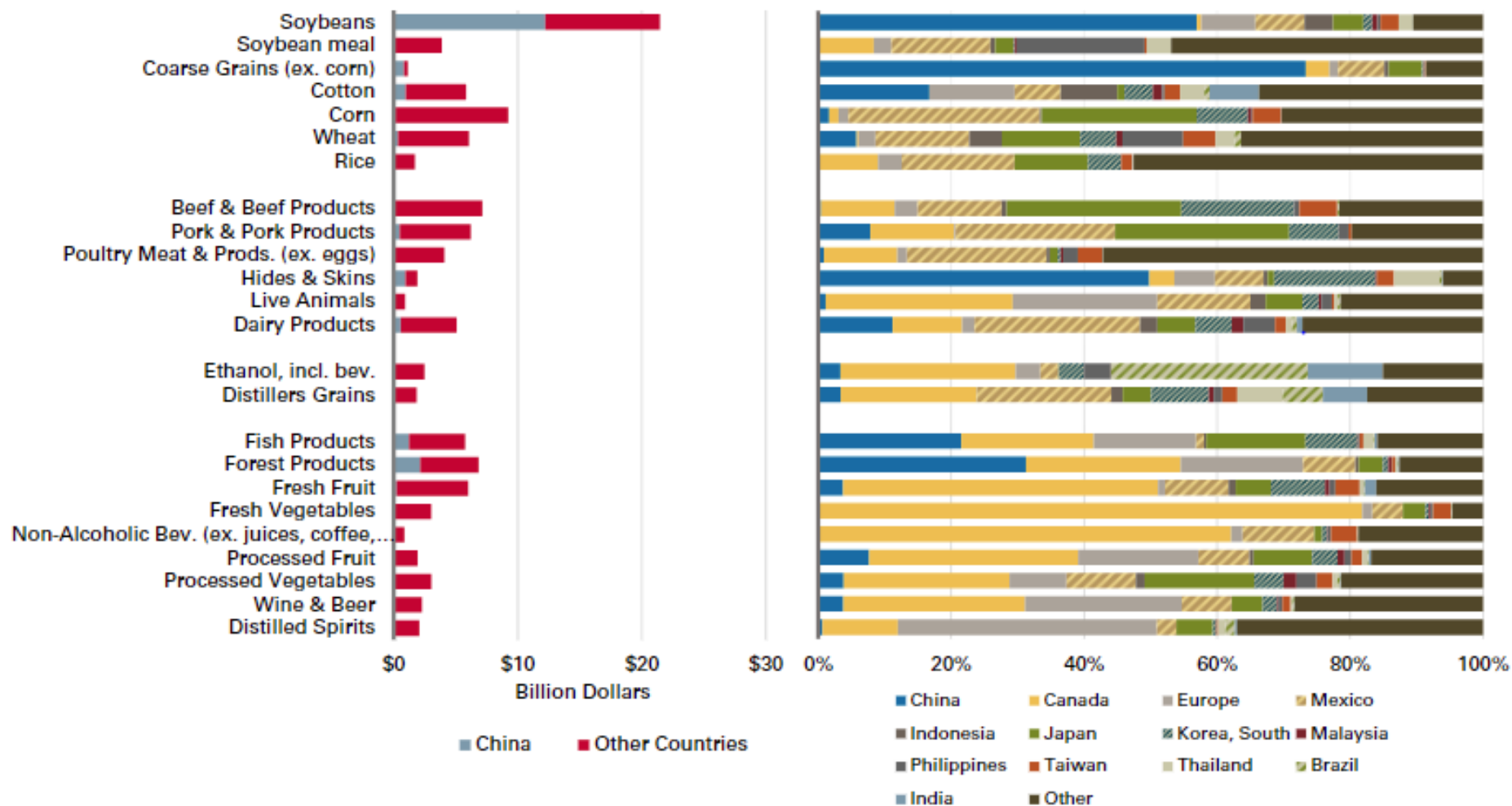
Seven things to know about China to understand the trade war

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

US-China Trade Pattern is likely to change

US-China Phase One Trade Deal and US agriculture, continued from page 4

Figure 1. Key US agricultural exports by commodity and country in 2017



PRICE

SOYBEANS

COMMODITY

▲ **8.80** USD **0.00 (0.06%)**



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.

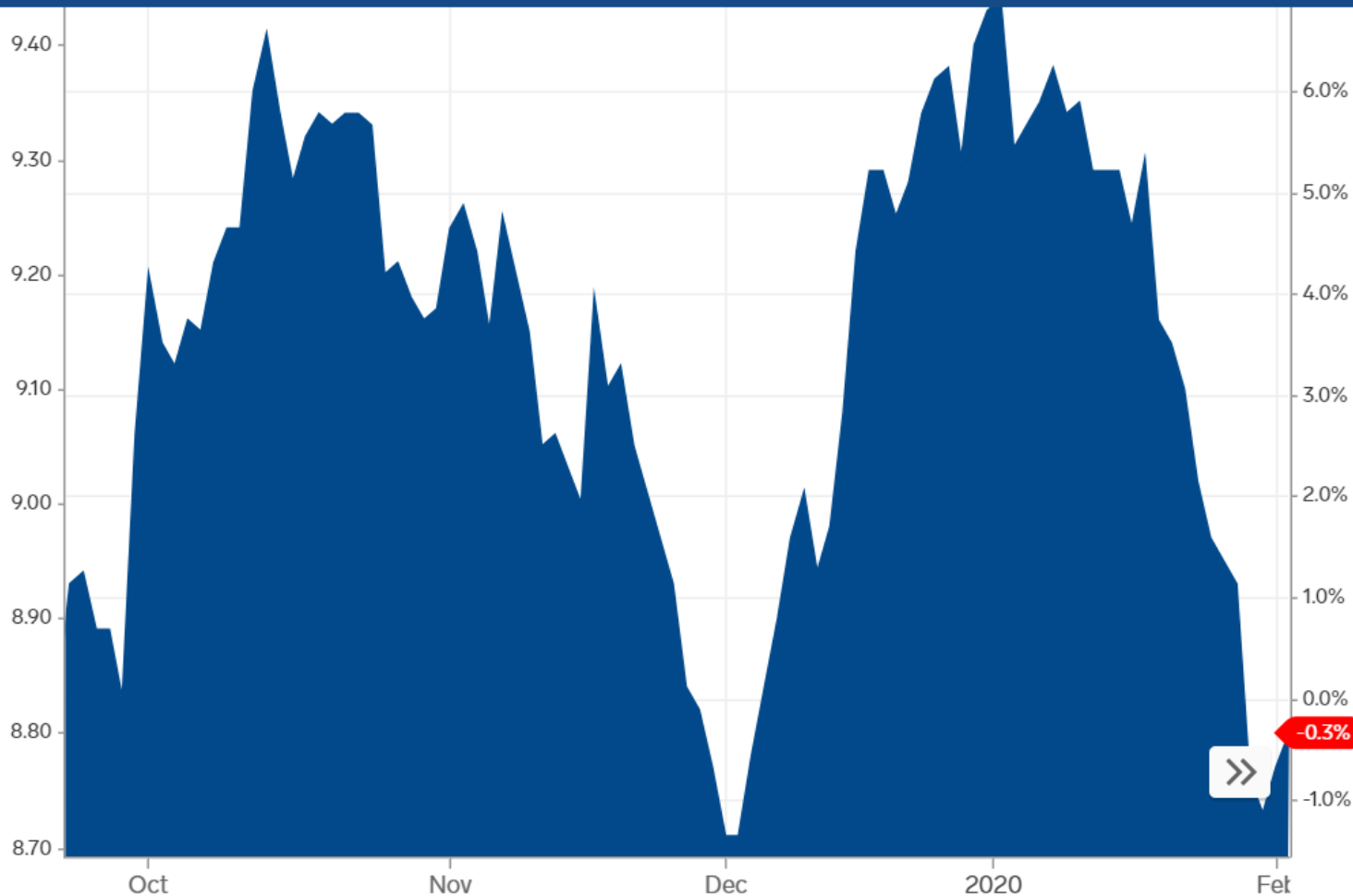
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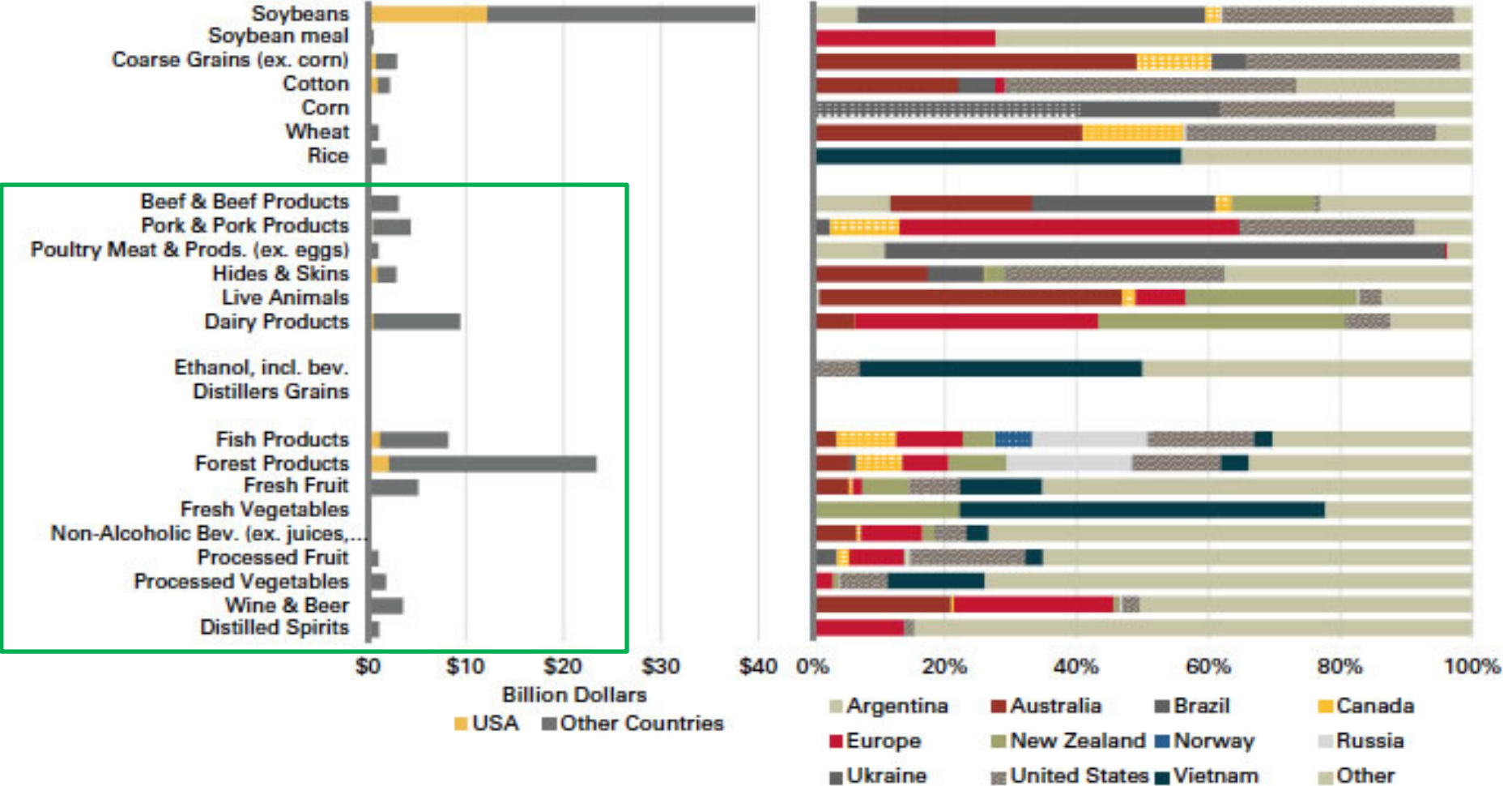
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MARKETS INSIDER



China's ag import surge?

Figure 2. Key Chinese agricultural imports by commodity and country in 2017



Chinese surge at the expenses of non-FTA partners?

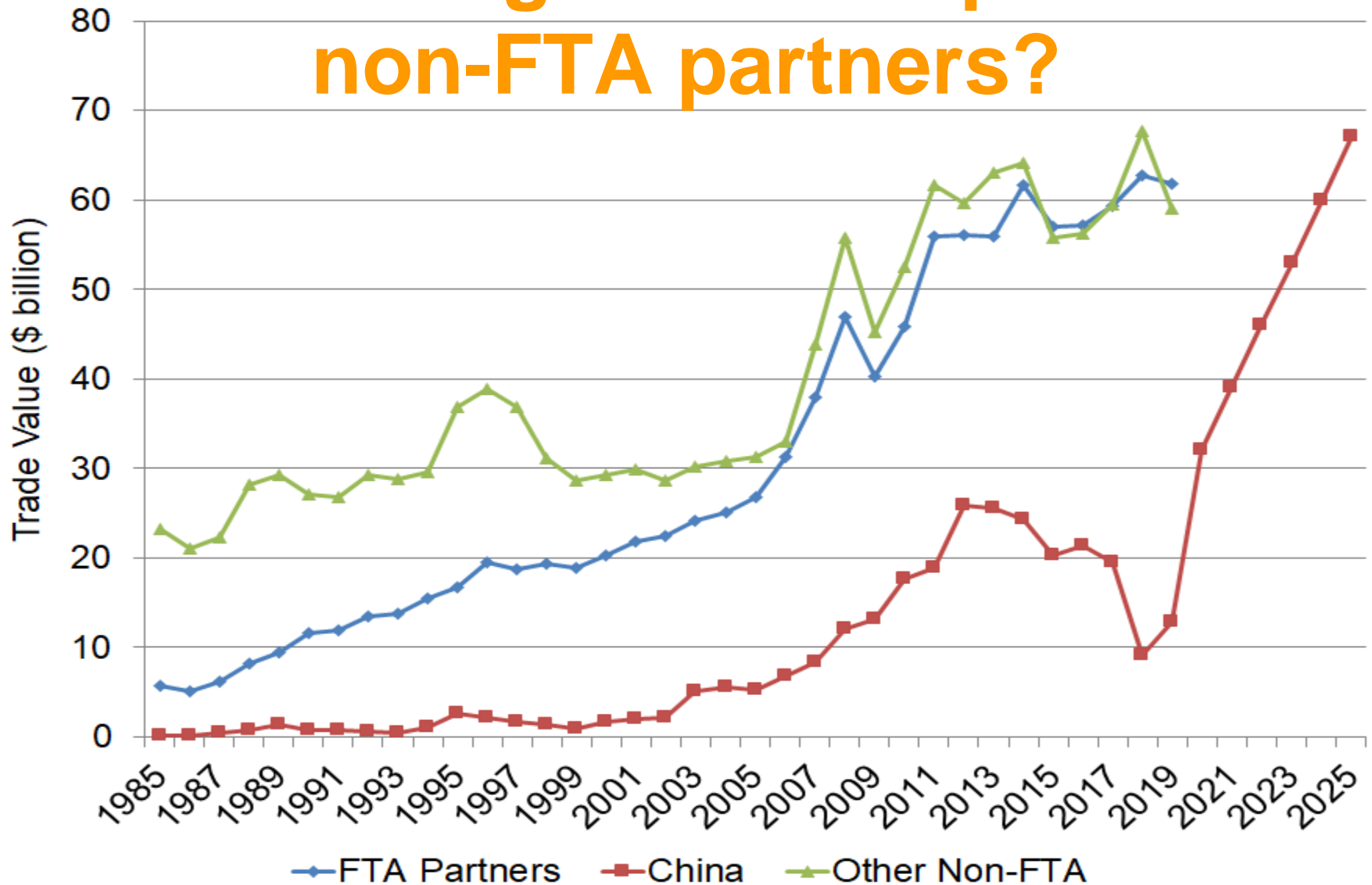
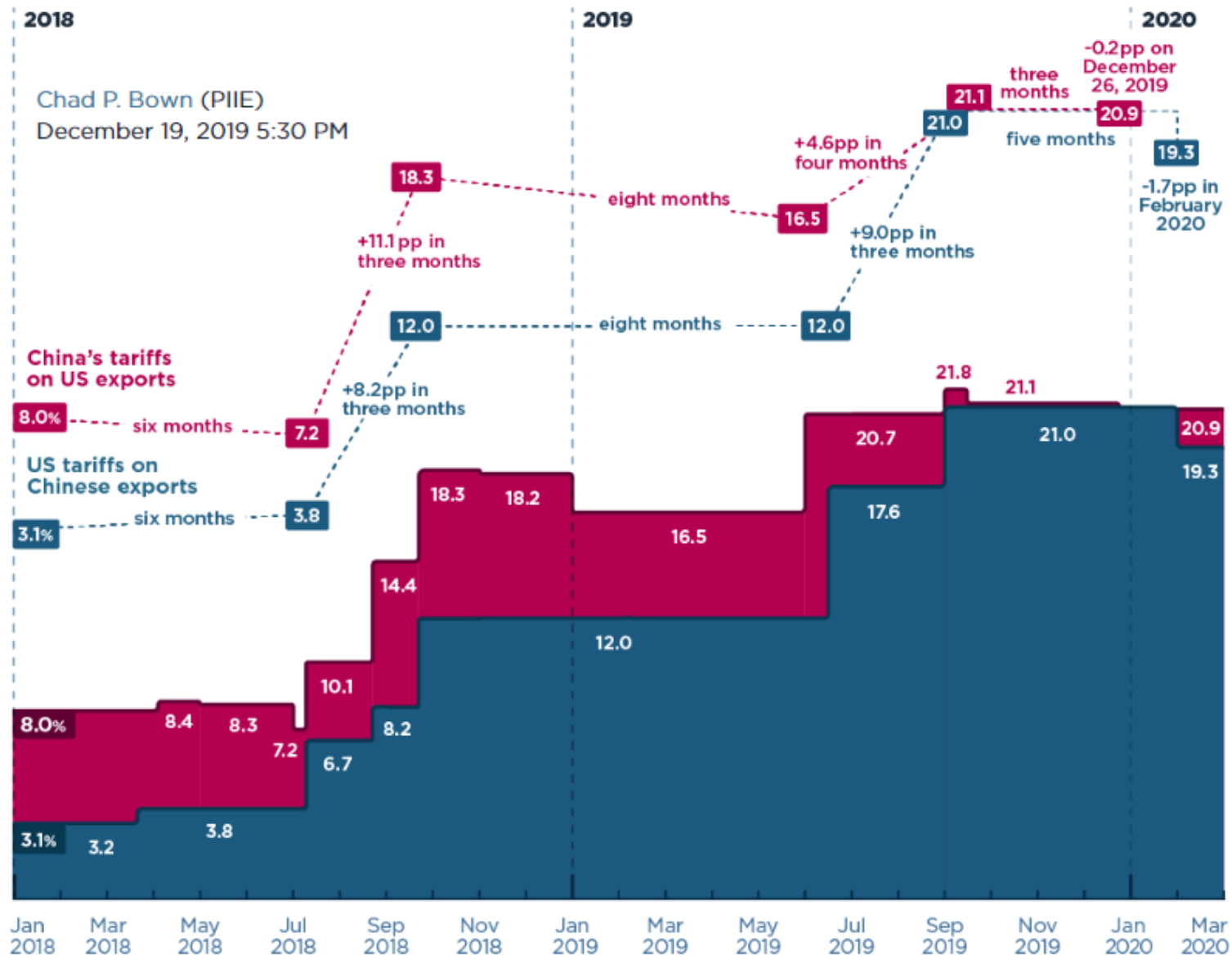


Figure 1

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

Average tariff rate, percent



The Long-term Consequences

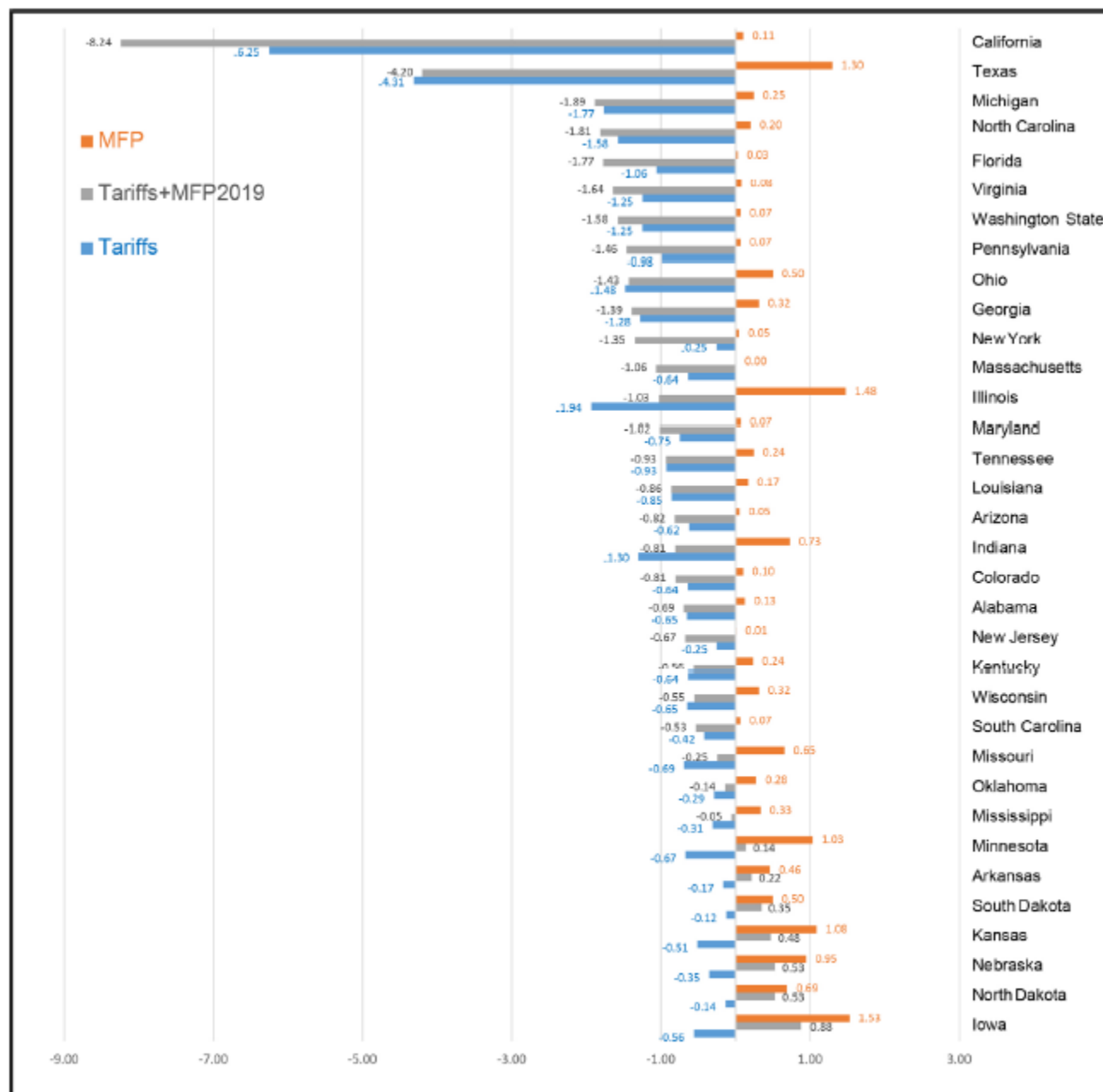


Figure 1. State-level trade war burden with and without 2019 MFP compensation (\$B EV) and 2019 MFP payments (\$B).

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

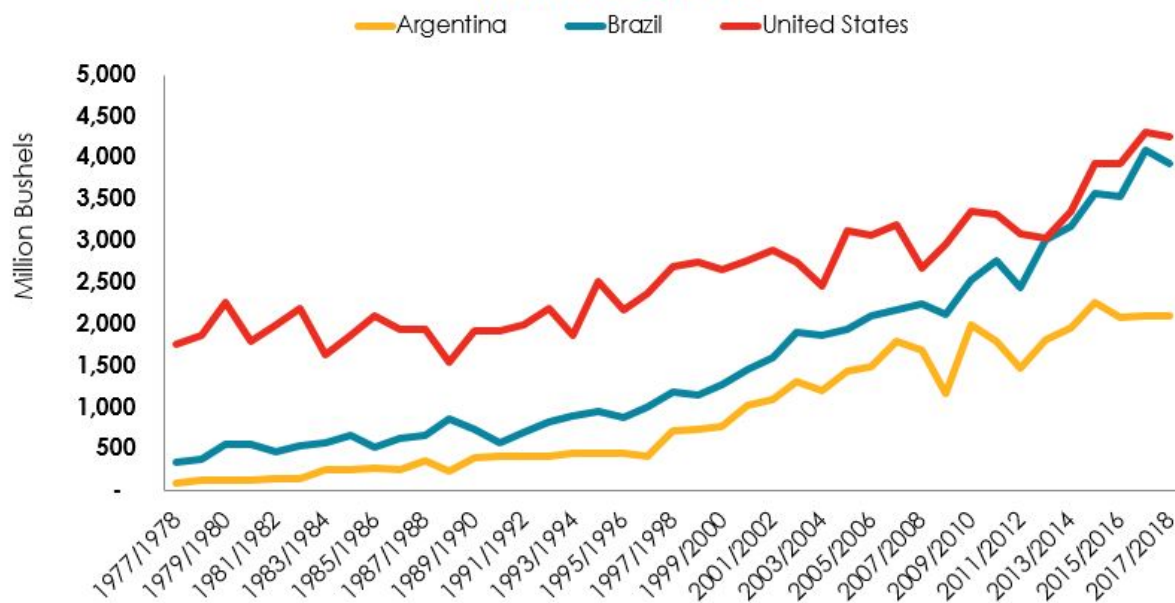
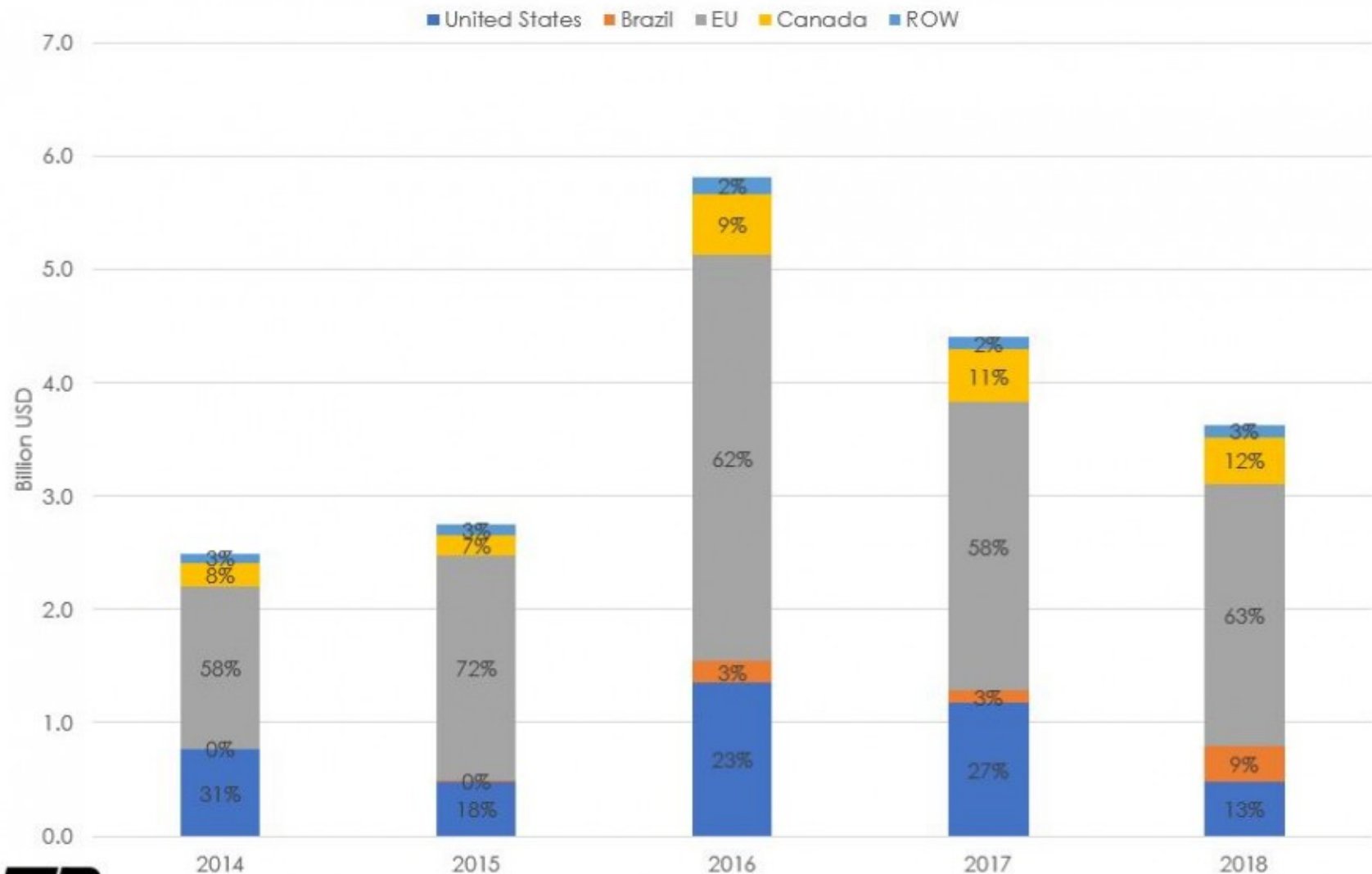
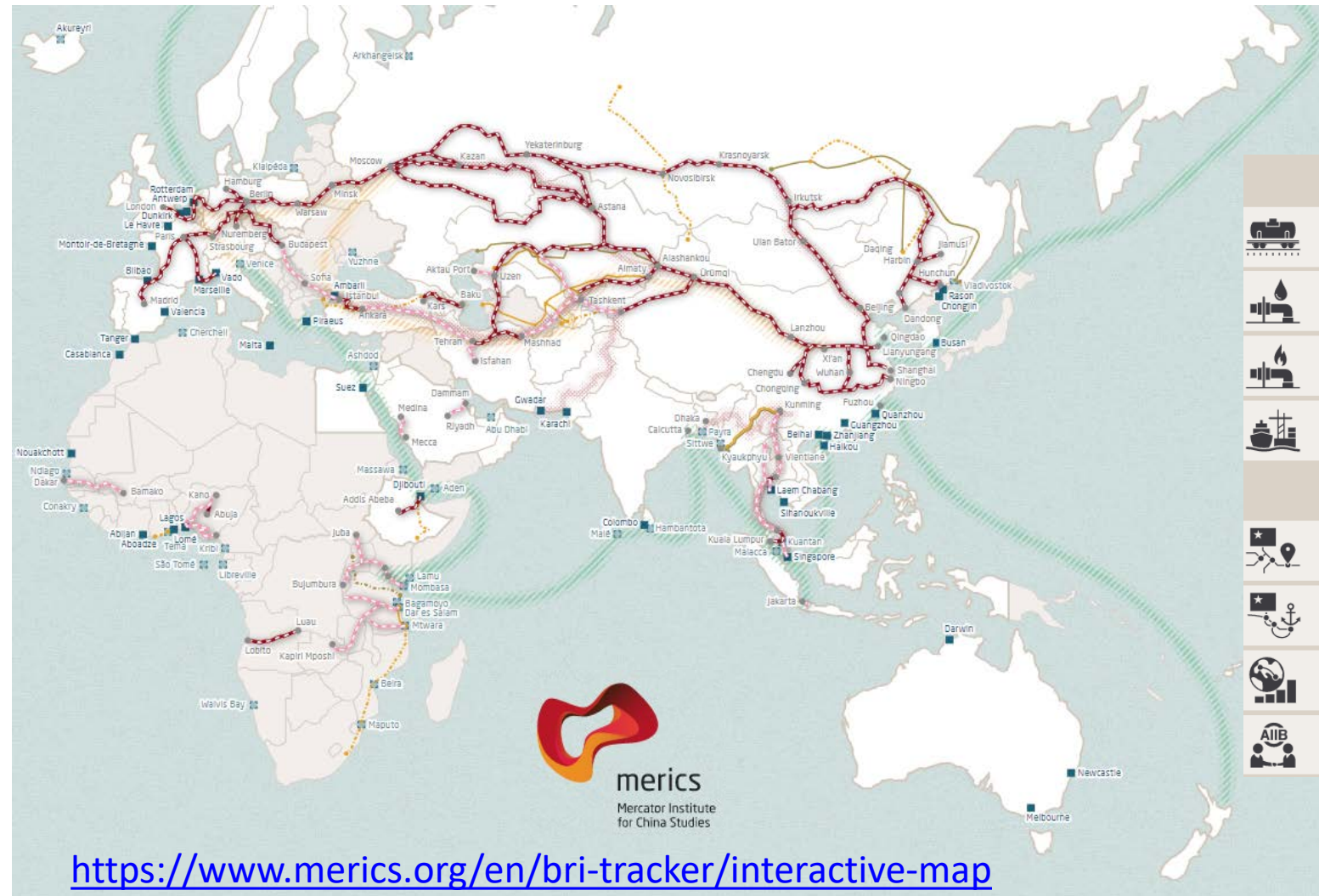


























Figure 9. China Swine, Pork and Pork Product Imports by Value and Import Market Share



China's Belt and Road Initiative - Started in 2013/4



	Existing	Planned
 Railroads		
 Oil pipelines		
 Gas pipelines		
 Ports		
 Silk Road Economic Belt		
 Maritime Silk Road		
 Economic Corridor		
 AIIB member states		

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



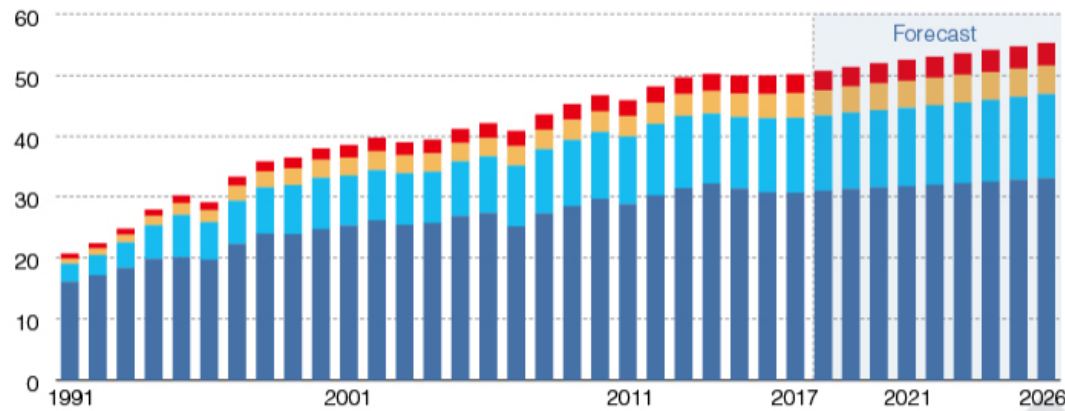
High Speed Rail

IOWA STATE UNIVERSITY
Extension and Outreach

A Meatier Middle Kingdom

■ Pork ■ Poultry ■ Beef and veal ■ Sheep

Unit: Kilograms per capita



Source:

Original
Develop



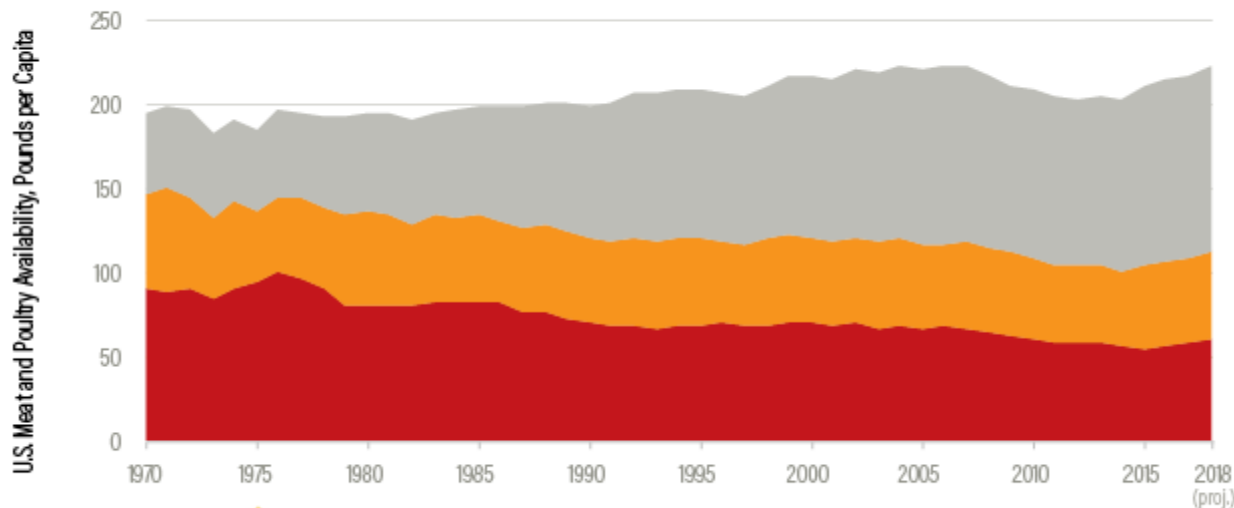
Co-operation and
tion of the United Nat

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Charts of the Day: China's Growing Meat Consumption

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



WORLD RESOURCES INSTITUTE

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

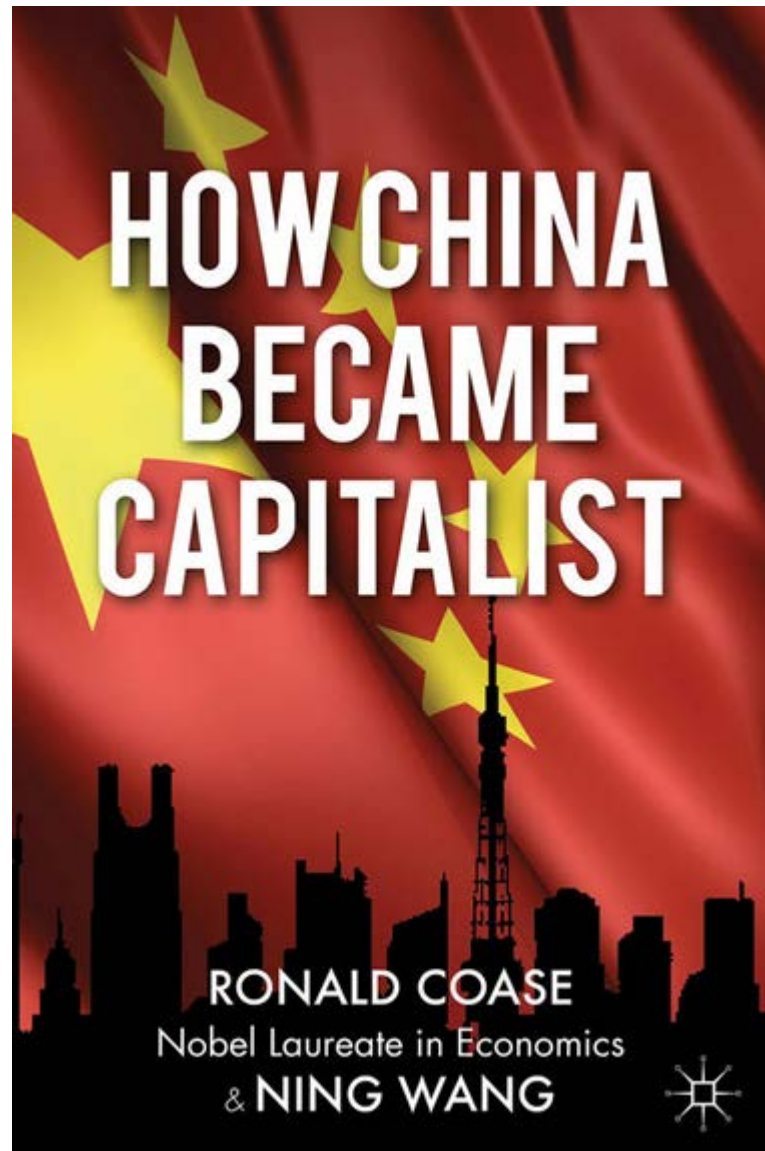


Chinese Lesson Time

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中华民族伟大复兴

Learn more about contemporary Chinese economy



NATIONAL BESTSELLER

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

—HENRY KISSINGER, *former US secretary of state*

DESTINED FOR WAR

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The Economist

Ag Decision Maker

A Business Newsletter for Agriculture

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Thank You!

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