U.S. - China Agricultural Trade after the 2020 Election: the Way Forward

Wendong Zhang
Assistant Professor and Extension Economist at ISU
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Osher Lifelong Learning Institute,
ISU Alumni Association, February 3, 2021
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
- 2020 Results now available at ISU Farmland Portal www.card.iastate.edu/farmland/
- 2019 Farm Transfer Survey agriculture and the environment (e.g., the 2019 Iowa Lakes Survey)

China Ag center www.card.iastate.edu/china
<table>
<thead>
<tr>
<th>District</th>
<th>Average Value</th>
<th>% Change</th>
<th>High Quality</th>
<th>% Change</th>
<th>Medium Quality</th>
<th>% Change</th>
<th>Low Quality</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northwest</td>
<td>$9,536</td>
<td>2.0%</td>
<td>$10,780</td>
<td>0.2%</td>
<td>$8,993</td>
<td>4.2%</td>
<td>$6,486</td>
<td>6.4%</td>
</tr>
<tr>
<td>North Central</td>
<td>$7,927</td>
<td>0.2%</td>
<td>$8,889</td>
<td>0.3%</td>
<td>$7,350</td>
<td>1.4%</td>
<td>$5,297</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Northeast</td>
<td>$7,525</td>
<td>2.7%</td>
<td>$9,182</td>
<td>1.5%</td>
<td>$6,980</td>
<td>2.2%</td>
<td>$5,213</td>
<td>8.5%</td>
</tr>
<tr>
<td>West Central</td>
<td>$7,859</td>
<td>3.9%</td>
<td>$9,159</td>
<td>1.6%</td>
<td>$7,433</td>
<td>5.0%</td>
<td>$5,492</td>
<td>11.0%</td>
</tr>
<tr>
<td>Central</td>
<td>$8,485</td>
<td>1.8%</td>
<td>$9,800</td>
<td>0.5%</td>
<td>$7,883</td>
<td>3.1%</td>
<td>$5,793</td>
<td>6.0%</td>
</tr>
<tr>
<td>East Central</td>
<td>$8,524</td>
<td>0.6%</td>
<td>$10,199</td>
<td>-2.1%</td>
<td>$7,959</td>
<td>1.7%</td>
<td>$5,599</td>
<td>6.1%</td>
</tr>
<tr>
<td>Southwest</td>
<td>$6,112</td>
<td>-0.9%</td>
<td>$7,484</td>
<td>-3.7%</td>
<td>$5,843</td>
<td>0.0%</td>
<td>$4,055</td>
<td>5.5%</td>
</tr>
<tr>
<td>South Central</td>
<td>$4,658</td>
<td>3.8%</td>
<td>$6,408</td>
<td>-0.1%</td>
<td>$4,563</td>
<td>4.4%</td>
<td>$3,262</td>
<td>10.4%</td>
</tr>
<tr>
<td>Southeast</td>
<td>$6,935</td>
<td>1.0%</td>
<td>$9,299</td>
<td>-0.4%</td>
<td>$6,639</td>
<td>0.3%</td>
<td>$4,134</td>
<td>9.1%</td>
</tr>
<tr>
<td>Iowa Avg.</td>
<td>$7,559</td>
<td>1.7%</td>
<td>$9,068</td>
<td>-0.1%</td>
<td>$7,119</td>
<td>2.6%</td>
<td>$5,078</td>
<td>6.7%</td>
</tr>
</tbody>
</table>
2020 1.7% hike represents 3rd rise in past 6 years

% Change in Nominal Iowa Farmland Values 1942-2020

IOWA STATE UNIVERSITY
Extension and Outreach

CARD
Center for Agricultural and Rural Development
Major Positive Factors Affecting Iowa Farmland Market, 2020

Positive Factors, 2020 (Percent)

- Favorable Interest Rates: 25% (Percent of Respondents)
- Strong Demand: 10% (Percent of Respondents)
- Limited Land Supply: 15% (Percent of Respondents)
- Recent Commodity Price Rallies: 10% (Percent of Respondents)
- Government Payments (MFP/Farm Bill): 5% (Percent of Respondents)
- COVID-Related Payments: 5% (Percent of Respondents)
Record federal ad hoc government payments and lower interest rates provided support for land values.
## Midwest Farmland Value Trends

<table>
<thead>
<tr>
<th>State</th>
<th>USDA Farm Real Estate Values – June 2019 to June 2020</th>
<th>Land Grant University Surveys or Sales Price Analysis</th>
<th>Chicago/Kansas City Fed – October 2019 to Oct 2020</th>
<th>Farm Credit Services of America – January to June 2020 – benchmark land prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa</td>
<td>-1.7%</td>
<td>0.1% (RLI – September 2019 to 2020)</td>
<td>+1%</td>
<td>+0.3%</td>
</tr>
<tr>
<td>Illinois</td>
<td>+1.6%</td>
<td>-1% (Good quality)</td>
<td>+2%</td>
<td></td>
</tr>
<tr>
<td>Indiana</td>
<td>+3%</td>
<td>+3.2% (Avg Quality, June 2019 to June 2020)</td>
<td>+6%</td>
<td></td>
</tr>
<tr>
<td>Wisconsin</td>
<td>-2%</td>
<td>-3.1% (2018 to 2019, avg sales prices)</td>
<td>+3%</td>
<td></td>
</tr>
<tr>
<td>Minnesota</td>
<td>0</td>
<td>-2.5% (2018 to 2019, avg sales prices)</td>
<td>+3%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Nebraska</td>
<td>-2.1%</td>
<td>+3% (reported in March)</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>
Land value predictions one & five years from now, more optimism over time, 2020

Percent of Respondents

- decrease 5 percent or more
- decrease less than 5 percent
- no change
- increase 5 percent or less
- increase 5-10 percent
- increase 10-15 percent
- increase 15-20 percent
- increase more than 20 percent

2021 vs. 2025

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CARD
Center for Agricultural and Rural Development
Iowa Farmers’ Business and Farm Transfer Plans: A Comparison between 2019 and 2006

Beatrice Maule, Sophomore in Agricultural Business, Economics and International Agriculture, Department of Economics, Iowa State University, beamaule@iastate.edu

Wendong Zhang*, Assistant Professor, Department of Economics and Center for Agricultural and Rural Development, Iowa State University, wdzhang@iastate.edu

David Baker, Director, Beginning Farmer Center, Iowa State University, baker@iastate.edu

July – Oct 2019; 886 farmer respondents (~30% response rate)
739 still operate a farm in 2019 and is our analysis sample

- The average age farmers planned to retire or semi-retire is 70 years old in 2019
- Income from social security – top income source after retirement
- 66% of farmers said they do not have a formal succession plan
- Most farmers discussed their succession plans with spouse or children, 22% of farmers haven’t discussed with anyone
- 31% of farmers have identified a successor. Most farmers (58%) identify sons (avg. age = 32) as the main successor
- Most farmers miss the way of life most after retirement
- Succession plan: share the farm equally among heirs, or keep it in the family no matter what, or let farming heir from buy from non-farming heirs

https://www.card.iastate.edu/products/publications/synopsis/?p=1316
The decaying U.S.-China relationship will change each of our lives

Money and information won’t flow like it used to and global companies will have to make stark choices.

Los Angeles Times

News Analysis: How bad could U.S.-China relations get?

South China Morning Post

US-China trade war: both sides cling to phase one deal as wider relationship crumbles
China’s Ag Minister Tang in Dec 2020: China’s hog inventory is 91% of 2017 levels.

Figure 1. Monthly US agricultural and related products exports to China, 2017–2020.
China makes progress rebuilding hog herd

By Sean Pratt

Published: August 6, 2020

Markets

HOG RECOVERY

China is rapidly rebuilding its sow herd, according to Chinese government statistics. China's Statistics Bureau estimates inventory at 36.3 million at the end of June 2020. The goal is to be at pre-African swine fever levels of 43.9 million head by the end of 2020.

China sow inventory numbers, 2018-2020

Large Hog Companies Gain from China’s Ongoing African Swine Fever

Chen-Ti Chen, Tao Xiong, and Wendong Zhang

https://www.card.iastate.edu/ag_policy_review/article/?a=111
China’s Agricultural Imports under the Phase One Deal: Is Success Possible?

Table 1. China’s Imports of Key Commodity 2017 and 2020

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>160</td>
<td>442</td>
<td>26.55%</td>
<td>959</td>
<td>1532</td>
<td>38.50%</td>
</tr>
<tr>
<td>Soybeans</td>
<td>13940</td>
<td>25698</td>
<td>35.17%</td>
<td>10634</td>
<td>28904</td>
<td>26.90%</td>
</tr>
<tr>
<td>Cotton</td>
<td>983</td>
<td>1207</td>
<td>44.88%</td>
<td>1466</td>
<td>1869</td>
<td>43.96%</td>
</tr>
<tr>
<td>Sorghum</td>
<td>957</td>
<td>69</td>
<td>93.26%</td>
<td>978</td>
<td>135</td>
<td>87.90%</td>
</tr>
<tr>
<td>Peanuts</td>
<td>62</td>
<td>268</td>
<td>18.74%</td>
<td>203</td>
<td>941</td>
<td>17.77%</td>
</tr>
<tr>
<td>Pork</td>
<td>1162</td>
<td>3217</td>
<td>26.53%</td>
<td>1695</td>
<td>17198</td>
<td>8.97%</td>
</tr>
<tr>
<td>Beef</td>
<td>25</td>
<td>3116</td>
<td>0.80%</td>
<td>228</td>
<td>10000</td>
<td>2.23%</td>
</tr>
<tr>
<td>Poultry</td>
<td>0</td>
<td>1032</td>
<td>0.00%</td>
<td>750</td>
<td>2748</td>
<td>21.44%</td>
</tr>
<tr>
<td>Dairy</td>
<td>1087</td>
<td>8203</td>
<td>11.71%</td>
<td>479</td>
<td>9659</td>
<td>4.73%</td>
</tr>
<tr>
<td>Ethanol</td>
<td>1</td>
<td>29</td>
<td>3.09%</td>
<td>15</td>
<td>21</td>
<td>41.18%</td>
</tr>
<tr>
<td>Total</td>
<td>24,000</td>
<td>101,860</td>
<td>19.07%</td>
<td>27,300</td>
<td>143,501</td>
<td>15.98%</td>
</tr>
</tbody>
</table>

Source: General Administration of Customs of China data (CACC 2020)
# China’s Agricultural Imports under the Phase One Deal: Is Success Possible?

Table 3. China’s Predicted Agricultural Imports of Key Commodities from February 15, 2020, to February 14, 2021

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Value ($Million)</th>
<th>Imports from US</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value ($Million)</td>
<td>Quantity (Thousand metric tons)</td>
</tr>
<tr>
<td></td>
<td>Value ($Million)</td>
<td>Quantity (Thousand metric tons)</td>
</tr>
<tr>
<td>Corn</td>
<td>3,907</td>
<td>17,690</td>
</tr>
<tr>
<td>Soybeans</td>
<td>14,520</td>
<td>35,130</td>
</tr>
<tr>
<td>Cotton</td>
<td>1,501</td>
<td>922</td>
</tr>
<tr>
<td>Sorghum</td>
<td>1,121</td>
<td>4,828</td>
</tr>
<tr>
<td>Pork</td>
<td>2,005</td>
<td>1,488</td>
</tr>
<tr>
<td>Beef</td>
<td>230</td>
<td>28</td>
</tr>
<tr>
<td>Ethanol</td>
<td>33</td>
<td>78*</td>
</tr>
<tr>
<td>Poultry</td>
<td>751</td>
<td>423</td>
</tr>
<tr>
<td>Total ag</td>
<td>35,822</td>
<td></td>
</tr>
</tbody>
</table>

*Note: Author’s estimation based on 2017 seasonal patterns and China’s most recent agricultural purchases from the United States, which includes advanced corn and soybeans sales until January 29, 2021. We assume the advanced corn and soybean sales until January 29, 2021, will be delivered in the
US crop sales surge largely due to China

Soybean Export Sales

Corn Export Sales
US ag commodity prices seen unconventional late-season rallies

2020/21 Crop Price Projections

2021/22 Crop Price Projections
A possible & more balanced pathway for China’s ag import surge?

Key Chinese agricultural imports by commodity and country in 2017
What Do Farmers Think About the Trade Deal?

Do you think it is likely or unlikely that China will fulfill the food and agricultural import requirements outlined in the Phase One economic and trade agreement signed with the U.S. back in January 2020?

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>9/20</th>
<th>10/20</th>
<th>11/20</th>
<th>12/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlikely</td>
<td>53</td>
<td>41</td>
<td>58</td>
<td>47</td>
</tr>
<tr>
<td>Likely</td>
<td>47</td>
<td>59</td>
<td>44</td>
<td>42</td>
</tr>
</tbody>
</table>

Do You Think the Trade Dispute with China Will Ultimately BeResolved in a Way That Benefits U.S. Agriculture?

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>July '19</td>
<td>19</td>
<td>75</td>
</tr>
<tr>
<td>Aug '19</td>
<td>25</td>
<td>72</td>
</tr>
<tr>
<td>Sep '19</td>
<td>25</td>
<td>72</td>
</tr>
<tr>
<td>Oct '19</td>
<td>20</td>
<td>75</td>
</tr>
<tr>
<td>Nov '19</td>
<td>17</td>
<td>80</td>
</tr>
<tr>
<td>Dec '19</td>
<td>20</td>
<td>81</td>
</tr>
<tr>
<td>Jan '20</td>
<td>15</td>
<td>80</td>
</tr>
<tr>
<td>Feb '20</td>
<td>17</td>
<td>68</td>
</tr>
<tr>
<td>Mar '20</td>
<td>22</td>
<td>64</td>
</tr>
<tr>
<td>Apr '20</td>
<td>29</td>
<td>58</td>
</tr>
<tr>
<td>May '20</td>
<td>21</td>
<td>65</td>
</tr>
<tr>
<td>June '20</td>
<td>36</td>
<td>50</td>
</tr>
</tbody>
</table>
US-China phase one tracker: China’s purchases of US goods

US exports in 2020 of all goods covered by the phase one deal as of November 2020

Chad P. Bown (PIIE)
December 23, 2020

b. China’s imports by product type, billions USD

Agriculture
- 2020 commitment (total): $36.6 billion
- Actual purchases: $23.5 billion

Manufactured goods
- 2020 commitment (total): $111.2 billion

Energy
- 2020 commitment (total): $25.3 billion

Uncovered
- Total 2017 imports: 45.6 billion
- 2020 commitment (total): $35.0 billion

Biden administration says Trump’s China trade deal ‘under review’
Biden is No Stranger to Xi

MUSCATINE VISITOR
Spokesman: Friendly Iowans bring VP back

Mike Ferguson  Feb 13, 2012 Updated Feb 28, 2012

FILE - In this Aug. 21, 2011, file photo U.S. Vice President Joe Biden, right, walks with Chinese Vice President Xi Jinping, left, as they visit the South Bridge in Dujiangyan on the outskirts of Chengdu, in southwestern China's Sichuan province. Xi will visit Iowa in February, 2012, reciprocating for Vice President Joe Biden's visit to China last August. (AP Photo/Ng Han Guan, File)

The New York Times
Chinese Vice President Ends U.S. Tour on Friendly Note

By Edward Wong
Feb 17, 2012

Vice President Xi Jinping of China and Vice President Joseph R. Biden spoke to students at the International Studies Learning Center in South Gate, Calif. Monica Almeida/The New York Times
China’s “dual-circulation” strategy means relying less on foreigners
Xi Jinping sees the creation of fully domestic supply chains as a matter of national security

With RCEP Complete, China Eyes CPTPP
Is President Xi Jinping’s statement desire to join the CPTPP a signal of reconciliation to the new Biden administration or a bid to advance China’s regional dominance?

Europe strikes major investment deal with China despite US concerns

China pledges to become carbon neutral before 2060
Unexpectedly forthright pledge will boost UN efforts to galvanise action on climate crisis
Conjecturing Trade Policy under Biden

- **Trade policy likely not an immediate priority** (compared to COVID-19 response & international coordination, Paris Accord, potentially Iran)

- **Lower your expectations on tariff rollbacks**, will remain tough on China
  - Biden in 2019: “If we don't set the rules, we in fact are going to find ourselves with China setting the rules, and that's why we need to organize the world to stop China to stop the corrupt practices that are under way”

- More likely to embrace allies & **multilateral** approaches & Intl. organizations

- The tone will be more **polite** & regular dialogue channels will be resumed

- RCEP (SE Asia, China, Japan, Korea, Australia, New Zealand) will put pressure on Biden to consider rejoining TPP (now called CPTPP) – **CPTPP** has higher standards on tariff removals, labor and environmental standards

- New sources of tensions with China on human rights, Hong Kong, S China Sea

- Biden voted for NAFTA & China joining WTO & met 4th generations of Chinese leaders
US-China Relations under Biden

– **Areas of collaboration** – good will is needed to be shown through actions
  – work together under Paris Climate Accord;
  – reinstating regular strategic and economic dialogues channels;
  – Encouraging people to people interactions (e.g., Fulbright & Peace Corps)
  – Coordinating COVID-19 vaccine roll-out under WHO + fiscal policy coordination?
  – re-opening consulates in Houston and Chengdu?
  – A 24-hr high-level hotline?

– **Uncertainties:**
  – Review & renegotiation of trade deals (phase one, CPTPP)
  – Tensions related to human rights issues
  – Restrictions on tech-related bilateral investments & trade (e.g., Huawei)
With RCEP Complete, China Eyes CPTPP

Is President Xi Jinping’s statement desire to join the CPTPP a signal of reconciliation to the new Biden administration or a bid to advance China’s regional dominance?

Notable Omissions:
USA for TPP
India from RCEP
Farmer Expectations Regarding Changes in Policies Affecting U.S. Agriculture in Next 5 Years, October-December 2020

% of respondents

- More Restrictive Environmental Regulations:
  - 10/20: 41
  - 11/20: 40
  - 12/20: 35

- Higher Estate Taxes:
  - 10/20: 77
  - 11/20: 66
  - 12/20: 71

- Higher Income Taxes:
  - 10/20: 83
  - 11/20: 66
  - 12/20: 74

- Weaker Farm Income Safety Net:
  - 10/20: 18
  - 11/20: 35
  - 12/20: 33

- Decreased Support for Ethanol Industry:
  - 10/20: 17
  - 11/20: 33
  - 12/20: 27

Source: Purdue Center for Commercial Agriculture, Producer Survey, December 2020
Biden picks longtime China critic Katherine Tai as top U.S. trade official

If confirmed, Tai would inherit a Cabinet-level position tasked with enforcing U.S. import rules and brokering trading terms with China and other U.S. partners.

Though Tai may favor greater cooperation with allies, her leadership as USTR wouldn’t necessarily signal a change to the tougher stance toward China.

Biden has said he wouldn’t immediately remove tariffs on China as his administration reviews the deal the Trump administration brokered with Beijing.

President-elect Joe Biden introduces Iowa's Tom Vilsack as the nation's next agriculture secretary

By Chuck Abbott
12/15/2020

The associate director of a University of Missouri think tank, Seth Meyer, will become USDA chief economist at the end of January, succeeding Rob Johansson, who held the post since 2015, said Agriculture Secretary Sonny Perdue on Monday. As chief economist, Meyer will be responsible for USDA’s agricultural forecasts and projections and will advise the agriculture secretary on the economic impact of legislation and regulations.

MEYER TO SUCCEED JOHANSSON AS USDA CHIEF ECONOMIST
Commodity Agriculture is Comparative Advantage for U.S., not China
China is a Country of Rapid Change

High Speed Rail

Meet the man behind one of China’s biggest agricultural drone makers

- Demand for agricultural drones is rising because of labour shortages in China
- Agricultural drones are used for crop monitoring as well as pesticide spraying

3-min YouTube video about China’s Pesticide-spraying drones

https://youtu.be/8ZbhJT6NinM
China is a Country of Rapid Change

With its CRISPR revolution, China becomes a world leader in genome editing

By Jon Cohen, Nirja Desai | Aug. 2, 2019, 8:00 AM

To feed its 1.4 billion, China bets big on genome editing of crops

By Jon Cohen | Jul. 29, 2019, 8:00 AM

China’s CRISPR push in animals promises better meat, novel therapies, and pig organs for people

By Jon Cohen | Jul. 31, 2019, 8:00 AM

China Takes Its Pigs to the Futures Market

New hog futures may smooth out some of the wild swings in Chinese markets

THE WALL STREET JOURNAL

What is this?
OECD lifts global economic outlook on vaccine progress, sees China driving recovery

PUBLISHED TUE, DEC 1 2020 | UPDATED TUE, DEC 1 2020

China: + 1.8% in 2020; 8% in 2021; 5% in 2022
US: -3.7% in 2020; 3.2% in 2021; 3.5% in 2022
EU: -7.5% in 2020; 3.6% in 2021; 3.3% in 2022
World: -4.2% in 2020; +4.2% in 2021; 3.7% in 2022
2020: Vietnam + 1.6%; India – 10.3%; Brazil: -5.8%
Japan: -5.3%; S. Korea: -1.9%
What remains unchanged after COVID-19: Chinese surging middle class

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.

350m in CHINA
380m in INDIA
210m in rest of ASIA
130m in rest of the WORLD

BROOKINGS
China's First Live Hog Futures to Begin Trading on Jan. 8
China’s Diversification away from U.S. began well before 2018, and got accelerated from the trade war.

China's soybean imports from Brazil rise to record in June.

By Reuters Staff
What remains unchanged after COVID-19: Chinese continued overseas investment & diversification through BRI
Chinese Lesson Time

美国

中华民族伟大复兴
Learn more about contemporary Chinese economy
Broaden your information sources!

AGree NewsFeed

Click here to submit your email.

www.foodandagpolicy.org

South China Morning Post

www.scmp.com

Ag Decision Maker

A Business Newsletter for Agriculture

Vol. 24, No. 4

www.extension.iastate.edu/agdm

February 2020