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The United States' Fraught Competitive Position in the World Wheat Market

John M. Crespi*, Professor, Department of Economics and Center for Agricultural and Rural Development, Iowa State University, jcrespi@iastate.edu.

Chen-Ti Chen, Graduate Student, Department of Economics, Iowa State University, ctc@iastate.edu.

*Corresponding Author

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Recently, Crespi and Chen (2019) reported on the comparative advantage of the United States relative to its major export competitors in the markets for beef, pork, corn, and soybeans. This policy brief provides the same exposition for the world wheat markets. (For details on the analysis, readers are referred to Crespi and Chen 2019). Crespi and Chen (2019) showed that increasing total U.S. export values for the four commodities of their study masked an underlying slippage in comparative advantage and, because of this, 2018 was “a bad time to start a trade war.”

Briefly, from 1980 to 2018, the United States saw its competitive position converging to the same or similar positions of its leading competitors as measured by the normalized revealed comparative advantage (NRCA) index as developed by Yu et al. (2009).

In figures 1 and 2, we show that similar results exist in the wheat export market; arguably, the story here is even more compelling.

Figure 1 shows that in terms of U.S. export values, while globally high, wheat export value is converging to within the same range (\$4–\$7 billion) as seen in the recent history of other major competitors. Figure 1 shows the United States already has a lot of competition. Figure 2, however, shows that in terms of comparative advantage, while all six nations have comparative advantages over the rest of the world’s wheat exporters ($NRCA > 0$), relative to each other, the United States now has the lowest comparative advantage. In other words, the wheat export market has gotten extremely competitive. A trade war at this juncture, unless it results in substantial gains for U.S. wheat producers, is a dangerous gamble when other nations stand to gain from any market share the United States gives up.

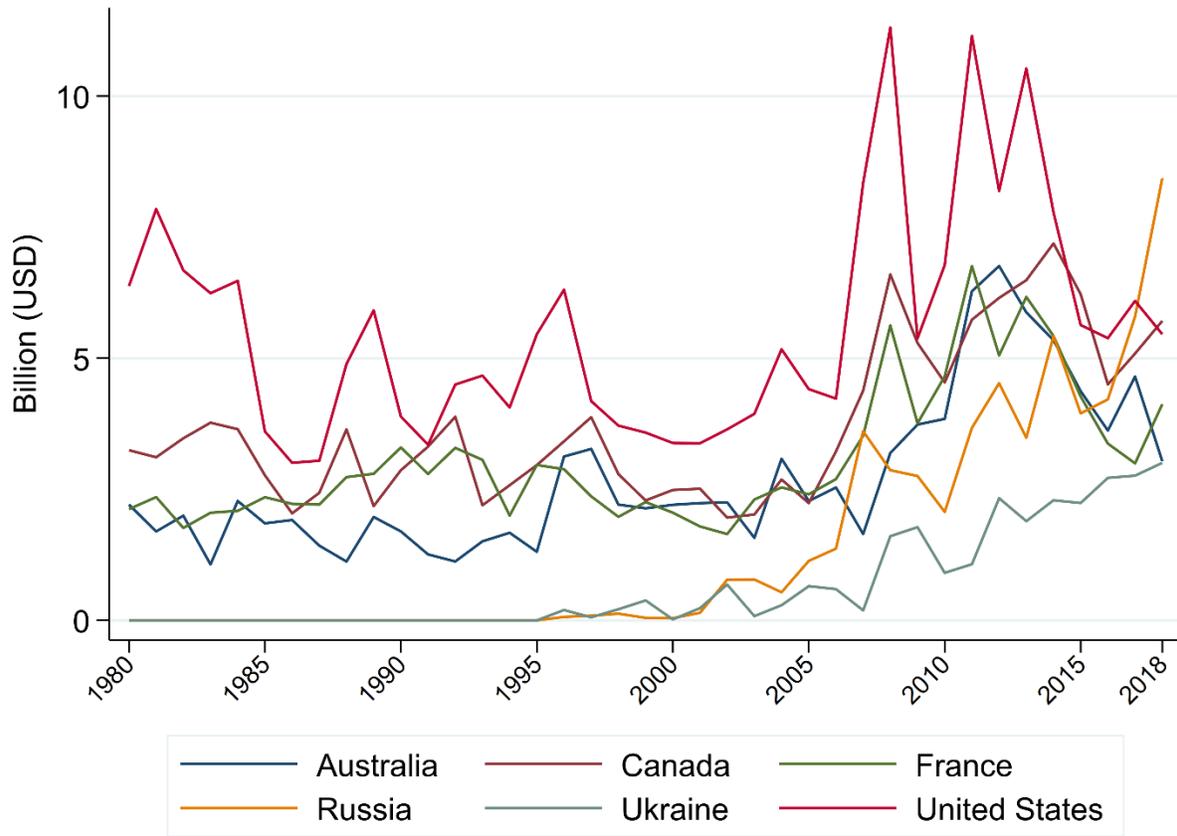


Figure 1. Wheat export values for six leading exporters (Russia and Ukraine data are post 1995).

Source: UN Comtrade Database (SITC rev. 1: 0410, "Wheat and meslin, unmilled").

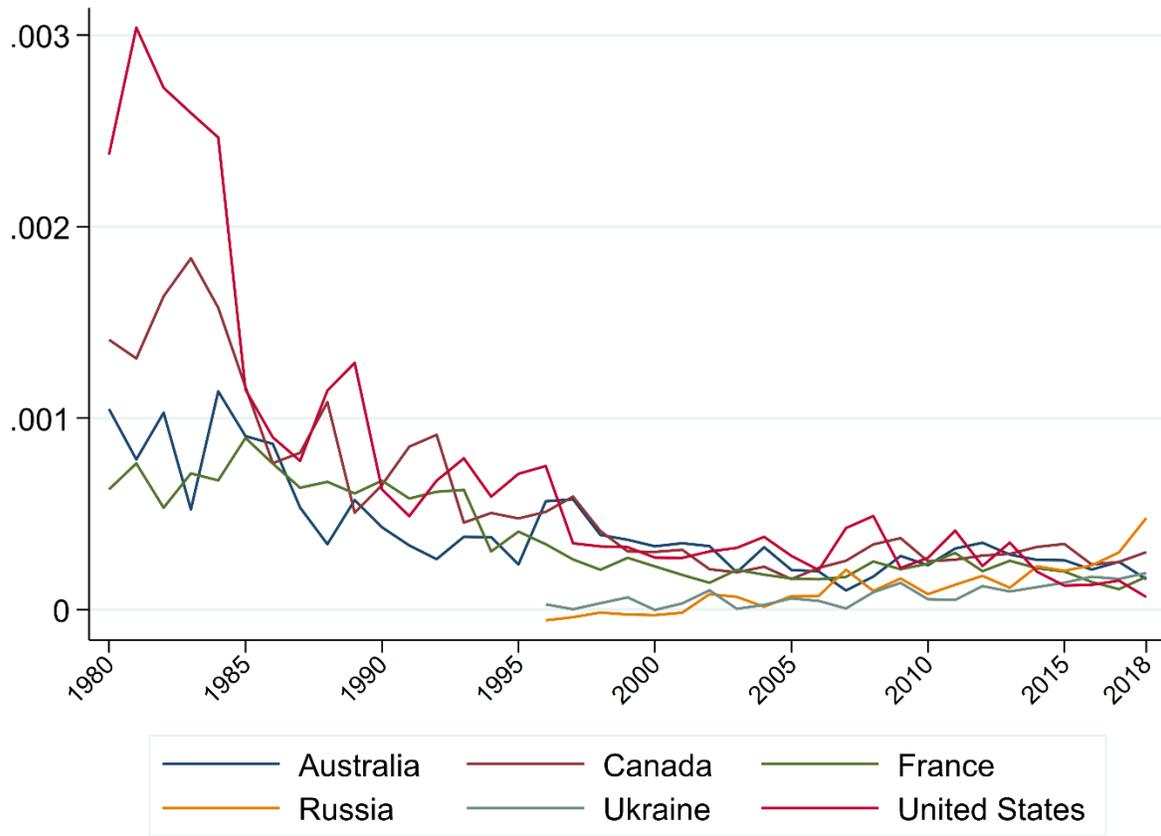


Figure 2. Wheat NRCA index (Russia and Ukraine data are post 1995).

Source: UN Comtrade Database and authors' calculations.

References

- Crespi, J.M. and C.-T. Chen. "Global Competition made 2018 a Bad Time to Start a Trade War." *Agricultural Policy Review* Fall 2019. Center for Agricultural and Rural Development, Iowa State University. Available at https://www.card.iastate.edu/ag_policy_review/article/?a=98.
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