US-China Agricultural Trade under Phase-One Trade Deal and Coronavirus

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Webinar
Ames, Iowa  March 3, 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
GLOBAL TREND

Last update: 2020-03-02 20:18:35 PST   Click a place to review local trend.

Confirmed  | Recovered  | Death
---|---|---
90993 | 48029 | 3123

https://hgis.uw.edu/virus/
In late January, testing by the Centers for Disease Control and Prevention confirmed the first case of COVID-19 in the United States. Since then, the number of confirmed cases has risen to nearly 100. That number includes people who were repatriated from China, where the novel coronavirus emerged months ago, and from the Diamond Princess cruise ship.
### 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

<table>
<thead>
<tr>
<th>Name</th>
<th>Sex</th>
<th>Age</th>
<th>Year of Birth</th>
<th>Relationship</th>
<th>Parcel Size (Acres)</th>
<th>Land Use</th>
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</thead>
<tbody>
<tr>
<td>张德明</td>
<td>男</td>
<td>51</td>
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<td>张小明</td>
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<td>24</td>
<td>1998</td>
<td>家庭代表</td>
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<td>张小华</td>
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<td>1999</td>
<td>家庭成员</td>
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<td>菜地</td>
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<tr>
<td>张小刚</td>
<td>男</td>
<td>22</td>
<td>2000</td>
<td>家庭成员</td>
<td>0.15</td>
<td>牧场</td>
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</tbody>
</table>

**Total land size:** 2.05 acres

**Number of parcels:** 8

- **30-year term** for family representative
- **All family members** listed
The Trade War Challenge and the Phase One Trade Deal
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

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

Seven things to know about China to understand the trade war
By Wendong Zhang, extension economist, 515-294-2536, wdzhang@iastate.edu

www.extension.iastate.edu/agdm
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.
A possible & more balanced pathway for China’s ag import surge?
Coronavirus will Delay US Agricultural Export Surges Promised in Phase One Trade Deal with China

March 2, 2020 11:59pm EST

The novel coronavirus COVID-19 is a black swan event that has surprised and shocked the world’s economies. Coronavirus has spread to more than 60 countries, which has rattled global stock markets and plunged the Dow more than 12%, the largest single-week decline since the 2008 Great Recession. Washington state has also recently reported six deaths due to the coronavirus, causing deeper panic among the public.

Coronavirus has caused significant concerns about potential global economic decline, making the implementation of the US-China phase one trade deal uncertain. In our recent research on the impacts of the US-China trade war on US agriculture, we argue that China has the capability to be compliant with the 2020 target of purchasing an additional $12.5 billion worth of US agricultural products, despite delays caused by the coronavirus.
Chinese surge at the expenses of non-FTA partners?
Phase one deal only slightly reduces average US tariff on imports from China

Average tariff rate, percent

2018

- Chad P. Bown (PIIE)
  December 19, 2019 5:30 PM

China’s tariffs on US exports
- 8.0% six months
- 7.2% eight months

US tariffs on Chinese exports
- 3.1% six months
- 3.8% eight months

2019

- +11.1 pp in three months
- +8.2 pp in three months
- +4.6 pp in four months
- +9.0 pp in three months

2020

- -0.2 pp on December 26, 2019
- -1.7 pp in February 2020
The Long-term Consequences
The State-level Burden of the Trade War: Interactions between the Market Facilitation Program and Tariffs

Edward J. Balistreri, Wendong Zhang, and John Beghin
ebalistr@iastate.edu; wdzhang@iastate.edu; beghin@unl.edu

The Impact of the 2018 Trade Disruptions on the Iowa Economy
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 1 million tonnes. The country used 71 million tonnes of soymeal to make animal feed in the 2017-18 crop year.
Figure 1 US weekly exports of key agricultural commodities to China

US Pork Exports to China

US Beef Exports to China

US Soybean Exports to China

US Sorghum Exports to China

Week

Metric Tons


1/1 2/1 3/1 4/1 5/1 6/1 7/1 8/1 9/1 10/1 11/1 12/1
China’s Belt and Road Initiative - Started in 2013/4

[Map of the world with various routes and markers indicating existing and planned projects]

<table>
<thead>
<tr>
<th>Existing</th>
<th>Planned</th>
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<tr>
<td>Railroads</td>
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<tr>
<td>Oil pipelines</td>
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<tr>
<td>Gas pipelines</td>
<td><img src="image" alt="Existing Gas Pipelines" /> <img src="image" alt="Planned Gas Pipelines" /></td>
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<tr>
<td>Ports</td>
<td><img src="image" alt="Existing Ports" /> <img src="image" alt="Planned Ports" /></td>
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<td>Silk Road Economic Belt</td>
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<tr>
<td>Maritime Silk Road</td>
<td><img src="image" alt="Existing Maritime Silk Road" /> <img src="image" alt="Planned Maritime Silk Road" /></td>
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<tr>
<td>Economic Corridor</td>
<td><img src="image" alt="Existing Economic Corridor" /> <img src="image" alt="Planned Economic Corridor" /></td>
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<td>AIIB member states</td>
<td><img src="image" alt="Existing AIIB member states" /> <img src="image" alt="Planned AIIB member states" /></td>
</tr>
</tbody>
</table>

Why is China 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.

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

BROOKINGS
China is a Country of Rapid Change

High Speed Rail
Chinese surging meat consumption vs. US stagnant meat consumption

**A Meatier Middle Kingdom**

- **Pork**
- **Poultry**
- **Beef and veal**
- **Sheep**

Unit: Kilograms per capita

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

Charts of the Day: China’s Growing Meat Consumption
My hometown: Shenxian, Shandong Province

Greenhouse – plastic film - Shandong Province
China enters "New Era"

- Chinese Dream
- Belt and Road Initiative
- Xi Jinping 2030?
- COE of China
美国

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

www.foodandagpolicy.org

[Image with logos and text: AGree NewsFeed, South China Morning Post, The Economist]

Ag Decision Maker
A Business Newsletter for Agriculture
Vol. 24, No. 4
www.extension.iastate.edu/agdm
February 2020

Iowa State University
Extension and Outreach