



# U.S. Agricultural Trade Under a Liberalized Trade Environment

## Wheat Industry Perspective

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# Importance of Trade to U.S. Agriculture Extremely High

Future of U.S. Agriculture tied to:

- ▶ Creating new opportunities in trade
- ▶ Maintaining existing export markets

Wheat Industry more dependent on exports than other commodities

All Wheat 50%

Spring Wheat 50%

Soybeans 35%

Durum 35%

Corn 20%

High Performance Wheats - greatest potential for increased sales

- ▶ Research conducted by Dr. Bill Wilson, NDSU

# Export Pace for U.S. Wheat

(Shipments and Sales as of May 1, 2003)

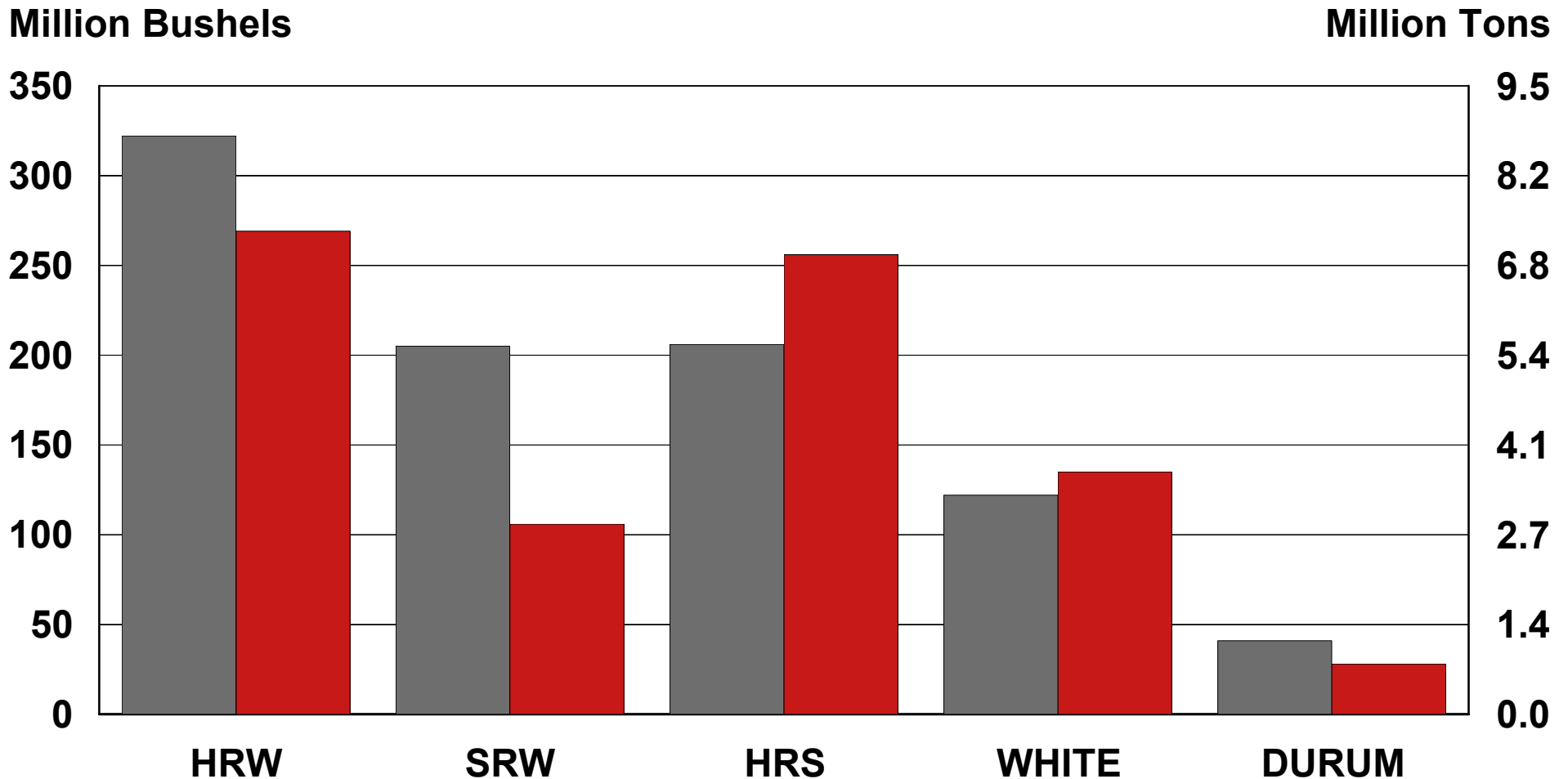
Million Bushels

<u>CLASS</u>	<u>01/02 Pace</u>	<u>02/03 Pace</u>	<u>% Change</u>
HRW	322	269	-16%
SRW	205	106	- 48%
HRS	206	256	+ 24%
WHITE	122	135	+ 11%
<u>DURUM</u>	<u>41</u>	<u>28</u>	<u>- 32%</u>
TOTAL	863	756	- 12%

# Export Pace for U.S. Wheat

(Shipments and Sales as of May 1 -- Million Bushels)

■ 01-02 Pace ■ 02-03 Pace



# Potential Gains/Losses in Trade Agreements - Costs/Benefits

## Opportunity to Gain Market Access

- ▶ New markets
- ▶ Maintenance of existing markets
- ▶ Increased competitiveness of U.S. commodities

## History of strong producer support for trade

- ▶ Tremendous gains in market volumes and market shares
- ▶ Support compromised by embargoes, weak trade policy, lack of enforcement, new players
  - Fear losses may outweigh gains
  - CUSTA/NAFTA history

# Cost of Not Being Involved

## Example:

FTAA includes all of Western Hemisphere not Cuba  
U.S. and 33 countries

Viable existing markets and tremendous potential

## MERCOSUR

- ▶ Growth of regional pacts in Latin America
- ▶ Seriously disadvantage U.S. agricultural trade interests
- ▶ Favorable to Canada and EU
- ▶ Lower tariffs for members

Participate/explore possibilities or be outmaneuvered

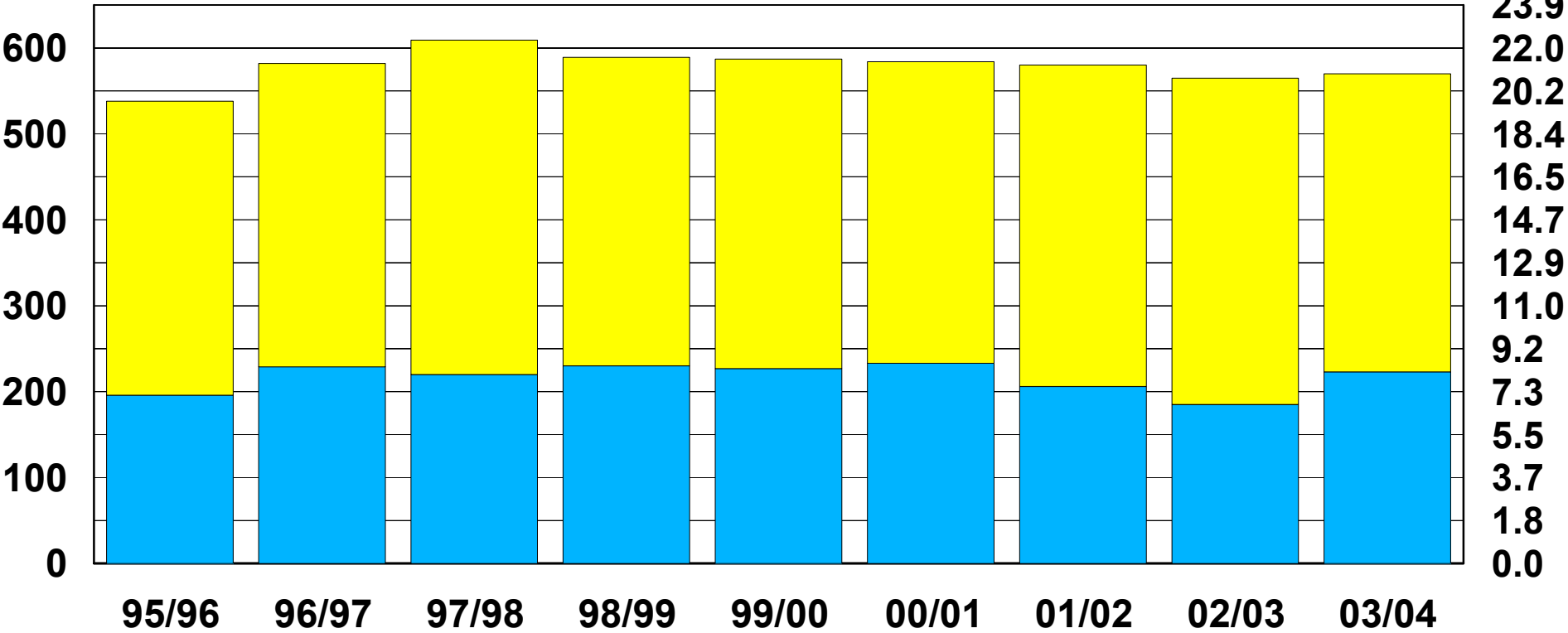
Prominence of new players advancing

# World Wheat Production

Others 5 Major Exporters

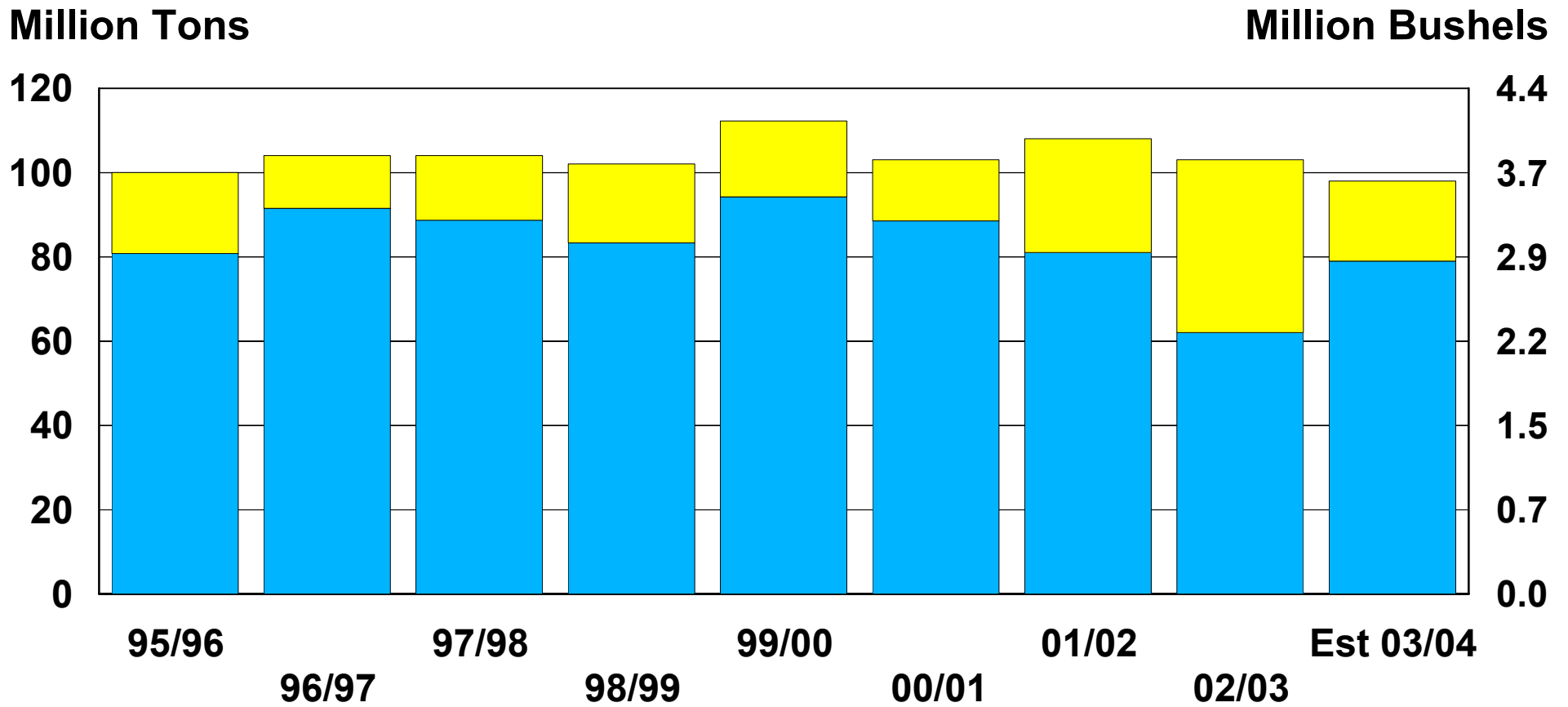
Million Ton

Billion Bushels



# World Wheat Trade

Other Exporters 5 Major Exporters



5/12/03

# Requirements for Successful New Trade Agreements

Realistic expectations

Well negotiated and implemented

Demonstrate positive results

- ▶ Market growth - increased volume and market shares

Enforcement capability

Compliance - implementation schedules

Necessary to build confidence of stakeholders

- ▶ Demonstrate effectiveness of negotiators
- ▶ Administration commitment to defend markets for U.S. producers

# U.S. Position in WTO

## Desired outcomes

- ▶ Lower trade barriers for all (U.S.) agricultural products
- ▶ Greater equity in world agriculture
- ▶ Improved opportunities for U.S. sales in global market

## Three pillars of U.S. (Administration) WTO position

- ▶ Market access
- ▶ Export Competition
- ▶ Domestic Supports

# U.S. Position in WTO (cont.)

## Market Access

- ▶ Reduce access barriers
- ▶ Lower import tariffs (other countries) - Average 15%

## Export Competition

- ▶ Reduction/phase-out export subsidies
- ▶ Elimination of export monopolies (STEs) CWB

## Domestic Support

- ▶ Substantial reduction - trade distorting
- ▶ E.U. levels still huge

# U.S. Wheat Industry Position

## Similar - BUT

### Market Access

- ▶ Reduce high tariffs - others must move first
- ▶ U.S. already has comparatively lower tariffs

### Export Competition

- ▶ Elimination of direct export subsidies
- ▶ Elimination of state trade enterprises (STEs) - CWB/AWB
- ▶ Don't jeopardize GSM export credit programs
  - Every major exporter has program similar to GSM
  - GSM extremely effective
  - Subsidy element of GSM minimal if at all

# U.S. Wheat Industry Position (cont.)

## Food Aid Should be Spared

- ▶ Available since 1954 - Food for Peace
- ▶ Disciplines structured to not discourage
  - Food aid as tool in development of market economies
  - Legitimate efforts of traditional donor countries

## Domestic Support

- ▶ U.S. programs qualified as green box
  - Decoupled and non trade-distorting
- ▶ E.U. levels far above all others
  - Monstrous Gap should not allow to be institutionalized or further legitimized

# Knowing What We Now Know

Approach as opportunity to address market realities and ever changing market dynamics such as:

- ▶ Intense global competition
- ▶ Challenges to U.S. export volumes
- ▶ Challenges to U.S. market share
- ▶ Challenges that are not science based
  - SPS
  - Biotechnology

# Approach to changing market dynamics (cont.)

- ▶ Low cost suppliers - persistently low export prices - Argentina
- ▶ Emergence of nontraditional suppliers
  - Quality and logistics issues
  - But landed price consistently lower
  - Milling and feed wheats - Russia, Ukraine (Black Sea origins)
  - Durum - Mexico, Syria, India, Kazakhstan

# Potential Opportunities in Regional and Bilateral Agreements

Improved ability to compete in key markets and regions

U.S. wheat producers serve more than 120 markets annually

- ▶ **Developed country markets - more mature - slower growth**
- ▶ **Developing country markets - more potential**
  - Rapid growth in population
  - Potential income growth, demand for more-higher quality products
  - Also greater potential for uncertainty/volatility

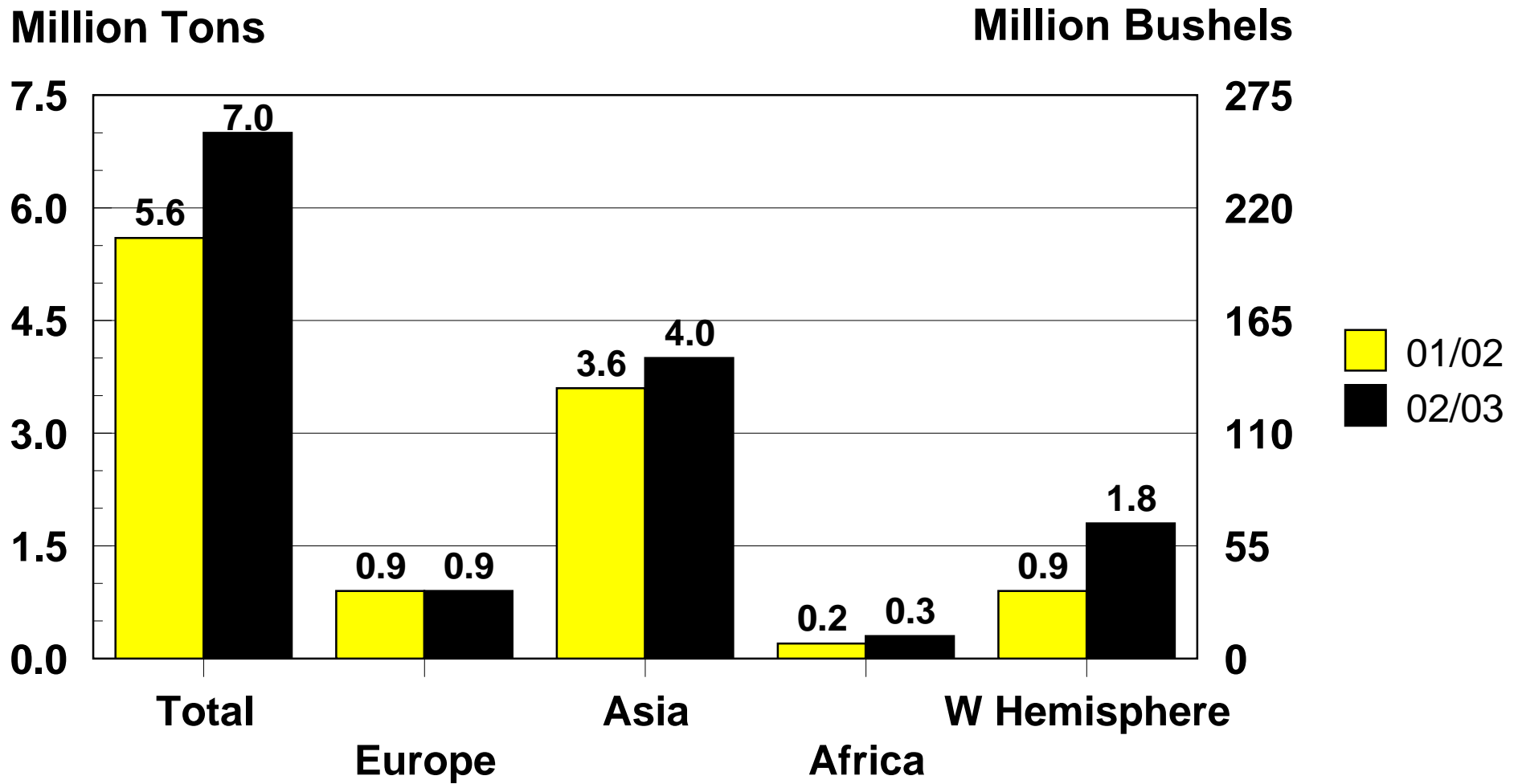
# Market Landscape - What's Out There?

Primary growth opportunities - Europe, Asia, Latin America

- ▶ Europe - high performance wheat sales growing - despite mature market
  - Important - margin of preference issue resolution 2002
    - Favorable tariffs for high quality U.S. wheat reinstated
- ▶ Asia, Latin America - potential for rapid growth in developing countries
  - Improvement in regional economic health important factor

# EXPORT PACE - U.S. HRS WHEAT

## 2002-03 as of May 1, 2003



# What Else Do We Know About Key Markets in These Regions?

Top 10 - fastest growing developing country - middle class populations

▶ China

▶ India

▶ Indonesia

▶ Brazil

▶ Russia

▶ Mexico

▶ Pakistan

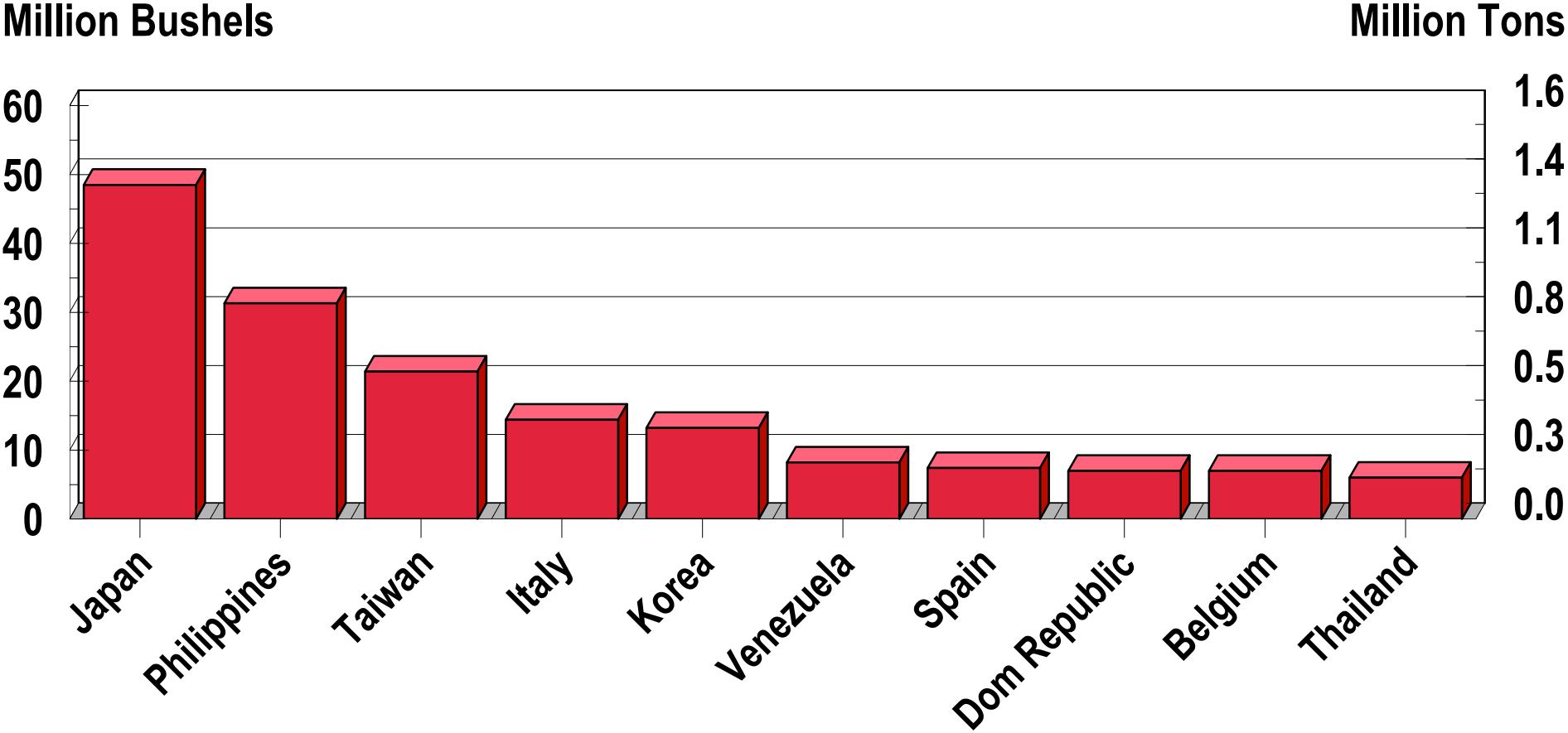
▶ Korea

▶ Thailand

▶ Philippines

# TOP IMPORTERS OF U.S. HRS

FIVE-YEAR AVERAGE (1997-98 to 2001-02)



## **World Population Distribution in 2012 (USDA)**

- Asia - 56%
- Africa - 28%
- Latin America - 9%
- Europe - 5%
- North America - 2%

## **World Economic Activity Distribution 2012 (USDA)**

- Asia - 48%
- Europe - 23%
- North America - 19%
- Latin America - 7%
- Africa - 3%

# U.S. also has Aggressive Bilateral and Regional Trade Agenda in Progress

## Bilateral

- ▶ **Singapore and Chile recently completed**
  - Opportunities for wheat, including spring wheat and durum
- ▶ **Morocco discussions underway**
  - Builds on agreements with Jordan and Israel
  - Offset preferential treatment of goods from E.U.
  - Potential for U.S. durum and other U.S. wheats
  - Completion anticipated 2003

# U.S. Bilateral Trade Agenda (cont.)

## Bilateral cont.

- ▶ **Australia discussions beginning**
  - Good ally but only 20 million people, limited market opportunity
  - Concerns similar to Canadian - STE reform necessary prerequisite
  - SPS, beef and other meat, dairy and other contentious issues
  - Unless resolved could be trouble - 2004?

# U.S. Regional Trade Agenda (cont.)

## Regional - FTAA, CAFTA, SACU (2003-04)

- ▶ **Free Trade Agreement of the Americas (FTAA)**
  - U.S. and 33 Western Hemisphere partners
  - 800 million people - \$13 trillion GDP
  - Potential for U.S. durum and other U.S. wheats
  - Region imports 225-250 million bushels U.S. wheat
    - Value of \$1.1-1.2 billion annually
- ▶ **Central American Free Trade Agreement (CAFTA)**
  - Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador
  - 35 million people - \$1.2 billion in U.S. agricultural goods
  - Imports 17 million bushels of U.S. hard red spring and durum

# U.S. Regional Trade Agenda (cont.)

## Regional - FTAA, CAFTA, SACU cont.

- ▶ **Southern African Customs Union (SACU)**
  - Botswana, Lesotho, Namibia, South Africa and Swaziland
  - 50 million people - spring wheat and durum, meat, feed grains - 2004

# Other Recent Developments or Points of Interest that Bear Watching

Iraq - Intensive U.S. Food Aid assessment effort currently under way as part of reconstruction phase

- ▶ U.S. Food Aid Coordination team: Dan Amstutz, Lee Schatz, Larry Panasuk

## Competitor Presence in Iraq

- ▶ Australia claiming as traditional market
  - Increased presence after U.S. sanctions
- ▶ Trevor Flugge - Coordinating Australian program

# Recent Developments cont.

Biotechnology issues remain contentious despite potential opportunities that may eventually be realized

- ▶ E.U. has actively promoted policies discouraging acceptance, patenting and use of biotech products
  - Hindered process of overcoming customer concerns and marketability issues
- ▶ U.S. filed WTO complaint against E.U and the 5 year moratorium on biotech products (several countries have joined suit)

# **CWB Disciplines will Enhance U.S. Wheat Trade Opportunities Globally**

Commercial responsibility - U.S. & Third Country

Opportunity to improve U.S. producer confidence

Demonstrate terms of trade agreements and trade laws enforceable

Administration commitment underscored by recent actions

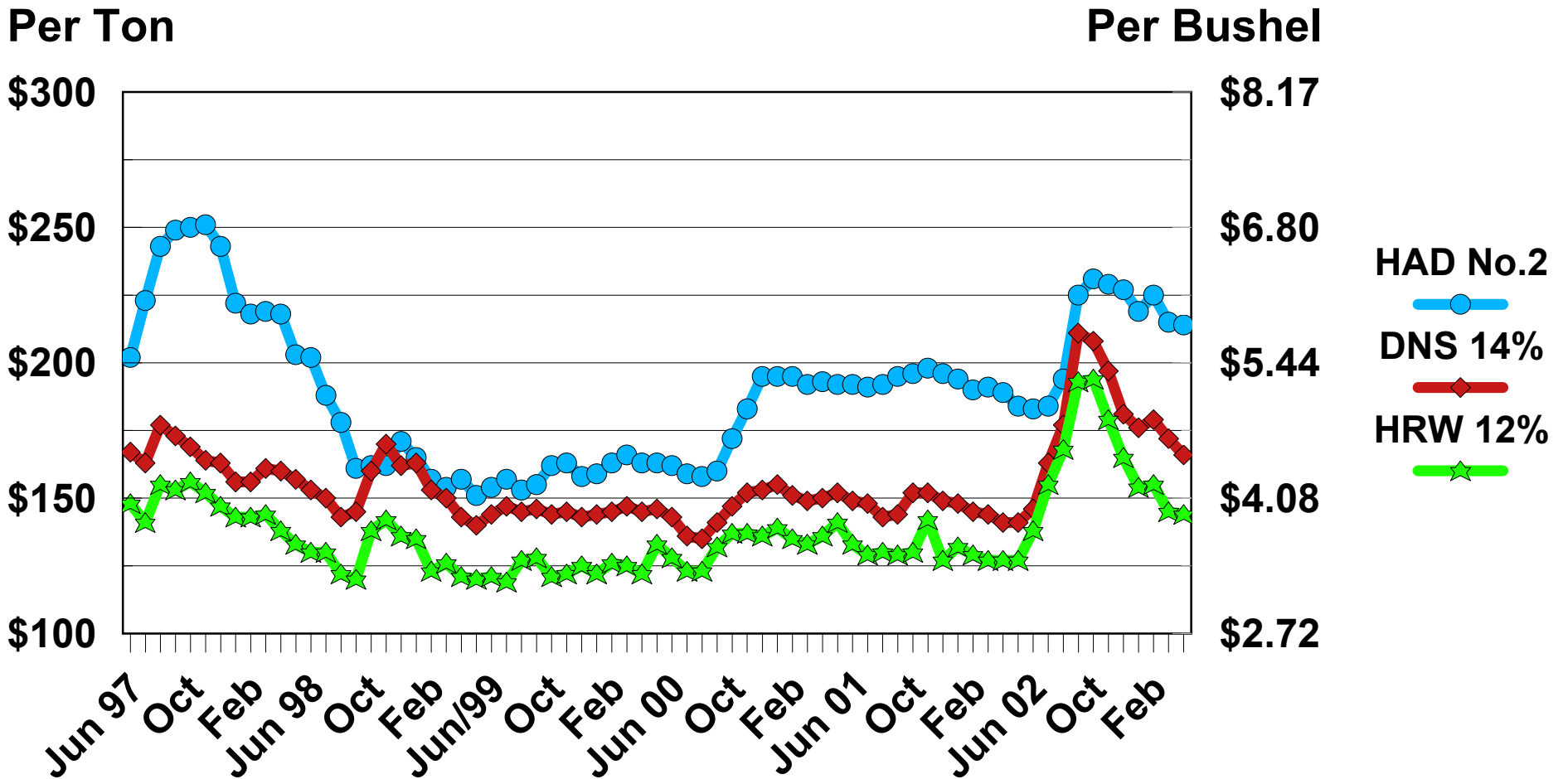
On going efforts : active AD/CVD, WTO Dispute Panel Complaint, U.S. position on STEs in WTO and Canadian Market Access

*Favorable trade relationships in growth markets will remain vital to maintaining and expanding trade opportunities for U.S. wheat producers.*

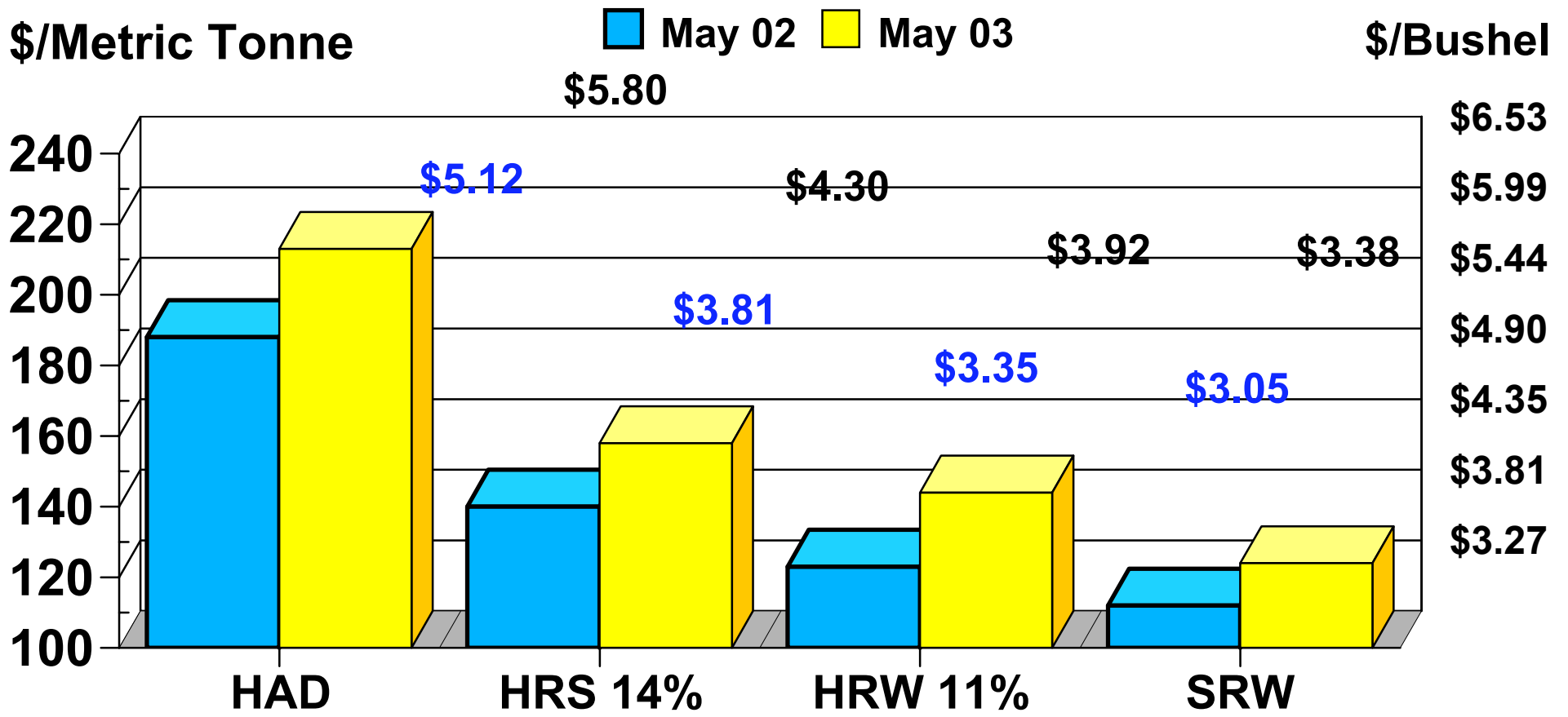
*Given the size and scale of U.S. agriculture today, the role of actively seeking out and expanding these export markets is critical to U.S. producer viability and prosperity for the foreseeable future.*

(Quotes from U.S. Wheat Associates meeting notes)

# PRICE TRENDS AT GULF



# U.S. Wheat Price Change by Class at the Gulf



# **THANK YOU**

**For more information  
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