Midwest Agriculture’s Ties to the Global Economy

Trends in Ag Trade & Drivers of Demand

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Overview

* Importance of Trade to US Agriculture
* Competitive Forces
* Trade Policies
* The Future?
Export Share of US Production, 2011-13

Exports Critical Source of Demand for US Agriculture

Competition, GMOs & Infrastructure
US Share Fell: 60% to 40%
Arg/Bzl Share Rose to 33%

World Corn Exports

Million Metric Tons

Source: PS&D View, FAS/USDA
US Share Held at 40%
Brazil Share Rose to 43%

Source: PS&D View, FAS/USDA
Developing countries grew more biotech crops in 2016.

19 developing countries, 99.6 million hectares.

7 industrial countries, 85.5 million hectares.

185.1 million hectares.

3 of the top 5 countries growing biotech crops are developing countries.

Top 5 countries growing biotech crops:
- USA (72.9 million hectares)
- Brazil (49.1)
- Argentina (23.8)
- Canada (11.6)
- India (10.8)

Biotech crops increased ~110-fold from 1996-2016; accumulated area is 2.1 billion hectares.

Major biotech crops:
- Canola 5%
- Cotton 12%
- Others 1%
- Maize 33%
- Soybeans 50%

Biotech soybean reached 50% of global biotech crop area in 2016.

Other biotech crops in the market:
- Sugar beet
- Papaya
- Squash
- Eggplant
- Potato

Source: www.isaaa.org
Figure 1. National Average Corn Yield for Argentina and Brazil, 1961-2016
Figure 2. National Average Soybean Yield for Argentina and Brazil, 1978-2016

% Increase Since 2008

Argentina

Brazil

Source: USDA/FAS
Soybean Yield
United States

% Increase Since 2008

+ 10% Increase
40% of Northern Port Capacity Unused
17 mmt

Harvested Area Expansion
Argentina: 20%
United States: 20%
Brazil: 60%

Brazil’s Soybean Trail
Shipments by port, in % of total exports
29% Santos
8% Sao Luis
12% New Northern Ports
18% Rio Grande
15% Paranaguá

Source: Aneel
*From Jan.-Nov. 2016

Bloomberg

Convenção p/ Rodovias Federais
Duplicadas
em Duplicação
Pavimentadas
Pavimentação
Implantadas
em Leilão Natural
Planejadas

Porto Alegre
Is More Expansion Possible?

Mato Grosso & Beyond?

Is the Future Now?!

Production Increases Driven by Yield & Area Expansion

100 Million More Acres?

Mato Grosso & Beyond?
Exchange Rates Are Important

Source: Board of Governors of the Federal Reserve System (US)
fred.stlouisfed.org
Soybean Export Prices

Brazil/US Exchange Rate

Source: Board of Governors of the Federal Reserve System (US)
fred.stlouisfed.org

Importance of Trade Policy
NAFTA Renegotiations: A New Path Ahead?
US Ag Exports to NAFTA

Canada & Mexico Are Top US Market

Billion Dollars

Foreign Ag Service, USDA.
US Ag Imports from NAFTA

Canada & Mexico Are Top Import Supplier

Foreign Ag Service, USDA
Cuba: A Market, Investment Opportunity, Spy Land, Competitor or All of the Above?
Cuba Market Opportunities

Frozen Chicken Legs
Soy & Corn, 97% of Total US Ag Exports in 2016

Million Dollars

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Note: Total exports to Cuba include small amounts of non-ag/related exports.
Cuba's agricultural imports have trended upward over the past decade.

Brazil & EU Cut Into US Share

Sources: USDA/FAS (2015a) and export data of various national governments, as cited by Global Trade Information Services (2015).
Big Questions

- More GMO Adoption?
- Switch from Grazing, Adding Cultivation in Brazil?
- US Trade Policy: Responses by Trading Partners & Competitors?
The Future

- US Ag Remains Export Dependent
- Infrastructure Poses Unique Challenges
- Climate & Weather Retain Influence
- Farm Policy & Regulation Crucial
- US Farm Financial Situation Precarious