



Agriculture Trade Outlook

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Agenda and Contents



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Situational Assessment

Trade Facts and Perspectives



Top Import Partners (2015 to 2017 average)

Country / Region	Average Value (USD Billions)	% Total Ag Imports
Mexico	\$22.4	19.4%
Canada	\$22.0	19.0%
EU-28	\$20.6	17.8%
China	\$4.4	3.8%
Indonesia	\$3.7	3.2%
Subtotal	\$73.1	63.2%

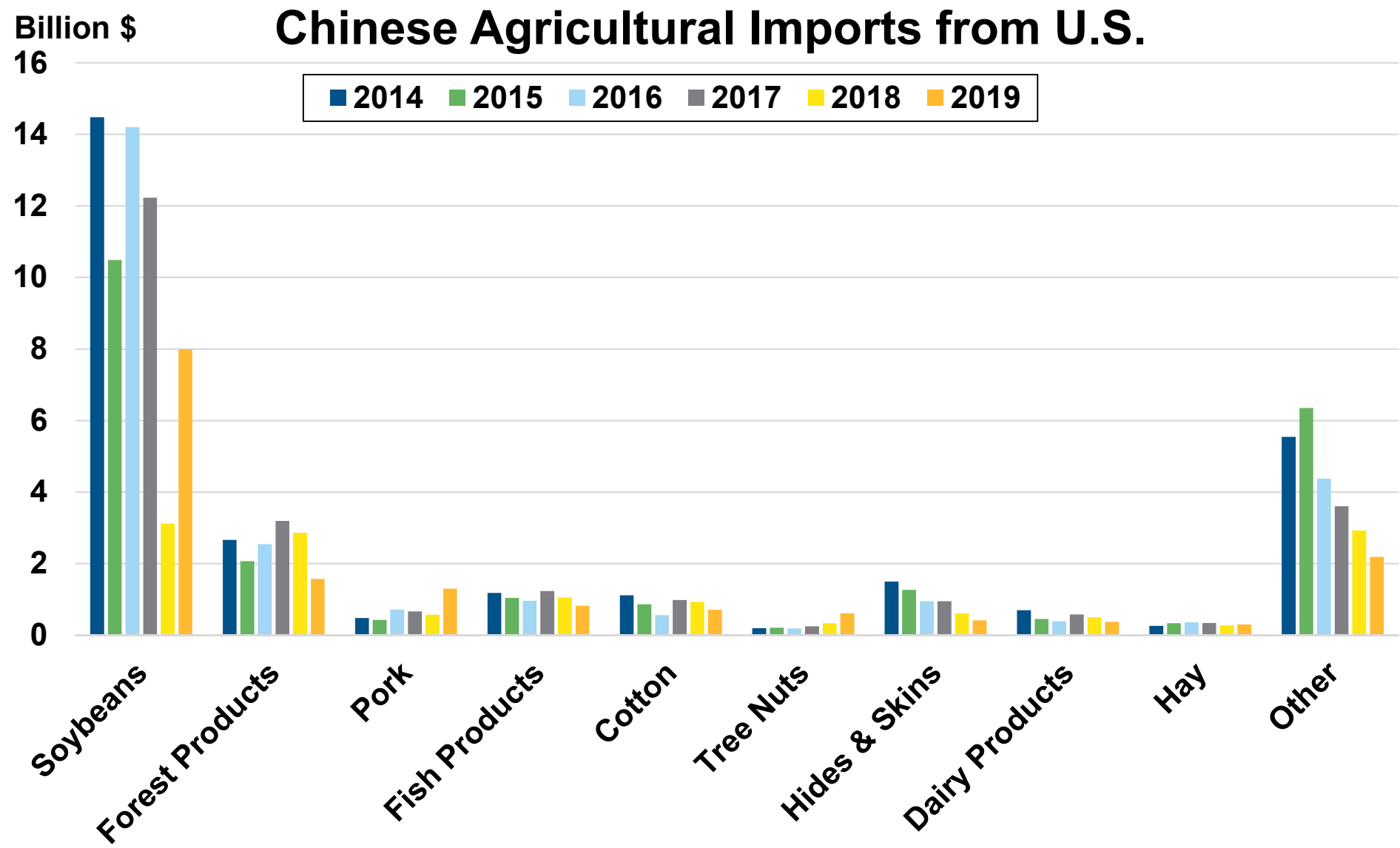
Source: CoBank and USDA

Top Export Partners (2015 to 2017 Average)

Country / Region	Share of U.S. Ag Exports
NAFTA	28.4%
China	18.3%
EU-28	8.7%
Japan	8.3%
South Korea	4.6%
Subtotal	68.3%

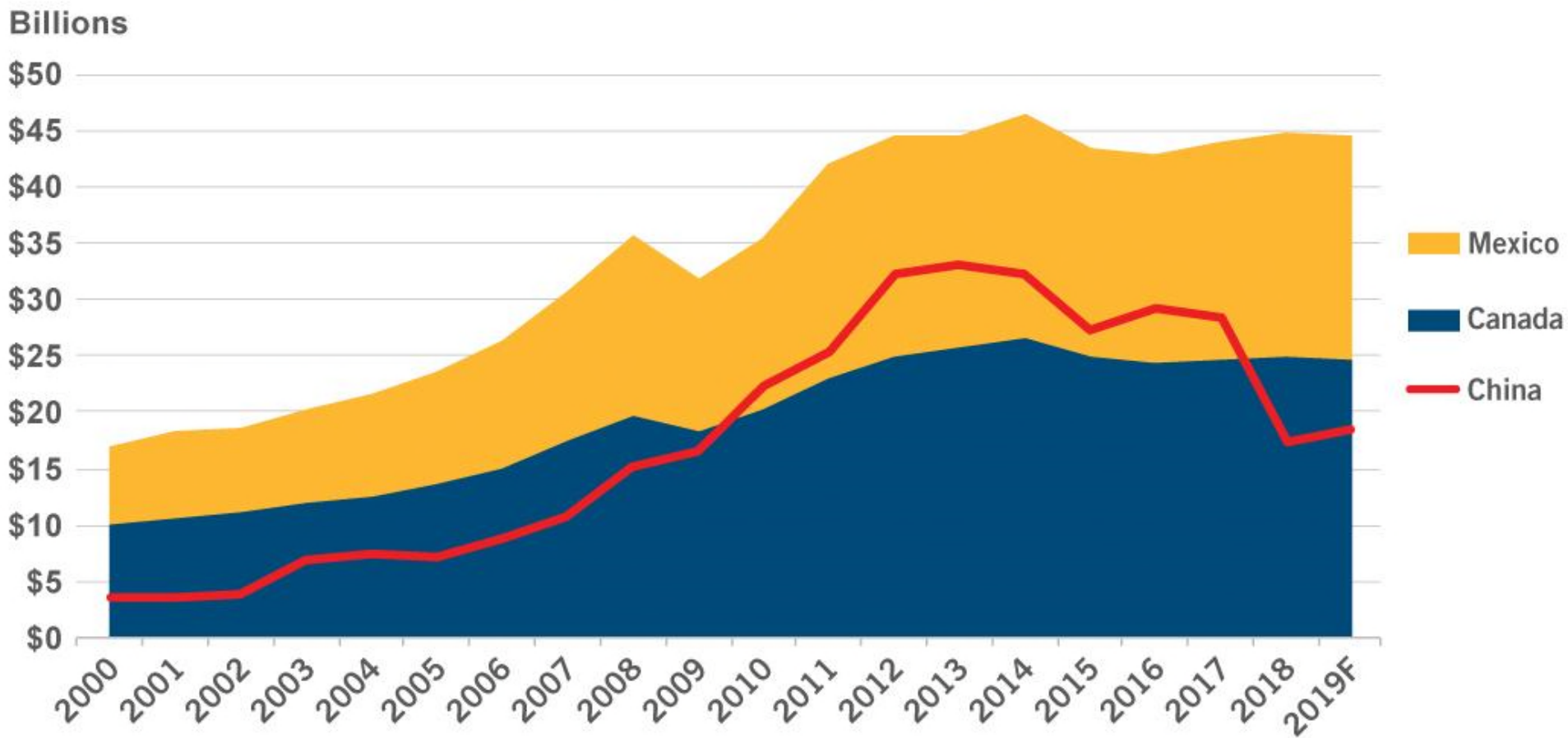
Source: CoBank and USDA

Chinese Ag Imports from U.S. Down Sharply from Years Prior due to Trade War, Rising Competition



Why Trade Renegotiations? Beyond falling China exports, Ag Exports to Canada/Mexico plateaued

U.S. Ag Exports – USMCA vs. China



➤ China

- “Phase One” has been signed, but the market response was largely negative. China has stressed that imports from the U.S. will be based on market prices.
- African Swine Fever (ASF), coronavirus, and a slowing Chinese economy raise concerns of China’s ability to fulfill commitments of the deal that went into effect Feb. 15.
- **Ag exports to China** : Soy, cotton, coarse grains, pork, dairy, wheat, tree nuts, fresh fruit

➤ US-Mexico-Canada (USMCA) Agreement

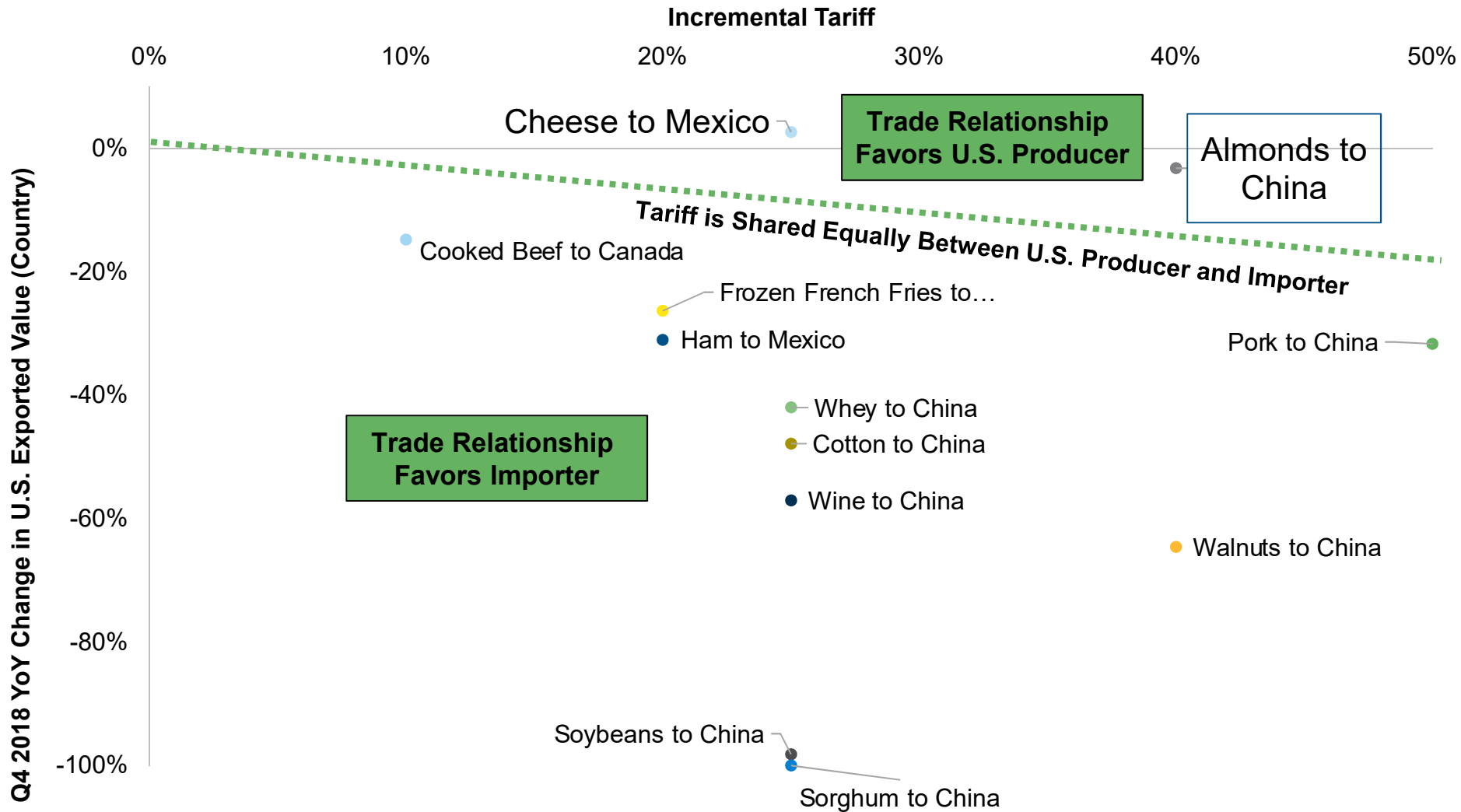
- USMCA (the new NAFTA) has been ratified by the U.S. and Mexico. Canada is expected to ratify in the coming weeks.
- Can USMCA generate meaningful future growth for U.S. ag exports?
- Protects the status quo, and may grow U.S. dairy exports.
- **Ag exports to Mexico**: Corn, soy, pork, dairy, beef, poultry, wheat, forest products, fruit
- **Ag exports to Canada**: Forest products, prepared food, fresh fruit and vegetables, fish, pork

➤ India

- Trump wants a new trade pact, but suggested a comprehensive deal won’t likely happen until much later this year.
- **Ag exports to India**: Tree nuts, cotton, ethanol, fresh fruit, dairy products, forest products

Trade War Has Mostly Been Negative for U.S. Ag, However, the Impact Differs By Commodity Type

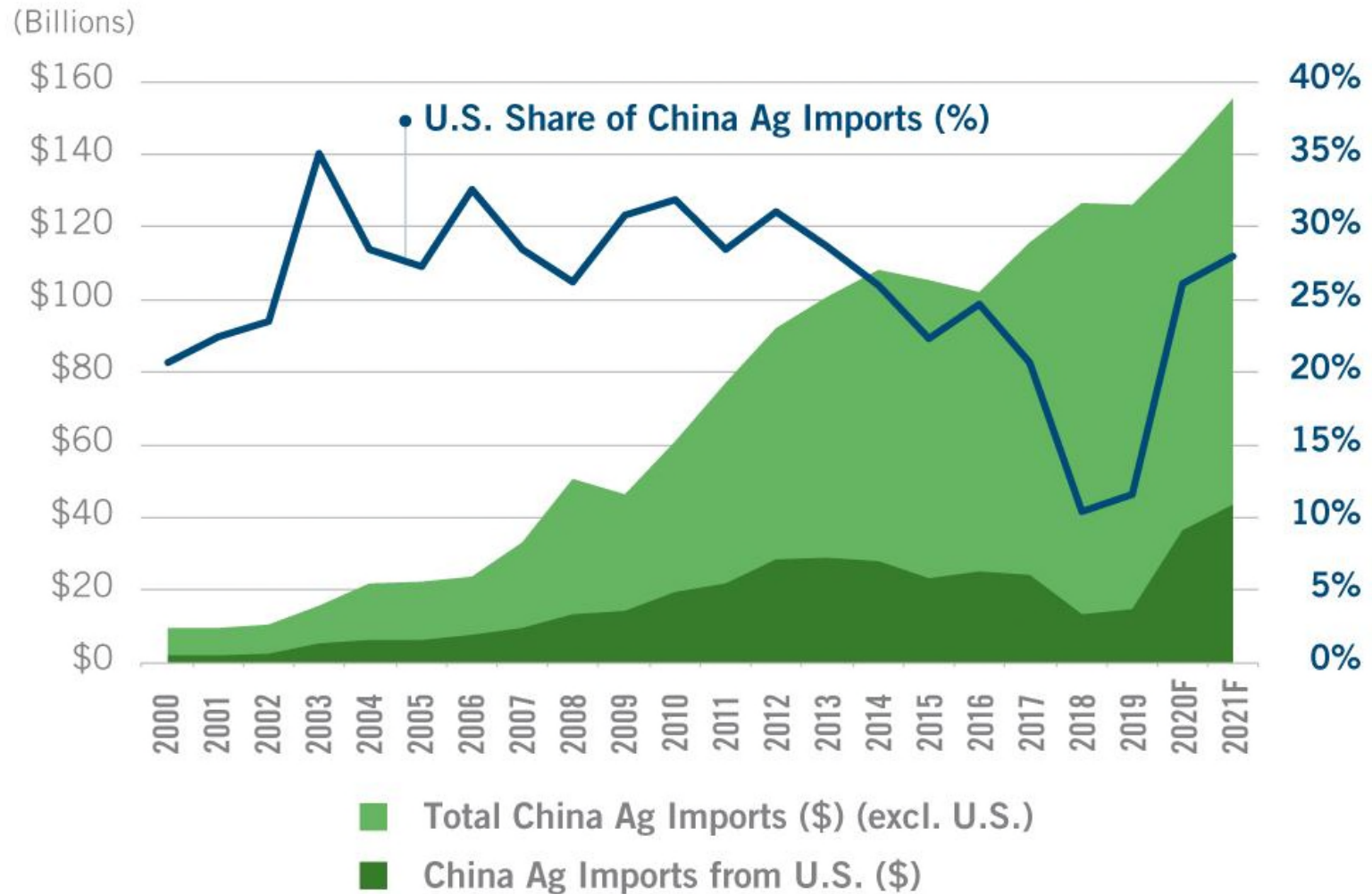
Impact of Tariffs on U.S. Agriculture Exports



China's Phase 1 Commitments Add Over \$12 billion in 2020 and \$20 billion in 2021 vs 2017

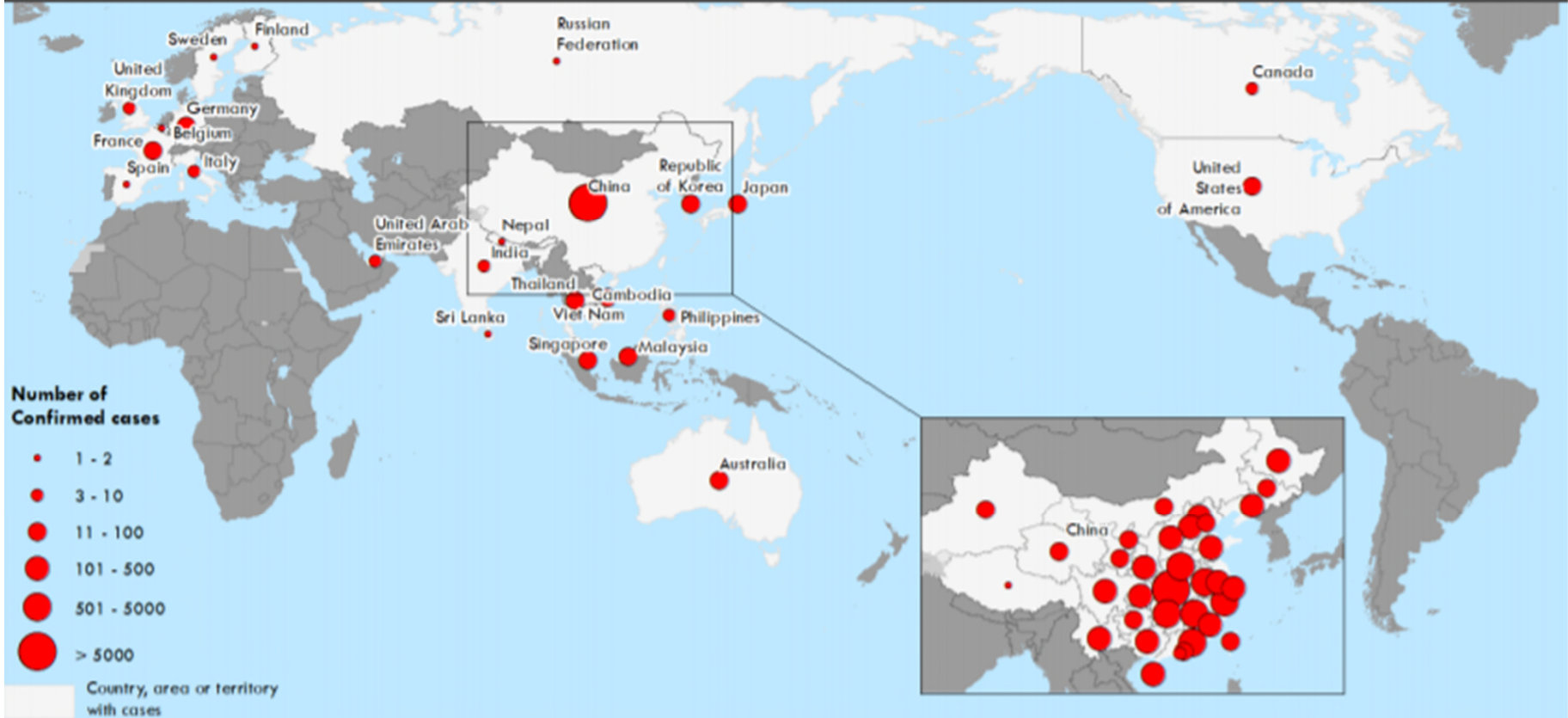


U.S. Share of China's Agricultural Imports



Just as things de-escalated... Coronavirus Widespread Global Impact Likely.

Distribution of 2019-nCoV cases as of 09 February 2020



Data Source: World Health Organization, National Health Commission of the People's Republic of China
Map Production: WHO Health Emergencies Programme

The boundaries and names shown and the designations used on this map do not imply the expression of any opinion whatsoever on the part of the World Health Organization concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. Dotted and dashed lines on maps represent approximate border lines for which there may not yet be full agreement.

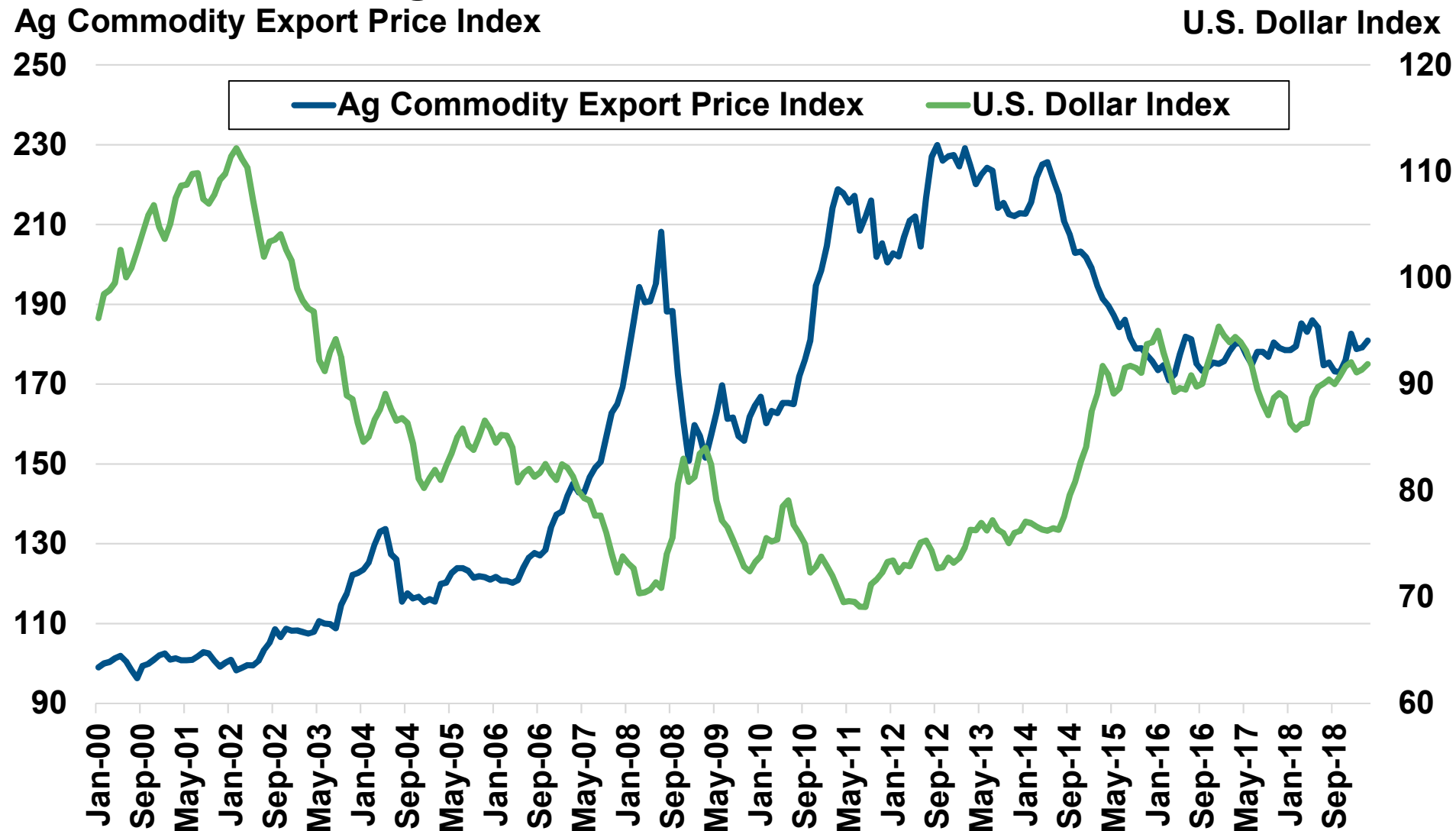


CoBank's Analysis

Strong U.S. Dollar is Bearish on Ag Exports, Complicating Existing Trade Issues

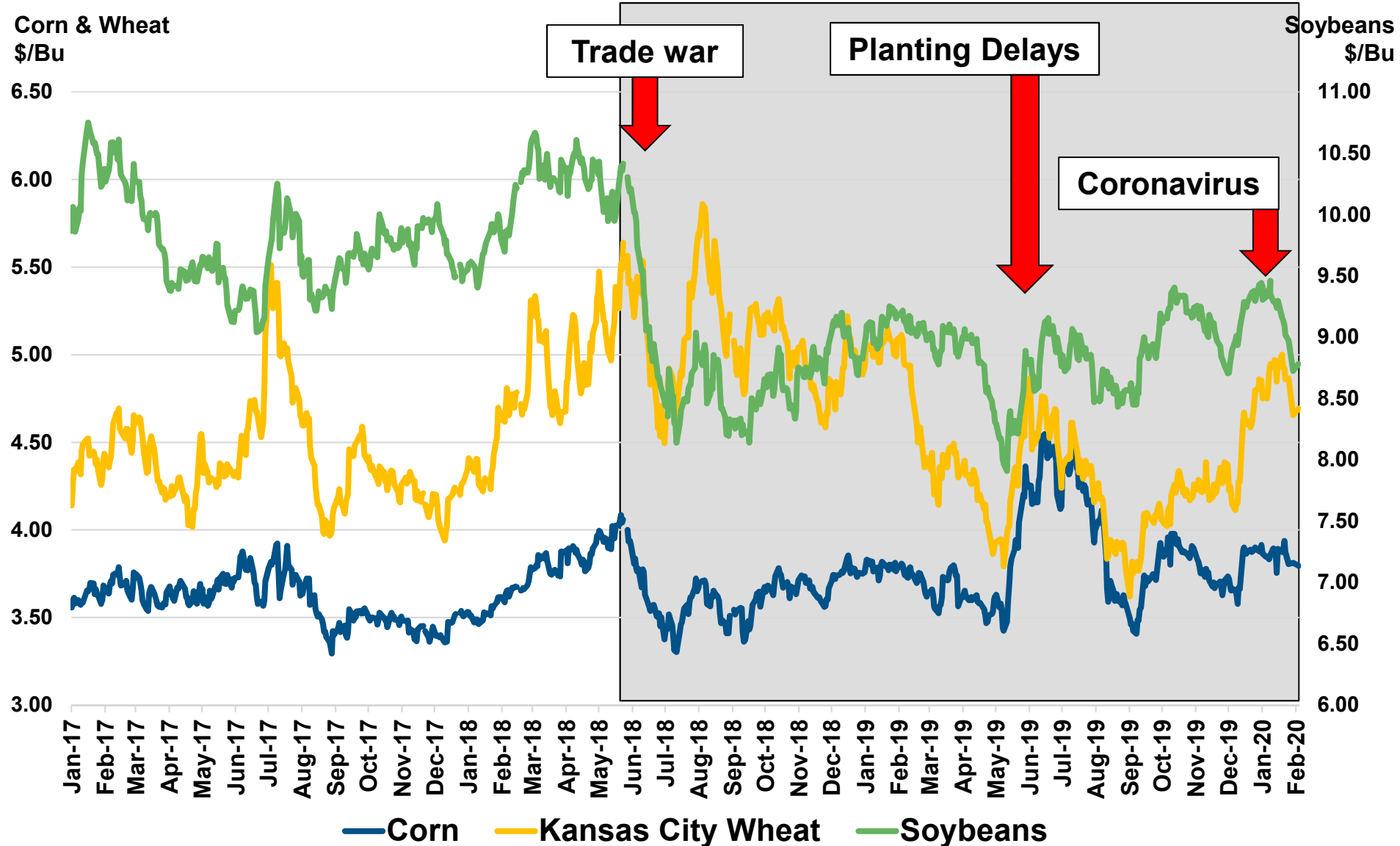


Ag Commodities vs. U.S. Dollar



Source: Federal Reserve Bank of St. Louis

Grain Prices Have Not Regained Pre-Trade War Levels

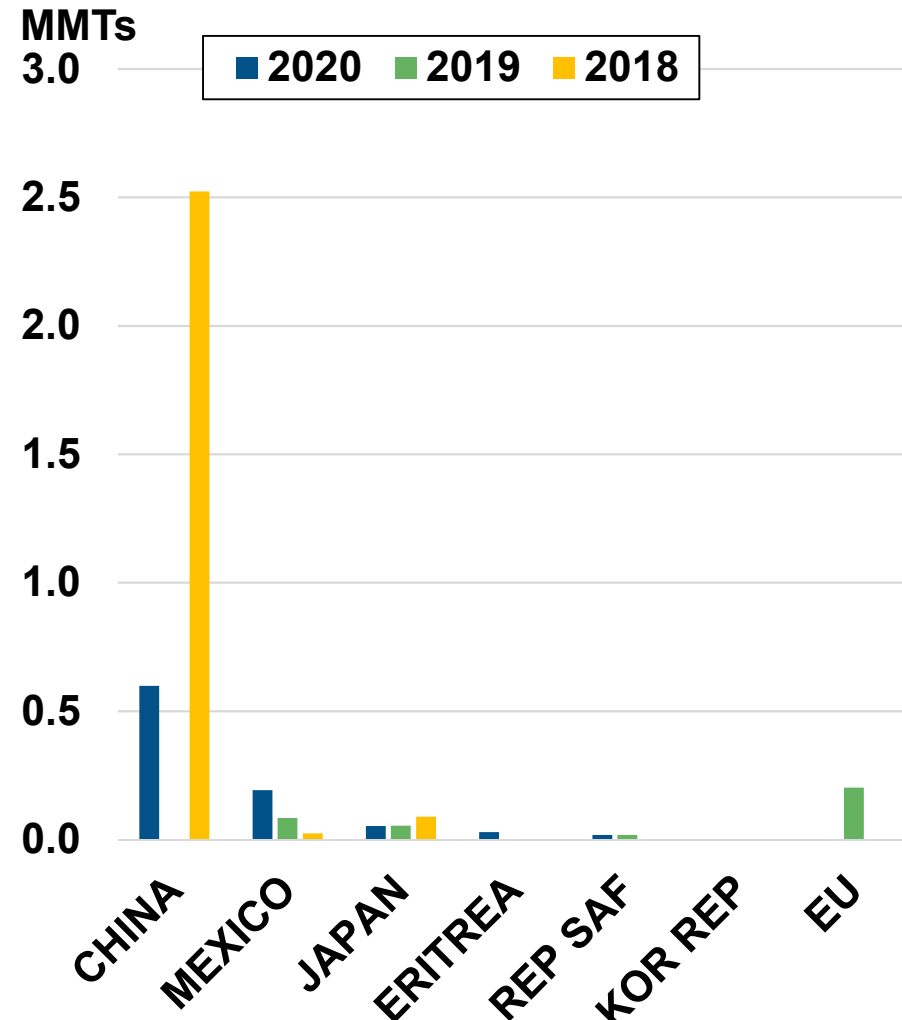
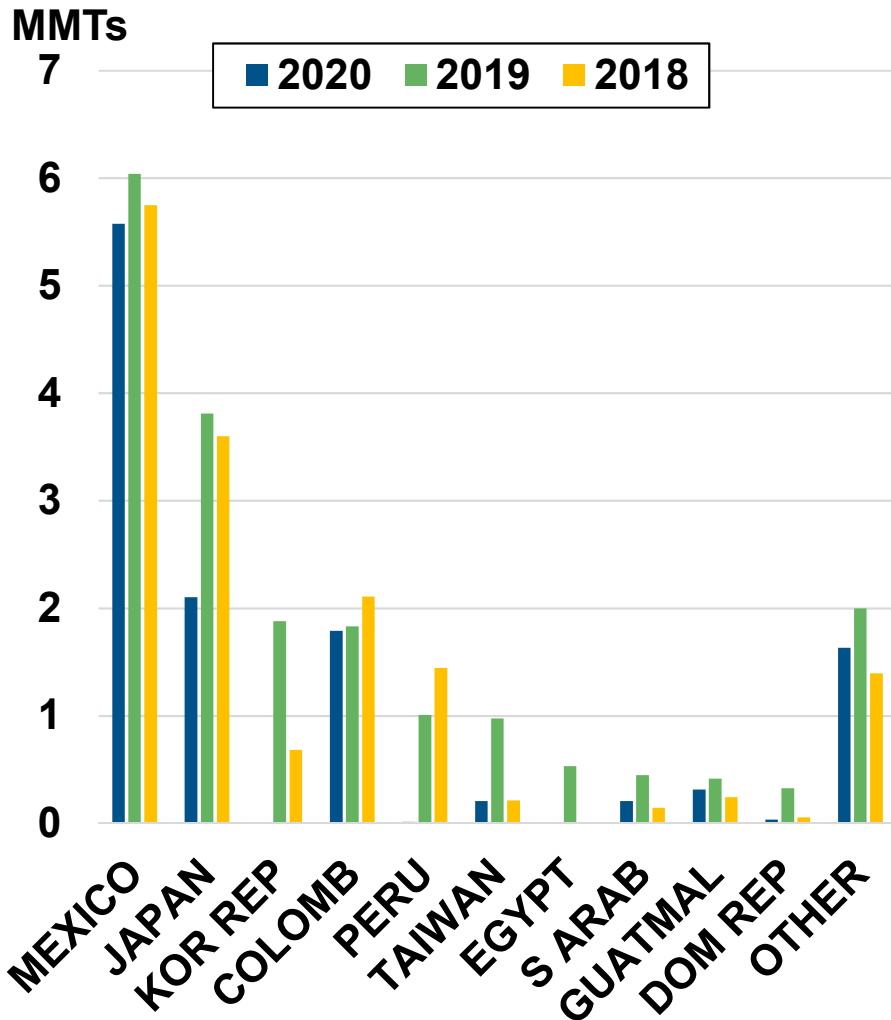


Source: CME Group

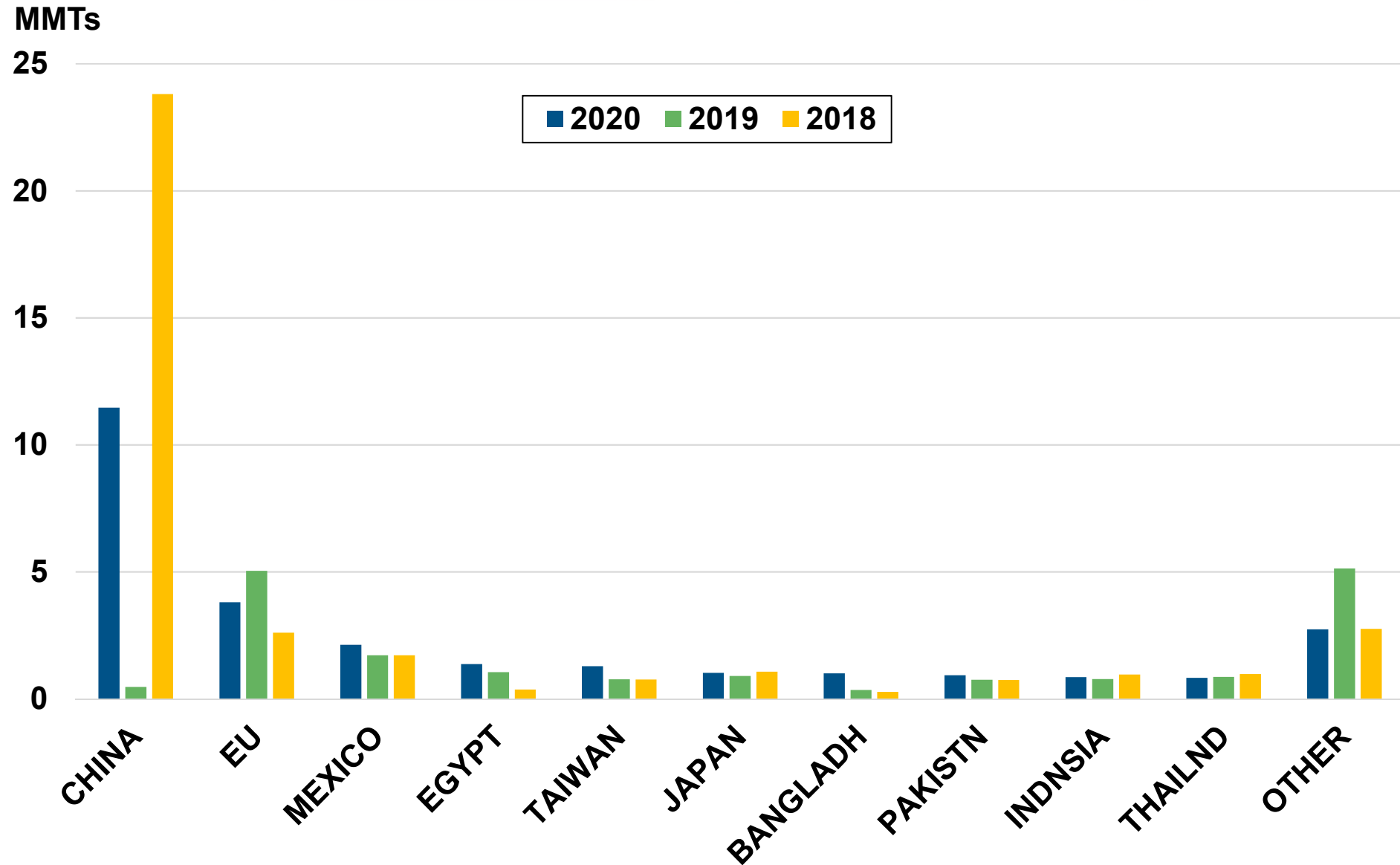
Corn and Grain Sorghum Exports Show a Mixed Picture (as of January 30th)

Corn 38%

Grain Sorghum 149%* (from low base)



Soybeans Exports 54% (but off a very low base) and still well below the 2018 level

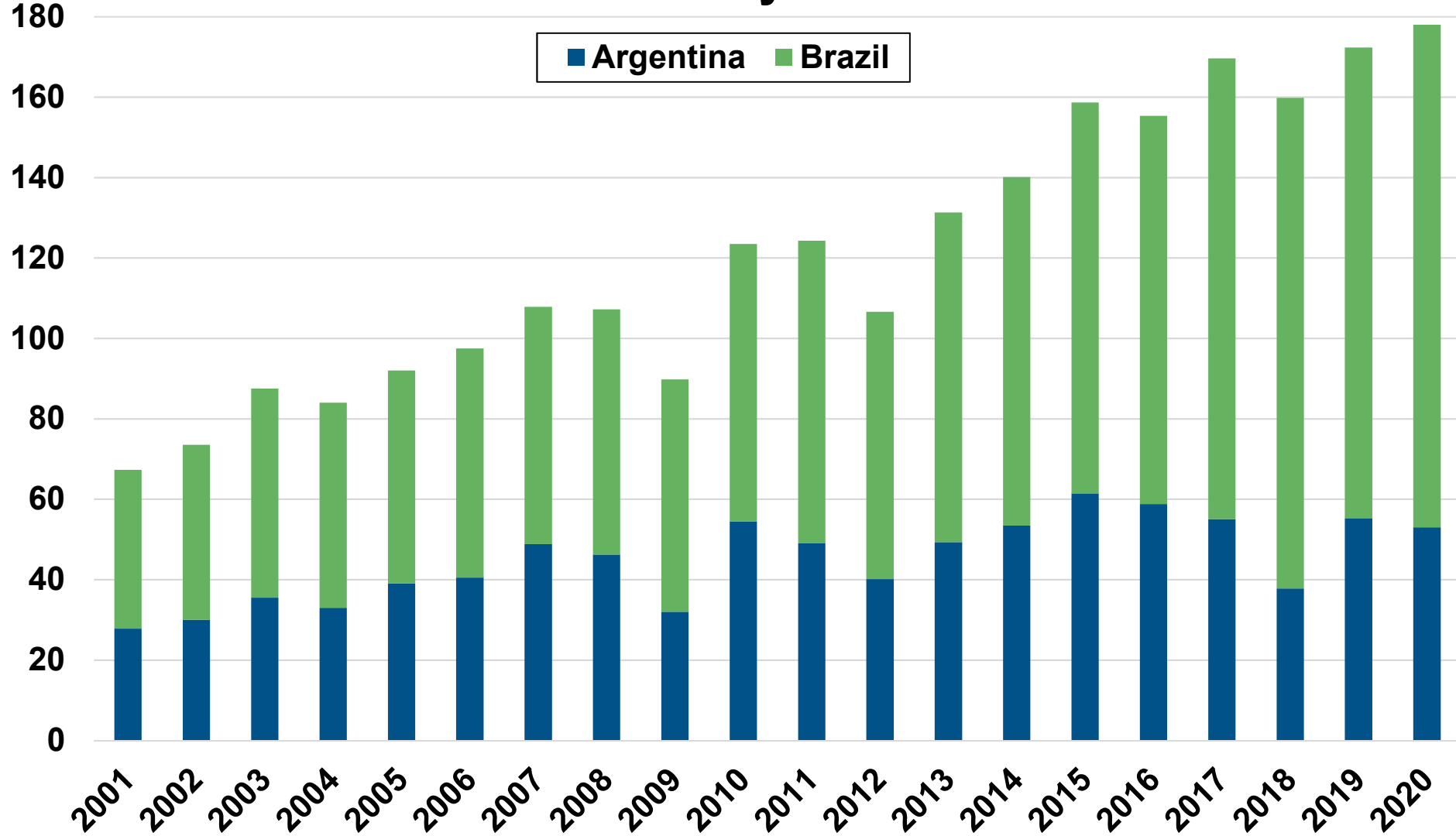


South American Soybean Harvest is Record Large

Trade War expedited Brazil's rise

MMTs

South American Soybean Production



Brazil's Currency Continues to Weaken Creates a Major Competitive Advantage over US Exports (along with Panama canal expansion, highway infrastructure)

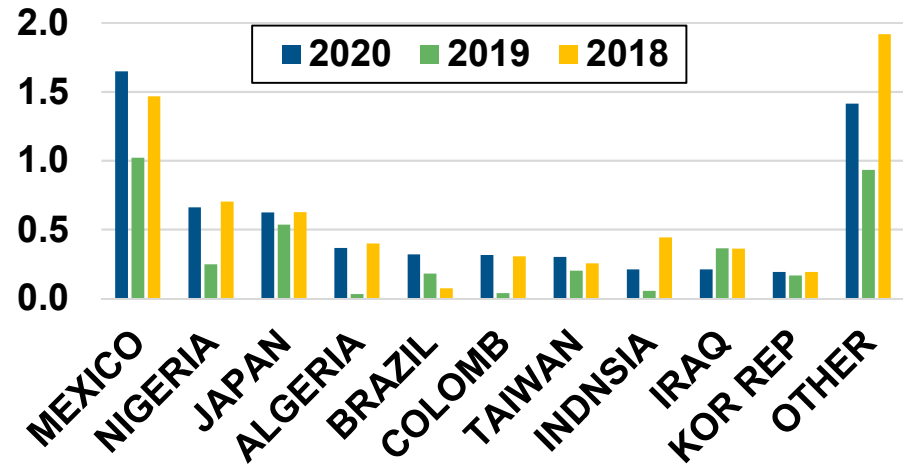


Brazilian Real vs USD

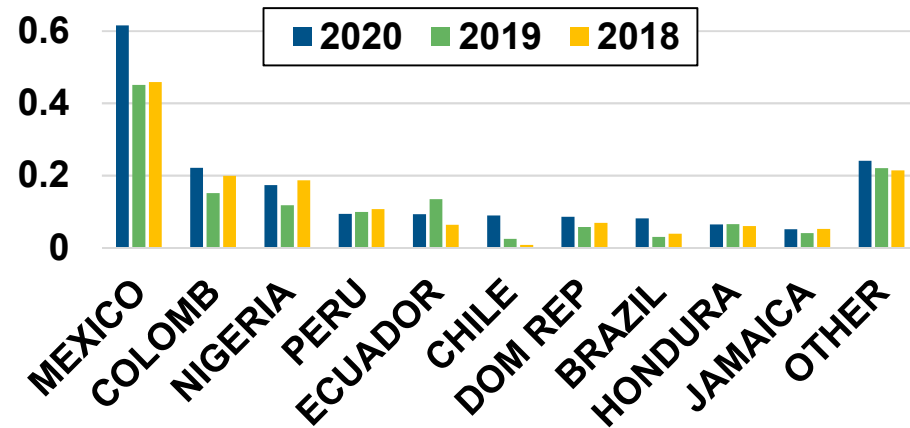


Interestingly, Wheat Exports in MMTs Has Become the Breakfast of Champions!

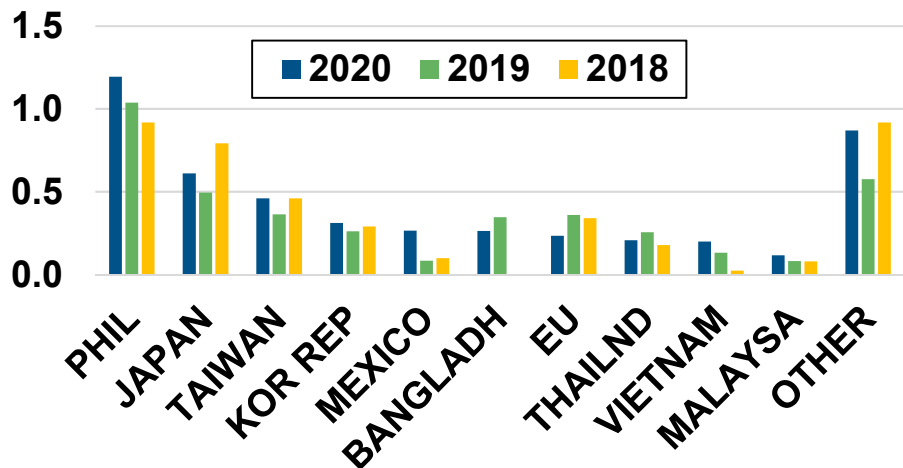
HRW **66%**



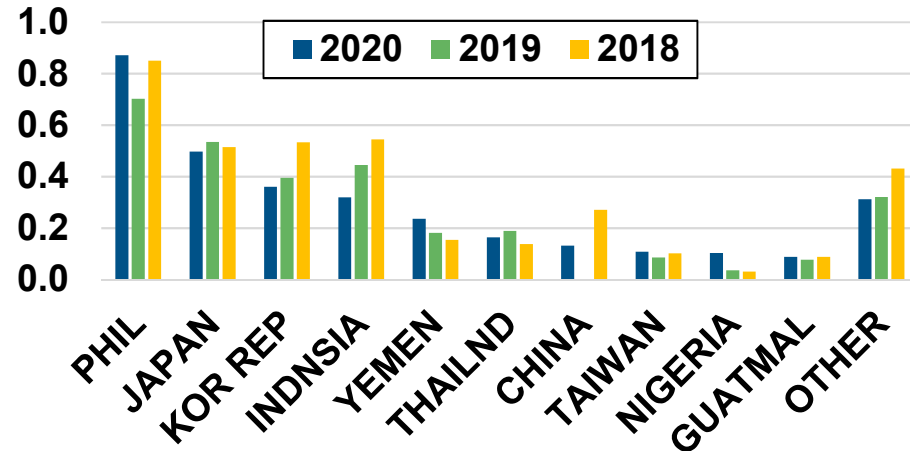
SRW **30%**



HRS **18%**



White **8%**



But Black Sea Wheat Production is Up. Stay Tuned

MMTs

120

■ Russia ■ Ukraine

100

80

60

40

20

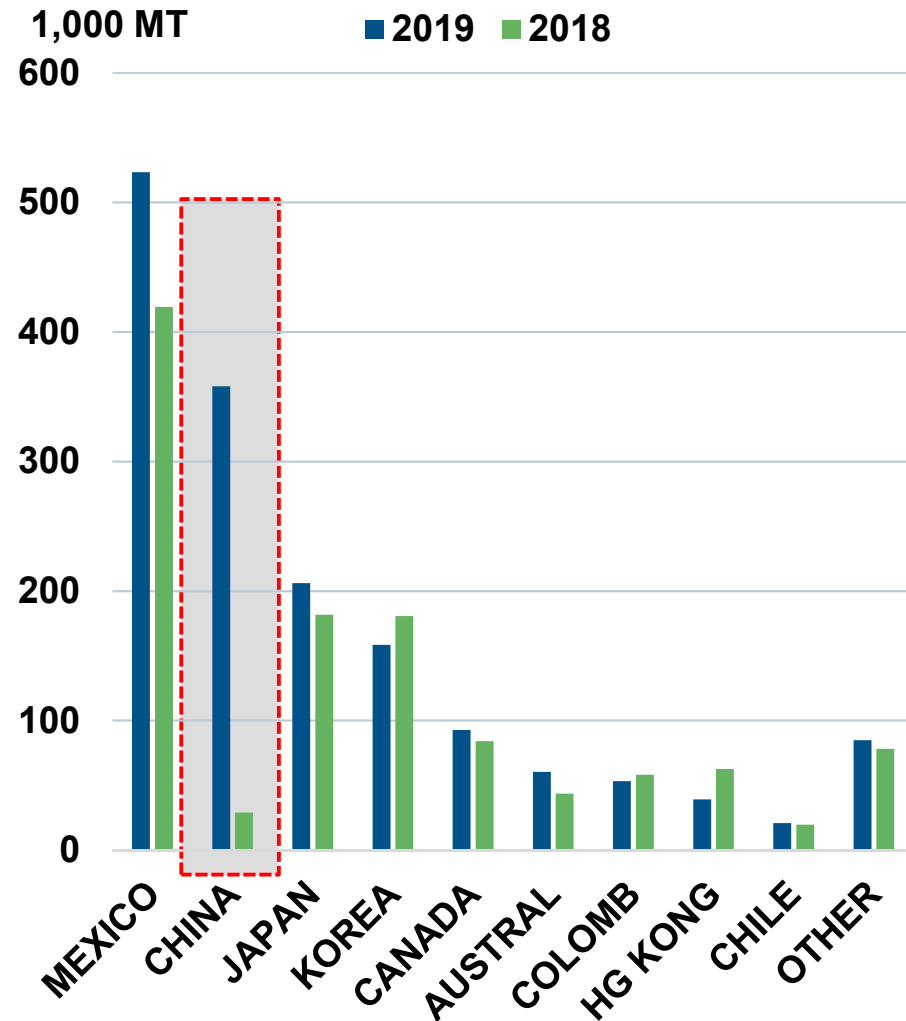
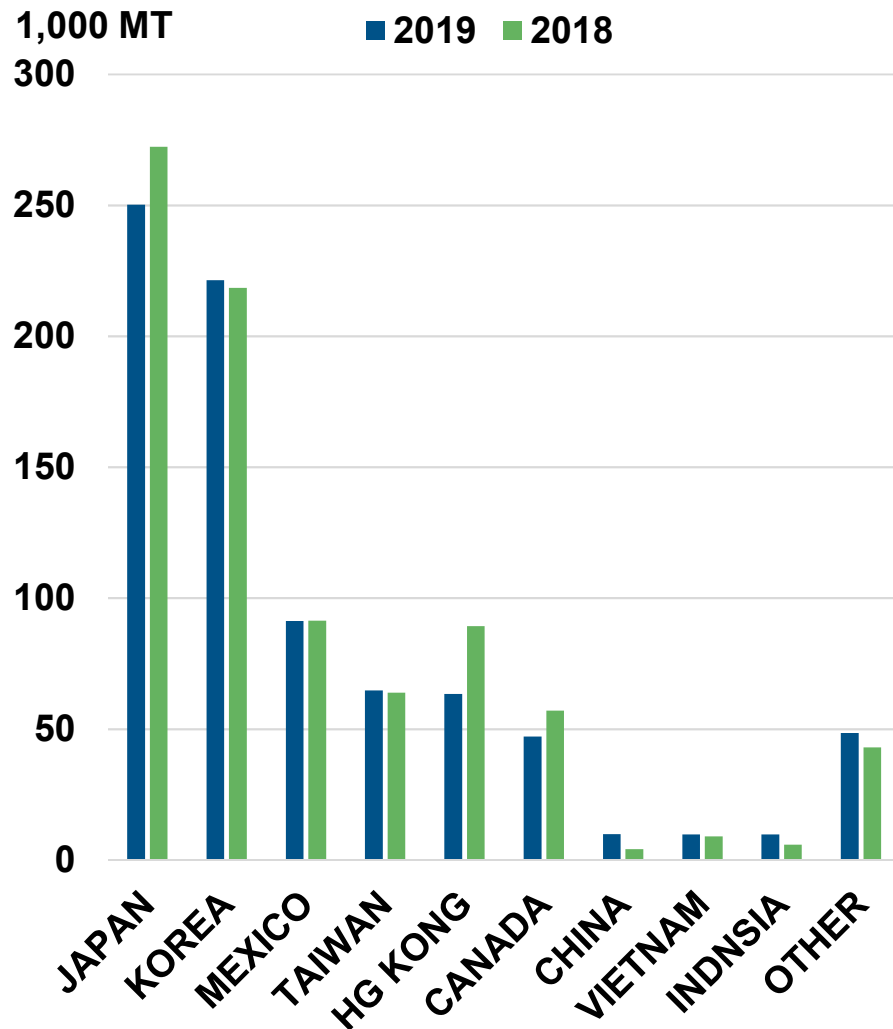
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2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020

Beef and Pork Exports

Beef 5%

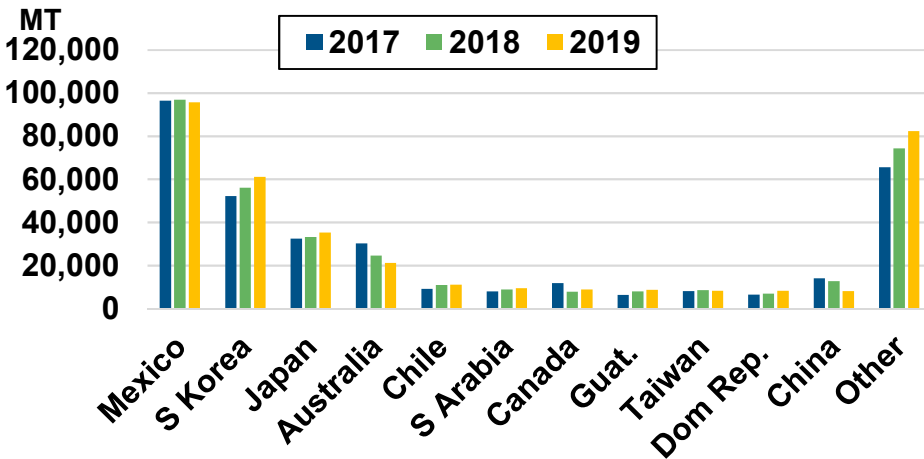
Pork 38%



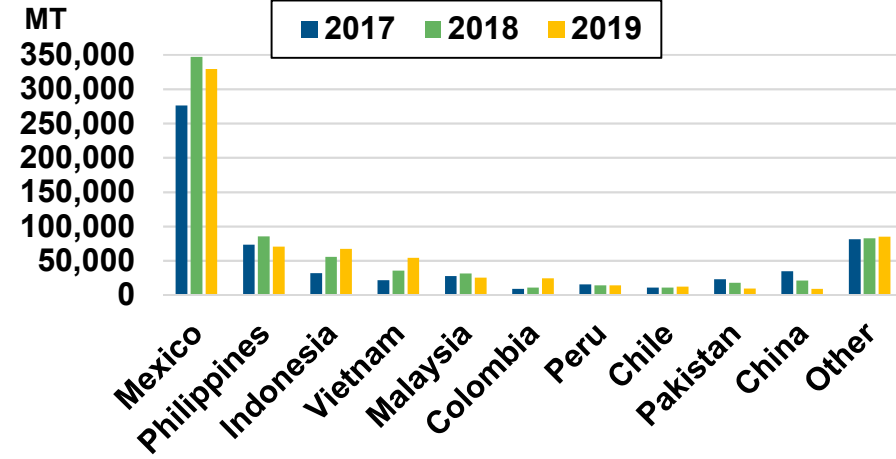
Dairy Exports: Cheese Higher, Whey Down Due to Lower China Demand

(smaller hog herd since ASF, less need for whey protein)

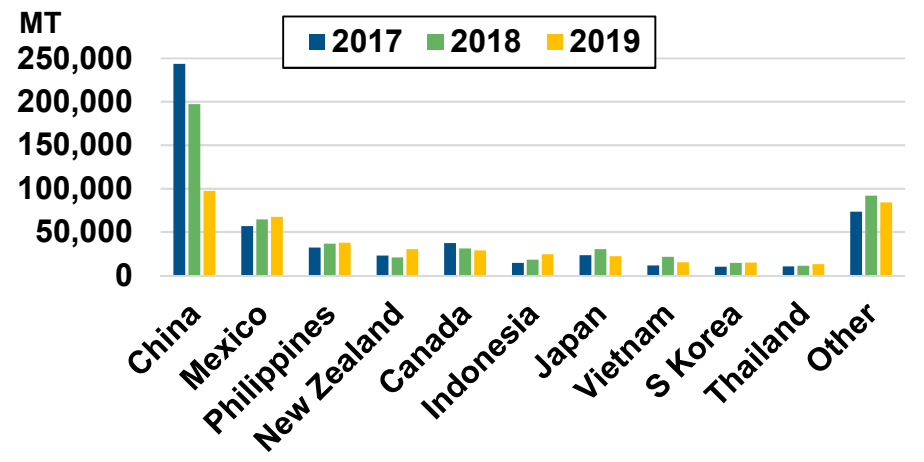
Cheese **3%**



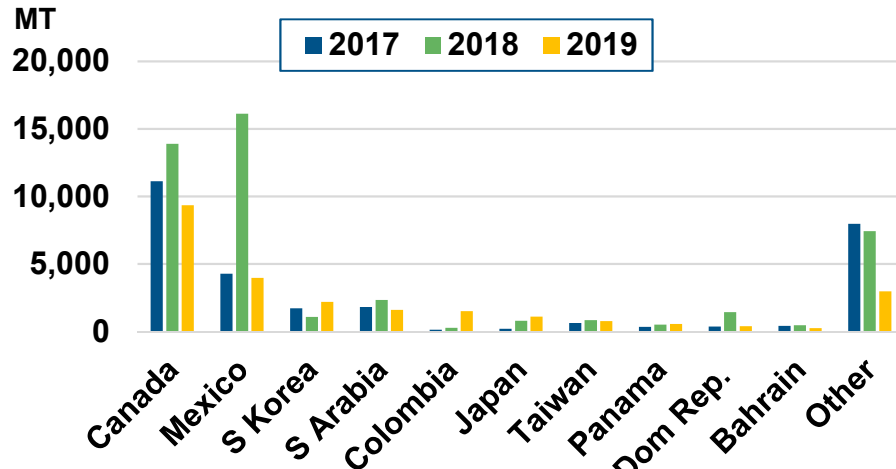
NFDM **3%** (non fat dry or powder milk)



Whey **8%**

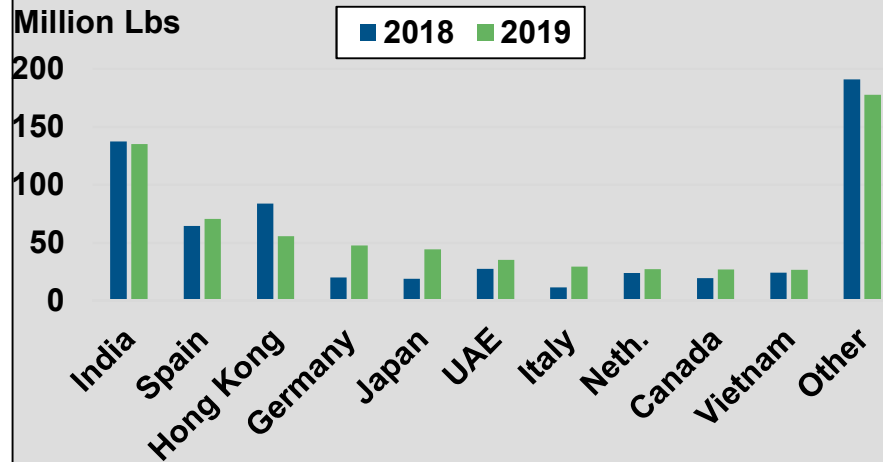


Butter **60%** (although not huge total volume)

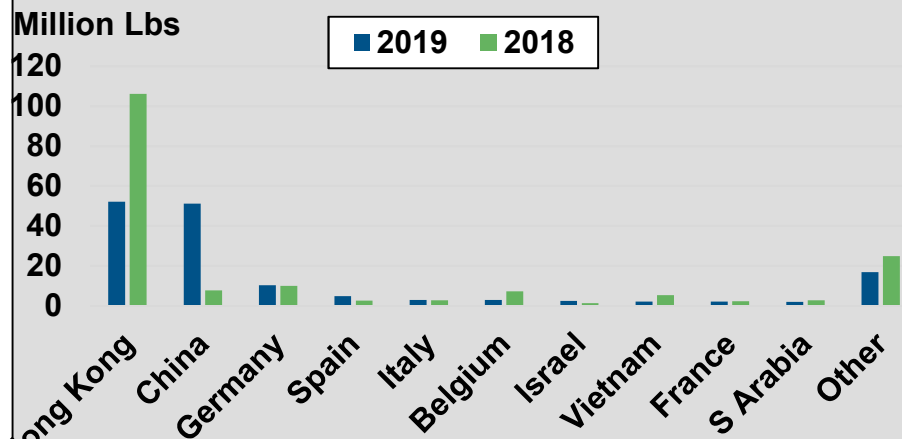


Tree Nut Exports (By Country, Calendar Year)

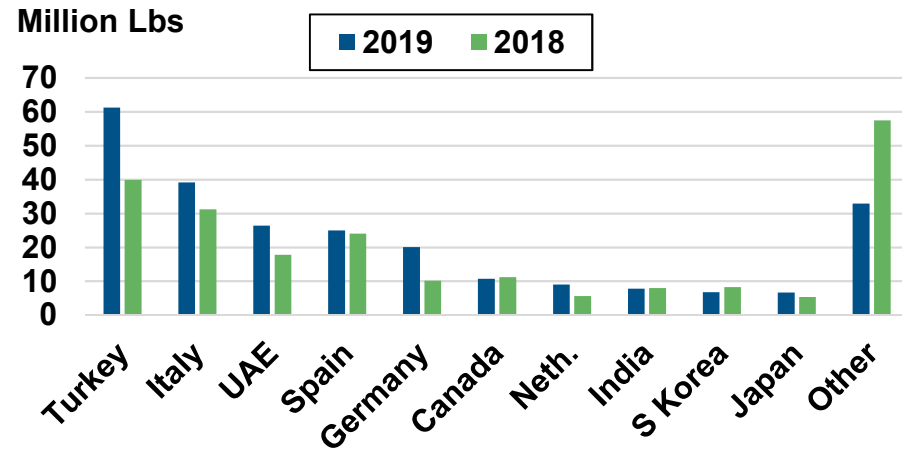
Almonds 2% (India tariffs, Hong Kong recession)



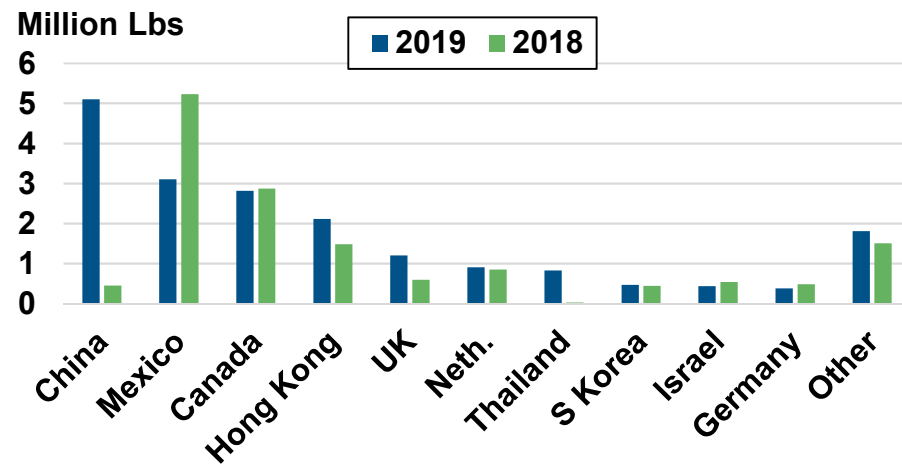
Pistachios 14%



Walnuts 12%



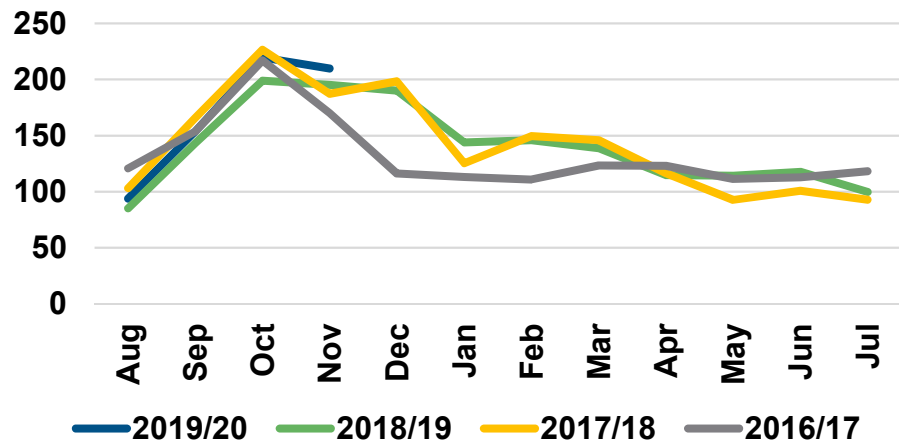
Pecans 32%



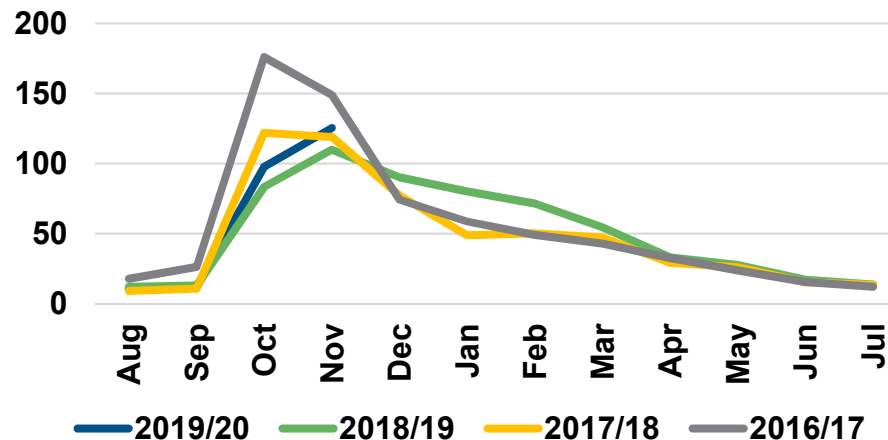
However, the pace of Tree Nut Export Growth on Marketing Year Still Low



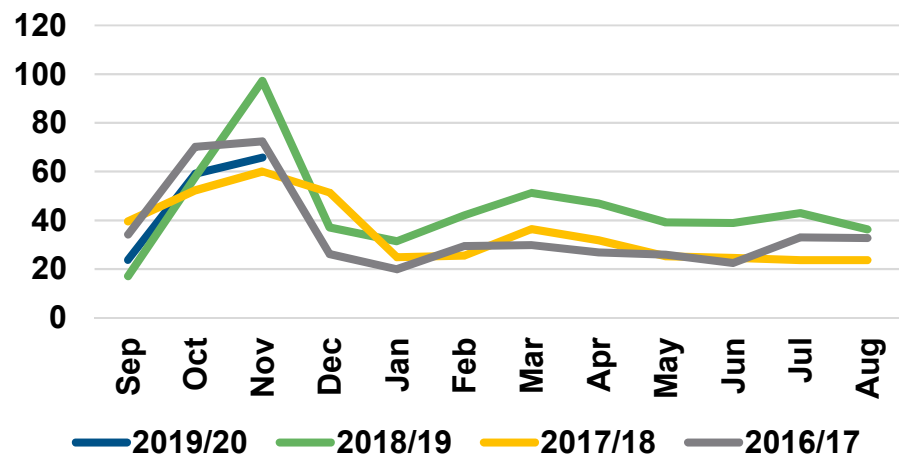
Almonds



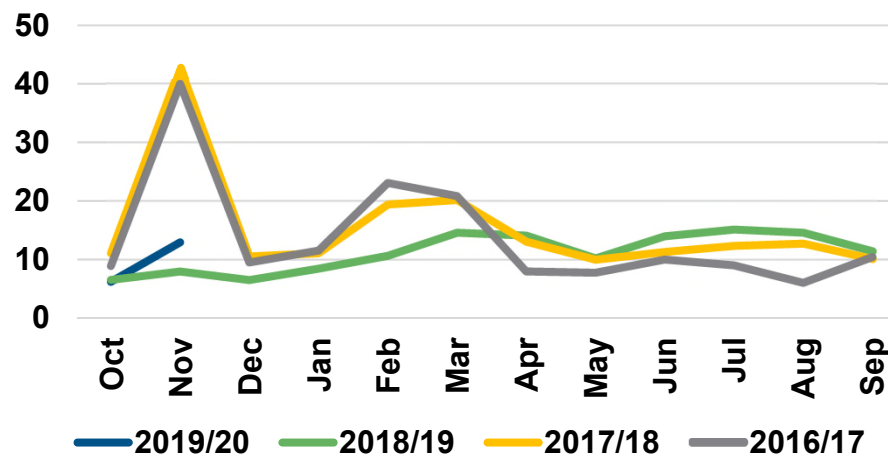
Walnuts



Pistachios



Pecans





Trade Outlook

- Trade disputes impact ag commodities differently
- Recent trade deals are positive (as tariffs typically hurt producers)
- There are both risks and opportunities going forward
 - *FOREX - a strength makes US exports more expensive*
 - *African Swine Flu (ASF) – reduced feed grain but greater demand for finished product*
 - *Competition with Brazil and Black Seas regions are not going away*
 - *EU and India Trade uncertainty*
- The “Known Unknown” Risk = Policy Risk :
 - U.S. presidential election
 - Scenario 1 = Republican (more trade volatility or stability?)
 - Scenario 2 = Moderate Democrat (likely stability)
 - Scenario 3 = Liberal Democrat (uncertain)



Questions & Answers



Additional Information



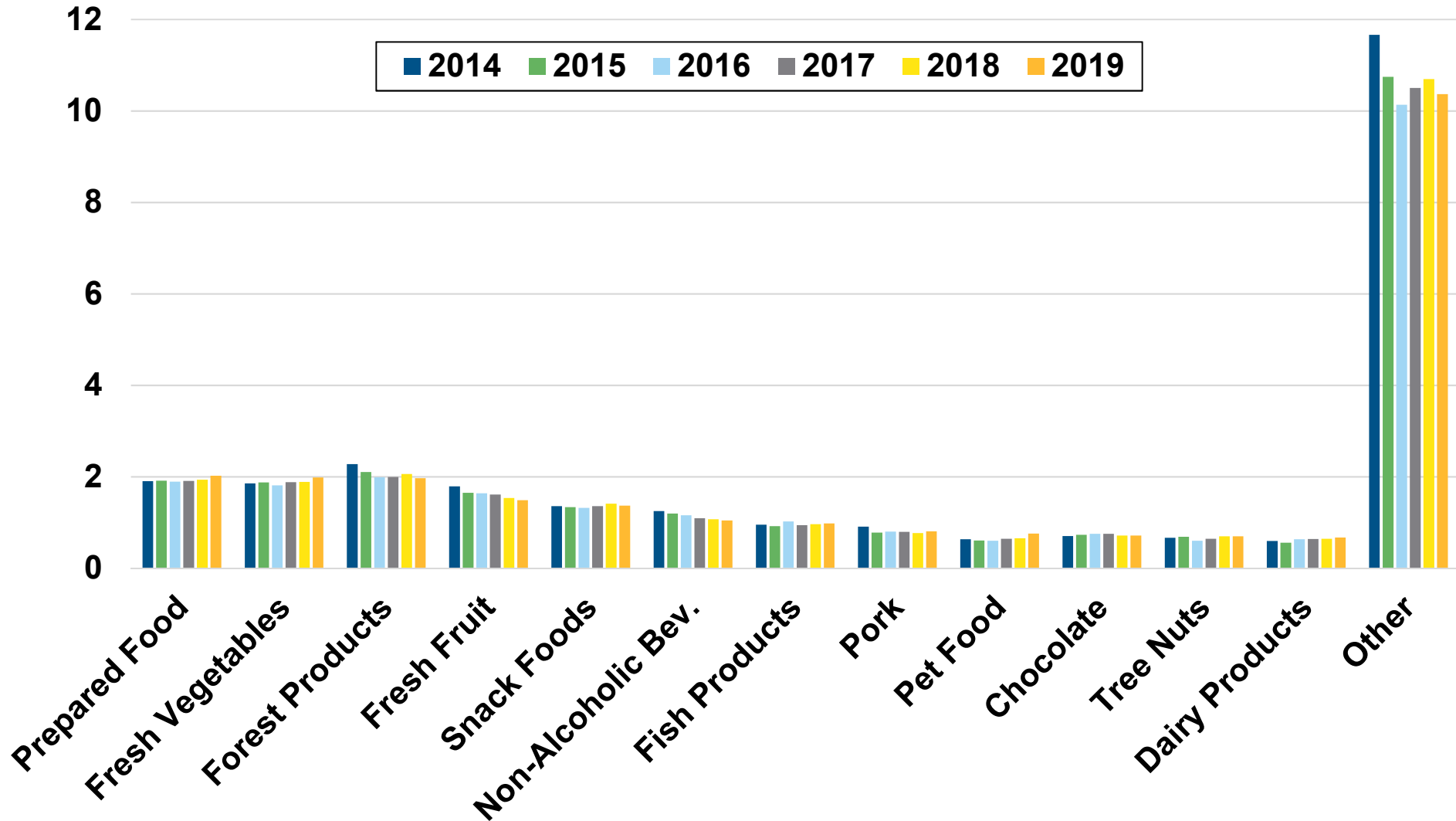
Additional Information

Regional Observations

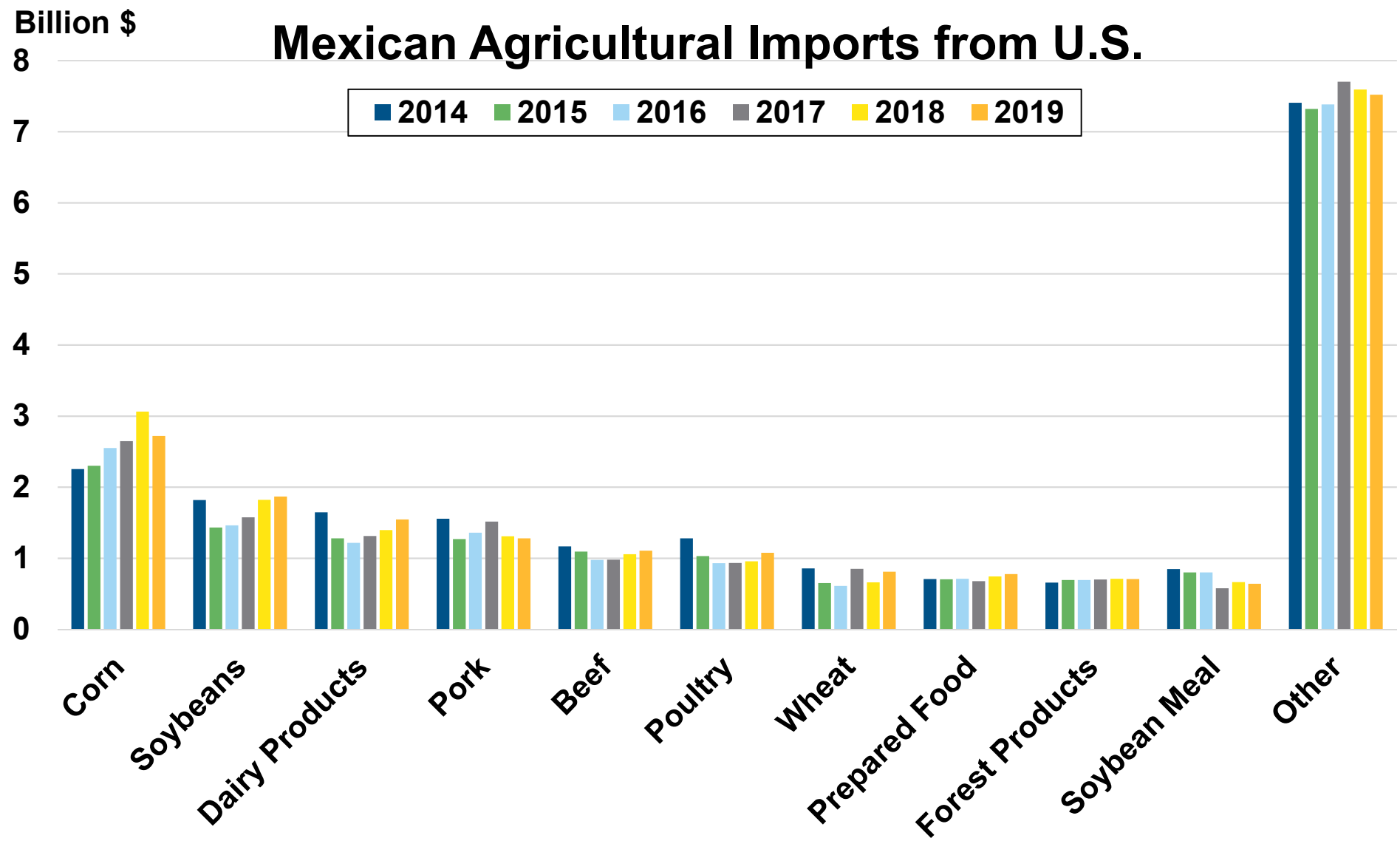
Canada, Mexico, India, Europe

Canadian Agricultural Imports from U.S.

Billion \$



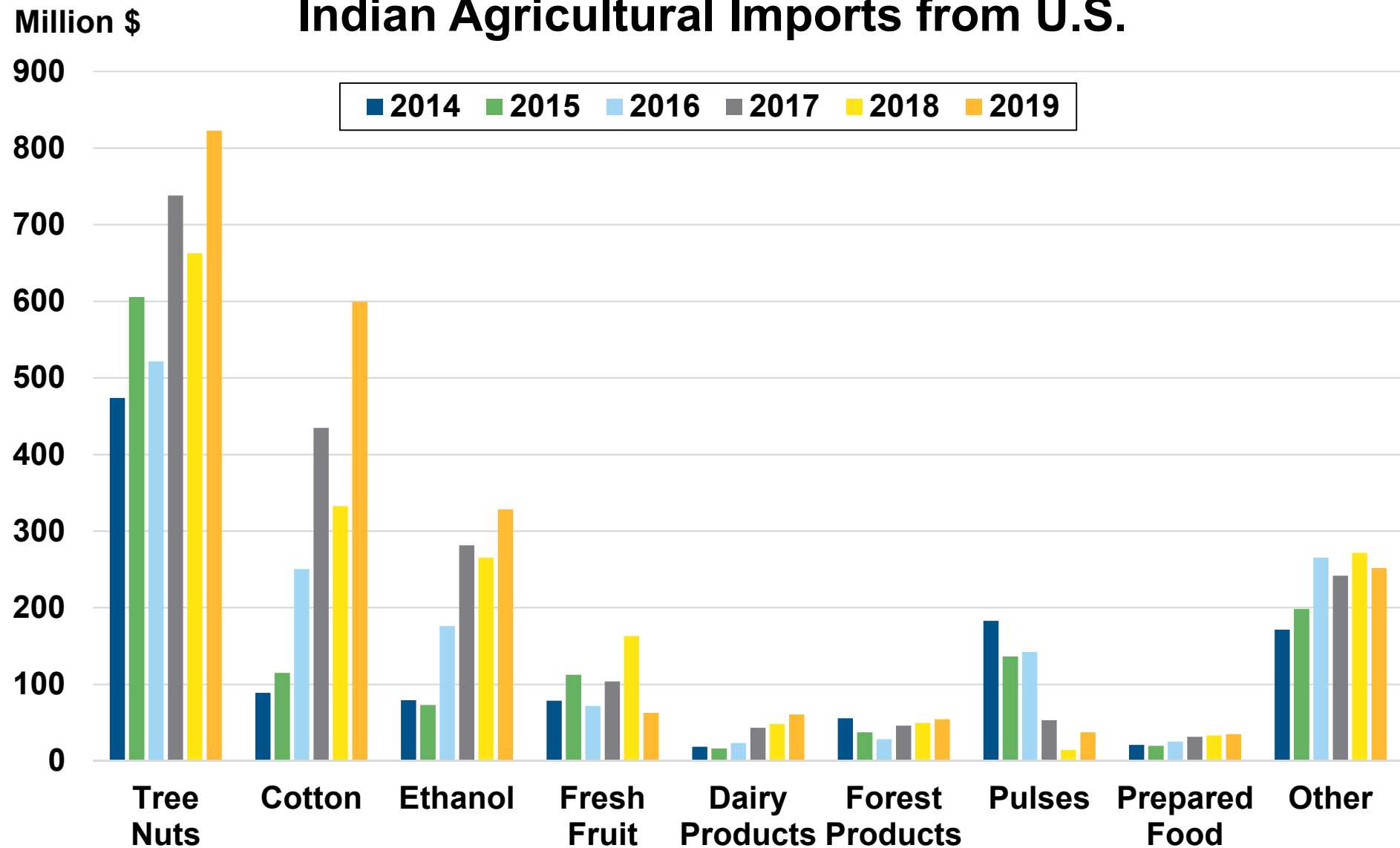
Mexican Ag Imports from U.S. Unchanged YoY



Indian Ag Imports from the U.S. up 22% YoY

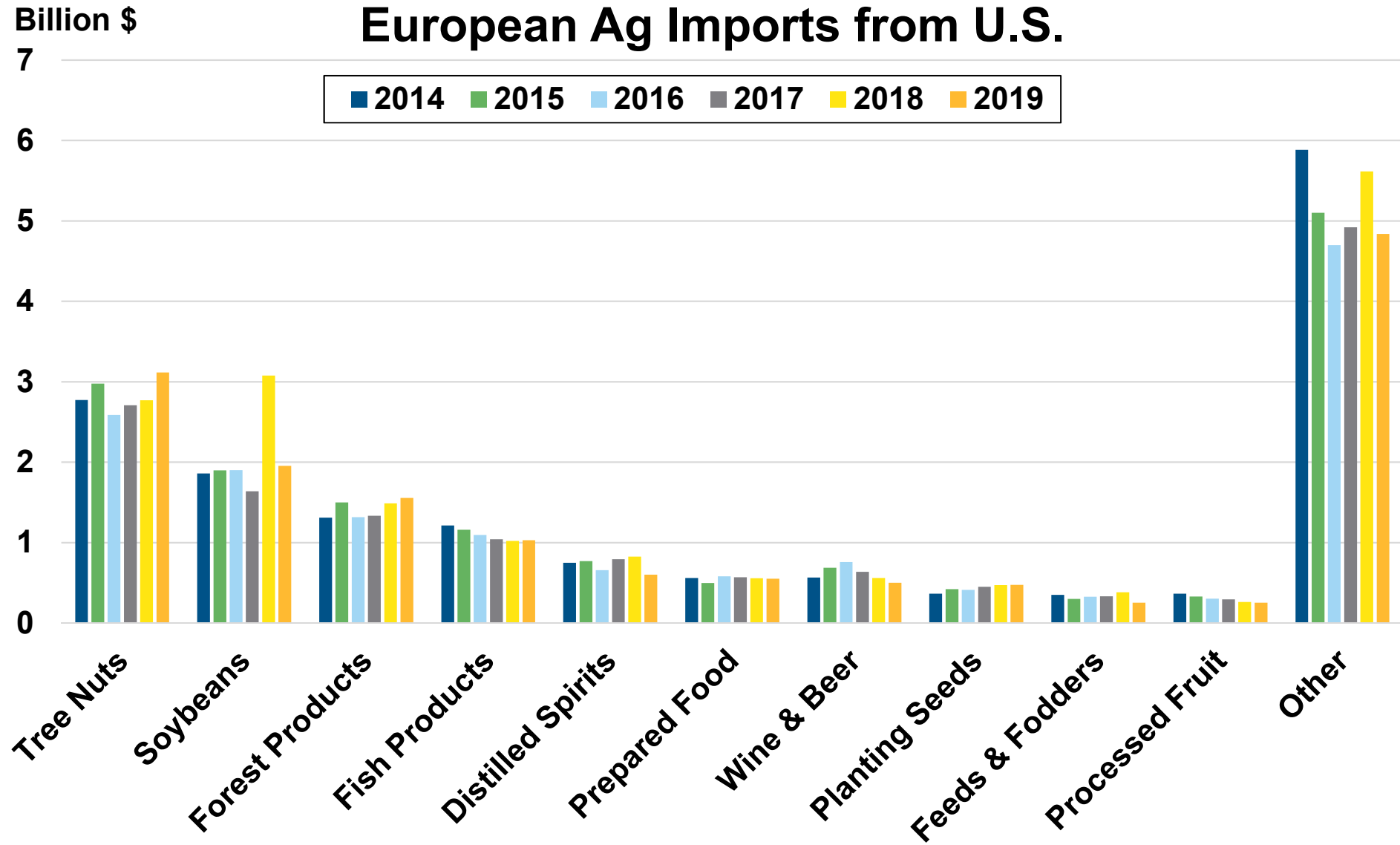


Indian Agricultural Imports from U.S.



Ag Exports to EU Down 11% YoY

European Ag Imports from U.S.





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