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THIS ISSUE:

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Amid Escalating Trade Tensions, a look at US agricultural exports

With President Trump imposing tariffs on Chinese imports, as well as import tariffs on aluminum and steel, China, Canada, the European Union, Mexico and other trading partners have retaliated with tariffs on U.S. exports on a range of goods, including a number of food and agricultural products.

Given these escalating trade tensions, Farm Credit East Knowledge Exchange takes a look at U.S. agricultural exports and their significance to U.S. farm income.

While the U.S. has a trade deficit in overall goods and services, it has long enjoyed a trade surplus in agriculture. The U.S. exports large quantities of horticultural products (tree nuts, fruits and vegetables), cotton, meats, dairy, and major row crops, such as corn, soybeans, wheat and rice. We also export substantial quantities of seafood and forest products. In turn, we import large amounts of tropical products, horticultural products (fruits and vegetables, particularly in the winter),

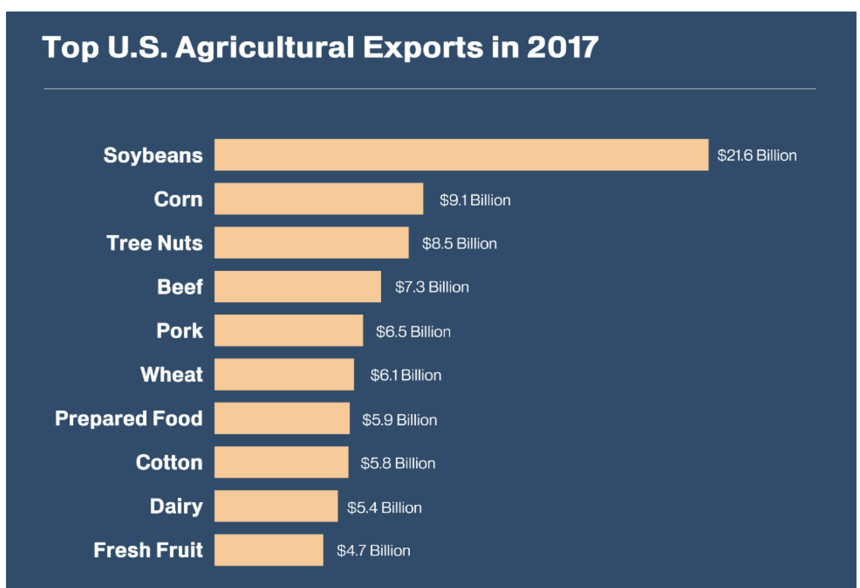

Figure 1: USDA, Foreign Agricultural Services, fas.usda.gov

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wine, nursery stock and cut flowers, seafood, and other agricultural goods. There is significant trade back-and-forth in many categories depending on seasonality, variety and market prices.

Beginning in 2015, Canada re-emerged as the top destination of U.S. agricultural exports. Exports to China, which had been growing by more than 13 percent per year, peaked in 2012 at $25.9 billion annually, but fell slightly in more recent years, placing that nation as the number two destination for U.S. ag exports. The next largest markets are Mexico, Japan and European Union.

Figure 2: USDA, Foreign Agricultural Services, fas.usda.gov

In the burgeoning trade disputes, American farmers have a lot to lose. Roughly half of all soybeans grown in the U.S. are exported, much of that to China. Roughly 15 percent of U.S. dairy products are exported as well, including significant sales to Mexico, which has levied tariffs on more than a dozen agricultural products.

Figure 3: USDA-FAS Global Agricultural Trade System, fas.usda.gov

The seafood sector is also likely to be affected. Seafood markets are heavily international, with a majority of the U.S. catch going overseas and a majority of U.S. consumption coming from foreign suppliers. China has announced 25 percent tariffs on a range of U.S. seafood exports worth approximately $1 billion, including lobster.

While U.S. trade relationships with many countries have become strained, other trading partners have or plan to increase trade with each other. For example, Canadian lobster exports have duty-free access to both the EU and China. Mexico, concerned by U.S. tariffs on metals, retaliated with their own tariffs on apples and pork. While they held back on taxing grain and oilseed imports from the U.S., they have been increasing their purchases from South American producing regions, such as Brazil and Argentina.

Of course, commodities such as grains are fungible, and U.S. exports could very well find a home elsewhere. However, such trade disputes can be highly disruptive to supply chains and trading relationships, and may very well result in lower market prices for many commodities here in the U.S. United States exporters may have to either absorb a portion of the tariff differential, accept a lower price or bear part of the cost to ship product to alternative markets if cut off from traditional buyers.

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Recently, U.S. crop and livestock futures have fallen on trade fears, with soybean futures hitting the lowest prices seen in nearly a decade. This comes of course, during a period of already slumping commodity prices. The USDA's Economic Research Service had already forecast U.S. net farm income to fall 6.7 percent in 2018, to a 12-year low.

Today's Harvest: Where Agriculture Means Business

Did you know that Farm Credit East has a blog? Timely topics relevant to Northeast farming, commercial fishing and forestry are posted to FarmCreditEast.com's *Today's Harvest* blog weekly. We post information on a wide range of topics with the intent to provide the resources to help you run your business better. Visit FarmCreditEast.com/TodaysHarvest to view recent blog posts or to sign up to get the latest information delivered directly to your inbox.

Here are some recent posts:

Keeping an Eye on the Bottom Line, Angela Barsuglia, Tax Associate, discusses how record-keeping and business management go hand-in-hand.

Dairy's Contribution to the Northeast Economy, Heather Hunt, Knowledge Exchange & Communications Specialist, highlights the dairy industry's role as an economic engine specific to Farm Credit East states.

Forestry Industry in the Northeast, Eric Kingsley, Innovative Natural Resource Solutions LLC, writes about the Northeast forest industry's stability, signs of growth and recent challenges.

Controlled Environment Agriculture, *An emerging system to grow fresh produce in the Northeastern U.S.,* Dr. Jie Li and Dr. Miguel I. Gomez, Dyson School of Applied Economics and Management, discuss the rapid emergence of Controlled Environment Agriculture enterprises and year-round growing in the Northeast.