

MARKET ADVISOR

by Tim Petry, North Dakota State University Extension Service

China Agricultural Production and Evolving Trade

The outlook for increased U.S. meat, feed grain and oilseed exports to China looks positive.

I am writing this column in mid-December, so the latest official USDA trade data is for October 2020. I would also like to acknowledge my colleague Frayne Olson, North Dakota State University (NDSU) crops marketing economist, for his contributions to this article.

The Phase One trade agreement with China created much anticipation and optimism. Two key chapters affect U.S. agriculture: Chapter 3, which focused on reducing or eliminating non-tariff agricultural trade barriers; and Chapter 6, which details targets for expanding sales volume of U.S. agricultural products to China.

There is little doubt the Phase One agreement has created benefits for U.S. agriculture and helped increase commodity prices. A lot of attention has been on the sales targets in Chapter 6 because of the short-term effects on livestock and crop prices. However, the long-term effects of reducing trade barriers outlined in Chapter 3 may have a larger effect on U.S. agriculture.

Examples of reducing trade barriers include lifting the ban on imported beef and products from

cattle more than 30 months of age and re-opening China's market to U.S. poultry meat after it was closed with a ban due to avian influenza.

The value of U.S. exports to China for the agricultural products listed in the Phase One trade agreement from January through October of 2017 and 2020 is detailed below. 2017 is the baseline year used to monitor the promised increases in Chinese purchases.

Animal protein

The value of all listed agricultural imports, from January through October, has increased from \$15.3 billion in 2017 to \$17.4 billion in 2020. However, the types of products bought have also changed. Five of the top six products in 2020 are either

animal feed or animal meat products. This suggests strong Chinese domestic demand for animal protein.

The United States is the world's leading producer of beef and the leading beef exporter on a value basis. Brazil and Australia usually export more pounds of beef than the United States.

China is the world's fourth-largest beef producer behind the United States, Brazil and the European Union (the USDA lumps EU countries together). China's beef imports have increased rapidly in recent years, and since 2018, is the world's largest importer.

The United States exported very little beef to China until 2019. China rose to our seventh-best customer in 2020. However the Chinese market

Table 1: Value of U.S. Exports to China by Commodity for Agricultural Products Listed in Phase One Agreement

Product	2017		2020	
	Jan. - Oct. Total (\$1,000)	Annual Total (\$1,000)	Product	Jan. - Oct. Total (\$1,000)
Soybeans	8,284,323	12,224,802	Soybeans	7,829,034
Cotton	761,560	972,554	Meat of swine	1,396,801
Raw hides - bovine	720,040	876,715	Cotton	1,344,685
Grain sorghum	644,498	839,459	Grain sorghum	761,363
Whole frozen fish	750,486	821,879	Corn	680,677
Animal fodder	327,527	388,862	Poultry Meat	597,707
Total all 217 products	15,331,581	20,836,706	Total all 217 products	17,452,587

Data from U.S. Department of Agriculture Foreign Agricultural Service's Global Agricultural Trade System, compiled by Frayne Olson, NDSU Department of Agribusiness and Applied Economics

only amounted to 3% of total U.S. beef exports.

China is the world's largest pork producer, typically accounting for half of the world's total pork production before being severely affected by African Swine Fever (ASF). The United States is the distant second-place pork producer.

China is also the world's leading importer of pork. China was typically the fourth-best U.S. pork export market but rose to first place in 2020, accounting for 30% of U.S. exports.

The United States is the world's leading chicken producer, with China following in second place. China is also the second leading importer of

chicken behind Japan. The United States is world's second leading exporter of chicken closely behind Brazil. The United States exported very little chicken to China due to the ban, but in 2020, it rose to second place behind Mexico.

The United States is the world's largest corn producer and exporter, while China is the second-largest corn producer. Domestic corn usage in China has been exceeding production. Recent U.S. corn and soybean purchases by China have been at least partially responsible for the increasing U.S. corn and feed grain prices.

The outlook for increased U.S.

meat, feed grain and oilseed exports to China looks positive. The Chinese economy is recovering from the COVID-19 economic slowdown, the "middle class" continues to grow, consumers' concerns about food safety make U.S. products attractive and domestic food price inflation is a concern for the Chinese government. ^{AJ}

Editor's note: Tim Petry is a livestock marketing economist with the North Dakota State University Extension Service.



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