



Eyes On Trade

Passage of Trade Promotion Authority could bring exciting opportunities, including U.S. beef to China.

by *Kindra Gordon*, field editor

Passage by Congress in late June of the trade promotion authority (TPA) via the *Trade Priorities and Accountability Act of 2015* (H.R. 2146), which gave President Obama the power to “fast-track” talks on free-trade pacts, marks an important milestone for American agriculture.

TPA means Congress will only get to vote up or down on treaties in question once they are finalized by the White House. Congress will not have the ability to offer amendments, which should expedite the process to allow U.S. ag to be part of the global marketplace.

Anticipation is now building for passage of two upcoming trade agreements that would allow U.S. ag products to reach a significant number of the world’s consumers. Those include the Trans-Pacific Partnership (TPP), focused on Asia and Pacific Rim countries, and the Trans-Atlantic Trade & Investment Partnership (TATIP) centered on Europe.

TPP is likely to be instituted first and represents a major international trade deal between 12 countries that began negotiations in 2010. It includes the United States, Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. The total market size among all the partner countries is about 793 million consumers with a combined gross domestic product (GDP) of \$28.1 trillion as of 2012. This contributes to 39% of the world’s GDP, according to the Office of the U.S. Trade Representative (USTR).

What’s particularly exciting about TPP, supporters say, is that it will write the rules of 21st century global trade. There is an indication that China could eventually join



the free-trade zone, which is currently under negotiation, according to comments made by the Obama administration.

What does this all mean?

Iowa State University economics and finance professor Dermot Hayes says if these trade agreements come to fruition, it could signal a “revolution” for American agriculture, especially if China, with its massive population, joins TPP.

Speaking at the South Dakota Governor’s Ag Summit in early July, Hayes, who is the Pioneer Hi-Bred International Chair in Agribusiness at Iowa State, notes that the United States currently only has free-trade agreements with 20 countries, so adding 12 countries via TPP and the European Union

via TATIP would grow America’s trade potential significantly.

“Free-trade agreements are contagious,” Hayes says. “There are many under way and more to come.”

Regarding China, Hayes says actions and comments by China’s new Premier Li Keqiang seem to indicate the traditional efforts by China’s Ministry of Agriculture to protect its farmers will not continue. Li has been quoted as saying, “protectionism is a blind alley, and free trade can help achieve a global economic recovery.” Li was a pupil of free-market economist Li Yining and is the first Chinese Premier to have a doctorate in economics.

Hayes reports Li’s goal is to cut the rural population of 642 million roughly in half by nudging, urging and sometimes forcing farmers and their families to settle in China’s cities. Theoretically, this process will create a new, willing workforce to staff the cities’ service industries and factories. The ex-farmers’ incomes will rise, their children will get better-quality education, and when they grow up, they should have better jobs than their parents.

With this massive movement to cities, Hayes says signals indicate the Chinese people are pivoting and intensifying their quest for foreign sources of meat, grain and dairy.

Hayes estimates that if urbanization moves forward in China, the country will need as much as 140 million tons (more than 5 billion bushels) of corn, which is bigger than the impact ethanol made on the market. Additionally, if China moves to a free market for its livestock, a large proportion of its



future needs will be imported, which could signal a revolution of American ag products flowing to the most populated country in the world.

Report from Europe

Greg Ibach, director of the Nebraska Department of Agriculture, is also bullish on the potential for future American trade with Europe.

Also speaking at the South Dakota Governor's Ag Summit in July, Ibach called the passage of TPA a "game changer." He is optimistic that passage of TPP will follow and

then says, "The next agreement that I think it will be important to get through is TATIP with Europe."

He explains that over the past decade or more, Europe has become a net importer of food, and as a result, Ibach says, "Their (EU) leadership is sensing a need to open trade." He suggests there remains a caveat: EU officials are unsure how to get their consumers to accept technologies in food production.

Ibach says this underscores the continuing need to inform and educate global leaders and consumers about the benefits

and safeguards in place in American ag production.

"Traceability is wanted. We need to figure out how to embrace that and tell the production story," Ibach emphasizes. "The story of families on the land in production agriculture is a big part of that."

Lastly, as these trade talks progress, Ibach encourages producers to stay informed about what's going on in the world to further prepare to compete in the global marketplace.

Editor's Note: Kindra Gordon is a freelance writer and cattlegirl from Whitewood, S.D.



More insight on China

- ▶ China is similar in geographical size to the United States, but has the world's largest population, estimated at nearly 1.4 billion people. That compares with India at 1.236 billion, the United States at 319 million and Russia at 142 million. By 2025, China is anticipated to have 225 cities each with a population of at least 1 million people. For perspective, the United States currently has only 9 cities with more than 1 million people.
- ▶ Because the Chinese government owns much of the country's farmland, it is difficult to get accurate ag data. However, Iowa State's Dermot Hayes estimates the figure at about 275 million crop acres, much of it poor-quality land. Hayes says Chinese farmland is difficult to mechanize (because of steep hills), so manual labor is used. In contrast, the United States has about 360 million acres in crops and about 400 million acres of pasture.
- ▶ Additionally, Hayes reports China has about one-fifth of the per-capita water resources that the United States has. How have they been able to produce food for their population? Hayes credits it to the manual labor, year-round cropping and the creative Chinese diet. They do not let any part of an animal go to waste.
- ▶ Hayes notes about 30% of the pork in China comes from smaller "backyard" producers. With the transition to cities, many readily quit raising pigs once they can afford a car to drive to the grocery store and to find employment.
- ▶ As the Chinese middle class improves, allowing more disposable income, the economy in China thrives. Some examples: China Mobile (owned by the Chinese government) is now the largest cell phone provider on earth, with three times as many subscribers as AT&T and Verizon combined. Automobiles have also ridden the wave of Chinese consumerism, with 2013 auto sales topping 21 million units. U.S. auto sales hit 15.6 million units last year.
- ▶ With rising demand, China's beef imports have skyrocketed, up 345% in 2014 alone to 314,000 metric tons. If you add Hong Kong and Vietnam, potential sources of beef into China, the total grew to 1.39 million metric tons of beef and beef products in 2014, taking China solidly to the No. 1 beef importer spot globally with nearly double the volume of the No. 2 importer (the United States).
- ▶ For the future, Chinese demand for beef looks to be strong and growing. China's middle class has recently been estimated near 300 million and is expected to grow to 620 million by 2022.