

Trade, Tariffs and Crop Market Outlook

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EXTENDING KNOWLEDGE >> CHANGING LIVES

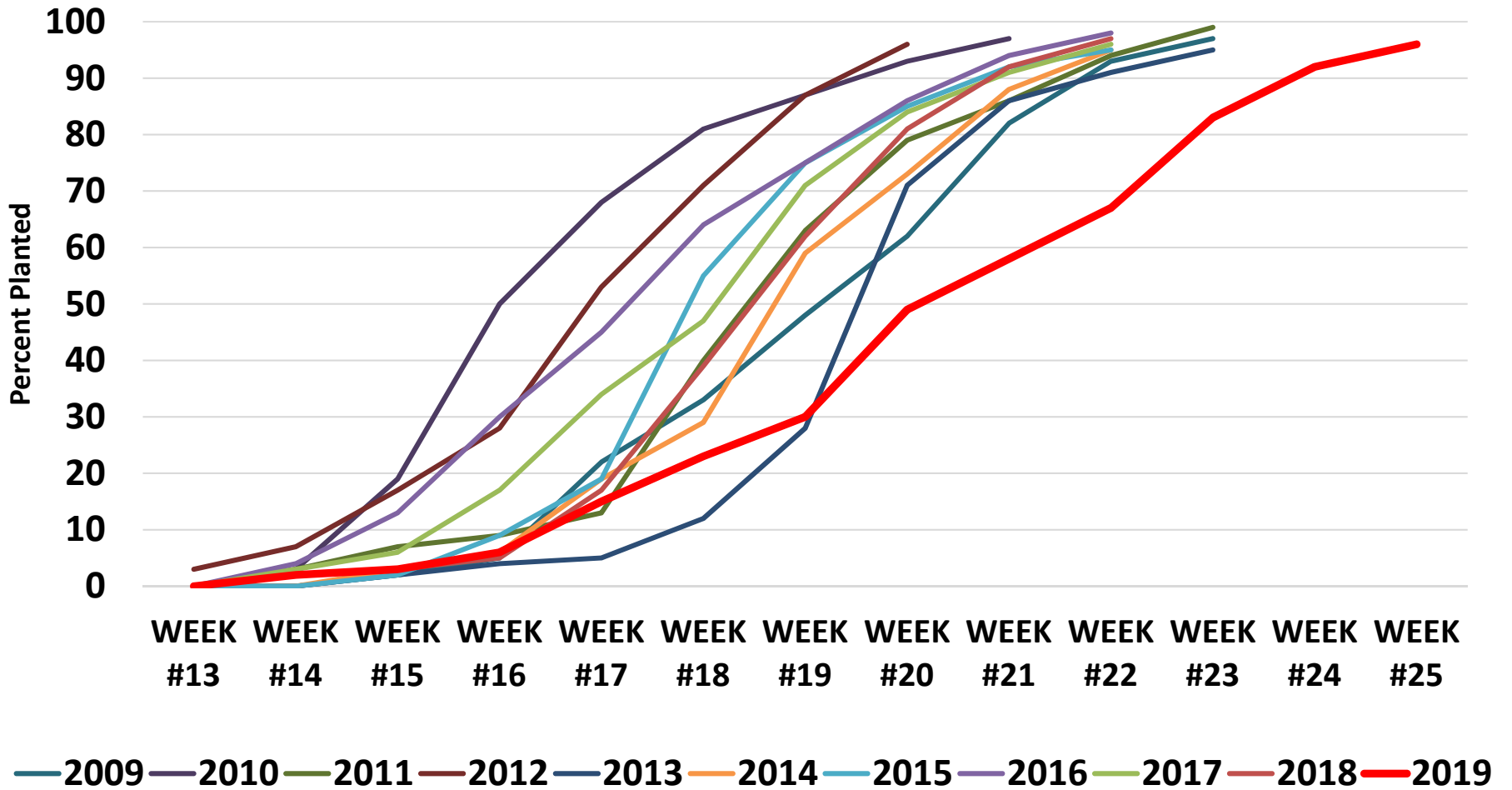
NDSU

EXTENSION

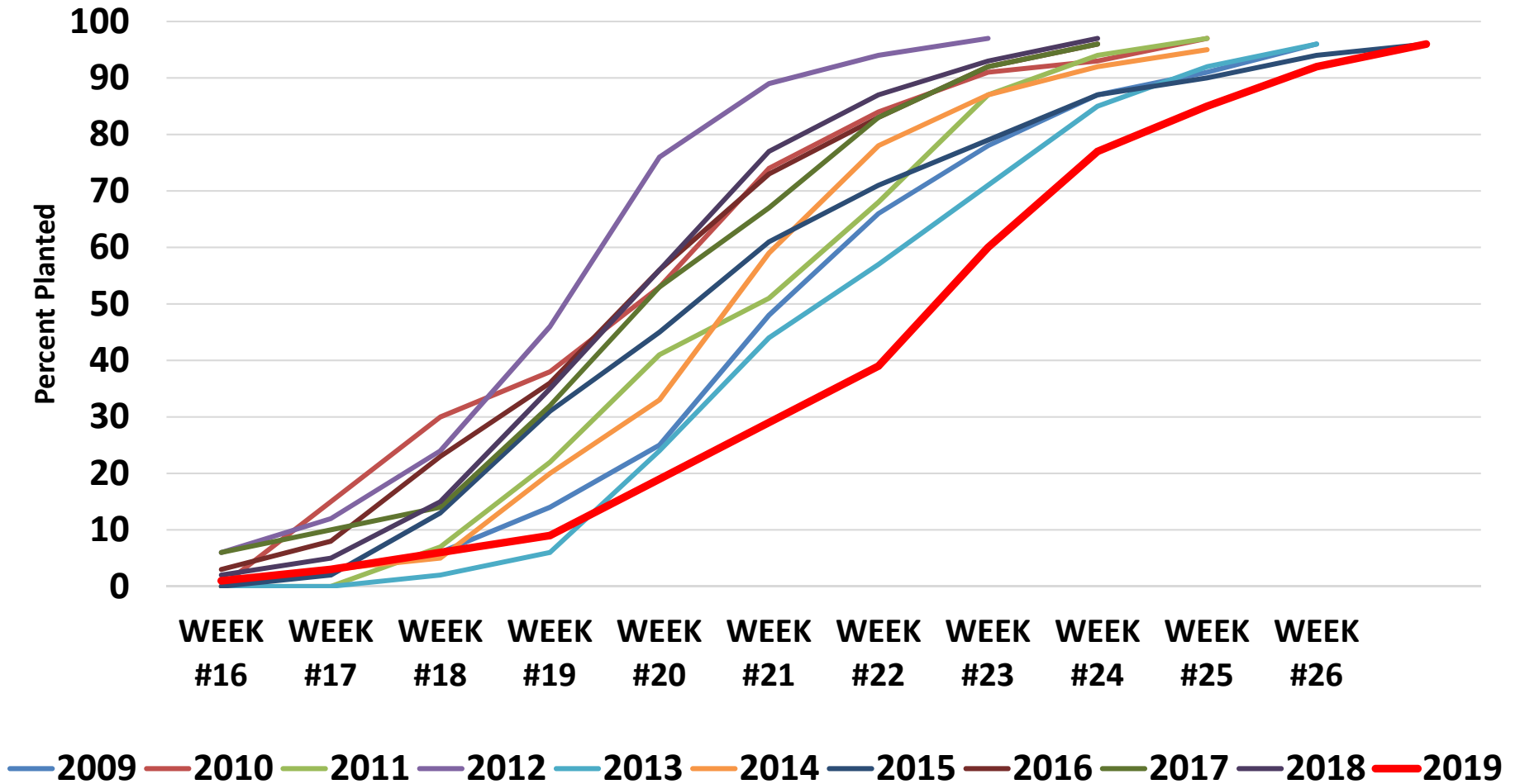
Crop Progress



U.S. Corn Planting Progress

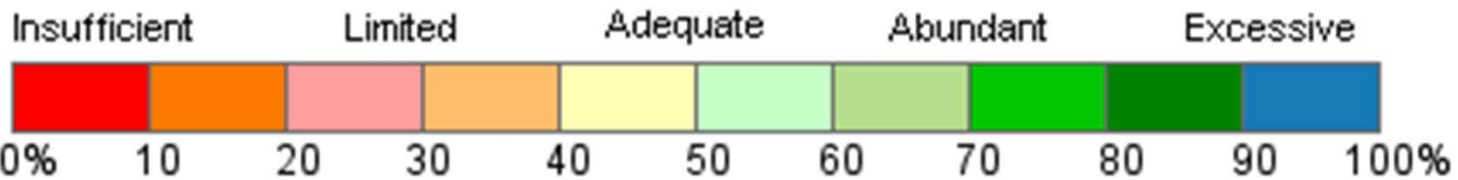
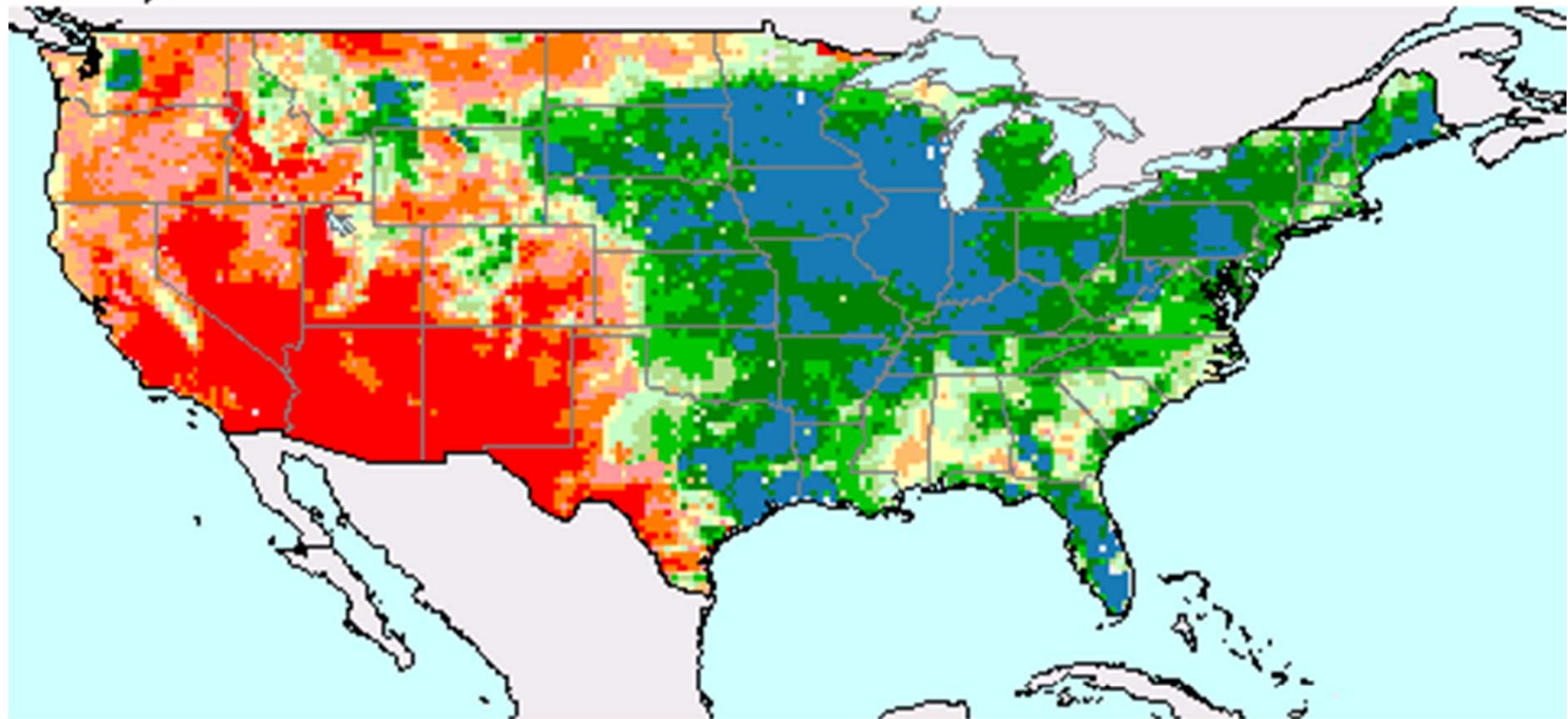


U.S. Soybean Planting Progress



Percent Soil Moisture (USAF 557th WW)

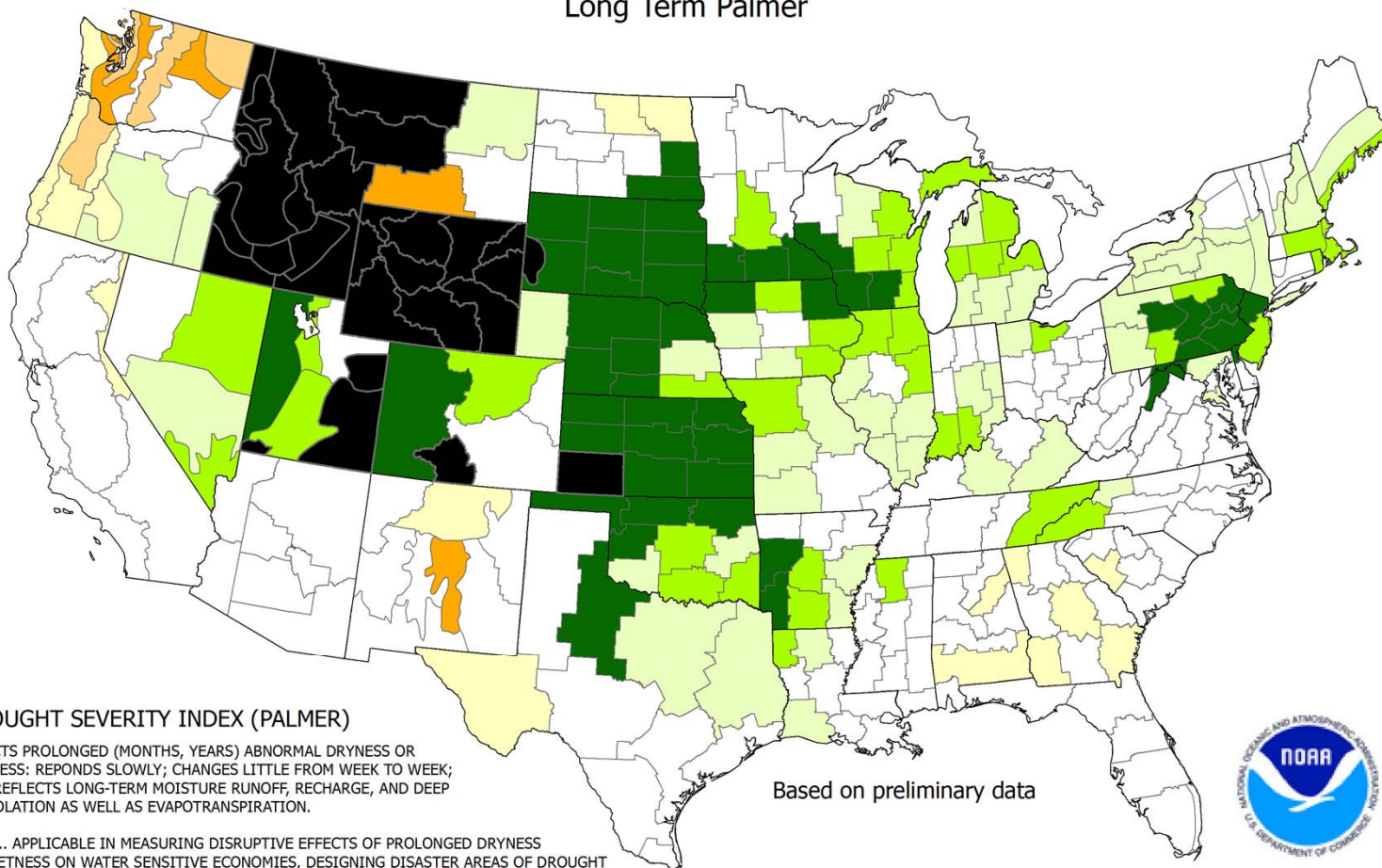
Jul. 7, 2019



USDA Foreign Agricultural Service
Office of Global Analysis
International Production Assessment Division

Source: United States Air Force
557th Weather Wing
<http://www.557weatherwing.af.mil/>

Drought Severity Index by Division
 Weekly Value for Period Ending Jul 13, 2019
 Long Term Palmer



DROUGHT SEVERITY INDEX (PALMER)

DEPICTS PROLONGED (MONTHS, YEARS) ABNORMAL DRYNESS OR WETNESS; REponds SLOWLY; CHANGES LITTLE FROM WEEK TO WEEK; AND REFLECTS LONG-TERM MOISTURE RUNOFF, RECHARGE, AND DEEP PERCOLATION AS WELL AS EVAPOTRANSPIRATION.

USES... APPLICABLE IN MEASURING DISRUPTIVE EFFECTS OF PROLONGED DRYNESS OR WETNESS ON WATER SENSITIVE ECONOMIES, DESIGNING DISASTER AREAS OF DROUGHT OR WETNESS; AND REFLECTING THE GENERAL LONG-TERM STATUS OF WATER SUPPLIES IN AQUIFERS, RESERVOIRS AND STREAMS.

LIMITATIONS... IS NOT GENERALLY INDICATIVE OFFSHORT-TERM (FEW WEEKS) STATUS OF DROUGHT OR WETNESS SUCH AS FREQUENTLY AFFECTS CROPS AND FIELD OPERATIONS (THIS IS INDICATED BY THE CROP MOISTURE INDEX).

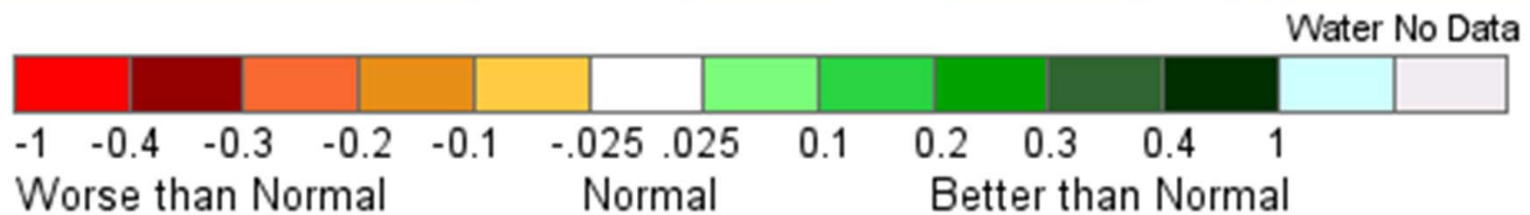
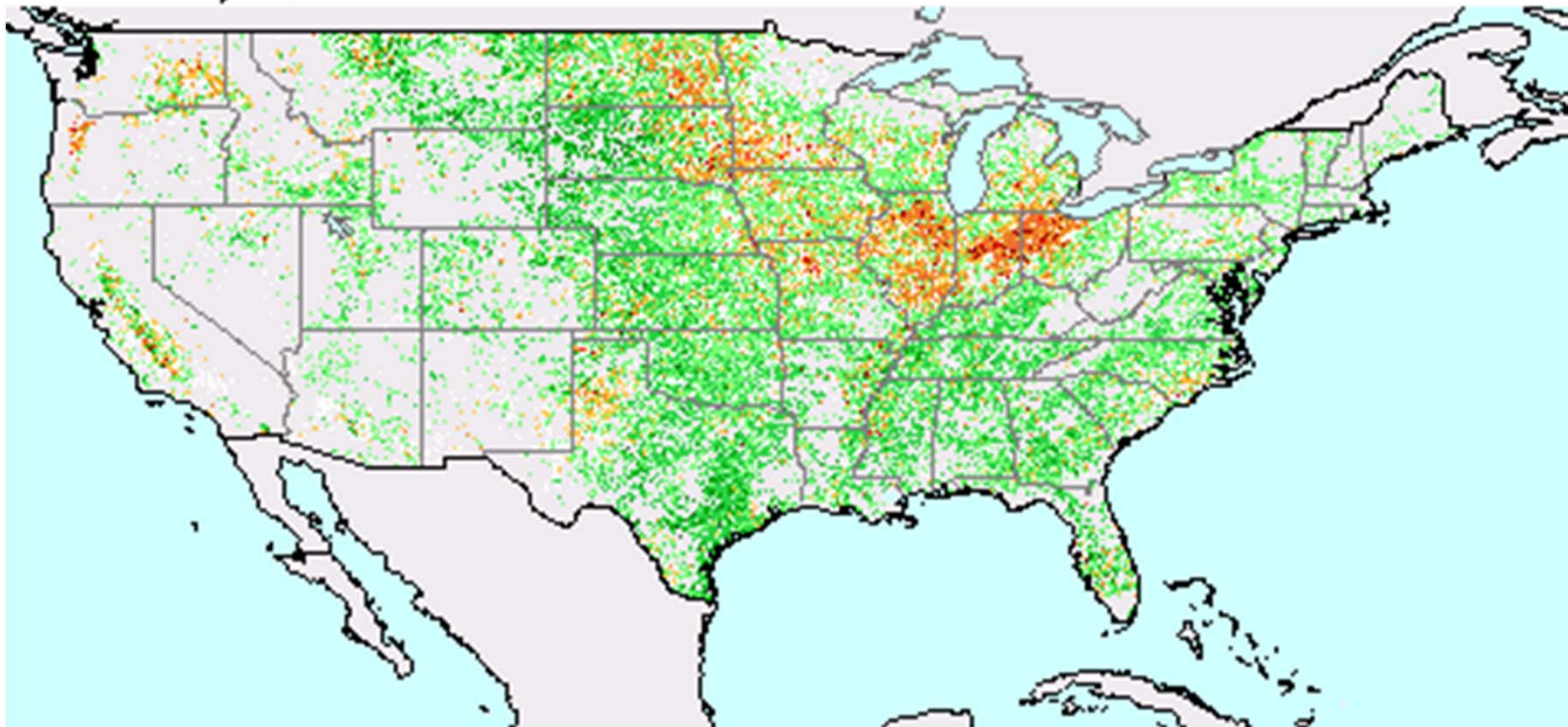
Based on preliminary data



- | | |
|---------------------------------|------------------------------------|
| -4.0 or less (Extreme Drought) | +2.0 to +2.9 (Unusual Moist Spell) |
| -3.0 to -3.9 (Severe Drought) | +3.0 to +3.9 (Very Moist Spell) |
| -2.0 to -2.9 (Moderate Drought) | +4.0 and above (Extremely Moist) |
| --1.9 to +1.9 (Near Normal) | Missing/Incomplete |

NDVI Crop-masked Departure from Average (PROBA-V)

Jul. 1 - 10, 2019



USDA Foreign Agricultural Service
Office of Global Analysis
International Production Assessment Division

Source: ESA/VITO PROBA-V
<http://proba-v.vgt.vito.be>

USDA Crop Progress – Corn

Percent Corn Silking for Week Ending July 14, 2019

State	Week Ending			2014 – 2018 Average
	July 14, 2018	July 7, 2019	July 14, 2019	
Illinois	91	4	19	67
Indiana	70	1	10	44
Iowa	63	1	8	40
Minnesota	40	0	2	23
Ohio	58	0	6	30
South Dakota	43	0	0	21
18 States	59	8	17	42

U.S. Corn Supply & Demand Table

U.S. Corn	2017/2018	2018/2019 (Est.)	2019/2020 (Jul)
Planted A.	90.2 Mill. A.	89.1 Mill. A.	91.7 Mill. A.
Harvested A.	82.7 Mill. A.	81.7 Mill. A.	83.6 Mill. A.
Yield/Harvest A.	176.6 bu.	176.4 bu.	166.0 bu.
Beginning Stocks	2,293 Mill. Bu.	2,140 Mill. Bu.	2,340 Mill. Bu.
Production	14,609 Mill. Bu.	14,420 Mill. Bu.	13,875 Mill. Bu.
Imports	36 Mill. Bu.	35 Mill. Bu.	50 Mill. Bu.
Total Supply	16,939 Mill. Bu.	16,595 Mill. Bu.	16,265 Mill. Bu.
Feed & Residual	5,304 Mill. Bu.	5,275 Mill. Bu.	5,175 Mill. Bu.
Food, Seed, Ind.	7,057 Mill. Bu.	6,880 Mill. Bu.	6,930 Mill. Bu.
Ethanol	5,605 Mill. Bu.	5,450 Mill. Bu.	5,500 Mill. Bu.
Exports	2,438 Mill. Bu.	2,100 Mill. Bu.	2,150 Mill. Bu.
Total Use	14,798 Mill. Bu.	14,255 Mill. Bu.	14,255 Mill. Bu.
Ending Stocks	2,140 Mill. Bu.	2,340 Mill. Bu.	2,010 Mill. Bu.

U.S. Corn Supply & Demand Table

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Planted A.	90.2 Mill. A.	89.1 Mill. A.	91.7 Mill. A.
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Yield/Harvest A.	176.6 bu.	176.4 bu.	166.0 bu.
Beginning Stocks	2,293 Mill. Bu.	2,140 Mill. Bu.	2,340 Mill. Bu.
Production	13,875 Mill. Bu.	13,875 Mill. Bu.	13,875 Mill. Bu.
Imports	50 Mill. Bu.	50 Mill. Bu.	50 Mill. Bu.
Total Supply			16,265 Mill. Bu.
Feed & Residue			5,175 Mill. Bu.
Food, Seed, Industrial			6,930 Mill. Bu.
Ethanol			5,500 Mill. Bu.
Exports			2,150 Mill. Bu.
Total Use	14,798 Mill. Bu.	14,255 Mill. Bu.	14,255 Mill. Bu.
Ending Stocks	2,140 Mill. Bu.	2,340 Mill. Bu.	2,010 Mill. Bu.

**Prospective Plantings =
92.8 (1.1 mill. a. cut)**

May WASDE = 176.0

Trendline

U.S. Corn Supply & Demand Table

U.S. Corn	2017/2018	2018/2019 (Est.)	2019/2020 (Jul)
Planted A.	90.2 Mill. A.	89.1 Mill. A.	91.7 Mill. A.
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Feed & Residual	5,175 Mill. Bu.	5,175 Mill. Bu.	5,175 Mill. Bu.
Food, Seed, Industrial	6,930 Mill. Bu.	6,930 Mill. Bu.	6,930 Mill. Bu.
Ethanol	5,500 Mill. Bu.	5,500 Mill. Bu.	5,500 Mill. Bu.
Exports	2,150 Mill. Bu.	2,150 Mill. Bu.	2,150 Mill. Bu.
Total Use	14,798 Mill. Bu.	14,255 Mill. Bu.	14,255 Mill. Bu.
Ending Stocks	2,140 Mill. Bu.	2,340 Mill. Bu.	2,010 Mill. Bu.

**Private estimates for
corn Prevented Planting
is 7 to 8 million acres.**

What is yield potential?

U.S. Corn Supply & Demand Table

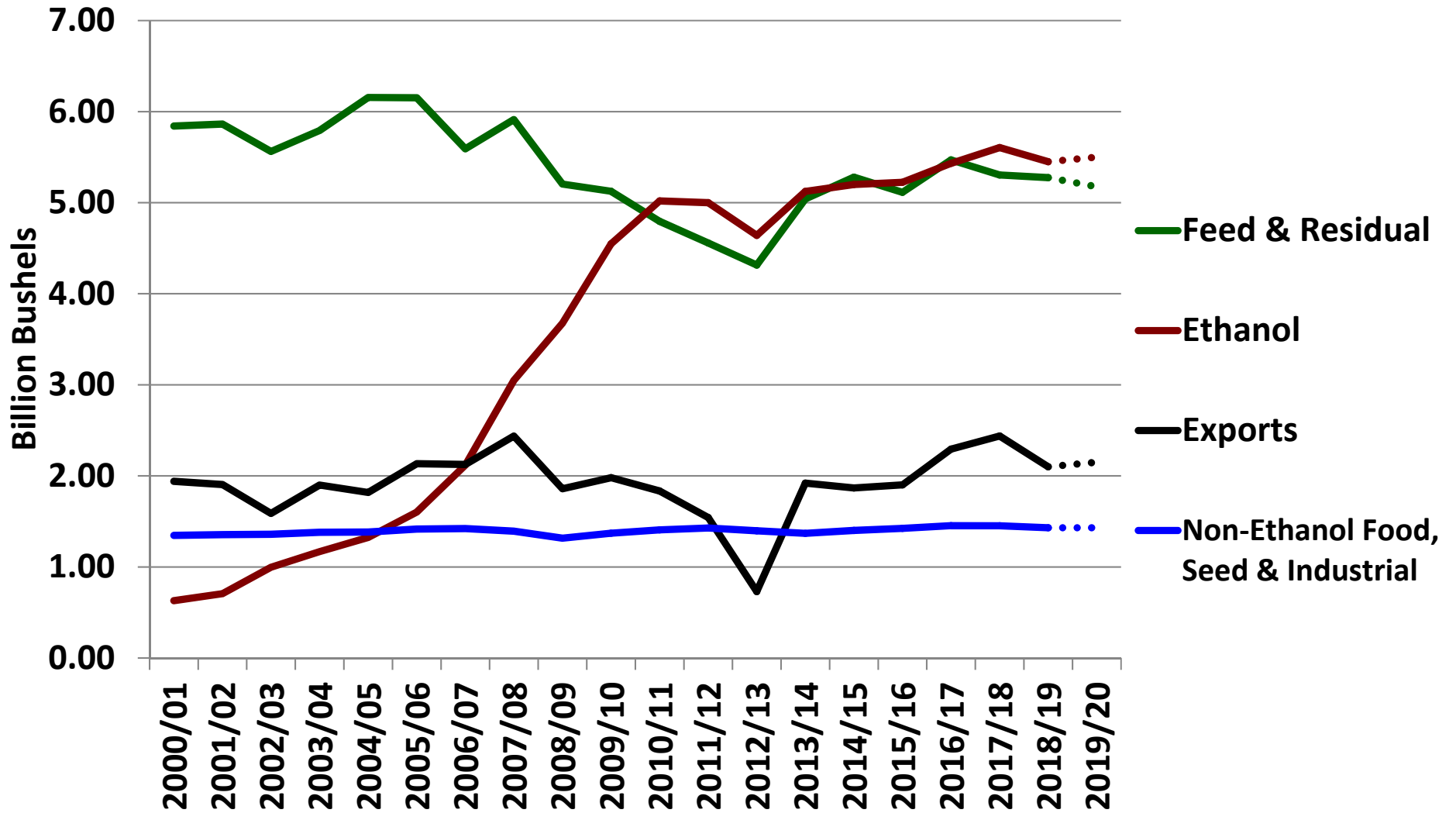
U.S. Corn	2017/2018	2018/2019 (Est.)	2019/2020 (Jul)
Planted A.	89.1 Mill. A.		91.7 Mill. A.
Harvested	89.1 Mill. A.		83.6 Mill. A.
Yield			166.0 bu.
Beginning Stocks			2,340 Mill. Bu.
Production			13,875 Mill. Bu.
Imports			50 Mill. Bu.
Total Supply			16,265 Mill. Bu.
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Total Use	14,798 Mill. Bu.	14,255 Mill. Bu.	14,255 Mill. Bu.
Ending Stocks	2,140 Mill. Bu.	2,340 Mill. Bu.	2,010 Mill. Bu.

Farmers must be careful not to become overly "bullish" on prices.

Corn export levels are very price sensitive.

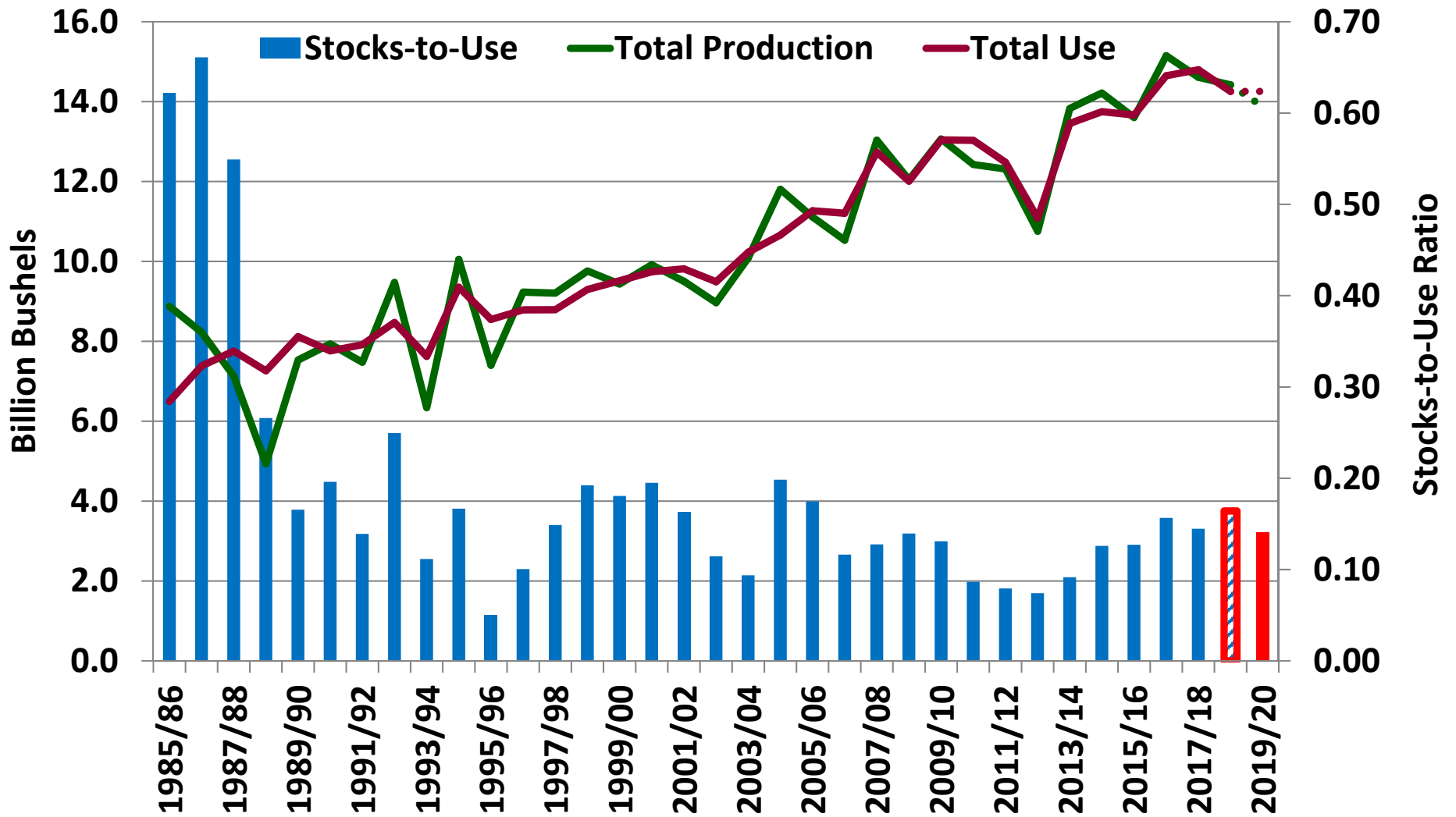
U.S. Corn - Total Use

(Billion Bushels)



U.S. Corn – Total Production & Use

(Billion Bushels)



USDA Crop Progress – Soybean

Percent Blooming for Week Ending July 14, 2019

State	Week Ending			2014 – 2018 Average
	July 14, 2018	July 7, 2019	July 14, 2019	
Illinois	77	2	12	54
Indiana	68	1	7	51
Iowa	62	7	26	52
Minnesota	53	3	16	50
Missouri	54	6	13	35
Ohio	63	5	12	40
18 States	62	10	22	49

U.S. Soybean Supply & Demand Table

U.S. Soybean	2017/2018	2018/2019 (Est.)	2019/2020 (Jul)
Planted A.	90.2 Mill. A.	89.2 Mill. A.	80.0 Mill. A.
Harvested A.	89.5 Mill. A.	88.1 Mill. A.	79.3 Mill. A.
Yield/Harvest A.	49.3 bu.	51.6 bu.	48.5 bu.
Beginning Stocks	302 Mill. Bu.	438 Mill. Bu.	1,050 Mill. Bu.
Production	4,412 Mill. Bu.	4,544 Mill. Bu.	3,845 Mill. Bu.
Imports	22 Mill. Bu.	17 Mill. Bu.	20 Mill. Bu.
Total Supply	4,735 Mill. Bu.	4,999 Mill. Bu.	4,915 Mill. Bu.
Crushings	2,055 Mill. Bu.	2,085 Mill. Bu.	2,115 Mill. Bu.
Exports	2,134 Mill. Bu.	1,700 Mill. Bu.	1,875 Mill. Bu.
Seed	104 Mill. Bu.	93 Mill. Bu.	96 Mill. Bu.
Residual	5 Mill. Bu.	72 Mill. Bu.	34 Mill. Bu.
Total Use	4,297 Mill. Bu.	3,949 Mill. Bu.	4,120 Mill. Bu.
Ending Stocks	438 Mill. Bu.	1,050 Mill. Bu.	795 Mill. Bu.

U.S. Soybean Supply & Demand Table

U.S. Soybean	2017/2018	2018/2019 (Est.)	2019/2020 (Jul)
Planted A.	90.2 Mill. A.	89.2 Mill. A.	80.0 Mill. A.
Harvested		88.1 Mill. A.	79.3 Mill. A.
Yield		41.6 bu.	48.5 bu.
Prospective Plantings = 84.6 (4.6 mill. a. increase)			
May WASDE = 49.5			
Trendline			
		1,050 Mill. Bu.	1,050 Mill. Bu.
		3,845 Mill. Bu.	3,845 Mill. Bu.
		20 Mill. Bu.	20 Mill. Bu.
		4,919 Mill. Bu.	4,915 Mill. Bu.
Crushings		2,085 Mill. Bu.	2,115 Mill. Bu.
Exports	2,134 Mill. Bu.	1,700 Mill. Bu.	1,875 Mill. Bu.
Seed	104 Mill. Bu.	93 Mill. Bu.	96 Mill. Bu.
Residual	5 Mill. Bu.	72 Mill. Bu.	34 Mill. Bu.
Total Use	4,297 Mill. Bu.	3,949 Mill. Bu.	4,120 Mill. Bu.
Ending Stocks	438 Mill. Bu.	1,050 Mill. Bu.	795 Mill. Bu.

U.S. Soybean Supply & Demand Table

U.S. Soybean	2017/2018	2018/2019 (Est.)	2019/2020 (Jul)
Planted A.	90.2 Mill. A.	89.2 Mill. A.	80.0 Mill. A.
Harvested		88.1 Mill. A.	79.3 Mill. A.
Yield		41.6 bu.	48.5 bu.
		Mill. Bu.	1,050 Mill. Bu.
		Mill. Bu.	3,845 Mill. Bu.
		Mill. Bu.	20 Mill. Bu.
		99 Mill. Bu.	4,915 Mill. Bu.
Crushings		2,085 Mill. Bu.	2,115 Mill. Bu.
Exports	2,154 Mill. Bu.	1,700 Mill. Bu.	1,875 Mill. Bu.
Seed	104 Mill. Bu.	93 Mill. Bu.	96 Mill. Bu.
Residual	5 Mill. Bu.	72 Mill. Bu.	34 Mill. Bu.
Total Use	4,297 Mill. Bu.	3,949 Mill. Bu.	4,120 Mill. Bu.
Ending Stocks	438 Mill. Bu.	1,050 Mill. Bu.	795 Mill. Bu.

Private estimates for soybean Prevented Planting is 2 to 3 million acres.

What is yield potential?

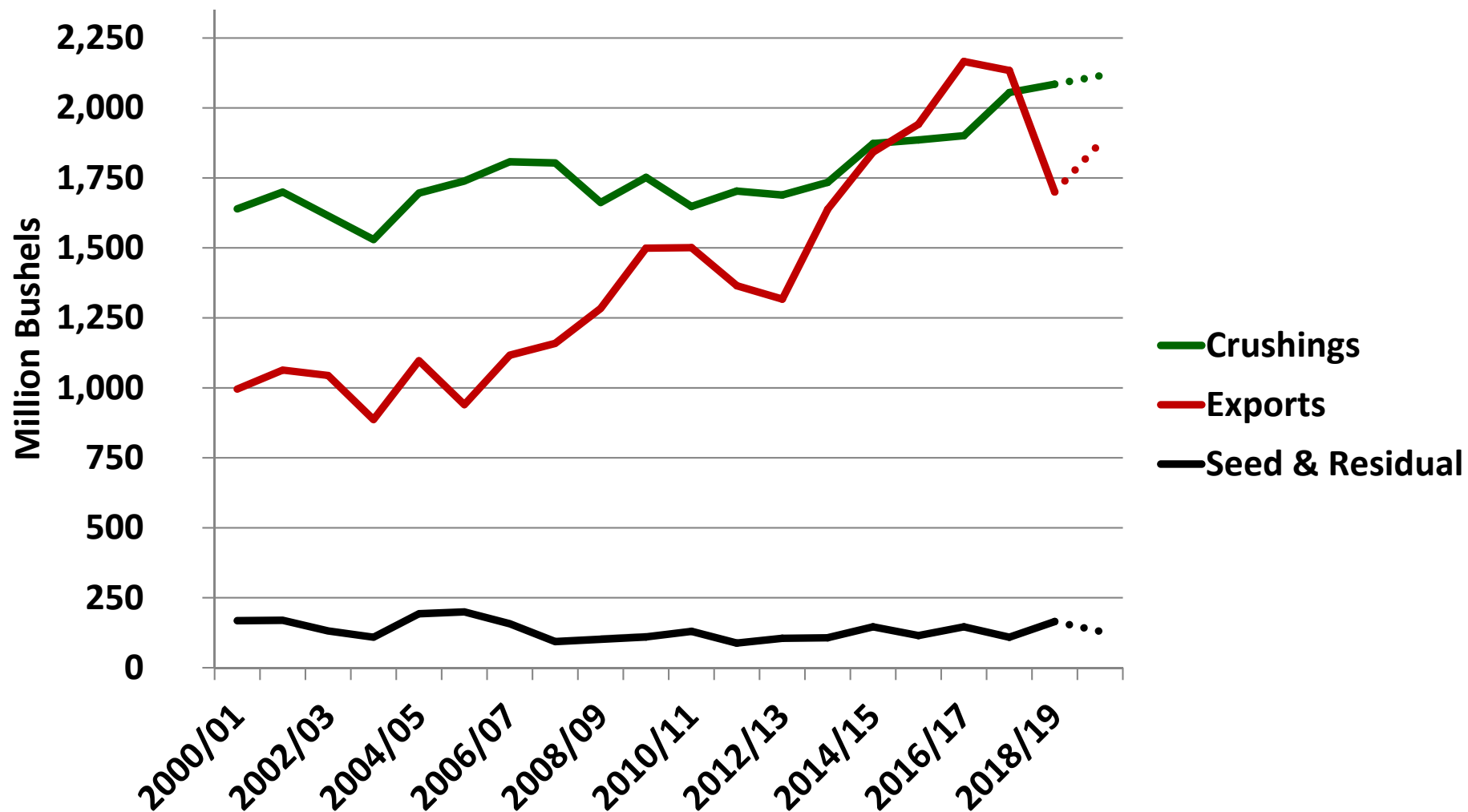
U.S. Soybean Supply & Demand Table

U.S. Soybean Supply		2018/2019 (Jul)		2019/2020 (Jul)	
Plantings				80.0 Mill. A.	
Production				79.3 Mill. A.	
Imports				48.5 bu.	
Total Supply				1,050	Mill. Bu.
Crushings		2,085	Mill. Bu.	3,845	Mill. Bu.
Exports	2,134	Mill. Bu.	1,700	20	Mill. Bu.
Seed	104	Mill. Bu.	93		
Residual	5	Mill. Bu.	72		
Total Use	4,297	Mill. Bu.	3,949	4,915	Mill. Bu.
Ending Stocks	438	Mill. Bu.	1,050	795	Mill. Bu.

Soybean prices will be volatile in August and September, but not as volatile as corn.

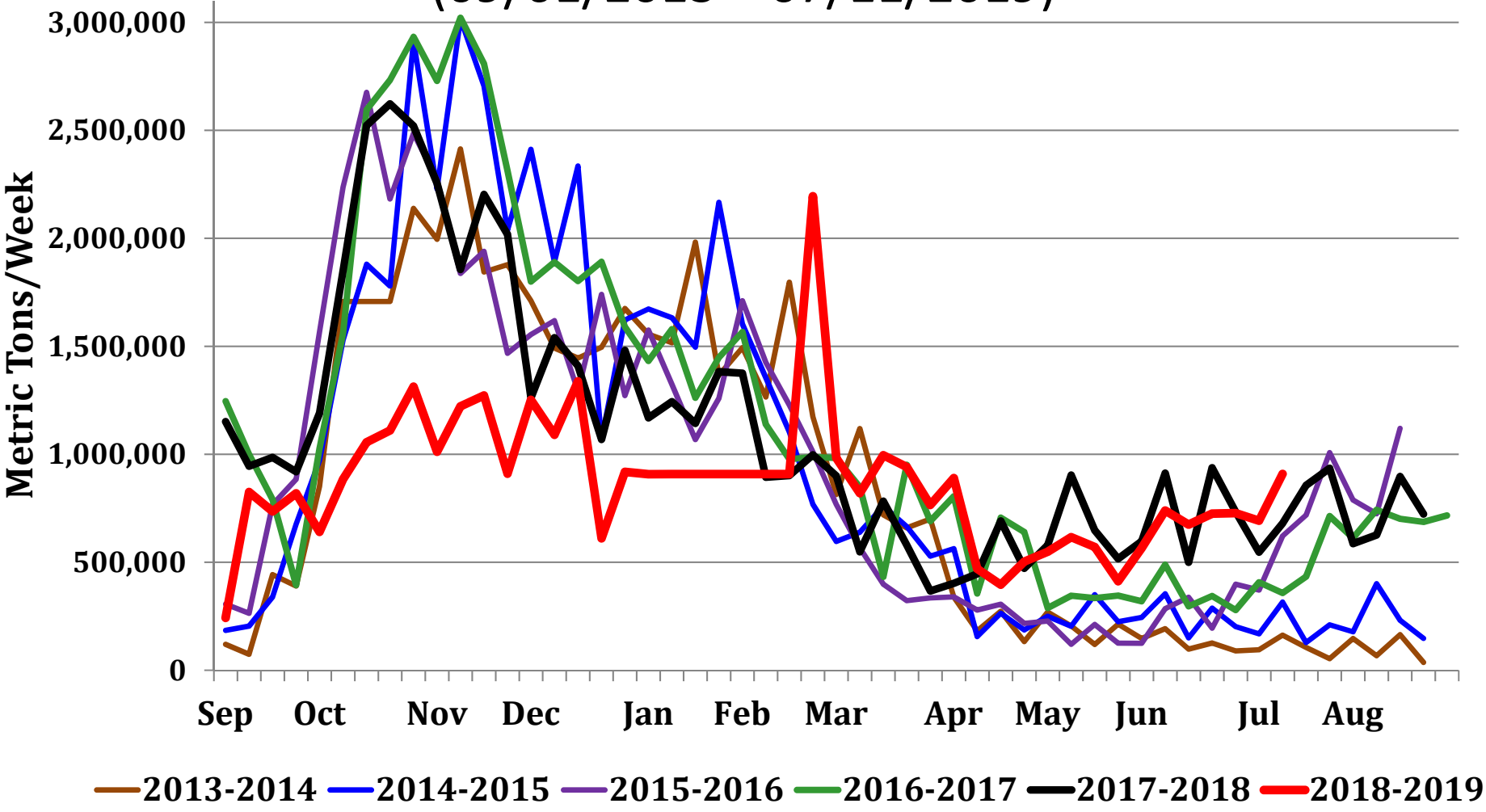
Carry-over stocks are still large and export sales are being questioned.

U.S. Soybean Use



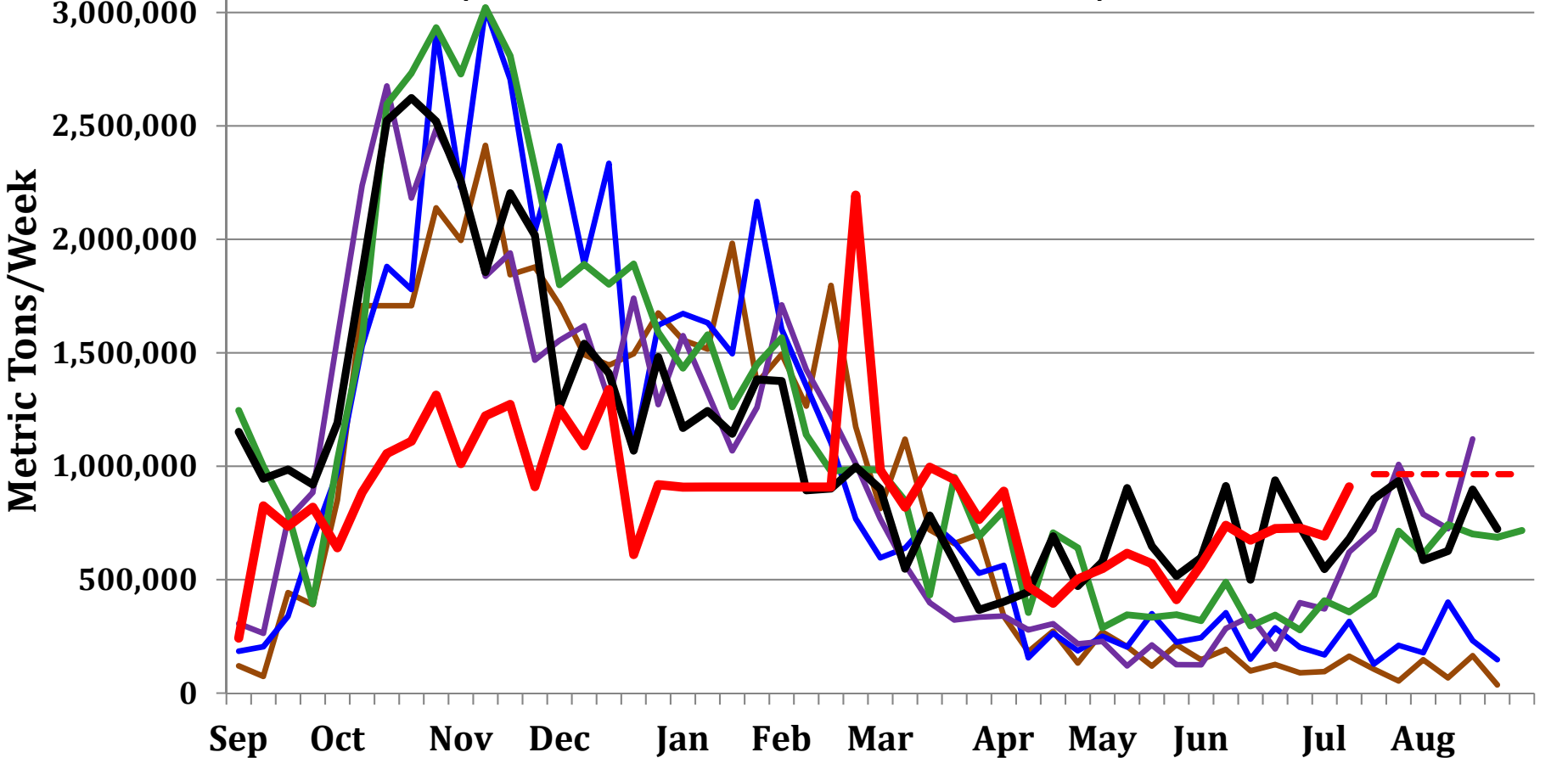
Weekly U.S. Soybean Exports

(09/01/2013 – 07/11/2019)



Weekly U.S. Soybean Exports

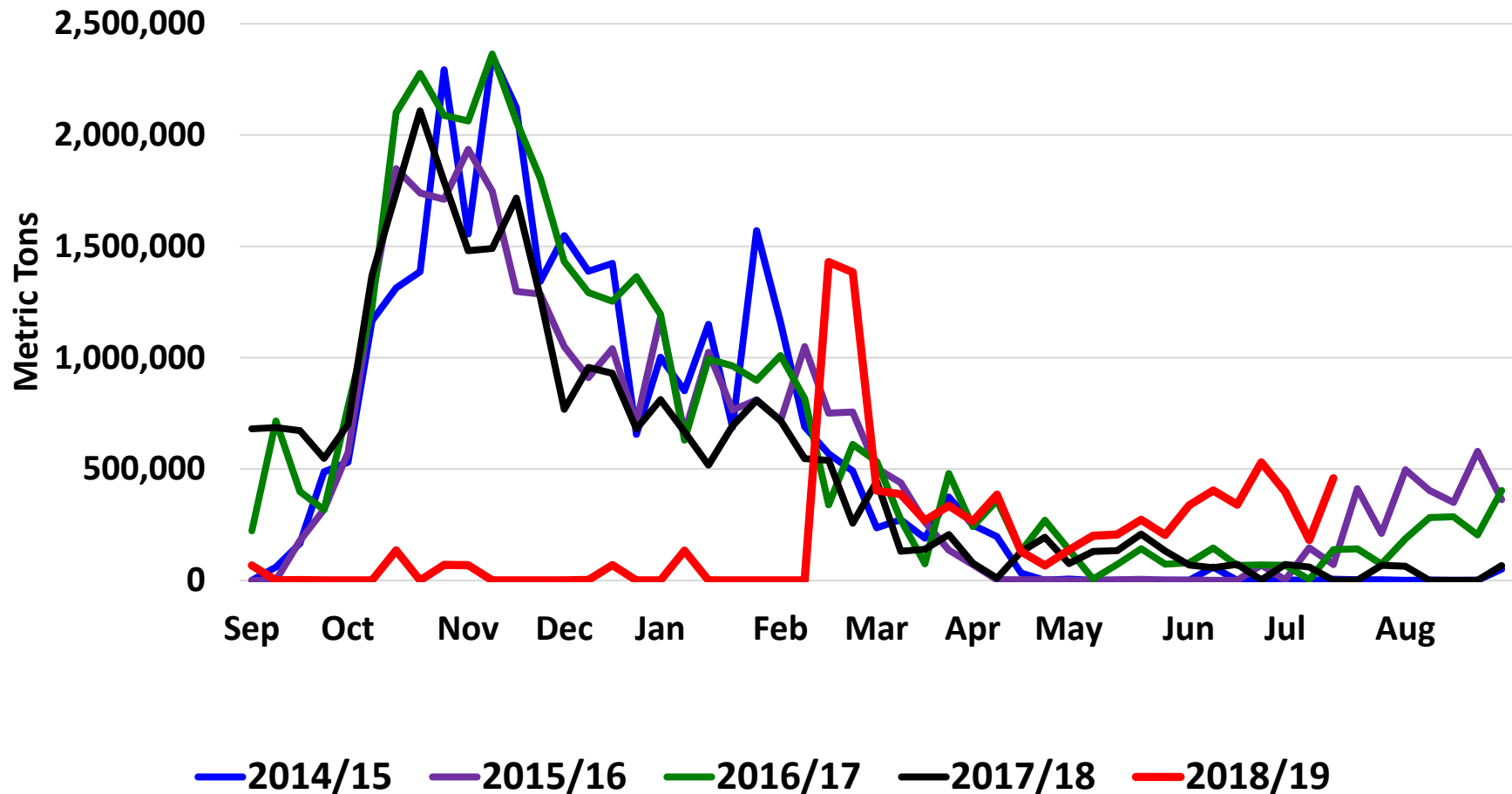
(09/01/2013 – 07/11/2019)



— 2013-2014 — 2014-2015 — 2015-2016 — 2016-2017 — 2017-2018 — 2018-2019 - - - Avg to meet USDA

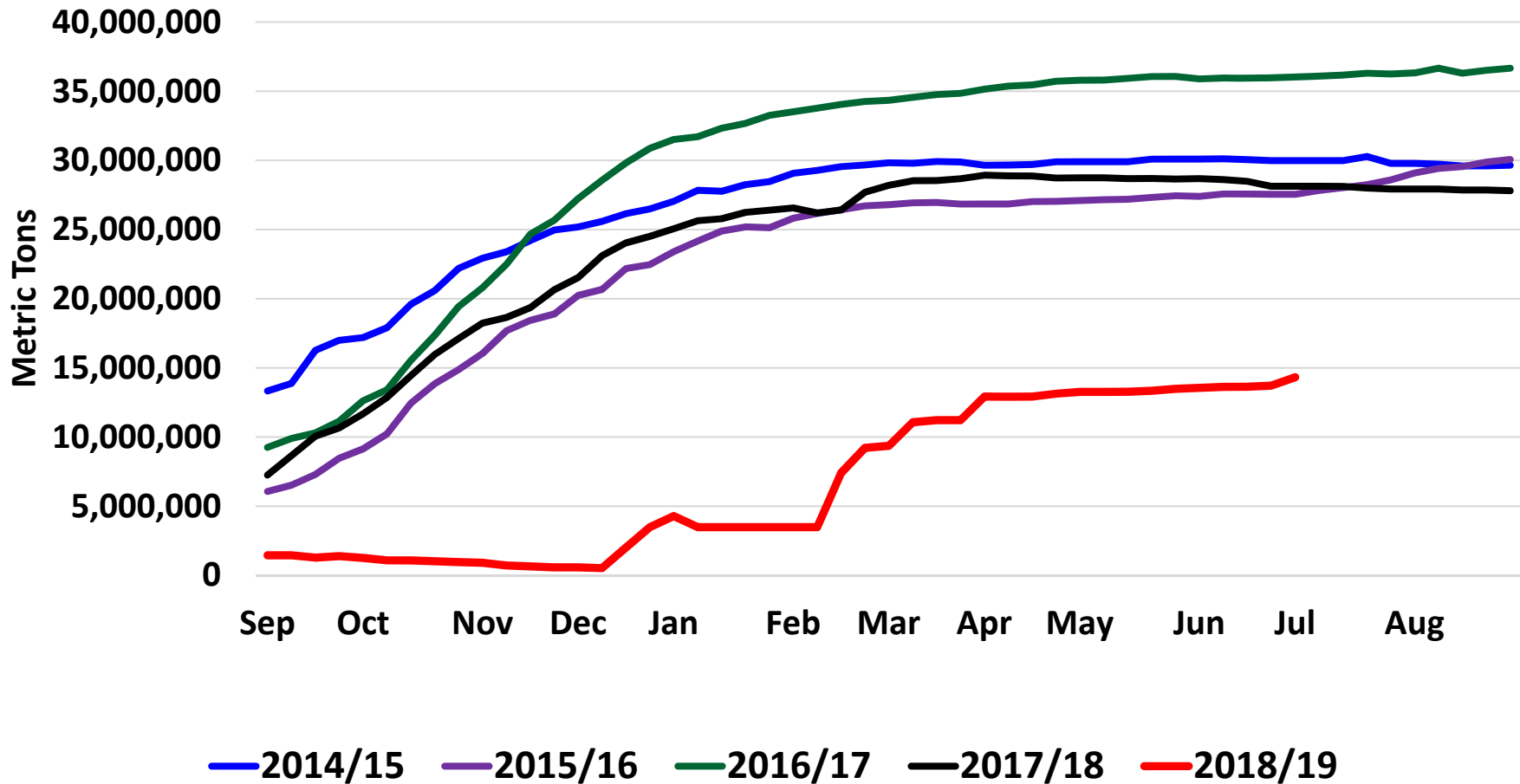
Weekly U.S. Soybean Export Sales to China

(09/01/2014 – 07/11/2019)



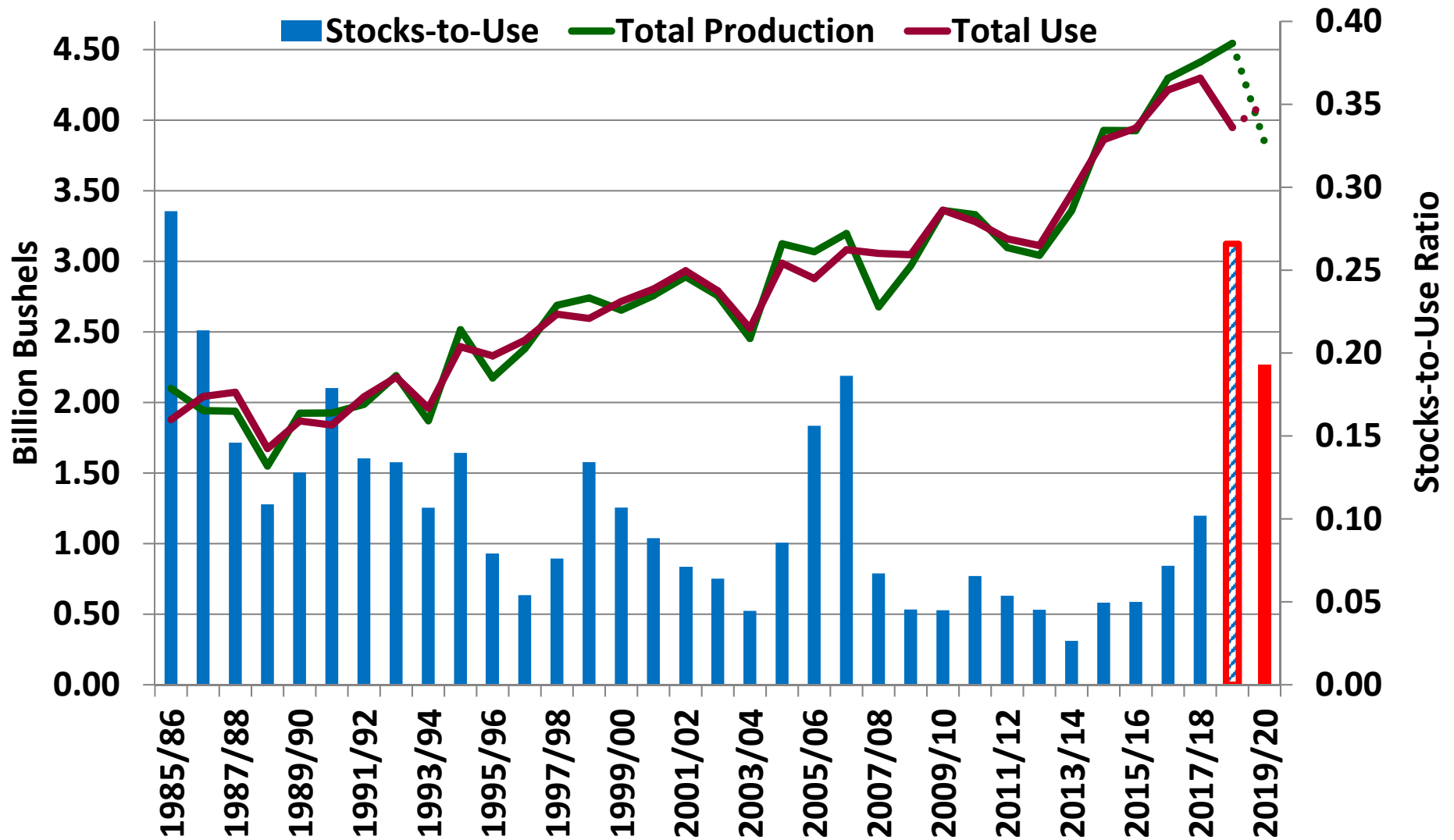
Weekly U.S. Soybean Total Commitments by China

(09/01/2014 – 07/11/2019)



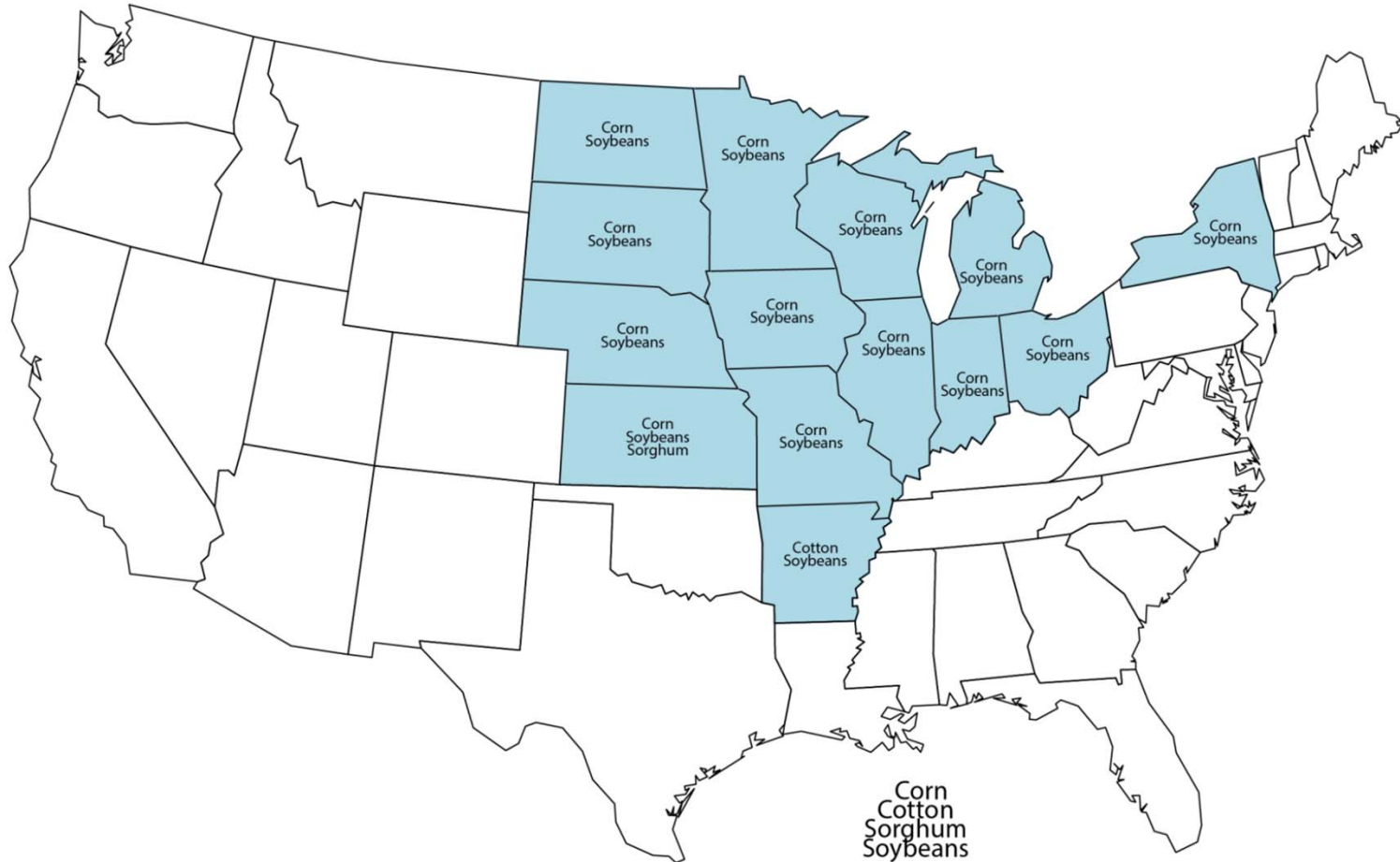
U.S. Soybean – Total Prod. & Use

(Billion Bushels)

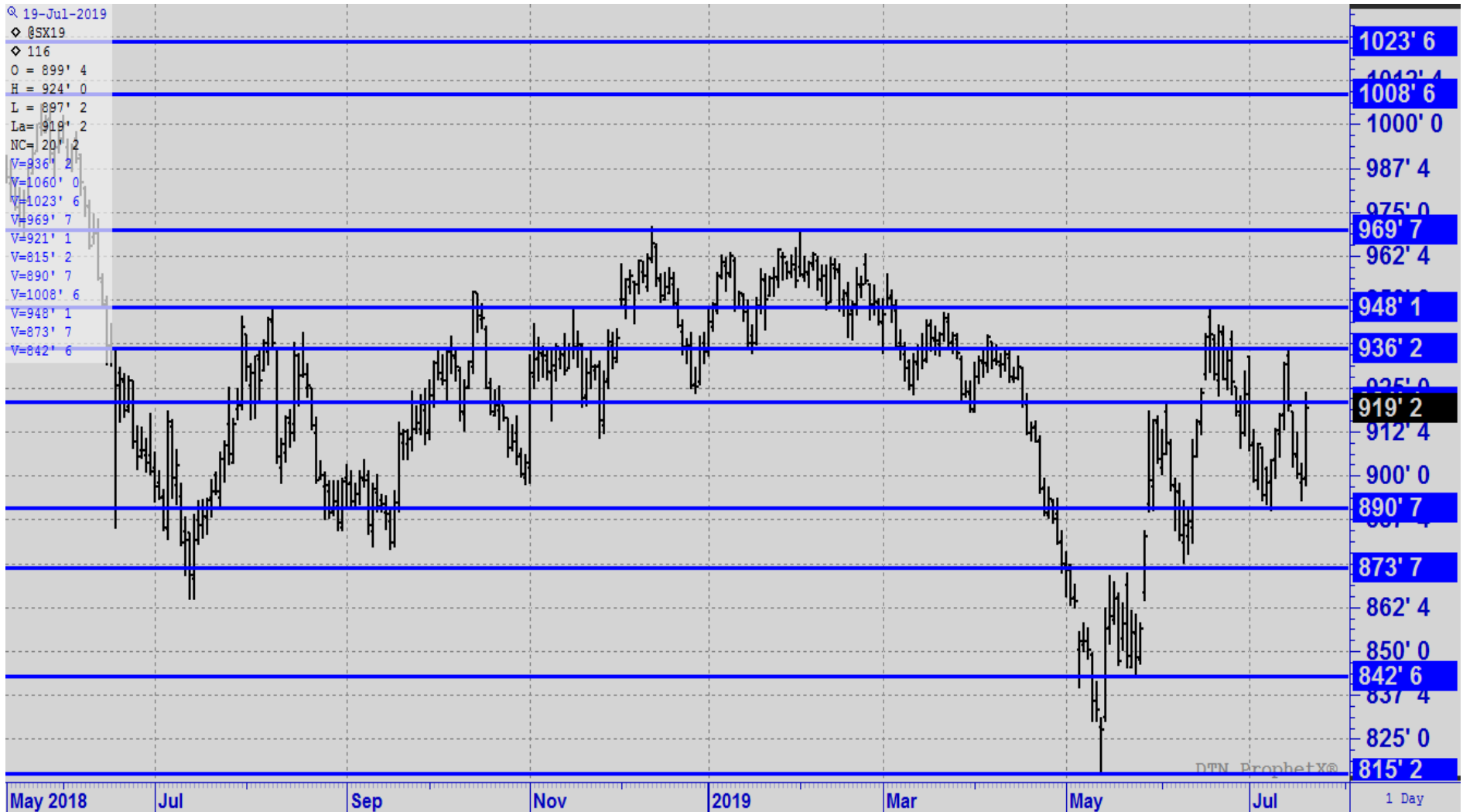


USDA Planted Acreage Re-survey

June 2019 Reinterview States



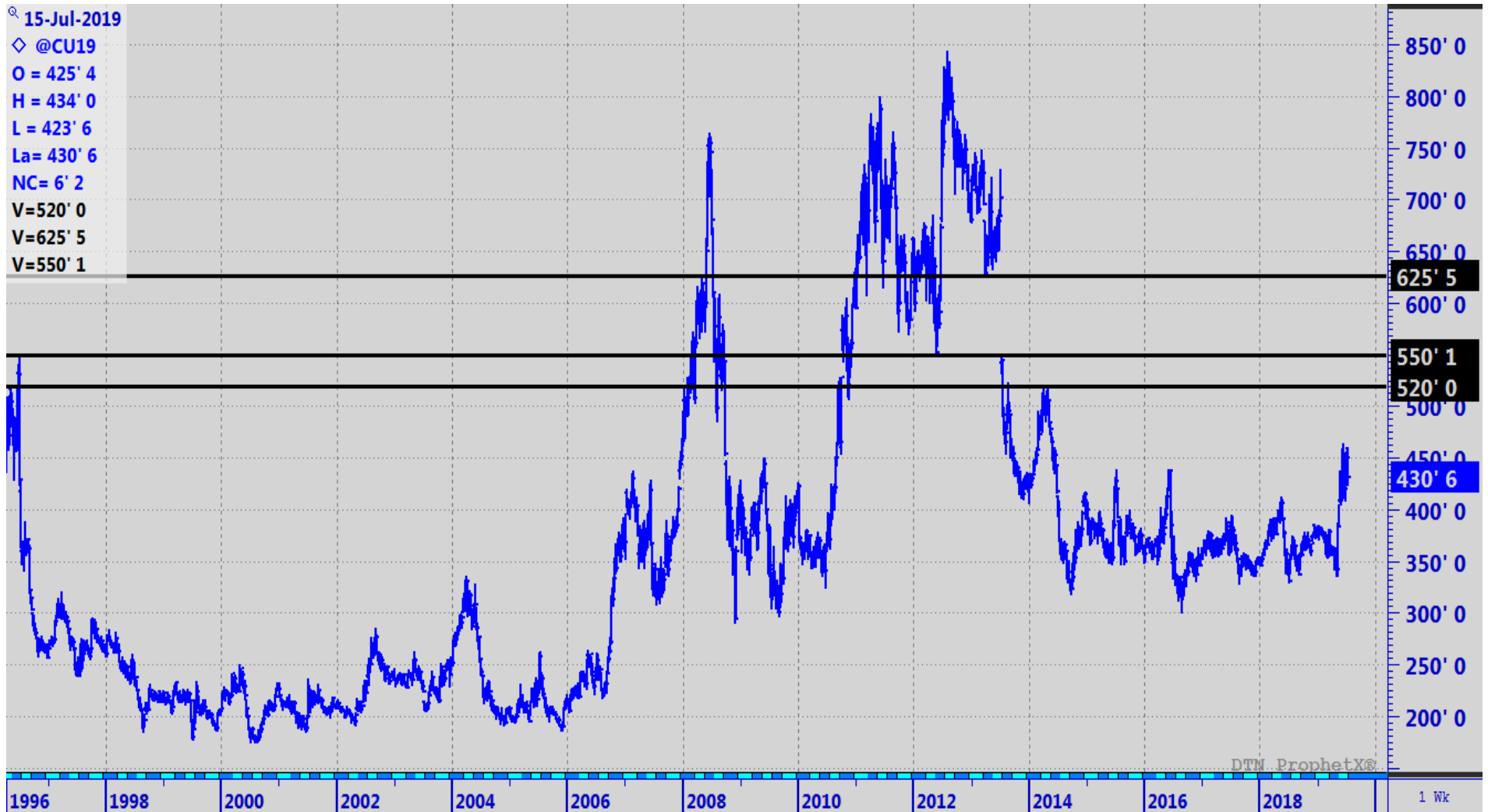
November CBOT Soybean Futures



December CBOT Corn Futures



CBOT Corn Futures - Continuation



Trade Issues



Current Status

- Trade negotiations have resumed after Presidents Trump and Xi met at G20 Summit in Osaka, Japan.
- Trade officials spoke by phone last week.
- No face-to-face negotiations have been announced yet but expected soon.
- Issues remain the same:
 - Forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions/theft, services and **agriculture**.



Current Status

- There continues to be a deep divide between the U.S. and China on key issues.
 - The current expectation is that an agreement will take considerable time.
- President Trump is disappointed that China has not purchased additional U.S. ag. products.
- China said they agreed to purchase more U.S. products, once an agreement was reached.



Current Status

- Sanctions on Huawei is continuing issue for both U.S. and China.
 - Extent of current sanctions is unclear.
- China has brought back Yu Jianhua, a 28 year veteran trade negotiator, to work on the U.S. – China trade agreement.
 - Chinese Vice Premier, Liu He, has been leading the negotiations.
- U.S. is still threatening tariffs on an additional \$325 billion of Chinese products in future.



Key Questions for Agriculture

- Will “agricultural products” be purchased and when?
 - Pork, beef, chicken, ethanol, DDGs, corn, sorghum, cotton, spring wheat, rice (?) ...
 - Pork purchases have occurred.
 - Ethanol has been shipped to SE Asia, blended with local supplies and re-shipped to China.
 - China has said no more than 40% of the blend can contain U.S. ethanol.
 - China is reviewing anti-dumping tariffs on U.S. DDGs.
 - Currently at 42.2% and 53.7%, up from 33.8% in 2016.
 - Negotiations have centered on value not quantity!



Other News

- China purchase of U.S. pork
 - 23,846 metric tons (52.57 million pounds)
 - 77,732 metric tons (171.37 million pounds)
 - 23,500 metric tons (51.81 million pounds)
 - 31,400 metric tons (69.66 million pounds)
 - Current 62% import tariff.
 - China cancels 3,247 metric tons of U.S. pork on May 16, 2019.
 - China's Ministry of Ag and Rural Affairs estimate of African Swine Fever in China.
 - 120 confirmed cases in 28 provinces.
 - 25.8% drop in hog herd from June 2018 to June 2019.
 - 26.7% drop in sow herd from June 2018 to June 2019.
-
-

Other Trade Agreements

- U.S., Mexico and Canada Agreement (USMCA).
 - U.S. Section 232 tariffs on Canadian and Mexican steel and aluminum have been removed.
 - Mexico has removed retaliatory tariffs on U.S. pork, beef and bourbon.
 - Canada has agreed to drop all pending litigation related to steel and aluminum tariffs against the U.S. in the WTO
 - U.S. Congress and Canadian Parliament must ratify the agreement.
 - Mexican Congress was first to pass agreement.



Other Trade Agreements

- U.S – Japan Free Trade Agreement.
 - Negotiations are continuing.
 - Agriculture and motor vehicles are key issues.
 - Services (insurance, banking and accounting) are also important.
 - Agricultural negotiations are focused on reducing Japan's historical tariffs on ag. products and achieve tariff rates similar to, or less than, the CPTTP agreement.



Comprehensive & Progressive Agreement for Trans-Pacific Partnership (TPP Replacement)

- Trade agreement including:
 - Australia, New Zealand, Canada, Japan, Mexico, Brunei, Chile, Malaysia, Peru, Singapore, Vietnam.
- Was signed on March 8, 2018.
- Began Jan. 1, 2019 with a 9-year transition.



CPTPP Wheat Tariff Reductions

Date	Japanese Wheat Tariff Rate (Yen/Kg)	Tariff in USD/Bu	Tariff in USD/MT	Difference USD/Bu	Difference USD/MT
2018	17.0	4.28	157.41	0.00	0.00
Jan 2019	16.2	4.08	150.00	0.20	7.41
Apr 2019	15.3	3.86	141.67	0.43	15.74
Apr 2020	14.5	3.65	134.26	0.63	23.15
Apr 2021	13.6	3.43	125.93	0.86	31.48
Apr 2022	12.8	3.23	118.52	1.06	38.89
Apr 2023	11.9	3.00	110.19	1.29	47.22
Apr 2024	11.1	2.80	102.78	1.49	54.63
Apr 2025	10.2	2.57	94.44	1.71	62.96
Apr 2026	9.4	2.37	87.04	1.92	70.37

Assumes 108 Japanese Yen = 1.00 U.S. Dollar

Other Trade Agreements

- Comprehensive Economic and Trade Agreement (CETA).
 - Canada – EU agreement expected to be signed soon.
 - Canadian Parliament has ratified the agreement.
- U.S. and EU have just begun negotiations.
 - Steel (25%) and Aluminum (10%) tariffs are still in place.
 - **Agriculture is one of the key hurdles in future negotiations.**
- **Brexit?**



Questions?

