



Trade

KFB Issue Engagement

January 2018

In an effort to enhance engagement on issues that face the farmers and ranchers of Kansas Farm Bureau, the KFB board of directors has implemented an issue engagement project. Approximately once a month, a new topic will be covered by a board member, and our goal is to receive feedback from you, our members.

After reviewing the information, members will have an opportunity to provide input, ask questions and further engage on these issues. Your input will go directly to KFB's board of directors.

As technology in the United States continues to evolve, the production of agricultural products continues to grow, and we are in a position to export those products to other countries. Other countries around the world are in very short supply of food. For example, Japan currently imports 60% of the food they consume. One thing that the American people must remember is we have to export what the customer wants, not what we want to sell to the customers. This means that sometimes we need to change our packaging, our cuts of meat or our quality of grain to remain competitive in a global market.

As the world economy improves, there are several countries that have a large part of their population moving into middle class. Because of this, these people desire higher quality food products for their families. This is where the opportunity lies for the U.S. to be able to supply those food products on a more consistent basis. For decades, the U.S. and been and continues to be considered a reliable, safe, and extremely high-quality food producer, and is the leading supplier around the world for bulk grain and protein products.

Nearly 50% of all the wheat produced in Kansas is exported to many different countries around the world, and currently 52% of all soybeans in the U.S. are exported. We are also exporting large amounts of corn and soybeans through several channels, including value added products such as the export of beef and pork to other countries. When you send protein products overseas, all the grain it takes to produce those products is being shipped at a very economical rate. Markets like Mexico, Japan, South Korea, Egypt, Canada, and China just a few of the countries that we are exporting large volumes of protein products to.

How much difference is this making in the price received by the American farmer? The price of grain in many cases is more than 30% higher and can exceed over 100% higher depending on the specific situation. Export of beef animals has increased the price received by cattle producers by \$325 per head at current market prices. Currently we are exporting 15-17% of all cattle produced in the U.S. This equates to a \$60 per hundred-weight increase due to exports. For swine, we are exporting close to 30% of all animals produced and \$51 per animal can be attributed to the export market. Exported animals, and the feed they eat, also add \$0.45 to every bushel of corn.

Some of the challenges we face on the trade front include trade barriers, high tariffs to allow our products into other countries and other countries not accepting the methods we, and the World Trade Organization (WTO) nations, use to make our products safe and nutritious for consumers. Here in the U.S., we use science to base all our decisions on. Some countries around the world use the precautionary principal and emotion instead of sound-science and therefore causes trade barriers to be imposed. Diseases of many different types can also impose embargos of our products. We continue to work as an industry to make sure that the importing countries of our products understand that we are doing everything in our power to make sure the products we sell are safe and nutritious. There are times that ag products are used as bargaining chips when working with foreign countries trade.



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What are some of the current issues that are major concerns to the people involved in trade around the world? Trade deals like NAFTA (North American Free Trade Agreement) are extremely important to the free movement of products. The NAFTA agreement between Mexico, Canada, and the U.S. sets guidelines for the tariffs paid by one country to export to the other country. Our current Administration is reviewing NAFTA and we have some nervous trading partners because of this. Mexico is currently looking for the possibility of other countries supplying some of the raw commodity needs they have. NAFTA has been extremely helpful for agriculture trade and we hope that this renegotiation will be finished shortly so we can continue to be the number one supplier to Mexico. Another trade deal that never reached the finish line was the TPP (Trans Pacific Partnership). This trade deal, originally worked among 12 countries, would have lowered the tariffs paid by each one of the countries to move products to the other country. For instance, this would have lowered the tariff on beef products exported to Japan by as much as 25%. The current tariff on rice produced in the U.S. and exported to Japan is above 600%. These types tariffs make it difficult for the American producer to compete in world markets. The other 11 TPP countries are moving forward with the negotiations. Unless we get back into the TPP deal or negotiate deals unilaterally with these countries, our trade tariffs will stay the same and be reduced significantly for other countries, thus pricing our products out of the market. Our trade negotiators from USDA, USTR, and Commerce are continuing to negotiate with these countries. We hope that they can come to a resolution so that we can continue to export our products.

The U.S. has some real advantages because of our infrastructure. We need to continue to work so that the customers that buy our products from around the world can enjoy the quality and the safety of the American products.

Trade is extremely important to the bottom line of American producers. It allows us to use the technology that we have today to produce the best quality food products in the world. If we can continue to increase trade of those products, it will provide us with the income to be able to continue in business. Consumers in all parts of this world like and enjoy the products that we produce. We as producers need to become involved and communicate with our government, and our fellow citizens, on trade policy and foreign trade teams to explain how and why we produce the safest food products in the world. We need to continue to improve our negotiations so that we can be viewed as a dependable, continuous supplier of safe food products. If we can accomplish this, we have many, many opportunities around the world to expand exports so that people around the world can enjoy quality products that are safe and nutritious and cut down on human hunger.

Ref.: Cattle fax, U.S.M.E.F., Kansas Wheat, U.S. Soybean, USDA