

# Trade in the Balance

The Importance of International Markets  
to U.S. Agriculture



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## The Importance of International Markets to U.S. Agriculture

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**TOM HALVERSON**

Since the end of World War II, one of the most important economic trends in the global economy has been the explosive growth of international trade and the wealth generated by that trade for advanced and emerging economies alike.

Across most of the world, countries have steadily embraced the Ricardian theory of “comparative advantage,” focusing their energy and resources on goods and services they can produce more efficiently than others while simultaneously opening their domestic industries to competition from the outside.

The process has been gradual, uneven and hampered by inevitable geopolitical setbacks, but it has continued inexorably nonetheless. And the results have been remarkable. Today, international trade totals over \$20 trillion a year and represents approximately 30 percent of global GDP, compared to only 12 percent of GDP in 1960.

Few industries have benefited more from this trend than American agriculture. The United States is uniquely well positioned to grow, process and distribute safe, reliable, high-quality food products thanks to its plentiful arable land and water, good infrastructure and the ingenuity and adaptability of U.S. farmers and ranchers. Thanks to the law of comparative advantage, the U.S. now exports approximately \$140 billion of ag products every year to markets all over the world. Exports represent an estimated 20 percent of all U.S. agricultural production, making foreign markets crucial for a wide variety of individual ag sectors.

The benefits of free trade to American agriculture are arguably at greater risk today than at any time in recent memory. Escalating trade disputes with China, Mexico, Canada and other major trading partners threaten to erode the enormous progress the United States has made gaining access to foreign markets for U.S. agricultural products. As CEO of CoBank, one of the nation’s largest agricultural lenders, I am concerned about ensuring the long-term opportunity to grow U.S. exports.

The pages that follow contain a series of charts and graphs that powerfully illustrate the importance of international trade to U.S. agriculture. With the future of agricultural trade at stake in current trade diplomacy, I strongly encourage policymakers to fully appreciate the importance of international markets to U.S. agriculture as they make trade policy decisions. American agriculture and the U.S. rural economy cannot afford missteps in this vital area.

*Tom Halverson*

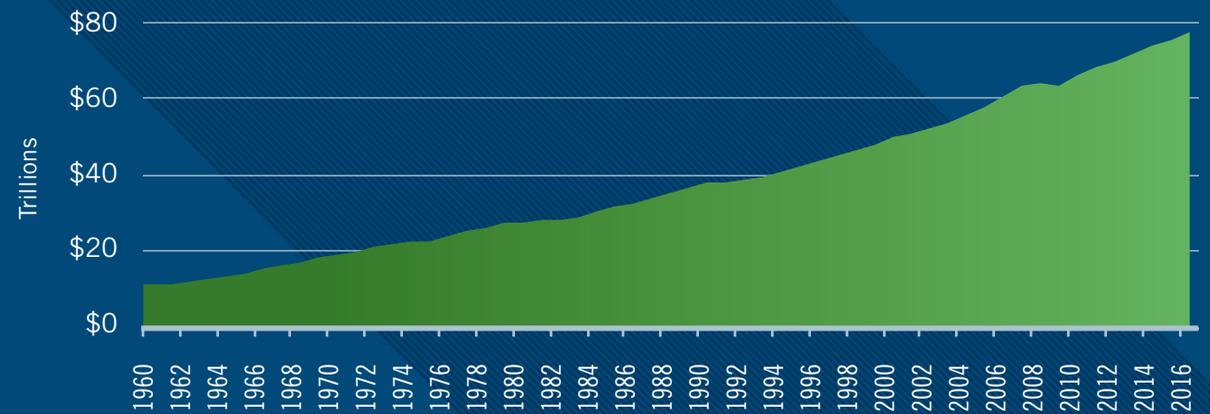
**Tom Halverson**  
President & Chief Executive Officer, CoBank

# Exports and world GDP

World GDP has increased by approximately 600 percent over the past several decades, from \$11 trillion in 1960 to over \$75 trillion today.

International trade has been a key driver of global economic growth. Global exports – facilitated by a series of multilateral free trade agreements enacted over the years – now account for approximately 29 percent of world GDP, compared to only 12 percent in 1960.

**World GDP** (Constant 2010 US\$)



Source: World Bank

**Global Exports as a Percentage of World GDP**



Source: World Bank

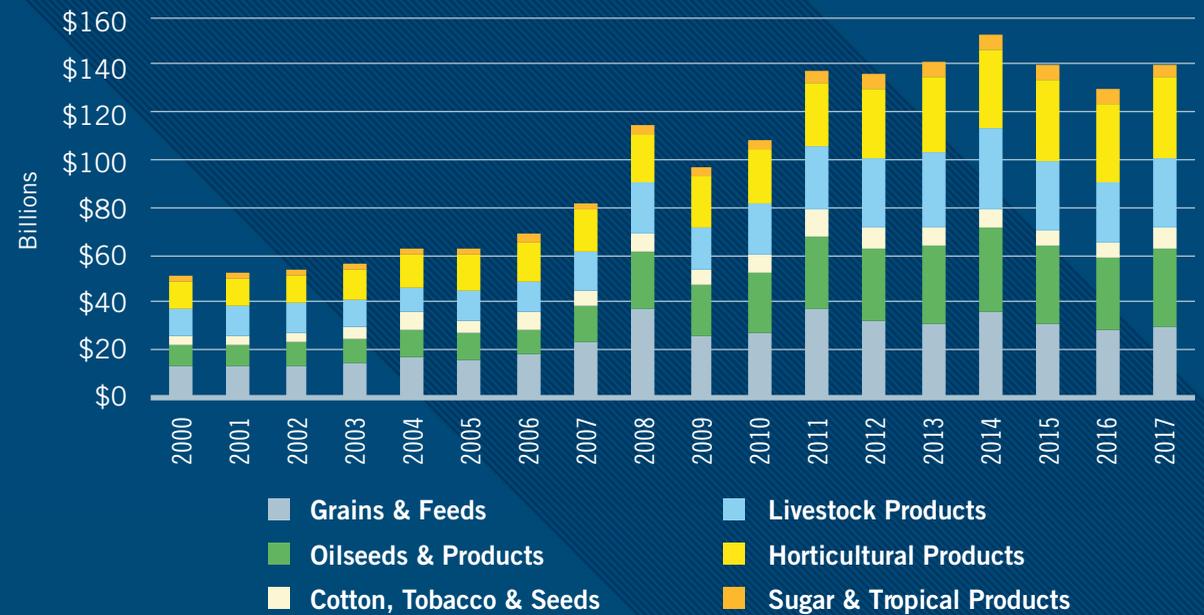
# Agricultural exports and the U.S. economy

American farmers, ranchers, agribusinesses and food companies have all benefited tremendously from the growth of international trade.

The U.S. now exports about \$140 billion per year in agricultural products and commodities. That compares to approximately \$50 billion per year in the early 2000s.

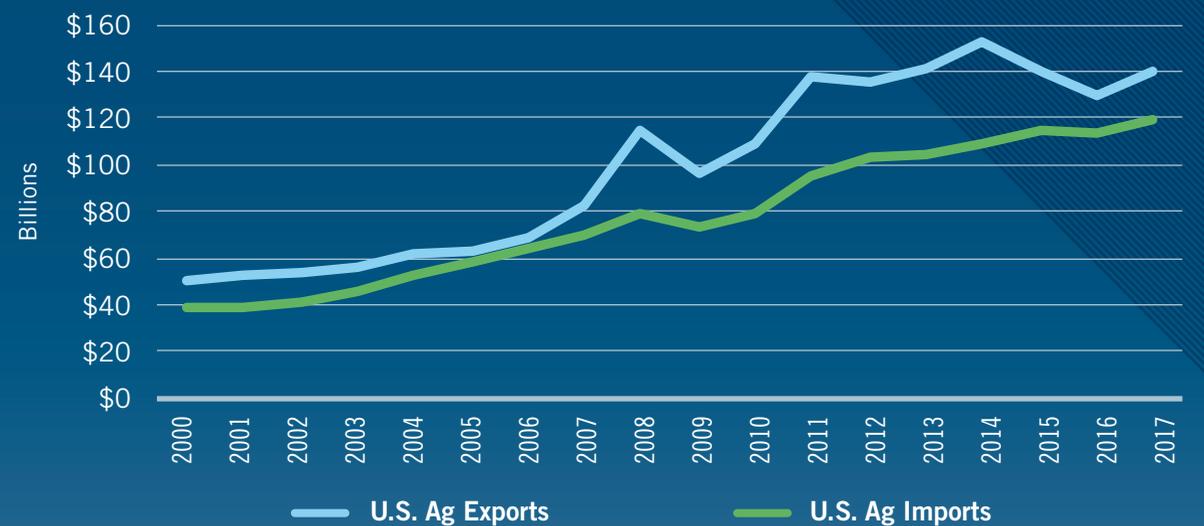
Notably, agriculture has contributed positively to the U.S. trade balance every year since 2000 across a number of economic cycles.

U.S. Agricultural Exports by Commodity



Source: U.S. Department of Agriculture

U.S. Agricultural Trade Balance



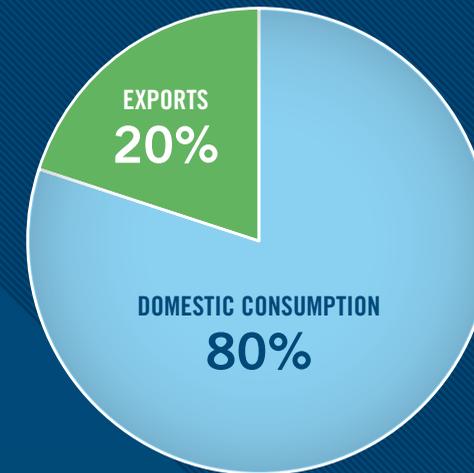
Source: U.S. Department of Agriculture

# Exports by agricultural commodity

On a volume basis, exports consume approximately 20 percent of total agricultural production for U.S. farmers and ranchers.

For many commodities, however, exports comprise a much larger percentage of total production, as indicated on the table at right.

## U.S. Agricultural Production – Exports vs. Domestic Consumption



Source: U.S. Department of Agriculture

## Export Share by Commodity

Commodity	Percent of U.S. Production Exported (2012-2016)
Cotton	79%
Tree nuts	72%
Rice	50%
Soybeans	48%
Wheat	41%
Grain/oilseeds	23%
Dairy	18%
Meat	16%

Source: U.S. Department of Agriculture

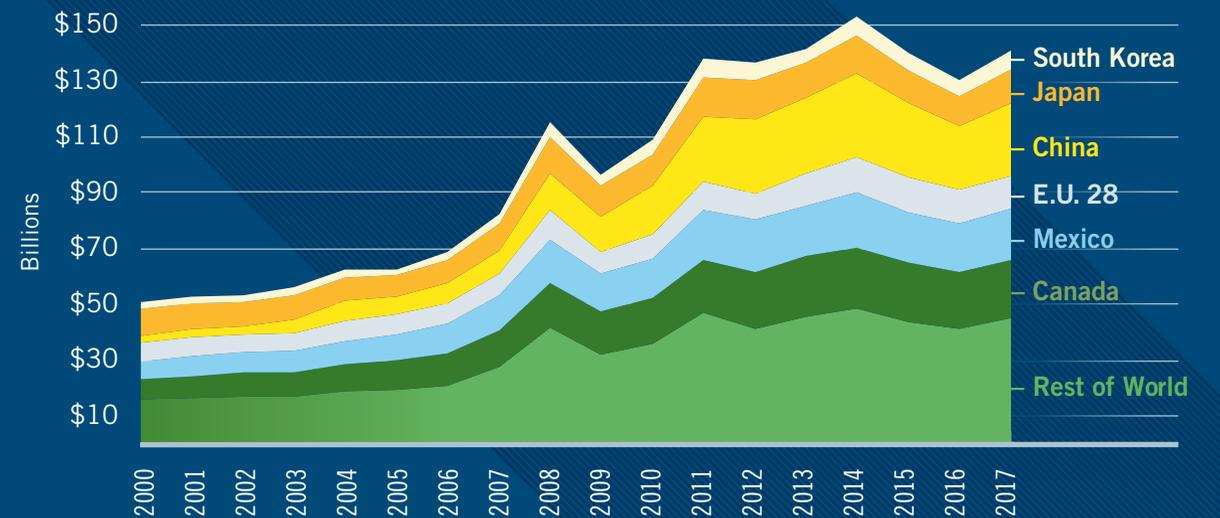
# Agricultural exports by trading partner

Countries and regions representing almost 70 percent of total ag exports with the U.S. have been involved in trade negotiations in 2018.

About 45 percent of U.S. ag exports go to China, Canada and Mexico, underscoring how vital our relationships are with those three trading partners.

China, which imported almost no food from the U.S. at the beginning of the century, now accounts for almost one-fifth of all U.S. food exports.

## U.S. Agricultural Exports by Destination



Source: U.S. Department of Agriculture

## Top Trade Partners – Percentage of U.S. Ag Exports, 2015-2017

Country/Region	Share of U.S. Ag Exports
NAFTA	28.4%
China	18.3%
EU-28	8.7%
Japan	8.3%
South Korea	4.6%
<b>TOTAL</b>	<b>68.3%</b>

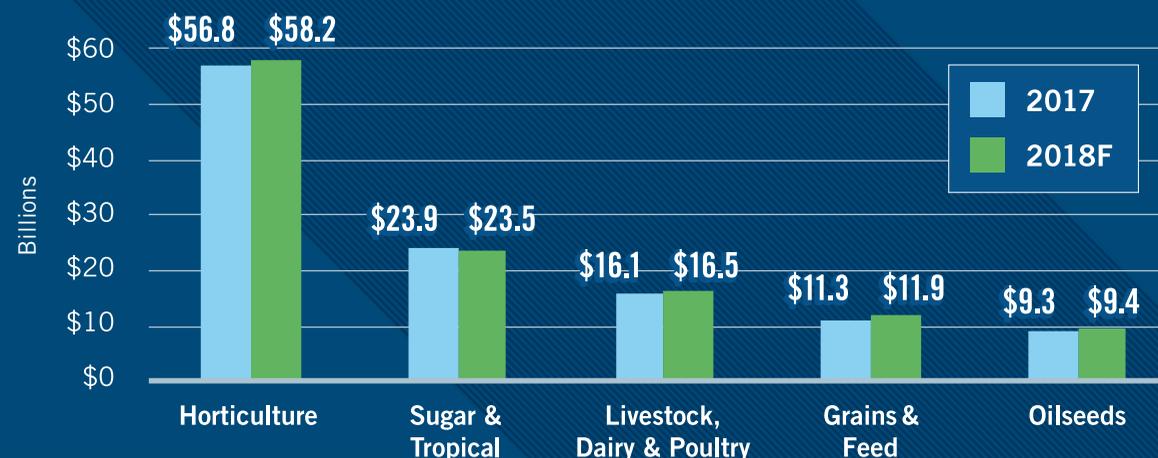
Source: U.S. Department of Agriculture

# U.S. agricultural imports

Even though the United States is a net exporter of ag products, it also relies on imports from trading partners for a wide variety of important ag products.

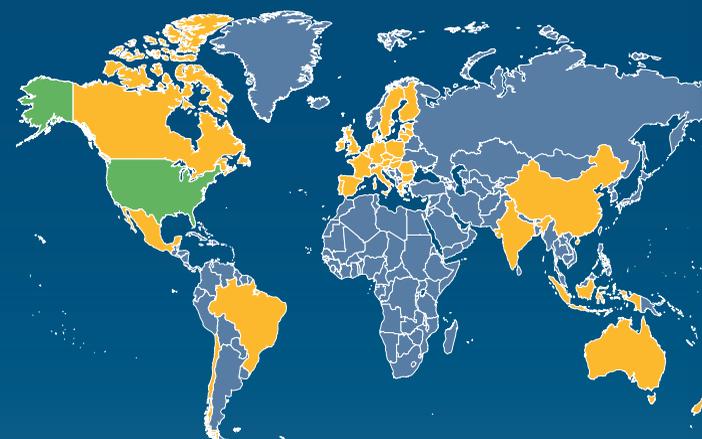
Agricultural imports totaled \$119 billion in 2017, including horticultural products, sugar/tropical, grain and feed, oilseeds, and livestock/dairy/poultry.

## U.S. Agricultural Imports by Commodity Type, 2017 vs. 2018 projected



Source: U.S. Department of Agriculture

## Top 10 U.S. Agricultural Imports Sources, 2015-2017 average



Country/Region	Average Value (USD Billions)	Share of Total U.S. Ag Imports
Mexico	\$22.4	19.4%
Canada	\$22.0	19.0%
EU-28	\$20.6	17.8%
China	\$4.4	3.8%
Indonesia	\$3.7	3.2%
Brazil	\$3.3	2.9%
Australia	\$3.1	2.7%
Chile	\$2.9	2.5%
New Zealand	\$2.7	2.4%
India	\$2.5	2.1%

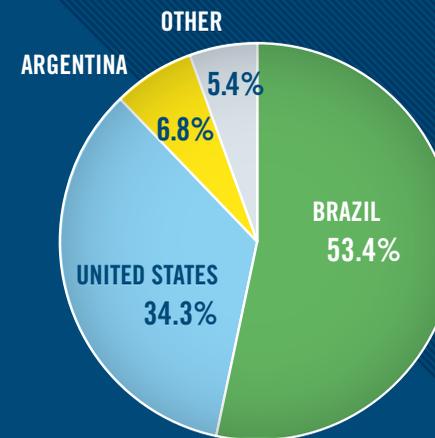
Source: U.S. Department of Agriculture

# Global agricultural competitors

Despite America's success in developing foreign markets for U.S.-produced food, our trading partners have other options when it comes to food and agricultural products.

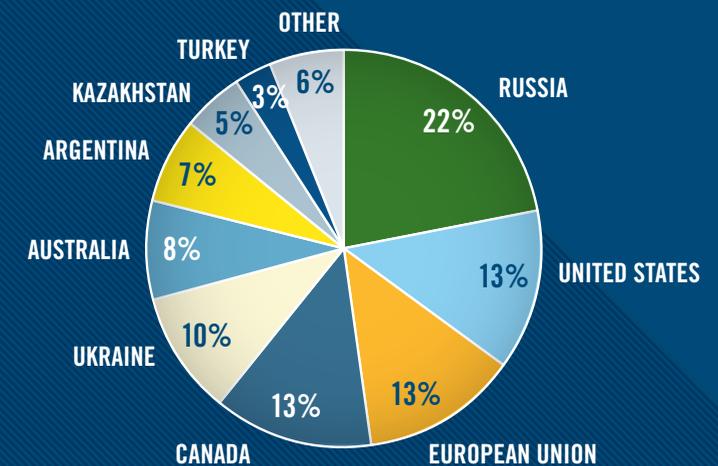
For instance, China imported over 50 percent of its soybeans from Brazil in 2017, compared to less than 35 percent from the U.S. Russia now accounts for 22 percent of global wheat exports, compared to 13 percent for the U.S. America's share of global corn exports has fallen from almost 70 percent in 2005 to under 40 percent today, with Brazil and the former Soviet union picking up most of the slack.

China Soybean Imports by Source Country, 2017



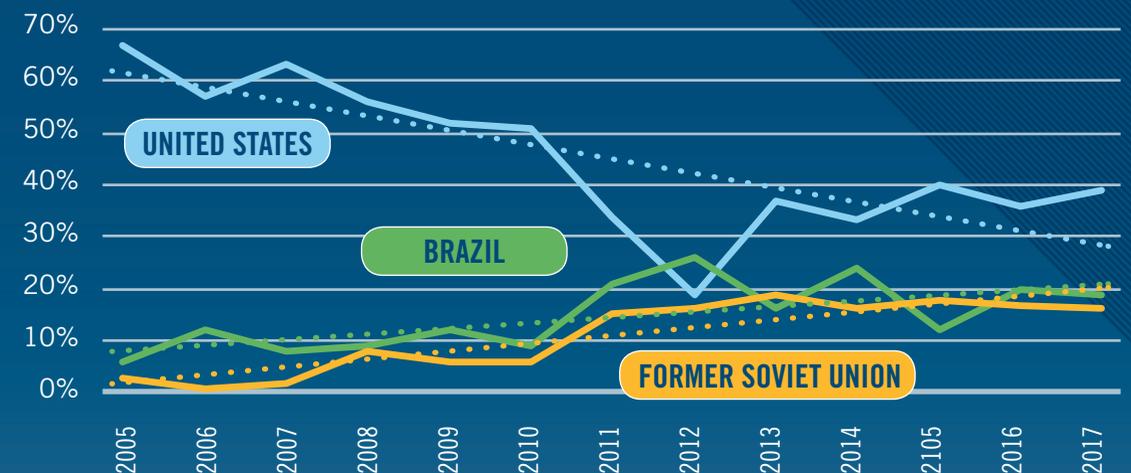
Source: U.S. Department of Agriculture

Share of Global Wheat Exports by Country/Region, 2017



Source: U.S. Department of Agriculture

Share of Global Corn Exports, by Country/Region, 2005-2017



Source: U.S. Department of Agriculture

# Future demand growth

Exports can be expected to become even more important for U.S. agriculture in the future. The International Monetary Fund predicts that China and India will account for over half of global GDP growth in 2023. India alone will contribute more to GDP growth than all of the world's advanced economies combined.

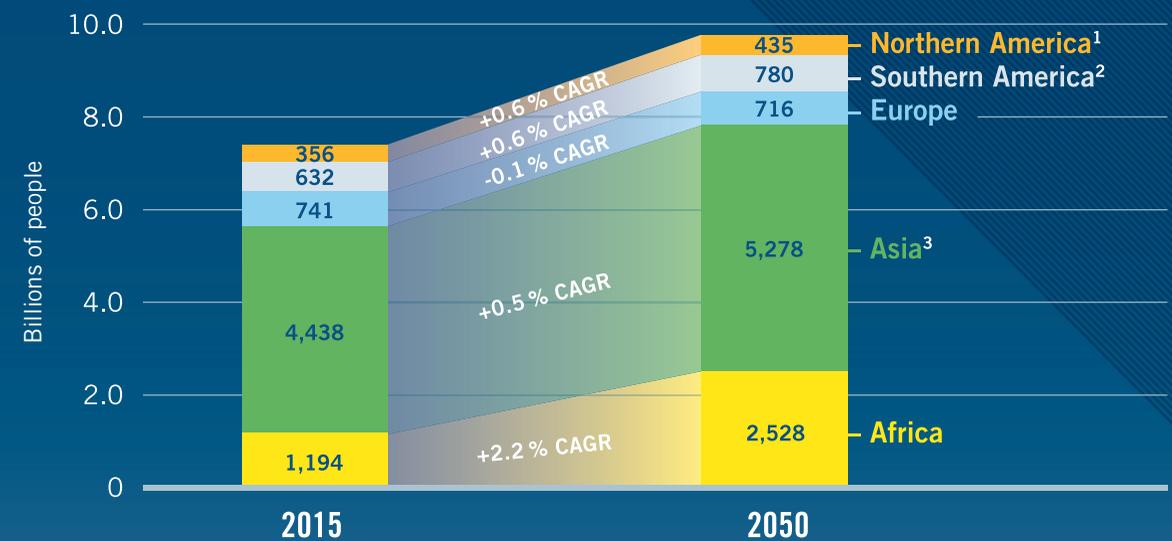
Looking further out, the vast majority of future population growth will occur outside the U.S. World population will move from 7.4 billion today to over 9.7 billion in 2050 – and over 90 percent of that population growth will occur in Asia and Africa.

**Contributions to World GDP Growth, 2017-2023**  
(Purchasing power parity basis)



Source: International Monetary Fund

**World Population Growth by Region, 2015-2050**



<sup>1</sup>United States & Canada  
<sup>2</sup>Mexico, Central America & South America  
<sup>3</sup>Includes Oceania

Source: United Nations

## ABOUT TOM HALVERSON

Tom Halverson is president & chief executive officer of CoBank, one of the nation's largest agricultural lenders.

As a member of the Farm Credit System, CoBank has \$133 billion in assets and provides loans and financial services to agribusiness borrowers in all 50 states. The bank also serves as a wholesale lender to 22 affiliated Farm Credit associations serving approximately 70,000 farmers and ranchers around the country. In addition, the bank has a substantial portfolio of loans to rural infrastructure providers in the power, water and communications industries.

Halverson was appointed CEO in January 2017 after serving as CoBank's chief banking officer for four years. Previously, he spent over 15 years with Goldman Sachs in a variety of executive positions in Europe, Asia and North America. Before that he worked at the European Bank for Reconstruction and Development, which was founded to help former Soviet bloc countries transition to free market economies.

Halverson holds a bachelor's degree from Wabash College and a doctorate in war studies from the University of London.

**Follow Tom Halverson on LinkedIn at:**

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