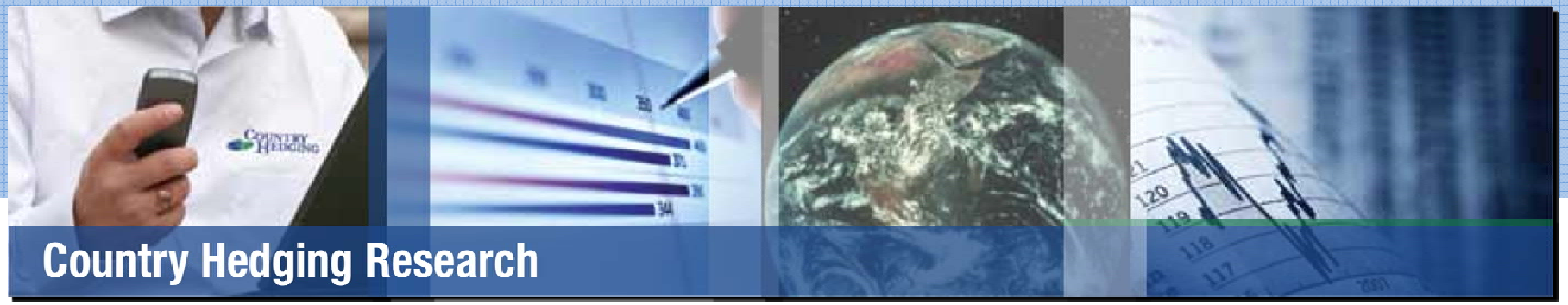


# Agricultural Exports' Influence on the U.S. Economy

Tim Emslie

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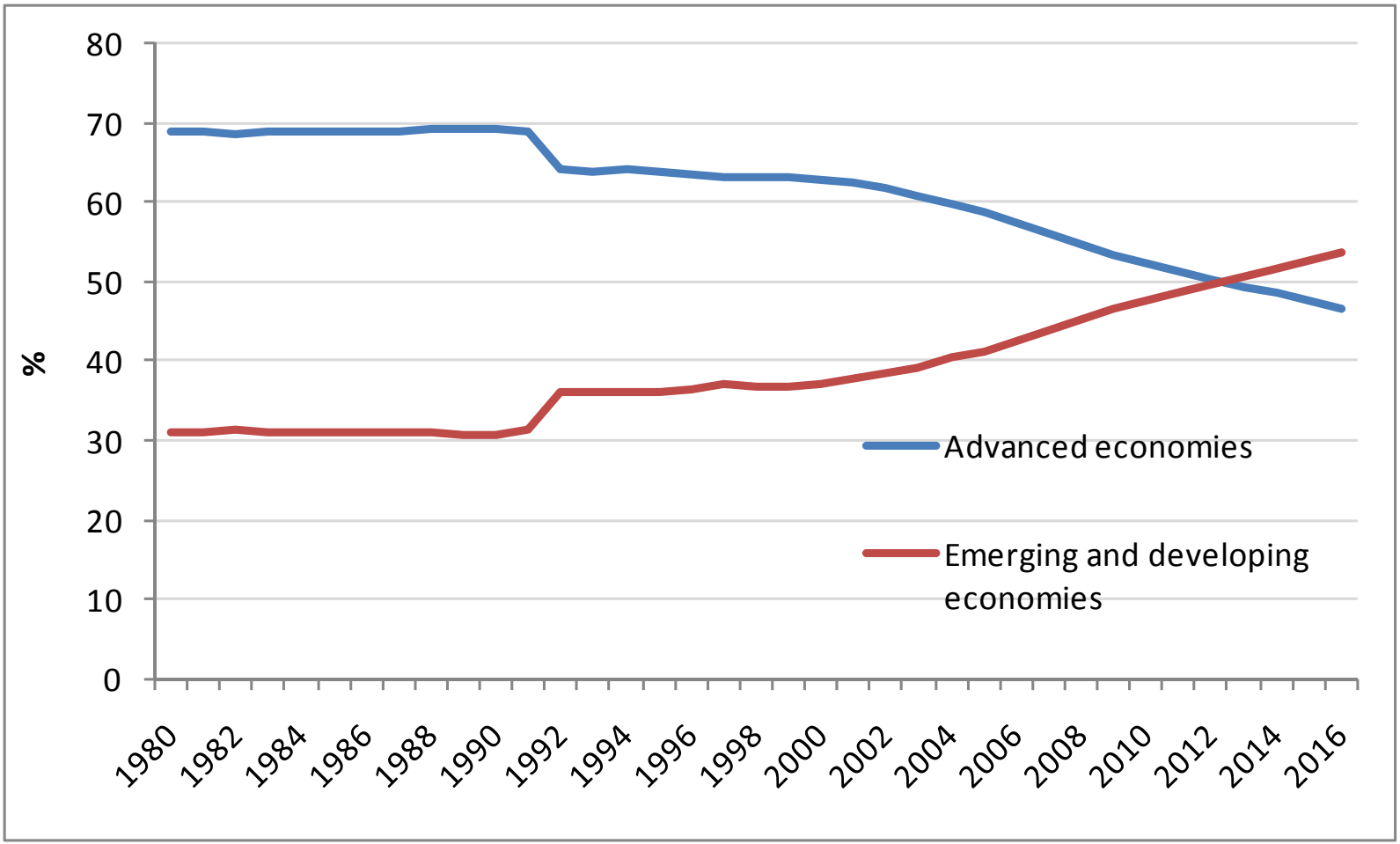
# Share of World GDP (PPP)




Source: IMF

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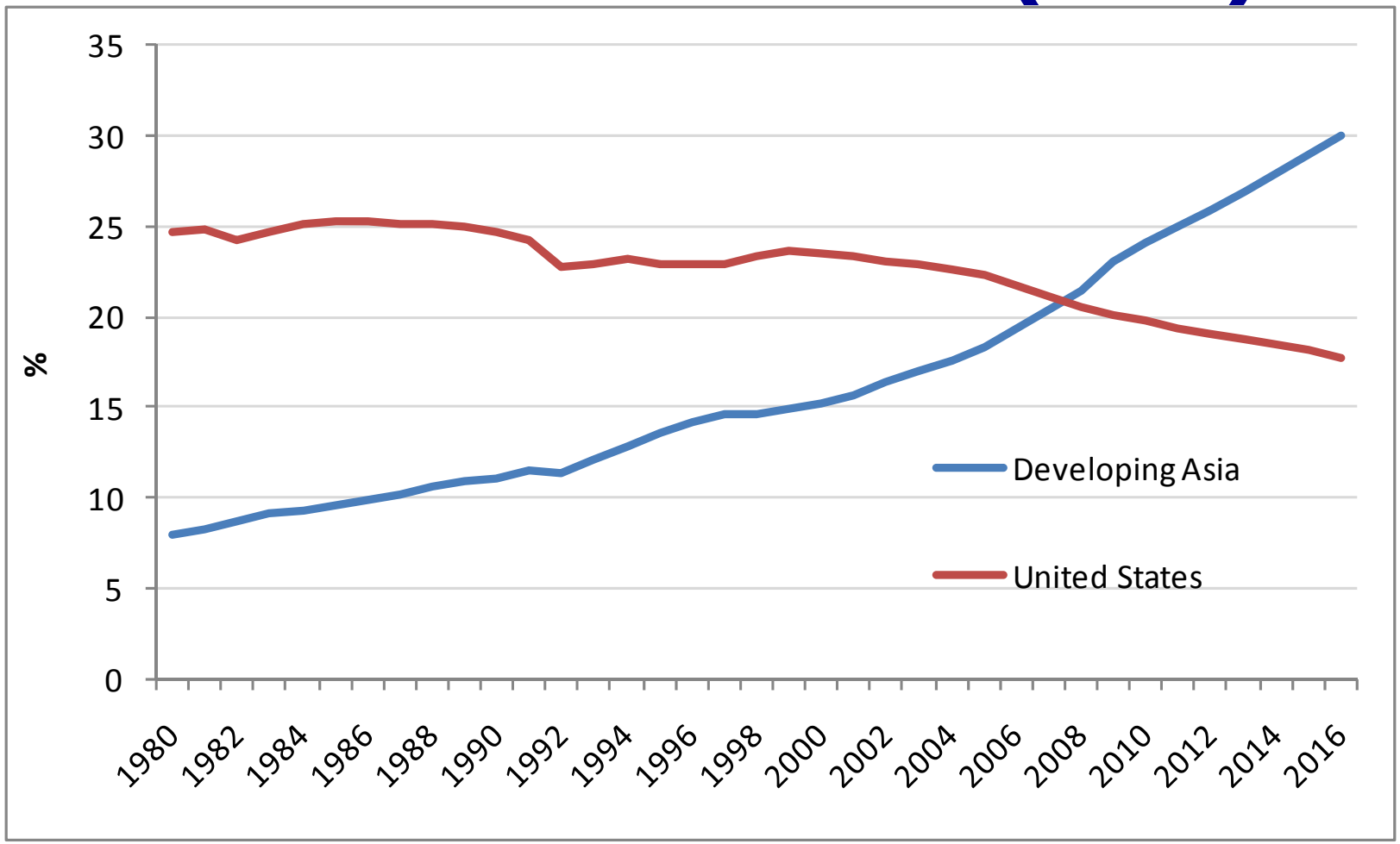


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- U.S. agricultural exports doubled between 2003 and 2010 (nominal)
- Through the first half of 2011, ag exports are up 30% year-on-year

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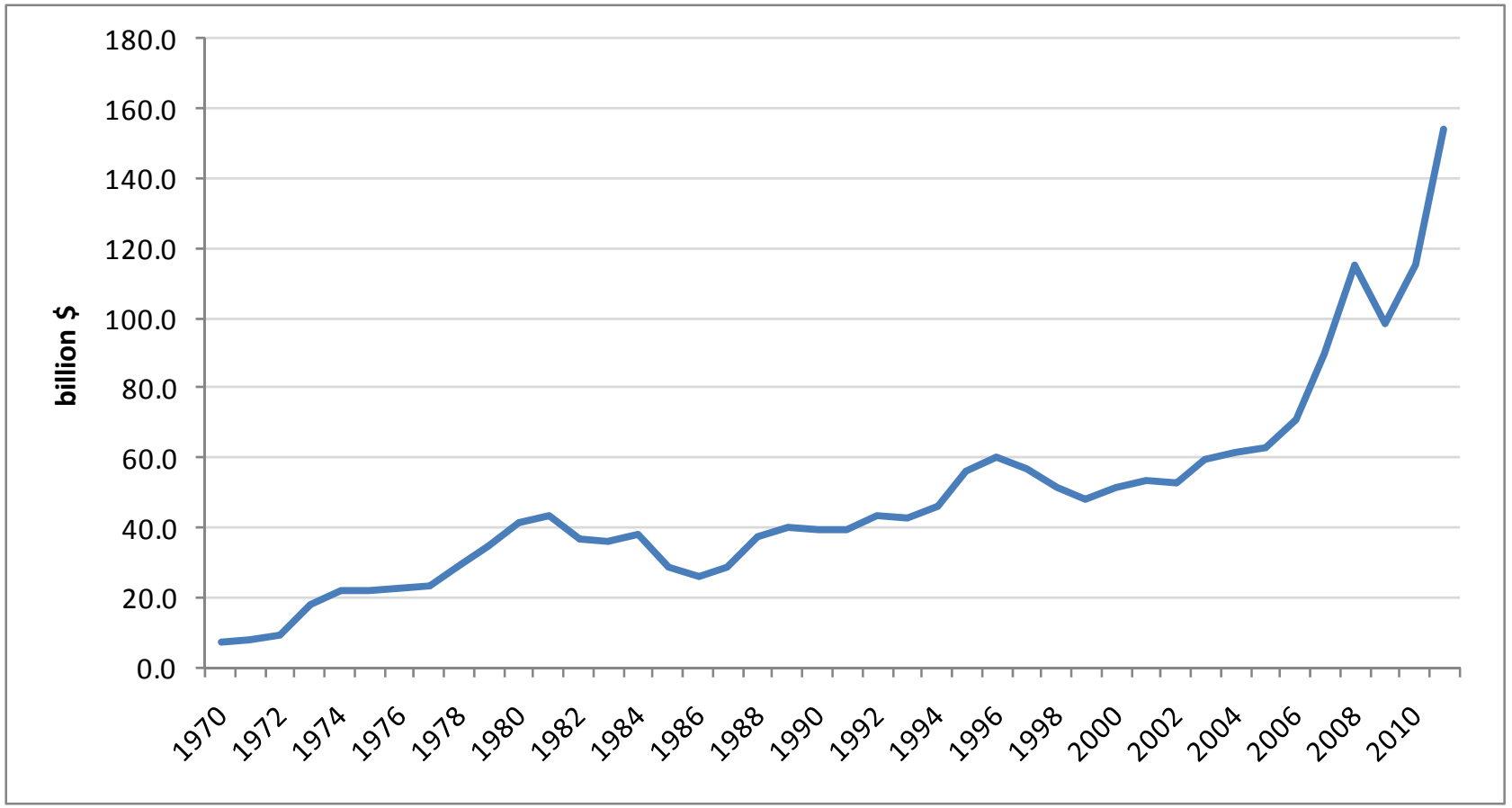
# U.S. Agricultural Exports

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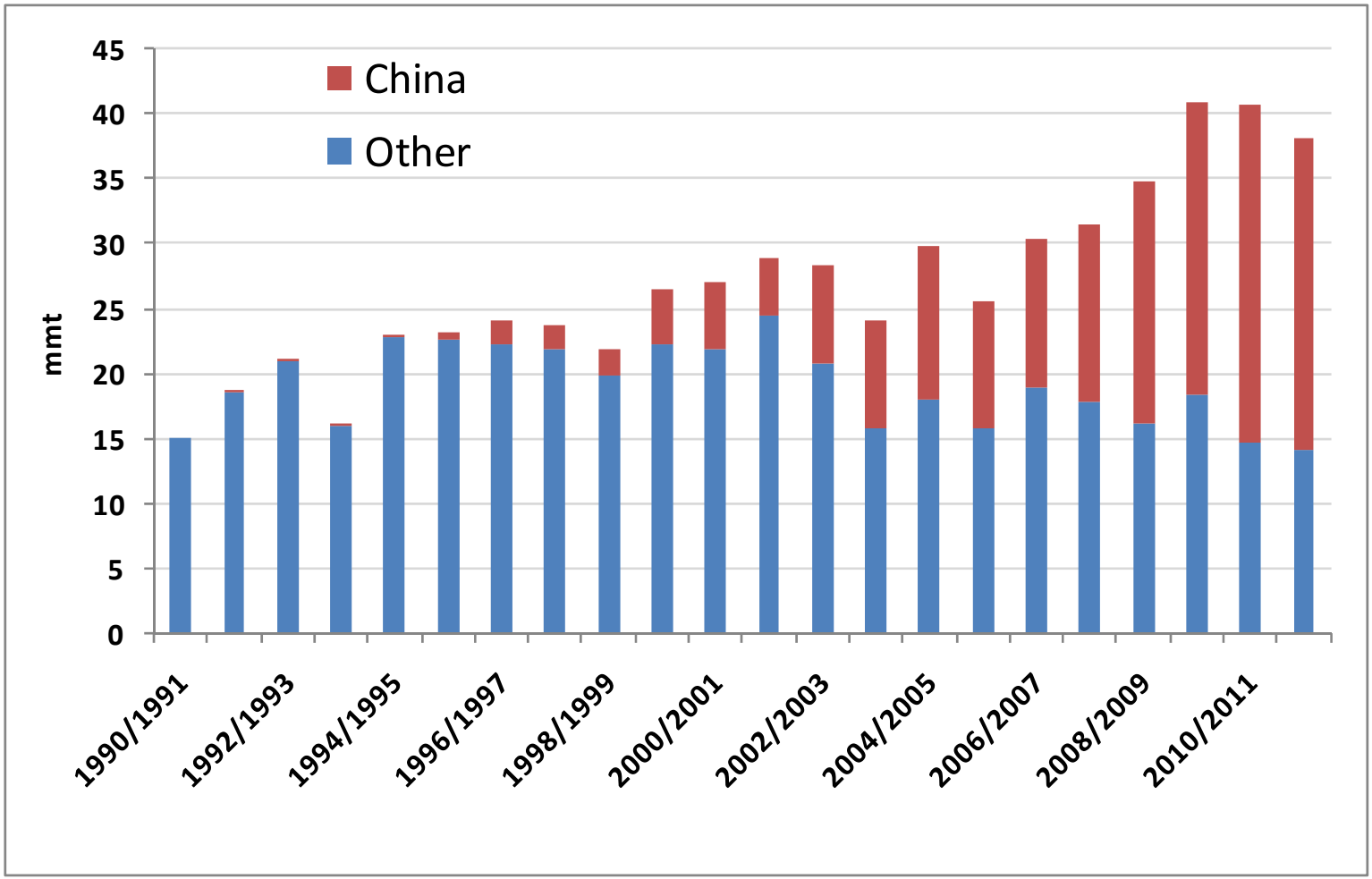
# U.S. Soybean Exports

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- Total U.S. exports have also been growing, doubling between 1997 and 2010.

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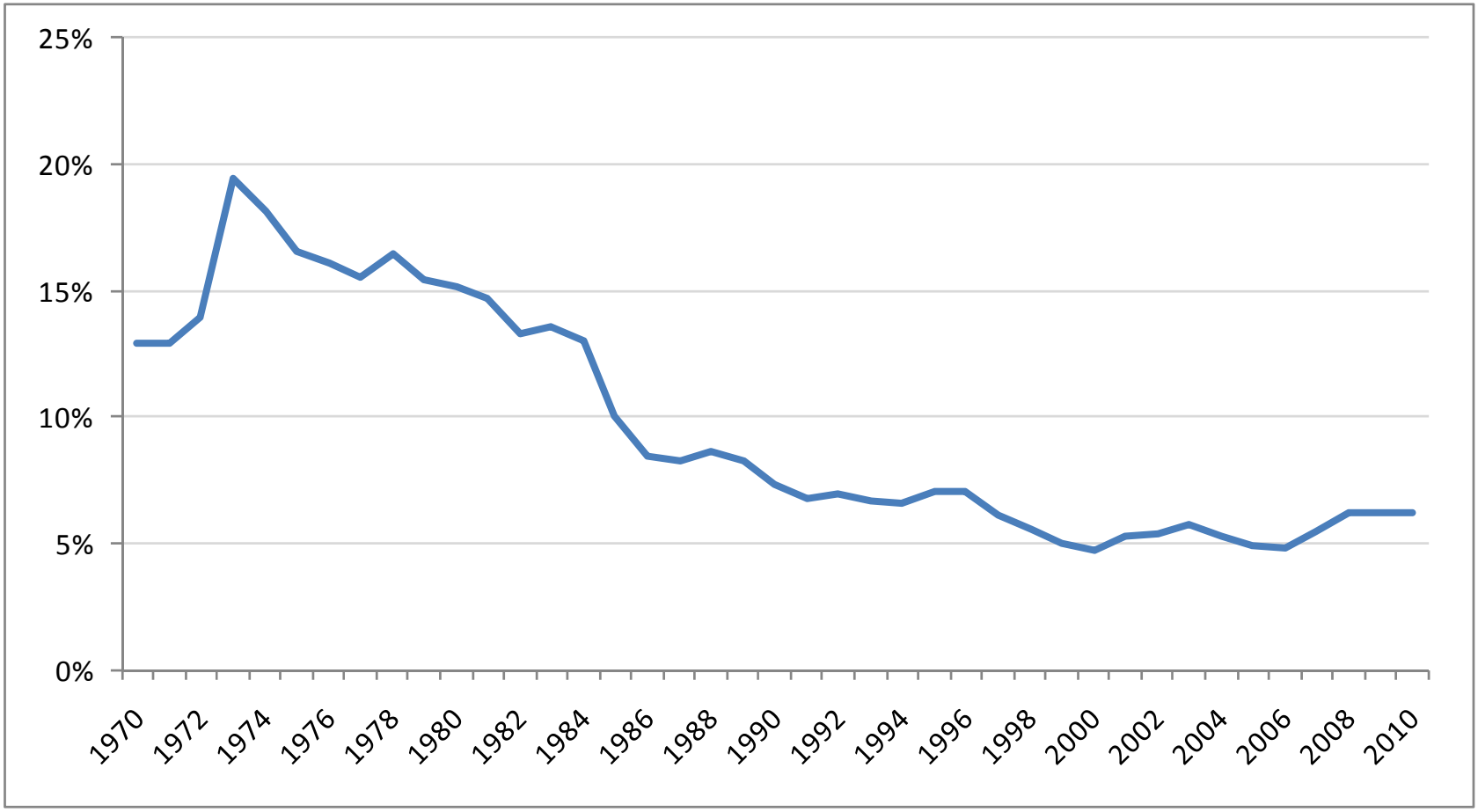
# Ag Exports % of Total Exports

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- The U.S. has a growing agricultural trade surplus, but the growth pales in comparison to the overall U.S. trade deficit.

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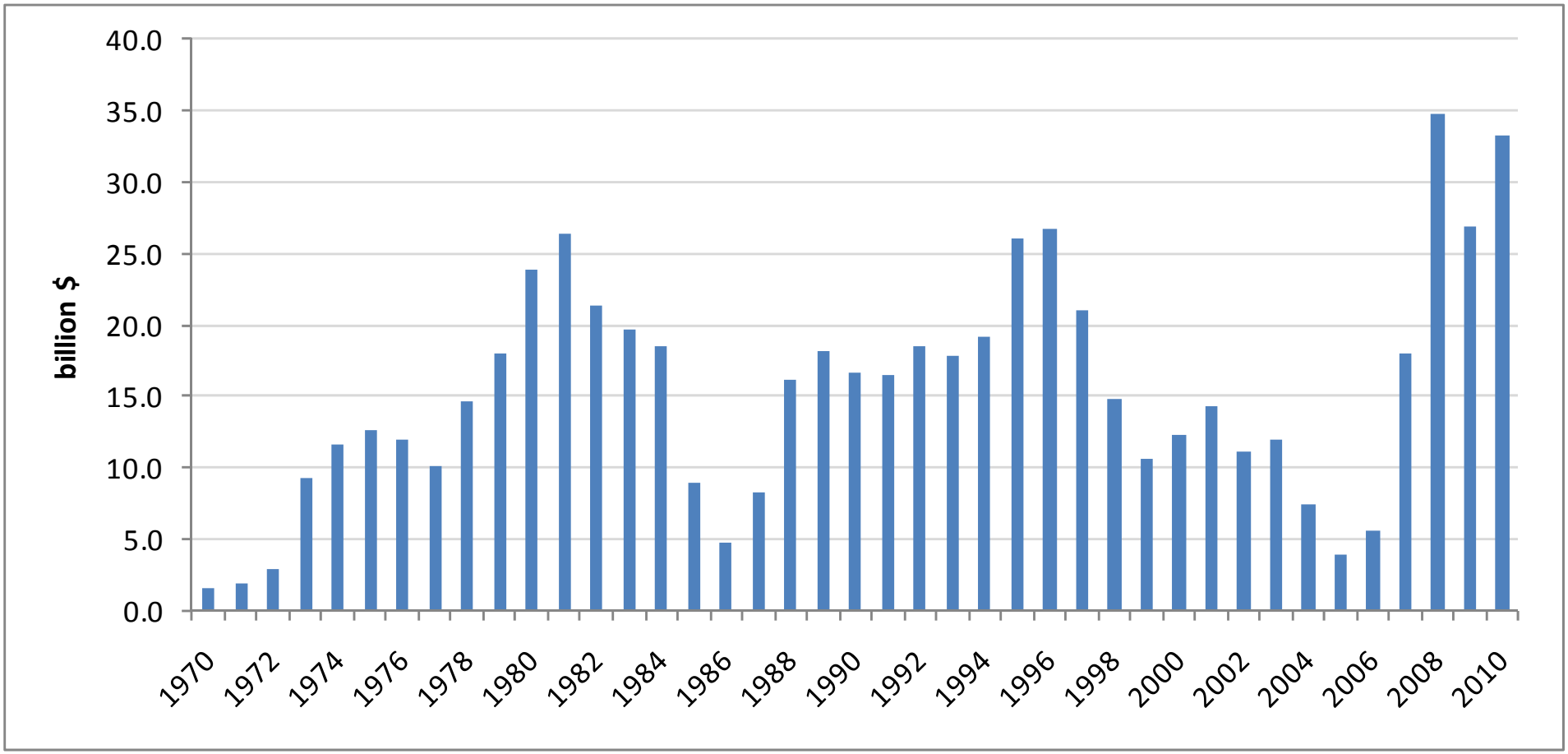
# U.S. Ag Trade Balance

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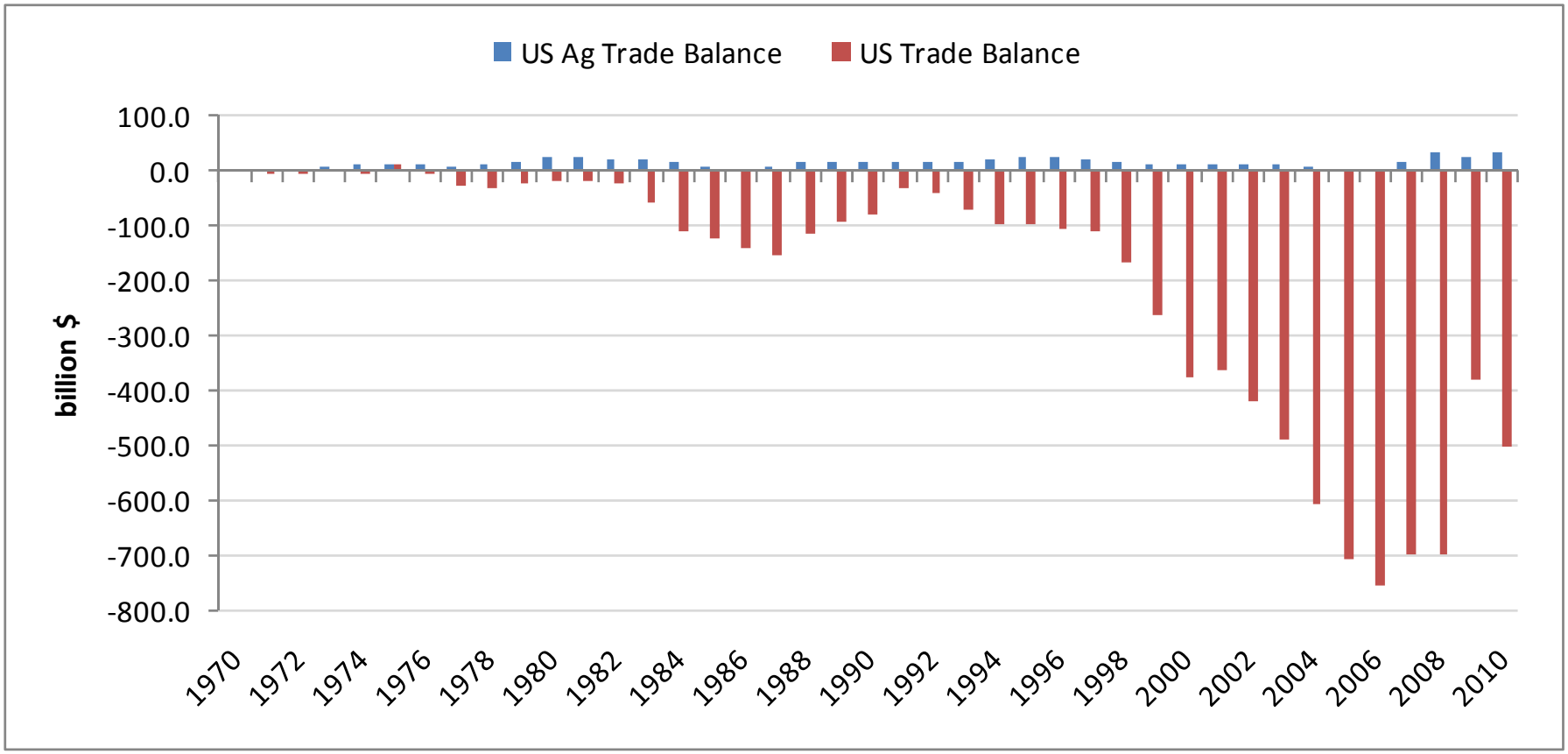
# U.S. Ag & Total Trade Balances

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- U.S. trade deficit is fundamentally the result of a method of achieving growth in the world economy that developed over the last 2-3 decades

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- U.S. trade deficit is fundamentally the result of a method of achieving growth in the world economy that developed over the last 2-3 decades
- The U.S. growth model based on *consumption* and *borrowing* is mirrored by China's *production* and *lending*.

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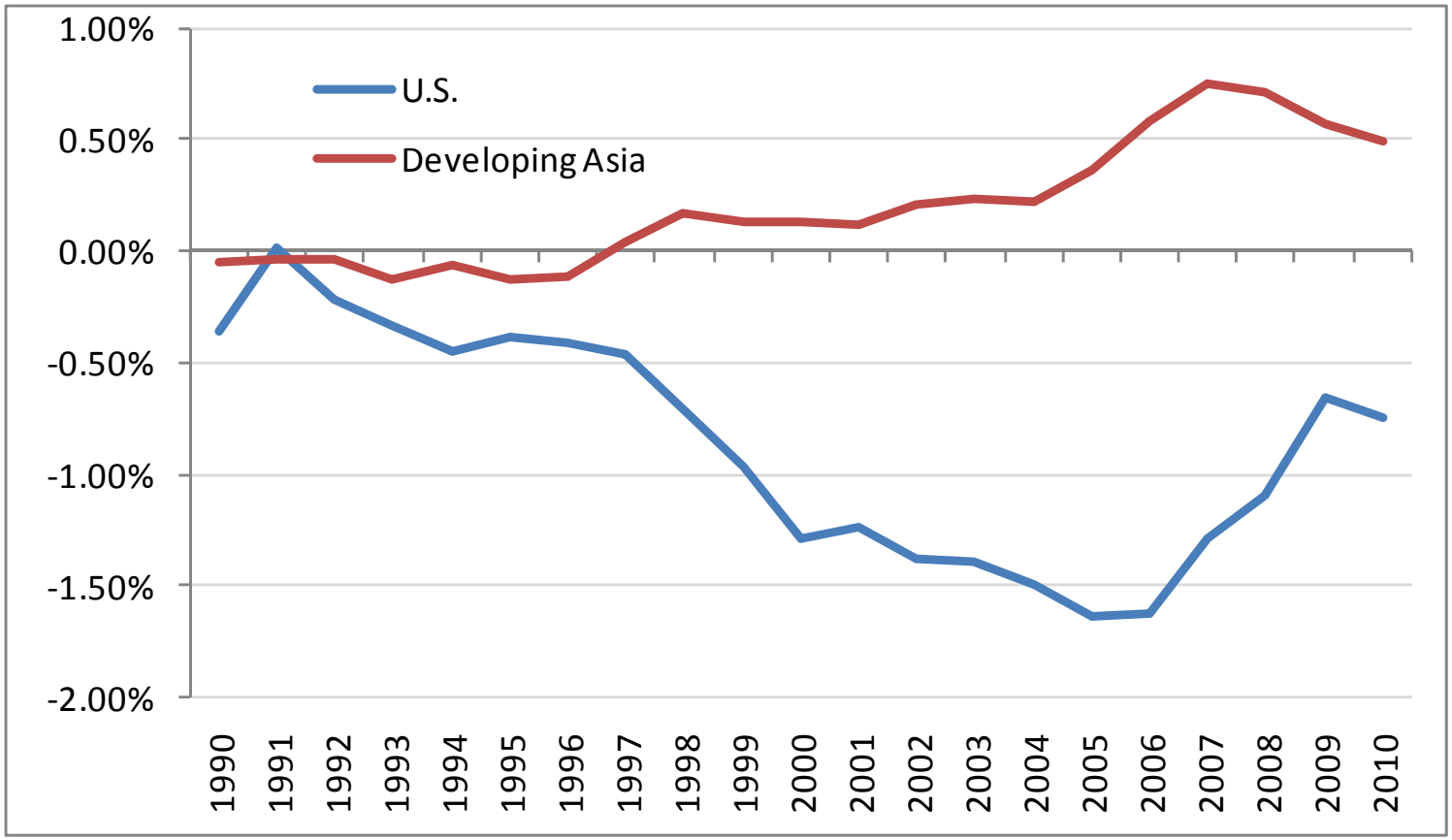
# Current Account Share of World GDP

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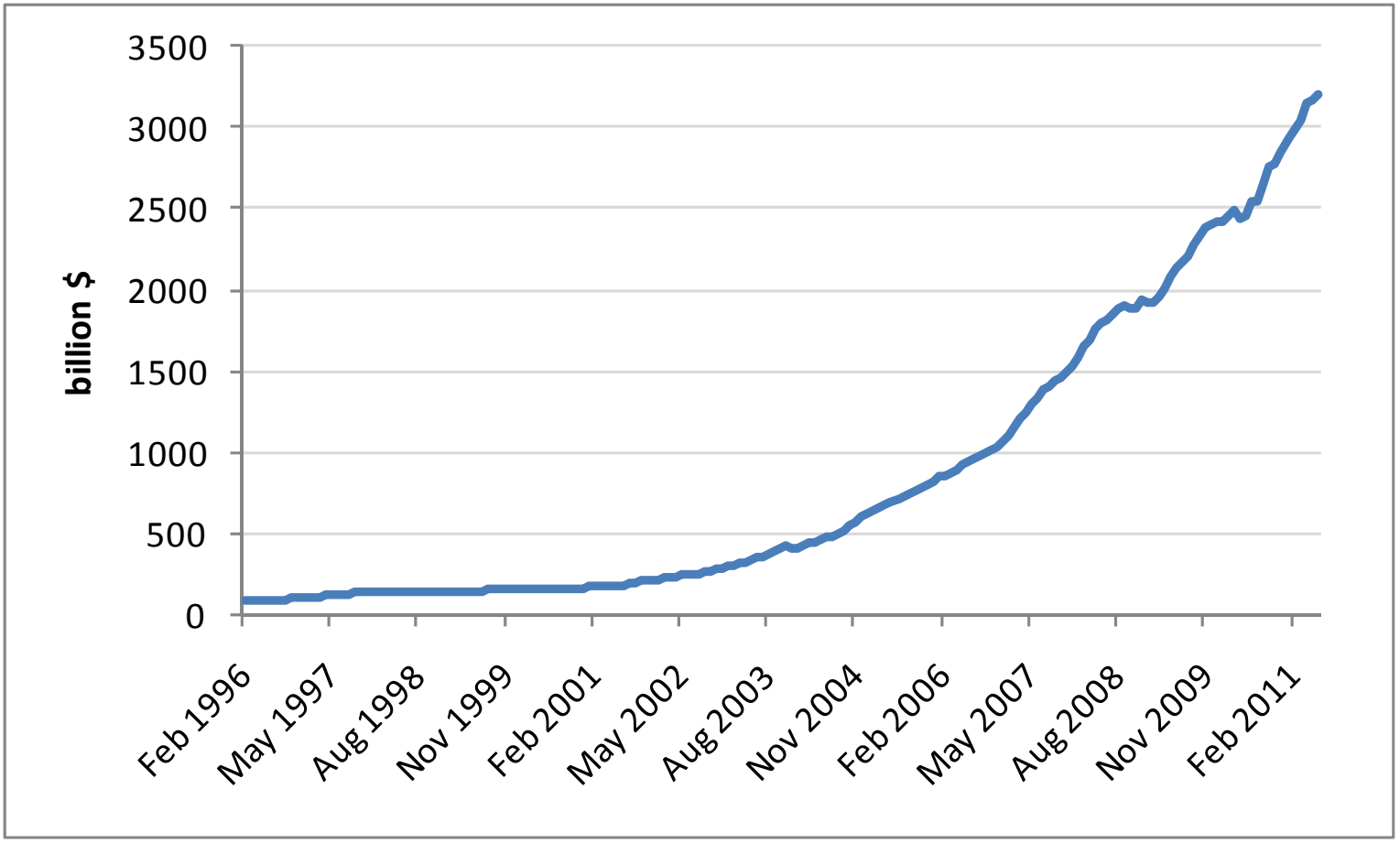
# China's Foreign Currency Reserves

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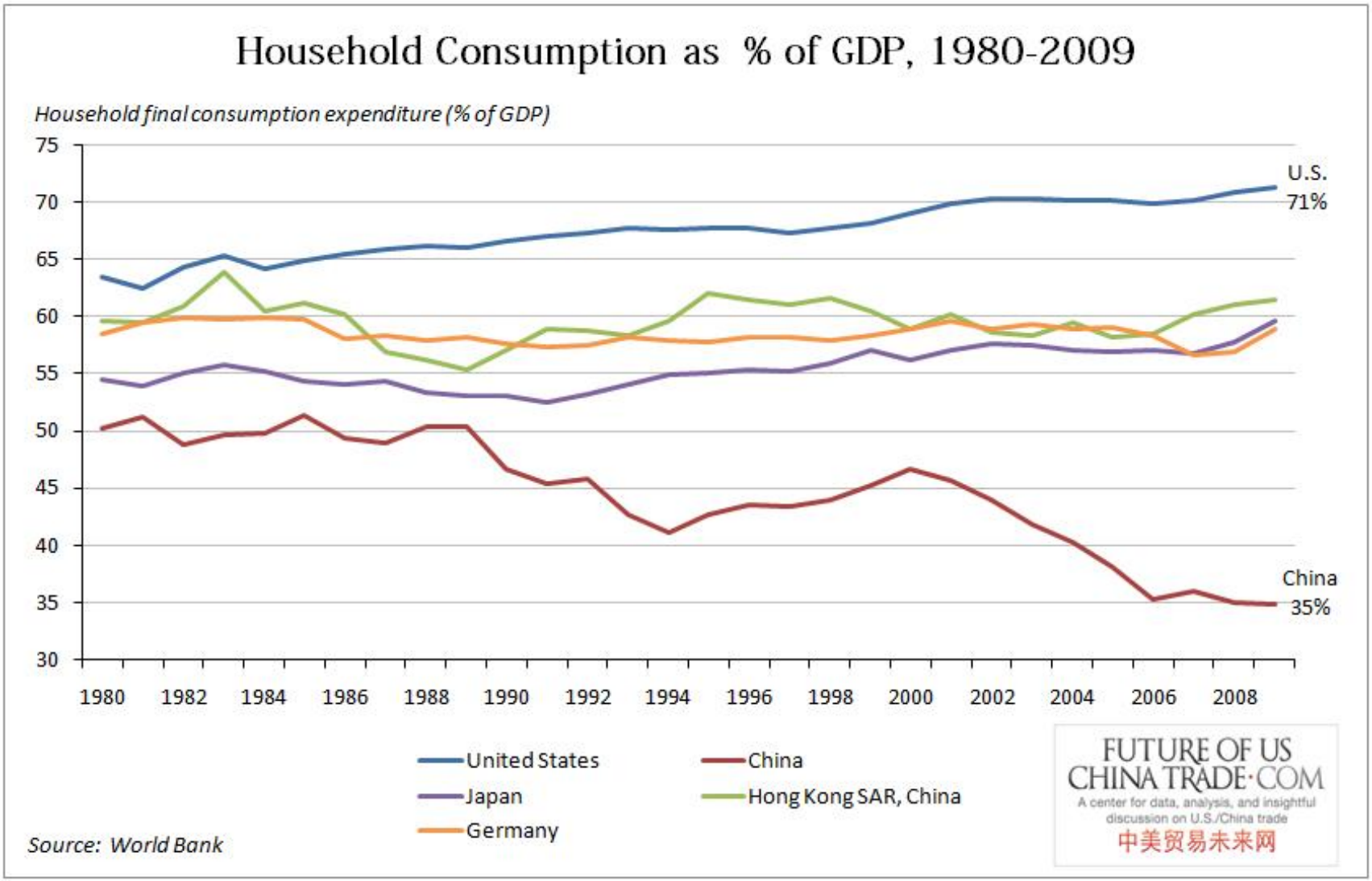


Source: [FutureofUSChinaTrade.com](FutureofUSChinaTrade.com)

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# Tipping Point

- Developed countries lack capacity for additional consumption growth, a problem made especially acute in a renewed recession

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- U.S. debt/GDP ratio a concern of both the U.S. and China
- Jobs pressure: U.S. unemployment rate means there is capacity to export that didn't exist at nearly full employment.

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- Policy choices in China and the U.S. will determine how disruptive the transition is.
  - Alternative 1: Chinese export slowdown leads to GDP contraction, resulting in a disproportionate decline in investment and consumption

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  - Alternative 2: Internal consumer demand growth rebalances China's economy gradually

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# Items to Watch: Chinese Policy

- Allow a combination of wage inflation and appreciation of the yuan to foster internal growth

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# Items to Watch: Chinese Policy

- Allow a combination of wage inflation and appreciation of the yuan to foster internal growth
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- Privatization of large state industrial companies that are capturing a disproportionate share of GDP growth

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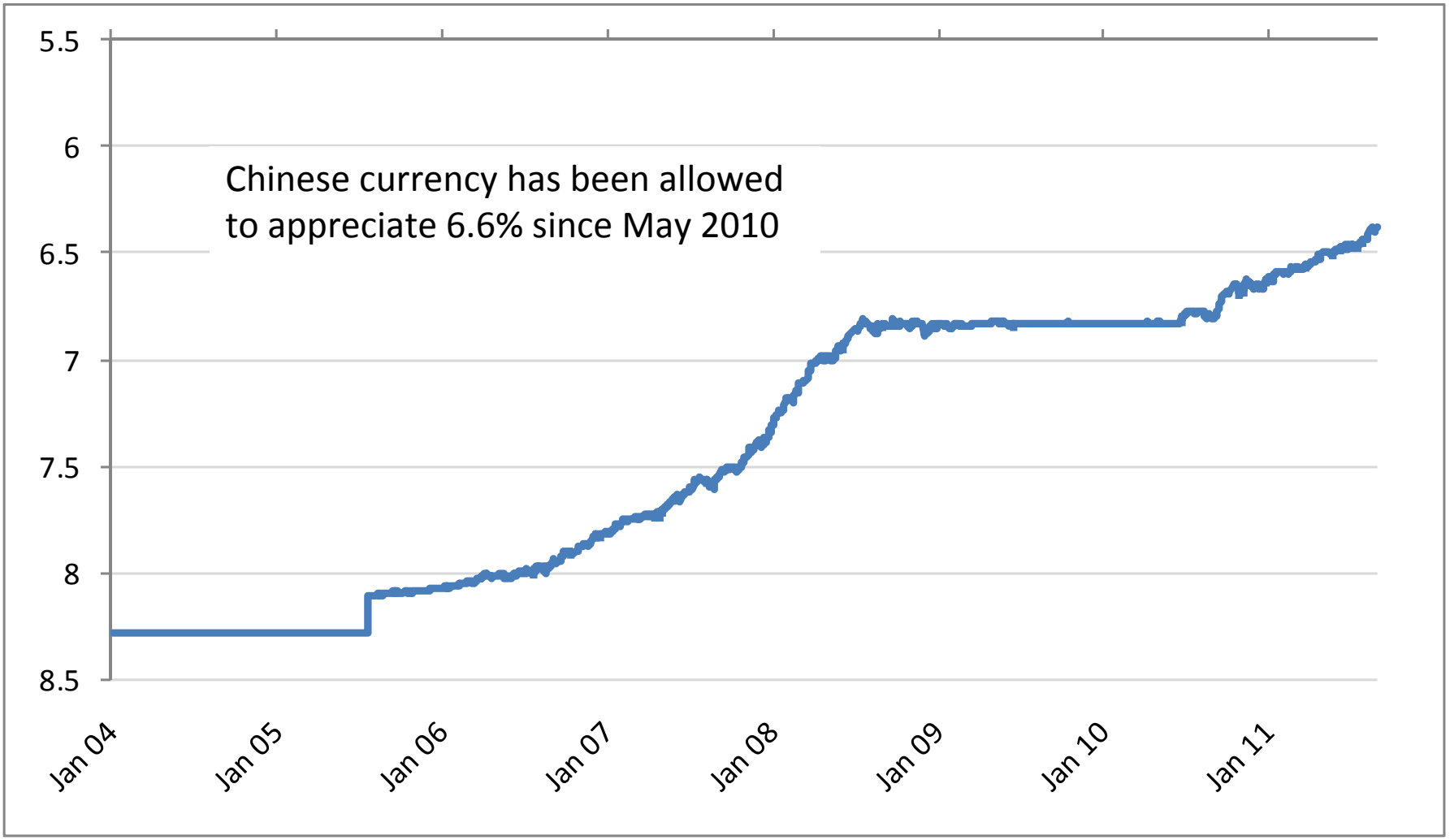
# Chinese Yuan

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# Items to Watch: U.S. Policy

- Address U.S. corporate tax structure

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# National Export Initiative

- Doubling exports from 2009 level by 2015 ($1.6 trillion in 2009 to $3.2 trillion in 2014) possible due to low starting base and strong commodity demand.

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# FTA Case Study: Colombia

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- Meanwhile, Canada-Colombia FTA took effect on Aug. 15. Colombia has placed orders for 125 tmt feed wheat.

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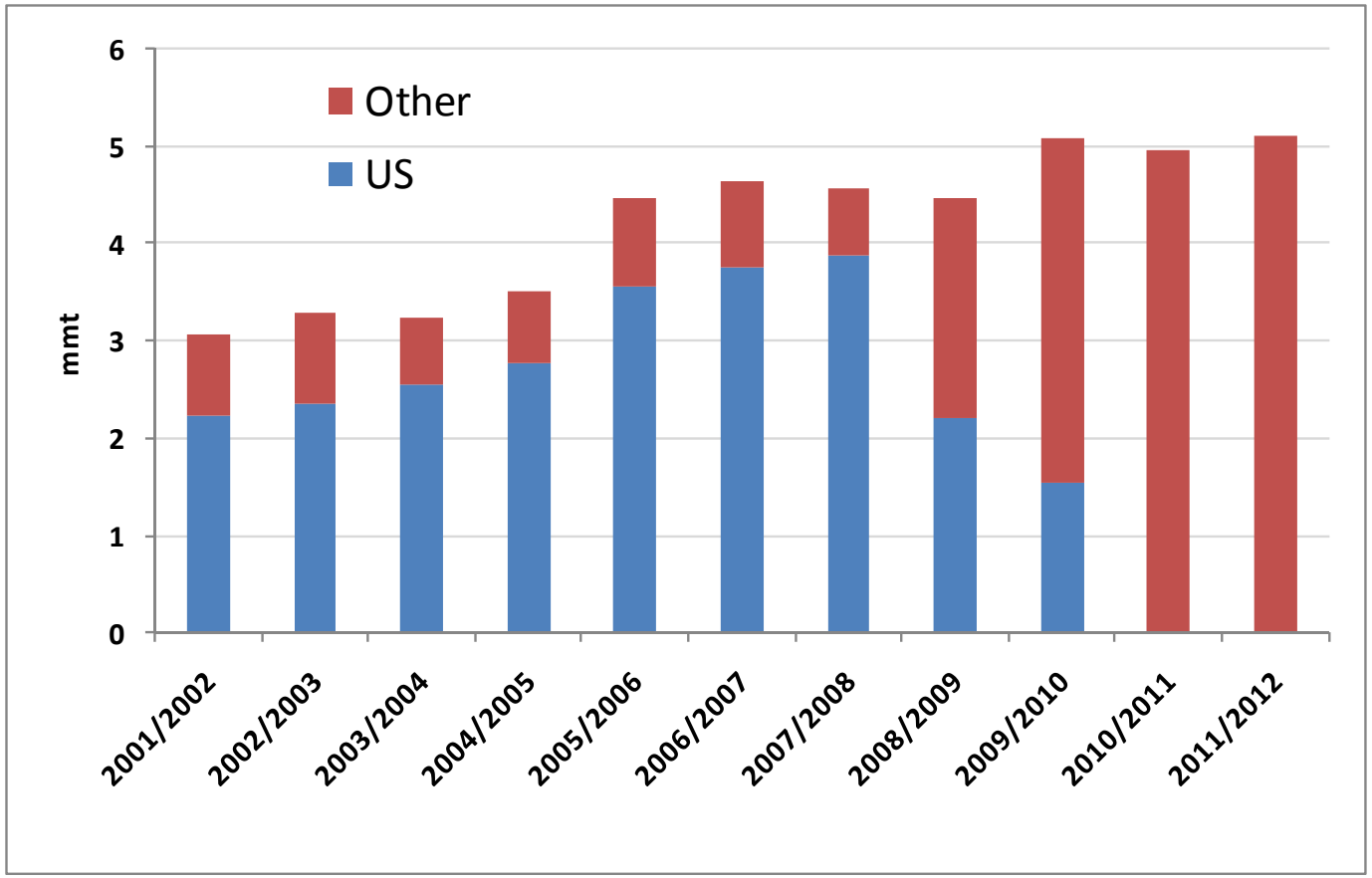
# Colombian Wheat and Corn Imports

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# Grain and Oilseed Export Outlook

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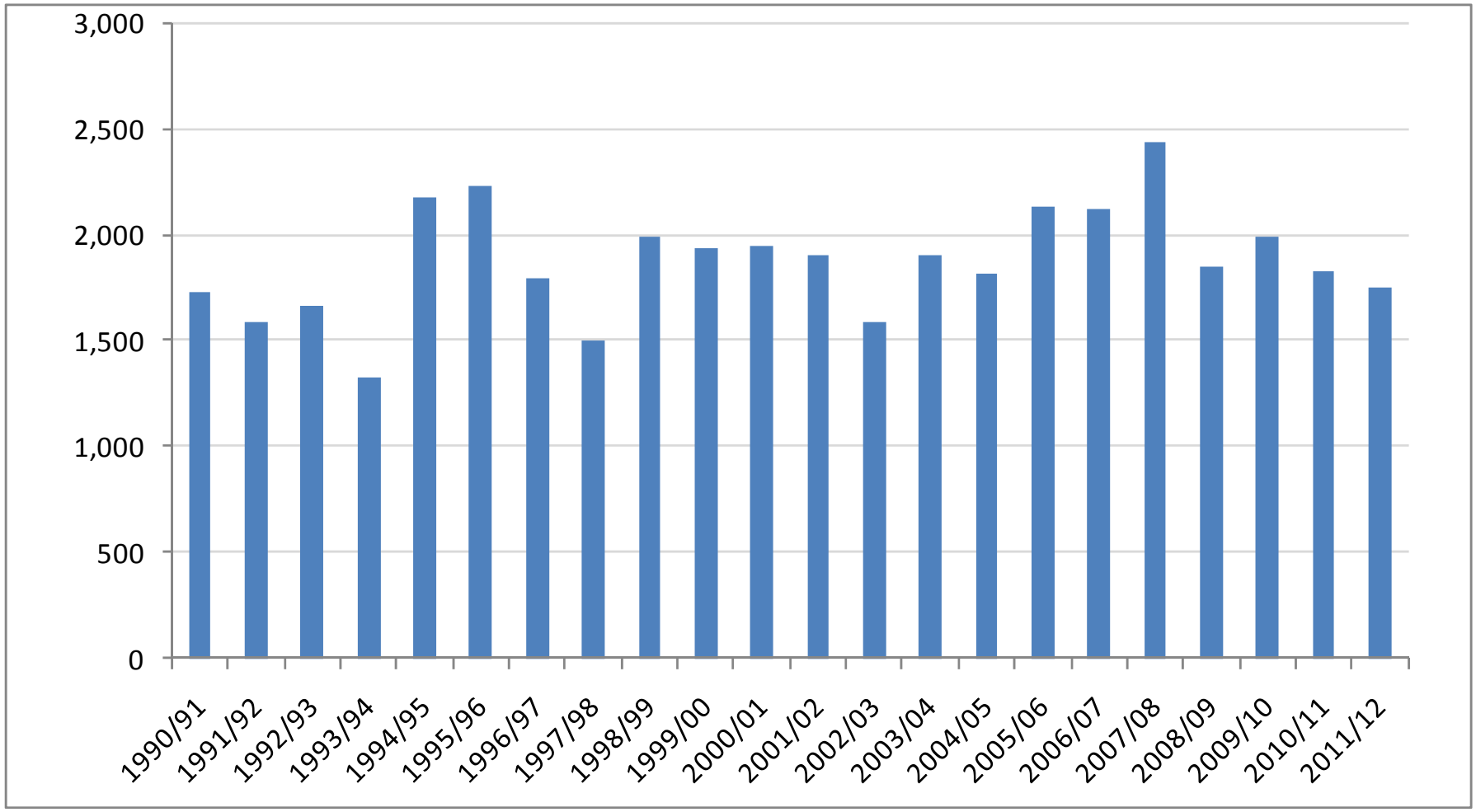
# U.S. Corn Exports

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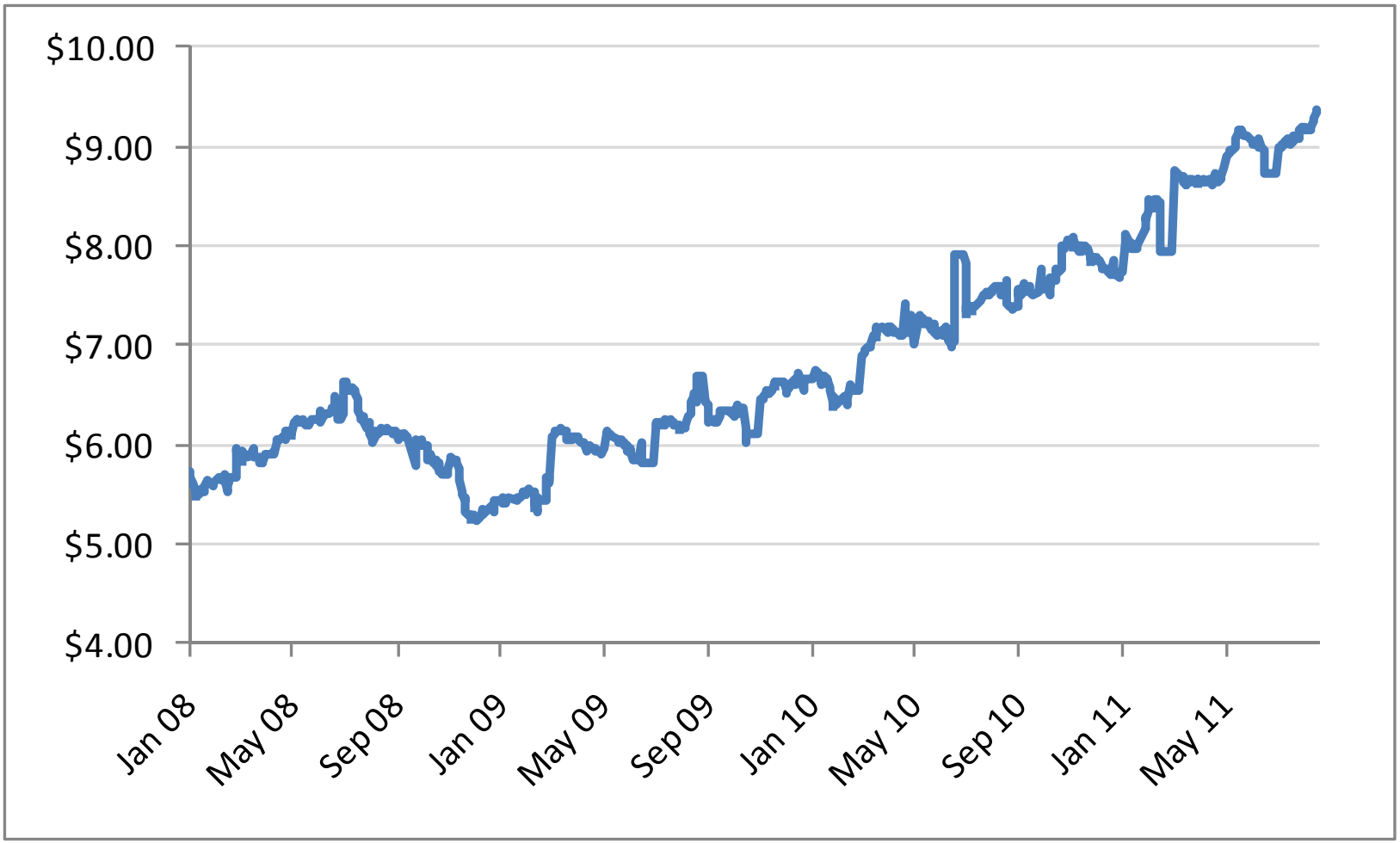
# Chinese Corn

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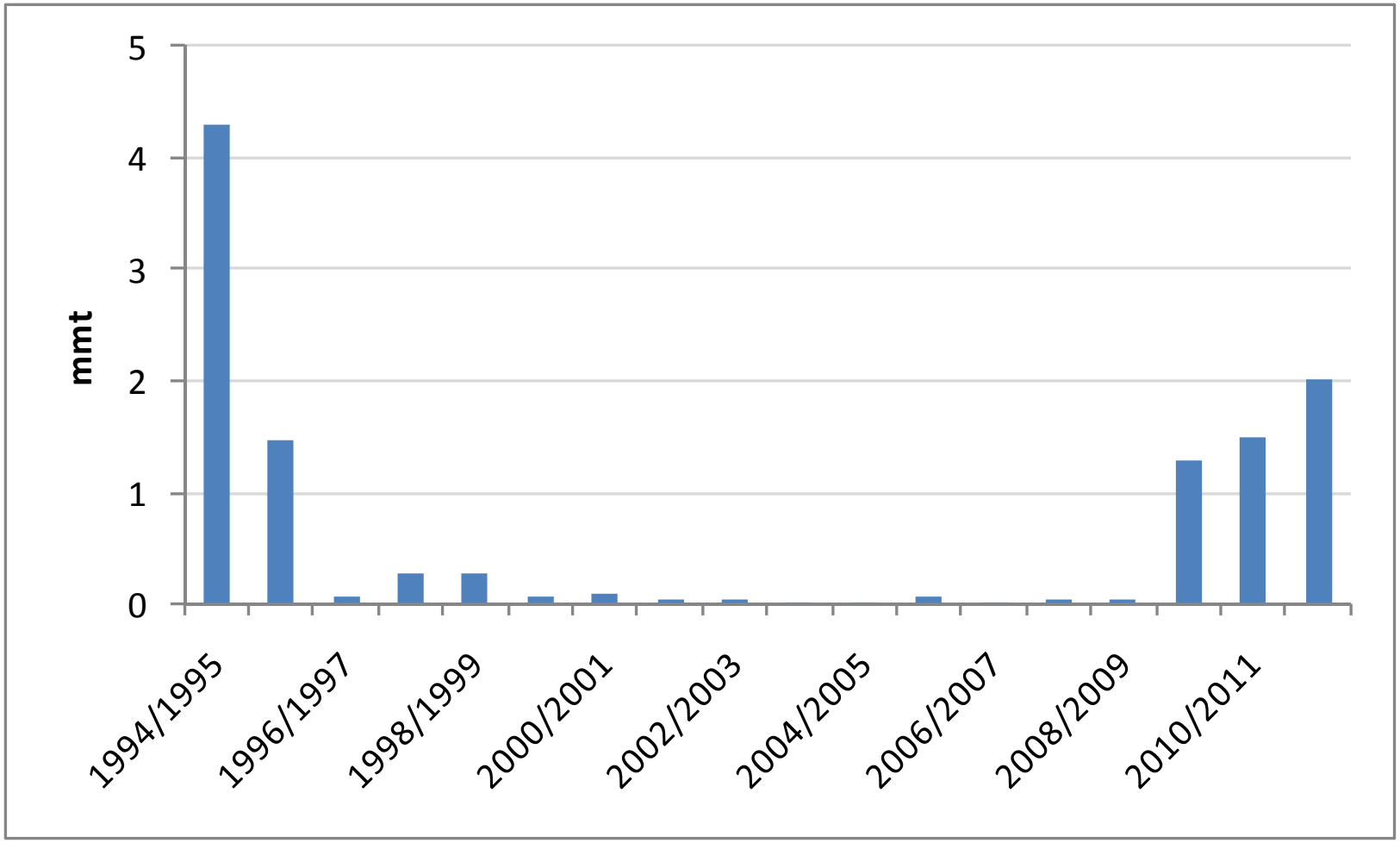


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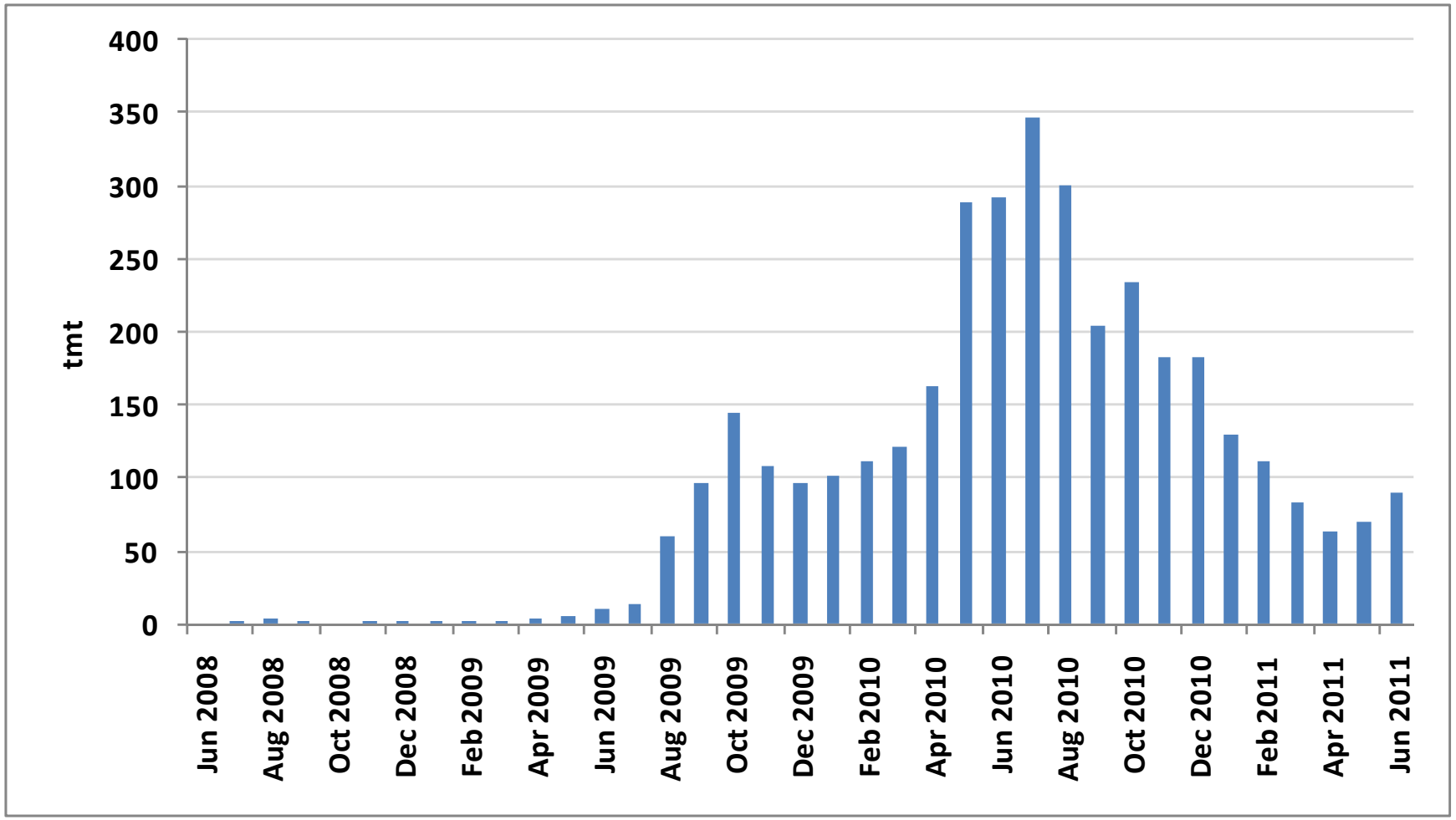
# U.S. DDGS Exports to China

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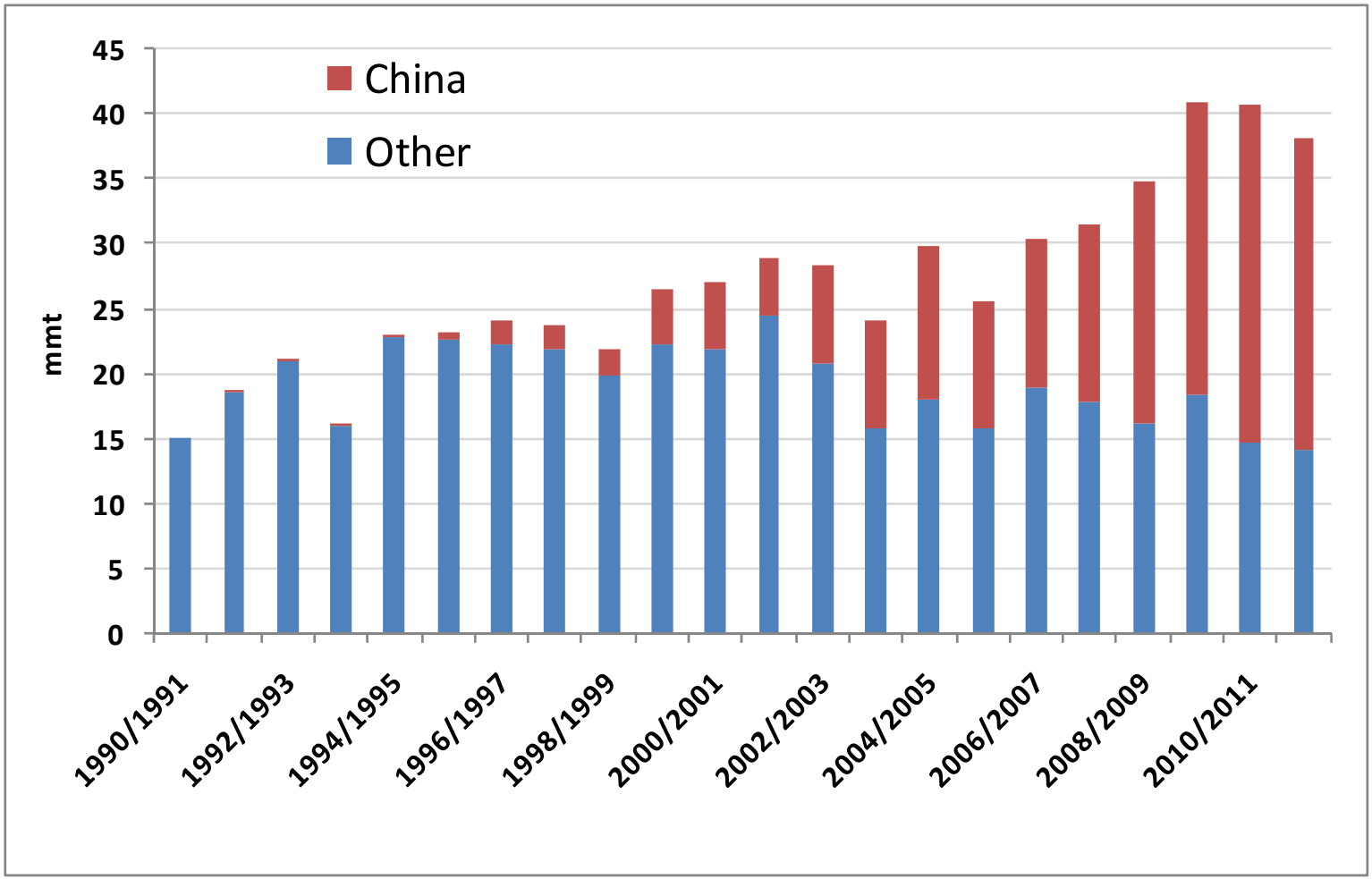
# U.S. Soybean Exports

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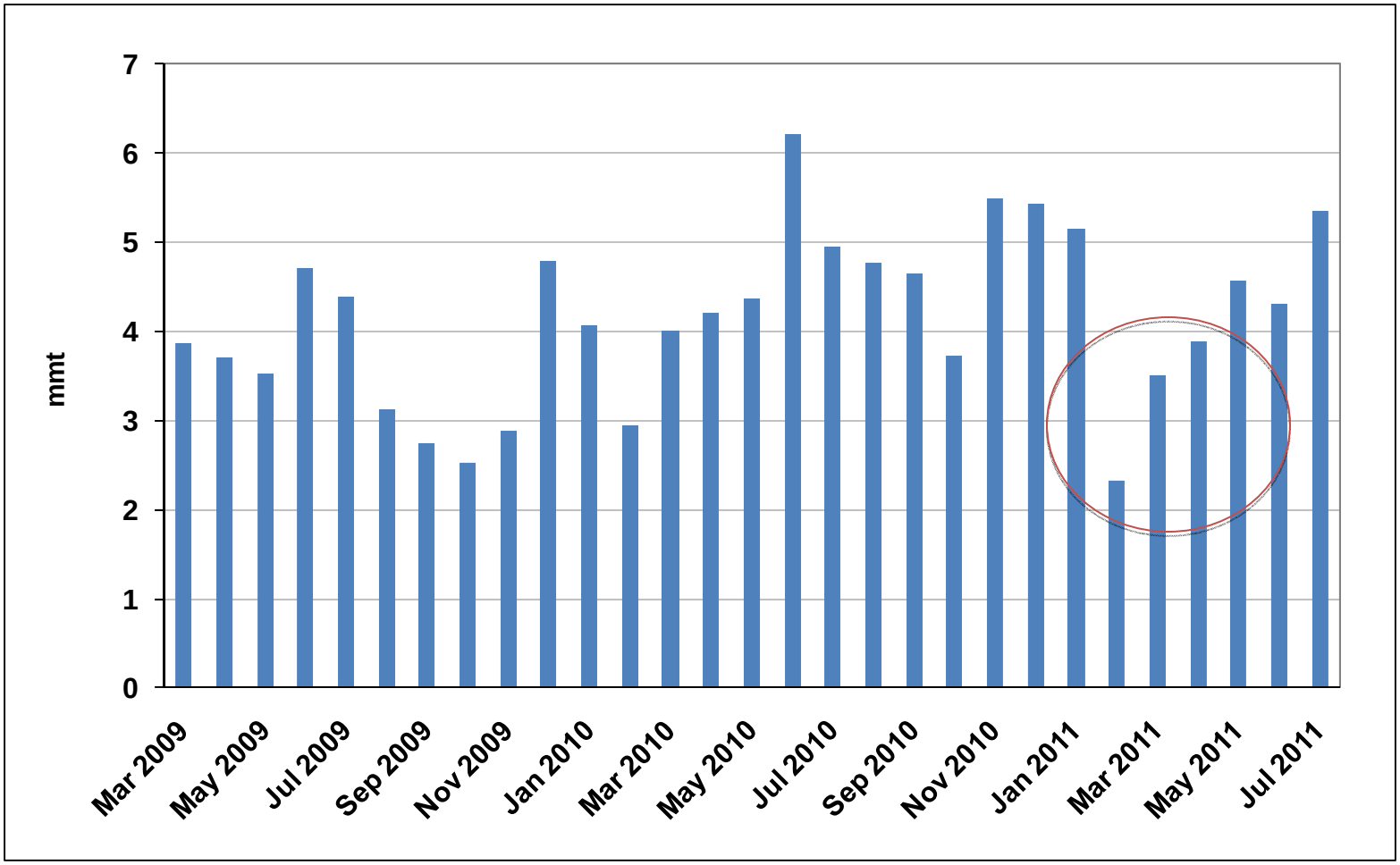


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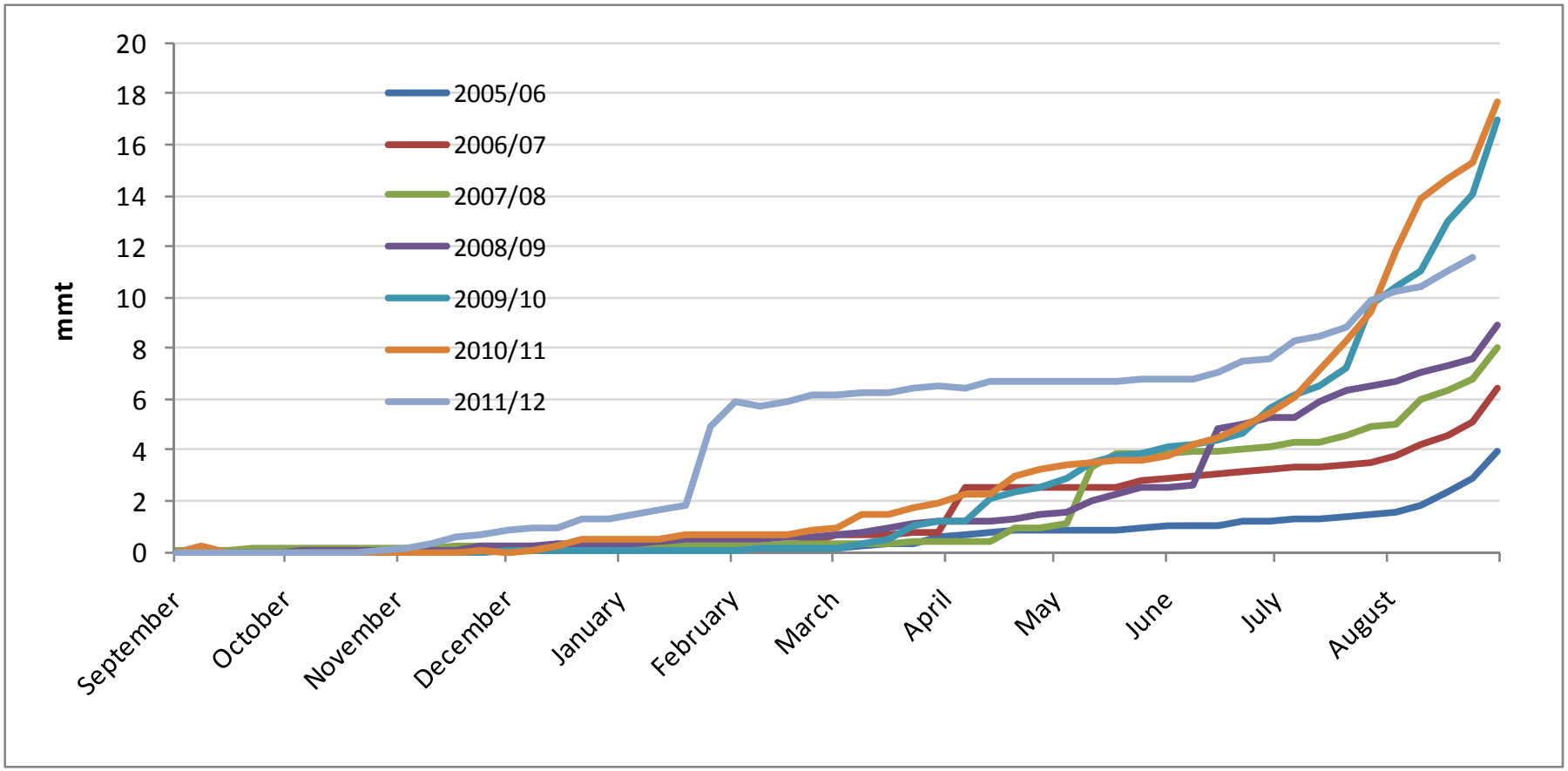
# NMY Soybean Sales

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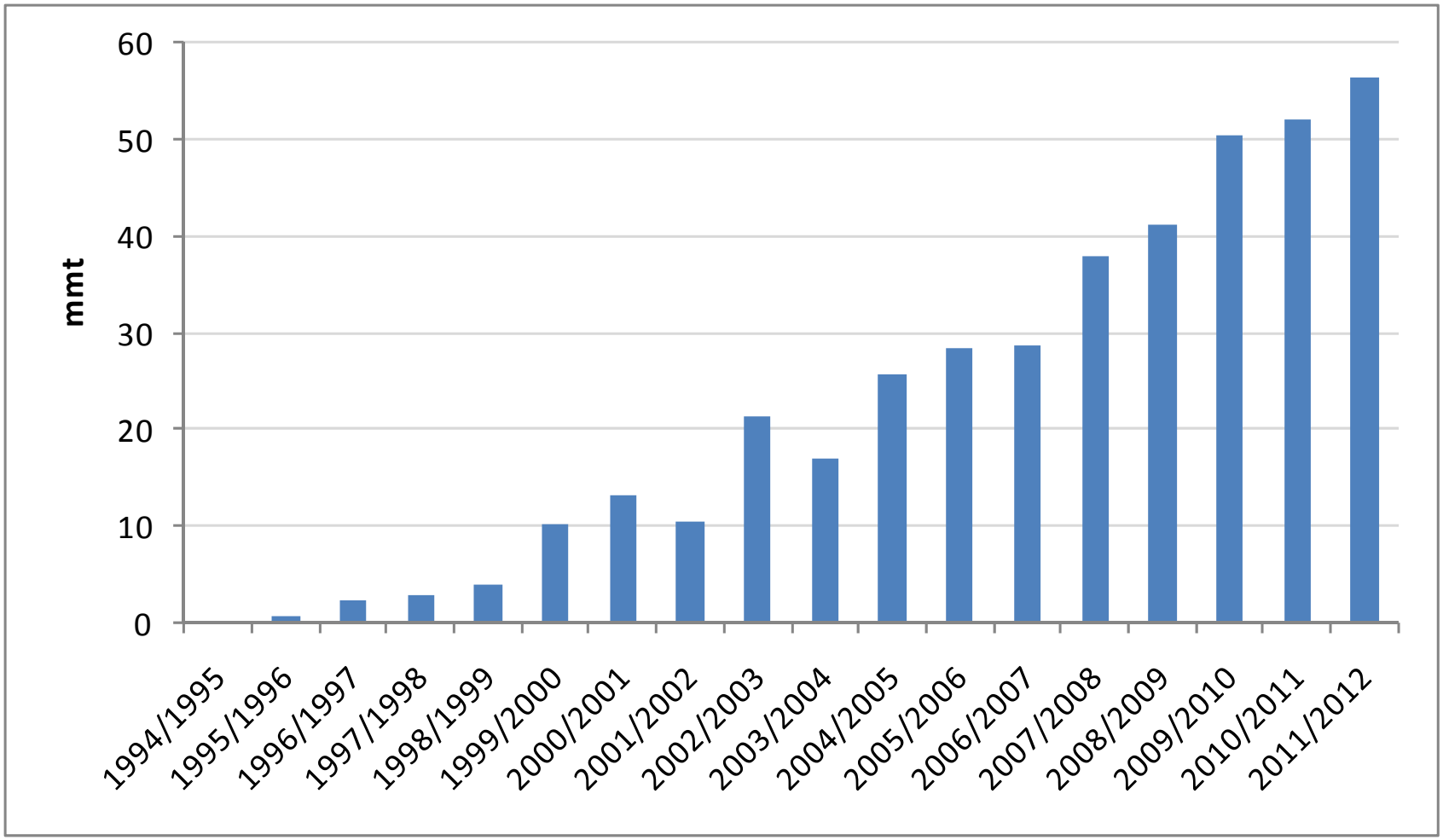
# Chinese Soybean Imports

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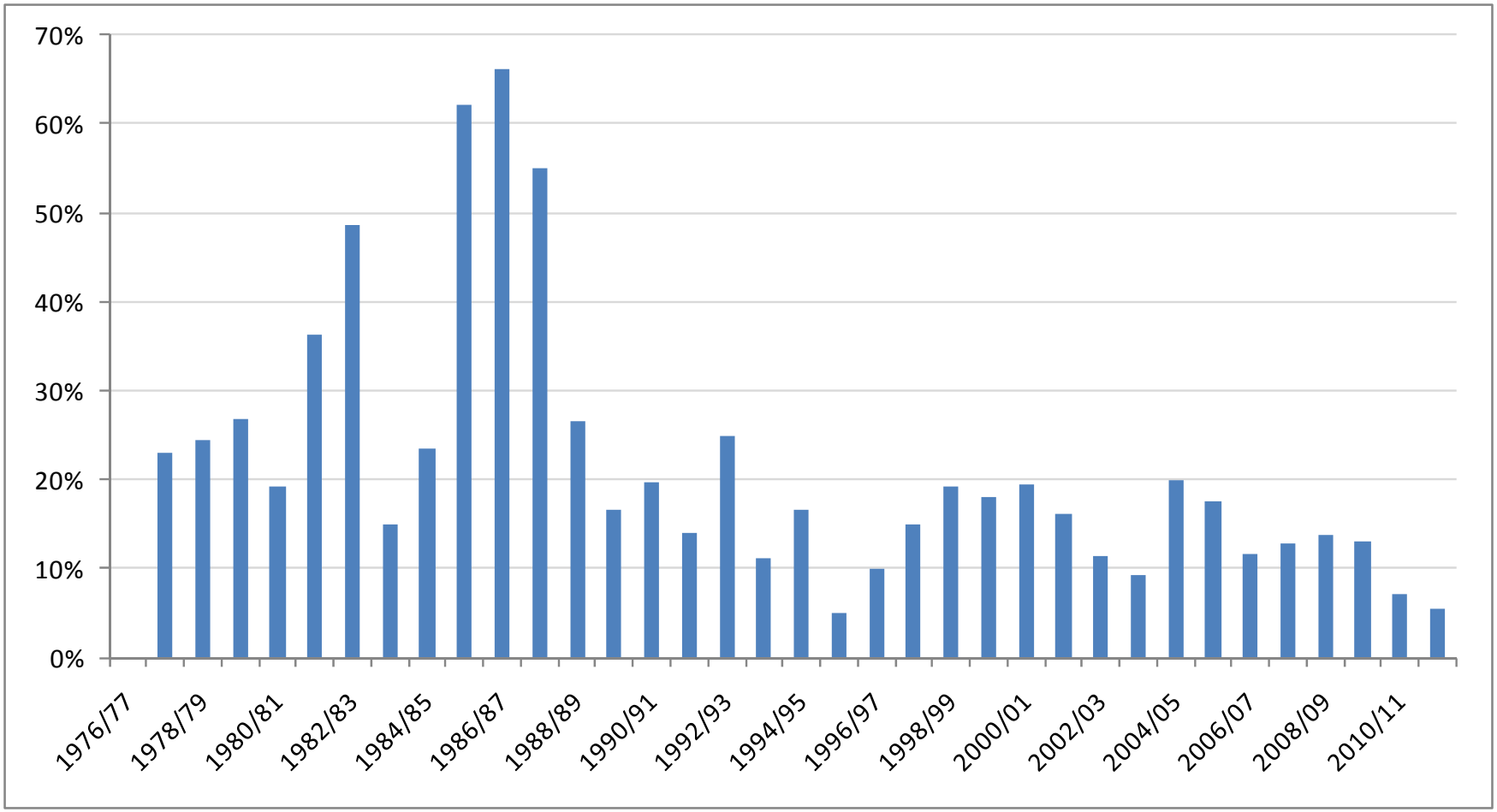
# U.S. Corn Stocks-to-Use Ratio

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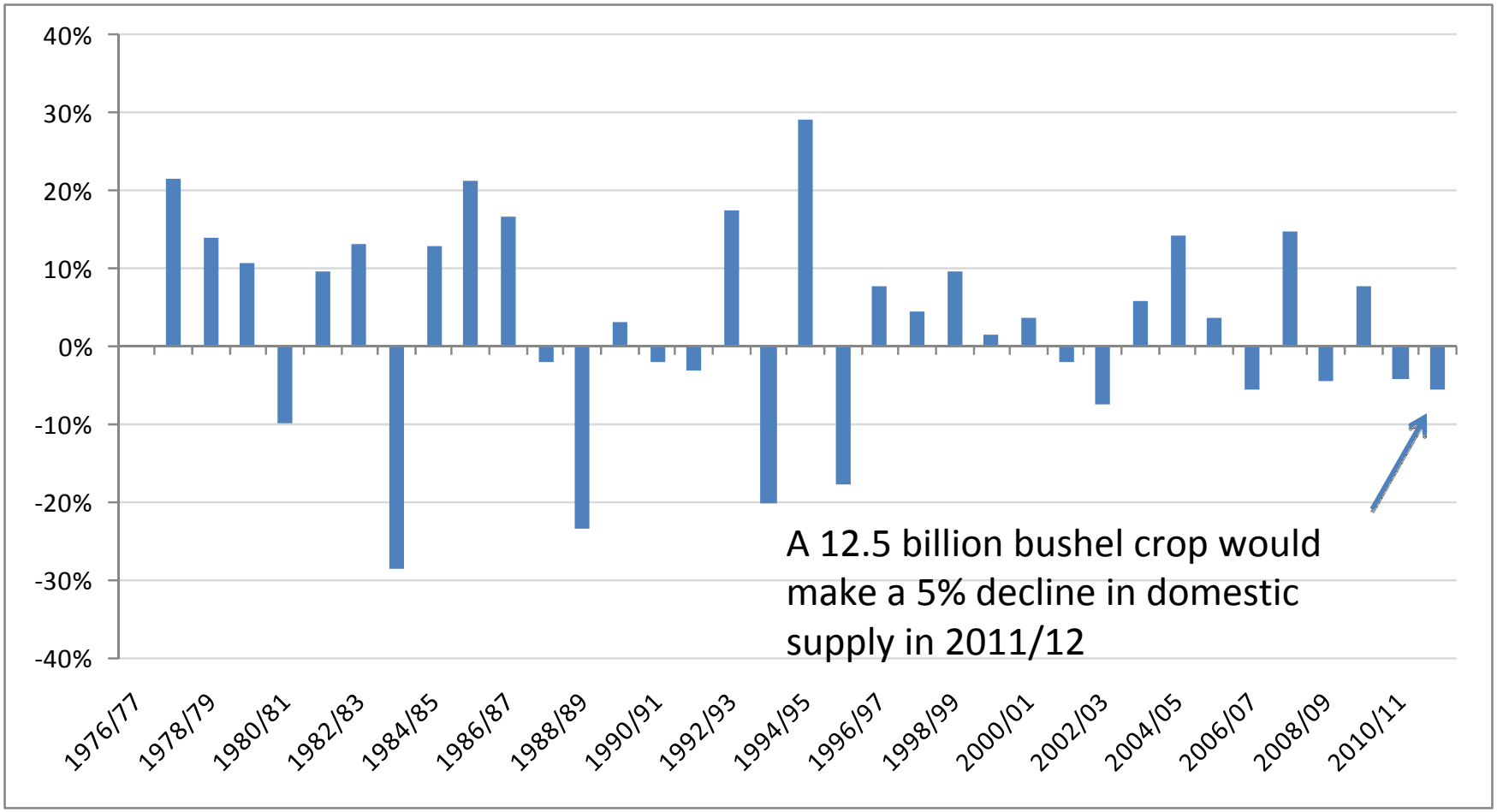
# Annual Change in U.S. Corn Supply

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# Conclusions

- Emerging economy growth has been the source of growth in ag exports, but what led to that growth has also created an imbalance in the world economy.

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# Conclusions

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- A successful transition is bullish for ag exports, while an unsuccessful transition would derail the world economy
- 2011 production issues will limit volume of corn, soybean, and cotton exports.

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