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Opening New Markets

TPA, TPP, and TTIP ... oh my!

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Office of Global Analysis



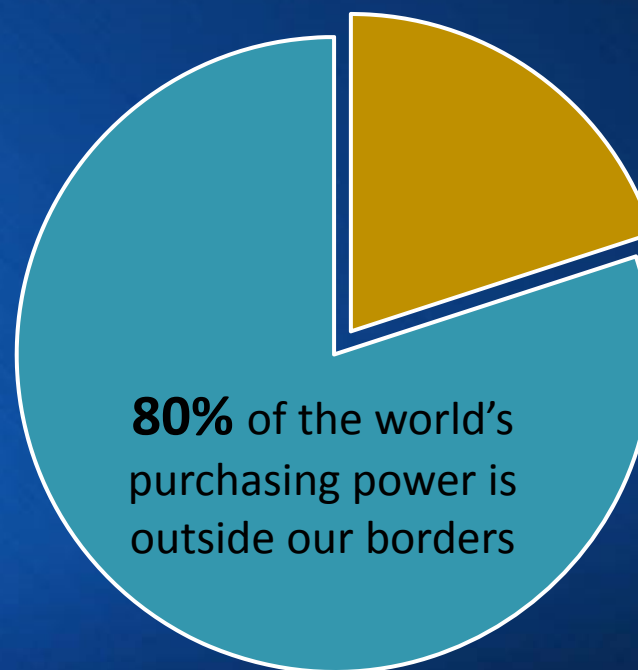
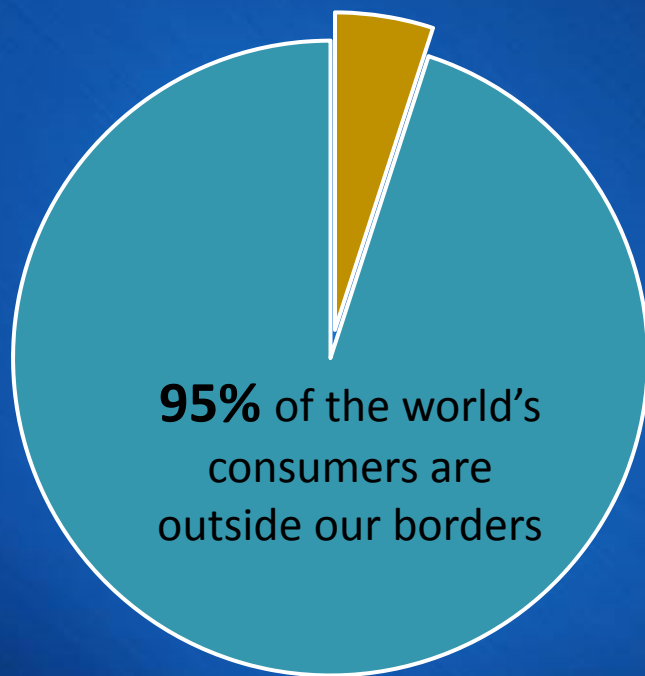
Factors Impacting U.S. and Global Food and Agricultural Markets Over the Next Decade

1. Global economic growth and the rise of the “middle class” in developing countries
2. Value of the U.S. dollar
3. Worldwide biofuels production
4. Role of trade and trade liberalization
5. Agricultural input prices and its effect on profitability
6. Additional crop land
7. Biotech developments

#1: Growing Middle Class in Emerging Markets Will Stimulate Demand

- By 2025, 53% of the world's households will have joined the middle class (greater than real PPP incomes of \$20,000/yr).
- Global economy emerged from worst recession in decades in 2010. Despite recent challenges, developing countries performed better and growing faster than developed countries.
- Impact on global food demand will be significant due to higher income elasticities for food in developing countries.

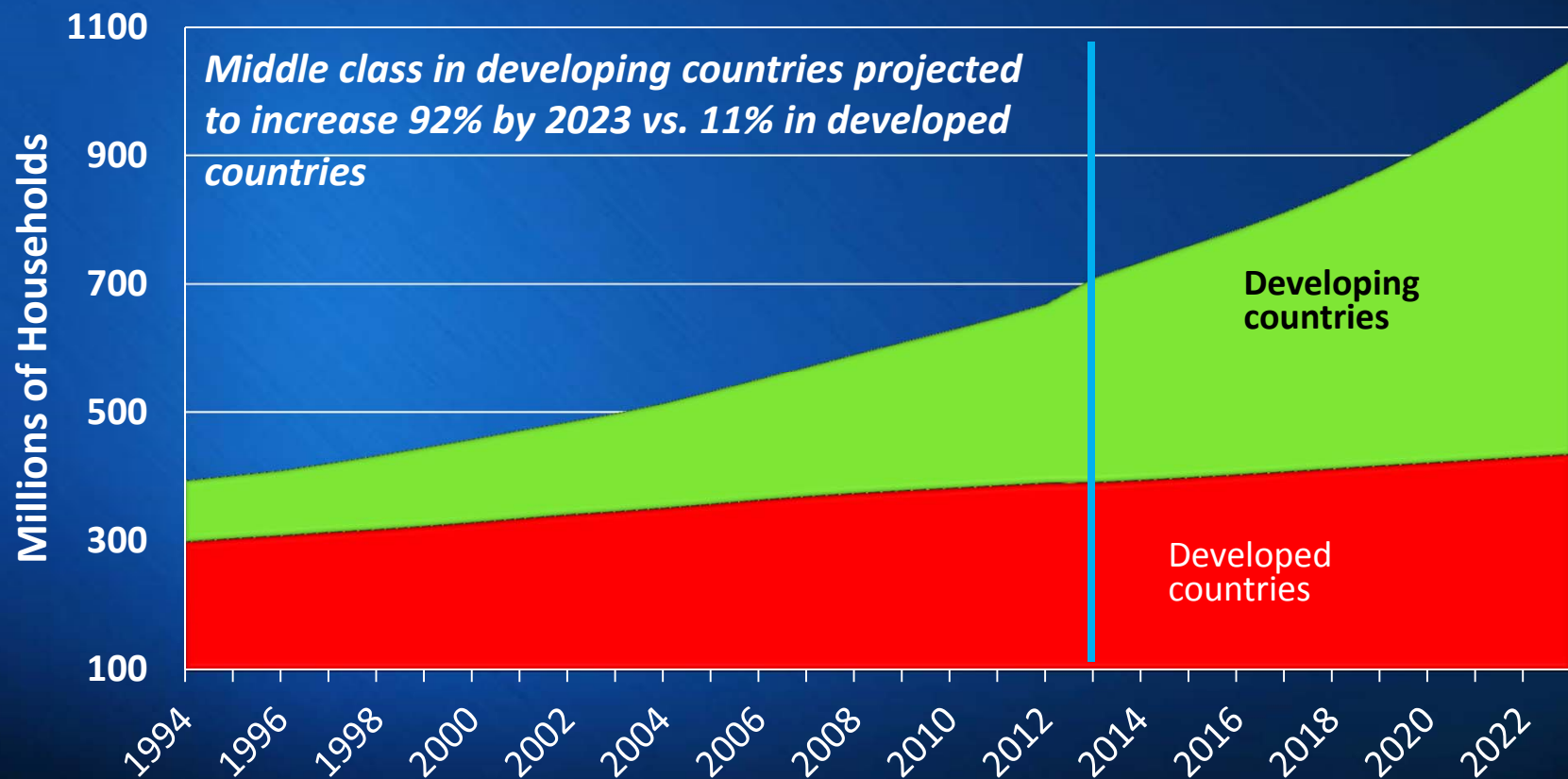
Opportunities Beyond Our Borders



Global “Middle Class” is Expected to Exceed 1 Billion Households by 2023

Most of the increase will be in developing countries, particularly in Asia

Households w/real PPP incomes greater than \$20,000 a year



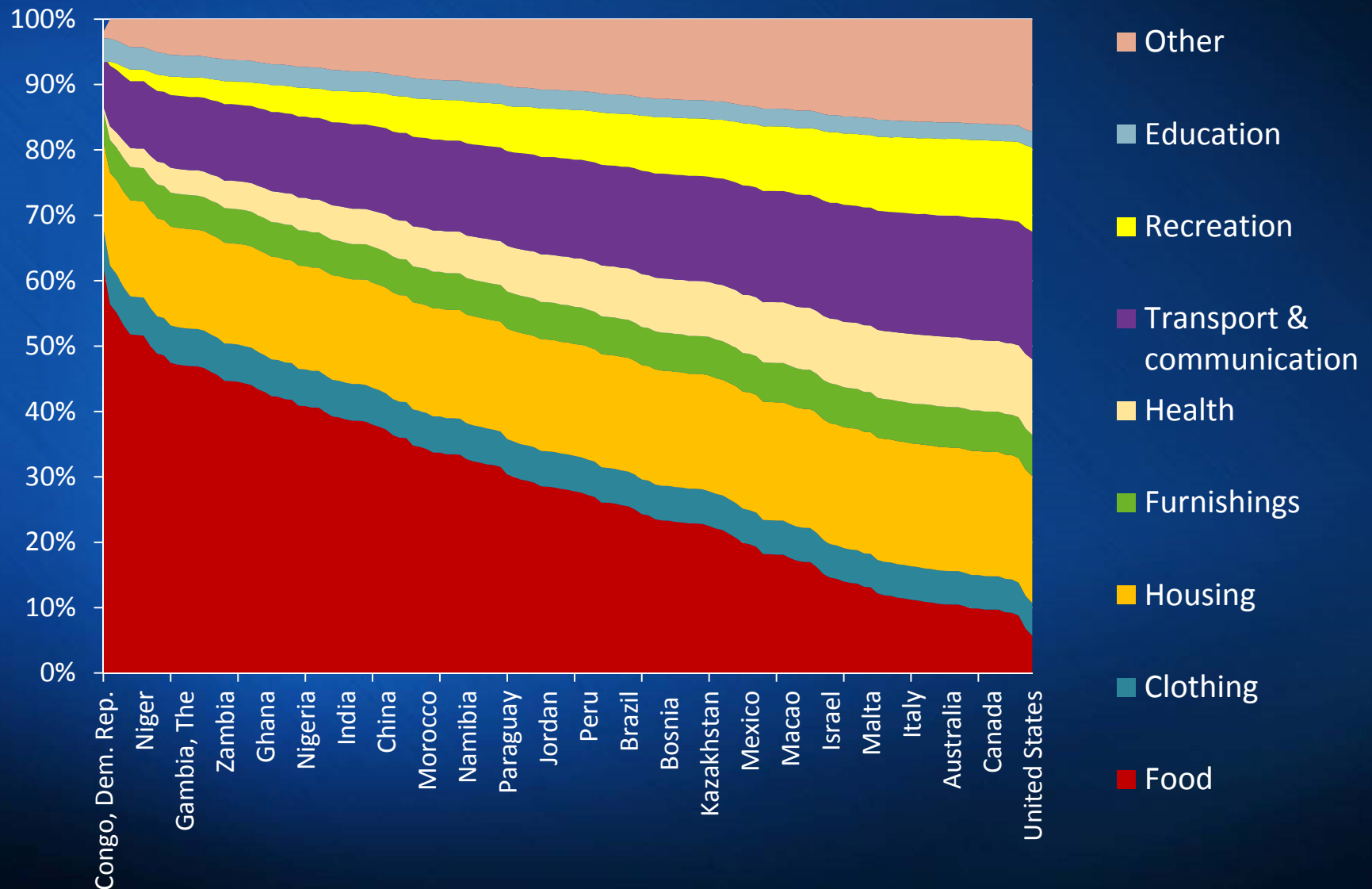
Source: IHS Global Consumer Markets data as analyzed by OGA

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Additional Dollar of Income: How Is It Spent?

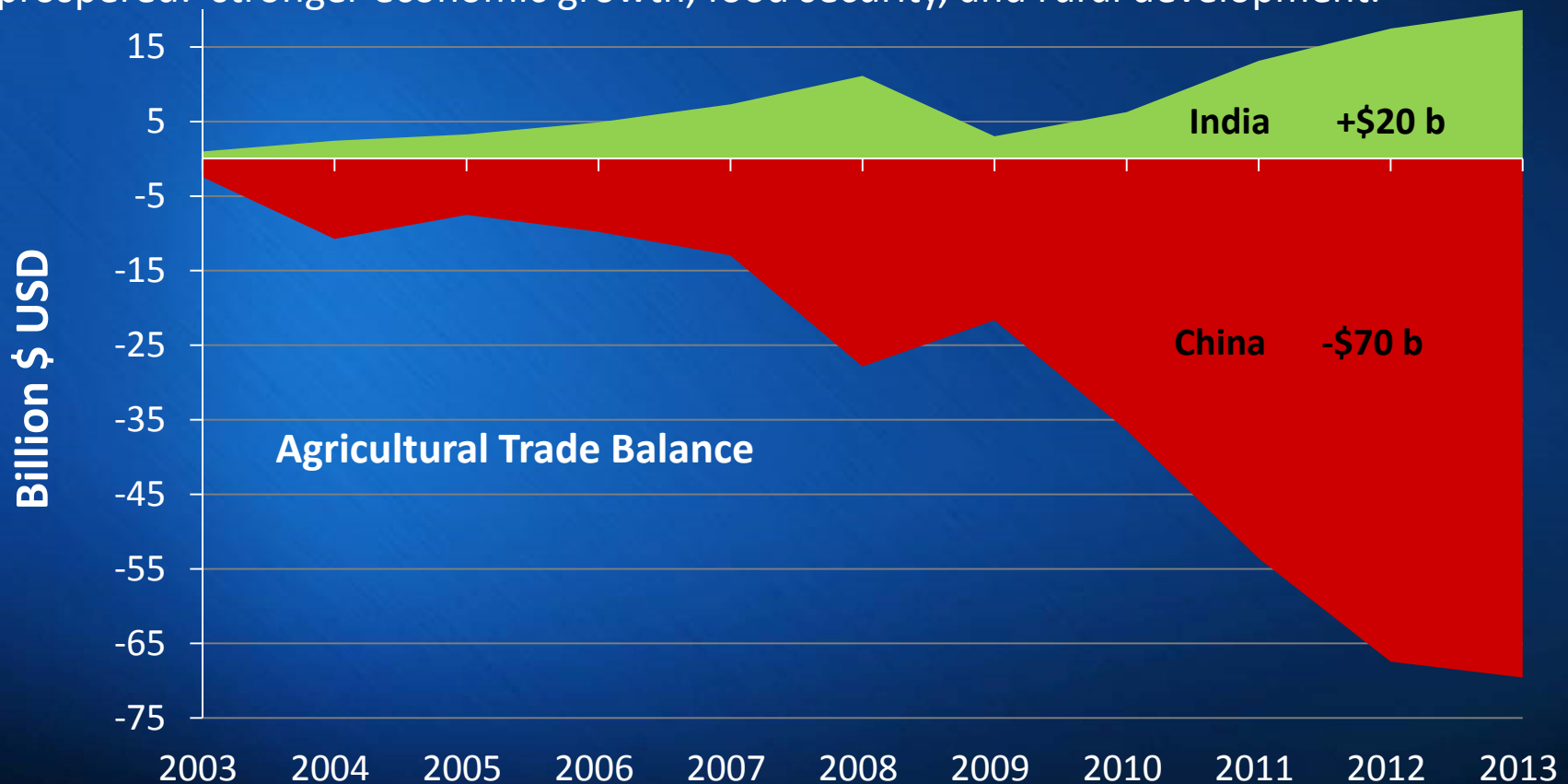
Lower income countries spend much of that additional income on food



Source: USDA, Economic Research Service using International Comparison Program 2005 data.

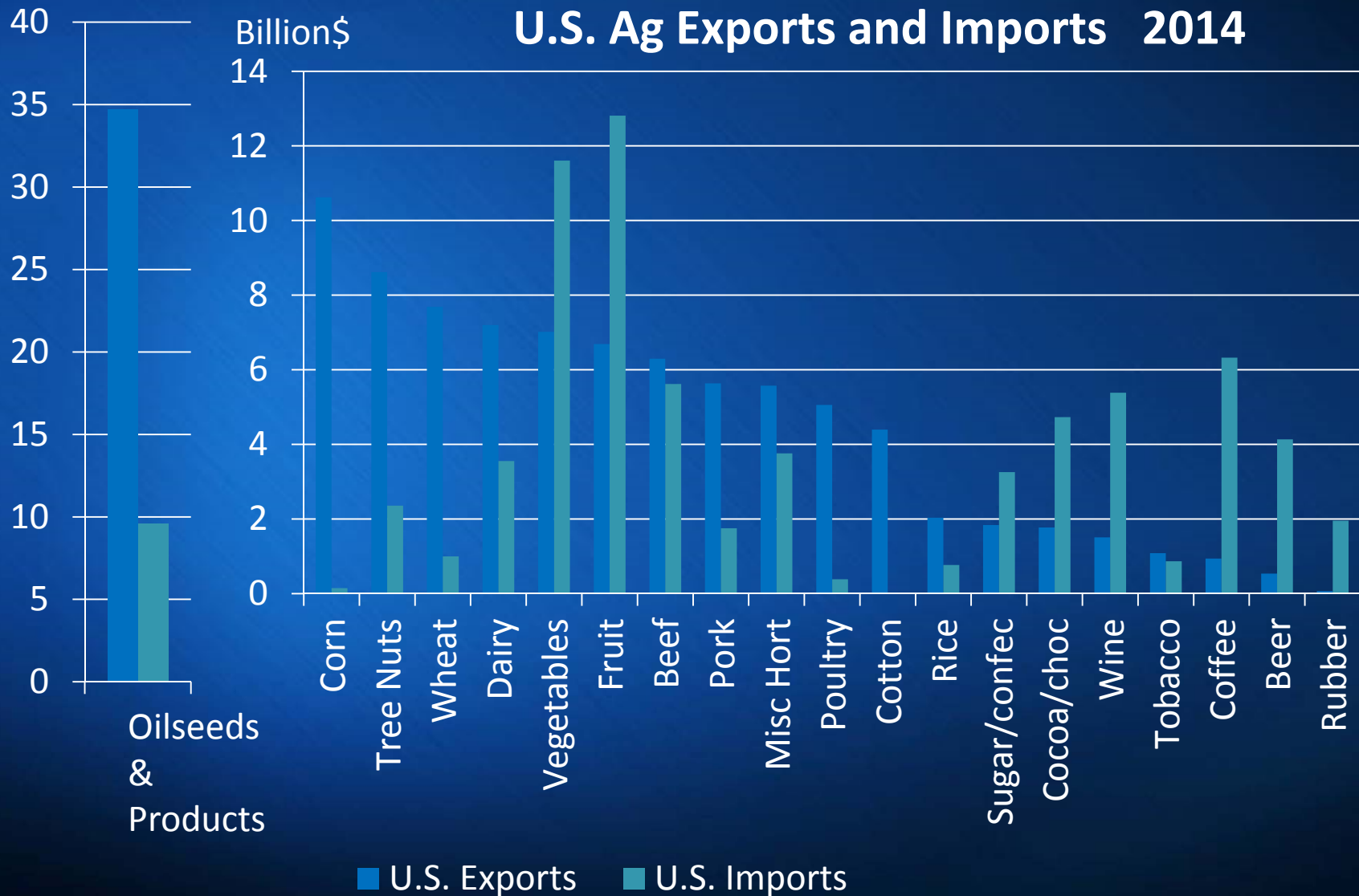
Trade Policy Matters

China and India had a lot of similarities in 2002 (big, growing countries pursuing self-sufficiency.) But then China decided to become more integrated in the world trading system, including by joining the WTO and committing to relatively low ag tariffs. It has prospered: stronger economic growth, food security, and rural development.



Agriculture Trade is Important in the United States

The United States is an export powerhouse. All sectors export, most have a trade surplus. While we are big importers, most imports are complementary.

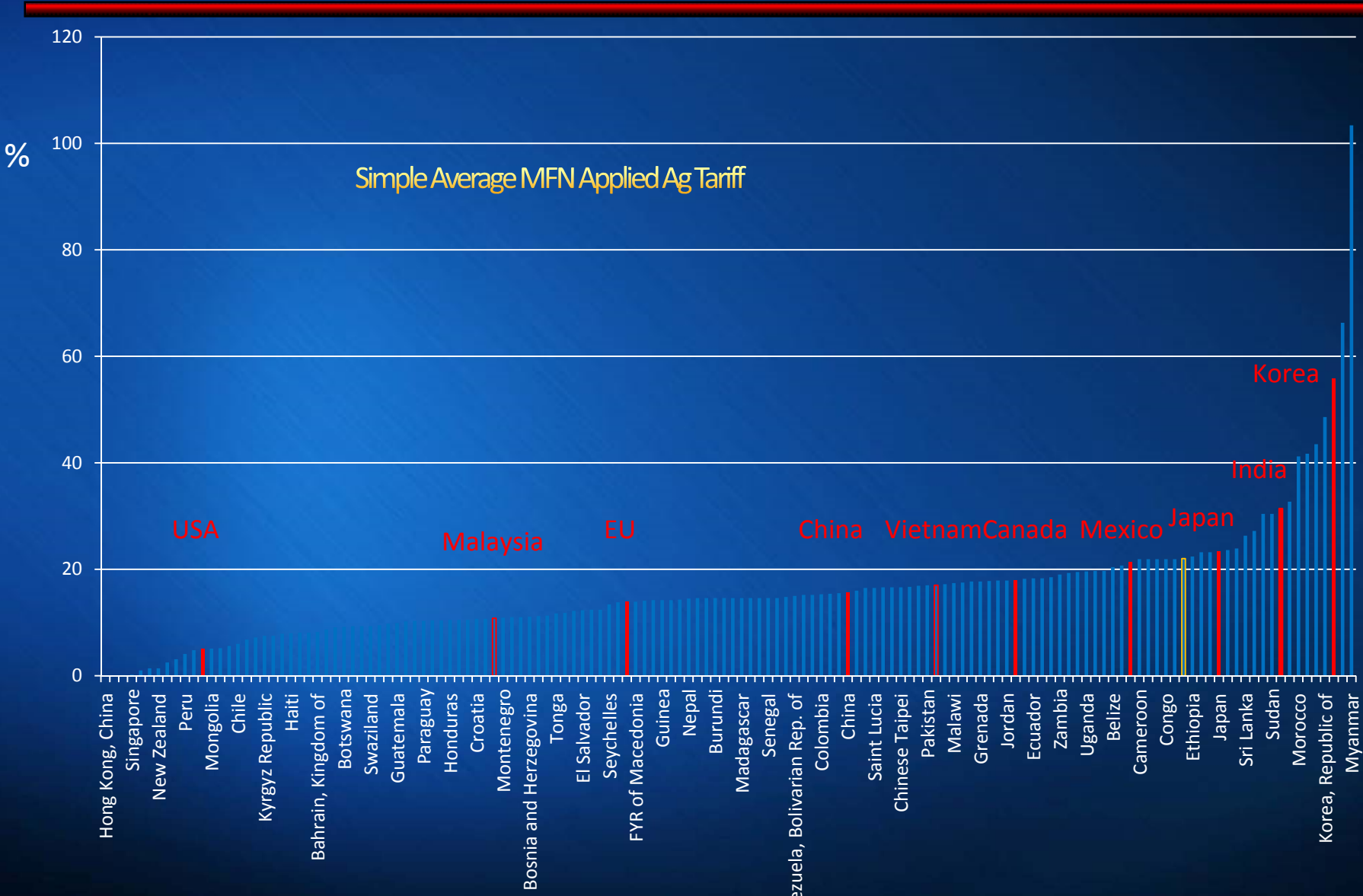


USDA/FAS/GATS FATUS categories. CY data.

#4: Global Agricultural Trade Will Increase and Trade Liberalization Will Continue

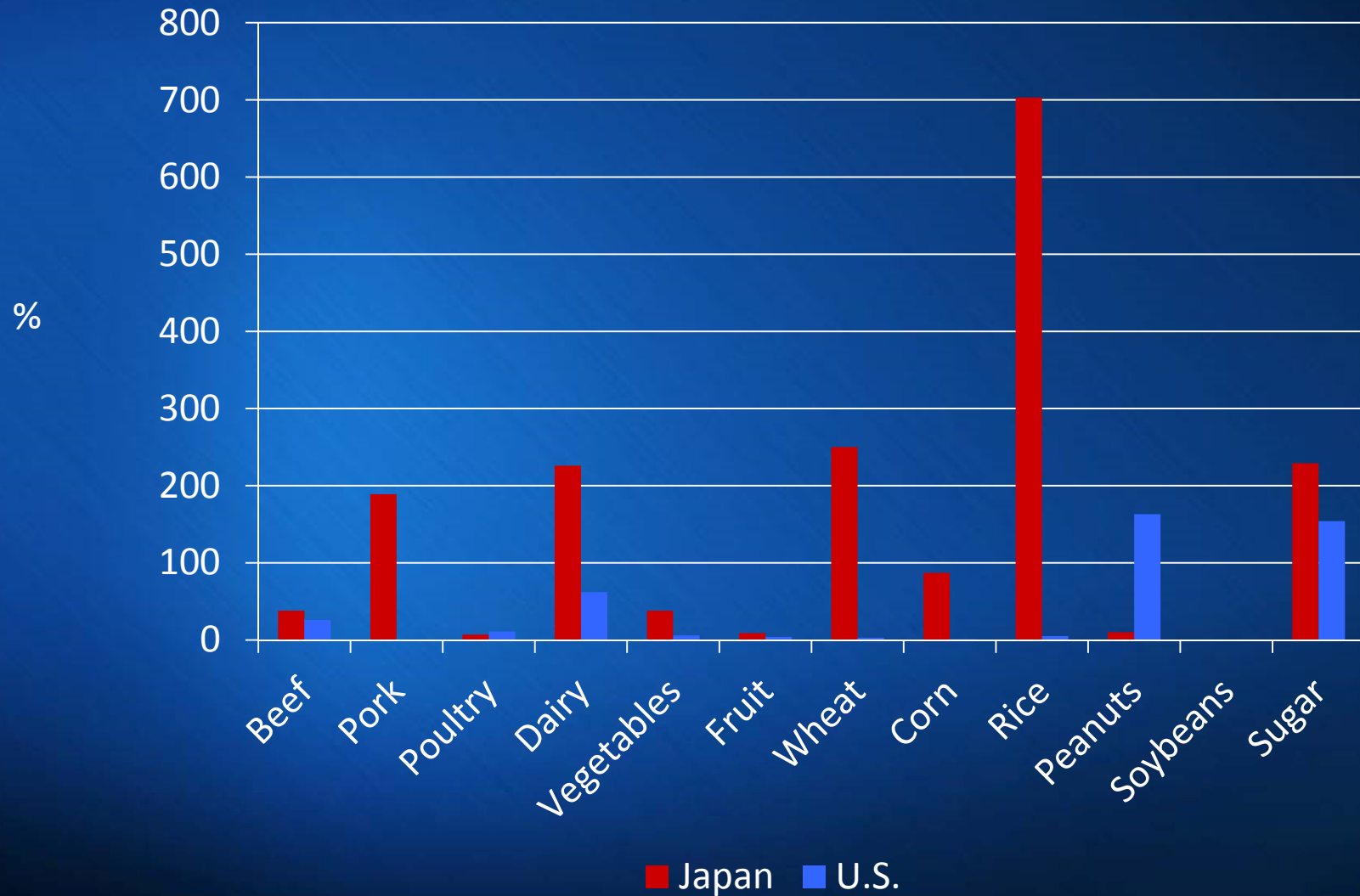
- Global agricultural trade has grown sharply over the past decade with the growth in food demand and trade liberalization (bilateral and regional FTAs).
- This will continue over the next decade but at a slower pace than previous decade. Still, global ag trade should reach a record \$1.2 trillion by 2023 – up from over \$900 billion in 2013.
- Most countries' agricultural imports have increased substantially, esp. China and East/Southeast Asia. U.S. and EU imports growing, too particularly for consumer-oriented, high value foods (including processed food and beverage products).
- Almost all major agricultural exporters have seen sharp gains in recent years – not just the U.S.
- FTAs have proliferated worldwide improving market access for participating countries, thereby boosting import demand. This trend will continue -- with or without the U.S.

U.S. tariffs are much lower than our trading partners.
Trade agreements help level the playing field.



Trans Pacific Partnership

Japan – U.S. Tariff Comparison

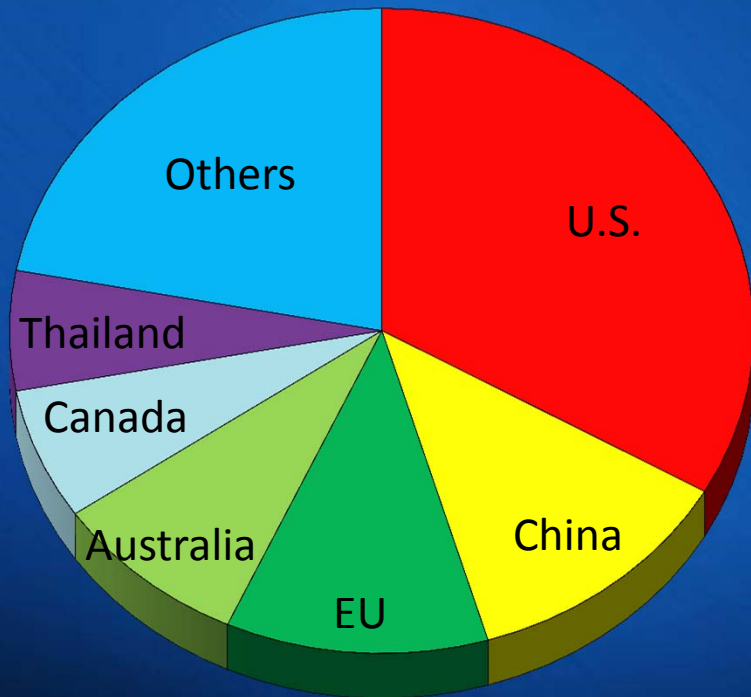


Simple average, using DDA ad valorem equivalents

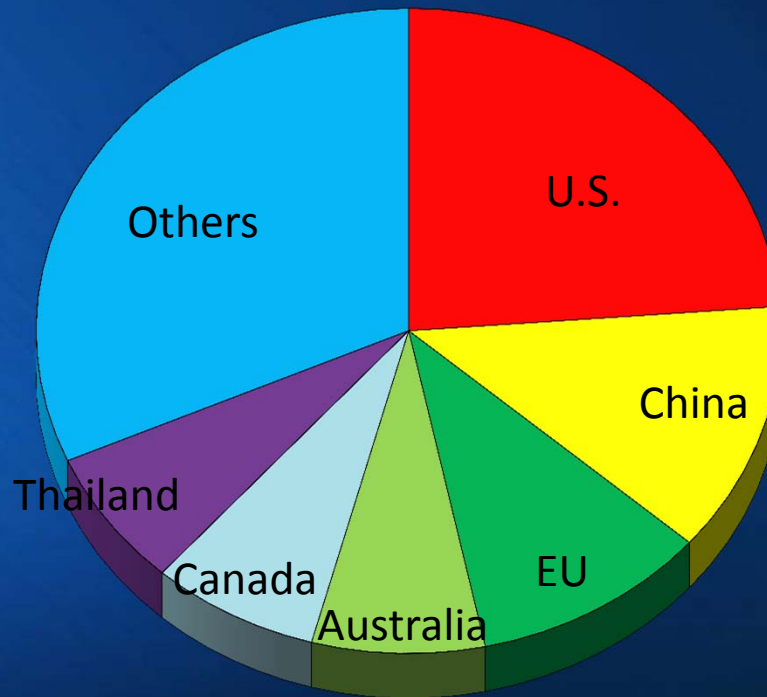
U.S. Faces Mounting Competition In Japan

TPP could help U.S. regain lost market share

Japan's Suppliers, 2003

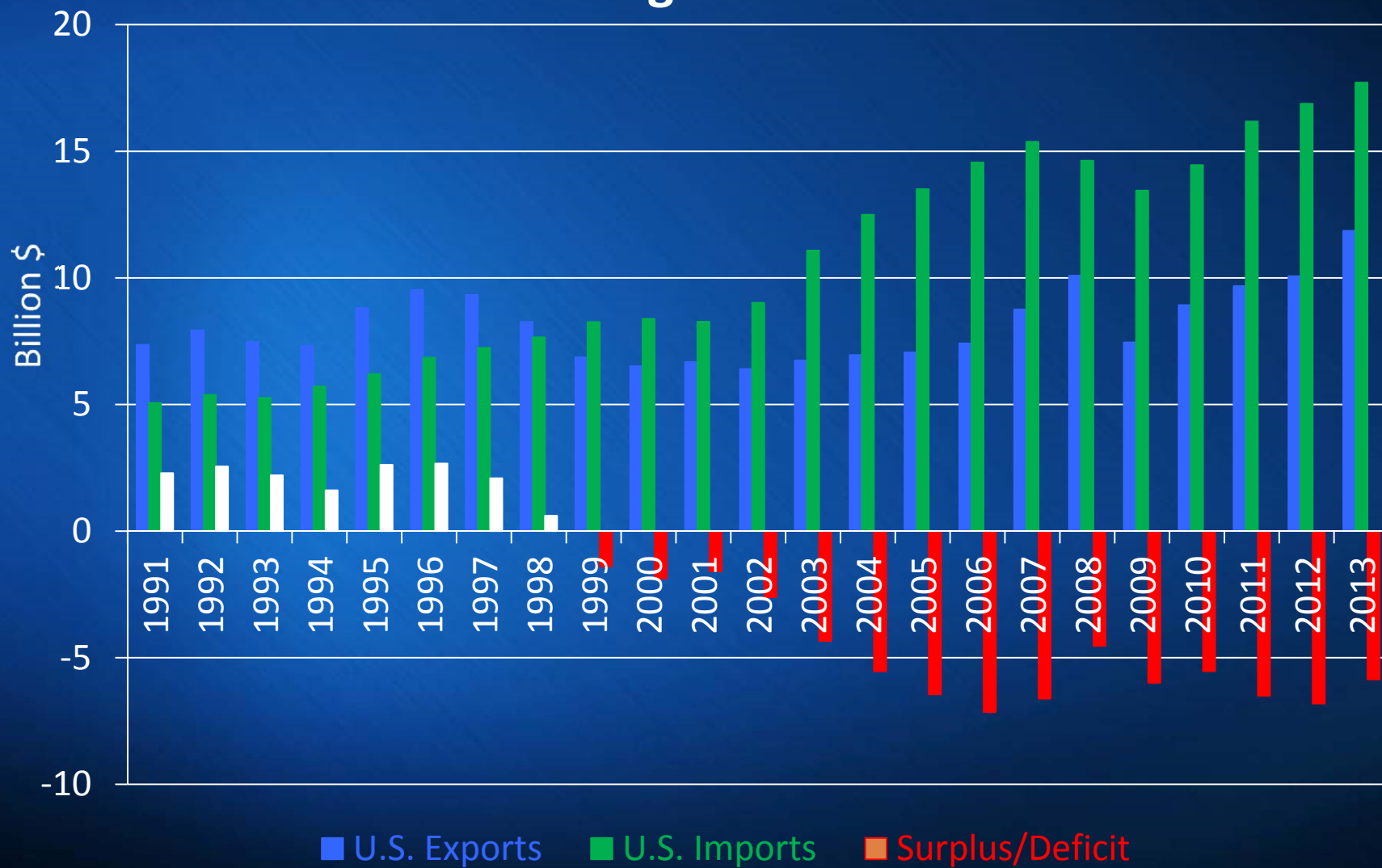


Japan's Suppliers, 2013



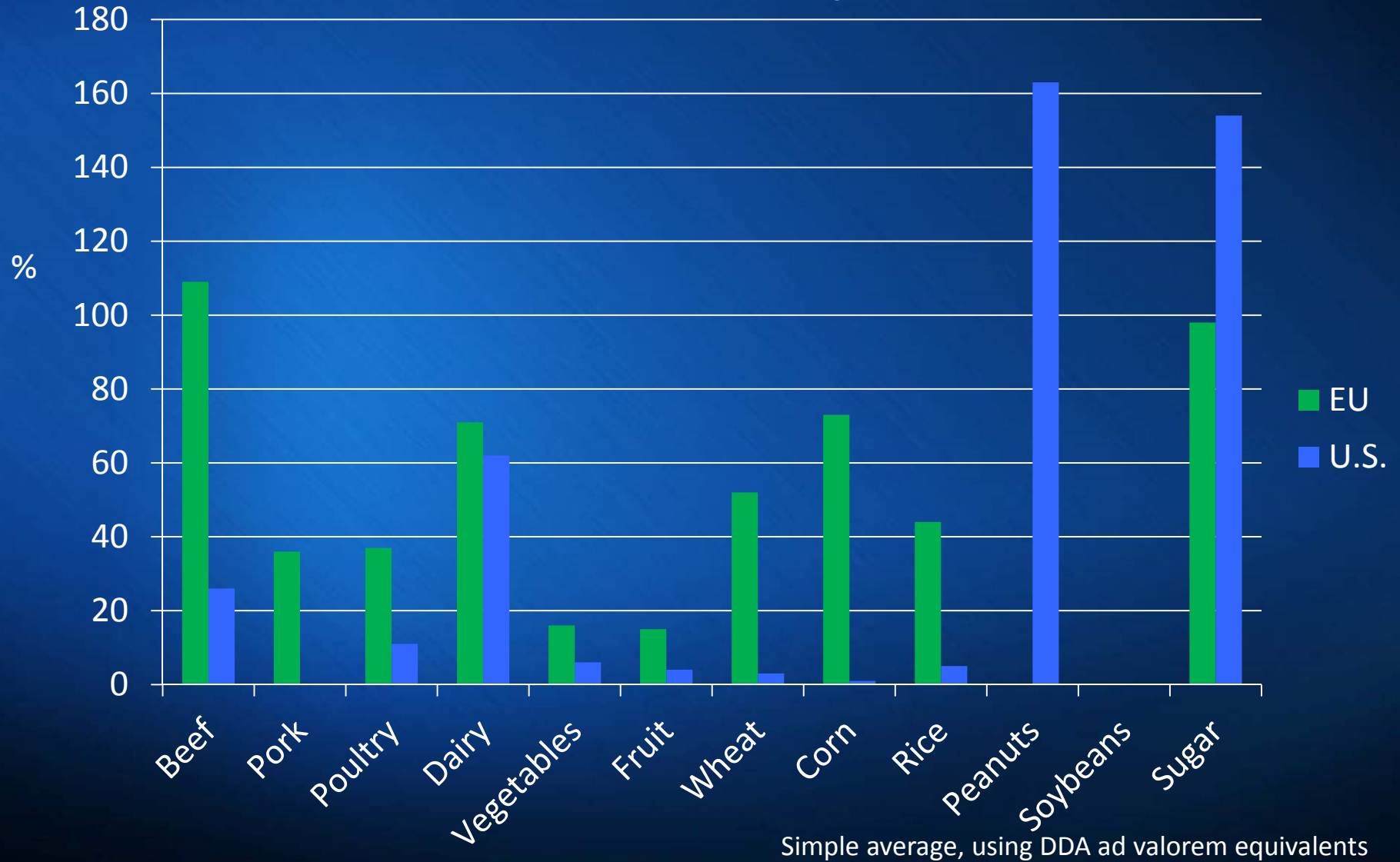
Trans Atlantic Trade & Investment Partnership

U.S. – EU Ag Trade Balance



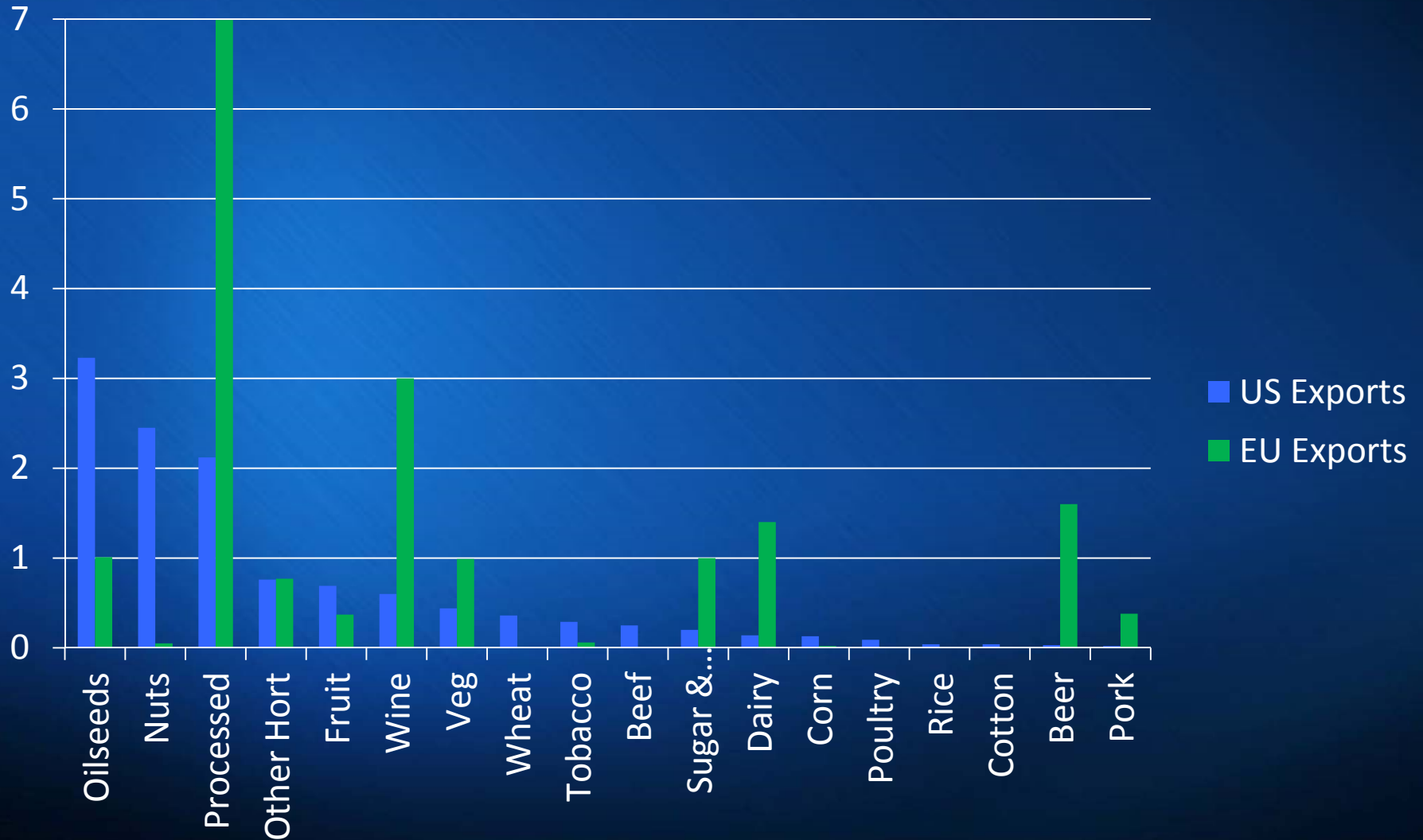
Trans Atlantic Trade & Investment Partnership

EU – U.S. Tariff Comparison



Trans Atlantic Trade & Investment Partnership

U.S. – EU Ag Trade Balance: Billion \$



Standing Still is not a Winning Strategy



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Summary

TPA, TPP, TTIP, ... oh my!

- Trade is important for U.S. agriculture.
- Market growth focused in developing countries. Developed countries: market share is driving force.
- Trade agreements can remove barriers to U.S. exports, like tariffs, and promote economic growth, expanding demand for food products.
- Trade agreements continue globally, standing still is falling behind.
- TPP offers opportunity to gain share in one of the most attractive markets (Japan) and lock in access to growing markets in Asia (Vietnam, Malaysia, others.)
- TTIP offers opportunity to address problems in EU.
- Success in TPP and TTIP will create opportunities with other countries.