

Farmland

IN PERSPECTIVE

Winter 2013/2014

Volume 34, No. 4

G LAUB FARM MANAGEMENT

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U.S. ag exports to China grow even as China increases domestic farm support

China has been an important source of recent growth in U.S. agricultural exports, so recent increases in China's domestic farm support has been a source of concern. While it is often presumed that subsidies and price supports give Chinese farmers an advantage, these policies actually may improve prospects for U.S. agricultural exports by raising costs and prices of Chinese commodities above international levels, according to the Economic Research Service of the U.S. Department of Agriculture.

As a World Trade Organization (WTO) member, China agreed to relatively low tariffs and eliminated most barriers to imports apart from tariff rate quotas for several types of cereal grains, cotton, and sugar. Consequently, as China raises domestic price supports above international prices, the country tends to attract more imports. As a result, China today is a net importer of the commodities that are the main targets of its domestic support programs—grains, oilseeds and cotton.

U.S. agricultural exports to China, 2000–12



Global Outlook on Crop Production

by Dr. Chad E. Hart, Iowa State University

Global production for most of the major crops is forecast to be higher this year as weather conditions across the globe have improved for crop development. Here in the U.S., last year's drought conditions have lessened and shifted toward the west, moving away from the Corn Belt and into the Great Plains. Improving weather patterns also have occurred in the Black Sea region, Europe, and Australia.

Corn

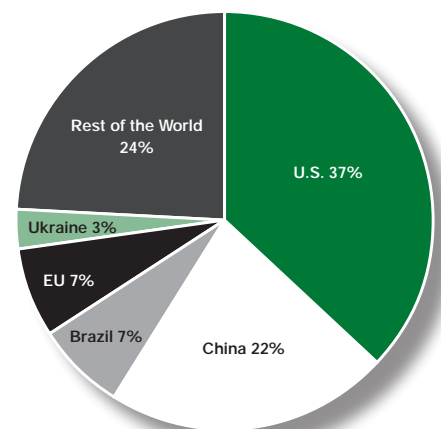
For corn, the improved outlook translates into projections of a record crop. U.S. corn production is projected to increase by nearly 28% this year. But the U.S. is not the only corn producer that is growing. Global corn production is expected to reach 37.68 billion bushels, up 11.5% from last year. The EU, Russia, and Ukraine are also expecting double-digit gains in corn.

The U.S. remains the dominant corn producer in the world, but many countries have entered the corn market given the run of high corn prices over the last few years. China is the world's second largest corn producer, however, the vast majority of China's corn is needed for internal consumption. But several of the next tier of producers (Brazil, Ukraine, and Argentina) produce most of their corn for the export market. Thus, the U.S. is facing more export competition for corn than ever before.

Major import markets are Japan, Mexico, South Korea, the EU, China, and Egypt. While South America is our major challenger for the Pacific markets, the buildup of corn production in Russia and Ukraine presents a strong challenge for U.S. corn exports in Africa and the Middle East.

However, the U.S. corn export outlook is stronger this year. As prices decline, global demand for corn, mainly for livestock feed, is projected to increase.

Global Corn Production



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870-972-6996 • 1702 Stone St., Suite C • Jonesboro, AR 72401
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