

## U.S. Agricultural Exports to China: What’s New Since 2010?

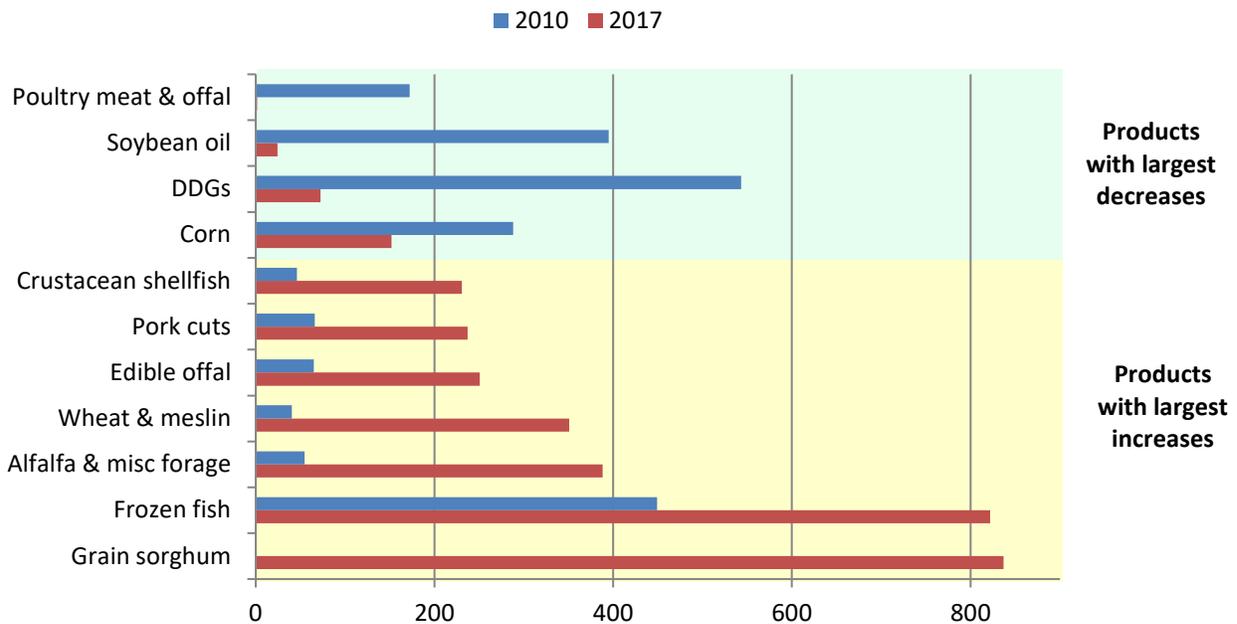
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*This Executive Briefing on Trade (EBOT) is the first part of a forthcoming series reflecting research efforts by the Agriculture and Fisheries Division in the Office of Industries to examine how U.S. agricultural exports to China have changed since the March 2011 USITC report “China’s Agricultural Trade: Competitive Conditions and Effects on U.S. Exports” (publication no. 4219). That report found that U.S. agricultural exports to China were highly concentrated in a few products and that China’s non-tariff measures often restricted U.S. exports more than tariffs. In this EBOT, we find that there have been some substantial shifts in the composition of U.S. agricultural exports to China since that time, to include more animal products—such as pork and shellfish—for which exports were very small in 2010. However, U.S. exports remain subject to policy changes in China, such as the application of sanitary and phytosanitary (SPS) measures. Future EBOTs and other work will examine these trends in greater detail.*

### Overview

China is the second-largest market for U.S. agricultural exports, behind Canada and just ahead of Mexico. Between 2010 and 2017, total U.S. agricultural exports to China grew from \$18.3 billion to \$21.0 billion. Of the 2017 total, 59 percent was soybeans, down from 67 percent in 2010. While U.S. agricultural exports to China remain much more reliant on a single product than are agricultural exports to other major markets, such exports have become more diverse since 2010 and product groups have shifted. Some product groups experienced rapid growth between 2010 and 2017, while for others, exports to China all but collapsed (figure 1). The chart below shows some of the products with the largest increases and decreases during the period.

**Figure 1:** Shifts in U.S. Agricultural Exports to China, 2010 and 2017 (Million \$)



Note: DDGs are dried distillers’ grains.

Source: U.S. Department of Commerce/USITC DataWeb (accessed April 9, 2018).

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A few of these changes were driven primarily by changing market conditions and consumer preferences in China. For instance, higher-priced proteins such as beef and seafood have rapidly grown in popularity in China as the population has become more urbanized and wealthy. Meat and seafood consumption grew steadily between 2010 and 2017.<sup>1</sup> In addition, China's production capacity in soybean oil—the leading edible oil in the country—has increased since 2010, reducing the need to import the finished product.

### Policy Changes in China

For most of the changes on the chart, there is also an element of Chinese policy that helps explain the shift. Since 2010, there have been changes in China's domestic agricultural support mechanisms (affecting corn, sorghum, and dried distillers' grains (or DDGs)), approval of genetically engineered (GE) crops (corn), application of SPS measures (poultry and pork), and use of trade remedies (poultry).

The changes in U.S. exports of corn, grain sorghum, and DDGs are related and are the result of a complex set of policies. Between 2010 and 2015, China's imports of feed grains that can be substituted for corn, including sorghum and DDGs, rose rapidly in response to trade and domestic support policies that kept the price of corn—and domestic production—high in China. An additional factor limiting U.S. corn exports after 2013 was China's imposition of restrictions on imports of GE corn.<sup>2</sup> The combination of factors limiting demand for U.S. corn prompted some U.S. farmers to plant sorghum as an alternative way of accessing the Chinese feed grain market,<sup>3</sup> and imports of U.S. sorghum and DDGs peaked in 2015. In 2016, China began to implement changes to its corn policies by phasing out the domestic support price and selling off corn from reserve stocks. After this, U.S. exports of sorghum and DDGs began to fall as corn became more price competitive in China, but exports of sorghum remained far above 2010 levels. Exports of DDGs fell further after China imposed AD/CVD duties on them in 2017.

For poultry and pork, the shifts in trade are mostly explained by SPS measures. Chicken exports began to decrease after China imposed antidumping duties on U.S. exports in 2010<sup>4</sup> and then all but ceased after China put in place SPS restrictions in response to the risk of HPAI (highly pathogenic avian influenza) in 2015.<sup>5</sup> For pork (including offal), China banned imports of U.S. product for part of 2009 due to a swine flu outbreak, and they remained very low in 2010, as consumer confidence took time to recover. U.S. exports of pork to China recovered during 2011–12, but then fell during 2013–15 as China began to enforce a ban on imports of pork given the feed additive ractopamine, common in U.S. production. Starting in 2016, China began to import more U.S. pork again because U.S. producers increased supply of pork that did not use the additive.

Future work in this series will provide more detailed additional information on the effects of these measures and other policies, such as 13<sup>th</sup> Five-Year Plan and the 2015 revision to the Food Safety Law.

*Sources:* ChinaPower, "How is China Feeding its Population?" Center for Strategic and International Studies, October 27, 2017; Hejazi and Marchant, "China's Evolving Agricultural Support Policies," *Choices* 32(2); Mikesell, "U.S. Pork Exports Depend on Mexico," *The Pig Site*, August 25, 2016; Solidaridad, *China's Soy Crushing Industry* (accessed April 9, 2018); USTR, "2018 Fact Sheet: USTR Success Stories," March 2018; Waters, "China Bans U.S. Poultry," *Reuters*, January 12, 2015.

<sup>1</sup> China is also a major fish processor, so while much of the growth in crustacean shellfish exports was reportedly to meet Chinese demand, some frozen fish exports were likely of fish to be processed in China.

<sup>2</sup> GE corn is widely grown in the United States. In 2017, China approved 3 GE corn varieties for import. In response, U.S. exports of corn to China began to increase in 2017, after hitting a seven-year low in 2016.

<sup>3</sup> Sorghum is also used in the production of Chinese distilled spirits (*baijiu*).

<sup>4</sup> These duties were removed in February 2018, but SPS restrictions remain in place.

<sup>5</sup> The restrictions banned imports of all U.S. poultry, poultry products, eggs, and breeding stock.