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Escalating Trade War with China Will Increase Damage to American Soybean Farmers

Long-Term Consequences for Soy Growers Likely Irreversible

Washington, D.C. (September 24, 2018)—The Administration's decision to impose 10 percent tariffs on an additional $200 billion in Chinese imports—and China's subsequent retaliation on $60 billion of U.S. products—deepens and prolongs the trade war between the two countries, posing even more adverse consequences for American soybean farmers.

Davie Stephens, a soybean grower from Clinton, Kentucky, and American Soybean Association (ASA) vice president stated, "If this trade war is not resolved soon, we will see irreversible consequences. Beyond very real concerns about a continued price drop for our beans, we're talking about the viability of our long-term relationship with the China market. We need negotiations now rather than tit-for-tat responses that hurt both countries."

Since June, the price of U.S. soybeans at export terminals in New Orleans has dropped 20 percent, from $10.89 to $8.68 per bushel. Farm-gate prices have fallen even further. During the same period, the premium paid for Brazilian soybeans has increased from virtually zero to $2.18 per bushel, or $80 per metric ton.

Already, China has pursued new means to procure soybeans and other protein crops, including maximizing soybean imports from other exporting countries, particularly Brazil.

"With the situation worsening, these decisions could become long-term policies. Even if the Administration achieves its goal of changing China's policies on forced technology transfer and intellectual property theft, which could end the tariff war, this trend could be irreversible. U.S. soybean farmers may become the supplier of last resort to what has been, by far, our most important foreign market," Stephens explained.

U.S. soybean producers have spent more than 40 years and millions of farmer dollars building the China market for soy and livestock products.

James Lee Adams, a soybean producer from Camilla, Georgia, was ASA president in 1989 when these market development efforts were in full swing. According to Adams, building the China market was a long, arduous process. "We had a lot of opposition. People thought we were throwing money away, but we kept investing despite the pressure to cut our losses. It took many years, but we prevailed, and today, China is a $14 billion market for U.S. beans. This trade war is of grave concern because it could wipe out all those years of work. Knowing the difficulties we faced, we know how hard it will be to get this market back."

Some trade analysts say it will be impossible for China to find enough soybeans and other protein feeds from other sources, and that it will continue to depend on the U.S. for a significant amount of its imports. But even if the U.S. keeps half of its soybean market in China, the value of exports due to lower prices will fall to an estimated $5.6 billion from the $14 billion sold in 2017. In the absence of other expanded and new markets, the outlook is for continued low prices and declining U.S. soybean production for years to come.

ASA has consistently opposed using tariffs to pursue the Administration's trade objectives, and has called for the Section 301 tariffs to be rescinded.

Ryan Findlay, CEO of ASA, said, "Recognizing the long-term impact of China's soybean tariff on our exports, we have implored the Administration to finalize NAFTA, including Canada, reconsider joining TPP and, if not, negotiate bilateral trade agreements with TPP countries, including Japan and Vietnam, and with other countries where soy and livestock product exports could be expanded, including Indonesia and the Philippines."

"We are also asking the Administration and Congress to double funding for the Foreign Market Development and Market Access Programs for export promotion activities," Ryan stated. "While the additional cost of $2.35 billion over ten years can't be covered under the 2018 Farm Bill, revenues collected by the Treasury from the Administration's Section 232 and 301 tariffs already more than meet this funding level. Another use of these revenues if the tariffs remain in place and additional revenues are collected would be to fund the $8 billion in inland waterway improvements needed to upgrade the competitiveness of U.S. agricultural exports in future years."

Findlay concluded, "We need these market opening and competitiveness measures to help offset the expected long-term negative impact of China's soybean tariff on the livelihoods of U.S. soybean farmers."

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The American Soybean Association (ASA) represents U.S. soybean farmers on domestic and international policy issues important to the soybean industry. ASA has 26 affiliated state associations representing 30 soybean producing states and more than 300,000 soybean farmers.

For more information contact:

Wendy Brannen, ASA Communications Director, 202-684-6070, wbrannen@soy.org

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