

Wheat Growers Welcome Trade Enforcement Action

U.S. Wheat Associates (USW) and the National Association of Wheat Growers (NAWG) welcome the Obama Administration's trade enforcement action against China at the World Trade Organization (WTO). The significant investigative effort by the Office of the U.S. Trade Representative (USTR) and the U.S. Department of Agriculture (USDA) followed five years of work by USW, NAWG and other industry partners to demonstrate how China's domestic support policies hurt U.S. farmers.

This enforcement action challenges the level of China's trade-distorting market price support programs for wheat as well as for corn and rice. In describing its action, USTR said "the level of support provided through these programs in excess of China's commitment was nearly \$100 billion."

These programs cost U.S. wheat farmers between \$650 and \$700 million annually in lost income by pre-empting export opportunity and suppressing global prices, according to a 2016 Iowa State University study sponsored by USW associates. That loss estimate is actually 19 percent more than the losses estimated by a similar 2015 study due to the effect of increasing global stocks and resulting market price decline.

"Wheat production subsidies in China and other advanced developing countries are the single biggest policy issue affecting our farm gate prices and global trade flows," said USW associates President Alan Tracy. "In taking this step, USTR and USDA are demonstrating that trade enforcement can ensure that our many trade agreements and a pro-trade agenda really work for American farmers."

"This enforcement action shows a welcome willingness to defend farmers against governments that blatantly disregard the rules of the road under their trade agreements," said NAWG President Gordon Stoner, a wheat grower from Outlook, MT. "It comes at a critical time for farmers who have seen market prices collapse to unsustainable levels in recent years."

A 2014 study by DTB Associates, also sponsored by USW, showed that China's minimum procurement price of about \$10 per bushel for wheat, in addition to other subsidies, violates China's WTO commitments. That market price support is so high that the Chinese government has to purchase and store enormous stocks of domestic wheat. As a result, USDA estimates that by June 2017, China will hold 44 percent of the world's wheat stocks, which will be at record levels and further depress market prices. This also hurts Chinese flour millers who are forced to purchase overpriced domestic wheat from these stocks and hurts their customers who pay more for the flour.

Noted Iowa State University agricultural economist Dr. Dermot Hayes conducted the 2015 and 2016 studies of domestic support effects. In reviewing the 2016 study results, which compared a base case including China's current support to a new scenario in which the factors represented by China's policies were removed, Dr. Hayes said farmers there would grow less wheat because domestic prices would fall and input costs would increase.

"In our comparison, that would benefit farmers in the United States and other wheat exporting countries as China would need to increase its imports to more than 9 million metric tons," Dr. Hayes said. "The corresponding lift in wheat exports would increase U.S. farm income from wheat by 19 cents per bushel."

"Especially in a time when Kansas wheat farmers are facing low commodity prices, we applaud the USTR's efforts to ensure a fair and level playing field in the global marketplace for wheat growers," said

Justin Gilpin, CEO of Kansas Wheat.

USW and NAWG have posted the Iowa State studies online at <http://bit.ly/1XPLrLo> and <http://www.wheatworld.org/issues/trade/>. For results of two DTB Associates studies measuring domestic support in advanced developing countries, visit www.dtbassociates.com/docs/DomesticSupportStudy11-2014.pdf and www.dtbassociates.com/docs/domesticsupportstudy.pdf.

For a third party analysis of individual policy measures by country, visit <http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm#country>. USDA posted more information here: <https://content.govdelivery.com/accounts/USDAOC/bulletins/163da5e>.