

# China-US Trade War Retrospective

*Nancy DeVore*

*Director, DHF Team LLC*



# China/US trade war retrospect and outlook

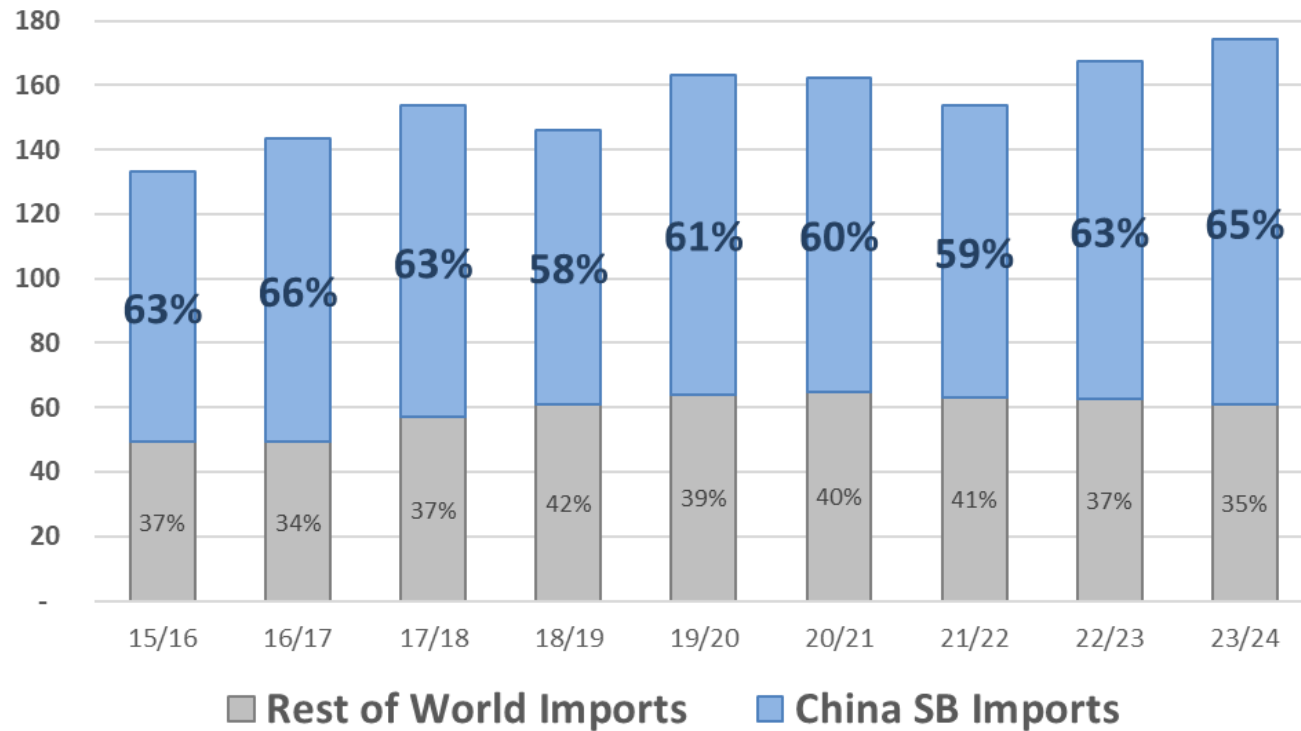
---

Time Frame	Action	Target
Feb-Apr 2018	Various proposed tariffs/threats/actuals	imported solar panels, washing machines
8-Mar-18	US imposes 25% tariffs	imported steel, aluminum, all suppliers
<b>2-Apr-18</b>	<b>China imposes up to 25% tariffs</b>	<b>airplanes, soybeans (128 US products)</b>
6-Jul-18	US imposes 25% levies, 25% tariffs	on \$50B of China goods
6-Jul-18	China imposes tariffs	on \$34B of US goods
24-Sep-18	US imposes 10% tariffs (to increase to 25% Jan 1)	on \$200B China goods
24-Sep-18	China imposes 25% duties	on \$16B US goods
<b>1-Dec-18</b>	<b>90-day halt to new tariffs</b>	<b>both sides</b>
1-Aug-19	US imposes 10% tariffs	on \$300B China goods
<b>5-Aug-19</b>	<b>China halts purchases of agricultural products</b>	<b>US only</b>
<b>15-Jan-20</b>	<b>Phase One deal</b>	<b>China agreed to expand purchases of certain US goods and services by \$200 billion for the two-year period from January 1, 2020, through December 31, 2021. The Trump administration scrapped tariffs initially set to take effect last month and reaffirmed its commitment to reducing duties from 15 to 7.5 percent on US\$120 billion worth of Chinese products.</b>

# 2018-2020 Trade War Refresher

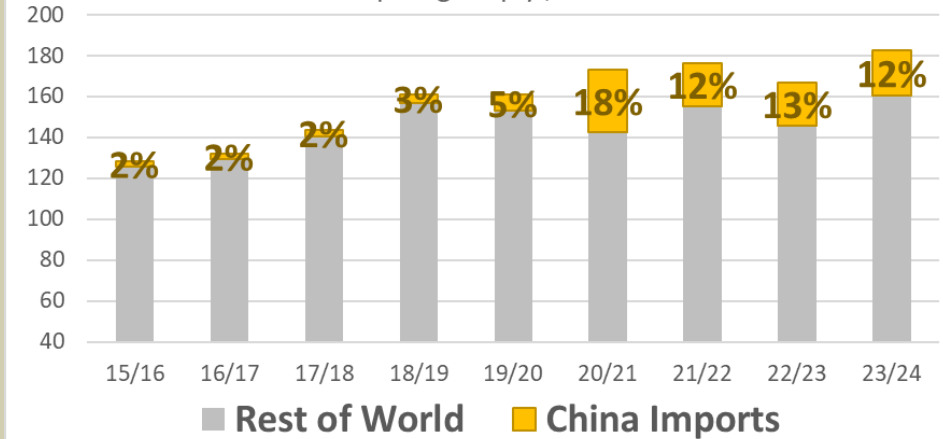
## World SOYBEAN Trade

Sep-Aug Trade Year, mmt



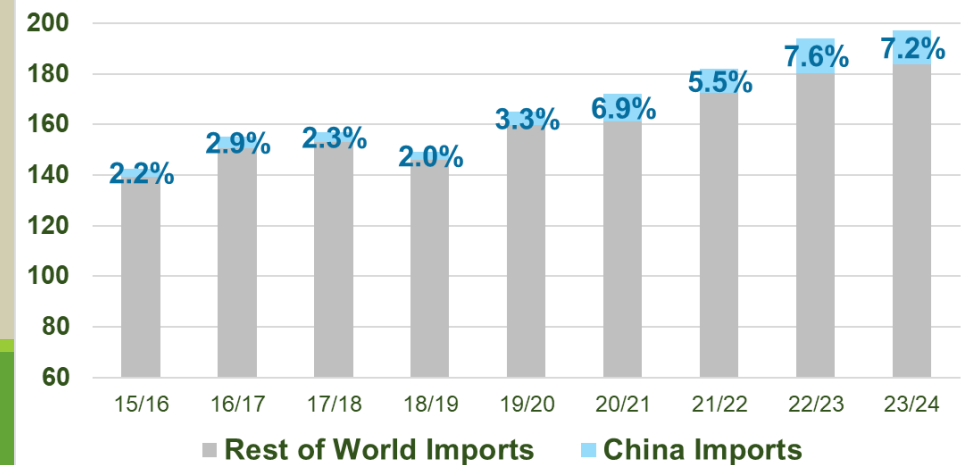
## World CORN Imports

Sep-Aug crop yr, mmt



## Global Wheat Imports

June/May crop yr, mmt

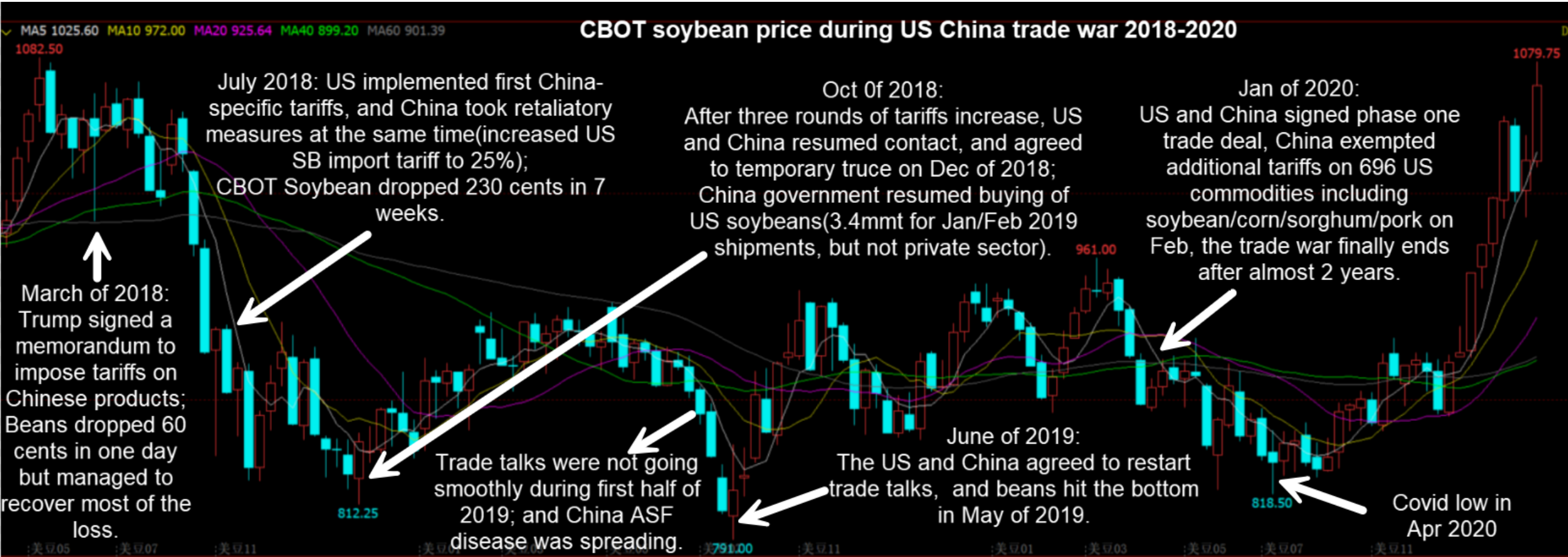


# China Ag Imports % of Global Trade

China takes more than half of the global trade in Soybeans, while only 3% - 20% of global Corn trade, and less than 10% of global Wheat trade.



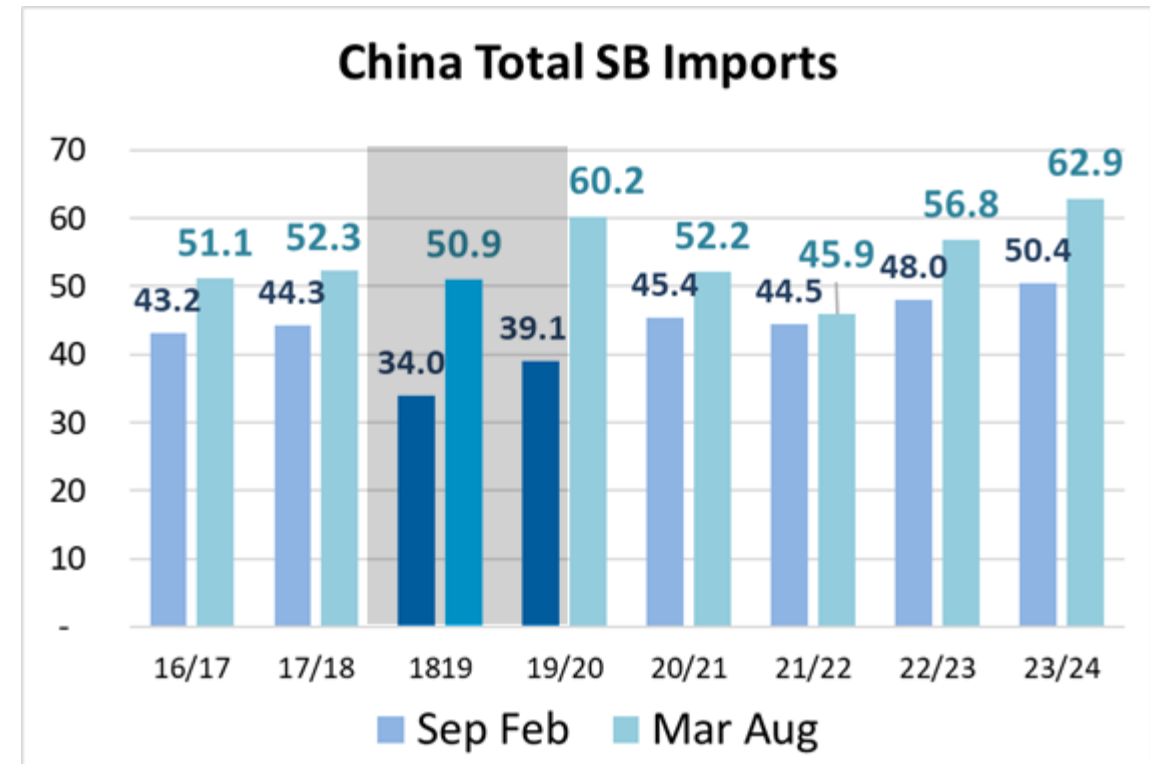
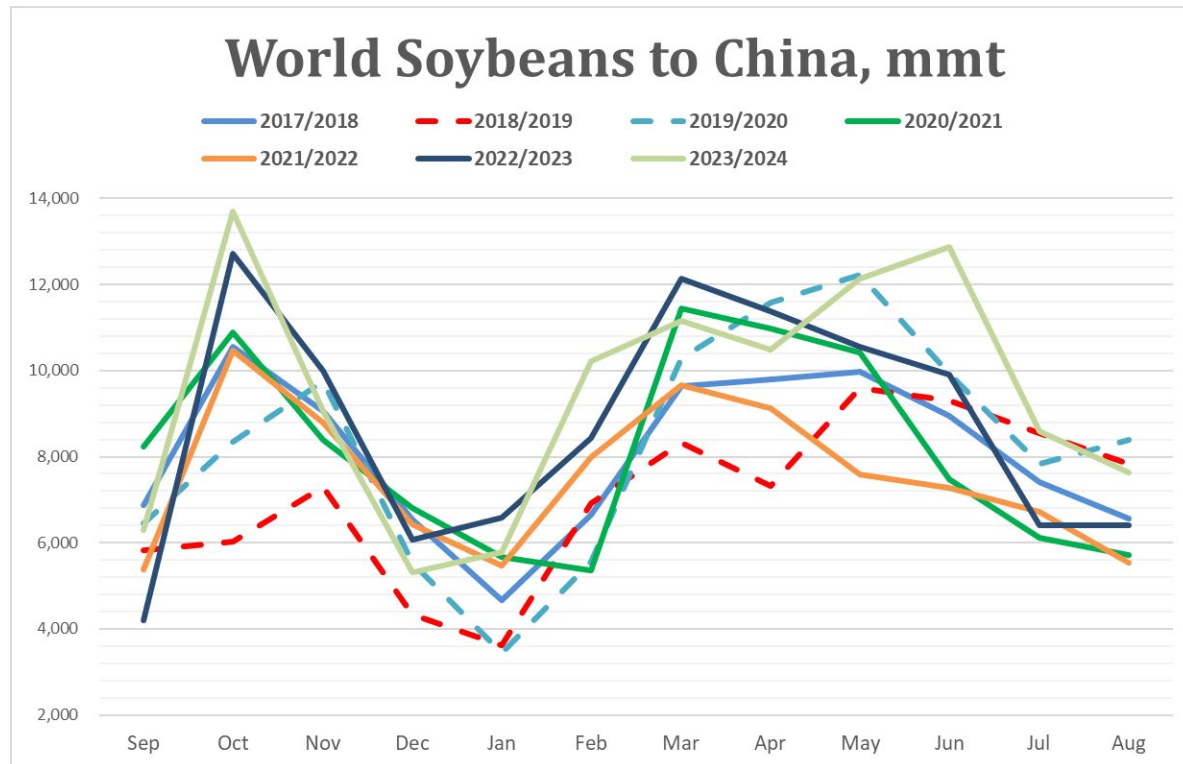
# Trade War Timeline and the Soybean (SB) Futures Price





# Impact on China Soybean Supplies

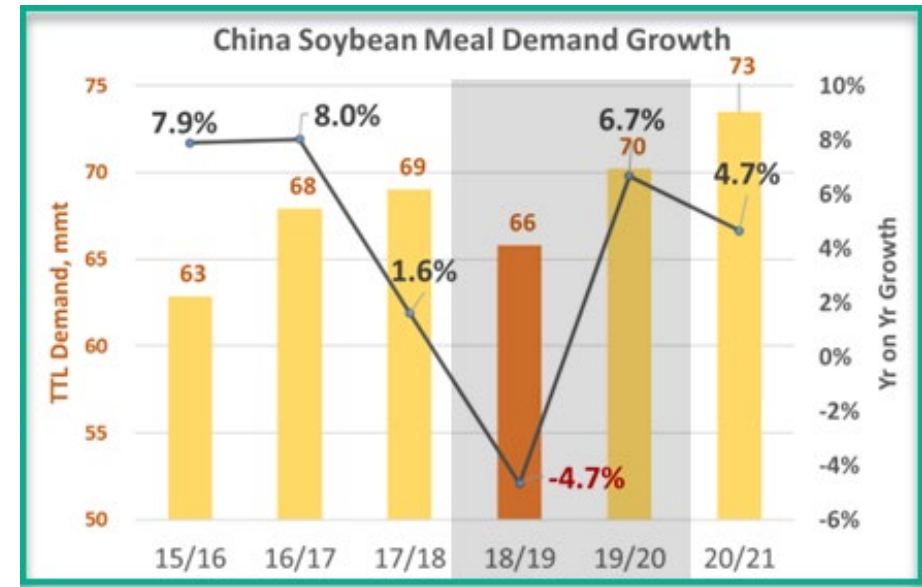
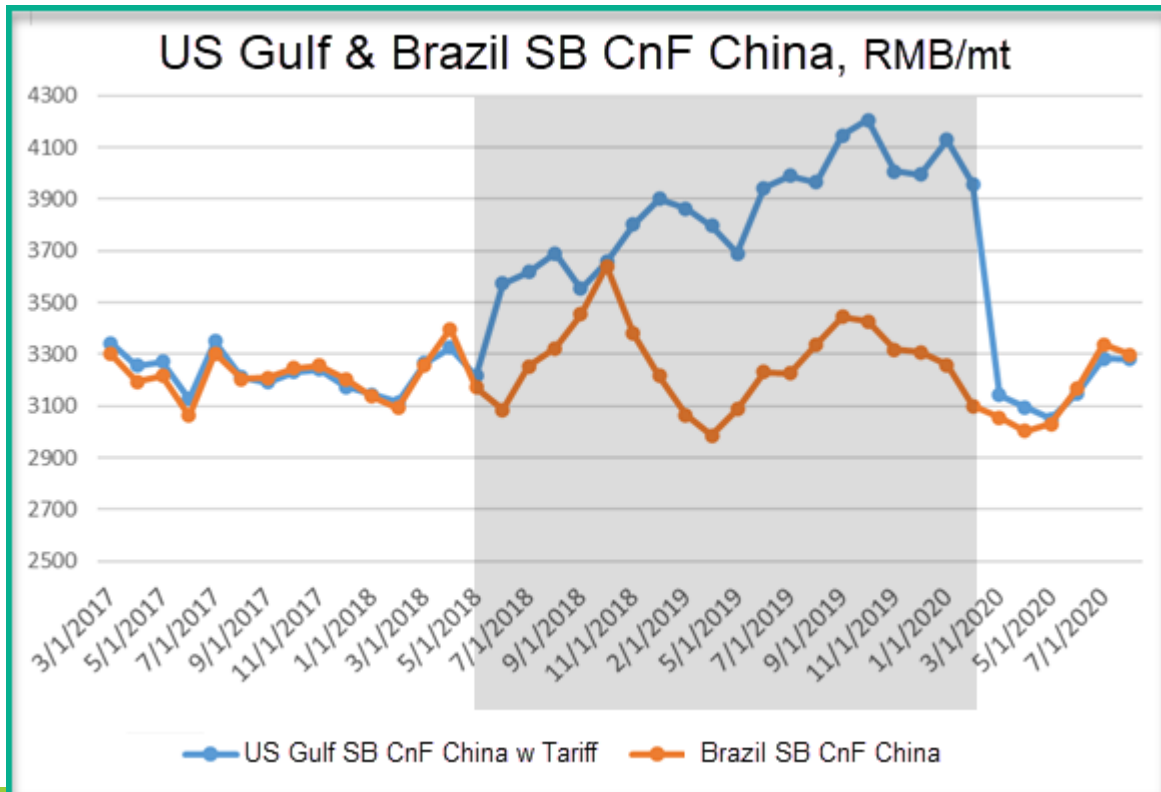
Over the main 18 months of the US-China trade war impacts (Sep 2018-Feb 2020), China's SB imports dropped -17 mmt from pre-trade war levels. This came even with Brazil shipping a record 84 mmt (15 > prev record) of soybeans total, and drawing domestic Brazil SB stocks to a record low Stocks/Use level of only 3.6%. Part of this was offset by a drawdown in domestic Chinese stocks of roughly 25% of the loss in imports.





# China's soybean costs increased ~4 Bln USD

Brazil SB prices to China responded logically, and rallied until they reached the same price as US beans with the trade-war tariff, in Oct 2018, as China tried to fill the gap from no US new-crop beans with the dwindling end-of-season Brazil beans. Then Bzl prices dropped as new-crop harvest neared. **Relative to avg landed SB prices just before the trade war, China paid an additional +3.9 Bln USD equiv to buy soybeans from Bzl (and other origins) during the trade war. The addition costs were mainly during the prime US crop season, Sep-Feb.**

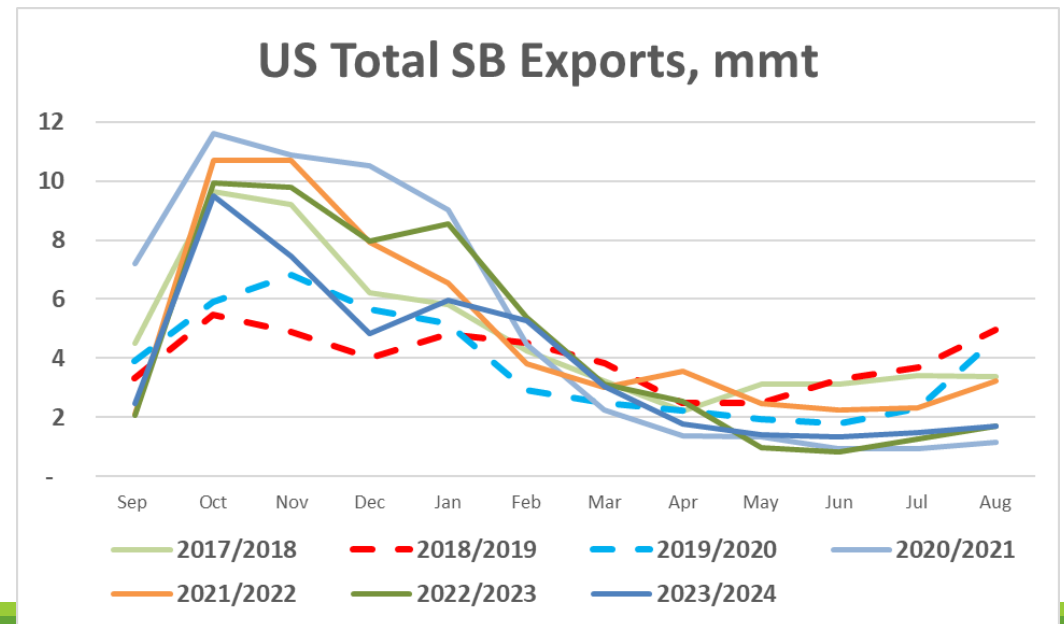
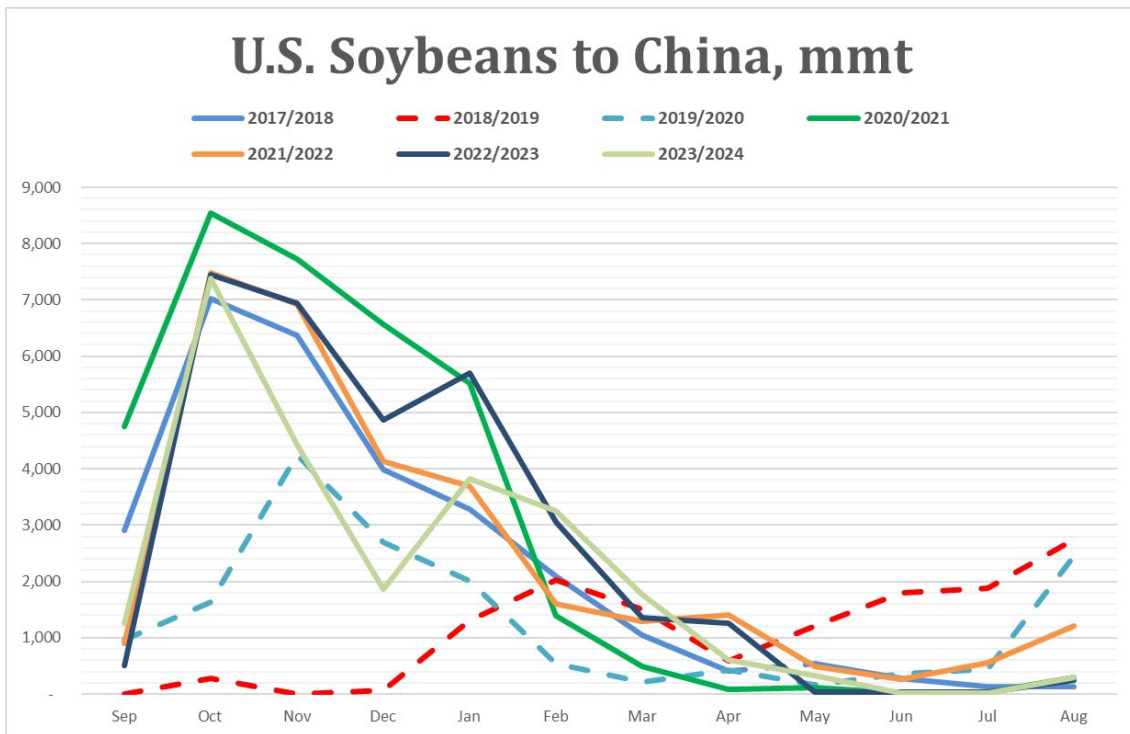


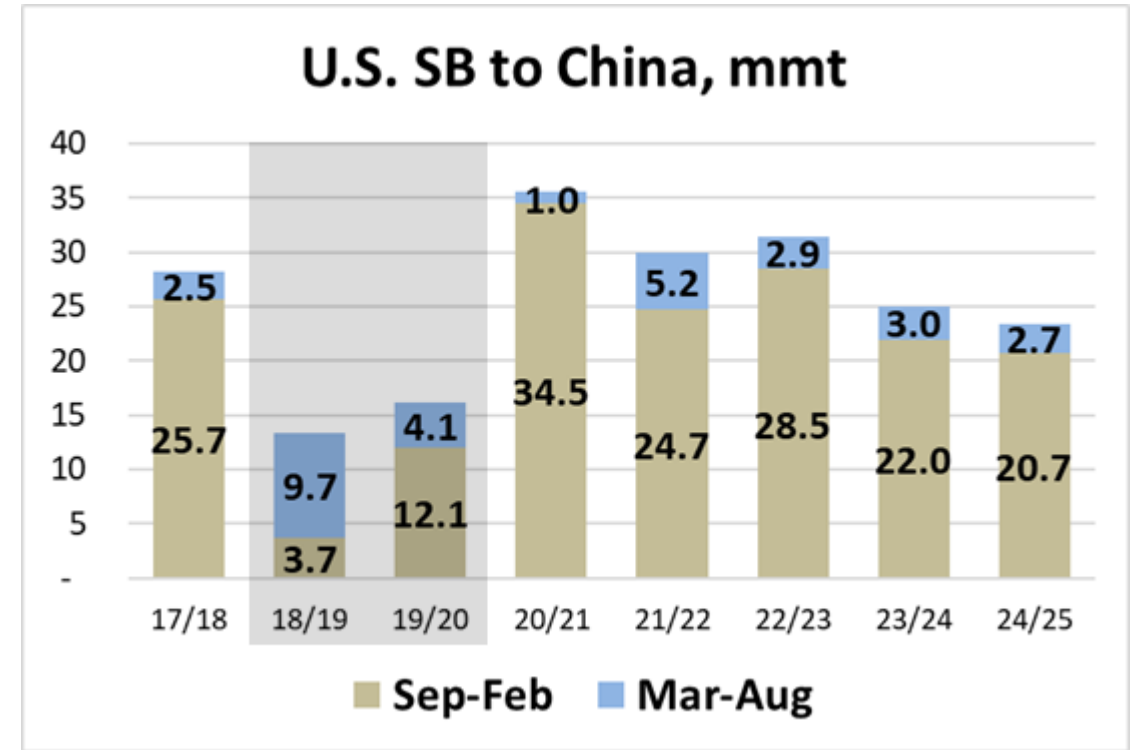
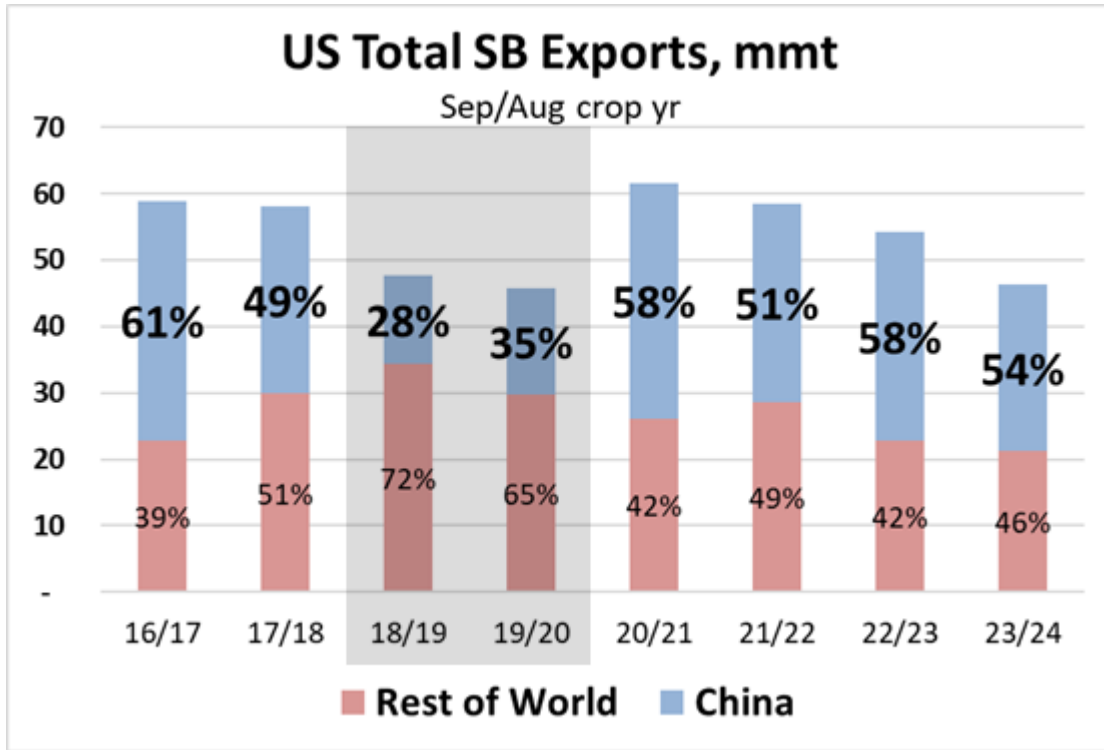
An ASF outbreak in the China hog herd beginning July 2018 curbed the final China cost of the trade war, as SB Meal demand was off 4-5 mmt, or 6 mmt of Soybean equivalent, vs trend-line growth in 18/19 and 19/20.



# U.S. soybean exports to China

- **Mar 2018 – Aug 2019:** US shipments to China dropped to nearly zero after March 2018. China only started to buy US again in Jan of 2019 when trade talks started, and China took more than usual US beans in Feb-Aug of 18/19, all government purchases w/ tariff waived.
- **Sep 2019 – Sep 2020:** The trade talks were not going well in OND of 19/20. US beans to China were below normal during that period, and Brazil beans were cheaper than US in 2020 due to a small US 2019 crop and big Brz 2020 crop.
- **Oct 2020 – Sep 2021:** By Q4 of 2020, Brz beans had run out, and the trade war retaliatory tariff was finally dropped. Then began big US purchases from China in 20/21 as part of the Phase One deal.





## TRADE WAR IMPACT ON US SB EXPORTS

There was not enough rest-of-world SB import demand in 18/19 and 19/20 for the US to make up for the loss of China exports. A sharp drop in US prices did spur additional demand from other countries, but US exports still dropped a total of -24 mmt between the 2 crop yrs (880 mbu), and larger Brazil crops incentivized by higher prices being paid by China contributed to the loss in US export demand. This is still the case today, with ROW currently expected to make up ~50% of US 24/25 SB export demand, while China makes up 73% of Brazil exports.



Over the course of 3 months, the 2018 US Soybean crop lost over \$8 Billion in value. Adding to that were the remaining stocks of the 2017 crop, bringing US SB losses to over \$9 bln in value during JJA of 2018 – more than double the increased cost to China.



# 2025 Trade War Risks Summary

## **JAN 2025 SETTING:**

- **China's Imports** in 24/25 are est down -3 mmt from last yr (USDA), and new-crop 25/26 is expected to see limited underlying feed demand growth.
- **China SB Stocks** have grown significantly over the past 3 years, with most market estimates up +10 to +15 mmt. This gives them a powerful backstop against a potential loss in US imports, should the Gov decide to release a large stock amount. Roughly half of Sep-Feb 24/25 US imports of 21 mmt.
- **Brazil** is on track to produce a record SB crop ~10 mmt above their prev high, if not more. Their remaining export surplus during the main US crop season starting Sep '25 could be +8 mmt larger than this past yr.

## **CHINA 25/26 IMPACTS:**

- **SPRING START:** If the trade war starts in the spring, as in 2018, Chinese commercial firms would likely stockpile Brazilian Soybeans ahead of the US new-crop season since it will be difficult to meet demand needs with out US supplies even with a Gov stock draw-down. Worth 3-5 mmt? Will require a premium for US Bzl SB over US, swing some ROW demand to the US.
- **SURPLUS STOCKS:** A Gov stock drawdown could reduce their total import needs by -10 mmt from all origins next yr, and that could all be focused in the US Sep-Feb time-frame. This combined with larger commercial stocks from Bzl could reduce Sep-Feb China SB import needs by 13-15 mmt from the US, *leaving residual US import needs at only 6-8 mmt – low enough that Brazil could meet all of this volume, swinging 6-8 mmt ROW Bzl demand to the US.*
- **NET IMPACT** could see China being able to get through Sep-Feb with less of a premium being paid to secure non-US beans vs what was seen in 18/19.

## **US 2025/2026 NEW CROP IMPACTS:**

- These points combined add up to the US potentially losing 13-15 mmt of China demand during Sep-Feb 25/26, but only making up 6-8 mmt of ROW demand from Brazil. So a net loss in total US exports of anywhere from 5 to 9 mmt, or 180 to 330 ml bu (USDA's 24/25 total export est stands at 1,825 mbu). The previous trade war showed that significantly lower US prices can buy additional ROW import demand, but in 2018 it took prices dropping \$2.75 to buy that demand. Current US prices are similar to pre-trade-war 2018, but global demand is already in a stock-building mode coming off much higher prices in 2021-2023, which leaves some uncertainty how much additional demand can be incentivized at lower prices from today.



*THANK YOU*