IMPORTANCE OF INTERNATIONAL TRADE AND AGRICULTURE TO NORTH DAKOTA - Neal Fisher

International trade and those affected by it have become a prominent main street topic in recent weeks as the United States and U.S. trading partners wrestle with an increasingly contentious global trade atmosphere. There have been some positive outcomes in recent negotiations, with revisions and updates to KORUS, the U.S.-Korean trade agreement, cited by U.S. trade officials as an example. South Korea is a very important export market for U.S. wheat (fifth largest), beef (largest) and other agricultural products.

U.S. Agricultural exports were valued at $140.5 billion in 2017, and with a $30 billion trade surplus, agriculture is the only sector of the U.S. economy to consistently register a trade surplus, exporting more than we import. Agricultural exports also account for one third of U.S. gross farm income and generate 8,000 jobs for every $1.0 billion in exports, or 1.1 million jobs last year. But U.S. agricultural interests have become increasingly concerned, ever since the U.S. withdrew from the Trans Pacific Partnership (TPP), a very important trade agreement and missed opportunity.

U.S. wheat industry representatives and most in U.S. agriculture agree U.S. trade negotiators should be strongly encouraged to seek re-engagement in the TPP process and help President Trump get his better deal. TPP in its current form, without the U.S., has 11 country members and was signed in early March 2018. The reasons for U.S. re-entry are arguably many, but without re-engagement it appears certain that U.S. producers stand to lose very serious market share in many of their best customer destinations, while our competitors will enjoy much lower tariffs and gain market share. Comparatively higher tariffs could disadvantage U.S. wheat producers in a key market like Japan by as much as $2 per bushel and eventually impact other important markets. The TPP-11 tariff structure with Japan, a long time top U.S. spring wheat user, will be gradually reduced over five years for our chief competitors, Canada and Australia, both TPP-11 signatories, as implementation progresses. For wheat producers, other top end Asian customers are also members of the new TPP-11, further strengthening the case for U.S. re-engagement in the process.

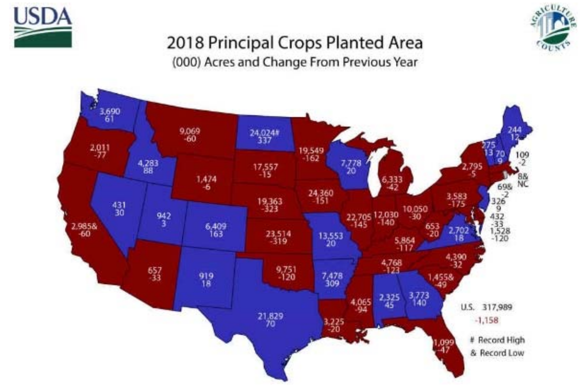
The ability to trade, build long term market relationships, and protect hard won market shares in key customer destinations is extremely critical for North Dakota agriculture, our state's primary industry, economic engine, and revenue generator. This has been the case for a very long time and remains so today. Trade in an environment that is as free flowing as possible, as fair and as rule-based as possible, or as fair and free as can be negotiated, is mostly a desirable situation. In contrast, several memorable historic events that were in part attributed to diplomatic and trade frictions include: commodity embargoes four decades ago that precipitated devastating economic downturns in U.S. agriculture and the North Dakota economy, earlier (national) isolationist trends that have long been linked as catalysts to epic world wars, and other historic conflicts over trade routes, and the goods that have for centuries traveled over them.

Most of what is produced in North Dakota with a lot of determination, effort and efficiency, must find its value and therefore a market beyond our state's borders, whether our product is agricultural, or not, processed, packaged or refined, or not, or involves the latest technology and accompanying intellectual property rights, or not. These goods have always generated much more value if those who want or need to access them and are willing to pay premium prices, can readily do so. Producers benefit from stronger demand, increased marketing opportunities, and potentially stronger prices.

Trade policy experts often remind us that 95 percent of all potential customers (global population 7.6 billion) reside outside of the United States (population 350 million). In the wheat industry on average 85 percent of the annual production leaves North Dakota (population 750,000) for premium markets in other parts of the U.S. and hundreds of individual premium market destinations in nearly 80 foreign countries each year. On average North Dakota produces more than 50 percent of total U.S. HRS production. There is typically a 50/50 split between domestic consumption throughout the U.S., and the export market, where U.S. hard red spring (HRS) wheat also garners the highest prices of any wheat traded in the global market.

Sales to Asian destinations with high quality tastes and demand have accounted for more than 70 percent of that export business, with the remainder moving to quality conscious markets in Europe and Latin America. Explosive market growth is expected to continue in Asia, particularly in the Philippines, Indonesia, Taiwan, Korea, Vietnam, Malaysia, and China where most of these countries are centers of growth in population, middle class incomes, and quality wheat demand. The

Philippines has already surpassed Japan, the longtime top destination for U.S. and North Dakota HRS. Nearly all of these countries are on the U.S. HRS top 10 customer list. Total U.S. HRS exports to Asia alone averaged 175 million bushels over the past five years and reached 210 million last year. These hard won markets have been earned with high quality, reputation, trade service, and significant producer checkoff investment.



North Dakota is very likely affected more by trade policy and other agriculture related policy decisions than almost any other state. A recent USDA map shows 2018 total prospective acreage of principal crops at 24.0 million acres in North Dakota, topped only by Iowa's 24.3 million. Kansas came in third, at 23.5 million, Illinois fourth, at 22.7 million and Texas fifth, at 21.8 million. After Minnesota's 19.5 million acres and South Dakota's 17.6 million, planted acreage of USDA's principal crops falls off pretty quickly in the rest of the U.S. with 30 states under 5 million.

North Dakota production of primary crops and livestock over the past decade has been valued at an average of $8.2 billion as annual gross cash farm gate sales (simply price X quantity). Over the same 10 year period those annual values have ranged from $6.1 billion in 2009 to 11.6 billion in 2012, according to USDA-NASS reports. Crop insurance and Government payments would add an average of $680 million to the 10 year average, raising it to $8. 9 billion per year over the decade from 2008 through 2017. As expected these additional payments tend to augment the gross cash value of actual production in the lower performing years, helping to stabilize producer incomes and the value or contribution of the industry to the economy year over year, as intended. Agriculture remains an extremely important part of the economy of the state of North Dakota and the nation as a whole. The continued productivity of our agricultural sector and the phenomenon of international trade makes much of this possible.

ND Ag Enterprise Values
(No Crop Insurance/Gov't Payments Included)