National Association of Wheat Growers
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# Backgrounder: International Trade

Did you know that almost half of all the wheat grown in the United States is destined to beexported? International trade is critical to U.S. wheat growers and our overseas customers demand high quality wheat which American farmers are proud to supply. The US is one of the top exporters of wheat globally. However, many of our international markets are facing uncertainty which is hurting US wheat farmers' bottom-line.

## USMCA

NAWG supports the passage of the United States—Mexico—Canada (USMCA) trade agreement in the 116th Congress. The agreement made great strides toward fixing the grain grading issues with Canada, which under current practice automatically grades U.S. wheat as "feed" no matter the quality level. While there are still improvements to be made, this is a great first step for US wheat growers to experience fair trade with our neighbors up north.

NAWG also supports the removal of disruptive national security-based tariffs which threaten the success of the agreement and opposes withdrawal from the North American Free Trade Agreement (NAFTA) prior to USMCA passage. Prior to NAFTA, state intervention and import tariffs kept U.S. wheat exports to the Mexican market very low. With NAFTA, Mexico became the second largest export destination, importing an average of 3 million metric tons annually. Without any trade agreement with Mexico and Canada in place, we could shift back to a pre-NAFTA state which would significantly hurt growers' bottom lines and leave millions of bushels of wheat with no place to go.

## China

When the U.S. raised the threat of tariffs against Chinese goods in March 2018, this caused uncertainty in the market and halted any new purchases of US wheat. After the U.S. implemented tariffs against China, China retaliated with 25% tax on U.S. wheat products across the board. Now almost a year into no new purchases made by China—the largest consumer of wheat globally—wheat growers across the country have lost a total of around $323 million in sales to China, not to mention the depressed prices resulting from lost demand.

We recognize that China's trade policies are unfair and create unnecessary distortions that hurt U.S. farmers and other industries, which is why NAWG supports the two World Trade Organization (WTO) cases the U.S. has taken against China instead of tariffs. The cases challenging China's domestic price support and tariff rate quota compliance for wheat, rice and corn served notice to China and our trading partners that the U.S. is willing to lead a legitimate effort to enforce existing trade rules—by following those rules.

## Japan Trade Negotiations

Japan is the number one destination for U.S. wheat. NAWG supports the Administration's announcement to engage in trade talks with Japan. NAWG also urges a quick negotiation process to remain competitive. The implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will give an advantage to our Canada and Australia competitors by triggering a decrease in the mark-up cost of wheat. Without an agreement with Japan, U.S. wheat growers stand to lose market share. Therefore, NAWG encourages US wheat farmers be treated equally to Canada and Australian under the mark-up during ongoing trade negotiations with Japan, and that negotiators quickly reach an agreement that benefits U.S. wheat farmers.