

International Agribusiness Center

2019 Export Highlights, Year to Date 2nd Quarter (YTD Q2)

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Highlights

- Wisconsin exported over \$1.6 billion in agricultural and food products to 128 countries year to date, second quarter of 2019, a **decrease of -7.3 percent**, or nearly **-\$131 million** in value compared to the same period last year. Food and Agriculture Exports made up 15.2 percent of Wisconsin's overall YTD Q2 exports of nearly \$11 billion, which are also **down -5.1 percent** from the same period last year. Total U.S. agricultural exports were valued at nearly \$81 billion, a **decrease of -6.5 percent** compared to the same period last year.
- The top three export markets – Canada, China and Mexico – make up over 56.2 percent of total exports and contributed nearly **\$126 million to the loss** for the same period in 2018. In YTD June, Canada is **down -9.6 percent**, China is **down -30.5 percent** and Mexico is up +0.2 percent
- The top 10 export markets, which make up over 77 percent of the total, are **down -67.7 percent** or nearly **-\$169 million** year to date June. Mexico, Germany, Japan and Hong Kong were the only markets among the top 10 gaining in the YTD June period, with Germany showing the highest increase, up over 54 percent
- The top five markets are highlighted below
 - Canada YTD Q2: \$705 million, **down -9.6 percent** 2018: \$1.44 billion **down -1.3 percent**
 - China YTD Q2: \$118 million, **down -30.5 percent** 2018: \$293 million, **down -2.4 percent**
 - Mexico YTD Q2: \$117 million, **up +0.2 percent** 2018: \$250 million, **down -39.3 percent**
 - Korea YTD Q2: \$96 million, **down 19.4 percent** 2018: \$215 million, **up +20.4 percent**
 - Japan YTD Q2: \$86 million, **up +2.0 percent** 2018: \$175 million, **up +20.6 percent**
- The top five product categories making up 43 percent of total exports totaled nearly \$714 million YTD Q2 of 2019 and **declined nearly 33 percent** from the same period last year. The top 10 products exported make up nearly 67 percent of total exports, totaling nearly \$1.2 billion, **declined -48.8 percent, -\$79 million**. YTD Q2 exports of the top five products are highlighted below:
 - Misc. Preparations, Sauces, yeasts \$180 million, **down 8 percent, -\$15.5 million**
 - Prepared Vegetables, Fruit, Nuts \$175 million, **up +0.8 percent, +1.4 million**
 - Wood and Wood Articles \$125 million, **down 8.3 percent, -\$11.3 million**
 - Dairy – Cheese and Whey* \$121 million, **down 19.2 percent, -\$28.7 million**
 - Meat and Fish Preparations \$111 million, **down 11.6 percent, -14.6 million****This does not include dairy derivatives such as lactose and casein.*
- Wisconsin currently ranks 12th among U.S. states in agricultural exports, including first in the export of ginseng roots, prepared/preserved cranberries, edible preparations of meat, fish and crustaceans, sweet corn prepared/preserved, raw fur skins and bovine semen. Wisconsin ranked second in the export of whey and third in the export of cheese.



Total export value of the all Wisconsin exported products with retaliatory tariffs to Canada, China and Mexico **dropped \$21 million, or -0.9 percent** from 2017 to 2018. Total exports to the top three markets of these products in 2018 was \$2.28 billion, nearly 10 percent of the state's total global exports. As of June 2019, exports of these same products were **down over \$245 million, or -20.9 percent**.

Exports to these top three markets for Agriculture and Food products in 2018 were \$488 million, nominally up \$3.6 million, +0.7 percent. YTD Q2 exports of the same products were \$193 million, **down \$75 million, or -28.1 percent**

Impact of Retaliatory Tariffs of Agriculture and Food Products on exports by country

- **WI Export of Retaliatory Tariff Products to Canada –**
 - 15 items representing nearly 14 percent of total Agriculture and Food exports to Canada in 2018
 - Full Year 2018, \$198 million up 1.3 million, + 0.7 percent from 2017
 - YTD Q2 2019, \$83 million **down 23.4 million, - 21.9 percent**
 - Top items: Beef, Bread, Cucumbers, Waters
- **WI Export of Retaliatory Tariff Products to China –**
 - 31 items representing 69 percent of total Agriculture and Food Exports to Mexico in 2018
 - Full Year 2018, \$203 million **down 1.8 million, - 0.9 percent**
 - YTD Q2 2019, \$83 million **down \$30.4 million, - 26.7 percent**
 - Top Products: Whey, Hides, Oak, Cranberries
- **WI Export of Retaliatory Tariff Products to Mexico –**
 - 13 items representing over 35 percent of total Agriculture and Food Exports to Mexico in 2018
 - Full Year 2018, \$88 million up \$4.1 million, + 4.9 percent from 2017
 - YTD Q2 2019, 26 million **down \$21.6 million, - 44.9 percent**
 - Top Products: Cheese, Potatoes, Cranberries, Food Preparations

Note: Not all decreases can be attributed to the retaliatory tariffs, and some Wisconsin exporters and international buyers are absorbing the added costs to stay competitive, which cannot be sustained over the long term.

- **USMCA Benefits for Agriculture and Food Companies**
 - Agreement to eliminate US tariffs on Steel and Aluminum from the retaliatory tariffs in Canada and Mexico on Agriculture and Food products as well as many other manufactured products. This is seen as the largest immediate benefit of signing the USMCA
 - Once passed, and provided that the retaliatory tariffs are lifted, exporters can work to reverse the total \$75 million loss year to date on the items under retaliatory tariff in Canada and Mexico.
 - Elimination of Class 7 Milk in Canada – Milk protein concentrate, skim milk powder and infant formula will be sold at the US price level. This measure is seen as helping boost milk prices, but will have a nominal effect in Wisconsin.
 - USMCA rules for dairy products are estimated to provide access to an additional 3.59 percent of the Canadian Dairy Market, according to [The Farm Journal in an October of 2018 article](#))
 - Since 1996 (two years after NAFTA passage), WI Ag & Food Exports to **Canada have increased 847 percent and increased to Mexico 679 percent**. By comparison, exports to **all countries increased 105 percent** in the same period, using inflation adjusted dollars*
- **USMCA Challenges and Concerns for Agriculture and Food Companies**
 - It is not a guarantee that US, Canada and Mexico will lift their respective retaliatory tariffs after signing and when.
 - There is some concern that Canada will create rules that will effectively not eliminate class 7 Milk
 - Quota levels on cheese will remain in place
 - Wilson Center – Mexico Institute May 23, 2019 [Article by Anthony Wayne](#)
 - Labor reforms for new labor courts and conciliation bodies in Mexico may take several years to complete and may invite threatened unilateral action from the US
 - Some changes of interest to the Democrats in the House can be accomplished through enabling legislation, but would be problematic. Requirements for renegotiation are seen as non-starters by Mexico and Canada or, at least, extremely difficult.
 - Beyond the potential to eliminate the retaliatory tariffs, which are separate from USMCA, the agreement is estimated to modestly grow Ag & Food Exports in the region. Thus the benefits would be more to retain previous gains.