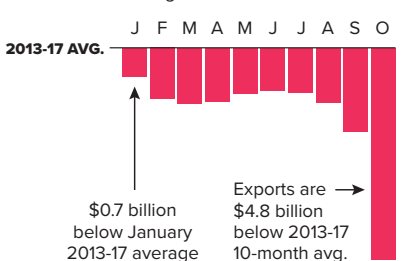


Jan. 30, 2019

How Argentina is Winning the U.S.-China Trade War

BY TAYLOR MILLER THOMAS, POLITICO PRO DATAPOINT

U.S. 2018 shipments to China far off course
Deviation based on the cumulative average from 2013 to 2017.



Argentina's soybean industry has become a roundabout winner in the U.S.-China trade dispute, acting as a middleman — both a buyer and seller — between the U.S. and China.

Since the Chinese government levied tariffs on U.S. soybeans in July 2018, U.S. exports to China have fallen significantly, while soy exports from Argentina to China have increased. Argentina is taking advantage of weakened U.S. soybean prices to propel its own soy exports. The country's primary exports to China, which include soybeans, have increased nearly 83 percent since July 2018, and are up nearly 300 percent year-over-year for the month of November.

While the trade war has been a short-term boon for Argentina, its neighbor Brazil — the leading seller of soybeans to China — stands to gain the most over the long run if the trade war persists.

Plummeting U.S. soybean shipments to China open door for competition in South America

After a series of escalating retaliatory threats, China set tariffs on U.S. goods in April and July. The July round of tariffs included soybeans. U.S. soybean exports to China have fallen significantly since then, lagging historical levels.

Although November data are unavailable due to the recent government shutdown, October 2018 shipments were \$2.9 billion less than typical export levels for the month — when shipments have typically been at peak levels.

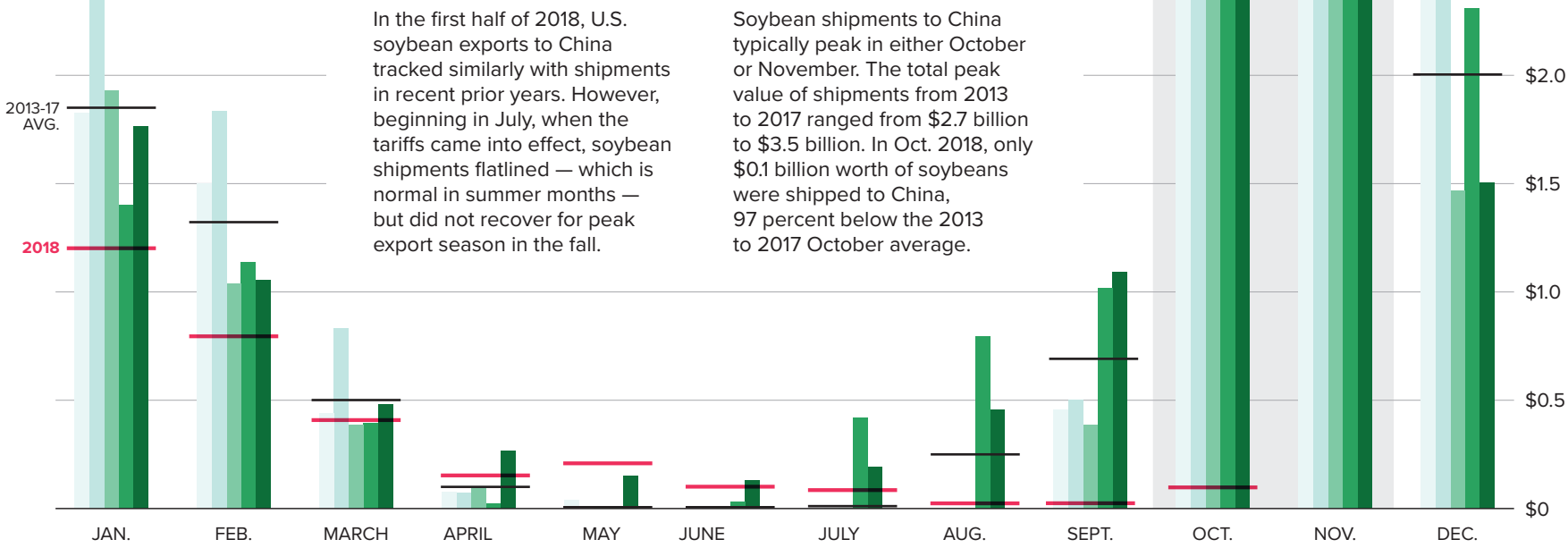
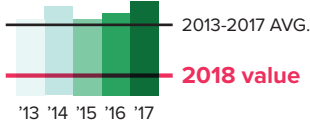
The U.S. could permanently lose market share as China imports soybeans from other countries. Professor Wallace Tyner, of Purdue University's department of agricultural economics, explained that while Argentina is taking advantage of current conditions to sell beans to China, a greater danger lies in Brazil converting additional farmland to grow soybeans to meet Chinese demand.

"And once that happens, the U.S. has lost that

area forever, it's gone," said Tyner.

Brazil has already increased its soybean exports to China. The USDA Foreign Agricultural Service in December lowered Argentine export projections, based on Brazilian export growth.

Monthly soybean shipments from the U.S. to China, by year
BILLIONS OF DOLLARS



Argentina meets domestic demand with cheaper U.S. supply, sells its own soybeans to China

Argentina has taken advantage of lower U.S. soy prices to purchase \$362 million more in U.S. soybeans in the first 10 months of 2018, compared with 2017, to meet domestic demand.

Since July, the country has also increased its agricultural exports to China. In November, 33 percent of its primary products exports, which includes oil seeds like soybeans, were sent to China, compared with about 5 percent in July. Its agricultural manufactures exports to China, which includes mill products and oils such as soybean oil, have increased from 5 percent to an 11 percent share over the same time period.

"Argentina is importing U.S. beans for domestic consumption, so that they can export more of their beans to China, where they get a higher price," said Tyner. "It's just diversion from one channel to another."

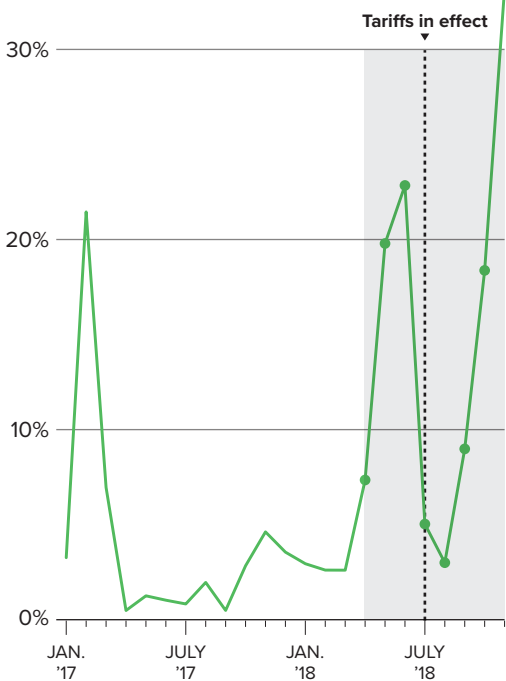
Unlike Brazil and the U.S. (the top two soybean sellers to China), Argentina was not previously a major exporter of the product. However, analysts at the Rosario grains exchange in Argentina project that Argentine exports to China could be as high as 14 million tons in the 2018-19 growing season. U.S. exports are expected to total 1.9 billion bushels of soybeans in the same period, down 200 million bushels from the previous year.

U.S. front-month soybeans futures settlement prices, CBOT
MONTHLY AVERAGE PRICE PER BUSHEL



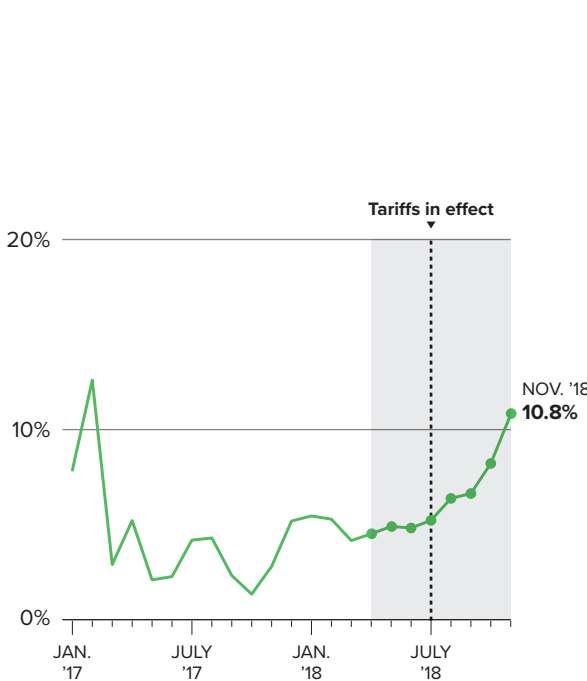
Note: January average is through Jan. 16, 2019.

Argentina's primary products exports to China
PERCENTAGE OF ALL SUCH EXPORTS



Note: Detailed export data for Argentina unavailable for 2018. Primary products include live animals, fresh product, and oil seeds and fruits.

Argentina's agricultural manufactures exports to China
PERCENTAGE OF ALL SUCH EXPORTS



Note: Detailed export data for Argentina unavailable for 2018. Agricultural manufactures include meat, dairy products, coffee, spices, mill products and fats and oils.

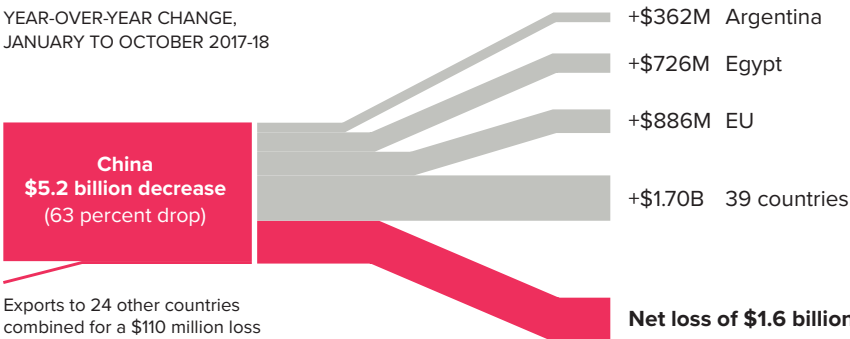
Year-end sales, new talks may signal progress toward a resolution

The tariffs have taken a significant toll on soy exports to China — U.S. exports to the country were \$5.2 billion lower during the first 9 months of 2018 relative to the same period in 2017. The U.S. has found other buyers for its soybeans, including Egypt and Argentina, and the EU, but has not fully offset the loss in Chinese sales.

Recent developments, however, could signal the two countries are seeking a resolution.

In December, China announced three purchases of U.S. soybeans totaling 2.63 million metric tons, part of the 2018-19 marketing year. The White House also announced that the U.S. and China would meet over a 90-day period starting Dec. 1, in an attempt to address trade grievances.

Where has the U.S. sent its soybeans instead?



Note: International data on soybeans shown in this article are based on Harmonized System code numbers. These codes are harmonized, globally, up to the sixth digit. China levied tariffs on two U.S. soybean products at the eight-digit level: 12019010 and 12019020. Data in this article reflect all soybeans classified under the 120190 heading. U.S. data for November 2018, which should have been released Jan. 8, 2019, are unavailable because of a lapse in publication during the government shutdown.

Sources: USA Trade database, U.S. Census Bureau, USDA Foreign Agricultural Service, Centro de Economía Internacional, UN Comtrade, POLITICO Pro reports, Reuters, Oil World, CME Group

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