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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 be exported? 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 U.S. 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 swift passage and enactment of the United States—Mexico—Canada (USMCA) trade agreement. 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 U.S. wheat growers to experience fair trade with our neighbors up north.

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. It is important to wheat growers to maintain our current market access through USMCA, while seeing progress on trade barriers in Canada.

### **China**

NAWG is encouraged by the recent "Phase 1" agreement with China. As the largest consumer of wheat globally, this market has great potential for growth. Recently, the U.S. won two World Trade Organization (WTO) cases against China's domestic price support programs and tariff rate quota (TRQ) compliance for wheat which could facilitate greater demand for high-quality U.S. wheat that is already well established.

When the U.S. raised the threat of tariffs against Chinese goods in March 2018, this caused uncertainty in the market and halted new purchases of US wheat. After the U.S. implemented tariffs against China, China retaliated with a 25% tax on U.S. wheat products across the board, resulting in hundreds of millions of dollars in lost revenue for U.S. farmers. It is critical that a trade agreement with China lift these tariffs that have harmed market access.

### **New Trade Agreements**

The recent trade agreement with Japan was a significant victory for U.S. wheat farmers by putting us on a level playing field with Canada and Australia, which are major competitors. Moving forward, NAWG supports new Free Trade Agreements (FTA) that create market access for U.S. wheat. We have seen a significant hit to U.S. wheat exports as established markets became uncertain in recent years. With 50% of all U.S. grown wheat being exported we must diversify our overseas customer base to remain competitive, and FTAs help remove current trade barriers in those potential markets. NAWG is encouraged by the Administration's intent to negotiate with the European Union, the United Kingdom and, most recently, Vietnam.

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