The Costs to Agriculture from Recent Trade Disputes: A Georgia Perspective

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American agricultural and food producers have been caught in the middle of ongoing trade disputes between the United States and some of its major trade partners. Most trade partners - China, Mexico, Canada and others – facing tariffs from the United States have chosen to retaliate against American agricultural exports.

Last year, American agriculture lost overseas markets and revenues, some of which have been partly compensated by the Trade Mitigation Programs and exports to new sources. However, as the U.S. - China trade dispute gets reignited in May 2019, American agriculture faces several critical challenges, including 1) whether U.S. agriculture can recover from the original and continued loss of overseas markets ; 2) will the tit-for-tat tariffs cloud the prospects for new markets for American agriculture; 3) how can American agriculture compete with its non-agricultural sectors for labor and capital/credit; and 4) whether the recent rise in farm wages and decline in farm solvency ratios point to farm financial stress.

Munisamy, Liu, Rabinowitz, and Dorfman recently released an article, entitled “The Costs to Agriculture from Recent Trade Disputes: A Georgia Perspective”. This article shares insights on the impact of the ongoing trade disputes on American and Georgia agriculture and on emerging farm financial stress. Detailed discussions on cotton, pecans, peanuts and broiler meat are included in the article. Agricultural and food producers nationwide have faced the direct effects of retaliatory tariffs, but changes in market prices alone may not fully capture the losses seen in crops that Georgia has large national shares in the production of, notably cotton, peanuts and pecans. The search and adjustment costs for new and smaller markets may be reflected in a weakening local basis and an average national price for compensation will likely understate Georgia’s loss.

Trade issues are compounding the financial stress already present in the agricultural production sector. Nationally, the farm debt-to-equity ratio forecasted for 2019 is the highest of the past decade. At a time when many Georgia farmers are in tough financial conditions following several hurricanes, macroeconomic factors, especially the appreciation of the U.S. dollar, and a trade war add to the financial pain being felt by many producers. Georgia may actually be in a more vulnerable position than the average for American farmers.

American agriculture appears to be buffeted by uncertain markets for products and inputs, and the marginal damage from the latest round of tariffs is likely to be significantly higher than the historical average. Whether the resolution of trade disputes will restore not only the original market access but also the foregone growth in American exports during the dispute remains an open question.