



# CHINESE SUBSIDIES HARM WORLD WHEAT EXPORTERS

Wheat subsidies provided by China cost world wheat exporters more than *\$3 billion* in lost farm revenue annually.

These subsidies exceed China's commitments made within the World Trade Organization (WTO), spur additional domestic production, suppress world prices and reduce farmer profitability.

## Farmer Impact

A 2016 Iowa State University study modeled the impact of subsidies provided to Chinese wheat growers. Without these support programs, many Chinese growers would switch to other crops, resulting in more Chinese wheat imports, lower food prices for Chinese consumers and higher farm income in exporting countries. This study built on a similar study in 2015.

Annual Impact of China's Domestic Support Policies on Wheat Exporter Farm Revenue	
	Exporter Farm Gate Revenue Loss
United States	– \$653 million
European Union	– \$1,128 million
Canada	– \$252 million
Australia	– \$246 million
Russia	– \$896 million
Ukraine	– \$216 million

Source: Dr. Dermot Hayes, Iowa State University, 2016 Analysis

## What is the United States Doing?

Defending U.S. farmers and opening markets, the U.S. Trade Representative launched a new trade enforcement action against China's market price support policies within the WTO, claiming that the policies far exceed China's commitments and limit opportunities for U.S. wheat exports.

## Damage Grows Each Year

In 2015, the Iowa State researchers found that Chinese subsidies were costing U.S. farmers \$548 million annually. As world wheat prices continue to fall, another year of data showed that maintaining high support prices increases the size of the trade distortion. The 2016 study update showed the impact on U.S. growers had grown by 19 percent to \$653 million.



Jason Scott is a soft red winter wheat farmer from Maryland. Photo Credit: Edwin Remsburg.

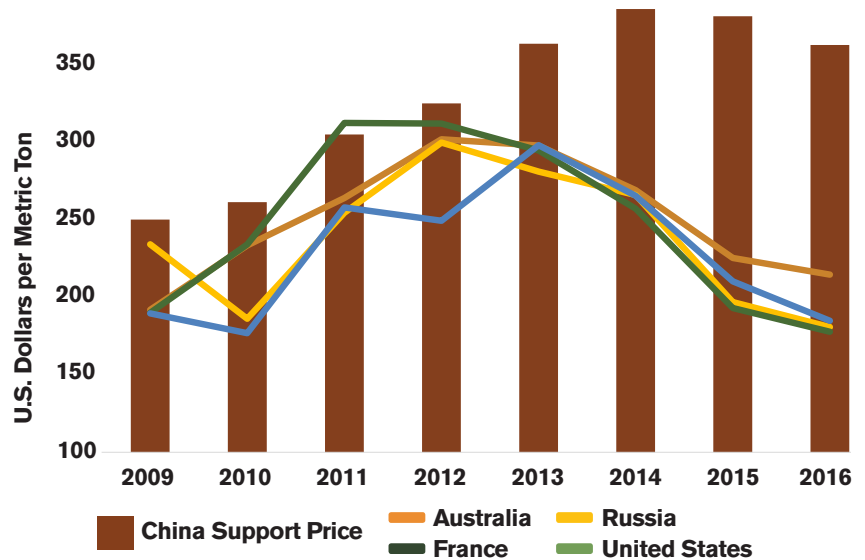
“Farmers like me raise wheat for market prices. How are we supposed to compete with farmers whose governments guarantee absurdly high prices in a world market that is already oversupplied with wheat?”

– Jason Scott, USW Chairman.

## TRADE OPPORTUNITIES AND FOOD SECURITY

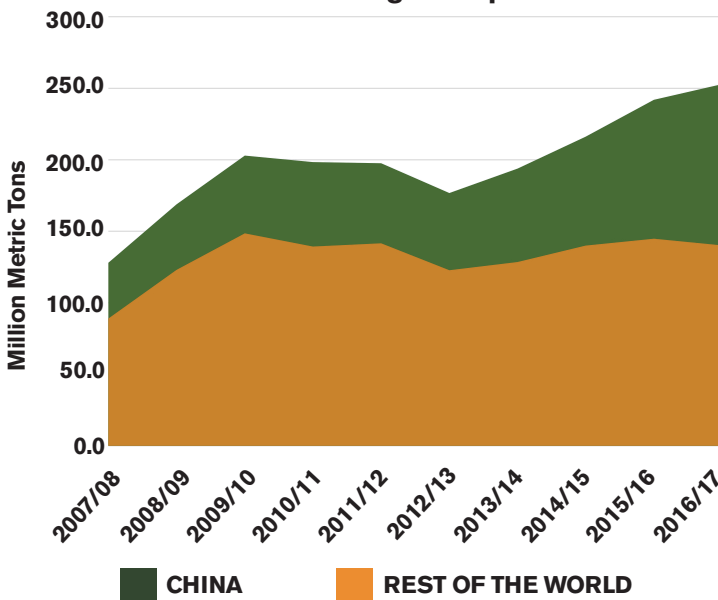
As the world's largest wheat consumer, China should be a major export opportunity for U.S. wheat farmers but its excessive support policies limit that potential. China artificially increases wheat production through price supports at about \$10 per bushel. The procurement price is so high that China has to purchase and store enormous stocks, and has almost half the world's wheat in storage. To prevent millers in China from buying cheaper imported wheat, the Chinese government uses an array of border controls and other tactics that blatantly violate their WTO commitments.

### China's Support Prices Outpacing Global Export Prices



The USDA projects that by June 2017, China will hold *44 percent* of the world's wheat supplies, *47 percent* of corn and *61 percent* of the world's rice.

### China's Growing Stockpiles



### Market Impacts

China has dramatically increased its support prices for wheat and other grains over the last decade. These policies have led to large grain stockpiles. Chinese-held stocks have increased tremendously compared to the rest of the world. With global ending stocks already at record highs, these policies further weaken market prices for U.S. farmers.

### Self-Sufficiency

China has a goal of being 95 percent self-sufficient in wheat production. However, self-sufficiency goals do not allow a country to unilaterally ignore trade commitments or WTO rules. USW-sponsored studies have shown the policies used by China actually increase the cost of food for their consumers, in addition to harming farmers in exporting countries.

 U.S. WHEAT ASSOCIATES  
WWW.USWHEAT.ORG

U.S. Wheat Associates (USW) is the industry's market development organization working in more than 100 countries. Its activities are made possible by producer checkoff dollars managed by 17 state wheat commissions and through cost-share funding provided by USDA's Foreign Agricultural Service.

National Association of Wheat Growers (NAWG) is a federation of 21 state wheat grower associations that works to represent the needs and interests of wheat producers before Congress and federal agencies. Based in Washington, D.C., NAWG is grower-governed and grower-funded, and works in areas as diverse as federal farm policy, trade, environmental regulation, agricultural research and sustainability.

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