EXECUTIVE SUMMARY

THE TRANS-PACIFIC PARTNERSHIP

The Trans-Pacific Partnership (TPP) trade and investment agreement concluded in October 2015 by the United States and 11 other countries in the Pacific Rim has the potential to have a significant, positive impact on U.S. agriculture. Analysis by American Farm Bureau Federation indicates Congressional **passage of the agreement would boost Net Farm Income by $4.4 billion** over levels expected if Congress fails to ratify TPP.

This report assesses the effects of reducing agricultural tariffs, adjusting tariff-rate quotas (TRQs) and reducing other non-tariff barriers to trade as agreed upon by Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam and the United States in the TPP agreement on the United States' agriculture in 2026—the assumed end date of the pact's implementation. While legally TPP only goes into full effect if the United States ratifies the agreement, literally all of the other member countries could—and indeed are—already implementing the various bilateral provisions of the agreement without waiting for the United States to complete action. Consequently, the comparison scenario here is the implication of Congress failing to pass the agreement while the remaining member countries proceed apace.

While the United States already has trade agreements with Australia, Canada, Chile, Mexico, Singapore and Peru, the agreement substantially lowers tariffs and other trade barriers with other member countries. It also updates some of the previous agreements.

TPP is a multi-lateral agreement. All 12 members are signing agreements with each other. This means that Vietnam for example gets improved terms of trade with Mexico. Similarly, Canada gains added access to Japanese markets. In short, other countries will move forward with their trade capabilities regardless of whether or not the United States decides to ratify the agreement. Failure on the part of the United States to enact TPP will not see our trade situation maintain the status quo but will actually see loses market share and declines in the value of our agricultural trade.

Some key results:

- **Livestock receipts with implementation are $5.8 billion higher with approval than without and crop sector—including fruits and vegetable—receipts are $2.7 billion higher. Net farm income is also $4.4 billion higher.**
- **U.S. beef and pork exports are expected to be $1 billion and $940 million higher respectively.**
- Farm prices for corn, soybeans, wheat, rice, cotton, fed steers, feeder steers, barrows and gilt, wholesale poultry and milk are all projected to be marginally higher with the agreement in place than without.
- Net trade rises for rice, cotton, beef, pork, poultry, butter, cheese and non-fat dry milk.
- Conversely net trade of corn declines slightly but overall use increases and corn revenue rises as higher feed use is needed to provide for the added beef and pork exports rather than being exported as raw commodities.

The BIG PICTURE

Individual commodity breakouts are in the report but it is beneficial to understand the overall story. **From agriculture's perspective, the major short-term shifts in trade derive from increased access to the animal protein markets in Japan. Longer term, economic growth in Vietnam, along with much better entry terms into their market should also result in an improved trade picture there.** Recall that several TPP signatory countries already have trade agreements with the United States and as such, will see only limited trade gains under this multilateral deal.

Japan already operates with only limited barriers to the import of U.S. feed grains and oilseeds for feed use by their livestock sector, so there will be essentially no direct market improvements from the deal for these goods. Reduction in Japan's livestock herds due to production cut backs driven by lower animal product prices may actually reduce their feed needs, lowering their feed grain and oilseed import requirements.

As Japan increases their animal protein imports however, the United States increases livestock herds to satisfy the higher Japanese demand levels. Those animals in turn need to be fed and processed here boosting feed use and thus feed grain and oilseed production as well as adding to domestic processing demand.

The analysis indicates beef and pork production rise with U.S. ratification. While relatively small in the grand scheme (1 and 3 percent respectively), the price increase associated with the **higher level demand is spread across all of beef and pork production translating to a rise in livestock cash receipts by $5.8 billion at full implementation when compared to a 'failure to implement' scenario.**

On the crops side, the agreement leads to a small reduction in corn exports, but higher feed use. A nickel rise in the price of corn does not seem like much, but together with other crop price increases—13 cents for soybeans and 16 cents for rice as examples—pull crop cash receipts up by $2.7 billion with implementation when combined with fruit and vegetable sector gains.

After adjusting for the higher production costs associated with increased output, after full implementation net income should be $4.4 billion higher with U.S. ratification than without.