

[Wheat](#)[Corn](#)[DDGS](#)[Market](#)[Policy](#)

ANALYSIS: Will Biden seek to re-join the CPTPP trading bloc?

1 hour ago | [Thomas Hughes](#)

One of President Trump's first actions as US President was to pull out of the Trans-Pacific Partnership (TPP), a proposed free trade agreement between 12 Pacific Rim countries that would have comprised around 40% of the world's GDP and had the potential to reduce and eliminate tariffs on some 18,000 agricultural and manufactured products.

Trump and his allies stated the agreement would have hit the US economy, with many companies moving jobs away from the US to member countries with lower employment costs and laxer labour laws, with the administration instead preferring to negotiate with countries on a bilateral basis.

But the Biden presidency is likely to re-engage with multilateral institutions and trade bodies, and voices within the farming community are lobbying for joining the bloc, which is now officially known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) amid rising prices for wheat, corn, and pork.

FOR

US exporters are set to be at a disadvantage compared to exporters within the TPP, notably Australia and Canada, with core buyers such as Vietnam and Japan maintaining higher tariffs on US agricultural products such as wheat and corn.

Proponents of the US re-engaging with the agreement state that it would open-up further markets for these products and others, a policy supported by many farmers focused on all or some of these key products.

"I fully expect a Biden administration to investigate how the US could re-enter the TPP. This would be a major lift to agriculture and again provide some stability and predictability to markets," Christopher Gibbs, an Ohio-based farmer and member of the Rural America 2020 initiative told Agricensus.

Japan and Vietnam are the two major agriculture buyers of US goods within the TPP, with Japan the world's fourth-largest wheat buyer taking an average annual volume of 6 million mt and Vietnam a key buyer for US DDGS and pork.

While the US is still Japan's largest origin for wheat, both Canada and Australia will eventually take an increasing slice of this amid gradual tariff reductions, which by 2026 will mean similar grades of US dark northern spring wheat and Canadian red spring wheat will have domestic mark-ups of JPY17,000/mt (\$161.50/mt) and JPY9,500/mt (\$90.25/mt) respectively, the USDA said last April.

For Vietnam, tariffs on US corn stand at 5% while the bulk of the country's feed wheat imports –roughly 2 million mt – are sourced from the Black Sea region,

according to the US Grains Council.

With Vietnam sourcing most of its corn and feed wheat from South America and the Black Sea respectively, but the US PNW hub providing a faster and cheaper freight route, there could be potential for expanding US corn and wheat exports provided they are competitive against other origins.

And with Vietnam's pork imports soaring to 63,933 mt in the first 10 months of 2020 following an outbreak of African Swine Fever, up from just 13,320 mt in the whole of 2019 according to customs data.

Many US pork producers will be eager to reduce a 10% frozen pork tariff to claw away Brazil's 52% share of Vietnam's pork imports.

AGAINST

But with Republicans likely to maintain control of the Senate, and many set to continue Trump's emphasis on bilateral rather than multilateral trade initiatives, Biden may struggle to get approval to join the pact or other, similar initiatives.

"What a Biden administration can do with respect to agricultural policy will be a function of what Congress chooses to do. No president over the past 40 years has independently affected farm policy," Professor Vince Smith, at the American Enterprise Institute told Agricensus.

While less relevant to agriculture, in manufacturing more jobs would likely move to other member states in any future Trans-Pacific Partnership involving the US, with this not boding well for Biden supporters in key Rust Belt states such as Pennsylvania and Michigan.

Another key sticking point will be farmer subsidies, which are currently at record levels in the US in excess of \$50 billion for the 2020 calendar year, and the existing 11 member countries will want to see these reduced or eliminated so as not to give the US an unfair advantage.

In current TPP member Canada, for example, farmers have not received comparable aid payments for lost rapeseed and rapeseed oil trade between Canada and China after an ongoing trade dispute.

"Free trade must also include the concept of fair trade. Canadian grain farmers do not receive the aid payments that numerous countries pay to their farmers and therefore it is not a level playing field. That being said, Canadian wheat farmers are extremely productive and efficient and will continue to export some of the best wheat grown," Dave Quist, Executive Officer of the Western Canadian Wheat Growers Association told Agricensus.

And an additional key issue will be the absence of China from the TPP, one of the main drivers now of US foreign trade in products such as pork, corn, and soybeans.

Would the US be able to increase trade to other countries such as Vietnam and Japan at the expense of denting burgeoning exports to China?

Some think this would not be a problem despite China taking an ever-larger slice of key US corn and soybean markets products, as products bought by TPP members such as wheat, DDGS, meat, and others would likely benefit more than other oilseeds and cereals.

"Overall, it's a good idea, we like trade and we like to be as open as possible. Yes, it is a Chinese thing for the most part with record volumes of corn and beans on the books for shipment ... But I don't see any negatives in the prospect of the US entering such a free trade agreement," John Zanker, Market Analyst at Indiana-based Risk Management Commodities told Agricensus.

"No, joining this agreement would have no direct effect on trade with China, and it would be short-sighted of American Policy to slow walk re-joining the TPP just for the prospect of more trade with China in the short-to-medium term," Gibbs added.