

# Impact of the US-China Trade War on the Alabama Soybean Industry

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Soybeans are one of the primary crops produced within Alabama's thriving agricultural industry. The soybean sector has a total annual impact of more than \$1 billion on Alabama's economy.<sup>1</sup> The purpose of this study is to evaluate the impact of the US-China trade war on the Alabama soybean industry. Many studies have been completed on the broader impact of the trade war on the U.S. soybean industry as a whole. However, this study is unique in its focus specifically on the implications for the soybean industry in Alabama. It is critical for Alabama soybean producers and industry leaders to understand the impact of this trade dispute on the sector in order to be prepared to make informed management decisions when facing similar situations in the future.

The collection and analysis of quantitative data pertinent to the Alabama soybean industry from the beginning of the trade war through the end of 2020 served as the focal point of this study. Acreage and price data provided by the United States Department of Agriculture (USDA) highlighted the trade war's impact on the planting decisions and profitability of Alabama producers. In addition, soybean export figures provided by the Alabama Department of Commerce presented the sector's struggle to replace the Chinese market for Alabama soybeans at the height of the trade war, as well as the resurgence of exports to China following the Phase One trade agreement.

A detailed analysis of these data confirmed that the US-China trade war has significantly impacted the Alabama soybean industry since its beginning in 2018. The data reveal that the elimination of the Chinese export market for Alabama soybeans from late 2018 until January 2020 led to sharp decline in prices received by producers in the state. During this time, many Alabama producers opted to plant other field crops with more favorable immediate market outlooks, such as corn, in place of soybeans. Additionally, government support in the form of Market Facilitation Program payments played a critical role in mitigating the negative implications of the trade dispute for Alabama soybean producers.

Following the announcement of the Phase One trade agreement in January 2020, China reopened to Alabama soybean exports and reclaimed its position as the largest market in the soybean sector for Alabama. Accordingly, soybean acreage and prices in the state have rebounded. Overall, my study shows the US-China trade war severely stressed the Alabama soybean industry, but the industry has proven to be resilient and looks to be in route to a sound recovery.

## Statment of Research Advisor

This analysis contributes to the field by examining the impact of the US-China trade war on the Alabama soybean industry. Existing studies have mainly focused on US soybean industry as a whole or some key producing states of soybeans in the nation. The present study focuses on Alabama and shows how soybean acreage and prices in the state changed during the trade war.

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## References

- <sup>1</sup> National Oilseed Processors Association. 2020. "Alabama: Economic Impact of Soybeans." Retrieved from [https://www.nopa.org/wp-content/uploads/2020/04/Alabama-USB\\_QSSB\\_Economic\\_Impact\\_of\\_Soybeans.pdf](https://www.nopa.org/wp-content/uploads/2020/04/Alabama-USB_QSSB_Economic_Impact_of_Soybeans.pdf) (Accessed September 2020).