

AgriGate

A National Agricultural Biosecurity Center Newsletter



NABC

National Agricultural
Biosecurity Center

BRINGING NATIONAL SECURITY TO AGRICULTURE PRODUCERS IN THE MIDWEST

Located on the Manhattan campus of Kansas State University, the National Agricultural Biosecurity Center, or NABC, is an integral part of the midwest’s expanding animal health corridor. The NABC contributes to and accesses a vast network of interdisciplinary research and resources in the areas of animal and plant diseases, foodborne pathogens, environmental changes, food security, emergency management and One Health.

The mission of the NABC is to facilitate prevention and response strategies that address emerging threats to agricultural economies and the food supply in the U.S. and the world.

U.S. AGRICULTURAL TRADE DEFICIT WIDENS

Why This Matters: The growing trade deficit highlights the need for increased market access and stronger trade agreements to help protect and expand agricultural exports in Kansas and the midwest. Kansas exports almost 45% of its agricultural products, making them a large portion of the state’s economy. If the trade deficit continues to widen, Kansas’ agricultural economy could be at stake. As U.S. imports continue to rise and exports stay stagnant or decrease, Kansas farmers face increased market competition from both foreign and domestic markets.

In August 2024, U.S. agricultural exports remained steady at \$13.01 billion, unchanged from July. However, imports totaled \$17.19 billion, reflecting a 2% decline from the previous month. This resulted in a monthly trade deficit of \$4.18 billion, a continuation of a troubling trend for the agricultural sector. For fiscal year (FY) 2024, cumulative exports reached \$161.3 billion against imports of \$188.82 billion, creating a significant deficit of \$27.52 billion. Notably, this sector has experienced monthly deficits in 10 out of the last 11 months, raising alarms throughout the industry.

The U.S. Department of Agriculture (USDA) forecasts that agricultural exports will total \$173.5 billion in FY 2024, while imports could soar to a record \$204 billion, projecting an unprecedented trade deficit of \$30.5 billion. This sharp contrast underscores a worrying trend; since peaking at \$196.1 billion in FY 2022, U.S. agricultural exports have decreased by 11.5%. Projections for FY 2025 suggest further declines, with exports anticipated to fall to \$169.5 billion and imports rising to \$212 billion.

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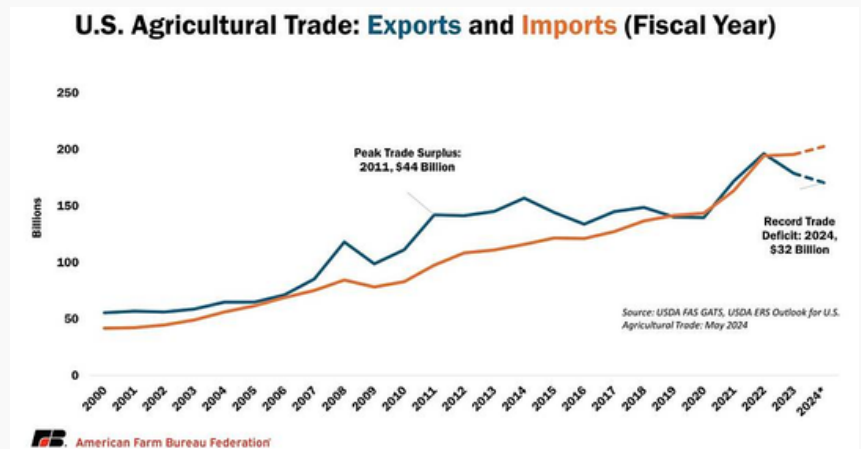
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U.S. AGRICULTURAL TRADE DEFICIT WIDENS

Concerns are mounting over the absence of new free trade agreements (FTAs) under the Biden administration, which historically have played a crucial role in enhancing market access for American farmers. Nevertheless, recent reports from the U.S. Trade Representative's Office and USDA highlight efforts to bolster agricultural trade, citing a 28.5% increase in average agricultural exports over the past four years and over \$26 billion in secured global market access.



While some gains may be attributed to higher commodity prices rather than increased volumes, the ongoing trade deficit paints a challenging picture for U.S. agriculture. As the market evolves, industry leaders are calling for renewed focus on trade initiatives to secure a competitive edge in global markets.

THE IMPACT OF RAIL EMBARGOES ON U.S. – MEXICO AG TRADE

Why This Matters: Mexico is the largest export market for U.S. agricultural goods. When embargoes are implemented, they halt shipments to Mexico, slowing trade and causing disruptions that make it difficult for farmers to compete, potentially exacerbating existing financial struggles. Nearly 45% of Kansas' agricultural goods—around \$2 billion worth as of 2022—are exported to Mexico, highlighting its importance as an export market for both the U.S. and Kansas.

The Union Pacific and BNSF railroads have imposed embargoes and permit requirements for trains bound for Mexico due to congestion and severe backlogs. Mexico's railroad system is less advanced than that of the United States, a situation stemming from inadequate infrastructure and insufficient investment. Consequently, Mexico struggles to manage the traffic, contributing to ongoing congestion. U.S. grain associations are urging the USDA and the Trade Representative's office to invest in Mexican rail infrastructure and address the delays caused by border inspections.

Ferromex, Mexico's primary railroad, has issued over two dozen embargoes this year alone, significantly impacting agricultural shippers. These measures are intended to manage congestion on the railways. Approximately 70% of U.S. agricultural commodities—primarily corn, soybeans, and wheat—transported to Mexico rely heavily on railroads. Rail backlogs disrupt the flow of these commodities, create financial instability for growers, and can lead to feed shortages for livestock. Prolonged delays in the rail system also risk contributing to food insecurity in Mexico.



LONG TERM IMPACTS OF 2024 HURRICANES

Why This Matters: The impact of Hurricanes Helene and Milton on the southeastern U.S. will have ripple effects across the entire agricultural industry, and Kansas agriculture is no exception. With the southeast region being a major producer of poultry, fruits, and nuts, disruptions in these key industries could lead to shifts in national supply chains that may affect Kansas producers. For example, with poultry operations in Georgia and North Carolina heavily impacted, Kansas poultry farmers could face higher competition for processing capacity and market share. Additionally, the flooding and destruction of fruit and nut crops in the southeast could lead to increased demand for Kansas-grown produce, potentially driving prices up, but also placing pressure on Kansas farmers to meet heightened demand while managing their own production costs and supply chain challenges. As the southeast works to recover over the next few years, Kansas agriculture may see both opportunities and challenges in navigating shifts in national and international markets.

Hurricanes Helene and Milton have uniquely affected the rural southeast because agriculture is the main economic driver in that region. Recovery from these disasters will take months to years; the hurricanes devastated essential infrastructure, crops, livestock, and homes. The main agriculture industries in the region include poultry, beef and dairy, fruits and nuts, and other crops.

The poultry industry is the dominant industry in the region, and was consequently the most

affected. Over 80% of the poultry in area is concentrated in the counties that were hit the hardest by the hurricanes. Georgia Governor Brian Kemp announced that over 100 poultry houses were flattened by Helene and Florida reports that 1 in 7 broiler houses were also destroyed. Georgia and North Carolina – containing almost a quarter of the U.S. broiler production – were among the most impacted. Flooding from contaminated feed and water increases the risk of disease outbreak in any surviving birds. These issues could push surviving poultry operations out of the market due to the environmental and financial burden. The poultry industry is facing years-long reconstruction in the southeast while the industry sees its way through supply chain disruptions and financial instability.

The southeast region dominates the fruit and tree nut industries, with almost \$1.9 billion worth of production located in the most impacted counties. Georgia is the second largest blueberry producer and makes up 36% of pecan production; Florida accounts for 13% of strawberry production; and North Carolina produces over \$20 million in fresh apple market production.

Extensive flooding destroyed strawberry fields that were prepped to be planted in the near future. Mature pecan trees in Georgia have suffered an almost 70% loss; mature trees will take almost a decade to replace which will result in long term production declines. Prolonged flooding in the region has saturated the soil which is increasing the risk of root rot and diseases that could weaken and/or kill any surviving trees. Excessive soil saturation is affecting all crops from vegetables to apples across the southeast.

Similarly to the poultry industry, the livestock and dairy industries are facing massive losses to infrastructure and animals. Flooding destroyed large amounts of pastureland and fencing, which caused many surviving animals to scatter. Dairy farms were uniquely affected by power outages which disrupted milking and refrigeration and caused large quantities of milk to have to be dumped.

Producers will be facing challenges from reduced feed supplies, lack of storage for feed, and risk of disease and infection resulting from prolonged exposure to wet conditions and stress.

Over \$14.8 billion in total crop and livestock production is generated in the affected counties. If the region were to lose even one-third of its agricultural output, losses could be up to nearly \$5 billion.

