

## China, Iowa Agriculture Exports, and “Stinky Tofu”

By Deborah D. Thornton

*If you reject the food, ignore the customs, fear the religion and avoid the people, you might better stay home.*

*James Michener (1907 – 1997) American novelist<sup>1</sup>*

James Michener, Pulitzer Prize-winning writer, traveled widely, especially in Southeast Asia. Many Iowans traveled to Asia in the summer of 2011 as well. Lt. Governor Reynolds and Secretary of Agriculture Northey spent two weeks in South Korea and China – their report is on page 6 of this issue of *Iowa Economic Scorecard*. The Thornton family also spent two weeks touring China with native friends, our first trip to the world’s most populous country, with over 1.3 billion people. Because we traveled to several non-traditional tourist towns where they see few Americans (especially few African Americans) we had our picture taken with at least 200 complete strangers, and several hundred more took pictures of strangers taking pictures with us. On occasion, we felt like movie stars with paparazzi hanging around.

According to information from the Iowa Department of Economic Development promoting the trade trip to Beijing and surrounding areas, the northeast region is “rich in natural resources, including coal, oil, iron ore, and timber.” It is a “heavy industrial center for iron and steel, oil, petrochemical, shipbuilding, machine tools, aviation, and automobiles.” The region is also important in agriculture, (including “one of the world’s three black earth belts”) is the country’s largest producer of “corn, soybeans, and wheat,” and includes fruit and aquaculture production.<sup>2</sup>

Iowa businesses and agriculture exported over \$10.9 billion worth of goods in 2010. Our largest market was Canada at \$3.4 billion. China was the fourth largest export country at \$599 million, according to the International Trade Administration (ITA). Our largest export category is machinery at \$2.9 billion, followed by processed foods (\$2.5 billion), agriculture/crop products (\$976 million), chemicals, and transportation equipment.<sup>3</sup> Over 2,600 companies in Iowa report exporting their goods and services. The majority, over 80 percent, are businesses with fewer than 500 employees.<sup>4</sup>

Ten years ago, in 2001, our exports to China totaled only \$83 million, according to the U.S. Chamber of Commerce. By 2006 this had increased to \$244 million, and China became our sixth largest export market.<sup>5</sup> Currently, the U.S.-China Business Council reports even more positive numbers than the ITA and Chamber of Commerce, showing 2010 exports from Iowa to China at \$627 million. Using either figure, exports have more than doubled in the last five years.

The market demand has changed in the last five years as well, from waste and scrap (\$56 million) and computers and electronic products (\$44 million) in 2006, to today’s machinery, processed foods, and agricultural meat and grain products. This increase in exports from Iowa to China represents growth of 1,293 percent since 2000. For the United States as a whole, Chinese exports during this time grew by 468 percent.<sup>6</sup> Additionally, the Chinese are the top international purchasers of American agri-

## IOWA ECONOMIC SCORECARD

August 2011  
Volume 19, Number 3

**Public Interest Institute**  
Dr. Don Racheter  
**President**  
Deborah D. Thornton  
**Editor**

IOWA ECONOMIC SCORECARD is our quarterly economic forecast, arriving in February, May, August, and November. It consists of statistics about and analysis of the Iowa economy.

IOWA ECONOMIC SCORECARD is published by Public Interest Institute at Iowa Wesleyan College, a nonpartisan, nonprofit, research and educational institute whose activities are supported by contributions from private individuals, corporations, companies, and foundations. The Institute does **not** accept government grants.

Contributions are tax-deductible under sections 501(c)(3) and 170 of the Internal Revenue Code.

Permission to reprint or copy in whole or part is granted, provided a version of this credit line is used: "Reprinted by permission from IOWA ECONOMIC SCORECARD, a quarterly newsletter of Public Interest Institute." The views expressed in this publication are not necessarily those of Public Interest Institute. They are brought to you in the interest of a better-informed citizenry because IDEAS DO MATTER.

We invite you to:  
CALL us at 319-385-3462.  
FAX to 319-385-3799.  
E-MAIL to: Public.Interest.Institute@LimitedGovernment.org  
VIEW our Website at  
www.LimitedGovernment.org.  
WRITE us at our address on page 8.  
Copyright 2011

cultural products, importing a total of \$17.5 billion.

What are the Chinese buying? Soybeans. They purchase 58 percent of the soybeans grown in the United States. These soybeans are used both for animal feed and consumer consumption. Currently, Iowa farmers produce 30 percent of U.S. soybeans.<sup>7</sup> As a trend, soybean demand in China is expected to increase from 50 to over 88 metric tons by 2020.

According to the World Bank, the 2010 per capita income for China, in U.S. dollars, was \$4,260, ranking 121<sup>st</sup> in the world. Based on a purchasing power parity analysis it was \$7,570, ranking 118<sup>th</sup>.<sup>8</sup> This is in comparison to over \$47,000 in the United States, which ranks 18<sup>th</sup> in the world in per capita income.

However, the Chinese per capita figures represent significant growth in the upper and middle classes and a corresponding increase in meat consumption.<sup>9</sup> For example, in 2006, urban residents consumed over 18 pounds of poultry, up from 7.5 pounds in 1990.<sup>10</sup> The Chinese currently consume more pork and poultry than any other nation in the world. As their middle class continues to grow, animal-based protein consumption will grow as well. The Iowa agriculture markets should continue to benefit.

In response to Michener's quote, while in China we embraced the people and learned about the religion. We practiced many of the customs. And we accepted the food, including such novelties as stinky tofu, thousand-year-old eggs, duck feet and tongue, chicken feet, cow stomach, jellied pig blood, "mountain" snake, frog, wild boar, turtle, sea cucumber, eel, various shellfish, and more. We tried them all! We also had very good dishes with your more common pork, beef, and chicken.












In case you're wondering about the "stinky tofu," you make it by first making brine of shrimp, vegetables, and salt. You let it ferment for months, and then soak a block of tofu in it for several hours.<sup>11</sup> It is distinguishable by its pungent odor and is a food that is impossible to feel neutral about — you either love or hate it. After our first exposure to stinky tofu, we had no trouble recognizing it immediately. One tourist on the Internet said, "I think a better name would be 'cowpie surprise.' In his opinion it looks and smells "like something you could find in a cattle field and it tastes just like it smells."<sup>12</sup> What is tofu made of? Soybeans!

Not to contradict a fellow tourist struggling to accept different and unusual foods, but stinky tofu doesn't smell like 'cowpie surprise,' it smells like money. Iowa farmers will continue to recognize and accept the smell, if not the taste. Stinky tofu smells pretty good. I wonder if Lt. Governor Reynolds and Agriculture Secretary Northey had any?

(Endnotes)

<sup>1</sup> James A. Michener, Thinkexist.com, <[http://thinkexist.com/quotes/james\\_a\\_](http://thinkexist.com/quotes/james_a_)

## Iowa Statewide Economic Indicators

Latest Economic Indicators	Updated as Of:	Actual Number	Amount of Change	Time Period Reported
 New Vehicle Registrations	7/12/2011	61,167	19.1%	June 2010 - June 2011
 New Housing Permits	7/1/2011	2,904	-10.4%	May 2010 - May 2011
 Existing Home Sales	5/13/2011	57,200	-0.3%	Jan - Dec 2010
 Total Resident Jobs	7/17/2011	1,576,100	-6,400	May - June 2011
 Non-Farm Employment	7/17/2011	1,482,300	-4,500	May - June 2011
 Factory Jobs	7/17/2011	204,400	-900	May - June 2011
 Initial Unemployment Claims	7/22/2011	15,651	-17.1%	June 2010 - June 2011
 Jobless Rate	7/17/2011	100,900	6.0%	June 2011
 Personal Income	4/1/2011	\$38,281	3.0%	2009 - 2010
 Exports of Goods	6/16/2011	\$10.9 billion		2010
 Farmland Values	5/27/2011	\$5,064	20.0%	Mar 2010 - Mar 2011

Source: Iowa Workforce Development News and Trends, July 22, 2011, <<http://www.iowaworkforce.org/trends/>>

michener/2.html> accessed on July 21, 2011.

<sup>2</sup> “International Update,” Department of Economic Development, March/April 2011, <<http://publications.iowa.gov/10378/1/int-update0311.pdf>> accessed on July 21, 2011.

<sup>3</sup> “Iowa: Exports, Jobs, and Foreign Investment,” State Reports, International Trade Administration, June 2011, <[http://www.trade.gov/mas/ian/statereports/states/tg\\_ian\\_002727.asp](http://www.trade.gov/mas/ian/statereports/states/tg_ian_002727.asp)> accessed July 23, 2011.

<sup>4</sup> Ibid.

<sup>5</sup> “U.S Exports to China: Iowa Exports,” U.S. Chamber of Commerce, <<http://www.uschamber.com/sites/default/files/international/asia/china/files/iowa.pdf>> accessed July 24, 2011.

<sup>6</sup> “US Exports to China by State 2000-2010,” The US-China Business Council, <[http://www.uschina.org/public/exports/2000\\_2010/full\\_state\\_report.pdf](http://www.uschina.org/public/exports/2000_2010/full_state_report.pdf)> accessed July 21, 2011.

<sup>7</sup> “China drives demand for soybeans,” *The Cedar Rapids Gazette*, February 20, 2011, <<http://thegazette.com/2011/02/20/china-drives-demand-for-soybeans/>> accessed July 24, 2011.

<sup>8</sup> “Gross national income per capita 2010, Atlas method and PPP,” World Bank, <<http://siteresources.worldbank.org/DATASTATISTICS/Resources/GNIPC.pdf>> accessed July 23, 2011.

<sup>9</sup> Coco Liu, “China gobbling up more poultry,” WATTagnet.com, April 30, 2009, <[http://www.wattagnet.com/China\\_gobbling\\_up\\_more\\_poultry.html](http://www.wattagnet.com/China_gobbling_up_more_poultry.html)> accessed July 24, 2011.

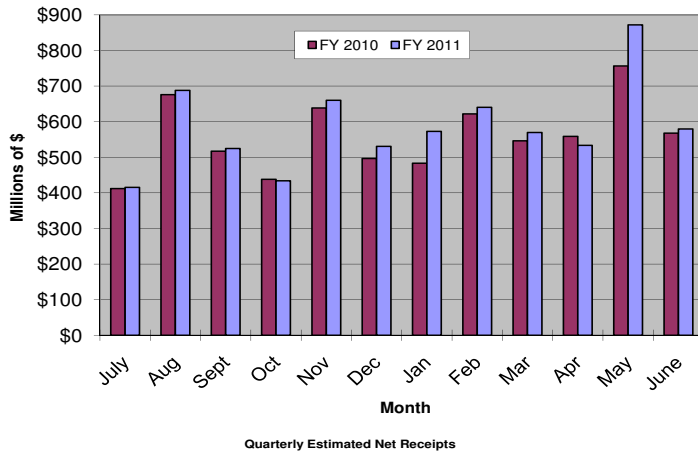
<sup>10</sup> Ibid.

<sup>11</sup> “Unusual Chinese Food,” About.com, <<http://chinesefood.about.com/cs/foodculture/a/unusualfood.htm>> accessed on July 24, 2011.

<sup>12</sup> “The Food,” About.com <[http://chinesefood.about.com/gi/o.htm?zi=1/XJ&zTi=1&sdn=chinesefood&cdn=food&tm=42&gps=189\\_613\\_1150\\_847&f=20&su=p284.9.336.ip\\_p830.4.336.ip\\_&tt=2&bt=0&bts=1&st=14&zu=http%3A//www.hpmuseum.org/china/trip3/dishes.htm](http://chinesefood.about.com/gi/o.htm?zi=1/XJ&zTi=1&sdn=chinesefood&cdn=food&tm=42&gps=189_613_1150_847&f=20&su=p284.9.336.ip_p830.4.336.ip_&tt=2&bt=0&bts=1&st=14&zu=http%3A//www.hpmuseum.org/china/trip3/dishes.htm)> accessed on July 24, 2011.

**Public Interest Institute relies on the support of individuals like you, who be challenges, to continue our publications. Please use the enclosed postage-p**

### Iowa's Monthly State Revenue and Estimated Net Yearly Revenue (in millions)



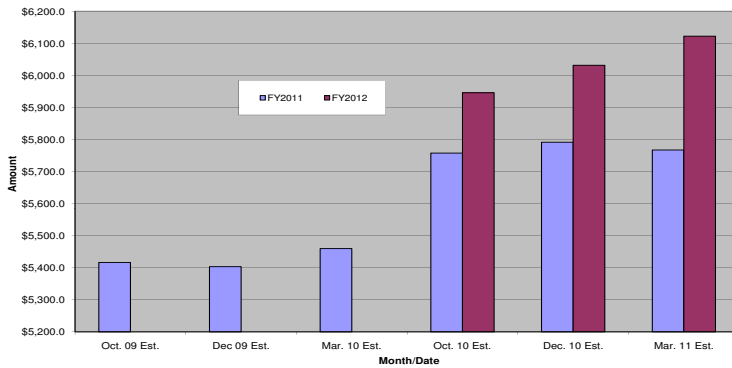
#### Monthly State Revenue:

Monthly FY 2011 state revenue was \$579.4 million in June. This is \$16.8 million more than June 2010. Tax collections for FY 2011 year end total \$7,018.5 million, \$308 million more than a year ago, and almost \$100 million more than the FY 2009 amount of \$6,921.5 million.

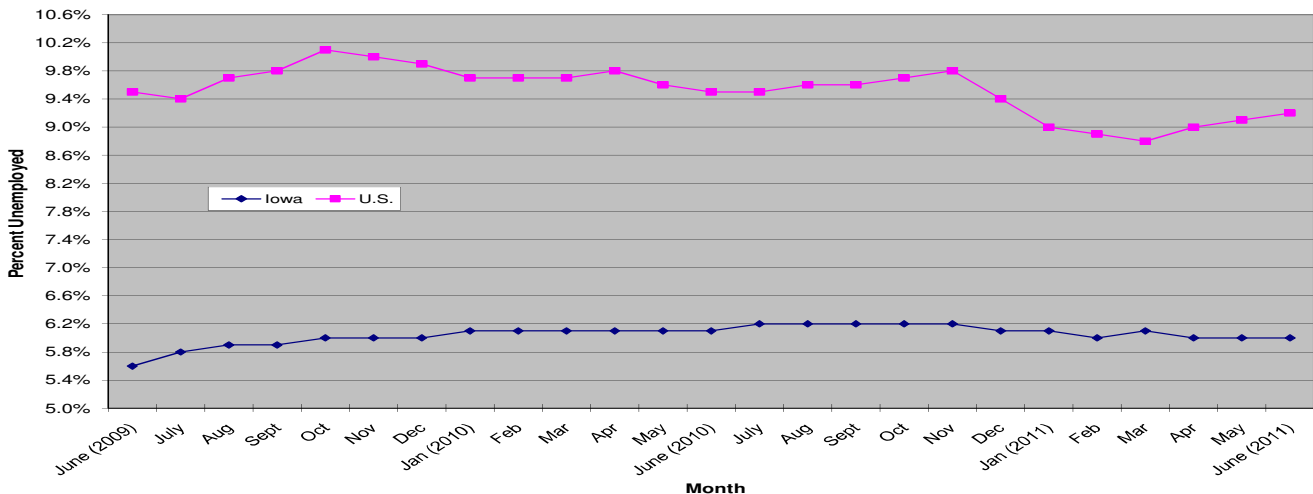
#### Estimated Net Yearly Revenue:

The revised Revenue Estimating Conference March estimate for FY 2011 is \$5,767.2 million, down slightly from the December estimate of \$5,791.6 million. The official December 2009 estimate, the basis for the FY 2011 budget, was \$5,403.2 million. The revised estimate for FY 2012, which started July 1, is \$6,122.2 million, \$90 million more than the official December 2010 estimate.

Source: Legislative Services Agency "Monthly General Fund Revenue Memo," and Revenue Estimating Conference Report



### U.S. and Iowa's Unemployment, June 2009 - Present

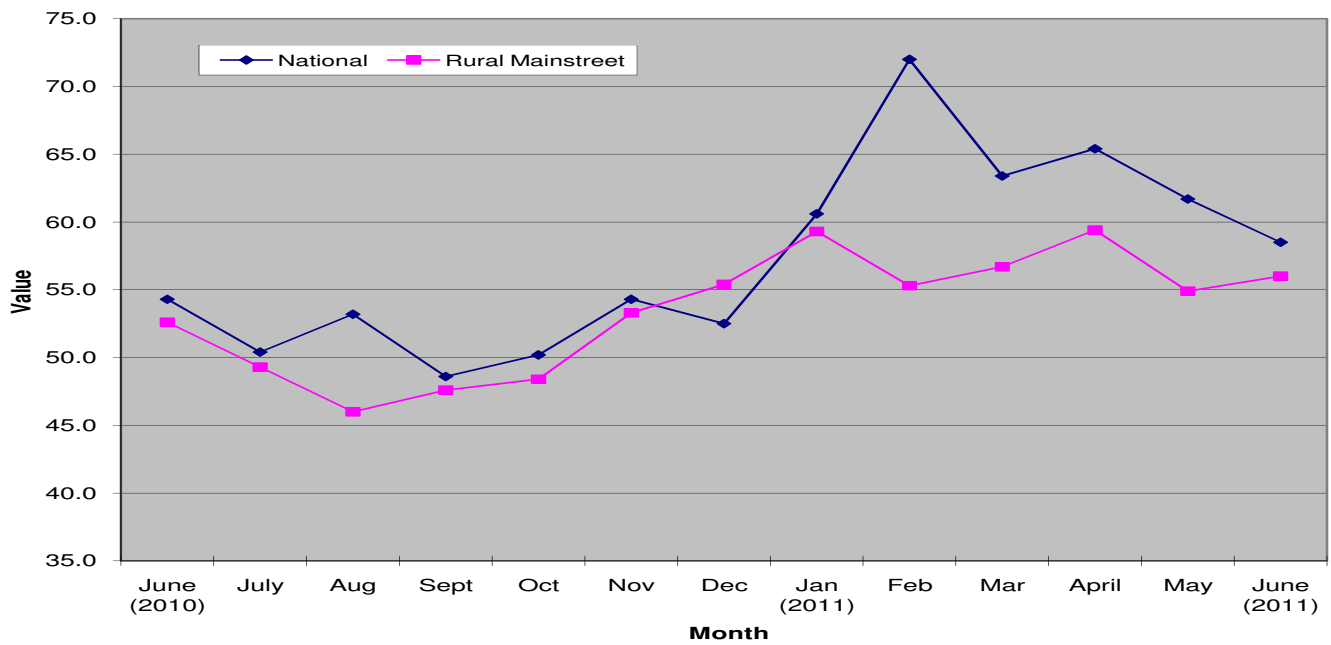


The U.S. unemployment rate in June continued to rise, reaching 9.2 percent. The Iowa June rate of 6.0 remains unchanged for the last three months. Total Iowa employment in June was 1,576,100. Those employed in factories numbered 204,400. There were 100,900 unemployed Iowans, up from 94,000 two years ago.

Source: Iowa Workforce Development, Labor Market Information Bureau, "Monthly Unemployment Rate News"

**Believe in individual liberty and free-market solutions to today's public-policy  
 paid envelope to make your tax-deductible contribution to this effort today.**

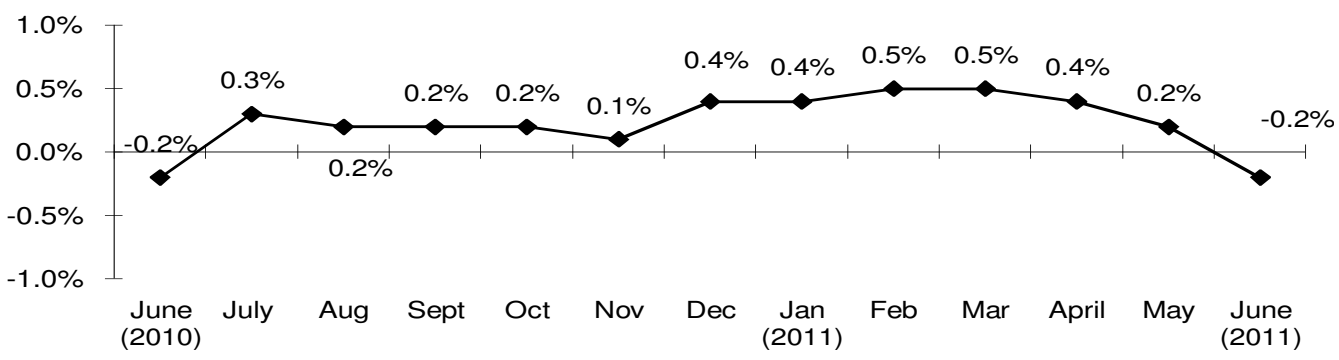
### Consumer Confidence Index



The national Consumer Confidence Index (CCI) continues to drop. It has now fallen for the third month in a row, to below 58.5. Midwesterners remain more stable in their view, with a Rural Mainstreet Index (RMI) of 56, up slightly since December 2010. According to the Conference Board the decline was “driven by a less favorable assessment of current conditions and continued pessimism about the short-term outlook. Inflation fears eased considerably in June, but concerns about income prospects increased.” RMI creator Ernie Goss said, “Even though the Rural Mainstreet economy is expanding, I expect flooding and weather-related issues to slow growth in the months ahead.”

Source: Conference Board, “Consumer Confidence Survey” and Creighton University

### Consumer Price Index, Monthly Change



The seasonally adjusted Consumer Price Index decreased 0.2 percent in June. It was driven by the gasoline index, which declined sharply, falling 6.8 percent. In contrast, the all-items less food and energy index increased 0.3 percent. The indexes for shelter, apparel, new vehicles, used cars and trucks, and medical care all continued to rise in June. The food index also rose 0.2 percent, though it was the smallest increase this year.

Source: U.S. Department of Labor, Bureau of Labor Statistics

## **Growing Iowa's Global Partnerships and Interacting With Key Customers**

By Kim Reynolds, Lieutenant Governor of Iowa; and Bill Northey, Secretary of Agriculture

Governor Branstad was sworn into office with an unwavering focus on improving our economy and quality of life. Therefore, it is imperative for Iowa to renew its relationships and commitments to international trade. From June 6 - 17, I led the first trade promotion trip to South Korea and China. Over forty Iowans participated, including Secretary of Agriculture, Bill Northey; Director of the Iowa Department of Economic Development, Debi Durham; Director of Iowa's Workforce Development Office, Teresa Wahlert; and a large group of business leaders representing a diverse group of Iowa companies. We visited Seoul, South Korea, and the cities of Beijing, Shijiazhuang, Shenyang, and Harbin in China.

The agenda was very full and we worked hard promoting Iowa trade and investment opportunities. We hosted industry-focused meetings to promote Iowa's agriculture assets, spoke at three "Growing Iowa's Global Partnerships" seminars (which potential business partners in Asia were invited to attend), visited with senior government officials, attended the Harbin International Economic and Trade Fair, recognized Iowa's sister-state relationship with Shijiazhuang, and toured Vermeer's facility in Beijing and Pioneer's research facility in Tieling. There were also direct conversations with potential business partners that, we believe, have the potential to bring new businesses to Iowa. In addition, many of the individual business trip attendees also had separate, personal, meetings with potential business partners arranged by the Iowa Department of Economic Development.

Exports are vital to the health of Iowa's economy, and we have seen tremendous growth in trade the last few years. In 2010, Iowa exported over \$1 billion worth of pork products for the first time and continues to see growing international demand for the corn, soybeans, beef, and other agricultural goods produced in our state. Many Iowa jobs, both on the farm and in town, can be attributed directly to exports and these two countries. Increasing our exports will produce even more jobs and new opportunities for Iowans.

South Korea is a rapidly developing country that is a key trading partner for Iowa agriculture. With a population of close to 50 million people and only 4 million acres of land that can be used for farming – compared to Iowa, which has 30 million acres of farmland and only 3 million people – they need the agricultural products raised here.

In Seoul we met with key government leaders as well as agricultural-product buyers. These meetings highlighted the importance of passing the U.S.-Korea free trade agreement that has already been negotiated but not yet submitted by the President to Congress for passage. This agreement has the potential to be a huge benefit to Iowa agriculture. Currently, only about \$14 million in U.S. agricultural goods enter Korea duty-free. Once the agreement is implemented it would immediately increase that number to \$3 billion. As a result, there is great potential for U.S. exports to Korea to increase rapidly.

History has shown that there is potential to expand upon Iowa's current business relationships in Asia, and especially China. According to the U.S.-China Business Council, Iowa exports to China have grown by 1,293% from 2000 to 2010. And, among those top exports were crop production, machinery, and processed food from Iowa companies.

In China, we were able to visit four cities in the northeast part of the country, first traveling to Hebei, Iowa's sister-state and the province that completely surrounds Beijing, and then to the cities of Shenyang and Harbin, before ending up in Beijing. We were impressed by the unprecedented growth and development of the Chinese infrastructure and economy.

*continued on page 8*

## **If Not in Section Eight of Article One . . . .**

By Dr. Donald P. Racherer, President of Public Interest Institute

*The Center of the American Experiment, a nonpartisan, tax-exempt, public policy and educational institution bringing conservative and free market ideas to bear on the issues facing the nation, recently published a report titled, “What Governmental Services and Benefits Are You Personally Willing to Give Up?” This collection of 34 essays offers both serious and amusing ideas. Given the recent disagreements in Washington, D.C., about the debt ceiling and budget, they are interesting reading.*

*The following was my contribution:*

If something is not explicitly authorized in Section Eight of Article One of the U.S. Constitution, our federal government should not be doing it. However, getting to that point from the mess our greed has created will be anything but simple.

I am willing to give up housing, mortgage, or rent subsidies through the federal Department of Housing and Urban Development. Ditto for any aid to local planning departments, light-rail subsidies, and so on. I am willing eschew any crop subsidies and payments not to grow things, as provided by the Department of Agriculture. I am willing to pay more for my use of gasohol-blended fuel without any federal subsidies or tax breaks. Yes, I’m from Iowa—the center of the ethanol universe—but with crop prices at all-time highs, now is the right moment to wean ourselves off this boondoggle.

I am willing to let the market and private firms, or efforts by state governors and economic development officers, determine where firms decide to locate, without any federal Department of Commerce intervention or enticements. While we are getting rid of the historical sop to business, let’s be balanced and abolish the sop to organized labor as well.

We should abolish the Department of Education and let local school boards provide public education as the Founders intended. Admittedly, I took G.I. Bill aid after I was on active duty with the Army, but the military is constitutionally authorized and educational benefits for veterans were part of the recruitment package.

We should abolish the Department of Energy, let the Defense Department take over military applications with which Energy has been involved, and let the market do the rest, in terms of energy production. Iowa is a leader in wind-energy production and is seeking to become a center of manufacture for parts, but if it is worth doing, it doesn’t need federal subsidies and tax breaks.

We should privatize the national parks or sell them to the states in which they are located—the same with the other functions of the Department of the Interior. With the tremendous debt we have run up, selling assets is in order and the tremendous number of acres of land owned by the federal government is a good place to start. We should also allow the states to collect all gas taxes and build and maintain the roads, including the interstate highways. Interstate compacts should be used to make sure the bridges and roads align when they cross state borders.

Finally, I am willing to see a phase-out of the Department of Health and Human Services and the 25 percent of the federal budget it commands for programs such as ObamaCare, Medicare, Medicaid, and Social Security. All the projections say these programs cannot be sustained, and they need to be shifted from defined-benefit plans to defined-contribution plans as has happened in the private sector. Private insurance companies monitored by state governments can administer health insurance and retirement plans.

Though having contributed to Social Security and Medicare all my working life, I am also willing to forgo the benefits I would receive personally if we could just put our house in order for our grandchildren. What government services and benefits are you, personally, willing to give up? Let our elected representatives know. Then insist they act.

*The full report may be found at <http://americanexperiment.org/publications/reports/what-governmental-services-and-benefits-are-you-personally-willing-to-give-up>.*

**Public Interest Institute  
at Iowa Wesleyan College  
600 North Jackson Street  
Mount Pleasant, IA 52641-1328**

NONPROFIT ORGANIZATION  
U.S. POSTAGE PAID  
MAILED FROM ZIP CODE 52761  
PERMIT NO. 338

*continued from page 6*

China is an amazing country in terms of size and scope. With a population of 1.3 billion, as compared to the U.S. with “only” 300 million, their ability to impact the market for agricultural products is tremendous. Currently, China imports one out of every four soybeans produced in the U.S., which includes those produced on the over 9 million acres of soybeans grown in Iowa.

International trade is essential to improving Iowa’s economy. Leading this trip was one of many efforts to help our state’s economy get back on track. We received a very positive response in both countries, and a number of groups expressed interest in visiting Iowa, to continue building on our existing relationships. With new trade partnerships and more international businesses choosing to locate in our state, Iowans will benefit with the creation of new jobs. As the world becomes more interconnected and the importance of trade continues to grow, Iowa’s strong agricultural base and top-notch manufactured goods leaves our state well positioned to benefit greatly. Please contact us if your company is interested in exploring expanded international trade. But don’t ask about the stinky tofu.



## *IOWA ECONOMIC SCORECARD*

### **Question of the Quarter:**

Congress and the President spent much political capital  
on the federal debt ceiling and the 2012 budget.  
What should they have done?

Send your thoughts on this issue to us at [Public.Interest.Institute@LimitedGovernment.Org](mailto:Public.Interest.Institute@LimitedGovernment.Org).  
We may publish your thoughts in the November 2011 issue of *IOWA ECONOMIC SCORECARD*.