WHAT NEW TRUMP TARIFFS WOULD MEAN FOR THE COOP

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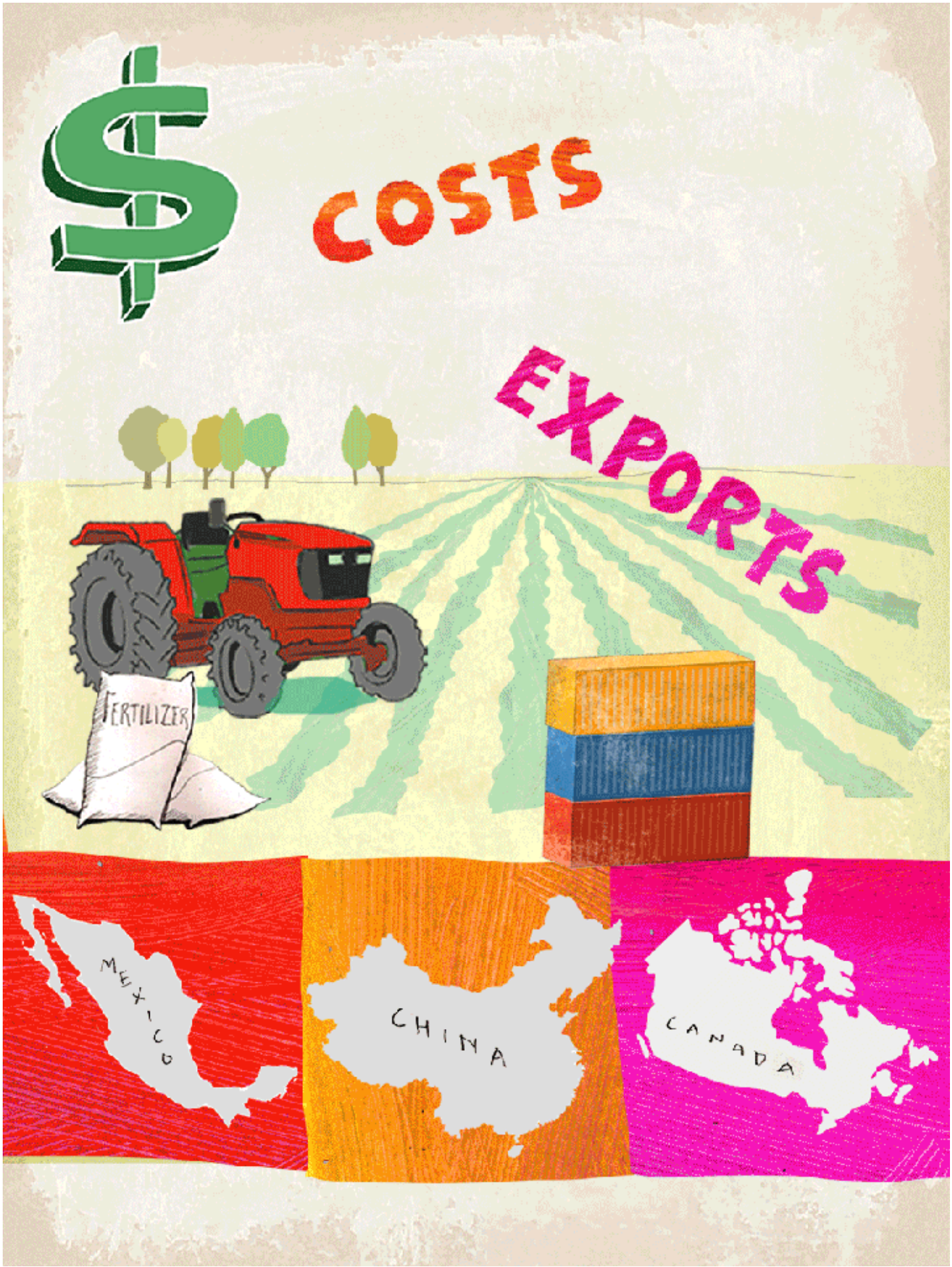

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“Tariffs are the greatest thing ever invented,’’ Donald Trump said on the campaign trail as a presidential candidate.

In various speeches over the past year, he claimed that once back in office, he would introduce up to a 60% tariff on all goods imported from China and a 10–20% tariff on goods imported from all other countries. He also threatened a 200% tariff specifically on John Deere products, an attempt to bully the farm equipment company into reversing plans to move a share of its production from the Midwest to Mexico.

On November 27, 2024, now President-elect Trump announced that the rollout of these tariffs would begin on the first day of his presidency, starting with a 25% tariff on goods from Mexico and Canada, and an additional 10% tariff on goods from China. He cited a crackdown on illegal immigration and drug trafficking as the justification for targeting the United States’ three largest trade allies, which account for 40% of all international imports.

While the desire to institute these tariffs comprised one of the most specific policy messages of the Trump campaign, his plan to implement them remains unclear. As Trump himself recently stated: “The vision is there, but the game plan is not.”

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>
> JOE MAXWELL, CHIEF STRATEGY OFFICER AND COFOUNDER OF FARM ACTION

HOW TARIFFS WORK

The nonprofit advocacy group Farm Action and their lobbying arm, Farm Action Fund, have produced a number of helpful explainers on tariffs. Their fact sheet, “What Would More Trump Tariffs Mean for Food and Farmers,” summarizes:

Tariffs are a tax on imported goods that can be used to strategically discourage imports or defend against unfair imports and open more market opportunity for domestic producers. The US buyer (a retailer or manufacturer) pays these taxes and may pass that cost on to US consumers. This can often be the case with broad, across-the-board tariffs—especially when they are not paired with strategies to help boost domestic production.

“The problem with broad tariffs in today’s concentrated market is that all goods wind up costing more, not just those that are imported,” Joe Maxwell, the chief strategy officer and cofounder of Farm Action, told the *Linewaiters’ Gazette*. “The U.S. company or buyer tends to pass that tax onto the consumer as part of the cost of goods.”

Once in place, experts agree, tariffs are difficult to remove.

Broad tariffs have two effects, according to Brian Kuehl, the executive director of the advocacy group Farmers for Free Trade. As Kuehl explained to the *Gazette*, tariffs “increase the cost of imported goods … and then countries retaliate against us and they’ll put increased cost on our exports.” This means farmers are unable to “export food products or export as competitively. So American farmers get squeezed both with increased import costs and decreased costs at which they can sell their products.”

Joe Maxwell, from Farm Action, shared a similar assessment. In addition to his advocacy work, Maxwell runs a farm in Missouri where he raises sheep and hogs, as well as row crops like corn and soybeans.

IN 2018 AND 2019, CHINA PUT TARIFFS ON U.S. EXPORTS INCLUDING WINE, SOY BEANS, CORN AND PORK, WHILE INDIA PUT TARIFFS ON APPLES, PULSE CROPS, ALMONDS AND WALNUTS.

"In U.S. agriculture, a large segment of us depend on export markets. So that puts extra pressure on the farmer because now they're having to pay higher for the goods they need, whether that's consumer goods or business goods. And now they can't sell their stuff, so they get squeezed on both ends," Maxwell explained.

WHY FARMERS ARE WORRIED ABOUT TRADE WARS

U.S. farmers have real cause for concern based on their experiences during the first Trump Administration, according to Kuehl. "Pretty much every country that we put tariffs on in 2018 and 2019 retaliated against food and agriculture," he said. "It really turns on what the country is importing." For example, in 2018 and 2019, China put tariffs on U.S. exports including wine, soy beans, corn and pork, while India put tariffs on apples, pulse crops, almonds and walnuts.

Maxwell worries that the economic shock of renewed tariffs would have an outsized impact on U.S. farmers. "Because we don't have a lot of domestic production, much of our food, much of our farm equipment, is controlled by very few domestic corporations," he said. When tariffs increase the cost of international goods, "it's easy for [these corporations] to also raise their prices, because there's not any competitor or nobody emerging in the market that would do it for less."

Potash fertilizers are a prime example, he said. "Two companies control all the potash in the United States. If we import potash at 20%, those two companies aren't going to say, 'Oh, we'll keep ours at the domestic price'. They're gonna say, 'No competition? We'll tack [higher prices] on, too.'"

IN RESPONSE TO TRUMP'S ANNOUNCEMENT THAT HIS NEW TARIFFS WOULD START WITH MEXICO, MEXICAN PRESIDENT CLAUDIA SHEINBAUM RESPONDED THAT MEXICO WOULD RETALIATE WITH TARIFFS, A MOVE SHE ESTIMATED COULD COST 400,000 U.S. JOBS.

According to research conducted and published by the U.S. Department of Agriculture, retaliatory tariffs from Canada, China, the European Union, India, Mexico and Turkey totaled more than $27 billion from 2018 through the end of 2019, or more than $13 billion per year during the years when the first generation of Trump tariffs went into effect. China accounted for more than 90% of these costs, further indication of the U.S.' dependence on imports from China.

In response to Trump's November 27 announcement that his new tariffs would start with Mexico, Mexican President Claudia Sheinbaum responded that Mexico would retaliate with tariffs, a move she estimated could cost 400,000 U.S. jobs.

HOW COOP SHOPPERS WOULD FEEL TARIFFS

As the Kamala Harris campaign stated repeatedly on the campaign trail—and which Vice President Harris reiterated during the Harris–Trump Presidential debate—tariffs at the rates Trump has proposed (including a 60% tariff on China) would be the equivalent of a nearly $4,000 tax increase for the average American family.

COOP PRODUCE ITEMS CURRENTLY SOURCED FROM MEXICO COULD SPIKE IN PRICE OR FORCE COOP BUYERS TO SEEK OUT ALTERNATIVE SUPPLIERS.

During the first Trump Administration, the Coop saw increased food prices—notably on imports like European cheeses—that rose in 2018 and 2019 and have never fallen.

While other factors have contributed to rising food costs in the U.S., additional tariffs would transfer additional costs to shoppers.

If the newly-threatened trade war with Mexico were to go into effect, Coop produce items currently sourced from Mexico could spike in price or force Coop buyers to seek out alternative suppliers. Current produce offerings imported from Mexico include avocados, blueberries, blackberries, broccolini, Persian cucumbers, garlic, lemons, limes, mangoes, peppers, scallions and certain tomatoes.

WAITING FOR THE ROLLOUT

How and when new tariffs will take effect remains unclear, especially as we don't yet know if the President-elect will be able to pass broad tariffs at the rates he boasted of during his campaign.

"We don't know how Trump's going to roll out new tariffs, but the worst case scenario is it happens fast and it happens broad[ly]," Kuehl said. "There's certainly one scenario where in January he announces he's doing tariffs around everybody. That's sort of how he did his tariffs in 2018." Kuehl added, "He didn't start his Administration that way, but when he did them, he did steel and aluminum tariffs on all countries globally. And it was a pretty big shock to the system."

The trade war sparked by the 2018 and 2019 Trump tariffs led to a spike in farm bankruptcies, which increased by 20% in 2019, even after a massive bailout from the Trump administration to prevent such an outcome.

"The farmer bailout did not have a noticeable difference in food prices. It was received by the farmers after the fact," Maxwell explained. "Farmers are price takers and not price makers."

US FARMERS HAVE TWO OTHER MAJOR WORRIES UNDER THE TRUMP ADMINISTRA-

TION: IMMIGRATION POLICY AND THE APPOINTMENT OF ROBERT F. KENNEDY, JR. TO LEAD THE U.S. FOOD AND DRUG ADMINISTRATION.

BEYOND TARIFFS

Beyond tariffs, U.S. farmers have two other major worries under the Trump Administration, said Kuehl: immigration policy and the appointment of Robert F. Kennedy, Jr. to lead the U.S. Food and Drug Administration.

“Parts of the agricultural economy are very immigrant dependent,” he said. “Those would include produce, meat packing and dairy. You could see disruptions in U.S. food production if we see mass deportations and disrupt labor in those pieces of the farm economy.”

Such a disruption could lead not only to increased prices if farmers aren’t able to produce enough food to meet demand, but also food waste and culling of herds. During COVID-19 disruptions in food production, dairy farmers had to dump milk and farmers raising animals for meat had to cull herds, both possible scenarios if mass deportation lead to a farm labor shortage.

CALLS TO ACTION

Both Farmers for Free Trade, Kuehl’s organization, and Farm Action, Maxwell’s organization, are focused on raising awareness around the dangers of broad-based tariffs and the specific impact on food production in the U.S.

New Yorkers, Maxwell noted, can potentially call on Senator Chuck Schumer, the current majority leader and soon-to-be minority leader in the Senate, to encourage policymakers on both sides of the aisle to oppose broad-based tariffs.

Members interested in tracking these policy issues can look out for updates at the General Meeting—and reported in the *Gazette*—from the International Trade Educa-

tion Squad.