



## **N.C. farmers to feel the crunch of retaliatory tariffs**

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June 20, 2018

As the trade dispute with China picks up, bigger farms in North Carolina are scrambling to cope with a shrinking market of customers.

U.S. agriculture relies heavily on exporting its products overseas, where China is the world's fastest-growing market and foreign consumers help keep farms in business.

North Carolina is a growing part of the international market, but access to that market is now in peril. After President Donald Trump announced his latest tariffs, China joined Canada, Mexico, and the European Union in hitting back against the president.

The blow of the tariffs will fall hard on farmers. Beginning July 6, China's tariffs will hit 659 types of goods, including tobacco, soybeans, and pork — all staple agricultural exports from N.C.

Trump has said his goal is to push China to reduce its average tariff rate, which is three times that of the United States. The president announced a 25 percent tariff on \$50 billion in Chinese goods Friday, June 15. After China immediately retaliated with similar tariffs, Trump followed up Monday with a 10 percent tariff on an additional \$200 billion in Chinese goods. He promised to match China tariff for tariff until the country backs down.

“Fair Trade is now to be called Fool Trade if it is not Reciprocal,” Trump tweeted, adding, “Why should I, as President of the United States, allow countries to continue to make Massive Trade Surpluses, as they have for decades, while our Farmers, Workers & Taxpayers have such a big and unfair price to pay? Not fair to the PEOPLE of America!”

Cato Institute adjunct scholar Scott Lincicome warns that farmers are due for a double hit, from both rising costs of equipment and retaliation by other countries.

### **Long term benefits?**

Still, many Trump supporters in North Carolina remain unfazed — including farmers.

“Long term it will be very good for us. We need fair trade,” Rep. Jimmy Dixon, R-Duplin, a retired hog farmer, said. “There is some possibility that as far as agriculture is concerned, there might be some initial pain, but I believe that the initial pain would be followed by excellent benefits.”

China's tariffs are just one piece of its trade disputes with the U.S. China also uses a shady licensing system and foreign investment restrictions to force U.S. firms to “volunteer” their technological data in exchange for market access — essentially allowing China to steal U.S.

trade secrets and intellectual property, according to a report by the Office of the United States Trade Representative

“[A] ‘voluntary’ technology transfer takes place, but one that is only voluntary in the sense that the business transactions engaged in by the fictional gangster of ‘The Godfather’ series, Vito Corleone, were voluntary,” said a submission quoted in the report.

Those policies, particularly China’s initiative “Made in China 2025,” Beijing’s blueprint for becoming a self-sufficient, high-tech superpower, have drawn the ire of the White House.

When Trump announced tariff increases in March, China retaliated with tariffs that will target products made in states that supported Trump in the election, The Wall Street Journal reported.

Trump’s summit meeting with North Korea seems to have eased the fears of some growers, who are fond of comparing the trade dispute with the earlier threat of nuclear war.

“Yeah, there’s going to be some posturing, but I’m not concerned,” said Joe Easton of Rose Acre Farms, the nation’s second-largest egg producer. The company’s based in Indiana but has a major presence in North Carolina. “Four months ago we were ready to go to nuclear war with North Korea, and now we are shaking hands with them. We just sit back and let it play out, and at the end of the day agriculture is safe.”

### **Pork producers taking big hit**

The National Pork Producers Council isn’t so sanguine.

Their industry is fueled by foreign consumers — \$1.5 billion worth of pork shipped to Mexico and \$792 million to Canada last year — and under market uncertainty and new tariffs, profits are collapsing.

“There is already real lost value being incurred by U.S. pork producers,” said Jim Monroe, a spokesman for the National Pork Producers Council. “It’s turning what looked like profitable year at the start of 2018 into what at this point is looking like an unprofitable year.”

The timing is especially bad: Pork was set to rake in record profits in 2018. Buoyed by rising foreign demand, producers had built five new pork processing plants to increase U.S. output by 10 percent.

Then the tariffs hit.

Since March, hog prices have dropped from \$149 to \$131, and farmers expect losses to snowball, reaching \$2.2 billion a year, said Iowa State University Economist Dermot Hayes.

“There is just this shadow of uncertainty that is over the industry right now,” Monroe said. “Hopefully, these are short-term measures, but who knows? And if they are sustained, it will cause real financial damage.”

### **Corn farmers unharmed**

North Carolina corn growers are less concerned. Tar Heel State residents consume more grain than we produce, so corn growers are insulated from ripples in the international market. Still, because most corn goes to feed N.C. hogs, corn farms live and die with the pork industry.

“We have the opportunity to sell everything within the state, and then we have to get more, whether by boat or train,” said Rhonda Garrison, executive director of the N.C. Corn Growers Association. “But whatever happens to the Midwest, happens to us. They grow the bulk of corn.”

### **Machinery costs going up**

Even before the trade dispute with China escalated, the U.S. already faced \$3 billion in levies from Mexico and \$12.8 billion from Canada against U.S. exports in retaliation to Trump’s steel and aluminum tariffs.

The impact of the tariffs on the U.S. economy is hard to predict, but they have already increased the cost of washing machines and construction projects, said Lincicome, who also teaches at the Duke University law school.

“Are we hurting far more Americans than we are helping? And the answer with tariffs is always yes,” Lincicome said. “A hundred bucks is nothing to sneeze at, particularly for a lower income family that is struggling to get by as it is. And there is something rather immoral about forcing individuals like that to subsidize the jobs of a few thousand American workers.”

Tariffs also tend to encourage cronyism, as industries with political clout will carve out exemptions for themselves, leaving smaller businesses to shoulder the costs, said Lincicome. Eight senators have sent the president a letter requesting exemptions for solar panels, for instance.

Lincicome doubts Trump intends to secure freer trade instead of increasing protectionism.

“Maybe that is what is going on, but if history is any guide, it is hard to think that without being skeptical. There is a long history of protectionists in the U.S. using an ideal free trade target to justify their own protectionism,” Lincicome said. “I’m getting pessimistic because there have been chances to walk the tariffs back already, and they haven’t taken them. We wait and see and hold our breath.”

The increased tariffs scuttled a deal in which China proposed to buy \$70 billion of U.S. goods to cool the trade dispute in early June.

“North Carolina agriculture depends significantly on international trade, so we are disappointed in any tariffs aimed at agricultural commodities,” N.C. Commissioner of Agriculture Steve Troxler said in a statement. “Every time we hear the word ‘tariffs’ our ears go up, because they can have a detrimental effect on our industry and we know we are likely going to be a target.”