Indiana Farm Bureau
Advocating for Agriculture

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Trade and Tariffs Under Trump 2.0

Introduction:
This white paper examines the current state of U.S. trade policy, specifically focusing on President Trump's new tariff plan and its implications for the agricultural sector. Tariffs are a tax paid at the border by an importer seeking to bring products into the United States from a foreign country. The U.S. has implemented significant tariff measures as part of an effort to address trade imbalances and protect domestic industries. While the president's stated goal for these tariffs is "to strengthen the international economic position of the United States and protect American workers," this new plan can create challenges for American farmers, especially those in agriculture-dominated states like Indiana. In this white paper, INFB will provide a high-level look at trade, resources to understand the new tariffs, and the potential impact his plan could have on Hoosiers.

Future papers will provide greater detail of Indiana's primary agricultural exports and imports and a review of how the 2018-2020 trade dispute with China affected soybean exports and Indiana soybean profitability.

Importance of Trade:
On April 2, President Trump signed an executive order implementing a 10% tariff on all countries, and an additional reciprocal tariff on countries with the largest trade deficit. The executive order's Annex I lists reciprocal tariffs on 57 countries and the European Union. A reciprocal tariff is a tax or trade restriction that one country imposes on another, mirroring similar actions taken by that country, aiming to balance trade and potentially protect domestic industries.

President Trump's plan sets reciprocal tariff rates by country at roughly one-half of the tariffs charged on U.S. products. Major targets included China (34% tariff), the European Union (20%), Vietnam (46%), Taiwan (32%), India (26%), and Japan (24%). These tariffs were set to take effect on April 9. **However, on April 9, President Trump announced a 90-day pause on previously proposed reciprocal tariffs, lowering all countries, besides China, to the baseline 10% tariff.**

China:
Notably, our new 34% tariff on China stacks on top of other tariffs we've already applied on Chinese products, including 20% in response to their role in the production and distribution of fentanyl. Combined, Chinese products now face a 54% baseline tariff when imported into the United States. After President Trump's announcement on April 2, China issued a retaliatory tariff of 34% on U.S. goods. President Trump responded with an additional 50% tariff on China, bringing the total amount of tariffs to 104%. A retaliatory tariff is a tariff imposed by one country in response to a tariff imposed by another

country. **Included in the April 9 executive order that paused reciprocal tariffs, the order also implemented that China would receive an increased tariff of 125%, effective immediately. This new tariff brings the total amount of tariffs on China to 145%.**

In addition to the April 2 tariffs, President Trump signed another executive order removing tariff exemptions from relatively low-value shipments from China (the "de minimis" exemption*)*. In international trade, a "de minimis exemption" refers to a threshold below which imported goods are exempt from customs duties, taxes, and tariffs, with the U.S. threshold being $800 per shipment. Under his recent plan, President Trump ended duty-free de minimis treatment for covered goods from the People's Republic of China (PRC) and Hong Kong starting May 2, 2025 at 12:01 a.m. EDT.

Exemptions:

While the new tariffs are on virtually all imports, there are some exceptions. The exempted items in Annex II include, but are not limited to: copper, pharmaceuticals, semiconductors, lumber articles, certain critical minerals, energy/energy products, and products facing section 232 tariffs from the current administration (steel, aluminum, automobiles, and any future section 232 investigations).

For the agricultural industry, there are a few exemptions impacting inputs, including veterinary vaccines (and all pharmaceuticals for humans too), several pesticide ingredients under HS 2399, fertilizers containing potash, peat, lubricating oils and greases, and other energy products. Exempted fertilizers include potash in many forms, including all potassic fertilizers under HS 3104 and several compound fertilizers containing potash under HS 3105, including "HS 3105.20 Fertilizers Containing Nitrogen, Phosphorus & Potassium" (i.e., NPK). All U.S.-Mexico-Canada Agreement (USMCA)-compliant fertilizers from Mexico and Canada continue to enter duty-free.

Additional Tariffs:

Canada and Mexico are our top trading partners and the top two destinations for our agricultural products. For now, they are carved out from any new tariffs. Instead, the 25% tariff related to fentanyl/migration issues on non-USMCA-compliant products remains in effect while USMCA-compliant products still enter tariff-free. The executive order does lay out that, if the fentanyl/migration-related tariffs were to be repealed, they will be replaced by a 12% tariff on non-USMCA-compliant goods with energy/energy products, potash, and eligible USMCA-compliant goods continuing to be duty-free. Previously announced tariffs, including 25% on all automobile, steel and aluminum imports, still apply to Canadian and Mexican imports with some questions lingering over implementation specifics.

Potential Impacts:

Agricultural exports have benefited greatly from the expansion of free trade in recent decades. This also means that when the U.S. restricts trade through tariffs on other countries' products, U.S. farm and ranch goods are often targeted for retaliatory tariffs or restrictive measures, putting farmers on the front line of many trade disputes and jeopardizing American farmers' access to critical foreign markets.

Key agricultural products from Indiana, such as soybeans, corn, pork and other livestock, have been particularly vulnerable to tariffs. The Chinese tariffs on U.S. soybeans, for instance, resulted in a dramatic decline in exports, significantly impacting Indiana soybean farmers. Similarly, retaliatory tariffs on U.S. pork have made it harder for pork producers to access valuable overseas markets, particularly in Asia.

For Indiana's agricultural community, the fear is that these new, wide-spread tariffs will have similar disruptions resulting in fluctuating prices, market uncertainty and financial strain. The uncertainty surrounding trade agreements and the potential for additional retaliatory tariffs further exacerbates these challenges.

Conclusion:

The agricultural sector is inherently sensitive to price fluctuations, and the uncertainty caused by tariffs has heightened this volatility. Many Indiana farmers have faced difficulties in planning for the future with unpredictable costs for inputs and fluctuating commodity prices. If tariffs remain in place or increase, the long-term impacts could include the erosion of U.S. agricultural competitiveness in global markets, with permanent shifts in supply chains and market preferences.