California's agriculture could bear tariffs' brunt

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California's agricultural community hopes the Trump administration can stop tariffs on China's aluminum and steel, as the farmers may take a hard hit if its top trading partner slaps on retaliatory tariffs.  
The associations representing wine, nuts and citrus growers have voiced concerns over the potential 15 percent tariffs on the US agricultural commodities, mostly produced in California.  
"Growers are always concerned with tariffs placed on their products from any country," said Richard Matoian, executive director of American Pistachio Growers (APG), and would like to see them eliminated.  
"There is still an opportunity for no (US) tariff to be implemented, and then China will not have to implement its retaliatory tariffs. So, we are still waiting to see what will actually happen," he said.  
"We certainly appreciate all the business we have with our Chinese buyers and consumers and hope this continues into the future," he added.  
Despite the current 5 percent tariff on raw pistachios and 10 percent on roasted ones, Matoian said they have had record shipments to China.  
In the last shipment year, exports to the Chinese mainland and Hong Kong were 140 million pounds, representing 55 percent of total exports - the largest annual amount of pistachios ever shipped to China, according to the APG.  
California's $5 billion almond industry also depends on exports despite strong domestic demand. Approximately two-thirds of the almonds produced in California go to the export market, and China is one of the top buyers.  
China also has been a growing market for California's $3.3 billion citrus industry. China is the state's third-largest buyer of fresh citrus (mainly oranges and lemons) next to Canada and South Korea, according to California Citrus Mutual.  
Fresh fruit, dried fruit and nut products, wine, American ginseng and other products are included in the first phase of China's tariff plan.  
The second phase covers products including pork, pork products and aluminum scrap. If no agreement can be reached between Washington and Beijing, the two-phase plan will target approximately $3 billion worth of US products.  
"China's decision to put products like wine in the first group of commodities subject to tariffs, leaving other commodities like pork in a second group, is an interesting strategy," said Larry Karp, professor of agricultural and resource economics at the University of California, Berkeley.  
"If China wanted to inflict pain on Trump's base, you'd think that China would target pork before wine," he said. The Chinese perhaps recognize that political mobilization within the US against Trump's trade policy will take some time, he added.  
"The Chinese might think that the threat of pork and soybean tariffs is more valuable to them, compared to the actual imposition of the tariffs. Once the tariffs have been imposed, it will be politically costly for both China and the US to reverse them," Karp explained.  
He also noted that the immediate effect of Chinese tariffs on US wine producers is probably modest, but the US wine industry might nevertheless be quite concerned about the long-run effect of such tariffs, arising from diminished access in the future.  
China is the fastest-growing market for US wines, nearly 90 percent of which are produced in California. The number of imported-wine consumers in China increased 2.5 times in the past five years, according to the California Wine Institute.  
California wines are already at a disadvantage in terms of tariffs in the Chinese market since the competitors, like Chile and Australia, enjoy a free-trade agreement with China, said Pat Patrick, president and CEO of Lodi Chamber of Commerce.  
"The two countries should try to get to some sort of a reciprocal arrangement. It's best for both countries to find a balance and to work towards it," he said.

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