



China's Retaliatory Tariffs on Selected U.S. Agricultural Products

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On April 2, 2018, the Chinese government implemented retaliatory tariffs on 128 product lines, including 93 U.S. agricultural products, in response to recent U.S. Section 232 tariff actions on certain imports of steel and aluminum products. China is the second largest market for U.S. agricultural exports by value, worth about \$19.6 billion in 2017, according to the U.S. Department of Agriculture (USDA). China estimates the targeted U.S. imports are worth roughly \$3 billion across all product categories, of which about two-thirds of the value is agricultural products.

China imposed an additional 25% tariff on U.S. pork products and an additional 15% tariff on certain varieties of U.S. fresh and dried fruit, nuts, wine, and ginseng, according to an unofficial translation of the list issued by the USDA Foreign Agricultural Service (FAS). Generally, U.S. exports to China are subject to the same import tariffs—known as most favored nation (MFN) tariffs—as other World Trade Organization member countries. Countries that have a free trade agreement with China may be subject to lower import tariffs. The retaliatory tariffs on U.S. agricultural products are in addition to the MFN rate, which for these items ranges from 7% to 30%.

U.S. farmers express concern that China's retaliatory tariffs could put them at a disadvantage compared with export competitors. Agriculture groups warn that the imposition of higher tariffs could curb sales to this key export market for U.S. farmers at a time of growing uncertainty about the continuity of other U.S. trading relationships. Additional tariffs could be imposed by China against the United States if commercial disputes escalate further.

U.S. Pork Exports to China

China was the fifth largest export market by value for U.S. pork and the second largest export market by

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value for frozen U.S. pork offal in 2017. According to USDA data, which does not include transshipments from Hong Kong to China, the United States exported about \$237 million worth of pork meat directly to China in 2017. Of that amount, about \$166 million was frozen pork and \$69 million was frozen bone-in ham and shoulder cuts. U.S. exports of frozen pork offal to China were valued at roughly \$251 million in 2017. Almost a third of all U.S. frozen pork offal exports went to China in 2017.

As of April 2, 2018, the tariff to be applied on these pork products increased from 12% to 37%. According to analysis from Purdue University, these increased tariffs on U.S. pork exports to China could result in lost exports. U.S. pork producers could also see prices fall by as much as \$7 per hog due to the new tariffs, according to the Purdue analysis. **Table 1** shows the tariff increases for the top U.S. pork, fruit, nut, wine, and ginseng exports to China by value.

The U.S. Meat Export Federation ([USMEF](#)) estimates that U.S. pork product exports to China in 2017 were higher than the USDA data show, exceeding \$1 billion. The discrepancy with USDA data reflects the inclusion by USMEF of exports to Hong Kong, which transships a significant volume of U.S. pork to China. Whether these transshipments of pork will be affected by the tariffs is uncertain.

Table 1. Selected Agricultural Exports to China Affected by Retaliatory Tariffs

Product	Harmonized Tariff Codes	Regular Applied MFN Tariff	MFN Rate Plus China's Retaliatory Tariff	2017 Export Value (\$million)	% of Total 2017 U.S. Exports
Pork Meat	020322, 020329	12%	37%	\$236	11%
Pork Offal	020649	12%	37%	\$251	31%
Cherries	080929	10%	25%	\$122	20%
Oranges	080510	11%	26%	\$48	8%
Apples	080810	10%	25%	\$18	2%
Almonds	080211, 080212	10%	25%	\$99	2%
Wine	2204	14-30%	29%-45%	\$75	5%
Ginseng	121120	7.5%	22.5%	\$23	40%

Source: FAS's Global Agricultural Trade System Online, accessed April 2, 2018. FAS Global Agricultural Information Network, *China Imposes Additional Tariffs on Selected U.S.-Origin Products*, Beijing, April 2, 2018.

Note: Official USDA export data report China and Hong Kong separately. The data in the table are direct exports to China only. USMEF combines China and Hong Kong data because some U.S. exports to Hong Kong are transshipped to China. Official China import data may also include commodities that enter through Hong Kong, resulting in Chinese import data that exceeds reported U.S. exports.

U.S. Fresh and Dried Fruit, Nuts, Wine, and Ginseng Exports to China

China is a major export market for U.S. fresh and dried fruits and nuts and other specialty crop products, including wine and ginseng. U.S. exports of fresh and dried fruits and nuts, wine and ginseng to China totaled an estimated \$583 million in 2017. Of that amount, U.S. fresh and dried fruit and nut exports to China accounted for about \$485 million—about 4% of total U.S. exports in this category globally. The specialty crops industry expressed [concern](#) that an estimated nearly \$1 billion in U.S. exports could be harmed by these higher tariffs—an estimate that could reflect transshipments into China.

Cherries, oranges, apples, and almonds were the highest value fresh and dried fruit and nut exports to China in 2017 (**Table 1**). These products could be harmed by the 15% tariff increase. While U.S. exports of most fruits and nuts to China have been declining, exports of U.S. cherries, oranges, and apples to

China have increased in recent years. U.S. exports of cherries to China totaled about \$122 million in 2017, accounting for a quarter of all U.S. fresh and dried fruit and nut exports to China. U.S. citrus producers exported roughly \$48 million worth of oranges to China in 2017, while U.S. apple producers exported about \$18 million worth of apples. Almonds were the top U.S. nut export to China; U.S. growers exported more than \$99 million worth of shelled and unshelled almonds in 2017. Grapes, plums, apricots, walnuts, pistachios, and hazelnuts are among the other fresh and dried fruit and nut products that could be affected by the 15% retaliatory tariff.

China ranks as the fifth largest market by value for U.S. wines, exports of which were worth about \$75 million in 2017—about 5% of total U.S. wine exports. Total U.S. wine exports to China have also been increasing. U.S. ginseng exports have also been targeted by China for a 15% tariff increase. China was the second largest foreign market for U.S. ginseng in 2017, with exports valued at about \$23 million.

Farmer Concerns over More Chinese Retaliatory Tariffs

Many farm groups have expressed concern that China may further expand its list of targeted U.S. agricultural products to include higher value exports following recent Section 301 actions by the Trump Administration in response to Chinese violations of U.S. intellectual property rights. On April 4, 2018, China announced that in retaliation for the proposed U.S. Section 301 tariffs, it is proposing a 25% tariff retaliatory tariff on imports of U.S. soybeans and other commodities such as corn, wheat, cotton, beef, and orange juice. However, China did not specify an implementation date for those tariffs. U.S. soybean exports to China totaled more than \$12 billion in 2017, accounting for 57% of total U.S. soybean exports.

For more on the broader U.S.-China trading relationship, see CRS Report RL33536, *China-U.S. Trade Issues*.

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