

## SCIENTIFIC ARTICLE

Robert L. THOMPSON<sup>A</sup>

# Navigating Uncertainty: Trump and the Changing U.S. Policy for Agri-Food Trade

**ABSTRACT**

This paper draws implications of Trump's re-election for the U.S. agri-food sector and in turn international agri-food trade. It begins with a historical perspective on U.S. agri-food trade and its role in world markets. It then turns to a review of Trump policies during his first term as President, 2017-21, and the significant market losses American farmers suffered during his first term. Despite these losses, farmers were an important constituency in re-electing Donald Trump President in 2024. The next section discusses American farmer attitudes and the sources of their continuing support for Trump in the 2024 election. This is followed by a critical review of what Donald Trump fails to recognise (or chooses to ignore) about international economics and the agri-food sector. The paper then reviews Trump's policy announcements in the first four months back in office and draws inferences for American agriculture and the global agri-food sector in an environment that might best be described as navigating uncertainty.

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<sup>A</sup> Professor Emeritus, University of Illinois at Urbana-Champaign. Formerly Senior Staff Economist for Food and Agriculture on President Reagan's Council of Economic Advisors and Assistant Secretary for Economics at the U.S. Department of Agriculture. 7446 Spring Village Dr., No. 109; Springfield, VA 22150, USA. E-mail: [Dr.Robert.L.Thompson@gmail.com](mailto:Dr.Robert.L.Thompson@gmail.com)

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## Introduction

“To the Great Farmers of the United States: Get ready to start making a lot of agricultural products to be sold INSIDE of the United States. Tariffs will go on external product on April 2<sup>nd</sup>. Have fun!” Donald J. Trump @realDonaldTrump (Truth Social), 3 March 2025.

“Tariffs are about making America rich again and making America great again, and it's happening, and it will happen rather quickly.....There will be a little disturbance. But we're OK with that. It won't be much.” Donald J. Trump to Joint Session of Congress, 4 March 2025.

Donald J. Trump's perception of the global economy and the role of the United States in it is significantly different from that of the mainstream economics profession. He has a nostalgic view of the late 19<sup>th</sup> and early 20<sup>th</sup> century American economy, a period of prosperity based on high employment of labour in goods manufacturing protected by high import tariffs. He sees the post-World War II era of globalisation driven by tariff reduction and a rules-based trading system as a period that opened the United States to exploitation by the rest of the world (Rehman, 2024). In his view, the United States provided – at great cost to its taxpayers – defence security to much of the world, but what it got in return was loss of jobs, a decline in manufacturing, and a negative balance of trade (Swanson, 2025). As early as 1987, he paid for full-page advertisements in major U.S. newspapers espousing this view.

Trump sees the hollowed-out old steel and auto manufacturing heartland in the Upper Midwest, often referred to as the “Rust Belt,” as evidence of this exploitation. He sees the entrance of China into the WTO in 2001 as a watershed moment which accelerated the loss of manufacturing jobs in the United States and growth in the U.S. trade deficit. In effect, Trump sees international trade as a zero-sum game in which one country can gain only if another loses (Swanson, 2025).

Furthermore, Trump sees the key currency role of the U.S. dollar and the openness of U.S. capital markets as causing the dollar to be overvalued, thereby lowering the cost of imports to American consumers and raising the cost of U.S. exports to foreign buyers. In his view, it is unfair for U.S. exports to be subjected to value-added taxes when imported by other countries when those products have already been subjected to U.S. corporate income taxation. Similarly, he sees the rebate of value-added taxes on other countries' exports as an unfair trade practice, subsidisation of their exports (Lighthizer, 2023).

With this background and philosophy, when Trump became President of the United States in 2017 and again in 2025, his anti-globalisation approach to international economic policy can be described as aggressive nationalist, unilateral, and transactional: “America First.” His stated policy priorities are to bring manufacturing jobs back to the United States and to eliminate the balance of trade deficit; import tariffs are his chosen policy instrument. He even refers to himself as “Tariff Man.” (Swanson, 2025).

This paper draws implications of Trump's re-election for the U.S. agri-food sector and in turn international agri-food trade. It begins with a historical perspective on U.S. agri-food trade and its role in world markets. It then turns to a review of Trump policies during his first term as President, 2017-21, and the significant market losses American farmers suffered during his first term. Despite these losses, farmers were an important constituency in re-electing Donald Trump President in 2024. The next section discusses American farmer attitudes and the sources of their continuing support for Trump in the 2024 election. This is followed by a critical review of what Donald Trump fails to recognise (or chooses to ignore) about international economics and the agri-food sector. The paper then reviews Trump's policy announcements in the first five months back in office and draws inferences for American agriculture and the global agri-food sector in an environment that might best be described as navigating uncertainty.

## Historical Perspective on U.S. Agri-food Trade

Exports have played an important role in American agriculture since its colonial times. In 2024, the United States exported \$170.5 billion worth of agricultural products, which generated over 20 percent of U.S. farm sales revenue and represented about 13 percent of world agricultural exports. In 2024, the United States imported about \$204 billion of agricultural products (ERS, 2025).

The United States is endowed with a significant comparative advantage in temperate zone agricultural production with large expanses of deep black fertile soil, abundant rainfall and a large fluvial system that provides low-cost river transport to the coast. The Mediterranean climate on the West Coast is also a uniquely productive agricultural resource. Large, sustained public and private investments in agricultural research have provided rapid growth in total factor productivity for over a century, making American agriculture some of the most productive in the world (Ball *et al.*, 2016).

U.S. agriculture thrived during World War I with large exports to feed Europe, and the period, 1910-14, became known as the "Golden Age" of American agriculture. However, with the recovery of European agriculture after the war, farm product exports collapsed. American agriculture went into depression in 1921, while the rest of the economy boomed for another eight years before entering the Great Depression.

With President Franklin D. Roosevelt's Depression era social welfare policies ("the New Deal"), the Federal Government came to farmers' aid with the Agricultural Adjustment Act of 1933 which guaranteed them a minimum price for their commodities. Under this new authorisation, the U.S. Department of Agriculture (USDA), through its Commodity Credit Corporation (CCC), was authorised by Congress to purchase and store any quantity offered of the supported commodities at guaranteed prices. The purchased

commodities were to be held off the market until such time as the market price rose above the support level. Section 22 of the Act authorised restrictions on imports of the supported commodities since the support prices exceeded world market prices (Bowers *et al.*, 1984).

Thus began an era when American agriculture was generally absent from world agricultural trade. Stocks accumulated by the USDA CCC through its price support purchases became burdensome as market prices rarely rose to the politically determined support prices. Over time various devices were implemented to limit farmers' production of the supported commodities through quotas or payments to idle farmland. In 1954, the "Food for Peace" programme was developed nominally to provide food aid to starving people around the world, but in reality, its purpose was inventory disposal.

American farmers became comfortable with their government support payments operating behind protectionist import barriers. In 1944, when the Bretton Woods Conference proposed the creation of an International Trade Organization (ITO) at the same time as the World Bank and the International Monetary Fund, aggressive opposition from American farm organisations was a major influence on the U.S. Congress' refusal to ratify the ITO. So strong was farmers' opposition that President Harry Truman declined to submit the General Agreement on Tariffs and Trade (GATT) to the Congress for ratification, but instead, signed it on his own executive authority (Irwin, 2017).

Commercial exports of U.S. agricultural products resumed only after two U.S. dollar devaluations in the early 1970s and a policy change in the Soviet Union reopened its agricultural imports. U.S. agricultural exports boomed through the 1970s, but collapsed after 1981, when the U.S. dollar surged in value. The minimum support prices that Congress had legislated in nominal dollars in 1981, when converted to foreign currencies, exceeded the 1982 world market prices. Government-owned inventories of grain acquired through price support operations exploded as U.S. farmers delivered their grain to the CCC instead of the export market. This experience made it obvious that a country could not be both a large exporting country and have full freedom of action in its domestic policy formulation (Thompson, 2005). This realisation led the United States both to move its domestic farm policy in a more market-oriented direction and to take leadership in the Uruguay Round of GATT negotiations to bring all countries' trade-distorting agricultural supports under some discipline.

In the mid-1980s the U.S. and the EU, both burdened with inventories of agricultural commodities accumulated as a result of their respective price support operations, engaged in competitive export subsidisation to get rid of those stocks. Both eventually concluded there had to be a better way. The Uruguay Round Agreement on Agriculture capped each member country's trade distorting agricultural support, banned agricultural export subsidies, and encouraged countries to replace non-tariff barriers to agricultural imports with tariffs. Countries also agreed to reduce their agricultural supports and import protection over time and to resume negotiations within five years to reduce them further. The

Uruguay Round Agreement, which also created the World Trade Organization (WTO), came into force on 1 January 1995. With the resulting liberalisation, global agricultural trade expanded rapidly. The U.S. soybean, maize, wheat and meat sectors all benefited from the larger exports that resulted (Thompson, 1987; Fuglie *et al.*, 2024).

In 1987, the first U.S.-Canada Free Trade Agreement was negotiated, and in 1994 the North American Free Trade Agreement (NAFTA) which added Mexico came into effect. These agreements enabled significant integration of the U.S., Canadian and Mexican agri-food markets and supply chains. U.S. agricultural exports to Canada and Mexico grew five-fold by 2020, and Canada and Mexico became the second and third largest markets for U.S. agriculture (after Japan) (Zahniser, 2015).

During this period U.S. agricultural policy underwent significant reform consistent with the Uruguay Round Agreement, culminating in the Federal Agricultural Improvement and Reform Act of 1996 (the so-called “Freedom to Farm” Act) which terminated U.S. agricultural supports linked to the volume and/or market price of the supported commodities. In their place, it provided annually decreasing “transition payments” to move American farmers from government supports to a free market. U.S. agri-food exports at this time were about \$20 billion per year of bulk commodities, mostly grains, oilseeds and cotton, and \$40 billion per year of higher value products like dairy, meats, fruits and vegetables (Glauber and Smith, 2021; OECD, 2024).

During this period of rapid globalisation, the character of U.S. agri-food exports changed, and global agri-food value chains became increasingly integrated. The share of high value products, including processed products, grew rapidly relative to bulk commodities, which had historically dominated U.S. agri-food exports (ERS, 2025). In 2014 the U.S. exported \$103 billion of high value agri-food products and \$52 billion of bulk agricultural commodities. The agri-food sectors of Mexico and Canada, the United States’ second and third largest agri-food export markets, became tightly integrated with the U.S. markets with back-and-forth movements of commodities like beef in their production cycles. After it joined WTO in 2001, China became an important and rapidly growing market for American agricultural exports, predominantly bulk commodities, led by soybeans. By 2012 China was the largest export market for U.S. farmers, reaching almost \$30 billion per year (Hansen *et al.*, 2017; Beckman *et al.*, 2017).

The Doha Round of international trade negotiations was launched in November 2001; however, enthusiasm for further multilateral liberalisation had waned. Between 2001 and 2012, the United States negotiated 11 bilateral trade agreements, but mostly with small countries. There was widespread public perception that manufacturing jobs were being lost to China, Mexico and other low wage countries. The United States had a Trade Adjustment Assistance (TAA) Program to help transition workers and communities hurt by job losses; however, it was never adequately funded or seriously implemented. There was much less acknowledgement that jobs were being created in the industries enjoying greater export success (Thompson, 2005).

Anti-globalisation movements became more active after the 2008-09 global financial crisis. Populist rhetoric in several countries, including the United States, began to question immigration, globalism, and multilateralism. U.S. agricultural policy after 2002 shifted from decoupled (non-trade distorting) income supports to price- and revenue-based countercyclical subsidies, heavily subsidised agricultural insurance, and conservation programmes (Glauber *et al.*, 2021).

With little progress occurring in the Doha Round of multilateral trade negotiations, New Zealand, Chile, Singapore and Brunei formed a free trade group in 2005. Eight more countries, the U.S., Canada, Mexico, Australia, Japan, Peru, Malaysia and Vietnam, negotiated to join the group in what was to be called the Trans-Pacific Partnership (TPP). In the agri-food space the parties agreed to reduce agricultural tariffs, adjust tariff rate quotas and reduce non-tariff barriers to agricultural imports. The U.S. beef, pork, fruit and vegetable sectors were particularly enthusiastic about the increased export prospects that they saw the TPP opening up in the Pacific Rim, particularly in rapidly growing developing countries. The United States Government also saw the TPP as a means of competing with China’s growing geopolitical influence in Pacific Rim countries (Schott, 2018).

The final TPP agreement was reached in October 2015, and other countries began ratifying it. Whatever enthusiasm there was for the TPP in the United States waned after the Presidential election campaign of 2016 got underway. The United States Congress had not yet ratified the TPP Agreement when Donald Trump was elected President of the United States in November 2016.

## Trump’s First Term as President (2017-2021)

Donald Trump came into office in January 2017 with an “America First” agenda, committed to bringing manufacturing jobs back to the U.S., to ending what he perceived as unfair trade practices against the U.S., and to reducing the U.S. trade deficit. In 2016, the United States’ balance of trade deficit was \$502 billion, of which \$347 billion was on bilateral trade with China (BEA, 2025). Trump viewed bilateral trade deficits as *prima facie* evidence of unfair treatment of the United States in the world trading system. He argued that multilateral trade agreements unfairly constrained the United States’ commercial freedom (Lighthizer, 2023). His distaste for multilateralism was further reflected in his withdrawing the United States from the Paris Climate Agreement as one of his first acts in office.

Soon after his inauguration Trump withdrew the United States from the Trans-Pacific Partnership and demanded renegotiation of the North American Free Trade Agreement. He argued that NAFTA and other trade agreements had cost the U.S. jobs and contributed to growing trade deficits. Mexico and Canada, under threats from Trump to raise tariffs on automobile imports, acquiesced in Trump’s demand to renegotiate NAFTA, and, in 2018, a new United States-Mexico-Canada

Agreement (USMCA) was signed. It went into force in mid-2020. The new agreement resembled the NAFTA agreement closely, but with greater protection to the U.S. automobile industry and somewhat stricter labour standards and dispute settlement mechanisms. With respect to the agri-food sector the USMCA modestly increased U.S. dairy access to Canada and addressed several U.S. concerns about biotechnology and sanitary and phytosanitary standards (Schott, 2018).

In December 2018 the other 11 countries which had been party to the TPP negotiations proceeded to implement the agreement without the United States. It was renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Left outside, American exporters had less favourable access to those markets than exporters in the 11 member countries now enjoyed. The fact that China accounted for 69 percent of the United States' 2016 trade deficit attracted Trump's intense scrutiny. Accusing China of unfair trade practices, intellectual property theft and forced technology transfers, Trump unilaterally imposed tariffs on over \$250 billion worth of Chinese goods, including consumer electronics, furniture, clothing, machinery and some agri-food items in 2018. He claimed legal authority for these tariffs under Section 301 of the Trade Act of 1974 which allows the U.S. unilaterally to impose trade sanctions if another country violates trade agreements or engages in discriminatory practices (Brown and Kolb, 2018).

China responded with retaliatory tariffs of 25-70 percent on about \$110 billion of U.S. exports of predominantly agri-food products, including soybeans, pork, maize, wheat, dairy, almonds, apples, wine and whiskey, as well as automobiles and machinery. China was strategic in retaliating against products produced primarily in states which had strongly supported Trump in the 2016 election. In 2017 China bought \$24 billion worth of U.S. agricultural exports; this dropped to \$9 billion in 2018. China, which had bought 60 percent of U.S. soybean exports in 2016, bought 75 percent less in the following year and turned to Brazil to supply most of the rest of its soybean imports (Brown and Kolb, 2018). A tit-for-tat trade war between the U.S. and China ensued with retaliation and counterretaliation. U.S. tariffs eventually covered over \$360 billion of imports from China. Losing their largest customer, American farmers suffered severe financial losses from the resulting depressed markets for their products (CRS, 2025).

Drawing upon the discretionary authority granted to the Secretary of Agriculture in the Commodity Credit Corporation Charter Act of 1948 "to stabilize, support and protect farm income and prices," the USDA provided \$28 billion of compensation to farmers in 2018 and 2019 (the "Market Facilitation Program") to offset their losses. The trade war ultimately ended with negotiation of the "Phase One Agreement," signed in January 2020. China agreed to buy \$40 billion of U.S. agricultural products in each of the next two years. In this agreement, some tariffs were reduced, but many were left in place. While China's purchases of U.S. agri-foods recovered somewhat, with the onset of the COVID pandemic, the agreed upon volume of purchases was not fulfilled, global supply chains were restructured, and diversion of trade away from the United States continued.

Trump unilaterally imposed tariffs across many sectors of the American economy, some of which had indirect impacts on the agri-food sector. Section 232 of the Trade Expansion Act of 1962 grants the President authority to impose tariffs to protect industries "essential to national security." Using this authority in March 2018 he unilaterally imposed tariffs of 25 and 10 percent on imports of steel and aluminium, respectively. He threatened to use it also to levy tariffs on imports of automobiles and uranium. The U.S. prices of steel and aluminium rose, raising the cost of production of all machinery and equipment containing these metals, including farm machinery and transport equipment.

Exports from the U.S. agri-food sector suffered from other countries' retaliation to the steel and aluminium tariffs. The EU retaliated by raising tariffs on Bourbon whiskey, peanut butter, cranberries, and orange juice; Canada, against ketchup, yogurt, orange juice and maple syrup; and Mexico, against cheese, pork, apples, whiskey and various food manufacturers. Trump also used the threat of unilaterally imposing tariffs as a bargaining chip to gain greater import access into several countries, including dairy into Canada, rice into Japan, beef into Brazil, and poultry into China. His tariffs threats did not succeed in gaining greater access to the European Union market for U.S. agri-food products.

Trump's willingness to ignore U.S. obligations under the GATT and NAFTA trade agreements undermined trust in the United States. As a member of the WTO, the United States was obliged to honour the bindings on each tariff line agreed to in the last round of GATT negotiations, to extend Most Favoured Nation treatment to all other members, and to pay compensation for unilaterally changing the bound tariff rates. The U.S. had been a primary author of both the General Agreement on Tariffs and Trade and the Uruguay Round Agreement, and these had facilitated expansion of global agri-food trade and supply chains from which American agriculture had benefitted greatly.

An important product of the Uruguay Round was creation of an iron-clad WTO dispute settlement capacity, implemented through its Appellate Body, which had the power to levy damage assessments on members found to have violated the rules of trade. Despite the fact that the United States had won more cases than it had lost in the Appellate Body, in 2021 Trump refused to confirm new judges to replace those whose terms were expiring. Without enough judges, the Appellate Body ceased to function in December 2021. This situation continues today (Irwin, 2017).

During the Trump Administration farmers benefitted from reductions in personal and corporate income tax rates in the 2017 Tax Cuts and Jobs Act. Many farmers appreciated his executive orders that weakened environmental regulations, particularly those relating to protection of wetlands and endangered species. By the end of Trump's term in office the U.S. trade deficit with China had declined, but the deficit in the overall U.S. balance of goods trade had grown by 21 percent to \$916 billion relative to the year before he became President. It is impossible to delineate the economic effects of Trump's tariff policy and whether they contributed much to increasing U.S. manufacturing production and jobs during his four years in office, as they



are confounded with the effects of the COVID pandemic which shut down the economy in March 2020.

While the Trump tariffs were a significant shock to the rules-based international trading system and to global agri-food supply chains and to U.S. market share, American farmers' incomes were substantially protected by \$28 billion from the Market Facilitation Program and another \$14 billion from COVID recovery assistance grants. By 2020 over 40 percent of U.S. net farm income came from government payments (Glauber, 2025a; CRS, 2025).

U.S. agricultural exports resumed their growth during the Biden Administration (2021-25), reaching their all-time record in 2022. During this period the fraction of high-value products grew further relative to traditional bulk commodities, and U.S. agri-food exports penetrated a more diverse array of country markets. The market share destined for China failed to recover as China diversified its countries of origin, particularly to Brazil and Argentina. Brazil supplanted the United States as the world's largest soybean exporter and also became an important supplier of maize to the world market. Biden kept most of the Trump tariffs in effect through his presidency and generally reinstated the environmental regulations which Trump had weakened.

## Farmer Attitudes towards Trump

Despite the uncertainty and loss of credibility as reliable export suppliers during the Trump Administration, American farmers turned out in large numbers to vote to re-elect Donald Trump in November 2024. They had been compensated well for their financial losses during the trade wars of 2017-20 and generally opposed many of the Democratic Party's initiatives during the Biden years. The Biden Administration had rejoined the Global Climate Agreement and was pushing for zero-net emissions from agriculture.

Using what many farmers perceived as flawed scientific arguments, the Biden Administration tightened restrictions on pesticide and fertiliser application, wetlands use, and large-scale livestock and poultry production. Modern American agriculture sees itself as having the highest productivity, most efficient food and fibre production system in the world, and many farmers perceived the Administration as favouring a return smaller-scale, less efficient, production of food and fibre. Many livestock producers objected to what they saw as Federal encouragement to reduce meat consumption and replace it with plant-based sources of protein. The Democratic Party was seen as advocating stricter gun control, which many farmers oppose. Many farmers became culturally alienated as they saw "woke" cultural themes like gender identity and pronoun use as inconsistent with their traditional rural values. During the 2024 Presidential election campaign Trump successfully portrayed Democrats as hostile to rural values and modern farming practices, and farmers overwhelmingly voted for him (Iowa State University, 2019).

In the U.S. federal fiscal year that ended 30 September 2024, the Federal Government budget deficit was \$1.83 trillion. The deficit in the balance of trade in goods totalled \$1.2 trillion, with trade with China and Mexico

accounting for about half of the total deficit (BEA, 2025). During his election campaign Trump ran on a populist agenda of creating jobs for Americans by deporting undocumented workers and bringing manufacturing jobs back by increasing tariffs on imported goods. He argued that the tariffs would generate so much revenue that the Federal budget deficit and income taxes could both be reduced. Furthermore, he argued that the burden of paying the tariffs would fall on the foreign suppliers of the imports.

## The Second Trump Administration (2025-29)

When Trump took office as President of the United States in 2017, he was inexperienced in politics, coming from a background as a New York City real estate developer and reality television personality. When he returned to office on 20 January 2025, he had a better understanding of how the Federal Government works, and he immediately started implementing his populist agenda through Executive Orders. Consistent with the opposition to multilateralism that he exhibited through his first term, Trump promptly withdrew the United States from the Paris Climate Agreement, the World Health Organization, and the United Nations Human Rights Council. Trump has even threatened to withdraw the United States from the WTO.

At the same time, he empowered a new "Department of Government Efficiency" ("DOGE") with the announced objective of reducing the Federal budget deficit by slashing Federal Government expenditures and downsizing the U.S. Government bureaucracy. Many Federal employees accepted early retirement buyout offers, and thousands more were summarily terminated, including many career professionals engaged in functions like food safety inspection, administration of agricultural support programmes, and even tax collecting. Several Federal agencies were completely extinguished, including the U.S. Agency for International Development (USAID), the principal implementing agency for U.S. foreign aid, among whose responsibilities was providing food aid to poor people in low-income countries. Many Federal grants to support research at universities and other institutions, including agricultural research, were terminated.

In his first days back in office Trump also launched an aggressive effort to round up and deport as many undocumented workers from the United States as could be found. This is creating a large potential problem for American farmers, as an estimated 42-50 percent of the U.S. farm labour force is undocumented. Farmers and the meat sector may be challenged to sustain their volume of production in labour intensive sectors like dairy, fruit, and vegetable production and livestock and poultry slaughtering, unless they can further mechanise and automate their operations.

A second objective announced during Trump's first week back in office was to close down the flow of undocumented immigrants and of illicit drugs, particularly fentanyl, into the United States. China is a primary source of fentanyl and the

raw materials from which to make it, and Mexico has been a primary conduit into the U.S. Some also cross into the U.S. from Canada.

On 1 February 2025, Trump invoked the authority granted to the President in the International Emergency Economic Powers Act of 1977 (IEEPA) “to regulate international commerce after declaring a national emergency in response to any unusual and extraordinary threat to the United States which has its source in whole or substantial part outside the United States.” Using this never-before-used authority, Trump declared that the flows of fentanyl and undocumented immigrants into the United States were a national emergency. He announced 25 percent tariffs on all imports from Mexico and Canada and a 10 percentage point increase in tariffs on Chinese goods and said these tariffs would remain in force until the flow of fentanyl and illegal immigrants into the United States stopped.

Canada immediately announced it would retaliate by imposing 25 percent tariffs on its imports of American-made goods. Mexico announced it was considering retaliation. Two days later, after receiving commitments of best efforts from both Mexico and Canada to stop the flows of drugs and undocumented immigrants, Trump delayed implementation of the tariffs on those countries until March. The tariffs went into effect on Chinese goods, and China retaliated with 10-15 percent tariffs on American farm machinery and natural gas and suspended the import licenses of three firms that import soybeans from the U.S. Trump added another 10 percent to the U.S. tariffs on imports from China, in response to which China placed 10-15 percent import tariffs on chicken, cotton, wheat, maize, soybeans and pork from the U.S. (Brown, 2025).

On 4 March Trump ended the 30-day pause on Canada and Mexico and announced a 10 percent increase in tariffs on Canadian oil and energy products, a 25 percent tariff on the rest of imports from Canada and on all imports from Mexico, and a 10 percent additional tariff on Chinese goods. Canada announced it would reciprocate with 25 percent tariffs on U.S. goods. Trump then backed off, announcing that the 25 percent tariffs would apply only to USMCA non-compliant goods, and the rest of USMCA trade would be free of tariffs. Canada agreed to the same conditions. Out of deference to American farmers, Trump reduced the tariff on USMCA non-compliant potash fertiliser from Canada to 10 percent.

On 12 March 2025, Trump imposed 25 percent tariffs on steel, aluminium and derivative products from all origins citing Section 232 authority. He added automobiles to the list on 26 March. Commission President von der Leyen announced that the E.U. would retaliate against \$28 billion worth of imports from the U.S., the same value as the EU’s sales of steel and aluminium to the U.S., with agri-food goods expected to bear the brunt. Trump never followed through on his threat. The EU’s retaliation list included, e.g. fruits, vegetables, meat, alcoholic beverages, and Harley Davidson motorcycles.

When Trump returned to the Presidency, the overall U.S. goods trade deficit was even larger than when he took office eight years previously. On 2 April, dubbed “Liberation Day” by President Trump, he declared the United States international goods trade deficit to be a national emergency

and under authority granted to the President by the IEEPA announced a blanket tariff of 10 percent to be levied of all goods entering the U.S. from most countries starting 5 April. (White House, 2025). To this, he added for 180 individual countries and territories what he called “reciprocal” tariffs “to correct for currency manipulation and trade barriers,” to be implemented on 9 April. (The only countries excluded from the “reciprocal tariff” list were Canada and Mexico, which had already been addressed, and Russia, North Korea, Belarus, and Cuba) (Glauber, 2025b, Glauber et al, 2025).

Trump asserted that the existence of an imbalance in bilateral goods trade was *prima facie* evidence of unfair trade practices. In calling the measures “reciprocal,” Trump said without citing evidence that they were intended to mirror and offset the trade barriers that each country must be using to cause the bilateral trade deficit.

Each country’s “reciprocal tariff” rate was calculated as one-half of the balance of goods trade with that country divided by the value of U.S. goods imports from that country. This resulted in many very high “reciprocal tariff” rates. To illustrate, the announced rates for Vietnam, China, India and the EU were respectively 46, 34, 26 and 20 percent. The higher the bilateral trade deficit with a country, the higher its “reciprocal tariff” rate was set.

The media characterised these tariffs as the most protectionist trade action by the United States since the infamous Smoot-Hawley Tariff Act of 1930. In response to Trump’s “Liberation Day” announcement global stock markets crashed, and enough foreign holdings of U.S. Government debt were dumped on the U.S. bond market to drive down bond prices and raise interest rates. Trump retreated within a few days and announced that, except for China, the “reciprocal tariffs” would be “paused” for 90 days during which the affected countries could bring bilateral proposals for how they would increase access to their markets for U.S. goods. The 10 percent across the board tariffs would stay in effect.

On 4 April, China announced a retaliatory tariff of 34 percent on imports of all U.S. products, matching Trump’s “reciprocal” tariff on Chinese goods. China banned the export to the U.S. of rare earth minerals. After a series of tit-for-tat retaliations and counterretaliations, on 6 May, the U.S. tariff on Chinese goods had reached 145 percent, and the Chinese tariff on American goods, 125 percent – clearly prohibitive levels. On 12 May, China and the U.S. agreed to roll back most of the tariffs to 10 and 30 percent, respectively, and declared a 90-day ceasefire in their tariff war.

The EU published a list of imports from the U.S. on which it would levy retaliatory tariffs, but paused implementation for 90 days pending negotiations with the U.S., and the U.S. and UK announced a framework arrangement for a trade deal. In mid-April Trump imposed port fees on foreign flag vessels carrying imports to the U.S.

Numerous court cases were filed challenging the Trump tariffs, and numerous industries lobbied for exemptions from the tariffs. In mid-April the U.S. automobile industry, which is very tightly integrated with factories in Canada and Mexico, was granted tariff reductions on autos and auto parts.

On 28 May, the United States Court of International Trade found the tariffs Trump imposed under the IEEPA on

imports from Canada, Mexico and China to address fentanyl and border security and from the world to address goods trade deficits went beyond the authority granted by the IEEPA and ordered their removal. The Trump Administration immediately appealed this ruling, and the court allowed the tariffs to stay in force while the appeal is being considered. This ruling has no effect on the tariffs Trump imposed under authority of Sections 232 and 301, only those under IEEPA. In mid-April the Trump Administration announced it would withdraw from a 2019 agreement that suspended an antidumping investigation into fresh tomato imports from Mexico. As a result, most tomato imports from Mexico will now be subject to a tariff of almost 17 percent.

On 4 June, Trump raised the tariff on imports of steel and aluminium and derivative products containing them to 50 percent (exempting the U.K. from the increase due to the framework agreement). On 3 July the Congress passed authorising legislation for Trump's entire policy agenda in one "One Big Beautiful Bill" Act. In it the Congress extend the personal income tax cuts made during his previous Administration which would otherwise have snapped back at the end of 2025 to their higher former rates. This legislation also includes subsidies to physical investment in factories and equipment by allowing investors to "write off" an entire capital investment against their income tax obligations in the year the investment is made rather than having to wait and claim only the annual depreciation spread against business income earned over the life of the asset. This provision also applies to farmers.

The authorising legislation for current agricultural support programmes, the Agricultural Improvement Act of 2018, expired on 30 September 2023, and since then it has been extended only one year at a time. The "One Big Beautiful Bill" Act extends the authorisation for farm support programmes (but not everything in the 2018 Act) five more years and adds an additional budget authorisation of \$65.6 billion over the next 10 years for agricultural commodity support programmes. It raises the reference prices for supported commodities 11-20 percent, increases subsidies to crop insurance, and allows farmers to add up to 11.8 million more hectares to the area of crop land on which they can receive agricultural subsidies. The legislation also reduces food assistance to low-income Americans. The Congressional Budget Office has estimated that this overall package of tax reductions and spending increases will increase the annual Federal budget deficit, cumulatively adding \$3.4 trillion to the Federal Government debt plus interest over the next decade.

## Several Things that Trump Appears Not to Understand (or Chooses to Ignore)

Donald Trump is not consistent in his reasons for imposing higher tariffs. He frequently asserts that tariffs will bring in a big increase in tax revenue which would allow reduction in personal income taxes. On the other hand, when he announced the "reciprocal tariffs," he invited all countries to

come and negotiate reductions in exchange for greater market access for American goods to their markets. These are mutually exclusive objectives. Perhaps his tariff announcements are merely negotiating ploys.

Trump's approach to economic policy flies in the face of more than a century of developments in international economics. Bilateral balance of goods trade is a meaningless concept. It makes no more sense for every pair of countries to have balanced goods trade between themselves than it does for a household to have balanced trade with its grocer, its barber, its automobile mechanic, and every other firm with which it does business. What matters is whether the household is living within its means, and, if it is borrowing to consume more than it is earning, that it will have the capacity to repay the cumulated debt in the future. Trump's fixation on eliminating every bilateral trade deficit is neither sensible nor achievable.

Trump's fixation with the balance of trade in goods ignores the reality that the United States runs a balance of trade surplus in services. In 2024, the U.S. deficit in goods trade was \$1.2 trillion, one quarter of which was offset by a \$0.3 trillion surplus on trade in services, leaving a net deficit on trade in goods and services of \$0.92 trillion (BEA, 2025).

Donald Trump often claims that it is the foreign exporters who will pay the tariffs he levies on imports into the United States. This is a standard incidence of a tax question. The incidence of a tax is borne by buyers and sellers in inverse proportion to their relative elasticities of supply and demand. The proportion of an import tariff borne by American buyers is the ratio of the elasticity of their excess demand relative to the elasticity of excess supply of the rest of the world. Only in the small country case (price taker) in which U.S. buyers would confront an infinitely elastic excess supply would 100 percent of the tax be paid by the U.S. buyers. On the other hand, for Trump to assert that 100 percent of the tariffs would be paid by foreign sellers would require zero elasticity of import demand by Americans, an equally improbable case.

The preponderance of estimates of the elasticity of supply from the rest of the world to the U.S. are highly elastic relative to the U.S. demand elasticity for those imports. This means that most of the incidence of the tariffs resides on U.S. buyers. How much of that tax is then passed through from the importing firm to the final consumer or absorbed in lower profits will reflect competitive conditions in the retail sector. In general, we can expect a higher cost of living in the United States to result when the higher import tariffs are levied (Olarreaga and Santander, 2025).

Donald Trump's infatuation with bringing back manufacturing jobs, particularly to the old northern industrial heartland, flies in the face of the structural transformation that an economy normally undergoes in the course of its economic development. Starting with the bulk of the labour force employed in agriculture, economies go through an evolution as higher productivity in agriculture allows the higher wages in manufacturing to pull unskilled labour out of agriculture. As labour productivity and wages rise in manufacturing, low skilled jobs tend to move offshore to lower wage countries and workers move into service sector jobs. Those remaining in high-wage manufacturing must have high levels of technical expertise.

Today in the United States only 1.5 percent of the workforce is employed on farms, and only 8.4 percent in manufacturing. Over 90 percent of the workforce is employed in services (for reference, non-farm agri-food employment – in both food manufacturing and food service jobs – is about 10.4 percent of the workforce) (USDA ERS, 2024; BLS, 2024).

If Trump raises prices of manufactured goods in the United States by providing tariff protection against imports, some growth in manufacturing output may occur, but little growth in manufacturing jobs can be expected. With the increased automation and use of robots in modern manufacturing, any return of manufacturing will be highly mechanised with any growth in employment requiring workers with high technical skills (Baldwin, 2025).

Trump also exaggerates the loss of manufacturing jobs to China and Mexico from the hollowing out of the old northern manufacturing belt. In 1970 that region had nearly half of all manufacturing employment in the United States, and Southern states had less than one-quarter. Today the proportions are flipped. The South has more than half of U.S. manufacturing jobs, including many in automobile manufacturing. A significant number of the “lost jobs” did not move offshore; they moved south within the United States (Ohanian, 2014).

When he announced his across-the-board import tariffs, Trump’s call for American farmers “to get ready to start making a lot of agricultural products to be sold INSIDE of the United States” (his emphasis) demonstrated a lack of understanding of the U.S. agri-food sector and of the gains from trade. Perhaps reflecting his experience as a New York City real estate magnate, Donald Trump seems to view every transaction as a zero-sum game in which, if one party to a transaction gains, the other must lose.

Trump demonstrates no comprehension of the potential for gains from trade among countries with different factor endowments or stages of economic development. For example, he ignores that fact that the U.S. can gain by taking advantage of the fact that its Midwest is endowed with well-watered fertile soils capable of producing vastly larger quantities of temperate zone crops than American consumers want to buy. The country gains when the excess is sold abroad in exchange for goods in which other countries have a comparative advantage and lower relative production cost such as tropical fruits and beverage crops that U.S. does not have climatic conditions to grow or out-of-season fruits and vegetables (Thompson, 2007).

## United States Agri-food Trade Before Trump’s 2025 Tariffs<sup>1</sup>

In 2024 the United States imported \$204 billion worth of agri-food products, representing about 15 percent of all food consumed in the United States. The largest food import category in 2024 was seafood (\$21.5 billion), which accounted

for 80 percent of U.S. seafood consumption. The second largest category of U.S. food imports was baked goods, pasta and cereals (\$14.9 billion). The U.S. imported \$13.4 billion each of fresh fruits and fresh vegetables and another \$13.4 billion worth of processed fruits and vegetables. This represented 20-30 percent of consumption of each category. Wine, beer and spirits imports totalled \$12 billion (35 percent of U.S. consumption).

The U.S. imported \$12.6 billion of vegetable oils (20-25 percent of consumption) and \$11.7 billion worth of beef and beef products (10-15 percent of consumption). The largest U.S. agri-food imports as a percent of consumption (98 percent) were coffee (\$6.6 billion) and chocolate and cocoa products (\$4.8 billion). Sugar and sweetener imports, which totalled \$5.4 billion, represented 15-20 percent of U.S. consumption. The U.S. also imported \$5.4 billion of dairy products and \$1.7 billion of pork and pork products (Glauber *et al*, 2025).

In terms of world market shares imported by the U.S., seafood, at 15 percent, is the only category that exceeds 10 percent. The U.S. imports about 10 percent of world exports of coffee, sugars and sweeteners, and vegetable oils, and 7-9 percent of the beef and beef products traded. All other categories are in the four to six percent range. The price depressing impact of U.S. import tariffs can be expected to be proportionately higher, the larger the U.S. share in world trade in any given product.

Recognising the political influence of farm organisations in Republican majority states and the role farmers’ votes played in re-electing Donald Trump, countries frequently choose for retaliation agri-food products that they buy from the United States. In 2024 the United States exported \$170.5 billion worth of agri-food products. More than 20 percent of farm sales revenue is generated by export sales.

The largest U.S. agricultural export is soybeans (\$24.6 billion in 2024). This represented 52 percent of U.S. production and made up one-third of the soybeans that moved in world trade. Adding to this \$6.4 billion of soybean meal exports (27 percent of production and 16 percent of world exports) illustrates the huge economic importance of soybeans in the U.S. agricultural economy. The second largest agri-food export was maize at \$13.9 billion, about 55 percent of production and 40 percent of world exports. The U.S. exported 10-15 percent of its production of fruits and vegetables (\$13.5 billion). Beef and beef product exports of \$10.5 billion represented 10-15 percent of U.S. production; this made up about 22 percent of world exports of beef and beef products.

The largest U.S. agri-food product export category in terms of fraction of production exported is tree nuts (the largest being almonds, followed by walnuts and pistachios). The \$9.8 billion of their exports represented 60 percent of the value of U.S. tree nut production. The U.S. exported \$8.6 billion worth of pork and pork products, 20-25 percent of production. U.S. dairy product exports totalled \$8.2 billion (5-10 percent of production). Wheat exports of \$5.8 billion took 45-50 percent of U.S. production, and poultry meat and product exports of \$5.5 billion represented 15-20 percent of production. The

<sup>1</sup> Data cited in this section are drawn from USDA ERS (2025a and 2025b), Plume (2025), Braun (2025), Barron’s (2025), FAO (2025), Glauber (2025a) and various industry sources.



world market shares of these other categories were in the three to five percent range. Finally, the diverse categories of food preparations and wine, beer and spirits generated \$6.3 billion and \$4.1 billion, respectively, of overall agri-food export revenue in 2024.

The significant fractions of U.S. production of tree nuts, soybeans, maize, wheat, pork, poultry and beef illustrate why these commodities are often victims of retaliation against U.S. protectionist measures. They suffered an estimated \$24 billion in losses as a result of the tariff war Trump started in his first presidency.

The greatest impacts of the Trump tariffs will be on Mexico and Canada whose agri-food sectors have become tightly integrated with the U.S. agri-food sector since implementation of the NAFTA and USMCA free trade agreements. Mexico supplied 22.2 percent (\$47.2 billion) of U.S. agri-food imports and bought 17.2 percent (\$30.3 billion) of U.S. agri-foods exports in 2024. Canada supplied 16.4 percent (\$35.0 billion) of U.S. agri-food imports and bought 16.1 percent (\$28.4 billion) of U.S. agri-foods exports in that year.

China was the third largest U.S. agri-food export destination in 2024, taking 14.0 percent (\$24.7 billion) in 2024, followed by the European Union at 7.3 percent (\$12.8 billion). Japan and South Korea were the fifth and sixth largest markets (\$12.0 billion and \$8.5 billion, and 6.8 and 4.8 percent shares, respectively). The remainder of the top 10 U.S. agri-food export markets were medium- to high-income developing countries, Colombia, Taiwan, Philippines and Vietnam, each with \$3-5 billion of agri-food imports from the U.S. (each with about a two percent share of U.S. agri-food exports).

The third largest supplier of U.S. agri-food imports was the European Union, with 15.4 percent share (\$32.9 billion), followed at a distance by Brazil at 3.1 percent (\$6.5 billion). China was the fifth largest agri-food supplier to the U.S. at 2.5 percent (\$5.3 billion). The other large agri-food exporters to the U.S. are concentrated in Latin America and the Caribbean, with Chile, the largest, at \$4.5 billion, followed by Peru with \$3.9 billion. While these exporters' market shares in the U.S. market are small, the volumes often represent very significant shares of those countries' agri-food export sales. Imposition of import tariffs by the U.S. on their export products can be very damaging to both their agri-food sectors and their economies in general. It is the countries whose agri-food sectors are most open (in percent terms) to the world market that can anticipate the most significant shocks from Trump's tariffs.

If, in the final structure of U.S. agri-food tariffs, there is significant difference in the tariff rates applied to a same good coming from different countries (in violation of the Most Favoured Nation principle), as Trump proposed on 2 April, this could significantly alter global agri-food supply chains. Retaliation against U.S. agri-food exports could create greater agri-food export opportunities for other nations, as occurred when Brazil, and to a lesser extent, Argentina, supplanted the United States as the largest supplier of soybeans to China.

## The Uncertain Future

The only thing one can say with certainty concerning the global agri-food sector at the time of this writing (early July 2025) is that we will be navigating during the four years of the Trump Administration in a sea of great uncertainty. No one knows at this point what the final tariff rates will be on individual products and countries. The announced tariff rates have changed from day to day and week to week. Negotiations are underway with most trading partners; however, Trump seems committed to the 10 percent across the board tariff that he announced on 2 April being the minimum. For reference, the United States' average import tariff at the beginning of 2025 was 2.4 percent; in early July 2025, the average U.S. import tariff was 17 percent.

Broad framework agreements have been announced with only two countries at the time of this writing. The U.S.-U.K. framework agreement announced on 8 May 2025 sets the U.S. import tariff on nearly all goods imported from the U.K. at 10 percent, and the U.K. will reduce its average tariff on imports of U.S. goods to 1.8 percent. Many details remain to be negotiated. On 2 July 2025, the U.S. and Vietnam announced they had reached a framework agreement. The tariff rate charged on all U.S. imports of all goods produced in Vietnam will be 20 percent, and all U.S. goods will enter Vietnam duty free. The rate will be 40 percent on all goods made in other countries which are trans-shipped through Vietnam. This provision is clearly designed with China in mind.

Trump wants to stimulate investments in manufacturing capacity that will bring production of imported goods back to the United States. However, with the lack of clarity and frequent changes in the announced tariff rates, no investors are going to commit millions or billions of dollars to new investments until they perceive that the announced rates will remain in place unchanged for at least several years to come (Posen, 2025).

The one thing that is certain is that when tariffs are imposed, they will put a wedge between domestic prices and prices received by exporters, raising domestic prices and lowering the prices received by exporters. Less certain is whether and how much the impacted exporting countries choose to retaliate against U.S. agricultural exports.

Even if we knew the final, hopefully stable, structure of Trump tariffs, there are many offsetting and reinforcing general equilibrium forces that will determine the net effects. Perhaps none has greater potential impact than the strength of the U.S. dollar. Will the dollar strengthen or weaken as a result of Trump's tariff action? Conventional analysis generally says that if new tariffs reduce a balance of trade deficit, the country's currency is likely to strengthen. However, there are a number of forces putting downward pressure on the U.S. dollar relative to other currencies, most prominently, the projected addition of \$3.4 trillion to the U.S. Federal debt in the next 10 years by Trump's One Big Beautiful Bill Act, a significant share of which will need to be sold to foreign investors.

Americans have traditionally had a low savings rate compared to many countries, only 2 to 4 percent of GDP (Obstfeld, 2025). If this savings behaviour continues, U.S. Federal Government borrowing from abroad must increase. To the extent that investment in manufacturing does increase as Trump wishes, there will have to be even larger borrowing from abroad. The market clearing condition in the foreign exchange market requires that there be a net capital inflow to pay for the sum of a government budget deficit and any shortfall in domestic savings relative to investment expenditures. To generate a net capital inflow there must be a deficit in the balance of trade in goods and services as long as the U.S. dollar is allowed to continue floating. Other things being equal, an increase in the U.S. Government's federal budget deficit requires an increase in the deficit on trade in goods and services. To achieve this, the U.S. dollar must strengthen to reduce the price of imports to U.S. consumers and increase the cost of U.S. goods to foreign buyers.

Trump has threatened several times to replace the Chairman of the Board of Governors of the Federal Reserve Bank with a political appointee. Foreign holders of U.S. government debt, if they begin to doubt the U.S. commitment to macroeconomic stability, may reduce their holdings of that debt, putting downward pressure on the dollar. This will be accentuated if they perceive growing risk that the U.S. central bank, the Federal Reserve, is allowing the inflation rate to increase. To fight inflation, the Fed would need to raise interest rates.

Foreign holders of U.S. Government debt may also demand a higher risk premium to continue to hold U.S. dollar-denominated debt, putting further upward pressure on interest rates. To some extent, this appears to have happened already. The U.S. dollar has dropped over 10 percent since the beginning of 2025. Foreign bond holders clearly demonstrated their concern on 2 April in response to Trump's "reciprocal tariff" announcement. To the extent that the dollar weakens, this will offset part of the protection tariffs were put in place to provide.

A June 2025 Peterson Institute for International Economics working paper by McKibben *et al.* (2025) analysed the likely global economic effects of the announced tariffs as of 10 May 2025 using the G-Cubed computable general equilibrium model. The authors found that "the tariffs significantly reduce US and global economic growth and increase inflation in many countries" and "retaliation by other countries worsens the economic losses and inflation increases." "The tariffs disproportionately hurt the US agriculture and durable goods manufacturing sectors by reducing output and employment and increasing prices." They also simulated a loss in confidence in US macroeconomic management. In that simulation the US dollar weakened further, and longer-term interest rates rose.

There is a very real possibility that the U.S. Federal Reserve will be put in the difficult position of having to deal with increasing inflation simultaneous with a decline in GDP (recession), "stagflation," a situation it has not had to deal with since the 1970s. Some of the announced tariff rates have changed already since the McKibben *et al.* (2025) study was initiated, and Trump has said that the bilateral negotiations

underway with many countries could result in lower "reciprocal tariff" rates than those he announced on 2 April. In any case, one should anticipate average U.S. import tariffs to be higher in the future than in recent decades.

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