

Further Trade Wars Will Harm California Agriculture

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As protectionist policies gain momentum in the United States, the future of California's agricultural trade faces pessimism. With proposals to expand tariffs on imports from China and other nations, California farmers—who depend on global markets as an outlet for their almonds, wine, and other agricultural goods—are aware that there would be trade retaliation from our trading partners. If a significant new trade war develops, California could see a quarter of its agricultural exports wiped out, costing the state's economy \$6 billion annually.

“There is little sign that Ms. Harris would reverse the tariffs maintained by the Trump and Biden administrations.”
—*The Economist August 18, 2024*

California agriculture has long been an economic powerhouse, contributing significantly to the state's economy and helping feed the world. But today, this industry faces increasing uncertainty as bipartisan protectionism gains momentum in Washington, DC. Political leaders on both sides of the aisle have proposed new import tariffs and trade restrictions to ostensibly protect American industries and workers. If implemented, these measures will have serious consequences for California's farmers. As policy-makers debate whether to expand tariffs on imports from China and other countries, California's agriculture stands to lose billions in export revenue each year.

Over the last two decades, California's farmers have built strong trade ties with China, which became a critical market for the state's agricultural products after China joined the World

Trade Organization (WTO) in 2001. By 2023, California's value of yearly agricultural exports to China soared to more than \$2.6 billion, up from just \$0.2 billion in 2002. This boom in trade has been incredibly beneficial for high-value crops like almonds, a sector that doubled its bearing acreage over the past 20 years due to profitable returns. However, the threat of expanding U.S. protectionism now casts a long shadow over this success.

Recently, California's farmers have experienced financial losses due to trade wars. When the U.S.-China trade conflict was initiated in 2018 during the Trump administration, China retaliated with tariffs on U.S. agricultural goods, hitting California's top farm exports hard. Almond prices, for example, fell from \$2.50 per pound before the trade war to just \$1.40 per pound during the trade war. While midwestern farmers received significant federal subsidies to cushion the trade war blow they experienced, for political reasons, California's farmers were largely left out of the government compensation schemes. Now, with calls to raise tariffs on imports from not just China but other countries too, there is a growing fear that California's agricultural exports could face even deeper losses in a new potential trade war.

If the worst of the proposed tariffs go into effect, California could see a reduction of up to one-fourth of its agricultural export value, translating to a potential \$6 billion in losses annually. This would have a ripple effect across the state, from the large almond orchards in the Central Valley to the small family vineyards scattered throughout wine country.

Potential U.S. Trade Policy Scenarios in 2025

As protectionist trade sentiment rises in the United States, there are various scenarios that could play out. The first, unfolding since May 2024, involves the Biden administration's decision to impose tariffs ranging from 17.5% to 75% on critical imports from China like steel, aluminum, semi-conductors, and electric vehicles.

As the previous quote from *The Economist* suggests, a potential Harris administration would likely continue with the Biden administration trade policies and not revoke the 2018 Trump administration tariffs on China, though it might consider lifting tariffs on European allies. Such measures, while aimed at protecting U.S. industries, carry the risk of retaliatory actions from China, mainly targeting agricultural exports.

The second scenario comes from proposals by the Republican presidential campaign, which is taking a broader and more aggressive approach. In this case, the United States would impose a 10% import tariff on all goods from every country. Unlike Scenario 1, which focuses on specific products from select countries, this blanket tariff would likely trigger a global retaliatory response. Trading partners across the world would increase tariffs on U.S. goods, affecting not only key manufacturing sectors, but also agricultural exports. California's agriculture would be at the center of this global trade conflict.

The third scenario, also originating from the Republican presidential candidate, represents the most extreme form of protectionism, with the United States imposing a 60% tariff on Chinese goods and a 10% tariff on imports from all other countries (see <https://>