IMPACTS OF TRUMP TARIFFS ON WASHINGTON AGRICULTURE

Trade is the lifeblood of Washington state's economy, accounting for over $127 billion worth of imports and exports in 2023. As is true for the entire United States, Canada and Mexico are among the state's largest trading partners. Given the strong economic integration between the State of Washington and its North American trading partners, the Trump tariffs, and the likely retaliatory tariffs, could have significant and cascading impacts on local businesses and consumers, particularly in costs for energy, agricultural products, and manufactured goods.

WASHINGTON STATE AGRICULTURE TRADE

Overall Washington-grown and processed agricultural exports totaled $7.5 billion in 2023. In addition, Washington state ports export a significant volume of food and agricultural goods produced in other states, over $11 billion worth in 2023.

Canada is Washington state agriculture's number one export market, valued at $1.3 billion in 2023. Mexico is the state's fourth largest ag export market, valued at $687 million.

Any retaliatory tariffs imposed from Canada and Mexico in response to U.S. tariffs, which occurred during the first Trump Administration as described below, could also have short and long-term ramifications on Washington food and agriculture exporters due to trade disruptions and loss of hard-earned market share.

WASHINGTON'S AG TRADE WITH CANADA

Canada is Washington state's number one export market. The table below breaks out the value of the top ten products Washington exported to Canada in 2023.

Rank	Product	Value	Market Ranking
1	Fish and Seafood	$321 million	#1 market
2	Fresh Apples	$132 million	#2 market
3	Fresh Onions	$70 million	#1 market
4	Frozen Fruits	$63 million	#1 market
5	Fresh Sweet Cherries	$57 million	#1 market
6	Other Food and Beverage Preparations	$46 million	#1 market
7	Fats and Oils, Animal/Fish Origin	$42 million	#1 market
8	Fresh Berries	$37 million	#1 market

9	Hop Cones and Extracts	$36 million	#3 market
10	Other Non-Alcoholic Beverages	$31 million	#1 market

According to the Washington Wine Commission, Canada also bought $18 million worth of Washington state wine in 2023, making it the industry's largest export market.

Washington imported $2 billion in agricultural goods from Canada in 2023. Many of these products are utilized as ingredients in Washington-made goods and are integral to the state's food processing economy. The table below breaks out the value of the top ten products Washington imported from Canada in 2023.

Live bovine animals	$305 million
Tallow	$244 million
Canola oil	$224 million
Baked goods	$218 million
Prepared or preserved meat	$118 million

LIVESTOCK

The livestock industries in Canada and Washington are also closely interconnected, with a high volume of Canadian cattle processed in Washington each year. Increased import costs due to retaliatory tariffs would likely increase prices on the resulting Washington-made products, impacting those sold domestically as well as exported. Exports would decrease as trading partners would move to source from competitor countries that can offer lower prices.

FERTILIZER

Canada, particularly Alberta and Saskatchewan, is a leading global producer and most reliable supplier of potash, a key ingredient used to make fertilizer. About 90 percent of the western U.S. agricultural industry uses fertilizer from Canada. The only local producer of nitrogen is in St. Helens, Oregon, and they acquire their natural gas from a pipeline out of Canada.

In 2023, Canada exported $4.9 billion of potash to the United States. Potash prices rose exponentially in 2021 and 2022 following the war in Ukraine due to sanctions on Russia, the second largest producer of potash. While Potash prices leveled out in 2023, the incident in Ukraine highlighted how important it is for the U.S. to have a stable and close supply of necessary minerals. While it is challenging to determine how much potash or other forms of fertilizer or ingredients is being used in Washington state, the state imported $87 million worth of "fertilizer" goods alone from Canada in 2023.

WASHINGTON'S AG TRADE WITH MEXICO

Mexico is among Washington state's top export markets. The table below breaks out the value of the top ten products Washington exported to Mexico in 2023.

Rank	Product	Value	Market Ranking
1	Apples	$199 million	#1 market
2	Frozen French Fries	$106 million	#2 market
3	Dairy	$52 million	#3 market
4	Nuts	$42 million	#1 market
5	Fresh Pears	$41 million	#1 market
6	Roasted Coffee	$26 million	#1 market
7	Bread, Pastry, Cakes, Cookies, Snacks	$16 million	#2 market
8	Other Food Preparations	$16 million	#3 market
9	Hop Cones and Extracts	$16 million	#7 market
10	Mixes and Doughs	$16 million	#2 market

WASHINGTON'S AG TRADE WITH CHINA

China is Washington state's third largest export market. The 2023 Washington-grown or processed food and agriculture exported to China was valued at $857 million. The table below breaks out the value of the top ten products Washington exported to China in 2023.

Rank	Product	Value	Market Ranking
1	Beef	$207 million	#1 market
2	Fish and Seafood	$166 million	#2 market
3	Wheat	$105 million	#2 market
4	Hay	$103 million	#2 market
5	Pulses	$42 million	#1 market
6	Fresh Sweet Cherries	$34 million	#4 market
7	Hides, Skins, and Leather	$30 million	#1 market
8	Dairy	$26 million	#9 market
9	Other Food Preparations	$22 million	#2 market
10	Pork	$20 million	#1 market

IMPACTS ON WASHINGTON AG AFTER 2018 RETAILATORY TARIFFS

After the first Trump Administration imposed Section 232 tariffs on steel and aluminum imports from major trading partners, Canada, China, the European Union, India, Mexico, and Turkey responded with retaliatory tariffs on a range of U.S. exports, including agricultural and food products. These retaliatory tariffs imposed over $140 million in costs in Washington state including:

Processed and fresh fruits	**$102 million**
Fresh Fruits	$32 million
Dairy	$12 million
Processed Fruits	$70 million
Wheat	$25 million
Corn	$370,000
Oilseeds and products	$320,000

In 2018, Mexico imposed retaliatory tariffs on a range of agricultural goods, including 20 percent tariffs on apples and potatoes, in response to the US tariffs on steel and aluminum. While the tariffs were in place, Washington state apple exports fell by more than 29 percent, while potato exports to Mexico dropped by 21 percent. The passage of the United States-Mexico-Canada Agreement (USMCA) in 2020 ended Mexico's retaliatory tariffs.

IMPACTS OF TRUMP TARIFFS ON WASHINGTON ENERGY

Trade is the lifeblood of Washington state's economy, accounting for over $127 billion worth of imports and exports in 2023. Canada is the state's largest trade partner, while Mexico represents a smaller but significant trading relationship. Given the strong economic integration between the State of Washington and its North American trading partners, the Trump tariffs, and the likely retaliatory tariffs, could have significant and cascading impacts on local businesses and consumers, particularly in the areas of energy, agricultural products, and manufactured goods.

WASHINGTON STATE ENERGY TRADE

According to the U.S. Census Bureau, Washington State imported more than $8 billion worth of oil and gas from Canada in 2024, meaning a 25 percent tariff could add more than $2 billion in costs passed through to consumers.

Energy accounts for the largest value of imported goods from Canada to Washington, representing 60 percent of all imports from Canada by value. The largest share of the state's natural gas comes from Canada, either directly or through the state of Idaho. While almost half of the crude oil refined in Washington State's five refineries is sourced from Canada.

Such a significant increase in natural gas prices would have cascading cost increases on everything from electricity generation to direct use in industrial applications, commercial buildings, and residential heating bills.

WASHINGTON'S ENERGY TRADE WITH CANADA

As of 2023, 1.3 million households (more than 3 million people) in Washington State relied on natural gas for heating, hot water, and kitchen appliances, according to the U.S. Energy Information Administration (EIA). More than 112,000 businesses, institutions, and industries currently depend on natural gas for heat and productive energy. Higher crude oil prices would also raise the cost of petroleum products ranging from gasoline to diesel to jet fuel, which would increase the transportation costs for goods and services.

NATIONAL IMPACTS OF NORTH AMERICAN ENERGY TARIFFS

CRUDE OIL

The U.S. imports over 1.6 billion barrels of crude oil and petroleum products from Canada annually. The bulk of these imports go to the Pacific Northwest, northern plains states, and the Midwest.

According to industry experts, despite higher transport costs some domestic refineries could be financially motivated to secure crude oil that is not subject to higher tariffs, such as through other international oil supplies. This optionality, along with the volatility of world oil prices, makes it difficult to determine exactly how much more expensive U.S. crude oil and petroleum product prices will become after the Trump tariffs.

Additionally, exactly how tariffs, and related costs, will be distributed throughout the supply chain would likely be a function of responsive actions by U.S. refineries, Canadian crude oil producers/exporters, and the Canadian Provincial Governments.

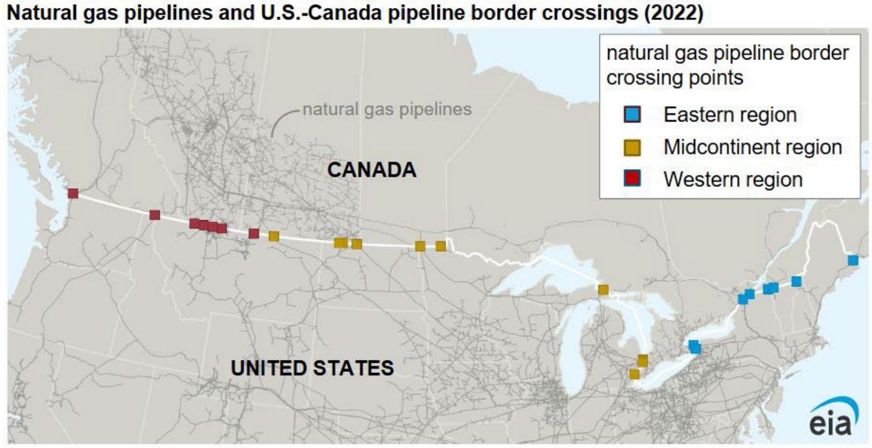
NATURAL GAS

In 2023, nine percent of all U.S. gas supplies were imported from Canada. According to industry, 25 percent tariff on Canadian natural gas would result in at least a $1.1 billion increase in cost to U.S. natural gas consumers.

Natural gas flows between the U.S. and Canada through numerous pipelines across the border, including Sumas, Washington, Eastport, Idaho, Portal, North Dakota, International Falls, Minesota, Sherwood, North Dakota, Niagara Falls, New York, and throughout New England.

EIA identifies 29 named border-crossing points where gas enters the United States from Canada and 23 points where gas leaves the United States bound for Canada. Several locations are used for both imports and exports during the year. According to EIA, in 2023, gross pipeline imports from Canada totaled 2.9 trillion cubic feet (Tcf) or 8.0 Bcf per day. Gross exports of natural gas via pipeline to Canada totaled 1.0 Tcf or 2.8 Bcf per day.

Natural gas pipelines and U.S.-Canada pipeline border crossings (2022)



Data source: U.S. Energy Information Administration

The states of Washington, Idaho, Minnesota, New Hampshire, Vermont, North Dakota, New York, Michigan, Maine, and Montana are the most significant importers of natural gas. These states all either rely on Canadian imports or help transport significant amounts of U.S. natural gas supplies from Canada to other states that rely on this fuel. According to industry, many of these states have no other option for their natural gas supplies with current infrastructure, meaning it would take years for domestic production or LNG imports to possibly replace artificially higher priced Canadian gas supplies.

IMPACTS OF TRUMP TARIFFS ON WASHINGTON MANUFACTURING

Trade is the lifeblood of Washington state's economy, accounting for over $127 billion worth of imports and exports in 2023. Canada is the state's largest trade partner, while Mexico represents a smaller but significant trading relationship. Given the strong economic integration between the State of Washington and its North American trading partners, the Trump tariffs, and the likely retaliatory tariffs, could have significant and cascading impacts on local businesses and consumers, particularly in costs for energy, agricultural products, and manufactured goods.

WASHINGTON STATE MANUFACTURING TRADE

The proposed Trump 25 percent tariffs on Canadian and Mexican imports would have significant impacts on Washington's manufacturing sector, particularly given the reliance of local manufacturers on Canadian and Mexican supply chains. In 2023, Washington imported $19.9 billion in goods from Canada, including crucial manufacturing inputs like oil, gas, lumber, and electrical power.

The ripple effects would likely extend beyond direct manufacturing costs. Higher prices for raw materials and components would force Washington state manufacturers to either absorb the costs, potentially reducing profitability and investment, or pass them on to consumers, which could reduce demand for their products.

Besides the direct impact of higher input costs, the uncertainty surrounding the duration and implementation of these tariffs is also likely to cause significant drag on Washington's manufacturing sector, with local companies struggling to make long-term production and supply chain decisions that would result in reduced investment in manufacturing capacity.

The Trump tariffs would likely trigger retaliatory measures from both Canada and Mexico, which are particularly burdensome to smaller manufacturers that operate on tighter margins and have less flexibility to absorb or pass on increased costs. Of the over 12,000 companies that export goods from Washington, nine out of ten are small and medium-sized businesses.

SCHWEITZER ENGINEERING LABORATORIES

One local example of the potential impact of tariffs is Schweitzer Engineering Laboratories (SEL), headquartered in Pullman, Washington. The company makes electricity metering, controls and automation, importing $100 million in components and products from Mexico and $3.2 million in components from Canada each year. The only way for SEL to afford to respond to tariffs is to increase prices to its consumers. This is just one example of how upstream costs, for infrastructure, or capital expenses for a business may lead to increased inflation.

NATIONAL MANUFACTURING TRADE

MANUFACTURING JOBS

The Federal Reserve Board found that President Trump's 2018 tariffs on China caused a 1.4 percent reduction in manufacturing employment in the United States. Manufacturing jobs and output increased apace in 2017 and through much of 2018. However, researchers examining data from the end of 2018 to September 2019 observed that manufacturing output declined substantially and manufacturing employment growth stalled. The researchers found that the effect of these tariffs on the U.S. manufacturing sector depends at least in part on how they impact global supply chains.

MANUFACTURING INPUTS

The U.S. has a high share of domestic value added in its manufacturing sector—86 percent, compared with 50 percent for Canada and 64 percent for Mexico, standing at the center of the North American production network.

United States sources substantial uranium, nickel, and aluminum from Canada. These are key inputs for defense, nuclear energy, and the manufacturing sectors. Canada accounted for $47 billion of United States mineral imports. A 25 percent tariff on Canadian mineral imports could cost United States buyers an additional $11.75 billion. Minerals mined in the U.S. or Canada often move back and forth across the border as they undergo various stages of processing and manufacturing.

For example, Canada supplies about half of the United States' total nickel needs. In 2022—Canada exported $1.04 billion—or 37.4 percent of Canada's production of nickel— to the United States. A 25 percent import tariff would mean that Canadian nickel could cost U.S. firms an additional $260 million. Nickel alloys are a critical input for the defense and automotive industries and an important part of jet engines, warships, submarines, and guided missiles. Tariffs on Canadian nickel could drive U.S. defense and automotive manufacturers to turn to cheaper nickel from Indonesia, which is mined by Chinese mining companies.

AUTOMOTIVE

Automotive parts, like engines and car seats, can cross the borders between Canada, the United States, and Mexico up to eight times before final assembly of a car. American parts are going to Mexico to be assembled into cars that are then sold in the U.S. Over one in five cars and light trucks purchased in the U.S. were built in Mexico or Canada. In 2023, the U.S. imported $69 billion in these vehicles from Mexico and $37 billion from Canada. In that same year, $78 billion in auto parts came from Mexico and $20 billion came from Canada. With the average new car costing about $50,000 today, a 25 percent tariff will take us back to the days of parts shortages, where new car prices increased, used cars became more expensive, potentially freezing out low-income buyers.

HOME APPLIANCES AND ELECTRONICS

The U.S. imported a third of its home appliances in 2023, imports valued at $9.8 billion. Like automobiles, electronics and electronic parts are manufactured in Mexico and may see round-trip manufacturing for the U.S. market. In 2023, the US imported electronic products worth $103 billion from Mexico. The United States' second largest source after China. In that year, Mexico sold $25.8 billion in computers and electronics, $14 billion in television and home entertainment electronics, and $9.1 billion in heating and cooling that fill American homes. It is the largest exporter of medical devices to the United States, to the tune of $8.4 billion.

BUILDING AND CONSTRUCTION

The cost of materials for U.S. construction – particularly for homes and residential buildings— will increase if there are tariffs on Canada's softwood. Of $8.5 billion worth of sawmill and wood products imported in 2023, nearly 70percent came from Canada. In 2023, the U.S. imported approximately 28.1 million cubic meters of softwood lumber from Canada, which is approximately 30 percent of the softwood lumber consumed in the U.S. each year. The U.S. imported $456 million worth of lime and gypsum products in 2023, with 71 percent of these products originating from Mexico. Imports of lime and gypsum products from Mexico totaled $352 million in 2023.