



WISCONSIN CHEESE MAKERS ASSOCIATION

EST. 1891

Dairy Exporting - Navigating Economic Cycles in a Changing World

April 24, 2025

Agenda

- What can we learn from US experiences with tariffs as a tool for trade and macroeconomic policy?
- The current status of the US and retaliatory tariffs affecting dairy exports.
 - Updated assessment of the potential impacts on US dairy export values based on economic modeling.
- Practical resources to navigate tariffs and potential retaliatory measures and strategies to thrive in uncertain markets.
- Q&A

Dr. Andy Novakovic

**Emeritus Professor of Dairy Economics
Cornell University**

Tariffs as a source of government revenue and discipline on international trade in US history

Andrew M. Novakovic, PhD

The E.V. Baker Professor of Agricultural Economics Emeritus

April 2025

Cornell University

Charles H. Dyson School of Applied Economics and Management

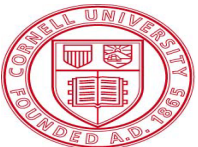


Cornell University
Charles H. Dyson School of
Applied Economics and Management

Cornell SC Johnson College of Business
College of Agriculture and Life Sciences

Outline

1. The role of tariffs as a source of government revenue.
2. Motivations for using tariffs.
3. Balance of Payments vs. Balance of Trade
4. Post WWII reasons for reducing trade restrictions worldwide and the impacts over time.
5. There are losers and winners, and how do we deal with it?
6. How does the current level and turmoil in US trade policy impact dairy markets?

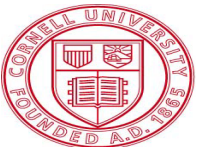


Sources of Revenue for the U.S. Government

Until the transformation of the federal government catalyzed by the Great Depression, its role was largely limited to:

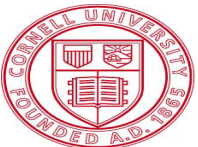
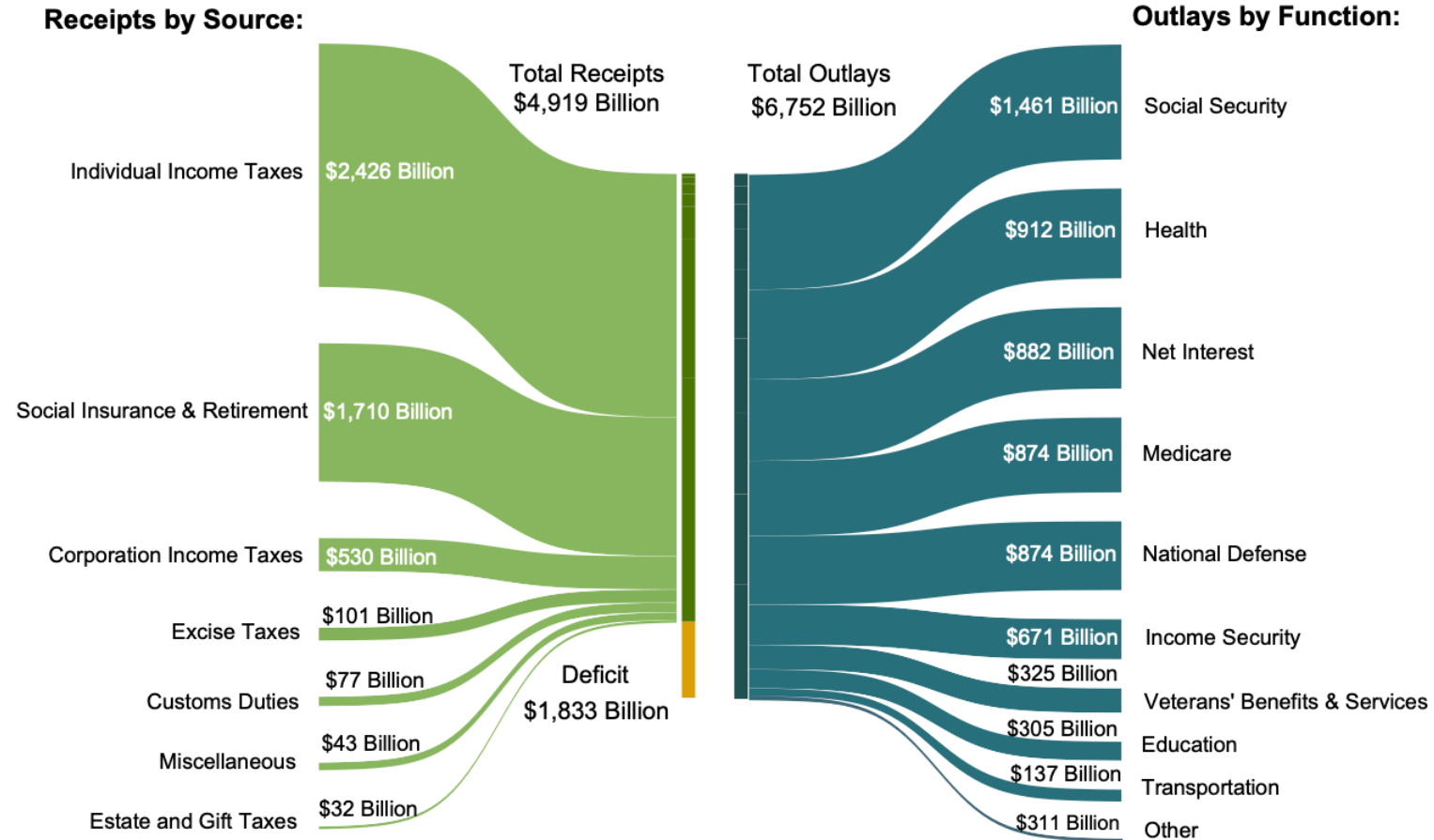
- Diplomacy
- Defense
- The infrastructure of commerce, including a national currency and banking system
- Issues between states
- Natural resources including shared waterways and geographic expansion

Its sources of revenue were limited to tariffs, some excise taxes, and the sale of federal lands.

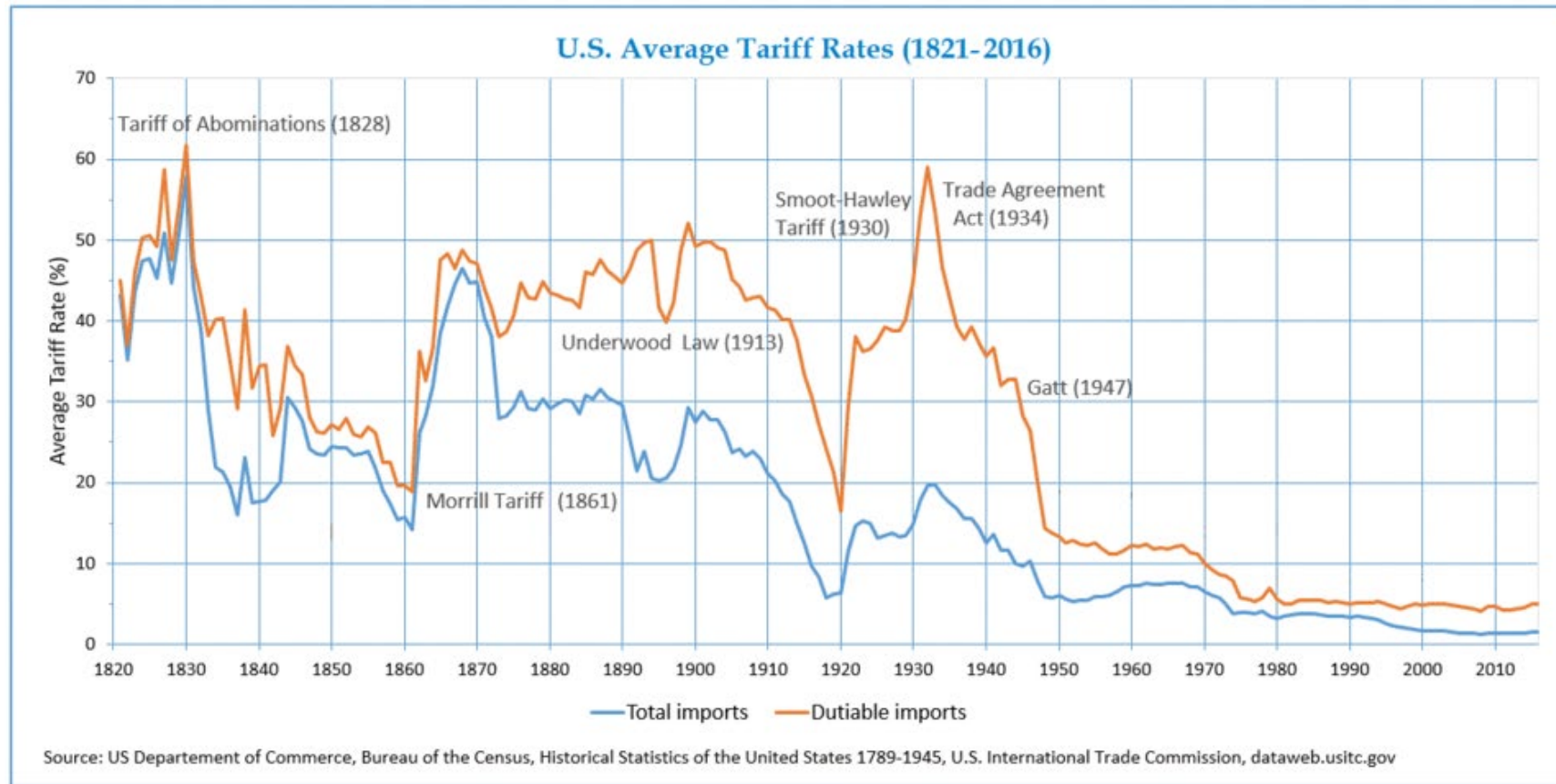


Sources of Federal Revenue today are very different.

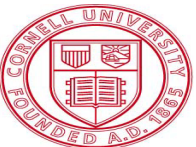
Figure 2. Cumulative Receipts, Outlays, and Surplus/Deficit through Fiscal Year 2024



We have had periods of higher and lower tariffs.



Very high tariffs were typical until the multinational initiative to gradually eliminate trade barriers following WWII. The primary reason for high tariffs was simply to generate government revenue, but protection of certain industries was part of it from time to time.



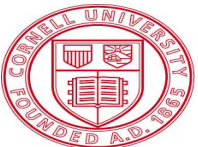
How do we measure economic activity between countries?

Balance of Payments – Concept

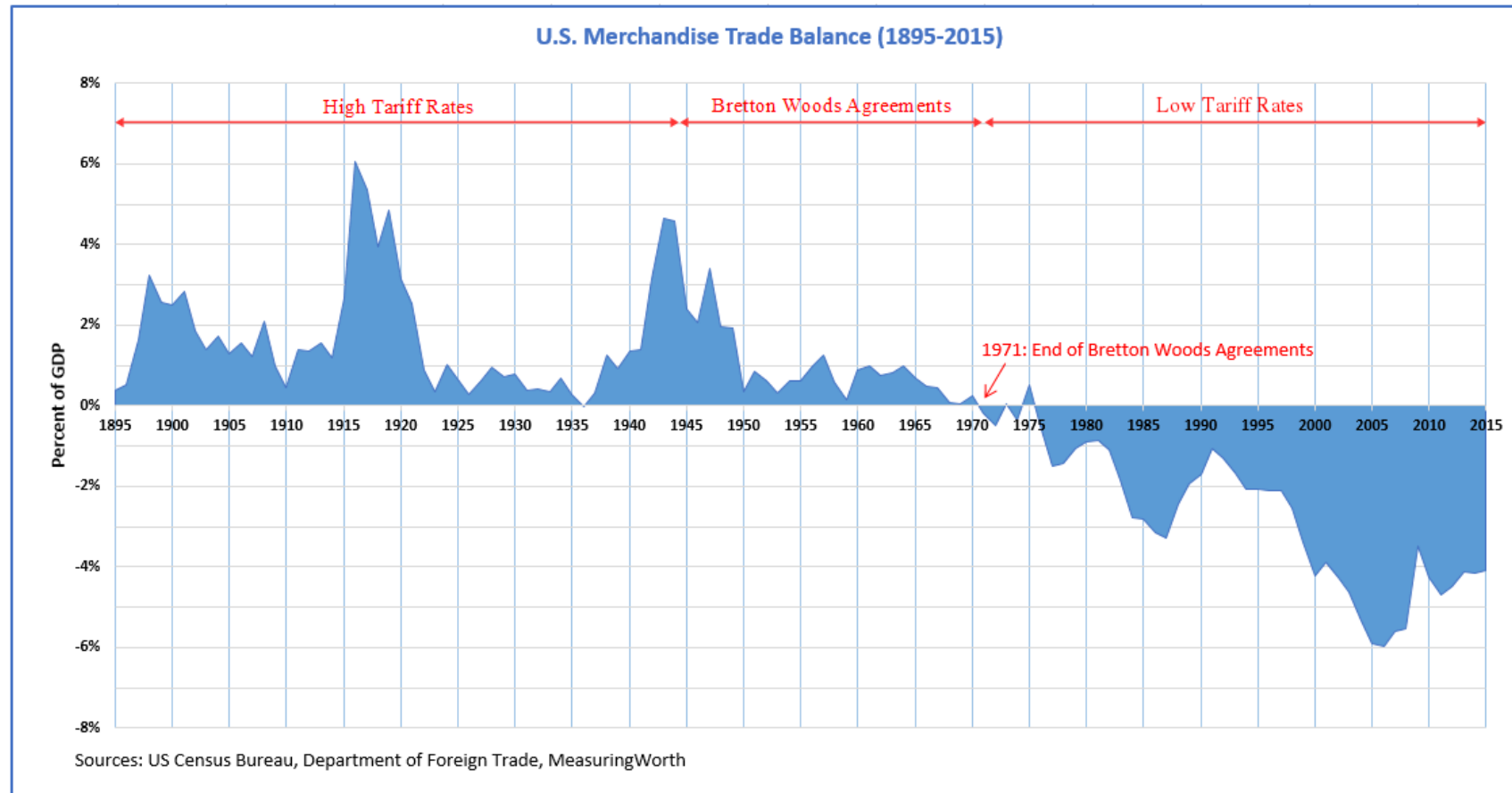
- US dollars coming into the U.S. are a credit (e.g., exports)
- US dollars going out of the U.S. are a debit (e.g., imports)

Balance of Payments - Defined

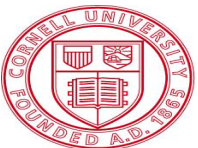
- **Balance of Trade** (Current Account)
 - **Goods (visible) – Balance of Goods Trade**
 - Services, including interest and dividends and remittances, i.e., sending money back home (invisible)
- Balance on Capital Account
 - Borrowing from or FDI by foreign entities (\$ come in)
 - Lending to or Investing in foreign entities (\$ go out)
- Balance on Financial Account
 - Changes in reserves held by the US
 - Changes in dollar reserves held by foreign countries



The BOT-Goods is Impacted by more than tariffs....



It is undeniable that the BOT in Goods turned negative as tariffs were lowered, around the world, but this isn't cause and effect. It reflects 1) the US advantage in services over goods and 2) capital flowing into the US.



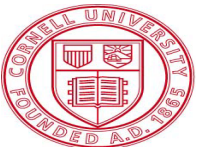
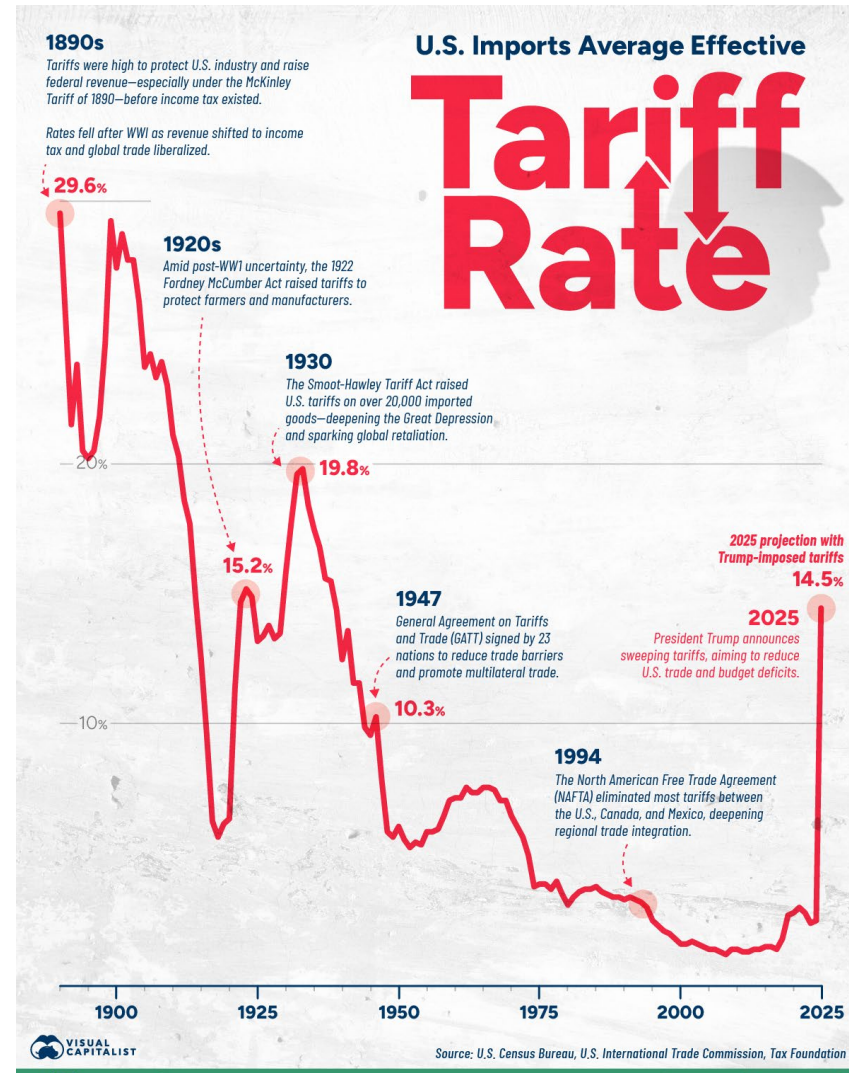
It is clear that there is a new attitude about tariffs, but just where they will settle is anyone's guess – which is a big part of the challenge

The current situation is in the neighborhood of Smoot-Hawley. The average tariff rate is estimated just below or a bit above that historic level.

145% China rate is unique but has a big weight; because China is our biggest source of imports.

The rates on Canada and Mexico average in the high teens, with a maximum of 25% applicable to the majority of goods.

Much higher rates are officially delayed, not rescinded.



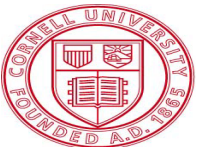
Tariffs as a way to promote domestic investment in the production of goods.

Do you expect to increase investments in US cheese production because you expect it will be harder to import Italian and French cheeses (or Irish butter)?

Is the current macroeconomic environment conducive to major investments in any sector?

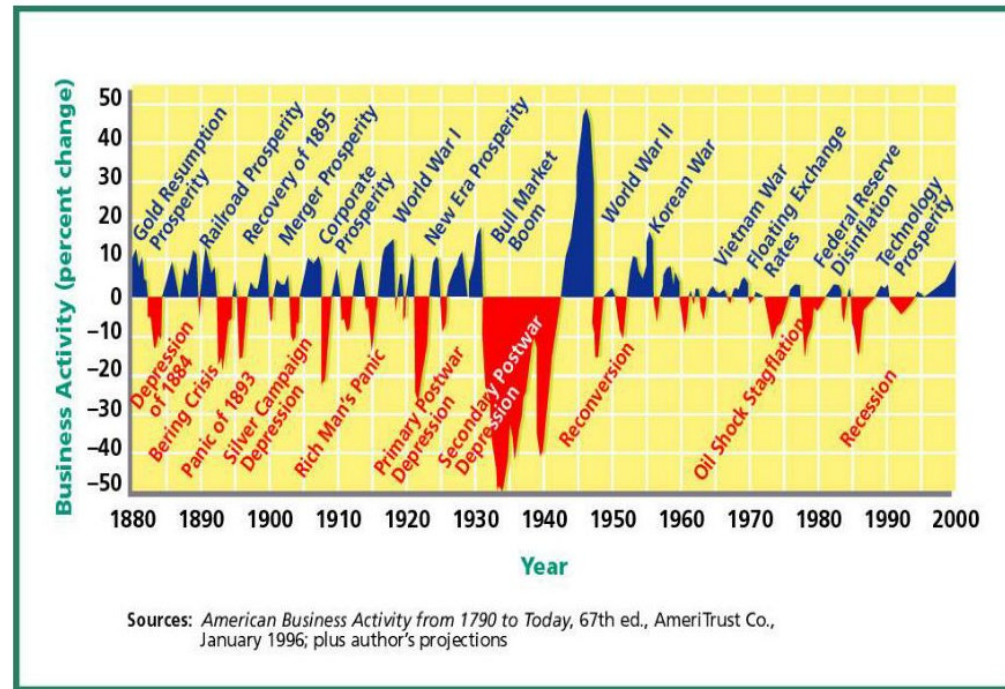
Keep in mind that a lot of investments in US production has been made by foreign companies – Agropur, Saputo, Savencia, Glanbia, never mind Toyota, Honda, BMW, etc, etc.

Merits of promoting US investment through Industrial Policy as opposed to Trade Policy.

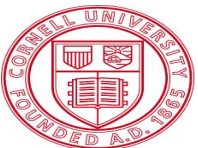


Is there a relationship between tariffs and the national debt?

US Business Cycle History



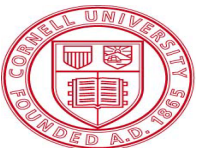
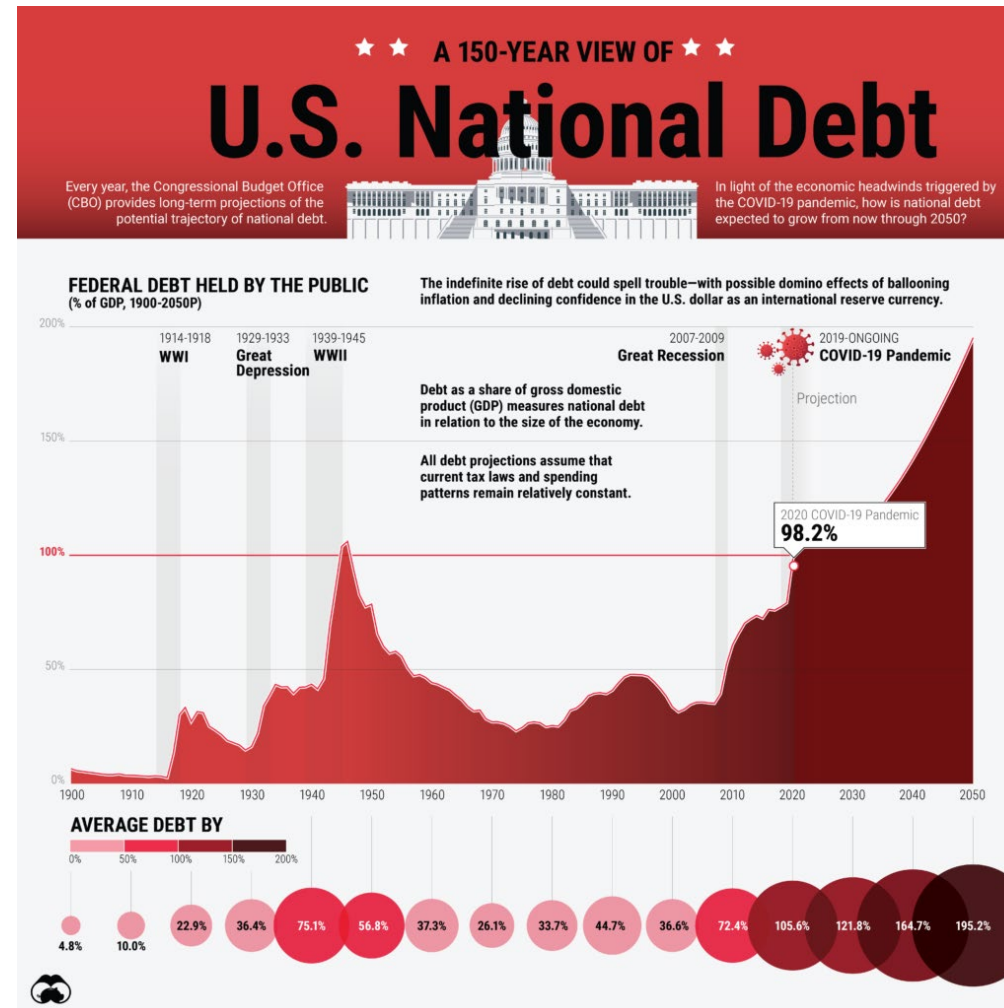
The dynamics of the economy can't be explained by any one thing, but the evidence during the low tariff period following WWII is quite positive for the economy.



Is there a relationship between tariffs and the national debt?

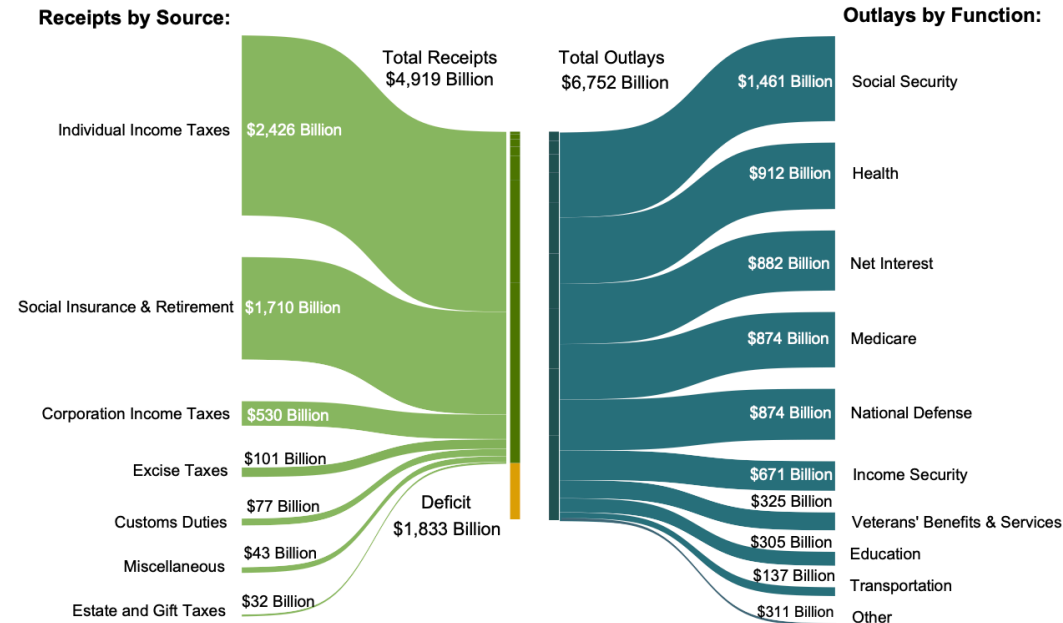
During the Reagan administration, income taxes were lowered without concurrent changes in expenditures, this left us with no real choice other than to increase borrowing.

This abated a bit during the Clinton era economic boom, but it has returned with a vengeance in the 21st Century.

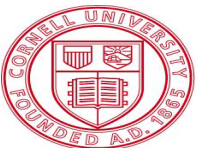


Increased US borrowing is fiscal policy, not trade policy

Figure 2. Cumulative Receipts, Outlays, and Surplus/Deficit through Fiscal Year 2024



It would take an astonishing increase in “custom’s revenue” to offset the current deficit, never mind the national debt. This is really an issue of fiscal policy, not trade policy.



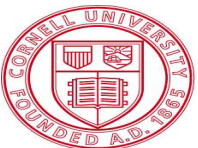
Please fasten your seatbelts...

Uncertainty is a cost.

Distrust is a deterrent to business relationships.

Easier said than done:

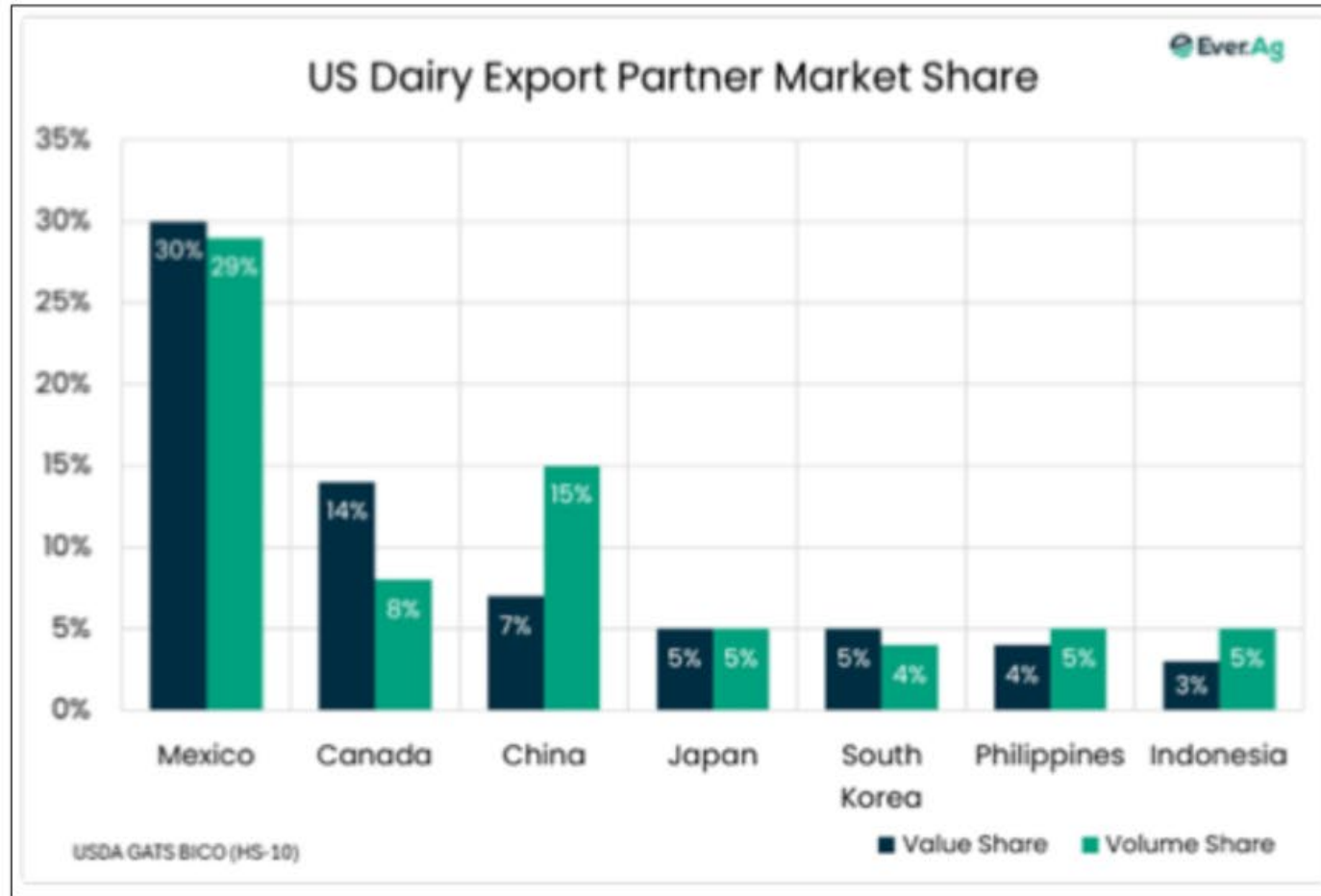
- Need to keep a focus on my product is a solution to your needs – quality and affordability
- Need to maintain business trust – the trading environment may be in flux, but my integrity and reliability is not
- May need to be more selective on the partners on whom we focus in order to maintain them.



Dr. Chuck Nicholson

Associate Professor, Agriculture & Applied Economics
University of Wisconsin-Madison

Why are tariffs important for US dairy?



What are the possible impacts of trade policies?

| Outcome | Trade Policy With Feed Cost Change | Trade Policy No Feed Cost Change |
|--|--|--|
| US All-milk Price, \$/cwt | -1.90 | -1.20 |
| Net Farm Operating Income, Medium-sized Farm, \$/farm/year | -27,671 | -56,071 |
| Cumulative NFOI for US dairy farms, through 2029, \$ billion | -7.7 | -11.3 |
| Value of US dairy product exports, \$ billion per year | -5.1 | -5.4 |

Source: Nicholson, C. 2025. *Dairy Supply Chain Impacts of Representative Policy Options Affecting Trade, Labor, and Food and Nutrition Programs*. Dairy Markets and Policy Information Letter 25-01, January. <https://dairymarkets.org/PubPod/Pubs/IL25-01.pdf>

Current Status of Retaliatory Tariffs Affecting Dairy

List of products from the United States subject to 25 per cent tariffs effective March 4, 2025

From: [Department of Finance Canada](#)

Backgrounder

Effective March 4, 2025, the Government of Canada is imposing 25 per cent tariffs on \$30 billion in goods imported from the United States (U.S.).

WORLD NEWS

China hits back at US and will raise tariffs on American goods from 84% to 125%

Mexico seeks to avoid retaliatory tariffs against US, but not ruling them out

By Raul Cortes and Kylie Madry

April 7, 2025 1:36 PM EDT · Updated 16 days ago



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EU countries set to approve first retaliation against U.S. tariffs

By Philip Blenkinsop

April 9, 2025 9:42 AM EDT · Updated 14 days ago



The European Commission...proposed extra duties mostly of 25% on a range of U.S. imports in response specifically to the U.S. metals tariffs.

The Commission has already canvassed EU members and refined an initial list from mid-March, [removing U.S. dairy and alcoholic drinks](#).



What are the likely impacts of retaliatory tariffs?

| Export Outcome | Canada and China Tariffs |
|---|--------------------------|
| Value of total US dairy product exports, % change | -26% |
| Value of US cheese exports, % change | -18 to -25% |
| Value of US whey exports, % change | -12 to -30% |

Note: China's retaliatory tariffs at 125%, Canada's retaliatory tariffs at 25%, in place for one year
Other factors matter also: exchange rates, US interest rates, impacts of US import tariffs on equipment, etc.

Source: Average of monthly simulation modeling results for March 2025 to January 2029 with the Dynamic Global Dairy Supply Chain Model (Nicholson and Stephenson, 2015)

Jacqueline Cook

VP of Dairy Sales USA, Ausfine Foods
Owner & President, Cook Alpine Ltd



Navigating Tariffs and Market Uncertainty

A Practical Guide for Wisconsin Cheesemakers

Presented by: Jacqueline Cook
Vice President Dairy Sales –Ausfine Foods
USA
President Cook Alpine Ltd

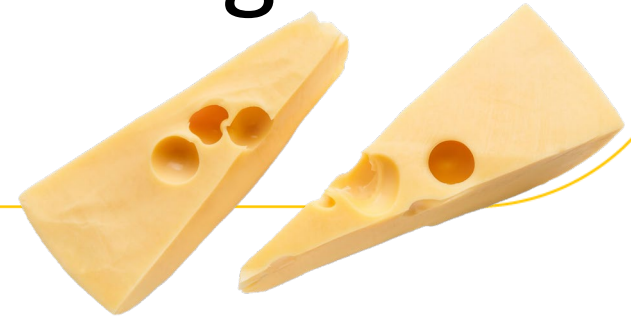


Build Resilience Through People and Products

- Diversify Your Product Offering
- Cultivate Strong Relationships With Foreign Buyers
- Adopt a Problem-Solving Mentality
- Work closely with customers and traders who have boots on the ground



Understanding Regulations-Peeling back the layers



- Understand HS Codes & Local Standards of Identity
- Know the Importing Country Tariff & Quota System
 - Find Overseas License Holders
- R&D and Regulatory work closely together to uncover opportunities

Safeguarding Against Tariffs

- Transparency is Key
- Ask for Partial Prepayment or a Letter of Credit
- Alternatively carry credit insurance:
 - Altradius, Euler, Coface, EXIM.....
- Include a Clause in Sales Orders: "Consignee Bears Any Additional Tariff Costs"
- Monitor Trade Policy Changes Frequently—Stay Ahead of Announcements

Resources and Links

HS Lookup Tool and General Instructions

- <https://hts.usitc.gov/>

USDEC portal:

- Volume 1 Tariffs and Classifications
 - Tariff and Quota overview
 - Comparison Tool to FTA with other countries

WTO Tariff Analysis OnlineTool

- explore applied and bound tariffs by country and product.
<https://tao.wto.org>

International Trade Centre – Market Access Map (MACMap)

- Offers detailed tariff and trade data, including sanitary/phytosanitary (SPS) and technical barriers to trade (TBT). <https://www.macmap.org>

World Integrated Trade Solution (WITS)

- A collaboration between the World Bank and WTO. It includes tariff data, trade flows, and simulations. <https://wits.worldbank.org>

USDEC Volume 1-Example China

China: Tariff Code 0406.90.00

[Glossary](#)



0406.90.00 - Other cheese

▲▼ US Effective Tariff From March 2025 **1/1/2019 - 12/31/2050**

| | |
|---|---|
| Effective Date | 1/1/2019 |
| Taxes | A value added tax (VAT) of 13%, levied on the value of goods + duty, is applied to imports. Certain feed product imports may be subject to a reduced VAT rate of 9%. |
| Master Note | The US effective tariff rate is the MFN rate plus China's 2019 and 2025 retaliatory import tariffs. See Volume 2 for information on applying for an exemption to China's 2019 retaliatory import tariffs (only the 2019 retaliatory tariffs can be exempted). |
| Tariff | <ul style="list-style-type: none">• Total Applied: 170.50%• Total with Exemption: 143% |
| Agreement Note | US tariff rate is MFN + additional 27.50% (2019 retaliatory tariff), 10% (March 2025 retaliatory tariff), and 125% (April 2025 retaliatory tariff). |
| No reduction schedule for this agreement. | |

▲▼ Most Favored Nation **1/1/2019 - 12/31/2050**

▲▼ New Zealand-China FTA **1/1/2022 - 12/31/2050**

In Summary.....

- Don't Shy Away When Tariffs are Announced
- Dig Deeper—There May Be a Niche Advantage
- Innovate, Adapt, and Communicate
- Protect Yourself
- Those Who Act Fast Can Win Big

Tariffs: The Catalyst for Strategic Action

Questions and Answers

Q&A

What do I do if tariffs get imposed and I have product in transit and the customer backs out on the order?

Q&A

What do USMCA exemptions really cover? Do we know what dairy products are being charged coming in from Canada or Mexico or going out?

Q&A

The estimated impacts on trade from the modeling work seem large for just tariffs from China and Canada, why are the impacts that large?



WISCONSIN CHEESE MAKERS ASSOCIATION

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Join WCMA's next free
member webinar!

Mental Health Resources for Dairy Processing Employees

**Thursday, May 22nd
1:00 - 2:00 PM CDT**

Register Now!
WisCheeseMakers.org/Events