

# Tariffs could cost the U.S. potato industry more than \$70 million

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**Cherries**

On July 6, midway through Washington's cherry season, China slapped a 40 percent retaliatory tariff on top of the 10 percent tariff already in effect and a 10 to 15 percent value-added tax for a total bite of 60 to 65 percent on U.S. apples, pears and cherries.

As tariffs drove the price of fruit in China out of reach for many consumers, Auvil Fruit ended up diverting its cherries to Taiwan and selling more in the U.S. at lower prices, Norwood said.

"China is a premium cherry market. They pay more for larger-sized fruit and quality than other countries or U.S. consumers are willing to pay," said Mark Powers, president of the Northwest Horticultural Council in Yakima. The council represents the industry on national and international issues.

"So when that premium fruit has to go elsewhere, the value disappears," Powers said.

Auvil's hit would have been worse, Norwood said, had he not begun pivoting away from China after seeing earlier California cherries experiencing unusual inspection delays.

The Northwest sold 1.7 million, 20-pound boxes of cherries to China this season. That's down from 3 million boxes a year ago, said B.J. Thurlby, president of Northwest Cherry Growers in Yakima. The total crop this season was about 25 million boxes, so 3 million would have easily gone to China had it not been for the tariffs, he said.

Based on industry numbers, lost sales and lower returns to growers due to the tariffs amounted to \$86 million, Powers said.

In addition, reduced sales in China depressed prices elsewhere, Thurlby said.

## Apples, pears

The Horticultural Council estimates the loss in apple sales from this August through next August at \$129 million due to tariff increases in Mexico, India and China.

Mexico — Washington's largest apple export market — placed a 20 percent retaliatory tariff on apples in April.

India, the third-largest export market, put a 25 percent retaliatory tariff on U.S. apples, effective Sept. 18, on top of a previous 50 percent tariff, for a total of 75 percent.

China, the sixth-largest market, has a total apple tariff of 60 to 65 percent.

They are the only three nations with retaliatory tariffs on U.S. tree fruit, Powers said.

The impact on pears will be relatively minor in China, but its loss will be \$1.5 million annually, he said.

"We think the China market for pears will essentially be closed," Powers said.

In apples, companies



California Almond Board

The California almond industry is anticipating up to \$1.6 billion in losses due to retaliatory tariffs in China. But since California produces 80 percent of the world's supply, competitors don't have the volume to take too much advantage.

heavy in Red Delicious and Gala will be hardest-hit since those are the main varieties exported to Mexico, India and China, Powers said.

Growers of Honeycrisp and newer proprietary varieties will be more insulated, he said, adding that export losses will also depress the domestic market.

Auvil Fruit Co. sells more than 2 million boxes of apples annually, exporting about 30 percent of them, which is the industry average. That's small compared to larger companies that sell five to 10 times as many apples.

Nonetheless, Norwood is concerned.

"You see a lot of talk in the news, but nothing changes," he said. "So we expect slower movement and lower prices. China still wants our apples but their movement will slow down."

## Tree nuts

China is an important market for U.S. hazelnuts, walnuts, almonds and pistachios, all of which face steep new tariffs. Sales of last year's crop were mostly completed for the season when tariffs were imposed in April, but this fall's harvest will be vulnerable during the busy shipping season leading up to the Chinese New Year on Feb. 5. About 60 percent of Oregon hazelnuts are exported.

The Chinese tariffs are 65 percent for in-shell hazelnuts and 50 percent for shelled nuts, plus a 10 percent value-added tax.

The University of California-Davis estimates \$315 million in losses for the U.S. walnut industry from Chinese tariffs of 65 percent for in-shell nuts and 60 percent for shelled nuts.

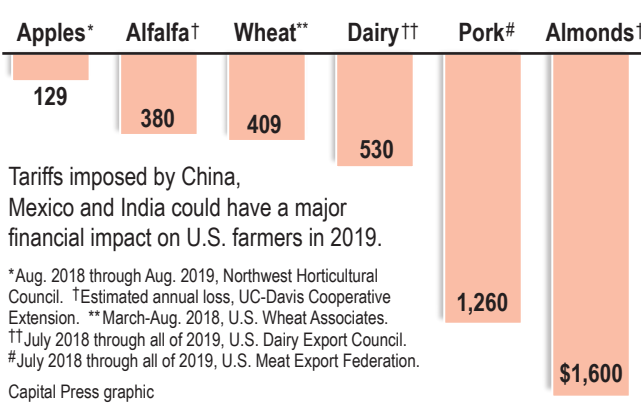
The Chinese pistachio market is stronger because production in Iran, the chief competitor of U.S. growers, is down two-thirds due to a crop freeze, said Richard Mataoian, executive director of American Pistachio Growers in Fresno, Calif.

China's tariffs for pistachios have increased from 5 percent to 45 percent and are expected to cost \$384 million in losses, according to UC-Davis.

China increased its tariffs on almonds from 10 to 50 percent, and UC-Davis estimates nearly \$1.6 billion in losses.

The industry is helped by the fact that California produces about 80 percent of

## Impact of tariffs on select U.S. ag exports (Estimated losses, millions of dollars)



the world supply.

Competing countries, such as Australia, "don't have the volume to supplant California exports," said Richard Waycott, president and CEO of the Almond Board of California.

Almonds from the U.S. can be diverted to other markets, though reduced demand from China is expected to hurt prices, Waycott said.

## Dairy

Tariffs will have an especially big impact on the dairy sector since China and Mexico account for 35 percent of annual U.S. dairy exports, worth \$1.9 billion.

Mexico's new tariffs range from 20 to 25 percent after many years of duty-free trade under the North American Free Trade Agreement.

China's additional 25 percent tariff raised its total tariffs on U.S. dairy to as much as 45 percent.

Lost exports and trade uncertainty are already taking a toll. A study by Informa Agribusiness Consulting, commissioned by the U.S. Dairy Export Council, predicts exports will fall by \$115 million this year and \$415 million in 2019.

Those losses will also lead to excess domestic supply and lower milk prices, reducing dairy farmer revenue by roughly \$1.5 billion in 2018 and \$3 billion in 2019. If the tariffs continue, they would reduce farm-gate prices by a total of \$16.6 billion through 2023.

"The damage is real, and it's being felt by dairy farmers, dairy businesses and dairy exporters," said Tom Vilsack, USDEC president and CEO and a former secretary of agriculture under President Barack Obama.

## Pork, beef

China has increased its tariff on U.S. pork to 62 percent and is importing 22 percent less this year compared to 2017, down from 309,284 metric tons, said Joe Schuele, vice president of communications for the U.S. Meat Export Federation in Denver. Full-year losses could reach \$1.14 billion, the federation said.

Mexican tariffs on U.S. pork went from zero to 10 percent in June and to 20 percent in July, forcing U.S. suppliers to reduce prices to keep volume moving, Schuele said.

Beef is impacted less in China only because the U.S. had just resumed shipments there after a 13-year ban stemming from the discovery of a cow infected with bovine spongiform encephalopathy.

In July, China increased its tariff on U.S. beef from 12 to 37 percent for an expected \$30 million loss for the rest of this year.

Before the trade war, the industry expected exports to China to grow from \$70 million this year to \$430 million by 2020.

"You're losing out on a very fast-growing market, not so much losing existing business," Schuele said.

## Potatoes

Washington exports about 70 percent of its production, said Chris Voigt, executive director of the Washington Potato Commission in Moses Lake.

China plans a 10 percent tariff on frozen potatoes and 25 percent on dehydrated potatoes, but both are yet to be imposed, he said.

Mexico put a 20 percent tariff on frozen potatoes in late June and Washington's volume to Mexico was down 16.5 per-

cent this July compared to July 2017, Voigt said.

Tariffs could cost the U.S. potato industry more than \$70 million in the July 2018-June 2019 marketing year, depending on how issues unfold. Idaho and Washington produce more than half the country's potatoes.

Potatoes USA Chief Marketing Officer John Toasperm said the trade group expects a 30 to 40 percent reduction in the dollar amount of U.S. exports of frozen potato products to Mexico due to that country's tariff. The U.S. in the July 2017-June 2018 marketing year exported \$161 million in frozen potatoes to Mexico, he said.

A 40 percent loss in volume will reduce exports by \$64 million this year.

Toasperm would not estimate how much export dollar volume the U.S. potato industry could lose in China, where U.S. exports in the most recent marketing year totaled \$91 million.

However, if exports to China drop by 10 percent, the full-year loss to the U.S. potato industry would be \$9.1 million.

"That market is much too volatile and has too many things going on," he said, including demand variables and multiple countries supplying China.

Resolving tariffs is important, in part because international demand has grown in the past six to seven years and played a role in J.R. Simplot Co., Lamb Weston and McCain Foods adding plants in the Northwest, said Bill Brewer, president and CEO of the Oregon Potato Commission in Portland. "We are worried those plants may not be fully utilized if the tariffs stay in place."

## Hay

China is the only country with retaliatory tariffs on hay — 25 percent on top of the 8 percent it was already charging, said Mark Anderson, president of Anderson Hay & Grain Co., Ellensburg, Wash., one of the largest U.S. hay exporters.

So far, there's been no major impact. China doesn't buy a lot of hay in summer because of its own production, Anderson said. Country prices for alfalfa have remained unchanged, and any impact will be more evident when

September-December export numbers are compiled, he said.

Daniel Putnam, alfalfa and forage specialist at UC-Davis Cooperative Extension, said seven Western states produced an annual average of 16.9 million metric tons of alfalfa in 2016 and 2017 with about 7 percent going to China each year.

"The possible impacts are uncertain, but if China is completely shut off and no other market can absorb this quantity, we estimate the loss to alfalfa producers could be about \$380 million a year," Putnam said.

"Hay, especially alfalfa, is the third highest crop in economic return to farmers in the country, behind only corn and soybeans, worth \$18 billion to \$22 billion a year over the past five years," Putnam said.

## Wheat

China purchased no U.S. wheat between March and August 2018, according to U.S. Wheat Associates. That's down from 41.5 million bushels during the same period in 2017.

"Conservatively, that wheat was worth \$262 million, FOB at export," said Steve Mercer, vice president of communications for U.S. Wheat Associates.

Mexico has also reduced its purchases of U.S. wheat for that period by 672,300 metric tons — a drop of \$147 million, Mercer said.

"We are less certain that the Mexican shortfall is directly related to the trade dispute, but we do believe it is correlated because of Mexico's steady imports of close to 3 million metric tons of U.S. wheat in the years before this one," he said.

In addition to the lost sales, the organization estimates the price of wheat will be depressed.

"We've estimated a 75-cent per bushel loss if you add lost sales to China and decreased sales to Mexico to ending stocks," said Ben Conner, vice president of policy for U.S. Wheat Associates.

## Trade relief

While the USDA says \$12 billion will be forthcoming in relief to commodity growers damaged by the tariffs, leaders in every sector say it won't be enough and is not intended to make anyone whole.

The ultimate critical resolution, they say, is for tariffs to go away through new trade agreements.

Vilsack, the USDEC leader and former secretary of agriculture, said exports "hold tremendous potential for our industry and the struggling rural economy, but we must address these tariffs immediately for that potential to be realized."

Capital Press reporters Mateusz Perkowski, Carol Ryan Dumas, Brad Carlson and Matthew Weaver contributed to this story.

# Ranch may lose 70 to 80 cattle this summer to wolves

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For now, Fish and Wildlife's lethal-control protocol stands. The department's wolf policy coordinator, Donny Martorello, said the department will move ahead with the operation. He declined to say whether the department would remove more than one wolf.

Environmental groups argued that Fish and Wildlife shouldn't resort to killing wolves on the same Forest Service allotment for a third straight year. "There is no sign this pattern is going to end," Center for Biological Diversity attorney Claire Loebs Davis said.

Without mentioning the Diamond M ranch by name, Fish and Wildlife attorney Michael Grossmann said it wasn't surprising the ranch was losing cattle in an area saturated with wolves. "He's the biggest producer in the state of Washington," Grossmann said.

Grossmann defended the ranch's refusal to apply for compensation from the state for losses. He asked the judge to consider the "social ethos



Don Jenkins/Capital Press

Center for Biological Diversity West Coast wolf advocate Amaroq Weiss speaks at a rally Sept. 14 in Olympia to protest the Washington Department of Fish and Wildlife's plan to shoot one or two wolves in a pack attacking cattle. A judge that day declined to block Fish and Wildlife from culling the pack.

in this particular area."

"They don't want a hand-out from the government. To some of us, that might seem irrational," Grossmann said.

According to Fish and Wildlife, there was little sign of wolf activity when the ranch put cattle on the allotment in July. The wolf-pack moved to the allotment after cattle started grazing there.

The ranch has tried to adjust to wolves, including by

adding more range riders and delaying putting cattle on the range until calves are larger and less vulnerable to wolves, according to the department.

"We have seen an increase in the non-lethal deterrence tools this producer has used over the years," Martorello said.

Diamond M rancher Len McIrvin told the Capital Press this week that the ranch may lose 70 to 80 cattle this summer to wolves.

# ODF battling two strains of sudden oak death

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Wiese, who joined ODF in 2010, said the problem in Curry County is getting worse every year. They are now battling two strains of sudden oak death, including the North American strain and an even more aggressive European strain. The top two areas for treatment he said, are along the Winchuck and Pistol rivers.

"The European strain is our focus," Wiese said. "If we can, we'll do a larger treatment because of the aggressiveness and the concern."

SOD is a hazard for landowners because dead trees pose an increased fire and safety risk, Wiese said. From an economic perspective, the quarantine has burdened Curry County with restrictions severely limiting firewood sales and other forest products.

The state quarantine prohibits harvesting tanoak from known infested areas, though producers can request a "pest-free production site" permit within the quarantine from ODA and ODF.



Oregon Department of Forestry

Forestland impacted by sudden oak death in Curry County, Ore.

Curry County is the only location of sudden oak death in Oregon forests, though ODA has also found the disease in a small number of nurseries since 2003. More than 135 plants have been proven to be hosts, with the five most common including camellia, pieris, rhododendron, viburnum and kalmia. If SOD is found, a nursery must follow a strict USDA protocol

that includes a quarantine, destruction of infected plants, tracing the source of host plants and three years of inspection and sampling to assure SOD is no longer present.

For more information, or to apply for NRCS funding to remove trees stricken with sudden oak death, contact district conservationist Eric Moegenberg at 541-824-8091.