

TRUMP'S TARIFFS

## State producers battling through trade war

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Chippewa Valley Bean President Cindy Brown

Wisconsin, with an economic backbone of manufacturing and agriculture, has become a heated battlefield in the trade war that was started by President Donald Trump earlier this year as part of his quest for more equitable agreements with the United States' primary trading partners.

Steel imports from China, Canada, Mexico and the countries of the European Union were slapped with a 25 percent tariff, and aluminum imports from those four entities were hit with a 10 percent tariff.

All four trading partners, among the strongest historically with the U.S., responded with retaliatory tariffs on steel and aluminum imports, as well as other products from states perceived to have strong connections to Trump.

Enter Wisconsin, where state products like kidney beans, motorcycles, cranberries, cheese and corn have become entwined in international trading policy.

The president of a Dunn County company caught in the crossfire of Trump's trade war didn't hide her frustration over losing millions of dollars in sales.

"Honestly, I don't understand why farmers aren't taking their tractors down Pennsylvania Avenue in protest," said Cindy Brown, the president of Chippewa Valley Bean in Menomonie.

The nation's leading exporter of kidney beans was on pace to ship about 50 million pounds of kidney beans to EU countries this year, but everything stopped when a 25 percent tariff went into effect June 22, Brown said.

"I don't know how the U.S. agriculture is going to survive this," she said.

Foreign leaders wanted Wisconsin targeted because they likely believe that House Speaker Paul Ryan, a Republican from Janesville, is in position to influence the Trump administration on global trade, according to Kurt Bauer, president of Wisconsin Manufacturers and Commerce.

And in general, a Wisconsin economy that relies on the manufacturing and agricultural sectors makes it more vulnerable to a trade war than other states, experts say.

"They're trying to get our attention," Bauer said.

### **Retaliation takes effect**

In late May, 25 percent tariffs were imposed by the EU on kidney beans manufactured by Chippewa Valley Bean; Harley-Davidson motorcycles made in Milwaukee; and cranberry juice manufactured in many parts of the state.

Starting later this week, tariffs will be imposed by Mexico on Wisconsin's specialty cheeses and cranberries, and by China on soybeans, corn and corn products, wheat and cranberries. On Friday, Canada announced that yogurt made in Wisconsin will be subject to tariffs starting Sunday.

The retaliatory strategy appears to be working. Wisconsin lawmakers on both sides of the aisle in Washington are focused on the tariff situation and are regularly in touch with the White House and U.S. trade representatives, according to John Holevoet of the Green Bay-based Edge Dairy Farmer Cooperative.

The co-op has 800 members with farms of all sizes in nine Midwestern states. Holevoet witnessed "a lot of anxiety and a lot of uncertainty" from legislators in Wisconsin and other states after visiting with them last week in Washington.

"The conversations (with the White House and trade reps) are happening but at the same time they're unsure of what's about to happen," he said.

Legislators are also dealing with side issues with Mexico and other countries that are forcing all cheesemakers outside of the EU to change the names of cheeses that are also made in the EU and

have protected geographic status. Examples are Italian cheeses such as asiago, brie and parmesan. The EU has made the cheese-naming restrictions part of their new trade deals that it is signing with countries all over the world.

Sartori, a cheesemaker from Plymouth, has seen sales in Mexico plummet 20 percent since the restrictions were imposed three months ago, said company president Jeff Schwager.

“I get the feeling that the Wisconsin delegation is listening” to companies affected by the tariffs and other issues, Schwager said. “The question is: How quickly can something get done before all of this really causes damage?”

### **Looking for solutions**

Noah Williams, a UW-Madison professor of economics, said that when the Trump administration first announced its tariffs, many predicted they would be a short-term negotiating ploy. Since the retaliatory tariffs have been announced, “those hopes are dwindling,” he said. “I don’t really see any signs of people stepping back.”

In the meantime, some businesses have become proactive. Harley-Davidson responded to the tariff by announcing it is going to ship some of its manufacturing business overseas. That drew a strong rebuke from Trump on his Twitter account and during his visit to Wisconsin last week.

Steven Deller, another UW-Madison economics professor, believes the Harley announcement could be “just the tip of the iceberg” of businesses responding to the tariffs. He said many Wisconsin manufacturers use steel and aluminum imports, especially from Canada, and that leaves them vulnerable to the U.S. steel and aluminum tariffs.

Aside from scaling back or relocating their production plants, Deller said manufacturers can do little for now except urge Congress to press Trump to unwind the tariffs. “If Congress is fearful of standing up to him before the elections, this period of uncertainty is just going to get worse,” Deller said.

Sartori, which employs over 500 people, thinks it has found a creative short-term solution by initially agreeing to split the cost of the tariff imposed by Mexico with its buyers for a three-month period, according to Schwager. He said that exports account for about 11 to 12 percent of Sartori’s business and Mexico is the top international destination for its cheese.

“For us, it takes us from making a little bit of money to hoping we can break even during that time,” Schwager said. “We thought it was better to preserve the relationships right now. In our retail business, if we give up the shelf space, it’s awful hard to get it back.”

### **Bean export business**

It’s a different story at Chippewa Valley Bean, which buys beans from 100 family farms located throughout the Midwest and processes them at its Menomonie factory that employs 33 people.

Brown said the company in 2017 earned \$25 million on export sales, which account for 60 percent of the company's business.

It has been recognized twice by the state for its international sales prowess that focuses on food safety and the quality of dark red kidney beans craved in Europe and other parts of the world. It also has overwhelmed competition from China because it does a better job of honoring contracts and working with customers, Brown said.

"The entire world was poised to buy our beans," she said. "I don't know what's going to happen now."

The company's buyers are either canceling orders, stalling shipments or asking the company to cover the 25 percent tax that the U.S. is adding to each pricetag, she says. Chippewa Valley Bean can't absorb the cost of the tariff because its profit margin is too small, according to Brown.

A long trade war won't put Chippewa Valley Bean out of business, she said, "but its going to be detrimental to our farmers, to our employees and it's going to take a long time for the industry to recover."