

Initial Impacts Of US Tariffs On Agriculture

Commodities & Structuring

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Agricultural Implications From 2018/19 Trade War



Structural Losses Across Core US Agricultural Commodities

- Loss of export market share.
- Loss of profits and tax revenue throughout the US agrisupply chain.

China Continued To Diversify Global Agrisupply Chain From The US

- Signed bi-lateral trade agreements with major agricultural commodity exporters.
- US exports decline in volumes and total value.
- Enhances certification of GMO varieties of corn and soy to secure production.

Competing Nations Realize Long Term Structural Gains At The Expense of the US

- **Argentina.** China trade agreement to certify beef slaughterhouses, enhance corn and soybean imports.
- **Australia.** Trade deal to import barley, cotton, beef.
- **Brazil.** *The biggest winner.* Chinese foreign direct investment (FDI) in domestic agrisupply chain infrastructure (rail, highways, ports). Certifies beef and pork slaughterhouses. Brazil expands acres for soy, corn, cotton. China to purchase ethanol.
- **Ukraine.** Despite the ongoing military conflict, China imports wheat and corn.
- **Vietnam.** China certifies beef slaughterhouses.

Agricultural Implications For 2025 Trade War

US Tariffs On Imports Pushes Domestic Costs Higher

- Fertilizers and crop inputs.
- Steel, aluminum and rubber. Impacts price and supplies of machinery & parts
- Beef. 10% tariff on beef, additional 10% tariff on Australian beef.
- Higher cost pushes inflation higher.

Widespread Retaliatory Tariffs

- China is critical. Strategically targeting US agriculture. **US tariff on China = 145%.**
- Canada targeting major ag commodities in 2nd round.
- Other countries?

Reciprocal Tariffs

- Universal 10% tariff
- 60 countries with specific reciprocal rates

Section 301 Chinese Maritime Vessels

- Proposed fines up to \$1 million per Chinese built, owned or operated vessel entering a US port.
- *US does not have a viable commercial/non-military ship building industry.*

All impact the supply & demand structure and prices of US beef/cattle, cotton, corn, hogs/pork, soy, soy derivatives, and wheat

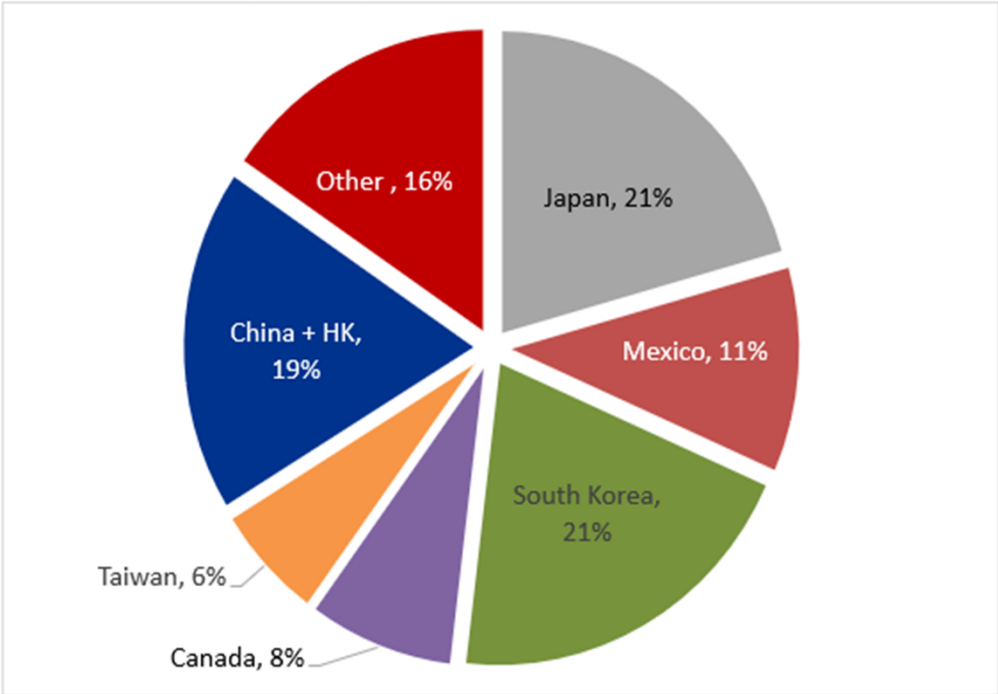
Beef/Cattle Implications

1. Immediate loss of market share in China. Supply losses will be absorbed by the domestic market which can lower beef prices and the cutout.
2. Despite representing 17% of US beef exports in 2024, China represents a mid/low value market opportunity for US beef.
 - Middle meats to large cities. No stereotypical Chinese beef consumer.
 - Offal volume (tongue, livers) and hides. Impacts the drop credit and packer margins.
3. USMCA (Mexico/Canada) 0% tariff or retaliatory tariffs on US beef or cattle.
4. 10% import tariff on Australia beef imports raises domestic wholesale prices of US beef, trimmings, grinds.
5. Tariff goal to open markets for US beef exports.
 - Australia Low value market. Does not import US beef over hormone treatment and biosecurity. Challenge: high fat beef is not consumer preference.
 - EU High value market. Challenges: EU ban on hormones, declining pork consumption, rising poultry consumption.
 - Vietnam low value market opportunity. Gray market for China.

HTS Assessment: Tariffs are a negative for US beef and cattle prices. Must monitor US consumer health and food service demand. A recession would be a negative price input.

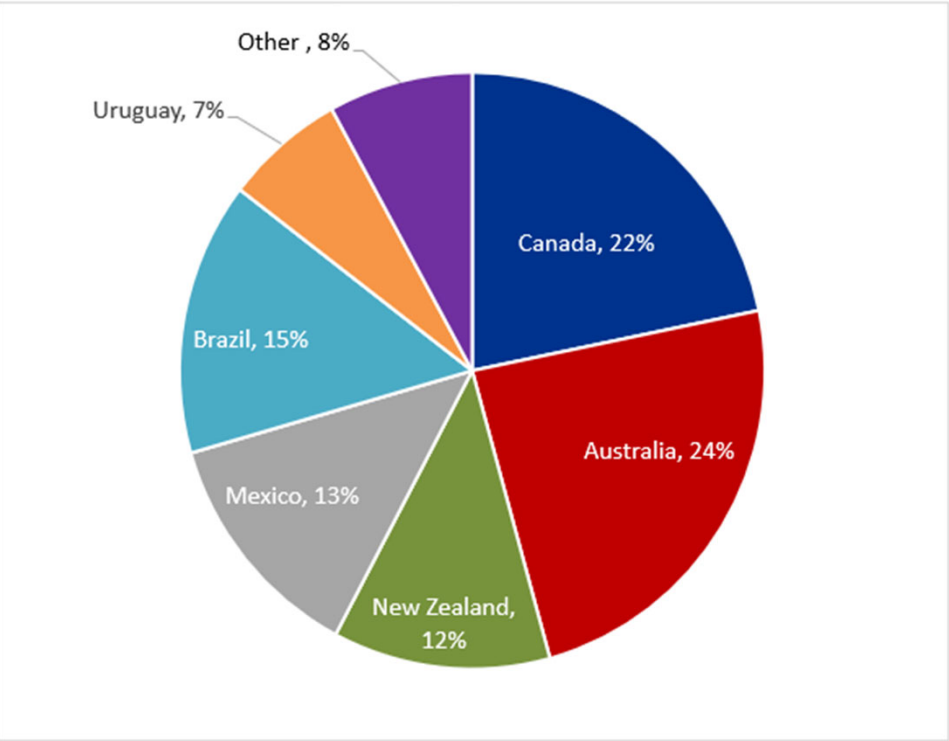
US Beef Trade

2024 US Beef Exports By Country



Source: USDA, Hilltop Securities

2024 US Beef Imports By Country



Source: USDA, Hilltop Securities

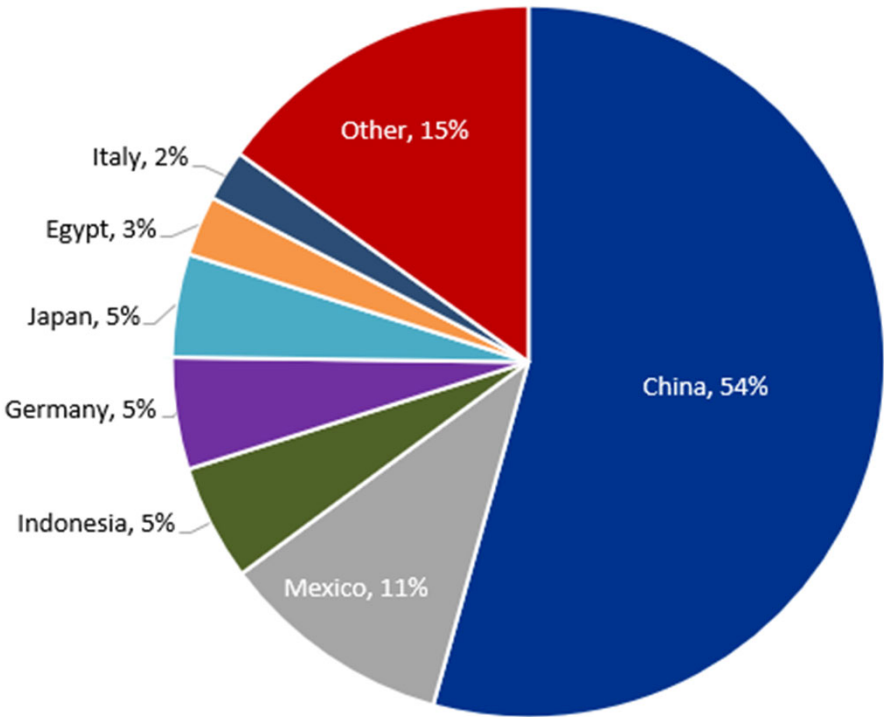
Soybeans Implications

1. Immediate loss of market share in China. April WASDE did not capture the impacts of China's 84% import tariff.
2. Exports represent 42% of US demand.
3. China is a critical market for US soybean exports. 54% of US exports in 2024.
4. Since the 2018/19 trade war China has been pivoting to Brazil for soybeans imports.
5. As of 4/10 no tariffs from Mexico, 11% of export volume.
6. US needs to maintain EU market access.
7. Brazil is the winner. Keeps adding arable acres for agricultural production.
8. **US tariff structure is a positive for soy oil.** 10% import tariff on canola, palm, UCO, and coconut oils make soy more competitive.
9. Highly probable that the RFS RVO sharply rises for 2026-29. Current RVO is widely considered "too small".
10. 45z supportive soy oil demand. IRS adjustment disqualifies for imported feedstocks (UCO and edible oils). Tax credit, not cash payment.

HTS Assessment: Chinese tariffs are a negative for US soybean exports and for prices. Increasing domestic crush capacity, higher RVO and 45Z are each positive supply side fundamentals that can support soy oil demand and prices.

US Soybean Trade

2024 US Soybean Exports



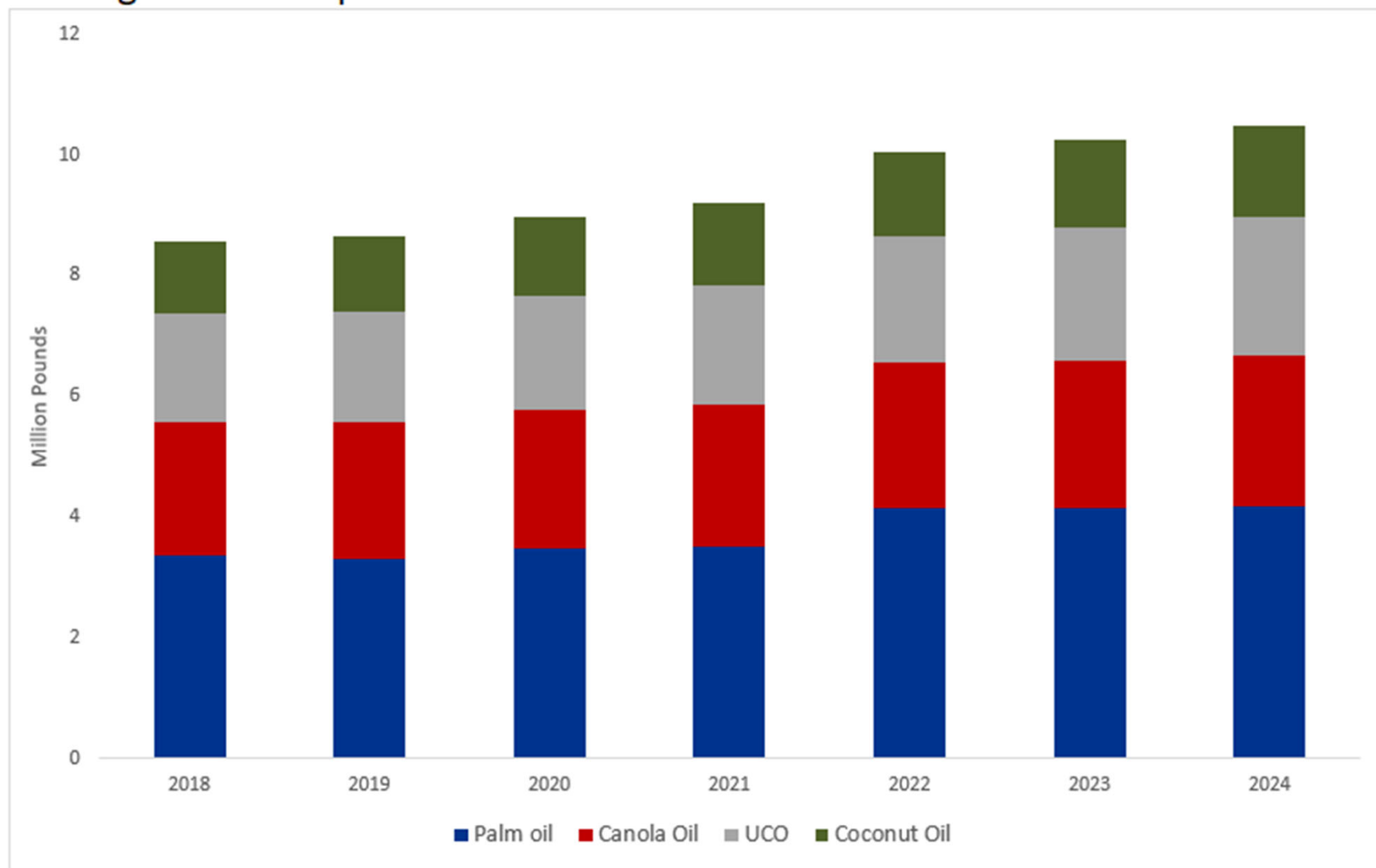
Source: USDA, Hilltop Securities

2024 US Soybean

Country	Export Volume	Tariff Rate
China	54%	84%
EU	11%	20%
Mexico	11%	0% USMCA 25% Otherwise
Indonesia	5%	32%
Egypt	5%	10%
Japan	3%	24%
Taiwan	2%	32%
Vietnam	2%	46%
Turkey	2%	10%

US Soybean Trade: 45Z & Tariffs Supportive Oil

US Vegetable Oil Imports



Source: Department of Commerce, Hilltop Securities

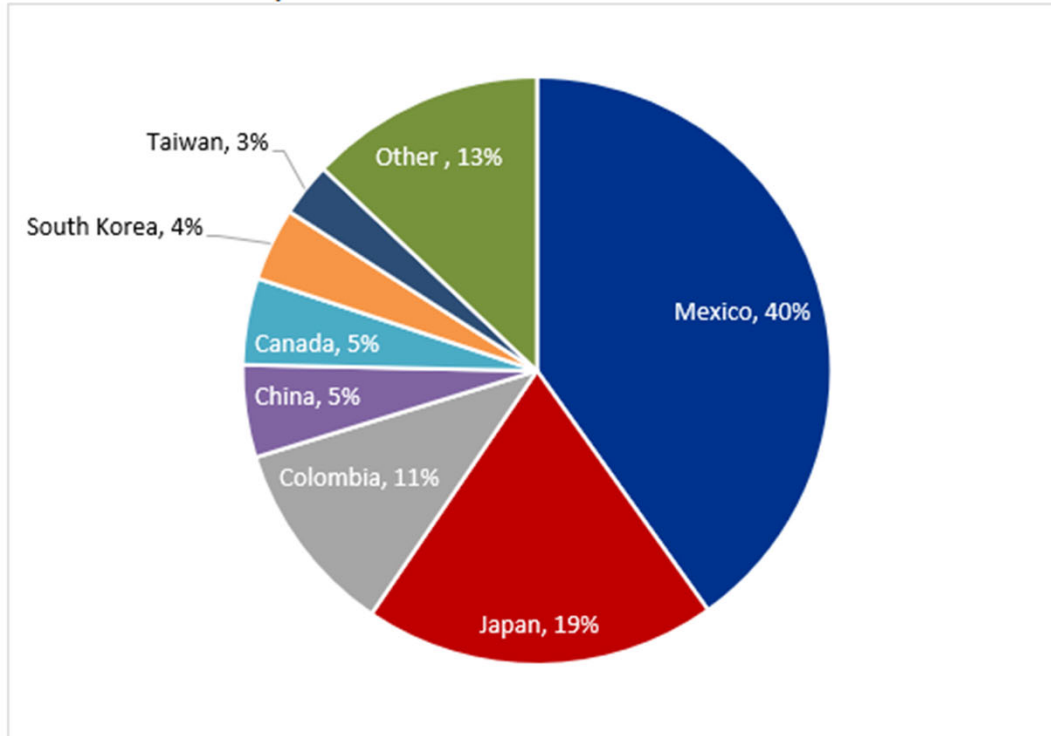
Corn Implications

1. Immediate loss of export market in China. WASDE report did not capture the impacts of China's 84% import tariff.
2. China is a mildly important export market for US corn. China is largely self sufficient.
3. Since the 2018/19 trade war China has been buying Ukraine and Brazil corn.
4. Mexico represents 40% of US export demand, USMCA and the 0% tariff is a positive. Current non-GMO import ban applies to white food grade corn NOT feed corn
5. Asian export market prefer US corn to Argentina and Brazil because of the phytosanitary concerns. US corn is the consistently reliable.
6. Brazil keeps adding arable acres for agricultural production.
7. RVO and 45z are beneficial for US corn demand. 2026-29 RVO is undetermined, but corn SAF is the preferred domestic and global feedstock.
8. 45z supportive corn demand. Tax scale grants largest tax credit for corn ethanol.
9. Retaliatory tariffs can slow US ethanol exports. Global renewable blending goals: UK, Philippines, Brazil, India do not seem to be slowing. This is beneficial US corn demand particularly as Brazil's inclusion of corn in the local grid is steepening.

HTS Assessment: Chinese tariffs are a negative for US corn exports. Will be difficult for other major importers to recalibrate the supply chain. Ethanol production for SAF and exports will continue to support demand.

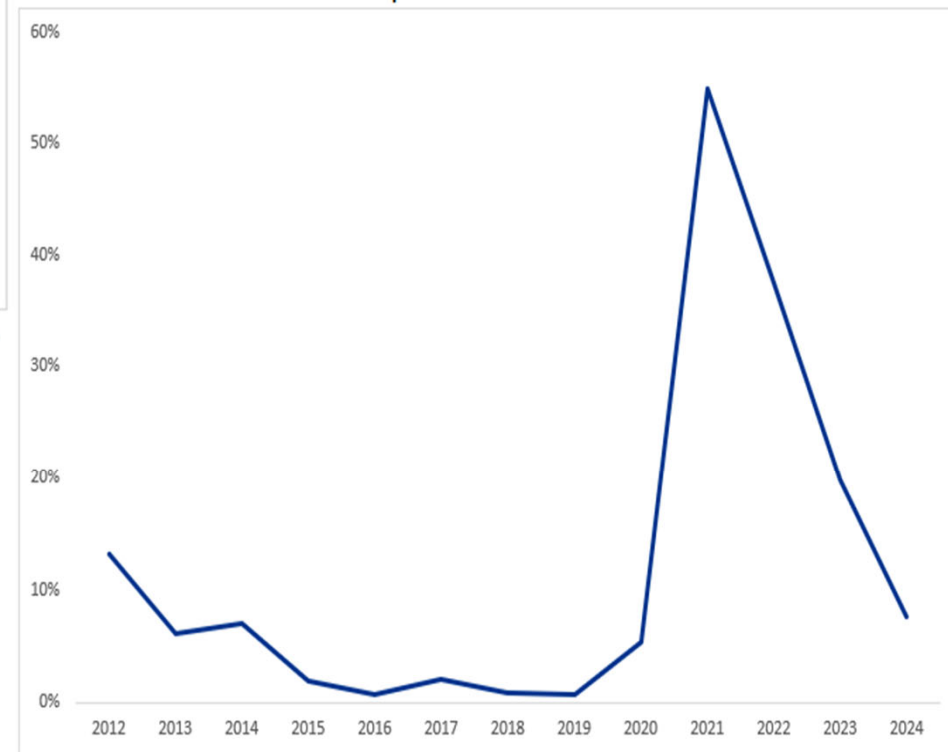
US Corn Trade

2024 US Corn Exports



Source: USDA, Hilltop Securities

China As Percent of US Corn Exports



Source: USDA, Hilltop Securities

Cotton Implications

1. Immediate loss of market share in China.
2. Almost the entire US cotton demand is through the export channel. 86% of US cotton is exported.
3. China is not longer restocking and is less reliant on US cotton. Like other row crops, China is increasingly dependent on Brazil.
4. G8 cotton traceability penalized Chinese cotton by foreign clothing companies which slowed demand for yarn and finished textiles. Negative policy for China exports.
5. Vietnam is the “new China” for textile and apparel manufacturing. US clothing companies (Lululemon, Nike) have material production in Vietnam and the country is negotiating 0% tariffs with the US is a positive.
6. India becomes the crown jewel for US cotton. Negotiations can open the Indian market for US cotton exports.

HTS Assessment: US cotton can see material price upside demand from the US renegotiating trade policies with key countries like Vietnam and particularly India. Like other US row crops, China remains a key and critical client of the US. Recessionary tendencies in the US can suppress consumer level textile and apparel demand.

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