

Trade war puts Virginia farmers at risk of losing 'critical market' in China

- By MICHAEL MARTZ Richmond Times-Dispatch



China bought nearly \$361 million in soybeans from Virginia farmers last year, said state Agriculture and Forestry Secretary Bettina Ring.

Virginia farmers find themselves on the front line of a widening trade dispute between the United States and China, the state's biggest export trading partner and buyer of soybeans grown in the Old Dominion as a premium cash crop.

China said this week that it will slap a 25 percent tariff on U.S. soybeans in retaliation for President Donald Trump's launch of a tariff strike on imports of Chinese goods, raising alarm among state and national agricultural officials about the likely harm to farmers who remain the heart of Virginia's economy, especially in international trade.

"I would call China a critical market," said Elaine Lidholm, spokeswoman for the Virginia Department of Agriculture and Consumer Services. **"Because agriculture is by far Virginia's largest private industry, it could affect the economy in general."**

The stakes were already high in the budding trade war after China announced on Monday that it would impose tariffs of 15 to 25 percent on 128 U.S. products, including pork, apples

and wines that are part of almost \$600 million in Virginia's agricultural and forestry exports to China.

But the inclusion of yellow and black soybeans on Wednesday put state officials on high alert in Richmond and Washington.

"Soybeans, that's our top agricultural commodity exported to China," said Tony Banks, assistant director of commodity marketing at the Virginia Farm Bureau Federation.

Virginia Agriculture and Forestry Secretary Bettina Ring said China purchased nearly \$361 million of soybeans alone from Virginia farmers last year. "These new tariffs will put some of this business in jeopardy, specifically pork, soybeans, fresh fruits and wine," Ring said in a statement. "China likely will replace Virginia imports with products from other countries that can enter China at a lower tariff rate."

In addition to direct exports, "every hog and every chicken that gets exported has eaten soybean meal and corn," Banks said. "That's another way we export crops to China."

He also warned that the tariffs could affect Virginia's principal markets for tobacco products listed by the Chinese on Wednesday. "Tobacco sales rely heavily on exports, primarily to China and the Pacific Rim," Banks said.

Port of Virginia

Soybeans form the bulk of the more than \$1 billion in grains, seeds and fruit shipped through the Port of Virginia last year, primarily to China, which is the port's biggest import and export trading partner. Those exports arrive in the Hampton Roads ports not only by rail and truck, but also by barge from the Richmond Marine Terminal as part of the Port of Virginia.

"Obviously, agricultural products get our attention," said Virginia Finance Secretary Aubrey Layne, who previously played a key role in bolstering the port's performance as transportation secretary under the previous administration.

Layne had just spoken with national bond-rating agencies on Thursday about the potential effect of the tariffs, which he described as "headwinds" for a state economy that has been counting on "tailwinds" from a federal budget deal this year that is likely to expand military spending in defense-heavy Virginia.

One of the agencies, S&P Global Ratings, issued a report early last month that warned about the potential harm to states from a trade war sparked by Trump's proposal then to impose tariffs on steel and aluminum imports from China.

"While the tariffs could help make the steel and aluminum produced by some U.S. firms more competitive relative to lower cost imports, on balance a shift toward protectionist trade policies has negative implications for most state economies," concluded S&P, which is

already monitoring Virginia's financial condition closely after changing the outlook to negative a year ago.

Warner and Kaine

Members of Virginia's congressional delegation also took issue with Trump's trade action against China on Thursday. U.S. Sens. Mark Warner and Tim Kaine, both Democrats and former Virginia governors, issued a statement that listed 106 products that China said Wednesday would be subject to tariffs.

Soybeans topped the list, which also included corn, tobacco products, cars and other vehicles, plastics and chemicals. "President Trump should be making it easier for Virginia farmers and families to get ahead, not driving us head-first into a harmful trade war," Warner and Kaine said.

"We wish the president would think about hard-working Virginians before making rash decisions with serious implications for our communities," they said.

Virginia agricultural officials were far from alone in their concern about the implications of the Chinese tariffs on soybeans and other farm products.

"China is a \$28 billion customer of the American agricultural industry," said Barbara P. Glenn, CEO of the National Association of State Departments of Agriculture. "The tariffs China is proposing are extremely concerning to the farmers and ranchers who are already facing a very poor agricultural economy."

"We urge the United States and China to end this high-stakes trade war," Glenn said in a statement.

Call for dialogue

Ring, as Virginia's top agriculture and forestry official, also called for continuing dialogue between U.S. and Chinese trade negotiators "before this situation escalates further."

"It is crucial that Virginia and other states keep their critical export market channels open for farmers, agribusinesses and wood products companies," she said.

The trade dispute also could affect the port, which has a statewide economic impact of more than \$41 billion. The Trump tariffs on steel and aluminum imports are not likely to have a big effect on port revenues, but export of agriculture and forestry products is a different matter, Layne said. "The risk would be what happens in agriculture products — we're just not that big a steel port."

Joe Harris, spokesman for the Virginia Port Authority, cautioned that it's still too soon to gauge what the effect would be if the tariffs go into effect as announced.

“Until the tariffs take root and go into action, it’s hard to say what the effect will be,” Harris said.

Tariffs ‘weaponized’

More broadly, Trump’s decision to invoke a little-used provision of U.S. trade law to impose tariffs on Chinese steel and aluminum imports as a threat to national security could backfire, said Stuart Malawer, a professor of law and international trade at the Schar School of Policy and Government at George Mason University in Fairfax County.

“Tariffs have been weaponized,” said Malawer, a member of the new Virginia Committee on International Trade. “Trade has moved to the core of the United States’ foreign policy.”

In an article published almost two weeks ago in the New York Law Journal, he warned, “There is a real chance that the federal courts might invalidate Trump’s trade actions as a violation of U.S. law. In addition, there is a real chance that the [World Trade Organization] might declare Trump’s trade actions a violation of international trade law.”

“Most importantly, Trump’s unilateral, belligerent, and dangerous embrace of protectionism will do great harm to U.S. foreign policy and national security and resurrect nasty and corrosive domestic fights over tariffs and trade relations,” Malawer wrote. “U.S. farmers are already petrified that retaliation will hurt them.”

Banks, at the Virginia Farm Bureau Federation, said farmers are afraid the tariffs not only will cost them business but also push down commodity prices that are already the most depressed they have been in 15 years. He’s counting on a cooling of tempers as the two countries prepare to work through the legal processes for imposing the tariffs.

“China needs soybeans, and they need pork,” Banks said. “We’d like to be able to sell it to them without these sort of trade-distorting tariffs.”

“It just puts speculation and pressure on the markets that American producers don’t need right now.”