



Interim report USA exports to China

Last Friday China announced to implement import tariffs amounting to 25% on Dairy products originating from the USA, effective on 6th July. This in retaliation of the publication of a list published earlier the same day by the USA to impose a 25% import tariff on goods and services from China.

The list of Dairy products concerned is:

HS Code	Description
4011000	Unconcentrated unsweetened milk and cream, not exceeding 1% fat content
4012000	Skim Milk Powder (Unconcentrated unsweetened milk and cream with 1-6% fat content)
4014000	Non-concentrated unsweetened milk and cream with 6-10% fat content
4015000	Unconcentrated unsweetened milk and cream with a fat content of more than 10%
4021000	Fat content ≤ 1.5% solid milk and cream
4022100	Whole Milk Powder (Fat mass >1.5% unsweetened solid milk and cream)
4022900	Whole Milk Powder, sugared (Sugared solid milk and cream with fat mass > 1,5%)
4029100	Non-solid milk and cream, concentrated but unsweetened
4029900	Non-solid milk and cream, concentrated and sugared
4031000	Yogurt
4039000	Buttermilk
4041000	Whey and Modified Whey
4049000	Other products containing natural milk
4051000	Butter
4052000	Cream sauce
4059000	AMF (Other fats and oils extracted from milk)
4061000	Fresh cheese, curd
4062000	Grated or powdered cheese
4063000	Other processed cheeses
4064000	Blue cheese, textured cheese
4069000	Other cheese

For the moment some key products seem to have gotten a free pass, like Lactose and WPC>80% (the latter depending on HS codes used for exports)

If we look at the table on the next page, we see that in just over two weeks' time, unless the imminent trade war is nipped in the bud before the several measures become active, there is an immediate threat for nearly 16% of US Dairy exports, amounting to nearly US\$ 400 million.

China Imports from USA	2015	2016	2017
in tons			
AMF	101	79	350
Cheese	12.293	9.606	14.338
SMP	28.908	18.307	34.774
WMP	1.206	2.300	9.282
Whey	154.450	207.867	246.061
Total goods volume	196.958	238.159	304.805
Total imports in Kgs LME	1.410.804.370	1.719.998.520	2.195.959.310
Total imports in US \$ against current prices	\$258.216.700	\$285.093.100	\$395.716.700
% of total US exports in 2017	10,31%	12,57%	16,05%

Key comments:

- Should the implementation of these measures go forward, this implications for US dairy exports are immense.
- With Oceania in its off season, EU is the likely candidate to pick up resulting demand to substitute US imports into China.
- World trade behaves as communicating vessels, i.e., US exports in lieu of China will pop up in other countries
- As we have seen in the past (think the Russia ban on a.o. EU dairy imports), new markets are usually found very quickly.
- The admission fees on new markets is tremendous and has led to a strong erosion of prices for key products in the EU-Russia case. (the latter happened however in the same time period during which China's imports were strongly reduced compared to 2014)

There are still 2,5 weeks to go before the several measures are implemented and let's hope that before that time, the Trump administration have come to their senses and will realise that the last time the US started a trade war of this magnitude, it le

d directly to the Great Depression of the 1930's.

Greenmark dairy ingredients