

## US trade

# The tomato tariff? US consumers set to pay price of Donald Trump's trade war

Fruit, tequila and even cars could be more expensive as a result of the president's decision



Mexico and Canada are among the biggest suppliers of agricultural products including tomatoes and avocados © Ulises Ruiz/AFP/Getty Images

**Joshua Franklin** in New York and **Joshua Oliver** in Ottawa 7 HOURS AGO

US consumers face the possibility of higher prices for popular goods such as tomatoes, avocados and tequila following Donald Trump's decision to slap tariffs on imports from China, Mexico and Canada.

The potential price rises point to the political risk Trump is taking in pursuing a trade policy that could drive up the costs of consumer goods following a presidential election in which voters expressed their frustration with high inflation.

The tariffs hark back to similar actions during Trump's first term, but that was during a period of moderate inflation and the current measures are larger.

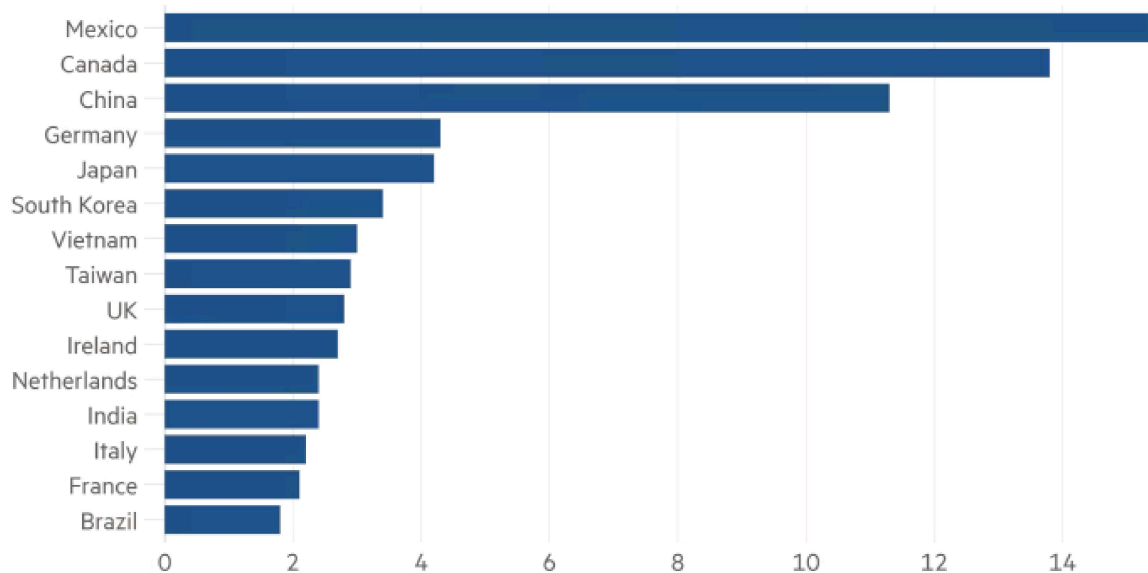
"I can imagine retailers might absorb tariffs in the short run, but I think with such sweeping tariffs, prices are going to go up," said Amit Khandelwal, professor of global affairs and economics at Yale University.

China, Mexico and Canada are three of the US's largest trading partners, responsible for about 40 per cent of the country's trade. The US is the largest market for tequila. Mexico and Canada are among the biggest suppliers of agricultural products including tomatoes and avocados — between 2019 and 2021 almost 90 per cent of all avocado shipments into the US came from Mexico.

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## US top trading partners - November 2024

Share total US trade (%)



Source: US Census Bureau

“You feel the pain of these price rises when you don’t have good substitutes,” said Khandelwal. “The Super Bowl is coming up, people like to eat guacamole. It could be as simple as that if there’s no real good substitute for that.”

China sells the US machinery and mechanical equipment worth tens of billions of dollars a year that go into any number of popular appliances, from TVs to iPhones.

“We still don’t know how China will respond to the additional 10 per cent tariff, but it will most likely be retaliatory and lead to even higher consumer prices,” said Sina Golara, assistant professor of supply chain and operations management at Georgia State University’s business school.

Some of the impact will be offset by the weaker Mexican peso and Canadian dollar, but Trump at least nodded to the inflationary risks by putting in place a lower 10 per cent tariff on energy resources from Canada, which is the US’s biggest import from the country.

Morgan Stanley economists warned that the impact of the tariffs would first show up in higher inflation, with a lag to economic activity. They warned this could delay any policy action by the US Federal Reserve to lower interest rates.

“If we are correct that broad tariffs on Mexico, Canada, and China will firm inflation before they slow activity, then the Fed may be on the sidelines for some time,” Morgan Stanley wrote in a note to clients on Sunday.

The White House said the tariffs were aimed at putting pressure on the three countries to combat illegal immigration and the flow of drugs such as fentanyl into the US, popular issues among US voters.

There is hope that signs of these numbers trending in the desired direction could mean the tariffs are lifted or pared back quickly.

In Canada, the most immediate impact will be seen on the shelves of liquor stores. Most provinces sell alcohol through government-owned stores, and several have ordered their retailers to pull imported US booze from sale starting on Tuesday.

Doug Ford, premier of Ontario, said its liquor stores sold nearly C\$1bn of US products annually. Ontario’s ban will largely cut off a market of some 16mn people for American producers. British Columbia’s ban will be targeted on alcohol imported from Republican-led “red states,” according to premier David Eby.

Canada’s federal government on Sunday published a list of 1,256 products that will be hit in its first round of retaliatory tariffs on Tuesday.

Poultry and dairy products, fresh fruit and vegetables, lumber and paper products including toilet paper, as well as some manufactured goods such as washing machines, pyjamas and handbags will all be affected.

Ministers hope shoppers will be able to switch to international or domestic alternatives for these goods, while they work on details of a more far-reaching tariff response.

Canadian officials said the list of goods was designed to mobilise constituencies in the US that have influence with Trump, including exporters in Republican-led states. That includes products such as orange juice from Florida, and appliances made in South Carolina and Ohio.

*Additional reporting by Christine Murray in Mexico City*

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