Trump tariffs

US farmers express dismay over proposal for levies on China-built ships

Agriculture industry could be hit hardest if fees of up to $1.5mn per vessel docking were implemented

US farmers depend on overseas sales for 20% of their business © Matthew Hatcher/Bloomberg

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A Trump administration proposal to impose stiff levies on Chinese-made ships entering US ports is sowing panic in the country's agriculture industry, with farmers saying the added cost threatens to upend exports of wheat, corn and soyabeans.

The US Trade Representative has recommended imposing fees of up to $1.5mn per port call on ships built in China or operated by companies with Chinese-built vessels, and hearings on the matter are scheduled for this week.

Exporters said that they largely stopped receiving bids on their commodity shipments from freight operators and those that remained were "very, very highly priced". The sudden inability to sell bulk products threatens to halt their businesses, they said. Bulk grain exporter United Grain Corporation said it had already seen a 40 per cent increase in freight costs, in a letter to US trade officials asking them to reconsider.

The entire sector was "caught off guard" by the proposal, said Jim Sutter, chief executive of the US Soybean Export Council. "It doesn't seem fair to punish the farmers for [shipbuilders]," he said.

About 46% of US bulk fertiliser imports in 2024 were carried by Chinese-built dry bulk carriers © STR/AFP/Getty Images

Retailers, port operators, dock workers and coal and lumber exporters have also warned that the proposed fees are upending their sectors. But few are poised to be harder-hit than the agricultural sector, which is already struggling.

Trump's trade war has already burdened farmers with retaliatory tariffs from China on significant exports such as soyabeans and pork. These new shipping fees would further strain farmers, particularly in vital markets like China.

Farmers and exporters estimate 60 per cent of the world's ocean carriers would be impacted, raising transportation costs enough to make growing big commodity crops unprofitable. US farmers depend on overseas sales for 20 per cent of their business, according to the American Farm Bureau Federation.

"It's a double whammy for the US farming industry," said Ishan Bhanu, senior analyst at commodity consultancy Kpler. Such measures would force US exporters to slash prices in order to remain competitive, while simultaneously increasing the cost of imported supplies like fertiliser at a time when producers are already struggling, he said. "It will be US farmers who will bear most of the brunt of this."

In 2024, about 46 per cent of US bulk fertiliser imports — 6.7mn metric tons — were carried by Chinese-built dry bulk carriers, according to Kpler data. A $1.5mn fee could increase transportation costs by $62.50 per ton, a burden that would likely be passed down to farmers, already facing high input costs. Phosphate and nitrogen fertilisers, essential for US crop production, would be hit hardest.

"Our business depends on the export of grains for the profitable operation of our business," Illinois corn, soyabeans and wheat co-operative Grainland Farmers wrote to USTR. "The proposed fees towards Chinese ships will significantly damage our company's profitability."

The suggested fees are the result of a months-long investigation by US trade officials, initiated by the Biden administration, into how to counter China's maritime dominance. The probe came in response to complaints from union leaders about Chinese industry subsidies. Japan and Korea are also major builders, with American shipmakers widely considered slow and expensive in comparison.

Farmers, exporters and shipping companies said they doubted the new ship fees would thwart the Chinese, while harming a key US industry.

Jay O'Neil, a commodities consultant, said that the proposed fees "scare the heck out of me", adding that they amount to "encouraging crop production expansions in lands of our foreign competitors".

White House officials declined to comment.

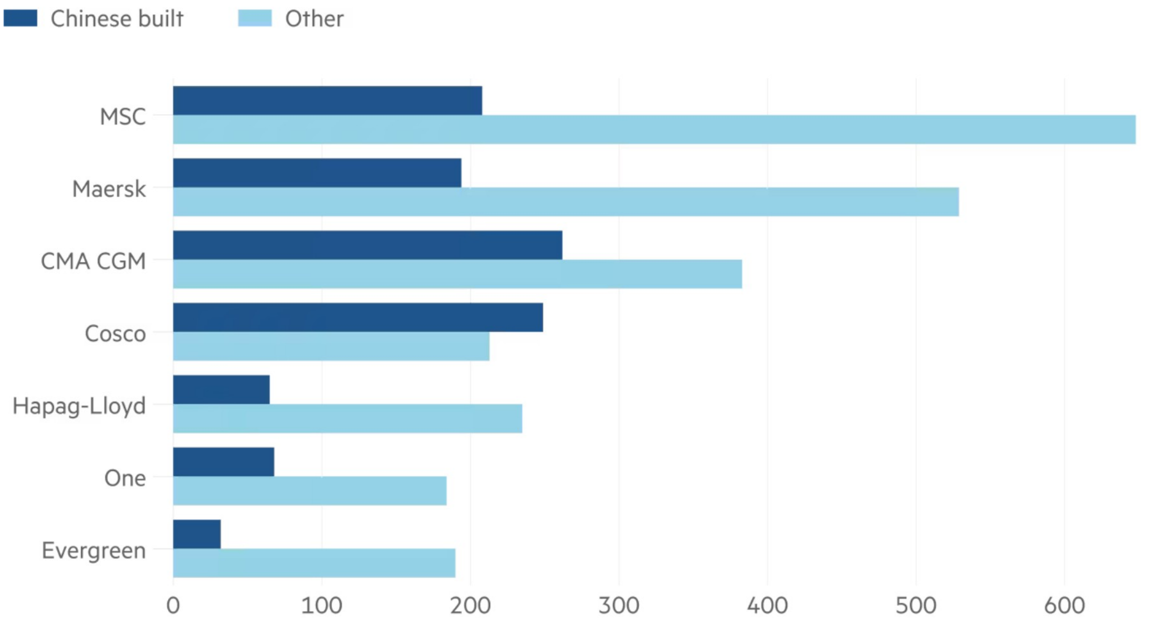
The Denmark-based trade group Bimco, which represents vessel owners, said most fleets include Chinese-built ships for their "comparatively lower cost" and warned operators would pass additional levies on to US businesses and consumers.

The AFBF estimates the new fees could add between $372mn-$930mn in shipping costs for each exporter annually, eroding the cost advantages that have kept US farm products competitive globally. The additional fees could raise the cost of shipping a bushel of soyabeans currently trading at $10.07 by up to 27.75 cents, "representing a substantial margin loss in global markets where competitiveness is often determined by mere pennies per bushel," the AFBF said.

Large agricultural traders' profits would take a hit as they tend to rise and fall with agricultural commodity prices, Kpler's Bhanu said.

Chinese ships dominate commercial shipping fleets

Shipping fleet origins, by number of vessels



Source: Clarksons

Perdue Farms said in a letter to the USTR that the fees would add 40 per cent to their shipping costs because it was "virtually impossible" to avoid such ships.

"I don't think the markets are truly pricing this in," said Arlan Suderman, chief commodities economist at broker StoneX, referring to the muted reaction in the freight and agricultural export markets to the proposed shipping fees. "There's still a sense that this might go away before the month of May . . . there's some sense that he [Trump] is just bluffing," Suderman said, adding that he thought this might be "wishful thinking".

"People are just sort of standing still," said Sutter at the US Soybean Export Council. "People that would normally be making deferred purchases from the United States are not making those purchases today."

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