



Ask an Economist: Why key agricultural trade partners are important for the farm sector and food prices

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Associate Economist Ty Kreitman explores how major changes to trade relationships could lead to reduced agricultural revenue and higher prices for consumers.

Trade is an important source of demand and supply for U.S. agricultural commodities and food products. According to the U.S. Department of Agriculture, in 2024 the United States exported roughly \$175 billion in agricultural products and imported \$215 billion. Trade in this sector of the U.S. economy is particularly concentrated among Mexico, Canada and China. Several major commodities and staple consumer food products rely heavily on exports to and imports from those countries.

Associate Economist Ty Kreitman explored those trade connections in an April 2025 *Economic Bulletin*. His analysis showed that major changes to those key trade relationships could lead to reduced farm sector revenue and higher food prices for consumers.

What are some of the key characteristics of U.S. trade relationships with Canada, Mexico and China?

Mexico, Canada and China were the destination for about 50% of the total value of U.S. agricultural exports in 2024. Mexico and Canada also are important sources of agricultural product imports, accounting for more than 40% of all U.S. agricultural imports. Additionally, Canada is a major supplier of essential fertilizers used in crop production in the United States.

As for China, despite its relatively low importance as an exporter of agricultural products to the United States, the country is a particularly important destination for U.S. soybeans and other bulk farm commodities that rely heavily on export markets.

The latest data available shows that 20% of U.S. soybean production is exported to China.

In addition to soybeans, roughly 55% of U.S. sorghum production, 20% of cotton production and 8% of U.S. tree nut production (including 18% of pistachios) are exported to China.

Regarding agricultural exports to China, how did previous trade disputes play out?

China's relative importance as a destination for U.S. agricultural products made the sector more vulnerable during past trade disputes. In 2018, China implemented a 25% tariff on U.S. soybeans, which led to an immediate and sharp reduction in U.S. soybean exports and prices and a reshuffling of global exports.

The disruption also likely reduced the longer-term competitiveness of U.S. exports in world markets by contributing to expanded soybean production and exports in other countries.

For U.S. consumers, what are some of the potential effects of trade fluctuations?

In addition to their roles as destinations for U.S. agricultural products, Mexico and Canada in particular also are primary sources of many staple food products consumed in the United States. About 20% of U.S. fruit, vegetable and tree nut consumption is imported from Mexico, and an additional 5% is imported from Canada. Those product categories account for about 17% of the "food-at-home" (grocery) basket of the Consumer Price Index (CPI), a common measure of food inflation. Canada and Mexico also supply about 13% of cereals and bakery products consumed in the United States, 13% of nonalcoholic beverages and 10% of other processed foods, such as condiments, milled grain products, sweets and vegetable oils.

Consumers could expect that tariffs related to many fresh fruits and vegetables—because they are imported from concentrated growing areas with limited substitutes—could contribute to modest increases in prices that persist for a longer period. For processed foods with flexible supply chains that could shift production, price increases could be modest but more temporary.

How would farm revenue be affected?

The composition of U.S. agricultural exports and imports suggests that revenue in the agricultural sector is highly exposed to risks of disrupted trade with Mexico, Canada and China. Because these countries are key destinations for several agricultural products that account for a large share of farm revenue, tariffs on U.S. exports could lead to a reduction in aggregate farm revenue.

The degree of effect on farm revenue and other components of the agricultural economic picture would depend heavily on the scope, level and duration of any tariffs or other changes in trading partnerships.

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