

INDUSTRY BRIEF

US Tariff Announcements

Thursday 3 April 2025

Background

US Reciprocal Tariffs

The Trump administration has introduced a US Reciprocal Tariff policy to address what they see as an imbalance in rebalance global trade flows by imposing an additional tariff on all imports. On April 2 (US Time) the US imposed tariffs across a broad range of products (including dairy) entering the US market, with Australian exports set to face a 10 percent tariff, effective April 5.

The 10 percent tariff is the lowest tariff being imposed and also applies to imports from New Zealand, the United Kingdom, Chile and Brazil amongst others. Many other countries are facing significantly higher tariffs into the US, including:

- China – who will face a cumulative tariff of 54 percent
- Vietnam – 46 percent tariff
- South Korea – 25 percent tariff
- Japan – 24 percent tariff
- European Union – 20 percent tariff

As of 3 April, no country has announced specifically how they will respond with their own tariffs to counter the US Reciprocal Tariffs, however China, the EU, Canada and Brazil have indicated they are developing countermeasures which could include retaliatory tariffs and/or legal measures (i.e. World Trade Organisation).

Japan, South Korea and Australia have all publicly stated their disappointment with the US course of action and have announced responses that will aim to support their exporters but have stopped short of developing countermeasures on US trade at this stage. How other countries respond to the US tariffs will likely have a greater impact on Australian dairy, noting the potential for US dairy products to be diverted from their current markets and potentially be directed to Australia.

Australia – US trading relationship

The US accounts for a very small volume of Australia's dairy exports but is a significant market for other Australian agricultural industries, particularly red meat, and is also an important market for manufactured goods and pharmaceuticals.

In 2024, Australia exported A\$23.8 billion worth of goods to the US and imported A\$50.6 billion worth of US goods, resulting in a significant trade imbalance in favour of the US. Australia's top goods exports to the US in 2024, by value were:

- Red meat - \$6.1bn
- Gold - \$2.9bn
- Pharmaceutical products - \$2bn
- Transport equipment and parts - \$1.3bn
- Engineering products - \$1.2bn

(Source - ABS International Trade in Goods January 2025 data)

Australia – US dairy trading relationship

Of the 731,863 tonnes of dairy exported from Australia in 2024, 0.6% (4,448 tonnes) is sent to the United States (US), worth A\$66 million. This consists mostly of butter, cheese and infant powder, with small volumes of casein, ice cream, mixtures, whey powder and whole milk powder also purchased by US importers. The US is the 20th largest export market for Australian dairy.

Of the 316,348 tonnes of dairy imported into Australia in 2024, 14 percent (44,163 tonnes) is purchased from the US, worth A\$312 million. Cheese represents 60 percent of the US dairy brought into Australia. Ice cream, lactose, mixtures, whey and skim milk powder make up the bulk of the rest of Australia's imports from the US. For context, other key regions Australia imports from are New Zealand (51 percent of imported volume) and the European union (26 percent of imported volume).

Australian Government Response

The Australian Government position is that the US Reciprocal Tariffs are unwarranted and unjustified as Australia does not levy tariffs on US imports. The imposition of tariffs undermines the strong partnership between the two countries; however, the Australian Government has ruled out imposing reciprocal tariffs at this stage.

The Government has announced a range of initiatives as part of their response to the US Reciprocal Tariffs:

- Firstly, to keep engaging with United States Trade Representative (USTR) Ambassador Greer to discuss how the US concerns/grievances can be (realistically) addressed and the tariffs subsequently removed.
- Export Diversification – Provide \$50 million to affected sectors, particularly through peak bodies to secure and grow export markets.
- Economic Resilience Program funded through the National Reconstruction Fund to provide \$1 billion in zero interest loans for firms to develop new export opportunities.
- Strengthen the anti-dumping system to support impacted sectors
- Continue to pursue FTAs with India and the EU to secure new opportunities for Australian exporters.

Industry response and key messages

Dairy Australia has convened an Issue Response Group to coordinate the industry's response and support advocacy efforts as required. Participants in the response group include Australian Dairy Farmers (ADF), Australian Dairy Products Federation (ADPF) and Dairy Australia.

The Australian Dairy Industry Council (ADIC) is taking the lead position on behalf of the industry and developing a statement based on the below key messages.

General points

- Australia has not been singled out in the imposition of US tariffs, with all trading partners having a tariff of at least 10 percent imposed on products imported into the US.
- Australian dairy is less exposed than many other US trading partners, but we are not immune.
- Australian dairy is watching carefully for any flow-on effects in global trade patterns and dairy supply chains.
- While it's too soon to speculate as to the impact, the impact of displaced product on global trade and global trade flows will be affected by displaced product, ultimately influencing international dairy supply and demand.
- Australia has a reputation around the world for producing clean, green and highly nutritious dairy products. Our dairy is renowned globally for its quality and safety.
- The imposition of tariffs in the US does not alter our commitment to these high standards.
- Our reputation matters – and it positions us strongly to meet international challenges and maintain

access to markets.

On US trade volumes for dairy

- Australia exported around 4,500 tonnes of dairy into the US in 2024, comprising mainly butter, cheese and infant powder, with small volumes of casein, ice cream, mixtures, whey powder and whole milk powder. The value of Australian dairy exports to the US was A\$66 million.
- This represents just 0.6 percent of the total volume of Australia's dairy exports, making the US our 20th-largest dairy export destination.
- To put this in perspective, Australia exported 185,466 tonnes of dairy with Greater China in 2024, our largest export destination.
- Australia imported 44k tonnes of US dairy products in 2024, comprising cheese (60 percent), ice cream, lactose, mixtures, whey and skim milk powder, to a value of A\$312 million.

Impact on the dairy beef market

- We don't have access to export data on dairy beef exports, only live heifer exports.
- However, given dairy beef does comprise part of Australia's beef exports into the US, there is likely to be an impact – however, it's too soon to speculate as to what that impact may be.

ONLY IF ASKED – Australian dairy's position on retaliatory tariffs

- The imposition of reciprocal tariffs is a matter for Government.
- However, the Australian dairy industry as a general principle supports free trade.

This will be the final Industry Briefing sent on this topic, unless significant changes warrant a further update.

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