

Special Edition: Economic Insight

Potential Impact of Tariffs on Consumers as it Relates to Food Consumption and Trade

May 2025



STIFEL

Executive Summary

The impact of tariffs on the U.S. consumer has been relatively muted thus far, with recent data signaling cooling price pressures and a still-spendy consumer.

However, with a 10% tariff still in place on all imports, and the potential for higher tariffs following a 90-day pause, prices could track higher, particularly at grocery stores, which have become increasingly dependent on imported foods. While U.S. farmers would certainly welcome the increased focus on growing more food domestically, it remains to be seen whether the American consumer is willing – or even able – to stomach higher food prices.

This week, we take a closer look at the state of agricultural trade, the growing reliance on imports, and where food is sourced.

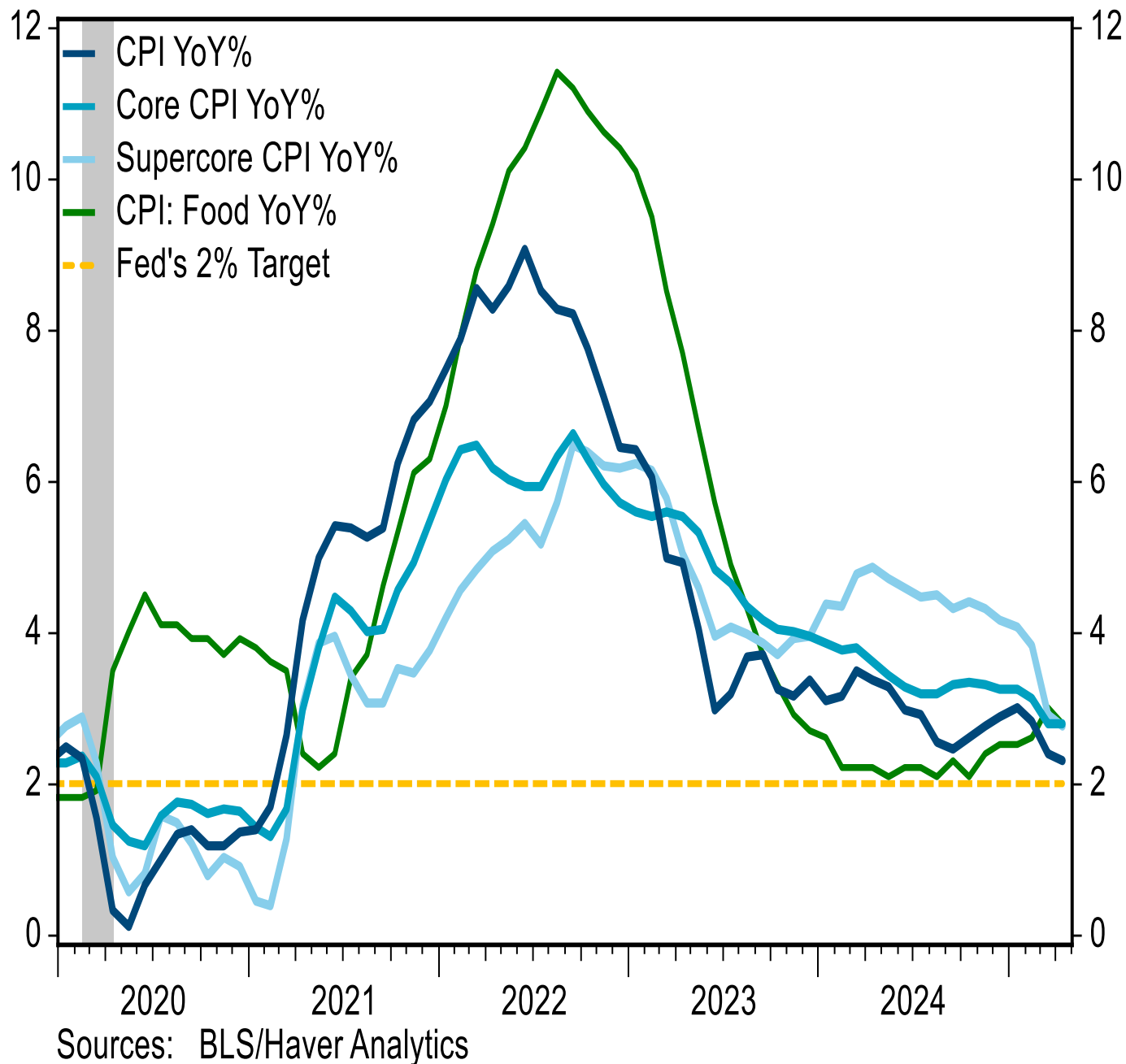
Inflationary Impact from Tariffs Muted Thus Far

The Consumer Price Index (CPI) rose 0.2% in April and increased 2.3% on an annual basis, the smallest annual gain since February 2021 and marking the third consecutive month of cooling price pressures.

Food prices fell outright, declining 0.1% in April, the first monthly drop since July 2020. On an annual basis, food prices rose 2.8%, the smallest gain in two months.

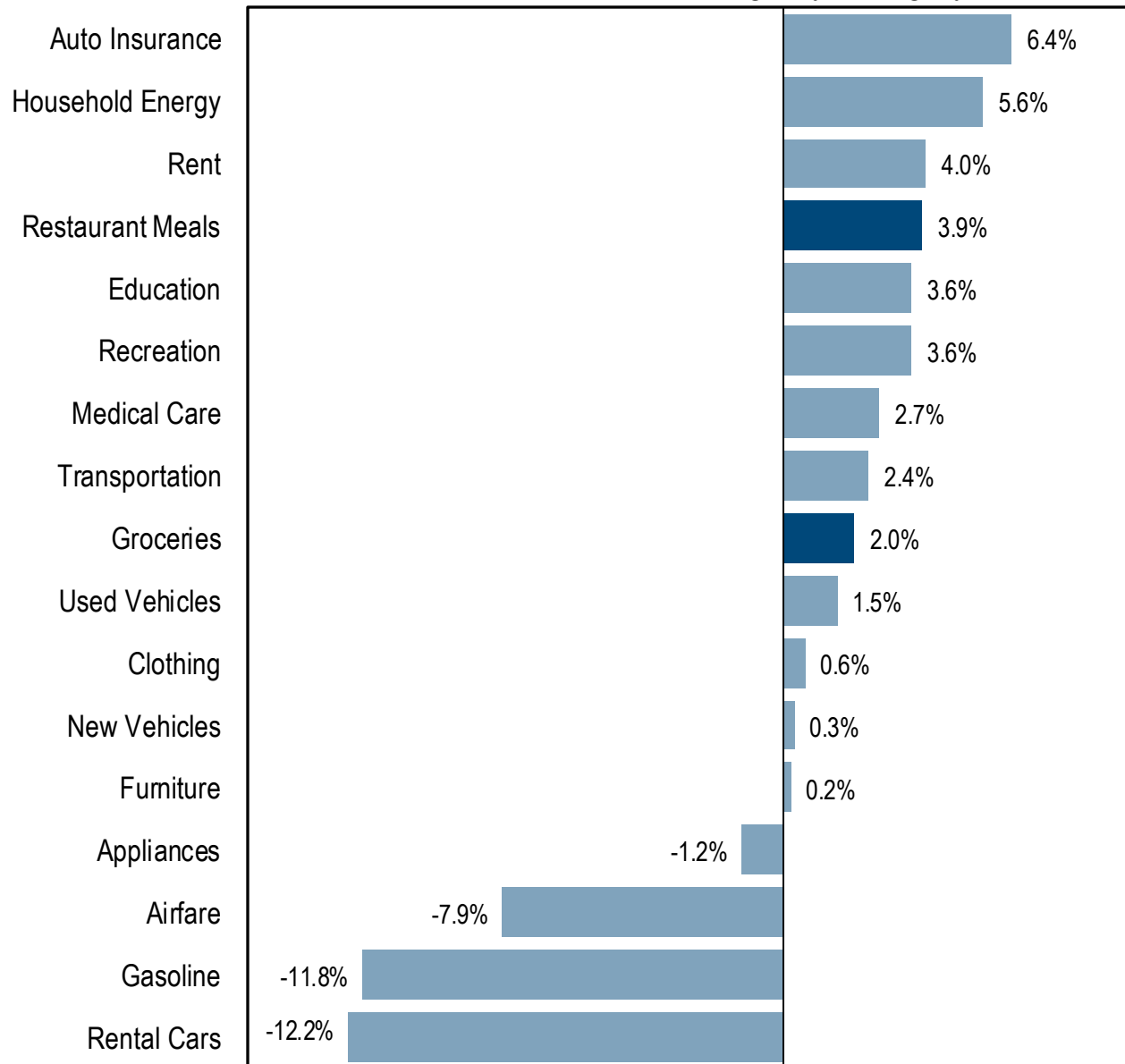
Excluding food and energy costs, the core CPI ticked up 0.2% in April and increased 2.8% year-over-year, matching the smallest annual increase since March 2021.

The supercore CPI, core services excluding shelter and rent, rose 0.2% in April and 2.8% annually, the smallest annual gain since March 2021.



Grocery Prices Decline in April

April CPI Breakdown: 12-month Change by Category



Source: Bureau of Labor Statistics

In the details of the CPI report, grocery prices declined 0.4% in April, marking the first monthly decline in over a year, and rose 2.0% on an annual basis, the smallest annual increase since February.

Since the start of 2020, grocery prices are up 28%. Egg prices fueled the increase with a 111% rise, while fruits and vegetables prices are up 16%.

Meanwhile, prices for dining out rose 0.4% in April and increased 3.9% over the past 12 months. Since the start of 2020, dining at restaurants has become 31% more expensive.

CPI Category	Increase Since 2020, %
Groceries	27.9
Eggs	111.3
Fats & Oils	37.8
Meat	32.8
Chicken	31.8
Cereal & Bakery Goods	28.8
Milk	23.1
Fruits & Vegetables	16.1
Food Away from Home	31.4
Full Service Meals	30.3
Food at Work & Schools	13.1

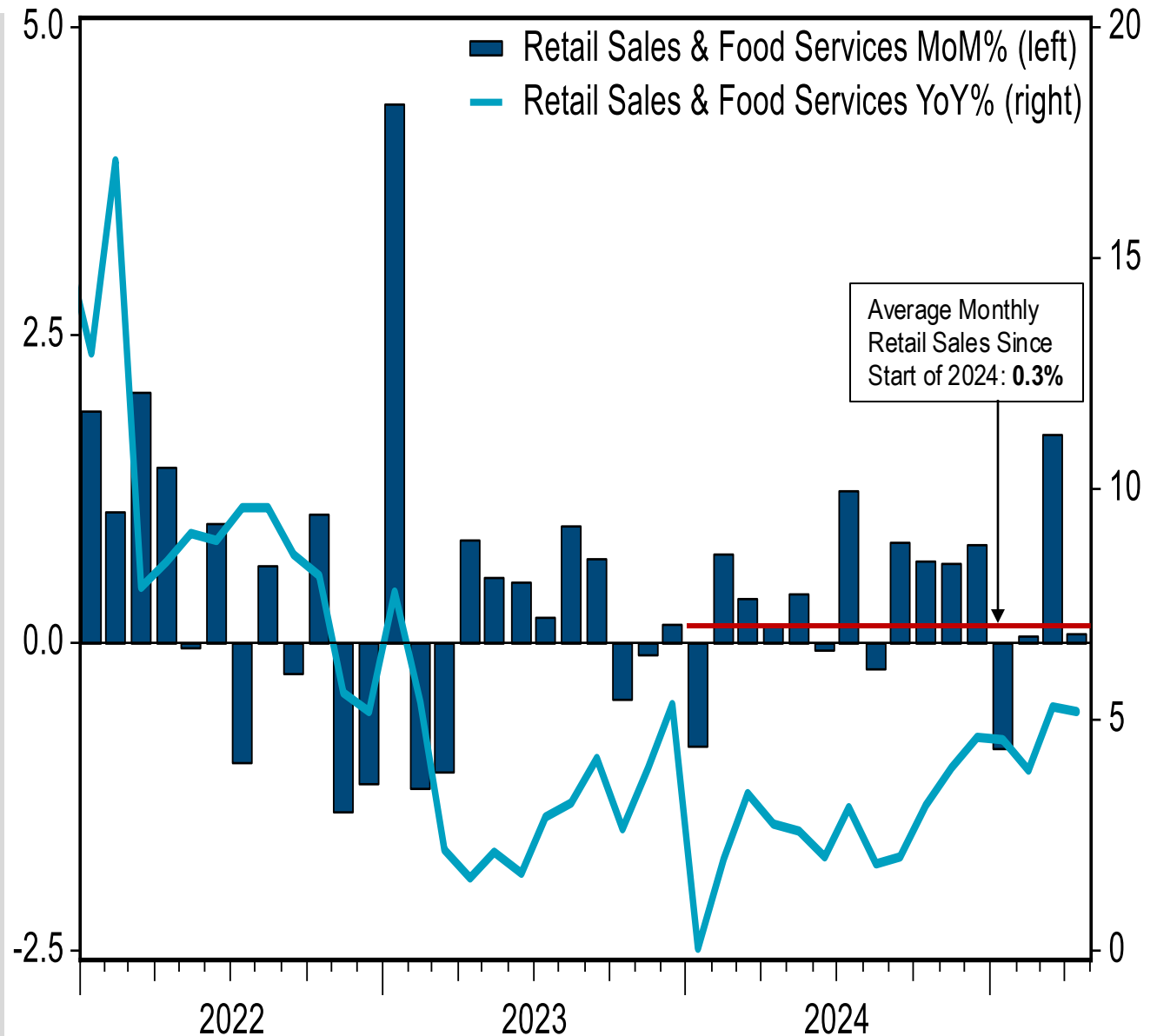
Source: Bureau of Labor Statistics

Consumers Still Spending

Despite heightened uncertainty as trade policies are still being negotiated, the consumer continues to spend.

Retail sales unexpectedly rose 0.1% in April, albeit marking a slowdown from an upwardly revised 1.7% jump in March. Since the start of 2024, retail sales have averaged 0.3%.

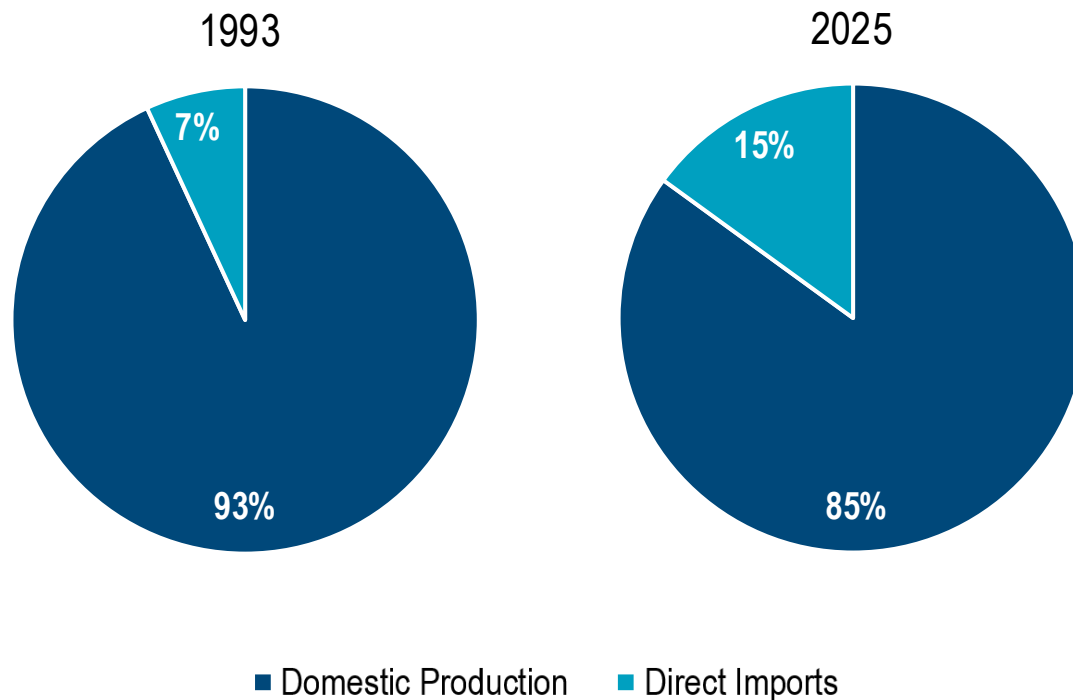
Year-over-year, retail sales increased over 5% for the second consecutive month for the first time since 2023.



Source: Census Bureau/Haver Analytics

Growing Reliance on Imported Foods into the U.S.

Source of U.S. Food and Beverage Purchases



Source: USDA Economic Research Service

Since 1993, the percent of food and beverage imports for consumption has more than doubled from 7% to 15%.

According to the U.S. Department of Agriculture (USDA), a heightened demand for fresh year-round produce and increased global trade have contributed to the growing reliance on food and beverage imports.

Americans import 80% of seafood consumed annually. Additionally, 59% of fruits and 40% of vegetables consumed annually are imported.

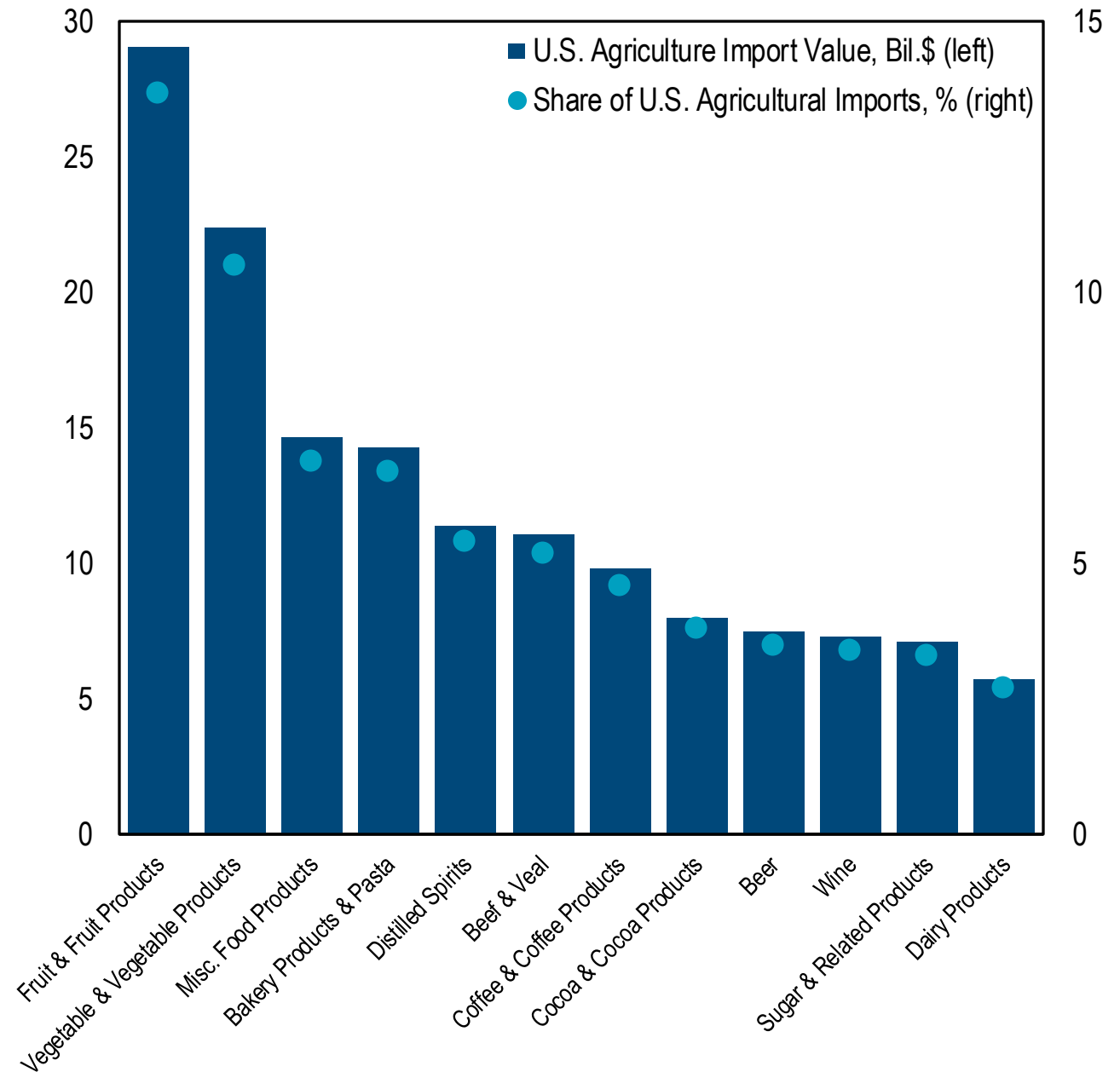
On the other hand, American farmers produce 93% of animal products consumed, including 97% of livestock, and 74% of plant foods consumed each year.

Top U.S. Agricultural Imports

The U.S. imported \$51.5 billion worth of fruits and vegetables in 2024, amounting to 24% of total imported foods. Produce such as avocados are almost entirely imported, with imports making up 90% of consumption.

Meanwhile, the U.S. purchased \$14.3 billion worth of bakery and pasta products from abroad, with 15% of baked goods consumed last year imported.

Additionally, nearly all, 99%, of coffee consumed in the U.S. is imported, with purchases totaling nearly \$10 billion last year. According to the National Coffee Association, 66% of Americans drink coffee daily.



Source: American Farm Bureau Federation/USDA

Where is Our Food Sourced?

Dairy

The U.S. produces over 90% of dairy products consumed with the remaining 10% of dairy consumed imported from **Ireland**, **New Zealand**, and **Italy**.



Coffee

U.S. coffee imports come from **Brazil** (22%), **Colombia** (16%), and **Switzerland** (12%).



Fruits

Most fruit imports come from **Mexico** (40%), with the next largest importer being **Peru** (9%), followed by **Chile** (8%).



Vegetables

The majority of vegetable imports come from **Mexico** (47%), followed by **Canada** (24%), and **Italy** (4%).



Olive Oil

Olive oil in the U.S. is primarily imported from **Spain** (37%) and **Italy** (32%), followed by **Tunisia** (14%).



Eggs

U.S. egg imports predominately come from **Canada** (48%), followed by the **U.K.** (15%), and **China** (8%).



Pasta

Most imported pasta is sourced from **Italy** (53%), followed by **Canada** (10%) and **China** (6%).



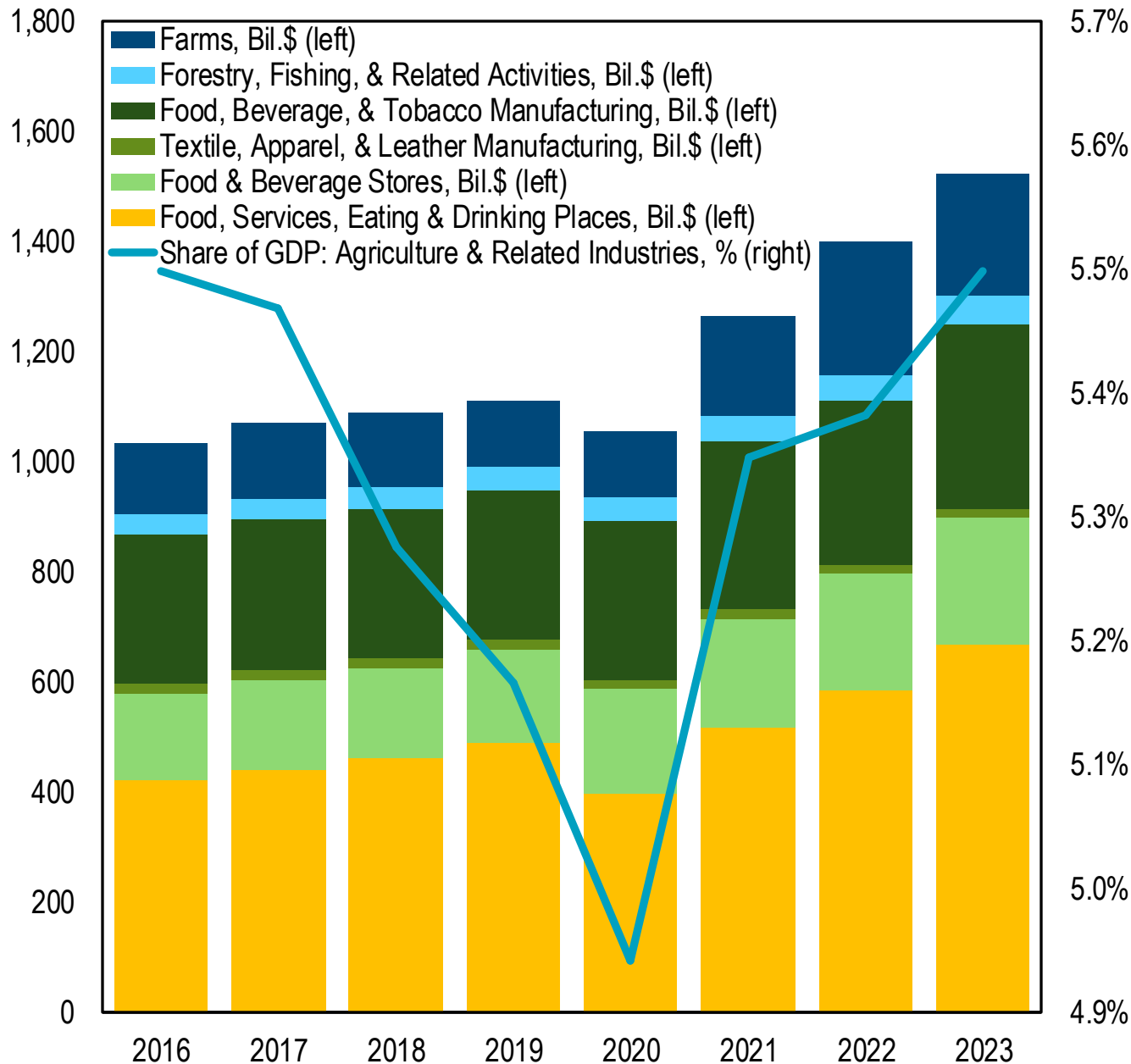
Beef

The U.S. produces nearly 90% of the beef it consumes with the remaining 10% of consumed beef imported from **Australia**, **Mexico**, and **Italy**.



Source: USDA Foreign Agricultural Service

Value Added to U.S. GDP: Agriculture and Related Industries



Source: U.S. Bureau of Economic Analysis

Agriculture and its related industries contributed \$1.5 trillion, or 5.5%, to GDP in 2023, according to the Bureau of Economic Analysis.

Farming output totaled \$222 billion in 2023, accounting for about 0.8% of U.S. GDP.

Other sectors directly tied to agriculture contributed an additional \$1.3 trillion to GDP, including \$666 billion from food services and restaurants and \$335 billion from food, beverage, and tobacco manufacturing.

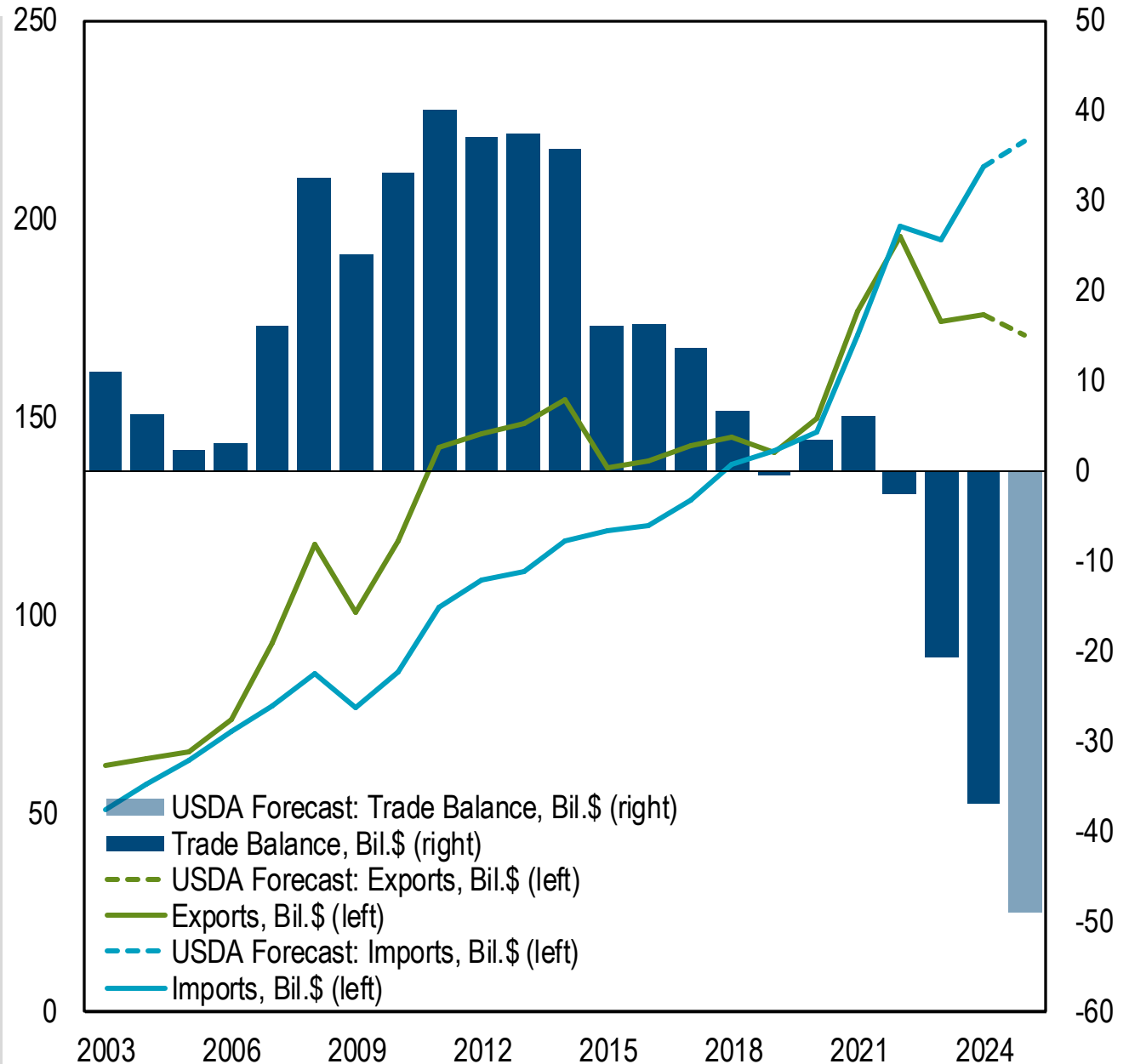
As of 2022, agriculture and associated industries accounted for 22.1 million jobs, or 10.4% of total U.S. employment, according to the USDA.

Agriculture Trade Deficit Set to Hit Record High

The U.S. ran a trade surplus in agricultural exports for 60 years from 1959 until 2019. However, since 2020, the U.S. agriculture deficit has averaged \$10 billion as a result of a strong U.S. dollar, and increased competition from foreign crop producers, such as Russia and Brazil¹.

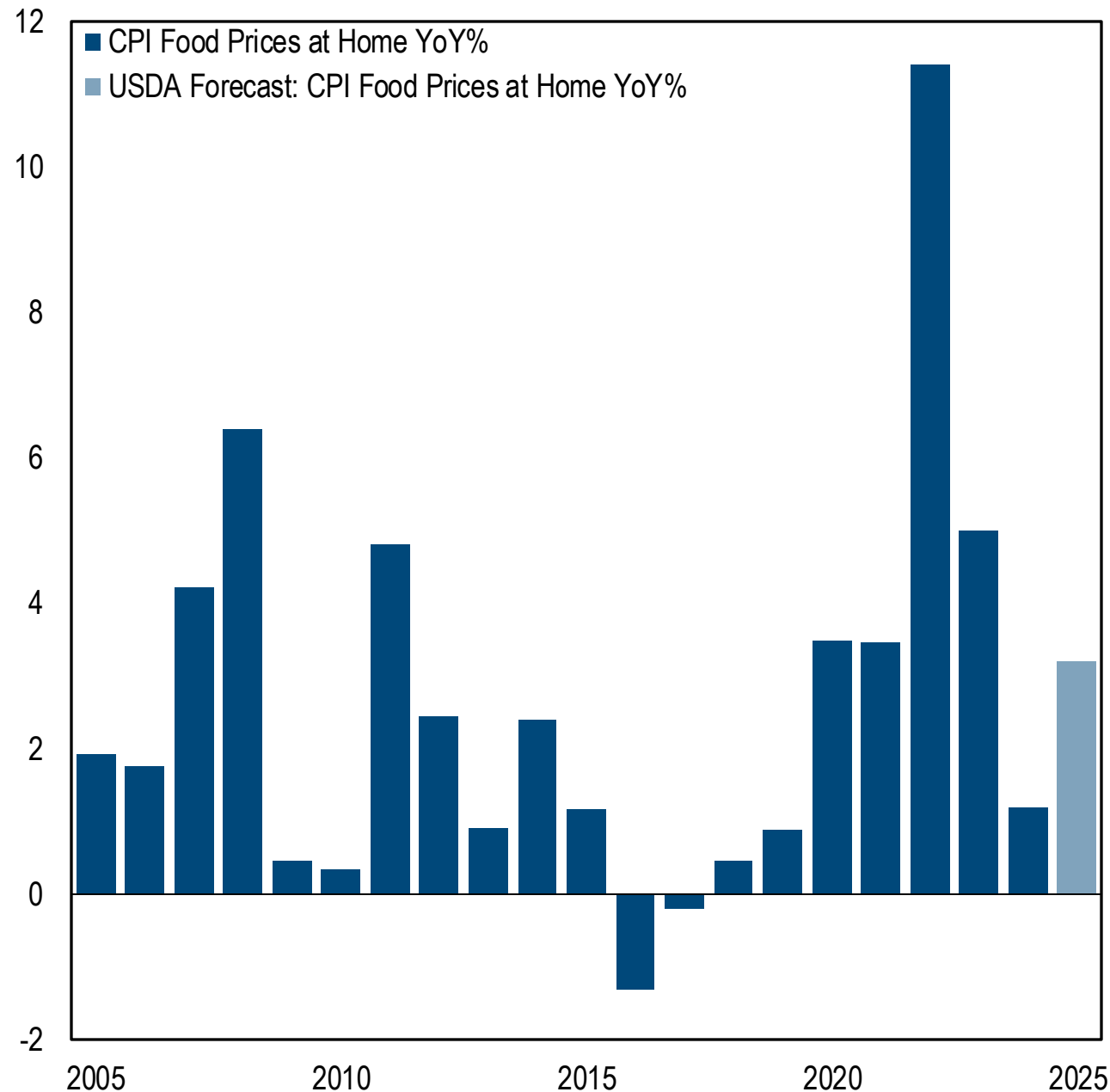
According to the USDA, agricultural imports for 2025 are forecasted to rise 3.1% to nearly \$220 billion, with exports declining 3.1% to \$171 billion, potentially marking a five-year low. As a result, the agricultural trade deficit is expected to reach an all-time high of nearly \$50 billion this year, and undoubtedly potentially raising questions about long-term food security in the U.S.

¹Russia has overtaken the U.S. as the world's top wheat shipper, with Brazil surpassing the U.S. as the largest exporter of corn, cotton and soybeans.



Source: USDA Economic Research Service

Food Prices Forecasted to Increase this Year



Source: U.S. Department of Labor/USDA

According to the USDA, grocery prices are expected to rise 3.2% in 2025, following a 1.2% increase last year, as elevated interest rates, higher energy prices, labor market tightness, and lower consumer demand² are forecasted to drive prices higher.

A 3.2% increase is noticeably above the average 2.6% gain over the last decade and would mark the largest annual rise in two years.

²A report from the Yale Budget Lab estimates the average household could lose \$3,000 worth of purchasing power in 2025 when accounting for substitution effects due to global trade disruptions.

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