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## SPEAKERS

Christopher Conover, Nicole Cox, Michael Dauphinais, Tom Fullerton, Donald Trump, matt mandel, David Godlewski, NPR promo

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**M** Michael Dauphinais 00:00  
Following is an azpm original production.

**C** Christopher Conover 00:02  
Welcome to The Buzz. I'm Christopher Conover. This week how tariffs could affect southern Arizona. President Elect Donald Trump has made no secret of his love for tariffs, as was heard at this November 4 rally in Grand Rapids, Michigan,

**D** Donald Trump 00:29  
and we're going to save America. We will cut your taxes and inflation, slash your prices, raise your wages and bring 1000s of factories back to America and back to Michigan. A lot of it will be using my favorite word, my favorite word, tariff. One of the things I'm going to do, I'll give you this as a little inside I just announced that in Pittsburgh, I didn't think it was become a very big story already. So we're going to tell Mexico you're killing tremendous numbers of our people by allowing China to send their fentanyl through your system and through your country. And we're going to give them a little period of time, but we don't want drugs coming across our border, or any border, and whether it's Mexico or Canada or wherever, because they're starting now in Canada, they're starting to go up north. But whether it's Mexico or Canada, we're going to explain to them quickly that if you allow fentanyl and these drugs that come through through your country, we're going to charge you large scale tariffs on everything you send into the United States.

**C** Christopher Conover 01:52  
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The act of taxing imports has been a major part of his economic plan, but the details of how that would work and who exactly pays for them is fuzzy, if not flawed. So how do current tariffs affect southern Arizonans who live near a major trade partner? We start today's show with Dr Tom Fullerton, Professor and Chair of Trade in the Americas at the University of Texas, El Paso. He starts by helping us understand how tariffs work.

**T** Tom Fullerton 02:23

Well, tariffs are taxes on goods that are produced abroad and then imported into the United States. So they're just like sales taxes, essentially only they're applied to international merchandise as opposed to domestically produced merchandise, generally, consumers pay most of the tariff, but depending on how let's see how sensitive the demand for specific products is with respect to price, a portion of it also gets paid by the producer. You know, the businesses always say, Oh, it's just dumped onto the producer. That's not exactly correct. If some products are very sensitive to price changes, then a bigger percentage will be paid by the producers. On the other hand, if it's a product that is very invariant to price when it comes to sales performance, then in that case, most of the tariff will be paid by let's see consumers.

**C** Christopher Conover 03:24

How is the tariff paid? Is it paid by the company that imports the product? Do they pay it immediately? They don't get access to the product until the tariff is paid? Or is it paid through a quarterly tax statement, or how does the money go that's being charged to the federal government in this case?

**T** Tom Fullerton 03:47

Well, let's see, that also depends on the volume of goods being brought in. You know, a lot of the big importers, they pay into escrow accounts that are, you know, let's see go to support their quarterly sales tax payments, or their quarterly federal tax payments. And so it creates a lot of business for accountants. Tax accountants, let's see, as well as financial companies, some of the smaller importers, they probably have to pay it. Let's see before they can get the goods released from the customs warehouses.

**C** Christopher Conover 04:21

So when it comes to tariffs, President elect Trump has said, I'm putting in a tariff. Is that the way it works, that the President does it, or is this something that Congress has to get involved with? Because we all know things said on the campaign trail don't always reflect reality, regardless of who the candidate is.

**T** Tom Fullerton 04:44

Congress has the power to levy all taxation, but under special circumstances, the executive branch can enact tariffs, and what is required is to declare an emergency, which is why President elect Trump is tying this in with immigration and narcotics because he's declaring

that there is a disaster being inflicted on the United States by Mexico, Canada and China. This is really stretching the truth pretty severely, because the reason that all those migrants come to the United States is not that they're being inflicted on us by Mexico, Canada and China, but it's because of the demand for those workers exists. They know they can get jobs here, and they come here just like they go to some other countries in Western Europe. The other thing that happens in terms of, let's see, illegal narcotics is the reason they are sold. Let's see, in every city in the United States, is that the demand for these products is so high. Again, it's not that China, Canada and Mexico are forcing Americans to consume illegal narcotics in their homes or at their parties. It's that the American consumers want these products, and so there's a market for them, and the smugglers try to evade existing legislation. The governments of Canada and Mexico definitely do not support drug use within the United States.

**C** Christopher Conover 06:16

A topic that might be slightly related, or maybe completely related, is we have a lot of companies that move overseas, either for production reasons or for changes in their tax reasons. Do tariffs affect those decisions in any way?

**T** Tom Fullerton 06:35

Yes, tariffs will, let's see, affect where companies invest abroad, just like trade agreements also do that. Now, some big corporations have already said that while the tariffs will make it more difficult to sell within the United States, in some circumstances, they simply have no choice but to invest abroad. None of these companies invest abroad because they want to. They do so because competitive pressures force them to do it. They don't want to close down factories in the United States. But you know, when the wage gap offsets productivity gap, then they're forced to move overseas. As long as US factories are more productive than foreign factories after you've taken the cost of doing business into account, those companies, they would prefer to stay within the United States. But in some cases, you know, as the product life cycle evolves, a lot of products can simply be made more competitively abroad. And by the way, it's not that that this is done in a vacuum. It's also affecting companies in Japan, Canada, Germany, England. You pick your your your wealthy OECD economy, and they all have companies that are being forced to invest abroad, in other, in other countries. Well, Dr Fullerton, thanks for spending a few minutes with us.

**C** Christopher Conover 08:05

Glad to do it. That was Dr Tom Fullerton of the University of Texas El Paso. One of the industries that most affects the lives of southern Arizonans right now is home building an influx of new southern Arizona residents, paired with the shortage of homes for purchase or rent has driven shelter costs up massively in recent years. Much of what goes into making homes comes from outside the US. So how would taxes on imports affect the prices of homes? We invited David Godlewski of the Southern Arizona Home Builders Association to tell us

**D** David Godlewski 08:45

it's mostly a domestic production process. There certainly are components, some of the things

it's mostly a domestic production process. There certainly are components, some of the things, like lumber, appliances, certain other pieces and parts may come internationally, but it is. It's largely domestic production.

**C** Christopher Conover 09:06

Now I know that the US has a pretty robust lumber industry, but we still import a lot from Canada. Earlier this year, tariffs on Canadian lumber, they were almost doubled. They went to 15%. How much does the cost of that wood affect the building of a home?

**D** David Godlewski 09:24

Over the past few years, the price of all goods and materials that go into the construction of a home have escalated significantly, and I think you can see that when you look at the prices of the of the new homes. And so it's something that the builders are constantly dealing with. It's not just limited to lumber, but lumber is certainly a substantial component. But builders have been trying to find ways to make sure they're being as efficient as possible in the process. But it's certainly a big component, lumber pricing as well as all the other key materials.

**C** Christopher Conover 10:01

Yeah, we were surprised when we were doing research for this that the US government says iron fasteners, which are screws, nails, bolts, nuts, you know, all those important things in the building process. We imported 6.5 billion. We the US last year in that, I think that's something most people don't even think about, that maybe we're importing a lot goes into building a house.

**D** David Godlewski 10:27

Yeah, it really does. I mean, there's so many different there are dozens of key trades that all work, you know, together in a seamless process to try and get that that house built, and do it in a timely way and and deliver it at a price point that's acceptable to the to the marketplace. It's a very complicated process, but in many ways, you know, the builders have just been able to adapt and and make it more like a symphony, right? All the all the different elements of the orchestra you know, working together to get that house built on time

**C** Christopher Conover 11:04

If tariffs go up, or when tariffs go up, because they do go up from time to time, they also occasionally come down. Does it really affect the price that I pay for a home to be built, or the price that the builder pays before they sell it to me, or is that something then the home building industry, we see less of an effect with?

**D** David Godlewski 11:27

Tariffs are definitely something that we pay attention to. You know, anything that could potentially have an inflationary aspect to it is going to make its way into the final price of the price of the home, and so we are monitoring what's happening at the federal level very closely. You know, it's our hope that certainly any type of approach to increasing tariffs is done in a very strategic and calculated way. And of course, we're very encouraged to hear talk about deregulation and trying to find other things to make the process easier that would then have an offsetting cost to any increase related to the tariffs.

**C** Christopher Conover 12:12

When it comes to home building materials, we've also spoken with agricultural importers, obviously, fruits and vegetables go bad quickly, but we can stockpile things to build houses. How quickly potentially could a tariff change affect the cost of building a house?

**D** David Godlewski 12:32

That's a great question. I wish I had had a crystal ball or an economics degree to tell you, but I do think there's certainly a lag before you know when things like that, when there are policy decisions, and then when things are felt in real time, but, but certainly again, something that is that is we're paying attention to and are aware that that could certainly have an effect on home pricing.

**C** Christopher Conover 13:02

The other thing that the new administration could do and could have an effect on home building, of course, is immigration. A University of Michigan study from this year estimates that nationwide, up to 20% of the workers in the construction industry are undocumented. Does a major immigration crackdown affect home building?

**D** David Godlewski 13:27

So workforce and development is really critical to our industry. You know, we need to make sure that we have a fully equipped, skilled workforce to be able to keep up with our housing needs. For a long time, we have advocated for comprehensive immigration reform. I think it's, I think that's an important component to a healthy home building industry. We also want to focus on workforce training programs and so again, any of the, any of the talk that about what may or may not happen in terms of illegal immigration is something that we're keeping a close eye on. One of the things that I always like to caution is that there's certainly a difference between campaign rhetoric in the policies that may actually find their way through. We do have a system of checks and balances, and so we're cautiously optimistic that whatever happens will be practical and take into consideration the need for affordable housing.

**C** Christopher Conover 14:34

Have you gotten calls from members or members getting calls from customers, potential

customers saying, do we need to speed things up? Do I need to build now? I really was going to build next year? Is it starting to trickle down, or is this just all for, like, a better term, you and me having an academic conversation at this point?

**D** David Godlewski 14:52

You know, I would assume that the average customer has some degree of awareness about what's being talked about. From a policy perspective, but no, it's not. It's not trickling its way into people's buying decisions. I think the thing right now is there's an ongoing need for housing. It's a healthy marketplace, and so people want to and need to get into homes as quick as possible, regardless.

**C** Christopher Conover 15:18

All right, David, thanks for spending some time with us.

**D** David Godlewski 15:21

You're welcome. I appreciate you guys.

**C** Christopher Conover 15:24

That was David Godlewski of the Southern Arizona Home Builders Association. You're listening to The Buzz after the break, we talk about the product that fills most of the trucks that cross the border in Nogales. Stay with us.

**N** NPR promo 15:40

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**C** Christopher Conover 15:56

Welcome back to The Buzz. I'm Christopher Conover. We're looking at how new tariffs would affect the economy of southern Arizona this week. Many of the trucks that cross into Arizona via the Mariposa Port of Entry in Nogales are carrying fresh produce, goods such as tomatoes, bell peppers and other fruits and vegetables are grown in Mexico and shipped into the us via our southern ports. So what would tariffs do to the price of our food? We asked that of Matt Mandel, Vice President of Finance and Legal at produce import company, Sunfed.

**M** matt mandel 16:25

M matt mandel 16:35

We're really just getting into the thick of what you might consider the winter season over the months of October and November, the volumes coming up out of Mexico will be increasing. Right now we're heavy into squash, cucumbers, bell peppers, eggplants, colored peppers are about to begin. And really from we'll say late October through April is really the heaviest part of the season. So we're just getting started.

C Christopher Conover 17:02

There's been so much talk in the last week or so about the President Elect Trump's threat of a 25% tariff on anything coming out of Mexico or Canada. But in this case, we're looking at Mexico, because you deal with this stuff, are there already tariffs or duties on produce coming in from Mexico?

M matt mandel 17:25

The vast majority of products coming in from Mexico are going to be under the usmca, which is the replacement for NAFTA. So realistically, we've been dealing with about 30 years worth of free trade going back and forth between Mexico, the United States and Canada. So tariffs really do not come into play for just about everything that is coming across the border in Nogales at the moment when we begin to talk about tariffs, and the threat of tariffs is when people really, you know, their spidey sense begins to go off, because it could drastically changed the dynamic of the business here in Nogales,

C Christopher Conover 18:05

You mentioned the business in Nogales, you and I have talked, you've talked with Zac, our producer, a number of times over the years. We know what your business is, but can you explain it to our listeners who who don't know you?

M matt mandel 18:20

Sunfed is a US company with US employees that is in the business of growing fruits and vegetables with growing partners in Mexico for importation and sale distribution to the United States and Canada.

C Christopher Conover 18:35

And there are also in the area where you all are warehouses that all the trucks coming through the Mariposa Port of Entry come with produce and leave stuff in the warehouses and then go back and it gets picked up by US trucks, correct? That's all part of the system,

M matt mandel 18:53

correct. So we we offload product here, we QC it, make sure it is up to our standards and the standards of the US marketplace, and then we're in the we're in the business of selling it to food service operators, wholesalers and major retailers.

C

Christopher Conover 19:12

So when it comes to produce, is there much room to boy, I hate to say this, eat the cost on tariffs, or would all of that just get passed along to customers, be it grocery stores, restaurants, things like that, and eventually, me, the consumer?

M

matt mandel 19:31

You know, the popular misconception with tariffs is that they're paid by foreign nationals or foreign companies. However, we, as the US importer of these goods are the ones that are responsible for paying for those tariffs. I don't want to alarm anybody, but our margins are very thin to begin with, so any additional cost that is added above and beyond what we are already absorbing is immediately going to be passed on to our customers.

C

Christopher Conover 20:00

So, somebody I'm sure will have heard you say that one of the things Sun Fed does is grow you guys grow with partners down in Mexico. What's the advantage of growing in Mexico versus growing in Santa Cruz County, Yuma? You know, wherever it is appropriate for growing, whatever the crop is.

M

matt mandel 20:21

For those that are aware of seasons, there are certain climates that are more conducive than others during certain times of the year to growing produce. So while the United States is able to grow quite a bit of fruits and vegetables throughout the summer months, as the fall goes on and begins to get cooler, those climates are no longer properly adapted to grow the vast majority of fruits and vegetables that are consumed during the fall, winter and spring months. And so companies like ourselves, we work in Mexico to find the proper climates during the proper times of year to ensure that there's a steady supply of fresh fruits and vegetables coming into the United States, because, frankly, the few areas within the United States that are able to grow those fruits and vegetables cannot do it at a sufficient scale to feed our country.

C

Christopher Conover 21:12

Yeah, I grew up in South Florida, and there were a lot of peppers and beans and things like that grown green beans, especially down in South Florida in the winter, and strawberries and things like that. If these tariffs became a reality, does it put potentially farmers out of business, or does it try and shift things, do you think, back across into the US, which, as you said, might not have the correct climate for growing, You know, we may no longer be getting red and yellow bell peppers in the fall?



M

matt mandel 21:51

What a lot of people don't understand is the crops that we are harvesting now, we began planning for those crops six to eight months ago, a lot of the crops that we have in the ground right now have literally been growing for over three months time, and may not even be harvested for another few weeks. Then that harvest lasts another, you know, six months or so. So it's not like in a factory setting, where we can turn something on or off. Plants are growing. Due to the incredibly perishable nature of what we're doing, things have to be cut, cooled, packed and shipped in a very timely manner. So in the short term, tariffs are going to do a couple things. Number one, costs are definitely going to go up. And number two, if those costs go up to the point that consumers, or us as US companies, can no longer absorb that is going to shut off the importation of those pro of those produce items for sale in the United States, which will drive down the supply. And anybody that is schooled in the laws of supply and demand, meaning lower supplies. You know, same amount of demand, that will also increase the cost of those same goods.

C

Christopher Conover 23:09

You know, we mentioned something earlier about warehouses that you all have and other companies have. And I remember, oh my gosh, well, over 20 years ago, I did a story in South Georgia on a candy cane factory, and they had and it was the best smelling story I ever did, and they had a warehouse full of candy canes that they were making for this time of year. But I did the story in August. You can't do that with produce. As you said, it's now or never, you we can't store it that long.

M

matt mandel 23:45

Yeah, we literally count the shelf life of our products in days. Yeah. So when we're talking about the threat, or possible threat, of something that could shut things down for, you know, possibly weeks or months, we don't have that time to play with fruits and vegetables. You can go to a store today, you can go to the store, same store tomorrow, and it's going to be entirely new fruits and vegetables out on the shelf due to the incredible perishability of what we're dealing with.

C

Christopher Conover 24:14

How big an industry is this down in the area you guys are in Santa Cruz County? I've been down there and people driving down into Nogales, you see some of the warehouses next to the interstate. But how big an industry are you all down there? How many people ballpark are employed?

M

matt mandel 24:34

The produce sector in Santa Cruz County is the largest private industry for the county we are producing, you know, billions of dollars in produce revenue on an annualized basis. And you

know, one thing people also don't understand is Santa Cruz County is one of the poorest counties in the state of Arizona. So if you're going to affect the largest private industry in a county that is already impoverished is going to have a deleterious effect to the citizens, US citizens, within the county and you know this supply chain, while you know, we are one very important hub of that supply chain, you know, it's going to have a ripple effect through the entire economy of the state of Arizona as well as that of the nation .

**C** Christopher Conover 25:22

You mentioned because of the nature of produce, you can't store it that long. And those of us who have forgotten about that head of broccoli in the back of the crisper have a big understanding of that, if on the first day of the next Trump administration, the president follows through with his threat and puts in the 25% tariff. How quickly does it begin to affect your business?

**M** matt mandel 25:52

Day one. Once the proclamation has been made that the tariffs are going to into effect, anything that is imported from that moment on will require the tariff to be paid upon importation of those goods. So, you know, apart from the fact that you know, it would 100% cash strap us on day one, the cost of those goods would also go up by at least that 25% on day one.

**C** Christopher Conover 26:18

That's interesting. You mention it would cash strap you. I think that's something people don't think about that on day one, it goes up 25%, your cost to bring it into the country before you can even pass it along, goes up 25% right then.

**M** matt mandel 26:33

And apart from that, you know, we're waiting 30 days ish for all of our customers to pay us. So we're going to be out that cash for at least a month before we even start to see that revenue coming back in in order for us to continue paying those tariffs on an ongoing basis.

**C** Christopher Conover 26:49

All right, I guess time will tell. What happens with this. Thanks for sitting down with us.

**M** matt mandel 26:55

I appreciate the opportunity.



Christopher Conover 26:57

That was Matt Mandel of produce importer sunfed, and that's the buzz for this week. You can find all our episodes online at [azpm.org](http://azpm.org) and subscribe to our show. Wherever you get your podcasts, just search for The Buzz Arizona. We're also on the NPR app. Zac Ziegler is our producer, with production help from Desiree Tucker and Maggie Farmer, Our music is by Enter the Haggis. I'm Christopher Conover, thanks for listening.



Nicole Cox 27:41

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