Companies race to ship goods to the US ahead of potential tariffs

ReutersBy Arriana McLymore, Helen Reid and Emma RumneyBy: Reuters | Jan 30 2025 at 09:40 AM | International Trade

In recent months, plenty of business executives have said they were taking a wait-and-see approach to U.S. President Donald Trump's broad threats of tariffs. Early holiday-quarter earnings reports show many of them were not.

Automakers like General Motors and Mercedes, French cognac makers, and Italian producers of parmesan cheese and sparkling wine have all expedited deliveries to the United States. Commodities buyers meanwhile stepped up purchases of steel, aluminium, and soybeans.

"We see companies currently front-loading their imports into the U.S.," said Patrick Lepperhoff, managing director at supply chain consultancy Inverto in Cologne.

"They have modelled scenarios on how much they could be hit by tariffs, and decided quite broadly to import the volumes in order to be covered for a certain time."

Executives have described to Reuters and on conference calls the challenges of an environment made more uncertain by Trump's shifting plans for tariffs that could upend world trade and prompt some companies to move production to the United States.

Even before he returned to office this month, uncertainty motivated businesses to rush shipments. The U.S. trade deficit spiked to a record $122 billion in December as goods imports rose 4% and exports dropped 4.5%.

PacSun, which sells casual clothing for teens and young adults, is one of many retailers importing goods.

CEO Brieane Olson told Reuters the privately-held company had brought in a portion of its first-quarter sales earlier as part of contingency plans. It also has a "tariff taskforce" that meets twice a week to work with suppliers on the issue.

"PacSun has a very proactive plan for what we can do to help our suppliers and vendors best," Olson said.

Trump's threats have ranged from possible 100% to 200% fees on cars from Mexico to universal tariffs on all imported goods.

A test of his resolve will come on Saturday, when the U.S. president has said he plans to introduce duties on imports from neighbours and major trade partners Mexico and Canada.

Numerous sectors could be affected. The U.S. imported about $844 billion in goods from Canada and Mexico in 2024, about 28% of all imports, according to U.S. federal data.

Efforts to prepare have already given some companies a boost. German chemical company Lanxess said fourth-quarter profits were significantly better than expected due to advance buying by U.S. customers.

Italian producers have shipped more Parmigiano Reggiano cheese to the United States, according to the industry's trade association, which said it hopes to get exemptions for its premium foods.

Overall U.S. imports of 20-foot containers surged in November and December to the busiest since 2021.

Traders in Tampa and Houston bought steel from South Korea, Japan and Turkey, anticipating tariffs on Trump's first day in office, said Jose Severin of The Mercury Group, a commodities supply chain consultancy. That left large quantities of steel in warehouses and ports, causing bottlenecks and raising costs.

"We could re-route supply from our Canadian smelters to Europe. While it is an advantage to have this optionality, it certainly is not a benefit for our customers and supply chains like them," Alcoa CEO William Oplinger told investors earlier this month.

ASSEMBLY LINE

The automotive sector is particularly exposed to Canada and Mexico, where many companies built factories to tap relatively cheap labour close to the lucrative U.S. market following the 1994 North American Free Trade Agreement.

GM accelerated shipments from its facilities there in Q4.

"Every delivery that we can make before a tariff is instituted, it's that much better ... than sitting on inventory," said GM chief financial officer Paul Jacobson.

All of Japanese automaker Toyota Motor's Tacoma model pickups sold in the United States - more than 200,000 units a year - come from Mexico. A person close to the company said before November's election that tariffs could cause Toyota to shift production to its San Antonio, Texas, assembly plant.

Nearly 40% of S&P 500 earnings come from overseas, according to LSEG, whose data shows the sectors with the highest foreign exposure - tech, consumer discretionary goods and industrials - have talked the most about supply chains and reshoring.

COLLECTING DUST?

Some companies are not advancing orders without certainty over demand.

Privately-held toy maker MGA Entertainment has not shipped in extra product, according to CEO Isaac Larian, who said he'd voted for Trump. Its key holiday season is over and storing extra inventory is costly.

"The toy business is a fashion business. It changes all the time," Larian said. "We can't buy that much inventory in anticipation of duties."

The drinks industry faces something similar, as sales fall across the sector. Some were also burned when they stocked up at the outset of the president's first term.

When Trump threatened tariffs on champagne in 2019. U.S. wine importer Old Bridge Cellars (OBC) spent "a fortune" on a year's worth of fizz, company president Rob Buono said, only to be left with pricey stock when it was excluded from tariffs.

That experience means he would only buy extra now if tariffs were confirmed.

OBC cleared the excess inventory during COVID, when supply issues meant large champagne producers were regularly unable to meet demand.

"We got lucky," Buono said.

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