The Journal

No trade tax is free

New Technologies and much more at the NAFEM 2025 in Atlanta Georgia

By Joseph M. Carbonara
Atlanta, GA March 04, 2025. Initial thoughts on The NAFEM Show. A closer look at the state of the independent operator. More tariff talk. These stories and more, This Week in Foodservice.

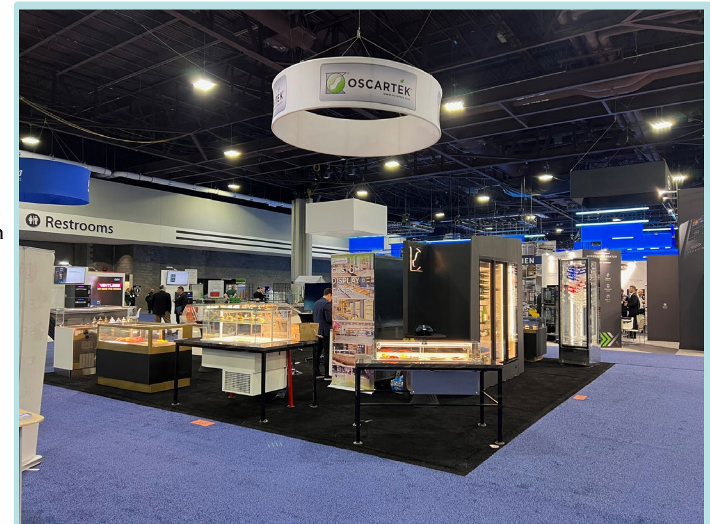
The NAFEM Show has a well-crafted reputation as being an industry big top of sorts due to its ability to draw members from all segments of the foodservice industry. And the association's 2025 edition certainly lived up to its billing and then some.

From the various industry events that took place in the days leading up to the show to hundreds upon hundreds of exhibitors showcasing their wares, there was something for everyone on display last week at the Georgia World Congress Center. And the initial feedback from factories and attendees alike has been consistently positive, which is a good thing. That's because a strong The NAFEM Show often portends good things for the overall foodservice industry.

The NAFEM Show in 2023 felt more like a coming out party as the industry was just emerging from the COVID-19 pandemic. Yes, people did lots of business at that show but that was somewhat overshadowed by an overall sense of euphoria from simply being together. In 2025, everyone was certainly happy to be together, but the show had an even greater back-to-business energy. People I've spoken with have said conversations both in the booth and in aisles were equally engaging and ultimately productive.

There's still a ton of uncertainty facing the foodservice industry but for one week, at least, the general positive nature of the people who work in foodservice shoved that to the side as everyone got down to business.

Those are my initial thoughts about The NAFEM Show. Next week's blog will include a few more details and observations. And if you'd like to share your thoughts about The NAFEM Show, I'd love to hear them.



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Continued

Foodservice News

2024 was a challenging year for independent restaurants, per data from the James Beard Foundation's 2025 State of the Independent Restaurant Industry study. A total of 54% of independent restaurants reported an increase in revenues, which is 12% greater than the previous year. Unfortunately, the majority of that revenue growth came from menu price adjustments. Also, 92% of respondents reported increasing staff wages in 2024, up from 84% in 2023, reflecting the ongoing rising cost of labor. Restaurant owners are navigating additional cost pressures, such as the minimum wage increases across more than 20 states and policies like California's FAST Act.
The National Restaurant Association has sharpened its pencil and did the math to see how much a 25% tariff on food and beverages imported from Canada and Mexico would impact operators and the numbers are staggering. It would cost operators more than $12 billion and cut the average small restaurant's profits by 30%, per NRA data shared by Restaurant Business. The NRA adds that the average restaurant runs on pre-tax margins of 3% to 5% and urged the administration to exempt food and beverage products from these tariffs.
Marc Lore has big plans for his Wonder Restaurant Group. The term disruptor gets tossed around rather loosely, but it may not be strong enough if Lore follows through on his goals. During a presentation at The NAFEM Show, Lore shared his vision for Wonder, which includes developing a "super app" that can help customers choose their meals and play a larger role in their health journey.
Chipotle founder Steve Ells is at it again. His latest venture is a New York City-based sandwich concept called Counter Service, per an Eater story. The sandwiches are designed by Andrew Black, former chef at Eleven Madison Park. Black was also behind the menu at Kernel, which is a previous Ells initiative. Right now, the labor model is pretty tight for Counter Service, with three staff members working the location.
Fast-casual Mediterranean concept Roti is about to get a makeover. Earlier this month, the chain was acquired by BroadPeak Capital, led by Edible Arrangements founder Tariq Farid and BlackRock veteran Aseem Khatri has acquired the 17-unit chain, per a QSR magazine story. And the new owners plan a "comprehensive transformation," including operational enhancement, market expansion and culturally diverse menu innovation featuring influences from South Asian and Pacific cuisine.
Starbucks is shaking up more than its iced drinks. As part of its "Back to Starbucks" plan, the Seattle-based coffee chain plans to eliminate 1,000 current support positions and several hundred unfilled positions, per a letter from CEO Brian Niccol to the company's associates. Starbucks says this does not impact employees at the store level. "We are simplifying our infrastructure, removing layers of duplication and creating smaller, more nimble teams. Our intent is to operate more efficiently, increase accountability, reduce complexity and drive better integration," the letter said. The chain also plans to cut some of its "less popular items" in an attempt to streamline its menu, per the Associated Press.
Golden Corral is launching a new fast-casual concept. Known as Golden Corral Favorites, the chain will offer a many of the buffet chain's signature food items in a streamlined format, per a release posted to Franchising.com. This is not Golden Corral's first foray into the fast-casual space. The chain piloted another concept called Homeward Kitchen. And it plans to convert that restaurant into a Golden Corral Favorites unit.
Dominio's sees big potential for third-party delivery. The chain's CEO projects it will become a $1 billion sales driver in the future and extended its exclusive deal with Uber Eats through May 1, per a Restaurant Dive story. Aggregator marketplace sales made 3% of sales in 2024.
Just Salad raised $200 million in a new round of funding. Investors include Wellington Management, D1 Capital Partners, Neuberger Berman and Stripes. The chain, which emphasizes salads and convenience, will use the funds to drive its growth, per a Restaurant Dive story.
Multiconcept operator FAT Brands continued its development of co-branded units. The company opened a Great American Cookies and Marble Slab Creamery location in Huber Heights, Ohio, its first in the Buckeye State. The company is also testing a tri-branded unit in Texas.
Economic News

Consumer confidence took a big hit in February. The Conference Board's Consumer Confidence Index declined seven points in February for a reading of 98.3. This was the largest monthly decline since August 2021, per a Conference Board spokesperson. The Present Situation Index dipped 3.4 points for a reading of 136.5 and the Expectations Index dropped 9.3 points for a reading of 72.9. This marks the first time since June that the Expectations Index came in at less than 80, which usually signals a recession, per The Conference Board.
Consumers got a small break last month. Disposable personal income increased 0.9% in January of 2025 while personal income expenditures decreased 0.2%, per the U.S. Bureau of Economic Analysis.
Initial jobless claims climbed 22,000 for a total of 242,000 for the week-ending February 22, 2025, per the U.S. Department of Labor. This is significantly greater than the 225,000 claims forecast by economists polled by Dow Jones, per a CNBC story. The 4-week moving average was 224,000, an increase of 8,500 from the previous week.
New orders for manufactured durable goods in January increased 3.1%, the U.S. Census Bureau reported. This followed a 1.8% December decrease. Excluding transportation, new orders were virtually unchanged. Excluding defense, new orders increased 3.5%. Economists had projected a 2.0% increase, per this NASDAQ story.
Sales of new single-family homes declined 10.5% in January compared to the previous month, per estimates released by the U.S. Census Bureau and the Department of Housing and Urban Development. January's decline also represents a 1.1% dip compared to the same period in 2024.

No trade tax is free: Trump's promised tariffs will hit large flows of electronics, machinery, autos, and chemicals

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American buyers will soon face higher prices for foreign-made goods if President-elect Donald Trump carries out expected hikes in US import tariffs. On the campaign trail, Trump promised tariffs on all imports from 10 to 20 percent, with a special rate of 60 percent on all imports from China. Goods likely to see the largest proportional price increases are those facing currently low applied tariff rates and those that are sourced disproportionately from China.

Analysis of current trade flows and tariff rates indicates that machinery and electronics and electrical machinery will face the largest import tax burden if the incoming administration implements Trump's promised duty hikes. These two sectors account for a large share of US total imports, currently face low tariff rates, and are disproportionately made in China. Imports in these industries include both capital goods and producer intermediate inputs and final goods, which implies higher costs and disruptions to American supply chains and manufacturers.

If tariffs are levied on all US trade partners as well as China, large flows of machinery, electronics, transportation equipment, and chemicals will also be subject to new taxes, with much of the burden falling on US-based businesses. Consumers, however, will also see higher costs for imported final goods, including electrical devices, toys and sporting goods, vegetable and meat products, and imported foodstuffs.

Higher tariffs on imports from China
Given broad domestic consensus on the need to reduce US dependence on China, and ready access to tariff-levying authority gained from the 2018 investigation of forced technology transfer, we expect President-elect Trump to act quickly to impose new tariffs on imports from China.[1] On the campaign trail, he proposed tariffs of 60 percent on all imports from China.

As shown in table 1, China is the dominant supplier to the United States of toys and sports equipment, provides 40 percent of US footwear imports, and is the source of about one-quarter of US electronics and textiles and apparel imports. It ships 18.3 percent of machinery and mechanical appliances imported by the United States. Of these products, electronics and electrical machinery from China comprise the largest US import bundle by value, totaling $119.9 billion in 2023 (figure 1). Within this broad sector, China is the dominant supplier of many individual products.

Table 1 US imports by trade partner, shares per sector in percentages and billions of US dollars, 2023

	China, %	FTA partners, %	All partners except China and FTA partners, %	Total, billions of US dollars
Machinery	18.3	31.4	50.4	445.5
Electronics and electrical machinery	27	28.5	44.5	444
Transportation equipment	4	56.4	39.6	417.9
Chemicals	6.3	19.5	74.2	327.5
Miscellaneous	12.6	35.6	51.8	314
Fuel	0.1	63.7	36.2	253.7
Metals	14	44.7	41.3	159.9
Stone and glass	5.9	36.6	57.4	115.7
Textiles and clothing	24.5	18.3	57.2	109.8
Plastics and rubber	20.6	37.2	42.2	100.4
Prepared foodstuffs	2.6	53.5	43.9	94.1
Vegetable products	2.7	67.9	29.4	76.8
Wood products	13.3	50.4	36.4	50.1
Toys and sports equipment	74.6	5.5	19.9	42.3
Animal products	3.5	51.5	45	41
Footwear	41.1	5.1	53.9	32
Hide and skins	21.8	5.2	73	14.1
Mineral products	4.3	51	44.7	8.9

Source: Authors' calculations based on imports from the US Census Bureau.

A tariff of 60 percent on China would be a major shock to international goods markets. After the US-China trade war of 2018–19, 62 percent of US imports from China are currently subject to an average tariff rate of 16 percent, well above most favored nation (MFN) rates but far below the rate promised by Trump on the presidential campaign trail.[2] Some products remain lightly taxed, as seen in figure 1. Three categories of imports currently face average tariff rates below 10 percent—toys and sporting equipment, minerals, and electronics and electrical machinery. Indeed, partly because of US dependence on Chinese-based production, many products in the electronics sector were largely shielded from trade war tariffs, including cell phones, laptops, and smartwatches. There are few alternative locations for large-scale production of these devices, despite movements in supply chains since the trade war, and a 60 percent tariff would feed through to higher consumer prices for these devices as well as for video gaming consoles and many other consumer electronics.

other consumer electronics. Figure 1 Which US imports from China would be hit the hardest under Trump's proposed tariffs?

Consumers will also feel the impact of tariffs on everyday purchases of toys and sporting goods, footwear, and textiles and apparel. Of these sectors, the United States is most reliant on China for purchases of toys and sports equipment. While toys seem like products for which substitute sellers would be readily available, China maintains a dominant position in toy production for several reasons, including its not-easily-reproduced capacity to produce materials that meet US product safety standards. Toys and sports equipment are currently very lightly taxed, as shown in figure 1, and a 60 percent tariff almost certainly will be felt directly by American households.

US businesses will also feel the pain of higher tariffs on China. They are end-users for many of the electronics products and electrical machinery discussed above. But with US imports from China heavily weighted toward capital equipment and intermediate goods used by US-based companies, new taxes on imports of machinery and mechanical appliances will certainly raise costs for American manufacturers. US imports of these products from China, which totaled $81.4 billion in 2023 (second only to electronics), would be subject to a 49-percentage point tariff increase if Trump levies the promised “flat 60” import tax rate.

Higher tariffs on all partners except China and FTA partners

The United States purchased 13.6 percent of its 2023 merchandise imports from China and another 38.3 percent from free trade agreement (FTA) partners; the remaining 48 percent of American imports come from other sources and currently are taxed at MFN rates. As seen in figure 2, even a 10 percent tariff would be a significant increase in the tax rate applied to these purchases. Only three groups of imported products—textiles and clothing, footwear, and hides and skins—currently are taxed at MFN rates that exceed 10 percent (see figure 2). Nevertheless, tariff rates on these products from non-FTA partners are less than those currently levied on similar ones from China.

Figure 2 Which US imports from countries outside China and US FTA partners would be hit the hardest under Trump's proposed tariffs?

Trade with non-FTA partners includes large two-way flows with the European Union, the United Kingdom, and Japan. Purchases are concentrated in five physical- and human-capital sectors: chemicals, machinery, electronics and electrical machinery, transportation equipment, and miscellaneous manufactures (which includes precision instruments, as described in the appendix below). All would be subject to tariff rate increases of between 7.9 and 9.6 percentage points. The bulk of American imports of these products are used by US-based companies, who would be burdened by higher production costs even if they switch to domestic or alternative foreign suppliers.

Higher tariffs on FTA partners

Almost 40 percent of US imports are sent from FTA partners. Existing tariff rates on these partners are close to zero, with only textiles and clothing and hides and skins facing rates above 1 percent, as seen in figure 3. Consequently, almost all flows would face about a 10-percentage point increase in the applied tariff rate if Trump carries through on his pledge to tax all US imports from FTA partners at the 10 percent rate. A particularly hard-hit sector will be transportation equipment, with 2023 US imports of $235.7 billion from these sources. Within North America, production of cars and trucks is highly integrated, with some vehicles crossing US borders multiple times before completion. It is not clear how these flows would be taxed. South Korea also supplies a significant share of US transportation product imports, and it has emerged as one of the largest foreign investors in the US automobile sector. Clearly, new tariffs on its exports to the United States will affect Korean manufacturers’ US-based operations.

Figure 3 Which US imports from FTA partners would be hit the hardest under Trump's proposed tariffs?

Also caught in the Trump tariff crosshairs are fuel products, machinery, and electronics and electrical equipment. As shown in table 1, FTA partners supply more than half of America’s fuel and transport equipment imports, about one-third of imported machinery, and one-fourth of imported electronics and electrical equipment.

America’s FTA partners are also important purchasers of US exports, particularly Canada, Mexico, and South Korea. They are likely to react to the proposed US deviation from FTA rates with tariffs of their own, reducing access into their home markets for US manufacturers, farmers, and ranchers.

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US companies rely on FTA partners for trade that takes place under policy certainty—that is, with the expectation that tariffs will remain at negotiated low rates. Consequently, countries with whom the United States has signed an FTA have been seen as possible locations for production moved away from China. Tariffs that deviate from agreed rates in unpredictable ways make these decisions riskier.

What if Trump hits Mexico and Canada hard?
Trump recently threatened tariffs of 25 percent on Mexico and Canada, countries that currently enjoy favored access to the US market thanks to the US-Mexico-Canada Agreement (USMCA). If these tariff increases were to be implemented, the largest flows affected would be those of transportation equipment and machinery, as seen in figure 4. Higher tariffs on USMCA partners would also tax large flows of electronics, miscellaneous manufacturers, and possibly fuel. Currently, the average US tariff applied to imports of goods from USMCA partners is generally below 1 percent.

Figure 4 Which US imports from Mexico and Canada would be hit the hardest under Trump's proposed tariffs?

USMCA partners are also important sources for the United States of vegetable products (47 percent of total imports), prepared foodstuffs (42 percent of total imports), and animal products (33 percent of total imports). Higher tariffs on Mexico and Canada will, therefore, put upward pressure on US food prices.

Known Unknowns

At this date, we know little about how the Trump administration will implement new tariffs. Fundamental policy designs have yet to be announced, including the tariff rates that will be ultimately applied, if tariffs will be phased in, if any products will be excluded, and whether FTA partners will be exempt. During the US-China trade war an exclusion process was set up allowing firms to apply for tariff exemptions for imports of Chinese machinery used in domestic manufactures. The bulk of these exclusions were allowed to lapse under the Biden administration. Given the blanket application of proposed tariffs and the high rates promised, any exemption process is likely to be swamped with petitions from US manufacturers.

With the United States acting against their interests and in violation of its World Trade Organization (WTO) and FTA commitments, retaliation from trade partners is to be expected. As experienced during the US-China trade war, retaliation can include not only new tariffs on US exports but also other restrictive commercial measures. China deployed countermeasures to US trade restrictions, including blacklisting foreign companies and applying export controls to curtail US access to critical supplies. With Trump's promise to use tariffs as leverage in negotiations over other policy issues, such as migrant and drug flows, the response of US trading partners is likely to be influenced by the cost of meeting the Trump administration's demands and by their commercial and security dependency on the United States.

No trade tax is free

The only certainty is that new tariffs will be costly for the United States. While the ultimate impact on prices will depend on import demand and supply elasticities, research on the US-China trade war found resounding evidence of complete pass-through of tariffs to importers. The implication for the domestic market is that American consumers and firms will bear the effect of higher tariffs, with substantial costs for the average American household, and a burden that falls more heavily on lower income households. Moreover, well anticipated effects of protection are to stymie competition, resulting in higher prices for goods made in the United States as well as those that are imported.[3] Even without the expected retaliation from its trading partners, higher US tariffs adversely affect American companies and exporters.

Notes

1. The US Section 301 investigation into Chinese technology transfer practices provided authority to the president to raise tariffs on China at his/her discretion. Following the mandated four-year review of the tariffs, the Biden administration chose to maintain tariffs on Chinese imports and added new tariffs on electric vehicles, batteries, and other products.

2. Tariff coverage and average rate calculated by authors using 2023 data from UN Comtrade, Trade Map, US Census (via Dataweb), and Market Access Map. MFN tariffs are rates that WTO members impose on imports from other WTO members, unless the importer and exporter have a preferential trade agreement.

3. Tariffs result in not only higher prices on foreign-made goods but also higher prices on goods made by domestic competitors. Recent experience with new import taxes on imported washing machines indicates that domestic competitors raise prices in response to tariff increases. See Aaron Flaaen, Ali Hortaçsu, and Felix Tintelnot, "The Production Relocation and Price Effects of US Trade Policy: The Case of Washing Machines," American Economic Review, vol. 110, no. 7, July 2020.

Statistical Appendix

Methodology

To assess the tariff implications, we calculate import-weighted average tariffs for each of our trading groups using data mainly from the US Census and the United States International Trade Commission (USITC) for 2023.[1] The analysis incorporates data on US imports from China, free trade agreement (FTA)[2] partners (including Mexico and Canada), and other countries and regions. We use the Harmonized Tariff Schedule (HTS) chapters to classify goods, ensuring consistency across sectors and trading groups.

For China and other non-FTA partners, we calculate ad valorem equivalents (AVEs) at the 8-digit HS code level based on USITC tariff data and sectors used in PIIE's tariff tracker.[3] We use AVEs to convert specific and mixed tariffs into a uniform ad valorem percentage format, ensuring comparability across diverse product categories and tariff schedules. To mitigate distortions from outliers and better capture dynamic trade patterns, they were then weighted by the value of imports within each product category.

For countries under FTAs, where tariff structures are more complex, we use the duty-to-import ratio[4] as a proxy for average tariffs . This procedure requires calculating the ratio of duties to value at the 8-digit line using Census calculated duties data and performing a weighted average consistent with the broader methodology. This approach ensures comparable results across different sectors and trade relationships, highlighting variations in tariff structures under the Trump tariff plan.

Sectoral Classification

We employ the to group products into sectors. This approach allows for a systematic breakdown of goods based on their characteristics and economic relevance. Table A1 presents the sectoral classification used in this study, categorizing products from animal and vegetable goods to advanced machinery and miscellaneous items.

Vegetable products:

The vegetable products category encompasses a diverse range of items It includes live plants and flowers, edible vegetables, roots, and tubers, as well as products derived from vegetable matter such as milling industry outputs, starches, and oils. Additionally, this category covers oil seeds, spices, and industrial or medicinal plants, alongside specialized products like vegetable saps, gums, and plaiting materials.

Miscellaneous:
The miscellaneous category includes a wide range of products that do not fit neatly into other classifications but hold trade and economic importance. This category covers precision instruments, such as optical, photographic, medical, and surgical devices, alongside clocks, watches, and musical instruments and their parts. It also includes arms and ammunition, furniture, and miscellaneous manufactured items. Additionally, it encompasses works of art, antiques, and collectors' items, as well as items under special classification and import reporting provisions.

The table below summarizes the HTS chapters included in each sector.

Table A1. Sectoral Classifications
HTS Chapters

Table A1. Sectoral Classifications

Miscellaneous
Source: Authors' classification based on Harmonized Tariff Schedule chapters.

Table A1. Sectoral Classifications

HTS Chapters	Description
01-05	Animal products
06-15	Vegetable products
16-24	Prepared foodstuffs
25-26	Mineral products
27	Fuel
28-38	Chemicals
39-40	Plastics and rubber
41-43	Hides and skins
44-49	Wood products
50-63	Textiles and clothing
64-67	Footwear
68-71	Stone and glass
72-83	Metals
84	Machinery
85	Electronics and electrical machinery
86-89	Transportation equipment
95	Toys and sports equipment
90-94, 96-99	Miscellaneous

Source: Authors' classification based on Harmonized Tariff Schedule chapters.

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Source: Authors' classification based on Harmonized Tariff Schedule chapters.

Appendix Notes

1. For FTA partners, we report duty-to-import ratios instead.

2. As of November 2024, the United States has comprehensive free trade agreements (FTAs) with 20 countries: Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Singapore, and South Korea.

3. Chad P. Bown, "US-China Trade War Tariffs: An Up-to-Date Chart," Peterson Institute for International Economics, April 6, 2023.

4. The duty-to-import ratio, sometimes also referred to as the "average ad valorem equivalent," has been used in other analyses, including those by the USITC. Its limitation lies in the fact that this measur is more influenced by imports entering duty free, or at low rates, and less by high-rate imports. However, this measure is appropriate for our study, as the tariffs covered by the FTAs are generally close to zero.

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