

Tariff Buyer Guide

Machinery & Equipment

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Overview & Introduction

- A higher tariff was imposed on goods from Canada and Mexico; however, tariff exemptions were granted for USMCA-compliant goods. In addition, the de minimis shipping exemption for imports under \$800 from China was suspended, exposing these imports to all applicable tariffs.
- The United States implemented a 25.0% tariff on all steel and aluminum imports on March 12, 2025. In early June, this rate doubled to 50.0%.
 - The United States also announced 50.0% tariffs on all copper imports, which went into effect on August 1, 2025. Copper alloys are essential components in industrial machinery.
- In April 2025, the United States imposed a baseline tariff on all US imports of foreign goods.
- On August 1, 2025, the United States announced that modified reciprocal tariff rates would go into effect on August 7, 2025. Large sources of machinery and equipment, like countries in the European Union, Japan, South Korea, and Thailand, will face higher tariff rates as a result.
 - All of these countries entered trade deals in July, which lowered the overall tariff rates from the previously announced rates.
- The increase in the average tariff rate on machinery, equipment, and parts imported from China or other tariff-impacted countries will add to the price of imports, which are typically passed on to buyers in the form of higher prices. According to The Budget Lab at Yale, the cumulative effect of tariffs will increase prices for machinery and equipment in the short run by 9.4%.
- As the price of machinery or manufacturing parts, such as fittings, bearings, and springs, rises with new tariffs, machinery manufacturers that rely on these imports from China or other tariff-affected regions will see higher input costs. In addition, suppliers that source parts from tariff-affected regions may see supply chain disruptions as they seek alternative suppliers to mitigate tariff impacts.
- In May 2025, China reduced retaliatory tariffs on imports of US goods from 125.0% to 10.0%. According to the Wall Street Journal, the retaliatory tariffs are unlikely to have a large impact as most US machinery and equipment manufacturers export a small percentage (e.g., 1.0% for John Deere & Co.) to China.

Country	Tariff Rate	Trade Deal Info	Start Date
China	54.9	No trade deal	In effect
Mexico	25.0	90-day pause	In effect
Canada	35.0	No trade deal	In effect
European Union	15.0	Signed	8/7/2025
South Korea	15.0	Signed	8/7/2025



Key Takeaways

- Buyers of machinery and equipment will see disruptions to supply chains as providers rearrange supplier networks to avoid tariffed regions.
- As tariffs contribute to price increases for many inputs used by machinery and equipment suppliers, many manufacturers will pass on higher production costs in the form of higher prices.
- Tariffs and supply chain disruptions can extend lead times for machinery and equipment as manufacturers face delays with changes in supplier networks and delays at the border.
- Retaliatory tariffs on machinery exports can contribute to disruptions in the domestic industry as the price of US exports to China rises, making them less attractive to Chinese buyers.

Risk & Import Assessment

- Overall Risk Level: **High**
- China and Canada are both top sources of imports for different types of machinery and equipment.
- Germany consistently ranks as a top supplier of imports of machinery and equipment due to its long engineering tradition and highly developed industrial base.
- The presence of a wide range of countries supplying US machinery markets provides multiple sourcing options, mitigating risks associated with tariffs and supply chain disruptions.
- The tables below highlight the top ten countries by share of imports for a variety of products impacted by tariffs on machinery and equipment.



Share of US Machinery & Equipment Imports by Origin Country

Manufacturing Machinery – % of Total US Imports

Country	Import Share
Germany	5.4%
South Korea	4.0%
Canada	3.2%
China	2.6%
Japan	2.3%
Mexico	2.0%
Italy	1.3%
Switzerland	0.9%
United Kingdom	0.8%
India	0.5%

Agricultural Machinery – % of Total US Imports

Country	Import Share
Canada	47.4%
Germany	11.6%
China	8.8%
Mexico	4.3%
Italy	4.2%
India	4.0%
Netherlands	3.9%
France	1.8%
United Kingdom	1.5%
Brazil	1.4%

Metalworking Machinery – % of Total US Imports

Country	Import Share
Germany	19.9%
Italy	14.3%
Japan	10.9%
South Korea	9.9%
Canada	6.7%
Austria	6.7%
China	4.4%
Switzerland	4.0%
Taiwan	3.5%
Turkiye	3.2%

Refrigeration Equipment – % of Total US Imports

Country	Import Share
Mexico	45.1%
China	19.5%
South Korea	13.5%
Thailand	6.4%
Canada	4.0%
Turkiye	2.5%
Italy	2.1%
Vietnam	1.3%
Japan	0.9%
Germany	0.6%



Mining Machinery – % of Total US Imports

Country	Import Share
Germany	22.2%
Japan	21.1%
South Korea	9.5%
Italy	9.0%
Canada	8.1%
China	4.5%
Sweden	4.5%
Finland	3.7%
Taiwan	3.4%
Austria	2.3%

Construction Equip. – % of Total US Imports

Country	Import Share
Japan	35.6%
Germany	29.5%
South Korea	12.9%
Taiwan	6.5%
Italy	4.6%
Switzerland	2.7%
Spain	1.6%
Netherlands	1.6%
Austria	0.8%
Brazil	0.8%

Supply Chain Risk – Best Practices & Overview

Upstream Suppliers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
Engine & Turbine Manufacturers	Medium	High	<ul style="list-style-type: none"> • Tariffs on imported metals like steel and aluminum can lead to increased production costs for engine and turbine manufacturers, as these materials are critical inputs. • Manufacturers are reevaluating their supply chains and considering sourcing from domestic or alternative international suppliers to mitigate cost impacts. • Increased costs may be passed on to customers, affecting the competitiveness of products in both domestic and international markets.
Metal Wholesalers	High	High	<ul style="list-style-type: none"> • Higher duties on steel and aluminum imports can cause significant fluctuations in metal prices, impacting both wholesalers and their customers. • Metal wholesalers may need to adjust their inventory strategies, such as stockpiling, to manage increased costs and potential supply issues due to trade disruptions.



Upstream Suppliers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
Semiconductor & Circuit Manufacturers	High	High	<ul style="list-style-type: none"> • Tariffs on imported semiconductor materials and electronic components will lead to increased production costs for manufacturers, typically passed on to buyers. • Global semiconductor manufacturers are preparing for a highly disruptive period in which profits and sales may be reduced. • The global supply chain is easily disrupted by tariffs, which may cause extensions in component lead times and additional shortages of inputs.

Risk levels are determined based on revenue volatility, reliance on imports, and the expected impact of tariffs on lead times and product availability.

Downstream Buyers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
Construction Firms	Moderate	High	<ul style="list-style-type: none"> • Tariffs on steel, aluminum, and machinery imports raise the costs for construction materials and equipment, increasing overall project expenses. • Potential equipment shortages and supply chain disruptions due to tariffs can delay construction timelines, affecting project delivery and financial planning. • Firms will need to source equipment from alternative suppliers or pursue other strategies, which can lead to increased lead times and increased logistics costs.
Manufacturing Firms	Moderate	High	<ul style="list-style-type: none"> • Tariffs on raw materials and machinery components elevate production costs, potentially reducing profit margins. • Increased input costs are typically passed on to buyers, leading to higher manufactured product prices. • Higher uncertainty and costs can delay capital investments in new machinery.



Downstream Buyers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
Agricultural Firms	Moderate	High	<ul style="list-style-type: none">• Tariffs on agricultural machinery imports, especially from key partners like Canada, can significantly increase operational costs.• Price increases in machinery and inputs can narrow profit margins, mainly affecting small to mid-sized farms.• Past tariffs have negatively impacted the agriculture sector due to the increase in input costs and the reduction in export market size due to retaliatory tariffs.
Mining Firms	Low	Moderate	<ul style="list-style-type: none">• Higher tariff rates will increase mining equipment costs, forcing firms to seek alternative suppliers or invest in more expensive domestic options.• Potential equipment availability issues could disrupt mining operations and delay timelines.

Risk levels are determined based on revenue volatility, reliance on imports, and the expected impact of tariffs on lead times and product availability.

Creative Procurement Strategies

- In the face of rapidly escalating tariffs on machinery and equipment products from major exporting nations, buyers should seek **alternative products or unique strategies** to mitigate risks associated with supply chain integrity and rising costs.
 - Buyers can attempt to form partnerships with domestic suppliers or alternative suppliers in regions less affected by tariffs on machinery and equipment, which can increase supply chain integrity.
 - Buyers can attempt to optimize the efficiency of existing machinery and equipment to reduce the need for additional purchases. For example, implementing preventative or proactive maintenance schedules or leveraging AI technologies can help minimize downtime and extend lifespans.
- When conducting business with top suppliers based in countries targeted by tariffs, such as China, buyers should look to diversify their supplier base by **expanding supplier networks** to include vendors from less common sourcing locations. Procuring goods from alternate locations can help reduce additional costs passed on in the form of tariffs.
 - To avoid tariffs from top importing nations such as China, Canada, and Mexico, buyers can look to source machinery and equipment from Germany and South Korea, which are commonly in the top 10 share of US imports for goods such as manufacturing machinery, agricultural machinery, refrigeration equipment, and metalworking machinery. However, buyers will still face a 15.0% tariff for these countries.



- Machinery and equipment imported from Canada and Mexico that are covered under the USMCA will be tariff-free for the foreseeable future, benefitting buyers in the short term.
- Other countries that own a smaller share of US imports include Japan and Italy. Buyers may find a less competitive landscape in these nations due to their status as less common sourcing destinations for market products.
- Buyers should leverage pre-established relationships with suppliers in alternate sourcing destinations or attempt to **form strategic partnerships** to enhance new relationships. As many buyers will be looking to source from alternate destinations, promoting a mutually beneficial relationship can help provide easier access to goods from non-tariff regions amidst surging demand.
- Buyers can attempt to **redesign products** to rely on equipment or machinery parts not included in the tariff or that utilize more readily available local products. While this strategy may be more costly and time-consuming upfront, it can help limit potential impacts should tariffs remain in place for an extended period.

Contract Clauses

- **Implement price-adjustment clauses to account for tariff fluctuations:**
 - Buyers should include clauses that allow for price adjustments based on changes in input and component costs due to tariffs.
 - Price-adjustment clauses ensure that both parties have transparent expectations for cost fluctuations, such as changes tied to independent metal or producer price indices, protecting buyers from unforeseen expenses.
 - Adjustment clauses should outline clear thresholds for triggering price changes.
 - Price adjustment clauses provide a safety net against cost surges that result from tariff implementations. Clear additional clauses can help maintain financial stability.
- **Implement liquidating agreements to mitigate risk:**
 - Employing liquidating agreements enables businesses to mitigate liability linked to increases in costs due to tariffs.
 - Liquidating agreements offer a way for companies to minimize risk from escalating expenses by distributing the responsibility for these costs among all involved parties.
 - Through liquidating agreements, companies can handle claims without incurring undue financial strain, resulting in an efficient resolution.
 - Clear and precise language is crucial for safeguarding companies, ensuring timely claims resolution, managing risks, and supporting seamless operations and continuous business activities.



- **Lock-in rates and prices with long-term agreements:**
 - To ensure stable pricing for essential materials, buyers are encouraged to enter long-term contracts with suppliers, which can prevent sudden cost increases for both suppliers and manufacturers of final goods.
 - Fixed pricing can reduce the risks tied to market volatility, particularly during periods affected by tariffs.
 - Establishing long-term contracts can strengthen relationships with suppliers, resulting in improved service quality and priority access to crucial components that may be scarce due to global supply chain disruptions.

Negotiation Questions

1. How do current tariffs impact the pricing structure of your products?
2. What contingency plans do you have to manage supply chain disruptions caused by tariffs?
3. Can you provide a breakdown of what percentage of your components are sourced internationally, particularly those subject to tariffs? Are you planning to reallocate sourcing to different destinations? If so, where?
4. How are you managing inventory levels to ensure product availability despite potential disruptions or price increases from tariffs?
5. Are there any anticipated changes to your lead times due to tariffs, and how do you intend to communicate these?
6. Can you offer alternative sourcing options or product adaptations to minimize tariff impacts?
7. How do you manage currency fluctuations and tariff impacts when setting prices for contracts?
8. What are the terms and conditions for pricing adjustments if tariffs increase or decrease?
9. How are you assisting other clients in similar industries in adapting to tariff-related challenges?
10. What guarantees do you offer regarding quality and compliance amid changes in the supply chain due to tariffs?



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