



# The end of de minimis exemption hits air freight industry

Air freight companies have tried to pivot by flying goods to other parts of the globe, but it's not enough to make up for lost business.

By Henry Epp  
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FedEx [reports quarterly results](#) later on Thursday, and [analysts expect that profits will take a hit](#), thanks to [the end of what's known as the "de minimis loophole."](#) Packages valued under \$800 [were not subject to import taxes](#), but the Trump administration [took away that exemption earlier this year](#).

That's cut off a valuable line of business for FedEx and other companies that had been shipping lots of small packages by plane.

The pandemic [was really good to the air freight industry](#). Consumers stuck at home were doing more online shopping, which fueled the rise of e-commerce companies in China, like Shein and Temu.

Their whole thing was using that de minimis loophole to ship small amounts of cheap goods from China to the U.S. by plane.

“You didn't have to ship, you know, a container load or a pallet or what have you,” said Joseph Smith with the investment bank Cassel Salpeter.

Instead of putting that pallet on a container ship — which takes weeks (and [recall the pandemic-era backlog](#)) — these companies would put a bunch of small packages on a FedEx or UPS plane from China, and “within a couple of days, make it from the distributor or the factory to the consumer,” Smith said.

The air cargo industry loved this, per Derek Lossing, who runs the consulting firm Cirrus Global Advisors.

“They were filling, at times, dozens of 747 charters per day with e-commerce coming out of China,” he said. But the party didn't last.

In May, the Trump administration ended the de minimis exemption on packages from China and Hong Kong, making them subject to import taxes. Then, it did the same thing for parcels from the rest of the world last month — while also, of course, [putting new tariffs on most imports](#).

“Tariffs are really bad for air freight demand, and the de minimis especially has been borderline catastrophic,” said Ryan Petersen, the CEO of the logistics company FlexPort.

Air freight companies have tried to pivot by flying goods to other parts of the globe. “Capacity has grown quite significantly on China to Europe trade lanes,” Petersen added.

But, he said, that's not enough to make up for the lost business. “It's taking a hit on earnings. People in the air freight industry are making a lot less money this year.” Ultimately, big cargo companies will probably be fine, because the boom in international e-commerce sent by plane is a pretty new phenomenon, according to Samuel Engel, an aviation consultant at ICF.

“It's not the core of their business,” he said. “It's not historically been the core of their business, and truthfully, they're facing bigger issues in [the global restructuring of the directions of trade](#).”

It's [smaller logistics firms](#) that are really taking the punch, said Brandon Fried, head of the Airforwarders Association.

“A few forwarders actually set up facilities to quickly handle these shipments,” he said. “It was like the express lane for small imports.”

Now, he said, those facilities are just sunk cost, unless the Trump administration's policy changes again.