Harvesting Uncertainty:

Building Resilience Against U.S. Tariffs & Global Market Disruption

Lawrence National Centre
for Policy and Management

Policy Brief
August 2025

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Ramsey Andary (MBA '23) wrote this brief under the guidance of Romel Mostafa, Professor and the Director of the Lawrence National Centre (LNC). We acknowledge Zsofia Agoston Villalba, LNC Policy and Communications Specialist for editorial support.

For constructive feedback, we thank David Alward, former Premier of New Brunswick and Canadian Consul General to New England, Global Affairs Canada; Sankalp Sharma, Senior Economist, Grain Farmers of Ontario; and a veteran from the canola industry. Generous support from the Lawrence Family, Baran Family Foundation, Canada Life Research Fund, and Power Corporation of Canada is gratefully acknowledged.

KEY HIGHLIGHTS

Entering 2025, Canadian grain and oilseed producers faced mounting financial strain from falling commodity prices, surging input costs, and elevated interest rates—conditions that weakened profitability and constrained investment capacity.

Our analysis suggests that a U.S. tariff across all products, coupled with Canadian retaliation, would simultaneously restrict export access and raise the cost of critical imported inputs such as fertilizers, machinery, and seeds, compounding pressure on an already fragile sector.

Canada's continual alignment with U.S. foreign policy on China has yielded few tangible benefits, while exposing the crop sector to significant economic fallout. With retaliatory Chinese tariffs on Canadian canola and related products, Canadian agriculture is now caught in the geopolitical crossfire between two global superpowers.

This report proposes a three-pronged strategy: pursuing diplomacy to negotiate de-escalation, striving to accelerate trade diversification to mitigate geopolitical risk, and enhancing structural competitiveness in agriculture competitiveness in agriculture.

Effective diplomacy requires coalition-building across provincial governments, industry associations, and U.S. stakeholders, using data-driven messaging that underscores mutual economic dependencies and food system resilience.

While trade diversification remains essential to mitigating geopolitical risk, it is a complex and gradual process. Efforts must go beyond signing agreements and include targeted export benchmarking, marketing support, and reduction of non-tariff barriers to enable deeper market penetration in the Indo-Pacific, EU, and Middle East.

Sustained competitiveness will require a nation-building approach that includes removing interprovincial trade barriers, fast-tracking investment in ports, rail, and rural broadband infrastructure. At the same time, modernizing the agriculture workforce through expanded agricultural technology training, improved succession planning, and targeted immigration pathways are key to supporting innovation and ensure future resilience in the sector.

To cite this work: Andary, R. (2025). Harvesting Uncertainty: Building Resilience Against U.S. Tariffs and Global Market Disruption (R. Mostafa, Ed). Lawrence National Centre Policy Paper 25805: Ivey Business School, Canada.

Introduction

Canada's crop sector has found itself navigating a period of uncertainty as escalating trade tensions with the United States and broader global instability threaten the foundations of its export-driven economy. With 70–90% of key crops destined for international markets, primarily to China and the U.S., the sector is highly exposed to political and economic fluctuations. The Trump administration's evolving trade agenda has placed Canadian agricultural exports under renewed scrutiny, while escalating geopolitical tensions with China—Canada's second-largest agri-food export market—have triggered new trade barriers, including a steep 100% tariff on canola oil and meal products. Tariffs have also been applied to Canadian peas, pork, and seafood products.

A cornerstone of the national economy, Canada's agriculture and agri-food sector contributes over $150 billion annually to the GDP and accounts for 1 in 9 jobs.[1] The grain and oilseed industries, renowned for their productivity and efficiency, position Canada as a global leader in exporting crops such as barley, oats, canola, wheat, pulses, and soybeans. Consequently, disruptions to agricultural trade carry far-reaching economic consequences—not only for farm incomes and rural communities, but for Canada's broader fiscal and employment landscape. Tariffs or market closures can trigger oversupply, price declines, and increased storage and input costs, undermining profitability across the value chain. The ripple effects also extend to food processors and logistics providers who rely on stable market access to sustain operations and employment.

Caught between the U.S. and China, two global economic superpowers whose trade policies increasingly reflect strategic rivalry rather than mutual gain, Canada's agricultural sector is especially vulnerable. Its deep economic integration with the U.S. has long been an asset, but it now exposes Canadian producers to abrupt policy shifts.

Meanwhile, China's growing use of trade as a foreign policy retaliatory tool introduces additional volatility. As Canada seeks to maintain strong trade ties with both partners, its agri-food exporters face the challenge of navigating divergent and often conflicting geopolitical agendas of the two superpowers.

These external shocks come at a time when the Canadian crop sector is already grappling with structural vulnerabilities. Falling commodity prices, rising input costs, and high interest rates have squeezed profit margins in recent years, creating significant pressure on growers. Compounding these challenges are persistent internal issues in Canada, including a shortage of skilled successors, internal trade barriers, and the slow adoption of essential agricultural technologies (ag-tech).

This policy brief examines the resurgence of trade protectionism led by the Trump administration and its implications for Canada's grain and oilseed sectors. It assesses Canada's exposure to trade risk through its reliance on U.S. and Chinese markets and highlights the role of deeply integrated cross-border supply chains in shaping cost structures and competitiveness. It then introduces an analytical framework to assess the cascading effects of tariffs and counter-tariffs on the sector by examining key channels at risk (e.g., demand, supply, and foreign exchange channels).

To navigate these mounting pressures, the brief proposes a three-pronged approach:

1. mitigating immediate risk of trade-related shocks through diplomacy and emergency domestic supports;
2. diversifying export markets to reduce reliance on volatile trade partners; and
3. strengthening Canada's competitive foundations through structural reform and investment.

As the risk of an escalating trade war with the U.S. mounts, Canada's crop sector must act decisively to mitigate potential shocks. This includes a robust diplomatic strategy that emphasizes mutual economic interests, coordinated engagement with U.S. industry stakeholders, and emergency domestic support programs that governments can rapidly deploy to protect producers and value chains from abrupt market disruptions.

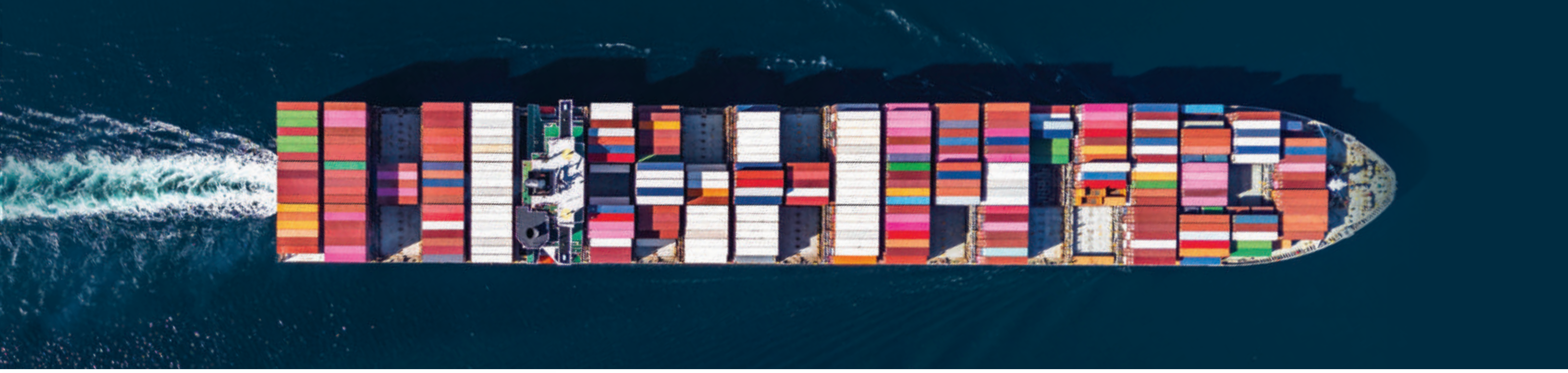
While diversification is a necessary long-term goal, it is far from straightforward. Despite previous efforts and agreements, penetrating new markets remains a slow and resource-intensive process that requires strategic alignment, sustained public-private cross-border collaboration, and dedicated institutional support. Canada must accelerate trade diversification to reduce overreliance on a small number of large export markets. Building on frameworks such as the Indo-Pacific Strategy and trade agreements like CETA and the CPTPP, Canada should proactively expand its presence in high-growth regions, including Southeast Asia, the Middle East, and South America. Diversification efforts must go beyond market access to incorporate strategic benchmarking, addressing non-tariff barriers, and investing in product branding and marketing abroad. To ensure these efforts succeed, sustained support from federal and provincial governments, along with coordinated action from industry groups, will be critical.

At the same time, strengthening the crop sector's long-term competitiveness in Canada must be understood as a nation-building imperative. Canada must eliminate internal trade barriers, invest in critical trade infrastructure, and accelerate innovation in ag-tech and workforce development to strengthen long-term competitiveness. By harmonizing interprovincial regulations, streamlining permitting processes, and addressing digital connectivity gaps, particularly in rural and remote areas, Canada can position its agriculture sector for more efficient and sustainable growth. At the same time, policymakers must modernize approaches to education, entrepreneurship, and immigration to build a future-ready agricultural workforce capable of adapting to technological change and leading the nations' global agri-food leadership.

Together, these recommendations offer a strategic roadmap for reinforcing Canada's role as a trusted, competitive, and resilient agricultural exporter in an increasingly fragmented global trade landscape.

Tariffs & Trade War

The intricate trade relationship between Canada and the U.S. is evident in the fact that 75.9% of Canada's total goods exports are directed to the U.S., while over 62% of its imports originate from its southern neighbour.[2] Approximately 1.8 million jobs in Canada depend directly on export trade with the U.S.,[3] highlighting the deep economic interdependence between the two countries. Notably, Canada maintains a trade surplus in goods—driven by energy exports such as crude oil—but runs a trade deficit in services with the U.S. In the aftermath of the COVID-19 pandemic, the U.S. economy experienced a strong rebound, leading to increased imports of goods from Canada and other countries. This surge contributed to a widening trade deficit between the U.S. and its major trading partners.



Under the Trump administration, a series of protectionist trade measures have reshaped North American trade dynamics. The escalation began with the U.S. imposing a 25% tariff on Canadian steel and aluminum imports, removing previous exemptions.[4] In response, Canada introduced countermeasures on March 4, 2025, including 25% tariffs on $30 billion worth of U.S. goods, such as orange juice, peanut butter, and wine.[5] This was soon followed by an additional wave of retaliatory tariffs worth $29.8 billion, covering a broad range of products from tools to sporting equipment.[6]

Tensions continued to mount when the U.S. imposed a 25% tariff on non-CUSMA compliant automobile imports.[7] Canada promptly responded with reciprocal tariffs targeting U.S. vehicles.[8] The legal validity of U.S. measures was called into question on May 28, 2025, when a U.S. federal court struck down the tariffs, ruling that the emergency law invoked did not give the president unilateral authority to impose them.[9] However, the following day, a federal appeals court temporarily reinstated the tariffs pending ongoing hearings that have taken place since June.[10] In a further escalation, on June 4th, Trump doubled the tariffs on steel and aluminum to 50%.[11] Most recently, on July 31st, the Trump administration increased tariffs on Canadian non-CUSMA compliant goods to 35%.[12]

While Trump has cited the fentanyl crisis and defense spending to justify the tariffs, they also appear to serve a broader economic agenda.[13] This includes tax cuts—or even the elimination of income tax—paired with high tariffs as an additional source of revenue, aggressive deregulation and reduced government spending.[14] Such an approach echoes that of former President William McKinley, who encouraged imperial expansion, and a protectionist industrial policy built around tariffs.[15] However, these policies risk being regressive, disproportionately burdening low-income Americans and could slow the economies around the world given the U.S.'s central role in global trade.

Industry observers are split on where the trade war is headed. Some view the tariffs as part of Trump's broader economic strategy, pointing to prolonged volatility and sustained trade threats. Others believe the economic stakes are too high for a long-term standoff and anticipate a faster resolution, possibly through a renegotiated CUSMA 2.0. The path that will prevail remains to be seen, but regardless of the negotiated outcome it is imperative that Canada implement effective, sector-specific policies to bolster its resilience and stay competitive.

Ups & Downs Prior to Trump's Trade War

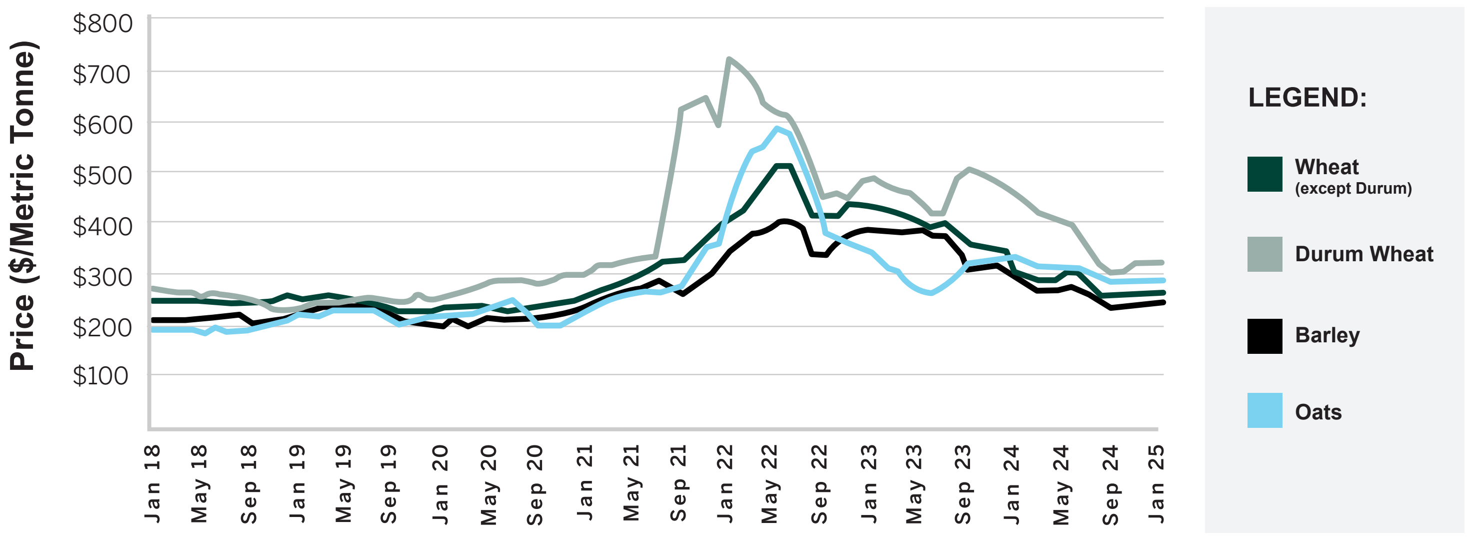
The COVID-19 pandemic posed significant challenges to Canada's agri-food sector, including labour shortages, stricter health regulations, supply chain disruptions, and temporary closures in key industries, such as meat processing and food services.[16] Despite these setbacks, the sector bounced back, ultimately outperforming the broader Canadian economy. By the end of 2020, the agri-food sector recorded a growth of 7.6%, while the national economy contracted by 5.3%.[17] Initial concerns about declining agricultural exports did not materialize, and some producers capitalized on favourable conditions to invest in machinery and working capital.

As the economy reopened, however, new macroeconomic pressures emerged. Inflation surged due to pent-up demand, supply chain constraints, and ample liquidity, which in turn pushed the Bank of Canada to rapidly raise interest rates. These factors, combined with ongoing structural challenges, led to higher input and financing costs, significantly compressing profit margins.

Russia's 2022 invasion of Ukraine further drove up input costs. Disrupted global supply chains and economic sanctions on Russia and Belarus, who together supplied nearly 20% of the global fertilizer market, caused fertilizer prices, already at record highs since 2020, to surge.[18] Rising energy costs, particularly for natural gas, further intensified these escalating input expenses.[19]
The war also disrupted grain and oilseed exports from Ukraine and Russia, shifting global market dynamics. Initially, this increased demand for Canadian exports, offering short-term revenue gains. However, these were offset by surging operational costs. Between Q2 2020 and Q2 2021, farm input prices rose by 8.6%, accelerating to a 15.5% increase by Q1 2022 following the invasion.[20]

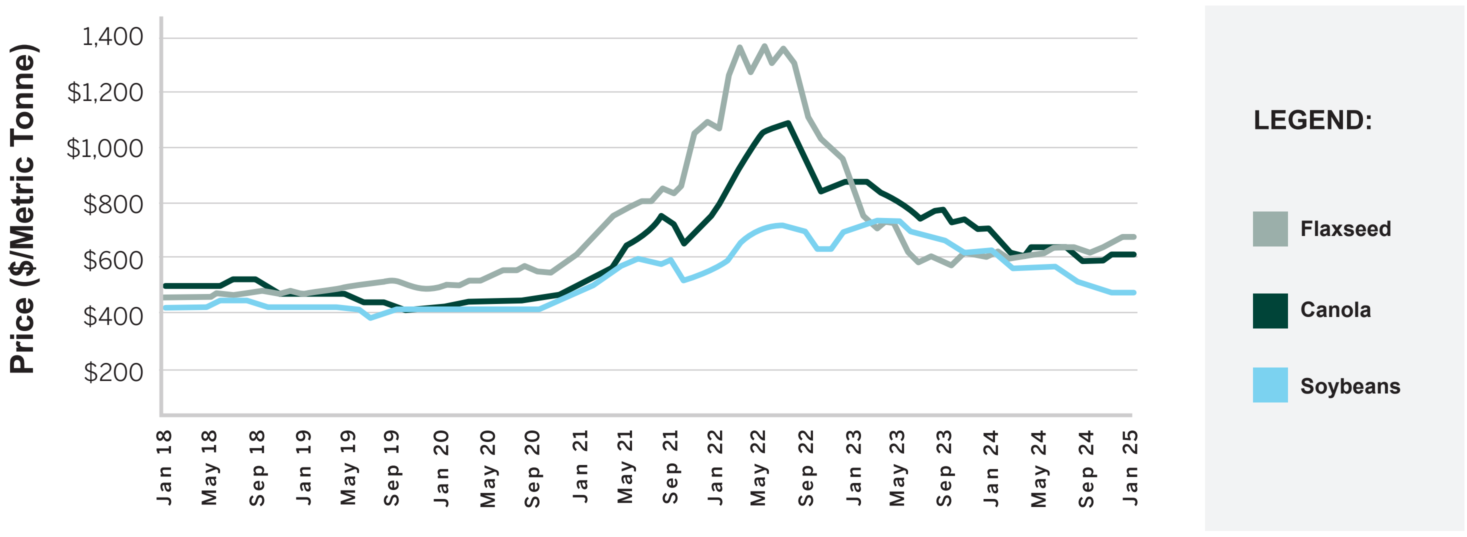
Although the pandemic and geopolitical tensions temporarily boosted commodity prices, those gains have since declined. As of January 2025, grain and oilseed prices have fallen by 38–56% and 33–50%, respectively, from their 2022 peaks (see Figures 1 and 2). According to the Farm Product Price Index (FPPI), which tracks prices received by Canadian farmers, total crop prices have dropped 32% since June 2022 based on a five-year rolling average.[21] Total crop receipts—representing the cash income from agricultural commodity sales—fell by 6.2% in 2024, driven largely by price declines, with wheat (excluding durum) accounting for nearly half of that reduction.[22]

FIGURE 1 ▶ Grain Prices in Canada (Monthly, Dollars per Metric Tonne)



Source: Created from Table 32-10-0077-01. "Farm product prices, crops and livestock" Statistics Canada.

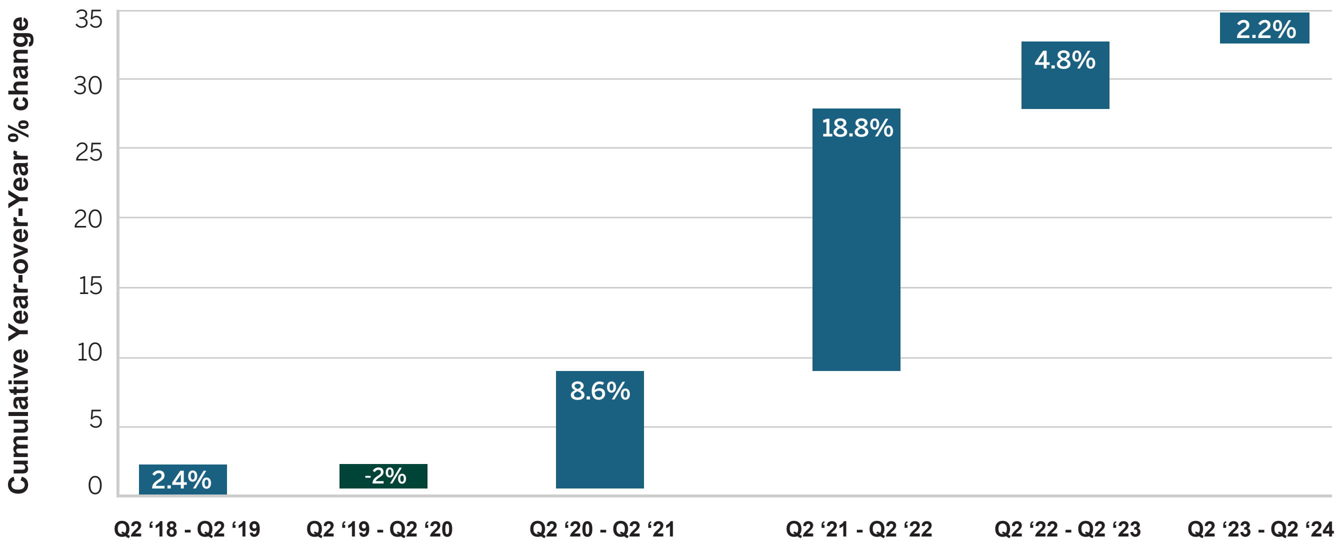
FIGURE 2 ▶ Oilseed Prices in Canada (Monthly, Dollars per Metric Tonne)



Source: Created from Table 32-10-0077-01. "Farm product prices, crops and livestock" Statistics Canada.

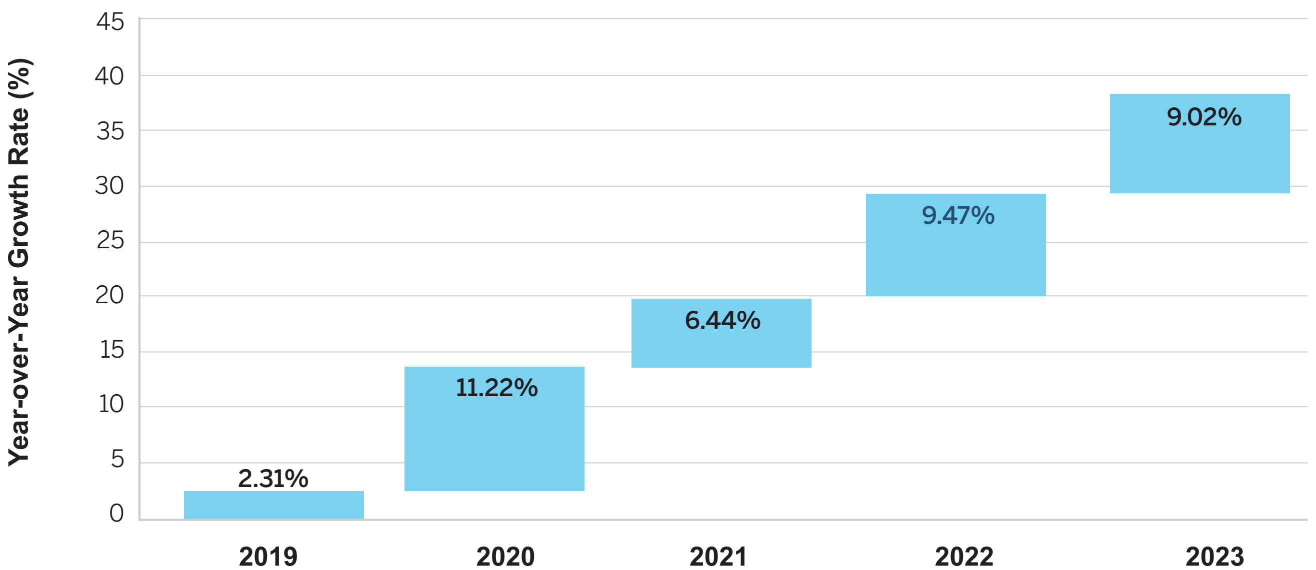
Meanwhile, input costs have remained persistently high. Even as overall Canadian inflation eased to 2% in August 2024, farm input expenses, including seeds, fuel, fertilizers, and production insurance, remained elevated, rising 35% between 2020 and 2024 (see Figure 3). From 2020 to 2022, crop revenues grew by 23.1%, but production costs surged by 33.2%, significantly narrowing profit margins.[23] By 2024, many growers reported little to no profitability under pre-trade war market conditions[24] (see Figure 4).

FIGURE 3 ▶ Farm Input Price Index (Q2 year-over-year, % change)



Source: Created from Table 18-10-0258-01. “Farm input price index, quarterly” Statistics Canada.

FIGURE 4 ▶ YOY Growth in Crop Production Salaries and Wages (Average per Farm)



Source: Created from Table 32-10-0136-01. “Farm operating revenues and expenses, annual” Statistics Canada.

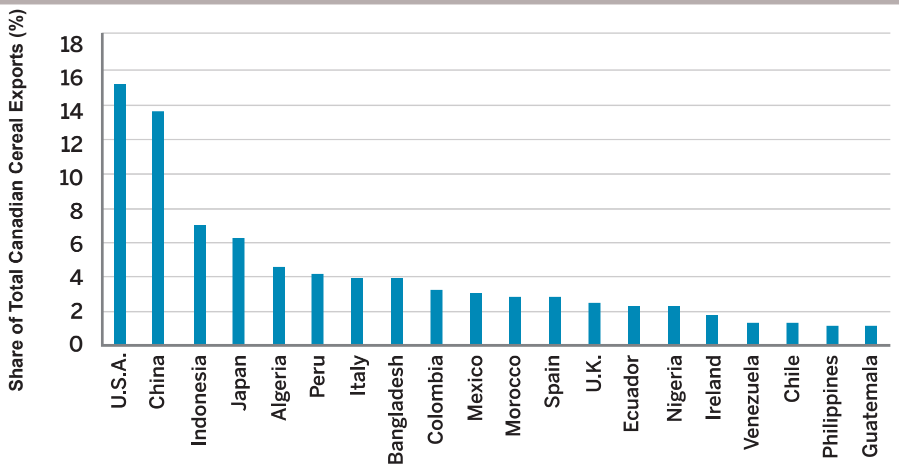
It is against this backdrop that the grain and oilseed sectors now face the threat of tariffs from the Trump administration. To assess the potential impact of such measures, we first examine the sector’s exposure to this trade risk—a focus of the following section.

The Grain & Oilseed Markets

Agricultural product exports account for approximately 14.15% (CAD $102 billion) of Canada's total exports.[25] Cereals (e.g., wheat, barely, oats, and corn) and oilseeds (such as soybeans and canola) are among Canada's top agricultural exports, representing 10.76% (USD $10.9 billion) and 8.09% (USD $8.22 billion) of the total,*[26] respectively.[27] Canada's grain production far exceeds domestic demand, making access to export markets both strategic and essential to the sector's success. While cereal exports serve multiple markets, their primary destinations remain China and the U.S. (see Figure 5). In contrast, oilseed exports are more concentrated, with 68.5% going to just three countries—China being the largest recipient (see Figure 6). Notably, when including canola products such as oil and meal with seed exports, the U.S. is Canada's largest canola export market, valued at CAD $8.6 billion.[28]

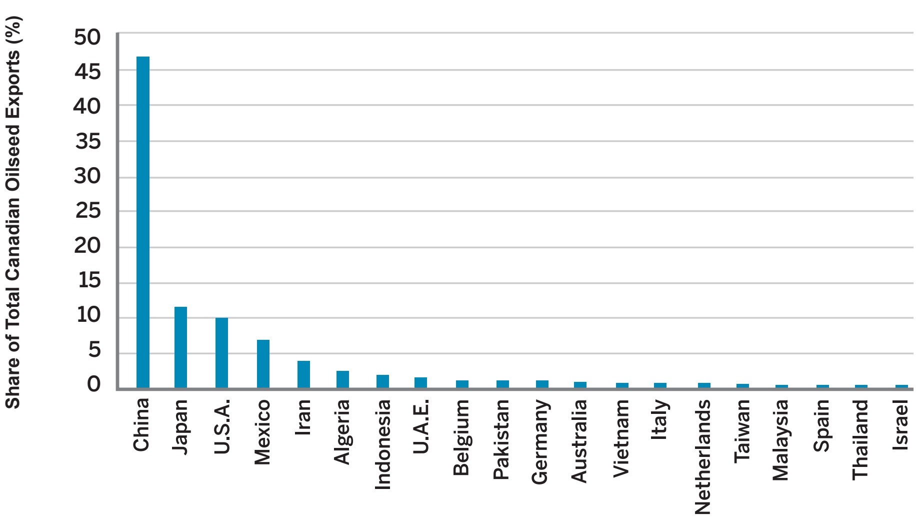
***Note:** Unless mentioned otherwise, numbers and figures on cereals and oilseeds within this brief refer purely to their grain and seed forms, according to Chapters 10 and 12 of the 1992 Harmonized System classification system.

FIGURE 5 ▶ Canada's Top Cereal Export Markets (2023)



Source: Created from UN COMTRADE (HS 1992) and the IMF's WEO data.

FIGURE 6 ▶ Canada's Top Oilseed Export Markets (2023)



Source: Created from UN COMTRADE (HS 1992) and the IMF's WEO data.

Global trade in key Canadian crops shows a sharp contrast between exporter concentration and import market distribution. As of 2023, 82.2% of global wheat exports originated from just ten major producers, while wheat imports were distributed across a broader range of countries.[29] In contrast, canola and soybean markets exhibit a higher degree of concentration on both the export and import sides, with a small number of countries dominating trade flows, particularly in soybeans, where Brazil and U.S. account for over 85% of global exports (see Figure 7).

FIGURE 7 ▶ Leading Global Exporters and Importers of Wheat, Canola, and Soybean (2023)

Crop	Top 5 Exporters (2023)	Top 5 Importers (2023)
Wheat	Russia 15.67% Canada 15.01% Australia 14.48% U.S.A. 11.47% France 6.79%	China 6.24% Egypt 5.31% Indonesia 5.19% Turkey 4.77% Italy 4.48%
Canola	Canada 33.57% Australia 22.75% Ukraine 8.40% Romania 7.62% France 5.36%	China 22.90% Germany 19.60% Japan 8.46% Belgium 6.72% Mexico 6.09%
Soybeans	Brazil 56.76% U.S.A. 30.52% Paraguay 3.55% Canada 2.87% Ukraine 1.37%	China 60.47% Argentina 5.82% Mexico 4.04% Germany 2.46% Spain 2.22%

Source: Created from UN COMTRADE (HS 1992) and the IMF's WEO data.

Notably, Canadian oilseed exports to China have increased substantially since 2012.[30] However, disruptions in the Chinese market have profoundly impacted the Canadian crop sector. In 2019, China imposed restrictions on Canadian canola seed imports, citing the alleged presence of pests in shipments.[31] These restrictions coincided with rising political tensions following Canada's arrest of a Huawei executive at the request of the U.S.[32] Although China lifted the bans in 2022, the economic consequences were significant: Canadian canola seed exports to China dropped from USD $2.8 billion in 2018 to $800 million in 2019, before partially rebounding to $1.4 billion in 2020 and $1.8 billion in 2021.[33] Canada attempted to offset these losses by expanding exports to alternative markets, including the EU, Pakistan, Bangladesh, UAE, and Iran, but these efforts fell short. Total oilseed exports declined from USD $7.6 billion in 2018 to $5.6 billion in 2019.[34]

More recently, trade tensions have resurfaced. In response to Canada's imposition of a 100% tariff on Chinese electric vehicles and a 25% tariff on Chinese steel and aluminum products, China retaliated with a 100% tariff on Canadian canola oil, canola meal cakes, and pea imports.[35] At the time of this brief's publication on August 12, 2025, China announced a preliminary anti-dumping duty of 75.8% on Canadian canola imports. Combined with the existing 100% tariff, this effectively renders the Chinese market inaccessible to Canadian canola exporters. These developments highlight the sector's vulnerability to shifts in China's trade policy and the broader geopolitical consequences of Canada's industrial policy alignment to the U.S.

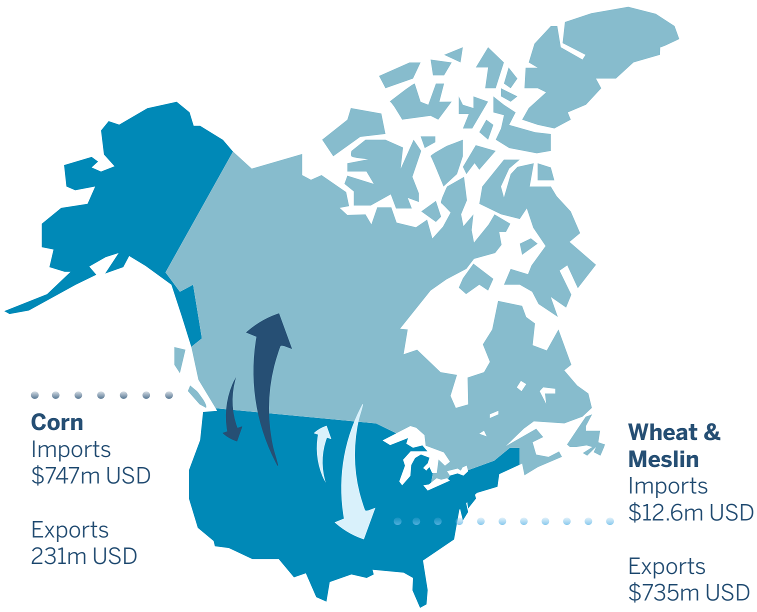
While other countries, such as Australia, have successfully negotiated trade agreements with China, Canada has yet to secure a bilateral deal. Australia's 2015 China-Australia Free Trade Agreement (ChAFTA), for example, eliminated 95% of tariffs over a ten-year period, although Australia continues to face some market access challenges.[36] As the canola case illustrates, political disputes can trigger swift and severe trade barriers. With Canada-China relations still strained, Canadian crop growers continue to bear the brunt of the resulting geopolitical fallout.[37]

Canada's alignment with U.S. foreign policy has, as exemplified, prompted retaliatory measures from China, placing Canada in a difficult strategic position between two global superpowers and exposing its exporters to heightened geopolitical risk. As tensions escalate, the benefits of this alignment appear increasingly uncertain. With few tangible gains and rising economic and diplomatic costs, Canada must re-evaluate whether its current approach to the U.S. alliance continues to serve its national interest.

Supply Chain Integration with the U.S.

Canada–U.S. trade flows and supply chains are the result of decades of investment shaped by both natural and comparative advantages. For example, favourable legislation tied to fuel initiatives and agricultural subsidies, combined with sustained investment in the fertile U.S. "corn belt," have enabled the U.S. to specialize in corn production and emerge as one of the world's leading corn exporters.

Similarly, Canada's climate and geography have fostered the development of high volumes of specific grain types that differ from those commonly grown in certain U.S. states. As a result, many U.S. millers source a portion of their milling wheat from Canada to blend it with domestic varieties to meet quality specifications.[38] These patterns of specialization and investment are reflected in current trade flows: Canada imports USD $747 million worth of corn while exporting only $231 million.[39] In contrast, it exports $735 million in wheat and meslin while importing just $12.6 million in return.[40]



The quality and proximity of Canadian grain supply, facilitated by longstanding free trade agreements, make cross-border sourcing economically attractive. Instead of food producers and growers bearing the burden of high domestic transportation costs, integrated trade has enabled efficient cross-border markets, benefiting both countries. These efficiencies have helped drive investment and productivity growth in the agriculture and food sectors, generating jobs and economic value on both sides of the border; contrary to claims by the Trump administration.

Additionally, the crop sectors in both countries depend on each other for critical inputs such as machinery, seeds, and fertilizers, all of which flow freely under favorable trade conditions. These inputs are vulnerable to price spikes during trade disputes. For instance, over 50% of fertilizers imported by the U.S. come from Canada.[41] Agricultural machinery is similarly exposed to cost increases—not only due to direct tariffs on finished products, but also because machinery components often cross the border multiple times during the production process,[42] accumulating tariffs at each stage.

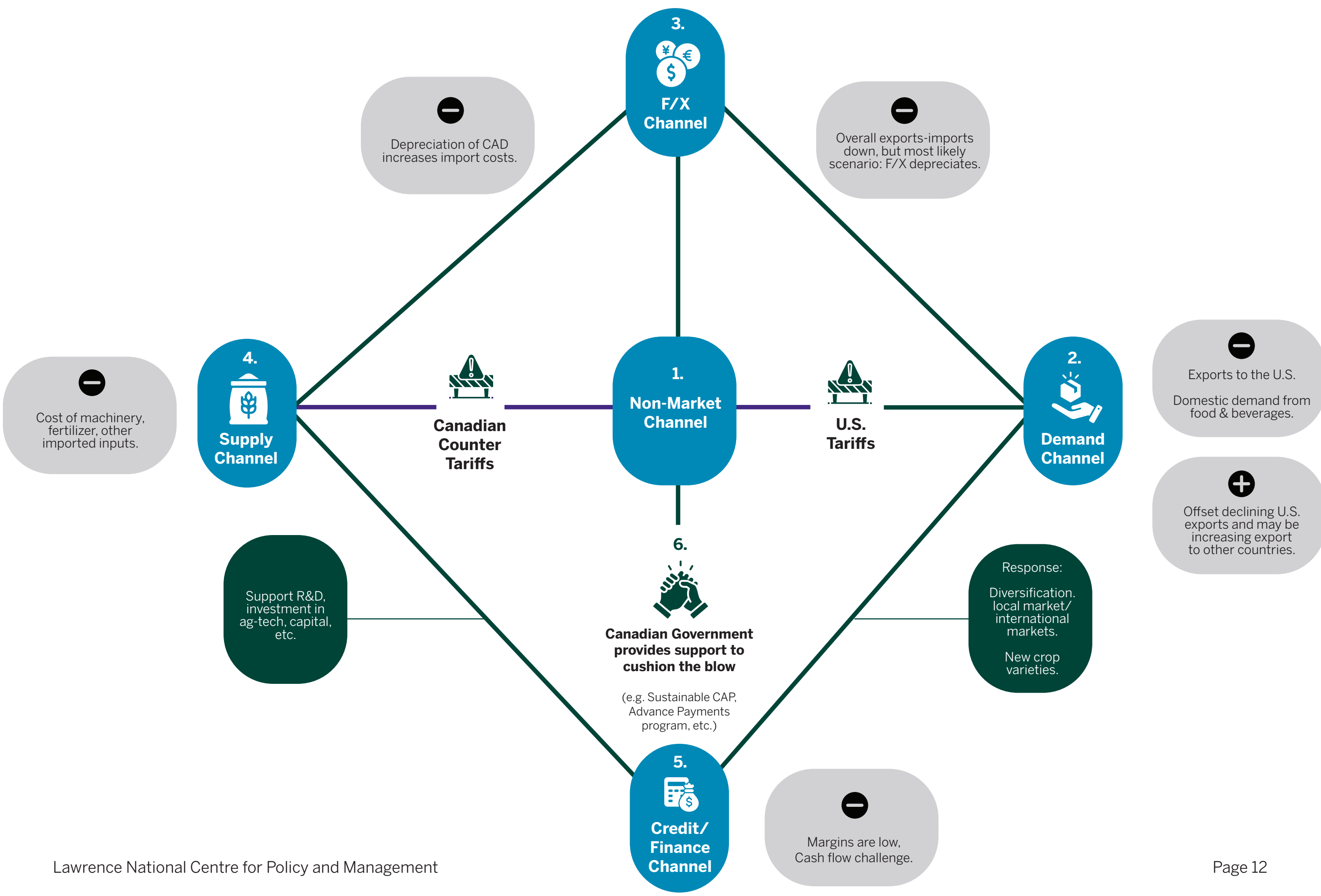
Framework to Analyze Impact of Tariffs

Tariffs and Counter-Tariffs – How will it affect Canadian Crop Producers?

Since March 4, 2025, the Trump administration has imposed tariffs on goods imported from Canada that do not comply with CUSMA grains, oilseeds, as well as most farm inputs, food and beverage products are currently compliant and exempt from the tariffs.[43] However, Trump has threatened to float a uniform tariff on all goods, regardless of CUSMA status, many times over the past few months.[44]

The framework presented in Figure 8 can be applied to tease out the impact of tariffs on an industry.[45] A uniform border tariff imposed by the U.S. administration can have a cascading effect on the grain and oilseed sectors, as we describe below using this framework.

FIGURE 8 ▶ Pressures from Tariff-Counter Tariffs - Canadian Grain Producers



Prior to the new U.S. administration, Canadian grain and oilseed producers were already experiencing shrinking margins due to rising costs and declining commodity prices. The cash flow risks associated with these tighter margins forced many farmers to rely more heavily on credit (at high interest rates) to sustain their day-to-day operations. As a result, farmers were already under strain in terms of their credit and financing channels.

Government actions, characterized by the **non-market channel (1)**, can represent both the U.S. tariffs and the Canadian countermeasures, depending on how the scenario evolves. For our illustrative analysis, we first consider the scenario where the U.S. administration imposes across-the-board tariffs **(2: Demand Channel)**. Under this scenario, the grain and oilseed sectors would be significantly affected through the demand channel, as U.S. buyers including food producers and millers, would reduce purchases from Canadian growers.

In response, American food producers and crop buyers may seek substitutes for the grain and oilseed varieties they usually purchase from Canada. If tariffs target only selective allies like Canada, U.S. buyers may instead turn to exporters such as Russia or Brazil to fill some gaps. However, many would face challenges securing an adequate supply of crop substitutes from their local farmers, forcing them to either pay for the now-expensive Canadian supply or pay high transportation costs to procure the substitute from a distant state or country. This, in turn, would push up prices of affected food products in the U.S. In Canada, a large tariff (25-35%) will have a substantive impact on exports of our grains to the U.S.

Canadian food and beverage manufacturers that rely on domestic crops, but export finished products to the U.S. will also be affected by an across-the-board tariff scenario. Reduced demand from American buyers would lead to a decline in export activity, prompting these manufacturers to scale back their procurement of agricultural inputs, particularly grains and oilseeds. This secondary effect would further compound the impact on Canada's crop sector, as reduced domestic demand from processors adds to the pressure already created by falling exports.

The implication of the **foreign exchange (F/X) channel (3)** on the Canadian crops sector is more nuanced. On one hand, tariffs and broader economic uncertainty could reduce demand for Canadian goods and prompt capital outflows, leading to a depreciation of the Canadian dollar relative to the U.S. dollar and other major currencies. In this scenario, a weaker loonie could partially offset export losses by making Canadian crops more competitively priced in global markets.

On the other hand, if the U.S. concurrently escalates a trade war with other major economies, a different scenario may play out in the F/X channel. In this context, American goods become less attractive as they become costlier and riskier due to the reciprocal tariffs, reducing the demand for U.S. dollars that would be used to buy American goods. Additionally, the U.S. dollar could come under pressure due to potential de-dollarization as well as a deteriorating fiscal balance. If the U.S. exchange rate devalues at a faster rate than the Canadian dollar, the loonie may become stronger,[45] making Canadian crop and food exports less attractive purchases.

As imported machinery and inputs, such as phosphate fertilizer, seeds, or packaging materials, are subject to cross-border tariffs and counter-tariffs, costs will rise for both Canadian farmers and food processors **(4: Supply Channel)**. While grain farmers may seek alternative suppliers domestically or from other global markets, reduced access to U.S. suppliers could limit competition and drive prices up for substitute machinery. Furthermore, a depreciation of the Canadian dollar would exacerbate the cost of imported inputs and machinery through the F/X channel. Conversely, an appreciation of the Canadian dollar could ease input costs but would dampen export demand, as noted earlier.

Overall, the net impact is likely to be higher input costs (through supply-side pressures) and reduced international demand for Canadian grains and oilseeds—unless Canada can rapidly diversify its export markets.

As costs rise, revenues shrink, and thin margins are squeezed further, Canadian growers will face financial pressures, including cash flow challenges and increased debt, limiting their ability to invest in their day-to-day operations, or in machinery and technology to improve their long-term competitiveness **(5: Credit Channel)**. The federal government would be expected to provide some support to ease the blow through federal programs such as AgriStability, which exists to support farmers with market-driven income losses **(6: Non-Market Channel)**. But growers have complained such programs tend to be insufficient.[46]

The direct and indirect impacts of tariffs on the sector will run deep. In response, it is critical that the Canadian government takes a more proactive approach in supporting the agriculture sector through key policy levers at its disposal that will protect the sector while continuing to strengthen its competitiveness.

The imposition of broad-based U.S. tariffs on Canadian agricultural products would not only harm Canadian producers but also carry significant economic consequences for American industries and consumers. Many U.S.-based food manufacturers rely heavily on competitively priced Canadian grains and oilseeds, partially due to their proximity, to keep production costs low. Tariffs would increase input prices, particularly for millers, bakers, and packaged food producers, who would either need to pay more for Canadian goods or secure alternative supplies at higher transportation or procurement costs. These elevated costs would be passed down to American consumers through higher food prices, exacerbating inflationary pressures.

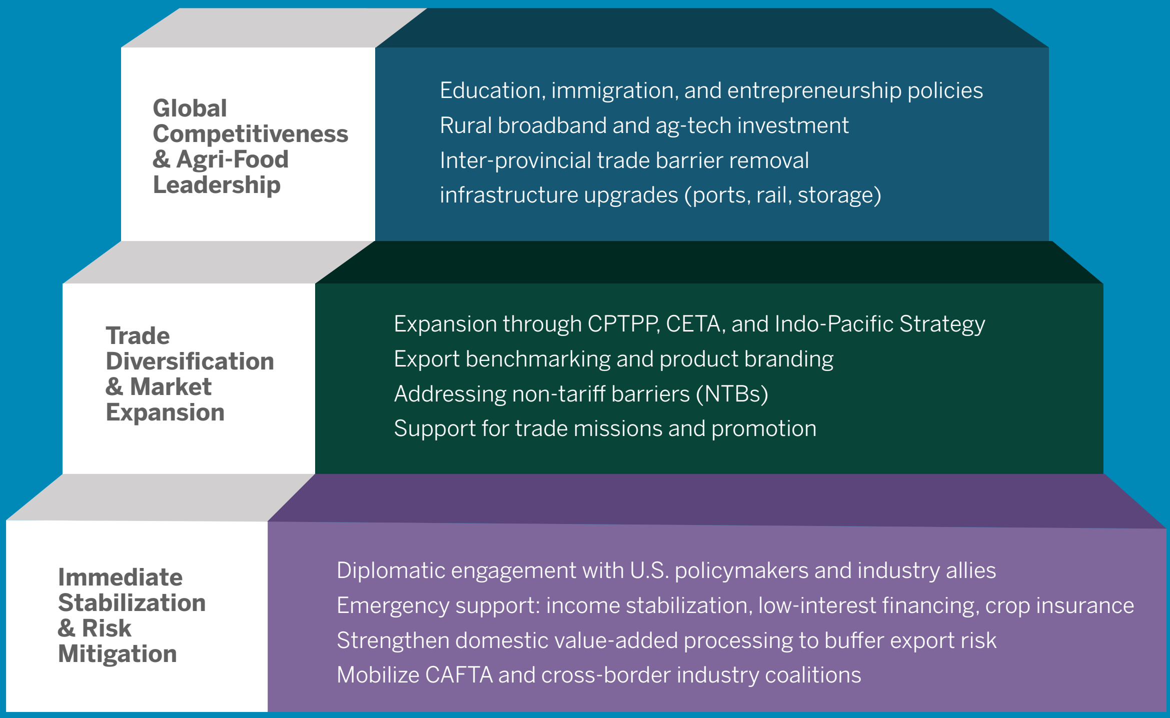
Also, U.S. exporters that sell into the Canadian market would likely suffer from retaliatory tariffs and reduced Canadian demand. Beyond agriculture, U.S. industries across manufacturing, consumer goods, automobiles, and retail could face shrinking export volumes, higher input costs, and reduced competitiveness due to supply chain disruptions, retaliatory measures, and “Buy Canadian” solidarity movements. According to an estimate by the Canadian Chamber of Commerce, a 25% tariff would shrink the U.S.’ GDP by 1.6% (approximately USD $467 billion), costing American families USD $1,300 per year.[47] Ultimately, American consumers are likely to bear the brunt through higher prices and fewer choices, particularly for products that rely on integrated North American supply chains.

Navigating Headwinds: Some Recommendations

With Canadian producers facing rising geopolitical uncertainty, market volatility, and the continued threat of escalating U.S. tariffs, this brief proposes a three-pronged approach on the following key fronts: mitigating immediate risks through U.S. diplomacy, diversifying global market access, and strengthening the sector's long-term competitive foundations.

To structure this approach, Figure 9 presents a three-tier framework: the base focuses on ***Immediate Stabilization*** and ***Risk Mitigation***, including diplomatic outreach, emergency income supports, and domestic value-added capacity to cushion against external shocks; the middle tier targets ***Trade Diversification*** and ***Market Expansion*** through expanded trade agreements, regulatory alignment, and strategic marketing to reduce reliance on any single market; and the top tier outlines the enabling conditions for ***Global Competitiveness*** and ***Agri-Food Leadership***, emphasizing investment in infrastructure, rural broadband, interprovincial trade harmonization, and workforce development.

FIGURE 9 ▶ Strategic Framework for Strengthening Canada's Crop Sector Amid Trade Volatility



Minimizing the Damage by Safeguarding Against Immediate Risks

Canada must actively pursue diplomatic channels to prevent the continuous imposition of tariffs and negotiate a strong deal with the United States. Disruptions to the deeply integrated North American supply chains, particularly in agriculture and food and beverage production, would not only reduce export access for Canadian producers but raise costs for U.S. manufacturers and consumers. Canadian officials should intensify bilateral engagement with U.S. lawmakers and industry stakeholders to reinforce this message by using data-driven advocacy, highlighting the mutual benefits of stable supply chains, food security, and affordability, while underscoring the potential damage to Americans.

For example, Canada should deepen alliances with U.S. food processors, retailers, and millers, as each country relies on the other to meet processing needs and maintain product quality. In an increasingly unstable global landscape, positioning Canada as a reliable, rules-based partner can help build a coalition of support against new protectionist measures.

A sustained breakdown in agricultural trade with the U.S. would disrupt cross-border synergies and weaken the global competitiveness of both nations—creating an opening for other major exporters, such as Brazil and Russia, to capture greater market share. Over time, protectionist policies risk eroding Canada's strategic trade advantages. Proactive outreach through U.S. business councils, agricultural coalitions, and bipartisan policy forums can help ensure that the perspectives of Canadian producers are represented and their contributions to U.S. food and beverages industry, and more broadly U.S. food security, are strongly presented in key decision-making spaces for shaping a more constructive trade environment.

To their credit, Canadian officials and industry groups have been intensifying engagement with U.S. counterparts to advocate against protectionist measures, building strong domestic pressure within the U.S. to resist tariff escalation.[48] In early 2025, the Canadian-Agri Food Trade Alliance (CAFTA), a coalition of export-oriented agricultural and crop/commodity associations, visited Washington to underscore the significance of maintaining open North American trade.[49]

As the U.S. finalizes trade agreements with key partners, Canada will likely face growing pressure to secure a deal of its own. Yet, there may be merit in avoiding a rush into (unfavourable) settlements. Its geographic proximity, integrated supply chains, and deep economic interdependence with the U.S. provide leverage to pursue favourable terms. Notably, if the Trump administration perceives that a prolonged trade disputes could threaten Republican prospects in the midterm elections, particularly in maintaining control of the House and Senate, it may become more amenable to compromise. A carefully crafted negotiated agreement is essential to safeguard Canadian interests and support long-term competitiveness.

While diplomacy and cross-border advocacy are critical, Canada must also focus on domestic readiness to cushion the sector through tariff disruptions. This includes ensuring that appropriate risk management and support mechanisms are ready for rapid deployment should trade barriers be enacted. Similarly, investments aimed at strengthening domestic supply chains, particularly in processing, infrastructure, and value-added production, will be critical to insulating the sector from external shocks.

Existing stabilization programs often face structural and operational challenges that can limit their effectiveness during periods of uncertainty.[50] Programs like AgriStability have a payment trigger set at 70% of a farmer's reference margin[51]–which is considered too high to address anything short of catastrophic losses, leaving producers vulnerable to moderate but financially damaging income declines. Moreover, Canada lacks comprehensive price loss coverage similar to individualized revenue protection programs in the U.S.; most provinces only offer yield-based insurance, and while Ontario's Risk Management Program provides some price support, it is reported to be underfunded and subject to proration due to limited federal participation.[52] Adjusting these programs to develop a more robust system of protection against trade disruptions has become imperative.

Additionally, emerging policy trends such as linking business risk management program access or benefits to on-farm sustainability measures (e.g., beneficial management practices-linked premium subsidies) have not demonstrated clear benefits in environmental outcomes[53] and undermines the core function of risk protection. To improve outcomes, Canada should prioritize enhancements such as expanded eligibility criteria, adequate and predictable funding, and streamlined administrative processes.

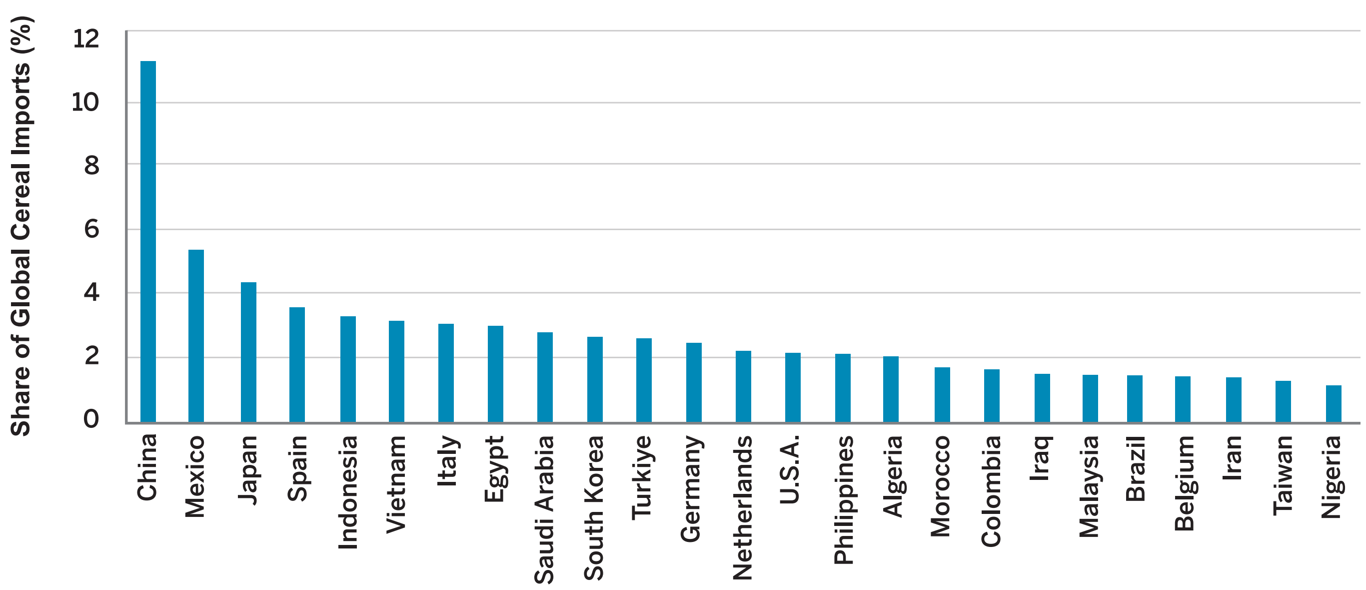
Diversify for Resilience

Trade diversification must be a cornerstone of Canada's agricultural strategy. The federal government's Indo-Pacific Strategy has laid important groundwork by targeting the world's fastest-growing economic region, which is expected to account for over half of global economic activity by 2040.[54] Deepening trade within this region, particularly through agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), offers preferential access to high-demand markets, lowers tariffs on key exports such as grains and oilseeds, and reduces Canada's exposure to geopolitical disruptions in the U.S. and China.

To sharpen its global positioning, Canada must benchmark its crop export portfolio against top global importers and leading competitor nations. This kind of strategic benchmarking helps identify high-growth opportunities, align exports with global demand trends, and draw lessons from more agile agricultural exporters. A case in point is Australia, which successfully reoriented its barley exports toward the Middle East and Southeast Asia after China imposed an 80% tariff in 2020.[55] By targeting alternative feed markets and supporting exporters through the Australian Export Grains Innovation Centre, Australia managed to preserve and even expand its market presence.[56 57]

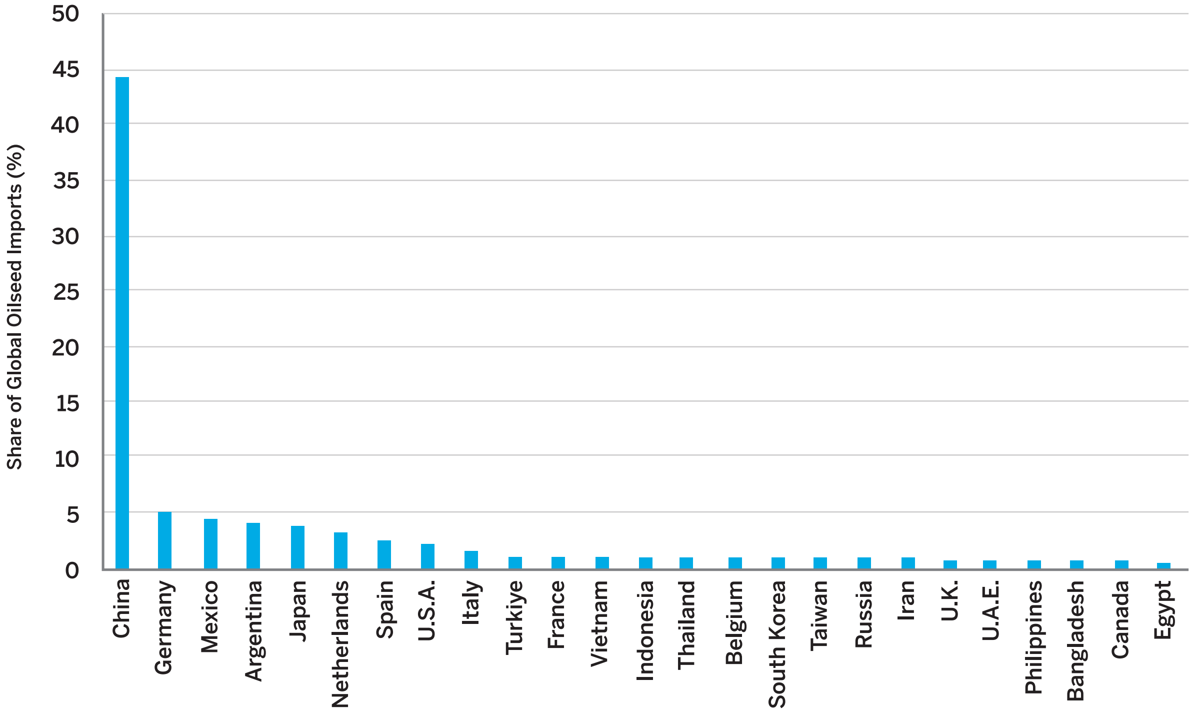
As Figures 10 and 11 show, Canadian cereal and oilseed exports hold a large market share in China but account for only 5% or less in several other major markets in Asia, the EU, and South America. While these regions offer significant untapped potential, expanding Canada's export presence will require more than trade agreements. It will demand proactive investment in market development, including product positioning, targeted marketing and branding, and networking with potential importers. Coordinated, strategic promotional campaigns that emphasize the quality, sustainability, and reliability of Canadian agricultural products can help position Canada as a supplier of choice in an increasingly competitive global marketplace.

FIGURE 10 ▶ Share of Global Cereal Imports (Top 25 Countries) (2023)



Source: Created from UN COMTRADE (HS 1992) and the IMF's WEO data.

FIGURE 11 ▶ Share of Global Oilseed Imports (Top 25 Countries) (2023)



Source: Created from UN COMTRADE (HS 1992) and the IMF's WEO data.

Canada should also build on the momentum created by past trade agreements. Since 2017, Canada has been increasing its grain exports to the EU, thanks to the Comprehensive Economic and Trade Agreement (CETA), which eliminated many duties and tariffs. This agreement facilitated easier access for European buyers to Canadian markets, increasing Canada's market presence in Europe since its inception. According to Statistics Canada, Spain imported Ontario wheat for the first time during the 2022–2023 crop year and doubled those imports in 2023–2024. Meanwhile, the United Kingdom, having incorporated many CETA provisions into the Canada-U.K. Trade Continuity Agreement, also began importing Ontario soft wheat for the first time in 2024.[58] Canada should continue to expand export volumes in these recently penetrated markets.

However, not all EU member states have ratified CETA, including Italy, Ireland, Belgium, and France which are key markets for Canadian grains.[59] It is therefore crucial to continue advocating for full ratification and enforcement of CETA across all EU member states to further bolster Canada's commodity crop markets. At the same time, building and sustaining global trade relationships cannot fall solely on producers. Achieving this requires coordinated public–private collaboration, sustained investment by trade missions, and targeted support from federal and provincial governments to help exporters navigate complex markets and build direct networks with international importers.

Equally important is the need to address non-tariff barriers (NTBs) in importing countries, which increasingly limit access even under tariff-free agreements. Canadian exporters continue to raise concerns about burdensome regulatory requirements, inconsistent implementation of sanitary and phytosanitary measures, and delays in the approval of Canadian agricultural products.[60] To reduce these frictions, Canada should continue prioritizing the elimination of non-science-based NTBs through bilateral and multilateral regulatory alignment, including prompt, enforceable dispute resolution mechanisms in future agreements; and advocate actively within international standard-setting bodies.

Finally, Canada should adopt a pragmatic and balanced approach to managing its relationships with both the U.S. and China. To safeguard national interests, the federal government should prioritize economic and security considerations, even when they must take precedence over other foreign policy objectives at times. Canada needs a clear framework to guide its actions: one that preserves the core elements of the Canada-U.S. relationship while minimizing the risk of escalation with China. This “minimal escalation” strategy could allow Canada to maintain strategic stability with both superpowers without becoming entangled in their broader geopolitical conflicts.

Taken together, these priorities underscore the need for a comprehensive, coordinated approach to trade diversification–one that extends well beyond deal signing to include implementation, enforcement, capacity-building, and sustained market support. By investing in and actively promoting these initiatives, Canada can strengthen its agricultural exports and maintain global competitiveness in an increasingly volatile trade landscape.

Strengthening Canada's Competitive Advantage

To realize its full competitive potential, Canada should eliminate interprovincial trade barriers that currently fragment the domestic market and limit the efficient movement of agricultural products across provinces. These barriers include inconsistent regulations on trucking and transport, such as grading standards for agricultural products, seed certification, pesticide and fertilizer applications, food labelling and packaging.

Trucking remains a significant barrier to efficiency and competitiveness for Canadian growers. First, inconsistent load restrictions often force farmers to make multiple trips, ultimately raising costs.[61] While other provinces and U.S. states provide exemptions for farm trucks,[62] Ontario's patchwork of municipal road bans and lack of harmonized regulations add confusion and inefficiency. In Saskatchewan, farmers moving oversized equipment face a complex patchwork of size, time-of-day, and route restrictions that add unnecessary delays and compliance burdens.[63] In contrast, Alberta offers broader farm-use exemptions under its Safety Fitness Certificate program, allowing certain farm trucks to bypass requirements such as daily trip inspections and hours-of-service rules.[64] Compounding these challenges are severe truck driver shortages[65] and rising insurance premiums.[66] New drivers face difficulty obtaining insurance without experience, while industry observers argue licensing requirements are complex and poorly aligned with the realities of farm operations.

Truck classification rules based on weight and configuration often lead to accidental non-compliance, and all trucks over 4,500 kg, including farm trucks, require a Commercial Vehicle Operator's Registration,[67] adding paperwork and oversight burdens. Equipment and inspection requirements, such as Ontario's DriveON safety inspections, are costly and less accessible, particularly for small or seasonal operators. While Ontario offers few exemptions for low-mileage or seasonal farm vehicles, provinces like Alberta and Saskatchewan offer greater regulatory flexibility.

Addressing these issues by harmonizing standards, streamlining licensing and inspection protocols, and introducing targeted exemptions for agricultural operations would reduce inefficiencies and enhance the sector's resilience to trade pressures.

In parallel, Canada must accelerate the development of critical trade infrastructure, including ports, rail networks, and storage facilities. A 2023 performance review by the World Bank and S&P Global Market Intelligence ranked Canada's three largest container ports in the bottom 15 percent of over 400 global ports, primarily because of prolonged vessel wait times.[68] According to an RBC report, chronic infrastructure bottlenecks, especially at the Port of Vancouver, and underinvestment in transportation are constraining export potential, with Canada spending $13–20 billion less annually than peers like Australia and the UK.[69]

Infrastructure challenges in Canada's agriculture sector extend well beyond port access. Eastern Canada's limited grain storage capacity was laid bare during the October 2023 St. Lawrence Seaway strike, when several million tonnes of corn and soybeans came close to spoilage. Industry experts estimated that a disruption lasting just 10 to 15 days longer could have resulted in losses reaching billions of dollars. Across the supply chain, storage infrastructure, including on-farm bins, inland terminals, and port facilities, is typically designed to support continuous trade flows rather than withstand extended interruptions. Future expansions must account not only for market growth, but also for the need to enhance extra capacity to enhance resilience and manage unforeseen disruptions. Addressing these vulnerabilities through targeted investment in strategically located storage and trade infrastructure is essential to ensure Canadian crops reach local and global markets reliably. These investments will also help to alleviate bottlenecks that currently undermine Canada's competitiveness, especially as the country works to expand exports beyond North America.

Alongside physical infrastructure, Canada's fiscal policy must place greater emphasis on targeted, productivity-enhancing investments. While responsible budgeting remains important, fiscal restraint should not come at the cost of underinvestment in agricultural innovation. Priority areas include digital infrastructure, automation technologies, regulation, and sustainable farming practices–all of which are essential to boosting outputs, improving market access, and strengthening Canada's value proposition globally.

However, infrastructure challenges also extend to a critical barrier to innovation: the digital divide facing rural producers. As of February 2025, only 78.2% of rural homes and businesses (which include farms) have access to high-speed internet,[70] while 72.2% of the oilseed and grain farming population lives in rural areas.[71] Without adequate digital connectivity, many producers are unable to adopt cutting-edge ag-tech or participate fully in digital marketplaces. Although the federal government has promised high-speed internet access to 100% of Canadians by 2030,[72] the government of Canada should look to expedite the broadband roll-out to enable competitive innovation in the sector.

To achieve meaningful progress, addressing the digital divide and broader infrastructure challenges must go beyond government action alone. While federal investment and policy leadership are critical, expanding digital infrastructure, particularly in the most remote and costly final stages, will require strong collaboration with private sector partners, cooperatives, and the public sector. Provinces and territories will need the flexibility to tailor implementation strategies to local conditions, while aligning under a unified national vision. This moment presents a rare window for Canada to treat rural digital connectivity and ag-tech innovation as part of a broader nation-building effort–one that opens opportunities for rural communities, strengthens economic resilience, and ensures that all producers can fully participate in the future of agriculture.At the same time, Canada must pay close attention to farm succession. This includes promoting alternative ownership models such as profit-sharing, co-ownership, and worker cooperatives that can ease barriers to entry for younger or underrepresented farmers.

Expanding agricultural programming to include micro-credentials, interdisciplinary learning, and agri-business electives can attract students from a wider range of backgrounds and better equip them for the technological and economic challenges facing modern agriculture. Similarly, immigration policy must be strategically leveraged to address the sector's aging demographic. Creating clear, accessible pathways to permanent residency for experienced migrant workers, and improving support and protections under a restructured Temporary Foreign Worker program,[73] will help safeguard the sector's sustainability and ensure that Canada's agricultural labour force remains resilient in the face of future challenges. More generally, Canada must take a more proactive and strategic approach to immigration and skills policy–rethinking its strategy in light of a shifting global landscape, by focusing on matching the right talent with sectoral needs while cultivating the entrepreneurship and technical expertise required to keep Canadian agriculture at the forefront of innovation.

Conclusion

Grain and oilseed farming is one of Canada's most productive and globally competitive sectors. Yet, even before the resurgence of U.S. protectionism, producers were under pressure from soaring input costs, falling commodity prices, and the lingering effects of pandemic-related disruptions. The proposed Trump-era tariffs risk compounding these challenges, driving up machinery and input costs while impeding vital export markets. For many farmers, this dual blow could significantly erode profitability and long-term viability.

The strategic importance of Canada's grain and oilseed sector cannot be overstated. It underpins national food security, supports rural economies, and helps feed global populations, especially in regions dependent on reliable agricultural imports. As a leading supplier of wheat, canola, barley, pulses, and other crops, Canada plays a central role in stabilizing international markets.

But Canada's position as a leading exporter is becoming increasingly precarious as it is caught between two economic superpowers whose trade agendas are often driven by strategic rivalry. The U.S., Canada's largest trade partner and closest economic ally, is increasingly unpredictable in its use of tariffs and domestic-first policy. Meanwhile, China leverages agri-food trade as a diplomatic tool, imposing sudden barriers that disrupt billions in exports.

To maintain this position amid geopolitical and economic headwinds, policy responses must be swift and strategic as illustrated in our proposed three-pronged strategy.

First, it must intensify diplomatic engagement with the U.S. to avert costly trade wars, leveraging shared supply chains and industry ties. At the same time, it should also pursue a minimal escalation strategy with China to ensure access to this important market for our crop sector.

Second, it must accelerate trade diversification to reduce over-reliance on any single partner, while navigating the complexity of establishing new market footholds. Doing so will require targeted investment, coordinated trade promotion, and strong partnerships with emerging markets to ensure lasting gains.

Third, and most critically, it must treat long-term competitiveness as a nation-building imperative. This requires eliminating interprovincial trade barriers, fast-tracking investment in rural infrastructure and digital connectivity, and modernizing supports that enable innovation and workforce development. With coordinated action, Canada can empower its farmers today while laying the foundation for a resilient, innovative, and globally leading crop industry.

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Ivey | Lawrence National Centre for Policy and Management

Ivey Business School at Western University
1255 Western Road
London, Ontario N6G 0N1

Telephone: 519-661-2111 ext. 88487
Email: LNC@ivey.ca
www.ivey.uwo.ca/lawrencecentre