



# Ag Policy Brief

## *Navigating Trade Uncertainty: Strengthening Canada's Agri-Food Sector for Resilience and Growth*

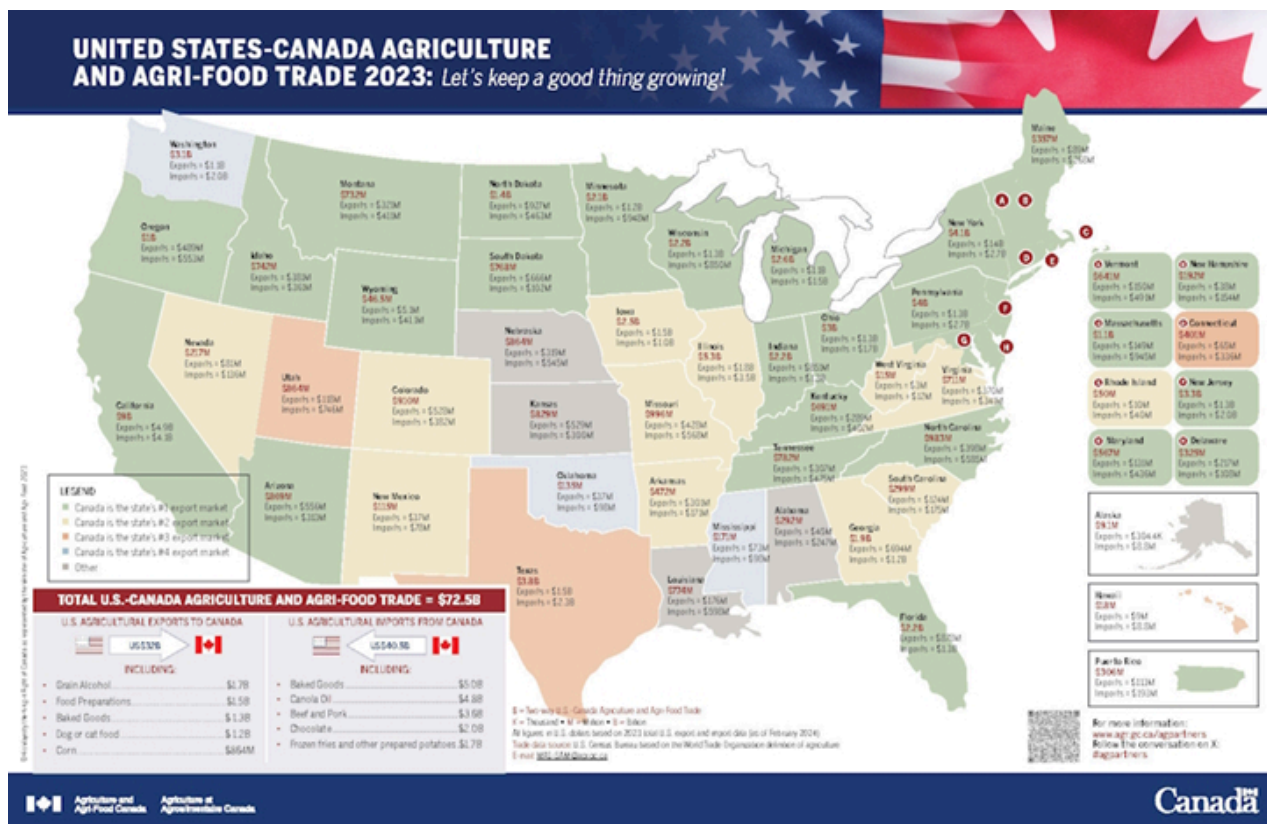
### What Happened?

- On February 1st, President Trump launched a trade war by imposing a 25% tariff on imports from Canada, except for energy, which faced a 10% tariff.
- In response, Prime Minister Trudeau announced a series of retaliatory tariffs, with the first phase imposing tariffs on \$30 billion of imports and a commitment to a second phase of \$125 billion following a 21-day consultation period.
- On February 3rd, Prime Minister Trudeau and President Trump announced tariffs would be delayed for 30 days after Canada recommitted to several drug and border measures.
- The threat of tariffs has exposed vulnerabilities in Canadian agri-food, including an export concentration in the US, challenges with innovation and growth and underscores the need for concerted efforts to address these structural issues.

### Where Are We Today?

- While the tariffs have been delayed, the threat remains and should motivate a more substantial domestic response to better insulate the country from potential tariffs.
- Initial analysis of the potential impacts of the tariffs pointed to 600,000 job losses, an 8% drop in demand for ag products, a reduction in GDP of over 4%, and long-term negative consequences.
- Recent analysis highlighted that changes underway in the US will impact Canadian agriculture and agri-food beyond the tariffs.
- Over the last thirty years, North American supply chains have expanded, adding value to both countries and are now often very interconnected. Two-way agri-food trade is relatively balanced and worth more than \$70 billion.

- The interconnectedness puts Canadian agri-food at significant risk in a US trade war.
- The growing US economy, challenges securing reliable market access and supply chain issues have contributed to Canadian agri-food exports being more concentrated in the US than in the last twenty years.
- The Canadian Global Affairs Institute and Canada West Foundation are among the organizations exploring the broader issues in the potential trade war.



# Where Are We Going?

- Canada's initial response focused on retaliatory tariffs. However, there is a need for a more comprehensive response to mitigate the potential impact.
- While the initial threat has passed, the potential for tariffs hangs over the sector, and the thirty-day delay should be used to double down on work to address the structural issues
- The following are actions governments should consider in the event of tariffs and actions that should be undertaken regardless, developed through engagement with CAPI's network.

## ***In The Event of Tariffs***

- Support impacted businesses: Work through Farm Credit Canada and other institutions to offer loan guarantees and liquidity support, expand the Advance Payments Program limits and relaunch the Canadian Emergency Business Account.
- Waive fees for export certificates: Reduce costs and improve export competitiveness.
- Leverage BRM: Convene FPT Ministers to consider changes to the BRM suite such as initiating advances and increasing the compensation rate and payment limits.
- Introduce an Accelerated Capital Cost Allowance on farm and food processing equipment.

## ***Short Term: Immediately***

- Double down on market access: Prioritize political and technical resources to resolve market access barriers, including meat exports to the EU and canola exports to China.
- Increase AgriMarketing Funding: Increase funding for a more flexible approach targeted at diversification, new strategies and more proactive export promotion.
- Eliminate the carbon tax: While outside the ag portfolio, governments should support the sector's competitiveness by eliminating the carbon tax on food producers.

- Prioritize food processing: The AAFC Deputy Minister should chair a working group to develop targeted solutions for food processors who will feel the brunt of the tariffs.
- Regulatory relief: Halt new regulatory initiatives that may impose unnecessary burdens and launch a process to remove existing regulatory burdens hindering competitiveness.

## ***Medium Term: Within 6 to 12 Months***

- Reset the ag trade agenda: Government and industry should develop a strategic trade agenda focused on concluding and reinvigorating trade negotiations and the WTO.
- Reset the North American agenda: The three Ag Ministers should work to rebuild trust in North America by focusing on regulatory cooperation.
- Collaborate with strategic partners: The agriculture minister should convene international partners, possibly alongside the G7, to improve collaboration in the face of US threats.
- Diversify imports: Develop a critical farm input strategy to reduce the reliance on US inputs, including fertilizers, crop protection products, food ingredients and packaging.
- Remove internal barriers: FPT Ministers should implement an action plan to remove internal trade barriers and harmonize regulations at their July 2025 meeting.





## Long Term: 12 Months and Beyond

- The FPT Agreement: The Ag Policy Framework should be reinvigorated, focusing on stability and growth through productivity and market development.
- Innovate to compete: Reinvigorate innovation in the sector through targeted programs and regulatory reform to improve the competitiveness of farmers and food processors.
- Improve Trade Reliability: Expedite trade infrastructure funding, act on the Canada Trade Infrastructure Plan and National Supply Chain Taskforce and legislate to mitigate labour disruptions to critical supply chains
- Add value: Governments should support value chain initiatives to add value in Canada through more processing, differentiation, specialization, etc.
- New approaches to trade: Canada should explore new ways of leveraging food security to deepen relationships with major importers, including Japan and China.

## Why Does It Matter?

- This policy brief is focused on the sector; however, all Canadians will experience higher food inflation. Actions will need to be considered to address those impacts.
- The solutions outlined above will help mitigate the impact of Trump's potential trade war. However, they can also help address long-term structural issues the sector faces.
- Regardless, governments should consider these as part of a more focused, action-oriented agriculture and agri-food policy agenda.

*If you wish to follow up on this Ag Policy Brief, please contact CAPI Managing Director, [Tyler McCann](#)*