

Tariffs and Disruption: A G&O Perspective

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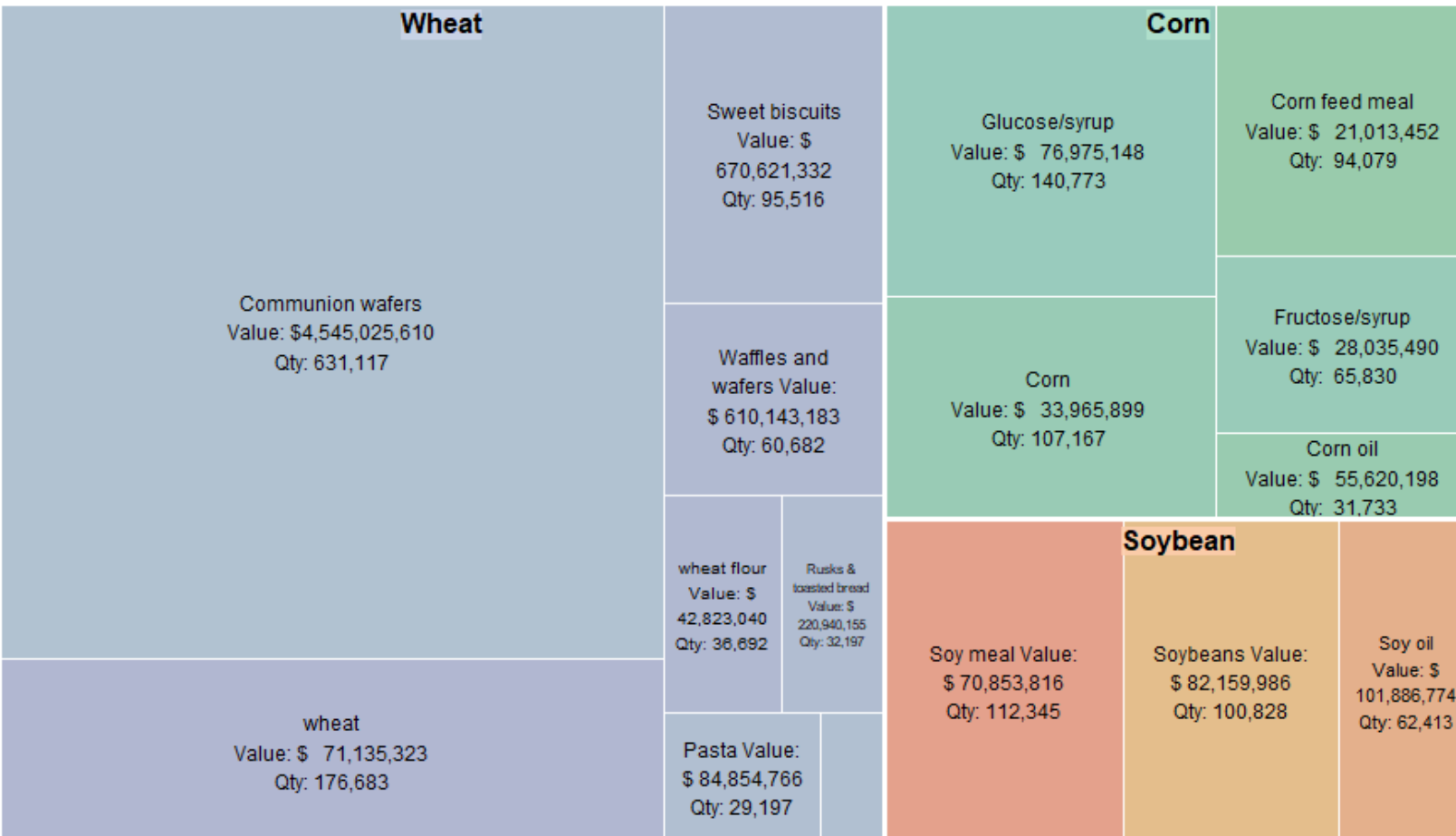
Grain Farmers of Ontario

What is the current situation?

- Even though most grain commodities and their derived products are tariff-free under CUSMA, uncertainty around US trade policy could lead to impacts.
 - Anecdotal evidence of shipping contracts on hold.
 - Exporter transactions cost have increased (ensuring their commodity is CUSMA compliant).
- Certain inputs used by grain farmers **are** under retaliatory tariffs.
- More might be added to the list – if trade war expands (unlikely for now).

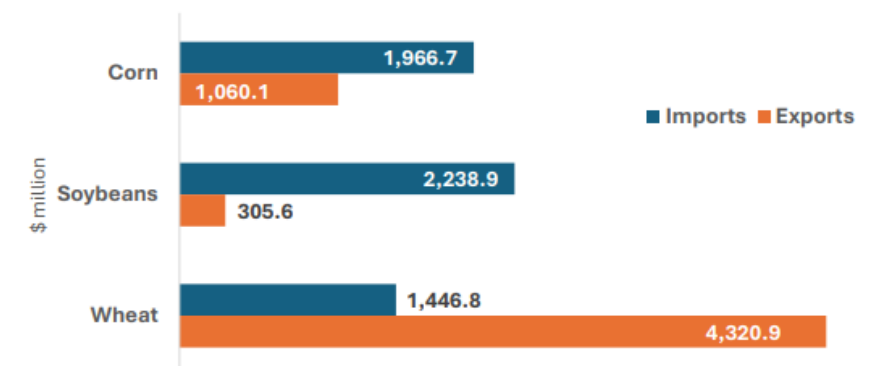
ON – Grain Exports & Derived Products

Export of ON grain commodities and their Derived Products - 2024



Source: CIMT

Commodity & related products



Source: Trade Data Online (ISED – StatCan)

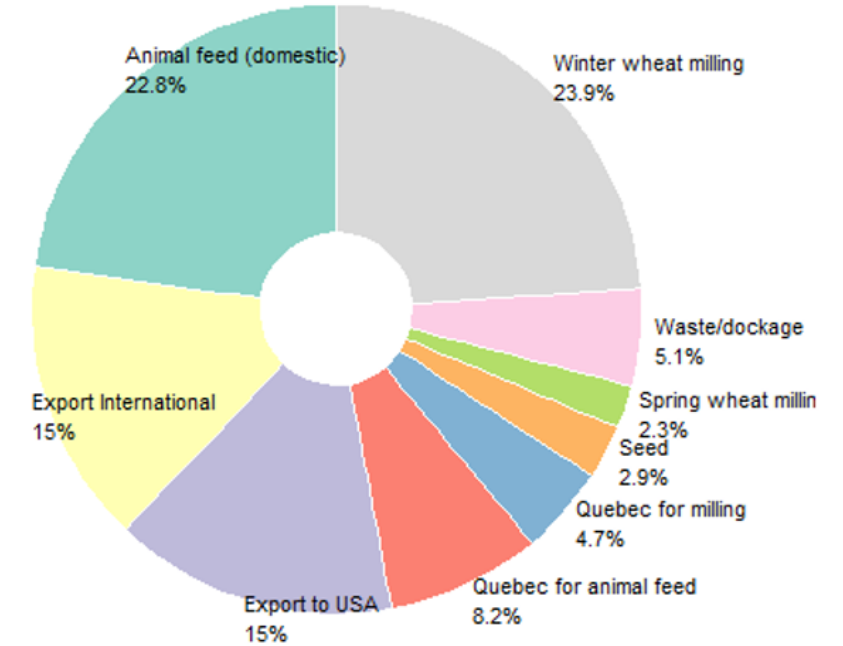
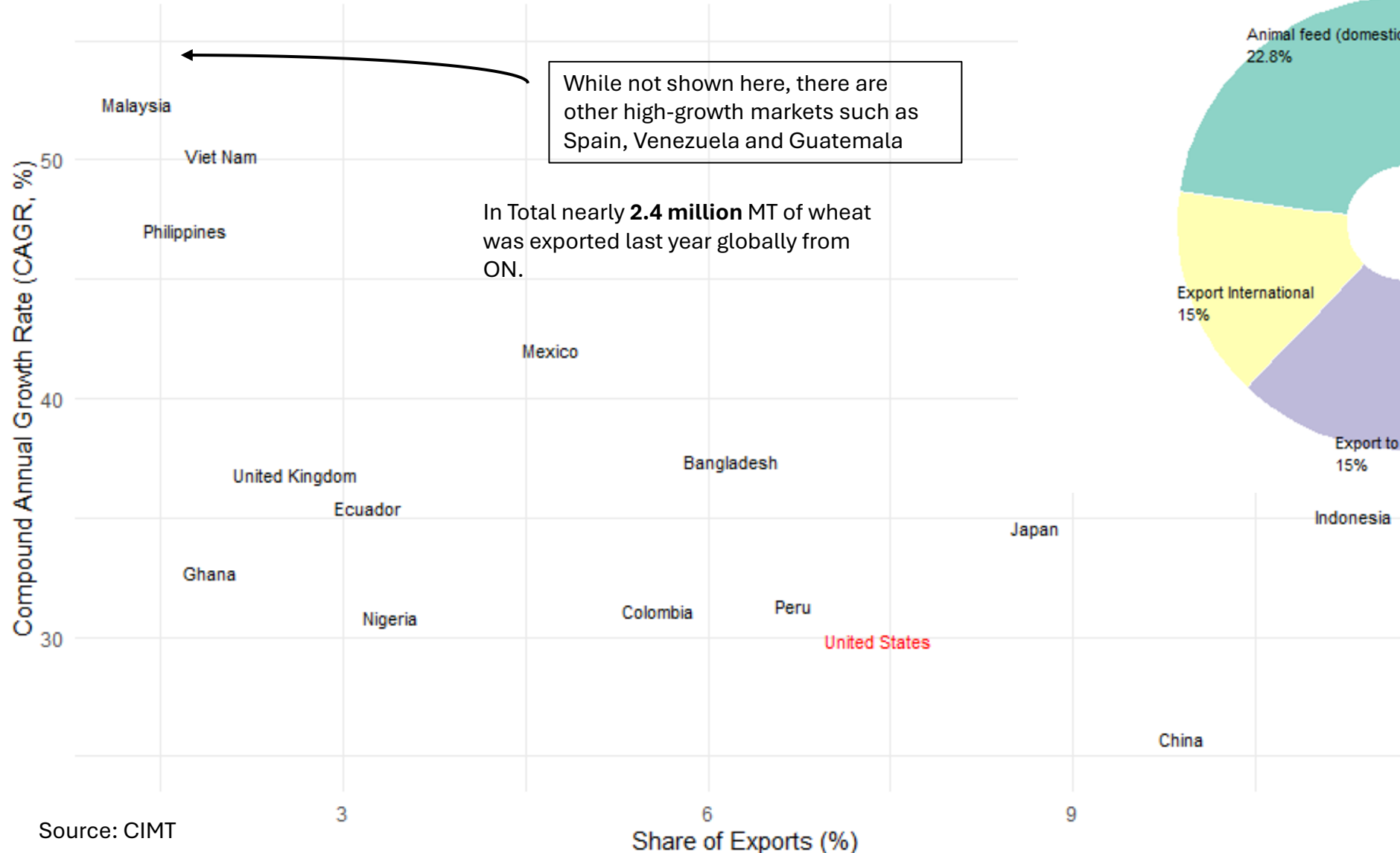
- Overall trade is balanced between ON and US for grain and derived products.

Importance of Wheat

Where Ontario Wheat Goes

Domestic vs Export Use Breakdown

Top Markets for Ontario Wheat by Export Share vs CAGR

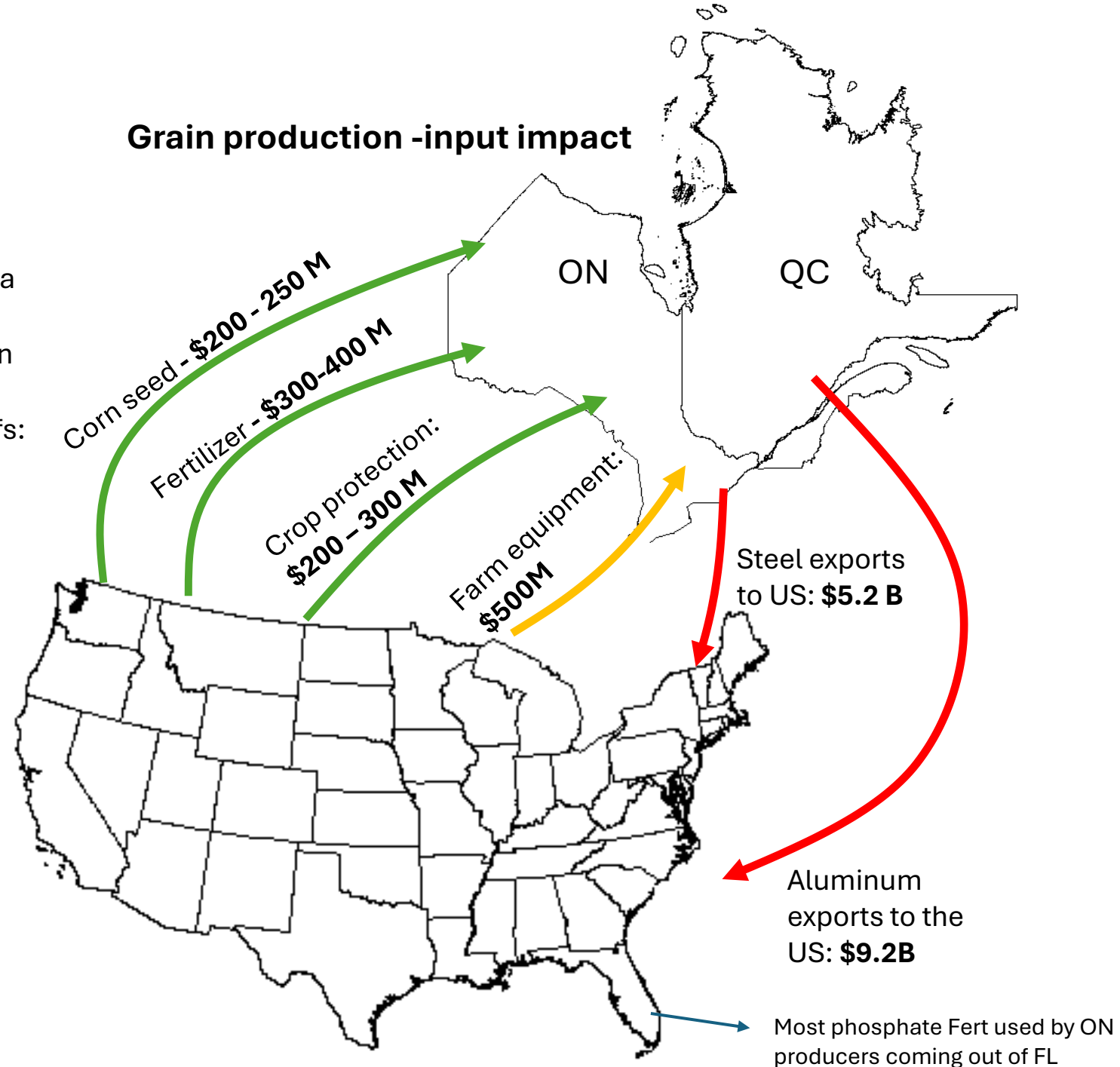


Quick word on Implied Demand for Feed

- Livestock industry in Ontario is heavily reliant on US for live animal exports.
- Further pressure after reduction in processing capacity in Quebec.
- Any export disruption might put viability of operations at risk.
- Long-term impact on animal feed demand in Ontario?

Retaliatory Tariffs

- As of May 20, 2025: Two types retaliatory tariffs by Canada on US are in place affecting farmers
 - Canada's response to US' fentanyl tariffs: \$30 billion worth of US goods.
 - Canada's response to US' steel and aluminum tariffs: \$29.8 billion.
- Indirect price effects on Machinery and Farm equipment used by Ontario's grain producers.
- **Farm inputs currently affected:**
 - Knives and blades for harvesting combines.
 - Tires.
 - Slightly concerning: ON no longer has a robust tire industry.
 - Packaging material (for carrying inputs)
- In the chart:
 - Green arrows indicate "no tariff yet"
 - Yellow indicates indirect pricing effect anticipated.
 - Red indicates tariff in effect.



What have we heard

- Confusion at the border:
 - General misunderstanding of what is and not CUSMA compliant.
 - Anecdotes of equipment dealers being charged tariffs (by CBSA) despite CUSMA compliance.
- Cross-border grain contracts have possibly slowed due to tariff uncertainty.
- Data obfuscation.

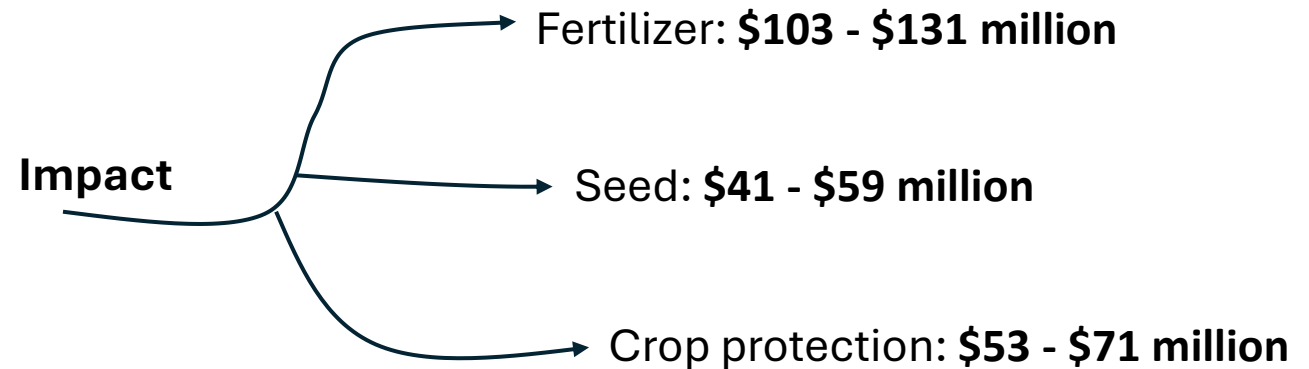
The problem with tariffs

(Inspired by: Annan and Reimer (2025))

- Sticky in nature. Permanent disruption of supply chains.
- Leads to rent-seeking behavior in the value chain.
- Import demand elasticities are **distinct** from retail-level elasticities of most ag inputs.
 - Import demand elasticities far more elastic (based on preliminary analysis; more evidence required).
 - However, retail-level demand is most likely **inelastic** → anecdotal evidence available from March 2022 (Russia's removal from MFN)
 - Summary: The incidence of the tariff will fall predominantly on producers, as retailers are expected to pass through most of the associated costs.

Commodity	ARIMAX		ARDL		ECM	
	Short-run	Long-run	Short-run	Long-run	Short-run	Long-run
Urea/UAN	-1.610*** (0.116)	-2.647*** (0.267)	-1.733*** (0.119)	-1.686*** (0.278)	-1.627*** (0.098)	-0.970*** (0.110)
MAP	-2.757*** (0.240)	-6.568*** (2.008)	-2.929*** (0.244)	-2.350*** (0.379)	-2.705*** (0.201)	-2.598*** (0.216)
Corn seed	-0.251** (0.106)	-0.947** (0.402)	-0.186 (0.129)	-0.440 (0.443)	-0.159 (0.101)	0.404 (0.443)

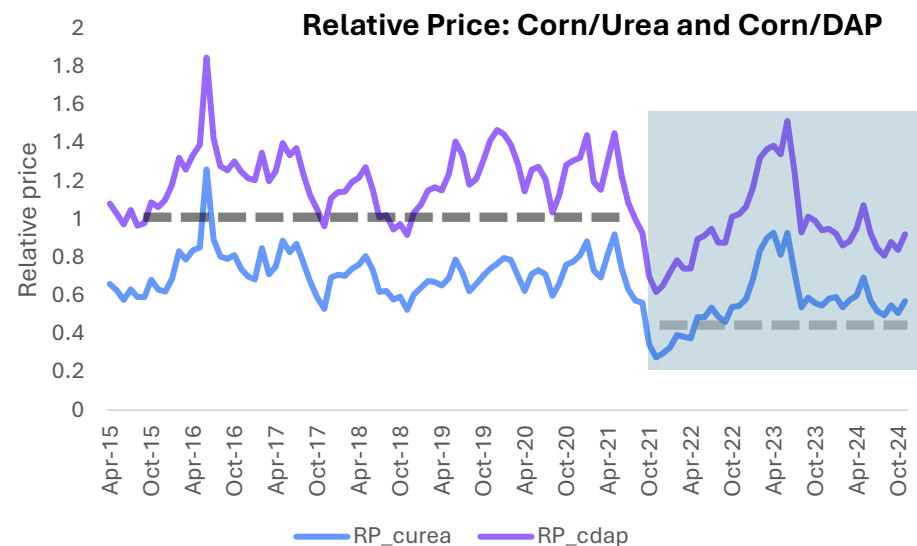
Table 1: Estimated short-run and long-run coefficients with standard errors (in parentheses). Significance levels: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.



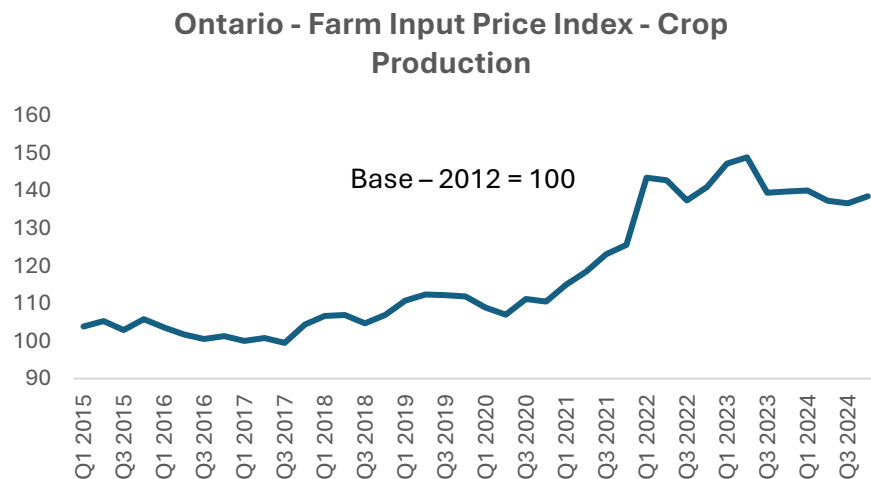
Current economic situation: G&O Producers (ON)

- Producer margins remain tight.
- Input prices are sticky
- Based on previous slide's estimates – in a hypothetical scenario (with full input retaliation)
 - ON grain producers are looking at tariff costs between: **\$33-\$42/acre**

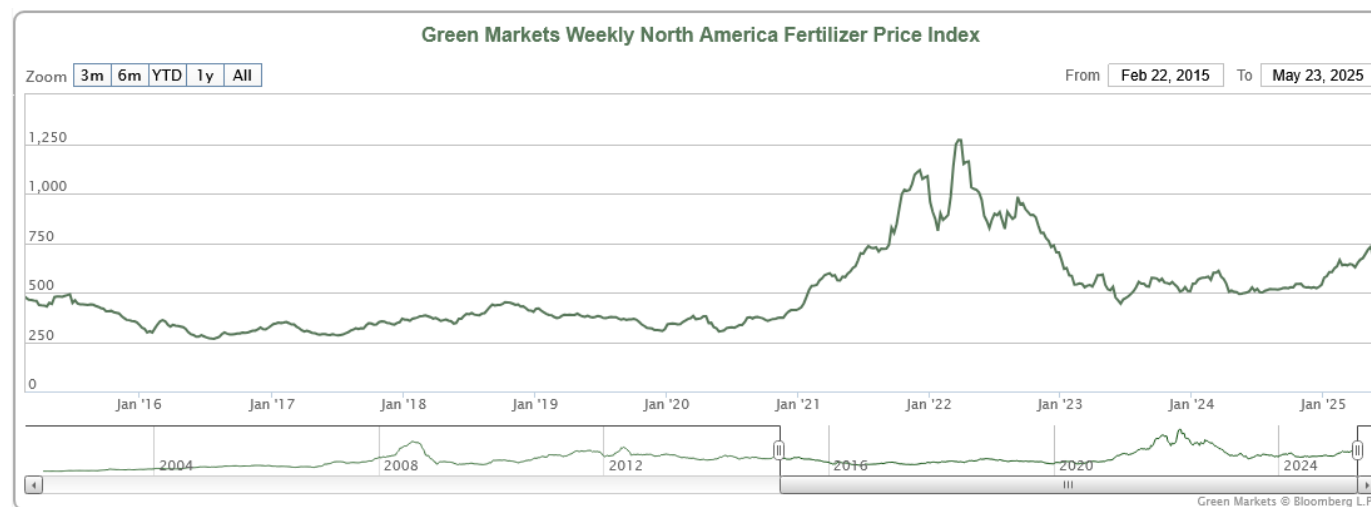
↪ This does not include CapEx on Equipment etc.



Source: WB – Monthly Commodity Price data: <https://www.worldbank.org/en/research/commodity-markets>



Source: StatCan Table: 18-10-0258-01

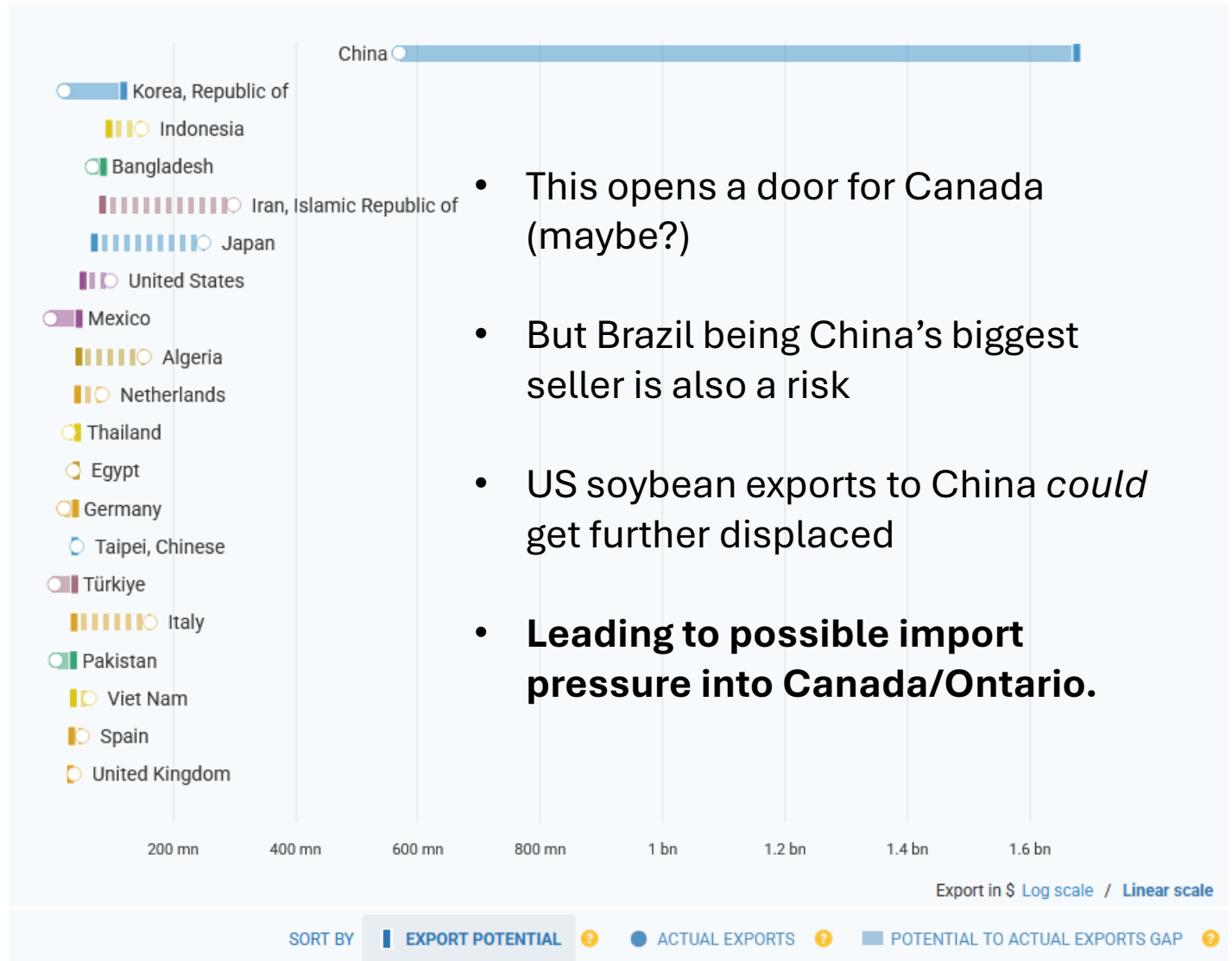


Source: Bloomberg – Green Markets: <https://fertilizerpricing.com/>

Opportunities and Risks: Ontario G&O

Despite the recent 90-day between US-China trade tariffs, China continues to impose 10-15% tariffs on US ag products including soybeans.

- EU just won a temporary reprieve from 50% tariffs from the US.
 - If they return, opportunity for Canadian soybeans?



- This opens a door for Canada (maybe?)
- But Brazil being China's biggest seller is also a risk
- US soybean exports to China *could* get further displaced
- **Leading to possible import pressure into Canada/Ontario.**

Conclusion

- No immediate, large-scale damage to Ontario's G&O sector.
- Some important inputs **are on** the retaliatory list
 - – anticipated price effects until inventory runs out.
- Escalation of the trade war will not only lead to a direct impact, but will have indirect price effects on non-tariffed inputs as well.

Appendix

Model:

$$\begin{aligned}\log(Q_t) = & c + \sum_{i=1}^p \phi_i \log(Q_{t-i}) + \sum_{j=1}^q \theta_j \varepsilon_{t-j} \\ & + \beta_1 \log(p_t) + \beta_2 \log(fx_t) + \beta_3 \log(corn_t) + \beta_4 \log(soy_t) + \beta_5 \log(wheat_t) + \varepsilon_t\end{aligned}\quad (1)$$

Where,

- β_1 = short-run price elasticity of demand
- β_2 = exchange rate elasticity of imports
- $\beta_2, \beta_3, \beta_5$ = cross-price elasticities with respect to corn, soybean and wheat respectively
- ϕ_j = AR parameter on quantity
- θ_j = moving average parameter on past residuals (or shocks)
- ε_t = white noise error

Q_t is the quantity of imports and P_t is the average price of the imported quantity; FX is the exchange rate in time period t and $trend$ captures overall trend of the time series.