



Manitoba Agricultural and Potential U.S. Tariffs – Report to Government of Manitoba

January 30, 2025

Background

The United States plays an indispensable role in the buying and selling of agricultural products for Manitoba producers. Nearly half of our agricultural products flow across the 49th parallel. Under the threat of U.S. tariffs, the Manitoba agricultural value chain is here to provide insights to the Government of Manitoba to inform future decisions to protect our industry and ultimately our entire provincial economy.

Keystone Agricultural Producers (KAP) recently brought together stakeholders from across the Manitoba agricultural value chain. This included crop and livestock producer groups, live animal exporters, red meat exporters, crop and seed production companies, grain handlers, agricultural retailers, and policy think-tanks. Participants have identified a variety of impacts and key U.S. states where strong relationships should be established and continually strengthened by the Government of Manitoba and industry.

The Government of Manitoba must take concrete steps to reduce the likelihood of tariffs as well appropriately manage a reality if tariffs do come into force. The impacts below are also accompanied by recommendations that represent key considerations the province should look at in the coming weeks, months, and years ahead.

Short-Term Impacts

- Producers and exporters have already seen impacts happening prior to any tariff action, specifically in the grain sector with U.S. buyers of Canadian crops holding off on future contracts and the uncertainty this creates.
- Beef producers anticipate an immediate commodity price drop of 10-15 percent, as well as chicken production seeing an impact with the protein market share potentially dropping as more domestic consumption from other Canadian protein sources.
- In the pork sector, there are concerns about job losses, the inability for the domestic market to absorb export losses, and the negative impact on ability to sell weanlings in the U.S. competitively.
- The crop protection and seed sector have concerns about the integration of the supply chain with products going back and forth over the border before becoming a finished product, further exasperating a volatile market.
- Canola producers see a direct and proportional impact on the price they are getting with an already high cost of production, along with disease and pest pressures. Even without tariffs, producers are already second-guessing growing canola due to increase in costs and low market prices.



Long-Term Impacts

- Overall, there will be losses which could impact future expansion and investment across the board, including foreign direct investment due to the uncertainty of Canada's ability to export into America.
- Regardless of the sector, producers have concerns how tariffs would affect the price of inputs if a trade war occurs.
- Decisions being made by Manitoba producers will be impacted, including a reduction in seeded acres of canola and an overall reduced demand for canola meal and oil in the U.S.

Recommendations to Government of Manitoba

Recommendation #1 – Connect with Key U.S. Stakeholders

Trade with America does not occur in isolation—it affects all U.S. states. Businesses and politicians across America represent an opportunity for the province to highlight the importance of Manitoba exports. Emphasize the facts. Why do U.S. states need Manitoba products? How does America benefit from this trading relationship? Persuasion and influence require tact. Strategic collaboration can go a long way in getting the message to key U.S. stakeholders. Working with Manitoba exporters can assist in further understanding where to direct government's attention. The following list of key states are where Manitoba should have a presence and work with fellow western provinces to collaborate given our shared priorities: California, Minnesota, Arizona, New Mexico, Michigan, Ohio, Pennsylvania, Wisconsin, Iowa, Nebraska, Kansas, Texas, Florida, North Carolina, North Dakota, Nebraska, and Georgia.

Recommendation #2 – Establish and Leverage Relationships in Key Export States

Canadian companies can no longer take for granted the good trading relationship that has existed with America for many decades. A good trade relationship can quickly become a bad trade relationship. Improving and establishing relationships in states that import significant Manitoba products should be a high priority for the Manitoba government. On-the-ground relationships are needed. Such an approach requires significant investments from Manitoba, but the alternative would be much worse. American tariffs would certainly be costlier for both Manitobans and government than the investments required for enhancing trade relationships.

Recommendation #3 – Form a Prairie-Wide Alliance

Collaboration with other prairie provinces—who share similar interests—will be key to addressing U.S. tariffs. A united prairie-front improves our chances not only under the threat



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of tariffs but also under a scenario of 25 percent tariffs. In other words, Manitoba, Alberta, and Saskatchewan require not only a unified voice but also a strategic outreach plan for this issue. Intergovernmental collaboration, effective leadership, and the willingness and preparedness are needed to confront this challenge. This coalition must work with the federal government and adapt to the changing geopolitical climate and negotiate appropriately.

Recommendation #4 – Learn from Previous Tariff Disputes

Tariffs can have widespread impacts. But tariffs are not a new policy tool. These policy tools have been applied many times in the past with various effects. Analyzing previous trade disputes can assist decision makers when applying appropriate measures involving tariffs. This could involve mitigation tools to address excess supply, transportation bottlenecks in the supply chain and measures to achieve consensus with other stakeholders.

Recommendation #5 – Strategically Plan for Worst-Case Scenario

The prospect of a 25 percent tariff on Canadian exports represents a potential reality that is difficult to quantify in both numbers and experience. Manitoba producers have steadily increased their export reliance on America in the past few decades. Such a reliance has proven successful when trading relations are good but are detrimental when trade wars occur. Current government programs are not structured for a worst-case scenario involving U.S. tariffs. Strategic planning for such an event would prove beneficial in ensuring government's response is timely, adequate, and beneficial.

Recommendation #6 – Consider Exempting Primary Agricultural Products

If the U.S. does apply tariffs, producers have skepticism about government applying retaliatory tariffs affecting primary agricultural products. Applying tariffs on imported inputs (e.g., pesticides, fertilizers, feed, seeds) would have compounding effects on farm income. But government should consider retaliatory tariffs on retail food products to address the anticipated retail food surplus in Canada if U.S. tariffs occur.

Sincerely,

Colin Hornby

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