

GROWERTALKS

Growers Talk Business

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Marketplace Disruption—Now What?

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The North American Free Trade Agreement (NAFTA) went into effective January 1989. Over the next 10 years most goods became exempt from tariffs based on NAFTA trade arrangements. Years later a new agreement was established to include Mexico—the Canada-U.S.-Mexico agreement (CUSMA, or as it was known in the U.S., the USMCA). The goals of these agreements were to facilitate fair competition and free trade. For years, this agreement has been highly effective, supporting growth in commodity markets and ease of movement between the U.S. and Canada.

On April 3, President Donald Trump implemented trade tariffs on products not included in CUSMA agreements—in some cases, products where the exporting country may have tariffs on the same item inbound into Canada. In retaliation Canada has proposed countervailing tariffs to be leveled on products imported from the U.S. into Canada.

This has created uncertainty and confusion among producers and buyers alike. This uncertainty has challenged our reliability of exports that flowed between the two countries, both from a finished and input product perspective. Although to a large degree most plant products are exempt from tariffs based on the CUSMA agreement, the question in Canada is still the proposed countervailing duties applied by the Canadian government. The result is many questions about reliability of our current buy-and-sell relationships. This uncertainty applies to our customers, suppliers, service providers and ourselves as grower producers. This disruption has rocked the world of trade we knew in our selling and supply chains and has similarities experienced during the COVID years.

I've had many discussions with peer growers in the past month. Depending on the level of exports your business depended on the results could have been catastrophic, especially for Canadian growers very dependent on U.S. markets. Fortunately, in most cases in our sector, tariffs only apply to a few products not included in the CUSMA agreement. These disruptions are cause for a serious review of our sale and supply chain reliability. As we've watched the world become more disruptive in many aspects over the last five years, I believe each of us will need to consider how we might isolate ourselves from future risks associated with geopolitical impacts.

It may be valuable to partner with suppliers reviewing the source of goods and the potential impacts if tariffs were to apply. As producers, we may want to consider vertical integration—consider self propagation or licensing agreements of some products. Consider doing more products for sales in-house versus a buy-in. More specific to Canada, it may be important to source via Canadian channels products such as plastics.

The advantages to these considerations might be more than we think. It could drive higher levels of productivity through our facilities. In the case of self propagation, we may resolve logistical freshness challenges, which may

result in better crop performance.

This is not a knee-jerk approach to tariffs; consider only a short five years ago we experienced these same challenges on supply chains, but in a unique way.

Both countries have enjoyed ease of trade and movement of products on both sides of the border. Yet I dare say as Canadian growers we've benefited to a higher level from the CUSMA agreement than our U.S. counterparts. Being honest, it's fair to say as a Canadian grower shipping into the U.S. we've had a significant currency advantage for many years.

Our customers also want continuity and the uncertainty of pricing or supply is simply not acceptable. If possible, consider shared tariff cost agreements should your product be outside of the CUSMA agreement. Now may be the time to consider a facility or partnership in the customer destination country. This may support future business opportunities while solving logistical challenges.

Certainly, new business challenges have become normal, but the stress is not! It's time to seriously reflect and create contingencies for the unknowns.

In closing, the industry continues to grow with many fantastic opportunities, so I certainly feel positive about the future! **GT**