Squeezed but Standing Firm: How Canada's Farmers Are Weathering the Trade Storm and Building Something Stronger

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It's been a difficult stretch for Canadian farmers. A trade dispute with the United States, soaring fuel costs, and volatile input prices have converged this year, squeezing farm operations from multiple directions at once. Behind the scenes, farmers are absorbing pressure most Canadians never see, and how we weather this storm will dictate where Canadian agriculture is headed in the future.

A shift in the status quo and a trade relationship under strain

Over the past two years, decades of relatively stable trade between Canada and the United States hit a serious rupture. This hit a peak when, after negotiations broke down in mid-August, the U.S. imposed 50% tariffs on a wide range of Canadian imports worth roughly $20 billion. Canada responded days later with its own retaliatory tariffs of 15% to 50% on an equivalent value of American goods. The retaliation list runs to nearly 700 U.S. products across sectors including steel and aluminum, dairy, appliances, agricultural equipment, pulp and paper, and electronics. The situation further escalated, with the US government issuing outright product bans for Canadian dairy and other products, set to take effect on September 29th.

For farmers on both sides of the border, this results in being squeezed from multiple angles. Agriculture equipment often crosses the border several times before a finished machine reaches a farmyard, and tariffs from both countries are now making them more

expensive. And because Canada is the second-largest market for U.S. agricultural exports, having bought $28.4 billion worth of American farm products in 2024, the ripple effects move through supply chains in both directions, disrupting relationships that took generations to build.

Those relationships may never recover as supply chains are re-routed to other markets over time.

The diesel squeeze



Tariffs are only one piece of the pressures facing farmers. This spring, conflict involving Iran and disruptions to Middle East oil shipments sent fuel and fertilizer prices sharply higher worldwide. Bulk farm diesel, which was selling for about $1.10 a litre during last year's harvest, has now topped $2 a litre, an increase of roughly 82%. According to a Grain Growers of Canada analysis, running a single combine through this fall's harvest costs about $15,120 more in fuel alone than it did last year. And that's just one machine. The same increase applies across every tractor, grain dryer, and transport truck a farm operates.

It's a cost that touches every stage of growing and moving food, from the field to the elevator to the truck that eventually reaches your grocery store.

Two pieces of good news

Amid the pressure, Canada has rolled out two measures aimed squarely at giving farmers more room to invest and adapt.

The Productivity Mega Deduction. Unveiled by Prime Minister Mark Carney in September, this measure lets farms and other businesses immediately write off the full cost of eligible new equipment, buildings, and technology, rather than depreciating it over several years. Roughly two-thirds of capital investment will now qualify, compared to about 15% under the previous program introduced in Budget 2025. While work continues to ensure the details provide sufficient support across farmers' various capital expense lines, farm groups have welcomed it warmly, such as the Agricultural Producers Association of Saskatchewan who noted that farm equipment purchases can easily exceed $1 million, and that immediate expensing gives producers a real tool to manage that cost while encouraging investment in productivity-boosting technology.

FCC's $1 billion Agri-food Project Finance Fund. In September, Farm Credit Canada launched a new billion-dollar fund aimed at a long-standing weak spot in Canada's food system: processing capacity. Part of the government's $3.2-billion National Food Security Strategy, the fund is designed to help kickstart projects that expand Canada's processing capacity and help companies overcome financing barriers that traditional lenders often consider too complex. The gap it's targeting is a familiar frustration in the sector: much of Canada's high-quality agricultural output is shipped abroad for processing before coming back to Canadian grocery shelves. More domestic processing means more value staying at home.

The bigger picture



Farmers are managing higher input costs, disrupted markets, and genuine uncertainty about what trade with our largest partner looks like going forward. It’s not just painful for farmers, as these pressures are experienced throughout the entire supply chain and are beginning to be reflected in the price of the food on grocery shelves.

But there's a case to be made that this disruption is also accelerating something Canadian agriculture has needed for a long time: a push to diversify markets beyond the U.S., build more processing and value-added capacity at home, and invest in the productivity tools that keep farms competitive. The Productivity Mega Deduction and the Agri-food Project Finance Fund are both, in their way, bets on a positive future, one where Canada relies less on any single trading partner and more on the strength of its own food system. One where Canada could grow into an agriculture and food superpower.

The old status quo with the U.S. isn't a guarantee, and Canadian farmers and consumers are absorbing the shock in the meantime. But the response taking shape suggests that when the dust settles, Canada's agriculture sector may come out of this leaner, more diversified, and more resilient than it went in.