Navigating Uncertain Weather: Canada’s Canola Industry Amid Tariffs From China & The U.S.

The recent imposition of tariffs by China and the looming threat of tariffs by the United States on Canadian canola products has created challenges for businesses and individuals throughout the entire food and agriculture sector. These tariffs have significant implications not only for growers, with the decision to plant crops for the 2025 growing season just around the corner, but also for input providers, life sciences companies, processors, crushers and exporters. The legal impacts of this rapidly changing trade war are profound.

Current situation

At the time of writing (April 21, 2025), on imports of Canadian canola oil and canola meal, in addition to 25% tariffs on certain pork, fish and seafood products. As the Government of Canada notes, China’s decision to impose tariffs is deeply disappointing, given its impacts on businesses, farmers and harvesters in Canada’s agriculture sector. In 2024 alone, Canada exported $920.9 million of canola meal and $21 million of canola oil to China.

Compounding the effect of China’s tariffs are growing uncertainties regarding whether further tariffs will be imposed by Canada’s southernly neighbour, the United States.

While Canada braced itself for 25% tariffs on Canadian imports in early March, including tariffs on canola seed, canola oil and canola meal, on April 2, 2025, President Donald Trump issued an Executive Order which provided that goods from Canada or Mexico that qualify as originating under The Canada-United States-Mexico Agreement ("**CUSMA**") would continue to be eligible for preferential treatment under CUSMA on import into the United States.

According to the Canola Council of Canada ("**Council**"), this Executive Order is a relief for Canadian producers of canola and canola products, provided such products are compliant with CUSMA. According to the Council, the United States is Canada's main market for canola exports, with total exports in 2024 valued at $7.7 billion. In 2024, record high volumes of canola oil (3.3 million metric tonnes) and canola meal (3.8 million metric tonnes) were exported to the U.S. At the producer level, canola remains the single largest contributor to farm cash crop receipts.

Legal impacts of tariffs

The effects of the tariffs currently imposed by China – and those that will apply if the CUSMA-compliant preferential treatment exemption afforded by the United States is revoked or determined not to apply – have significant legal and financial implications for various participants in the canola industry.

In addition to considering the impacts of tariffs on the bottom line, farmers, harvesters and businesses should also turn their minds to their existing legal agreements and available supports to weather this year's uncertain growing season:

1. **Confirm compliance with CUSMA:** As Canadian canola products that are compliant with the originating requirements under CUSMA will continue to receive

preferential treatment from tariffs when imported into the United States, businesses and those importing into the United States must review their imported products against CUSMA's originating requirements to determine compliance. As preferential treatment under CUSMA allows for canola products to be imported on a tariff-free basis, compliance is ultimately important.

2. **Review contractual obligations:** Contracts that were negotiated before the current climate of escalating trade tensions and tariffs are unlikely to reflect the current commercial reality. Contracts and agreements should be revisited with a view to renegotiating and amending those terms and conditions that are inconsistent with the current economic climate or create undue hardship on the party that bears the cost of the tariffs on imports.
3. **Review current and potential supply chains and markets:** As the costs of importing canola products into China has increased, businesses should evaluate their current supply chains and markets for their products, and consider available alternatives to mitigate the risks and adverse impacts of tariffs. This involves strategic planning by businesses to determine the viability of new vendors, suppliers and markets for sourcing, producing and selling their products.
4. **Consider available government support and assistance:** In response to China's imposition of tariffs, the Government of Canada has expanded supports for producers in the agricultural sector under the AgriStability program, including by doubling the current AgriStability payment cap to $6 million. In addition to federal supports for the 2025 AgriStability program year, provincial and territorial governments have been provided with options to assist producers financially faster. Producers and businesses impacted by tariffs may consider receiving support through other government programs available to help navigate the risks of ongoing

economic uncertainty and financial hardship.

Key takeaways for canola industry

The rapidly changing trade relationship with China and the escalating trade war with the United States has participants in the canola industry watching the news as closely as the weather forecast. As the imposition of tariffs has far reaching – and significant – legal impacts for the canola sector, it is important for participants to be aware of the changing legal landscape and consider available options to mitigate the adverse effects of tariffs on their business.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

Authors: Natasha Hepp, Scott Exner, Cassidy Cyra

MLT Aikins LLP