



Food Inflation Report

March 2025

Food inflation remains steady but under pressure

Inflation this past month was largely in line with the Bank of Canada’s targeted range, with food inflation at 2.8% in February, mainly driven by increases in meat and produce prices. With a weaker Canadian dollar and ongoing tensions and tariffs with key trading partners, food prices remain under pressure.

How tariffs drive food inflation

There has been significant discussion about the impact of counter-tariffs imposed by the Canadian government on a range of U.S. goods in grocery stores – a 25% increase on products including orange juice, rice, produce and personal care items. While implemented in early March, food prices have been relatively unimpacted so far, as retailers continue to sell through products on shelf and in inventory. Some produce prices are beginning to see increases, with meat expected to follow shortly after. Pantry staples – pasta, condiments, etc. – will flow through later. Retailers continue to work with vendors to minimize the impacts for customers, including searching for alternatives to U.S. products.

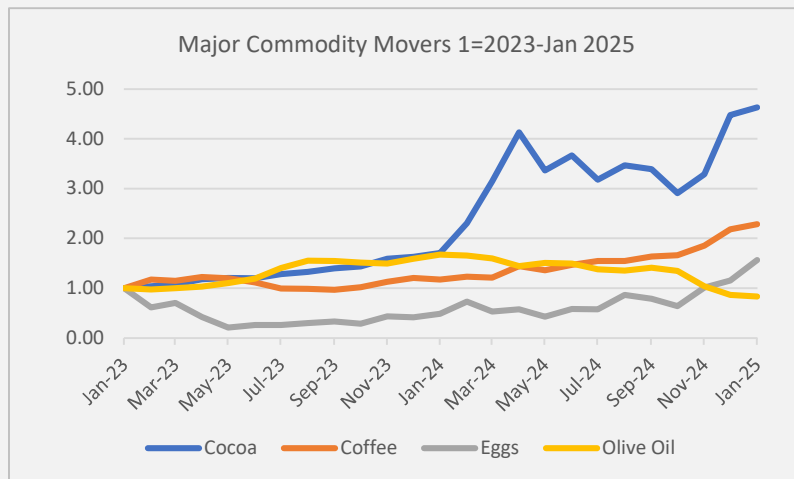


The "hidden" impacts of tariffs on food

There are lesser-known impacts to the trade war with U.S. that will impact food prices here in Canada. For example, the U.S. tariffs on Canadian-produced steel, aluminum and corrugate, are expected to increase costs throughout food supply chains.

In 2018 there were similar tariffs on Canadian aluminum. Packaging in North America functions along the same lines as the automotive industry – with materials crossing the border multiple times throughout its processing. Both steel and aluminum cans (impacting canned goods, pop and beer) as well as other packaging materials may see increases, putting upward pressure on the final cost of goods.

Higher commodity prices are the new norm



▲ **Coffee** – Retail prices for coffee are starting to increase, as supply remains weak due to extreme weather in growing regions. This is expected to continue throughout the first half of the year.

▲ **Cocoa (Chocolate)** – Cocoa prices have stabilized in recent weeks albeit at extremely high levels following global supply struggles. As we head into the Easter season, customers should expect higher than usual chocolate prices.

▼ **Sugar** – Sugar is down 12% since the last quarter, with increased supply of sugarcane outpacing current demand.