



Food Inflation Report

May 2025

Food inflation remains high but outlook moderates

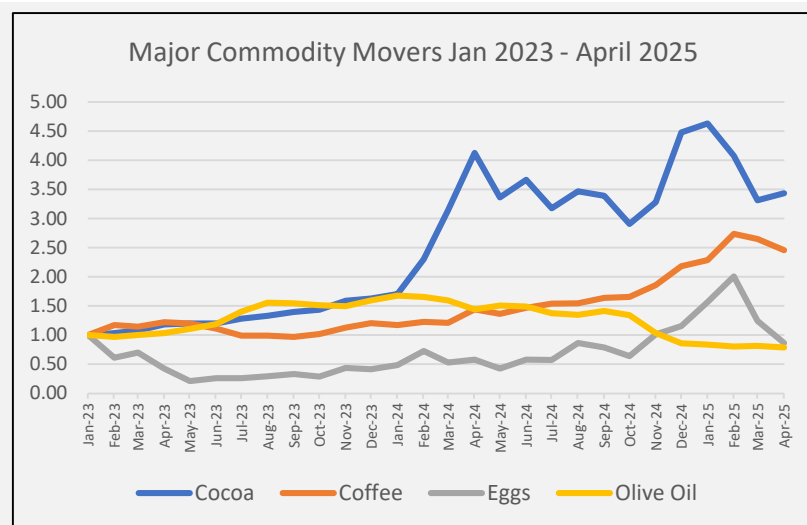
As anticipated, food inflation at 3.8% continued to outpace CPI in April, with the weaker Canadian dollar over the winter months that challenged purchasing power, and shelf prices reflecting the initial impact of tariffs on U.S. food products, particularly in produce. However, last month the Government of Canada introduced a six-month reprieve on tariffs on certain U.S. imports used in Canadian food manufacturing and packaging, easing concerns about a broader impact of retaliatory tariffs on groceries. This policy, combined with recent stabilization in the Canadian dollar, has helped reduce the risk of a sharp or prolonged spike in food inflation.

New Tariff Rules Ease Pressure on Canadian-Made Goods — But Thousands of Everyday Items Still Set to Rise in Price

The Government's announcement exempts "indirect tariffs" for products from the U.S. that are used in the manufacturing of final goods here in Canada. As outlined in the previous report, indirect tariffs were of significant concern for food prices, given the widespread use of imported ingredients — such as chocolate chips or peanuts — in Made in Canada products. With this change, only final products imported from the U.S. are now subject to tariffs, providing relief on a significant number of products on shelf.

That said, thousands of different items continue to have tariffs applied. Tariffs remain on food products imported from the U.S. like produce, rice, pasta, dairy, and coffee, as well as health and wellness products including soap, shampoo and cosmetics. In a conventional grocery store, there can be upwards of 80,000 items, and consumers can expect tariff-related increases on approximately 6,000, about half of which are food. In general, most food categories with tariffs also have non-U.S. alternatives.

In order to minimize the impact of these tariffs, grocers are sourcing from new countries and are helping customers make more informed choices through labelling. In addition, manufacturers are looking for ways to keep prices down for customers, including by shifting supply chains to by-pass the U.S.



Commodity improvements in April were predominately due to the **strengthening CAD** along with some downward pressure on key products (sugar, olive oil).

Meat prices continue to increase, led by fresh and frozen beef which are up more than 16% since this time last year, due to lower supply.

Cocoa costs and further on-shelf prices continue to increase, lapping a significant increase last year.

Coffee has plateaued after months of volatility.

Eggs in Canada have not seen the same spike as in the U.S., however U.S. pricing impacts manufacturing and liquid egg prices here.