

Potential Impacts of Tariffs in Canada and Mitigation Strategies

February 4, 2025

We are actively monitoring and assessing the impacts of the tariffs implemented by the United States on Canadian goods, as well as the retaliatory tariffs on \$30 billion worth of goods announced by the Canadian government on February 2nd. Although these tariffs were initially expected to take effect on February 4th, a 30-day pause was implemented on February 3rd. As such, we will remain focused on preparing for this evolving situation and providing CPS members with insights on how costs may be impacted in their operations.

Consequences of the Trade War:

- 1. Retaliatory Tariffs:** Goods sourced from the US that are on the list published by the Canadian government may be subject to an up to 25% import tariff. The extent of this impact will depend on where each of our supplier partners sources their goods. We have completed an initial assessment of the key categories relevant to our clients below.
- 2. Supply Chain Disruptions:** Changes in the demand for local versus imported products may impact the availability in the short term. Initially, some prices may decline in Canada due to oversupply, but as Canadian suppliers reduce production because of declines in US exports, prices in Canada could be affected.
- 3. Inflationary Pressures:** As the demand shifts to alternatives, prices for those alternatives may increase. For example, switching from US produce to local or alternatives from Mexico or South America, where supply may be insufficient, could drive up prices.

Mitigation Strategies and Contractual Protections:

- 1. Proactive Mitigation Strategies:** For categories that may experience tariff activity, we in partnership with our suppliers are actively identifying alternatives. The decision to transition product lines will depend on the tariff levels and the current premiums of these alternatives. Our sourcing professionals are conducting ongoing discussions within our supplier network to determine the best options.
- 2. Contractual Protections Against Unjustified Price Changes:** Our contracts safeguard CPS members against unwarranted price adjustments. Suppliers must substantiate any tariff-related pricing impacts that may require contract amendments. CPS members will be notified in advance of any price modifications due to tariffs.
- 3. Commitment to Price Stability and Client Communication:** We currently source more than 70% of our recommended products from within Canada and do not anticipate immediate price increases. Should material changes occur in specific products or categories, we are committed to addressing them collaboratively and will communicate promptly with CPS members to help facilitate seamless transitions to alternatives.

Cautionary Note: Private and Confidential. Please note that the information provided herein is intended to convey general information regarding Complete Purchasing Services current strategies for mitigating the impacts of potential new tariffs and is not intended to provide any legal advice or opinion on the likelihood or magnitude of the imposition of any new tariffs. The contents herein should not be construed as, and should not be relied upon for, legal advice in any particular circumstance or fact situation, and do not alter the terms of any agreements held by any party with Complete Purchasing Services. In addition, as the situation regarding potential new tariffs remains fluid, the information presented may not reflect the most current strategies of Complete Purchasing Services. No action should be taken in reliance on the information contained herein, and Complete Purchasing Services disclaims all liability in respect to actions taken or not taken based on any or all of the contents herein to the fullest extent permitted by law.

4. **Supplier Adjustments:** We have partnerships with multiple suppliers in many categories; this diversification provides us with sourcing options to reduce risk. We will assess opportunities to change the manufacturing locations of current supply partners to help avoid tariff-related costs.
5. **Distribution Network:** Currently, tariffs are not expected to impact the current distribution network. We will continue to monitor and evaluate any changes that could affect distribution logistics.

Assessment of Canadian Retaliatory Tariffs on US Products:

Our sourcing team has completed an initial assessment of the retaliatory tariff categories relevant to our clients. Many of these categories are sourced in Canada, meaning the impact will be limited due to Canadian retaliatory tariffs. However, it is worth noting that some categories may present short to medium-term challenges. Below is our initial review of the relevant categories in the retaliatory tariff list related to our contracted suppliers:

Category	Projected Impact	Estimated % US Sourced
Poultry Products: <ul style="list-style-type: none"> Chicken Turkey 	Low	<10%
Dairy Products: <ul style="list-style-type: none"> Milk, Cream, Buttermilk Butter Yogurt Cheese Ice Cream 	Low	<10%
Eggs and Egg Products	Low	7%
Fruits and Vegetables: <ul style="list-style-type: none"> Tomatoes Cucumbers Citrus Fruits (oranges, lemons, grapefruit) Melons Berries Stone Fruits Snap Peas 	High	25% to 50% (varies by product)
Spices: <ul style="list-style-type: none"> Pepper, vanilla, cinnamon, cloves, nutmeg, mace, cardamoms, anise, fennel, coriander, cumin, ginger, saffron, turmeric, thyme, bay leaves, curry, and other spices. 	Low	7%

Category	Projected Impact	Estimated % US Sourced
Condiments:		
<ul style="list-style-type: none"> Ketchup Mustard Soya Sauce 	Medium to High	30% to 60%
Salad Dressing:		
<ul style="list-style-type: none"> Salad Dressing Mayonnaise 	Low	15%
Coffee	Medium	35%
Tea	Low to Medium	22%
Honey	Low	<5%
Nuts / Peanut Butter	Medium	40%
Soups	High	90%
Water	Low	10%
Salty Snacks	Low	<10%
Orange Juice	Medium	>50%
Confectionery Products		
<ul style="list-style-type: none"> Sugar Syrups Cocoa 	Low	<10%
Prepared Bakery Products		
<ul style="list-style-type: none"> Pizza Pies Cakes Other Pastries 	High	>50%
Oils and Margarine	Low	<10%
Shrimp and Prawns	Low	<10%
Bottled Water	Low	10%
Smallwares		
<ul style="list-style-type: none"> Forks, spoons, knives, cups 	Medium	>25%
Paper and Cardboard Products		
<ul style="list-style-type: none"> Toilet Paper Boxes Bags Food Packaging Plates and Cups 	Low	<10%
Tablecloths, Disposable Napkins, and Facial Tissue	Low	<10%
Blankets, Linens and Other Textiles	Low	<10%
Furniture and Mattresses	Low	<15%
Towels, Dusters, Dish and Cleaning Cloths	Low	<10%
Appliances: Dishwashers, Refrigerators, Freezers and Laundry Machines	High	>50%

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Summary of the Most Impacted Categories and Suggested Alternatives:

- 1. Orange Juice:** Dispensed juice is imported from the US and some portion and bulk juices are produced in Canada but rely heavily on input from the US. To help mitigate costs, consider managing your current inventory on orange juice, switching to other varieties such as apple, pear, or cranberry where possible, switching to orange blends, and reducing portion sizes where possible.
- 2. Condiments:** Some ketchup and mustard products are imported from the US. CPS members should consider using a Canadian sourced alternative.
- 3. Soup:** Many soup products are sourced from the US; alternatives are possible from other Canadian based suppliers.
- 4. Coffee:** CPS members should continue to use our preferred coffee supplier who is sourced in Ontario. Other coffee brands are imported from the US. Note that coffee prices are at record highs, which is unrelated to tariffs.
- 5. Peanut Butter:** CPS members should continue to use our preferred peanut butter supplier who is sourced in Canada; there are peanut butter suppliers who are importing from the US.
- 6. Prepared Bakery Products:** Pizza is sourced in Canada; pies are imported from the US and cakes and sheet cakes are primarily produced in Canada with some higher end products imported from the US. Pastries such as croissants and Danishes are produced in Canada.
- 7. Fresh Fruits and Vegetables:** Despite the fact that a high percentage of products in the fresh produce category come from the US, the Canadian government has excluded the vast majority. Some high volume/impact items like tomatoes, cucumbers, citrus items, beans and berries are included. We recommend CPS members modify menus and recipes to eliminate or reduce the use of these items over the next few months. Menus can then be re-adjusted to include items like tomatoes, cucumbers and berries as the source for these items will transition to Canadian farms.
- 8. Appliances: Dishwashers, Refrigerators, Freezers and Laundry Machines:** Most dishwashers, laundry, refrigerators, and freezers are sourced from US suppliers who produce all of their products in US plants. We are exploring European and local suppliers for alternative sourcing of goods.

We thank you for your continued trust and support and are committed to ensuring a cost-effective supply chain for CPS members. As the situation evolves, we will provide more details on alternatives when and where required. Over the next few weeks and as the situation evolves, we will communicate further mitigation strategies or alternatives to categories that may be affected.