


FROM TRADE WAR

TO TABLE

As the U.S.-Canada trade war escalates, restaurant operators face tough choices: absorb rising costs, shift sourcing, or pass the price on to customers

BY LAURA PRATT



“The tariffs are terrible,” says Peter Mammias, president of Quebec-based Foodtastic, which operates 27 brands in Canada across 1,100 restaurants, including Second Cup, Milestones, and Pita Pit. “From procurement of products to the general economy and consumer confidence, all are negatives to the restaurant industry.”

On March 4, 2025, U.S. tariffs of 25 per cent on Canadian goods, and 10 per cent on energy exports from Canada imported into the U.S. from Canada, came into effect. The U.S. indicated that this action was in response to national security concerns, particularly related to illegal immigration and the flow of fentanyl and other drugs into the country.

For the most part, Canadian restaurants have been pre-emptive in response, shedding American products and pivoting to feature a Canada-forward bias. Most concerning, say those with an eye on the constantly evolving scene, is the hit Trump's decisions — and Canada's retaliatory response — will have on consumer confidence, a psychological essential with a long reach into spending behaviour.

"People will be losing jobs and will buy less," says Mammias. Beyond that, this operator isn't fussed by the specifics. He believes restaurants will manage the procurement side "quite well," adding that his operation, which employs more than 27,000 Canadians, has already arranged to purchase much of its Florida and California produce from Mexico. "We don't see a big problem there. Maybe a five-per-cent increase because of transportation."

Mammias doesn't anticipate any changes to his menu offerings given that they're more than 90-per-cent Canadian sourced already. Procurement of alcohol isn't a serious concern either. "We'll just sell alcohol from other parts of the world."

The restaurant will order cutlery, glasses and dishware from China, Turkey and the Middle East, and its in-house millwork will be accomplished by Canadian technicians. As for equipment that's U.S. specific — such as proprietary ovens and fryers to which the team is accustomed — the business will have no choice but to pay the increased price — probably \$20,000 to \$40,000 per new location. "But that's not going to stop us. It's not fun, but we're still going to build the restaurants."

In March, Mammias predicted "two months of scrambling," and anticipated the summer months when produce would shift to local producers and restaurateurs would sharpen their planning for the fall and winter seasons ahead. "We're really praying that a solution comes and Canada has to do what it has to do."

It's impossible to put a dollar figure on how much the tariff war will cost the Canadian restaurant industry, says Restaurants Canada's president and CEO, Kelly Higginson, but "I can say we're very concerned."

Mostly, says Higginson, the worry is around how Canadians will respond once they start to feel a pinch. Restaurant visits are an "early indicator" of economic challenges, she says, and notes they were down five per cent in mid-March, year over year, from the same

“ THE BEEHIVE HAS BEEN SHAKEN AND WE'RE ALL TRYING TO FIGURE OUT WHAT TO DO NEXT TO STAY VIABLE ”

— TONY SIWICKI, OWNER/OPERATOR OF SILVER HEIGHTS IN WINNIPEG

period in 2024, the lowest since early COVID.

HARD PIVOTS

Tony Siwicki's grandparents opened Winnipeg-area family restaurant Silver Heights in 1957. As a third-generation operator, Siwicki deals with local reps, historically sourcing, among an abundance of local products, U.S. trademark Angus beef from an American-owned Manitoba beef plant, along with California citrus, Texas cauliflower, and Kentucky bourbon.

When the American tariffs were first in the wind, Siwicki ditched his bourbon, eight California wines, and on-tap American brews and engaged with his rep to order comparable booze from Canada and Europe. Produce was next on the list, and it proved more challenging.

"We're talking with our reps every day. We can't change our menu as fast as he changes his mind."

He was "shocked," he says, to learn how much the restaurant buys from the United States, including cheese, vanilla, nuts, paper plates, and peanut butter.

Siwicki's got local suppliers on speed dial with a message of: "If push comes to shove, where can I get this stuff locally? And how much will I pay for it?" The restaurant's "locking in prices for chicken, eggs, beef, and pork locally."

The problem, says Siwicki is, with everyone buying locally, the supply's going to dwindle. "We have to be very cautious and quick. Beef is going to be an issue. It's timing. There are no cattle. They're all calves and we have to wait two years before they can be part of the market."

Easier to switch have been non-food items, such as takeout containers, foil, straws and cleaning supplies. While Silver Heights has traditionally imported much of these products from the U.S., where they're cheaper, Siwicki's intention is to source as many Canadian alternatives as possible. "Our customers are the ones making the purchases and they're saying they won't buy American."

Siwicki says it's paramount that the replacements be top quality. "You can get cheaper stuff somewhere, but you don't want to be cheaping out on your menu. But it can't cost you an arm and a leg; you can't push the cost onto your customers. The beehive has

been shaken and we're all trying to figure out what to do next to stay viable."

But the restaurateur is hopeful. "This industry is resilient," Siwicki says. "We're able to make new relationships, we're very creative. Everybody's there to help, to think of ways to be profitable, to adapt, to pivot, to change, with technology, with advertising. To support your local business that's been around. You can't help everyone but everyone can help someone."

THE INTEGRATION ISSUE

The complication is tied up in how integrated the Canadian and American food-supply chains are. Restaurants Canada has made its argument with an image of a hamburger, with the dual provenance of its component parts highlighted (such as beef born in Alberta, raised in Nebraska and processed in Colorado).

"That's been the beauty of this relationship," says Higginson. "We produce a lot of the

raw products that go to the U.S., where they manufacture them into purchasable products for us."

As for what operators can do to prepare themselves, Higginson recommends that everyone become "a little more nimble with their menus" by cultivating a relationship with suppliers and ensuring they know to activate options if things go south.

Beyond that, she says, if a restaurant doesn't already have some sort of inventory-management program, it should add one. "Carefully monitoring inventory is going to be more important than ever in order to pay attention to where you're buying from and how much you're paying, because of the pricing fluctuations we're going to see — and not just because of tariffs but because of supply and demand."

One way to maximize pricing efficiency is to raise standard menu prices but keep specials priced low, offering something of value to the bargain hunters in the customer

base, says Ben Johnston, COO of small-business lender, Kapitus.

He also suggests shrinking portions and introducing new elements to the menu under cover of price hikes. "New and exciting items make it harder to discern specific price increases."

Some restaurants have also driven profitability by featuring lower-cost but higher-margin food items through menu placement and attractive pictures.

The Cork & Cast is a family-operated casual-dining restaurant on one of Charlottetown's historical streets. When executive chef Rebecca Reardon heard about the tariffs in February, she reached out to her suppliers in pursuit of Canadian replacements for American products.

Her supplier, Gordon Foodservice, began flagging Canadian products on its system and, while she's had to keep produce orders mostly south of the border (save the indoor lettuce farm she found in New Brunswick),

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CROSS-BORDER BITES

American quick-service brands set their sights on expansion into Canada

BY AMY BOSTOCK AND MORAG MCKENZIE

In recent years, Canada has become an increasingly attractive market for U.S.-based restaurant brands seeking growth opportunities. Despite economic challenges, including trade tensions and tariffs, many brands view Canada as a natural extension of their operations, citing cultural similarities, a strong middle class, and an appetite for new dining experiences. With a relatively stable economy and a growing urban population, Canada offers a fertile ground for U.S. brands looking to establish an international presence.

UNTAPPED POTENTIAL
For many U.S. brands, Canada represents a largely untapped market with high potential. The country's foodservice industry continues to evolve, driven by

“ THE TARIFFS ARE TERRIBLE. FROM PROCUREMENT OF PRODUCTS TO THE GENERAL ECONOMY AND CONSUMER CONFIDENCE, ALL ARE NEGATIVES TO THE RESTAURANT INDUSTRY ”

— PETER MAMMAS, PRESIDENT OF FOODTASTIC

Flanagan's working to steer customers to Canadian-origin products, having added Canadian flags beside Canadian-manufactured or -converted products to their online-ordering platform from the first whiff of tariffs.

"Everyone's being proactive now in leveraging the Canadian supply chain and working with GS-1 Canada to source supply that can be used to replace a tariff-impacted product," says Stafford.

But with consumer confidence and disposable income on the decline, anything that impacts a restaurant operator's costs, says Stafford, "has a serious impact on its business. We know restaurants can't increase their costs." "At some point," says Stafford, "This will settle. Common sense will prevail and there'll be some balance struck."

THE FOOD CARVE-OUT

For their part, American restaurants are also unhappy about these developments. In the flurry of Trump's impositions and delays of tariffs on Mexican and Canadian goods, a group of restaurant chains that included McDonald's Corp., Taco Bell parent company Yum! Brands, and Dunkin' owner Inspire Brands, recently met with White House economic advisors to express their concern on the duties' negative impact on the industry given its reliance on imported meat and produce.

Led by the National Restaurant Association, the meeting featured a request to exclude food and drinks from the duties, arguing that the levies would cost the industry

about US\$12 billion and cut into the sector's already thin margins.

North of the border, Restaurants Canada is in similar conversations with the Canadian government about retaliatory tariffs, and is asking the feds to exempt food and food packaging, because, says Higginson, "they're so essential to the quality of day-to-day life and that would allow operators to have access to [affordable] food and help Canadians respond to increasing costs."

THE COVID PRECEDENT

"This is COVID 2.0 already," says Siwicki, invoking a popular comparator for the current scene. "We went through it five years ago, with Canada running out of products and some of us having to pay double and triple."

Indeed, agrees Dr. Sylvain Charlebois, senior director of the Agri-Food Analytics Lab at Dalhousie University, restaurants can learn from their COVID experience about supply-chain management and procurement. "If you're a restaurant operator that's survived the last five years, I think you're in good shape to survive this as well."

"It's hard to plan as a business if you have no idea how much you're going to pay for your products due to geopolitics," says Charlebois. "But it isn't going to last forever. This is a vision implemented by a regime that has a best-before date. Restaurant operators are smart enough to understand that. Be patient and continue to work with your supply chain to adapt. You've done it before." **FH**

she appreciates governmental moves to make inter-provincial trade easier and is devoted to building a menu that showcases Canada, including Nova Scotia seafood, and the restaurant's famous flattop potatoes from its home province.

KEEPING UP RELATIONS

Restaurants Canada is shying away from pushing a Canada-only agenda, because, says Higginson, "it's almost impossible for the entire \$114-billion industry to use only Canadian products. There aren't enough for us to function," to say nothing of integration, which might see a bun made from Saskatchewan wheat processed in California.

More than that, she says, there's the challenge of Canadian weather, which limits produce production significantly. And then there's operational supplies, such as dishwashers, more than 90 per cent of which come to Canada from a few areas of the U.S., and steel, which might arrive in raw form in the States, where Americans manufacture it into a product of commercial-grade kitchens. "We're not going to be able to flick a light switch and be able to manufacture the number of sinks and cutlery we need overnight."

As for other markets, establishing new ties takes time, and for perishable foods, shipment duration and costs present serious roadblocks.

Neither is she a fan of a vocal anti- U.S. sentiment, given the global roots so many Canadian businesses have in the States, with many big restaurants buying 90 U.S. of their beef and 100 U.S. of their eggs from Canada, where hundreds of people are employed to supply them in towns where independent franchisors and operators of American brands also support their families. "I really want Canadians to remember that [this inter-connectedness is] a really important driving factor."

While she believes the Canadian government is doing the right thing by hitting back hard against American tariffs, she hopes this doesn't continue for four years "because it's uncertainty that lowers consumer confidence, which will impact our businesses."

Bill Stafford, president and CEO of Kitchener, Ont.-based foodservice distributor Flanagan Foodservice — the third-largest in Canada and the largest one that's Canadian owned — says, "There's no opportunities for tariffs to be absorbed by the supply chain."



increasing consumer demand for convenience, diverse cuisines and high-quality dining experiences.

Roland Dickey, Jr., CEO of Dickey's Capital Group, notes that Canada lacks a dominant competitor in the authentic barbecue category, making it a prime market for its "Legit. Texas. Barbecue." concept.

"Canada's food culture is craving something new – something real," Dickey says. "Dickey's brings authentic barbecue and a guest experience built on Southern hospitality."

Similarly, Fazoli's, an American-Italian quick-service chain, sees Canada as a strong first step in its international expansion. Taylor Wiederhorn, Chief Development Officer at FAT Brands, which owns Fazoli's, emphasizes the importance of cultural familiarity. "From a cultural perspective, Canada has similarities to the U.S., which allows for an easier introduction to the market and ultimately a higher acceptance rate by the consumer."

Beyond these two brands, other U.S. restaurant chains such as Five Guys, Chick-fil-A, and Shake Shack have also identified Canada as a prime expansion market. The success of early entrants has encouraged more American brands to explore Canadian opportunities, reinforcing the business case for expansion.

Canada's restaurant landscape has also been shaped by well-established franchise operators such as Redberry Restaurants and Foodtastic, which have played a crucial role in bringing U.S. brands into the country.

Redberry, one of Canada's largest restaurant franchisees, operates more than 175 Burger King and Taco Bell locations. The company's extensive experience in the Canadian market allows U.S. brands to leverage its expertise in real-estate selection, operations and marketing. This has made it a preferred partner for American chains looking to scale rapidly in Canada. Its newest partner, Jersey Mike's, was founded in 1956 on the Jersey Shore in the U.S. and has grown to more than 2,800 locations across that country.

"What makes a Jersey Mike's Sub unique is its authentic deli-style experience, including premium-quality meats and cheeses that are sliced fresh to order and cooked in-house," explains Ken Otto, CEO Redberry Restaurants. There are currently six Jersey Mike's locations in Ontario, with plans to open 300 across Canada.

Similarly, Montreal-based Foodtastic has played a significant role in growing both domestic and international brands in Canada. The company, which owns home-grown brands such as Pita Pit and Second Cup, has also acquired master franchise rights for major U.S. chains, helping them establish a strong presence in the market. Foodtastic's strategic expansion model prioritizes

locations with high consumer demand and strong franchisee support, making it an attractive option for U.S. brands looking to enter Canada.

Jimmy John's, founded in 1982 in Illinois, is the newest addition to the Foodtastic portfolio. The brand began as a small sandwich shop known for its freshly baked bread, premium ingredients and "freaky fast" service, and has since grown to more than 2,700 locations, opening its first Canadian operation in 2024 in Mississauga, Ont. with plans to open up to 200 more in the coming years.

By partnering with established Canadian operators such as Redberry and Foodtastic, U.S. restaurant brands can mitigate some of the risks associated with expansion, ensuring smoother market entry and sustained growth.

SOURCING STRATEGIES

While tariffs and trade tensions between the U.S. and Canada have created obstacles for some businesses, leading brands have proactively mitigated these risks. Dickey's, for example, has adapted by sourcing 100 per cent of its proteins and about 90 per cent of its furniture, fixtures, and equipment (FF&E) locally.

"We source [all] of our proteins in Canada," says Jim Perkins, EVP of International Sales & Support for Dickey's. "That not only avoids tariffs but gives our Canadian stores a sense of pride in serving local ingredients."

Fazoli's follows a similar approach, leveraging FAT Brands' scale to mitigate cost increases. "We work to source as many ingredients and equipment as possible in the market prior to bringing anything in from the U.S.," says Wiederhorn, adding that this practice predates the current tariff environment and aligns with its long-term global sourcing strategy.

Economic fluctuations, such as currency exchange rate variations, also play a role in shaping expansion strategies. A strong U.S. dollar can make imports more expensive, which is why U.S. brands are prioritizing local partnerships and regional supply chains to maintain competitive pricing.

Fazoli's and Dickey's have both invested heavily in local supply chains to minimize disruptions. Dickey's has created a task force of franchisees and corporate leaders to continuously assess and optimize sourcing strategies. "If there's a smarter, more cost-effective way to do something locally, we do it," Perkins explains.

Fazoli's, which is expanding in Canada through a partnership with Calgary-based Briwin



“CANADA'S FOOD CULTURE IS CRAVING SOMETHING NEW – SOMETHING REAL”

– ROLAND DICKEY, JR., CEO OF DICKEY'S CAPITAL GROUP

often assume their menu and service model will translate seamlessly into the Canadian market, success requires a degree of adaptation. Canadians, for example, have a strong preference for fresh, locally sourced ingredients and are more health-conscious compared to the average U.S. diner. This has led to menu modifications, such as reduced sodium content, plant-based options, and smaller portion sizes.

Additionally, regional preferences vary across the country. A concept that performs well in Ontario may require adjustments to succeed in British Columbia or Quebec. Bilingual packaging, marketing, and signage are also essential in provinces like Quebec, where French is the dominant language.

U.S. operators see other differences between Canada and its neighbour to the north. "Canada is geographically much bigger, but with one-tenth of the population, so there are a lot of rural areas and fewer cities. U.S. brands need to fit into suburban areas to be successful," says Peter Mammias, CEO of Foodtastic.

Operating in Canada also requires brands to adapt to provincial franchising and labour laws, which differ from the more uniform U.S. regulatory environment. Perkins notes that Dickey's has developed province-specific operational playbooks to ensure compliance and efficiency. "Each province is like a mini-market — and that kind of granularity fits our franchising model well," he says.

Similarly, Fazoli's finds Canada's business environment comparable to some U.S. states, particularly California. This familiarity has made the transition smoother, with FAT Brands expressing confidence in its ability to navigate Canadian regulations effectively.

However, labour costs and workforce availability remain ongoing challenges. Minimum-wage rates vary across provinces and tend to be higher than in many U.S. states, impacting profit margins. To address this, brands are investing in digital solutions, such as self-service kiosks and mobile ordering, to optimize labour efficiency while enhancing the guest experience.



Despite the economic climate, U.S. brands remain bullish on their long-term prospects in Canada. Fazoli's is launching its first location in Calgary and has committed to developing at least 25 restaurants through its partnership with Briwin Restaurants Inc. However, the company believes the market could eventually support two to three times that number.

For Dickey's, success is measured by franchisee profitability and community engagement. "We don't grow for headlines. We grow for legacy," Dickey states. "Our Canadian footprint will be built by passionate operators who believe in the brand." **FH**



TARIFF TURMOIL

U.S. tariffs and Canadian counter tariffs will have an impact on the franchise industry

BY SOTOS LLP

On Mar. 3, 2025, the Trump administration confirmed that the U.S. would proceed with imposing blanket tariffs on imports from Canada and Mexico, with increases to existing tariffs on China, effective Mar. 4, 2025. These tariffs include 25 per cent on all imports from Canada and Mexico, with the exception of Canadian energy resources and minerals, which face a reduced 10 per cent tariff. The tariffs were initially planned to take effect on February 4, 2025, but were delayed by the Trump administration pursuant to ongoing negotiations with Canada and Mexico. On March 12, the White House has also announced the imposition of 25 per cent U.S. tariffs on all steel and aluminum imports.

On Mar. 4, 2025, the Government of Canada announced that, in response to U.S. tariffs, it would move forward with 25 per cent tariffs on \$155 billion worth of imported U.S. goods, beginning immediately with a first tranche covering \$30 billion dollars worth of goods. The scope of the Canadian counter tariffs will be increased to \$155 billion if the current U.S. tariffs are maintained, and may also be increased if new U.S. tariffs are imposed. Beyond the federal government's response, several Canadian provinces have implemented their own retaliatory measures. These include restricting government procurement opportunities for U.S. suppliers; terminating existing contracts and disqualifying future bids from U.S. companies;

and removing American alcoholic products from provincially controlled liquor stores. Ontario Premier Doug Ford has also indicated that he is considering imposing an export tax on Ontario-produced energy, and even halting energy and certain mineral-resource exports altogether.

The implementation of U.S. tariffs and Canadian counter tariffs on imported goods will have widespread effects across various industries, including the franchise sector. Franchisors and franchisees must understand and prepare contingencies on how to navigate the legal and business consequences posed by the rising costs, disrupted supply chains and shifting market dynamics associated with these tariffs.

SUPPLY-CHAIN ANALYSIS

Franchisees that depend on imported goods — whether for equipment, supplies, or inventory — may face substantial cost increases due to tariffs. For instance, tariffs on raw materials, such as steel and aluminum, as well as finished products, will likely drive up operational expenses and delay deliveries, potentially disrupting the system's supply chain. This will impose increased costs on franchisees, which will necessitate a difficult decision between absorbing such costs, passing them on to customers, or a combination of both. Many franchise agreements also require the use of specific materials and equipment to maintain

consistency throughout the system, which may limit (absent franchisor intervention) the ability of franchisees to easily adapt to changing economic circumstances.

Maintaining a strong franchisor-franchisee relationship is key in navigating these changing market conditions. Below are certain key considerations for franchisors in navigating this relationship:

Initial investment: Franchisors must consider whether they should make changes to their initial investment expectations and requirements for franchisees. If tariffs increase the cost of equipment, supplies, or inventory, franchisors should consider reviewing and revising the initial investment estimates to reflect these higher costs. Failure to do so may mislead potential franchisees about their expected expenses. Moreover, failing to account for such changes may be setting franchisees up for failure before they even begin operating.

Ongoing expenses and unit economics: Franchisors should evaluate how tariff-induced cost increases affect their unit economics, including per-location profitability, break-even points, and overall

financial sustainability. Clearly presenting this data can help franchisees make informed investment decisions. If tariffs impact ongoing costs, such as supply procurement or vendor agreements, these changes should be disclosed. Franchisees should be made aware of potential cost fluctuations. Franchisors should assess franchisee costs on a market-by-market basis, and prepare to be flexible on procurement where necessary to ensure that franchisees' unit level economics remain viable in light of this volatility.

Supply chain and sourcing restrictions: If a franchise system mandates specific suppliers affected by tariffs, these restrictions should be transparently disclosed. Franchisors may also explore whether allowing some flexibility in supplier selection can help mitigate disputes, and actively work with franchisees to assess whether domestic alternatives exist that will (while perhaps not entirely consistent with brand standards applicable in the U.S.) allow the franchisee to continue operating without further hardship than is necessary.

Financial performance representations: Franchisors should monitor profit margins and other financial metrics due to tariff-related cost increases and assess whether tariff-related cost increases are a development that impacts financial performance

representations. Providing outdated or overly optimistic projections could expose franchisors to legal claims and otherwise adversely impact the franchisor-franchisee relationship.

CONSUMER PRICE SENSITIVITY

Franchisors should also consider whether to authorize or encourage price increases for goods and services. However, price-sensitive consumers may reduce their spending or seek alternatives, particularly in highly competitive industries such as quick-service restaurants, retail, and hospitality. It is critical that franchisors consider balancing necessary price adjustments with consumer expectations in order to maintain brand reputation and profitability. In light of these challenges, franchisors should consider which obligations currently imposed on franchisees are crucial to maintaining brand standards, and which others may be more flexible.

ADAPTION IS KEY

Predictable costs and strong unit economics are the hallmarks of a successful franchise system. While tariffs may create new cost pressures, they also present opportunities for Canadian brands to emphasize domestic production and sourcing, which can resonate with consumers and differentiate them in the market. Similarly, U.S. brands entering Canada may still find opportunities to expand, particularly when the favourable exchange rate helps offset tariff impacts, allowing cost-competitive pricing in the Canadian market. Franchisors and businesses that adapt their supply chains, pricing strategies, and brand positioning to these evolving dynamics can still find opportunities for growth and expansion despite the shifting trade landscape.

OPPORTUNITIES & SHIFTS

While tariffs impose significant challenges for businesses of all stripes, they also provide opportunities to savvy and opportunistic businesses. For example, Canadian franchise systems with predominantly domestic supply chains may reap the benefits of changing consumer preferences towards Canadian-made products, while products previously bound for the U.S. may be sold domestically at the same or lower prices. Franchisors can also re-evaluate global sourcing strategies to mitigate tariff exposure.

To address ongoing challenges, franchisors should consider the following actions:

Supply-chain diversification: The impending tariffs should prompt franchisors to carefully re-evaluate suppliers and explore domestic alternatives where feasible.

Negotiating terms: Franchisors and franchisees should also work with suppliers to share or reduce tariff-related cost burdens.

Efficiency measures: Franchisors and franchisees should invest in technology or streamline operations to offset increased expenses.

Franchise disclosure and agreement revisions: It is critical that franchisors assess whether franchise disclosure documents and franchise agreements need adjustments to address unforeseen consequences arising from the tariffs.

MADE IN CANADA

While not the primary focus of this article, businesses should keep in mind that promoting products as "Made in Canada" or "Product of Canada," or highlighting Canadian ownership, can be a valuable strategy for brands seeking to reduce the impact of tariffs between Canada and the U.S. However, businesses must ensure that such claims comply with Canadian law, including the Competition Act, the Consumer Packaging and Labelling Act, and the Textile Labelling Act. These acts prohibit false or misleading representations, and restrict how and when such claims can be used. Businesses that choose to make "Made in Canada" or "Product of Canada" claims must ensure their claims meet the appropriate guidelines and thresholds. **FH**

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TARIFFS ON THE MENU

Import tariffs are re-shaping restaurant costs and menus

BY MEGAN LEE

If you own or manage a restaurant in Canada or the U.S., you've likely been keeping an eye on the latest trade disputes and their impact on food costs.

With tariffs affecting a broad range of imported goods, restaurants are facing new challenges in sourcing ingredients while keeping menu prices competitive.

The situation was further complicated in April, with the U.S. imposing a 10 per cent tariff on all countries, with some facing even higher rates. New tariffs were paired with an announcement that Canada-U.S.-Mexico Agreement (CUSMA) compliant items, which

includes meat, grains, pulses, maple syrup, wines and spirits, and processed foods.

For restaurateurs, these escalating trade tensions mean increased costs for key ingredients, disrupted supply chains, and a need to rethink purchasing strategies.

Tariffs directly affect the cost of food imports, making staple ingredients more expensive. Here are five ways restaurants are feeling the pinch:

1 RISING INVENTORY COSTS

With tariffs in place, importing products such as meat, dairy, seafood, and produce from the U.S. and Canada has become significantly more expensive. Restaurateurs now face a tough choice: absorb the higher costs or pass them onto consumers by raising menu prices. Independent restaurants, which don't have the purchasing power of large chains, are particularly vulnerable to these price hikes.

2 THE SHIFT TOWARD LOCAL SOURCING

One silver lining of the tariff situation is the increased emphasis on locally sourced ingredients. Farm-to-table restaurants and locavore movements may see a boost as more restaurants opt to buy domestic products to sidestep import taxes. This could strengthen local farming economies but also pose seasonal supply challenges.

3 SUPPLY-CHAIN DISRUPTIONS

Tariffs don't just raise prices; they can also limit availability. If suppliers struggle to import affected goods, restaurants may experience delays or shortages, forcing them to find alternative ingredients or adjust their menus. For instance, Canadian tariffs on U.S. citrus fruit and wine could mean higher costs and limited supply for restaurants that rely on these imports.

4 CONSUMER PREFERENCES SHIFTING TOWARD NATIONAL PRIDE

Trade disputes often spark a sense of food patriotism. Some restaurants in Canada have already removed American brands from their menus in protest of U.S. tariffs. Similarly, U.S. restaurants may begin focusing more on domestic wines, dairy, and meats to appeal to consumers who want to support their local economies.

5 THE NEED FOR SEASONAL MENUS

With certain imports now more

expensive or less available, many restaurateurs are adopting more flexible, seasonal menus.

Instead of relying on imported out-of-season produce, restaurants are shifting to ingredient lists that reflect what's currently available from local farms. Seasonal menus not only help mitigate tariff-related price fluctuations but also cater to growing consumer demand for fresh, locally sourced dishes.

LOOKING AHEAD

In the short term, navigating the effects of tariffs requires creativity and adaptability. Here are a few strategies to help restaurants manage the impact:

Re-assess Supplier Relationships: Work closely with distributors to explore new sourcing options. Domestic alternatives may not only be more cost-effective but also align with shifting consumer preferences.

Menu Engineering: Conduct an analysis of your best- and worst-selling menu items and identify ways to adjust recipes using more cost-effective ingredients. There is opportunity for operators to invest in technology for inventory and recipe management, which can help them easily adapt their menus and reduce food costs.

Transparent Communication with Customers: If price increases are inevitable, consider educating your patrons on why certain menu items have changed. Transparency about rising food costs can help maintain customer trust.

Bulk Purchasing and Storage Solutions: Stocking up on non-perishable items before tariff hikes take effect can offer short-term relief from rising costs.

No industry is immune to global trade policies, and restaurants are particularly vulnerable as they can be impacted on multiple fronts. As tariffs re-shape ingredient costs and availability, the foodservice industry must remain flexible, innovative, and customer-focused. While higher food prices and shifting supply chains pose immediate challenges, they also present opportunities for restaurateurs to rethink their menus, strengthen local food networks, and better connect with consumers. **FH**

Megan Lee is a food-industry writer and marketing specialist at TouchBistro, covering restaurant trends and economic impacts on the foodservice sector from an industry perspective.



TARIFF WARS

TAX THE FISH

The impact of tariffs on Canadian seafood

BY NED BELL

Forests, furs, and fish — the foundation of Canada's early economy. For centuries, seafood has been a lifeline, feeding families, building communities and driving trade. Today, Canada's seafood industry remains a vital economic force, with exports valued at \$7.6 billion in 2023, according to a Government of Canada Report. Yet, this industry is now under significant strain. Overfishing and climate change are the two largest threats that face the world's oceans and ecosystems. Eating wild fish is a gift, one Mother Nature still gives us, and it's not our right to eat it all.

The history of Canadian seafood is one of both abundance and collapse. Cod was once currency, fuelling livelihoods until overfishing led to the fishery's closure in the 1990s, devastating communities such as those in Newfoundland, where my great-

grandmother was born. Now, the East Coast relies on lobster, shrimp, and snow crab — valuable catches that are predominantly exported to the U.S., China, and Europe. In 2023, the United States alone accounted for \$4.9 billion of Canadian seafood exports, followed by China at \$1.44 billion and the EU at \$421 million.

On the West Coast, wild Pacific salmon — a keystone species essential to entire ecosystems — has faced a steady decline due to habitat destruction, urbanization, and commercial pressures. Other prized species, such as Pacific halibut and geoduck, are also critical exports, with 90 per cent of Canada's halibut sold to the western U.S. and 95 per cent of geoduck exported to China. However, this flow of trade is now at risk.

As of Mar. 20, 2025, China imposed a 25 per cent tariff on various Canadian seafood products, including lobster and crab, impacting more than \$2.6 billion worth of Canadian agricultural and food products. These unfair and unnecessary back-and-forth taxes on Americans and other international nations hoping to buy Canadian seafood will

all but devastate local fisheries this season, keeping many fishers off the water, keep them off their boats and devastating many families that already live a precarious life fishing for our food and putting food on ours and their families' tables.

One of our sharp focuses over the next few years needs to be small-scale fisheries across Canada; supporting fishers by paying a fair price for their catch and eating Canadian seafood. Currently, 70 per cent of the seafood we consume in North America is imported — another reason why we should source and eat Canadian seafood, buying direct from a fishing family, and paying a fair price for their catch.

The conversation around seafood sustainability is complex, but one thing is clear: we must re-think how we consume fish. In North America, we primarily eat four types — white fish (cod, halibut), pink fish (salmon, char, trout), red fish (tuna) and shrimp, often farmed. But we need to diversify, eating up and down the food chain to ease pressure on overfished species.

Over my career, I have travelled across Canada,

advocating for responsible seafood consumption. In 2014, I rode my bike coast to coast to launch Chefs for Oceans, engaging thousands of Canadians in conversations about sustainable seafood. Later, I wrote *Lure*, a seafood cookbook designed to spark change by challenging readers to eat sustainable seafood weekly and try something new each month.

Now, more than ever, we need to support our fishers and sustainable practices. Tariffs threaten an already fragile industry, and the best way to fight back is by choosing Canadian seafood. Let's buy directly from fishers, demand fair prices, and push for policies that protect both our seafood economy and our oceans. Our choices today will determine the future of seafood in Canada — and whether our next generation will inherit a thriving industry or a struggling one. **FH**

Ned Bell is one of Canada's most recognizable and influential chefs. Known for his innovative approach to sustainable food systems, he has earned global acclaim as a chef, educator, keynote speaker, and environmental advocate.