

# How will the commodity price shock affect Canada?

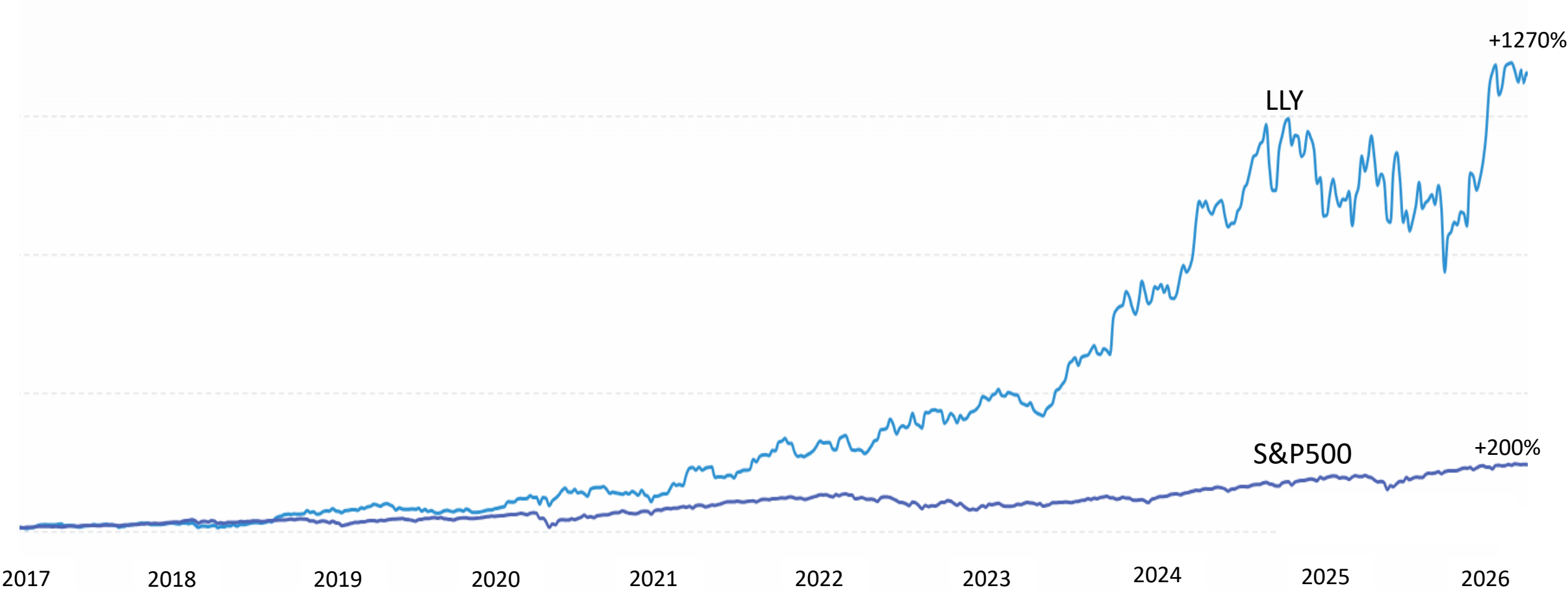
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Principal Economist  
Farm Credit Canada

March 2026

# Stock market performance just before recent correction



values from a single

Product  
Product E

Column Chart

Product E  
30%



Pie Chart



# Economy

GDP

Product A  
Product B  
Product C  
Product D  
Product E

# Commodity prices have surged since the war started

Bank of Canada commodity price index (index = 100 in Jan.1972)

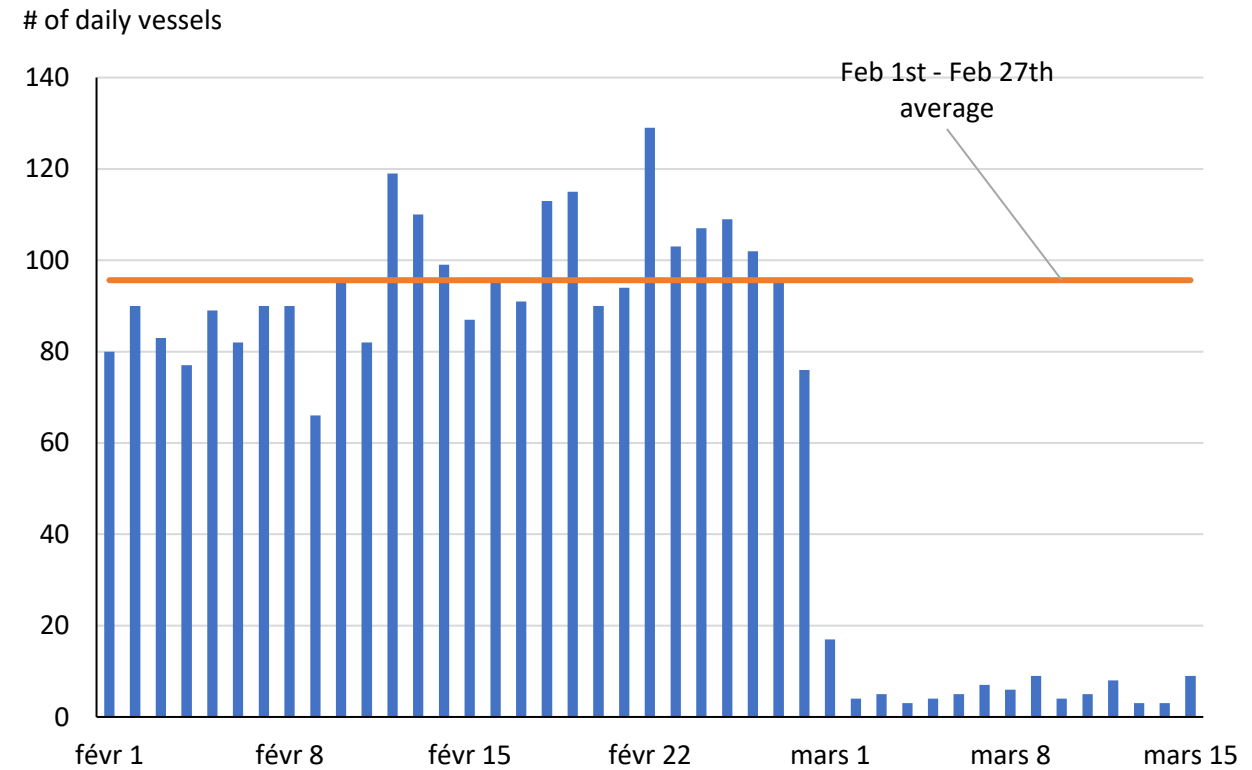


Source: Bank of Canada

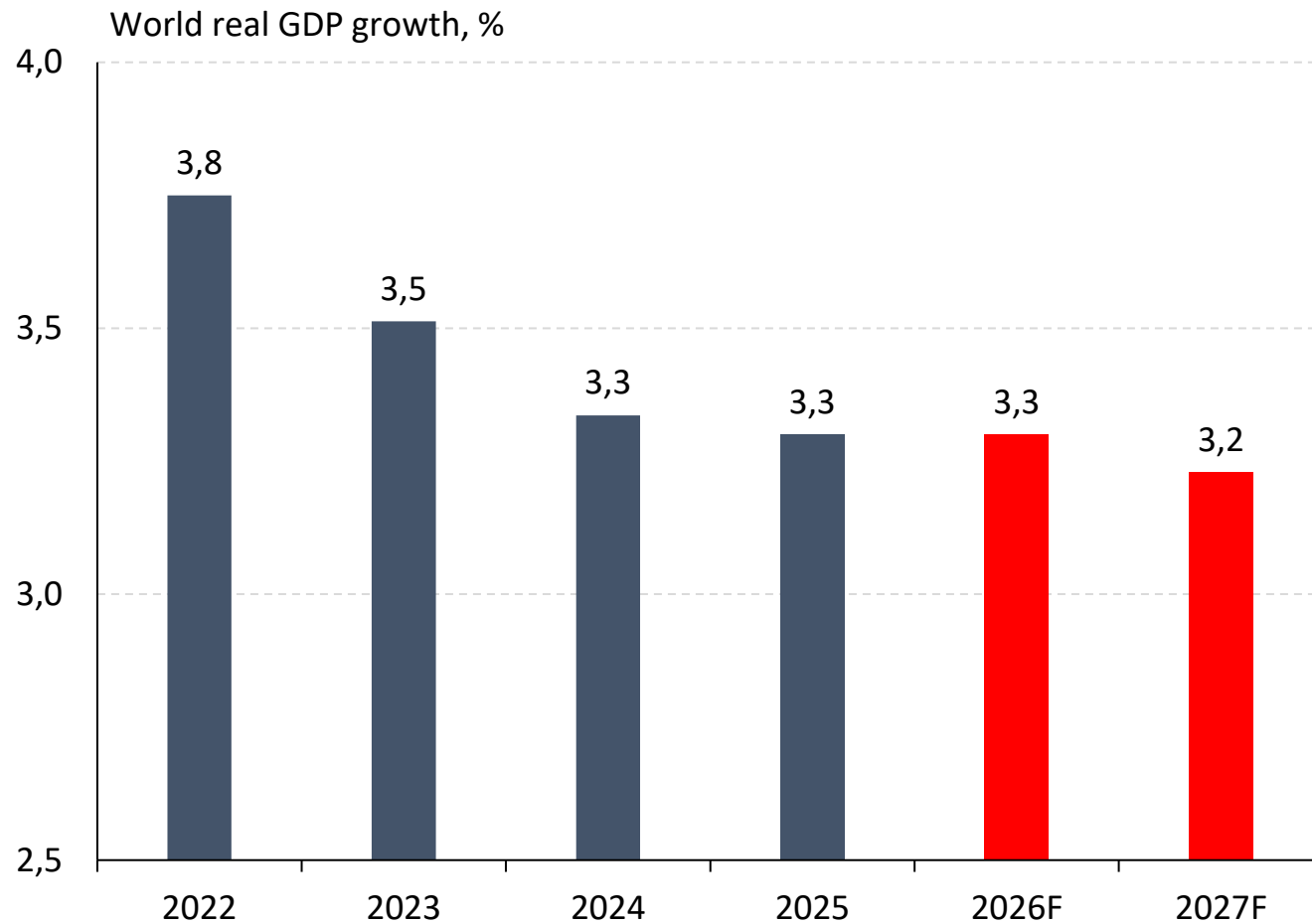
# Why are commodity prices soaring?



## Vessel traffic through Strait of Hormuz



# Energy shock threatens world economy



Source: IMF, FCC Economics

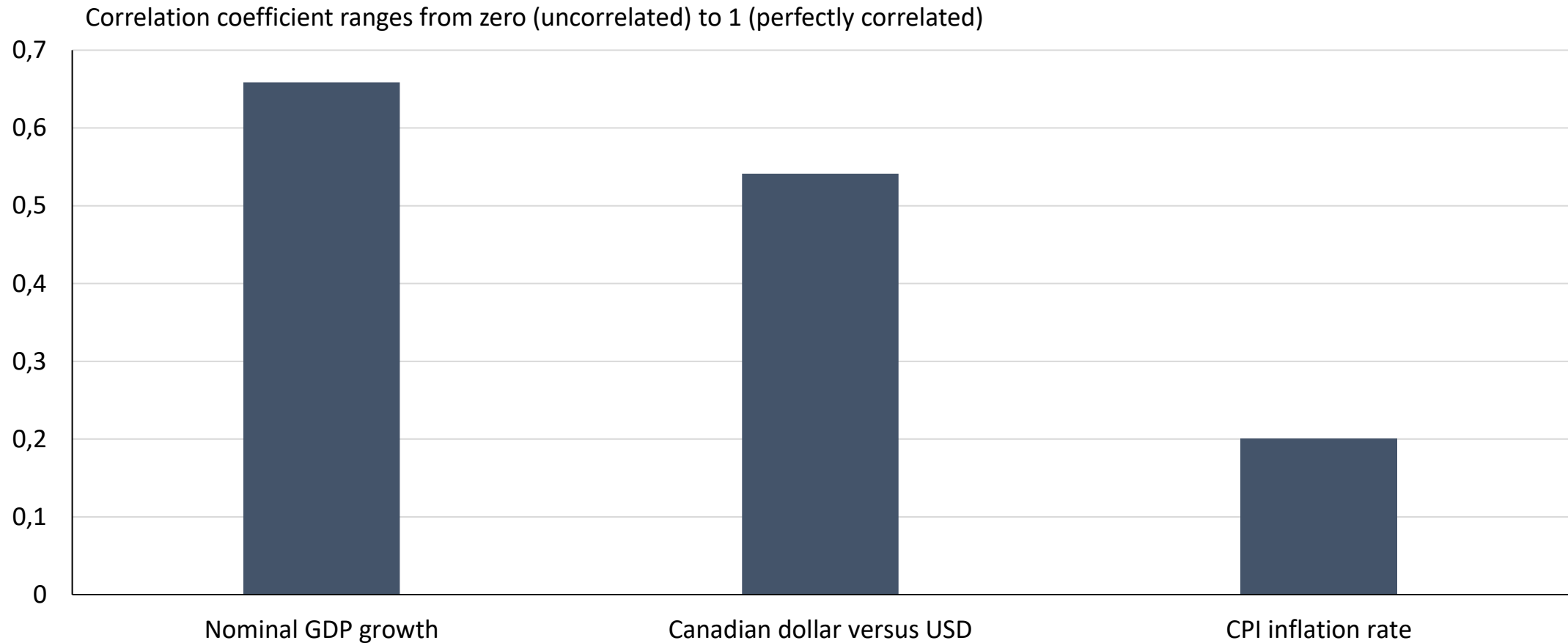


Bloomberg News  
Claire Jiao

Published Mar 06, 2026 Last updated Mar 06, 2026 2 minute read [Join the conversation](#)

(Bloomberg) – A 10% increase in energy prices that persists for a year would push global inflation up by 40 basis points and slow economic growth by 0.1-0.2%, International Monetary Fund Managing Director Kristalina Georgieva said.

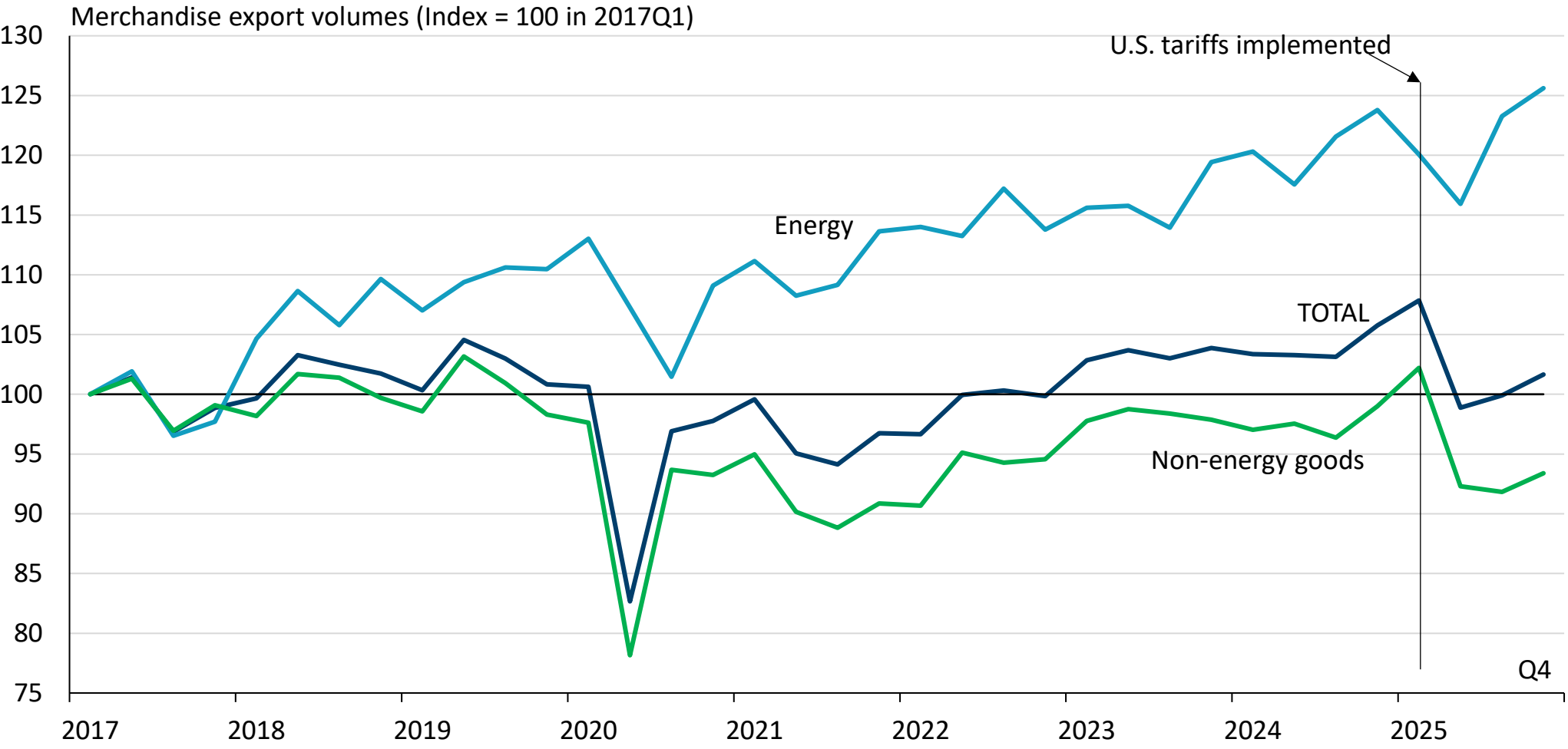
# Impacts of commodity shock are mixed for Canada



Correlation coefficients between year-over-year growth of BoC commodity price index and year-over-year growth of GDP, C\$, and the consumer price index, calculated using quarterly data over 1981-2025

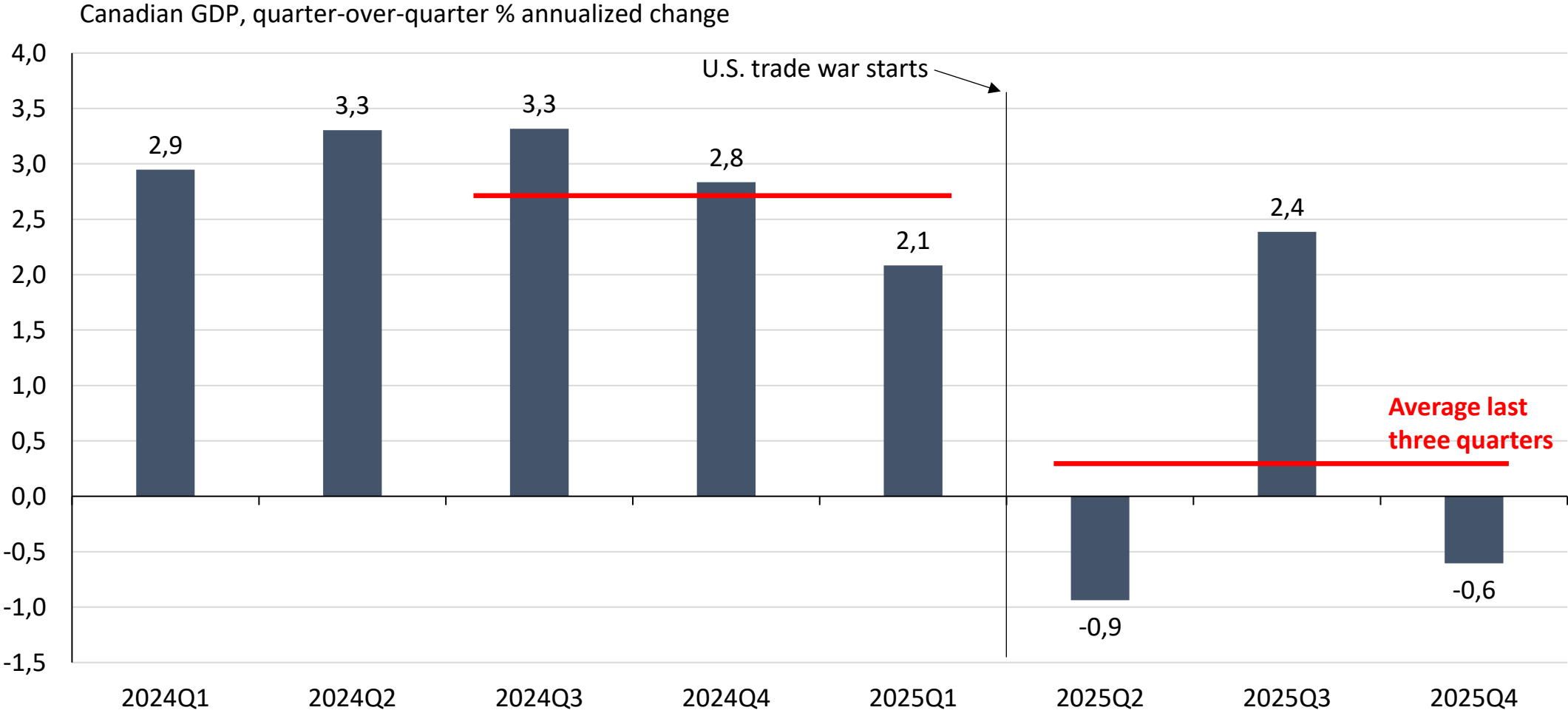
Source: Statistics Canada, Bank of Canada, FCC Economics

# Canadian exporters of non-energy goods hammered by U.S. trade war



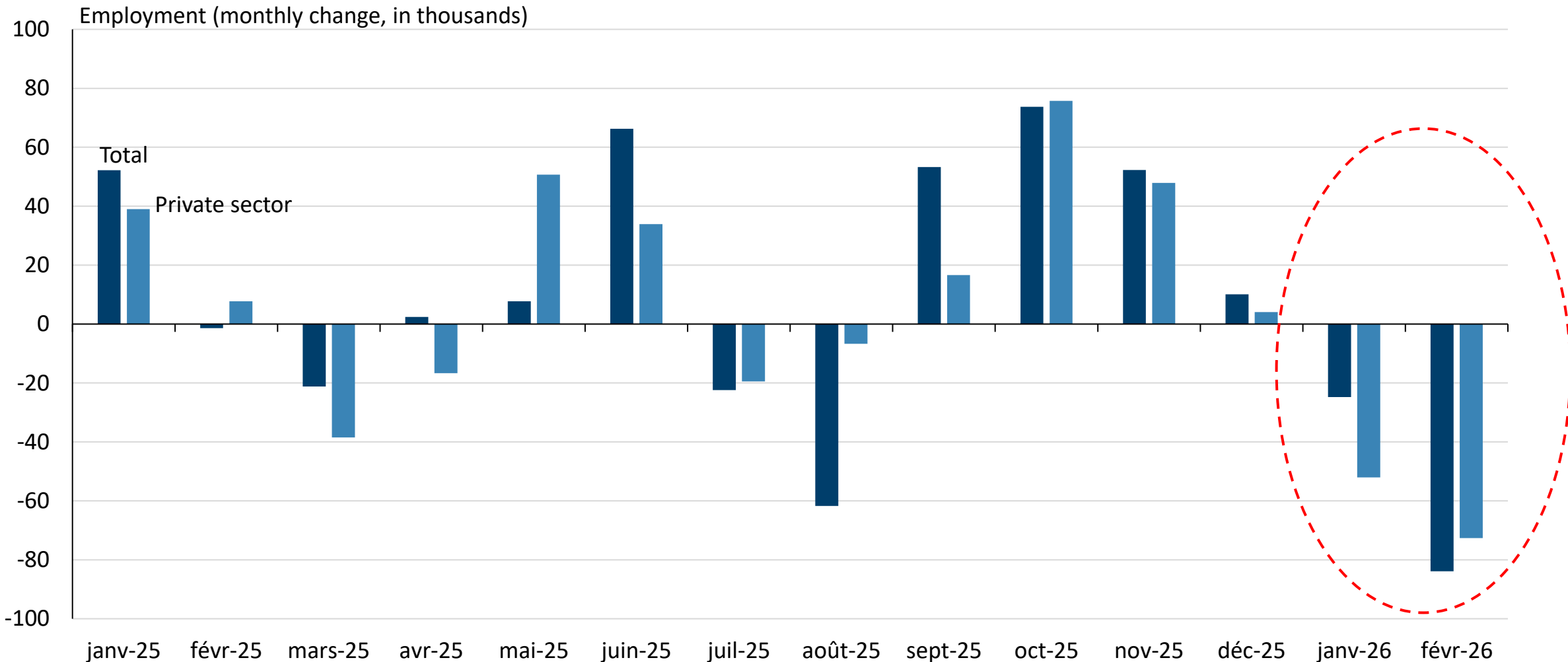
Source: Statistics Canada, FCC Economics

# Economic growth is weak



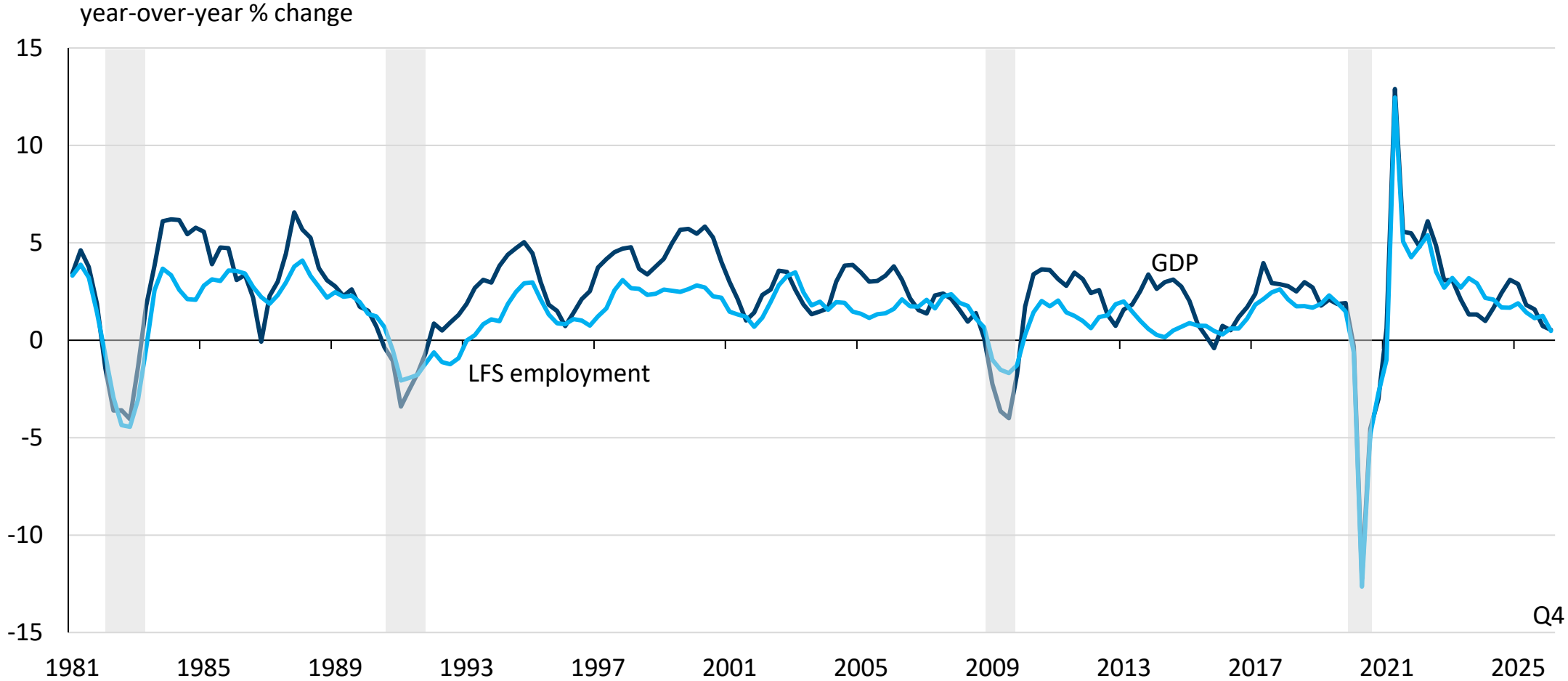
Source: Statistics Canada, FCC Economics

# Rough start to 2026 for the Canadian labour market



Source: Statistics Canada, FCC Economics

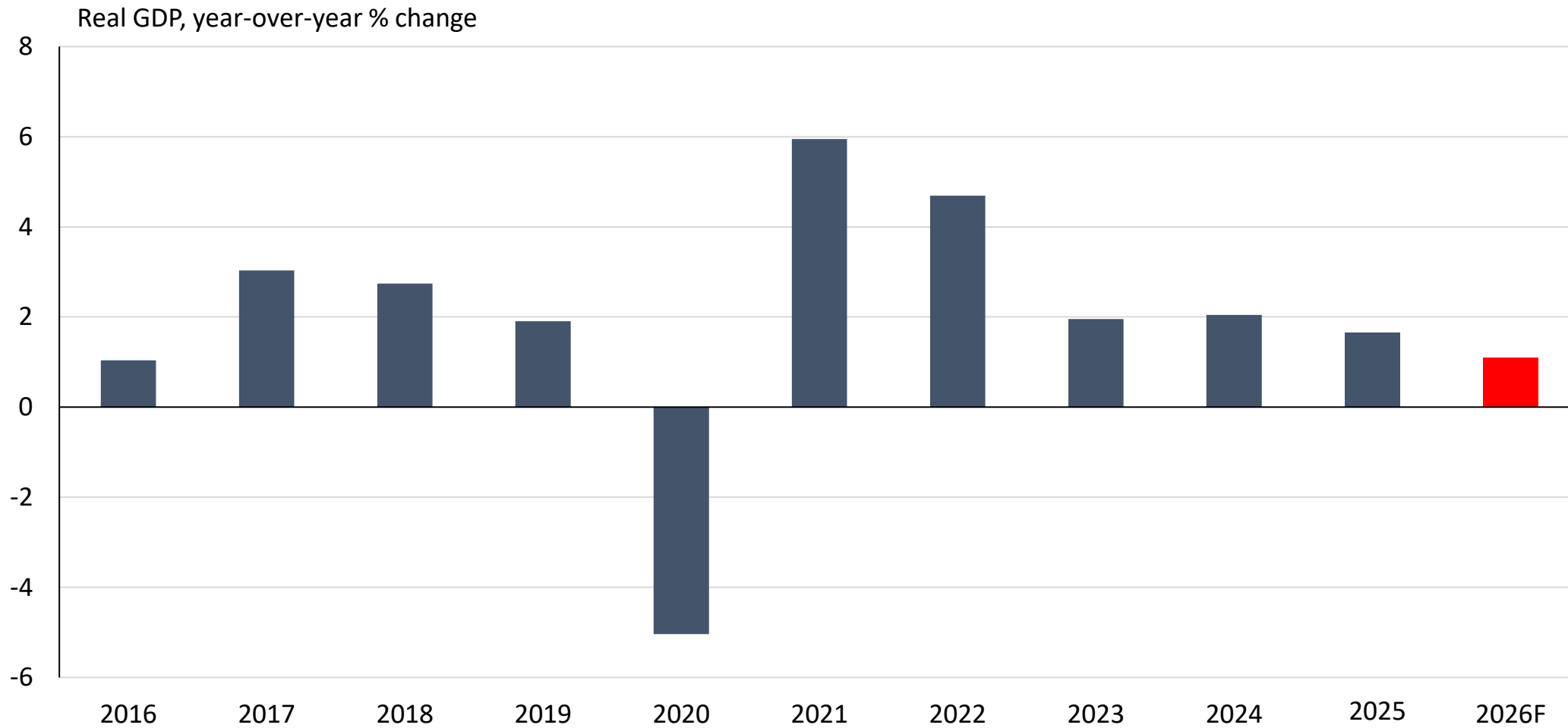
# Canada is probably not in recession at the moment, but the trend is not good



Shaded areas are Canadian recessions as defined by the C.D. Howe Institute

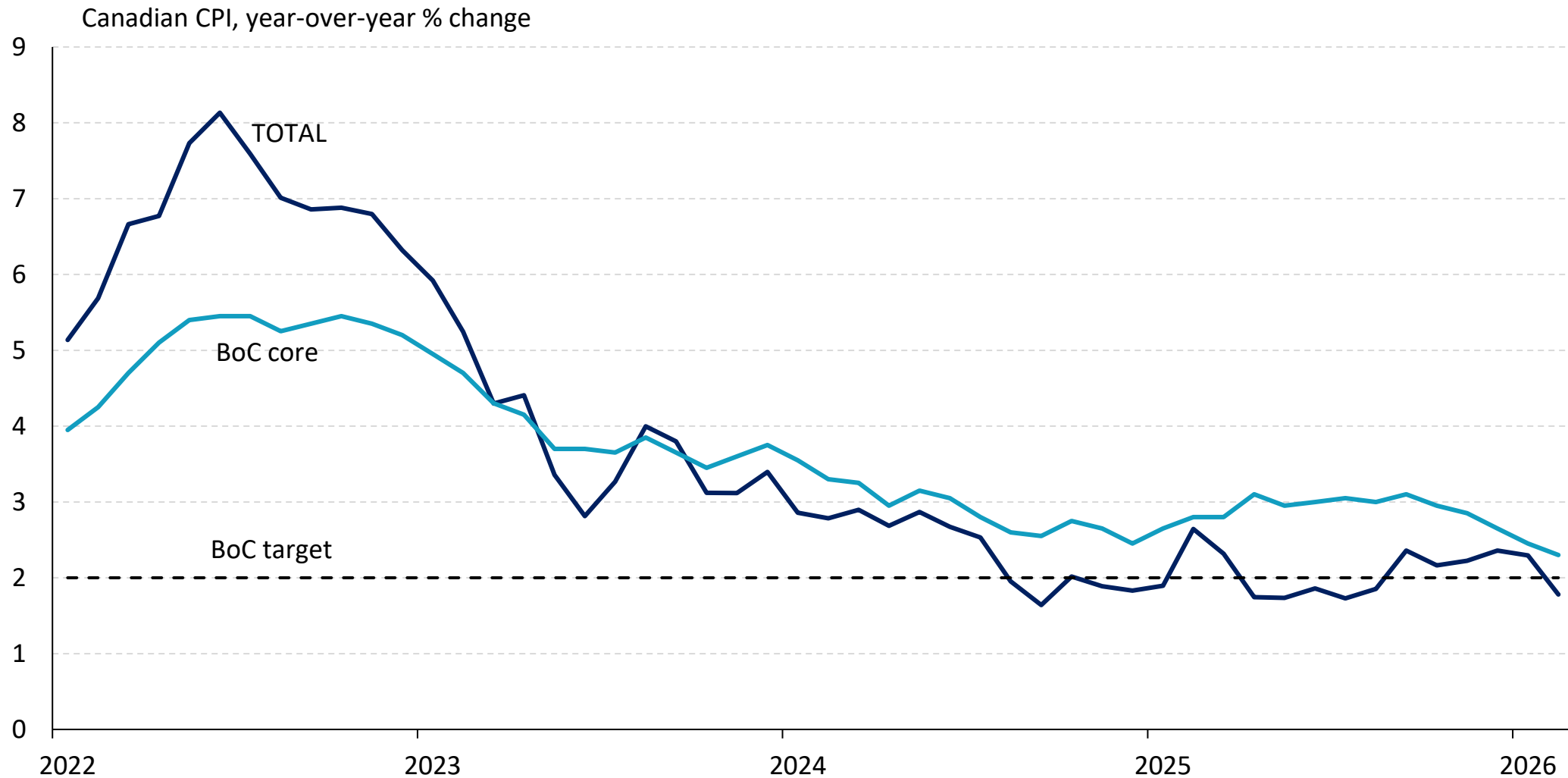
Source: Statistics Canada, FCC Economics

# Canada's economic growth likely to slow down this year



Source: Statistics Canada, FCC Economics

# Inflation was moderating .. before the energy shock



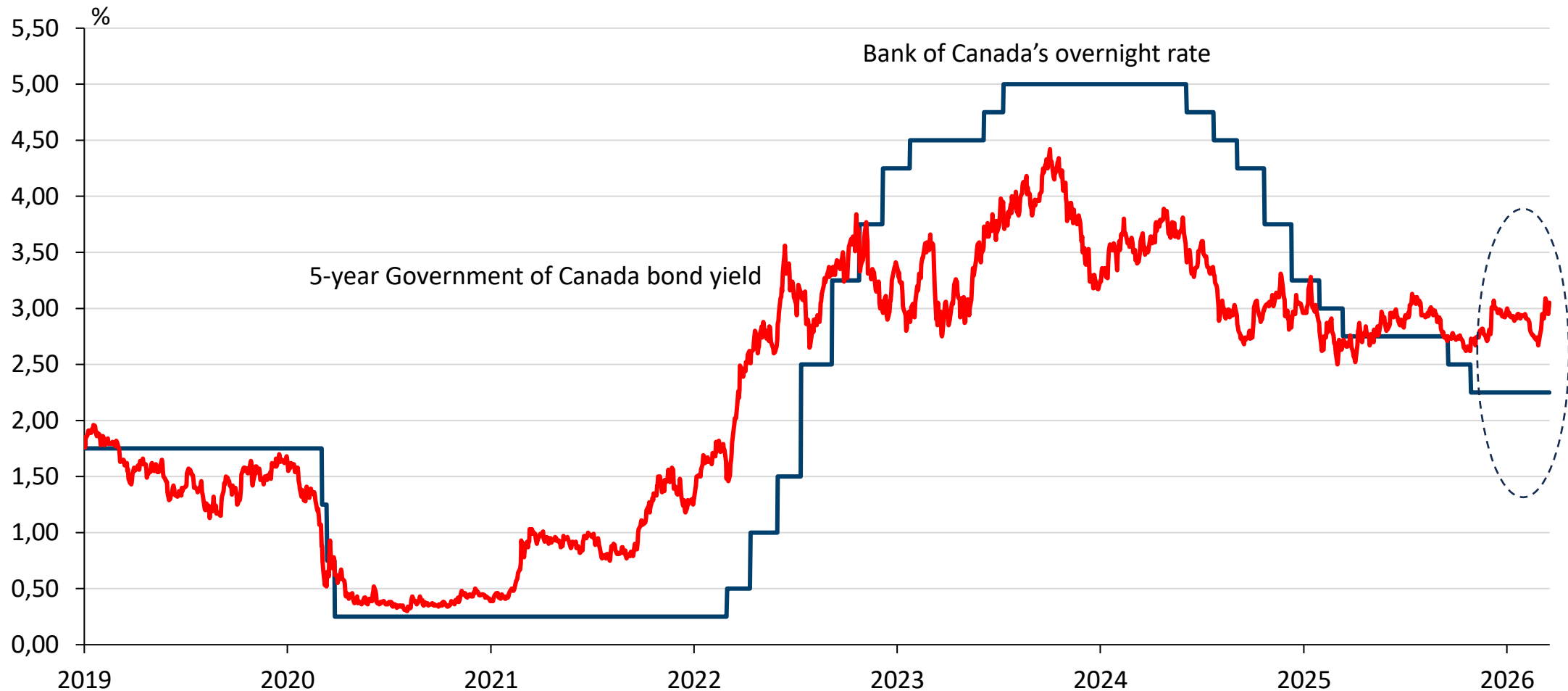
# Bank of Canada not panicking on inflation, but remains on guard



*“With inflation close to target and the economy in excess supply, the risk that higher energy prices quickly spread to the prices of other goods and services looks contained. But the longer this conflict lasts and the wider it gets, the bigger the risks. Governing Council will look through the war’s immediate impact on inflation but if energy prices stay high, we will not let their effects broaden and become persistent inflation.”*

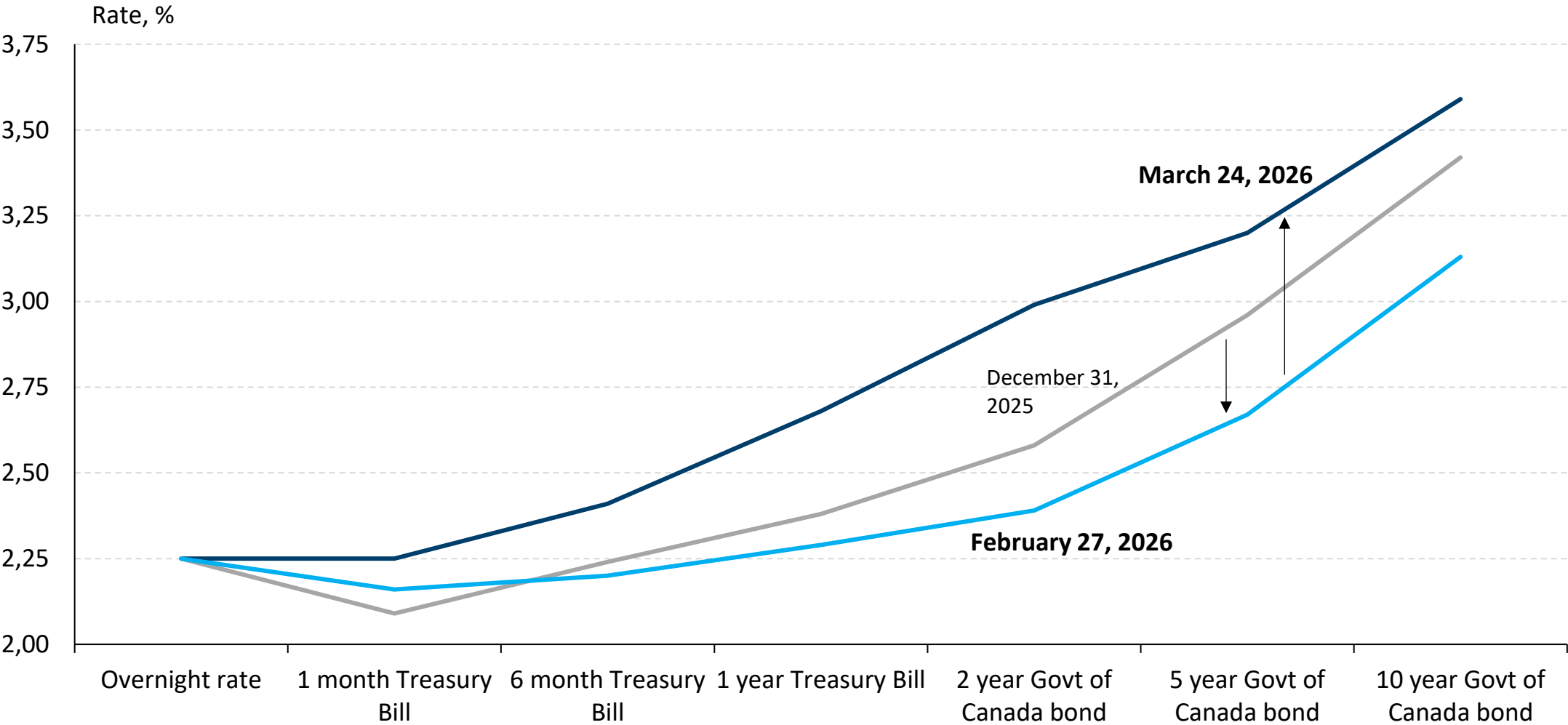
Bank of Canada, March 2026

# Canadian bond yields on the rise despite stable Bank of Canada rate



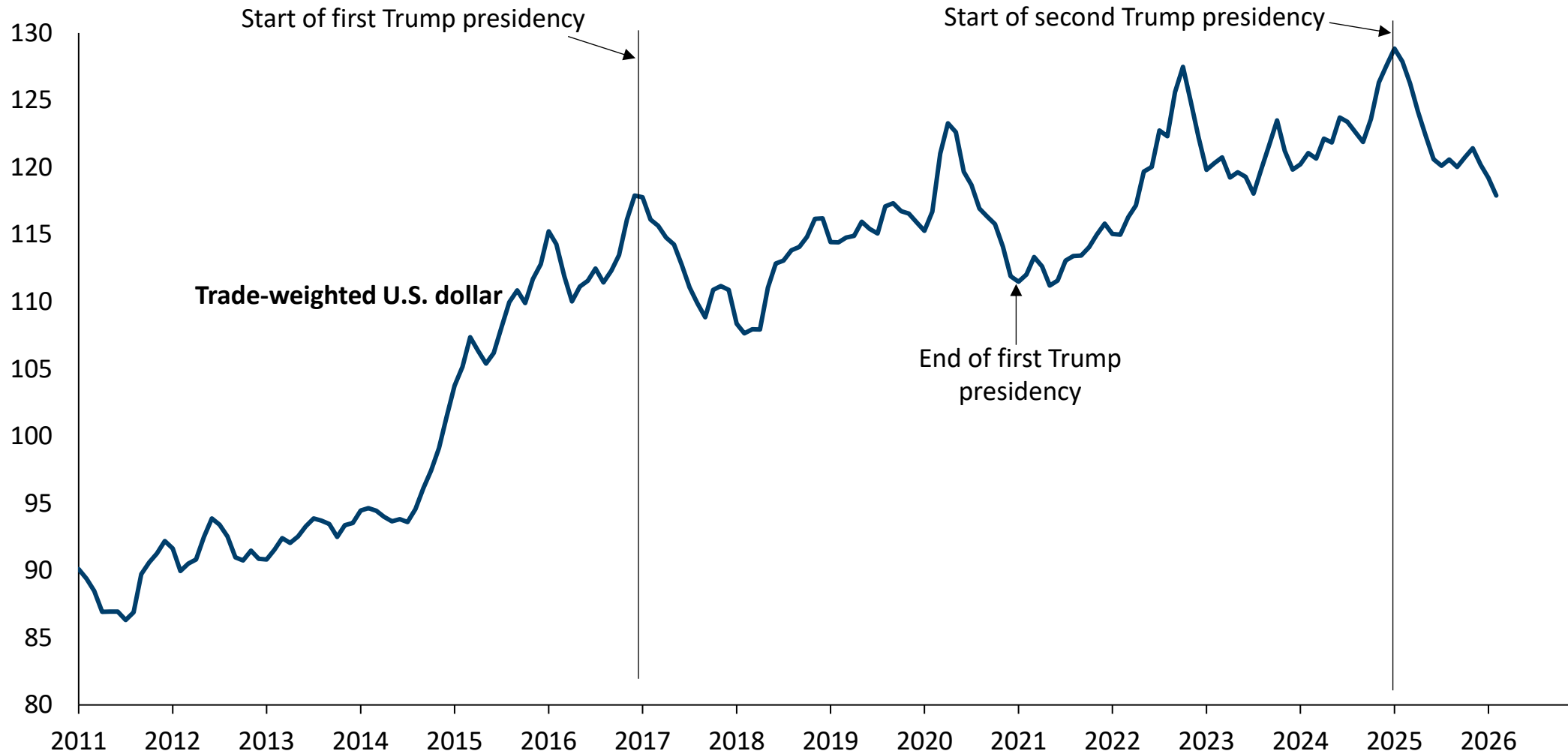
Source: Bank of Canada, FCC Economics

# Canadian yield curve has steepened significantly since the war started



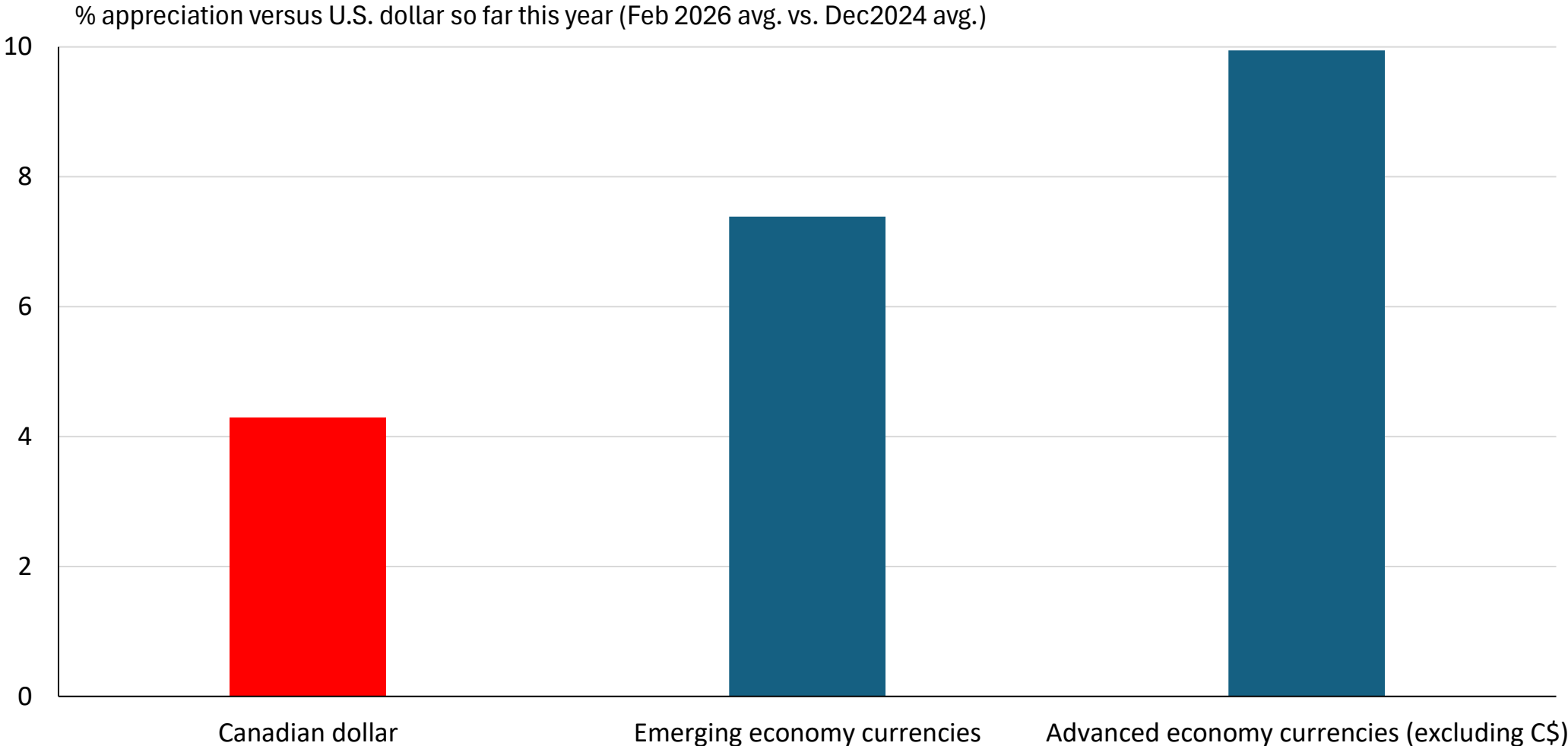
Source: Bank of Canada, FCC Economics

# U.S. dollar seems to have peaked



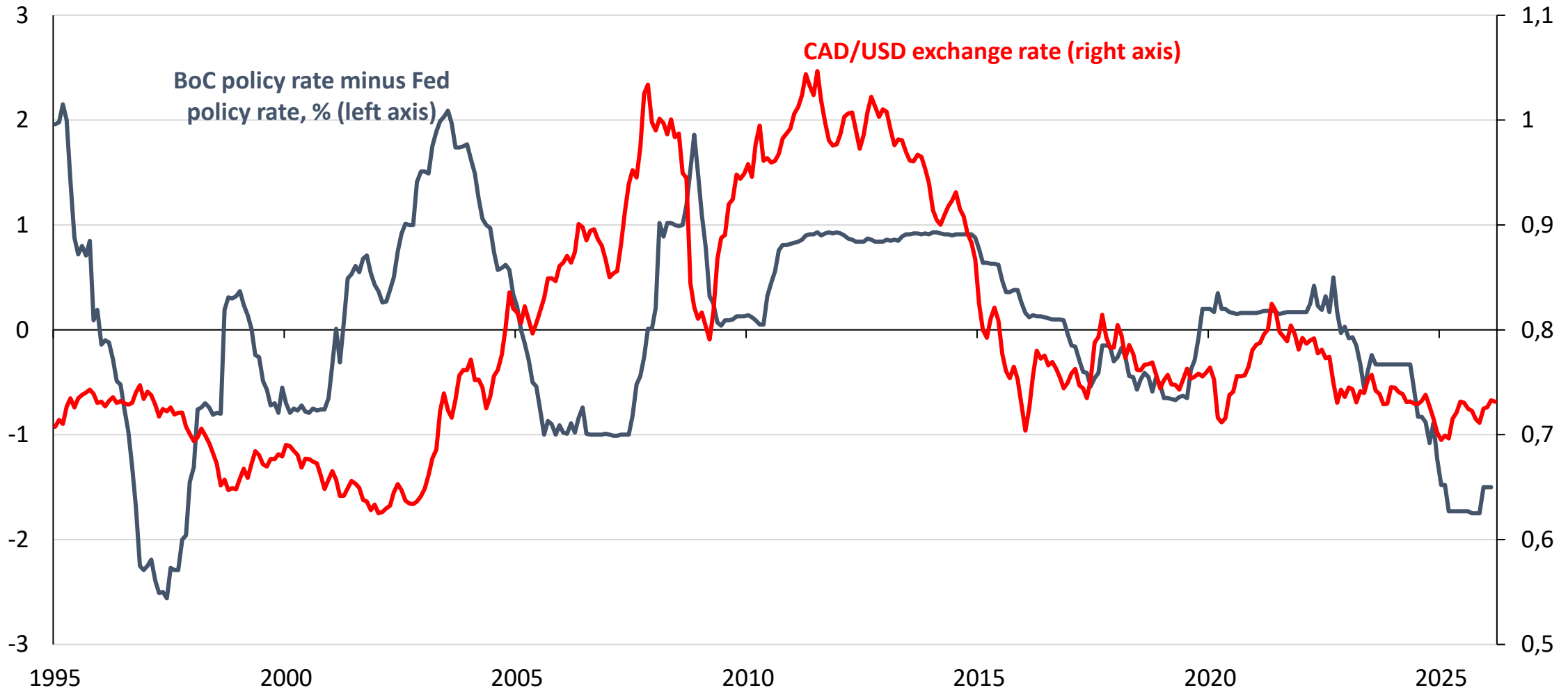
Source: U.S. Federal Reserve, FCC Economics

# Weakening USD is pushing up other currencies



Source: U.S. Federal Reserve, FCC Economics

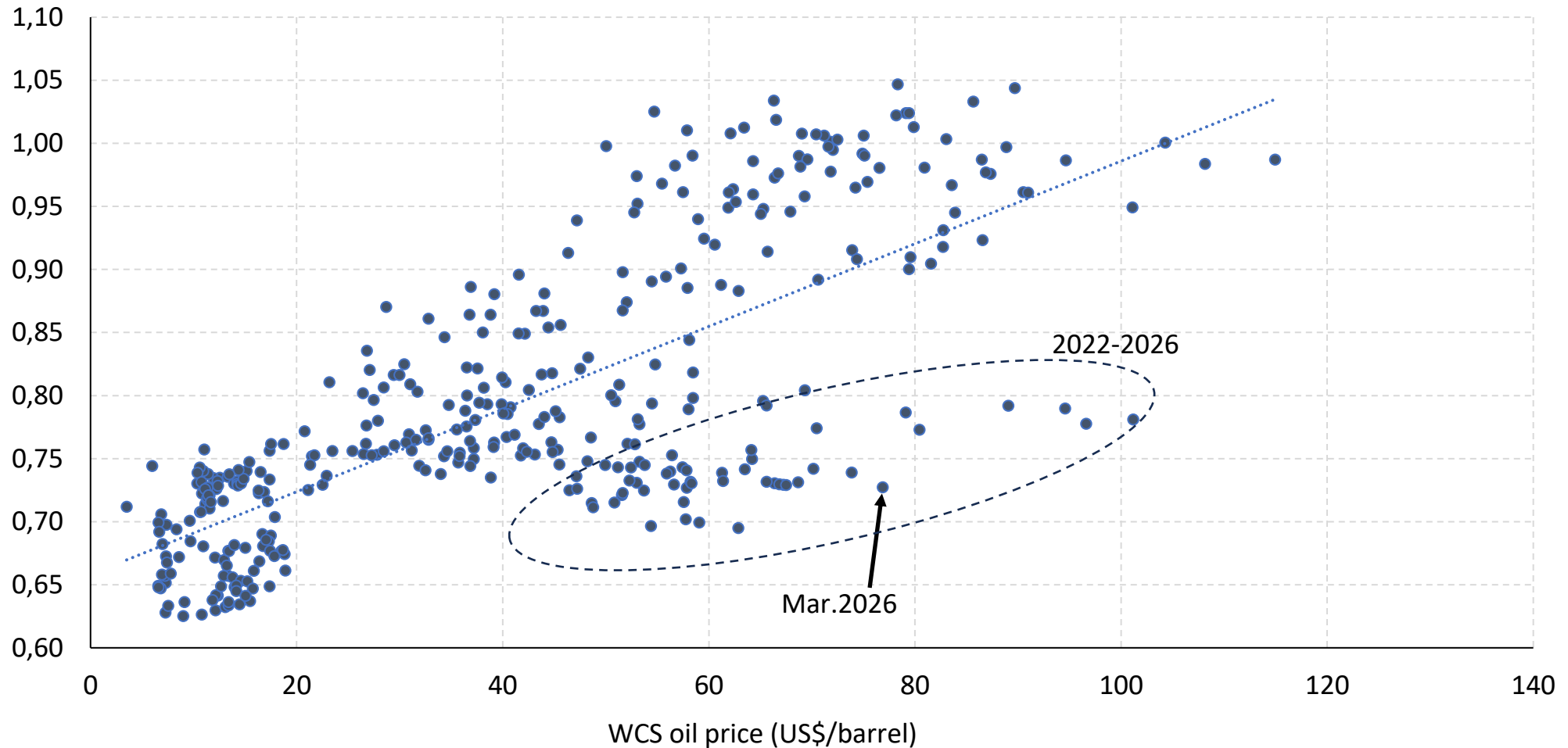
# Canada-U.S. interest rate differential is weighing on the loonie



Source: U.S. Federal Reserve, Bank of Canada, FCC Economics

# Canadian dollar's responsiveness to oil has diminished over last four years

US dollar to Canadian dollar exchange rate



# Impacts of the commodity shock on Canada

## **Positive impacts of commodity shock:**

Nominal GDP and government revenues likely to grow, particularly in resource-rich provinces

Investment spending could bounce back in resources sector

Could reinforce Canada's bargaining position on CUSMA

## **Challenges brought by commodity shock:**

Inflation goes back up

Keeps interest rates higher than would otherwise be the case

Real GDP growth and employment could struggle as a result

Canadian dollar could appreciate in sync with commodities (but not so far)

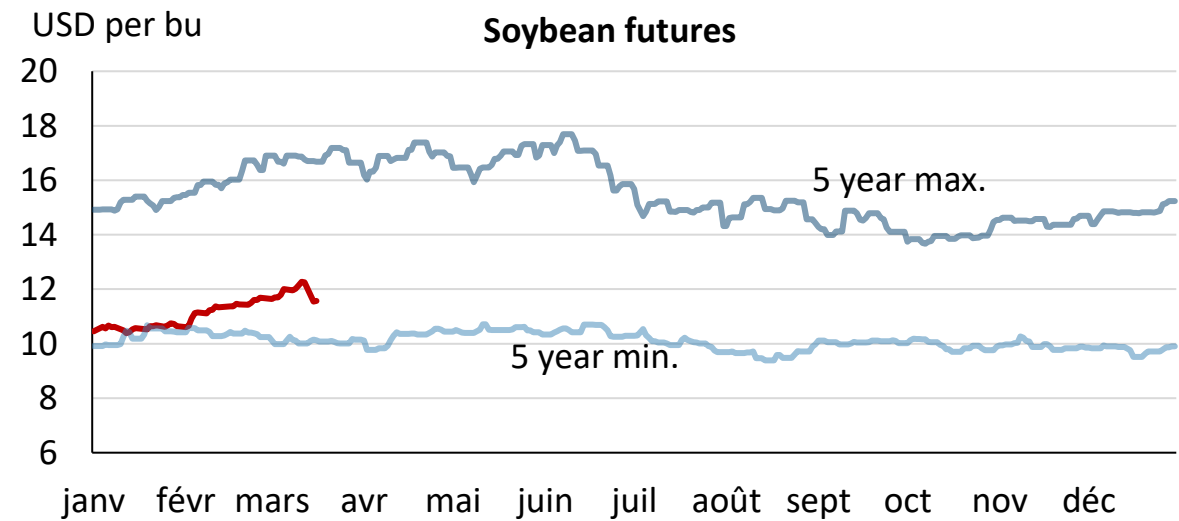
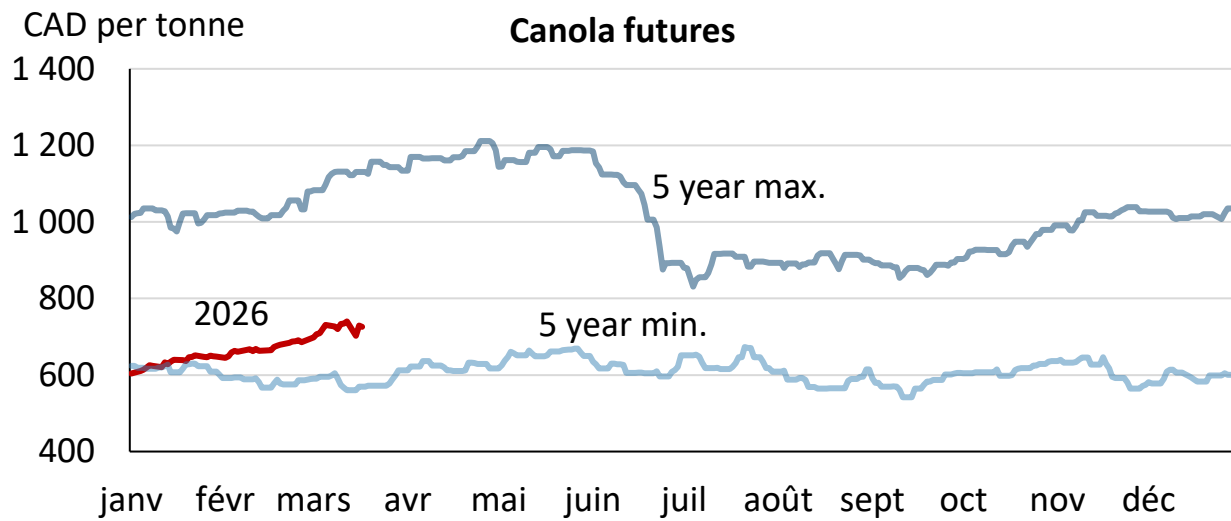
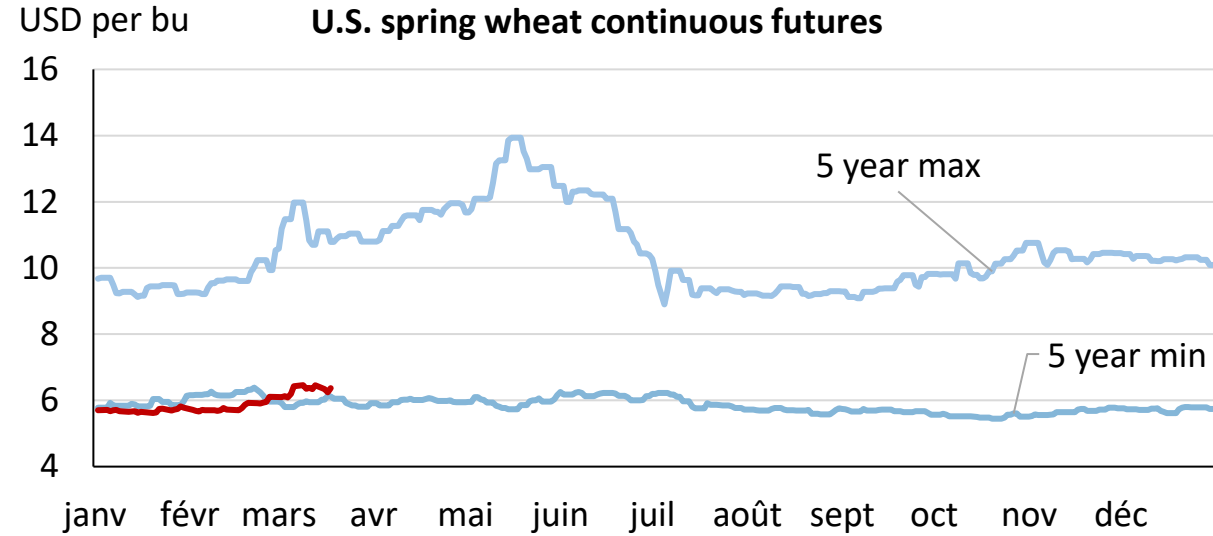
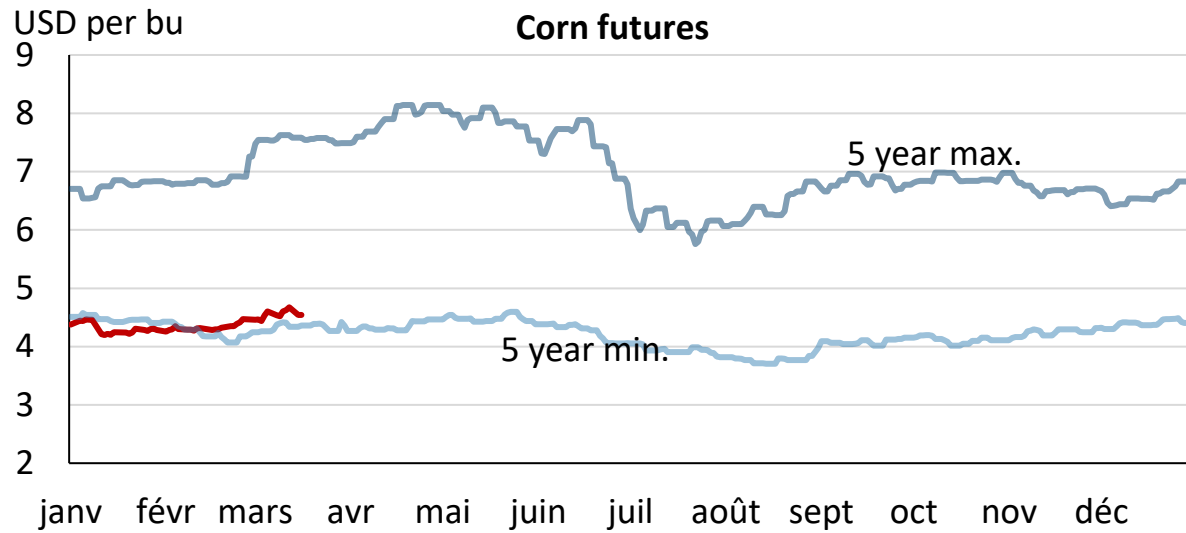
Global economy slows down, hurting our already vulnerable exporters



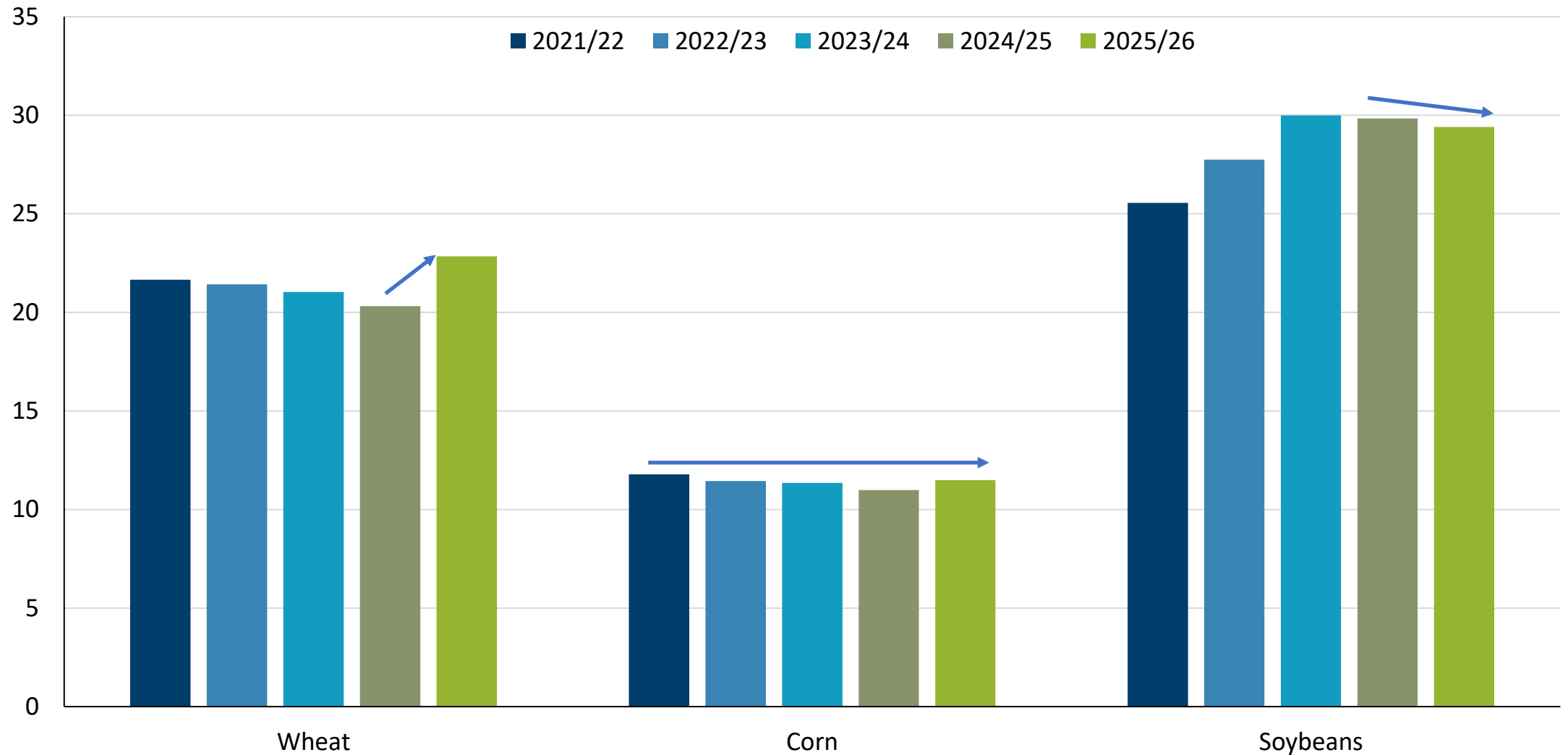
# Commodities



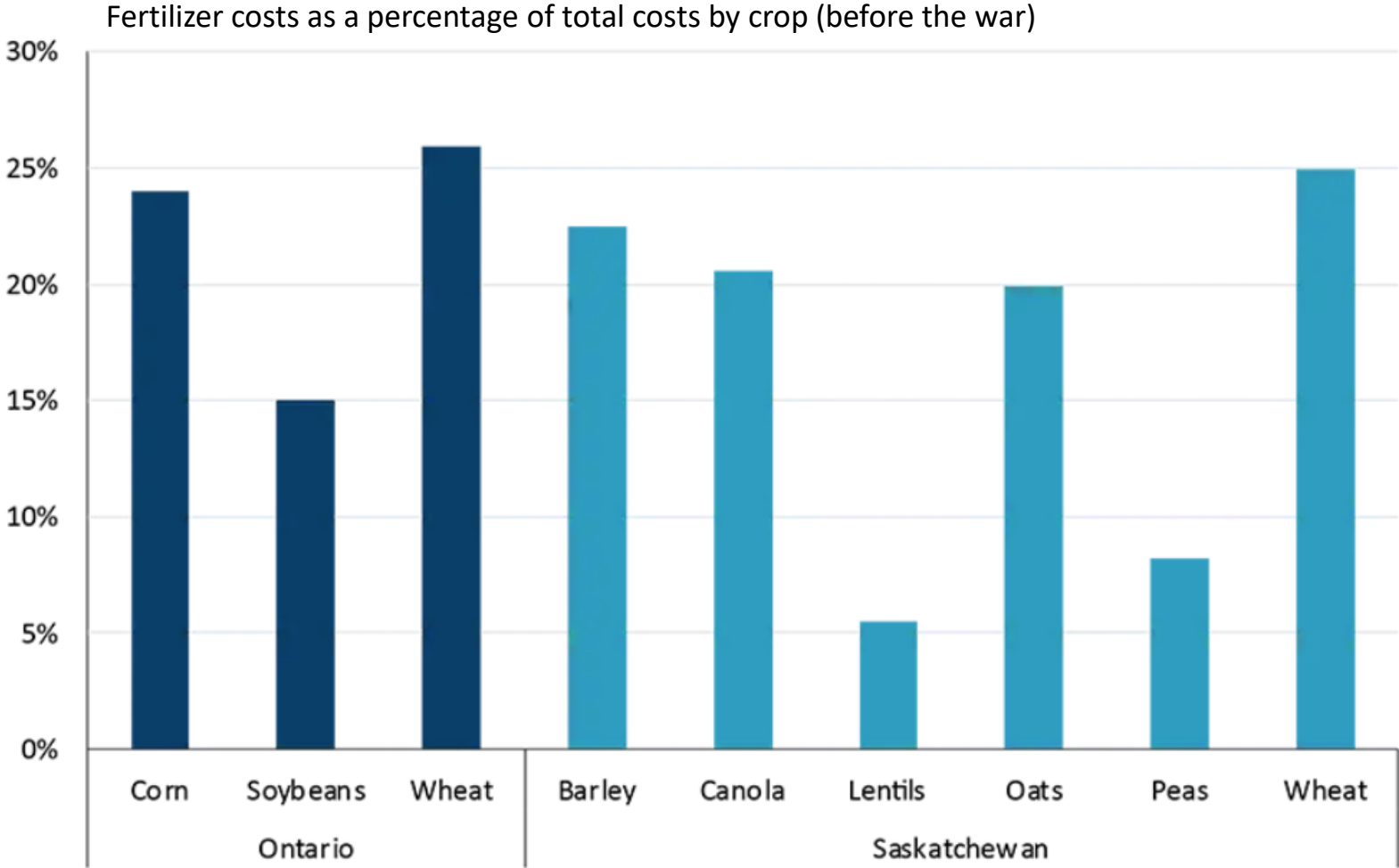
# Global grains and oilseed markets under pressure amid trade uncertainty



# Global stocks-to-use ratios

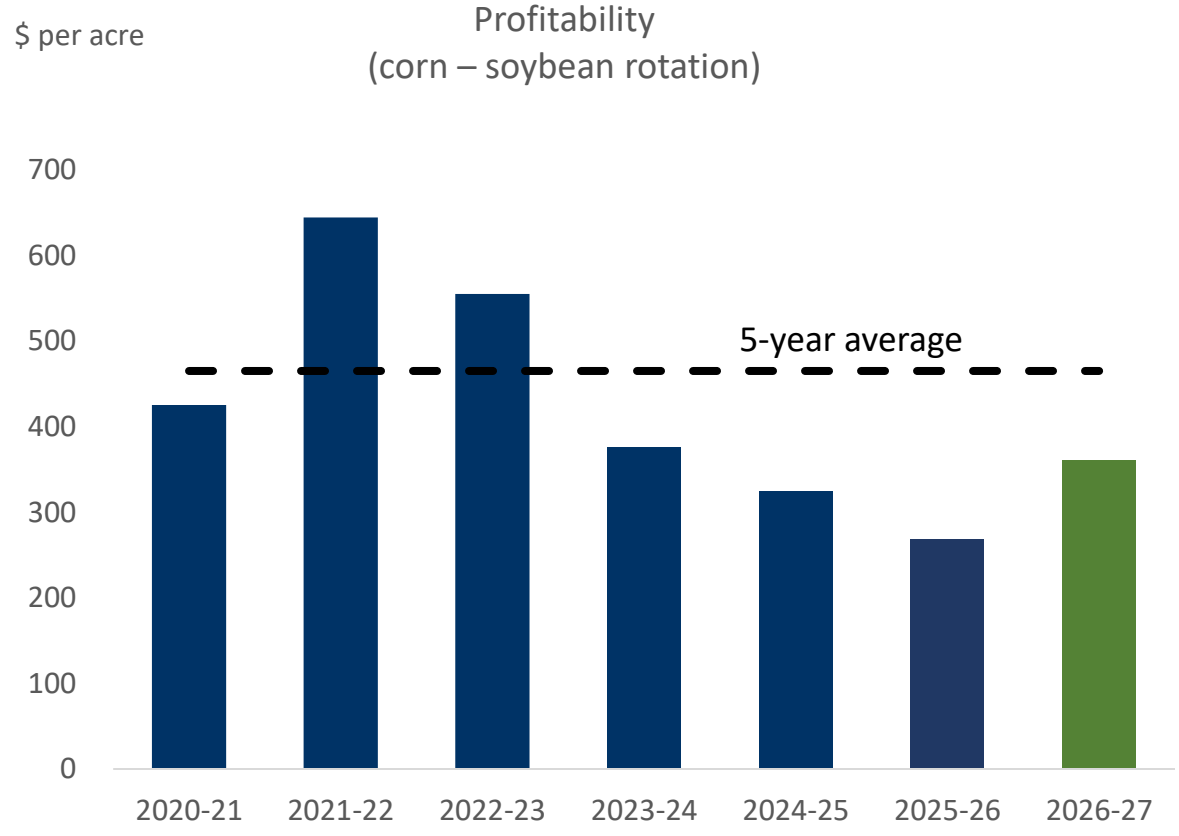
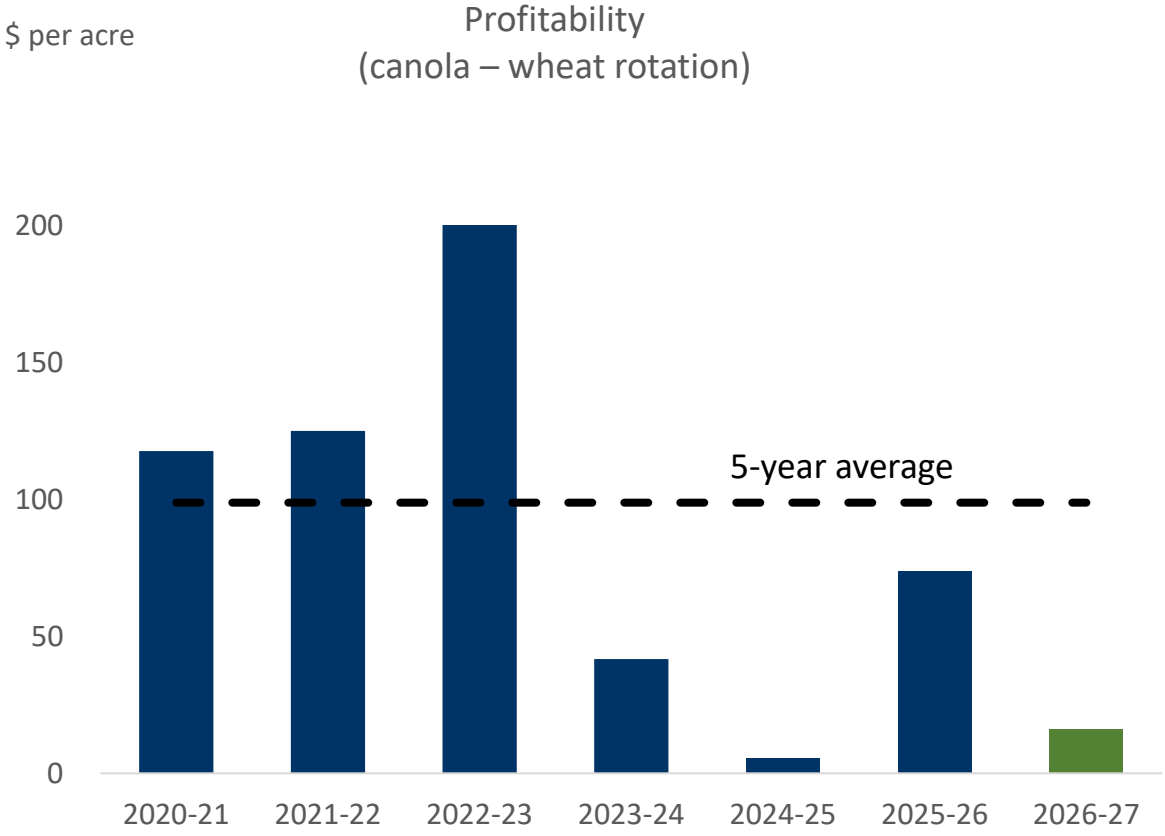


# Fertilizer price surge could impact seeding decisions this spring



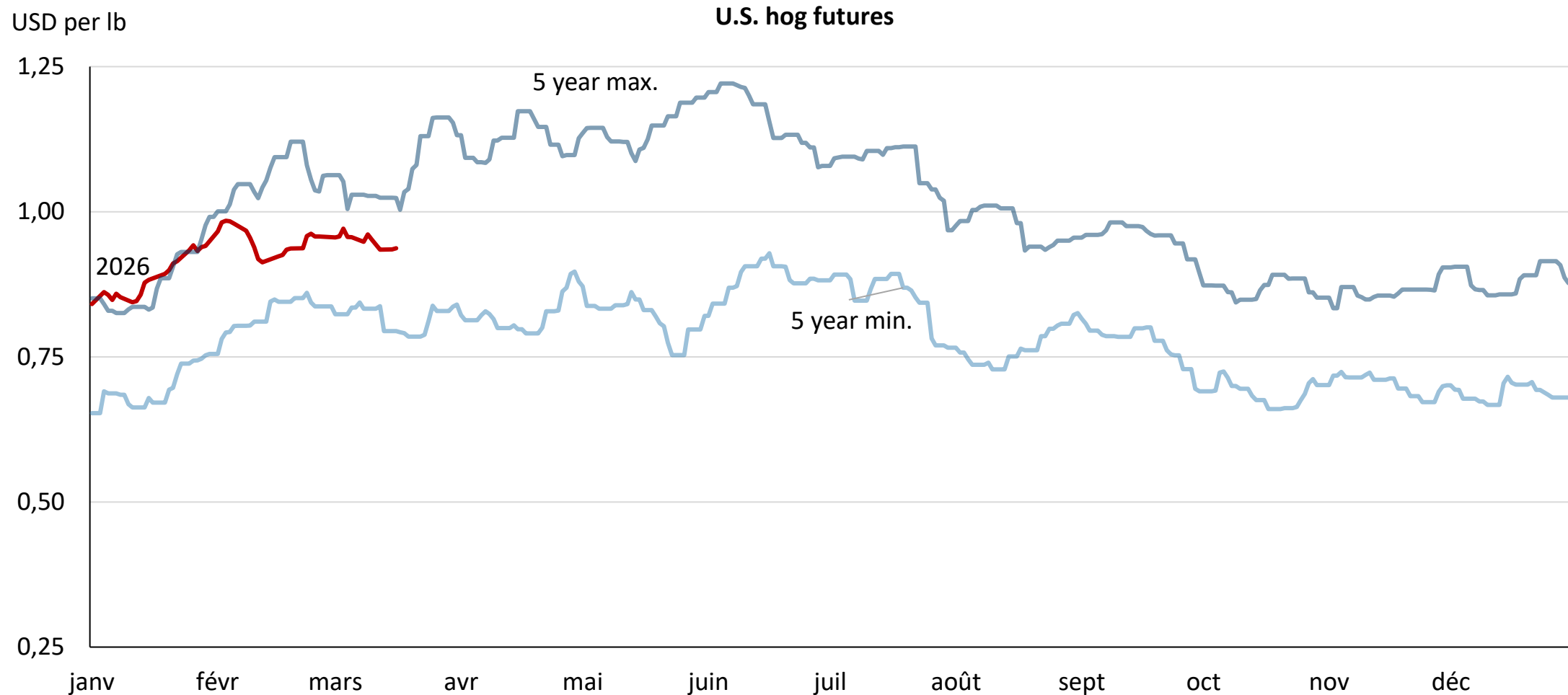
Source: Government on Saskatchewan, Government of Ontario, Statistics Canada, FCC Economics

# Grains and oilseeds profitability (before land costs)

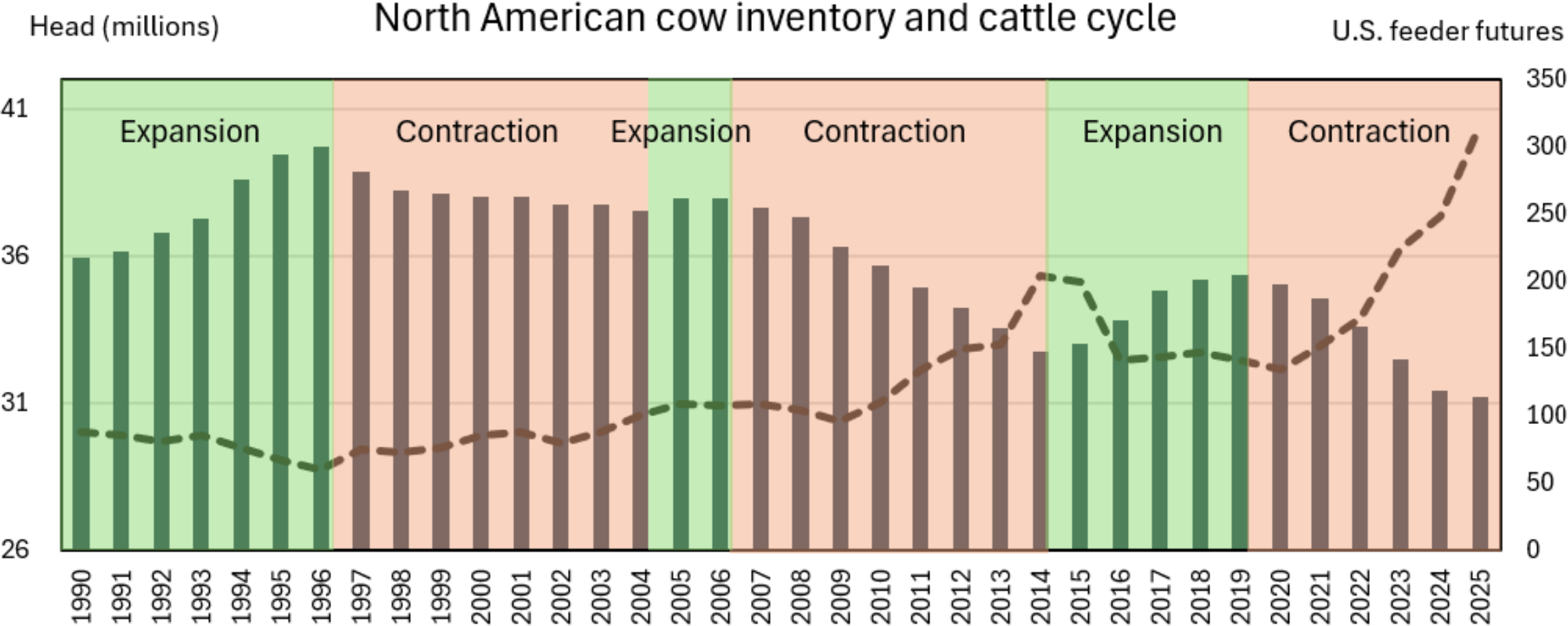


Source: Statistics Canada, FCC Economics

# Solid prices supportive of profitability in the hog sector



# Cattle cycle: When will herd expansion occur?

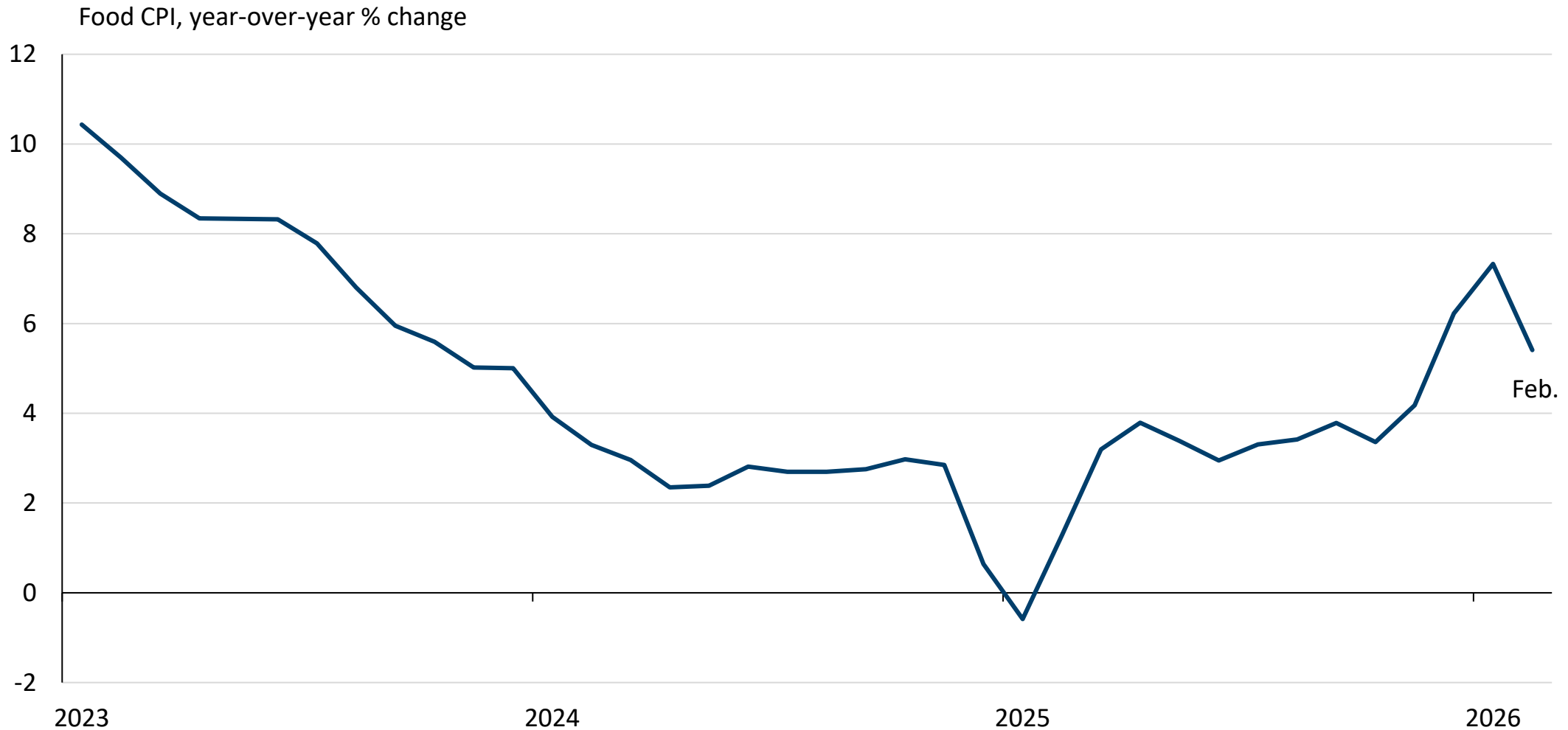


Source: Statistics Canada, USDA, FCC Economics

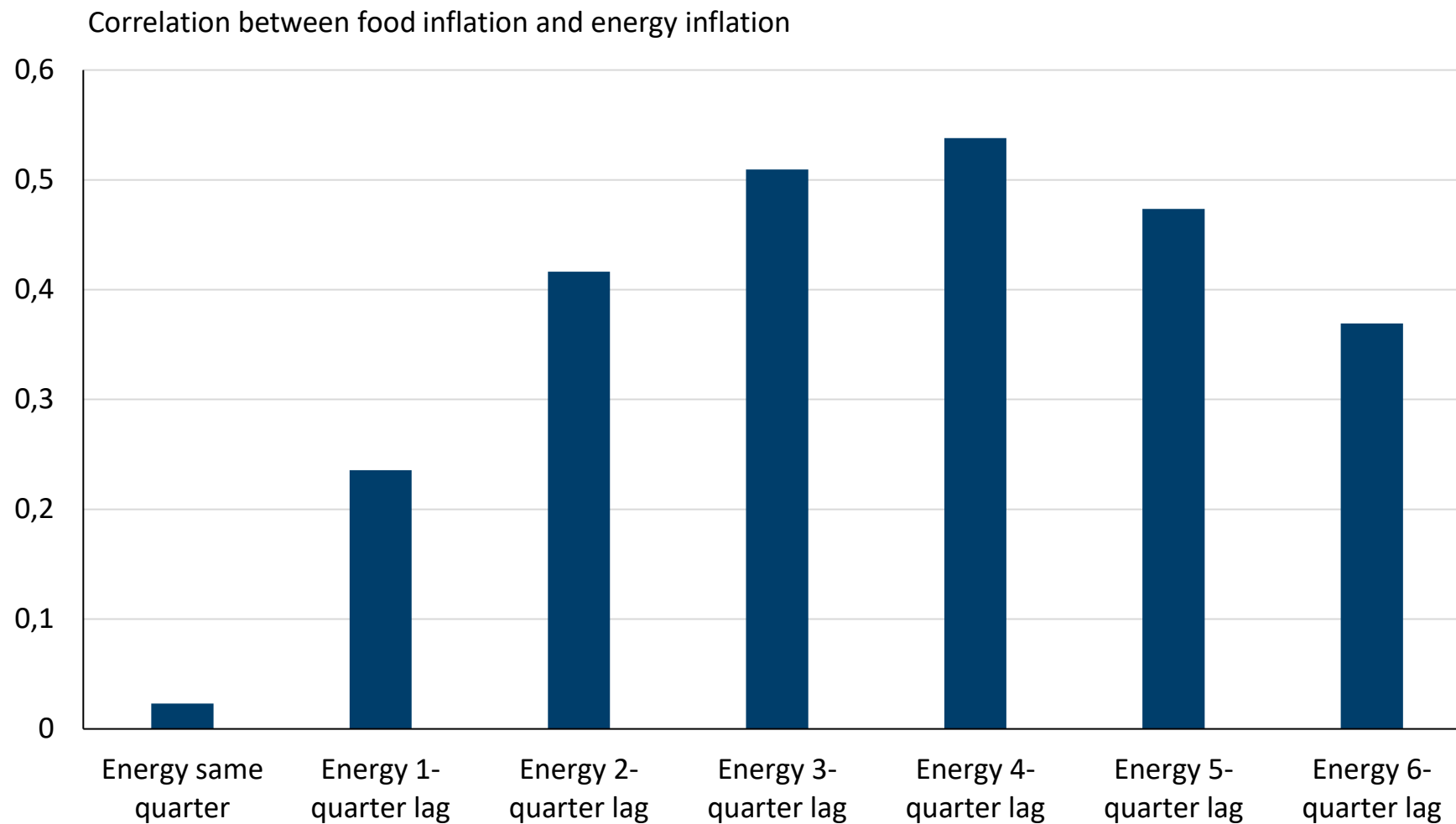
A shopping cart filled with various groceries. In the foreground, there are several ripe red tomatoes, a whole orange, a yellow onion, and a green avocado. Behind these, there's a clear plastic container of strawberries, a red bell pepper, and a clear plastic container of french fries. In the background, there's a large white jug of milk, a bottle of orange juice, a loaf of bread, a bag of bread, and a bunch of green leafy vegetables. The text "Food & Beverage" is overlaid in the center of the image.

# Food & Beverage

# Food inflation moderated in February

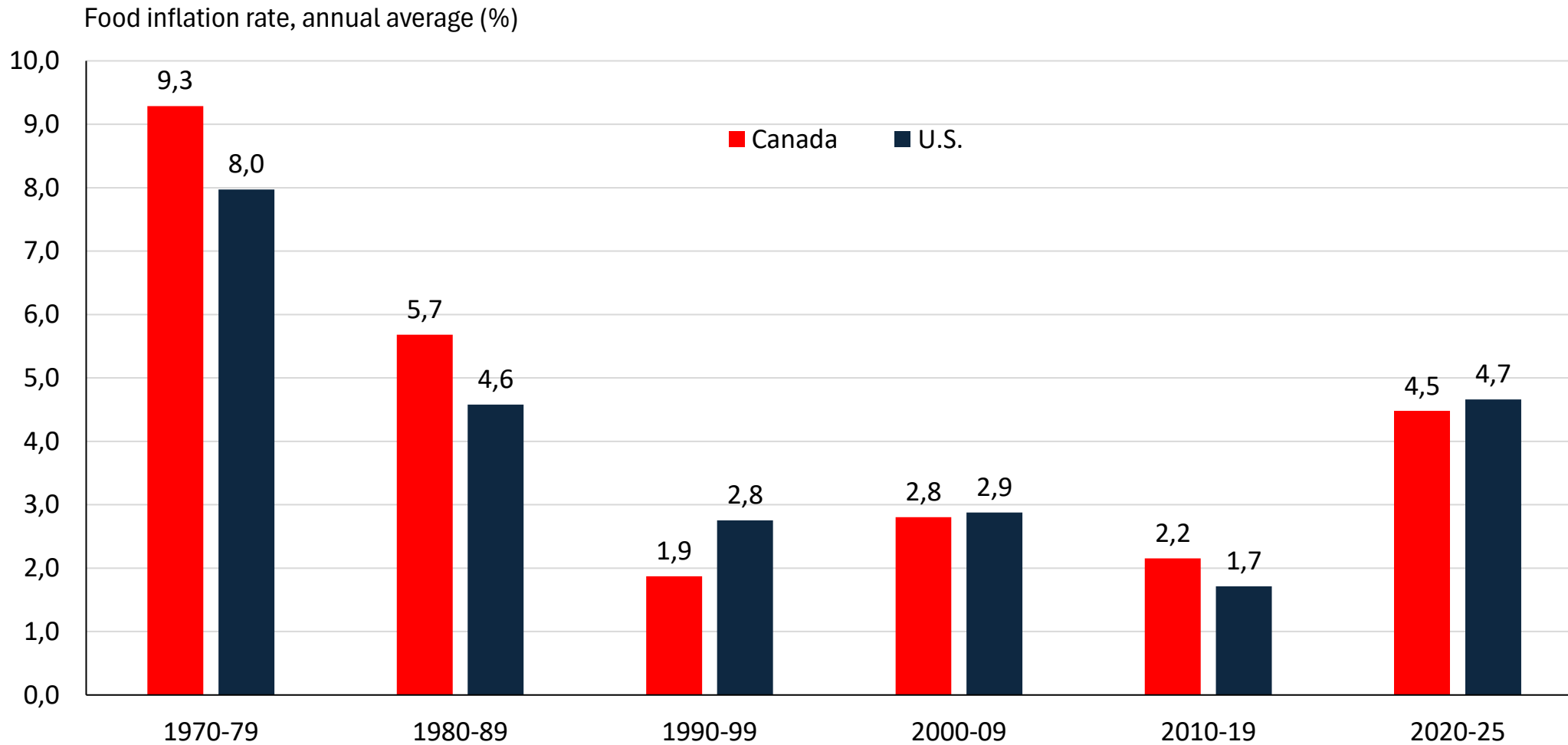


# Energy surge will push up food inflation ... albeit with a lag of a few quarters



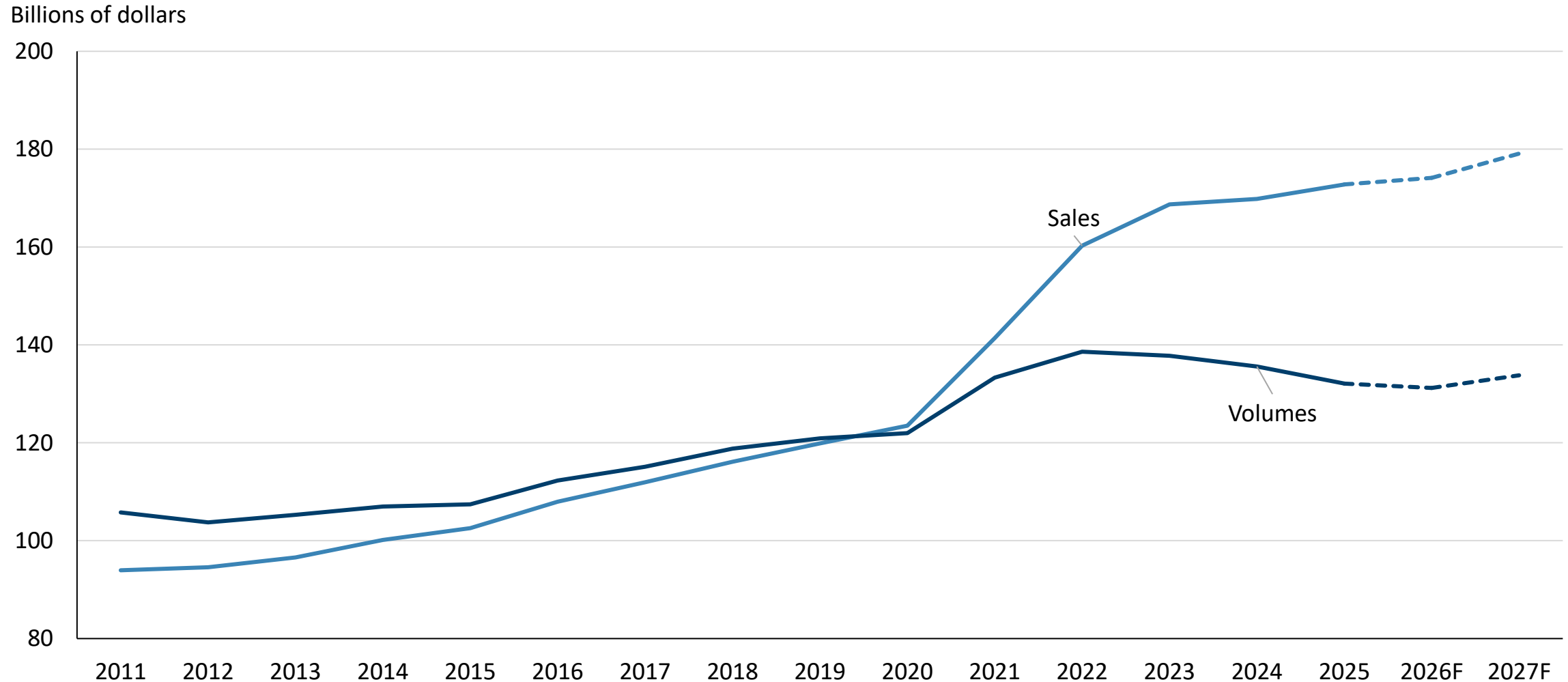
Source: Statistics Canada, FCC Economics

# Structural change in food inflation?

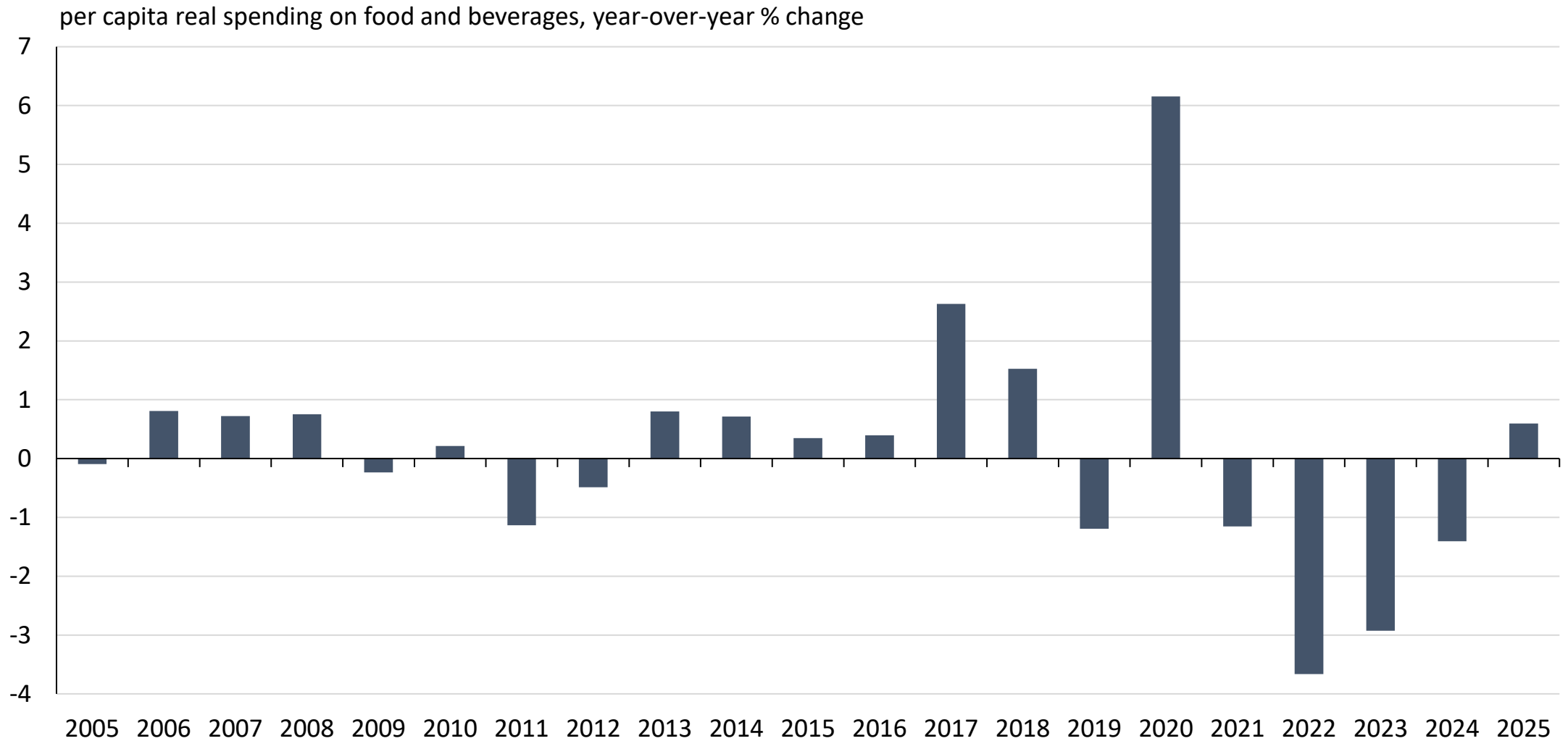


Source: Statistics Canada, U.S. Bureau of Labor Statistics, FCC Economics

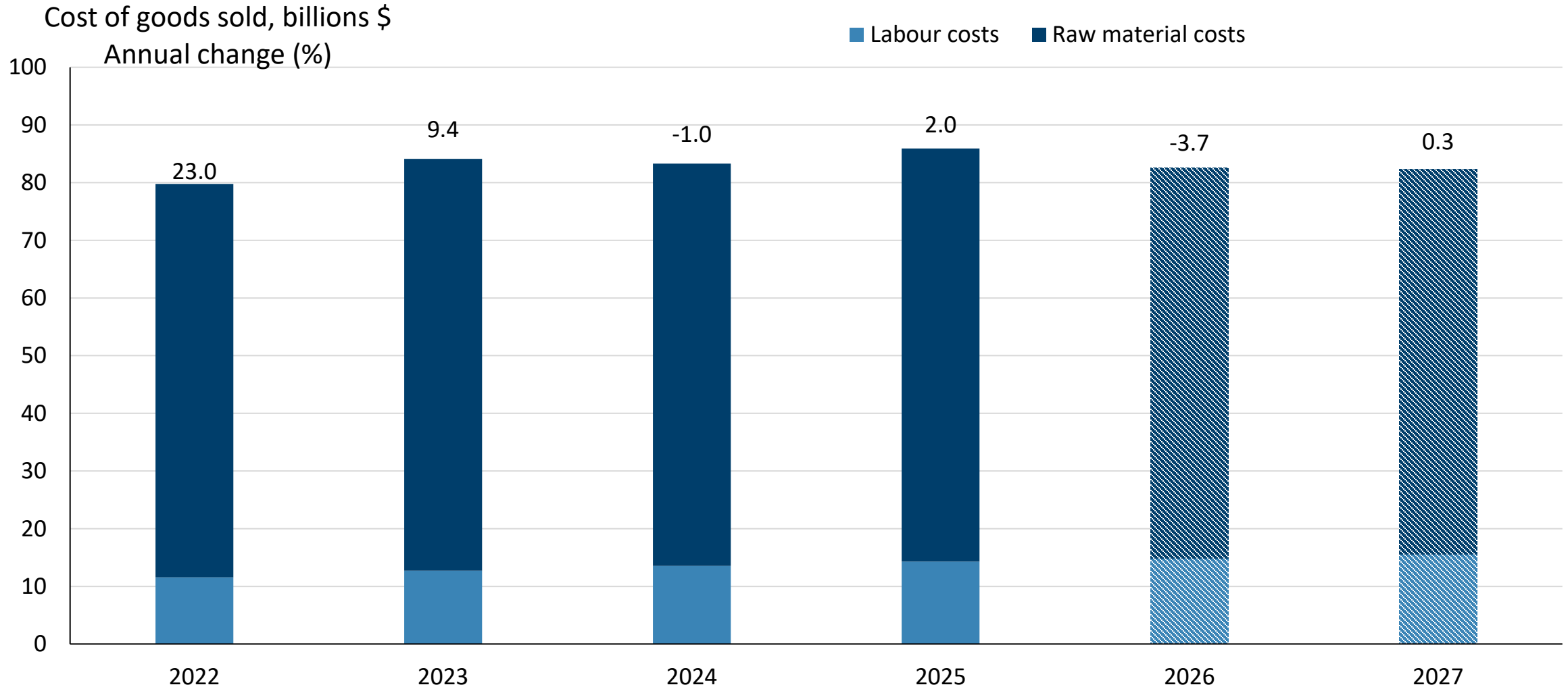
# Sales and volumes have diverged in the food and beverage manufacturing sector since 2021



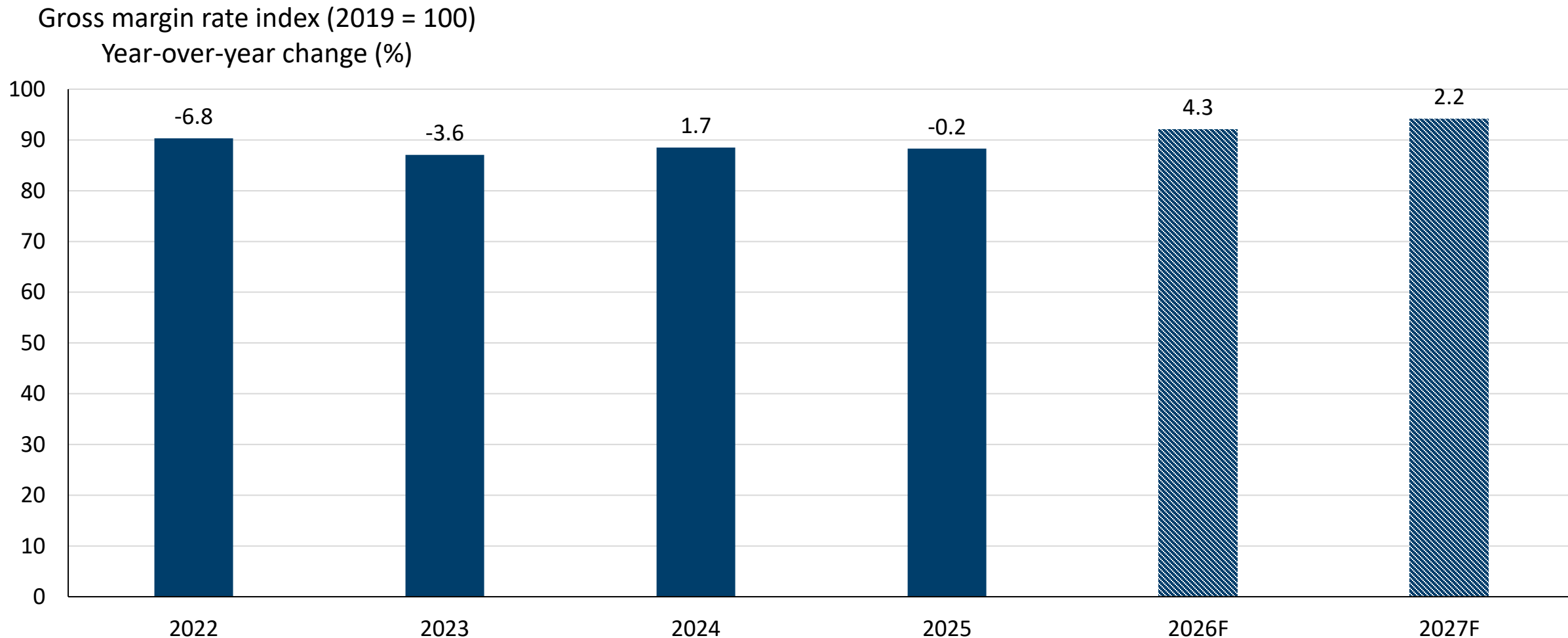
# Per capita spending on food and beverages stabilized in 2025



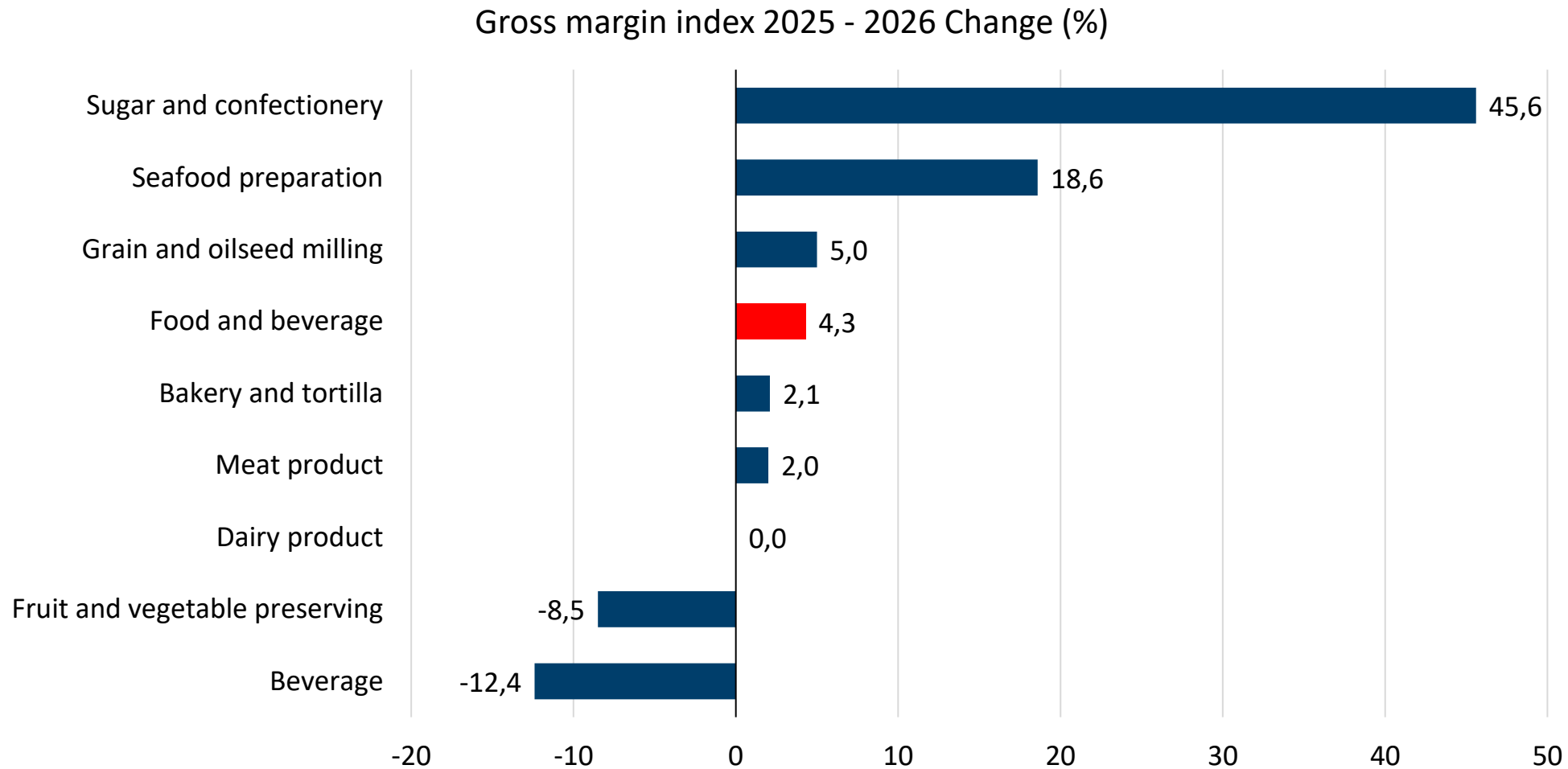
# Cost of production a potential bright spot for food and beverage manufacturers



# Higher sales + Stabilisation of costs = Improved margins for food and beverage manufacturers



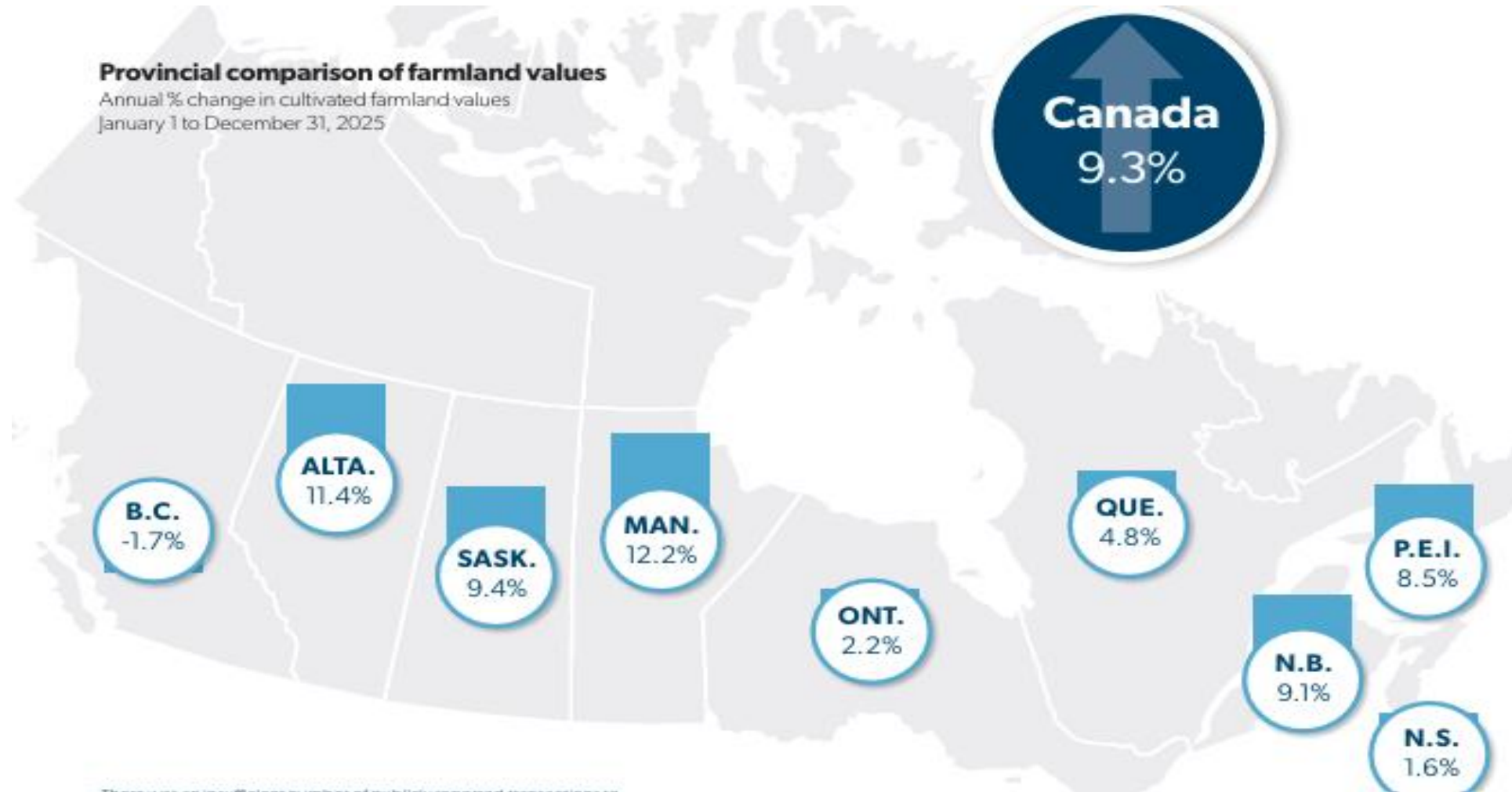
# Margins expected to improve in 2026 for most sub-sectors



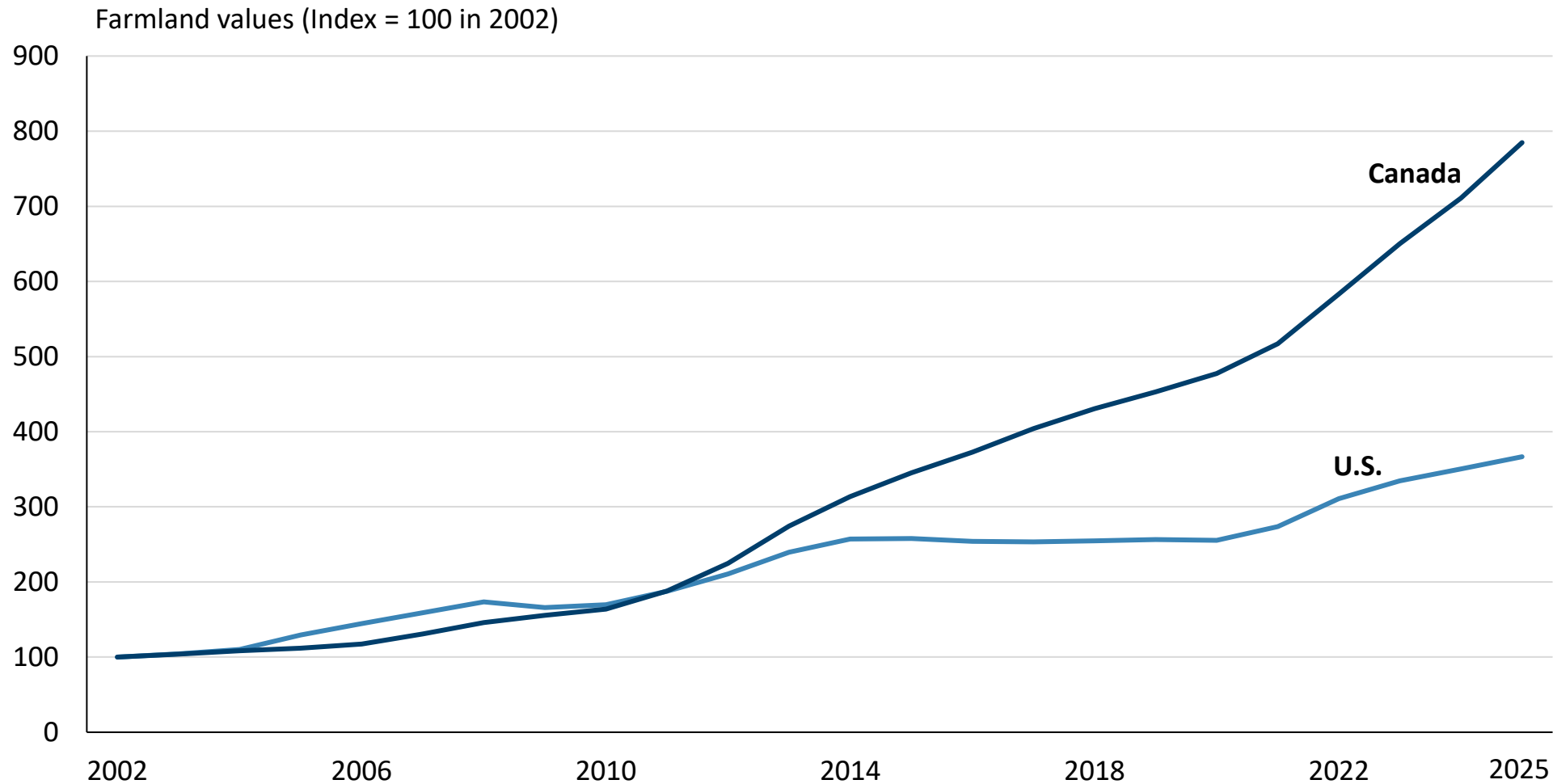
An aerial photograph of a vast agricultural field, likely corn, with rows of crops stretching towards rolling hills under a cloudy sky. The text "Farmland values" is overlaid in the center.

# Farmland values

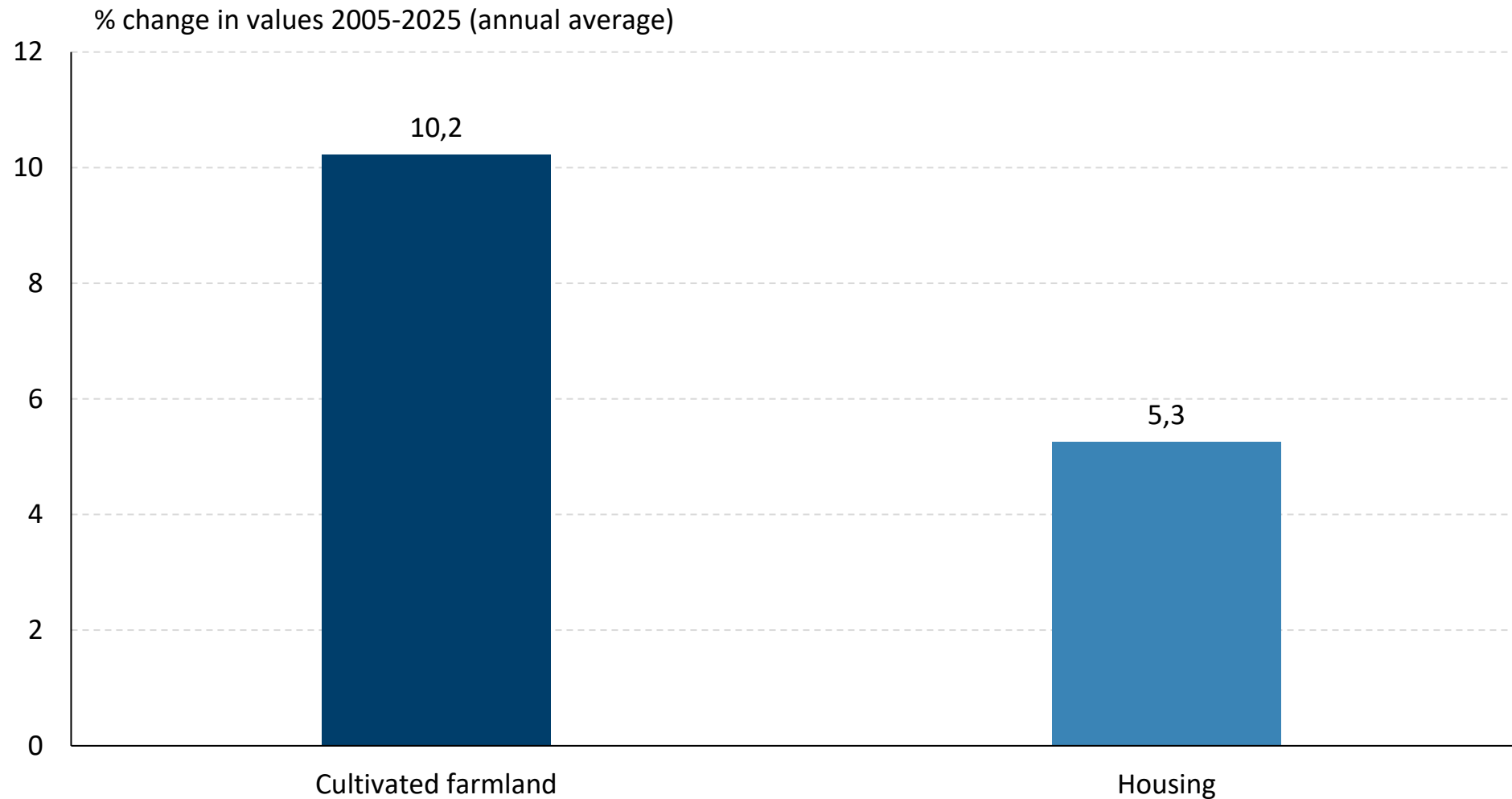
# Canadian farmland continued to appreciate in 2025



# Evolution of farmland values in Canada and the U.S.

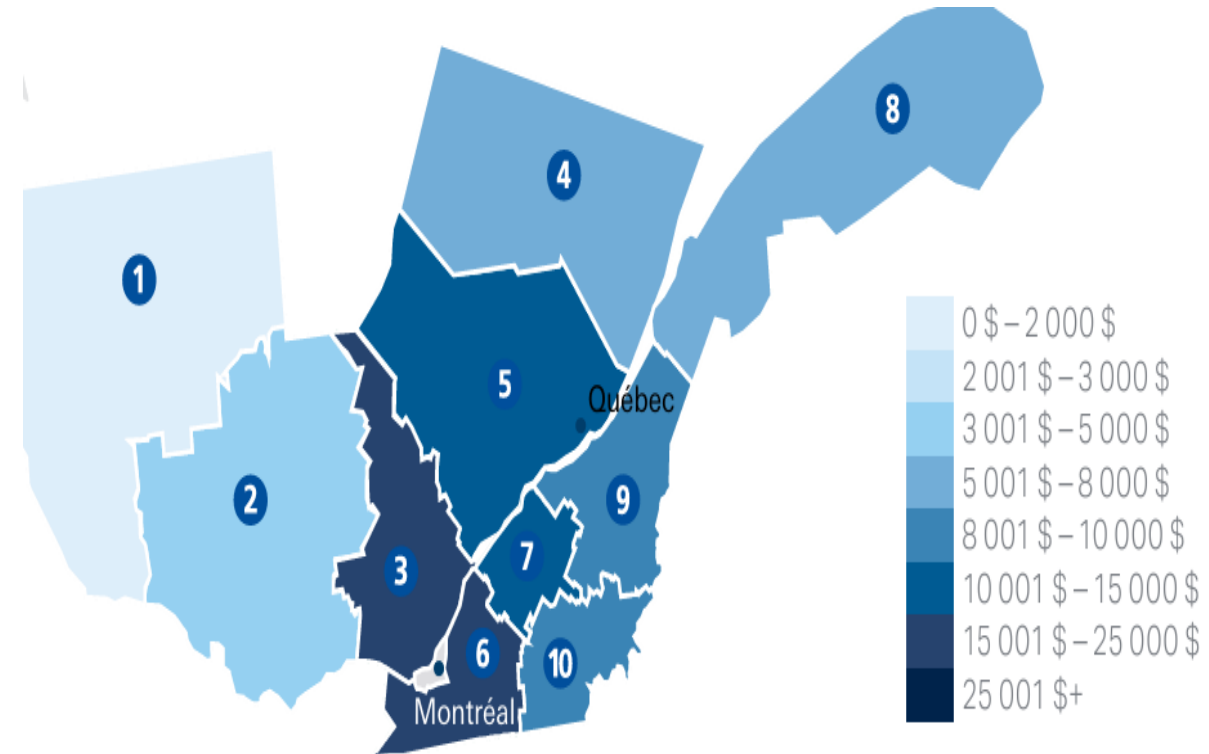


# Farmland appreciation of 10 % per year over the last 20 years

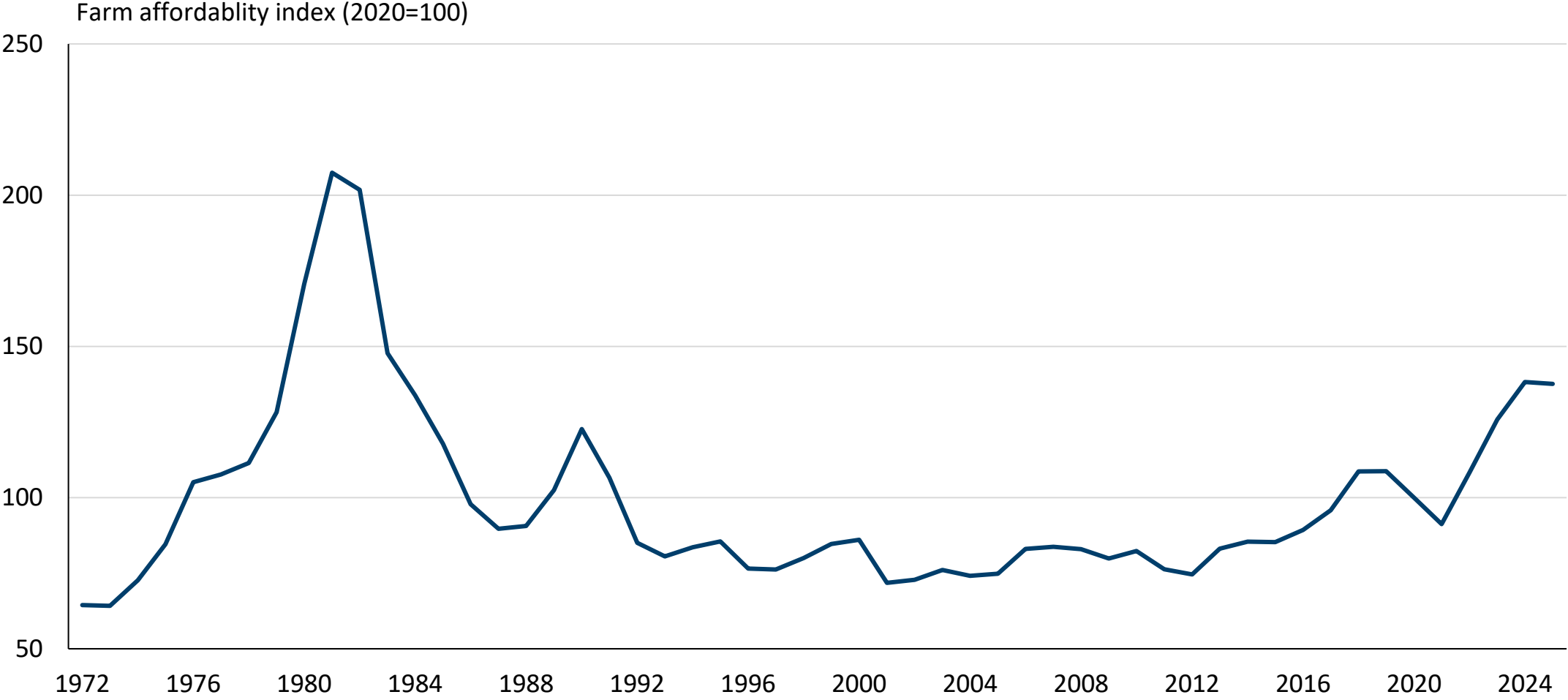


# Farmland appreciation of 10 % per year over the last 20 years in Quebec too !

\$/acre	2005	2025	Annual growth 2005-2025
3. Laurentides-Lanaudière	2779	24000	11.4%
2. Outaouais	626	5300	11.3%
4. Saguenay – Lac-Saint-Jean	774	6400	11.1%
6. Montérégie	3032	23200	10.7%
7. Centre-du-Québec	2574	15200	9.3%
8. Bas-Saint-Laurent – Gaspésie	1059	6000	9.1%
9. Chaudière-Appalaches	1876	10400	8.9%
1. Abitibi-Témiscamingue	345	1800	8.6%
5. Mauricie-Portneuf	2379	11900	8.4%
10. Estrie	1780	8600	8.2%



# Farm affordability index



Source: FCC Economics

# Summary

- Canadian economy continues to grow in 2026... but growth will remain soft (around 1%) given impacts of the trade war, low investment, and weak productivity growth.
- The likelihood of BoC interest rate cuts this year is now very low because of the war (and a higher likelihood of an inflation rebound). There's even a chance we get a rate hike later this year if the Middle East crisis persists.
- The long end of the yield curve is unlikely to help the Canadian economy either, with Canada bond yields remaining elevated.
- Good profitability for the hog and cattle sectors this year. Improvement of profitability compared to 2025 for food processors.
- Upward trend in farmland values likely to continue due to imbalance between demand and supply. Affordability likely to remain a problem for years, especially for new entrants.

# Don't miss our weekly content!

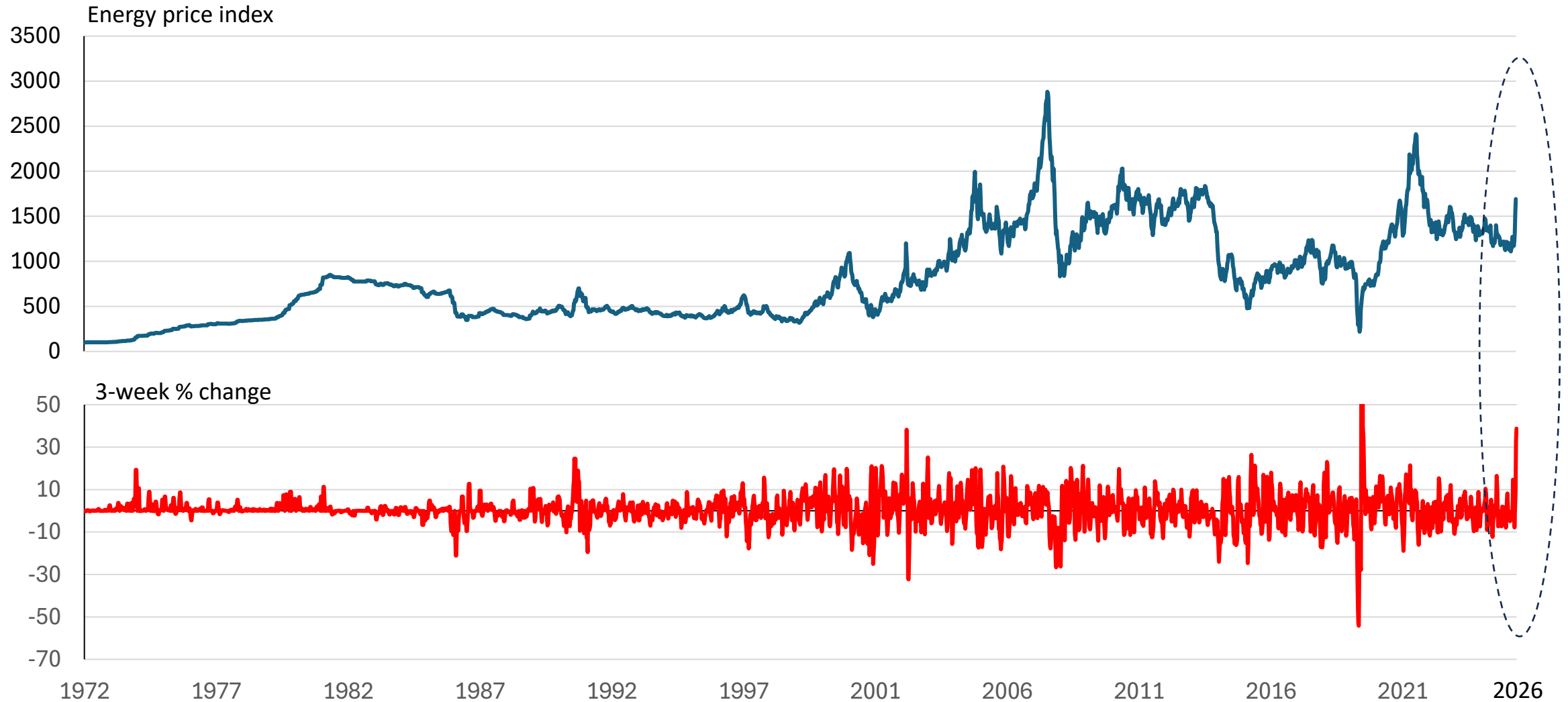
[fcc-fac.ca/newsletter](https://fcc-fac.ca/newsletter)





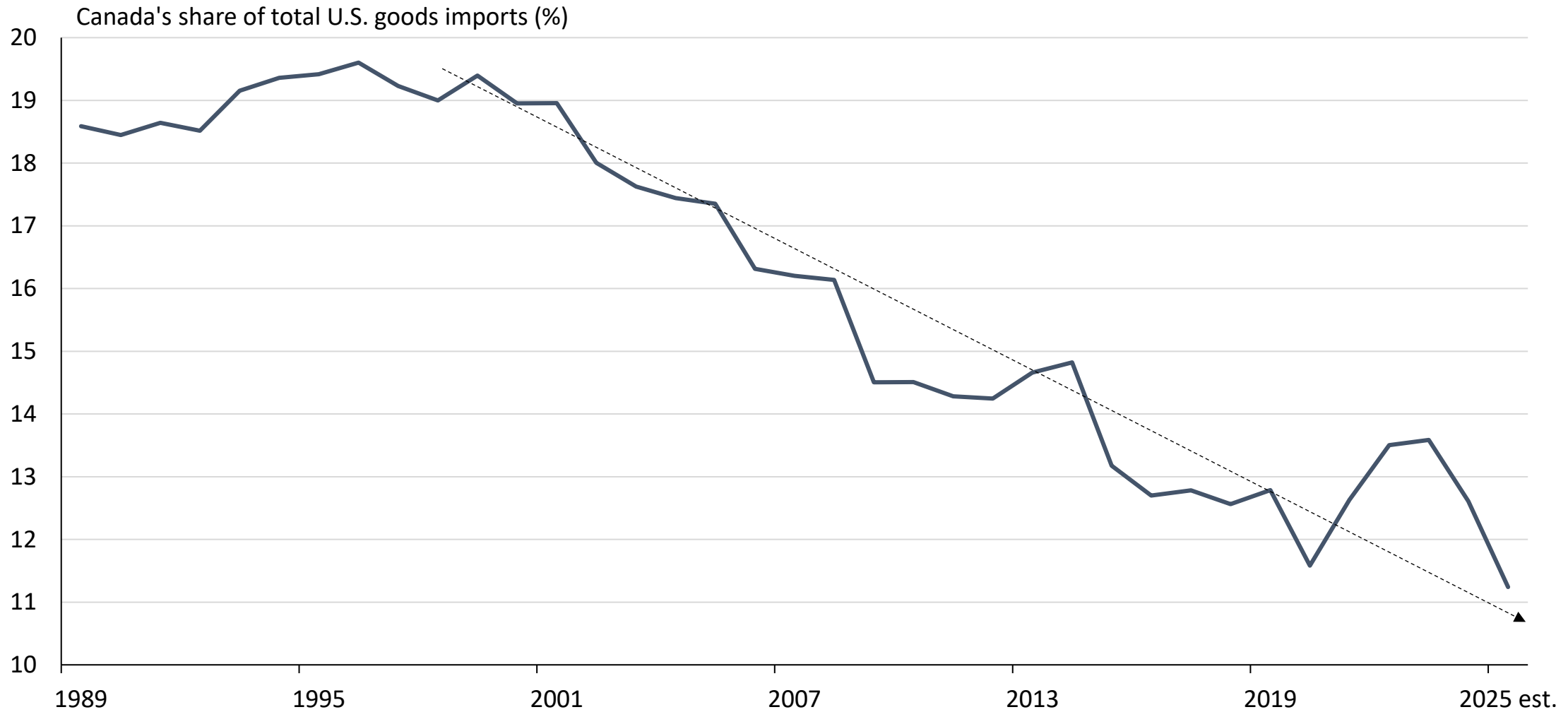
Dream. Grow. Thrive.

# Energy shock is significant

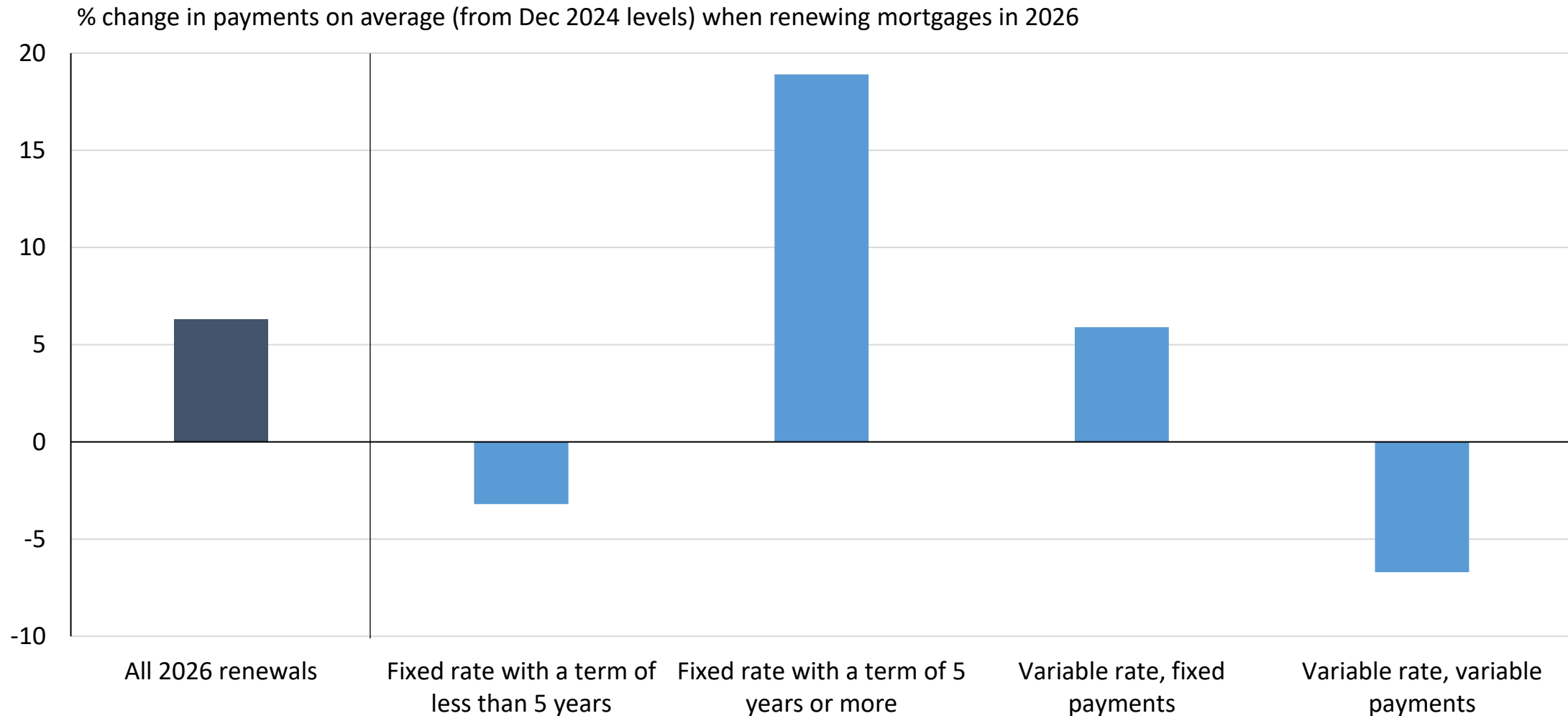


Source: Bank of Canada, FCC Economics

# Canada is losing market share in the U.S.



# Mortgage renewals will weigh on Canadian households this year



# Watch out for changing U.S. trade policy

