US Tariffs and Canadian NPOs

Executive Summary

The recent announcement of a 30-day delay on the implementation of the 25% US tariff on Canadian goods was welcomed by many, as Canadians braced for potential economic repercussions. While most non-profits do not sell goods directly to the US, the broader economic impact and Canada's response could significantly affect the sector. The Procurement Team at Round Table Procurement Services (RTPS) has outlined the following considerations and mitigation strategies for Canadian non-profits organizations as we try to prepare for a potential "trade war":

1. **Community Impact:**
   - Canadian businesses reliant on US markets may suffer, leading to **higher prices and economic instability** and an Increased demand for **social services** due to economic hardship.
2. **NPO Purchasing Challenges:**
   - **Direct impact:** Some large equipment (e.g., HVAC, generators) sourced from the US may become more expensive.
   - **Indirect impact:** Canadian suppliers may increase prices for US-based products they import, particularly food products, appliances, janitorial supplies, copiers, building materials, IT supplies, etc.
3. **Mitigation Strategies:**
   - **Review your current supplier and product lists** to identify the highest areas of risk. Assess any **upcoming capital projects** to determine if high-value equipment or materials will be affected.
   - **Consider Canadian/Non-US alternatives** where possible.
   - **Seek alternative suppliers** if current vendors are committed to US products.
   - **Re-visit product specifications** to allow for non-US alternatives.
   - **Secure long-term supply agreements** to prevent shortages.
   - **Negotiate:** Question proposed increases that are not clearly tariff related.
   - **Review purchasing policies** to align with "Buy Local" values.
4. **Collaboration:**
   - Working together can strengthen bargaining power and help mitigate challenges.

The Procurement Team recommends that NPOs use the coming weeks to **prepare proactively** for the potential implementation of tariffs.

US Tariffs 2025: Impact and Preparedness for Canadian Non-Profit Organizations

Last week's announcement of a 30-day delay of the 25% tariff by the US on Canadian goods came as welcome news for all Canadians. While most of us in the non-profit sector don't sell goods to the US, the extended effect on the Canadian company by the US tariffs and the Canada's subsequent response could have a significant impact on everyone.

This (potentially) temporary reprieve should not lead to complacency. Instead, it provides an opportunity to prepare for the possibility that tariffs may still ultimately be enforced. The Procurement Team at Round Table Procurement Services (RTPS) has outlined the following considerations and mitigation strategies for Canadian non-profit organizations.

Broad Community Impact

While not directly related to our own purchasing issues, it's important to recognize the broader impact of the US tariffs on our communities. Our first concern should be for friends, neighbours and community members who will be most adversely affected by these economic changes.

Many Canadian companies, and even entire sectors of our economy, have tailored their operations to sell to the US market. The challenges encountered by those companies would result in a weaker economy overall, increased prices domestically and fewer supplier options.

The non-profit sector should expect an increased demand on the social services we provide people struggle to make ends meet.

NPO Purchasing Implications

The most direct financial impact we would see on our purchasing would come as a result of the Canadian-imposed tariffs on US products.   (See a list of the goods initially impacted here: Tariffed US Products).

The good news is that as a sector, NPOs don't typically purchase a great deal directly from the US. Most of the goods we require can be provided from Canadian-based companies, even if many are local subsidiaries of globally owned corporations (US or otherwise).   This is influenced by several factors, including government programs such as the Building Ontario Better Initiative (BOBI) and Bill S-211, promoting ethnical labour practices in supply chains.

Purchased goods that could be affected by the tariffs generally one of two categories:

1. ***Direct Purchases from the US***

There are some goods that we do often buy directly from the US, notably large or capital equipment (generators, pumps, HVAC, mechanical, electrical equipment, etc). Whether purchased directly from a US-based supplier or via a local contractor, the potential impact of increased cost for these large-value items would be significant.

2. ***Locally Purchased US-Based Products***

We would see the most widespread impact on US-based products that we buy, regardless of where the supplier is based. Even when purchasing from Canadian suppliers, many products arrive via the US and may be subject to price increases. Common examples include:

- Food and related products
- Janitorial, paper, and cleaning supplies
- Appliances
- Photocopiers and office equipment
- Maintenance supplies
- Building materials
- Technology and IT equipment

It remains uncertain whether tariffs will extend to non-physical purchases such as services or software licenses. More details regarding the products in-scope will be presumably be available if and when tariffs are implemented. In the meantime, we need to consider strategies to mitigate the potential impacts tariffs would have on any of the products we buy.

Mitigation Strategies

1. ***Review your Current Supplier and Products*****:** Identify the highest areas of risk. Assess any upcoming capital projects to determine if high-value equipment or materials will be affected.
2. ***Consider Alternative Products***: So far, it seems our first instinct has been to react with a "Buy Canadian" philosophy. That, or at least a "Buy Non-US" approach is a means of avoiding paying a premium driven by tariffs. NPOs should work with current suppliers to identify alternative products that still meet base quality and operational requirements. Paper, cleaning and food products are great examples where Canadian-based alternatives are available.
3. ***Consider Alternative Suppliers***: If your current suppliers are unable to provide non-US alternatives, a change in supplier may need to be considered. Identify these potential areas in advance so you can conduct a proper procurement process wherever possible.

Use a balanced set of selection criteria that will compare both pricing and non-price related factors such as location, product selection, quality and availability.

4. ***Revise Specifications:*** Simply finding a non-US alternative for some items (such as specialized mechanical equipment, specific appliances for a housing project or food products required for a nutritional program) may not be an option. In these cases, specifications may need to be revised. Build in sufficient time to review requirements and adjust specifications to allow for non-US alternatives.
5. ***Forecast Expenses; Secure Supply:*** Increased demand for non-US products may lead to supply shortages. Non-profits should collaborate with suppliers to secure essential goods in advance. Consider entering into agreements with suppliers for a committed volume at a set price.
6. ***Challenge Suppliers:*** As we learned from the COVID pandemic, suppliers can sometimes take these opportunities to raise prices even if their costs are not actually affected. Push back on any proposed increase that does not seem justified by a clear connection to tariff-related factors.
7. ***Review Purchasing Policies, Practices:*** This experience has seemed to embolden Canadians and reminded us that our purchasing activities can extend beyond simply finding a good price. NPOs should take this opportunity to review current policies and practices to ensure that they accurately reflect the principles, values and strategy of the organization. "Buy Canadian" or "Buy Local", for example, have often been informal underlying elements of purchasing practice. NPOs can use their purchasing behaviour to reflect their values and principles.
8. ***Work Together:*** The work required to navigate and minimize the impact of tariffs highlights the benefits a collaborative approach for NPOs. Non-profits can leverage collective purchasing power to negotiate better terms with suppliers and strengthen procurement strategies. Buy working together, NPOs can leverage the collective purchasing power, effort and knowledge to weather this and future challenges.