

ECONOMIC IMPACT

 ECONOMIC
PULSE
 

LET'S TALK ABOUT TARIFFS: TRACKING THE CURRENT IMPACTS AND FUTURE OUTLOOK

Tariff 101: A tariff is a tax imposed by a government on goods and services imported from other countries. A tariff can be imposed at varying levels, with a myriad of desired outcomes including negotiation leverage, raising government revenue, protecting domestic industries, and correcting trade imbalances.

CURRENT ECONOMIC IMPACT ASSESSMENT



THE MONTANA - CANADIAN TRADE RELATIONSHIP:

The potential impact of tariffs cannot be explored without considering our long-standing relationship with Canada. Many aspects of our economy are closely tied to Canada - tourism, agriculture, real-estate holdings, and more.

MONTANA SOURCES

92-93%

of its imports from Canada and Mexico, the highest of any U.S. state, with Canada representing **37% (\$869 million)** of Montana's total goods exports in 2024.

This bilateral relationship encompasses over

\$8 BILLION

worth of goods imported in 2023, with crude petroleum oils comprising over **50% (\$4.86 billion)** of those imports.

Source: USDA, US Census Bureau, Montana Free Press



IMMEDIATE IMPACTS: WHAT ARE THE POTENTIAL RISKS OR BENEFITS FOR MONTANA'S MAJOR INDUSTRIES?

AGRICULTURE

Montana's agricultural sector could face disruption across multiple commodities. Wheat and lentil exports, representing a \$1.2 billion piece of Montana's economy, are likely to face tougher markets as tariffs erode favorable trade terms in Canada and China. Specific impacts include:

- **Wheat Production:** Montana ranks third among states for wheat production, with **5.2 million acres** planted and at least **\$1 billion** in sales in seven of the last 10 years. Historically, about **80%** of Montana wheat is exported, primarily to Asia-Pacific markets.
- **Lentil Industry:** Montana is the top U.S. producer of lentils, with **720,000 acres** planted in 2024 and **\$226 million** in sales. Canada has become a preferred buyer for lentil farmers along Montana's Hi-Line.
- **Fertilizer Cost Crisis:** Fertilizer prices could increase by more than **\$100 per ton** with the 25% tariff, as 90% of U.S. fertilizer is imported and more than 80% comes from Canada.
- **Livestock and Cross-Border Operations:** In the beef business, a cow can be born in Montana and cross the Canadian border twice before it's processed. Tariffs both ways could make that an expensive cow. The U.S. Meat Export Federation estimated that U.S. exports of red meat to Canada, Mexico and China were worth **\$8.4 billion** in 2024, with export sales adding \$415 per head value to cattle slaughtered.

Source: Montana State University Extension, Census of Agriculture, 2024



ENERGY SECTOR

Montana has four refineries with combined crude oil processing capacity of about 205,000 barrels per calendar day, with three of the largest refineries in the Yellowstone County region. Montana imported \$4.2 billion worth of crude oil from Canada through October 2024. Energy impacts include:

- **Refinery Operations:** The refineries receive crude oil mainly from **Canada and Wyoming** and produce a wide range of refined products.



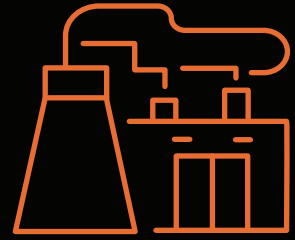
- **Consumer Price Effects:** Monitoring gas prices and energy bills for Montana consumers.
- **Pipeline Dependency:** In 2022, about **86%** of the natural gas that entered Montana came from Canada, crossing the border at three points of entry.

Source: KULRB, Par Montana, and Phillips 66



TARIFFS CAN POSE A BENEFIT TO OUR REGIONAL ECONOMY BY SUPPORTING OUR EXISTING INDUSTRIES, RETAINING JOBS, AND KEEPING FAMILIES IN MONTANA:

The Sibanye-Stillwater Mine is a multinational mining and metals operation in Columbus. The company filed a petition urging the U.S. to impose tariffs on Russian palladium to strengthen domestic mining and retain jobs in Montana.



\$\$\$ FUTURE OUTLOOK \$\$\$

STATE-LEVEL ECONOMIC IMPACT

According to the Bureau of Business and Economic Research (BBER) at the University of Montana,

TARIFFS ONLY DIRECTLY APPLY TO 11% OF U.S. CONSUMER SPENDING.

Montanans continue to spend money despite paying more on goods that are impacted by tariffs.

Source: BBER Montana Economic Outlook Seminar, 2025



SMALL BUSINESSES

Small businesses, which are registering in record numbers across the state, may monitor shipping and inventory costs as the holiday season approaches.

Source: "New businesses roll into Billings as state sets record growth", Q2 News, 2025

- Some of Montana's most celebrated manufacturers, **West Paw and Red Oxx Manufacturing, manufacture their goods in Montana and the United States.** Others use equipment that may only be available internationally from specialty manufacturers.

THE MONTANA "TRUCK TAX"

Vehicle Tariff Impact Analysis Some experts say that the nation's automotive sector faces severe disruption through what effectively functions as a "truck tax" on consumers.

With almost 35% of Montana's population driving pickup trucks, the tariff impacts can create disproportionate economic burden on state residents who depend on trucks for work, ranching, and rural transportation needs.

- How are tariffs and ongoing negotiations impacting the cost and supply of vehicles locally?**
According to local dealers, there appears to be minimal impact to both cost to the consumer and supply of the vehicles that Montanans prefer - most notably the Ford 150, the states most popular vehicle. In fact, most vehicles have post-tariff pricing and are holding steady with pre-tariff pricing.
- Car manufacturers are working closely with the Trump Administration to minimize impact to local dealerships and consumers.



ECONOMIC GROWTH PROJECTIONS

GDP and Employment Effects Montana's economy, currently valued at

\$58.5 BILLION

in 2024 real GDP, faces potential contraction. Agricultural production employed **52,629 workers** or 10% of the state's labor force in 2017, with every 10 jobs on farms and ranches generating 6 additional jobs in Montana.

*The value of Montana's agricultural production and processing industries represented **4.9%** of total state GDP in 2022.*



INFLATION AND INTEREST RATES

Tariffs may create a one-time boost of
1.5-2% TO INFLATION
over the next 12-18 months.

While interest rates remain high, there is uncertainty of what forecasting may look like beyond 2026

Source: BBER Montana Economic Outlook, 2025

