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● (1835)

[*Translation*]

The Chair (Mr. Kody Blois (Kings—Hants, Lib.)): I call this meeting to order.

Good evening, everyone.

Welcome to meeting No. 49 of the House of Commons Standing Committee on Agriculture and Agri-food.

I will start with a few reminders.

Today's meeting is taking place in a hybrid format. The proceedings will be made available via the House of Commons website. Just so you are aware, the webcast will always show the person speaking, rather than the entirety of the committee. Screenshots or taking photos of your screen is not permitted.

[*English*]

Colleagues, we're back at it, and we have a few substitutions. Welcome to Mr. Kurek, subbing in for Mr. Warren Steinley. We also have Mr. Iqwinder Gaheer subbing in for Mr. Turnbull; and Mrs. Soraya Martinez Ferrada subbing in for Ms. Taylor Roy.

Welcome to the agriculture committee, it's great to have you here.

[*Translation*]

Mr. Perron, all the witnesses this evening have done their sound tests. Everything should be working properly.

[*English*]

Pursuant to Standing Order 108(2), and the motion adopted by the committee on Wednesday, October 5, 2022, the committee is resuming it's study of food price inflation.

I would like to welcome our witnesses for the first one-hour panel. They're all joining us virtually. From Canadians for Tax Fairness, we have Dr. D.T. Cochrane, economist and policy researcher.

[*Translation*]

From the Conseil de la transformation alimentaire du Québec, we are welcoming its Chief Executive Officer, Sylvie Cloutier and Dimitri Fraeys, the Vice-President for Innovation and Economic Affairs.

[*English*]

From Restaurants Canada, we have Olivier Bourbeau, vice-president, federal and Quebec.

Welcome to you all. Each of you will have five minute for opening remarks, and then we're going to turn it over to questions.

I'm going to start with Dr. Cochrane, for up to five minutes, please.

Dr. D.T. Cochrane (Economist and Policy Researcher, Canadians for Tax Fairness): Thank you for inviting Canadians for Tax Fairness to comment on this important issue.

Inflation is a complex phenomenon. Unfortunately, an overly simplistic claim about the cause of inflation being too much money chasing too few goods has driven an overly simplistic policy solution: higher interest rates. This claim also lends itself to blaming the federal government for inflation, because of the money created to support Canadians during the pandemic. Because of this money, we are told, there is excess demand.

Here's a question for those parroting the "too much money" line: Who has too much money? Whose demand for food and other goods is illegitimate?

There is much more I could say about the problem of reflexively using interest rates to manage inflation, but let me get to the topic of food price inflation.

Our organization has been drawing attention to the role of corporate power in inflation. Last April, we released a report, "The Rise of Corporate Profits in the Time of Covid", which shows the profit margin of Canadian corporations jumped significantly in 2021. From an average pre-tax margin of 9% over the previous two decades, the margin reached almost 16% in 2021. Preliminary data for 2022 suggests that profit margins remained elevated. Corporations are not just passing along higher costs. Many are taking advantage of turmoil throughout the global economy to boost profit margins.

The big retail grocery chains—Loblaws, Empire and Metro—have gotten much of the attention for food price inflation. This attention is absolutely deserved, as all three have had higher profit margins during the pandemic. However, this goes beyond the public face of food retail.

Grocers' costs include the profit margins of their suppliers. Therefore, when the grocers' costs are higher, some of that is likely paying for higher profit margins. At practically every step along food supply chains, there are corporations seeking the greatest possible profit. Some corporations will be able to pass along higher costs while preserving their profit margins, and some will pass along more than higher costs to claim even greater profits.

Some of these higher costs and margins will be borne by small food businesses, such as neighbourhood restaurants, because they are not able to pass along higher costs. However, much of these costs will be paid by students, pensioners, workers and their families—in other words, everyone who needs to eat. Of course, workers also want to pass along increased costs through higher wages and salaries. Some may be able to do so; most will not.

This is the step where central banks express concern about a wage-price spiral. However, there is no similar concern about a profit-price spiral, even though, one, most of the prices we face are set by for-profit corporations and, two, corporate profit growth is well outpacing wage growth. In fact, the Bank of Canada's monetary policy reports, which justified its recent interest rate hikes, make zero reference to profit.

Let me mention the profits associated with fossil fuels—a vital input to all our food, at many stages of production. In 2019, Canada's 10 largest oil and gas companies had combined pre-tax profits of $8.5 billion at an 8.5% profit margin. In 2021, their margin doubled to 17%, bringing them a combined $23.8 billion. Oh, and while collecting these record-high profits, seven of the 10 paid no income tax.

The question of who gets to pass along higher costs, who has to absorb higher costs, and who gets to pass along more than higher costs is one of power and redistribution. Currently, some of Canada's biggest corporations have a lot of pricing power. Unsurprisingly, they are taking advantage of it, to the detriment of Canadians.

I will finish by advocating two tax measures to address this situation.

The first is a minimum tax on reported profits. If we had a 15% minimum tax on the profits that corporations report to their shareholders, the 10 largest oil and gas companies would have paid a combined $3.6 billion instead of nothing.

The second is an excess profit tax, which reduces the incentive to hike margins at every opportunity. The revenue from an excess profit tax could be redistributed to Canadians to help cover their increased costs of living.

Thank you, again, for having me speak on this important topic. I look forward to the discussion.

● (1840)

[*Translation*]

The Chair: Thank you very much, Mr. Cochrane.

We will now go to the Conseil de la transformation alimentaire du Québec.

Ms. Cloutier or Mr. Fraeys, you have five minutes.

Ms. Sylvie Cloutier (Chief Executive Officer, Conseil de la transformation alimentaire du Québec): Thank you, Mr. Chair.

Good evening, members of the House of Commons Standing Committee on Agriculture and Agri-food. We are very pleased to be here to speak with you this evening.

The Conseil de la transformation alimentaire du Québec, or the CTAQ, is the largest consortium of Quebec food and beverage processing companies. The CTAQ is a federation of 13 sectoral associations with over 650 member businesses.

The food and beverage processing industry creates 75,000 jobs in Quebec and 300,000 jobs in Canada, making it the largest manufacturing employer. The industry consists mainly of small and medium-sized enterprises.

Food inflation began in the spring of 2021. The prices of staples like wheat, corn, sugar and soy began to increase in April 2021. Stocks were getting low and the markets expected low yields owing to the drought conditions in North America. North American production was very weak in 2021. Stocks remained at a very low level.

Let's look at wheat for example. The price of wheat increased by 50% between April and November 2021, from $6 to $9 a bushel. Then, following the Russian invasion of Ukraine, the price of wheat jumped by another 50% between March and July 2022, from $9 to $14 a bushel. The price of wheat has remained high in 2023, at around eight dollars a bushel, despite the good harvest in 2022.

In the fall of 2022, the bakery sector experienced shortages of butter, gluten, sugar and flour. The scarcity of some ingredients pushed prices up and further extended the two-year long inflationary period for the sector. The Farm Product Price Index, the FPPI, and the Industrial Product Price Index, the IPPI, have been growing by 20% since January 2021, pushing up the consumer price index for many food products by 10% or more at the end of 2022.

NielsenIQ purchasing data for all Quebec networks confirmed that by the end of the year, food inflation had risen by 8%. More specifically, the increase was 15% for bakery products and prepared foods, and 10% for grocery products.

The rising price of food is a global concern, including in the United States, France and the United Kingdom.

There are multiple causes of inflation. In addition to the increased prices for staples and ingredients, wages, energy, transportation, packaging and financial costs are all rising. In short, everything's going up.

The national supply chain task force confirmed that supply chains are fragile. Canada's factories are performing less well and less efficiently, prices are rising, and delivery times are slower. COVID-19 pandemic confinement, the 2020 railway blockades, strikes at the Port of Montreal in 2020 and 2021 and the closing of the Ambassador Bridge in February 2022 made logistics and transportation more complex, whether by ship, truck or train, and led to inflated prices.

Systems are under pressure. The slightest incident has a serious impact on prices. One example was the partial closing of the Louis-Hippolyte-La Fontaine tunnel in Montreal. An internal survey showed that companies had to change their itineraries and delivery schedules, which meant increased costs for fuel and wages, as well as additional charges for late deliveries.

To keep commodities available and prevent long delays, companies are being forced to maintain larger stocks. The 2022 harvests were good, and warehouses are full. Businesses are going to have to finance 11 months of food stocks at high interest rates. Lines of credit are in high demand and negatively affect liquidity. After eight key lending rate hikes by the Bank of Canada, rates have peaked to 4.5%, a level unheard of since October 2007. These are all added financial burdens.

Workforce shortages are the most serious challenge for the industry. Twenty per cent of jobs are unfilled. The food and beverage industry is in competition with other manufacturing sectors to attract workers from a shrinking pool. The average wage hike in 2022 was 5.8% in Quebec and 5.1% in Canada.

To keep their factories in operation, companies are bringing in temporary foreign workers. Delays are long, administrative procedures are expensive, and at the end of the line, it costs $5 more per hour to hire a temporary foreign worker than a Canadian. So once again, costs are fuelling inflation.

● (1845)

For 2023, we can expect further price hikes over the coming weeks. Many major distributors have announced that they were analyzing thousands of price increase requests. According to the 2023 Annual Food Price Report, a 5% to 7% increase is expected in 2023. Energy prices and wages will both continue to rise.

We will have to wait for the crop and stock forecasts to comment on food staple price trends over the coming months. A slowdown in rising prices is expected.

Thank you for having given us this opportunity to speak to the committee.

We would be happy now to answer any questions you may have.

The Chair: Thank you very much, Ms. Cloutier.

I am now giving the floor to M. Bourbeau for five minutes.

[*English*]

Mr. Olivier Bourbeau (Vice-President, Federal and Quebec, Restaurants Canada): Thank you very much for having me.

I'm Olivier Bourbeau, vice-president, federal and Quebec, at Restaurants Canada.

Restaurants and the many small and medium-sized businesses that make up the Canadian food service sector are a critical pillar of our culture, economy, labour market and local communities. Prior to the pandemic, Canada's food service sector was a $95 billion industry, directly employing 1.2 million people and serving 22 million customers across the country every day. We launch careers, invest in training, and are the fourth largest employer in Canada.

While we see customers coming back to our restaurants, and sales slowly returning to pre-COVID levels, profitability is simply not at the rendezvous. Not a lot of people know this, but even prior to the pandemic, restaurants operated at razor-thin margins. Indeed, pre-COVID, an average restaurant made a pre-tax profit margin of only four per cent to five per cent, and now, with skyrocketing inflation, that margin has been whittled down to two per cent to three per cent. Morever, due to labour shortages, we operate at 80% capacity. Do the math: our restaurants are barely surviving, or not making money in many cases; 50% of operators are barely breaking even, or are operating at a loss, compared with 12% pre-COVID.

With inflation driving the costs of running a business up, being able to run a profitable food service establishment has gone from tough to nearly impossible. We are not talking about just a handful of ingredient prices going up. Everything has gone up: food, utilities, amenities, insurance—when we can get it—rent, and every single material that we use.

In our industry, we cannot simply pass the cost increases down to the consumers. We try to absorb as much as possible because there's a limit to what a person is willing to pay for a meal. Unfortunately, the elastic is stretched to its maximum.

Here are four industry priority recommendations.

Extend and restructure the CEBA loans to make repayment palatable. In order to ensure that the food service continues to play a major role in a strong economic recovery, taking into consideration that 20% of the restaurants that haven't reimbursed CEBA yet will not be able to repay it in part or entirely, we are urging the government to provide additional leniency to CEBA recipients by extending it by 36 months with a scaled down model for the forgivable part.

Number two, step back on the alcohol excise tax escalator, the automatic annual increase. The 6.3% excise tax increase for 2023 would result in a $750 million hit to the food service industry, an average of $36,000 per restaurant—imagine that—while our industry is still struggling.

Number three, lower the federal small business tax rate from nine per cent to eight per cent. Currently businesses have very little capital to reinvest in their operations. Lowering the small business tax rate allows them to pay off debt and invest in their employees.

Number four, work with all players to ensure that the plastic reduction requirements are attainable. The implementation timeline for the ban of single-use plastic items should be extended, and the government must work closely with the suppliers to ensure that the alternative products will be available in the needed quantities, on time, and at a reasonable price.

● (1850)

[*Translation*]

I'd like to briefly summarize our four priority recommendations: We are recommending a further extension of the Canada Emergency Business Account loans for Canadian businesses, with a scaled-down model of the forgivable part; we recommend a step back on the alcohol excise tax escalator because the enormous 6.3% excise tax increase announced for this year would represent enormous costs for restaurant owners; we recommend lowering the federal small business tax rate from 9% to 8%; lastly, with respect to single use plastic products, the government should ensure that alternative products will be available in the needed quantities at reasonable prices.

[*English*]

To finish, I remind you that the food service industry has lost nearly 5,000 restaurants across Canada since January 2021, and more than 13,000 since the beginning of COVID.

There are 51% of food service businesses currently operating at a loss or just breaking even, compared to 12% pre-COVID, with one in four independent table-service restaurants saying their business is not expected to recover. That's one in four.

Of the private sector job vacancies, one in five are in the food service industry. Restauranteurs are operating at an average of 80% of their normal capacity due to labour shortages.

Government support is more critical than ever to ensure that our industry can realistically relaunch, continue to employ 1.2 million Canadians, keep 98,000 businesses alive and feed Canada's recovery.

[*Translation*]

Thank you very much.

The Chair: Thank you very much, Mr. Bourbeau.

We are now beginning the first round of questions, starting with the Conservative Party.

Mr. Barlow, you have the floor for six minutes.

Mr. John Barlow (Foothills, CPC): Thank you very much, Mr. Chair.

[*English*]

Thank you to our witnesses for being here this evening. I appreciate your excellent testimony. There was some good information.

I want to start with Mr. Bourbeau of Restaurants Canada.

I'm glad you raised the issue of the escalator tax. I'm sure when our Liberal colleagues and the Liberal government brought in the escalator tax and indexed it to inflation, they were expecting inflation to stick around that 1% or 2%. Now we see that increase at 6.3%.

As much as I think the escalator tax is undemocratic, since you have a tax increase without any public input or a vote within the House of Commons.... You mentioned that $30,000 increase for a typical restaurant that they're going to have to try to make up.

Mr. Bourbeau, I would like your assessment or your opinion.

When you talk about a profit margin of 4% to 5%, that's been cut down to maybe 2% with inflation. What kind of impact is that 6.3% going to have on the typical restaurant?

You said that one in four independent restaurants is not expected to recover. How does that number change on April 1, when that escalator tax goes up to 6.3%?

Mr. Olivier Bourbeau: The short answer is that more restaurants will close, unfortunately. It's extremely difficult.

Thank you very much for listening and taking notes about the numbers, because they are really important.

When I say that now, following COVID, the pre-tax profit margin is between 2% and 3%.... Today I was on the phone with a gentleman who owns several restaurants. He said, “I make my sales numbers every year. I make $30 million, but do you know what? At the end of the year, I make 1%.” It's not 2%. It's not 3%. It's 1%.

Every dollar counts. Every cent counts. Alcohol is where we make a bit more money. It is where our margins are a bit higher.

At the end of the day, an increase to 6.3% is absolutely terrible, because it will be the difference between making a couple of dollars at the end of the night and just breaking even, or losing money.

Mr. John Barlow: To try to be specific, when you're talking about one in four of those independent restaurants not expecting to recover...I know this is probably hard for you to say, but are you saying let's double that to two in four, possibly, when you look at that additional $30,000?

I have a rural riding with lots of small, family-owned restaurants that are trying to recover post-COVID. The economic impact on our small communities.... Losing these businesses, jobs and economic income in those towns....

Have you done some work on that in terms of...? Does that one in four go to two in four? Do you know that yet?

Mr. Olivier Bourbeau: Unfortunately, I don't have that forecast.

Speaking of the local restaurants, what we also see is that the owners of these independent restaurants are working more and more, because labour costs have increased by 20% because of labour shortages. They were already working 50 to 55 hours a week. Now they're working 70 hours a week.

Should they close their restaurant, the majority of them will lose everything, because they rent the place. An important number of restaurant owners own the restaurant, but not the building and everything. Therefore, they will lose everything should inflation and prices continue to rise like that.

● (1855)

Mr. John Barlow: Thank you for that. I know that's a hard question to specifically answer.

When we talk about all of these additional costs, certainly the labour costs up 20% and the escalator by 6.3%, we also see the carbon tax increasing again on April 1, which is again a tax on small business owners, specifically restaurant owners.

When my colleagues talk about eight out of 10 Canadian families getting more back in the carbon tax than they pay, we know from the Parliamentary Budget Officer that this is not the case. Even if it were, it's not the case for small business owners. Payroll taxes were increased on January 1, and now we are going to see an increase in the carbon tax.

What is the mood of your members out there when they continue to be hit with these additional costs on business? It must be exceedingly difficult for them to stay in it.

Mr. Olivier Bourbeau: If you allow me to be extremely honest, I receive calls—

Mr. John Barlow: I would prefer that you be extremely honest.

Mr. Olivier Bourbeau: I receive calls, not only during the day but sometimes during weekends, from restaurant owners—independent ones mostly—literally crying over the phone, and saying that before COVID they had $200,000 in the bank, and now they are in debt by $200,000, $300,000, or $500,000. They took additional mortgages on their houses. It's terrible, and extremely difficult.

Yes, during COVID there was a movement through takeout and delivery, but it never covered, or replaced, the full service and the clients we had in our restaurants.

[*Translation*]

Mr. John Barlow: Thank you very much, Mr. Bourbeau.

[*English*]

The Chair: Thank you, Mr. Bourbeau and Mr. Barlow.

Next, we have Mrs. Valdez, for up to six minutes.

Mrs. Rechie Valdez (Mississauga—Streetsville, Lib.): Thank you, Mr. Chair, and thank you to the witnesses who have joined us today.

Through you, Mr. Chair, I'll direct my questions to Dr. Cochrane. You've written about Canada's corporate tax gaps.

Can you share how those contribute to or drive up food inflation?

Dr. D.T. Cochrane: Our analysis of where corporate profits are coming from, and where they're going, has looked at both the higher margins during 2021, and how much tax these companies were paying compared with how much you would expect them to pay, given the tax rates. We found that in 2021, there was about $30 billion in total corporate tax avoidance.

This is money that remains in the hands of the predominantly largest, most powerful, and already most profitable companies that have conjoined this reduction in their effective tax rates with even higher profit margins.

As they're jacking up their profit margins, those profits have to come from somewhere. They're coming from predominantly smaller businesses, which—as Mr. Bourbeau said about restaurants—can't pass along the higher costs they're facing, and they're also coming out of the pockets of Canadians.

These are really two sides of the same coin. On the one hand, you have these higher profit margins. It's corporations doing what they're always going to do. People shouldn't act surprised that this is happening, but they have a right to be outraged. On the other side of the coin, they're trying to push their tax rates ever lower through whatever means they can leverage.

Mrs. Rechie Valdez: Can you share what we can learn from other G7 countries? I know you also do quite a bit of research on that.

Dr. D.T. Cochrane: Other G7 countries use different tax mechanisms that we absolutely should be exploring. I can't speak in an informed way about this specific one, or that specific one. I'm pleased to hear there's an interest in what other countries are doing.

Absolutely, we should be looking at what other countries are doing. We know that other countries have a much fairer distribution of the social product than Canada has. We pride ourselves on being a country where we take care of each other, but we can live up to the example of other countries much more. Part of that is through having a fairer tax system that makes sure the big players are paying their fair share.

● (1900)

Mrs. Rechie Valdez: Thank you. I'll now direct my next set of questions to Mr. Bourbeau.

Mr. Bourbeau, my riding is Mississauga—Streetsville, and I'm surrounded by many small businesses, particularly in the restaurant industry. I've spoken to them, and they've really appreciated all the supports our federal government has provided to them, especially with CEBA loans, which you mentioned earlier.

Do you agree that those CEBA loans have helped restaurants stay open through the pandemic?

Mr. Olivier Bourbeau: Yes, they definitely helped.

Definitely, we were pleased that the federal government was there and was present. Now what we want to make sure of is that everyone will be able to reimburse. We want the subsidies and the loans to be reimbursed. Also, you extended the CEBA loan twice, and we were extremely pleased with that.

That said, what we are presenting is a win-win solution to make sure that our restaurant owners will stay in business and not go bankrupt and that the government will get reimbursed. Plus, with the 36 months, with the scaled-down solution of the forgivable part, for the government it's really interesting, because the restaurant owners and the small business owners will want to reimburse as fast as they can, because they will.... Well, it's clear: we all understand that they will keep a larger forgivable part.

It's a way to help us survive and stay alive. Plus, it's a way for the government to make sure they will get reimbursed by a larger group of businesses.

Mrs. Rechie Valdez: Thank you, Mr. Chair.

I know that Restaurants Canada is hosting the RC show that is coming up in April. One of the solutions you have presented on the website and that I think is pretty cool for restaurants is the “Inflation Life Raft”. Can you share with us what this is and how it will help restaurants deal with inflation? Earlier, you were talking about the drop in margins, so can you share that?

Mr. Olivier Bourbeau: Unfortunately, I don't have that information with me, and my apologies for that.

Mrs. Rechie Valdez: That's no problem. Maybe another way to position it is more like what I'm trying to understand. For restaurateurs and the industry, what do they feel are the drivers of food inflation?

You're on mute, Mr. Bourbeau.

Mr. Olivier Bourbeau: Of course: 2023 and still on mute. My apologies.

We thought the worst for us was everything that is food related, but we unfortunately realized in the past 12 months that the worst in terms of inflation touches labour costs, touches amenities and touches insurance—when we can get insurance, because it's a real problem.

These three cost points are the worst for us in terms of inflation currently.

Mrs. Rechie Valdez: Thank you, Mr. Chair.

The Chair: Thank you, Mrs. Valdez.

Thank you, Mr. Bourbeau.

[*Translation*]

Mr. Perron, you have the floor for six minutes.

Mr. Yves Perron (Berthier—Maskinongé, BQ): Thank you, Mr. Chair.

I'd like to thank the witnesses for being here this evening. We appreciate it.

Ms. Cloutier, in your opening address, you provided a good overview of the causes of inflation and the problems we are currently experiencing.

If you had just one recommendation to make to the committee about how the government could help your consortium's processing businesses, what would it be?

Ms. Sylvie Cloutier: I personally believe that we need support for the implementation of a best practices code for major retailers, distributors and suppliers.

I'll let my colleague Mr. Fraeys tell you about our recommendations which apply specifically to the labour shortage and temporary foreign workers.

Mr. Dimitri Fraeys (Vice-President, Innovation and Economic Affairs, Conseil de la transformation alimentaire du Québec): As we said earlier, labour is a serious problem. In our area, 15% to 20% of jobs are vacant because of a labour shortage. That means we have to bring in temporary foreign workers to fill these jobs. That ends up costing an additional $5 an hour.

The problem with bringing in temporary foreign workers is the delays. It could take 8 to 15 months from the time you make the application to the time you receive the worker. Our main recommendation is therefore to shorten the delays at Immigration, Refugees and Citizenship Canada. It can take a very long time to obtain a work permit; up to four, five or six months.

As for the labour market impact assessments, even though service Canada has begun to operate much more efficiently, the fact remains that if it were possible to create a system of trusted employers, somewhat like the customs NEXUS program, employers that bring in the same workers year after year would have faster access and fewer delays.

The real problem is the considerable delays, which we would like to reduce by half, if possible. We can't change the dates for the harvest season. When employers make an application, they expect the workers to arrive in time for the harvest, not after. That's something that has actually happened.

I also think that interest rates are the greatest problem at the moment. Mr. Bourbeau talked about loans earlier. For the processing companies, stocks are huge because the ordering process is difficult. If restaurant owners or other clients have trouble knowing what their ultimate requirements are, then there will be less demand. To give an example, it used to be that one-year contracts were typical, but we are now talking about 1-to 3-month contracts. The processor therefore needs to keep much more stock in storage, for longer periods, at a time when interest rates are much higher.

We therefore recommend facilitating access to short-term credit, in a manner similar to the way Business Development Canada provides five-year interest-free loans to companies that invest in digital transformation. If we had something equivalent for lines of credit, it would greatly help businesses get through the next 12 to 18 months, which are difficult as a result of higher interest rates and inflation.

Those are our main recommendations.

• (1905)

Mr. Yves Perron: Do you believe this measure would help control food price inflation, at the end of the day?

Mr. Dimitri Fraeys: As soon as interest rates drop, pressure will ease off. As I was saying earlier, stocks are large and prices are increasing. When costs rise, demand for financial instruments automatically increases.

What we are proposing would help businesses get through the next few months, which are likely to be somewhat less difficult.

Mr. Yves Perron: Thank you, I've taken note of that.

In the Conseil de la transformation alimentaire du Québec's opening address, the national supply chain task force was mentioned. You said that you would need lower interest rates because huge stock levels are required as a result of transportation problems.

Can you tell me more about that? What can be done about it?

Mr. Dimitri Fraeys: Yes, that's right. The national supply chain task force, which comes under the aegis of Transport Canada, released its report in October, in which it made a number of recommendations, the most pressing of which was to use digital technology to improve logistics and transportation in Canada.

Canada can be viewed as a huge manufacturing plant. If efficiency is improved, the processes and operations will be less expensive and things will flow more quickly. When the flows improve, the costs go down.

For example, in February 2022, the Ambassador Bridge was closed. The closing of an essential link like that had an impact on Canada's entire economy.

If the transportation flows could be improved, whether land, marine, rail, or even transshipment between boats and trains, we could become more efficient and hence reduce…

Mr. Yves Perron: Mr. Fraeys, I am sorry to interrupt you, but my speaking time is almost over.

To conclude, you'd like more investment for this in the next budget. Right?

Mr. Dimitri Fraeys: Yes, we'd like to see more substantial investments in the budget to be able to improve logistics and transportation in Canada.

• (1910)

The Chair: I was worried when I saw that another question was being asked with only 15 seconds to go, but both of you, Mr. Perron and Mr. Fraeys, managed to finish within the time allotted,

Mr. MacGregor, you have the floor for six minutes.

[*English*]

Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP): Thank you, Mr. Chair.

Thank you to our witnesses.

Dr. Cochrane, I'd like to start with you.

I do appreciate the work that Canadians for Tax Fairness does, and I'd like to thank you for your opening remarks, particularly for highlighting oil and gas profits.

You heard my colleague, Mr. Barlow, talk about the price on carbon. Certainly we hear a lot about that from the Conservatives, but what we don't talk about enough is the insane profit margin of oil and gas companies. We have a document that was submitted to us by Mr. Jim Stanford. It shows that, since 2019, the change in annual net income of oil and gas companies has been 1,011%. That's $38 billion in net profit.

We know, of course, that fossil fuels are necessary on the farm. Farmers do get an exemption because of the Greenhouse Gas Pollution Pricing Act. There are exemptions for agricultural activities, but, when it comes to freight and everything that's needed, of course fossil fuels are necessary.

Dr. Cochrane, can you put into context what that kind of an insane profit increase over the last three years is doing to affordability for struggling Canadian families right now?

Dr. D.T. Cochrane: Our organization was founded to counter the vilification of taxation. We saw taxation as a vital social mechanism, and we wanted to be able to have adult conversations about it. We certainly never wanted to vilify taxation in and of itself, but I sometimes think about corporate profits as being like a tax that gets paid to private sector actors rather than to our public institutions. The large increase in corporate profit margins in some way is just like a large increase in taxes, except, instead of going into public institutions to then be used in ways to benefit the public, it goes into private hands and then gets distributed to the shareholders, who are overwhelmingly at the upper end of our economic hierarchy.

Increasing profit margins from something as essential, as you say, as fossil fuels are going to end up increasing the costs of pretty much every other business, some of which will be able to pass those costs along, some of which will be able to pass those costs along less and some of which will have to just simply absorb those costs. This is really a redistributive struggle playing out, with the oil and gas companies as the big winners. One of the consequences we're seeing of this is that the big global players, three of them—Shell, BP, and I cannot remember the third—have basically said they're all going to back away from their promised investments in clean energy to go even harder at further development of fossil fuels.

We're heading in the exact wrong direction. The huge profits these companies are making are sending us in the wrong direction, and we need to consider tax mechanisms as a way of helping us move in the right direction. If these players are not going to make the investment in clean energy that we need, then we need government to lead with the investment that's necessary and use tax mechanisms as a way of funding those.

Mr. Alistair MacGregor: In other words, Dr. Cochrane, you would say that, if parliamentarians want to seriously tackle affordability issues for working families across Canada, if we focused our efforts on these insane profits rather than on carbon pricing, we would have much more of an impact. Would you agree?

Dr. D.T. Cochrane: Absolutely. You need to start intervening in this redistributive struggle, with the winners being those who have always been the winners. The pandemic has just amplified the amount they're winning. We are going to see a massive worsening of inequality after a short-lived improvement in it, in part because we almost had something close to a guaranteed annual income that was supporting a huge swath of Canadians, and now that money is trickling upwards into the accounts of the already ultra-wealthy, in part because of huge increases in corporate profit margins that we ultimately all pay for.

● (1915)

Mr. Alistair MacGregor: I appreciate your stating that on the record because we often get crickets when it comes to critically looking at this. I think more voices such as yours are needed in this conversation to really juxtapose what Canadian families are going through. Where is their hard-earned income going? Where is it actually ending up?

Mr. Chair, out of respect to my committee members, I want to take the opportunity in this final minute to read a notice of motion into the record. I will respect my committee members' time and move it in the second hour.

I'm going to read into the record the following motion: “That the committee expand the study on Food Price Inflation by increasing the number of meetings in the motion adopted on Wednesday, October 5, 2022 to at least 6 meetings; that the committee summon the Chief Executive Officers and Presidents of Loblaw...Metro...and Empire...to appear before the committee; that the committee invite additional witnesses to provide testimony and that the parties shall each provide to the clerk of the committee, by 4:00 p.m. EST on Tuesday, February 28, 2023, their lists of additional witnesses, who the Chair shall schedule in a manner that is fair to all parties.”

Mr. Chair, that's on the record now as a notice. I'll move it in the second hour. This just gives colleagues an opportunity to look at it and make a determination.

Thank you.

The Chair: Thank you, Mr. MacGregor. I know colleagues will contemplate that.

We'll now move to our second round.

I have, for the Conservatives, Mr. Lehoux.

[*Translation*]

Mr. Lehoux, It's over to you for five minutes.

Mr. Richard Lehoux (Beauce, CPC): Thank you, Mr. Chair.

Thank you to the witnesses for coming today.

In their opening addresses, two of the witnesses mentioned the labour problem.

I'll begin with Ms. Cloutier, and then move on to Mr. Bourbeau.

You mentioned problems related to the labour market impact assessments, the LMIAs. Given a context in which unemployment rates are very low and companies are having trouble finding workers, would you agree, first of all, with recommending that the LMIAs be set aside to speed up the process?

You also spoke about the delays in issuing work permits, which take forever. What would you suggest? We've heard all kinds of proposals, but it seems to me that the federal government could play an important role here, because it has a direct impact on the cost of food.

Ms. Sylvie Cloutier: You're right.

I'll let my colleague Mr. Fraeys answer your question.

Mr. Dimitri Fraeys: Doing away with the LMIAs Is an excellent idea. They may be worthwhile for new workers, but as I was saying, there are some foreign workers who've been coming here for 10 or 15 years. The LMIAs had initially been introduced to make sure that no Canadian workers were available before hiring foreign workers. Now, with unemployment rates at 4% or 5%, it's clear that there are no more workers available in the regions. That's why companies have to hire foreign workers. Your suggestion to eliminate the LMIAs is therefore a very good one.

Secondly, with respect to the Immigration, Refugees and Citizenship Canada delays, the basic problem is a shortage of resources, as was the case at Service Canada a year ago. The only way of speeding up the process would be to simplify it. If IRCCs could use digital technology for applications, things would move much more quickly. It would obviate the need for a large number of workers to undergo an assessment.

Mr. Richard Lehoux: I'd like to ask you a question about those workers who arrive here after overly lengthy delays.

During the pandemic, foreign workers were allowed to shift from one company to another. Would a measure like that be a problem in terms of worker availability?

That, at least, is what I've seen in my region. Some processing companies and restaurants ended up losing the foreign workers they had arranged to bring here because they were taken on by other companies.

What's your view of the situation? Have you noticed that it was a problem?

● (1920)

Mr. Dimitri Fraeys: Yes, we've seen this problem primarily for permit renewals. The business may have done all the work, but the worker, once the permit has been renewed, may decide to work for another employer. This is obviously unfair to the company that made all the arrangements.

Mr. Richard Lehoux: What about you, Mr. Bourbeau?

Mr. Olivier Bourbeau: I'm in favour of doing away with the LMIAs as quickly as possible. IRCC also needs more resources.

You're absolutely right when you say that it's possible to lose employees when they return with an open work permit. This happens for restaurants, as you said. It's a real problem.

On the other hand, what we would like to see is groups of restaurants, chains of 10 restaurants, for example, to be allowed the flexibility of moving employees from one restaurant to another. That would be important.

I'd now like to briefly raise two other issues.

This year, a measure was introduced to allow us to hire up to 30% foreign workers rather than 20%. This measure is applicable to seven sectors, including our restaurant sector. We would appreciate it if you could extend this measure, because it gives us a lot of breathing space.

I'd like to raise one last point. We've already talked about it and I will be raising it again later. It's about the National Occupational Classification, which very accurately classifies occupations, and which is applicable to foreign workers who are brought here. This classification should be amended, with the categories of occupations broadened to give us more flexibility. That would allow us, after arranging to bring in foreign workers, to train them in other occupations afterwards so that they can work their way up in the company. It would be good for the workers and perhaps enable them to obtain permanent resident status in Canada.

Mr. Richard Lehoux: Thank you very much, Mr. Bourbeau. Those are excellent suggestions.

I would like to ask one last question on...

The Chair: Unfortunately, you can't, Mr. Lehoux. Nice try, but your speaking time was five minutes.

We now have Mr. Drouin for five minutes.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you very much, Mr. Chair.

My first question is for Mr. Bourbeau from Restaurants Canada.

I just want to make sure I am understanding your requests.

First of all, you are asking for an extension, given that 20% of the people you surveyed will not be able to meet the deadline to pay back the loan from the Canada emergency business account.

You are asking for a break on the excise tax on alcohol, which normally increases with the rate of inflation.

You're also requesting that SMEs be taxed at a lesser rate, going from 9% to 8%.

I will be honest with you. I speak with restaurateurs almost every day and they talk to me about their staffing problems. Yet I don't see this issue in any of your three priorities.

Have you spoken to your members? Your requests do not in any way reflect the situation that we are experiencing. I am therefore left wondering whether or not staffing shortages are a big problem for Restaurants Canada?

Mr. Olivier Bourbeau: Staff shortages are most definitely the biggest problem. It why our costs have gone up by 20%. As I mentioned in my opening statement, we are operating at 80% capacity. Why? Because we don't have the staff.

That's why in my last comment, I included recommendations on foreign workers and labour.

Given that the subject of today's meeting is inflation, we presented a few points on inflation, costs, loan payments as well as a tax break for our members.

Mr. Francis Drouin: Alright.

If I understand correctly, 20% of your members are asking for an extension, but 80% of your members were able to honour their commitments with the government.

Two or three years ago, when this measure brought in, both the Canadian Federation of Independent Business and Restaurants Canada were of the opinion that the 2023 deadline was reasonable and that business owners would be able to pay back $10,000 on a $40,000 loan or $20,000 on a l$60,000 loan.

But now, the economy is perhaps not recovering as we would have hoped and after surveying your members, you are asking for another extension.

Have I got it right?

Mr. Olivier Bourbeau: There's more to it than that. The subject that your committee is looking at today is inflation. You should know that the rate of inflation was absolutely unbelievable last year. Even over the previous year, for example, the price of all dairy products shot up by 12.4%, whereas before the COVID-19 pandemic, the rate was usually 1.2% up to 2%. The cost of a pizza rose by 15% to 17%. Those are enormous hikes.

This means that our conditions have changed. That said, we are very grateful for the extensions that were given.

Currently, when our members are telling us that they will not be able to pay back the loans, we are trying to find a solution so that those members are able to make payments, stay in business, and avoid losing their business or seeing their staff lose their jobs. The government will also get its money back.

● (1925)

Mr. Francis Drouin: I understand.

You are telling me that the price of a pizza or the price of food in general has shot up, but despite the increase, restaurants haven't increased their prices?

Mr. Olivier Bourbeau: That's an excellent question.

Mr. Cochrane spoke about this earlier. Throughout all of the food supply chain, the majority of the entities before us, for example the producers and the distributors, pass on the hike to the next guy. Unfortunately, when it is our turn, we have to absorb the increases as much as possible, and that's what we try to do, because we can't pass on the total price increase to customers.

I spoke of the elastic principle, an analogy that everyone understands well. There is a maximum price that consumers, like me and you, are ready to pay for pizza or a hamburger. Beyond a certain point, you can't increase prices.

We have slimmed down our menus, reduced the number of days and evenings that we are open, and cut down on our daily operating hours. We are trying to extract all we can out of the food and have the least waste possible, but there are limits to those efforts, too.

We are therefore hitting a wall in terms of our capacity to increase prices.

Mr. Francis Drouin: Of course.

Let's say that the government decides to change the excise tax on alcohol and lowers it to a normal inflation rate, which would be around 2.1 or 2.3%, rather than pegging it to the real inflation rate. That is indeed a request that I have heard loud and clear coming from the sector. For Restaurants Canada, that would mean that the price of alcohol would only go up by 2.1 or 2.3% over the next few years.

Have I got it right?

The Chair: I would ask you to be quite brief in your answer.

Mr. Olivier Bourbeau: Yes.

Our aim is to keep prices as low as possible and maintain enough of a profit margin to survive. That is where we are at currently.

Mr. Francis Drouin: Thank you very much.

The Chair: Thank you.

Mr. Perron, you have the floor for two and a half minutes.

Mr. Yves Perron: Thank you very much, Mr. Chair.

My questions are once again for Ms. Cloutier and Mr. Fraeys, from the Conseil de la transformation alimentaire du Québec.

I see in your recommendations that you are requesting our support for a code of best practices.

Some of the witnesses that we heard last week, including representatives from the Association des producteurs maraîchers du Québec, spoke of the need for such a code as well as a pricing mechanism, which would be difficult. The witnesses mentioned two important aspects. The Competition Bureau would need to conduct an inquiry of some sort on pricing mechanisms, because their producers were seeing a huge gap between the price that they were getting for a vegetable and its sale price in the grocery store, even when that price was reduced.

Is that something that you would like to see?

Ms. Sylvie Cloutier: That is something that the Competition Bureau could do, but I don't know if it's necessary right now.

We are recommending that relations between suppliers and their customers, that is to say distributors and retailers, be stabilized. We all know that food distributors and retailers are also being hit by the cost of inflation. The impact is being felt in terms of transportation and salaries, for example. Obviously, retailers are going to try to hang on to their profit margins when pricing food for their shelves.

We are all basically in the same boat right now. For all of us, the only way to compensate for the increase in costs seen over the past year due to all the factors that we have listed, that is to say inflation, transportation, wage increases, problems with the supply chain, is unfortunately...

Mr. Yves Perron: Pardon me for interrupting you, Ms. Cloutier, but I only have 20 seconds left.

Do you believe that the Canadian government should be gathering more data on pricing? This was another recommendation made to the committee. It might be something that we could do more of. It seems that compared to the United States, Canada has much less data that would allow it to know how much the price increases with each link of the chain.

What do you think?

Ms. Sylvie Cloutier: Obviously, there should be transparency. We should indeed have more data on all of the costs throughout the supply chain.

● (1930)

The Chair: Thank you very much.

And to round things off, we go over to Mr. MacGregor for two and a half minutes.

[*English*]

Mr. Alistair MacGregor: Thank you, Mr. Chair.

Dr. Cochrane, we have heard a number of witnesses now.

When we look at the grocery sector in particular, this is not the first controversy that has erupted in it. We know about the scandal of fixing the price of bread—the very serious allegations about that.

We've heard from many producers and processors at this committee about the need for a grocery code of conduct because of the hidden fees and the fines.

Now we have consumers, working families in my riding and right across this country, who week in, week out, are seeing the price of food—the food that is necessary to feed their families—reaching astronomical levels.

I want to change tack a little bit.

You gave two solutions in your opening statement about how we can tackle excess corporate power here in Canada, especially profits, with a minimum tax on reported profits and an excess profits tax.

I also want to look at—in the grocery sector it's been referred to as an oligopoly—the market dominance that these companies are able to wield. We know there's a crisis of confidence and a crisis of trust in this sector.

Many of our witnesses mentioned the Competition Bureau and the Competition Act.

Dr. Cochrane, do you have any recommendations that you would like to see our committee explore with the Competition Bureau? Do you have any suggestions on recommendations we could be making to the federal government to tackle the market dominance that they use so skilfully to increase their profits?

Dr. D.T. Cochrane: As I mentioned, this is a struggle between the suppliers and their customers—clients—over passing along costs. Certainly reducing the oligopolistic power the big groceries chains have is important. However, I don't think we should overly fetishize competition as the means of doing so, because grocers face suppliers who are often massive transnational corporations.

We saw a very public example of this in the fight between Frito-Lay and Loblaws. Loblaws was able to push back against a price increase that Frito-Lay wanted to impose on it in part because it is such a big player.

What the final outcome of all of that is we don't really know. I don't want to necessarily say that Loblaws was kind of the valour on the side of Canadians in this fight. However, it does speak to the fact that you do sometimes need to be big to stand up to other players that are big.

If we need to have some of our grocery chains to be big to push back against big suppliers, then they need to be regulated. We can't expect market competition forces to do the things that economists tell us they will do.

The Chair: Thank you, Mr. Cochrane. Thank you, Mr. MacGregor.

I gave you a little extra time to get that on the record, but that's what we do. We try to be collaborative in this committee.

Colleagues, that ends the first panel.

Let me thank Dr. Cochrane, Ms. Cloutier, Mr. Fraeys and Mr. Bourbeau for their testimony and work in their respective industries. The testimony was helpful, and I know I speak on behalf of the committee on that.

Thank you for taking your time and appearing before us.

Colleagues, we are going to transition over to the second panel. It won't be long, so don't go far.

● (1930)

_____________________(Pause)_____________________

● (1935)

[*Translation*]

The Chair: We are back in session.

I would like to welcome our witnesses for the second hour of our meeting.

James Brander, a professor with the University of British Columbia, will be testifying as an individual.

[*English*]

With the Centre for Future Work, we have Dr. Jim Stanford, economist and director.

[*Translation*]

We will also be hearing from two representatives of the Union des producteurs agricoles, Martin Caron, who is the General President, and David Tougas, who is the Coordinator of Business Economics.

● (1940)

[*English*]

Welcome to all of our witnesses. You'll have up to five minutes for opening remarks and then we'll get started with questions.

I'm going to start with Professor Brander.

You have up to five minutes, please.

Mr. James Brander (Professor, University of British Columbia, As an Individual): Thank you very much.

Thanks for inviting me to participate today. I understand that this committee is studying inflation in the food supply chain and that there is particular concern about possible overpricing and excess profits for large grocery retailers.

I'm not an agricultural economist and have not previously studied pricing in the agribusiness sector, however, I have done research on overpricing, excess profits, collusion and other related issues. I've served as an expert witness in these areas on multiple occasions and have estimated the extent of overpricing and excess profits in many of these cases.

I've done a quick review of food pricing issues in Canada recently, so I hope I'll be able to contribute something to the committee's deliberations, but I can't make any promises.

According to Statistics Canada, overall inflation, as measured by the consumer price index, was about 7% in 2022, the highest level in 40 years. Food purchased from stores was by about 10%. Therefore, food price inflation exceeded the general price inflation by about three percentage points. I'll call that the food inflation premium. I've posed a set of questions to myself and I'll provide answers to those questions.

First of all, background. What do we mean by overpricing and excess profits? People use those terms in different ways, but like most economists, what I mean by overpricing is pricing over and above what we would expect in an undistorted and reasonably competitive situation for the industry in question. Excess profits are profits that arise from overpricing.

What are the causes of this food inflation premium? Among those causal factors, how important is overpricing by grocery retailers? There are several obvious factors in addition to overpricing by retailers. One is the war in Ukraine, which reduced supply and increased prices for grains and other products. Another is climate events, such as droughts in parts of Canada, floods and droughts in the rest of the world. This is not about climate change but it seems beyond just scientific dispute that these increasingly severe weather events are due, at least in part, to climate change. I'd also mention the continuing supply chain effects of the COVID-19 pandemic, although they are winding down, and specific events, such as the bird flu, which caused a crisis to arise in 2022.

Most of these effects are not specific to Canada and therefore, should also affect other countries. I took a look at other countries and, in fact, Canada's food price inflation was less than the OECD average in 2022 and, more importantly, the food price premium was less in Canada than the OECD average. Taking into account all these factors, there's actually not much left to be explained by domestic overpricing.

Is there evidence of collusion or any type of other anti-competitive practice in the grocery sector? Not really. In 2017 we had the bread price collusion case. We would, of course, expect the response to that would be that supermarket chains would be very cautious about engaging in further collusion and I think they have been. Now, I believe that the Competition Bureau is looking at the industry, but I'm not aware of anything that's come up in recent years.

What about profitability? Has it risen in the grocery sector? It's hard to be definitive, but it looks as though it has risen somewhat over the COVID-19 period. I checked out stock prices; they've risen somewhat relative to the TSX—not a lot, but somewhat. That's exactly what I would have expected as a result of the pandemic because the pandemic created conditions favourable to grocery store profits, shifts in demand towards grocery stores away from restaurants and shortages making it possible to raise prices and premiums. So it's not a surprise there.

Does this mean that price increases in the grocery sector are "profit driven?" Of course, they are. I would say that almost all price changes in the market economy are profit driven. Companies are in business to make profits so, of course, they adjust their prices accordingly. And that's a good thing because the incentive to earn profits generates social and economic benefits more effectively than any other system. As Adam Smith said “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest.”

Increases in prices act as a signal. Often, temporary high profits can be earned, but that acts as a signal to potential competitors to enter or to expand, and to consumers to waste less. I would point out that during the COVID-19 period there was still far too much food waste in Canada. In any case, this is precisely the response that is needed—more supply and less demand. Imposing price controls or increased profit taxes would probably provide exactly the wrong incentives and make problems worse, not better, as we know from other situations where we tried to apply such remedies.

● (1945)

However, that said, Adam Smith also warned us to be wary of collusion and anti-competitive practices, pointing out that market power could be detrimental to the public interest.

Is there a structural problem in the grocery sector due to insufficient competition? Well, there could be. The regional sector has a pretty high concentration with three companies having about a 60% market share. The retailers have a lot of market power relative to small suppliers. There are also large suppliers—

The Chair: Mr. Brander, unfortunately, we are at five minutes. I will give you a few seconds to wrap up if you have any final remarks.

Mr. James Brander: Okay.

I was going to say that I can't rule out structural problems of this type. However, I'm sure that, as far as the inflation premium went in 2022, if there was an effect it was a small one. I think the right tools for dealing with such issues are our competition policy tools. I would favour stronger policy in some areas.

I will stop there as I have already talked enough.

Thank you very much.

The Chair: Thank you very much.

Certainly, our colleagues will have the opportunity to engage with you on questions.

We will turn it over to Mr. Stanford for up to five minutes, please.

Dr. Jim Stanford (Economist and Director, Centre for Future Work): Thank you, sir.

Thank you, members of the committee, for the invitation to appear before you today.

I'm Jim Stanford, economist and director of the Centre for Future Work, which is a labour economics think tank with offices in Vancouver and in Australia.

I have prepared a written submission on profits and prices in the food retail sector. Hopefully, you have that in front of you. Let me briefly, in my time, summarize the key takeaways.

In that submission, I use industry-wide Statistics Canada data to evaluate corporate performance in the broader food retail sector. There are a number of reasons I use the aggregate Statistics Canada source rather than individual corporate financial statements, which you are also analyzing in your deliberations.

Number one is that the Statistics Canada survey has standardized definitions of concepts and terms, whereas individual corporate financial reports may have different terms about some of the specific ratios they report.

The second is that the Statistics Canada source aggregates across common calendar reporting periods—quarters and months. Again, this is unlike individual companies, which have different starting and ending points for fiscal years that, therefore, make comparisons more difficult.

Finally, the Statistics Canada data provides a very useful picture of overall trends across the whole industry and over time. The over time part I think is very important.

As for the main findings in my review, there's no doubt that aggregate profits have risen sharply in food retail in Canada since before the pandemic. In the last four quarters reported by Statistics Canada, net income was 120% higher than it was in 2019, the final year before the pandemic.

The profit margin on total sales has also increased notably. The net-income margin—net income as a share of total revenue in food retail—is up by about three-quarters in the last four-quarter period compared to 2019.

Finally, I also show that the actual quantity of groceries bought by Canadians is shrinking. It spiked during the lockdowns for reasons that we all know. It then returned to normal but now has kept shrinking. I would give this example as a worry. It's certainly a response to higher prices, but also a sign of stress and hunger in Canadian households. Canadians are buying less groceries in terms of quantity today than they were in 2019, even though our population is significantly higher.

The commonly heard claim that supermarkets have simply been collecting a constant margin on a growing business is demonstrably false in my analysis for two different reasons. Number one is that the margin was not constant; it clearly grew. Number two is that the business isn't growing. The business is shrinking in real terms. The actual quantity of groceries going through those stores is falling because Canadians can't afford it.

I think it is important to make a point about the entire supply chain in food and other products that we make and buy in our economy. It is certainly true that many of the inputs purchased by supermarkets have become more expensive, but those higher prices, in turn, also embody higher profit margins in many cases. We can be aware of those higher profits, not to exempt the supermarkets from critical attention but to recognize that the problem of excess profit-taking during the pandemic—and all of the stresses and strains after it—is broader than just the supermarkets. For example, there is a lot of discussion about the food processing sector.

I have also looked at Statistics Canada data on food manufacturing, which has also seen a marked increase in net profits since the pandemic, up 47% in the same before-and-after period. It's not as dramatic as food retail, which was up 120%, but it's up a lot, and food processing is a bigger sector in macroeconomic terms than food retail. The impact of those profits in the food processing stage of production on final food prices paid by Canadians is also significant. The same would be true for higher energy profits, which have been a dominant cause of inflation in Canada.

We have done other research—that I cite in my submission—on 15 strategic sectors in Canada's economy, which together recorded a $142-billion increase in their annual profitability in the last four quarters compared to prepandemic. In the other 37 sectors tracked by Statistics Canada, aggregate profits fell.

This is important. This is not an economy-wide phenomenon. This is not something that can be attributed to overall excess demand or to overheating of the labour market, like Mr. Macklem, the Governor of the Bank of Canada, has said over and over again. I don't think that argument would wash with consumers who left Loblaws having paid $200 for a cart of groceries—if someone came up to them and said, “The reason your food prices are so high is that too many of you are working and you have too much money to spend”.

● (1950)

I submit respectfully that a person who said that would get chased out of the Loblaws parking lot. It's clearly not due to Justin Trudeau either. As Professor Brander just pointed out, our inflation and our food inflation are both below the average of other industrial countries.

I wouldn't blame greed on its own. Greed is not new. Greed long predates the pandemic, but greed has had a good run in Canada since the pandemic. After-tax profits in Canada during the pandemic or since the pandemic have increased to their highest share of GDP in history. Amidst a social, economic and public health emergency, companies have done better than they ever have.

How do I understand this? This includes supermarkets but is not limited to supermarkets. You had unprecedented supply chain disruptions with the pandemic, the lockdowns and the breakdown of international transportation. You had consumer panic initially and then uncertainty and desperation afterwards—

The Chair: Mr. Stanford, I apologize, but we're at time and then some. I think we'll maybe keep it at that.

We do have the brief, and I know that my colleagues will want to jump in on that.

Dr. Jim Stanford: Thank you.

The Chair: We'll leave it at that.

[*Translation*]

We now go over to the Union des producteurs agricoles.

Mr. Caron or Mr. Tougas, you have the floor.

Mr. Martin Caron (General President, Union des producteurs agricoles): Thank you, Mr. Chair.

I am Martin Caron and I am the General President of the Union des producteurs agricoles. I also have a field crop and dairy farm in Louiseville, in the region of Mauricie.

According to many economists, the inflationary period that we are going through right now is unique, due to the fact that the price increase of many products has been caused by supply issues, and not by increased demand. We must remember that the pandemic wreaked havoc in a number of supply chains, both locally and globally, including the food supply chain.

That's when Canadians realized how important it is to have local food production and processing capacity to ensure food security. Inflation created upheaval within our local or domestic food supply chain. During the pandemic, many processing plants had to reduce or halt their production because of COVID-19 outbreaks. More recently, shortages and increased costs for labour have had an impact on businesses' profit margins within the farming sector. Businesses are having a hard time being competitive, because some of their rivals often have an almost unlimited access to very cheap labour.

The agricultural production sector is no different. The farm businesses that we represent in Quebec have had to deal with a sharp increase in the price of their inputs. In Canada, the price of inputs rose by nearly 30% between the first quarter of 2020 and the third quarter of 2022, according to Statistics Canada's farm price input index. Three of the main production inputs, which are animal feed, fertilizer and fuel, have seen price increases of 56%, 84%, and 82% respectively, which is much higher than the consumer price index. For horticultural producers, the price of flats has also skyrocketed during the same period.

On top of having to deal with rising input costs, farmers are now facing sharp increases in loan payments. We must remember that farmers have invested massively in their businesses over the past few years in order to meet environmental and animal welfare standards. The Canadian agriculture sector's debt has risen more than 30% over the past five years and was sitting at $129 billion in 2021. Over time, we believe that higher rates will generate $5.5 billion in interest payable.

When we know that net farm income is, on average, $6 billion, it is obvious that the increase in lending costs will greatly affect the profitability of many businesses over the next few months. Because of their high debt load, next-generation and new businesses will be particularly hard hit by increased interest rates.

Despite this difficult situation, we believe that the agri-food sector hasn't done too badly, particularly for consumers. Even though the price increase of food is slightly higher to that of the consumer price index, i.e., 15.9% compared to 11.9% since the beginning of the pandemic, this increase is still much lower than the increase in farm input prices during the same period, which was 30%.

That said, we are not out of the woods yet. According to economic forecasts, interest rates will remain high over the next 24 months, which will maintain pressure on farm businesses' margins. What's more, labour issues, both in terms of supply and cost, will continue to dent the competitiveness of the farming and food processing sector.

To try and alleviate the situation, the government should provide the sector with the support it needs, such as temporary ad hoc assistance, as the United States has done. It has to keep the interest-free advance at $250,000 for the advanced payments program. It should also reimburse producers who have had to pay the 35% surtax on Russian fertilizer. Moreover, the government should put measures in place that will allow farm businesses and food processors to enjoy competitive labour costs. Finally, the government should extend access to the Canada emergency business account for Canadian businesses, which will come to an end in 2023.

● (1955)

Finally, the government must support a code of best practices for distributors in order to ensure the fair distribution of revenue between the various stakeholders of the agri-food sector. This will ensure that the consumer pays a fair price for his or her food. Ad hoc assistance and the measures we are requesting will help with the financial impact that is hitting farm businesses, which are having to deal with historic increases while ensuring a supply of food for our population.

Thank you.

The Chair: Thank you very much, Mr. Caron.

We will now have a question period, starting with the Conservatives.

Ms. Rood, you have the floor for six minutes.

[*English*]

Ms. Lianne Rood (Lambton—Kent—Middlesex, CPC): Thank you, Chair.

Thank you, witnesses, for being here this evening.

Last week I had a chance to question Metro about the allegations of unfair business practices, such as charging farmers a fee to even be able to sell their products to a grocer, or for having their products rejected, or for having to wait to have their trucks unloaded by the grocer. What I heard from farmers was corroborated by the Canadian Federation of Agriculture. That's also what they're hearing. This is something that doesn't happen in other countries and, frankly, it's embarrassing that it happens in Canada.

I'm going to direct my question to Dr. Stanford. Could you speak to how, perhaps, lower fees and more profits going directly into the pockets of family farmers could benefit domestic food production and pricing?

Dr. Jim Stanford: Thank you.

I have to start by saying I'm not an expert on agricultural practices and supply relationships with the grocers. I've read reports of these fees and other barriers for smaller producers to have their products made available in major supermarket outlets.

On the other hand, I'm also aware, as one of your previous witnesses indicated, of the strong corporate or oligopolistic power among many food processing companies—not the farmers, but the manufacturers who throw their own weight around, if you like, in trying to extract surplus profits at that stage.

In cases where the supermarkets buy directly from smaller producers, then clearly those fees and other barriers would be a significant barrier to their participation in the retail industry. It would undermine farm incomes, certainly, and likely lead to higher prices for consumers.

Simply doing away with those fees in and of themselves may not lead to lower prices for consumers, given the obvious pricing power of the supermarket chains themselves. This is where I think measures aimed at reducing fees and other barriers on the input side to the supermarket stage of the food retail chain would have to be complemented by measures to try to ensure that those savings were indeed passed on to consumers, rather than ending up in even wider profit margins than we've already seen for the supermarkets.

● (2000)

Ms. Lianne Rood: Thank you.

You touched on what my next question is. I've spoken to processors. I have a processor in my riding. I recall their telling me that for grocery stores they have to package private label products, which they must sell to the grocers at a lower price. Yet in the stores we see that the canned goods of the name-brand label in this case are not much different in price. You're maybe talking about a few cents less for the no-name brand versus the brand name, yet the processor is forced to sell at a discount to the grocer.

Looking from the outside in, it seems clear that these private labels would actually result in a higher profit margin for the grocers than the brand name.

I'm wondering if you could provide us some insight as to why Loblaws, for instance, may have only chosen to freeze the prices of their in-house brands. As we recall, before Christmas they froze prices of their in-house brands, and the other grocers followed suit.

Could they have chosen to freeze prices on all grocery products for a period of time? Would that have impacted their bottom line?

Dr. Jim Stanford: Certainly you're right that the supermarket chains have the opportunity to freeze prices on anything they sell. That's obviously within their purview. In this case Loblaws chose to freeze the prices for their own in-house brands, which of course are not made by Loblaws. They are made by other manufacturers and processors, and in some cases the same ones that produce the brand-name products.

I don't have any information from my vantage point on the returns that those processors get from the supermarkets on their brand name versus no-name products, and what the difference in cost of production and quality for the no-name versions of their output would be. But I think it is recognized that no-name brands do tend to have higher profit margins for the supermarkets than the overall portfolio of products.

There were also lots of questions asked, fairly in my judgment, about the significance or meaningfulness of that no-name price freeze anyway, which of course now has been done.

Ms. Lianne Rood: Thank you.

I'm going to continue.

During COVID, we also saw big grocers pay a wage premium to workers, so they could continue their work. Then, after COVID was gone, we noticed that all three of the major chain stores decided to pull the wage hike around the same time. We've seen a bread price-fixing scandal, and we've seen all the grocery stores put a freeze on their in-house products at the same time. We've seen a lot of things happen at the same time, among the three grocers.

My colleagues and I, along with industry, have been calling for a grocer code of conduct. I'm wondering whether you could comment on why you think they would all do this at the same time. The bottom line is, is this collusion?

Dr. Jim Stanford: Is that question for me, madam?

Ms. Lianne Rood: Yes.

Dr. Jim Stanford: Okay, thank you.

Obviously, there's a specific legal context to the term “collusion”. I will not, as an economist, venture into whether this can be classified as collusion, for legal purposes. However, it clearly represents a concerted interest among, and a coordination of interventions by, these firms.

The issue you raised of wage cuts for grocery store workers, of $2 an hour—the removal of the so-called “hero pay” at virtually the same time across the chains—is obvious evidence of some type of informal coordination, at least among the major supermarkets. It shows that the market power these large companies can exert goes in many directions. It's obviously aimed against consumers. We've talked about how it can be aimed against certain producers, and it can be aimed against their own workers, as a form of monopsony power they have.

The Chair: We're going to keep it right there.

Thank you, Ms. Rood. I gave you a little extra time.

Thank you, Dr. Stanford. I think we got the key element of what you were chasing.

Go ahead, Mr. Drouin, for up to six minutes.

Mr. Francis Drouin: Thank you, Mr. Chair.

I certainly appreciate the witnesses before us, tonight.

My first question is for Dr. Stanford.

You mentioned the food processing industry's sales have gone up by *x* percentage, and it's the same thing with food retailers. I'm wondering whether, within that analysis, you have done.... We know the five major food retailers own 80% of the market. Have you done the same analysis with the food processors? Is it a bit more split or diversified than it is on the food retailer side?

● (2005)

Dr. Jim Stanford: I have not studied what you refer to—concentration ratios, in essence, or what share of an industry's total revenue is captured by the largest suppliers in it. Professor Brander may have some insight on this.

In the food processing sector, I think there's greater diversity of firm size. Some of the food processors are very large—companies such as Cargill or PepsiCo. Some of them are much smaller. Some are producers of niche products. I doubt the concentration ratio is as high in food processing as it is in food retailing, but I haven't conducted research on that, myself.

Mr. Francis Drouin: Professor Brander, I hate to throw you under the bus, but I'm not the one who did that. You can thank Dr. Stanford for that.

Do you have any comments on that?

Mr. James Brander: No, I haven't studied the food processing sector.

The only other thing I know—and it's not very helpful—is that the extent of concentration varies a lot, depending on the food item. In something like soft drinks, the concentration is very high. In other areas, it's pretty low. It would vary a lot by food item.

I don't know about the aggregate concentration level.

Mr. Francis Drouin: Thank you so much.

[*Translation*]

Mr. Caron, thank you for being here with us this evening. It is a pleasure to see you.

You no doubt know that the committee has too often been told that supply management contributes to price increases. Perhaps you have been able to talk with some of your egg producers in Quebec or from elsewhere in Canada, or compare the price of a dozen eggs here in Canada and the price that your friends from Quebec are paying in Florida currently, because some of them might be there right now. It would be interesting to hear you expand on the subject.

Mr. Martin Caron: We know that there's a price differential for eggs between the two countries: the price is lower here in Canada than in the United States. I think that shows that our supply management is an extremely useful tool. One of the first things to do is to make sure that we have farm businesses in every rural region in Canada. Producers are underpinning this social project in order to ensure a fair price and meet the expectations of our citizens.

I don't know if you have anything else to add, Mr. Tougas.

Mr. David Tougas (Coordinator, Business Economics, Union des producteurs agricoles): Supply management also guarantees price stability. During inflationary times or a health crisis, supply management allows us to control or limit price variations of products that are supply-managed, which is in the interest of Canadian consumers.

Mr. Francis Drouin: I'm going to say something totally nonpartisan: I want to thank my colleague from the Bloc Québécois for introducing Bill C-282. Actually, the minister, the entire cabinet, the vast majority of my party members and I supported it.

As we know, the dairy sector is often criticized for being under supply management. However, as we've seen inflation shoot up, the price of milk has remained fairly stable, at least on the farm. I can't speak to the cost of processing or the retail price, but at the farm level, the price has remained quite stable.

Do you have any comments about this?

Mr. Martin Caron: First, I have to say that we're pleased to see support for Bill C-282, which deals with supply management.

This is certainly something that lets us adjust prices very quickly. What we're saying today is we want a fair price. That allows for predictability, research and innovation, while also meeting Canadians' expectations. People talked about animal welfare and the environment, among other things. Farming operations need predictability. As we know, when we invest in agriculture, it's for the long term, and the supply management system makes that possible. The producers benefit, but so do all Canadians. Whether we're talking about processors or suppliers, the whole chain benefits.

● (2010)

Mr. Francis Drouin: Thank you for your comments, Mr. Caron.

The Chair: Thanks to you both.

Mr. Perron, you have the floor for six minutes.

Mr. Yves Perron: Thank you very much, Mr. Chair.

I'd like to thank the witnesses for being with us this evening.

If I'm smiling, it's probably because I find that Mr. Drouin is a great inspiration. Because of him, I won't need to use my six minutes of speaking time and I can talk about something else.

We understand how important supply management is for the industry. We will include that in our recommendations to guard against inflation.

Mr. Caron, you talked about specific proposals in your speech. Among other things, you mentioned deploying ad hoc support, one-time emergency assistance to help businesses cope with inflation, as the United States has done.

Could you expand a bit on that proposal?

Mr. Martin Caron: The United States did it in late August or early September, rapidly injecting $1 billion through the Inflation Reduction Act of 2022. They quickly realized that businesses needed cash. The message we got from our businesses after the holidays was that they needed cash too.

The government created the Canada emergency business account, but the repayment window has been extended to the end of 2023. We'd like to see the program continue to provide access to cash.

You heard what was said earlier about interest rates going up over 4%. The farming sector is $129 billion in debt. If 100% of the payments on that debt resume, that amounts to $5.5 billion, while the net income in the sector is $6 billion. Surely you can understand that our flexibility is being taken away immediately before we've been able to accomplish anything.

Also, it's projected that it may be as high as 50%, in terms of repayment or renewal of loans. In any event, it's going to have a huge impact over the next two years. That's why cash needs to be available.

We're also meeting environmental expectations. As members of the Standing Committee on Agriculture and Agri-Food, you often hear about climate change, greenhouse gases and various indicators and targets. It takes cash to be able to support the farming sector, knowing just how much the sector has invested or borrowed in the past few years.

Mr. Yves Perron: Thank you very much, Mr. Caron. You've made clear recommendations.

You also stated that the amount available through the advance payments program should be maintained at $250,000. Can you explain exactly what you're requesting in that respect?

Mr. David Tougas: The interest-free limit for advances was raised from $100,000 to $250,000 for two years, 2022 and 2023. We're asking that the $250,000 limit be maintained for a longer period, at least for the next few years, so that we can get through the crisis. If not, the limit could simply be set at $250,000 from now on, given that our businesses are growing and because that amount should have been updated in the past few years anyway.

Mr. Yves Perron: Thank you very much.

You talked about competitive labour costs. I imagine you'd also like to see more flexibility in the temporary foreign worker program. Can you expand on that for us?

Mr. Martin Caron: I know the government has made an effort, but I feel that everyone on the Standing Committee on Agriculture and Agri-Food has seen that it needs to go a bit further. You have to realize that in Canada, even in Quebec, a third of our agricultural workforce comes from abroad. So it's important that we have flexible and predictable programs.

As producers, we're asked to be productive and efficient, and we demand the same of our tools and systems, be it the government or its departments. We're asking for more efficient tools and systems, not a heavier administrative burden.

We need to continue moving in this direction to increase program flexibility, while also respecting workers. We feel it's very important that all these workers be part of our business expansion. They have been involved for years. They're great and wonderful people, and we need to properly welcome them and set up transition committees with them. We need to get everything done by the book, but faster.

● (2015)

Mr. Yves Perron: With respect to the 35% surcharge on Russian fertilizer, we've had some discussions here amongst ourselves. How would you like to see those tariffs reimbursed?

Mr. Martin Caron: We agree that reimbursement is in order. In Eastern Canada, this has had an impact. We're talking about significant amounts of money. It's cost us a few million dollars, and they are telling us to remain competitive. The money is there, and we're asking to be reimbursed for those costs. There may be different ways to do that, and we're open to it, but we do need to be reimbursed. It will help producers mitigate the impact of inflation and remain competitive. Without that money, businesses can't invest in research and innovation or environmental protection.

Mr. Yves Perron: Thank you.

Produce growers spoke to us about reciprocity of standards last week. In 20 seconds, can you tell us about that?

Mr. Martin Caron: We've been asking for it for years. We need to have the same tools. When we say we want to remain competitive, we're saying we want the same tools. When we talk about reciprocity of standards, there's a reason we're also asking for a code of good practice: It's another tool we'd like to promote.

The Chair: Thank you very much, Mr. Caron and Mr. Perron.

[*English*]

Mr. Alistair MacGregor: Thank you, Mr. Chair.

Thank you to our witnesses for helping guide our committee through this study.

Dr. Stanford, I'd like to start with you. You probably are aware, of course, that we have had representatives from some of the grocery companies before our committee. Unfortunately, they thought it best to send their vice-presidents and not their CEOs or presidents. I found them to be quite defensive. The narrative they presented to our committee certainly was in that light.

I'm really glad to have you as a witness. I appreciate the submission you've given us. I think you've provided a very important counter-narrative, which is backed up with the facts you've gleaned from readily available statistics, that food retail margins have soared since 2019 and profits have doubled, which of course is happening at the same time that sales volumes are going down for each of the companies.

I'll quote you from the back part, where you stated the following:

> The evidence is clear: food retailers have taken advantage of the pandemic and its aftereffects to extract more surplus from their workers and consumers....Their profits have clearly contributed to inflation, and should be challenged: with excess profit taxes, stronger competition rules, and better labour standards.

However, I also want to go to another sector. You have this great table on page 5 of the submission you gave to the committee where you look at the top 15 sectors in terms of the increase in profits they've seen. Fossil fuels, of course, are incredibly important in the agricultural sector. Primary agricultural producers do get a break from the fuels they use on the farm. That's provided for in the Greenhouse Gas Pollution Pricing Act. But fuels are incredibly important for delivering not only the inputs to the farm but also the food they produce to the supermarkets.

When I look at your chart, I can see the change in net income for oil and gas. Since 2019 it has increased by 1,011%. You list $38 billion. Now, we hear a lot of sound and fury in Parliament about carbon pricing, but this is the elephant in the room. I think we ignore it at our peril.

I'm wondering if you could put that into context. What does that kind of profit margin increase do to the affordability challenges that Canadian families are facing these days?

Dr. Jim Stanford: Thank you, sir.

I produced that table because I do hope the debate over prices and profits in food retail—it is very important, and I thank the committee for undertaking it—can be the start of a larger conversation. I've described the factors in food retailing where companies are taking advantage of the supply chains, the uncertainty, the preserved spending power of Canadians—I don't say overheated demand, but their spending power was preserved thanks to the emergency supports during COVID, which have now all been phased out—and their market power to increase profits to the highest share ever of Canadian GDP. That similar mechanism is visible in other “strategic” sectors, as I call them, which have a place in the overall supply chain that allows them to charge what the market will bear even in a moment of social and environmental and economic crisis.

At the top of the list, there's no doubt about it, is the oil and gas sector. The excess profits earned there since the pandemic account for about one-quarter of the total mass of profits across the 15 sectors I identified in that work. The increased prices that embody those huge profit margins then trickle through the rest of the supply chain. Food processors have to pay that, so they have higher costs, nominally, but then they add their own higher profit margin on top of that. The same goes for the food retail sector. By the time the consumer gets it, there's been excess profits added at several steps of the whole supply chain. That magnifies the final impact on consumer price inflation.

I'm grateful to the committee for undertaking this look at food inflation, but when the supermarket vice-presidents come to you and tell you that their margins aren't up that much and their costs were increased, I would point out, first of all, that their margins are up and their profits are up despite the higher costs. Then I would point out that their own higher costs are a reflection of similar excess profit-taking at other stages along the supply chain. No greater example of that exists than the increase in profits and prices in oil and gas products.

● (2020)

Mr. Alistair MacGregor: When it's laid out on a table like that, it's just simply an insane figure. You would agree with me, I'm gleaning from your comments, that this kind of profit margin is doing much more harm to Canadian families than a price on carbon could ever hope to do.

Finally, I want to get an answer from you on this question as well. You have those recommendations of excess profit taxes, stronger competition rules and better labour standards. Is there anything else you would like to see in this committee's final report in terms of recommendations? Is there anything you want to put further emphasis on?

Thank you.

Dr. Jim Stanford: Thank you.

First of all, regarding the reference to the price on carbon, particularly when the revenues from the price on carbon are refunded to Canadians, it's hard to see what net impact that has on the real purchasing power of Canadians. I suspect it's negligible.

Certainly the run-up in energy prices that we have seen in this period has everything to do with global futures market speculation. The world supply of oil was not actually affected by the war in Ukraine. World oil supply, including supply from Russia, has increased, not decreased. Yet the way futures markets work, and the way our energy policy in Canada works, the resulting spike in prices was translated into Canadian consumers very quickly. That was all profit because the actual price of producing that energy in Canada, refining it, and distributing it to consumers did not change much at all.

In terms of recommendations—

The Chair: Mr. Stanford, unfortunately we're going to have leave it there.

Thank you, Mr. MacGregor.

Colleagues, we're getting a little bit tight here for time so I'm going to ask for three or four minutes; you're not going to get the whole five—

I'm sorry, Mr. Lehoux. I'm going to say four minutes, and at four minutes I'm going to stop it. I'm tough.

We're down to four minutes and we'll try to shave a little for the Bloc and NDP.

[*Translation*]

Mr. Richard Lehoux: Thank you, Mr. Chair.

I'd like to thank the witnesses for being with us this evening.

Mr. Caron, I'm going to go back to the labour issue once again. We did some studies a few months ago, perhaps over a year ago, on the issue of reducing the use of forms and paperwork. You had even made some proposals, which we included in our report submitted to the minister.

Did those recommendations from the committee yield any results?

Mr. Martin Caron: Thank you for the question.

Some follow-up was done. One thing we know is that the government plans to implement a "trusted employer" model that's more flexible and greatly reduces the administrative burden.

We also talked about asking to do labour market impact assessments every three years, or even every five years, within an established framework. I believe more needs to be done on that.

Then we have the whole housing component and all the changes that need to be made. We're still waiting on that and to hear how we can achieve greater flexibility.

● (2025)

Mr. Richard Lehoux: So I understand that you're still waiting on those things.

Mr. Martin Caron: Yes, we're waiting on a few things.

Mr. Richard Lehoux: Once again on the labour issue, several farmers in my area have complained in recent weeks and months that temporary foreign workers were no longer available because they had been hired by companies not necessarily in the farming sector. This stems from flexibility introduced due to the pandemic.

I imagine farmers must be talking to you about this very important issue. Do you have any news on that?

Mr. Martin Caron: It's a key issue, absolutely.

Farms invest money to bring workers to Canada. Unfortunately, sometimes these workers, most of them from certain countries, leave the farms for no reason, and that means farmers have to start over again. We can all agree that this issue needs to be looked into, and we've spoken to Global Affairs about it so they can keep us up to date.

As I said earlier, people ask a lot of the farming sector. We're learning how to rise to the challenge and be efficient and productive, but we want this looked into. It's not just for our sake, it's also for the sake of these workers, who may be in places where they're not being treated well.

Mr. Richard Lehoux: Thank you, Mr. Caron.

I really believe this is a major issue with a direct impact on price increases, because obviously farmers can't afford significant wage increases to respond to the one-upmanship happening between various industries, in my region and others.

How much time do I have left, Mr. Chair?

The Chair: You have about 45 seconds left.

Mr. Richard Lehoux: Thank you, Mr. Chair.

Mr. Caron, you said you were open to being reimbursed for the surcharge on Russian fertilizer. Do you feel there is a real willingness to find a solution for reimbursing the some $34 million taken from farmers' pockets?

Mr. Martin Caron: After Ms. Freeland's economic update and the announcement by Minister Bibeau, we were told that the process to reach an agreement was underway. It remains to be seen if—

Mr. Richard Lehoux: However, you have yet to see one red cent of the money. Is that right?

Mr. Martin Caron: No, not yet.

Mr. Richard Lehoux: Thank you, Mr. Caron.

The Chair: Thank you, Mr. Caron and Mr. Lehoux.

Mr. Louis, you have the floor for about four minutes.

[*English*]

Mr. Tim Louis (Kitchener—Conestoga, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses.

This is very helpful today, and these are important conversations because we've heard over and over again that food is a fundamental need and that households don't have the flexibility to reduce their spending on food compared with other commodities. I'm happy to be here today addressing the frustration that Canadians are feeling with the rise in food costs.

Dr. Stanford, you've cited that average grocery prices have increased 11% in the last year, which is about double the overall inflation rate of 6.3%, and that, even though housing prices and gas prices are coming down, food inflation is still stubbornly high and that food retail profits have nearly doubled compared to prepandemic norms.

We heard from both you and Professor Brander that shortages at the beginning of the pandemic made it possible to raise these costs. Demand was up during the height of the pandemic, as people were staying at home, but even though people are buying fewer groceries now than during the height of the pandemic, profits are increasing on average for supermarkets.

Can you explain in simple terms how we are going to dispute major grocery chains' arguments that this is business as usual for them? How can we explain how prices seem to go up fast but are very slow to come down?

Dr. Jim Stanford: This is one area where I think a longer historical perspective is very important. We've often seen commentary, or perhaps some of the other witnesses who've appeared before you compare profit margins or aggregate profits just on a year-over-year basis and say, “Our profits aren't much higher than they were last year. They're a little bit higher but not much higher, and our margin isn't much different than it was last year.”

The longer historical analysis, which I compiled from Statistics Canada data, shows that the aggregate period of time since the lockdowns has been marked by increased profit margins that have stayed high, and aggregate profits that have more than doubled since prepandemic norms. That historical perspective is, I think, very important.

In terms of what's going to happen in the future, I think it's an open question. We may see some downturn in those profit margins as a result of the stabilization of supply chains internationally. Of course, we can't predict what's going to happen with some of the factors that Professor Brander mentioned earlier, like climate events and episodes like the bird flu, whether there's going to be further expansion of hostilities in Ukraine or whether there'll be another energy price spike. We can't project all of that, but, in the absence of further major shocks like that, I frankly would expect some normalization of profit margins in retail back towards something at least in the direction of normalcy. It's hard to say.

You'll see in the last quarter covered by the data that there's been a moderation of profit margins, not to anywhere near where they were before the pandemic, but not at the same peaks we experienced during the panic buying of the lockdowns and so on.

There may be some normalization ahead, but that being said, I think it is important for Canadians to understand that the food prices they are paying reflect in part the cumulative impact over the whole supply chain of profit taking by companies that had the power to charge Canadians much more than they needed just to cover their own costs.

● (2030)

Mr. Tim Louis: Thank you for that.

With the 30 seconds I have left, I don't think I can get a full question in.

The Chair: That's very kind of you, Mr. Louis.

[*Translation*]

Mr. Perron, you have the floor for two minutes.

Mr. Yves Perron: Thank you, Mr. Chair.

Mr. Caron, at the end of your opening remarks, you talked about a code of good practice.

We've heard a lot about how prices are set. Produce growers told us about the horrendous gaps between what they are paid for their products and the price of those products in grocery stores.

What can we do to see profits more fairly distributed among the various links in the food supply chain?

Mr. Martin Caron: Thank you for the question.

I mentioned the code of good practice earlier. That's one of the first tools we can and should have. One of the things it needs to be is enforceable and mandatory.

There are other tools, however, that other countries use. That's actually one of the things we talked about at the Competition Bureau recently.

For example, France created the Observatoire de la formation des prix et des marges des produits alimentaires, a French food sector price and margin surveillance program that keeps an eye on food processing, distribution and production. The government set up and supports the program. The Observatoire collects data about prices and reports annually to Parliament and all delegates. I feel that's another tool we could have in Canada.

All sectors work together. We must remember that when we talk about the agriculture and agri-food supply chain, we need all the links to succeed. An advisory committee can be set up, but a report is also produced, which allows elected officials and the government to show people how prices and margins are set. A legislative aspect to all of this is also needed to make sure that if something has to be changed about certain rules, the government can make those changes.

Mr. Yves Perron: Thank you very much.

[*English*]

The Chair: Mr. MacGregor, we'll go over to you for two minutes.

Mr. Alistair MacGregor: Thanks, Chair.

I'm going to take my time to formally move that motion. The clerk submitted it to everyone's email, so hopefully everyone has had a chance to read and contemplate it. I won't bother to read it out for the record again. I will just move it and open it to discussion.

Hopefully, colleagues will agree to it.

The Chair: Thank you, Mr. MacGregor.

We have around eight minutes left. We'll have this discussion, and if it can't...then it will have to get moved to the next meeting.

Mr. Drouin, I see your hand.

Mr. Francis Drouin: Mr. Chair, I thank my colleague for that motion.

On our side, we're fully supportive of the introduction of that motion and of that motion passing. Thank you.

● (2035)

The Chair: Monsieur Perron.

[*Translation*]

Mr. Yves Perron: Mr. Chair, since I received the text in French, and I commend my colleague Mr. MacGregor for that, I have no objection.

[*English*]

The Chair: Is there any further discussion?

Seeing none, certainly it looks as though there is a majority.

As your chair, I will highlight that I certainly appreciate the fact that we're extending.... I have some concerns with regard to the CEOs who will ultimately be summoned to come—which is important for accountability—and whether we're going to get any further information. However, I take the point that this is the prerogative of the committee.

Do we need to call it to a vote? I think it simply will pass, but would you like a recorded vote?

Mr. MacGregor, I guess that's your question. Would we like to have a recorded vote?

Mr. Alistair MacGregor: Sure. Let's get it on the record. We'll have a recorded vote, please.

The Chair: Madam Clerk, I'll ask you to help out.

(Motion agreed to: yeas 11; nays 0)

The Chair: That is obviously unanimous.

Okay, colleagues, I will work with the clerk and we'll go from there.

I see your hand, Mr. MacGregor, and then I have Mr. Lehoux.

I want to be mindful of time here, particularly for our translators.

We'll go over to you, Mr. MacGregor.

Mr. Alistair MacGregor: Very quickly, I want to thank my colleagues for another unanimous vote. I appreciate it.

The Chair: Go ahead, Mr. Lehoux.

[*Translation*]

Mr. Richard Lehoux: I have a quick question: Has the Immigration Minister gotten back to us?

[*English*]

The Chair: I'll turn to our clerk.

There hasn't been a response that I know of. I think the invitation is still standing. The minister knows our schedule and the different parameters. Unless something has changed since the last time we met, I don't think that's the case, but I'll let my clerk speak to it.

[*Translation*]

The Clerk of the Committee (Ms. Stéphanie De Rome): I followed up with the minister's office. I was told that the committee should get a response sometime this week. I will keep checking in.

[*English*]

The Chair: Okay.

We'll adjourn for the evening.

Thank you, colleagues.

Thank you to our witnesses as well. I apologize. We got caught up in a bit of procedure.

To Monsieur Caron, Monsieur Tougas, Mr. Stanford and Mr. Brander, thank you for taking the time this evening to provide testimony and to be part of our study.

Good night, everyone.