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# Standing Committee on Agriculture and Agri-Food

EVIDENCE

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Chair: Mr. Kody Blois





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• (1925)

[English]

**The Vice-Chair (Mr. John Barlow (Foothills, CPC)):** Thank you, colleagues.

Thank you for being very patient, Mr. Riel. I appreciate that very much. Unfortunately, we don't control how the House runs itself. Even with the voting app, we can't always be perfect.

Colleagues, before we move on to the witnesses in front of us, we are going to do a little housekeeping. We have the subcommittee report that was sent out to everybody. I just want a motion to approve that subcommittee report, which just outlines our schedule, basically, from now until the end of this session.

Mr. MacGregor, could we have a motion for that? All in favour?

(Motion agreed to)

**The Vice-Chair (Mr. John Barlow):** Thank you.

To our witnesses, for the benefit of time, what we're going to do, rather than split up the two panels, is have all of our witnesses in one panel, so you'll all be giving your opening statements together. Then we'll have two rounds of questions from the members of Parliament who are here.

That being said, I now call this meeting to order.

Welcome to meeting number 56 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 available via the House of Commons website. Just so you are aware, the webcast will always show the person speaking, not the entire committee. Taking screenshots or photos of your screen is not permitted.

Members and witnesses may speak in the official language of their choice. Translation is provided. If there is an interruption in the translation, I will stop you and we'll make sure it is corrected before you proceed.

Before speaking, please wait until I recognize you by name. If you are on video conference, please click on the microphone icon to unmute yourself. Of course, those in the room will be unmuted by the proceedings and verification officer.

To our witnesses, especially those on video, please speak slowly and distinctly for the benefit of our interpreters. All comments and questions from the members will be through the chair.

I would now like to welcome our witnesses here for this meeting on food price inflation, pursuant to Standing Order 108(2) and the motion adopted by this committee on October 5, 2022.

From Costco Wholesale Canada Limited, we have Pierre Riel, executive vice-president and chief operating officer of Costco Wholesale Canada and International. Thank you very much for being here. From 1km Foods Incorporated, we have Paul Sawtell.

**Mr. Ryan Turnbull (Whitby, Lib.):** It's 100km Foods Incorporated.

**The Vice-Chair (Mr. John Barlow):** I'm sorry. Thanks, Ryan. I'm trying to go as fast I can to get through this.

From the Canadian Centre for Policy Alternatives, we have David Macdonald, senior economist. Finally, from Farm Credit Canada, we have Justine Hendricks, president and chief executive officer, and Jean-Philippe Gervais, chief economist.

You will all have five minutes for your opening presentation.

Mr. Riel, I believe we'll give you a bit of an extension, to six minutes. I think we can stick to that. We'll start with you for your opening comments, please.

[Translation]

**Mr. Pierre Riel (Executive Vice President and Chief Operating Officer, Costco Wholesale International and Canada, Costco Wholesale Canada Ltd.):** Good evening, Mr. Chair and members of the committee.

My name is Pierre Riel. I am the Executive Vice President and COO for Costco Canada's operations and Costco International.

I appreciate the opportunity to speak with your committee today on food price inflation, a topic that is important to Canadians and to Costco.

I would like to share with you who we are, our mission, our unique business model and our code of ethics. We have a proud 38-year Canadian history. We have 107 membership warehouses operating in nine provinces and we employ close to 50,000 Canadians. Our Canadian head office is located here in Ottawa.

I was born and raised in Maniwaki, and started working for Costco as a part-time stocker almost 37 years ago. My story is not uncommon, as 99% of management and executives at Costco are promoted from within, starting their careers as hourly employees in one of our warehouses.

Our mission is to offer our members the best quality goods and services at the best possible prices through our unique retail business model. Our presence provides Canadian consumers with a different option. Our business model not only allows us to offer a direct benefit to our members through our low prices but also benefits all Canadian consumers through our very competitive prices.

We operate membership warehouses, which people would usually refer to as stores, and an e-commerce website. Our members pay an annual fee of \$60 for Gold Star membership and \$120 for Executive membership.

At Costco, we focus on sales and strive to keep our costs low.

Three core issues have been raised by the committee in its questions to retailers. I would like to comment briefly on each of them.

First, let's talk about food price inflation. Our warehouses offer food and non-food merchandise, as well as pharmacy, optical and hearing aid products, gas, and a food court with our famous \$1.50 hot dog. The final price our members pay for food is dependent on many factors at each stage of the supply chain, which includes farmers, processors, distributors and retailers. That price is also affected by global commodity markets, foreign exchange, world events, labour shortages and government regulations. We work every day with our suppliers to reduce costs. It is our role to keep prices low. This is what our members expect from us.

Second, I would like to address the issue of our profit.

Costco's business model is a membership club—our members pay to shop with us and our role is to offer the best quality at the best price. On a worldwide basis, over the last three years 58.5% of our pre-tax profit came from membership fees. Over the last three years, if we exclude membership revenue, our pre-tax profit would be 1.43% of our merchandise sales. Let me be clear, Costco has not sought to increase its profits in light of the current challenges.

Over 15 million Canadians have Costco membership cards in their wallets. They recognize the value in shopping with us. In fact, more than half of Canadians over the age of 18 are Costco members. In Canada and the US, our executive members represent 57% of our membership base and they receive the added value of a 2% reward on all eligible purchases. Our annual membership renewal rate in Canada and the US is 93%, and went up by another percentage point this year. This means our members trust that we offer the right value proposition.

Third, I have a few comments about our focus on our employees.

As one of the most respected retailers in Canada and globally, we owe our success to our ability to attract and retain the best employees in the retail industry. We are committed to paying our employees competitive wages and providing broad health care benefits 100% paid for by Costco. Our starting hourly wage is \$17.50. This is above minimum wage in the provinces where we operate, and it is regularly re-evaluated. In 2019 our average hourly wage

was \$27.63; it is \$29.76 today. We firmly believe these are among the highest retail wages in Canada.

● (1930)

To give you an idea what that means for annual wages, a cashier who has worked full time with Costco for seven years will earn over \$70,000.

We know that paying employees good wages and providing benefits helps us minimize turnover and maximize employee engagement. Our employees deserve it.

We live by our code of ethics of obeying the law, taking care of our members and employees, respecting our suppliers, and rewarding our shareholders. By staying true to our unique business model and culture, Costco has continued to succeed, despite sometimes challenging business environments.

In conclusion, we believe that to meaningfully affect the price Canadians pay at the grocery store each participant at each stage in the supply chain has a role to play. I assure you that Costco takes the committee's work seriously, and is committed to ensuring that its Canadian members have quality foods at the lowest possible prices.

Thank you.

[English]

**The Vice-Chair (Mr. John Barlow):** Thank you very much, Mr. Riel. We appreciate your comments.

Now we'll go to Mr. Sawtell from 100km Foods Incorporated. I'm sorry for shortchanging you in your introduction. You have five minutes. Please go ahead.

**Mr. Paul Sawtell (Owner, Founder and Chief Executive Officer, 100km Foods Inc.):** I appreciate that. I think 1km Foods would be far more difficult, so I'll stick with 100.

Thank you for your invitation to provide testimony during your investigation into food inflation in Canada.

My name is Paul Sawtell. In 2008, my wife and I founded 100km Foods, an award-winning local food distribution company. Our business was created to bridge the gap between small and medium-sized farms in southern Ontario and restaurants, small independent retailers, institutions and now home cooks as well. We connect a regional network of over 130 Ontario farms and producers with over 500 customers in southern Ontario, ranging from restaurants and cafés to the 2019 NBA champions, the Toronto Raptors. The Toronto Maple Leafs should take note.

Our supplier network is a mix of farms and producers that vary in size, in the products they produce and in the production methods they employ. No one in our network, ourselves included, has been insulated from the challenges that are driving food inflation in Canada. All of us have been exposed to significant increases in the price of fuel, packaging and other inputs over the past two years. Farmers are feeling squeezed, as you have heard in other witness testimony.

In looking at our own data, our average price of vegetables rose by 8% in 2022 versus 2021, which was below the national average of 11%. This may be attributable in part to a shorter supply chain, which keeps the amplification of inflation along the supply chain as low as possible.

While we may be seeing early signs that current food inflation levels are declining, climate change is inextricably linked to future food inflation and food insecurity. This will put at significant risk the Food Policy for Canada's vision of the future of food, which states, "All people in Canada are able to access...[enough] safe, nutritious, and culturally diverse food. Canada's food system is resilient and innovative, sustains our environment and supports our economy."

It should be noted that BIPOC Canadians continue to be impacted disproportionately. The City of Toronto reports that Black Torontonians are three and a half times more likely to be food insecure than their white counterparts. Food system solutions must be developed through an equity lens.

Climate change and the associated rises in temperatures, droughts, floods, heat waves and changes in rainfall patterns threaten to impact agriculture more than any other industry, and threaten to only increase food inflation and food insecurity globally. It is widely accepted that one-third of all global greenhouse gas emissions are related to food and our food system. At the recent COP27 conference, world leaders acknowledged that the climate crisis cannot be solved without addressing the problems in our food system. However, while the production and distribution of food has contributed to climate change, we have an opportunity to implement food-based solutions that have far-reaching benefits to mitigate it, which will help Canada meet its Paris Agreement obligations and help stem future climate-related food inflation and food insecurity.

Regenerative agricultural practices have been shown to sequester atmospheric carbon in the soil, and the UN Food and Agriculture Organization cites other holistic models, such as agroecology, to be key to a global transition in agriculture. There is also a growing body of evidence that regional food systems can increase food system resilience and self-reliance and provide place-based solutions to climate change. We must act now.

We offer the following two recommendations for your consideration.

First, to mitigate a future food inflation crisis we must make a transition to agricultural practices and regional food systems that provide solutions for food security and climate change. Federal programs like the sustainable agriculture strategy and the on-farm climate action fund should be fully and permanently funded to help farmers make the transition to better production practices and invest in regional food systems.

Second, nutritious and sustainable food must be affordable and accessible to all Canadians, and our right to food should be codified. Increases in social safety nets, such as a universal basic income, can be useful tools for achieving this goal.

Thank you very much. I look forward to the discussion.

• (1935)

**The Vice-Chair (Mr. John Barlow):** Thank you very much, Mr. Sawtell. I appreciate your comments.

We'll go now to Mr. Macdonald, from the Canadian Centre for Policy Alternatives, for five minutes, please.

**Mr. David Macdonald (Senior Economist, Canadian Centre for Policy Alternatives):** Great. Thank you so very much for the invitation to speak to you today.

Canadians want to blame grocery stores for jacking up food prices. There's some truth in this, but it isn't the whole story. I'd like to take my time today to examine grocery store financial data as well as the broader inflation picture vis-à-vis corporate profits in Canada.

The annual inflation rate will be roughly 3% by June. Mechanically, the biggest month-over-month price increases occurred from February to May of last year, 2022. As we move through these months this year, these big increases will be kicked out of the annual series, thereby mechanically lowering the year-over-year CPI. The major exception to this will be food prices. Their biggest jump in month-to-month values came over the course of the fall, with the largest one actually happening in January 2023. It won't be until sometime this fall that the rate declines, but prices will remain high for the foreseeable future.

According to Statistics Canada industry data, the past three years have been a great time for food and beverage stores and that industry. Net pre-tax profits in the industry sat just below \$3 billion a year for several years prepandemic, but by 2022 they hit \$6.5 billion, more than double where they stood in 2019. Net pre-tax profit margins tell a similar story. They stood at 2.1% in 2019, but by 2022 they had jumped to 3.6%. To put it another way, grocery stores used to keep one dollar out of every \$50 that came in as profits. Now they keep one dollar out of every \$28 as profits.

The input costs for the industry have increased by 21% since the end of 2019, an argument that the industry has made loudly. The trouble is that their revenues have increased 27% over the same period. It's worth saying that it's perfectly possible to pass on higher costs to consumers and then some, resulting in higher profits.

I think that looking exclusively at grocery stores when talking about food inflation is somewhat myopic, something that the upcoming Competition Bureau study falls victim to. It's worthwhile looking at the entire food chain, not just grocery stores. In a rudimentary food chain for food prices, you'd certainly want to include grocery stores, but also food manufacturers and farmers.

Margins for food manufacturers were higher in 2020 and 2021, but by 2022 those margins had levelled right back off to the levels where they stood prepandemic. The agriculture, forestry, fishing and hunting sectors, on the other hand, saw margins utterly crushed during the pandemic. They fell from 14% in 2017 to 3% last year. While grocery stores have managed to maintain higher margins, food manufacturers and particularly farmers are seeing no benefit from higher food prices.

The additional inflation dollars that consumers are paying are going somewhere, and it's worthwhile tracking this economy-wide, not exclusively in food prices or in the food supply chain. Four industries—oil and gas extraction, oil refining, real estate and banking—have booked half of all inflation dollars as profits. Compared to the big players, higher margins in grocery stores is like sitting at the kids' table. The broader retail industry is contributing little to overall inflation in Canada. You can think of the high price of diesel hitting all along the food supply chain, from fuelling tractors to long-haul trucks moving food to stores.

What's to be done? Well, there's no relief in sight on food prices. Even if the food inflation rate declines by the end of this year, it's unlikely to turn negative. Therefore, prices will remain high and Canadians will continue to struggle to put food on the table. The GST top-up, renamed the "grocery rebate" in budget 2023, is a good ad hoc approach. Better support for food banks is clearly needed. Although we're a wealthy country, there is simply no need to force Canadians to go and get their food from food banks. Adequate income supports should be in place so that low-income Canadians can shop at grocery stores just like everybody else.

The federal government created a pandemic surtax on the banks in last year's budget. This could easily expand to all companies to better capture the flood of inflation dollars flowing into corporate profits, the proceeds of which could help offset the impact of higher prices on Canadians through better income supports.

Thank you very much. I look forward to your questions.

• (1940)

**The Vice-Chair (Mr. John Barlow):** Thank you very much, Mr. Macdonald, for your presentation.

Ms. Hendricks, welcome to the agriculture committee. I don't know if you've had a chance to be here since your appointment to Farm Credit Canada. Congratulations. We certainly look forward to working with you.

I will give the floor over to you. I don't know if it will be you or Mr. Gervais who will be speaking, but hopefully we have a chance to get together in the future.

**Ms. Justine Hendricks (President and Chief Executive Officer, Farm Credit Canada):** Mr. Gervais and I will split the time.

Thank you, Mr. Chair and members of the committee, for having us here tonight.

[*Translation*]

I would like to thank the committee for inviting us to present the findings of the FCC's 2023 Food and Beverage Report, which highlights the sector's financial performance.

Farm Credit Canada, or FCC, is Canada's largest lender to the agriculture and agri-food industry, with an investment-grade loan portfolio of more than \$47 billion. We share our economic forecasts and knowledge to help the industry achieve its goals.

I will now turn the floor over to Mr. Gervais.

• (1945)

[*English*]

He will provide a review of our key findings related to overall food inflationary pressures.

Go ahead, Jean-Philippe.

[*Translation*]

**Mr. Jean-Philippe Gervais (Chief Economist, Farm Credit Canada):** Thank you, Ms. Hendricks.

[*English*]

Food and beverage manufacturing revenues grew over 10% in 2022. This growth was almost entirely due to price increases in the face of higher costs. Profit margins in the sector are thin and even thinner for small businesses. This makes it difficult to avoid trying to pass on cost increases.

There were multiple pressures on costs. The 2021 drought in North America reduced crop production and lifted the prices of key commodities. The war in Ukraine impacted grain movement in that region, causing global supply shortages and global commodity prices to rise. For example, the price of wheat and canola, two vital inputs in food, more than doubled in price from the beginning of 2020 to mid-2022.

[*Translation*]

Cost pressures have not only affected raw materials. The labour market tightened in 2021 and 2022, pushing the unemployment rate to unprecedented lows and driving up wages. The labour market tightening was even more pronounced in the food manufacturing sector. Wages rose faster in this sector than in the economy as a whole, even though employment growth there was lower than generally seen in the economy.

For that matter, the entire food supply chain is facing increased labour-related pressures. This affects input suppliers in primary production, primary producers themselves, manufacturers, food service, as well as related industries, such as trucking.

Despite every effort to contain costs and prices, pressure on profit margins has forced companies to raise prices. Historically, manufacturers have struggled to pass on cost increases to their customers, and 2022 has proven no different. The bottom line is that gross margins as a percentage of sales for the processing industry saw a significant decline in 2022. If manufacturers had passed on all the cost increases experienced in 2022 to their customers, food prices would likely be even higher today.

[*English*]

Consumers have cut back on discretionary spending as they face higher inflation, depleted savings and higher costs of servicing debt. Inflation led to changes in food consumption decisions, which resulted in fewer purchases and different sources for purchases. For example, Canadians are estimated to have increased their consumption of imported food in 2022. This is after spending a higher share of their food purchases on local foods during the pandemic in 2021.

While trends vary based on industry volatility, we are, in fact, optimistic that gross margin rates and cash flow will improve for struggling food manufacturers as cost pressures now begin to subside. We've already seen commodity prices come back from recent highs, but it is common for these lower prices to not immediately translate into lower food prices for consumers. It can take up to a year for industrial prices to reflect recent spot commodity prices and raw material cost declines. Energy, labour and packaging materials are all inputs that can account for a significant share of food manufacturers' costs. In the meantime, lower agricultural commodity prices may create profitability challenges for Canadian farmers.

Go ahead, Justine.

**Ms. Justine Hendricks:** As Jean-Philippe stated, we recognize that food inflation is adding pressure to Canadian families. FCC will remain committed to serving both our customers and the Canadian agriculture and agri-food industry. The agri-food industry has a long track record of excellence when it comes to offering safe, high-quality and affordable foods to Canadians and the world.

We believe there are significant opportunities for the agri-food industry in Canada to grow and to alleviate food security concerns for Canadians while being a major driver of economic growth for the entire Canadian economy. Innovation and higher productivity growth are critical for the industry to fully realize its potential, and we all have a role to play.

Thank you for the opportunity to speak with you today. We're happy to answer any questions you may have.

**The Vice-Chair (Mr. John Barlow):** Thank you very much, Ms. Hendricks and Mr. Gervais. It's much appreciated.

We'll now move on to questions from members of Parliament. To keep our time as tight as we can, we'll just do two rounds from each party to try to get that done.

Mr. Sawtell, the interpreters are having a bit of an issue with your connection, so just to give you a bit of a heads-up, we'll do our best, but we may have to interrupt if someone asks you a question and the interpreters aren't getting it. That's just to give everyone a heads-up. We may have to pause and address this if it comes to that.

We'll start off with the Conservatives and Ms. Rood for six minutes, please.

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

Thank you, witnesses, for being with us this evening.

Canadian grocers and consumers are under pressure as food prices continue to skyrocket, despite overall inflation easing in recent months. In fact, the rising cost of groceries is being reported as nearly double the rate of inflation.

Throughout this study, I have frequently called out the poor business practices of large grocers for nickel-and-diming our farmers and producers. These practices keep costs high and are driving Canadian family farm businesses out of business.

An economics scholar, Ambarish Chandra of the University of Toronto, agrees, saying:

We've seen, frankly, bad behaviour from these grocers over the years, whether it's price fixing or other sorts of scandalous issues, like co-ordinating on reducing pay for cashiers during the pandemic—all of these things stemmed from the fact that we just don't have enough competition.

As Canadians know, Costco is not a Canadian company, but it is a far larger company than other Canadian grocers and can be a leader in proper competitive behaviour. I have asked other representatives of other grocery chains the same questions.

I'm looking at you, Mr. Riel. I just have very quick questions for you. Simple yes or no answers would be great.

Sir, do you charge listing fees?

• (1950)

**Mr. Pierre Riel:** No.

**Ms. Lianne Rood:** Do you charge rebates or have chargebacks?

**Mr. Pierre Riel:** No.

**Ms. Lianne Rood:** Do you charge unloading fees for your distribution centres?

**Mr. Pierre Riel:** No.

**Ms. Lianne Rood:** Do you charge penalties on packaging and minor shipment shortages or overages?

**Mr. Pierre Riel:** No.

What is very important to know is that it's part of our code of ethics to work with our vendors in a win-win situation. When there is a bad situation, we contact people and we deal with it. We want to do the right thing.

For us there's no unilateral decision made for charging back. There is a conversation and then a cure, and a decision is made. It's in partnership. That's the way we work with our vendors.

**Ms. Lianne Rood:** Thank you.

Do you charge late penalties if a truck arrives late for its appointment time to unload?

**Mr. Pierre Riel:** No.

**Ms. Lianne Rood:** We've heard from other grocers that their profit margins are around 4% on groceries. I'm just wondering if you can enlighten us perhaps on where your grocery margins sit at.

**Mr. Pierre Riel:** As you know, we're a private company. We report our numbers globally with the U.S. company, so I cannot disclose that. I can tell you that overall, our profit from selling merchandise, before tax is paid, has been at 1.43% for the last two years.

We're about sales, so when you ask a question about profit and margins, it's about sales. The more we sell, the better it is for the customer who is going to pay for goods and the better the members will be satisfied with us. That's our mantra.

**Ms. Lianne Rood:** Thank you.

I've heard from some folks that they do business with you and farmers, and sometimes your company has a habit of dropping or changing farmers and suppliers when they ask for price increases. With costs rising across the board, I'm just curious why you would want to find another supplier rather than stick with one with whom

you've built a relationship and who is simply asking for a deal that reflects the current situation.

**Mr. Pierre Riel:** We've been in Canada for 30 years, and we want to be loyal to our vendors. Otherwise, we're not going to get goods to sell to our members. If there is something specific there, I suggest that person should contact me. We will look into it and do our best to solve the issue.

**Ms. Lianne Rood:** Thank you very much.

For my final question for you, sir, I note I haven't seen you participating in the grocery code of conduct. I've asked all the other grocery stores if they will be participating in the grocery code of conduct. Do you have plans to participate in the grocery code of conduct?

**Mr. Pierre Riel:** We were not invited to the steering committee. We received the draft. We're looking right now at the draft. We believe that it's all about giving the best possible price to the consumer. If that happens, we will be more than pleased to participate in it.

**Ms. Lianne Rood:** Thank you very much.

Your answers here today are in stark contrast to those of the other big grocery stores we've had before this committee in that you don't charge any of these extra fees. However, you're still a company that is in business, has good relationships with your vendors and continues to make profit and operate your store. Thank you for that testimony today.

It seems like you're leading the way as far as treating farmers, producers and vendors fairly goes. From speaking with farmers and from past experience, I can tell you that they do really value the relationships they have with your company and, overall, appreciate doing business with you. Thank you for supporting the agriculture industry.

I'm going to move on to 100km Foods.

I have a couple of questions for you, sir. I'm just curious. In your remarks, you were talking about farmers, and I understand that you want to support farmers. My question to you is, do you take a percentage off the sale price from vendors? In other words, do you take fees off for listing and handling their products?

**Mr. Paul Sawtell:** No. We have a cost-plus business model. We don't charge back any fees to our farm partners. In fact, they set their own prices.



• (1955)

**Ms. Lianne Rood:** Sir, is it inaccurate, then, that farmers have told me there is a cost-share charge on their invoices that is charged back to farmers to the tune of anywhere from 6% to 9%, if you do the math on the invoices? What would that chargeback be for, then?

**Mr. Paul Sawtell:** From a logistical pickup standpoint, we provide logistics services to our farm partners. For many years, that was a complete occurrence on our balance sheet. As a business, that was unsustainable. We looked at our numbers and realized that. In order to get the products from the farm to our distribution facility, we approached our farmers to ask if a nominal fee to share that cost was agreeable. They all agreed, and we have had great relationships ever since, so—

**Ms. Lianne Rood:** So you do charge a chargeback fee, and you're no better than the other grocery stores.

Thank you very much, sir.

**The Vice-Chair (Mr. John Barlow):** Thanks, Ms. Rood.

We will now go to Mr. Drouin for six minutes.

I believe you're splitting your time.

**Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.):** Yes. Thank you.

[*Translation*]

I want to thank all the witnesses for being with us today.

My questions are for Mr. Riel.

Mr. Riel, you mentioned some statistics, and I believe some committee members are also Costco members. I want to thank you, because I know that your company treats employees with respect. You yourself are a positive example of the Costco business model, given your long history with the company.

Essentially, we're here to discuss public confidence in the food supply chain. People are wondering. Obviously, they see prices going up in markets across the country. I'm no expert on what your profit margin should be on food sales. However, the Competition Bureau in Canada has a mandate to study that issue.

Have you provided Costco's financial statements to the Competition Bureau?

**Mr. Pierre Riel:** The information that we were in a position to provide was sent to the Competition Bureau. It's done. We're willing to work with the bureau. We're waiting to hear from them.

Our approach to operating our business, and that's worldwide, is to cooperate as best we can, keeping in mind that we are a public and private company in Canada. Beyond that, we collaborate with all stakeholders and we think that's important.

**Mr. Francis Drouin:** You provided information to the Competition Bureau and I do not need to know what that information may be. However, the Competition Bureau does have a role to play to do its job well. Costco sells a wide range of products, including food and pharmacy products. We heard from other companies that the profit margin has increased, but that those profits are from selling pharmacy products rather than from selling food.

Given the information that was provided, will the Competition Bureau be able to differentiate between various products so it can tell the Canadian public that Costco or the other companies have done their job well?

**Mr. Pierre Riel:** I truly believe that the Competition Bureau has the means to get the information it needs. If they need more information, they will request it from us.

In our view, the information we provided is what we can currently share. If the Competition Bureau needs additional information, we are willing to work with them. I cannot decide for the bureau whether the information we sent is sufficient or not. We're still awaiting feedback from the bureau on the information we provided.

**Mr. Francis Drouin:** Earlier, my colleague asked you about the code of conduct. Despite the fact that you aren't part of the initiative to develop a code of conduct for the grocery industry, you are not necessarily refusing to participate.

**Mr. Pierre Riel:** Costco operates all over the world. I have been at the helm of our international operations for a year. A code of conduct exists in England, but Costco wasn't asked to be involved. There, it was decided that the code of conduct would apply to grocers with annual revenues of more than a billion pounds sterling. As for the code of conduct in Australia, Costco is not required to participate either.

Our code of ethics is to take care of our employees and respect our suppliers. By respecting our suppliers, we have a formula that works for everyone, a win-win. As we see it, without suppliers, without people who are treated fairly, there is no merchandise to sell. The day I have nothing to sell, everything grinds to a halt. If the ultimate goal is to lower prices for consumers, Costco will participate.

• (2000)

**Mr. Francis Drouin:** Thank you.

I'm going to give the rest of my time to Ms. Valdez.

[*English*]

**Mrs. Rechie Valdez (Mississauga—Streetsville, Lib.):** Thank you so much. I'm going to continue with the questions.

I listened to all your responses to Ms. Rood, so I'm curious how Costco balances its commitment to offering low prices with the need to ensure fair prices for suppliers.

**Mr. Pierre Riel:** It's a matter of volume. It's a matter of sales. We're looking at it by the total sales we're doing at the end. We're focusing mainly on ourselves. Obviously we also have revenue from our membership. Overall, when you have that, it's part of the equation.

Regarding the balance, you need to work with vendors. Costco is tough but fair. We're there to shop for you if you're a member. The first job that our buyer has is to be able to shop as best as possible to build confidence in our membership. That's what we do. Sales are a huge factor. Without velocity, it's tough to get a better price, so that's what we're aiming for.

**Mrs. Rechie Valdez:** Thank you.

Costco is known to sell in bulk, of course, so how does Costco track and measure its food waste?

**Mr. Pierre Riel:** We are tracking more and more food waste. We have programs with food banks across Canada in our 107 locations where we do business. Every day, we're giving waste produce and meat. We're freezing the meat. We're doing a lot of things.

For us, we need to participate in the community we do business in. We're probably one of the biggest donors out there.

**Mrs. Rechie Valdez:** I don't think I have much time. Thank you for everything you do.

**The Vice-Chair (Mr. John Barlow):** Thank you, Mrs. Valdez.

[*Translation*]

Over to you, Mr. Perron, for six minutes.

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

I'd like to thank the witnesses for being with us, especially Mr. Riel, who was very patient. Our apologies for the technical difficulties.

Mr. Riel, I'm going to be perfectly frank with you. Some of your answers so far have surprised me, especially in relation to fees and charges.

I just want to make sure I've understood properly. You don't charge late fees, you don't have penalties for unsold stock, and you don't make suppliers take back products or what have you. Is that correct?

**Mr. Pierre Riel:** We don't make unilateral decisions regarding suppliers. We don't have a unilateral approach. We don't do that at Costco.

**Mr. Yves Perron:** How do you set prices? We asked other grocery chain representatives that question, and their answers were not very clear.

**Mr. Pierre Riel:** What's clear to me is that prices have to be negotiated. As I said earlier, we demand a lot, but we're honest and fair. Costco negotiates with suppliers. Over the past two years, the cost of materials has gone up for everyone, so we understand that. However, we have a job to do when it comes to serving our members, and we do it.

It's important to understand the difference between Costco and other grocers. A regular grocery store in Canada sells between 25,000 and 60,000 products. Costco sells just 3,500, so we can be really targeted in the products we carry. It's the perfect time to shop at Costco. You can share the bulk quantities with your neighbour. The more you shop with us, the more you save because you can share what you buy with your neighbour. Our pack of toilet paper

has 40 rolls. We work with economies of scale. Suppliers who get more orders can also sell at more competitive prices.

**Mr. Yves Perron:** On that subject, Mr. Riel, people on low incomes come to mind. I'm not sure whether you have relevant statistics, but doesn't requiring people to pay a membership fee and buy in bulk deter those customers? People struggling to pay for groceries won't want to shop at Costco for that reason.

**Mr. Pierre Riel:** I think the numbers speak for themselves: 15 million people in Canada have a membership card. We charge \$60 for a Gold Star membership, and we back it up with a guarantee. People can use their membership card to shop 364 days a year, and if on day 365, they aren't satisfied, we will refund their membership fee. We are confident that the money people save by shopping at Costco makes up for the cost of membership on every level.

**Mr. Yves Perron:** Thank you very much.

Regarding the 2% reward that you mentioned, do your suppliers have to make a partial contribution to it, as is the case with loyalty points at other grocery chains?

• (2005)

**Mr. Pierre Riel:** Costco covers the full cost of the reward, which can be as high as 2% depending on the product. Executive membership cardholders are the ones entitled to it.

**Mr. Yves Perron:** My next question is about your commitment to the code of conduct, because you haven't been as clear about that. I'm not criticizing you, I just want to make sure I understand.

You say that you opted out of participating in code development undertaken in the United Kingdom. In Australia—

**Mr. Pierre Riel:** We weren't asked to do it.

**Mr. Yves Perron:** However, you have just received a draft. If all the other companies would commit to it, you would as well.

Am I right?

**Mr. Pierre Riel:** We will if the goal is to reduce costs for consumers.

**Mr. Yves Perron:** If a review process is undertaken after a year, do you plan to participate in it to see how well everything is working, for example?

I guess you don't have much to lose if you don't charge for it.

**Mr. Pierre Riel:** That's why we advance that we're doing this already. In accordance with our code of ethics, we already treat our suppliers fairly.

**Mr. Yves Perron:** All right. Thank you very much, Mr. Riel.

Ms. Hendricks, we've heard a lot about price-fixing. Since you have a lot of clients in the agri-food sector, I'm sure you've heard some stories that we may not have heard.

We've had some produce growers tell us that they have sold lettuce to a grocery store only to see it being sold in the same grocery store the following week at four times the price they got for it.

Some witnesses have suggested to us that there should be an investigation, or at least a study, on the price-fixing mechanism. Do you believe that's a good idea?

**Ms. Justine Hendricks:** Thank you for the question, Mr. Perron.

It's not Farm Credit Canada's role to provide an opinion on this. As you know, whether it's through government action or policy, our ultimate goal is to secure success for the industry.

Whatever new regulations or government policies are adopted, we will support producers so that they can be as successful as possible for the benefit of all Canadians.

**Mr. Yves Perron:** I don't know if you can comment on this, I hope so. Do you think it would be appropriate to expand the Competition Bureau's powers?

Mr. Riel told us there was no problem with Costco and that it would provide all the information the Competition Bureau needed. Almost everyone told us that. However, that leaves some doubt, because the Competition Bureau is not authorized to demand certain things.

Do you feel it would be relevant to recommend that the government expand the powers of the Competition Bureau?

**Ms. Justine Hendricks:** Once again, Mr. Perron, it's not Farm Credit Canada's role to provide an opinion on that.

**Mr. Yves Perron:** I did try.

**Ms. Justine Hendricks:** Yes, that was an excellent attempt. However, I believe you're talking about transparency and let me say that it's important to be transparent. That does apply to Farm Credit Canada as well.

**The Vice-Chair (Mr. John Barlow):** Thank you.

[English]

We'll go to Mr. MacGregor for six minutes, please.

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

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

Mr. Riel, I'd like to congratulate you, first of all, because when I asked the CEO of Walmart Canada what the average wage of his employees was, he couldn't give me an answer. I appreciated that in your opening statement. You knew not only the starting wage but also the average wage. I appreciate that you had that information on hand.

I think you've explained a business model that is fairly different from the testimony we've heard from some of your competitors. That being said, Costco is a large corporation. You do have a lot of sway in the market.

When you're shopping around for products to fill your stores, you have a code of ethics that guides your relationship with food manufacturers and producers. Do you generally put out a signal for a price at which you're looking to buy, or do you allow them to compete to try to provide the best option?

I'm just wondering how your decision-making factors into a variety of things, such as the locality where the food is produced, the kind of economic benefit your stores might be able to give to a local community and the miles that food products have to be transported. Could you give the committee an overview of how that factors into your decision-making?

**Mr. Pierre Riel:** The first thing I would mention is selling the best quality at the best possible price. Having said that, if we can buy most things closer to warehouses where we do business or to our depot, we will do it. Why? You will have the best possible price by having less freight and by having more fresh products, so you'll get more quality products.

It's very important for us in Canada to buy as much as we can from Canada. It's very important for us when we do business in other countries to do the same. Unfortunately, we cannot buy everything in Canada. However, we're working with farmers, distributors, manufacturers and producers in Canada to see how we can, in the future, with the projection we have for sales and those kinds of things, get those people to invest in infrastructure and do business with us. That's what we're aiming for. Why? We're in Canada to serve Canadians.

• (2010)

**Mr. Alistair MacGregor:** Thank you for that.

Mr. Macdonald, I'd like to turn to you for my next question. You have produced some literature for our committee to examine looking particularly at the profitability of the oil and gas sector. Indeed, we had Mr. Stanford appear before this committee at an earlier meeting. He provided some background data showing that since 2019, that sector has seen a net profit increase of over 1000%. We've heard a lot at this committee about the effect of carbon pricing on the price of food, but I don't think we've heard a lot on the profitability side of the story.

You mentioned in your opening statement the example of the surtax for financial institutions and applying that to oil and gas. Are there any points you want to expand upon on that point?

**Mr. David Macdonald:** Yes. Thanks so much for the question.

I know the committee is examining food price inflation, which is a specific part of the larger inflation picture. It's difficult to examine food price inflation without examining other sources outside of the direct food supply chain that might be driving up prices, looking beyond food manufacturing and farmers, for instance, to other big factors like the price of energy, which is playing a role throughout this.

In some of the work I've done on inflation more broadly, I've attempted to determine, within the Canadian context, how much of each inflation dollar is going to profits versus wages versus other financial costs and in which industries. I believe that's the study you're referring to—where has your inflation dollar gone?

Forty-seven cents of every inflation dollar we've spent—not on food but on everything in the Canadian economy—has ended up in profit in just four industries: oil and mining extraction; the manufacturing industry, particularly petroleum manufacturing or oil refining; the banking industry; and the real estate industry. Those four industries are capturing about half of every inflation dollar we're spending.

**Mr. Alistair MacGregor:** I'm sorry for interrupting. We have heard a lot about how carbon pricing affects the price of food at this committee. Certainly my friends in the Conservative Party make a big deal about that.

In your opinion, if we're addressing the issue of food price inflation, would parliamentarians be better served focusing our efforts a bit more on the profitability side of large corporations, particularly in oil and gas extraction, and also on the refining side, given the critical component those fuels play in transporting food from the farm to the factory to the fork?

**Mr. David Macdonald:** Those types of carbon taxes would be considered indirect taxes. In terms of the overall picture of what's playing a major role in driving inflation over the last three years in Canada, that part of indirect taxes is extraordinarily small. The major drivers are profit margins. That's where most of the money has ended up. It's not in carbon tax changes.

More broadly, if we're interested in inflation and where that money is going, it is going into corporate profits above labour costs. The labour costs are high, but corporate profits are higher still. It's going very specifically to those four industries.

**The Vice-Chair (Mr. John Barlow):** Thank you very much, Mr. MacGregor and Mr. Macdonald, for your time.

Now we'll move to our second and final round of questions.

Mr. Steinley of the Conservatives, you have five minutes.

**Mr. Warren Steinley (Regina—Lewvan, CPC):** Thank you.

Mr. Macdonald, we'll agree to disagree on that.

I have questions for Mr. Riel.

I've heard a little about Costco selling frozen beef for the first time because it's not moving as quickly. I'm wondering if you've also heard that, because prices have increased so much, beef isn't moving as fast as before. Is that just hearsay?

• (2015)

**Mr. Pierre Riel:** No, we're not.... We're still into fresh beef and fresh meat and the overall things there.

**Mr. Warren Steinley:** Thank you very much for that.

I want a bit of a comparison and contrast of transportation costs, be it trucking or rail, between your American stores and your Canadian stores. Obviously you're a North American store. Have you done a comparison? Are there higher costs in Canada for transportation than there are in the United States?

**Mr. Pierre Riel:** I don't have the data with me to give you, sir. We did not do a comparison.

**Mr. Warren Steinley:** Would you be able to bring that back at some point in time for the committee to look at?

**Mr. Pierre Riel:** I can look for it.

**Mr. Warren Steinley:** Can you table it?

**Mr. Pierre Riel:** Yes.

**Mr. Warren Steinley:** Thank you very much.

I'll move on to FCC.

Ms. Hendricks, thank you very much for being here. I'm a huge fan. My wife worked at FCC before we were elected. You're a wonderful employer in Regina.

I have "Canada's Food Price Report 2023" here. I want to read something and have your feedback on what you're hearing from your farming clients.

By 2030, a typical 5,000-acre farm could see taxes of over \$150,000 which could compromise the owner's ability to make a profit. The added cost of a carbon tax will increase production and transportation costs associated with food and may be passed on to the consumer as producers try to remain profitable.

I grew up on a family farm. Lots of my friends are still farming as well. Within FCC, you must have some data, and you must have gone out to visit some farms.

How many of your clients could afford to absorb a \$150,000 hit to the bottom line from a carbon tax by 2030?

**Ms. Justine Hendricks:** I do not have the specifics on that, but you did ask whether or not I've connected with some of the farming community, and I have. I would tell you that the biggest issue facing primary agriculture right now is around transition. For our young farmers who are looking to enter the industry, it is also a challenge.

I would like to note, though, for the committee, that those are areas where we support the community. We do quite a bit of advisory work to help farmers transition. I'm sure many members of the committee have seen some recent articles stating some of the percentages for us to keep a close eye on. I can also share with the committee that we've supported young farmers to the extent of \$5 billion, which is helping them come into the industry.

**Mr. Warren Steinley:** I have just one more quick question.

Would you be able to bring forward some data for this committee about how many farms of your clients could absorb a \$150,000 tax hit to their bottom line by 2030?

**Ms. Justine Hendricks:** Mr. Steinley, I don't believe we have that exact data point in-house. We can see if there's something we can do, but I don't believe we have that specificity at hand.

**Mr. Warren Steinley:** Thank you.

[Translation]

**The Vice-Chair (Mr. John Barlow):** Mr. Lehoux, you have the floor.

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

I'd also like to thank the witnesses for being with us today.

I have a quick question for Mr. Riel.

Mr. Riel, do you know what percentage of your agri-food purchases, including fruit, vegetables and meat, are produced and manufactured in Canada?

If you are unable to respond today, could you please let us know in writing?

**Mr. Pierre Riel:** I can tell you that 72% of our food product providers are Canadian and that we purchase 81% of what we sell in Canada.

**Mr. Richard Lehoux:** Thank you, Mr. Riel.

Ms. Hendricks, a lot of things are going around, such as the fact that 40% of produce growers are allegedly selling at a loss.

Can you confirm that number?

If not, do you have the data on this?

**Ms. Justine Hendricks:** I don't have that kind of data at my fingertips. As I said in my remarks, if you're talking about the entire agri-food value chain, our portfolio includes about 102,000 clients, so we have good representation and it's doing well.

I wouldn't dare go any further on the number you mentioned, but if you provide me with the source, we could do an internal search. However, I wouldn't be able to confirm that number here and now.

**Mr. Richard Lehoux:** We will get the source to you.

In addition to that, what impact will rising interest rates, particularly over the past year, have on emerging producers?

**Ms. Justine Hendricks:** That's an excellent question.

It's important to remember that rising interest rates are just one of the factors that will impact farm business profitability and viability.

What I can tell you is that 2,300 employees work every day with producers, and that is Farm Credit Canada's strength.

I can confirm to the committee that about 80% of the loans in our portfolio will come due in two years.

• (2020)

[English]

**The Vice-Chair (Mr. John Barlow):** Thank you, Ms. Hendricks. I don't mean to cut you off. I let you go a bit over. Maybe you can carry on that answer with one of the other members.

Mr. Turnbull, you have five minutes, please.

**Mr. Ryan Turnbull:** Thanks, Mr. Chair, and thanks to all the witnesses for being here today.

Mr. Sawtell, I'm have a few questions for you.

We've heard that farmers are price-takers time and time again at our committee. However, you said that your farmers set their prices. Would you say that farmers within your network get more value for their product?

**Mr. Paul Sawtell:** I don't have any comparative data that has what they get from other sources, but one of the founding principles and core values of our business is that farmers need to get paid appropriately for the products they produce. I think that kind of founding ethos is one of the reasons we've received six consecutive Best for the World awards from B Lab for our community impact. It is about transparency and accountability with our partners and making sure that it is a win-win-win for our customers, ourselves as distributors and most importantly the producers that make the products. We want to make sure everyone is viable financially.

**Mr. Ryan Turnbull:** In a market dominated by large distributors—this is specifically in Ontario, but I'm sure across Canada—I know that your model is quite different. Are you not supporting small-scale farmers who have very few options to get their product to market?

**Mr. Paul Sawtell:** Typically, yes. The reason we exist is largely for the small and medium-sized farms. The impetus of our business was to provide sales and distribution to a group of farms that were too small to work with larger distributors and too small to work with grocery store chains, of course. They were largely relegated to farm-gate sales and farmers' markets.

If you are beyond a very small farm operation and you're looking to expand, you're in a whole group of farms in the middle that are caught in no man's land. You can't service a larger market and can't get by just based on farm-gate sales alone. It's about access to market, and building a marketplace for these farms was the reason we founded this business.

**Mr. Ryan Turnbull:** Thanks. I noticed your supply chains are obviously a lot shorter, because you're doing mostly just-in-time delivery, I think. You talked about the resilience in regional supply chains. I noticed also the core commitment you share with your vendors to address climate change. Do you think that makes you more able to respond to inflationary pressures and keep your prices down?

**Mr. Paul Sawtell:** I think time will tell. I know that the farms we work with that are very proactive with respect to climate change, soil mitigation and regenerative farming have a lot fewer concerns than their neighbours regarding the rainfall levels and droughts seen in the past. The organic matter in their soil alone is far more resilient, and they're able to work with and irrigate a lot less. Obviously they don't have lots of the traditional, conventional farm inputs like fertilizers and chemical pesticides.

I think this transition within agriculture is inevitable. I think we're going to be dragged kicking and screaming, but this has to change. Soil can't maintain this level of degradation long term.

I think the UN and many progressive food organizations have recognized this for a long time, and we need change to shift into more sustainable agriculture methods. However, farmers need help in that transition, which was mentioned before. You can't just flick a switch and make things different. You need to make sure that farmers are at the table and are supported during that transition.

• (2025)

**Mr. Ryan Turnbull:** Thanks.

I'll go over to Ms. Taylor Roy. I'm sorry for sharing my time at the end.

**Ms. Leah Taylor Roy (Aurora—Oak Ridges—Richmond Hill, Lib.):** Thank you very much.

Thank you to all the witnesses for being here, and I'll give a special congratulations to Ms. Hendricks. It's great seeing you in this role.

I noticed in the testimony of Mr. Macdonald and Ms. Hendricks that there was a different conclusion reached about the profits of the large retail chains. We've been conducting this study for quite a while now and listening to many witnesses. There seems to be a lack of transparency with the numbers.

One of the witnesses, Mr. Martin Caron, the general president of the Union des producteurs agricoles, talked about a consultant body in France that was established to basically look at the price of agricultural goods at the production, processing and retail stages. I'm not sure if you're familiar with it.

I was wondering what your opinions are, Mr. Macdonald and Ms. Hendricks, on having something like that in Canada so we can have greater clarity on where these price increases are coming from and who is benefiting and who is not.

**The Vice-Chair (Mr. John Barlow):** Before you answer, I'll note we're way over the time for the question period. Perhaps Mr. Macdonald or Ms. Hendricks can answer Ms. Taylor Roy's question quickly. Both of you can answer, but just try to keep it as succinct as you can.

**Mr. David Macdonald:** I'm happy to start.

I think it would be fascinating to see more detail on grocery store subcategories, not just the entire industry, which is what we're looking at with the Statistics Canada data we have, but parts within that industry—fresh produce versus milk and dairy, and eggs versus other parts of those stores. We don't have that data. We're asking nicely for it. The Competition Bureau is asking nicely. It cannot compel data from grocery stores like the FDC can in the U.S. It would be fascinating to see that data.

**Ms. Justine Hendricks:** J-P, I might ask you to very quickly say one or two words, but I just want to be clear to the committee that I did not comment on the profitability of the large grocers. What we talked about is the need for innovation and productivity.

J-P, can you maybe say a few words on the need for Canada to improve its productivity, which is key to reaching some of our goals for this country?

**Mr. Jean-Philippe Gervais:** In the case of data, first of all, data is power. More knowledge will allow businesses to make better decisions. If we can drive to efficiency with decisions and data and then drive to efficiency and lower costs, I think all Canadians are going to benefit.

Data is power, so I think it is about more knowledge for businesses to make better-informed decisions.

**The Vice-Chair (Mr. John Barlow):** Thank you, Mr. Gervais.

Now we have Mr. Perron for two and a half minutes, please.

[*Translation*]

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

Mr. Gervais, someone referred to a report that you wrote, if I'm not mistaken. In the report, you talk about tremendous pressure on food producer and processor margins and the fact that in grocery stores, the margin has gone up.

What can we conclude from this?

**Mr. Jean-Philippe Gervais:** The report sticks to the margins of food processors. We are building an index because we don't necessarily have access to primary data. However, we do see trends based on the indices we can get from Statistics Canada. We see that in general, the decline in gross margins to revenue was in the range of 10% in 2022.

Therefore, processors have absorbed cost increases. In addition, as the price index for industrial products, or processed food products, rose as well and some of the cost increase was passed on to processors. They have had to absorb some of those costs given that profit margins are at their lowest level in 20 years. We haven't been able to go further back in time, but clearly there hasn't been a profit margin index as low as what we're seeing now in the past 20 years.

It's true that there is a lot of information to take in there, but I would point out that we're talking about gross margins here, meaning that we subtract primary input and labour expenses from gross revenue.

**Mr. Yves Perron:** If you compare to the big grocers' margins and profits, which have gone up, you can still see that there seems to be an imbalance.

Wouldn't you agree?

• (2030)

**Mr. Jean-Philippe Gervais:** That's certainly true if you're talking about gross margins, which are down in the processing business. I say that because it's been mentioned here, but it's not something we addressed in the report. That said, if you look at the fact that retail margins have gone up, you also see that some profit margins are going in the opposite direction.

**Mr. Yves Perron:** You and Ms. Hendricks both mentioned the need to enhance productivity.

What could be done to enhance productivity in the agri-food sector? Given the current environment of scarcity, do you feel that an investment program or investment incentive to enhance automation would be advisable?

**Mr. Jean-Philippe Gervais:** Labour shortages present one of the most significant challenges across the agri-food sector. That's certainly the case for the processing industry, which is experiencing acute labour issues and growing productivity needs. It has failed to keep pace with productivity increases. The processing industry is facing this, but so is the primary production industry. As I said, these challenges affect the entire sector.

Anything that would help increase productivity with the goal of lowering business costs could cause consumer prices to stabilize, at the very least.

[English]

**The Vice-Chair (Mr. John Barlow):** Thank you very much, Mr. Perron.

Mr. MacGregor, you have our final questions, for two and a half minutes, please.

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

I'll turn to Farm Credit Canada.

Ms. Hendricks, thank you for joining our committee today.

Farm Credit Canada is set up by an act of Parliament, the Farm Credit Canada Act. I'm curious. You're before a group of legislators here, and I am wondering if you can provide your honest opinion on the act. Do you see any room for improvement? Are there any areas in the act that you think we as members of Parliament could

look at for possible amendment? Do you feel that your agency maybe needs a better definition of different services you could provide? I would like some feedback in that respect.

**Ms. Justine Hendricks:** Thank you for the question, and keep in mind that I'm on day 75 of my role.

To the extent that I've thought about it, the way our mandate is written actually allows us to do what we believe we need to do. That's reflected...whether we provide advisory services or financing. We're involved in venture capital and some auxiliary services, such as the great work that J-P does in his department.

When I look at the customer base we have, I see that we can deploy what we need to in helping Canada.

**Mr. Alistair MacGregor:** I have a quick question before my time runs out.

Your main purpose, of course, is to be a financial institution with agricultural interests at heart. Many farming operations depend on Farm Credit Canada to get through a year, but you also have some very difficult conversations from time to time with the ones that are struggling.

What does Farm Credit Canada hear from farmers when they're talking about their relationships in trying to sell to retail chains? We've heard from farmers who say they are struggling, and in some cases some of the retailers have slapped unfair fines on them.

Can you provide any context or detail on some of the feedback you've received during the difficult conversations you've had with farmers when they've been struggling financially?

**Ms. Justine Hendricks:** I don't have any specific details that I believe would answer that question. I would offer that one of the reasons the farming community and the whole agri-food chain have a strong relationship with Farm Credit Canada is that we are there in the good times and the bad times. We put a great deal of pride and attention into working with every single farmer through difficult times, whether it is through interest relief programs we have or, if we need to, through restructuring the facility they have. That is probably the number one reason we have such strong brand loyalty. We intend to continue to operate that way. We're here for the long run.

**The Vice-Chair (Mr. John Barlow):** Thank you very much, Ms. Hendricks and Mr. MacGregor.

I see your hand up, Mr. Lehoux, but before I get there, I'll thank our panellists. That wraps up today's presentation. Thank you very much for your testimony, comments and submissions for this study. You are now free to go.

For the rest of my colleagues, we have a couple of reminders here, and then we'll go to Mr. Lehoux.

Remember that the witness lists for the animal biosecurity study are due tomorrow by four o'clock. If you have not already submitted witness lists, please do so with the clerk. Also, as a reminder from our analysts, the deadline for recommendations on the food price inflation study we are working on is April 20. I know we still have another panel or two on this study, but if you can start working on those recommendations and provide them to our analysts by April 20, that would be very helpful.

Mr. Lehoux, please go ahead.

• (2035)

[*Translation*]

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

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

I like to inform committee members that last Friday was quite a dark day for my region. It was announced that the Olymel pork processing plant, which employed 1,000 people, would be shutting down.

The announcement was made on Friday morning. The plant will be shut down as of December 2023, and operations will start slowing down in September. The evening shift will be eliminated, and then it will be over. This is a real blow for the employees. There's also the whole issue of production. Over 30% of Québec's pork is produced in my riding and surrounding municipalities. This major event will also have repercussions on some of our fellow producers in Ontario. The Olymel plants in Quebec slaughtered 700,000 to 800,000 hogs. The impact will be felt not only in my constituency, but throughout Quebec and Ontario.

Many factors, including a labour shortage, contributed to the decision last week. The concentration of all processing facilities and federal regulations have always been a major concern. In our 2021 report, we made some recommendations on processing capacity, and yet no changes have been made since then.

Producers in my riding and a number of other constituencies in Quebec are very concerned because the closure of this plant will mean a greater distance to travel in terms of slaughtering hogs, in some cases hundreds of kilometres more. Several producers contacted me over the weekend, and I found their state of mental health very unstable. These factors are quite significant.

So I'm bringing all of this to your attention. I intend to introduce a motion for an upcoming meeting so that we can do a quick study on this issue. So far, there is no change to the analysis of the consumption capacity that was done in 2021. I would like it if we could discuss this particular situation.

We're talking about food insecurity in Canada and around the world. In my opinion, we really need to take the time to discuss the closing of this plant in the agri-food sector, which employed 1,000 people in the regions.

I will put forward a motion at an upcoming meeting so that we can have a look at this. I believe it's really important.

**The Vice-Chair (Mr. John Barlow):** Thank you, Mr. Lehoux.

[*English*]

Thank you for bringing that to our attention. I know many of us have those types of facilities in our ridings. I know losing Cargill in High River would be pretty difficult for my area as well.

I would bring a motion forward in a future meeting. Perhaps we can add that to our list of study issues to discuss.

Seeing nothing else, thank you very much colleagues. We'll see you on Wednesday.

The meeting is adjourned.









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