HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

A CALL TO ACTION: HOW GOVERNMENT AND INDUSTRY CAN FIGHT BACK AGAINST FOOD PRICE VOLATILITY

Report of the Standing Committee on Agriculture and Agri-Food

Kody Blois, Chair

MAY 2024
44th PARLIAMENT, 1st SESSION

A CALL TO ACTION: HOW GOVERNMENT AND INDUSTRY CAN FIGHT BACK AGAINST FOOD PRICE VOLATILITY

Report of the Standing Committee on Agriculture and Agri-Food

Kody Blois
Chair

MAY 2024

44th PARLIAMENT, 1st SESSION

NOTICE TO READER

Reports from committees presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

STANDING COMMITTEE ON AGRICULTURE AND AGRI-FOOD

CHAIR

Kody Blois

VICE-CHAIRS

John Barlow

Yves Perron

MEMBERS

Ben Carr

Francis Drouin

Richard Lehoux

Tim Louis

Heath MacDonald

Alistair MacGregor

Lianne Rood

Warren Steinley

Leah Taylor Roy

OTHER MEMBERS OF PARLIAMENT WHO PARTICIPATED

Alexandre Boulerice

Tony Van Bynen

Dave Epp

Lori Idlout

Damien C. Kurek

Ken McDonald

Michael V. McLeod

Jeremy Patzer

Rick Perkins

Martin Shields

Ryan Williams

Sameer Zuberi

CLERK OF THE COMMITTEE

Stéphanie De Rome

LIBRARY OF PARLIAMENT

Research and Education

Corentin Bialais, Analyst

Daniel Farrelly, Analyst

THE STANDING COMMITTEE ON AGRICULTURE AND AGRI-FOOD

has the honour to present its

EIGHTEENTH REPORT

Pursuant to its mandate under Standing Order 108(2), the committee has studied efforts to stabilize food prices and has agreed to report the following:

TABLE OF CONTENTS

LIST OF RECOMMENDATIONS

As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.

- **examine the rules surrounding Competition Tribunal decisions, to ensure better alignment with the Competition Bureau's merger recommendations; and**

- **empower the Competition Tribunal to make an order dissolving a completed merger or prohibiting the merger from proceeding if the merger would result in excessive combined market share. 26**

Recommendation 10

The Committee recommends that the Government of Canada continue to pursue and advocate for additional competition within the Canadian grocery sector to stabilize and lower food prices, notably by identifying and removing barriers that prevent new companies from entering the marketplace. 28

HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

A CALL TO ACTION: HOW GOVERNMENT AND INDUSTRY CAN FIGHT BACK AGAINST FOOD PRICE VOLATILITY

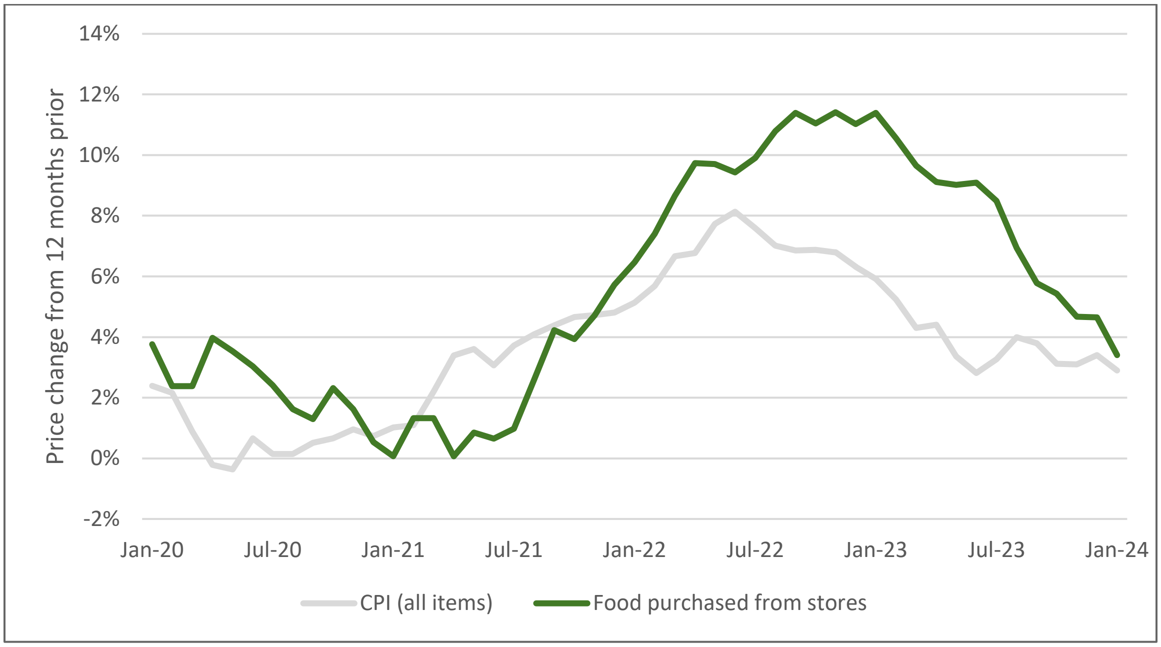
INTRODUCTION

On 18 September 2023, the Minister of Innovation, Science and Industry, François-Philippe Champagne, met with representatives of Canada's five largest supermarket chains (Costco, Empire, Loblaw, Metro, and Walmart) to encourage them to address the rising cost of food in their stores.[1] While Canada's headline inflation rate, as measured by Statistics Canada's Consumer Price Index (CPI), increased 3.8% on a year-over-year basis in September 2023, the rate of inflation in the CPI sub-category "food purchased from stores" rose by 5.8% over the same period. As the figure below shows, after experiencing double-digit increases in late 2022 – including some of the largest such increases in over 40 years[2] – the pace of inflation in this sub-category began to slow in February 2023, but has consistently exceeded the headline CPI inflation rate.

1 Innovation, Science and Economic Development Canada, "Minister Champagne calls on Canada's five largest grocery chains to take action to stabilize retail prices for consumers," *News release*, 18 September 2023.

2 Statistics Canada, Consumer Price Index, September 2022, *The Daily*, 19 October 2022.

Figure 1— Evolution of Consumer Price Index CPI) and Food Purchased from Stores, 12-Month Inflation Rate, January 2020–January 2024



Source: Figure prepared by the Library of Parliament using data from Statistics Canada, "Table 18-10-0004-01: Consumer Price Index, monthly, not seasonally adjusted," Database, accessed 20 February 2024.

On 13 June 2023, the House of Commons Standing Committee on Agriculture and Agri-Food (the Committee) tabled its report *Grocery Affordability: Examining Rising Food Costs in Canada* in the House of Commons. This report set out the key findings of the Committee's study of Canadian food price inflation and recommended government actions to address what it found to be key drivers of food inflation, including cost pressures in the food supply chain and corporate concentration in the food retail sector. Later that same month, the Competition Bureau of Canada released the findings of its market study[3] of the Canadian grocery sector that it launched in October 2022. This report set out steps the federal and provincial governments can take to increase competition in the Canadian grocery sector, which the Bureau notes has become increasingly concentrated following a series of mergers and acquisitions that have taken place since the 1980s. The Committee wishes to reiterate its strong support for the

3 Pursuant to Section 10.1 of the *Competition Act*, the Commissioner of Competition may conduct an inquiry into the state of competition in a market or industry if he or she believes it is in the public interest to do so.

recommendations contained in both of these reports and urges the Government of Canada to work towards their implementation.

These studies contributed to a national conversation about the prices consumers pay for food and other essential items and greater public scrutiny of the extent to which the five retailers who control an estimated 80% of consumer food sales in Canada were merely passing along price increases from suppliers rather than taking advantage of a concentrated marketplace to keep retail prices artificially high.

To better understand how food retailers and others in the food value chain have adapted their operations in light of these reports and Minister Champagne's call for action on price stability, the Committee held seven meetings on efforts to stabilize food prices between 4 December 2023 and 27 February 2024. This report summarizes the evidence provided during these meetings from witnesses representing the primary food production, processing, and retail sectors, academics, federal officials, and Minister Champagne.

THE VALUE CHAIN'S RESPONSE

Retailer Action Plans

On 5 October 2023, Minister Champagne reported that he had secured commitments from the five largest grocery chains to stabilize food prices, including "aggressive discounts, price freezes, and price-matching campaigns" on a basket of essential items for Canadian households.[4]

On 19 October 2023, the Committee adopted a motion calling on Costco, Empire, Loblaw, Metro, and Walmart to provide a "comprehensive report on their strategies and initiatives taken to date and on further actions aimed at the stabilization of grocery prices in Canada."[5] The Committee received and reviewed confidential reports from all five grocers detailing their plans to stabilize retail food prices in their stores.

The quality and detail of these documents, however, varied considerably. While some chains provided concrete information on their efforts to stabilize food prices in their stores, others chose to limit their responses to public information. The Competition

4 Innovation, Science and Economic Development Canada, "Minister Champagne reports on the initial commitments from the five largest grocers to stabilize food prices," *News release,* 5 October 2023.

5 House of Commons Standing Committee on Agriculture and Agri-Food (AGRI), *Minutes*, 19 October 2023.

Bureau describes a similar experience in its market study, noting that the level of cooperation it received from chains “varied significantly, and was not fulsome.”[6]

Executives from each of these five firms also provided oral evidence to the Committee in public to explain how they had responded to Minister Champagne’s call for food price stability.

Mr. Michael Medline, the President and Chief Executive Officer of Empire Company Limited, explained that while it was customary for most Canadian grocery stores to freeze the prices of most of their products between November and February, his chain had decided to expand this freeze to all of its packaged products. Mr. Medline testified that while Empire had approved certain increases in the wholesale prices it paid to suppliers during this period, it did not pass these increases on to customers, choosing instead to decrease its profit margins.

Mr. Galen Weston, the Chairman of Loblaw Companies, reported that his chain had invested $438 million into initiatives to lower the price of a basket of 35 essential items, some of which, he claimed, it sold below cost. To illustrate this approach, Mr. Weston used the example of chicken drumsticks, the wholesale cost of which, he reported, had increased by 30% since 2019, but whose retail price in Loblaw stores had decreased by 4% over the same period.

Mr. Eric La Flèche, the President and Chief Executive Officer of Metro, explained that he had committed to Minister Champagne that his chain would “continue to work to deliver the best value possible to help its customers,” but did not offer examples of specific initiatives to stabilize prices. Mr. La Flèche noted that, while the food supply chain continued to experience instability, Metro’s internal food inflation rate had decreased below the CPI’s food inflation rate.

Mr. Gonzalo Gebara, the President and Chief Executive Officer of Walmart Canada, testified that his chain had launched several programs to lower in-store prices and had met the Minister’s call to action by offering its customers a Thanksgiving meal at a lower price in 2023 than it had the previous year. Mr. Gebara also noted that Walmart had absorbed price increases rather than passing them on to consumers and had pushed back against what it felt were “unjustified” cost increase requests from suppliers. He underlined that entire food value chain should be held accountable for lowering food prices.

6 Government of Canada, *Canada Needs More Grocery Competition: Competition Bureau Retail Grocery Market Study Report*.

Mr. Pierre Riel, the Executive Vice President and Chief Operating Officer of Costco Wholesale Canada, explained that his chain operates differently from others in Canada as it earns revenue from customer memberships rather than profit margins on food alone. Mr. Riel explained that he had committed to Minister Champagne that Costco would "stay true to its business model" and continue to seek the best prices for Canadians, but that it had not made any significant changes to its practices as a result of its meeting in Ottawa. Mr. Riel nonetheless said the meeting was successful in that it brought the grocery executives together and led to increased "awareness" of issues around food price stability.

Some witnesses from the food production and processing sectors criticized retailers' use of price freezes, explaining that this method forces suppliers to absorb inflation and increased production costs rather than sharing them equally throughout the supply chain.[7] Mr. Michael Graydon of Food, Health & Consumer Products of Canada also expressed his view that the recent conversation about food prices had been too centred on retailers, limiting the ability of food manufacturers to recover and stabilize their production costs.

RECOMMENDATIONS FOR GOVERNMENT ACTION

Witnesses from across the food value chain testified that they continue to experience instability in their operations. They cited several areas where the federal government could provide relief, either in the form of greater support in addressing ongoing challenges, such as climate change and the reciprocity of standards, or regulatory relief from current or proposed federal policies that touch on food production.

Climate Change

Stakeholders noted that extreme weather events and other consequences of climate change are already making food production and retail prices more volatile. Mr. Graydon noted that the wholesale price of orange juice is expected to increase by as much as 38% in 2024 due to climate-driven issues with orange crops in Florida and Brazil and Mr. Riel explained that Costco has found it difficult to procure some fresh items, such as romaine lettuce hearts, because of extreme weather events in producing regions.

7 AGRI, *Evidence*, Mr. Michael Graydon (Chief Executive Officer, Food, Health & Consumer Products of Canada), Ms. Kristina Farrell (Chief Executive Officer, Food and Beverage Canada), Dr. Sylvain Charlebois (Senior Director, Agri-Food Analytics Lab and Professor, Dalhousie University, Agri-Food Analytics Lab), and Mr. Tyler McCann (Managing Director, Canadian Agri-Food Policy Institute).

Mr. Patrice Léger Bourgoin of the Association des producteurs maraîchers du Québec explained that climate change is an increasingly difficult risk to manage for fruit and vegetable producers in Québec, most of whom operate small-scale, family-run farms that do not have the financial means to invest in long-term protections against climate risks. Mr. Léger Bourgoin asked the federal government to provide greater support to small producers to make themselves more resilient in the face of a changing climate.

Reciprocity of Standards

Mr. Léger Bourgoin highlighted that producers in Québec and Canada face the added pressure of competing with imported products from countries with less rigorous labour and environmental regulations where producers operate with considerably lower operating expenses. He asked the federal government to implement the Committee's prior recommendation concerning the reciprocity of norms for imports[8] to ensure imported food products meet standards equivalent to those of Canada in these areas.

Recommendation 1

The Committee, noting the particular importance of temporary foreign workers to the agriculture and agri-food sectors, recommends that the Government of Canada reduce the administrative burden associated with the Temporary Foreign Worker Program and make permanent the Recognized Employer Pilot program that was put in place in Budget 2022.

Recommendation 2

The Committee recommends that the Government of Canada increase staffing and the regularity of inspections at the border to ensure compliance, and that the government require that imported products meet the same quality standards – including environmental, labour, and growing standards – as domestic products, while ensuring it respects its trade obligations.

The Federal Carbon Pollution Pricing System

Several witnesses expressed concern that one of the pillars of the federal government's current approach to addressing the threat of climate change, namely its price on carbon

8 AGRI, *Grocery Affordability: Examining Rising Food Costs in Canada*, p. 29.

pollution, places an undue burden on the food value chain, particularly in energy-intensive production sectors.

Mr. Ron Lemaire of the Canadian Produce Marketing Association (CPMA) reported that the greenhouse vegetable sector, for example, estimates that the carbon tax will have an annual cost on its operations of $22 million this year and that it projects this amount to increase to as much as $100 million by 2030. He explained that many Canadian greenhouse operators were shifting their operations to jurisdictions in North America without a carbon levy.

Mr. Keith Currie of the Canadian Federation of Agriculture, noting that the carbon tax accounts for as much as 40% of energy bills in some agricultural sectors, called for "time-limited and targeted exemptions" for natural gas and propane, as originally envisioned by Bill C-234, An Act to amend the Greenhouse Gas Pollution Pricing Act, before it was amended by the Senate. Dr. Charlebois, the Senior Director of the Agri-Food Analytics Lab and Professor agreed that the Senate amending this bill to remove exemptions for fuels used to cool and heat barns and operate greenhouses "was not welcome news for the farming community" and encouraged Canada to consider harmonizing its approach to that of its trading partners.

Recommendation 3

The Committee recommends that the Government of Canada support the passage of Bill C-234 unamended, as adopted by this committee.

Mr. Dimitri Fraeys of the Conseil de la transformation alimentaire du Québec reported that energy and transportation costs constitute a significant portion of food processors' production costs. He also noted that average profit margins in the sector declined by 15% between 2019 and 2023.

Some witnesses expressed uncertainty over the short-term impact of the current carbon pricing regime on food prices. Mr. Medline explained that, in his view, more data is needed to determine its precise impact in the Canadian marketplace, but he acknowledged that any increase in input costs will invariably affect food prices.

Dr. Jim Stanford of the Centre for Future Work noted that some studies of countries with carbon prices found that these mechanisms had either no net impact or even a slight deflationary impact on food prices as they encouraged producers to adopt lower-cost alternatives to fossil fuels.

Dr. Charlebois similarly noted that his research found no correlation between annual increases in the price on pollution with fluctuations in retail food prices. He did, however, express concern over how carbon pricing would affect the long-term competitiveness of firms in the Canadian food sector as their primary competitors in the United States are not subject to a similar tax. He recommended pausing the carbon tax's application in the food industry as future increases may harm its long-term competitiveness. Dr. Charlebois also expressed his view that some assessments of the carbon tax's impact do not account for its full economic effect, notably how it affects food prices. He specifically questioned a recent remark made by Mr. Tiff Macklem, the Governor of the Bank of Canada, who claimed in a September 2023 presentation to the Calgary Chamber of Commerce that the price on pollution only contributed 0.15% to the annual inflation rate:[9]

> We had interactions with the Bank of Canada on how they calculated the 0.15%. They only looked at three components of the CPI, excluding food, so I thought it was a very simplistic calculation. In fact, with their permission, I posted their calculation on X, and I think a lot of people were surprised by the simplicity of the arithmetic used by the Bank of Canada.
>
> Again, that's why I'm recommending a pause on the carbon tax for the entire food industry, from the farm gate to stores and restaurants. It's because nobody, including the Bank of Canada, understands how this policy could compromise Canada's food security over time.

Mr. Tyler McCann of the Canadian Agri-Food Policy Institute also called for the federal government to consider an exemption for food producers, noting that the federal government exempted most food products from the Goods and Services Tax when it implemented the value-added tax in the 1980s. He noted that while decarbonizing agriculture can reduce long-term input costs and energy price volatility for producers, there may be more effective tools to help them to adopt energy alternatives.

Front-of-Package Nutrition Labelling

On 20 July 2022, Health Canada published the *Regulations Amending the Food and Drug Regulations (Nutrition Symbols, Other Labelling Provisions, Vitamin D and Hydrogenated Fats or Oils)* in the *Canada Gazette*. These regulations require manufacturers of prepackaged food products containing more than 15% of the daily recommended intake of sugar, salt, or saturated fat to print labels on the front of their packaging alerting consumers of these elevated nutrient levels, which the federal government deems to be

9 Megan DeLaire, "Carbon pricing accounts for 0.15 percentage points of inflation, BoC governor says," *CTV News*, 10 September 2023.

public health concerns. The regulations require relevant products sold in Canada to have appropriate labels as of 1 January 2026.

Witnesses expressed concern that these regulations will increase production costs for manufacturers and, ultimately, food prices for consumers. Mr. Michael Graydon cited an estimate from the Food Processing Industry Roundtable that compliance with the new requirements will cost the food manufacturing sector $8 billion.[10] Mr. Weston explained that regulatory compliance would require manufacturers to adapt their packaging plates, which he described as a "meaningful incremental cost" for food production. Mr. Fraeys expressed concern that these new requirements would result in packaging waste and an increase in packaging costs as manufacturers adapt their packaging simultaneously to meet the 2026 deadline.

Mr. Weston and Mr. Graydon asked the federal government to consider allowing food manufacturers to provide nutritional information digitally via QR codes on labels that consumers could scan using a smartphone or other device. They explained that this approach would cost manufacturers less and provide the information in a more "consumer-centred" manner.

Recommendation 4

The Committee recommends that the Government of Canada review its front-of-package labelling regulations to better balance its public health objectives with industry concerns over the cost of complying within the proposed timelines and the effect this will have on consumer food prices.

Pollution Prevention Planning Notice for Primary Food Plastic Packaging

As part of its Zero Plastic Waste Agenda, the Government of Canada has proposed implementing a pollution prevention (P2) planning notice under the *Canadian Environmental Protection Act, 1999* (CEPA) to require food retailers to eliminate plastic waste from primary food plastic packaging.[11] If enacted, the P2 notice would require 100% of primary food plastic packaging to be reusable, recyclable, or compostable

10 Food & Consumer Products of Canada, *Written Submission to the House of Commons Standing Committee on Health*, 11 May 2020.

11 Government of Canada, *Recycled content and labelling rules for plastics: Regulatory Framework Paper*.

by 2028, and for at least 75% of fresh fruit and vegetables to be distributed and sold in bulk or in plastic-free packaging by 2026, with this amount increasing to 95% in 2028.

The federal government explains that while single-use plastic packaging items make up 50% of the plastic waste generated in Canada, less than 14% of them are recycled, with the majority ending up in landfills or in the environment as pollution.[12] As Environment and Climate Change Canada notes in its scientific assessment of plastic pollution, microplastics likely enter the food chain through plastic waste breaking down in water and air and have been detected in a number of species of fish and edible molluscs.[13]

The federal government's plastic initiatives have also been the subject of recent court challenges. In November 2023, the Federal Court rendered a decision in *Responsible Plastic Use Coalition v. Canada (Environment and Climate Change)*, in which a coalition of companies that produce plastics and petrochemicals asked for judicial review of the federal cabinet's decision to add Plastic Manufactured Items (PMIs) to the List of Toxic Substances in Schedule 1 of CEPA via a 23 April 2021 Order. The Court held that the Order was "unreasonable and unconstitutional," finding that the PMI category Cabinet used was too broad to be categorized as toxic under CEPA and that, in promulgating the Order, the federal government had exceeded the limits of its criminal law power to regulate the environment.

Witnesses from throughout the food chain expressed concerns over their sectors' ability to meet the P2 notice's requirements in the proposed timelines given the important role plastic packaging plays in transporting food – particularly fresh fruits and vegetables – safely through the value chain and the lack of available alternatives to food-contact plastic packaging.

Mr. Weston cited estimates, based on data from an impact analysis study conducted by the consulting firm Deloitte, that the proposed requirement could increase costs across the value chain by as much as $6 billion. Mr. Lemaire testified that the proposal coming into force would make it impossible to sell a number of common consumer items, including bagged salads, berries and other fruits imported in clamshell packaging, and bananas, which are shipped in plastic to maintain their freshness. He added that locally produced fruit and vegetable products would have reduced shelf lives, increasing the likelihood of food waste and food-related greenhouse gas emissions along the value chain.

12 Ibid.

13 Environment and Climate Change Canada, *Scientific assessment of plastic pollution*.

The Deloitte report, commissioned by the CPMA, confirms these findings and cautions that the federal government's envisioned plastic ban could have several unintended consequences. While intended to address environmental pollution, the report estimates that the P2 notice coming into effect would increase food waste in Canada by 50% over current levels, adding an estimated 22.1 million megatonnes of carbon dioxide-equivalent greenhouse gas emissions to Canada's atmosphere.[14]

Deloitte's assessment also projects that, if the P2 notice provisions were enforced, consumers would likely experience disruptions in the supply of fresh fruits and vegetables and could see prices for these items increase by as much as 34%.[15] Decreased consumption of fruits and vegetables can lead to a number of poor health outcomes, with the report cautioning that diminished access to produce could significantly impact Canadians' well-being and livelihoods.[16] The report also cautions that a shift away from plastic packaging would make domestic production more vulnerable to food safety threats, including invasive pests and plant disease, contamination, and lead to an overall deterioration in product quality and freshness.[17]

Mr. Lemaire and Mr. Marcus Janzen of the Fruit and Vegetable Growers of Canada explained that the produce sector has long sought to reduce plastic packaging where possible to reduce its own production costs while not jeopardizing food safety or freshness. They explained that their sector is considering available innovative solutions to reduce plastics, including increasing the recycled content of plastic packaging, using lighter materials to reduce the amount of plastic used in packaging, and reusing packaging rather than eliminating it entirely.

At the retail level, Mr. Medline and Mr. Weston both described the proposed regulations as difficult for their sector to meet as alternatives to food-grade plastics are not currently available. They added, however, that their chains and their sector more broadly are engaged in reducing plastic in their operations wherever doing so is feasible. Mr. Riel, for example, explained that his chain has started selling rotisserie chickens in paper bags rather than plastic dome packaging.

14 Deloitte, *Impact Analysis of Environment and Climate Change Canada's (ECCC) Pollution Prevention (P2) planning notice and PLU legislation on the Canadian Fresh Fruit and Vegetable Industry*, p. 8.

15 Deloitte, p. 36.

16 Deloitte, p. 43.

17 Deloitte, p. 40.

Recommendation 5

The Committee recommends that the Government of Canada work with industry to ensure that there are commercially available and affordable alternatives to Price Look-up (PLU) stickers and other primary plastic food packaging items before it implements its proposed pollution preventing planning notice.

Food Security in Rural and Remote Communities

Witnesses highlighted the distinct food security issues faced by rural and remote communities. Mr. Gary Sands of the Canadian Federation of Independent Grocers explained that independent grocery stores are often the only retail food option in many rural, remote, and Indigenous communities, where transportation costs are higher:

> There are approximately 6,900 independent grocers in Canada. Many of those independents are also located in communities where they are very often the only grocery store. Issues around reliable supply and food prices in those areas are closely linked to food security. Independent grocers have a symbiotic relationship with the communities they serve. They live in the community, hire locally, buy locally and support local sports teams, activities and causes. This bond they have forged in myriad diverse communities is why they are such an important part of the tapestry that makes up this country.

Mr. Sands explained that most independent stores have little bargaining power when negotiating with suppliers due to their limited purchasing power. Notably, he testified that the two largest wholesale suppliers to independent stores in Ontario are Empire and Loblaw.

The Deloitte study also cautions that the proposed P2 notice on plastic packaging could have a particularly adverse impact on food security in rural and remote communities. It explains that plastic packaging helps to extend the shelf lives of fruits and vegetables shipped to these areas and that a ban on these products would adversely impact the availability and quality of produce in these areas.[18]

One way the federal government helps to address high food prices in remote areas is the Nutrition North program, which subsidizes retailers who ship eligible nutritious foods to communities that lack surface transport connections. One recent study finds, however, that Northern retailers, many of whom exercise a monopoly or duopoly on food sales in their communities, do not always pass through the full amount of this subsidy to their customers. The study finds that, on average, retailers in communities eligible for the

18 Deloitte, p. 62.

Nutrition North retailer subsidy lowered retail prices by 67 cents for every additional dollar in food subsidy they received, limiting the program's intended effect on vulnerable communities.[19]

Mr. McCann also noted that food banks are under significant pressure in the current inflationary environment and that new initiatives are needed to address food insecurity and affordability at the national level. Some witnesses have mentioned the contribution that schools can make to achieve this goal as well as to improve nutrition and food education. For example, Mr. Janzen explained to the Committee that the province of British Columbia has implemented a program that "encourages public institutions, schools included, to purchase local production."

Recommendation 6

The Committee recommends that the Government of Canada take the following actions to assist Canadians experiencing food insecurity:

- **review the Nutrition North Program to ensure that it is meeting its mandate of providing affordable food to residents and that subsidies to retailers are being used appropriately; and**
- **re-evaluate the objectives of its 2017 *Food Policy for Canada* with a focus on food affordability.**

THE CANADIAN GROCERY CODE OF CONDUCT

Background

In its 2021 report on increasing Canada's food manufacturing capacity, the Committee recommended that the federal government work with its provincial and territorial counterparts to implement a code of conduct for price and fee negotiations between food suppliers and grocery retailers.[20] In July 2021, the federal, provincial, and territorial ministers of agriculture called on firms in the food manufacturing and retail industries to "develop a broad consensus around a concrete proposal to improve transparency, predictability, and respect for the principles of fair dealing" in the Canadian grocery

19 Nicholas Li and Tracey Galloway, "Pass-through of subsidies to prices under limited competition: Evidence from Canada's Nutrition North program," *Journal of Public Economics*, 2023.

20 AGRI, *Room to Grow: Strengthening Food Processing Capacity in Canada for Food Security and Exports*, p. 39.

sector.[21] The resulting industry-led process culminated in late 2023 with the distribution of a finalized Grocery Code of Conduct (the Code) to relevant food value chain firms.

The Code sets out principles for relations between suppliers and retailers, including standards for negotiations, the administration of fees, and dispute settlement mechanisms. As the Committee noted in its 2023 report on the grocery sector, suppliers frequently complain that retailers often charge fees retroactively and in an untransparent manner.[22] These fees place additional pressure on the already slim profit margins of small producers and processors and can make it difficult for them to innovate or expand their operations.

According to Mr. Graydon, the cost of fines and fees, such as "shelf placement fees" that manufacturers pay to get their products into grocery stores, is estimated to total $5 billion per year and has nearly doubled over the last 15 years in Canada, while remaining relatively stable in the United States, where grocer consolidation is not an issue. He added that, according to a recent survey, nearly a quarter of his organization's members have considered withdrawing manufacturing capacity or removing certain products from the Canadian marketplace as a result of these fines and other financial pressures.

Concerns Expressed Around the Code of Conduct

Two grocery chains, Loblaw and Walmart, expressed concerns to the Committee over certain provisions of the Code and have yet to fully endorse it. While Mr. Weston described the Code's underlying principles as "sound," he expressed reservations over some of its provisions that he felt would give suppliers, particularly large multinational food companies, more leverage in negotiations and further inflate retail food prices. Mr. Gebara explained that Walmart Canada was "not in a position at this time to commit to [the Code]" but remained open to further discussions.

Mr. Weston outlined the following arguments, during his appearance as well as in a written brief sent to the Committee, in explaining his opposition to the current version of the Code:

- The draft Code indicates that disputes could be resolved through a third-party dispute settlement mechanism which, in Loblaw's view, would

---

21 Agriculture and Agri-Food Canada, "Federal-Provincial-Territorial Ministers of Agriculture: Readout of Virtual Meeting," *News release,* 15 July 2021.

22 AGRI, *Grocery Affordability: Examining Rising Food Costs in Canada*, pp. 32–33.

"interfere with the arms-length commercial relationships that suppliers and retailers enjoy today and create a longer and more complex process."[23]

- By not requiring suppliers to enter into written agreement with retailers, the draft Code would create an imbalance in the supplier-retailer relationship. He explained that retailers "have to enter into a contract, which is this code of conduct," contrary to suppliers who are not bound by the Code. This situation, he argues, creates a "one-sided and imbalanced" relationship.

- The correspondence from Loblaw also details additional concerns surrounding the Code's provisions on compliance fees, good faith forecasting, ordering and allocation of supply.[24]

Mr. Gebara also expressed Walmart's reluctance to commit to the Code in its current form, citing concerns over its potential to create an "unlevel playing field" and to "create bureaucracy and costs," but did not explain which specific provisions would do so. Similarly, while Mr. Riel of Costco indicated he viewed the Code favourably, he also suggested that his company was still reviewing the parameters of the Code:

> It isn't difficult for us to support the principles of the code. We'll continue to review how the proposed code will work, who will choose to apply it, how disputes will be resolved and, in the end, how it will really impact food prices for Canadians.[25]

The Code's potential to contribute to food price inflation is at the heart of Walmart and Loblaw's stance against the current version of the Code. Mr. Gebara expressed doubt that Walmart could continue to offer the lowest food prices possible under the current version of the Code. Mr. Weston elaborated on this argument by explaining that in recent years, Loblaw has pushed back against 18% of cost increases requested by suppliers, those he considered unjustified, but that his firm's ability to do so would be undermined if it were to implement the current version of the Code. He added that suppliers imposing these costs increases include some of the largest food manufacturing companies in the world, including Kraft Heinz, Nestlé, PepsiCo, and Procter & Gamble, and that these companies have claimed in notices to their shareholders that their recent "excellent performance" is attributable to price increases.

---

23 Loblaw Companies Limited, correspondence to the Committee.

24 Ibid.

25 AGRI, *Evidence*, Pierre Riel (Costco Wholesale International and Canada).

Mr. Weston insisted that the Code's dispute-resolution mechanism poses the risk of preventing grocery chains from refusing these price increases. He cited the example of the Australian code of conduct's dispute resolution mechanism which, he claimed, "has supported increases in costs in essentially 100% of cases." This assertion was challenged in a *Globe and Mail* article by several stakeholders, including a representative of the Australian Food and Grocery Council, who stated that, "[t]here is no third-party mechanism involved in the cost price increase process."[26] In a correspondence sent to the Committee on 22 December 2023, Loblaw admitted that "in an effort to paint a simple picture of how consumers could be impacted by the code, our staff mischaracterized the way the process works in Australia. This was an unintentional error and we apologize."[27]

Responses to Concerns Expressed Around the Code of Conduct

Several stakeholders have challenged some of these arguments and objected to the characterization of the Code as potentially leading to further food price inflation. For Mr. Graydon, Loblaw's demands would have "virtually neutered" the Code and rendered it ineffective. On its website, the Office of the Adjudicator for the Grocery Code of Conduct downplays the role that the third-party dispute resolution would play by noting that "the expectation is that the vast majority of disputes will be resolved prior to arbitration and [that] very few cases will result in arbitration." Mr. Sands felt that the opposition of the two retailers to the Code was a testimony of its projected effectiveness at restoring balance within the value chain and ensuring a continued role for independent grocers in the sector.

Regarding the inflationary effect of the Code, Mr. La Flèche acknowledged that the Code had not been designed with the specific aim of regulating or reducing prices, but rather to increase transparency in supplier-retailer relations. His counterpart from Empire, Mr. Medline, recognized that the Code's adoption might not have an immediate impact on inflation but nevertheless considered it to be a "key pillar" in the effort to stabilize food prices.[28]

Further upstream on the value chain, representatives from the food processing sector argued that speculation that the Code could lead to price increases is "not grounded in evidence."[29] They forecasted that the Code would enable manufacturers and producers

26 Susan Krashinsky Robertson, "Food groups accuse Loblaw chairman Galen Weston of misinformation over grocery code of conduct," *The Globe and Mail*, 19 December 2023.

27 Loblaw Companies Limited, correspondence to the Committee.

28 AGRI, *Evidence*, Michael Medline (President and Chief Executive Officer, Empire Company Limited).

29 AGRI, *Evidence*, Michael Graydon (Chief Executive Officer, Food, Health & Consumer Products of Canada).

to better manage inflationary crises, improve competition, and slow rising food prices. They supported this assertion by citing the evidence collected in countries that have applied a similar code such as Australia, Ireland, and the United Kingdom.[30] Mr. Weston, however, noted that all three of these countries have experienced higher rates of food inflation over the past two years than Canada.

For the Competition Bureau, the Code would “lead to greater predictability, transparency and certainty” which would ultimately benefit consumers. The Bureau also dismissed concerns over the inflationary potential of the Code:

> [W]e have not seen anything that would make the bureau concerned in that regard. I think if we thought that the [C]ode could result in significant price increases, the Competition Bureau would be concerned and we would share that concern. Right now, the truth of the matter is that we've been keeping our finger on the pulse of the code. We talk with stakeholders about it and have reviewed it carefully. We have not seen any red flags.[31]

In light of the stakeholder testimony overwhelmingly in favour of the adoption of the Code by all major grocery chains, on 16 February 2024, the Committee sent a letter urging the presidents of Loblaw and Walmart to sign and implement the Code of Conduct as soon as possible. Given the lack of progress on this issue, the Committee decided, in a motion adopted on 9 April 2024, to call the members of the provisional Board of Directors of the Code of Conduct to testify on the progress of their work.

Making the Code Mandatory

Given some retailers’ reluctance to fully endorse the Code in its current state, some stakeholders expressed concern that the consensus around the Code could collapse. Mr. Graydon predicted that if Loblaw and Walmart did not ultimately sign the Code, retailers who are currently supporting it might back down as they “will likely see it as yielding competitive advantage” to their competitors.

To ensure the Code is adopted by all parties, several stakeholders have indicated that the federal government should work towards legislating it to make participation mandatory if no voluntary agreement can be obtained with the two resisting grocers.[32] According to

30 AGRI, *Evidence*, Dimitri Fraeys (Vice-President, Innovation and Economic Affairs, Conseil de la transformation alimentaire du Québec, Food and Beverage Canada).

31 AGRI, *Evidence*, Anthony Durocher (Deputy Commissioner, Competition Promotion Branch, Competition Bureau Canada).

32 AGRI, *Evidence*, Patrice Léger Bourgoin (General Manager, Association des producteurs maraîchers du Québec), Michael Graydon (Food, Health & Consumer Products of Canada)

Mr. McCann, this is generally what has happened in other countries, such as the United Kingdom, where a code had been negotiated on a voluntary basis but was eventually replaced by a mandatory legislated code following the reluctance of large retailers to implement it.

Several witnesses have, however, pointed out that reaching an agreement on a voluntary Code would be preferable to imposing a mandatory one. Mr. Sands warned against the potential difficulties of the latter approach as the provinces and territories have primary jurisdiction in this area and would have to support and individually legislate the initiative. As such he stressed that were a mandatory Code not agreed to by all provinces and territories, it could create a "fragmented regulatory checkerboard system." Consequently, he emphasized that a regulatory solution to the current stalemate should lead to a "single uniform code" applicable for the whole country. Mr. Medline echoed this position:

> I think it would be unfortunate if we couldn't come to one common code across the country. If we can't, it would put a level of complexity and cost into the system that would hurt Canadians. It would be incredibly complex to put into effect and regulate. We would have different codes in different places. We know how that works: It doesn't work at all.

Despite these challenges, Mr. Graydon nonetheless expressed some optimism for the mandatory implementation of the Code via provincial legislation:

> I have some confidence in the federal-provincial-territorial ministers process. If they feel strongly enough that a [C]ode is, in fact, a solution, they will come to agreement to try to have consistent regulations applied across the country. We're also hopeful that if you get a large province or two that engage in the code and make it mandatory for participation, you would pretty much have to participate one way or the other anyway, especially if it happens to be the province of Quebec and/or, let's say, Ontario.

Recommendation 7

The Committee recommends that the Government of Canada establish a process to engage with the provinces and territories in order to discuss the enactment of legislation applying the Grocery Code of Conduct while respecting their jurisdictions.

COMPETITION IN THE GROCERY SECTOR

The State of Competition

On 27 June 2023, the Competition Bureau published a market study report entitled *Canada Needs More Grocery Competition*. In this document, the Bureau indicated that, given the high rate of ownership concentration in the sector, consumers have more limited options and that "without changes in the competitive landscape, Canadians will not be able to fully benefit from competitive prices and product choices." During his appearance, Mr. Anthony Durocher, Deputy Commissioner at the Competition Bureau Canada, added that increasing competition is good for consumers as it lowers prices and leads to innovation. Witnesses along the value chain generally agreed with the Competition Bureau's characterization of the state of competition in the sector:

> Since the number of independent grocery stores, affiliated owners, regional brands and co-operatives has fallen precipitously, this consolidation has forced the industry to reinvent itself by establishing supplier relations strategies based on billing miscellaneous costs and imposing fines and penalties. This approach has inflated the revenues of retail chains in the food industry. It has also substantially increased suppliers' overheads, obviously at consumers' expense.[33]

In its market study, the Competition Bureau recognized "that the relationship between retailers and suppliers can affect the competitive dynamics of the industry" although competition law does not regulate these imbalances, which could instead be addressed in a code of conduct. Mr. Durocher reminded the Committee that the Competition Bureau can intervene when some practices appear to cross the line between imbalance of bargaining power and abuse of dominant position, as was the case in 2017 when the Bureau investigated Loblaw over practices that the company ultimately stopped.

Representatives from the grocery sector also generally agreed with the fact that competition is a good thing for Canadians.[34] They nonetheless challenged the notion that the sector is not competitive. Mr. La Flèche, for example, argued that while five chains dominate the market overall, "things have to be considered market by market, province by province, and geographical area by geographical area" and added that grocers compete "against global companies like Walmart, Costco and Amazon, in addition to some major Canadian firms and all kinds of independent businesses."

As Mr. McCann highlighted, the Competition Bureau recognized in its market study that the "grocery retail landscape in Canada is more competitive than we often give it credit for" as exemplified by the fact that profit margins in this industry remain low. Dr. Ian Lee, Associate Professor at the Sprott School of Business at Carleton University, echoed this comment and explained that across North America the net-margin-profit of grocery chains averages between 3.2% and 3.5%. The Bureau's report similarly points out that the grocery industry is a "low-margin business" where grocers make their profits on

33 AGRI, *Evidence*, Patrice Léger Bourgoin (Association des producteurs maraîchers du Québec).

34 AGRI, *Evidence*, Michael Medline (Empire Company Limited), Eric La Flèche (Metro Inc.).

volume. Dr. Stanford explained that the nature of the grocery business explains these low margins:

> Food retailers generally do not process or manufacture the products they sell. They simply buy them from suppliers, add a markup and sell them to consumers. Their business expenses are limited to functions directly related to the stores they operate. It is thus natural that profit margins relative to total costs, including the costs of those already-made products, seem low.

Despite being low, Dr. Stanford noted that these margins "made a measurable and sustained contribution to those continued high food prices" in particular as they increased over the past few years. Additionally, he argued that these low margins do not indicate "that food retail is not a very profitable industry." In its report, the Competition Bureau confirmed that the margins of grocers have increased over the past five years by a "modest yet meaningful" amount, indicating that "there is room for more competition in Canada's grocery industry."

Recommendation 8

The Committee recommends that the Government of Canada consider implementing policies to effectively tackle excessive net profits in monopolistic and oligopolistic sectors in the food supply chain, which are driving up food prices for consumers and input costs for farmers.

Strengthening the *Competition Act*

While sharing the assessment that competition is limited in the grocery sector, Dr. Lee argued that the Competition Bureau contributed to this situation by approving the successive acquisitions that led to greater concentration. Mr. Durocher, however, stated that the Bureau lacked the powers to prevent mergers and that in many cases the Competition Tribunal decided to approve mergers despite the Bureau's objections. Consequently, he supported legislative changes to provide the Bureau with more tools to prevent harmful mergers.

Recent legislative initiatives have helped to reinforce Canadian competition law. The *Competition Act* has been amended by Bill C-56: An Act to Amend the Excise Tax Act and the Competition Act, which received Royal Assent on 15 December 2023 and increased the Bureau's powers to facilitate proving abuses of a dominant position, compelling documents from firms in market studies, and removing the so-called "efficiencies defence," under which a merger with anti-competitive effects could take place if the firm could demonstrate that economic gains outweighed these effects.[35] The amendments also allow the minister to direct the Commissioner of Competition to conduct an inquiry into the state of competition in a market or industry.

In addition, Parliament is currently considering Bill C-59: An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 21, 2023, and certain provisions of the budget tabled in Parliament on March 28, 2023, which includes provisions that would affect the *Competition Act* and the *Competition Tribunal Act*. Mr. Durocher gave an overview of the changes from C-59 that would reinforce the *Competition Act*:

> One of the most important changes flowing from Bill C-59 is opening up the *Competition Act* to more private enforcement so that it's not just the Competition Bureau as the sole authority that can bring cases. […] The role of private enforcement and the test for obtaining leave have been clarified, so what we might see emerge there is a more robust space where private actors, not just the Competition Bureau, can bring cases directly to court.
>
> As I mentioned, in respect to mergers, there are certain important changes. One is to allow greater emphasis on market share and concentration evidence as well. As another, there are important changes to section 90.1—which is the competitor collaboration provision of the *Competition Act*—with an ability to look at past conduct, which allows for a broader range of remedies too.

Parliament is also considering Bill C-352 An Act to amend the Competition Act and the Competition Tribunal Act, that aims to increase penalties for certain anti-competitive acts, change aspects of the review of mergers, and prevent mergers that would result in excessive combined market share.

While Competition Bureau officials generally welcomed these legislative changes, characterizing them as a "key step in modernizing Canada's competition law," they also provided additional recommendations for further changes. In March 2023, the Bureau provided recommendations for changes to the *Competition Act* in response to a consultation launched by Innovation, Science and Economic Development Canada.[36] Mr. Durocher stated that the government has not yet acted on some of these recommendations, which could form the basis of further legislative efforts to strengthen competition in Canada. These changes include:

---

35 AGRI, *Evidence*, Anthony Durocher (Deputy Commissioner, Competition Promotion Branch, Competition Bureau Canada).

36 Government of Canada, *The Future of Competition Policy in Canada: Submission by the Competition Bureau*.

- *Remedial standard*: The Bureau notes that Canada's remedy for anti-competitive mergers only requires that "the lessening of competition ceases to be substantial." According to Mr. Durocher, the *Competition Act* should be amended to require the state of competition in an industry or sector be returned to pre-merger levels.

- *Structural presumptions*: The Bureau recommends "shifting the burden onto the merging parties to prove why a merger that significantly increases concentration would not substantially lessen or prevent competition." The Bureau notes that C-59 only partially addresses this issue by repealing a section of the *Competition Act* that prevented mergers to be challenged, "on the basis of market shares or thresholds."[37]

Recommendation 9

The Committee recommends that the Government of Canada reinforce the competition law by making the following legislative changes:

- **enact structural presumptions to simplify merger cases by shifting the burden onto the merging parties to prove why a merger that significantly increases concentration would not substantially lessen or prevent competition;**

- **revisit the remedy standard to provide that the Competition Tribunal's remedial order ensure that remedies preserve the pre-merger state of competition to prevent merging parties to accumulate market power and harm the economy;**

- **examine the rules surrounding Competition Tribunal decisions, to ensure better alignment with the Competition Bureau's merger recommendations; and**

- **empower the Competition Tribunal to make an order dissolving a completed merger or prohibiting the merger from proceeding if the merger would result in excessive combined market share.**

37 AGRI, *Evidence*, Anthony Durocher (Competition Bureau Canada); and Competition Bureau Canada, correspondence to the Committee.

Facilitating the Entry of New Competitors

Improving the ability of foreign grocery chains to enter the Canadian marketplace is another avenue to improve competition in the grocery sector. According to the Competition Bureau's report, "when a foreign grocer comes into a country, it puts pressure on existing grocers to reduce their prices." Empirical evidence supports this assumption. For example, the Bureau notes that Walmart's entry to the Canadian market in 1994 is deemed to have increased competition in the Canadian market. Mr. Gebara highlighted this, noting that his company "brought additional choice to consumers and put pressure on competitors to lower prices."

During his appearance before the Committee, Minister Champagne stated that his department was trying to encourage foreign, particularly United States-based, grocers to enter the Canadian market. The Competition Bureau outlined several obstacles that discourage international grocers from opening stores in Canada, including daunting competition from the current grocery giants and popular grocery label and brand recognition from competitors.[38]

New firms entering the Canadian grocery retail sector also find it difficult to lease appropriate properties in which they can operate. Mr. Bradley Callaghan, an official at the Competition Bureau, explained to the Committee that the Bureau is looking into the emerging issue of so-called "restrictive covenants," a property control practice in which grocers negotiate leases with real estate developers that limit competitors from operating in their properties:

> [Restrictive covenants] are things that limit what a property holder can do with their property. Oftentimes, these are included in leases or things of that nature. The effect is that they can ultimately just make it harder for a competitor to get into the same space. It could be the same commercial mall or it also could cover a wider geographic area, but the impact is the same: It can make it harder for an entrant to get in and compete.

Mr. Callaghan further explained that the government could consider "limiting the use of these property controls or to ban them entirely" to facilitate the opening of new grocery stores and increasing consumer options.

Minister Champagne stated that major U.S. grocers had indicated to him that they had considered setting up shop in Canada, only to abandon their efforts because of the obstacles described above, but that one grocer indicated that recent legislative developments have made it possible once again to consider entering the Canadian

38 Government of Canada, *Canada Needs More Grocery Competition: Competition Bureau Retail Grocery Market Study Report*.

market. As of the date of publication of this report, however, no foreign chains have confirmed any new plans to set up in Canada.

Dr. Ian Lee also pointed out that online grocers might become a “disruptive force in grocery pricing” and make the industry more competitive over time. In its report, the Competition Bureau also notes that encouraging the development of online grocers could contribute to offering consumers new competitive alternatives if these grocers are “truly independent” from the current grocery giants.

Recommendation 10

The Committee recommends that the Government of Canada continue to pursue and advocate for additional competition within the Canadian grocery sector to stabilize and lower food prices, notably by identifying and removing barriers that prevent new companies from entering the marketplace.

CONCLUSION

High grocery prices affect the purchasing power, well-being, and food security of Canadian consumers. In response to the Minister of Innovation, Science and Industry’s demands to stabilize food prices, the five major retailers have committed to act on this issue but the extent to which they carried through their pledges remain unclear.

In its previous report on food price inflation, the Committee identified implementing a grocery code of conduct as a solution to improve the relationships in the grocery value chain and ultimately contribute to stabilizing food prices. This study confirmed the need for such a code and stressed the urgency of all parties to come together and fully commit to its current version.

In addition, the Committee heard from many witnesses that Canadian competition law should be strengthened to give the Competition Bureau more powers to prevent further consolidation and make the sector more competitive by creating a regulatory environment that facilitates the entry of new competitors such as independent and foreign grocers.

APPENDIX A: LIST OF WITNESSES

The following table lists the witnesses who appeared before the committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the committee's webpage for this study.

Organizations and Individuals	Date	Meeting
Canadian Federation of Independent Grocers	2023/12/04	86
Gary Sands, Senior Vice-President		
Empire Company Limited	2023/12/04	86
Michael Medline, President and Chief Executive Officer		
Food and Beverage Canada	2023/12/04	86
Kristina Farrell, Chief Executive Officer		
Dimitri Fraeys, Vice-President, Innovation and Economic Affairs, Conseil de la transformation alimentaire du Québec		
Food, Health & Consumer Products of Canada	2023/12/04	86
Michael Graydon, Chief Executive Officer		
Loblaw Companies Limited	2023/12/07	87
Galen G. Weston, Chairman		
Wal-Mart Canada Corp.	2023/12/07	87
Gonzalo Gebara, President and Chief Executive Officer		
Association des producteurs maraîchers du Québec	2023/12/11	88
Patrice Léger Bourgoin, General Manager		
Catherine Lessard, Deputy Director General		
Canadian Produce Marketing Association	2023/12/11	88
Ron Lemaire, President		
Centre for Future Work	2023/12/11	88
Dr. Jim Stanford, Economist and Director		
Metro Inc.	2023/12/11	88
Eric La Flèche, President and Chief Executive Officer		

Organizations and Individuals	Date	Meeting
As an individual	2024/02/06	89
Dr. Ian Lee, Associate Professor, Sprott School of Business, Carleton University		
Agri-Food Analytics Lab	2024/02/06	89
Dr. Sylvain Charlebois, Senior Director, Agri-Food Analytics Lab and Professor, Dalhousie University		
Stacey Taylor, Member, PhD Candidate, Agri-Food Analytics Lab, Dalhousie University		
Canadian Agri-Food Policy Institute	2024/02/06	89
Tyler McCann, Managing Director		
Canadian Federation of Agriculture	2024/02/06	89
Keith Currie, President		
Scott Ross, Executive Director		
Fruit and Vegetable Growers of Canada	2024/02/06	89
Marcus Janzen, Vice-President		
Retail Council of Canada	2024/02/06	89
Diane J. Brisebois, President and Chief Executive Officer		
Karl Littler, Senior Vice-President, Public Affairs		
Competition Bureau Canada	2024/02/08	90
Bradley Callaghan, Associate Deputy Commissioner, Policy, Planning and Advocacy Directorate		
Anthony Durocher, Deputy Commissioner, Competition Promotion Branch		
Costco Wholesale Canada Ltd.	2024/02/13	91
Pierre Riel, Executive Vice President and Chief Operating Officer, Costco Wholesale International and Canada		

Organizations and Individuals	Date	Meeting
Department of Industry	2024/02/27	93
Hon. François-Philippe Champagne, P.C., M.P., Minister of Innovation, Science and Industry		
Etienne-René Massie, Assistant Deputy Minister, Small Business, Tourism and Marketplace Services		
Mark Schaan, Senior Assistant Deputy Minister, Strategy and Innovation Policy Sector		

APPENDIX B: LIST OF BRIEFS

The following is an alphabetical list of organizations and individuals who submitted briefs to the committee related to this report. For more information, please consult the committee's webpage for this study.

Centre for Future Work

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the committee requests that the government table a comprehensive response to this report.

A copy of the relevant *Minutes of Proceedings* (Meetings Nos. 86-91, 93, 98, 99 and 101) is tabled.

Respectfully submitted,

Kody Blois
Chair

Supplementary Opinion of the Conservative Party of Canada

Efforts to Stabilize Food Prices

Introduction

The Conservative Party of Canada (CPC) greatly appreciates the work of the Committee and would like to thank the witnesses who participated and submitted briefs as part of the Committee's study on Efforts to Stabilize Food Prices.

We agree with the majority of the Committee's report and recommendations. However, certain aspects of the report should be emphasized, and Canadians need to be aware of decisions and policies by the Liberal government which contribute to higher grocery prices and jeopardize food security in Canada.

Food inflation reached 40-year record highs after nine years under Justin Trudeau's NDP-Liberal government and continues to outpace general inflation. 1 in 5 Canadians are skipping meals,[1] food banks received a record two million visits in a single month last year,[2] with a million additional Canadians expected in 2024.[3] Grocery affordability has become a such a national crisis that some have resorted to dumpster diving[4] while others are relying on food that has passed its best-before-date or even expired food to kill their empty stomachs.[5]

Canada's Food Price Report 2024 forecasted Canadian families will pay $702 more for groceries this year,[6] and the latest data shows 83% of Canadians are paying on average $80 more a month today for groceries than just six months ago.[7]

So, when the Industry Minister François-Philippe Champagne said he was going to stabilize food prices by Thanksgiving of 2023,[8] no one believed him, and no one was surprised when he failed to deliver.

Inflationary Deficits

Justin Trudeau's inflationary spending has caused the cost of food and groceries to skyrocket. Nearly 23% of the Canadian population, or 8.7 million people, reported food insecurity in 2022,[9] an increase of almost 1.8 million from the previous year, and things have since gotten worse.

This year, the government plans to double down on the same out of control spending that has caused so much misery in households across the country. The Parliamentary Budget Officer has confirmed that Justin Trudeau will add $61 billion in inflationary spending.[10] This means

[1] Twenty per cent of Canadians skipping meals to cut down on food costs: survey
[2] Food banks across Canada report almost 2 million visits in one month
[3] Hungry for Change, Second Harvest report
[4] Inside Toronto's growing dumpster diving network
[5] Canadians more likely to eat food past best-before date. What are the risks?
[6] Canada's Food Price Report 2024
[7] Eight in Ten (83%) Canadians Say Their Weekly Grocery Bill Has Increased in the Last Six Months
[8] Ottawa, grocers promise plans to lower soaring food prices ahead of Thanksgiving deadline
[9] Nearly 23% of the Canadian population reported food insecurity in 2022
[10] Budget 2024: Issues for Parliamentarians, Office of the Parliamentary Budget Officer.

Trudeau's spending is now costing the average family $3,687 extra in new government debt and inflationary spending. And for the first time in a generation, Canada is now spending more on debt interest than on health transfers.

Justin Trudeau has added more to the national debt than all previous prime ministers combined and has no plan to balance the budget. His out-of-control spending and inflationary deficits are driving up the cost of goods we buy, including essentials like food and fuel, and the interest we pay.

The Cost of Liberal Carbon Taxes on Farmers and Food

The government's inflationary carbon tax impacts the cost of food since it is felt at every single point in the food supply chain. With the carbon tax increasing by 23% on April 1, 2024, the committee received numerous letters from agricultural stakeholders regarding their opposition to the carbon tax hike including from the Ontario Minister of Agriculture, Food and Rural Affairs, and the Saskatchewan Association of Rural Municipalities.

Additionally, we saw seven Provincial Premiers and 70% of Canadians opposed the government's 23% carbon tax hike on April 1st.[11] The Premiers of Alberta, Saskatchewan, Ontario, Nova Scotia and New Brunswick have issued public letters calling on the government to provide a carbon tax carve out for farmers and pass Bill C-234 in its original form.

The Parliamentary Budget Officer (PBO) indicated increasing the carbon tax to $170 per tonne on natural gas and propane will cumulatively cost farmers more than $1.1 billion by 2030.[12]

The Canadian Federation of Agriculture surveyed the impact of the carbon tax on livestock, crop production and greenhouse farms across Canada and found that the carbon tax accounted for up to 40% of total energy bills in some sectors.[13]

We heard that the carbon tax currently costs greenhouse operators in Canada $22 million a year and they'll will pay between $82 million and $100 million by 2030 when the carbon tax quadruples.[14] The share for operators in Ontario is over $18 million this year and over $40 million by 2030, which means over a 10-year period, Ontario greenhouse operators will have paid over $242 million in carbon taxes.[15]

We have also heard that no rebates have been provided to those who grow food, despite spending tens of thousands of dollars per month on the carbon tax. Likewise, on farm efforts to sequester carbon have gone unrecognized by the government. This, like many other policies from the NDP-Liberals, are punishing for farmers and counterintuitive to making real progress.

---

[11] Leger, Report, poll carbon tax hike

[12] *Parliamentary Budget Officer, Updated fiscal cost of Bill C-234.*

[13] *AGRI, Evidence, Mr. Keith Currie (President, Canadian Federation of Agriculture)*

[14] *AGRI, Evidence, Mr. Ron Lemaire (President, Canadian Produce Marketing Association)*

[15] *AGRI, Evidence, Mr. George Gilvesy (Chair, Ontario Greenhouse Vegetable Growers)*

We know 44% of fresh fruit and vegetables growers are already selling at a loss and 77% can't offset production cost increases.[16] Mushroom farms will pay $7.4 million in carbon taxes this year and by 2030 they'll pay more than $16 million.

A sample of 50 farm operations across Canada paid a total of $329,644 in carbon taxes in one-month last year, with the increase this year it'll cost those farms $431,544 and nearly triple over the next seven years to $893,944[17].

The beef sector has calculated that by 2030 the carbon tax will add over $84 per head for cow-calf producers and feedlot operations would see the carbon tax add over $88 per head.

To make matters worse, on July 1, 2023, the Clean Fuel Regulations (CFR) requires reductions in the carbon intensity of gasoline and diesel used in Canada. This second carbon tax being imposed on families, businesses and, more critically, food producers will be added to their existing tax burden. Like the first carbon tax, this second one will be subject to the goods and services tax (GST) but does not include any rebates.

According to the Parliamentary Budget Officer this second carbon tax will cost the average Canadian household an extra $573 per year without any rebate, with families in some provinces facing costs as high as $1157.[18] The second carbon tax will increase the cost of gas by up to 17 cents per litre and diesel by 16 cents per litre and will decrease real GDP in Canada by up to $9 billion in 2030.

With the Bank of Canada confirming that the carbon tax is responsible for 16% of inflation last October,[19] it's no wonder the Food Professor, Dr. Sylvain Charlebois recommended a pause on the carbon tax for the entire food industry.[20]

Recommendations

1. **That the Government of Canada remove the carbon tax that is applied to all food inputs and production including all farm fuels and other appropriate aspects of the food supply system.**

2. **That the Government of Canada complete a comprehensive study on the economic impact of the carbon tax and Clean Fuel Regulations and how increases to both affect the cost of food production, price of food and the entire food supply chain.**

[16] *AGRI, Evidence, Mr. Stefan Larrass (Chair, Business Risk Management, Fruit and Vegetable Growers of Canada)*
[17] Agriculture Carbon Alliance, The Impact Of Carbon Pricing On Farmers, Growers and Ranchers
[18] PBO estimates the impact of the Clean Fuel Regulations on households
[19] Charlebois: The Bank of Canada's carbon tax missteps
[20] *AGRI, Evidence, Dr. Sylvain Charlebois (Senior Director, Dalhousie University, Agri-Food Analytics Lab)*

Liberal Policies Jeopardizing Food Security

In addition to the inflationary carbon taxes the Liberal government has proposed regressive policies that would increase the cost of food and jeopardize Canada's food security at the worse possible time. The government's font-of-pack labelling initiative is just one example of policies that will make food more expensive for Canadians.

> "From front-of-pack labelling to supplemental food labelling, changes to nutrition facts tables, and now the requirements from ECCC with regard to recycling labelling, the industry is simply struggling to keep up with the volume and frequency of continued government requests. By way of illustration, the $8-billion estimated cost for adopting Health Canada's front-of-pack labelling changes not only impacts businesses' operational expenses but also will trickle down to the consumer in higher prices. - Mr. Michael Graydon (Chief Executive Officer, Food, Health & Consumer Products of Canada)"[21]

Another misguided Liberal policy is their plastics ban proposal on fresh fruit and vegetables.

An in-depth Deloitte report on the Liberal's P2 plastic ban and its impact to the fresh fruit and vegetable sector has revealed that the policy could:[22]

- Increase the cost of fresh produce by 35%
- Reduce fresh produce availability to Canadians by over 50%
- Cost the industry $5.6 billion
- Increase fresh produce waste by more than 50%
- Increase greenhouse gases from the produce supply chain by more than 50% which could add 22 million MTC02 emissions
- Increase health care costs by over $1 billion per year because of lower fresh produce consumption.
- Disproportionate impact the cost of food for rural and remote regions of Canada
- Increase food safety incidents and food-borne illness

Recommendations

3. **That the Government of Canada immediately reverse its policy on front-of-package labelling.**

4. **That the Government of Canada immediately reverse its policy on proposed PLU ban and Pollution Prevention Plan Notice for Primary Food Packaging.**

---

[21] *AGRI, Evidence, Mr. Michael Graydon (Chief Executive Officer, Food, Health & Consumer Products of Canada)*

[22] Deloitte, Impact Analysis of Environment and Climate Change Canada's (ECCC) Pollution Prevention (P2) planning notice and PLU legislation on the Canadian Fresh Fruit and Vegetable Industry

Conclusion

It's not a coincidence that 2023 was the most expensive crop farmers have ever put into the ground.[23] In 2022, Statistic Canada found that the average net farm operating income decreased by 2.9%,[24] while total farm operating expenses increased by 19.9%, the largest gain since 1979 (+21.1%), surpassing the 9.5% rise in 2021. This was led by increases to fertilizer expenses by 54.4%, feed expenses by 20.7% and fuel expense increases of 52.5%.[25] Statistics Canada is now forecasting that net cash income for farms is expected to fall by 14% this year, wiping out any gains seen in last year.[26]

The government's ideological pursuit to penalize greenhouse gas (GHG) emitters through the imposition of carbon taxes without properly recognizing those who have been mitigating, removing, and sequestering GHG's for years or decades, are both short-sighted and inequitable.

These are not insignificant costs, and they will compromise the competitiveness of our farmers, ranchers and processors who have, for years, demonstrated an ability to deliver meaningful reductions in emissions through the adoption of new technologies, education and innovative management practices – not taxes.

Inflationary taxes and bad policies are increasing production costs for our businesses and farmers, which further contributes to the increase in prices. We cannot tax farmers, truckers, and grocers without having those costs pass on to the people at the end of the grocery aisle increasing the cost of food they bring home.

[23] Farm Credit Canada, FCC says 2023 crop was the most expensive crop ever for farmers
[24] Statistics Canada, Farm operating revenues and expenses, 2022
[25] Statistic Canada, Farm income, 2022 (revised data)
[26] Statistics Canada, Farm Income Forecast for 2023 and 2024