



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

GROCERY AFFORDABILITY: EXAMINING RISING FOOD COSTS IN CANADA

**Report of the Standing Committee on Agriculture and
Agri-Food**

Kody Blois, Chair

**JUNE 2023
44th PARLIAMENT, 1st SESSION**

Published under the authority of the Speaker of the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its Committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its Committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Standing Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website
at the following address: www.ourcommons.ca

**GROCERY AFFORDABILITY: EXAMINING RISING
FOOD COSTS IN CANADA**

**Report of the Standing Committee on
Agriculture and Agri-Food**

**Kody Blois
Chair**

JUNE 2023

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

Francis Drouin

Richard Lehoux

Tim Louis

Alistair MacGregor

Lianne Rood

Warren Steinley

Leah Taylor Roy

Ryan Turnbull

Rechie Valdez

OTHER MEMBERS OF PARLIAMENT WHO PARTICIPATED

John Aldag

Parm Bains

Sean Casey

Adam Chambers

Don Davies

Blake Desjarlais

Todd Doherty

Dave Epp

Iqwinder Gaheer

Peter Fragiskatos

Gord Johns

Majid Jowhari
Iqra Khalid
Damien C. Kurek
Melissa Lantsman
Lloyd Longfield
Soraya Martinez Ferrada
Mike Morrice
Yasir Naqvi
Simon-Pierre Savard-Tremblay
Martin Shields
Sonia Sidhu
Jagmeet Singh
Arnold Viersen

CLERKS OF THE COMMITTEE

Stéphanie De Rome
Josée Harrison

LIBRARY OF PARLIAMENT

Parliamentary Information, Education and Research Services

Corentin Bialais, Analyst
Daniel Farrelly, Analyst

THE STANDING COMMITTEE ON AGRICULTURE AND AGRI-FOOD

has the honour to present its

TENTH REPORT

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

TABLE OF CONTENTS

LIST OF RECOMMENDATIONS	1
GROCERY AFFORDABILITY: EXAMINING RISING FOOD COSTS IN CANADA	7
Introduction.....	7
Food Inflation and Its Effects	8
Measuring Inflation	8
Changes in the Consumer Price Index.....	9
International Comparisons.....	10
Other Ways to Measure Increased Costs and Prices.....	11
How Food Inflation Affects Individuals and Communities.....	12
Rising Food Insecurity.....	13
Facing Food Insecurity.....	15
Drivers of Inflation.....	18
Increased Input Costs	18
Supply Chain Disruptions.....	20
Increase in Extreme Weather Events	21
Labour Availability	22
Taxation	23
Corporate Profits	24
Financial Performance of the Grocery Retail Sector.....	24
Corporate Profits in Sectors Serving the Agri-Food Supply Chain.....	26
Relations and Competition in the Food Supply Chain	28
Relations in the Supply Chain	28
Supplier-Retailer Price Negotiations.....	28
Retail Fees	32
Development and Implementation of a Code of Conduct for the Grocery Sector	33

Consumers	35
Competition in the Grocery Sector	36
Concentration in the Canadian Grocery Sector	36
Powers of the Competition Bureau	37
The Market Study on Competition in Canada’s Grocery Sector	38
Conclusion	41
APPENDIX A LIST OF WITNESSES	43
APPENDIX B LIST OF BRIEFS.....	49
REQUEST FOR GOVERNMENT RESPONSE	51
SUPPLEMENTARY OPINION OF THE CONSERVATIVE PARTY OF CANADA	53
SUPPLEMENTARY OPINION OF THE NEW DEMOCRATIC PARTY OF CANADA	59

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.

Recommendation 1

The Committee recommends that the Government of Canada take the necessary steps to collect and make public data on costs throughout the Canadian agri-food supply chain—including disaggregated data on costs in the primary agriculture, food and beverage processing, and food retail sectors—along the same lines as the information the United States Department of Agriculture’s Economic Research Service makes available in its Food Dollar Series research program..... 12

Recommendation 2

The Committee recommends that the Government of Canada provide additional funding to Indigenous-led initiatives in remote and Northern areas to improve infrastructure that supports the food security of their communities..... 15

Recommendation 3

The Committee recommends that the Government of Canada, in cooperation with the provinces and territories, address food waste by:

- investigating how the elimination of “best-before” dates on foods would impact Canadians;**
- partnering with non-profit organizations and large food retailers to develop programs to divert food that would otherwise be wasted to Canadians experiencing food insecurity; and**
- ensuring its plastic reduction requirements are attainable by extending the implementation timeline for a single-use plastics ban and working with retailers to ensure that commercially viable alternatives to plastics, in particular for packaging designed to extend the shelf-life of food and limit food waste, will be available in the needed quantities. 17**

Recommendation 4

The Committee recommends that the Government of Canada directly reimburse farmers and retailers who have paid a 35% tariff on their imports of Russian fertilizer since 2 March 2022 and that it discontinue this tariff going forward..... 19

Recommendation 5

The Committee recommends that the Government of Canada support agricultural producers and others in the agri-food industry to mitigate their costs and ensure they have sufficient cash flow during this period of high inflation by:

- ensuring companies have access to short-term, low-cost credit; and
- maintaining the increased threshold for interest-free payments under the Advance Payments Program. 20

Recommendation 6

The Committee recommends that the Government of Canada, in cooperation with the provinces and territories, expedite the implementation of the National Supply Chain Task Force’s recommendations, particularly those that address issues in the agri-food supply chain, including:

- investing in critical transportation infrastructure;
- supporting supply chain digitization;
- addressing chronic labour shortages in the transportation supply chain; and
- establishing a Supply Chain Office, as outlined in Budget 2023, to facilitate a whole-of-government approach to these matters. 21

Recommendation 7

The Committee recommends that the Government of Canada reduce timelines, paperwork, and costs associated with the Temporary Foreign Worker Program by expediting the implementation of the Trusted Employer model that it first proposed in Budget 2022. 22

Recommendation 8

The Committee recommends that the Government of Canada encourage innovation in the agriculture and agri-food sector by:

- launching an incentive and support program for technological innovation and automation, particularly for small and medium-sized firms; and
- devoting specific funding through the Department of Innovation, Science, and Economic Development’s Strategic Innovation Fund to controlled-environment agriculture initiatives, such as those in the greenhouse sector. 23

Recommendation 9

The Committee recommends that, if the Competition Bureau finds evidence in its upcoming market study that large grocery chains are generating excess profits on food items, the Government of Canada should consider introducing a windfall profits tax on large, price-setting corporations to disincentivize excess hikes in their profit margins for these items..... 27

Recommendation 10

The Committee recommends that the Government of Canada ensure that the reciprocity of standards is respected for imported products, increase inspections to ensure compliance, and require that foreign products meet the same quality standards as domestic products for both environmental standards and labour standards. 29

Recommendation 11

The Committee recommends that the Government of Canada work with the provinces and territories—in partnership with stakeholders from agriculture and the food industry—to implement a mandatory and enforceable grocery code of conduct that covers food and other essential products on grocery store shelves and that it encourage the food industry to review this code one year after it comes into force..... 35

Recommendation 12

The Committee recommends that the Government of Canada work with provinces and territories to adopt a standardized approach to unit pricing labelling practices in the grocery sector to assist Canadian consumers in making informed decisions in their purchasing..... 35

Recommendation 13

The Committee recommends that the Government of Canada strengthen the Competition Bureau’s mandate and its ability to ensure competition in the Canadian grocery sector by:

- implementing legislative changes to the *Competition Act* that provide the Competition Bureau with the power to compel companies and individuals who are the subject of its market studies to provide it with relevant documents and information, including disaggregated financial data;
- reviewing the competitive thresholds the Competition Bureau uses to evaluate mergers and acquisitions to ensure that competition does not suffer;
- studying the creation of a permanent administrative commission, along the lines of France’s Observatoire de la formation des prix et des marges des produits alimentaires, with a mandate to analyze data relating to price formation and margins in transactions along the agri-food supply chain; and

- **considering any conclusions and recommendations the Competition Bureau makes to the federal government in its upcoming market study on the Canadian grocery sector, notably those related to price-setting mechanisms, “black-out” periods, revenue sharing along the agri-food chain, and barriers to entry faced by new firms entering this sector..... 40**



GROCERY AFFORDABILITY: EXAMINING RISING FOOD COSTS IN CANADA

INTRODUCTION

In September 2022, the year-over-year increase in the price of food purchased from stores, as measured by the Consumer Price Index (CPI), reached 11.4%—the largest acceleration since 1981—significantly surpassing the average inflation rate in the overall Canadian economy (6.9%) over the same period. While the overall pace of inflation began to slow in February 2023, consumer food prices remained high, as inflation in this category continued its seventh consecutive month of double-digit year-over-year increases.¹

At the other end of the supply chain, farmers and other producers have experienced sharp increases in the prices of feed, fuel, fertilizer, and other essential inputs leading to a 16.1% increase in their operating expenses.² Similarly, small- and medium-sized food processors, who make up most of the sector, face increased prices for transport and packaging materials and continue to face ongoing labour shortages and supply chain challenges.

The food retail sector is the primary intermediary between food producers and consumers. In 2019, Canadians purchased nearly three-quarters of the food they consumed from stores,³ making them an essential marketplace for agri-food producers wishing to reach Canadian consumers. While the food and beverage retail sector has been facing many of the same costs pressures related to supply chain issues and labour shortages, they have also over the same period recorded an increase in their net income, peaking at \$1.8 billion in the first quarter of 2021 and remaining above \$1 billion to the present day. The sector also reported an average profit margin (a measurement of net income as a percentage of total revenue) of 2.87% in the fourth quarter 2022, compared to 1.57% in the fourth quarter of 2019.⁴ This situation has led consumer groups and other stakeholders to question how increasing costs are being

1 Statistics Canada, "[Consumer Price Index, February 2023](#)," *The Daily*, 21 March 2023.

2 Statistics Canada, "[Farm income, 2021 \(revised data\)](#)," *The Daily*, 28 November 2022.

3 Statistics Canada, "[Detailed food spending, Canada, regions and provinces](#)," database, accessed on 4 April 2023.

4 Statistics Canada, "[Quarterly balance sheet, income statement and selected financial ratios, by non-financial industries, non seasonally adjusted \(x 1,000,000\)](#)," database, accessed on 4 April 2023.



distributed along the supply chain. They have also led some to speculate as to whether Canada’s five largest retailers, who control 80% of the grocery market, are engaged in “price-gouging,” or using their market power to raise prices faster than the growth in their production costs.

Noting the extraordinary nature of these price increases and their effects on producers, processors, and consumers, the House of Commons Standing Committee on Agriculture and Agri-Food (the Committee) adopted the following motion on 5 October 2022:⁵

That, pursuant to Standing Order 108(2), the Committee undertake a study on inflation in the food supply chain and the cost of groceries going up, while large chains are making profits; that the committee examine the profits of large grocery chains in relation to employee wages and the cost of groceries in Canada; that the committee also examine the ability of large grocery chains to leverage their size to cut into the earnings of Canadian farmers; that the committee explore ways in which the food supply chain can help reduce rising food costs, and that the committee invite witnesses with specific knowledge on inflation and affected stakeholders from the industry, including grocer and food supply chain executives, economists, unions and farmers or representative organizations[.]

The Committee held eight meetings on this topic between 5 December 2022 and 19 April 2023, hearing from 58 witnesses, including stakeholders representing the primary production, food and beverage processing, and food retail sectors, as well as representatives from civil society groups. This report summarizes the Committee’s findings and makes recommendations for the Government of Canada to address the impact that inflationary pressures are having across the supply chain, notably on producers, consumers, and communities.

FOOD INFLATION AND ITS EFFECTS

Measuring Inflation

Changes in prices are measured using Statistics Canada’s [Consumer Price Index](#). Representatives from Statistics Canada explained to the Committee that the CPI “tracks the changes in consumer prices for a fixed basket of goods and services of constant quantity and quality.”⁶ This basket accounts for major household costs such as food, transportation, shelter, energy, health care, and recreation.

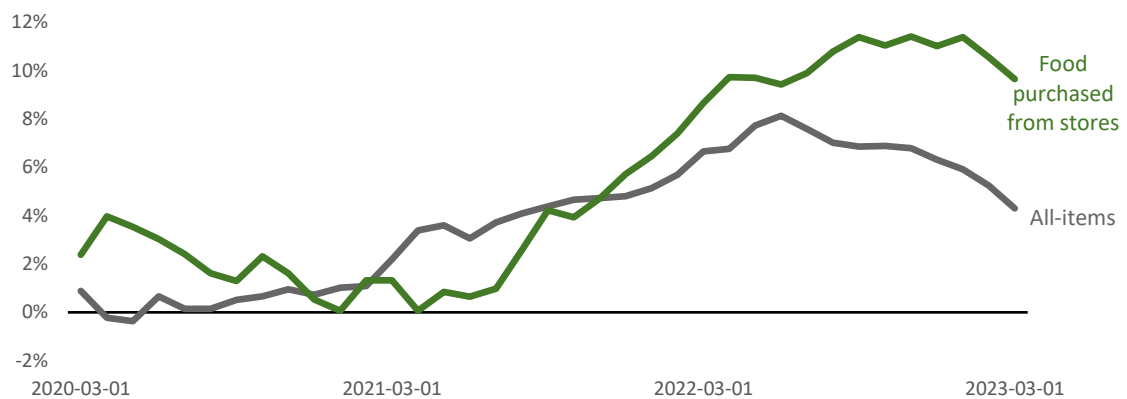
5 House of Commons, Standing Committee on Agriculture and Agri-Food [AGRI], [Minutes of Proceedings](#), 5 October 2022.

6 AGRI, Evidence, [Matthew MacDonald](#) (Assistant Director, Consumer Prices Division, Statistics Canada).

Changes in the Consumer Price Index

The cost of food purchased from stores increased more rapidly than the overall costs of the CPI basket of products. Figure 1 plots the changes in these indexes since March 2020 and highlights this trend.

**Figure 1—Year-over-Year Changes in Canadian Consumer Prices
(March 2020 to March 2023)**

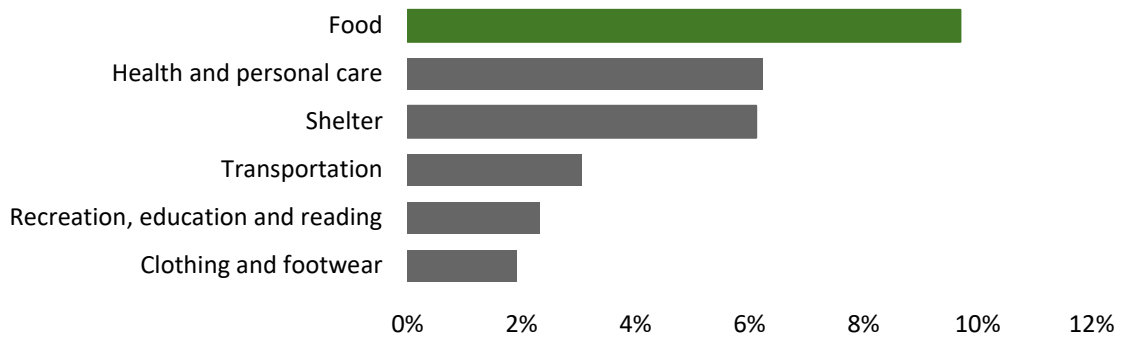


Source: Figure prepared by the Committee using data from Statistics Canada, "[Table 18-10 0004-01: Consumer Price Index, monthly, not seasonally adjusted](#)," Database, accessed 15 May 2023.

Between February 2022 and February 2023, prices rose the most steeply in the CPI category for food, followed by the health care, housing and transportation categories (Figure 2).



Figure 2—Changes in the Price of Major Consumer Price Index Categories in Canada (February 2022 to February 2023)



Source: Figure prepared by the Committee using data from Statistics Canada, “[Table 18-10 0004-01: Consumer Price Index, monthly, not seasonally adjusted](#),” Database, accessed 3 April 2023.

Statistics Canada officials indicated that the increased cost of food affected all major food categories.⁷ However, [Tyler McCann](#), Managing Director, Canadian Agri-Food Policy Institute, noted that the 190 different food products included in the CPI do not all behave the same: “[P]asta was 20% more expensive in December 2022 than it was a year earlier, but fresh and frozen pork was almost 1% cheaper.”

International Comparisons

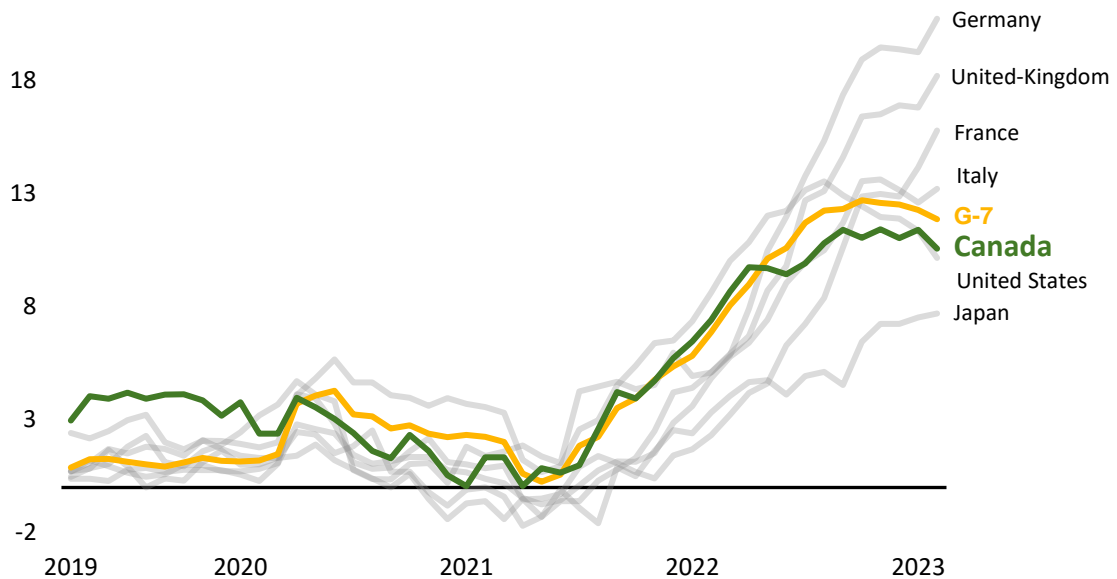
Many witnesses mentioned that food prices are going up around the world. [Jodat Hussain](#), Senior Vice President, Retail Finance, Loblaw Companies Limited, explained that Canada is in a better position than the United States (U.S.), saying that “[t]here hasn’t been a quarter since the Q2 of 2020 when the Canadian food price inflation has been higher than in the U.S.” Various witnesses pointed out that Canada was less affected by food inflation than its main trading partners.⁸ According to data from the Organisation for Economic Co-operation and Development (OECD), in January 2023, Canada’s food inflation rate was lower than the average rate in

7 Ibid.

8 AGRI, *Evidence*, [Ian Lee](#) (Associate Professor, Sprott School of Business, Carleton University, As an Individual), [James Brander](#) (Professor, University of British Columbia, As an Individual), [Matthew MacDonald](#) (Statistics Canada), [Galen G. Weston](#) (Chairman and President, Loblaw Companies Limited [Loblaw]), [Eric La Flèche](#) (President and Chief Executive Officer, Metro Inc. [Metro]), and [Michael Medline](#) (President and Chief Executive Officer, Empire Company Limited [Empire]).

Germany, the United Kingdom and France, and it was near the American rate. Figure 3 shows the inflation rates for food products in G7 countries.

Figure 3—Consumer Price Index for Food Products in G7 Countries (percentage)



Source: Figure prepared by the Committee using data from the Organisation for Economic Co-operation and Development, [Inflation \(CPI\)](#), Database, accessed 3 April 2023.

Other Ways to Measure Increased Costs and Prices

Witnesses representing food producers and processors highlighted that the increase in prices paid by consumers does not fully reflect higher costs earlier in the supply chain. According to [Martin Caron](#), General President, Union des producteurs agricoles, the CPI has risen at a slower rate than the price of agricultural inputs. He said that, between the first quarter of 2020 and the third quarter of 2022, “[t]hree of the main production inputs, which are animal feed, fertilizer and fuel, have seen price increases of 56%, 84%, and 82% respectively, which is much higher than the consumer price index.”

These increases mean that the price of agricultural commodities used by food processors has gone up. [Sylvie Cloutier](#), Chief Executive Officer, Conseil de la transformation alimentaire du Québec, gave the example of the price of wheat, which jumped repeatedly by 50% between April and November 2021 and then between March and July 2022. [Philip Vanderpol](#), Chair of the Board of Directors, Dairy Processors



Association of Canada, also explained that the 9.5% increase in the cost of dairy products between 2020 and 2022 for consumers was lower than the increase of input costs in the dairy industry. For instance, he said that “the cost of raw milk increased by 10.6%. The cost of energy more than doubled. Packaging and material rose by 24%, while the cost of machinery and labour increased by more than 10%.”

Witnesses highlighted that supply-managed products experienced lower inflation overall. The Dairy Processors Association of Canada compared the overall increase in food prices, which was 27% in the last 10 years, to the increase in dairy prices, which was only 11% over the same period.⁹ [Mr. Caron](#), who sees the supply-management system as a way to keep prices stable, said that the cost of eggs rose less in Canada than in the United States. In his view, this demonstrates that “supply management is an extremely useful tool” to prevent price fluctuations.

In addition to the CPI, other Statistics Canada indicators, such as the Farm Input Price Index or the Industry Product Price Index, provide insight on inflation. However, [Mr. McCann](#) expressed his disappointment that Canada has fewer indicators than the United States, which means that it cannot produce meaningful analysis of food cost structures. He gave the example of the U.S. Department of Agriculture’s [Food Dollar Series](#), which provides a detailed analysis of food product costs, including a breakdown of the proportion of the cost attributable to production, processing, packaging or energy costs. He recommended that Agriculture and Agri-Food Canada or another organization collect similar data and conduct in-depth analyses following the model of the United States, and that the results of these analyses be made public.

Recommendation 1

The Committee recommends that the Government of Canada take the necessary steps to collect and make public data on costs throughout the Canadian agri-food supply chain—including disaggregated data on costs in the primary agriculture, food and beverage processing, and food retail sectors—along the same lines as the information the United States Department of Agriculture’s Economic Research Service makes available in its Food Dollar Series research program.

How Food Inflation Affects Individuals and Communities

Various witnesses who appeared throughout the study said that higher food costs are directly affecting the lives of many Canadians. A number of stakeholders testified that

9 AGRI, *Evidence*, [Philip Vanderpol](#) (Chair of the Board of Directors, Dairy Processors Association of Canada).

food insecurity was on the rise across the country and is of particular concern for low-income households and Indigenous people.

Rising Food Insecurity

[Dr. Jim Stanford](#), Economist and Director, Centre for Future Work, said that the quantity of groceries purchased by Canadians is shrinking, which in his view is “a sign of stress and hunger in Canadian households.” [Michael H. McCain](#), Executive Chair of the Board and Chief Executive Officer, Maple Leaf Foods Inc., cited internal research on food security that found that nearly one-quarter of Canadians are “very concerned about their ability to feed themselves.” Similarly, [Mr. McCann](#) said that more than half of respondents in an Angus Reid study reported that it was difficult to feed their household. For respondents whose income was less than \$25,000 a year, the proportion increased to 71%. The Committee also heard that food banks are seeing an unprecedented influx of clients who are working full time but can no longer afford to put food on the table.¹⁰

[Dr. Rebecca Lee](#), Executive Director, Fruit and Vegetable Growers of Canada, said that the increase in the cost of fruits and vegetables has led many people to consume them less, despite the fact that even before the pandemic close to 80% of Canadians were already not eating the amount of fruits and vegetables recommended by Canada’s Food Guide. [Lori Nikkel](#), Chief Executive Officer, Second Harvest Canada, expanded on this point, adding that poor eating habits can lead to adverse health effects:

[P]oor nutrition is linked to many negative health outcomes, including heart disease, stroke, some cancers and type 2 diabetes, not to mention food insecurity’s impact on mental health and cognitive behaviour. In children, poor nutrition results in lower educational outcomes and problems with physical, emotional and psychological development that will live with them throughout their lives. Not only are rising food costs pushing more Canadians into food insecurity in the short term, but the impact of being unable to access healthy foods will last far longer than the inflationary pressure we face today.

[Chief Byron Louis](#) of the Okanagan Indian Band drew the Committee’s attention to the unique food security situation among First Nations and other Indigenous peoples. According to Statistics Canada, 13.9% of Indigenous people aged 16 and over lived below the poverty line in 2021, a rate nearly double that of the corresponding non-Indigenous population (7.4%).¹¹ Chief Louis explained that while First Nations communities

10 AGRI, *Evidence*, [Neil Hetherington](#) (Chief Executive Officer, Daily Bread Food Bank).

11 Statistics Canada, “[Canadian Income Survey, 2021](#),” *The Daily*, 2 May 2023.



traditionally compensated for their lower incomes by hunting, fishing, and trapping for food, their ability to do so has been limited by what he called “settler colonial policies” and the environmental degradation of wildlife populations. The cumulative effect of these changes, in Chief Louis’ view, has been an erosion of First Nations’ food sovereignty and an increased dependence on market food systems to stay fed.

This increased reliance on external sources of food has led to higher food prices in First Nations communities. The cost of transporting food by air to remote and Northern regions makes retail food significantly more expensive in these areas, further compounding the effect of the food price inflation experienced in urban areas. [Chief Louis](#) shared the experience of purchasing salmon, which were once abundantly present in the wild, in his Yukon First Nation community:

In my own experience of being up in Old Crow, which is the highest community in the Yukon, a small piece of coho salmon...about a single serving was \$26 for that piece. If you have a family of five, do the math. That's well over \$100 just for that one family to put that on the table for food. If you're on a fixed income, think of what that causes and the actual price of hauling it in.

According to the First Nations Food, Nutrition and Environment Study, a survey of food security issues in First Nations communities conducted between 2011 and 2018 by the Assembly of First Nations, the Université de Montréal and the University of Ottawa, nearly half (47.1%) of surveyed First Nations on-reserve households experience food insecurity. This rate is nearly four times higher than the average Canadian prevalence of 12.2%.¹² Food insecurity rates are particularly severe in the three territories, where Statistics Canada reports that 46.8% of Indigenous people over 16 years experienced food insecurity in 2020, compared to 12.6% for non-Indigenous people.¹³

Chief Louis suggested that the government support “[F]irst [N]ations-led initiatives to address food insecurity, including strategies to build [F]irst [N]ations resilience against the impacts of food-price inflation.”¹⁴

12 Malek Batal et al., [“First Nations households living on-reserve experience food insecurity: prevalence and predictors among ninety-two First Nations communities across Canada,”](#) *Canadian Journal of Public Health*, 2021.

13 Statistics Canada, [“Canadian Income Survey: Territorial estimates, 2020,”](#) *The Daily*, 3 November 2022.

14 AGRI, *Evidence*, [Chief Byron Louis](#) (Okanagan Indian Band, Assembly of First Nations).

Recommendation 2

The Committee recommends that the Government of Canada provide additional funding to Indigenous-led initiatives in remote and Northern areas to improve infrastructure that supports the food security of their communities.

[Neil Hetherington](#), Chief Executive Officer, Daily Bread Food Bank, reminded the Committee that Canada has committed itself to ensuring food security for its population by signing the [Universal Declaration of Human Rights](#), which enshrines a “right to a standard of living adequate for the health and well-being of himself and of his family, including food:”

Canada signed article 25 of the United Nations [Declaration of Human Rights] to declare that we subscribe to a right to food. We believe everybody should have the means to feed themselves with culturally appropriate foods that meet the requirements of the individual. We have already subscribed to it. The question is, how do we live up to the commitment we already put our name to?

Facing Food Insecurity

A number of initiatives to address food insecurity in Canada were suggested. Many witnesses said that food insecurity issues were ultimately income issues, and that the government should ensure that measures are in place so “those who cannot make ends meet have the supports from government so that they can [make ends meet]”¹⁵ by means of a “stronger social safety net.”¹⁶

According to [Mr. McCain](#), it is important to find systemic solutions to the root causes of food insecurity, such as issues involving mental health, nutritional literacy and disabilities. [Mr. Hetherington](#) told the Committee that persons with disabilities are living in dire straits, explaining that a person with a disability in Ontario receives \$1,229 per month from the provincial government, while the poverty line is \$2,100. He was pleased that the House of Commons has passed [Bill C-22, the Canada Disability Benefit Act](#), which seeks to provide additional support for working-age persons with disabilities. He also recommended having “a serious conversation about a guaranteed income,” as implementing such a program would help “lift [many people] out of poverty.”¹⁷

15 AGRI, *Evidence*, [Tyler McCann](#) (Canadian Agri-Food Policy Institute).

16 AGRI, *Evidence*, [Michael H. McCain](#) (Executive Chair of the Board and Chief Executive Officer, Maple Leaf Foods Inc.).

17 AGRI, *Evidence*, [Neil Hetherington](#) (Daily Bread Food Bank).



[Pierre Lynch](#), President of the Association Québécoise de défense des droits des personnes retraitées et préretraitées, warned of the precarious situation of vulnerable seniors, particularly those receiving the Guaranteed Income Supplement. This benefit is indexed to the overall level of the CPI, however, the higher inflation of food prices compared to the overall CPI basket leads to an impoverishment of people receiving this benefit, whose share of food in the total budget is more important in the consumption basket of seniors in precarious situations.

Food banks are one of the last lines of defence for Canadians facing food insecurity. [Mr. Hetherington](#) explained that demand for his organization’s services has surged in recent years:

In Toronto, with the food banks that Daily Bread serves, we used to see about 65,000 clients per month. With the pandemic, that number rose to 120,000, and between January 2021 and today, we are now seeing 270,000 client visits per month. That's from 65,000 to 270,000 clients per month. If there's nothing else that you take from my testimony today, I hope you take that startling, horrific number away.

[Ms. Nikkel](#) recommended that the government re-establish the [Surplus Food Rescue Program](#) that provided funding to organizations, such as Second Harvest Canada, to help manage and distribute existing food surpluses to organizations fighting food insecurity, thereby ensuring that these surpluses do not go to waste. She also recommended reinstating the [Emergency Food Security Fund](#), which provided funding to organizations fighting food insecurity. Lastly, Ms. Nikkel also supported eliminating best-before dates as a way to reduce food insecurity and reduce waste:

Best-before dates are wildly misunderstood. They are not expiry dates. They refer to a product’s peak freshness. While Canadians struggle to put food on the table, they are also convinced that best-before dates are about safety and will throw away perfectly good food to protect themselves and their families. Eliminating best-before dates would prevent safe, consumable food from being thrown out and save Canadians money on their grocery bills.

Plastic food and drink packaging is important to ensuring the safety and quality of food products, particularly fresh foods, and helps to prevent edible foods from being lost and wasted as they travel through the supply chain. The federal government has recently moved towards the elimination of single-use plastics, including certain single-use plastic foodservice ware, through [Canada's Zero Plastic Waste Agenda](#) and the [Single-use Plastics Prohibition Regulations](#). Some, however, have expressed concern with the scope of these changes and how they might contribute to food waste. A recent study by the National Zero Waste Council, an initiative of Metro Vancouver that aims to establish a “circular economy” that prevents waste through the reuse and recycling of existing

resources, found that the greenhouse gas emissions resulting from food loss are significantly higher than those associated with packaging materials. Rather than eliminating plastics, the Council encourages greater innovation in the packaging sector to ensure food producers have access to alternative materials.¹⁸

Several witnesses noted that the price of food and beverage packaging supplies, including plastic, has increased significantly in recent months,¹⁹ but that alternatives to these materials are not yet widely available. [Oliver Bourbeau](#), Vice-President, Federal and Quebec, Restaurants Canada, called on the federal government to extend its timeline for the elimination of single-use plastics and to work closely with packaging suppliers to ensure that alternative materials would be available “in the needed quantities, on time, and at a reasonable price.”

Recommendation 3

The Committee recommends that the Government of Canada, in cooperation with the provinces and territories, address food waste by:

- **investigating how the elimination of “best-before” dates on foods would impact Canadians;**
- **partnering with non-profit organizations and large food retailers to develop programs to divert food that would otherwise be wasted to Canadians experiencing food insecurity; and**
- **ensuring its plastic reduction requirements are attainable by extending the implementation timeline for a single-use plastics ban and working with retailers to ensure that commercially viable alternatives to plastics, in particular for packaging designed to extend the shelf-life of food and limit food waste, will be available in the needed quantities.**

Drivers of Inflation

Witnesses from the primary production and processing sectors highlighted several factors that have caused their production costs to increase over the past three years.

18 National Zero Waste Council, [Less Food Loss and Waste, Less Packaging Waste](#), 2020, p. 87.

19 AGRI, *Evidence*, [Michael Graydon](#) (Chief Executive Officer, Food, Health & Consumer Products of Canada), [Karl Littler](#) (Senior Vice-President, Public Affairs, Retail Council of Canada), [Sylvie Cloutier](#) (Chief Executive Officer, Conseil de la transformation alimentaire du Québec), [Philip Vanderpol](#) (Dairy Processors Association of Canada), and [Sébastien Léveillé](#) (Chief Executive Officer, Nutri Group).



Many of these factors—notably international supply chain disruptions and global price fluctuations in inputs such as feed, fuel, and fertilizer—are worldwide phenomena. Others, such as labour shortages and extreme weather events, are present to varying extents in many countries but manifest themselves differently in each case. Witnesses identified a number of these pressures and suggested ways the Government of Canada could address their impacts on Canada’s food system.

Increased Input Costs

Many witnesses mentioned the higher cost of inputs involved in food production, including pesticides, animal feed, fuel, and fertilizer.²⁰

As the committee has previously noted, international fertilizer prices began to increase in 2021 due to several factors, including decreased production capacity during the COVID-19 pandemic and Chinese trade restrictions on fertilizer exports. The Food and Agriculture Organization of the United Nations reports that the spot price for Black Sea Urea, an international benchmark for nitrogen fertilizer prices, increased from US\$245/tonne in November 2020 to US\$901/tonne in November 2021.²¹

Russia’s invasion of Ukraine in February 2022 caused further disruptions to the global supply of fertilizer and international food prices. [Karl Littler](#), Senior Vice-President of Public Affairs, Retail Council of Canada, gave the following explanation:

The single biggest identifiable villain is Putin’s invasion, striking at the grain and fertilizer exports of two of the world’s largest producers—Ukraine and Russia—and driving up global prices for these commodities. Grain is critical for staples like bread, pasta, cereals and oils and for the majority of products in the core aisles of grocery stores. Of course, grain also serves as feed for most animals raised for meat or for producing eggs and dairy.

In the aftermath of the invasion, on 2 March 2022, Canada issued a most-favoured-nation tariff withdrawal order for Russia and Belarus, applying a 35% tariff rate on imports from these countries.²² This decision drove up the cost of fertilizer in regions

20 AGRI, *Evidence*, [Mary Robinson](#) (President, Canadian Federation of Agriculture), [Martin Caron](#) (General President, Union des producteurs agricoles), [James Donaldson](#) (Chief Executive Officer, BC Food and Beverage, Food and Beverage Canada), [Ian Boxall](#) (President, Agricultural Producers Association of Saskatchewan), and [Denise Allen](#) (President and Chief Executive Officer, Food Producers of Canada).

21 Food and Agricultural Organization of the United Nations, [The global fertilizer market: taking stock of a tightening market situation](#), 2022.

22 Government of Canada, [“Canada cuts Russia and Belarus from Most-Favoured-Nation Tariff treatment,” News release](#), 3 March 2022.

that depend on Russian and Belarusian imports, particularly in the provinces east of Manitoba. [Dr. Sylvain Charlebois](#), Director of the Agri-Food Analytics Lab and a professor at Dalhousie University, said that he understands “the geopolitical reasoning for the decision,” but that penalizing “producers this way may compromise our food security, not just in Canada but also elsewhere in the world.”

[Mary Robinson](#), President, Canadian Federation of Agriculture, noted that farmers have no lower-cost alternatives to fertilizer, causing farmers to have to make “tough decisions” about whether to make long-term investments in their operations that would make them more efficient and environmentally sustainable. Ms. Robinson believes that the tariff income collected by Canada on Russian fertilizer imports should be redirected to farmers through “programming that helps to alleviate some of the impacts of rising costs,” such as fertilizer and fuel costs. In its 2023 budget, the federal government announced that it would contribute \$34.1 million—the amount it reports collecting through the fertilizer tariff—over three years towards its On-Farm Climate Action Fund to help farmers in Ontario, Quebec, and Atlantic Canada adopt nitrogen management practices that will reduce their need for fertilizer.²³

Recommendation 4

The Committee recommends that the Government of Canada directly reimburse farmers and retailers who have paid a 35% tariff on their imports of Russian fertilizer since 2 March 2022 and that it discontinue this tariff going forward.

To support producers facing rising input costs, the government decided on 23 June 2022 to increase the interest-free portion of the Advance Payments Program from \$100,000 to \$250,000 for the years 2022 and 2023.²⁴ On 10 May 2023, the Minister of Agriculture and Agri-Food announced a further increase to \$350,000 for the 2023 program year.²⁵ Under this program, producers can obtain interest-free advances based on the value of their upcoming production or stored agricultural products, providing them with cash flow while they sell their production.²⁶ Representatives of the Canadian Federation of Agriculture and the Union des producteurs agricoles welcomed the increase in the interest-free portion of the program. However, they called on the government to extend

23 Government of Canada, [Budget 2023: A Made-In-Canada Plan: Affordable Energy, Good Jobs, and a Growing Clean Economy](#), page 113.

24 Government of Canada, [“Government of Canada announces interest relief for agriculture producers,” News release](#), 23 June 2022.

25 Government of Canada, [Advance Payments Program: Step 1. What this program offers.](#)

26 Ibid.



this measure over time so that farmers can maintain this easier access to cash flow through this period of high inflation.²⁷

Recommendation 5

The Committee recommends that the Government of Canada support agricultural producers and others in the agri-food industry to mitigate their costs and ensure they have sufficient cash flow during this period of high inflation by:

- **ensuring companies have access to short-term, low-cost credit; and**
- **maintaining the increased threshold for interest-free payments under the Advance Payments Program.**

Supply Chain Disruptions

Global food supply chains have experienced an unprecedented number of disruptions in recent years and this issue was the subject of a recent [report](#) by the Committee.

[Ms. Cloutier](#) recalled some of the irritants that have affected the supply chain in Canada and its link to rising prices:

COVID-19 pandemic confinement, the 2020 railway blockades, strikes at the Port of Montreal in 2020 and 2021 and the closing of the Ambassador Bridge in February 2022 made logistics and transportation more complex, whether by ship, truck or train, and led to inflated prices.

The government established a [Supply Chain Task Force](#) in January 2022 to analyze these disruptions. The task force issued its final report on 6 October 2022, and recommended actions to address short- and long-term challenges affecting the fluidity of the chain. Many witnesses recommended implementing the task force's recommendations to reduce inflationary pressures related to logistics and transportation costs.²⁸ In addition, [Dr. Lee](#) highlighted the importance of taking up the group's recommendation to establish a "federal supply chain office to reunify relevant federal government activities."

27 AGRI, *Evidence*, [Scott Ross](#) (Executive Director, Canadian Federation of Agriculture), and [David Tougas](#) (Coordinator, Business Economics, Union des producteurs agricoles).

28 AGRI, *Evidence*, [Pierre St-Laurent](#) (Chief Operation Officer, Empire Company Limited [Empire]), and [Michael Graydon](#) (Food, Health & Consumer Products of Canada).

Recommendation 6

The Committee recommends that the Government of Canada, in cooperation with the provinces and territories, expedite the implementation of the National Supply Chain Task Force’s recommendations, particularly those that address issues in the agri-food supply chain, including:

- investing in critical transportation infrastructure;
- supporting supply chain digitization;
- addressing chronic labour shortages in the transportation supply chain; and
- establishing a Supply Chain Office, as outlined in Budget 2023, to facilitate a whole-of-government approach to these matters.

Increase in Extreme Weather Events

The increase in the number of extreme weather events attributable to climate change has also affected the stability of supply chains, both globally and domestically. The representative for the Retail Council of Canada explained that recent droughts and heat waves in California and Western Canada have directly affected “the fresh produce section but also canned, frozen and preserved vegetables and fruits, sauces, juices and anything in which these are ingredients.”²⁹ Beyond natural disasters, climate change also means that more pests are making their way north, as [Patrice Léger Bourgoïn](#), General Manager, Quebec Produce Growers Association, explained:

[W]e can no longer talk about climate change as though it’s in the future, because it’s happening now. Vegetable growers are living it every single day. This past summer, entire crops were ruined in Quebec because of invasions of aphids from the U.S., hurting supply chain resilience. A national climate change strategy must be implemented now.

Labour Availability

Stakeholders all along the supply chain pointed to labour availability as a major irritant that leads to food inflation. [Michael Graydon](#), Chief Executive Officer, Food, Health and Consumer Products of Canada, explained that food manufacturers reporting labour

29 AGRI, *Evidence*, [Karl Littler](#) (Senior Vice-President, Public Affairs, Retail Council of Canada).



shortages in their manufacturing plants are further impacted by the labour shortage in the trucking industry, which they depend on for both receiving supplies and bringing their products to market. According to [Mr. Bourbeau](#), “labour costs have increased by 20%” for restaurant owners because of labour shortages. [Mr. McCann](#) outlined how labour shortages affect consumer prices:

[T]he more ingredients in a product, the smaller the farmer’s share is and the more that consumer’s dollar goes to labour costs. Therefore, the more complex a product is, the more likely it will have costs driven up by something like the increasing cost of labour.

Witnesses put forward a number of suggested solutions. Although witnesses agreed that the Temporary Foreign Worker Program was crucial for the sector as a whole, [Dimitri Fraeys](#), Vice-President of Innovation and Economic Affairs, Conseil de la transformation alimentaire du Québec, said that processing delays at Immigration, Refugees and Citizenship Canada need to be reduced, by simplifying the process and using digital technology. According to the Fruit and Vegetable Growers of Canada, it would be beneficial to implement a simplified verification process for employers who have a history of respecting the terms of the program through a “recognized employer program.”³⁰ Restaurants Canada suggested reviewing how the National Occupation Classification is used to limit work permits to certain activities. In its view, these requirements prevent restaurant owners from training their employees to work in other roles within their company.³¹ Restaurants Canada is also in favour of more flexibility for closed work permits, so that restaurants with multiple locations have the option “of moving employees from one restaurant to another.”³²

Recommendation 7

The Committee recommends that the Government of Canada reduce timelines, paperwork, and costs associated with the Temporary Foreign Worker Program by expediting the implementation of the Trusted Employer model that it first proposed in Budget 2022.

However, according to [Pierre St-Laurent](#), Chief Operating Officer, Empire Company Limited, the labour issue cannot be analyzed solely through the lens of immigration. He explained that it is important to improve productivity, “both for farmers and processors and for [retailers].” Echoing his comment, [James Donaldson](#), Chief Executive Officer, BC Food and Beverage, recommended granting funding for technology and automation for

30 AGRI, *Evidence*, [Dr. Rebecca Lee](#) (Executive Director, Fruit and Vegetable Growers of Canada).

31 AGRI, *Evidence*, [Olivier Bourbeau](#) (Vice-President, Federal and Quebec, Restaurants Canada).

32 AGRI, *Evidence*, [Olivier Bourbeau](#) (Restaurants Canada).

food and beverage manufacturers to ensure that the industry is able “to control costs, to mitigate labour risk and to scale and grow.” In particular, he called on the government to rethink the way innovation funding is provided to better meet the needs of the agriculture and agri-food sector:

Most of the innovation and technology grants provided by government are not applicable to food and beverage companies. We need to revisit a broader definition of “innovation” to allow our industry better access to grant funding and dedicated funding programs for the food and beverage sector.

Recommendation 8

The Committee recommends that the Government of Canada encourage innovation in the agriculture and agri-food sector by:

- **launching an incentive and support program for technological innovation and automation, particularly for small and medium-sized firms; and**
- **devoting specific funding through the Department of Innovation, Science, and Economic Development’s Strategic Innovation Fund to controlled-environment agriculture initiatives, such as those in the greenhouse sector.**

Taxation

Witnesses shared with the Committee their views on the role that taxation plays in times of inflation.

According to some witnesses, the government should reduce taxation to limit the financial burden on businesses in the sector. For example, [Mr. Bourbeau](#) called for the federal government to “step back on the alcohol excise tax escalator,” which was scheduled at the time of his testimony to increase by 6.3%. Under the *Excise Act* and the *Excise Act, 2001*, alcohol excise duties are automatically indexed to total Consumer Price Inflation at the beginning of each financial year. In its most recent budget, however, the government announced that it would cap the inflation adjustment for excise duties on beer, spirits, and wine at two per cent, for one year only, as of 1 April 2023. Mr. Bourbeau also called for the government to “lower the federal small business tax rate from nine per cent to eight per cent.” According to him, these measures are necessary to overcome the difficulties facing the restaurant sector.



The carbon pollution pricing system also generates additional costs that contribute to inflation according to several witnesses.³³ In particular, [Franco Terrazzano](#), Federal Director of the Canadian Taxpayers Federation cited an estimate by the Parliamentary Budget Officer stating that the federal fuel charge on propane and natural gas coup represent a cost of up to one billion dollars for farmers by 2030. [Ian Boxall](#), president of the Agricultural Producers Association of Saskatchewan, explained more broadly the way the federal fuel charge affects Saskatchewan’s producers:

It’s a cost that comes right off our bottom line. We’ve seen it go up every April 1 for the last number of years, and we have no control over passing that cost along or anything. Yes, we can track it. The numbers show that we’re somewhere between \$14,000 and \$25,000 in carbon tax for an average farm in Saskatchewan. That’s only on the stuff that we can track. We know for a fact that anything that’s brought in by rail or by truck has a carbon tax.

While not taking a position for or against the carbon pollution pricing system, [Dr. Charlebois](#) nevertheless called on the government to study its impact on “food affordability over the long term.”

Corporate Profits

Despite the range of inflationary pressures discussed above, some large firms in certain sectors have reported record earnings, leading some to question whether firms may be contributing to inflation by driving up prices. The Committee heard from several economists on this topic, but their opinions varied. Some see these recent profits as a sign that large firms in key industries are taking advantage of a lack of competition to extract excess profits from consumers. Others reject this view and see these fluctuations as evidence that firms are merely trying to ensure stable profit margins in a time of economic uncertainty.

Financial Performance of the Grocery Retail Sector

Grocery chains claimed that their retail prices reflected increased costs for basic ingredients, packaging, transport, and other inputs. They rejected claims that they were taking advantage of public perceptions of inflation and supply chain difficulties to artificially inflate their prices.

33 [AGRI, Evidence, Ian Boxall](#) (President, Agricultural Producers Association of Saskatchewan), and [Franco Terrazzano](#) (Federal Director, Canadian Taxpayers Federation).

[Mr. Littler](#) explained that the grocery sector is a high-volume, low-margin business and that large food retailers tend to have modest but stable profit margins of between 2 and 4%. One firm equated its 4% profit margin to, on average, \$1 of profit on a \$25 grocery purchase.³⁴ This analogy, however, somewhat obscures the fact that different grocery products have different profit margins and that supermarkets have diversified their offerings beyond food to include higher-margin items such as health and beauty products and apparel.

Loblaw attributed improvement in its post-pandemic financial performance to increased sales for cosmetics and over-the-counter pharmaceuticals, both of which, it explained, have higher profit margins than food.³⁵ [Galen G. Weston](#), Chairman and President, Loblaw Companies Limited, claimed that the chain sold certain food staples, such as milk, vegetable oil, butter, and certain cheeses, at a loss to remain competitive. Metro similarly cited strong sales in its pharmacy division as the primary driver of its recent profits, explaining that higher margins in this sales sector allowed it to absorb tighter margins in its food sales.³⁶

Canada's three largest grocery chains pointed to their quarterly investment reports to support their claims that their overall profit margins have not changed significantly over the past four years. While the publicly traded companies that operate these chains publish quarterly audited public reports to conform with provincial securities regulations, these documents are primarily intended to provide financial information to shareholders and other investors, and do not generally volunteer information on these firms' food sales. As a representative from Loblaw explained,³⁷ the chain provides qualitative, but not quantitative, analysis of food sales in its [quarterly investment reports](#), describing them in broad terms such as "modest"³⁸ or "flat."³⁹

[Dr. Charlebois](#) explained that his organization had studied grocery chain profits using data from these investment reports over the past five years and "failed to see any evidence of profiteering on all accounts." The report published in conjunction with this study acknowledges, however, that the way the large chains report their food sales makes it difficult to offer any firm conclusions on the role that food margins play in their

34 AGRI, *Evidence*, [Galen G. Weston](#) (Loblaw).

35 AGRI, *Evidence*, [Jodat Hussain](#) (Loblaw).

36 AGRI, *Evidence*, [François Thibault](#) (Metro).

37 AGRI, *Evidence*, [Jodat Hussain](#) (Loblaw).

38 Loblaw Companies Limited, [2022 First Quarter Report](#), p. 9.

39 Loblaw Companies Limited, [2021 Third Quarter Report](#), p. 10.



overall financial performance. It notes, for example, that Loblaw combines its food, health, beauty, apparel, and other general merchandise sales into a single category, making it impossible to determine the role that food sales alone have played in its recent quarterly profits.⁴⁰

In response to the relative lack of public data for these firms, some have sought to analyze industry-wide trends using [Statistics Canada datasets](#) that aggregate income statement information for the food and beverage retail sector. [Dr. Stanford](#) told the Committee that his analysis of this data found that the sector's net income had risen in the last four quarters by 120% compared to 2019, despite overall supermarket sales volumes declining over that period. This data, however, includes sales for a wide variety of retailers that are included in the North American Industry Classification System (NAICS) [code 445 \(food and beverage stores\)](#), including grocery stores, but also specialty food retailers, such as butchers and fresh fruit and vegetable markets, and liquor stores.

Corporate Profits in Sectors Serving the Agri-Food Supply Chain

[Dr. Stanford](#) explained that his analysis of Statistics Canada data on corporate profits found that 15 “strategic sectors” in the Canadian economy, including oil and gas, banking, food and beverage retail, and food and beverage manufacturing, reported a \$142.9 billion increase in their annual net income since 2019, while aggregate profits in 37 other sectors declined over the same period.

[Dr. D.T. Cochrane](#), Economist and Policy Researcher, Canadians for Tax Fairness, explained his view of this phenomenon:

[T]he profit margin of Canadian corporations jumped significantly in 2021. From an average pre-tax margin of 9% over the previous two decades, the margin reached almost 16% in 2021. Preliminary data for 2022 suggests that profit margins remained elevated. Corporations are not just passing along higher costs. Many are taking advantage of turmoil throughout the global economy to boost profit margins... The question of who gets to pass along higher costs, who has to absorb higher costs, and who gets to pass along more than higher costs is one of power and redistribution. Currently, some of Canada's biggest corporations have a lot of pricing power. Unsurprisingly, they are taking advantage of it, to the detriment of Canadians.

[James Brander](#), Professor, University of British Columbia, appearing as an individual, acknowledged that some firms, including large grocery chains, may have experienced a

40 Samantha Taylor and Sylvain Charlebois, [Canadian Grocers: Measuring “Greed” in the Era of Consumer Distrust](#), 2022.

temporary spike in profits, but explained that, in his view, these fluctuations are to be expected in a free market:

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

Some witnesses suggested that taxation can play an important role in the current inflationary environment as a tool to help regulate large companies in certain sectors that, in their view, are setting retail prices that exceed their production costs. They called on the government to address the record profits of certain sectors of the economy that benefit greatly from inflation because of their ability to set prices, including the oil and gas extraction industry, refining, real estate, and the banking sector.⁴¹ Several witnesses highlighted the importance of energy, including oil and gas, as essential inputs throughout the food supply chain and explained that they have been a significant contributor to increased costs and prices.⁴²

For [Mr. McCain](#), it is also necessary for the government to make efforts to concentrate on what he called “fiscal discipline to restrain overall inflation.” [Mr. McCain](#) acknowledged, however, that inflation was a worldwide problem and that financial approaches to it need to be taken “in the context of global economies.”

Recommendation 9

The Committee recommends that, if the Competition Bureau finds evidence in its upcoming market study that large grocery chains are generating excess profits on food items, the Government of Canada should consider introducing a windfall profits tax on large, price-setting corporations to disincentivize excess hikes in their profit margins for these items.

41 AGRI, *Evidence*, [David Macdonald](#) (Senior Economist, Canadian Centre for Policy Alternatives), and [Dr. D.T. Cochrane](#) (Economist and Policy Researcher, Canadians for Tax Fairness).

42 AGRI, *Evidence*, [Dr. Jim Stanford](#) (Economist and Director, Centre for Future Work), [Dr. D.T. Cochrane](#) (Canadians for Tax Fairness), and [David Macdonald](#) (Senior Economist, Canadian Centre for Policy Alternatives).



RELATIONS AND COMPETITION IN THE FOOD SUPPLY CHAIN

Relations in the Supply Chain

Witnesses from the primary production sector explained that the cost of essential inputs, such as fuel and fertilizer, are at historically high levels, but that the commodity market prices they receive for their products at the farm gate have not risen accordingly.⁴³ This price gap has forced some producers to absorb recent cost increases rather than pass them along the supply chain. Statistics Canada notes that, despite strong performances in certain sectors, most Canadian farms are expected to experience declines in their Average Net Operating Income because of higher expenses.⁴⁴

Food and beverage manufacturers, most of whom are small and medium-sized enterprises with fewer than 100 employees,⁴⁵ similarly reported higher operational expenses and an inability to pass along these costs to their increasingly cost-conscious customers, most notably large grocery retailers. While one witness explained that some large, multinational food manufacturers, such as PepsiCo and the Kraft Heinz Company, have stable profit margins of between 11 and 14%,⁴⁶ the Committee learned that these margins were not typical for most processors, many of whom had seen their profit margins significantly decline in recent months.⁴⁷

Supplier-Retailer Price Negotiations

Farmers, wholesalers, and food manufacturers who sell directly to food retailers explained that they are required to negotiate with these retailers well in advance of delivery, often making it difficult for them to adjust to sudden shocks, such as recent inflationary pressures or extreme weather events. [Catherine Lefebvre](#), President, Quebec Produce Growers Association, outlined the process by which retailers determine prices for fresh produce:

43 AGRI, *Evidence*, [Catherine Lefebvre](#) (President, Quebec Produce Growers Association), [Dr. Rebecca Lee](#) (Fruit and Vegetable Growers of Canada), and [Martin Caron](#) (General President, Union des producteurs agricoles).

44 Statistics Canada, *Farm Income Forecast results for 2022 and 2023*.

45 Agriculture and Agri-Food Canada, *Overview of the food and beverage processing industry*.

46 AGRI, *Evidence*, [Karl Littler](#) (Retail Council of Canada).

47 AGRI, *Evidence*, [James Donaldson](#) (Chief Executive Officer, BC Food and Beverage, Food and Beverage Canada).

[T]he price is negotiated well in advance... The grocery store negotiates with two or three suppliers at the same time for the same product. Whatever the price is...determined to be, the lowest bidder gets the order. In order to get part of the order, the highest bidder has to match the lowest bidder's price. Otherwise, the whole order goes to the lowest bidder. Nevertheless, production is based on an initial agreement approved by both parties, the grower and the supermarket chain. If the grocery chain asks the growers to produce 10,000 cases of lettuce a week, say, but ends up taking only 2,000, what do we do with the other 8,000 cases? It's better to sell them at a discount than to leave the crop in the field and throw it out. I wouldn't call it a two-way negotiation. The most powerful side or the lowest bidder comes out on top.

[Mr. Léger Bourgoïn](#) explained that produce farmers also competed on price with international producers, whose regulations are not always as stringent as Canadian ones:

In previous years, when the grocery stores received Quebec-grown fresh asparagus, they promoted Quebec produce. This year, they put Quebec-grown asparagus in competition with asparagus grown in Latin America. The sheer economics make it impossible for Quebec growers to compete with growers in Latin American countries and their production costs, because we have to abide by environmental rules and labour laws.

Recommendation 10

The Committee recommends that the Government of Canada ensure that the reciprocity of standards is respected for imported products, increase inspections to ensure compliance, and require that foreign products meet the same quality standards as domestic products for both environmental standards and labour standards.

Suppliers explained to the Committee that they have asked supermarket chains to increase their products' retail prices to better reflect market conditions. They noted, however, that the cost adjustment process can be a long and cumbersome one.⁴⁸ Some reported that they found it difficult to reach retailers to discuss business matters.⁴⁹

Representatives from Canada's three largest grocery companies (Loblaw Inc., Empire Inc., which operates the Sobeys and Safeway chains, and Metro Inc.) each explained that they have received a significant number of requests from suppliers to adjust the retail prices of their goods. [Mr. Hussain](#) explained, for example, that the number of supplier cost requests Loblaw has received has "skyrocketed" over the past

48 AGRI, *Evidence*, [Dr. Sylvain Charlebois](#) (Director, Agri-Food Analytics and Professor, Dalhousie University, Agri-Food Analytics Lab), [Patrice Léger Bourgoïn](#) (General Manager, Quebec Produce Growers Association), and [Denise Allen](#) (President and Chief Executive Officer, Food Producers of Canada).

49 AGRI, *Evidence*, [James Donaldson](#), (Food and Beverage Canada).



three years and reached “unprecedented levels” in 2022. Mr. Hussain explained that his firm evaluated these requests based on market conditions and approved them where it felt they were justified, but also refused them when it concluded that they were not.

As an example of the latter approach, Mr. Hussain cited Loblaw’s 2022 dispute with the snack food producer Frito-Lay. He claimed that the chain refused to accept what it felt to be unjustified price increases for the manufacturer’s products and, as a result, was denied shipments of these goods for several months.

Representatives from the food manufacturing sector noted that retailers refuse to even consider adjustments during so-called “black out periods” during which they impose unilateral price freezes.⁵⁰ [François Thibault](#), Executive Vice-President, Chief Financial Officer and Treasurer, Metro Inc., for example, explained that Metro notifies its suppliers that it will not consider any cost increase requests submitted during the period running up to Christmas.

In its 2021 report, the [Federal-Provincial-Territorial Working Group on Retail Fees](#) acknowledges the “black out” phenomenon among grocery retailers:

Food retailers will unilaterally impose a price freeze (mandatory ‘black out’ periods) during which suppliers are forbidden from requesting price increases. These usually coincide with holiday periods (for example, from September to January). If suppliers face a price increase on ingredients during that period, they have to postpone raising their price, and in some instances, they have to provide the retailer twelve weeks’ advance notice. If the retailer accepts the new price, the increase is valid from date of acceptance and is not backdated to the date of initial notification.

Several witnesses highlighted the power imbalance between small suppliers, who number in the thousands, and the large grocery chains, each of which enjoys a significant market share.⁵¹ One witness also noted the difficulty that many small producers and firms have in negotiating contracts with large national firms and called for tools and resources that would make them more aware of their rights during the negotiation process and how different contractual conditions could affect their operations.⁵²

50 AGRI, *Evidence*, [James Donaldson](#) (Food and Beverage Canada), and [Denise Allen](#) (Food Producers of Canada).

51 AGRI, *Evidence*, [James Donaldson](#) (Food and Beverage Canada), and [Patrice Léger Bourgoin](#) (Quebec Produce Growers Association).

52 AGRI, *Evidence*, [Scott Ross](#) (CFA).

Suppliers and other observers also noted that there was an information asymmetry in the supply chain when negotiating with retailers. Several groups, particularly at the primary production level, explained that there is not enough public data in Canada for them to understand how prices are formed as raw ingredients pass through the supply chain. They cited government initiatives in other countries, including France's *Observatoire de la formation des prix et des marges des produits alimentaires*, that make this type of data publicly available and more transparent to producers, processors, and consumers and encouraged the federal government to collect and make similar data available in Canada.⁵³

As the *Federal-Provincial-Territorial Working Group on Retail Fees* mentions, some suppliers consider retailer requests for information, including the breakdown of input costs, to constitute a conflict of interest as it provides those retailers with a competitive advantage in producing their own private label products. Several witnesses from the retail sector explained to the Committee that they have increased their offerings of their own private label food products in recent years to respond to increased customer demand for lower-priced alternatives to name-brand goods.⁵⁴ *Mr. Donaldson* acknowledged that many processing firms face "difficult choices" over private-label products:

It has been interesting that we've seen a real shift with retailers. We're seeing an ever-growing presence of private label products on their store shelves. It's becoming a strategic priority for those retailers. That's actually creating less shelf space for the branded products that our members represent. On one hand, it's helpful for them, and a lot of our members do play in that arena. On the other hand, we're concerned about the impact over the long term on branded products that are going to be on shelves. We know a lot of people that provide private label and the retailer won't carry their branded product because they are making their private labels.

Mr. Donaldson also explained that grocery retailers often do not honour the payment terms of their contracts, disproportionately burdening small processing firms who must pay suppliers immediately for their inputs but frequently wait well beyond contractual periods for payments from retailers:

53 AGRI, *Evidence*, *Tyler McCann* (Canadian Agri-Food Policy Institute), *Sylvie Cloutier* (Conseil de la transformation alimentaire du Québec), *Martin Caron* (Union des producteurs agricoles), and *Mary Robinson* (President, Canadian Federation of Agriculture).

54 AGRI, *Evidence*, *Pierre St-Laurent* (Empire), *Mr. François Thibault* (Metro), and *Paul Cope* (Senior Vice-President, Retail Operations, Save-On-Foods LP).



If you're a small business and you have an agreement for net 15 days to get paid, it can take 60 to 90 days. A large retailer can hold back on that money. They are making millions of dollars on interest, but that's the risk small businesses have.

Retail Fees

At every stage of their business transactions, grocery retailers impose a wide variety of fees on suppliers. Suppliers are obliged to pay retailers for shelf space and in-store merchandising costs.⁵⁵ Other fees are punitive in nature and apply to product shipments that are late or "short" (less than the negotiated quantity). Some chains also operate "price-matching" schemes that allow consumers to pay a competitor's discounted price on a product but require the manufacturer to pay the difference to the retailer. Other charges are designed to help retailers recoup the costs associated with the capital expansion of their operations, such as redesigning their stores or developing e-commerce platforms.⁵⁶

Grocery retailers defended these fees, explaining that they are transparent, negotiated with vendors during the contract process and, particularly in the case of price matching fees, help to keep consumer food prices low.⁵⁷

Suppliers complain, however, that retailers often charge these fees in an unclear and unpredictable manner. [Scott Ross](#), Executive Director, Canadian Federation of Agriculture, for example, explained that some farmers who are members of his organization find that retailers often apply these fees arbitrarily and without explanation:

[O]ne of the frustrations we hear time and again is that farmers don't understand what is behind the calculations that are being levied against them in deductions. There are not necessarily itemized lines of what those deductions even are in the first place. There's a fundamental lack of transparency that we hear time and again from farmers.

[Mr. Donaldson](#) explained that Canadian food manufacturers doing business in the United States do not face these fees and mandatory contributions, whereas at home they often face unpredictable retail fees, sometimes relating to shipments delivered well in the past:

55 AGRI, *Evidence*, [Dr. Sylvain Charlebois](#) (Dalhousie University, Agri-Food Analytics Lab).

56 See "Annex A: Grocery retailer fees in the food and beverage processing industry" in Government of Canada, [Findings of the Federal-Provincial-Territorial \(FPT\) Working Group on Retail Fees, July 2021](#).

57 AGRI, *Evidence*, [Jodat Hussain](#) (Loblaws), [Galen G. Weston](#) (Loblaws), [Eric La Flèche](#) (Metro), and [Gonzalo Gebara](#) (President and Chief Executive Officer, Wal-Mart Canada Corp. [Wal-Mart Canada]).

U.S. retailers are not giving them all the program spends and feeds and fines and retroactive payment adjustments. Here they can be [expecting] a cheque and they have \$50,000 or \$60,000 taken off for some retroactive adjustment from two or three years ago. It's impossible to even account for those and plan for them.

Witnesses from the production and processing sectors were nearly unanimous in calling for greater balance in the supplier-retailer relationship, with several representatives highlighting the need for firms to have greater “contractual certainty” in their dealings with retailers.⁵⁸ The Committee also learned that some retailers have taken a different approach to these issues. Costco, for example, explained that it has developed an internal code of ethics that emphasizes working in partnership with vendors to resolve disputes rather than unilaterally imposing fees.⁵⁹

Development and Implementation of a Code of Conduct for the Grocery Sector

One solution to provide a greater sense of balance between supply chain participants is a code of conduct that provides a transparent, standardized framework for issues such as retail fees, price increases, and cost negotiations. Such codes are currently in force in [Australia](#) and the [United Kingdom](#). In April 2021, this Committee, noting concerns raised by Canadian producers and processors, called on the Government of Canada to “support the provinces with the implementation of a grocery code of conduct and participate in collaboration with the provinces to its development in line with their jurisdiction and the Competition Bureau’s guidelines.”⁶⁰

In November 2020, the Federal, Provincial and Territorial Ministers of Agriculture (FPT Ministers) announced the creation of a working group composed of sector representatives and industry experts to study the fees that grocery retailers charge suppliers and to make recommendations on how to create balance in the grocer-supplier relationship.⁶¹ In July 2021, the Federal-Provincial-Territorial Working Group on Retail

58 AGRI, *Evidence*, [Scott Ross](#) (CFA), [Mathieu Frigon](#) (President and Chief Executive Officer, Dairy Processors Association of Canada), and [Denise Allen](#) (President and Chief Executive Officer, Food Producers of Canada).

59 AGRI, *Evidence*, [Pierre Riel](#) (Executive Vice President and Chief Operating Officer, Costco Wholesale International and Canada [Costco Canada]).

60 AGRI, *Room to Grow: Strengthening Food Processing Capacity in Canada for Food Security and Exports*, Fourth report, April 2021, p. 39.

61 Agriculture and Agri-Food Canada, “[Canada’s Ministers of Agriculture focus on important support measures for farmers and processors at their annual conference](#),” *News release*, 27 November 2020.



Fees published a report detailing its findings and recommending the appointment of an Industry Steering Committee to develop a formal Grocery Industry Code of Conduct.

The steering committee, composed of 10 members representing retailers and food producers, has been negotiating the terms of this Code over the past two years. According to its July 2022 progress report delivered to the FPT Ministers, the steering committee had difficulty reaching a consensus on several areas under the Code, including the cost/price increase process; price-matching deductions; and payments, deductions, fines, and fees.⁶²

In January 2023, Agriculture and Agri-Food Canada published a [news release](#) announcing that “substantial progress” had been made in the Code’s development and that industry and the FPT Ministers would begin working towards its implementation. The news release encourages agri-food organizations to participate in the Code’s consultation process to ensure it will have “widespread voluntary adoption” throughout the industry. Two witnesses appearing before the Committee explained that they had received a draft copy of the Code of Conduct and were reviewing it to determine whether they would participate;⁶³ another witness explained that the Steering Committee had set a tentative date of 20 January 2024 for the Code’s implementation.⁶⁴

Several witnesses stressed the need for the Code to be “mandatory and enforceable.”⁶⁵ In their view, a voluntary code would allow chains who choose not to participate to undermine its overall effectiveness. Similarly, they hold that a code that does not compel participants to comply, but merely provides broad guidelines for business transactions, would not be able to resolve the underlying issues the Code was intended to address, notably the power imbalance between small suppliers and large chains.

The two codes of conduct mentioned earlier have taken different approaches to these matters. Australia, which like Canada is a federation of states who have primary jurisdiction over commercial dealings, chose to make its Food and Grocery Code of Conduct voluntary. The United Kingdom, however, chose to make its Grocery Supply

62 Grocery Industry Code of Conduct Steering Committee, [Grocery Code of Conduct Progress Report / July 2022](#), p. 5.

63 AGRI, *Evidence*, [Gonzalo Gebara](#) (Wal-Mart Canada) and [Pierre Riel](#) (Costco Canada).

64 AGRI, *Evidence*, [Denise Allen](#) (Food Producers of Canada).

65 AGRI, *Evidence*, [Michael Graydon](#) (Food, Health & Consumer Products of Canada), [Pierre St-Laurent](#) (Empire), [Scott Ross](#) (CFA), [Martin Caron](#) (Union des producteurs agricoles), and [Mathieu Frigon](#) (President and Chief Executive Officer, Dairy Processors Association of Canada).

Code of Practice [legislated](#), mandatory for retailers with grocery sales of more than £1 billion, and enforced by the [Groceries Code Adjudicator](#), an independent regulator.

Recommendation 11

The Committee recommends that the Government of Canada work with the provinces and territories—in partnership with stakeholders from agriculture and the food industry—to implement a mandatory and enforceable grocery code of conduct that covers food and other essential products on grocery store shelves and that it encourage the food industry to review this code one year after it comes into force.

Consumers

Consumer advocacy groups expressed concern over the impact a code may have on consumers. [John Lawford](#), Executive Director and General Counsel, Public Interest Advocacy Centre (PIAC), explained that a new code could lead to higher prices for consumers if supermarket chains raise prices to recover revenue lost from eliminated supplier fees. Mr. Lawford supported reviewing the Code one year after its implementation to examine its impact not only on the supplier-retailer relationship, but also on consumers.

[Ken Whitehurst](#), Executive Director, Consumers Council of Canada, highlighted the lack of consumer consultation in the code’s drafting process and explained that his organization would monitor how the Code’s implementation affects consumers. To address these and other concerns, Mr. Whitehurst called on the Government of Canada to create a Consumer Advocate position within the federal government to oversee and defend consumer interests in every commercial sector.

Mr. Whitehurst also highlighted the commercial practice of “shrinkflation,” or food manufacturers and retailers reducing the size or quantity of a product while maintaining or increasing its price. He described this practice as “eroding confidence in retailers, producers and government.” To address it, he encouraged the federal government to implement a mandatory system of unit pricing, modelled on rules currently in force in Quebec, across Canada.

Recommendation 12

The Committee recommends that the Government of Canada work with provinces and territories to adopt a standardized approach to unit pricing labelling practices in the grocery sector to assist Canadian consumers in making informed decisions in their purchasing.



Competition in the Grocery Sector

Concentration in the Canadian Grocery Sector

Some witnesses expressed concern over what they see as a lack of competition in the Canadian grocery sector, which they attribute primarily to the dominant market position of the country's large supermarket chains. In their view, this dominance provides fewer outlets for producers and processors to bring their products to market, makes it harder for suppliers to negotiate favourable contract terms, and leaves few alternatives if a grocer chooses to "delist" their product. Several witnesses also noted that allegations that large grocery chains had coordinated to fix bread prices and to terminate pandemic bonuses for their employees have diminished the Canadian public's trust in this sector.⁶⁶ Similarly, recent media reports that Canadian grocery chains are earning record profits⁶⁷ and issuing executive pay bonuses⁶⁸ have led some to question whether this sector is operating competitively and in the public interest.

Representatives from Canada's three largest grocery chains disagreed with this analysis, and all described the market they operate in as a very competitive one where retailers compete vigorously for consumer market share. These chains pointed out that they face competition not only from each other in many regions of the country, but also from large multinational chains, such as Walmart and Costco, and emerging e-commerce food options such as Amazon, which acquired the food retailer Whole Foods in 2017.

Statistics show that Canada's grocery sector has become more concentrated over the past two decades as national chains have merged with or acquired smaller regional chains. According to an Agriculture and Agri-Food Canada (AAFC) publication, in 2003, Canada's five largest food retailers accounted for 60% of the country's grocery market.⁶⁹ Two decades later, following consolidation, including Metro's takeover of A&P stores

66 AGRI, *Evidence*, [Dr. Sylvain Charlebois](#) (Dalhousie University, Agri-Food Analytics Lab), [Michael Graydon](#) (Food, Health & Consumer Products of Canada), and [Ken Whitehurst](#) (Executive Director, Consumers Council of Canada).

67 The Canadian Press, "[Canada's top grocers post above-average profits with little transparency, report says](#)," *CBC News*, 3 November 2022.

68 David Milstead, "[Grocery execs get big bonuses after boost from pandemic sales](#)," *The Globe and Mail*, 3 January 2022.

69 Agriculture and Agri-Food Canada, [An Overview of the Canadian Agriculture and Agri-Food System](#), 2003, p. 34.

in 2005 and Sobeys' acquisition of Safeway in 2013, this figure has increased to 80%, according to an estimate cited by Agriculture and Agri-Food Canada.⁷⁰

[Dr. Cochrane](#) cautioned the Committee against “overly fetishiz[ing] competition” in the sector. He argued, for example, that large grocery chains are better positioned to push back against unjustified cost increases from large suppliers:

[G]rocers face suppliers who are often massive transnational corporations. We saw a very public example of this in the fight between Frito-Lay and Loblaws. Loblaws was able to push back against a price increase that Frito-Lay wanted to impose on it in part because it is such a big player...I don't want to necessarily say that Loblaws was kind of the valour on the side of Canadians in this fight. However, it does speak to the fact that you do sometimes need to be big to stand up to other players that are big.

Nonetheless, Dr. Cochrane noted that even though large grocers may serve a legitimate purpose in the sector, they need to be properly regulated.

Powers of the Competition Bureau

Some witnesses, noting the increased concentration in Canada's supermarket chains, questioned whether Canada's competition regime is exercising proper oversight over the grocery sector. At the federal level, this regime consists primarily of the [Competition Act](#) (“the Act”), which is enforced by the Competition Bureau, an independent law enforcement agency that is charged with promoting and ensuring competition in the Canadian marketplace. Among other activities, the Bureau investigates violations of the Act's provisions and reviews company mergers to ensure they do not result in less competitive markets for consumers.⁷¹

The Competition Bureau has undertaken several activities related to the Canadian grocery sector in recent years, including reviewing several supermarket chain mergers and acquisitions⁷² and investigating complaints that Loblaw had manipulated suppliers to reduce competition in the sector.⁷³ Since 2017, the Bureau has been investigating allegations brought to it by Loblaw executives that the chain conspired with four other

70 See footnote 7 in Government of Canada, [Findings of the Federal-Provincial-Territorial \(FPT\) Working Group on Retail Fees, July 2021](#).

71 Competition Bureau, [Our mandate](#).

72 See [Competition Bureau Statement regarding the Proposed Acquisition by Sobeys of Substantially all of the Assets of Canada Safeway \(2013\)](#) (Via archive.org), Competition Tribunal, [Loblaw Companies Limited – Registered Consent Agreement](#) (2014), and [METRO Inc.'s acquisition of The Jean Coutu \(PJC\) Group Inc.](#) (2018).

73 Competition Bureau, [Alleged anti-competitive conduct by Loblaw Companies Limited](#).



grocery chains and two bread producers to fix the wholesale and retail prices of bread in their stores between 2001 and 2015. The Bureau explained that its investigation into this matter was ongoing. During their appearances before the Committee, the CEOs of [Empire](#) and [Metro](#) each denied their firms were involved in fixing bread prices.

As previously mentioned, some witnesses expressed dissatisfaction with the Bureau's recent activities in this sector. Several witnesses pointed to the Bureau's counterpart in the United States, the Federal Trade Commission (FTC), as an example of a competition regulator that has overseen the grocery sector in what they feel to be a more effective manner. These witnesses explained that they found the FTC's review of the proposed merger between Albertsons and Kroeger, two leading U.S. grocery chains, to be more stringent than similar reviews the Bureau has undertaken.⁷⁴ Some witnesses also described the Bureau's investigations, most notably its ongoing investigation into bread prices, as taking too long and giving the appearance that the Bureau does not have the necessary resources to effectively oversee competition in the sector.⁷⁵

In their appearance before the Committee, Bureau officials defended the agency's performance, explaining that it works within the bounds of Canadian competition law. [Ann Salvatore](#), Deputy Commissioner, Cartels Directorate, Competition Bureau, also emphasized that conspiracy cases, such as the one alleging that grocery chains colluded to fix bread prices between 2001 and 2015, are complex and involve extensive amounts of evidence that must be studied. Ms. Salvatore explained that the Bureau has executed 24 different search warrants in its investigation of this matter.

The Bureau nonetheless acknowledged that Canada's competition regulatory framework needed updating to keep pace with changes in how businesses operate. It noted that the Government of Canada held [consultations](#), ending in March 2023, on how to best modernize its competition framework. As discussed below, the Bureau participated in these consultations.

The Market Study on Competition in Canada's Grocery Sector

On 24 October 2022, the Bureau announced that it would conduct a "[market study](#)" on competitive business practices in the Canadian grocery sector. This study will make recommendations on how different levels of government can increase competition in this sector for the benefit of consumers, who the Bureau notes have experienced

74 AGRI, *Evidence*, [Dr. Sylvain Charlebois](#) (Dalhousie University, Agri-Food Analytics Lab), and [Patrice Léger Bourgoin](#) (Quebec Produce Growers Association).

75 AGRI, *Evidence*, [Dr. Sylvain Charlebois](#) (Dalhousie University, Agri-Food Analytics Lab).

increases in grocery prices that outpace the overall rate of inflation. Notably, the Bureau's notice for this study explains that it will not explore business practices between food retailers and suppliers, as the industry working group developing a Grocery Code of Conduct is currently studying this matter.

The notice also distinguishes this type of study from investigations the Bureau normally conducts to probe alleged violations of the *Competition Act*; in undertaking this study, the Bureau is not responding to a violation of, or complaint made under, the Act, but is instead conducting a broad inquiry to examine how governments can encourage greater competition in the sector. The Bureau notes, however, that should it discover illegal practices during this inquiry, it will investigate them.

Unlike competition authorities in other countries, however, the Competition Bureau does not have the power to compel private firms to provide it with information on their business practices in the context of such a study. It is entirely reliant, therefore, on co-operation from the companies involved.

In his testimony to the Committee, [Anthony Durocher](#), Deputy Commissioner, Competition Promotion Branch, Competition Bureau, explained that the Bureau is “not getting full co-operation from everyone we’d like in respect to this study” and, as a result, would not be capable of getting “as rigorous and as deep a dive” as it would like. Nonetheless, Mr. Durocher acknowledged that the Bureau is receiving “frank views” from those who are participating. Representatives from Loblaw, Empire, Metro, Walmart, and Costco all told the Committee that they are providing information to the Competition Bureau in connection with this study.⁷⁶

The Committee notes that these representatives assured the Committee that the Bureau would be able to determine from the information they provided the extent to which their firms' profits can be attributed to food margins, as opposed to their pharmacy divisions or other product categories. The Bureau's comments on their co-operation, however, cast doubt on whether this type of analysis will be possible.

[Mr. Durocher](#) underlined that stronger information gathering powers were essential to the Bureau's ability to conduct substantive market studies:

When we do a market study to try to inform government and policy, we do not have that ability to collect data and information. We're working with publicly available information or what people are giving us voluntarily. That clearly limits the depth of the work we can do and the quality of our recommendations... Our respectful submission is

76 AGRI, *Evidence*, [Eric La Flèche](#) (Metro), [Michael Medline](#) (Empire), [Galen G. Weston](#) (Loblaw), [Gonzalo Gebara](#) (Wal-Mart Canada), and [Pierre Riel](#) (Costco Canada).



that it is very important that we be able to compel information in order to do these types of studies properly and inform government of our findings.

In March 2023, as part of the Government of Canada’s review of its competition policy, the Bureau submitted several recommendations for legislative changes that would strengthen its information gathering powers. These recommendations include amending the Act to formalize the Bureau’s independent authority to conduct market studies and to provide it with the power to require entities that are the subject of these studies to furnish information.⁷⁷

Recommendation 13

The Committee recommends that the Government of Canada strengthen the Competition Bureau’s mandate and its ability to ensure competition in the Canadian grocery sector by:

- **implementing legislative changes to the *Competition Act* that provide the Competition Bureau with the power to compel companies and individuals who are the subject of its market studies to provide it with relevant documents and information, including disaggregated financial data;**
- **reviewing the competitive thresholds the Competition Bureau uses to evaluate mergers and acquisitions to ensure that competition does not suffer;**
- **studying the creation of a permanent administrative commission, along the lines of France’s Observatoire de la formation des prix et des marges des produits alimentaires, with a mandate to analyze data relating to price formation and margins in transactions along the agri-food supply chain; and**
- **considering any conclusions and recommendations the Competition Bureau makes to the federal government in its upcoming market study on the Canadian grocery sector, notably those related to price-setting mechanisms, “black-out” periods, revenue sharing along the agri-food chain, and barriers to entry faced by new firms entering this sector.**

77 Competition Bureau, *The Future of Competition Policy in Canada*, 2022.

CONCLUSION

Food price inflation affects a fundamental aspect of Canadians' lives: their ability to feed themselves adequately. While driven in part by global factors, such as rising input and fuel costs, relationships in the food supply chain have a major influence on how prices are transmitted along the supply chain and ultimately to the consumer. As the primary source of food for many Canadians and the primary sale outlet for many producers and processors, the grocery sector plays a critical role in these relationships. This study highlights the need to increase transparency in the grocery sector and to strengthen its collaboration with other supply chain actors to ensure fairness in the business relations between each link in the chain. The federal government has an important coordinating role to play with these groups and with its provincial and territorial partners on this matter. Government support is also key to help the entire agriculture and agri-food sector deal with the risks that this inflationary period poses to business and to the food security of Canadians.

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 Centre for Food Integrity Michael Dungate, Chair John Jamieson, President and Chief Executive Officer	2022/11/21	38
Agri-Food Analytics Lab Sylvain Charlebois, Director, Agri-Food Analytics Lab and Professor, Dalhousie University	2022/12/05	42
Empire Company Limited Pierre St-Laurent, Chief Operating Officer	2022/12/05	42
Food, Health & Consumer Products of Canada Michael Graydon, Chief Executive Officer	2022/12/05	42
Fruit and Vegetable Growers of Canada Rebecca Lee, Executive Director	2022/12/05	42
Loblaw Companies Limited Jodat Hussain, Senior Vice President, Retail Finance	2022/12/05	42
Retail Council of Canada Karl Littler, Senior Vice-President, Public Affairs	2022/12/05	42
Canadian Agri-Food Policy Institute Tyler McCann, Managing Director	2023/02/06	47
Canadian Federation of Agriculture Mary Robinson, President Scott Ross, Executive Director	2023/02/06	47

Organizations and Individuals	Date	Meeting
Canadian Federation of Independent Grocers Gary Sands, Senior Vice-President	2023/02/06	47
Metro Inc. François Thibault, Executive Vice-President, Chief Financial Officer and Treasurer	2023/02/06	47
Quebec Produce Growers Association Catherine Lefebvre, President Patrice Léger Bourgoïn, General Manager	2023/02/06	47
Save-On-Foods LP Paul Cope, Senior Vice-President, Retail Operations	2023/02/06	47
As an individual James Brander, Professor, University of British Columbia	2023/02/13	49
Canadians for Tax Fairness D.T. Cochrane, Economist and Policy Researcher	2023/02/13	49
Centre for Future Work Dr. Jim Stanford, Economist and Director	2023/02/13	49
Conseil de la transformation alimentaire du Québec Sylvie Cloutier, Chief Executive Officer Dimitri Fraeys, Vice-President, Innovation and Economic Affairs	2023/02/13	49
Restaurants Canada Olivier Bourbeau, Vice-President, Federal and Quebec	2023/02/13	49
Union des producteurs agricoles Martin Caron, General President David Tougas, Coordinator, Business Economics	2023/02/13	49

Organizations and Individuals	Date	Meeting
Competition Bureau Anthony Durocher, Deputy Commissioner, Competition Promotion Branch Krista McWhinnie, Deputy Commissioner, Monopolistic Practices Directorate Ann Salvatore, Deputy Commissioner, Cartels Directorate	2023/03/06	51
Dairy Processors Association of Canada Mathieu Frigon, President and Chief Executive Officer Philip Vanderpol, Chair of the Board of Directors	2023/03/06	51
Department of Industry Mark Schaan, Senior Assistant Deputy Minister, Strategic and Innovation Policy Sector	2023/03/06	51
Food and Beverage Canada James Donaldson, Chief Executive Officer, BC Food and Beverage	2023/03/06	51
Maple Leaf Foods Inc. Michael H. McCain, Executive Chair of the Board and Chief Executive Officer	2023/03/06	51
Statistics Canada Chris Li, Acting Director, Consumer Prices Division Matthew MacDonald, Assistant Director, Consumer Prices Division	2023/03/06	51
Empire Company Limited Michael Medline, President and Chief Executive Officer	2023/03/08	52
Loblaw Companies Limited Galen G. Weston, Chairman and President	2023/03/08	52
Metro Inc. Eric La Flèche, President and Chief Executive Officer	2023/03/08	52
As an individual Ian Lee, Associate Professor, Sprott School of Business, Carleton University	2023/03/20	53

Organizations and Individuals	Date	Meeting
Agricultural Producers Association of Saskatchewan Ian Boxall, President	2023/03/20	53
Assembly of First Nations Chief Byron Louis, Okanagan Indian Band Christine Shawana, Analyst, Research Policy Roberta Stout, Senior Policy Advisor	2023/03/20	53
Canadian Taxpayers Federation Franco Terrazzano, Federal Director	2023/03/20	53
Daily Bread Food Bank Neil Hetherington, Chief Executive Officer	2023/03/20	53
Second Harvest Canada Lori Nikkel, Chief Executive Officer	2023/03/20	53
Wal-Mart Canada Corp. Gonzalo Gebara, President and Chief Executive Officer	2023/03/27	55
100km Foods Inc. Paul Sawtell, Owner, Founder and Chief Executive Officer	2023/04/17	56
Canadian Centre for Policy Alternatives David Macdonald, Senior Economist	2023/04/17	56
Costco Wholesale Canada Ltd. Pierre Riel, Executive Vice President and Chief Operating Officer, Costco Wholesale International and Canada	2023/04/17	56
Farm Credit Canada Jean-Philippe Gervais, Chief Economist Justine Hendricks, President and Chief Executive Officer	2023/04/17	56
Association québécoise de défense des droits des personnes retraitées et préretraitées Pierre Lynch, President	2023/04/19	57
Consumers Council of Canada Ken Whitehurst, Executive Director	2023/04/19	57

Organizations and Individuals	Date	Meeting
Food Producers of Canada Denise Allen, President and Chief Executive Officer	2023/04/19	57
La Tablee des Chefs Jean-François Archambault, Founder and Chief Executive Officer	2023/04/19	57
Nutri Group Sébastien Léveillé, Chief Executive Officer	2023/04/19	57
Public Interest Advocacy Centre Amy Hill, Articling Student John Lawford, Executive Director and General Counsel	2023/04/19	57

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](#).

Canadian Federation of Independent Business

Canadian Produce Marketing Association

Centre for Future Work

Centre for Health Science and Law

National Farmers Union

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. 38, 42, 47, 49, 51–53, 55–57, 60, 61, 63 and 66](#)) is tabled.

Respectfully submitted,

Kody Blois
Chair

Supplementary Opinion of the Conservative Party of Canada

Food Price Inflation

Introduction

The Conservative Party of Canada (CPC) greatly appreciates the work of the Committee, its Chair and Members, the Clerk and her staff, including the dedicated analysts, as well as the translation and technical teams. We would also like to thank the many witnesses who participated and submitted briefs as part of the Committee's study on Food Price Inflation.

We agree with the majority of the Committee's report and its recommendations. However, certain aspects of the Report should be emphasized, and more information must be made available to Canadians in terms of the Liberal government's policies and their contribution to food inflation in Canada.

At the time of this study, food inflation under the Liberal government is at a record 40-year high and up over 10% year-over-year.¹ Consumers can expect food prices to continue to rise. Canada's Food Price Report 2023 predicts a 5% to 7% food price increase in 2023, with the most substantial increases in vegetables, dairy, and meat. The report forecasts that an average family of four will spend up to \$16,288 per year on food, an increase of up to \$1,065 from what was observed in 2022. The report also forecasts food costs could increase by as much as 34 per cent by 2025 further making groceries unaffordable for Canadian families who are already struggling.²

Inflationary Deficits

Justin Trudeau's inflationary spending has caused the cost of food and groceries to skyrocket. For example, one in five Canadians are skipping meals and people are going to food banks in record numbers. Justin Trudeau's "grocery rebate" will give \$234 for a single adult to cover the rising cost of food his inflationary deficits helped cause. As noted above, Canada's Food Price Report 2023 predicts a family of four will spend up to \$1,065 more on food this year, \$598 more than the \$467 rebate they will receive.

Mr. Michael McCain CEO of Maple Leaf Foods Inc. highlighted the linkages between government deficits and inflation by recommending the current government focus on fiscal discipline to restrain overall inflation.³

Justin Trudeau has added more debt than all other 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.

¹ Statistics Canada, [Behind the Numbers: What's Causing Growth in Food Prices](#)

² Dalhousie University, [Canada's Food Price Report 2023](#)

³ Standing Committee on Agriculture and Agri-Food, Evidence, [Michael H. McCain](#) (Maple Leaf Foods Inc.)

Canada's federal debt for the 2023-24 fiscal year is projected to reach \$1.22 trillion. That is nearly \$81,000 per household in Canada.

There is no path to balance in Canada's budget projections. The deficit for 2022-2023 is up to \$43 billion. In 2023-2024 the deficit is projected to be \$40.1 billion.

For years, Conservatives have warned Justin Trudeau about the consequences of his actions, and how much it hurts Canadians from coast-to-coast.

The Cost of Liberal Carbon Taxes and Inflationary Policies

Throughout the study it became clear Liberal Members of the committee purposely avoided discussion or inclusion of politically inconvenient facts and recommendations related to the economic impact of the carbon tax and its affect on food production, transportation and prices at the grocery store.

The Canadian Federation of Independent Business estimated on average, farmers paid almost \$14,000 in federal carbon tax the first year it was imposed.⁴

For the average farm in Saskatchewan the carbon tax cost between \$14,000 and \$25,000. Mr. Ian Boxall, President of the Agricultural Producers Association of Saskatchewan, explained concisely the impact the carbon tax has had to the bottom line of farmers, the affect it has on food production and the livelihood of farmers.⁵

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 2030.⁶

Canada's Food Price Report 2023 states a farm could pay \$150,000 in carbon tax per year when the carbon tax is tripled. Dr. Sylvain Charlebois emphasized the importance for the government to understand how the carbon tax is impacting food affordability and to recognize its impact on each node within the food supply chain.⁷

When asked about how a \$150,000 carbon tax bill would affect the sustainability of Canadian agriculture, Mr. Boxall said:

It will have a huge impact—\$150,000 on a 5,000-acre farm. It's unfathomable that we will get there on a carbon tax alone. It makes my skin crawl to think that's where we'll be, and then to be turned around and not recognized for the work that is done, ensuring that we have proper grasslands and that we have proper management of our farm soil. Farmers are the biggest stewards of the land in this country, and we care more about

⁴ Canadian Federation of Independent Business, [Federal carbon tax costs farmers almost \\$14,000 in 1st year; 82% negatively impacted.](#)

⁵ Standing Committee on Agriculture and Agri-Food, Evidence, [Mr. Ian Boxall](#) (President, Saskatchewan Agricultural Association of Saskatchewan)

⁶ Parliamentary Budget Officer, [Updated fiscal cost of Bill C-234.](#)

⁷ Standing Committee on Agriculture and Agri-Food, Evidence, [Dr. Sylvain Charlebois](#) (Director, Agri-Food Analytics and Professor, Dalhousie University, Agri-Food Analytics Lab)

the environment than we ever get credit for. It really is going to be detrimental to Saskatchewan farmers.⁸

To make matters worse, beginning on July 1, 2023, the Clean Fuel Regulations (CFR) will require 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, 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. The second carbon tax will increase the cost of gas and diesel by up to 17 cents per litre and 16 cents per litre respectively and will decrease real GDP in Canada by up to \$9 billion in 2030.

Mr. Franco Terrazzano, Federal Director at the Canadian Taxpayers Federation, made the following comment in summarizing the situation:

Look, everyone knows that farmers aren't just pools of cash who can continue to pay higher tax after higher tax after higher tax. Really, only two things can happen: either at least some of the costs make their way to the till and hurt families who are struggling to afford the jug of milk or the ground beef; or supply goes down. What happens when we reduce Canadian supply? Prices, of course, go up. Even if we leave the farmers aside for a quick second, we're also seeing the increased costs of delivering those goods to the store—the carbon tax going up, and a second carbon tax coming in. All of this is being layered on top of each other. It's hurting Canadian businesses, but it's also hurting Canadian families.⁹

Furthermore, in the middle of a government made inflationary crisis Liberals insist on moving ahead with policies like front-of-pack labelling, which is guaranteed to increase the cost of food. Ms. Denise Allen, President and CEO of Food Producers of Canada, offered the following comment on this matter:

Certainly. The estimation of \$2 billion overall as an impact to the industry for front-of-pack labelling alone is accurate. In the current competitive environment, we are looking at every possible input to our businesses rising dramatically. From front-of-pack labelling, whose timing is very difficult, especially after COVID, the supply chain disruption, climate events, labour.... We're in a very serious labour shortage in our industry. Each day, we are approximately 30,000 people short as an industry, and that number is expected to double by 2025 to 65,000. We need immediate relief with respect to labour.

⁸ Standing Committee on Agriculture and Agri-Food, Evidence, [Mr. Ian Boxall](#) (President, Saskatchewan Agricultural Association of Saskatchewan)

⁹ Standing Committee on Agriculture and Agri-Food, Evidence, [Franco Terrazzano](#), (Federal Director, Canadian Taxpayers Federation)

To get back to your question on whether or not our industry is being affected by other factors in the regulatory environment, I can say yes, absolutely. Taxes are crippling for small business owners, and now we're looking at increased costs through transportation, through carbon taxing and through other environmental measures that are making investment in Canada incredibly difficult to defend. Inevitably, the owners, investors and leaders who are making those decisions are looking to other jurisdictions in the world, and that is a direct threat to our domestic food supply and consumers.¹⁰

Food Waste

Nearly 60% of food produced in Canada, roughly 35.5 million tonnes, is left to waste each year. More than 32% or 11.2 million tonnes of that food is edible and could be redirected to support people in need across the country.

Canada is blessed with abundance and has real potential to be self-sufficient, while growing our capacity to feed not only our own people, but the world. At the same time, due to various factors, including harmful government policies, 4 million Canadians, including 1.4 million children, struggle to access healthy food and maintain household food security. Food loss and waste comes at an enormous economic cost to businesses and society. It also has significant environmental impact. Salvageable food waste represents almost 60% of the food industry's environmental footprint. Much of this waste and its environmental footprint is entirely avoidable. Food that ends up in landfills creates methane gas which is 25 times more damaging to the environment than carbon dioxide, yet the government's actions fail to account for, or address, a matter much more impactful than their unnecessarily punitive carbon taxes.

The total financial value of this potentially rescuable lost and wasted food is a staggering \$49.46 billion. In the long-term, Canadians need government support through programs to restore their financial freedom, fight inflation, and support their economic growth.

Testimony at the committee from Daily Bread food bank and Second Harvest outlined the dire situation. According to Second Harvest's figures, food banks and other food-related programs across Canada served 5,141,481 people per month last year. The organization expects that number to climb to 8,208,679 in 2023, a roughly 60 per cent increase.

More food banks will not decrease food insecurity in Canada. More food banks are only treating the problem, not finding a solution. Solutions for the affordable housing crisis would go further than current government policy, so non-profit food programs are not needed in the first place. Without systemic change, food insecurity will only get worse in Canada. There are too many new non-profits filling legislative gaps to feed Canadians. Non-profits exist where policy does not.

¹⁰ *Standing Committee on Agriculture and Agri-Food, Evidence, [Denise Allen](#) (President and Chief Executive Officer, Food Producers of Canada).*

Conservatives believe in finding solutions to Canada's food waste crisis and support Canada's agricultural industry while working towards achieving national food security.

Conclusion

The government's pursuit to penalize greenhouse gas (GHG) emitters through the imposition of carbon taxes without properly recognizing those who have been mitigating and removing 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.

Inflationary taxes and policies are increasing production costs for our businesses and farmers, which further contributes to the increase in prices. Tripling the carbon tax on everything will inevitably be passed onto consumers. A second carbon tax only adds fuel to the inflationary fire. We cannot tax farmers, truckers, and grocers without having those costs pass on to the people at the end of the grocery aisle and in their homes.

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

Grocery Affordability: Examining Rising Food Costs in Canada
Supplementary Report of the New Democratic Party of Canada

Right to food:

New Democrats fully support the recommendations contained in this report and reiterate that the Government of Canada must implement measures to tackle food price inflation, with an emphasis on corporate greed as a major driver of inflation, and we call on the Government of Canada to act in recognition of Canada's own domestic food policy, in addition to its international obligations to a right to food.

We offer the following additional comments and recommendations to supplement the report, to further the goal of easing the burden of rising food costs.

Canadians are being asked to pay more and more to feed themselves and their families, while massive corporations are being allowed to profiteer from their suffering.

MP Alistair MacGregor, NDP Critic for Agriculture and Agri-Food, and Food Price Inflation, proposed a recommendation to the Government of Canada as part of the committee's final report, calling for the right to food to be enshrined in Canadian law. Unfortunately, it was not the will of the majority on the committee to accept this recommendation.

In its *Food Policy for Canada*, the Government of Canada has already outlined sustainable food policy is an important hallmark of a healthy society. In its guiding principles, the policy identifies "A food system that supports social, cultural, environmental, and economic sustainability," further specifying that decision-making with respect to food systems should include consideration toward "...the protection of basic rights, and the availability of opportunities that support equitable outcomes."¹

In addition to its own domestic policy, Canada also has international obligations under the *International Covenant on Economic, Social and Cultural Rights* (ICESCR). Article 11 of ICESCR recognizes the right of everyone to an adequate standard of living "...including adequate food, clothing and housing, and to the continuous improvement of living conditions. The States Parties will take appropriate steps to ensure the realization of this right, recognizing to this effect the essential importance of international cooperation based on free consent."² The ICESCR obliges Canada to *respect, protect, and fulfil* the right to food. This means that Canada must not interfere with access to food, must ensure that third parties do not inhibit access, and must take positive steps to facilitate its availability.³

¹ [Food Policy for Canada](#), Guiding Principles, Sustainability, pg. 12

² [International Covenant on Economic, Social and Cultural Rights](#), Article 11, pg. 4

³ Office of the High Commissioner of Human Rights, [The Right to Adequate Food, Fact Sheet No. 34](#), p. 17-18

On March 20, 2023, in his testimony before the committee, Mr. Neil Heatherington, CEO of Daily Bread Food Bank, the largest food bank in Toronto, said in his opening statement regarding the right to food and the duty of policymakers:

“We recognize that with rampant inflation the government will be cautious on spending and stimulating the economy, but we are proposing a measure to support those in deepest poverty.

The Daily Bread Food Bank and food banks across the country are already at a breaking point. We are bracing for another rise in food bank visits. In fact, this past April, Statistics Canada indicated that one in five Canadians said that they are going to have to rely on community, on food charities, on family and on friends to be able to get by.

Charities can't meet this need. We need all levels of government to come together to act to ensure that Canadians can afford to put food on their tables... I'm in the business of begging; I'm a charity. Thank you for indulging me on that.

Finally, I want to leave you with a quote from Bryan Stevenson, the civil rights lawyer, who said that the opposite of poverty is not wealth, but justice.

You, as duty bearers in positions of power, have the opportunity to spread justice through making sure that every single Canadian has their right to food realized.”⁴

Therefore, the New Democratic Party recommends:

That the Government of Canada acknowledge its obligation as a party to the International Covenant on Economic, Social, and Cultural Rights to respect, protect, and fulfill the human right to food by adopting a framework law that would enshrine this right in Canadian law and require the federal government to legislate binding, specific, and measurable targets towards realizing the policy outcomes it set out in 2019 in “The Food Policy for Canada”.

Corporate greed:

The New Democratic Party also wishes to emphasize the role that corporate greed plays in increasing food price inflation.

During his appearance before the committee on February 13, 2023, Dr. Jim Stanford, Economist and Director of the Centre for Future Work, testified that:

⁴ AGRI, [Evidence](#), March 20, 2023 (Mr. Neil Heatherington, CEO, Daily Bread Food Bank)

“Greed is not new. Greed long predates the pandemic, but greed has had a good run in Canada since the pandemic. After-tax profits in Canada during the pandemic or since the pandemic have increased to their highest share of GDP in history. Amidst a social, economic and public health emergency, companies have done better than they ever have.”⁵

In response to a question from MP MacGregor regarding the oil and gas sector’s net profit margin having increased by 1,011% since 2019, and its possible impact on food prices, Dr. Stanford went on to say:

“At the top of the list, there's no doubt about it, is the oil and gas sector. The excess profits earned there since the pandemic account for about one-quarter of the total mass of profits across the 15 sectors I identified in that work. The increased prices that embody those huge profit margins then trickle through the rest of the supply chain. Food processors have to pay that, so they have higher costs, nominally, but then they add their own higher profit margin on top of that. The same goes for the food retail sector. By the time the consumer gets it, there's been excess profits added at several steps of the whole supply chain. That magnifies the final impact on consumer price inflation.”⁶

Also, during the committee meeting of February 13, 2023, Dr. D.T. Cochrane, Economist and Policy Researcher with Canadians for Tax Fairness, testified in the conclusion to his opening statement regarding excess profits:

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

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

The second is an excess profit tax, which reduces the incentive to hike margins at every opportunity. The revenue from an excess profit tax could be redistributed to Canadians to help cover their increased costs of living.”⁷

In response to a question from MP MacGregor about how Parliamentarians can tackle affordability issues for working families, Dr. Cochrane added:

“You need to start intervening in this redistributive struggle, with the winners being those who have always been the winners. The pandemic has just amplified the amount they're winning. We are going to see a massive worsening of inequality after a short-lived improvement in it, in part because we almost had something close to a guaranteed annual income that was supporting a

⁵ AGRI, [Evidence](#), February 13, 2023 (Dr. Jim Stanford, Economist and Director, Centre for Future Work)

⁶ AGRI, [Evidence](#), February 13, 2023 (Dr. Jim Stanford, Economist and Director, Centre for Future Work)

⁷ AGRI, [Evidence](#), February 13, 2023 (Dr. D.T. Cochrane, Economist and Policy Researcher, Canadians for Tax Fairness)

huge swath of Canadians, and now that money is trickling upwards into the accounts of the already ultra-wealthy, in part because of huge increases in corporate profit margins that we ultimately all pay for.”⁸

On October 24, 2022, 19 days after the committee adopted the motion introduced by MP MacGregor to study the issue of food price inflation, the Competition Bureau of Canada announced plans to undertake its own study to “*examine how governments may combat grocery price increases through greater competition,*”⁹ entitled: *Competition in Canada’s Grocery Sector*.

On its website page dedicated to this Market Study Notice, the Competition Bureau outlined the Purpose of the Study, which includes:

“Grocery prices in Canada are currently increasing at their fastest rate in the past 40 years. While the Canadian economy is generally in an inflationary period, grocery prices are increasing at an above-average rate. Through this study, the Bureau hopes to examine how governments could act to combat grocery price increases by way of greater competition in this industry.”¹⁰

On June 7, 2023, the Bank of Canada announced it would raise interest rates by a quarter of a percentage point, to 4.75%, listing corporate profits as one of four key areas it will be assessing, including corporate pricing behaviour, stating: “*Governing Council will continue to assess the dynamics of core inflation and the outlook for CPI inflation. In particular, we will be evaluating whether the evolution of excess demand, inflation expectations, wage growth and corporate pricing behaviour are consistent with achieving the inflation target.*”¹¹

It is important to note, as has been acknowledged within the committee’s report, that the phenomenon of food price inflation is not limited to Canada. Other jurisdictions have undertaken their own steps to examine grocery price increases amid excess profits by large corporations.

The United States Federal Trade Commission launched an investigation into nine large retail corporations on November 29, 2021, to “*shed light on the causes behind ongoing supply chain disruptions and how these disruptions are causing serious and ongoing hardships for consumers and harming competition in the U.S. economy.*”¹² That investigation remains ongoing.

In November 2020, the New Zealand government asked the New Zealand Commerce Commission to conduct a study into “*whether competition in the grocery sector is working well,*

⁸ AGRI, [Evidence](#), February 13, 2023 (Dr. D.T. Cochrane, Economist and Policy Researcher, Canadians for Tax Fairness)

⁹ Competition Bureau of Canada, [News Release](#), October 24, 2022

¹⁰ Competition Bureau of Canada, Market Study on Competition in Canada’s Grocery Sector, [Purpose of the Study](#)

¹¹ Bank of Canada, [News Release](#), June 7, 2023

¹² United States Federal Trade Commission, [Inquiry into Supply Chain Disruptions](#), November 29, 2021

and if not, what can be done to improve it.” On March 8, 2022, the Commission published its findings, including that “competition is not working well for consumers in the retail grocery sector and recommended a suite of changes to increase competition and help improve the price, quality and range of groceries and services available to New Zealanders.”¹³

Therefore, and without prejudice for any findings or recommendations the Competition Bureau of Canada may recommend to the Government of Canada, and without pre-supposing any actions the Bureau may take of its own volition in the event evidence of wrongdoing is uncovered with respect to the *Competition Act*, the New Democratic Party recommends:

That the Government of Canada consider introducing a windfall profits tax on large, price-setting corporations to disincentivize excess hikes in profit margins.

¹³ New Zealand Commerce Commission, [Market study into the grocery sector](#), March 8, 2022

