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Chair: Mr. Kody Blois



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• (1830)

[*Translation*]

The Chair (Mr. Kody Blois (Kings—Hants, Lib.)): This meeting is called to order.

Welcome to meeting number 47 of the Standing Committee on Agriculture and Agri-Food.

I will begin with a few reminders.

Today's meeting is taking place in a hybrid format. The proceedings are broadcast on the House of Commons website. Just so that you are aware, the webcast will always show the person speaking rather than the entire committee.

Taking screenshots or photos of your screen is not permitted.

[*English*]

Obviously, for our witnesses who are joining online, there is an opportunity to toggle between English and French. You'll see that at the bottom of your screen. Certainly for Mr. Thibault, who is here in person, if he requires it, we have translation available.

Thank you, translators, for your work.

Pursuant to Standing Order 108(2) and the motion adopted by this committee on Wednesday, October 5, 2022, the committee is resuming its study of food price inflation. This is something we started before Christmas, colleagues, and we are looking forward to getting back to the topic.

I would like to welcome our witnesses for the first panel. From the Canadian Federation of Independent Grocers, we have Mr. Gary Sands, who serves as the senior vice-president. Mr. Sands, you're joining us online. Welcome.

From Metro Inc., we have François Thibault, who is the executive vice-president, chief financial officer and treasurer with the organization. Thank you, Mr. Thibault, for being here today in person.

From Save-On-Foods, we have Paul Cope, who is the senior vice-president of retail operations. I know we had some technical difficulties, but I think that has been resolved and we are good.

Monsieur Lehoux, go ahead.

[*Translation*]

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

Will the letter we discussed last week be available on the Standing Committee on Agriculture and Agri-Food website?

[*English*]

The Chair: Are you talking about the Ukraine remission order?

Mr. Richard Lehoux: Yes.

The Chair: There wasn't a specific allocation or ask for that, but it has been sent to the minister. I don't want to take up committee time right now, but if you would like, that could be something we discuss at the end, or, if there's a consensus right now, we can quickly move. I don't want to waste the time of our witnesses. There wasn't a specific ask on that, but if it is the will of the committee, we can make that happen.

[*Translation*]

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

Has the Minister of Immigration, Refugees and Citizenship gotten back to you?

[*English*]

The Chair: We've sent the invite and we're working on scheduling now. We'll provide an update when we get back into committee business, but we do have our witnesses here before us, and I'd like to move forward if that's the case.

Just quickly on what Mr. Lehoux was talking about in terms of having that letter published, is there a majority in this committee who would like to see that happen?

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Mr. Chair, is there a motion on the floor? Can we get through the witnesses and then maybe discuss this at the end if we have time?

The Chair: Why don't we discuss that later? Thank you for raising that, Mr. Lehoux.

I'm going to start with Mr. Sands.

You have up to five minutes. The floor is yours.

Mr. Gary Sands (Senior Vice-President, Canadian Federation of Independent Grocers): Thank you.

Good evening. My name is Gary Sands. I'm senior vice-president with the Canadian Federation of Independent Grocers, as the chair indicated.

Thank you for the invitation to CFGI to offer our perspective on the issue the committee is examining, that of food inflation. I will, of course, likely be repeating some of the same observations others have made to this committee, but I am glad that the perspectives of independent grocers are being solicited.

There are approximately 6,900 independent grocers in Canada, ranging in size from large to medium to single-store operators. Many of those independents are also located in semi-rural, rural and remote communities, where they are most likely the only grocery store in that community. Issues around fair supply and affordability in those areas are closely linked to food security for those communities.

Our members also have a sort of symbiotic relationship with the communities they serve: living in the community, hiring local, buying local and supporting local community activities and causes. This bond is why they are such an important part of the tapestry that makes up this country from myriad diverse communities.

Naturally, independent retailers are extremely sensitive to the concerns around affordability being felt by their customers, who are also many times their friends and neighbours. That is why the suggestion that there is “greedflation” or profiteering taking place in the food industry is something our members find unfortunate. As the study last August by Dalhousie’s agri-food lab pointed out, “If ‘greedflation’ exists, the available data suggests grocers are not responsible.”

Let me be clear that while I am here today to represent independent grocers, we know that the cost pressures and challenges confronting the food industry are being borne by all. There is no bogeyman here—not retail grocers, not suppliers. When you’re an independent grocer receiving price increase notices from all of your suppliers, which are most often in the double digits, if your margins are 2% to 3%, then we don’t know what business model you can use. You can’t help but pass those costs on to your consumers.

All of us in the industry have talked about the issues that have impacted us over the last couple of years. Some of the most significant have been the impact of catastrophic flooding in B.C.; adverse weather events in western Canada, including a virus and drought in California; of course, the continuing war in Ukraine; port, rail, and border disruptions; significant increases in fuel surcharges and transportation, which are felt more acutely by independents in rural and remote communities; and increases in input costs throughout the entire supply chain.

As I’ve said a few times, if someone were to tell my members that the Four Horsemen of the Apocalypse all now have jobs in different parts of the food industry, that would come as no surprise. It’s really not about what has happened to hit the industry; it’s more about what hasn’t happened.

Another factor that I would draw to the attention of the committee is that over the last three years, we have seen a massive migration away from cash in favour of credit card transactions. This, in turn, translates into a massive increase in interchange fees paid by businesses to banks and credit card companies, currently estimated at around \$10 billion a year. Again, those fees have a disproportionate impact on a narrow-margin sector like retail grocery, particularly for independent grocers, who pay higher fees than other large businesses. Those fees have an impact on food affordability. I would urge the government to look at establishing one lower interchange fee for any and all grocers where customers use a credit card to purchase food.

I would conclude by saying that the food industry has a shared commitment to making this industry one that continues to look for ways to better serve Canadians. We take that seriously.

Our industry is very interdependent and interconnected. Concerns around food security and affordability are top of mind for Canadians, which is why there is a great sensitivity throughout the supply chain around the issue of food inflation and affordability. Our desire to work together is why we are working to draft a grocery code of conduct for this industry. As a member of the steering committee, I can tell you that we’re making great progress on that initiative.

I think that’s my time, Chair. I’m happy to answer any questions later on after the other witnesses have spoken.

Thank you.

● (1835)

The Chair: Thank you, Mr. Sands.

[*Translation*]

Mr. Thibault, you have the floor for five minutes.

Mr. François Thibault (Executive Vice-President, Chief Financial Officer and Treasurer, Metro Inc.): Mr. Chair, committee members, good evening.

Tonight I will discuss the growing inflationary pressures impacting the supply chain and food prices.

There’s no doubt that food prices have gone up due to rising costs for suppliers and producers. However, it’s important to keep in mind that our retail prices do not reflect all the effects of inflation, because we absorb some of the costs.

[*English*]

As a recent Statistics Canada report confirmed, the COVID-19 pandemic, the ongoing war in Ukraine, unfavourable weather conditions, higher global prices for inputs such as fertilizer and natural gas, geopolitical instability, higher transportation costs, longer transportation times, higher packaging prices, labour shortages and higher labour costs are all contributing to these increases.

As industry experts have pointed out, the biggest driver of higher food prices on grocery shelves is manufacturers, processors and wholesalers raising rates repeatedly and almost across the board as they themselves are facing cost increases. That’s not to castigate the vendors; that’s a simple statement of fact.

In 2022, Metro received more than 27,000 price increases from suppliers just for dry grocery products, almost three times the yearly average. Canadians are seeing a portion of these reflected on their grocery bills and in the cost of everyday goods.

Our industry continues to experience higher than normal inflationary pressures, and the teams in all our banners are working hard to offer quality products at competitive prices.

• (1840)

[*Translation*]

Our revenue has increased, but so have our expenses. What hasn't changed is our commitment to delivering value for our customers. What also hasn't changed are our profit margins, which have remained stable for many years.

[*English*]

We take our responsibility to meet the nutrition and health needs of the communities we serve very seriously. Metro is a business and a public company. We compete for customers. We compete for talent, and we compete for capital in an open market.

I hope we can have an honest discussion today about the root causes of food price inflation and how all stakeholders can work with industry to help mitigate supply challenges.

We know that families across Canada are struggling with rising food prices. Our team works tirelessly to deliver the best possible value across our banners with competitive prices, our full range of private label products and our efficient weekly promotions.

[*Translation*]

All our Quebec and Ontario banners offer products at very competitive prices to cost-conscious and quality-conscious consumers. We're very proud that the Quebec magazine *Protégez-Vous* found that Super C delivers the best value for customers provincewide.

[*English*]

Supporting the communities in which we live and work remains at the heart of what we do to help the most vulnerable and those most in need.

[*Translation*]

In 2022, Metro is proud to have donated \$50 million in food to food banks in Quebec and Ontario, the equivalent of 4.5 million kilograms of food or 9 million meals. This was in addition to a financial contribution of \$5.5 million to various causes.

Furthermore, through the participation of our network of stores and pharmacies, and thanks to our customers' generosity and the hard work of Metro employees, \$6.8 million was collected for various causes in 2022, including help for the people of Ukraine, the Red Cross and the United Way.

[*English*]

In closing, the inflammatory language used to describe the grocery industry in the past few months has been untrue and unproductive. To say that grocers like Metro are causing food price inflation or using it to pad our profit margins is simply not true. Experts agree that the causes of food price inflation are far beyond the control of grocers. At Metro, our publicly disclosed growth targets have remained the same. As I said previously, our profit margins have remained stable for many years, and we have not passed on all the impact of inflation to customers as we have absorbed a part of the increase.

As your committee looks for ways to address rising food costs, I hope you will work with all parts of the supply chain to find solutions.

Thank you.

[*Translation*]

The Chair: Thank you, Mr. Thibault.

Mr. Cope, you now have the floor for five minutes.

[*English*]

Mr. Paul Cope (Senior Vice-President, Retail Operations, Save-On-Foods LP): Good evening, Mr. Chair and committee members.

My name is Paul Cope. I'm Save-On-Foods' senior vice-president of retail operations, and I'm part of the senior executive team for the broader Pattison Food Group.

Originally established in New Westminister, B.C., in 1915, we are one of western Canada's largest private employers. With support from over 30,000 team members, we are proud and thankful to service the needs of western Canadians as far east as Winnipeg, north to Whitehorse, and west to Vancouver Island. Our largest and signature brand is Save-On-Foods.

Pattison Food Group also operates in grocery stores under several other banner names, each built to meet the unique needs of the communities they serve. Our wholesale businesses support nearly 2,000 independent grocers, and we operate several food and pharmacy production and distribution facilities.

As a group, we look for synergies that strengthen our ability to compete against national and multinational giants, against whom we have significant cost disadvantages, given their size and scale and their market dominance.

We serve over 2.3 million Canadians every week, and we're proud to be recognized as leaders in customer service, innovation and community support. Our customers depend on us to consistently deliver safe and affordable products and services. We take that responsibility very seriously. Our mission statement is simple: "always customer first".

We make it a practice to source from local growers and producers first. We carry thousands of locally made products from more than 2,500 local growers and producers, including goods we bring to market under our private label brand, Western Family, many of which are made in our home province of British Columbia.

National brands are, of course, a critical part of our mix. We depend on our suppliers and partners to work with us to ensure we are delivering the goods, services and value our customers expect, no matter where they live.

The food supply chain is long, and we are at the very end of it, in the west. The majority of these products are produced more than 4,000 kilometres away in the eastern parts of the country. The incremental costs of transporting products we depend on from the east have been millions of extra dollars in expenses every month. They're separate from increases from the manufacturers. These are immense costs for a company of our size. As an example, fuel costs alone climbed 174% last year. There is no doubt inflation is a serious concern.

As a retailer, we are working hard to reduce costs by increasing efficiencies, and our suppliers are doing the same. However, the consolidation and movement of manufacturing out of the country actually do the opposite.

Supply is a major concern of ours. We're still on allocation with many suppliers, and service levels have not returned to pre-COVID levels—at least, not here in the west. We just need to look at the challenges we've seen with things such as children's Tylenol and baby formula, which are recent examples of this.

In the face of all this, we continue to do everything in our power to keep retail prices as low as possible. Like all other grocers, we are in the penny-profit business. Our margins are slim and continue to be slim; we are projecting them to be even tighter next year. Like most conventional grocery stores, we're already selling approximately 40% of our items on deal every week—a number that is climbing. These goods are typically sold below our cost. Because of rapid inflation, the consumer is not recognizing the value.

The pace and number of cost increases we've seen from suppliers since the start of the pandemic have been unrelenting and ongoing. Since the start of last year, we have accepted nearly 20,000 unit-level cost changes from suppliers. That's up 200% from the prior year, which, because of the effect of COVID, was already precedent-setting. That's just under 10,000 cost increases at item level in the third quarter alone.

Yes, we push back to ensure these are justified. However, for a company of our size, this is a huge task. In many cases, we simply have no choice. Because our earnings average just over two cents for every dollar we sell, we have no choice but to try to adjust prices when we are hit with these costs.

If you ask whether we at Save-on-Foods are benefiting from inflation, the answer is simply no. However, we are focused hard on increasing efficiencies and reducing costs in all areas, so we can reinvest these savings in our prices, people and community support efforts, and in the healthy growth of our business.

We ask the federal government to partner with industry to help us fix the problems where they lie. What's important is that, in our hunt for solutions, we do not add unnecessary costs—costs that will ultimately get passed on to the consumer.

Thank you. I would be happy to answer your questions.

• (1845)

The Chair: Colleagues, we're going to turn to questions. We'll start with the Conservatives.

Ms. Rood, I believe you're leading us off for up to six minutes. It's over to you.

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

Thank you, witnesses, for being here today and talking on this very important study about the high cost of food and food inflation.

Last December, we heard testimony at this committee that 44% of fresh fruit and vegetable growers are selling their products at a loss. That begs a question for me: How long can farm families continue to stay in business when they're selling at a loss to big grocery stores that are constantly and consistently showing big profits?

For my first question, I will go over to you, Mr. Thibault. Thank you for being here today.

When you order fresh produce from farmers you contract with—they're vendors for you, and they deliver the goods to your centralized warehouse—do you impose additional fees on those farmers to cover the cost of unloading the truck with the goods you ordered and had delivered to you?

Mr. François Thibault: The fees we charge are negotiated and transparent. I think during the pandemic we showed some very reasonable sense on that.

We favour local purchases. They're a big portion of our sales, especially in the summer. We've had a local sourcing policy since 2013 in Quebec and 2016 in Ontario, and it's part of our corporate social responsibility as well, to increase the relationship with suppliers—

• (1850)

Ms. Lianne Rood: I'm sorry to interrupt you, but I have only six minutes. So the answer is yes, you do charge the farmer a fee to have your people unload their goods at your warehouse.

Mr. François Thibault: I don't have the specifics. I don't know about specific fees. All I know is that we try to negotiate and be transparent with all fees that we charge suppliers.

Ms. Lianne Rood: Right. Well, I can answer that question for you from farmers I've talked to: Yes, they are charged an additional fee.

I'm just going to move on to the next question here.

We've heard that grocery stores charge farmers other fees, so I'm just wondering. There's something called a charge-back. We hear that you charge farmers this charge-back, or what you would call a rebate, which is a percentage of total sales, simply so they can have the privilege of selling their food to you to put on the store shelves.

I'm wondering if this is a practice that your company engages in.

Mr. François Thibault: No. In fact, we have a very transparent pricing mechanism with local suppliers. We have a web-based transaction platform through which we put out the quantities that we're looking for—

Ms. Lianne Rood: So you don't have a charge-back program or you don't have a program called a rebate program that you negotiate with farmers.

Mr. François Thibault: With respect to the fees that we negotiate, I don't have a specific example for you, but I'm saying that the pricing that we negotiate with suppliers is very transparent. They bid for what they want to sell on the web platform—

Ms. Lianne Rood: Right. Well, again, I get this information from farmers who tell me they participate in rebate programs, and I can tell you from experience, from my family's having dealt with big grocery stores, there is something called a rebate program, under which you do charge a percentage back. If you're not aware of that, perhaps you should look into that, because I'd really like to know where that is shown on financial statements from your company.

I'll move on to my next question. Do you charge growers a lump sum payment annually for having the privilege of doing business with your company?

Mr. François Thibault: In some cases, we have a lump sum payment that we negotiate with suppliers. When they do promotions with us, it could be a lump sum; it could be a tactical amount, or it could be a portion of revenues or purchases. These are all negotiated transaction fees that we negotiate with suppliers who participate in promotions or campaigns with their products.

Ms. Lianne Rood: So you do charge them a lump sum, sometimes to the tune of tens of thousands of dollars or a hundred thousand dollars. That's to farmers, for being able to sell their produce to you.

Mr. François Thibault: Generally, speaking with suppliers—

Ms. Lianne Rood: I'm talking about farmers and produce growers specifically.

Mr. François Thibault: As I said, we negotiate the fees transparently, if there are any. I cannot comment on your specific example. At Metro, we want to make sure we have a transparent negotiation mechanism, and, as I said, it's something we negotiate in good faith transparently.

Ms. Lianne Rood: Okay. Thank you for that.

Do you charge back a percentage to the farmer in order for the farmer to get paid within 15 days versus what typically in the industry is 45 to 90 days?

Mr. François Thibault: We pay the local suppliers very quickly. It's part of our policy to make sure we pay local suppliers more quickly than under our normal payment terms.

Ms. Lianne Rood: So what is faster for you? What is your normal term of payment for a grower?

Mr. François Thibault: It varies per negotiation, but my team tells me it's within days. We want to make sure we pay very quickly.

Ms. Lianne Rood: Well, that's interesting—within days. Are we talking 45 to 90 days? That seems to be standard with grocery stores—

Mr. François Thibault: No, I believe—

Ms. Lianne Rood: —unless they pay extra in a lump sum and you ask them to pay a price in order to be paid within 15 days.

Mr. François Thibault: Again, payment terms are part of the whole negotiation that we do with suppliers, so you can't take one specific example. You have to look at the whole thing that we negotiate with suppliers.

Ms. Lianne Rood: We've also heard from you and from other grocers that you have private labels. We know you have private labels. I'm just wondering if you require your vendors to buy private label packaging from specific vendors that get a rebate from you.

Mr. François Thibault: I'm not aware of that.

Ms. Lianne Rood: Can you confirm or are you aware that there's an unwritten rule with your company that farmers are required to donate yearly to the tune of tens of thousands of dollars to charities of your choice and to purchase tickets to certain events or you'll cease to do business with them?

Mr. François Thibault: No, I'm not aware of that.

Ms. Lianne Rood: I've heard that from some farmers, and that's something that's very concerning to me, because when I see grocery stores charging our growers, nickel-and-diming them for things and for having the privilege of selling to big grocery stores, whether it's your company or other companies, sir, it's disheartening and it's worrisome with respect to our food security and food sovereignty going forward.

If we don't have farmers in the business of growing produce in this country to supply Canadians with healthy, wholesome, home-grown produce, then where are we going to get this from? Are we going to be relying on imports from other countries where we don't know what goes into these—

• (1855)

The Chair: Ms. Rood, we're going to have to leave it at that. That is your six minutes, but thank you for your questions.

Thank you, Mr. Thibault.

Mrs. Valdez, you have up to six minutes.

Mrs. Rechie Valdez (Mississauga—Streetsville, Lib.): Thank you, Mr. Chair.

Welcome to the witnesses who are joining our committee.

I'm going to set some context, but the first questions are for both Mr. Thibault and Mr. Cope.

We learned through “Canada's Food Price Report” in 2022 that “lower-income households spend a higher proportion of their income on basic needs such as housing and food and will have a harder time maintaining their existing quality of life as costs go up.”

The question is, how do low-income households adapt their consumption habits when food prices increase?

Go ahead, Mr. Thibault.

Mr. François Thibault: We know and acknowledge how difficult it is for Canadians with rising food prices, and our team works tirelessly to make sure that we offer quality value to customers. Whether it's private label, our discount banners or our weekly promotions on thousands of products, that's what we try to do: offer the best value possible to customers in these difficult times.

Mrs. Rechie Valdez: Thank you.

Mr. Cope, go ahead.

Mr. Paul Cope: Thank you for the question.

Much like my colleague from Metro, that's what we're trying to do every single day through this: provide the best value we possibly can in marketplaces. That varies, because we service communities all across western Canada, and we tailor that to be a little different throughout the year to provide the best value we possibly can to our communities.

Along with that, we're actively involved in supporting those communities as well, because it's hard right now for some families with lower incomes. We're actively involved in any group and organization that's there to help support them. There's not just one approach to this. The other part is that you have to be open to solutions that groups and communities have to help support people.

I don't think there's a one-shot answer to this, but in terms of our stores, we try to provide the best value we possibly can for our customers.

Mrs. Rechie Valdez: Thank you.

I can attest that in Mississauga—Streetsville many of my constituents are really struggling and are having a hard time, so I'm curious to hear what measures you're taking at your grocery stores to ensure your products remain accessible to low-income households.

Mr. François Thibault: Similar to what I've said, we try to make sure that we offer the best value possible to our consumers.

We do support the communities. I mentioned the support we do through food banks in Quebec and Ontario, which I think is important. As I said, I think it's also part of our corporate social responsibility to make sure we support the communities in which we operate. A combination of promotions, discounts, good offers through our discount banners and supporting the communities is how we want to make sure that we support the communities.

Mrs. Rechie Valdez: Thank you.

Mr. Paul Cope: One of the strategies we have is that we're trying to bring as many of our private brand products through promotions as we possibly can, because that has some of the best value. You have to recognize as well that you have to go across all the different types of categories to be able to help those folks. It could be tinned goods. It could be bathroom tissue. It could be dairy products. They're all different, and you have to undertake a strategy to provide value that crosses over all your fresh departments.

You have to engage your entire store in helping the folks who are having a tough time to engage in saving money in your store. One of our biggest strategies, as I said, is to heighten the awareness around private label brands.

Mrs. Rechie Valdez: Thank you.

I want to give a specific example. The CDC permitted an increase of 2.2% in the farm gate price of milk for 2023 to adjust for the increases in everything. With these increases at the farm level, do you have an estimate in your grocery stores in terms of what you'd sell your products for in 2023?

Mr. François Thibault: I'm sorry. I didn't hear the first part of your statement.

Mrs. Rechie Valdez: Since the increase has gone up on the farms, have you estimated what the impact is like in your grocery stores in 2023?

Mr. François Thibault: No. It's very difficult to predict what the price will be on fresh products. It fluctuates on a daily and a weekly basis. As I said, we do have a lot of price increase requests on the centre of the store. That has a backlog, which we're dealing with as we speak, but it's very difficult to predict what the costs will be on fresh products.

All I can tell you is that 50% or more of our fresh product is sold on promotion, so we try to make the best deals available to Canadians every week through several promotions on fresh. We know that people are looking for quality fresh, whether it's produce or meat. As I said, 50% or more of our fresh products are sold on promotion.

Mrs. Rechie Valdez: Thank you.

Mr. Cope, do you have any final comments on that?

• (1900)

Mr. Paul Cope: If I can, I'll focus on fresh. As my colleague said, there have been tremendous amounts of price instability in fresh products no matter where they're coming from, whether they're coming from Canada or the United States. You have that volatility, but you have to charge a reasonable price for folks. We don't increase our margin on it. The cost goes up, so the price may go up, but it's not that the total margin we're charging is any higher. There's a reasonable amount of money that you can charge folks, and we're very conscious of that.

Mrs. Rechie Valdez: Mr. Sands, really quickly, in your opening statement, you mentioned a few quotes. You also did a podcast on the double-digit increase, or how the prices are being passed down to retailers.

Can you share what independent grocers are doing in terms of passing the buck onto retailers?

Mr. Gary Sands: I assume that you mean passing the buck to consumers, or...?

Mrs. Rechie Valdez: Yes.

Mr. Gary Sands: The independent grocer is on a margin of about 2%. We don't have a level playing field in this country for independent grocers. We're just trying to stay on the playing field. We're doing our best to do all of the things that my other colleagues from Metro and Save-On mentioned.

I'll give you an example. You touched on the price of milk. This is where it can get a little misleading to consumers such as yourself. I don't mean that in a disrespectful manner.

The CDC increased the price of milk by 2.2%. The processors also tacked on their increases. I'm sure it's perfectly justified. I'm not vilifying them at all. However, they tacked an additional increase onto that. I know that recently a couple of companies increased their prices to the retailer by an additional 4% to 6%. People walking into the grocery store, like you, think that the price of milk should only have gone up by 2.2%. Well, that's not what the retailer paid. The retailer paid more to the processor to put that product on the shelf.

The Chair: We'll have to keep it at that.

Thank you, Ms. Valdez and Mr. Sands.

[*Translation*]

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

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

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

Mr. Thibault, in your opening remarks, you stated that you have not increased your profit margins and that you even absorb part of the cost increases.

How do you explain the fact that grocery stores' profits seem to be going up?

Mr. François Thibault: Our revenue has certainly increased due to inflation, but for the same reasons, our expenses have as well. However, the margin has remained stable. In fact, for Metro, the food margin is down because we haven't been able to pass on all the cost increases to consumers, and it's been offset by a higher margin in the pharmacy business. That's what's kept the gross margin relatively stable compared to the last few years, ranging from 19.9% to 20% per year. That's what I meant when I said we're absorbing some of the costs.

I mentioned gross margin, but we're also facing an increase in our operating expenses. I'm thinking of transportation, maintenance, supplies and so forth, not to mention depreciation, financial charges and taxes. As I said earlier, and others have as well, our net margin is very slim.

Mr. Yves Perron: Ms. Rood said earlier that 44% of growers are selling at a loss. That's what I'm hearing from a number of producers as well. They depend on price fluctuations and they really have no choice.

You talked about the criticism being heaped on the food industry. It hurt your feelings, because basically you say you want to protect consumers. However, if the prices of products sold in grocery stores have gone up a lot and the producer isn't necessarily making more money than before, what's happening between the two of them? Where's the money going?

Mr. François Thibault: There are a number of stakeholders in the food supply chain. I can tell you about my experience, but I can't speak to the reality that 44% of growers experience.

What I can tell you is that when we go to local suppliers, we do so through a web-based transactional platform. Suppliers post the prices at which they are willing to sell their products and the quantities they can offer. We don't charge a loss leader. We take the price

offered. I can imagine what they are going through, though. It's hard for everybody.

I look forward to getting back to an inflationary environment where the normal rate is 2% or 3%. I find that 10% and over isn't good for anyone, not for the consumer and not for us. I'm very anxious to get back to a normal environment.

Mr. Yves Perron: I think we would all like to see that.

You brought up several things. When you say that you go to local suppliers, how would you define "local"?

I've often heard small or regional producers complain that they don't have access to grocery stores that are nearby.

Can you explain what you mean by "local product"?

• (1905)

Mr. François Thibault: It ranges from products purchased from small growers to those purchased from producers who are quite large. We try to do business with the full range of producers, and the number is growing every year. We've even made it a priority in our corporate responsibility plan to buy more from local growers.

It's important to us. It's what customers want; they want quality products. Also, because the distance is much shorter, that cuts down on transportation costs. Everybody wins. We want to make more room for local producers in our stores.

Mr. Yves Perron: Thank you.

You claim you don't impose prices, that you go through a transactional site where suppliers post their prices. However, the growers tell us that they are being charged fees unilaterally. This isn't coming from me, it's what I've heard. I'm telling you because earlier you said that fees were negotiated and transparent. Why do you perceive it differently than they do?

What the growers are telling me is they have no choice, they have to pay those fees to do business with the grocers.

Mr. François Thibault: I can't speak for anyone else, I can only tell you what we do. We have a good relationship with our suppliers, including the local suppliers. We want fees to be negotiated transparently. As I said, we want to make more room for local suppliers in our stores.

Mr. Yves Perron: If fees are negotiated transparently with suppliers, does that mean that different suppliers could pay different fees for the same transaction?

Mr. François Thibault: You need to consider all the factors that determine purchase prices. I can't comment on each supplier's situation, because we negotiate with each supplier individually.

Mr. Yves Perron: All right.

I've also been told many times that there is some opacity in the financial statements of grocers in general, who aggregate several revenue sources. You yourself explained to me earlier that you had used the pharmacy business margin to offset a decrease in the food business margin.

Don't you think that the industry would benefit from more transparent reporting methods? That way, perhaps that negative perception you mentioned earlier wouldn't be so pronounced.

Mr. François Thibault: We report our results in accordance with current accounting standards, based on what we call a retail operating segment. There are many similarities between the two divisions. In our results, we report comparable sales by division, both food and pharmacy. We even break down comparable pharmacy sales into prescription and commercial sales. In addition, we qualify the results.

We report our results by retail operating segment and in accordance with accounting standards.

Mr. Yves Perron: You talked about labour costs. I'm told that the wages in grocery stores are not very high.

Have your labour costs gone up a lot in the past year?

Mr. François Thibault: I should let you know that 95% of our employees are unionized. For the vast majority of them, salary is determined during negotiations about their collective agreement when it expires. These negotiations include wages and benefits, such as pension, health care and so on. We offer very competitive wages and benefits.

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

Mr. MacGregor, you have the floor.

[English]

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

I'd like to thank all of our witnesses for being here today.

Mr. Thibault, I'd like to start with you.

I find it surprising that Mr. La Flèche is not here. I say that because I think your sector is going through a very deep crisis of confidence with the Canadian people. I understand your sector being defensive, and I'll take the shots from you—that's fine. However, you have to understand that this committee didn't just appear out of thin air. It's the result of what we're hearing from coast to coast to coast from our constituents right across all political parties.

I'm curious. Given the state of Canadians' anger with the high cost of food, why wouldn't Mr. La Flèche take the opportunity, as the face of his company, to come here and publicly defend it? Why is he not here today?

Mr. François Thibault: Well, I'm a leader of the company. I interact with various stakeholders on a daily basis, talking about the operations of Metro, and I'm here today to answer your questions.

Mr. Alistair MacGregor: Is he not prepared to take responsibility as the CEO? He did the industry committee that courtesy when there was an inquiry about the end of hero pay in 2020. Why is he not giving us that same favour?

Mr. François Thibault: As I said, I'm a leader of this company and I'm here to answer your questions today.

As for the confidence, I think our customers are showing confidence through their hundreds of thousands of transactions every day.

• (1910)

Mr. Alistair MacGregor: Okay.

When Loblaw announced the price freeze on its No Name products, I saw that Metro was very quick to make a comment on that.

I think you said something akin to its being a standard industry practice. Am I getting it right? Am I quoting your company right?

Mr. François Thibault: No, I think we nuanced it. What we said is that we don't accept price increases.... We don't want to process price increases from suppliers during the busy holiday period.

Mr. Alistair MacGregor: But in general, that's a trend. What Loblaw announced is essentially what a lot of companies do during the holiday time.

Mr. François Thibault: I can't speak for them.

Mr. Alistair MacGregor: No. I'm asking you to speak for yourself, because you made the comment.

Mr. François Thibault: We tell suppliers that we will not process price increases during the busy holiday period. Our teams are too busy with merchandising. We want to have stability, and we say there's a pause on.... We don't process it.

Mr. Alistair MacGregor: Do your companies ever co-operate or collude in setting when that price freeze or break will happen for consumers?

Mr. François Thibault: Absolutely not. There is no collaboration at all. We self-supply. We don't want to process increases from the beginning of the holiday period until about the end of January or beginning of February.

Mr. Alistair MacGregor: Going back to the year 2020, when the three companies all ended their "hero pay" on exactly the same day, there was no co-operation or collusion on that?

Mr. François Thibault: No.

Mr. Alistair MacGregor: It just happened by coincidence. Three of the big companies just ended it on the same day.

Mr. François Thibault: There is no collusion. There is no collaboration on that.

Mr. Alistair MacGregor: Okay. Fair enough.

I have been hearing a lot of defensiveness from your sector. I understand. Many companies are going through difficult times with the war in Ukraine, supply chain issues and climate change. At this committee we're all very familiar with those subjects. Many different sectors have been going through those same pressures. However, when I hear your defence that your profit margins really aren't that great, I have to counter that, when I look at the statistics, for the grocery sector as a whole, in the last prepandemic year, 2019, the sector as a whole had roughly \$2.4 billion in profit. In 2021, that went up to \$5.8 billion.

My constituents in Cowichan—Malahat—Langford are looking at figures like that. They are looking at the food prices they pay week to week. You're saying you're really not responsible for this when, in fact, the net profits are showing a different story.

Mr. François Thibault: What I am saying is that you cannot look at it in absolute dollar terms. You have to look at it as a percentage of sales. We're a big company. Our revenues have increased this year because of inflation and so have our expenses.

When you look at the profit margin as a percentage of sales, whether it's gross margin or net margin after all the expenses and taxes, it has been very stable. In fact, what we said was that our margin in food went down, compensated for by a better margin in pharmacy, but overall it has been very stable.

Mr. Alistair MacGregor: Yes. It's interesting, because the quantity of food sales has actually been falling since the lockdowns. We have data here showing that in real supermarket sales volumes, there was a major spike, of course, in 2020 when the restaurants closed and everyone was eating at home, but then there has been a collapse all the way up until the present day.

The actual volume of food sales is going down. Consumers in my riding have seen individual food prices go up. Again, I think this is poking holes in your argument.

Mr. François Thibault: No, I don't think so. You're right about the fact that tonnage has gone down in the industry. We have had a couple of quarters in which tonnage was down. Overall, I think we have maintained ourselves well. I think customers are responding to our merchandising campaigns, and we have been trying to manage the top-line growth with our expenses.

Mr. Alistair MacGregor: Yes. We're in a state now where Canadians are buying fewer groceries, but they are paying much more for them.

I also want to end on this, because I know my time is ending. We know that this year it's expected that 60% more people per month are going to have to access food banks. Is it true that last year Metro gave an increase in dividends to its shareholders?

Mr. François Thibault: Now you're talking about capital allocation, which is a different subject than talking about—

Mr. Alistair MacGregor: Is it true, yes or no?

Mr. François Thibault: The way we do capital allocation is that we start with capital investments in our core businesses. Our warehouses and our store network are our priority. In 2022 we invested \$620 million in our network DCs. That was a record. This year we're going to invest \$800 million throughout our broader DCs network, a record level for our company. That's our priority.

Once all these projects are allocated, then we return some cash to the owners of the business. Whether it's a dividend policy and if there's.... We have been increasing the dividends to return cash to shareholders. As I said in my introductory remarks, we have to compete for customers in town but we also compete for capital. We have to reward the owners of the business.

I think it's the right balance that we're trying to achieve.

• (1915)

The Chair: We're going to keep that there.

Thank you, Mr. MacGregor.

Thank you, Mr. Thibault.

Mr. Epp, go ahead for no more than five minutes.

Mr. Dave Epp (Chatham-Kent—Leamington, CPC): Thank you, Mr. Chair.

Many farm sectors are facing all sorts of cost pressure increases from energy, labour and fertilizer. We've heard a bit about the fresh market sector and the direct dealings with the retailers. A sector I am most familiar with is the processing sector—so there's another food manufacturer in the middle of the value chain—particularly the processing tomato sector, and I think this will serve as an example for many sectors.

I'm familiar with it in Ontario and in California, which is the global benchmark. California produces 30% of the world's processing tomatoes, 20 times what we do here in Canada. It just set its price to growers at \$138 U.S. f.o.b the field, which is about \$184 Canadian. California growers are facing cost pressures. In Canada, growers here are facing those very same cost pressures plus the carbon tax yet on top.

My understanding from industry discussions that are happening right now is that Canadian growers won't even achieve the price f.o.b. the plant—where the growers have to deliver to the plant—that California growers are getting in the field. Those are some of the cost pressures that our processors and food manufacturers are facing, besides their increasing costs for packaging, etc. Then these processors will come and meet with our food retailers. Then there are the consumers. What are we going to do for the consumers? What can be done?

The United Kingdom has had experience with a grocer code of conduct—we've heard a bit about it today in testimony already—that has the potential to lower costs to consumers relatively because it lowers the administrative costs for retailers. I have many specific examples I could talk about.

In my discussions with a food manufacturer, he's described his experience with two different retailers as follows. He says that retailer A generally accepts the increase as long as you can back it up. Then they take their margin and let the consumer decide if it's too much or not. This is actually a smart and responsible way of handling inflation. Concerning retailer B, he says that these guys are—and, Mr. Chair, I cannot say the next word because it's unparliamentary—and the worst in the industry. They go after their vendors and not only deduct but add fines unilaterally and have these fancy calculations that they don't share with you. Then they come back and say you owe 1% to 2% of total sales. He says that, if the code of conduct is not implemented as mandatory, and with a governing body, they are done selling to them—they are terrible.

We've had some statements today that retailer practices are transparent. I would invite those retailers to share with this committee and table documents as evidence that back up that statement. I'm not going to identify the manufacturer that I was quoting for fear of reprisals, but here's my question. Given the disparity in behaviour from retailers, would the Canadian consumers benefit from a code of conduct, and would your company participate if other large retailers won't?

Let's start with Mr. Cope.

Mr. Paul Cope: Specifically back to.... I just have a comment on the concern you have with tomatoes. Also on top of that for us, as retailers in western Canada, now we have to transport it out here or from the United States at increased cost as well. Those aren't costs that we've been able to pass on because that just makes the cost of the product completely unreasonable for folks.

Right now, I believe that we as a company are transparent with folks in the industry, not only with our customers but also our vendor partners. I think we're open to anything that provides a better relationship. Is it the code of conduct? Maybe, but I think that the last three years for all of us have been extremely difficult and have probably stretched and strained our relationship with each other. It's not just because of what's happening with us at the grocery level. It's what's happening to them: the costs of raw material, product and packaging, labour. We've identified all those things right now, too, so I would suggest that the last three years for us have been extremely—

Mr. Dave Epp: Thank you, Mr. Cope.

Mr. Thibault, I'd like to hear from you, as well.

Mr. François Thibault: We support the code of conduct. Since the FTP agricultural working group was formed, we actively participated in the drafting of the code of conduct, so we believe that our relationship with suppliers is good. We support the code of conduct, and as I said, we've been an active participant in drafting it.

Mr. Dave Epp: You are retailer A, Mr. Thibault.

I have a question: Why are Canadian retailer fees higher in Canada—28%, on average, of processor costs versus 18% in the U.S.?

Mr. Cope.

• (1920)

Mr. Paul Cope: Sir, could you repeat the question? I didn't quite hear that.

Mr. Dave Epp: Why are the fines, the levies, the fees, about 28% of Canadian processor or food manufacturer costs versus 18% of similar U.S. processor costs?

Mr. Paul Cope: With regard to, specifically, the fines directly to those folks, that is not necessarily part of my scope as an SVP of operations. That's why I couldn't speak directly to that.

The Chair: Thank you, Mr. Epp.

We'll now go to Ms. Taylor Roy for up to five minutes.

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

Thank you to the witnesses for being here.

This is a difficult conversation and I don't want to reiterate what's already been said. It's clear that, on the agriculture and agri-food committee, we're all concerned about the farmers. They've been struggling. We've gone through all the costs that have gone up. We're also concerned about the consumers. There are a lot of individuals struggling to make ends meet and afford food.

Of course, I'm a business person. I understand return on investment and margins, but I don't understand why profits have definitely been going up for grocery retailers. You can look at the numbers any way you want. Volume has gone down, profits have gone up and margins have stayed the same. It's because the margins are on a higher base because of inflation. In fact, you are profiting from inflation.

We can look at this any way you want and talk about all the costs coming through, but facts don't lie. Executive pay has gone up. Dividends have gone up, and you said investments have gone up. However, workers' salaries haven't gone up—perhaps slightly, but in fact they actually went down by \$2 from what was given during COVID. Prices have gone up for consumers.

I continue to hear this emphasis on margins and accounting guidelines, but I've also heard from you that you want transparency and everything has to be open. I don't think there's any requirement that you only report margins the way you are. The accounting guidelines don't restrict you from reporting it in a different way. I'm wondering why you keep falling back on that and refuse to talk about the absolute dollar numbers you have made on groceries from people—breaking it down more by the actual components, as opposed to just a description of what's going on in each area.

Perhaps you could address the fact that profits have gone up because of inflation. Why are you not passing any of that on to the consumer—helping, during this difficult period, by reducing prices, somehow?

I'd like an answer from all of you. With increased profits, why are you not trying to help consumers by keeping prices down more?

Mr. Gary Sands: I'll speak for the independents.

Profits are not increasing for the independent grocer—certainly not for Main Street.

I take your points. I want to say, with all respect, that, in my experience—over many years in this industry—the preoccupation or priority of ag committees and ministries has always been on farm, farm and, of course, farm. I think part of this is not having, until recently—because of all the things happening—an understanding of how the industry works.

I'll speak to—

Ms. Leah Taylor Roy: Mr. Sands, I'm sorry to interrupt, but if you're saying independent grocers' profits have not gone up at all, I'd like to hear from the other two witnesses.

Mr. Gary Sands: Okay—

Ms. Leah Taylor Roy: I'm sorry. I only have five minutes.

I'd like to hear answers to my question from the other two witnesses, whose profits have actually gone up.

Mr. Paul Cope: I can answer that question on behalf of Save-On-Foods.

Our 2022 profit was lower than the previous year's, so profits haven't gone up.

Ms. Leah Taylor Roy: We don't want to just look at the previous year. We want to look at the period prepandemic to postpandemic—18 months. Look at March 2022. Your profits had definitely increased. In fact, the StatsCan numbers show your combined profits were 89% or \$143 billion in just 15 sectors, out of all of them. Oil and gas has profited the most, but retail grocers have also profited greatly.

I'm not looking at a year-by-year comparison, because that's not relevant right now.

• (1925)

Mr. Paul Cope: In terms of same-store volume inside our stores prepandemic, the volume inside our stores has gone up significantly.

Ms. Leah Taylor Roy: You're saying that, after the spike... There was a spike, because of pandemic spending, but volume has gone down over the last year due to price increases and people starting to go out to restaurants and not spending as much at grocery stores. We saw a spike there, but when you look at the charts, the volumes have gone down.

Mr. Paul Cope: Again, the volume inside our company, right now, is significantly higher than prepandemic, so the sales have gone up.

The other factor our consumers have to deal with... It's not only food inflation. Interest rates have gone up significantly. The price of gas has gone up, as has the price of all types of household goods. The pressures those folks have felt, just from going back to school and everything that is associated.... It's not just food inflation. I appreciate that the—

The Chair: Thank you, Mr. Cope.

Thank you, Ms. Taylor Roy. We're going to have to keep it at that. I gave you a few extra seconds.

[*Translation*]

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

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

Mr. Thibault, if you don't mind, we will go back to what we were discussing earlier.

You were saying that fees were negotiated transparently, and yet I've heard that fees were imposed unilaterally.

You did tell me earlier that they were always negotiated.

Is that correct?

Mr. François Thibault: Yes, they are negotiated for sure. Sometimes we don't agree during negotiations or discussions, as our views may differ. However, we sit at the negotiating table and work to resolve our differences.

Mr. Yves Perron: Okay.

In response to Mr. MacGregor's questions, you stated that you had not raised prices during the holiday season.

Can you explain what that's all about?

Mr. François Thibault: We told suppliers that we weren't going to accept higher prices during the holiday season, because our teams are busy with marketing and customer service. It's a very busy time of year, so we want to ensure stability in terms of cost and retail price. That's what I meant.

Mr. Yves Perron: Do you do that every year?

Mr. François Thibault: I've been with Metro for 10 years, and I can say that we've been doing it for several years.

Mr. Yves Perron: Okay, thank you very much.

You also talked about your noble objective to provide quality products while keeping your profit margin stable, among other things. You stated that you operate in a competitive market, but in a market where five players hold 80% of the market, is it really a competitive situation for suppliers to sell? If they don't get along with you, they can get along with another grocer, but that could become difficult.

According to Professor Charlebois, this is an oligopoly. What's your opinion on that?

Mr. François Thibault: Mr. Charlebois is entitled to his opinion. As for mine, I can tell you that it's a very competitive market and that we have to consider several players, including some big U.S. players: Walmart, Costco and others online, like Amazon.

Food products are sold in many stores, including independents. It's a competitive market, and customers have choices, options. If we want to keep our customers, we have to be competitive.

Mr. Yves Perron: Customers have options, but do suppliers have as many? That was the point of my question.

Mr. François Thibault: I think there are as many players for suppliers as there are for customers. We're not the biggest player, and we try to compete through tight negotiations. We don't always have the big end of the stick, as we say where I come from.

The Chair: Unfortunately, your time is up.

Mr. Yves Perron: Thank you for your responses, Mr. Thibault.

The Chair: Mr. MacGregor, you have the floor.

[English]

Mr. Alistair MacGregor: Thank you, Chair.

Mr. Thibault, in our earlier exchange, I used the term a “crisis of confidence”. I think I would also call it a “crisis of trust”. This has not come out of a vacuum. There is a history here.

We know that there were allegations of fixing the price of bread. The Competition Bureau has had to look at the activities of your sector several times. We know from producers and processors—and have heard in this committee in excruciating detail—of the hidden fees and fines that our producers and processors have had to pay to supply your large corporations.

Also, then, we have a parliamentary inquiry into this matter. For the three biggest chains in Canada, not one single head of a company came to publicly defend their company, including today for Metro.

Therefore, there is a crisis of trust and confidence. It did not just begin with this parliamentary inquiry. This parliamentary inquiry is a product of it. This is what we are hearing from our constituents, and we have a history there. Parliamentarians will be proactive on this. I'm not going to presuppose what our recommendations will be, but we do have the power to act, and whether it's strengthening our competition laws or giving more resources to the Competition Bureau, those are options that we have.

My question to you, sir, is this: What is the sector going to do to try to regain that trust? You have to admit that there is a gulf between your companies and the consumer right now. What are you going to do at this moment in time to try to regain that trust and address the crisis in confidence?

● (1930)

Mr. François Thibault: I firmly believe that customers show their trust. Every day, we do hundreds of thousands of transactions. We have a growing customer base, a growing loyal base. I think we've demonstrated to customers that we provide value, quality and a healthy, secure environment, and we provide transparency. I think we do have the trust of consumers.

Mr. Alistair MacGregor: That's it. You think you have the trust at present.

Mr. François Thibault: Yes, I believe we have the trust of consumers, and we fight every day to gain that trust and keep that trust.

Mr. Alistair MacGregor: With respect, that's completely—

The Chair: Mr. MacGregor, we'll have to keep it at that, unfortunately.

Mr. Alistair MacGregor: —opposite to what we're hearing, but we'll leave it at that.

The Chair: We're at the time, but thank you.

I'd like to thank our witnesses.

I'm going to quickly take some of the prerogative of the chair.

Mr. Thibault, I know you're in the CFO role. I appreciate your being here today to provide testimony.

Do you have a sense of how much retail prices on Metro shelves have gone up on average in the last 12 months? Do you have that number for the committee?

I appreciate that it is a question on what's happening across the sector, but do you have a number you can share that you have a sense of? Is it 10%, 12% or 8%? Do you have anything?

Mr. François Thibault: Throughout fiscal year 2022, it went up every quarter. You have the official CPI numbers published by the government, but what we measure is what the customer is paying at the till. The customer doesn't buy a static index. The customer will take action, switch products and get promotions, etc.

To give you an idea, in the first quarter of fiscal year 2022, our internal inflation was 3.5%. That's how much more we estimate the customer paid than in the previous year. In the second quarter, it was 5%, then 8.5% and then 10%. In our first quarter of 2023, which we just released, it was still 10%.

That's to give you an order of magnitude of the price increases paid by customers.

The Chair: That's helpful.

The second piece is that you mentioned 27,000 price increases. I can appreciate there's a lot of back-and-forth with your suppliers on that.

Do you have any numbers you could share? I can appreciate that it would depend on the supplier, but even an average would give us a sense, from your suppliers, of what they're dealing with and what some of their requests are in terms of a percentage increase year over year.

Do you have a number you could share with this committee?

Mr. François Thibault: Are you saying going forward, or are you saying...?

The Chair: You mentioned in your testimony 27,000 requests—

Mr. François Thibault: That was for fiscal year 2022.

The Chair: Yes. Do you have an average of what the ask was in terms of an increase from your suppliers?

Do you have an average you could share?

Mr. François Thibault: It varied. It was the high single digits to double digits, and sometimes the same supplier came several times during the year. It's across the range.

As I said, we had a backlog of price request increases because of the pause we asked for. Now we have several thousand still to be processed.

The Chair: This is the last one, because I want to get to the second panel.

Of your suppliers, can you give this committee...? I can appreciate, as you mentioned, that it's a negotiation. You're going to have different suppliers of different sizes and different abilities to provide product on your shelves.

Could you give this committee an estimate of what percentage of your suppliers has that ability to negotiate? Some are smaller producers. I presume you're saying, "This is what we're willing to offer". Can you give us a sense of that?

If I'm a smaller farmer, I presume you're saying, "Here's what we're willing to offer you, as Metro, on the basis of what the market might demand and what we think we can sell." With other suppliers that might be a bit larger. It might be more of a negotiation.

Can you give a sense to this committee of what the breakdown would be? For how many of your suppliers, even on a percentage basis, would that be a negotiation, versus Metro trying to say, "Look, we can't negotiate with every single supplier"?

You have 27,000, for example. Can you give us even a sense of that and what the relationship looks like?

Mr. François Thibault: It varies. It deals with payment terms. It deals with participating in promotion campaigns. It's across a range. I don't want to throw a number out.

The Chair: Okay. It's a broad question.

We'll go to Ms. Rood, quickly, if we could.

• (1935)

Ms. Lianne Rood: Thank you, Mr. Chair.

Mr. Thibault mentioned a few times that they are transparent and open. I'm wondering if it would be possible for him to table those documents that he's referring to about the transparency of the numbers with the committee.

The Chair: Certainly. That would be something that's up to the witness.

If there's something you can share with our committee on some of the practices, that's fine.

Mr. François Thibault: Okay. I'll take it back.

Ms. Lianne Rood: Thank you.

The Chair: Thank you for indulging me for a few extra minutes.

Colleagues, we're going to take a very quick break. We have all of our witnesses for the second panel here in the room, which is great.

We'll take two or three minutes and we'll get right back to it.

Thank you.

• (1935)

(Pause)

• (1940)

The Chair: Colleagues, we're going to get back at it.

We have a full room. It's great to see everyone having lovely conversations, but we want to make sure that we stay on time.

Our second panel are no strangers to the committee, but it's always great to have them back, especially in the room. It's a crowded witness box, so to speak, up front. We're excited to have them here.

From the Canadian Agri-Food Policy Institute, we have Tyler McCann, who is certainly no stranger to the committee. Welcome back with us, Mr. McCann.

From the Canadian Federation of Agriculture, we have Mary Robinson, in from Prince Edward Island—it's great to have you here in person, Mary—and Scott Ross, who serves as the executive director. Of course, Mary is the president.

[*Translation*]

Also with us are representatives of the Quebec Produce Growers Association, Catherine Lefebvre, president, and Patrice Léger Bourgoin, general manager.

I'd like to welcome you both to the committee.

[*English*]

Each of you will have up to five minutes. I'm going to start with Mr. McCann.

We'll go over to you.

Mr. Tyler McCann (Managing Director, Canadian Agri-Food Policy Institute): Thank you, Mr. Chair and committee members, for the opportunity to appear on this important topic.

For most Canadians, paying for the food that they consume is one of the few direct transactions they have with Canada's food system. When that transaction gets more expensive, it gets attention.

The simple fact is that food is getting more expensive. However, the reasons behind that increase, and the policy solutions available to governments, are much less straightforward. COVID, supply-chain disruptions, geopolitics, the depreciation of the Canadian dollar, concentration and the cost of labour are only some of the factors contributing to making food more expensive. Other witnesses will address many of these points, so today I will offer three simple observations on food price inflation.

First, food is diverse, and the drivers of the cost of food vary widely. Canada needs more research and analysis to understand these trends and pressures.

Second, food inflation is regressive, hitting poor households harder. Policy solutions should be directed at those Canadians who need the most help.

Finally, Canada is not an island, and our food system is part of a global system. It is important to consider this context when debating the Canadian experience.

First, while food is often talked about as a single thing, walking around a large supermarket today drives home how diverse food is. Within Statistics Canada's CP index, food is actually 190 different products, some of which behave very differently. For example, pasta was 20% more expensive in December 2022 than it was a year earlier, but fresh and frozen pork was almost 1% cheaper.

Within that diversity, some things are generally true, like the 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.

According to USDA's food dollar research program, in 2021, on average about 14.5¢ of the food dollar was the farm share, split about evenly between farmers and ag businesses. However, a Canadian study released in 2015 broke down how wide that range was between products. The farm share of bread was about 5%, but it was 50% for vegetables. It's worth highlighting that the 7.4¢ for the farm production was the lowest number recorded by the USDA. The share for retail, though, also fell in 2021.

The USDA analysis shows that farm production, food processing and packaging costs have all gone down. It also shows that the share for wholesale trade food service, accounting and advertising costs have gone up over the last 20 years.

We simply do not have this level of credible, meaningful analysis in Canada. Your committee's study would benefit from an organization like Agriculture Canada, Stats Canada or the Competition Bureau producing this level of detail. The committee should consider recommending that the Government of Canada take the steps necessary to collect data and conduct the same level of analysis that is available in the U.S. and to make the results of that analysis public.

Second, food inflation does not impact Canadians equally. It is very regressive and impacts lower-income Canadians more than most. In our 2022 report from the Angus Reid Institute, more than half of the respondents reported that it was difficult or very difficult to feed their household. However, those numbers differed greatly by income. It was 71% of respondents making less than \$25,000 a year who said it was difficult or very difficult to feed their family, but the number dropped to just over 30% for those making more than \$150,000.

The different responses by income drive home that food insecurity in Canada is largely not a food issue. A report on household food insecurity in Canada by the Proof program at the University of Toronto notes, "Although food insecurity was initially understood to be a food problem...it has become clear that the deprivation experienced by households that are food insecure is not confined to food." In effect, the income issues driving food insecurity are income issues, not food issues.

Finally, it is important to put what is happening in Canada in a global context. While recent inflation has continued to climb in Canada, the UN FAO food price index has fallen considerably from its peak earlier this year and is now relatively similar to what it was

a year ago. Despite a significant decrease since February, the index remains 43% higher than it was in 2019. In Canada, StatsCan's CP index for food is up only 17% in that same time frame.

Just as food inflation hits lower-income Canadians, the most vulnerable around the world are struggling with that significant increase in prices. Food inflation is an important but complex issue. It is not one single issue, but a complex web of issues impacting each other. Better data and analysis would lead to a much more informed dialogue. It also impacts lower-income Canadians more severely. Policy solutions should be directed to those who need the help.

Finally, food inflation in Canada is not happening in isolation. It is important to understand the global context.

• (1945)

These are three small observations on a large and complex issue. I look forward to taking your questions.

The Chair: Thank you, Mr. McCann.

We'll now turn to the Canadian Federation of Agriculture with Ms. Robinson.

Ms. Mary Robinson (President, Canadian Federation of Agriculture): Thank you, Mr. Chair.

Hello. My name is Mary Robinson. I am from Prince Edward Island. I am a producer on Prince Edward Island and the president of the Canadian Federation of Agriculture.

The CFA is Canada's largest general farm organization. We represent over 190,000 farmers and farm families across this country. We and they are the heart of the Canadian agri-food system, generating just under \$135 billion of Canada's GDP.

As you know, food inflation is outpacing all other commodities, and we are seeing these price increases reflected across the board in sectors such as fresh fruit, vegetables, dairy and eggs, to name just a few. This is illustrative of the fact that farmers have seen their bottom line costs increase tremendously over the past few years, with a sharp rise in expenses through 2021 and 2022.

The increased costs of production in the ag sector are being driven by several factors, including critical inputs such as fuel and fertilizer, which have seen drastic price increases over the past year. According to Farm Credit Canada, "fuel costs [have] increased more than 80% since the first quarter of 2019" and the average fertilizer and feed costs have very nearly doubled. In addition, machinery, pesticide and labour costs have also increased substantially over the same period.

Farmers have no lower-cost alternatives to turn to for these inputs and their absence has dramatic implications for Canada's agricultural productivity and Canada's food security. For most farmers across Canada, 2022 was the most expensive crop they have ever put in the ground. As a result, many farmers are required to make tough decisions around whether to delay investments in their operation that would otherwise make them more efficient and environmentally sustainable, because they simply do not have the margins.

The bottom line is that inflation represents several challenges for Canadian producers, who are price-takers in global markets and subject to weather- and climate-related risks that are outside our control.

There are some immediate steps that can be taken to reduce potential short-term impacts on Canadian food production.

First, our members are very encouraged to see the progress of Bill C-234, which would exempt from the federal carbon price natural gas and propane used on farms for drying grain and heating and cooling barns in backstop provinces. We are thrilled that this is on its way to third reading in the House of Commons. It holds the potential to remove one more cost that farmers shouldn't have to bear and cannot pass along.

Second, according to Stats Canada, the federal government collected \$34 million in tariff income on fertilizer imported into Canada in 2022. We feel that revenue from these tariffs should be redirected into programming that helps to alleviate some of the impacts of rising costs—for example, fertilizer and fuel—and helps to build resilience in the ag sector.

Finally, in July 2021, federal, provincial and territorial—FPT—ministers called for an industry-led process to improve transparency, predictability and respect for the principles of fair dealing within the supplier-retailer relationship. Following this announcement, a steering committee comprised of individuals from 10 key stakeholder groups, including the Canadian Federation of Agriculture, was formed to facilitate and develop an industry-led grocer code of conduct.

The objective of the code of conduct is to enable a thriving industry; promote trust, fair dealing and collaboration throughout the value chain; increase commercial certainty; and develop an effective and equitable dispute resolution process. While not explicitly targeting food inflation, we do believe that it will help to improve supply chain dynamics, particularly where one link in the supply chain is unduly shouldering the costs and risks of inflationary pressures.

We were pleased to see the minister's positive reaction to the most recent progress report of the committee earlier this year and look forward to the government's continued support for this initiative as it approaches implementation.

Thank you. I'll be pleased to answer any questions you may have.

• (1950)

[*Translation*]

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

We will now go to Ms. Lefebvre, of the Quebec Produce Growers Association.

Ms. Lefebvre, you have the floor for five minutes.

Ms. Catherine Lefebvre (President, Quebec Produce Growers Association): Mr. Chair, ladies and gentlemen, good evening.

Quebec's produce growers believe that food security, which includes price inflation, should be recognized as a key issue by our governments. The invasion of Ukraine, shortages of raw materials and successive interest rate hikes have contributed to increasing our production costs. Produce growers have to pay more, but that isn't reflected proportionately in farm gate prices.

We were surprised to hear a representative of a large chain state in this forum: "We have a fairly equitable process to evaluate whether our relationship with the supplier is balanced". If that were true, why did Canada's agriculture ministers feel the need to develop a code of conduct from the ground up governing best practices between grocers and their suppliers?

For us produce growers, the prices of everything we buy and every raw material we use to grow our produce have risen much faster than the amount we receive for those same products. In fact, less and less of what consumers pay when they buy their vegetables is going back to the vegetable grower.

For example, this summer at the end of June, the amount received by one grower for a single head of iceberg lettuce was less than 87 cents. From this unit price, the grower had to deduct all the fees unilaterally imposed by the retailer. A few hours later, the consumer was paying a discounted \$1.99 for the same head of lettuce.

We really must insist that produce growers are facing skyrocketing input prices, interest charges, and enforcement and regulatory fees. Delivering quality products is a daily struggle, and their return on investment isn't always worth the risk they take.

Mr. Patrice Léger Bourgoïn (General Manager, Quebec Produce Growers Association): Professor Charlebois was clear when he appeared before the committee. He had this to say: "the balance of power is not the same in Canada. Given the oligopoly we see in this area, it is very difficult for suppliers to negotiate with the major distributors".

Picture a small family business that brings perishable products to the market in a matter of days. Imagine that small family business having to negotiate with a very limited number of customers that do billions of dollars worth of business. Now ladies and gentlemen of the committee, do you really think that a small vegetable grower has much negotiating power in that scenario? Vegetable growers never win in the carrot and stick game.

You heard from a number of retailers that they required extensive justification before agreeing to pay their suppliers a higher price—and believe you me, that's what they do. The real question, though, is who do the big grocery store chains have to justify their regular price increases to. It's a question worth asking.

What's more, globalization has led to the consolidation of input supplier operations, reducing the availability of diverse supply sources and, by extension, causing prices to soar.

The country's vegetable production supply chain is dealing with another phenomenon as well. The industry's major national customers sell local products and imported products alongside one another, in direct competition. Regulations are much more stringent in Canada than they are in Mexico, for instance. For that reason, the production costs in Mexico and other such countries are not sustainable here.

There's no easy answer when it comes managing food inflation more effectively, but as a society, we know we should be making national food security a bigger priority. Now, I'll turn to our recommendations.

First, a code of conduct governing relations between suppliers and retailers in the grocery sector won't implicitly address pricing mechanisms. It is therefore crucial to examine the issue and assess the harmful effects of market concentration.

Second, we 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.

Third, vegetable growers need a level playing field to compete with growers of imported produce. Equivalence and reciprocity of standards must be implemented in order to secure the domestic supply chain.

Thank you for this opportunity.

• (1955)

The Chair: Thank you.

We will now begin the first round of questions.

Go ahead, Ms. Rood. You have six minutes.

[English]

Ms. Lianne Rood: Thank you, Mr. Chair.

Thank you, witnesses, for being here today.

In the last hour, we heard a bit about transparency from one of the big grocers.

Mr. McCann, I'm going to ask you this question.

We heard them talk a lot about transparency issues, or lack thereof. I'm wondering whether you can elaborate on this for the committee. Is Canada as transparent as other countries—say, our neighbour, the U.S.—when it comes to the value chains and supply chains in the food and agriculture industry?

Mr. Tyler McCann: As is often the case, there's a lot that we don't know in Canada, or information we're missing that's available in the United States or other markets around the world.

If you look at the debate over the last couple of years around this issue in particular, it's highlighted how much room for interpretation there is, how much disagreement over the facts there is and how much need there is for a more rigorous, more compelling and more objective set of analysis around what is actually happening with the cost of food.

This isn't just a retail issue. This is an issue all along the value chain, where we don't have the same level of information and understanding as is available in the United States or some other markets. For example, we know, in Canada, that the top five grocery chains have about the same market share as the top 20 in the United States, but once you get beyond that high-level conclusion, it's hard to really understand what might be happening underneath.

There's clearly significant room to increase the amount of transparency and information available today.

Ms. Lianne Rood: Thank you very much.

I'm going to turn now to Ms. Robinson or perhaps Mr. Ross. I have heard from many growers in the produce industry that, when they are dealing with big grocery chains, they are subjected to a number of either fees or different things. I have heard they are subjected to unloading fees. For the privilege of being able to deliver their goods to the centralized distribution warehouse for a grocer, they are charged a fee to unload their trucks there.

I have also heard that if a truck arrives late, let's say 10 minutes late for its appointment time, it is then charged a fine for being late. However, if the grocer doesn't get around to unloading the truck and makes the truck sit in the yard for 12 hours, they will still make them pay a fee for that. We have also heard of farmers being charged a fine if their truck is speeding one kilometre over the speed limit in the distribution centre's yard at some point.

We have heard of rejection fees, so if a load is rejected by the person who processes the load at the distribution centre, then the farmer who.... Let's be clear: No farmer is going to want to send a perishable product to go on a grocery store shelf that is not of great quality on a truck to a distribution centre to then have it rejected and go back to their farm, and have to repay the transportation cost to get it back there. They are also being charged rejection fees if their load is rejected. This is on top of rebates or charge-backs to the farmers who pay the privilege of having a vendor number and keeping that vendor number with the grocery store chain.

Have you heard of these things happening from our growers in Canada?

Maybe this is all going to go into what we have talked about, and what I have talked about, since the fall of 2020: We need a grocery code of conduct in this country to actually protect our growers and to keep our family farms in business. I'm scared of what the future is going to look like 15 years from now if we don't have family farms producing great quality produce in this country.

Can you comment on any of that?

Ms. Mary Robinson: The short answer is yes. The longer answer...

Scott, do you want to answer?

Mr. Scott Ross (Executive Director, Canadian Federation of Agriculture): In many respects, for all the different fees you laid out, we have heard anecdotal evidence from growers across this country that in one instance or another they are occurring.

Certainly, one of the concerns, to your question around transparency, is that there is not a sense among farmers that they have an understanding of how fees are calculated and how they are being levied against them. It's something we certainly look at with regard to a code of conduct as a measure to improve transparency in the supply chain.

I can attest to the fact that one 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.

- (2000)

Ms. Lianne Rood: If we were to go down that road, which we are, of a grocery code of conduct, how would that benefit farmers? One thing I would like to point out is that, to my knowledge, there is no other country on this planet, whether it's the U.S., some of our biggest trading partners in Europe, or Mexico, that actually imposes these kinds of fees on farmers at the grocery store level when they are delivering products.

When the general public is looking at practices like these and no other industry has these types of practices other than Canada, specifically in the grocery industry, as outsiders, all they see is big, greedy grocery giants who are lining their pockets with record profits on the backs of Canadian farm families and produce growers—and all they want to do is feed Canadians and the world.

Mr. Scott Ross: When it comes to the code of conduct, obviously it's still a work-in-progress. As you know, some of the ongoing discussions relating to that are still confidential in nature, but I will say that, undeniably, transparency is one of the core tenets of what we're trying to pursue there. The idea is very much to get everyone on the same page around what is an acceptable practice in the industry when it comes to fair dealing across the supply chain. I think in doing so, one of the critical elements of that, which I've seen first-hand in the development of the code, is a building of trust across the supply chain. Without that trust, I think a code of conduct can't actually function.

Really, as a first starting point, I will say that a code of conduct is an iterative process. It's not something that fixes overnight all the problems in the supply chain. It builds a framework around which we can start driving towards improved transparency, improved contractual certainty and really instilling principles of fair dealings and a common understanding of what that means in specific terms across the entire industry.

From my perspective, that really is the value that a code of conduct brings to this discussion.

Ms. Lianne Rood: Thank you very much.

Thank you, Chair.

The Chair: Thank you, Mr. Ross and Ms. Rood.

Go ahead, Mr. Drouin.

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

I want to thank all the witnesses who are before us.

[*Translation*]

That includes my friends from Quebec who are with us today.

I want to thank everyone for making the time to meet with the committee, especially at 7:30 on a Monday evening. I realize it's quite the way to start the week.

[*English*]

I'll start with Mr. McCann and the Canadian Agri-Food Policy Institute.

You talked about the importance of data collection. Have you had those conversations with Statistics Canada and others who are trying to gather data? I'd be curious to find out what they're saying in terms of their limited capacity or maybe some of the barriers they're facing in terms of collecting data versus what the USDA is doing down south.

Mr. Tyler McCann: When it comes to a variety of different data points across the agriculture supply chain, the United States has more powers to collect and compel data than we do in Canada. They also have more resources to do meaningful analysis of that data.

Statistics Canada makes an effort to do analysis based on the information they have, but I think it often leaves something to be desired. If you look at what the economic research service at the USDA is able to produce and the information they're able to shine a light on, leveraging publicly available data, it far exceeds what's available in Canada. The difference between what their agriculture department and our agriculture department produces is quite stark. I think it's become increasingly clear, if you look at how this debate has unfolded around food inflation and the drivers of it, that we just don't have that information.

Some of it is there, and some of it could be better accessed and leveraged by government departments if they were looking at it, but there's an opportunity to do more to compel more information.

Mr. Francis Drouin: Yes. Obviously, the U.S. is a country of 330 million-plus, and we're 38.5 million. We are an agriculture powerhouse, but understanding that we have limited resources, have you made a proposal to StatsCan—I know that you guys do a lot of research in the ag space—to help them maybe fill those gaps? Do you know of any other organizations that have made a proposal to fill those gaps, or...?

Mr. Tyler McCann: It's not a proposal that we've made, and I'm not aware of others. It is fair to say that significant resources are dedicated to it at USDA in particular, but government needs to decide what government wants to do and how it should invest its resources. I think producing public, credible, objective analysis is a good way for government to invest the resources it has.

• (2005)

Mr. Francis Drouin: Great. Thank you.

I'll turn now to the chair of the Canadian Federation of Agriculture.

As has already been mentioned here, Sylvain Charlebois will often point the finger at supply management and say with regard to dairy farmers and egg farmers that it's so expensive in Canada as compared with our U.S. counterparts. Now we're finding out that buying a carton of eggs in Florida, California or Texas is a lot more expensive than buying a carton of eggs in Canada.

Could you perhaps speak to that point, where food inflation is not necessarily tied to supply management as some, or a professor, would attest to before this committee and publicly?

Ms. Mary Robinson: Thank you for the question.

I'm definitely not a professor. I'm a farmer. It's a great comparison, because I think it really highlights the fact that stability brings resilience. I should have said in my opening remarks that, on the cost of egg production, we're seeing a 13.8% increase in cost. I think it really further emphasizes Tyler's point that we need to dive deeper into this and really have some price information that would let us help answer that question.

Mr. Francis Drouin: I'm glad to hear you mention in your opening remarks the government, which has collected \$34.1 million in fertilizer tariffs. I know we're working with your sectors and various other organizations to return that to farm organizations in some way, shape or form. We're hoping to get something to a positive outcome on this soon.

We know that fertilizer prices have gone way through the roof, since before the war in Ukraine. In December 2021, I was already getting calls from farmers who were trying to book those particular farm inputs.

The government reacted with the increase of the interest-free portion of the advance payments program. I know we've gone from \$100,000 to \$250,000. Are farmers using that? Is that positive news for farmers? Are they seeing this as good news in order to help them alleviate some of the cash flow that they're facing because of input increases?

Ms. Mary Robinson: I think so. I'll let Scott finish up.

Farming, for a lot of people, is pretty big business. Those numbers... What we've seen in BRM, for example, is that we haven't even kept up with the cost of inflation with the funding of our business risk management suite of programs. Those numbers, from a producer's perspective, could always be stronger. As we see more inflationary pricing pressures, this money becomes more and more valuable to producers.

Scott, did you want to...?

Mr. Scott Ross: The increase in the interest-free portion of the advance payments program is a long-standing interest of ours, and we're really pleased to see that. We hope that can be made permanent, recognizing that these inflationary pressures will have long-standing impacts.

On the fertilizer side more generally, I would note that, when we look at the scale of increases in prices, one of the things we will be advocating for moving forward is taking a critical input strategy analysis on what's going on in this space. Another is looking not just at what's happening today, but at what the future looks like as we approach a world in which input scarcity is a reality that we never really had to experience previously.

The Chair: Thank you, Mr. Ross.

Thank you, Mr. Drouin.

We'll go to Mr. Perron for six minutes.

[*Translation*]

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

Thank you to the witnesses for being here in person. It's really nice.

I have a lot of things I'd like to discuss.

Ms. Lefebvre or Mr. Léger Bourgoin, you said that vegetable growers are paying more for their inputs than they used to, but that their income or selling prices don't reflect the higher costs. The previous witness seemed to say that the price was negotiated. Could you please explain how the price is set?

How do you negotiate your price with a grocery store?

Ms. Catherine Lefebvre: To begin with, the price is negotiated well in advance. I mean months in advance. To know the going price of a product at the right time, taking into account when the store flyer will come out, you need a crystal ball.

The grocery store negotiates with two or three suppliers at the same time for the same product. Whatever the price is magically 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. That's really how it goes.

• (2010)

Mr. Yves Perron: I realize there's a power imbalance—hence the importance of a code of conduct, which you mentioned in your opening remarks.

If I'm not mistaken, Mr. Léger Bourgoïn said that the code of conduct would not capture pricing. The idea is to have an impact on the negotiating process.

Would you mind elaborating on what you said and tell us what should be done?

Mr. Patrice Léger Bourgoïn: I genuinely believe that the Competition Bureau needs to take a hard look at how negotiations between suppliers and major supermarket chains play out.

Mr. Yves Perron: Would you make that a recommendation?

Mr. Patrice Léger Bourgoïn: Indeed, I would.

Mr. Yves Perron: I see.

Mr. Patrice Léger Bourgoïn: Five major chains hold about 80% of the Canadian market, when you have 2,000 vegetable growers in Quebec alone. The big players in the grocery sector—and that includes wholesalers—have absolutely no trouble bringing prices down, so much so that it's tough for vegetable growers to get a good enough price at the farm gate to earn a decent living.

Mr. Yves Perron: As I understand it, sometimes you earn less income from a product than you did a year or two ago.

Do I have that right?

Ms. Catherine Lefebvre: I'll give you an actual example. In 2022, the average farm gate price for a 50-pound case of green cabbage was under \$16, so less than 30¢ a pound. The best sale at the grocery store this year was 99¢ a pound, so triple what the grower received. A head of cabbage usually sells for between \$1.49 and \$1.79 a pound, which is five to six times what the grower can get.

Mr. Yves Perron: I asked Mr. Thibault to explain what happened between production and the point of sale. The grower is a price-taker to some extent but doesn't make a profit even though their products ultimately sell for a lot more.

How do you explain that?

Ms. Catherine Lefebvre: I can't. I'm not sure when exactly the price goes up. All I know is that farmers can barely keep their heads above water.

Mr. Yves Perron: Something in the sector has to change. You can't keep going like this for years on end.

Ms. Catherine Lefebvre: Exactly.

Mr. Léger Bourgoïn made this point earlier. Reciprocity of standards is also having a negative impact. In the spring, when we're getting the first harvest ready for the summer, competing with the growers in the U.S., Mexico and elsewhere is really tough because their prices are lower than ours. Growers in a number of other countries don't have to follow the rules and standards that Canadian growers do, environmental or otherwise. We have more to cover in the way of costs than many foreign growers do.

Mr. Yves Perron: Grocery retailers have told us that they promote local produce, but you're saying that isn't necessarily true.

Is their primary way of promoting local produce putting it in competition with imported products?

Do I have that right?

Ms. Catherine Lefebvre: Here's what happened at the beginning of the season, in June, when the green onions came out. The price of greenhouse-grown and transplant green onions was set based on a certain cost. The harvest cost alone was less than what the grocery chains offered to pay, and that doesn't include the production inputs at the field level. Growers couldn't even harvest the crop. They left it in the field.

Mr. Patrice Léger Bourgoïn: I'll give you another example, fresh asparagus.

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.

• (2015)

The Chair: Thank you, Mr. Perron, Mr. Léger Bourgoïn and Ms. Lefebvre.

We now go to Mr. MacGregor for six minutes.

[English]

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

Thank you to our witnesses for providing a very helpful narrative and insight into the other side of the equation. I think we approached this study looking at it from the consumer point of view, but it's also very important that we get our processors and producers, because you have detailed quite well the challenges that you have faced in your relationship with large retailers.

I would like to direct my first question to the CFA.

I understand that the conversations around the code of conduct are confidential. However, in an ideal world, what would the CFA like to see as an end product?

I know that you've told the committee before, but for the purposes of this study, I think it would be great to have your answer on the record again. Specifically, I'm looking for details on follow-through to ensure that the goals of the code are being adhered to and that there is a level of transparency. That is, what is the role of government in that process to ensure that the code is being met honourably? In an ideal world, what does the CFA want to see?

Mr. Scott Ross: I think the starting point for the CFA has always been that any code of conduct must be mandatory and enforceable. I think that can mean different things in different situations. There's not a prescriptive approach to what that necessarily looks like in practice. However, I think that the government has a critical role in ensuring that it meets that threshold. I think that when we start from the space of looking at large retailer practices, it's ensuring that large retailers are under that code and are following and abiding by its rules.

Without getting into the details of the code itself, I think from our perspective what's critical is that there's accountability to the trade provisions that are laid out in the code of conduct and to ensuring that there are sufficient teeth and enforceability to ensure that those provisions are being followed. From the perspective of government, how active a role it has to take is really a matter of reality once we see a code of conduct in practice and what that looks like.

It's to be determined what the mechanism may be, but I think, from a fundamental starting point, it's ensuring that all of the key players are in the code and abiding by its rules and that there's accountability to those rules.

Mr. Alistair MacGregor: Thank you. I appreciate your putting that on the record again.

To the Quebec growers association, thank you for being here, as well.

We very clearly heard reference to the term “oligopoly” and the concentration of power among a select few grocers. We heard testimony on what many producers would like to see in a code of conduct.

Another focus has been on the existence of Competition Bureau Canada. Right now, around the same time it was announced that we were doing our investigation, the Competition Bureau also announced it was going to do an investigation. It is limited by only accessing publicly available data. It's not really an investigation; I think they're calling it a study. They cannot compel witnesses. We also know Competition Bureau Canada has, with other investigations in the past, struggled with resources and time limits.

Does your association have any comments to offer on the role of Competition Bureau Canada? What would you like to see this committee recommend to possibly strengthen it? Does it need an expanded mandate, etc.?

[Translation]

Mr. Patrice Léger Bourgoïn: Consider the Federal Trade Commission in the U.S., the counterpart to our Competition Bureau. It regularly examines whether American consumers have access to products in a marketplace of healthy competition.

The best example out there right now is Kroger's bid to acquire Albertsons, a relatively minor grocery chain in the U.S. The Federal Trade Commission is asking a whole lot of questions about how American consumers will be ensured access to competitively priced groceries in an environment where grocers can't take advantage of industry concentration.

I think we should apply similar logic here, with a like-minded approach.

• (2020)

[English]

Mr. Alistair MacGregor: Thank you.

I'll pose my last question to the CFA.

We know the new Canadian agricultural partnership will take effect in April. Last year, the federal government and provinces announced the agreement in principle, and so on. However, it's probably an understatement that 2022 has been a year with a lot of flux and changing conditions. You detailed, quite well, the many challenges farmers have to face—2022 being the most expensive year to put a crop in the ground, ever.

Do you feel the next five-year framework has enough adaptability to be nimble enough to respond, given what you have seen in the past year alone?

Mr. Scott Ross: With the announcement of the sustainable Canadian agricultural partnership, we see a very high-level agreement. The details of the programs are still being ironed out in many respects. The ability of those programs to adapt is to be seen. I think that structure and the nature of an FPT agreement like that can provide tools to be flexible and adaptable. We certainly hope that, as situations like this evolve, they will look very closely at that.

One issue we see is a significant need to delve more deeply into—as I said in my earlier response—pricing, scarcity of inputs and how we, as an industry, contend with that new reality, because it is very much a new reality for many producers across Canada.

The Chair: Thank you, Mr. MacGregor.

Thank you, Mr. Ross.

Colleagues, we're a bit tight on time. I'm going to give four minutes to the Conservatives, four minutes to the Liberals, two minutes to the Bloc and two minutes to the NDP. If you get to three minutes and 30 seconds, don't think you're going to jam a late one in there, because I'm going to have to keep it tight.

I'm looking at you, Mr. Lehoux.

Mr. Richard Lehoux: Oh, oh!

The Chair: It's not you, specifically. Everyone does it, but you happen to be the one with the mike, so don't test me. It's over to you. You have four minutes.

[Translation]

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

Thank you to the witnesses for being here.

Ms. Robinson, you gave us three recommendations at the outset. You mentioned that \$34 million in tariff income had been collected on fertilizer. I noted that we don't know whether it's \$33 million or \$34 million, so we don't know which number is the right one.

How would you like to see that money allocated? I imagine that your view has already been shared with the people concerned.

Has it not?

[*English*]

Ms. Mary Robinson: Yes, it has. We asked for it to come back to producers, in order to enable them to invest in technology and improve sustainability in our production systems.

Very importantly, we understand it's muddy waters now—sending the money directly back to producers. We're trying to find a way to make sure the bulk of it comes back to producers in some way so that it gets used towards something that will bring benefit for the greater good.

[*Translation*]

Mr. Richard Lehoux: I'm fine with that.

You said “bulk” of the money. I sincerely hope that all of the money goes back to producers. After all, it came from them in the first place.

I have a question for Ms. Lefebvre or Mr. Léger Bourgoïn.

You mentioned the reciprocity of standards. That's something I've been quite concerned about since joining the committee. Certain things need to change quickly. Would do you think that change should look like? The fact that your produce can't compete with produce from Latin America came through loud and clear.

What do you recommend to ensure adherence to a reciprocity of standards? How quickly should it be put in place? Surely, your association has discussed it with the department.

Ms. Catherine Lefebvre: First, more random inspections certainly need to be carried out at customs. We've been told that a total of 1,200 inspections are conducted annually. Given how much produce is coming into the country, suffice it to say that we would like to see more inspections than that.

For pesticide residue testing alone, we have some of the most stringent standards out there. Just focusing on the reciprocity of pesticide standards would go a long way towards making things easier for us, while doing consumers a lot more good. Those standards were put in place for a reason.

Mr. Richard Lehoux: I'm happy to hear you say that. If growers in other countries had to follow the same standards as growers in Quebec and Canada, grocery stores probably wouldn't sell imported produce for the same prices they do now.

My understanding is that the Canadian Food Inspection Agency, or CFIA, just doesn't have enough inspectors to control what comes in at the border.

• (2025)

Ms. Catherine Lefebvre: We are the ones missing inspectors at the border, not other countries.

Mr. Richard Lehoux: Yes, of course. We really don't have enough people at the border.

The committee asked CFIA officials about that, and they said that one in 10 shipments was inspected. That means nine shipments come into the country uncontrolled.

Ms. Catherine Lefebvre: That's exactly right. A CFIA officer told us at a conference that the agency conducted 1,200 inspections a year.

Mr. Richard Lehoux: I see. Thank you.

Ms. Robinson, I want to ask you about the code of conduct. I realize that it's confidential, but it's probably something we need to get across the finish line.

Can you give us an idea of the timetable for that?

[*English*]

Mr. Scott Ross: I can speak to that as I'm involved more directly in that process.

We are approaching a stage where we will have a code of conduct to present that is approaching implementation. It's very hard to say with certainty how long the implementation of a code will take.

We also have further consultation with stakeholders to make sure that it meets the expectations of all of the growers and stakeholders in the supply chain. I think we are at the final stages of development of the code and are moving into a phase of consultation and implementation in very short order.

The Chair: Thank you very much, Mr. Lehoux and Mr. Ross.

We'll go to Mr. Turnbull for four minutes.

Mr. Ryan Turnbull (Whitby, Lib.): Thanks, Chair.

Thanks to all of our panellists for being here today. We really appreciate your being here and your testimony.

I want to ask you a series of shorter questions. It seems to me, from what we've heard, that farmers are in a vice. They're being squeezed from both sides. On the one hand, they're subject to input costs going up, which are beyond their control. On the other hand, they're outsized by an oligopoly of retailers that are pushing their price down.

Are farmers getting fair value for the product they produce? Can you just give simple, straightforward responses?

Ms. Lefebvre.

[*Translation*]

Ms. Catherine Lefebvre: No, they don't get a fair price. No country's vegetable production costs compare to ours.

[*English*]

Mr. Ryan Turnbull: Ms. Robinson, how would you answer that? Are farmers getting fair value for their product?

Ms. Mary Robinson: It's a very broad sector. There is lot of niche and a lot of variety within commodities. A good example would be dairy and butter, where we saw butter being sold below the cost of production this past year.

There are definitely farmers who are not getting that.

Mr. Ryan Turnbull: Let me ask you in a slightly different way.

Is the consolidation within the retail industry a concern for you in terms of what farmers are getting as a fair price for their product?

Ms. Mary Robinson: Yes.

Mr. Ryan Turnbull: Can the current price increases that Canadians are experiencing at the grocery store be reduced to the increased input, transport and labour costs that we've heard about—and we acknowledge that those are all there—or is there an added amount of profit somewhere along the supply chain, i.e., perhaps not for farmers?

Would you suspect that there are some added profits in there along the supply chain, Ms. Robinson?

Ms. Mary Robinson: I would say that all of the links in the chain have increased cost increases. In particular, I think of diesel prices in the trucking sector.

It's very difficult to answer that question. It goes back to the point Tyler made: We need more information to be able to answer that question accurately.

Mr. Ryan Turnbull: Thank you.

Mr. McCann, would you like to speak to that? I think some of our retailers have vertical integration as well. They own multiple steps in the supply chain and, therefore, they're able to maximize profits and perhaps not be as transparent as they could be. As you mentioned, in the United States, they're compelled to give more data.

Is that part of the challenge here? Is it that we have both the long supply chains and the vertical integration for some of our retailers? What do you think?

Mr. Tyler McCann: Again, to the point that was just made, food is a very diverse system, so it depends, really, on the product and how integrated it is or isn't.

I think it's important to stress that profit in the food system is not a bad thing. Profit for farmers enables them to invest. Profit for truckers enables them to invest in potentially new and more energy-efficient equipment.

We need to understand that there need to be the right mechanisms in place to allow for everyone along the value chain to have a fair income to enable that, but also that there are the right forces in play to make sure it's not excessive.

Mr. Ryan Turnbull: Please don't misinterpret me. I'm not saying that profit is necessarily a bad thing. It's only when it comes at the expense of the greater public good. I think that's where we need to draw the line.

What's interesting to me, though, is that there are profits along the supply chain.

Ms. Robinson, you spoke in your opening remarks about one link perhaps potentially shouldering a greater portion of the burden for those added costs that we're currently experiencing. Who were you referring to?

• (2030)

Ms. Mary Robinson: Farmers.

Mr. Ryan Turnbull: Thank you very much.

The Chair: Mr. Turnbull, that was perfect. You're right on time.

We have Mr. Perron for two minutes, please—no more.

[*Translation*]

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

Mr. Léger Bourgoïn or Ms. Lefebvre, you said earlier that the code of conduct would not capture pricing, and yet the committee has clearly seen what a problem pricing is. That means the code of conduct needs to be the starting point, not the finish line. That's my take-away.

How do we strengthen producers' position in the food supply chain, in the market?

Mr. Patrice Léger Bourgoïn: Similar to what Mr. Ross said earlier, we need to be careful about what we agree to because of confidentiality agreements. Let's just say that the goal is to improve relations between suppliers and the major grocery chains. During the negotiation process, I think everyone showed a lot of good faith as far as improving relations goes.

Something else worth mentioning is how high the expectations are. The code of conduct is a start. One way to reach the goal is to take a hard look, 18 to 24 months down the line, to see whether the discussions that led to the code of conduct had the desired effect. That's a crucial step in making sure that the code of conduct reaches the next level after that 18-to-24-month period.

Mr. Yves Perron: Thank you very much.

Ms. Robinson, what should be done to strengthen producers' position in the food supply chain, in the market?

[*English*]

Ms. Mary Robinson: How do we assert our position on the markets...?

[*Translation*]

Mr. Yves Perron: That's what I just asked Mr. Léger Bourgoïn.

How do we give producers more bargaining power?

[*English*]

Mr. Scott Ross: I think there are a few critical elements.

One of them is certainly a point that was raised earlier: The code of conduct will not exist in isolation. The Competition Act and competition law need to be closely looked at as to whether there is sufficient enforcement capacity to really address consolidation in the retail space.

I also think that there's certainly a strong role for education and outreach to inform and to help producers understand the nature of supply agreements and what is confined within them, and to ensure there is greater understanding of what they are agreeing to at the time and how to empower them in negotiations.

The Chair: Thank you, Mr. Perron.

Thank you, Ms. Robinson and Mr. Ross.

Mr. MacGregor, you have two minutes to finish us off.

Mr. Alistair MacGregor: Thank you, Chair. I'll just ask one question.

Mr. McCann, you were saying in your opening remarks that inflation in food prices is regressive, that it of course hits the poorest in our society the hardest. I think you said that in the neighbourhood of 70% of those earning under \$25,000 said that they were struggling.

I've certainly heard that from my own constituents out on Vancouver Island. It's a really emotional thing when you go in.... If the wages you command at your job are not keeping pace with those weekly increases that you're seeing, sometimes it's difficult, because you're having to make those difficult choices about which aisles you can go down and whether you can afford fresh food and go to your dairy and your meats. You might have to navigate the middle aisles much more.

You did say that policy solutions should be directed at those who need them. Of course, we do have a lot of programs and benefits in place to help people at those low incomes, but obviously for a lot of them that's still not enough. Do you want to elaborate a little more on what our committee could include in our report?

Mr. Tyler McCann: I think it's important to understand the limits that exist. When we think traditionally about this in the food context, we may think about what we can do along the supply chain and what tools are there, when that probably isn't the right place to try to look to help this. Again, probably something outside of the agriculture portfolio should look at finding sustainable, durable solutions that will offer effective and efficient support for those who need it.

Keep in mind that we went from one in eight Canadian households facing food insecurity to one in six. That change is not just an issue of food insecurity. Those are households that are having a hard time paying rent and other costs. The tools that are available to government really are about how to ensure that the right supports are in place, so that those who cannot make ends meet have the supports from government so that they can.

It's always interesting to look at the amount of support offered to food banks. That's a last line of defence. It should be a last line of

defence. There are other more effective and more proactive tools available that can be used to address the income challenge at the heart of that.

Again, that's not a food insecurity issue. Ultimately, that is an income issue.

• (2035)

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

Colleagues, that finishes our second panel.

On behalf of all of you, let me say thank you to our witnesses for their work in the agriculture space and for taking the time to be here today to provide testimony.

[*Translation*]

Thank you all for your contribution today.

[*English*]

Mr. John Barlow (Foothills, CPC): I just want to say thank you, while she's here, to Ms. Robinson.

I know your term as the chair of the Canadian Federation of Agriculture is wrapping up and certainly we've appreciated it. I'm speaking for all of us here. I just want to say thank you for everything you've done and good luck.

Some hon. members: Hear, hear!

Mr. John Barlow: On the downside of that, Mr. Chair, with these late-night committee meetings, we are going to be in committee when she has her last official business at her reception in Ottawa on March 6. Perhaps we can have a discussion amongst ourselves to maybe end early that night, so we can go and give her a proper send-off.

The Chair: We certainly would be well-advised—

Mr. Francis Drouin: You should ask for unanimous consent and I'm sure you'd get it.

The Chair: Yes, I think we will.

Thank you, Mr. Barlow. That's well said.

Thank you, Ms. Robinson, for all your work on behalf of Canadian agriculture writ large and for all your testimony today.

Colleagues, we are going to get back at it on Wednesday. We're going to continue the study of the draft report of global food insecurity. We did great work in the first bit. My hope, as your chair, is that we will be able to clear that first draft, get it back to the analysts and be ready a week from that time to do the second report.

We will see everyone on Wednesday. Thank you to our witnesses.

Good night to all.

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