



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

44th PARLIAMENT, 1st SESSION

Standing Committee on Agriculture and Agri-Food

EVIDENCE

NUMBER 052

PUBLIC PART ONLY - PARTIE PUBLIQUE SEULEMENT

Wednesday, March 8, 2023

Chair: Mr. Kody Blois



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• (1635)

[English]

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

Welcome to meeting number 52 of the House of Commons Standing Committee on Agriculture and Agri-Food.

I'm going to start with just a few reminders. Taking photos and videos is not permitted during the committee meeting.

Today's meeting is taking place in a hybrid format with witnesses and parliamentarians participating both in the room and online. The webcast will always show the person speaking rather than the entirety of the committee.

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

This being International Women's Day, and, of course, this being a committee of interest given the topic of food and food inflation, I want to recognize that we have Mary Robinson, past president of the Canadian Federation of Agriculture, joining us here. Mary, and indeed other female leaders in the agriculture community, thank you so much for all of your work on behalf of Canadians.

I'd now like to welcome our witnesses. With us today in the room from Empire Company Limited is Michael Medline, president and chief executive officer. From Loblaw Companies Limited, we have Galen Weston, chairman and president. Joining us online we have Eric La Flèche, president and chief executive officer of Metro Inc.

We are going to allow up to five minutes for opening remarks from each of the witnesses. Then we are going to turn it over to questions.

Colleagues, for your benefit, I intend to go for about an hour and 20 minutes with three rounds of questions. Then we have some additional committee work that we need to carry on with.

Without further ado, I will turn it over to our first witness.

Mr. Medline, you have up to five minutes.

Mr. Michael Medline (President and Chief Executive Officer, Empire Company Limited): Thank you, Mr. Chair.

As the leader of a proudly Nova Scotia-born business that employs 130,000 people across Canada, I want to start by acknowledging the challenges that families in Canada are facing every day to make ends meet. Canadians are facing the highest cost-of-living

increase in four decades. Interest rates have been rising steeply and prices on all goods and services have been rapidly increasing. It is no solace to struggling Canadians buying groceries to know that food inflation is a global phenomenon driven by higher commodity and input costs or to know that food inflation in Canada is actually lower than many other G20 countries, including the U.S., the U.K. and Mexico.

Several factors have contributed to the high food inflation Canadians are experiencing, including geopolitical events, product input costs, extreme weather, soaring energy costs and labour shortages. I can assure you, at Empire we are doing everything we can to contain price increases and provide value to our customers during these trying times. We're doing it on paper-thin profit margins of 2.5%.

We believe we are seeing indications of inflation peaking and then abating this spring, but I know this is not an immediate salve for the many Canadians who are struggling financially.

I'd like to make three main points today.

First, I stand by everything shared with you in December by our chief operating officer, Pierre St-Laurent. Most notably, we at Empire are not profiting from inflation. It doesn't matter how many times you say it, write it or tweet it, it is simply not true.

The truth is that we are at the end of a very long food supply chain that has economic inputs at every step and stage. We detest the decisions that inflation is forcing Canadian families to make, which we see in our stores each and every day. We see customers buying fewer items and trading down.

Second, as a grocery retailer we have been playing a major role in trying to minimize food price inflation and we will continue fighting for our customers. Since inflation took off, we have been battling inflationary pressures in our business, including rising costs in products, fuel, labour, energy and construction. So far in 2023 alone, we are seeing the same volume of cost increase requests from the supplier community, with a slight indication the requests are slowing this April.

I am not going to throw our supplier partners under the bus. They are also doing their best in extraordinary times. They are greatly impacted by rising costs, which they are forced, unfortunately, to pass on to retailers. Many of our supplier partners are also dealing with the downstream cost impacts resulting from cost increases on supply chain controlled commodities like milk. We know that groups like the Dairy Commission are facing the same realities that we are with their input costs.

We're heavily investing in our promotional offerings and flyer deals, expanding our private label value options and making shifts in pack sizes to provide Canadian consumers with more value during these difficult times.

The third point I'd like to make is that there are ways government and business can work together to ultimately reduce prices. Empire is happy to partner with government on solutions to fight inflation. Government and business have a collective role to play to contain inflation. I will list five specific examples here as I know the intention of this committee is to gather research and ideas to alleviate the pressure of food prices on Canadians.

First, implement a strong grocery supply code of practice. We were the first major grocer to support this initiative and we continue to be an ardent advocate of a code of conduct to ensure fair practices for all participants in our food supply chain.

Second, reduce congestion at Canadian ports and simplify the flow of goods across borders.

Third, create better economic conditions for food manufacturers and growers to stay in Canada, as so many are fleeing to the U.S.

Fourth, invest in greenhouse farming. We must find a way to reduce our reliance on American fresh foods, to shorten the supply chain and lower costs to Canadians.

Fifth, do everything possible to strengthen the Canadian dollar. Of course, you will have to ensure this doesn't injure other parts of the economy, but it's critical in terms of food pricing.

We would also ask that you look at the entire industry to consider solutions. There are giant American grocery retailers doing business in Canada that were not called to the floor here today. Are they exempt from playing a role in these issues?

We're a proud Canadian company, with 115 years of experience in serving the needs of Canadian families. We have transformed to become a much healthier business than we were just six years ago, which is something that all Canadians benefit from.

• (1640)

It is folly to suggest that an unprofitable grocery business is somehow better for customers and better for shelf prices. Canada needs and relies on a healthy grocery industry. Like all Canadians, we look forward to seeing the end of this tough inflationary period.

Thank you.

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

We'll now turn to Mr. Weston for up to five minutes, please.

Mr. Galen G. Weston (Chairman and President, Loblaw Companies Limited): *Bonjour*, and thank you, Chair and committee. I appreciate the opportunity to sit before you today.

The world is in the midst of a cost-of-living crisis. For 18 months, this has affected just about everything. Global food prices have risen quickly, putting significant strain on Canadian families in terms of both their finances and their overall health. It's a vitally important issue for Canadians and deserves the attention of this committee.

For months, a great deal has been said about the role Canadian grocers play in food price inflation—with many directly blaming us. This is understandable but inaccurate.

Here's why.

First, food inflation is affecting every country, not just Canada. I know it doesn't feel like it, but Canada has one of the lowest food inflation rates in the world.

Second, as unexpected as it may sound, grocery chains operate with extremely small profit margins, which means we have minimal influence on inflation. On a customer's \$25 grocery basket, we earn just one dollar in profit. That means that even if the industry had zero profits, a \$25 grocery bill would still cost \$24, so the claim that Canadian grocers can correct food price inflation is simply wrong.

Third, for those who say grocers are profiteering, the math just doesn't add up. Since inflation took off 18 months ago, the cost of that \$25 grocery basket has increased by just under four dollars. During that same period, the grocers' profit increased by 15¢. In other words, food prices have increased 25 times faster than profit and, at Loblaw, none of those profits came from higher food margins. Our retail prices have not risen faster than our costs. No matter how many times you read it on Twitter, the idea that grocers are causing food inflation is not only false—it's impossible.

Fourth, and finally, we are actively working to keep inflation down. We stopped \$500 million in unjustified cost increases last year. We welcomed half a million more customers to our discount No Frills and Maxi stores, where shoppers save about 10%, or \$1 billion, compared to traditional supermarkets. Our price freeze saved customers real money, and millions of Canadians continue to save 25% by switching to No Name. We are actively lowering prices on key essentials, losing money selling many of them.

Last week, a customer stopped and challenged me in the grocery aisle. She said that if we were truly doing all these things, why is our profit increasing at all? It's a fair question. The biggest reason is that Loblaw is much more than a grocer. Non-grocery products like financial services, apparel and, importantly, Shoppers Drug Mart make up more than half our business.

We've been clear: It's the efficiency of our business and the strength of categories like cosmetics—even cough and cold—that have been driving our growth, not food. These are facts. We've explained them in our public disclosures, and they are formally audited by an independent third party.

That does not change the underlying challenge, and while I believe food inflation will normalize, there are still far too many Canadians facing food insecurity. We think about this a great deal, and I challenge our team on whether we're doing enough to change that.

Last year, Loblaw dramatically expanded our relationship with the country's largest food banks. Through our work with Second Harvest, over 1,100 of our stores now have a direct link to a local food charity. Last year, we donated over five million kilograms of food.

We rapidly expanded our partnership with an amazing Canadian start-up called “Flashfood”, which uses an app to make perishable food like meat and produce available at 50% off. It's now available at over 500 stores.

Our President's Choice Children's Charity continues to lead the country in providing healthy snacks and meals to schoolchildren. At 123 million meals, we're well on our way to our target of reliably feeding one million children a year.

Is that a lot of food? Yes. Is it meaningful? For many, it's transformational. But is it enough? No. The job won't be done until everyone has real food security.

I'm proud to lead a company that partners with over 1,500 small business owners. Together, we employ over 200,000 people united in the purpose of helping Canadians live life well. This is a responsibility we take deeply to heart, but solving food insecurity is not within the reach of one company or one industry alone.

● (1645)

It requires all of us—retailers, manufacturers, growers, government, community leaders and NGOs—to work together.

Thank you. *Merci*.

[*Translation*]

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

Mr. La Flèche, you have the floor for five minutes.

[*English*]

Mr. Eric La Flèche (President and Chief Executive Officer, Metro Inc.): Thank you.

[*Translation*]

Hello. We know that the situation is difficult for Canadian families, who have been struggling with high inflation, including food inflation, for almost a year now. That is why, at Metro, our teams are working tirelessly to give our customers the best value possible every day under all our banners, through competitive prices, a full range of private label products and effective weekly promotions.

As parliamentarians, you have a role to play in understanding the real causes of inflation and in working with the industry to find ways to mitigate supply chain challenges. More than ever, we need to work together to find solutions to the cost-of-living crisis in Canada.

The period of high inflation that we are experiencing is a global reality, but Canada is doing better than most other G7 countries. Even so, there is no doubt that food prices have gone up because of the rising costs of suppliers and producers.

As a recent Statistics Canada report indicated, the pandemic, the war in Ukraine, adverse weather conditions and transportation and labour challenges are among the many factors that are contributing to rising food prices. All of these factors have resulted in an unprecedented number of price increases by our suppliers. In 2022, Metro received over 27,000 requests for cost increases of more than 10% on average from grocery suppliers alone, which is about three times the annual average.

This year, we are continuing to receive a large number of requests for cost increases from our suppliers. Our teams are dealing with these requests in a responsible manner by negotiating firmly, fairly and transparently in order to reduce the impact on our customers. However, it is important to keep in mind that our retail prices do not reflect the full impact of inflation because we absorbed some of the cost increases.

Metro is an open company, but we are competing in an open, very competitive market for customers, talent and capital with both Canadian companies and American giants, such as Costco, Walmart and Amazon, which represent a large share of the market. I would also like to point out that these American companies did not participate in the committee work.

The suggestions that we are somehow behind food inflation, that we are using it to inflate our profit margins and that we are not paying our fair share of taxes are simply not true. As we report publicly every quarter, our profit margins have remained stable for many years. Since the beginning of our 2022 financial year, our profit margin on food products finally dropped and was balanced by a larger profit margin on pharmacy products.

I would like to point out that no one at Metro wants to continue to operate in an environment of high inflation. We are looking forward to getting back to a more normal environment. It is better for our customers and our business. In the meantime, we will continue to offer our customers the best value possible under all of our banners. Trust in our company is determined by our growing loyal customer base, and those customers demonstrate that trust every day through hundreds of thousands of transactions.

In closing, I hope that all members of the committee recognize that the entire supply chain is experiencing an unprecedented period of prolonged stress. Focusing on grocery stores is not going to resolve the problem of food inflation because we are not causing it and we are not benefiting from it. As I said at the beginning of my remarks, we need to work together to find solutions to the challenges associated with the high cost of living Canadians are experiencing. Thank you.

• (1650)

The Chair: Thank you very much, Mr. La Flèche.

We can now move on to questions.

[English]

Colleagues, there is one thing I want to remind us, as parliamentarians. I'm glad we are studying this issue. It is a top-of-mind issue for all Canadians and it's an emotional one. One thing I think this committee does very well is that we are principled in trying to get to the bottom of the facts.

I would ask that you be principled and tough with your questions today, but it is my job to make sure that we maintain integrity. Please be mindful of that in your interventions with our witnesses here today.

With that, I will start with Ms. Rood for up to six minutes.

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

Thank you, witnesses, for being here today.

You, as the CEOs of major grocery chains, have an oligopoly with only five companies controlling 80% of grocery stores in Canada. You use this power to nickel-and-dime farmers and wholesalers to the tune of hundreds of thousands of dollars for many with fines, chargebacks and exorbitant fees for the privilege of selling their food to your stores, forcing them to accept contracts where,

according to the Fruit and Vegetable Growers of Canada, 44% of producers are selling at a loss.

The world is worried about food security right now and Canada has an abundance of land to grow fresh food to feed the world, but your companies' practices of arbitrary fees, fines and chargebacks are keeping your profits and grocery prices high, while single-handedly helping to destroy Canadian family produce farms and businesses. Nowhere else in the world do grocers do this to farmers and producers.

A farmer should not have to be an accountant to read their statements after selling to you. Prices are quickly becoming unreachable for roughly 12.5 million Canadians who are earning less than \$40,000 a year, forcing them to switch from fresh, healthy food to heavily processed, cheaper and less nutritious products. That's not real food and it's going to lead to an increase in the burden on our health care system.

Canadians deserve to eat fresh Canadian-grown fruits and vegetables and we cannot rely on foreign countries to feed us. Foreign growers don't operate under the same high standards as our farmers here in Canada.

As someone who's been in the produce business, it's concerning knowing that the prices in stores are inflated far beyond the costs of what a farmer is being paid to grow and then deliver to your distribution centres. After eight years under a government that's purposefully implementing taxes and policies that are harmful to Canada's agriculture industry, what your businesses are doing to farmers doesn't give a lot of hope to the average person who's simply looking to eat.

Farmers' selling prices are going down while grocers are piling on fees and penalties and consumer prices are going up in stores.

Gentlemen, I'd like to ask you, can you look farm families in the eyes right now—because I know a lot of them are watching right now—and tell them that you're not pushing family produce farms out of business in this country? Are you even aware that 44% of farmers are selling at a loss to you?

Knowing this, my question is simple. Will you, once and for all, abolish all fees, fines and chargebacks and actually pay farmers the price that's on their invoice?

It's a yes or no.

I can start with you, Mr. Medline.

Mr. Michael Medline: First of all, thank you.

I have to warn you, I'm not good at yes or no.

Ms. Lianne Rood: You have to keep it short because I only have six minutes.

Mr. Michael Medline: I will. By the way, I really appreciate your passion, Ms. Rood. This is not just for today. I've read transcripts and I've seen what you had to say before on behalf of farmers. I love it.

If I may, I'm going to try to do it really quickly, Mr. Chair, but there were a few things I wanted to say here.

First is on the question of oligopoly. The top three grocers in Canada have about a 47% share of the food retail market, not the 67% that's reported in some other places where they've mixed some things up. I just wanted to get that straight.

This is not out of line with countries around the world. We compete against some of the toughest food retailers in the world, including Walmart, Amazon and Costco, as well as a lot of other competition. That does not sound like an oligopoly to me.

How do you account for the fact that Canada's food inflation is below that of many other countries? This is not a problem of too little competition. The problem is that there is a global product cost inflation.

Having said that, I think there's a lot we can do to protect our supplier partners who deal with the farmers. I've been an advocate, as you have, Ms. Rood. On October 28, 2020, I called for a code of conduct. On November 4, you seconded that and said that this would be a great thing.

We're still waiting for a code of conduct that will get rid of unfair fees, and that will help the supplier partners. It will create more efficiencies and should bring down—over some time—the cost of food a little bit. That would really help.

I love local—

• (1655)

Ms. Lianne Rood: Thank you.

I'm sorry, I have to interject here, Mr. Medline. I only have another minute and a half left here.

Mr. Weston, will you commit to the grocery code of conduct like Mr. Medline has with Empire?

Mr. Galen G. Weston: We're active participants in the development of the code of conduct.

Let me just add that a healthy supplier community and a healthy grower community are absolutely vital to our industry. We work hard every day to support local producers.

There are concerned producers. There are also those who write to me to say that our business has been transformational in terms of expanding their access to new markets and new products that are being sold all across the country.

We also have to strike the right balance between what we pay our growers and suppliers, and the food prices that we ultimately charge our customers. Our job is to negotiate the best possible price and then to pass that through to consumers.

We do our very best to strike the right balance. We have a very sophisticated process that we use to assess whether the cost-of-goods increases are justified or unjustified. We push back on those

that we believe are opportunistic. We fully accept and push through those that are credible and realistic.

Ms. Lianne Rood: Respectfully, I'm sorry, sir. I only have 20 seconds left. I have one more quick question.

I would challenge you all to do better for farmers. We don't want to see our family produce farms go out of business in this country. The fees that they pay you are the number one contributing factor to them going out of business.

Will you support and participate in following any adjudicated disputes under the code? Will you commit to a fully transparent and publicly available disclosure?

It's a quick yes or no.

Mr. Galen G. Weston: We're certainly committed to developing an effective code that's fair and balanced on all sides.

Ms. Lianne Rood: Mr. Medline.

Mr. Michael Medline: You know where I stand on this, Ms. Rood.

Ms. Lianne Rood: Thank you.

I'm sorry, Mr. La Flèche. I didn't get to you.

The Chair: We'll certainly have more opportunity for questions. We have a number of rounds here.

We're going to turn to Mr. Turnbull for up to six minutes.

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

Just before I get started, I wanted to share a general sentiment. I think we should be inviting Walmart and Costco as witnesses as part of this study as well. I think that's only fair.

To the witnesses, thanks for being here.

Every day we are hearing from constituents who are struggling with the prices they're paying for essential food items at the stores of Canada's grocery giants. Canadians understand very well that inflation is a complex, global issue. However, in the wake of the bread price-fixing scandal, a cloud of doubt lingers over food retailers and their claims to be good corporate citizens. Canadians are rightly vocalizing their concerns.

Here are some of the facts that I've gathered. Prepandemic and postpandemic profit margin averages in the food and beverage retail industry have gone up significantly—on average from 1.62% to 2.85%, respectively. A year-over-year comparison shows that consumer food prices have increased, on average, 3.7% more than the average price increase of a basket of consumer goods.

Also, net income has more than doubled across the food and beverage retail industry as a whole. We can find evidence in the reported net earnings of each of your companies. Loblaw's net earnings went from just over \$1 billion in 2019 to \$2.2 billion in 2022. Empire Co.'s net earnings went from \$387 million in 2019 to \$746 million in 2022.

In terms of sales volumes, we've seen evidence that the sales volumes spiked at the beginning of the pandemic and then have been declining since.

Lastly, you've increased your quarterly dividend payments to your shareholders.

Jim Stanford has said, "if in fact the problem was all driven by supply shocks that supermarkets have merely been forced to 'pass on' to consumers there should have been a REDUCTION in profits", and, "To claim that supermarkets and other firms are innocent conduits, merely passing on higher costs" is empirically false.

Canadians want to know how you expect them to believe what you've said, which is that your profit margins haven't increased. I think it's fair to say that Canadians feel like the doubling of your profits has been literally at their expense.

Something just doesn't add up here, in my view.

Mr. Weston, how do you explain the massive increase in net earnings of Loblaw, given the facts I've mentioned?

● (1700)

Mr. Galen G. Weston: We're very cognizant of the cost of food prices and their impact on Canadians all across the country. I see it. I hear it regularly when I'm in stores talking to customers.

I would call into question the analysis that you reference. We look at our numbers very closely all the time. I would just reiterate that our profit is \$1 on a \$25 basket of groceries. If we invested 100% of our profits into lower prices, the price of a grocery basket would still be \$24.

As far as our profit—

Mr. Ryan Turnbull: I don't mean to cut you off. We have a difference of opinion, and perhaps we're looking at different numbers. Given that, are you willing to voluntarily submit your financial statements to the Competition Bureau to clear this matter up?

Mr. Galen G. Weston: We have already submitted our financial statements to the Competition Bureau. These are competitively sensitive pieces of data. It's important that the Competition Bureau can see them and they can understand them. They can ask us follow-up questions, but we would be resistant to disclosing that type of sensitive information on a public basis.

That being said, we are a public company and we are held to the highest standard of transparency in our disclosures, and so you can see very clearly that our \$1 of every \$25 of grocery sales is, in fact, an accurate representation of our results.

Mr. Ryan Turnbull: That's great. Thank you.

My next line of questioning is for you, Mr. Medline.

For too long, large corporations have treated corporate social responsibility as merely a public relations exercise. Many of them have dedicated a portion of their profits to corporate philanthropy, which I think we can all admit does some good in the world, but we also know that those who take their corporate citizenship and social responsibilities seriously are going much further in integrating these commitments into the DNA of their companies and making them central to the core of their business strategy.

Mr. Medline, given your stated commitment to corporate social responsibility and sustainability, are you willing to do more to help Canadians in terms of changing your core business practices and, specifically, moving forward, are you willing to voluntarily give up a portion of the ballooning profits to help the average Canadian family through deeper discounts at the till?

Mr. Michael Medline: Thank you.

There's a lot to unpack there. If I don't get through it all, Mr. Turnbull, you can call me and we can talk about it more, because there's a lot to get through.

We at Empire are unbelievably proud of where we've come to on the ESG journey over the last number of years, especially on sustainability. We just put out a report on ESG, which is pretty well state of the art. It says how we're doing in great detail and the steps that we need to take to be able to be better at it.

We are, I think, generous philanthropists. You can read the report, and you can see everything we're doing in terms of treating our teammates well—some people call them employees; we call them teammates—how we're doing in terms of governance and how we're doing on sustainability.

Sustainability is driven from the board level down. It's one of our most important objectives. What I can tell you is that in the last year, we have made sustainability and DE&I objectives, which are tied to bonuses for our management at our company.

Mr. Ryan Turnbull: But will you offer steeper discounts at the till?

● (1705)

Mr. Michael Medline: Let me talk about that for a second. It's a great question.

We at Empire, as you may recall—not everybody knows, perhaps—in 2017 were in dire straits. We were making almost no money. We couldn't support our people, our stores and our communities. Over the last six years, through Project Sunrise and Project Horizon, we have started to turn around our company.

We have one of the lowest profit margins in the world, certainly one of the lowest in this country. As somebody said here in their opening statement, it would take almost nothing in terms of changing our sales or our margins to tip us into a position of having no profitability or less than that.

We have done everything we can. We're doing everything we can promotionally. We're not passing on every price increase. We're fighting against price increases. Our flyers are stronger. Our pack sizes are bigger. We're growing our private-label business. We're doing everything we can to help Canadians.

The Chair: We're going to have to leave it at that, gentlemen.

Thank you, Mr. Medline.

Thank you, Mr. Turnbull.

[*Translation*]

Mr. Perron, you have six minutes.

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

Thank you, witnesses, for being here with us today. We really appreciate it.

I will try to be quick, and I would ask that you keep your answers short so that we can make good use of my time.

Mr. Weston, you just told Mr. Turnbull that you cannot publish your financial statements because they are competitively sensitive, and we understand that.

Like Mr. Singh, we, too, have a lot of interactions with people. Sometimes people see the overall figures that you publish with all the profits added up. We were already told the bit about the pharmacy sales at a previous meeting.

Don't you think it would be better to be more transparent so that people are able to believe that you truly do have a 2% profit margin? Is there no way to make those figures public without compromising your competitiveness?

If you cannot share those figures individually, could you send them to the committee members so that we can at least get an aggregate number or could you even send them to the law clerk of the House who could compile them and provide the committee members with an average for all the retailers?

That would be reassuring for us and it would give us the information that we need. It could help direct us so that we can make the best possible recommendations to the government.

[*English*]

Mr. Galen G. Weston: We do publish our financial statements as I mentioned, on a quarterly basis, and they are fully audited by an external auditor. That includes our statements publicly when we release our results where it's our responsibility to explain in our documentation and in our analyst calls exactly what has driven the financial performance of the business. In those statements we are very clear and explicit about what is driving the improved performance in the business, and those are real. You can trust them. You can believe in them. They've been audited.

[*Translation*]

Mr. Yves Perron: I understand what you are saying and that you have commented on that.

However, when the committee asks why your profits are up, almost every grocery retailer is telling us that their profits are being

boosted by pharmacy sales rather than food sales. However, the committee does not have any details or numbers. We need that data. I think that we are reasonable people and that we can be trusted to treat that information with care and to respect its sensitive nature.

I am asking this question to all of the witnesses. Is there no way to put all of that data together and provide it to the committee so that we don't see the numbers for each company but just the numbers for all of the companies combined? Then, the committee members could evaluate it as parliamentarians in their role of protecting the public and information.

Would you be open to that idea?

[*English*]

Mr. Galen G. Weston: I think the Competition Bureau is studying this. I don't know who requested it. As I mentioned in my answer to the prior question, we have provided all of that appropriate information, so hopefully the output of that study will satisfy the committee. But let me take it away, and look and see. If it isn't appropriately...or sufficient for this committee, we'll try to find another way to provide the disclosure.

I would emphasize that we're obligated through the securities commission to speak the truth about these things. You can take what we say as the truth.

[*Translation*]

Mr. Yves Perron: Thank you very much.

[*English*]

Mr. Galen G. Weston: There's maybe just one other thing I would say. If we are asked to disclose the origins of our financial results at that level of detail, then I would urge us to ask all others to do the same, whether it's Walmart, Costco or anybody else.

Thank you.

● (1710)

[*Translation*]

Mr. Yves Perron: Okay.

[*English*]

Mr. Michael Medline: You said all three. Do you want me to answer?

Mr. Yves Perron: Yes please, but make it short.

Mr. Michael Medline: We're very different at Empire Company. We have a very small pharmacy business. When you look at our numbers, you're seeing 90% grocery, so you can take those figures and figure out what we're doing in terms of sales margin profits.

[*Translation*]

Mr. Yves Perron: You get the idea. If, as Mr. Weston said, you three CEOs can find a way to provide the maximum amount of information to the committee, that would be helpful.

Mr. La Flèche, I want to change subjects and talk about the 2% profit margin. Ms. Rood went into detail about the fees imposed. I will not go back over all those details because that is not how I want to spend my time.

Do you include the fees imposed on suppliers for delays, unsold merchandise and so on in that 2% profit margin?

The Chair: Mr. La Flèche, you are on mute.

[*English*]

Mr. Eric La Flèche: It's not me that's turning off the sound. I think it's the clerk.

[*Translation*]

To answer your question, Mr. Perron, yes, the profit margins include all the fees. I will state very clearly that there are no hidden fees at Metro. Our fees are transparent and negotiated in advance with our suppliers. There are no hidden fees. All of the fees are part of our revenue.

Mr. Yves Perron: Okay.

During the meeting, your two colleagues committed to adopting a code of conduct. I would imagine that you are on the same page as them?

Mr. Eric La Flèche: Yes, we are. We are actively working on developing a code of conduct that will be led and managed by the industry, stakeholders, suppliers and retailers. We think that such a code of conduct could work. There is still some work to be done, but we are actively involved in preparing a code of conduct and we will support it.

Mr. Yves Perron: There's something I and a number of other committee members are concerned about when it comes to the code.

You can appreciate that the committee has no information on how the talks are going, so the worry is that you'll adopt a code that is merely symbolic. The players will be able to claim that they are playing nice and being fair because they've adopted this code, and that we'll need to believe them going forward. I don't say that to be disparaging, I assure you.

Will the code deal with the infamous fees as well, or are you open to the idea, at least? When you negotiate prices with suppliers, those who produce perishable items don't have much room to manoeuvre. As Ms. Rood pointed out, they have very little bargaining power. It could even be said that you're in a position of dominance. I'm not accusing anyone of anything. All the committee is doing today is asking questions.

Do you think the code should address those fees to restore some order in the industry?

The Chair: Unfortunately, you're out of time, Mr. Perron.

I'll let you answer, Mr. La Flèche, if you can keep it to 30 or 40 seconds.

Mr. Eric La Flèche: What I would say is that the spirit behind the code is precisely to have more transparency in the negotiations and dealings between retailers and suppliers. That is the direction we are moving in, so it should help.

Mr. Yves Perron: Thank you.

[*English*]

The Chair: We now have Mr. Singh subbing in on behalf of Mr. MacGregor, and let me go on the record saying, Mr. Singh, that

you've got big shoes to fill. Mr. MacGregor is one of our good parliamentarians.

We'll go over to you for up to six minutes.

Mr. Jagmeet Singh (Burnaby South, NDP): Thank you, Mr. Chair.

I want to set the stage, and my question goes directly to Mr. Weston.

Right now, we're going through an unprecedented period of a cost-of-living crisis. We have families going into your stores looking at the price of items, looking at them and putting them back because they can't afford them. We have families who are struggling to buy food for their kids in this country, in a G7 country, and they look at you, and they see you making record profits. How can you justify that when families are struggling to put food on the table for their kids?

Mr. Galen G. Weston: We understand that 95% of Canadians are concerned about food prices, but grocery chain profits are not the reason for food inflation and, as I mentioned—

Mr. Jagmeet Singh: How much profit is too much profit?

Mr. Galen G. Weston: A company needs some degree of profit—

Mr. Jagmeet Singh: Record profits, more than you've ever made, ever?

The Chair: Mr. Singh, I'm going to stop you there.

Of course, your time is your time, and I can appreciate that, but we've invited—in fact, we've summoned—these witnesses to come here.

You ask a question. Every member of this committee is expected to be able to hear the response. I need you to be more mindful of making sure that it is the case.

I know it's your turn, and I'll give you that discretion, but please don't cross lines here.

I'll go back to you.

• (1715)

Mr. Jagmeet Singh: How much profit is too much profit? You're making more money than you've ever made. How much profit is too much profit?

Mr. Galen G. Weston: We're a big company, and the numbers are very large, but it still translates right down to the bottom line at \$1 per \$25 of groceries. If you consider our growth, growth in profit in 2022 is 25 times lower than the unprecedented increases in costs that are being faced by the industry and by the world.

The fact that we have lower food price inflation in Canada than in so many other parts of the world is in part due to the high functioning of our food system here and in part to the meaningful effort that is being made by the grocery store industry to keep prices as low as possible.

Mr. Jagmeet Singh: With respect, Mr. Weston, you mention this \$1 bit. We could put a factor in front of you. Your company is making one million dollars a day in excess profits. No one feels sorry for your profit margin when you're making a million dollars, not just in profit but in excess profit a day at the same time as Canadians are experiencing the most unprecedented inflation in their lives. How can you look a family in the eyes and tell them that that's okay, that what you're doing is okay?

Mr. Galen G. Weston: I had a conversation with a customer in a store just the other day. She came to me and she said something similar. She asked how we can have such exorbitant profits. We chatted for about 15 minutes, and I explained what I'm explaining here to the committee. She understood, and she said that she hadn't realized that. She said that that's not the way it was being characterized when she read *The Globe and Mail* or *Toronto Star*.

I said that all I could tell her was that this was the truth. This is what was going on and, if we didn't raise retail prices as costs went up, the companies that we operate would disappear almost instantly.

That's why this point about low profit margins is so important. One hundred per cent of the total profit of the industry could go into lower food prices, and the price of a grocery basket for that customer who I spoke to would still be \$24—

Mr. Jagmeet Singh: How do you square that?

Mr. Galen G. Weston: —and that's not to say it's not important, but our ability to effect this change is limited. That's why we all need to work together.

Mr. Jagmeet Singh: How do you square that? How do you square what you're saying with the fact that you're experiencing unprecedented profits while people are struggling? How do you square that with the record bonuses that you and your colleagues are receiving? How do you square that with the excess profits that you're making per day? How do you square that with the record profits you're making year over year? How do you square that? It doesn't add up.

Mr. Weston, I have more than 2,000 people who submitted questions saying that they are struggling while you're making these record profits. That explanation does not give any solace to the people who I've heard from at all.

Mr. Galen G. Weston: I understand how difficult it is for so many Canadians. That's why we're taking decisive action within the constraints of what we're actually able to influence.

We stopped \$500 million of unjustified cost increases in our organization. We offer the lowest prices in the market in our discount stores like No Frills and Maxi. No Frills is recognized as having the most trusted prices in the country. We ad match in our large store formats on every single ad that is available in the market so that the customers don't have to shop around from one store to another to make sure they get the best value.

Mr. Jagmeet Singh: Mr. Weston, that doesn't fix the problem.

Mr. Galen G. Weston: We are actively losing money on core commodities—milk, vegetable oil, butter, certain cheeses, and all kinds of items—every day of the week.

We are working hard on behalf of Canadians.

Mr. Jagmeet Singh: You still have not been able to answer this basic question.

When a family that's struggling right now looks at your profit.... How much profit is too much profit? How much is enough? You're making more than you've ever made, ever. You've not contradicted that point because we know it's true. How much profit is too much profit at a time like this, when Canadians are literally saying that they are struggling? How much is too much then? For you, is there no limit to how much profit you can make—

Mr. Galen G. Weston: A successful—

Mr. Jagmeet Singh: —on the backs of Canadians who are struggling because they can't afford their groceries? Is there no limit?

Mr. Galen G. Weston: Reasonable profitability is an important part of operating a successful business. I think that \$1 out of \$25 of sales is reasonable profitability.

It's worth mentioning that big numbers in large enterprises like ours.... Let's say our profit was in and around \$1.9 billion last year, a very big number. Over \$2 billion is going to be reinvested back into this country—

• (1720)

Mr. Jagmeet Singh: The last question for me, then—

Mr. Galen G. Weston: —back into new stores, into new infrastructure, into creating jobs.

It's not just about profit. It doesn't go to me. It goes back into this country.

Mr. Jagmeet Singh: My last question, then—

Mr. Galen G. Weston: If you have reasonable profit levels and you have—

The Chair: Actually, gentlemen—sorry—we're going to have to leave it there.

I'll let you finish your thought, Mr. Weston.

Unfortunately, we're at time, Mr. Singh. I even gave you a few extra seconds to try to make sure that was finished.

Mr. Weston, if you'd like to finish out that thought, then we are going to move on to the next round.

Mr. Galen G. Weston: I would simply say that our profit levels are reasonable. We are working hard to lower prices for Canadians in every way that we can. The profit that we do generate we reinvest back into this country to create more stores, more services and more jobs.

Thank you.

The Chair: We're now going to turn to our second round.

I have Mr. Barlow for up to five minutes, please.

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

Thanks to our witnesses for being here today.

Thanks to the leader of the NDP for being present at the agriculture committee. I do find it interesting. Many of the recommendations that we've had from previous witnesses as part of this study have said that part of the reason for food inflation is inflationary spending, lack of fiscal discipline and uncompetitive tax regimes, like the carbon tax. Unfortunately, the leader of the NDP is completely complicit in those policies, which are helping to drive up the cost of food, so I'm finding it interesting that he's here today to try to fight this thing when he is part of the problem.

To the witnesses, you mentioned the grocery code of conduct. I find it interesting that we had Mr. McCain here yesterday, and his comments were that it's really not going to have a lot of teeth once it's in.

Without having Costco and Walmart—I didn't even think of Amazon—as participants in the grocery code of conduct, do you believe that it will have some validity or some pressure for the grocery stores to start to be more transparent?

Go ahead, Mr. Medline.

Mr. Michael Medline: Thank you, Mr. Barlow, for your questions and your interest.

I think, unless we get everyone signed up, it'll be a farce. I think we can get everyone signed up, but we need the help of the government to be able to do so.

Mr. John Barlow: Mr. Weston.

Mr. Galen G. Weston: The code of conduct can be a very positive part of the industry, but it has to be developed in a fair and balanced way. We're actively contributing to the conversations that are hopefully going to get us there.

Mr. John Barlow: Mr. La Flèche.

Mr. Eric La Flèche: The more participants, the better. We're confident that most industry players will participate in the code. I can't speak for other companies, but we all agree that the code will benefit from broader participation.

Mr. John Barlow: Mr. Medline, you were quite forceful on this, and I appreciate your passion on the grocery code of conduct. You mentioned the transparency, and that this will allow more transparency on the fees and the fines, for example.

Why do you think a grocery code of conduct is needed to do that? Can't the grocery chains do that on their own and be transparent with the fines and fees that they charge the farmers, for example?

Mr. Michael Medline: It doesn't appear so. I wasn't in the grocery industry until just over six years ago. I was in the—

Mr. John Barlow: Good decision; but you didn't think you'd have to be here, right?

Mr. Michael Medline: Yes. It's a great business. I get to see Parliament for the first time since I was a little kid, so I'm happy about that. But this is a serious matter.

You know, I came over from the hard goods and soft goods industry, where people would work together. They'd work together to have more innovative products to take costs out of the system to

serve the customer. When I came over to grocery, I was shocked at how the interactions were, and at the friction between what people call the vendors, whom I call the supply partners, and the retailers. I think it's hurting the industry. It hurts the trust in the industry. I'm all for fair, tough bargaining in negotiations. I'm not for unfair negotiations.

Yes, I was outspoken on this issue. It was bothering me. That was two and a half years ago. I think we're headed in the right place. I think everyone's intentions are right. The supply partners are behind it. We're getting more and more retailers behind it. I'd just ask the government to help, please, and to keep boosting it.

Thank you.

• (1725)

Mr. John Barlow: To all three of our witnesses here—I think, as Mr. Turnbull said, we should try to get or compel Costco and Walmart to be here—I would ask you if you would table with the committee the list or the schedule of fines and chargebacks and fees that you charge the suppliers. I believe that would help us in the work that we are trying to do.

Mr. Weston, you mentioned the information that you provided to the securities commission. We understood from the Competition Bureau on Monday that they are beginning a study on this issue specifically. When you provide your numbers to the securities commission and to the Competition Bureau, are they broken down? As you mentioned, you're seeing some growth in areas that are outside of the food business, such as pharmaceuticals, clothing, or whatever other products you've been making. Are those numbers broken down when you provide that confidentially to the securities commission and the Competition Bureau?

Mr. Galen G. Weston: No. Our financial results and our financial disclosures are public. The securities exchange can see them as they are published.

I think the point I was trying to make was simply that we are held to a standard of accuracy. They have to be accurate. They have to properly represent what's actually going on in the business. The comments and the colour we provide also need to be accurate. When we provide the colour and commentary that we do, in both written and verbal statements, they can be relied upon as accurate. That's all I'm emphasizing for the committee.

Mr. John Barlow: So why are—

The Chair: Mr. Barlow, unfortunately we're at time.

Mr. John Barlow: Thank you, Mr. Chair.

The Chair: I'm trying to be generous because of the nature of this meeting and the fact that we're all trying to get the information, but we are at time.

I will now go to Ms. Taylor Roy for up to five minutes.

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

Thank you to Mr. La Flèche, Mr. Medline and Mr. Weston for being here today.

I don't have all the emails printed out from the constituents with the concerns I've received, as I'm a bit of an environmentalist. My question will really be about the impact this has had on consumers and on your employees—or “team” members, as you like to call them, Mr. Medline.

Again, I won't go through all the facts and the data given on how your profits have risen, because I think you recognize that. It's also been pointed out many times. However, you talk about reinvesting those profits and you talk about building more stores. We've seen that there have been increases in dividends to shareholders.

While I don't fault corporations, having a business background, for maximizing shareholder value, I would think that at these times you could be reinvesting profits in different ways that might benefit Canadians who are struggling to make ends meet and to help those team members who work so hard on the front line. One thing we noticed was that the hero pay was reduced by basically all grocery stores at the same time, and the freeze on No Name products was removed. This was in the face of growing profits.

I'm wondering how these complaints or these concerns from our constituents, from Canadians, in the face of your growing profits can be reconciled with those facts, and what you can do to address those concerns.

Mr. Medline, perhaps you can start.

Mr. Michael Medline: Thank you very much for the question, Ms. Taylor Roy. I appreciate it.

I'm going to try to unpack this.

You talked about the team members, and it gets me a bit. They're on the front line, as they have been now for three years. They had to face the pandemic. They then faced inflation. Families are trying to feed themselves, and the ends are tight because mortgage payments are tighter, because interest rates are going up. Groceries are more expensive. They don't care about the food supply chain and all of the other niceties we all talk about. It's tough.

Our team members are on the front line and they're getting blamed. I don't blame the people blaming, but it's tough on our team members, so thank you for saying that.

I think that business is balance. Mr. Singh, you talked about how much profit is too much profit. You have to make profits, but you have to make profits with values. That might be different. We might have a difference of opinion on that and what that means, but I think that most companies are a kinder capitalism than they used to be. Maybe “capitalism” for some people is a dirty word. I think it's good, as long as it's kind and there are values.

Investing and balancing things, making sure people are treated fairly.... The capex we put in—we're putting over \$800 million in this year—creates jobs constructing stores. More people have jobs. More people have better paying jobs.

Dividends are not a bad thing in my book, because a lot of people when they retire have pensions. A lot of people in this country do. We have to make some profits and pay some dividends so that they have something to retire on.

It's all balance. I can see some companies buy back shares. I think it's good. I think sometimes companies go too far and they don't balance it right. Our job as CEOs is balance—

• (1730)

Ms. Leah Taylor Roy: Yes, I understand that. I'm sorry to interject, but time is short, so I want to hear the other witnesses.

I'm not sure that balance is being met right now. As I mentioned, there's the \$2 decrease in the hero pay and the removal of the freeze on No Name products in all of the stores when consumers are still struggling with food prices—

Mr. Michael Medline: Briefly....

I'm sorry to interrupt. You were still talking.

Ms. Leah Taylor Roy: Yes.

Maybe now, because time is tight, Mr. Weston, you could comment on that and what more could be done to address these concerns.

Mr. Galen G. Weston: I can comment on the No Name price freeze. It was specific to our enterprise.

It was part of an ongoing effort. It was something we'd been doing for months before and that we continue to do today to deliver value to customers, exactly, I think, in the spirit of what you're asking. That program was real. It saved customers close to \$45 million over three months.

If you look in our public disclosures from our fourth quarter, you can see the impact of that investment and other investments on our overall gross margins as an enterprise.

Ms. Leah Taylor Roy: Why remove it, then? When profits are going up and inflation is still high, why remove that?

Mr. Galen G. Weston: We didn't remove it. What we did was announce we were going to do it for three months over the holidays. It was our belief at that time that for consumers, having price certainty over the holidays would be the most important thing for them. As we come out of the holidays, there are other things that are more important to customers. They want deals. They want to be able to go places and get the best possible prices.

We took part of that investment and we are reinvesting it in lower prices and new market lows. We're beginning to see key items actually go backward.

There are all kinds of things we do on a day-in and day-out basis. The price freeze was one of them. We're not finished. We continue on.

Ms. Leah Taylor Roy: No, I understand, but, respectfully, profits have been going up significantly, however you look at it. Whether you want to look at margin numbers or whether you want to look at whatever segment, they have been going up. It would seem to me there was room to keep the price freeze in place and not increase those prices, while having the promotions and the other things you're talking about.

I would also like to hear from Mr. La Flèche on this briefly as well.

The Chair: We're at time, but in trying to make sure that we hear from that witness, I have no problem giving some discretion.

Mr. La Flèche, if you would like to, you may answer the question.

Mr. Eric La Flèche: Our revenues have gone up. Expenses have gone up. Margins have not gone up. They've been stable for a long time. Food margins have actually declined. Those are facts.

We work extremely hard—all our teams do—to provide value to our customers every day in all of our banners. We have very competitive prices, very compelling promotions and a full range of private label products.

Again, we work really hard to deliver value to our customers. Those are just the facts.

Ms. Leah Taylor Roy: Thank you.

The Chair: Thank you, Ms. Taylor Roy.

[Translation]

Over to you, Mr. Perron, for two and a half minutes.

Mr. Yves Perron: Thank you.

Gentlemen, I'm going to follow up on something that was said earlier.

I want to reiterate the call for the grocery chain heads to provide all the figures they can to the committee with the specific breakdowns. We will handle them with due diligence, possibly under an agreement with the Law Clerk of the House. We'd like to believe what you're saying about profit margins, but when we look at the numbers—when the public looks at the numbers—what we see are significantly higher profits, even higher than before the pandemic.

Grocery store food prices have gone up 11%, while overall inflation stands at 6%, so something is going on in the grocery sector, something we aren't seeing. As I said earlier, we aren't accusing you of anything. We're just looking for information.

My other point is this. You all said that you were supportive of the code of conduct, and I told you that I was worried it would be merely symbolic. Would you all be just as supportive of reviewing the code a year in? Please keep your answer short. A yes or no will do.

• (1735)

[English]

Mr. Galen G. Weston: I am happy to answer.

We are continuing to work on that code of conduct, as I've mentioned before. The idea is to create the right form of transparency and fairness on all sides, and so—

[Translation]

Mr. Yves Perron: I don't mean to be impolite, Mr. Weston, but I have very little time. Would you agree to review the code at the one-year mark?

[English]

Mr. Galen G. Weston: Let's get to the code first, and then we can decide how to evaluate it.

[Translation]

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

Mr. La Flèche, are you open to the idea of reviewing the code a year into its implementation?

Mr. Eric La Flèche: I think the plan is to see how things go once the code is implemented, and that will take some time. Also, since the industry players are the ones who will be overseeing the code, they will have to assess how things are going with that relationship and with the code. It's something that will definitely happen.

Mr. Yves Perron: Thank you, Mr. La Flèche.

Earlier, Mr. Weston, you said the industry wasn't an oligopoly. However, five companies control 80% of the market. To me, an outsider, that seems like an oligopoly. I may be wrong, so correct me if I am.

How do you account for what Ms. Taylor Roy was saying about all the grocery stores reducing employee pay at the same time?

As I said, I'd like to believe you, but it looks like an oligopoly to someone on the outside.

[English]

Mr. Galen G. Weston: On the question on pandemic pay, we introduced pandemic pay during a period of extremely abnormal conditions for frontline workers in grocery stores. It was at our encouragement and it was our decision to bring that forward. No parliament asked us to do it. No industry code of conduct asked us to do it. We made that decision because we felt that it was the right thing to do.

[Translation]

Mr. Yves Perron: I realize that, Mr. Weston, but here's the question. How do you explain the fact that all the grocery stores put an end to the hero pay at the same time if you didn't speak to one another? The public wants to know. In people's minds, there's no way that you don't talk to one another.

[English]

Mr. Galen G. Weston: I wasn't there at that time, but I certainly know that we made that decision independently, and that was the right decision at that time.

The Chair: We're at time, Monsieur Perron. I will allow Mr. Medline or Mr. La Flèche to respond to your question if you like. Then we'll move on to the NDP.

[Translation]

Mr. Yves Perron: I can't hear what's being said. The sound coming through my headset is really low. I'm not sure whether the interpreter is too far from the mike.

[English]

The Chair: I'll continue speaking in English and perhaps those involved in the translation....

Can you hear me better now, Mr. Perron?

[Translation]

Mr. Yves Perron: That's better. Thank you.

[English]

The Chair: Okay.

Mr. Medline, would you like to respond quickly, and Mr. La Flèche?

Mr. Michael Medline: I'm proud that we paid hero pay. We weren't asked to. Some of the other retailers mentioned in this room that you want to hear from did not pay it. Maybe you should ask them.

We said that we would keep it in as long as there were lock-downs and that we would bring it back if regions locked down. After that, regions did lock down and we kept paying hero pay, so I'm proud of that.

The Chair: Mr. La Flèche, would you like to answer?

[Translation]

Mr. Eric La Flèche: When the economy reopened, we eliminated the hero pay. The Canadian market is highly competitive, so we had to be on equal footing with our competitors in the sector and in other sectors.

[English]

The Chair: Thank you very much.

Thank you, Mr. Perron.

Mr. Singh, you have up to two and a half minutes.

Mr. Jagmeet Singh: Mr. Chair, before I go into my questions, I wanted to propose a unanimous consent motion to extend the time to hear from the witnesses to the completion of our time in this committee, and perhaps the work of committee can go to another day. Can I put that motion forward for unanimous consent?

The Chair: You can certainly bring it forward. I do know this committee has other work that we were intending.... I know you're not a permanent member, but I'll leave it to other committee members to decide.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Mr. Chair, respectfully, we haven't heard from the others, from Walmart and Costco and until we do so, to respect the witnesses, it's only fair that.... We've known this meeting was going to happen. We can call the witnesses back if we need to, but before I hear from Costco and Walmart, I think it's only fair to the witnesses that we agree to 1:15 because we do have a draft report to finish.

With respect to Mr. Singh, I respect the proposition that is being made, but we also have a committee report that we need to submit to the House before we get going.

The Chair: Unfortunately, that's not the case, Mr. Singh, but you can go ahead.

Mr. Jagmeet Singh: Thank you.

Mr. Weston, you mentioned you had a conversation with one person for 15 minutes. I have 2,000-plus people who have submitted questions. Will you undertake to respond to these questions?

● (1740)

Mr. Galen G. Weston: I'd certainly be delighted to have a look at them.

I get feedback, and I don't know if they're similar volumes—

Mr. Jagmeet Singh: I don't want you to just have a look at them. I want you to respond to them.

Mr. Galen G. Weston: I don't know if they are similar to the volumes of email that I get regularly inside Loblaw, and I respond to them on a case-by-case, person-by-person basis, so it's more than just one individual.

Mr. Jagmeet Singh: Sir, I am asking if you would respond to these questions I am going to table with this committee.

Mr. Galen G. Weston: I'd certainly be happy to take a look at them.

Mr. Jagmeet Singh: So you're not going to respond to the questions.

Mr. Galen G. Weston: No, I said I'd be happy to take a look at them and—

Mr. Jagmeet Singh: I didn't ask you to take a look at them, though. I said, "Will you respond to these questions?" It's an important question. If you're not going to, just say it. If you are, that's an important thing to hear.

Mr. Galen G. Weston: I would like to take a look at them and determine what the most appropriate form of response is.

Mr. Jagmeet Singh: Okay, so you're not committing to respond to them.

I would like to table these questions with the committee, Mr. Chair. I have them here.

The Chair: Okay. Thank you.

Mr. Jagmeet Singh: You mentioned that a company should be able to make a reasonable profit. Do you think a million dollars in excess profits a day is reasonable?

Mr. Galen G. Weston: It's a big number, especially if you multiply it over the course of 356 days, but the math is still the same.

The math is that on a very large sales base, that incremental profit represents about 13¢ on a \$25 grocery basket.

I would just reiterate that the cost.... We're in unprecedented times. Global food price inflation grew 25 times faster than profits. That, to me, is a reasonable, fact-based proxy for an industry that is not taking advantage of inflation.

Mr. Jagmeet Singh: Just to understand you, you think a million dollars in excess profits—not normal profits, in excess profits—a day that your corporation is making with you as CEO is reasonable profit.

Mr. Galen G. Weston: I don't agree with your characterization of excess profits. I am giving you the facts, and—

Mr. Jagmeet Singh: It's not my characterization. It's the report from a professor.

Mr. Galen G. Weston: I disagree with the characterization of the report from the professor. The facts are as I described them.

The Chair: We're going to leave it at that, gentlemen. We're at time.

Mr. Singh, I was generous in giving you a few extra seconds to finish that thought.

Thank you, Mr. Weston.

Thank you, Mr. Singh.

We're going to turn to our final round of questioning. I am coming back to the Conservatives.

Mr. Steinley, it's over to you.

Mr. Warren Steinley (Regina—Lewvan, CPC): Thank you very much, Mr. Chair.

Thank you to our witnesses for being here.

I'm going to switch gears a little bit and talk about some of the things from a producer side.

I grew up on a dairy and beef farm and I look at what people are getting at the farm gate to what the prices are in stores. Most of you commented that input costs have gone up. Are you talking about input costs for producers that have gone up and thus you've had to pay more for goods?

Mr. Weston, you used that comment specifically, that fuel costs have gone up, input costs have gone up, energy costs have gone up and labour costs have gone up. Can you break that down?

Mr. Galen G. Weston: I think it was Mr. Medline who said that.

Mr. Warren Steinley: Yes, sorry.

Mr. Medline.

Mr. Michael Medline: Pretty well every single input cost you could have in business has risen over the last, I would say, 17 or 18 months—everything. I couldn't find anything that has gone down.

I'm just looking at the list from the last three years. Butter is up 59%. Corn oil is up 140%. Wheat is up 109%. Flour is up 63%. Turkey frozen is up 78%. Then you go to packaging. Tin is up 53%. Pulp is up 45%.

I'm not going to keep going on. Freight, fuel, labour, every input cost has gone up, sir.

Mr. Warren Steinley: Thank you. The price of business is going up.

I'm going to read from “Canada's Food Price Report 2023”, and I'd like all of you to comment on this. It reads:

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

My question is this. You've talked about the global phenomenon of food price inflation, but how much have government policies like the carbon tax and possibly the fertilizer reduction led to the increase in food prices?

• (1745)

Mr. Galen G. Weston: Okay, I'd be happy to start. It's a great question.

I can't comment with any real precision on what the government policies have been and the impact that they've had on manufacturers' or growers' costs of doing business. I know in our case, for example, with milk, our most popular dairy SKU we sell below cost every single day. Wherever those costs are, they're coming up, they're being pushed up, and they are certainly not being captured inside our grocery margin.

Thank you.

Mr. Warren Steinley: Are there any other comments?

Mr. La Flèche.

Mr. Eric La Flèche: Well, there's no question that input costs for producers have gone way up over the last several months, and their costs to us have gone up, and that's the whole supply chain and why food inflation is up, like we've been saying since the beginning. I don't think it's for us to comment on which government policies have had an impact on those input costs for those producers—

Mr. Warren Steinley: Are you telling me a government policy that increases the cost of fuel like a carbon tax isn't adding to the cost of your doing business and adding to the increased price of food?

Mr. Eric La Flèche: I'm not saying that. I'm saying it's not for us to comment on which government policies are having which impact on their producer costs. Clearly, their costs are up. What the exact root causes of those input costs are, I'll leave to other experts.

Mr. Warren Steinley: Mr. Medline, do you have any comment?

Mr. Michael Medline: Yes, I'm just going to agree with Eric. I'm not a politician. There are so many actions that increase the costs of goods, so anything that happens that puts a cost on will increase the cost to consumers and will hurt farms, obviously. It's up to the government to decide and balance, just like we have to do in our businesses. We have to balance which of those costs are worth it, and which are not.

Mr. Warren Steinley: Thank you.

I have one last question and a minute left. I wonder if each of you could take a swipe at this one. If you guys are doing business fairly, openly and transparently, why would you need a grocery code of conduct?

Mr. Galen G. Weston: We do try our best to do business in a fair and transparent way. We believe that we do business in a fair and transparent way 99% of the time.

If you think about what we do, we buy products and we sell them, and we negotiate with the people who sell us the product for the lowest possible prices. That can lead to tension. Those tensions, despite the best will in the world, can perhaps lead to bad judgment—bad judgments on both sides.

As an example, I think we've commented on this. We've seen a number of what we would consider to be unjustified cost increases that have been put through or requested by vendors over the last number of months, so it's really important that any code or any set of practices that we engage in is properly balanced.

From our perspective, we are implementing changes today based on feedback we get from vendors to improve that transparency regardless of whether we have a code of conduct. If we have one, and that one works effectively for all sides, that's terrific, but it won't stop us from changing our policies and programs to minimize those incidents where poor judgment is used.

The Chair: Thank you, Mr. Steinley. We're at time.

I don't know if Mr. Medline or Mr. La Flèche wanted to weigh in at all. If not, we can leave it at that.

Be very quick, if you could.

Mr. Michael Medline: Yes, I think that obviously transparency is really important. But what I did when I came into the industry was I spent a lot of time talking to supplier partners, what some people say, as I always say, are vendors. Some of the stories I heard I didn't like. I thought that the transparency wasn't working well enough, and I think that a code could help us all.

Mr. Warren Steinley: Thank you.

The Chair: We'll now turn to Mr. Drouin for up to five minutes.

[*Translation*]

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

I'm going to give my last minute to Mr. Turnbull.

[*English*]

First, it is International Women's Day. I want to thank all the women who work for your businesses. I know they work hard. I get to meet them almost every day in your stores.

I think the issue we're talking about, here, is public trust, or how we provide public trust to consumers, overall. When we deal with food, we deal with it on the agricultural level.

I want to start by saying that everybody deserves to make a reasonable profit, from the farm level to the retailers.

Where we face some issues—it's been mentioned by some of my colleagues—is here: A few years back, I know, some of you worked with the Competition Bureau. There was the whole issue of

bread price-fixing between 2001 and 2015. That caused a breach in public trust. I think this is part of the reason why we're here today. My goal here is not to point the finger at anyone. I just want to find solutions. I don't think our committee is equipped to determine whether you're making an okay profit on a certain product. I think the Competition Bureau is the right place for this to happen.

That being said, some of you stated you provided financial statements. It's been said publicly by all of you, I believe, that most of the profit has been on non-food products. Some of you testified today that financial statements were provided to the Competition Bureau on a voluntary basis. I believe the Minister of Innovation, Science and Economic Development, back in May 2022, wrote a letter to some of you to ask the Competition Bureau to look at this.

In terms of the statements you provided, is the Competition Bureau going to be able to determine the difference between profits on food items versus profits on non-food items?

I'm going to start with Mr. Weston, Mr. Medline

[*Translation*]

and Mr. La Flèche, one after the other.

• (1750)

[*English*]

Mr. Galen G. Weston: Yes, it certainly can, based on the submissions we provided.

If I can comment very briefly, though, we're focusing on.... I know I keep saying it over and over again. It's probably frustrating you. However, this \$1 is what we're focused on, of the \$25. All of this time, effort and exposition is focused on that amount. No matter what is there—and there isn't anything of significance there—it won't change the cost of food. It's not going to solve the challenge for Canadians.

I would urge this committee, as long as it continues to operate, to expand its inquiry into the full value chain, because it's simply not mathematically possible for all of this to sit in that \$1. That's something we should collectively try to address.

Mr. Francis Drouin: That's fair enough.

Go ahead, Mr. Medline.

Mr. Michael Medline: First, I'm going to set the record straight: The Competition Bureau investigation into bread price-fixing has been going on for about eight years now. Empire Company did not fix bread prices. I want to be clear on that.

I think for us, at Empire Company, the financial statements.... It's sort of a red herring. You can pretty well get what they are from our financial statements. We provided all sorts of information to the Competition Bureau that, I think, is far more interesting. We like to do that.

I worry—

Mr. Francis Drouin: I'm sorry, but I'm going to run out of time.

Will they be able to determine the profit margin? I don't need to know it, but will they be able to determine the profit margin on food products versus non-food products? I think that's the main, key question.

Mr. Michael Medline: I hope they can. I've read the submission. If they can't, they should contact me.

I want to say, though, that I worry we've lost trust.

Mr. Francis Drouin: Thank you, but I'm going to run out of time.

[*Translation*]

You have 15 seconds to answer the question, Mr. La Flèche. Will the Competition Bureau be able to tell the difference between food items and non-food items from the financial statements you provided to the bureau?

Mr. Eric La Flèche: Thank you for your question.

I'd like to say something about the bread scandal, if I may. Metro was never found to have violated any provision of the Competition Act.

Mr. Francis Drouin: With all due respect, that doesn't matter. I'm asking a question.

Mr. Eric La Flèche: I take offence to the implication that Metro was involved in the bread scandal.

To your question about the Competition Bureau, I can tell you that we are participating in the study. We will provide whatever documents the bureau requests, and we will co-operate.

[*English*]

Mr. Francis Drouin: Go ahead, Ryan.

Mr. Ryan Turnbull: Mr. Chair, I want to ask for a point of clarification.

Mr. Singh asked to table a stack of questions for the committee. I want to clarify whether MPs can table evidence in committee. I didn't think they could.

Another question for Mr. Singh is, has he provided questions in both official languages?

I'm also interested to know whether he has the consent of the individuals he's disclosing in the questions—whether the personal information of Canadians is being disclosed in those documents.

I think we have to be responsible when considering the tabling of evidence in committee.

The Chair: You know, those are important points, Mr. Turnbull. I know that our clerk was looking into that. In the interests of this committee, I think I'm going to let our clerk continue to look into it.

I'll turn to you to see if you have an answer right now, Madam Clerk.

She's going to continue to look.

Go ahead, Mr. Turnbull.

● (1755)

Mr. Ryan Turnbull: While I have the floor, I also would like to move a motion.

That, as part of the committee's study on Food Price Inflation, the committee invite the following witnesses: - Horacio Barbeito, CEO Wal Mart Canada - Pierre Riel, Senior Vice President, Country Manager, Costco Wholesale Canada.

Thank you.

The Chair: Thank you, Mr. Turnbull.

Colleagues, what are your thoughts on the idea of inviting some other CEOs? I see Mr. Singh's support. I see Mr. Perron and, I presume of course, that you have Liberal support and Mr. Barlow's as well. That will be moved then.

Madam Clerk, I don't think you require anything else. There is unanimous consent.

Colleagues, that brings us to the end. I want to recognize that there are a couple of members of Parliament who have taken their time to be here on the committee. We have Mr. Epp from Leamington and Mr. Fragiskatos from the London area—I don't know your exact riding. We have Mr. Morrice.

Mr. Morrice sits with a party that is not recognized, so they don't have status here, but with your permission, we will allow him just a brief moment. As your chair, I would like to give him one or two minutes to ask a question. I do believe that I need unanimous consent, but this committee has always worked pretty well on consensus.

Some hon. members: Agreed.

The Chair: Mr. Morrice, you have about two minutes, please.

Mr. Mike Morrice (Kitchener Centre, GP): Let me start by saying thank you to those who believe that our Parliament can't function well. I think that was an example of functioning really well. Thank you to all committee members and to the chair.

I will stop using up time on thanks and turn to the executives who are with us.

My question to you is trying to reconcile recent earnings results. Loblaw, for example, in the fourth quarter brags about an earnings increase of almost 13% over the previous year. Time and again throughout the last hour and half, we've heard each executive say that their earnings are reasonable.

Can I have you each comment, yes or no, whether you would support an excess profit tax that has been called for by many, including Mr. Singh, here in the last hour, an excess profit tax above your regular profits that you are now bragging about having increased, specifically so that the Government of Canada could use that to reinvest in supporting the lowest-income Canadians who are suffering from the cost-of-living crisis that we're in?

Would you each comment on whether you support an excess profit tax that would raise \$4.3 billion over the next five years?

Thank you.

Mr. Galen G. Weston: I certainly believe that Canadians expect us to pay our taxes and to pay our fair share of taxes. We do. Last year, Loblaw paid \$850 million in tax. I've said this before. I think you have to have the right definition of a windfall tax, then determine exactly who should pay it. When I go back to this point about looking at the entire value chain, if there is a windfall, then it needs to be assessed throughout the entire value chain, not just at the end of the value chain. As I said before, there's one dollar of the total impact.

Having said that, I do not believe that there are windfall profits in the grocery industry today. I believe that what is impacting high prices for Canadians is a global cost-of-living crisis that affects folks all over the world and that Loblaw is doing a very significant amount to ease the burden on Canadian consumers every single day.

The Chair: Mr. Morrice, I think that, in the interest of time, we're going to let Mr. Medline answer your question and Mr. La Flèche. Thank you for your intervention.

Mr. Michael Medline: I'll keep it brief, Mr. Chair.

Thank you, Mr. Morrice, for your question. I appreciate it.

Without the details, it's a broad question to be able to answer. I'd like a bit more detail.

When I think about a windfall tax, I do get concerned that it would penalize companies that are rightfully improving their businesses the right way. I worry about unintended consequences always. I worry that ad hoc taxes discourage investment in this country. I think we should be encouraging investment in our great country.

The Chair: Go ahead, Mr. La Flèche.

Mr. Eric La Flèche: Thank you.

I disagree that there's any excess profit here. We make a reasonable profit, and we pay full taxes on all of it in Canada at very different levels of government. I don't think a special tax on grocery would be constructive. It would probably reduce investment, reduce innovation and not be fair.

The Chair: Thank you, Mr. Morrice.

Colleagues, as your chair, I rarely get the opportunity to ask questions. I'm going to indulge myself very quickly on two as I listen to the testimony here today.

Mr. Weston, you talked about how Loblaw has voluntarily provided information to the Competition Bureau.

Mr. Medline, I think you've acknowledged that Empire has done the same in terms of providing information to the Competition Bureau.

We haven't heard from Mr. La Flèche. I would be interested in hearing from Metro's perspective. The one challenge this committee has had—and Mr. Drouin has really touched upon it—is trying to delineate the success and the profits of the various companies that are before us here today.

Mr. Weston, you recognized there are multiple lines of business.

Mr. Medline, you've mentioned that perhaps Empire's additional businesses outside of food are not as significant perhaps as some of your competitors', but we, as parliamentarians, have difficulty getting access to that information. We had testimony from the Competition Bureau that suggested that changing their legislation to actually allow them to compel information from companies of interest in these market studies would be a very important regulatory change.

Have you all submitted information to the Competition Bureau that delineates the two? I think the two witnesses in the room have answered that.

Are you open and willing to that proposal from the Competition Bureau to give them perhaps a little more regulatory pull to compel information for market studies specifically?

Mr. La Flèche, perhaps we can hear from Metro about whether you've voluntarily provided to the Competition Bureau, and then I'll allow all three to answer the broader question.

Thank you.

● (1800)

Mr. Eric La Flèche: We are participating in the Competition Bureau study. They have made certain requests. We will take them all seriously and fully co-operate with them in a normal way as long as it's market-wide, competitive and confidential, and there's no competitive disadvantage in doing so.

As it was said before, and it's the same for us, we publish our results according to international financial reporting standards. They are fully audited. We provide colour on pharmacy and food to explain our numbers, and we provide extremely detailed information quarterly, with a lot of information annually. There's a lot there for the public to see and for all the members of the committee to see.

We will participate in the study by the Competition Bureau.

The Chair: Does your company have a perspective on the Competition Bureau's suggestion about giving them more regulatory powers to compel beyond the voluntary nature of how you're co-operating right now? Is that something you would support, or do you need more time to reflect on that?

Mr. Eric La Flèche: We would need to see exactly what that entails and what that means. I can't really comment. I'll take a note of it and we could get back to you.

The Chair: Mr. Medline.

Mr. Michael Medline: I have the same response as Eric.

The Chair: Mr. Weston.

Mr. Galen G. Weston: I feel very much the same way. If the Competition Bureau isn't getting the information they need from us, all they need to do is call us and let us know and we'll be happy to make it available.

The Chair: I have a last point I want to raise, given that we have the member for Leamington here and that the greenhouse sector is so important in his riding.

Mr. Medline, you mentioned your company's deep roots in Nova Scotia. As a member of Parliament from Nova Scotia, I appreciate that.

Can I give you about 45 seconds to talk about your work in vertical farming? I know Empire has been involved. You mentioned one of your strategies or one of your thoughts on addressing food price inflation is actually investing in the greenhouse sector, which I think is part of Canada's strategic interest, particularly in south-western Ontario.

I'm going to give you a moment to elaborate on anything else you might want to leave for us as parliamentarians, and then we're going to wrap up.

Mr. Michael Medline: Thank you for saying that.

Whenever we can, we want to buy Canadian. We want to buy local. We have increased our local purchases I don't even know how many times over the last number of years. It is a difficult business to farm out of greenhouses. We have to make it easier to have a shorter supply chain. We have to buy Canadian, support our farmers. We have to lower the price, not rely on others.

I think the government should look at ways we can help these companies. These are hard companies to start up. Unfortunately, we've seen some of them fail because they're very difficult. We would love to support by buying these products, as we do today, and have more and more Canadian produce, which is obviously very difficult to get our hands on in months like this.

The Chair: Colleagues, that brings our questions and our opportunity with the CEOs to a close today.

We are going to be making a quick transition, for those who are on the committee, to continue our consideration of the draft report on global food insecurity.

On behalf of the members, I'd like to thank Mr. Medline, Mr. Weston and Mr. La Flèche for joining us here today and having the opportunity for us to engage with them.

[Proceedings continue in camera]

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