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Standing Committee on Agriculture and Agri-Food

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• (1600)

[*Translation*]

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

Welcome to meeting number 57 of the Standing Committee on Agriculture and Agri-Food.

A few reminders to start. Today's meeting is taking place in a hybrid format. The proceedings will be made available via the House of Commons website.

[*English*]

Colleagues, I'm going to ask the room to quiet down a little bit, as we've started. For the benefit of the translators and for the benefit of your dear chair, quiet down a little bit, would you?

[*Translation*]

Just so you are aware, the webcast will always show the person speaking, rather than the entirety of the committee.

[*English*]

Colleagues, we are continuing, pursuant to Standing Order 108(2) and the motion adopted on October 5, 2022, our study on food price inflation.

I want to thank all of you for coming a little early. We are expecting bells and votes tonight. I have talked to everyone, and when the bells start at 5:30, just to make sure the second panel can get done, we're going to extend, by no more than 15 minutes, with your consent, which I'm told is forthcoming, so thank you. We'll make sure that we get the second panel in, to the extent we can. We will go off to vote, and we will not be coming back to this room. Once the vote is done, we will be done.

With us today, from the Association québécoise de défense des droits des personnes retraitées et préretraitées, is Pierre Lynch, president.

[*Translation*]

Welcome, Mr. Lynch.

[*English*]

From Consumers Council of Canada, we have Ken Whitehurst, who is the executive director.

From the Global Institute for Food Security, we have Alanna Koch, chair of the board of directors. My understanding is that

we're still having a bit of an issue with Ms. Koch, but hopefully she can join us.

From Food Producers of Canada, we have Denise Allen, president and chief executive officer.

We're going to dive right into this. I'm going to start with Mr. Lynch.

You have up to five minutes. I will be very strict on the time, unfortunately, because of our constraints today, but you will have five minutes, and I'm going to turn the floor over to you, my friend.

[*Translation*]

Mr. Pierre Lynch (President, Association québécoise de défense des droits des personnes retraitées et préretraitées): Thank you.

Good afternoon, Mr. Chair, deputy chairs and members of the committee.

I want to thank you for the opportunity to speak to you today about inflation, and food price inflation, specifically. Before I get to the heart of the matter, I'd like to tell you a bit about the Association québécoise de défense des droits des personnes retraitées et préretraitées, or AQDR.

The AQDR has 30,000 members across 37 local branches throughout Quebec. We work to advocate for seniors, but above all, to shine a spotlight on the living conditions of the most vulnerable seniors.

We can't talk about food inflation and the exceptional circumstances we are facing without talking about those whose monthly budgets are severely depleted by food price increases. The purpose of my remarks today is to give a voice to the most vulnerable seniors.

In Canada, two main benefits are available to seniors: old age security, OAS, which is universal, and the guaranteed income supplement, or GIS, which is tied to income. That means seniors who receive the GIS are among the poorest in the country. The low-income cut-offs in Canada are based on the market basket measure, commonly known as the MBM.

The government uses the MBM to set OAS and GIS levels, and low-income cut-offs. The problem with the MBM thresholds is that they are too low to allow for a dignified existence. Seniors have to make agonizing choices given the housing crisis, higher medication costs and evermore expensive food costs. Another thing to keep in mind is the fact that the typical grocery basket of a financially vulnerable senior doesn't look like your average grocery basket. In February, for example, the consumer price index, or CPI, was 5.2%, which isn't enough to offset the 10.6% increase in food prices—double the CPI. For seniors in vulnerable financial situations, that's a huge chunk of their grocery bill. What's more, the indexing of their benefits isn't immediate. It's done quarterly, so in the meantime, seniors are sinking further into poverty. That's the reality.

We want to raise awareness among the public and Canada's big grocery store chains. On one hand, imposing unreasonable price increases that generate excessive profits is equivalent to taking money away from the most vulnerable seniors and putting it in the hands of some of Canada's wealthiest people. On the other hand, I urge the committee members, as part of their study, to consider the disproportionate impacts of inflation on food and other basic commodities, and by the same token, challenge the measures used to define low-income cut-offs. Neither the CPI nor the MBM allow for acceptable poverty thresholds. If the goal is to lift seniors out of poverty, the federal government has to establish a livable income measure and change how it defines poverty, so that everyone receiving old age benefits is able to live a dignified existence.

In conclusion, the problems stemming from food price inflation are the product of the very complicated relationships between farmers, processors and grocers. It is essential to examine supply chain issues to fully understand the problem, but it's also important to examine the unequal repercussions on the other end. The government needs to find ways to better support vulnerable seniors.

In the meantime, let's hope the wealthy contributing to food price increases realize just how much their fellow citizens are struggling. Let's hope a renewed sense of responsibility and civic-mindedness wins out.

Thank you.

• (1605)

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

We will now hear from Mr. Whitehurst.

[*English*]

Mr. Ken Whitehurst (Executive Director, Consumers Council of Canada): Good afternoon. I'm Ken Whitehurst, executive director of Consumers Council of Canada. The council is a not-for-profit working towards an improved marketplace for consumers in Canada.

Thank you for your invitation.

Canada's consumers face difficulties. They are worried about prices and the supply of goods and services, and they feel manipulated by business and unprotected by governments. They worry about those less fortunate than themselves and the hidden costs of deprivation.

The council's focus will vary from what you've heard so far. Our submission does not seek to pinpoint the causes of food inflation. Let's explore how governments and food retailers can soften the negative impacts of temporary food inflation using regulatory and other tools, and how to prepare for the future.

Canadians are now much more aware of global, national and local food supply risks. Improve the safety, security, diversification and productive capacity of domestic food sources.

Consumers feel gamed every way they shop. Raising food prices by offering less product for a similar price—shrinkflation—is common. Unfortunately, consumers are four times more likely to notice a price increase than a package size decrease. This practice erodes confidence in retailers, producers and government.

Make it easier for Canadians to shop. Mandate unit pricing like other major countries. Quebec is the one province that regulates unit pricing. Start by adopting its rules nationally, and improve and enforce them. Consider our report, "Unit Pricing: Time for a National Approach".

The council has noticed eroded consumer protection enforcement. Health Canada's and CFIA's comprehensive inspections to detect misrepresentation and substitution are all but gone. Current risk-based enforcement methods are inadequate. Consumers cannot themselves identify food adulteration, short weight, substitution, uninspected foodstuffs, misrepresented origin, non-approved irradiated food, misrepresented retail meat cuts or repackaged food with fudged "packed on" dates. Please protect consumers when they cannot protect themselves, especially with prices rising sharply.

Because every cent counts, ensure price accuracy at checkout. Over 20 years ago, the Competition Bureau worked with retailers to introduce a scanner price accuracy code. Consumers are supposed to be compensated for inaccuracies, but this program relies on consumer vigilance and most don't know it exists. The code is based on a fantasy that expects a consumer accompanied by small children with a cart full of groceries to examine each item scanned and remember the shelf price. If a difference is noticed, they must inform and educate the clerk and sometimes debate with a store manager. The Retail Council of Canada arbitrates disputes. Finally, this does not guarantee the problem will be fixed. Include the code in government surveillance.

Require regulators to be alert to incidents of non-functional slack fill. Section 9 of the Consumer Packaging and Labelling Act prohibits deceiving consumers about the quantity and quality of what's inside a package. Health Canada and the Competition Bureau could jointly administer section 9.

The council told Measurement Canada's consultation on trade measurement that consumers need action to get what they pay for. It recommended consolidating federal responsibility for the accuracy of net quantity declarations on packaged consumer food and general merchandise. Canadian Food Inspection Agency is supposed to ensure net quantity for food products, and the Competition Bureau for general merchandise. Neither agency makes accurate weights and measures an enforcement priority. The bureau has not carried out net quantity inspections for two decades. Measurement Canada inspectors visit retailers to verify scale accuracy. They could also verify net quantity and unit price declarations and price accuracy.

Food insecurity raises the question of who within the federal government represents consumers at the policy table when issues like food inflation and security, or consumer protection and safety arise. The council felt encouraged when, in 2019 and 2020, the Prime Minister mandated three federal agencies to create a Canadian consumer advocate to oversee complaints in the federally regulated telecommunications, transportation and banking sectors. The council supported this and recommended that the advocate promote consumer interest in all sectors. Recent letters don't mention this mandate, but the council learned, through access to information, that Innovation, Science and Economic Development Canada proposed expanding it. Two House of Commons petitions, with signatures from every province and territory, support this. Petitioners await the government's response.

● (1610)

A consumer advocate would provide a centre of expertise for House of Commons committees seeking expert witnesses. The council supports the establishment of an independent federal advocate with the sole function to argue for consumers, support their voices through civil society and stress the relationship of consumers' needs to the decision-making processes within agencies of government.

You've been told that your search for the sources of food price inflation is complex, but these are straightforward measures to show Canadians that Parliament has their backs when they go shopping.

The Chair: Thank you, Mr. Whitehurst.

We'll now turn to Ms. Allen for up to five minutes, please.

Ms. Denise Allen (President and Chief Executive Officer, Food Producers of Canada): Thank you, Chairman.

Good afternoon, Chairman and distinguished members of the committee. Thank you for your invitation to appear on behalf of the Food Producers of Canada to discuss the important issue of food price inflation and its effects in Canada.

I am Denise Allen, president and CEO of FPC. We are a national industry association representing small and medium-sized enter-

prises whose primary business is the manufacturing of value-added food and beverages. I am also a member of the industry steering committee whose directive is to design a proposed retail code of conduct, which is a first for Canada.

FPC has a proud 30-year history and a strict mandate of advocating on behalf of Canadian owners, investors and leaders of food-based businesses. Despite the operational challenges and economic headwinds we face as an industry, we remain firm in our belief that we will work collaboratively to protect Canada's domestic food supply and that we will continue to build capacity and attract investment.

As Canada's agribusiness industry, we represent more than 8,000 manufacturing facilities, many of which are the single largest employers in rural communities. Our industry employs more than 300,000 people across Canada, making it the largest manufacturing employer and an essential part of Canada's economy. As a key link in our national food value chain, food processors are the largest purchasers of farm gate output, to which we add value and which we sell both domestically and abroad.

Food processors represent Canada's internationally recognized and respected brand of safety and quality on a global stage. As the world continues to struggle with climate change and post-COVID recovery against a backdrop of armed conflict, shifts in social demographics, insufficient international development aid, a return to isolationist politics and nationalistic policies, and a global economy facing rampant inflation, supply chain disruptions and resulting increases in food costs, reliable estimations are that one in every four humans is now faced with food insecurity.

Food security has become one of the principal issues of our time, and it is even more pronounced in our northern and remote communities. Many of these factors exist globally and are exacerbated by the war in Ukraine. Subsequent pressure on energy and fertilizer prices, resulting from geopolitical conflict and the prolonged occurrence of these factors, has contributed to an environment of broad-based price increases at all points of our food value chain.

In addition to sharp increases in manufacturing inputs, FPC members are reporting an additional financial burden in the form of interest rate increases and debt servicing. For many of our smaller players, increases have forced the deferral of planned investments in innovation and automation, further reducing their ability to effectively compete.

Further, our competitive environment has been greatly restricted by over-consolidation in many sectors. I want to note that the food industry is not alone in this regard. Consumers are living with those unintended outcomes specifically in grocery, telecoms and banks. With five major retailers now controlling more than 80% of the Canadian grocery market share, suppliers currently have little to no recourse when faced with escalating fees and fines. Working relationships in the culture of our industry have been strained, as fair and transparent business relations are difficult to achieve without the principles outlined in the proposed code.

Our industry is working diligently and collaboratively with all stakeholders to launch the proposed code, which we believe will add greater contractual certainty and improve supply chain efficiency by setting forth trade rules and a mechanism for dispute resolution. It is critical that the code be implemented and adopted by all industry stakeholders.

With respect to the Competition Bureau and the Competition Act, I would like to note that FPC applauds Minister Champagne for his call to action for Canada's Competition Bureau to look deeper into the issue of food inflation and its root cause.

We would like to encourage the modernization of Canada's Competition Act and challenge the outdated belief that bigger is better, which was reflective of the business philosophy in the 1980s, when the act was made into law. An overhaul of competition law is taking place in other jurisdictions, notably in the U.S., where President Biden recently stated that "competition has weakened in too many markets".

We would like to highlight that, in addition to the review and modernization of the Competition Act, other, longer-term policy changes hold opportunity to leverage Canada's abundance of national resources. While other countries are faced with resource scarcity, in part due to climate change, Canada represents an opportunity to feed the world in the coming 50 years. We have water, land, fertilizer, feed, energy and people. Our policies must now align with good economics, which will ensure that we are competitive, make it easier to invest and further develop export volume in commodities like chicken. Consumers pay much higher prices in Canada than in the rest of the world for chicken and other commodities, like eggs and turkey.

● (1615)

In summary, there have been significant efforts made to outline what our government can do to improve the business conditions necessary to protect domestic food supply. Many of my colleagues have appeared and added their voices of support for the code and the need to enhance our competitive ability.

Thank you, Mr. Chairman. I look forward to our discussion.

The Chair: Thank you, Ms. Allen.

First of all, there are a couple of housekeeping notes.

Welcome to Mr. Davies and Mr. Savard-Tremblay, replacing Mr. MacGregor and Mr. Parent.

The bells, as I understand it, are going to start at about 5:40. If I do my math, that will be about 15 minutes per session, which leaves about 30 minutes for questions. My goal, as your chair, is to have five minutes for each party. We'll then go to five minutes with the Conservatives and the Liberals, and that will be about 30 minutes. That's how we're going to approach this.

I'll start with the Conservatives.

Mr. Barlow, it's over to you.

● (1620)

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

Thank you to our witnesses for their insights into this study.

Ms. Allen, thanks for being here. You were talking about the impact that interest rates are having on your members. A lot of the study and the conversation has been about the excess profits of grocery CEOs and that type of thing. I think it is a little short-sighted to see this as the sole reason for food inflation and the impact it is having on Canadians.

For your members, what impact do higher interest rates, higher input costs, higher fuel costs and higher transportation costs have on consumers? What impact are those issues having on your members and thus on the prices on the grocery store shelves?

Ms. Denise Allen: FPC members are reporting a multitude of impacts that are directly related to interest rate rises and interest rates in debt servicing. Access to capital has been restricted. It's very difficult when business owners are looking to invest in plant equipment, innovation or measures that enhance food safety and they have a trade-off between those investments and having to pay more for virtually every expense line in their business.

In relation to being able to absorb those costs and pass them on to the consumer, it's not always possible. Many of my members are bound by trade agreements that don't allow immediate effect of price changes. Also, we're bound to a cycle of retail at operational times of the year as well. It's normal for a blackout period to exist around Christmastime that prohibits any price changes.

We are bound by those trade agreements. We are bound by all of the cost increases, inputs and trade-offs within the business, and all of those are pressuring producers' margins and our ability to reinvest in our business. It's difficult to draw a straight line, as the environment is very complex. In effect, it is prohibiting investment, and it's making us less competitive every day.

In closing, to answer your question, to put it in real terms, almost every week I hear from a member who is looking at creating a plant and investment. They look at Canada versus other jurisdictions in the world. Due to our regulatory environment, all of the issues that you named, overlapping regulations and a non-competitive market, most of the time I hear that the decision is now to invest elsewhere, other than in Canada. That's probably the most disturbing thing with respect to our domestic food supply.

Mr. John Barlow: Thank you for that.

I guess that competitiveness comes with the regulatory and tax regime, as we've seen the carbon tax increase again. This would seem to be the most inopportune time to be increasing costs on your members. For example, and that would be in the regulatory regime as well, you're going to have to start dealing with front-of-pack labelling, which we've been told will be about \$2-billion cost to your members.

Is that accurate? What kind of impact will that have at a time when things are precarious? I don't think you need to be facing additional costs and regulations. Can you give some insight on what impact that will have at this time?

Ms. Denise Allen: Certainly. The estimation of \$2 billion overall as an impact to the industry for front-of-pack labelling alone is accurate.

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

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

• (1625)

The Chair: Thank you, Ms. Allen.

Thank you, Mr. Barlow.

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

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

I want to thank the witnesses for being here with us.

Ms. Allen, you've just touched on a few points. We have debated this issue of how investors look at Canada, and we had a good conversation, a good exchange, between my colleague Mr. Steinley and Michael McCain in front of committee. There were discussions about the carbon tax and whether that was the sole purpose of the decision-making process of whether or not a company will decide to invest. Mr. McCain bluntly rejected that statement, saying there are multiple factors. Taxes are just a small portion of it. While important, they're a small portion of it, with proximity to primary goods and proximity to access to labour being important, and obviously trained labour being important.

From your members' perspective, would you say that taxes are the most important perspective for investment? I'm looking at McCain, who's made a \$680-million investment. There are a bunch of other companies out west that are making major investments. I'm just trying to get a good picture from your members' perspective of whether or not they're not making these particular investments because of that.

Ms. Denise Allen: Thank you for that question. It's a very good question.

I would refer to economies of scale. The majority of my members are small and medium-sized enterprises and they struggle with the time and investment it takes to apply for the government funding that is involved in a lot of these large plants and large-scale investments in Canada today. We're talking about mom-and-pop shops, multi-generational businesses and family businesses that aren't on the same scale. When they go to work in the morning, they are looking at taxes and rising prices in every manufacturing input they have into their organization: increased cost for labour, if they can access it, increased cost of transportation, overlapping regulation. It's an incredibly difficult competitive environment, and then layer on that the relationship they have with retailers and hospitality sectors, which are two major selling channels, the retail and food service sectors, all of which are under the same strain. This is not unique to suppliers, and we're empathetic with the various value chain members who are dealing with the same issues as us.

Your question was around investment. The members that belong to FPC are generally small and medium-sized enterprises, family-owned, privately owned businesses that struggle every day to stay alive, to access labour. Those economies of scale that apply to Mr. McCain often don't apply to my members. It's a very difficult environment. While I appreciate those comments, and they are relevant to his scale of business, again, the government funding that's easily accessed by virtue of a company being able to have the time and expertise to invest in the application process is very difficult for the mom-and-pop shops, which have their hands on their operations each and every day.

Mr. Francis Drouin: You talked about the blackout period before that. Obviously, there's no price increase during.... We've certainly learned during our committee appearance that it's normal for prices at retail not to go up during the Christmas period.

I've heard you say you're supportive of the code of conduct, so I'm assuming the majority of your members would be supportive of the code of conduct.

Ms. Denise Allen: Thank you for that question.

My members are very supportive of the code of conduct. I think your question was around the blackout period, if I understood correctly. That is a normal part of the retail cycle during the holiday season. No prices are increased.

It's very difficult for small and medium-sized enterprises to navigate that landscape if they need to raise their prices. They're not in control of what the consumer sees at retail and they're bound by trade agreements, if they have them. A lot of small and medium-sized enterprises are experts in the production of their brand and their products, but they're not always experts in complicated and very detailed supply or contractual agreements. Many of them don't have trade agreements.

One area we hope to address by implementing a code of conduct is to ensure that those trade agreements set forth the trade rules that outline when and how price increases can be achieved.

• (1630)

Mr. Francis Drouin: As a second follow-up to that, you've spoken about the Competition Act and the need to modernize that act.

Do you have any specific recommendations that would be favourable to your membership?

The Chair: You have about 30 seconds, unfortunately, Ms. Allen.

Ms. Denise Allen: Certainly.

That's a very complex question.

The ability to come back to that in a more meaningful and detailed way would be welcomed.

We feel that the over-consolidation that's taken place in a number of sectors in the Canadian economy could be better managed by providing the Competition Bureau with more ability to investigate and have more transparency into the business dealings and consolidation that's taking place in the grocery sector specifically because we are here to talk about food inflation.

That would require an overhaul and a modernization of its ability to investigate and demand certain information from parties looking to consolidate. We can look to other jurisdictions to look at ways by which we can prevent some organizations controlling more than a certain amount of the market share available in any particular area.

The Chair: We're going to have to leave it there, Ms. Allen.

Thank you, Mr. Drouin.

Ms. Denise Allen: Thank you.

[*Translation*]

The Chair: Welcome to the committee, Mr. Savard-Tremblay.

You have five minutes.

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Thank you for having me.

Good afternoon to my fellow members.

Mr. Lynch, I'm going to start with you.

You described the situation retirees and early retirees face. It's very tough for them to go to the grocery store today and buy what they usually would.

Do you think enhancing the OAS for people 65 and older is an option worth considering?

Mr. Pierre Lynch: It's something that could help.

Keep in mind that other things could help as well. Making some non-refundable tax credits refundable is another option. One thing is for sure: the government has to start addressing the problem. It's anticipated that 25% of the population will be older than 65 by 2030. That is a huge challenge we are going to have to deal with. If we don't do something immediately to start plugging this hole, we are going to see poverty levels skyrocket.

Mr. Simon-Pierre Savard-Tremblay: Thanks for clarifying that and for saying you think the measure could help.

My next question is for Ms. Allen, from the Food Producers of Canada.

You represent food processors. What do you hear from your members the most when it comes to the rising costs in the supply chain? Where do the companies you represent stand?

[*English*]

Ms. Denise Allen: Thank you for that question.

When I speak to my members, I hear very common and recurring themes around supply chain risk and the exorbitant increases they're facing in terms of warehouse spacing availability, price per square foot, and even the ability to transport their goods to market. More than 70% of our industry needs to transport their goods from various locations—many of them rural—to transportation hubs across a couple of modes of transportation in order for those goods to reach market. That stands for both domestic and export.

They're looking at incredible increases and disruption in all modes of transportation, in particular the trucking industry, which is, again, looking at severe labour shortages as well.

When I speak to my members, it's largely around the supply chain, and then followed very closely by government regulations, taxation, and access to competitively priced inputs that they add value to and then create a product and get it to market. Labour, of course, is another huge issue.

All of this is under the understanding that the supply chain is probably the biggest concern for them.

• (1635)

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you for that.

People in the agri-food sector often talk about plants being outdated and the need to automate more and more processes to deal with the labour shortage and efficiency issues. It's clear that processing facilities aren't able to keep up.

Should the government invest in that area?

[English]

Ms. Denise Allen: Thank you.

Yes, that's a very good point with respect to investment.

In the last couple of years—maybe three years since the onset of the pandemic—the average small operator has had to invest unplanned capital into their operations to deal with everything COVID-related, from PPE to infrastructure changes, to health and safety measures, to education, to support for their employees. Those were all unplanned and came as a trade-off versus being able to modernize their plant and equipment through either automation or various other investments that would make them more efficient within the plant walls, or to produce a safer product, or, like you say, to replace some aspect of the manual labour that exists on the floor.

Those come at an expense. It would be a very welcome indication from the government that you'd be willing to invest and help our sector, especially small and medium-sized enterprises, with the type of investment that has been foregone in the last couple of years through all of the raises that we've seen in the prices of inputs, as well as in COVID-19 management. Your willingness to invest in the innovation and automation of our plants would create an immediate effect and a very strong return for our domestic food supply.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Ms. Allen.

My last question is for the Consumers Council of Canada representative.

Lower prices require as few monopolies as possible and as much competition as possible. When the Competition Bureau officials were here, they talked about the bureau's inability to obtain certain information from companies in the retail sector because of a lack of authority.

Would you recommend giving the Competition Bureau more powers, so it can fulfill its role more effectively?

[English]

The Chair: Respond in about 30 seconds, please, Mr. Whitehurst.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: You can answer with a yes or no.

[English]

Mr. Ken Whitehurst: The answer would be yes—or to some institution. We've suggested a Canadian consumer advocate, because the Competition Bureau hasn't been very effective in implementing even some of the other acts it's responsible for, which we pointed out in our presentation. There doesn't seem to be an adequate culture of oversight and enforcement on lots of marketplace issues.

We do have some concerns about the placement of certain responsibilities there, but for sure we've advocated strongly in other forums that there are significant changes that need to happen to the Competition Act, and many of those kinds of changes might be a better way to provide support for smaller and medium-sized producers.

The Chair: Mr. Whitehurst, we're going to leave it at that.

Thank you so much. I gave you an extra minute to try to let the response play out.

Mr. Davies, you have up to five minutes, please.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you.

Mr. Whitehurst, I think anybody who's been in a grocery store in the last six months would know exactly what you testified to about shrinkflation. It seems like, after food producers were caught drastically raising prices, they responded by then shrinking the quantities. I'm wondering if you could give me a bit of a sense of how ubiquitous or common that is.

Mr. Ken Whitehurst: What we would say is that it's one thing that's happening. We're always conscious that packaging sizes can be changed to fit needs of consumer demand; it's not always the case that a package size changes just to optimize profit by way of trickery.

Certainly it's been ubiquitous in terms of how many changes have been made. We're definitely hearing from lots of consumers who are concerned about a wide range of “gaming” activities at retail. They're really angry about it. They're really angry at a time when inflation is high. They are also very much questioning a lot of the public stories about what's happening with food prices, given that they're seeing certain things in their own purchasing, like fuel prices, relatively stabilize, yet we're continuing to see increases. For example, transportation keeps getting cited as an increased cost.

Maybe part of it is that we're captured in the rhetoric of what happened, and now we have a future before us. For sure, consumers are contacting us, and it's not only because they're angry about their own pocketbooks and feeling that competitive pricing is being denied to them. For seniors, for instance, shrinkflation is one problem. Another problem is, “We won't sell you anything but multiple units of a product at the lowest price.” People are also angry about that, because there are some people who would like to buy smaller unit sizes, but retail selling practices are denying them the opportunity to buy the product at a reasonable price. It negates the—

• (1640)

Mr. Don Davies: I'm sorry, Mr. Whitehurst; I have to jump in. I have a few other questions I want to ask you.

Mr. Ken Whitehurst: Yes.

Mr. Don Davies: I think you said that Quebec is the only province that regulates unit pricing. Can you briefly explain how it does that? Do you have any suggestions about whether that should be adopted across the country?

Mr. Ken Whitehurst: We do think that it should be adopted across the country. We would point out that Canada's other major G7 or OECD trading partners pretty much have unit pricing, and they have unit pricing specifications so that they don't get the manipulation of how unit prices are presented at retail. There's a great opportunity to make it easier for people when they shop to look on shelves and be able to compare among products.

Mr. Don Davies: Thank you.

Ms. Allen, I think you commented favourably about how you'd like to see some changes made to the way the Competition Bureau implements competition policy. One specific suggestion that's been made is that the test be amended to no longer require that the bureau approve that a firm acted with anti-competitive intent, but merely prove that the actions had an anti-competitive effect. Is that something you and your members would support?

Mr. Ken Whitehurst: Yes, because the concentration of ownership in a wide range of industries is so far over the mark in Canada that I think you're down to the core elements of whether competition is a method to protect consumers at all.

We are certainly comfortable with the idea that competition should matter. If you listen even to some of the testimony here today, we're talking about solving supply chain problems by having the supply chain, without the involvement of consumers, organize how costs will be passed through to consumers. It's sad that we're even at that point if we're serious about a competitive economy.

If we are at that point, and when we are at that point, our organization feels that consumer representation should be substantially better. In the province of Ontario, for example, we have a monopoly on natural gas and, effectively, have distribution monopolies on electricity. We have regulated pricing and an application process. Our organization actively participates in those processes.

If we can't do something about bringing competition into the markets, then we have to look at what the regulatory offsets are to that. Even in places where we're currently regulated, the consumer representation capacity is very poor. That's one reason we're advocating for a Canadian consumer advocate, not only to have an institution within government that's looking holistically at the interest of consumers, but also to create a connection to civil society to make sure that civil society voices are heard. That's sadly missing today.

The Chair: Thank you, Mr. Whitehurst and Mr. Davies.

We'll go to Ms. Rood and then we'll go back to the Liberals. That, unfortunately, will be the end of this panel. Then we'll move on to our second panel.

Ms. Rood, it's over to you.

Ms. Lianne Rood (Lambton—Kent—Middlesex, CPC): Thank you, Chair. Thank you to our witnesses for being here today.

Ms. Allen, you've appeared previously before this committee. You've said something I'm going to quote back to you: "the threat of retailers' escalation of fees and fines places Canada's primary producers at risk, as food processors purchase in excess of 40% of Canada's farm gate output".

I'm wondering if you can tell us, has grocery price inflation caused food processors to purchase less?

• (1645)

Ms. Denise Allen: I do not believe that what we're seeing take place in the marketplace has resulted in food producers purchasing less farm gate output. I don't have any data to support that.

In fact, what's happened since the pandemic is that we've seen quite a bit more volume because people are at home, cooking more at home. That drives more volume throughout the supply chain or the food value chain.

My concern for farm gate output is the same for many of the businesses in the value chain. They also are faced, according to reports that I'm receiving, with incredible pressures on everything from transportation of their goods through to fertilizer, through to the impact of the carbon tax and labour costs. With all of those issues, many of them are occurring throughout all of the value chain.

If we are going to make the most of the opportunity ahead of us, as a country, we need to address and understand the circumstances for each value chain member and the relationship between both selling and production and how that product gets to market. We're not always in control of the pricing and whether or not we can control whether or not our product gets to market efficiently.

Ms. Lianne Rood: Thank you.

You just noted some of the limitations that food processors face. I'm wondering if you could also comment on what kinds of limitations food processors face when they're dealing with the large grocery chains, in the form of grocer fees and fines?

Ms. Denise Allen: Certainly, and I'll try to bring it back to the small and medium-sized enterprise and, usually, the multi-generational families who are running them.

Imagine you've done your best to produce a lot of goods according to a forecast provided to you by a retailer. You have a trade agreement in place that states how much you will deliver and when. Those are delivered. You're not in control of when the truck gets there because it's a third party that does that. Also, your slot time in the warehouse is not something you can control. Let's say that isn't perfectly aligned.

By the end of the time of delivery and the invoice that's provided, by the time that invoice is settled—usually with cash terms extending longer and longer as retailers prefer to hold on to the cash longer as part of their cash preservation strategy—you're not always sure of what that payment will look like. As a result, you can't count on your own cash flow planning and your own investment in your business to cover your expenses. You can't be certain that the \$100, for example, that you've invoiced the retailer will be settled as \$100. With all of those fees and fines and penalties eroding the settlement amount, you could be faced with 80¢ on that \$1.00. That makes it very difficult for small players to play. That's the environment we are in.

Then if you layer on all of the other environmental and economic factors, and regulatory factors and taxes, and access to competitively priced inputs, it becomes incredibly difficult for producers to have any level of certainty in their business dealings. That's why we need the code.

Ms. Lianne Rood: Thank you.

As you know, I've also been a big proponent of the code for a number of years now. One concern that was raised—and you did touch on it a little bit earlier—was whether or not the code should include a completely transparent dispute resolution mechanism.

We just have about 30 seconds left, so I'm just wondering if you can touch on that and where we are in that process with the code.

Ms. Denise Allen: Certainly.

Where we are relative to the major milestones that we need to achieve in the coming months is as follows. First is a broad-based industry consultation. The code will go out for consultation. It will be in the marketplace for up to 30 days. We'll be soliciting the feedback of all stakeholders to ensure that we haven't overlooked any major item that needs more consideration, and also get other feedback on the principle-based nature of the code.

We are also looking at an implementation date of January 20, 2024. After we gain feedback from the consultation, it will then be incumbent upon the steering committee to consider the dispute resolution mechanism, which is in its formation right now.

We have a very inclusive process that has retailers at the table. It was really important to have an industry-led solution and have a dispute resolution mechanism that allows for expeditious resolution of issues, and for a mechanism that identifies recurring themes so that in 18 months the code can be revisited and improved upon and there's a continuous improvement cycle.

● (1650)

The Chair: Thank you, Ms. Allen and Ms. Rood.

For the last question on the panel I'm going to start with Ms. Valdez.

You may be splitting your time with Mr. Louis, but I'll leave that to you. You have up to five minutes.

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

Thank you to the witnesses for joining our committee.

I'll direct my questions through you, Mr. Chair, to Mr. Lynch.

The Minister of Seniors, Kamal Khara, has GIS in her mandate letter, requiring her to increase GIS by \$500 for single seniors and \$750 for couples starting at age 65. This will help target the most vulnerable seniors in Canada.

I just want to get your thoughts on that.

[*Translation*]

Mr. Pierre Lynch: Thank you for your question.

Temporary measures are welcome, but we also need meaningful long-term measures. What the most vulnerable seniors need is an increase to their GIS, which is meant to help people with the lowest fixed incomes in the country.

Bear in mind that, right now, for people 65 and older who rely solely on federal benefits, the most they get in a year is \$21,339. That includes January's GIS increase for people 75 and older. Seniors can't afford a whole lot on an annual income of \$21,339. They can't cover their basic needs, and sometimes they even have to choose between their medications, their groceries or their rent. That is a financially precarious situation. In Quebec, seniors make up 20% of the population, so 1,865,000 people, and 40% are living in precarious situations. I imagine the figure is about the same in the rest of Canada.

[*English*]

Mrs. Rechie Valdez: Thank you so much.

Concerning some of the things you mentioned in your opening remarks, we know that seniors are on fixed incomes or on their pensions. Are there any recommendations you want to put forward that you didn't cover in your opening?

[*Translation*]

Mr. Pierre Lynch: I want to reiterate what I said earlier. The government must do everything it can to raise the income levels of the poorest seniors. Tax measures and the GIS are the keys to putting better supports in place, and that needs to happen quickly. As the cost of living increases and incomes decrease, things are only getting worse. Benefits are not fully indexed to take into account rising costs. Society as a whole is gradually becoming poorer. With other segments of the population gradually heading towards financial insecurity, they will find themselves in the same boat as the most vulnerable members of society today.

It's important to take action quickly, to ensure that seniors, those who built our society, have the income they deserve.

[*English*]

Mrs. Rechie Valdez: Thank you, Mr. Lynch.

It's over to you, Leah.

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

Thank you to all the witnesses for being here.

I'd like to direct my questions to Mr. Whitehurst from the Consumers Council of Canada, as you represent consumers. In this study up until now, we've had a lot of discussion on the issue of trust between consumers and the major grocery chains.

Do you feel this is a major issue facing consumers right now? If so, do you believe that the grocery code of conduct would address this, or do you think that's going to deal primarily with the relationship between the farmers and producers and the grocery chains?

Mr. Ken Whitehurst: Shockingly, we're seeing—and we're not the only ones—when we and others measure it, that trust in business and government is plummeting. Marketplace practices are a big part of that.

For sure, we don't think that any major consumer group has been included in any of the discussions about supply chain codes. Where there are practices in place, like in Canada's agricultural products marketing boards, the consumer voice is extremely weak.

We're not an organization that will discredit one process or another on philosophy alone. It needs to be judged by its performance. We're hearing from everyone, including supply chain people, that there are big problems of trust.

Part of it is the concentration of ownership problem. Part of it is international forces. This is one reason that we didn't focus on the bigger question of inflation. There are lots of sources of inflation right now. Instead, we would say that if you give people more financial assistance to help them in the marketplace, but the marketplace itself is stripping them of consumer surplus assertively because it's not a competitive marketplace and because consumers don't have a voice, then you're wasting your money.

I think it's time for a rebalance if you want consumers' trust back.

● (1655)

Ms. Leah Taylor Roy: Thank you, Mr. Whitehurst.

I have just one quick follow-up. Which of the recommendations that you've made in your presentation do you think will go furthest towards re-establishing that trust between the consumer and the grocers?

Mr. Ken Whitehurst: We think that at a very fundamental level, not just in this sector but in every sector, there is really a problem that there's no whole-of-government approach to looking at the consumers' interest in any of these questions. The reason for having competition policy is to protect consumers. The reason for having health policy is to protect consumers.

The Chair: Mr. Whitehurst, we're at time.

Mr. Ken Whitehurst: I could go down the list. We would say the Canadian consumer advocate—

The Chair: Mr. Whitehurst, excuse me. As the chair, when I intervene I need you to stop, honestly, as a witness. We're significant over time. I listened and certainly wanted to make sure you had the opportunity, but you were going quite deep in opining on that subject.

I'm going to give you 30 seconds to finish up and then we need to be able to move on. Thank you.

It's back over to you.

Mr. Ken Whitehurst: I have no need to finish up. I apologize. It was simply that until you spoke, I didn't realize that my time was up.

The Chair: No worries. Thank you very much, Mr. Whitehurst.

Thank you, Ms. Taylor Roy.

Colleagues, because of time constraints, that ends our first panel, unfortunately.

Let me thank, on behalf of all the committee, Mr. Lynch from the Association québécoise de défense des droits des personnes re-traitées et préretraitées.

Mr. Whitehurst from the Consumer Council of Canada, thank you for being here today. Ms. Allen from Food Producers of Canada, thank you for contributing to our study.

Colleagues, don't go far. We're just going to be a few minutes. We're going to be getting back with our second panel. Thank you so much.

● (1655)

(Pause)

● (1705)

The Chair: All right, colleagues, we're going to get started. Thank you so much for your patience during the turnaround. We have the second panel.

Ms. Rood, we can talk about appointments and all of that stuff between you and Mr. Drouin another time. Right now, we have to get to business.

First of all, thank you, colleagues. This is our last but not least panel, because of the folks we have here today. I am looking forward to this panel. We've had a great study, but I'm looking forward to hearing from these folks.

[Translation]

Joining us are Jean-François Archambault, founder and chief executive officer of *Tablée des chefs*, and Sébastien Lèveillé, chief executive officer of Nutri Group.

[English]

From the Public Interest Advocacy Centre, we have John Lawford, executive director and general counsel. He is joining us online. We have Amy Hill in the room. She is a graduate of the Dalhousie law school, the best law school in the country.

It's very good to see you, Ms. Hill.

We're going to have up to five minutes. Colleagues, based on the bells, by the time we get done, it's going to be about 5:20. The bells are expected at 5:40. I propose that we do one six-minute round for each party. We'll have to extend it a few minutes beyond the bells, but then we'll let everyone go. This is a confidence vote. It is important, so I think we should make sure we're there, of course.

Steven MacKinnon would be proud of me.

I also want to recognize Mr. Shields, who is replacing Mr. Barlow today.

Welcome to the committee, Mr. Shields.

We're going to start with Monsieur Archambault.

[Translation]

You have five minutes.

Mr. Jean-François Archambault (Founder and Chief Executive Officer, La Tablée des chefs): Thank you.

Thank you for the opportunity to share my views on the problem of food price inflation.

I'm a father of five children. Their ages run the gamut. I have a 15-year-old, a 12-year-old, a 9-year-old and three-year-old twins. Like all Canadians, I have noticed the increase in food prices.

There's no doubt that the grocery bill has gone up dramatically. When you know how to cook and you cook a lot, when you know how to prepare food and minimize food waste, and especially, when you know how to store that food, you can make it work more or less.

When I see the cost of food, a number of considerations come to mind. I was in Toronto yesterday to participate in a food waste event at a supermarket. I was there alongside businesses that work with Tablée des chefs. The point of the event was to take advantage of perfectly good but unsold grocery store produce otherwise destined for the compost. That's what we were trying to highlight.

What we are experiencing today is temporary, with the dramatic rise of prices in certain food categories. Take lettuce, for example. Yesterday I saw broccoli being sold for five dollars a head. They were small and wouldn't have fed my family of seven. I don't know many people who would've bought that broccoli. It's reasonable to assume that expensive produce will end up as food waste. It will sit on the shelf, no one will buy it and it won't get eaten, resulting in more food waste. That's the first point I want to make.

My second point has to do with the significant increase in people experiencing food insecurity. I saw it first-hand on my recent trips to Calgary, Toronto, Montreal and Quebec City. I have worked in the food industry for 20 years, and I can tell you that the difference in the past six months is glaring and troubling. The current circum-

stances are putting a lot of people in vulnerable situations. I hear it every day from my colleagues who run organizations working on the front lines. We are in touch with over 200 agencies. During the pandemic, we partnered with more than 200 organizations across Canada, through our Solidarity Kitchens initiative. The situation is worrisome.

Another thing I'd like to bring to your attention is the importance of developing cooking knowledge and skills from an early age. I know how to cook. I have a culinary degree from the Institut de tourisme et de l'hôtellerie du Québec. Those skills are very helpful to me today, when I cook for my family, when I invite friends over for dinner and when I make meals to help people in need. I use food that would otherwise be wasted to cook meals in bulk for people in need. I also try to convince my fellow chefs to join me in that effort, to feed people struggling with food insecurity.

I would say that is paramount. The chefs and cooks I have asked to join La Tablée des chefs work alongside me in bringing culinary knowledge and skills to students in more than 250 schools across Quebec. La Tablée des chefs works mainly in Quebec, but we are also involved with 40 or so schools outside Quebec, in five provinces, and we hold activities in English and in French.

It's hard to do more than that at this time. I'm looking at the universal healthy school food program, especially food literacy. I am eager to see real funding allocated to building food literacy, in other words, youth culinary education in schools.

• (1710)

The Chair: Thank you, Mr. Archambault.

We will now hear from Mr. Léveillé for five minutes.

Mr. Sébastien Léveillé (Chief Executive Officer, Nutri Group): Thank you, Mr. Chair.

Members of the committee, good afternoon.

[English]

First and foremost, I would like to extend my greetings to all members of Nutri Group across Canada.

For the purpose of clarity, the remainder of my presentation will be in French.

[Translation]

I am delighted to be here today, on behalf of the hundreds of farm owners who make up Nutri Group, to help the committee gain a clear understanding of the health of the egg production sector, overall, and the pricing mechanism, specifically.

Like you, I am well aware of the inflation being felt here and everywhere. Our sector has a unique perspective on the realities of supply-managed areas, which were better protected against significant price fluctuations than sectors in countries with fully free market systems. Right now, consumers in those countries are paying a lot more for a dozen eggs than consumers in Canada. Thanks to supply management, we have a predictable supply chain, good jobs and quality products backed by stringent food safety and animal care programs.

As was illustrated during the pandemic, Canada's supply management system ensured that Canadian families had access to safe, affordable and local products, safe from border-related challenges and supply chain issues abroad.

Eggs are very popular, consumed by millions of Canadians every day, making them a staple of Canadian families' diets. Nutri Group is one of the largest egg graders and processors in Canada. Our head office is in Saint-Hyacinthe, Quebec. We employ more than 500 people across seven business units and partnerships. First and foremost, Nutri Group is a group of family farms throughout the Maritimes, Quebec, Ontario and the Prairies. Together, we produce more than 1.5 billion eggs a year. Through collective production, we are able to meet the needs of our Canadian customers—retailers, restaurants, hotel networks and institutions.

In Quebec and in the rest of Canada, the egg industry is structured in a way that supports the dynamic use of land. Most of our farms are located in regions, which means they leverage the space and infrastructure in those regions and support local economies.

With eggs being such a popular product and playing a key role in people's diets, they often go on sale. This means prices are subject to downward pressure more often than upward pressure. Egg pricing adheres to organized and regulated conditions. We have a limited role in retail pricing. The reality is that the retail price depends on three factors. The first is the price paid to the farmer, as determined by supply management. The second factor is operating costs, and rest assured that we go to great lengths to keep our costs down. The third factor has to do with the retailer or restaurant, the one responsible for setting the price at which the product is sold, which depends on the business's desired profit margin.

If I want to raise the price of eggs, I have to let the big-name stores know at least three months ahead of the planned increase. Then, I have to justify the increase and explain why it's necessary. As you can appreciate, some things are beyond our control: the increase in production costs, the labour shortage, which is affecting our sector like so many others, the significant increase in energy and transportation costs, and in the case of eggs specifically, avian flu, as we are experiencing now.

The logistical set-up required to serve a market like Canada's is extensive. I want to take this opportunity to thank the producers and all the actors throughout the long supply chain for their role in getting eggs from gate to plate. Nevertheless, thanks to ongoing efforts to become more efficient, our prices are slow to fluctuate, and all of it benefits Canadians. In 2022, our sector saw a price increase of 8.4% over 2021. Although that's a lot, it's less than the 9.2% in the rest of the food sector.

Most of you have probably eaten eggs in the past few days, if not today. Since 1985, Nutri Group has been a vehicle for the continuum that begins at the farm and ends with Canadian consumers. Accordingly, we have a duty to both consumers and producers.

Thank you, Mr. Chair.

● (1715)

The Chair: Thank you, Mr. Léveillé.

I now give the floor to Mr. Lawford and Ms. Hill for five minutes.

[English]

Mr. John Lawford (Executive Director and General Counsel, Public Interest Advocacy Centre): Thank you, Mr. Chair and honourable members.

I'm the executive director and general counsel of the Public Interest Advocacy Centre. I'm joined today by PIAC's articling student Amy Hill. For the technicians and members, we will be sharing the speaking.

PIAC is a national not-for-profit and registered charity. We provide legal and research services on behalf of consumer interests—in particular, vulnerable consumer interests—concerning the provision of important public services and products. PIAC has been active in the field of consumer protection and policy for over 40 years.

Amy.

Ms. Amy Hill (Articling Student, Public Interest Advocacy Centre): PIAC supports the government's grocery rebate in budget 2023, which provides much-needed financial support to 11 million low- and modest-income Canadians and families. The grocery rebate is a one-time payment and a step in the right direction, but more ongoing relief is needed for consumers, and vulnerable consumers in particular.

Food Banks Canada reported a 35% increase in total food bank visits between 2019 and 2022. Canadian research has indicated, however, that only 20% to 30% of people experiencing food insecurity seek charitable food assistance. Research also suggests that some of those who access food assistance still report going hungry. Stigma was cited as one reason that people are not seeking help from food banks. Given this, it is likely that the negative impacts of food inflation on food security are even worse than Food Banks' statistics may suggest.

This is important for two reasons. First, food insecurity has important ties to both physical and mental health. Second, food insecurity disproportionately impacts certain populations, including those with disabilities, racialized people, newcomers and people with precarious immigration status, many of whom are already facing structural oppression in our society.

In February, Mr. McCann testified before this committee that “food inflation is regressive, hitting poor households harder.” He testified that “policy solutions should be directed at those Canadians who need the most help.” PIAC agrees.

The federal government should consider extending the grocery rebate and consider other targeted income supplements to vulnerable consumers who need help most during the inflationary period and beyond.

John.

Mr. John Lawford: This committee has heard extensive testimony about the grocery code of conduct. We understand from the testimony that this code is needed to govern the relationship between suppliers and grocers.

PIAC does not oppose a code. PIAC is supportive of a code, so far as it provides benefits to consumers, such as increased supply chain resiliency and, in the long run, more innovative products. What we are concerned with, however, are the new financial dynamics under a code that could impact consumer retail pricing.

Mike von Massow, an associate professor at the University of Guelph, described the pricing dynamics in the grocery code of conduct as a zero-sum game. That is, if suppliers make more money by facing either fewer fees or less price pressure, then either grocers will make less or consumers will pay more. Something has to give and it's not likely to be grocers' profits.

On March 8, Mr. Perron briefly questioned witnesses on the idea of a review of the code one year following implementation. PIAC is supportive of a post-implementation review and would add that any review should not only consider how the code has impacted industry relationships, but also consider whether the code has impacted retail prices for consumers. Innovative products are interesting, but food affordability must be prioritized.

Amy.

• (1720)

Ms. Amy Hill: Finally, PIAC provided a submission to the Competition Bureau in response to its market study on the grocery industry. We flagged a couple of issues for the bureau that we would also put before the committee today, which had either direct or indirect impacts to food pricing.

First, access to consumer data and the ability to process and use data from loyalty programs is a significant competitive advantage in the grocery industry. Purchasing data about a consumer allows the grocers to build profiles about consumers and then use the profiles for targeted advertising.

In the interest of time, I will just note that if Bill C-27 passes in its current form, consumers could lose important legislative protec-

tions when it comes to their data, leaving data more vulnerable even as grocers collect more from points programs.

Secondly, while this is a federal committee, the committee should also consider regional challenges, whether that be food affordability in the far north or restrictive covenants in some southern communities. Many Canadian communities have unique challenges when it comes to food. We hope to see recommendations acknowledging these distinct challenges.

John.

Mr. John Lawford: We're supportive of the committee's study to examine food inflation. We hope that this ultimately results in more support for vulnerable consumers.

Thanks very much. We look forward to your questions.

The Chair: Thank you very much.

It's not often that we have the back and forth, but I think it was a good, unique bit and it was right on time. As your chair, I'm quite happy about that.

Colleagues, as I mentioned, we're going to go for 24 minutes. That's six minutes for each party.

[*Translation*]

Mr. Lehoux, go ahead.

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

I thank the witnesses for being with us this afternoon.

My first question will be for Mr. Léveillé.

Your production is still quota-controlled across Canada. In the overall market, are there still independent producers? What percentage of Nutri Group's production is done in Quebec? Is there a comparison in Canada?

Mr. Sébastien Léveillé: That's right, there are still many independent producers who are not members of Nutri Group. In fact, at least 40% of our suppliers are not members of Nutri Group, but they are subject to the same rules as the shareholders.

Mr. Richard Lehoux: Nutri Group's size surely gives it an advantage when negotiating with retailers.

Can you give me a percentage breakdown of the price of a dozen eggs, from what is paid to the producer, through processing and retailer, to what the consumer pays?

Mr. Sébastien Léveillé: We have to protect confidentiality and competitive advantage, but I can say that the producer price, which you know, is \$2.49 in Quebec, for example. It's hard to answer your question, as the price varies so much. I don't know if your committee has noted this, but the price varies everywhere right now. Throughout the year, eggs are regularly promoted, and at times the cost is very low.

Eggs are an incentive to attract consumers to grocery stores. That's what we've been experiencing on an ongoing basis for many years. For this reason, it is difficult to establish the profit margin. There are so many promotions and variations that it's hard to say.

Mr. Richard Lehoux: Basically, without producers, we wouldn't have eggs on the table. Are producers getting a decent price? For producers, is the pricing correct? Does it respect the—

Mr. Sébastien Léveillé: Supply management is a huge benefit because it enables Canadian consumers to pay a fair price and farm families to have a decent income.

• (1725)

Mr. Richard Lehoux: As you mentioned at the outset, in countries that don't have this kind of a system, the price of a dozen eggs is very high, compared with what Canadian consumers pay.

Mr. Sébastien Léveillé: Absolutely.

For example, in the United States, the price of eggs is very high compared with Canada. We're in the midst of inflation and, more importantly, avian flu, which is a problem not only in North America, but around the world.

Mr. Richard Lehoux: Avian flu necessarily has production implications. If producers have difficulty supplying the consumer, the consumer will surely experience a price increase.

In your opinion, are the mechanisms for controlling avian flu in Canada adequate?

Mr. Sébastien Léveillé: The facts speak for themselves.

Over the past year, in the United States, supply and demand have caused a very large price spike. So the market has dictated the price. In Canada, supply management is driven by the cost of production. Biosecurity has been very well controlled in Canada for eggs, even though producers have been affected by the avian flu. In Canada, there is an effective system in place to keep prices at a respectable level for consumers.

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

Mr. Archambault, you talked a lot about food insecurity and food waste. La Tablée des chefs is already implemented in about 250 schools in Quebec, as well as in several other Canadian provinces.

How could the committee help you improve education related to food waste? Is there a link between waste and education?

Mr. Jean-François Archambault: Thank you for your question.

In my opinion, it is already a good thing that you are listening to us. I also think it's important to think about the consumer of tomorrow. We are working with the Quebec minister Mr. Lamontagne on Quebec's food policy and food autonomy.

We think a lot about what is happening now, but we also need to think about future generations, as soon as possible. The teenagers in high school right now are the ones who will be making decisions tomorrow. They are tomorrow's consumers. That's why we need to make room for them.

Testifying before the committee enables me to raise the importance of this issue and amplify the Canadian movement to further educate young people about cooking. We want young people to become informed and equipped consumers. When you are experiencing food insecurity and have to feed your family on a limited budget, you have to be well equipped. This includes developing culinary knowledge and skills.

Mr. Richard Lehoux: Thank you.

In this context, could you make a recommendation to expand the reach of the *Tablée des chefs* outside the province in relation to other chefs, but also to the culinary knowledge of young people?

The Chair: You have 20 seconds left, Mr. Archambault.

Mr. Jean-François Archambault: Minister Bibeau and Minister Gould are currently working on a universal school food plan that would include food literacy, and therefore culinary education. Progress should be accelerated and communicated by the government.

We are working very hard on this. The discussion is transparent, but I would like to see decisions made to enable organizations like ours, and like all those involved in school feeding across Canada, to benefit from a universal feeding program to ensure food security for children in schools and to develop culinary education for youth across Canada.

• (1730)

The Chair: I thank Mr. Archambault and Mr. Lehoux.

We will now give the floor to Mr. Louis, who will be sharing his time with Ms. Taylor Roy.

[English]

Mr. Tim Louis (Kitchener—Conestoga, Lib.): Thank you very much, Chair.

Thank you to all the witnesses.

Like you said, I'll be splitting my time with Ms. Taylor Roy.

I'll focus my questions on Mr. Léveillé.

You mentioned off the top supply management and how much that protects price fluctuations and offers predictability. You talked about safety, affordability and local production.

Nutri Group, you also mentioned egg raters and processors at seven locations. One location is minutes from my house. I believe you're the parent company of Ontario Pride Eggs, which is in Kitchener, where I am. That facility has local producers selling, and they're cleaning, grading and packaging eggs.

On our food price inflation study here, you mentioned in your opening statement the costing mechanism, the three steps. The first is farm gate prices, controlled in part by supply management, which has less price fluctuation. There are operational costs for you, and then retail sets prices for its margin.

I'd like to focus on the operational costs. Concerning the logistics of having your plants closer to producers and to customers with those seven, can you explain how that helps keep your costs down?

[Translation]

Mr. Sébastien Léveillé: Thank you for your question.

You are correct. Having locations near Canadian farms helps us have proximity. We've been subject to the same rules as the rest of the economy regarding inflation, but having local producers across Canada goes a long way in helping us not be too far from our farms. By the way, being able to produce where the markets are across the country is one of the strengths of Canada's supply management.

[English]

Mr. Tim Louis: Thank you.

Also we talked about the relationship between our farmers and production. You have a wonderful relationship—and I can speak to this—with farmers locally, most of whom are shareholders in the company.

We've heard some horror stories about relationships. Can you tell us about the relationship you have when the farmers themselves and the producers who are also shareholders?

[Translation]

Mr. Sébastien Léveillé: Nutri Group's history is quite exceptional. At some point in their history, egg producers decided to create an economic structure to bring their product to consumers' plates. Nutri Group's role is to bring together the supply of these producers, who themselves decided to create this entity, to innovate, to enhance the value of eggs and to bring them to the consumer's plate in the best possible way. It's really the story of these seasoned Canadian agricultural entrepreneurs who built this business.

Mr. Tim Louis: Thank you very much.

[English]

Ms. Leah Taylor Roy: Thank you.

Thank you to all of our witnesses for participating.

I'd like to address my question to PIAC, and perhaps, since you're in the room, Ms. Hill, you could answer my question.

I noticed that your main recommendation to do with the increase in food prices is really to increase or continue the support for the most vulnerable. While I agree with this—and certainly our government does, with the GST rebate and many other support programs that we've put in place since 2015 targeted to those who need them

most—I notice that there were not any specific recommendations to combat high grocery prices. I was just wondering whether you had any thoughts on what could be done to bring grocery prices down.

Ms. Amy Hill: Yes, definitely. Thank you. It's a great question.

As this committee has heard, there are a lot of different things that contribute to inflation throughout the supply chain and result in some of the prices we're seeing at retail. We decided to focus our recommendations on more of the demand side, because our interest group is consumers at the end of the day.

We would highlight that there's a really important role for competition law to play in those prices that we see at retail. We hope there will be some improvements to the Competition Act that will allow some more enforcement in the industry.

Ms. Leah Taylor Roy: Thank you.

Mr. Lawford, do you have anything to add to that?

Mr. John Lawford: Yes. We have had years of mergers in the grocery industry. We're reaping the benefit now, such that retailers can raise prices in a more comprehensive and quicker fashion than if there were more competitors.

That's basically our bottom line.

• (1735)

Ms. Leah Taylor Roy: Thank you.

Do you think having more local food producers, more sustainable agriculture locally, could help to address some of these problems as well?

Mr. John Lawford: Yes. That would put some pricing pressure on the majors and also give more variety to consumers and support local businesses, keeping dollars in the community.

Amy, I don't know whether you have anything to add.

Ms. Amy Hill: I would add one thing. It sounds like transportation costs have been a really big challenge for the industry throughout this inflationary period. Obviously, the more local the food is, the lower the transportation cost is. Hopefully, that will help.

Ms. Leah Taylor Roy: Great, thank you.

Regarding the transportation costs, fuel costs, we've heard a lot about food inflation being caused by the price on pollution. The price on pollution did not increase between April 2022 and April 2023, yet I believe that was the period of highest inflation in food prices.

Do you feel that there were other factors contributing to food inflation in that period?

Mr. John Lawford: That's a bit of a fraught question. My instinct is to think that there is some profit-taking by the grocery retailers rather than its being increased fuel costs.

Amy, do you want to add anything?

Ms. Amy Hill: The only thing I would add is that we are supportive of the carbon tax, despite acknowledging that fuel costs have potentially increased for the industry.

Ms. Leah Taylor Roy: Thank you very much. I think I'm out of time.

The Chair: Yes, you are.

Thank you, Ms. Taylor Roy, Ms. Hill and Mr. Lawford.

[*Translation*]

Mr. Savard-Tremblay, you have the floor for six minutes.

Mr. Simon-Pierre Savard-Tremblay: I acknowledge all the witnesses and thank them once again.

My Maskoutain chauvinism leads me to put questions first to the representative of Nutri Group, which is right in the heart of my riding. It is a pleasure to see you. We feel a bit at home here.

You buy eggs and you distribute them to grocery stores. We know there are price increases, but what are the types of increases and where do they fit, relative to you, in your reality?

Mr. Sébastien Léveillé: Thank you for your question.

These increases affect a number of aspects. I have heard previously about transportation costs, for example.

I'm going to talk about the reality of the workforce. Labour shortages are often related to the fact that our plants need to have a very high efficiency rate, so they need to run at full capacity. When there is a labour shortage, of course, the plants are literally slowed down. So they have to use the temporary foreign worker program or at least specific recruitment programs. So that's been another very important factor in the price increase.

Mr. Simon-Pierre Savard-Tremblay: Since we're talking about plants, are the facilities up to date in terms of automation? Could they use a little extra help from the government?

Mr. Sébastien Léveillé: We are always very happy to receive a boost from the government, of course.

The plants did receive automation support programs across Canada. That was part of the programs to compensate for the labour shortage. There is certainly a limit to what we can do in terms of the cost of capital, but that was actually part of the solution. Any help is welcome and used by the industry, as you can see.

Mr. Simon-Pierre Savard-Tremblay: So there is something to be done on that front, in other words. An update would be in order, in context. It would impact what we're talking about today.

Mr. Sébastien Léveillé: It is certain that improvements to the automation plan mitigate the impact of the labour shortage.

Mr. Simon-Pierre Savard-Tremblay: That's great.

Earlier, when you were talking about costs, you mentioned the avian flu. We know that's an issue, but what about packaging?

Mr. Sébastien Léveillé: In the case of avian flu, the difficulty was more on the farm biosecurity side. The required measures were implemented very effectively, by the way. Canada, it must be said, is well equipped for this.

With respect to inflation, yes, we have been impacted by the increased cost of packaging, cardboard, the film that covers our packaging, as well as the pulp that makes up our packaging. That's definitely part of the inflation.

Mr. Simon-Pierre Savard-Tremblay: Can anything be done about packaging?

Mr. Sébastien Léveillé: That's a good question.

It should be put to those who produce it. We try to establish as much competition as possible among our suppliers, but we are not experts in packaging production.

Mr. Simon-Pierre Savard-Tremblay: Of course.

Despite everything, egg prices remain relatively stable. We talked a little bit about supply management, which is a good system for that. Are you absorbing costs so that consumers can buy eggs at a low price?

• (1740)

Mr. Sébastien Léveillé: I am tempted to say that, as in many industries, given the rapid inflation of the last 12 months, it's obvious that companies like Nutri Group have absorbed costs. That's for sure. It's been so fast that it was impossible to react and raise prices that quickly.

Mr. Simon-Pierre Savard-Tremblay: Great.

Thank you.

I will now put my question to the Public Interest Advocacy Centre's representatives, Mr. Lawford and Ms. Hill.

We are quite pleased that you supported, in your testimony, the idea of my colleague Yves Perron, whom I am replacing today.

I want to repeat a question that I also asked in the first hour of this meeting. We know that more competition and fewer monopolies lead to better prices. That is a universal rule.

In their testimony before the committee, representatives of the Competition Bureau talked about a lack of powers for the bureau to access certain data from retail companies. Would you recommend that the bureau be given more powers?

In the first hour, I put this question to the Consumers Council of Canada, which was basically proposing the creation of another bureau, a consumer protection bureau. We have one in Quebec, and I must admit I was surprised to learn that one doesn't exist at the federal level. Would you advocate that, as well?

Ms. Hill and Mr. Lawford, either of you can answer my question.

Mr. John Lawford: Thank you for your question.

I will answer.

In terms of giving powers to the Competition Bureau, we already made recommendations to that effect during the study in March. The bureau does not have the power to directly access supplier data, which could help it in its work.

With respect to the creation of a consumer protection bureau, this is not something we were considering because it would cause difficulties and there are already a few agencies representing consumers in certain areas. However, if the creation of a bureau is necessary, groups like ours should be consulted before that is done.

That's my answer.

The Chair: Thank you very much, Mr. Lawford and Mr. Savard-Tremblay.

[*English*]

Colleagues, the bells have rung, but we've talked about this. I just need to extend for another 10 minutes. Everyone will still be able to get to the House.

Mr. Davies, we're going to go to you, assuming we have unanimous consent. This committee works pretty well with that.

Some hon. members: Agreed.

The Chair: I'm not seeing any issues.

Mr. Davies, we'll go over to you.

Mr. Don Davies: Thank you, Mr. Chair.

Thank you to all of the witnesses for being here.

Mr. Lawford and Ms. Hill, I'll start with you. In a recent submission to the Competition Bureau's retail grocery market study, the Public Interest Advocacy Centre highlighted the negative effects that so-called "restrictive covenants" may have on competition in the sector. I think you touched on that in your remarks.

As Mr. Anthony Durocher, deputy commissioner of the competition promotion branch of the bureau, explained, supermarkets sometimes place these covenants in real estate lease agreements to prevent other food retailers from using the same store location in the future.

Can you explain to us what effect these restrictive covenants have on competition in the food retail sector and maybe what you think we should do about them?

Mr. John Lawford: Amy is our expert on that. I'll leave it to her.

Ms. Amy Hill: Thank you, John.

Yes, I think you characterized restrictive covenants very well. They are a private law tool, which causes quite a challenge in discovering them. As you noted, they have been discovered in both Alberta and Nova Scotia.

One of the things we challenged the Competition Bureau to do is to examine how it can use its powers in the context of competition to address these restrictive covenants. Because restrictive covenants

deal with property, that's generally a provincial matter, which is a bit of a challenge there.

We've challenged them to consider how competition powers could be used to address those because, ultimately, they impact competition by preventing grocers from moving into that space. Ultimately, they are a barrier to entry for new grocers or a barrier to entry for existing grocers into a market.

• (1745)

Mr. Don Davies: Would you say, Ms. Hill, that such restrictive covenants, at least on a prima facie basis, contravene the Competition Act? Would that be the argument that would be made?

Ms. Amy Hill: That would be the argument that would be made, yes.

Mr. Don Davies: Thank you.

I have a more general, maybe philosophical, question for both of you.

I was googling your website. It says that the purpose of your organization is to protect "consumer interest in regulated industries such as telecommunications, energy, financial services, privacy and transportation".

Now, I don't see food there. Food seems to me to be about as essential as energy might be. Should food be more vigorously regulated in this country in your view?

Mr. John Lawford: I'll take that one, and I would say, yes, there are a number of sectors in Canada that don't have a dedicated regulator. Grocery and food is one of them.

For example, on the code of conduct, which, as we've said, we do support in principle, neither our group nor any other consumer group, to my knowledge, is sitting around the table with the grocers and suppliers. There's always a risk that you're going to have consumer interests lose in that kind of situation.

A dedicated regulator and some regulations are ways for consumers to get to be part of that regulation making and have a say. We would support any new regulation or regulator in this space.

Mr. Don Davies: Thank you.

Monsieur Léveillé, would you say that supply management has been relatively successful in regulating prices while stabilizing production in your sector?

[*Translation*]

Mr. Sébastien Léveillé: Absolutely, without a doubt, I agree, given the situation over the past year. North America has been hit by avian influenza, especially in the U.S., and the supply management sector in Canada has been extremely robust, which has helped keep prices very reasonable for consumers.

[English]

Mr. Don Davies: Thank you.

We know that the three pillars of supply management are production discipline, cost of production pricing and import controls—the famous three pillars. As far as I know, I think there are three major sectors of supply management in Canada: eggs, milk, and chicken/turkey, referred to as “poultry”.

In your view, should this successful model that provides Canadians with quality products, stable production for producers and fair prices for consumers and producers be expanded to other agricultural food products in Canada?

[Translation]

Mr. Sébastien Léveillé: That's an excellent question.

I think it would require a very long answer, as all Canadian productions are experiencing different realities.

[English]

Mr. Don Davies: I have about three minutes.

[Translation]

Mr. Sébastien Léveillé: My expertise is in egg production. However, I believe that Canada has a responsibility towards international food. There are certainly challenges considering the pillars of supply management.

On the issue of egg production, which we are talking about today, supply management is extremely beneficial to our population, without a doubt.

[English]

Mr. Don Davies: I know you have a lot to say on it and we don't have that much time. I'm just wondering.... It's illogical to think that supply management would be successful for only those products. We have a food crisis in this country and in many other commodities. I'm just wondering what other products or commodities might be good candidates in your view. Have you ever given any thought to that, or is there—

[Translation]

The Chair: Please answer in 30 seconds.

Mr. Sébastien Léveillé: It's hard for me to answer your question on this aspect, as each agri-food sector has its challenges, its economic realities and its strategic advantages on the international stage. There is an economic ecosystem for each production sector, and some production sectors need exports. So it's hard for me to give you an answer on that.

However, I can tell you that the products you mentioned—milk, eggs, meat, chicken and turkey—represent positive benefits for Canadians because we effectively control our production, imports and prices.

Mr. Don Davies: Thank you very much.

[English]

The Chair: Okay, colleagues, now just before you hop out of your seats, I'm going to be very quick.

First of all, I'm going to ask the public interest organization that's here, the Public Interest Advocacy Centre, two questions. We don't have time for your responses, but I would welcome any type of written correspondence to this committee in response. The Consumer Council of Canada, in the first panel, talked about the idea of creating a food consumer advocate. I would welcome your thoughts on whether or not that's a good idea. I recognize that you're already doing some in this space, but to Mr. Davies' point, maybe it's not specific to food.

Mr. Lawford, you just talked about the idea of some type of regulated entity or regulator. I would welcome your thoughts on whether that is in the federal jurisdiction or, because it's at point of sale, is actually more provincial.

Anything you could provide in writing to this group would be wonderful.

Colleagues, thank you for coming here early.

Let me thank the witnesses again: Mr. Léveillé, Madame Hill, Mr. Lawford and Mr. Archambault.

I have just two quick things to add. Ms. Koch from GIFS was not able to attend. There was some type of personal reason that she couldn't attend or a technical issue—I don't know. I'm asking for your unanimous consent to allow her speaking notes to be admitted as evidence so that they can be considered. I think that's pretty reasonable.

Some hon. members: Agreed.

[See appendix—Remarks by Alanna Koch]

The Chair: The only other thing is on deadlines. We are working to go towards our study on animal biosecurity preparedness—under Monsieur Lehoux. We were working to try to get a deadline today. If that hasn't happened, I would ask that you please get your witness lists to the clerk by tonight, or tomorrow morning at the latest. I apologize if that wasn't communicated very clearly in the past.

We're also working on our food price inflation study. Of course, this was our last panel. However, we do have our analysts working hard to make sure that it can be prepared. As you work on recommendations, the goal is to have that this week; so get those to our analysts, please. Thank you.

Colleagues, I'll let you get over to the House with 19 minutes to spare. Thank you.

The meeting is adjourned.

Remarks by Alanna Koch

Remarks by Alanna Koch

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