



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

44th PARLIAMENT, 1st SESSION

---

# Standing Committee on Agriculture and Agri-Food

EVIDENCE

**NUMBER 088**

Monday, December 11, 2023

---

Chair: Mr. Kody Blois





## Standing Committee on Agriculture and Agri-Food

Monday, December 11, 2023

• (1530)

[*Translation*]

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

Welcome to meeting No. 88 of the House of Commons Standing Committee on Agriculture and Agri-food.

I will start with a few reminders. Today's meeting is taking place in a hybrid format. The proceedings will be made available via the House of Commons website. Just so you are aware, the webcast will always show the person speaking, rather than the entirety of the committee. Needless to say, dear colleagues, screenshots or taking photos of your screen is not permitted.

I'd like to begin by noting the presence today of Mr. Zuberi, who will be replacing Mr. Carr, and Mr. Boulrice, with whom Mr. MacGregor may perhaps be sharing his speaking time. Welcome to the committee.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday October 19, 2023, the committee resume its study of efforts to stabilize food prices.

I would now like to welcome the first witness with us today, Mr. Eric La Flèche, President and Chief Executive Officer of Metro Inc.

Thank you very much for being here in person, Mr. La Flèche. You have five minutes for your opening address.

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

Good afternoon, ladies and gentlemen.

At Metro, we are very concerned about the impact of rising food prices on our customers. Needless to say, we are very much mindful of this situation.

That's why we take steps every day to give our customers the best possible value, in response to their various and constantly changing needs. Our customers expect no less from us.

[*English*]

Across all our banners, our teams work tirelessly to deliver the best possible value to our customers with competitive pricing, our full range of private label products, efficient weekly promotions and our loyalty programs.

Every week, we offer promotions on more than 10,000 products across our food banners, generating significant savings for our cus-

tomers on one-third of our inventory. This is not a new practice, but rather how we continue to earn and gain long-term customer loyalty.

[*Translation*]

As a publicly-traded company, Metro is in competition every day for customers, talent, and capital in an open and highly competitive market.

Customers are central to every decision our companies make under each of our banners, and in the 975 grocery stores in our network. That's why our business strategies have generated an increase in market share over the years, and particularly in recent months. It shows that we have earned the confidence of Canadians.

[*English*]

By now, I hope everyone in this room knows—and experts overwhelmingly agree—that global market forces far outside the control of grocers are driving food price inflation.

According to Statistics Canada, food prices have stabilized over the past few months while food price inflation has steadily declined over the past six months. Moreover, food inflation in Canada continues to be the second-lowest amongst G7 countries and has been since September 2022.

Metro's fourth quarter fiscal 2023 results show that our internal food basket inflation decelerated to 5.5%, which is approximately 2% lower than the food inflation reported by Statistics Canada. This is a key metric of customers' actual behaviour, which we have been monitoring for years.

In short, our efforts are having an impact and food prices have stabilized, but price stabilization is not simply achieved overnight nor is it the exclusive responsibility of grocers. Metro stands at the end of a very long supply chain that continues to experience instability. We are already facing pressure for cost increases in the new year, so all players must remain actively engaged.

[*Translation*]

The fact is that we work in an industry that has the lowest profit margin in Canada, at under 5%.

We have to deal with tens of thousands of price increases from our suppliers every year, but we do so as gradually as possible, absorbing some of the costs and working tirelessly every day to provide the best possible value.

[English]

In our highly competitive industry, Metro fights hard every day to earn our customers' business, trust and loyalty. That's why, when I met with Minister Champagne three months ago, I committed that our team would continue to work to deliver the best value possible to help our customers because that's what our customers demand of us.

Secondly, to continue to enhance consumer trust and ensure a more resilient supply chain, I committed that Metro would adopt the industry-led grocery code of conduct once it's finalized.

● (1535)

[Translation]

Our team played a leading role in developing the code of conduct, and we are convinced that the buy-in of all our grocers and suppliers is essential to its success.

We made these commitments to the minister and the government, but in particular to the Canadians who choose to shop with us, and we will continue to meet these commitments every day.

[English]

Thank you. I look forward to your questions.

[Translation]

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

We will now move on to the questions.

Ms. Rood, you have the floor for six minutes.

[English]

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

Thank you, Mr. La Flèche, for being with us today. You just mentioned in your opening statement that you are in favour of the grocery code of conduct. Thank you for being a part of that, because I know it will have a very good effect on the relationships between our suppliers and our grocers.

Mr. La Flèche, you mentioned that the Prime Minister summoned you to Ottawa. You've said publicly that you've given the government a list of recommendations. What specific recommendations did you ask the government to initiate? How many of these recommendations have been acted upon?

**Mr. Eric La Flèche:** As I said in my opening statement, the commitments I made to the minister at that meeting were to continue to deliver value as best we can to our customers every day. We did this before and we continue to do it today, and I think with some success. The second commitment we made was to sign this code of conduct, which is close to being finalized.

Those were my commitments. I think our company has delivered on them. Judging by our performance and our sales and our growing market share, I think it resonates with our customers.

**Ms. Lianne Rood:** We heard at the last committee meeting that some retailers have some issues with the code of conduct. Is there anything that's stopping you from signing the code of conduct right now?

**Mr. Eric La Flèche:** Well, we said publicly that we're willing to sign the version that's on the table today. We participated in it. One of my colleagues is on the working group along with several other people—retailers, suppliers and association representatives.

The code as it stands is something that we can sign. It reflects how we conduct our business with our suppliers. It's something that we can live with and are willing to sign. I've said that for a little while. Hopefully, we'll get there.

**Ms. Lianne Rood:** Thank you.

When your store was before this committee last spring, I brought to the attention of your company some of the unfair practices of your company and the penalties that it was charging farmers and suppliers. Has your company made any changes to the way it deals with farmers and small suppliers, to this point?

**Mr. Eric La Flèche:** We have good relations with our suppliers and farmers in general. The terms of our agreements are clear. If there are any penalties—and these are in a very small minority of cases—they are per the terms of the agreements. We have not changed the way we conduct our business. I think we have good relations with those vendors.

**Ms. Lianne Rood:** Earlier this year, the Minister of Environment and Climate Change proposed a P2 plastics ban. To those watching at home, it's a new plastics ban; it's not something from the old ban, but will prevent produce from having plastic packaging.

We heard in the last meeting that it could cost upwards of \$6 billion down the supply chain, which would ultimately fall on consumers. The price of food would go up if this plastics ban were to go ahead.

Did your company participate in the consultations for the proposed plastics ban for fresh food? Do you believe consumers will see an increase to the price of food if this plastics ban is imposed? As well, do you think the timeline is achievable?

**Mr. Eric La Flèche:** In answer to your first question, we did participate through the Retail Council of Canada, which we are active members of. Representations have been made. Some concerns have been shared. Any regulation or tax that increases costs along the supply chain is a concern, especially in these inflationary times.

We have voiced those concerns, but it will be a government decision, at the end of the day.

**Ms. Lianne Rood:** Are you in favour of the proposed plastics ban or are you opposed to it?

**Mr. Eric La Flèche:** Well, we're all for the reduction of plastics. We have a lot of initiatives at Metro to reduce plastic and reduce food waste in our stores and throughout our supply chain. I think we're doing a good job. We've made a lot of progress. There's a lot of work to do.

I don't know all of the specific details and timelines of this particular initiative, but as we're all concerned about rising food prices and price stabilization, I think it would be wise to consider the timelines. I will let the policy-makers come up with those answers.

• (1540)

**Ms. Lianne Rood:** Thank you.

The government promised Canadians it would lower prices for consumers at the grocery store by Thanksgiving. They broke that promise.

We've heard in the media that stores like yours are going to put a pause on increasing the prices of goods right now. That's standard practice, as I understand, through the holiday season. I think you said publicly that you're going to keep that into the new year. Once that price freeze expires, what will consumers see at the grocery store? Can they count on there being higher prices, once the reductions or freezes are off? You mentioned in your opening remarks that suppliers have been asking for increases, because the cost of goods is going up on their side of things when they supply grocery stores.

Can we expect price increases in the new year, once the freeze is finished?

**Mr. Eric La Flèche:** We are in the middle of the cost freeze—the “blackout period”, as we call it in our industry. It will end at the beginning of February. We are receiving demands for cost increases from some consumer packaged goods companies. Our team in the new year will deal with those. We'll negotiate as best we can to mitigate the cost increases they are asking for from us. It's likely that increases will be accepted, if justified. Those increases will likely be reflected at the retail level over time; it doesn't all happen overnight. There are cost increases in the system that will likely be accepted.

The timing and exactly how much both remain to be seen. We can expect—and it is a concern—that there will be some normal inflationary pressure. In some cases, there will be more than normal inflationary pressure in certain products over the new year.

We'll do our best to mitigate that for our customers.

**The Chair:** Okay.

Thank you very much.

[*Translation*]

Ms. Taylor Roy, the floor is yours for six minutes.

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

Good afternoon, Mr. La Flèche. Thank you for being here in person.

[*English*]

I don't speak French very well, so I will switch to English.

I want to thank you for being here.

We have some concerns about Metro's level of enthusiasm for the efforts our government is making to try to stabilize food prices.

First, I want to correct something for the record: Our government never said that we were going to lower grocery prices by Thanksgiving. Rather, we were working to stabilize them.

However, you expressed some concerns then about whether or not this would work. You repeated that today. I must say that I was disappointed when I saw Metro's submission to the committee of your plan to try to take action on this—without your going into details, because we all know it's confidential. It was not very robust. Let's put it that way, again.

I feel that you question the government's role in meeting with the heads of grocery chains to try to address this problem, which is of great concern. We realize, as many do, that there are global supply chain factors causing this problem. When Canadians are suffering so acutely and grocery retail profits—not margins but absolute profits—are increasing, we feel that trying to work with the grocery chains to come up with some solutions is the best way forward, as opposed to imposing things.

I'm wondering why you feel there's nothing that can be done, when other CEOs have said that these efforts have resulted in some positive actions. They are doing things they weren't doing before. Why do you feel this is something that's perhaps not worth the time of Metro?

**Mr. Eric La Flèche:** Well, that's not exactly what I said.

What I said is that we take the process seriously. As we were before, and as we continue to be today, we're committed to delivering value to our customers. That's our job. That's what we're paid to do. If we don't do that, we lose customers. If we lose business, it's not good for us.

We made two commitments: delivering value and signing the code. We've lived by them.

Our merchandising efforts are in place in all of our stores, every week and every month. We have programs that need to resonate with customers. We have taken a lot of measures. We have—

**Ms. Leah Taylor Roy:** I'm sorry to interrupt you, but I read the submission. I understand that you are committed to delivering the best value for customers. That's what all the chains say. Of course, you're competing. That's normal. It's business as usual, obviously, for a profit corporation like yours. We understand that.

However, these are extraordinary times. There's food inflation because of many factors: the post-COVID economy, the war, supply chain disruptions and other sorts of.... People are really suffering. Grocery prices have gone up by extraordinary amounts. We asked for something outside of the norm from the grocery companies.

All of you have to compete. What you gave us was the norm. What we were asking for was something outside of the norm—something that could help your customers and show Canadians the grocery chains care about the struggles people are having today.

• (1545)

**Mr. Eric La Flèche:** We do care. I do care. It's a reality that affects all Canadians—everyone—so we care. We have to care because otherwise we lose customers. Therefore, we have to come up with programs that resonate with and provide value to our customers. That's what our merchandisers do every week.

In special times you have to extra special effective merchandising if you're going to resonate with your customers, and I think that's what our teams have successfully done.

You have heard of certain price reductions. We have certain price reductions all the time.

**Ms. Leah Taylor Roy:** Excuse me, are you saying that you have done things differently than you would have done otherwise during this time?

**Mr. Eric La Flèche:** We adjust our strategies. Our commercial strategies evolve constantly to meet customer needs.

It's never ordinary times in our business. It's very competitive, and you have to react and be agile on your feet to gain customers, and we do. We negotiate hard with our customers. We try to mitigate the impacts of increases that we suffer. We try to come up with effective programs. We have good loyalty programs. We advertise over 10,000 products a week. We have long-term EDLP programs, savings programs, in all of our banners.

**Ms. Leah Taylor Roy:** Sorry, I don't have much time. I know the programs that you have. They were in your submission. I really appreciate it, Mr. La Flèche, but I'm just trying to understand.

Are you saying that you have had greater price reductions or have tried to address the huge run-up in food costs that Canadians are facing right now? Are you doing anything differently than you would have had this not occurred, had we not had this huge food inflation?

**Mr. Eric La Flèche:** We are delivering value to customers every day. That's what we do. That's what we committed to doing and that's what we keep on doing.

**The Chair:** Unfortunately, that puts us right at time.

Thank you, Ms. Taylor Roy and Mr. La Flèche.

[*Translation*]

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

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

Thank you very much, Mr. La Flèche, for having made yourself available to us a second time.

I'd like to continue on the same topic. The minister, Mr. Champagne, implied that the meeting with grocery store heads had been productive.

Can you tell us exactly what more you have done since this meeting? Have you, for example, made any changes to your practices following the meeting with the minister?

You've been saying from the outset that you are continuing to take action, and I understand that, but has anything actually changed?

**Mr. Eric La Flèche:** As I explained to the minister, and as we noted when we were listing the things we were doing for our consumers, we are trying to offer products that are the best possible value in a difficult context. We are very much aware of the fact that our customers have been affected by inflation. If we are to succeed, we have to meet their needs and they need to get value for their money. They need to be offered good products at the lowest possible prices, week after week, in all our stores, under our various banners.

As I just explained to Ms. Taylor Roy, things are constantly changing in an extremely competitive and highly dynamic market. We adapted our business strategies to this context to become more relevant and to offer as much as possible to our customers, as we always do.

**Mr. Yves Perron:** I understand that you've always done that and that you are continuing to do so. At the end of the day, the meeting with the minister, Mr. Champagne, has not changed much, as far as I can see.

I'd like to talk about the code of conduct. I like what you said about this, but would just like to confirm the information I have.

You've been continuously and constructively involved in the discussions and your company is ready to subscribe to the code. Is that correct?

**Mr. Eric La Flèche:** Yes.

**Mr. Yves Perron:** Great.

How do you interpret the fact that some companies not at the negotiation table said at the last minute that they would not subscribe to the code? What would happen if none of the companies bought into it?

**Mr. Eric La Flèche:** As I said before, for an industry code of conduct, all those involved, and particularly the major players, need to subscribe.

We think that this code reflects the market conditions in which we are operating and how we work with our suppliers. We hope that some of our competitors who have been hesitating will agree to the conditions. I know that the code contains a lot of legal clauses. I won't comment on any specific clauses, sections or paragraphs, but overall, we are happy with this code. It's not perfect, but we think that it's a good starting point.

• (1550)

**Mr. Yves Perron:** You believe that this code will have an impact on price reductions in the medium and long term, right?

**Mr. Eric La Flèche:** No, I didn't say that.

The purpose of the code is not to regulate or manage prices or inflation. Its goal is to increase transparency in relations between the suppliers and us, the retailers. I think the proposed wording does that. It reflects Metro's current practices, which would continue to apply in future.

**Mr. Yves Perron:** Can we at least expect some price stabilization, or is that a secondary factor?

**Mr. Eric La Flèche:** No, the code is not among those factors that have an impact on prices. The code has to do with managing relationships. It determines who can do what and when they can do it. It establishes conditions and other things like that. The code does not address the prices of raw materials.

**Mr. Yves Perron:** So the goal of the code is also to increase transparency within the industry and in relations between the various players.

The last time you appeared before the committee with a number of other grocery chain heads, you all said, when discussing your profit margins, that the numbers didn't represent your profit margin on your grocery sales, and that your net profit margin had remained the same. When we asked you to break down your profits, you all said that we couldn't have those numbers because your firms were in competition with one another. I asked you, and the others, if you were going to provide these figures to the Competition Bureau so that they could study them, and everyone said yes. Feel free to correct me if I'm wrong, but I'm pretty sure I've got that right.

However, in the first few pages of the report that the Competition Bureau published afterwards, it complained that it hadn't received all the figures.

Did your company provide the requested figures?

**Mr. Eric La Flèche:** We worked with the Competition Bureau and gave it the figures it had requested. We may not have given them all the figures, but those to which you are alluding, meaning our profit margins for the food sector and pharmacy operations, were provided.

**Mr. Yves Perron:** So you kept your word in this regard.

Why do you think some did not do so?

**Mr. Eric La Flèche:** I can't speak for the others. I don't know what they were specifically asked to provide.

The Competition Bureau asked us for all kinds of information. We weren't able to provide some of it, because we didn't even have that information ourselves. However, as I just mentioned, we provided the Competition Bureau with information about our profit margins for the food sector and pharmacy operations.

**Mr. Yves Perron:** Thank you.

In any event, it's being worked on now. There's a bill that would increase the powers of the Competition Bureau to allow it to force companies to provide figures. So that shouldn't happen again.

I'd like to ask you an additional question. In the same bill, there is an attempt to identify the extent to which competition in the sector could be increased, for example by encouraging the entry of new companies.

How would your company view potentially increased competition in the grocery chain sector? Would you be in favour of that?

**Mr. Eric La Flèche:** As I mentioned several times, we are in a highly competitive industry that has some very large firms, some of which are international. There are also many local independent companies representing every nationality. The industry is a free market. There are no regulatory barriers to entering our industry. Competition is a good thing and there's a lot of it. So any companies that want to enter this market are free to do so.

**Mr. Yves Perron:** So according to you, increased competition would not be a negative factor.

**Mr. Eric La Flèche:** Competition is never negative. Everyone improves when there's competition.

**Mr. Yves Perron:** We agree on that Mr. La Flèche.

Thank you very much.

**The Chair:** Thank you very much, Mr. Perron.

Mr. MacGregor, you have the floor.

[English]

**Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP):** Mr. Chair, just before I give my six minutes to Mr. Boulерice my colleague, I just want to read a notice of motion into the record. It goes as follows:

That given the recent opposed votes in the House of Commons to Supplementary Estimates (B), specifically vote 1b in the amount of \$16,108,492, vote 5b in the amount of \$11,383,559, and vote 10b in the amount of \$34,211,000 for the Department of Agriculture and Agri-Food, and vote 1b in the amount of \$19,763,134 for the Canadian Food Inspection Agency; the committee undertake a study to examine the effect negative votes on these supplementary estimates would have had on food safety, market access, and on farmers, ranchers, and producers; that the Parliamentary Budget Officer be included as a witness to provide analysis of these effects; that the committee report its findings to the House; and, [that] pursuant to Standing Order 109, the government table a comprehensive response to the report.

With that, I will give my six minutes to Mr. Boulерice.

• (1555)

[Translation]

**Mr. Alexandre Boulерice (Rosemont—La Petite-Patrie, NDP):** Thank you Mr. MacGregor

Thank you Mr. Chair.

Mr. La Flèche, thank you for being with us today to answer our questions.

A few weeks ago, the minister, Mr. Champagne, took a great deal of pride in saying that he had summoned you to Ottawa to tell you to stabilize prices or make an effort to help people struggling with the rising price of food.

A few weeks later, you gave an interview on TVA in which you admitted rather frankly that it had not had any impact on your practices, prices, or discounts. It was around Thanksgiving and turkey was on sale, just as it is every year, and you pointed that out.

If this meeting with Mr. Champagne hadn't had any impact, and people hadn't benefited in any way, is it because the minister was not very convincing or because he didn't have the authority to compel you?

**Mr. Eric La Flèche:** With respect to the meeting with the minister, Mr. Champagne, we understand his intentions. Everyone is affected by the rising price of food. The government has spoken to the major players in the industry about how prices might be stabilized.

When I was at that meeting, I made two commitments. I said that we were working hard every day to keep prices as low as possible in all our stores and for all our corporate banners, and also to keep inflation as low and as stable as possible, in addition to providing our customers with the best possible bargains. We were doing that before the meeting and we are still doing it now.

**Mr. Alexandre Boulerice:** So the meeting didn't have any impact. You work hard every day to keep prices as low as possible to the best of your ability.

**Mr. Eric La Flèche:** I didn't say that.

**Mr. Alexandre Boulerice:** No, but that's what I'm saying.

**Mr. Eric La Flèche:** I told you what I said to the minister. I made two commitments, to provide value to our customers, because we are very much aware of the importance of doing that, and to sign the grocery chain code of conduct. Those are the commitments that I made and we kept to them.

**Mr. Alexandre Boulerice:** So that's what you were doing before and that's what you've been doing since.

Let's say that one of my children wanted to work in a Super C or Metro store. What's the starting salary for a cashier at Metro?

**Mr. Eric La Flèche:** it's slightly higher than the minimum wage.

**Mr. Alexandre Boulerice:** So would you say it's around \$15 or \$16 per hour?

**Mr. Eric La Flèche:** The minimum wage is \$15, and it's a little higher than that.

And on that score, I'd like to say that our employees are governed by collective agreements.

**Mr. Alexandre Boulerice:** I am well aware of that.

**Mr. Eric La Flèche:** Our corporation is largely unionized. About 95% of our employees are in a union. Their wages are governed by negotiated collective agreements and our wages are competitive.

**Mr. Alexandre Boulerice:** Speaking of salaries, what was your total pay in 2022?

**Mr. Eric La Flèche:** I can't see how that's relevant to the subject under discussion today?

**Mr. Alexandre Boulerice:** Your pay was \$5.4 million with an increased bonus of 15%. You earn approximately 155 times the average wage of a cashier who works for you. Don't you find that somewhat obscene?

**Mr. Eric La Flèche:** No. My pay is something you have to talk to the Board of Directors about, because I'm in a poor position to talk about my own pay.

Management pay at Metro is normal and competitive. We are a rather large enterprise. You have to attract talent to manage the company. The salaries paid at Metro are competitive. In fact, they are slightly below the median for our reference group. So there is nothing at all to be embarrassed about in terms of management pay.

**Mr. Alexandre Boulerice:** You can't imagine the frustration of people who have trouble paying for their groceries and seeing the kind of money being paid to CEOs like you. There are people who make difficult choices and have to deprive themselves of certain things, who see annual salaries of \$5 million or \$8 million, or 15% bonus increases. I represent people who are in serious difficulty at the moment. They see your overall pay and don't find that you're making much of an effort.

**Mr. Eric La Flèche:** I understand that people can be having a rough time, and I understand that these are large amounts. Nobody's saying that it's not a lot. These are large numbers, but it's competitive pay. We're in a competitive market.

Yes, I understand what you're saying, and I understand that people who are struggling find that it's a lot of money, but at the head of the company, people have to be paid properly.

**Mr. Alexandre Boulerice:** When three food chains controls approximately 75% of the whole Quebec market, can it really be called competitive?

**Mr. Eric La Flèche:** No, I disagree with what you're saying. The percentages vary, but it's more like five major companies that hold 70% to 75% of the market.

**Mr. Alexandre Boulerice:** You're including Costco and Walmart.

**Mr. Eric La Flèche:** Five companies hold approximately 70% of the market, but things have to be considered market by market, province by province, and geographical area by geographical area. I can assure you that there's a lot of competition in each of these markets. When you look at national statistics, it gives you an overview, but the market is highly competitive. We're competing against global companies like Walmart, Costco and Amazon, in addition to some major Canadian firms and all kinds of independent businesses.

I completely reject any supposition to the fact that our industry is not competitive.

● (1600)

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

Thank you very much, Mr. Boulerice.

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

[English]

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

Thank you, Mr. La Flèche, for being here with us today.



My colleague asked this question earlier on, but I just want to dive a little deeper into it. You said in the Quebec media that when you met with the Prime Minister or the Minister of Industry the grocery CEOs provided the government with a list of recommendations on steps that the Liberal government could take to try to help reduce food costs and be a partner in this effort. However, you said that the government has not followed through on those recommendations.

I believe you said that in answer to my colleague, but if I'm incorrect, please correct me. Can you tell us specifically what recommendations you suggested to the Liberal government on steps to take to help reduce food costs?

**Mr. Eric La Flèche:** I will correct my statement to Madam Rood. We did not make firm recommendations to the government to reduce food costs. Government plays a role... On regulations, employment laws and immigration, yes, we made general recommendations, but we didn't come back and say that the government didn't respect those commitments. We didn't say that, so I don't know....

**Mr. John Barlow:** Sir, from your comments in the media, you were saying that the government had not followed through on taking steps.... I'll try to find the direct quote, but I did see that.

**Mr. Eric La Flèche:** No, I'm sorry, but I don't think I said that.

**Mr. John Barlow:** Okay.

Has Metro done an analysis or anything specific regarding the cost of the carbon tax on your brand, the Metro brand, in increasing energy bills, transportation, heating and cooling costs, all of those types of things? Have you done an assessment on what the cost of that is to Metro?

**Mr. Eric La Flèche:** No, we have not done a formal assessment. As far as I know, we don't pay a carbon tax today. If carbon taxes are put into effect, we will be impacted by them because we are at the end of a long supply chain, so producers along the line who pay it will have cost increases and will ask for their prices to us to be increased. Like any tax or regulation that increase costs, that could and probably will have an impact on retail price inflation.

**Mr. John Barlow:** Why would you think Metro isn't paying carbon tax? You have stores in Ontario, which would be paying carbon tax on energy. When you're getting deliveries on products—

**Mr. Eric La Flèche:** We pay our energy bills, we pay fuel. I don't have a specific carbon tax component. We pay taxes—

**Mr. John Barlow:** I'd encourage you, Mr. La Flèche, as CEO of Metro, to take a look at those bills. They will have an element specifically telling you what your carbon tax is on every single delivery and on your heating bills in your stores. I think it would be important for Metro to understand the costs you are being burdened with. I'm assuming those additional costs you're having to pass on to consumers; this isn't something Metro would be "eating", I would think.

**Mr. Eric La Flèche:** Energy bills in Ontario have declined a little bit over the last year, so that's why I'm not seeing the carbon tax specifically, but I'll make a note of it and we'll get back to you.

**Mr. John Barlow:** Thank you.

What would be the impact, as my colleague had asked you earlier, of the plastics ban? This isn't a matter of increased costs. One other consequence of this from what we understand is that a number of items would no longer be available. United States' produce companies, for example, would refuse to meet these new regulations and would just no longer export to Canada. I'm thinking of bagged salads, peppers, cucumbers, those types of things.

Have you done an assessment of that and what the consequences of it would be in terms of your not being able to bring in produce from the United States as a result of the new plastics ban? Again, this isn't the single-use plastics; this is plastics for fresh produce.

**Mr. Eric La Flèche:** I don't have a specific answer or analysis on that specific category. As I said earlier, it could add to costs and it could increase food waste, so through the RCC we made our concerns known to the government and we'll leave it to the policy-makers to make the decisions.

**Mr. John Barlow:** When the Prime Minister initiated this and brought in the CEOs—which this committee in fact did six months earlier, so this was not anything abnormal—he said:

If their plan doesn't provide real relief for the middle class and people working hard to join it

—so I would say this isn't just about freezing prices, but price reduction, ensuring there's relief in that respect—

then we will take further action, and we are not ruling anything out including tax measures.

If the government were to increase taxes on you—a windfall tax or something along that line—as a way to try to force you...is that something that a grocery retailer such as Metro would just absorb, or would tax increases have to be passed on to consumers?

• (1605)

**Mr. Eric La Flèche:** We think this is a bad idea and it will do nothing for food price inflation, so we're against any specific tax like that.

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

We'll now turn to the pride of Malpeque, Mr. MacDonald

It's over to you.

**Mr. Heath MacDonald (Malpeque, Lib.):** Thanks, Kody.

Mr. La Flèche, I want to start where my colleague ended. We've had over the past two or three years some extreme climate changes and we're starting to see the general public being affected in many different ways, including our farmers, producers and manufacturers, whether it be by supply chain issues or weather, what have you.

If initiatives are put in place to help reduce climate change and our GHG emissions and so on, and if an organization as big as Metro didn't apply or at least try, would that have any effect on your business?

**Mr. Eric La Flèche:** Climate change is a big factor and has an impact on the cost of many food products. That's a fact. The severe weather events that you referred to have contributed to food price inflation, no doubt about it, over the past few years.

Again, climate change and the rules to fight climate change are a bigger issue than ourselves. We will conform to all the laws that are adopted by Parliament.

**Mr. Heath MacDonald:** You currently have a supplier code of conduct. Are there any similarities between the development of the grocery code of conduct with your supplier code of conduct? If you're doing this partially for suppliers, I'm just wondering if there are any similarities in what you've seen.

**Mr. Eric La Flèche:** Our supplier code of conduct deals with the norms that our suppliers must follow on workplace safety and security. It's just to make sure that we're dealing with the right companies. The code of conduct is how they treat their employees and how they deal with us. There are some similarities, but the grocery code of conduct that's before us is more on the terms between a vendor and a retailer.

**Mr. Heath MacDonald:** We recently heard from one of your competitors that the code of conduct would actually increase food costs and would not have the desired effect. What's your opinion regarding the grocery store code of conduct in that regard? Is there an effect there, or is it too early to determine?

**Mr. Eric La Flèche:** Like I said to an earlier question, we don't think the prices or the costs that we will negotiate with our vendors will change with or without the code. We don't have the same reading as one of our competitors has on the inflation risk caused by the code itself. That's our position.

**Mr. Heath MacDonald:** Getting back to suppliers, has there been any communication with your suppliers relevant to the grocery code of conduct?

**Mr. Eric La Flèche:** I have not communicated with them myself, but they are part of the working group that we belong to with others. Their association representatives are members of that working group, and so are, I think, a few representatives of large CPGs. They participate in the development of that code.

**Mr. Heath MacDonald:** So this is something that you're endorsing and that you're willing to sign on to.

**Mr. Eric La Flèche:** Yes.

**Mr. Heath MacDonald:** I know that you are speaking on behalf of your board of directors. Has it been ratified at your board of directors' level?

**Mr. Eric La Flèche:** Our board is informed of these matters on a regular basis. They're fully aware that we're willing to sign this code. Yes, they have endorsed it.

**Mr. Heath MacDonald:** I want to go back a little bit to climate change because I think its effects are going to be an integral part—maybe not of the grocery store code of conduct, or maybe it will be—of price increases from drought in California, for example, and

the rising price of romaine lettuce. We all saw that go to \$8 or \$9 dollars a head last year. How seriously are the grocery stores seeking information or input on these outcomes?

Where are you with that? Do you have a research team, basically, that's looking at how this is going to roll out in the future when we continuously see climate change issues around the world? Canada's not alone in this. Can you tell this committee what you guys are doing to ensure that you're very aware of what's going to take place so that your consumers won't be paying \$8 or \$9 dollars for a head of lettuce from California.

• (1610)

**Mr. Eric La Flèche:** We don't grow the lettuce; we are a distributor and a retailer. We will source products at the most effective cost possible. We're always looking for alternative sources of products, because there can be issues. There can be crop issues in certain parts of the world, so we have to seek alternative sources. Those are market prices, and it's just a fact of the business marketplace affecting commodities like that.

Our responsibility is to try to source the products at the best cost possible. That's what we try to do.

**The Chair:** We'll have to leave it at that, gentleman. Thank you so much.

[Translation]

It's now over to Mr. Perron for two and a half minutes.

**Mr. Yves Perron:** Thank you very much, Mr. Chair.

Mr. La Flèche, I'd like to return to the code.

Loblaws is not at the negotiating table for the quote. When the Loblaws representatives came and testified before the committee, they told us that they felt represented by a retail organization, and by you, who were at the negotiating table.

Did you feel that you are representing Loblaws at the negotiating table?

**Mr. Eric La Flèche:** To my knowledge, two food retailers are on the working committee: a representative from Metro and a representative from Sobeys.

**Mr. Yves Perron:** But you are not representing Loblaws on this committee.

**Mr. Eric La Flèche:** No, but it's a working committee that is trying to find an acceptable solution for everyone. Basically, it represents the retailers.

**Mr. Yves Perron:** Okay.

According to you, the code won't have any impact on prices. And yet, when the United Kingdom and Australia introduced one, it had a medium-term impact on prices. So we can at least hope that inflation might moderate somewhat from where we are right now.

If you think the code won't have an impact on prices, why did you tell the minister, Mr. Champagne, that you would treat that as a commitment for controlling prices? I just want to understand what you said.

**Mr. Eric La Flèche:** Allow me to repeat: the code was not developed to deal with price matters. It's more a matter of negotiations between a supplier and a retailer.

We told the minister, Mr. Champagne, that we were making a commitment to adhere to the code because he asked us to do so. The minister said that it would be important for the confidence of consumers for us to comply with the code, and we said that we would. That's what we did.

**Mr. Yves Perron:** If I have understood then, you are continuing with your usual practices and are adhering to the code, meaning that there won't really be any changes with respect to prices.

What would happen if some of the companies were not to adopt the code? You said earlier that in that case, it wouldn't work. But it must work.

Do you think the government should force businesses to adhere to a code? Do you think that would be possible?

**Mr. Eric La Flèche:** I'm still convinced that the industry stakeholders will be able to find a solution. We're almost there. Some companies have reservations, but I'm going to let their lawyers do their work so that a solution can be found. That said, I think that we're very close to getting there. I'm hoping that we can find common ground in order to implement a strong code developed and administered by the industry.

**Mr. Yves Perron:** Over the coming weeks, what can consumers expect in terms of price variations? How are things going at the moment? Do you think inflation will continue to abate?

**Mr. Eric La Flèche:** We've seen that inflation has continued to subside compared to last year. As I mentioned, prices have been stabilizing. They are fairly stable now. I would even say they're dropping slightly. Compared to last year, there is less inflation. For three quarters now, inflation we've seen a fairly rapid decline in each one. A rate of 5.5% was reported for the quarter that concluded at the end of September. For the next quarter, it will be the end of December. The rate will carry over to the end of January and I believe that it will be less than it was in the last quarter. The trend is therefore downward, but a certain level of inflation will continue.

**The Chair:** Thank you very much.

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

**Mr. Alexandre Boulerice:** Thank you, Mr. Chair.

Mr. La Flèche, the situation is very difficult in some neighbourhoods, including La Petite-Patrie, which I represent. The other day I attended a spaghetti dinner organized by people in the neighbourhood to raise funds on behalf of the local food bank. Every month this year, 870,000 Quebecers went to food banks, which means one out of every 10 people. That's an increase of 30% over 2022. It's terrible.

Today, we are telling you that your practices haven't changed since the meeting with the minister, Mr. Champagne, that the code of conduct will not lead to transparency and although it might per-

haps boost consumer confidence, it won't have any impact on prices.

From that standpoint, how are people who are struggling going to be able to keep hoping that they'll be able to feed themselves properly?

• (1615)

**Mr. Eric La Flèche:** I have a lot of empathy for these people. We do in fact work closely with food banks, in both Quebec and Ontario. Metro has been a major food bank partner for a very long time. Demand has been stronger for the past two years, which we find highly regrettable, and this has led us to make some much larger donations.

The food bank clientele has been changing. Food insecurity is a major societal issue. There are many reasons for this and they go well beyond grocery prices. There is the cost of housing, interest rates, and so on; you know them better than I do. The government may have a role to play in countering food insecurity.

From where we stand as an industry stakeholder, we are striving to keep prices as low as possible across all our banners. We are opening discount stores. We're doing everything we can to meet continually changing customer needs.

**Mr. Alexandre Boulerice:** Unfortunately, many of those who use food banks have part-time or full-time jobs. That too is something new.

Over the past 23 months, the rising cost of food has systematically been higher than the average inflation rate. How can you explain that? I know that it's a complicated question and that there is only a minute left in my speaking time. In any event, the impression we get is that general inflation can take a lot of the blame, because food prices are increasing even faster.

**Mr. Eric La Flèche:** I'll start by saying that this gap is shrinking. Food inflation is now much closer to the overall inflation rate.

There was certainly a gap. But then inflation is a world-wide phenomenon. It's attributable to global factors like the war in Ukraine, the price of wheat, the price of basic products, energy costs, labour shortages and so on. They are known factors that have created food inflation around the world.

Canada is not doing as badly as all that. It's too expensive and it hurts, as we know. Canada nevertheless has the second-lowest inflation rate among the G-7 countries, after the United States. It's doing much better than many European countries.

We are doing everything we can to give our customers the best possible value, but our input costs have increased significantly over the past two years and our profit margins haven't increased at all. I think it's important to point that out. Our sales and our profits did in fact increase as inflation was growing, but our profit margin percentage did not increase.

**Mr. Alexandre Boulerice:** Thank you very much.

**The Chair:** Thank you very much.

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

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

Mr. La Flèche, thank you very much for coming today.

My first question is about the ban on certain plastics. A few of my colleagues raised that issue earlier. It's important to know that it will have a considerable impact on fruit and vegetable imports. The concrete example given was plastic-wrapped cucumbers imported into Quebec and Ontario out of season. Their shelf life decreases by at least six days if they're not wrapped.

I'd like your opinion on what impact the plastic packaging ban will have on the shelf life of vegetables. If it decreases by six days, there will be a lot of food wastage. I would also expect that prices would rise.

**Mr. Eric La Flèche:** I can't tell you how many millions or hundreds of millions of dollars it would cost Metro. However, during some consultations, we expressed our concerns through our association, the Retail Council of Canada.

If the plastic ban you're talking about is going to increase our costs, it will certainly cause a rise in inflation. And if it reduces the shelf life of products and increases food wastage, that's not good news. We work hard to reduce food waste. It's important to think it through before taking action.

**Mr. Richard Lehoux:** According to a newspaper article, after you met the minister, you said that the meeting wasn't necessary, because you were already making the everyday efforts the minister had asked you to. I would take that to mean that the meeting didn't amount to much.

How do you react to the current desire to introduce a policy that would place pressure on the entire food system, including your company?

It bothers me when I hear that there was a meeting with the CEOs of major food sector companies and that they're going to be rapped on the knuckles if they don't do things properly.

• (1620)

**Mr. Eric La Flèche:** I'm sorry to repeat myself, but we are maintaining our commitment to give our customers the lowest possible prices for their money. We have always done that and are doing it even more so during this inflationary period. We do our absolute best to give our customers the best possible value. Allow me to repeat that we have followed through on our promise to the minister.

**Mr. Richard Lehoux:** Last week, I asked the grocery chain heads who preceded us here at the committee to talk about the repercussions of the agreements grocers have with their suppliers, and to give us a standard template to look at so that we could see what they request of their suppliers. At the outset, you said that from your standpoint, there have been very few penalties, but that there probably are some. Grocers are being pressured to lower their prices, but I'm afraid that pressure might go too far and affect people who, according to the testimony they gave here, are already having trouble getting through this state of affairs.

Could you provide us with this kind of information, Mr. La Flèche?

**Mr. Eric La Flèche:** The penalties we might levy or fees that we might charge our suppliers when they don't deliver an order or deliver it late are known. They are specified in the contract clauses. If suppliers are experiencing problems, we sit down with them and try to find a solution. Sometimes we have to charge them fees, but I can tell you that's not the case for most of our agreements.

**Mr. Richard Lehoux:** Would it be possible for us to see these agreement templates?

**Mr. Eric La Flèche:** We don't disclose our agreements, but I'll note your request and ask my colleagues to follow up.

**Mr. Richard Lehoux:** Earlier, in response to a question from my colleague about the impact of the carbon tax, you said that you hadn't done the calculations. I would nevertheless like you to provide figures to the committee on the potential impact it might have on the prices of all food products. You might think that this tax doesn't apply to Quebec, but it does, indirectly, because transportation is a key factor. When Quebec imports products from elsewhere, the carriers have to pay the tax, so I would imagine they would pass it on.

Would you agree on that, Mr. La Flèche?

**Mr. Eric La Flèche:** Yes. As I mentioned, all taxes that increase costs, whether on carbon, plastic or anything else, will ultimately increase retail prices. It may take a while, but it certainly has an inflationary impact.

As for the dollar impact of the carbon tax on Metro, we'll try to give you a satisfactory answer, but I don't have that information at hand.

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

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

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

Mr. La Flèche, I'd like to thank you for having agreed to testify before the committee once again. I hope that we'll be able to leave you alone afterwards, at least until the end of this session. For the next Parliament, though, we might decide otherwise.

One of the reasons we are looking into this issue, and previously heard from Metro and its four major competitors, is that they represent an oligopoly. In principle, these five major food retailers share 80% of the market.

I'd like you to explain whether it's a common practice for the industry to announce a price freeze in November. According to Mr. Sylvain Charlebois, the five major players in the industry always announce a price freeze in November.

Has Metro's behaviour changed? At a previous meeting, one of your competitors told us that it would normally announce a price freeze for certain products, but that this time, the price freeze applied to additional products.

I'm trying to understand why the five major retailers announce a price freeze in November.

**Mr. Eric La Flèche:** I can't speak for the others, but at Metro, we require our suppliers not to introduce any price increases during a specified period. We will not accept any price increases from our suppliers between November 1 and February 1, more or less. It's a long-standing practice at Metro. I can't speak for the others, but I know that other companies do this as well. However, I don't know which of them do, or the periods for which they do so.

It's because we are busy with things other than negotiating with our suppliers during this period. We want to provide good service to our customers, at the lowest possible prices, and to ensure that our stores are ready for the holiday season, which is a busy time. As I said, it's a long-standing practice at Metro.

Because we won't accept price increases from our suppliers during this period, prices remain stable in our stores, not for products usually found around the store perimeter, like fruit, vegetables and meat, which change every week, but for dry goods. That's good news for our customers, because it keeps the cost of the food basket more stable.

• (1625)

**Mr. Francis Drouin:** We spoke at length about the grocery store code of conduct, and I know that Metro is in favour of it. Does the fact that two of the other major grocery players say they disagree with this code worry you?

Are you also concerned that one or more provinces might unilaterally decide to introduce their own code? I know that there are soon going to be some meetings on this. If they were to do so, the regulatory framework for your activities would vary from province to province. Is that a concern?

**Mr. Eric La Flèche:** It would, of course, be problematic if each of the provinces in which we do business required us to follow different rules. We would prefer an industry-led code subscribed to by all the industry players.

As I said earlier, I hope we'll be able to address the issues raised by those who have reservations about the code. There have been meetings, but no agreement yet. I think we need to continue to discuss it. The lawyers should be able to find legal terminology that would keep everyone happy and make it possible for everyone to subscribe to the code.

**Mr. Francis Drouin:** I know some lawyers, and am accordingly aware that things can take a long time. Let's hope that the debate won't take too long and that we can get some answers fairly quickly. After all, it's been two years since we announced that there was going to be a working group and that the industry said that it would be able to come up with an agreement.

I know that there will be discussions between provincial and federal government departments. If over the next few months, the government feels that discussions have dragged on for two years and

decides to require you to comply with a code, would you or would you not be in favour of that?

Are you still confident that the industry will come to an agreement?

**Mr. Eric La Flèche:** I hope so. I think we're nearly there. People are going to have to redouble their efforts to get it done. I believe it would be a good thing for the industry, and that it would enable us to move on to other things.

**Mr. Francis Drouin:** I know that you're under a lot of pressure from the media, but I can assure you that we are just as concerned about monopolies and oligopolies elsewhere in the food sector supply chain. I don't think that governments will end up having to get involved, because I believe in the free market, but they will unfortunately have to do something if a few players were to capture an overly large share of the market. That's one of the reasons we are here today.

I would have liked to have heard that the industry wants a code of conduct, but sometimes all that's needed is a little shove. Thank you for being one of the three major industry players to have agreed to the code. I hope that the other two competitors will come to the negotiation table as soon as possible.

**Mr. Eric La Flèche:** Thank you. Yes, we're all in favour of a code.

However, as I've already said, I definitely deny any contention that our industry isn't competitive. On the contrary, our industry is extremely competitive.

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

Colleagues, the first part of the meeting has come to an end.

Thank you very much, Mr. La Flèche. I wish you a Merry Christmas and thank you once again for being with us in person.

I will now suspend for a few minutes before we welcome the second witness panel.

• (1625)

(Pause)

• (1635)

**The Chair:** We will resume.

Once again, I would like to welcome the members of the committee.

In the second witness panel this afternoon, we have two representatives of the Association des producteurs maraîchers du Québec: Patrice Léger Bourgoin, its General Manager; and Catherine Lessard, its Deputy Director General. It appears that Ms. Lessard is having some technical difficulty. I hope it can be resolved.

We also have Ron Lemaire, who is President of the Canadian Produce Marketing Association. Mr. Lemaire is also having some technical difficulty, which I hope the technicians can resolve.

[English]

Next, we have from the Centre for Future Work, Jim Stanford, economist and director.

We'll have five minutes for each of the opening remarks.

It's going to have to be Mr. Patrice Léger Bourgoïn.

[Translation]

Before that, I would like to take a brief moment to note that Mr. Lehoux' grandson is with us today. His name is Édouard, and I believe he is a high school student.

Good afternoon, Édouard. It's a pleasure to have you with us.

I now turn the floor over to Patrice Léger Bourgoïn for five minutes.

**Mr. Patrice Léger Bourgoïn (General Manager, Association des producteurs maraîchers du Québec):** Ladies and gentlemen, thank you for having us here today.

Any attempt to improve food price predictability is considered a risky business at the best of times. However, the extraordinary geopolitical, economic and climatic circumstances we're experiencing these days—including the wars in Ukraine and Israel, sustained interest rate increases and climate events that undermine farm production—significantly undermine reasonable predictability in a context of global supply-demand equilibrium.

However, we believe that there are initiatives that can be introduced to support price stabilization efforts, and I will now describe them.

Consolidation has sharply restricted wholesale channels in the past 30 years or so. Since the number of independent grocery stores, affiliated owners, regional brands and co-operatives has fallen precipitously, this consolidation has forced the industry to reinvent itself by establishing supplier relations strategies based on billing miscellaneous costs and imposing fines and penalties. This approach has inflated the revenues of retail chains in the food industry. It has also substantially increased suppliers' overheads, obviously at consumers' expense. It would have been very difficult to do that if the food trade industry hadn't become a monopoly over the years.

Now that the damage has been done, it's time to apply some remedies to mitigate the effects of that consolidation.

However, let's make one thing clear: consolidation doesn't necessarily mean competitiveness. Even if the sector is extremely competitive, consolidation has an impact on the sector as a whole. It's very important to point that out.

The code of conduct is a good first step toward resolving the power balance between big, publicly traded companies and SMEs, most of which are family operations. We must not allow the two retail chains whose representatives appeared last Thursday to scuttle this promising initiative. What those representatives said was appalling. We can't support those kinds of assumptions.

Access to a stable local market for fresh fruit and vegetable production is essential to ensuring food price stabilization, since it reduces the number of stakeholders and supply chain costs.

The ability of Quebec's fruit and vegetable producers to compete has been undermined to a troubling degree. While the business environment in Canada and Quebec should be comparable to that of our competitors in order to ensure that local businesses are competitive, that's unfortunately not the case. A study that we commissioned last year, and that was funded by Quebec's Ministère de l'Agriculture, des Pêcheries et de l'Alimentation, yielded a shocking finding: the regulatory environment is undermining the ability of Quebec fruit and vegetable producers to compete against their competitors, particularly those in the United States and Mexico.

A favourable regulatory environment for our sector is a decisive factor in businesses' ability to compete. Local products compete directly with imported fruits and vegetables, as Mr. La Flèche said a few moments ago.

The federal and provincial governments must get involved in the reassessment of risk management approaches for fruit and vegetable producers in a climate change context. All stakeholders clearly need to understand their risk management responsibilities. Wholesalers and retailers also face an increasing amount of risk. Governments need to create an environment conducive to investments that increase risk resilience and the ability to adapt and transform in response to climate shocks.

In conclusion, prices in the fruit and vegetable sector can be stabilized through fairer relationships among producers: family SMEs, the major retail chains and the wholesale industry giants. Greater fairness among producer countries engaged in international marketing, in accordance with their respective regulatory burdens, is becoming essential to ensuring our country's food security. It is unacceptable that fruit and vegetable producers are required to manage a disproportionate amount of risk in the current climate change context.

We would now like to offer a few observations.

First, if the five major food chains fail to comply with the code of conduct, we suggest that an initiative be introduced in the next few weeks leading to legislation that would provide a better framework for commercial relations. Lawyers have been in talks on the code of conduct from the get-go. Once again, we can address the issues together with the legal experts, but we want to emphasize that they've been involved since the discussions began.

• (1640)

Second, we suggest that the government implement the recommendation your committee made in its grocery affordability report, that the reciprocity of standards be respected for imported products. On that point, Mr. La Flèche said that he looks for the best possible price, wherever in the world it may be. We contend that the Canadian government also has a responsibility to ensure food security for consumers by ensuring that Canadian standards are met for both local and imported products.

We would also like to see the government launch an incentive and support program for technological innovation and automation, as stated in one of the recommendations in that report.

Lastly, we recommend that the government review agricultural risk management programs in partnership with the industry and the Government of Quebec.

**The Chair:** Thank you very much, Mr. Léger Bourgoïn.

• (1645)

[English]

Mr. Lemaire, we are now going to give you a shot. Hopefully this got figured out.

Why don't you say a few words and we'll see if it works.

**Mr. Ron Lemaire (President, Canadian Produce Marketing Association):** Hello everyone.

Thank you for including me. I hope my volume is working for the interpreters.

Is that strong enough for interpretation services?

**The Chair:** We're going to give it a shot.

You have five minutes, Mr. Lemaire.

Go ahead, please.

**Mr. Ron Lemaire:** Good evening, Mr. Chair, and committee members.

On behalf of the Canadian Produce Marketing Association, I want to thank the committee for the opportunity to talk about food prices in Canada.

CPMA represents over 830 companies that are growing, packing, shipping and selling fresh fruit and vegetables in Canada, which drives \$15 billion within the industry and across the country.

We are a unique entity that addresses the entire food system and the complexity of how fresh produce moves—

**The Chair:** I'm sorry. I'll have to stop you there, Mr. Lemaire.

I think we're having issues with translation. There is no translation....

Now, it's okay, so we're going to keep going.

Go ahead, Mr. Lemaire.

**Mr. Ron Lemaire:** Should I start from the top or from where I left off?

**The Chair:** I know my colleagues know your subject matter pretty well, so we'll let you keep going from where you were.

**Mr. Ron Lemaire:** Wonderful.

As noted by previous witnesses, there have been excessive cost pressures on both the supply chain and the consumer. While the produce industry is seeing market improvements, we are still seeing parts of our system influenced by global markets and high-cost centres. As we saw last week, the 14th edition of Canada's food cost report by leading Canadian universities shows projected increases to vegetables and other foods for 2024.

It is critical to understand that the food system is complicated. There are no singular solutions to drive down food prices. Labour costs across the supply chain continue to rise, production inputs remain high, and ongoing high interest rates, a high cost of borrowing and the regulatory burden all play a factor in business. The changing climate is also an ongoing issue. The cost of adjusting our supply chains to meet this challenge is extremely important to recognize.

As some on the committee are aware, I chair a global coalition of fresh fruits and vegetables that is focused on addressing supply chain issues. Earlier this year, we surveyed industry members on the global impact of costs to their business. The numbers are dramatic. While these numbers are improving, they tell a complex story of why Canadians are paying more for their fruits and vegetables. This is what we reported in Canada—packaging up 13%, labour costs up 18%, plant material costs up 16%, cost of crop production inputs up 21%, energy costs on average up 24%, and machinery and equipment up 20%. While retail wasn't included in this survey, I have had conversations with retailers in Canada. Costs in their operations are up as well.

While we are seeing food inflation slowly decline, these impacts continue on both consumers and our sector. Our concern now is declining fruit and vegetable consumption. In Q4 of 2023, we are seeing Canadians' daily consumption drop by a serving. If this continues, our data shows an increased cost of approximately \$1 billion annually to our health care system.

According to our numbers, we know that fresh produce typically moves in the opposite direction of the consumer price index, or CPI, and not inflation specifically. When the CPI dropped in October, I would have expected consumption to increase, but it was not the case. Consumers are still reducing consumption, and this is a concern. I think Mr. MacGregor talked earlier at committee about the projected cost of food in 2024 increasing. We are very, very concerned about where this is going.

The Government of Canada needs to look at food as essential and frame policy to support this. The regulatory burden with proposed policy measures on packaging and heating costs are examples of driving up costs through poorly developed policy measures that do not look at the unintended consequences.

Before closing, I would like to note the grocery code of conduct. We have heard a diversity of testimony. As a steering committee member and now interim board member of the code, I can attest to the fact that everyone is working hard to reduce and stabilize food prices. The process of developing a code has made all key industry players talk to each other in a way that has not happened in the past but is positive in terms of moving forward. We may not have a perfect solution yet, but we are years ahead from where we were in 2020. Trade associations continue to work on solutions for all. While there is concern, I know, that not all major retailers are around the table, we are still negotiating. I will tell everyone that it is a negotiation, and we continue to do so.

In closing, we need to take a full food systems approach to finding a solution to food inflation. There is no silver bullet. We have a large geography to navigate. We have diverse urban, rural and remote communities to serve. The path forward needs to recognize all of these elements and consider all of the unintended consequences that could develop through poor policy frameworks.

Thank you for the opportunity. I look forward to questions.

• (1650)

**The Chair:** Thank you very much, Mr. Lemaire.

We'll turn it over to Mr. Stanford for up to five minutes. Then we'll get to questions.

**Dr. Jim Stanford (Economist and Director, Centre for Future Work):** Thank you very much, Mr. Chair, and members of the committee.

Food price inflation has slowed down in recent months, and this is a very positive development, but it remains higher than overall inflation. Food prices increased by 5.6% in the 12 months ending in October, compared to general inflation of 3.1%.

In my judgment, an increase in profits collected at the retail stage of the food supply chain has made a measurable and sustained contribution to those continued high food prices. Supermarkets did not cause the outbreak of inflation that followed the COVID pandemic, but they did make it worse.

I have prepared a submission, which I believe has been distributed to the committee, with updated data regarding prices and profits in the food retail sector in Canada. Let me briefly summarize the main findings.

Based on profits realized in the first nine months of this year, net income in the food retail sector will likely exceed \$6 billion for 2023. That's up 8% from 2022 and sets a new all-time record.

Food retailers are now earning more than twice as much profit as they did before the COVID pandemic.

Basic mathematics refutes the claim that you have heard from supermarket CEOs that they have merely been passing on higher in-

put costs to consumers. An industry cannot double its profits if it's merely passing on higher expenses.

Measured as a share of total revenue, the net income margin of food retailers also remains elevated. The sector-wide profit margin was 3.3% of total revenue in the first nine months of 2023, again more than twice as wide as it was in 2019. This profit margin is widely misunderstood in popular discussions about food retailing.

Supermarket CEOs often describe food retail as a low-margin business because final profits are a small percentage of total revenue. This does not mean that food retail is not a very profitable industry, however. The margin merely reflects the fundamental input/output structure of any business.

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

In contrast, profit margins for other industries that undertake more complex and vertically integrated functions like product development and manufacturing tend to be higher as a proportion of sales.

Businesses, when they are investing capital, evaluate investment opportunities not according to which industry offers the widest sales margin but rather the greatest return on invested capital, and since grocery stores are not a capital or technology-intensive undertaking, profits relative to the scale of capital invested in those stores can be quite significant.

For example, in its latest financial report covering the first three-quarters of 2023, George Weston Limited reported a net income of about \$2.7 billion over nine months, up 12% from the similar period a year ago. That may seem small relative to overall revenues, but it's large compared with the invested equity base in the company, which was \$13.7 billion at the close of that period. That implies an annualized return on equity over the first nine months of 2023 of 26.4%, so that is a very strong rate of profit by any definition. The idea that grocery stores are a low-margin business is quite misleading.



The sustained record profits in food retail contrast with profit trends elsewhere in the economy. We have seen a decline in overall profits in 2023, which rose substantially right after the pandemic but have moderated since. The same goes, interestingly, for the food processing sector, which also enjoyed strong profits initially after the pandemic that have moderated since.

Finally, I would like to address the suggestions made by some observers that high food prices are caused by Canada's federal-provincial carbon pricing system.

There is no correlation in either historic data or international comparisons between carbon pricing and food inflation. In Canada, food price inflation was higher in years when increases in the national carbon price, which was phased in beginning in 2018, were smaller, so statistically there's actually a negative correlation between changes in the carbon price and food inflation. U.S. food prices grew faster than in Canada on a cumulative basis since the pandemic, even though the U.S. has no carbon pricing system.

• (1655)

I'll leave it at that. Thank you, again, and I look forward to the questions.

**The Chair:** Thank you very much, Mr. Stanford.

We now have Ms. Rood for six minutes.

Colleagues, we're only going to be able to have two rounds of questions, so we'll have the six minutes and then the one afterwards.

Go ahead, Ms. Rood, for six minutes.

**Ms. Lianne Rood:** Thank you, Chair, and thank you to our witnesses for being with us today.

Mr. Lemaire, it's my understanding that Sobeys and Metro directly participated in drafting the grocery code of conduct, and helped to shape it. I'm wondering if Loblaw's, Walmart and Costco were offered the same ability. If not, why would they choose the Retail Council of Canada to represent them instead?

**Mr. Ron Lemaire:** It's a great question. Thank you, Ms. Rood.

The opportunity to be part of the discussion in the working group and to provide input through the steering committee was given to Loblaw's and Walmart. They leveraged the opportunity to use the Retail Council of Canada and other association channels that were available to them.

At the very beginning, there was representation around the table from Loblaw's, and that opportunity was available throughout the process.

**Ms. Lianne Rood:** Thank you very much.

We've been talking a lot in this committee, and I've asked several people this question with regard to the proposed P2 plastics ban by the Liberal government. We've heard that it's going to cost the industry \$6 billion.

For the sake of those watching at home, can you tell us why the new proposed ban on plastics could essentially cripple the produce industry in Canada? What effect will it have on consumers in terms

of the availability of fresh produce in the grocery stores and the prices that consumers see? What could we potentially see disappear from grocery store shelves, meaning what could Canadians no longer buy at grocery stores if this proposed ban goes ahead?

**Mr. Ron Lemaire:** This is very concerning, and I appreciate your bringing this up on committee.

Ninety per cent of what packaging does, it does before the consumer sees it. If this moves forward, the notice will remove all bagged salads. It will remove all value-added...so all of the clamshells of fresh-cut blueberries and strawberries, all of the products that you would get out of California—or shipped from Mexico when we're not in season—would be removed from the market, just because they wouldn't be able to make the journey. We wouldn't have bananas in Canada, because bananas are shipped in a plastic bag to Canada to control ripening and damage.

You would basically take out a significant portion of the market. You would add an over 20% cost to produce that is available to the market. You would change the dynamic. Even a locally grown product coming out of the fields in Quebec, shipped to local retailers, would have a reduced shelf life.

We would also see waste increase by 50%. We would see GHG emissions double by another 22 million....

It's would be a dramatic impact to the industry and to the consumer.

**Ms. Lianne Rood:** Mr. Lemaire, in your meetings with ECCC, have they at all been open to your suggestions for pausing the timeline for implementation of the P2 plastics ban?

**Mr. Ron Lemaire:** We have requested a pause and a regroup. I know that the department is very focused on achieving a goal and trying to look at what solutions would be available. The discussion isn't about what the P2 notice looks like; it's about whether the P2 policy model is the right model. We don't think it is. We don't think it's functional within a complex food industry. It's going to create too many issues. We provided five recommendations to the department, which they could use to effectively move forward.

**Ms. Lianne Rood:** I'm wondering if you could comment on how the carbon tax affects the input costs of the suppliers you represent.

**Mr. Ron Lemaire:** Right now, if we're looking at the carbon tax, we see that the issue is that the carbon tax imposes.... I'm going to take the greenhouse industry, because it's one of the key industries in our sector that relies on natural gas to heat; and because of the nature and climate we live in, it's an essential part of their business.

Right now, the greenhouse vegetable sector is estimating a cost of over \$22 million annually due to the carbon tax. With the lack of an exemption, which was denied in the bill coming out of the Senate, they're looking at an expected rise to \$82 million to \$100 million by 2030.

I appreciate the other witness providing his commentary. That cost will be passed on. It won't be an immediate pass-on, but there's no way the greenhouse industry can take on that burden of cost and move forward. Many of them are already relocating their operations to the U.S. and Mexico to satisfy production costs and competitiveness in the Canadian marketplace.

• (1700)

**Ms. Lianne Rood:** Mr. Lemaire, would you say it's harder to do business in Canada, then?

What keeps potential suppliers out of the Canadian market?

**Mr. Ron Lemaire:** It's a complex question. It is getting more complicated to do business. The challenge is beyond just the carbon tax. It also includes looking at the cost of borrowing and interest rates. The complexity and layering of regulatory burden on the industry is becoming a challenge. There are access to labour and the cost of labour.

Adding all of these pieces together drives down the opportunity to develop and invest in our own businesses. Many growers are saying that they're not investing the way they would like to because of the uncertainty of the Canadian marketplace.

**The Chair:** Thank you very much, Ms. Rood.

Thank you, Mr. Lemaire.

We'll have Mr. Drouin now for up to six minutes.

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

Mr. Lemaire, I want to build on what you're saying.

Would you have some numbers to provide to committee in terms of greenhouse investments in Canada versus the U.S., for instance, which would be a comparable market?

A lot of the issues you brought up, like access to labour in the U.S., are the same issues. Talking to our counterparts down there, they also have worker programs and they face the same labour crunch. There are the same issues in Europe, where they face the same labour crunch.

I'm curious to understand—

**Mr. Ron Lemaire:** It's a combination.

**Mr. Francis Drouin:** Yes, it's a combination.

**Mr. Ron Lemaire:** It's the culmination. It's the energy and the tax incentives for investment. A range of different elements link in to that shift of investment from one country to the other. You add in the packaging. A range of elements come into play.

What was the second part of your question? The first was greenhouses.

**Mr. Francis Drouin:** You've said...a lot of your members are now shipping down to the U.S. I'd love to see the comparable. If that's in fact happening, that is concerning to me. I'd love to see those numbers.

**Mr. Ron Lemaire:** I'm happy to sit down and also work with the Ontario Greenhouse Vegetable Growers to look at where and how those cost centres truly impact growth in the marketplace. My chair was former president of BC Hot House.

**Mr. Francis Drouin:** Mr. Stanford, thanks for your presentation. I know it's not your first appearance before this committee.

You have created a report that outlines the misconception that every grocer that's been before committee has said, which is that they are operating in a competitive landscape.

Do you believe that they are operating in a competitive landscape, when we're talking about the five major grocers that own 80% of the market share?

Would that be the definition of an oligopoly or would you say it is a tremendous competitive landscape right now?

**Dr. Jim Stanford:** It does fit the definition of an oligopoly, which is where the controlling share of a market is held not by one company, but by a few companies. I don't think there's any question about that.

Is it competitive? Oligopolies do compete with each other. There's no doubt about that. They compete with each other in particular, limited ways that don't necessarily conform to the assumptions of competition as it's taught in economics textbooks.

There's not a black and white spectrum between competitive and non-competitive. There are ways in which they compete with each other, but there are ways in which they clearly don't.

I do think that the fact that this industry is so concentrated does help to explain why its profits have remained at these elevated levels postpandemic, while other sectors in Canada have seen profits retrenched towards pre-COVID norms.

As some of those initial inspiring factors that cause the inflation—things like supply chain shortages and even energy prices—start to abate elsewhere, that has led to a slowdown in inflation and reduced profits. In the food retail sector, profits continue to grow. That is an exception.

• (1705)

**Mr. Francis Drouin:** The last time we had Mr. Weston before committee in March, he said that their profits had increased, but you have to look at their pharmaceutical side.

I don't think it's a more noble cause...to find out that you've increased profit margins from sick Canadians. I think it's disgusting.

Do you agree with that statement?

I know you haven't provided the entire analysis that you've done, but do you agree that the profit margins have increased specifically on food items?

**Dr. Jim Stanford:** The data in my submission, sir, is from Statistics Canada's industry-wide data in which companies are allocated to different sectors based on their dominant business. It would include all the revenues and profits from supermarkets that happen to sell some pharmaceuticals on the side, as well. In that regard, we see that, as noted in my submission, the quantity of sales in real terms has shrunk over the last two years of high prices. That would include their attempts to diversify into other products, whether it's pharmaceuticals, clothing or other things some of these chains are selling.

Now, I am also puzzled by the logic of that argument. As a consumer, I don't really care whether I was ripped off in aisle A with the produce, aisle C with the packaged food or aisle F, where they sell Tylenol and other over-the-counter pharmaceutical products. I don't see that argument helping them.

If anything, the breadth of these companies' dominance not just in one industry—food—but also in others further attests to concerns about the corporate power this oligopoly is able to assert.

**Mr. Francis Drouin:** Thank you.

[*Translation*]

Mr. Léger Bourgoïn, it's a pleasure to see you again. We often meet each other via videoconference, although I was able to see you in person the last time.

Would you please tell us how important the code of conduct is for the fruit and vegetable sector in Quebec? I think you even suggested that the government legislate on the matter, didn't you?

**Mr. Patrice Léger Bourgoïn:** Yes, absolutely.

We negotiated for more than two years for a code of conduct that suited retailers and suppliers. It's utterly unacceptable for two retailers to express their disagreement at the last minute. If those two request changes to the code's wording, then suppliers must have the same privilege.

The negotiations were tough at times. It took an enormous amount of goodwill and good faith on the part of all parties for them to reach compromises acceptable to everyone. I think it's unacceptable to be reviewing provisions and entire swathes of the code of conduct at 11:59 p.m. If there are a few superficial changes, we'll consider them, but we definitely won't be starting a new round of negotiations.

**Mr. Francis Drouin:** Thank you.

**The Chair:** Thank you very much.

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

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

Thanks to the witnesses for being with us.

Mr. Léger Bourgoïn, you ran through a number of recommendations in your opening statement. I'd like us to take a closer look at them. If we run short of time, I'd appreciate it if you'd provide your answers to the committee in writing.

First you said it was important that the government get involved in risk management. Would you please expand on that idea?

**Mr. Patrice Léger Bourgoïn:** We've made a choice, particularly in Quebec, to practise human-scale farming, diversified farming by fruit and vegetable producers who essentially belong to family businesses. Until now, the risk has been entirely acceptable. However, in the context of climate change, it's less and less realistic, for the economic survival of those businesses, to require producers to bear virtually all of that risk.

I'm going to let my colleague Ms. Lessard discuss the various changes we would like to see put in place.

**Ms. Catherine Lessard (Deputy Director General, Association des producteurs maraîchers du Québec):** Can you hear me clearly? There was an issue with the microphone earlier.

**Mr. Yves Perron:** You can answer and we'll see if there's still a problem.

• (1710)

**Ms. Catherine Lessard:** All right.

Yes, we'd like certain adjustments to be made to the risk management programs to afford businesses a vision of the future. They must be able to cope with climate change and the price swings that may occur in the next few years.

There's the AgriStability program at the federal level. Without going into the technical details, I'll just say that this program is based on margin variations over a five-year period. Of course, climate change will cause more variations and, as a result, more than one in five years will be bad. Consequently, we think a major change has to be made to the AgriStability program to take climate change into account.

The same is true of all the harvest insurance programs administered by the provinces. Producers would also have to take out extended coverage, to deal with climate change, and possibly disaster insurance coverage for extreme cases.

The purpose of these recommendations by the Association des producteurs maraîchers du Québec is to maintain future fruit and vegetable activity. Stable fruit and vegetable operations necessarily mean stable prices.

**The Chair:** Thank you very much.

Unfortunately, the sound quality is too bad for the interpreters. I'm sorry, Ms. Lessard.

**Mr. Yves Perron:** May I continue with Mr. Léger Bourgoïn in that case?

**The Chair:** Yes.

[*English*]

I've stopped the time. I let her finish because I wanted to make sure you had the answer, and some of our francophone colleagues, but for our English colleagues, there was no translation. I let that happen, and I used my discretion.

You have three and a half minutes left.

[*Translation*]

Unfortunately, you won't be able to speak, Ms. Lessard, because of the sound problem.

**Mr. Yves Perron:** I'll continue with you, Mr. Léger Bourgoin.

You're asking us to review the risk management programs. My Liberal colleagues will tell you they've just been renewed until 2028. What's your answer to them?

**Mr. Patrice Léger Bourgoin:** We can say that, despite the fact those programs have been renewed until 2028, climate change is at our door and we have to be able to adapt in accordance with its magnitude. Quebec suffered dramatic consequences this past summer, when we had record precipitation and a frost in June. Who could have anticipated a frost in June barely a few years ago? While southern Quebec was flooded, Abitibi, in the north, experienced an unprecedented dry period.

Risk management programs have to be constantly reviewed to deal with climate change, which not only affects both Quebec and Canada, but the entire planet as well.

**Mr. Yves Perron:** You also talked about creating an environment conducive to investments to improve risk resilience and innovation. Would you please expand on that idea?

**Mr. Patrice Léger Bourgoin:** Climate change will obviously bring on new farming practices. We have to work with the various stakeholders, such as the scientists and the businesses that sell inputs, to adapt our farming practices to climate change.

This need to adapt practices, whether in irrigation or drainage, for example, will encourage us to reconsider practices we've engaged in for decades. We need to be financially capable of meeting these challenges through innovation, but no SME can face those challenges alone.

It's helpful to remind you, sir, that the average farm in Quebec has to invest \$500,000 at the start of the season before it can make even a single dollar in revenue. And I mean revenue, not profit. It's harder and harder for agricultural SMEs to meet that enormous challenge.

**Mr. Yves Perron:** Mr. Léger Bourgoin, what will happen in the next few years if we don't follow your recommendations, if we don't revamp the risk management programs, if we don't facilitate investment, if we don't take care of you and if we let you manage the risks on your own?

**The Chair:** You have 30 seconds in which to answer.

**Mr. Patrice Léger Bourgoin:** Then Mr. La Flèche will have to work very hard to source fresh fruit and vegetables from around the world because we won't be able to produce them in Canada.

That situation has already occurred in Ireland, Mr. Perron. Last summer, the Irish ran out of fresh fruit and vegetables. Grocery store shelves were empty.

We have to prevent that kind of situation from occurring in Quebec and Canada.

• (1715)

**Mr. Yves Perron:** Thank you.

**The Chair:** Thank you very much, Mr. Léger Bourgoin and Mr. Perron.

Go ahead, Mr. MacGregor.

[*English*]

**Mr. Alistair MacGregor:** Thank you very much, Mr. Chair.

Thank you to all the witnesses who are helping to guide our committee through this study.

Mr. Stanford, I'd like to start with you. We've now had four of the CEOs reappear before our committee. What struck me when Mr. Weston was here—and indeed with all of them—was the reason so many people across Canada have such a lack of trust in the grocery retail sector. It is that families from coast to coast are struggling, yet we see this corporate sector still doing quite well.

The reason it's such an emotional issue is that they are selling not just any product; they are selling the necessities of life. I mean, that's the thing where we're all equal. We all need to eat to survive. Even when it comes to medications, that's still a reality. I know Mr. Weston's salary is about 431 times that of the average employee. None of the CEOs were able to tell this committee how many of their employees are using a food bank just to get by, even though they may be working full time.

I really appreciate how, in your handout to the committee, over pages 2 and 3, you really illustrated the point that despite claims this is a low-margin industry—and I think it's a misnomer—it doesn't necessarily reflect the fact that it's not a profitable business. To simply explain it, you can have relatively the same margin over a number of years, so that may look low or static, but in grocery retail, it's doubled. You've shown that. Even so, if their gross revenues are going up, that margin is still going to translate into a fairly substantial profit. We've seen that when you compared quarters year over year. Is there anything you wanted to add to that point from your opening remarks?

**Dr. Jim Stanford:** Thank you, Mr. MacGregor.

I think the issue of the profit margin has been misunderstood and perhaps deliberately misportrayed as a sign the industry is not profiting from food inflation. We've heard the claim that, if you buy \$100 worth of groceries, only \$3 to \$4 of that actually goes to the profits of the supermarket. We have to adjust that analogy today, because a cart of groceries costs \$200 now, not \$100. Therefore, only \$6 to \$8 of it goes to the profits of the supermarket. Still, that makes it seem inconsequential, and it's not.

First of all, as I noted, food retail is not a capital-intensive industry, so the amount of invested capital in that sector is not high. It's barriers to new entrants, including the market power of the companies that are already there and have consolidated their power through all the mergers and acquisitions that have occurred over the last generation, which were detailed in that Competition Bureau report, and very helpfully. That's what keeps it so cozy as an oligopoly, and it has allowed them to take advantage of the uncertainty and disruption associated with the pandemic, and increase their margins.

First of all, it's false that the margins didn't increase. Secondly, even if they seem small, it's a large amount of profit relative to the capital that's invested.

**Mr. Alistair MacGregor:** Thank you, Mr. Stanford.

I'm going to load up two questions here, just in the interest of time.

You stated in your handout and your opening remarks that the carbon tax absolutely pales in comparison with the profits in the oil and gas sector as a driver of inflation. In previous handouts, you've shown that oil and gas, over the last three years, has seen net profits increase by over 1,000%.

Can you extrapolate, from those massive profits in oil and gas, how that's affected food prices? I think we need to look a little upstream.

Also, I noticed you wrote a bit in your handout about how even executives in the grocery retail sector are doing stock buybacks and dividend payouts. I have a friend back in my riding of Cowichan-Malahat-Langford who's looked at the financials of oil and gas. He noted the oil and gas sector has shifted to a capital-discipline, flat-growth and high-shareholder-return strategy. They too are using their massive profits not to reinvest in industry or pay the Canadian people but to send to shareholders. Those are the primary beneficiaries.

Do you see correlations in the grocery retail sector?

**Dr. Jim Stanford:** You're quite right, sir.

In fact, your initial question talked about the necessities of life and this being one reason why Canadians are so upset about food prices. However, there are other necessities of life, including housing, energy and other things we must buy. In many cases, companies were able to take advantage of the disruptions of the pandemic to increase their own profits. You could say this is just how the market works. Suppliers will charge what the market will bear. In my own view, I think there are both ethical and economic reasons to challenge the ability of companies with that market power to increase prices in a moment of economic and social disruption.

Energy prices, initially, in the period up until mid-2022, were the leading cause of inflation in Canada. The profits captured by those companies made the supermarket profits look like spare change, really. They were enormous. Now energy profits have come back down, in part because of the normalization of supply relationships. Food retail profits have stayed quite high.

However, in both cases, they earned huge amounts of profit and contributed significantly to Canadian inflation and the macroeco-

nomie after-effects of inflation, including the high interest rates we're experiencing now. They have so much money that they literally don't know what to do with it. That's why, in the energy sector, the food retail sector and some other sectors, you've seen a surge in share buybacks by companies that are saying they're going to find a way to pay this back to investors.

The federal government, of course, has a new modest tax on share buybacks. I think that's a good idea, and I think it should be expanded. Other measures should be taken to capture some of the froth that is represented in those record profits in food retail, energy and other sectors.

• (1720)

**The Chair:** Thank you very much, Mr. Stanford.

**Dr. Jim Stanford:** Thank you.

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

You mentioned the word “froth”, Mr. Stanford. I'm going to be want a beer after this committee.

Anyway, speaking of committee, we only have a few minutes left, colleagues, so I'm going to try to keep it tight. I'm going to ask for four minutes from the Liberals and Conservatives, and we'll do two and a half each for the Bloc and NDP.

It's over to you, Mr. Steinley.

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

I'll pass it over to my colleague Mr. Lehoux right after this.

I'd like to put the following motion on notice:

Given Canada's Territories have disproportionately higher food prices due to transportation costs and that the Carbon Tax makes everything more expensive and that the Premier of the Northwest Territories has requested a complete exemption from the Carbon Tax for his jurisdiction; the committee call on the government to immediately carve out the Northwest Territories from the Carbon Tax to bring home lower food prices.

It's over to Mr. Lehoux.

[*Translation*]

**Mr. Richard Lehoux:** Thank you.

Thanks to the witnesses for being with us this afternoon.

Mr. Léger Bourgoïn, you mentioned a lot of things at the outset.

For example, you touched on equitable relations between the parties, retailers and producers; in short, among all the intermediaries.

You also discussed the importance of reciprocity of standards in importing products in a context where fruit and vegetable businesses in Quebec are mainly family businesses.

Do you think we're doing a good job on the reciprocity of standards for importing certain products into Canada? Various products could be imported in much larger volumes in future. What impact do you think that will have on the reciprocity of standards? Are we doing the work correctly?

**Mr. Patrice Léger Bourgoin:** Mr. Lehoux, I would essentially say that's the case from a regulatory standpoint. The statutes are in place and the entire global trade environment is also regulated.

We mainly have to see what human and financial resources the Canadian government devotes to random inspections, to cite only that example. That's what's lacking, in my humble opinion. A lot more inspections should be done at the border to ensure that goods entering Canada are consistent with the laws and regulations in force here, locally. The goal is to ensure fairness among producers, obviously, but also to guarantee food safety and security for consumers.

**Mr. Richard Lehoux:** Thank you, Mr. Léger Bourgoin. Your remarks are very clear. It's not the rules that are lacking; it's more the fact that we don't have the necessary resources to enforce them. This is the first time I've mentioned this to the committee.

I'd like to discuss the introduction of new standards for plastics. What do you at the Association des producteurs maraîchers du Québec think about the introduction of these new rules? What financial impact will they have on businesses?

**Mr. Patrice Léger Bourgoin:** They will definitely have an impact on the businesses because new ways of operating in the logistics chain will have to be put in place.

However, the major challenge is the issue of product expiration. As you know, many fruit and vegetable products are extremely fragile. Ontario and Quebec represent approximately 80% of Canada's fruit and vegetable production. Products sometimes have to be transported from Ontario and Quebec to as far away as Vancouver. Producers must ensure that products can avoid damage while in transit and that consumers have access to products of equivalent freshness even after transport.

If we start experiencing problems of product freshness, quality and safety, we'll only succeed in shifting the problem and encouraging food waste. It seems to me the last thing we want in this period of inflation is to encourage food waste.

• (1725)

**Mr. Richard Lehoux:** Thank you very much, Mr. Léger Bourgoin.

I would like to put the same question regarding packaging to Mr. Lemaire.

Would you please tell us briefly what you think the effect of that would be for you? You talked about this earlier, but do you have anything to add, Mr. Lemaire?

[English]

**The Chair:** Ron, you're on mute there, fella. We're at time, so keep it tight, if you could.

**Mr. Ron Lemaire:** Thank you, Mr. Chair.

Very quickly, there would be a dramatic impact with a 20%-plus cost to food and increased waste. Everything Monsieur Bourgoin mentioned was accurate.

**The Chair:** Okay.

Mr. Louis, you have four minutes, please.

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

I want to thank everyone for being here as well. It's an important discussion.

I'll direct my questions to you, Dr. Stanford. You stated that the latest industry-wide financial data on food retail is showing that the retail profits have doubled since prepandemic norms, and that profits are continuing to grow. You also mentioned that grocery retailers are not capital-intensive. They are not growing, processing or manufacturing the products they sell. You said they purchase products from suppliers, adding their markup and selling to consumers.

What are the main reasons behind this increase? In your opinion, why haven't profit margins narrowed back to prepandemic levels? Is industry concentration or demand inelasticity contributing to the sustained high profits in the food sector?

**Dr. Jim Stanford:** That's a very good question, sir. Thank you for asking it.

I can't profess to have the final answer on it. I think it requires further study, and I know that both your committee and the Competition Bureau itself have been trying to do that. Your tasks would be easier if you had more access to transparent data from the retailers themselves.

I don't mean to underestimate the complexity of running an efficient, modern food retail operation. There is certainly a lot of planning, technology, logistics and entrepreneurship involved, but, in terms of the amount of invested capital in the firms, it's small relative to the total flow of revenue. That's how these companies can make a very high rate of return on equity and generate very healthy returns to their investors, including total return and capital gain. The share prices of most of these firms have risen dramatically since the pandemic, and then the distribution of actual cash, whether through normal dividends or share repurchases....

Why they have been able to sustain those record profits while profitability elsewhere in Canada's economy has been returning towards normal over the past year is a very important question. I'm sure that the concentrated nature of the industry has something to do with it. I am sure that the desperation of consumers to put food on the table—as noted earlier, it is a necessity of life—creates an inelasticity to demand.

I think it requires further study to really identify any more of the specific reasons why this industry, quite uniquely, has been able to sustain the record profits that rose after the pandemic, despite higher food prices and a decline in the quantity of food that Canadians are purchasing.

**Mr. Tim Louis:** Thank you for that answer.

An economic report released said that the price of pollution adds 30¢ to a \$100 grocery bill. What does that and your data suggest about the impact of carbon pricing on food prices? We've heard that other factors are having a greater effect on grocery prices, factors like climate change, supply chain issues and global energy prices.

Can you comment and expand on that? What we can do here in Canada to mitigate those factors?

**Dr. Jim Stanford:** Energy prices themselves would be a completely higher order of magnitude on the impact on food prices than the carbon price itself. In fact, the increase in energy prices charged by energy producers, including those in Canada on Canadian energy charged to Canadian consumers—which has nothing directly to do with what's happening in the Middle East—means that the impact on food prices was 30 or 40 times greater than the direct impact of the carbon price.

The other point to remember is that even that 30¢ on the \$100 estimate is really telling only one side of the story. That is based on tracking the carbon price through the input chain into all of the different factors that end up in the consumer's final basket, but the whole point of the carbon price is to encourage changes in behaviour, to shift towards renewable forms of energy and to conserve energy, both of which will have offsetting impacts on final prices.

Some of the studies internationally that have looked at the overall economic effects of carbon pricing on the whole price level and not just on products that use fossil fuels intensively suggest that there is no net impact on the overall consumer price index or potentially a slight deflationary impact because of the benefits of strong investments in renewable energy on energy costs and energy supply.

If anything, I think that number you threw out is probably too pessimistic and, on a net basis, the impact on food prices will be nothing, if not, in fact, negative.

• (1730)

**The Chair:** Thank you very much, Mr. Stanford.

Thank you, Mr. Louis.

[*Translation*]

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

**Mr. Yves Perron:** Thank you very much, Mr. Chair.

I'll continue with you, Mr. Léger Bourgoïn.

I'm glad that you clearly stated your position on the reciprocity of standards and the urgent need to devote far more resources to it.

Now let's talk about the code of conduct. You discussed it in your opening statement. Since you were at the bargaining table, I'd like to know how that went.

**Mr. Patrice Léger Bourgoïn:** I was there with my colleague Ron Lemaire. Without violating any confidentiality agreements, I can tell you they were very constructive discussions. Our colleagues from Sobey's and Metro were there as well. There was a genuine desire to understand the suppliers' situation and to reach a compromise—and I emphasize that word—that would make it pos-

sible to put the first code of conduct in place. The code isn't an end in itself; it's a first step toward healthier relations among producers, suppliers and retailers. The goal of the work was ultimately to improve the fate of citizens and consumers.

**Mr. Yves Perron:** Do you agree with the witnesses who tell us that the code will have no impact on prices and that it's designed instead to improve relations? In my view, if there are fewer fines, production costs will definitely be lower, and selling prices may not be as high.

I'd like to hear your opinion on that.

**Mr. Patrice Léger Bourgoïn:** I agree with you, Mr. Perron. The reasoning is clear. If the retail chains don't want to revamp their business model or reduce fines and various costs, that definitely won't have a perceptible impact on consumers.

Having said that, I assume that more transparency also results in more embarrassment over business practices. These are publicly traded companies, and they're aware of their social responsibilities and concerned about their image.

I'm pretty sure that what we've seen in Great Britain will be reflected in the Canadian market if we wait a few years.

**Mr. Yves Perron:** That's great.

Now how do we go about convincing the two recalcitrant companies to abide by the code? Should we tell them it will be revised in a year? Do you have a magic solution?

**Mr. Patrice Léger Bourgoïn:** If they decide not to comply with it, you should make the code mandatory and adopt a binding new legislative measure.

We negotiated for two years, Mr. Perron. New Zealand, for example, also negotiated for about two years, and that resulted in the passage of an act. So why would that take three, four or five years in Canada? This has to be resolved in 2024.

**The Chair:** That's great.

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

[*English*]

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

I would like to direct my last question to Mr. Lemaire.

Mr. Lemaire, I was happy to join with a number of my colleagues around this table at the CPMA when you were in Ottawa and we did the MP round table. I do appreciate how sensitive the issue on plastics is for the industry. We heard that very clearly. I remember saying during that panel that in the riding I represent, being a coastal environment, we're very sensitive to the issue of plastic pollution because of microplastics and bioaccumulation and so on. So I think it's a noble intent, but I think you've very well outlined the concerns that the industry has.

That being said, I remember going to Montreal last year. I think it was in April. You were at the Montréal Convention Centre. All kinds of the companies you represent were there, displaying not only the latest technology but also some innovations that were going on in packaging.

I think the big concern is that a lot of the Canadians I speak to are just wondering how we can keep plastics from going into the waste stream and how we can encourage a little bit more recycling and reusing. I think this is probably a good moment for you to outline some of the important steps that your members are already taking in this regard. I did see some pretty great demonstrations. They may not be product-ready yet, but it does show that there are companies making a lot effort in this.

Perhaps you can take the next minute to talk a little bit about that.

• (1735)

**Mr. Ron Lemaire:** Thank you, Mr. MacGregor. You hit it right on the head. The industry has been progressive. We have been working, actually since before 2018, to drive change in sustainable packaging. But there's a lot more complexity to where we're going compared with what the policy framework is suggesting under P2.

Right now we've looked at increased recycled content in our plastic materials. That is why we need to look at a systems approach in our recycling framework across the country to more effectively collect and recycle. We've looked at a 17% reduction in

the ratio of food weight to packaging. We've looked at leveraging the golden design rules, effectively, to drive those across the country and have effective and sustainable solutions. We've worked with Agriculture Canada to launch an online platform to provide the food industry with direction on how to create sustainable packaging. We've looked at lightweighting, where you remove 30% of the material in the package so that it can be more effective and more sustainable in the marketplace.

These are just some of the pieces toward creating a circular economy. The industry is being very progressive to get there. The challenge is that to move to a total elimination is a step too far for anyone, not only in Canada but also on a global level.

**The Chair:** Thank you very much, Mr. Lemaire and Mr. MacGregor.

Colleagues, that brings us to the end of the second panel.

I want to say a few things.

First of all, of course, on your behalf to our witnesses, thank you for taking the time to be with us this evening to contribute to the study. I want to wish you a merry Christmas, happy holidays and a happy new year. We'll see you in 2024.

On that note, colleagues, we did have a scheduled time on Thursday morning. However, there's uncertainty about when the House may rise. To be fair to our witnesses, in case we were to rise on Wednesday, I'm going to give you your time back on Thursday morning. We will continue in the new year.

With that, if I don't happen to see you in the House, I want to wish everyone a merry Christmas and happy holidays. I hope you have a great time back with your families and your constituents following this week.

Thank you to our translators and to all our staff, as well. Merry Christmas and happy holidays to you.

The meeting is adjourned.









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

---

### SPEAKER'S PERMISSION

---

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

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

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

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

---

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

Publié en conformité de l'autorité  
du Président de la Chambre des communes

---

### PERMISSION DU PRÉSIDENT

---

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la Loi sur le droit d'auteur. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre des communes.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la Loi sur le droit d'auteur.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

---

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante :  
<https://www.noscommunes.ca>