



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

44th PARLIAMENT, 1st SESSION

Standing Committee on Agriculture and Agri-Food

EVIDENCE

NUMBER 089

Tuesday, February 6, 2024

Chair: Mr. Kody Blois



Standing Committee on Agriculture and Agri-Food

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• (1100)

[English]

The Chair (Mr. Kody Blois (Kings—Hants, Lib.)): Colleagues, it's great to see everyone back in full form after the holiday break. I hope you all had a great time with your family and your constituents.

We're back. Welcome to meeting number 89 of the House of Commons Standing Committee on Agriculture and Agri-Food. I'm not going to go through the reminders because you guys are all veterans of this committee. "Be good" is the word from the chair.

Before we go any further, the budget has been distributed for the study that we're currently under on the efforts to stabilize food prices. Assuming there's no issue with it, I'd like to see that adopted.

Some hon. members: Agreed.

The Chair: Thank you.

Colleagues, in terms of substitutions, Mr. Epp will be in for Mr. Barlow from 12 to one.

We'll look forward to seeing Mr. Epp, and we'll miss you, Mr. Barlow.

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

I'd now like to welcome our witnesses for this panel. From the agri-food analytics lab at Dalhousie University—and no stranger to this committee or the agriculture community—we have Dr. Sylvain Charlebois. We also have with us Stacey Taylor, who is a Ph.D. candidate. She's joining us by video conference. From the Canadian Federation of Agriculture, we have the president, Keith Currie. Scott Ross is on the line as well. From the Retail Council of Canada, we have Diane Brisebois, who is the president and chief executive officer. We also have with us Karl Littler, who is the senior vice-president of public affairs.

It's great to see you. Thanks for being here.

We have a great panel lined up today, colleagues. We're going to start with opening remarks for up to five minutes.

Mr. Charlebois, I'm going to start with you and go to the CFA next. It's over to you.

Dr. Sylvain Charlebois (Senior Director, Dalhousie University, Agri-Food Analytics Lab): Thank you, Mr. Chair and committee members.

Today I am joined by one of our esteemed lab team members, Stacey Taylor, a recognized expert in accounting and food price forecasting in Canada. Please feel free to direct any questions regarding future food prices to her.

As part of the committee's ongoing efforts to address the stabilization of food prices, we aim to address three key issues today: alleged grocer profiteering, price coordination and the grocer's code of conduct.

Let's begin with the topic of profiteering.

We have consistently emphasized that there is no substantiated evidence of profiteering within the food retail industry. To complement our findings from last year's report, it is important to note that gross margins for all three major grocers have remained constant for over five years, as verified by auditors. In most cases, same-store sales growth has fallen below our national food inflation rate as well.

Some experts, including recent committee witnesses, have made claims that grocers are consistently reporting record profits, which may create sensational headlines. However, it is crucial to understand that, due to inflation, companies should naturally report higher profits in nominal dollars each year. Accusations of profiteering in this context are unwarranted distractions. To address real issues, we must put the profiteering debate to rest.

One significant concern we've identified is the prevailing culture of copycatting, price coordination and discount alignment within the grocery sector. An example of this is Loblaw deciding to discontinue its 50% discount policy, citing a need to align discounts with competitors.

Additionally, practices like the so-called three-month blackout period, where grocers request suppliers to freeze prices, can impact retail prices. Metro CEO Eric La Flèche has acknowledged that some food prices will rise in February due to the end of this price freeze, leading to increased price volatility, which is contrary to the desired outcome for Canadians. The ongoing bread price scandal, with three companies admitting guilt for their participation after nearly nine years, is unacceptable. The Competition Bureau should take a more proactive role in monitoring potentially anti-competitive behaviour.

Lastly, I understand that this committee has already heard extensively about the importance of implementing a mandatory industry-led code of conduct. We cannot stress enough how crucial this step is. Mr. Galen Weston's recent testimony before the holidays, where he may have misconstrued how the code operates in Australia and its potential cost to Canadians, needs clarification. The implementation of the code of conduct should be viewed as a priority if this committee is serious about achieving long-term food price stability, as highlighted in "Canada's Food Price Report 2024".

Thank you for allowing us to present these recommendations. I look forward to engaging in a productive discussion on these pressing matters, Mr. Chair.

• (1105)

The Chair: Thank you very much, Mr. Charlebois and Ms. Taylor.

We'll now turn to the Canadian Federation of Agriculture and Mr. Currie for up to five minutes.

Mr. Keith Currie (President, Canadian Federation of Agriculture): Thank you, Mr. Chair.

I'm very pleased to be back in front of the committee today. I'm seeing some very familiar faces.

For those of you who do not know me, as the chair mentioned in his opening remarks, I am Keith Currie and I am the president of the Canadian Federation of Agriculture. We represent 190,000 farmers and farm families from coast to coast to coast here in Canada. I'm also joined online by my executive director at CFA, Scott Ross, who will answer all the hard questions for you today.

We've all experienced, in recent years, food inflation outpacing an already high inflationary pressure on the cost of living. While the rate of food inflation has declined over the past year, it's understandably a topic that is of great concern to all Canadians.

As part of my remarks here today, I want to cover off what I believe are some misperceptions when it comes to this topic.

The first one is this: As the price of food increases, so do farmers' profits. In fact, it costs a lot more to produce the food we eat today than it did before the pandemic. For example, look at the change in price for many of our farm inputs out there. Whether we're talking about machinery, fuel, fertilizer, livestock or livestock feed, the prices farmers pay have increased nearly 40% between 2019 and today. While farm incomes have also increased during this period according to the most recent Statistics Canada numbers, growth in expenses outpaces the rise in farm cash receipts. While

we are starting to see a softening of the commodity prices in the market, the price of farm inputs is still staying at a high level.

Misperception number two is that farm gate prices drive retail prices. A recent study conducted by the Agriculture Producers Association of Saskatchewan revealed that underlying commodity does not account for the entire price increase of the final food product. More often than not, it plays a minor role, with the farm share of retail prices for the products sampled averaging less than a quarter of the value of the final product.

While I would stress that the evidence is quite clear that farm gate prices play a minor role in retail price increases, there are some immediate steps that can be taken to reduce the rising costs involved in Canadian food production.

First, we need time-limited and targeted exemptions for on-farm use of natural gas and propane, which we were trying to accomplish through Bill C-234. These exemptions must be available not just for grain drying but also for the heating and cooling of barns, greenhouses and other production facilities. Based on our survey of the impact of Canada's carbon tax on livestock, crop and greenhouse farms across Canada, we were seeing the carbon tax account for up to 40% of total energy bills in some sectors.

Second, we've put forward a number of recommendations in our budget submission of 2024—this year—that would help drive down the cost of production and improve supply chain dynamics in the agriculture sector. For example, we're calling on the government to consult on and develop a critical farm input strategy, similar to the critical minerals strategy, in order to ensure Canadian producers have a long-term, stable supply of critical farm inputs to produce high-quality agriculture and agri-food products.

Finally, we need to move forward with the implementation of an industry-led grocery sector code of conduct. The objective of the code of conduct is to enable a thriving industry that promotes trust, fair dealing and collaboration throughout the value chain, increases commercial certainty and develops an effective and equitable dispute resolution process. While not targeting food inflation, it will help improve supply chain dynamics. Industry has committed considerable time and resources to the development of an industry-led code that works for all parties. We have greatly appreciated the attention and support of FPT governments throughout the development of the code and hope to see that support continue in getting this over the line.

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

Of note, this Friday—February 9—is “Food Freedom Day”. That is the day when the average Canadian has made enough income to pay for their groceries for the entire year.

Thank you.

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

We'll now move to Ms. Brisebois or Mr. Littler.

Mr. Littler, it's over to you and the Retail Council for up to five minutes.

Thanks.

Mr. Karl Littler (Senior Vice-President, Public Affairs, Retail Council of Canada): Thank you, Mr. Chair, and thank you, members, for the invitation to appear once again at this committee.

With your permission, RCC will split our time. I will speak to food inflation and its causes and current trajectory. Diane Brisebois, our CEO, will speak briefly to the code of conduct, which we know to be of interest.

In a different context, Al Gore referred to an “inconvenient truth”, meaning facts that some people would rather not acknowledge, because, once acknowledged, they'd have to do something they'd rather not do. In this case, what some political opportunists would rather not do is acknowledge how very little grocers have to do with food price inflation and admit that the overwhelming portion of the run-up in food prices occurs earlier in the supply chain, at the producer and processor level.

This is not to lay the blame on producers or most of the processors. As earlier noted, growers have faced huge pressures on input costs like feed, fuel and fertilizer, being global phenomena, along with rising interest charges, labour and other costs. These costs are passed on to manufacturers, who then bear additional costs of their own. However, the fact remains that almost 80% of the price of food on grocery shelves arises at the vendor level, long before reaching grocers.

That inconvenient truth also includes the fact that Canada's food inflation rate is the second-lowest in the G7; the fact that the most recent food inflation rate in Canada is less than half what it was when RCC last appeared before this committee; the fact that the delta between food inflation and headline CPI inflation has narrowed by more than half, and in fact by almost two-thirds; and lastly, the fact that gross margins and net profits in the grocery sector are consistently within the 2% to 5% range, profit percentages that are dwarfed by the profits of the big global CPG manufacturers, who have been passing on repeated cost increases.

Notwithstanding those facts—that inconvenient truth—we face recurring attempts to portray grocers as cartoon villains and, in service of that false narrative, deliberate avoidance of any effort to hold the earlier players in the chain accountable. Our political leadership owes it to Canadians to give them the full picture about food inflation, to openly acknowledge its global and supply chain causes, and, frankly, to stop scapegoating a grocery industry that continues to work diligently to help stabilize food prices for Canadians.

I will now turn it over to my colleague Ms. Brisebois.

• (1110)

[*Translation*]

Ms. Diane J. Brisebois (President and Chief Executive Officer, Retail Council of Canada): Thank you, Mr. Littler.

Creating an industry-led code of conduct is a daunting task. While more work remains to be done, the steering committee, which includes us, is encouraged by progress thus far.

A code of conduct is not a single document. It is a set of integrated measures that work together to promote fair and ethical trade and contractual certainty. It is also important to note that this code differs from codes that exist in other countries. The one proposed in Canada is reciprocal and includes all stakeholders—small, medium and large companies that are part of the supply chain.

Although some large companies in our sector have indicated that they have concerns with the current code, we have regained trust and are convinced that our industry will succeed in reaching a resolution that we hope will concretely address the concerns of the stakeholders involved. We are currently in discussions with certain companies in order to arrive, as I just stated, at an agreement that will meet the needs of all stakeholders.

I'd be happy to answer any questions you may have.

Thank you.

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

We will now proceed with Committee members' questions.

Ms. Rood, you have six minutes.

[*English*]

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

Thank you, witnesses, for being with us today on this important study. You've all mentioned the grocery code of conduct and very different facets.

First off, Mr. Currie, if this is implemented, could you tell this committee how this will work to protect farmers and producers and those who supply the retail chains? I think what most people are missing, and we heard this today, is that it's actually to help the farmers. It may not have an impact on food prices at the grocery store shelves.

Could you explain to us how this will affect the prices?

Mr. Keith Currie: I'll make a couple of comments. Then I'll turn it over to my colleague Scott, who is online. Scott knows intimately the process of the grocery code of conduct's development.

Certainly, what we're looking for is integrity in the system to make sure that people are playing fairly. We all know that businesses up and down the supply chain need to be profitable in order to continue to exist. I can name you off certain instances of it. Your colleague Mr. Epp, who will be here later, lives in an area that is surrounded by greenhouse growers. It's not uncommon for a greenhouse production facility to have a shipment ready to go and to be told, when the truck shows up, "By the way, you're getting two cents less a carton." We want to put in that stability and to make sure that what people are saying, they actually do. That's just reassurance for farmers that they can count on that price stability.

Scott, I don't know if you want to add any more to this. You've been very involved in this.

• (1115)

Ms. Lianne Rood: I think that answers my question, Mr. Currie.

Mr. Keith Currie: Is that good? Okay.

Ms. Lianne Rood: I'm continuing with the grocery code of conduct, perhaps with Ms. Brisebois or Mr. Littler.

Back in December, we had some of the grocery retailers here, and it's my understanding that your organization represents some of the grocers, including Sobeys, Metro, Loblaws and Walmart. Loblaws and Walmart are the only two of the big five grocers that are holding out and have yet to sign on to the grocery code of conduct right now. I asked this question of the Loblaws CEO when he appeared before this committee before Christmas.

I'm wondering if you could tell us where the Retail Council of Canada stands on the issue of supply for independent grocers.

Ms. Diane J. Brisebois: We support it. In fact, I share with CFA's executive director a seat on the steering committee, which is now the interim board for the code of conduct. We are supportive.

We understand, though, as I noted in my remarks, that this is an unusual code because it is the only one that includes everybody. If we look at the U.K. code and the Australian code, they are focused very much on the large grocers and the manufacturers. In Canada, we came together instead. If we're going to talk about fair practice, transparency and contractual certainty, they have to be right across the supply chain.

It's normal that it's taking time. It's normal that some of the players have concerns around some of the elements of the code. I can assure you that, from the Retail Council's perspective, we're working very hard with those who have concerns to try to respond to them and to bring everybody under the umbrella. We think that it

would be a very important sign to show that the entire food supply chain is working together for Canadians.

Ms. Lianne Rood: Thank you.

Mr. Charlebois, in your "Canada's Food Price Report 2023", it mentions that overall food prices will rise by 5% to 7% this year, and that a family of four will see their grocery bills rise by over \$1,000 in 2024. Your report references higher production costs, which we've heard from Mr. Currie. Farmers and producers are facing higher production costs. Higher transportation costs will impact the price of food. This is a direct quote from your report, "may be passed on to the consumer as producers try to remain profitable." A large part of production is the fuel price for trucks that transport our food. They have to pay the carbon tax. We see that the NDP-Liberal government wants to quadruple the carbon tax. In fact, it's going to go up on April 1.

Given that the carbon tax is inevitably going to increase the cost to transport goods to the grocery store, do you believe that it's going to have a direct impact on Canadian families and will be a reason for the higher food prices that we'll see on the grocery store shelves coming up?

Dr. Sylvain Charlebois: That's a good question.

First of all, I want to just briefly correct you. That was last year's report. This year's report, 2024, says that we're expecting food prices to go up by 2.5% to 4.5%. For a family of four, it's \$700. Things are improving, if you will. The year 2023 was a very difficult year for sure.

When it comes to the carbon tax, we've done some studies at the lab. We can't correlate what's happening with the carbon tax with food prices at retail. However, I mentioned at the finance committee, I think it was three months ago, that we are concerned about competitiveness. Due to the financial burden put on farmers, processors and retailers, eventually we expect that the industry's competitiveness could be compromised over time compared to what we're seeing in the United States.

Ms. Lianne Rood: Thank you.

I mentioned the 2023 report because we did see a huge increase in 2023 when we had the implementation of a carbon tax. It was going to raise prices in 2023. Given that it is 2024, I can't see how that wouldn't pertain to 2024. That's why I directly quoted that.

Yes, in 2024, we said \$700. That's still a significant amount of money for Canadian families. We see record numbers at food banks right now, over two million people. We're trying to find ways to lower the cost of food for Canadians, but it seems that this government's policies and inputs costs are a huge part, again, of the cost of food for producers.

• (1120)

Dr. Sylvain Charlebois: Very briefly, what I recommended to FINA, to the committee on finance, is to pause the carbon tax for all companies related to the food industry overall, because we don't know exactly how the carbon tax will impact the industry's competitiveness over time. We just don't know.

Ms. Lianne Rood: Thank you very much.

The Chair: Thank you very much, Mr. Charlebois and Ms. Rood.

We'll now turn to Ms. Taylor Roy for up to six minutes, please.

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

I think I may stay with that line of questioning, because you said, Mr. Charlebois, that you cannot correlate food costs with the carbon tax. In fact, the carbon tax is higher this year than it was last year. It's been going up by a certain amount, predictably, for investments every year.

How do you explain then that this year it will be a 2.5% to 4.5% increase, when last year it was a lot more, if in fact the carbon tax is going up and not down?

Dr. Sylvain Charlebois: The rhetoric around the carbon tax is a bit misleading. Most people are talking about retail, but a lot of things can happen in retail. Consumer behaviour can impact food prices. The weather can impact food prices. It's very difficult to correlate retail prices with policies such as the carbon tax.

What we've looked at are industrial prices. What we're finding out is that for industrial prices in Canada—up the food chain, from farm to processing—the gap between Canada's industrial product price index, IPPI, and the U.S.'s PPI is increasing. That means we could compromise Canada's food security over time if we don't necessarily allow the food industry to adapt and adopt green technologies to decrease the industry's carbon footprint.

We need to decarbonize the economy, obviously. I think everyone agrees with that. It's the pace at which we're doing it right now and imposing this tax. What we're saying is that, perhaps, the industry is overburdened by that.

Ms. Leah Taylor Roy: Thank you.

Obviously, the United States doesn't have a carbon price across the country, but we know that many of the states have an equivalent to a carbon price. We also realize that a lot of the trade agreements are going to include some kind of carbon pricing in them.

You talk about competitiveness. Is the prospect of tariffs being applied if you do not have a carbon-pricing program in place not also a competitive concern for Canada?

Dr. Sylvain Charlebois: In my personal opinion, I think we need to be in lockstep with our trading partners. We could actually

really hurt.... I think we are hurting farmers. I think Bill C-234 was not welcome news for the farming community. Mr. Currie would speak to that for sure.

We need to think about processing. A lot of processors are suffering. The RCC mentioned that costs are going up in retail and distribution, which is absolutely true. Now we're seeing more investment in the middle mile. Metro and Loblaw are all investing in the middle mile, which is great, but it's happening really quickly.

Ms. Leah Taylor Roy: The speed of the change is what you're referring to—very good.

Have you done any work on looking at the impact of climate events in Canada on food costs? I'm talking about anywhere in the chain, but particularly the farmers. The droughts we've had recently and the flooding, the forest fires....

Have you had any kinds of estimates done on what those are adding to food costs or to farmers?

Dr. Sylvain Charlebois: Every year, when we write “Canada's Food Price Report”, climate change is the number one factor. It's the wild card. For a few years, it was COVID and climate change. Climate change is really a big factor. It doesn't mean that it will drive prices higher; it makes things more unpredictable.

I think the focus of this committee in looking at food price stability is to look at price volatility, and not necessarily food inflation. We need inflation to grow the economy. Demonizing inflation, to me, is a waste of time. We need to focus more on price volatility, and climate change certainly does that.

Ms. Leah Taylor Roy: It increases the volatility.

You said climate change would not necessarily drive prices higher.

• (1125)

Dr. Sylvain Charlebois: Not always, no.

Ms. Leah Taylor Roy: But they—droughts, floods and things like that—are not going to lower prices, obviously, when we're....

Dr. Sylvain Charlebois: Sometimes environmental conditions are favourable to production. We see that.

Ms. Leah Taylor Roy: Has there been an occurrence of that in the last five years in Canada?

Dr. Sylvain Charlebois: We can't forget that we're doing a lot of research to help farmers grow more. Yields are going up and all of that. We need that research to continue. In lockstep with what's been happening with climate change, we've actually been supportive of the industry to cope with climate change overall.

Ms. Leah Taylor Roy: Okay. That's great. Thank you very much.

The Chair: You still have about a minute if you'd like to use it, or you can share your time.

Ms. Leah Taylor Roy: That's great.

I would love to go to Stacey Taylor and ask about that question of volatility. I saw something about food prices being calmer next year. Perhaps you could comment on that and why you think that is the case.

Ms. Stacey Taylor (Member, PhD Candidate, Agri-Food Analytics Lab): Absolutely.

When we are doing our forecasts, what we're essentially using is all of the available information at the time. We run all sorts of different scenarios so that we can try to predict what is going to happen. Because we have a lot of unknown unknowns—to borrow from a well-known phrase—we try to estimate what could possibly happen, along with the data for what has actually already happened. That's how we're creating our food price predictions for next year, and how we always have.

Now, one thing that we have a challenge with is that we have limited Statistics Canada data. For example, when we're looking at the north, we have information for the Northwest Territories and the Yukon for food. We have nothing for Nunavut. It is also very limited. If it's going to be on a Canada-wide basis, it really needs to include all of Canada. The north is a very important part of our country. We need to have much more visibility of what challenges they are facing versus the rest of Canada.

The Chair: Okay. That does take us—

Ms. Leah Taylor Roy: That's good to know.

Thank you.

The Chair: All right.

[*Translation*]

Mr. Perron, you have six minutes.

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

I'd like to thank the witnesses for taking the time to join us today.

Mr. Charlebois, my first question is for you and I'll try to ask it quickly.

You mentioned that, according to your studies and analysis, saying that large grocers are profiteering is simply populism. Can you expand on your reasoning?

How do you explain the big numbers we're seeing? Indeed, we've been shown huge figures. So it's easy to hop on the bandwagon.

Dr. Sylvain Charlebois: It's quite simple.

In fact, I agree with the Retail Council of Canada representatives that food inflation has been politicized. To politicize food inflation, you use big numbers to represent profits in dollars.

For our part, we've published three reports on greedflation and we've shown that gross profit margins have remained roughly the same over the past five years. We believe this is an important metric to look at, because it's about calculating revenues minus product costs. So, when costs change upstream in the chain, we see it. It's a fairly clear indicator.

The other thing to consider is food product sales. Food products need to be separated from pharmaceutical and cosmetic products. Increases in food sales rarely exceed food inflation. There have been two or three cases: at Metro, it's happened a few times, as it has at Loblaw's. But generally speaking, over the past three years, it's been very rare. So, these companies make a lot of money selling something other than food.

Mr. Yves Perron: That's what they told us too.

The only problem for us parliamentarians trying to study the issue is that we can't obtain figures and a breakdown of the data because those grocers are in competition.

Dr. Sylvain Charlebois: That is a separate problem.

Mr. Yves Perron: We then asked them to provide the Competition Bureau with their figures, and they said they would. However, when we subsequently received the Bureau's report, we discovered in the first few pages that the grocers had not provided their figures.

In a way, they're courting trouble.

Dr. Sylvain Charlebois: Some are more transparent than others, incidentally.

Mr. Yves Perron: That's right. I'm editorializing a bit, but I think you and I agree on that. They've got work to do on that front. By the way, I'm glad you mentioned the Competition Bureau.

I'd also like you to comment on the latest media appearances by the Minister of Innovation, Science and Industry, in which he asks our committee to recall the CEOs of the major grocery stores even though we already met with them last spring.

Do you think that could lead to anything, ultimately? Have you seen any results from their appearances, as someone who monitors prices on an almost daily basis?

Dr. Sylvain Charlebois: In fact, I accompanied Minister Champagne to the meeting of the five major distribution stakeholders held in October in Ottawa. I was asked to give a presentation. I talked about important issues, such as the code of conduct and the well-publicized price freeze period. In my opinion, certain practices are obsolete. In particular, the industry's pricing culture needs to be addressed. We saw that with bread, and there are suspicions about other products too. But I don't hear the Minister addressing this in his message. The Minister talks about shrinkflation, deskilling and that sort of thing, but I think we need to go further. The issue of profits, in my opinion, distracts from the real problem that needs to be addressed, which is volatility.

I've produced a chart for you. I didn't mention it earlier, but this table clearly shows that prices are much more volatile between November and February, and have been for 30 years. We've done the analysis over 5 years, 10 years, 15 years, 20 years and 30 years. Over the last 30 years, November, January and February have been the most volatile months. May is also volatile. Why is that? Because of the fees. In my report, I've provided a letter from Loblaws informing suppliers that, as of April 28, fees will increase. What do you think will happen?

• (1130)

Mr. Yves Perron: Prices will rise.

Dr. Sylvain Charlebois: Prices will rise, suppliers will increase their own prices to compensate for the additional costs, and the consumer will end up footing the bill.

Mr. Yves Perron: I let you speak at length because you went straight to the point I wanted to make and that interested me. Now I'd like to come back to the code of conduct.

Even if there are no abuses related to profit margins, there can be abuses elsewhere. In that respect, the code of conduct is essential. As was mentioned earlier, everyone needs to be involved in it.

I'd like to hear your expert opinion on this.

Based on information people were willing to give us, our committee feels that Loblaws and Walmart don't want to sign the code of conduct. Now, correct me if I'm wrong, but these two companies represent about 50% of the market.

What would happen if a code of conduct were introduced, but half the market didn't adhere to it? How can that problem be resolved?

Dr. Sylvain Charlebois: In my opinion, the issue is not even up for debate: the code won't work without the mandatory participation of all industry players. Personally, I don't see how a code could work without Walmart and Loblaws. We need some leadership from Ottawa and the provinces. In my opinion, it's better not to have a code at all if Loblaws and Walmart don't participate.

Mr. Yves Perron: So you don't foresee the possibility that less willing players will come around to the code after a few months.

Dr. Sylvain Charlebois: No.

Mr. Yves Perron: Thank you.

The Chair: Thank you very much.

Mr. MacGregor, you have six minutes.

[English]

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

Thanks to all of our witnesses for coming before us.

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

I understand we come to different conclusions on the nature of profits in the retail grocery sector, but in your opening statement, I think you used the words "demonization" of the industry and the fact that sometimes a cartoon caricature is used to describe grocery retailers.

You are the vice-president of public affairs, and the theme of my question is that I think those characterizations practically invite themselves. If you look at the industry, the big three in particular, if you look at the subcompanies that they hold, many of those are companies that used to be competitors and they swallowed them up. There's a definite lack of competition in the market.

Dr. Charlebois talked about the culture in the industry. We know about the bread price-fixing. We know about the recent deal between Loblaw and Manulife. They've had to climb back down from that. There's the fact that Loblaw also reduced the discounts that people were getting on same-day items and so on, and the fact that employees have had to go on strike because they can't afford to shop at the very places where they work.

I'm just wondering if you think the grocery retail industry needs to take on a little bit of responsibility for its public image out there, the perception that exists. This didn't just come about in a vacuum.

Mr. Karl Littler: I think there are a number of things that I would say. First, I would take issue with your characterization that it's not a highly competitive industry.

The second thing I would say is that we have had a situation in which politicians of a number of stripes, some of them very senior, and some of the punditry and particularly some of the media have made an attempt to tie in the public mind the profits of grocers with the food inflation that people are experiencing when they go to the stores. That is an entirely unfounded basis. There are those who have, through this piece, frankly, suppressed information with respect to the more general contribution. I would say that this committee in its report showed a significantly greater amount of balance, but when it comes to the Twitterverse or when it comes to some of the political statements at press conferences, there is a deliberate attempt repeatedly to try to tie food inflation to grocery operations, grocery profits and—

• (1135)

Mr. Alistair MacGregor: I understand that, but the basis of my question was whether you think grocers need to take a little bit of responsibility for well-documented public actions on their part. This perception didn't just occur in a vacuum.

Mr. Karl Littler: First, if you treat each issue discretely, I think it is reasonable that you can have a discussion about these issues.

What I'm taking issue with, and what I think those who work in the grocery industry take issue with, is the deliberate characterization of grocers by a number of political leaders as being responsible for food inflation when all of the evidence is that this is not the case. Expert bodies, including the Bank of Canada and Statistics Canada, have been very clear with commentators. Notwithstanding that, they have made repeated attempts to link grocery operations, grocery business decisions and grocery profits to food inflation, when that is a spurious connection.

Mr. Alistair MacGregor: Dr. Charlebois, on the same subject, you did make mention of the culture that exists.

Loblaw certainly had its feet raked over the coals publicly on the recent decision that they were going to reduce the discounts available on same-day sales from 50% to 30%. Can you expand a little more on the culture? To me, it appears that this company simply is unable to read the room and that there's a certain amount of tone deafness with respect to its public relations.

Dr. Sylvain Charlebois: I certainly share your concern.

The 50% discount became news because we actually emailed Loblaw ourselves in January because we were hearing rumours. We basically emailed Loblaw and asked if it was true that the 50% discount policy was ending at Loblaw. They confirmed that it was actually being rolled out as of January 14 of something. I asked them for permission to post the email on X. I asked them what the reason was. They basically said that they wanted to align their policy with competitors.

To me, it raised many red flags for two reasons. One, they disclosed openly what they were doing. Two, Loblaw allowed me to post the email on social media without even thinking how people would actually perceive the message itself.

I've been following the industry for 25 years. Time and time again I've been reminded of some of the issues. The blackout period shouldn't exist. There is no reason to have a blackout period. Eric La Flèche himself agreed that prices do go up in February. Our data actually shows that too.

Every time there are some shenanigans going on up the food chain, consumers end up paying for it.

Mr. Alistair MacGregor: That takes me close. Thanks.

The Chair: Thank you, Mr. MacGregor, for giving that 15 seconds back to the committee.

I'll go to Mr. Barlow for five minutes.

Mr. John Barlow (Foothills, CPC): Thanks, Mr. Chair.

Dr. Charlebois, I just want you to clarify one of your comments. On Bill C-234, you said that farmers weren't happy about that, but I think you meant the amendments that were added to Bill C-234.

Do you mind just clarifying that really quickly for the committee?

Dr. Sylvain Charlebois: That's right, yes. I meant the amendments, absolutely. The spirit of the bill, of course, was important, but the amendments were not good news.

Mr. John Barlow: Thank you. I just wanted to make sure that was clear on the record.

Dr. Sylvain Charlebois: Yes.

Mr. John Barlow: I just saw Mr. Currie's eyes get all red.

• (1140)

Dr. Sylvain Charlebois: It gets complicated.

Mr. John Barlow: I get it.

Today at a media conference regarding food prices, the innovation minister said that we are taking some lessons from the European Union. That comment concerns me.

I just want to direct you to a column you wrote called "Farming's breaking point". You commented about what's going on in Europe, with the demonstrations from farmers in France, Germany and other countries. You specifically talked about taxes, regulations, non-science-based decisions on pesticides and inputs.

Can you maybe comment? If Canada continues to go down this road, what could be the impact on the economic viability of farming in Canada, as related to fewer farmers and to food prices and food security?

Dr. Sylvain Charlebois: I wrote that piece because Europe, I think, is sending us a message. This could actually happen eventually in Canada if we continue to not listen to price-takers. Farmers do not control anything. They're very vulnerable. They need to be heard. Most importantly, they need to be understood.

I think a lot of policies out there are driven by urban centralism, if you will. In the column, I actually do mention quite a few examples of some of the things we've seen in recent years. Right now farmers are seen as part of a problem. If you don't have farmers, you don't have food and you don't have cities. I think we've forgotten about that a little bit.

It's really more about understanding farming. People love farmers, but they question farming.

Mr. John Barlow: Thanks for that.

You also made a comment criticizing the Bank of Canada's claims about the carbon tax's impact on inflation. Now the Bank of Canada is claiming that removing the carbon tax would actually lead to a 0.6% drop in the inflation rate, meaning that at the time—I think this was in October, in the fall, with inflation at 3.8%—the carbon tax was responsible for 16% of the inflation rate number.

Maybe you could give some background on your comments on that. What are your thoughts on the carbon tax and its impact on inflation?

Dr. Sylvain Charlebois: We had interactions with the Bank of Canada on how they calculated the 0.15%. They only looked at three components of the CPI, excluding food, so I thought it was a very simplistic calculation. In fact, with their permission, I posted their calculation on X, and I think a lot of people were surprised by the simplicity of the arithmetic used by the Bank of Canada.

Again, that's why I'm recommending a pause on the carbon tax for the entire food industry, from the farm gate to stores and restaurants. It's because nobody, including the Bank of Canada, understands how this policy could compromise Canada's food security over time.

Mr. John Barlow: Thanks for that.

I wanted to shift to Mr. Currie. You mentioned that number. Some of your members are saying how important Bill C-234 is, that 40% of their energy bills are from carbon taxes. We've certainly had bills from across Canada showing that, in some cases, the carbon tax is actually more than the natural gas they're paying for. By increasing the carbon tax again on April 1, and quadrupling this tax over the next few years, what impact is this having on the financial health of farming in Canada?

Why is Bill C-234 so important?

Mr. Keith Currie: As you mentioned, the single biggest cost we have around, in particular, our heating fuels is the carbon tax. One of our board members, who resides just outside Ottawa here—and I think many of you have probably heard from him—operates Carleton Mushroom. He's going to be paying \$450,000 just in carbon tax alone next year. How do you make a business case when you're paying that kind of money?

Where the impact is going to hit is that farmers are going to have to make a decision, and that decision is going to be that they're going to have to cut back on their production or maybe quit altogether. That's when you're going to start to see the impact on the food supply, which, inevitably, will have an impact on the price. We may be able to replace that supply, but it's going to be at a much greater cost, because it's not produced here in Canada. It's going to come from elsewhere.

As Dr. Charlebois mentioned, we are price-takers. We don't get to set that price for our product. For the most part, it's based on international markets, so we have to absorb all those costs. We can only absorb so much until there's a breaking point.

The Chair: Thank you, Mr. Currie.

Thank you, Mr. Barlow.

We'll turn to Mr. MacDonald online for up to five minutes, please.

Mr. Heath MacDonald (Malpeque, Lib.): Thank you. I'll go directly to Mr. Currie.

Mr. Currie, you mentioned it a little bit. We've heard many examples of acrimonious retail-supplier relationships in the absence of such a code. I'm wondering if you can explain the present role of that relationship right now in some of the prices of food on the shelves in grocery stores.

Mr. Keith Currie: Most of our farmers don't have direct contact with the end retailer. It's more prevalent in the horticulture sector in particular, where there may be some direct contracting with the big grocers, so to speak. From time to time they will be affected if all of a sudden the contract that was signed isn't honoured—somebody offers them less money or they drive to the next laneway.

That's why this concept of a code of conduct is appealing to farmers. We have the security, the transparency and the good business accolades through the entire supply chain, and we're actually rewarded for what we do. When farmers are profitable, the money doesn't go in their pockets, it gets reinvested in their businesses, like all small businesses, so it's good for the economy. That economic development piece often gets lost in some of these conversations.

• (1145)

Mr. Heath MacDonald: Thank you.

I want to flip to tariffs—Ms. Roy talked about them. Last year the U.S. enacted the most significant climate policy to date, and over the past year, a mix of Republicans and Democrats, who don't always agree, as we know, echoed a push for measuring greenhouse gas emissions from certain products produced in the U.S. They hope the data will underpin the creation of a tariff on imports of carbon-intensive goods from other countries. We know there's a former president running who used it as a geopolitical weapon. We know the European Union is also implementing, or contemplating implementing, carbon tariffs on those countries without a recognized carbon-pricing mechanism.

We're in a position. If we don't provide a carbon-pricing mechanism and our trading partners start enacting tariffs, what are we presently preparing for with regard to some of these issues that could happen relatively quickly? In some cases, they are happening now.

Mr. Currie, do you have any opinion on that?

Mr. Keith Currie: It's a very complex subject matter. We've heard comments already this morning about international trade deals and carbon pricing, and it's true that carbon border adjustments are going to become a real thing very shortly. Those conversations are happening all the time around trade deals. With the ministerial conference coming up at the end of this month, that will certainly be a big part of what's on the agenda.

With respect to what's going on in the United States—it was also referenced here today—our farmers are dealing at a competitive disadvantage, because there are lots of programs out there that are financially supporting the farmers in the U.S. Our farmers can get angry about it, but the reality is that their government is looking after their farmers in a financial way much better than our own government is. I think that's where we struggle in the competitiveness of producing our products. We can grow products with the best of them on a level playing field, but when we have differences of opinion or policy across borders that affect how we are going to have to farm, or if we can farm, that's where we struggle.

Mr. Heath MacDonald: Basically, in terms of preparation relevant to carbon tariffs, do you feel this is going to be enacted? What preparations should governments be doing now? I know there was a 25% increase in the budget in agriculture. Maybe that's, as a difference of opinion, not enough, obviously. However, I want to know what we are doing as an industry and sectors to prepare for the likes of situations where tariffs are going to be imposed on some of our products.

We hear the conversations around doing away with carbon pricing and doing away with carbon mechanisms altogether in Canada, but I don't believe that's the way the world is going. I want to know, for my farmers in my riding, so I'm able to talk to them directly and say, "Here's what we need to be doing."

I'm trying to throw it back at you. What should we be telling government officials—ourselves—the department and, moving forward, our trade partners? Where are we at?

Mr. Keith Currie: I think what's very frustrating, from my perspective, is that nobody comes and talks to us before they put policies in place. It's not that farmers don't want to do the right thing or get to the right place in climate discussions or on carbon pricing, but we're never given the opportunity to have meaningful input or work with the government of the day to create the right regulatory framework, where we accomplish the ability to put an effective pricing on carbon without hurting the farmer.

Let's not forget that the two most important things to human beings are food and shelter, and food security is going to trump carbon pricing every day. I hope we just don't leave it too late.

• (1150)

Mr. Heath MacDonald: Okay.

Mr. Scott Ross (Executive Director, Canadian Federation of Agriculture): If I could briefly add to that—I don't know if I have a moment—I would just add the other point that we, as farm organizations, are working internationally with our counterparts on the need to ensure there is appropriate discipline at the WTO to ensure that all of those measures are implemented in a science-based fashion and that we have consistent grounds on which they're being developed. I think from our perspective that is absolutely paramount. If we're going to see mechanisms like that employed, there have to be international legal frameworks that hold those accountable to the science and ensure they're being built around a real strong basis of science and evidence.

Mr. Heath MacDonald: Thank you, Mr. Ross. I was a minister of trade locally, and I can remember when the former president, Mr.

Trump, superseded the WTO on those issues you're talking about. I think we need to be prepared.

Thank you.

The Chair: Thanks, Heath.

We'll now turn to Mr. Perron for two and a half minutes, please.

[*Translation*]

Mr. Yves Perron: Thank you, Chair.

Ms. Brisebois, I'd like to continue with the questions I asked you earlier.

In your opening remarks, you mentioned that you were in discussions with two of your members—we can guess which ones—and that you were optimistic.

Do you really think you can convince everyone to sign the code of conduct? Should that not happen, would you consider introducing it anyway?

Ms. Diane J. Brisebois: We prefer not to focus on the possibility that it won't happen. Our planning is based on a commitment from all stakeholders. As I said at the beginning, Mr. Perron, this is a huge undertaking because we're including everyone. We actually expected some stakeholders to have concerns.

The steering committee's goal is really to try to find solutions. We want to invite all the major companies into the discussion and understand their concerns about the code so that we can increase our chances of all of them signing it. The primary goal is to find a solution.

Mr. Yves Perron: Were there concerns that this process would result in a diluted or less effective code of conduct? Could these fears be well founded?

Ms. Diane J. Brisebois: You raise a very good point.

The major challenge is that many organizations think that this code should be like the one used in England, while other organizations think that adherence to the code should be voluntary and reciprocal.

Even if we're talking about one or two companies, it's important to know that a huge number of groups have voiced their concerns, and it's not just retailers. Because there are so many concerns, there's still a lot of work to be done. Several meetings will be held over the coming months to try and find a solution that will satisfy everyone.

Mr. Yves Perron: Thank you.

The Chair: Thank you very much.

Mr. MacGregor, you have two and half minutes.

[*English*]

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

Dr. Charlebois, much has been made at this committee about carbon pricing. With respect to Mr. Currie's intervention on Bill C-234, I think the provisions of that bill are in line with the exemptions that are already in the Greenhouse Gas Pollution Pricing Act. You can already see exemptions for farming machinery, farm fuels and farming activity.

You were talking about volatility. The price is set per litre, but of course, we've seen extreme volatility in the price of diesel fuel. I think that, in British Columbia in 2022, some regions were seeing a price of around \$2.30 per litre. Now we're at a stage where I think it's around an average of \$1.70 per litre, so there's extreme volatility in the price of diesel. That's very important because it's a transport fuel.

I worry, though, that the state of our discourse is doing a disservice to the overall problem, where there's just too much of a focus on carbon pricing. We know that oil and gas companies have certainly seen their bank accounts do very well in recent years, and there's incredible volatility on a fuel source. Is there anything more that you can add on that area of price volatility?

Is the question of the price of fuels something that we need to pay a bit more attention to in a holistic way?

• (1155)

Dr. Sylvain Charlebois: I assume that you're talking about price volatility at retail. Is that correct?

Mr. Alistair MacGregor: Yes.

Dr. Sylvain Charlebois: Okay.

We don't see any immediate volatility due to carbon pricing in Canada. In fact, if you look at months when the tax actually goes up—so in April, May and June—there's actually little volatility, so we don't see evidence of that. However, like I said, over time, over several years, we could actually force companies to see their costs increase and become less competitive. Because we do have access to firm-level data—we can't share that, unfortunately, for obvious reasons—we do see that some companies struggle financially a lot more because of the low margins.

You're referring to the petroleum industry. Margins there, as I'm sure you know, are much more significant than in the food industry. From farm gate to plate, margins are extremely low, so the carbon-pricing policy can have a huge impact on an industry where margins are incredibly slim.

The Chair: Thank you, Mr. MacGregor.

Colleagues, I'm just going to exercise two or three minutes while we have our witnesses here.

This is for the folks at the Retail Council of Canada.

How much longer do you think...? I'm not trying to be facetious, but this is a process around the code of conduct that has now been a year and a half in the making, maybe even longer. We've heard from the Canadian Federation of Agriculture and from Mr. Charlebois that this is a really important mechanism. We sit around the table as parliamentarians, and at some point, if industry can't get itself together and figure out what that pathway is, there is going to

increasingly be a pressure for us to just mandate and legislate a code ourselves.

How much longer do you think is reasonable for us, as parliamentarians, to wait before we actually move forward and maybe legislate them?

Ms. Diane J. Brisebois: It's difficult to answer that question, Mr. Chairman.

I think there is good faith in the different companies and organizations that have voiced some concerns or that need clarification. I think we are all working towards the development and launch of a code of conduct. We need to ensure that there are no unintended consequences.

In fact, we've been working on this since early 2021. I can't tell you how many meetings I've attended. There's a lot of work. Obviously, when we reported to the FPT ministers, we were hoping to launch the code at some point in 2024. We continue to be optimistic that this will be the case.

The Chair: We had Mr. Weston before our committee here before Christmas. As a member of Parliament, I'm not as concerned about whether or not PepsiCo, Coca-Cola or Procter & Gamble have a certain provision that they can rely on. They are big enough players in the market to be able to have that commercial battle with the Loblaws and the Empires and the Metros of the world. I'm concerned about my small and medium-sized businesses in Kings—Hants that are saying that this is really important. We know that it's not going to be a silver bullet, but we need some type of provision that we can rely upon in instances where we think that there's almost unfair dealing.

Do you at the Retail Council of Canada see a world where you would exempt large multinationals that may not need the protection of a grocery code of conduct, but where you would actually move for SMEs for which maybe this is an important mechanism and element for some transparency?

Ms. Diane J. Brisebois: Maybe I should suggest that you join our steering committee.

The Chair: Maybe I'll have to.

Ms. Diane J. Brisebois: It's an interesting concept. There's absolutely no question that the large corporations can negotiate. The issue is very much to protect the entire supply chain. I think my colleague here talked about small farmers, small processors, wholesalers and small retailers. They are extremely important to the health of the code.

We're not at a stage though, Mr. Chairman, where we would exclude anybody, but that may be a discussion we should consider.

The Chair: I think this committee, as Mr. Charlebois said...and it's not a partisan element. I think that all parties are starting to get to the point where, if we can't find that pathway, there will be increasing pressure from the opposition and indeed from the backbenchers of our Liberal caucus to say, "Let's get on with it then."

I know it's complicated in terms of how it will play out across the provinces, but that is the sentiment I see around this committee and indeed around Parliament Hill.

Just very quickly to you, Mr. Charlebois, you mentioned Europe. You mentioned the regulatory burden and some of the challenges and how farmers are protesting. I thought Mr. MacDonald had an interesting line of questioning, in that we're starting to see this idea of a carbon border adjustment mechanism. I'm one of the folks who would suggest that, if we don't start accounting for that, there's only so much that we can ask our own domestic industry to bear in terms of pricing before we do become uncompetitive—to the point that you were making.

What's your sense of what's happening in Europe and some of what the Biden administration is seeing? Do we think there will be a point in the future when that will start to become part of the trading mechanism for how we move agricultural products around the world? Where would Canada benefit in that? Our industry is quite sustainable. I see a world in which, if that were taken into account, we could actually be on a strong footing.

• (1200)

Dr. Sylvain Charlebois: Yes, I would say that decarbonizing our agri-food economy could become a competitive advantage over time.

How we do that is obviously up for debate. I'm more of a carrot believer than a stick believer, to be honest. I think we need a mixture of both. Right now all we see and, I would say, probably all the industry is seeing is a stick. I think we need both.

The Chair: Just quickly on that, this will be the last thing I ask. I don't want to test my colleagues too much.

How important is it that something like ECCC can move on off-set protocols whereby farmers can actually see some revenue coming in for their sustainable practices—a carrot-versus-stick element? What would your recommendation be to the government to move more on that protocol so that farmers could see both sides of this ledger as opposed to seeing it as just a potential threat?

Dr. Sylvain Charlebois: Yes, absolutely. My colleague Stacey Taylor mentioned earlier the importance of collecting data and good data. This is something we're missing in Canada. To create a dialogue to get everyone on board about an issue as important as the environment, you need data. Right now, there's little of it. There's a huge data deficit in Canada in terms of understanding carbon emissions, who's doing what and what the implications are over time. There's a lot of misinformation out there, and that needs to stop.

The Chair: Thank you so much.

Thank you for the quick indulgence, colleagues.

That brings us to the end of our first panel. Thank you very much to Dr. Charlebois, Ms. Taylor, Mr. Currie, Mr. Ross, Ms. Brisebois and Mr. Littler.

We're going to pause for just a few minutes, and we'll bring in our second panel.

• (1202)

(Pause)

• (1208)

• (1205)

The Chair: Colleagues, I know everyone is still getting shifted around from the last panel, but welcome back. We have to keep moving.

We have our second panel up, and we have three more great witnesses. From Carleton University's Sprott school of business, we have Dr. Ian Lee. From the Canadian Agri-Food Policy Institute, we have Tyler McCann, and from the Fruit and Vegetable Growers of Canada, we have Mr. Marcus Janzen.

Mr. Lee, you are online. I'm going to give you up to five minutes to start. We're going to get right at it.

It's over to you.

Dr. Ian Lee (Associate Professor, Sprott School of Business, Carleton University, As an Individual): Thank you, Chair.

The first of my disclosures is that I don't belong to or donate money to any political party. Second, I'm a tenured prof, paid by Carleton for 37 years, teaching the strategy capstone course that evaluates competitiveness and value creation of industries and firms. I do not consult anybody anywhere. Third, immediately after the collapse of the Berlin Wall in 1989 I taught, from March 1991 until 2020—over 100 times on the ground, not by Zoom—in former centrally planned economies, including Russia, Poland, Ukraine, Romania and, later, Cuba, Iran and China, where food prices were completely or mostly fixed by the state. One more disclosure that the translators don't have—I should have put this in—is that I grew up on a farm, a real farm, in Beckwith Township, Lanark County, eastern Ontario, in the 1960s, so I am very familiar with what life is like on a real farm, not a hobby farm.

During the last 18 months an urban legend has emerged amongst some in the Ottawa political process that grocery retailers are engaged in predatory pricing, profiteering and creating “greedflation”. I testified twice before the finance committee of the House in the last six months. I provided the actual empirical statistical StatsCan data and audited financial statements of Loblaw, Sobeys and Metro—with which I have no relationship other than I buy groceries there—showing that grocery retailing in Canada and the U.S. has been a notoriously low net-profit-margin industry for three quarters of a century, averaging 3.2% to 3.5%.

Members of Parliament, it's time to go back to school. Two hundred and fifty years of economic theory and practice and over 50 Nobel prizes in economics have taught us that a decentralized economy of private decision-makers making private, not political, decisions over the value chain of any company—capital investment, R and D, production, pricing—produces the incredible standard of living of the high-income countries. This is documented by the World Bank.

Joseph Schumpeter taught us the why and how: Competition causes firms to endlessly innovate in order to differentiate to try to achieve a sustainable competitive advantage, the holy grail of any private firm, and this creates gales of creative destruction.

At the centre of this edifice called the market economy or capitalism is price discovery. This is why price control of any kind on any product or any service anywhere is deadly and destructive. It kills price discovery and thus efficient pricing decisions by impersonal private market forces, which are replaced by the very worst kind of policy decision-making: political and bureaucratic decision-making grounded in the false belief of non-market people—including professors like me—in their superior knowledge concerning the marginal prices of millions of products and services sold every minute in the market.

This explains why Nobel laureate Friedman was correct in noting that no low-income or middle-income country has ever, in human history, become a high-income country unless they transformed to decentralized economic decision-making. Indeed, none of the 37 OECD high-income countries have adopted food price controls as a long-term policy. By contrast, price controls, especially food prices, are regulated, fixed and controlled in many poor countries.

The poster child for price-fixing of food is Venezuela's Maduro, where inflation is now at 283%, but don't forget Argentina, from Peron through to the Kirchners, with inflation running now at 211%, or Turkey's Erdogan, with inflation at 65%. Each of them is doing food price control.

Let's quickly turn to the largest and most successful economy in the world since the 1880s. Of course, I'm talking about the United States. Is the Congress or the liberal Biden administration discussing formal food price regulations or disguised food price-fixing by ordering grocery CEOs to lower prices? The answer is a loud, crashing, "No." Why, then, are some MPs and government trying to adopt de facto food price controls similar to Venezuela, Argentina, Turkey and other poor developing countries with disastrous economic records that produce poverty, instead of emulating the U.S. economic policy of "government, hands off" concerning price discovery?

I will now close on a very personal note. It's likely some MPs listening will think, "There's another ivory tower academic quoting all the books who doesn't know about the real world," so I want to talk about the real world.

• (1210)

I lived in Warsaw four to five times a year, in a private apartment, from March 1991 throughout the 1990s. Poland regulated food prices until 1995. I tried to buy food in the local grocery stores

quite a few times, but the lines were very long. The shelves were often empty—

The Chair: Mr. Lee, we're unfortunately out of time. I'm going to let you finish your thought about the idea of not regulating food prices, but quickly, because we're at time.

Dr. Ian Lee: I have just two sentences left.

The lines were very long and the food was disgusting. Why? Prices were set by the state with no understanding of marginal costs because of the conceit—that's Nobel laureate von Hayek's word—of politicians and bureaucrats who thought they knew more about the optimal prices of the millions of food items than the decentralized market of price discovery.

No, we in the public sector do not.

My final comment is that no brain in the world, not even those of President Xi and his millions of minions, can process the trillions of bits of information daily in an economy concerning prices and scarcity at the margin.

Members of Parliament, Pogo warned us, "We have met the enemy and he is us", not the grocery retailers.

Thank you.

The Chair: Thank you, Mr. Lee.

We'll now turn to Mr. McCann for up to five minutes.

[*Translation*]

Mr. Tyler McCann (Managing Director, Canadian Agri-Food Policy Institute): Mr. Chair, members of the Committee, good morning. Thank you for inviting me to testify today.

The work done by the Committee on issues related to food price inflation is essential to deepen our knowledge and to propose solutions.

• (1215)

[*English*]

About one year ago, I appeared before the committee and recommended that the government do more to release data and analysis to improve our understanding of the drivers of food price inflation. I appreciate that the committee made that recommendation in its report and that the government acted on it last fall. StatsCan's food price data hub and increased focus on the issue inside Agriculture and Agri-Food Canada is a step in the right direction, but much more can be done to provide public data and analysis to inform the policy debate.

Today I want to offer several observations and make another recommendation.

First, policy-makers are not usually lucky enough to get such consistent evidence as we see around food price inflation. The Bank of Canada, academics, researchers and public institutions in the U.S. and the EU all point to food inflation being driven higher by a long list of causes. Most conclude that inflation will slow when those causes, from Russia's war to higher interest rates, resolve themselves. The consistent evidence underscores that increasing food prices is not the fault of a single actor and stabilizing them will require multiple different actions.

Second, the grocery retail landscape in Canada is more competitive than we often give it credit for. Even last year's Competition Bureau report, which concluded that grocery margins have increased by a modest yet meaningful amount, highlighted that the grocery sector is a low-margin competitive business. The bureau cites foreign retailers who admit that it could be difficult to compete on cost in Canada.

Third, food price inflation is a value chain challenge that requires value chain solutions. This is underscored when a retailer freezes its prices and then passes that freeze on to its suppliers. Tension between suppliers and retailers can be a healthy force to keep food price inflation in check when the appropriate checks and balances are in place. An effective and meaningful code of conduct can be one of those checks and balances.

Fourth, grocery stores are big, complex spaces, and the food in a shopping cart behaves in different ways. Much attention is paid to the top-line food inflation number, but when you dig deeper, you see that in December you could get fish, some vegetables and bananas for less than you could a year ago. While no one expects deflation in the overall food price index, the variability in the food basket speaks to the different drivers of inflation and the need for different solutions to stabilize them.

A final observation is that it is challenging when we try to pass judgment on data alone. If you told people that retailers' net cash income in 2022 was 31% higher than in the five-year average before, some might claim profiteering. If you saw a net-worth increase by double digits between 2019 and 2021, in the midst of the pandemic, some people would worry about the impact that has on food prices, but those numbers don't come from the retail sector in Canada. They come from Canadian farms. No one should claim that farms' incomes are rising too fast, but it shows how it can be inappropriate to draw conclusions on the drivers of food inflation without a much deeper understanding of the broader context along the supply chain.

We've seen government take a more thoughtful approach to issues like this. In the midst of the global supply chain disruptions, the government launched a national supply chain task force with the objective of making independent recommendations regarding short- and long-term actions to alleviate supply chain congestion.

I recommend that the government launch a food value chain task force. The task force should have three priority mandates. First, it should build on StatsCan's data hub by producing detailed analysis on food inflation drivers along the value chain. Second, it should

make concrete recommendations for the public and private sector with a focus on where Canadians can act. This should include retail, but it must also include an examination of systemic issues—including supply chain fluidity, regulatory burden, taxes, underinvestment in R and D and declines in productivity growth—and make recommendations that can drive those costs down.

Finally, it should look at where the government can act to support those Canadians who are hardest hit by higher food prices. Food Banks Canada gave Canada a D+ in its inaugural poverty report card, highlighting that the impact of food price inflation is a broader poverty challenge that must involve solutions beyond the food system's scope.

Unfortunately, the supply chain task force has shown that writing the action plan can be the easy part. Acting on it is much harder. Complex issues do not always lend themselves to the silver bullets that governments seem to prefer. While it is easy to say that all options are on the table to stabilize prices, there seems to be a focus on the retail sector, with other more sensitive but potentially more impactful policy changes actually off the table.

As food inflation shows, many of these systemic issues and pressures will remain. Even if the political pressure falls as food inflation falls too, the opportunity will still exist to do something substantive. It may not be easy, but it will be worthwhile.

The Chair: That was almost perfect—four minutes and 59 seconds. Well done, Mr. McCann. You're no stranger to this committee, so—

An hon. member: We could learn some lessons.

The Chair: Yes, we could learn some lessons, says our colleague here.

Mr. Janzen, you have up to five minutes.

• (1220)

Mr. Marcus Janzen (Vice-President, Fruit and Vegetable Growers of Canada): Thank you, Mr. Chair.

My name is Marcus Janzen and I have the privilege of serving as the vice-president of the the Fruit and Vegetable Growers of Canada. I also, during the day, have a pepper greenhouse just outside of Vancouver, British Columbia, in Abbotsford.

I'm here before you to discuss the pressing issue of stabilizing food prices in Canada, a concern that deeply affects Canadian fruit and vegetable growers, as well as all Canadian citizens. FVGC represents approximately 14,000 farms, producing 120 types of crops, and we contribute about \$6.8 billion to the Canadian economy.

A 2022 survey conducted by our organization revealed that close to 44% of our growers are operating at a loss presently, and three-quarters have difficulty offsetting production cost increases that would include the carbon tax, the P2 plastics program, tariffs on fertilizer and aggressive targets for reducing fertilizer emissions. Those challenges, including Bill C-234, risk the sector's affordability and sustainability going forward.

Bill C-234 is at a critical place. By eliminating heating and cooling exemptions to greenhouses and barns, this jeopardizes our competitiveness, as we heard from the previous witnesses, particularly relative to the U.S.

We propose a series of actions that would include the following: reject the proposed amendments to Bill C-234; remove the P2 plastics program in order to further evaluate, particularly when it comes to PLUs, the unintended impacts on costs and therefore food prices; and eliminate the fertilizer tariffs in order to not disproportionately negatively affect domestic producers. We need, again, the idea of having a more cohesive regulatory conversation with government before policies are in place. We would look for the quick passage of Bill C-280, which is essentially the PACA-like trust to be reinstated.

Lastly, we would support an increased resolve to bring the grocery code of conduct into reality.

That concludes my remarks.

The Chair: Thank you, Mr. Janzen.

I will now turn to questions, colleagues. The way we're going to do this is that we'll do our first six-minute panel, and then I'm going to go four minutes for the Conservatives and Liberals, and two minutes on that side. That's the only way we can be on time.

I believe I'm over to the Tories and Mr. Steinley.

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

Thank you to our witnesses.

I'm having trouble rounding this all out because we're talking about food increases across Canada in grocery stores, but the policies Mr. Janzen just mentioned—P2 plastics, fertilizer reduction, carbon tax—are all policies that the Liberal government has brought in.

I've never heard a government argue so much about the policies that they brought in when they were actually successful. The desired result of a carbon tax is to increase prices on people so they change their behaviour. Every Liberal has stood in the House of Commons and said that, so the carbon tax is working when it comes to food prices. They've increased the food price and changed people's behaviour across our country, because they can't afford to eat as much as they did before the carbon tax came into place.

I'd ask Mr. McCann, is that not the point of a carbon tax brought in by this Liberal government—to increase prices and change consumer behaviour?

Mr. Tyler McCann: That is certainly the principle behind the carbon tax, that you're going to add the cost related to the emissions of a product. That is the intent. I think if you go onto the government's website, that's very similar language to what they use.

We have this reality where the food system is a source of emissions, producing food in Canada and around the world represents about 10% of global emissions. There are opportunities to reduce those emissions. Where you get into a discussion on what's the most effective approach to reducing emissions on farms, we see different approaches in Canada and around the world. I think there are other opportunities that someone spoke to earlier as to how you could drive that decarbonization of the food system.

• (1225)

Mr. Warren Steinley: The Global Institute for Food Security out of Saskatchewan has just come forward with a study in partnership with the University of British Columbia. It shows Canadians' total agricultural emissions. Of total emissions in Canada, agriculture makes up 8%. For all other jurisdictions, agriculture-related emissions represent around 25% or more of total emissions.

Would it not be better for us to take our sustainability across the world and help people to lower their emissions than to continue to punish the people who create food in our country? As I said, it's very weird for a government to be so upset that the policy they implemented is actually working and that food prices are higher because of their policies.

Mr. Tyler McCann: I think a couple of things can be true at the same time. We can have one of the lowest emission food-producing systems in the world, and there could still be an opportunity to reduce our emissions further. Often the big winner from reducing emissions are Canadian farmers themselves. Fertilizer emissions represent fertilizer that farmers have paid for that's not doing the job it was intended to do.

I think the question gets to be what the right approach is to build on that competitive advantage. How do you take the low-emissions agriculture that we have, turn it into a competitive advantage and turn it into a tool for good? I think there are a lot of opportunities to take different approaches that could help farmers out and help grow the Canadian advantage we have.

Mr. Warren Steinley: As you're a farmer, I just want to say thank you for the job you do. I appreciate your answers to my questions.

Ms. Lianne Rood: Thank you.

We know that front-of-pack labelling is going to cost \$8 billion. We heard you say earlier that the new P2 plastics ban is also going to add costs to farmers.

I'm wondering, Mr. Janzen, if you can speak to that. We've heard that the new P2 plastics ban is going to cost upwards of \$6 billion. You mentioned the PLU stickers. What will this do to food costs, availability and waste?

Mr. Marcus Janzen: I think the industry is very willing to look at science-based opportunities to reduce plastics. I think we've seen that already in the last 10 years—for example, with lower-profile clamshell containers that use less plastic.

I think the industry's perspective would be that we need a better system, not only to reduce plastic use but also to reuse it. That's as opposed to eliminating plastics from the system. The reality is that there really are no alternatives to move especially perishable products in an effective way over the kinds of distances we face in Canada without using plastics in some form.

Ms. Lianne Rood: Thank you.

Mr. McCann, we heard from some witnesses previously in 2023 that perhaps this wouldn't affect our trading partners and it wouldn't affect trade with our trading partners. The U.S. is our closest trading partner. We've heard that they don't want to have anything to do with this plastics ban, and they're not on board.

How would this P2 plastics ban for fresh produce impact our trading partners and the trade relations we have with respect to getting the food we need into this country?

Mr. Tyler McCann: One of the greatest advantages our food system has is a relatively open border with the United States. The ability for food to go north and south is important in terms of food security for Canadians, economic prosperity for North America and environmental sustainability. Anytime you thicken that border, it has an impact on all of those things.

I always use as a bit of a measure who else is talking about this issue. My counterparts in public policy institutes in the United States have raised their concerns with the plastic ban. Clearly there is concern about the impact it will have on the border and the added impact on U.S. exporters that are a source of food security in Canada.

The Chair: Thank you.

Ms. Lianne Rood: Thank you.

The Chair: Mr. Louis, it's over to you.

You have six minutes, my friend.

Mr. Tim Louis (Kitchener—Conestoga, Lib.): I appreciate the witnesses all being here.

I will direct my first questions to Mr. McCann from the Canadian Agri-Food Policy Institute.

In your opening remarks, you suggested a food affordability task force—which would be something similar to our national supply chain task force—and how we can take more action with that. Some of the recommendations you made involved the retail side, supply chain side, regulatory issues side and declines in productivity. We're all looking out for our farmers. We're looking out, at the

end of the chain, for our customers—for Canadians and food prices. How do you see a task force addressing those issues?

Can you also expand specifically on the Canadians who are food insecure and who are most affected by the high price of food?

• (1230)

Mr. Tyler McCann: The starting point needs to be that this is a systemic challenge. Food prices aren't a retail issue and they're not a farmer issue; they are food chain issue. We need to look for systemic solutions. The reality is that, for better or for worse, it can be hard to have some of those more thoughtful dialogues around what the challenges are and what the different tools that we have to solve them are.

I think a task force approach—we've seen this recently—can really dive into what those different drivers are, what the different approaches we can take are and how much of an impact some of these different forces have on food price inflation.

I think there are some easy solutions and there are short-term solutions, but there are also longer-term solutions. I really like to talk a lot about R and D. We don't often appreciate the important role that a more productive food system has on driving down costs and on keeping food more affordable. The reality is that we're not investing as much in R and D in Canada as we used to. We're losing out on some of that advantage.

I think there's an opportunity to look at some of those long-term causes and not just at the short-term issues that were talked about.

Mr. Tim Louis: I appreciate your saying that. That you're talking about a longer conversation as I set a timer because I only have a few minutes to talk to you speaks volumes right there.

A lot of it comes down to sustainability in agriculture. We need to help those farmers build the resilience to address the climate change we're facing. We need to do it in a way that helps farmers produce more and be more profitable at the same time. You're talking about R and D.

What types of measures are working right now, and what would you like to see more of?

Mr. Tyler McCann: I think the reality is that we've shied away from additional investments in R and D in Canada. Some of the unsung heroes in the fight around sustainability and food affordability are our plant breeders in this country that are doing really good work to make more productive and more sustainable varieties. We don't do enough to create the conditions for more of that work. I think that's just one example of many.

I want to go back to the question about poverty, though. I think we often lose sight of that. We talk about this in the context of an agriculture discussion. Again, it's the agriculture committee here holding these hearings.

These issues and those Canadians who are most impacted by this are dealing with a broad set of issues that require a different, broader set of solutions at the end of the day.

If you look at the pressure that our food banks are under, it's quite significant. It's greater now than it's been in recent memory. If you look at the analysis done by Food Banks Canada on their report card, it's a very challenging assessment of our approach to these issues. It should require us to think differently about how to use a different set of tools outside of food systems solutions to address that food affordability and accessibility issue.

Mr. Tim Louis: Thank you for that.

We also have the potential to help feed the world. I know you have done quite a bit research about turning agricultural sustainability into a competitive advantage for Canada. That would not only lower the prices of food here for Canadians, but give us a chance to export.

Can you expand on what kinds of measures we can take to help feed people here in Canada as well as globally?

Mr. Tyler McCann: Those are two different but I think equally important objectives at the end of the day.

The challenges around agriculture are not simple. It is a complex economic-organic system at the end of the day. I think the thing we need to do first is recognize the strategic role that agriculture plays in the economy in Canada. We don't recognize the important role that agriculture plays. We don't treat it as the critical strategic sector that it should be. I think there's just that starting point of recognizing that agriculture is different. It is a great asset to Canada. It can be an innovation asset. It can be a geopolitical asset. It can be a sustainability asset. We need to think differently.

Unfortunately, we're looking at missing some opportunities. I think the sustainable agriculture strategy has potential. I think there's increasing concern that it's not going to be as ambitious and as strategic as it could be. I think it's important to think differently about this issue than we have in the past.

Mr. Tim Louis: I appreciate that.

Mr. Janzen, in my last minute I want to ask a quick question of the Fruit and Vegetable Growers of Canada.

You briefly talked about the grocery sector code of conduct in your opening remarks. In the words of Mr. McCann, value chain challenges require value chain solutions.

Can you give us what you would like to see from the Fruit and Vegetable Growers of Canada in a grocery code of conduct? How will that help our farmers?

Mr. Marcus Janzen: I think that, at the end of the day, we would like serious consideration to be given to its being legislated.

• (1235)

The Chair: Mr. Louis, you have 15 seconds. I'm going to take that back from you.

[*Translation*]

Mr. Perron now has the floor for six minutes.

Mr. Yves Perron: Thank you very much, Mr. Chair. For once, I'm not the one losing 15 seconds. That's nice.

I'd like to thank the witnesses for being here today.

Mr. Janzen, I'd like to give you the opportunity to expand upon something you raised earlier.

You mentioned the importance of adopting a code of conduct. How do you see the possibility of this code not being enforced in the industry, or only partially enforced? Do you think it could be viable?

Do you really need this code to be implemented?

[*English*]

Mr. Marcus Janzen: That didn't come through.

[*Translation*]

The Chair: Could you repeat your question?

Mr. Yves Perron: Yes, I'll repeat it.

You said earlier that it was important for your industry to have a code of conduct. How do you view the possibility of the code of conduct being implemented, but certain players refusing to adhere to it? Do you think it's important for such a code to be introduced on a mandatory basis?

[*English*]

Mr. Marcus Janzen: Yes. I think that, if participants can't all come to a consensus, the only choice for the industry would be to make it mandatory. I recognize the challenges we would have working across different provinces.

Just because it's complicated doesn't mean it can't be done and isn't the right thing to do.

[*Translation*]

Mr. Yves Perron: Thank you very much.

Mr. McCann, you also mentioned the importance of implementing a code of conduct. Groceries are complex; there are different products.

How do you envision this, given the data you currently have? Is it possible for a code of conduct to be partially introduced and for reluctant players to adhere to it later on, or do we really need to propose a mandatory code from the outset?

Mr. Tyler McCann: When you look at the situation in other countries, very often there is an evolution. Some may start by implementing a voluntary or more limited code, but they usually end up adopting a fairly detailed mandatory code.

It's fairly easy to understand that, if not every stakeholder in the chain adheres to the code, its impact will be lower than if it were more detailed and everyone adhered to it. I think it will come to that eventually.

I fully agree that simply because something is difficult to do shouldn't serve as an excuse to do nothing. Indeed, Canada's jurisdictional reality is complex. The process of getting the provinces to agree on a mandatory code may not be that simple, but it can be done. All it takes is a willingness on all sides.

Mr. Yves Perron: Thank you very much.

Mr. Lee, I enjoyed your opening remarks. You're shaking things up a bit, and that's interesting.

I agree with most of what you said. It's quite obvious that governments can't dictate everything. On the other hand, capitalism is a system that works well, provided it is regulated. Let's take tax rates as an example: they are gradual and take income into account to try and bring things back into balance.

You say the state can't intervene in pricing. Do you think introducing a code of conduct is a good thing or not?

If not, do you have any other suggestions for us today?

[*English*]

Dr. Ian Lee: Thank you, Mr. Perron.

I'm not a libertarian who says there's no role for government. My late father had 43 years in the Government of Canada and half of my family work in the government. The Government of Canada is one of the most qualified, highly trained and skilled governments in the world. I use StatsCan and other government data in my classes exclusively. There is no question about the quality. That wasn't my point.

My point is that there are value chain issues. I don't believe parliamentarians should be trying to get into the value chain of a company and micromanage strategic decisions about marketing, R and D investment, plant location and pricing, because that's not the role. The role of the government is to be the referee of the hockey game. It's not to tell Sidney Crosby when to shoot the puck, at what time in the game and at what level and speed.

That's where you're going by focusing on the micro instead of the more macro issues like reducing barriers to entry to discourage or reduce concentration in grocery retail, which is high. It's not the highest in Canada. We know telecom, banking and airlines are higher. I use the concentration ratio every week in every class, but grocery retail is high. We need to encourage foreign investment. It's probably going to come from the States because of the large capital needed to enter this industry.

I have one more quick point before I run out of time. The Competition Bureau talked about this in its excellent report. I don't think enough people have talked about this in Ottawa, including your committee.

I believe that online grocery retailing is going to be a disruptive force in grocery pricing. We know online e-commerce makes the industry more competitive because the prices are much more transparent. Anybody can sit on their chair in their bathrobe and literally

compare prices across a whole range of companies, rather than go to the store to find out what the apples or cucumbers are. Online e-commerce grocery competition is going to change the dynamic of grocery competition in Canada.

• (1240)

The Chair: Thank you very much to both of you. That's time.

I'll go to Mr. MacGregor for six minutes, please.

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

Mr. McCann, thanks for coming back before our committee.

Carbon pricing is a frequent guest of topic before this committee. Yes, it is true. The rationale is that you are trying to use a market-based mechanism to change behaviour. The other part of the argument is that, if the behaviour does change, you necessarily incur a lower cost.

In your opening statement, you were careful to point out to this committee that we shouldn't grab individual facets of information when we're talking about food price inflation. We have to look at it as a whole. On the topic of the carbon tax and fuel price volatility, in the previous panel, I was making mention of the fact that diesel fuel, in 2022, was priced as high as \$2.30 a litre. It's now down to \$1.70. We've seen worldwide massive fluctuations in energy prices, whether it be natural gas, propane, gasoline or diesel.

Can you put carbon pricing in the context of that volatility that exists out there and how important it is for us to keep that in mind and maybe also take into account that, since 2019, oil and gas profits have been substantial? A lot of that wealth seems to be flowing out to investors and paying out dividends rather than servicing the Canadian economy.

Mr. Tyler McCann: There are a couple of important things to keep in mind when we think about the carbon tax in agriculture, and agriculture and food, because those things are slightly different.

First, the government made a decision with the GST to exempt the food system because it's different. I think there's an interesting precedent to think about. Should food have been treated differently when it came to the carbon tax?

The carbon tax today is a relatively small amount, but it is an amount that's growing and we expect the impact will continue to increase. The reality is that the vast majority of emissions from agriculture and food are exempt from carbon pricing today, but they all aren't. One of the challenges we get with the carbon price as an effective policy tool is that there is a lot of inconsistency in how it's being applied. If you're a grain farmer, you're treated differently than if you're a greenhouse grower. If you're a livestock farmer, you're treated differently again. There's a really challenging policy environment around it. It also comes to the reality that, if what we really want to do is drive down emissions in agriculture, there are probably better ways to do it than through carbon pricing if you look at what's happening around the world.

On the challenge of the volatility in fuel prices, again, it's not just fuel prices. Fertilizer prices have been volatile and have been impacting farmers. It is a challenge that farmers deal with. Again, as was mentioned earlier, farmers don't have many options. Whenever these costs increase with this volatility that impacts them, they don't have the flexibility to pass it on to someone else. It is often their own income, their own livelihood, that gets impacted by those price increases.

When you think about those long-term solutions to volatility, helping farmers switch off of fossil fuels and look at other sources can be one of these really effective mechanisms to help them manage the volatility in oil and gas, but I think there's a different set of policy tools that could help them get to that point.

• (1245)

Mr. Alistair MacGregor: Thank you.

That's a great segue to my question for Mr. Janzen.

Concerning Bill C-234, I—along with the Green Party and the Bloc Québécois—was happy to support that bill at third reading. In my interpretation of that bill, as Mr. McCann mentioned, it's in line and in the spirit of the original Greenhouse Gas Pollution Pricing Act, in that there are already exemptions for farm fuels, farm machinery and farming activity. I see the provisions in Bill C-234 as being in the spirit of the original law. The Liberals, in 2018, recognized that there was a special place for agricultural activity. I think that Bill C-234 keeps in line with that. I was happy to support it at third reading, and I think I'm going to keep my vote consistent with the vote at third reading.

Mr. Janzen, just on the subject of fuel price volatility, it can have a significant impact. We did, as the House of Commons, program in a sunset clause. With respect to the greenhouse sector, are there some promising opportunities in the next decade whereby operators of greenhouses are able to switch to a more stable fuel source or mechanism to heat their greenhouses? Can we talk about some of the light that exists at the end of the tunnel so you're not subjected to that volatility?

Mr. Marcus Janzen: I'm hard pressed to suggest that the greenhouse industry has the potential to completely disconnect from fossil fuels in the next 10 years. That being said, I think there are some very promising opportunities when it comes to plant genetics—plant genetics that are more energy efficient and still can be grown in a northern climate. That's the challenge.

There are meaningful amounts of research being done on what we call “closed” greenhouse systems, where essentially you have a heat pump concept on, obviously, a larger scale. The challenge there is the capital cost to remain competitive in a marketplace where you're competing against California and Mexico, especially in certain parts of the year.

Just to personalize it, when I started in the greenhouse, using 42 to 45 cubic metres of gas per square metre was considered very efficient. Now it's 38 or 36. Some of our really elite growers go to 33. It's that incremental improvement that we can make. The challenge is that the carbon tax being applied is being increased at a far higher rate than science and technology can keep up with.

The Chair: Thank you to you both.

I gave you a little bit of extra time, Mr. MacGregor, so I expect a Christmas card next Christmas.

Go ahead, Mr. Epp. We'll have to shorten it to four minutes.

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

I'd like to thank the witnesses for their testimony.

I'll begin with you, Dr. Lee. Last spring you testified to this committee that StatsCan evidence—this has come up already—described increases in diesel fuel, fertilizer, crop protection products and trucking costs. In my discussions with industry, I'm going to add packaging costs and interest costs to that list of costs that are hitting the industry. One of those things, interest costs, is not like the rest. I think it's the only one of those cost components that is not attracting a carbon tax.

To move forward on food affordability, Dr. Lee, given the discussion earlier on the success of the carbon tax, should we remove the carbon tax from the other four or add it to interest costs somehow and fabricate some carbon in that component?

Dr. Ian Lee: I was listening to the conversation in the previous round and this round, and I'm going to answer it tangentially. To provide full disclosure, I believe in Pigou taxes. I'm referring to Professor Pigou of Cambridge from 100 years ago, who said that if you want to discourage something, make it more expensive with a tax. Liquor taxes are Pigou taxes, as are what we now call carbon taxes—so are cigarette taxes. The principle has been around for a very long time. Make something more expensive and you'll consume less of it. It's kind of hard to argue with that.

I think the problem—it reminds me a lot of the debates over the HST back in 1991, when Michael Wilson was the finance minister—is the aggressivity. I'm now talking about the carbon tax. The solution, to answer your question, is this. As the previous witness just said, it's rising so quickly that technology and investment can't keep up.

I think the criticism is not the carbon tax; it's the speed of the implementation of the carbon tax. Instead of squishing it through in what I think is five years—correct me if I'm wrong—maybe we should be amortizing that over 10 years or 12 years. I debated the head of Ecofiscal Commission at McGill. They are very pro-carbon tax too. We both agree that it's going to take 50 years to decarbonize the American and Canadian economies, not five or seven or 10 or 12 years.

Maybe we should acknowledge that and stretch out the amortization, which means a lower rate of increase so that the growers, the farmers and the greenhouse operators can adapt and adjust incrementally because it's not going up so radically so quickly.

● (1250)

Mr. Dave Epp: Thank you, Dr. Lee. I hear you not supporting the amendments on Bill C-234 and the shrinking sunset time.

I'll shift gears a bit. There are those who are calling for more competition in the grocery retail sector. In fact, the Minister of Innovation is working the phones, supposedly, to make that happen. We've talked about the profits at the retail sector, and hear on average 3.7%, but that would only reduce a basket of groceries if they were zero, from \$25 to \$24. I'm wondering how a zero profit, if that was our goal, would attract or expand more foreign or smaller grocery retailers here in Canada.

With regard to the grocery code of conduct, would it not make more sense to have a market-based level playing field that is industry-led and uniform across Canada in existence? Would that not attract...? I'll cite the example of Australia, which has a voluntary code. It has attracted another retailer since the existence of the code. The U.K. has also attracted another retailer since a mandatory code was put into the U.K.

I'll start with you, Mr. McCann. Could you comment on those dynamics in other jurisdictions and how the code could potentially help bring more competitors into Canada?

The Chair: Answer in about 45 seconds, Mr. McCann, and then we'll have to wrap up.

Mr. Tyler McCann: I think the simple reality is that a well-functioning supply chain is good for everybody who is involved in it. It's good for the farmers. It's good for the retailers, and it's good for the consumers at the end of the day.

The question is what role a code can play in making it function better. We have certainly seen from the experiences around the world that it does have a positive impact. There are lots of examples from the U.K. and Australia of how it's improved that fluidity and made it a more attractive, more effective marketplace for everybody involved.

Mr. Dave Epp: Mr. Janzen, answer quickly.

Mr. Marcus Janzen: I would concur with those comments.

I think at some point, there has to be a more fixed timeline to put this in place. I believe if there's a political will, there's a way.

The Chair: Thank you very much. We'll have to leave it at that.

We're going to go to Mr. Carr for four minutes.

Mr. Ben Carr (Winnipeg South Centre, Lib.): Thank you, Mr. Chair.

I'll start by quickly addressing something my colleague from Saskatchewan, Mr. Steinley, said during his intervention.

The purpose of a price on pollution is to ensure that pollution is no longer free. If my colleagues across the way disagree with that sentiment, that is a conversation for us to have. Furthermore, a price on pollution is also designed to incentivize innovation and make sure that it is a critical component of decarbonization. It does not, as Mr. Charlebois quite emphatically expressed a couple of moments ago through the data and studies that he has undertaken, pass costs on at the retail level.

Mr. McCann, you said this is complex. I imagine the axing of a tax, therefore, would not be a silver bullet that all of a sudden ensures that we see a stabilization of food prices.

Do you share the view, Mr. McCann, that Mr. Charlebois expressed earlier during this committee that the price on pollution is not contributing directly to retail costs on food?

Mr. Warren Steinley: I have a point of order.

The Chair: We'll pause the clock for a second, just to make sure that it is a point of order.

Mr. Warren Steinley: It is.

Mr. Charlebois said there is not enough data to prove that the carbon tax is affecting food prices. Mr. Carr is putting words in his mouth.

The Chair: We'll make sure that everyone has access to the blues and the testimony.

I paused the clock.

Mr. Steinley, it's Mr. Carr's time and we're getting close to the hour.

Mr. Carr, I still have you at about three minutes and 30 seconds. The floor goes back to you.

● (1255)

Mr. Ben Carr: I appreciate the debate, Mr. Chair.

Mr. McCann, do you share the view or do you believe that the carbon tax is having a direct impact at the retail level on the prices of food in the country?

Mr. Tyler McCann: Again, I think what the professor said earlier was that we don't have a lot of data.

The reality is that retail prices are set by a variety of different factors. Farmers will say that retail prices don't reflect what happens at the farm gate. I think a lot of people along the value chain will say that retail prices don't reflect the different policies and impacts along the way.

Mr. Ben Carr: I'm sorry to interrupt, Mr. McCann.

When politicians say a price on pollution is resulting in an increase in the cost of food in Canada—which I hear every single day in the House of Commons from colleagues across the way—you're saying there is no data to support that argument.

Do I understand you correctly?

Mr. Tyler McCann: That's right. Yes.

Mr. Ben Carr: Okay. Thank you.

You mentioned something earlier that I thought was quite profound—and I'm glad you did—regarding poverty.

I come from Manitoba, with the largest per capita indigenous population in the country. Unfortunately, due to all sorts of inter-generational trauma and wrongs committed against indigenous peoples on the part of the Government of Canada and governments of Canada over the years, the poverty rate for kids in Manitoba is at about 20%. I will note that this is after eight years of a Conservative government in Manitoba. That's 7.4% higher than the national average.

A colleague of mine has recently put forward a piece of legislation to look at addressing food in schools through nutrition programs and establishing a framework. I know the new Premier of Manitoba, Premier Kinew, has talked about this and is currently investing tens of millions of dollars to ensure that there is food stability in schools.

Can you comment on the role you believe industry may play in helping to support the establishment of nutrition programs in schools? Whether that's around food waste or in regard to some of the policies you noted earlier vis-à-vis poverty, I'd be interested to get your view.

We're probably running out of time, but if there is time for Mr. Janzen to add something specifically in relation to that, I'd appreciate it as well.

Thank you.

Mr. Tyler McCann: I often think that there's an untold story around the good work that the value chain actors today do in addressing poverty issues. If you look at companies like some of the large retailers, if you look at farm groups and farm associations, they are major donors and contributors to lunch programs and food banks.

We have some mechanisms that are there, but I think there are interesting opportunities to create better conditions, where maybe there are better tax credits or other tools that go further to encourage value chain actors to do more to donate food or direct surplus foods to these spaces where it's really needed.

Mr. Ben Carr: Thank you.

Mr. Janzen, go ahead.

Mr. Marcus Janzen: In B.C. we have a program called “agriculture in the classroom”. It basically coordinates primary production to elementary and middle school classrooms. In addition to that, we also have what we refer to as the buy B.C. program that encourages public institutions, schools included, to purchase local production.

The Chair: Thank you. We'll now leave it at that.

Thank you, gentlemen.

You have two minutes, please, Monsieur Perron.

[*Translation*]

Mr. Yves Perron: I'll try to be brief, Mr. Chair.

Mr. Lee, earlier you said that we need to eliminate barriers to competition or barriers to entry. In this regard, do you have a concrete recommendation to pass on to the Committee?

[*English*]

Dr. Ian Lee: Yes. My approach focuses on the macro, not the micro, and doing what's called indirect regulation rather than direct regulation. Let's bring that down to brass tacks and down to earth.

The Competition Bureau, which has correctly identified concentration, has not acknowledged fully that they have approved acquisitions over the last 10 to 15 years. I'm not here to throw rocks or bricks at the Competition Bureau because they're excellent people, but maybe they should, either through order in council or through amendments to legislation, put some kind of a notional cap on the concentration ratio.

When you get concentration ratios of up to 70%, 80% and 90%—and we have several industries there—we get real problems of lack of competitiveness. It's a direct consequence of such high levels of concentration. To put it the other way, the Competition Bureau is approving too many acquisitions.

• (1300)

[*Translation*]

Mr. Yves Perron: Mr. McCann, earlier you also made specific recommendations. Is it possible to pass them on to the Committee? Otherwise, you have about 20 seconds to explain them more clearly.

Mr. Tyler McCann: I feel that a task force should be mandated to perform three tasks.

The first task would be to produce better data and analysis. That would allow us to better understand, for example, what impact the carbon tax has on food prices. That's still an open question.

The second task would be to determine what is currently having repercussions and what the solutions are.

The third task would be to look at the issues of accessibility and affordability and try to find solutions, perhaps outside the food system, that might address the consequences of rising food prices.

[*English*]

The Chair: Mr. MacGregor, you'll finish this off.

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

Mr. McCann, this committee has been involved in this study for quite some time, and I'm very thankful that I got the unanimous support of my colleagues when I proposed the original motion for the study. I think one of the great benefits of this study and the increased focus on food price inflation has been recent amendments to the Competition Act. Bill C-56 got unanimous support in the House of Commons. It's now part of the statutes of Canada. There are other provisions in Bill C-59 as well.

I put that in the context of your opening remarks about how sometimes we suffer from a bit of a data gap in Canada. Can you add any more to the conversation about these increased legislative powers for the Competition Bureau and what you hope they will result in, particularly now that the Competition Bureau has more legislative muscle when it comes to market studies and the ability to compel that information?

Mr. Tyler McCann: Clearly, it will help better fill the gap that exists. Even the Competition Bureau report from last summer acknowledged their limitations and certainly didn't answer all of the questions that are there. I think it creates a lot of uncertainty around what exactly is happening and what we really understand. It's also important to understand, especially in a concentrated sector like retail, that there may very well be limitations to what they can make public at the end of the day.

This is a really small piece of the puzzle. It's interesting to think how things would have been 20 years ago had the Competition Bureau had these powers then. They didn't, so we are where we are. I think ultimately this is about an incremental or very marginal impact on the issue of food prices.

The Chair: Thank you, Mr. MacGregor.

Colleagues, first of all, I would like to thank our witnesses on the second panel for being here and contributing.

To give you a sense of what we're going to be doing on Thursday, we were coming to the end of the number of witnesses that remained based on what you had submitted. In fact, the clerk had trouble, because all the witnesses had either been exhausted or a few declined or were unable to participate. However, we do have the Competition Bureau. They are coming for the first hour on Thursday. The second hour is going to be draft instructions to our analysts on what we've heard so that they can get a first report up. We're also going to look to adopt the subcommittee report and any other committee business that we feel is pertinent.

On the 13th, we intend to have the CEO from Costco, I believe it is. We are working to try to have Minister Champagne appear. It is not yet confirmed, but we are working on that. February 15 will be the first day of our horticulture study. The clerk is working on that.

We talked about doing Bill C-355 in the first hour of Thursday. Mr. Louis would like a little more time, but we'll make sure that we have him up, because that is a piece of legislation that this committee ultimately has to study as well.

That is our schedule until the February break. We will see all of you on Thursday.

The meeting is adjourned.

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