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Chair: Michael Coteau



Standing Committee on Agriculture and Agri-Food

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• (1535)

[*English*]

The Chair (Michael Coteau (Scarborough—Woburn, Lib.)):
I call the meeting to order.

Welcome to meeting number 8 of the House of Commons Standing Committee on Agriculture and Agri-Food.

Today's meeting is taking place in the hybrid format pursuant to the Standing Orders. Members are attending in person in the room and remotely using the Zoom application.

Before we continue, I would like to ask all in-person participants to consult the guidelines written on the cards on the table. These measures are in place to help prevent audio feedback incidents and to protect the health and safety of all participants, including our interpreters.

I would like to make a few comments for the benefit of the witnesses and members before we start. Please wait until I recognize you by name before speaking or if an MP directs a question to you.

For those on Zoom, at the bottom of your screen you can select the appropriate channel for interpretation: floor, English or French. For those in the room, you can use the earpiece and select the desired language. I remind you that all comments should be addressed through the chair.

For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order to the best of our ability. We appreciate your patience and understanding in this regard.

Before we start, there are a couple of things I would like to move to the end of the meeting. We need to approve a budget. I need a little time at the end for the budget, so I'll try to reserve five to 10 minutes at the end.

Today, pursuant to Standing Order 108 and the motion adopted by the committee on Thursday, September 18, 2025, the committee is commencing a study and update on the implementation of the grocery code of conduct.

I would like to welcome our witness.

With us today is Karen Proud from the Office of the Grocery Sector Code of Conduct.

As you know, you have five minutes for comments, and then we'll open it up for questions.

Welcome to the committee.

[*Translation*]

Karen Proud (President and Adjudicator, Office of the Grocery Sector Code of Conduct): Thank you very much.

Thank you, Mr. Chair and members of the committee.

My name is Karen Proud, and I'm the president and adjudicator of the office of the grocery sector code of conduct. I am pleased to appear before you today to provide an update on the implementation of the code.

The office was established toward the end of March 2025 to administer the grocery sector code of conduct, a framework designed to strengthen trust, transparency, and fairness across Canada's grocery supply chain. In the few months since, our small team has focused on building the foundations needed to bring that commitment to life.

I'm pleased to report that we are fully operational, with a permanent office, communications platform and member portal, and that we have seen strong engagement across the sector. To date, nearly 100 companies have joined as members, representing every part of the supply chain.

Since our establishment, I have participated in over 39 stakeholder meetings and 28 industry events nationwide to raise awareness of the code, answer questions, and help companies prepare for compliance. These meetings have been in addition to our educational outreach through the monthly newsletters, published guidance materials and our recent webinar. The enthusiasm and support from across the industry have been encouraging.

Our number one priority right now is to finalize the dispute resolution management process, or DRMP. This is the last major piece we need before the code can be fully implemented on January 1, 2026, and before we can begin our formal membership recruitment campaign.

Developing the DRMP has been a challenging but necessary process. We are creating, from scratch, a fair and accessible mechanism for resolving disputes, within the constraints of a voluntary, non-regulated framework.

• (1540)

[English]

There are real limitations on what a self-governing office like ours can require of members. The process must also remain fully consistent with the provisions of the code itself, which was developed and agreed to by industry.

Balancing these realities while ensuring that the dispute resolution management process is still credible, practical, accessible and trusted by all has taken some time, but we are close. I believe we now have the tools needed to move forward. They may not be perfect—few things are at the outset—but they are a solid foundation on which to start, and I am confident they will strengthen over time as we gain experience.

As adjudicator, I am committed to monitoring how the code functions in practice and to reporting back honestly and transparently on what is working well and where adjustments may be needed. Continuous improvement will be a defining feature of this office.

In the coming months, our focus will be on finalizing dispute resolution, launching formal recruitment, expanding our education and outreach efforts and preparing for the full implementation of the code at the start of 2026.

Mr. Chair, I want to thank this committee for its ongoing attention to the grocery code of conduct. For a voluntary framework like ours, the continued interest and oversight of Parliament is critical. It helps sustain momentum and reinforces that accountability and fairness in the grocery sector remain a national priority.

I also want to take a moment to acknowledge the vital funding we are receiving through the regional collaborative partnership program under the sustainable Canadian agricultural partnership, which is an agreement between federal, provincial and territorial governments. The funding has supported the first year of our launch. Our goal is to be fully funded through our membership by 2027. Certainly at this stage we would not be operational were it not for the support from government partners.

I look forward to your questions.

[Translation]

I will answer questions in English, because I'm not perfectly bilingual and it's very important for me to be precise.

[English]

Thank you.

The Chair: Thank you very much.

I'll go to the Conservatives for six minutes.

Mr. Epp.

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

Thank you, Ms. Proud, for appearing today.

I think I'll start with what the code is to do and what it is not to do. I'm asking if you can expand on that.

I'm going to read you a quote here that says, "it is important to recognize the distinction between contract law in Canada and the voluntary Code."

Can you draw that out a bit? What's the difference between contract law and a voluntary code?

Karen Proud: The code, as designed, is voluntary. It's the choice of members to join.

The issue between the code and contract law is.... We've been clear from the beginning that in our office we cannot supersede existing laws, whether it's contract law or other laws of the land. If two parties enter into a contract and come to an agreement together for that contract, the office cannot interfere in that contract.

If that contract contravenes the code, we are able to hear complaints related to that, but I don't have any authority to nullify or change contracts entered into between parties.

Dave Epp: Is the inverse true? Is a contravention of a contract then automatically a breach of the code?

Karen Proud: No.

I mean, contracts generally deal with supply agreements. Certainly, in our case, it's supply agreements between suppliers and their retailers. Contravention of contracts falls into contract law. We are not an appeals mechanism for where there are conflicts within that contract. That falls to contract law, and there are processes that deal with that.

Should there be something in the contract...? Section 2.5 in our code of conduct says that you can't contract out of the code. If you put things in your contract that are contrary to the code, that allows people who are party to the code to complain to our office, and we will hear those complaints.

Dave Epp: My understanding of one of the drivers that's led to the entire value chain being at this place is the alleged existence of intimidation. How does the code begin to address intimidation between various players in the chain?

I can expand on that. One assumes immediately that's retailer intimidation upon suppliers, but the inverse, as we've heard in testimony for a couple of years, can also be true.

• (1545)

Karen Proud: The code very specifically has a provision that speaks to the fact that it's a contravention of the code if there is intimidation or other factors against a supplier or retailer for exercising their rights under the code.

Again, if that sort of thing arises, people can make complaints to the office and the office will look into that. People can make formal complaints through our dispute resolution process. The office will look into that and come to a finding.

Dave Epp: If the fear is intimidation, is there the reality of reprisal, just by making a complaint? How does one address that?

Karen Proud: That's a really good question, and it is something I receive frequently, especially as I'm talking to smaller grocers or suppliers.

Within our system, we have the formal dispute resolution process, which we're still finalizing. That's how the party complains. There's visibility between the parties about that complaint. It goes through a process that may, eventually, lead to an adjudication decision and a publication of a compliance issue.

We have another process, very similar to what they've put in place in the United Kingdom, in which we have created a portal whereby any one of our members can make a complaint to the office. That's a confidential complaint. We take in that information to see whether this may be something of concern with regard to a code violation, and we can follow up on that complaint without breaching any confidentiality.

Our main role, really, is to try to address these things before they become formal complaints, so there's absolutely a mechanism through which anyone can complain to us, and we will follow up and try to work that out with the other player.

There's also a third component, which is that anyone can go to talk to their industry trade association, who can then bring to the office issues that are of a systemic nature, in which a number of members are having the same problem. They can do the same: Come to the office and raise those issues with us, and we will do our analysis to determine whether we need to follow up to try to correct the issue before it becomes a formal complaint.

Dave Epp: I think you just answered my next question, which is this: What tools do you have? You just listed three. Are there any others?

Karen Proud: Those are the processes we have in place that allow anyone to come to make complaints. The tool that the office has.... We are limited because we're not a regulated industry. We're not legislated. I can't fine people, investigate things or compel evidence, but the majority of my role is, really, trying to work with the other parties to point out where I think there may be code-related issues.

Ultimately, the stick we have is the fact that we can publish public reports, so, through the formal process, that's a notice of non-compliance, potentially, but I can also publish reports, and I intend to publish reports on a regular basis about what's going on.

Dave Epp: Thank you.

I have one more quick question. If you were to uncover criminality in that process, are you allowed to report it to the relevant authorities?

Karen Proud: That would be something I'd have to discuss with our internal legal counsel. I'm not able to respond to you at this stage, but if I were aware of criminal behaviour coming up, I would consult with our legal counsel as to my duty and responsibility to report that.

The Chair: Thank you.

Next, we go to the Liberals for six minutes.

MP Dandurand, go ahead.

[*Translation*]

Marianne Dandurand (Compton—Stanstead, Lib.): Thank you very much, Mr. Chair.

Ms. Proud, thank you for being here and for the work you're doing to implement the code of conduct.

As I understand it, the wording was finalized in June and people are now working on the dispute resolution mechanism, namely the mediation board. You said there were a few outstanding questions. What remains to be settled to fully implement the mediation mechanism, and how confident are you that you will reach an agreement on this by January?

● (1550)

[*English*]

Karen Proud: The code itself was agreed upon by all parties last year. There was a coming-into-force date that was put in the code, which was the June date, and we've been taking a transitional approach to that. As mentioned, we are working on this final governance piece, which is dispute resolution.

You have to keep in mind that it took almost four years for people to draft the code and come to agreement on the language within the code. We've been working on dispute resolution for only about six months.

I think we're very close. We've been going through drafts with an industry working group and within our board. There are just language questions as to whether it covers everything it needs to. We have what I feel is a very good draft, and it's just a matter of getting the next and, hopefully, final round of comments back from both the working group that's been working on it and our board of directors. At this stage I still feel that we can have that finalized before January 1.

[*Translation*]

Marianne Dandurand: That's great news for all parties.

Given the discussions over the past few months, do you feel that the Office of the Grocery Sector Code of Conduct will receive a large volume of complaints?

[*English*]

Karen Proud: That's a good question. We don't know, off the bat, how people are going to interact with the office. As I mentioned, I have spent a lot of the last six months going around talking to different sectors, presenting at conferences, talking to individuals one on one and trying to raise awareness of the code and the importance. At every conference, I tell people that if I leave them with nothing else, my message is to please work with the office.

We know from the experience in the U.K. that at first there was a lot of reluctance to engage the office, because of the concerns around confidentiality and the potential that if somebody brought a complaint, it would be found out and there could be some reprisal.

I think it will take some time, as we start to work with different groups, for them to feel that they can bring complaints to us, that we will pay attention to them and that their confidentiality will be respected. We are prepared. If we get a lot of complaints, we have a good system in place, but I suspect that we'll see more of a trickling in than an avalanche.

[Translation]

Marianne Dandurand: I'm thinking in particular of small and medium-sized primary producers, who are vulnerable to the large retailers they deal with. One of the things the code of conduct seeks to achieve is a better balance of power between the various stakeholders.

Are you able to give a voice to industry associations that may represent SMEs? Is that included in the dispute resolution mechanism?

[English]

Karen Proud: The associations have a really important role to play with the office, both in providing us with a picture of what's going on generally in the sector and identifying the systemic issues where a number of their members or their entire membership may be affected. It's very important for us that we continue that dialogue with the associations. It's also important that, as we get information through other means, we're able to check in with the associations to see if it is really a systemic issue, if it's a one-off thing or if we can get a little more understanding.

Where the association role doesn't come into play is with the formal dispute resolution process. This is where one party will bring an issue against another party. That has to be an individual business-to-business case, because of the nature of those complaints. The individual agreements may be different and the circumstances may be different. We are not set up with this code to do what I would say is a class action complaint to us. It really is individual complaints to allow the other party to respond specifically to the information. The associations can help their members in that process and can help provide information on how to navigate, but for the specific formal dispute, the associations don't represent their members in that process.

[Translation]

Marianne Dandurand: Do I have any time left, Mr. Chair?

[English]

The Chair: You have another 18 seconds.

[Translation]

Marianne Dandurand: I'll give that time to Mr. Perron.

• (1555)

[English]

The Chair: Monsieur Perron.

[Translation]

Yves Perron (Berthier—Maskinongé, BQ): Good afternoon, Ms. Proud. Thank you for being with us today. We appreciate your time. We know you're busy, but it's important that you come and answer our questions.

I've been listening carefully to your answers from the beginning. You told our Conservative colleagues that producers' associations could back up complaints related to a systemic problem. You just repeated it to Ms. Dandurand. However, you were explaining the formal process and you said that when a dispute is settled, the associations can no longer intervene. Did I understand correctly?

[English]

Karen Proud: Yes. They themselves can't bring a complaint in the formal process. That's reserved for an individual company.

[Translation]

Yves Perron: I appreciate your clear answers.

The purpose of the code of conduct is to restore somewhat of a balance. Before the code was introduced, it was discovered that small businesses with seven or eight employees, for example, that sell their products to multinationals or huge companies with a large market share were being intimidated by them or feared they would be.

That said, large companies can be accompanied by their lawyers in the process, whereas small fruit and vegetable producers or others, who operate an SME, can't. Don't you think the process is unfair? Isn't it like holding a trial in which one party is entitled to a lawyer while the other is not? I may be using a strong image, but I wanted to make sure you understood my question.

[English]

Karen Proud: I think that's a very good question. What I'm saying is that an association can't bring a complaint. Their member could bring a complaint. They can bring representation within that formal dispute resolution process.

We've also designed the system so that it is not cost prohibitive to a smaller organization. For instance, as part of the formal dispute resolution process, we offer mediation as a first step. That's paid for by the office, so that everybody has an opportunity to take part in it.

We also offer a much more expedient process through a dispute resolution. I would hear one hearing where we are trying to make it as simple as possible through forms that are easy to fill out. We are not looking for legal briefs to be submitted to the office that we could then judge. It is not a court of law. It's an administrative process, and we are trying to design it as such to be simple and easy to use.

When it comes to representation, as I said, the associations can't launch a complaint, but they can certainly help their members.

[Translation]

Yves Perron: Okay. I'm reassured by your answer. So the associations can come and support one of their small members who is in the mediation process. They can get advice, among other things, and benefit from someone's expertise. That's better.

You talked about systemic issues. You said that associations could not file formal complaints, but that they could share systemic concerns with you. Can you explain the distinction to me? Also, there's nothing stopping an association with 10 or 15 members from notifying you that they are experiencing the same problem. It would further guarantee the confidentiality of the complaint. Isn't that right?

[English]

Karen Proud: There's nothing that stops them from that. As I mentioned, there's the formal process, and then there's the complaints-based process, where I am counting on associations to bring systemic issues to the office. I believe that 90% of our job is not going to be in a formal dispute setting at all. It really is going to be—and this is how the experience has gone in the U.K.—people raising issues through our confidential portal through the associations that bring systemic issues to us.

We look at that and, if we feel that there are concerns with code, we will follow up with the other party to try to get that issue solved before it gets to anything formal. I really feel that's likely to be 90% of my job, and my adjudicator hat is maybe going to be put on one to two per cent of the total time. It really is that role the office plays as a facilitator, as an educator and almost as a mediator between the parties to get those issue solved before they become formal disputes.

• (1600)

[Translation]

Yves Perron: I understand the intent of mediation, and I agree with it. I think that will probably resolve a number of issues.

However, to what extent can you guarantee that a small supplier will dare to file a complaint? Even if the process is confidential, as you say, there will be representation and discussions at the resolution stage. Inevitably, that supplier will be identified. How is it possible to guarantee, for example, that they won't suffer reprisals two or three months later, when they might be told that another supplier has been found and their contract won't be renewed?

I have a sub-question: If that ever happens, what powers does the grocery sector code of conduct have? What could you do at that point?

[English]

Karen Proud: In the formal process, there will be visibility between the two parties. There has to be, because if somebody files a complaint, the other party has the right to know what that complaint is about. The agreements may be different. There has to be that discussion.

In the confidential, where they're reporting to us and where we may then later follow up, that is all confidential. That information will never be released.

When it comes to the formal process, if anyone brings forward a case, again within the code, it clearly states that it's a violation of the code for there to be repercussions for somebody exercising their rights under the code.

The Chair: Thank you very much. I'm going to have to stop you there.

Next, I'm going to go to the Conservatives for five minutes.

Go ahead, Mr. Barlow.

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

Thanks, Ms. Proud, for coming here today and being so detailed in your answers, which is nice to see.

You were saying that the one aspect of the grocery code that hasn't been completed is the dispute resolution mechanism. My understanding is that a number of the large retailers have not signed on to that. Are you able to tell us which retailers have not signed on, and have they given you reasons as to why they have not signed on?

Karen Proud: The list of members is public on our website, so you can go through there and see all 96 that we have as of today.

We have Empire, who joined right at the beginning. We also have Save-On-Foods, who, while independent, are also a very large retailer. Those are the only two large ones that have signed on so far.

The others are waiting to see what the final governance pieces look like. Frankly, I don't blame them for that. They want to see exactly how the process is going to work, and they want to feel comfortable with where we've landed when it comes to the reach and authority of the adjudicator. They have been working very closely with us in a working group. We have an industry working group that's been helping us work through finalizing the dispute resolution mechanism. They've all been very involved.

My expectation, when we finalize that, is that they all sign on. At this stage, I don't have an indication from any of them that they're not planning to.

John Barlow: Just so we're clear, for those who may be watching, three of the largest of those five retailers that we talked about during our studies previously—Loblaws, Walmart and Costco—are amongst those that have not signed on to the dispute resolution mechanism.

Is that correct?

Karen Proud: We haven't finalized dispute resolution. They haven't—

John Barlow: They haven't agreed to be a part of it until they see the final....

Karen Proud: They want to see the final document, yes.

John Barlow: You've mentioned a number of times that this is a voluntary code, and some of this has been modelled after the United Kingdom's template. However, the United Kingdom also started out voluntary and had to go mandatory, because obviously it wasn't achieving the goals it had set out.

What has to happen in this grocery code of conduct for it to remain voluntary?

Karen Proud: That's a great question.

Not only did the U.K. not succeed in voluntary, but neither did Australia. They've both gone to a regulated system, although they are quite different.

A number of things have to happen. One is that I need to have all of the major grocers and all of the major suppliers sign on to the grocery code. That is the first step through the door if this voluntary approach is going to work. We also need to see, as the office starts working with those entities, that when there are issues related to the code, we are being listened to, that people are being collaborative and that they really are committing to this voluntary code.

I will be incredibly open and transparent in my reporting if the office feels that the code is not working. We fully intend to do similar to what they do in the U.K. It's not going to be Karen Proud's decision as to whether the code is working or not; it is going to be our members in the sectors we will be serving. We will be hearing from them on whether they're seeing the changes, similar to what they've seen in the U.K., and seeing things progressing as we hope.

If we are not, then I will report on the results of that, and we'll have to see what the next steps for this country have to be.

• (1605)

John Barlow: Thank you for that.

I have time for one last question.

We studied food pricing and food inflation a couple of times in the previous Parliament. The then minister of industry, now the finance minister, was quite adamant that the grocery code of conduct was going to be the salve for food inflation and grocery prices.

Is there anything in the code that stipulates that grocery prices will come down once the code is officially initiated and the grocery chains have signed on? Are there any guarantees that the grocery prices will come down as a result of the grocery code of conduct?

Karen Proud: I don't expect the grocery code of conduct to affect food inflation or the price of food. The grocery code was never designed as such. In fact, one area where the code does not come into play is with regard to price negotiations between retailers and suppliers.

There are some out there who have made comments that it could raise prices. Other academics have talked about how it could lower prices if things are more efficient, but the code itself was never meant to address the price of food or food inflation.

John Barlow: That's an interesting answer, given the claims of the previous Liberal minister, now the finance minister, that the grocery code was going to be the magic bullet to address food prices.

Thank you, Chair.

The Chair: Thank you.

We'll go to MP Chatel for five minutes.

[Translation]

Sophie Chatel (Pontiac—Kitigan Zibi, Lib.): Thank you very much, Mr. Chair.

Ms. Proud, thank you for being here with us.

The grocery sector code of conduct is so important to Canadians. They expect there to be one. They also expect producers and

wholesalers to have a good relationship. Therefore, I congratulate you on your work.

You told us today that negotiations on the dispute resolution mechanism are going well. You're still optimistic about that. That's all that's left to deal with. As you said, the code of conduct was signed in 2024. That piece, the dispute resolution mechanism, is missing, but the code of conduct is expected to take effect in January. Is that right?

[English]

Karen Proud: It's still my hope and expectation that we can finalize the dispute resolution mechanism before January 1.

[Translation]

Sophie Chatel: I get the impression that some stakeholders in the negotiations surrounding the dispute resolution mechanism would like to use it to expand the scope of the code of conduct, while others would rather limit its scope. Is it your role to help the parties find a middle ground, respect the spirit of the code and adopt it?

[English]

Karen Proud: As mentioned, the code took over three years. Every word in the code was scrutinized by all of the players. Dispute resolution is no different in that I think there are lots of people around the table who have a lot of stake in this, lots of opinions on what the dispute resolution can or cannot do. We are following what the code allows us to do and what a voluntary organization could possibly do.

I don't think we're that far apart on dispute resolution on most issues. Some concern, in particular, has been raised that some parties want to just make sure nobody can contract out of the code. That's the biggest issue we've been looking at. I think there are provisions in the code that clearly say you can't contract out of the code. Just how we reflect that in the dispute resolution manual, which we're pulling together, has been most in question.

We continue to move forward. There were things that happened months ago when we were fighting over other issues, and we've come to agreements on those. I feel confident. There's so much at stake that I think people just really want to get it right. There's a lot of passion around this, and I still feel confident that we will have a dispute resolution mechanism that people can agree to.

Frankly, I don't think anyone is going to be 100% happy with what we end up with. Maybe that's the magic sauce—if everyone feels they've lost something, we have something we can move forward with. Ultimately, if there are problems, the office is committed to looking at this over time and reporting on where we need to fix things. We expect even the code itself will likely be amended a year from now—dispute resolution as well—because I doubt that we're going to have it 100% right by January 1.

• (1610)

[Translation]

Sophie Chatel: You made two good points. First of all, yes, we know that an agreement is good when both parties are a little disappointed.

Then you talked about the sort of stick you have, that is to say your ability to prepare reports and send notices of non-compliance. It is an interesting lever, after all. As you say, people have to start by implementing this code and agreeing on a mechanism. Then you have to report within 18 months of the code coming into force. Then the necessary adjustments can be made, as other countries have done. Did I understand correctly?

[English]

Karen Proud: From an enforcement perspective—and I say that lightly because we're not a regulated organization—we really have one stick, and that is naming and shaming. In the formal dispute resolution process, if we come to a non-compliance, that will be published and it will be open to the public. From a reporting standpoint, the office can also write reports about what's working, what's not, how things are going and the sorts of issues we're investigating, as well as what we're hearing from stakeholders.

In the code, we are committed to reviewing the code—

The Chair: Ms. Proud, I'm going to stop you there. I apologize.

I'll go to the next person, just so we can maintain time.

Thank you.

We have Mr. Perron.

[Translation]

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

Ms. Proud, I'm an optimistic man, but I'm a little concerned, because you said that three grocery giants had not yet signed on to the code and that they were waiting to see the final version. In the past, two other major retailers didn't want to sign on either, but we had a special meeting here and finally, at the last minute, they decided to sign on.

If I understand correctly, it's just the dispute resolution mechanism that isn't finalized. So what is preventing those three giants from signing on the code right now? Have they made specific requests to you about this mechanism?

[English]

Karen Proud: I honestly think it's very fair that parties are waiting to see the full governance of exactly how we're going to deal with issues as they come up before they sign on to the code. I spent a lot of my career telling government that I couldn't support its policies until I saw all of the details. I think it's no different here. The retailers that you're mentioning have been very much involved in helping draft the dispute resolution management process. As I mentioned, we have an industry working group. There are three retailers who currently sit on that, and they're helping us finalize.

[Translation]

Yves Perron: I'm glad to hear that they've been very active, and I assume they still are. Given that they're waiting to sign on, though, have they made any specific requests to you in terms of dispute resolution and the arbitration process?

[English]

Karen Proud: Throughout the development of the process, we have been negotiating and arguing about various points that have

been in that management process. There was language in there that we talked about, and at one point there was mention of remedies. It was raised that the office doesn't have the authority to require remedies. It's very technical things that we're debating—I don't want to say “arguing about”—and that's what we're waiting to finalize before they will sign on. When we're finished with dispute resolution, I expect everyone to sign on, and I will report on that. There will be no more reason, once that is done, to not sign on.

• (1615)

[Translation]

Yves Perron: There's nothing specific keeping them from doing that right now.

[English]

Karen Proud: It's the language in dispute resolution and the drafting of how we phrase certain things within that manual—on both sides.

[Translation]

Yves Perron: Thank you.

[English]

The Chair: Thank you very much.

We'll now go to the Conservatives for five minutes.

Mr. Gourde.

[Translation]

Jacques Gourde (Lévis—Lotbinière, CPC): Thank you, Mr. Chair.

Thank you, Ms. Proud.

It's very interesting, and I think we can stay optimistic. However, I do have some concerns. From farm to fork, there's the producer, big or small, who sells their products to a wholesaler or directly to a large chain, which resells them to consumers in its subsidiaries, the local retailers.

Code compliance could have been made voluntary. However, it was imposed. Since the major grocery chains had no choice, they decided to work together. However, I feel that the stakeholders who control the grocery sector, the wholesalers and especially the chains, are going to test this code. I'm actually sure the code will be tested by the wholesalers.

Do you have any concerns about a weakness in the code that could be exploited by wholesalers? Do you think there's a flaw in the code that should be corrected before it comes into force?

[English]

Karen Proud: I don't think there are gaps that can be filled before it happens, necessarily, but the code is principle-based, so there's not a lot of detail. As you read through the code, it's not a big document. It doesn't read like a regulation, where everything is very specifically laid out. There are going to be elements of the code that are open to interpretation. Our office, at the end of the day, has the final say as to whether or not there was a code violation.

At this stage, I don't know if the language in the code in every single instance is precise enough for it to work as expected. This is something that we're going to look at as we get complaints: whether the code language is strong enough, whether we need to change the code and whether there are things within the code that need to be added because it doesn't help some of the constituents. Everyone is going to come at this with a different interpretation. I hear that already now. We will really have to let it get going and get experience before we know whether there are loopholes or problems with how the code has been written.

[Translation]

Jacques Gourde: Do you think we'll be able to help small producers have a place in local grocery stores, in short supply chains? The average producer currently sells maybe 15% to 20% of their production at a stand, and the rest has to go to a wholesaler. To get into a big chain, you have to be a huge multinational.

Small producers are being shut out of their local businesses because there isn't any more room on the shelves. Those displays have been reserved for wholesalers, chains, for mass products. As a result, local products don't necessarily have a place at the local grocery store for small producers. That's very unfortunate, because it would be a second option for them. Are you paying particular attention to that?

[English]

Karen Proud: In terms of the code and the office, again, it's very clear that we don't interfere in pricing decisions. We don't interfere in what will still be very tough negotiations between small suppliers and large retailers. That's not where the code will interact, to try to assist a small supplier in negotiating the sale of their products into those stores. What the code does is provide some protections, so that when you have an agreement with a large retailer, in this case, certain actions and certain behaviours are not allowed under the code. It provides a means for those smaller suppliers to now have somewhere to go to address some of those issues. We're not going to help small suppliers negotiate for space. That's not one of the purposes of the code.

As well, it does try to allow for a system of disputes when issues come up that is more fair and accessible to the smaller supplier, who may not otherwise have had any opportunity to raise concerns about some of the practices they have had to deal with. My hope is that by having a more open and transparent system whereby people are aware of exactly what agreements they're entering into, we can foster more innovation.

• (1620)

The Chair: Thank you very much.

Now we'll go to Mr. Connors.

Paul Connors (Avalon, Lib.): Thank you, Chair.

Thank you, witnesses, for coming out today.

This past week, when I was back in my riding, I was speaking with Atlantic Grocery Distributors, owners of Powell's Supermarket, an independent grocer in rural Newfoundland. They actually supply most of Newfoundland with grocery items, because the larger retailers are not in those areas. They're looking forward to the

implementation of the code of conduct to help them compete with the larger retailers and the promotion of more fairness within the industry.

Can you tell us a bit more about how this code of conduct will directly support such independent small grocers as Atlantic Grocery in rural communities throughout the country?

Karen Proud: It's a very interesting and important aspect of the Canadian code versus the codes you would find in Australia or the U.K. Our code is a reciprocal code. What I have heard as I have gone around talking to stakeholders, in particular the independent grocers, is that their concerns are more with regard to supply and their ability to get supply of products in a fair way. I think we saw when COVID happened that it was very hard to find some products at the independent grocers.

This is where their main concern is: When there is a supply constraint, they don't want to get cut out of the system and not get access to a reasonable supply. That is covered in the code, whereby when there are times of supply constraints, those suppliers are supposed to be taking into account the needs of all their customers, including the independents. That's particular to the issue I hear all the time from the independent grocers. They welcome this code to be able to address that.

Paul Connors: Thank you very much.

You mentioned different countries that have a code of conduct. What have we done to look at what worked in those areas, what didn't work in those areas and how we have improved our code of conduct to sort of offset those? Are we missing anything?

Karen Proud: There have been many reports about the various systems and what worked and didn't work. At the office we have educated ourselves about that. We also made connections with the previous adjudicator and the current adjudicator in the U.K., as well as the adjudicator in Australia, so that we can start to talk to them about what's working and what's not working and try to just share that knowledge: If they could do it all over again, where would they have started?

An important part of the office's work is to collaborate with those other countries so that we can already be ahead of where they started.

Paul Connors: My last question is this. As a consumer of the final product, as a constituent of Canada, why should I be concerned about the code of conduct and its implementation? Can we move ahead without having all the major parties signed on?

Karen Proud: We can move ahead. This happened in Australia, and it was a good example. They ended up going to a regulated code eventually. One of the issues was that one of the major wholesalers in Australia never joined the voluntary code. They still proceeded and still had positive outcomes in some areas with their code. I think we can do the same. Ultimately, we need to have everyone on board, but we can start.

I think the code is very important for the industry and for the sector in getting a better business-to-business relationship and more transparency, because the outcome we hope to see is similar to where the U.K. has gone. When there's more certainty in your business relationship, there's more potential for investment and innovation. That may not change the price of food you see on the shelf, but it does have benefits for the consumer in the end when there is innovation happening and when there's more potential for growth within the sector. I think that, if we see the same results that they've seen in the U.K., this is very positive for building a strong grocery sector in this country, which is so important for Canada and Canadians.

• (1625)

The Chair: Thank you very much.

We appreciate your taking time to be here with us today. It is important work, and I wish you all the best.

We'll suspend for five minutes.

• (1625)

(Pause)

• (1630)

The Chair: I would like to call the meeting back to order.

I'm going to try to finish a few minutes before our cut-off, so we can do some housekeeping.

I have a few comments before we start.

Please wait until I recognize you by name before speaking.

For those participating by video conference, click on the microphone icon to activate your mic, and please mute yourself when you are not speaking.

For those on Zoom, at the bottom of your screen you can select the appropriate channel for interpretation—floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

I would remind you that all comments should be addressed through the chair.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, September 18, 2025, the committee is resuming its study on the update on the implementation of the grocery code of conduct.

I would like to welcome our witnesses here today.

First, from the Association des producteurs maraîchers du Québec, we have Patrice Léger Bourgoïn, director general, and Catherine Lefebvre, president.

From Food Health and Consumer Products of Canada, we have Michael Graydon, chief executive officer. From the Food and Vegetable Growers of Canada, we have Massimo Bergamini, executive director.

You each have up to five minutes per association or group. After the five-minute presentation, we'll open it up to the members of Parliament, as you know.

We'll start off with the Association des producteurs maraîchers du Québec.

Welcome. Hello.

• (1635)

[Translation]

Patrice Léger Bourgoïn (General Manager, Association des producteurs maraîchers du Québec): Good afternoon, Mr. Chair and members of the committee.

We're seeing a number of market failures right now. Producers always have to deal with structural asymmetry. The five major retailers are taking up nearly 80% of the food market in Quebec. They have an inordinate balance of power, which makes it possible to exert constant and harmful pressure on produce growers. Keep in mind that those are family businesses that sell only perishable products, often with very short shelf lives. As a result, produce growers are condemned to being price-takers and accepting the terms offered without being able to discuss or even negotiate.

Even today, despite the years it took to implement the code of conduct, the problems commonly reported by producers persist.

Retailers' insistence on undervaluing production costs is putting continued downward pressure on prices. Increases in administrative fees of all kinds are automatically deducted from produce growers' bills. A lack of certainty and transparency around procurement policies prevents producers from making informed financial decisions. There are also questionable behaviours, such as fees charged to give a produce farmer permission to unload their truck in a large chain's warehouse, late cancellation of orders, or fines imposed for alleged offences that haven't been substantiated.

The dynamic imposed by retailers isn't sustainable. It enables big chains to transfer the costs, risks and uncertainty to produce growers. It jeopardizes the long-term financial viability of vegetable farms. That is evidenced by the fact that the net profit of fruit and vegetable companies has declined since 2015. That means that expenses have risen much faster than revenues during that period.

In this context, the grocery sector code of conduct is key. We need it. It's essential for starting a movement that won't correct the structural asymmetry I was talking about earlier, but simply mitigate it. However, the major chains will have to act in good faith by agreeing to voluntarily and willingly submit to the provisions of the code, as well as to the dispute resolution process.

Catherine Lefebvre (President, Association des producteurs maraîchers du Québec): As president of the Association des producteurs maraîchers du Québec, I would like to reiterate our support for the grocery sector code of conduct, which, for us, is essential.

Mr. Léger Bourgoïn told you about the major trends that are harmful to producers. Let me tell you about real-life situations, experienced this summer, that make this code a necessity.

A producer called me in tears because a major chain was threatening him with reprisals, since the drought conditions in Quebec meant that he was unable to deliver the volumes that met the technical specifications. The same major chain had substantially increased its administrative costs, which had nearly doubled for some producers. I requested a meeting with the chain, which refused to meet with me under the vague pretext of an issue related to the Competition Act.

Just a few days ago, another major chain asked producers to guarantee farm gate prices and sales volumes for the next two years. That request just doesn't make sense. Produce growers don't have an assembly line where vegetables are assembled in a closed circuit. They work with living things, in fields that are fully exposed to unpredictable weather. Current geopolitical issues are also having a direct impact on input prices. Imposing that kind of approach forces farms to take unreasonable financial risks.

In its request, the same major chain also asked the produce growers concerned to share highly confidential information, such as their sales figures and the identities of the large chain's three main competitors with whom the produce growers do business. By the way, all the directives stated that any form of communication about those directives with other people, including with employees in the chain, was prohibited, or else the supplier would receive a negative evaluation.

In conclusion, family-run vegetable businesses can no longer operate in this toxic business climate. We aren't expecting the major chains to show a genuine interest in changing their ways. We know that the code won't have shark teeth, but it also shouldn't be a goldfish.

For us, four things are non-negotiable. First, producer associations have to be given the opportunity to protect their members by filing a formal complaint on behalf of their members regarding a systemic issue. Second, the complaint process has to be transparent: The decision and the remediation plan adopted have to be made public. Major chains also cannot be able to escape the filing of a complaint and the dispute resolution process in any way. Third, a report has to be made public no later than September 1, 2027, with an update on the first 18 months of the code's implementation and the progress made toward improving relations between major chains and suppliers.

• (1640)

[English]

The Chair: Thank you.

Next, we go to Mr. Graydon for five minutes.

Michael Graydon (Chief Executive Officer, Food, Health & Consumer Products of Canada): Thank you, Mr. Chair and members of the committee, for the opportunity to appear here today.

I speak to you as the CEO of Food, Health and Consumer Products of Canada and also in my role as chair of the board for the Office of the Grocery Sector Code of Conduct.

Over the past nine years with FHCP, I've been a consistent advocate for the creation of a grocery code. I've dedicated time and energy to advancing this work, from serving on the original steering

committee and helping lead the development of the actual code to supporting its governance as part of the board of directors. This has been a long and complex process. It's been four years since the federal government publicly backed the need for a code and, throughout that time, we've appreciated the support of multiple ministers of agriculture and their provincial counterparts. I also want to thank this committee for its steady backing, which has been key to helping move this initiative forward.

Let me be clear about what we've accomplished and what remains. We have successfully established the office and appointed an exceptional leader, Karen Proud, as our first code office president and adjudicator. Karen has implemented a meticulous and thorough process, laying a stable foundation for the office in a very remarkable and short period of time.

The code of conduct provisions, the core of this entire initiative, are done. They took three years of negotiation, compromise and collaboration. They represent the heart of the code and set the framework for how suppliers and retailers will engage going forward. Everything else from a governance perspective—the operating rules, the bylaws and the forthcoming dispute resolution process—exists to support and enable the code provisions. That's why it's important to view what's left in perspective.

We are in the final five kilometres of a 40-kilometre run. The heavy lifting has been accomplished. The final piece is the dispute resolution management process, or DRMP, and discussions on that are ongoing. Importantly, the code itself informs the DRMP, not the other way around. The DRMP cannot be used to rewrite or undermine what has already been agreed upon in the code.

I remain confident that we will reach a workable conclusion. Our adjudicator, Karen Proud, is actively engaged and, if she determines that the proposed DRMP mechanism equips her to fulfill her responsibilities and if parties can find agreement, I think we have a clear path forward.

The voluntary nature of the code isn't easy. Every stakeholder has to make their own decision to opt in, and they will do so only if they believe the framework is sound. Perspectives differ sharply; some large retailers remain skeptical about the need for a code, while the supplier community has been unified in its support. This gap in outlook, compounded by a lack of trust, has made it tempting for some parties to attempt to script solutions for every possible scenario. While the code was designed to be principle-based, there's been pressure to make the DRMP more prescriptive than originally intended. That's where the friction lies now, not in the code itself, but in the dispute process.

Despite these challenges, momentum continues to be on our side, with almost 100 companies already registered. That list continues to grow every day. That sends a strong signal of confidence from across the stakeholder base. We've worked together to complete the most difficult part, the code of conduct provisions themselves. I'm encouraged by the progress we've made and confident that, with a more balanced and pragmatic approach to finalizing the DRMP, we can take this final step. If we stay focused and collaborative, I believe we will be ready to implement the code by January 2026 and begin delivering the positive change the industry needs.

Thank you for your time. I look forward to your questions.

• (1645)

The Chair: Thank you very much.

Now we'll go to the Fruit and Vegetable Growers of Canada online.

Sir, you have five minutes.

[*Translation*]

Massimo Bergamini (Executive Director, Fruit and Vegetable Growers of Canada): Mr. Chair and members of the committee, thank you for agreeing to study this issue, which is extremely important for our sector.

[*English*]

My name is Massimo Bergamini, and I am the executive director of the Fruit and Vegetable Growers of Canada. Through our 80-plus members, FVGC represents growers across the country, which are producing more than 120 different crops on over 14,000 farms.

My comments will focus on a fundamental flaw in the design of the grocery code of conduct and offer what we believe is a simple and practical solution.

Let me begin by stating the obvious: Growers want a fair, competitive and transparent marketplace. In theory, the grocery code of conduct and the office that administers it represent an important step toward that goal. In practice, however, it may be another matter.

The problem is simple. The code's dispute resolution architecture relies on individual suppliers bringing individual complaints about retailer conduct. On its face, this may look reasonable. In practice, however, it may be unworkable.

Canada's grocery supply chain is vast and complex. Many of the practices deemed problematic by the growers we represent are systemic and affect dozens or hundreds of growers at once, yet the current process asks each grower to, one at a time, invest scarce time and money to bring a complaint and to do so, as my colleagues from APMQ mentioned, under the shadow of potential commercial retaliation.

Two fundamental factors not addressed in the design phase make the current model problematic.

The first is capacity. Let's start with growers. Most growers do not have legal teams to do their research or to represent them. Most growers operate on tight margins and spend more time in the field than they do in the office. In these circumstances, pursuing an indi-

vidual claim risks being costly and time-consuming. Given the toothless nature of a voluntary code and the fact that it remains unproven, the results risk being hypothetical at best.

Now let's look at the office. The office itself is small, with few staff and limited resources. If many growers filed one-off claims, it could quickly be overwhelmed.

The second factor—and this remains an uncomfortable fact of life given the economic power imbalance that exists—is that growers fear retaliation. We believe that this alone will silence complaints and reduce and limit participation.

This leads us to the following conclusion: Unless the issue at hand is one of commercial survival for a grower, the rational response for most will simply be to go along to get along. If these design flaws remain unaddressed, the result will be either a clogged system or an underused one, falling well short of Canadians' expectations and those of this committee and Parliament at the time of the inception of the code two years ago.

The practical fix is straightforward. Allow credible producer associations to file representative systemic complaints on behalf of affected members. Think of it like a kind of class action suit. Associations can aggregate and anonymize data, present patterns instead of anecdotes and bear some of the legal investigative costs that an individual grower cannot.

This reduces the risk to growers and improves evidence quality, and—this is important given the current business model—it lets the office triage and investigate a manageable number of high-value systemic cases, rather than potentially hundreds of small, repetitive ones.

Representative complaints are not a radical idea. They are a pragmatic design choice that would align the code's operational model with the realities of scale and market power. They also create efficiencies, fewer files, richer evidence and remedies that can apply across a class of suppliers rather than to a single grower or a single farm.

Our ask of this committee is simple. Support changes to the code's operating rules and bylaws to explicitly allow registered producer associations to bring representative complaints under clear governance and verification rules to be developed.

• (1650)

If we want the code to be more than a public relations instrument and if we want it to actually protect growers and improve supply chain predictability, transparency and fair dealing, we must match its procedures and operating requirements to the on-the-ground realities.

The Chair: Okay, sir, I'm going to have to stop you there. You're over five minutes. Thank you very much.

We'll go to the Conservatives for five minutes.

Mr. Epp, you have five minutes.

Dave Epp: Thank you, Mr. Chair.

Thank you to all three parties for appearing here today.

I'm going to begin with the Association des producteurs maraîchers du Québec. I'm working on my French.

As I listened to your testimony, I heard, in my mind, two different issues relative to the code. There is, I think, the one the code was designed to address, where there's a contract in place and breaches of that contract—fines that were not addressed in the contract and things like that—and the negotiation of the contract itself, whether that provided a fair return or not.

My understanding is that the code was not designed to provide a fair return to producers, as much as, coming from producers, I'd like to see that. That is not the goal of the code; it's to address the other violations of that agreement after an agreement is in place.

Would you agree with that?

[*Translation*]

Patrice Léger Bourgoïn: Yes, absolutely.

The purpose of the office of the grocery sector code of conduct isn't to interfere in a contractual relationship between a major chain and a produce grower. When money is tied to the value of the goods sold, we have absolutely nothing to do with it, as Ms. Proud said so clearly.

However, in a case like the one raised by Ms. Lefebvre, where a major chain asks producers to submit prices two years in advance and disclose confidential information, the issue has to be considered as a problem that members of the code of conduct office have to address. That specific kind of situation is a systemic issue, since all Canadian potato, carrot and onion growers are affected. To prevent the office from being inundated with thousands of complaints, as Mr. Bergamini said, associations should have the freedom to represent businesses.

[*English*]

Dave Epp: Thank you.

I want to get a few more questions in.

I'm going to switch to Mr. Graydon.

Notwithstanding what the code is designed for, the reports that I'm getting from both small producers and from \$100-million-plus companies and large producers—again, in the hundreds of millions of dollars—is that the behaviour of the retailers, quite frankly, has gotten worse in the last six months with respect to fines and with respect to those things. That's the allegation I've heard.

I'm not stating that is representative of the industry. That's my question for you: Is that representative, that they are pre-positioning themselves going forward? What are you hearing on behalf of your members?

Michael Graydon: The conditions we're experiencing right now aren't the greatest. I think there are other issues that are driving it. If you'll remember back to the affordability issues, retailers wore it on their chest in regard to being implicated as the biggest drivers of that. I think the retailers are working very hard to protect themselves from that happening again.

Again, I don't think anything that gets laid out today is grandfathered once the code is implemented. The code takes over at that particular point in time, and if those issues continue to exist, then the code is designed to hopefully bring an adjustment in those behaviours.

• (1655)

Dave Epp: Thank you.

I have a question for Mr. Bergamini at FVGC.

The testimony we heard from Ms. Proud in the first hour was that there is a role for the associations, the groups, to bring those systemic complaints. I think our friends from Quebec brought that up too, that there is that role.

What is your confidence that, as it has been in other countries, some of those systemic complaints, some of those broad behaviours, will be addressed through that office and will be addressed through, as was testified, name and shame, or that whole process? Obviously naming and shaming is the last resort, but in terms of the discussions within the industry....

Massimo Bergamini: Our understanding is that the role as it is envisaged now is really to be an advocate for the interests of the members in a very discrete fashion.

What we're looking for is a formal role for the representative association to actually, in the aggregate, identify systemic issues and bring them forward in the formal adjudication process. We believe that is an absolutely essential step that needs to be taken, that needs to be formalized.

We're not satisfied with the current design.

Dave Epp: I hear you and I'm cognizant of the path the U.K. and Australia had to take.

I'll go back to a question from the first hour. What has to happen for the code to remain voluntary in Canada?

I'll ask Mr. Graydon to begin with that.

Michael Graydon: I think it's compliance. One of the deterrents to not being compliant is a regulated code. You fundamentally lose control over the ability to change and adjust it. You lose your governance. I think it behooves the industry to be compliant. That is the biggest thing we have going for us.

Dave Epp: I'll ask our friends from Quebec the same question.

[Translation]

Patrice Léger Bourgoin: Mr. Epp, I think we have to try out the code. Eighteen months is the time we gave ourselves to show that each party is acting in good faith and wants to improve the quality of the business relations between them. Let's give the benefit of the doubt for 18 months, to see if the industry can govern itself. If it can't, it will be up to parliamentarians to decide to implement a mandatory code of conduct, as Australia decided to do, or to do something similar to the European Union, which prohibited 15 or so business practices through clauses incorporated into the regulations of all countries in the European Union.

If European Union members are able to build consensus, Canadian provinces and territories also have to be able to build consensus, should stakeholders be unable to improve the quality of their relationships on a voluntary basis.

[English]

The Chair: I'm going to stop you there. I'm sorry. I apologize.

We'll go to the Liberals for six minutes.

MP Chatel.

[Translation]

Sophie Chatel: Thank you very much, Mr. Chair.

Thank you to our witnesses for being here today.

I think there's consensus among the parties, parliamentarians and Canadians. Everyone wants a code of conduct, starting in January. Let's be optimistic. It won't be perfect, but we'll give ourselves 18 months of testing, and then we'll adjust based on the experience we've acquired. I love hearing the witnesses say the same thing.

I've done a lot of work on arbitration clauses in my career. A dispute resolution process typically requires a dispute and two parties. That's how it works, including in Australia and the United Kingdom.

We also heard from Ms. Proud, who has the important leverage of being able to publicly disclose the names of offenders. The report that she's going to table after the 18-month trial will be important. She will be reinvented by the committee, and we've already agreed to invite her on a regular basis. She has the power of persuasion. She said earlier that she was going to listen to systemic complaints. She'll work on them with the associations, and that's her role. In fact, it's a bit of an ombud role, listening to systemic or anonymous complaints. I've heard things from some producers, and my heart goes out to them. They have the right to file anonymous complaints, through you, that Ms. Proud should hear as part of her role. When there are many complaints of that nature, it indeed becomes systemic. That has to be in her report as well.

Going back to arbitration, I think it would be important not to distort the dispute resolution clause. After all, this is a dispute that we're trying to resolve.

Ms. Lefebvre and Mr. Léger Bourgoin, are you satisfied with the opportunity offered to associations? A producer can be represented by you, and you can accompany them. It has been said that the process should be streamlined. Are you reassured to hear that, which

would mean you can move forward in your negotiations and arrive at a nice code of conduct in January?

• (1700)

Patrice Léger Bourgoin: Yes, we're reassured about the informal part of the resolution process, that is to say the ability of an association to be able to contact Ms. Proud, to tell her that a particular situation has been brought to our attention, and to request her intervention.

In terms of a formal process, however, there are no producers who, as things currently stand in Quebec, will dare to file an official complaint on their behalf, because they are afraid. Unfortunately, the examples that Ms. Lefebvre mentioned to you earlier represent only a small sample of what has happened in the past six months. However, the code of conduct is supposed to have been in effect since June, and these behaviours should no longer exist in the normal course of events.

Earlier, we gave the example of the increase in fees, which have more than doubled. I held a conference call during which 30 of my members agreed that I could represent them in their dealings with the major chain concerned. During the second call, however, only eight were willing to continue the process. You can imagine the circumstances that led me to having 30 members willing to have me make representations at the beginning, but only eight at the end. Let's just say that the phone must have been ringing off the hook.

Sophie Chatel: For there to be arbitration, there has to be a dispute that is resolvable in a concrete way, not by putting policies in place.

What you're asking for, though, is to reopen the code of conduct. We're no longer talking about arbitration in the traditional sense here. Rather, we're talking about collective arbitration and broadening the definition of "party" in the code of conduct to include associations. Currently, yes, a "party" is a retailer or a supplier. You're asking to reopen the code of conduct to include a provision for the resolution of disputes that would be considered systemic by an organization or association. Complaints could be anonymous, and the formal role of arbitration would not be to arbitrate a dispute, but rather general practices that are certain to be repeated.

If no one files a complaint under the current code of conduct, but your association receives a number of complaints, perhaps we should consider what you are proposing, since we will have realized that the current code is not working. However, I urge you to be careful. In my opinion, wanting to change this definition does not reflect the intent behind the arbitration provision in this context.

Patrice Léger Bourgoin: Ms. Chatel, I wear another hat as well. Today, I'm representing Quebec's fruit and vegetable producers, but throughout the process of developing the code of conduct, I represented Canadian fruit and vegetable producers, particularly at the technical committee.

It's unfortunate that there are no minutes of our meetings, because it has always been clear that—

[English]

The Chair: You're going to have to stop there. I'm sorry.

Mr. Perron, you have six minutes.

[*Translation*]

Yves Perron: Thank you, Mr. Chair.

Mr. Léger Bourgoïn, I'll let you finish your sentence.

Patrice Léger Bourgoïn: At every technical committee meeting I was at, it was always clear that the associations would have a role to play.

The current general rules of the code of conduct are clear, and everyone agrees on that at the board of directors. As Ms. Proud told you, the dispute settlement mechanism is currently being discussed. Until that process is completed, we can agree on a principle whereby companies that have adhered to the code can file a complaint, after which their identity will be disclosed to Ms. Proud. A delegation of authority can take place and, only in the event of a systemic problem, the associations can speak on behalf of those companies.

That has a significant advantage. As Mr. Bergamini told you, there are about 80 horticultural associations in Quebec, which represent thousands of businesses that do business with the major grocery chains. Imagine a thousand companies simultaneously filing a complaint about the same subject through the dispute settlement mechanism: It will be impossible, with just a few people, to resolve the problem. This shows the crucial importance of the role of associations, which will be able to coordinate the filing of these complaints to increase the efficiency of the process.

• (1705)

Yves Perron: Thank you, Mr. Bourgoïn.

What you're saying is worrisome. The mechanism is currently being discussed. As Ms. Proud said earlier, it's normal for people to wait to see the final version of a document before signing it. However, do you get the impression that this demand is causing some of the major retailers to be reluctant to commit to signing the code?

Patrice Léger Bourgoïn: I couldn't tell you, Mr. Perron. I didn't have a direct conversation with the representatives of the major grocery chains, apart from those who were at the technical committee. The representatives of the major grocery chains have their own questions, like everyone else, which is normal at this stage. However, we have to be able to speak freely about it.

I agree with Ms. Chatel that we need to find an acceptable compromise. However, I must emphasize that the bargaining power of Canada's small fruit and vegetable producers, mostly mom-and-pop operations, isn't equal to that of the five big chains that dominate the Canadian grocery sector.

Yves Perron: This situation isn't clear enough for everyone, and what we want is to restore the balance.

Mr. Bergamini, I imagine you agree with that as well. If I understood your opening remarks correctly, you think an association should be allowed to represent its members in the resolution of a dispute.

Massimo Bergamini: Not only should this be allowed, but it should absolutely be part of the administrative rules of the code of conduct. We think that's essential.

In our opinion, there is a fundamental problem. Producers are at very little risk of participating in this process in the current context. If we want to have a really effective code of conduct, we absolutely have to address the economic imbalance as well as the disproportionate trade power of these large companies over family businesses. At the moment, the code of conduct, as it was designed, does not address the issue of imbalance. Consequently, if we want to encourage the participation of vegetable growers, we absolutely have to recognize this imbalance.

Yves Perron: Mr. Graydon, I'd like to hear your response to that. Do you think that what produce growers are asking for makes sense?

[*English*]

Michael Graydon: I'm sorry to be a contrarian to my fellow witnesses, but I think we have to be very careful with regard to the role of associations. There is a tremendous role to play, and the systemic issue is working directly with the adjudicator. Providing information and support to enable her to investigate and have those conversations is important.

If we start to formalize it, then we start going down a very slippery slope with regard to confidentiality and some of those other components.

• (1710)

[*Translation*]

Yves Perron: Isn't confidentiality easier to preserve if producers are represented by an association? That makes sense to me.

What concerns me are the practices that have been used over the past six months. I have a hard time understanding what's going on. The committee has been working for a long time on the code of conduct; we've done a lot of work, people have been made aware of it, and we're about to introduce it. In fact, we should have introduced it last June. However, it seems to me that practices are not being improved, on the contrary. I don't want to accuse anyone, but I see that there's a certain amount of bad faith. How do you perceive the examples that have been given?

As I don't seem to have much time left, please answer quickly.

[*English*]

Michael Graydon: It is really unfortunate with regard to the conditions in the current environment, but the code has not been implemented yet. I think we have to make judgment once the code is enforceable and in place, rather than on the behaviour of the retailers and/or manufacturers at this particular juncture now, because it is not in place.

I can tell you, from the discussions we've had with the retailers, they have come to the table with a genuine interest in trying to find solutions. I think we just have to wait, and then 18 months from now, after it has been fully implemented, that will be the time to do our evaluation.

The Chair: Thank you.

We're going to do a final round, and then we have a few pieces we need to discuss as a committee.

We'll do five, five and two and a half, and then we'll end there.

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

[*Translation*]

Jacques Gourde: Thank you, Mr. Chair.

Ms. Lefebvre, unfortunately, in my riding, I've seen family vegetable farms throw in the towel after 35, 40 or even 50 years. The reason given is always the same: "We can no longer deliver anything; it's always something." As you said, there's a \$50 fee to unload the goods, imposed without notice. You have to arrive at a certain time; if you're two minutes late, you have to wait three to four hours to unload your vehicle.

I'm not worried about the producers, because they're resourceful people. They'll find something else to do. However, what will happen when there are no more producers to grow fruits and vegetables? Already, only one per cent of the population works in the agricultural sector to feed the entire population, yet these people are treated like slaves to the earth. They are ordered to deliver their goods at whatever price we're willing to pay them. Then we impose standards on them. Will we find ourselves up against a wall at some point because there aren't enough producers?

I'm very concerned about this. In my opinion, within 15 years, we will have to establish national programs to have agricultural producers in Canada. What do you think?

Catherine Lefebvre: The wall is extremely close. Every week and every month, we hear producers tell us that they want to leave the best job in the world. I do this job out of passion and love, because no one in their right mind works 18 or 20 hours a day if it's not out of passion. At first, the passion was to feed the people in our region.

In our opening remarks, we didn't say that the chain that requested guaranteed prices for two years opened this possibility to everyone, including all wholesalers from all competing countries. Last week, we saw carrots from China competing with carrots from Quebec and Canada in flyers. These carrots from China aren't subject to the same rules or labour standards. We're comparing carrots from China, where the minimum wage is \$1 per hour, with our carrots, for which the minimum wage is quite different. We're not even talking about environmental standards and everything else.

What we're experiencing right now is that we'll never be able to compete with the other countries around us. So we're really very close to hitting the wall.

Jacques Gourde: Nothing in the code of conduct can help producers when it comes to prices; it's really excluded. The code just allows for a complaint to be made. However, if producers file a complaint only once, it's clear that the door will be slammed in their face at their next delivery.

Catherine Lefebvre: We recommend that the association file systemic complaints, because we know that is what will happen. We have already seen evidence of this with producers who were unable to supply the right quantities at the right time, as they had committed to do. If something happens, there will be consequences.

• (1715)

Jacques Gourde: Is it a prohibited practice to pay, for example, \$2,000 per square foot to be on the shelves? Could this be one of the prohibited practices between large chains and wholesalers? Sooner or later, these costs to get on the shelves are passed on to the producer or the consumer.

Catherine Lefebvre: You are absolutely right.

Are these practices prohibited? Are there other practices that should be prohibited, such as the intimidation we have been experiencing in recent years and months? There are many questions to ask, but we want an initial code to come into force, and we want to protect our producer members and be there to represent them.

Jacques Gourde: From farm to table, many people engage in a lot of intimidation. Currently, neither producers nor consumers are benefiting from this. Who benefits the most overall? Who does not benefit?

Catherine Lefebvre: I don't remember who said it, but I know that our production costs are never taken into account when we have to bid on a price—never. Yet our production costs are the basis of our farms' viability. If our production costs are not covered by the price we get, there is no point in continuing. Our demise is imminent.

Jacques Gourde: Are the major networks more concerned with shareholder returns than with serving the public?

Catherine Lefebvre: We have just experienced the worst year since COVID-19. The margin between the price paid to producers and the price paid by consumers is 300% to 400%, but it is not the producers who are making a profit. For many products, the prices received do not even cover the producers' production costs.

Jacques Gourde: Thank you very much.

[*English*]

The Chair: Thank you.

MP Dandurand, you have five minutes.

[*Translation*]

Marianne Dandurand: Thank you very much, Mr. Chair.

I would like to thank the witnesses for their very interesting testimony.

Mr. Bergamini, Ms. Lefebvre and Mr. Léger Bourgoïn, I would like to confirm my understanding with you. A code of conduct has been drafted and you are satisfied with the wording. I believe that you are not asking to change what has already been written, but rather, you are wondering how disputes will be resolved, and that is where there is currently a disagreement.

You are signalling to me that this is the case, so that's clear.

In that sense, does the current text of the code of conduct address the alarming issues you are talking about? If the dispute resolution mechanism works, will it resolve the issues you have been telling us about?

Catherine Lefebvre: This will solve some of the problems, but not all of them. We must not forget that sometimes producers do not have contracts with wholesalers and retailers, but purchase orders. These are not covered by the code of conduct.

Patrice Léger Bourgoin: To add to what Ms. Lefebvre said, I would say that, yes, the grocery code of conduct as it is written is not perfect, but it represents a compromise that all parties worked extremely hard to achieve.

As for the next step, as Mr. Graydon and Ms. Proud pointed out, we need to agree on the dispute resolution process. Given that hundreds, if not thousands, of Canadian horticultural producers have a systemic problem that has been recognized by the parties, it would be much simpler if the associations could speak on behalf of the producers. We believe this is common sense. The effectiveness of the system is at stake in a context where we need to demonstrate that it works and that our efforts have not been in vain. Eighteen months will have passed before we know it.

Marianne Dandurand: Mr. Bergamini, what do you think of this?

Massimo Bergamini: I completely agree with what my colleagues have said.

That said, I would like to add that, in my role, I find it difficult to promote adherence to this code to our members, for the reasons that have been put forward this afternoon. It is essential to demonstrate that there is a rational and practical way for small producers to benefit from this code, which has not yet been done.

• (1720)

Marianne Dandurand: Thank you.

Mr. Graydon, you are the chair of the board of directors of the office of the grocery code of conduct.

Between producers and grocery chains, it's a bit like David versus Goliath. So I quite understand the request, which has been repeated here, that small producers be represented by their association. However, I sense an obstacle. What is it that makes this impossible at present? What is preventing us from accepting that associations can represent producers? Is it because of the wording of the current text or for some other reason? What is the obstacle?

[English]

Michael Graydon: I represent the manufacturers and the small to medium-sized enterprises, and our worlds are no different. They suffer the same challenges as the small family farm. I believe that the associations do have a very strong role to play to bring these systemic issues to the forefront in an effort to ensure that they get dealt with before they become problems. We have modelled this code after the U.K.'s, and the provisions we have are very similar to those of the United Kingdom.

I think we also have to look at 15 years' worth of experience in the United Kingdom and what could or couldn't happen here. Yes, it is a regulated code there, and it is not here, but I think we have to allow the process to unfold first in regard to seeing the effectiveness of the roles of associations in working with the adjudicator to bring these larger issues to bear. If they continue to be challenges, it becomes a challenge for the retailers as well, because, as Ms. Proud

indicated, she will write them up and utilize the tools she has available to her, and I don't think they particularly want that to happen.

I think we have to try to work with them first and see if we can't eliminate some of these systemic issues. I don't agree that we're going to have this tsunami of complaints. Again, I think it is part of the role of the associations to work with our members to try to help them identify—

The Chair: We're running out of time. I tried to give you a couple of extra seconds there.

I'm going to have to go to Mr. Perron for the final two and a half minutes.

[Translation]

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

Mr. Graydon, you were saying that you didn't think there would be any more complaints. However, if there is a systemic problem that is being experienced by several producers, allowing them to be represented by their association will still make the process more efficient.

Earlier, you said that it was important to protect the confidentiality of a complaint. The dispute resolution process must ultimately be transparent, but it is important that complaints remain confidential. I therefore believe that having associations that would play their natural role would further protect confidentiality. I don't think this is a major obstacle. Earlier, you said you were optimistic. I am too. I think people will get there. I don't feel that anything major could prevent that.

Mr. Bourgoin, how important is transparency? How should transparency measures work?

Patrice Léger Bourgoin: Mr. Perron, you've touched on that. I think that when associations can represent their members, it's a great sign of transparency. It proves that a whole section of the sector has come to the conclusion that a problem affects a critical mass of suppliers to the major food chains. So that's the first element of transparency.

With regard to other elements of transparency, it is essential that the parties involved in the entire dispute resolution process, as well as the general public, know the origin of a complaint, the reason why it was filed and the dispute resolution process. This process includes the decision of the office of the grocery code of conduct on whether the complaint is legitimate, and, if so, the nature of the remediation plan proposed by the chair and superintendent of the office. This must be done while protecting confidential information that should only be seen by Ms. Proud.

Last but not least, it is essential that all major chains agree to submit to the dispute resolution process accompanying this voluntary code, without the possibility of invoking any loopholes, such as a clause in a contract between a major chain and its supplier aimed at circumventing the code of conduct to prevent a complaint from being filed and heard.

• (1725)
[English]

The Chair: Thank you very much. That concludes this part of the meeting. I wanted to thank the witnesses for taking time to join us here today.

To committee members, I have some other business I'd like to address.

We have a budget for this study. Each of you should have received it. Is there any discussion around this budget? Is everyone okay with the budget? Is there no objection?

Some hon. members: Agreed.

The Chair: Okay, that's fine.

In regard to our scheduling, we did talk last week about the possibility of bringing witnesses, I think, on Thursday for the old study. We did secure the witnesses. For Thursday's meeting, the first hour will be with the minister, and the second will be with the witnesses for the original study we were doing.

Is it still okay with everyone that we've confirmed the witnesses?

Some hon. members: Agreed.

The Chair: Are there any questions?

Okay, everyone's good with that.

Is there any other business?

Mr. Barlow.

John Barlow: Thank you, Mr. Chair.

As we discussed before the break, I wanted to try to get a one-meeting study on the spent fowl issue. We sent a motion to everybody's office ahead of time. If there are no concerns, I'd like to move that motion. I don't think I need to read it into the record, but I will if necessary. It seemed like we were all in agreement with that beforehand.

The Chair: Is there any objection?

The Clerk of the Committee (Wassim Bouanani): I think it has to be read.

The Chair: We have to follow the rules. It has to be read into the record.

Give us just the motion part, though.

John Barlow: I move:

Given that:

(a) the importation of chicken into Canada mislabeled as spent fowl has continued for well over a decade;

(b) at its peak, fraudulent imports of spent fowl cost Canada 1,400 jobs, \$105 million in economic contributions, \$35 million in taxes, and at least \$66 million in government revenues annually; and

(c) the Government of Canada has committed to addressing the issue of spent fowl in a joint statement on March 20, 2025, from the Minister of Agriculture and Agri-Food and the Minister of Public Safety and Emergency Preparedness;

that, pursuant to Standing Order 108(2), the committee undertake a study on the fraudulent importation of broiler meat mislabelled as spent fowl and report its findings to the House.

The Chair: Does everyone approve?

Oh, we need the deadline for the witnesses.

John Barlow: This should be pretty easy. I would say by the end of the day Tuesday—tomorrow at four p.m. We know who they are.

The Chair: Is that fine with everyone?

Some hon. members: Agreed.

The Chair: Thursday, we have the minister for the first hour. In the second hour, we have the witnesses on regulatory reforms, the original study.

Next week, on Monday, it's spent fowl. On Thursday, we go back to our regular study. I think that's the plan.

Are there any objections?

Monsieur Perron.

[Translation]

Yves Perron: I didn't quite catch what you said. Are you saying that we will be studying spent poultry next Monday? Then will we return to this study or to the study of the code of conduct?

[English]

The Chair: It's back to this study. I'll go through the days. This Thursday coming up, we have the minister in the first half. In the second half, we go to the original regulatory study for one hour, because we confirmed the witnesses. Next week, on Monday, we do spent fowl, and on Thursday, we go back to what we're doing here, the regular study on the code of conduct.

Is everyone clear? Are there any objections?

Do I have a motion to adjourn?

Thank you.

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