THE GLOBE AND MAIL

PRICE FIXING PROBE

Watchdog probes grocery sector over alleged bread price fixing

A Metro grocery store in Toronto is shown in this file photo.

FERNANDO MORALES/THE GLOBE AND MAIL

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The Competition Bureau is investigating major grocery retailers and suppliers in a criminal probe into alleged price fixing of packaged breads.

Met THE GLOBE AND MAIL he third-largest grocer in Canada, confirmed on Tuesday afternoon that bure stigators were at its Montreal head office and Toronto office "in an investigation that is also targeting other Canadian retailers as well as suppliers," spokeswoman Marie-Claude Bacon said, noting the bureau is looking into pricing. "Metro fully intends to collaborate with the authorities," she added.

The largest Canadian grocer, Loblaw Cos. Ltd., and its parent, George Weston Ltd., confirmed they "are aware of an industry-wide investigation by the Competition Bureau concerning a price-fixing scheme involving certain packaged bread products," the companies said in a statement, adding they are co-operating fully with the inquiry.

Wal-Mart Canada Corp. also said it is co-operating with the investigation.

Makers of packaged bread have been under pressure on two fronts: shifting tastes from consumers seeking healthier options and intensifying price competition from discount retailers.

Competition Bureau spokeswoman Marie-France Faucher said the bureau is "conducting searches related to a criminal investigation into allegations of anti-competitive conduct contrary to the conspiracy provision of the Competition Act." The Ontario Superior Court granted search warrants based on evidence that there are reasonable grounds to believe some individuals and companies have engaged in anti-competitive activities, she said.

"Bureau officers are conducting searches and are gathering evidence to determine the facts," she said. "There is no conclusion of wrongdoing at this time and no charges have been laid."

The Competition Act prohibits agreements that "unduly" reduce competition or "unreasonably enhance" the price of a product.

Con[illegible] can result in fines of up to $10-million, up to five years in prison, or both. RCM[illegible]ant Harold Pfleiderer said the investigation is being handled by the bureau and not the Mounties, "but we can confirm we have provided assistance with security to the Competition Bureau."

George Weston is one of the country's largest bread producers, including its Wonder and Country Harvest lines, while Canada Bread Co. Ltd., which is owned by the Mexican company Grupo Bimbo, is the other key bread maker with brands such as Dempster's and Stonemill.

Canada Bread "has been informed it is included in an industry-wide investigation by the Competition Bureau into pricing conduct dating back to 2001," spokeswoman Sylvia Sicuso said. "The company is co-operating fully."

Over the past several years, consumers have been shifting to products that are seen to be healthier and fresher, forcing producers to come up with new offerings, such as vegetable-infused and gluten-free breads.

"There's no question it's a sector that's under a bit of pressure because people's opinions around health are changing," said Michael Graydon, chief executive officer of the supplier group Food & Consumer Products of Canada. "It's like every industry within grocery – they're all trying to respond effectively to the changing consumer, and I think most of them are doing a pretty good job of it."

But bakeries have also grappled with a shift to discount products with the expansion of Wal-Mart Canada Corp., Costco Wholesale and even Loblaw's low-cost chains such as No Frills, putting pressure on prices. New specialty products, such as gluten-free breads, often are priced higher than regular white loaves.

Alex Roberton, spokesman for Wal-Mart, said in an e-mail: "Walmart takes its legal obligations very seriously and we are providing our full cooperation to the Competition Bureau."

The [illegible] bureau has investigated Loblaw, the country's largest retailer, and its pric[illegible]tices with its suppliers in connection with the grocer's 2014 takeover of Shoppers Drug Mart Corp.

But Ms. Faucher said Tuesday's searches are tied to a criminal investigation and are separate from the bureau's "abuse of dominance" inquiry into Loblaw's practices with its suppliers. She also said the latest search warrants are sealed.

The Loblaw-Shoppers inquiry looked into whether Loblaw was applying some questionable pricing practices in its relationships with suppliers. The bureau has not announced its findings.

The investigation comes amid a fierce food fight in the Canadian grocery market after Loblaw acquired Shoppers for $12.4-billion while Sobeys Inc., the country's second-largest grocery chain after Loblaw, acquired Safeway Canada for $5.8-billion in 2013. At the same time, Wal-Mart has expanded rapidly into groceries, adding fresh foods to its aisles in many of its superstores, while Costco has also aggressively added more of its giant stores in this country.

Price-fixing cases are notoriously difficult to investigate and prosecute. In 2007, the Competition Bureau began a sprawling probe into price fixing among chocoloate-bar makers.

The allegations in the case were that Nestlé colluded with its competitors to co-ordinate price increases ranging from 4 per cent to 8 per cent from 2002 to 2008. But in late 2015, the case against Nestlé Canada Inc. and the company's former president and chief executive officer, Robert (Bob) Leonidas, was abandoned. Charges were also stayed against other defendants: Mars Canada Inc., wholesale distributor ITWAL Ltd., former Nestlé executive Sandra Martinez and ITWAL president and CEO Glenn Stevens.

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