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Various brands of bread sit on shelves in a grocery store in Toronto on Nov. 1, 2017.

DOUG IVES/THE CANADIAN PRESS

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Canada's top two bread makers, Canada Bread Co. Ltd. and Weston Bakeries Ltd., launched a campaign to fix the price of an array of bread products with the co-operation of some of the country's biggest retailers more than 14 years, according to allegations in court documents released on Wednesday.

The retailers raised their bread prices 15 times over that period by roughly 10 cents each time – 7 cents wholesale – a practice that was dubbed internally the "7/10 Convention," the documents reveal. Senior officials at the bread producers communicated with each other while the companies met with retailers to get them to agree to the price hikes, a

filing says. It's among hundreds of pages of documents in the case, although large segments of them are blacked out.

The documents underline how widespread the alleged price fixing was – a practice that now threatens to tarnish consumer trust in the industry. The scheme affected packaged breads, bagged buns, rolls, bagels, naan, English muffins, wraps, pita and tortillas – all staples in the grocery aisles.

During those supplier-retailer meetings, "the retailers accepted the price increase on condition that their retail competitors would also accept the price increase, maintaining the fixed price across the retailers," the filings say.

"Further, the retailers demanded that the suppliers actively manage retail competition by co-ordinating retail prices for their respective fresh commercial bread products and ensuring pricing alignment amongst the retailers."

The retailers alleged to be part of the price-fixing scheme are major grocers Loblaw Cos. Ltd. (Real Canadian Superstore, No Frills, Provigo), Sobeys Inc. and Metro Inc.; and discounters Walmart Canada Corp. and Giant Tiger. The bread makers are Canada Bread Co. Ltd., owned until early 2014 by Maple Leaf Foods Inc., and Weston Bakeries. The latter is owned by George Weston Ltd., which is also the parent of Loblaw.

The country's two largest bread producers make such familiar brands as Wonder and Country Harvest (Weston) and Dempster's and Stonemill (by Canada Bread, which is now owned by Grupo Bimbo of Mexico.)

The targeted companies say they are co-operating with the Competition Bureau's investigation into fixing bread prices, and the top executives at Sobeys and Metro have said they know of no violations to the Competition Act in their respective pricing activities.

Price fixing involves companies actively conspiring in advance to set prices in a co-ordinated fashion at the same time. Penalties for price fixing include fines of up to \$24-million, imprisonment of a maximum of 14 years or both.

Loblaw and its parent George Weston have admitted to participating in what they called an industrywide bread-price-fixing scheme. In exchange for co-operating with the Competition Bureau's investigation in early 2015, it and Weston will not face criminal charges. And to make amends to its customers, Loblaw started on Jan. 8 offering them \$25 gift cards. Metro chief executive officer Eric La Flèche this week called it a "marketing" tactic.

Maple Leaf "has no knowledge of any activities taken by Canada Bread that would have contravened the Competition Act, nor has the company been approached by the Competition Bureau in this regard," spokesman Scott Bonikowsky said on Wednesday.

Still, an unidentified individual has asked Ontario Superior Court to keep his or her name blacked out of the documents. The court has decided to keep the name redacted for now, but will hear the matter further on April 4. Spokeswomen at Metro and Sobeys say both retailers have asked that the documents be fully disclosed, without redactions.

The price of a loaf of bread has increased about 50 per cent from 2001 to \$2.80 last September, according to Statistics Canada. Meanwhile, the price of wheat – the main ingredient – rose just 18 per cent over the same period. Since 2012, wheat prices have fallen 43 per cent while bread prices in Canada dropped about 6 per cent. (All prices are adjusted for inflation.)

The documents, whose information was the basis of the bureau obtaining search warrants last fall, say the alleged wholesale- and retail-price increases occurred on at least 15 separate occasions, dating back to November, 2001. Loblaw has said the price-fixing continued until early 2015. The industry referred to the process as "socialization" of a price increase, according to a filing. The pricing leader was Canada Bread and Weston Bakeries was a "follower," the documents say.

"I have reason to believe that Canada Bread announced a price increase at roughly the same time and for roughly the same quantum of increase as Weston Bakeries," says a filing of Simon Bessette, a senior competition-law officer at the bureau. "Every price increase during the allegedly cartelized period ... was consistent with the 7/10 Convention," he found.

At one point in 2012, Weston Bakeries had not announced a price increase of plain white bread, including its Wonder and Gadoua brands and private label lines; Canada Bread responded by rescinding its price increase which, in turn, led Weston Bakeries to not implement its price hike, a filing says.

A company official (whose name is blacked out) "bumped into Richard Lan of Canada Bread in the aftermath of the rescinded price increase and Lan made it very clear to [redacted name] he was unhappy with Weston Bakeries." Later in 2012, Mr. Bessette was told by an undisclosed (redacted) company official "that the failure of the previous price increase was not good for the overall bakery industry and that it caused a 'sense of urgency' in the industry around the next price increase which was announced in October, 2012."

The filing says discussions about that October increase "began months in advance." An Aug. 30, 2012, e-mail by a blacked-out company official asks: "How are we doing on the price increase?"

The response was that a contact at Loblaw was meeting with Maple Leaf Foods, which at the time was the parent company of Canada Bread. Someone would "talk to them after the meeting ... the significance is getting feedback from [blacked-out name] essentially from Canada Bread, letting us know whether they are open to the increase and dates and sort of timing."

The bureau's investigation into the alleged conspiracy arose from two sources: One was the notification to the bureau on Jan. 4, 2016, by the Canadian Federation of Independent Grocers (CFIG) – as reported by The Globe and Mail – alleging collusion between Canada Bread and Weston Bakeries in relation to a price increase for packaged bread announced that month, Mr. Bessette says.

The initial tipoff to the bureau came from Loblaw on March 3, 2015, when the federal agency granted the retailer immunity to prosecution in exchange for coming forward about the allegations and co-operating in the probe, the documents say. Loblaw has said it wasn't aware previously about the price fixing and, when it learned about it, it immediately went to the bureau.

The bureau's Mr. Bessette says he believes the price-fixing was continuing because Loblaw was obliged to keep its immunity status confidential after it got it in early 2015.

The bureau was told that Weston Bakeries "had a very active network of salespeople communicating with the retailers and looking to ensure that there was alignment in pricing. Further, retail customers would call threatening to reject a price increase if another retailer was offside in terms of pricing alignment. ... The timing of the suppliers' price increase letters had to be close together to provide certainty to the retailers that everyone was going to take a price increase at the same time."

Loblaw spokesman Kevin Groh said in an e-mail: "The bureau's own document is unequivocal. They believe that the seven companies they name as participants committed an indictable offence. We have admitted our role, and you cannot price fix alone. We stand by our December statement and the actions that we have taken."

Canada Bread said in a statement posted on its website that the allegations "do not reflect the Canada Bread we know. Our current leadership takes these allegations very seriously and are actively investigating to take the necessary measures."

Canada Bread said it is co-operating fully with the bureau's inquiry and would not be making any further comment at this time.

Gary Sands, the CFIG official who tipped off the bureau in early 2016, said he hopes the documents "will shine more light on some of the practices in this industry that have put independent grocers at a competitive disadvantage as well as harming consumers." The group has been pushing for years for a code of conduct to ensure more transparency in the industry.

Jay Strosberg, partner at law firm Strosberg Sasso Sutts LLP, which has launched one of at least seven class-action lawsuits against the targeted companies, said the documents show that the alleged conspiracy was larger than he had expected, in terms of the amount of money in the co-ordinated price hikes. "It confirms our initial impression that this was a retail and wholesale issue."