Farmers, food processors and indie retailers team up to ask feds to rein in Big Grocers

Eight major industry associations are asking the government to create a grocery code of conduct that would regulate relations between supermarkets and their suppliers

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For suppliers and their advocates, the recently announced Walmart fees represent a tipping point after years of escalating fees and penalties. PHOTO BY CARLOS OSORIO/REUTERS/FILE

A hasty alliance of farmers, food processors and independent retailers are calling on the federal government to rein in Canada's biggest grocers and the fees they charge to get a product on their shelves.

Eight major industry associations — representing a wide selection of businesses in the Canadian agri-food sector — sent an open letter on Wednesday asking the government to use its upcoming Throne Speech to announce plans to create a grocery code of conduct that would regulate relations between supermarkets and their suppliers.

[redacted]

"It is time to protect our agri-food industry," reads the letter, which was sent to the federal ministers of industry, agriculture, and small business.

The letter comes weeks after Walmart Canada sparked outrage among its suppliers when it announced it would charge them a set of new fees — up to 6.25 per cent on the cost of goods — as a way of recouping some of its $3.5 billion investment in distribution and e-commerce.

At least one competing grocery group responded by asking suppliers for a similar discount, while industry advocates are warning that the other big chains are likely to follow suit. For suppliers and their advocates, the Walmart fees represent a tipping point after years of escalating fees and penalties, unilaterally rolled out by the supermarket chains that dominate the Canadian market — Loblaw Co. Ltd., Sobeys' parent company Empire Co. Ltd., Metro Inc. and Walmart. The fear, for some industry associations, is that rising fees will erode manufacturers' ability to innovate and accelerate the demise of production facilities in Canada.

"Over the last few years, consolidation in the food industry, particularly within the retail sector, has in our view, distorted fair market practices," the letter reads.

Small Business Minister Mary Ng's office responded to the letter on Wednesday.

“We share their concern about fair market practices, and we are committed to ensuring that Canada has the right conditions for all businesses to thrive,” Ng’s spokesperson Eleanore Catenaro said in an email. “We are listening and will continue to work with the industry on a level playing field for all businesses.”

The minister’s office, however, didn’t say whether the government would agree to mention a grocery code of conduct in next month’s speech.

“Such a reference would not bind the government to any particular outcome,” the letter said, “but simply would reflect a recognition that the need for a national conversation on this issue is long overdue.”

A code, which is used in the U.K. and Australian grocery markets, would lay out a set of rules and fair business practices — on fees, for example — for grocery chains and their vendors to follow.

It is time to protect our agri-food industry

In a statement on Wednesday, Walmart Canada said the fees, which will only cover a “small portion” of the multi-billion infrastructure upgrade, are fair and will help “deliver the everyday low prices our customers trust.”

“The Canadian retail industry is evolving and the way we work with suppliers needs to change, too,” spokesperson Adam Grachnik said in an email.

Gary Sands, senior vice-president at the Canadian Federation of Independent Grocers (CFIG), said he wrote the letter on Tuesday and within 24 hours, seven other associations had joined as signatories, including the Canadian Federation of Agriculture, the Canadian Federation of Independent Business, Food and Consumer Products of Canada and the Baking Association of Canada.

Sands said it is rare, in his 20 years in the industry, to see manufacturers, farmers and retailers team up to ask governments to intervene in their sector.

“It’s hard for governments to ignore such a diverse group making this request,” Sands said. “That has to get the government’s attention. It has to tell them that we have a problem.”

Independent grocers are just as concerned as suppliers about the extra fees from supermarket chains, Sands said, because when manufacturers’ margins are squeezed, it often impacts smaller retailers. Retailers depend on their suppliers to pay for in-store marketing and promotions, and those budgets shrink when suppliers have to pay higher fees to the big grocers.

“That money has to come from somewhere and we’ve seen that it comes at our expense,” Sands said. “We’ve found that we’re paying the price for that and it’s affecting our ability to stay on the playing field.”