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ADCHOICES

Industry groups renew calls for regulation of Canada's grocery industry

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A customer loads her groceries at a Metro store Monday, April 15, 2019 in Ste-Therese, Que., north of Montreal. One of Canada's largest grocers will report its latest quarterly results Wednesday. Metro Inc., as well as competitors Loblaw Companies Ltd. and Empire Co. Ltd., benefited from an initial surge in shopping during the early days of the COVID-19 pandemic, but have also experienced added operating costs from enhanced health and safety measures. THE CANADIAN PRESS/Ryan Remiorz

RYAN REMIORZ/THE CANADIAN PRESS

Industry groups representing food producers, as well as thousands of small retailers, criticized “distorted market practices” in the grocery industry on Wednesday as they repeated calls for the federal government to create a code of conduct to oversee relationships between retailers and suppliers.

While food suppliers have been advocating for regulation for years, they have stepped up pressure on the government recently, after a notice last month from Walmart Canada that it would impose new fees on suppliers. The groups are also highlighting concerns about such changes occurring during the global COVID-19 pandemic, which has put stress on the food supply chain.

Wednesday's letter asked for a commitment in the government's next Throne Speech to create a code of conduct. It was addressed to the ministers of Agriculture and Agri-Food Canada; Small Business, Export and International Trade; and Innovation, Science and Economic Development.

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It is standard practice for grocery retailers to deduct fees from what they pay to suppliers for food and other products. These fees contribute to product promotions, for example, as well as shelf placement. Grocers also charge “compliance fees” for orders that arrive late or do not meet requested quantities.

Tensions have arisen in the past when retailers have made changes to those fees. Food suppliers argue that the market power of large retailers leaves them with little leverage to negotiate lower fees and hampers their ability to invest in their own businesses. Smaller retailers say such fee increases create a competitive disadvantage for them and could lead to higher prices.

“When excessive concentration has distorted the free market, as in for example the payments or wireless industries, the federal government has responded by introducing codes of conduct that provide more fairness and responsibility,” Wednesday’s letter said. “In our view, there is no less a need for such a mechanism in our agri-food industry.”

The groups behind the letter include the Canadian Federation of Independent Grocers and the Canadian Federation of Independent Business. Other signatories include many of the same industry groups – representing farmers, food processors, baking companies and packaged goods companies – who issued a statement this month asking for the code of conduct. Those include Food & Consumer Products of Canada, the Canadian Federation of Agriculture, Food and Beverage Canada, the Dairy Processors Association of Canada, the Canadian Horticultural Council and the Baking Association of Canada.

In a statement Wednesday a spokesperson for Mary Ng, the Minister of Small Business, Export and International Trade, did not comment on whether the government would commit to a code of conduct, but said that Ms. Ng recognized the issues raised by independent grocers and food producers.

“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,” spokesperson Daniel Minden wrote. “We are listening and will continue to work with the industry on ensuring a level playing field for all businesses.”

Walmart advised suppliers that the new fees would take effect in mid-September and were designed to partly offset investments the company is making in e-commerce development, new distribution centres and updates to its stores. After Walmart’s notice last month, United Grocers Inc. – a group representing 6,500 food retailers, including Metro Inc., Alimentation Couche-Tard Inc., Dollarama Inc. and others – sent out a notice saying they expect the same terms offered to any competitors.

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A statement in the Throne Speech “would not bind the government to any particular outcome in terms of what would be included in a code,” Wednesday’s letter said, “but

simply would reflect a recognition that the need for a national conversation on this issue is long overdue.”