Grocers fight back against calls for a government enforced business code of conduct

Retail Council of Canada says intervention could lead to higher food costs for consumers

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Advocates are calling for the government to step in and regulate the relationships between supermarkets and their suppliers. PHOTO BY CHRISTOPHER DILTS/BLOOMBERG FILES

Article Sidebar

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The industry association representing Canada's biggest grocers on Thursday pushed back against calls for the government to step in and regulate the relationships between supermarkets and their suppliers.

The Retail Council of Canada was responding to a group of associations representing farmers, food processors and independent retailers that on Wednesday wrote a letter asking the federal government to commit in the upcoming Throne Speech to start work on a grocery code of conduct.

Grocers fight back against calls for a government enforced business code of conduct

The letter to three federal ministers is part of the ongoing backlash against Walmart Canada's recent move to charge its vendors more fees as a way of recouping some of the $3.5 billion it plans to spend on upgrading its infrastructure.

Advocates say a code of conduct would help by laying out rules and fair business practices, such as how stores charge fees to get products on their shelves and levy fines when products are late or insufficient. But the Retail Council of Canada said government intervention could lead to suppliers charging grocers higher prices, which would then lead to higher food costs for consumers.

“You want to be careful what you wish for,” said RCC spokesperson Karl Littler. “We’re not sure that government or Canadian citizens want to see food costs pushed higher for Canadian families, but, in effect, that’s what the food processors are asking for.”

In their letter to the government on Wednesday, eight major industry associations — representing a cross-section of the Canadian agri-food sector, from dairy processors and bakers to small grocers — complained that grocery sector consolidation had “distorted fair market practices,” thereby squeezing profit margins and making it harder for food producers to innovate and invest in their Canadian operations.

You want to be careful what you wish for

KARL LITTLER, RCC SPOKESPERSON

“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 accountability,” said the letter, which was sent to the ministers of industry, agriculture and small business. “In our view, there is no less a need for such a mechanism in our agri-food industry.”

Small Business Minister Mary Ng’s office said the government shares the suppliers’ concerns about fair market practices.

“We are listening and will continue to work with the industry on a level playing field for all businesses,” Ng’s spokesperson Eleanore Catenaro said in an email.

Food and Consumer Products Canada (FCPC), which represents suppliers, has for several years been the most vocal critic of supplier fees. It has also chastised Walmart’s proposed new fees for having “diabolical timing,” since manufacturers are still struggling with reduced capacity due to safety protocols related to the pandemic.

Walmart Canada says it will charge its vendors more fees as a way of recouping some of the $3.5 billion it plans to spend on upgrading its infrastructure. PHOTO BY KEVIN KING/WINNIPEG SUN/POSTMEDIA NETWORK FILES

FCPC, which has long advocated for a grocery code of conduct, was one of the signatories of Wednesday's letter, along with the Canadian Federation of Independent Grocers, Canadian Federation of Agriculture and Canadian Federation of Independent Business.

"Some of the companies behind this push are amongst the world's largest," said Littler at RCC. "Go on the FCPC site and look at their membership. It's Coca-Cola, it's Nestlé, it's Kraft-Heinz, it's Johnson & Johnson."

Littler also said supermarkets have operated on thinner margins than growers and food processors, citing 2018 Statistics Canada data that showed margins of 4.4 per cent for wholesale food sellers and 1.6 per cent for supermarkets.

"It's not surprising that the food processors would like higher profits," he said, "but it's not something that we view the government should put its thumb on the scale on behalf of one party in this commercial negotiation."

FCPC responded on Friday, stressing the code of conduct it is proposing is based on a model used in the United Kingdom, which would specifically address "unfair punitive behaviour" such as significant fines for minor delivery shortfalls, not "costing-related" negotiations between suppliers and grocers.

The move is "aimed at protecting our domestic food production and Canadian jobs," FCPC spokesperson Anthony Fuchs said in an email. "If left unchecked, we will be faced with an environment in which we have shiny new retail stores but crippled manufacturing in Canada."

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