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As Loblaw charges suppliers more, worries about food security grow

By [Joanna Chiu](#) Vancouver Bureau
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Loblaw, the largest grocery chain in Canada, is charging more fees to suppliers, a move that experts say could lead to less variety and potentially higher prices for the consumer.

“As we face pressures, one option is higher prices for customers, but we don’t want to take that approach as Canadians are facing enough financial pressures,” Loblaw Companies spokesperson Catherine Thomas told the Star in an email.

“Instead, we’re asking primarily our biggest suppliers to help us keep prices low,” she added.

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Walmart Canada was the first to offload some of the cost of expanding its e-commerce business during the COVID-19 pandemic onto suppliers in July.

As Loblaw follows suit, other Canadian grocery giants are in a position to do the same.

This will put further strain on already struggling food growers and food processors, which may be forced to close down or move manufacturing to the U.S., experts say.

“If you’re out there looking for local food products, well, hurry up, because you may see less and less of them,” said Sylvain Charlebois, director of the Agri-Food Analytics Lab at Dalhousie University.

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“We’ll probably see more imports from abroad, and won’t see as many products from Canada in stores.

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“We become more vulnerable over time as a food economy.”

Charlebois added: “It does increase the risk of a food shortage ... and doesn’t change the reality of rising food prices.”

Canada’s largest grocer has seen its net income fall this year due to costs related to the COVID-19 pandemic, including a temporary pay raise for workers and expansion of its e-commerce business, as more Canadians shop online.

“We are committed to keeping prices low. We are asking for your help,” reads a letter, obtained by the Star, to vendors from Loblaw Companies.

In the letter, dated Oct. 22, the company’s president, Sarah Davis, said it will charge an additional “strategic acceleration allowance” fee of 1.25 per cent on goods suppliers ship to Loblaw to get sold in its stores, which include the Real Canadian Superstore, No Frills and Shoppers Drug Mart.

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It is standard practice for grocery chains in Canada to collect fees from suppliers to obtain shelf space in stores, and charge extra costs for the best product placement, such as at eye-level on shelves or at the end of aisles.

Delivery charges will also go up, from 0.85 per cent to 0.97 per cent for deliveries to Loblaw’s distribution centres; and from 0.26 per cent to 0.3 per cent for deliveries to stores, according to the letter.

Davis reminded suppliers that the company plans to invest \$6 billion over the next five years to improve its stores and e-commerce operations.

The new fees take effect on Jan. 3.

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This follows a 2016 announcement where Loblaw Companies applied a 1.45-per-cent deduction to all its incoming shipments, saying in a letter to suppliers, “We think the burden of inflation needs to shift.”

Michael Graydon, CEO of Food & Consumer Products of Canada, an industry lobby group, had earlier warned that Walmart Canada's July fee increases would eat up suppliers' already slim margins, reducing the money they have to spend on innovation and promotional spending.

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He and others have been asking the Canadian government to create a food retail code of conduct for years, similar to codes that exist in Australia, Europe and the United Kingdom.

They believe a code of conduct, and a bureau to arbitrate matters such as disputes over new charges, could actually save grocery companies and suppliers money.

—with files from Rosa Saba