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Following allegations they squeezed suppliers, Loblaws, Walmart, other grocers to develop code of conduct



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An alliance representing major grocery chains, food manufacturers and distributors, as well as independent retailers, has agreed, in principle, to come up with a food industry code of conduct.

Industry analysts say a code of conduct could help food manufacturers and suppliers from getting squeezed for higher fees, and help independent grocers stay in business.

Critics say any code needs government legislation to back it up.

“Having a code of practice will help keep independent grocers alive,” said Gary Sands, vice-president of the Canadian Federation of Independent Grocers (CFIG), one of several groups which proposed coming up with a code of conduct.

Other members of the Canadian Food Industry Collaborative Alliance include the Retail Council of Canada, Canadian Produce Marketing Association, Food and Beverage Canada, and the Canadian Federation of Agriculture.

While the CFIG had been pushing for a code for some time, the inclusion of the Retail Council of Canada is a major breakthrough.

Loblaws and Walmart are among the RCC’s members.

“This needs to be as wide-ranging as possible, and to have as many stakeholders as possible,” said RCC president, Diane Brisebois.

While food manufacturers and distributors have often bristled against the idea of shelving fees — money paid for the right to a product stocked at a given retailer — it's still too soon to say exactly what will or won't be in any new code, Brisebois said.

"We're not sure yet what the details will be, or even should be. We need everybody's voice at the table," she said.

The announcement by the Alliance comes just two months after Sobeys owner Empire Co., along with Food, Health & Consumer Products of Canada, proposed a code of conduct that would be government-enforced and monitored. It also comes six months after federal, provincial and territorial governments agreed to discuss issues in the country's grocery supply chain.

Whether a code of conduct is backed by government legislation, it's clear the ground is shifting, said Sylvain Charlebois, a professor and director of the agri-food analytics lab at Dalhousie University.

"Today shows how significantly the discussion is shifting. I think both ways would ultimately work, but I think something industry-led is far more likely to happen," said Charlebois.

The RCC's Brisebois said government-legislated action would result in a patchwork approach, when what's needed is one uniform set of principles across the country.

"You can't have 13 different sets of rules. It's just not practical, for retailers or suppliers," said Brisebois.

While debate over a code of conduct has been going on for years, momentum increased last year, in the wake of proposals by Walmart and Loblaw to increase fees paid by suppliers. The justification cited for the fee increase was that the companies needed to pay for store renovations and improvements to their e-commerce systems.

That, says Keith Currie, director of the Ontario Federation of Agriculture, was infuriating for many OFA members.

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"If farmers can't afford to stay in business because costs keep getting downloaded onto them, it's no good for consumers, it's no good for food security, and it's no good for the Canadian economy," said Currie, a corn and soybean farmer in the Collingwood area.

The OFA didn't sign on to the Alliance proposal, and is, instead, pushing for government legislation.

The biggest reason?

Fear that an industry-led code of conduct just won't have the same teeth.

"Looking at codes of conduct around the world, the big retailers simply don't play ball if it's voluntary and it's not mandated by government," said Currie.

"We just want some kind of system in place where everybody plays fair."

Michael Graydon, head of FHCP, a food and consumer products manufacturers industry association, agreed that government action is needed.

“It needs to be legislated, or it just doesn’t work. You can have a voluntary one and waste time talking about how to make it work, but it just doesn’t,” said Graydon, whose association also isn’t backing the Alliance proposal; Food and Beverage Canada, another food manufacturers’ association, is on board.

Still, Graydon acknowledged, the Alliance proposal is a major shift.

“It’s wonderful news that retailers have realized that a code of conduct is necessary. A code will stop the arbitrary transfer of economic risk from retailers onto the backs of their suppliers,” said Graydon.



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