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## Government to grocery business: It's time to come to a consensus on code of conduct

*The directive comes after a high-profile government inquiry into bully tactics in the grocery business released its report on the situation on Thursday*

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Publishing date: July 15, 2021 – Financial Post

Quebec Agriculture Minister André Lamontagne: "By the end of the year, we want to have the solution ready to be implemented." PHOTO BY JACQUES BOISSINOT/THE CANADIAN PRESS/FILE

Canada's agriculture ministers are giving food industry leaders until the end of the year to come up with a set of rules to finally quell years of infighting between the country's dominant supermarket chains and their suppliers.

The directive comes after a high-profile government inquiry into bully tactics in the grocery business released its report on the situation on Thursday.

Federal Agriculture Minister Marie-Claude Bibeau, along with agriculture ministers from the provinces and territories, formed a working group to lead the inquiry last year after a series of controversies centred on the big grocers squeezing their suppliers with extra fees and fines during the pandemic. Some in the industry saw the working group's investigation as a chance to gain enough traction with legislators to realize their long-held ambitions for an industry-wide code of conduct that would establish a set of fair business practices and stabilize the lopsided balance of power in the food chain. Instead, the working group decided the best solution would be for the warring factions within the grocery sector to get together and propose their own code of conduct, said Quebec Agriculture Minister André Lamontagne, who co-chaired the working group.

"We call on the industry to really create a consensus," he said in an interview on Thursday, after the working group presented its findings. "By the end of the year, we want to have the solution ready to be implemented."

Lamontagne wouldn't say who will be involved in the industry discussions. But he said the government will step in if the industry isn't able to reach a consensus on a code by year-end.

"We suggest they make it, otherwise we'll have to be more involved in making sure something like that will happen," he said. "But, as of now, what we believe is the industry is ready to work together and come up with the right solution."

The industry has for months been at an impasse over the best way to implement a code of conduct, with two main camps split over whether it needs to be regulated by government.

The big grocers have historically opposed a code, but have since softened their position as the issue gained more public and political attention — though not in lockstep.

Sobeys' parent company Empire Co. Ltd., Canada's second-largest supermarket chain, broke ranks with its main competitors and forged an unlikely partnership with **Food, Health and Consumer Products of Canada** (FHCP), the top industry association for the grocery suppliers.

The pair presented a proposal to the ministers' working group in March, asking for a legislated code of conduct with a government-appointed enforcement body — similar to a model used for the past decade or so in the United Kingdom's heavily consolidated grocery industry.

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Critics of that model, including Wal-Mart Canada Corp., the country's fifth-largest grocer, argued that regulation would tamper with "healthy competition" that ultimately benefits consumers.

Meanwhile, the **Retail Council of Canada**, which represents the big grocers, came out with a competing proposal, as part of an alliance with the **Canadian Federation of Independent Grocers (CFIG)** and several other trade groups.

That proposal called for a code that would be implemented by the industry over an 18-month period without government regulation. FHCP, however, questioned how those rules would have any teeth without regulation.

On Thursday, Lamontagne said the industry's proposal, regulated or not, has to be mandatory for all industry players and it also needs both a list of acceptable business practices and a mechanism to resolve conflicts between suppliers and retailers. The working group will help facilitate the discussions on an industry-led proposal.

"Both factions ... are willing to implement a code of conduct," Lamontagne said. "We say to them, 'You all agree there are some things to be fixed. You all agree it needs to end with a code of conduct. So get together and provide us with some good work.'"

FHCP in a statement on Thursday said the agriculture ministers' firm timeline illustrates that "they understand the urgency of this issue and the negative consequences that unfair retail practices continue to have on Canada's food supply system."

Farmers, food processors and some of the world's most recognizable consumer brands have for years complained of excessive or unexpected charges from the big grocers. Suppliers argued they had no choice but to pay those fees, since refusing would risk losing a client that controls a major share of Canadian grocery sales.

The industry hit a boiling point during the pandemic, when both Walmart and Loblaw Co. Ltd. announced new fees to help cover the multi-billion-dollar investments both chains were making in e-commerce and store infrastructure.

Empire chief executive Michael Medline applauded the agriculture ministers' decision in an emailed statement on Thursday.

"To think how far we have come in less than a year is incredible," he said. "It's time to move with velocity."

Gary Sands, senior vice-president at CFIG and a member of the alliance with the Retail Council, said it made sense to rely on industry leaders to come up with a proposal since "we know the industry better" than government.

"We wanted this to be an industry-led collaborative process," he said, "Now, there's more incentive for everyone in the industry to come together."

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