

Food and
Beverage
Canada



Aliments
et boissons
Canada

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Greg Lang
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Innovation, Science and Economic Development Canada
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Re: Competition Bureau Market Study – Competition in Canada’s Grocery Sector

Dear Mr. Lang

Food and Beverage Canada is writing to you as part of the Competition Bureau’s market study of retail grocery competition in Canada.

Food and Beverage Canada is a national association uniting Canada’s provincial and regional food and beverage manufacturing associations. Together, we represent over 1,000 Canadian food and beverage manufacturers.

Across Canada there are almost 8,000 food and beverage manufacturers, the vast majority of which are small and mid-sized businesses. These companies play a critical role in transforming Canada’s agricultural products into food for Canadians and for Canada’s trading partners.

A strong and vibrant food processing sector is critical to support primary agriculture, to ensure local food security, and to ensure Canada’s food sovereignty. Food and beverage manufacturing is also critical to Canada’s economy. As Canada’s second largest manufacturing sector and its largest manufacturing employer, food and beverage manufacturing employs over 280,000 Canadians, generates close to \$120B in annual revenue and exports \$40B a year.

In its summary of the market study into Competition in Canada’s Grocery Sector, the Competition Bureau has acknowledged that Canada’s grocery industry is concentrated. In fact, five large retail companies control over 80% of domestic grocery retail sales. This concentration has allowed retailers to regularly impose arbitrary transaction costs, fees, and penalties on their suppliers, many of which are small and mid-sized businesses. Even now, while purportedly negotiating a Code of Conduct, Canada’s grocery retailers were continuing to levy unilateral fee increases on their suppliers.

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The Competition Bureau's market study is to examine three broad questions:

- a) To what extent are higher grocery prices a result of changing competitive dynamics in the sector?
- b) What can we learn from steps that other countries have taken to increase competition in this sector?
- c) How can governments lower barriers to entry and expansion to stimulate competition?

The Competition Bureau has advised that it does not plan to focus this study on issues relating to the purchase of groceries from suppliers by retailers, except to the extent that they may impact retail competition, as this aspect of the sector is subject to the establishment of a code of conduct that is currently being negotiated among key stakeholders. In fact, we strongly encourage the Competition Bureau to review this decision and to amend the scope of this study to include issues related to retailers' purchase of groceries from suppliers, particularly where those suppliers are small and mid-sized Canadian companies.

For the past two years, Food and Beverage Canada has advocated for a mandatory and enforceable Canadian grocery industry Code of Conduct to place reasonable limits on the actions of Canada's large retailers. The driving impetus has been the imbalance of negotiating power that exists due to the high concentration in Canada's grocery retail sector relative to the large number of small and mid-sized Canadian food and beverage manufacturers.

Beginning in September 2021, Food and Beverage Canada participated as a member of the industry Steering Committee overseeing development of a Grocery Industry Code of Conduct. On November 18, 2022 Food and Beverage Canada withdrew from that process as it became clear the system being proposed would not be mandatory and would be ineffective at addressing the needs of small and mid-sized suppliers, who make up the majority of Canada's food and beverage manufacturing sector. In short, the system being developed will place few limitations on specific retailer activities and rely heavily on retailers and suppliers negotiating clear contracts, without actually addressing the underlying imbalance of negotiating power that has led to the current industry dynamics and problems.

Food and Beverage Canada remains available to discuss this with you but strongly encourages the Competition Bureau to amend the scope of its market study of retail grocery competition in Canada to include issues related to the purchase of groceries from suppliers by retailers.

Best regards,

Kathleen Sullivan, Chief Executive Officer
Food and Beverage Canada

Sylvie Cloutier, President and CEO
Le Conseil de la transformation alimentaire du Québec (CTAQ)

Tammy Brideau, Executive Director
Food & Beverage Atlantic

Chris Conway, Chief Executive Officer
Food and Beverage Ontario

James Donaldson, CEO
BC Food & Beverage

Michael Mikulak, Ph.D., Executive Director
Food & Beverage Manitoba