



THE GROCERY WARS

Food prices have surged since the pandemic, sparking accusations that Canada's grocery giants are gouging customers. But is that really the case? We asked the experts.

BY ANDREW RAVEN

In November 2023, a new group popped up on Reddit called “Loblaws is out of Control.” Originally, it was a place where frustrated shoppers could post pictures of \$13 chicken breasts and vent about high grocery prices.

But over time, complaints coalesced into a full-scale revolt against Loblaws and its parent firm, Loblaw Companies, which also owns No Frills, Shoppers Drug Mart and others.

Reddit members accused Canada's largest grocer of price gouging and called for a boycott, which had hit the two-month mark by July.

“[Loblaws] is straight up robbing, big time,” posted one user.

The movement tapped into a well of public anger over food prices, which have jumped

nearly a quarter since 2020. The surge has sparked parliamentary hearings, an investigation by Canada's competition bureau and threats of government price caps on staples.

But four years into this tempest, two important questions remain. Firstly, are Loblaws and Canada's other big grocery chains really gouging customers or are they merely innocent victims of global inflationary pressures? Secondly, and even more importantly, have three decades of consolidation in the grocery industry dashed competition and left Canadians at the mercy of an unbreakable grocery oligopoly?

Pivot recently put those questions to a group of experts, including activists, industry insiders and chartered professional accountants. Here's what they had to say.



Loblaws has become the scapegoat of many angry consumers across Canada

THE ACTIVIST

Emily Johnson
Food Security Campaigner



It was November 2023 and Emily Johnson was surfing Reddit when she came across a picture of a bare-bones holiday planter from Loblaws. “It was sticks and ribbon and it had an \$85 price tag,” she recalls.

More bemused than anything, the mental health and addictions worker decided to start her own Reddit group, or subreddit, where people could commiserate over high grocery prices.

Little did Johnson know that the thread “Loblaws is out of control” would morph into an uprising against Canada’s largest grocer. Within a few months, tens of thousands of Canadians had joined the subreddit. Loblaw Chairman Galen Weston Jr., the scion of one of Canada’s wealthiest families, quickly became a favourite target, and posts took on an eat-the-rich vibe.

“[There was] a lot of anger and frustration being vented on the platform,” says Johnson, a single mother of two from Milton, Ontario.

Group members came to the realization that “we as consumers need to be doing more to hold companies like Loblaw accountable for their choices and how they impact consumers,” says Johnson.

So she and other subreddit moderators called for

a boycott of Loblaws and its affiliates for the month of May. In a manifesto, they demanded a halt to “retailer-led” price increases for 2024, a cap on the price of essential goods and the identification of products that had been “shrinkflated.”

The protest grabbed headlines across the country and pollster Leger found that 18 per cent of Canadians either joined the boycott or had someone in their household who did.

Johnson, who met with Loblaw CEO Per Bank during the height of the boycott, says she understands that grocers are facing rising prices from suppliers and that food retailing is a small-margin business. But she believes a lack of competition in the grocery industry, which is dominated by five big retailers (see sidebar, opposite, “How did we get here?”), is inflating prices and hurting Canadians.

“When we’re seeing general inflation cooling, when we’re seeing food inflation cooling and we’re not seeing prices cool to reflect that, you kind of have to stop and say, ‘Well, what’s going on here?’”

Johnson and some fellow boycott organizers are now focused on launching a charity to advocate for the nearly 9 million Canadians who live in food-insecure households. The response to the Loblaws boycott has left her optimistic that Canada is finally ready to confront what she considers a long-standing national black eye.

“Just seeing that kind of support, it does make me hopeful that this light that’s shining on the issue can really affect change.”

PHOTOGRAPHS BY CP IMAGES

How did we get here?

A look at 30 years of consolidation in the grocery industry

Five behemoths—Loblaws, Sobeys, Metro, Costco and Walmart—dominate the grocery business in Canada. Critics say that has stifled competition and is one of the reasons food prices have spiked in recent years.

Canada’s grocery market hasn’t always been so top-heavy, though. As recently as 1986, 10 large chains operated in the country. But an unrelenting series of mergers has seen names like IGA, Safeway and A&P swallowed up by competitors. Here are some of the most-notable mergers.

- 1990**
A&P and Steinberg’s
- 1992**
Steinberg’s split between Metro, Provigo and IGA
- 1998**
Sobeys and IGA
- 2005**
Metro and A&P
- 2009**
Loblaws and T&T
- 2013**
Sobeys and Safeway
- 2013**
Loblaws and Shoppers Drug Mart
- 2018**
Sobeys and Farm Boy
- 2021**
Sobeys and Longos



THE PROFESSOR

Sylvain Charlebois
Director of the Agri-Food Analytics Lab, Dalhousie University

Sylvain Charlebois, one of Canada’s most prominent food chain researchers, says grocers aren’t blameless when it comes to rising prices. But the man who goes by the X handle “the Food Professor” thinks the public antipathy toward them is largely misplaced.

“Most social groups that have actually aimed at grocers oversimplify what I believe to be a much more complicated issue. They think that if a food price actually goes up, that’s the grocer’s fault. That’s not how it works.”

Charlebois says a combination of factors, from climate change to supply chain bottlenecks, have forced food costs higher globally, leaving grocers with little choice but to jack up their prices.

He believes terms like “profiteering” and “greed” are being thrown around too loosely, especially in an industry where profit margins often hover around 3 per cent, much lower than most sectors.

“Define profiteering. Define greed,” he says. “Nobody’s actually ever successfully defined what greed looks like or how you measure



NDP Leader Jagmeet Singh proposed a bill to lower grocery costs

greed in the grocery business. Do you have to look at net profits? And if you do look at net profits, what is the proper threshold? (Is it) 2 per cent, 3 per cent, 4 per cent?”

Charlebois says he put that query to New Democratic Party Leader Jagmeet Singh during a meeting last year. (The NDP has called for a price cap on certain staples and backed a windfall tax on grocers.)

“He was never able to answer that question,” says Charlebois.

Charlebois’s views have made him a favourite foil for members

of “Loblaws is out of control.” His photo appears in the subreddit’s banner alongside Loblaw Chairman Galen Weston Jr. and CEO Per Bank. His media appearances are routinely met with scorn by group members, with some accusing him of being an apologist for big grocers.

But Charlebois says there has been a lot of “idiocy” around the accusations of profiteering and that many people “have no idea how food distribution actually works.”

In his view, the biggest problem in the industry isn’t inflation but rather price volatility, which is driven in part by the fees grocers charge food makers for shelf space.

Charlebois is hopeful that a new grocery code of conduct (see sidebar, page 28, “Where do we go from here?”), now under discussion, will tamp down that volatility.

“You wouldn’t see this cat-and-mouse game between suppliers and grocers. That really impacts competition and prices over time.”



THE INDUSTRY INSIDER

Richard Baker
Food Marketer

If anyone knows how the grocery industry works, it's Richard Baker. He has spent about 15 years helping mid-size food and beverage companies break into grocery stores.

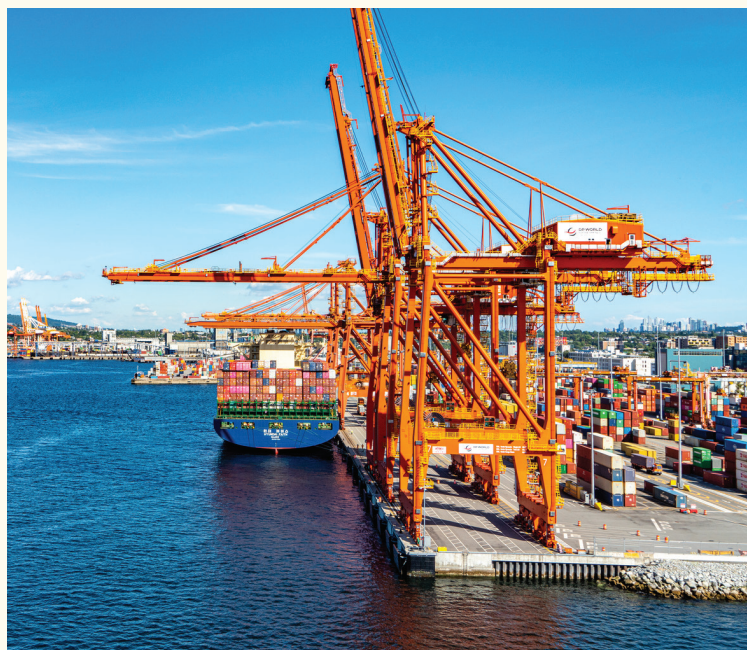
Baker doesn't see any grand scheme to gouge customers. Rather, he says his clients and other suppliers have faced an unrelenting rise in the cost of ingredients, leaving them with two choices: shrink the size of their products or charge grocery stores more, a price bump that will inevitably be passed on to consumers.

He thinks brands and grocers are being unfairly vilified, including by politicians eager to score points with voters. Baker pointed to U.S. President Joe Biden's State of the Union Address in March, when he called out Snickers for downsizing its bars, though the company denied reducing the size or number of the bars.

"What he doesn't talk about, though, is that, over the past year, the price of cocoa has gone up by 250 per cent," says Baker. "So what is the manufacturer supposed to do? Go bankrupt and shut down the lines?"

Baker says since the COVID-19 pandemic, a shortage of shipping containers, the war in Ukraine and climate change have driven up ingredient costs. In 2022, he spoke with a hot-sauce maker who wanted to get her products into Canadian supermarkets. Her sauces used to retail for US\$5.49, but because of rising raw material costs, they're now priced at US\$7.99—a jump that would make breaking into stores here a slog.

"I'm sorry, that's not greedflation," he says. "That's just the effect of the pandemic."



Shipyards dealt with container shortages that, in turn, led to supply issues that caused consumer goods prices to rise

Where do we go from here?

A new grocery code of conduct is aiming to take a bite out of food inflation



Wielding the threat of legislation, federal and provincial governments have been pushing the grocery industry to develop its own voluntary code of conduct. This set of guidelines would level the playing field between the grocery giants and their suppliers. The latter often complain that they face arbitrary fees and hefty fines from grocers but have little choice but to open their wallets.

Experts say those costs are often passed on to customers, playing a significant role in food inflation.

Among other things, the code of conduct would allow suppliers to go to an arbitrator to settle certain disputes with grocery chains.

"It would stabilize prices," said Sylvain Charlebois, a food chain expert at Dalhousie University.

After months of resistance, Walmart and Costco both agreed in the summer to sign the code of conduct, joining Empire, Metro and Loblaws. The code is supposed to be officially enacted next summer.



Despite growing complaints, Loblaws, Sobeys and Metro posted a combined \$3.6 billion in profits in 2022

THE ECONOMIST

David-Alexandre Brassard
Chief Economist, CPA Canada



Since the start of the pandemic, profit margins for Canada's three biggest grocers have ticked up to 3.1 per cent from 2 per cent—evidence, critics say, of price gouging.

But David-Alexandre Brassard, chief economist at CPA Canada, doesn't think that's the case. He believes grocers have instead benefited from a surge in demand, first during the dark days of the pandemic when people had fewer things to spend their money on, and more recently as Canada opened its doors to more immigrants. (Canada welcomed more than 400,000 new permanent residents in each of 2022 and 2023.)

"[Grocers] are making more money overall because if you've got more customers in the same store, your returns are bound to get better," Brassard says.

Loblaws, Sobeys and Metro posted a combined \$3.6 billion in profits in 2022, according to the Competition Bureau of Canada, while the grocery industry at large made \$6 billion, according to the Centre for Future Work, a think tank.

Those lofty totals prompted the New Democratic Party to accuse the big chains of "blatant greedflation." The NDP floated proposals to impose a windfall tax on grocers and cap the prices of staples, as some European countries have done.

Brassard doesn't think that type of intervention is a good idea, though.

"I'm not a big fan of those arguments, because whenever you try to stall [revenue] growth, you're stalling productivity and innovation in the meantime."

He thinks the better approach is for the federal government to encourage more competition in the industry, which is dominated by five companies: Loblaw, Empire (which owns Sobeys), Metro, Costco and Walmart. But with the cost to break into the market so high, Brassard thinks that ship might have sailed.

"[Officials] should have done more in the past to try to ensure that the grocers did not get in such a strong position. I don't want to be negative, but their capacity to act on this is limited."

Food price inflation has levelled off in recent months, reaching 1.5 per cent in May and raising hopes among some shoppers that grocery store prices could fall back to something close to pre-pandemic levels.

But Brassard says that's unlikely. "Basically, we never see disinflation outside of a recession."

PHOTOGRAPHS: PORT AND APPLE BY ISTOCK; PRODUCE AISLE BY GETTY



The Calgary Food Bank, like many others, is dealing with a spike in users

THE ADVOCATE

Farhana Janmohamed, CPA, CMA
Treasurer, Calgary Food Bank

As food prices rise, more people are staring down the barrel of hunger. In March 2023, 1.9 million Canadians visited a food bank, a nearly 80 per cent jump from 2019, according to Food Banks Canada, a charity.

CPA Farhana Janmohamed has seen that surge first-hand. She is the treasurer and a member of the board of directors of the Calgary Food Bank. The number of food hampers the food bank distributes every day has doubled over the last five years.

“The need now is more than it has ever been,” she says.

More than one-third of food bank users are employed, a sign that money is not going as far as it used to, Janmohamed says. As an example, she points to one client, a single mother of two



who works in health care and uses the food bank to “stretch” her paycheck.

“We are seeing more working people coming on a more regular basis, and that’s concerning,” Janmohamed says.

When clients go to the grocery store, they often pass up on meat and other expensive proteins, she says. But Janmohamed doesn’t think higher food prices alone are responsible for the surge in demand for food banks. Rising rents, sky-high child-care costs and other factors are also putting pressure on Canadian families, she says.

“The cost of everything is going up.”

She doesn’t see that vise loosening anytime soon.

“I think we were hopeful that we would see a decline [in food bank use] after the pandemic, but we have not. I’d love to put on some rose-coloured glasses but we are preparing to see demand increase.”

While the big grocery chains have been pilloried for rising prices, they supply more than 80 per cent of the food bank’s fare, including fresh produce and staples like bread. Janmohamed says that’s a side of grocers that many people don’t see. ♦