

OPEN LETTER TO THE FPT WORKING GROUP MINISTERIAL CO-CHAIRS

Hon. Marie-Claude Bibeau, PC, MP
Minister of Agriculture and Agri-Food

Mr. André Lamontagne
Ministre de l'Agriculture, des Pêcheries et de l'Alimentation

On behalf of Food, Health & Consumer Products of Canada (FHCP), I want to thank you for the level of engagement the Federal-Provincial-Territorial (FPT) Working Group has undertaken to ensure all relevant stakeholders' perspectives are heard on the issue of retailer fees in Canada. The Working Group process has been inclusive, transparent and thorough, involving a wide range of agricultural, food manufacturing and retail stakeholders. We appreciate our inclusion in this process and the continued dialogue on this critical issue.

In Canada, five companies control more than 80 per cent of grocery sales. The largest supplier represents less than three per cent of a given large retailer's volume. This market dynamic creates a power imbalance that allows large grocers to implement unfair and unethical business practices that negatively impact the entire supply chain. These grocery giants have used this imbalance to impose fees and raise costs on suppliers, contributing to massive increases in the cost of doing business.

Recent studies have found that grocers' behaviour is one of the top factors putting the domestic food supply chain and its future as a global food powerhouse at risk. The consequences are far-reaching and include lost investment, declining innovation, low job creation, increased prices for consumers, and ultimately food insecurity.

Evidence from around the world indicates that a legislated Code tailored to address the behaviour of the largest retailers is the most effective way to remove this enormous constraint on the future of our food supply.

Last March, FHCP and Canada's second-largest grocery retailer, Empire, joined forces and proposed a legislated Grocery Supply Code of Practice for Canada. The first and only of its kind, it is based on shared principles of fair dealing, transparency and equity. It relies on advice and counsel from the former Adjudicator in the UK, where this model has been successful, and evidence from international best practices tailored to address the unique issues affecting our domestic food supply.

Like the UK approach, our goal has always been to introduce a code between large retailers and manufacturers, where most issues reside. Our Code intends to address this unfair conduct and foster collaboration, communication, mutual trust and confidence that treats businesses of all sizes fairly and drives innovation throughout the food supply system. Farmers and independent retailers will benefit as well.

Government, political, and industry leaders across the country have reacted positively to our ground-breaking proposal, applauding FHCP and Empire's strong leadership on this issue. As a result, our proposed Code continues to drive the national conversation and garner support.

We are delighted the House of Commons Agriculture and Agri-food Committee unanimously recognized the negative impact of Canada's highly consolidated grocery sector on suppliers and advanced solutions, like our Code, to restore balance in these retail practices. The Committee also called on the federal government to support provinces and territories in developing and implementing a grocery code to stabilize the supplier-retailer relationship.

We are proud our Code is endorsed by leading organizations representing a broad range of manufacturers, farmers and suppliers, including the Canadian Beverage Association, Canadian Health Food Association, Canadian Manufacturers and Exporters, Dairy Farmers of Canada, Dairy Farmers of Ontario, Dairy Processors Association of Canada, Food Processors of Canada, Ontario Dairy Council and Ontario Federation of Agriculture.

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We are pleased the Retail Council of Canada is joining the conversation and agrees with the principles of our Code.

The Working Group was created because FPT Agriculture Ministers recognized the challenges Canada's concentrated grocery retail sector is placing on farmers and manufacturers' ability to innovate and grow. The situation is dire. Delaying concrete action will only further weaken our fragile food supply system.

As FPT Agriculture Ministers meet next month, we urge you and your colleagues to support and build on FHCP and Empire's proposed Grocery Code of Practice. We believe it is a valuable blueprint that can serve as a springboard for advancing concrete and timely solutions to restore balance in retail practices and strengthen our food supply chain to benefit all Canadians.

Michael Graydon
Chief Executive Officer

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