

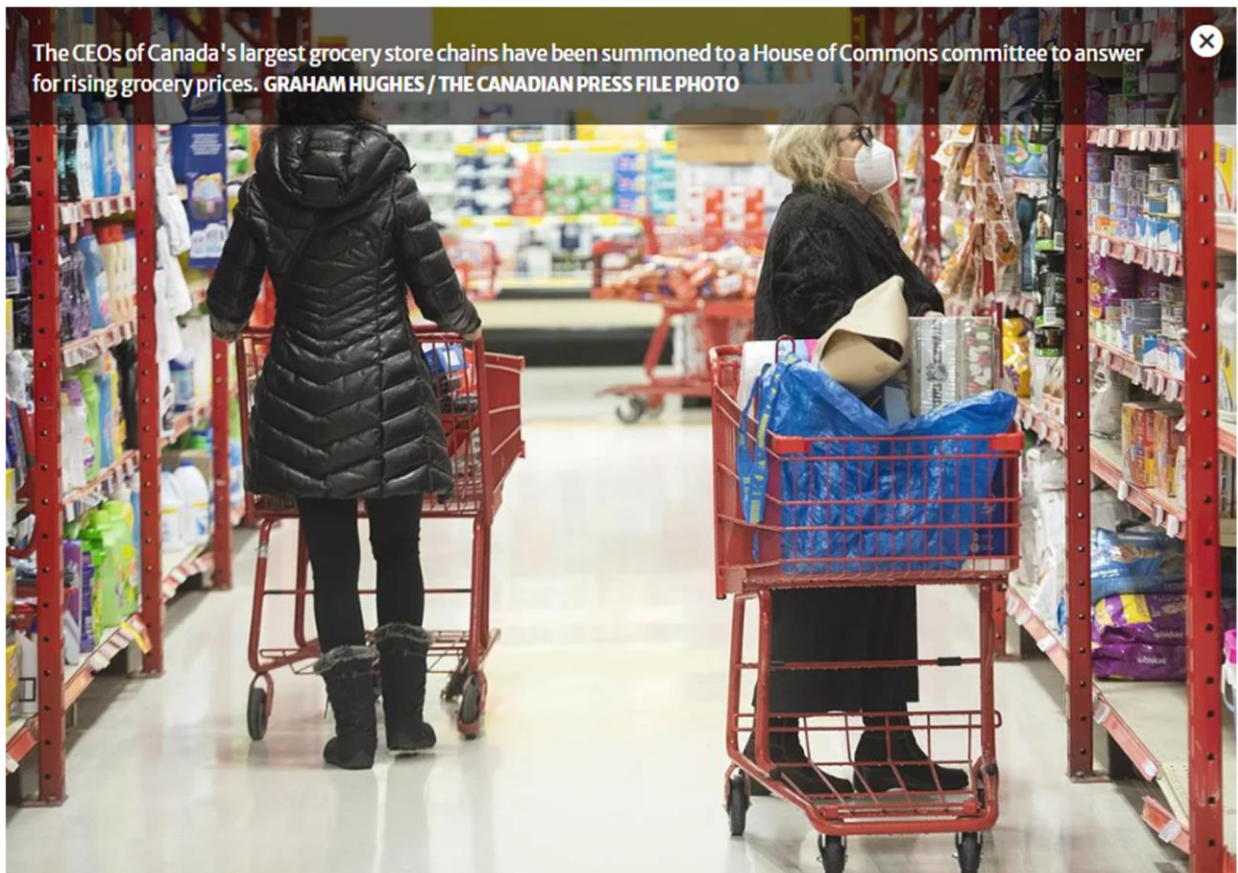
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## A chance to get answers on soaring grocery costs

Grocery CEOs should have clear answers on the reasons for rising grocery bills that have hit households hard when they appear before a parliamentary committee.

By [Star Editorial Board](#)

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Seventy-five minutes is a scant amount of time for parliamentarians to wrest clear answers from the largest, profit-rich grocery retailers in the land. Yet that's the challenge to be faced Wednesday when chief executive officers appear before the standing committee on agriculture and agri-food.

The question, of course, is whether Loblaw Companies Ltd., Metro Inc. and Empire Co. (parent to Sobeys and Farm Boy) have benefited unduly from inflation-fuelled grocery prices. Consumers have been crushed by year-over-year double-digit price increases, affecting everything from fresh vegetables (up 14 per cent year over year) to dairy (12.4 per cent) to bakery goods (15.5 per cent). The cost of chicken rose nine per cent in a single month, January over December, the largest monthly increase in almost 40 years.

This isn't the first opportunity for the top executives to convincingly demonstrate that they are not taking advantage of inflation to drive profits. This page lamented the clear lack of leadership when the top guns chose to send emissaries to appear before the committee late last year.

In the meantime, the grocery giants have continued to rack up handsome returns. Sales were up 8.3 per cent at Metro in the fourth quarter of last year to \$4.4 billion, mainly, the company noted, due to higher inflation. Overall sales at industry leader Loblaw, including drug store revenues, reached \$14 billion in the fourth quarter, a 9.8-per-cent increase.

It's the bottom line that's a mystery. While Loblaw, for example, segments its sales performance between food retail and drug retail, it does not break out profits similarly. In the absence of granular financial reporting, how can the committee hope to achieve its self-described mandate to study profit-driven inflation in the grocery sector?

Perhaps a good first question for executives would be to ask whether they view their opaque accounting principles sufficient to earn the trust of consumers – and what prevents them from being more transparent.

Look, we know there are myriad reasons for the price escalation. From the war in Ukraine to increases in food production costs (see: energy costs) to cold weather induced shortages in Spain and so on. We need only turn to the U.K. to gain a bit of perspective. The data company Kantar recently reported that grocery price inflation in the four weeks to mid-February surpassed 17

per cent, leaving British shoppers facing an increase of about \$1,300 on their annual bill. Tesco, the UK's biggest supermarket chain, is the latest grocer to start rationing shoppers' purchases of tomatoes and peppers.

No one's saying it's not complicated.

Here's another angle: listening to Loblaw CEO Galen Weston, relationships with suppliers can be gnarly. In a recent conference call with analysts, Weston said the company continues to face thousands of requests for price increases, some of which, he said, were "unjustified." On this point the committee should be saying: details, please, that will take us beyond the now stale-dated example of Loblaw's standoff with PepsiCo over the price of chips. (Helpful background could emerge Monday when the CEOs of Maple Leaf Foods Inc., the Dairy Processors Association of Canada and Food and Beverage Canada appear before the committee.)

The top challenge for the grocers? That was nicely framed last December by committee member Alistair MacGregor. The NDP MP emphasized his disappointment in having to seek answers from corporate deputies instead of their bosses. What, in particular, MacGregor wanted to know, would the companies do to restore what he defined as a broken trust with consumers.

That was three months ago. By now, the CEOs should have clear answers. They won't have a lot of time on Wednesday to convince consumers that they have not taken unfair advantage of an inflationary environment that shows scant signs of ending soon.