

The Grocery Guide: A Recipe for a More Competitive Grocery Market

Takeaways

- Canadians continue to struggle with the cost of putting food on the table, with no relief in sight amid global disruptions. An anti-monopoly approach can help.
- The federal government can boost competition by unleashing the Competition Bureau and supporting investment in food system infrastructure.
- Provincial governments can help by banning practices that harm competition – property controls, exclusivity arrangements, and surveillance pricing.

The Problem

Four years since the onset of the cost-of-living crisis, Canadians continue to struggle under the burden of inflated grocery bills, and there's no end in sight. Since 2022 the cost of groceries has increased over 20%, outpacing the general rate of inflation. While other sources of inflation have cooled, food inflation in April 2026 remained elevated at 3.5%. These figures are set to spike as the shock of global conflict and commodity shortages, from gasoline to fertilizer, ripples through the Canadian economy.

But how external shocks fall on Canadians is determined by the state of competition in our domestic markets, and Canada has room for improvement in this department.

Canada's retail grocery market is characterized by three major domestic players – Loblaws, Sobeys, and Metro – holding ~60% of the market, and the Canadian arms of two American companies – Walmart and Costco – making up another ~20%. This represents a high degree of concentration, especially for a market with relatively low barriers to entry. Worse, national market shares do not reflect the local experience of shoppers. All players are not present in all local markets, and Canadians are limited to the grocery stores available in their communities or on their commutes.

Beyond concentration, Canada's discount segment is also unique in that it is comprised primarily of flanker brands of the dominant players. No Frills is owned by Loblaws, FreshCo is owned by Sobeys, and Food Basics is owned by Metro. The use of flanker brands as a method of customer segmentation rather than competition is familiar to Canadians who have recently searched for a better phone or internet plan. Fido is owned by Rogers, Virgin Mobile is owned by Bell, and Koodo and Public Mobile are owned by Telus.

This was not always the case. Decades of unchecked consolidation have allowed competing brands such as Farm Boy, T&T, and Provigo to be acquired by Canadian majors, further reducing choice in the market. By ignoring the value of competition, Canada has created a system where higher costs are passed on to consumers, instead of competed away like in peers like the U.K.

But this situation is not set in stone, and policy makers at all levels can act to improve competition in the grocery aisle and beyond.

The Solution

At the federal, provincial, and municipal level, policy makers have actions at their disposal to deliver a fairer and more competitive grocery market for Canadians.

At the federal level

Block further consolidation in the grocery sector

Canadians are already bearing the consequences of decades of consolidation in the grocery sector, and the Competition Bureau should demonstrate that it has learned from its mistakes. The enforcer should deter further consolidation by publicly committing to a moratorium on mergers in the grocery space except in the case of truly failing firms.

Study competition in the food supply chain

The Competition Bureau should use its new market study powers to study competition along the food supply chain, including the markets for distribution, processing, and producer inputs. Such a study must include understanding the terms of contracts between different layers of the food supply chain, identifying practices that limit competition, reduce freedom to operate, or shift risk towards less concentrated stages of the supply chain.

Address ongoing customer deception

Canadian consumers have been exposed to widespread, unacceptable deception regarding accurate weights and measures in the grocery space. Twice within a year, CBC Marketplace investigations found systematic underweighting of meat products despite commitments from major grocers to address the practice. The current maximum fine by the Canadian Food Inspection Agency (CFIA) for this deception – \$15,000 – is meaningless to chains clearing tens of billions in revenue annually. The federal government should commit to more rigorous inspections and meaningful fines aligned with those for deceptive marketing practices under the *Competition Act*.

Aggressively pursue price fixing behaviour

Decades of consolidation have left markets all along the food supply chain highly concentrated, with few options for consumers and producers alike. Markets with high levels of concentration, such as those where four or fewer players control more than 40% of a market, are more likely to exhibit unfair competitive practices, exploitation of participants, and cartel conduct. Canada's national retail grocery market exceeds this threshold, and local markets as well as markets further up the supply chain exhibit even more intense levels of concentration.

Canadians have already born the burden of one massive price fixing scheme in the grocery space, and where there's smoke, there's fire. It is unlikely that bread is the only market that has fallen victim to cartel conduct, and the Competition Bureau should step up its efforts against anti-competitive agreements and cartels along the food supply chain.

Invest in alternative supply chains

The infrastructure required to put food on the table for Canadians extend far beyond the grocery store shelf. A more competitive grocery market requires more competition in the markets that grocers depend on to deliver choice and variety to Canadians. Through organizations like Farm Credit Canada (FCC), the federal government should reduce the barriers to creating private and public food system infrastructure alternatives in the markets for distribution, processing, and logistics.

At the provincial level

Despite the federal government formally owning the competition policy file in Canada, provinces have a major role to play in creating a more competitive grocery market. Whether alone or in unison, provincial jurisdiction provides a powerful policy playbook to improve competition and consumer protection.

Ban the use of property controls in the grocery sector

Competition in the grocery sector is a function of geography as much as price. Property controls and restrictive covenants, clauses included in lease contracts that limit the uses of a property, shut out competing grocers from offering choices that Canadians need. Following the lead of Manitoba, provinces should ban the use of property controls and restrictive covenants by grocers and their landlords. As policy makers look to spur competition, preventing incumbents from dictating where and how competition can occur should be the north star.

Work with municipalities to relax retail zoning rules

Along with banning property controls, provincial governments can further open grocery markets by partnering with municipalities remove zoning restrictions on grocery retail. From supermarkets to corner stores, Canadians rely on a diverse range of businesses to meet their grocery needs. Provinces and municipalities should review local zoning rules with the goal of increasing the number of range of businesses that can operate in and around neighbourhoods in Canada.

Ban exclusivity arrangements, slotting fees, and kickbacks

Another way that dominant incumbents attempt to stem the flow of competition is by locking up access to store shelves. This occurs through several avenues: exclusivity arrangements keep out new suppliers, fees for new products to be put on shelves, and promotional payments for prime real estate. In Canada, grocers have made use of these fees to pass on the cost of their own operations to suppliers, creating a hurdle for new suppliers to break into the market and reach customers. Policy makers at the provincial should put unfair business practices legislation to work blocking the use of these tactics by dominant retailers and suppliers.

Ban algorithmic pricing in grocery

Canadians are rightly skeptical of first-degree personalized pricing, the ability to charge and individual a different price based on factors beyond their knowledge or control. 50% of Canadians want the practice banned, and another 30% only want it allowed with proper regulation. Especially for staple products like food, Canadians should be aware of what prices are on offer and for whom these prices are available. Provinces should ban first-degree price discrimination in the grocery market, including for delivery services. This would preserve the ability for grocers to offer discounts to groups of customers based on observable characteristics or behaviours (e.g. discounts for senior citizen or bulk-buying).

What about public and foreign grocers?

There is understandable energy surrounding the prospect of new grocery competitors in Canada. Canadians need more grocery options, and the entry and expansion of public or foreign grocers could materially alter the competitive landscape. But new entrants will only deliver broad benefits if policy makers remove the barriers that prevent existing challengers from competing fully.

Making the market more open will increase the chances that challengers, whether domestic, foreign, private or public, can succeed. While public or foreign grocery chains can play a role, particularly in food deserts, their impact will be limited to the neighbourhoods they serve. Paired with efforts to rollback practices like property controls and exclusivity arrangements, policy makers can create a more competitive market nationwide rather than relying on the expansion plans of new competitors.

Moving up the chain

The monopoly problem in Canada's food system extends far beyond the grocery aisle. Higher up the chain, the markets for distribution, processing, consumer packaged goods, and even inputs like fertilizer, seeds, and chemicals, exhibit even more extreme levels of concentration than retail grocery. Anti-monopoly efforts should support competition at all levels of the food supply chain. To create a truly fair food system, policy makers shouldn't stop at the checkout.

As global shocks bring another round of price increases to already elevated grocery bills, Canadians deserve more competition in the grocery aisle. Canada's monopoly problem does not stop at the grocery aisle, but it's one part of the puzzle of creating a fairer deal for Canadians.