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Competition in Canada's Food Supply Chain



— THE STATE OF PLAY

FEW INTERLOCKING MARKETS MATTER MORE TO CANADIANS

CAMP welcomes the Competition Bureau's examination of the state of competition in Canada's food supply chain. Determining the price producers receive for their goods and the prices that shoppers see on store shelves, there are few interlocking markets more important to Canadians. With that in mind, there are several indicators that competition is not thriving across the food supply chain:

01

Concentration is severe at every stage.

Three plants owned by two companies account for over 95% of beef processed in Canada. Four firms manage roughly 70% of prairie grain elevator capacity and more than half of port terminal capacity. BASF holds 60% of canola seed after a Bureau-approved divestiture. Five grocers hold close to 80% of the retail market.¹

02

Farmers consider consolidation a threat to their business.

Of 593 Canadian farmers surveyed in 2023, 90% reported concern about consolidation in their industry, with the strongest negative impact reported at the input stage: equipment dealers (66%), fertilizer manufacturers (62%), seed and chemical companies (60%), grain companies (56%).²

03

Concentration converts external shocks into consequences for farmers and consumers.

Canadian food manufacturer profits ran 43% higher from 2020 to 2022 than from 2017 to 2019. Food retail margins rose from an average of 1.62% between 2018 and 2020 to 2.85% during the pandemic, while sales volumes fell below pre-pandemic levels.³

These figures are grounds for a deeper investigation into the state of competition in the markets that make up Canada's food supply chain. The broad scope of the initial examination is warranted given the range and scale of consolidation across markets.

Building from the structure of the consultation, CAMP would like to highlight several issues that have arisen in our analysis of the food supply chain in recent years. Understanding that not all of these issues can be addressed in a single examination, they should nonetheless be incorporated into the Bureau's ongoing work related to competition across Canada's food supply chain.

ISSUES FOR EXAMINATION

PRODUCTION AND PROCESSING

- **Examine the markets for seeds, chemicals, equipment, and pharmaceuticals.** This should include the bundling of proprietary seeds with agrichemicals, and the use of proprietary versus public domain varieties.
- **Consider how market power is projected through farm technology,** including the potential to limit repair options and control how data generated by producers is captured by equipment manufacturers.
- **Explore the consequences of equipment dealership consolidation,** which is noted by producers as particularly harmful to their businesses.
- **Assess the impact of consolidation in processing markets,** including beef, pork, and poultry on producer margins and what has driven different outcomes across product categories.

TRANSPORTATION AND DISTRIBUTION

- **Examine the role played by competition in handling and transportation infrastructure** for product categories like grain in driving outcomes for both producers and consumers.
- **Consider the impact of access to rail transportation** and competition within the rail transportation market on competitive outcomes in the food supply chain.
- **Study the degree to which independent grocers depend on the wholesale and distribution operations of competitors,** and whether this affects competitive intensity.⁴
- **Conduct after-action reviews of past mergers and acquisitions** in the distribution and wholesale space to inform analysis of future transactions.

RETAIL PRICING

- **Understand how exclusive dealing**, whether on the part of retailers or suppliers, shapes choice and competition available to Canadians in the retail grocery market.
- **Consider whether pricing practices of staple goods reflect true costs.**
- **Examine how pricing practices differ between retail grocers and food delivery companies**, with a focus on first degree price discrimination and true sales pricing.
- **Building on the Bureau's work on property controls**, the examination should seek to understand other policies and practices retailers use to govern the behaviour of suppliers.

CAMP is happy to assist the Competition Bureau in any way we can in this important effort. Please do not hesitate to reach out for further discussion on any of the above points.

CAMP CONTACT

hello@antimonopoly.ca

CAMP FOOD SUPPLY CHAIN REPORTS

From Plow to Pantry: Monopoly in the Canadian Food System

2024

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

2026

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4. House of Commons Standing Committee on Agriculture and Agri-Food (2010), *Competitiveness of Canadian Agriculture*; Competition Bureau (2023), https://publications.gc.ca/collections/collection_2010/parl/XC12-403-1-1-01-eng.pdf
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