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Chair: Mr. Peter Fonseca

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● (1655)

[*English*]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): I call this meeting to order.

Welcome to meeting number 58 of the House of Commons Standing Committee on Finance.

Pursuant to Standing Order 108(2) and the motion adopted on Wednesday, January 12, 2022, the committee is resuming consideration of Bill C-18, an act respecting online communications platforms that make news content available to persons in Canada, and is commencing clause-by-clause consideration of this bill today.

Today's meeting is taking place in a hybrid format, pursuant to the House order of June 23, 2022. Members are attending in person in the room and remotely using the Zoom application.

I'd like to make a few comments for the benefit of the witnesses and members.

Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mike. Please mute yourself when you're not speaking. For interpretation, those on Zoom have the choice, at the bottom of the screen, of floor, English or French. Those in the room can use the earpiece and select the desired channel. I remind you that all comments should be addressed through the chair. For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as well as we can. We appreciate your patience and understanding in this regard.

Before we begin.... Members will have received the subcommittee report number three from the clerk this morning. Is everyone in agreement with it? Shall the subcommittee report be adopted?

I see a hand up.

Go ahead, MP Albas.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Thank you, Mr. Chair.

I certainly appreciate the work done by the subcommittee and the clerk in order to have this report here today. Unfortunately, it's already out of date, because, as of today, Bill C-30 was referred to our committee. That means we may need to make some alterations.

Mr. Chair, I'm going to be very brief here, because I know the subcommittee worked very hard to find a consensus. I would simply add an amendment: that Bill C-30 be heard on October 3, which is this Monday; that we receive the minister, officials and the Parliamentary Budget Officer as witnesses, so parliamentarians can ask questions in regard to the bill; and that we allocate resources to do clause-by-clause.

If we could have an extended meeting on Monday, that would be the intention here. The clerk would not be pulling all of his hair out, because we would still have Wednesday to start the pre-budget consultations.

I hope this is considered to be a friendly amendment and we can simply say, if everyone agrees, that we'll work a little harder on Monday night to get that tax relief to the Canadians identified in the bill. Then, I think we can move forward with the rest of the subcommittee report.

The Chair: Thank you, MP Albas.

I hope that is seen as a friendly amendment. Yes, I understand that Bill C-30 has been referred to committee.

I have MP Beech.

Mr. Terry Beech (Burnaby North—Seymour, Lib.): Thank you, Mr. Chair.

I would consider that particular amendment to be friendly.

I just want to take this opportunity to say thank you to everybody who sits on our subcommittee for organizing a very good schedule. I would like to thank Mr. Albas, Mr. Ste-Marie and Mr. Blaikie. I think the way we prioritized our issues, including the clause in the subcommittee report that says this particular measure is going to give tax savings to Canadians by giving them a doubling of their GST.... It's an absolute priority.

Although I'm willing to sit longer on Monday if necessary, I would expect that, if there is agreement and that list is the fulsome list, we could probably get testimony from the minister and the PBO, along with clause-by-clause, committed within our normal time period. I'm certainly willing to sit longer if necessary, to get it done by Monday so we can proceed to pre-budget consultations on Wednesday.

Thank you, Mr. Chair.

● (1700)

The Chair: Thank you, MP Beech.

Go ahead, MP Albas.

Mr. Dan Albas: I would briefly ask a question.

I think MP Beech said “the minister and the PBO”, but we'd also like to have officials there, in case there's a technical question. The assumption would be that they would be there. Is that right?

Okay, thank you. I appreciate the clarification.

The Chair: It's the minister, the PBO and officials, then.

Go ahead, MP Blaikie.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you, Mr. Chair.

I just want to say that I'm supportive of the amendment Mr. Albas suggested. This is something that New Democrats are very keen to see pass quickly. I'm very pleased that the committee has some good ideas and great motivation, across party lines, to see this bill go through without any unnecessary delay.

Thank you.

The Chair: Very good.

Is there any further discussion?

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): I would like to comment, Mr. Chair.

[*English*]

The Chair: Yes, go ahead.

[*Translation*]

Mr. Gabriel Ste-Marie: I agree with all of this. I appreciate everyone's collaboration and cooperation. Having said that, at a meeting of the Subcommittee on Agenda and Procedure, I believe there was some discussion about inviting the Governor of the Bank of Canada in the fall. So I would like to propose another friendly amendment to make the text more reflective of the discussions that took place in the subcommittee. It would be a matter of adding a sentence asking that the committee invite the Governor of the Bank of Canada to appear no later than December 16, 2022.

[*English*]

The Chair: I see all thumbs-up for that as well.

[*Translation*]

Thank you, Mr. Ste-Marie.

[*English*]

Members, is the subcommittee report adopted as amended?

Some hon. members: Agreed.

It's adopted. Excellent.

We will now move on to our first panel of witnesses. I'm looking at the time. We do have a hard stop today at 6:30 due to resources, so we have about 45 minutes for each panel. That's how I will divide it up.

On the first panel, from the Retail Council of Canada, we have the senior vice-president of public affairs, Karl Littler. From L'Union des producteurs agricoles, we have David Tougas, coordinator, business economics. The general president, Martin Caron, is also with us.

For opening remarks, Mr. Littler, you have five minutes.

Mr. Karl Littler (Senior Vice-President, Public Affairs, Retail Council of Canada): Thank you.

On behalf of the Retail Council of Canada and its members, I want to thank the committee for the opportunity to provide a grocery industry perspective to your study on inflation. I also want to express our hope that this study will properly examine the root causes of inflation, its global context and its many constituent parts.

Here in Canada, we have little contemporary experience with inflation, which has been at historic lows for over 30 years. One problem with this lack of modern experience is that some commentators are rushing to judgment or seeking to play the blame game for their own purposes, when we would be far better served by looking at the problem in all of its complexities. When it comes to food price inflation specifically, the issue needs to be understood, both figuratively and literally, from the ground up.

The reason that prices have risen sharply on grocery shelves is a straightforward one. Vendors—the manufacturers, processors and wholesalers of food—have been raising rates repeatedly and almost across the board. That's overwhelmingly the biggest driver of higher prices on the shelf. That's not to castigate the vendors; it's simply a statement of fact.

Why are these vendors' prices rising so rapidly? It's because vendors' own costs are soaring, primarily because prices from farmers, growers and importers have been increasing at unprecedented rates. The farmers themselves have been hit hard, facing massive cost increases for fertilizer, fuel and feed, among many others.

What we have experienced—or what we are experiencing still to some degree—is a unique confluence of events: war, extreme weather events and soaring fuel prices, all piling on top of the supply chain disruptions and labour shortages that arose during the pandemic.

The single biggest identifiable villain is Vladimir Putin's invasion, which has struck at the grain and fertilizer exports of two of the world's biggest producers, and that has had effects on the price of fuel. Ukraine and Russia are the most affected, of course, but this has driven up the global price for these commodities.

Grain is critical, not only for bread and staples such as pasta, cereals and cooking oils, but also as the base for the majority of products in the core aisles of grocery stores. Also, very importantly, grain serves as feed for most animals raised for meat or for producing eggs and dairy.

Simultaneously, scorching weather and drought have hammered the fruit- and vegetable-producing regions on which Canada most relies, especially in California but also in the Canadian and American west more generally. That impacts not only the fresh produce section but also canned, frozen and preserved vegetables and fruits, sauces, juices and anything else in which these are ingredients. Drought and extreme heat also impact the availability of pasture land on which to graze animals.

Dairy is supply-managed, so the wholesale price is set here in Canada. It rose by 10.9% cumulatively in 2022. Again, the government-established Canadian Dairy Commission has responded to rising costs at farm level for feed, fuel and fertilizer, which are then passed on first to processors and then to grocers.

I could also speak to the rising cost of packaging, shipping, the role of the declining Canadian dollar, which is becoming more significant, and the severe labour market shortage both here and abroad.

Dire though this confluence of events is, there are some signs that the pace of inflation could abate, with August likely having been the high point.

Grain is finally getting out of Ukraine, and fertilizer and grain out of Russia, under a United Nations-brokered deal, though there's still a major backlog to be cleared. Fuel costs, though still high, have receded by close to 30% since their peak a year ago. Cooling temperatures this fall could provide some relief to parched vegetable-, fruit- and grain-growing regions.

There's still uncertainty as to when exactly prices will stabilize and, of course, there are some big geopolitical and climatic risks. What's critical, both for industry and government, is to look at the whole picture, not just the surface, and to factor that into any policy approaches and commentary.

Thank you.

● (1705)

The Clerk of the Committee (Ms. Aimée Belmore): There are no witnesses today with headsets, so no tests were required in order to do the meeting today.

[*Translation*]

Mr. Martin Caron (General President, Union des producteurs agricoles): Thank you, Mr. Chair.

I am Martin Caron, general president of the Union des producteurs agricoles. I am also a dairy producer and a field crop producer in Louiseville.

As you know, we are living in a historic inflationary period caused by a multitude of events and circumstances. These elements combined have created a crisis situation that is promoting a sharp rise in product prices. You have to go back to 1991 to find a higher annual growth rate in the consumer price index, or CPI, than in 2021.

When it comes to price changes, of all the products in the CPI, food has surely received the most attention. Yet food prices have changed in a very similar way to the overall CPI since the start of the pandemic. Indeed, food prices in Canada have increased by 13% since January 2020, while the total CPI has increased by 11.5%. Some items in the overall CPI have seen their prices rise faster than others, such as gasoline, whose price has increased by 48%.

For the agricultural sector, input prices rose 20% between the first quarter of 2021 and the first quarter of 2022, according to Statistics Canada's farm input price index.

Three of the major production inputs—feed, fertilizer and fuel—experienced price increases of 100%, 60% and 50%, respectively, which is much higher than the CPI. Let's also not forget that, for eastern Canada, which is more dependent on imported fertilizers, the 35% tariff on Russian fertilizers has not only increased the cost of fertilizers, but also made their availability more fragile. For horticultural products, the price of containers has also increased significantly.

For the Canadian agricultural sector, these increases represent $10 billion in additional expenses. The majority of these increases have occurred in recent years. This is unprecedented.

It is important to remember that the price of agricultural products is only a fraction of the price of food we find on grocery store shelves. For example, for every $1 spent in Quebec on beef, less than $0.38 goes back to the producer. For yogurt, only $0.13 of every dollar consumers spend goes back to dairy farmers.

Historically high input prices mean an unprecedented strain on farm cash flow, even for productions that operate in a more favourable market context.

Established farm businesses are not the only ones affected. Owing in part to their higher debt load, next-generation and start-up businesses are being hit hard by rising production costs.

The Bank of Canada's desire to curb inflation through interest rate increases is laudable, but for us, this policy will have the effect of replacing one problem with another.

Farm businesses have had to invest heavily in recent years to, among other things, comply with societal expectations regarding the environment and animal welfare. In addition, the value of farmland has more than tripled over the past 10 years. This has resulted in a doubling of the agricultural sector's debt load over the past few decades. Every one percentage point increase in interest rates ultimately generates approximately $1.2 billion in additional interest expenses for Canadian farm businesses, representing approximately 25% of the sector's total net income in 2021.

In this context, and given the critical nature of agriculture for food security, the government must act quickly to support our sector. Special assistance is needed to avoid a financial catastrophe among thousands of farm businesses. We stress the need to act quickly. Assistance could be modelled on the Canada emergency business account, which would make it possible to combine liquidity support with business profitability assistance. The government must also optimize the tools and programs already in place that adequately respond to the current context. For supply-managed productions, price adjustment mechanisms must be reviewed to ensure greater flexibility.

Inflation will have a negative effect on businesses' productivity and profitability. It will also affect their ability to invest in automation, robotization and new technologies. These solutions to labour shortages and climate change require very large investments, which inflation strongly discourages.

The one-time assistance and requested measures will help mitigate the financial impact on agricultural businesses, which must both deal with historic increases and secure the food supply of our population.

● (1710)

Thank you.

The Chair: Thank you, Mr. Caron.

[*English*]

Members and witnesses, we are going to move into our first round of questions. The first round is six minutes of questions for each party. Just looking at the time already, the second round will also be evenly divided by the different parties. It will be about two minutes in the second round, so that will be a quick question and answer.

Starting our first round, we have the Conservatives up first, with MP Lawrence for six minutes.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you very much, Mr. Chair.

Thank you to our witnesses for appearing today to talk about a very serious issue.

Just to give some context early on, I will read from some of the parliamentary notes here about some of the work done by the Dalhousie University Agri-Food Analytics Lab, which shows that Canadian consumers are responding to higher food prices. According to the survey, up to 23.6% have cut back on the amount of food they purchase, 8.2% have changed their diet and 7% have even skipped meals. This is a very serious concern and a very big issue.

My first question will go to you, Mr. Littler. You went through some of the additional costs that are being pushed up through the supply chain and then ultimately being pushed on to the consumer. You didn't talk about any potential solutions there. In your estimation, Mr. Littler, are there any solutions to get costs back down?

Mr. Karl Littler: A lot of this is geopolitical, but there are some domestic solutions. Some of those are being focused on by the industry itself. I think some of those are more within the preserve of policy-makers like this committee.

Consumers are changing habits, including where they are purchasing food. We're seeing a greater push to discount stores. We're seeing a greater push with respect to bulk purchasing, where that's feasible. We're seeing some move to home brand, private label products. Certainly in their discount arms, grocers are focusing on core items in the grocery basket and trying to find the best prices they can offer those products at. That's certainly something we can—

● (1715)

Mr. Philip Lawrence: Thank you.

I'm going to just go through a couple of other options I might throw out there—and I appreciate your efforts—where government may have a direct role in perhaps reducing the cost.

I think throughout history it would be proven that when governments spend too much and tax too much, you usually get inflation. Given the fact that inflation is a large driver of this, if the government were able to reduce inflation.... For example, the Governor of the Bank of Canada, Tiff Macklem, said in response to one of my questions that one of the drivers of inflation would be the carbon tax.

Wouldn't it, in fact, help Canadians, and help you reduce the prices for your consumers, if the government didn't go ahead and triple the carbon tax this spring?

Mr. Karl Littler: Well, I'm not an expert on the carbon tax per se, but there's no question that every input tax increase is having an impact. That's true with taxation. Obviously it's true in regulatory compliance.

Frankly, in the way that items are assessed for gender impact and for environmental impact, I think it is probably time for the government to return to putting things through an affordability prism and through a consumer prism—as it hasn't really since 1995—before policies are brought forward.

That's not to say that the Competition Bureau doesn't do great work or that there isn't an office of consumer affairs, but we have not had a minister with the name “Consumer and Corporate Affairs” in almost 30 years. That does speak, to some degree, to the fact that inflation has been in abeyance. It is probably time to bring those impacts back to the fore.

Mr. Philip Lawrence: I actually think that's an excellent idea and one I think the committee should be considering. I think putting government regulations and taxation through an affordability lens makes a lot of sense, given the fact that food prices are going up by 10%.

On another related issue, once again—and I'm inclined to agree with what a lot of you said—the cost is being passed on from the increased inputs. The government also announced they were going to cut fertilizer usage by a third. We've seen that in Sri Lanka, which is probably the ultimate example of this, they cut fertilizer down to zero and their agricultural outputs have been reduced somewhere between 50% and 70%.

Reducing the access to fertilizer or making fertilizer more expensive—obviously we've seen the events in Ukraine, but this is a self-inflicted wound—would also increase the cost of food, wouldn't it?

Mr. Karl Littler: Monsieur Caron is actually a farmer, so perhaps I'd defer to his expertise, but obviously, anything that is reducing supply and driving up cost is of concern, and it is a cumulative thing. There are all kinds of virtuous things that government might be doing otherwise, but the cumulative effect and also the affordability impact are things that have to be much more prominent.

Mr. Philip Lawrence: I think that's an excellent suggestion, Mr. Littler.

Mr. Caron, if your members were unable to access the amount of fertilizer they would need for their crops, would that hurt their yield, and would that in turn increase the cost of groceries for Canadian consumers?

[*Translation*]

Mr. Martin Caron: May I comment, Mr. Chair?

[*English*]

The Chair: Please.

[*Translation*]

Mr. Martin Caron: First of all, there is an important link between fertilizers and the yield of our productions. That's one of the reasons we use fertilizers, whether synthetic fertilizers or natural ones. I am thinking of the manure we use, for instance. Our organic production is also growing well here in Canada. It is growing more and more.

However, when we talk about reducing fertilizer use, we have to be careful about what that means in terms of greenhouse gases. The goal of net-zero emissions makes us more efficient and productive in our crops, and fertilizers help us achieve that productivity.

The other thing to watch out for is that, every time agriculture or agri-food is taxed, the pantry of Canadians is being taxed. It directly increases the price of groceries. I don't think that's a good way to go. When agriculture and agri-food are supported, access to healthy food at an affordable price is also supported. We need to keep doing that.

I also agree wholeheartedly with what has been pointed out about grains. They are a staple food.

● (1720)

The Chair: Thank you.

[*English*]

That's the time, MP Lawrence. Thank you.

Now we are moving to the Liberals. I have MP Chatel for six minutes, please.

[*Translation*]

Mrs. Sophie Chatel (Pontiac, Lib.): Thank you very much, Mr. Chair.

There is no doubt that we are facing a climate crisis, which is bringing on a global food crisis. We are on the cusp of this crisis, and agriculture has never been more important. We need to take both action on climate change and action to prevent it and support our farmers. Those two things go together—one does not go without the other—and that is something our farmers and agricultural producers understand very well.

I know we have talked about this before, Mr. Caron, but the OECD report that talks about reforming agricultural policies to mitigate climate change proposes, among other things, increasing direct payments to farmers who provide ecological goods and services, such as ecosystem services or carbon sequestration in agricultural soils.

Do you think that is a good recommendation?

Mr. Martin Caron: Thank you for the question.

The answer is yes. Canadian producers and farmers are mobilized to make these efforts. Innovation and research enable us to have healthy soils and to contribute to the reduction in greenhouse gases. Doing that, as I mentioned earlier, does require a lot of investment.

In my opinion, making direct payments to farmers who provide ecological goods and services, as is done in Europe and the United States, is a step in the right direction. It also removes some of the pressure they are experiencing because of inflation. Our farm businesses have already started to make investments, and you will understand that, when we make investments, we also go into debt. That is why it's important for us to have a program in place to help us with that. We need an emergency account for Canadian farmers because our businesses will be weakened by rising interest rates, and there is a risk that people will be discouraged from continuing to take concrete action if they don't have the cash flow.

Before we move to green agriculture, we need to make sure our businesses are not in the red.

Mrs. Sophie Chatel: Thank you, Mr. Caron.

I want to come back to innovation. I recently rode on a farmer's tractor using a new bioactive technology that replaces chemical fertilizers with organic products. Farmers who have tried it this year have had much better crops. So we need to invest quickly in the technologies you were talking about earlier.

I also have a question for Mr. Littler.

I read a pretty alarming report about climate change, particularly about droughts in the southwestern United States, which is a food pantry for Canadians. We import a lot of food from that region. The water deficit, which we are seeing even at home, is catastrophic.

What will be its impact on the food crisis?

[*English*]

Mr. Karl Littler: Well, I mean, it's already being felt. California is obviously a massive source of fruits and vegetables, particularly as the seasons roll, but there have been droughts in western Canada as well and, of course, weather events of all kinds in British Columbia. It's not just the fruit and vegetable side. I mean, it affected egg producers in B.C., as a case in point, so there's no question that the climatic events are having a significant impact on this. Somebody described California's experience as a heat dome and the worst weather in history, so it is a severe risk.

● (1725)

[*Translation*]

Mrs. Sophie Chatel: Thank you, Mr. Littler.

In conclusion, I would say that on-farm climate action is essential. Carbon pricing is just one tool we have, but we need to use all the required tools, including investments. To do otherwise would simply be irresponsible.

[*English*]

The Chair: MP Chatel, you still have a minute and a half.

[*Translation*]

Mrs. Sophie Chatel: This is the first time it's happened to me.

Mr. Caron, you talked about the labour shortage in the agricultural sector. What are your thoughts on the trusted employer program?

Mr. Martin Caron : Thank you for the question.

That program is a development that we had asked for.

You also need to ensure that you reduce the administrative burden so that we can access foreign workers. I remind the committee that temporary foreign workers in Canada make up one-third on the agricultural workforce. Of course, we want to have programs and LMIAs—labour market impact studies—that are valid for three to five years. That would be a big step forward. We need to continue in this direction to establish some administrative flexibility because we really need the workers.

Mrs. Sophie Chatel: Automation will not replace all workers. That is my understanding of recent studies.

Mr. Martin Caron: That's right. Not all producers can afford to make investments in automation, and they rely on labour.

I want to emphasize that the priority for Canadian producers is to support local employment in our regions. However, the reality is that one-third of our employees are temporary foreign workers.

Mrs. Sophie Chatel: That's a lot.

Thank you, Mr. Caron.

The Chair: Thank you, Mrs. Chatel.

[*English*]

Now we'll have questions from the Bloc.

MP Ste-Marie, you have six minutes, please.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Mr. Caron, Mr. Tougas and Mr. Littler, thank you for joining us.

My questions are for Mr. Caron, but if Mr. Tougas wants to supplement his answers, please feel free to do so.

Mr. Caron, thank you for your very content-rich opening statement. You have submitted a lot of information. Please feel free to return to some of the points for further discussion as you see fit.

I want to come back to the topic of inflation. People are seeing food prices go up at the grocery store. Mr. Caron, your presentation was pretty clear: your input prices have gone up again. Necessarily, this is reflected in the price of groceries.

I was struck by a few statistics, especially the ones about input prices going up and the price of farmland, which has tripled in the last 10 years. It makes no sense.

You said there has been a lot of investment in the last few years to automate and to comply with animal welfare rules, as well as with new environmental standards. To calm inflation in general, the Bank of Canada's monetary policy is to increase interest rates. Farmers will be the first to be affected by this policy, as they are part of an industry where there is a lot of capital invested for every dollar of profit.

We know that our farmers work very hard. They don't often have it easy and they are often isolated. Many personal difficulties can arise from all of that.

In the current context, how is the morale of the troops, of your members, in the face of this inflationary crisis?

Mr. Martin Caron: Thank you. I will start answering your question and will then let Mr. Tougas complete my answer.

As far as morale goes, the situation is worrisome. It is a real concern for our businesses that are in the succession or start-up stage. Interest rates are rising at almost 3% right now. As I mentioned earlier, a 1% increase represents an increase of $1.2 billion Canadian. So there is a significant impact. I feel that we need to move quickly with a program. Producers are being asked to be competitive and productive. Our American neighbours were quick to provide $1 billion in direct payments. They provided those funds because they know that agriculture is the foundation of a nation.

I will turn the floor over to Mr. Tougas, who will be able to address the economic issues related to land, among other things.

● (1730)

Mr. David Tougas (Coordinator, Business Economics, Union des producteurs agricoles): I will add a few things.

In his presentation, Mr. Caron talked about debt and the value of farmland, which has tripled. There is a connection between the two, as you may expect. Farmland is 80% of the assets of farm businesses. It is a critical asset for agricultural production. When the value of this asset triples, debt quickly follows. In addition to the investments related to societal expectations, which we have discussed, land values contribute to debt.

Mr. Gabriel Ste-Marie: Thank you.

Agriculture is the foundation of a nation. Feeding people is the most important activity. We must continue to properly recognize this economic activity and adequately support our farmers.

With rising interest rates, costs and concerns, is there a way to restore profitability margins? Are the profits still there?

I am especially interested in the next generation of farmers. Mr. Caron, you mentioned a few times the youth in agriculture. In 2021, before the last election, we had finally passed a bill to facilitate the sale of businesses, including farm businesses within the family. The government would not move forward. The committee revived the issue over the summer. The government finally went ahead, but said it would eventually come back to clarify the terms and conditions. Since then, accountants have been saying that they can't do these transactions because they don't have direction from the government.

With the new legislation, is the sale of a farm business to a family member done correctly or is it still problematic?

Mr. Martin Caron: Thank you for the question. I will answer it and then let Mr. Tougas complete my answer.

One of the things that we were asking for was that incentives be put in place. In that regard, I want to remind people that the average age of farmers in Canada is about 56. That means that farm transfers will take place. We need to plan for that quickly. Nonetheless, there are new farm businesses. Knowing that assets have increased in value, we need to find a way to provide incentives. A lot of gifts are made to children by parents, but also by some who don't like to see perfect strangers becoming owners of farm businesses.

Perhaps Mr. Tougas would like to speak to other issues.

Mr. David Tougas: Regarding the rise in interest rates, Mr. Caron mentioned in his opening statement that every 1% increase translates into a 20% to 25% impact on net farm income for the entire sector. Obviously, it depends on the term the farmer has chosen. An impact like that isn't felt at the time the hike is announced.

For our farmers, it's akin to the sword of Damocles hanging over their heads. When it comes time to renew their loans, the rates will be higher, and that's when the liquidity and profitability of our farms in Canada will be hit.

Mr. Gabriel Ste-Marie: Thank you very much.

The Chair: Thank you, Mr. Ste-Marie.

[*English*]

Now we will have questions from the NDP.

We have MP Blaikie for six-plus minutes.

Mr. Daniel Blaikie: Thank you very much, and thank you to all of our witnesses for being here today, in particular Mr. Littler, on behalf of Canada's grocery retailers.

It would have been nice to see some folks from those companies directly, just because some of the questions that members of the committee may have liked to ask would be best answered by folks who have a command of the details of the individual businesses. They have different business models, and are recording different profits against previous years. I hope maybe we'll be able to get into a little bit of that. Of course, it's always better to get it directly from the horse's mouth, so to speak.

The basic problem for many Canadians, as they try to understand the experience they're having at the grocery store.... They're going to buy their usual basket of goods, and some folks are having to put things back on the shelves. We've talked already today about the extent to which people are certainly looking at changing the composition of that basket in order to make their grocery shopping fit within their household budget in these difficult times.

As they're having that experience in the grocery store, we're often hearing reports in the news of higher profits by grocery chains, and higher dividends being paid out to their shareholders. Many large retailers are contemplating share buybacks now with the extra capital that they have on hand from the higher profits they've been making. I am using the word “profit” intentionally. It's not just that their revenues have gone up, as one would expect. If they have higher costs, and they have to pass that on to the customer, then you would expect them to have higher revenues, but not higher profits.

For Canadians who are trying to understand the news reports they're hearing about large grocery retailers posting record profits, and their shareholders enjoying record revenue from their shares, what is the explanation for that if not that some of these price increases are exceeding the increase in costs that grocery retailers are seeing?

● (1735)

Mr. Karl Littler: It's important first to put grocery profits in context. Grocers make less than 5%, typically, on their operations and 3% on average. That's a lower rate than just about any other industry. It's certainly lower than the big food manufacturers and big agriculture. Taking on the notion that this in any way represents an excess profit is a bit hard for me to absorb.

With respect to the profits specifically, it's really important to understand that the big driver on the profitability side—not the price side—over the last year has actually been the recovery of health, beauty, and pharmacy. That's in large measure because people have been coming back into the workforce. They've been going out again, and purchasing all manner of those goods. Those are typically higher-margin goods.

Recently, a number of commentators in the executive ranks of grocers have said that, frankly, the operating margin specifically in grocery is flat. A number of CEOs have even talked about the fact that they are absorbing some of the prices that are arising from vendors, and not fully passing them on to consumers.

Mr. Daniel Blaikie: Here's a question. You've said that historically grocery retail has lower profit margins than other industries. Do you think this is the time for grocery retailers to be trying to change that?

Mr. Karl Littler: I don't think they are changing it in a market way. They're all looking very closely at food costs and affordability. That does factor into their mix.

Again, you have to put it in perspective. You had $17.1 billion of sales in the two major grocers that have reported for the second quarter. The variability was upward of $22 million on that, and that was about one thousandth of the sales. That's an important context. Again, it's been driven primarily by health, beauty, and pharmacy. It's not actually coming from the food side of the grocery business.

Mr. Daniel Blaikie: Let me put the question this way. You've talked about the bounceback of some other aspects of grocery retailer business that isn't the core grocery amount. Was there any time since the beginning of the pandemic when these grocery retailers saw their profits plunge?

Mr. Karl Littler: Yes.

Mr. Daniel Blaikie: Even in the initial phase of the pandemic, we saw a lot of what people would spend at restaurants, and things like that, instead being spent at grocery stores.

Is that story of the bounceback of those other products the story of the 2021 profits as well as the profits that we're seeing already in 2022? When would you say that bounceback narrative begins to explain those extraordinary profits? It does seem to me that there was a time when we continued to see strong profit growth in the grocery retail industry even before some of those other products were bouncing back.

Could you speak to that context, please?

Mr. Karl Littler: I can. Certainly the numbers on profitability for 2021 and 2022, same quarter, year over year, are actually very comparable, at 3.4%.

I think people need to understand that the pandemic did not necessarily bring strong profit growth. It brought strong sales growth, because obviously the restaurant sector was closed and people were at home more. But it also brought massive cost increases, particularly on the compliance side, so it wasn't a case of grocers making out especially well during that period on a profitability basis.

● (1740)

Mr. Daniel Blaikie: Okay. Again, what's difficult to square here is that we do see reports of increased profit in grocery retail. I hear what you're saying, that the growth in profit could have been larger if there wasn't some corresponding growth in costs that was pandemic-related. But there is a pretty consistent story of profit growth through the last number of years.

I want to make sure we don't miss that point either. We are talking about an industry that has seen consistent and strong profit growth, and apparently believes that that growth in profit is going to continue or we wouldn't see large increases in dividend payments and plans for share buybacks. That's something a business does if it anticipates continuing to have strong growth.

I wonder how it is that we explain that strong posturing on the part of grocery retailers in a context where, if I understand you right, their gains in profitability may be more tenuous than news articles seem to report.

Mr. Karl Littler: Yes, I think if you look at—

The Chair: Be very quick. You have 15 seconds to answer, please.

Mr. Karl Littler: You need to look back to 2017. Actually, the numbers were comparable then. If anything, there was a dip in profits in the run-in period and into the pandemic, so you'll see that actually they're quite comparable to what they've been in the past, and of course now driven by non-food items, primarily.

The Chair: Thank you, MP Blaikie.

Members, it's the second round. We only have enough time for one question and an answer from the witnesses.

We're starting with the Conservatives. I have MP Albas for the question, and one answer.

Mr. Dan Albas: Thank you, Mr. Chair.

Inflation is one of the most important issues facing Canadians. It's very serious. As the cost of government has been driving up the cost of living, half a trillion dollars of Liberal deficits have bid up the cost of the goods we buy and the interest we pay.

The new Conservative leader has said that he will put Canadians first: their paycheques, their savings, their home, and their country. It includes capping government spending and cutting waste to cut inflationary deficits and taxes, and removing gatekeepers so our farmers, businesses and workers can provide homes, food, energy and other essentials at an affordable price.

I would like to start by asking the Retail Council. Some politicians have stood up and said that “greedflation” is happening. Are you seeing that in grocery prices, and would you refute those claims?

Mr. Karl Littler: I would certainly refute those claims, based partly on the profit figures that we've just discussed. I think more responsible observers have said that recently. That's certainly true of Professor Mohanram at U of T. Perhaps I can quote directly from Sylvain Charlebois, whom you'll see shortly so you can ask him about it. They looked into the profits of major grocers over the past five years, and they found no evidence of profiteering. The quote is this: “If 'greedflation' exists, the available data suggests grocers are not responsible.”

Even the Canadian Centre for Policy Alternatives is now backpedalling somewhat and indicating they're getting some mixed signals now. The most recent financial results from the grocery retail industry do weaken the case that “greedflation” is taking place.

The Chair: Thank you, MP Albas.

Moving to the Liberals, we'll have one question and one answer, please.

MP Dzerowicz, go ahead.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much, Mr. Chair.

I want to thank the presenters for being here today.

I have a two-part question, and maybe this is directed to Mr. Littler. What impact has Russia's illegal invasion of Ukraine had on food prices in Canada and around the world? That's part one.

Part two is another thing I'm a little worried about, and I think the question earlier went to our other guest, the Union des producteurs agricoles. What is the impact of labour shortages within the retail sector on food prices?

Thank you.

Mr. Karl Littler: That's a lot to chew on.

Obviously, on the Russia side, the Russian invasion of Ukraine, it's huge. Ukraine—and I'm going by memory here—is the fourth-largest exporter of wheat and the second-largest exporter of corn, but I might be off on that. Russia is definitely the world's largest exporter of wheat and fertilizer, and of course they've been playing tit-for-tat games around sanctions. That is now coming out, but it has colossal impacts on not only feed for animals but also the multitude of products that are made from grain—bread is the most obvious, but it's a very extensive list.

It's frankly impacting the broader macro picture and what's happening with regard to monetary support. It's happening with respect to petrochemicals and the price of fuels.

● (1745)

The Chair: Thank you, MP Dzerowicz.

Now from the Bloc, we have MP Ste-Marie for one question and one answer.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you again to the witnesses for being here, for providing opening remarks and for answering our questions.

In your presentation, Mr. Caron, you listed policies the government could adopt to support farmers in the midst of this inflation crisis, thereby limiting the impact of rising food prices. Would you mind going over them again and providing a brief explanation?

Thank you for everything.

Mr. Martin Caron: Thank you.

One of the measures we talked about was a Canada emergency business account, one of the support measures that was used during the pandemic. A similar short-term loan would give farmers access to cash, and after three years, if they had repaid the loan on time, they would get a portion back.

Something like that would give farm businesses access to cash, and if they repaid the loan within a few years, they could be given a portion equivalent to 25% of the loan in credit. That would help businesses make investments. An investment in agriculture and agri-food is an investment in the pantries and fridges of Canadians.

Mr. Gabriel Ste-Marie: Thank you.

The Chair: Thank you, Mr. Ste-Marie.

[*English*]

Now we're going to MP Blaikie, and this will be our final question for this panel.

Mr. Blaikie, you have one question and one answer.

Mr. Daniel Blaikie: Thank you very much.

I'm just going to start with a brief statement that I hope will be of benefit to the committee, which is that the question of “greedflation” is not just a question about retailers and grocery. It is a question that applies to a much broader cross-section of the economy and other industries as well. There are those who would say that government largesse and financial support for Canadians is solely to blame for inflation.

Mr. Littler, is it the case that grocery prices have been going up because people, for instance, are getting a doubling of the GST rebate or some support with child care prices? Is that why grocers are raising their retail? Is it because there's so much demand that they're raising their prices, or do we actually have supply-driven inflation that's relatively insensitive to the extent of the demand?

Mr. Karl Littler: I wouldn't posit that income supports are the major driver here. I mean, there's a lot going on in the world that's driving this. It is climatic. It is, obviously, geopolitical. There are clearly some demand issues and supply problems with respect to agricultural capacity in the face of all these challenges, but I would not attribute it to the fact that there are income support programs.

Mr. Daniel Blaikie: Thank you.

The Chair: Thank you, MP Blaikie.

Thank you to our witnesses. I want to thank our first-round panellists.

We are going to move into our second panel as we do not have much time.

Members, we're going to suspend at this time as the clerk brings on our witnesses for the second panel.

● (1745)

_____________________(Pause)_____________________

● (1750)

The Chair: I'd like to make a few comments quickly for the benefit of the new witnesses.

Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mike, and please mute yourself when you are not speaking. With regard to interpretation for those on Zoom, you have the choice, at the bottom of your screen, of floor, English or French. For those in the room, you can use the earpiece and select the desired channel. I will remind you that all comments should be addressed through the chair.

Now I'd like to welcome our witnesses for the second panel.

As an individual, we have Armine Yalnizyan, director of research at the Community Social Planning Council of Toronto. From the Agri-Food Analytics Lab, we have Sylvain Charlebois—he's the director and a professor there—and from the Co-operative Housing Federation of Canada, we have Timothy Ross, executive director.

We'll start with Ms. Yalnizyan for five minutes, please, for her opening remarks.

Ms. Armine Yalnizyan (Economist and Atkinson Fellow on the Future of Workers, As an Individual): Thank you so much, Mr. Chair.

I would just like to correct the record; I have not been with the social planning council for many years. I'm an economist and the Atkinson fellow on the future of workers. I am actually located in beautiful Nepean.

[*Translation*]

The Chair: Thank you.

[*English*]

My apologies.

Ms. Armine Yalnizyan: No problem.

I want to thank the committee for inviting me to your discussion on measures that can address inflation, particularly with regard to food affordability.

Members of the committee, it is a terrible time to be poor or living on a fixed income. That is the case for millions of Canadians who rely on social assistance, old age pensions or low-wage jobs that haven't seen a pay raise over the last year. That's particularly difficult if you are also living in a remote location or in an indigenous community, where three in 10 households struggle with the high cost of food.

Statistics Canada has told us that 16% of Canadian households—that's more than one in six—and six million Canadians were food-insecure last year. It's a lower number than the previous year because of emergency-related benefits from the federal government for the pandemic. This year, those sources of income have dried up, but food prices have started escalating and are now at rates of increase we haven't seen for 40 years. At last count, children and young adults—that's people under the age of 35—had the highest rate of extreme food insecurity. That means they were missing one or more meals on a regular basis because they couldn't afford to eat. More hungry people live on their own than with other people and more are renters than owners. All of these people have fewer resources to draw on to survive.

Meanwhile, demand for food banks has tripled on a monthly basis compared to last year in the GTA, the greater Toronto area. They are serving over 180,000 people every month. Keeping the shelves stocked for these food banks has increased sixfold over the last year, costing $13 million on an annual basis, right as gifts of money and food have dried up because of the price squeeze.

I don't know what keeps you up at night, but I lie awake at night thinking about how much worse it's going to get this fall. The Bank of Canada's rate hikes increase pressures to raise rents, and world developments—just mentioned—drive up the price of fuels and basic commodities needed. On the fuel front, heating, transportation and production are all affected. The escalation of food prices shows no signs of plateauing, particularly when it comes to food bank staples like pasta and bread, let alone fresh produce or meat.

It is clear to me that more people are going to have to opt for hunger to hang on to their housing because—let's be clear—there isn't any place cheaper to go to. More people are going to get sicker more quickly and turn to a health care system that itself is on life support these days.

What can you do? Given that the government coffers across Canada—provincially and federally—and around the world have swollen, in part due to inflation, some jurisdictions, like the United Kingdom abroad and Saskatchewan at home, have offered broad tax cuts. That approach, to paraphrase the International Monetary Fund and borrow words from the leader of the official opposition, Pierre Poilievre, pours fuel on the inflationary fire and actually generates more inequality.

Should we do nothing—because doing anything could be inflationary—that would simply be cruel and inhumane, particularly at a time when coffers are growing. This isn't about inflation. This is about survival for millions of Canadians. We can do much more than we are doing now.

Here are five short-term actions I would like you to consider.

The federal government could introduce a temporary food supplement tied to existing credits like the GST credit, the Canada child benefit or the Canada workers benefit. That infrastructure for advancing the money is in place.

All of these programs could be made more timely in their responsiveness by introducing quarterly indexing instead of annual indexing.

Please do not revert the EI system to the prepandemic model, which would affect the lowest-paid workers the hardest.

The one-time supplement to the housing benefit, which has just been recently offered, could be increased or renewed.

You could offer more support to the non-profit sector to underwrite the costs of food banks and permit community-based groups to help people navigate the system of supports. All of you around this table have financial advisers. People on low income rely on such organizations to literally save lives.

You can address affordability in the medium and long term through other measures that support incomes, services, supply chains and infrastructure. You could also create a consumer bureau that monitors pricing trends in key industries as vigorously as the Competition Bureau monitors the impact of mergers and acquisitions on market performance.

● (1755)

Those ideas can be discussed later, but for now I want to reinforce that you have plenty of room to act today, fiscally and morally, with immediate action.

I welcome your questions, and I thank you again for the opportunity to be part of your discussions.

The Chair: Thank you, Ms. Yalnizyan.

Now we're going to hear from the Agri-Food Analytics Lab and Monsieur Charlebois, please.

● (1800)

Dr. Sylvain Charlebois (Director, Agri-Food Analytics Lab and Professor, Dalhousie University): Thank you, Mr. Chair and committee members. I would like to thank the committee for inviting me again.

Canada's food inflation has exceeded our inflation rate for 13 straight months now. While some Canadians are coping, many are struggling. Within the G7, Canada currently has the third-lowest food inflation rate, at 10.8%, in food retail. Only Japan and France have lower food inflation rates right now, but that doesn't help families here in Canada. Almost 8% of Canadians are now skipping meals due to higher food prices. Nearly 24% of Canadians are simply buying less food, according to a recent report we just released. Of that group, almost 70% are women, which likely means that many Canadians are making daily dietary compromises due to food inflation.

As a result, accusations of gouging in the food industry have reached an all-time high. According to a recent survey, almost 80% of Canadians believe food corporations are taking advantage of the inflationary cycle to increase prices. It's not just in retail. Both Quebec and British Columbia have class action lawsuits against the beef industry, and now many groups are asking the federal government to investigate.

We have investigated this matter ourselves in groceries, with the help and support of three colleagues of mine: Samantha Taylor, Stacey Taylor and Janet Music. The fact remains that any evidence of “greedflation” in food retail in Canada is weak at best.

That said, some prices in some categories have behaved unreasonably in recent years, in animal proteins in particular. Accepting that “greedflation” exists and accusing companies of being abusive, though, is the easy part. Where it gets challenging is to set thresholds. How much is too much? Is it 4%? Is it 5% or 10%? Where should the line be? A potential code of conduct for grocers and vendors could make things easier for government to access and provide some oversight if the proper governance is implemented.

Assessing Canada's food affordability situation will also be key moving forward. Regarding food affordability, one index does exist around the world. It's called the global food security index. It's made up of a set of indices from more than 120 countries. Since 2012, the index has been based on four main pillars: food access, safety, sustainable development and food affordability. Again, Canada ranked well this year, seventh globally.

Where Canada's performance is of some concern is in food affordability. This measure is dedicated to consumers' ability to purchase food, their vulnerability to price shocks and the presence of programs and policies to support consumers when shocks occur. Canada fell one spot again this year to number 25 in the world. Australia, Singapore and Holland topped the list in food affordability. Given the resources and food access we have in Canada, we should do better.

Higher food prices at grocery stores over the past year have been difficult for many of us to accept. Canada needs a food autonomy policy to make our food economy less vulnerable to macro events, with a stronger food-processing sector and better logistics domestically as well.

[*Translation*]

The key to greater food self-sufficiency in Canada is a strong and robust processing sector. Processing remains the most important strategic cornerstone of any food chain. It is much easier to support Canadian farmers and to engage in innovation in order to satisfy the needs of Canadians.

Buy local policies are also important and should be made a priority in Canada. For instance, in our province, Quebec, what Aliments du Québec has done should serve as a model for the rest of Canada. Over time, efforts to promote local products have resulted in greater demand for Quebec-made products, allowing for economies of scale. Some Quebec farmers may wish to sell their products outside the province, in markets where consumers most certainly want a little piece of Quebec on their plates.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Charlebois.

[*English*]

Now we will hear from the Co-operative Housing Federation of Canada and Mr. Tim Ross, please.

Mr. Timothy Ross (Executive Director, Co-operative Housing Federation of Canada): Thank you very much.

Thank you to the chair and the committee for the invitation to appear here today.

I'm going to make a few points about housing co-operatives in the context of a high-inflation environment. I'm going to speak about their affordability, security of tenure and strong sense of community.

Many Canadians know about renting and owning, but there's another alternative. Today, a quarter of a million Canadians are members of housing co-operatives, owning their homes together from coast to coast to coast.

Co-op housing is more affordable than market rental housing because the vast majority of co-ops operate on a not-for-profit basis, resulting in smaller year-over-year rent increases. Because they are mission-driven, their affordable rents will be affordable forever and generally able to become more affordable over time.

Co-op housing offers security of ownership. There is no outside landlord who might sell, move in or have an incentive to renovict. Co-op member ownership means that you have a real say in how your community is run.

Co-ops are inclusive by design. Almost all operate on a mixed-income model, with a portion of members paying an economic rent that allows the co-op to balance its books and to support members with low incomes paying a subsidized rent through rental assistance provided by governments.

Beyond a mix of income levels, co-ops typically reflect the diversity of the communities in which they're located. They make decisions through democratic processes that engage all members—something that doesn't happen in private rental housing.

Co-ops are also strong communities. During the pandemic, we witnessed countless stories of neighbours helping neighbours with child care, groceries and other acts of mutual aid that money just can't buy.

However, for the vast majority of Canadians today, the solution to their housing crisis will not be found in a co-op. With reasonable rents and security of tenure, existing co-ops rarely have vacancies, and very few new co-ops have been built in recent years.

The co-op homes that exist today are largely a product of robust and dedicated federal programs that supported their development, primarily through the 1970s and through to the 1990s. That is when the first generation of co-op housing was built, and it continues to pay dividends today in providing security, affordability and dignity for households and communities across the country. If we want to share this security, dignity and affordability with more households, we need to make sure that housing co-ops are part of the supply mix in Canada and support the development of new housing co-operatives.

That's why we're quite pleased with the news announced in the recent federal budget to launch a new co-op housing development program that sets us on the path to building new and much-needed co-op homes.

I want to reinforce the fact that co-ops are more affordable than market rents and more stable in year-over-year cost increases. Moderate rents in co-op housing over the long term contrast with the trends we're seeing in Canada's rental markets: rapidly escalating rents that mean fewer housing options affordable to low- and moderate-income households.

We recently undertook a longitudinal study comparing rents in co-ops to rents in private market buildings in Victoria, Vancouver, Edmonton, Toronto and Ottawa from 2006 to 2021. The results were stark. We found that co-op housing charges are consistently lower than rents in comparable buildings in the private market by one-quarter to one-third, and that gap actually widens over time. This represents hundreds of dollars per month and thousands per year left in people's pockets to buy healthy food, put the kids in sports, advance education or save for retirement.

If you are looking for solutions to help Canadians in this high-inflation environment, this needs to start at home, and it needs to start with more co-op housing development.

With the minute I have left, I also want to recognize that tomorrow is the National Day for Truth and Reconciliation. It's in this context that we need to recognize that indigenous housing needs are disproportionate to the rest of the country. We must see an accelerated focus on the development of a “by indigenous, for indigenous” urban, rural and northern housing strategy that is fully supported and fully funded by the federal government.

● (1805)

Thank you for the opportunity to appear before the committee today. We look forward to working together to build a successful co-op housing development program, so that more Canadians can have a safe and affordable place to call home in co-op housing.

The Chair: Thank you, Mr. Ross.

I want to apologize to our witnesses and to our members in advance. Due to House resources, we have only until 6:30. We have a hard stop, members and witnesses. We will have only one round. It will allow for about five and a half minutes for each of the parties to ask questions.

We are going to start with the Conservatives. I have MP Goodridge.

Welcome to our committee, MP Goodridge. You have five and a half minutes.

Mrs. Laila Goodridge (Fort McMurray—Cold Lake, CPC): Thank you, Chair.

[*Translation*]

Thank you to the witnesses for being with us today.

[*English*]

I'm the member of Parliament for Fort McMurray—Cold Lake, which is a riding in northern Alberta. I was thinking about this as we were going through some of our testimony. Basically, everything I eat comes up on a truck on Highway 63 and, as gas prices increase, the price of everything I buy and everything that everyone in my community buys increases.

The Parliamentary Budget Officer stated in a letter to this committee that the carbon tax was inflationary, adding 0.6% to Canada's overall inflation rate. My question is for Mr. Charlebois. When it comes to food prices, do you have any statistics on how the carbon tax impacts food inflation?

Dr. Sylvain Charlebois: I get that question a lot. We don't have any evidence right now to suggest that the carbon tax is influencing retail food prices, but it is a strong hypothesis. There is a strong possibility. As a lab, we applied to SSHRC for a grant to get the proper funding to look into this matter. Unfortunately, our request was rejected, so we're going to go back at it again next year.

At $50 per metric ton, there was no real debate about affordability, but we're slowly marching toward a carbon tax of $170 per metric ton. That's triple where we are now. I'm certainly concerned about food affordability, because it affects all nodes of the supply chain. I think it's worth looking into this matter.

I was listening to the panel before this one, and the issue was raised of looking at taxes through the affordability lens. I would suggest doing that with health as well. Canada's food guide is less affordable than the old one, and nobody at Health Canada looked into it. We did, and we figured out that the second most downloaded document from the Government of Canada suggests a diet that is more expensive than what we had before.

● (1810)

Mrs. Laila Goodridge: Wow. It's unfortunate that you weren't able to get that grant.

Frankly speaking, I'm no economist, but I don't understand how if you're increasing input costs for food and for grocery stores in terms of their utility bills, electricity bills and the like, it wouldn't translate to higher food costs.

I've talked to many farmers in my riding and throughout my province of Alberta who talk about the increased cost of fertilizer, how that's having an impact on their production and how these increased input costs are having a major impact. We know that the government is adding to inflation and driving up the cost of living—specifically, the out-of-control spending from the Prime Minister. We have some of the highest inflation rates, and food is massive.

Do you have any further thoughts when it comes to the idea of affordability and how government could get its spending under control to reduce inflation?

Dr. Sylvain Charlebois: You raise a good point. Going back briefly to the carbon tax issue with farmers, I testified before Parliament on the former bill, which didn't last due to an election. I think price-takers—farmers—have to be looked at very differently. They have no other choice but to absorb more cost. That's something that Parliament needs to be addressing as soon as possible.

In terms of more spending from the government, again, the affordability bill and the affordability plan that we saw a few weeks ago from Ottawa concerned me quite a bit, because the last thing we need right now is more public spending. It could absolutely add oil to the fire. I think we need to be wiser and more targeted in terms of spending.

Second, I think some fiscal measures would be welcomed by many Canadians.

Mrs. Laila Goodridge: Monsieur Charlebois, are you saying that the carbon tax doesn't work in the farming sector, in your opinion?

Dr. Sylvain Charlebois: I think it's an unfair tax for farmers, because they just can't pass on extra costs to their clients, essentially. They are essentially price-takers. They don't set prices; the market does. This is unlike processors and distributors, who have more control over their pricing, but farmers don't.

Mrs. Laila Goodridge: That's alarming and I really appreciate your sharing this. I'm wondering if you have anything else you would like the committee to know before our time quickly elapses.

Dr. Sylvain Charlebois: It's important to recognize that Canadians are actually going through a unique phenomenon right now when it comes to inflation. A lot of people are comparing it to 1981. In 1981, the food inflation rate was actually over 10% for just a few months. Food inflation right now is lingering. It's been 13 months now that it has exceeded the general inflation rate, and it's not over. It will continue into the new year, unfortunately. So obviously, it's of great concern for many Canadians right now.

The Chair: Thank you, MP Goodridge. That's the time.

Now we're going to hear from the Liberals for questions. We go to MP Baker for five and a half minutes.

Mr. Yvan Baker (Etobicoke Centre, Lib.): Thanks, Chair.

I'm going to ask Madame Chatel to begin the questioning, and then I'll take the remaining time.

[*Translation*]

Mrs. Sophie Chatel: Thank you, Mr. Baker.

I have a quick question for Mr. Ross.

Mr. Ross, obviously you know that rural areas are facing a pretty acute housing shortage. Small communities struggle to apply for common programs available through the Canada Mortgage and Housing Corporation, or CMHC.

I know you're in the process of working with CMHC to develop a new program, one focused on co-op housing. How might that program help small communities?

Mr. Timothy Ross: Thank you for your question.

[*English*]

The forthcoming program is still under discussion with CMHC, but we do have some thoughts about how to make rural housing development more workable in the context of the national housing strategy program.

That could look like a couple of things. One is enabling the co-op sector to take a portfolio approach to realizing new co-op homes across the country. Developing a stand-alone co-op in a rural area has its challenges, but by taking a portfolio approach of having a community of co-operatives across many communities in a shared governance structure, we are seeing the viability of rural development increase as a result of that, particularly with some success in Nova Scotia lately.

The other piece is that there's a significant equity gap in the financing and the contributions available in a lot of the national housing strategy program. There is financing available, but in order to make projects viable and have a reasonable affordability level, a deeper level of grant or contribution can help with project viability.

And then a third feature is—

● (1815)

[*Translation*]

Mrs. Sophie Chatel: Thank you.

I don't want to take all of my fellow member's time, so I'll simply thank you for those suggestions.

Mr. Yvan Baker: Thank you, Ms. Chatel.

[*English*]

If I may, I'd like to direct the remaining time—I think I have about three minutes left—to Monsieur Charlebois.

Monsieur Charlebois, just going back to the prior exchange with my colleague, you were talking about the price on pollution and the fact that there are price-takers in the value chain. You were also talking about the fact that you wanted to study what the impact of the price on pollution, the carbon tax, would be on end-consumer prices or whether there is one. That suggests to me that you're not sure if there is an impact on end-consumer prices by the price on pollution. Is that correct? If you knew, you wouldn't need to study it.

Dr. Sylvain Charlebois: It's a fair question. You see, both B.C. and Quebec have had a carbon tax for a very long time, and we've never seen any anomalies when it comes to food prices in both provinces in over a decade. That's why, whenever someone tells me that the carbon tax is a problem for food affordability, it's hard to see any evidence right now. But, as I said, $170 a metric ton is a different conversation.

Mr. Yvan Baker: Yes, that's what I understand. I can understand why it's worthy of study, but I hear you saying there's no evidence of it impacting food prices yet.

Dr. Sylvain Charlebois: I am supportive of measures to mitigate climate change, for sure. I think the carbon tax is an important policy. At the same time, we need to evaluate exactly how Canadians are impacted at the grocery store.

Mr. Yvan Baker: You went where I was going to go with the next question, Mr. Charlebois.

What would you say is the impact of the climate crisis on the cost of food? Have you analyzed that, or do you have any thoughts on that?

Dr. Sylvain Charlebois: Again, it's a fair question. I wish I had numbers to show you.

Obviously, climate change has an impact on agriculture every single year. Every year, we publish “Canada's Food Price Report”. Our next report, our 13th edition, is coming out on December 7. Climate change is the wild card. It's always difficult to predict, but, obviously, climate change will always push prices higher, depending on the category.

This year, we're looking at a very dry Europe and a very dry Asia, as well. We're faring better this year compared to last year, but you never know. The southern part of the U.S. is also quite dry. Today, we see Ian devastating Florida, and we buy a lot of food from Florida, especially citrus. That may actually have an impact on prices over the next few months.

Mr. Yvan Baker: I have only about 30 seconds left, and I realize you don't have specific numbers, but what would be the impact on food prices, in the long term, if we didn't fight the climate crisis?

The Chair: Give a very short answer, please.

Dr. Sylvain Charlebois: Essentially, we need a coefficient to evaluate how climate change is impacting the price of food. As I said, we need to take control of the supply chain domestically so we can be less vulnerable to these issues.

The Chair: Thank you, MP Baker and MP Chatel.

We're now moving to the Bloc and MP Ste-Marie for five and a half minutes.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Thank you for participating in today's meeting, Ms. Yalnizyan, Mr. Charlebois and Mr. Ross. All of your comments have been very insightful.

My questions are for Mr. Charlebois.

I quite appreciated your comments back in the spring. I'd like to get an update since you know so much about the international context. I'd like to hear more about the impact the weather has had in recent months. You shared a lot of information with my fellow member Mr. Baker, and I found it quite troubling.

I would nevertheless like an update on the issue. Specifically, what impact could the war in Ukraine have on a possible food shortage and rising food prices?

In addition, has there been any improvement on the supply chain side, or are the problems the same as they were in the spring? Can we see it in the food market?

I'd also like you to comment on how the weather has impacted crops. Are developing countries still expected to face food shortages and possible malnutrition? Do you pay attention to how the UN World Food Programme operates? How is it faring?

Basically, I'd like an overview of where things stand and an update on what's happened since the spring.

● (1820)

Dr. Sylvain Charlebois: The war in Ukraine is still impacting our markets, although less so than when we last met. Soaring prices peaked on May 17, and prices have been dropping since but are expected to climb again. The situation in Europe and Asia will cause shortages.

To answer your first question, I would say that Ukraine's agricultural production dropped by nearly 50%. Normally, the country produces enough to feed almost 400 million people around the world each year. The sanctions against Russia and Ukraine are affecting wheat production, which represents 25% of exports. Wheat accounts for roughly 15% of the calories consumed planet-wide. Those shortages will have to be addressed. Over the next few months, North Africa and the Middle East will experience famine.

Your second question had to do with developing countries. As for the UN program, this week in Rome, we submitted a report clearly showing that the number of people in the world who will unfortunately face famine is expected to rise. It's due to the economy, as well as to the fact that there will be less food for those people. It's doesn't look good at all.

I forgot your third question.

Mr. Gabriel Ste-Marie: In the spring, supply chains were plagued by problems. Where do things stand now?

Dr. Sylvain Charlebois: Things are improving. On the container front, marine transport costs are down 40% to 50% from the spring, so marine supply chains are more efficient. Land-based supply chains are less costly and more efficient because of more predictable market conditions, which are the result of greater certainty around public health measures. That's really helping ground transportation right now.

Mr. Gabriel Ste-Marie: Thank you.

The Bank of Canada, like the U.S. Federal Reserve, is increasing interest rates to combat inflation. In our previous panel, we had a representative from the Union des producteurs agricoles, and he said the agricultural sector was dealing with significant debt, especially young farmers.

Do you think we should be concerned about the rise in interest rates to combat inflation and the impact on the agri-food sector, which is home to significant capital investments and, by extension, large loans?

Dr. Sylvain Charlebois: Every sector of the economy is affected in the same way, including agriculture. Agriculture needs investment, and that's a risk that has to be taken, unfortunately. There's no doubt that interest rates are going to affect how farmers assess and manage risk. I think that's a good sign, one that shows that farmers are investing in their farms, as Mr. Caron mentioned. More and more, that is what's necessary.

Mr. Gabriel Ste-Marie: Thank you.

I have one last question.

In your opening statement, you talked about the importance of buying local, and as an example, you cited Quebec. You also said that a stronger processing sector was needed.

Could you give us some examples to illustrate that? What things can be done?

How can the government better support those efforts?

Dr. Sylvain Charlebois: A stronger processing sector is absolutely necessary. We don't do a lot of processing. We export a huge amount of raw materials, and that makes us more vulnerable. We need a food self-sufficiency policy, like the one Quebec has. Quebec puts a lot more energy into processing. The Quebec government provides loan guarantees, as in the case of the Kraft Heinz company. That's a good example. The company got out of the Canadian market and shut down its plant in Leamington in 2013, but now it's back, with production facilities in Montreal.

Nestlé and Roquette made investments in Winnipeg. We are seeing some shift towards Canada, but we need to be a lot more proactive in order to control the supply chain.

Dr. Sylvain Charlebois: A stronger processing sector is absolutely necessary.

● (1825)

The Chair: Thank you, Mr. Ste-Marie.

[*English*]

Now to close off this meeting and this round will be the NDP and MP Blaikie for five-plus minutes.

Mr. Daniel Blaikie: Thank you very much to all our witnesses. I'm sorry we don't have more time, because I think there's a lot we could glean from the insight of our witnesses, so I'm going to try to pack in as much as I can.

Ms. Yalnizyan, we've heard a little bit about different kinds of income support packages in the context of inflation and what effect they may or may not have in accelerating inflation. What we haven't talked a lot about are some of the provincial plans.

Here in Manitoba, a family with an income of $175,000 or less, which I don't think meets any definition of a low-income family, will be receiving between $200 and $250 per child. We saw in Saskatchewan that Premier Moe promised $500 per household. We've seen gas tax cuts in Ontario and Alberta.

We haven't heard a lot of criticism in Ottawa about those things, but we have heard a lot of criticism about the NDP's proposal for doubling the GST rebate, for the Canada housing benefit and for assisting with the cost of things like dental and child care.

I wonder if you could comment on those differences of approach and give your opinion as an economist in terms of which approach would be most likely to add to inflation, if indeed any of them would.

Ms. Armine Yalnizyan: Thank you for the question.

I'm very struck by the degree of inconsistency in the criticisms in regard to carbon taxes being inflationary and yet things like giving $500 per household not being inflationary. It boggles the mind. The IMF literally said yesterday to the U.K.—which provided a tax cut package that was extremely large, in recent memory, and was not targeted, giving those at the top far more money than those at the bottom—that it was not only inflationary but it would accelerate existing income inequalities. There you have it.

I'm not as good an economist as the IMF, the International Monetary Fund, and I cede my criticisms of broad-based tax cuts to the assessment by the International Monetary Fund that it would be like pouring gasoline on an inflationary fire to have broad-based tax cuts—whether you're cutting the carbon tax, whether you're cutting gas taxes at the pump, or whether you're just throwing money at people, like "Moe bucks" circulating through the system.

Yet, I can see how, when government coffers are inflated because of inflation itself, the temptation would be very strong to see jurisdictions like Ontario and Alberta, which flipped over from deficit to surplus within a matter of weeks, cut taxes broadly and put money in your pocket to deal with this. We need to target the resources.

To your point, Mr. Blaikie, the idea that you have been able to work with the Liberals to increase the GST credit and to increase the housing benefit at least one time—to target these measures—is something that economists around the world are saying is the smartest thing to do if you're going to provide any help at all, and you really should when it means that more people are going to go hungry.

Mr. Daniel Blaikie: Thank you very much.

I understand that you do have an article where you talk about the issue of food prices. I want to ask Monsieur Charlebois my next question, but I wonder if you might be willing to table that with the committee.

Ms. Armine Yalnizyan: Sure.

Mr. Daniel Blaikie: Thank you.

Monsieur Charlebois, you said earlier that you think Canada needs a much better.... In fact, if I could put words in your mouth, we need any food strategy at all. It seems to me that we don't really have any kind of meaningful public policy—at least, not something we could call a strategy—when it comes to food. You talked about needing to emphasize more processing here at home. I'm wondering if you can speak to what that looks like.

Often, debates around food policy in Canada are dominated by discussion of international trade agreements. Usually, the thrust there, even by producers, is to liberalize trade, to have less of a presence of public policy in the sector, and to try to deregulate international markets and expand access based on fewer rules overall and therefore less direction in terms of what kind of work would be done in Canada: for instance, value-added processing versus initial production of food resources.

How do you think Canada, which for such a long time under Liberal and Conservative governments has really pushed a free trade agenda on food, could bring us into a space where we have a meaningful national food strategy?

• (1830)

Dr. Sylvain Charlebois: The first thing is that we need to stop flying in the dark. We need data. Right now, a lot of people are saying all sorts of things without really any data.

I had the pleasure of working in Europe and in the U.S., where getting data is much easier than it is in Canada. In Canada, we rely heavily on Statistics Canada, which needs an overhaul. When it comes to the CPI report, when it comes to understanding inflation and when it comes to understanding trends, Statistics Canada is not well resourced—clearly. That would be my starting point for better food policy.

Second, I would say that we kind of have a committee already created to come up with a food policy or food autonomy strategy for Canada. We have a food policy council, which was appointed more than two years ago, and we haven't heard anything from the council at all in more than two years. I certainly would go there and set up some sort of process that would lead to a policy of some sort. Right now, there's nothing.

Third, if I may, interprovincial barriers are killing smaller markets. We need to address this issue as soon as possible. Right now, it's impossible for, say, companies in P.E.I. or Nova Scotia to have a shot at doing well, which really generates more poverty in rural Canada. That's one thing that we need to address in that policy as soon as possible.

Mr. Daniel Blaikie: Thank you very much for those thoughts.

[*Translation*]

The Chair: Thank you, Mr. Blaikie.

[*English*]

To our witnesses, on behalf of the committee, we wish we had more time. We apologize again that time was short this time due to House resources. We do want to thank you for informing our inflation study, and for being before us today.

On behalf of the clerk, the analysts, the interpreters and all the staff here, we thank you very much.

The meeting is adjourned.