

EMPLOYMENT

Boom time

Jobs, wages rise as unemployment hits lowest rate since 1976 B3

OLIVE

Sunnier days

Inflation in Canada should slow soon, avoiding a recession B2



BUSINESS

MARKETPLACE, B12

FOOD

DEATH OF THE DISCOUNT DEAL

As prices hit new highs at Canada's value-oriented grocery stores, our most vulnerable are turning to food banks in droves. But there may be relief soon

CASH RECEIPT

DISCOUNT GROCERS OF CANADA

Store #100675  
(416) 483-8294

CASHIER: N°1520

DATE: 11/6/2022  
TIME: 23 : 24 : 18

QTY	DESCRIPTION	TOTAL
Bulk		
	Pistachios	
	You Saved \$ 0.00	\$10.88
Frozen Food		
	Onion Paratha	
	You Saved \$ 0.00	\$1.55
	Frozen Vegetables	
	You Saved \$ 0.00	\$1.99
	Eggo Waffles	
	You Saved \$ 0.00	\$6.00
Bakery		
	Bread Naan	
	You Saved \$ 0.00	\$2.49
Produce		
	Pineapple	
	You Saved \$ 0.00	\$4.99
	Orange	
	You Saved \$ 0.00	\$1.99
	Cucumber	
	You Saved \$ 0.00	\$4.99
	Apple	
	You Saved \$ 0.00	\$4.99
Meat		
	Chicken Drumstick	
	You Saved \$ 0.00	\$8.80
Grocery		
	Yogurt	
	You Saved \$ 0.00	\$4.49
	Ketchup	
	You Saved \$ 0.00	\$4.49
SUBTOTAL		\$57.65
H=HST 13%		\$1.41
TOTAL		\$59.06
TOTAL SAVINGS:		\$0.00



ABC-3455-EFG-235

\* THANK YOU \*

JOSHUA CHONG  
STAFF REPORTER

Call it the great food migration. As food prices continue their record surge, shoppers are swarming to discount supermarkets in search of savings. It's no wonder more consumers are making the switch: in April, the price of food purchased from stores rose by 9.7 per cent — the largest year-over-year increase in food prices since September 1981, according to Statistics Canada. But now, even the savings at the discount stores don't seem to add up to all that much, said Chanakya Ramdev, a 30-year-old entrepreneur from Waterloo, who switched to a discount outlet when prices at his local full-service supermarket became out of reach. "It feels like you are paying more but getting fewer groceries as the months pass," said Ramdev. "Previously, my grocery cart would be filled to the top. Now, it's not even filled, but when I go to the checkout, it

costs me more than before. It's kind of like a double pain," Ramdev said. A report shared with the Star from BetterCart Analytics, a Saskatoon-based technology company that collects and refines available pricing data online, shows that over the past six months, the prices of common staples such as produce and dairy products have risen dramatically at some discount food retailers. Looking at prices at more than a hundred different locations for two of the country's top discount grocery retailers, BetterCart Analytics found the average price of 12 common food items — a dozen eggs, canned soup, apples, bananas, broccoli, carrots, cauliflower, chicken breast, lettuce, two litres of milk, oranges and pasta — has increased by about 11 per cent since the start of the year. Of the 12 items, the price of apples at these discount stores increased the most on average, up 32 per cent from the start of the year, followed by canned soup (25 SEE GROCERIES, B8

RAMON FERREIRA  
PHOTO ILLUSTRATION

IN FIRST PERSON  
DIANA LEE

How TD is moving diversity forward

BRENNAN DOHERTY  
SPECIAL TO THE STAR

Just a few months after settling into her role as Toronto-Dominion Bank's vice-president of diversity and inclusion, Diana Lee got a front-row seat to the bank's first racial equity audit. The audit, announced in March, will see TD scrutinize its internal employment practices for racial bias and use its findings to inform future business practices with Black, Indigenous and other racialized customers. It includes a third-party assessment by an outside law firm, as well SEE LEE, B10

TODAY'S NEWS

- In this week's **Faceoff**, Shopify goes up against Amazon, with Amazon gaining an edge because of advertising dollars. **B2**
- **CIBC** says it is raising its minimum wage to \$20 in an effort to attract workers in a tight labour market. **B3**
- Europe's **aviation industry** is struggling with labour issues, forcing airlines to cancel flights. **B10**

MARKETS

- ▼ **S&P/TSX**  
20,274.82 - 289.07
- ▼ **S&P 500**  
3,900.86 - 116.96
- ▼ **DJIA**  
31,392.79 - 880.00
- ▼ **NASDAQ**  
11,340.02 - 414.21
- ▼ **DOLLAR**  
78.27 ¢ - 0.82 ¢
- ▲ **GOLD**  
US \$1,875.50 + US \$22.70
- ▼ **OIL**  
US \$120.67 - US \$0.84
- ▼ **NATURAL GAS**  
US \$8.850 - US \$0.113



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# Largest grocers are racking up record profits

## GROCERIES FROM B1

per cent) and bananas (17 per cent). In some cases, the prices of items at the discount stores even exceeded prices at the more upscale flagship stores.

For many low-income families, discount grocers once offered affordability and savings. But those low prices have all but evaporated, some shoppers say, all while Canada's largest grocers continue to rake in considerable profits.

The country's most financially vulnerable are reaching a breaking point when it comes to feeding themselves and their families, and rising food prices at value-oriented supermarkets have food banks warning of an impending crisis.

"Food inflation will create new perceptual benchmarks," said Sylvain Charlebois, a Canadian researcher and professor in food distribution and food policy at Dalhousie University. "When people are expecting to pay more at the grocery store, you do have more wiggle room as a grocer to shift prices around."

Kevin Grier, a grocery market analyst, said during much of the pandemic, full-service banners did better than discount banners, but that seems to be changing.

"People were willing to spend more because there was more cooking from home and people wanted more variety and one-stop shopping," he said. Now, people are going "more for the discounts, because they're not so concerned about one-stop shopping," Grier said.

Amid the shift, Canada's three largest grocers — Loblaw, Metro and Empire, which each own numerous high- and low-end brands — have reported strong profits.

Empire Company, which owns Sobeys and FreshCo, is even looking to expand its discount arm: It announced plans to open 10 to 15 new FreshCo stores in Western Canada during the fiscal year 2022.

Similarly, Metro opened an additional value-oriented Food Basics in Courtice, Ont., in 2021 and conducted major renovations and expansions at five others.

In an investor conference call last month, Loblaw said consumers have been spending less on average each time they visit its stores, with many shifting to the company's discount brands, including No Frills and Maxi, which now account for a stunning 60 per cent of its grocery sales.

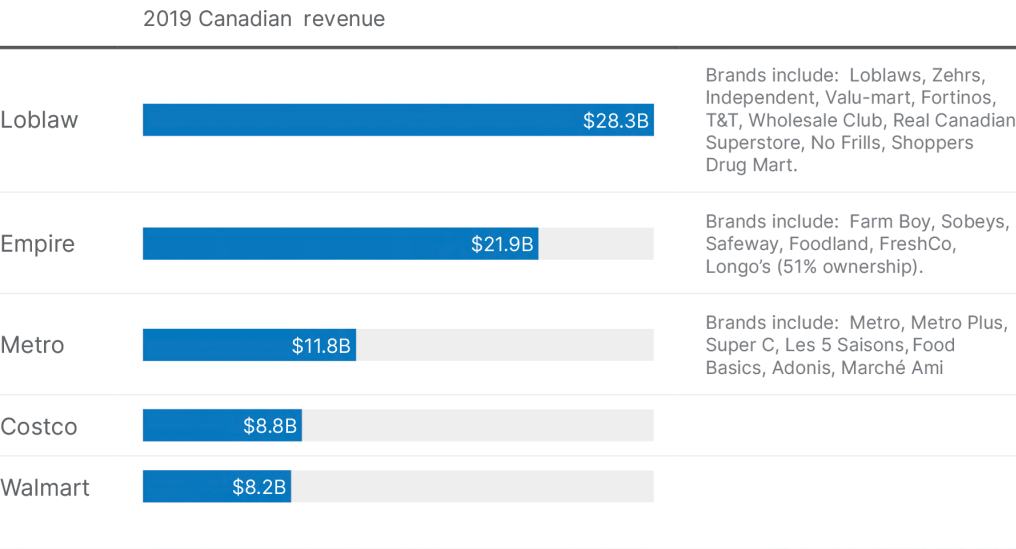
"This is an indication of the Canadian consumers' steadily increasing focus on value," Loblaw chairman and president Galen G. Weston said during the conference call.

Loblaw, the largest of the three companies by net earnings, collected \$28.3 billion in revenue in 2019. It's followed closely behind by Metro and Empire, which reported \$21.9 billion and \$11.8 billion in revenue, respectively, in 2019.

The trend toward growing profits and revenue at the grocers has lead some to question whether they are profiting from rising prices — a question that takes on particular urgency at the discount banners, which

## CANADA'S TOP 5

In 2021, a family of four spent an average of \$13,801 a year on food, with most getting their groceries from these five companies



TORONTO STAR GRAPHIC



Neil Hetherington, CEO of Toronto's Daily Bread Food Bank, said client demographics are changing, with more individuals who are fully employed relying on the food bank.

## THE PANDEMIC A BOON TO GROCERS' BOTTOM LINES

The three large retailers that dominate Canada's grocery industry continue to post large gains

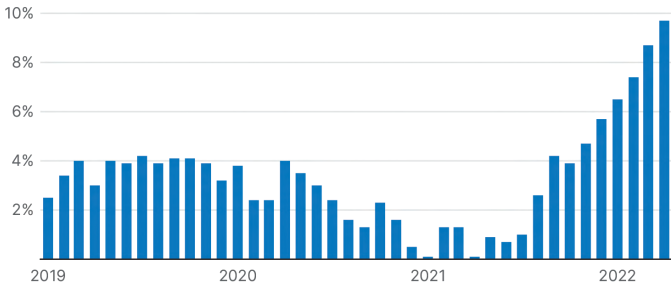
	Net earning	Year-over-year change	Profit margin
Loblaw (2022 Q1 report)	\$473M	+39.2%	3.86%
Empire (fiscal year 2022 Q3 report)	\$203M	+15.4%	2.76%
Metro (2022 Q2 report)	\$198M	+5.3%	4.63%

Profit margin is a calculation of net earnings as a percentage of total quarterly sales

TORONTO STAR GRAPHIC

## PRICES FOR GROCERIES CONTINUE TO RISE

Canadians paid 9.7 per cent more in April for food purchased from stores compared with April 2021



Year-over-year percentage change  
SOURCE: STATISTICS CANADA  
TORONTO STAR GRAPHIC

are more likely to be frequented by vulnerable Canadians struggling to feed their families as prices soar.

In a statement, Catherine Thomas, Loblaw's vice-president of communications, maintained that the company is doing everything it can to keep prices at its discount banners as low as possible, noting that the grocery industry is "one of the lowest-margin sectors in the entire country, and is now facing a range of unusual inflationary forces and a substantial amount of cost increases and

pressures."

"Each week, our discount stores — Real Canadian Superstore, No Frills and Maxi — check a large basket of goods to make sure discount customers get the best discount prices. It is absolutely false to suggest otherwise," she said.

A Metro spokesperson told the Star, "Our industry continues to experience higher than normal inflationary pressures, and the teams in all our banners remain focused on delivering quality products at competitive prices to our customers."

At Sobeys, spokesperson Jacquelin Weatherbee said it's "possible that prices for some products could be higher at a discount grocery store than at a full-service grocery store, based on promotions and pricing available in a given week or in a snapshot of time."

"Moments of high inflation and rapidly changing prices are much more difficult to deal with in a discount business model, compared to a full-serve business model, because in discount you are always starting from a very low price baseline and your margins are razor thin," she said.

Lisa Hallam, a 26-year-old graduate student who also works part-time, told the Star she's paying about \$50 to \$100 more each week compared to a year ago for groceries for her and her partner.

"Personally, I am having to rely on my parents a bit more in the past few months because I simply just can't keep up with the prices that are going up," said Hallam.

Hallam typically shops at Walmart and No Frills and, for her, the food price increases over the past few months have been "extremely unsustainable."

"I would definitely say it's one of the biggest issues that is contributing to the mental health crisis that Canada is experiencing," she said. "For me, personally, as a student and a part-time worker, I simply can't increase my (work) hours because I have to keep my focus on school as well. So, it's just really hard in that sense."

Perhaps the country's food inflation crisis is no more apparent than at the city's food banks.

In 2021, there were 145 million food bank visits in Toronto, the highest number on record in the city's history, according to a report by Daily Bread Food Bank and North York Harvest.

It's a 47 per cent increase from the previous year, and about 1.5 times greater than the previous record set in 2010, following the 2008 financial crisis.

Neil Hetherington, CEO of the Daily Bread Food Bank, said there were approximately 60,000 client visits to the food bank each month before the pandemic. Now, Daily Bread sees about 160,000 clients a month and is expecting 225,000 visits in the upcoming year.

The food bank typically provides three days' worth of food for each weekly visit. Clients still need to find food to supplement what they receive from the food bank. Many count on the savings found at discount grocery stores, said Hetherington: "Those are the stores that the food bank clients rely on."

But as discount store prices rise, many clients are unable to put food on the table for some parts of the week, he said.

"People are more food insecure and are going into higher levels of food insecurity," Hetherington said. "They're missing meals and missing days without food on a more frequent basis."

Hetherington also noted the demographics of the food bank's clients are changing, with more individuals who are fully employed relying on food banks.

"They're working 35 to 40 hours a week, and yet they still need to make use of the charitable model. It never used to be like that," said Hetherington.

For him, what's most difficult is seeing the children come to the food bank each week with their families.

"When you see kids here at 191 New Toronto St. excited about being here — excited that today's a day they know they're going with mom or dad to go shopping at the food bank — there's something upside down with that. I see it every week and it's absolutely heartbreaking," said Hetherington.

For the food insecure, it may seem like the price increases will never end. But there may be relief on the horizon. Some economists warn that the discounts will eventually hit a wall.

In an analysis of Metro's and Loblaw's latest financial reports, BMO consumer analyst Peter Sklar wrote that Canadian grocers have "historically performed well in past periods of inflation (and also thus far in this round of inflation)."

But Sklar warned that prolonged and unprecedented levels of inflation could pressure margins for these grocers. "There is a risk that grocers will not be able to pass through price increases if the health of the consumer deteriorates through a prolonged period of inflation," he wrote.

Sheila Block, a senior economist at the Canadian Centre for Policy Alternatives, said there is a price ceiling beyond which businesses will begin to lose customers, who may head to cheaper alternatives like independent grocers.

"These are very large and sophisticated corporations who will be making those judgments on how much of a price increase will allow them to increase and maximize profits," said Block.

"That's their job: (providing) returns to shareholders."

Block added it's important to look at who is most harmed by increases in food prices when developing policy solutions.

"Everybody feels the squeeze a bit, but people who are most harmed are low-income individuals. So, really, the answer would be increasing minimum wages and increasing social assistance rates in terms of where public policy needs to go to protect people," she said.

People from all walks of life are now using the food bank, said Kert, a client of Daily Bread. He works as a general labourer but was cut from a full-time position down to part-time at the start of the pandemic. (The Star has agreed to only use his first name to protect him from discrimination at work.)

"All different races, genders, families, single people, young or old. It's really all of society that's here," he said.

Kert, who visits the food bank once every two weeks, supplements what he receives from Daily Bread with food from discount stores like No Frills, Dollar Tree and Bulk Barn, he said. But as prices rise, it's becoming increasingly difficult to do so, Kert said, adding that the price of meat and vegetables has gone "sky high" at discount stores.

"It's very hard to get by. There are other bills. There's rent, there's transportation. Though the food bank does help a lot, I do have to stretch the money that I have."

WITH FILES BY CHRISTINE DOBBY



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