

March 23rd, 2026

Mayor Chow & Toronto City Council
Toronto City Hall
100 Queen Street West
Toronto, Ontario, M5H 2N2

Transmitted as via email to clerk@toronto.ca.

Subject: Observations on Operating Municipally Run Grocery Stores

On behalf of the Retail Council of Canada (RCC), I would like to share some observations regarding the proposal for the City of Toronto to establish and operate a municipal grocery store. We share Council's dedication to improving food affordability and believe that by examining the structural realities of the retail landscape, we can identify the most sustainable path forward for all Torontonians.

Observations on Operational Complexity of Food Retail, and Retail Economics

It is important to observe that the primary pressures on food prices exist upstream, far before a product reaches a retail shelf. A public grocery model would be subject to the same systemic cost drivers as the private sector, including:

- **Global Volatility:** The soaring costs of fuel, fertilizer and grain, driven by geopolitical instability, notably the conflicts in Ukraine and Iran, directly impact the cost of every item.
- **Domestic Policy & Regulation:** Prices are influenced by Canada's supply management system, tariffs, and evolving regulations around food safety and Extended Producer Responsibility (EPR).
- **Climate:** Global warming-related impacts are felt in crop and produce yields and smaller herd sizes at the farm level. A public model would not be immune to any of the price increases from vendors, all along the supply chain, that are being experienced by other food retailers.
- **Labour and Operational Inputs:** As a progressive employer, the City of Toronto would not be immune to rising labour costs, nor indeed to broader inflationary pressures on inputs for construction, equipment, maintenance and supplies of all kinds.

Managing a grocery operation is one of the most logistically demanding undertakings in the private sector. A typical grocery store manages thousands of individual SKUs from hundreds of different suppliers, all of which require the building of purchasing and legal relationships. Maintaining the flow and freshness of perishable and other goods requires sophisticated, just-in-time logistics systems. Success in this sector depends on a highly specialized workforce, including expert procurement teams, category managers, food safety managers, commercial lawyers, and experienced store leadership. A new municipal entrant would face the significant challenge of building this institutional knowledge and infrastructure from the ground up to compete with established networks.

Based on the Statistics Canada data below, 77% of food prices in the average grocery store is spent on producing and getting food to a retail store. In addition to those costs, the grocery industry then layers on in-store staffing costs, building overhead and taxes, of about 20%.

Combined with that operational complexity, the grocery industry is a high-volume, low-margin business, with net profits typically hovering between 1% and 4%. Private-sector grocers navigate these thin margins through established global supply chains, integrated logistics, and significant economies of scale. On that point, we want to highlight that a municipal entity would face a steep climb to replicate the efficiencies of national distributors, which could lead to higher operating costs than anticipated, resulting either in higher prices than available elsewhere or in subsidization by the municipal tax base.

Understanding the Affordability Crisis

One of the concepts that frequently discussed in relation to food affordability are “food deserts”, where a neighbourhood lacks access to full-service grocery stores offering affordable, high-quality food. Our data suggests that Toronto’s food security challenge is primarily one of economic accessibility rather than a lack of retail locations. Toronto is currently one of the most densely served retail environments in North America, with a diverse mix of national, independent, ethnic, and discount grocers.

In the alternative to entering the retail space, there are opportunity for the City to enhance affordability through strategic policy levers. RCC would be happy to convene members, to talk with the City about:

- Empowering Local Markets: Streamlining zoning and licensing for independent greengrocers and farmers' markets can further enhance choice in high-growth neighbourhoods.
- Bolstering Existing Support: Directing resources toward the community hubs and food banks that already hold the trust of vulnerable residents can provide immediate relief.
- Advocating for Structural Change: We encourage the City to join us in dialogue with federal and provincial partners to address broader cost drivers, such as supply management systems and inter-provincial trade barriers.

Further, it could be worthwhile for the City to consider the affordability crisis more broadly. Beyond ways to make food more affordable for the Torontonians who need it the most, the *Who’s Hungry 2025* report from Toronto food banks illustrate that housing affordability is one of the greatest predictors of food insecurity. 88% of food bank clients spending more than the “affordable” threshold of 30% of their income on rent, and, after paying for housing costs, households were left with a median of just \$8.33 per person per day

Together, RCC envisions we can find meaningful, fiscally responsible solutions that support both a vibrant retail sector and a more affordable Toronto.

Sincerely,



Karl Littler,

Senior Vice-President of Public Affairs, Retail Council of Canada

StatCan Summary of Grocery Store Financials, on a per location basis:

Financials for NAICS 445110 Supermarkets & other grocery retailers (except convenience retailers)	
Total NAICS Ontario Revenue	\$ 38,970,549,000
NAICS Gross Margin	25.9%
NAICS Profit Margin	2.6%
NAICS' Ontario Store Count	2,785

Per Store Financials for NAICS 445110	
Per Store Revenue	\$ 13,993,016
Per Store Gross	\$ 3,624,191
Per Store Profit	\$ 363,818

[StatCan Table 20-10-0056-01](#) – Total Retail Sales

[StatCan Table 20-10-0083-01](#) – Gross Margin & Gross Profit Margin

[StatCan Table 33-10-1014-01](#) – Total Store Count

NAICS 445110 excludes grocery locations like Real Canadian Superstore, Walmart, Costco. It also does not include convenience stores. This does represent a blend of chains and independent grocery stores; the majority of NAICS 445110 are chain grocery locations