

Loblaw Food Inflation Report

Inflation pressures are getting more complex and harder to predict

May CPI data shows food costs continue to rise, with food purchased from stores up 4.3% YoY. Weather, harvest conditions, freight and global supply disruptions still matter. But energy volatility, trade uncertainty and geopolitical conflict are making costs harder for the entire food supply chain to predict.

Fresh produce is one example, where weather, energy, tariffs and currency movement can all affect costs at once. A weaker Canadian dollar can also add pressure because many imported products and packaging inputs are priced in U.S. dollars. This will only escalate if U.S. interest rates begin to climb.

Soybean oil shows how these pressures can overlap. This commodity is used in everyday foods, but also in renewable diesel and biofuels, creating more competition for the same ingredient.

All these factors, not to mention the reality that some commodity costs are actually easing, means Loblaw must continue to review supplier cost requests carefully – recognizing legitimate pressures while challenging increases when costs decline, stabilize or are unjustified.

Something to watch



Tariffs are adding pressure across the produce sector, particularly for some imported Asian vegetables. While the full impact varies by sourcing mix and supplier deals, these tariffs – of up to 10% – can raise landed costs and add another layer of complexity to produce pricing.

10%

Food inflation at-a-glance

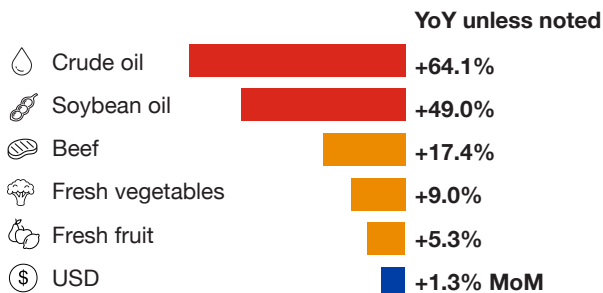
+3.2%

Overall inflation
YoY, May CPI

+4.3%

Food from stores
YoY, May CPI

Pressure Indicators



Costs Easing



Cocoa
-55%



Coffee
-27%



Rice
-17.6%



Sugar
-13.2%

What's driving grocery costs?



Cost Driver: Fresh Produce

Fresh fruit was +5.3% YoY and fresh veggies were +9.0% YoY, with StatsCan noting increases in berries, grapes, cauliflower, tomatoes and lettuce.



Cost Driver: Energy and Packaging

Crude oil is up 64.1% YoY, affecting freight, manufacturing and packaging. Resin, used in packaging across food, household and personal care products, is up 19.4% YoY.



Cost Driver: Currency

Many commodities, inputs and imported products are priced in USD. With the U.S. dollar +1.3% MoM, currency is another cost pressure for many.



Cost Driver: Soybean Oil

Soybean oil is +49% YoY. Used in everyday foods like dressings and mayo, but also in renewable diesel and biofuels – increases create competition between food and fuel producers.



Easing Costs: Cocoa and coffee

Cocoa is -55% YoY and coffee is -27% YoY, as improved crop outlooks and supply expectations have eased pressure from recent highs.

Frozen juice concentrates are back

A familiar, practical format in a category where refrigerated and shelf-stable juices can carry higher packaging, transportation and processing costs.

Finding value in different places: product formats can matter as much as shelf price, and even better when both are factored.

