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City-Run Grocery Stores Are Not the Solution to Canada's Food Price Problem

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From New York to Toronto, city-run grocery stores are having a political moment. New York City Mayor Zohran Mamdani recently unveiled a \$70-million plan to open five city-owned stores, one per borough, with the first costing \$30 million to build.¹ In March, Toronto City Council voted 21-3 to pilot four municipally operated grocery stores without publishing a cost estimate or feasibility study.² Federal NDP leader Avi Lewis has also proposed a national network of 50 unionized government-run stores, promising consumers savings of 30% to 40%.³

The underlying concern is real. Since 2022, Canadian grocery prices have risen by roughly 22%, nearly double the increase in other consumer prices.⁴ Canada has led the G7 in food price inflation recently.⁵

But the arithmetic of city-run grocery stores does not add up. Canada's retail grocery profit margins run between 3% and 5% on food items. As the Daily Bread Food Bank noted in its submission to Toronto City Council, even if a city-run model eliminated those margins entirely, the maximum theoretical saving would be approximately \$11 to \$18 per person per month, and likely less once operating costs are factored in.⁶

A 40% reduction in grocery bills, as Lewis has promised, would require goods to be procured at little or no cost. Moreover, unlike private operators who face the constant discipline of competition and the threat of loss, government-run stores have no inherent incentive to minimize costs or allocate resources efficiently, a weakness that tends to widen deficits over time.

The Daily Bread Food Bank also noted that Toronto generally has strong geographic access to food retail, with a network of over 200 community-based food programs with established supply chains and logistics.⁷ The primary barrier is affordability, not access; food insecurity is fundamentally driven by inadequate incomes relative to the cost of living.

The North American track record on public grocery stores offers little encouragement. In Erie, Kansas, a municipally

TABLE 1

Better ways to address food affordability

- Lower artificial obstacles that discourage independent and international grocers from competing
- Dismantle interprovincial trade barriers
- Reform supply management and other food tariffs
- Streamline regulatory and compliance costs throughout the supply chain
- Reduce taxes on transportation and production
- Use targeted transfers to vulnerable households
- Strengthen the broader economy through growth-oriented public policies

purchased store operated at a loss for years before the city leased it to a private operator.⁸ Kansas City spent over \$29 million in taxpayer funds to sustain the Sun Fresh Market, which opened in 2018 and closed in August 2025 amid empty shelves, safety issues, and financial losses.⁹ Food economist Sylvain Charlebois estimates that the failure or restructuring rate for government-run grocery initiatives in North America likely exceeds 50%.¹⁰

These outcomes are not surprising. Grocery retail requires coordinating thousands of perishable products across temperature-sensitive supply chains on margins that leave little room for error. This is a complex logistical undertaking that governments are not equipped to replicate, and the liability exposure is significant.¹¹ A single food safety incident at a city-operated store could result in litigation against the municipality. Beyond this financial risk, these initiatives create a “referee-player” conflict of interest. A municipality cannot impartially enforce health standards when it is also the operator of the store being inspected.

The deeper problem is that city-run grocery stores are a response to a symptom while the underlying disease goes unaddressed. Canada's food inflation is partially policy-induced.¹² Supply management imposes over-quota tariffs of 200% to 300% on dairy, eggs, and poultry, costing Canadian households hundreds of dollars per year.¹³ Agricultural imports more broadly face an average tariff of around 15%.¹⁴ Because lower-income families spend a larger share of their incomes on essential staples, these tariffs function as a regressive tax that exacerbates the very food insecurity the government claims to want to address.

The regulatory burden compounds the problem. Charlebois identifies a complex and costly regulatory environment as a structural driver of food costs, including labelling requirements, interprovincial trade barriers, and compounding taxes at multiple points in the supply chain.¹⁵ Each factor may appear marginal in isolation, but together, they inflate the price of everything on the shelf.

The proposed stores are a form of "policy adventurism": governments launching visible and unproven new initiatives rather than fixing existing policies.¹⁶ Waiving property taxes for a handful of pilot stores, as Toronto proposes, is a tacit acknowledgment that government-imposed costs drive up prices. But it addresses a fraction of one cost for a handful of locations rather than confronting the tariff, regulatory, and trade barriers that raise prices for every consumer at every store.

Rather than entering the market themselves, governments should lower the obstacles that discourage independent grocers and international chains from competing.¹⁷

Additionally, they should dismantle the interprovincial trade barriers that fragment the national market, reform supply management to reduce the tariff burden on staple foods, streamline the regulatory and compliance costs that accumulate through the supply chain, and reduce taxes on transportation and production (see Table 1). These reforms would lower prices system-wide rather than subsidize a few stores indefinitely.

Where affordability gaps remain, targeted income supports are a more efficient tool. The federal government has indeed already moved in this direction by boosting and

renaming the GST credit as the Groceries and Essentials Benefit, which will cost nearly \$12 billion over six years.¹⁸

The impulse to act on food affordability is understandable, but the response should suit the problem. City-run grocery stores are an expensive and ineffective workaround for a situation that government policy itself has helped create. The above reforms, along with strengthening the broader economy, will do more to help Canadian families than any number of pilot stores.

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