

Grocery Inflation Eases, But New Cost Pressures are Building

September's CPI data brought welcome news for Canadian grocery shoppers. Food inflation slowed to 1.7% year over year, down from 2.8% in August. This drop was seen even as overall inflation climbed to 3.1%, largely driven by a 27.8% increase in gasoline prices. Statistics Canada attributed the grocery slowdown to falling prices for fresh vegetables and sugar, alongside slower price increases for beef. While encouraging, grocery prices remain 33% higher than in September 2020.

Behind this improvement, new pressures are emerging. In September eight of Loblaw's ten tracked commodities increased in price, while rising diesel and freight costs, along with new tariffs, added further uncertainty. These pressures are increasingly showing up in supplier cost increase requests.

For Q4, the dollar value of proposed supplier increases is up 120% compared with last year, even as the number of requests has fallen 35%. Loblaw continues to challenge unjustified increases, successfully pushing back on hundreds of millions in proposed costs so far this year, while working to ensure legitimate but temporary pressures do not become permanent costs for customers.

Something to Watch

Tariffs begin flowing through supplier costs
Canada's latest retaliatory tariffs could affect 2,500 products (vs 5,000 in 2025), but at rates reaching 50% (vs 25% in 2025). Loblaw is actively managing supplier submissions covering 2,000 items, representing \$32 million in proposed annualized increases. Exposure is split relatively evenly between food and non-food, including haircare, baking mixes, doughs and cheese. At the moment, a few dozen items in our stores have the T symbol applied to denote a tariff impact on the price.



Food inflation at-a-glance (YoY)

+3.1%

+1.7%

Commodity's On Our Radar



Crude Oil (+19.4% MoM) & Freight
Middle East supply disruptions, a pause in further OPEC+ production increases and tight U.S. fuel inventories pushed oil higher. Canadian diesel costs have risen approximately 70% since February, adding pressure throughout the food supply chain.



Wheat (+5.8%)
Wheat rose amid Black Sea shipping disruptions and dry North American growing conditions.



Rice (+11.3%)
Lower U.S. production and difficult harvest conditions in Arkansas raised concerns about crop quality and milling yields, tightening supply.



Coffee (-7.6%)
A strong Brazilian harvest and exports improved near-term supply, while favourable rainfall supported expectations for the next crop.

Behind the Price: Why strawberries can cost more out of season

As Canada's strawberry season winds down, grocers will begin to increasingly rely on imports from warmer regions like California and Mexico. According to UN Comtrade data, Canada imported approximately 118 million kilograms of fresh strawberries in 2025, valued at US\$455 million.

Recent California heat has affected harvest yields and quality, while rising fertilizer costs have added pressure for growers. Distances and the need for refrigerated transportation make these highly perishable berries especially sensitive to freight costs. Canadian diesel costs being up 70% since February is also putting pressure on costs.

Meanwhile, Statistics Canada reports that Canadian greenhouse strawberry production grew 54.7% in 2025 to 11.6 million kilograms, helping expand domestic supply beyond the traditional growing season. This year-round domestic production helps, but current yields fall far below demand.

