CANADA

NIQ *Perspective*

The Cost of Keeping Food Affordable: *How key input costs are rising faster than grocery prices*

AUTHOR PERSPECTIVE



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Why grocery price increases may lag input costs

- **Key input costs rose faster than retail prices** in several categories shown.
- **Other costs add pressure**, including transportation, energy, packaging, labour, and operations.
- **Businesses are using several levers** to manage costs, including productivity, portfolio decisions, promotions, sourcing, and margin investment.

A Global Cost Challenge

This is not uniquely Canadian. Food manufacturers and retailers worldwide continue to navigate rising commodity, energy, logistics and operating costs while managing pressures across the value chain.

Measured grocery inflation amid rising cost pressures

NIQ data shows a widening divergence between commodity cost increases and retail price inflation across several grocery categories. While agricultural, packaging, transportation, energy, labour and operating costs continue to rise, those increases are not always reflected proportionally at shelf. The gap highlights the complex relationship between input costs and consumer prices and suggests manufacturers and retailers are absorbing a portion of those pressures rather than passing them fully through to shoppers.

Commodity Cost Change vs. Category Retail Inflation | Latest 52 Weeks

CATEGORY	Commodity Cost	Retail Inflation
Coffee coffee	+14.8%	+11.7%
Beef Cattle	+13.5%	+10.5%
Canned soft drinks Aluminum	+26.9%	+9.2%
Bread Wheat	+10.0%	+4.0%
Chocolate (2025) Cocoa	+57.2%	+10.1%

Cost Pressures Beyond Commodities

5-10%

Of Retail inflation figure

On top of commodities, the sector is managing higher packaging, energy, labour and operating costs across the value chain.

How Businesses Are Managing Cost Pressure

Manufacturers and retailers are using several approaches to manage rising costs:

01 PRODUCTIVITY IMPROVEMENTS

02 PORTFOLIO MANAGEMENT

03 PROMOTIONAL OPTIMIZATION

04 SOURCING STRATEGIES

05 MARGIN INVESTMENT

Key Takeaway

Since 2019, compounded FMCG inflation has turned a $100 grocery basket into $131 in Canada, highlighting the lasting impact of cumulative price increases, while the U.S. equivalent has climbed to $146. The gap indicates that Canadian manufacturers and retailers have continued to absorb a portion of rising commodity, transportation and operating costs, helping limit the extent to which those increases are passed on to consumers.

Sources: U.S. Bureau of Labor Statistics - The Producer Price Index (PPI) | vs. LY (monthly average) | NielsenIQ MarketTrack Canada All Channels Combined, Monthly Periods L52 ending October 24, 2026
*based on industry estimates

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