

Food Prices in Canada – What Are the Main Drivers?



Canadians continue to feel the pinch at the grocery store, and the newly released Canada's Food Price Report 2026 confirms that food prices are not coming down anytime soon. The report forecasts that food prices will rise another 4% to 6% in 2026, adding close to \$1,000 to the annual grocery bill for an average family of four.

While consumers see the final price at the checkout, the pressures behind those prices start much earlier, on farms, in processing plants, and across global supply chains. From drought-stricken cattle herds to rising input costs and ongoing trade disputes, multiple forces are shaping what Canadians pay for food in 2026.

It's critical to recognize that farmgate prices have a modest influence on retail food prices. Recognizing that reality, here are the main challenges farmers contend with that can result in rising food prices, with a closer look at how they are impacting farmers and your grocery bill.

Rising Farm Input Costs and Tight Margins

Farmers are facing higher costs on nearly every front. Expenses for feed, fertilizer, fuel, labour, packaging, and transportation remain elevated compared to pre-pandemic levels. Even when some costs, like fuel, ease slightly, prices throughout the food system tend to adjust slowly downward.



The challenge is that most farmers operate on tight margins. When production costs rise faster than the prices they receive for their products, profitability shrinks. Unlike many businesses, farmers don't have the ability to set the prices of the products they sell to offset this situation. They are known as “price-takers” as the prices of their goods are determined by the market and therefore they cannot pass on these increased costs to consumers.

So while farmers can't directly impact the price of groceries on the shelf, they may be forced to reduce production due to economic circumstances, which lowers the supply of those products, eventually increasing their price.

This squeeze is particularly visible in livestock production, where feed and processing costs jumped by double digits in 2025. Fewer producers, lower output, and higher costs all feed into retail food prices.

Drought, Climate Stress, and Beef Prices

Beef prices rose sharply last year, with retail prices up nearly 20% at one point, driven by a combination of historic drought in Western Canada, shrinking cattle herds, and soaring feed costs. By early 2025, Canadian cattle inventories had fallen to their lowest levels since the late 1980s.

Drought reduces pasture quality, increases feed needs, and forces difficult decisions for ranchers. Many producers downsized herds or exited the sector altogether, tightening supply further. Because rebuilding cattle herds takes years, the report warns that beef prices are unlikely to normalize before 2027.



Trade Wars and Tariffs

Ongoing trade tensions—particularly between Canada and the United States—continue to ripple through the food system.

Tariffs introduced in 2025 disrupted deeply integrated North American supply chains, raising costs for ingredients, packaging materials, and equipment used by farmers and food manufacturers. Although Canada removed most counter-tariffs later in the year, those costs don't disappear overnight.

Trade uncertainty also discourages investment, slows manufacturing productivity, and reduces export demand for Canadian food products. When markets become less predictable, businesses build risk into their pricing, and consumers feel it.

In short, even when tariffs are lifted, the effects linger in the form of higher baseline costs throughout the food system.



Labour Shortages and the Role of Temporary Workers

Labour remains a critical pressure point, especially for farmers.

Canada's food system relies heavily on the Temporary Foreign Worker Program, particularly in agriculture and food processing.

While agriculture is currently exempt from new caps on bringing in Temporary Foreign Workers, producers worry about future labour shortages. When farms and processors can't find workers, production slows, capacity shrinks, and costs rise, showing up in food prices.

Grocery Stores vs. Restaurants: Different Pressures

Looking beyond the farmgate, food bought at grocery stores and food consumed in restaurants are influenced by overlapping, but different cost pressures.

Restaurants face rising wages, rent, utilities, and ingredient costs, which the report projects will push restaurant prices up 4% to 6% in 2026. Meanwhile, grocery stores are dealing with supplier negotiations, transportation costs, and ongoing consolidation.

Four major grocers control more than 70% of Canada's grocery market, limiting competition and giving them significant influence over pricing. Annual contract negotiations between retailers and suppliers can lead to predictable price spikes, regardless of what's happening on farms.

CFA was a major force in the development of the new Grocery Code of Conduct, which came fully into effect in 2026. The Code aims to improve fairness and transparency in these relationships. If enforced properly, it could help stabilize price volatility, but it won't lower food prices overnight.

What This Means for You

Food prices don't rise because of a single cause. They reflect cumulative pressure across the entire system, starting with farmers who are navigating higher costs, climate stress, labour shortages, and global uncertainty.

The Canada's Food Price Report 2026 makes one thing clear: food prices will continue to rise. Some categories, especially meat, will see sharper increases than others, while broader affordability challenges will continue to shape how Canadians shop, cook, and eat.