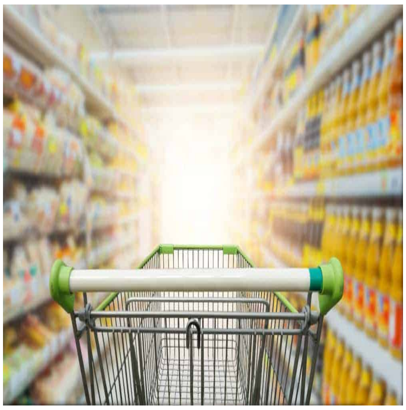

Grocery Prices for Canadians Could Increase by $695 in 2021

Description

The authorization by Health Canada of the first COVID-19 vaccine and arrival of the initial batch is good news. Canadians are fortunate because the federal government offer the vaccines free of charge to everyone. With more shipments arriving, 100% of the population should be vaccinated by December 2021.

However, households should brace for higher grocery expenses. As the pandemic continues, food prices across the country will increase. According to Canada's Food Price Report 2021, the average Canadian family will cough up $695 more for food next year.

Serious manpower shortage

Dalhousie University and the University of Guelph publish the food price report annually. For 2021, the 11th edition, the scope is more national, with the University of Saskatchewan and the University of British Columbia joining in the study.

COVID-19 will continue to impact food prices next year, said the researchers in the study. The meat industry, in particular, is the most vulnerable to potential labour shortages. Not to mention slowdowns in the food plant and distribution centers, disruptions in logistics, and consumer demand shifts.

Sylvain Charlebois, the Agri-food Analytics Lab founder at Dalhousie University, said there's a serious workforce shortage in the food industry. The requirement is 28,000 able-bodied individuals (12% of the industry). It's calling on the unemployed to consider applying. A job at a food processing plant pays around $24 per hour.

Highest price increase

The Food Price Report 2021 expects bread, meat, and vegetable prices to increase between three to five percent. With the three products leading the overall food price increases, a family of four would spend at least $13,907 for groceries. Charlebois adds that the era of cheap food is over.

Furthermore, food discounting at grocery stores is virtually non-existent since March 2020. Charlebois also predicts grocers to close numerous stores in 2021 but will bolster online grocery store offerings. Consumers shopping online, however, will pay 5% to 7% more.

Recession-resistant asset

On the **Toronto Stock Exchange** (TSX), the shares of an operator of discount stores, including supermarkets, are trending upward. The reason for **Metro's** (TSX:MRU) uptrend is that investors are taking defensive positions and shifting to recession-resistant investments. This consumer-defensive stock is outperforming the TSX (+9% versus +3.45%) year-to-date.

While the business of Metro is sometimes underrated, it could endure recessions. Its 74% gain in the last five years soundly beats the general market's 16% return, excluding dividends. The stock trades at $57.78 today and pays a modest 1.55% dividend. Metro delivered solid results for the fiscal year 2020.

The $14.45 billion groceries and pharmacy operator posted 7.3% and 11.5% increases in total sales and net earnings, respectively, compared to fiscal year2019. Many analysts recommend this purely defensive stock if you need a place to hide during a storm. Rebalance your portfolio, too, and include Metro if you anticipate a tough year ahead.

Multiple challenges

Canada faces multiple challenges in 2021. The containment of COVID-19 with the most extensive vaccination campaign in the country's history is just one of them. Aside from rising grocery bills, the food report also lists droughts, wildfires, and climate change as threats to the food system.

The coast is not yet clear, so households must tighten their belts and, if possible, find ways to create more financial cushion to endure a protracted recession.

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