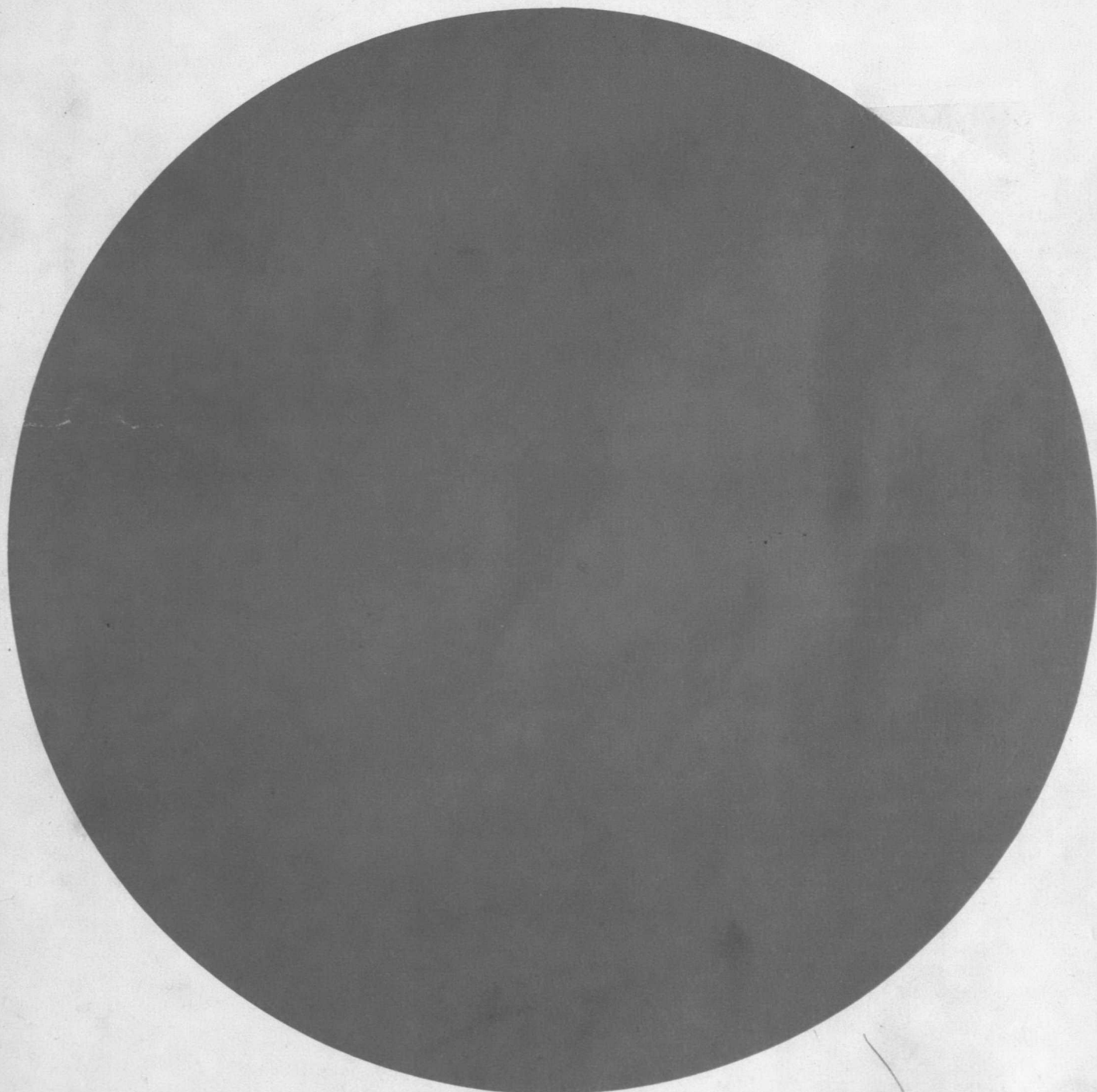
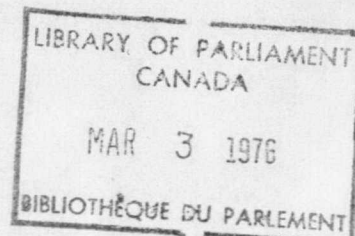


Food Prices Review Board

Final Report
"Telling it like it is"



February, 1976



PUBLICATIONS OF THE FOOD PRICES REVIEW BOARD

Reports:

First Report	August 17, 1973
Wage and Price Controls in Britain	September 6, 1973
First Quarterly Report	September 26, 1973
Retail Food Stores Survey	November 21, 1973
Second Quarterly Report	December 20, 1974
Report on Egg Prices	January 1974
Report on Bread Prices	February 28, 1974
Third Quarterly Report	March 22, 1974
Canadian Dairy Industry: short-term perspectives	March 1974
Report on Ground Beef	June 6, 1974
Feed Grain Prices	June 1974
Fourth Quarterly Report	June 27, 1974
Beef Pricing	June 1974
Beef and Pork in Canada: demand, supply and trade	June 1974
Food Company Profits and Food Prices	July 1974
Sugar Prices and Policy	July 1974
Pork Pricing	August 1974
Report on Egg Prices II	August 1974
Food Price Trends in Canada and the United States	September 1974
Fifth Quarterly Report	September 27, 1974
Beef Pricing II	November, 1974
Retail Beef Prices and Price Spreads	November, 1974
Report on Food Prices in Newfoundland	November, 1974
A Review of the Canadian Beef Market	November, 1974
Sixth Quarterly Report	December 20, 1974
Market for Heifer Beef in Canada	January 1975
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What Price Nutrition?	February 1975
Hired Farm Labour in Canada	March 1975
Direct Labour Costs in the Food Processing Industries in Canada	March 1975
Prices, Incomes and Capital Formation in Canadian Agriculture	March 1975
Food Price Comparisons	April 1975
Seventh Quarterly Report	April 9, 1975
Table Potatoes	May 1975
Fish and Fish Products	June 1975
Feed Grains, Forage and Food Supplies	June 1975
Eighth Quarterly Report	July 7, 1975
The Consumption of Bread and Fluid Milk in Canada	July 1975
Sugar Prices II: The Canadian Sugar Refining Industry	August 1975
Bacon Report	August 1975
Meat Processing Capacity	August 1975
Ninth Quarterly Report	September 30, 1975
Broiler Chicken Prices II	October 1975
Food Company Profits and Food Prices II	October 1975
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Beef Pricing III	November 1975
Food Prices in Northern Canada	December 1975
Feed Grains Policy in Canada	December 1975
Dairy Foods I: Prices	December 1975
Dairy Foods II: Policy	December 1975
Advertising Expenditures and Food Prices	February 1976
Final Report	February 1976

Reference Papers: February 1976

1. The Role and Importance of Futures Markets to Canadian Agriculture
2. Tax Provisions Affecting the Economic Position of Farmers
3. Canadian Agricultural Land Use Policy
4. Canadian Edible Oils
5. World Food Situation
6. The Levels, Causes and Effects of Economic Concentration in the Canadian Retail Food Trade
7. 1974 Family Food Expenditure
8. Food Policy Aspects of Nutrition and Health
9. Food Policy Aspects of Farm Income

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FINAL REPORT
of the
FOOD PRICES REVIEW BOARD

TELLING IT LIKE IT IS

FOREWORD

The Commissioners of the Food Prices Review Board wish to take the opportunity of this their 61st and final report to express appreciation to the general public on whose behalf they examined food price issues during the 1973-75 period. It was principally the concern of the public which led to the establishment of the Board. It was entirely the public interest which determined the Board's actions and recommendations.

The Commissioners wish also to express warm appreciation to the staff of the Board whose efforts helped make the Board one of the most responsive and productive agencies of its type and whose enthusiasm and loyalty made the Board a very special human experience for everyone.

Special thanks is also due to the number of consultants, consumer volunteers and industry experts who were a constant source of advice and encouragement.

It is probably still too soon to judge the Board's overall accomplishment. Regardless of how it will eventually be judged, the Commissioners hope that the Board's work will have helped to inform the public sufficiently about the food system to allow it to take a full part in the important, if overdue, debate on food policy. If nothing else, the Board hopes its effort has helped convince policy makers that they can no longer take food for granted.

It is the policy makers, federally and provincially, to whom the Board now passes the responsibility to "tell it like it is"!

Mrs. A.F.W. Plumptre
Chairman

Mrs. Evelyn Root
Vancouver, B.C.

M. Bruno Meloche
Montreal, P.Q.

Dr. Gordon L. Burton
Claresholm, Alberta

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Halifax, N.S.

Mr. A.E.H. Campbell
Secretary

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SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The principle objective of this final report was to describe the role and activities of the Food Prices Review Board. However, to place the Board's experience in perspective, an attempt has been made to go beyond the confines of a simple historical "accounting" by reviewing the food price trends which led to the establishment of the Board and by attempting to forecast the likely course of price developments and to identify desirable policy responses in the food sector into the 1980s.

An important issue which the report attempts to answer is whether or not developments in the domestic and world food system during the Board's term of office -- 1973 to 1975 -- were merely a temporary aberration in a continuing trend of relative price stability, or whether or not the food price instability which led to the establishment of the Board marked a turning point introducing an era of food price uncertainty, instability or even crisis for Canadians. In addressing these questions, the Board analyzes the nature of the policy response which would be required depending on the circumstances.

In Chapter I, food prices and issues in Canada over the period 1949-72 are briefly described. It is clear that the major problem in the food sector during that period was the problem of food surplus which, in turn, created a significant producer income problem. It is also clear that right to the end of that period, there was no thought on the part of food authorities that there would be an end to the producer dilemma of surplus production.

In Chapter II, the Board describes, in some detail, food price trends and issues during the period 1973-75. The food price trends during that period contrasted sharply with the experience in the decades prior to 1973-75. The policy response to the resulting challenges was inconsistent and often contradictory.

The role and accomplishments of the Food Prices Review Board is examined in Chapter III. The Chapter concludes with a number of frank observations. These include comments on the Board's experience with public indifference to the food system; inflexibility in Canada's statistics gathering capacity; the political inviolability of agriculture; the strength of lobbyists in Ottawa; the "entertaining" media and the "F" (for food) earned by Canada's educational system. The Board concludes that many of Canada's major institutions need to change their ways before they can adequately serve the country with regard to the food system.

In Chapter IV, the Board reviews several major unresolved issues which emerged from the food price developments of 1973-75. As it and Chapter VII are the "guts" of the report, the reader should concentrate on the full text of these Chapters.

In looking to the future, the Board reviews the food price outlook for 1976 in Chapter V. It concludes that, barring poor crop results or a breakdown of the national anti-inflation program, food prices can be expected to rise by about seven per cent during 1976. The report warns, however, that adverse weather conditions in major food exporting or importing countries could stimulate a surge of food prices well into the two digit range regardless of the efficacy of the anti-inflation program.

In Chapter VI the Board considers the long-term challenge facing the food sector. Four possible scenarios are identified, ranging from a return to the excess supply problems and relatively stable prices of the pre-1972 period, through to a "doomsday" scenario whereby we could be on a collision course with widespread world famine and early readjustments in domestic consumption patterns in response to unprecedented food price increases.

After considering domestic and international supply and demand projections to 1985, the Board concludes that it is very unlikely that there will be a return to the surplus era. At the same time, the Board sees no reason for extreme pessimism at least with regard to domestic food requirements -- "doomsday" is not around the corner. Rather, the 1973-75 food price experience appears to have ushered in what is likely to prove a long period of food price uncertainty and instability.

What is unpredictable at this stage is the degree of instability. The Board notes that whether or not this new situation will be characterized by sharp, up-and-down fluctuations or steep, successively higher price moves, will depend, at least in the medium term, on crop results in surplus exporting countries like Canada and solvent importing countries like the USSR. Until reserves are built up, fluctuations are unavoidable. The fluctuations should be mild when world crops are good. A bad crop situation on top of low reserves, however, would prompt a repeat of the 1972-73 situation or worse.

It is difficult to be optimistic about the possibility of re-establishing substantial reserves, at least in the next two or so years. The Board notes that, with the exception of the 1974 North American corn crop, above average crops have been recorded since 1973 in major exporting countries. Similarly, those years were good for crops in most major importing countries, with the exception of the Soviet harvest in 1975 which appears to have been a disaster. Thus, recent world production has been of a relatively high order, yet reserves remain far short of pre-1973 levels.

Other factors will no doubt also continue to encourage food price instability. The secretiveness of the USSR concerning its agricultural production has proved a consistently disruptive force in international markets. Growing affluence in many parts of the world encourage changes in eating habits. Surging demand for grain fed meat, for example, is hard to predict quantitatively. Yet its impact on grain and meat supplies can be severe.

Because of the difficulty of forecasting with any assurance the degree of instability to be expected, the Board concludes that "adapting our institutions, food policies and programs to such unpredictable and unstable circumstances would appear to be the key overall challenge facing this country in the food sector during the decade up to 1985".

In Chapter VII, the Board reviews the major policy and institutional adjustments it considers as being necessary to meet this challenge. Its conclusions in this regard are reflected in the recommendations.

RECOMMENDATIONS

1. During its term of office, the Food Prices Review Board made over 160 recommendations. They were directed at governments, the food industry, the media and at consumers. The Board calls on these interests, but especially governments, to give serious reconsideration to those recommendations of the Board which have not yet been fully implemented. In particular, it should be noted that many of the Board's recommendations, along with the reports and studies on which they are based, provide a very detailed basis for consideration of long-term policies and programs in the component and sub-component parts of the food system.

2. The single most important policy adjustment required in the new circumstances facing the food sector is the formulation of a long-term national food policy. Such a policy would provide objectives and operational parameters on the basis of which "micro policies" and programs could be based at both federal and provincial levels to cope with short-term developments in the food sector. The Board urges that the cornerstone of the national policy be full recognition of the interdependence of producers and consumers.

3. To develop and implement a long-term national food policy and to improve the capacity of governments to respond on a properly integrated and co-ordinated basis to future food price instability, the Board calls for the creation at federal and provincial levels of "horizontal" departments of government, perhaps to be known as ministries of state for food. Such ministries should be headed by ministers with considerable seniority. They should be responsible for food policy co-ordination and development and should have final authority also for major operational decisions affecting the food sector. The Ministry should be seen as the final authority short of Cabinet on food issues, it should be staffed and funded out of existing establishments and budgets and should be independent of and senior to traditional agriculture departments for which there would remain a requirement.
4. The Board finds that the monopolistic supply management marketing board concept is inappropriate in the new and changed circumstances facing the food industry and recommends that alternative measures, including a contributory producer income insurance scheme, be considered by government to replace marketing boards whose present production and pricing policies promote inefficiency and market distortions unnecessarily.
5. Finally, because of the importance of the food sector and the difficulties noted in this report with regard to the evolution of food policy and, especially, because of the uncertainty as to the future prospects for this important sector, the Board recommends that the Federal Government establish an independent food policy review board in 1978 with a mandate to inquire into progress made by governments and food industry representatives in implementing a national long-term policy and to make necessary recommendations in light of developments over the next two years.

INTRODUCTION

From 1949 to 1972, the Consumer Price Index for food consumed at home increased from 61.3 to 107.6 index points. By 1975, the Index reached 161.9. Thus, in absolute terms, food prices went up less in the 23 years prior to 1973 than they increased in the 1973-75 period. From 1949 to 1972, the simple average annual increase in the Index for food at home was 2.5 per cent. This accelerated dramatically to average 14.6 per cent per year from 1972-75.

The Food Prices Review Board was established on May 25, 1973 in response to public uncertainty and political tension surrounding rapid food price increases which began late in 1972. It was officially disbanded on October 14, 1975 with the introduction of the federal anti-inflation program.

Following its official closing, the Government permitted the Board to complete work in the pipeline which had reached an advanced stage.

This is the 61st and final report of the Food Prices Review Board. It marks the culmination of more than 28 months of intensive study of the food system. During this period the Board was immersed in the workings of Canada's single most important economic sector and one of its most contentious social and political issues.

In part, the purpose of this report is to render a general accounting to the public concerning the Board's work. Throughout the report, but especially in Chapter III, the Board comments generally on its role, experiences and observations.

The main purpose of the report, however, is not historical in nature. Rather, the Board has attempted to place its experience in the broadest possible perspective with a view to establishing the significance and implications of the food price trends which led to its establishment.

The period 1973-75 can be seen either as a period of temporary food price aberration or as a turning point. At a time when there are rumblings about "grain boat diplomacy", it is very important to determine whether or not we have seen the end of the food surplus era and the beginning of a new era wherein food issues will pose quite different challenges to the people of Canada and the world.

The report attempts to establish an answer to that critical question by reviewing food price trends and issues in the two decades prior to 1973 (Chapter I) as well as during the 1973-75 period (Chapters II and IV).

After focussing on food price prospects in 1976 (Chapter V) the report looks at the medium-term challenge posed by domestic and international supply/demand projections (Chapter VI). In Chapter VII, the Board concludes the report with a discussion of some policy alternatives based on the view that Canada's "cheap" surplus food era has ended.

LOOKING BACK

I. FOOD PRICES AND ISSUES IN CANADA, 1949 TO 1972.

The Consumer Price Index (CPI) for food consumed at home increased from 61.3 index points in 1949 to 107.6 index points in 1972 (Table 1). The price picture was characterized by a marked lack of price fluctuations and slow but steady price increases over the two decades. The major exception was in 1951 when the Korean War provoked major food importing nations to increase reserves of food in case the war spread to a global confrontation. From 1949 to 1972, the simple average annual increase in the Index for food at home was a moderate 2.5 per cent.

What were the major determining influences on food prices and what were the government policy responses to this price environment during this period? These fundamental questions are addressed below.

In retrospect, international markets for major food commodities generally exhibited a high degree of stability during the period 1950 to 1972. (Chart 1). Within this stable price environment, of course, movements in grain prices of \$5 per tonne* seemed dramatic. However, when measured against the price increase of \$150 per tonne for wheat, that was experienced between 1972 and 1973 for example, such price increases can be dismissed as inconsequential market hiccoughs!

TABLE 1
Annual Consumer Price Index for Food Consumed
at Home, and Annual Rates of Change
1949 to 1975
(basis 1971 = 100)

Year	Index	Percentage Change from Previous Year	Year	Index	Percentage Change from Previous Year
1949	61.3		1963	80.0	3.2
1950	62.9	2.6	1964	81.3	1.6
1951	71.8	14.1	1965	83.4	2.6
1952	71.8	-0.1	1966	88.7	6.3
1953	69.1	-3.6	1967	89.9	1.3
1954	68.9	-0.3	1968	92.8	3.1
1955	68.8	-0.1	1969	96.7	4.2
1956	69.6	1.2	1970	98.9	2.3
1957	72.8	4.6	1971	100.0	1.1
1958	75.0	3.0	1972	107.6	7.6
1959	74.4	-0.8	1973	123.3	14.6
1960	75.0	0.8	1974	143.4	16.3
1961	76.1	1.5	1975	161.9	12.9
1962	77.5	1.8			

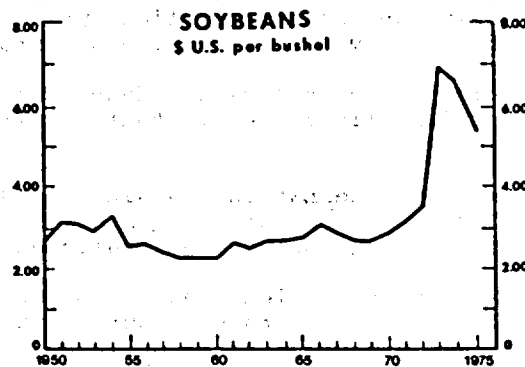
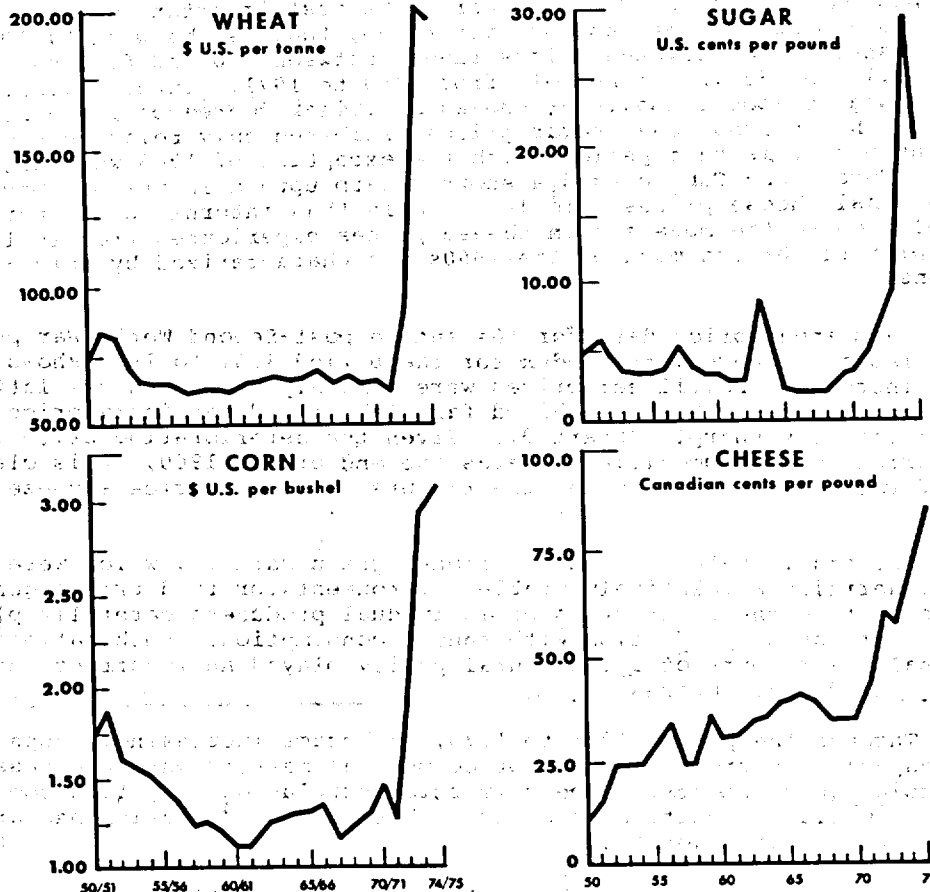
Source: Statistics Canada, Prices Division.

* "A tonne" refers to a metric ton, that is, 2204.63 lbs.

CHART 1

WORLD PRICES FOR SELECTED AGRICULTURAL COMMODITIES*

1950 — 1975



* Wheat is quoted at Thunder Bay, No. 1 and No. 2 Manitoba Northern prior to 1971 and No. 1 Canadian Western Red Spring (CWS), 13% or 14% protein thereafter. Sugar prices are International Sugar Organization yearly world prices for raw sugar. Corn prices are quotes at Chicago, average cash prices until 1954 and prices of No. 2 Yellow thereafter. Cheese prices are average wholesale prices for English Factory Cheddar, white selected, on the London Provision Exchange. Soybean prices are for No. 1 Yellow Soybeans at Chicago.

Although prices for different grades at different locations may be more or less than these quoted prices, they supply a useful indication of trends in world prices for each commodity.

There is a close relationship between food and grain prices. To a large extent, this reflects the importance of grains as both a basic and direct input in the human diet as farinaceous products or indirectly in the diet as livestock, dairy and egg products. From the 1949-50 to the 1971-72 crop years, the world price for bread wheat only varied between \$62 and \$75 per tonne. Over this same period, the world price for corn (the most important world livestock feed) only varied between \$44 and \$72 per tonne, that is, between \$1.10 and \$1.80 per bushel. U.S. soybean prices ranged between \$80 and \$115 per tonne (that is, \$2.16 and \$3.12 per bushel) from 1950 to 1971. International prices for other storable food commodities showed a similar degree of price stability. For example, the international sugar prices exhibited only relatively minor fluctuations over this same period, with the exception of 1963 when sugar crop failures in Europe and Cuba caused a short, sharp upturn in price. Movements in international cheese prices were less stable than international grain prices, but, in relation to the movement in cheese prices experienced from 1971 to 1975, the price picture through much of the 1960s was characterized by only minor fluctuations.

Farm input price data for the entire post-Second World War period is not available. However, the index for the period 1961 to 1972 shows a slow but steady increase. Fertilizer prices were markedly steady in the latter half of the decade. However, both the hired farm labour and machinery price indexes increased relatively sharply (Chart 2). Given the deteriorating price position for many agricultural commodities towards the end of the 1960, it is clear that generally farmers were experiencing the rigours of a cost-price squeeze at this time.

The stable nature of international grain markets, which were instrumental in generating a relatively stable environment for food prices generally, did not result from the interaction of individual producers carefully planning the equation of annual production with annual consumption. Both national and international instruments of agricultural policy played an important part in determining world grain prices.

Through the period 1955 to 1970, it became increasingly apparent that the world capacity to produce grain for commercial markets was in excess of actual commercial requirements.* The commercial surplus of many food commodities was the major world agricultural problem. This surplus situation had arisen because of a number of major factors:

- the introduction of new varieties of the traditional grains that could be grown commercially (and often prolifically) in areas of the world that had been considered traditionally as "marginal grain production areas."
- the introduction of technological advances (for example, new herbicides, pesticides, better fertilizers, etc.) that significantly increased yields from the global grain base.
- the maintenance of international grain prices at levels above that which would have prevailed in a free market. This served to encourage global grain production over and above global grain requirements.

The Federal Government implemented two major programs designed to help alleviate the problem of grain surpluses during the mid 1950s, that is, the Temporary Wheat Reserves Act and the Prairie Grain Advance Payments Act. Whilst well intentioned, they were ill-conceived in that they served to mask international market signals from grain producers rather than indicate a shift of productive resources to alternative farm enterprises.

* This is not to suggest that the world was oversupplied with food. But it was oversupplied at the price that prevailed, which was too high a price for millions of the under-nourished peoples of the world to pay.

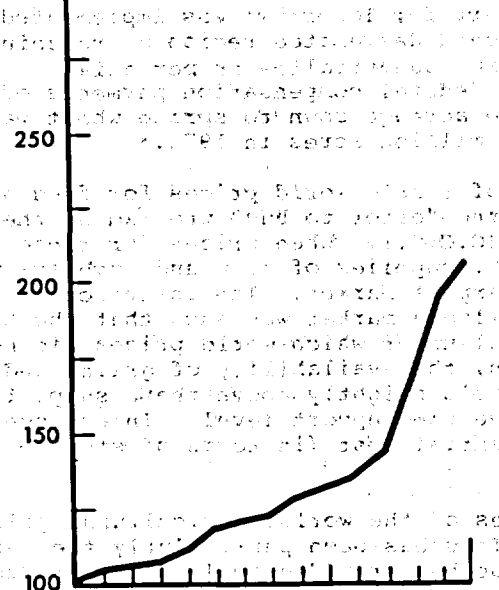
CHART 2

TRENDS IN PRICES OF SELECTED FARM INPUTS

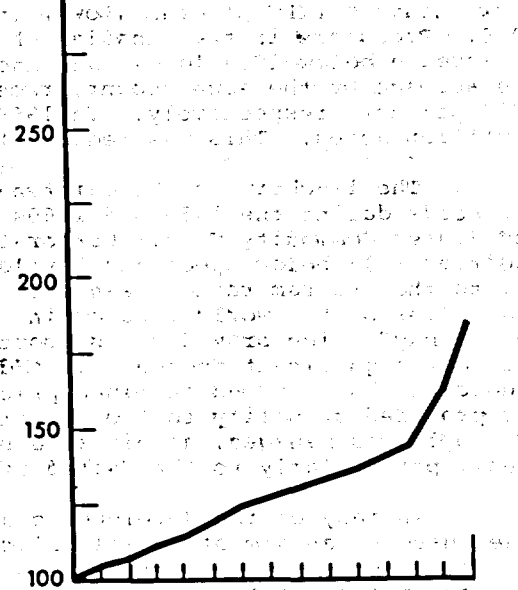
1961 — 1975

(1961=100)

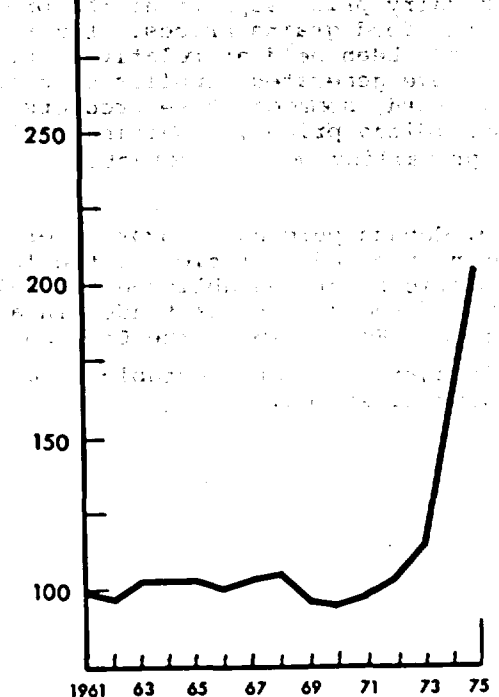
TOTAL, ALL FARM INPUTS



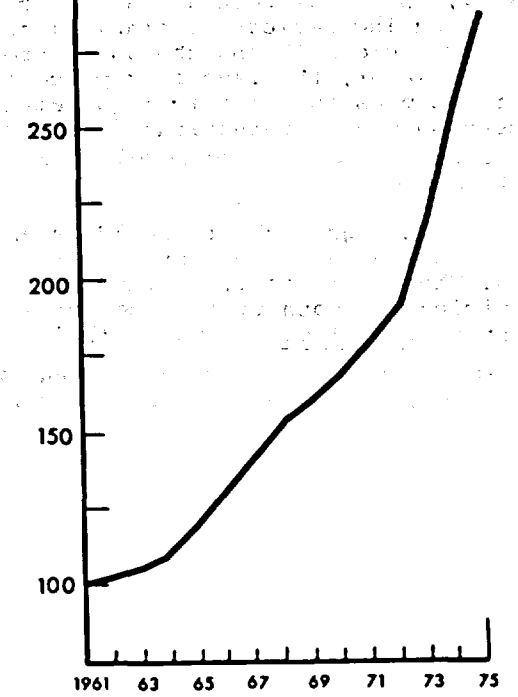
MACHINERY REPLACEMENT



FERTILIZER



HIRED FARM LABOUR



Until the summer of 1969, the major wheat exporters (U.S., Canada, Australia, Argentina and France) operated a formal international market cartel in the apparel of a series of International Wheat Agreements and the International Grains Agreement. Specified price ranges were agreed upon and each of the major exporters had programs that prevented wheat from moving onto world markets at prices below those specified in the agreements.

In late summer 1969, the major wheat exporters were faced with record stocks of wheat and chose to terminate their price-fixing agreement. In Canada, it was deemed necessary to sharply reduce wheat stocks and wheat production. The now infamous LIFT program (Lower Inventory for Tomorrow) was implemented in 1970. Producers in the Canadian Wheat Board designated region by reducing wheat acreage below 1969 levels and increasing summerfallow or perennial forage acreage by the same amount, received federal compensation payments of \$6 and \$10 per acre respectively. In 1969, the acreage sown to spring wheat was 24.4 million acres. This was reduced to 12 million acres in 1970.*

The linchpin to the maintenance of stable world prices for feed grains and oilseeds during the 1950 and 1960s was the "offer to buy" program of the United States Commodity Credit Corporation (C.C.C.). When prices for these commodities fell below specified levels, U.S. supplies of corn and soybeans were sold into the program rather than onto the export market. The influence of the U.S. supplies on the world feed grain and oilseed market was such that the U.S. "offer to buy" price provided a support level under which world prices did not fall to any significant degree. In addition, the availability of grains and oilseeds stocks at pre-determined price levels slightly above these support levels provided stability to the market above the support level. In essence, world supply was managed, albeit at a substantial cost (in terms of storage charges), particularly to the United States.

In many of the developed countries of the world, agricultural policy has been used as an arm of social policy. This has been particularly the case in the dairy sector. The monthly milk cheque has provided small dairy producing units with an important source of cash flow. Thus, dairy production has provided a more attractive farming alternative than the cash crop enterprise, where financial returns are not realized until months after the initial investment has been made and the level of returns are more subject to the vagaries of the market. Typically, there has been a dual outcome from dairy price support at the production level during periods of stable international feed grains prices. Domestic prices for fluid milk and the dairy products have been held at relatively stable levels. However, the levels of price support have generated supplies of dairy products surplus to domestic requirements. In turn, some of these products have been sold on international markets at subsidized prices, resulting in lower, somewhat less stable price levels than those prevailing on the protected domestic market.

Through much of the 1950s and 1960, Canada purchased sugar under an International Sugar Agreement. Similar in principle and operation to the International Wheat Agreement, minimum and maximum prices were established for sale to participating countries. The actual volume of sugar that was traded in a free international market was relatively limited. For example, the British

* The sharp cut-back in wheat acreage was, in part, also attributable to a restrictive C.W.B. quota policy and a poor planting season.

Commonwealth Sugar Agreement and the U.S. Sugar Act provided programs for guaranteeing markets to sugar producing developing countries at prices that were typically above the free market price. Such market management provided a stable base for consumer sugar prices over the two decades.

In the late 1960s, the agricultural sector was increasingly being considered the problem child of the Canadian economy. Low incomes, over-production, low fluctuating prices, a cost price squeeze, slow market growth, regional disparities, and diminishing export markets, were among the many issues that government policies and programs were supposed to combat. However, government policy responses were often geared towards providing short-term direct or indirect financial aid, presumably in the hope that a turnaround in international markets would remove the problem of over-supply. Little notice was taken of price signals emanating from the market place, indicating a re-allocation of resources in agricultural production.

In 1967, the problems of the agricultural sector were such that the Minister of Agriculture commissioned a Federal Task Force on Agriculture in an attempt to give "positive directional impetus to the seeking of solutions to the many and diverse problems which beset the industry in the 1960s and to provide policy guidelines for the 1970s". In the Task Force report published in late 1969, it was recognized that the conditions of supply and demand in farming were such as to result in "low farm incomes, in unstable incomes, prices and output and in a fairly large number of redundant farmers".* Factors such as a combination of a large number of producers, rapid improvements in production technology and management for some producers, decreases in farm prices, instability of output due to seasonal and annual variation caused by changes in weather and nature and falling prices for specific farm products as domestic output increases contributed to low incomes. Average net farm incomes were low relative to average incomes of most other occupations.

Agricultural producers and policy planners alike did not greet the outset of the 1970s with optimism. Conventional wisdom portrayed the decade as being one of cutting back production to meet consumer demand rather than aggressively expanding traditional market opportunities. The Federal Task Force on Agriculture encapsulated the industry consensus that surpluses were here to stay in recommending that:

The surpluses must be controlled and reduced to manageable proportions by reducing production drastically, if necessary. Where alternatives exist, production resources must be shifted to more promising market opportunities. Where such alternatives cannot be found, land and other resources must be retired. (p. 432, Report).

Although it is extraordinary how much things have changed, it is clear that only six years ago most agriculture authorities never expected to see an early end to surplus supply conditions or the cheap food era.

In summary, the years preceding 1973 could be characterized as having been a period in which the major national food problem was a surplus production problem. As a result, policy concern was directed at the twin problems of insufficient and unstable farm income. Unfortunately, however, intervention through the price mechanism was often seen as the most expedient means of dealing with these problems.

* Report of the Federal Task Force on Agriculture, Canadian Agriculture in the Seventies, December 1969, p. 15.

II. FOOD PRICE TRENDS AND ISSUES, 1973 TO 1975

As illustrated in Table 1, food prices increased dramatically through the first half of the 1970s. The Consumer Price Index for food consumed at home increased from 107.6 index points in 1972 to 161.9 index points in 1975. This represents a simple average annual increase in food prices of 14.6 per cent. This can be compared with an annual average increase of only 2.5 per cent that had prevailed from 1950 to 1972. The period since January 1973 is shown more clearly in Chart 3. In general, the sharp increase in food prices in Canada was mirrored by a similar trend in the United States,* although, increases in the United States were less marked than in Canada during 1975.

The factors behind the jump in food prices include general inflationary trends, adverse weather, international supply and demand factors and specific cost increases affecting particular commodities. This chapter will review important international factors which affected the Canadian food price situation, domestic price movements of different commodities groups and policy responses to cost pressures throughout the food system and to rapidly rising prices at the retail level. Finally, food prices will be examined in a more general context, as part of the overall inflation in the economy.

International Factors

The root cause of the escalating world food price situation from 1972 to 1975 has been the dramatic upward adjustment of food grain, feed grain and oilseed prices (see Chart 1). The expected surplus grain era of the 1970s evaporated seemingly overnight to plunge the world into a "food crisis". Why did this happen? What factors were responsible for the turnaround particularly in international grain and oilseed markets?

At the outset of the 1969-70 crop year, world stocks of wheat were, at more than 100 million tonnes, the highest level achieved in recorded history. A combination of policies in the major wheat exporting nations to reduce acreage sown to wheat (for example, the LIFT program in Canada, and the Set-Aside program in the U.S.) contributed to a decline in wheat production during 1969-70 and only a very moderate increase from 1969-70 production levels in the following crop year. Simultaneously, world consumption of wheat was continuing to expand at a rapid rate largely in response to the growth in world population. The result was that world stocks were cut back by 25 million tonnes, to 75 million tonnes, by the outset of the 1972-73 crop year.

The combination of crop failures in the U.S.S.R., Australia, and India resulted in a very abrupt turnaround in the wheat market during the 1972-73 crop year. The Soviet wheat crop suffered from both winter-kill and a summer drought, and, at 86 million tonnes, was 13 per cent below the level of the previous year. While a crop failure of this magnitude was not an unusual occurrence in the Soviet Union, the normal Soviet recourse would have been to cut back consumption and "tighten the national belt". However, the U.S.S.R. purchased close to 15 million tonnes of wheat on international markets during the 1972-73 crop year. Wheat production in both the United States and Australia was two million tonnes below year-earlier levels. Good crops in Europe and Argentina offset some of these losses in production but overall world output was 10 million tonnes below the 1971-72 crop. This lower level of wheat production, together with an increase in wheat consumption resulting from the need to make up for reduced world rice supplies,** resulted in carry-over stocks in the major exporting countries being reduced by about 23 million tonnes or 31 per cent from 1971-72 to 1972-73. Stocks in major exporting countries of 50.7 million tonnes at their respective crop year ends represented about seven weeks of global consumption.

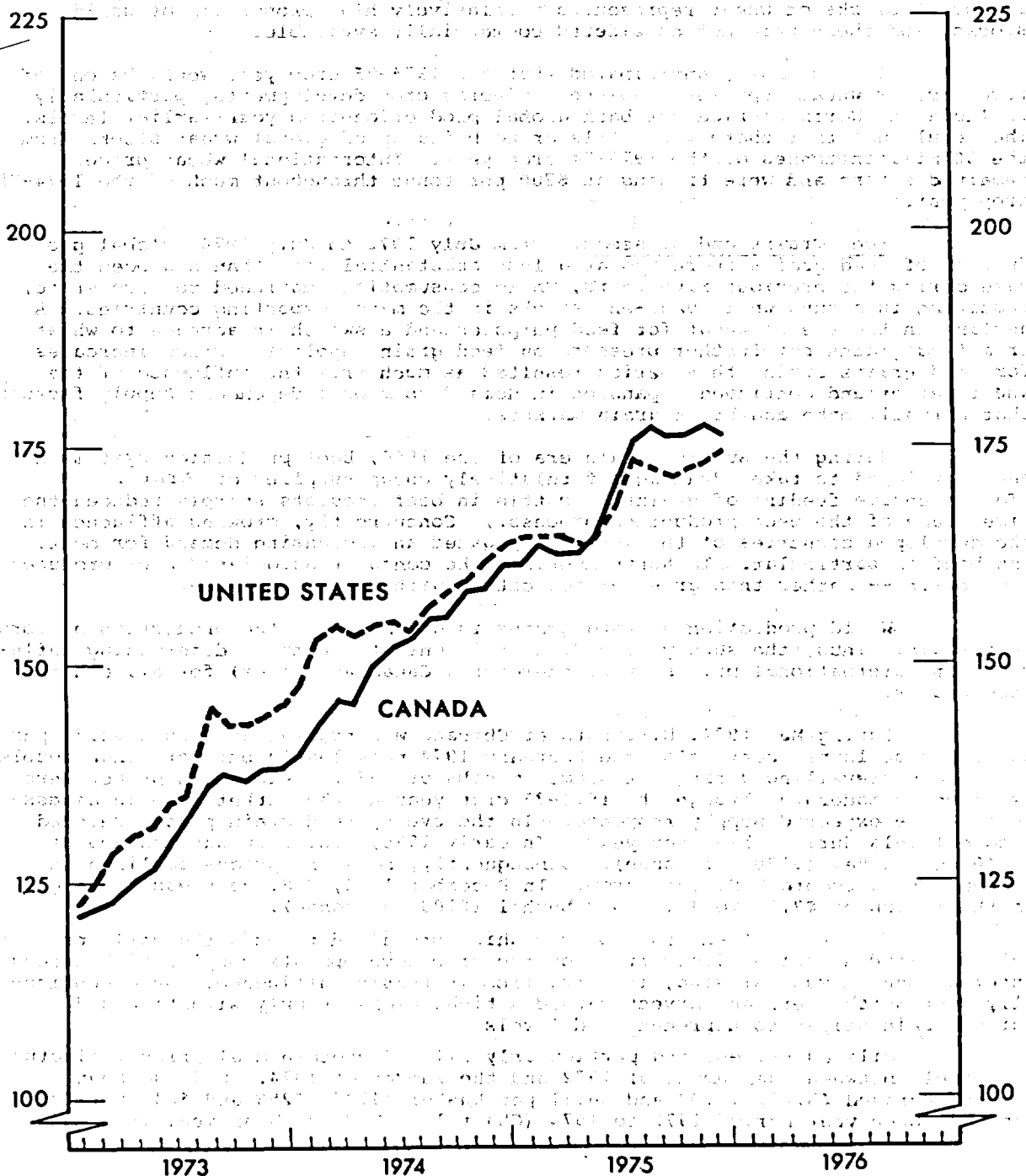
* See Food Prices Review Board, Food Price Trends in Canada and the United States, September 1974.

** World rice production fell from 309 million metric tons in 1971-72 to 295 million metric tons in 1972-73, a decline of four per cent.

RETAIL FOOD PRICES, FOOD FOR HOME CONSUMPTION

CANADA AND THE UNITED STATES

(1967-69=100)



The impact on international wheat prices was dramatic. Export prices for top grade Canadian spring wheat increased from \$70 per tonne in August 1972 to over \$200 per tonnes in late August 1973.

There was some recovery in global food grain supplies during the 1973-74 crop year. Both wheat and rice production recovered following record global harvests for both crops. However, this improvement in the wheat supply situation was not reflected in substantially lower international wheat prices as Soviet stocks of wheat represented a relatively high proportion of world stocks, and these were not considered commercially available.

It was widely anticipated that the 1974-75 crop year would be one of recovery for wheat supplies. However, adverse crop developments, particularly in India and North America cut back global production from year-earlier levels. The result was that there was little or no build up of global wheat stocks from the 50 million tonnes of the 1973-74 crop year. International wheat prices remained strong and were trading at \$200 per tonne throughout much of the 1974-75 crop year.

Feed Grains and Oilseeds. From July 1972 to July 1974, global production of feed grains increased at a less substantial rate than had been the case during the previous five years, while consumption continued to accelerate, resulting in a rundown in year-end stocks in the major exporting countries. A decline in the use of wheat for feed purposes and a switch in acreage to wheat from feed grains put further pressure on feed grain supplies. Price increases for feed grains during this period resulted as much from the influence of the wheat market and continued expansion in demand as from independent supply factors that normally make and break grain markets.

During the surplus grain era of the 1960, beef production systems had been developed to take advantage of relatively cheap supplies of grain. (The intensive feeding of grains to cattle in beef feedlots sharply reduced the time frame of the beef production process.) Concurrently, growing affluence in the developed countries of the world propagated an increasing demand for meat, and beef in particular. In North America, the consumer associated beef produced from grain -- rather than grass -- fed cattle with quality produce.

World production of feed grains is dominated by the production of corn in the U.S. Thus, the supply of U.S. corn is one of the major determining influences on international prices (and, therefore, Canadian prices) for all other feed grains.

During May 1974, U.S. corn at Chicago was trading at around \$2.70 per bushel, some 13 per cent below the February 1974 peak levels but more than double the levels prevailing during the summer months of 1972. Feed grain prices were expected to moderate through the 1974-75 crop year as the market made an assessment of the expected supply response. In the event, feed grain prices reached record levels during this crop year. In early 1975, U.S. corn was trading at \$3.40 per bushel (\$130 per tonne). Subsequently, however, prices declined in response to a record U.S. corn crop. In December 1975, U.S. corn was trading in the region of \$2.50 to \$2.60 per bushel (\$100 per tonne).

The record feed grain prices which prevailed through the early part of 1975 resulted almost entirely from adverse crop developments coupled with strong international demand arising, in part, from increasing affluence. An exceptionally poor North American harvest caused a tight global supply situation and forced grain prices to unprecedented levels.

Oilseed prices, and particularly oilseed protein meal prices, fluctuated widely between the summer of 1972 and the summer of 1974. U.S. soybean prices averaged \$3.47, \$7.03 and \$6.71 per bushel (\$127, \$258 and \$247 per tonne) for the three year period 1972 to 1974 (Chart 1). U.S. soybean meal is a major

source of protein for livestock feed supplements. Prior to the summer of 1972, U.S. soybean meal had traditionally traded in a range of \$80 to \$100 per tonne in the major U.S. markets. The 1972-73 crop year proved to be one of reduced supplies and increased demand for all classes of protein meal for livestock feed supplements. The complete failure of the Peruvian anchovy harvest caused supplies of Peruvian fish meal to be totally exhausted and together with reduced supplies of other substitutes for U.S. soybean meal and substantial losses at harvest time of U.S. soybeans, resulted in greatly reduced supplies of protein meal. Throughout this period, global demand for protein meals (particularly from the Western European countries) expanded, in conjunction with increased demand for feed grains. The resultant very tight protein meal situation was reflected in soybean meal prices of almost \$450 per tonne in June 1973, a price level that was almost five times greater than the price level that typically prevailed in the early months of 1972.

A combination of high protein meal prices and restrictions on U.S. and Canadian exports of protein meals caused a severe disruption both to international trade in protein meals and to livestock industries in North America and Europe. However, a record soybean crop in 1973 served to sharply increase available supplies of protein meal (world production of soybean meal increased from 33.1 million tonnes in 1972-73 to 38.4 million tonnes in 1973-74) and protein meal prices soon regained a more typical relationship with other feed grains. The boom in protein meal prices was intense but relatively short lived.

World oilseed production increased yet again in the 1974-75 crop year, whilst global consumption declined in response to decreased demand from livestock products. As a result, in the last few months of 1975, U.S. soybean meal was trading at about \$140 per tonne, and was considered a depressed price market, when viewed in relation to feed grains.

Food Price Trends in Canada, 1973-1975

Canadian agricultural products can be roughly divided into two groups -- those which are sold in the free market and those whose prices and/or production are regulated, usually by government. The nature of government intervention within Canadian agriculture has been of particular concern to the Food Prices Review Board. The Board is of the view that any policy which affects price or production should be to the long-run benefit of both producers and consumers. In the following reviews of price developments for particular food groups, the effects of such government intervention will be noted.

Throughout the Food Prices Review Board's existence, food price trends in North America were analyzed and reported. In this section, a distribution and overview of the trends are presented. In an open North American market, the price trends for Canada and the U.S. would tend to coincide. To a large extent, any discrepancies in the price trends for the commodities examined should be largely attributable to differences in commodity policy between the two countries.

Cereal and Bakery Products. In its first report, published in August 1973, the Board recommended "as a matter of urgency that the government give consideration to increasing the subsidy on wheat used for domestic human consumption so as to moderate the anticipated increase in the price of bread and pasta products".

In September 1973, the Federal Government announced a seven year two-price wheat subsidy program.* For domestic human consumption, they set the fixed price for wheat to domestic millers at \$3.25 per bushel in Canada.

Prior to mid 1973, a producer oriented wheat-subsidy system was in effect. As international wheat prices increased dramatically during 1973 the system was changed to offer advantages to consumers, that is, domestic milling wheat was "pegged" at \$1 below the prevailing export price.

Wheat producers receive an additional payment from the government of an amount which, when added to the base price, equals either the international price or \$5 per bushel whichever is the lower. The domestic durum wheat price to millers was also fixed at \$3.25 per bushel. Producers receive a compensatory payment that, when added to the base price, is the lower of either the international price or \$7.50 per bushel. This was a major step in government food policy. Effectively, the government was acknowledging that a symbiotic relationship exists between domestic producer and domestic consumer. The consumer was being protected from dramatic increases in international wheat prices whilst the producer was offered a floor price for his wheat for domestic consumption.*

The Canadian consumer, in spite of remaining protected from international wheat price changes by subsidization, suffered an increase in the Consumer Price Index for cereal and bakery products in 1974. In the case of sweet baked goods, sugar price increases were a major cost factor. For bread and other bakery products, the more costly inputs were sugar, oil and packaging materials. The price to bakers of polyethylene bags, in which bread is wrapped, increased 39 per cent from July 1973 to July 1974. Other factors contributing to cost increases included energy costs, wages and transportation costs to retailers.

Prices of the "basic" 24-ounce loaf of white bread rose by four cents a loaf during September, i.e. before the subsidy program. Flour costs represent a relatively small part of the price of a loaf of bread, therefore the subsidy on flour could not be expected to keep bread prices stable while other input costs rise. There was a one to two cent rise again in November of the same year.

In mid 1975, domestic flour prices increased, not because of the increasing international price for wheat, but due to increases in labour and other costs associated with the milling of flour. Between 0.4 and 0.6 cent of the one cent increase in the price of bread in most major cities can be attributed to the rise in the cost of flour. Wage and salary increases accounted for as much as 1.24 cents per standard loaf. However, the impact of these increases has been offset somewhat by decreases in prices for sugar, shortening and packaging amounting to about 0.5 cent per standard loaf. Over the three year period, January 1973 to December 1975, prices of all types of bread in Canada increased by about 55 per cent.

The Consumer Price Index for the United States and Canada generally showed a similar trend of increasing prices. (See Chart 4). However, partly because of the Canadian wheat subsidy system first initiated in July 1973 and modified in September 1973, the Canadian Consumer Price Index was held below that of the United States. Prices rose at about the same rate from the end of 1973 to the spring of 1975. A decrease in sugar, shortening and packaging prices and a moderation in international wheat prices had a much more dramatic effect on American prices for cereal and bakery products. There was an actual decrease in the American CPI. By the fall of 1975, the CPI for the two countries was similar for the first time since before the two-price wheat subsidy program was initiated in the beginning of 1973.

The relatively small differential between these price indices in the U.S. and Canada throughout the 1973 to 1975 period is indicative of the low value of the wheat raw material relative to the final retail price of cereal and bakery products. A strong argument can be made that the subsidy program would be more effective if it was concentrated on two basic products, for example, the standard enriched white loaf and the standard wholemeal loaf rather than on a full range of wheat products that may well be of little nutritional value. For the same total program cost, retail prices for such a basic product as enriched bread could be reduced sharply, even during periods of rapid general inflation.

Typically, wheat for domestic consumption amounts to about 10 to 12 per cent of annual domestic wheat production.

Fats and Oils. Chart 4 illustrates that Canadian and United States prices of fats and oils have moved very closely since 1973.

Prices are largely determined by the international price of vegetable oils, which, along with animal fat, is the major raw material used in the fats and oil industry. Soybean oil prices increased by almost 130 per cent between May 1973 to the end of 1974, before dropping sharply in 1975. Other vegetable oils, such as rapeseed, linseed, peanut, coconut and palm oil, followed a similar pattern. This was reflected in changes in the retail prices of fats and oils. For example, margarine prices increased by more than 100 per cent between January 1973 and February 1975, but by December 1975 they had fallen to average a little more than 80 per cent above January 1973 levels.

Dairy Products, Meat and Eggs. The sharp rise in international feed grains prices explained above have contributed substantially to increases in prices for dairy products, meats and eggs, over the period 1973 to 1975. However, the impact of domestic feed grains policy has had a price increasing effect over and above international market influences. The Crow's Nest Pass statutory freight rates and the Feed Freight Assistance program have served to disturb the location of livestock production in Canada such that the consumer has not benefitted through lower prices from production being centred in regions having natural economic advantages for such production. Further, the eight cent per bushel tariff on imported corn has unnecessarily raised the base price level of feed grains in Canada and, thereby increased the prices of livestock, dairy, poultry and egg products to Canadian consumers.*

Dairy Products. Dairy products are especially important to Canadians because of their high nutritional value. Milk is classified as either fluid milk or manufacturing milk, depending on its end use. Fluid milk is distributed to the consumer as fresh fluid milk, whereas manufacturing milk and cream are the basic inputs in the manufacture of milk products such as butter, cheese and ice cream, etc.

The per capita consumption of fluid milk and such milk products as butter and evaporated milk has declined in Canada during recent years unlike that of cheese which has increased substantially.

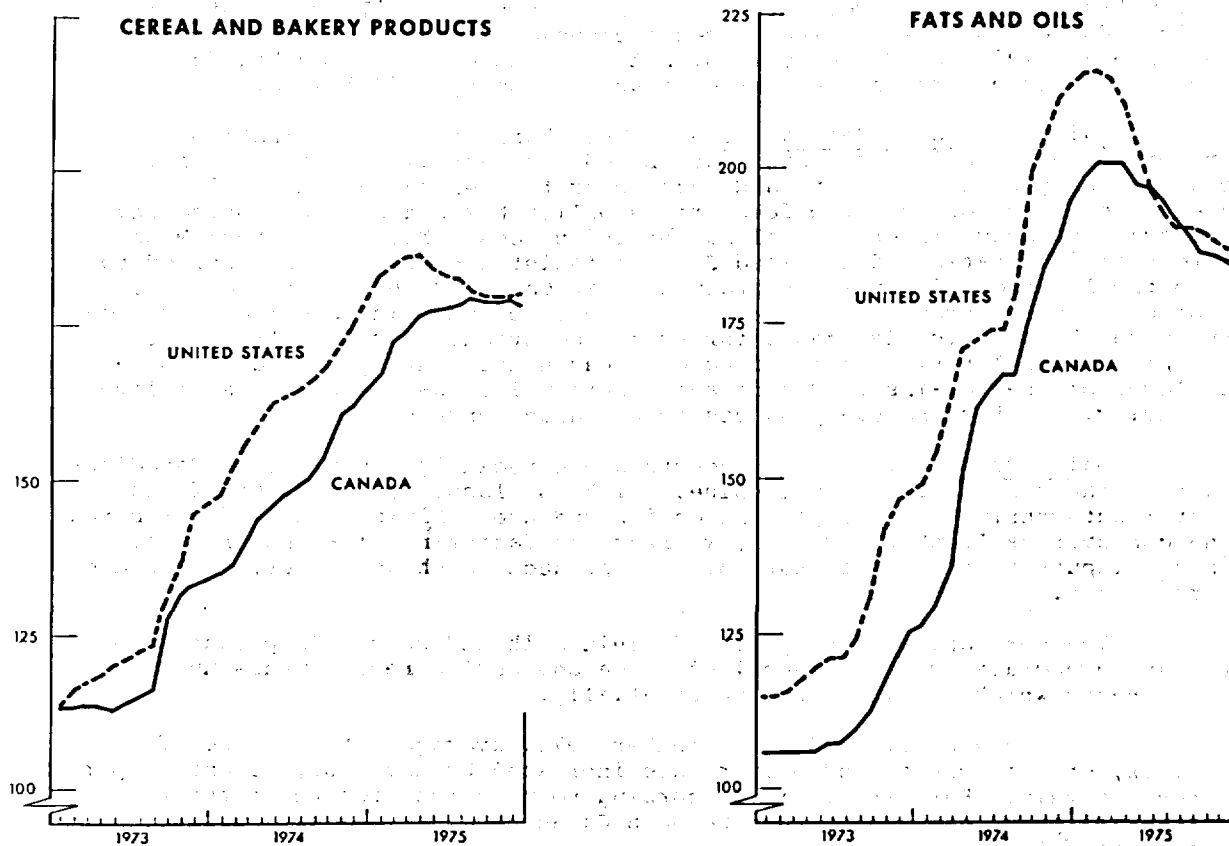
Between January 1973 and December 1975, average retail prices for fresh milk, cheddar cheese and butter have increased by about 60, 55 and 50 per cent respectively. Further, it is disturbing to note that for the first time a substantial price gap has emerged between Canadian and U.S. dairy product prices (Chart 5).

What are the major reasons for such price increases and why is there such a wide differential between Canadian and U.S. dairy product prices? Much is directly attributable to the difference in dairy policy between the two countries. United States policy has, in general, been trending towards less restriction, while Canadian policy has remained tightly regulated, albeit characteristically nebulous. The impact of domestic dairy policy on dairy product prices has been discussed in detail in the recent Food Prices Review Board publication Dairy Foods II - Policy (February 1976). But it is clear from Board analysis and from comparison with the U.S. situation that the increase in the price of dairy products is a direct result of a conscious Federal Government decision to raise the income of dairy producers.

The effect of the federal policy of raising dairy product prices has been to reduce domestic consumption of most dairy products. A reduction in consumption of these nutritious products can only have a detrimental effect on the average Canadian diet. The rapid removal of the five cents fluid milk consumer subsidy that was implemented in 1973 and phased out in 1974 only served to exacerbate consumer resistance to dairy product prices.

* These policy programs were discussed in greater detail in the Food Prices Review Board Feed Grain Policy in Canada, December, 1975.

CHART 4
FOOD PRICE TRENDS, SELECTED COMMODITY GROUPS
CANADA AND THE UNITED STATES
(1967-1969=100)



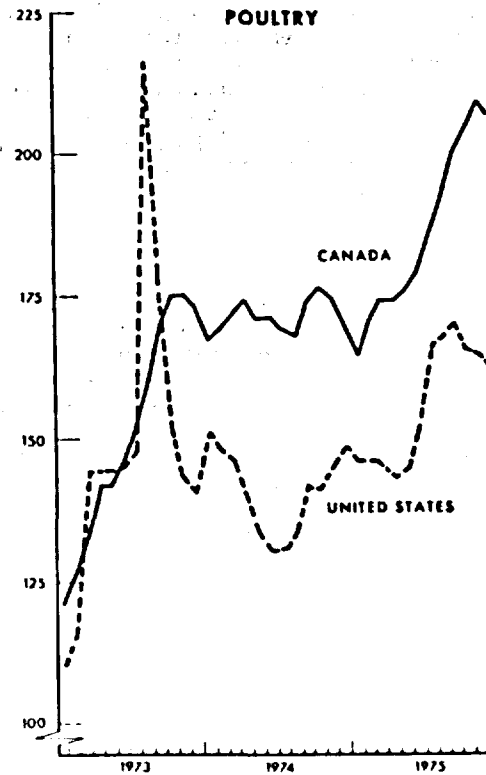
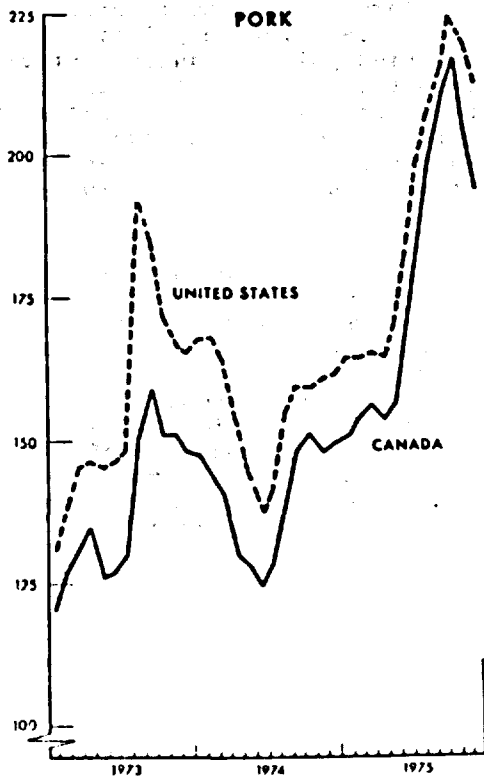
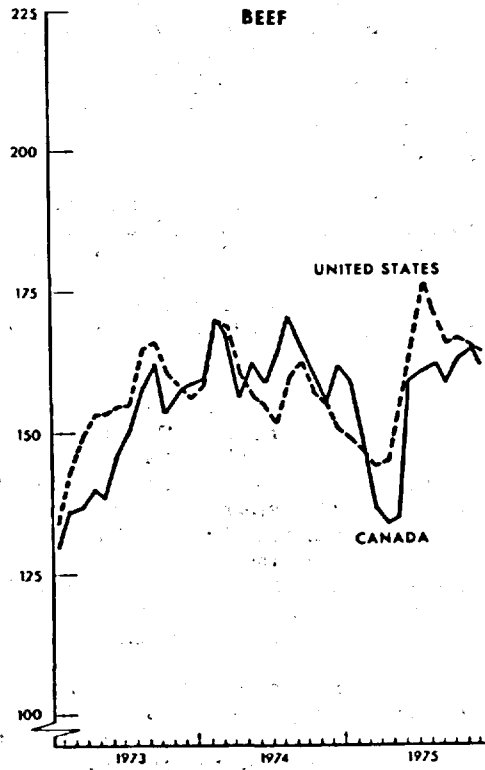
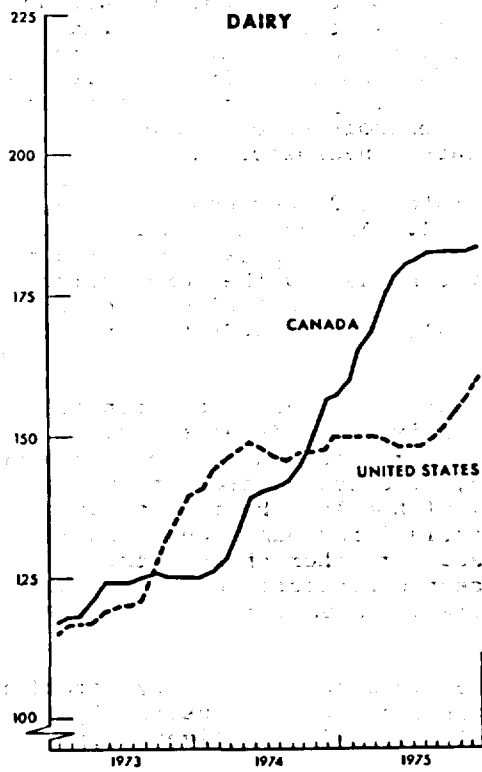
Food Prices Review Board

CHART 5

FOOD PRICE TRENDS, SELECTED COMMODITY GROUPS

CANADA AND THE UNITED STATES

(1967-1969=100)



Beef: Ad Hocery Run Rampant! Beef is the largest single item in the typical consumer's food basket, accounting for more than 15 per cent of expenditures in food for home consumption. Beef also provides a significant portion of the protein intake of most Canadians.

Chart 5 shows the volatile nature of beef prices in both Canada and the United States from 1973 to 1975. Prices in the two countries differed significantly during those years. The instigation for the differential was the imposition of U.S. price controls on beef cattle (and hogs) in 1973. This led to a distortion of the beef market in Canada and a policy of intermittent controls. It was not until late in 1975 when trade controls were relaxed that Canada-U.S. beef prices returned to their customary convergence.

In Canada, beef prices moved up at a rate of 25 per cent in 1973. The upward trend continued until the middle of 1974. An increase in retail beef prices of about 18 per cent between May 1973 and October 1974 compared to an increase in the CPI for food of almost 40 per cent during the same period. Prices fell sharply from mid 1974 until the spring of 1975 but climbed equally as sharply in the middle period of 1975 only to fall off towards the end of the year.

During 1975, the prices of different cuts have varied substantially from the general trend. Typically, the more expensive cuts (steaks, prime roasts) experienced the sharpest price increases, while the cheaper cuts (hamburg, liver, stewing beef) saw only moderate increases, or actual decreases in price. This reflects the sharply increased world supply of boneless beef that was available throughout 1975. This is the "raw material" for hamburger, and low prices for this commodity restrain price increases for other cheap cuts. The converse was true in 1973. Strong demand for oceanic boneless beef, particularly from Japan, the F.E.C. and the U.S. had caused hamburger prices to rise to record levels in Canada at that time.

Board research indicates that increases in margins taken by retailers, distributors and processors were generally not responsible for causing high beef prices. The principal determinant of retail beef prices is the liveweight price received by the producer.

U.S. and Canadian liveweight cattle prices have differed substantially over the three-year period 1973 to 1975. This has largely been attributable to the periodic implementation of a "mish-mash" of trade restrictive policies by both countries during this period. The many and varied policy changes instituted by government during those years indicate that there is no long-term policy for beef trade but simply a series of concessions to temporary pressures. The outcome of such ad hoc policy implementation in both Canada and the U.S. has been to disturb the normal North American trading environment for cattle and beef products and undermine general trading relations between the two countries.

Pork. Pork is the second major component in the meat intake of the typical Canadian diet. Pork prices tend to be volatile and generally follow a long-term pattern of peaks and troughs known as the "hog cycle". (Chart 5). The hog cycle is generated by producers tending to formulate production plans on current or recent prices, which together with the biological lag involved in hog production, results in periodic production and price swings. In recent years, the duration of the cyclical swings has become less predictable as the hog production industry has been increasingly exposed to the vagaries of international feed grain prices. The same criticism should be directed to governments as for beef. There is little evidence of a long-term policy for pork trade but simply a series of concessions to temporary pressures.

Pork prices declined substantially through the latter half of 1973 and the first few months of 1974, in response to increased marketings of hogs in both Canada and the U.S. Undoubtedly, at this time many hog producers were in a loss position as they were "squeezed" between increasing feed grain prices and decreasing hog prices. Predictably, pork prices began an upswing in the second quarter of 1974 as supplies of market hogs had decreased sharply. Prices continued their upward movement until October 1975. In a five-month period (June to October 1975) the CPI pork index rose by over 70 per cent, while producer prices rose by over 80 per cent. In September, record prices of more than \$85 per hundredweight were paid for Index 100 hogs at Toronto. In January 1973, prices for index 100 hogs at Toronto averaged \$46 per hundredweight.

The simple reason for high pork prices in 1975 was a sharp decline in hog production that followed the financially disastrous cost-price squeeze for hog producers early in 1974. Prices peaked in October. Retail prices fell in both November and December, according to the Consumer Price Index. As will be described in Chapter VI, the Board forecasts some further decline in the price of pork later in 1976.

Poultry. As shown in Chart 5, poultry prices have climbed sharply during the past three years. According to the CPI, prices rose 70 per cent between January 1973 and December 1975.

There were two periods of sharp increases. The first occurred during 1973. Canadian prices followed rocketing U.S. prices upward during the middle of the year (although the Canadian climb was not as steep) as feed grain and particularly protein meal prices rose substantially. When near the end of the year U.S. prices fell just as sharply as they had risen, the Canadian level remained roughly constant. In early 1975, once again in response to higher feed grain prices, Canadian poultry prices again began to move upward, maintaining a substantial differential with the U.S.

Board analysis has indicated that since early 1975 price differentials for broilers between Canada and the U.S. have been much greater than can be accounted for by tariffs and transportation costs alone. These indicate the presence of non-tariff barriers to trade in the North American poultry market. Non-tariff barriers also appear to exist among some provinces, which would be in direct conflict with the provisions of the British North American Act.

The marketing of poultry in Canada is controlled by provincial marketing boards operating supply management schemes across Canada. From its analysis of this marketing system, the Board has concluded that "while broiler production costs have increased (in recent years) prices have been set sufficiently high (by the marketing boards) to more than cover producer costs and, in most cases, to return a considerable profit to producers. Further, "while providing producers with improved returns, broiler supply management has decreased producer independence..."*

The intended benefits for consumers under supply management are stable price and supply at the retail level. The Board's analysis of the broiler industry indicates that, under the present broiler marketing board system, improved stability in production and price has been achieved only at the producer level. Wholesale and retail prices have continued to fluctuate. Production, while relatively stable, decreased in 1974 and has continued to decrease due to marketing board cut-backs implemented to maintain higher producer prices. The ultimate costs of the present system, in terms of production and market inefficiencies, have been passed on to consumers in the form of higher broiler prices.

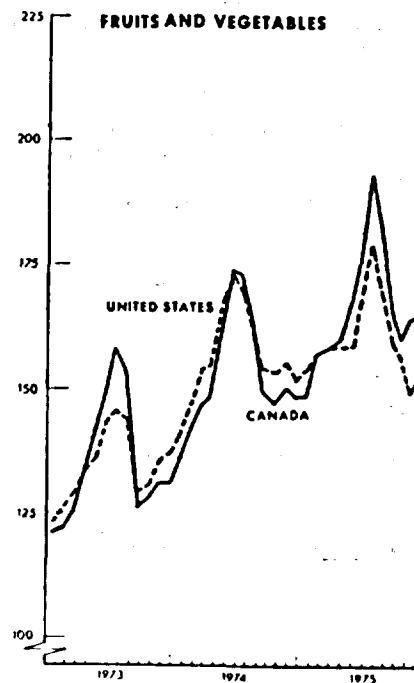
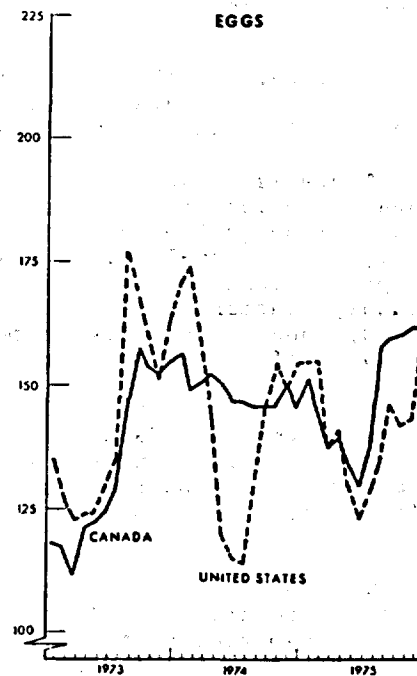
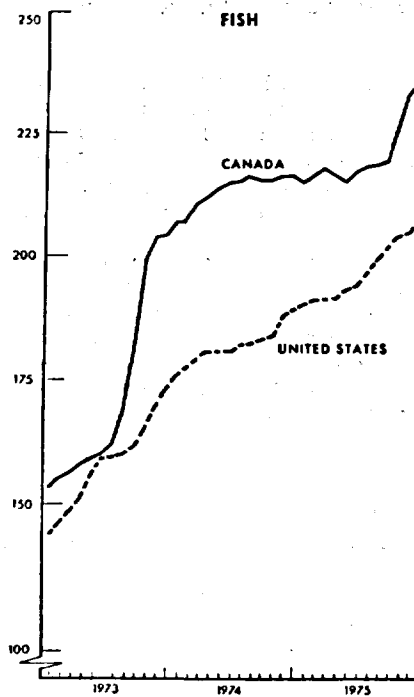
Eggs. The Consumer Price Index for eggs increased by 36 per cent from January 1973 to December 1975. However, a major characteristic of egg price movements over this period has been their volatility. This was particularly marked in the U.S. in 1973-74 (Chart 6).

*Food Prices Review Board, Broiler Chicken Prices, January 1975 and Broiler Chicken Prices II, October 1975.

Since the latter half of 1975, egg prices in Canada have been constantly above corresponding prices in the U.S. This reflects the differing egg marketing and pricing policies in the two countries. In the U.S., egg prices are determined by the interplay of supply of and demand for eggs and egg products. On the domestic market, the Canadian Egg Marketing Agency (CEMA - established in 1972), has the function of co-ordinating the marketing and pricing practices of individual provincial marketing boards. The major tools used by the boards in controlling egg prices on the Canadian market are quotas (domestic supply management) and border controls (international supply management), and more recently by the actual establishment of prices by CEMA.

CHART 6

**FOOD PRICE TRENDS, SELECTED COMMODITY GROUPS
CANADA AND THE UNITED STATES
(1967-1969=100)**



In early 1974, it became clear that eggs were being over-produced in North America. In the United States, prices fell; consumption increased until all the surpluses were purchased. Many producers lost money during this period. To prevent a similar loss to Canadian producers, provincial marketing boards maintained prices at a relatively high level. Surplus eggs were bought by CEMA and either sold on international markets at a loss or stored.

A substantial quantity of eggs rotted in storage leading egg marketing boards to reduce prices in an attempt to clear the surplus. Prices were kept competitive with United States levels until early July 1975 when border restrictions were once again introduced and Canadian egg prices rose well above those in the U.S. Subsequently, the differential between Canadian and U.S. egg prices has consistently exceeded the cost of transporting the product between the two countries plus tariff. Canadian Grade A eggs surplus to table requirements are generally regraded, dyed to assure that they cannot be re-sold for table use and sold at a lower price for use in manufacturing, often across the U.S. border.

In order to tailor Canadian egg production to Canadian requirements at prevailing price levels, CEMA has imposed severe production restrictions on Canadian egg production. The need for such strict policing of production in itself suggests that the prevailing producer price for eggs has been set too high. This is the central problem behind the concept of supply management. It is a strong argument that stable price levels are beneficial to producers, in terms of planning future production, and to consumers, in terms of planning food budgets and insulating them from the volatile U.S. market. But stability has a high price -- perhaps too high. The Board considers that the Federal Government has not addressed itself adequately to this question, has not assessed the long-term costs and benefits of such a policy to both producer and consumer, and has not given adequate consideration to alternative policies.

Fish. This component of the Consumer Price Index includes canned salmon and canned tuna, as well as different varieties of fresh or frozen fish.

Chart 6 shows that fish prices in both Canada and the United States have increased substantially over the past three years. Between January 1973 and December 1975 the Canadian Consumer Price Index for fish rose by more than 50 per cent. Much of that increase was accounted for by an increase of 70 per cent in the retail price of canned salmon.

Canned salmon is one of the commodities that some have suggested should be linked to a two-price system. Canada exports much more canned salmon than it consumes. In the past, high domestic prices have been attributed to high international demand in relation to supply. Many consumers question whether Canadians should be forced to pay a high international price for a Canadian product.

There is no easy answer to this question, which will be examined along with other important issues in Chapter IV. However, it should be noted that by forcing a producer to sell a product for less than the international price, a tax is being imposed. If the producer is reimbursed in the form of a subsidy, it means that Canadians will still pay the high international price; however, it will be partially paid through the tax system. The policy question as to whether the price system should be used to redistribute income is fundamental to the development of a Canadian food policy.

Fruits and Vegetables. Fruits and vegetables, either in fresh or processed form are the principle source of much of our vitamin, mineral and roughage intake. Nutrition Canada's report indicated that insufficient fruit and vegetable intakes were a major deficiency in the diets of many Canadians.

Domestically produced supplies of fruit and vegetables account for about 60 per cent of total supplies consumed in Canada. That is, in 1974, about 40 per cent of domestically consumed fresh and processed fruit and vegetable products were from imported sources. To a large extent, this reflects domestic climatic constraints to providing year-round supplies of fresh vegetables and the year-round demand that exists for warm climate produce such as bananas and oranges.

Chart 6 shows that Canadian and United States fruit and vegetable prices have shown an increasing trend during the past three years, although there are marked seasonal peaks in early summer, just before new crops are harvested. These peaks are more severe in Canada possibly because of the greater transportation costs for produce, which in the off-season is generally imported from the southern United States or Mexico. To a large extent, the explanation of the rising price trend can be attributed to generally increasing prices for processed fruits and vegetables. For example, in Canada, processed fruit prices rose by more than 40 per cent in the past three years and processed vegetables prices rose by almost 60 per cent.

A substantial percentage of the price increases were transmitted to the grower in terms of higher returns. In recent years, processors have been forced to pay growers higher prices to prevent them from switching to more profitable alternatives, like corn, soybeans, or winter wheat. But growers and processors also have been facing rising costs for energy, labour and machinery. Because the actual raw material cost represents only a small fraction of the cost of the final product, the fruit and vegetable processing industry is particularly susceptible to outside cost pressures. This was made particularly evident when sugar prices rocketed during 1975.

Of the fresh vegetables, potatoes are the most important to the Canadian diet and can exhibit extremely wide price swings from season to season.

In the fall of 1973 and early 1974, the Food Prices Review Board received numerous complaints from consumers concerning the high price of potatoes.* During 1975, the "boot was on the other foot". Potato producers successfully appealed to the government for preferential assistance because potato prices were at relatively low levels. Indications are that in 1976 it will be the consumer who will be complaining bitterly once again about high potato prices.

The government policy response to the low level of potato prices during 1975 is a good example of the one-sided nature of policy benefits that has characterized agricultural policy in Canada. Under the umbrella of the Agricultural Stabilization Act, producers are given a financial helping hand when markets are depressed, yet can reap the financial benefits when markets recover. The consumer, through his or her tax dollar, loses at both ends. It would seem that agricultural stabilization has been defined as the removal of price troughs whilst letting the peaks look after themselves, thereby stabilizing farmers' income, usually without any contribution from farmers themselves.

In terms of per capita consumption, apples are the most important fresh fruit. Apple prices hit seasonal highs in the summer before the new crop is harvested. Prices this winter are lower than the past two winters because of an extremely abundant supply.

Other Food Products. There are many products which Canadians purchase regularly which do not fall into any of the categories already considered. These include sugar, coffee, tea and many prepared and partially prepared food products.

* For a discussion of potato prices in recent years see the Food Prices Review Board's report, Table Potatoes, May 1975.

Sugar was the subject of two reports issued by the Food Prices Review Board. During the life of the Board more complaints and enquiries were received about sugar prices than about any other commodity, although sugar usually accounts for less than one per cent of total food expenditures.

Canadian sugar prices are strongly influenced by international factors. Canada purchases about 90 per cent of its sugar requirements on the free market through the London exchange, and Canadian refiners adjust their wholesale prices according to the current London Daily Price. Prices for sugar increased on the world market during 1974 due to poor harvests in some areas and increased consumption. The London Daily Price for sugar was about 10 Canadian cents per pound during most of 1973; it peaked at 65 cents per pound in November 1974. Retail prices increased by more than 300 per cent during 1974.

Rising sugar prices affected prices of many other items. About 60 per cent of sugar refined in Canada is used in the manufacture of processed foods and beverages. As mentioned earlier, prices of bakery products and canned fruit, were affected by higher sugar prices. Table 2 includes price changes during 1973, 1974 and 1975 for sugar and four products containing sugar. Each of these products increased in price by more than 40 per cent during 1974.

Despite public reaction to the high sugar prices of 1974, the Board has recommended that Canadians accept a degree of short-term sugar price instability in return for lower long-term average prices.

Coffee is another item for which Canadians must pay the world price. Prices increased by more than 10 per cent in both 1974 and 1975. (See Table 2). In July 1975, frost damaged the Brazilian coffee trees. The coffee harvest had commenced, and the beans were mature enough to escape damage that year. Although the crop was not affected by the frost, future crops could be greatly reduced. The anticipated reduction in coffee supplies and resulting speculation has caused prices to rise.

Cost of a Nutritious Diet. In the preceding sections, price trends for the major food categories, irrespective of their nutritional importance, have been reviewed. However, from the time of its appointment, the Food Prices Review Board was concerned about the effect of rising food prices on the nutritional quality of Canadian diets. Particular attention was focussed on rapid increases in the prices of basic, staple food items.

In February 1975 the Board released What Price Nutrition?, a report on the dollars-and-cents costs of eating nutritionally. This report included a food basket which satisfies the nutritional requirements of an urban family of four.

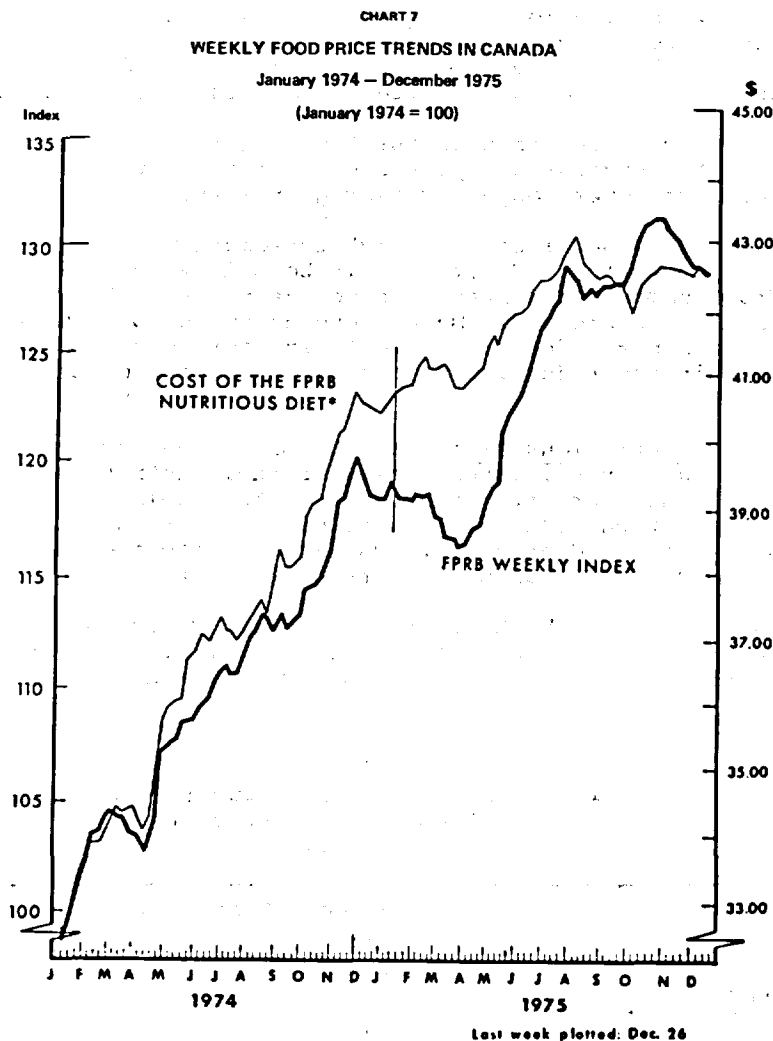
TABLE 2
Annual Rates of Change, Consumer Price Index,
Selected Food Products
1973-1975

	Per Cent Change Over 12 Months to December		
	1973	1974	1975
<u>Sugar and related products</u>			
Sugar	9	323	-59
Jam	13	69	3
Chocolate bars	- 2	46	28
Jelly powder	4	77	13
Soft drinks	0	36	6
<u>Coffee</u>			
Instant	2	22	17
Roasted	10	13	26

Source: Statistics Canada.

Chart 7 shows trends in the cost of the Board's nutritious diet, which is oriented more towards the way Canadians ought to eat, than the Board's weekly index which reflects actual eating habits. The nutritious diet places relatively less weight on meat and more on fruits and vegetables than does the weekly index. During early 1975 these two measures of food prices diverged. Lower beef prices caused a decrease in the weekly index but did not significantly affect the cost of the nutritious diet. Despite differences in direction of movement at certain times, the price movement of these two indicators of food prices has been remarkably similar.

Table 3 gives the average weekly cost of the nutritious diet for 12 cities. The 12-city weighted average was \$42.50 for October to December 1975 compared with \$39.60 one year earlier, an increase of \$2.90 per week or 7.3 per cent.



* Weighted average for twelve cities.

Note: Dollar cost of the FPRB nutritious diet is shown on the right axis while the index level for the weekly index is shown on the left axis.

Food Prices Review Board

TABLE 3

City Average Weekly Cost of a Nutritious Diet,
Reference Family of Four Persons
October 1974 - December 1975

	1974	1975			
	Oct.-Dec. Average	Jan.-Mar. Average	April-June Average	July-Sept. Average	Oct.-Dec. Average
St. John's	42.20	43.40	43.40	45.50	46.50
Charlottetown	41.00	41.80	42.80	44.90	43.30
Halifax	40.10	41.00	41.90	42.90	41.80
Saint John	40.50	41.20	42.50	44.20	44.70
Quebec	37.50	38.40	39.00	39.90	40.30
Montreal	38.90	39.90	39.90	41.00	41.40
Ottawa-Hull	39.00	40.20	40.80	41.50	41.60
Toronto	39.20	40.50	41.70	42.70	42.70
Winnipeg	39.00	40.30	42.10	43.60	43.40
Regina	39.60	41.50	41.50	42.90	41.80
Edmonton	39.60	41.00	41.60	43.80	43.70
Vancouver	43.10	44.00	45.90	46.90	45.10
12-City Weighted Average	39.60	40.70	41.50	42.60	42.50

Source: Food Prices Review Board.

Cost Pressures Within the Food System

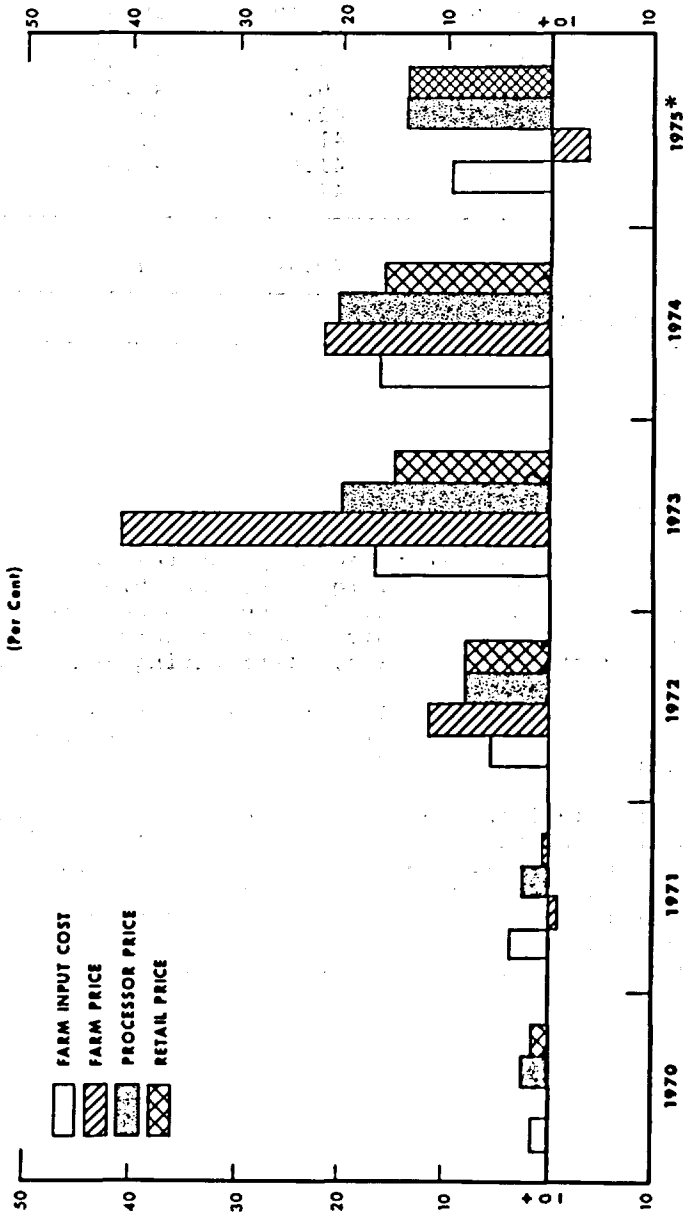
From 1973 to 1975, international pressures on the supply of and demand for the major food commodities were largely responsible for the upward pressure on all food prices during this period. However, there were general inflationary pressures in the global economy at this time that served to increase sharply the costs of food production processing, distributing and retailing.

Chart 8 summarizes annual changes in four major indexes of food costs and prices (farm input costs, producer prices, processor prices and consumer prices) between 1970 and 1975.

In 1970 and 1971 the Canadian farmer was faced with decreasing prices for certain products with the result that the total index of prices for farm products declined in both years. At the same time the prices which farmers had to pay for basic farm inputs were increasing. Because farmers in the open market are price takers rather than price makers, they are not always able to pass on the cost increases of inputs such as feed and hired labour. Prices charged by processors and retailers increased slightly during 1970 and 1971.

Prices for farm products increased substantially in the 1972 to 1975 period (as, to a lesser extent, did farm input costs). Processor and retail prices did not increase to the same extent. The price of the "raw" agricultural component of a food product is not necessarily a substantial percentage of the final retail price for that product. Thus, as movements in processing, distributing and retailing costs are less volatile than movements in raw agricultural product prices, sharp increases in the latter are not reflected in correspondingly sharp increases in retail prices. Of course, the converse is true when there is a sharp decrease in agricultural product prices, as was shown in 1975 (see Chart 8).

CHART 8
PRICES AND COSTS IN THE FOOD SECTOR
Changes in Farm Input Costs, Farm Prices, Processor Prices and Retail Prices
1970 — 1975
(Per Cent)



*Per cent change from first three quarters 1974 to first three quarters 1975.

Food Prices Review Board

Governmental Responses to the Challenge of Food Price Instability

As the disappointing worldwide crop results for 1972 became apparent, food prices began to move upward at a distinct and accelerating pace. By the close of 1972, there was widespread unease in Canada about food price trends. This was reflected in the Throne Speech of January 4, 1973 in which the Federal Government expressed concern about the "world-wide problem" of inflation and, especially, the "world-wide trend toward higher food prices".

While the Government was aware of the problem and, in a minority situation in Parliament, clearly concerned about its political implications, there appears to have existed at that time no general accepted understanding of the causes of the new instability in food prices.

The Government responded to these circumstances by establishing the Special Committee on Trends in Food Prices on January 23, 1973. It consisted of 25 members of Parliament. It was given full powers "to enquire into and make recommendations upon the trends in food prices in Canada and factors domestic and foreign which account for these trends."

The Special Committee, surely one of the most active and conscientious parliamentary committee in recent years, met 44 times and produced three incisive reports over the course of its year-long existence. (It dissolved with the end of the first session of the Twenty-ninth Parliament.) The Committee made a total of 17 recommendations to Parliament. These are listed in Appendix A and are worth reviewing because they reflect the considered conclusions of the majority (often the unanimity) of members of the Committee, after a great deal of study of the food price situation during 1973.

In addition to the Special Committee's first recommendation calling for the establishment of "an independent Food Prices Review Board", it is interesting to note that its recommendations specifically recognized the need for Government initiatives with regard to nutrition, consumer education and low income diets. While the Government responded to a greater or lesser degree to more of the Committee's short-term recommendations, it is significant that there still has been no public indication of substantial action in response to two key long-term recommendations -- i.e. that consideration be given to "the advisability of protecting the Canadian market from the pressures of world food requirements" and that consideration be given to the establishment of a "comprehensive and realistic long-term food policy for Canada".

In the Board's view, the Special Committee demonstrated remarkable objectivity and insight in its recommendations and supporting observations. Its work demonstrated the validity of the Government's decision to appoint it in response to widespread uncertainty regarding the ramifications of food price trends at the beginning of 1973. And, although the Special Committee was unable to suggest a comprehensive list of policy responses to meet the situation, it did identify major policy issues requiring Government consideration and recommended a number of useful short-term actions aimed at clarifying the still murky facts and alleviating the impact of rising prices on those hardest hit by them. These included the recommendation to establish a Food Prices Review Board which the Government adopted in May 1973.

It seems that there is a tendency in politics to treat symptoms instead of the disease itself. Sometimes this is because the cause of the disease is beyond the reach of available medicine. The Federal Government's reactions to food price inflation over the period 1973-75 tended to reflect this. For, while trying to appear to be taking significant initiatives, by and large the Government seemed unconvinced that, in reality, it was in a position to do anything to abate the upward movement of food prices. Although, it was under particularly heavy political pressure with regard to food price inflation, the Government's response to the food situation reflected its overall posture with regard to inflation in general. It considered itself powerless to

deal with what it saw as the international factors influencing food prices and, instead, it responded with a number of ad hoc measures intended to solve specific problems rather than form part of an integrated policy response. These included the two price system on wheat for domestic consumption and the subsidy on fluid and powdered skim milk.

Throughout 1973-75, political circumstances limited the ambit of manoeuvre of the Federal Government in the food price field. Perhaps in 1973 it was inevitable that, with a minority government, the Government was forced to concentrate on rather piecemeal measures designed more to give the appearance of action than to alleviate and solve the basic problems. The Government's position was further complicated by the way the major economic issues emerged in the election of 1974. The polarization that occurred on the issue of government economic controls in that election prevented the type of flexibility Government probably could have used in the months ending 1974 and early in 1975.

Not until the food price issue meshed with a larger and more alarming rate of inflation which could no longer be ascribed solely to international factors did the Government adopt policies which could affect the underlying domestic causes of food price inflation. Eventually, with the adoption of wage and price controls, the Government responded to the general inflationary crisis. However, the Board found that the Government, particularly in its white paper of October 1975, still ignored or discounted the significance of the food contribution to inflation.

Indeed, in considering the Federal Government's response to food price trends in 1973-75, it is important to note the discrepancy between its rhetoric and its actions. By the appointment of the Special Parliamentary Committee and the Food Prices Review Board, the Government gave an early impression of taking positive steps. Yet it is a good question whether or not the Government saw either of these bodies doing more than distracting the public long enough for the country to ride out what was anticipated as a very temporary phenomenon. Subsequently, as noted, the Government took important actions directed at the symptoms of the disease. Notwithstanding the merit of these initiatives, however, the Government also took contradictory actions which put upward pressure on food prices, giving rise to the question of just how concerned the Government really was about easing food price pressures. For example, the Federal Government sanctioned substantial dairy price increases in 1974-75 which were not totally justified by cost pressures.

Similarly, perhaps somewhat stung by the implications of the final recommendation of the Special Parliamentary Committee that consideration be given to a "realistic" food policy, the Government evinced interest in according greater emphasis to long-term food policy issues by establishing a special inter-departmental committee of senior officials on food questions. There has been no public indication that this committee has had success in promoting consideration of food policy decisions of a long-term nature. Indeed, it is hard to imagine that a food policy committee which excludes the department responsible for nutrition policy and programs (Health and Welfare Canada) could really be all that intent on devising serious new food policies.

This is not to say that the Federal Government entirely ignored the issue of food policy. It is reflective of the public alarm about food prices that one quarter of the text of the Speech for the Throne of February 27, 1974 was given over to the enunciation of the Government's policy objectives with regard to food. Indeed, that statement still constitutes the nearest thing the country has to an authoritative statement by the Federal Government of its position on food policy. (Extracts from that Throne Speech are presented in Appendix B). It will be noted that the problem with that enunciation of policy objectives, as with all special food policy statements in recent years, is that it leaves undesirable ambiguity on several crucial issues. Until such terms as

"reasonable" food prices and "an undue proportion of income" are defined we cannot hope to arrive at a real food policy. It is interesting to note, moreover, that the Government's own definition of "adequate" return to farmers has been frequently contradicted by the Minister of Agriculture.

In short, the Federal Government's response to the challenge of food price instability can best be described as contradictory. Part of the reason why government was able to avoid "doing something" about food price trends during 1973-75 was because the controversy surrounding the establishment of the Food Prices Review Board distracted the public, press and politicians from the real issues. More will be said about the Board in Chapter III.

Little can be said about the response of provincial governments to the food price trends of 1973-75 because, on the whole, their response was purely rhetorical. Reflecting their attitude to general inflation, the provinces believed there was nothing they could do about the food price situation. They were quite content to pass the buck to Ottawa, and like Ottawa, to promote inflationary agricultural policies. It might be argued that this general criticism of the responses of the provinces should not include British Columbia which, in addition to earlier innovative agricultural policy steps, took severe measures with regard to the provincial food industry in September 1975. However, food price concerns were a minor consideration in the new agricultural policies and the B.C. government delayed responding to the industry labour relations problem until so late that its food price freeze and return to work order was less a response to food price issues than to the demands of political expediency.

In summary, only as the food price situation blended into a general two-digit domestic rate of inflation, a pace not entirely justified by world developments, did governments take strong measures to check the situation. However, even with the introduction of wage and price controls, the federal and provincial governments have remained ambiguous about their concern for food prices because of the effective exemption from the control program of farm gate prices and continuing uncertainty concerning the position of marketing boards at the provincial level.

Given the uncertainty about the cause of the surge in food prices beginning in 1973 and given the understandable difficulty of adjusting attitudes to the disappearance of world surplus food production and inventory conditions, and, finally, given the expectation that it was a temporary situation and we would soon return to the old "surplus" conditions, the Board considers the general response of the governments to food price developments reasonable up to mid 1974. Since then, the Board is of the view that governmental response has been inadequate to the challenge.

III. THE FOOD PRICES REVIEW BOARD: MAY 1973 - OCTOBER 1975

"... this body might be called the ugly duckling of Canadian politics ... I recollect the ugly duckling eventually grew into a beautiful swan."
(T. Grier, Hansard, September 17, 1973.)

The Food Prices Review Board was established on May 25, 1973 by Order-in-Council under Part I of the Inquiries Act as a response to the uncertainty surrounding rapid food price increases. The purpose of this Chapter is to outline in some detail, the role and activities of the Board during its terms of office.

It is unlikely that anyone foresaw that the creation of the Board would prove eventually to be among the Federal Government's most significant responses to the surge in food prices. The Board's significance was not restricted to the food sector of public policy nor simply to the evolution of contemporary politics. Rather, the Board was an innovative experiment in government organization and its strengths and weaknesses now appear certain to provide a pattern for similar agencies. Indeed, the experience with the Food Prices Review Board appears to have been a central element in the organization and mandate of the Anti-Inflation Board.

Acknowledgements

Credit and/or responsibility for the creation of the Food Prices Review Board belongs primarily to the Honourable Herb Gray, the then Minister of Consumer and Corporate Affairs. It was his lot to have to answer for the Board in the House of Commons in the early stormy days and, no doubt, also in Cabinet when the Board's independence cut against the government. By steadfastly defending in public the government's policies on food prices, Mr. Gray became identified with and perhaps the victim of consumer concern about those prices and policies, despite the fact that he appeared to do more to protect the consumer interest in the face of food price pressures than any of his colleagues. The Board wishes to record its appreciation to Mr. Gray and also to his successor, the Honourable André Ouellet, for their trust and, especially, for the grace with which they accepted and even encouraged the full independence of the Board.

Similarly, the Board acknowledges with appreciation the contributions of Mr. M. Pitfield and of Dr. S. Ostry, his successor as Deputy Minister of the Department of Consumer and Corporate Affairs. A very special word of thanks is also merited by the staff of that Department which, virtually alone amidst the Ottawa bureaucracy, gave the Board full administrative and staff co-operation -- albeit after a "gentle nudge" from the Chairman!

The Board would be less than candid if it failed to record its profound regret at the lack of co-operation provided by the Minister of Agriculture and his most senior staff who ignored the Cabinet directive requiring them to "render such assistance to the Board as may be required for its activities". Fortunately, technical experts from that Department were less narrow-minded and gave the Board frequent advice and encouragement.

The Mandate

It is clear from the wording of the Order-in-Council of May 25, 1973 which established the Board that, initially, as recommended by the Special Committee, the Board was given a very restricted research-oriented mandate to provide "detailed and timely information and analyses with regard to price movements amongst food products." Specifically, it was:

"to monitor price movements of a comprehensive series of food products and to issue reports thereon, at three-month intervals, and to inquire into the causes of particular food price increases in any class of food products, and to issue reports thereon, with all dispatch, including recommendations where the Board considers it appropriate to do so."

To this relatively academic mandate was added the very important power under which the Board was entitled to publish reports on its own authority. That is, in effect, the Board was made virtually independent of Government and Parliament. Through its hold on "the purse strings" a potential financial control remained at the disposition of the Government, but under normal circumstances, it would have been awkward for that power to be used to limit the Board's actions. In any event, no significant attempts were made to interfere with the Board's activities.

The Board's initial term of office was to expire on December 31, 1974. Three months before that point, the Board's life was extended for a further 12 months, to December 31, 1975. In the end, the Board was officially disbanded on October 14, 1975 to make way for the Anti-Inflation Board. It was, however, allowed to continue publishing the results of work which had reached an advanced stage prior to its official closing. This report and the reference papers with which it is released represent the culmination of that "windup" effort.

In reaching an understanding of the Board's role and accomplishments, it is worth noting the uncertainty as to its tenure under which it continually laboured. During the 1974 election campaign, the Progressive Conservative Party said it would abolish the Board if elected. Once that hurdle was passed, the Board faced the end of its first official mandate and was beginning windup proceedings when the Government decided to extend it for a further year. Throughout 1975, the Board's status was in continual doubt because of indications that the Government might take new and direct action against inflation. Indeed, until immediately prior to the October 14 announcement of wage and price controls there remained a distinct possibility that the Board would be extended for yet another year. While the Board learned to ignore this continuous uncertainty, it had a serious impact on the Board's ability to attract staff and, sometimes, on staff morale.

It is somewhat difficult to document how the Board evolved from a small food prices research unit to a "high profile", comprehensive prices and policy agency whose Chairman the national media named most newsworthy woman of the year in 1973 and 1975 and top woman newsmaker in the field of public affairs in 1974. Several factors were responsible for this, but chief among them were the "great public expectations" which were aroused by exaggerated suggestions as to what the Board could be expected to do.

It was never adequately communicated to the public that the Board's mandate was very limited indeed and, even to this day, much of the public appears to believe that the Board was established to stop food price increases. The fact is the Board was set up to do research with an anticipated initial staff of about 12 people. In the end, at its peak, the Board had a staff of 75 persons and an annual budget slightly in excess of \$2.4 million.

Recognizing the problem of undue expectations, and to counteract a steady flow of criticism about the "toothless" Board, the Government conferred a third mandate upon it on August 21, 1973. The new mandate called on the Board:

"to inquire into any increase in the price of any food item where such increase may be unwarranted, and, where the Board deems necessary, to publish a report thereon without delay."

Although somewhat ambiguous, the Board interpreted the new mandate very broadly, in response to expectations which were even further aroused with the announcement of the new mandate. It was this third mandate which allowed the Board to go beyond its strict research orientation. Without the public and political pressures surrounding food prices in the summer of 1973, Government would not have been prompted to provide the third mandate. In its absence, the Board would have had difficulty adopting its energetic and comprehensive approach to food issues.

Accomplishments

Details concerning the early evolution of the Board have been provided to assist in explaining why it ended up doing what it did, to facilitate a judgement on its accomplishments and the degree of success or otherwise which it enjoyed. This might appear to be an unnecessarily narcissistic exercise, but it is desirable that a judgement be made about the Board because of the likelihood it will be copied, as an institutional example, in future government decisions. As a "medium", the Board may have been as important as its message.

By any measure, the Food Prices Review Board was extraordinarily productive. On the inside front cover of this report can be found the list of nine Quarterly Reports, 23 Commodity Reports, nine Special Inquiry Reports, 10 Background and Technical Reports and nine Reference Papers which, in addition to this report, were published by the Board. A brief outline of the major points covered in the 61 publications is provided in Appendix C.

It is difficult for the Board to be objective in judging the value to the public of its reports. It is clear, however, that the reports helped to remedy an extraordinary dearth of sound published research concerning the Canadian food system. Evidently, the general lack of interest in food issues which characterized the era of "the surplus food problem" carried over into the institutions, including the universities, which might otherwise have been expected to provide a steady flow of relevant research and analysis. Indeed, despite the accelerating interest in food, starting in 1973, the Board still finds a low level of responsiveness on the part of Canadian institutions to the issues of the food sector. Moreover, food studies continue to be consigned predominantly to agricultural specialists when, if anything has become clear in recent years, they should be seen as requiring an interdisciplinary approach.

As much as possible in its work, the Board adopted an interdisciplinary approach. Its very composition, it should be noted,* ensured that every document approved by the five Commissioners would be screened from five quite distinct "professional" and "geographic" points of view. This reduced the danger of excessive sectoral bias which still colours much of the food writing in Canada.

Given the relative paucity and the somewhat slanted nature of food industry studies carried out in Canada up to 1973, the comprehensiveness, objectivity and sheer volume of Board publications cannot have failed to make a worthwhile contribution. In general, "feed-back" from the public strongly confirmed this conclusion.

Several of the Board's reports had particularly enthusiastic public receptions. For example, the Board's report "What Price Nutrition" was so popular that much of the Board's staff was occupied for more than two months in responding to requests for copies. More than 500,000 copies were distributed across the country, and through media coverage, its message reached an audience of an additional several million people. There are few if any other publications which can claim to have had that kind of impact in Canada in recent years.

* Economist (Ontario), Accountant (Nova Scotia), Labour Specialist (Quebec), Rancher (Alberta), Consumer Journalist (British Columbia).

While some of its reports had an impressive direct impact on the general public, at an early point the Board decided to direct its research and publication efforts towards opinion and policy makers. This policy of "communicating and communicators", by and large, was successful. It was especially satisfactory with regard to the growing number of consumer specialists in the media who made a major contribution to public understanding of the forces behind food prices by popularizing and disseminating very broadly much of the Board's work.

While it is likely that without the Board's existence there would have been a general awakening of interest in food issues accompanying the escalation of prices, it does appear that the Board's work had a substantial impact on the direction of that interest and provided a solid factual basis for responding to it.

In the end, it is by the provision of facts that the Board probably made its most important short-term contribution. The upward movement of food prices beginning in 1973 created an atmosphere of public suspicion and hostility about the food system. A marked demand for the identification and punishment of a villain emerged. This pressure came to bear at a time when, in a minority situation, the Government was very vulnerable politically. The public fastened its suspicion on the manufacturing and, especially, the distribution end of the food chain. Yet, if as most informed people suspected, the problems in 1973 were the result of international supply and demand pressures, then action against the domestic food industry might have proved very ill advised. The Board was able to step into this situation and, by providing solid facts, avert unjustified actions.

The Board's research appears to have had a substantial impact in two areas in particular. Food policy formulation at both levels of government in Canada had long been virtually the exclusive preserve of the agriculture authorities. With food issues coming to the forefront in 1973, many government departments turned to the Board's research as the only available material on current food issues which could assist them to understand, deal with and, sometimes, contradict their agricultural colleagues.

The second area of substantial impact was in the media. On controversial issues between 1973-75, like marketing boards, egg prices and sugar prices, the Board was able to provide timely and relevant documents on the basis of which the media could base their reporting and analysis of the facts. As the media came to accept the Board as an independent authority in the food sector, the Board's work increasingly became the basis for media questioning and analysis of contemporary food issues. In fact, the benefits of a partnership between an independent fact-finding Board and an independent media may have provided one of the most significant developments in the 1973-75 period. For those concerned about the chances of arriving at a truly participatory democracy in an age of complex issues, this example of institutional teamwork was most encouraging.

Yet the Board's research and publications activity constituted only half its work. The Board carried out four additional major functions:

Investigations. The Board carried out continuous investigations of food prices and pricing practices. Starting with the first ever national survey of food prices and supermarket practises in September 1973,* Board investigators travelled to every part of the country at regular intervals. In addition to providing the Board's research staff with basic price data, the investigating function served two major purposes. It served as a deterrent against food retailers who might have been inclined to take advantage of the period of price instability. Over the span of its term of office, Board investigators turned up well over two hundred instances requiring further investigation by government agencies. Many of these, in turn, resulted in prosecutions under various laws.

* Food Prices Review Board, Retail Food Stores Survey, November 21, 1973.

A second additional benefit of the Board's investigating activities was that it helped keep government officials, responsible for policing compliance with major consumer protection laws, on their toes. Frequently, for example, investigators found weigh scales which had not been inspected for unreasonable lengths of time and also instances of inadequate inspection of foods. The Board reported all such instances to the appropriate authorities. In this way, the Board performed a "quality control" function vis-à-vis the state's "quality controllers".

Complaints. Another important function performed by the Board was its complaints response services. Most complaints about food prices came from disgruntled consumers, but many were also received from farmers, fishermen and even executives in food industry companies. A percentage breakdown by category of complaint over the life of the Board is instructive (Appendix D).

The Board decided that in addition to an "ombudsman" role, the complaints service should perform, wherever possible, a direct educational function. Consequently, a small, highly capable staff was hired to respond to all complaints by telephone. While more economical than the traditional written type of bureaucratic response, telephone calls made it possible to impart a great deal of information in a short period of time. Complaints officers frequently found that the subject of a complaint letter was only the tip of the iceberg and complainants appreciated having an opportunity to discuss all their concerns -- often including non-food related problems. No one will ever know, for example how many marriages were saved by the Board's food price "distress" counsellors!

Of course, many complaints had no ready explanation and these became the object of inquiries by the Board's investigation unit. Most retail food chains were eager to improve customer relations, so it was rarely necessary to threaten them with publicity or other action to get grievances settled. Thus, usually the Board was able to remedy legitimate grievances quite speedily in this area.

Price Monitoring. A third important function which was related to but distinct from the Board's research activity was its weekly national price survey. Initially the Board relied entirely on Statistics Canada data but found the delayed appearance of this data inhibiting. So a weekly national survey of food prices was instituted by the Board based on an 82-item core basket. In addition, the Board carried out continuous coast-to-coast monitoring of bread, fluid milk and, with the assistance of Consumers' Association of Canada volunteers, skim milk powder prices. Though less comprehensive than Statistics Canada data, the Board's regular surveys allowed it to keep more up-to-date on trends. This service eventually became the basis of a monthly report to the public which has been maintained by the Anti-Inflation Board.

Policy Advocacy. A fourth major function, again based on but distinct from its research efforts, was the Board's independent advocacy role with regard to food related policy issues. In many of its 140 and more press releases and official statements (see Appendix E) the Board took firm stands on all the major food controversies that cropped up during its term of office. Similarly, in numerous speeches, members of the Board and its staff spoke out regularly on the major issues. The combative, advocacy function reflected the Board's policy of going beyond simply explaining food industry problems to the active promotion of their solution. Examples of this kind of activity include the Board's positions on the federal fluid milk subsidy, shoddy meat inspection services, shortsightedness on land use at the site of the proposed Pickering Airport and labour demands in the British Columbia food industry.

While this advocacy function can be seen as a distinct feature of the Board's activity, of course it blended into the Board's research or fact finding role, which itself frequently caused controversy, for example, in the Board reports on Bread Prices (February 1974), Egg Prices (January and August 1974) and Broiler Prices (January and October 1975).

Summary. The Food Prices Review Board had a major impact on an important area of public concern at relatively low cost (less than 15 cents per capita per year). In carrying out its several functions, the Board went well beyond what is expected to do and, in the process, became an important feature of the political landscape during the period 1973-75. In its publications it illuminated many of the dark corners of the food industry and provided many Canadians with their first insight into that most important of economic sectors. In the policy stances it adopted, the Board encouraged both reassessment of "sacred cows" and the adoption of measures to alleviate the negative effects of rapid food price inflation. Above all it placed a spotlight on questionable agricultural policies as opposed to food policies.

It was mentioned earlier that the Food Prices Review Board may also be seen as having constituted an experiment in government. The concept of establishing a fully independent, adequately funded, apolitical agency or tribunal to carry out an intensive review of the evolving circumstances in a sector suffering instability and leaving the agency free to interact with and report directly to the public (unlike traditional Boards and Royal Commissions which report through Government) was an unusual departure. In the Board's view the experiment proved successful and it should be seen as setting a useful precedent for other important sectors where government policy adjustments are necessary but where facts are lacking or emotions excessive.

The Minister of Agriculture described the Board as "anarchy" and that reflects the political courage that would be necessary to repeat the Food Board experiment. However, in the age of "Watergate", it may be essential that all agencies carrying out inquiries in sensitive areas be invested with full independence to assure the public that it is being dealt with on a fair and square basis.

Selected Observations

For more than two years the Food Prices Review Board was immersed in the workings of Canada's single most important economic sector and one of its most contentious social and political issues. That experience gives rise to the following observations which are of importance beyond the confines of the food industry.

Indifference to the Food System. Given the importance of food, the Board was constantly amazed at the ignorance and, worse, indifference of most Canadians concerning the food system and all its component parts. No doubt this reflected the fact that for most of our history we have been able to take for granted abundant food at low prices. During the period 1973-75 there emerged new interest in the price of food, but most Canadians quite happily continue to ignore the realities of how food is produced, gets to our table and derives its price. Moreover, reflecting this fact, the Board finds a continuing inability on the part of governments at both levels to recognize the clear need to treat food as a critical subject of public policy.

The Board hoped that the Federal Government had discovered this fact when it established a committee of senior officials on food policy. However, that committee appears to have been overly pre-occupied by short-term problems. There is no evidence in the public domain that it has come to grips with the fundamental food policy issues which face Canada. A clear indication of this short-sighted approach to food policy is the fact that the senior committee did not include members from Health and Welfare Canada which is responsible for national nutrition standards.

Statistics. The capacity of government to respond to the challenge of rapidly rising food prices (or almost any other challenge for that matter) is seriously hampered by the relative scarcity of timely statistics. Timely policy adjustments can only be made on the basis of reliable and up-to-date statistics. This does not reflect negatively on Statistics Canada which operates admirably within the staff and budgetary limits imposed upon it. It does, however, reflect on the priority governments have placed on the gathering of reliable statistical data. Even if there be insufficient funds to gather up-to-date statistics in all sectors, there should be sufficient flexibility to amend priorities to meet unforeseen challenges, such as the need for more rapid gathering of statistics in the food sector starting in late 1972. This lack of flexibility reflects a significant weakness in a government's ability to respond to crises of an economic nature. With the speed of contemporary developments in crucial sectors, it is simply not acceptable to formulate policy in 1976 on the basis of data which is a year and more out of date.

As it is likely that there will be continuing and rapid evolution in world food developments, the Board considers it essential that statistics gathering priorities be adjusted to provide the basis for considering necessary policy adjustments.

Agriculture: A Sacred Cow. Because of the widespread failure to distinguish between food and agriculture, and because agriculture cuts across party lines much like religion, Canada's governmental system encounters very significant problems in dealing effectively with food related issues. Many of the foolish and contradictory food policies now in existence reflect the marked reluctance on the part of politicians of all stripes to speak out against vested agricultural interests. During 1973-75, when a healthy political system would surely have encouraged widespread debate on food issues, Canadian politicians, with only a few exceptions, avoided these issues as much as possible and when unavoidable they discussed superficialities. Indeed, the major disadvantage in the creation of the Food Prices Review Board was that it provided a convenient target for politicians to attack, thereby avoiding having to face up to the real issues. By distracting attention away from its inability to deal with substance by focussing on popular but relatively minor "villains", the political system compounds its incapacity to deal effectively with food issues. This imbalance was reflected in the way politicians encouraged the public to consider business and industry the chief villains behind rising food prices while not mentioning the sharp increases in producer income in 1973-75.

A major achievement of the Board's work was to put the contributing factors in perspective. However, often with the facts staring them in the face, most politicians still could not bring themselves to "tell it like it is" about food when it might be seen as an anti-agriculture position.

The best example in the Board's experience of this inability of Canada's political groupings to discuss agriculture critically occurred with the inquiry of the special parliamentary committee established in the Autumn of 1974 to determine the "truth" concerning competing allegations between the Minister of Agriculture and the Chairman of the Food Prices Review Board concerning the egg marketing controversy. What was at stake was whether the Board criticism of egg marketing procedures was legitimate or not. The agricultural establishment said it was not. On reading its final report, one has to read between the lines to discern that the Special Committee confirmed the findings of the Board's research. With some exceptions, notably the Honourable Herb Gray and Mr. J. McGrath, the M.P.s bent over backwards to avoid offending the agricultural lobby. They were not dishonest; just cautious.

The existence of sectors, like the food sector, which are "too hot to handle" by the normal political process is not new. But there has not been adequate recognition of the serious consequences of ignoring their existence. The establishment of agencies like the Food Board for two or three-year fixed terms seems not only justified but perhaps vital to ensure that no sector of major public concern escapes regular searching and objective examination. Unless this principle is accepted, it is very unlikely that we shall soon see another version of the Food Prices Review Board. It has been so successful in questioning current food policies, or their lack, that the agricultural lobby can be counted on to resist the establishment of a similar agency.

The Lobby. Next to the legal profession, producers have always been the most strongly represented special interest group in federal politics. A development of potential importance which the Board observed during its term of office, was the intensification of full-time lobby organizations at the federal level in the food sector. This reflects the growth of government intervention in the economy and concern about government thinking on food policy measures. Farm groups have traditionally been formidably represented in Ottawa through formal organizations such as the Canadian Federation of Agriculture or through Members of Parliament representing the "farm vote". Lobby representation (approaching the U.S. model) of other parts of the food industry increased in the 1973-75 period. At the same time, consumer lobbyists intensified their activity on food issues though they tended to be easily distracted by superficialities.

The Media. As one of the very few truly vital national institutions, the media have been the object of as much vilification as praise. In the Board's experience, the media demonstrated significant shortcomings, some of which merit discussion. On the other hand, their shortcomings were matched by major strengths which played a key role in the Board's work.

The Board found that as a whole the media reflected the general public ignorance about food issues. This was compounded by a tendency among the media to view issues as being either black or white. A further major disadvantage to the media as a means of stimulating public knowledge and discussion on complex but important issues is their tendency to stress "human interest" stories emphasizing the dramatic and usually directed at a very low level common denominator of intelligence. That is, the stress is on mass entertainment rather than mass information. This reflects public demand, no doubt, but it does not absolve the fourth estate from playing its crucial informative role. In the early days of the Board, the large majority of radio and TV news broadcasts on food issues were found to be especially uninformative.

On the other hand, as the Board produced its work, and as it and the media both improved their understanding of food issues, the media showed enormous interest and inventiveness in expanding the public consciousness about food problems. In the end, it was the media which best read, understood and acted on the information provided by the Board.

The Board was particularly impressed by the ability of the increasing number of food and consumer specialists to cut through to the truth behind many of the major food issues that emerged between 1973-75.

Education: F for Food. In assessing the major problem areas it came across in studying food price developments, the Board found the Canadian educational system to be a fundamental area of concern. Given the importance of food, it is quite extraordinary how few people have been trained in areas of application directly relevant to the various parts of the food system. Indeed, the Board faced considerable difficulties in recruiting appropriate staff to carry out its specialized work in part because of the limited number of experts in the area. The few tend to be absorbed either by the university faculties

or by that great swallower of potential food industry talent, Agriculture Canada. Reflecting its tunnel vision, the latter was not prepared to co-operate with the Board, despite repeated requests for staff resources. The Board encountered particular problems in finding skilled staff from the Province of Quebec where advanced studies directly related to the food system have been established only relatively recently.

The indifference of the formal education system to the demands of the food industry are reflected not only in the paucity of graduates but also in the quantity and general quality of the relevant research it produces. The bulk of "food" system research, analysis and publication, emerges from federal and provincial departments of agriculture.

From the point of view of technical agricultural research, several of the departments of agriculture have done outstanding work. However, they have not done so well in broad food policy studies. In any event, because of the degree to which they are obliged to act as a type of resident lobby for the producer interest within governments, it is highly undesirable that the capacity for research on food policy be concentrated within such departments.

It is, moreover, very regrettable that Canada's institutions of higher learning have remained generally indifferent to or have placed a low priority* on advanced training in the food industry as a whole and in the analysis of broad food systems issues. However, some universities are making slow progress in this area and even Agriculture Canada has been experimenting with a food systems approach. Nonetheless, this problem of the university level has compounded the weakness of primary and secondary education in providing Canadians with a basic, comprehensive understanding of the food system.

Beyond Food. The points made so far in this section are all of utmost importance with regard to the food system. The problems noted require the consideration of all persons and institutions concerned with the strength of Canada's food industry. However, it should be noted that each of the points made also has considerable relevance beyond the food sector. Indeed, the Food Prices Review Board found in all its work that there were important relationships between its findings with regard to the food sector and other sectors. In many important respects the food sector is a mirror of the larger Canadian reality. Thus, for example, the Board found not only extraordinary ignorance about the food system but about all aspects of Canada's economic system; not only a serious lack of flexibility in institutional response to the food price challenge but a general institutional inflexibility; not only a disturbing inability of public authorities to comment substantively on food issues but a frequent disinclination to disturb "sacred cows" in many sectors of public concern.

The Board was especially concerned to discover how few Canadians have even the most elementary understanding of economic principles and practice. This widespread ignorance has created conditions in which reasonable economic policies and practices are extremely difficult to explain and justify to the public. Everyone with a stake in the country's economy, especially business itself, must share responsibility for this alarming state of affairs.

In summary, this section has attempted to elaborate on some important observations made by the Commissioners of the Food Prices Review Board during their term of office. These observations have been included in this final report because of their importance not only for the food sector but all sectors of Canadian society.

* In April 1975, eleven deans of agriculture and veterinary medicine, in a National Statement, complained that their faculties are "intellectual resources that are being exploited to only a fraction of their potential". The deans also called for the development of a long-term "agricultural" policy.

IV. MAJOR ISSUES ARISING OUT OF THE 1973-75 FOOD PRICE SURGE

Several fundamental issues hovered behind and were somewhat obscured by the clamour about food prices during the period 1973-75. In this Chapter, an attempt will be made to identify and comment briefly on some of those major issues, most of which remain unresolved.

The Economics of Equity

In Canada, two ill-defined phrases have dominated the polemics surrounding food price developments of recent years: "fair return" and "rip-off". Both terms reflect the normative equity considerations which were introduced to the debate on food prices in the period 1973-75. Though undefined, both were used to justify increased state intervention in the food system. Indeed, it is truly ironic that the only widespread "rip-offs" discovered by the Food Prices Review Board were actions supported by governments in the name of "fair returns". Nonetheless, both terms were of importance in dealing with food price inflation because of the widespread public attitudes they reflected.

The fair returns concept is analyzed later in the context of the farm income issue. For present purposes it need only be noted that the term has been used to support the notion that an agricultural producer should be assured, one way or another, of a "fair" monetary return on his capital investment, his labour and his management. During the period 1973-75 it was used in certain instances to justify sharp increases in prices and farm income resulting from the operations of producer marketing boards (e.g. dairy producers). Its proponents have made little progress in defining the term even though, theoretically, it has been the basis for the price decisions of many producer marketing agencies. Board research suggests that it is virtually impossible to establish one level of fair returns for the majority of producers which does not convey excessive gains to the most efficient producers. On the other hand, a reasonable return for producers who run the most efficient operations (and who, in the case of most commodities, are responsible for the greatest proportion of overall production) would likely bankrupt a number of less efficient producers.*

Its practical weaknesses notwithstanding, the fair returns concept probably is responsible for the fact that at no time in the period 1973-75 did consumers as a group turn against agricultural producers in spite of the fact that farmers gained more on average from the surge in food prices than did any other group. In the Board's experience, the dominant public concern gradually shifted from the rising price levels themselves to a strong sense that the "helpless public" was being taken advantage of and cheated (one definition of being "ripped off") by powerful, "profit hungry" business interests.

For the average Canadian family, food expenditures absorbed no more than 20 per cent of disposable income in the period preceding 1973. That is, Canadians along with Americans spent proportionately less of their disposable income on their daily food than any other nationality in the world. Subsequently, the proportion of income spent on food increased to an estimated 21 per cent in 1975 (see Chapter VI, Table 4). While this increase represented a reverse in a trend that had been apparent since the late 1940s, this percentage figure is still substantially less than the corresponding figure in any other country of the world, with the exception of the U.S.

This fact may explain why the public appeared more concerned with the possibility it was being taken advantage of than with the price changes themselves. In effect, the public seemed prepared to accept price increases if they were "fair". This explains why consumers took no real exception to the increase in farmer incomes occasioned by the increasing prices. Many farmers were thought to have had low incomes and the public was receptive to the argument that they were now entitled to a "fair return". If, as in the case of large numbers of grain farmers, the returns went beyond even the most generous definition of fair returns, this was explained to the apparent satisfaction of the public as being a catch-up for "all those bad years".

* See Food Prices Review Board, Broiler Prices II. October 1975 for an illustration of the impact of equity concepts on broiler production.

If farmers were not "ripping off" the public then there had to be someone else who was! In this way, the public search for a villain turned on other participants in the food chain. This explains the orientation of much of the Board's work: for example, the two reports on food company profits, the report on energy costs,* advertising costs, packaging costs** and so on.

The public demand for "justice" and its assumption that there is a clearly identifiable "villain" when confronted by price instability should be seen as an important feature and lesson of the food price experience of 1973-75. It raised the still unanswered issue of the degree to which state intervention in the economy is justified as a response to the public's thirst for vengeance arising out of an ill-directed sense of justice and need for a villain. It was largely these forces which prompted the drafting of the so-called Anti-Profitteering Bill of May 1974.*** If enacted and used in "witch hunting", it may have had very negative long-term economic effects.

It is worth stressing that a danger posed by equity concepts is that they are amenable to prejudice. As already suggested, the public demonstrated a double standard of equity in ignoring the role of the farmer in increasing food prices while pressing the government to take action against other elements of the food industry. Taken to extremes, the sympathy for the farmer and antipathy to business and industry are distorted and irrational prejudices. They underline the fact that, of the problems facing Canada's economy today, none is likely to prove as destructive as the widespread public ignorance and prejudice concerning Canada's economy.

The Prime Minister's recent ambiguous statements concerning the role of the state in the economy are a good example of the mixing of equity and economics. It is clear from the public reaction to those comments that this will be among the most visible political issues in months to come. In the food sector, it has been a significant issue at least since 1973.

Structure of the Food Industry

A host of issues emerged during 1973-75 concerning the structure of the food industry. Many of the issues are not peculiar to that industry but are part of the ongoing questioning of Canada's general industrial structure in a competitive world. They were apparent at all levels of the food chain, from agricultural producer to food retailer. Essentially, the issues were concerned with market power, that is, the degree to which producers, processors, distributors and retailers could exercise an undue influence on the food system.

One of the major structural issues which confronted the Board concerned the degree and desirability of vertical integration in the food industry. Substantial concern exists at all levels of the industry about what tends often to be perceived as the "threat" of vertical integration. The Board began research in this area. However, reliable data is exceptionally difficult to secure on this issue and the Board had not made sufficient progress to draw firm conclusions by the time of its disestablishment.

A second structural issue of importance was the degree of desirability of horizontal integration (that is, concentration), particularly at the farm and retail levels of the food industry. The Board was unable to finish its work in the very important area of food retailing but has published, along with this report, a substantial reference paper on economic concentration in that sector**** Marketing boards are a form of horizontal integration at the farm level. In reviewing the conduct and performance of broiler and egg marketing boards,***** the Board concluded that the degree of market power exercised by the agencies had major disadvantages. At the same time, however, it is recognized that if our economy is to be characterized by large centres of market power, then the agricultural sector is likely, as a means of self defence, to organize itself into countervailing power structures.

* See Food Prices Review Board, Ninth Quarterly Report, September 1975.

** See Food Prices Review Board, Fifth Quarterly Report, September 1974.

*** Though never enacted either as anti-profitteering or price justification legislation, it was available and would likely have been introduced had the Federal Government not opted for wage and price controls in October 1975.

**** Dr. Bruce Mallen, "Economic Concentration in the Canadian Retail Food Trade", Food Prices Review Board, Reference Paper No. 6, February 1976.

***** See Food Prices Review Board, Report on Egg Prices II, August 1974 and Broiler Chicken Prices II, October 1975.

Thus, vertical and horizontal integration along with issues related to foreign ownership and multinational corporate organization are all elements of the key composite issue of market power. The Board particularly regretted that the abrupt termination of its mandate prevented it from making greater progress in this key area, particularly with respect to the food processing and retailing sectors in which too little solid work has been carried out.

However, the Board is hopeful that the Royal Commission on Corporate Concentration will be able to reach firm conclusions in this important area of concern. The Board's unfinished work on vertical integration and concentration in the food industry has been made available to the Royal Commission.

The Board also found substantial interest in the question of excess production capacity in some parts of Canada's food industry. Work of relevance to this issue can be found in the Board's reports on Meat Processing Capacity, Sugar II, Fish Prices and the Reference Paper on concentration and edible oils (see inside front cover).

A fourth structural issue of considerable public concern during 1973-75 was the desirability of the role played by futures markets in the food price mechanism. Prompted by its "rip-off aversion", the public expressed strong dislike for "speculators". Indeed, in a memorable instance of adroit buck passing, the president of a leading retail food chain suggested that speculators were the "real villains". The Board's work on this question can be found in Reference Paper No. 1.* Though speculation on futures markets can have an impact on food prices, and has done so, for example, in the case of sugar in 1974 and coffee in 1975, nonetheless, the Board has concluded that speculation in properly regulated futures markets provide an important service.

Resource Allocation

In perspective, the food price developments especially of 1973 and early 1974 can probably best be seen as part of the larger global issue concerning the allocation of scarce resources. Food is a renewable resource but the extent of its production is subject to limits. In this respect, food shares some of the characteristics of petroleum and, as a reflection of this, they are both at the heart of contemporary international economic and political preoccupations.

The food price spiral of 1973-75 brought Canadians face-to-face with some of the critical resource allocation issues affecting food production and distribution in this country. It was high time!

The use and abuse of agricultural land is a prime example of the kind of resource allocation issue that caught the public imagination in Canada principally as a result of the 1973-75 food price developments. The controversy surrounding the building of an airport on prime agricultural land at Pickering, Ontario helped dramatize the issue in 1975.

The Food Prices Review Board identified the land use issue as requiring priority consideration in its work on food policy. A useful study on the subject prepared by Professor Edward C. Gray of the University of Guelph has been published by the Board.**

In addition to carrying out work in this area, the Board became actively involved in the Pickering Airport controversy, criticizing both the Federal and Ontario governments for their shortsighted policies. The rationale for the Board's involvement in what originally was considered an environmental/quality of life issue was not, at first, widely understood. It took surprisingly long for some authorities to recognize that top quality farm land, especially

* Food Prices Review Board Reference Paper No. 1, "A Preliminary Paper on the Role and Importance of Futures Markets to Canadian Agriculture", February 1976, Dr. Gary G. Storey and Dr. Larry Martin.

** Food Prices Review Board Reference Paper No. 3, "A Preliminary Paper on Canadian Agricultural Land-Use Policy", February 1976, Edward C. Gray.

in areas of high heat units, is a relatively scarce resource in Canada. The land use issue can be expected to be of increasing concern everywhere in Canada until meaningful agricultural land use policies become a great deal more widespread than they are at present.

Another resource allocation issue which received considerable public attention as a result of rising prices and international food shortages was the question of whether or not the time had come to reconsider feeding meat animals on grains. The Board published a background study* to stimulate discussion on this question. The paper suggested that Canadians could "have their meat and eat it too", and that, in the end, the substitution of edible grains by forage will depend mainly on the economics of feeding animals at any given point in time.

This issue, which is closely related to the issue of wastefulness in our food system and culture, deserves careful attention because of the important impact international demand for grain-fed meat appears to have had in stimulating and sustaining the food price "take-off" in 1973. The sharp rise in energy prices beginning late in 1973 has never been given the "credit" it deserves for deflating the effective international demand for beef through its balance of payments impact on countries, like Japan, where diets have been undergoing substantial modification in response to new affluence.

Our national predilection for a relatively low cost "beef-intensive" diet itself has become an issue both from a nutritional and price point of view. Though government can encourage the process, it will be up to the price mechanism to promote any transition in our diet. However, if the price mechanism does force such adjustments, we should expect a repeat of the public outcry concerning meat prices which occurred in 1973 and which had much to do with the establishment of the Food Prices Review Board.

The shift in energy prices also put in question the degree to which the upward trend in energy consumption in Canada's energy intensive agriculture can be maintained. And, if it cannot, this in turn raises several important further issues. However, during the period 1973-75, increasing food prices generally provided agriculture with enough increased income to absorb increasing energy costs. As a result, the ramifications for the food system of these energy issues have not yet received sufficient attention.

For its part, the Board examined the impact of energy costs on food prices in its Ninth Quarterly Report.** It carried out additional research on some energy issues but time limitations prevented their completion. One preliminary conclusion of the Board's work in this area, however, was that there is room for real energy savings by reducing the degree of wastage which traditional low energy prices have fostered in the food industry.

Important resource allocation issues also cropped up during the period 1973-75 with regard to products which, for various reasons, were in temporary short supply. Unaccustomed to shortages of any sort, Canadians did not even for short periods quietly accept the idea of going without, for example, canned salmon, fertilizer and preserving jar lids -- all of which were in short supply at one point or another during the period. The major issue raised by the shortages involved questions about the role of government in allocating scarce items, especially where those items have productive importance (fertilizer). Related issues concerned the approach to be adopted when a Canadian produced product (e.g. canned salmon) is in strong demand outside Canada because of world shortage. Should steps be taken to ensure availability of Canadian requirements of that product by limiting its sale abroad? If so, by whom and by what means? Or is the answer to leave it to industry and the price mechanism, as it was (successfully) in the case of canned salmon in 1973, to allocate the product.

*Food Prices Review Board, Feed Grains, Forage and Food Supplies, June 1975.

**Food Prices Review Board, Ninth Quarterly Report, September, 1975.

The preserving jar lids shortage of 1974-75 raised the opposite issue. What should be done when a portion of the Canadian market which depends on a U.S. source of supply for a particular product finds that the source, in a shortage situation, appears to be meeting the orders of its U.S. clientele before those of its Canadian customers?

These are only examples of a range of resource allocation questions and, especially, scarce resource allocation issues which emerged in the food price sector between 1973 and 1975. They are likely to command increasing attention as time goes on and, individually, they are components of the wider policy issue of making the most effective use of all scarce resources for food production.

The resolution of this wider policy problem of resource allocation has important implications for the direction of both national and international agricultural research. For example, the yield-increasing scientific and technological advances of the last several decades were based largely on energy intensive inputs. In view of the changed economic climate of the late 1970s, research priorities should be re-evaluated to emphasize the need for stability of yield in crops that require low energy inputs, and are resistant to changes in climatic conditions.

International Aid and Trade Issues

Food price developments in Canada during 1973-75 arose primarily out of international supply and demand pressures. Thus, it is not surprising that important international trade and aid issues confronted Canada during that time.

As a major producer of surplus food grains, Canada benefitted substantially from rising world prices. But the higher prices created two issues. First, an aid issue: in a situation of world shortage, should Canada export food to paying customers first, making available whatever is left over (if any) to countries not in a position to purchase except on a highly concessional basis? If not, how much should go to the one category and how much to the other? Who pays the difference? Secondly, a trade issue: where Canada is more than self-sufficient or is nearly so in the production of a basic food (or other commodity) what justification is there for charging domestic customers the same international price as export customers, in effect, forcing Canadians to compete with non-Canadians in bidding for Canadian resources? On the other hand, why should producers be forced to accept a lower price for their products than they could receive on the open market?

This two-price issue has very important implications. The Federal Government has expressed concern about offending trading partners as a reason for caution in considering two price systems. However, it has instituted two-price systems with regard to wheat for human consumption and oil. It is worth noting, however, that government measures have often resulted in "reverse" two-price systems through efforts to protect Canadian industries, the food sector included. For example, the eight cents per bushel corn tariff has served to raise Canadian feed grain prices above prevailing international prices.

Recent food price developments, particularly sugar price movements in 1974, raised a further related trade issue which deserves considerable attention since, no doubt, it will crop up again. That is, should Canada enter into long-term, fixed price, bilateral commodity arrangements with other countries? As sugar prices shot upwards, this became an important question when sugar producing countries like Australia were prepared to enter into such arrangements. Their offers were tempting as they would have temporarily offset one cause of food price instability in 1974. Indeed, Australia and Japan did enter into contracts of that nature.

Sugar prices caused the most consumer chagrin in Canada of any item in the food basket in 1974 (despite its lack of nutritional value and its possible adverse impact on health). That fact and the international pricing issues surrounding sugar pricing prompted the Board to prepare two reports on sugar.* In the first of the reports, which concentrates on the international side, the Board decided against recommending bilateral arrangements in the case of sugar. In retrospect, that was the right decision as world prices are now below the price levels available on long-term bilateral contract at the peak of the sugar price surge. The experience of those countries who did have long-term agreements for supplies at prices which eventually became lower than the world price does not recommend such agreements. In spite of the obligation to supply sugar at a pre-determined price, supplies often only moved at the higher international price. This does not mean that we should necessarily adopt the same response to the issue of bilateral commodity arrangements in all instances. It remains, as do all the international aid and trade issues which emerged during the Board's term of office, an issue requiring very careful and continuing study in Canada.

Finally, in this context, brief reference needs to be made to the World Food Conference held in Rome in Autumn 1974. At the conference, Canada adopted relatively enlightened and generous positions. These were in marked contrast to the positions of most participants who demonstrated that, as a whole, the world community has a long way to go before it is likely to be able to arrive at sensible, long-term common policies to solve the world food crisis.

It is worth recalling at this juncture that, in global terms, what was new about the food price developments of 1973-75 was the fact that tighter supply/demand pressures touched the traditionally well-fed people of the world for the first time in several decades. The spurge of starvation continued "normally" where we had come to expect it. It continues today, and, by the performance of several major rich (and poor) countries at the World Food Conference, it will continue tomorrow. Starvation may be nature's answer to population pressures. Must it also be man's?

Farm Income Issues

As noted in the discussion of "fair returns", farm income was a central issue of the 1973-75 period. Though most public discussion of the subject fails to make the distinction, there exist two conceptually separate concerns: income adequacy and income stability. These twin issues were not new to the period 1973-75. They have been among the most fundamental problems facing the food industry for some time. What became a controversial issue in more recent times was the principle and the timing of government encouragement of supply management/marketing board concepts as a solution to these concerns.

It is important to note that "adequate" income has not been well defined and that during the period 1973-75 there was a subtle shift towards using the quite different, but equally ill-defined term -- "fair return".**

By any reasonable measure, most producers and (notably grain farmers) earned a much more "adequate" income during the 1973-75 period compared with earlier years. Few farmers complained about the instability problem during 1973-74 although there was a lot of it. (But as general inflation began to squeeze even high farm prices, the instability question did return for many of them). For a change, it was consumers who suffered most from instability throughout this period. In that light, it is not surprising that governments, having opted for marketing board supply management to help the producer of some agricultural commodities, sought to justify it on the ground it would promote

* Food Prices Review Board, Sugar Prices and Policy, July 1974, and Sugar Prices II: The Canadian Sugar Refining Industry, August 1975.

** Reference Paper No. 9 by Mr. R. G. Wirick contains an interesting analysis suggesting that the "inadequacy" of farm income may be somewhat of a myth. See "A Preliminary Report on Food Policy Aspects of Farm Income".

price stability for the consumer. Although this was probably a sincere response to the pre-1973 farm situation, much of the Board's research has indicated that the promotion of supply management which aims at regulating (and in some notable cases, to reducing) supply to maintain prices to farmers was an inappropriate policy in the circumstances following 1972. Moreover, as has been noted, Board research has raised major questions about the validity of the supply management marketing board concept, especially on a national basis, from both the consumer and producer viewpoints. This research has suggested that there are reasonable and far less costly and disrupting alternatives for dealing with the farm income problem.

While an alternative will be looked at in Chapter VII, the importance of the marketing board issue would appear to merit further brief discussion.*

Not all marketing boards exercise monopolistic control over commodity supplies and prices. Those that do vary in their specific method of operation, but they use similar language to describe their fundamental approach to market regulation. They assure producers of a "fair return" by setting prices on the basis of full production costs, including a return to the farmer's own labour and investment. Supply management is used to insure that production matches domestic requirements. Cast in this way, the supply management marketing board approach seems quite straightforward and unobjectionable. Yet, the idealized and plausible sounding terminology conceals a tangle of conceptual and practical problems.

Any attempt to estimate production costs with accuracy, especially the costs of the so-called "average", "efficient" producer is fraught with difficulty. The potential for miscalculation is magnified in marketing boards established for and run by producers, as most are. Although there is no question here of deliberate misinterpretation of facts, an obvious conflict of interest is created when those responsible for setting a price are those who benefit from it. Similarly, the directors of most marketing boards in Canada are responsible to the majority of the producer members. However, in the case of most commodities, the majority of producers tend to produce less than 50 per cent of the production and their costs often reflect less efficient operations.

Given these circumstances, it is almost inevitable that in the longer run the "fair" price designed by a marketing board will be higher than the market itself would dictate. If, as a result of an administered price, farmers are motivated to produce more than consumers are willing to buy, the marketing board is compelled to use its "supply management" controls to force farmers to reduce production in order to assure that total production does not exceed "domestic requirements".

The most usual form of supply control is through the operation of a quota system. With few exceptions, production or sales without the necessary quota is legally forbidden. Stiff financial penalties, including fines, confiscation of farm products, and loss of quota right, are usually part of the enforcement apparatus of the marketing boards.

Controls must also be exercised over external supply sources. This implies either explicit tariff barriers or the use of implicit (and usually extra-legal) non-tariff constraints on trade -- such as the imposition of a variety of unnecessary regulatory hindrances.

Despite power over both internal and external supply sources, marketing boards are often unable to accurately match production to consumer demand. This usually means that some type of surplus disposal program must be adopted. Financial losses from such operations are usually covered by extra producer levies (although the ultimate burden rests primarily on the consumer).

* For relevant discussion and analysis see, Food Prices Review Board, Egg Prices I, (January 1974) Egg Prices II (August 1974), Broiler Prices I, (January 1975), Broiler Prices II (October 1975) and Reference Paper No. 9, "A Preliminary Paper on Food Policy Aspects of Farm Income", by R.G. Wirick, (February 1976).

The most significant difficulties caused by supply management are its feedback effects on production costs. Supply management can increase farm costs in two ways -- directly (by creating financial expenses for the producer) and indirectly (by disrupting long-term production efficiency). The most obvious financial expense is the levy that producers must pay to fund the supply management operations. This charge could be significant if there are major surplus disposal losses, as has been the case with the national egg marketing plan since its inception.

In the long run, of even greater importance is the induced financial cost of the quota themselves. Producers who wish to expand their operations, or individuals who want to enter the industry for the first time, face the problem of obtaining sufficient quota rights. Since the marketing board will normally have driven price above the free market level necessary for adequate production incentives, quotas develop a real financial value.

In other words, the potential producer will be willing to pay a premium over and above his necessary investment and operational costs, for the privilege of initiating and maintaining his new farming operation.* Implicitly or explicitly, this artificial production cost is then calculated into the new cost of production formula at the expense of the consumer. Indeed the existence of a significant market value for quotas is the single best evidence that overall returns under marketing boards are more than reasonable.

Aside from their direct financial effects, quotas create distortions which decrease production efficiency and increase long-run costs. Periodic cut-backs in permitted quota production lower the industry's capacity utilization, and waste human and capital resources. Furthermore a quota system greatly inhibits adaptation to changing market and technological conditions. Innovative producers can often find ways of lowering costs, but it is not easy for them to capitalize further on their cost saving by increasing production, since the quota system represents a major barrier to such expansion.

In summary, supply management operations inevitably cause significant efficiency losses which in turn drive up both production costs and market prices. Further, it seriously restrains producers from exercising individual judgement on potential marketing opportunities. In the long-run, it is not even clear that a marketing board benefits the agricultural sector itself because its operations restrain the entry of new farmers, and inhibits the efficient farmer from expanding his production unit. Farmers lose their status as independent entrepreneurs.

Given alternatives to protect and stabilize producer income, the supply management marketing board option has little if anything to recommend it. Such marketing boards are usually "pure" textbook monopolies. Monopolies create both economic distortions and income inequities, and have been legislated against in other economic sectors.

Despite strong arguments against the marketing board concept, federal and provincial government policies continued to promote and protect their continued and expanded operations throughout the 1973-75 period.

In the spirit of objectivity, and despite misgivings the Board chose to concentrate its criticism of marketing boards during that period on instances where marketing board operations were unnecessarily wasteful and inefficient. Even in the "great egg scandal" of August 1974, the Board stressed constructive criticism of marketing board operations as opposed to their intrinsic philosophy.

The Board's efforts, as is well known, were met by stiff resistance from the producer lobby, including its government agents. Many individual producers supported the Board, but little effort was made by official producer representatives to consider alternative means of solving their problems without interfering with markets and using state delegated powers to relegate the costs of inefficiency to consumers.

*For example, in the Food Prices Review Board publication, Dairy Foods II: Policy, (February 1976) it was noted that in British Columbia the quota evaluation (that is, the cost the producer has to pay for acquiring the privilege of selling fluid milk in B.C.) is \$150,000 for a farmer wishing to establish a 50-cow dairy herd.

It is now clear that throughout 1973-75 producer marketing boards in Canada contributed substantially to increased food prices. Portions of those increases were often unwarranted in the food price circumstances pertaining to that period.

As a consequence of all these factors, including the availability of reasonable alternatives, the Board has concluded that the marketing board approach to monopolistic supply management has become an inappropriate instrument for dealing with legitimate producer concerns. Its cost exceeds its benefit, and it is possible to achieve those true benefits through other means. These other means are reviewed in Chapter VII.

Nutrition and Health

It would appear purely coincidental that precisely at the juncture marking what may have been the end of the "food surplus era", research was being concluded on the Nutrition Canada survey -- a study of the nutritional adequacy of Canadian diets. The results indicated that many Canadians suffered serious nutritional deficiencies even at a time of low food prices. This finding was announced after the food price spiral was well underway in 1973. From it emerged the critical issue of whether or not food price increases would reduce even further the nutritional adequacy of diets, especially those of low income Canadians. This concern had much to do with the Board's own work on nutrition* which was briefly discussed in Chapter III.

While among the most important issues to emerge during 1973-75, the Board has been disappointed by the extraordinary general indifference of governments to the broad nutrition problem in this country.

Underlying Issues

Most of the Chapter has focussed on reviewing specific issues which came to the fore, in whole or in part, as a result of food price developments during 1973-75. Underlying most of these issues are a few fundamental policy questions, the answer to which could determine the future course of Canadian food policy.

The first of such questions is whether food is a "special case". Should food be treated as a particular priority of public policy, justifying special approaches which, in some cases, may run contrary to traditional policy approaches. It should be noted that this is a distinct (though related) question from whether or not agriculture and fisheries merit special treatment. In fact, governments in Canada have always given agriculture and fishing special status, but the orientation of that status was towards aiding and protecting the farmer or fisherman. Food was a subordinate concern to the producer's welfare. It would be a substantial policy shift indeed if producers were now subordinated to national food objectives, even though the producer interest still was considered of basic importance.

A further, directly related question, raised by some, is whether Canada should be insulated from the rest of the world for the purposes of food policy. If the answer to this question was affirmative there would then be a host of practical issues to answer concerning how to protect our economy from disruptive international market influences. It is conceivable that the answer may be that we should insulate ourselves if we could, but we cannot.

The third fundamental question, which must be dealt with regardless of how the previous two questions are answered, concerns the degree to which government should involve itself in the food sector. At the moment, Canada is not insulated for purposes of food policy nor is food considered a "special case". Yet, there is already substantial government intervention in the food system. The ramifications of that intervention require review as does the role

*Food Prices Review Board, "A Preliminary Paper on Food Policy Aspects of Nutrition and Health," by R.G. Wirick, February 1976 and What Price Nutrition, February 1975.

of the open marketplace. It may be that food should be treated as a public utility. Or, it may be that it is time for government to reduce its direct involvement, leaving the marketplace to perform its functions less hindered by non-economic influences.

These are extremely important questions which, in the Board's view, now require urgent consideration by all Canadians. Such food issues are too important to leave to the "experts".

Food Policy

As will be clear from the foregoing discussion of issues emerging from the 1973-75 food price developments, the state of food policy in Canada is itself, a major issue. In effect, there exists no real long-term national food policy. Government decisions affecting the food sector have tended to be ad hoc, usually based on short-term expediency, and often in contradiction with other policies. In short, Canada has adopted a policy of "muddling through" when it comes to food issues.

In a country like Canada, the "muddling through" approach to policy is often desirable and even necessary. Food is an especially difficult sector in which to develop an overall policy because of the mixed federal/provincial jurisdictions. For this reason, the promotion of specific producer interests through agriculture and fisheries policy plus the adoption of a "muddling through" approach to the broader area issues in the food sector was probably a sensible "policy" combination while we could take plenty of cheap food for granted.

The approach became less appropriate, in the Board's view, as the facts about the long-term food situation became clearer in the 1973-75 period. The question now is whether or not that "policy" combination needs to be supplanted by a new overall national long-term food policy. If, as the Board believes, the period 1973-75 marked a turning point in the role of food in our society and the world, then there can be no question of the need for the development of such a new policy. If the Board is wrong and price developments in 1973-75 were simply a temporary aberration, then perhaps we can continue to muddle through.

In Chapter VI the Board will attempt to look into the future with a view to establishing the need for a new long-term national food policy.

Institutional Issues

As will be clear from the discussion in this Chapter as well as Chapter III, there appear to be significant institutional restraints to the formulation of an effective food policy. The political process is limited because agricultural interests cut across party lines and inhibit imaginative discussion of new policy approaches. Most universities have abdicated any practical responsibility for promoting objective debate on food issues. The general public and the media are in a good position to respond to discussion of food policy issues but they cannot be expected to initiate it unaided.

The bureaucracy should be in a position to assert the process of policy formulation but the evidence suggests that departments of agriculture are simply too dominant politically for other government departments to deal with food issues on an equal basis. This would not be bad in itself if it were not for the inability of agriculture departments to take a broad approach to food issues. In any case, given the traditional role of agriculture departments in protecting farmer interests, it is not desirable to leave food policy formulation in their hands. Agriculture is one big part of the food system, but not more than a part.

This raises the issue of whether we can hope to develop effective long-term national food policy without institutional adjustments. Certainly, if the elaboration of a food policy is to emerge from government it will require a re-orientation of traditional methods of dealing with food issues. Further discussion of this point will be included in Chapter VII.

LOOKING AHEAD

V. THE FOOD PRICE OUTLOOK FOR 1976

Looking ahead to future food price and cost developments, like any economic or financial forecasting exercise, cannot be done with any degree of precision. Certainly over short periods of time, the particular volatility of food prices has made forecasting their immediate prospects particularly prone to error. In some respects, it is possible to be more sure about longer-term prospects than about the situation immediately ahead. This is because over the longer term, food prices will be determined by the underlying fundamentals of food demand and supply; by such factors as population, eating patterns, availability of land, farm machinery and fertilizer, number of producers and, of considerable importance, food and agriculture policy. Many of these are fairly predictable on the basis of our history to date. Short-term supply bottlenecks are not.

Despite the potential problems with short-term food price forecasting, the Board decided to begin its "Looking Ahead" exercise by first looking at the immediate factors. That is the subject of this Chapter. In Chapter VI we then look further down the road.

In this Chapter, "best guess" estimates of food price increases or decreases are given for a range of food commodities and for the composite category "food at home" for the coming year. The estimates are made on the basis of three major assumptions: that "normal" weather conditions will prevail; that there will be no significant changes in agricultural policy; and that the Federal Government's anti-inflation program will serve to restrain increases in both costs of labour, purchased supplies and equipment and profit margins during the year.

Although farm gate prices are exempt from the anti-inflation regulations, the Anti-Inflation Act explicitly states that the guidelines apply to all Canadians. Federal marketing boards are required to conform to the guidelines. Some provinces have yet to sign agreements with the Federal Government regarding the anti-inflation policy, but it is expected that marketing boards under provincial jurisdiction will also subject themselves to the restraint policies.

The projections of commodity prices are based on a wide range of information on projected supplies and costs. The Board has found that for many commodity groups, prices in the United States and Canada move very closely. For this reason, particular attention was paid to both official and unofficial estimates of United States price changes. In addition, considerable information was drawn from the recent annual federal-provincial agricultural outlook conference sponsored by Agriculture Canada.

Cereal and Bakery Products

There are many factors bearing on the prices charged for cereal and bakery products although three factors in particular stand out as particularly important; the price of flour, the price of sugar; and the price of labour. The price to millers of bread wheat and durum wheat for domestic consumption is established at a fixed level under the two-price wheat program. Millers have recently raised the price of flour to compensate for increased production costs. A further adjustment is not anticipated in the short-term. Secondly, the price of sugar is expected to remain fairly stable or to increase only slightly. Finally, the federal anti-inflation program should dampen increases in labour costs, as well as restrain profit margins.

Energy and ancillary production and distribution costs will continue to rise throughout the year along with rising labour costs. Therefore, the Board expects that the retail price index for a composite basket of cereal and bakery products may rise by about eight per cent during 1976.

Fats and Oils

Fats and oil prices are heavily dependent on the international price of vegetable and animal oils. Soybean oil, in particular, is the major internationally traded edible oil product affecting edible fat and oil prices generally. The United States Department of Agriculture predicts that fats and oil prices will fall by about four per cent during the first half of 1976 but will climb back to December 1975 levels by the end of the year. With some lags associated with processing and finished product inventories, this pattern will likely also prevail for the major fat and edible oil products purchased at retail, of which margarine is the most predominant.

Dairy Products

In the short term, prices for most dairy products are expected to be relatively stable. At the producer level, the two most important factors will be the level of administered fluid milk prices, as regulated by provincial authorities, and the federal target support price for manufacturing milk. The target support price is now tied to a formula based on the Consumer Price Index and a cash cost index (in which the cost of feed is a major consideration). A change in the price level indicated by the formula of more than five per cent in relation to the existing support level automatically will trigger a change in the support price.

The Board's analysis indicates that there will likely be an "automatic" increase of about four per cent in the producer price for manufacturing milk triggered in early 1976. Retail prices for manufactured dairy products will likely increase by a slightly greater percentage reflecting increased processing and retailing costs and a change in government policy that will emphasize increased returns from the marketplace rather than from direct government subsidy. The Board would expect that no further increase will be initiated during the April review of dairy policy. Certainly none would appear to be warranted.

Fluid milk producer prices generally are administered and established at the provincial level. They are likely to increase by an amount similar to the increase in the federally established manufacturing milk price, regardless of underlying demand and supply conditions. The specific amount of timing of the price increases will vary by province, although the increases will be transmitted quickly through to fluid milk prices at the retail counter. As fluid milk provides many of the essential nutrients in the Canadian diet, the Board calls on all individuals and organizations involved in administered dairy product price setting to limit price increases to levels that will ensure no more than an adequate supply of fluid milk for domestic consumption. Any proposed price increases should be justified and fully explained to the public.

After considering all the factors discussed above, the Board expects that dairy product prices facing consumers during 1976 will likely rise by as much as eight per cent. It should be emphasized that this is a forecast of what is expected to happen, not any kind of indication of what perhaps ought to happen.

Beef

The Board estimates that beef prices will continue to be relatively steady through early spring as producers continue to reduce their beef breeding stock. In June, there will likely be the usual seasonal price increases due to a decline in breeding stock sales; an increase in consumer demand as the barbecue season commences again; and a relative shortage of grain-finished beef (while supplies will be higher than a year earlier, they will remain below supply levels prevailing three years ago). In September, beef prices can be expected to decline somewhat in response to normal seasonal factors and should remain steady through late fall. It will probably not be until 1977 that the

impact of the current decline in breeding stock numbers will be transmitted through to the retail counter in terms of reduced supplies of beef. At that time, beef prices can be expected to increase significantly.

The Board expects that beef prices may increase by six per cent by June 1976 when compared with prices in December 1975, but they should decline to about year-earlier levels by year-end 1976.

Pork

Pork prices have fallen sharply in recent months, after reaching record high levels in October 1975. However, the reason for price declines appears to be largely seasonal. Hog marketings remain very low. Although hog prices started moving upwards about 18 months ago, feed grain prices remained high and this encouraged many producers to sell their feed grain directly rather than use it to feed hogs. Thus, it will probably be at least twelve months before substantially larger numbers of hogs are marketed. Very recent declines in pork prices have reflected a downturn in live cattle prices and, therefore, retail beef prices. Retail supplies of beef and pork compete for the consumer's meat dollar so that a decrease in the price of one meat generally triggers a decrease in price of the other (or, at least, restrains price increases for the other).

The Board expects that pork prices will likely fluctuate around current levels through the first half of the year and that they could decline by about eight per cent towards the end of the year.

Other Meat

In Canada, the "other meat" component of the Consumer Price Index includes weiners, veal and canned meat. The Board expects relatively stable or slowly rising prices for this composite group with an increase of about two per cent for the year when compared with price levels prevailing in December 1975. This pattern would be a reflection of increases in processing costs rather than increases in the price of meat "raw material".

Poultry and Eggs

Poultry and egg prices are largely determined by producer marketing agencies -- at the federal level in the case of turkey and eggs and at the provincial level in the case of chicken. The marketing agencies regulate both producer price and volume of production. In the case of turkeys and eggs, there is also regulation of the volume of product that can be imported.

In the United States, where prices are not regulated, poultry prices are expected to decline by approximately five per cent during 1976, compared with 1975 levels. Egg prices, on the other hand, are expected to show an increase of close to four per cent, with the major increase occurring during the first six months of 1976.

In Canada, turkey prices are not expected to change from levels that prevailed at the end of 1975. Since there are no quota restrictions on the volume of chicken that can be imported into Canada, lower U.S. prices could result in a decline in domestic chicken prices during 1976 of the order of two to three per cent from levels prevailing in 1975, if present marketing policies are continued for this product.

In December 1975, average wholesale prices for loose, grade A large eggs at Toronto were 76 cents per dozen, three cents per dozen higher than corresponding prices at New York.

In 1976, it is likely that egg prices will average about four per cent above previous year levels, reflecting decreased supplies of eggs on the domestic market and small upward adjustments in the cost components of the national cost of production formula.

Fish

Fish prices could increase rapidly in 1976, reflecting reduced global supplies of fish coupled with strong international demand for this commodity. Fresh and frozen fish prices will probably experience relatively modest increases, the real pressure is likely to come from canned tuna and canned salmon prices. There is real concern that Canadian consumers will substantially reduce purchases of those nutritious products during 1976. Per capita consumption has already fallen quite sharply over the past three years.

The Board expects price increases of as much as 12 per cent over the 12 months of the current year.

Fruits and Vegetables

Prices for fruits and vegetables can fluctuate more substantially than most food commodities as they are particularly susceptible to weather, storage and transportation conditions. Further, forecasting price movements in Canada is strongly influenced by our reliance on imported produce, especially from the U.S.

The 1975 potato harvest was sharply reduced from the previous year and relatively high prices for this commodity prevailed to the end of 1975. The price picture is not expected to improve as further significant price increases for main crop supplies can be expected over the next few months. Lettuce and cabbage prices are notoriously unpredictable. Field lettuce, in particular, has a relatively short growing season and is very sensitive to changes in climatic conditions. Lettuce prices can increase or decrease by as much as 50 per cent within a two-month period.

Processed vegetable prices are expected to continue to increase, reflecting general inflationary pressures in the food processing sector including the high costs of financing inventories. Increased energy, canning, labelling and distribution costs will also contribute to this upward price pressure. A constraining factor is the strong price competition for some imported processed vegetables. That competition, while welcomed by Canadian consumers, is of some longer-term concern in terms of jobs for the Canadian growing and processing industry, an implication of pricing ourselves out of the market.

Processed fruit prices generally are also expected to increase. Up to the end of 1975, declining sugar prices in part offset increases in other costs. However, sugar prices have stabilized and may even increase slightly during 1976. Fruit processors will be facing cost pressures similar to those expected to confront the processed vegetable sector. One favourable prospect is that processed apple product prices should be stable or may even decline, reflecting the ample supplies of domestic raw product available this year.

Fresh fruit prices are predicted to be relatively stable, largely as a result of the good supply of apples in cold and controlled atmosphere storage this year. Grapefruit are in ample supply, although the current U.S. orange crop is slightly smaller than it was last year. This should have little impact on fresh orange prices as produce for the fresh market is only a small percentage of total supply, the vast majority of oranges being used for juice production.

The multitude of fresh and processed fruit and vegetable products that constitute the Consumer Price Index for fruits and vegetables make specific per cent figure price projections a fuzzy business. Overall, the Board expects that the index by year-end 1976 could be as much as 13 per cent above the December 1975 level. Generally speaking for processed produce, price increases may well be stimulated more by increases in processing and distribution costs than by increases in the price of the raw product provided, of course, the assumption of normal weather conditions is valid.

Other Foods

The "other foods" category comprises a wide range of food products, many of which contain sugar. To predict price movements in this category is, in part, to predict the vagaries of the international sugar, coffee and cocoa markets.

The Board considers that there may be a slight run-up in sugar prices during the summer. Cocoa prices are expected to moderate slightly. Year-end futures market prices indicate a 10 per cent decrease in world prices for cocoa beans but, to some extent, this will be offset by increases in shipping and other production costs.

Coffee prices are even more difficult to predict. Prices have already changed as a consequence of expectations of a greatly reduced Brazilian crop in the coming crop year. The Guatemalan earthquake could also disrupt the coffee trade in Guatemala is the third largest coffee producer in South and Central America. Year-end futures prices indicate a five per cent increase in world coffee prices.

Generally, it is expected that the "other foods" price index component will show a relatively modest upward movement during 1976. Increases in packaging, energy and distribution costs will be largely responsible for price increases in the order of about six per cent over the entire year when compared with December 1975.

Food at Home

The question remains whether total food price increases will fall within the Anti-Inflation Board target of eight per cent for overall inflation. Food price inflation is highly visible and hence will affect expectations of inflationary pressures in the economy as a whole. It should be emphasized again, however, that the Anti-Inflation Board has no power to control farm gate prices even when these are set by marketing boards and agencies. In the latter case, this is a major weakness of the program. The impact of the program on food prices will be felt in its ability to constrain labour costs and profits in the food system. However, there is the likelihood its success will be measured by the extent of food price increases.

Using the composition of the basket of food purchased for home consumption of the Consumer Price Index, the Board's estimates of price movements during 1976 for the major food categories indicate an increase in prices for the year as a whole of about seven per cent when compared with December 1975. There could be relatively larger increases in the first six months of the year than in the last half of the year, reflecting seasonal rises in fruit and vegetable prices. Price increases could moderate substantially in the second half of the year but this too would be seasonal as lower priced domestic fresh produce and imported produce becomes available.

In summary, it is the opinion of the Food Prices Review Board that the anticipated rise in food prices for 1976 will be within the target established by the Federal Government's anti-inflation program for consumer prices generally, assuming that planting, growing and harvesting conditions are "normal" during the year. However, there is always the risk that adverse weather conditions in Canada or in other major food exporting countries could stimulate a surge in food price increases, possibly even into the two digit range again. With this risk in mind, the Board views with concern the drought conditions presently prevailing in some parts of the U.S. which could substantially reduce the U.S. winter wheat crop during 1976.

VI. THE LONGER-TERM CHALLENGE

Four Scenarios

The key food issue confronting Canada at the beginning of 1976 is whether or not the price experience of the period 1973-75 was merely an aberration or was indicative of a turning point.

Scenario 1. The combination of inappropriate North American agricultural policies and the international crop results of 1971-72 could be regarded as a freak experience, like pregnancy, avoidable now that we should know what to do! As an aberration, it would take still another year or two of substantial crops to rebuild depleted grain reserves sufficiently to buffer prices against another bad crop year. In the meantime, food prices would continue to increase, but at decelerating rates. As supply once again came to exceed effective demand,* even slightly, the only significant remaining force on food prices would be cost pressure arising out of general inflation. With success in the battle against inflation we would then return to the days when our major food problem -- surplus -- was a producer problem. The challenge would be to protect producers. Institutional structures, policies and programs in the food sector would be oriented towards that challenge as they have been in the past, and still are.

Scenario 2. At the other end of the spectrum is the possibility that the 1973-75 food price experience was indicative of a turning point which will take food prices up very quickly and at geometric rates as supply drops further behind effective demand. This might be called the "doomsday possibility". It would couple increases in effective demand with diminishing or lagging supply.

Generally economists are inclined to downplay the possibility of an actual reduction in supply, arguing that rising prices have and would evoke the necessary production. Nonetheless, food supply depends on more than just price. Inclement weather conditions in major food growing areas of the world, for example, could play havoc with supply, irrespective of price levels. Energy prices could seriously hamper energy intensive agricultural practises. Moreover, if there were continuing rapid increases in effective demand as previously underdeveloped countries attained new levels of affluence, a "doomsday" situation could be achieved from the point of view of Canadians even if there were steady increases in supply. That is, Canadian food prices could reach such high levels relative to incomes that Canadians would be forced to alter radically their style of consumption. If such a situation were to come about very rapidly, the social tensions and political pressures accompanying it could transform our society as we now know it.

Scenario 3. Between the extremes of the surplus or "cheap" food scenario and the "doomsday" scenario, there are two further broad possibilities. Having left the era of consistently "low" and relatively stable prices, we may have moved into a period in which food prices will move quite sharply up and down, not only like but mainly because of the weather! With low levels of storage stocks, even after three years of better than average crop results, there still exists no substantial reserve to buffer the world against a poor crop year. Prices would go up with bad crop years and down when results were good. Bad North American seeding, growing or harvesting conditions in 1976, for example, could quite conceivably cause food price increases well in excess of those experienced in the 1973-75 period. If world crop conditions this year are particularly good, on the other hand, food prices might not even increase as much as the prediction in Chapter V.

Food price levels would fluctuate sharply from one period to another in this scenario. The highs and the lows might well be extreme requiring, at times, rapid adjustments in policies and programs to meet fast moving market developments.

*Effective demand refers to commercial demand, that is, where the purchaser has the means to pay for his requirements.

Scenario 4. A fourth possibility could be that the 1973-75 period was the first of a series of upward adjustments in food price levels which will continue progressively for many years to come, albeit with some relief in the form of regular but brief levelling off intervals. Thus, after three years of annual two digit price increases, we now expect some reduction in the rate of increase in 1976. (Although there is good reason to be pleased about a lower rate of food price inflation, we cannot forget that the trend still remains upward.) In effect, this scenario would constitute a jerky but relentless move towards the "doomsday scenario" wherein Canadian standards of living would be seriously diminished because of the increasing proportion of their income devoted to food expenditures. A gradual movement towards that type of situation would allow time to adapt institutions, policies and programs to meet the challenge but the adaptation, in the end, would probably leave our political and economic landscape considerably altered.

Four broad scenarios have been outlined to suggest the range of possible challenges Canadians may face with regard to food in the years ahead. To clarify these broad possibilities, Chart 9 depicts food price movements under each scenario. Even in the first case, adjustments would be required in existing programs directed at the stabilization or adequacy of producer incomes. (see Chapter IV and VII.)

One very important consideration needs to be underlined before leaving these scenarios. The discussion in the report, tends to skirt the fact that, historically, mankind has always faced a food "crisis". At present, more than half the human race suffers in varying degrees from that crisis on a daily basis. For hundreds of millions of human beings, the "crisis" could become a real "doomsday" scenario overnight. It might, therefore, be considered somewhat cynical to suggest that the possibility of a "doomsday" is an extreme scenario. For Canadians, however, "doomsday" in food matters will arrive when our present manner of eating comes in question because of its high cost, not just when the sufficiency of our diet is in question.

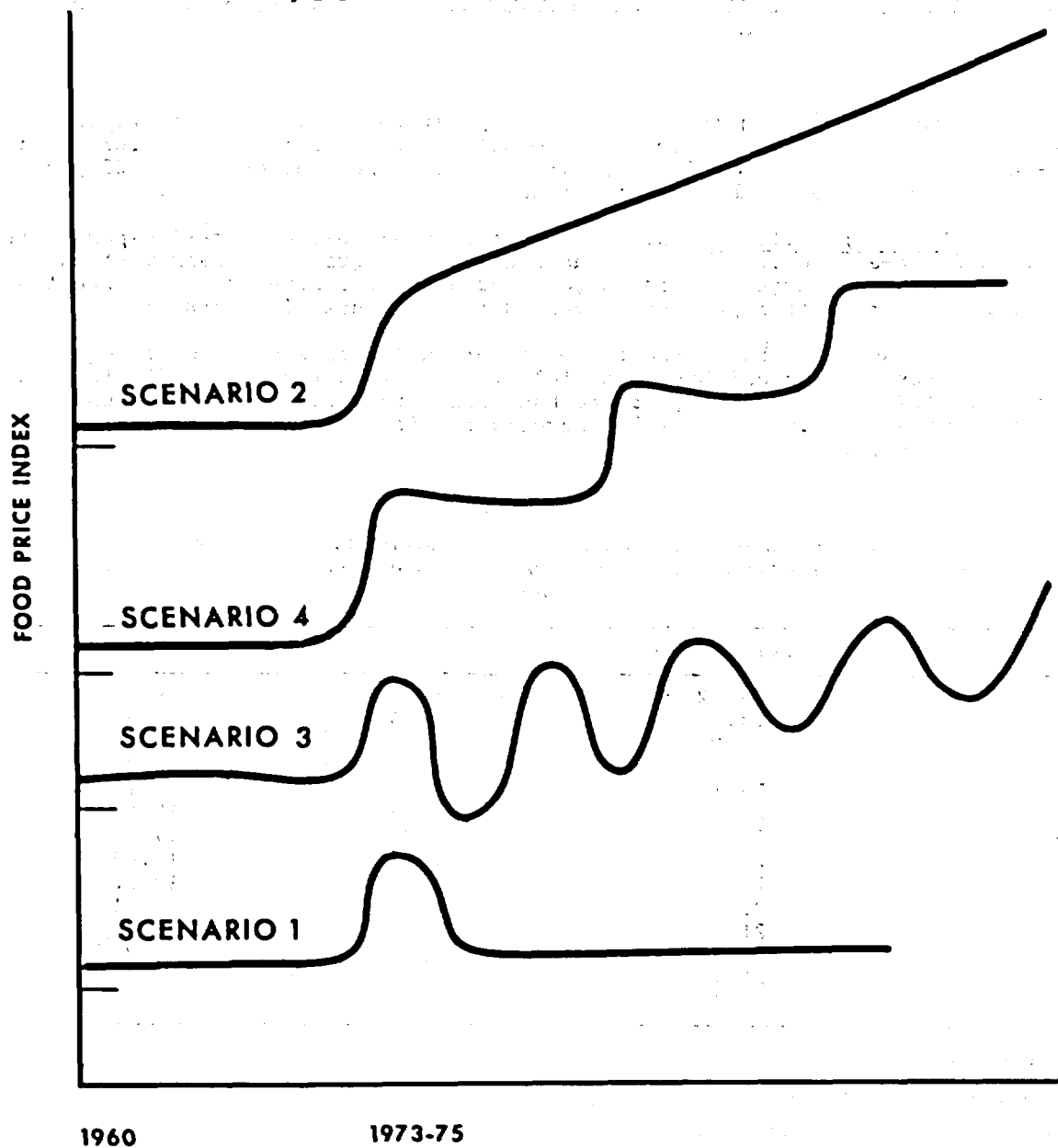
In rich countries, there is a double standard operative in the concern about food prices. There is real concern about food prices on one level, at the local supermarket. At a different level, there is an awareness (but limited real concern) about the effect escalating world food prices can have for the world's hungry. Having observed the general national reaction to the food price developments of 1973-75, and the attitudes of most countries at the World Food Conference in 1974, the Board considers it unrealistic to look for an end to that double standard in the near future.

In examining the challenge of the future, therefore, attention is focussed on the relationship of food supplies in relation to effective demand. To determine which of the four broad scenarios Canada faces at this point in time we must try to ascertain that relationship with some accuracy.

The Supply and Demand Outlook to 1985

If forecasts of food prices in the short-term are hazardous, forecasts of the medium and long-term future are, at best, still very unreliable. The 1969 report of the Task Force on Agriculture is as good an example of this as any. Within three years of its release, most of its agricultural forecasting appears to have become redundant. The forecasters looked at past trends to project into the future. The major characteristic of price performance over the preceding 15 years had been its marked stability. But the extrapolation technique does not lend itself to anticipate fundamental shifts in the relationship between supply and demand. The additional input of longer-term judgement to give a range of alternative assumptions would have provided a more flexible base from which to formulate a future policy framework.

CHART 9
DEPICTION OF POSSIBLE FUTURE FOOD PRICE MOVEMENTS,
FOUR ALTERNATIVE SCENARIOS



Food Prices Review Board

The Food Prices Review Board has examined the domestic and international food supply and demand outlook with a view to determining whether or not the 1973-75 food price experience will prove an aberration or a point of major transition. The answer to that question would, in turn, suggest the nature of longer term challenge facing Canadian institutions, policies and programs in the food sector.

The Domestic Outlook

Population. In 1985, Canada's population is projected to reach between 26 and 28 million people.* There will be a definite shift occurring in the age structure of the population, with a greater percentage in the 25 years-and-over category and a smaller percentage in the under-25 category.

Food Expenditure. Since 1961, the total volume of real expenditures on food and non-alcoholic beverages has continued to grow at a fairly steady rate. Real consumer expenditures on food and alcoholic beverages are expected to rise by more than four per cent a year during the next 10 years.**

On the other hand, the share of personal disposable income devoted to expenditures on food and beverages fell from 24.22 per cent in 1950 to 17.45 per cent in 1971. Subsequently, there has been a turnaround in this trend and a preliminary estimate for 1975 suggests the figure will be more than 21 per cent (Table 4).

TABLE 4
Expenditure on Food and Non-Alcoholic Beverages as a
Percentage of Disposable Personal Income,
1950-1975

Percentage		Percentage	
1950	24.22	1964	20.41
1951	24.01	1965	19.73
1952	22.86	1966	19.16
1953	22.31	1967	18.92
1954	23.14	1968	18.19
1955	22.39	1969	17.94
1956	21.96	1970	17.98
1957	22.20	1971	17.45
1958	21.80	1972	17.52
1959	21.64	1973	18.21
1960	21.57	1974	19.52 ^a
1961	21.60	1975	21.20 ^b
1962	20.71		
1963	20.45		

^a Estimate.

^b Preliminary estimate.

Source: Statistics Canada and Agriculture Canada.

* The criteria used to determine population growth are fertility rates, mortality rates, and net immigration rates.

** Economic Council of Canada estimates.

Until 1974, it was assumed that the downward sloping trend of percentage of disposable income spent on food was inevitable and (minor aberrations aside) irreversible. Preliminary estimates for 1975 show that for the fourth consecutive year this trend has been reversed. Published forecasts that have simply extrapolated the trend of the 1950s and 1960s cheap food era must now be questioned (for example, the Economic Council forecast that food expenditure will only account for 12 per cent of disposable income in 1985).

It is possible that the years when food expenditure as a percentage of disposable income was around 17 per cent will be viewed as halcyonic. The figure for the 1980s could well be in the high twenties or thirties. Or it could drop in the way suggested by the Economic Council.

Consumption Patterns. There has been a significant shift in food consumption pattern throughout the 20th century. Consumption of meat and poultry has undergone extremely rapid growth, especially since 1950. Concurrently, dairy product consumption has fallen sharply -- by about 50 per cent since the mid 1940s. Sugar consumption has climbed steadily, while consumption of wheat flour has consistently fallen. Fruit and vegetable consumption has increased by 50 and 35 per cent respectively since 1950.

Table 5 presents high and low projections of Canadian per capita food requirements in 1985. These projections are simplistic and can be criticized for, in part, looking back into the past to predict the future. But they do provide the most likely boundary lines for a food consumption continuum, from which future domestic food requirements can be roughly estimated.

A number of factors influence the consumption of food -- each factor having possibly a different effect on each food group. The major factors affecting consumption include income, the price of the commodity, the price of complementary and alternative products, family size, and the size and structure of the population. These projections are based primarily on income and trend as determinants of per capita consumption. Hopefully, in future, nutrition needs will have a more important bearing than in recent year.

It is important to note that each of these is an individual projection. One cannot simply sum up the high projection components to obtain an upper limit of food consumption in 1985. If the consumption of a food category were to approach the high projection, consumption in another category would probably be approaching the lower limit. An example of this is that food grain consumption would be closer to the lower limit if meat consumption rose as high as the upper limit.

Demand. Total domestic food requirements in 1985 are obtained by multiplying these per capita projections by the median population projection for 1985. Table 6 presents the low and high estimates of total consumption for each food group, as well as the percentage change from actual 1974 levels.

Supply. In the past, Canada has been able to produce sufficient supplies of the basic foods in order to meet most domestic consumption requirements. Fruit and vegetable production is one major exception, as large quantities of fresh and processed product are imported, largely from the U.S. and Mexico.

Will Canada be capable of providing her food needs in 1985? The two sensitive commodity areas will be fruit and vegetables and feed grains.

In order to provide a year round supply of fresh produce a higher volume of imports of fruit and vegetables will be required. This raises an important issue. To what extent should Canada be reliant on imported supplies of a basic nutritionally important food group such as fruit and vegetables? Should world food supplies periodically be "squeezed", the Canadian consumer

TABLE 5
Projections of Per Capita Food Consumption
of Major Food Groups in Canada

Food Group	Actual 1974	Projection to 1985	
		low	high
		(pounds)	
Whole milk (retail weight)	267.1	190	210
Total dairy (milk solids)	57.2	45	50
Cereals (retail weight)	153.6	130	135
Fats and oils (retail weight)	35.4	40	52
Beef and veal (carcass weight)	98.2	115	135
Pork (carcass weight)	59.8	60	65
Poultry (eviscerated weight)	45.4	60	70
Eggs (fresh egg equivalent)	28.5	28	31
Fish (edible weight)	11.8	11	13
Potatoes (fresh equivalent)	151.7	135	145
Total fruit (fresh equivalent)	258.5	290	330
Total vegetables (fresh equivalent)	124.8	135	150
Sugar (retail weight)	91.8	100	106

Source: Statistics Canada and Food Prices Review Board.

potentially runs the risk of being "out-bid" for nutritionally-essential food products. This is not to suggest that Canada should be totally self-sufficient for all foodstuff (indeed, it is economically unrealistic to think in terms of banana plantations in say Timmins, Ontario) but consumers and policy makers alike should be aware of the potential implications of reliance on foreign supplies of important foods, particularly at a time of "tight" world food supplies.

The food consumption projections indicate a continued increase in meat, particularly beef, consumption. This will require a substantial increase in feed grains production (or alternatively, a dramatic change in feeding systems). Given "normal" trend increases in feed grain yields, and a slow (but gradual) increase in the grain acreage base, projected domestic feed grain requirements can more than be met from domestic production. But this is not the major issue. To a large extent, the availability of Canadian feed grains will be determined by effective international demand for food grains in 1985. The same could be said for most domestically produced foods, including potatoes, fish and so on.

TABLE 6
Total Food Consumption in
Canada of Major Foods

Food Group	Actual 1974 (million pounds)	low	Projection to 1985		Change from 1974 per cent
			Change from 1974 per cent	high million pounds	
Whole milk	5,995	5,152	-14.1	5,695	- 5.0
Total dairy products	1,284	1,220	- 5.0	1,356	5.6
Cereals	3,448	3,525	2.2	3,661	6.2
Fats and oils	795	1,085	36.5	1,410	77.4
Beef and veal	2,204	3,118	41.5	3,661	66.1
Pork	1,342	1,627	21.2	1,763	31.4
Poultry	1,019	1,627	59.7	1,898	86.3
Eggs	640	759	18.6	841	31.4
Fish	265	298	12.5	353	33.2
Potatoes	3,405	3,661	7.5	3,932	15.5
Total fruit	5,802	7,864	35.5	8,949	54.2
Total vegetables	2,801	3,661	30.7	4,068	45.2
Sugar	2,061	2,711	31.5	2,874	39.4

Source: Statistics Canada and Food Prices Review Board.

The International Outlook

World population in 1985 is projected to reach 4.8 billion people, up 20 per cent from 1975. Much of the growth in population will occur in the developing countries of the world, where a food deficit currently exists. Over the next 10 years, this food deficit is expected to become even greater.

Projections of world food demand in 1985 have been made by the Food and Agriculture Organization (F.A.O.) and the U.S. Department of Agriculture. The F.A.O. projects that food demand will increase by 2.4 per cent per annum to 1985, while production will increase by 2.7 per cent; a seemingly surplus situation. However, closer examination reveals that this surplus will occur only in the developed nations of the world, where food supplies are expected to grow at an annual rate of 2.8 per cent and food demand at 1.5 per cent. In the developing countries food demand is expected to be substantially higher than production. Table 7 presents the F.A.O.'s projections, relating growth of demand to both population growth and income growth.

TABLE 7
Projections of Growth of World Food Demand and
Production to 1985

	Demand		Production
	"Zero" income growth ^a	"Trend" income growth (per cent per annum)	
Developed countries	0.9	1.5	2.8
Market economies	0.9	1.4	2.4
U.S.S.R. and Eastern Europe	0.9	1.7	3.5
Developing countries	2.4	3.4	2.6
Market economies	2.7	3.6	2.6
Asian centrally planned economies	1.6	3.1	2.6
World	2.0	2.4	2.7

^aThis assumption considers population growth as the only determinant for the demand for food.

Source: United Nations World Food Conference, Assessment of the World Food Situation, Present and Future, Rome, 1974.

If these projections hold true, the developing market economies will suffer a net cereals deficit of almost 85 million tonnes, compared with a deficit of only 16 million tonnes in 1969-71. In a so-called "bad year" it could increase to 120 million tonnes. The projections made by the U.S. Department of Agriculture, although slightly more optimistic than that of the F.A.O., conclude that the net cereals deficit of these nations will range between 16 million and 72 million tonnes.

These are both economic market projections, based on such factors as population, per capita income and prices. They do not answer the question of to what degree the human nutritional requirements for food will be satisfied. Any projection of nutrient demand and supplies will depend upon not only such factors as production and population, but also on food distribution practices, education, employment and income opportunities, and the distribution of income. The F.A.O. estimates that 460 million people suffered from some form of malnutrition in 1970, a year in which there was no world food crisis. By 1985, this figure is expected to be more than 750 million.

It appears, then, that the F.A.O. and the U.S. Department of Agriculture are projecting a food surplus situation in the future. If the distribution mechanisms can be found, then the world can be fed. If this is the case, there will be a return to the stable period of food prices as characterized by scenario 1. However, the projection of these two sources, to a large extent, were based on the extrapolation of past trends. As noted earlier, this technique does not lend itself to the anticipation of fundamental shifts in the relationship between supply and demand. If the 1973-75 period was not an aberration but a major turning-point, these projections would not reflect that fact. In that case, there is no reliable basis for estimating the global availability or requirements for food over the next decade.

What is the global food outlook over the next decade? It is pertinent to reconsider the two major factors that were responsible for producing the "world food crisis" in 1972-73: a series of crop failures in major grain producing countries; and a global run-down in food grain stocks in the major grain exporting countries, a policy that was initiated in response to the agricultural "surplus" problems of the 1960s. The latter is controllable, the former is at the whim of nature. Is it likely that, in the future, annual world food production will fluctuate more or less than it has in the past? There is one major reason why the answer to this question is "more".

World wheat production increased by 61 per cent from 1961-62 to 1973-74 (from 228 to 367 million tonnes). Simultaneously, global wheat exports increased by 34 per cent, from 47 to 63 million tonnes. The general trend has been for global wheat exports to decline gradually as a percentage of global world production (from 21 per cent in 1961-62 to 17 per cent in 1973-74). However, as the volume of global production increases then so too does the magnitude of year-to-year variations in world production increase. A simple example may clarify this statement. First, two basic assumptions are stipulated: because of the unpredictability of climatic conditions and crop diseases, it is assumed that total world wheat production can vary by as much as 10 per cent per year; further, it is assumed that annual world production is equated with annual world requirements. When world production is 200 million tonnes, the potential short-fall in annual requirements is 20 million tonnes. When world production is 600 million tonnes, the potential short-fall in annual requirements is 60 million tonnes. Thus, as world wheat production increases to provide a growing world population with food, there is a parallel requirement that world grain stocks increase at a corresponding rate. The trend over the past six years, however, has been a general run-down in global stocks.

At the outset of the 1969-70 crop year, world stocks of wheat were 107 million tonnes. This was equivalent to 129 days of world wheat requirements. It is expected that at the beginning of the 1976-77 crop year, world wheat stocks will be 48 million tonnes, equivalent to only 51 days of world wheat requirements.

There are sound reasons to believe that annual variations in global production will increase in the future. As production expands to take in more marginal agricultural land, then the risk of fluctuations in yield increases accordingly. Further, many new varieties of grains introduced into the developing countries during the 1960s and early 1970s have potentially relatively high yields. However, experience shows that they exhibit greater yield variability than the established varieties of grain.

A longer-term concern is expressed by some meteorologists who point to a change in climatic trends. The current cooling trend the world is experiencing has been associated with the more extreme variations occurring in seasonal rainfall and temperatures. The production disruptions of the past four years have been caused, almost exclusively, by unfavourable climatic conditions.

Implications

Seemingly, if the projections of the United States Department of Agriculture and the Food and Agriculture Organization could be relied upon, Scenario No. 1, a return to long-term food price stability, could be expected. The food price experience of 1973-75 could then be seen simply as an aberration.

There are two difficulties in accepting that conclusion. First, the USDA and F.A.O. projections are just that -- projections. They are derived by taking trends based on past experience and extending or projecting them into the future. As noted, forecasts based on projections are incapable of recognizing a major structural shift or turning-point. In short, they see the future as a direct extension of the past; they are unable to anticipate a departure from past experience. Thus, for example, projections made in 1972 could not have warned about what happened to food prices in 1973-75.

A second difficulty in anticipating a return to relative price stability stems from the likelihood, as suggested above, that there will inevitably be sharp price fluctuations in the years ahead, even if food supplies generally manage to keep up with demand.

In fact, for that reason alone, regardless of the accuracy of the projections, the Board does not believe that Canadians, consumers or producers, can expect to return to an era of long-term relative food price stability where surplus management is the main food policy problem.

On the other hand, with reasonable world crop results, the Board sees no justification at this time for anticipating the emergence of a "doomsday" scenario within the next decade. Under almost any circumstance over the next decade, there will be ample supplies of the basic foods for Canadians and prices show no signs of requiring substantial long-term adjustments in consumption habits.

Nonetheless, in the Board's judgement, the 1973-75 food price experience cannot be seen as simply an aberration. Rather, it seems likely to have ushered in what may prove to be a lengthy period of food price uncertainty and instability.

Whether the new situation will be characterized by sharp, but tolerable up and down fluctuations along the lines of Scenario No. 3 or steep, successively higher pricemoves as per Scenario No. 4, will depend, at least in the short term, on crop results in surplus exporting countries like Canada and solvent importing countries like the USSR. Until reserves are built up, fluctuations are unavoidable. While they are being built up, however, fluctuations will be mild when world crops are good. A bad crop situation on top of low reserves, however, will prompt a repeat of the 1972-73 situation or worse.

It is difficult to be optimistic about the possibility of re-establishing substantial reserves, at least not in the next two years or so. It is important to note that with the exception of the 1974 North American corn crop, above-average crops have been recorded since 1973 in major exporting countries. Similarly, those years were very good in most major importing countries, with the exception of the Soviet harvest in 1975 which appears to have been a disaster. Thus, recent world production has been of a relatively high order, yet reserves remain far short of pre-1973 levels.

Other factors will no doubt also continue to encourage food price instability. The secretiveness of the USSR concerning its agricultural production has proved a consistently disruptive force in international markets. Growing affluence in many parts of the world encourages changes in eating habits. Surging demand for grain fed meat, for example, is hard to predict quantitatively. Yet, its impact on grain and meat supplies can be severe. Similarly, another example, demand for sugar seems to accompany rising affluence. Unforeseen new demand for sugar was a factor that had a part in the extraordinary surge in sugar prices in 1974.

Thus, it is with some assurance that the Board anticipates a continuing period of food price instability. This will certainly continue into the medium term and, probably, into the longer term too. The Board, however, is not able to predict the degree of that instability, nor can it say whether or not the net effect of the ups and downs will drive prices up sharply or whether, in fact, they will net out quite moderately. Yet, the degree of instability and uncertainty and the degree of the impact of price increases on income will be of the greatest importance in terms of its effect on the country and the world. In short, the Board cannot predict whether over the long term we face a Scenario No. 3 or No. 4. Most likely over a decade it will prove to be a combination of both.

Adapting our institutions, food policies and programs to such unpredictable and unstable circumstances would appear to be the key overall challenge facing this country in the food sector during the decade up to 1985.

VII. RESPONDING TO THE LONGER TERM CHALLENGE

The challenge facing Canadians is to make the necessary institutional, policy and program adjustments to meet a decade of expected instability and uncertainty in the food sector. The purpose of this Chapter is to suggest the kind of broad adjustments we should be considering in response to that challenge.

The Board wishes to make it clear that it does not pretend to have answers to all or even many of the major challenges facing the food system. There are several agencies and institutions far better placed, financed and staffed that should be in a position to propose authoritative answers. The problem is that they seem to have been shying away from speaking out on the issues, perhaps for reasons suggested earlier in this report. In the vacuum left by those who should be most actively concerned with these issues, the Board considers itself entitled, if not obligated, to make long term proposals in this area. Its views reflect a considered effort by five interested observers who have been studying the food system for the past two and a half years to identify, independently, the broad public interest in the food sector.

The Old Ways Are the Best Ways?

The Board does not believe that Canada can adequately approach a prolonged period of relative food price instability with a combination of outdated producer relief measures and an overall "policy" of "muddling through". Nor can we afford any longer the frequent inconsistency of regulation from one jurisdiction to another and, even from one department to another within the same jurisdiction. Continued reliance on the past approach would simply aggravate the effects of food price instability, as, indeed, it tended to during 1973-75.

Because present policies and measures tend to have been designed to respond to the challenges of the 1950s and 1960s, they are inappropriate for dealing with the new circumstances. Yet it will be easier to speak of discarding old policies than it will be to actually do it because of their impact on vested interests, especially producer interests. Moreover, even without a vested interest, old campaigners have never been known to adapt readily to new circumstances. It is predictable that considerable difficulty likely will be encountered in persuading the established agricultural fraternity that times have changed. This is not a dig at people in agriculture. We are all the same. But in responding to new food sector challenges, it will be those in agriculture who can be expected to have to make the greatest adjustments.

A National Food Policy

The single most important adjustment required in the new circumstances is the formulation of a long-term national food policy. It is misleading to speak of the existence of a national food policy at present. Rather, there exists a plethora of policies and programs at all levels of government which impinge on the food sector. Until now, the long-term national policy seems to have been not to have a policy. As suggested earlier, in the old circumstances, no policy may have been good policy.

However, there can be little doubt, in the Board's view, that the time has now come for the development of a new long-term national food policy. The 1973-75 food price experience marked a turning point and future food developments are going to be relatively unpredictable and unstable. We can no longer afford the luxury of our traditional "muddling-through" approach.

The ambiguity of the word "policy" poses significant difficulty in discussing the concepts of a national food policy. The word is used to describe postures adopted by governments with regard to issues of a very wide range of significance. (For example, there is a big difference between a nutrition policy and a policy on the use of paper clips!)

For meaningful discussion, therefore, it is useful to distinguish between the differing levels of policy. One way to draw the necessary distinctions is to consider policy in terms of strategy. Use of that word allows for a distinction between "grand strategy" and ordinary strategy. The implementation of strategy is through tactics, just as policy is implemented by programs. Using this terminology, a long-term national food policy becomes the long-term grand strategy for the food sector. It is the "umbrella" or framework which establishes the broad objectives and operational parameters for the whole sector within which can be established ordinary strategies and tactics for all the narrower component parts (i.e. production, processing, distribution, trade and consumption) and the subcomponent parts (e.g. dairy, feed grains, competition, metric labelling). Grand strategy can also be described as "macro policy" as distinct from ordinary strategy or "micro policy".

Canada, as noted, has a plethora of micro food sector policies but lacks a national macro food policy. It is the formulation of such a grand strategy or macro policy which the Board now considers overdue and the single most important adjustment required in the new circumstances.

A general framework of policy based on a broad national consensus would provide the parameters and direction for policy and program responses to short term developments by all levels of government. Because of the number of sharp twists and forks we can anticipate in the road ahead, we can no longer do without a road map!

A long-term national food policy is not something that can come about overnight nor can it be achieved without contributions from many quarters, above all from the public in its expression of preferences through the political system.

With the exception of certain private institutes and universities, the federal and provincial governments would appear to be in the best position to initiate a widespread review and public discussion concerning long-term food policy. It would be especially desirable that they do so because, in the end, it is the governments which will have to implement the new policy.

Institutional Adjustments

The Board considers that two major institutional adjustments are required in the governmental sector to promote the evolution of a national food policy and to deal effectively with the new challenges in the food sector. One is intragovernmental, the other intergovernmental in nature.

As previously noted, for purposes of government organization, food tends to be seen as a synonym for agriculture. Attempts to decentralize the stranglehold on food issues held by agricultural authorities within governmental bureaucracy have not been very successful. At the federal level, the inter-departmental committee on food issues has given other departments some small influence over food programs, but there has been little evidence of success in taking food policy initiatives away from the agricultural authorities. Ontario's attempt to graft a food concern onto its Ministry of Agriculture was commendable, but it has not stopped the agriculture "tail" from wagging the food "dog" in that province.

The hegemony of agriculture in food matters was an entirely justifiable development in the days when the major food problem was a producer problem. That situation having changed, responsibility for food issues as a whole must now be relocated elsewhere within governments and their bureaucracies. Departments of agriculture remain a necessity within the narrower confines of the agriculture sector, but they cannot be expected to be able to take an objective view on the entire spectrum of the food sector.

Given the typical vertical organization of most governments in Canada, it is not easy to identify an appropriate alternative location for food responsibility in existing bureaucratic structures. Indeed, there are few concerns which impinge on as many areas of human activity as does food; agriculture, fisheries, health, welfare, aid, trade, foreign policy, industry, regional expansion are just some of the key sectors of public policy with a food dimension. For that reason, perhaps the answer is to consider food a horizontal concern and to treat it as such, instead of in the traditional vertical way, for the purpose of government organization. Indeed, the Federal Government's interdepartmental committee concerned with food matters and the Food Prices Review Board itself both reflect recognition that food must be dealt with on a comprehensive, integrated or horizontal basis.

Food is not the only subject of great importance which cuts across many areas of concern. So do environment, energy, urban and science policy issues. The Federal Government has experimented with a horizontal type of organization in the latter two areas of concern by establishing ministries of state to deal with them inside the federal bureaucracy. The ambit of operation of the Ministry of State was intended to cut across the territories occupied by traditional vertical government departments. The experiments in this new form of government organization have not enjoyed as much success as they deserve because very junior ministers were initially assigned responsibility for the ministries of state. They were in no position to protect their fledgling ministries against traditional departments which were unprepared to allow other, especially junior, agencies to cut across their territory. With stronger ministers and more experienced public service staff, however, there is every reason to believe those ministries of state could be very successful in dealing with these vital areas of concern.

To deal effectively with future challenges in the food sector, federal and provincial governments must make internal adjustments. The Board is of the view that a Ministry of State for Food with authority to co-ordinate policies and operations in all areas affecting food would be an effective means of organizing internally within government, provided that the responsible minister were one of the three or four most powerful ministers in the government, with clear seniority over ministers responsible for agriculture, fisheries, trade, commerce and so on. The Minister of State responsible for food should be given final authority, short of Cabinet, for approving all significant operational decisions affecting food. With senior status and final policy coordination and operational responsibility, such a mechanism would greatly facilitate the capacity of governments to deal effectively with food issues.

It should be noted that the implementation of the Ministry of State concept could effect a reduction in costs and bureaucratic manpower because it would permit a substantial reduction of existing duplication of effort. Staff and financial resources for such a Ministry could, thus, be drawn from existing departments.

A second necessary type of institutional adjustment concerns the relationship among federal and provincial governments. Food is such an all pervasive factor in our lives that both levels of government are inevitably required to carry out activities affecting the food system from many points of view. This results in duplication and, worse, often contradictory activities and policies. While there is good federal-provincial co-ordination among departments and ministries responsible for specific sectors, the absence of agencies responsible for food makes federal provincial co-ordination on broad food issues non-existent.

Consequently, it is a matter of importance that early steps be taken to establish effective liaison and co-ordination machinery among governments in the overall food field. A long term national food policy will not be derived in the absence of such machinery.

There are several ways this could be done. Certainly, it would greatly facilitate liaison for the elaboration and implementation of a national food policy if all governments at both levels were to establish senior ministries of state for food with similar mandates along the lines suggested above. However, additional co-ordinating arrangements would be desirable to ensure continuous contact and to promote joint solutions to food sector issues. It might, for example, be useful to establish a federal-provincial permanent joint committee which would act as a point of contact for mutual notification of all governmental activities in the food sector and for consultation where those activities raised problems for any governments. Such a board or committee could also perform an important service and help reduce duplication and expense by providing a central research and data gathering capacity which would be available to all governments in Canada. With the end of the Food Prices Review Board, it should be noted, the only agency in Canada with a comprehensive food industry data base disappeared. That capacity needs to be restored in another agency such as a permanent joint board or committee.

Improved intragovernmental and intergovernmental mechanisms for dealing with food related concerns are the two most important types of institutional adjustment required in the new circumstances. Of course, many other major national institutions, including universities, food industry organizations and the media also could usefully review and make adjustments to their traditional attitudes and approaches to food issues.

Micro Policy and Program Adjustments

It is not the purpose of this report to outline a highly detailed food policy, that is, micro policy for all the components and subcomponents of the food sector. The Board's 60 other reports provide a substantial basis for re-considering policies and programs in most sectors of the food system. However, the Board wishes to draw attention to the recommendations it made during its term of office which are listed in Appendix F. Many of the recommendations retain their validity and deserve careful consideration by all sections of the food industry. Of the various elements of the food system, micro policy and program adjustments are most urgently required with regard to nutrition, agricultural land use, feed grains and farm income issues. In this connection, the Board wishes to draw particular attention to the unresolved issues described in Chapter IV. They constitute a checklist of some of the more important problems which need to be dealt with in the context of a new long term national food policy.

The Board's work provides guidance as to its views in each of those areas. In concluding this discussion, however, the Board wishes to focus on the consumer and producer interests in the anticipated circumstances of sharp food price instability. Specifically, if there are to be sharp fluctuations in food prices, what can be done to reduce the severity of the impact of the peaks and the troughs? In looking into the future, it is clear that the consumer will continue to be harried by food price instability for several years to come. To moderate the negative impact of such instability where it can do the most harm, the Board recommends that government introduce or maintain (possibly with some modification) measures like the two-price system on wheat for domestic human consumption and the skim milk powder subsidy -- that is, measures which help to ensure that a selected and limited number of basic foods are available to all Canadians at more stable prices than those which could prevail under internationally competitive circumstances. Where international pressures on prices for such basic commodities are particularly strong, the measures would tend to deliberately encourage the consumption of these nutritious products (the inverse of discouraging the use of products detrimental to health such as tobacco and alcohol through the use of the marketplace and the price mechanism. But to the extent that consideration is given to subsidizing (and encouraging) the consumption of products like whole wheat bread, so too should consideration be given to

taxing (and discouraging) the consumption of products, such as sugar. The proceeds of such taxes could be used to offset the costs of the subsidies on nutritious foods. As the Board has often stated, and as the Nutrition Canada survey found, eating patterns have an important bearing on health. And nutrition-related health problems are an important factor in mushrooming health-care costs, which are now a collective social responsibility.

In past years, agricultural policy makers have attempted to solve the problem of fluctuating commodity prices by using two major tools, supply management and "price stabilization" programs. Earlier in this report, the Board mentioned that given better alternatives, the use of supply management marketing boards to alleviate producer income insufficiency and instability, was inappropriate in present circumstances. Under the recently amended Agricultural Stabilization Act, the price of named agricultural commodities are supported at a level of at least 90 per cent of the previous five year average price, adjusted to reflect production costs in the current year compared with production costs in the previous five years. The program offers producers the advantage of a guaranteed minimum floor price during years of relatively low price without the disadvantages of a maximum ceiling price during years of relatively high prices. In effect, this so called "stabilization" policy eliminates troughs from the cycle of agricultural commodity prices but does nothing to moderate the price peaks. This program is symptomatic of the thrust of general agricultural policy implemented through the 1960s and early 70s, though it contradicts the rhetoric of the Federal Government's Throne Speech of February 27, 1974 (Appendix B) which stated that "guarantees against unduly low prices to producers must be coupled with guarantees against unduly high prices to consumers".

An alternative approach to handling the problem of price instability and income insufficiency which would provide the legitimate benefits of stabilization programs and marketing board supply management with less of their costs and inefficiencies and more of their market distortions was suggested by the Board in its report on Table Potatoes (May 1975). The suggestion was the creation of a special "self help" insurance fund with emphasis on stability of producer income rather than price.

The basis of the Board's proposal was that a contributory producer income insurance or income stabilization program would provide a means of directly addressing the problem of unstable income and price. Producers would contribute directly to the insurance fund in "good times" so as to be able to draw from it in "bad times". In this way, the effects of peaks and troughs of extreme price fluctuations would be moderated for producers. This in turn would help to discourage inappropriate production responses to the stimulus of very high or very low prices. This would tend to encourage more stable production and therefore more stable prices for consumers. The Board sees this as a practical and constructive alternative to monopolistic marketing board practices and calls on governmental authorities to give it very early and serious consideration. The stabilization fund could be augmented by taxpayer/consumer contributions, as necessary.

In conclusion, the Board wishes to note that there is a significant danger in separating consideration of the producer and consumer interests. In advocating the development of a national food policy, the Food Prices Review Board urges that the cornerstone of that policy be the recognition of the mutual interdependence of consumers and producers in this country. If we can combine recognition of that fact with a capacity for a flexible and rapid response to unexpected short-term food price developments with a broad policy framework, we shall indeed have learned a vital lesson from recent experience with food prices. On the other hand, if we do nothing, if we continue to muddle through, reacting on an ad hoc basis, producer or consumer, as the case may be, defending his selfish interest, then we shall simply be forced to relive the unstable, narrow-minded, witch-hunting atmosphere of recent years.

It is in both the consumer and producer interest that there be early progress in the development of a national food policy. Whether or not that policy and the institutional adjustments necessary for its formulation can be attained will depend on a commitment from everyone with an interest in the long-term health of the Canadian food system. That means all of us.

APPENDIX A

Special Committee on Trends in Food Prices
January 1973 -- January 1974

RECOMMENDATIONS

First Report -- March 1973

The Committee recommends:

1. That the Government give consideration to the advisability of introducing the necessary legislation to establish an independent Food Prices Review Board equipped with such powers as are necessary to review prices, and that it report to the Minister of Consumer and Corporate Affairs. In its reports to the Minister, the Board could make recommendations concerning appropriate action to be taken.

In addition, periodic reports of the Food Prices Review Board may be referred to a Standing Committee of the House. The Board shall have the authority to incorporate in its periodic reports, a request to appear before the said Standing Committee.

After a report is referred, the Committee would have authority to call the Board before it.

2. That certain provisions of the proposed Competition Act dealing with consumer protection (e.g., misleading advertising, bait and switch selling) be split off into a separate Bill and enacted immediately, and not be tied in with the provisions relating to monopolies, mergers etc., requiring reconciliation with broader policy directions relating to industrial strategy and foreign investment.
3. That the Government give consideration to the advisability of introducing legislation governing the nutrient content of foods sold to the consumer and requiring nutritional labelling, because it is imperative that nutrition information be brought home to the consumer.
4. That broadcasters in particular, and all media in general, be encouraged to continue and to increase consumer education programs and articles. Consumer information must be made available to all segments of the population and the Committee invites the media to undertake more investigative reporting of consumer protection.

The consumer is not altogether blameless in the current situation of rising food prices. Buying habits over the years have deteriorated. A massive education program is necessary but will prove fruitless if people fail to take advantage of this service. Consumers must demand information from the media, retail outlets and government departments. It is incumbent upon the consumer, and particularly those hardest hit by rising prices, to make a study of good shopping habits.

5. That the Federal Government, in co-operation with the various provincial governments, consider the feasibility of co-sponsored programs to get proper food on the tables of people with low income.

The Committee feels that programs must be devised to enable food to be made available directly to particular groups, primarily children, senior citizens, shut-ins and the destitute.

6. That the Department of Consumer and Corporate Affairs make specific monies available to consumers groups to present briefs to various governmental boards, where appropriate.

Second Report -- July 1973

The recommendations arising from the First Report of the Committee have been mentioned. The most significant of the first report recommendations was to establish the Food Prices Review Board with the purpose of (a) monitoring food prices regularly, (b) determining which price rises require investigation, and (c) recommending action to government. Considering the evidence which led to the first report and the testimony of the retail food chains, the committee makes the following recommendations:

1. The committee recommends that the Food Prices Review Board immediately begin to study the effects of controls in other countries on the price and availability of food in those countries and furthermore discourages any attempt by the Board to set itself up solely as an educational agency.
2. The Committee recommends that the Federal Government consider the advisability of implementing all of the recommendations contained in the first report, especially the recommendation to consider the feasibility of programs to provide food for low-income Canadians.

The Government has responded to the Committee's First Report by (a) establishing the Food Prices Review Board, (b) providing funds for consumer groups and (c) considering legislation which would require nutritional information on food products. The Committee strongly believes that the assurance of adequate food for low-income Canadians should be a top priority for the Federal Government. Accordingly, the Committee would like some indication of action of the feasibility of delivering adequate food to these Canadians.

3. The Combines Investigation Branch should determine whether retail agreements involving cash discounts, volume discounts, co-operative advertising, end-aisle displays, introductory free goods and case allowances in any way reflect adversely on retail prices and/or help limit competition and/or disadvantage small retailers and wholesalers. If said agreements are found to have adverse effects, the Combines Branch should report the violations and proceed to prosecute under the existing law. Where the existing law does not meet the situation, the Combines Investigation Branch should recommend the necessary changes in the law.

There were allegations from the press and private sources of some unfair dealings which may have contributed to competitive rigidities and hence to higher food costs. In the Committee's opinion, these practices should stop.

4. The assessment and review of the 1969-71 food price war which was referred to in the 1971 Report of the Director of Investigation and Research under the Combines Investigation Act should be made public immediately.

The Committee members believed that the report would be helpful in any further investigation by the Committee or the Food Prices Review Board.

5. The Committee recommends that the Federal Government consider the advisability of proclaiming immediately the Consumer Packaging and Labelling Act.

The Committee was of the opinion that the provisions of the Act may have beneficial effects on food costs and therefore should be proclaimed post-haste.

6. Food advertising should emphasize that which is primarily price and quality informative.

7. Consumers are encouraged where possible to buy private brands which offer to them significant savings.

Evidence was submitted that food chains were able to buy private brand merchandise of satisfactory quality much more cheaply than nationally branded items. The limited advertising, the absorption of excess capacity in some cases, and access to large markets were frequent reasons for the savings. Table 1 contains the prices of selected national brands and comparable private brands as submitted by six retail food chains.

8. Because an adequate supply of essential food is vital, the Committee recommends that the Federal Government consider the advisability of immediately implementing policies to encourage farmers to increase steadily the production of staple foodstuffs on a basis that will provide a fair income for the farm family and basic food at a reasonable price for the consumer.

9. The Committee recommends that the Federal Government consider the advisability of protecting the Canadian market from the pressures of world food requirements by ensuring that domestic prices reflect domestic demand and supply.

It is strikingly unfair that the Canadian consumer should have to pay more for his food as a result of shortages elsewhere in the world. As a consequence, it is felt that Canadians should be shielded from higher prices brought on by foreign demand for Canadian food. The government should monitor trends throughout the world and at a sign of impending shortages in a certain commodity, should take appropriate steps to ensure that there will exist adequate supplies for domestic needs at the current domestic prices.

Third Report -- December 1973

Your Committee recommends:

1. That the House give consideration of the advisability of amending its standing orders in order to provide for the establishment of a Standing Committee on consumer affairs.

Your Committee is of the opinion that the Canadian consumer would benefit from the establishment of a Standing Committee on Consumer Affairs. Your Committee is also of the opinion that important legislation such as the amendments to the Combines Investigation Act will be emanating from the Department of Consumer and Corporate Affairs, which legislation could be better examined by a Consumer Affairs Committee. In the event that the House establishes a Standing Committee on Consumer Affairs, the Committee recommends that the Government adopt, as a policy, the automatic reference of all reports of the Food Prices Review Board.

2. That the Federal Government give consideration to the advisability of establishing a comprehensive and realistic long-term food policy for Canada, co-ordinated through the Department of Agriculture and that the Government give consideration to having this matter referred to appropriate standing committees.

APPENDIX B

Extract from Throne Speech of February 27, 1974

At the same time as there is increasing concern about shortages in the supply of energy, it is apparent there is an inadequate supply of food in many parts of the world. In some countries the situation has reached critical proportions. In Canada there have not been such serious shortages but international market pressures have forced our food prices upwards. It is clear that this country's production must be increased. The Government is developing a policy on food based on the following objectives:

- an adequate and dependable supply of quality food for a growing population in Canada enjoying a rising standard of living;

- reasonable food prices:

- for the consumer, in not requiring an undue proportion of income for Canadians to secure a sufficient and balanced diet,

- for the producer, in providing a return adequate to encourage production of food items which can be economically and efficiently produced in Canada;

- a continuing supply and increasing production of those food products in which Canada has a competitive advantage for export to commercial markets and also for a contribution to international food aid programs.

The Government's objectives will guide a re-assessment of existing programs in the areas of agriculture and fisheries. The Government will wish to consult with provincial governments, consumer groups and producers.

The producer must be ensured a fair income for his work. His confidence in long-term market opportunities is an essential element in the Government's policy. The producer should have access to all markets in Canada. He will also be encouraged to expand food exports.

The consumer must be ensured a fair value from his dollar. He must be protected against disruptive increases in the price of essential foodstuffs caused by international market demand. Guarantees against unduly low prices to producers must be coupled with guarantees against unduly high prices to consumers.

In the long term the continuity of domestic supply must take into account optimum over-all use in Canada and especially the trend to diversion of productive land for non-agricultural purposes. The Government intends to enter into discussions with the provinces since they are vitally involved in this question.

As positive steps in the achievement of adequate supplies of food at a reasonable cost, measures directed in the main at increasing food production will be laid before you in the following areas:

- guaranteed loans and other forms of assistance to both farmers and fishermen to assist them in purchasing or modernizing their equipment;

- amendments to the Export and Import Permits Act to provide the Government with better means to stabilize the Canadian market;

- improving the availability of manpower for food production;

- assistance in the construction of new storage facilities;

- research to make it possible to increase production, improve quality, and lower costs;
- improvements in harbour facilities for fishing fleets;
- incentives to increase Canada's catch of unexploited stocks of fish;
- advance payments on crops to assure producers of timely cash receipts;
- an agricultural stabilization plan to encourage rational production decisions;
- assistance to young farmers to provide sufficient financial incentives for them to establish themselves in farming;
- better veterinary training facilities;
- a prairie grain market insurance plan;
- improvements in Canadian grain rail transportation capabilities;
- increased availability of reasonably priced feed grains;
- incentives to increase the production of livestock necessary to provide for Canadian and export markets.

As part of the Government's economic management, a major element in the policy to mitigate inflation is to increase production and supply: many measures have been indicated with respect to energy and food. Of course, Canadians must strengthen their economy in other ways to expand employment opportunities and achieve a greater degree of control over their economic affairs.

APPENDIX C

Summary of Publications of the Food Prices Review Board

1. First Report - August 17, 1973
 - concern with the effect of rising food prices on the health of Canadians, particularly children and those on fixed or limited incomes;
 - directing attention to price increases of staple food items;
 - recommended that the federal subsidy on wheat for human consumption be increased;
 - urged government to expedite the proposed increase in family allowances.
2. Wage and Price Controls in Britain - by David C. Smith - Sept. 6, 1973
 - earlier attempts with temporary controls indicate no lasting effects on upward movements of prices and incomes;
 - controls are attractive to the British government for political reasons.
3. First Quarterly Report - Sept. 26, 1973
 - food prices are not rocketing out of control;
 - examines commodity prices and costs throughout the food industry -- farmer, processor and retailer -- as well as international developments.
4. Retail Food Stores Survey - Nov. 21, 1973
 - results of nation-wide survey of prices and merchandising practices in the Canadian retail food industry;
 - recommendations regarding enforcement of legislation, additional legislation concerning deceptive retailing practices and packaging standards.
5. Second Quarterly Report - Dec. 20, 1973
 - recommends that governments give the agricultural sector the highest priority in any program of retaining or allocating available energy resources;
 - price increases had eased due to seasonal factors, the new wheat policy announced in September and the new milk subsidy;
 - review of the beef market;
 - review of financial position of food companies - no evidence of profiteering.

6. Report on Egg Prices - Jan. 9, 1974

- egg prices are being maintained at artificially high levels through pricing policies of marketing boards and surplus disposal programs;
- recommends: -- that egg prices should be reduced without delay;
- that alternative means be found to stabilize the earnings of egg producers;
- CEMA and provincial egg boards be made accountable to all sectors;
- that CEMA not be empowered to control exports or imports of eggs;
- that governments review the system of egg marketing.

7. Report on Bread Prices - February 28, 1974

- companies should increase bread prices when higher costs are incurred, not in response to announcements by the Bakery Council of Canada;
- recommends economies in the system of distribution;
- recommends help to smaller regional bakeries;
- bakers and retailers should examine the proliferation of loaf sizes and excesses in packaging.

8. Third Quarterly Report - March 22, 1974

- update on beef situation;
- review of farm incomes in 1973 - rising farm incomes a consequence, not a cause of higher food prices in 1973 (largest gains in grain - growing regions, smallest gains in dairy farming);
- examined trends in direct labour costs in food processing and distribution, 1968-1973; - rising labour costs not particularly important in the food price rise of 1973;
- cost transmission in the food sector, using 1973 annual data, included as an appendix.

9. Canadian Dairy Industry: short-term perspectives - by Dr. David L. MacFarlane and Dr. Lewis A. Fischer - April 29, 1974

- working paper released for public information and discussion;
- recommended -- return to market-price system for dairy products;
- changes to existing quota systems;
- farmers feed cattle to maximize production;
- educational program should encourage consumption of skim milk powder.

10. Report on Ground Beef - June 6, 1974

- recommendations concerned new regulations for ground beef mixtures, more federal testing of products and removal of tariff on imported boneless beef.

11. Feed Grain Prices - by D.J. Clarke and R.M.A. Loyns - June 19, 1974

- staff working paper released to provide information and increase public awareness;
- traces behaviour of livestock feed prices during late 1972 and 1973, how these feed grain prices related to livestock production costs and realized producer returns;
- concludes that rising feed prices not the most important cause of rising meat and egg prices - demand pull was more important.

12. Fourth Quarterly Report - June 27, 1974

- detailed reviews of trends in the prices of dairy products, meat, fruits and vegetables;
- relationship between incomes of farm producers and farm investment;
- preliminary review of packaging costs.

13. Beef Pricing - July 3, 1974

- relates the farm price of the live animal to price of retail beef and concludes that margins of beef processors and retailers have not contributed to the sharp rise in beef prices in recent years;
- North American nature of beef market, effects of U.S. controls program and related developments.

14. Beef and Pork in Canada: demand, supply and trade - by R. G. Marshall - July 4, 1974

- working paper released for information and discussion;
- considers domestic supply and demand, U.S. supply and demand, Canadian trade relationships for cattle and beef and hogs and pork.

15. Food Company Profits and Food Prices - July, 1974

- based on financial data supplied by 50 major companies in the food industry for a 10-year period;
- although profitability within the food industry generally increased in 1973, returns remained below those in the non-food sector;
- showed a fairly direct relationship between earnings of companies within the food sector and new capital investment they undertake;
- concluded that increased profits were not a major cause of food price increases in Canada in 1973.

16. Sugar Prices and Policies - July 11, 1974
 - Canadian sugar prices reflect prices on the international free market;
 - recommended that the federal government negotiate to implement 1971 Tariff Board recommendations that tariff duties on imports of raw, semi-refined and refined sugar be reduced.
17. Pork Pricing - August 23, 1974
 - relates the producer price of hogs to retail prices in the Toronto market through analysis of margins;
 - "hog cycle";
 - effects of U.S. price ceilings;
 - effects of unusually high production costs since mid 1973.
18. Report on Egg Prices II - Aug. 28, 1974
 - present marketing board structure unable to control production within the provinces;
 - Federal Government has been passive in ensuring free inter-provincial product movements which are part of the national egg agreement and guaranteed under the BNA Act;
 - reiterated Board's statement of January that egg marketing boards be made more directly accountable to the public - consumers, processors and handlers, and distributors.
19. Food Price Trends in Canada and the United States - Sept. 6, 1974
 - U.S. controls only partially insulated U.S. food prices from world-wide supply and demand pressures and did not prevent large increases in food prices;
 - details food supply distortions that resulted during the U.S. controls program;
 - concludes that a price controls system such as attempted in the U.S. appears to be unsuited to the food section of a market-oriented economy.
20. Fifth Quarterly Report - Sept. 27, 1974
 - reviews trends in food prices and in prices in general in western countries;
 - all of major industrial countries, including Canada, experienced a deterioration in inflation in 1974 which is expected to exert further pressure on food prices;
 - lower than expected world food production will also exert pressure on food prices;
 - FPRB appeals for spending and income restraint (first appeal).

21. Beef Pricing II - November, 1974

- analysis of data from Toronto market area indicated that the behavioural patterns of price spreads for fed beef at the wholesale and retail levels continued to follow the relationships outlined in the report on Beef Pricing released by the Food Prices Review Board in June, 1974:
- for the first 41 weeks in 1974 (until mid October), the average weekly value of the total wholesale spread to the meat packer averaged \$7.05 per hundredweight but showed considerable week-to-week fluctuation, ranging between \$2.95 to \$9.91 per hundredweight;
- the Board concludes that price movements at the retail level have generally followed changes in fed steer prices.

22. Retail Beef Prices and Price Spreads - November, 1974

- this report presents a detailed study of beef prices and price spreads in seven cities across Canada - Calgary, Edmonton, Winnipeg, Toronto, Ottawa, Montreal and Halifax - during eight weeks of March and April, 1974;
- the retail price of the saleable beef cuts from a beef carcass showed only limited variation among the seven cities included in the survey;
- within all cities some significant differences among chains in prices of saleable beef cuts were observed. In general, the higher-priced cuts had relatively higher prices in Edmonton, Calgary, Winnipeg and Montreal and considerably lower prices in Toronto. On the other hand, the less expensive cuts were relatively lower priced in western Canada.

23. Food Prices in Newfoundland: Comparison with Mainland Regions, November, 1974

- survey from September, 1973 to May 1974 with Newfoundland compared to Toronto, Halifax and some areas of northern Ontario;
- it was found that the most significant sources of the difference in retail food prices between Newfoundland and the mainland lay within the province and the internal food distribution system;
- higher costs of distribution within Newfoundland partly reflected the wide dispersion of the population, the inadequate development of roads and land transportation systems, the distance from the mainland, limited local production, weather and other elements, poor storage, the continual dependence of some communities on coastal shipping, and the dependence of some communities, especially in Labrador, on air transport;
- added problems existed because of the organization of food marketing by both the processors and retailers;
- Newfoundland is much less competitive than the rest of Canada;
- there were a number of recommendations to lessen existing price disparities. One of which is that the Federal Government should help Newfoundland re-examine the situation; the provincial government should improve facilities and encourage changes.

24. A Review of the Canadian Beef Market - November, 1974

- this report consider the various markets for beef in Canada. The beef carcass grading system is explained and the relationships between grades and groups of grades are reviewed;
- some of the problems that face the cattle and calf producers were also identified and recommendations for action proposed;
- the Board's review of the Canadian beef market concluded with nine recommendations directed to, among others, producers, governments, consumers, and the industry.

25. Sixth Quarterly Report - December 20, 1974

- food prices were rising through most of 1974;
- saying "progress in dealing with inflation will take time";
- over 12 months to November, 1974 CPI food for home consumption increased by 15 per cent;
- reported on a serious world supply situation for wheat and feed grains and the resulting implications of their increasing costs on such commodities as meat, eggs and poultry;
- milk prices rose rapidly in 1974 because of rising producer costs and the phasing out of federal fluid milk subsidies;
- key factors behind food price pressures in 1974 were the grain and feed supply situation, sugar price situation and attempts by business and labour to better their real incomes;
- in order to stabilize food prices, the report said there needed to be a return to moderation in the spending and income demands of all groups.

26. Market for Heifer Beef in Canada - January, 1975

- this report reviews the spread between prices for heifers and for steers, and prices for heifer carcasses and steer carcasses in the Canadian A Grade beef market. This is a matter of concern for both producers and consumers;
- study showed that in market conditions around the New Year the justifiable price spread between live steers and live heifers was approximately \$4.60 per hundredweight; however, the actual price of live steers exceeded that of heifers by more than \$9.00 per hundredweight in a number of markets;
- the report concludes that the difference in price per hundredweight between steers and heifers is largely accounted for by the lower market demand for lighter-weight beef carcasses;
- therefore the Board recommended that producers develop management systems to increase heifer weights without overfinishing and retailers reassess their beef buying policies.

27. Broiler Chicken Prices - January, 1975

- publication looks into production and marketing of broiler chickens. It compared prices and price movements in broiler industry during first nine months of 1973 and 1974;
- broiler prices increased at producer, wholesale and retail levels;
- justifications for broiler chicken price increases were feed and grain price increases, producer price increases, regional input cost differences, barriers to trade between provinces, lack of importing from United States during first nine months of 1974, when it was advantageous to do so;
- there was a surplus of cold storage stocks of chicken in Canada;
- the Board questions the adequacy of the proposed national chicken marketing plan as an approach towards equitable and economic marketing of broiler chicken in Canada.

28. What Price Nutrition - February, 1975

- the survey identifies a number of nutrition problems in Canada over the period September, 1970 to December, 1972. A food basket was designed supplying the required nutrients for a target family of four persons;
- report relates food prices to nutrition requirements of various groups;
- outlines several steps consumers can take to put grocery costs while improving the nutritional quality of their diets;
- one part of the report discussed the issue that most Canadian families could afford a nutritious diet at the income levels and prices at the beginning of 1975;
- recommended that federal and provincial governments should co-ordinate and intensify efforts to improve nutrition and buying practices at all levels of society.

29. Hired Farm Labour in Canada - March, 1975

- a background paper which considers the relationship between wages of hired farm workers and food costs;
- the authors indicate that the hired labour supply has been restricted because farm wages are low relative to those in non-farm occupations, there are unsatisfactory working conditions and unemployment insurance policy;
- government at both federal and provincial levels have been attempting to increase both the size and quality of the agricultural labour force;
- higher food prices in Canada over the past two years can only partly be attributed to increased costs for hired farm labour.

30. Direct Labour Costs in The Food Processing Industries in Canada, March, 1975

- this background report indicates that increased labour costs in food processing were responsible for relatively minor increases in the overall cost of food between 1968-1974;
- analyzes the short-run prospects for labour relations in the food processing and distribution (FPD) industries;
- concluded that direct labour costs in food processing accounted for a small portion of the value of sales in the food processing industry;
- however, increased labour costs in the industry exceeded rises in productivity;
- meat packing agreement presented as a case study of collective bargaining in FPD;
- the result showed collective bargaining has only small effect on price increases of food products;
- concluded that rate of inflation must be restrained in order to stabilize trend of increasing labour costs and system of collective bargaining.

31. Prices, Incomes and Capital Formation in Canadian Agriculture, March, 1975

- this background report showed how rising farm incomes encouraged farmers to buy new machinery and equipment, erect new farm buildings and otherwise improve their holdings in recent years;
- the authors of the report stated that such measures increased farm productivity, and they developed an econometric model to illustrate the relationship between farm investment and farm output.

32. Food Price Comparisons, April, 1975

- a report on an experimental study, beginning April, 1974 surveying prices of a selected 65-item food basket in Ottawa-Hull and Winnipeg;
- studied the possibility of providing additional and improved food price information to consumers and determining their reaction and that of the retailers;
- publication of food price data appeared to lower food price levels and lessen the differences in price levels in a short period by increasing degree of competition in local markets;
- longer-term results were not measured.

33. Seventh Quarterly Report - April 9, 1975

- the Board stated that the strong upward momentum of food price inflation was not broken;
- from January to March there were declines in the price of beef, sugar, potatoes and eggs, and increases in the price of milk, bread, pork, fruit and vegetables;
- the report looked at recent trends in Canadian prices of commodities, wages, productivity and labour costs;
- annual cost of nutritious diet for reference family of four persons was just over \$2,100.

34. Table Potatoes - May, 1975

- to aid potato growers with fluctuating prices and production levels the Board recommended the establishment of a potato market information organization and a contributory income insurance or income stabilization program to which growers contribute in good years and draw from when needed;
- the Board rejected mandatory supply control as a method of stabilizing supply swings in the potato industry;
- the report also recommended central clearing houses be organized, changes in transportation, trade and tariff structures and a change in quotas and tariffs;
- discusses the ad hoc support scheme introduced to help growers over the slump in early 1973.

35. Fish and Fish Products - June, 1975

- the report is a review of the structure of the primary fishing industry, the fish processing industry and the marketing and the distribution system for fish and fish products;
- it seeks to identify the factors which determine fish prices, to establish causes for price variations and to analyze price spreads;
- the Board recommended measures to improve resource management, higher consumption, a change in the tariff rate and additional employment in the economically troubled domestic fish industry.

36. Feed Grains, Forage and Food Supplies - June, 1975

- a background report suggesting that cattlemen, consumers, and the world at large could benefit if domestic livestock were fed less grain and more processed forage;
- if done, more food would be available for human consumption;
- government could aid substitution of forage through research and the altering of grading policies, and producer incentives.

37. Eighth Quarterly Report - July 7, 1975

- in first six months of 1975, retail food prices rose about five per cent (somewhat lower than previous two years);
- wages and salaries continued to rise more quickly than prices;
- in quarter April to June, prices for beef, pork, poultry and milk rose;
- prices for eggs and sugar lowered;
- annual price of nutritious diet for the reference family of four was \$2,180.

38. The Consumption of Bread and Fluid Milk in Canada - July, 1975

- this background report is concerned with the role of bread and milk in the Canadian diet, and the budgets of Canadian families;
- the income and price elasticities are estimated to be low i.e. variation in price of these products and income levels of families has little effect on amount consumed;
- the paper also considered the nutritional consequences of bread and milk consumption.

39. Sugar Prices II: The Canadian Refining Industry

- the Board investigated sugar prices and domestic sugar refining industries: price instability and financial operations;
- stated that high sugar prices in 1973 and 1974 were caused by world raw sugar market;
- recommended: that Canadians accept a degree of sugar price instability and lower average prices over the long term; there should be an altering of tariffs and premiums on raw and refined sugar; that the current laws and taxes were sufficient regulation of sugar prices; and that a closer look at sugar consumption levels and their effects was needed.

40. Bacon - August, 1975

- a report on bacon marketing and movements in prices and price spreads at both processing and retail levels;
- discusses the determinants of the supply of bacon and the consumption level;
- recommended that consumers acquaint themselves with brand names so that they would be in a position to distinguish between top and lower classifications.

41. Meat Processing Capacity - August, 1975

- a background report concluding that the current cattle and hog processing capacity in Canada is in excess of present needs and is more than adequate for our foreseeable future needs;
- because of the spare capacity (particularly in Western Canada), it is recommended that before any future government encouragement of the construction of further meat processing facilities, there must be serious consideration of all the economic implications.

42. Ninth Quarterly Report - September 30, 1975

- whereas two of the reasons for rising food prices in 1973 and much of 1974 were the domestic and international price of many raw food commodities such as grain, oilseeds, sugar and beef, in mid 1974. There were two more contributors - labour and food company profits;
- prices for eggs, pork, poultry, and milk rose;
- prices of fats, oils and sugar dropped;
- energy represented a significant, but not major, influence on the price of food;
- report examined international price developments;
- both the current demands of the food industry unions and the current offer by employees had a significant impact on food prices in the British Columbian dispute.

43. Broiler Chicken Prices II - October, 1975

- consumers are paying more than they should for broiler chickens because of the supply management marketing system;
- greater benefits under the broiler supply managements accrue to the producers, but they have lost independence and entrepreneurial incentive;
- recommends that federal and provincial agriculture authorities review, and possibly replace, existing supply management programs with alternative measures, and that the Federal Government constraints to interprovincial and international trade in the broiler industry which are contrary to the British North America Act.

44. Food Company Profits and Food Prices II - October, 1975

- examines the relationship between financial performance of 105 companies and food price changes.
- food company profits found to be a relatively minor factor in food price increases in 1974 and first half of 1975;
- report simulated the effect two programs of wage and profit controls would have on food prices had they been implemented in 1974;
- productivity in the food industry was poor in 1974 and early 1975 with constant dollar sales per employee lower for all industry groups except dairying.

45. Convenience Food Stores Survey - November, 1975

- results of a survey comparing prices on a 32-item food basket among supermarkets and major convenience stores in 5 cities during the week of May 19;
- consumers pay up to 24 per cent more for food when they shop at convenience stores rather than supermarkets.

46. Beef Pricing III - November, 1975

- report criticized retailers in Toronto and Vancouver for their role in increasing beef prices through the retail price spread in these cities;
- in all markets retail price spread showed weekly fluctuations;
- the Board called on retailers to make lower grades of beef more widely available to consumers as those grades were particularly low priced in relation to the A grades of beef.

47. Food Prices in Northern Canada - December, 1975

- in 1974, average prices of a basket of food were 36 and 27 per cent respectively higher in communities surveyed in the Yukon and Northwest Territories when compared with those in Edmonton. Prices for items of fresh produce were particularly high;
- recommended that a further survey be carried out by Federal Government to improve understanding of complex factors which result in high food prices in Northern communities.
- major factors influencing Northern food prices are transportation costs, store operating costs, food spoilage and waste, low turnover, labour, utilities and inventory carrying costs, and, in some areas, lack of transportation;
- recommended that current profitability of Northern food retailing operations be examined.

48. Feed Grain Policy in Canada - December, 1975

- concluded that consumers are paying more for beef, pork, poultry, eggs and dairy products than they should because of outdated and sometimes contradictory agricultural policies. Crow's Nest Pass statutory freight rates. Feed Freight Assistance program, eight cents per bushel tariff on Canadian imports especially questioned;
- questioned whether stated objectives of present domestic feed grains policy can be achieved, and whether an open market can operate effectively given the preponderant influence of the Canadian Wheat Board in the marketplace.
- raised the question as to the need to remove feed grains for the domestic market from jurisdiction of the Canadian Wheat Board.

49. Dairy Foods I: Prices - December, 1975

- recommended to fluid milk processors that relative wholesale prices for skim, two per cent, and homo milk reflect the amount of butterfat removed from raw milk to produce each product;
- concluded that establishment of retail price spreads for fluid milk on the basis of a fixed percentage of wholesale list prices has unduly raised fluid milk prices;
- retail price margins for fluid milk highest in Toronto, of the seven cities surveyed. Called on Toronto supermarkets to reduce fluid milk prices;
- retail price margins for cheese were found to be generally substantially higher than those for butter.

50. Advertising Expenditures and Food Prices - February, 1976

- food industry advertising and promotion expenditures increased markedly from 1973 to 1975. This rise was not explained solely on the basis of inflation in general. Concluded that increased advertising costs contributed to a minor extent to the rise in food prices during that period;
- castigated food industry for being slow to respond to public need for information and guidance as to the reasons for, and how best to cope, with price instability.

51. Dairy Foods II: Policy - February, 1976

- indicated that a high level of direct government subsidy to manufacturing milk producers has been a major facet of federal government dairy policies;
- concluded that the primary concern and direction of dairy policy should be the establishment and maintenance of an efficient dairy system that takes full account of comparative economic advantage for milk production and provides dairy products to consumers at reasonable prices;
- proposed a dairy policy alternative that could best achieve the above goals.

REFERENCE PAPERS

With the introduction of the Federal Government's anti-inflation program in October 1975, the mandate of the Food Prices Review Board was terminated. Some of the Board's work was not advanced enough to allow the Board to evaluate, edit and publish it in full report form. In order that this work would not simply "disappear" into the archives, the Board published nine "Reference Papers" which it had commissioned as background material under the names of the author, for the information of the public.

52. Reference Paper 1, "The Role and Importance of Futures Markets to Canadian Agriculture", by Dr. G.C. Storey and Dr. L. Martin.
53. Reference Paper 2, "Tax provisions Affecting the Economic Position of Farmers", by Dr. J.A. Johnson and Dr. W.M. Scarth.
54. Reference Paper 3, "Canadian Agricultural Land Use Policy", by Dr.E.C. Gray.
55. Reference Paper 4, "Canadian Edible Oils", by Dr. L.R. Rigaux.
56. Reference Paper 5, "World Food Situation", by Charles Szabo.
57. Reference Paper 6, "The Levels, Causes and Effects of Economic Concentration in the Canadian Retail Food Trade", by Dr. B. Mallen.
58. Reference Paper 7, "Family Food Expenditure", by Dr. B.G. Spencer.
59. Reference Paper 8, "Food Policy Aspects of Nutrition and Health", by R.G. Wirick.
60. Reference Paper 9, "Food Policy Aspects of Farm Income", by R.G. Wirick.

APPENDIX D

FOOD PRICES REVIEW BOARD
COMPLAINTS
PROPORTION BY CATEGORY

	1974	1975
	(per cent)	
Meat	6.2	8.6
Poultry	1.0	0.9
Fish	2.3	1.4
Eggs	1.8	2.7
Dairy (excluding milk)	5.9	5.6
Milk	4.8	9.9
Cereal Products--General	5.2	3.8
Bread	3.5	5.9
Flour	0.8	0.7
Cereals	2.3	3.2
Oils-- General	3.6	2.3
Margarine	6.7	2.1
Sugar	20.1	12.1
Beverages	3.1	3.9
Produce	11.3	10.3
Miscellaneous	11.7	16.4
General	9.6	10.1

APPENDIX E

Summary of Press Releases of the Food Prices Review Board

Note: This summary does not include press releases concerning specific reports. Reports are summarized elsewhere.

2. September 9, 1973, Ottawa
 - 80 researchers and investigators sent across the country to examine prices and pricing practices in retail food stores.
 - Consumer Association of Canada involved in briefing research teams.
3. September 13, 1973, Ottawa
 - Mrs. A.F.W. Plumptre and Dr. Gordon L. Burton meet in Regina with Saskatchewan Premier, the Honourable A.E. Blakeney.
4. September 17, 1973, Calgary
 - statement by Mrs. Plumptre on the Supreme Court of Alberta decision concerning Canada Safeway's operations in Calgary and Edmonton.
 - "a very positive step on behalf of the consumer, because full competition is necessary to ensure fair prices".
6. October 2, 1973, Vancouver press conference
 - Mrs. Plumptre noted some Heinz baby food cans available in Vancouver are labelled 4½ oz. while others are labelled 4¼ oz.
 - discrepancy due to changes in government labelling regulations and not an intentional act to confuse public.
7. November 1, 1973, Ottawa
 - Mrs. Plumptre met with Premier William Davis of Ontario, the Honourable John Clement, Minister of Consumer and Commercial Relations and the Honourable William Stewart, Minister of Agriculture and Food.
9. December 6, 1973, Ottawa
 - Mrs. Plumptre and Mr. Julien Major to meet with the Premier of Quebec, the Honourable Robert Bourassa and Quebec's Minister of Agriculture, Mr. Toupin, in Montreal on December 10, 1973.
 - Mrs. Plumptre and Mr. Major will hold a press conference following the meeting.
10. December 7, 1973, Ottawa
 - a meeting of the Food Prices Review Board will be held on December 18, 1973.
 - Retail Food Stores Survey will be discussed with representatives of the major food retailers and the Consumers Association of Canada.
 - meeting will be open to the public.
12. January 9, 1974, Ottawa
 - Board is extending the telephone reporting service for consumers in the Atlantic provinces.

14. February 18, 1974, Ottawa

- Board statement on possible additional increases of three to four cents per loaf of bread, as indicated by the Bakery Council of Canada.
- Board analysis indicates that an increase of, at most, two cents should be sufficient.
- Board has received little evidence of recent improvements in productivity and efficiency to help absorb rising costs.

16. March 4, 1974, Ottawa

- at request of Bakery Council of Canada, FPRB will hold a meeting on March 20, 1974 to receive submissions from the bakery industry regarding the Report on Bread Prices, released February 28, 1974.
- meeting open to the public.

17. March 20, 1974, Ottawa

- problems facing the dairy industry discussed at the ninth meeting of the Board.
- "concluded that there is significant cause for serious concern about returns to large numbers of dairy producers, current prospects for the industry, and for its capacity to provide the Canadian consumer with adequate and reasonably-priced supplies of dairy products."

18. March 21, 1974, Ottawa

- results of open session on bread prices.
- Board re-iterates the conclusions of its report of February 28, 1974.
- bakery industry will co-operate in providing details of cost changes and price adjustments affecting the basic loaf of white bread.
- FPRB "will continue to monitor wholesale and retail bread prices, and will investigate increases that appear to be unwarranted."

20. April 25, 1974, Ottawa

- statement on feed grains policy
- 8 recommendations concerning issues such as transportation, open-market pricing, tariffs and import controls, storage facilities, Feed Freight Assistance.

21. April 26, 1974, Ottawa

- statement of the current facts surrounding beef prices.
- factors discussed included liveweight prices, beef subsidy program of March 15, D.E.S. certification.
- chart showing retail beef prices, carcass price, steer price.

24. June 14, 1974, Ottawa

- representatives of dairy and government agencies invited to meet the Board on June 20 in Ottawa to discuss problems facing dairy producers and processors.
- FPRB has a particular interest in dairy products because of their basic nutritional importance in the diets of Canadians.
- particularly concerned with the possibility of further price increases, despite subsidies and recent price increases.
- meeting open to the public and media.

25. June 19, 1974, Ottawa
-- all provinces except Newfoundland have presented or will present briefs to the FPRB with respect to its conference on the dairy industry.
-- Consumers Association of Canada has submitted a brief.
28. June 27, 1974, Winnipeg
-- research staff of the FPRB met in Winnipeg with representatives of the hog and pork industry from all major hog production areas of Canada.
-- discussed and clarified problems facing the industry and their implications.
32. July 24, 1974, Ottawa
-- announcement of one-week survey of food outlets in a number of centres in the Maritimes and the Eastern Townships and Gaspé region of Quebec.
-- reviews results of investigations during first 14 months of operation, discusses investigation unit and complaint service.
-- investigation group will also survey the Western provinces.
35. August 17, 1974
re: Grocers Agreement on Pricing (no copy located).
34. August 21, 1974, Ottawa
re: Shortage of Metal Caps for Preserving Jars.
38. September 13, 1974, Ottawa
-- supplies of sugar currently available in Canada are fully adequate to meet the normal demands of consumers.
-- criticized retailers who do not mark prices on packages and consumers who have hoarded sugar and have therefore distorted the market.
39. September 19, 1974, Ottawa
-- Comparative Food Price Index for Ottawa-Hull release #1.
40. September 24, 1974, Ottawa
-- statement on "basic food" price increases.
-- Board continues to monitor increases in bread prices.
-- calls on government to take measures to moderate rapid fluid milk price increases facing Canadians, in part due to the termination of the consumer subsidy on fluid milk.
-- consumer subsidies should be administered by Consumer and Corporate Affairs.
-- consumer interest must be directly reflected in national agricultural marketing programs.

41. September 25, 1974, Ottawa
 - Comparative Food Price Index for Ottawa-Hull release #2.
43. October 2, 1974, Ottawa
 - Comparative Food Price Index for Ottawa-Hull release #3.
44. October 4, 1974, Ottawa

re: Mrs. Plumptre's interview for October 6 edition of CBC'S Sunday Magazine.

 - supports Federal Government's decision to appoint consumer and other "user" representatives to the Farm Products Marketing Council.
 - pleased that a parliamentary committee will review CEMA (FPRB recommended an independent review in January, 1974).
 - repeated Board's view that "properly managed marketing boards can be in the best interests of consumers as much as producers".
45. October 9, 1974, Ottawa
 - Comparative Food Price Index for Ottawa-Hull release #4.
46. October 17, 1974, Ottawa
 - Comparative Food Price Index for Ottawa-Hull release #5.
47. October 23, 1974, Ottawa
 - Ottawa-Hull Food Price Survey: End of Phase I.
 - comments from public are invited.
48. October 23, 1974, Ottawa
 - regarding a CBC-commissioned test of samples of ground beef.
 - review of similar findings noted in FPRB Report on Ground Beef (June 1974).
 - call for government to act on recommendations of this FPRB report.
49. October 25, 1974, Ottawa
 - expressed concern that the full benefit of the federal subsidy on skim milk powder has not been passed on to consumers.
 - repeated FPRB concern about "the effect of spiralling milk prices on the nutrition and health of Canadians".
50. November 1, 1974, Ottawa
 - A Glossary of Some Beef Industry Terms
51. November 6, 1974, Ottawa
 - Board's views on a possible beef inquiry.
 - not likely to solve short-term problems of industry.
 - hope that any special inquiry would focus on long-term problems, especially those caused by rising feed prices.
 - to avoid a needless duplication of work, should refer to FPRB's five reports on beef.
 - Board work on beef will continue, whether or not a special inquiry is established.

54. December 18, 1974, Ottawa
- results of continuing analysis of costs pressures affecting the retail price of bread.
 - bakery industry has generally acted with restraint concerning price increases affecting the basic loaf of bread.
 - given the nutritional importance of bread, this restraint must continue.
58. February 5, 1975, Ottawa
- Mrs. Plumptre expresses concern about the effect on future domestic agricultural production of high-quality land in Pickering being used as a site for a new Toronto airport.
 - "the protection of Canada's best farmlands must now become a top priority for the Federal and Provincial governments".
60. March 18, 1975, Ottawa
- nearly 100,000 requests received for What Price Nutrition?
64. April 18, 1975, Ottawa
- FPRB is assessing the announcement of dairy policy made today by the Minister of Agriculture, and will comment on the details in the near future.
 - regrets that policy not released in a form which allows the public to judge the justification for the new policy.
 - announcement failed to justify most recent increase in industrial milk prices.
65. April 25, 1975, Ottawa
- statement on new federal dairy policy.
 - criticized inadequate explanation of the decision to decrease the emphasis on subsidies for industrial milk.
 - "moreover, in the present inflationary environment, the Board believes governments have a general responsibility each time a decision is taken affecting prices to provide the public, not only with a justification for the decision, but also with an assessment of its potential impact on the economy, including its effects on prices and production efficiency".
66. May 5, 1975, Ottawa
- FPRB has established a comprehensive monitoring program to ensure that retail prices of skim milk powder conform to the skim milk subsidy program.
 - Board supports the subsidy program.
 - emphasizes the savings derived by switching to skim milk powder.
68. May 30, 1975, Ottawa
- the first of a series of monthly reports on food prices.
 - includes appendix on the FPRB food price monitoring program.
72. July 10, 1975, Ottawa
- statement on eggs following imposition of import controls.
 - ask 14 questions.
 - includes text of a telex from the Minister of Agriculture, Ottawa to the provincial agriculture ministers.

- 74. July 23, 1975, Ottawa
re: parboiled rice.
- 75. July 25, 1975, Ottawa
-- latest price information.
- 80. August 22, 1975, Ottawa
-- latest price information.
- 82. August 26, 1975, Ottawa
-- Board defends statements made in its report on bacon (in the light of criticism from Vancouver retailers)
- 83. August 28, 1975, Ottawa
-- Secretary of the Board going to Vancouver to conduct a FPRB on-the-spot inquiry into the food industry labour negotiations in B.C.
-- Board concerned about the repercussions of possible settlements on food prices in B.C. and in Canada, as a whole.
- 84. September 4, 1975, Ottawa
-- statement on the B.C. food industry labour dispute and food prices (stores closed September 5, 1975)
- 85. September 9, 1975, Ottawa
-- text of telegram to the Government of British Columbia.
- 86. September 23, 1975, Ottawa
-- special report on B.C. food prices received.
-- no widespread evidence of "gouging".
- 88. October 6, 1975, Ottawa
-- representatives of the employer and employee groups involved in the B.C. food industry dispute have been invited to meet with the Board on October 8.
-- Board plans to assert the public interest.
- 89. October 6, 1975, Ottawa
-- statement concerning October 2 dairy policy announcement regarding the creation of an export equalization fund for financing losses incurred on exports of dairy products.
-- includes a copy of the Canadian Dairy Commission announcement.
- 90. October 10, 1975, Ottawa
-- B.C. food industry dispute: statement concerning meeting with employer representatives.

APPENDIX F

RECOMMENDATIONS CONTAINED IN
REPORTS OF THE FOOD PRICES REVIEW BOARD

Initial and Quarterly Reports

First Report
(August 17, 1973)

Consumers:

1. Buy only what you need; don't try to hoard;
2. Shop carefully and compare prices; avoid buying "convenience foods";
3. Report to the Board full details of increases in food prices which you consider unjustified; these reports will receive close scrutiny and action will be taken where appropriate.

Government:

1. That as a matter of urgency the government give consideration to increasing the subsidy on the wheat used for domestic human consumption so as to moderate the anticipated increase in the price of bread and pasta products;
2. Because of our concern that children must have adequate nutrition, we strongly urge the Canadian government to expedite the proposed increase in family allowances.

First Quarterly Report
(September 26, 1973)

NONE

Second Quarterly Report
(December 20, 1973)

The Food Prices Review Board recommends that governments give the agricultural sector the highest possible priority in any program of rationing or allocating available energy resources.

Third Quarterly Report
(March 22, 1974)

NONE

Fourth Quarterly Report
(June 27, 1974)

NONE

Fifth Quarterly Report
(September 27, 1974)

NONE

Sixth Quarterly Report
(December 20, 1974)

NONE

Seventh Quarterly Report
(April 9, 1975)

NONE

Eighth Quarterly Report
(July 7, 1975)

NONE

Ninth Quarterly Report
(September 30, 1975)

NONE

Meat

Report on Ground Beef
(June 6, 1974)

1. that the Federal government, through the cooperation and coordination of its appropriate departments, establish a standard set of regulations relating to ground beef mixtures to eliminate the existing discrepancies and contradictions;
2. that government regulations be established requiring ground beef mixtures sold in retail stores to be identified with a standardized nomenclature;
3. that government regulations be established requiring all ground beef sold in retail stores to be labelled as to maximum fat content;
4. that the federal government, through the cooperation and the coordination of the appropriate departments, increase, in all regions of Canada, the numbers of samples of "low-priced" meats tested for economic fraud (fat content, sulphite and foreign matter) and bacterial content. Violations of the standards and requirements of the Food and Drugs Act pertaining to these meats should be more severely penalized and widely publicized;
5. that standards and regulations governing use, labelling and sales of animal-vegetable protein mixtures such as soyburger be implemented with all dispatch;
6. That the tariff on imported boneless beef be removed when it is clear that its removal will not have a detrimental effect on domestic cattle production and on trading relationships for other categories of cattle and beef;
7. That, should a surcharge on beef imports be considered at some future time, frozen boneless beef be exempted from such regulations.

Beef Pricing
(June 1974)

NONE

Beef and Pork in Canada:
demand, supply and
trade
(June 1974)

NONE

Pork Pricing
(August 1974)

NONE

Beef Pricing II
(November 1974)

NONE

Meat (continued)

Retail Beef Prices and
Price Spreads
(November 1974)

NONE

A Review of the Canadian
Beef Market
(November 1974)

Producer:

1. Considerable adjustment in the breeding-cow inventory should take place to assure the longer-term financial viability of the Canadian beef cattle and calf producer, without the need for government subsidies in the future. Cow-calf operations must cull their herds. To prevent the increased marketings from unduly disrupting the cow market, marketings should be distributed as evenly as possible over the year.

Government:

1. Government must, in devising policy measures for the beef industry, take full account of the distinct and different segments of the cattle and calf market. Policies for one segment may not be appropriate for another segment.
2. In order to accomplish evenly distributed marketings to avoid unduly disrupting the cow market, some government programs, such as graduated incentive payments to producers, may be necessary.

Industry and particularly the retail trade:

1. The Board recommends that chain stores should handle heifer as well as steer beef.
2. With increased cow marketings, particularly of Canada D1/D2 grades derived from beef herds, this class of beef should be made more widely available to consumers.
3. Similarly, should the current level of feed grain prices cause greater numbers of Canada B and Canada C grade cattle to be marketed, these grades of beef should also be made more widely available to consumers.

Consumer:

1. Consumers should become aware of how D1/D2 and B/C grade beef differs from the familiar A1 and A2 grades and of the appropriate methods of preparation and cooking of these grades of beef.

Consumer media and nutritionists:

1. The consumer media and nutritionists should foster a better understanding of the beef industry and in particular the beef grading system and the end uses of the various cuts.

Beef Council of Canada:

1. The Beef Council of Canada should take an active part in promoting and coordinating the recommended market developments.

Meat (continued)

Market for Heifer Beef
in Canada
(January 1975)

Producers:

1. Recent movements in market prices indicate that as the market weights of heifers approach those of steers, the price spread lessens between heifers and steers. This indicates the need for producers to feed heifers for slaughter to 900 pounds liveweight or greater, and to A1 or A2 finish. More detailed studies of management systems to increase weights without over finishing is called for.

Federal Government:

2. The Federal government, through Agriculture Canada, should initiate a regular reporting service for data on weight ranges for heifers and steers, and the price ranges associated with each weight category. Such data are essential for meaningful analysis of heifer-steer price spreads to guide marketing operations of producers and to provide the statistical basis for formulation of future beef policies. In addition, more research is necessary to ascertain the cutability differences between Canadian heifers and steers of varying weights and types.

Retailers:

3. Retailers, especially those supermarkets not now selling heifer beef, should reassess their present beef-buying policies in the light of current scientific knowledge. In some cases, an inflexible policy prevents retailers from utilizing heifer carcasses and thus from passing on to customers price advantages at present occurring during certain times of the year.

Bacon Report
(August 1975)

NONE

Meat Processing Capacity
(August 1975)

The Board concludes that existing cattle and hog processing capacity in Canada is in excess of present needs and is more than adequate for immediately foreseeable future needs. Spare capacity is particularly evident in Western Canada. Clearly, any future government encouragement (whether financial or otherwise) to construction of further meat processing facilities should be made only after careful evaluation of the potential benefits of such investment in relation to the likely economic effects on existing operations at all stages of the numbers cycle for the particular species of animal concerned.

Beef Pricing III
(November 1975)

NONE

Fish

Fish and Fish Products
(June 1975)

1. Resource Management - The crucial factor in the future viability of the Canadian fishing industry is the availability of adequate supplies of fish resources on a sustained yield basis. The Food Prices Review Board endorses Federal government initiatives towards establishing a resource management program, specifically for Atlantic groundfish. Preferably this should be achieved through successful negotiations at the "Law of the Sea" conference. Failure to implement a comprehensive resource management program immediately will have dire economic and social consequences for the future viability of both the fishing and fish processing industries.
While the Board fully supports the proposed 'Pacific Salmon Enhancement Program', it recommends:
 - that the Federal government and British Columbia provincial government analyze the economic implications, in addition to the biological factors, particularly with regard to demand characteristics and future market potential for salmon.
2. Government Assistance to the Industry - In order to maximize the effectiveness of government support to the fishing industry, the Board recommends:
 - that the Fisheries and Marine Service of Environment Canada carry out and publish a thorough assessment of the present and potential resource requirements of all sectors of the fishing industry, based on the principle of sustainable yields and anticipated market requirements, with a view to rationalizing capital investment in the industry;
 - that any government programs of assistance to the industry, whether federal or provincial and whether income supplementing or capital subsidizing in nature, be coordinated through the Fisheries and Marine Service of Environment Canada. Moreover, it is essential that any such program be consistent with the long-term constraints on resource availability.
3. Domestic Consumption - To encourage Canadian domestic consumption of this valuable protein food, the Board recommends:
 - (a) to governments and industry
 - governments and industry should undertake a joint informational and promotional program on fish products, aimed at the Canadian consumer;

Fish (continued)

Fish and Fish Products
(June 1975)

b) to consumers

- consumers should take greater advantage of the value of fish products as an excellent source of protein;

c) to the consumer media, nutritionists and dietitians

- the consumer media, nutritionists and dietitians should foster a better understanding of the value of fish products as a source of protein, and particularly of methods of preparation of fish in institutions and in the home;

d) to fish retailers

- retailers should promptly and adequately reflect in retail prices any changes in list wholesale prices;
- more retailers should take advantage of and pass on in the form of lower retail prices all price reductions accruing from market initiatives of wholesalers, such as special offers.

4. Trade and Tariffs - To increase employment and the value added through further processing, by the Canadian fishing industry, the Board recommends:

- that the federal government seek to negotiate a reduction of the differential in tariff rates between unprocessed and further processed fish products in countries importing these products from Canada.

EGGS

Report on Egg Prices
(January 1974)

1. That the prices of table eggs in Canada be lowered without delay, to reduce the present excess margin over costs while maintaining a fair return to producers.
2. That the present system of price stabilization be altered, and alternative means be found to stabilize the earnings of egg producers. Possibilities to be considered should include:
 - (a) a system of pooling receipts such as has already been tested by the Canadian Wheat Board;
 - (b) where price support by means of subsidy becomes necessary, in order to protect producers against losses, a deficiency payment could be considered.
3. That CEMA and the provincial egg boards become regularly and continually accountable to all sections of the public -- consumers and distributors as well as producers.
4. That neither CEMA nor the marketing boards, while presently constituted to represent producers' interests only, be empowered to control exports or imports of eggs.
5. That the government of Canada, in collaboration with provincial governments, initiate an overall and objective review of the system of egg marketing, the review to be undertaken by a committee or commission representing the main interested sectors of the public: including producers, consumers and distributors.

Report on Egg Prices II
(August 1974)

1. That CEMA and the provincial egg marketing boards be made more directly and regularly accountable to the public -- consumers, processors and handlers, and distributors. To accomplish this, the Farm Products Marketing Council should be expanded to include at least two non-producer members. In addition, wider representation of all affected interests are required on regulatory boards having powers to set prices, to issue and enforce quotas, to issue licences to segments of the marketing system other than producers, and to influence interprovincial and international trade in eggs.
2. That membership on CEMA be expanded to include at least three non-producer members.
3. Recognizing the constructive role to be played in the regulated marketing of eggs by the Advisory Committee to CEMA and further that in order to be effective, the Committee would have to be guaranteed a clearly defined and positive role in the decision-making process of the Agency, the Food Prices Review Board recommends:
 - (a) that a permanent Executive-Secretary be provided to the Advisory Committee;
 - (b) that a guaranteed research and reporting budget for the Committee be established;
 - (c) that the Committee be provided full publication authority; and
 - (d) that an appeal mechanism to the Farm Products Marketing Council be established to settle differences between actions taken by the Agency and recommendations made by the Advisory Committee.

EGGS (continued)

Report on Egg Prices II
(August 1974)

4. That public reporting of major decisions and information be required of the Agency and provincial boards. Reporting should include production quotas, production costs and cost changes, regional producer prices and product selling prices, board levies, and operating costs. Where production costs form the basis for pricing, such report should take the form of quarterly, audited statements.
5. That some portion of the levy collected from egg producers be directed towards promoting improvement in production, processing and distribution of eggs and to developing new market outlets in order to preserve and enhance the longer term prospects of the Canadian egg industry.
6. That after consultation with the provinces, the Farm Products Marketing Agencies Act be amended to provide and ensure effective control by the Agency of pricing and quotas.
7. Reaffirms its recommendation of January 1974, which called for the lowering of producer prices established by the provincial egg boards and implied the need for a reduction of the Indicative Price established by the Government of Canada and of the Intervention Price established by CEMA.
8. That the federal government take effective action to remove trade barriers, in order to bring egg prices in line with the landed price in those provinces of eggs transported from Ontario, Manitoba or Nova Scotia.
9. Where the price reduction which are required to establish a more realistic Canadian egg market create financial hardship for some egg producers, government might wish to adopt appropriate measures of social policy to assist these producers through the transition period. The Food Prices Review Board believes however, that food policy and social policy should be clearly distinguished by governments. Possible measures could include:
 - (a) in the short-term, a program of deficiency payments to cushion the impact of the price reductions and prevent unnecessary contractions in supplies or the productive base for eggs; and
 - (b) a longer-term program of income supplements for those agricultural producers whose income from all sources is considered inadequate.
10. As the concept underlying the problems faced by the Canadian egg industry has been incorporated in the structure of the recently established national marketing board for turkeys and is expected to be the basis for the proposed national chicken agency, the Board believes it to be imperative that those responsible take immediate steps to implement adjustments which will avoid the unnecessary chaos and waste which that concept has occasioned in the egg industry.

DAIRY

Canadian Dairy Industry:
Short Term
Perspectives
(March 1974)

1. That the present year-to-year federal dairy policy be replaced by one which provides guarantees for a (minimum) period of five years;
2. the gradual return to use of market prices to direct dairy production, but on grounds of their high nutritional value, priority be given in the short term to fluid milk and consumer packages of dry skim milk in any continued subsidy program;
3. that butter prices be determined by market forces, and import policy be used to moderate increases in its price;
4. that the federal and provincial governments achieve a greater degree of coordination and cooperation in dairy policy;
5. the simplification and merging of the two existing quota systems for manufacturing milk -- the Market sharing and subsidy eligibility quotas -- to lessen confusion and remove inconsistencies between them;
6. the removal of existing penalties on over-quota production as long as there are shortages, and increasing quota levels to permit expansion where it may be possible;
7. the expansion of the 700,000 pound limit on Subsidy Eligibility Quotas to permit merging of going farm ventures;
8. enabling transfer of unused quotas interprovincially to permit expansion in those areas willing to increase production;
9. employing a hold back of five cents per hundred weight on milk during months of heavy production and use of the funds as a winter bonus payment to stimulate off-season production;
10. increasing the level of concentrate feeds in dairy feeding to economic levels to increase production and returns per cow;
11. the federal government provide immediate financial support for research and extension work on dairy feeding practices so as to achieve more economic feeding rates;
12. that in the development of a five-year dairy policy consideration be given to maintaining (through the market or by subsidies) a milk-feed ratio within an explicitly defined range;
13. removal of the restrictions on importation of Canadian Wheat Board regulated feed grains;
14. that education programmes to encourage greater use of this and certain other dairy products be undertaken.

Dairy Foods I: Prices
(December 1975)

1. To ensure that fluid milk is made available to all Canadians at the most economical price, the Food Prices Review Board calls on all segments of the industry, and governments, to maintain fluid milk prices and price margins at levels as low as is economically feasible.

DAIRY (continued)

Dairy Foods I: Prices
(December 1975)

2. Processors (and retailers) should price skim, two per cent and homo milk at relative levels that closely reflect the amounts of butterfat removed to produce each product. The removal of butterfat from fluid milk to produce two per cent and skim milk provides consumers with a fluid milk product differs only marginally in nutritional value from homo milk. Thus, at current butterfat values, two per cent milk and skim milk should retail at about four cents and 11 cents per quart, respectively, below homo milk. Corrective action is particularly needed in Toronto, Montreal and Vancouver among the seven cities surveyed.
 3. Retailers:
That retail price spreads for fluid milk should reflect more closely the retail merchandising costs of these products and specifically that supermarkets in Toronto should reduce their price spreads for fluid milk. On the basis of analysis of data for 1972-74, average retail prices for fluid milk in those stores should have been at least three cents per quart lower. As prices of fluid milk have risen sharply in 1975 and as supermarkets have continued their percentage mark-up policy, it would appear that the average prices for fluid milk in major supermarkets in Toronto in 1975 continued to be unjustifiably high. The Board calls on the supermarkets to reduce their prices forthwith by at least three cents per quart. The Board calls on the Ontario government to ensure that this recommendation is implemented.
 4. Retailers should modify their pricing policy by reducing retail price spreads for cheese and hence cheese prices.
- Governments:
5. Where processor price spreads are determined by regulation as opposed to market competition, such a determination should be made by an independent government agency.
 6. The establishment of minimum wholesale prices for fluid milk by some provincial agencies, is a practice that should be discontinued.
 7. The addition of vitamins A and D to milk products to bring the vitamin content of these products to nutritionally recommended levels, should not be delayed.
 8. There should be no restriction on mixing or blending of butter and margarine for sale, apart from ensuring that adequate health standards are enforced.
 9. Regulatory measures that encourage the home delivery of milk at prices that do not reflect the full cost of the delivery service, should be discontinued.
 10. Given that different brands of ice cream contain differing amounts of air, ice cream package labeling should include information that enables a consumer to compare, among brands, the amount of air incorporated in the ice cream.

DAIRY (continued)

Dairy Foods I: Prices
(December 1975)

11. The Canadian government make available to Statistics Canada sufficient funds to facilitate the substantial upgrading of the quality of statistics regarding agriculture in general, and the dairy industry in particular.
12. Provincial governments should undertake a continuing review of prices and price spreads for fluid milk.
13. That governments and processors initiate an aggressive campaign to increase consumer awareness of the nutritive value and exceptionally low price of skim milk powder as the availability of this product offers consumers substantial savings in their weekly food budgets.

Dairy Foods II: Policy
(February 1975)

1. The federal and provincial governments should undertake a comprehensive review of dairy policy goals and objectives taking into consideration the interests of all components of the food system, from dairy producer to dairy product consumer.
2. An immediate objective of dairy policy should be to provide nutritious dairy products to consumers at as low a cost as is reasonably possible.
3. Where government-sanctioned regulation of milk marketing and pricing is applied at any point in the dairy food system, such regulation should in principle be carried out by an independent agency or administrator.
4. Pricing decisions made by regulatory bodies should be made only after the rationale for a proposed decision has been fully and publically explained and an opportunity provided for public debate on the most complete information available.
5. Fluid milk marketing should continue to be regulated, with an explicit objective of such independently administered regulation to provide "adequate supplies of fluid milk to consumers at stable prices that are as low as is economically feasible".
6. Provincial governments should ensure that fluid milk quota policy is used as a supply control tool solely to guarantee a year-round supply of milk.
7. To determine the economic desirability of seasonal versus all-year-round manufacturing milk production, the federal and provincial governments should initiate research comparing the costs and benefits of the two alternative milk production systems.
8. To counteract the decline in skilled manpower in the dairy sector, federal and provincial governments should continue and expand their worthwhile initiatives directed towards the training of skilled labour for dairy farms.

SUGAR

Sugar Prices and Policies
(July 1974)

1. The FPRB recommends that the free entry of raw sugar under the B.P. tariff be made permanent and that negotiations commence aiming at lowering the margin of preference to the extent consistent with the trading needs.
2. The Food Prices Review Board considers that the Canadian sugar policy of ensuring adequate supplies at lowest possible prices should be based on a broader multilateral approach which would encourage imports from countries not now entitled to the B.P. tariff.
3. The Food Prices Review Board recommends also that the Tariff Board recommendation to reduce tariff duties on refined and semi-refined sugar be implemented on a permanent basis.
4. That in fact of expanding world demands and uncertain world supplies, Canada's sugar policies must become increasingly flexible, and must not be confined by traditional attitudes or arrangements.

Sugar Prices II: The
Canadian Refining
Industry
(August 1975)

With regard to long-term profitability in the sugar refining industry, the Board recommends that:

1. negotiations for the removal or reduction of both the tariffs and premiums on raw sugar and the tariff on refined sugar be given early and serious consideration by the Government of Canada;
2. the Government of Canada should not become involved in regulating the price of sugar directly.

With regard to the long-term demand for and consumption of sugar by Canadians, the FPRB makes the following recommendation:

1. The Government of Canada should direct Health and Welfare Canada to intensify research into the potential health hazard of a continuation of sugar consumption at present levels. If that level of consumption is found to be harmful, methods should be found to reduce per capita sugar consumption in Canada, particularly as the federal government has assumed the responsibility for paying for much of the health care provided for Canadians.

FEED GRAINS

Feed Grains Policy
Statement
(April 25, 1974)

The Food Prices Review Board recommends that the new feed grains policy include:

1. the development of an open-market pricing mechanism based upon a cash and futures market, for all domestic feed sales;
2. open delivery quotas on domestic feed grains sales on an annual basis, but maintenance of short-term delivery quotas to allocate handling and transportation space when capacity is limited;
3. the Canadian Wheat Board maintaining control of feed grains exports, sales to maltsters and other non-feed users, and the Wheat Board obtaining its supplies directly from producers through delivery quotas with the latter participating in a revenue pooling system on these sales;
4. establishment of a smoothly operating futures market on the Winnipeg Commodity Exchange, free of manipulation through careful regulation and supervision, and formation of a properly constituted street pricing committee. The basis for regulation and supervision of futures trading may exist in the Grain Futures Act of 1939 although this legislation may require revision;
5. removal of any hinderances on trade in grains between provinces, and removal of the import controls on foreign feed grains and feed products, as well as reduction or removal of the 8 cents per bushel tariff on corn imports from the U.S. in exchange for related concessions from the U.S.;
6. examination and probable adjustment of the existing tariff structure or subsidy programs on grain movement by water and by rail with a view to ensuring that adequate transportation facilities are available for movement of all Canadian grains. The examination should also determine if an approximate economic balance exists between the movement of live stock and grain products;
7. the provision of storage facilities in grain deficient areas (mainly the Maritimes and British Columbia) to ensure operating supplies of feed grains throughout the entire year, overcoming shortages created by weather, work stoppages or other movement difficulties;

FEED GRAINS (continued)

Feed Grains Policy
Statement
(April 25, 1974)

8. removal of feed freight assistance in the major live-stock producing regions, equalization of Feed Freight Assistance payments on Ontario corn and Western feed grains, and gradual adjustment of these payments to the Maritimes and Eastern Quebec. Feed Freight Assistance in any region should be considered only where regional development priorities justify its use;
9. an improved network of market information which will ensure competitiveness and smooth operation of the feed grains market, and which will enable improved public assessment and evaluation of it.

Feed Grains Prices
(June 1974)

NONE

Feed Grains, Forage
and Food Supplies
(June 1975)

NONE

Feed Grains Policy
in Canada
(December, 1975)

1. That the base element of the Feed Freight Assistance program be eliminated immediately;
2. that the freight cost equalization element of the Feed Freight Assistance program be phased out over time. Federal government financial assistance may be necessary to facilitate agricultural adjustment and to provide short-term income support in some regions during the period of transition;
3. that the Federal government rescind the statutory nature of the Crow's Nest Pass freight rates and, in consultation with the railway companies and the grain producing sector, determine grain freight rates that are compensatory and which encourage re-investment in the grain transportation sector;
4. that financial assistance to upgrade the quality of grain transportation facilities in Canada be linked to increases in grain freight rates that reflect the cost of such re-investment;
5. that the federal government remove import controls on foreign feed grains and feed products, as well as the eight cents per bushel tariff on corn imports from the U.S., in exchange for related concessions from the U.S.

POULTRY

Broiler Chicken Prices
(January 1975)

In the light of the findings of the Board in the first phase of its research into the Canadian broiler chicken industry, and the questions arising from those findings, the Board concludes that further investigation into the pricing and production practices of the broiler industry in Canada is required. The Board is proceeding with a further study in this regard.

Broiler Chicken
Prices II
(October 1975)

1. The federal and provincial agriculture authorities should jointly and urgently review the underlying concepts of supply management in the broiler industry with a view to replacing existing supply management programs with coordinated measures designed to attack the concerns about producer returns as a problem of unstable income, not as a problem of insufficient price.
2. contributory income insurance or contributory income stabilization systems should be considered as alternatives to supply management in the broiler industry
3. any alternative means of providing producers with reasonable income security should seek to avoid a continuation of existing broiler marketing board powers of price and production control. Marketing boards would continue to provide an important service in promoting efficient marketing practices, representing broiler producer interests, and in providing improved market information for producers;
4. in the meantime, and in any event, the federal government should not proceed with the establishment of a national chicken marketing agency as it would only aggravate the present high costs and inefficiencies of broiler supply management at the provincial level;
5. the federal government should take much more vigorous action to combat and eliminate constraints to interprovincial and international trade in the broiler industry which are contrary to the British North America Act.

BREAD

Report on Bread Prices
(February 28, 1974)

1. The Board questions the practice of the Bakery Council announcing retail price increases for the industry;
2. the Board does not accept the assumption that the bakery industry with its wide dispersion of performance in the fields of efficiency and profitability, can simply "pass through" all rising costs with traditional margins. Some parts of the rising costs and margins should be absorbed by the industry;
3. payment of many bread salesmen by a percentage commission of value of sales should be converted to a volume of sales basis;
4. the wasteful disposal of much "stale" bread as animal feed be avoided by the elimination of consignment selling: retailers should sell the bread, not return it to bakers;
5. further economies in deliveries from wholesale to retail outlets should be explored through the consolidation and rationalization of trucking loads and schedules;
6. the problems of small bakeries, especially medium-sized regional ones with respect particularly to access to the shelves of retail chains or groups, should be given serious consideration, both by federal and provincial governments, in the light of their policies to develop and support regional industry and enterprise;
7. that bakers and retailers re-examine the proliferation of loaf sizes and the excesses in packaging.

FOOD COMPANY PROFITS AND FOOD PRICES

Retail Food Stores Survey
(November 1973)

1. The strengthening of inspection forces charged with securing compliance with legislation aimed at protecting consumers in the food market;
2. stricter enforcement and in some cases extension of existing legislation relating to misleading advertising. The Board welcomes proposed changes to the Combines Investigation Act (Section 37.1, Section 37(2), and (3)) should be supported;
3. clarification and stricter enforcement of existing product standards and grading regulations. To avoid conflict of interpretation, the relationships between the Canada Agriculture Products Standards Act and the Food and Drug Act and regulations in the areas of meat, dairy products and poultry, should be clarified. Similarly, administrative responsibility under the Canada Agriculture Products Standards Act and the Weights and Measures Act should be clearly identified;
4. consideration should be given to additional legislation to eliminate deceptive retail practices in food stores. The Board welcomes the proposed amendments to the Combines Investigation Act relating to double-ticketing (Section 36.2). In addition, legislation should be framed to prohibit the use of artificial lighting to enhance the appearance of meat products; and to prohibit the visual obstruction of store cash registers;
5. drawing up and making compulsory more standards for packaging of foods, in order to reduce the costly and confusing proliferation of sizes;
6. that all levels of government and the food industry give much more attention to providing clear and concise information on food purchasing, through the media, schools and interested groups;
7. that federal and provincial governments explore legislative action to protect and improve the degree of effective competition among food retailers.

Food Company Profits
and Food Prices
(July 1974)

NONE

Food Price Trends in
Canada and the
United States
(September 1974)

NONE

FOOD COMPANY PROFITS AND FOOD PRICES (continued)

Food Prices in Newfoundland:
Comparison with Mainland
Regions
(November 1974)

1. The Federal government, in cooperation with the Provincial government, should re-examine the basic strategies, systems and facilities for transporting food to the Province of Newfoundland from the mainland, with a view to:
 - (a) improving the "Gulf Service" especially facilities at Port-aux-Basques, to ensure faster and more efficient transportation of food products;
 - (b) providing more refrigerated and controlled temperature freight cars to lessen the spoilage and maintain the quality of fresh products during transportation, especially during the winter months;
 - (c) conduct a cost-benefit study of the development of the direct Halifax-St. John's route, including the construction of container facilities at St. John's.
2. the Provincial government should encourage the development of a more integrated and more competitive system of food marketing within Newfoundland, particularly the development of an efficient system of wholesale distribution;
3. the Board strongly supports the recommendation of the 1967 Royal Commission on the Economic State and Prospects of Newfoundland and Labrador for:
 - (a) the encouragement of voluntary chain groups of retailers to improve purchasing and other marketing functions. The Board considers that it would be preferable for this development to be sponsored by a strong wholesaling unit;
 - (b) the "vigorous encouragement" of retail consumer cooperative stores. The Board considers of particular importance the development of a more effective system of wholesale purchasing for these stores;
 - (c) a complementary program of training for managers and specialists in food marketing;
4. The Provincial government should improve the facilities for the distribution, handling and storage of food throughout the province. This would require:
 - (a) the up-grading of roads on a systematic basis to meet the needs of distribution at all communities;
 - (b) an improved regional system of storage, including particularly storage with controlled temperature for perishable foods;
5. The Provincial government should reassess the potentials of local food production and processing, and encourage the expansion of agricultural production;
6. The federal government, in view of the importance of evaporated milk in the diet of families in Newfoundland, should pay a consumer subsidy on evaporated milk equivalent to the consumer subsidy applied to skim milk powder;

FOOD COMPANY PROFITS AND FOOD PRICES (continued)

Food Prices in Newfoundland;
Comparison with Mainland
Regions
(November 1974)

7. in view of the difficulties reported by consumers in buying fresh fish, the Board recommends that the provincial government give consideration to the establishment of retail fish markets in St. John's and other urban centres;
8. the federal government should give active consideration to a re-evaluation of the disincentives to the production and local sale of fish resulting from its unemployment benefit programs;
9. the provincial government should inquire into the marketing of eggs in Newfoundland, especially the margin between producer prices and retail prices;
10. to respond to the strong consumer concerns communicated to the Board by residents of the province, it is recommended that consideration be given to the establishment of a separate Ministry of Consumer Affairs in the provincial government.

Food Price Comparisons
(April 1975)

Because of the limited nature of its experiment in Ottawa-Hull, the Board is not in a position to recommend that government or private agencies establish on-going programmes to carry out the publication of comparative food price information simultaneously in a number of markets over extended periods of time. Before any such programmes were undertaken, further research surveys would be required, along the lines of the Board's experiment, to clarify the questions it has raised.

The Board's experiment suggests that in some local markets a publication of comparative food price information over a short period may, on balance, be helpful to the consumer. Consequently, subject to the considerations outlined in this report, the Board recommends that the publication of comparative food price information be carried out from time to time, over short periods, in some local markets by private or public groups.

Food Company Profits
and Food Prices II
(October 1975)

NONE

Convenience Food
Stores Survey
(November 1975)

NONE

FOOD COMPANY PROFITS AND FOOD PRICES (continued)

Food Prices in Northern
Canada
(December 1975)

1. According to the Board's findings, transportation costs appeared not to be the only, nor perhaps the most important factor accounting for food price levels, but for a number of reasons, this conclusion must be qualified and, in the Board's view, retested;
2. to retest the apparent lack of relationship between economic transportation rates and food prices, a further food price survey should be conducted "North of 60" shortly after the shipping season so that prices among the settlements reflect, to the greatest possible extent, equally current stock;
3. to provide a more accurate picture of transportation costs and their effect on food prices, further research is required to establish the actual volumes ordered by Northern retailers, and the applicable carriers and rates in each season for these quantities;
4. a detailed study of the impact of store operating costs, in particular, the costs of heated warehousing and storage facilities, food spoilage and waste, labour and utilities, on food prices in Northern stores;
5. a further investigation should be conducted to assess more accurately the impact of the practice of applying a fixed percentage markup to laid down food costs on Northern retail food prices and to examine its justification in terms of store operating costs in Northern settlements.
6. that the Hudson's Bay Company should, in future, keep separate records of the net profits on food sales in its Northern stores;
7. to ensure that the types of food required to offset identified nutritional deficiencies are available to all Northerners at a reasonable cost, the Board recommends that the costs of transporting a selection of these foods to the North should be subsidized by the federal Department of Indian Affairs and Northern Development, possibly out of the royalty fees obtained from resource development in the North. As an initial proposal, subject to expansion or alteration on the basis of recommendations by local public health officials or nutritionists more fully acquainted with the needs of Northern settlements, the Board recommends that the subsidy should apply to oranges, apples, cabbage, potatoes, eggs, powdered skim milk and fresh or frozen beef;
8. that Health and Welfare Canada should assist the government of the Northwest Territories in expanding and improving its program of sponsoring the harvesting, storage and distribution of "country foods" such as caribou, seal and fish, with sufficient funds for a wider and more flexible distribution policy based on the changes in supply and demand among settlements, as the supply of game moves.

MISCELLANEOUS

Wage and Price Controls
in Britain
(September 6, 1973)

NONE

What Price Nutrition?
(February 1975)

1. Governments must recognize the fundamental importance of proper nutrition to the health and well-being of all Canadians. Nutrition must no longer be treated as a peripheral concern of public policy. The formation of food policy, in particular, must be centred on the nutrition requirements of Canadians.
2. Governments and private agencies concerned about food and nutrition should intensify education efforts to improve nutrition and food buying practices. The extent of efforts in this regard, as measured by their cost, should be assessed in relation to the value of the benefits that would accrue to the nation from an improvement in our nutritional well-being. A significant relative reallocation of public resources from treatment to prevention of nutrition-related medical problems should be considered.
3. The federal government should consider further fortification and enrichment of foods, to improve the nutritive value of existing foods, only where evidence of serious nutrient deficiencies is clear and alternate approaches to correct such deficiencies are not available or require too much time to be effective. The widespread deficiency of iron and calcium in Canadian diets may well require an appropriate adjustment of the present food enrichment regulations.
4. Within the food industry, more firms should accept the responsibility for producing food of the highest nutritive value possible and should make more nutrition information available to consumers by diverting a greater proportion of their advertising expenditures to nutrition information programs.
5. Federal and provincial governments, in their review of the Canadian social security system, should give adequate consideration to the cost of a basic nutritious diet. The income of all Canadians should be sufficient to ensure that all are able to afford a nutritious diet. To this end, further study of the cost of subsistence diets, not necessarily offering the degree of food variety indicated in the Board's nutritious food lists, should be undertaken in full recognition of the realities, and especially the regional realities, of food prices in 1975.
6. Health and Welfare Canada should make available the additional detailed findings of the Nutrition Canada Survey to researchers and others concerned with nutrition, as soon as possible; these should include those findings pertaining to foods consumed by the various income groups in the survey.

MISCELLANEOUS (continued)

What Price Nutrition?
(February 1975)

7. The Federal government should give consideration to establishing an advisory body, with representatives from federal and provincial government and from non-governmental organizations and nutritionists to make studies and recommendations on all matters pertaining to nutrition and health.
8. The federal and provincial governments should strive to coordinate as much as possible all efforts to study and alleviate nutrition-related health problems. Such problems require the involvement of nutritionists as well as representatives of all departments and agencies concerned with food, agriculture and public health.

Hired Farm Labour
in Canada
(March 1975)

NONE

Direct Labour Costs in
the Food Processing
Industries in Canada
(March 1975)

NONE

Prices, Incomes and
Capital Formation
in Canadian
Agriculture
(March 1975)

NONE

Table Potatoes
(May 1975)

Supply, Price and Income Stabilization: To achieve improved potato supply stability and hence improved potato price stability, the Food Prices Review Board recommends that under federal government leadership, a potato production and marketing information organization be established, consisting of representatives of grower and trade organizations with representatives of federal and provincial government departments of agriculture to coordinate and channel detailed market information to potato growers; that a contributory income insurance or income stabilization mechanism designed specifically for potato growers be established

Marketing of Potatoes: To improve the efficiency and equity of the potato marketing system in Eastern Canada the Board recommends that at least on a provincial basis, potato growers organize a central agency - a "transaction clearing house" - that would be responsible for continually monitoring and simultaneously disseminating information on the price, quantity and quality of all grower-buyer potato transaction each day.

MISCELLANEOUS (continued)

Table Potatoes
(May 1975)

Transportation: To upgrade and improve the present rail transportation of potatoes from Prince Edward Island and New Brunswick, the Board recommends that the Government of Canada's Transportation Task Force give this urgent matter immediate and serious consideration in conjunction with the provincial governments concerned and other interested parties.

Trade and Tariffs: To equalize trade terms for table and seed potatoes between Canada and the U.S., the Board recommends that the Federal government negotiate the removal of the present quota limitation on exports of Canadian potatoes into the U.S.; and that the federal government institute a seasonal suspension of table potato tariffs, at such time in the year when domestically-produced supplies of good quality table potatoes are not available.

Advertising
Expenditures
(February 1976)

NONE