

QUEEN  
HD  
1491.5  
.C2  
C6  
1974

Y5-0000-1474/05



~~DAR~~  
~~JWT~~

HD1491.5  
.C2  
C6  
1974

# A STATEMENT ON CONSUMERS AND MARKETING BOARDS

# OCTOBER 1974

A blank ledger page with 12 vertical columns. The columns are of varying widths, with the first column on the left being the widest. The page has a light blue background and a black border. The top right corner is rounded. There are no markings or text on the page.

## CONSUMER RESEARCH COUNCIL

Consumer Research Council

---

Gilles Paquet, Chairman  
Jean-Louis Beaudoin  
Karl Dore  
Gilbert Reschenthaler  
Michael Trebilcock  
Richard Vosburgh



CONSUMER RESEARCH COUNCIL  
CONSEIL DE RECHERCHE EN CONSOMMATION

P.O. BOX 94, STATION A  
OTTAWA, ONTARIO  
K1A 8V1

November 4, 1974

The Honourable André Ouellet,  
Minister,  
Department of Consumer and Corporate Affairs,  
House of Commons,  
Ottawa, Ontario

Dear Mr. Minister:

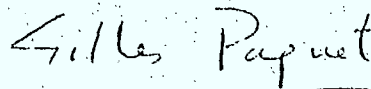
In accordance with our terms of reference, I have recently forwarded to you a report on the consumer interest in marketing boards prepared by a group of researchers as part of a project commissioned by the former Canadian Consumer Council and submitted to us in May 1974.

The Consumer Research Council has examined this report and has appraised it in relation to current Canadian and foreign studies on marketing boards' consideration of consumer interests.

In the process of assessing this report, the Consumer Research Council had occasion to develop some views on appropriate actions to be taken to ensure the full acknowledgement and promotion of consumer interests in marketing boards. The attached statement entitled "Consumers and Marketing Boards" embodies our views and recommendations.

It is the Council's hope that these recommendations will provide the basis for a comprehensive policy of federal and provincial governments vis-a-vis marketing boards and other instrumentalities of the same nature.

Yours very truly,



Gilles Paquet  
Chairman

## Contents

	Page
Summary	5
1. Background	7
2. The problem in perspective	9
3. The issues	11
Recommendations	15
Appendix: Terms of reference of the Consumer Research Council	17

### Summary

The Consumer Research Council was formed in April 1974 and charged with the task of advising the Minister of Consumer and Corporate Affairs on consumer research activities, of reviewing research proposals and of assessing completed research projects. The Council received in May the final report of a study on the consumer interest in marketing boards prepared by Professor J.D. Forbes at the request of the former Canadian Consumer Council. The Consumer Research Council has examined critically the report of Professor Forbes and has attempted to put it in perspective. The Forbes report was released formally on October 16, 1974.

The Forbes report has revealed that marketing boards have had very mixed records as instrumentalities designed to organize the marketing of primary and processed natural products. This has raised the question of the suitability of this type of instrument for the task at hand. On the other hand, marketing boards have very different mixes of powers in the different sectors where they have been set up. Consequently the question of the appropriate mix of control powers to be granted to marketing boards, if and when they are regarded as the suitable market organization form, has to be raised. Finally, since the consumer has an important interest in the structure, conduct and performance of marketing boards, the question of the most effective procedure to ensure that this interest is adequately protected must also be raised.

The Consumer Research Council has identified from the Forbes report and other studies made in Canada and elsewhere a number of basic considerations central to any reasoned discussion of marketing boards in the Canadian context. It has extracted from these studies the firm conviction that a meaningful countervailing monitoring system has to be set up if the consumer interest in marketing boards and agencies is to be protected.

This countervailing monitoring system calls for explicit and open public hearing by standing committees of the relevant legislative assemblies at the time any marketing board is created and explicit public debate about the control powers to be given to any such board if and when it is regarded as a suitable instrumentality to pursue the objectives of the Canadian food system policy. It also calls for the presence of consumer representatives on marketing boards, the annual open discussion by the standing committees of detailed annual reports from the marketing boards and the possibility for the standing committees, on the basis of these annual hearings, to recommend a review of the legislation defining the existence, structure and powers of the boards.

For these changes in the immediate circumstances of the operations of marketing boards to be effective, a number of adjustments in the approach of governments to the production and distribution of food products would appear to be in order. Consequently the Council has recommended the creation of a federal-provincial commission on food system policy. Moreover, the Council has made important suggestions about the responsibilities of the Minister of Consumer and Corporate Affairs and his provincial equivalents in the monitoring of existing marketing organizations in the food system. It has also suggested ways in which the appropriate integration of the diverse legislations and administrations at the federal and provincial levels could be facilitated.

The Council has also suggested that the Food Price Review Board could very well serve the Minister of Consumer and Corporate Affairs in the sphere of federal jurisdiction for matters demanding immediate attention, as an interim measure while the countervailing monitoring system is being set up.

The five recommendations of the Consumer Research Council are listed at the end of the statement.

## 1. Background

In 1973, the former Canadian Consumer Council commissioned a study of the consumer interest in marketing boards. This study was part of the four-pronged inquiry undertaken by the Council at the request of the Minister of Consumer and Corporate Affairs to gauge the extent to which consumer interests were appropriately served in the structure and functioning of (1) regulatory boards and agencies, (2) marketing boards and agencies, (3) self-governing professions and licensing service agencies, and (4) government monopolies.

The request from the Minister came in 1971 and the plan of the former Canadian Consumer Council was to produce seriatim one report per year on each of these four aspects of the question. The first report was made public in April 1974 under the title REPORT ON THE CONSUMER INTEREST IN REGULATORY BOARDS AND AGENCIES. It was the synthesis of a number of special studies on this general theme commissioned in 1972.

The second set of studies on the consumer interest in marketing boards was commissioned in the spring of 1973. It was to be submitted in the spring of 1974. For this second phase of the inquiry, the approach used by the former Canadian Consumer Council was different from what had been done in the first phase. Instead of commissioning detailed studies from a number of researchers and then attempting to effect a synthesis of these parcellary studies itself, the Council allocated the task of setting up a research team, of commissioning specific studies, and of producing a summary report to Professor J.D. Forbes.

Between the time the study was commissioned and the moment when the report was submitted, some organizational changes occurred. The former Canadian Consumer Council had been replaced in April 1974 by two bodies: a refurbished and expanded Canadian Consumer Council charged with the task of advising and assisting the Minister in confidence and a Consumer Research Council charged with the task of advising the Minister on consumer research activities, reviewing research proposals, commissioning research, providing assessments of completed research projects and deciding with complete autonomy on their publication and distribution to the public.



Professor Forbes' report was sent to the Consumer Research Council in May 1974. The Council examined it at its first meeting in June and decided on the appropriate assessment procedure to be followed in this case. The manuscript was submitted to a number of external referees and upon receiving their evaluations, the Consumer Research Council decided at its August 6 meeting to release the report as it had been received and to publish also a statement of the Council based on the information contained in the Forbes report as well as on the examination of a number of other studies of marketing boards in Canada and elsewhere.

To put the report in perspective, the Consumer Research Council organized in September 1974 a full day study session with a good number of Canadian experts on agricultural and consumer matters. The expertise at the meeting covered many disciplines and experiences in several continents. On the basis of this extensive discussion which helped the Council to critically appraise the different segments and recommendations of the Forbes report and to put this report in perspective, the Consumer Research Council's statement was prepared.

## 2. The problem in perspective

Over the last decade, Canadian consumers have had to operate in a market place where ever more complex products and services were exchanged. Moreover these operations involved consumers in ever more complex credit, contractual and economic arrangements. This has led governments to perceive the need for the defense and promotion of consumer interests in the market place. The consumer interest which had been left in the hands of unorganized consumers or to the benevolence of businessmen came to be regarded as a responsibility of government. New institutions charged with the responsibility of defending and promoting consumer interests were constructed.

This new interest of governments in consumer affairs could be regarded as the extension of a century-long involvement of governments in antitrust policies and the promotion of competition in the market place. However, this renewed and more positive advocacy on behalf of consumers may be said to correspond to a change in the focus of economic policy in the last decade or two. While governments of the post World War II period had been satisfied to take on the responsibility for the management of the economy in a macro-economic sense (i.e. to concern themselves with aggregate employment and income and the general price level), over the last decade or two they have undertaken to intervene more explicitly in the economy at the micro level (i.e. endeavoring to influence structural dimensions of the Canadian economy by policies directed to specific regions, sectors or communities). While such interests can hardly be said to be new, the 1960's marked a resurgence and a heightened interest in such activities.

This micro-economic concern of governments followed diagnoses of the state of the economy which ascribed more and more of the experienced difficulties to structural problems. Such concern was not only channelled into consumer-oriented activities. Indeed one might say that such activities have come only late in the day. Governments were led to create sectoral and sectional departments to deal with sectoral and sectional concerns but also to propose a variety of instrumentalities to regulate or control some specific economic activities.

Some of the instrumentalities chosen to regulate certain sectors of economic activity amounted to a delegation by governments of the regulation task to one or many parties for a variety of reasons and as a result of a variety of pressures coming from consumers, producers and other interest groups. It can therefore be said that the difficulties met by the consumers in the market place were often not only ascribable to the basic bargaining power of producers or intermediaries, but also to the rules of the game defined by or allowed to persist by government authorities.

This phenomenon had not been as fully recognized and appreciated as it should have been by the late 1960's but it did attract the attention of the Honourable Ron Basford who asked the former Canadian Consumer Council to examine critically the ways in which consumer interests were protected in those contexts where certain forms of micro-economic government intervention or delegation of authority would appear to be important.

The study of the consumer interest in marketing boards is to be understood in this context. Marketing boards constitute a type of instrumentality by which governments delegate to a group of producers and/or processors the authority to affect the outcome of the marketing process. As such it constitutes only one form of marketing organization amongst many. The underlying concern which led to the commissioning of the Forbes study has to do with the very concept of marketing boards as a form of market organization. The purpose was to examine the costs and benefits to consumers but also to the general public of this particular form of marketing organization. Is government intervention in the markets for primary and processed natural products warranted? Is the marketing board a desirable form of organization for such markets? What alternative form of organization would be preferable if any? What safeguards for the consumer should be built in if one were to retain the marketing board as the basic form of organization in these markets?



### 3. The issues

Marketing boards as a form of marketing organization have been in use in Canada for well over forty years. G.A. Hiscocks has proposed the following definition of marketing board in a recent issue of Canadian Farm Economics (9,3).

" A marketing board can be defined as a compulsory, horizontal marketing organization for primary and processed natural products operating under authority delegated by the government. The compulsory feature means that all farms producing a given product in a specified region are compelled by law to adhere to the regulations of a marketing plan. The horizontal aspect means that marketing boards have influence over the output of all farms participating in the particular marketing scheme and that they aggregate the supply from all the farms up to a chosen or permitted level. Government authority through legislation is essential to achieve the required compulsion. The power of the boards utilizing this authority is generally wide enough to affect the form, time and place of marketing and, directly or indirectly, the price. "

Marketing boards vary widely in their structure of powers. This was clearly discernable in the spectrography of the powers of Canadian marketing boards presented by Professor Forbes in Appendix A of his report. The conduct and performance of these different boards vary immensely from sector to sector in the Canadian economy.

The effectiveness of marketing boards depends to a large extent on the objectives pursued, on the structure of powers effectively used and on the manner in which they are used. Consequently it is not possible to say a priori if this marketing form is appropriate unless one spells out the contours of the agricultural policy it serves and the patterns of costs and benefits ascribable to the effective use of the mix of powers delegated by governments to the board. Some marketing boards would appear from the studies available to have been useful organizations for the purposes at hand and their conduct and performance could be said to have generated benefits for all parties; on the other hand, other marketing boards would appear to have been very inadequate instruments of any rational agricultural policy and their conduct and performance according to the available records can only be regarded as having been to the detriment of consumer and public interests.

Such mixed records as revealed by Professor Forbes' report and by other studies made in Canada and elsewhere call for a re-opening of the question whether we wish to retain this form of market organization. One needs to know more about the conditions under which benefits from marketing boards outweigh their costs or vice-versa and, in the event that this marketing form is retained, one needs to inquire as to the nature of the procedure likely to ensure by proper monitoring and control that these boards perform their marketing function in a way that harmonizes the interests of producers, consumers and the public at large.

In the choice of marketing organization form or of the mix of powers and procedures to be authorized for a marketing board, producers have had and, if unchecked, are likely to continue to have a dominant voice, if only because of their better knowledge and more intense interest in these questions. Consequently if consumer interests are to be protected, a countervailing monitoring process has to be set up.

This countervailing process has to be designed in full cognizance of the constraints operating on the marketing of natural produce in Canada and of the broad directions of the food system policy in the country.

- A. The production and distribution of food products is a rather complex maze of sub-systems controlled by separate interests and regulated by a series of acts of local, provincial and federal governments designed for different purposes and administered by different organizations with diverse policy objectives. One needs to keep in mind the broad imperatives of the process by which Canadians produce, distribute and import their food products together with the preferences, norms and standards about origin, quality, forms of production and distribution embedded in those various government regulations. We use the expression food system in reference to these imperatives.

To this date, the activities of marketing boards in Canada have been monitored (if at all) by producer-oriented departments of agriculture at both federal and provincial levels. Canada is in need of an integrated national food system policy to replace its agricultural approach to the production, processing and distribution of food.

- B. The production of food products is not anymore generated in small family farms to the same extent as it used to be. A great bulk of agricultural sales are generated by commercial farms which are forms of organization closely akin to any other business concern. These agri-business concerns should be considered for all practical purposes like all other businesses and be subjected to the same norms.
- C. The production and distribution of food products does not fall completely in either the provincial or the federal jurisdiction according to the Canadian constitution. The shared federal-provincial jurisdiction over these activities is bound to have important effects on any policy process.



- D. In the choice of a policy direction or a form of organization for the production and/or marketing of food products, a number of interests are clearly directly involved - the interests of producers and processors, the interests of consumers, and the interests of Canadian society as a whole. A reasonable handling of the policy process would require that these interests be recognized and that there be assurance of a mechanism capable of ensuring that these interests will be taken into account in the evolvement of a policy solution.
- E. Marketing boards are only one of many instrumentalities or forms of organization for a segment of the process of production and distribution of food products. While in Canada marketing boards have been largely restricted to the non-export sector, in other countries they have been used largely if not exclusively in the export sector. This particular instrument may also take a great variety of forms according to the mix of powers and procedures delegated to a board or used effectively by it.

Given the diversity of experiences observed with marketing boards, the constraints and realities noted above and the likelihood of a dominant influence of producers and their views on the choice of marketing organization form, a meaningful countervailing monitoring system should be designed so as to deal with:

- i the procedure for the creation of boards and for the making of decisions about the powers to be given to them;
- ii the composition of boards;
- iii the monitoring of the activities of boards and their public accountability;
- iv the procedure for a review of the legislation defining the existence, structure and powers of boards.

## Recommendations

- R.1 There is a very real need to define explicitly a food system policy for Canada which could provide the necessary guidance for any agricultural policy and serve as the essential background in the choice of marketing organization forms.
- a) A federal-provincial commission on food system policy should be created very much on the model of the tax structure committee to serve as a forum for the elaboration of a Canadian food system policy. The work of this commission might lead to the consolidation of relevant federal statutory authorities into a Canadian Food Act.
  - b) Standing interdepartmental committees on the food system should be created at the federal and provincial levels to develop proposals for features of the food system and to coordinate changes in the administration of existing legislation.
- R.2 Standing committees of the House of Commons and each of the provincial legislatures should be created and provided with the necessary staff and resources
- a) to review immediately the rationale, powers and procedures of all marketing boards to determine the appropriate form of marketing organization for different segments of the food system and, in the event that a marketing board is considered the appropriate marketing vehicle, the composition of board personnel and the mix of powers that would ensure that consumer, producer and other interests are given consideration;
  - b) to receive and examine critically at public hearings detailed annual reports which every marketing board should be required by law to file. These reports should provide precise information on the nature of the board's activities during the year and on the rationale for their policy actions during this period;
  - c) to recommend appropriate amendments to the legislation creating the boards and defining their structure and powers.

R.3 Where marketing boards are regarded as the preferred form of organization, their administration should be conducted by a group the composition of which reflects the diversity of interests involved. Substantial consumer representation should be ensured by law on each board to which supply and/or price control powers (as opposed to mere authority to promote a product's sale) are delegated. The Minister of Consumer and Corporate Affairs (or his equivalent at the provincial level) should appoint these consumer representatives after consultation with recognized consumer groups.

R.4 At the federal level and in each province, Ministers of Consumer and Corporate Affairs should create and fund an independent bureau to receive complaints from all parties on the structure, conduct or performance of marketing boards and agencies, to investigate and to report to the relevant standing committee at the time of the deposition of the board's annual report. In cases where it could be said that organizations performing in part the functions of these bureaus already exist, the necessary actions to ensure the complete independence, appropriate authority and adequate funding of these organizations would have to be taken.

R.5 As an interim measure, and for matters falling under federal jurisdiction, the terms of reference, the resources and the authority of the Food Prices Review Board could be adjusted and expanded to allow it to receive special references from the Minister of Consumer and Corporate Affairs requesting it to investigate any aspect of the food system policy and/or the structure, conduct or performance of existing marketing boards which may require immediate attention.



APPENDIX

Terms of reference of the Consumer Research Council

There shall be a body known as the Consumer Research Council with the following functions:

- (a) to advise the Minister and Department on consumer research activities which are being carried on in Canadian universities and elsewhere, and on the available sources of research on particular consumer problems;
- (b) to review research proposals in the field of consumer affairs;
- (c) to commission research on consumer affairs, to provide assessments of completed research projects, and decide on their publication and distribution to the public and presentation to the Minister.

The Chairman shall be appointed by the Minister from among the members to serve for a period of one year. The Council shall meet from time to time at the call of the Chairman.

The members of the Consumer Research Council shall be appointed by the Minister. The term of appointments shall be two years, and is renewable.

Wednesday April 10, 1974

QUEEN HD 1491.5 .C2 C6 1974  
Canada. Consumer and Corpora  
A Statement on consumers and

**DATE DUE**  
DATE DE RETOUR


CARR McLEAN

38-296

INDUSTRY CANADA/INDUSTRIE CANADA



160846