

FEBRUARY 9, 1978

DISCUSSION PAPER

CONSUMER
INITIATIVES AND A
FOOD STRATEGY
FOR CANADA



Consumer and
Corporate Affairs
Canada

Consommation
et Corporations
Canada

The Hon. Warren Allmand, Minister



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Warren Allmand
Minister of Consumer and Corporate Affairs

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1.0 OBJECT

The object of this paper is to set out a number of ideas to follow up on the government's commitment, given in June 1977 in "A Food Strategy for Canada", that it "will use and develop its food policies to encourage the food system to provide, on a continuous basis, food and food services in the simplest, most economical and most direct manner and in the most nutritious and useful form to meet the needs and demands of consumers." The ideas complement concurrent initiatives for agricultural development, the food processing, distribution and retailing (PDR) sectors and nutrition and complete a comprehensive policy package which can be considered by delegates to the National Food Strategy Conference to be held in Ottawa on February 22-23, 1978.

2.0 BACKGROUND

2.1 The Food Strategy document released in the summer of 1977 referred to a number of concerns consumers had expressed about the performance of the Canadian food system. These concerns include the growing awareness of the relationship between good nutrition and good health, matters related to food safety and quality control, the structure, conduct and performance of the food PDR sectors and, most particularly, the level of food prices. In addition, consumers have expressed serious reservations about the results of certain restrictive farm marketing programs.

2.2 The Food Strategy also enunciated some general principles that would guide the government in the further development of its food policies and programs. So far as Canadian consumers are concerned, the document pointed out that while they "need not worry unduly about the sufficiency of food resources or supplies for the foreseeable future, they do need the reassurance that the food marketing system is fair and efficient and that, in any government involvement in the industry, the interests of both producers and consumers are taken into account."

2.3 In elaborating this general principle the government announced under the heading of Consumer Concerns, that it would:

- "(i) provide regular price information to consumers on a selected set of basic foods;
- (ii) strengthen its food inspection services and work with the provinces towards a set of national food inspection guidelines;
- (iii) while protecting producers and consumers from short-term distortions in world commodity markets, strive to enhance the productivity, efficiency and competitiveness of food production, processing, distribution and retailing sectors;
- (iv) ensure that, in any appointments to boards, agencies and other institutions involved in food production and marketing, it utilizes the services of persons with wide experience in marketing, economics, finance, and administration, and that the views of producers, processors and consumers are adequately represented;
- (v) give priority to the improvement of the structure and procedures of such organizations in order to improve their effectiveness and to make more information on them available to the public; and,
- (vi) give increased emphasis to the importance of food safety and good nutrition, including an effort to ensure that agricultural production policies take into account nutritional and safety implications;
- (vii) in collaboration with the provinces, reinforce present approaches to food safety and quality, public information and education."

In addition, the government indicated that it wishes to enter into discussions and consultations with consumers and their associations regarding the implementation of its food strategy.

2.4 On October 26, 1977, the Minister of Agriculture announced the general form and content of the government's agricultural development strategy. The overall objective of this strategy is to assist agriculture to realize its full market potential and to make its maximum contribution to the Canadian economy. Insofar as the strategy leads to increased production efficiency in Canadian agriculture, it will benefit consumers. Similarly, the Department of Fisheries and the Environment has a comprehensive management plan for the Canadian fisheries, which is expected to result in increased efficiency in that sector and to improve the quality of fisheries products reaching the consumer. In a second area, Consumer & Corporate Affairs Canada, in conjunction with Agriculture Canada and other departments, has developed a series of initiatives for the PDR sectors focussing on consultations, research and a limited number of immediate policy actions. Third, Health & Welfare Canada has prepared proposals on nutrition, including a strategy for implementing the dietary recommendations of the Mustard Committee on Diet and Cardiovascular Disease. While all three of these initiatives will respond in part to consumer concerns about the food system, they do not cover the full range of concerns. What is needed, therefore, is a set of initiatives in these other areas. This will complete a total food strategy package - agricultural development, PDR, nutrition, consumer initiatives - and by so doing, demonstrate to consumers that the government is serious in its intention to take account of their interests and concerns in developing its food policies.

3.0 FACTORS

3.1 There is little doubt that food is a high profile issue for consumers. Data from Box 99 (Consumer & Corporate Affairs complaints and enquiries services) show that food has ranked consistently in the top three goods and services about which the Department has received complaints. (Table 1).

Table 1

Box 99 - Complaints 1972 - 1976

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Foods	2,810	3,813	6,483	6,669	7,783
All goods & services	17,443	21,205	29,223	42,266	58,873
Food as % of total	16.1	18.0	22.2	15.8	13.2
Food ranking	1	1	1	2	3

Complaints on foods generally have accounted for 13 to 18 per cent of total complaints, but reached 22 percent in 1974, a year in which the food component of the Consumer Price Index recorded an increase of 16 per cent. A breakdown of Box 99 complaints on food indicates that 60 to 70 per cent of complaints are accounted for by two factors - prices and quality. (Table 2). Food quality is the more common complaint, with prices representing about a quarter of food complaints. However, in 1973 and 1974, when food prices were increasing rapidly, complaints about prices increased to 30 and 40 per cent of total food complaints respectively.

Table 2

Breakdown of Box 99 Food Complaints 1972 - 1976

	<u>1972</u>		<u>1973</u>		<u>1974</u>		<u>1975</u>		<u>1976</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Advertising	157	6	222	6	290	4	479	7	596	8
Alleged unethical practices	73	3	134	4	204	3	196	3	354	4
Compensation	69	2	64	2	125	2	188	3	219	3
Guarantees and warranties	3	-	5	-	7	-	11	-	8	-
Labelling	475	17	373	10	559	9	688	10	951	12
Packaging	148	5	324	8	404	6	440	7	573	7
Prices	669	24	1136	30	2609	40	1443	22	1848	24
Quality	1051	37	1166	31	1676	26	2323	35	2333	30
Repairs & servicing			1	-			3	-	5	-
Safety	61	2	108	3	132	2	256	3	275	4
Standardization	104	4	249	7	401	6	664	10	542	7
Miscellaneous			31	1	76	1	58	1	79	1
Total	2810		3813		6483		6699		7783	

N.B. Percentages may not sum to 100 due to rounding.

3.2 Food's high profile is no doubt due, at least in part, to the fact that food shopping is a weekly - if not daily - occurrence for consumers. They are therefore more exposed to food prices, quality, labelling, packaging and other concerns than they are about other goods and services which are purchased less frequently. Food is also a very important item in consumer expenditure patterns. In 1976, for example, personal consumption expenditures for food at home totalled \$17.2 billion; in addition, consumers spend another \$5.1 billion on food eaten away from home in restaurants, hotels, fast food outlets, education and medical institutions and so on.

3.3 On average, Canadians spent 17.5 per cent of their disposable incomes on food in 1976, 13.6 per cent for food at home and 3.9 per cent for food away from home. The fact that Canadians spend relatively less of their incomes on food than consumers in other countries is often used to support an argument that Canadians are very well off and that the food system is performing in a most satisfactory manner. However, this statistic must be viewed in context and in perspective.

- (i) Average per capita expenditure for food at home has almost doubled since the early 1970s, from \$391.40 in 1971 to \$746.66 in 1976. Over the same period, average personal disposable income per capita increased from \$3,435 to \$6,776.
- (ii) That Canadians may spend a low proportion of their income on food avoids an important issue for consumers. A falling percentage of income spent on food can be regarded as one measure of a rising standard of living insofar as the lower the proportion of income that has to be allotted to necessities (such as food), the more that is available for discretionary spending. In the last few years, this proportion has been stable, or even increasing, suggesting that Canadians as a whole may no longer be enjoying higher living standards.

- (iii) It must be remembered that the oft-quoted 18 per cent is an average. For example, data from the 1974 Urban Family Food Expenditure Survey indicates that low income families with incomes below \$7,000 spent 25.6 per cent of their income before taxes (and a higher proportion of their disposable income) on food.
- (iv) Data from Family Expenditure Surveys show that expenditure on food is the biggest single item of expenditure for the average Canadian family. (For lower income families, shelter costs are marginally above food expenditures.)
- (v) It should not be concluded that because Canadians spend only 18 per cent of their incomes on food, the food system is performing at peak efficiency and that no improvements can be made.

Food Prices

3.4 As pointed out in the Food Strategy document, in the 1972-75 period, largely because of events in the international grain markets and general inflationary trends, food prices increased by 50 per cent, i.e. faster than any other component of the Consumer Price Index, and consumer expenditures on food took a larger proportion of real incomes. Extraordinary price increases were experienced during this period for grains, meats, eggs, sugar and some fish products. The behaviour of food prices in the early 1970s contrasted sharply with that of the 1960s. In the five-year period from 1971 to 1976, food prices increased at an average annual rate of 10.7 per cent (the rate of increase for all items was 8.3 per cent) and accounted for 34 per cent of the change in the CPI over the period. By contrast, in 1961-66 and 1966-71 food prices increased at annual rates of 3.1 and 2.4 per cent respectively. It was the rapid increase in food prices in the early 1970s, as much as anything, that accounted for the awakening of consumer interest in a national food policy.

3.5 Following a period of price stability between the middle of 1975 and the end of 1976, there has recently been a recurrence of food price increases, although not on the scale experienced a few years ago. The recent increases are due to several factors, including crop failures for fresh produce and coffee, higher dairy prices, and the devaluation of the Canadian dollar. The December 1977 food index was up 15.4 per cent from a year earlier.

3.6 It has been argued, for example by the Canadian Federation of Agriculture, that food prices are not a problem for Canadian consumers. Considerable doubt can be cast on the validity of this assertion. For example, recent studies undertaken for Consumer and Corporate Affairs Canada indicate that consumers are very concerned about the rising costs of staples such as food, utilities and housing. For instance, in a survey conducted in shopping centres between June 15 and August 30, 1977 rising food prices was the concern mentioned most by respondents. Food quality, which is also a major concern, was mentioned to a lesser extent.

3.7 It would appear that food prices could be more variable and unpredictable in the future than in the past. There are a number of examples of highly variable and unpredictable commodity prices during the 1970's as shown in Table 3. (This table shows only annual averages and thus not the extremes in prices).

Table 3

Internationally Traded Commodity Prices

		1965 to						
<u>Commodity</u>		<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Coffee	US ¢/lb	40.7	44.6	50.3	62.1	67.9	71.7	142.6
Cocoa	US ¢/lb	30.8	26.8	32.3	64.7	98.2	74.6	109.6
Tea	US ¢/lb	52.3	47.8	47.7	48.0	63.5	62.8	69.7
Sugar	US ¢/lb	2.4	4.5	7.2	9.4	29.7	20.4	11.6
Wheat	US \$/m ton	66.6	64.0	71.2	147.3	208.7	181.3	149.1
Corn	US \$/m ton	54.27	58.4	55.8	97.82	132.06	119.63	112.4
Soya Beans	US \$/m ton	114	126	140	290	277	220	231
Fishmeal	US \$/m ton	164	167	239	542	372	245	376

Source: Prices of Internationally Traded Commodities, Monitoring and Analytical Support Unit, Policy Coordination Branch, CCAC, November 3, 1977.

Much of this price behaviour has been associated with irregularities in the world's weather for example, drought in the U.S.S.R. in 1972 and 1975 leading to shortfalls in Soviet grain production, large grain purchases from North America and sharply higher prices; and frosts in Brazil in 1975 and in the southern United States in 1977. While there is some controversy surrounding this issue, according to some climatologists (e.g. Bryson), the Northern hemisphere has been cooling off irregularly since 1950. Analysis of past weather data indicates that during cooler periods there is greater variability in week-to-week and year-to-year weather. Cooling and variable climate brings serious problems for world food production. In the developing world, the monsoons tend to fail, while temperate zone agriculture is confronted with slightly shorter growing seasons, less summer warmth on average and unreliable rainfall. This suggests the possibility of greater variability and unpredictability in food production - and more instability of prices - in the years ahead.

Food Processing, Distribution and Retailing

3.8 Events of the past few years have led to a loss of confidence on the part of consumers in the fairness of the food system. In particular, many concerns have been expressed about a lack of competitiveness in these sectors and the negative impact on consumers of a high degree of market power exercised by some food processors and retailers. It is claimed that high or relatively high levels of economic concentration in the food processing industry have resulted in deficiencies in such areas as production efficiency, technological progress and product suitability. In food retailing, high levels of concentration have been associated with excess capacity, higher profits, higher prices to consumers and less product variety.

3.9 Other, more specific concerns include the following:

- (i) As a group, consumers have sought food products which are convenient to prepare, easy to handle and store and attractive in appearance. While the food industry has responded with increasing levels of processing, packaging and in-store services, there is some question as to how far these services meet real consumer needs, or are more the result of oligopolistic non-price rivalry which leaves consumers with little or no choice but to purchase them.

- (ii) At the same time, consumers have become increasingly concerned about the effects on health of such additives to food as artificial colours, flavours, texturizers and preservatives, notwithstanding the programs of Health and Welfare Canada which are designed to guarantee the safety of the food supply. This concern spreads to the residual effects of certain agricultural practices (e.g. the addition of growth hormones and antibiotics to animal feeds), and to traditional food processing activities such as high levels of refining of cereal products and the use of large quantities of sugar in many products.
- (iii) While appreciable packaging of food products is required because food products are perishable, seasonally produced, transported over long distances and sold in relatively small units, there is some concern that the levels of packaging are excessive and add unnecessarily to food costs.
- (iv) The negative effects of food advertising are a concern for many consumers. The absence of nutritional information in food advertising, and the heavy emphasis on children as the target audience are two examples of this concern. In addition, questions have been raised about the widespread use of promotional devices, e.g. discount coupons, games, etc.
- (v) In the area of prices, it has been noted above that consumers are concerned about price increases and the reasons for them. They are also concerned about differences in prices between stores and have a feeling that retail food prices are more flexible in an upward direction than they are downward.

Nutrition

3.10 Nutrition has not had a high profile in Canadian food policy, yet there are major nutritional problems in Canada that require attention from governments. These problems, in general, are not those of the classic nutritional deficiency diseases, although the Nutrition Canada survey did show that nutritional inadequacies existed among certain segments of the population. The major nutrition-related problems of Canadians are those related to excessive consumption and/or poor selection of available foods. While energy intakes may not appear to be excessive, at least at first sight, the cumulative effects of small surpluses, together with an increasingly sedentary lifestyle, have resulted in almost one-half of the adults in Canada being overweight. In addition, there are other problems associated with excessive and/or poor food selection including dental caries, cardiovascular disease and certain forms of cancer.

3.11 The socio-economic costs of nutrition-related illness are considerable and unless steps are taken to modify food consumption choices and practices, these costs will continue to escalate and absorb an increasing proportion of the Gross National Product. While it will be some time before any significant benefits (in terms of lower health, productivity and social costs) accrue to society, it is imperative that immediate action be taken to encourage changes in the food choices of Canadian consumers. Indeed, the Minister of National Health and Welfare has recommended that nutrition be accorded a high priority in food policy.

The Consumer Voice in Food Policy

3.12 While consumers have always had the opportunity to present their views to the various departments of government that are concerned with food they believe that their concerns about what they perceive to be deficiencies in the food system have not always received serious attention. While some Departments have been receptive to the views of consumers, in other instances their views have not been sought before decisions were taken on food matters that affect their interests. For example, the Consumers Association of Canada, while not claiming to represent all consumers, argued in its submission on A Food Strategy for Canada in December 1977 that little progress had been made in taking consumer

interests into account in formulating production-related food policies and, moreover, that their views were seldom sought or welcomed. Examples, used in support of this assertion included the decisions on the 1977-78 dairy program, and the proposal to create a National Chicken Marketing Agency, where the announcement in principle to establish such an agency was made without consultation just five days after the release of the Food Strategy document in which consultation was promised.

3.13 Consumers are anxious to work with government and the food industry to develop and improve food policy. They wish to be fully involved in the future development of policy. In light of this, consumers have requested the removal of existing institutional impediments to a balanced representation and advocacy of the interests of all food system participants, including themselves, during the policy development process. This would require, for instance, the appointment of informed and independent representatives to all regulatory boards and agencies in order to ensure that the consumer interest is properly taken into account in the decisions of these agencies. To be meaningful, consultations between government and consumers on policy issues would have to take place before decisions on policy are taken. It is important, therefore, that consumers be provided with the information that they require to make a constructive and effective contribution.

3.14 In discussing the consultation process with consumers during the food strategy meetings with national organizations in December 1977, Ministers agreed with the CAC that both public accountability of regulatory agencies and advance consultations on policy with consumers and producers were desirable. However, before consumers can become more fully involved in the consultation process, some means will have to be found of funding consultation activities undertaken on behalf of consumers. Unlike industry representatives, the individual consumers who would participate in these activities do not have recourse to an expense account to defray the costs that would be incurred.

3.15 Closely related to the need for a greater voice for consumers in the food policy process is the very important need for balance in Canada's food policies. The need for balance is not a once-and-for-all question that can be resolved by the announcement of initiatives directed specifically at allaying consumer concerns about the operation of the food system. It requires full and adequate consideration of the consumer interest in the development of food policy on a continuing basis.

3.16 In the immediate future, however, there is a pressing need for the government to put forward some ideas to follow up on the principles set out in the Food Strategy document and to balance the initiatives which have already been announced on the producer side, in particular, the Agricultural Development Strategy. This would go some considerable way towards reassuring consumers that the government is serious in its endeavour to develop its food policies for the benefit of all parts of the food system, including consumers. It would also provide a basis for the detailed discussions which will take place at the National Food Conference, with the views and opinions expressed by the delegates being taken into account in subsequent policy decisions.

4.0 ALTERNATIVES

4.1 The Food Strategy document commits the government to action in the area of consumer concerns. The basic alternatives therefore, are as follows:

- either (i) use the statement on page 20 of the Food Strategy document as the government's position on consumer concerns, follow-up by pursuing an appropriate work program, and announce the results of this work after the various studies have been completed and the basic policy decisions have been taken;
- or (ii) set out ideas in the government's paper for the Conference and seek input from consumers and others at the Conference. These ideas would relate to ways of meeting consumer concerns in the food area, and would be presented on the clear understanding that the government was in no way committed to their implementation.

4.2 Alternative (i) has a number of serious disadvantages. There would be no consultation with, or input from, consumers in advance of decisions being taken on policy issues of major concern to them. There would be a lack of balance in the government's food policy as between producer and consumer-oriented policies. Unless the government puts forward some consumer-related ideas in the near future, it will become increasingly open to the criticism that it is ignoring the consumer in its food policy and that its much heralded Food Strategy is, in fact, an agricultural policy in disguise. While alternative (ii) suffers from the disadvantage that the policy ideas to be put to the food conference may not be as well thought out as one might wish, it does have the considerable advantage of inviting consumer participation in the policy development process and of introducing balance into the Food Strategy. Alternative (ii) is therefore the preferred basic alternative.

4.3 The remainder of this section therefore sets out a range of ideas in the areas of the ongoing consultation process on food strategy, consumer information on food prices, and protection for consumers against surges or rapid increases in commodity prices. Reference is also made to related initiatives in other areas of concern to consumers, namely food processing, distribution and retailing and nutrition.

The Consultation Process

4.4 The Food Strategy document commits the government to meaningful consultations with consumers on food policy on both general policy and the various programs as they are developed. The CAC, which has already presented Ministers with a brief on food policy and will be participating in the Food Conference, is seeking a commitment to be consulted as a matter of routine on all food and agricultural policies and programs. Other groups such as the National Anti-Poverty Organization are also seeking to make an input into food policy. While the Food Conference will permit consumers to contribute to the food policy debate, there is a need for an ongoing and regular consultation process beyond the conference. In addition to the regular consultations between CAC and Consumer and Corporate Affairs Canada (which are already underway) and between the Minister of Consumer and Corporate Affairs and his Canadian Consumer Council (which has already presented a set of recommendations related to food consumption and nutrition) there are two ideas which could be considered:

- (i) Establish a National Food Policy Consultative Committee comprising representatives from the interest groups involved in food. The Committee would have an independent chairman who would report to the government as a whole rather than to a single Minister. The role of the Committee would be to clarify problems and issues within the food system and to provide a continuing mechanism to consider solutions to these issues, including consideration of the government's ideas on new food policy initiatives. The Committee would bring together representatives of consumers, farmers, fishermen, processors, distributors, retailers, and the food service sector in order to identify problems and opportunities as seen from their various perspectives and to make proposals as to how the problems might be tackled by government and/or the private sectors. The Committee's secretariat would be provided by those government departments most closely associated with food policy.

Advantages

- It would provide a forum where all parties concerned with the food system would be represented and would represent a positive response by the government to requests by the Retail Council of Canada and the CAC for a national advisory council on food policy.
- It would provide the various interests with the opportunity to interact with each other and to exchange views on a variety of food-related issues.
- It would ensure the continuing involvement of the public in the development of food policy.
- It would avoid, at least in part, the need for separate consultations with food system stake-holders.

Disadvantages

- It would be a large and possibly unwieldy group, with perhaps more scope for disagreement than consensus.
 - Past experience suggests that this type of consultation process tends to serve as a forum for special interest groups, particularly if the process is highly visible to the public. Each segment of the food system could seize on the opportunity provided by the process to profess their virtues, while blaming other segments for their deficiencies, with the result that consumer confidence in the ability of the food system to provide safe, nutritious and reasonably priced food could diminish further.
- (ii) Another possibility would be to have government take a leadership role in consultations. This role would include preparation of a tentative program of meetings, issuing of invitations, chairmanship of meetings, provision of secretariat services, etc. More importantly government would be expected to provide research and discussion papers on initiatives proposed by the participants as well as proposals of its own for discussion. While this format would be most effective in dealing with the PDR sectors, it could accomodate other issues of concern. Agreement would be sought at the February Food Strategy Conference on the terms of reference and procedures for a series of meetings on specific issues. A planning committee would be formed including representatives of government departments and the various private interests. Each meeting would focus on a specific issue, and participating groups would present papers highlighting problems and proposing solutions. Follow-up meetings might be required in the case of particularly contentious issues. These meetings would assist interested parties in coming up with solutions on their own initiative and thereby minimize the need for government interference. Minutes or proceedings of the meetings would be published in order to maximize the educational value of the process.

Advantages

- As in (i) above.

Disadvantages

- As in (i) above.
- Devoting meetings to specific topics according to a pre-determined agenda would introduce an element of inflexibility into the process, and it would be more cumbersome to respond to emerging issues.

4.5 One way of getting the consultation process off the ground would be to establish after the Food Conference a steering committee comprising the various stakeholders in the food system and charged with the task of developing detailed proposals.

Consumer Food Price Information

4.6 The government stated in the Food Strategy document that it would "provide regular price information to consumers on a selected set of basic foods." It is essential that any action the government takes be fully supportive of provincial programs to provide consumers with food price information. The federal government's role should be to back up rather than duplicate provincial efforts. The government should also encourage private sector initiatives, e.g. the program being carried out by the Retail Council of Canada. There are four ideas which could be put to the Food Conference:

- (i) Provide consumers with explanatory information on food prices, their levels and changes. In this regard, Consumer and Corporate Affairs Canada is considering whether to launch a three-tier program designed to provide consumers, and those who advise and communicate with them, with information on the behaviour of food prices and the reason for this behaviour, coupled with helpful food and nutritional advice. Initially, the program could involve a monthly food price round-up, a quarterly report on broader developments in the food sector and commodity and food price fact sheets. These reports would provide national, current information and forecasts of food prices due to seasonal, cyclical, yield and external factors. Agriculture Canada is also planning to provide improved outlook and food advisory services for consumers.

Advantages

- It would satisfy a need expressed by consumers themselves for explanations of movements in food prices to supplement or complement the mass of actual price data which is available to consumers through the media.
- The program could be started almost immediately, based on existing data sources and using existing resources.

Disadvantages

- It would be difficult to take account of regional differences in food preferences in this information program.
 - It would not provide store-level information on food prices to help consumers shop wisely for food.
 - While the information would be widely distributed, there is no guarantee that it would be picked up and used, e.g. by the media.
- (ii) Establish a continuous price monitoring service at the local level right across the country for a set of basic foods. The program would combine nutritional and store level food price information to help consumers achieve a nutritious, low-cost diet. The information would be widely disseminated through the media (newspapers, television, radio) and consumer bulletin boards.

Advantages

- It would provide consumers with comparative food price information which they would appreciate and which would help them to achieve the best value for their food dollar. Comparative market information appears to have a desirable effect on the consumer attitudes to food shopping, making them more alert as to prices.
- It would yield valuable data on retail food prices that could be used by government and other researchers to analyze the structure, conduct and performance of the food retailing sector.

Disadvantages

- It could be criticized for duplicating the mass of price information already available to consumers in the media.
 - Some of the provinces (e.g. British Columbia, Alberta, Manitoba, Prince Edward Island) are already collecting and disseminating actual food price information on a regular basis. A more appropriate role for the federal government might be to back up provincial programs with national information or help local consumer groups (e.g. local branches of the CAC) to collect and disseminate store level food price information in their localities.
 - While publication of comparative price information in local markets may result in lower food prices, in the long term, according to the Food Price Review Board, a geographically widespread use of the technique over an extended period of time could result in a reduction in services provided to consumers by food retailers and a reduction in competition insofar as smaller retailers are forced out of business.
 - The implementation of such a program in communities across Canada would require a major increase in resources.
- (iii) In its report Food Price Comparisons, the Food Prices Review Board concluded that in some local markets, a publication of comparative food price information over a short period may, on balance, be helpful to consumers. The Board therefore recommended 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.

Advantages

- It would respond to a request by the CAC in the area of consumer information needs.

The CAC does not believe that a permanent program to publish comparative food price information would be a cost-effective method of satisfying consumer information needs or stimulating competition among retailers. However, the Association does favour ad hoc, sample reporting of store level prices.

- On the basis of an experiment conducted in Ottawa in 1974, the Food Prices Review Board concluded that the publication of comparative price information in a limited market area can, in the short term, have a positive impact on the degree of price competition in that market, lowering food prices and lessening the differences in prices between competing stores.

Disadvantages

- The government could expect to receive criticism and complaints from communities which were excluded from the program.
- On the basis of FPRB experience, each local survey could cost up to \$50,000.

- (iv) The Anti-Inflation Board currently publishes a monthly report on food prices. The AIB's report includes an index of supermarket food prices, a wholesale food price index, and the cost of a nutritious food basket in 14 cities across Canada. This work could be continued beyond the termination of the AIB's mandate in the spring of 1978 by either the post-controls monitoring agency or an appropriate department.

Advantages

- It would continue a program which was started by the Food Prices Review Board several years ago and continued by the AIB, and which is known to the public.
- The mechanisms and expertise already exist for collecting and compiling the information included in this report.

- The survey could be improved and extended to make information on retail food prices available regionally within one week of collection, thus providing consumers with some basis for making price comparisons.

Disadvantages

- There could be some overlap with provincial programs.
- The program requires a budget of at least \$250,000 a year.
- While it would continue to provide some useful analytical information, there is considerable doubt about its use by and value to consumers generally.

Protection Against Surges in Commodity Prices

4.7 Price instability is a major characteristic of agricultural commodity markets, which tend to have marked peaks and troughs. In the Food Strategy document, the government made a commitment to protect producers and consumers from short-term distortions in world commodity markets.

4.8 For producers, this means protection against short-term depressed market prices. For consumers, it implies protection against rapid and non-permanent increases in prices. There is an important difference in the position of consumers and producers, however, in that consumers have short-run flexibility to adjust their consumption patterns in response to changes in prices, whereas producers cannot make rapid adjustments in production. Consumers accept, therefore, that producers should be protected against price troughs. Indeed, much of Canada's agricultural production is already protected by permanent import controls, e.g., eggs, turkeys, grains, beef and veal, most dairy products. In addition, producers have the benefit of agricultural stabilization programs to shield them from a sudden collapse in prices. Furthermore, the government has under consideration improving temporary safeguard measures, particularly the surtax mechanism, which can be used to provide relief from the injurious effects of distress-priced imports.

4.9 For consumers, excessive fluctuations in food prices affect buying patterns and can reduce their confidence in the food system. High prices for basic foods can have a serious impact on the welfare of low-income families. The government recognizes the particular difficulties of low-income families through its indexed social security programs, and it aids all consumers through its indexed income tax provisions. These are expensive government programs: since its inception in 1973, indexation of social security has cost over \$2 billion; and, since indexation of income taxes began in 1975, foregone federal revenues have amounted to some \$2.7 billion. These programs have the advantages, however, of providing automatic protection against price surges, leaving consumers free to make their own choices, and not distorting market signals to producers. Apart from these general provisions, the government has in recent years sought to resolve particular food price problems by taking direct action in the form of temporary consumer subsidies, The Two-Price Wheat Program, and trade measures.

4.10 Some consumer subsidies are still in effect (e.g. 34¢/lb. on skim milk powder) but an extension of their application may not be appropriate as a new consumer initiative, particularly in a time of fiscal restraint. Such subsidies tend to require large government expenditures to produce only modest price reductions. Moreover, the target group toward which they are normally aimed - low income families - is generally better served by the indexation provisions mentioned above.

4.11 Under the Two-Price Wheat Program, millers pay a fixed price (\$3.25/bu.) for bread wheats irrespective of the export price. Whenever the export price falls below the millers' price, producers are in effect subsidized by consumers. When the export price is above the millers' price, the shortfall in producer returns is made good by government up to a prescribed maximum payout (\$1.75/bu.). Whenever the world price is above \$5.00 (i.e. \$3.25 plus \$1.75), the excess is in effect a subsidy paid by producers to consumers. Since the Program's inception in 1972, government payments have exceeded \$400 million. The government has just announced a revision to the Program whereby the minimum price paid to producers is being raised to \$3.55 while the millers' price stays the same. The two-price concept would appear to have only limited applicability to other commodities. However, the introduction of minimum and maximum prices in the domestic market, but not the provision of subsidies in between, might usefully be explored.

4.12 Trade measures which have been, or are currently being used, include tariff reductions, import quota increases and international commodity agreements. While the impact on consumer prices of such measures is seldom great, it could be worthwhile to review them from a consumer standpoint.

Other Related Initiatives

4.13 In addition to these ideas, there are a number of other, ongoing activities which respond directly to consumer concerns about the food system. Taken together, the ideas discussed in this paper and these related activities comprise a comprehensive package of consumer initiatives in the food area, and provide a balance to policies more closely related to the production and marketing of food. Moreover, tying these other activities directly to a set of consumer initiatives and concerns will help demonstrate to Canadians that not only is the government determined to take account of their interests in developing its food policies, but also that the food strategy does, in fact, represent a move away from an ad hoc, reactive approach to policy-making towards a more coordinated, overall policy framework.

4.14 The other activities referred to in paragraph 4.13 include initiatives related to the food processing, distribution and retailing sectors, nutrition and consumer food information programs. First, a strategy for the food PDR sectors has been developed, its aim being to ensure that the sectors are operating efficiently, competitively and fairly. Since the paucity of data on and analysis of the structure, conduct and performance of the food industry is a major constraint on the development of sound policies, the strategy will emphasize an expanded and coordinated economic research program, the end product of which would be recommendations for policy action. The competition bill (C-13) will provide a new policy tool, i.e. the joint monopolization provisions, for dealing with some of the perceived structural problems of the food PDR sectors.

4.15 Second, in the area of nutrition the Minister of National Health and Welfare has proposed that nutrition be considered an essential part of the food system. Attention was focussed on the need for emphasis on nutrition when the modified recommendations of an Expert Committee on Diet and Cardiovascular Disease were being formulated by Health and Welfare Canada. The recommendations suggested

a number of changes to the Canadian diet (more fresh fruits and vegetables and whole grain cereals and less calories, fat, salt and sugar), as well as changes in lifestyle. The means of implementing these recommendations include obtaining support from the provinces, health professionals and the food industry; launching short- and long-term public education programs to persuade consumers to change their present dietary patterns; and greater consideration of nutritional factors in food production and marketing policies.

Consumer Food Information Programs

4.16 Food is one of the largest areas of consumer expenditure and a priority program area for the Bureau of Consumer Affairs at CCAC. Helping consumers get better value for their food dollar is a major objective of the Bureau. In 1977 the Bureau's Consumer Services Branch prepared and submitted a "Food Talk" proposal to the Summer Job Corps of the Canadian Employment and Immigration Commission. The proposal was approved and received funding of approximately half a million dollars, most of which went to salaries for the 184 young people who worked on the fourteen week project. The total project was divided into thirty smaller teams across Canada. Target groups were low-income, native, immigrant and senior citizen households. The teams helped target groups get better value for their food dollars by providing information on nutrition and good food "buymanship".

4.17 The Food Talk Program was unique for both CCAC and government in that extensive co-operation was obtained from all government departments working in the food area and from members of the private sector. Based on the success of "Food Talk '77", an expanded version (52 projects) for 1978 has been submitted to the Canadian Employment and Immigration Commission for approval. CCAC proposes to operate up to seven projects in collaboration with the Medical Services Branch of Health and Welfare Canada. This collaboration would enable CCAC to work more effectively and economically in northern, isolated areas by tapping the resources of the extensive health care delivery system of Medical Services Branch.

4.18 CCAC Regional Officers have been involved in providing information and advising on food "buymanship" for many years. The information and its dissemination strategies have differed and have not been integrated into a national effort. The Bureau is developing a "Food Basics" program, for release later this year to provide CCAC field staff with the tools to support and build on their current activities and to further the Department's interest in food.

Information on government food policy will be an integral part of each of these programs. They will also reinforce and build on Health and Welfare Canada's Diet and Cardiovascular Program which will be launched for Heart Month in February 1978.

5.0 FINANCIAL CONSIDERATIONS

5.1 No major new expenditures are envisaged while the ideas are being considered. However, additional resources could be required later, depending on which of the several ideas is chosen. Under consultations, the National Food Policy Consultative Committee could probably be financed primarily from existing resources of the departments which would be involved. In the area of food price information, a comprehensive country-wide food price monitoring program would require a major injection of new monies. Irregular local surveys could cost up to \$50,000 apiece, and to continue the AIB food price reporting program would require a budget of \$250,000 a year.

6.0 FEDERAL-PROVINCIAL RELATIONS

6.1 The provinces will clearly need to be fully involved in any regular, ongoing consultation process that is established on consumer-oriented food policies. In the first instance, an initial provincial response to the ideas set forth in this paper was sought by the Minister of Consumer and Corporate Affairs at the Federal-Provincial Ministers' meeting on the food strategy, which was held in Winnipeg on January 16, 1978. The ten provincial Ministers of Agriculture present at the meeting agreed that a higher priority should be given to nutrition by consumers, industry and government. They also agreed (a) that producers and consumers should participate in public decisions that affect them and that consultations between all components of the food system were necessary and (b) that consumers need regular access to food price information to help them make more rational food buying choices. On the other hand, the Ministers of Agriculture had serious reservations about the principle of protecting the consumer against surges in commodity prices.

6.2 In addition, close cooperative working relationships will have to be established with the provinces if any substantive progress at the local level is to be made in the areas of consumer price information and nutrition.

These are areas where several of the provinces already have programs in effect requiring that federal initiatives must complement and support, rather than duplicate, provincial activities. In addition, since consumer education falls within the ambit of provincial jurisdiction care will have to be taken not to infringe on the provinces' rights and responsibilities.

7.0 INTERDEPARTMENTAL CONSULTATION

7.1 The following departments were consulted in the course of preparing this paper: Agriculture, Health and Welfare, Finance, Industry, Trade and Commerce, Fisheries and the Environment, and the Privy Council Office.

8.0 PUBLIC INFORMATION CONSIDERATIONS

8.1 In the context of the overall food strategy, it is important that Canadians realize that the government is taking action to follow up on the principles set out in the consumer concerns section of the Food Strategy document. In the first instance, it is proposed that the ideas described in this paper be announced by the Minister of Consumer and Corporate Affairs in his speech at the Food Conference. The Minister's speech would be publicized through a public relations/information plan.

9.0 CONCLUSIONS

9.1 There are two basic reasons for proposing a set of consumer initiatives on food. First, given the public commitment it made in A Food Strategy for Canada, it is important that the government develop its ideas to respond to the concerns consumers have expressed about the Canadian food system. These ideas should follow on from the principles the government has already set out and be designed to convert the principles into concrete action proposals. Second, it is essential that a package of consumer initiatives be developed to provide a balance of producer and consumer interests in food policy. The government has already announced the Agricultural Development Strategy. The ideas described in this paper provide a balance to this agricultural strategy and help show Canadians that the government's food strategy is indeed intended to encompass all the various parts of the food system from the producer right through to the final consumer.

9.2 This paper has set forth a number of ideas in regard to food price information, protection against surges in market prices and consultations with consumers. These ideas could be explored further at the Food Conference. When they are combined with other initiatives being taken in the area of nutrition, and food processing, distribution and retailing, the result is a comprehensive package of consumer initiatives that can be related directly to the commitments given by the government in the Food Strategy document under the heading of Consumer Concerns. This package provides a basis for a detailed discussion of consumer issues at the Food Conference.