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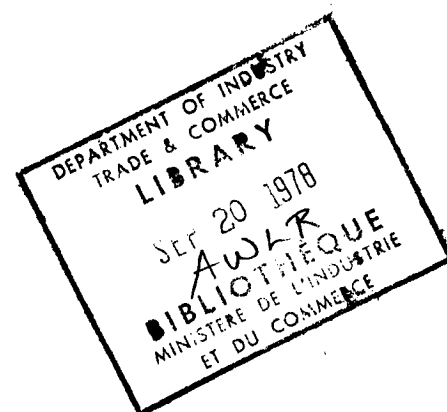
APPLICATION OF COMPETITION POLICY
TO THE FOOD AND AGRICULTURE SECTOR

Agriculture Unit
Resources Branch
Bureau of Competition Policy
Consumer and Corporate Affairs/Canada.
July 1978



Consumer and
Corporate Affairs Canada

Consommation
et Corporations Canada



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PREFACE

This document was prepared under the direction of Dr. George Lermer, Director, Resources Branch, Bureau of Competition Policy, Consumer and Corporate Affairs Canada. The principal contributors were Wendy Holm, John Howe and Wayne Lewis. Ms. Holm is responsible for the performance calculations that constitute the innovative and creative aspect of the work. Mr. John Howe and Mr. Wayne Lewis prepared the conduct sections from file reviews undertaken by Mr. Smithers and Mr. Metzak. A great deal of the structural analysis is based on a Research Branch study being conducted by Mr. R. St. George under the direction of Mr. S. D. Khosla and Mr. D. McKinley.

The research reported here has been reviewed by a number of academics and industry specialists as well as Agriculture Canada staff members.

Extremely competent editorial assistance was provided at the initial drafting stage by Lillian Hughes and during the final stages by Susan Leah.

The Bureau appreciates that the federal government, in its White Paper A Food Strategy for Canada, foresees far more extensive research into the functioning of the Food Processing, Distribution and Retailing sector than is reported here. It is hoped that the information presented in this paper will assist in guiding such research, as well as contribute positively to the ongoing lively and healthy debate on food and agricultural policy.

It should be noted that the views expressed in this document, which is published as part of the Bureau of Competition Policy's Working Paper Series, are those of the authors and do not necessarily reflect those of Consumer and Corporate Affairs Canada.

Additional copies of this document may be obtained through the Information Secretariat, Bureau of Competition Policy, Consumer and Corporate Affairs Canada, Place du Portage, Phase I, Ottawa/Hull, K1A 0C9.

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INTRODUCTION

1. Recently, changes in agricultural markets at both the national and international levels have focused public attention on agriculture and food policy. At the international level, world food supplies deteriorated sharply during the early seventies; United States policy shifted from one of supply limitation and control to increased emphasis on market forces and aggressive exploitation of export opportunities for farm products, and the Soviet Union and other communist bloc countries became irregular importers of grain from North America. Domestically, increased competition between provincial poultry marketing boards (referred to as the 'chicken and egg' war) during the late 1960's resulted in national legislation (The Farm Products Marketing Agencies Act), extending supply management policies to the federal level for these commodities. In other areas, Canadian agricultural policy has stressed income stabilization programs such as the expanded Agricultural Stabilization Act and the Western Grain Stabilization Act.

2. Domestic food prices increased sharply in 1972 and 1973. Faced by mounting public concern with higher food prices and, on a broader level, with food and agricultural policy in general, the government established the Food Prices Review Board in May 1973. During its two and a half year mandate, the Food Prices Review Board published 52 reports and nine background papers examining the causes and effects of food price inflation. In 1975, we experienced a second dramatic round of food price inflation, however, this time Canadian food price increases greatly outpaced those in the U.S. This occurred partially as a result of Canadian federal dairy policy, but mainly reflected the general inflationary economic conditions prevailing domestically, particularly with respect to wages. Through the first year of the Anti-Inflation Board's existence, food price increases moderated and lagged rather than led the CPI, however, since early 1977, food prices have been extremely volatile. Mounting public criticism in response to food price inflation has resulted in increasing government attention on agricultural and food policy. The federal Food Strategy Conference held in Ottawa in February 1978 represented the third stage in a three phase consultation process on food strategy which began with a series of meetings between federal Ministers and national food industry organizations in December 1977 and continued with the Federal-Provincial Ministers meeting in Winnipeg in January 1978. The purpose of the Food Strategy Conference was to improve dialogue between the federal government, the producers and the private sector with respect to agricultural and food policy.

3. Under present circumstances, it would seem appropriate for the federal government to consider long-term agricultural and food policies rather than measures aimed at resolving apparent short-term food problems. World agricultural markets are no

longer in turmoil, and any developments in harvest conditions, or other countries' trade policies, are less likely to evoke panic in private and public circles than was the case in 1972 and 1973. Some observers believe Canadians are now better prepared to accept the realities imposed by economic circumstances than was true before what was referred to as the 'energy crisis'. It would now appear feasible, therefore, for the government to consider redirecting agricultural and food policy towards securing the advantages of scale of production, specialization and flexibility in adjusting to world market conditions. To this purpose, social programs designed to alleviate rural poverty, inequity or instability ought to interfere as little as practicable with the free market allocation system.

4. Within the framework of longer-term economic developments, the federal government recently published a White Paper entitled, A Food Strategy for Canada. This document assigned to Consumer and Corporate Affairs and, more specifically, to the Bureau of Competition Policy, the task of inquiring into the processing, distribution and retailing sectors of the agriculture and food industries. This research report is one aspect of the work undertaken in response to the government request.

5. Additionally, this study is motivated by the second stage revisions of the Competition Act (Bill C-13) which foresees an extension of the Director of Investigation and Research's role as an advocate for pro-competitive economic policies before federal regulatory boards and agencies and within the process of government policy formulation. The Act is so designed to allow the Competition Policy Advocate to challenge the Competition Board to remedy structural imbalances in the economy rather than solely to prosecute specific instances of collusion and restrictive business practices. This role leads the Bureau to analyze industry structure, conduct and performance rather than concentrate attention on a specific business practice.

6. The agriculture, food processing and food distribution industries comprise concentrated sectors, regulated sectors and trade protected sectors. As one sector's output is another's input, it is unlikely that such a complex market structure will utilize human and natural resources to best advantage. Due to the interdependence of all sectors of the food industry, policies designed to improve market efficiency or reduce market anomalies for one sector may, in fact, prove detrimental to market performance at other levels of the marketing chain. For example, if food processing and retailing markets are highly concentrated when import protection is granted to certain products, monopoly profits will be earned at the downstream level of the industry, resulting in higher prices to consumers.

7. The existence of structural problems in the Canadian food processing and distribution sector is highlighted in a study currently being conducted by the Bureau of Competition Policy. The findings of this study, which are summarized briefly in Chapter 1, indicate a relatively high degree of concentration in the food processing sector. This observation is reinforced by the gap between the dominant firm and the next largest - a skewness more apparent in food production than in manufacturing in general.

8. Since the leading four firms in many food product markets have very high market shares, it is important to examine the additional factors, including the market conduct of firms, that condition the competitive interplay of the industry. Bureau of Competition Policy files describe a historical record of the market conduct of firms supplying agricultural inputs, processing agricultural products and merchandizing the final goods. These files are summarized in Chapter 2.

9. Since 1960, the Bureau has received 193 major complaints concerning the agriculture, food processing and distribution industries. This number excludes misleading advertising cases as well as the innumerable letters regarding price increases, regional price differentials, or other circumstances which do not offer prima facie evidence of a violation of the Act. From a total of 193 major complaints received by the Bureau in the agriculture food processing and distribution sector, seven terminated in court proceedings - of which six resulted in convictions or prohibition orders. The remaining inquiries and investigations were discontinued due to:

- a) insufficient evidence
- b) the complaint concerned regulated industries which are exempt from the Combines Investigation Act
- c) the activity which was alleged to contravene the Act had been discontinued.

Nearly 30 per cent of all complaints related to the grocery and wholesale distribution system, 22 per cent to the dairy industry and another 19 per cent to the bread and flour industry. Approximately 30 per cent of all complaints received were filed under the conspiracy section of the Combines Investigation Act.

10. Competition Policy can supplement beneficially the free market determination of resource allocation, particularly in those instances where high concentration ratios signal the potential for restrictive business practices. Of primary

importance for consumers, however, is an industry's ability to produce efficiently, at high levels of productivity, and the market's capacity to pass on the resulting advantages in the form of lower prices and improved services. The ability of the market to carry out these functions is an indication of market performance. Most performance estimates are necessarily subjective, based on an impressionistic interpretation of vaguely defined measures, themselves resulting from highly aggregated data. Since the U.S. agriculture and food industry is generally regarded as more market oriented and less concentrated than its Canadian counterpart, a comparison of Canadian and U.S. farmgate-to-wholesale price spreads (which encompass processing activities) and wholesale-to-retail price spreads (from which the costs of food distribution to consumers are calculated) provides an objective assessment of domestic market performance and a measure of the effectiveness of international trade in arbitrating markets. An analysis of monthly prices and price spreads for pork, beef, chicken, turkey and eggs in Toronto and selected United States markets during the period 1970 to 1976 has been undertaken by the Bureau for this document and is summarized in Chapter 3.

11. Our performance analysis, summarized in Chapter 3, figures 1-5, shows that processors' margins (the farm-to-wholesale price spread) have accounted for a larger percentage of the retail food dollar in Canada than in the United States. On the other hand, for the same commodities, Toronto retailers were found to operate on dramatically lower price spreads than their U.S. counterparts. This trend persisted throughout the seven-year period investigated.

12. The effect of concentrated markets on final food prices is more effectively captured by price spread comparisons than by profit analysis, since price margins include both the monopoly profit and the additional costs that often accrue to firms in concentrated industries. The latter component of excess cost is evidently a more important influence on price than is profit. A reduction of processor and distributor profit margins - by whatever means - will have insignificant effects on food prices. In recent years, net-of-tax profit rates of return in food manufacturing have been roughly 2 per cent on sales; retail rates of return average 1 per cent on sales. Gross retail margins are approximately 20 per cent of retail food sales and manufacturers sales to retailers account for 80 per cent of retail food sales. Therefore, 2.6 per cent is a rough estimate of the impact of post-farm-gate profits on consumer food prices. Elimination of post-farm-gate profit margins on all food products would reduce food costs in the short run by about 2.5 per cent. Evidently, in the absence of better harvests and lower grain prices, major reductions in the real cost of food to consumers can be achieved only through improved efficiency at all stages of production and marketing.

13. That there is room for increased efficiency at the farm and processor level seems clear. On the other hand, this study gives the Toronto-based retailers a comparatively clean bill of health. For the five products studied, during the 1970-1973 period, domestic wholesale prices were lower, on average, than U.S. food products landed in Toronto. By contrast, during the 1974-1976 period, Canadian wholesale prices were considerably higher than U.S. prices. There is some indication (summarized in table 21 on page 50) that, for the selected products, industry performance in Canada has deteriorated relative to the United States. The overall cost of this decline to Canadian consumers has been estimated at approximately \$200 million per year. During 1974-1976, farm-gate prices were consistently higher in Canada than in the U.S., averaging 8 per cent for pork, 19 per cent for beef, 46.7 per cent for chicken, 36.7 per cent for turkey and 25.1 per cent for eggs, illustrating a dramatic difference in performance between Canada and the United States.

CHAPTER 1

STRUCTURE OF AGRICULTURAL AND FOOD MARKETS

Introduction

1. A prima facie measure of extent of competition in a market is the top four firm market share. High levels of concentration are conducive to collusion and the limitation of rivalry for a number of reasons. First, a smaller number of participants will find it less costly to reach agreement on appropriate market conduct than a larger group. Secondly, each party will be more confident that such an agreement is enforceable at reasonable cost, and thirdly, firms will be more acutely aware that the profit of each is dependent on the behaviour of all. Within such an oligopolistic market structure, conscious parallelism in price setting and stability in market shares are devices allowing coordination of mutual self interests, often at consumer expense and without formal collusion.

2. Measuring concentration is a natural point of departure when investigating the structure of an industry. While the measurement of concentration is simple enough, it can be seriously misleading if product and market specification is based on administrative convenience rather than economic criteria.¹

1. Published indices of concentration are based on SIC classifications and market specifications measured by quantity variables (e.g. employment, value added, shipments) defined for the Canadian market, rather than taking into account criteria such as regulations and concentration levels at the provincial and/or regional level, transport costs, perishability of products, etc. For example, in some instances, real concentration may be irrelevant to local consumers but significant for producers who sell to locally concentrated processors. In other situations, government regulation may cause the 'local' concentration figure to be an appropriate structural indicator even if transport costs alone would recommend analysis of a national or international market. Regulation in agricultural industries causes local concentration to be of concern to consumers in the dairy, chicken, turkey and egg industries, whereas natural market protection due to perishability makes competition in the bakery industry (particularly for bread) of local rather than national concern. For other food products, the consumer interest is affected by the national and international structure of the industry, whereas producers in any given region are influenced by the local availability of a multiplicity of outlets for their products.

3. Concentration measures on a national and regional product line basis are available from an as yet unreleased study of the food processing industry by the Bureau of Competition Policy. This data allows for a greater degree of confidence in reported concentration measures and their relevance to competition in the food processing industry than was possible with national, industry-wide concentration indicators. Nevertheless, concentration measures must always be interpreted with caution, since in some instances high concentration may be accompanied by economic circumstances that mitigate the ability of firms to restrict competition. Industry performance should not be inferred solely from concentration indices. Factors in addition to concentration that should also be taken into account include:

(i) availability of actual and/or potential imports as a result of low transport costs and low tariff and non-tariff barriers;

(ii) substitutability of raw materials by firms at intermediate levels of production and/or substitutability of products by consumers;

(iii) ease of entry into the market a) by expansion of smaller firms, b) by firms active in the same industry in other regions, c) by firms from other industries, and d) through de novo formation of firms;

(iv) regulation of the industry.

Following a brief review of present knowledge of concentration in the food industry, this paper attempts to assess the extent to which such concentration is likely to restrict competition in light of the four modifying characteristics outlined above.

Measures of Concentration

4. In A Conceptual Framework for Food Policy in the Post-Control Period (a document, dated June 4, 1976, prepared in response to a cabinet directive and subsequently obtained by the media prior to cabinet approval), it was reported that:

"In 1968, the top four firms accounted for over 50 percent of national shipments in slaughtering and meat processing (55 percent), flour milling (77 percent), breakfast cereal manufacturing (95 percent), biscuit making (67 percent), sugar refining (92 percent), and vegetable oil production (82 percent). In food retailing, the most recent data indicate that in 1973 the top four firms accounted for 71 percent of

sales nationally, up from 61 percent in 1964 and 65 percent in 1968. In eight cities, the top four firms accounted for over 90 percent of sales. Western Canadian cities have by far the highest levels of retail concentration. Furthermore, many remote and isolated communities are served by single retailers who may be tied to a few or single distributors, and who are dependent upon a single transportation mode. Under these conditions, the public concern over the structure and competitiveness of food markets is understandable."

5. At the time this document was prepared, available data made it impossible to report on food industry structure with other than industry level concentration measures. However, the Bureau's unpublished research into the processing sector provides a more detailed analysis of the structure of the food industry. For this study, information was gathered from roughly seven hundred enterprises (and their twelve hundred establishments) accounting for about 70 per cent of total food manufacturing shipments. The main objective of the study was to examine relationships between structural and behavioural variables and enterprise profitability in food manufacturing. These relationships are examined using accounting rates of return, both product market and industry definitions for the structural variables, and various sub-samples of enterprises. Other objectives include derivation and analysis of national (and selected regional/provincial) concentration measures for individual product markets and industries, analysis of the relation between advertising intensity and concentration, and analysis of relationships between product market profitability and selected structural and behavioural variables.

Preliminary results suggest that: (i) the concentration ratio measured at the industry level is not a good proxy for concentration at the more analytically significant product market level; and (ii) advertising and sales promotion intensity significantly affect seller concentration in a positive but non-linear manner.

6. Since Bureau data on product market concentration is only available for 1970, the trend in concentration over time is not measurable at this level of aggregation. On an industry basis, only the poultry processing industry has exhibited a significant rise in concentration (from 24.19 per cent in 1965 to 38.2 per cent in 1972). While available evidence does not support the argument that concentration is on the rise, the extremely high levels of concentration, both in absolute terms and in relation to ratios applying in United States food product markets, give cause for concern.

International Trade

7. Steep effective tariff rates on many processed food products mitigate considerably the extent to which imports may serve to offset market power of concentrated Canadian food manufacturing industries. In Effective Protection and the Return to Capital, a study released by the Economic Council of Canada in 1975, effective protection rates of 49.13 per cent for sugar refiners (down from 56.13 per cent in 1961), and 26.49 per cent for breakfast cereal manufacturers were reported for 1970. This largely reflects low tariff levels for agricultural inputs, creating a substantial degree of effective protection for value added in further food processing. In the absence of non-tariff trade barriers, the price of agricultural inputs purchased by domestic food manufacturers cannot exceed world market prices plus a nominal tariff, whereas tariff rates applied to the imported processed product are charged to the sum of the foreign farm and processing value added. Importers of the final product are therefore at a disadvantage relative to importers of inputs for further domestic processing. The extent of the extra cost to final food importers varies with the ratio of input value added to processing value added. In poultry production, since reported value added at the farm is almost double value added by the processing sector (56.4/29.0), poultry processors are afforded a relatively high level of protection. By contrast, although the nominal tariff applied to processed cheese manufacturers was reported as relatively low (8.44 per cent as compared with 11.60 per cent for processed poultry imports), the farm share of processed cheese value added amounts to one quarter (15.4/68.8) of the manufacturer share, so that the effective protection rate for cheese processors is only 20 per cent.²

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2. For the sake of illustration, imagine that the tariffs on raw product cheese and poultry imports are zero, whereas a 10 per cent tariff applies to both products at the final product stage. We also assume that both foreign and domestic farm-to-manufacturing value added ratios are the same as above, 2 for poultry and $\frac{1}{2}$ for cheese. Under these conditions, the domestic poultry processor is able to import \$100 worth of raw product and sell the processed product for \$150. The importer of final product pays an additional duty of \$15 and must sell the equivalent product for \$165. The processors' protection is \$15 on \$50 worth of value added, or roughly 30 per cent. By contrast, if the cheese manufacturer imports raw product for \$100, he contributes \$400 of value added to the product and sells it for \$500. The cheese importer pays \$50 duty and must sell for \$550. The cheese processor's protection is \$50 on \$400 of value added or 12½ per cent. Therefore, though the same level of nominal tariff applies at both stages of production, the effective tariff protection for domestic manufacturing can differ markedly.

8. Measurements of effective protection do not necessarily define the full extent of protection afforded processed food products. For instance, the effective rates of protection calculated by the Economic Council omit the effect of transport differentials between processed and unprocessed products. In poultry, for example, the lower cost of shipping processed product compared with live birds partly offsets the apparent protection of the processor. For dairy products, the high effective tariff rate is illusory, since provincial regulations require processors to use local production at prices unrelated to world market levels. Where dairy commissions set fluid milk prices not only for producers but also at the wholesale and retail level, the extent of protection for local processors is dependent upon the attitude and practice of regulatory authorities. For other commodities, such as eggs and turkeys, while final product prices are not set by the marketing boards, strict import quotas have been established by the federal government, resulting in substantial protection to processors (limited solely by the extent of inter-firm rivalry and cross-elasticities of demand at retail). Such considerations do not explain the 26.49 per cent rate of protection for breakfast cereal manufacturers, 16.78 per cent for feed mills, 49.13 per cent for sugar refineries, and 19.56 for vegetable oil mills, particularly in light of both the extremely high concentration rates and absence of any regulatory pressures for restricting imports in these industries. This evidence suggests that it is possible to reduce the likelihood of anti-competitive behaviour in selected markets by lowering nominal tariffs on processed food products to the same rate as applies to related raw product imports.

Substitutability of Products

9. Food products combined as a single group are often said to be price and income inelastic, meaning that the real dollar value of a family's food expenditures (after accounting for inflation) remains stable despite relative price changes (as compared with non-food items) and family income changes, but the extent of inter-product substitution by consumers is extensive and many similar food products contain a varied selection of inputs. Consequently, concentration in numerous food sectors is required for food processing, wholesaling and retailing firms to exploit market power over the long run.

10. Even among the largest food manufacturers, the ability to exercise market power through diversification in food product markets is limited. While major food manufacturers often sell in many markets, the majority of shipments are normally restricted to only a few product market lines. Bureau evidence suggests

that few large food manufacturers are sufficiently diversified to prevent profit loss through consumer substitution of lower priced products. On the buying side, however, the manufacturers may have substantial power in particular markets and regions.

As a result of intense competition between meat and poultry products at retail, the Bureau's research study into food processing has subdivided the meat packing industry into only three product lines ('Fresh, Chilled or Frozen Meat and Poultry', 'Edible Meat and Poultry Products' and 'Inedible Meat and Poultry Products'). It may initially be argued that this aggregation does not allow for an effective measurement of concentration since these companies, particularly Canada Packers, ship many meat and poultry products. It should be noted that some of the product markets in which the manufacturing complexes are highly concentrated do not compete geographically (e.g. bakery product markets are divided by province) and others are not comparable because they are not consumer products. On balance, the degree of specialization in certain product lines and the willingness of consumers to substitute among food products will tend to limit market power of even the largest processing firms.

11. The extent of substitution among meat products is particularly striking. Agriculture Canada estimates that a one per cent decrease in beef prices (other product prices remaining constant) will result in a drop in sales of 0.41 per cent for lamb, 0.27 per cent for veal, 0.18 per cent for chicken, 0.11 per cent for pork, 0.06 per cent for turkey, 0.07 per cent for fish and 0.07 per cent for butter and margarine. A similar decline in pork prices seriously reduces the demand for lamb, veal and fish.

12. Consumers also have the option of substitution within product lines to offset market power in specific food commodities (switching from branded to unbranded products, from one type of cheese to another, or from whole milk to skim milk or skim milk powder, for example). Consumers also supplement inter-product substitution by intra-product adjustments in demand patterns. For example, as beef prices rise, households replace higher priced cuts by lower priced ones, resulting in an accommodation of price margins among beef cuts to reflect new demand patterns, mitigating the effect of food price increases.

Entry

13. Economic theory indicates that it is not only the actual entry of new firms, but also the potential for rapid entry that largely modifies behaviour and performance of existing firms within an industry. Whatever market power firms possess

through market position or informal collusion can only be exploited at the risk of attracting new entrants. Any assessment of food market structure is incomplete without consideration of the significance of barriers to entry in the food industry.

14. While it would be useful to survey the rate of entry of new firms in each industry, lack of sufficient data precludes this approach. An alternative is to investigate the existence of entry barriers (both economic and regulatory). It has been found that economic barriers to entry are low in most food processing activities. Even for modest-sized firms, scale, capital requirements, brand identification and advertising intensity do not appear to function as serious deterrents. As many large firms operate in food-related activities, the threat of potential entrants into high-profit food product lines probably modifies individual firm behaviour.

15. In the manufacturing industry in general, the entry of small or new firms into a specific market has little effect on the extent of concentration and market share of the larger firms. As a market grows, a few single firms (representing a small percentage of the industry) often maintain relatively large individual market shares. While fringe firms may exploit market peculiarities more effectively than larger companies, this may only moderately affect the performance of larger firms. Their true potential rivals are established firms in related industries, giving rise to the apparent contradiction that increased firm size and diversification increases intra-market competition. Indeed, a decline in a regional concentration ratio may be accompanied by a corresponding rise in national concentration ratios when large firms expand their marketing to compete more effectively on a national level.

16. Regulatory barriers (e.g. the licensing of dairy factories, or the power of the Foreign Investment Review Agency to recommend that a foreign firm be excluded from the Canadian market) may seriously restrict actual entry and reduce potential competition. While such restrictions are not widespread at present, it should be recognized that as agriculture and agricultural distribution are more directly brought under regulatory control, the food manufacturing and distribution industries will seek increasing protection. Regulation, however appropriate, should avoid creating an environment which protects existing firms from the entrance of new rivals.

Wholesaling and Retailing

17. In food wholesaling and retailing, it must be presumed that large firms, experienced in related retailing activities, are capable of expanding in competition with existing food chains

should long range profit opportunities arise. Since oligopolistic rivalry limits profit rates, but can result in excess expenditures for advertising and other dimensions of non-price competition, the absence of new entrants in an industry does not necessarily indicate the existence of effective competition. In one study of the retail sector, commissioned by the Food Prices Review Board, Mallen concluded that this was the case, indicating an excess of low-volume retail outlets in Canada as compared with the United States.³ The validity of this conclusion may be challenged on several points. First, since scale and specialization at the retail level is income related and Canadian per capita income is lower than in the U.S., Mallen's finding that Canadian retail outlets per capita are more numerous is not surprising. Secondly, the results of the study were weighted heavily by figures taken from a number of western cities, therefore reflecting the high concentration of Safeway stores and distorting results on a national level. Thirdly, Mallen disregarded factors such as peak store traffic volumes, store hour legislation and population density, which influence the measures of performance in the Canadian retail sector. For instance, because of low population density in Canada, small seemingly less efficient stores may in fact be less costly to operate than large retail outlets if the inability of the market to absorb the latter results in their under-utilization. Mallen's conclusion that oligopolistic rivalry in Canada gives rise to inefficiency as measured by lower sales volumes per square foot as compared with the United States is inconsistent with more current research in this area⁴ and ignores completely other factors which might explain his findings. For instance, differences in the rates of growth of suburban areas and other demographic characteristics influence consumer preferences and determine marketing strategies.

18. The amount of time expended by consumers to reduce expenses through careful shopping is reflected in the market structure of retailing and distribution. When making a major

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3. Mallen, B "A Preliminary Paper on the Levels Causes and Effects of Economic Concentration in the Canadian Retail Food Trade: A Study of Supermarket Power", released by the Food Prices Review Board in unedited form as a background paper, February 1976.
 4. In a May 29, 1978 address to the Grocery Distributors' Institute Convention in Halifax, Don Tigert, Analyst, Burns Fry Limited, presented material which indicates that the productivity of Canadian retail chain stores is actually 25 per cent higher than the 10 largest U.S. food chains - resulting in a saving to Canadian consumers of an estimated \$140 million per annum.

18. The amount of time expended by consumers to reduce expenses through careful shopping is reflected in the market structure of retailing and distribution. When making a major trend towards large, one-stop shops, often geographically separated from specialized, independent provisioners. Zoning regulations limiting shopping centre proximity, the granting of exclusive leases to single food retailers by shopping centre developers, and the consumers' preference to combine all food and non-food shopping at a single location, may result in market power for established firms without serious fear of new rivals. Insofar as this is true, it is difficult to see how federal government policy can ameliorate the situation, since these limitations to competition are under provincial jurisdiction.

19. Traditionally, since it deals in a wide range of product lines, the wholesale and retail grocery trade has not been subject to the same degree of pressure from consumer substitution as have food processors -- a shift from one food purchase to another remains a sale. While substitution pressure is still substantially lower, the shift towards meals eaten away from home increases retail competition for the food dollar. With more women in the labour force, less prepared to spend leisure time preparing meals, smaller family sizes and an increasing number of childless couples, the restaurant share of the consumer food dollar has increased dramatically. Insofar as this occurs in response to factors unrelated to the relative price of food at home and in restaurants, the shift may reduce growth but does not, in itself, limit the market power of the retail food chain stores.

However, as low-priced fast-food outlets increasingly compete with large retail outlets for the consumer food dollar, the market power of the retail food chain stores will likely be reduced. If overall food distribution costs add significantly to the expense of eating at home, the position of retail food chain stores may deteriorate in response to competition from specialized fast food outlets.

20. The nature of distributive activities which influence the cost of making, monitoring and enforcing market sharing agreements is one possible explanation of the appearance of competitive rivalry in food retailing and distribution despite regional concentration. Since the volume of products handled and sold at retail adjusts quickly to price changes and advertising, the incentive for firms participating in a cartel to systematically cheat on other members to the agreement would be high, since other firms would have difficulty detecting this behavior. It is probably easier to reach agreement on geographic market shares or on the number of stores to be operated in each region; however, since economies of distribution are closely related to regional store density and the span of management control, it is

difficult to ascertain whether regional specialization is a consequence of geographic market sharing arrangements, in the absence of evidence of such agreement.

21. Despite a lack of evidence of the exploitation of market power at the retail food chain level, wholesale and retail food markets are sufficiently concentrated to warrant continued vigilance by government to ensure that collusion (whether by agreement or tacit understanding) does not occur, and to prevent increases in concentration, particularly those arising through mergers. The United States Department of Justice guidelines, issued in May 1968, permit challenge of a horizontal merger involving a market share as low as eight per cent if the market is highly concentrated.⁵

Canada's Competition Act, as currently drafted, could not bring a horizontal merger before the board unless the combined market share is greater than 20 per cent. Evaluation of food retailing and wholesaling mergers by the Board (by raising the cost of such a merger to the merger parties, and by attracting public attention to the extent of market dominance) should result in beneficial pressure on such markets, causing existing firms to increase market share by expansion rather than merger, and allowing profitable regional markets to be entered by new firms or by food distributors from other regions.

5. In 1966, a United States court condemned a merger of two chain groceries in Los Angeles when the merged firm had 7.5 per cent of the market (U.S. v. Von's Grocery Co., 383 U.S. 270 (1966).)

CHAPTER 2

CONDUCT OF THE AGRICULTURE AND FOOD SECTOR

1. Most agri-business markets are oligopolistic in structure, with several large firms conscious of their interdependence. Since economic theory does not allow us to predict individual behaviour of oligopolistic firms, a more accurate assessment can be made by reviewing actual conduct. This approach also permits measurement of the extent to which regulatory agencies influence firm behaviour in different markets and jurisdictions. The files of the Bureau of Competition Policy provide an extensive overview of the many restrictive business practices that have been investigated by the Bureau. This chapter reviews the Bureau's historical record of market conduct of Canadian agri-business firms as a supplement to the structure and performance sections of this report.

2. Since 1960 (and primarily from the late 1960's onward), the Bureau has received 193 major complaints concerning the agriculture, food processing and distribution industries. Table 1 summarizes the major complaints which have resulted in inquiries under the Combines Investigation Act; the following Appendices contain a breakdown of complaints by commodity (summarized in Tables 2 through 8). While many more complaints have been received during this period, they have been of a more general nature and have mainly been referred to the appropriate federal or provincial government department or agency.

3. As shown in Table 1, six of these complaints received by the Bureau resulted in formal inquiries leading to prohibition orders or conviction. In another seven cases, the practice or activity was withdrawn before or during the informal inquiry stage. Two third's of the total agricultural investigations were discontinued after an informal inquiry indicated there was insufficient evidence to show that the Act had been violated. For instance, an allegation that firms are selling a commodity at the same price does not by itself mean that a conspiracy exists or that manufacturers are practising resale price maintenance. Or, in the case of a merger, the resulting increased market share of a firm does not necessarily indicate a significant lessening of competition. Another 13 per cent of these inquiries were conducted under the authority of a regulatory body (such as a marketing board) and the Combines Investigation Act does not apply in matters that are regulated under validly enacted provincial legislation. Finally, 14 per cent of the total investigations led to a formal inquiry but were discontinued due to insufficient evidence.

Nearly 30 per cent of investigations were concerned with the conspiracy provisions of the Act, followed by monopoly or abuse of monopoly power (20 per cent) and predatory pricing (15

per cent). Inquiries concerning mergers, price discrimination and refusal to supply were equally distributed, each accounting for about 10 per cent.

4. About 30 per cent of all complaints concerned the retail and wholesale grocery distribution system. Slightly less than 20 per cent of the complaints were concerned with the bread and flour industry, 20 per cent with the dairy industry and about 10 per cent with the meat industry. The remaining investigations occurred in the poultry, fruit and vegetables, feed and grain industries.

5. Allegations of conspiracy were the most common cause of investigations in the meat, dairy, poultry, bread and flour industries. Nevertheless, the abuse of monopoly power, predatory pricing and the refusal to supply, together accounted for 25 per cent, 20 per cent and 21 per cent of all complaints in the grocery distribution industry compared with 18 per cent for conspiracy complaints. Many of the complaints reflect the 1969 - 1971 Ontario supermarket price war, during which particularly intense price competition by the major retail food chains resulted in a squeeze on small grocers profit margins. In the dairy industry, complaints based on both merger and monopoly activities totalled 40 per cent of complaints, while conspiracy complaints accounted for 25 per cent. Since provincial milk marketing boards are generally empowered to allocate milk supplies to dairies on a regional basis, the potential to create regional monopolies has resulted in consumer complaints regarding regional price disparities. Furthermore, the large number of mergers or plant acquisitions in the dairy industry in the last decade have occurred largely as an attempt by some firms to obtain additional milk quotas in order to increase plant utilization.

6. In the meat industry, nine of the 20 investigations were concerned with alleged conspiracies. Another three dealt with complaints relating to mergers and monopoly. In the bread and flour industry, 40 per cent of the complaints were based on alleged conspiracies and another 40 per cent on anti-competitive activities of a non-conspiratorial nature such as predatory pricing, price discrimination and refusal to supply.

7. An overview of the market conduct of firms supplying agricultural inputs, processing agricultural products and merchandising the final goods are presented in Appendices AI-AX from selected Bureau cases in the meat, egg, chicken, turkey, fruit and vegetable, bread and flour, grocery wholesale and retail, agricultural implement and fertilizer industries.

Table I

Inquiries Concerning Violation
of Combines Investigation ActAgriculture Sector

1960 - 1977

| * COMPLAINT | INFORMAL INQUIRIES | | | | FORMAL INQUIRIES | | TOTAL |
|--|--------------------------|---------------------|---------------------------|--------------|------------------|------------------------------------|-------|
| | Insufficient Evidence | Regulated Market | Withdrawal of Practice | Discontinued | Not Guilty | Conviction or Prohibition Order | |
| Monopoly or Abuse of Monopoly Power | 21 | 11 | 1 | 4 | | 1 | 38 |
| Merger | 6 | 5 | | 6 | | | 17 |
| Conspiracy | 39 | 3 | | 11 | | 3 | 56 |
| Predatory Pricing | 24 | | | 4 | 1 | | 29 |
| Price discrimination | 17 | 3 | 3 | 1 | | | 24 |
| Refusal to Supply | 14 | 2 | 3 | | | 2 | 21 |
| Other | 6 | 1 | | 1 | | | 8 |
| Total | 127 | 25 | 7 | 27 | 1 | 6 | 193 |

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* This category consists of complaints that were considered of significant importance to warrant the opening of a separate file, although some major complaints from a number of general files are also included. Where more than one complaint was received about a situation at a specific time, they were considered as one complaint for the purpose of tabulation.

Table 2

Inquiries Concerning Violation
of Combines Investigation Act

Meat

1960 - 1977

| COMPLAINT | INFORMAL INQUIRIES | | | FORMAL INQUIRIES | | | TOTAL |
|--|--------------------------|---------------------|---------------------------|------------------|------------|------------------------------------|-------|
| | Insufficient Evidence | Regulated Market | Withdrawal of Practice | Discontinued | Not Guilty | Conviction or Prohibition Order | |
| Monopoly or Abuse of Monopoly Power | 1 | | | | | | 1 |
| Merger | | | | 2 | | | 2 |
| Conspiracy | 4 | | | 4 | | 1 | 9 |
| Predatory Pricing | 2 | | | 1 | | | 3 |
| Price discrimination | 1 | | 1 | | | | 2 |
| Refusal to Supply | 1 | | | | | | 1 |
| Other | 1 | | | 1 | | | 2 |
| Total | 10 | | 1 | 8 | | 1 | 20 |

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Table 3

Inquiries Concerning Violation
of Combines Investigation Act

Eggs, Chicken and Turkey

1960 - 1977

| COMPLAINT | INFORMAL INQUIRIES | | | FORMAL INQUIRIES | | | TOTAL |
|--|--------------------------|---------------------|---------------------------|------------------|------------|------------------------------------|-------|
| | Insufficient Evidence | Regulated Market | Withdrawal of Practice | Discontinued | Not Guilty | Conviction or Prohibition Order | |
| Monopoly or Abuse of Monopoly Power | | 1 | | | | | 1 |
| Merger | | | | 1 | | | 1 |
| Conspiracy | 2 | | | | | | 2 |
| Predatory Pricing | | | | | | | |
| Price discrimination | 1 | 1 | | | | | 2 |
| Refusal to Supply | | 1 | | | | 1 | 2 |
| Other | | | | | | | |
| Total | 3 | 3 | | 1 | | 1 | 8 |

Table 4

Inquiries Concerning Violation
of Combines Investigation Act

Dairy

1960 - 1977

| COMPLAINT | INFORMAL INQUIRIES | | | FORMAL INQUIRIES | | | TOTAL |
|--|--------------------------|---------------------|---------------------------|------------------|------------|------------------------------------|-------|
| | Insufficient Evidence | Regulated Market | Withdrawal of Practice | Discontinued | Not Guilty | Conviction or Prohibition Order | |
| Monopoly or Abuse of Monopoly Power | 4 | 5 | | 1 | | | 10 |
| Merger | 2 | 4 | | | | | 6 |
| Conspiracy | 4 | 3 | | 3 | | 1 | 11 |
| Predatory Pricing | 2 | | | 1 | 1 | | 4 |
| Price discrimination | 4 | 2 | 1 | 1 | | | 8 |
| Refusal to Supply | 1 | | | | | | 1 |
| Other | 1 | 1 | | | | | 2 |
| Total | 18 | 15 | 1 | 6 | 1 | 1 | 42 |

Table 5

Inquiries Concerning Violation
of Combines Investigation Act

Fruits and Vegetables

1960 - 1977

| COMPLAINT | INFORMAL INQUIRIES | | | FORMAL INQUIRIES | | | TOTAL |
|-------------------------------------|-----------------------|------------------|------------------------|------------------|------------|---------------------------------|-------|
| | Insufficient Evidence | Regulated Market | Withdrawal of Practice | Discontinued | Not Guilty | Conviction or Prohibition Order | |
| Monopoly or Abuse of Monopoly Power | 2 | 4 | | 1 | | | 7 |
| Merger | | | | | | | 1 |
| Conspiracy | 4 | | | | | | 4 |
| Predatory Pricing | 2 | | | | | | 2 |
| Price discrimination | | | | | | | |
| Refusal to Supply | | 1 | | | | | 1 |
| Other | | | | | | | |
| Total | 8 | 5 | | 1 | | | 14 |

Table 6

Inquiries Concerning Violation
of Combines Investigation Act

Bread and Flour

1960 - 1977

| COMPLAINT | INFORMAL INQUIRIES | | | FORMAL INQUIRIES | | | TOTAL |
|--|--------------------------|---------------------|---------------------------|------------------|------------|------------------------------------|-------|
| | Insufficient Evidence | Regulated Market | Withdrawal of Practice | Discontinued | Not Guilty | Conviction or Prohibition Order | |
| Monopoly or Abuse of Monopoly Power | 1 | | | | | | 1 |
| Merger | 2 | | | 2 | | | 4 |
| Conspiracy | 11 | | | 3 | | 1 | 15 |
| Predatory Pricing | 5 | | | 2 | | | 7 |
| Price discrimination | 5 | | | | | | 5 |
| Refusal to Supply | 3 | | | | | | 3 |
| Other | 1 | | | | | | 1 |
| Total | 28 | | | 7 | | 1 | 36 |

Table 7

Inquiries Concerning Violation
of Combines Investigation Act

Distribution: Grocery Retail and Wholesale

1960 - 1977

| COMPLAINT | INFORMAL INQUIRIES | | | FORMAL INQUIRIES | | | TOTAL |
|-------------------------------------|-----------------------|------------------|------------------------|------------------|------------|---------------------------------|-------|
| | Insufficient Evidence | Regulated Market | Withdrawal of Practice | Discontinued | Not Guilty | Conviction or Prohibition Order | |
| Monopoly or Abuse of Monopoly Power | 11 | | 1 | 1 | | 1 | 14 |
| Merger | 1 | | | 1 | | | 2 |
| Conspiracy | 10 | | | | | | 10 |
| Predatory Pricing | 11 | | | | | | 11 |
| Price discrimination | 4 | | 1 | | | | 5 |
| Refusal to Supply | 8 | | 3 | | | 1 | 12 |
| Other | 2 | | | | | | 2 |
| Total | 47 | | 5 | 2 | | 2 | 56 |

Table 8

Inquiries Concerning Violation
of Combines Investigation Act

Other (Sugar, Feed, Margarine, Grains)

1960 - 1977

| COMPLAINT | INFORMAL INQUIRIES | | | FORMAL INQUIRIES | | | TOTAL |
|--|--------------------------|---------------------|---------------------------|------------------|------------|------------------------------------|-------|
| | Insufficient Evidence | Regulated Market | Withdrawal of Practice | Discontinued | Not Guilty | Conviction or Prohibition Order | |
| Monopoly or Abuse of Monopoly Power | 2 | 1 | | 1 | | | 4 |
| Merger | 1 | 1 | | | | | 2 |
| Conspiracy | 4 | | | 1 | | | 5 |
| Predatory Pricing | 2 | | | | | | 2 |
| Price discrimination | 2 | | | | | | 2 |
| Refusal to Supply | 1 | | | | | | 1 |
| Other | 1 | | | | | | 1 |
| Total | 13 | 2 | | 2 | | | 17 |

CHAPTER 3

PERFORMANCE OF THE AGRICULTURE AND FOOD SECTOR

Measurement of Performance

Higher production costs or wasteful practices for all firms in an industry may result from less-than-full competition without creating excess profits in comparison with other industries. For this reason, the observation of profit rates in the "food and beverage" and "retail food" sectors is not a sufficient basis for evaluating overall sector performance. Such comparisons may also be misleading due to the extent of aggregation necessarily involved. For instance, in Food Company Profits and Food Prices (July 1974), the Food Prices Review Board reported that, from 1964 to 1974, the food manufacturing sector realized profits of 10.1 per cent on equity as compared with 10.8 per cent for manufacturing as a whole. A study conducted by the Bureau of Competition Policy showed significantly higher long-term profit ratios at some individual product market levels.

Profit rates in each product market were measured by associating each firms' profit performance with its major product line. These more detailed findings suggest that profits in at least 20 product markets have consistently exceeded levels required to attract new entrants and stimulate internal industry expansion and which normally results in a deterioration of such profit rates over the long term.

One of the difficulties encountered in attempting to isolate the realized returns on certain activities of firms producing a large variety of products is accessibility of accounting information. In the course of a recent inquiry, Bureau officers estimated the annual rate of return on total assets for one large food processor to be 50 per cent, or roughly 80 per cent on equity using a debt equity ratio of 0.6 per cent (the ratio of the U.S. parent company). This rate was hidden in the total firm's return since processing of the commodity in question represented a small fraction of total production.

Analysis of profit rates for major food companies in Canada reveals substantial variations between firms within the same lines of activity. For example, Loblaw's stores have consistently earned far lower net after-tax rates of return to net worth than Steinbergs, Dominion or Canada Safeway. However, in the meat packing industry, three major firms (Canada Packers, Burns and J.S. Schneiders) report roughly similar profit results; all somewhat on the low side of general manufacturing rates.

It is extremely difficult to measure market power of a given firm or industry on the basis of profit data. In the absence of accurate data on the sharing of market power as between higher profit and excess costs of production, the analysis of such data alone is of questionable validity.

The analysis of price spreads offers a more attractive approach to the measurement of performance. The spread between a firm's cost of materials and the gross revenues from all sales generates the cash flow from which labour, capital expenses and profits are paid. A comparison of these spreads offers a measure of the relative efficiency of labour and capital resource utilization. This approach does have several drawbacks, however. If a firm is unable to successfully utilize material inputs so reducing costs to a minimum, such inefficiencies will not be captured by spread analysis, nor will distortions caused by transfer pricing within vertically integrated systems.

Despite these caveats, price spread analysis has been a traditional basis for measuring industry performance. The Royal Commission on Price Spreads of Food Products (Ottawa, the Queen's Printer, 1959) is perhaps the most extensive analysis available, but does not permit an assessment of current industry behaviour. The Commission stressed that due to the incessant changes in the processing and distribution of food, the concept of a "fair and reasonable" share is illusory and they therefore rejected any attempt to break down margins into processing and retailing components, reporting only the farmers' share of the consumer dollar for various individual farm commodities. Since economic theory and measurement cannot identify a "just" price, it is difficult to disagree with the Royal Commission's approach.

An internal document prepared by the Research Branch of the Bureau of Competition Policy (July 1974), offers a more recent analysis of prices and price spreads in the Canadian food industry. Unfortunately, this study reported on margins for a short three-year period on an industry aggregate basis. Since price spread measurement is sensitive to any lag in one price movement relative to another, longer-term averages provide a more accurate description of industry performance.

Price spread analysis can provide a basis for effective performance measurement when a standard price spread for comparison can be identified. If, when all alternative explanations have been explored, price spreads in a given industry sector remain persistently higher than the standard, it can be concluded that market power exists, causing either excess cost, excess profit, or both.

Using the more competitive United States' market as a standard of comparison, Canadian price spreads can be measured to provide a useful analysis of the food industry's economic performance, irrespective of variations in structure and regulatory environment. This approach has been used as a basis for the findings presented in this report.

The commodities chosen for price spread analysis are pork, beef, chicken, turkey and eggs. Since the chicken, turkey and egg industries in Canada are subject to governmental controls on production and trade, while beef and pork are produced in relatively open markets, the analysis of these commodities allows for a comparison of the effects of existing government policies on market competition. An assessment of the dairy industry (in which Canadian and U.S. government programs differ widely) was to be included in this study, using price spread analysis commissioned by the Anti Inflation Board, however at the time of writing this data was not available in a form suitable for analysis and inclusion.

Performance

To measure the performance of selected Canadian food commodities, price spreads were calculated as follows:

1. farm-wholesale spread (wholesale selling price minus farmgate price);
2. wholesale-retail price spread (retail price minus wholesale selling price).

The first spread accounts for processor cost and profits; the second reflects distribution costs at the retail level. These price spreads, as well as actual prices, were computed for the Toronto market and compared with similar U.S. market data. To facilitate comparison, all U.S. data has been converted to Canadian dollar equivalents, and, in the case of landed versus domestic price comparisons, has been adjusted for transportation, tariffs and handling. (For a complete description of the methodology used in the calculation of these spreads, refer to Appendix B-VI).

The following is a brief summary of the prices and price spreads analysis for pork, beef, chicken, turkey and eggs in the two market areas during the period 1970 to 1976. A more comprehensive review of this analysis is contained in Appendices B-I through B-V, respectively.

Pork

Prices received by producers for slaughter hogs in the Toronto market (carcass basis) averaged 2.8 cents per pound

(\$2.83 per hundredweight) above prices received by Omaha producers during the period 1970 to 1976. In 1976, this differential had widened to 6.9 cents per pound (see Tables 9, 10).

The wholesale value of a reconstituted hog carcass (fresh primal cuts and by-products) in the Toronto market during 1970 through 1976 averaged 4.16 cents per pound above mid-western U.S. markets. In 1976, the spread on fresh pork carcasses had increased to 10.5 cents per pound. During the seven-year period, 51.5 per cent of the difference in wholesale fresh pork prices was attributable to higher slaughter hog market prices in Toronto; 38.5 per cent was attributable to higher farm-to-wholesale spreads. In 1976, these percentages remained roughly the same (61.9 and 38.1 per cent respectively), however farm-to-wholesale spreads in Toronto increased substantially over those in the mid-west U.S. in absolute terms.

Wholesale fresh loin prices have been substantially higher in Toronto during 1970-1976, and the spread between the two markets widened dramatically during 1976. A portion of this difference is attributable to variations in quality and trimming between the two markets, a factor which has been taken into account in the comparison of domestic and landed pork prices. Differences in quality and trim notwithstanding, farm-to-wholesale price spreads for fresh loins in Toronto increased by 40.8 per cent during 1976 above average 1970 to 1976 levels. During the seven years, these spreads in the Toronto market exceeded average U.S. levels by 65.3 per cent. In 1976, farm-to-wholesale spreads for fresh pork loins were 109.55 per cent above similar spreads in the United States. When expressed as a percentage of the retail dollar, Toronto spreads amount to 36.3 per cent as compared with 21.7 per cent in the U.S. during 1970 to 1976. During 1976, the percentage share of the retail dollar attributable to farm-to-wholesale price spreads for fresh pork loins increased to 39.2 per cent, while spreads in the U.S. dropped to 19.2 per cent.

Despite substantial differences in wholesale pork loin prices between the two markets, average retail prices in Toronto and the U.S. have remained very similar. During 1970 to 1976, retail prices in Toronto averaged 1.31 cents per pound below U.S. prices, but in 1976 were 4.3 cents per pound above. Wholesale-to-retail price spreads for fresh pork loins in Toronto markets have been substantially lower than those in the U.S., mitigating the effect of higher farmgate prices and farm-to-wholesale price spreads. During 1970 to 1976, wholesale-to-retail spreads in the Toronto market averaged 15.8 cents per pound below those in the U.S. While these spreads in the Toronto market widened during

1976, they increased substantially in the United States, widening the gap between wholesale-to-retail spreads in each market to 26.7 cents per pound. Expressed as a percentage of the retail dollar, wholesale-to-retail spreads for fresh pork loins in Toronto amounted to 19.9 per cent during 1970 to 1976, as compared with 33.3 per cent in the United States. During 1976, these spreads dropped to 16.2 per cent in the Toronto market compared with 34.9 per cent in the United States.

During 1970-1976, higher farm-to-wholesale price spreads for fresh loins in the Toronto market were more than offset by lower wholesale-to-retail spreads. Farm-to-retail price spreads for fresh pork loins in Toronto during 1970 to 1976 average 2.5 cents per pound below those in the United States. In 1976, the spread between the two markets narrowed to 0.2 cents per pound.

Beef

During the period 1970 to 1976, average prices received by producers for slaughter steers (on a carcass basis) in the Toronto market exceeded those in the mid-west U.S. by 9.4 cents per pound (\$9.43 per hundredweight). During 1976, the average spread between the two markets had widened marginally to 10.9 cents per pound (see Tables 11, 12).

Average wholesale prices for beef carcasses and by-products appear to have closely followed the live steer market. Average prices in Toronto exceeded those in the U.S. during the 1970-1976 period by 9.9 cents per pound. During 1976, Toronto prices moved upward slightly relative to the U.S., and the spread between the two markets increased to 12.6 cents per pound. This increase was primarily due to higher carcass beef markets in Toronto. While by-product prices also increased in 1976 over the 1970 to 1976 average price levels, they declined relative to price levels in the U.S.

Expressed as a percentage of the retail dollar, farm-to-wholesale price spreads for carcass beef and by-products in Toronto amounted to 1.38 per cent during 1970 to 1976, as compared with 0.84 per cent in the United States. During 1976, this spread amounted to 2.28 per cent of retail prices, whereas in the U.S. it dropped to 0.03 per cent.

As with pork, retail beef prices in Toronto and the U.S. were surprisingly similar given variations in wholesale carcass prices. During 1970 to 1976, retail prices in the Toronto market for beef averaged 4 cents per pound higher than those in the United States; in 1976, the average spread between the two markets narrowed to 2.8 cents per pound, with U.S. prices exceeding Toronto levels. This again was due to substantially lower wholesale-to-retail price spreads in Toronto.

During 1970-1976, wholesale-to-retail spreads averaged 7.5 cents per pound lower in the Toronto market than in the U.S. During 1976, spreads increased marginally in Toronto and widened substantially in the United States, resulting in a 17.6 cents per pound difference between the two markets. Expressed as a percentage of the retail dollar, wholesale-to-retail spreads in Toronto averaged 20 per cent during 1970-1976, compared with 26.7 per cent in the United States. In 1976, these figures were 20.1 and 32.6 per cent respectively.

Primarily as a result of lower wholesale-to-retail price spreads, the farm-to-retail spread in Toronto during 1970 to 1976 averaged 5.9 cents below that of the U.S. During 1976, farm-to-retail spreads further declined in Toronto, averaging 13.8 cents per pound below U.S. levels.

Chicken

During 1970-1976, average prices received by broiler producers in Toronto averaged 8.6 cents per pound above those received by Georgia producers. In 1976, the spread between the two markets had widened to 11.6 cents per pound, 50.9 per cent above U.S. price levels. Expressed on an eviscerated basis, this amounts to a price differential of 15.7 cents per pound between the two markets (see Tables 13, 14).

Average wholesale prices in the Toronto market during 1970-1976 averaged 13.6 cents per pound above U.S. levels; in 1976 the spread between the two markets averaged 21.5 cents per pound. During 1970-1976, 69.9 per cent of the difference in wholesale price levels between the two markets was attributable to higher processor costs for chicken meat in Toronto; 30.1 per cent to higher farm-to-wholesale price spreads. During 1976, the portion of the wholesale price difference explained by processor costs (higher live bird prices in Toronto) dropped to 62.6 per cent, while the share attributable to farm-to-wholesale price spreads (processor gross revenue) increased to 37.3 per cent as a result of a 34 per cent increase in farm-to-wholesale price spreads during that period. Expressed as a percentage of the retail dollar, average farm-to-wholesale price spreads during 1970 to 1976 amounted to 15.98 per cent of retail prices in the Toronto market as compared with 11.47 per cent in New York. During 1976, this percentage for the Toronto market averaged 17.47 per cent as compared with 9.66 per cent for New York.

During 1970-1976, retail broiler prices in Toronto averaged 16.9 per cent (9.62 cents per pound) above New York price levels. In 1976, the spread between the two markets increased to 17.03 cents per pound. Higher producer prices and

farm-to-wholesale price spreads have been the major contributory factor in higher retail prices in the Toronto market.

During 1970 to 1976, wholesale-to-retail spreads in the Toronto market averaged 4 cents per pound below New York levels; in 1976 this spread had widened to 4.4 cents per pound. Expressed as a percentage of the retail dollar, wholesale-to-retail price spreads in Toronto during 1970 to 1976 accounted for 26.6 per cent of retail prices, as compared with 38.2 per cent in the New York market. In 1976, these spreads in Toronto averaged 25.3 per cent, as compared with 39.0 per cent in New York.

During 1970-1976, higher farm-to-wholesale price spreads in the Toronto market were almost entirely offset by lower wholesale-to-retail spreads. Consequently, during this period, farm-to-retail price spreads in Toronto and New York were virtually identical, varying by 0.1 cents per pound. During 1976, increased farm-to-wholesale price spreads in the Toronto market relative to New York widened the gap in farm-to-retail price spreads between the two markets to 3.5 cents per pound.

Turkey

During 1970 to 1976, prices paid to turkey producers in the Toronto market averaged 5.14 cents per pound above prices in the U.S. (Iowa) market. A portion of this price differential is probably due to a difference in price quotation basis: Toronto prices reflecting prices to producers for hen turkeys while those in the U.S. are not differentiated with respect to size or sex of bird. However, this difference does not explain the magnitude of spread between producer prices in each market during 1976. While producer prices in Iowa averaged 31.35 cents per pound in 1976 (as compared with 28.17 cents per pound during 1970 to 1976), producer prices in the Toronto market increased to 46.4 cents per pound, a 39.3 per cent increase over the 1970 to 1976 average price levels of 33.3 cents per pound, or 48 per cent in excess of average Iowa prices. Expressed on an eviscerated basis, this amounts to an 18.4 cents per pound spread between producer prices in the Toronto and Iowa markets during 1976 (see Tables 15, 16).

Wholesale prices for frozen hen turkeys in the Toronto market during 1970 to 1976 averaged 23.6 per cent above New York levels (10.87 cents per pound). During 1976, this spread between the two markets increased by almost 200 per cent, to 29.2 cents per pound. During 1970 to 1976, 33.6 per cent of the spread in wholesale prices between the two markets was attributable to higher costs to processors for turkey meat in Toronto, 66.3 per cent was attributable to higher Toronto farm-to-wholesale price spreads (plus 7.2 cents per pound). During 1976, as a result of

a 25.7 per cent increase in farm-to-wholesale spreads in Toronto and a corresponding 23.3 per cent decrease in U.S. spreads, this spread accounted for 46.5 per cent of the difference in wholesale prices between the two markets. Expressed as a percentage of the retail dollar, farm-to-wholesale price spreads in Toronto during 1970 to 1976 averaged 25.03 per cent of retail prices, as compared with 13.2 per cent in the U.S. During 1976, these figures were 22.4 per cent and 19.2 per cent, respectively.

During 1970-1976, average retail prices for hen turkeys in the New York market exceeded Toronto prices by an average of 4.36 cents per pound, however relative prices have reversed dramatically in recent years. In 1976, retail prices in Toronto were 15.11 cents per pound above those in the New York market for frozen hen turkeys. Again, wholesale-to-retail spreads in the Toronto market have remained substantially below those in the United States. During 1970 to 1976, wholesale-to-retail spreads in Toronto averaged 15.2 cents per pound below those in the New York market. Spreads in both markets were higher during 1976 relative to the preceding period, however the differential persisted at 14.1 cents per pound. Expressed as a percentage of the retail dollar, wholesale-to-retail spreads in Toronto during 1970 to 1976 averaged 13.2% of retail prices, as compared with 34.1 per cent in the New York market. During 1976, these spreads averaged 16.4 per cent and 13.9 per cent respectively.

During 1970-1976, higher average farm-to-wholesale price spreads in Toronto were completely offset by substantially lower wholesale-to-retail price spreads. Consequently, the farm-to-retail price spread in Toronto during this period averaged 24 per cent (minus 8.02 cents per pound) below New York levels. During 1976, primarily as a result of higher farm-to-wholesale price spreads in Toronto relative to those in the U.S., the farm-to-retail price spread differential shrank to 0.5 cents per pound.

Eggs

Prices received by producers for 'A' large eggs (ungraded basis) in the Toronto market during 1970 to 1976 averaged 8.4 cents per dozen above U.S. (Iowa) levels. This spread between the two markets had more than doubled (to 18.1 cents per dozen) by 1976, when average Toronto producer prices exceeded Iowa levels by 34.7 per cent (see Tables 17, 18). Expressed as a percentage of the retail dollar, producer prices in Toronto averaged 71.3 per cent during 1970 to 1976, as compared with 53.2 per cent in the U.S. During 1976, Toronto producer prices averaged 78.6 per cent of the retail dollar, as compared with 57.8 per cent in the U.S.

Average wholesale prices for grade A large eggs (loose in flats) during 1970 to 1976 followed producer prices closely, the spread between the two markets narrowing by approximately 4 cents (reflecting transportation charges from Iowa to New York City). Farm-to-wholesale price spreads for cartoned eggs in Toronto during 1970 to 1976 averaged 2.4 cents per dozen above U.S. levels; in 1976 the spread between the markets dropped to an average of 1.2 cents per dozen. Expressed as a percentage of the retail dollar, farm-to-wholesale price spreads in Toronto during 1970 to 1976 averaged 19.17 cents per dozen, as compared with 14.1 cents per dozen in the U.S. During 1976, these figures were 15.5 per cent and 14.1 per cent of retail prices respectively.

During 1970 to 1976, the retail price of 'A' large eggs in the Toronto market averaged 7.44 cents per dozen below New York levels. By 1976, prices in both markets were nearly equal, Toronto prices averaging 0.8 cents per dozen below New York prices. Again, wholesale-to-retail price spreads in the Toronto market were substantially lower than in New York. During 1970 to 1976, wholesale-to-retail price spreads in Toronto averaged 15.2 cents per dozen below New York levels; in 1976 this spread remained virtually unchanged (15.8 cents per dozen). Expressed as a percentage of the retail dollar, wholesale-to-retail price spreads in the Toronto market during 1970 to 1976 averaged 9.5 per cent of retail prices, as compared with 28.6 per cent in the New York market. During 1976, these spreads averaged 5.9 per cent and 23.4 per cent, respectively.

As a result of substantially lower wholesale-to-retail price spreads, the farm-to-retail spread in Toronto during 1970-1976 averaged 12.75 cents per dozen lower than in the New York market. During 1976, the spread between the two markets widened to 14.6 cents per dozen.

Summary of Price and Price Spread Analysis

Based on the data presented in this study, average farm-gate prices and farm-to-wholesale price spreads in the Toronto market during the period 1970 to 1976 exceeded U.S. market levels in all cases. Average wholesale-to-retail spreads during this period were lower (substantially for all commodities with the exception of chicken) in the Toronto market, considerably mitigating the effect of higher producer and wholesale prices at retail level. When comparing average price levels during 1976 with the preceding seven-year period, farm-gate prices for turkeys and eggs showed the most dramatic increase, whereas farm-to-wholesale price spreads increased sharply for

pork loins¹, chicken and turkey. The most significant drop in wholesale-to-retail spreads occurred for pork loins and beef. With the exception of chicken, where spreads are marginally higher, the farm-to-retail price spread in Toronto during 1970 to 1976 was lower, on average, for all commodities than in the United States. This spread excludes the effect of differences in farm-gate prices and is a reflection of lower wholesale-to-retail price spreads in the Toronto market (see Table 19).

Analysis of Competitive Position

The preceding section reviewed average price performance in the pork, beef, chicken, turkey and egg markets in Canada and the United States during the period 1970 through to 1976. An analysis of prices and price spreads during this period as compared with 1976 illustrated dramatic changes at several market levels. In order to assess more accurately the relative competitive position of the domestic industries, a year by year comparison of prices and price spreads in both markets is necessary. This information is contained in Appendices C-I through C-V.

One measure of industry competitiveness is the extent to which prices respond to market forces. Since the U.S. market has traditionally played a major role in price determination for the commodities chosen for review in this study, a comparison of domestic wholesale and landed U.S. price levels permits an assessment of the competitiveness of the domestic industry and of the effectiveness of international trade in arbitraging markets.

Analysis of the data collected indicates a serious deterioration in the performance of the Canadian pork, beef, chicken, turkey and egg markets during 1974 to 1976 when compared with the preceding four year period. With minor exceptions (beef in 1973 and 1975 and chicken and turkey in 1972) the prices of competing U.S. product landed in Toronto exceeded average domestic price levels for all commodities during 1970 through to 1973. During the period 1974 through 1976, this situation was dramatically reversed; annual average landed prices were in all cases substantially lower than domestic price levels (see Table 20).

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1. For purposes of comparing relative market prices and spreads for each commodity through to retail, the farm-to-wholesale spread for pork refers to pork loins only (a premium cut). Therefore, it should not be interpreted as an indicator of the relative increase in pork processor margins for the whole animal. Total packer margins for fresh pork (reconstituted carcass) average substantially lower than for loins.

Based on the information contained in Table 21, the beef industry would appear to be relatively more competitive than those of chicken, turkey, eggs and pork. On an industry level, the difference between domestic and landed prices is particularly large for turkey and eggs and, to a lesser extent, for chicken. While processor price spreads have also increased substantially for chicken and turkey, the major factor contributing to the deterioration of the competitive position of the domestic industry, particularly for turkey and eggs, has been increased farm-gate prices. Since import controls have been in effect for these two commodities during most of the 1974 to 1976 period, the increase in farm-gate prices is not surprising. Farm-to-wholesale price spreads for turkey have also been insulated as a result of import controls, contributing in part to increased spreads at this market level (see Figure I-V).

During 1974-1976, the deterioration in the competitive position of the Canadian pork, beef, chicken, turkey and egg industries has cost consumers an estimated \$632.9 million. Over half of this amount is attributable to the poultry and egg industries alone. It is likely that this estimate of consumer cost is understated, since it excludes the effect of retail margins and is based solely on Toronto market prices, which tend to be below national average price levels. Whether Canadian retailers will continue to operate at margins reported by this study for an indefinite period is a crucial factor in assessing future consumer costs. Should Canadian retail margins rise to U.S. levels and farm-gate prices and processor margins remain unchanged, Canadian food prices can be expected to rise dramatically.

Since retail chain stores are not known to be involved, to any major extent, in the production or processing stages of the pork, beef, chicken, turkey or egg industries, integration cannot explain the sharp distinction in retailers' and processors' shares of the retail dollar in Canada.

If food retailers are subsidizing lower margins on supply managed commodities by charging higher markups on other products, then part of the consumer cost of supply management programs may be reflected in higher retail prices for non-supply-managed goods. Evidence presented in this study appears to provide support for this hypothesis albeit at a very preliminary level for the five commodities surveyed. Wholesale-to-retail spreads expressed as a percentage of cost averaged substantially lower for turkey and eggs (15.3 per cent and 10.5 per cent)

during 1970-1976 than for beef, pork loins or chicken³ (25.1 per cent, 24.8 per cent and 36.2 per cent, respectively). In the U.S. during this period, wholesale-to-retail spreads expressed as a percentage of cost for turkey, eggs, beef, pork loins and chicken averaged 51.8 per cent, 40.1 per cent, 40.7 per cent, 19.3 per cent and 61.7 per cent, respectively.

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3. While a form of supply management exists on a provincial level in the Canadian broiler industry, it does not yet enjoy the market protection of federally-imposed import controls afforded to the egg and turkey industry under national supply management programs.

TABLE 9
 AVERAGE FRESH PORK PRICES AND PRICE SPREADS
 FARM, WHOLESALE, RETAIL
 TORONTO AND SELECTED UNITED STATES MARKETS
 CENTS PER POUND (CANADIAN DOLLARS)
 (1970-1976)

| | 1970-76 | | | 1976 | | |
|---|------------|-----------|-------------------------|------------|-----------|-------------------------|
| | <u>TOR</u> | <u>US</u> | <u>DIFF</u> (TOR-US) | <u>TOR</u> | <u>US</u> | <u>DIFF</u> (TOR-US) |
| <u>PRICES</u> | | | | | | |
| Slaughter Hogs (Carcass Basis) | 47.74 | 44.91 | + 2.83 | 63.3 | 56.4 | + 6.9 |
| Wholesale Carcass (Primal and By-Prod) | 51.3 | 47.14 | + 4.16 | 67.8 | 57.3 | +10.5 |
| Wholesale Loin | 86.04 | 68.09 | +17.95 | 117.5 | 82.2 | +35.3 |
| Retail Loin | 115.12 | 116.43 | - 1.31 | 150.2 | 145.9 | + 4.3 |
| <u>PRICE SPREADS</u> | | | | | | |
| Farm-Wholesale Carcass | 4.21 | 2.61 | + 1.60 | 5.2 | 1.2 | + 4.0 |
| Farm-Wholesale Loin | 39.00 | 23.59 | +15.41 | 54.9 | 26.2 | +28.8 |
| Wholesale-Retail Loin | 22.90 | 38.73 | -15.83 | 24.3 | 50.9 | -26.7 |
| Farm-Retail Loin | 63.96 | 66.44 | - 2.48 | 82.3 | 82.5 | - 0.2 |

TABLE 10

MARKET SPREADS FOR FRESH PORK LOINS
TORONTO AND SELECTED UNITED STATES MARKETS, RETAIL BASIS,¹ CANADIAN DOLLARS
CENTS PER POUND
(1970-1976)

| | 1970-76 | | | 1976 | | | % OF RETAIL \$ | | | | % OF COST | | | |
|---|---------|--------|------------------|--------|--------|------------------|----------------|-------|---------------|-------|-----------|------|---------------|------|
| | TOR | US | DIFF (TOR-US) | TOR | US | DIFF (TOR-US) | TORONTO | | UNITED STATES | | TORONTO | | UNITED STATES | |
| | | | | | | | 70-76 | 1976 | 70-76 | 1976 | 70-76 | 1976 | 70-76 | 1976 |
| Farm-Gate Price (Retail Basis) | 50.42 | 47.70 | + 2.72 | 67.10 | 60.01 | + 7.09 | 43.80 | 44.66 | 40.97 | 41.11 | | | | |
| Farm-to-Wholesale Spread | 41.80 | 25.28 | +16.52 | 58.84 | 28.08 | +30.76 | 36.31 | 39.16 | 21.71 | 19.24 | 82.9 | 87.7 | 53.0 | 46.8 |
| Wholesale-to-Retail Spread | 22.9 | 38.73 | -15.83 | 24.3 | 50.9 | -26.6 | 19.89 | 16.18 | 33.25 | 34.87 | 24.8 | 49.9 | 19.3 | 53.5 |
| Adjustment for transportation to major U.S. cities and change in wholesale price quotation basis ² | | 4.72 | - 4.72 | | 6.97 | - 6.97 | | | 4.05 | 4.78 | | | | |
| Retail Pork Loin Prices | 115.12 | 116.43 | - 1.31 | 150.24 | 145.96 | + 4.28 | 100.0 | 100.0 | 100.0 | 100.0 | | | | |

Prices and price spreads in cents per pound, of pork loins sold at retail. Farm prices 1.3829824 x U.S. and Canadian prices, wholesale spreads 1.0718113 x U.S. and Canadian spreads.

Wholesale prices used in the calculation of wholesale-to-retail price spreads are monthly average prices, Midwest, adjusted for handling to retail. These prices exceed the month-end wholesale Midwest prices used in the calculation of farm-to-wholesale price spreads by an average of 1.557 cents per pound. Transportation to major cities (carlot basis) for pork loins FOB Midwest has been estimated and averages 2.84 cents per pound over the seven-year period. Expressed on a retail basis, these adjustments amount to 4.72 cents per pound.

TABLE 11
AVERAGE BEEF PRICES & PRICE SPREADS
FARM, WHOLESALE, RETAIL
TORONTO AND SELECTED UNITED STATES MARKETS, CENTS PER POUND, CANADIAN DOLLARS
(1970-1976)

| PRICES | 1970-76 | | | | | | 1976 | | | | | |
|---|---------|--------|------------------|---------------------------|--------|------------------|--------|--------|------------------|---------------------------|-------|------------------|
| | | | | RETAIL BASIS ¹ | | | | | | RETAIL BASIS ¹ | | |
| | TOR | US | DIFF (TOR-US) | TOR | US | DIFF (TOR-US) | TOR | US | DIFF (TOR-US) | TOR | US | DIFF (TOR-US) |
| Slaughter Steers (Carcass basis) | 71.84 | 62.41 | + 9.43 | 101.73 | 88.00 | +13.73 | 73.5 | 62.6 | +10.9 | 104.08 | 88.27 | +15.81 |
| Wholesale Carcass | 73.09 | 63.17 | + 9.92 | 103.53 | 89.10 | +14.43 | 75.6 | 62.63 | +12.97 | 107.08 | 88.34 | +18.74 |
| Wholesale Carcass & By-products | 78.9 | 69.0 | + 9.9 | 111.76 | 97.32 | +14.44 | 82.0 | 69.38 | +12.62 | 116.15 | 97.86 | +18.29 |
| Retail | 129.46 | 125.36 | + 4.10 | 129.46 | 125.36 | + 4.10 | 134.16 | 136.97 | - 2.81 | 134.1 | 137.0 | - 2.90 |
| PRICE SPREADS | | | | | | | | | | | | |
| Farm-Wholesale Carcass (CB) | 1.27 | .75 | + 0.52 | 1.79 | 1.05 | + .74 | 2.16 | -.75 | + 2.91 | 3.06 | -1.06 | + 4.12 |
| Farm-Wholesale By-products (CB) | 5.81 | 5.80 | + .01 | 8.23 | 8.18 | + .05 | 6.40 | 7.33 | - .93 | 9.07 | 10.34 | - 1.27 |
| Farm-Wholesale Carcass + By-products (CB) | 7.08 | 6.56 | + .52 | 10.03 | 9.25 | + .78 | 8.56 | 6.58 | + 1.98 | 12.12 | 9.28 | + 2.84 |
| Wholesale-Retail (RB) | 25.94 | 33.45 | - 7.51 | 25.94 | 33.45 | - 7.51 | 27.02 | 44.66 | -17.64 | 27.02 | 44.66 | -17.64 |
| Farm-Retail (RB) (Net of Transportation) | 27.7 | 33.63 | - 5.93 | | | | 30.0 | 43.8 | -13.8 | | | |

1. Prices and price spreads in cents per pound of beef sold at retail. Farm prices 2.29 and 2.46 x US and Canadian price, respectively. Wholesale spreads 1.41 and 1.416 x US and Canadian spreads, respectively.

CB = carcass basis, RB = retail basis.

TABLE 12
MARKET SPREADS FOR BEEF
TORONTO AND SELECTED UNITED STATES MARKETS, RETAIL BASIS,¹ CANADIAN DOLLARS
(1970-1976)

| | 1970-1976 | | | 1976 | | | % of Retail \$ | | | | % of Cost | | | |
|---|-----------|--------|------------------|--------|--------|------------------|----------------|-------|-------|-------|-----------|-------|-------|-------|
| | TOR | U.S. | DIFF (TOR-US) | TOR | U.S. | DIFF (TOR-US) | TORONTO | | U.S. | | TORONTO | | U.S. | |
| | | | | | | | 70-76 | 1976 | 70-76 | 1976 | 70-76 | 1976 | 70-76 | 1976 |
| Farm-Gate Price | 101.73 | 88.00 | +13.73 | 104.08 | 88.27 | +15.81 | 78.58 | 77.58 | 70.20 | 64.44 | | | | |
| Farm-to-Wholesale Spread | 1.79 | 1.05 | + .74 | 3.06 | .04 | + 3.02 | 1.38 | 2.28 | .84 | .03 | 1.76 | 2.94 | 1.20 | 0.45 |
| Wholesale-to-Retail Spread | 25.94 | 33.45 | - 7.51 | 27.02 | 44.66 | -17.64 | 20.04 | 20.14 | 26.68 | 32.61 | 25.06 | 25.23 | 40.74 | 48.37 |
| Adjustment for Transportation to Major U.S. Cities and Change in Wholesale Price Quotation Basis ² | | 2.86 | - 2.86 | | 4.00 | - 4.00 | | | 2.28 | 2.92 | | | | |
| Retail Price of Beef | 129.46 | 125.36 | + 4.10 | 134.16 | 136.97 | - 2.81 | 100.0 | 100.0 | 100.0 | 100.0 | | | | |

Prices and price spreads, in cents per pound, of beef sold at retail. Farm prices 2.29 and 2.46 x U.S. and Canadian price, respectively, wholesale spreads 1.41 and 1.416 x U.S. and Canadian spreads, respectively.

Wholesale prices used in the calculation of wholesale-to-retail price spreads are monthly average prices West Coast and Chicago, adjusted for handling to retail. These prices exceed the month-end wholesale Midwest prices used in the calculation of farm-to-wholesale price spreads by an average of 1.27 cents per pound. Transportation to major retail cities (carlot basis) for carcass beef FOB Chicago and West Coast has been estimated by USDA at .75 cents per pound. Expressed on a retail basis, these adjustments amounts to 2.86 cents per pound.

TABLE 13
AVERAGE BROILER CHICKEN PRICES & PRICE SPREADS
FARM, WHOLESALE, RETAIL
TORONTO AND NEW YORK¹
CENTS PER POUND (CANADIAN DOLLARS)
(1970-1976)

| | 1970-76 | | | 1976 | | |
|-------------------------------|-------------|-------------|--------------------------|-------------|-------------|--------------------------|
| <u>PRICES</u> | <u>TOR.</u> | <u>N.Y.</u> | <u>DIFF.</u> (TOR-NY) | <u>TOR.</u> | <u>N.Y.</u> | <u>DIFF.</u> (TOR-NY) |
| To Producer (liveweight) | 28.21 | 19.6 | + 8.61 | 34.4 | 22.8 | +11.6 |
| To Producer (eviscerated) | 38.12 | 26.49 | +11.63 | 46.49 | 30.81 | +15.68 |
| Wholesale (fresh ice-pack) | 48.73 | 35.11 | +13.62 | 60.70 | 39.2 | +21.5 |
| Retail | 66.40 | 56.77 | + 9.63 | 81.29 | 64.2 | +17.03 |
| <u>PRICE SPREADS</u> | | | | | | |
| Farm-Wholesale ² | 10.61 | 6.51 | + 4.10 | 14.2 | 6.2 | + 8.0 |
| Wholesale-Retail | 17.67 | 21.66 | - 3.99 | 20.6 | 25.0 | - 4.4 |
| Farm-Retail | 28.29 | 28.19 | + 0.10 | 34.8 | 31.3 | + 3.5 |

1. U.S. farm-gate prices are FOB Georgia

2. For U.S. prices, this spread has been adjusted for transportation and handling costs from Georgia to New York.

TABLE 14
MARKET SPREADS FOR BROILER CHICKEN
TORONTO & NEW YORK¹, RETAIL BASIS, CANADIAN DOLLARS
CENTS PER POUND
(1970-1976)

| | 1970-1976 | | | 1976 | | | % OF RETAIL \$ | | | | % OF COST | | | |
|--|-----------|-------|------------------|-------|-------|------------------|----------------|-------|-------|-------|-----------|-------|-------|-------|
| | TOR | N.Y. | DIFF (TOR-NY) | TOR | N.Y. | DIFF (TOR-US) | TORONTO | | N.Y. | | TORONTO | | N.Y. | |
| | | | | | | | 70-76 | 1976 | 70-76 | 1976 | 70-76 | 1976 | 70-76 | 1976 |
| A. Farm-Gate Price (Eviscerated) | 38.12 | 26.49 | +11.63 | 46.49 | 30.81 | 15.68 | 57.41 | 57.19 | 46.68 | 48.02 | | | | |
| B. Farm-to-Wholesale Spread | 10.61 | 6.51 | + 4.10 | 14.2 | 6.2 | 8.0 | 15.98 | 17.47 | 11.47 | 9.66 | 27.83 | 30.54 | 24.58 | 20.12 |
| C. Wholesale-to-Retail Spread | 17.67 | 21.66 | - 3.99 | 20.6 | 25.0 | - 4.4 | 26.61 | 25.34 | 38.17 | 38.97 | 36.23 | 33.94 | 61.69 | 63.78 |
| D. Average Adjustment for Transportation to New York City from Georgia | | 2.11 | - 2.11 | | 2.25 | - 2.25 | | | 3.68 | 3.35 | | | | |
| E. Retail Broiler Price | 66.4 | 56.77 | + 9.63 | 81.29 | 64.2 | +17.03 | 100.0 | 100.0 | 100.0 | 100.0 | | | | |

1. U.S. farm-gate prices are FOB Georgia.

TABLE 15
AVERAGE HEN TURKEY PRICES & PRICE SPREADS
FARM, WHOLESALE, RETAIL
TORONTO AND NEW YORK¹
CENTS PER POUND (CANADIAN DOLLARS)
(1970-1976)

| | 1970-76 | | | 1976 | | |
|------------------------------|-------------|-------------|--------------------------|-------------|-------------|--------------------------|
| <u>PRICES</u> | <u>TOR.</u> | <u>N.Y.</u> | <u>DIFF.</u> (TOR-NY) | <u>TOR.</u> | <u>N.Y.</u> | <u>DIFF.</u> (TOR-NY) |
| To Producer (liveweight) | 33.31 | 28.17 | + 5.14 | 46.4 | 31.35 | +15.05 |
| To Producer (eviscerated) | 40.62 | 34.35 | + 6.27 | 56.59 | 38.23 | +18.36 |
| Wholesale Frozen | 57.11 | 46.24 | +10.87 | 77.3 | 48.1 | +29.2 |
| Retail | 65.80 | 70.16 | - 4.36 | 92.49 | 77.38 | +15.11 |
| <u>PRICE SPREADS</u> | | | | | | |
| Farm-Wholesale ² | 16.47 | 9.26 | + 7.21 | 20.7 | 7.1 | +13.6 |
| Wholesale-Retail | 8.71 | 23.93 | -15.22 | 15.2 | 29.3 | -14.1 |
| Farm-Retail | 25.17 | 33.19 | - 8.02 | 35.9 | 36.4 | - 0.5 |

1. U.S. farm-gate prices are FOB Iowa.

2. For U.S. prices, this spread has been adjusted for transportation and handling costs from Iowa to New York.

TABLE 16
MARKET SPREADS FOR HEN TURKEY
TORONTO AND NEW YORK¹, RETAIL BASIS, CANADIAN DOLLARS
CENTS PER POUND
(1970-1976)

| | 1970-1976 | | | 1976 | | | % OF RETAIL \$ | | | | % OF COST | | | |
|---|-----------|-------|------------------|-------|-------|------------------|----------------|-------|-------|-------|-----------|-------|-------|-------|
| | TOR | N.Y. | DIFF (TOR-NY) | TOR | N.Y. | DIFF (TOR-US) | TORONTO | | N.Y. | | TORONTO | | N.Y. | |
| | | | | | | | 70-76 | 1976 | 70-76 | 1976 | 70-76 | 1976 | 70-76 | 1976 |
| A. Farm-Gate Price (Eviscerated) | 40.62 | 34.35 | + 6.27 | 59.59 | 38.23 | +18.36 | 61.73 | 61.19 | 48.96 | 49.41 | | | | |
| B. Farm-to-Wholesale Spread | 16.47 | 9.26 | + 7.21 | 20.7 | 7.1 | +13.6 | 25.03 | 22.38 | 13.20 | 9.18 | 40.55 | 26.96 | 36.58 | 18.57 |
| C. Wholesale-to-Retail Spread | 8.71 | 23.93 | -15.22 | 15.2 | 29.3 | -14.1 | 13.24 | 16.43 | 34.11 | 37.86 | 15.25 | 19.66 | 51.75 | 60.91 |
| D. Adjustment for Transportation to New York City from Iowa | | 2.62 | - 2.62 | | 2.75 | - 2.75 | | | 3.73 | 3.55 | | | | |
| E. Retail Hen Turkey Price | 65.80 | 70.16 | - 4.36 | 92.49 | 77.38 | 15.11 | 100.0 | 100.0 | 100.0 | 100.0 | | | | |

1. U.S. farm-gate prices are FOB Iowa.

TABLE 17
AVERAGE EGG PRICES & PRICE SPREADS,
FARM, WHOLESALE, RETAIL,
TORONTO AND NEW YORK¹
CENTS PER DOZEN (CANADIAN DOLLARS)
(1970-1976)

| PRICES | 1970-76 | | | 1976 | | |
|--|-------------|-------------|--------------------------|-------------|-------------|--------------------------|
| | <u>TOR.</u> | <u>N.Y.</u> | <u>DIFF.</u> (TOR-NY) | <u>TOR.</u> | <u>N.Y.</u> | <u>DIFF.</u> (TOR-NY) |
| A Large to Producer, Ungraded | 48.63 | 40.21 | + 8.42 | 70.3 | 52.2 | +18.1 |
| Wholesale Loose Grade A Large in Flats | 54.63 | 50.57 | + 4.06 | 78.3 | 64.2 | +14.1 |
| Retail, A Large Cartoned | 68.17 | 75.61 | - 7.44 | 89.5 | 90.3 | - 0.8 |
| <u>PRICE SPREADS</u> | | | | | | |
| Farm-to-Wholesale ² (Cartoned) | 13.07 | 10.63 | + 2.44 | 13.9 | 12.7 | + 1.2 |
| Wholesale-to-Retail | 6.47 | 21.64 | -15.17 | 5.3 | 21.1 | -15.8 |
| Farm-to-Retail | 19.54 | 32.29 | -12.75 | 19.2 | 33.8 | -14.6 |

1. U.S. farm-gate prices are FOB Iowa.

2. For U.S. prices, this spread has been adjusted for transportation and handling costs from Iowa to New York.

TABLE 18
MARKET SPREADS FOR GRADE A LARGE EGGS
TORONTO AND NEW YORK,¹ RETAIL BASIS, CANADIAN DOLLARS
CENTS PER DOZEN
(1970-1976)

| | 1970-1976 | | | 1976 | | | % OF RETAIL \$ | | | | % OF COST | | | |
|---|------------|-------------|-------------------------|------------|-------------|-------------------------|----------------|-------------|--------------|-------------|----------------|-------------|--------------|-------------|
| | <u>TOR</u> | <u>N.Y.</u> | <u>DIFF</u> (TOR-NY) | <u>TOR</u> | <u>N.Y.</u> | <u>DIFF</u> (TOR-US) | <u>TORONTO</u> | | <u>N.Y.</u> | | <u>TORONTO</u> | | <u>N.Y.</u> | |
| | | | | | | | <u>70-76</u> | <u>1976</u> | <u>70-76</u> | <u>1976</u> | <u>70-76</u> | <u>1976</u> | <u>70-76</u> | <u>1976</u> |
| A. Farm-Gate Price | 48.63 | 40.21 | + 8.42 | 70.3 | 52.2 | +18.1 | 71.34 | 78.55 | 53.18 | 57.82 | | | | |
| B. Farm-to-Wholesale Spread | 13.07 | 10.63 | + 2.44 | 13.9 | 12.7 | + 1.2 | 19.17 | 15.53 | 14.06 | 14.06 | 26.88 | 19.77 | 26.40 | 24.33 |
| C. Wholesale-to-Retail Spread | 6.47 | 21.64 | -15.17 | 5.3 | 21.1 | -15.8 | 9.49 | 5.92 | 28.62 | 23.37 | 10.49 | 6.29 | 40.05 | 30.54 |
| D. Average Adjustment for Transportation to New York City from Iowa | | 3.13 | - 3.13 | | 4.3 | - 4.3 | | | 4.14 | 4.76 | | | | |
| E. Retail Egg Prices | 68.17 | 75.61 | - 7.44 | 89.5 | 90.3 | - 0.8 | 100.0 | 100.0 | 100.0 | 100.0 | | | | |

1. U.S. farm-gate prices are FOB Iowa.

TABLE 19
COMPARISON OF PRICES AND PRICE SPREADS
TORONTO AND SELECTED U.S. MARKETS
RETAIL BASIS, CANADIAN DOLLARS
1970-1976
(Toronto minus U.S.)

| | Pork (¢/lb) | Beef (¢/lb) | Chicken (¢/lb) <u>1970-1976</u> | Turkey (¢/lb) | Eggs (¢/doz.) |
|---------------------------------------|----------------|----------------|---------------------------------------|------------------|------------------|
| Producer Price | + 2.72 | +13.73 | +11.63 | + 6.27 | + 8.42 |
| Farm-Wholesale Spread | +16.52 | + .74 | + 4.10 | + 7.21 | + 2.44 |
| Wholesale-to-Retail Spread | -15.83 | - 7.51 | - 3.99 | -15.22 | -15.17 |
| Adjustment for Trans. etc. in U.S. | - 4.72 | - 2.86 | - 2.11 | - 2.62 | - 3.13 |
| Retail Price | - 1.31 | + 4.10 | + 9.63 | - 4.36 | - 7.44 |
| Farm - Retail Spread | - 2.48 | - 5.93 | + 0.10 | - 8.02 | -12.75 |
| | | | <u>1976</u> | | |
| Producer Price | + 7.09 | +15.81 | +15.68 | +18.36 | +18.10 |
| Farm-Wholesale Spread | +30.76 | + 3.02 | + 8.00 | +13.60 | + 1.20 |
| Wholesale-Retail Spread | -26.60 | -17.64 | - 4.40 | -14.10 | -15.80 |
| Adjustment for Trans. etc. in U.S. | - 6.97 | - 4.00 | - 2.25 | - 2.75 | - 4.30 |
| Retail Price | + 4.28 | - 2.81 | +17.03 | +15.11 | - 0.80 |
| Farm-Retail Spread | - 0.20 | -13.83 | + 3.57 | - 0.5 | -14.6 |

TABLE 20
COMPARISON OF ANNUAL AVERAGE DOMESTIC AND
LANDED U.S. WHOLESALE PRICES,
PORK, BEEF, CHICKEN, TURKEY, EGGS
(1970-1976)
(Domestic Minus Landed¹)

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Pork | -10.6 | - 7.8 | -4.3 | -3.7 | + 2.5 | + 5.7 | +16.7 |
| Beef | - 2.8 | - 2.4 | -0.7 | +1.8 | +10.7 | - 2.6 | + 4.4 |
| Chicken | - 6.8 | - 3.2 | +1.4 | -0.7 | + 8.3 | + 6.4 | + 9.1 |
| Turkey | -11.0 | - 8.0 | +0.9 | -5.4 | +10.8 | + 4.6 | +18.0 |
| Eggs | -13.0 | - 9.2 | -2.6 | -1.5 | + 6.7 | + 3.9 | + 8.1 |
| <u>Difference as a Percentage of U.S. Landed Price</u> | | | | | | | |
| Pork | -15.1 | -12.7 | -5.7 | -4.0 | + 2.8 | + 5.0 | +16.6 |
| Beef | - 4.7 | - 3.8 | -1.1 | +2.3 | +13.8 | - 3.0 | + 6.0 |
| Chicken | -17.6 | - 8.4 | +3.6 | -1.3 | +17.4 | +11.1 | +17.6 |
| Turkey | -21.6 | -17.4 | +2.0 | -7.8 | +19.6 | + 7.1 | +30.4 |
| Eggs | -26.1 | -23.3 | -6.5 | -2.3 | +10.8 | + 6.1 | +11.5 |

1. A positive figure indicates financial incentive for imports.

TABLE 21
RELATIVE COMPETITIVE POSITIONS OF SELECTED AGRICULTURAL INDUSTRIES
CANADA (TORONTO) AND UNITED STATES
1970-1973 AND 1974-1976
CANADIAN DOLLARS

| | PORK | | BEEF | | CHICKEN | | TURKEY | | EGGS | |
|--|-------------------------|----------------|------------|----------------|------------|----------------|------------|----------------|-----------------|----------------|
| | (Loins) | | (Carcase) | | (Broilers) | | (Hens) | | (Grade A Large) | |
| | ¢/lb. | % ⁴ | ¢/lb. | % ⁴ | ¢/lb. | % ⁴ | ¢/lb. | % ⁴ | ¢/doz. | % ⁴ |
| <u>DOMESTIC MINUS LANDED WHOLESALE</u> | | | | | | | | | | |
| 1970-1973 | -6.6 | (-8.8) | -1.0 | (-1.5) | -2.3 | (-5.4) | -5.9 | (-11.2) | -6.6 | (-15.6) |
| 1974-1976 | +8.3 | (8.2) | +4.2 | (5.4) | +7.9 | (15.1) | +11.1 | (18.5) | +6.2 | (9.5) |
| Change in Competitive Position (+Indicates Canadian Price > Landed U.S.) | +14.9 | (17.0) | +5.2 | (6.9) | +10.2 | (20.5) | +17.0 | (29.7) | +12.9 | (23.2) |
| <u>FARM-GATE</u> | | | | | | | | | | |
| Canadian-U.S. (Carcase or Eviscerated Basis) | | | | | | | | | | |
| 1970-1973 | +1.6 | (4.4) | +6.8 | (11.6) | +9.2 | (41.5) | +0.5 | (1.6) | +2.4 | (3.7) |
| 1974-1976 | +4.5 | (8.0) | +12.9 | (19.1) | +16.9 | (46.7) | +14.0 | (36.7) | +16.4 | (25.1) |
| Change in Competitive Position (+Indicates Canadian Price > Landed U.S.) | +2.9 | (3.6) | +6.1 | (7.5) | +5.7 | (5.2) | +13.5 | (35.1) | +14.0 | (21.4) |
| <u>FARM-WHOLESALE PRICE SPREAD</u> | | | | | | | | | | |
| Canadian - U.S. | | | | | | | | | | |
| 1970-1973 | +9.9 | (45.8) | +0.8 | (13.2) | +1.8 | (26.9) | +5.0 | (51.5) | +3.5 | (36.8) |
| 1974-1976 | +22.7 | (86.3) | +0.3 | (3.6) | +7.2 | (114.3) | +10.2 | (118.6) | +1.1 | (9.1) |
| Change in Competitive Position (+Indicates Canadian Price > Landed U.S.) | +12.8 | (40.5) | -0.5 | (-9.6) | +5.4 | (87.4) | +5.2 | (67.1) | -2.4 | (-27.7) |
| Combined Effect of Changes in Farm-Gate Price and Farm to Wholesale Price Spread ¹ | 15.7 | | 5.6 | | 11.1 | | 18.7 | | 11.6 | |
| <u>COST/BENEFIT PRICE EFFECT FOR CANADIAN CONSUMERS</u> (MILLIONS OF DOLLARS) ² | | | | | | | | | | |
| (-Indicates Cost to Consumers) | | | | | | | | | | |
| 1970-1973 | + 36,313.5 ³ | | + 74,034.2 | | + 61,446.2 | | + 51,561.4 | | +120,405.5 | |
| 1974-1976 | - 32,165.5 | | -279,177.3 | | -169,445.4 | | - 72,855.6 | | - 79,457.7 | |

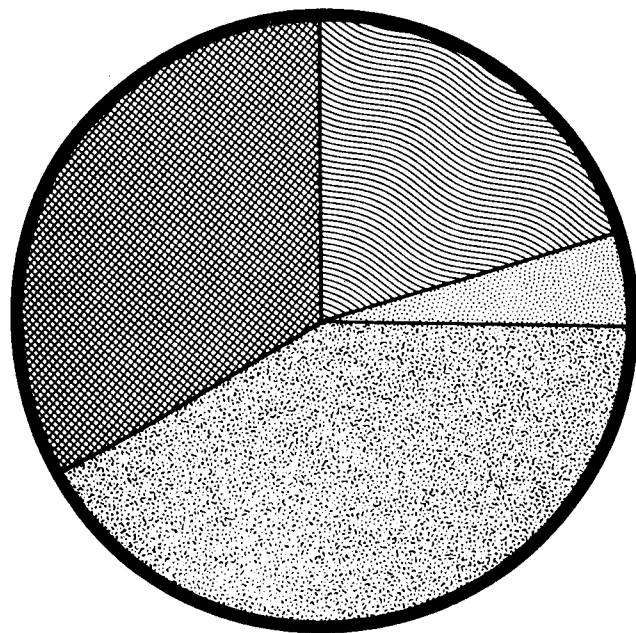
1. Due to changes in residual factors such as transportation, handling, tariffs, and volume of imports, the combined effect of price and spread changes will not necessarily equal absolute changes in competitive position of domestic versus landed product.
2. Using annual average per capita consumption weights (as reported by Statistics Canada) and annual Canadian population figures (Statistics Canada), an annual cost/benefit to consumers per commodity was calculated based on the annual differential between landed U.S. and domestic prices and totalled for the periods 1970-73 and 1974-76. If markets operated in a "quasi competitive" manner (e.g. accepting present tariff levels) this cost/benefit would be zero. (Landed U.S. and domestic prices would equilibrate over time.) The magnitude of cost/benefit is one indication of relative competitiveness. (This approach assumes constant Canadian retail price spreads - since price spreads have generally increased over the period in question, costs to consumers are likely understated.) Since prices in Toronto also tend to be below Canadian national average prices, this further understates total consumer cost.
3. Annual per capita consumption data for pork loins is not available. An estimation of per capita consumption was calculated based on Food Prices Review Board estimates of the percentage of total pork sold as fresh pork (37%) and Bureau estimates of percentage of pork loins sold relative to other fresh pork cuts (27.96%). From this it was estimated that 10.54% of total pork consumed is purchased as pork loins (whole or sub primal cuts). Estimates of annual per capita consumption for pork loins were then calculated for 1970-1976 as follows based on annual pork per capita consumption data: 6.0, 7.0, 6.4, 6.1, 6.3, 5.4, 5.6.
4. Canadian - U.S. price differences expressed as a percentage of the U.S. price $\left\{ \frac{\text{CAN-US}}{\text{U.S.}} \times 100 \right\}$

FIGURE 1

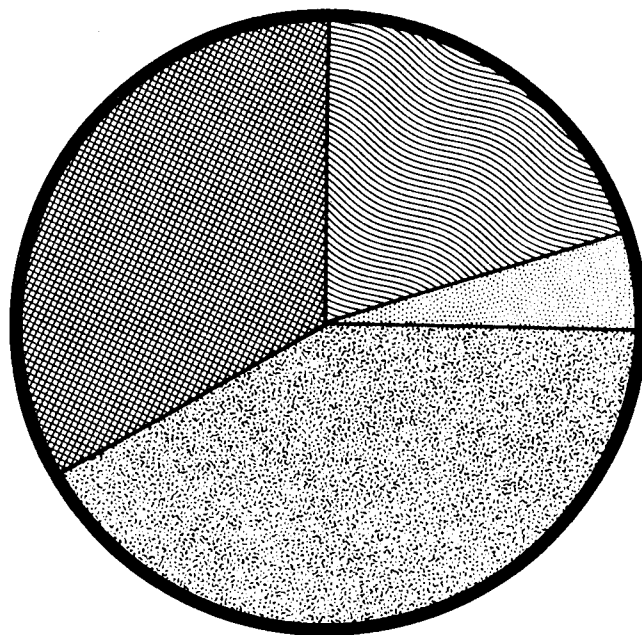
FRESH PORK

% of Retail Dollar
(CDN\$)

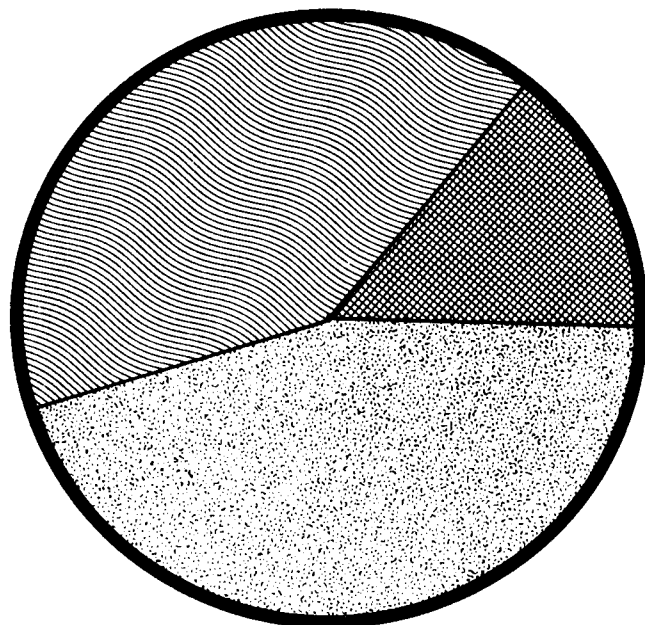
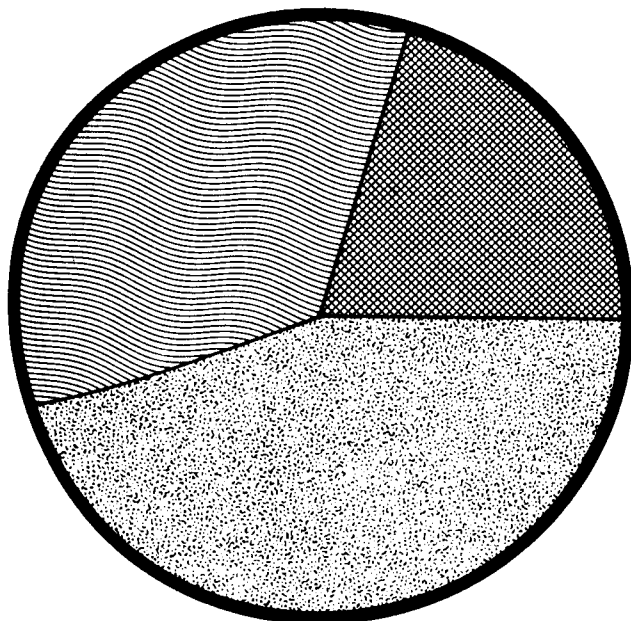
U.S. 1970/76 7YR. AVERAGE



1976



TORONTO



Farm-Gate Price



Wholesale to Retail Spread



Farm to Wholesale Spread



Adjustment For Transportation

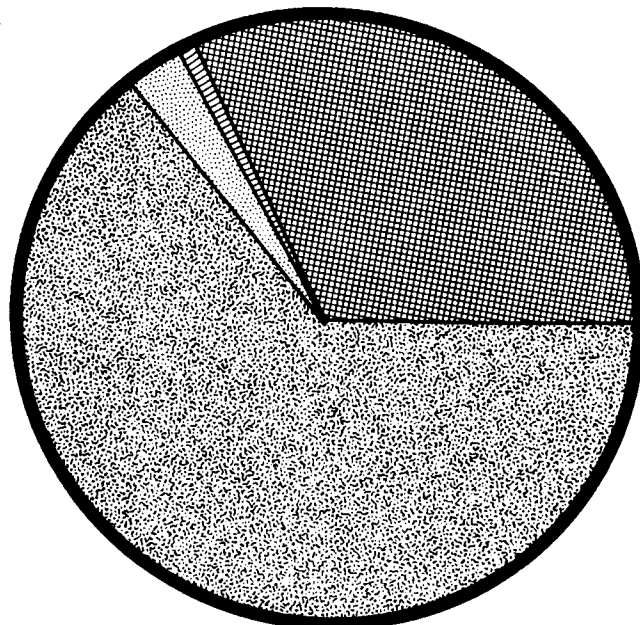
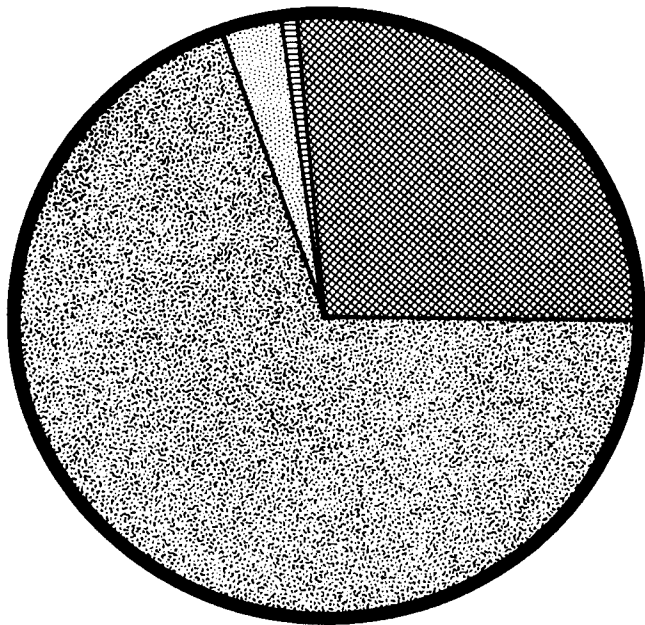
Sources: See Appendix B-VI, section I

BEEF

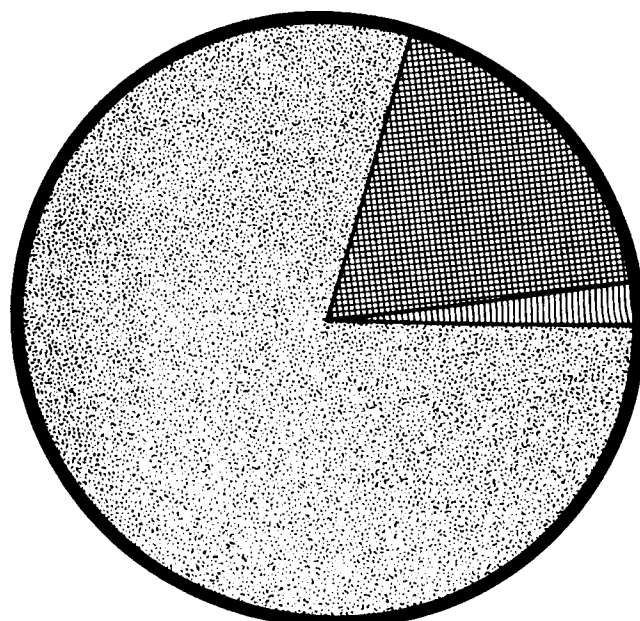
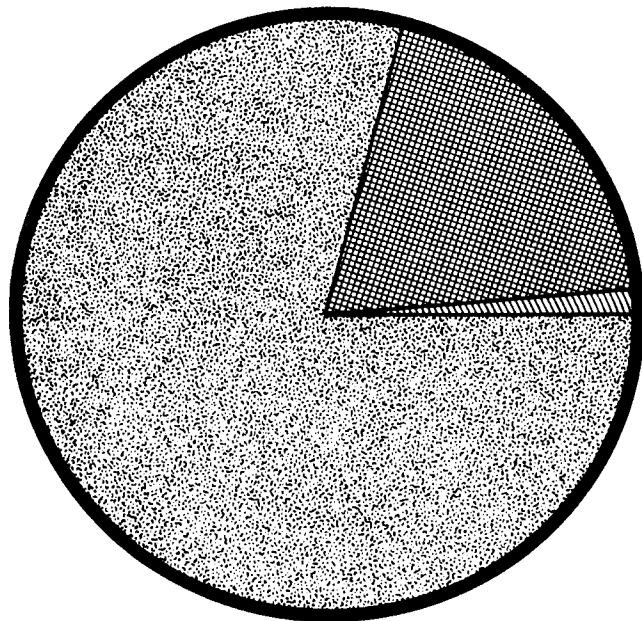
% of Retail Dollar
(CDN\$)

U.S. 1970/76 7YR. AVERAGE

1976



TORONTO



Farm-Gate Price



Wholesale to Retail Spread



Farm to Wholesale Spread



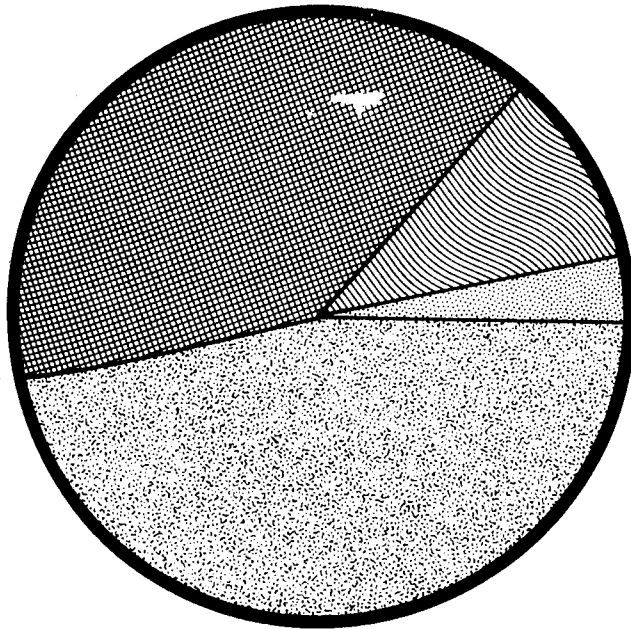
Adjustment For Transportation

BROILER CHICKEN

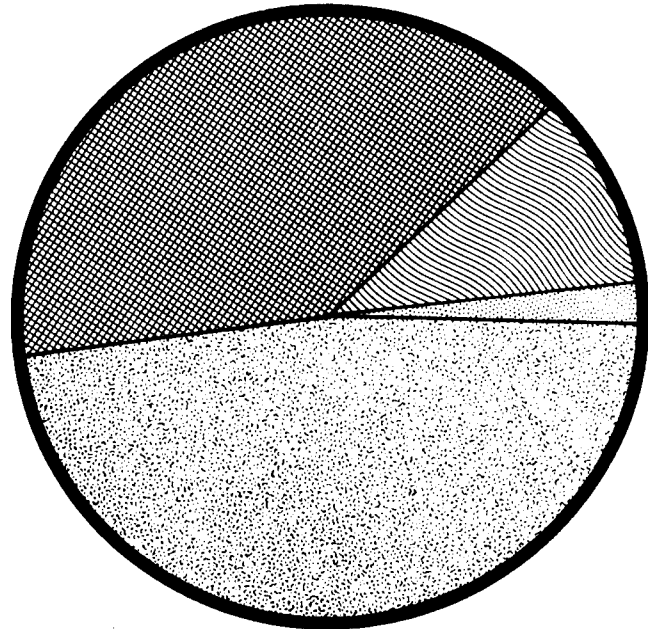
FIGURE 3

% of Retail Dollar
(CDN\$)

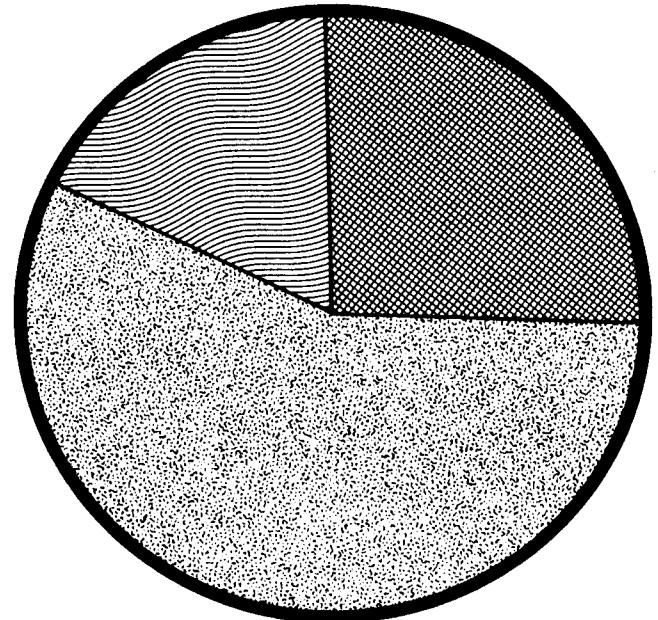
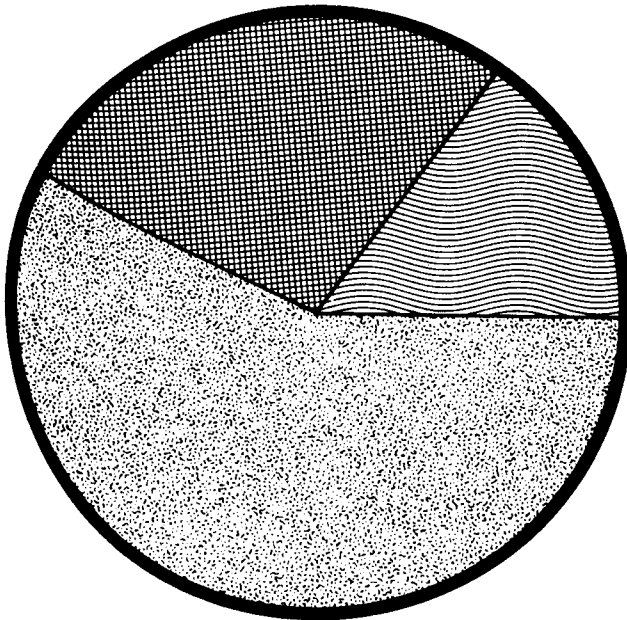
U.S. 1970/76 7YR. AVERAGE



1976



TORONTO



Farm-Gate Price



Wholesale to Retail Spread



Farm to Wholesale Spread



Adjustment For Transportation

Sources: See Appendix B-VI, Section III

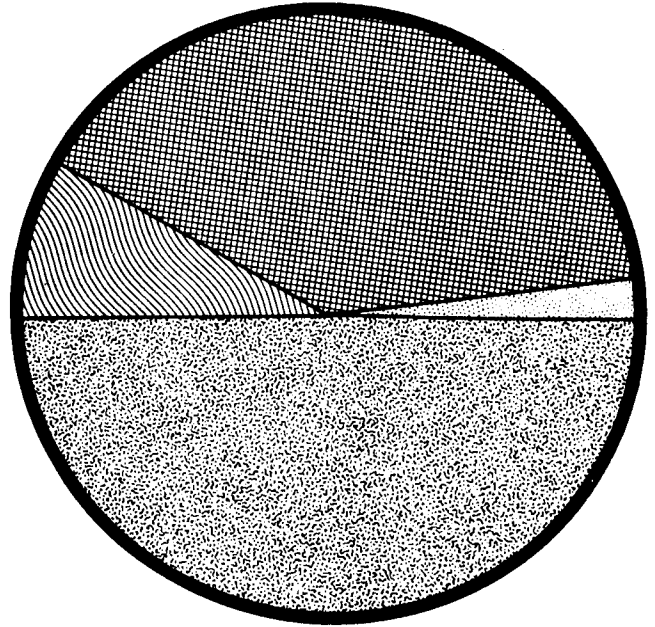
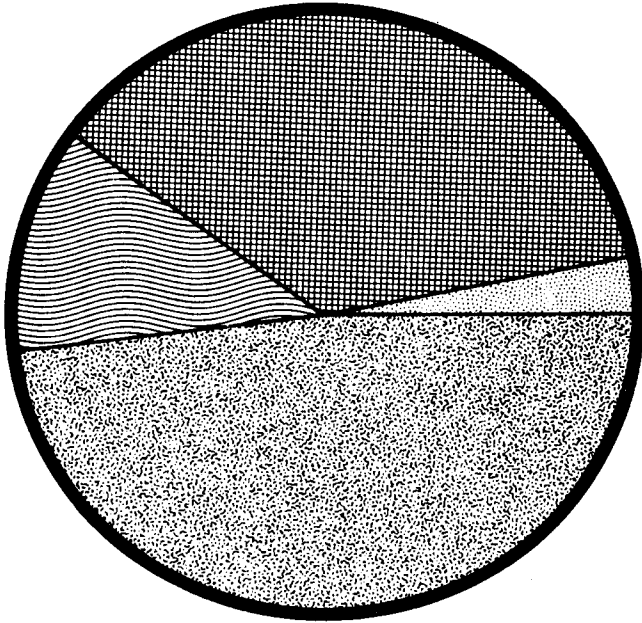
FIGURE 4

HEN TURKEY

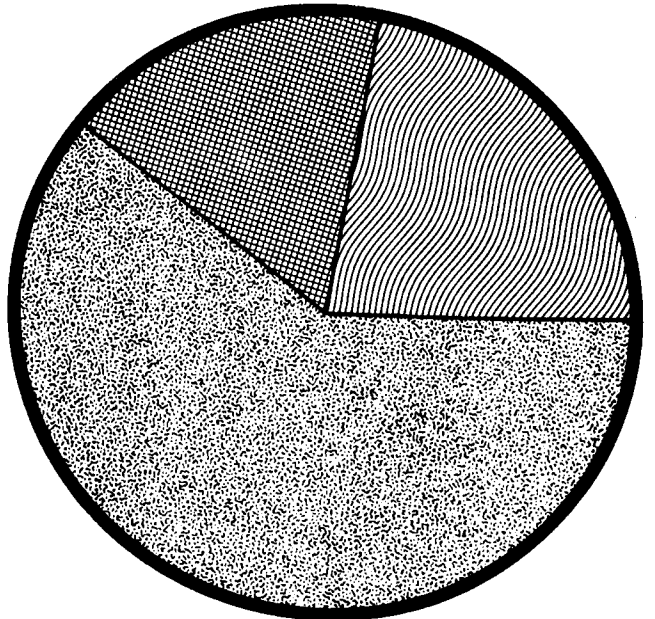
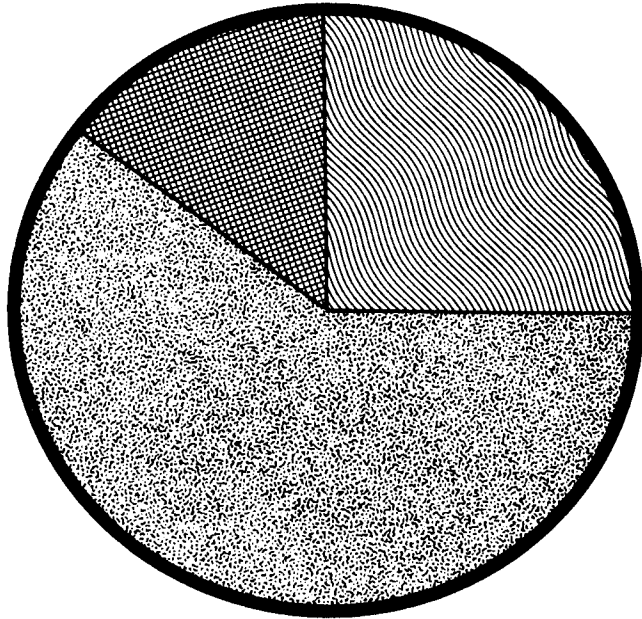
% of Retail Dollar
(CDN\$)

U.S. 1970/76 7YR. AVERAGE

1976



TORONTO



Farm-Gate Price



Farm to Wholesale Spread



Wholesale to Retail Spread



Adjustment For Transportation

Sources: See Appendix B-VI, section IV

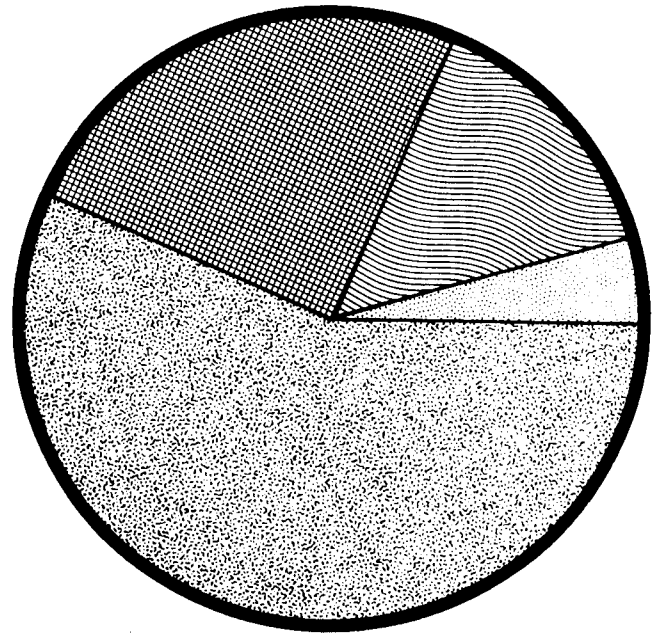
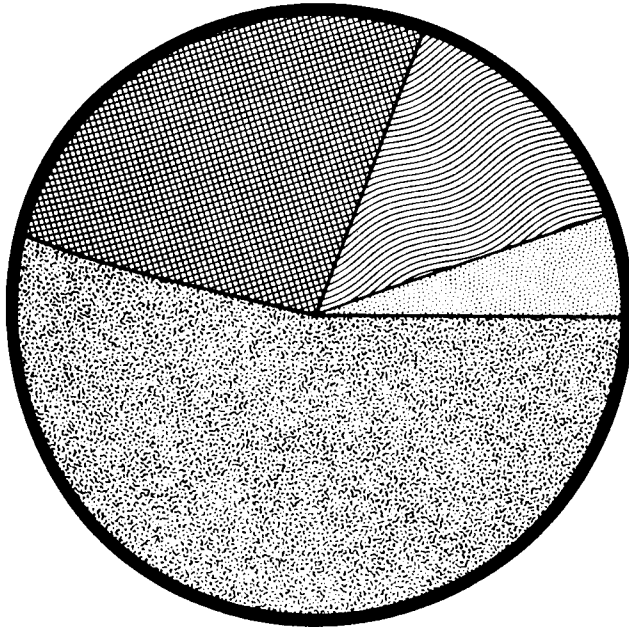
GRADE A LARGE EGGS

% of Retail Dollar
(CDN\$)

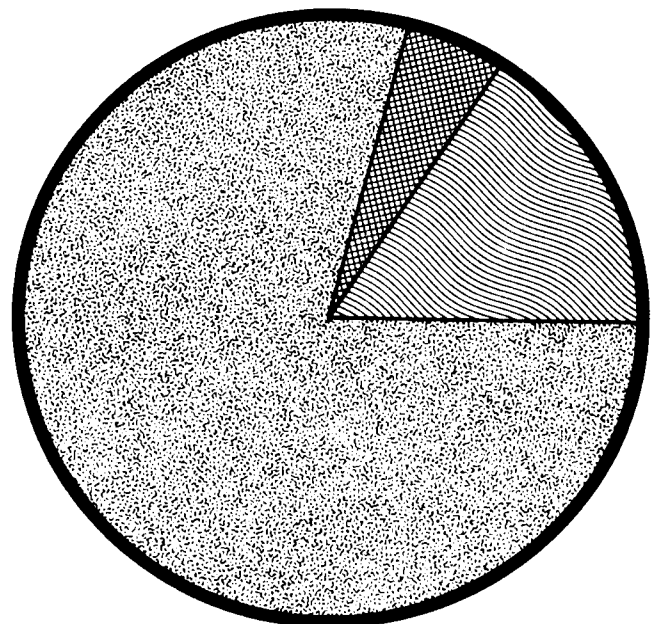
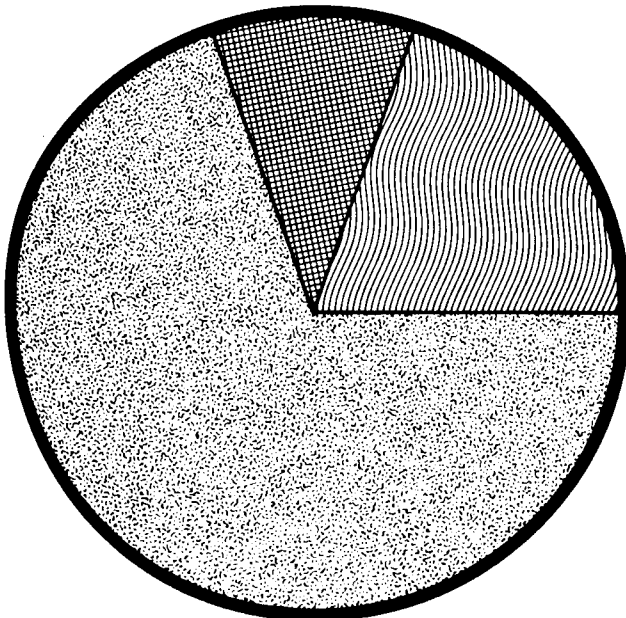
FIGURE 5

U.S. 1970/76 7YR. AVERAGE

1976



TORONTO



Farm-Gate Price



Wholesale to Retail Spread



Farm to Wholesale Spread



Adjustment For Transportation

Sources: See Appendix B-VI, section V

ANNEX A
CONDUCT

APPENDIX A-I

MEAT

Merger

The Bureau undertook its first major inquiry into the meat packing industry in the late 1950's, following Canada Packers' 1955 acquisition of Calgary Packers Limited (a principal independent packer in Alberta), and Wilsil Limited. Wilsil's business was heavily concentrated in Montreal and the Maritimes, and was responsible for a considerable proportion of the beef transported from the beef surplus area of western Canada to the beef deficit areas of central Canada and the Maritimes. As a result of this inquiry, the Restrictive Trade Practices Commission recommended dissolution of the merger by court order, or, failing this, that an order be obtained prohibiting Canada Packers from making any further acquisitions which would lessen competition in the meat packing industry. In its recommendation the Commission argued that the acquired companies were already of sufficient size to permit the economic use of lowest cost mechanized operations. Since rationalization was not involved, the merger simply increased the market power of one of the three largest meat packing companies. Evidence showed that Canada Packers had 28 per cent of the commercial slaughter business and Swift Canadian and Burns together had another 25 per cent. However, legal proceedings were not taken following the Commission's Report¹ after full consultation between departmental officials and legal counsel.

The Report and supporting evidence were referred to leading counsel with instructions to proceed with prosecution of other criminal proceedings unless he should come to the conclusion that the evidence was insufficient. After consultation between counsel and departmental officials, the opinion was ultimately received that having regard to the jurisprudence on the merger section of the Combines Investigation Act legal proceedings would be unlikely to succeed. This view was

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1. "Report Concerning the Meat Packing Industry and the Acquisition of Wilsil Limited and Calgary Packers Limited", Restrictive Trade Practices Commission, Department of Justice, Ottawa, 1961.

subsequently confirmed by an opinion obtained from second leading counsel. It was accordingly decided not to institute any court proceedings in the matter.²

Conspiracy

In the latter part of 1961, senior officials of Burns and Company Limited (now Burns Foods Limited), Canada Packers Limited and Swift Canadian Company, Limited, disclosed to the Minister of Defence Production that evidence had been brought to their attention of collusion, over a period of five years, among the managers of their respective branches in Saint-John, New Brunswick, to fix prices in respect of meat sold to Department of National Defence establishments in the area. At the same time, they offered to make full restitution to the Government, which subsequently they did.

Since this gave the Director reason to believe that there had been a violation of the Combines Investigation Act, an inquiry was accordingly instituted. Following the inquiry, the Director referred the evidence direct to the Attorney General of Canada pursuant to section 15(1) of the Act. Information was subsequently laid against the three corporations - Burns Foods Limited, Canada Packers Limited and Swift Canadian Company - and four individuals, under section 32(1)(c) of the Act, for having conspired between January 1, 1957 and December 31, 1961 to prevent or lessen competition unduly in:

- a) the sale, transportation or supply of meats including beef and other packing house products to the Government of Canada, through the Department of National Defence at Camp Gagetown at Oromocto in the Province of New Brunswick; and
- b) the sale, transportation or supply of beef to retail chain stores including Dominion Stores Limited at Saint John and Lancaster in the Province of New Brunswick.

In selling to the retail chains, the companies had agreed that Canada Packers would supply the chains for six weeks (not necessarily consecutive) out of every ten, and the other two companies, Burns and Swift Canada, would supply for the remaining four weeks. The sharing had been

2. "Report of the Director of Investigation and Research", 1964, pp. 24-25.

accomplished by ensuring that the firm whose turn it was would submit the lowest bid, generally verbally, for a particular week's requirement. In supplying Camp Gagetown, the local conspiracy had been kept secret from the senior management of each company, and the companies each increased their apparent volume of business by intercompany trading before the sale was finally made to Camp Gagetown. This practice had not only made their sales volume impressive to their head offices, but, by placing a slight mark-up on each intercompany sale, had provided a convenient method of distributing the profits from the cartel among its members.

On June 3, 1969, there was a plea of guilty by all the accused in the Supreme Court of New Brunswick. The corporations were fined \$5,000 each and the individuals \$200 each.

Report of the Commission of Inquiry into the Marketing of Beef and Veal - 1976

According to the 1976 Commission of Inquiry into the Marketing of Beef and Veal, meat prices to retailers in Montreal are determined once a week for quantities to be delivered the following week. The price is determined after three days of bargaining through brokers between packers and retailers. A firm price is reached on the Thursday of each week once a small sale is made by a major packer to a major wholesaler through a major broker and the beef is resold to a major retailer. With the exception of some sales involving quantity discounts, other participants in the market then adopt these prices. Since one major sale sets the price for all other sales during the week, it would appear that price collusion by the packers is institutionally possible. Opportunity for price collusion is further increased since both packers and retailers have integrated vertically into the wholesale business. Even in the absence of collusion, market behaviour which allows all sellers to adopt an identical price is, in itself, restrictive of competition since an aggressive packer knows in advance that it cannot increase its market share by offering to sell more at lower prices without all firms adjusting their price offers downward. This system may also impede the expansion of smaller firms.

The potentially adverse consumer effects of this system are mitigated somewhat by the buying power of major retailers, which receive large volume discounts from Montreal packers. In the long run, however, this may ultimately result in a raising of concentration levels in the

retail sector. If, as a result of the volume discounts available to large chain stores, small retailers are squeezed out of the market, the resultant higher concentration of retail chains may remove any incentive to pass on lower wholesale prices to consumers. Furthermore, since the price for bulk buying on the part of a few large retailers from a few large packers is theoretically indeterminate, it follows that discounts for bulk buying may be larger than the savings attainable through volume distribution. Under the present Competition Act, this possibility of price discrimination is not illegal, since the Act deals only with price discrimination involving like or equal quantities. The proposed Competition Bill, however, does allow the Bureau to investigate price discrimination involving varying quantities, and could be of considerable importance should the market power of major retail chains continue to result in increased concentration in the Montreal market.

APPENDIX A-II

EGGS

Of the five complaints received by the Bureau of Competition Policy concerning the supply or pricing of eggs, two related to conduct regulated under the authority of a marketing board and therefore fell outside the jurisdiction of the Combines Investigation Act.

Refusal to Supply

1) A complaint was received in June 1970, that a wholesale distributor in Quebec had been unable to obtain his customary supplies of eggs from producers in the region in which he operated. This was allegedly because of the control exercised over distribution by the Quebec egg producers federation, often referred to as FEDCO. It had been announced publicly that from May 11, 1970, the total production of eggs in Quebec would be controlled by FEDCO, which would also set the wholesale price of eggs. FEDCO is an agency established under the provincial agricultural marketing board in accordance with Quebec agricultural marketing legislation.

Examination of the matter by the Director disclosed that the Federation exercises powers delegated to it by the Agricultural Marketing Board and is supervised by the Board. The authority of FEDCO was also challenged in the Courts by interested parties. On July 29, 1970, the Quebec Superior Court pronounced in its judgment that the operation of FEDCO is legal and constitutional. The Court's decision gives the Quebec egg producers the right to organize their own marketing arrangements within the power granted by law.

2) In 1975, a producer complained of a reduction in his egg production quota by the Ontario Egg Producers' Marketing Board. The Bureau pointed out in its reply that the Combines Investigation Act does not apply unless it can be shown that a particular activity has operated or is likely to operate so as to hinder or prevent the regulatory body from effectively exercising the powers given to it to protect the public interest.

3) In March 1966, a formal inquiry was initiated by the Director of Investigation and Research regarding a Producer/wholesaler's refusal to supply eggs to a super-market. Subsequent to a Restrictive Trade Practices Commission report, a prohibition order was sought in the Exchequer Court of Canada prohibiting the producer/wholesaler from violating section 31.2 of the Act. The

lower Court refused to grant such an order on the basis of a jurisdictional question and the Crown appealed to the Supreme Court. In February 1972, the Supreme Court reversed the lower court's decision and granted the issuance of an Order of Prohibition against the firm.

Price Discrimination

In 1971, two complaints were made concerning egg price discrimination across interprovincial boundaries. These complaints were largely an outcome of what is now referred to as the "chicken and egg war". During 1969-1971, partially in response to the policies of some of the provincial marketing boards as well as to an excess supply of feed grains in the prairie provinces, differential patterns of production and consumption of poultry commodities, particularly shell eggs and broiler chickens, led to price differentials between provinces in excess of transportation costs. The ensuing increase in interprovincial movement of commodities resulted in attempts by provincial boards to curtail product movement to protect local markets, primarily through the issuance of orders precluding the interprovincial movement of competing products.

Several of these orders have been subject to legal test and declared ultra vires under the British North America Act. Nevertheless, separate and distinct producing regions in Canada have remained.

APPENDIX A-III

POULTRY

Chicken

Market Restriction

On October 6, 1976, a six-citizen complaint was filed under section 7 of the Combines Investigation Act concerning market restriction of chicken broilers in British Columbia. In this complaint, it was alleged that the British Columbia Broiler Marketing Board had taken steps to prevent a major retail store from selling Quebec-produced chicken in B.C. The complaint further stated that the B.C. Broiler Marketing Board had, in the past, restricted the interprovincial movement of broiler chickens, and had acted under the authority of a Board regulation (Import Order Number 1) to seize supplies of broiler chickens not produced in B.C. Evidence gathered to this point indicated that the retail store acquired a shipment of Quebec broilers at a price substantially below prevailing B.C. levels, and the B.C. Broiler Marketing Board subsequently seized a quantity of chickens in one of the chain's stores. Since the activities of the Board were conducted pursuant to provincial legislation, the Bureau has placed this file in inactive status and so informed the petitioners.

Turkey

Merger

In 1975, Swift Canadian Company Ltd. applied to the Foreign Review Investment Agency for permission to lease, with option to buy, the turkey processing facilities of Checkerboard Food Ltd., a subsidiary of Ralston Purina Ltd., located in Ingersoll, Ontario. As was made public immediately after approval of the merger by F.I.R.A., the Director of Investigation and Research initiated an inquiry. This inquiry is currently progressing.

APPENDIX A-IV

DAIRY

Milk

Between 1945 and 1975, Dominion Dairies Ltd. acquired 17 dairies, Silverwoods Dairies Ltd. acquired 21, Borden's increased their dairies by eight, Beatrice foods (owned by Beatrice Foods Corp. of Chicago) acquired 31 and Beckers Milk Co., six. The number of franchised dairies increased by 119 firms in the 10 years between 1965 and 1975. The franchises appear to predominate in smaller communities, while mergers are accentuated in larger areas. The franchises consist of dairies that distribute milk already processed and packaged by larger dairies that have processing plants.

In a submission to the Royal Commission on Corporate Concentration, the Ontario Milk Marketing Board claimed that "the result of all this concentration in the milk processing industry has been a lessening of competition. In addition, there is the danger that a vast majority of the fluid milk business will fall into the hands of one or two large processors who will have virtual control of the market".

With corporate retailers entering into the processing and distribution of milk and other dairy products, the trend towards vertical integration in the dairy industry is increasing. Beckers, with 515 stores, is a wholly-owned subsidiary of Silverwood Industries Ltd. George Weston Ltd., which controls dozens of retail organizations, owns and operates Donland's Dairy in Toronto, Royal Dairy in Guelph, Clark Dairy in Ottawa, Neilson's Ice Cream in Toronto and has a 50 per cent interest in Foremost Dairy in Vancouver, a milk processor and ice cream manufacturer.

Although integration backward from retailer to processor may add stability, and, in some cases, increase competition in those situations where a few large dairy companies may otherwise be able to monopolize the processing of milk products, the Ontario Milk Marketing Board warned:

This continuing vertical integration between retailers and milk processors is, we submit, a dangerous and undesirable trend. It leads to the concentration of the milk processing and retailing industries into fewer and fewer hands. The great danger, if this trend continues, is that price competition would be curtailed with the result that consumers would pay excessive prices for dairy products such as fluid milk, cheese and ice cream.

In Quebec, the Bureau is precluded from examining mergers between dairies by the Quebec Agricultural Marketing Act, which gives regulatory powers to the Quebec Agricultural Marketing Board. The Board controls all aspects of processing and distribution of dairy products. A similar situation exists in some other provinces.

Conspiracy

In the Report in the Matter of an Inquiry Relating to the Production, Distribution and Sale of Skim Milk, Cream and Related Products, submitted to the Minister on May 9, 1968, the Restrictive Trade Practices Commission found that a number of dairy firms and an association in the Montreal area, involved in selling dairy products to the federal Department of Veterans Affairs, were parties to a price-fixing arrangement, between April 1961 and November 1963, to prevent, or lessen, unduly, competition contrary to section 32 of the Combines Investigation Act.

The Commission found that the arrangement determined which dairy would submit the low tender when quotations were called for dairy products to the Queen Mary Hospital in Montreal. This hospital is operated by the Department of Veterans Affairs, and tenders were called for twice a year. Contracts covered the supply of homogenized milk, buttermilk, chocolate milk, skim milk and certain types of cream. Minimum prices for homogenized milk, buttermilk and chocolate milk had been set, pursuant to Province of Quebec legislation. However, no such minimum prices had been set for the skim milk and certain types of cream. This partially controlled price structure for these commodities prompted some of the dairies, when tendering to the Department of Veterans Affairs, to offer the non-control products at an extremely low price, sometimes free, in an effort to secure the entire dairy product contract, which included the supply of milk, buttermilk and chocolate milk at the controlled minimum prices.

The Commission concluded that in April 1961, meetings were held by the 13 dairies and the association, to formulate a regular system of controlling the allocation of the contracts to supply the Department of Veterans Affairs, under which all participating firms would obtain a share of the contracts allocated by the Department. The rotation system which evolved provided that the 13 dairies participate in a draw, the winning dairy to be allowed to quote to the Department prices slightly below the current wholesale prices for a non-controlled product, while the other dairies in this bid quoted the slightly higher regular wholesale prices in the Montreal market.

The Commission stated that the Department of Veterans Affairs, recognizing its responsibility not to pay less than the minimum controlled prices established by the provincial law, refused to consider any tender on which a price below these controlled minimums was quoted. Skim milk and certain types of cream, although not regulated as to minimum prices, were subject to a general requirement that they be sold by the dairies at not less than the current market price. The Commission observed that the practice of the successful dairy in supplying skim milk and certain types of cream was contrary to the principles of the Province of Quebec price control regulations.

The Commission concluded that:

"Price competition for products for which minimum prices were set by the Dairy Industry Commission of the Province of Quebec was impossible. Competition was possible within only a narrow range with regard to cream and skim milk for which no minimum sale prices had been set, but which were to be sold at 'current' prices. It is also true that the nature of the Department of Veterans Affairs' invitations to tender which combined commodities with regulated minimum prices and those not subject to fixed minimum prices led to efforts among possible suppliers to seek a method of reconciling the tendering system and the provincial milk controls.

"However, neither of these facts justified the establishment of the rotation system. The Department as a consumer was entitled to the benefit of such competition as was possible in the price of products not specifically regulated. Moreover the Department was entitled to select its supplier whether price competition was possible or not. The arrogation of this power of selection was clearly to the detriment of the public."

Upon reference to the Attorney General of Canada, it was decided that the public interest would best be served by obtaining an Order of Prohibition pursuant to section 31(2). This was granted by the Exchequer Court against the following companies:

The Montreal Dairies' Association Inc.
The Borden Company, Limited
Guaranteed Pure Milk Co., Limited
L. Hope Dairy, Limited

J.J. Joubert, Limitée
Mile-End Dairy, Limited
The Mount Royal Dairies & Company Limited
Perfection Dairy Limited
A. Poupart & Cie, Ltée
Laiterie Saint-Alexandre, Limitée
La Ferme St-Laurent, Limitée

Due to amalgamations or reorganizations since the commencement of the inquiry, three firms named in the Report of the Restrictive Trade Practices Commission, Laiterie Bastien, Elmhurst Dairy, Limited and Laurel Industries Limited, were not included in the Order of Prohibition. The effect of this Order is to prohibit any of the defendants or their directors, officers, servants and agents from committing an offence against section 32 of the Act or the doing of any act or thing directed towards the commission of an offence.

Conspiracy

An inquiry into fluid milk in Southern Ontario commenced in February 1971, following a complaint to the effect that a particular price increase in Toronto on milk in three quart containers resulted from an agreement among the major dairies. It was alleged that one of the major dairies refused to follow the proposed price increases of the others until the price differential between the three-quart jug and the three-quart plastic bag package was increased to eight cents. In addition, a number of complaints had been received alleging that the high milk prices in the Windsor and Sarnia areas, as compared with those in other areas of southern Ontario, had also resulted from agreements among the dairies.

During the inquiry, documentary evidence was obtained from the major dairies operating in the Toronto market and the dairies operating in Windsor and Sarnia. Oral evidence was also taken from a considerable number of witnesses. The evidence showed communications among the dairies involved, for the purpose of intentionally arousing expectations that certain actions would be taken. In August 1974, the matter was referred to the Attorney General of Canada pursuant to subsection 15(1) of the Act. Following consultation with Counsel, the Department of Justice concluded that prosecution or other legal proceedings were not warranted because the evidence did not establish beyond a reasonable doubt that an understanding or arrangement had been mutually arrived at by the parties.

Conspiracy

In 1973, members of the Sudbury and Copper Cliff Milk Distributors Association were charged with price conspiracy after they had met to discuss the effect on retail prices of a recent Ontario Milk Marketing Board raw milk price increase. A small dairy that charged low prices at its own convenience milk stores, discovered that established non-integrated dairies pursued a policy of predatory pricing to corner grocery stores, presumably in order to place pressure on the dairy to increase prices at its stores. During the investigation, the Bureau discovered that this dairy could not spread the benefits of its low pricing policy because it was prohibited by regulation from supplying milk to new stores in the area. The accused dairies were discharged at the preliminary hearing, and the Department of Justice did not proceed with the case for technical reasons.

Price Discrimination

Several complaints have been concerned with price discrimination in the interprovincial sale of milk. When the P.E.I. Milk Commission was established in 1975, it immediately set one price for provincial milk and a lower price for milk sold in Newfoundland. The price differential was more than transportation costs between the province with the result that the price paid in Newfoundland at the wholesale level was lower than the price received by Newfoundland producers. After a complaint from the Newfoundland Dairymen's Association, the P.E.I. Milk Commission revised the price structure somewhat, but still maintained a lower price for milk sold in Newfoundland.

Resale Price Maintenance

Finally, an inquiry commenced in March 1975, when a complaint was received alleging that Silverwood Dairies Limited was pursuing a policy of resale price maintenance. On August 19, 1975, the evidence of this inquiry was submitted to the Attorney General of Canada pursuant to subsection 15(1) of the Act. On March 9, 1976, an Information containing two counts under section 38 was laid at Toronto.

A preliminary hearing was held in October 1976, and the company was ordered to stand trial on one count under subsection 38(2) of the Act. A second count under subsection 38(3) was dismissed. The trial date was set for July 13, 1977. Silverwood Dairies Limited were subsequently acquitted on the charge of resale price maintenance.

Cheese

The Bureau has received complaints regarding the cheese industry for a number of years. Most of these complaints allege that the plant supply quota system in Ontario encourages mergers and acquisitions among cheese plants. In 1972, a complainant alleged that Kraft Foods Ltd. had bought and closed down a small cheese company in order to obtain its milk quota and thus eliminate it as a competitor. According to the complainant, the plant supply quota system discouraged expansion other than through acquisition. The merger provisions of the Combines Investigation Act could not be applied since the plant supply quota system is administered by the Ontario Milk Marketing Board, which operates under valid provincial legislation.

Conspiracy

In an alleged conspiracy concerning cheese prices, a complainant claimed that major buyers of cheese on the Belleville Cheese Exchange had conspired to eliminate other buyers on the Exchange by pre-allocating plant outputs and by pre-arranging the price to be paid. The price of cheese across Canada is based on the price set by the Exchange. A formal inquiry revealed no evidence of conspiracy, although there was a lack of competitive bidding. It was possible to interpret this lack of competition, together with the pre-allocation of output, to the historical preference on the part of some buyers for the output of certain cheese producers because of traditional shipping and storage arrangements, and quality differences among cheese producers. The inquiry was consequently discontinued in 1977.

APPENDIX A-V

FRUIT AND VEGETABLES

Regulation

Many of the complaints received by the Bureau regarding the fruit and vegetable industry have concerned marketing boards in British Columbia. A B.C. fruit grower complained that the activities of the B.C. Fruit Board and its merchandising arm, B.C. Tree Fruits Ltd., were in restraint of trade. A group of Okanagan apple growers complained that the B.C. Fruit Growers' Association required all fruit growers belonging to the Association to either deliver all their fruit to the central selling agency (B.C. Tree Fruits Limited), or to market their fruit crops elsewhere. However, the Bureau was prevented from investigating these complaints further since the Combines Investigation Act does not apply in matters that are regulated under validly enacted provincial legislation.

A fruit packer in B.C. complained that the B.C. Fruit Growers Association was threatening to expel from membership all those growers who ship fruit through the complainant because the complainant had stored fruit from a grower not party to the Association. The situation again involves activities of a provincial marketing board.

One complainant alleged that local Prince George produce wholesalers successfully blocked his attempt to obtain a permit to transport produce from Okanagan for sale through the Caribou District and west to Smithers, B.C. The inability to acquire such a permit forced him to buy produce from local wholesalers at higher prices than he would otherwise pay (including transportation charges). He contended that representations made by the local wholesalers before the vegetable marketing board indicated that the Board was influenced by misleading representations. The Director replied that since such representations are legislatively encouraged by the Board when reviewing transportation permits, such activities by the wholesalers and the Board would not violate the Act.

A complaint was made against an Eastern processor who continued to negotiate individually with producers, refusing to deal with them collectively through the National Farmers Union when steps were being taken to have the marketing of cole crops provincially regulated. Following this complaint, a marketing commission was officially formed. The Director of Investigation and Research replied to the complainant, noting that a provincially established marketing commission is assumed to operate in the public

interest and consequently the Combines Investigation Act would not apply unless an agreement among members of the industry dealing in that product hindered or prevented the commission from effectively exercising its powers. It concluded that no formal inquiry into the cole crop purchasing practices was warranted.

Abuse of Monopoly Power

A number of complaints have also been made concerning unregulated conduct in the fruit and vegetable industry, however files have been discontinued due to lack of evidence. One complainant stated that Campbell Soup Co. Ltd. would not sell directly to a retailer. This, he alleged, was an abuse of a monopoly situation, stating that Campbell supplied 80 per cent of the soup market in Canada. The Director, while noting the dominance of Campbell Soup Co. Ltd. in the canned soup market, pointed out that the relevant class or species of business was the manufacture and sale of all soups including canned, condensed, ready-to-serve and dried. Consequently, the Director found no evidence that Campbell Soup Co. Ltd. was distributing its product in an undesirably restrictive manner, nor was there any action that could be described as discriminatory.

Other

Other complaints dealt with agricultural matters not relating to the responsibility of the Department. Complaints concerning the dumping of processed mushrooms, vegetables and apples were referred to other government agencies. Another complaint concerning prices was referred to the Food Prices Review Board.

APPENDIX A-VI

OTHER GROCERY PRODUCTS

Baby Food

Conspiracy

1. The Group Purchasing Co-ordinator of the B.C. Hospital's Association stated that price quotations received in response to tenders sent to five known suppliers resulted in bids which were identical when broken down into their unit prices. After research into this matter, including comparisons of bids submitted to the Director by the B.C. Hospital's Association, and an interview with the complainant, it was decided on June 17, 1976, that there was no reason to believe an offence under the Act had been committed.

2. A complaint was made that H.J. Heinz Co. Canada Ltd. and Gerber Products Ltd. had increased baby food prices and, on each occasion, the increases were identical in amount, effective date, and location. Since there was no documentary evidence of collusion to support the allegations, it was pointed out that identical prices are not in themselves necessarily indicative of a price agreement, and that action under the Combines Act could be commenced only if evidence suggested that some collusion had occurred.

Potatoes

Loss Leader Selling

A complainant alleged that Dominion Stores were using potatoes as a loss leader, forcing him to sell potatoes in his stores below cost to meet this competition. However, it was indicated that in the absence of a policy of predation designed to establish a monopoly, it was not an offence in itself for a supplier at any stage of distribution to sell goods below invoice cost.

Conspiracy

Another complainant alleged that the market for potatoes in Saskatoon was controlled through a conspiratorial arrangement between a broker and the wholesalers. Again, there was inadequate reason to believe that the Act had been violated.

Margarine

Merger

Lever Brothers Limited's acquisition of Monarch Fine Foods resulted in an informal inquiry by the Bureau into the effects of this merger on the margarine refining and packaging market. Analysis indicated that, while both companies had been competitors in the commercial margarine and margarine, shortening and vegetable markets, at no time did their combined market share exceed 40 per cent in any of these markets. The Bureau noted that given the extent of competition from other larger producers, this merger did not appear to have affected unduly the public interest.

Resale Price Maintenance

A consumer alleged that after an overall market-wide increase in the price of Fleischman's margarine in Winnipeg, a local co-op store had been requested by a Fleischman's salesman to increase prices in line with other retailers. The Bureau's inquiry disclosed no substantiation to this allegation.

Coffee

Conspiracy

A complainant alleged that two of the major instant coffee producers and/or distributors had substantially increased their selling prices and, although the amount of increase was not the same, the final retail price was identical. In reply, it was indicated that identical prices in themselves do not provide sufficient reason to believe that there has been a violation of the Act.

Confectionery

Price Discrimination

This inquiry was initiated by the Director in June 1969, after his attention had been drawn to an incentive allowance scheme which had been employed by William Neilson Ltd., a confectionery manufacturer. The scheme provided for rebates on increased sales volume such that a customer whose purchases in a quarterly period of the current year exceeded those in the corresponding quarter of the previous year by a given percentage would receive a percentage rebate on the dollar value representing the increase.

The effect of the plan was such that two customers purchasing in equal volume in the current year, one of whom had increased his purchases from the supplier by the required minimum and the other of whom had purchased in the same volume in the previous year, would pay different net prices in the current year. Section 34(1)(a) (then section 33A(1)(a)) of the Act makes it an offence for a supplier to make a practice of granting a purchaser more favourable prices than those available to competing purchasers in respect of like quality and quantity. Evidence obtained in the inquiry tended to confirm that the scheme had this effect, but it was also found that the scheme had been withdrawn shortly before the inquiry had been initiated when senior management had become aware of its implications.

Resale Price Maintenance

A complaint was made to the Nova Scotia regional office that a wholesaler refused to supply product to the complainant who was selling their product at discounted prices to the detriment of other retailers. The complainant felt that this was merely an excuse to stop him from discounting their product. While this appears to be an example of resale price maintenance, it is necessary to show that a supplier had specified a price at which they expected the product to be resold to prove a violation of section 38 of the Act.

Potato Chips

Predatory Pricing

In 1972, a complaint was made that large manufactures of potato chips were discounting prices to small stores and concessions, forcing substantial reductions in the margins of smaller manufacturers of potato chips. In view of the existing market structure, this practice may have had predatory implications, however, it was concluded that this kind of situation was not likely to raise any question under the existing Merger and Monopoly provisions of the Act.

APPENDIX A-VII

BREAD AND FLOUR

The bakery industry in Canada is highly concentrated, vertically integrated both backward to the flour mill companies and forward to the retail grocery chains. While integration and mergers by bakery and flour mills tend to reduce competition, backward integration from retail chains to bakeries tends, to some extent, to increase competition. Although both horizontal and vertical integration may have the result of capturing lower costs through achieving economies of scale, it may also result in substantially increased market power for the merged group. Bureau evidence indicates that this may be occurring, resulting in a forced decline in the number of small bakeries in that industry.

The major investigations by the Bureau into the bread and flour industry have involved mergers. The large number of complaints received by the Bureau concerning predatory pricing, price discrimination and refusal to supply have related closely to the increased market power attained by some firms through merger activities.

Merger

A major series of complaints and merger investigations involved two of the large flour mills, Ogilvie Flour Mills Company Limited, and Maple Leaf Mills Limited, together with a number of bakery companies, including the McGavin companies, Canadian Bakeries Limited, Weston's Bread and Cake (Canada) Limited, and General Bakeries Limited. These bakery companies were convicted in 1951 of conspiring to fix prices of bread and other bakery products in British Columbia, Alberta and Saskatchewan. At this time, Ogilvie Flour owned or controlled the three McGavin bakery companies, and Maple Leaf controlled Canadian Bakeries Limited. In 1961, the western operations of the McGavin companies and Canadian Bakeries merged to form McGavin Toastmaster Limited.

Although the two flour companies remained independent of one another, the flour supply to the merged baking company was split 60 per cent to 40 by agreement between the joint owners, Ogilvie and Maple Leaf. The new bakery company had 18 plants between Fort William and Vancouver, and had market shares of 25 per cent in British Columbia, 34 per cent in Alberta, 45 per cent in Saskatchewan and 22 per cent in Manitoba. Furthermore, the co-parent flour

companies had a combined percentage of the domestic flour market of between 60 to 70 per cent, with 40 per cent of their total sales going to their own controlled bakery companies. The competition among bread companies themselves was somewhat restricted by this merger, since the existing integration between retail chains and bread companies such as Canada Safeway, and Weston Bakeries Ltd. (whose parent George Weston Limited owns extensive supermarket operations) created captive sales outlets for the bread divisions and served to reduce competition from McGavin ToastMaster. The remaining retailers, with no bread-making facilities, became more dependent upon McGavin ToastMaster as a result of the merger. However, consumers were likely protected by competition at the retail level.

Conspiracy

Since 1961, there have been price conspiracy complaints involving sales to certain governmental and institutional buyers by the major bakeries. There have also been numerous complaints regarding disciplinary pricing and supply restricting tactics used in the industry. Although these complaints, when taken individually, do not present grounds for further inquiry, they do indicate the potential for many small local bakeries to threaten the prevailing price structure maintained by the disciplinary pricing tactics of the major bakeries.

Merger - Program of Compliance

Although highly restrictive conditions exist for obtaining convictions under the merger section of the Act, the Bureau's program of compliance has had some influence in deterring possibly undesirable mergers. In 1964, the Director of Investigation and Research told senior officers of a firm that if a proposed merger of two major bakeries actually took place, competition would be lessened in the Calgary and Edmonton markets to such a degree that the Director would start a formal inquiry. One of the firms, a bakery independent of control by the flour mills, and therefore free to buy flour where it wishes, has continually injected price competition into these markets. The planned merger did not proceed at that time.

On April 1, 1970, McGavin Toastmaster Limited acquired control of Honeyboy through a subsidiary. A formal inquiry concluded that the combined operation did not have

the necessary discretionary pricing power to operate to the detriment of the public because there were two powerfully vertically integrated competitors, and two major customers who had the potential to integrate backwards should the merged operation attempt to raise its prices.

Merger-Program of Compliance

In the late 1960's, the President of a large cereal manufacturer requested the Director's opinion on whether a proposed acquisition of a division of a milling competitor would result in an inquiry under the merger section of the Act. Since there existed at this time a substantial tariff of 30 per cent, the Director replied that if the tariff were reduced it would offset the concentration resulting from the proposed acquisition, and he would be unlikely to open an inquiry. Following this discussion, the firm reconsidered the proposed merger and undertook custom milling arrangements.

Price Discrimination

In another complaint, an M.P., inquired on behalf of a constituent whether a contravention of the Combines Investigation Act arose from the fact that "...small bakers are paying \$13.05 and up for a bag of flour as compared to a delivered price of \$10.50 to large bakers". The Minister replied that there are provisions in the Combines Investigation Act regarding price discrimination but they do not prohibit a price differential based on volume as long as equal prices are available to competing purchasers in respect of like quantity and quality. It should be noted that the proposed Competition Act does allow the Bureau to investigate price discrimination involving unlike quantities to establish if the discounts or allowances are greater than can be justified by cost savings.

APPENDIX A-VIII

DISTRIBUTION: GROCERY WHOLESALE AND RETAIL

Restrictive trade practices written into franchise and leasing agreements between wholesalers and retailers are major competition policy problems, especially in small communities. One third of the agricultural complaints received by the Bureau concerning the monopoly sections of the Act relate to the grocery wholesale and retail sector, of which complaints concerning franchise and leasing agreements constitute a significant proportion. In total, this sector accounted for 29 per cent of all agricultural complaints received by the Bureau.

Monopoly

An inquiry arose from complaints made in 1969 by certain residents of a small town in Ontario to the effect that a particular company had acquired a monopoly position in the wholesale supply of groceries in that town, that it substantially controlled the retail grocery business, and that it had operated to the detriment of the public by charging high prices and selling goods of poor quality and inadequate variety.

The evidence collected in the course of the inquiry disclosed that because of the decline in the local industry some years earlier, the grocery business had become overcapacitated and several stores closed down. Others were purchased or financially assisted by this company which also had the largest stake in the declining market. It also showed that the company's franchised outlet had retail prices and advertised specials which were applicable to town stores supplied by the company and were the same and not higher than for all such stores in the Division. Price comparisons between the franchisee's prices and those of corporate chain stores in the region were inconclusive, some prices being lower in the franchised stores and some higher than those of competitors.

Allegations were also made by the complainants that at times the quality of product in this town was poor. On the other hand, the Director of Investigation and Research had evidence indicating that the company's inspectors were regularly checking the quality of goods offered for sale and maintaining the standards of quality common to all the members of their voluntary chain system.

In 1969 and 1970 this company did dominate the wholesale and retail grocery business in the town. Since that time the company had disposed of its retail interests. It continues to supply the two remaining retail grocery stores, one of which holds a franchise. The other is owned by a grocer who is free to obtain supplies from the wholesaler of his choice and prefers to deal with the company. The latter company is subject, as it is in all small towns, to the competition of corporate chain stores in nearby towns and it is subject to potential competition if these dominant firms choose to establish a branch in the town. Accordingly, the Director decided to discontinue the inquiry under section 14, and so reported to the Minister and the complainants.

Such franchise agreements can have both favourable and unfavourable effects on competition. On the favourable side, these agreements may ease entry into the Canadian wholesale business by enabling the wholesaler to achieve economies of scale through the elimination of uncertainty and the assurance of a market. They may also allow the franchised small retailer to expand using capital advanced by the wholesaler, thereby enabling the retailer to achieve economies of scale in retailing. Consequently, any imperfections in the capital market, and the small retailer's inaccessibility to it, may be overcome through private contracts made outside the financial market. Furthermore, franchise agreements appear to be a method of achieving lower costs through both informal horizontal (retail) and vertical (wholesale-retail) integration without undertaking more formal merger procedures.

The problem for competition policy is that increased efficiency and size may mean increased concentration and monopoly power, especially in small communities where the market size is small relative to the economies of scale. In these cases economies of scale together with a small market may prevent entry at low cost sales levels other than by takeovers; but entry by this latter method may be prevented by the restrictive wording in franchise agreements, which, together with the restrictive nature of sub-leasing agreements, have the result of severely restricting trade and competition.

Leases at shopping centres can also restrict competition, and with the expansion of shopping centres, trade restriction conditions written into such leases have become of greater concern to the Bureau. For example, several "Ma and Pa" variety store owners competing in the

grocery convenience market have complained that their shopping centres leases included restrictions limiting the products they could sell. The complainants felt that these placed an undue restriction on commerce, and the recent enforcement of such restrictions by the managers of shopping centres was at the insistence of the larger national convenience chain stores such as Beckers and Mac's Milk.

The most prevalent restriction found in strip plaza and small shopping mall leases limits the sale of milk and milk products to one tenant. Since it is estimated that such products account for up to 30 per cent of convenience store sales, enforcement of such a restriction could reduce an outlet's volume by 25 to 35 per cent.

In the absence of jurisprudence in the area, these complaints open up a new field of investigation for the bureau. The applicability of the Act to shopping centre leases is currently the subject of research within the Bureau. Problems in this field arise not only with regard to market definition but also to the inappropriate wording of the Act when attempting to apply it to such leases.

Monopoly

In a major monopoly case involving Canada Safeway, part of the remedy designed to increase competition involved court prohibition orders, one of which prohibited the use of restrictive clauses in Safeway's leasing arrangements. The company was charged with being a party to a monopoly in the grocery retailing industry in the Calgary and Edmonton markets between January 1, 1965, and October 10, 1972. The Crown successfully obtained several prohibition orders intended to encourage the development and growth of competition in the retail grocery trade in each centre.

The intention behind the first prohibition was to prevent Canada Safeway Limited from engaging in a pricing policy designed to discourage competition and inhibit the growth of small competitors. It was found that whenever a local competitor lowered its prices to improve its competitive position, Canada Safeway Limited would consistently meet this competition by immediately lowering prices in those of its stores adjacent to the competitor's outlets. The cost of such a policy to a dominant firm is small, since the lower prices are applied in only a few of many outlets and only for a limited duration. The Order forced Canada Safeway Limited to stop engaging in this policy, while permitting the company to meet price competition on a city-wide basis.

A second prohibition required that Canada Safeway Limited, over the next three and one-half years, increase the total square footage of its retail outlets in each of the two cities, and it allowed Safeway to open only one new outlet in each market during this period. In addition, Canada Safeway was ordered not to acquire new sites for retail outlets during the year following the expiration of the three and one-half year period. The intention of this prohibition was to increase the opportunity for other retailers to expand in the retail grocery trade in Edmonton and Calgary. It was further intended to prevent Canada Safeway from pre-empting prime sites for retail outlets in each of the two markets as these sites became available.

Canada Safeway was prevented from entering into any restrictive clauses or covenants in its leasing arrangements or enforcing such existing arrangements in leases designed to prevent competitors from opening stores in the vicinity of Canada Safeway outlets, or of specifying the size of competing outlets and the conditions for food sales by competitors in shopping centre sites.

Canada Safeway Limited was prohibited from compensating for the effects of the Orders through acquiring the shares or assets of any existing grocery outlets or businesses operating in the two markets for a period of five years.

Canada Safeway was also prohibited from engaging in market saturating advertising during the period 1974 to 1978 inclusively, and from directly or indirectly stating in its advertising that its stores within the two city markets were engaging in localized pricing policies as prohibited by the Orders.

Refusal to Supply

The refusal to supply a product is another category in which the Bureau has received numerous complaints. For instance, a retail co-operative grocery store in Quebec alleged that, after pressure from name brand food manufacturers, the largest grocery wholesaler in the area had refused to supply the store with grocery products because of the Co-op's low pricing policies. Given that the co-operative was able to obtain supplies from a wholesaler in a neighbouring area, the Bureau found that since the refusal to supply was not a part of a resale price maintenance policy, nor an abuse of a monopoly power, an offence under the Act was unlikely to have occurred.

Monopoly - Prices

A number of complaints have centred on high prices and retail monopolies in small communities in northern Canada. Prices in these communities, however, are often high because of the smallness of the business, high transportation costs, and the fact that the retailer, in the absence of competition, is able to price his products on the basis of a percentage mark-up above transportation costs. It is difficult, therefore, to determine the extent to which prices in northern Canada reflect increased cost levels in these markets rather than the monopoly power enjoyed by retailers and wholesalers in many northern communities.

APPENDIX A-IX

AGRICULTURAL IMPLEMENTS

Market Separation

The Special Report on Prices of the Royal Commission on Farm Machinery found evidence that farm machinery companies were determined to separate or insulate a high-priced North American market from the low-priced British market. British manufacturers' contracts with dealers in Britain prohibited the re-sale of new tractors for domestic use but dealers were allowed to export used tractors from Britain that were at least one year old. The penalties for breach of the export prohibition, which were specified in the contracts, included termination of the franchise, cancellation of trade discounts on a number of tractors, and fines. The contracts also stipulated that the British dealers would bind retail purchasers not to resell new tractors for export.

Subsequent to the Royal Commission's report, the Bureau conducted a formal inquiry and searches were made on the premises of various farm machinery companies during the period February 24 to March 16, 1970. Documentary evidence obtained during the inquiry pointed to a collusive agreement between companies in the United Kingdom to stop U.K. dealers from shipping or selling tractors to Canadian farmers or their organizations.

On June 5, 1970, the Director of Investigation and Research met in London with the Registrar of Restrictive Trading Agreements and informed him of the collusive agreement. The Registrar expressed great interest but did not consider that the evidence was sufficiently strong to warrant any action by his Office.

The Director of Investigation and Research has since been informed that Ford Motor Company Limited and International Harvester of Great Britain Limited had eliminated the provision regarding restriction of export of farm tractors to North America in their contracts with the United Kingdom dealers. In 1977, the Director wrote to Massey-Ferguson Manufacturing Limited in Toronto asking whether similar action had been taken or contemplated. The President replied that current EEC regulations were to expire at the end of the year and the United Kingdom management would be amending its domestic distributor agreements to comply with whatever regulation were in force at the time of the United Kingdom's entry into the Common Market.

Conspiracy

A complaint was filed in 1976 that farm implement dealers in a certain region were adding a surcharge of \$3 to parts sold on Saturdays or weekday evenings. Further investigation confirmed that the implement dealers association made the agreement but it was not fully implemented by all the dealers. Moreover, given the nature of the market with a considerable number of dealers within a 30-mile radius, there would be difficulty in proving that the agreement lessened competition unduly in the sale of replacement parts for emergency repairs of farm machinery. Consequently, a formal inquiry was not undertaken.

Tied Selling

In 1977, an allegation was made that a Winnipeg firm refused to supply wheel rims unless the purchaser also bought the necessary spindles and hubs. Subsequent interviews by the Bureau indicated that some customers believed the firm engaged in a policy of tied selling but had no specific evidence to support the contention.

APPENDIX A-X

FERTILIZER

Since 1933, the administrators of the Combines Investigation Act have received numerous complaints from across Canada concerning the fertilizer industry, alleging price-rigging by dealers, manufacturers refusing to supply, price discrimination and in 1952, it was alleged that the controlling manufacturers had combined to eliminate competition. This latter complaint led to a formal inquiry into the manufacture, distribution and sale of fertilizer and related products, but was discontinued in 1954. In 1964 a formal inquiry was conducted concerning an alleged abuse of monopoly by refusal to supply and was subsequently discontinued in 1965. Informal inquiries commenced in 1969 and 1970 concerning disparity in prices of fertilizer between the U.S. and Canada, and identical prices in the fertilizer business. However, evidence was not found that would give reason to believe the Act had been violated and which would initiate a formal inquiry. Finally an inquiry commenced in 1973 after numerous complaints were received concerning the conduct of firms in the western Canadian fertilizer industry. Preliminary hearings have been held and the case is ongoing.

Inquiries conducted by the Bureau of Competition Policy into the fertilizer industry are described below.

Alleged Abuse of Monopoly by Refusal to Supply - 1964

This inquiry arose in September 1964 as result of an informal complaint made on behalf of a co-operative organization in Western Canada (Federated Co-operatives Limited), to the effect that the dominant manufacturer and supplier of fertilizer refused to continue supplying the co-operative's retail outlets except under a long-term contract. The complaint alleged that the refusal to supply resulted from an announcement by the co-operative organization of its intention to build its own fertilizer plant to come into operation in 1965.

The complaint was examined in relation to section 33 of the Combines Investigation Act because the reference to the long-term contract raised the question of whether the fertilizer firm was attempting to prevent the co-operative's own fertilizer plant from being built. The complaint also indicated that two major firms had made an alternative arrangement to market their fertilizer. The marketing arrangement was also examined in relation to sections 32 and

33 of the Combines Investigation Act because of the possibility which appeared to exist that, as a condition of the agreement, the co-operative would not be supplied on a short-term basis.

Information obtained in the course of the inquiry indicated that while the dominant fertilizer manufacturer had previously enjoyed a position as the sole manufacturer in Western Canada, its share of the market in recent years had declined significantly as the result of the entry of two smaller producers. Further significant declines in the market share of the dominant firm were anticipated as the result of the entry of the co-operative organization's manufacturing plant and the further efforts of existing competitors.

The information obtained also indicated that negotiations concerning the distribution agreement had been initiated prior to the announcement by the co-operative of plans for the new fertilizer plant. The agreement itself made no reference to the co-operative organization and did not contain exclusive dealing clauses. The need for additional distribution facilities had already been recognized as the result of an expansion planned by the manufacturer complained against and this need was increased as the result of the co-operative's announcement. It was demonstrated that the withdrawal of potential outlets represented by the co-operative would likely have a substantial effect on the distribution of the dominant manufacturer's products and that the development of new distribution facilities to replace them would take some time.

In addition to the entry of the co-operative as a manufacturer, the information obtained indicated that virtually all firms in the industry were either in the process of expanding manufacturing capacity or planned to do so in the near future. Given these expansion plans and in spite of a rapidly rising demand for fertilizer, it appeared that substantial excess capacity would exist in the industry

It was expected that expanded capacity and increased competition from existing producers would tend to erode the previously rigid price structure. The refusal of the dominant firm to supply the outlets of the co-operative organization would not forestall the entry of the co-operative as a manufacturer and it would not appear that this refusal to supply and the alternative distribution arrangements made by the dominant firm would permanently handicap the distribution and sale of fertilizer by the co-operative.

On the basis of the foregoing information, the Director of Investigation and Research considered that he did not have reason to believe that any provisions of the Combines Investigation Act had been violated and concluded that the matter did not warrant further inquiry.

Alleged Disparity in Fertilizer Prices Between Canada and the United States - 1969

As a result of complaints regarding an alleged disparity in fertilizer prices between Canada and the United States, brought to the attention of the Minister of Consumer and Corporate Affairs, the Director of Investigation and Research commenced an informal inquiry early in 1969 to determine whether there was reason to believe that offences under the Act were taking place in the supply of this product. Among other lines of inquiry, a questionnaire was sent to each of the major Canadian producers.

The information assembled disclosed that between 1960 and 1969, production in Canada had quadrupled and that this growth had been paralleled in the United States. The increased production had partly resulted from the entry into the industry by major oil companies in response to the rapidly expanded demand noted in the early sixties. The large increase in investment by producers was accompanied by their extension into distribution with a view to cutting costs. At the same time importing countries were expanding their domestic production. The very substantial investment in production facilities all over North America coincided with a level of demand far below that anticipated, and there developed a high degree of over-capacity and over-production. The consequent decline in price was reported to be so substantial that even efficient producers were encountering losses.

The evidence did not disclose the existence of an unjustified price differential of a substantial and continuing nature between Canadian and United States markets, nor were there indications of collusion or artificial pricing by Canadian producers. In view of this, and the fact that no further complaints of price discrepancies were received, the Director of Investigation and Research concluded that the instances which gave rise to the informal inquiry were isolated aberrations to be explained by unstable market conditions in local areas on both sides of the Canadian-U.S. border, in which supply far exceeded demand. The Minister was informed of this conclusion on December 4, 1969.

Identical Pricing in the Fertilizer Business - 1970

On May 4, 1970, A.P. Gleave, M.P. (Saskatoon-Biggar), asked in the House of Commons whether the government would commence an investigation into identical pricing in the fertilizer business. The question was raised following a complaint regarding fertilizer manufacturers in which it was alledged that firms were submitting substantially identical tenders.

Further investigation by the Bureau failed to establish the existence of a price-fixing agreement in contravention of the Combines Investigation Act. In a market where there are relatively few firms supplying a homogeneous product, such as tobacco fertilizers, any difference in price at which the firms regularly sell the product can only be temporary unless some unusual factor is present. In such markets, firms have a tendency to refrain from price reductions, since these are likely to be followed by competitors, with the result that the firm initiating the reduction may in the end simply retain its original share of the market at a lower profit margin. In addition, if the market shares held by several competitors are altered in the process, a seller whose share had decreased may attempt to regain his original position by underbidding his competitors, thereby triggering further price cutting. To avoid such instability, companies in these markets often avoid making price concessions that may be detected by competitors.

The Charlotteville invitation to tender specified that delivery was to be made to individual members of the Charlotteville Federation of Agriculture rather than to a central location, which would not give rise to any substantial economies in administrative or delivery costs on the part of the manufacturers so as to justify reductions in price. Other terms of the tender relating to quantities and payment were also such as to discourage any significant departure from the regular selling prices. Such independent but parallel action does not constitute a violation of the Combines Investigation Act.

Conspiracy - 1973

This inquiry was commenced in February 1973, after numerous complaints were received by the Director concerning the conduct of firms in the western Canadian fertilizer industry. The evidence in this inquiry was referred to the Attorney General of Canada in December 1975, pursuant to subsection 15(1) of the Act. On January 16, 1976, a charge

was laid under section 32(1)(c) of the Act, against Cominco Ltd., Cominco Ltée., Imperial Oil Limited, Northwest Nitro-Chemicals Ltd., Sheritt Gordon Mines, Limited, Simplot Chemical Company Ltd., and Western Co-operative Fertilizers Limited. In addition several firms were named as unindicted co-conspirators.

ANNEX B
PERFORMANCE

APPENDIX B-I

PORK

Preliminary analysis of the data collected for this study indicates that the Toronto and Midwest U.S. slaughter hog markets are fairly competitive. Prices paid to producers for slaughter hogs, carcass basis, Toronto and the Midwest U.S. during the period 1970-1976 averaged \$47.74 per hundredweight and \$44.91 per hundredweight (Canadian currency), a spread of \$2.83 per hundredweight (see Chart I and Table 22). The spread between the two markets widened somewhat during the last half of 1974, returned to previous levels, and began widening again during the fourth quarter of 1975. During 1976, the spread between these two markets was \$6.90 per hundredweight.

Aggregate wholesale pork primal and by-product prices exhibit similar patterns. During 1970-1976, total wholesale value for hogs (carcass basis) averaged \$51.3 per hundredweight and \$47.14 per hundredweight in Toronto and Midwest U.S. markets, respectively, a spread of \$4.16 per hundredweight (see Chart II and Table 23). A widening of spreads occurred again during the last half of 1974 and from the fourth quarter of 1975 onward. During 1976, the spread between the two markets averaged \$10.5 per hundredweight.

The increased wholesale spread between Canada and U.S. markets reflects the increase in slaughter hog prices as well as an increase in wholesale pork primal carcass and by-product price spreads in the Toronto market relative to the Midwest. In both markets, wholesale prices appear highly responsive to changes in slaughter hog prices (see Charts III and IV).

During 1971-1972, average farm-to-wholesale price spreads for fresh pork were very similar in both markets (spread difference of \$0.10 per hundredweight). Since 1972, however, the farm-to-wholesale spread in Canada has widened relative to the U.S. (see Chart V and Table 24). During 1976, fresh pork farm-to-wholesale price spreads in Toronto averaged \$5.2 per hundredweight, \$4 per hundredweight above similar spreads in the U.S. The most dramatic widening of pork price spreads between Toronto and the Midwest U.S. occurred in the fresh wholesale pork loin market (see Chart VI and Table 25). Prices in the Toronto market during 1970-1971 averaged 8.5 cents per pound higher than those in the Midwest; in 1976 this spread reached 28 cents per pound. This is primarily due to increased processor price spreads in Canada, reflecting the growing importance of Japan as an export market for Canadian fresh pork (see Chart VII and

Table 26). During 1970-76, Canadian farm-to-wholesale spreads for fresh pork loins represented 36.3 per cent of the consumer dollar spent on pork loins; in the U.S. they accounted for 21.7 per cent.

Wholesale-to-retail price spreads for fresh pork loins are substantially higher in the U.S., and the amount by which they exceed Toronto spreads is widening (see Charts VIII-X and Table 27). During 1970-76, wholesale-to-retail price spreads averaged 22.9 cents per pound in Toronto as compared with 38.7 cents per pound in the U.S., a difference of 15.83 cents per pound. In 1976, these spreads in the Toronto market averaged 24.3 cents per pound, as compared with 50.9 cents per pound in the U.S. During 1970-1976, U.S. wholesale-to-retail spreads accounted for 33.25 per cent of the consumer dollar spent on pork loins; in Canada they represented 19.89 per cent.

The larger wholesale-to-retail spreads in the U.S. relative to Toronto serve to offset the somewhat higher prices and price spreads at the producer and wholesale levels in Canada. Retail prices for fresh pork loins are very similar in both markets, although edging marginally higher in Toronto during the past few years (see Chart XI and Table 28). Fresh pork loin farm-to-wholesale and wholesale-to-retail spreads in Toronto and Midwest U.S. markets appear to exhibit an inverse relationship. That is to say, when farm-to-wholesale spreads increase, wholesale-to-retail spreads decrease (see Charts XII and XIII). This may be indicative of normal price response to supply fluctuations at wholesale which may be mitigated at retail as a result of constraining demand and cross elasticities.

When the effect of slightly higher slaughter hog prices in the Toronto market is removed, farm-to-retail price spreads in Toronto actually average below corresponding spreads in the U.S. (see Chart XIV and Table 29).

The widening price differential between domestic wholesale pork loin prices and the price at which competing Midwest loins may be landed in Toronto (see Chart XV and Table 30) reflects Canada's increased pork exports to Japan. Since Canadian pork is more competitive in this export market than U.S. products, a floor has been placed under Canadian loin prices relative to imported U.S. loins.

Amount by Which Average Prices
and Price Spreads For Fresh Pork Loins in Toronto
Differ from Those in the U.S.

1970 - 1976

cents per pound

| | <u>1970-1976</u> | <u>1976</u> |
|--|------------------|-------------|
| <u>Average Farm-gate Price (Retail Basis)</u> | + 2.72 | + 7.09 |
| <u>Average Farm-to- Wholesale Price Spread</u> | + 16.52 | + 30.76 |
| <u>Average Wholesale- To-Retail Price Spread</u> | - 15.83 | - 26.6 |
| <u>Adjust for Trans. and Change in Wholesale Pricing Basis in U.S.</u> | - 4.72 | - 6.97 |
| | <hr/> | <hr/> |
| <u>Average Retail Pork Loin Price</u> | - 1.31 | + 4.28 |

TABLE 22

U.S. FARM HOG PRICES, BARROWS AND GILTS OMAHA, 1 & 2,
220-240LB (CARCASS BASIS) (cents per pound, CDN \$)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 37.0 | 23.7 | 33.5 | 46.5 | 49.2 | 51.6 | 62.2 |
| Q 2 | 34.3 | 24.2 | 34.0 | 49.1 | 39.5 | 65.0 | 63.9 |
| Q 3 | 29.7 | 25.6 | 36.7 | 63.3 | 47.2 | 80.3 | 54.5 |
| Q 4 | 21.9 | 27.2 | 38.3 | 54.7 | 51.0 | 68.7 | 44.9 |
| AVERAGE | 30.7 | 25.2 | 35.6 | 53.4 | 46.7 | 66.4 | 56.4 |

CANADIAN HOG PRICES - INDEX 100 - ONTARIO (cents per pound)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 38.2 | 25.6 | 34.2 | 48.8 | 50.4 | 54.5 | 68.9 |
| Q 2 | 32.9 | 23.7 | 35.4 | 49.7 | 42.6 | 64.2 | 68.2 |
| Q 3 | 31.1 | 26.6 | 40.5 | 64.1 | 55.7 | 82.1 | 63.5 |
| Q 4 | 26.5 | 27.7 | 42.5 | 56.7 | 55.6 | 73.9 | 52.5 |
| AVERAGE | 32.2 | 25.9 | 38.2 | 54.8 | 51.1 | 68.7 | 63.3 |

Sources: See Appendix B-VI, Section I.

TABLE 23

U.S. WHOLESALE PORK PRIMAL AND BY-PRODUCTS PRICES,
(cents per pound, CDN \$)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 41.4 | 26.7 | 36.5 | 48.7 | 49.2 | 53.1 | 62.3 |
| Q 2 | 38.1 | 27.5 | 36.4 | 49.9 | 40.5 | 66.7 | 63.4 |
| Q 3 | 33.5 | 29.2 | 38.7 | 63.9 | 50.1 | 81.1 | 56.0 |
| Q 4 | 27.1 | 31.5 | 41.1 | 55.9 | 54.8 | 69.2 | 47.3 |
| AVERAGE | 35.0 | 28.7 | 38.2 | 54.6 | 48.7 | 67.5 | 57.3 |

CANADIAN WHOLESALE PORK PRIMAL AND BY-PRODUCT PRICES,
TORONTO (cents per pound)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 42.5 | 28.6 | 37.4 | 52.7 | 53.4 | 59.2 | 73.1 |
| Q 2 | 37.0 | 28.5 | 38.8 | 51.3 | 46.6 | 68.5 | 71.0 |
| Q 3 | 34.5 | 30.2 | 43.5 | 64.5 | 57.5 | 85.4 | 68.4 |
| Q 4 | 29.8 | 31.1 | 46.2 | 61.1 | 59.7 | 77.3 | 58.6 |
| AVERAGE | 35.9 | 29.6 | 41.5 | 57.4 | 54.3 | 72.6 | 67.8 |

Sources: See Appendix B-VI, Section I.

TABLE 24

U.S. FRESH PORK PRICE SPREAD, FARM-GATE TO WHOLESALE,
MIDWEST (cents per pound, CDN \$)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 4.6 | 3.3 | 3.3 | 2.9 | 0.6 | 1.7 | 0.5 |
| Q 2 | 4.0 | 3.6 | 2.7 | 1.7 | 1.4 | 2.1 | -0.1 |
| Q 3 | 4.1 | 3.8 | 2.5 | 1.4 | 3.3 | 1.1 | 1.9 |
| Q 4 | 5.4 | 4.5 | 3.3 | 2.0 | 4.2 | 0.9 | 2.8 |
| AVERAGE | 4.5 | 3.8 | 3.0 | 2.0 | 2.4 | 1.4 | 1.2 |

CANADIAN FRESH PORK PRICE SPREAD, FARM-GATE TO WHOLESALE,
TORONTO, (cents per pound)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 5.0 | 3.4 | 3.6 | 4.8 | 3.9 | 5.2 | 5.0 |
| Q 2 | 4.7 | 5.1 | 3.9 | 2.7 | 4.7 | 4.8 | 3.6 |
| Q 3 | 3.9 | 4.0 | 3.5 | 1.6 | 2.5 | 4.0 | 5.7 |
| Q 4 | 3.9 | 3.8 | 4.4 | 5.4 | 4.7 | 4.1 | 6.6 |
| AVERAGE | 4.4 | 4.1 | 3.8 | 3.6 | 3.9 | 4.5 | 5.2 |

Sources: See Appendix B-VI, Section I.

TABLE 25

U.S. PORK WHOLESALE PRICES, FRESH LOINS, 14 lbs or less
MIDWEST (cents per pound, CDN \$)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 58.5 | 39.4 | 55.7 | 71.8 | 71.0 | 70.7 | 86.3 |
| Q 2 | 58.0 | 40.7 | 56.4 | 68.7 | 65.3 | 97.0 | 90.5 |
| Q 3 | 53.0 | 47.2 | 55.1 | 85.8 | 70.6 | 109.6 | 81.7 |
| Q 4 | 40.8 | 47.8 | 63.7 | 74.8 | 74.9 | 100.7 | 70.4 |
| AVERAGE | 52.6 | 43.8 | 57.7 | 75.3 | 70.5 | 94.5 | 82.2 |

CANADIAN PORK WHOLESALE PRICES, FRESH LOINS, TORONTO
(cents per pound)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 64.6 | 45.7 | 63.3 | 97.7 | 85.5 | 98.5 | 125.7 |
| Q 2 | 61.9 | 52.8 | 69.0 | 82.7 | 87.6 | 117.8 | 120.6 |
| Q 3 | 61.8 | 60.5 | 73.9 | 92.0 | 99.9 | 136.7 | 120.9 |
| Q 4 | 50.2 | 55.4 | 80.7 | 85.4 | 92.2 | 123.6 | 102.9 |
| AVERAGE | 59.6 | 53.6 | 71.7 | 89.4 | 91.3 | 119.2 | 117.5 |

Sources: See Appendix B-VI, Section I.

TABLE 26

U.S. FARM-TO-WHOLESALE PRICE SPREAD, FRESH LOINS, MIDWEST,
(cents per pound, CDN \$)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 21.9 | 16.0 | 22.5 | 26.0 | 22.4 | 19.3 | 24.5 |
| Q 2 | 24.1 | 16.8 | 22.8 | 20.5 | 26.2 | 32.4 | 27.0 |
| Q 3 | 23.6 | 21.8 | 18.9 | 23.3 | 23.7 | 29.7 | 27.5 |
| Q 4 | 19.2 | 20.8 | 25.9 | 20.9 | 24.2 | 32.4 | 25.7 |
| AVERAGE | 22.2 | 18.9 | 22.5 | 22.7 | 24.1 | 28.5 | 26.2 |

CANADIAN FARM-TO-WHOLESALE PRICE SPREAD, FRESH LOINS, TORONTO,
(cents per pound)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 27.0 | 20.6 | 29.5 | 49.8 | 36.0 | 44.5 | 57.6 |
| Q 2 | 29.7 | 29.4 | 34.1 | 34.0 | 45.6 | 54.2 | 53.3 |
| Q 3 | 31.2 | 34.3 | 33.9 | 29.1 | 44.8 | 55.3 | 58.1 |
| Q 4 | 24.3 | 28.1 | 38.8 | 29.7 | 37.1 | 50.5 | 50.9 |
| AVERAGE | 28.1 | 28.1 | 34.1 | 35.7 | 40.9 | 51.1 | 55.0 |

Sources: See Appendix B-VI, Section I.

TABLE 27

U.S. PORK PRICE SPREAD: FRESH LOINS, WHOLESALE-TO-RETAIL,
MONTHLY (cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 29.5 | 28.6 | 29.5 | 36.0 | 43.4 | 43.2 | 52.1 |
| Q 2 | 31.5 | 30.7 | 27.4 | 40.0 | 39.7 | 41.9 | 48.5 |
| Q 3 | 31.0 | 30.5 | 32.0 | 37.6 | 40.3 | 53.5 | 52.3 |
| Q 4 | 32.7 | 30.6 | 30.0 | 39.3 | 44.2 | 57.9 | 50.6 |
| AVERAGE | 31.2 | 30.1 | 29.7 | 38.2 | 41.9 | 49.1 | 50.9 |

CANADIAN PORK PRICE SPREAD: FRESH LOINS, WHOLESALE-TO-RETAIL,
TORONTO, MONTH-END (cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 25.5 | 23.6 | 23.5 | 10.0 | 16.7 | 25.4 | 22.3 |
| Q 2 | 22.3 | 16.1 | 19.3 | 14.4 | 14.8 | 28.4 | 26.0 |
| Q 3 | 21.8 | 19.8 | 22.1 | 31.7 | 23.6 | 30.2 | 28.1 |
| Q 4 | 27.5 | 23.6 | 15.9 | 22.8 | 27.9 | 37.1 | 20.4 |
| AVERAGE | 24.3 | 20.8 | 20.2 | 19.7 | 20.8 | 30.3 | 24.2 |

Sources: See Appendix B-VI, Section I.

TABLE 28

U.S. PORK LOIN RETAIL PRICES, MONTHLY,

(cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 99.2 | 77.4 | 92.2 | 116.6 | 126.0 | 128.8 | 154.9 |
| Q 2 | 96.6 | 78.6 | 90.9 | 117.1 | 110.8 | 143.2 | 150.1 |
| Q 3 | 92.9 | 85.9 | 100.7 | 136.8 | 125.6 | 174.2 | 148.9 |
| Q 4 | 80.5 | 83.1 | 100.5 | 123.2 | 124.5 | 170.3 | 129.8 |
| AVERAGE | 92.3 | 81.2 | 96.1 | 123.4 | 121.8 | 154.1 | 145.9 |

CANADIAN PORK LOIN RETAIL PRICES, TORONTO, MONTH END,

(cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 94.7 | 72.7 | 91.3 | 114.7 | 108.3 | 131.0 | 157.0 |
| Q 2 | 88.7 | 72.7 | 93.3 | 103.0 | 108.7 | 154.7 | 155.3 |
| Q 3 | 88.0 | 84.7 | 101.3 | 130.3 | 130.7 | 176.7 | 157.7 |
| Q 4 | 81.3 | 83.0 | 102.3 | 114.3 | 126.7 | 169.7 | 130.7 |
| AVERAGE | 88.2 | 78.2 | 97.1 | 115.6 | 118.6 | 158.0 | 150.2 |

Sources: See Appendix B-VI, Section I.

TABLE 29

U.S. FRESH PORK LOIN PRICE SPREADS, FARM TO RETAIL
(RETAIL BASIS, MONTHLY), U.S. (cents per pound, CDN \$)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 56.4 | 50.5 | 55.1 | 64.6 | 70.7 | 70.7 | 85.1 |
| Q 2 | 59.1 | 52.0 | 53.9 | 63.2 | 70.3 | 74.2 | 79.9 |
| Q 3 | 58.6 | 56.4 | 58.6 | 65.8 | 72.8 | 86.4 | 85.9 |
| Q 4 | 55.0 | 52.9 | 58.1 | 63.7 | 68.0 | 93.0 | 79.0 |
| AVERAGE | 57.3 | 53.0 | 56.4 | 64.3 | 70.5 | 81.1 | 82.5 |

CANADIAN FRESH PORK LOIN PRICE SPREADS, FARM TO RETAIL
(RETAIL BASIS, MONTH-END) TORONTO (cents per pound)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 53.8 | 45.2 | 54.6 | 62.3 | 54.3 | 72.6 | 83.1 |
| Q 2 | 53.4 | 47.2 | 55.4 | 49.8 | 63.1 | 85.8 | 82.2 |
| Q 3 | 54.6 | 56.1 | 57.9 | 61.7 | 70.9 | 88.7 | 89.6 |
| Q 4 | 52.9 | 53.3 | 56.7 | 53.5 | 67.0 | 90.5 | 74.4 |
| AVERAGE | 53.7 | 50.5 | 56.2 | 56.8 | 63.8 | 84.4 | 82.3 |

Sources: See Appendix B-VI, Section I.

TABLE 30

U.S. PORK LOIN WHOLESALE PRICES, F.O.B. MIDWEST LANDED IN
TORONTO, (cents per pound, CDN \$)
1970 - 1976

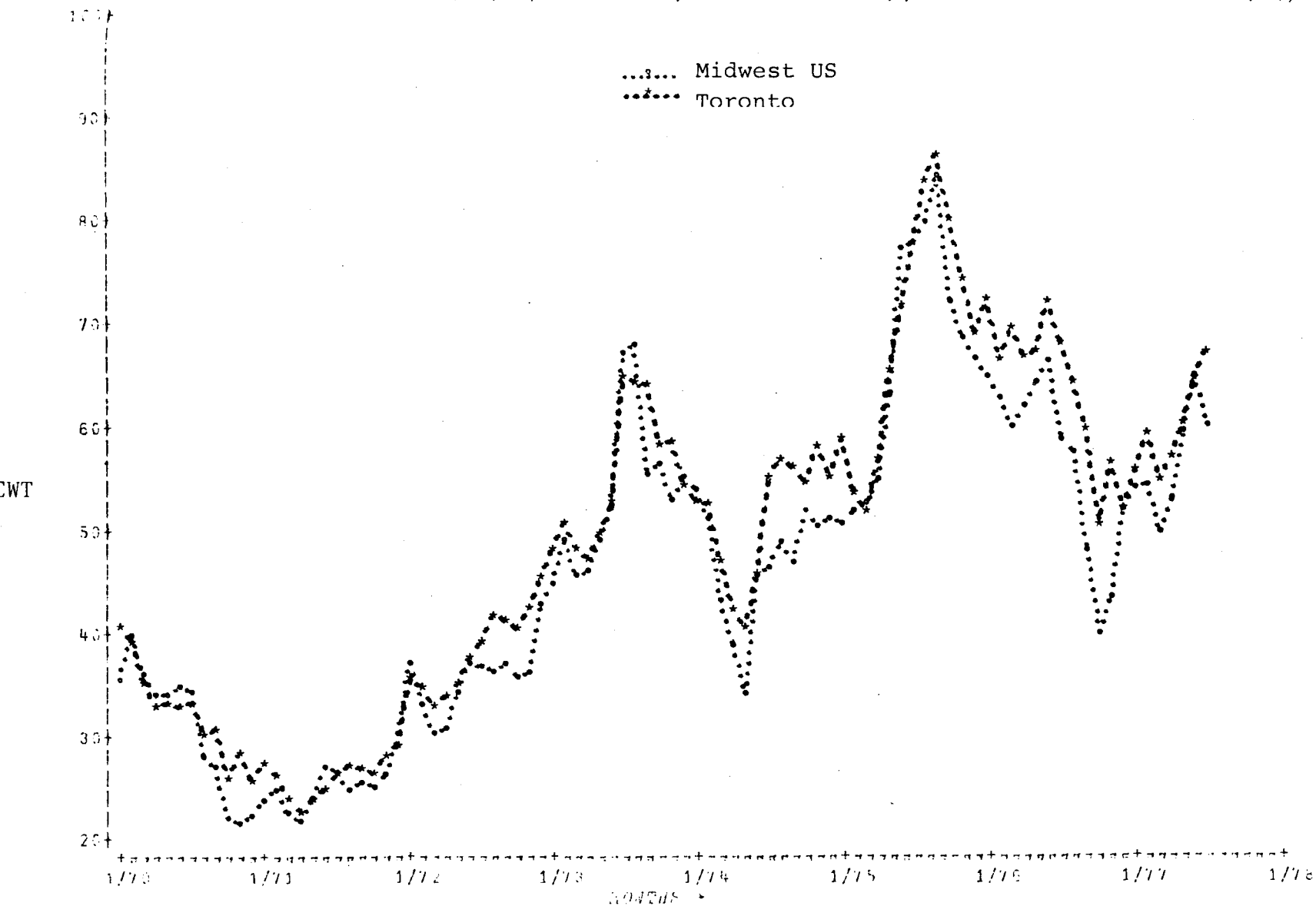
| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 76.2 | 57.1 | 73.9 | 89.7 | 89.1 | 89.7 | 105.3 |
| Q 2 | 75.7 | 58.4 | 74.7 | 86.5 | 83.4 | 116.0 | 109.0 |
| Q 3 | 70.7 | 64.8 | 73.4 | 103.5 | 89.2 | 128.6 | 100.2 |
| Q 4 | 58.5 | 65.5 | 82.0 | 92.6 | 93.4 | 119.7 | 88.9 |
| AVERAGE | 70.2 | 61.4 | 76.0 | 93.1 | 88.8 | 113.5 | 100.8 |

CANADIAN PORK LOIN WHOLESALE PRICES, TORONTO,
(cents per pound)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 64.6 | 45.7 | 63.3 | 97.7 | 85.5 | 98.5 | 125.7 |
| Q 2 | 61.9 | 52.8 | 69.0 | 82.7 | 87.6 | 117.8 | 120.6 |
| Q 3 | 61.8 | 60.5 | 73.9 | 92.0 | 99.9 | 136.7 | 120.9 |
| Q 4 | 50.2 | 55.4 | 80.7 | 85.4 | 92.2 | 123.6 | 102.9 |
| AVERAGE | 59.6 | 53.6 | 71.7 | 89.4 | 91.3 | 119.2 | 117.5 |

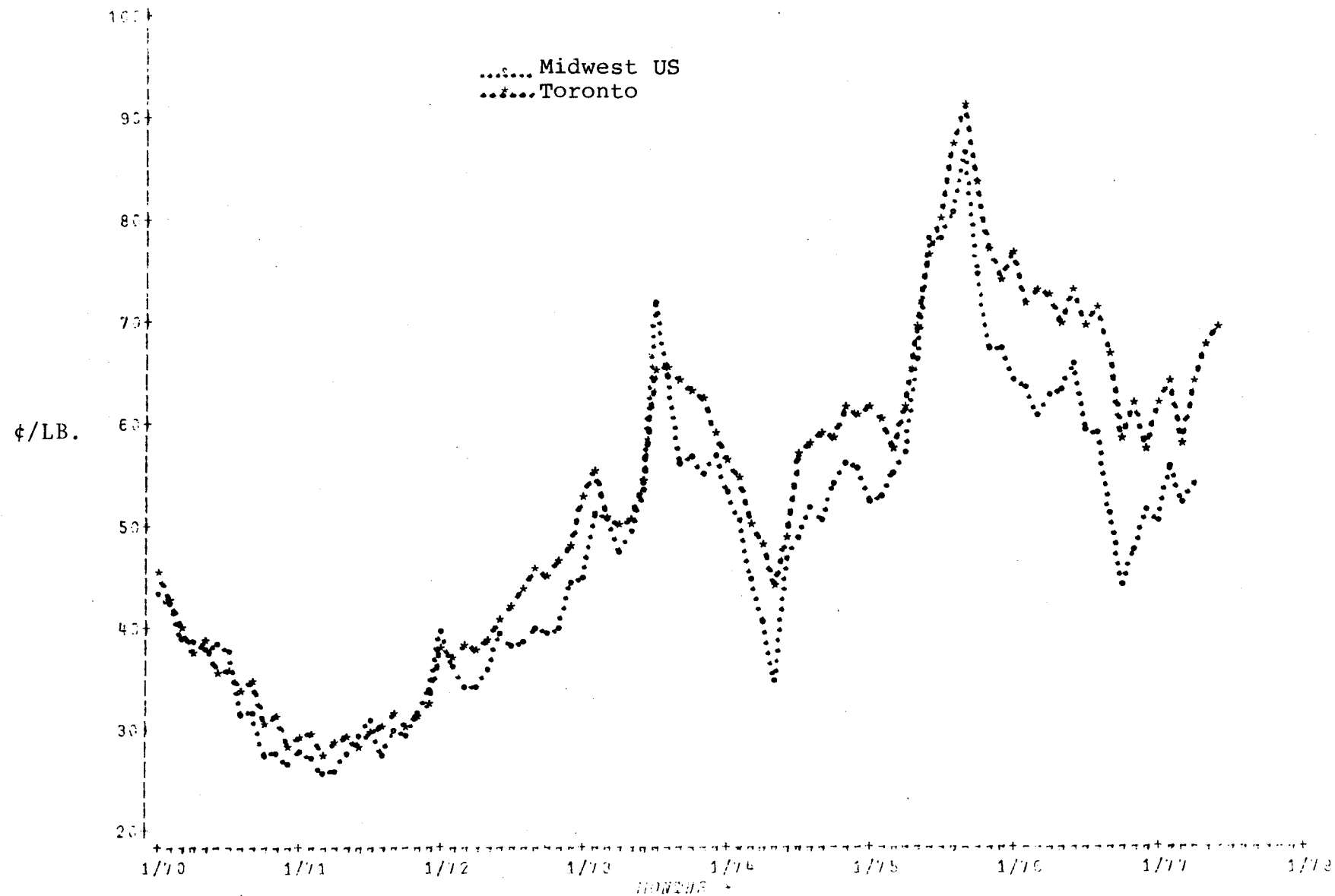
Sources: See Appendix B-VI, Section I.

DAUGHTER HOG PRICES TO PRODUCERS (A1,A2/INDEX 100, CARCASS BASIS), MIDWEST US AND TORONTO, \$/CWT (CDN \$)

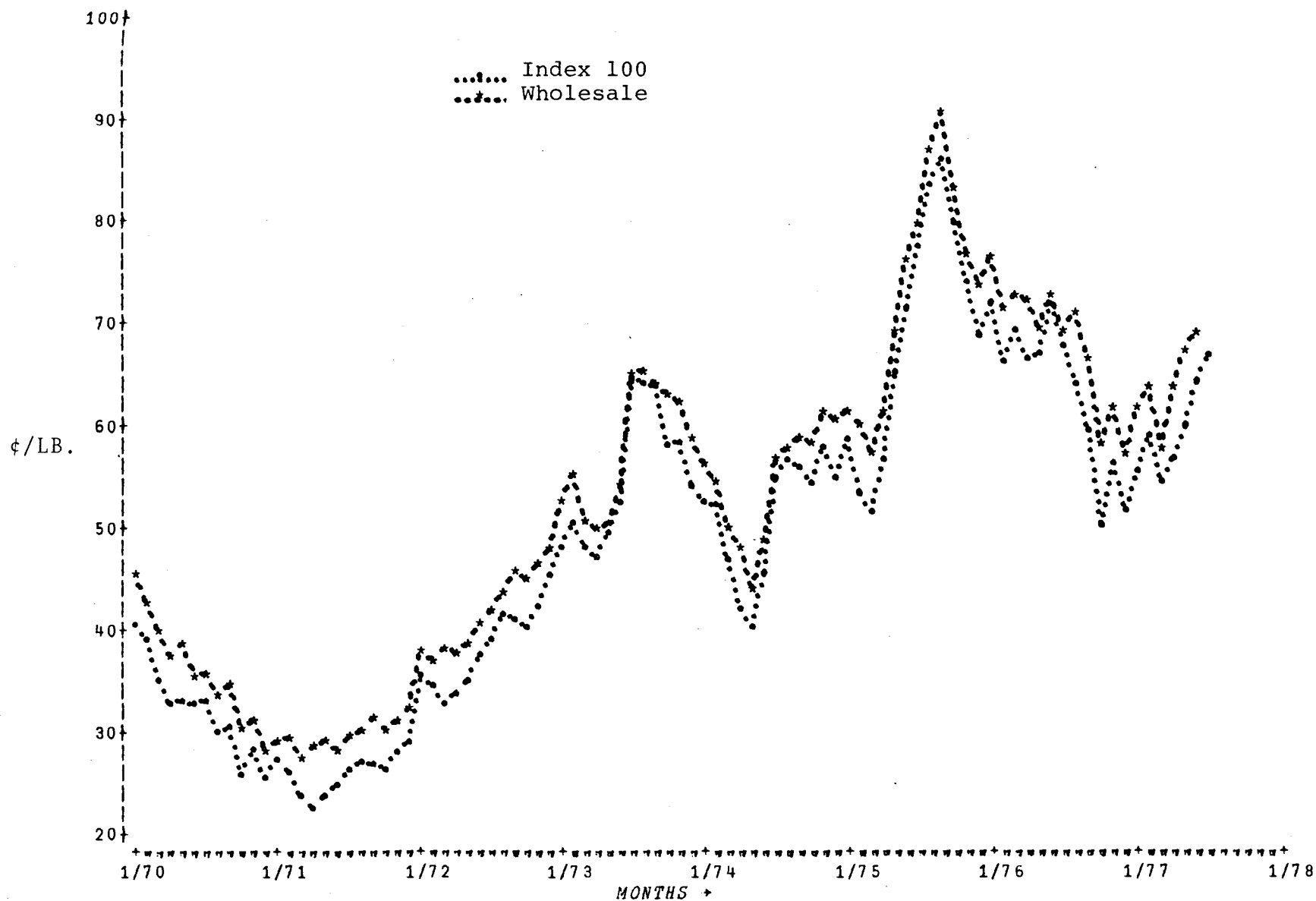


For data sources used in Charts I-XV, see Appendix B-VI, section I.

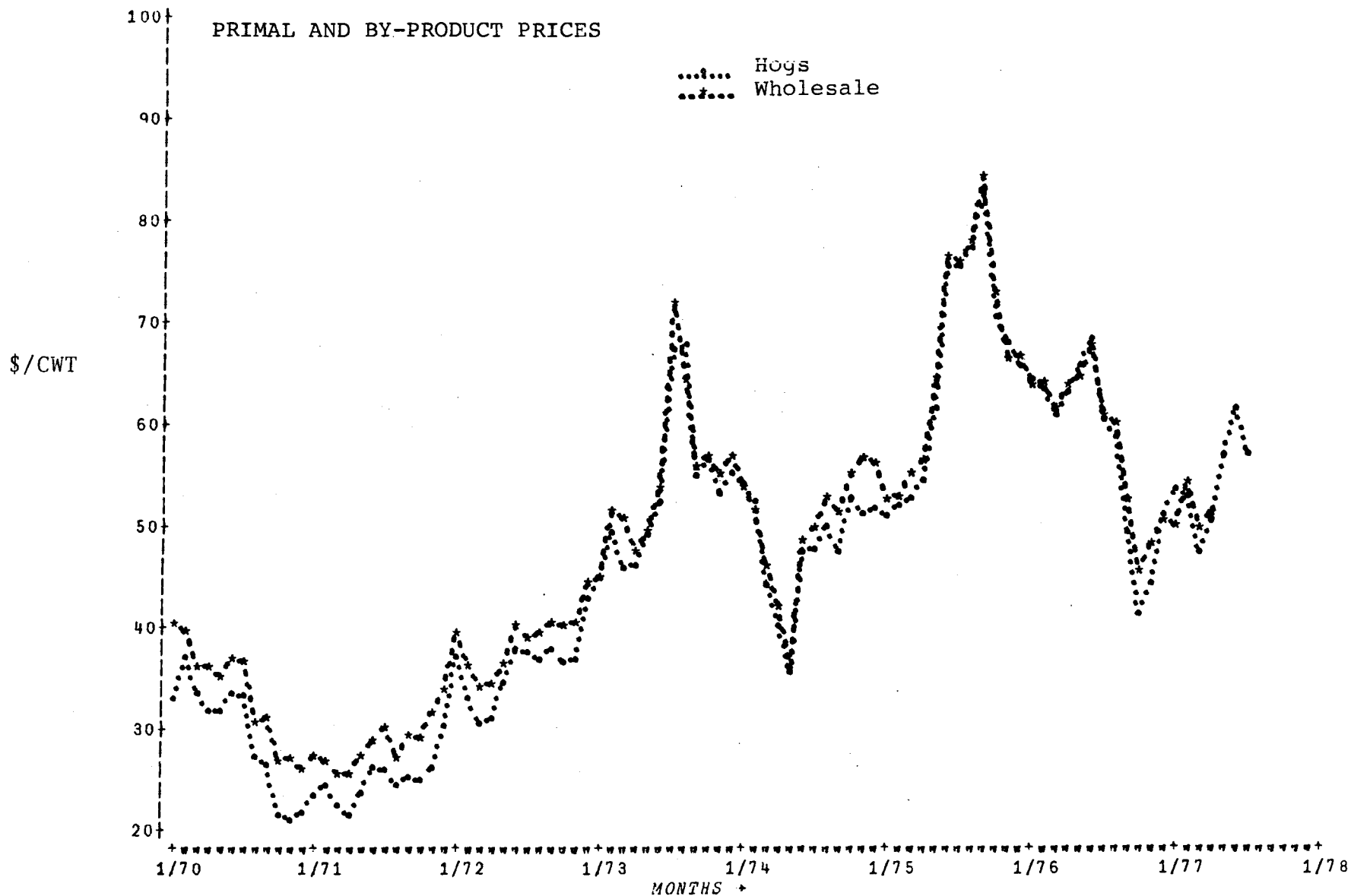
WHOLESALE FRESH PORK PRIMAL AND BY-PRODUCT PRICES, MIDWEST U.S. AND TORONTO, CENTS/LB (CDN \$)



PORK PRICES, TORONTO, INDEX 100 HOGS AND WHOLESALE FRESH PRIMAL AND BY-PRODUCT PRICES, CENTS/LB

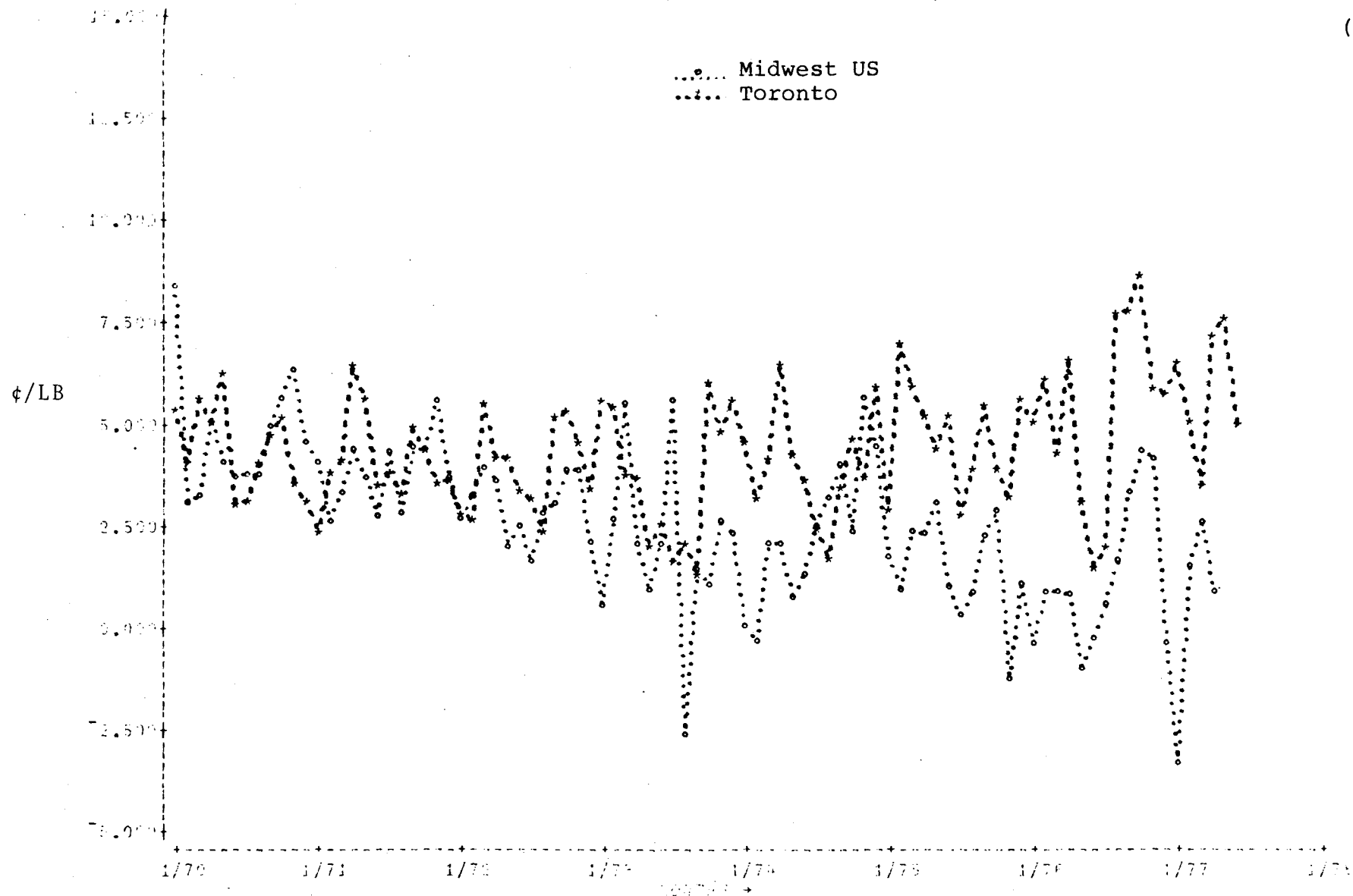


PORK PRICES, MIDWEST US, BARROWS AND GILTS (1-2, 220-240 LBS.), OHAMA, (CARCASS BASIS) AND WHOLESALE



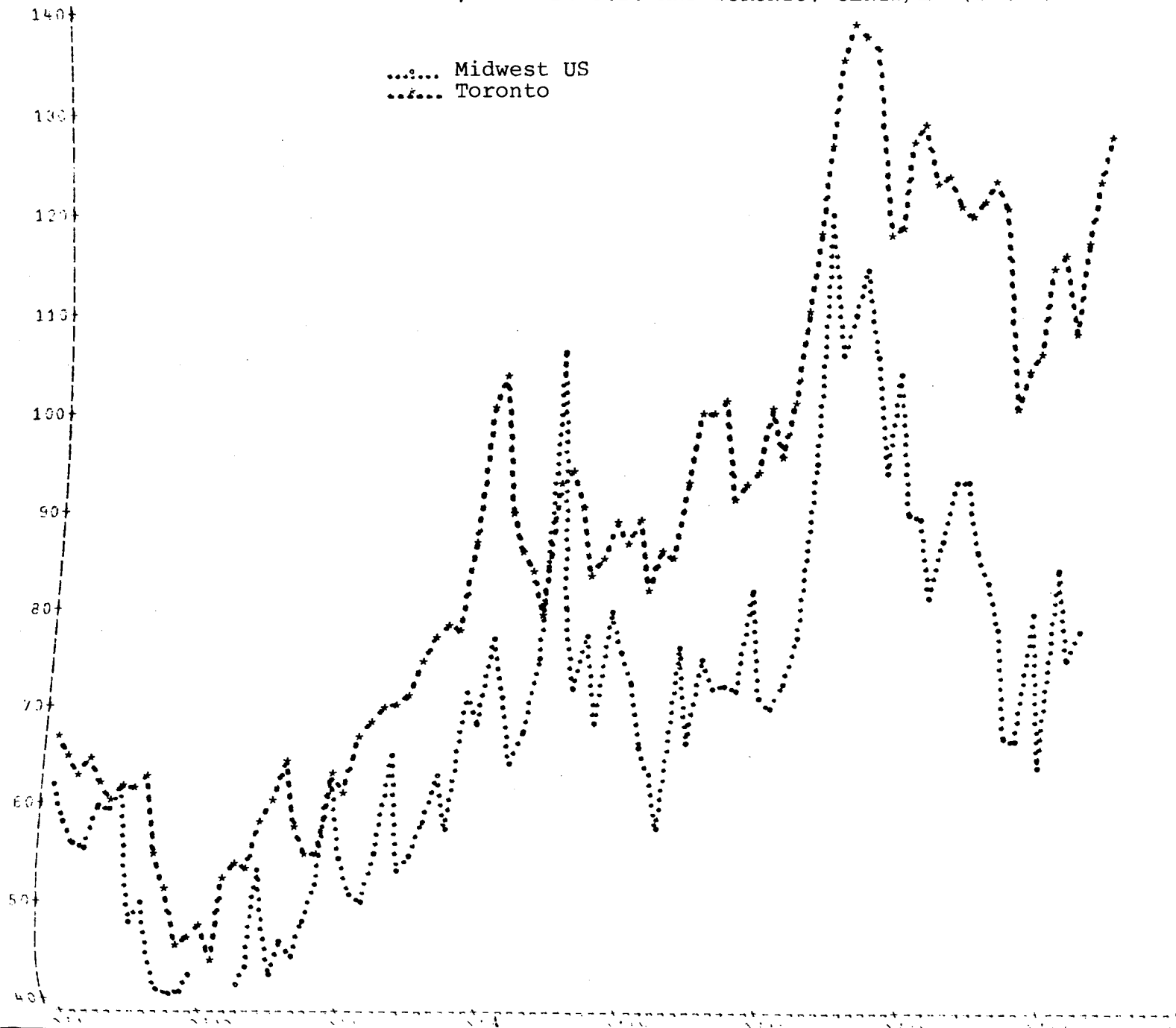
FRESH PORK PRIMAL AND BY-PRODUCT PRICE SPREAD, FARM-TO-WHOLESALE, MIDWEST U.S. AND TORONTO. CENTS/LB

(CDN \$)



FRESH PORK WHOLESALE LOIN PRICES, MIDWEST U.S. AND TORONTO, CENTS/LB (CDN \$)

¢/LB



FRESH WHOLE PORK LOIN PRICE SPREADS, FARM-TO-WHOLESALE, MIDWEST U.S. AND TORONTO, CENTS/LB (CDN \$

¢ /LB

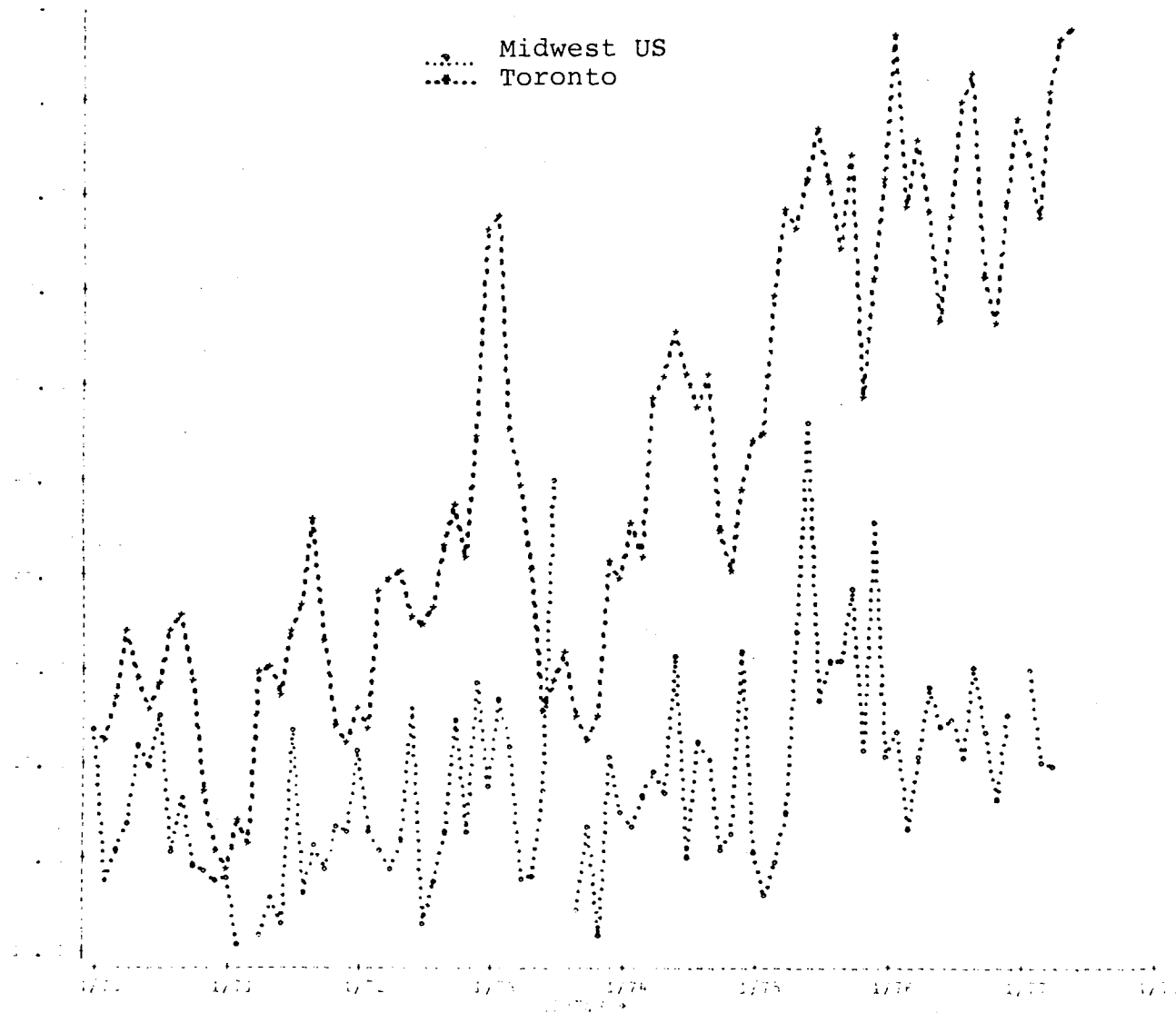
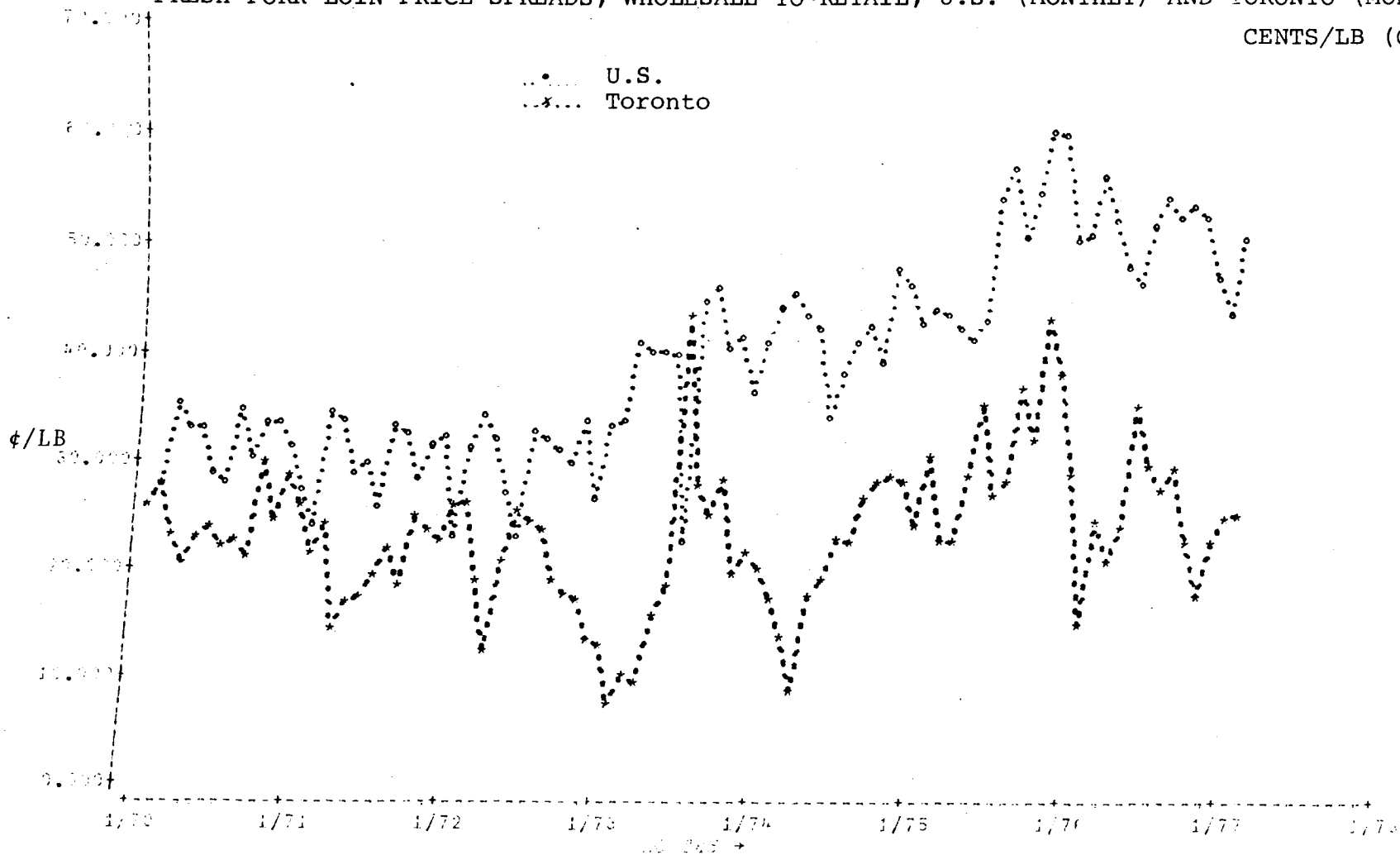
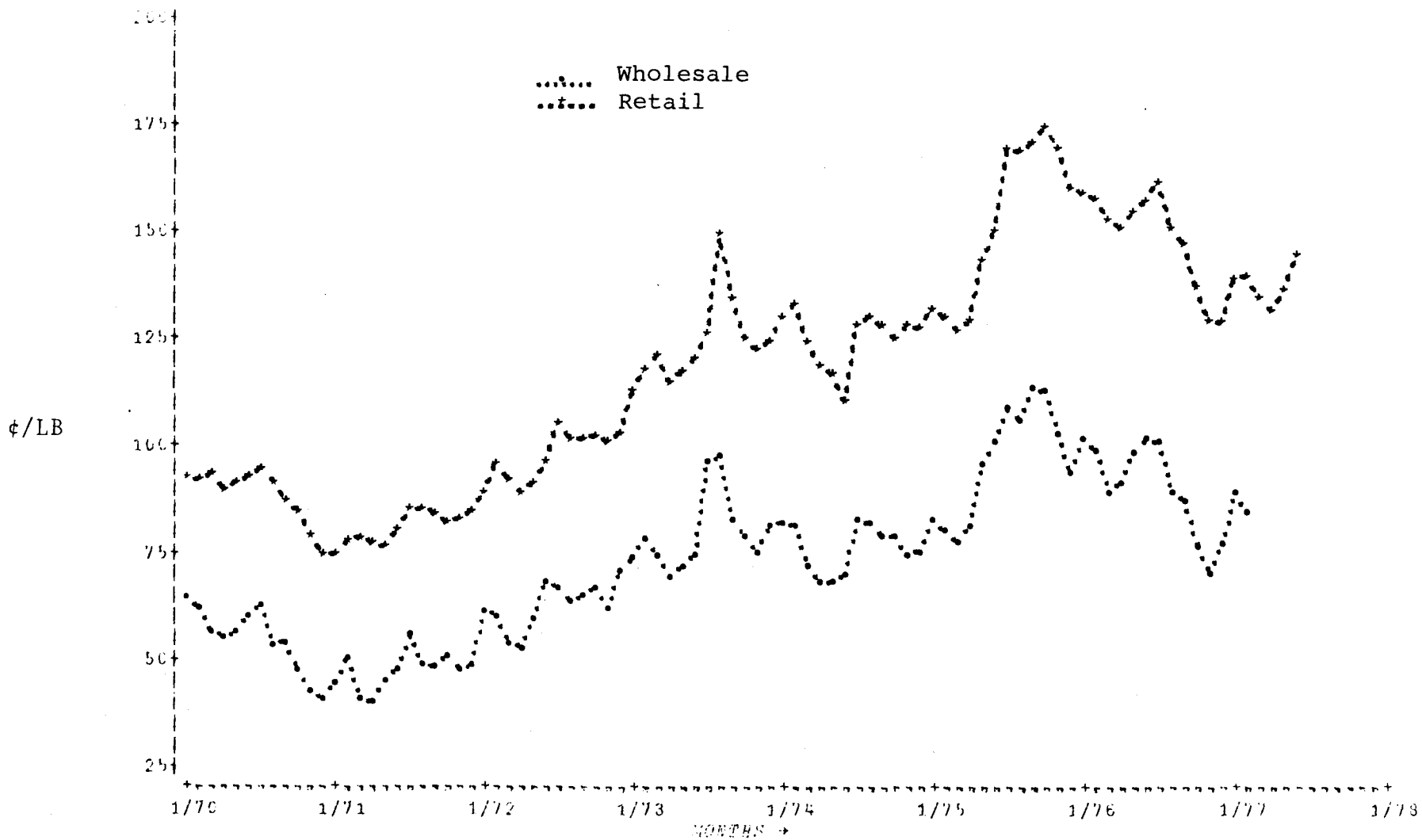


CHART VII

FRESH PORK LOIN PRICE SPREADS, WHOLESALE-TO-RETAIL, U.S. (MONTHLY) AND TORONTO (MONTH-END)
CENTS/LB (CDN \$)



Fresh Pork Loin Prices, U.S., Wholesale and Retail, Cents/lb.



FRESH PORK LOIN PRICES, TORONTO, WHOLESALE AND RETAIL, CENTS/LB.

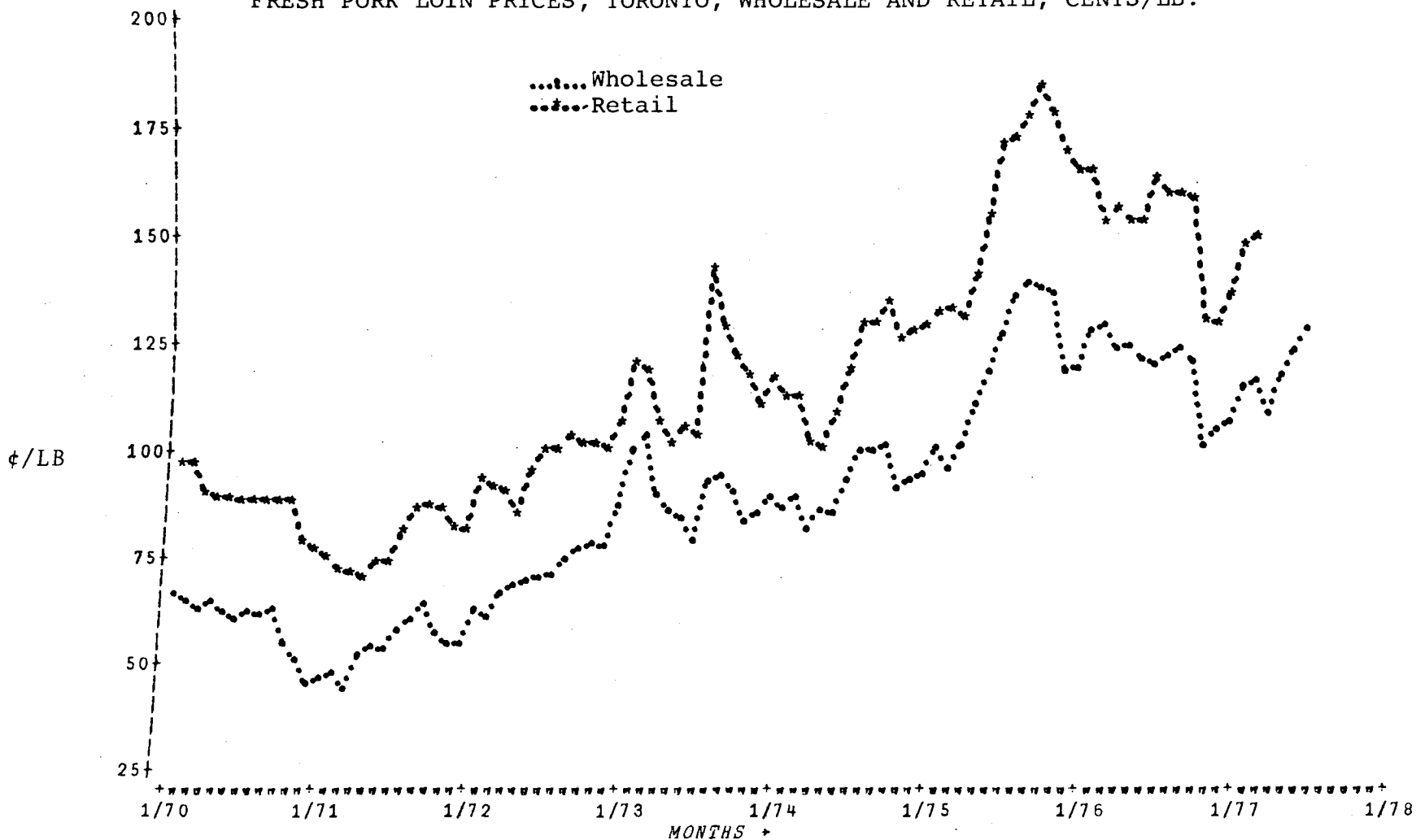
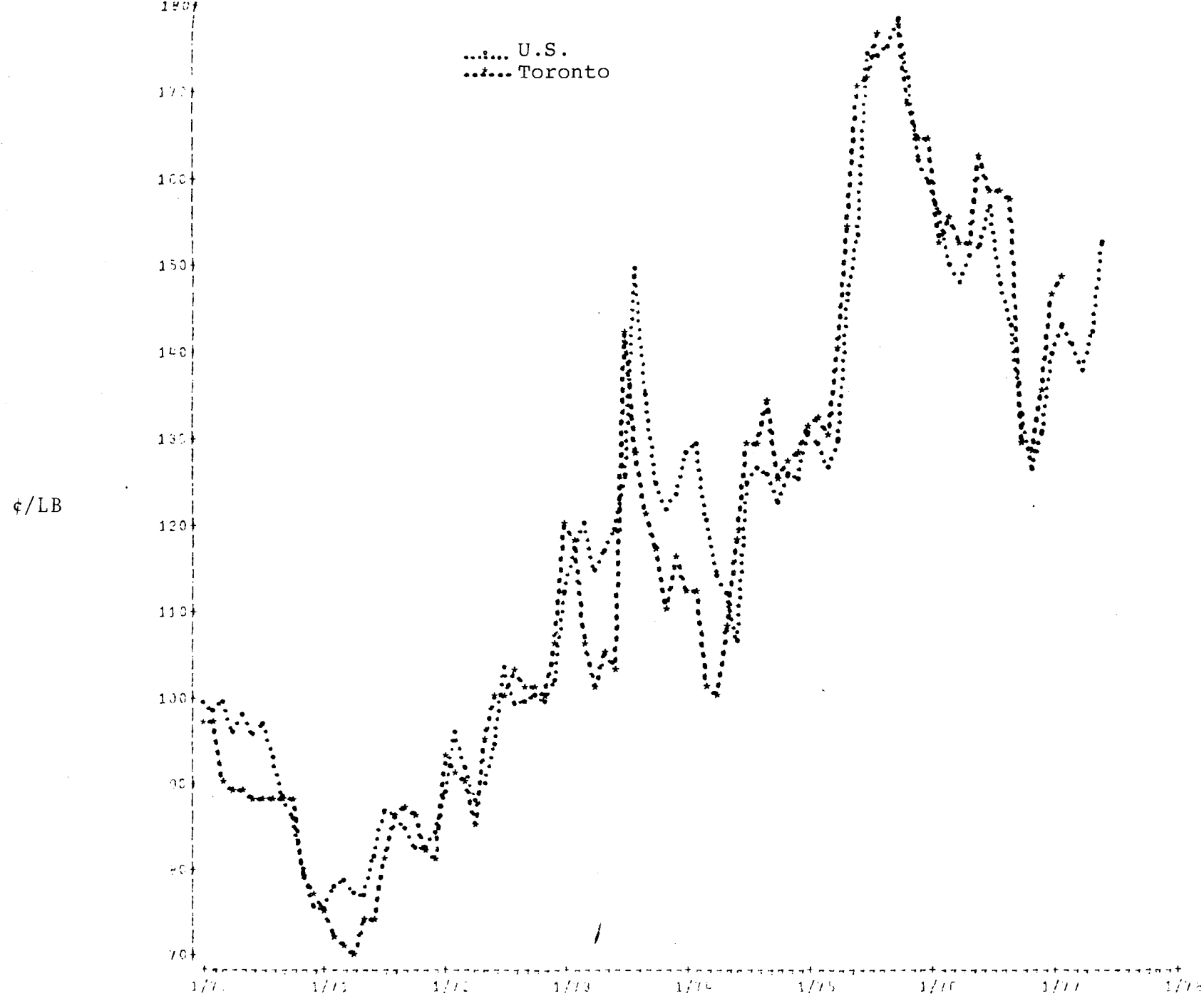
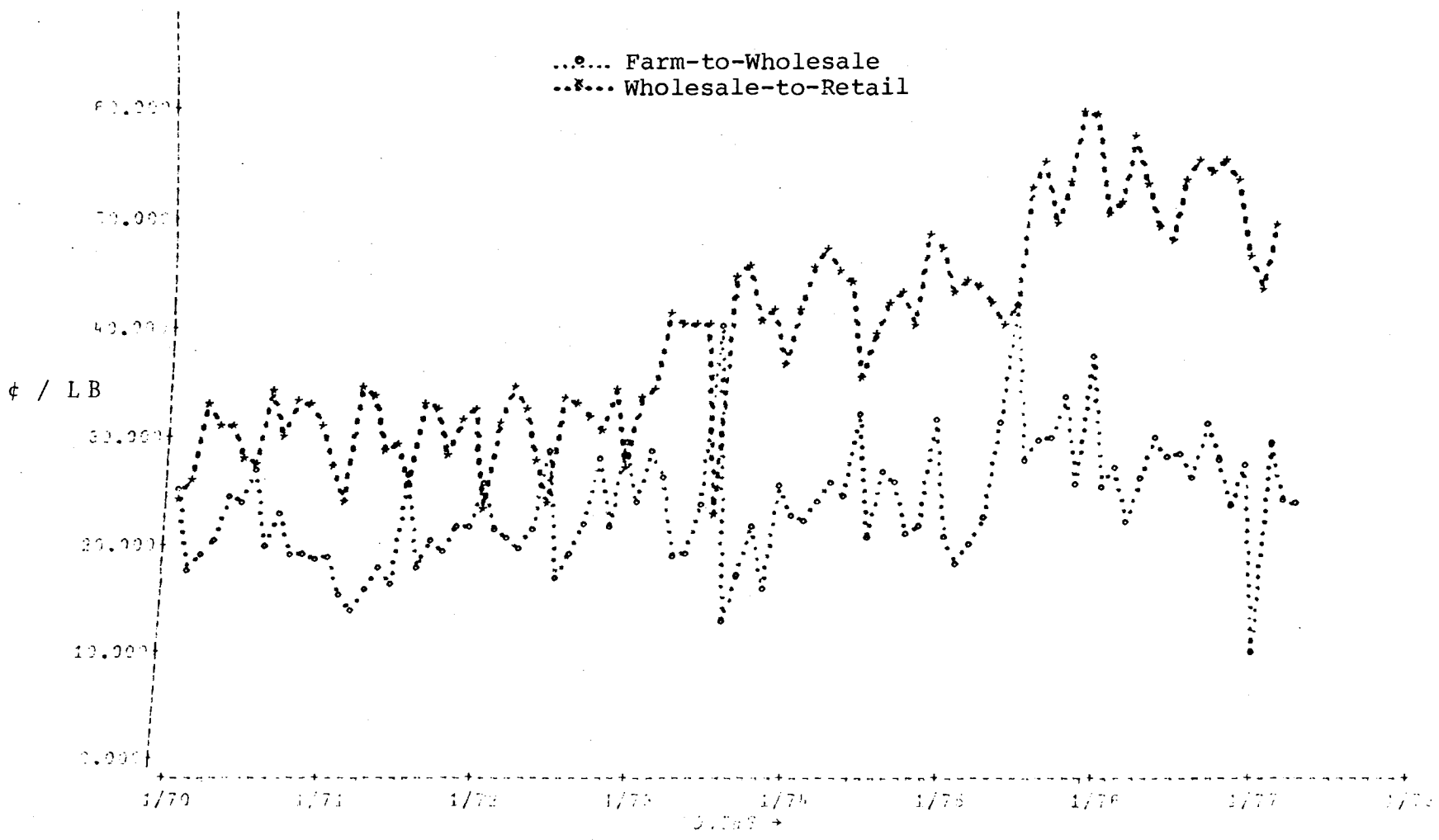


CHART X

FRESH PORK RETAIL WHOLE LOIN PRICES, U.S. (MONTHLY) AND TORONTO (MONTH-END) CENTS/LB (CDN \$)



FRESH PORK LOIN PRICE SPREADS, FARM-TO-WHOLESALE (MIDWEST), AND WHOLESALE-TO-RETAIL, U.S., CENTS/LB.



FRESH PORK PRICE SPREADS, LOINS, TORONTO, FARM-TO-WHOLESALE AND WHOLESALE-TO-RETAIL, CENTS/LB

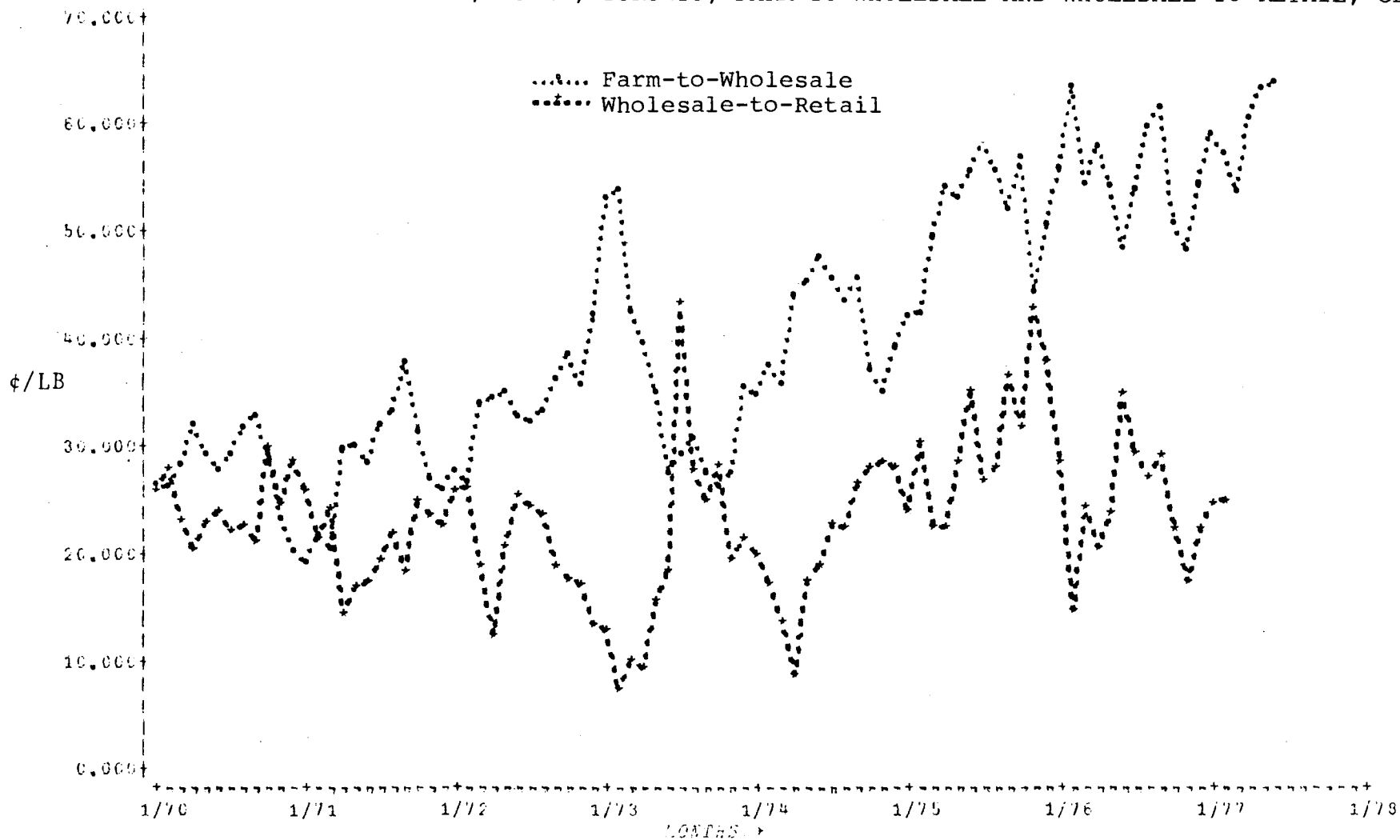


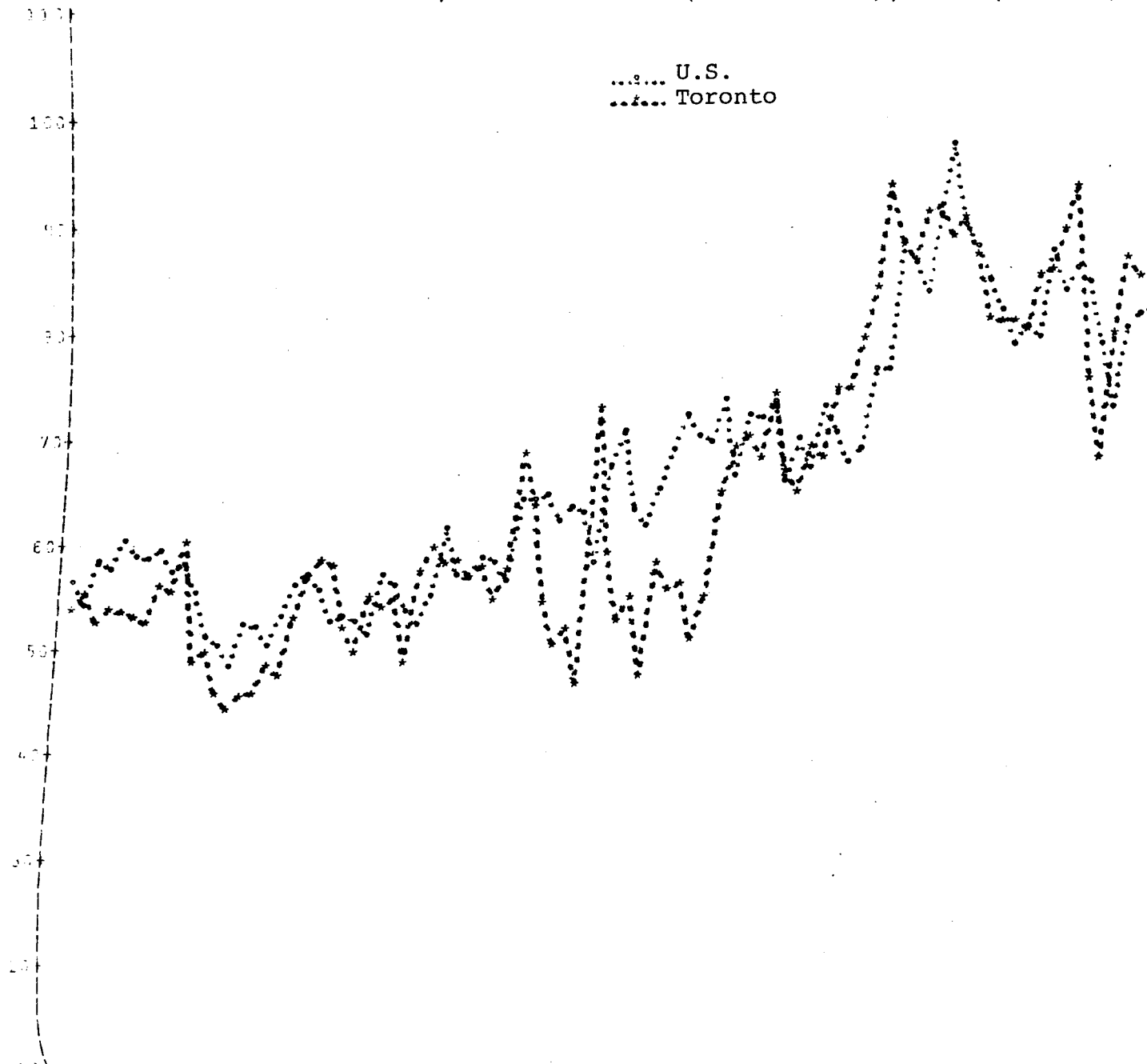
CHART XIII

FRESH PORK LOIN PRICE SPREADS, FARM-TO-RETAIL (RETAIL BASIS), U.S. (MONTHLY) AND TORONTO (MONTH-END)

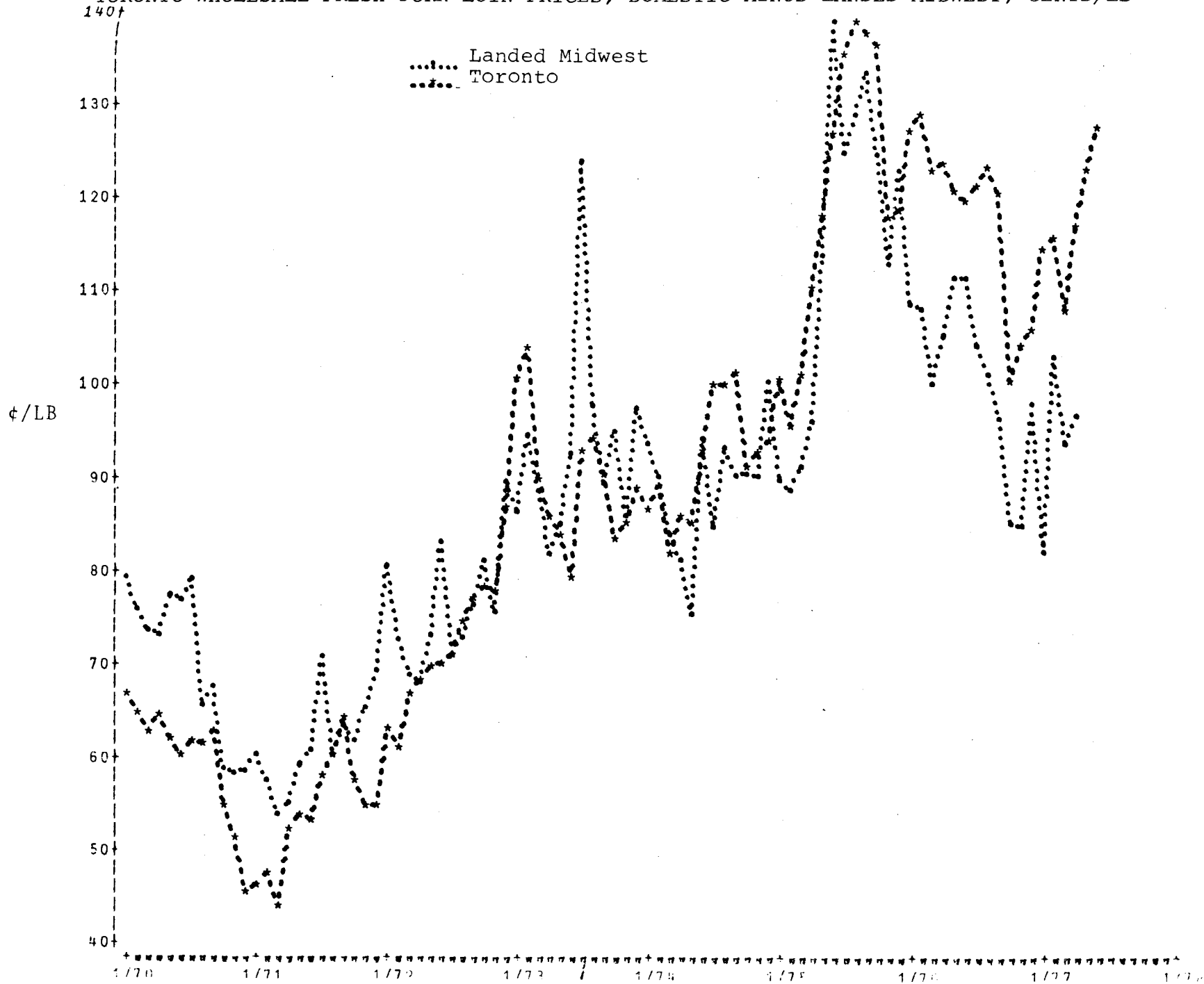
CENTS/LB (CDN \$)

..... U.S.
 Toronto

¢/LB



TORONTO WHOLESALE FRESH PORK LOIN PRICES, DOMESTIC MINUS LANDED MIDWEST, CENTS/LB



APPENDIX B-II

BEEF

The years covered by this study, 1970-1976, include a period characterized by market disruption occurring as a result of several factors. At the beginning of this period (July 1973 to early 1975), price controls in the U.S. were removed from most commodities but not from beef. Anticipating higher prices following the removal of controls from beef, U.S. producers held back their slaughter cattle. During this time, a great deal of Canadian beef was shipped to the U.S., both in response to shortages of live cattle in that market and in an attempt to circumvent the controls program, which did not apply to imported beef (some of this was U.S. beef which was shipped to Canada for processing and re-export). The net effect was an increase in domestic price levels and a reduction in supplies. On August 13, 1973, the Canadian government imposed export controls on Canadian beef entering the U.S. On September 9, 1973, when U.S. controls were finally removed for beef, supply had backed up to such an extent at the farm level that U.S. prices were driven sharply downward. Imports of U.S. cattle to Canada increased, and on September 21, 1973, the Canadian government imposed an import duty on U.S. beef and cattle of \$3 per hundredweight and \$1.5 per hundredweight, respectively.

The effects of the market disruptions precipitated by the removals of controls in the U.S. are observable in both the Canadian and U.S. beef industry through to the end of 1975.

The banning of DES (diethylstilbestrol) by the Canadian government on January 1, 1973, and the subsequent removal of this ban through a U.S. and Canadian Government agreement on a DES certification program on August 2, 1974, also had the effect of increasing Canadian prices relative to the U.S. during this period.

During June and July 1975, a further disruption of the domestic market occurred when Alberta packing plants were closed as a result of labour disputes, thus placing pressure on domestic supplies and prices.

Preliminary analysis of the data collected for this study indicates that Toronto and Midwest U.S. slaughter steer markets are relatively less competitive than slaughter hog markets. Prices paid to producers for slaughter steers, carcass basis, Toronto and the Midwest U.S. during the period 1970-1976 averaged \$71.84 per hundredweight and

\$62.41 per hundredweight, respectively (Canadian currency), an average spread of \$9.43 per hundredweight or 15 per cent in excess of U.S. price levels (see Chart XVI and Table 31). The price spread between the two markets remained relatively constant from 1970 until mid-1973. Toronto slaughter steer prices averaged \$62.55 per hundredweight compared with \$56.48 per hundredweight in the Midwest, a spread of \$6.07 per hundredweight. During the third quarter of 1973, however, price spreads widened dramatically, and remained so until the first quarter of 1975. Canadian prices exceeded U.S. prices during this period by \$17.20 per hundredweight. By the end of 1975, quarterly prices in the two markets again demonstrated a spread of \$9-\$12 per hundredweight.

Toronto farm-gate beef prices averaged 78.58 per cent of the retail dollar spent on beef during 1970-76, and 77.58 per cent during 1976. In the U.S., these percentages were 70.2 and 64.4 respectively.

Wholesale beef carcass and by-product prices exhibited similar patterns in both markets (see Charts XVII and XVIII and Tables 32, 33). During 1970-1976, average wholesale prices in Toronto and the Midwest markets averaged \$78.9 per hundredweight and \$69.0 per hundred-weight, respectively (a spread of \$9.9 per hundredweight), but fluctuated substantially from mid-1973 to the first quarter of 1975.

Farm-to-wholesale spreads for beef carcass and by-products during this period appear reasonably competitive, averaging \$7.08 per hundredweight in Toronto and \$6.56 per hundredweight in the U.S. For 1976, these figures were \$8.56 per hundredweight and \$6.58 per hundredweight, respectively, indicating an increase in Canadian spreads of \$1.41 per hundredweight (see Chart XIX and Table 34). This increase was mainly attributable to increased farm-to-wholesale carcass spreads in Toronto; farm-to-wholesale by-product spreads in this market actually decreased relative to Midwest markets in 1976 as compared with the previous seven-year average spreads.

Wholesale price spreads in Toronto accounted for 1.38 per cent of retail dollar spent on beef in 1970-76; this increased to 2.28 per cent in 1976. In the U.S., these percentages were 0.84 per cent and 0.03 per cent, respectively.

The spread between beef retail prices in the U.S. and Canada was surprisingly small considering the price differences at wholesale and farm-gate (see Chart XX and

Table 35). Retail beef prices in Toronto and the U.S. during 1970-1976 averaged 129.47 cents per pound and \$125.4 cents per pound, respectively. In 1976, average prices increased to 134.12 cents per pound and 137.02 cents per pound, respectively.

Similar prices at retail, despite higher farm and wholesale prices in Canada, occurred in response to higher U.S. wholesale-to-retail spreads (see Chart XXI - XXIII and Table 36). During 1970-1976, wholesale-to-retail spreads in the U.S. averaged 33.45 cents per pound as compared with 25.94 cents per pound in Toronto, a spread of 7.51 cents per pound. In 1976, this spread had widened to 18.1 cents per pound, with a U.S. spread of 44.7 cents per pound as compared with 26.6 cents per pound in Toronto.

Average wholesale-to-retail price spreads during 1970-1976 accounted for 20.04 per cent of the retail dollar spent on beef in Toronto, compared with 26.68 per cent in the U.S. In 1976, Toronto wholesale-to-retail spreads represented 20.14 per cent of the retail beef dollar, while U.S. spreads moved up to 32.61 per cent.

Beef farm-to-retail price spreads in Toronto averaged 5.93 cent per pound lower than those in the U.S. during 1970-1976. The gap between farm-to-retail spreads in these two markets widened to 13.8 cents per pound in 1976; Toronto spreads averaging 30.0 cents per pound as compared with 43.8 cents per pound in the U.S. (see Chart XXIV and Table 37).

Midwest carcass beef landed in Toronto averaged \$71.9 per hundredweight during 1970-1976, as compared with domestic wholesale carcass prices of \$73.9 per hundredweight (see Chart XXV and Table 38). The spread between domestic and landed U.S. beef exhibited similar market disturbances as those observed at the farm-gate and wholesale level. During 1976, landed wholesale beef averaged \$71.3 per hundredweight as compared with \$75.6 per hundredweight for domestic beef.

A summary of the market prices and price spreads in Toronto and U.S. beef markets is contained in Charts XXVI - XXVII.

Amount by which Average Beef Prices
and Price Spreads in Toronto Differ from
those in the U.S.

1970 - 1976

| | <u>1970-1976</u> | <u>1976</u> |
|----------------------------------|------------------|-------------|
| <u>Average Farm-gate</u> | | |
| <u>Price (Carcass)</u> | + 13.73 | + 15.81 |
| <u>Average Farm-to-</u> | | |
| <u>Wholesale Price</u> | | |
| <u>Spread</u> | + 0.74 | + 3.02 |
| <u>Average Wholesale-</u> | | |
| <u>To-Retail Price</u> | | |
| <u>Spread</u> | - 7.51 | - 17.64 |
| <u>Adjustment for Trans.</u> | | |
| <u>(U.S.)</u> | - 2.86 | - 4.00 |
| <u>Average Retail Beef Price</u> | + 4.10 | - 2.81 |

TABLE 31

U.S. BEEF PRICES, FARM-GATE (CARCASS BASIS), OMAHA
(cents per pound, CDN \$)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 51.8 | 51.4 | 58.1 | 70.6 | 72.9 | 57.3 | 61.8 |
| Q 2 | 52.4 | 53.3 | 57.9 | 74.8 | 63.1 | 80.6 | 66.0 |
| Q 3 | 50.4 | 54.1 | 58.0 | 79.1 | 68.5 | 81.1 | 59.7 |
| Q 4 | 45.8 | 54.5 | 57.6 | 67.9 | 61.1 | 75.0 | 63.0 |
| AVERAGE | 50.1 | 53.3 | 57.9 | 73.1 | 66.4 | 73.5 | 62.6 |

CANADIAN BEEF PRICES, FARM-GATE (CARCASS BASIS), ONTARIO
(cents per pound)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 56.5 | 58.2 | 64.9 | 76.3 | 85.4 | 73.7 | 74.1 |
| Q 2 | 57.3 | 59.4 | 65.3 | 79.1 | 81.6 | 82.2 | 77.8 |
| Q 3 | 55.0 | 59.0 | 63.6 | 89.0 | 91.1 | 85.4 | 70.3 |
| Q 4 | 53.8 | 61.9 | 65.4 | 81.6 | 87.6 | 84.2 | 71.8 |
| AVERAGE | 55.7 | 59.6 | 64.8 | 81.5 | 86.4 | 81.4 | 73.5 |

Sources: See Appendix B-VI, Section II.

TABLE 32

U.S. BEEF PRICES, WHOLESALE CARCASS, MIDWEST

(cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 53.2 | 52.9 | 58.6 | 68.9 | 71.5 | 63.2 | 61.7 |
| Q 2 | 53.1 | 55.2 | 58.1 | 70.0 | 65.2 | 84.1 | 65.3 |
| Q 3 | 51.3 | 55.2 | 55.3 | 73.2 | 70.7 | 85.7 | 59.1 |
| Q 4 | 47.8 | 56.4 | 55.9 | 69.7 | 64.8 | 78.2 | 64.3 |
| AVERAGE | 51.3 | 54.9 | 57.0 | 70.5 | 68.1 | 77.8 | 62.6 |

CANADIAN BEEF PRICES, WHOLESALE CARCASS, TORONTO

(cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 57.8 | 60.6 | 65.9 | 74.0 | 86.5 | 76.1 | 76.2 |
| Q 2 | 57.7 | 60.9 | 65.7 | 78.0 | 84.8 | 83.8 | 78.9 |
| Q 3 | 55.6 | 59.6 | 63.6 | 85.9 | 91.6 | 88.3 | 72.5 |
| Q 4 | 56.0 | 63.4 | 66.0 | 84.9 | 89.4 | 87.7 | 75.0 |
| AVERAGE | 56.8 | 61.1 | 65.3 | 80.7 | 88.1 | 84.0 | 75.6 |

Sources: See Appendix B-VI, Section II.

TABLE 33

U.S. BEEF WHOLESALE CARCASS AND BY-PRODUCT PRICES

MIDWEST (cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 57.6 | 56.4 | 63.4 | 76.4 | 79.1 | 67.7 | 67.9 |
| Q 2 | 57.1 | 59.0 | 63.7 | 78.0 | 71.0 | 90.4 | 72.3 |
| Q 3 | 55.0 | 58.9 | 62.0 | 82.0 | 76.8 | 92.6 | 66.3 |
| Q 4 | 51.3 | 60.2 | 63.5 | 77.7 | 69.6 | 84.7 | 70.8 |
| AVERAGE | 55.3 | 58.6 | 63.1 | 78.5 | 74.1 | 83.9 | 69.3 |

CANADIAN BEEF WHOLESALE CARCASS AND BY-PRODUCT PRICES,

TORONTO (cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 62.1 | 64.3 | 70.4 | 82.2 | 94.9 | 81.4 | 82.6 |
| Q 2 | 61.8 | 64.6 | 71.1 | 86.2 | 92.0 | 89.9 | 85.5 |
| Q 3 | 59.3 | 63.2 | 69.6 | 94.3 | 98.3 | 94.1 | 79.0 |
| Q 4 | 59.7 | 67.3 | 73.5 | 93.1 | 95.3 | 94.0 | 81.1 |
| AVERAGE | 60.7 | 64.8 | 71.1 | 88.9 | 95.1 | 89.8 | 82.0 |

Sources: See Appendix B-VI, Section II.

TABLE 34

U.S. BEEF PRICE SPREAD, FARM-GATE TO WHOLESALE

(cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 5.8 | 5.0 | 5.3 | 5.8 | 6.2 | 10.4 | 6.1 |
| Q 2 | 4.7 | 5.7 | 5.8 | 3.2 | 7.9 | 9.8 | 6.3 |
| Q 3 | 4.7 | 4.8 | 4.0 | 2.9 | 8.2 | 11.5 | 6.6 |
| Q 4 | 5.6 | 5.8 | 5.9 | 9.8 | 8.5 | 9.8 | 7.8 |
| AVERAGE | 5.2 | 5.3 | 5.2 | 5.4 | 7.7 | 10.4 | 6.7 |

CANADIAN BEEF PRICE SPREAD, FARM-GATE TO WHOLESALE

TORONTO (cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 5.5 | 6.1 | 5.4 | 6.0 | 9.5 | 7.8 | 8.5 |
| Q 2 | 4.5 | 5.1 | 5.8 | 7.2 | 10.4 | 7.7 | 7.7 |
| Q 3 | 4.3 | 4.2 | 6.0 | 5.3 | 7.2 | 8.7 | 8.7 |
| Q 4 | 5.9 | 5.3 | 8.1 | 11.5 | 7.8 | 9.8 | 9.4 |
| AVERAGE | 5.1 | 5.2 | 6.3 | 7.5 | 8.7 | 8.5 | 8.6 |

TABLE 35

U.S. RETAIL BEEF PRICES (cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 105.2 | 101.1 | 114.7 | 128.8 | 142.2 | 129.4 | 141.5 |
| Q 2 | 105.4 | 106.1 | 110.9 | 135.8 | 129.9 | 149.8 | 138.5 |
| Q 3 | 102.2 | 107.1 | 113.4 | 142.3 | 138.3 | 161.2 | 133.0 |
| Q 4 | 99.2 | 106.9 | 112.0 | 135.1 | 132.6 | 154.1 | 135.0 |
| AVERAGE | 103.0 | 105.3 | 112.7 | 135.5 | 135.7 | 148.6 | 137.0 |

CANADIAN RETAIL BEEF PRICES, SIMPLE AVERAGE, FIVE STORES,

TORONTO (cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 108.3 | 100.5 | 115.5 | 129.7 | 153.1 | 145.0 | 146.2 |
| Q 2 | 112.0 | 103.5 | 112.6 | 133.3 | 144.5 | 143.8 | 136.4 |
| Q 3 | 109.1 | 108.0 | 119.2 | 145.3 | 153.9 | 164.3 | 128.3 |
| Q 4 | 194.5 | 197.5 | 112.9 | 143.0 | 156.9 | 162.6 | 125.5 |
| AVERAGE | 108.5 | 104.9 | 115.0 | 137.8 | 152.1 | 153.9 | 134.1 |

Sources: See Appendix B-VI, Section II.

TABLE 36

U.S. BEEF PRICE SPREAD, WHOLESALE-TO-RETAIL, MONTHLY AVERAGE,
(cents per pound, CDN \$)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 28.3 | 24.5 | 29.1 | 30.1 | 36.0 | 38.0 | 47.2 |
| Q 2 | 28.5 | 25.7 | 26.9 | 31.8 | 35.4 | 28.7 | 42.6 |
| Q 3 | 27.1 | 26.6 | 31.0 | 32.5 | 33.9 | 37.2 | 46.3 |
| Q 4 | 29.9 | 26.2 | 31.2 | 39.1 | 39.4 | 40.6 | 42.8 |
| AVERAGE | 28.5 | 25.8 | 29.6 | 33.4 | 36.2 | 36.1 | 44.7 |

CANADIAN BEEF PRICE SPREAD, WHOLESALE-TO-RETAIL,
MONTH END, TORONTO (cents per pound)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 26.2 | 14.4 | 21.8 | 24.5 | 30.2 | 36.8 | 37.9 |
| Q 2 | 29.9 | 16.9 | 19.2 | 22.4 | 24.0 | 24.7 | 24.3 |
| Q 3 | 30.1 | 23.2 | 28.8 | 23.2 | 23.7 | 38.8 | 25.3 |
| Q 4 | 24.9 | 17.4 | 19.0 | 22.3 | 29.9 | 38.0 | 18.9 |
| AVERAGE | 27.8 | 18.0 | 22.2 | 23.1 | 26.9 | 34.6 | 26.6 |

Sources: See Appendix B-VI, Section II.

TABLE 37

U.S. BEEF PRICE SPREAD, FARM-TO-RETAIL, RETAIL BASIS, MONTHLY,
U.S. (cents per pound, CDN \$)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 29.3 | 26.2 | 28.8 | 26.1 | 35.9 | 42.9 | 48.4 |
| Q 2 | 28.5 | 27.5 | 25.6 | 27.0 | 37.3 | 32.3 | 40.9 |
| Q 3 | 28.5 | 27.9 | 27.9 | 26.8 | 35.4 | 41.4 | 44.7 |
| Q 4 | 31.9 | 27.5 | 28.6 | 38.6 | 42.2 | 41.8 | 41.4 |
| AVERAGE | 29.6 | 27.3 | 27.7 | 29.7 | 37.7 | 39.6 | 43.8 |

CANADIAN BEEF PRICE SPREAD, FARM-TO-RETAIL, RETAIL BASIS,
MONTH END, TORONTO (cents per pound)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 28.2 | 18.1 | 23.5 | 21.6 | 32.1 | 40.6 | 41.2 |
| Q 2 | 30.8 | 19.3 | 20.1 | 21.3 | 28.9 | 27.4 | 26.1 |
| Q 3 | 31.1 | 24.3 | 29.1 | 19.2 | 24.8 | 43.3 | 28.7 |
| Q 4 | 28.2 | 19.8 | 20.2 | 27.4 | 32.8 | 43.3 | 23.8 |
| AVERAGE | 29.6 | 20.4 | 23.2 | 22.4 | 29.7 | 38.7 | 30.0 |

Sources: See Appendix B-VI, Section II.

TABLE 38

U.S. WHOLESALE CARCASS BEEF PRICES, F.O.B. MIDWEST,

LANDED IN TORONTO

(cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 61.4 | 61.4 | 67.5 | 76.0 | 83.2 | 71.4 | 70.3 |
| Q 2 | 61.4 | 63.8 | 67.1 | 76.3 | 73.8 | 93.2 | 74.1 |
| Q 3 | 59.6 | 63.8 | 64.3 | 80.7 | 79.5 | 94.8 | 67.7 |
| Q 4 | 55.9 | 65.1 | 64.9 | 82.7 | 73.1 | 87.1 | 72.9 |
| AVERAGE | 59.6 | 63.5 | 66.0 | 78.9 | 77.4 | 86.6 | 71.3 |

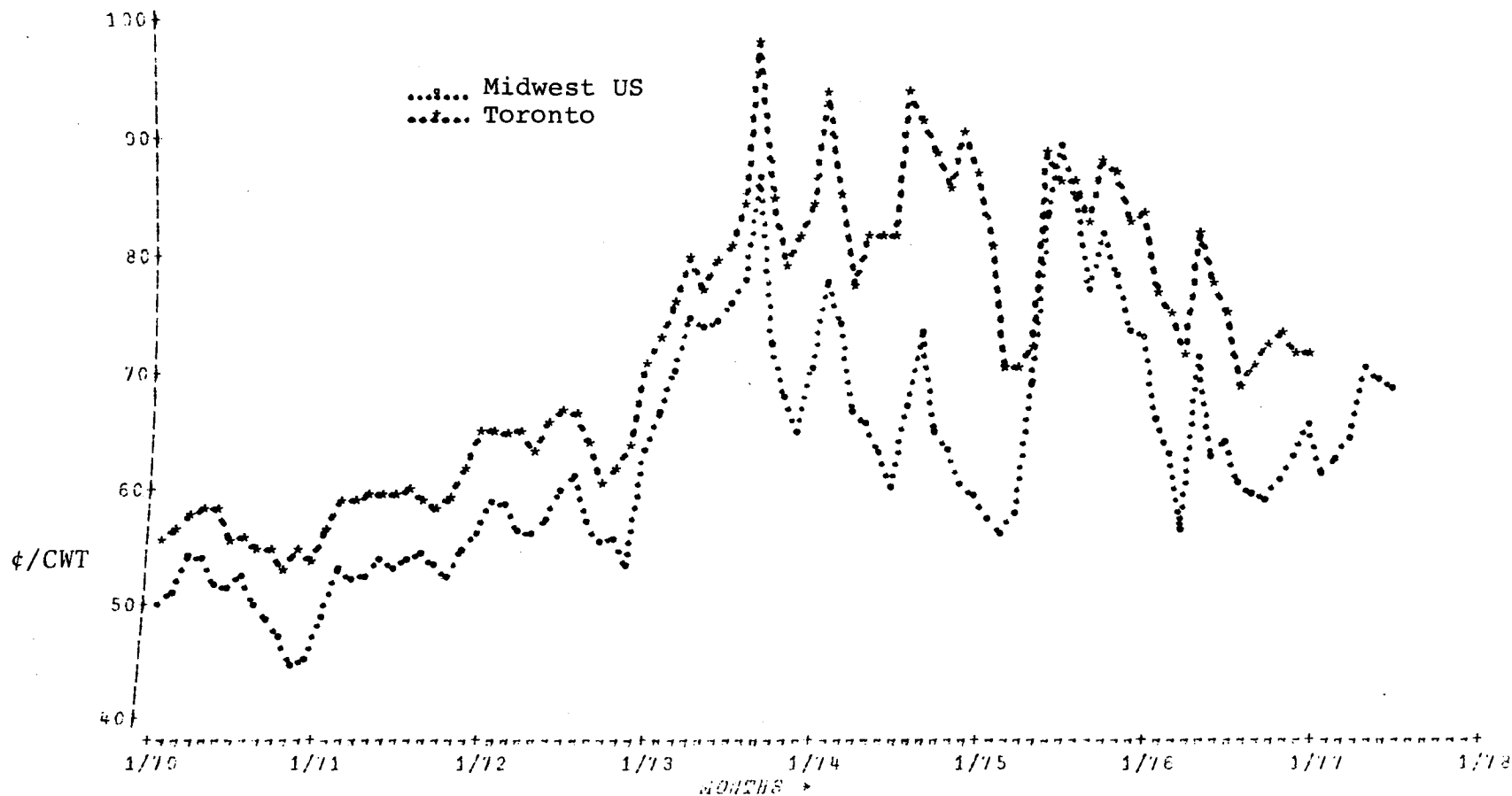
CANADIAN WHOLESALE CARCASS BEEF PRICES, TORONTO

(cents per pound)

1970 - 1976

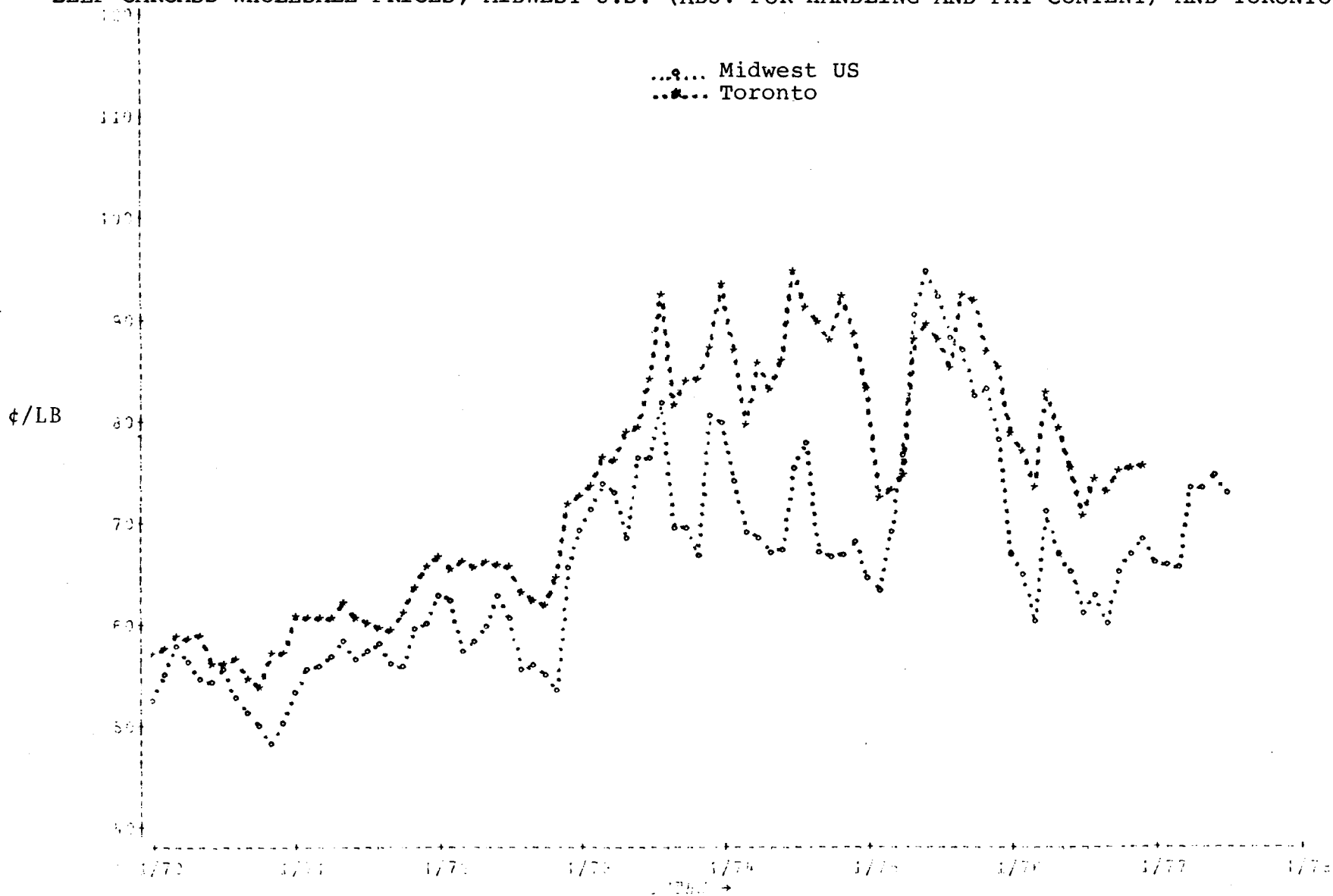
| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 57.8 | 60.6 | 65.9 | 74.0 | 86.5 | 76.1 | 76.2 |
| Q 2 | 57.7 | 60.9 | 65.7 | 78.0 | 84.8 | 83.8 | 78.9 |
| Q 3 | 55.6 | 59.6 | 63.6 | 85.9 | 91.6 | 88.3 | 72.5 |
| Q 4 | 56.0 | 63.4 | 66.0 | 84.9 | 89.4 | 87.7 | 75.0 |
| AVERAGE | 56.8 | 61.1 | 65.3 | 80.7 | 88.1 | 84.0 | 75.6 |

SLAUGHTER BEEF PRICES TO PRODUCERS, CHOICE A1/A2 (CARCASS BASIS) MIDWEST U.S. AND TORONTO,
\$/CWT (CDN. \$)



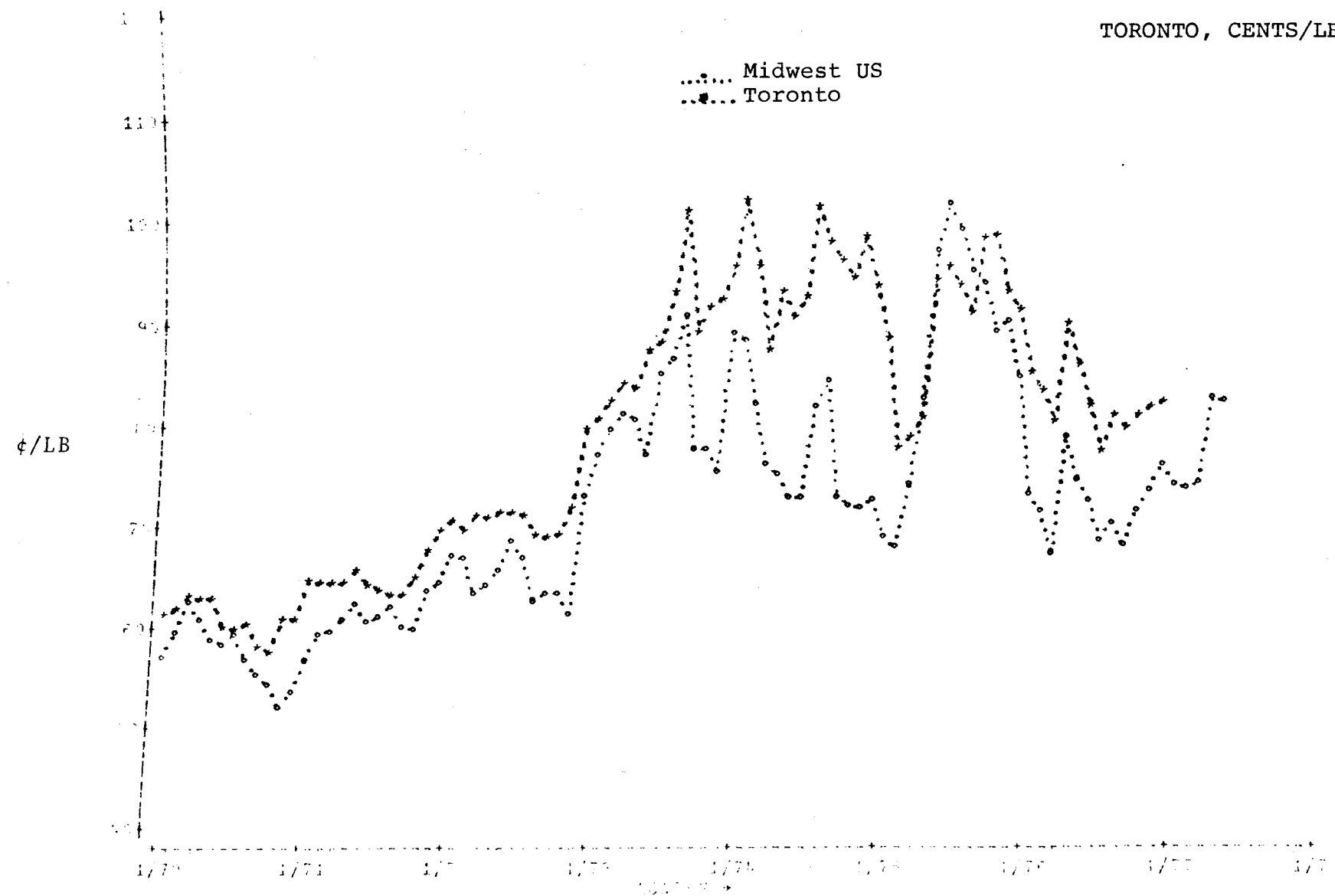
For data sources used in Charts XVI-XXVII see Appendix B-VI, section II

BEEF CARCASS WHOLESALE PRICES, MIDWEST U.S. (ADJ. FOR HANDLING AND FAT CONTENT) AND TORONTO, CENTS/LB

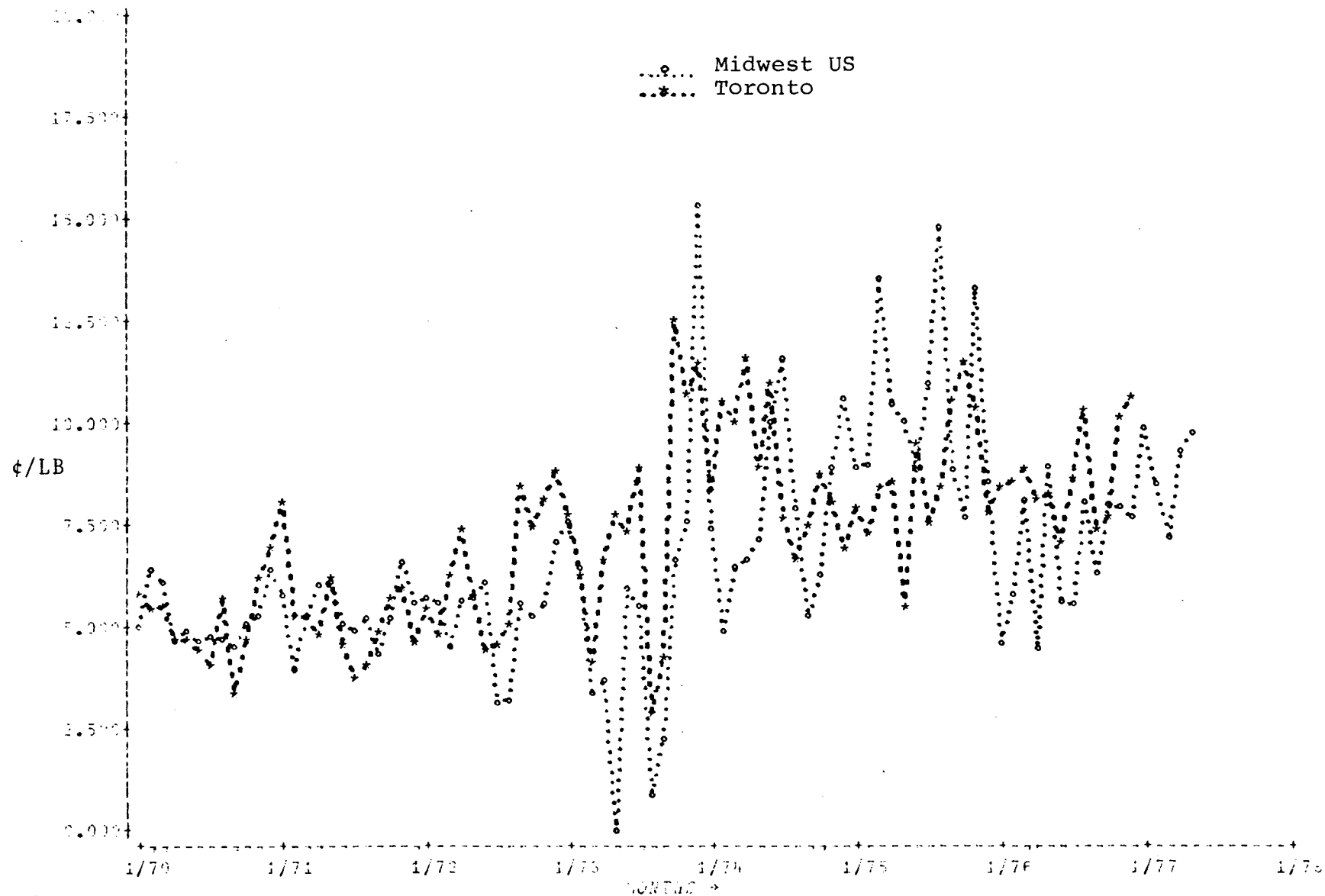


BEEF WHOLESALE CARCASS AND BY-PRODUCT PRICES, MIDWEST U.S. (ADJ. FOR HANDLING AND FAT CONTENT) AND

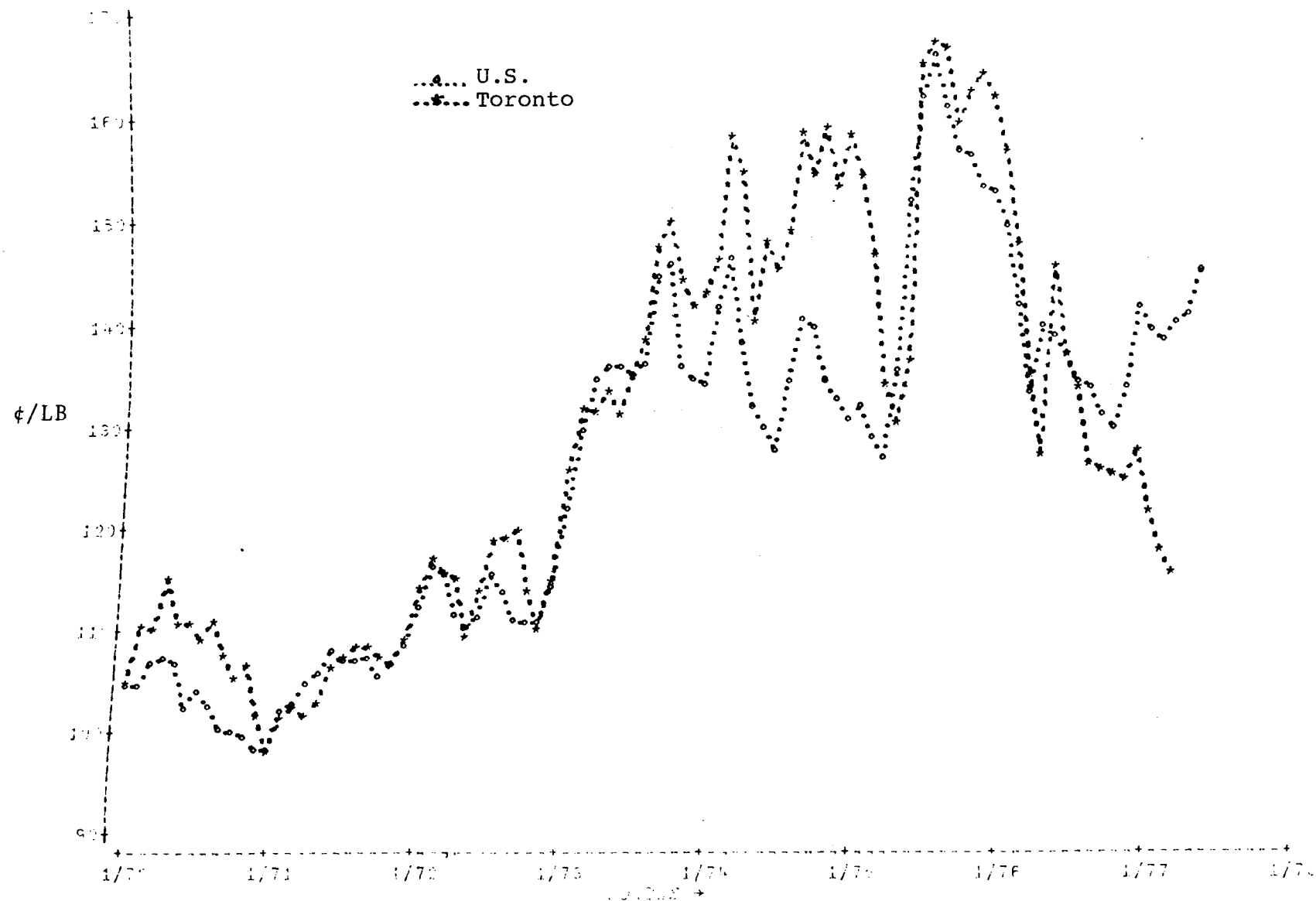
TORONTO, CENTS/LB (CDN \$)



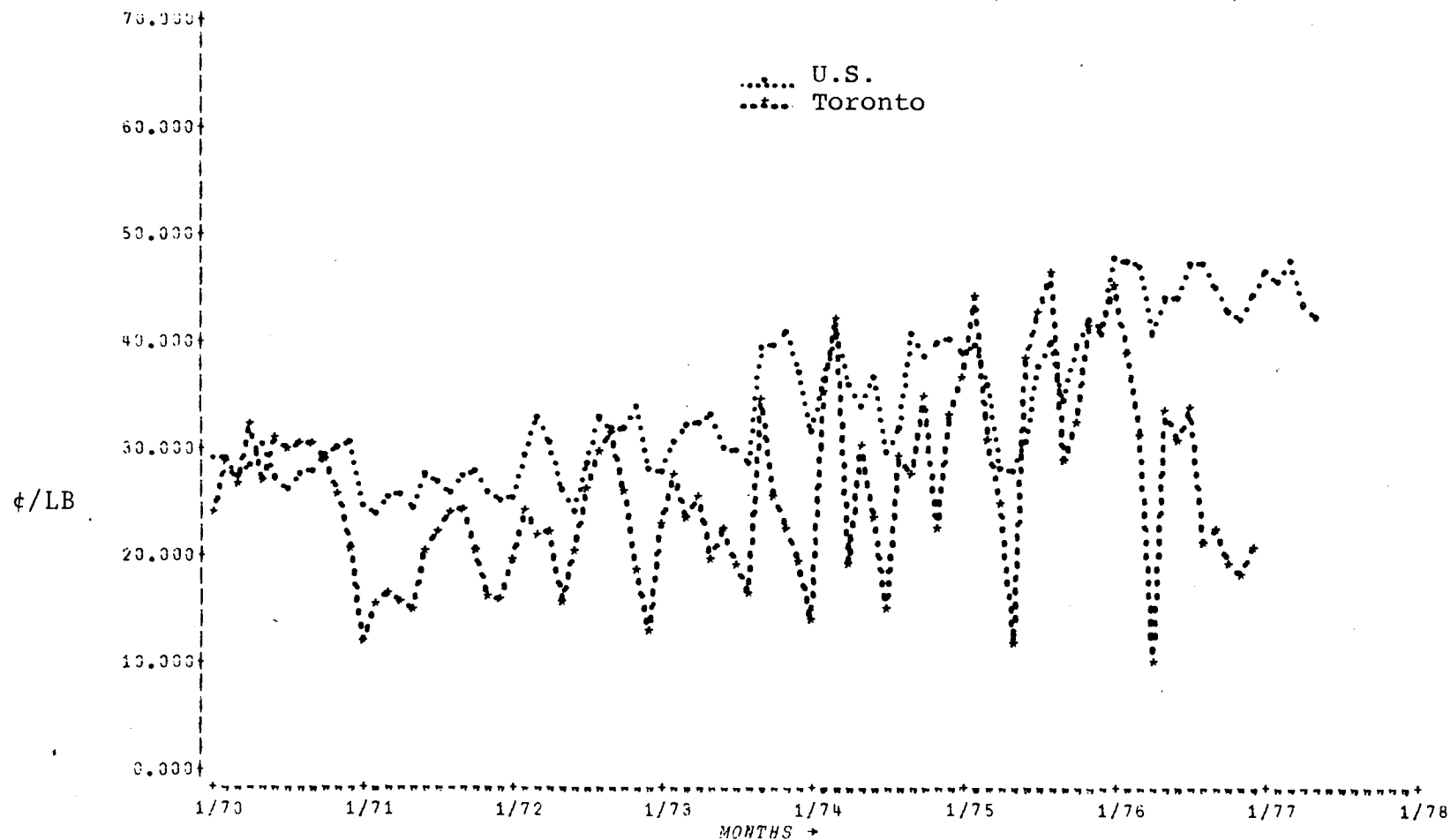
BEEF CARCASS AND BY-PRODUCT PRICE SPREADS, FARM-TO-WHOLESALE, MIDWEST U.S. AND TORONTO, CENTS/LB (CDN\$)



BEEF RETAIL PRICES, U.S. (MONTHLY) AND TORONTO (MONTH-END), CENTS/LB, (CDN \$)



BEEF PRICE SPREADS, WHOLESALE-TO-RETAIL, U.S. (MO. AVG.) AND TORONTO (LAST WK. IN MO.) CENTS/LB
(CDN \$)



BEEF PRICE SPREADS, TORONTO, FARM-TO-WHOLESALE (CARCASS PLUS BY-PRODUCTS) AND WHOLESALE-TO-RETAIL, ¢/LB

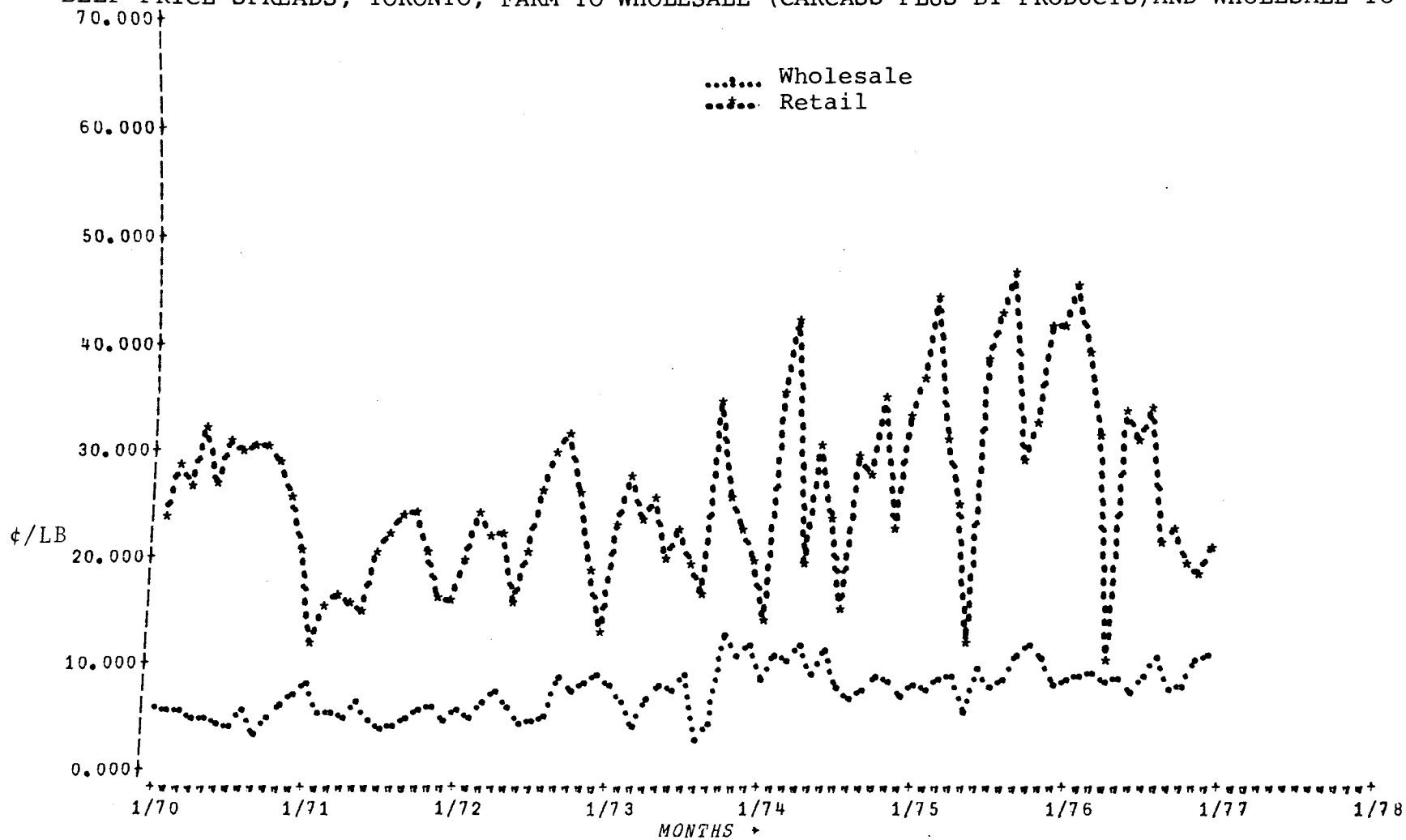
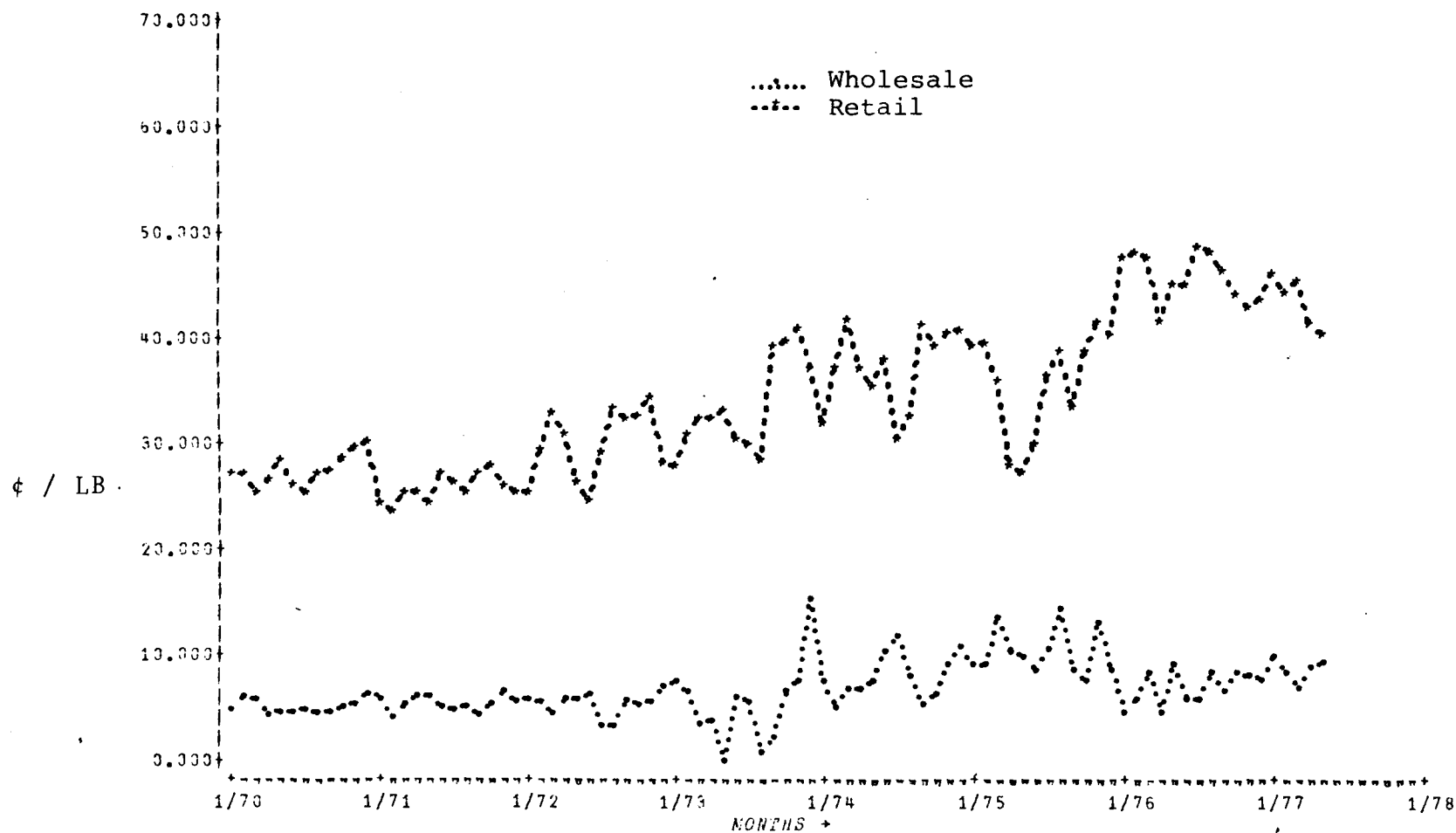
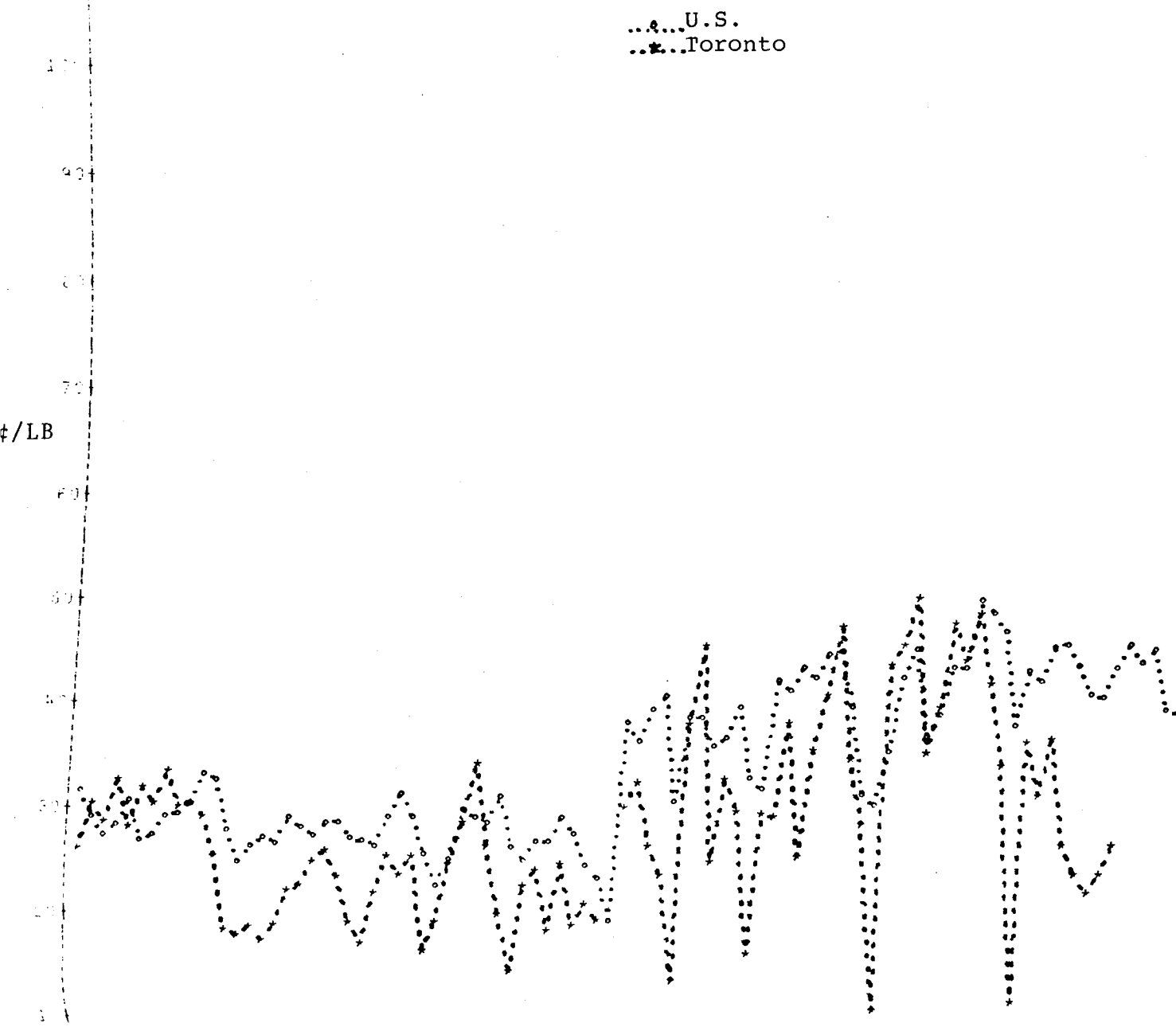


CHART XXII

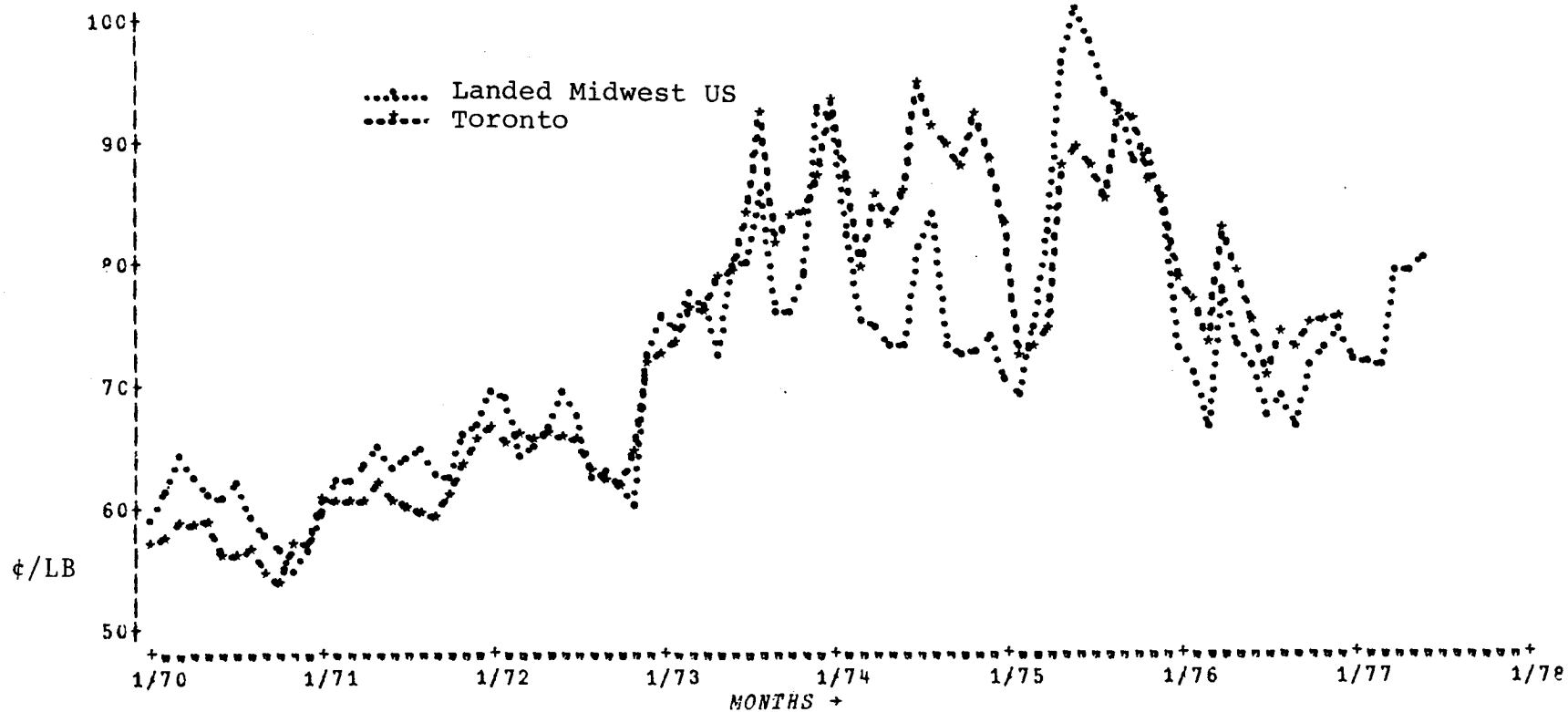
U.S. BEEF PRICE SPREADS, FARM-TO-WHOLESALE (MIDWEST) AND WHOLESALE-TO-RETAIL, CENTS/LB



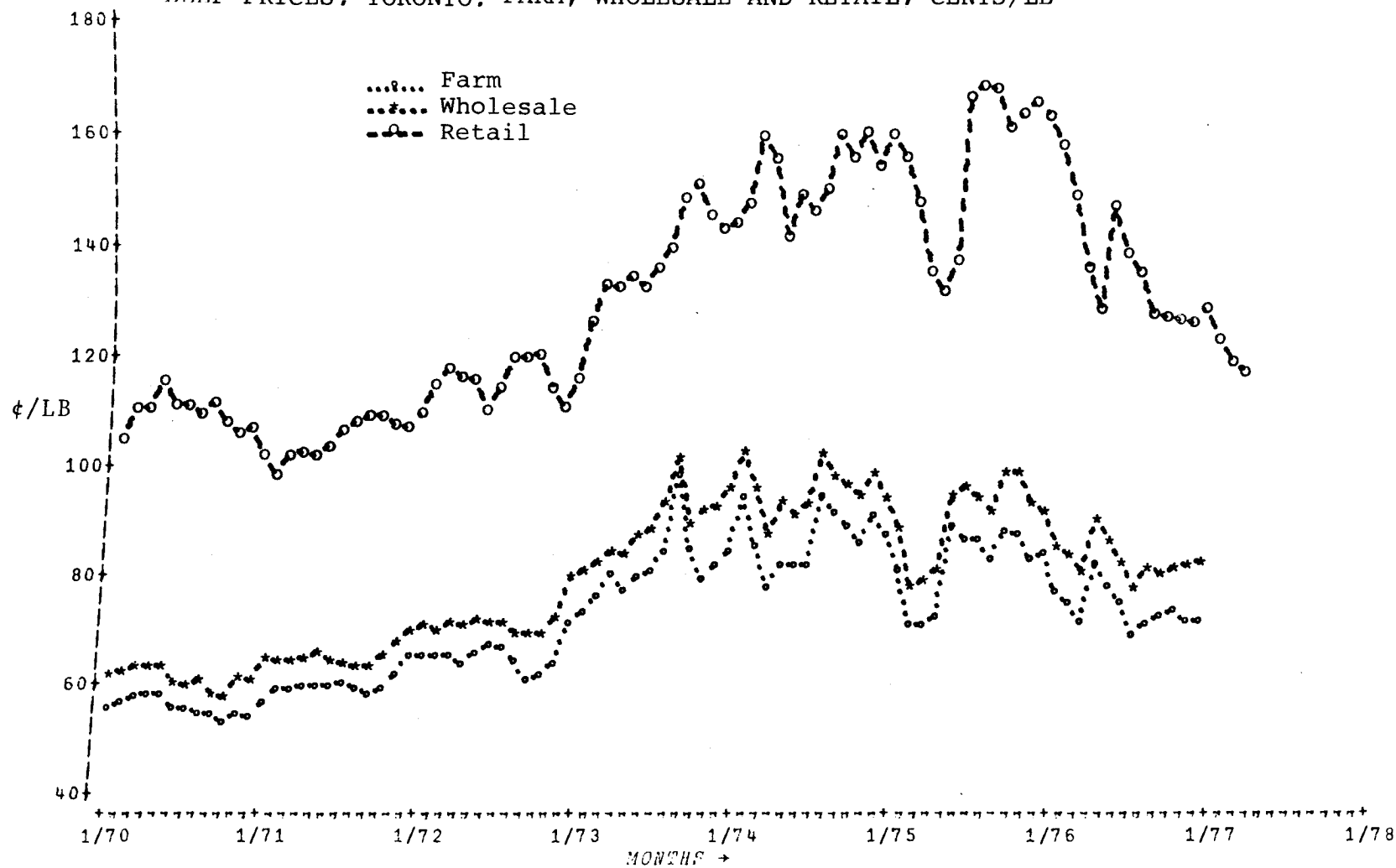
BEEF PRICE SPREADS, FARM-TO-RETAIL (RETAIL BASIS), U.S. (MONTHLY) AND TORONTO (MONTH-END), CENTS/LB
(CDN \$)



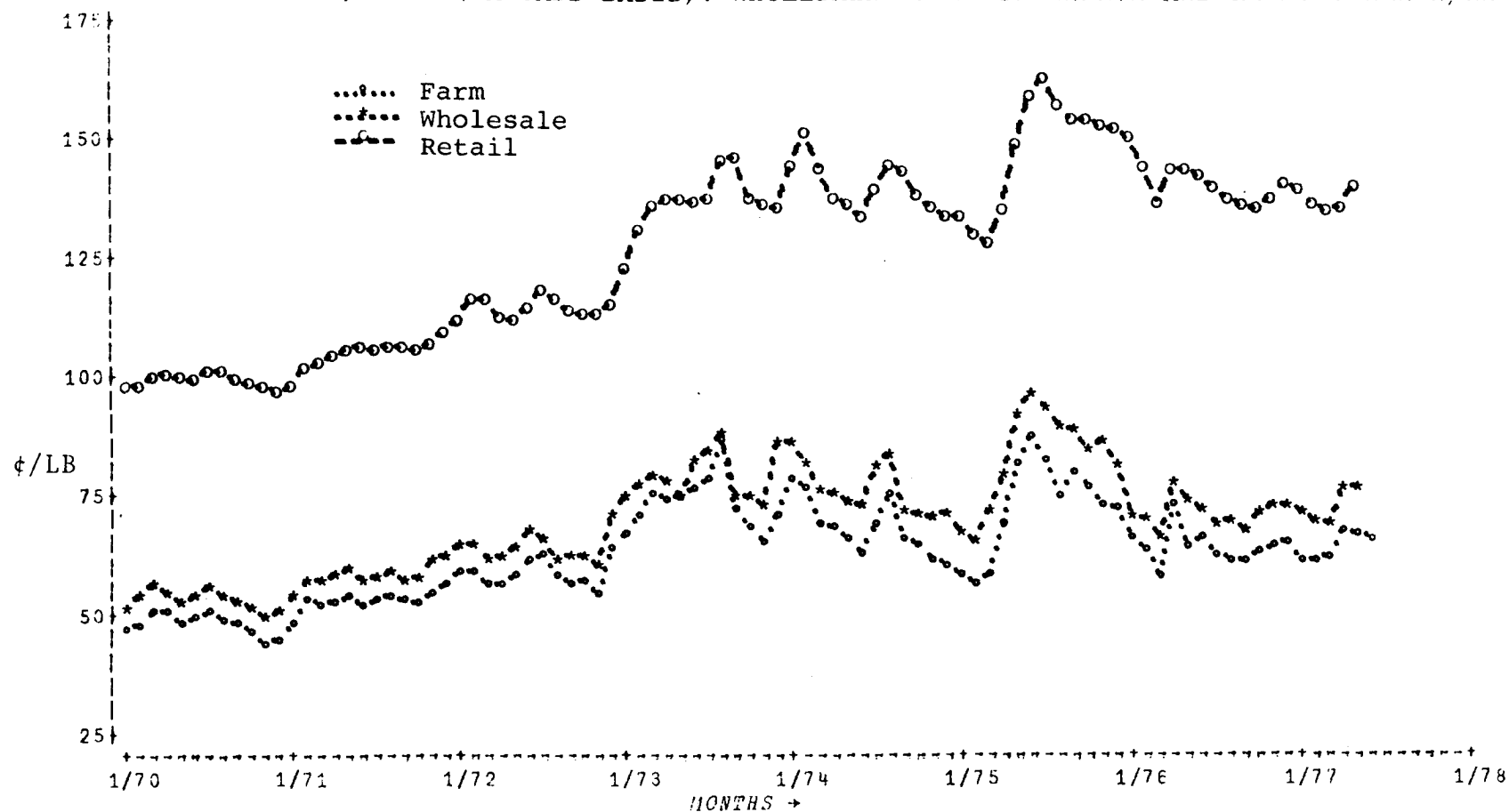
COMPARISON OF DOMESTIC AND LANDED CARCASS BEEF PRICES, CENTS/LB



BEEF PRICES, TORONTO, FARM, WHOLESALE AND RETAIL, CENTS/LB



U.S. BEEF PRICES, FARM (CARCASS BASIS), WHOLESALE PLUS BYPRODUCTS AND RETAIL, CENTS/LB



APPENDIX B-III

CHICKEN

Preliminary analysis of the data collected for this study indicates that significant differences exist between liveweight prices received by broiler producers in Georgia and Toronto markets. With the exception of the third quarter of 1973, when U.S. prices were influenced sharply upwards by the phasing out of price controls in that country, producer prices in Toronto have consistently exceeded those in the Georgia market, and this difference widened considerably during the 1970-1976 period (see Chart XXVIII and Table 39).

Prices paid to Georgia broiler producers (liveweight basis) during 1970-1976 averaged 19.6 cents per pound compared with 28.21 cents per pound in Toronto, a price spread between the two markets of 8.61 cents per pound. Prices paid to broiler producers in Toronto exceeded corresponding prices in the Georgia market by 5.1 cents per pound in 1970; by 1976 this spread had more than doubled to 11.6 cents per pound.

During 1970-1976, farm-gate prices accounted for 57.41 per cent of the retail dollar spent on chicken in Toronto, as compared with 46.68 per cent for New York. In 1976, the corresponding figures were 57.19 per cent and 48.02 per cent respectively.

Average wholesale broiler prices in Toronto and New York exhibit similar patterns (see Chart XXIX and Table 40). During 1970-1977, wholesale prices for fresh, ice-packed broiler chicken in the Toronto market averaged 48.73 cents per pound as compared with 35.11 cents per pound in New York, a spread of 13.62 cents per pound. This spread widened to 21.5 cents per pound in 1976.

The difference between wholesale prices in the two markets during the seven-year period has been attributable primarily to differences in producer prices. Prices paid to Toronto producers per pound of broiler meat sold at wholesale (eviscerated basis) averaged 38.12 cents per pound during 1970-1976, as compared with 26.49 cents per pound in Georgia. When Georgia prices are adjusted for transportation charges paid by processors to ship the product into the N.Y.C. market (averaging 2.11 cents per pound), this amounts to an average difference in cost to processors per pound of meat sold at wholesale of 9.52 cents per pound during the seven-year period. The balance of the difference in wholesale prices between Toronto and New York during this

period (4.1 cents per pound) is attributable to higher farm-to-wholesale price spreads in the Toronto market. During 1970-1976, farm-to-wholesale price spreads averaged 10.61 cents per pound in Toronto, as compared with 6.51 cents per pound in Georgia, a difference of 4.1 cents per pound (see Chart XXX and Table 41).

During 1975-1976, the difference between wholesale prices in Toronto and New York increasingly reflected a widening of farm-to-wholesale spreads in the Toronto market relative to the U.S. In 1976, Toronto processors paid producers an average of 13.43 cents per pound more than their Georgia counterparts for broiler chicken (on an eviscerated basis) (46.49 cents per pound in Toronto vs 33.06 cents per pound in Georgia, transportation charges to N.Y.C. included). The balance of the difference in 1976 wholesale prices between the two markets (8.07 cents per pound) reflects a doubling of farm-to-wholesale spread in the Toronto market in that year relative to average spreads levels during 1970-1976. In 1976, average farm-to-wholesale price spreads in Toronto increased by 3.59 cents per pound (to 14.2 cents per pound) over the preceding seven-year average level as compared with a decrease of 0.31 cents per pound in farm-to-wholesale spreads in the Georgia market.

During 1970-1976, average farm-to-wholesale price spreads accounted for 15.98 per cent of the retail dollar spent on chicken in Toronto, as compared with 11.4 per cent in the New York market during this period. In 1976, average farm-to-wholesale spreads increased to 17.47 per cent of retail prices in Toronto, while dropping back to 9.66 per cent in the New York market.

Over the seven-year period, retail broiler chicken prices in Toronto have increased substantially over those in the New York market (see Chart XXXI and Table 42). During 1970-1976, retail broiler prices in Toronto averaged 66.39 cents per pound, 9.63 cents per pound above average retail prices in New York. In 1970, average retail prices in Toronto were 42.9 cents per pound, 5.2 cents per pound below New York prices. In 1976, average Toronto retail broiler prices had increased to 81.3 cents per pound, a spread of 17.1 cents per pound above average New York prices.

Higher prices at the producer and wholesale levels in Toronto have been the major influence on retail price movements in that market, accounting for 100 per cent of the higher Toronto retail prices over the seven-year period.

While wholesale-to-retail price spreads in Toronto have increased during 1970-1976 (from 11.0 cents per pound in 1970 to 20.6 cents per pound in 1976), they still averaged 3.99 cents per pound below spreads in the New York market (17.67 cents per pound vs 21.66 cents per pound, respectively). In 1976, wholesale-to-retail spreads had dropped relative to New York, averaging 4.4 cents per pound below those in New York (see Chart XXXII and Table 43).

During the period 1970-1976, wholesale-to-retail price spreads accounted for 26.61 per cent of the retail dollar spent on chicken in Toronto as compared with 38.17 per cent in New York. In 1976, wholesale-to-retail spreads for broiler chicken dropped to 25.34 per cent of Toronto retail prices, increasing to 38.79 per cent in the New York market.

Wholesale-to-retail price spreads in both markets appear more volatile than do farm-to-wholesale spreads, although there is a greater variation in the latter in the Toronto market than in the U.S. (see Charts XXXIII to XXXIV).

Higher average farm-to-wholesale price spreads in Toronto during 1970-1976 (+4.1 cents per pound) were almost exactly offset by lower wholesale-to-retail spreads (-3.99 cents per pound), resulting in a variation in average farm-to-retail price spreads between the two markets of 0.1 cents per pound during this period (see Chart XXXV and Table 44). In 1976, the widening of farm-to-wholesale spreads was only partially offset by a small drop in wholesale-to-retail spreads, resulting in a farm-to-retail spread in Toronto of 34.8 cents per pound as compared with 31.3 cents per pound in the U.S. market.

The widening price differential between domestic wholesale broiler prices and the price at which competing Georgia broilers may be landed in Toronto (see Chart XXXVI and Table 45) reflects the reduction in the competitive position of the domestic broiler industry as a result of increased farm gate prices and widening farm-to-wholesale price spreads.

A summary of broiler chicken prices at the farm, wholesale and retail level in Toronto and the U.S. is contained in Charts XXXVII and XXXVIII.

Amount by which Average Broiler Chicken Prices
and Price Spreads in Toronto Differ from
those in the U.S.

| | <u>1970-1976</u> | <u>1976</u> |
|-------------------------------|------------------|---------------|
| <u>Average Farm-gate</u> | | |
| (eviscerated) | + 11.63 | + 15.68 |
| <u>Average Farm-to-</u> | | |
| <u>Wholesale Price</u> | | |
| <u>Spread</u> | + 4.10 | + 8.00 |
| <u>Average Wholesale-</u> | | |
| <u>To-Retail Price</u> | | |
| <u>Spread</u> | - 3.99 | - 4.40 |
| <u>Adjustment for Trans.</u> | | |
| <u>(U.S.)</u> | <u>- 2.11</u> | <u>- 2.25</u> |
| <u>Average Retail Broiler</u> | | |
| <u>Price</u> | + 9.63 | + 17.03 |

TABLE 39

U.S. BROILER PRICES AT FARM, LIVEWEIGHT, GEORGIA,

MID-MONTH (cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 15.6 | 13.6 | 14.2 | 20.0 | 21.9 | 23.8 | 24.5 |
| Q 2 | 14.5 | 14.6 | 13.5 | 24.4 | 19.5 | 25.7 | 23.6 |
| Q 3 | 13.5 | 14.9 | 14.9 | 31.4 | 21.0 | 30.4 | 23.3 |
| Q 4 | 12.7 | 12.5 | 14.1 | 21.0 | 22.9 | 27.0 | 19.6 |
| AVERAGE | 14.1 | 13.9 | 14.2 | 24.2 | 21.3 | 26.7 | 22.8 |

CANADIAN BROILER PRICES TO PRODUCER LIVEWEIGHT,

ONTARIO, MONTHLY (cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 19.5 | 20.0 | 21.2 | 26.1 | 34.8 | 34.1 | 34.7 |
| Q 2 | 19.3 | 20.7 | 22.0 | 30.1 | 34.5 | 34.8 | 33.6 |
| Q 3 | 18.6 | 21.7 | 22.4 | 35.6 | 34.1 | 35.6 | 35.5 |
| Q 4 | 19.4 | 20.3 | 23.1 | 34.6 | 33.9 | 36.0 | 33.9 |
| AVERAGE | 19.2 | 20.7 | 22.2 | 31.6 | 34.3 | 35.1 | 34.4 |

Sources: See Appendix B-VI, Section III.

TABLE 40

U.S. BROILER PRICES, WHOLESALE, TRUCKLOT, GRADE A, N.Y.

(cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 29.6 | 27.3 | 27.3 | 36.8 | 37.4 | 41.0 | 41.4 |
| Q 2 | 28.4 | 28.5 | 26.8 | 42.4 | 32.9 | 43.9 | 40.5 |
| Q 3 | 26.5 | 29.0 | 29.3 | 52.4 | 36.4 | 51.8 | 40.3 |
| Q 4 | 25.5 | 24.4 | 27.5 | 36.4 | 39.6 | 45.3 | 34.5 |
| AVERAGE | 27.5 | 27.3 | 27.7 | 42.0 | 36.6 | 45.5 | 39.2 |

CANADIAN BROILER PRICES, WHOLESALE, ESTIMATED TRUCKLOT,

GRADE A, TORONTO (cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 32.2 | 33.1 | 38.0 | 46.4 | 55.3 | 57.5 | 65.9 |
| Q 2 | 31.7 | 35.6 | 40.6 | 53.5 | 57.3 | 62.3 | 61.9 |
| Q 3 | 30.7 | 37.9 | 40.9 | 59.9 | 58.1 | 67.7 | 61.0 |
| Q 4 | 32.8 | 33.7 | 40.1 | 52.6 | 53.5 | 69.5 | 53.9 |
| AVERAGE | 31.9 | 35.1 | 40.1 | 53.1 | 56.0 | 64.2 | 60.7 |

Sources: See Appendix B-VI, Section III.

TABLE 41

U.S. BROILER CHICKEN PRICE SPREAD, FARM-GATE TO WHOLESALE,

(cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 6.4 | 6.8 | 6.1 | 7.7 | 5.7 | 6.6 | 6.1 |
| Q 2 | 6.7 | 6.7 | 6.5 | 7.3 | 4.5 | 6.9 | 6.4 |
| Q 3 | 6.2 | 6.8 | 7.0 | 7.8 | 5.9 | 8.4 | 6.6 |
| Q 4 | 6.3 | 5.5 | 6.3 | 5.9 | 6.6 | 6.5 | 5.8 |
| AVERAGE | 6.4 | 6.5 | 6.5 | 7.2 | 5.7 | 7.1 | 6.2 |

CANADIAN BROILER CHICKEN PRICE SPREAD,

FARM-GATE TO WHOLESALE, TORONTO (cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 5.8 | 6.1 | 9.3 | 11.1 | 8.3 | 11.4 | 19.1 |
| Q 2 | 5.6 | 7.6 | 10.9 | 12.8 | 10.6 | 15.2 | 16.6 |
| Q 3 | 5.6 | 8.5 | 10.7 | 11.8 | 12.0 | 19.6 | 13.1 |
| Q 4 | 6.7 | 6.3 | 9.9 | 5.8 | 7.7 | 20.8 | 8.1 |
| AVERAGE | 5.9 | 7.1 | 10.2 | 10.4 | 9.7 | 16.8 | 14.2 |

Sources: See Appendix B-VI, Section III.

TABLE 42

U.S. BROILER PRICES, RETAIL, GRADE A, N.Y.,

(cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 50.8 | 45.8 | 47.4 | 52.4 | 61.4 | 64.3 | 66.2 |
| Q 2 | 49.1 | 48.6 | 45.7 | 62.3 | 54.5 | 63.1 | 63.1 |
| Q 3 | 46.9 | 48.5 | 46.5 | 78.9 | 58.2 | 77.3 | 65.7 |
| Q 4 | 45.8 | 45.9 | 44.2 | 59.6 | 63.2 | 72.8 | 62.0 |
| AVERAGE | 48.1 | 47.2 | 45.9 | 63.3 | 59.3 | 69.4 | 64.2 |

CANADIAN BROILER PRICES, RETAIL, GRADE A,

TORONTO (cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 43.0 | 45.3 | 51.0 | 62.7 | 73.3 | 77.0 | 88.0 |
| Q 2 | 43.0 | 47.0 | 54.7 | 70.0 | 78.3 | 84.3 | 85.0 |
| Q 3 | 41.7 | 52.0 | 54.7 | 77.3 | 78.3 | 96.0 | 81.7 |
| Q 4 | 44.0 | 49.3 | 57.0 | 75.0 | 79.7 | 99.7 | 70.7 |
| AVERAGE | 42.9 | 48.4 | 54.3 | 71.2 | 77.4 | 89.2 | 81.3 |

TABLE 43

U.S. BROILER CHICKEN PRICE SPREAD,
WHOLESALE-TO-RETAIL (cents per pound, CDN \$)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 21.2 | 18.5 | 20.1 | 15.7 | 24.0 | 23.3 | 24.8 |
| Q 2 | 20.8 | 20.1 | 18.9 | 19.8 | 21.6 | 19.1 | 22.5 |
| Q 3 | 20.4 | 19.6 | 17.2 | 26.6 | 21.7 | 25.5 | 25.4 |
| Q 4 | 20.3 | 21.5 | 16.6 | 23.2 | 23.6 | 27.5 | 27.5 |
| AVERAGE | 20.6 | 19.9 | 18.2 | 21.3 | 22.7 | 23.9 | 25.0 |

CANADIAN BROILER CHICKEN PRICE SPREAD,
WHOLESALE-TO-RETAIL, TORONTO (cents per pound)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 10.8 | 12.2 | 13.0 | 16.2 | 18.0 | 19.5 | 22.1 |
| Q 2 | 11.3 | 11.4 | 14.0 | 16.5 | 21.1 | 22.1 | 13.1 |
| Q 3 | 10.9 | 14.1 | 13.7 | 17.4 | 20.3 | 28.3 | 20.6 |
| Q 4 | 11.2 | 15.6 | 15.9 | 22.4 | 26.2 | 30.2 | 16.8 |
| AVERAGE | 11.0 | 13.4 | 14.2 | 18.1 | 21.4 | 25.0 | 20.6 |

Sources: See Appendix B-VI, Section III.

TABLE 44

U.S. BROILER CHICKEN PRICE SPREAD,
FARM-GATE TO RETAIL (cents per pound, CDN \$)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 27.6 | 25.4 | 26.1 | 23.3 | 29.7 | 29.9 | 30.9 |
| Q 2 | 27.4 | 26.8 | 25.5 | 27.1 | 26.1 | 26.0 | 28.9 |
| Q 3 | 26.5 | 26.4 | 24.3 | 34.4 | 27.7 | 33.9 | 32.0 |
| Q 4 | 26.6 | 27.0 | 23.0 | 29.1 | 30.2 | 34.0 | 33.2 |
| AVERAGE | 27.0 | 26.4 | 24.7 | 28.5 | 28.4 | 31.0 | 31.3 |

CANADIAN BROILER CHICKEN PRICE SPREAD, FARM-GATE TO RETAIL,
TORONTO, (cents per pound)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 16.6 | 18.3 | 22.4 | 27.4 | 26.4 | 31.0 | 41.2 |
| Q 2 | 16.9 | 19.0 | 24.9 | 29.3 | 31.7 | 37.3 | 39.6 |
| Q 3 | 16.5 | 22.6 | 24.4 | 29.3 | 32.3 | 47.9 | 33.7 |
| Q 4 | 17.8 | 21.9 | 25.8 | 28.2 | 33.9 | 51.0 | 24.9 |
| AVERAGE | 17.0 | 20.5 | 24.4 | 28.5 | 31.0 | 41.8 | 34.8 |

Sources: See Appendix B-VI, Section III.

TABLE 45

U.S. BROILER CHICKEN PRICES, WHOLESALE, F.O.B. N.Y., LANDED IN
TORONTO (cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 40.9 | 38.3 | 38.3 | 48.0 | 48.5 | 52.6 | 54.1 |
| Q 2 | 39.6 | 39.5 | 37.7 | 54.2 | 43.8 | 56.0 | 53.0 |
| Q 3 | 37.6 | 40.0 | 40.2 | 65.4 | 47.5 | 64.9 | 52.8 |
| Q 4 | 36.6 | 35.4 | 38.5 | 47.6 | 51.0 | 57.5 | 46.5 |
| AVERAGE | 38.7 | 38.3 | 38.7 | 53.8 | 47.7 | 57.8 | 51.6 |

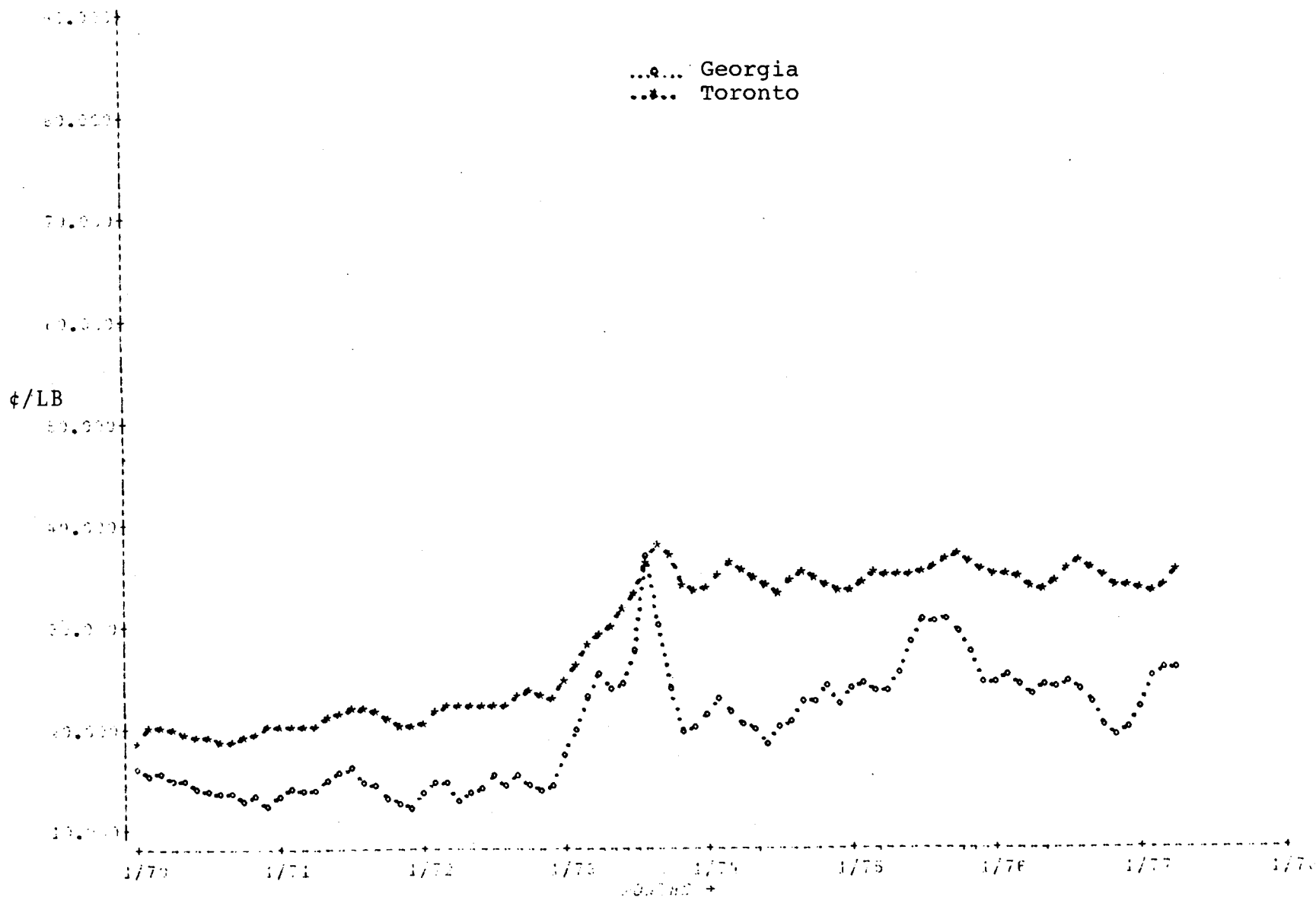
CANADIAN BROILER CHICKEN PRICES, WHOLESALE, ESTIMATED TRUCKLOT,
GRADE A, TORONTO (cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 32.2 | 33.1 | 38.0 | 46.4 | 55.3 | 57.5 | 65.9 |
| Q 2 | 31.7 | 35.6 | 40.6 | 53.5 | 57.3 | 62.3 | 61.9 |
| Q 3 | 30.7 | 37.9 | 40.9 | 59.9 | 58.1 | 67.7 | 61.0 |
| Q 4 | 32.8 | 33.7 | 41.1 | 52.6 | 53.5 | 69.5 | 53.9 |
| AVERAGE | 31.9 | 35.1 | 40.1 | 53.1 | 56.0 | 64.2 | 60.7 |

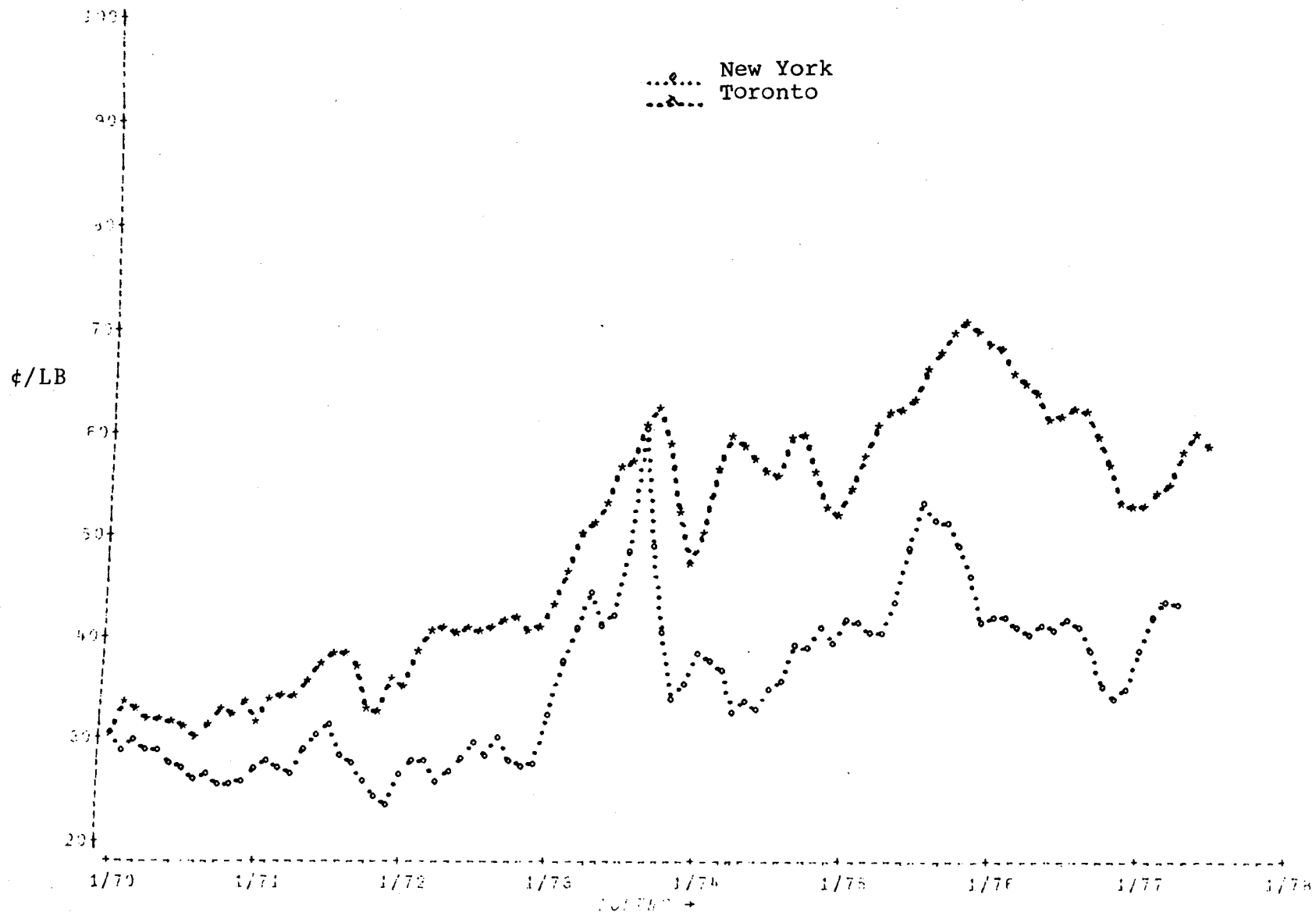
Sources: See Appendix B-VI, Section III.

BROILER CHICKEN PRICES TO PRODUCERS, U.S. AND TORONTO, CENTS/LB (CDN \$)

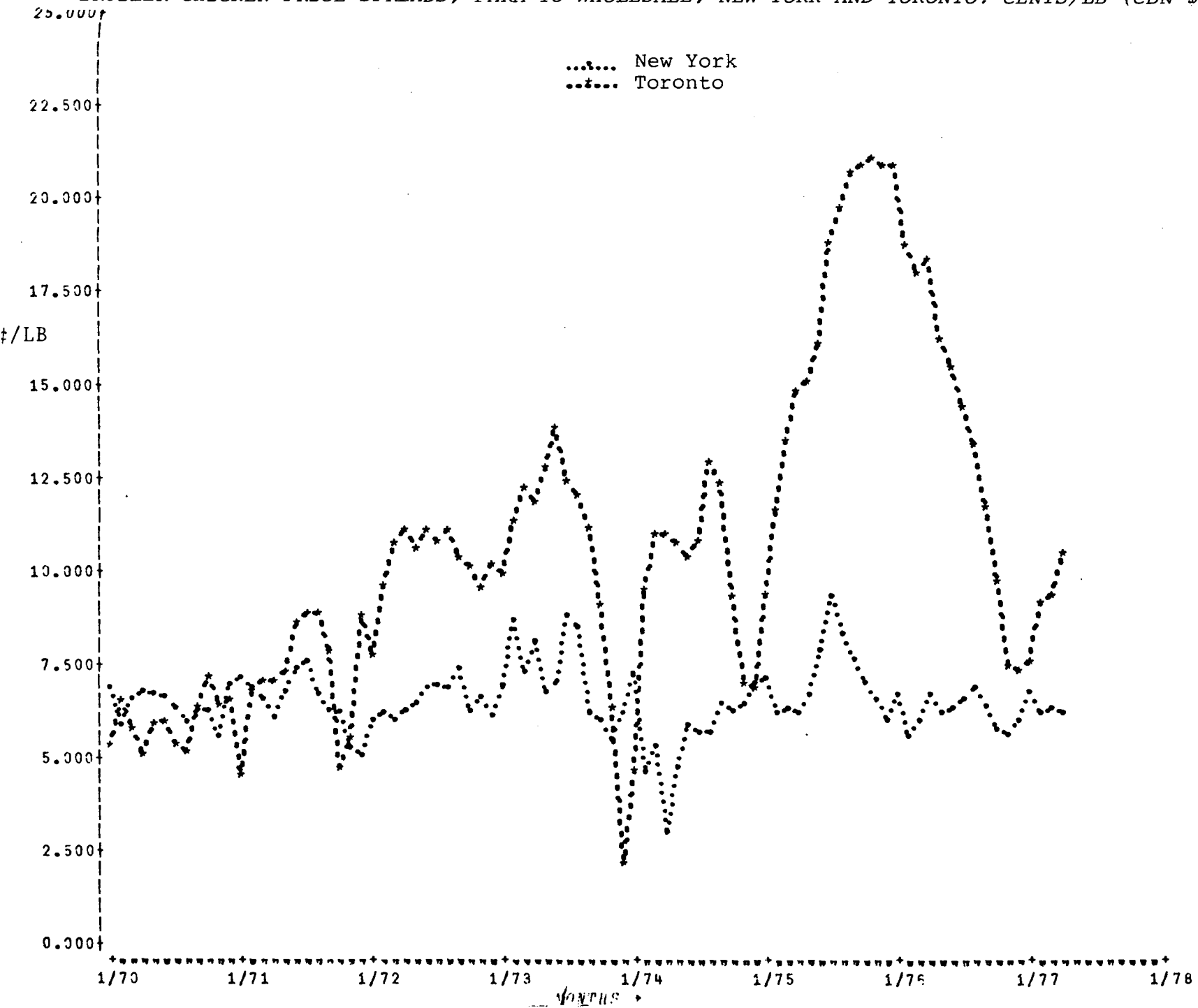


For data sources used in Charts XXVIII-XXXVIII see Appendix B-VI, section III

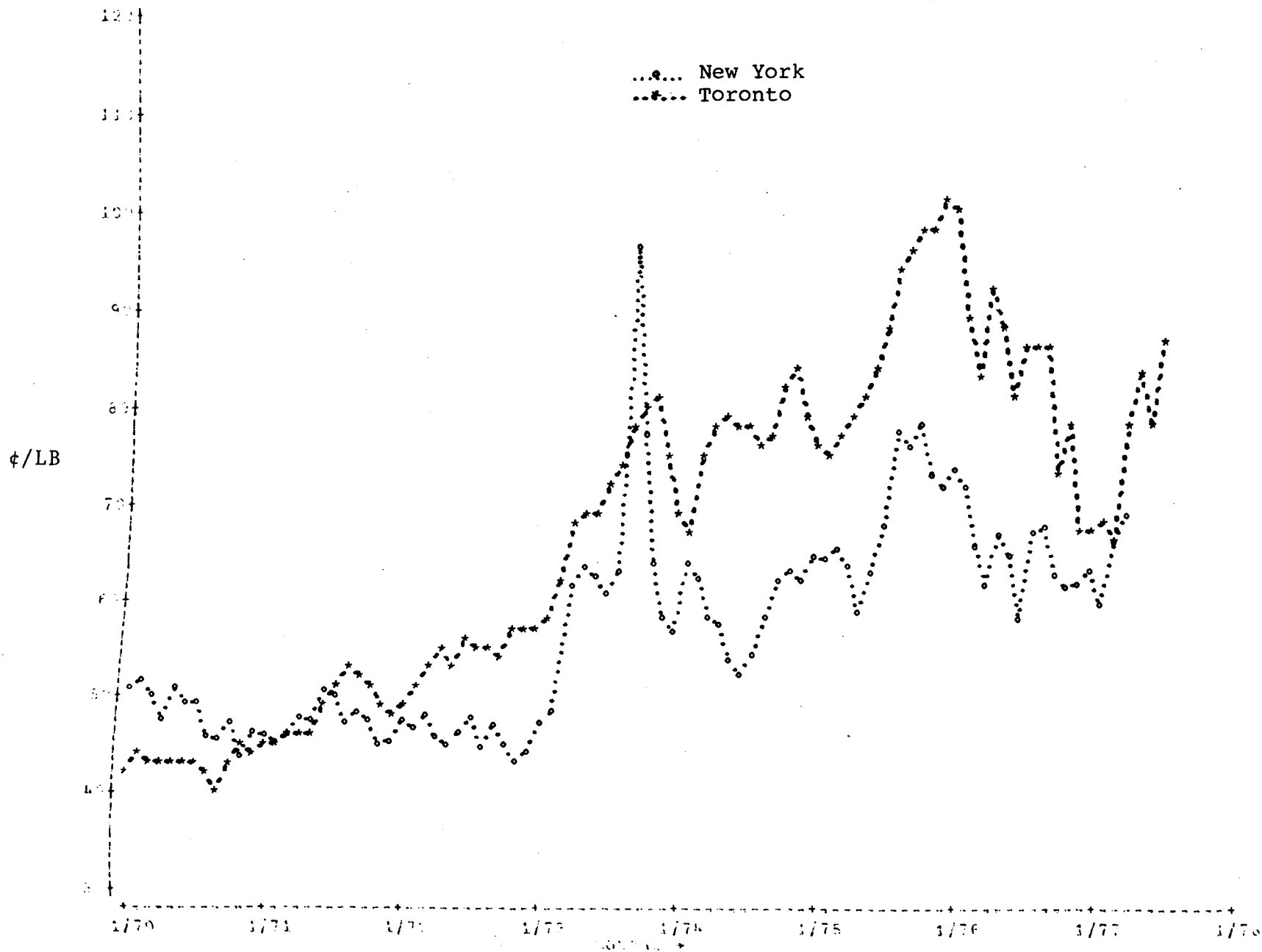
BROILER CHICKEN WHOLESALE PRICES, NEW YORK AND TORONTO, CENTS/LB (CDN \$)



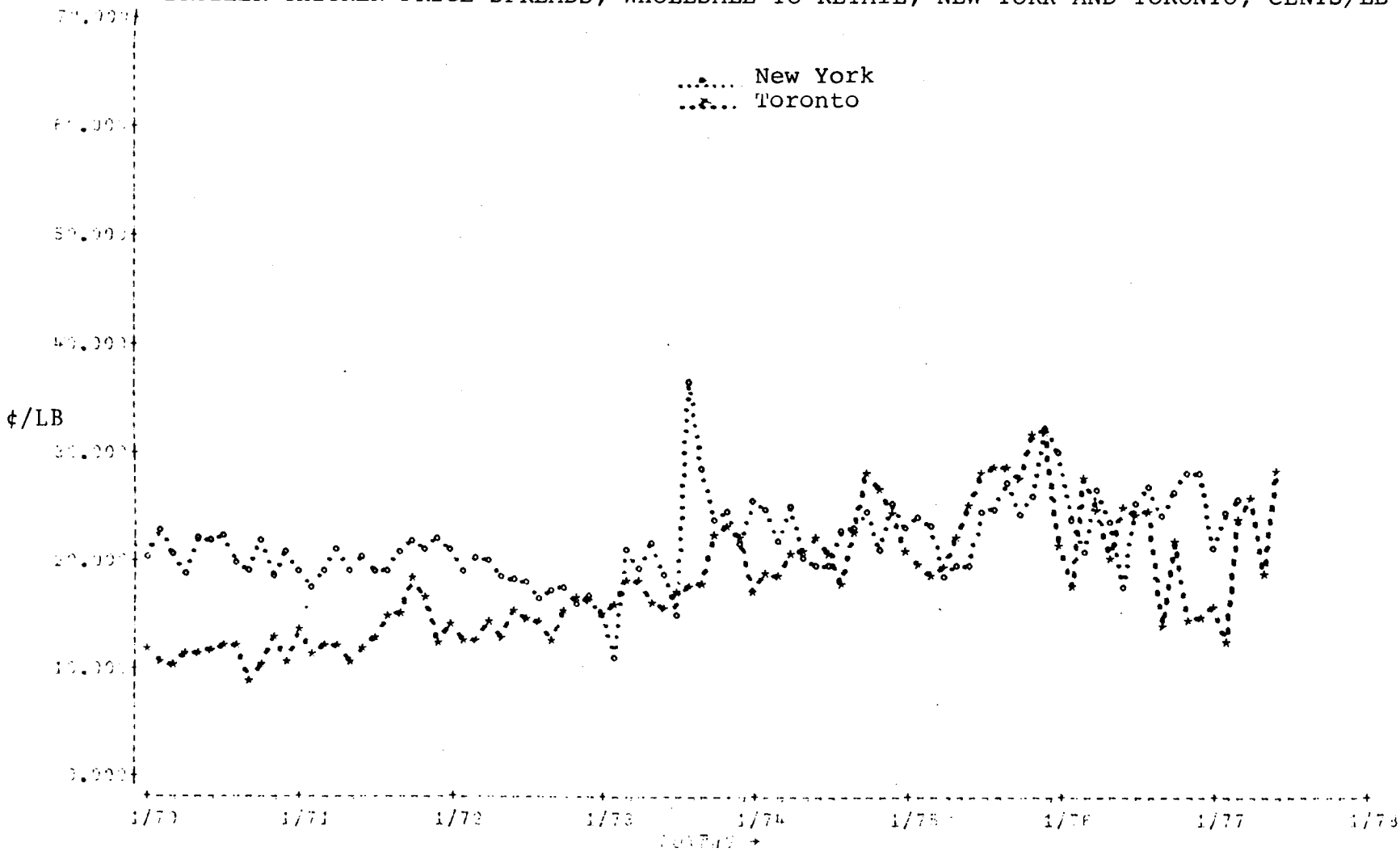
BROILER CHICKEN PRICE SPREADS, FARM-TO-WHOLESALE, NEW YORK AND TORONTO, CENTS/LB (CDN \$)



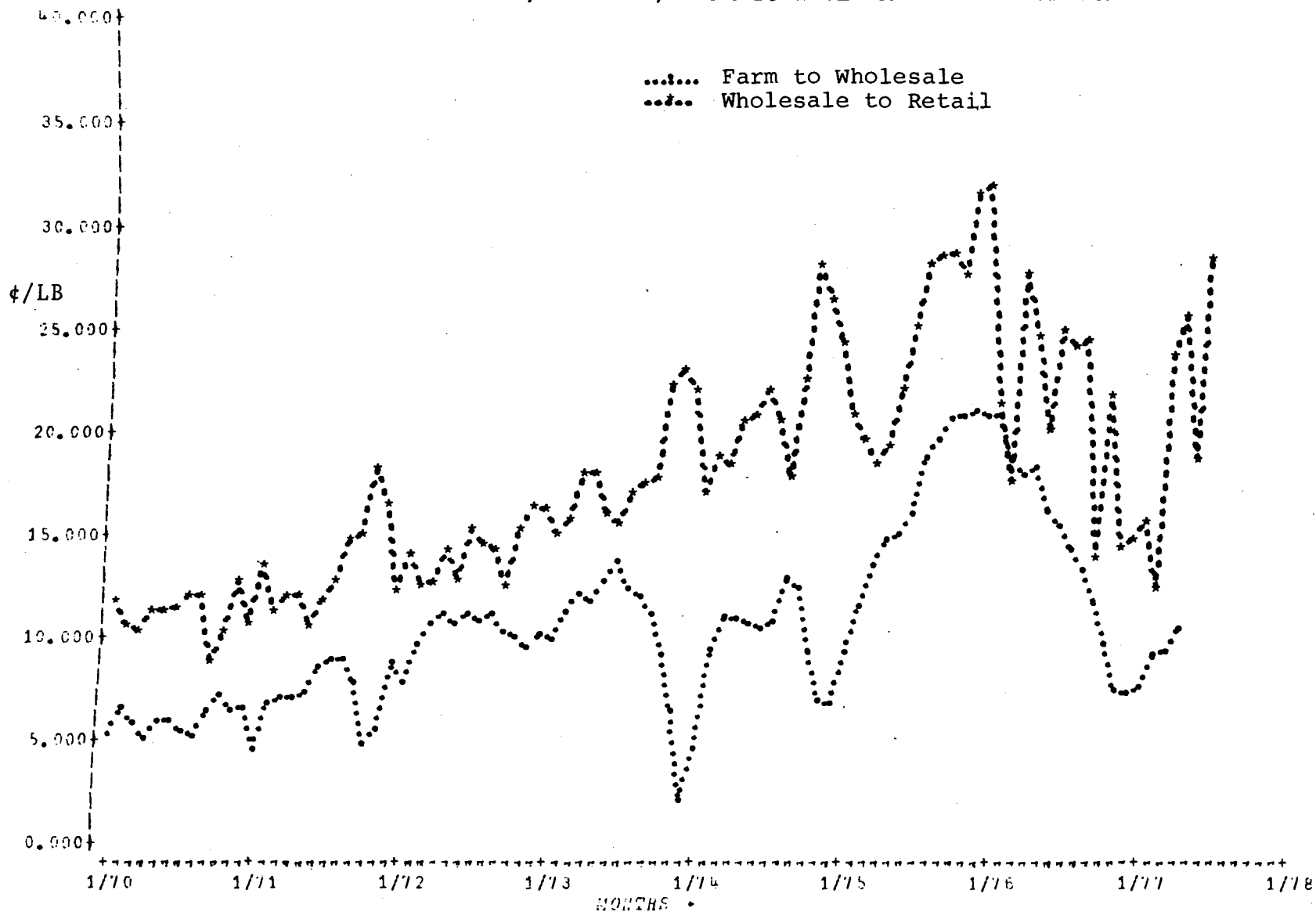
BROILER CHICKEN RETAIL PRICES, NEW YORK AND TORONTO, CENTS/LB (CDN \$)



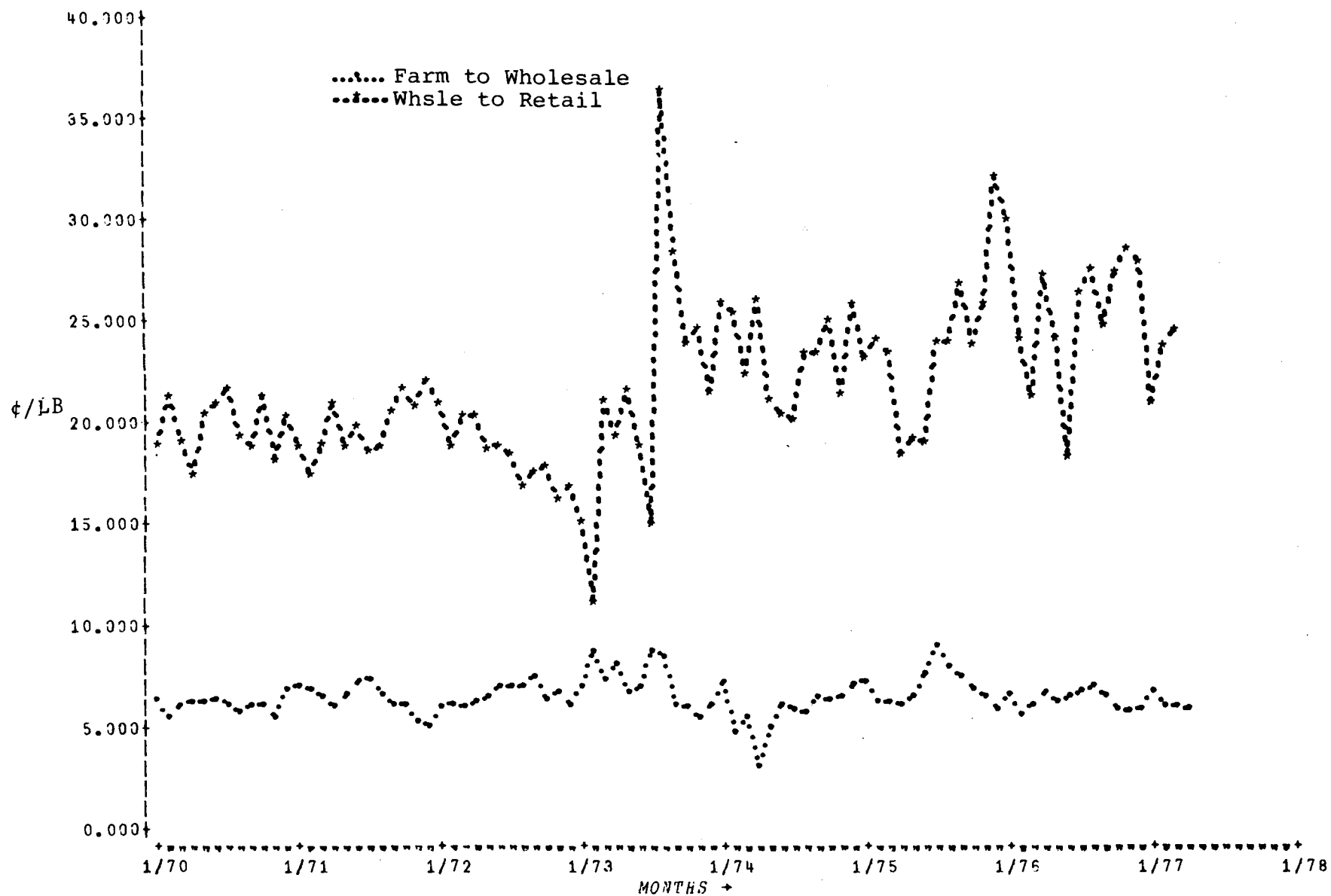
BROILER CHICKEN PRICE SPREADS, WHOLESALE-TO-RETAIL, NEW YORK AND TORONTO, CENTS/LB (CDN\$)



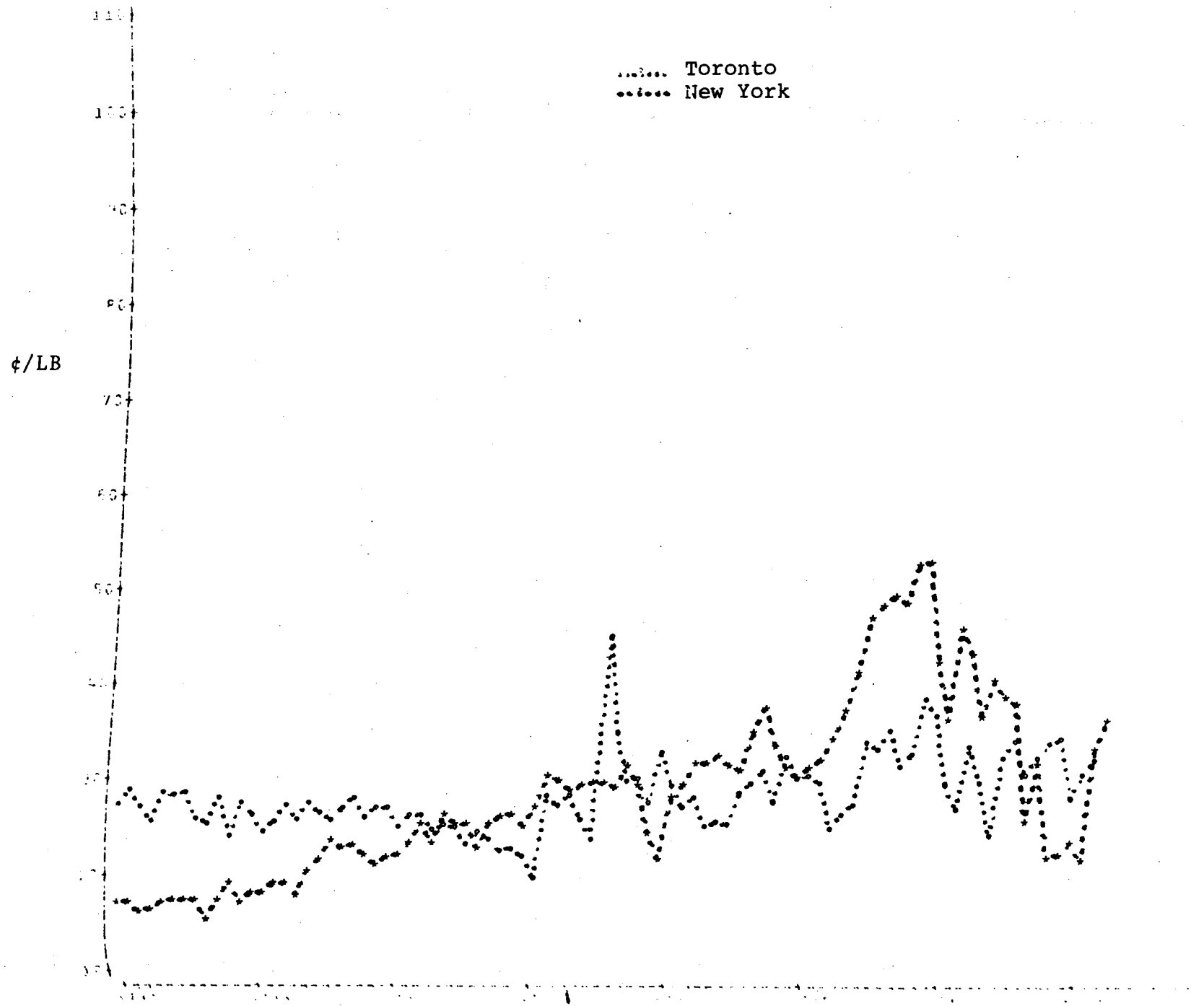
BROILER CHICKEN PRICE SPREADS, TORONTO, FARM-TO-WHOLESALE AND WHOLESALE-TO RETAIL, CENTS/LB



BROILER CHICKEN PRICE SPREADS, FARM TO WHOLESALE AND WHOLESALE TO RETAIL, U.S., CENTS/LB (CDN.\$)

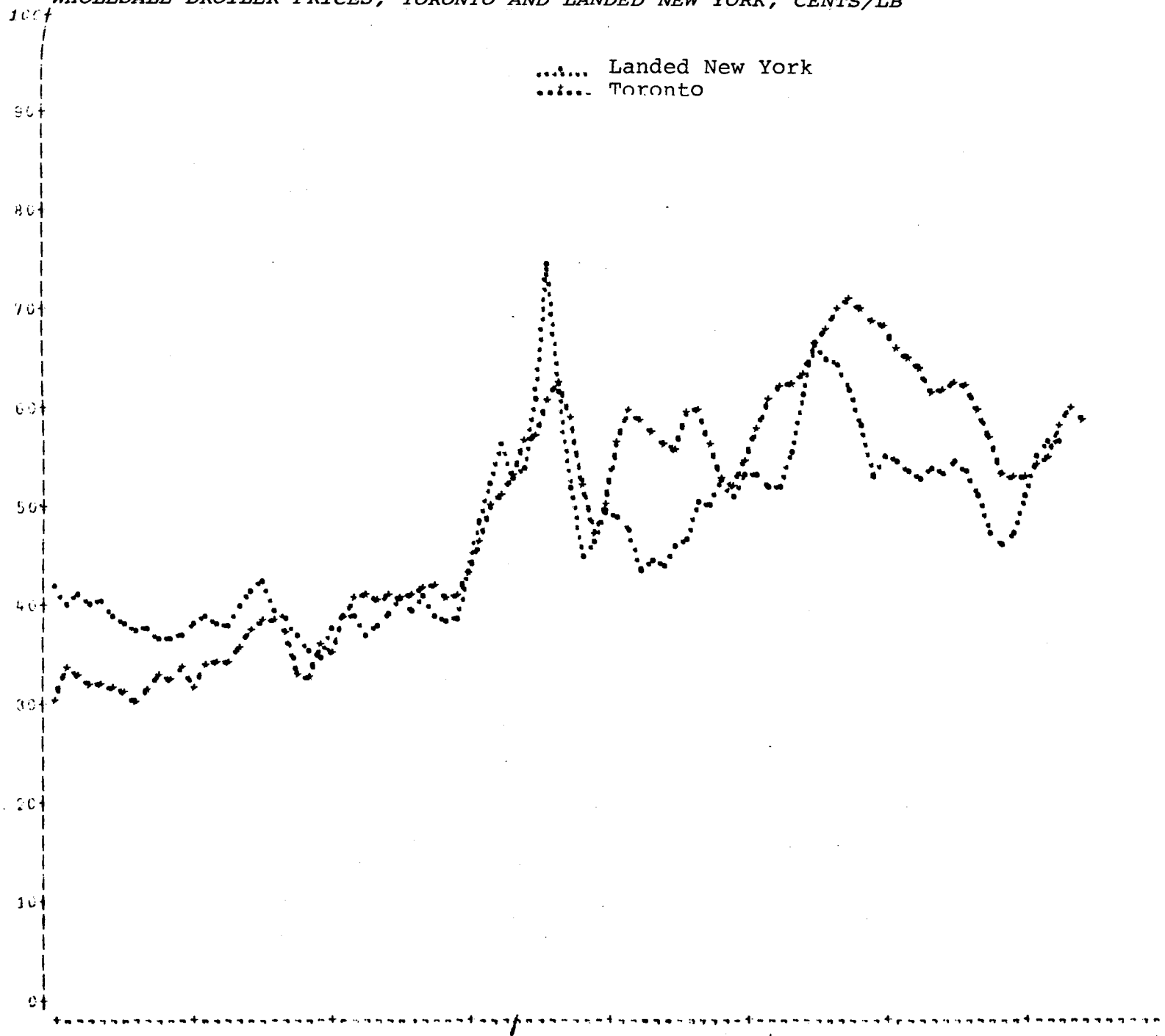


BROILER CHICKEN PRICE SPREADS, FARM-TO-RETAIL, TORONTO AND NEW YORK, CENTS/LB (CDN \$)

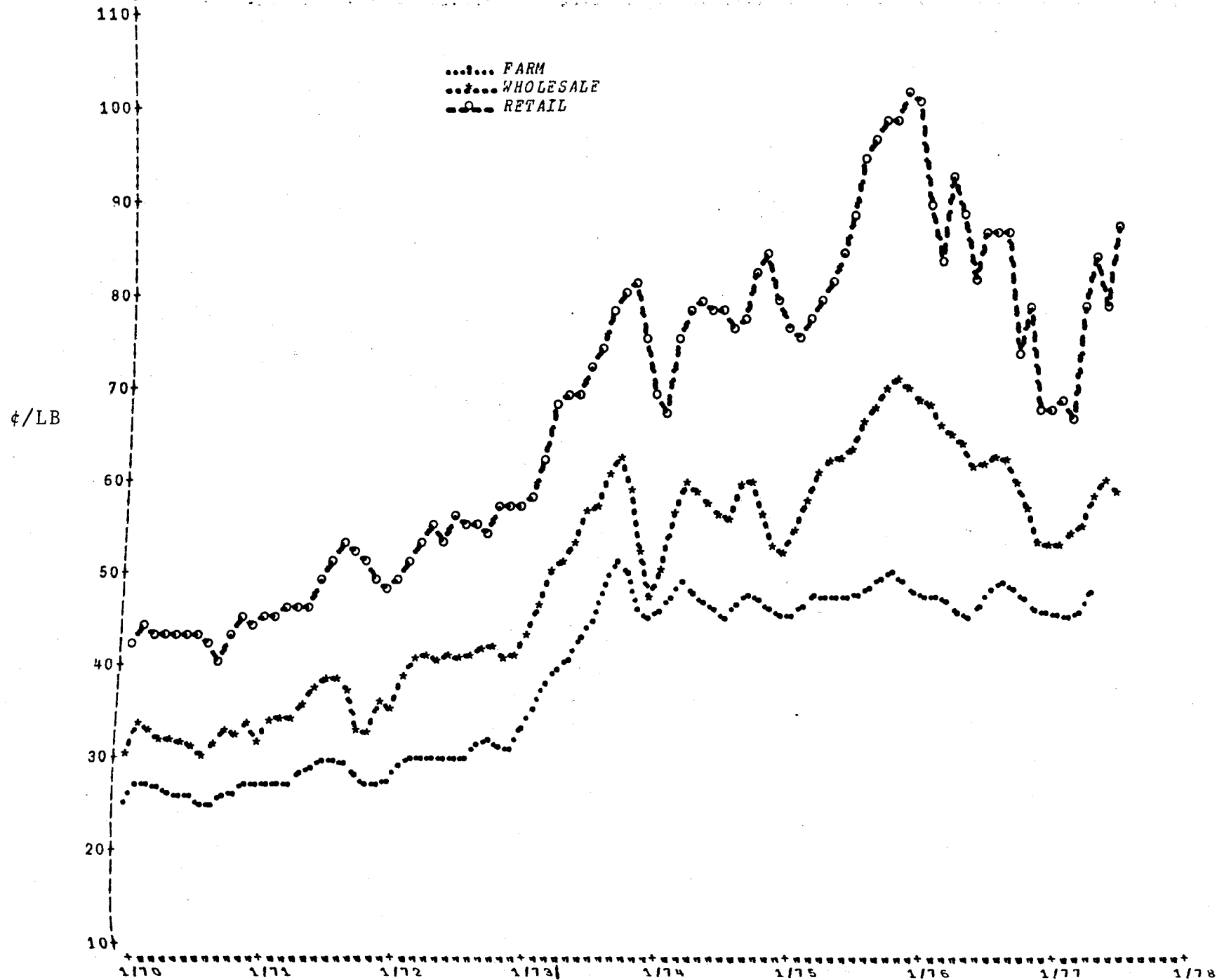


WHOLESALE BROILER PRICES, TORONTO AND LANDED NEW YORK, CENTS/LB

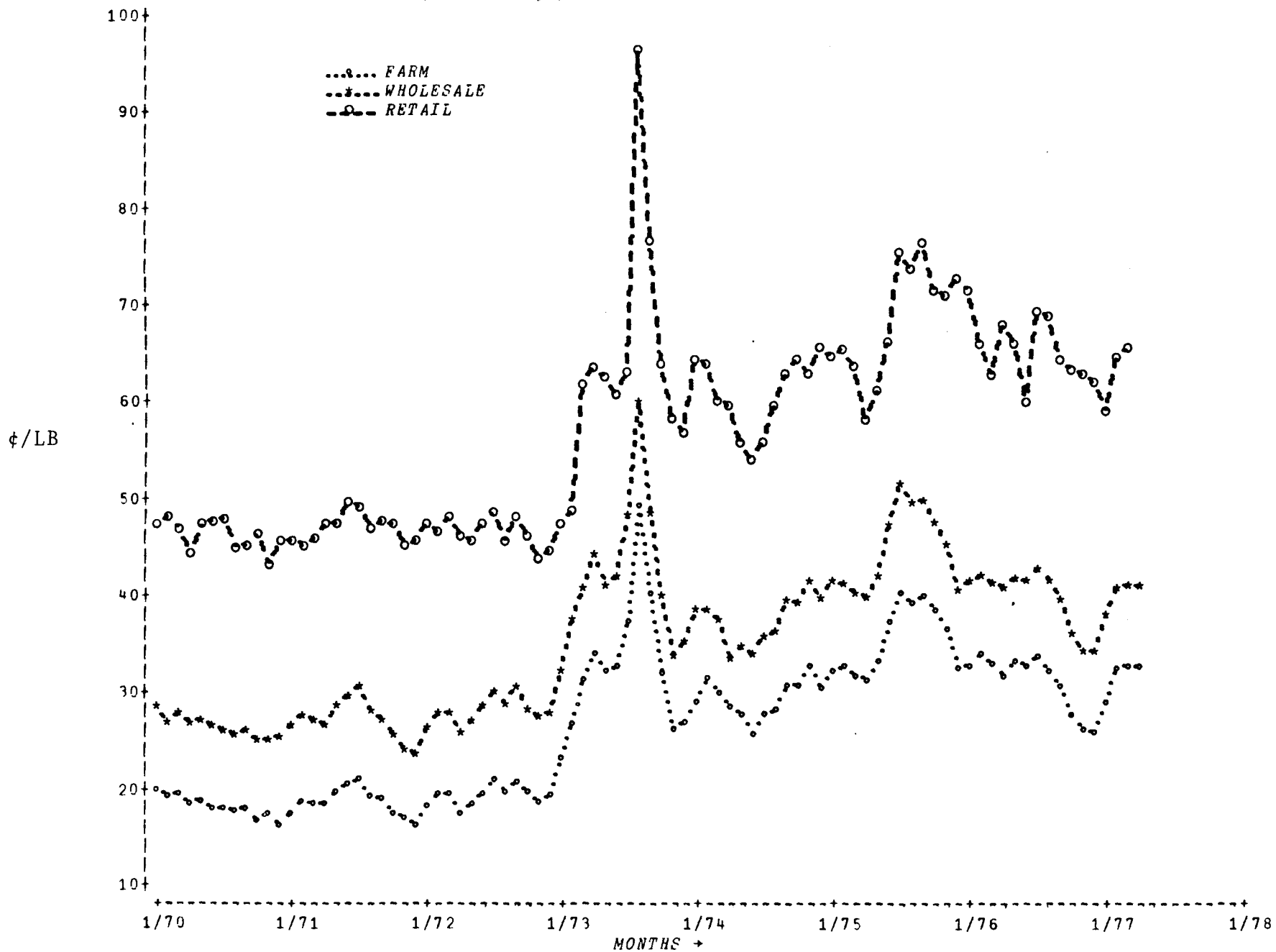
¢/LB



BROILER CHICKEN PRICES, TORONTO, FARM (EVISERATED), WHOLESALE AND RETAIL, CENTS/LB



BROILER CHICKEN PRICES, US, FARM (EVISцерATED), WHOLESALE AND RETAIL, CENTS/LB



APPENDIX B-IV

TURKEY

Preliminary analysis of the data collected for this study indicates that during the period 1970-1976, prices received by turkey producers in Toronto and Iowa were closely comparable from 1970 until the third quarter of 1973, but subsequently widened dramatically (see Chart XXXIX and Table 46). Prices paid to Iowa turkey producers (live-weight basis) during 1970-1976 averaged 28.17 cents per pound compared with 33.31 cents per pound in Toronto, a spread between the two markets of 5.14 cents per pound.¹

Average prices paid to broiler producers in Iowa exceeded prices received by Toronto producers by 2 cents per pound in 1970. In 1976, this situation was dramatically reversed, with Toronto producer prices 15.05 cents per pound above Iowa prices (46.4 cents per pound vs. 31.4 cents per pound, respectively).

During 1970-1976, average farm-gate prices accounted for 61.73 per cent of the retail dollar spent on hen turkey in Toronto, as compared with 48.96 per cent for New York. In 1976, the corresponding figures were 61.19 per cent and 49.41 per cent, respectively.

The dramatic widening of farm-gate prices between the two markets beginning during the third quarter of 1973 corresponded with the removal of price controls in the U.S. (which caused prices for most agricultural commodities to rise temporarily and then fall sharply). While Toronto producer prices also declined during late 1973 and throughout the first half of 1974, they did so far less than in the U.S., and the spread between the two markets subsequently widened substantially.

During the second quarter of 1974, the Canadian government placed turkey (in live, dressed or further processed form) on the import control list, restricting annual imports to a maximum of 2 per cent of Canadian production. This served to reduce substantially competition from the lower-priced U.S. markets, causing the spread between U.S. and Canadian prices at the farm and wholesale levels to widen considerably.

-
1. A small portion of this difference is likely accounted for by the difference in prices paid on a graded basis (hen turkeys in Toronto) and ungraded basis (turkeys in Iowa).

With the exception of 1972, average wholesale hen turkey prices in Toronto and New York during 1970-1976 exhibit characteristics similar to farm-gate price (see Chart XL and Table 47). During 1970-1976, average wholesale prices for frozen hen turkeys in the Toronto market were significantly above New York prices (57.11 cents per pound as compared with 46.24 cents per pound in New York, a spread of 10.87 cents per pound). In 1970, wholesale hen turkey prices in New York averaged 42.5 cents per pound, exceeding Toronto prices by 2.5 cents per pound. In 1976, Toronto average wholesale hen turkey prices had increased to 77.3 cents per pound, 29.2 cents per pound above corresponding prices in the New York market.

Farm-to-wholesale price spreads for hen turkey have been substantially higher in the Toronto market, and the gap between Iowa and Toronto spreads is widening. During the period 1970-1976, of the average difference in wholesale prices between the two markets (10.87 cents per pound), 34 per cent was due to higher average farm-gate prices in Canada and 66 per cent to higher average farm to wholesale price spreads.

Prices paid to Toronto producers per pound of turkey meat sold at wholesale (eviscerated basis) averaged 40.62 cents per pound during 1970-1976, as compared with 34.35 cents per pound in Iowa. When Iowa prices are adjusted for transportation charges paid by processors to ship the product to the N.Y.C. market (averaging 2.62 cents per pound during the seven-year period), this amounts to an average difference in costs to processors per pound of meat, sold at wholesale, of 3.65 cents per pound during this period. Farm-to-wholesale price spreads over the same period averaged 16.47 cents per pound in Toronto, as compared with 9.26 cents per pound in Iowa, a difference of 2.21 cents per pound (see Chart XLI and Table 48).

Since 1973, farm-gate prices increased substantially in the Toronto market and during 1976 contributed to 53.5 per cent of the difference in wholesale hen turkey prices between Toronto and New York. Farm-to-wholesale price spreads increased in Toronto in absolute terms, but due to higher farm prices only accounted for 46.6 per cent of the price difference at wholesale during 1976.

In 1976, Toronto processors paid producers an average of 15.61 cents per pound more for hen turkeys (on an eviscerated basis) than their Iowa counterparts (56.59 cents per pound in Toronto vs 40.98 cents per pound in Iowa,

transportation charges to N.Y.C. included). Farm-to-wholesale price spreads during the same period increased to 20.7 cents per pound in Toronto, as compared with a drop to 7.1 cents per pound in Iowa, a net difference of 13.6 cents per pound.

During 1970-1976, average farm-to-wholesale price spreads accounted for 25.03 per cent of the retail dollar spent on hen turkey in Toronto, as compared with 13.20 per cent in the New York market. In 1976, the corresponding figures were 22.38 per cent and 9.18 per cent, respectively.

Over the seven-year period, retail hen turkey prices in Toronto have averaged 65.80 cents per pound, 4.36 cents per pound less than retail prices in New York despite substantially higher average wholesale prices (see Chart XLII and Table 49).

Retail prices during the first four years of this period averaged 12.7 cents per pound lower in the Toronto market, but moved above N.Y. prices by an average of 6.8 cents per pound from 1974 to 1976. In 1970, Toronto retail hen turkey prices averaged 46.6 cents per pound, 16.1 cents per pound below New York prices. In 1976, average Toronto retail prices had increased to 92.5 cents per pound, a difference of 15.2 cents per pound above New York prices.

Wholesale-to-retail price spreads in the Toronto market during 1970-1976 have been consistently lower than those in New York, mitigating substantially the effect of higher domestic farm-gate prices and farm-to-wholesale price spreads (see Chart XLIII and Table 50). While domestic wholesale-to-retail price spreads increased during 1970-1976 (from 6.6 cents per pound in 1970 to 15.2 cents per pound in 1976), they still averaged 15.22 cents per pound below spreads in the New York market (20.2 cents per pound vs. 29.3 cents per pound, respectively). In 1976, wholesale-to-retail spreads in Toronto averaged 14.1 cents per pound below those in New York.

During the period 1970-1976, wholesale-to-retail price spreads accounted for 13.24 per cent of the retail dollar spent on hen turkey in the Toronto market as compared with 34.11 per cent in New York. In 1976, wholesale-to-retail spreads for hen turkey increased to 16.43 per cent of Toronto retail prices, and to 37.86 per cent in the New York market.

Farm-to-wholesale and wholesale-to-retail price spread movements in Toronto and the U.S. are illustrated in Charts XLIV and XLV, respectively.

Farm-to-retail price spreads in Toronto during 1970-1976 averaged 25.17 cents per pound, 8.02 cents per pound below those in the U.S., as a result of lower Canadian wholesale-to-retail spreads. During 1976, the farm-to-retail spread for hen turkeys in Toronto increased to 35.9 cents per pound, as a result of a 4.23 cents per pound increase in farm-to-wholesale spreads and a 6.49 cents per pound increase in wholesale-to-retail spreads. Farm-to-retail spreads continued to average below U.S. levels, although the gap between the two markets narrowed to 0.5 cents per pound (see Chart XLVI and Table 51).

The widening price differential between domestic wholesale hen turkey prices and the price at which competing Iowa turkey may be landed in Toronto (see Chart XLVII and Table 52) reflects the reduction in the competitive position of the domestic industry as a result of import controls.

A summary of hen turkey prices at the farm, wholesale and retail levels in Toronto and the U.S. is contained in Charts XLVIII and IL, respectively.

Amount by which Average Turkey Prices
and Price Spreads in Toronto Differ from
those in the U.S.

1970 - 1976

| | <u>1970-1976</u> | <u>1976</u> |
|------------------------------------|------------------|---------------|
| <u>Average Farm-gate Price</u> | | |
| <u>(eviscerated basis)</u> | + 6.27 | + 18.36 |
| <u>Average Farm-to-Wholesale</u> | | |
| <u>Price Spread</u> | + 7.21 | + 13.6 |
| <u>Average Wholesale-to-Retail</u> | | |
| <u>Price Spread</u> | - 15.22 | - 14.1 |
| <u>Adjustment for Trans.</u> | | |
| <u>(U.S.)</u> | <u>- 2.62</u> | <u>- 2.75</u> |
| <u>Average Retail Hen</u> | | |
| <u>Turkey Prices</u> | - 4.36 | + 15.11 |

TABLE 46

U.S. TURKEY PRICES AT FARM, LIVWEIGHT, IOWA, MID-MONTH

(cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 27.3 | 21.8 | 22.4 | 25.6 | 32.6 | 31.4 | 32.6 |
| Q 2 | 25.7 | 21.7 | 21.3 | 32.4 | 24.4 | 31.8 | 31.0 |
| Q 3 | 22.8 | 22.5 | 21.3 | 39.5 | 25.3 | 36.6 | 30.3 |
| Q 4 | 22.7 | 22.5 | 22.7 | 41.6 | 30.3 | 37.1 | 31.5 |
| AVERAGE | 24.6 | 22.1 | 21.9 | 34.8 | 28.2 | 34.2 | 31.4 |

CANADIAN HEN TURKEY PRICES TO PRODUCER, LIVWEIGHT, ONTARIO,

MONTHLY (cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 23.5 | 20.5 | 24.4 | 27.9 | 43.5 | 40.7 | 45.0 |
| Q 2 | 22.3 | 20.3 | 25.5 | 33.6 | 40.1 | 38.7 | 44.3 |
| Q 3 | 21.6 | 21.2 | 23.8 | 41.1 | 37.8 | 42.1 | 47.8 |
| Q 4 | 23.2 | 20.8 | 24.6 | 45.3 | 40.2 | 44.6 | 48.4 |
| AVERAGE | 22.6 | 20.7 | 24.6 | 37.0 | 40.4 | 41.5 | 46.4 |

Sources: See Appendix B-VI, Section IV.

TABLE 47

U.S. HEN TURKEY PRICES, WHOLESALE, FROZEN, 8-16 LBS. N.Y.

(cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 50.0 | 37.1 | 36.9 | 45.6 | 49.2 | 48.5 | 49.1 |
| Q 2 | 41.4 | 36.7 | 34.5 | 55.8 | 38.4 | 52.2 | 47.2 |
| Q 3 | 38.3 | 39.4 | 34.6 | 68.8 | 44.6 | 58.8 | 47.4 |
| Q 4 | 40.2 | 38.2 | 38.4 | 65.1 | 52.5 | 57.0 | 48.6 |
| AVERAGE | 42.5 | 37.9 | 36.1 | 58.8 | 46.2 | 54.1 | 48.1 |

CANADIAN HEN TURKEY PRICES, WHOLESALE, FROZEN, 10-16 LBS.,

ESTIMATED TRUCKLOT, GRADE A, TORONTO (cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 41.2 | 37.8 | 43.1 | 51.6 | 74.2 | 62.1 | 77.5 |
| Q 2 | 38.4 | 36.9 | 44.8 | 57.2 | 62.2 | 63.6 | 75.6 |
| Q 3 | 38.4 | 38.1 | 44.8 | 66.5 | 62.6 | 73.2 | 76.7 |
| Q 4 | 41.8 | 38.9 | 47.2 | 80.5 | 64.4 | 80.2 | 79.3 |
| AVERAGE | 40.0 | 37.9 | 45.0 | 63.9 | 65.9 | 69.8 | 77.3 |

Sources: See Appendix B-VI, Section IV.

TABLE 48

U.S. HEN TURKEY PRICE SPREAD, FARM-GATE TO WHOLESALE

(cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 14.1 | 8.1 | 6.9 | 11.7 | 6.8 | 7.5 | 6.5 |
| Q 2 | 7.5 | 7.7 | 5.9 | 13.6 | 6.0 | 10.7 | 6.7 |
| Q 3 | 7.9 | 9.4 | 6.1 | 18.1 | 11.1 | 11.4 | 7.8 |
| Q 4 | 10.0 | 8.4 | 8.1 | 11.9 | 12.9 | 9.0 | 7.4 |
| AVERAGE | 9.9 | 8.4 | 6.8 | 13.8 | 9.2 | 9.6 | 7.1 |

CANADIAN HEN TURKEY PRICE SPREAD, FARM-GATE TO WHOLESALE,

TORONTO (cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 12.6 | 12.8 | 13.3 | 17.6 | 21.1 | 12.5 | 22.6 |
| Q 2 | 11.2 | 12.2 | 13.7 | 16.2 | 13.3 | 16.4 | 21.5 |
| Q 3 | 12.1 | 12.2 | 15.8 | 16.3 | 16.5 | 21.9 | 18.4 |
| Q 4 | 13.5 | 13.5 | 17.2 | 25.3 | 15.4 | 25.8 | 20.3 |
| AVERAGE | 12.4 | 12.7 | 15.0 | 18.8 | 16.6 | 19.1 | 20.7 |

TABLE 49

U.S. HEN TURKEY PRICES, RETAIL, FROZEN, MEDIUM, N.Y.,

(cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 62.9 | 60.2 | 60.6 | 61.6 | 83.0 | 75.5 | 79.9 |
| Q 2 | 64.6 | 57.1 | 59.0 | 73.8 | 67.8 | 75.6 | 76.1 |
| Q 3 | 61.7 | 61.5 | 58.7 | 86.3 | 65.5 | 81.9 | 76.5 |
| Q 4 | 61.6 | 61.2 | 60.6 | 96.1 | 73.7 | 84.7 | 76.9 |
| AVERAGE | 62.7 | 60.0 | 59.7 | 79.5 | 72.5 | 79.4 | 77.3 |

CANADIAN HEN TURKEY PRICES, RETAIL, FROZEN, 10-16 LBS.,

TORONTO (cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 49.0 | 46.0 | 46.7 | 55.3 | 82.7 | 72.7 | 94.3 |
| Q 2 | 46.0 | 45.3 | 49.3 | 64.0 | 75.7 | 73.3 | 92.7 |
| Q 3 | 44.7 | 45.7 | 51.0 | 70.3 | 73.0 | 83.7 | 92.0 |
| Q 4 | 46.7 | 44.7 | 52.3 | 87.3 | 74.3 | 93.0 | 91.0 |
| AVERAGE | 46.6 | 45.4 | 49.8 | 69.2 | 76.4 | 80.7 | 92.5 |

Sources: See Appendix B-VI, Section IV.

TABLE 50

U.S. HEN TURKEY PRICE SPREAD, WHOLESALE-TO-RETAIL,
(cents per pound, CDN \$)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 12.9 | 23.1 | 23.8 | 16.1 | 33.9 | 27.0 | 30.8 |
| Q 2 | 23.2 | 20.5 | 24.6 | 18.0 | 29.4 | 23.4 | 28.8 |
| Q 3 | 23.3 | 22.1 | 24.1 | 17.5 | 20.9 | 23.1 | 29.0 |
| Q 4 | 21.3 | 23.0 | 22.1 | 31.0 | 21.2 | 27.7 | 28.3 |
| AVERAGE | 20.2 | 22.2 | 23.6 | 20.6 | 26.3 | 25.3 | 29.3 |

CANADIAN HEN TURKEY PRICE SPREAD, WHOLESALE-TO-RETAIL,
TORONTO (cents per pound)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 7.8 | 8.2 | 3.6 | 3.7 | 8.5 | 10.6 | 16.9 |
| Q 2 | 7.6 | 8.4 | 4.5 | 6.8 | 13.5 | 9.7 | 17.1 |
| Q 3 | 6.2 | 7.6 | 6.2 | 3.9 | 10.4 | 10.4 | 15.3 |
| Q 4 | 4.9 | 5.8 | 5.1 | 6.8 | 9.9 | 12.8 | 11.7 |
| AVERAGE | 6.6 | 7.5 | 4.9 | 5.3 | 10.6 | 10.9 | 15.2 |

Sources: See Appendix B-VI, Section IV.

TABLE 51

U.S. HEN TURKEY PRICE SPREAD, FARM-TO-RETAIL,
(cents per pound, CDN \$)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 27.0 | 31.1 | 30.7 | 27.8 | 40.7 | 34.5 | 37.3 |
| Q 2 | 30.7 | 28.1 | 30.5 | 31.6 | 35.4 | 34.1 | 35.5 |
| Q 3 | 31.3 | 31.6 | 30.2 | 35.5 | 32.0 | 34.5 | 36.9 |
| Q 4 | 31.3 | 31.3 | 30.2 | 42.9 | 34.1 | 36.7 | 35.7 |
| AVERAGE | 30.1 | 30.5 | 30.4 | 34.4 | 35.6 | 34.9 | 36.4 |

CANADIAN HEN TURKEY PRICE SPREAD, FARM-TO-RETAIL,
TORONTO (cents per pound)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 20.4 | 21.0 | 16.9 | 21.3 | 29.6 | 23.0 | 39.5 |
| Q 2 | 18.8 | 20.6 | 18.3 | 23.0 | 26.8 | 26.1 | 38.6 |
| Q 3 | 18.4 | 19.8 | 22.0 | 20.2 | 26.9 | 32.3 | 33.7 |
| Q 4 | 18.4 | 19.3 | 22.4 | 32.1 | 25.3 | 38.6 | 32.0 |
| AVERAGE | 19.0 | 20.2 | 19.9 | 24.1 | 27.1 | 30.0 | 35.9 |

Sources: See Appendix B-VI, Section IV.

TABLE 52

U.S. HEN TURKEY PRICES, WHOLESALE, F.O.B. N.Y.,

LANDED IN TORONTO (cents per pound, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 59.5 | 45.2 | 44.9 | 54.4 | 58.4 | 58.8 | 60.4 |
| Q 2 | 49.8 | 44.7 | 42.5 | 65.9 | 46.4 | 63.1 | 58.3 |
| Q 3 | 46.4 | 47.4 | 42.6 | 80.5 | 53.3 | 70.5 | 58.6 |
| Q 4 | 48.4 | 46.2 | 46.5 | 76.4 | 62.2 | 68.4 | 59.9 |
| AVERAGE | 51.0 | 45.9 | 44.1 | 69.3 | 55.1 | 65.2 | 59.3 |

CANADIAN HEN TURKEY PRICES, WHOLESALE, FROZEN, 10-16 LBS.,

ESTIMATED TRUCKLOT, GRADE A, TORONTO (cents per pound)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 41.2 | 37.8 | 43.1 | 51.6 | 74.2 | 62.1 | 77.5 |
| Q 2 | 38.4 | 36.9 | 44.8 | 57.2 | 62.2 | 63.6 | 75.6 |
| Q 3 | 38.4 | 38.1 | 44.8 | 66.5 | 62.6 | 73.2 | 76.7 |
| Q 4 | 41.8 | 38.9 | 47.2 | 80.5 | 64.4 | 80.2 | 79.3 |
| AVERAGE | 40.0 | 37.9 | 45.0 | 63.9 | 65.9 | 69.8 | 77.3 |

Sources: See Appendix B-VI, Section IV.

HEN TURKEY PRICES TO PRODUCERS, IOWA, U.S., AND TORONTO, CENTS/LB (LIVEWEIGHT BASIS), (CDN.\$)

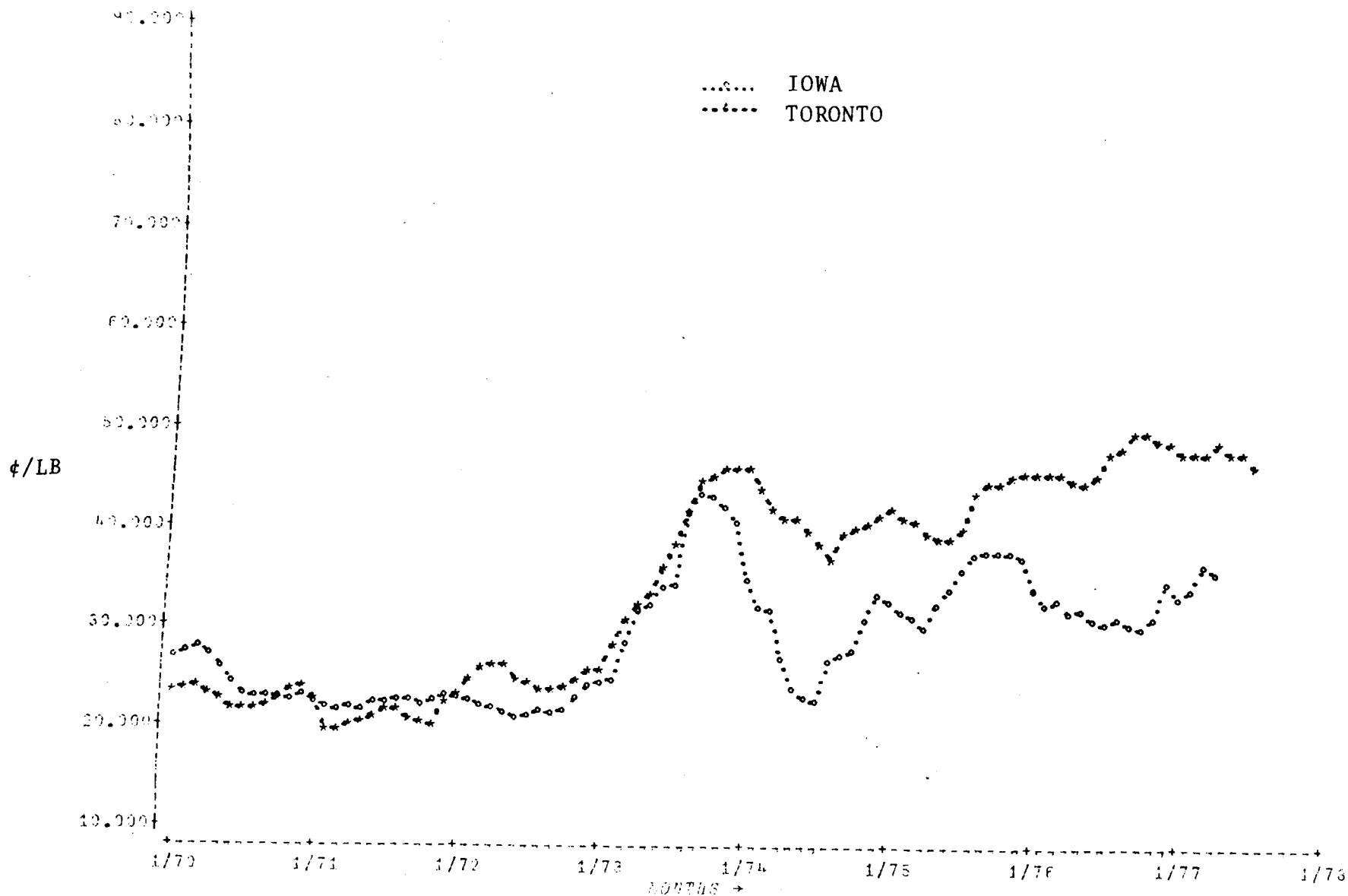
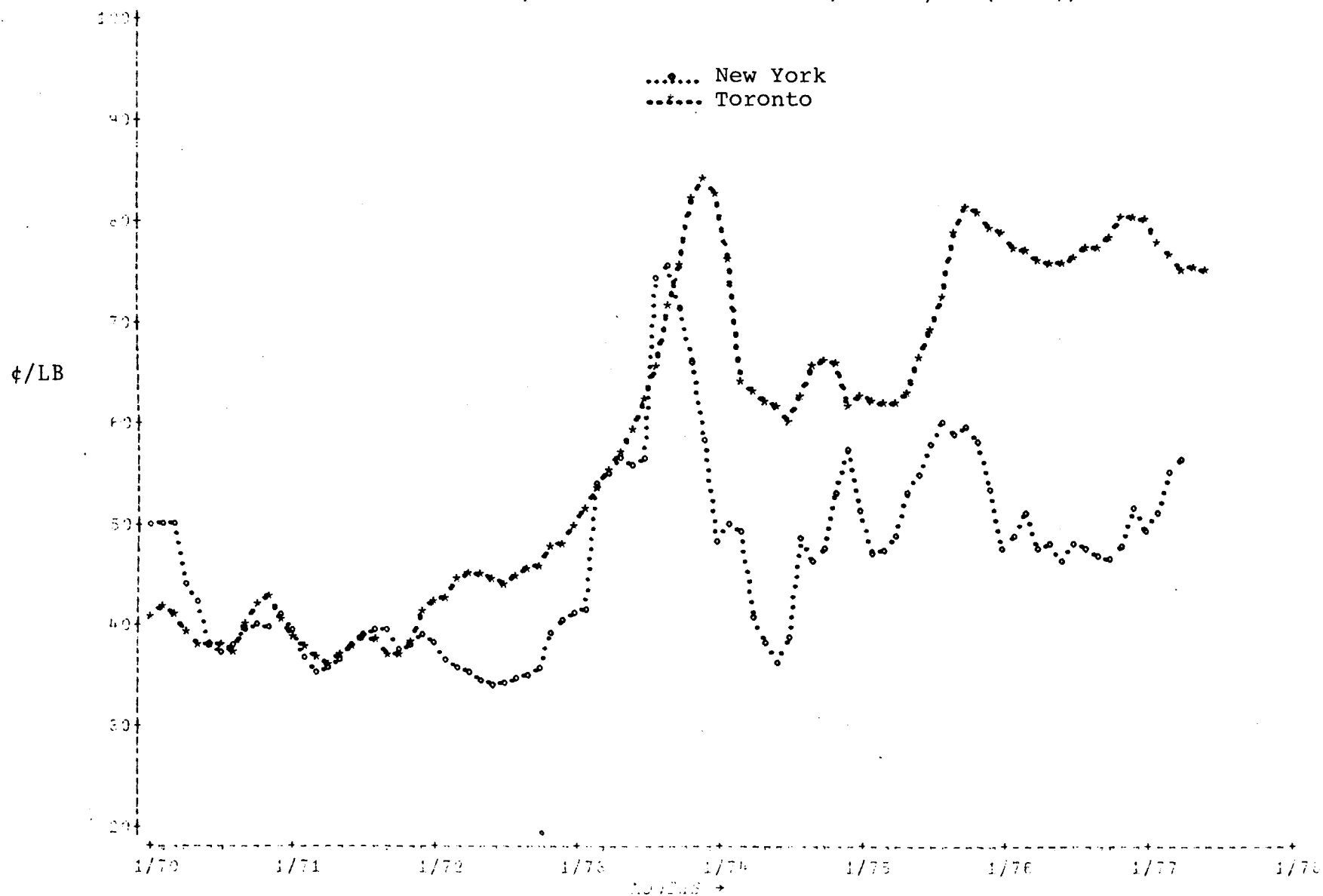


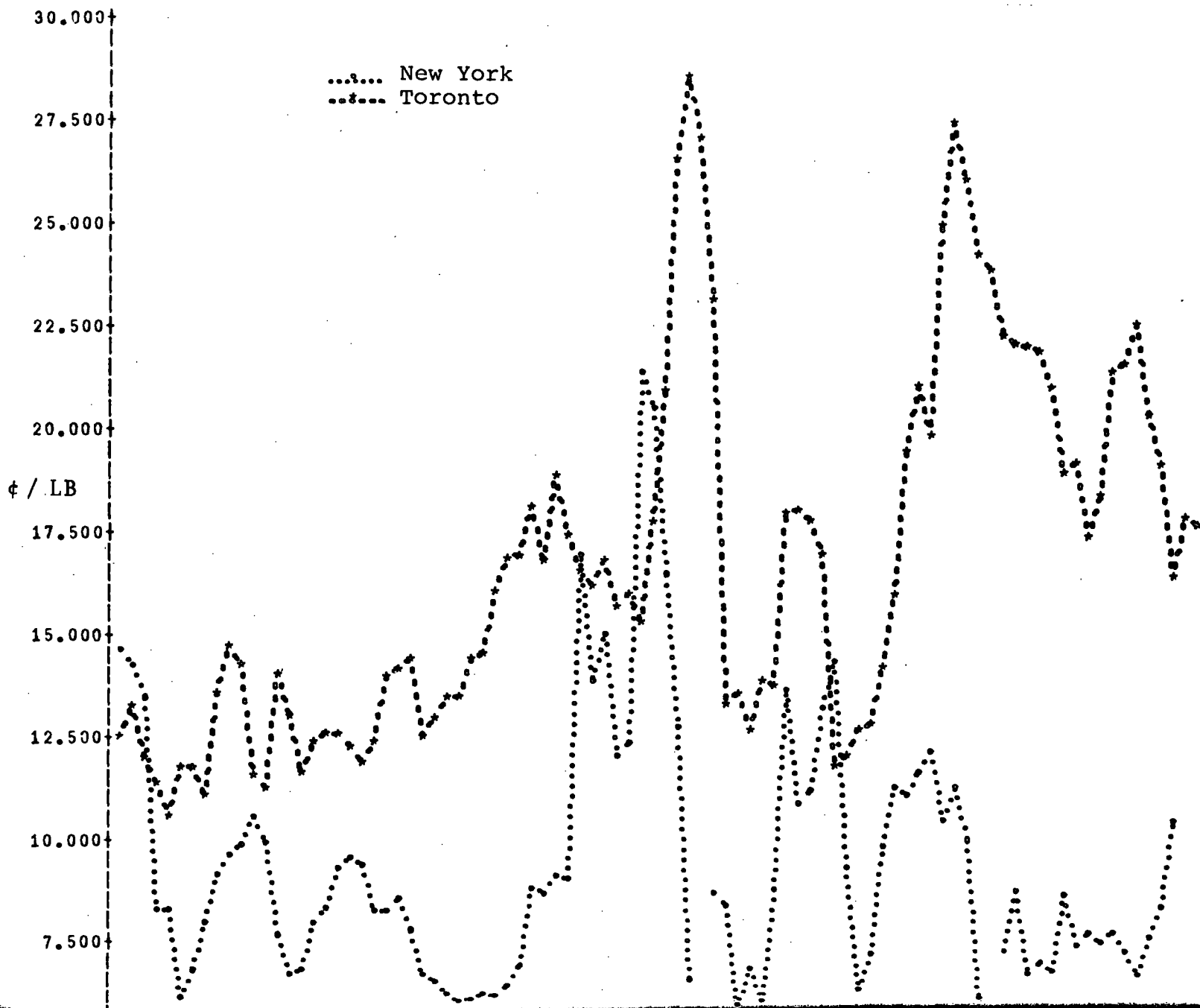
CHART IXL

For data used in Charts IXL-IL, see Appendix B-VI, section IV

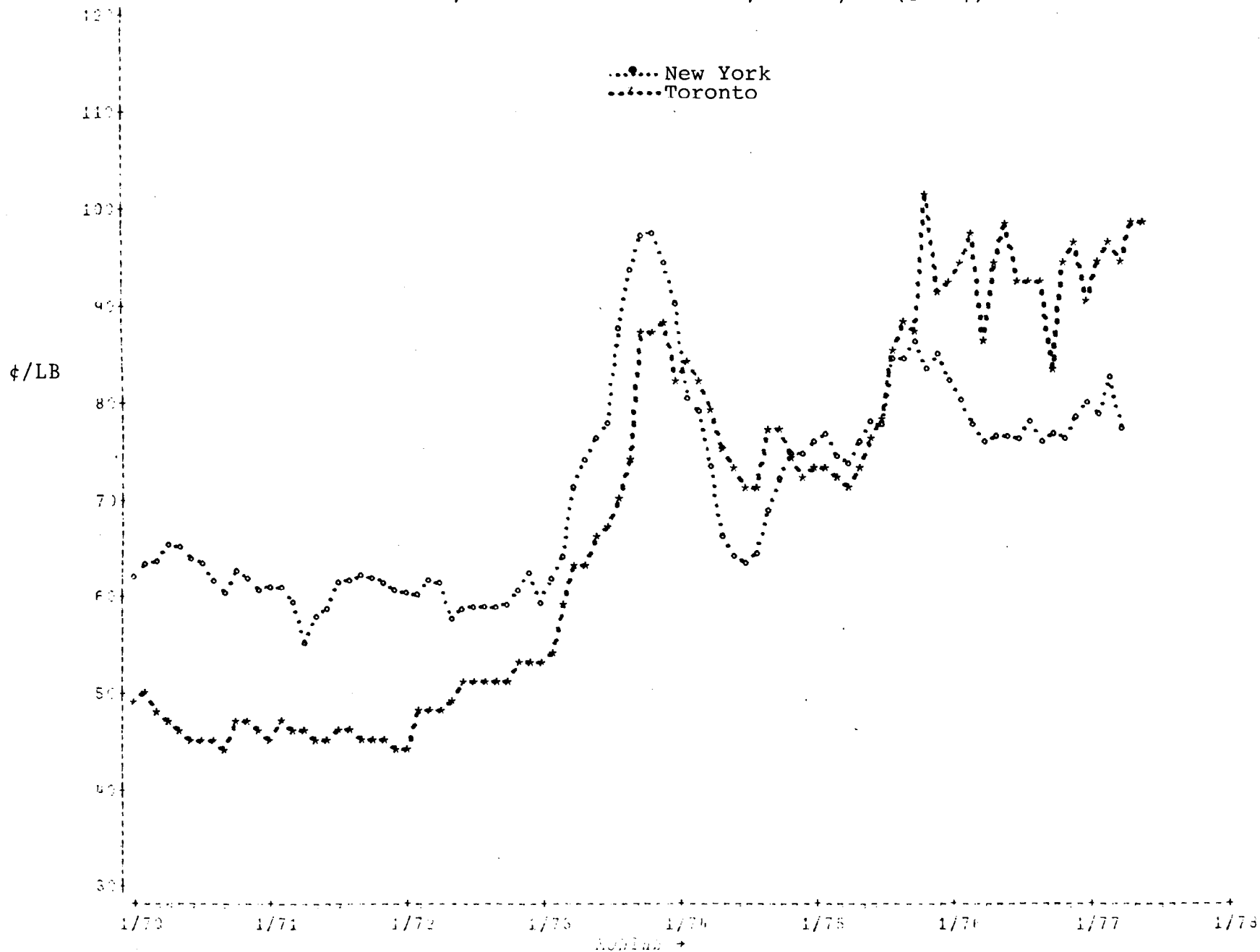
HEN TURKEY WHOLESALE PRICES, NEW YORK AND TORONTO, CENTS/LB (CDN \$)



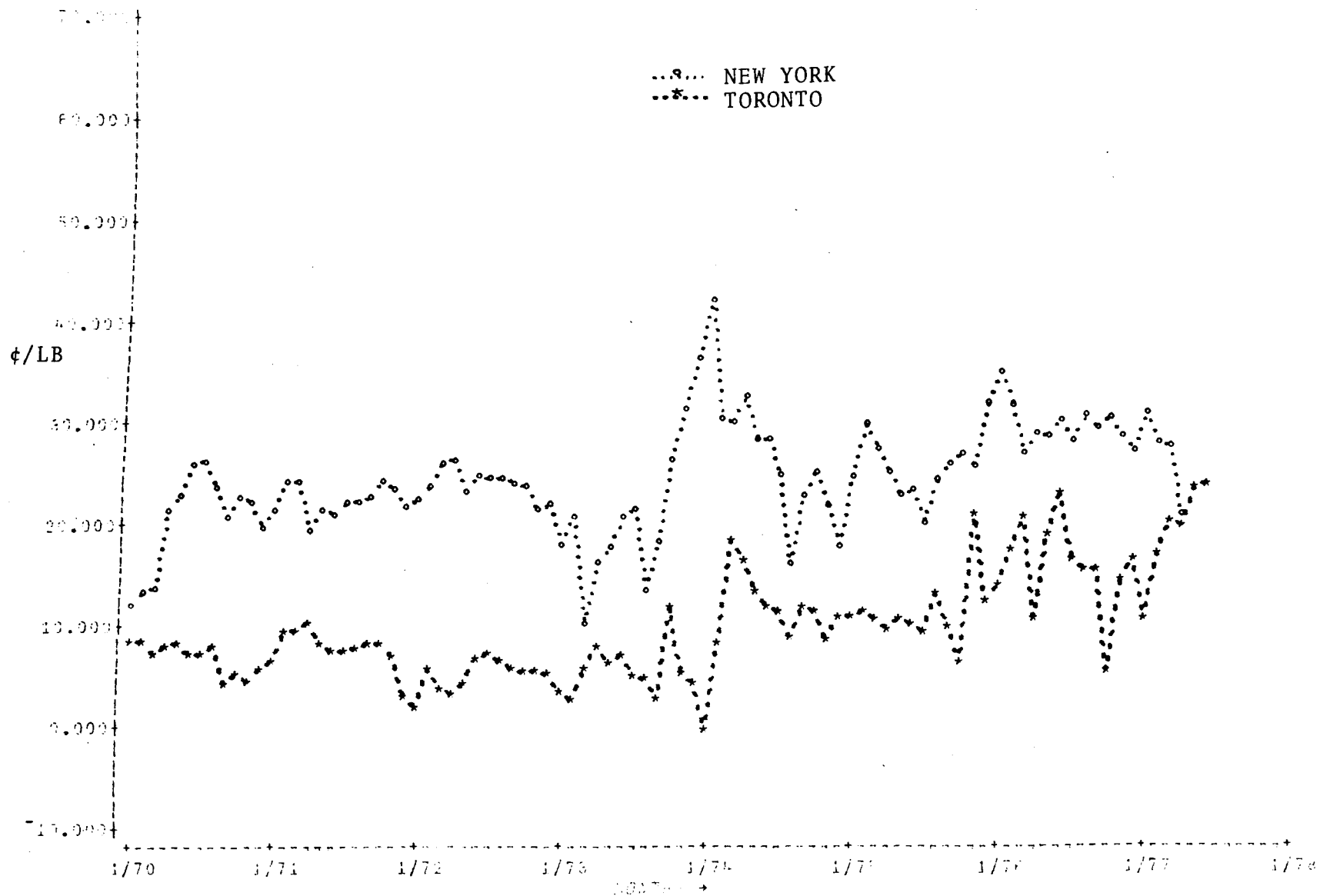
HEN TURKEY PRICE SPREADS, FARM-TO-WHOLESALE, NEW YORK AND TORONTO, CENTS/LB (CDN\$)



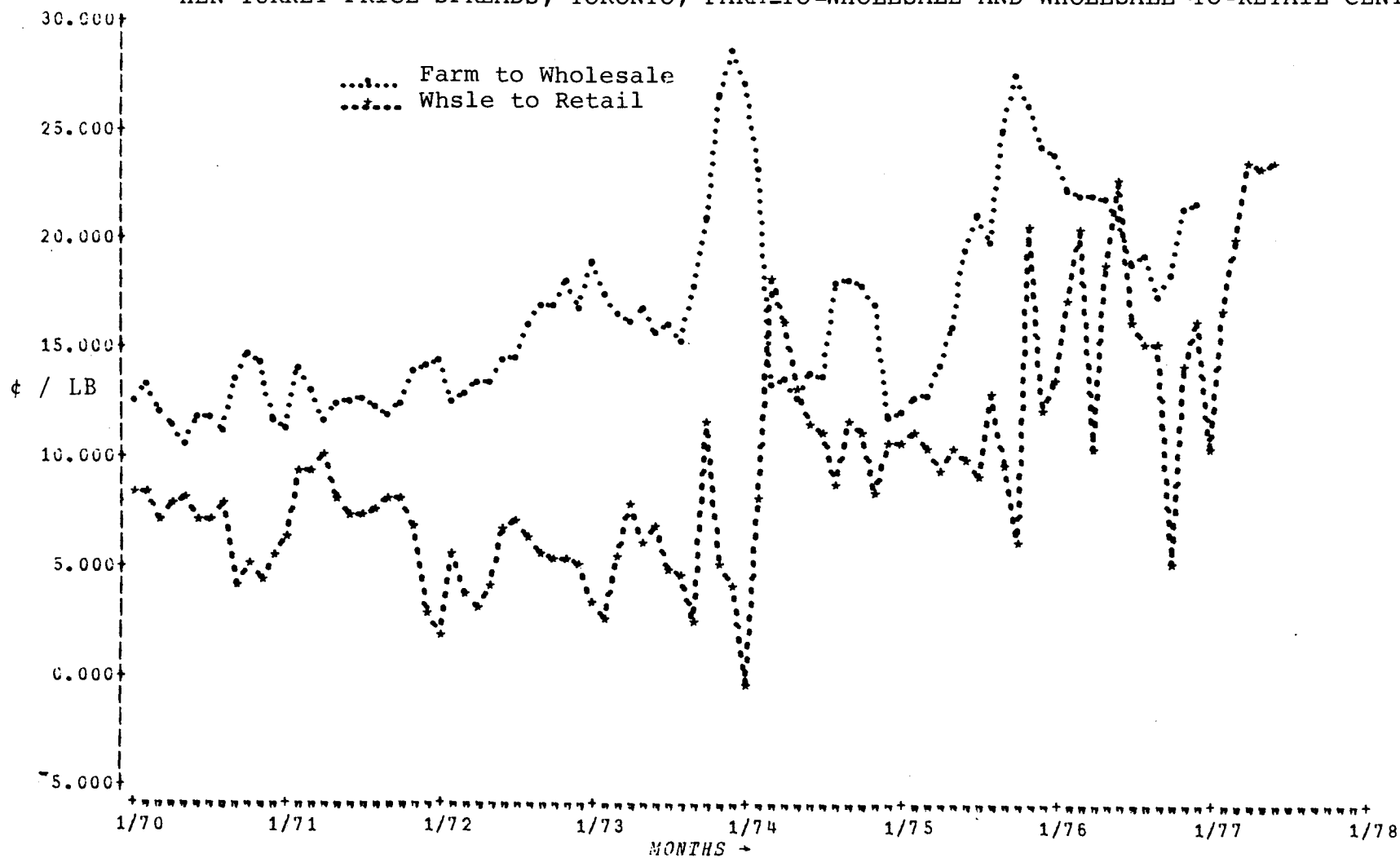
HEN TURKEY RETAIL PRICES, NEW YORK AND TORONTO, CENTS/LB (CDN \$)



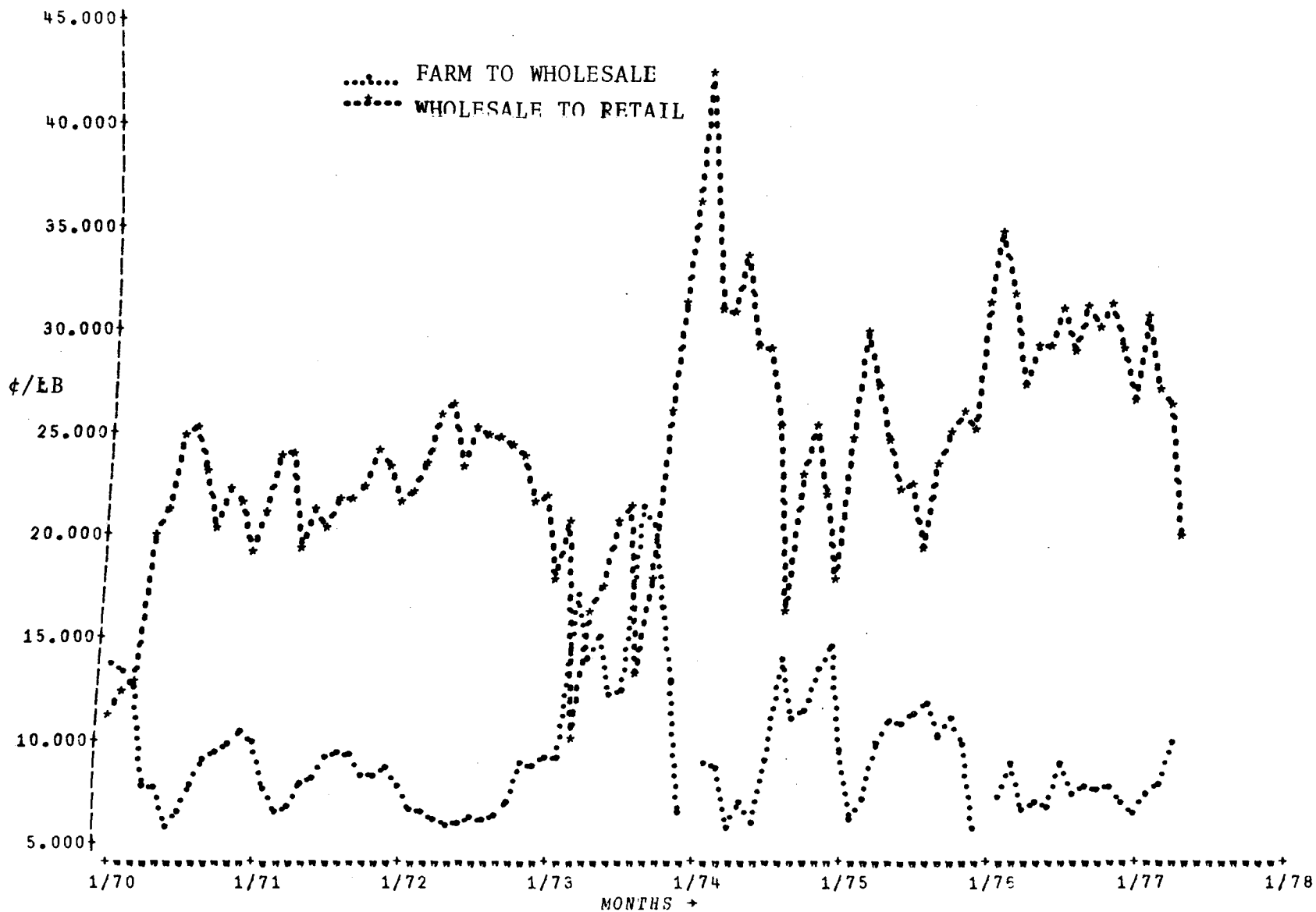
HEN TURKEY PRICE SPREADS, WHOLESALE-TO-RETAIL, NEW YORK AND TORONTO, CENTS/LB (CDN \$)



HEN TURKEY PRICE SPREADS, TORONTO, FARM-TO-WHOLESALE AND WHOLESALE-TO-RETAIL CENTS/LB

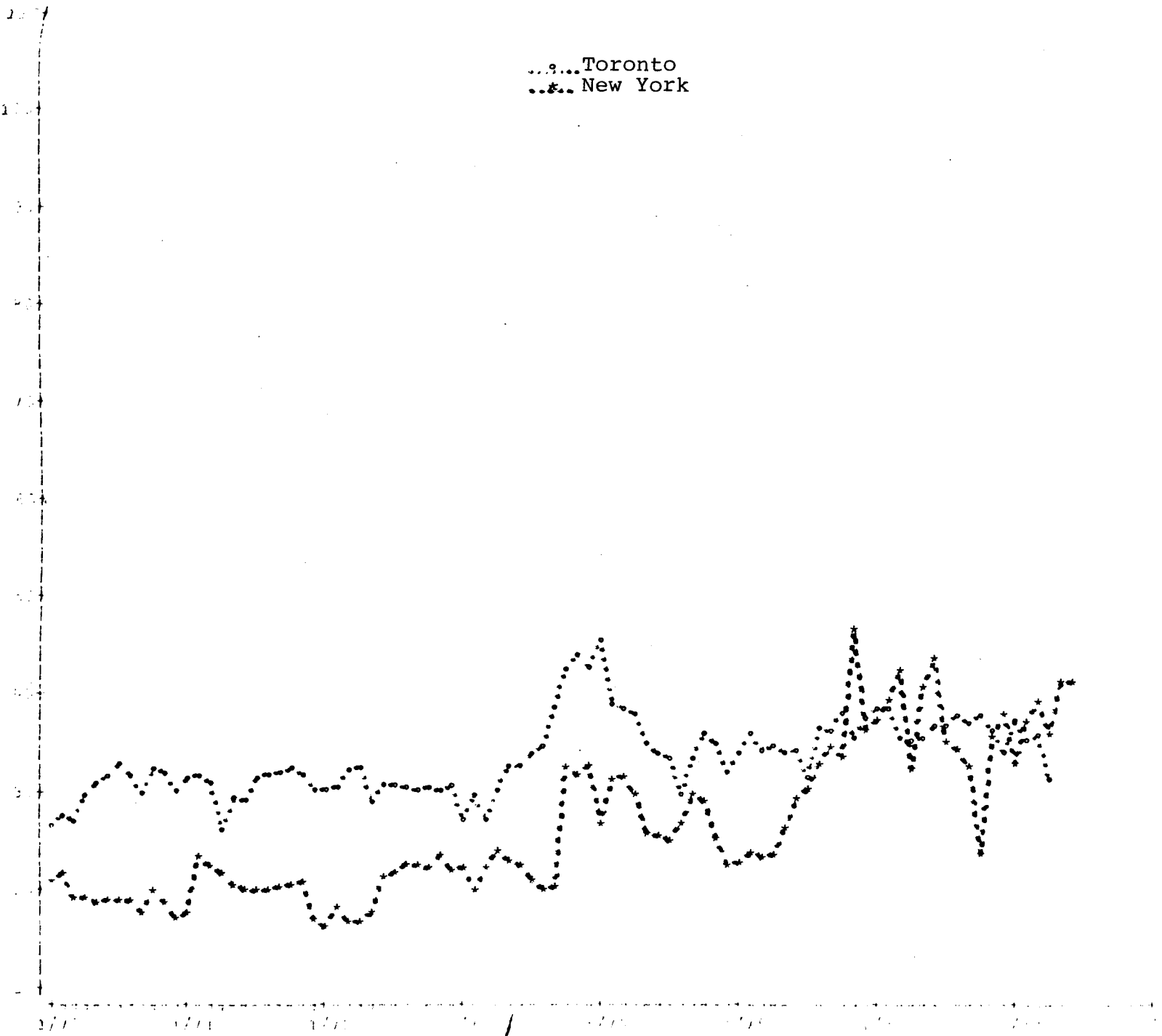


U.S. HEN TURKEY PRICE SPREADS, FARM-TO-WHOLESALE AND WHOLESALE-TO-RETAIL, CENTS/LB (U.S.\$)

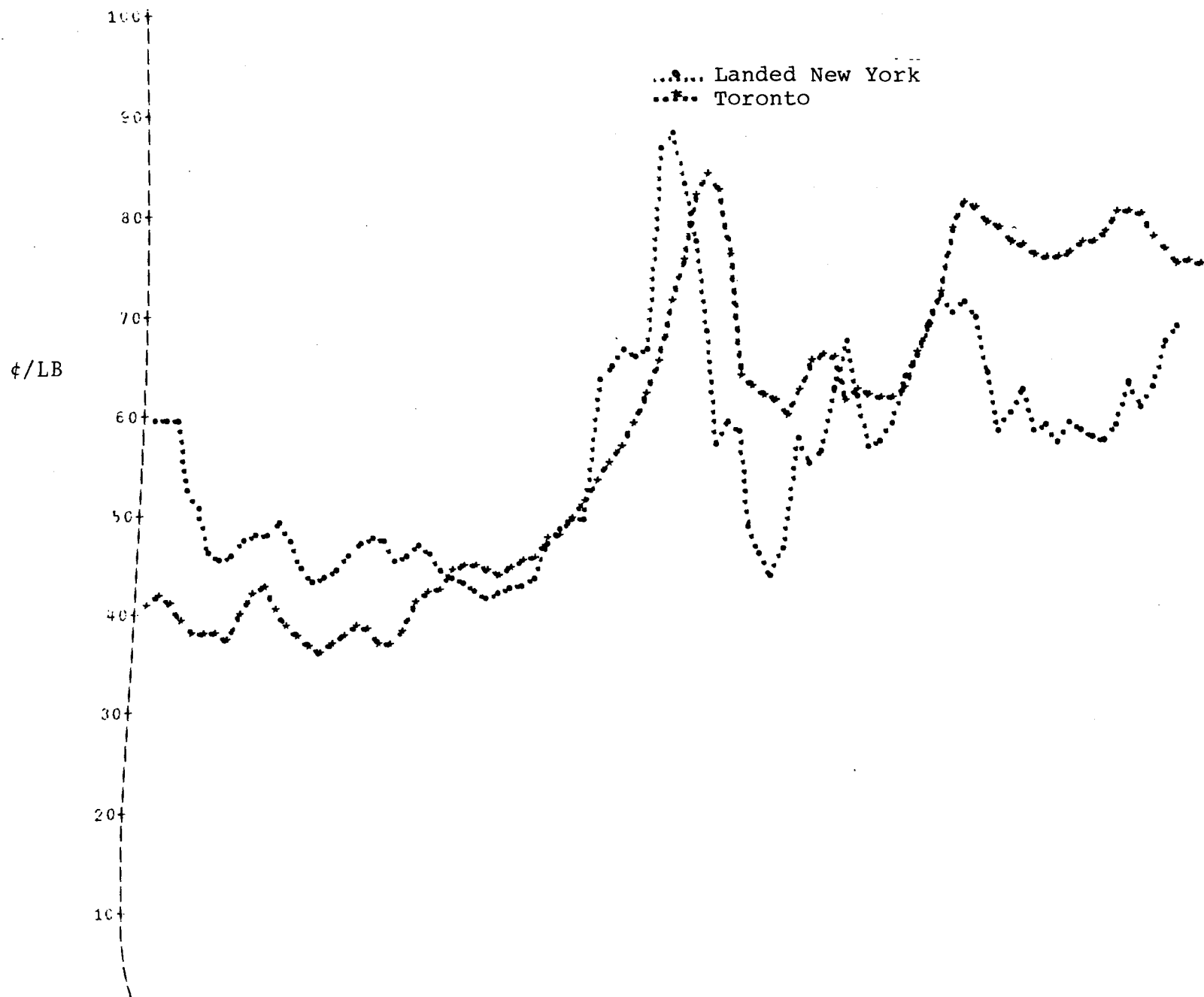


¢/LB

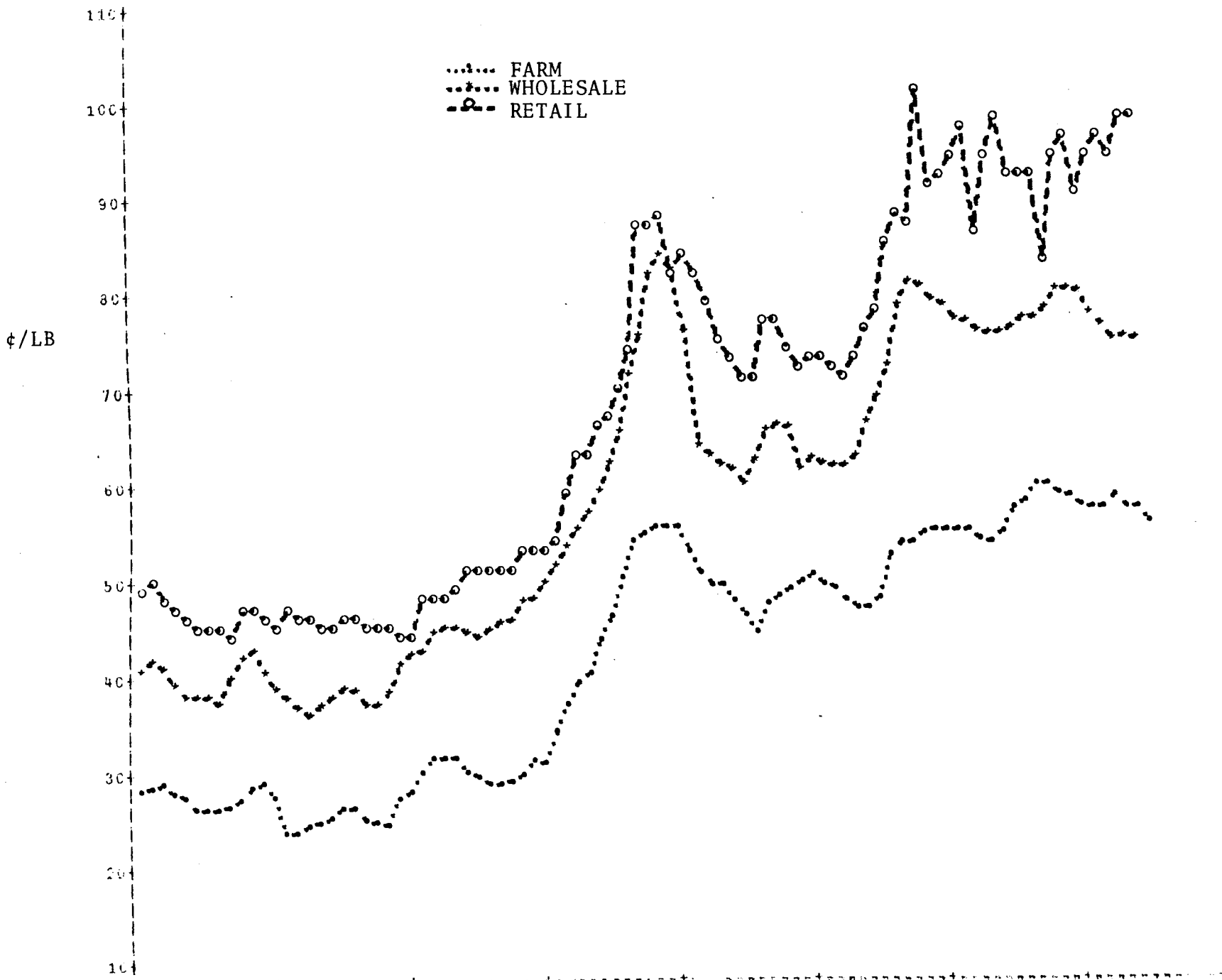
... Toronto
 ... New York



WHOLESALE HEN TURKEY PRICES, TORONTO AND LANDED NEW YORK, CENTS/LB



HEN TURKEY PRICES, TORONTO, FARM (EVISERATED), WHOLESALE AND RETAIL, CENTS/LB



U.S. TURKEY PRICES, FARM (EVisCERATED), WHOLESALE AND RETAIL, CENTS/LB

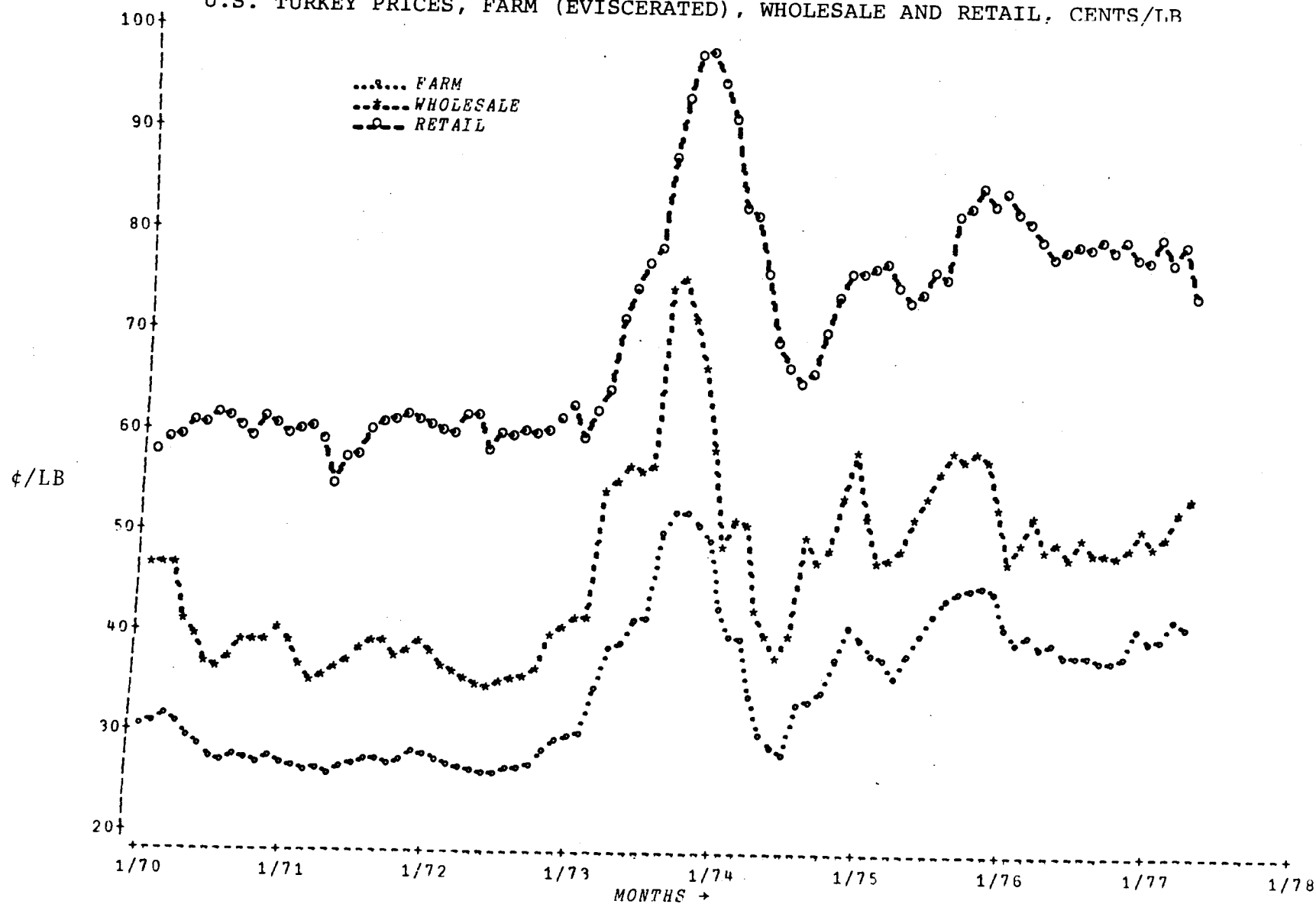
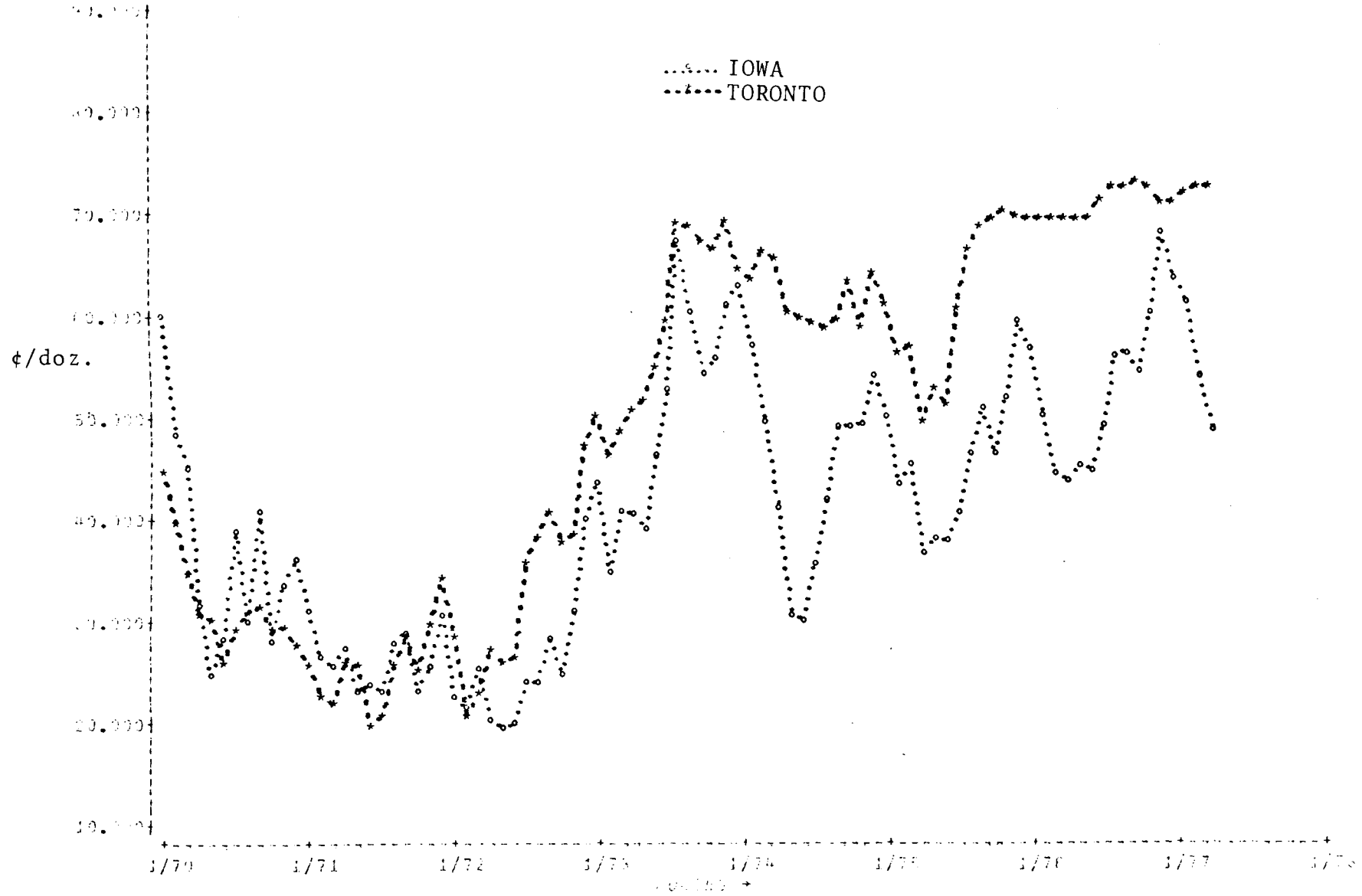


CHART 11

GRADE A LARGE EGG PRICES TO PRODUCERS, US (IOWA) AND TORONTO, CENTS/DOZ. (CDN \$)



For data sources used in Charts L-LX, see Appendix B-VI, section V

APPENDIX B-V

EGGS

Preliminary analysis of the data collected for this study indicates that for the period 1970-1976, average prices received by producers for Grade A large eggs in Toronto increased at a far greater rate than those received by Iowa producers (see Chart L and Table 53). Prices paid to Toronto producers for 'A' large eggs (ungraded basis) averaged 48.63 cents per dozen during 1970-1976, as compared with 40.21 cents per dozen in Iowa, a price spread of 8.42 cents per dozen. In 1970, average prices paid to Iowa producers exceeded prices received by Toronto producers by 5.2 cents per dozen. By 1976, this situation had reversed dramatically, with Toronto producer prices averaging 70.3 cents per dozen, 18.1 cents per dozen above U.S. prices.

During 1970-1976, average farm-gate prices accounted for 71.34 per cent of the retail dollar spent on 'A' large eggs in Toronto, as compared with 53.18 per cent for the New York market. In 1976, the corresponding figures were 78.55 per cent and 57.82 per cent respectively.

Following the removal of price controls in the U.S. in the third quarter of 1973, egg prices to producers peaked sharply and then dropped rapidly. They exhibited a seasonal increase in the fall of that year, and then dropped again quite sharply for the first six months of 1974. In an attempt to protect Canadian price levels, the Canadian government placed eggs and egg products on the import control list during the second quarter of 1974. The quarterly average spread between producer prices in the Toronto and U.S. markets widened during this period by 13.6 cents per dozen. During the third quarter of 1974, the U.S. market began an upswing and import controls were subsequently lifted. The spread between producer prices in each market fell by 5.2 cents per dozen (to 11.8 cents per dozen) during the last quarter of 1974, and remained at close to this level during the first two quarters of 1975. Average prices in both markets declined during the first two quarters of 1975 relative to fourth quarter 1974 levels. In July 1975, the Canadian government reinstituted import controls on a permanent basis, justifying its action as a necessary aspect of Canada's egg supply management program. Prices paid to producers in Toronto increased immediately, widening the spread between Toronto and Iowa markets by 5.5 cents per dozen during the third quarter of 1975. Prices in Toronto have continued to increase relative to those in Iowa, averaging 18 cents per dozen above U.S. prices during 1976.

Average wholesale 'A' large, loose, egg price movements in the two markets have exhibited similar patterns (see Chart LI and Table 54). During 1970-1976, wholesale prices in Toronto averaged 54.63 cents per dozen, 4.06 cents per dozen above New York price levels. In 1976, average Toronto wholesale loose Grade A large egg prices had increased to 78.3 cents per dozen, and the spread between Toronto and U.S. markets had widened to 14.1 cents per dozen.

The major factor influencing wholesale prices during this period were changes in farm-gate prices. Farm-to-wholesale price spreads, although more volatile in New York, were similar in both markets, averaging 13.07 and 10.64 cents per dozen in Toronto and New York, respectively, during 1970-1976 (see Chart LII and Table 55). Farm-to-wholesale spreads increased marginally in both markets in 1976, while the difference between these spreads decreased to 1.1 cents per dozen, reflecting a relative increase in spreads in the U.S.

During 1970-1976, average farm-to-wholesale price spreads accounted for 19.17 per cent of the retail dollar spent on Grade A large eggs in Toronto as compared with 14.06 per cent in New York. During 1976, the corresponding figures were 15.53 per cent and 14.06 per cent, respectively (relatively more stable in the U.S. market).

Over the seven-year period, retail Grade A large egg prices in Toronto have averaged 68.17 cents per dozen, 7.44 cents per dozen below New York retail prices despite substantially higher wholesale prices (see Chart LIII and Table 56). In 1976, the retail price spread between the two markets narrowed to 0.8 cents per dozen.

Wholesale-to-retail price spreads in the Toronto market during 1970-1976 have been consistently lower than those in New York, offsetting completely the effect of higher domestic farm-gate prices (see Chart LIV and Table 57). During 1970-1976, wholesale-to-retail price spreads in Toronto averaged 6.47 cents per dozen as compared with 21.64 cents per dozen in New York, a spread of 15.17 cents per dozen. In 1976, these spreads dropped to 5.3 cents per dozen, averaging 15.8 cents per dozen below those in the New York market.

Charts LV and LVI illustrate farm-to-wholesale and wholesale-to-retail price spread movements in Toronto and the U.S., respectively, during 1970-1976.

During the period 1970-1976, wholesale-to-retail price spreads accounted for 9.49 per cent of the retail dollar spent on 'A' large eggs in Toronto as compared with 28.62 per cent in the New York market. The corresponding figures for 1976 were 5.92 per cent and 23.37 per cent of retail prices, respectively.

Farm-to-retail price spreads have averaged 19.54 cents per dozen in Toronto during 1970-1976, 12.75 cents per dozen below similar spreads in the U.S., due to substantially lower wholesale-to-retail price spreads. In 1976, spreads in both markets remained close to seven-year average levels, with a differential of 14.6 cents per dozen (see Chart LVI and Table 58).

The widening price differential between domestic Grade A large, loose, egg prices and the price at which competing Iowa eggs may be landed in Toronto reflects the reduction in the competitive position of the domestic industry as a result of import controls (see Chart LVIII and Table 59).

A summary of 'A' large egg prices at the farm, wholesale and retail level in Toronto and the U.S. is contained in Charts LIX and LX respectively.

Amount by which Average Egg Prices
and Price Spreads in Toronto Differ from
those in the U.S.

| | <u>1970-1976</u> | <u>1976</u> |
|------------------------------------|------------------|--------------|
| <u>Average Farm-gate Price</u> | + 8.42 | + 18.1 |
| <u>Average Farm-to-Wholesale</u> | | |
| <u>Price Spread</u> | + 2.44 | + 1.2 |
| <u>Average Wholesale-to-Retail</u> | | |
| <u>Price Spread</u> | - 15.17 | - 15.8 |
| <u>Adjustment for Trans.</u> | | |
| <u>in the U.S.</u> | <u>- 3.13</u> | <u>- 4.3</u> |
| <u>Average Retail A Large</u> | | |
| <u>Egg Prices</u> | - 7.44 | - 0.8 |

TABLE 53

U.S. EGG PRICES TO PRODUCERS, GRADE A LARGE, IOWA,

(cents per dozen, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 51.1 | 27.6 | 23.1 | 39.6 | 56.4 | 46.2 | 50.3 |
| Q 2 | 28.2 | 24.7 | 19.9 | 42.0 | 33.9 | 37.4 | 44.2 |
| Q 3 | 36.4 | 26.6 | 25.4 | 60.1 | 42.0 | 45.8 | 53.5 |
| Q 4 | 32.5 | 26.4 | 31.9 | 56.9 | 50.8 | 52.4 | 60.6 |
| AVERAGE | 37.0 | 26.3 | 25.1 | 49.7 | 45.7 | 45.5 | 52.2 |

CANADIAN EGG PRICES TO PRODUCERS, GRADE A LARGE, ONTARIO,

(cents per dozen)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 39.5 | 23.3 | 23.8 | 48.2 | 64.5 | 57.8 | 69.0 |
| Q 2 | 28.7 | 23.6 | 26.4 | 52.2 | 61.6 | 50.9 | 69.0 |
| Q 3 | 30.3 | 24.7 | 38.0 | 65.5 | 59.0 | 64.8 | 71.6 |
| Q 4 | 28.6 | 29.5 | 40.9 | 67.4 | 61.8 | 69.3 | 71.7 |
| AVERAGE | 31.8 | 25.3 | 32.3 | 58.3 | 61.7 | 60.7 | 70.3 |

TABLE 54

U.S. GRADE A LARGE EGG PRICES, WHOLESALE, LOOSE,
N.Y. (cents per dozen, CDN \$)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 58.0 | 36.4 | 32.0 | 50.0 | 66.2 | 58.8 | 61.7 |
| Q 2 | 36.4 | 33.5 | 29.4 | 51.9 | 44.3 | 51.1 | 56.3 |
| Q 3 | 44.1 | 34.8 | 35.6 | 70.0 | 54.9 | 59.2 | 65.5 |
| Q 4 | 40.4 | 33.2 | 42.4 | 67.2 | 62.5 | 65.9 | 73.1 |
| AVERAGE | 44.8 | 34.5 | 34.9 | 59.8 | 57.0 | 58.8 | 64.2 |

CANADIAN GRADE A LARGE EGG PRICES, WHOLESALE, LOOSE,
TORONTO (cents per dozen)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 44.5 | 28.3 | 28.8 | 53.2 | 71.5 | 64.8 | 77.0 |
| Q 2 | 33.7 | 28.6 | 31.4 | 57.2 | 68.6 | 57.9 | 77.0 |
| Q 3 | 35.3 | 29.7 | 43.0 | 70.5 | 66.0 | 71.8 | 79.6 |
| Q 4 | 33.6 | 34.5 | 45.9 | 72.4 | 68.8 | 76.3 | 79.7 |
| AVERAGE | 36.8 | 30.3 | 37.3 | 63.3 | 68.7 | 67.7 | 78.3 |

TABLE 55

U.S. GRADE A LARGE EGG PRICE SPREAD,
FARM-GATE TO WHOLESALE (cents per dozen, CDN \$)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 7.9 | 9.8 | 9.0 | 10.5 | 9.3 | 12.3 | 12.1 |
| Q 2 | 9.4 | 9.8 | 9.6 | 10.0 | 9.9 | 13.4 | 12.8 |
| Q 3 | 8.7 | 9.3 | 10.3 | 10.0 | 12.4 | 13.1 | 12.6 |
| Q 4 | 9.0 | 7.9 | 10.6 | 10.4 | 11.3 | 13.1 | 13.2 |
| AVERAGE | 8.7 | 9.2 | 9.9 | 10.2 | 10.7 | 13.0 | 12.7 |

CANADIAN GRADE A LARGE EGG PRICE SPREAD,
FARM-GATE TO WHOLESALE, TORONTO (cents per dozen)
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 13.7 | 13.1 | 13.3 | 11.7 | 12.0 | 13.3 | 13.9 |
| Q 2 | 14.0 | 13.4 | 13.3 | 11.7 | 12.1 | 13.3 | 13.8 |
| Q 3 | 13.9 | 13.5 | 11.7 | 11.9 | 12.7 | 13.4 | 13.6 |
| Q 4 | 13.6 | 13.7 | 13.3 | 11.8 | 12.9 | 13.6 | 14.0 |
| AVERAGE | 13.8 | 13.4 | 12.9 | 11.8 | 12.4 | 13.4 | 13.8 |

TABLE 56

U.S. GRADE A LARGE EGG PRICES, RETAIL,
N.Y. (cents per dozen, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 87.2 | 61.2 | 56.3 | 73.7 | 98.2 | 89.0 | 93.9 |
| Q 2 | 60.6 | 56.8 | 53.1 | 73.4 | 71.8 | 80.6 | 80.9 |
| Q 3 | 66.7 | 57.6 | 55.4 | 92.3 | 82.1 | 84.5 | 89.6 |
| Q 4 | 63.0 | 57.7 | 62.0 | 93.4 | 89.2 | 90.8 | 97.2 |
| AVERAGE | 69.4 | 58.3 | 56.7 | 83.2 | 85.3 | 86.2 | 90.2 |

CANADIAN GRADE A LARGE EGG PRICES, RETAIL,
TORONTO (cents per dozen)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 60.3 | 42.3 | 44.7 | 66.7 | 85.0 | 82.7 | 91.0 |
| Q 2 | 50.0 | 42.0 | 43.3 | 69.0 | 83.3 | 74.7 | 86.7 |
| Q 3 | 47.3 | 41.3 | 56.3 | 86.0 | 80.0 | 85.3 | 89.3 |
| Q 4 | 46.7 | 47.3 | 58.3 | 85.3 | 84.7 | 88.3 | 91.0 |
| AVERAGE | 51.1 | 43.2 | 50.7 | 76.7 | 83.2 | 82.7 | 89.5 |

TABLE 57

U.S. GRADE A LARGE EGG PRICE SPREAD,
WHOLESALE-TO-RETAIL (cents per dozen, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 25.9 | 21.7 | 21.3 | 20.7 | 29.0 | 26.2 | 27.3 |
| Q 2 | 20.9 | 20.3 | 20.8 | 18.6 | 24.6 | 25.3 | 18.7 |
| Q 3 | 19.5 | 19.7 | 16.8 | 19.3 | 24.3 | 21.2 | 19.2 |
| Q 4 | 19.5 | 21.4 | 16.6 | 23.2 | 23.7 | 20.9 | 19.1 |
| AVERAGE | 21.5 | 20.8 | 18.9 | 20.4 | 25.4 | 23.4 | 21.1 |

CANADIAN GRADE A LARGE EGG PRICE SPREAD,
WHOLESALE-TO-RETAIL, TORONTO (cents per dozen)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 7.2 | 5.9 | 7.5 | 6.8 | 8.5 | 11.6 | 8.1 |
| Q 2 | 7.3 | 5.0 | 3.7 | 5.1 | 9.6 | 10.4 | 3.8 |
| Q 3 | 3.2 | 3.1 | 6.7 | 8.6 | 8.3 | 7.1 | 4.1 |
| Q 4 | 4.4 | 4.2 | 4.1 | 6.1 | 10.0 | 5.4 | 5.4 |
| AVERAGE | 5.5 | 4.6 | 5.5 | 6.7 | 9.1 | 8.6 | 5.3 |

Sources: See Appendix B-VI, Section V.

TABLE 58

U.S. GRADE A LARGE EGG PRICE SPREAD,
FARM-TO-RETAIL (cents per dozen, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 33.9 | 31.5 | 30.3 | 31.2 | 38.4 | 38.5 | 39.4 |
| Q 2 | 30.3 | 30.1 | 30.4 | 28.6 | 34.5 | 38.7 | 31.5 |
| Q 3 | 28.2 | 29.0 | 27.1 | 29.3 | 36.7 | 34.3 | 31.9 |
| Q 4 | 28.5 | 29.3 | 27.2 | 33.6 | 35.0 | 34.0 | 32.3 |
| AVERAGE | 30.2 | 30.0 | 28.8 | 30.7 | 36.1 | 36.4 | 33.8 |

CANADIAN GRADE A LARGE EGG PRICE SPREAD,
FARM-TO-RETAIL, TORONTO (cents per dozen)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 20.8 | 19.0 | 20.8 | 18.5 | 20.5 | 24.9 | 22.0 |
| Q 2 | 21.3 | 18.4 | 17.0 | 16.8 | 21.7 | 23.8 | 17.7 |
| Q 3 | 17.0 | 16.6 | 18.3 | 20.5 | 21.0 | 20.5 | 17.7 |
| Q 4 | 18.0 | 17.9 | 17.4 | 17.9 | 22.9 | 19.0 | 19.3 |
| AVERAGE | 19.3 | 18.0 | 18.4 | 18.4 | 21.5 | 22.0 | 19.2 |

TABLE 59

U.S. GRADE A LARGE EGG PRICES, WHOLESALE, LOOSE, F.O.B.

NEW YORK, LANDED IN TORONTO,

(cents per dozen, CDN \$)

1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 63.0 | 41.4 | 37.0 | 55.0 | 71.2 | 63.8 | 67.7 |
| Q 2 | 41.4 | 38.5 | 34.4 | 56.9 | 49.3 | 56.1 | 62.3 |
| Q 3 | 49.1 | 39.8 | 40.6 | 75.0 | 59.9 | 64.2 | 71.5 |
| Q 4 | 45.4 | 38.2 | 47.4 | 72.2 | 67.5 | 70.9 | 79.1 |
| AVERAGE | 49.8 | 39.5 | 39.9 | 64.8 | 62.0 | 63.8 | 70.2 |

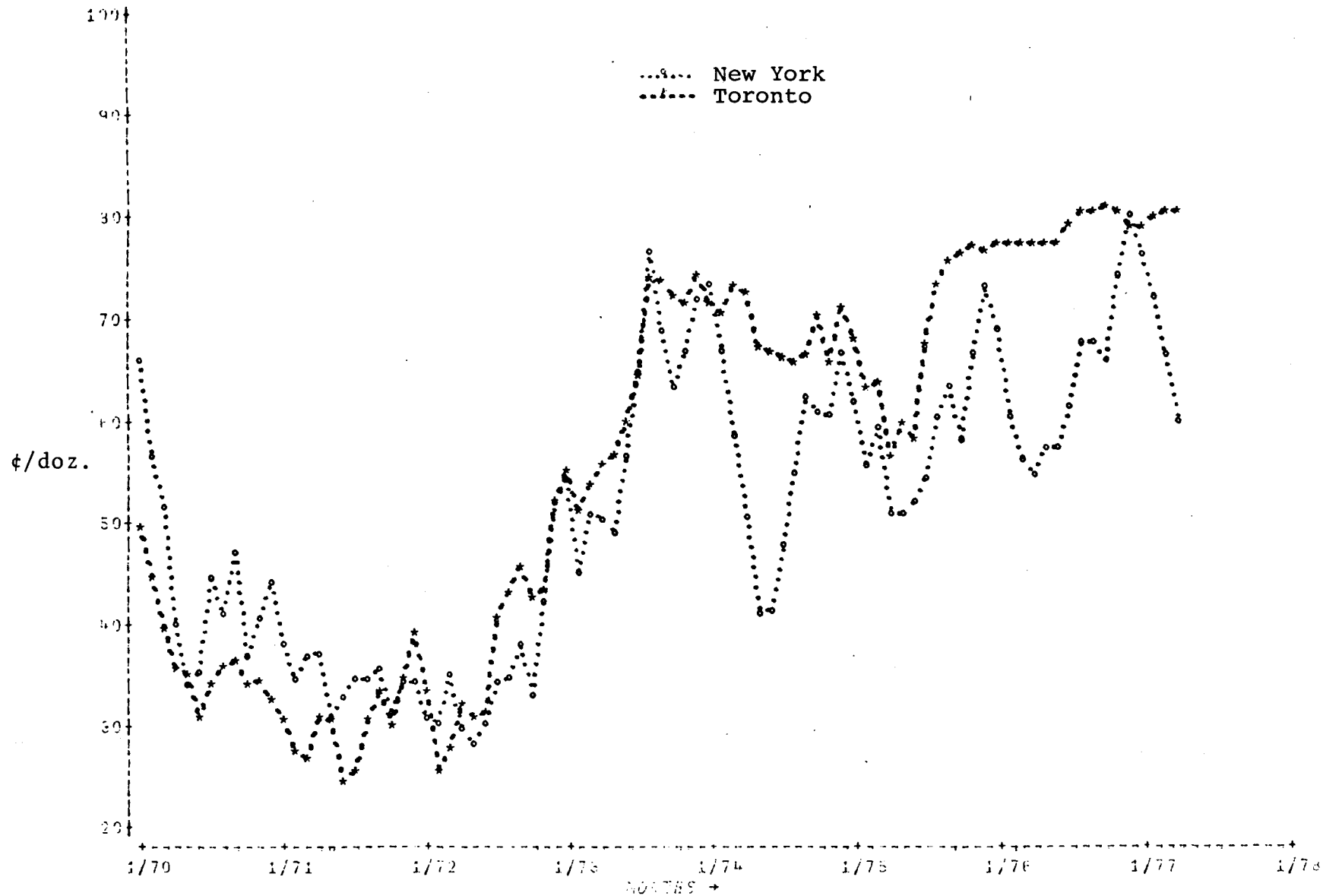
CANADIAN GRADE A LARGE EGG PRICES, WHOLESALE, LOOSE,

TORONTO (cents per dozen)

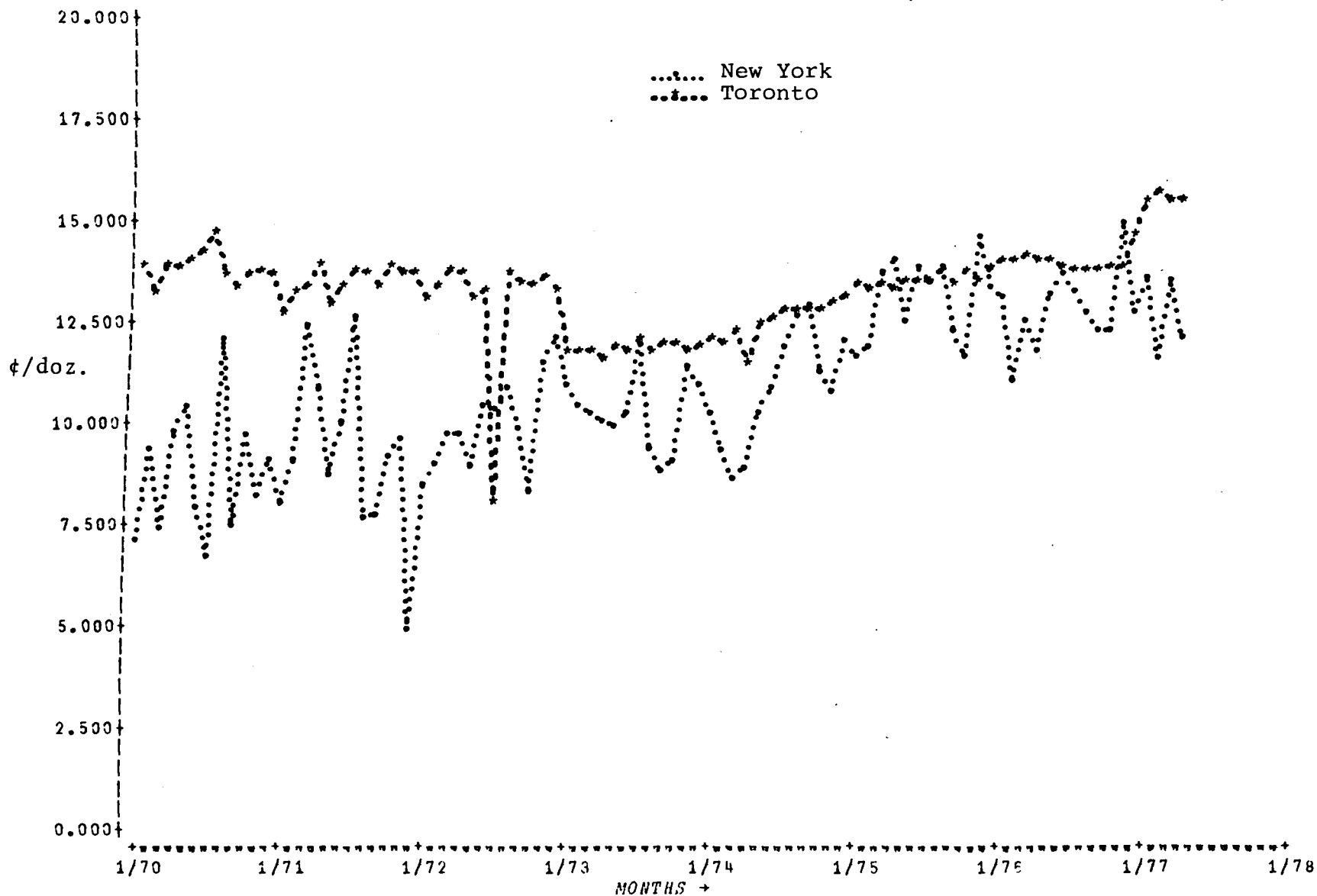
1970 - 1976

| | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Q 1 | 44.5 | 28.3 | 28.8 | 53.2 | 71.5 | 64.8 | 77.0 |
| Q 2 | 33.7 | 28.6 | 31.4 | 57.2 | 68.6 | 57.9 | 77.0 |
| Q 3 | 35.3 | 29.7 | 43.0 | 70.5 | 66.0 | 71.8 | 79.6 |
| Q 4 | 33.6 | 34.5 | 45.9 | 72.4 | 68.8 | 76.3 | 79.7 |
| AVERAGE | 36.8 | 30.3 | 37.3 | 63.3 | 68.7 | 67.7 | 78.3 |

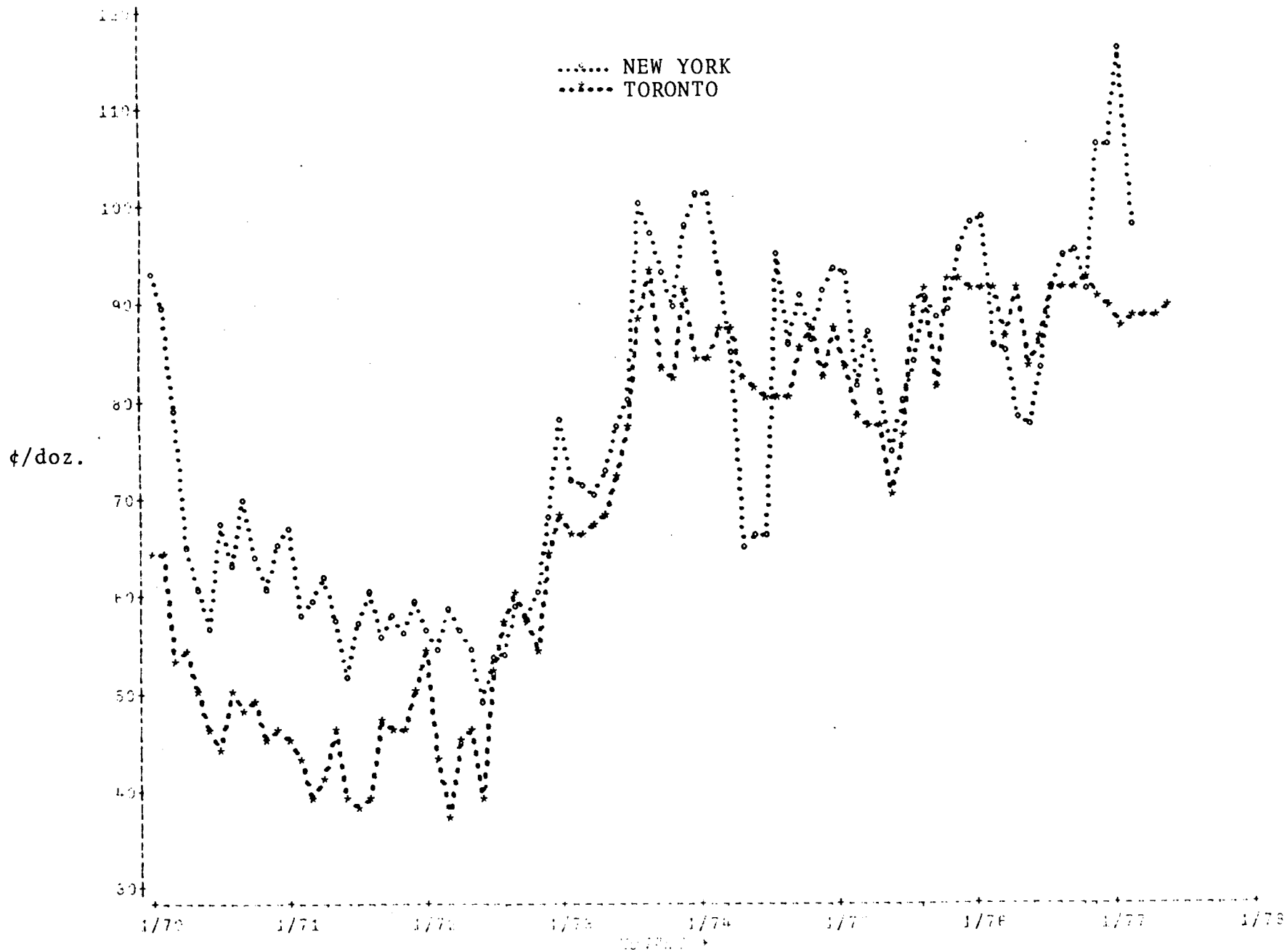
GRADE A LARGE WHOLESALE EGG PRICES (LOOSE), NEW YORK AND TORONTO, CENTS/DOZ (CDN \$)



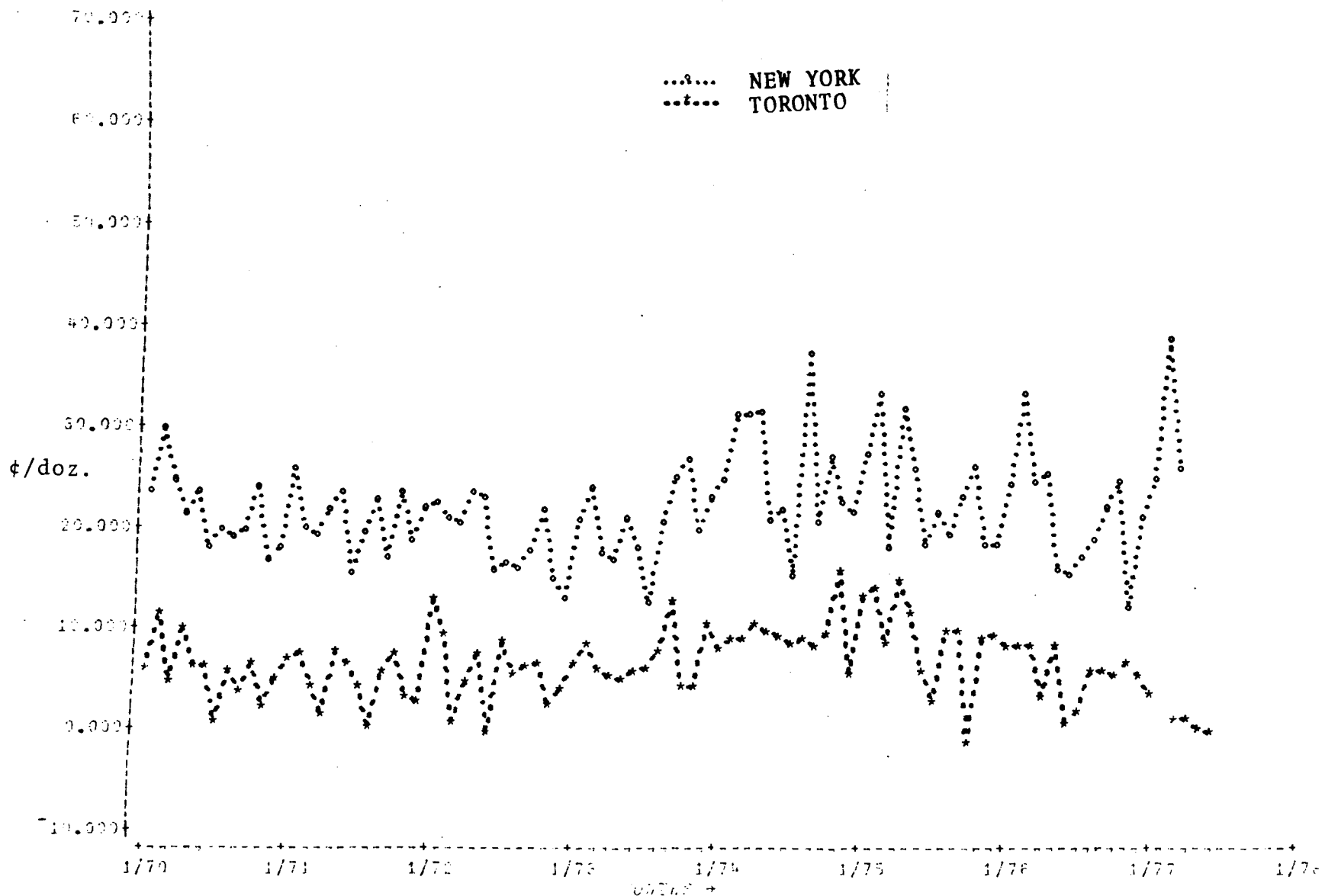
GRADE A LARGE EGG PRICE SPREADS (CARTONED), FARM-TO-WHOLESALE, NEW YORK AND TORONTO, CENTS/DOZ (CDN \$)



GRADE A LARGE RETAIL EGG PRICES, NEW YORK AND TORONTO, CENTS/DOZ (CDN \$)



GRADE A LARGE EGG PRICE SPREADS, WHOLESALE-TO-RETAIL, NEW YORK AND TORONTO, CENTS/DOZ (CDN \$)



GRADE A LARGE EGG PRICE SPREADS, TORONTO, FARM-TO-WHOLESALE (CARTONED) AND WHOLESALE-TO-RETAIL, CENTS/DOZ

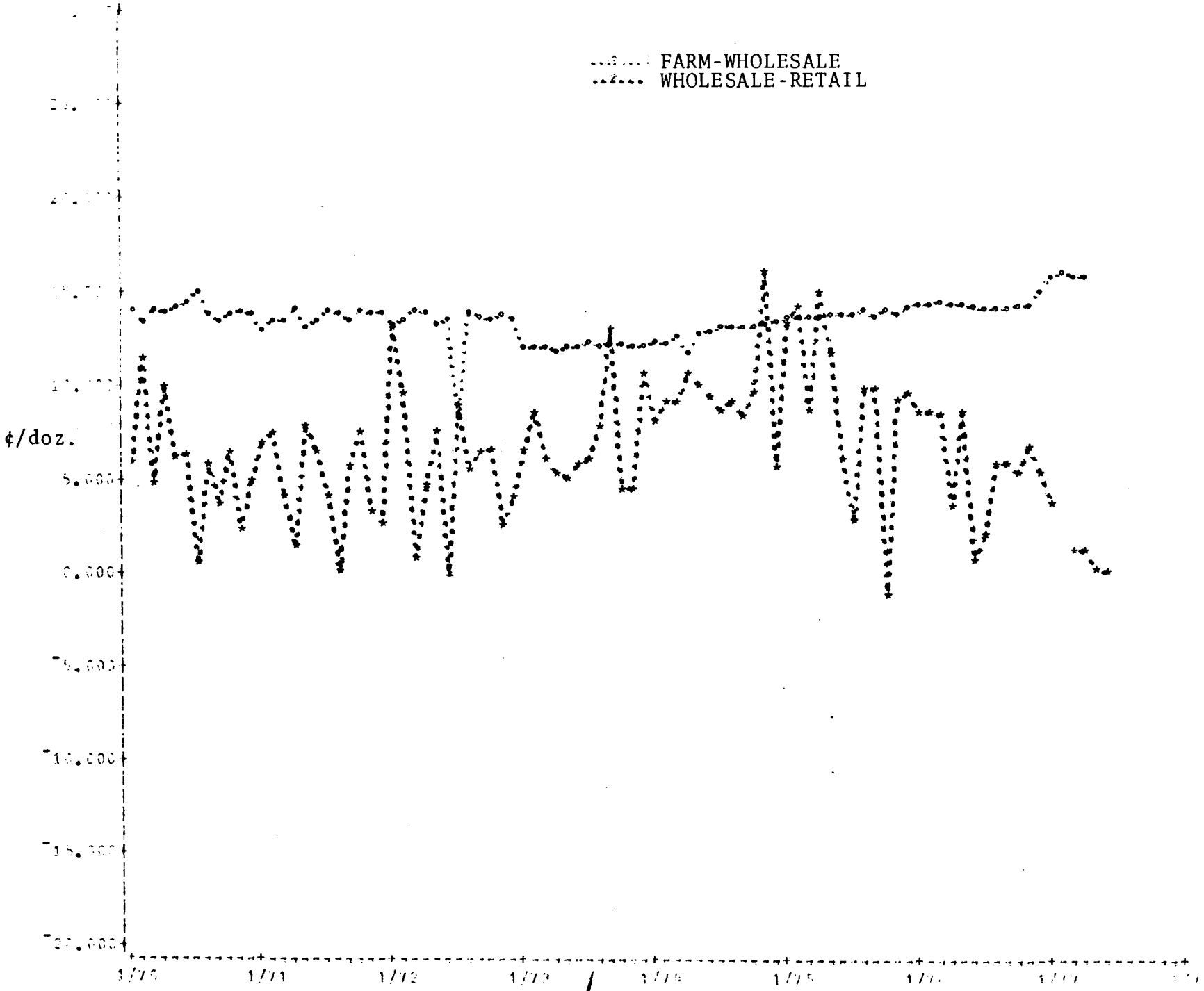
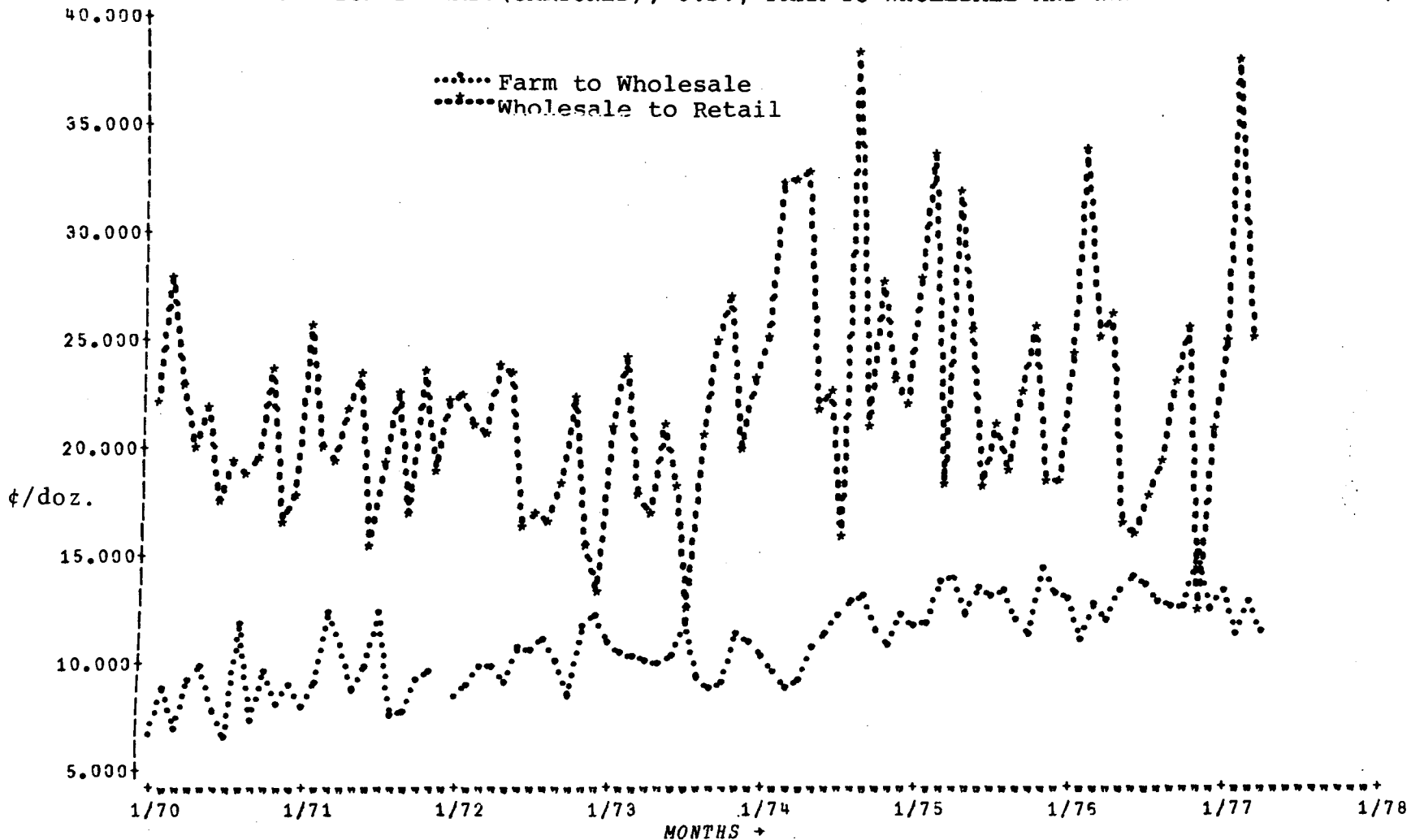
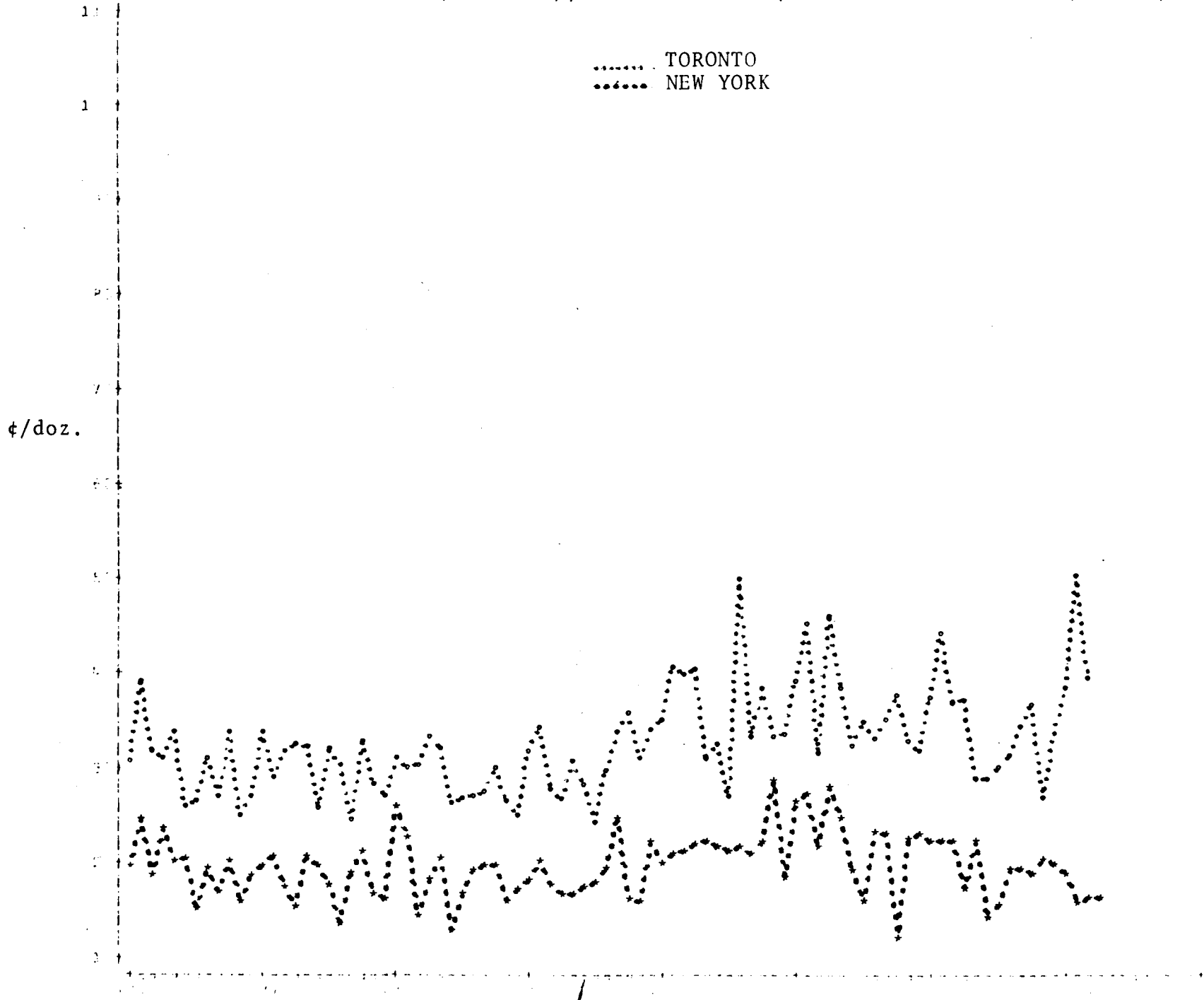


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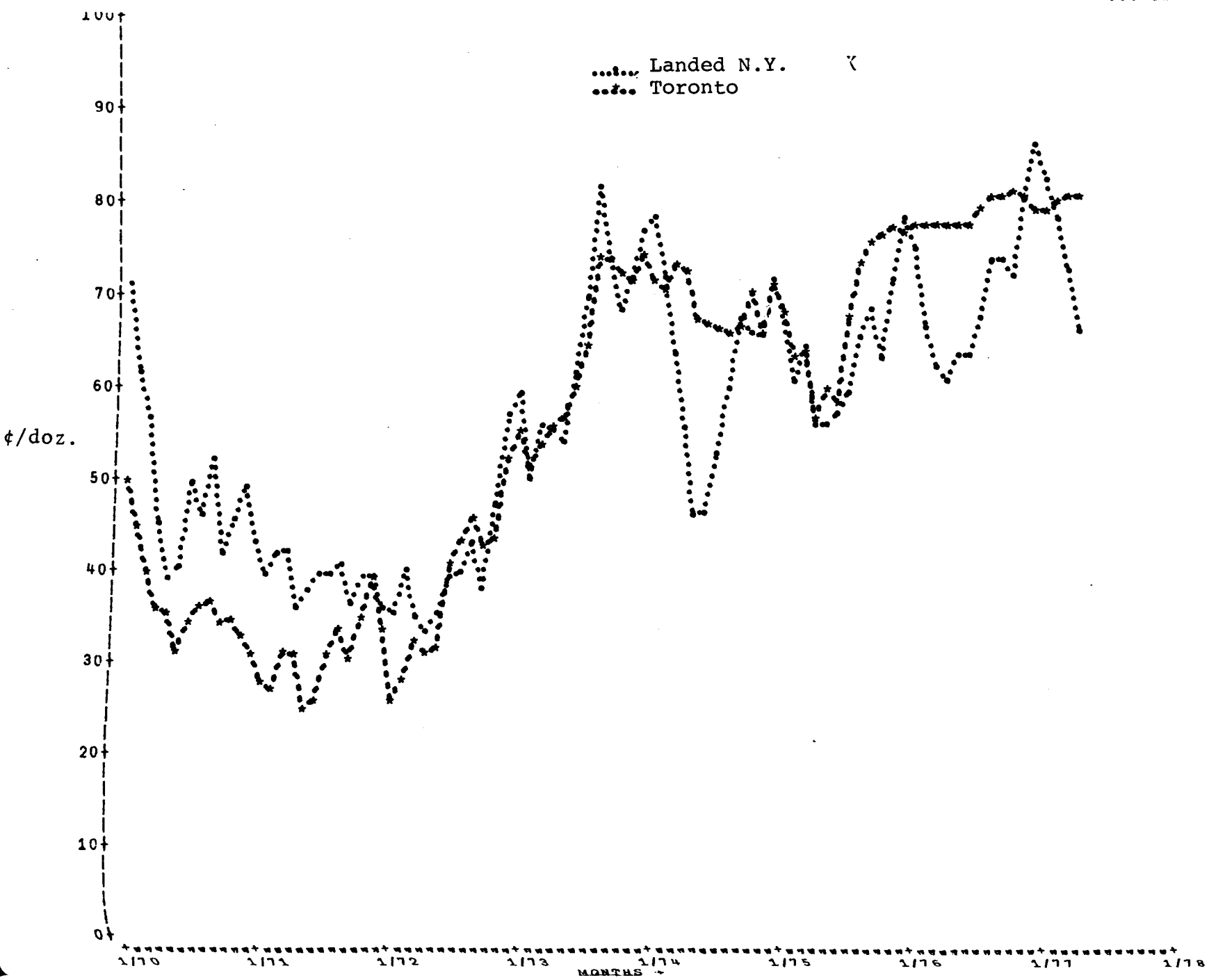
GRADE A LARGE EGG PRICE SPREADS (CARTONED), U.S., FARM-TO-WHOLESALE AND WHOLESALE-TO-RETAIL, CENTS/DOZ



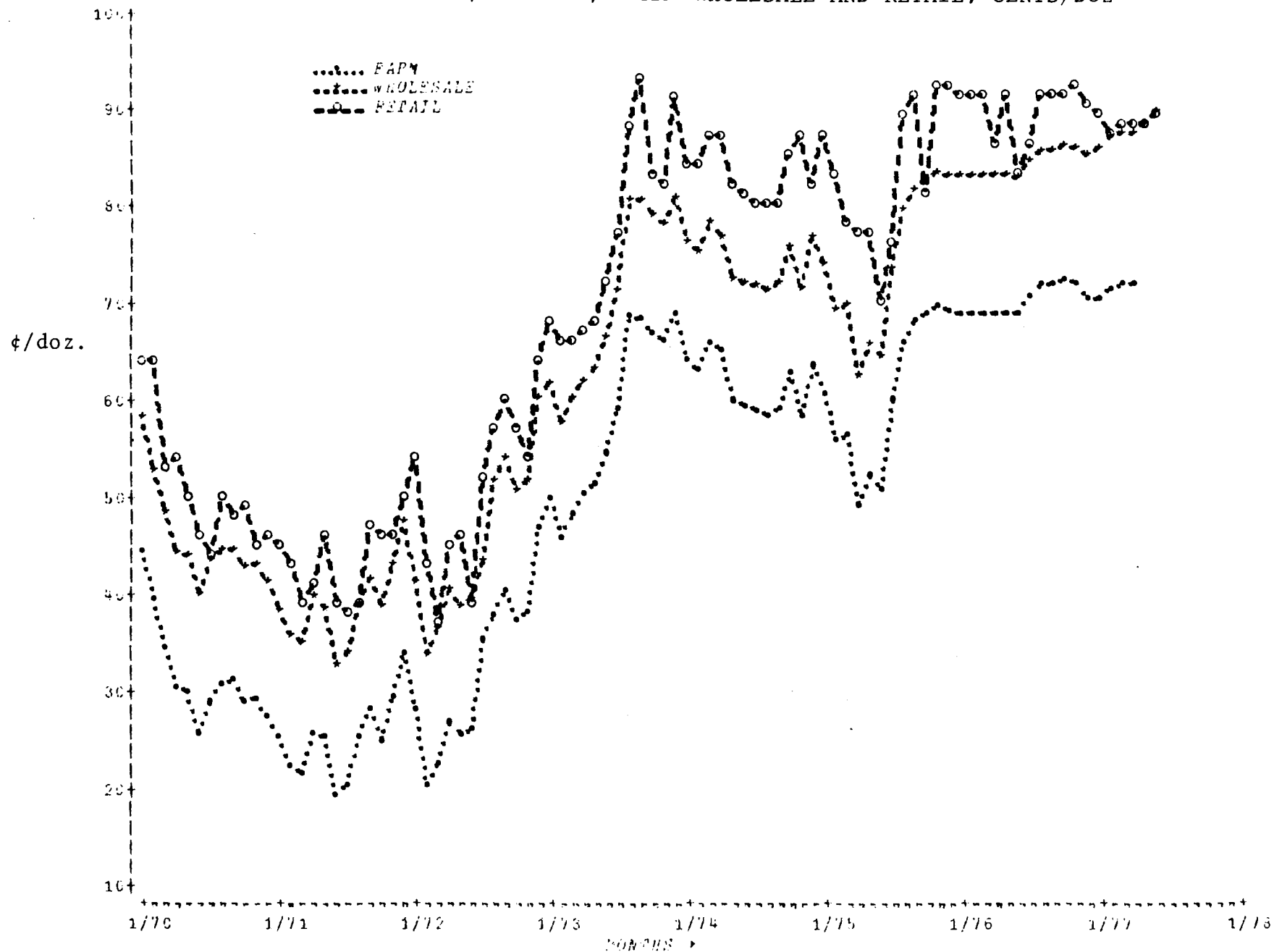
GRADE A LARGE EGG PRICE SPREADS (CARTONED), FARM-TO-RETAIL, TORONTO AND NEW YORK, CENTS/DOZ (CDN \$)



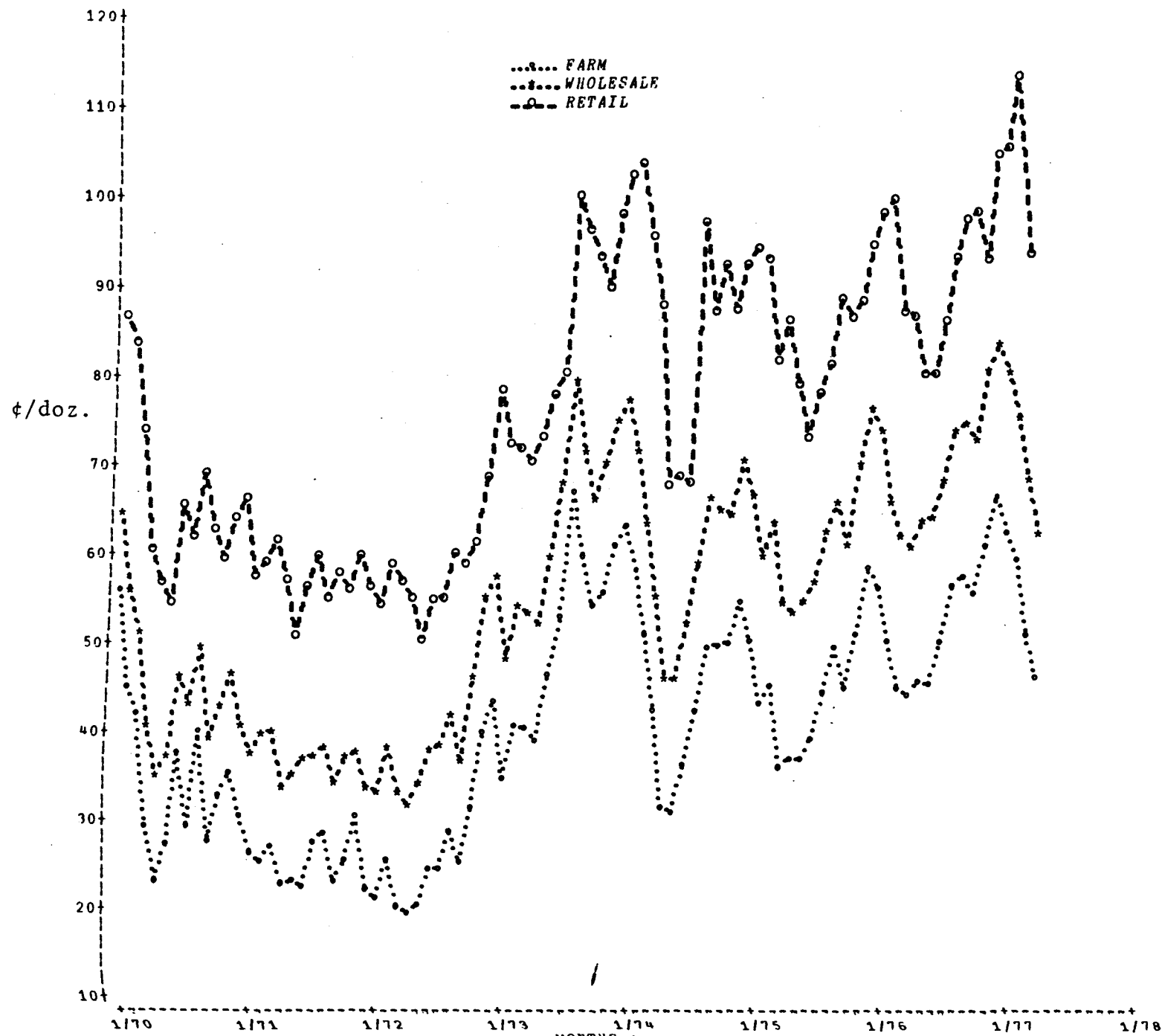
GRADE A LARGE EGGS (LOOSE), TORONTO AND LANDED NEW YORK, CENTS/DOZ (CDN \$)



GRADE A LARGE EGG PRICES, TORONTO, FARM WHOLESALE AND RETAIL, CENTS/DOZ



GRADE A LARGE EGG PRICES, U.S., FARM, WHOLESALE AND RETAIL, CENTS/DOZ



APPENDIX B-VI

METHODOLOGY

SECTION I

PORK PRICES AND PRICE SPREADS

General

Monthly prices and price spreads for pork at the producer, wholesale (fresh), and retail (fresh) levels in selected U.S. and Canadian markets have been compiled for the period January 1970 to June 1977.

Farm to Wholesale: For pork, the farm-to-wholesale price spread for fresh pork refers to the difference between the price per unit of pork at the point of first sale of hogs (e.g., at public yards) and the price paid for equivalent units on the fresh wholesale market.

Under the present hog marketing system in Canada, the producer is paid on the basis of the quantity of lean meat and warm carcass weight of each individual hog.¹

In the United States, live hogs are graded on their physical characteristics, and producers receive a grade price based on the live weight of each individual hog. Variations in actual carcass grade-out are absorbed by the processor.

Once the hog is slaughtered and killing floor by-products are removed² the packer is left with a

-
1. An indexing system is used to determine the value of each hog in relation to price quoted for Index 100 hogs. A premium is paid for hogs with weight and backfat thickness greater than Index 100, and those indexing less than 100 are discounted.
 2. "Killing floor by-products" is a term applied to those by-products which are removed during the slaughtering operation. They include edible by-products such as liver, heart, weasand meat and edible fats (totalling approximately six pounds), and inedible by-products such as casings, hair, blood, glands, gullet, stomach, reject liver, lungs and spleen (totalling approximately 17 pounds).

carcass including the head, leaf lard³ and kidneys (shipper style carcass).⁴ At this point, the carcass weighs an average of 77.5 per cent of liveweight.⁵

To facilitate comparisons between Canada and the United States, "carcass weight" in this study is defined in both countries as warm dressed weight, head on, lard and kidneys (in the U.S. industry, the trade generally refers to "packer style" carcasses - head off, lard and kidneys out). After the head, leaf lard and kidneys are removed, the carcasses are cooled overnight before dividing into wholesale cuts. During the cooling process, the average hog carcass loses approximately four pounds in weight as a result of what is termed "cooling shrink".

In contrast to beef, which is traditionally cut up in the retail store, pork is broken down at the wholesale level. In the packing house cutting room, the carcass is processed into fresh primal⁶ and sub-primal cuts (amounting to approximately 108.9 pounds in Canada and 132.4 pounds in the United States).

-
3. Leaf lard is the trade term applied to the fat adjacent to the back bone in the abdominal cavity and surrounding the kidneys.
 4. It is at this point in the slaughter operation in Canada that the carcass is weighed and graded, and upon which the Index 100 hog priced is based.
 5. In Canada, a live hog weighing 209 pounds would dress out to an average of 162.04 pounds (warm weight, Index 100). In the United States, the average slaughter hog is heavier than its Canadian counterpart. A live hog of 229 pounds (1 & 2 Barrows & Gilts, yield grade 2) would dress out to an average of 177.52 pounds warm weight.
 6. The term primal is used in the trade to refer to the major cuts traded at the wholesale level. These include the belly, loin, ham, and shoulder. Sub-primals are produced when the primal cuts are further broken down. For example, shoulders are often broken down into butts and picnics. For the purposes of this study, side ribs are considered as a primal cut, although some processors regard these as part of the cutting by-products.

The carcass cutting also produces approximately nine pounds of miscellaneous cuts (mainly hocks, neck fat (jowls), riblets, and trimmings), and approximately 39 pounds of by-products (mainly feet, head meat, tongues, kidneys, rind, neck and fin bones, leaf lard, back fat (skin off), shoulder fat, cutting fat, scraps, skins, rind, and tails). Some of the edible by-products such as liver, tongues, tails and kidneys, are sold at retail level, many are sold on export markets, and the remainder are utilized in the cook room in the preparation of processed pork products. Inedible by-products are used in the preparation of pet foods and/or sold for rendering value.

The majority of pork processors are also involved in the preparation of further processed pork products, such as smoked ham and bacon, cooked and prepared meats. Since wholesale prices for cooked and prepared products are not readily available, primal and by-product prices used in the calculation of wholesale carcass values and farm-to-wholesale price spreads for pork are for fresh pork only, and hence do not include the value added by many processors in the cook room in the preparation of processed pork and pork products. This has the effect of understating actual price spreads realized by pork processors. However, it does allow for a valid comparison of prices and price spread movements between Canada and the U.S. for fresh pork.

The farm-to-wholesale price spread for fresh pork, therefore, has two components -- the price spread on the fresh primal and subprimal pork cuts and the returns realized from the sale of by-products. Together, these spreads make up the gross margin realized by the pork packer for fresh pork. The value to the packer for hearts and livers is subtracted from this margin to arrive at a farm-to-wholesale spread for fresh pork.⁷ The formulae used to calculate these spreads are as follows:

-
7. The carcass weight used to calculate packer costs for hogs does not include the weight of the heart and liver. Therefore, for the purposes of the spread calculation, the packer does not "pay" for these items. The value to the packer for these items is a "credit" which must be subtracted in the calculation of price spreads.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|--|
| Cost to packer per cwt. of pork sold at whole- sale | = | Price paid to produ- cers for slaugh- ter hogs, (live- weight basis, \$/cwt.) | ÷ | Avg. dressing yield live to carcass weight | - | Wholesale selling prices pork heart & liver (\$/cwt.) | x | Total cwt. yield heart & liver/ <u>carcass</u> <u>carcass</u> WT ÷ 100 |
|---|---|---|---|---|---|---|---|--|

| | | | | |
|--|---|---|---|--|
| Value to packer per cwt. of pork sold at wholesale | = | Wholesale selling price of pork primal cuts and by-products (\$/cwt.) | x | Total cwt. primal cuts and by-products/ carcass |
|--|---|---|---|--|

carcass WT ÷ 100

| | | | | |
|--|---|--|---|--|
| Farm-to-whole- sale price spread, pork primal and by- products (\$/cwt.) | = | Value to packer per cwt. of pork sold at wholesale | - | Cost to packer per cwt. of pork sold at whole- sale |
|--|---|--|---|--|

Wholesale to Retail: In contrast to beef, fresh pork does not require a period of hanging or "ageing" to insure tenderness. In general, the time lag between the slaughter of a hog and the fresh retail cuts being offered on the store counter is only three to four days.⁸

In general, about 46 pounds of fresh pork are sold from the average Canadian hog carcass, while 44 pounds are sold as various cured meats, 20 pounds as canned or cooked hams and approximately 12 pounds are used to manufacture sausages and other cooked and canned meats (Food Prices Review Board, Pork Prices I).

The retailer purchases varying quantities of primal cuts rather than wholesale carcasses, to tailor his pork purchases to meet the particular consumer demands at his retail store. The major fresh wholesale cuts purchased by

8. In the case of cured and smoked pork products, ham and bacon in particular, the usual delay between slaughter and sale at retail is between four and ten days.

the retailer are the New York shoulder⁹ and the loin, and, to a lesser extent, spareribs, fresh hams and fresh bellies.

Final cutting and packaging of fresh pork is carried out at retail. Cutting losses are minimal in comparison with beef, since the major cutting and trimming has been done at the packing house. Trade sources indicate that approximately 1.3 per cent is lost in further cutting and trimming at retail, and an additional 5.3 per cent is lost through pilferage, spoilage, dehydration, refacing, and the sale of cuts in lower priced form because of deterioration in quality.

Because of the difficulties in estimating wholesale prices for processed pork, and, therefore, prices for a fresh hog carcass at retail, loin prices (approximately 50 per cent of the fresh pork sold at retail) have been used in this study to calculate a wholesale-to-retail price spread. The retail price for loins is the estimated average retail price (including "specials") in Toronto and the United States. This price is subtracted from the wholesale selling price of loins to arrive at a wholesale-to-retail price spread. Estimated wholesale-to-retail price spreads for pork loins in the U.S. reflect monthly average data,¹⁰ while those for Toronto represent month-end data.

The formula used to calculate the wholesale to retail price spreads for pork loins is as follows:

| | | | | |
|--|---|---|---|---|
| Wholesale-to-retail price spread pork loins (\$/lb.) | = | Retail selling price of pork loins (\$/lb.) | - | Wholesale ¹¹ selling price of pork loins, (\$/lb.) |
| | | | | <hr/> |
| | | | | pork yield to retail |

9. Often purchased as butts and picnic separately.

10. Since U.S. retail data is only available on a monthly basis, monthly average midwest U.S. wholesale pork loin prices (adjusted for transportation and handling to major U.S. cities) have been used to calculate this spread for the U.S.

11. In the U.S., transportation charges between the mid-west and major U.S. cities are added to the wholesale selling price of pork loins to adjust for wholesale prices FOB midwest and retail prices FOB major U.S. cities.

Farm to Retail: A farm-to-retail spread refers to the price difference (in cents per pound) of equivalent amounts of product between the farm and retail market. In Canada and the U.S., a live hog has an average yield of 77.5 per cent to carcass weight (e.g., a 209 pound hog in Canada will dress out to approximately 162.04 pounds of carcass, and a 229 pound hog in the U.S. will dress out to approximately 177.52 pounds of carcass). Due to trimming losses and wastage, wholesale pork cuts yield approximately 93.3 per cent to retail (e.g., a loin weighing 14 pounds will yield an average of 13.062 pounds at retail). Therefore, 1.38 pounds of live hog are required in both Canada and the U.S. to produce one pound of retail pork loin. The farm-to-retail price sprdad for fresh pork loins is derived by calculating the farm-gate cost of one pound of loin sold at retail, and subtracting this from the retail selling price of loins. Estimates of farm-to-retail price spreads in the U.S. are based on monthly prices,¹² while those in Toronto reflect month-end data. The formulae used to calculate this spread are as follows:

| | | | | |
|--|---|--|---|--|
| Farm-gate cost of 1 lb. of pork loin sold at retail (¢/lb.) ¹³ | = | Price paid to producers for slaughter hogs, (liveweight basis ¢/lb.) | x | # lbs live hog required to produce 1 lb. pork at retail (1.38) |
| Farm-gate-to- retail price spread pork loins (¢/lb.) | = | Retail selling price of pork loins (¢/lb.) | - | Farm-gate cost of 1 lb. of pork loin at retail (¢/lb.) |

Canadian Prices

The farm-to-wholesale and wholesale-to-retail price spreads for fresh pork and pork loins, respectively, in Canada, are based on Toronto market prices.

12. Since U.S. retail data reflects monthly average prices, the farm-to-retail price spread in the U.S. was calculated using seven markets monthly average prices for Barrows and Gilts, adjusted for freight and handling to major U.S. cities.
13. In the U.S., transportation charges between the midwest and major U.S. cities are converted to a liveweight basis and added to price paid to producers to adjust for farm-gate prices FOB midwest and retail prices FOB major U.S. cities.

The farm-gate price series used for an average of weekly prices paid to producers on the fourth week of every month for index 100 hogs, sales in public stock yards, Toronto, in dollars per hundredweight (dressed weight basis). (Source: Agriculture Canada, Canada Livestock and Meat Trade Report (Blue Book)).

The wholesale price series used are average weekly wholesale prices (last week of every month) for pork primal cuts and by-products, Toronto, in dollars per hundredweight. (A listing of the Canadian wholesale pork primal and by-product price series used and their respective sources is included at the end of this section).

The wholesale loin prices used to calculate wholesale-to-retail price spreads for pork loins are estimated weekly wholesale prices for fresh pork loins, Toronto. Wholesale loin prices for the Toronto market are not available from published sources, however, wholesale market prices for the sub-primal cuts taken from a whole loin (backs, backribs tail off, and tenders) are available. In the sub-primal cutting process, approximately 5.5 pounds of loin weight is lost due to shrink and removal of skirt, fat, trim, bones and waste, all of which have a minimal rendering value. Based on industry recommendations, the following formula was used to estimate weekly wholesale prices for fresh pork loins based on market prices for backs, back ribs tail off and tenders:

| | | | | | | | | |
|---|---|--|---|--|---|---|---|--|
| Whole- sale price of fresh pork loins (¢/lb.) | = | Wholesale price of backs (¢/lb.) x 14.23 lbs. | + | Whole- sale price of back ribs tail off (¢/lb.) x 2.54 lbs. | + | Wholesale price of tenders (¢/lb.) x 1.15 lbs. | + | Whole- sale price of cutting fat (¢/lb.) x 5.57 lbs. |
|---|---|--|---|--|---|---|---|--|

23.49 lbs.

The retail price series used for fresh pork loins is the simple average retail selling price of pork loins (including special prices) on the first Friday of every

month in five major retail supermarket chains¹⁴ in the Toronto area in cents per pound.¹⁵ (Source: Charles Ambler Ltd., Toronto.)

U.S. Prices

The farm-to-wholesale and wholesale-to-retail price spreads for fresh pork and pork loins in the United States are based on mid-west market prices and average U.S. prices, respectively.

The farm-gate price series used to calculate farm-to-wholesale price spreads for fresh pork are average weekly prices paid to producers (fourth week in every month) for U.S. number 1 and 2 Barrows and Gilts, 200-220 pounds, Omaha, in dollars per hundredweight (liveweight basis). (Source: USDA, Livestock Meat and Wool Market Report.)

The farm-gate price series used to calculate farm-to-retail price spreads for pork loins are seven market monthly weighted average prices paid to producers for Barrows and Gilts, dollars per hundredweight (liveweight basis).¹⁶ (Source: USDA, Livestock and Meat Situation.)

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14. Miracle Food Mart, Dominion Stores, Loblaws, A&P and IGA.
 15. To facilitate the calculation of wholesale-to-retail spreads for pork loins in Toronto, the retail price series has been put back one month - e.g., prices during the first week of February appear as January retail pork loin prices to compare with wholesale loin prices during the last week of January.
 16. Since the monthly farm prices used in the calculation of the farm-to-retail price spreads are based primarily on midwestern market prices, while the retail data represents average U.S. prices, a transportation differential was added to the farm price to reflect more accurately national farm-to-retail price spreads. Transportation differentials applied to live prices were as follows (based on industry and USDA estimates): 1.69¢/lb. (1970-1971), 2.12¢/lb. (1972-1973), 3.06¢/lb. (1974), and 2.71¢/lb. (1975-1977). These differentials were derived by calculating the live weight equivalent of wholesale freight and distribution charges FOB midwest to major U.S. markets. Monthly seven market average producer prices for Barrows and Gilts may exceed slightly month-end Omaha weekly prices since they are adjusted by USDA to reflect farm-gate marketing costs of .78¢/lb. (.29¢/lb. for transportation and .49¢/lb. for yardage, commissions and other marketing charges.)

The wholesale carcass price series used to calculate weekly farm-to-wholesale price spreads are average weekly wholesale prices (fourth week in every month) for fresh pork primal cuts and by-products, mid-west, in dollars per hundredweight. (A list of the U.S. primal and by-products price series used and their respective source is included at the end of this section.)

The wholesale price series for fresh pork loins used in the calculation of wholesale to retail price spreads is based on USDA estimates of monthly average U.S. wholesale pork loin prices, in cents per pound, adjusted to allow for a 6.7 per cent wholesale-to-retail shrink. (Source: Unpublished research data, Statistical Research Service, USDA.)

The retail price series for pork loins in the U.S. is compiled from the average monthly selling price (including specials) of six sub-primal loin cuts. These prices are estimated by USDA based on the monthly U.S. prices weighted by regional cutting tests and consumption patterns and adjusted for volume effects of "special" prices. Based on USDA recommendations, the following retail cuts and respective weightings were used to calculate retail loin prices:

| <u>Retail Cuts</u> | <u>Per Cent</u> |
|---------------------|-----------------|
| Centre Chops | 12.5 |
| Centre - Rib Chops | 17.2 |
| Centre - Loin Chops | 16.6 |
| Rib - End Roast | 24.5 |
| Loin - End Roast | 22.4 |
| Number 2 Chops | 6.8 |
| | <u>100.0</u> |

Retail price data source: unpublished research data, USDA.

Based on USDA recommendations, the retail loin price calculated above was then deflated by 1.5 per cent to eliminate the value added by retailers in cutting a pork loin from a primal to sub-primal cuts.

Comparison of Canadian and U.S. Prices

Weekly wholesale prices for pork loins (FOB mid-west) landed in Toronto were derived by adding a custom

dressing charge¹⁷ to the mid-west wholesale loin price, converting to this to a Canadian dollar equivalent, and adjusting for tariff,¹⁸ freight,¹⁹ and handling.²⁰

A price spread between domestic (Toronto) and landed (U.S. mid-west) wholesale pork loins is then calculated by subtracting the U.S. landed wholesale pork loin price from Toronto wholesale (estimated) pork loin prices. A positive spread indicates a financial incentive for the importation of U.S. pork loins.

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17. Packer trimming of pork in Canada results in a leaner primal cut than does trimming in the United States. Consequently, U.S. pork loins must be custom trimmed for export to Canada. At present, a premium is paid for this over the U.S. wholesale price. Industry sources estimated the cost for custom dressing at 10¢ per pound during 1970-1977.
 18. Tariff levels during this period were: .5¢ per pound (January 1970 to January 1973), free (February 1973 to June 1974), .5¢ per pound (July 1974 to April 1976), free (May 1976 to February 1977) and .5¢ per pound (March 1977 to date).
 19. Based on industry recommendations, freight rates used were those used in the calculation of landed wholesale carcass beef.
 20. Industry sources estimate charges for brokerage, shrink and handling at a constant of .5¢ per pound during the period in question.

CANADIAN PORK CUTTING TEST

HOGS - INDEX 100, ONTARIO, WEEKLY AVERAGE

| <u>WHOLESALE CUTS</u> | <u>LBS.</u> | <u>PRICE QUOTATION BASE¹</u> |
|-----------------------|-------------|---|
| Hams | 34.02 | 18 DN |
| Loins (23.49) | | |
| Backs | 14.23 | 6/10's |
| Back Rib T.O. | 2.54 | |
| Tenders | 1.15 | |
| Loin Trim | 5.57 | Chicago Price |
| | | Scrap, Skin & Rind |
| Picnics | 12.80 | Fresh |
| Butts | 13.61 | Fresh |
| Bellies | 20.09 | 7/11 R'ls |
| Ribs | 4.86 | |
| Riblets | .81 | |
| Lard | 4.05 | PS and/or CP 80% yield |
| Kidneys | .49 | |
| 75% Lean Trimmings | 2.43 | |
| 45% Lean Trimmings | 1.62 | |
| Neckbones | 2.27 | 14% Lard |
| Feet, Front & Hind | 3.73 | 15% Lard |
| Cutting Fat | 5.35 | 65% Lard |
| Skinned Back Fat | 6.97 | |
| Jowls & Neck Fat | 3.40 | Skinless, frozen |
| Head & Cheek Meat | 1.46 | |
| Tongues | .49 | Boneless |
| Hocks | 3.08 | |
| Scrap Skin & Rind | | |
| (Pig skin hse run) | 11.83 | Chicago Mkt Price |
| Tails | .49 | DT. where quoted |
| Shrink (2.9%) Hot to | | |
| Cold wt. | <u>4.70</u> | |
| Dressed wt, Head | | |
| on, Lard in | 162.04 | |
| Heart | .48 | |
| Liver | 2.96 | U.K. |

Yield - 77.5 Livewt. - 209 lbs.

1. Reynolds, Wholesale, TORONTO
¢/lb. unless indicated

U.S. PORK CUTTING TEST

HOGS - BARROWS & GILTS, U.S. # 1 & 2, 220-240 LBS, OMAHA

WEEKLY AVERAGE OF DAILY QUOTES

| <u>WHOLESALE CUTS</u> | <u>LBS.</u> | <u>PRICE QUOTATION BASE</u> 1,2 |
|-----------------------|-------------|--|
| Hams | 38.01 | Skinned, 17-20 |
| Loins | 32.98 | 14/ DN |
| Picnics | 15.80 | 4-6 |
| Butts | 11.68 | 4/8 boxed Sq. Cut |
| Bellies | 27.48 | Green 12/14 |
| Ribs | 6.41 | 3/DN Frozen |
| Lard & Crackling | 13.30 | Leaf Lard p.s. or c/p. loose 80% yld. |
| Kidney | .48 | 100 lb. box frozen |
| 80% lean trimmings | | |
| KF lean & NB lean | 2.64 | |
| 50% lean trimmings | 2.27 | |
| Neckbones | 2.82 | |
| Front feet | 1.63 | Toes-on, Frozen |
| Hind feet (E & In) | 2.59 | 14% Lard |
| Cutting fat | .21 | Rendered Pork Fat 80% yield |
| Jowls | 3.30 | Skinned frozen |
| Cheeks | .46 | Trimmed frozen |
| Snouts | .18 | Snouts lean - Frozen |
| Ears | .18 | Frozen |
| Tongues | .41 | Green, BNLS, Toronto Market |
| Hocks | .39 | Toronto Mkt. |
| Scrap Skin & Rind | | |
| (Wolver, Gel, Ham | | |
| & In) | 8.71 | Pig Skin (Gel) House run |
| Tails | .46 | (Cdn. price used 1977) |
| Shrink (2.9%) Hot to | | |
| Cold wt. | <u>5.13</u> | |
| Dressed wt, Head | | |
| on, Lard in | 177.52 | |
| Heart | .57 | |
| Liver | 2.50 | |

Yield - 77.5 Livewt. - 229 lbs.

1. Last Friday of each month, carlot, Midwest
¢/lb. unless otherwise indicated
2. Prior to June 1975, the Provisioner market quotations were FOB Chicago. On the advice of industry and government sources, one cent per pound was subtracted from primal and by-product prices prior to June 1975 to adjust for transportation charges from the midwest to Chicago.

APPENDIX B-VI

METHODOLOGY

SECTION II

BEEF PRICES AND PRICE SPREADS

General

Monthly prices and price spreads for beef at the producer, wholesale and retail levels in selected U.S. and Canadian markets have been compiled for the period January 1970 to June 1977.

Farm to Wholesale: For beef, the farm-to-wholesale price spread refers to the difference between the price per unit of beef at the point of first sale of slaughter cattle (e.g., at public stock yards) and the price paid for equivalent units in the wholesale market.

Prices received by producers for slaughter cattle are paid on a liveweight (graded) basis. The dressing operation, in addition to preparing the whole carcass, also results in a number of by-products which also have a market value. Some of the edible by-products, such as liver, tongue, sweetbreads, brains, tails and kidneys, are sold as such in retail stores; most hearts, cheek and head meat, tripe and offal trim are utilized in the cookroom in preparation of processed meats such as wieners and bologna.

The farm-to-wholesale price spread for beef, therefore, has two components -- the price spread on the carcass beef and the returns from by-products. Together, these spreads make up the gross margin realized by the beef packer.¹

A1/A2 steers in Canada yield a carcass of approximately 57.6 per cent of liveweight. In the United States, due to a higher fat content, the equivalent grade slaughter animal yields a carcass of approximately 61.5 per cent of liveweight. Therefore, dressing yields of 57.6 per cent and 61.5 per cent were used for Canada and the U.S., respectively.

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1. For the purposes of this study, by-product prices do not include the value added by many processors in the cookroom in the preparation of processed meats and meat products.

Since there is approximately a one week lag from the time an animal is slaughtered until the carcass is sold at wholesale, wholesale carcass prices have been lagged one week from slaughter prices. Farm-to-wholesale spreads in Canada and the U.S. are expressed on a month-end basis.

The formulae used to calculate the farm-to-wholesale price spread for beef are as follows:

$$\begin{array}{lcl} \text{Cost to packer} & & \text{Price paid to} \\ \text{per cwt. of beef} & & \text{producers for} \\ \text{sold at wholesale} & = & \text{slaughter steers} \\ & & \text{(liveweight basis} \\ & & \text{\$/cwt.)} \end{array} \div \begin{array}{l} \text{Avg. dressing} \\ \text{yield live to} \\ \text{carcass weight} \end{array}$$

| | | | | | | |
|---|---|--|---|--|---|-------------------------------------|
| Value to packer per cwt of beef sold at wholesale | = | Wholesale selling price of carcass beef (\\$/cwt.) | + | Wholesale by-product prices (\\$/cwt.) | x | Total cwt. by-product yield/carcass |
| carcass weight \div 100 | | | | | | |

$$\begin{array}{lcl} \text{Farm-to-wholesale} & & \text{value to packer} \\ \text{price spread} & & \text{per cwt. of beef} \\ \text{carcass beef and} & = & \text{sold at wholesale} \\ \text{by-products} & & \\ (\$/\text{cwt.}) & & \end{array} - \begin{array}{l} \text{cost to packer} \\ \text{per cwt. of beef} \\ \text{sold at} \\ \text{wholesale} \end{array}$$

Wholesale to Retail: The wholesale-to-retail price spread for beef refers to the price difference, in cents per pound, for equivalent amounts of product between the wholesale and retail beef markets.

Most retailers make regular purchases of whole sides of beef and supplement these with additional primal cuts² to supply advertised special items. When a side of beef is broken into retail cuts, approximately 25 per cent is removed as bones, inedible fat, trim and cutting losses. The bones and fat trim are sold for rendering, but only at a nominal value. The remaining 75 per cent provides various retail cuts of beef, including ground beef, although

2. The term primal cut is applied to the basic beef cuts traded at the wholesale level. The most important of these are the hip, loin, rib and chuck.

there may be an additional five per cent loss due to pilferage, spoilage, dehydration, refacing, and the sale of cuts in lower priced form because of deterioration in quality.³

For the purpose of calculating the wholesale-to-retail price spread, the retail price per pound of beef is the estimated average price of all saleable cuts obtained from A1/A2 ("Choice" in the U.S.) carcasses, including ground beef and stewing meat.⁴ The wholesale price of carcass beef sold at retail is computed by dividing the average wholesale price per pound of carcass beef by the carcass yield to retail (70.9 per cent in the U.S., 70.6 per cent in Canada). The difference is the wholesale-to-retail price spread for beef. Estimates of wholesale-to-retail spreads in the U.S. reflect monthly average prices,⁵ while those for Toronto represent month-end data.

The formula used to calculate the wholesale-to-retail price spread for beef is as follows:

| | | | | |
|--|---|--|---|---|
| Wholesale to retail price spread for car- cass beef (¢/lb.) | = | Weighted average selling price of beef carcass cuts sold at retail (¢/lb.) | - | Wholesale ⁶ selling price of carcass beef (¢/lb.) <hr/> carcass yield to retail |
|--|---|--|---|---|

-
3. Based on industry and government estimates, United States and Canada.
 4. A great deal of the ground meat sold in Canada and the U.S. is prepared using lower-priced imported boneless beef. The amount of boneless beef used in ground meat sold at retail will vary depending on relative prices of imported and domestic beef, and also exhibits seasonal and regional variations. Since wholesale beef prices exclude the influence of lower-priced imported boneless beef, this has the effect of understating the wholesale-to-retail price spread.
 5. Since U.S. retail data is only available on a monthly basis, monthly average U.S. wholesale prices west coast and midwest (adjusted for transportation to retail) have been used to calculate this spread for the U.S. The transportation rates applied to monthly wholesale carcass prices reflect transportation and handling to major U.S. cities.
 6. In the U.S., transportation charges between Chicago and major U.S. cities are added to the wholesale selling price of carcass beef to adjust for wholesale prices FOB Chicago and retail prices FOB major U.S. cities.

Farm to Retail: A farm-to-retail spread refers to the price difference (in cents per pound) of equivalent amounts of product between the farm and retail market. In Canada, a live slaughter steer has an average yield of 57.6 per cent to carcass weight (e.g., a 1000-pound steer will dress out to approximately 576 pounds of carcass). Due to trimming losses and wastage, a carcass yields an average of 70.6 per cent to retail (e.g., a 576-pound carcass will have an average yield of 406.67 pounds of retail cuts). Therefore, 2.46 pounds of live Canadian steer are required to produce one pound of meat sold at retail. U.S. beef has a live-to- carcass yield of 61.5 per cent and a carcass-to-retail yield of 70.9 per cent, and consequently 2.29 pounds of live U.S. steer are required to produce one pound of meat sold at retail. The farm-to- retail price spread for beef is derived by calculating the farm-gate cost of one pound of meat sold at retail, and subtracting this from the retail selling price of beef. Estimates of farm-to-retail price spreads in the U.S. reflect monthly prices, while those in Toronto are based on month-end data.⁷ The formulae to calculate this spread are as follows:

| | | | |
|--|---|--|---|
| Farm-gate cost of 1 lb. of beef sold at retail (¢/lb.) ⁸ | = | Price paid to producers for slaughter steers, x (liveweight basis, (¢/lb.) | # lbs live steer required to pro- duce 1 lb. of beef at retail (2.29 U.S. and 2.46 Can.) |
| Farm-gate-to- retail price spread carcass beef (¢/lb.) | = | Weighted average selling price of beef carcass cuts - sold at retail (¢/lb.) | Farm-gate cost of 1 lb. of beef sold at retail (¢/lb.) |

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7. Since U.S. retail data reflects monthly prices, the farm-to-retail price spread in the U.S. was calculated using monthly average slaughter steer prices, midwest, adjusted for freight and handling to major U.S. cities.
 8. In the U.S. transportation charges between the midwest and major U.S. cities are converted to a liveweight basis and added to price paid to U.S. producers to adjust for farm-gate prices FOB and retail prices FOB major cities.

Canadian Prices

Farm-to-wholesale and wholesale-to-retail price spreads for beef in Canada are based on Toronto market prices.

The farm-gate price series used are an average of weekly prices paid to producers (third week of every month) for A1/A2 steers, 1,000 pounds and more, at sales on public stock yards, Toronto, in dollars per hundredweight (live weight basis). (Source: Agriculture Canada, Canada Livestock and Meat Trade Report (Blue Book).)

The wholesale price series used are average weekly wholesale prices (last week of every month) for A1 steer carcasses and sides, 500 - 700 pounds, Ontario, in dollars per hundredweight. (Source: Agriculture Canada, Canada Livestock and Meat Trade Report (Blue Book).)

The wholesale price series for beef by-products is based on Agriculture Canada estimates of by-product prices for edible tallow, tongues #2, livers (8/13), livers (13 up), 50 per cent meat and bone meal (bags), tallow special #1 and hides.⁹

By-product prices are based on market prices for the third week of every month, Toronto, in dollars per hundredweight.

The retail price series used is compiled from the retail selling price of 22 cuts of beef (including specials) on the first Friday of every month, in five major retail supermarket chains in the Toronto area,¹⁰ in cents per pound.¹¹ Single store average selling price of beef are

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9. Unpublished research data, Economics Branch, Agriculture Canada. Agriculture Canada estimates that 90 per cent of the total by-product value is accounted for by these seven items.
 10. Miracle Food Mart, Dominion Stores, Loblaws, AIP and IGA.
 11. To facilitate the calculation of wholesale-to-retail spreads for beef in Toronto, the retail price series has been put back one week - e.g., prices during the first week of February appear as January retail beef prices to compare with wholesale prices during the last week of January.

derived by weighting the individual price of each retail cut by the cutting tests of the respective stores, and these are then averaged to arrive at a Toronto retail selling price for beef. (Source: Agriculture Canada, unpublished research data.)

U.S. Prices

Farm-to-wholesale and wholesale-to-retail price spreads for beef in the U.S. are based on mid-west market prices and average U.S. prices, respectively.

The farm-gate price series used to calculate farm-to-wholesale price spreads are average weekly prices paid to producers (third week of every month) for Choice, 2-4, 900-1,100 pounds steers, Omaha, in dollars per hundred-weight live-weight basis). (Source: USDA, Livestock Meat Wool Market Report.)

The farm-gate price series used to calculate farm-to-retail price spreads are monthly average prices paid to producers for choice 900-1,100 pounds steers, OMAHA, dollars per hundredweight¹² (Source: USDA, Livestock and Meat Situation.)

The wholesale carcass price series used to calculate farm-to-wholesale price spreads are average weekly wholesale prices (fourth week of every month) for Choice steer carcasses, yield grade three, 600 - 700 pounds, mid-west, in dollars per hundredweight. (Source: USDA, Livestock Meat Wool Market Report.)

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12. Since the monthly farm prices used in the calculation of the farm-to-retail price spread are primarily based on Omaha prices, while the retail monthly data reflects average U.S. prices, a transportation differential was added to the farm price to reflect more accurately national farm-to-retail spreads. Transportation differentials applied to live prices were as follows (based on industry and USDA estimates): 1.34¢/lb. (1970-1971), 1.69¢/lb. (1972-1973), 1.88¢/lb. (1974) and 2.15¢/lb. (1975-1977). These differentials were derived by calculating the liveweight equivalent of wholesale carcass freight and distribution charges FOB Omaha to major U.S. markets.

The wholesale by-product price series used to calculate farm-to-wholesale price spreads are USDA estimates of average weekly wholesale by-product prices (last week of every month), in the central U.S., in dollars per hundredweight. Included in the USDA calculation of by-product values are the following hide offal by-products:

| | |
|----------------------------|--------------------------|
| hide (butt branded) | tripe, scalded |
| edible tallow | oxtails, selected SM box |
| inedible tallow | cheek meat, trimmed |
| (fancy bleachable) | head meat |
| livers, selected | lips, unscalded |
| lungs, inedible | melts |
| tongues, number one, 8/bx. | meat and bone scraps, |
| hearts, regular, bone out | 50%, bulk/ton |

On the advice of industry sources, an adjustment was made to the wholesale prices of carcasses and by-products in the United States to reflect the difference in price quotation basis between Canada and the United States.¹³

The wholesale price series used to calculate wholesale-to-retail spreads are monthly average prices for choice steer carcasses and sides, 600-700 pounds, midwest (85.6 per cent) and west coast (14.4 per cent), adjusted for transportation to major retail cities. (Source: USDA, Livestock and Meat Situation.)

The retail price series used to calculate farm-to-retail and wholesale-to-retail price spreads is the weighted average monthly retail selling price of beef in the United

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13. The difference between a "wholesale" price and a "price to retailer" reflects handling and distribution margins. Industry sources indicate that the wholesale prices quoted in the Blue Book reflect prices paid by retailers. The U.S. prices, however, are considered to be strictly wholesale prices (e.g., inter packer prices or prices paid to packers by wholesalers). U.S.D.A. sources estimate that 70%-90% of U.S. beef is sold to retailers on a formula basis (quoted "over provisioner" prices). To compensate for this difference in quotation basis, an industry estimate of handling and distribution margins has been added to the United States wholesale prices.

States, in cents per pound.¹⁴ These prices are estimated by USDA based on the average price (including "specials") of all saleable cuts obtained from a choice carcass (weighted by regional cutting tests and adjusted for volume effects of "special" prices). (Source: USDA, unpublished research data.)

Comparison of Canadian and Landed U.S. Prices

Wholesale prices for carcass beef (F.O.B. mid-west) landed in Toronto were derived by converting the weekly mid-west wholesale carcass price to a Canadian dollar equivalent and adjusting for tariff,¹⁵ freight,¹⁶ handling¹⁷ and defatting¹⁸.

14. Industry sources indicate that beef trim at retail may differ marginally between the U.S. and Canada (Canadian beef at retail may be leaner due to leaner domestic carcasses). To the extent that this occurs, it will have the effect of slightly distorting the comparison of U.S. and Canadian retail beef prices and wholesale-to-retail spreads (in the U.S. these would be somewhat higher if Canadian trim standards were applied). Since U.S. retail beef prices and wholesale-to-retail price spreads are substantially higher than those in Canada, it was not deemed necessary to attempt to measure and adjust for the possibility of this slight difference in trim at retail.
15. \$3.00 per hundredweight (January 1970 to January 1973), free (February 1973 to August 1973), \$3.00 per hundredweight (September 1973), \$9.00 per hundredweight (February 1974), \$3.00 per hundredweight (March 1974 to July 1977).
16. \$2.18 per hundredweight (1970 through 1971), \$2.74 per hundredweight (1972 to 1973), \$3.06 per hundredweight (1974), and \$3.50 per hundredweight (1975 through 1977). Source: Industry and Government estimates.
17. Industry sources estimate charges for brokerage, shrink and grading at a constant of \$2.81 per hundredweight during the period in question.
18. U.S. steers have approximately three per cent higher fat yield than Canadian steers. The removal of this additional fat is a cost (credit) to the processor. The defatting calculation is based on a fat yield per carcass of 4.8 per cent on an average carcass weighing 615 pounds - (29.52 pounds of fat per carcass). Edible tallow prices (80 per cent yield) were used to arrive at a value to the packer for the edible tallow per carcass. The tallow value (salvage price of fat removed) is subtracted from the cost of the fat to the packer (cost to packer per pound of carcass beef) to arrive at a defatting cost per pound. An estimate of defatting labour (.73 cents per pound based on industry estimates) is added to the cost per pound for defatting to arrive at a total cost per pound to the Canadian packer for defatting U.S. carcasses.

RETAIL BEEF CUTS USED TO COMPILE
TORONTO AVERAGE RETAIL SELLING PRICE OF BEEF¹

| | |
|--------------------------|---------------------------|
| Porterhouse Steak | Plate, Boneless |
| Skirt Steak | Short Rib Roast |
| Wing & T-Bone Steak | Cross Rib Roast |
| Sirloin Steak | Blade Roast |
| Sirloin Tip Steak | Bottom Round Roast |
| Round Steak, Full Cut | Top Round Roast |
| Chuck Steak Tender | Braising Ribs |
| Cube Steak | Braising Ribs Boneless |
| Prime Rib Steak | 6 & 7th Ribs, Short Cut |
| Delmonico Steak | 1-5 Ribs, Long Cut |
| Flank Steak | Brisket Point, Boneless |
| Rib Roast 1-5 | Flank, Trimmed |
| Rib Roast 6-7 | Shank, Boneless |
| Shoulder Roast, Boneless | Shank, Bone In |
| Shoulder Roast Bone In | Stewing Beef |
| Prime Rib Roast 1-4 | Neck & Shoulder, Boneless |
| Sirloin Tip Roast | Ground Chuck |
| Rump Roast, Bone In | Hamburger |
| Rump Roast, Boneless | Round, Minced |
| Plate, Bone In | |

1. Not all cuts are sold in every store.

Prices of selected cuts were weighted by individual chainstore cutting tests to arrive at a aggregate cost per pound of beef for each store sampled. These were then averaged to calculate a beef cost per pound at retail in the Toronto area.

RETAIL BEEF CUTS USED TO COMPILE
U.S. AVERAGE RETAIL SELLING PRICE OF BEEF

| | <u>Percentage</u> |
|-----------------------------|-------------------|
| Porterhouse | 2.1 |
| Club Bone In | 1.3 |
| Club Bone Out | 0.5 |
| T-Bone, Bone In | 3.6 |
| Sirloin, Bone In | 6.6 |
| Round, Full cut, Bone In | 3.6 |
| Round, Top, Bone Out | 3.5 |
| Round, Bottom, Bone In | 2.9 |
| Chuck, Steak, Bone In | 2.3 |
| Rib, Bone In | 2.0 |
| Flank, Bone Out | 0.7 |
| Rib Roast, Bone In | 6.0 |
| Rib, Rolled, Bone Out | 1.2 |
| Chuck blade, Bone In | 8.2 |
| Chuck Arm, Bone In | 5.0 |
| Chuck Roast, Bone Out | 5.4 |
| Sirloin/Round Tip, Bone Out | 3.5 |
| Eye Round, Bone Out | 1.5 |
| Rump, Bone Out | 3.8 |
| Rump, Bone In | 1.2 |
| Plate, Bone In | 2.1 |
| Short Rib, Bone In | 3.1 |
| Brisket, Bone Out | 2.8 |
| Brisket, Bone In | 0.1 |
| Ground Beef | 16.4 |
| Ground Chuck | 2.0 |
| Stew, Bone Out | 6.0 |
| Shin or Shank, Bone Out | 0.3 |
| Shin or Shank, Bone In | 2.0 |
| Kidney | 0.3 |

Source: U.S.D.A.

APPENDIX B-VI

METHODOLOGY

SECTION III

CHICKEN PRICES AND PRICE SPREADS

General

Monthly average prices and price spreads for broiler chickens at the producer, wholesale and retail levels in selected U.S. and Canadian markets have been compiled for the period January 1970 to June 1977.

Farm to Wholesale: For broiler chickens, the farm-gate-to-wholesale price spread refers to the price difference (in cents per pound) for equivalent amounts of product between the point of first sale of the product (live broiler chickens, farm gate) and the wholesale market for oven-ready, eviscerated, fresh, ice-packed broilers. An average yield factor (live to eviscerated weight) of 74 per cent was used to adjust producer prices to an eviscerated weight basis.

The formulae to calculate the farm-to-wholesale price spread for broiler chickens is as follows:

| | | | | |
|--|---|---|---|---|
| Cost to processor per pound of broiler chicken sold at whole- sale (\$/lb.) ¹ | = | Price paid to producers for broiler chicken liveweight basis (\$/lb.) | ÷ | Avg. yield live to eviscerated weight |
|--|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Farm-to-wholesale price spread broiler chickens (\$/lb.) | = | Wholesale selling price of broiler chicken (\$/lb., Eviscerated) | - | Cost to proces- sor per pound of broiler chicken sold at whole- sale (\$/lb.) |
|---|---|---|---|---|

Wholesale to Retail: The wholesale-to-retail price spread refers to the price difference (in cents per pound) of equivalent amounts of product between the wholesale and retail market for fresh broiler chickens. The formula used to calculate the wholesale-to-retail price spread for broiler chickens is as follows:

-
1. In the U.S., transportation charges between Georgia and New York are added to the cost to processor per pound of broiler chicken to adjust for wholesale prices FOB N.Y.C. and farm-gate prices FOB Georgia.

| | | | | |
|--|---|--|---|---|
| Wholesale-to-retail price spread, broiler chickens (¢/lb.) | = | Retail selling price of broiler chickens | - | Wholesale selling price of broiler chickens |
|--|---|--|---|---|

Farm to Retail: A farm-to-retail spread refers to the price difference (in cents per pound) of equivalent amounts of product between the farm and retail market.

The farm-to-retail price spread for chicken is derived by calculating the farm-gate cost of one pound of chicken sold at retail, and subtracting this from the retail selling price of chicken. The formulae to calculate this spread is as follows:

| | | | | |
|--|---|--|---|---|
| Farm-gate cost of 1 lb. of broiler chicken sold at retail ² | = | Price paid to producers for broiler chickens, liveweight basis (¢/lb.) | x | # lbs of live chicken required to produce 1 lb. at retail (1.35135) |
| Farm-to-retail price spread broiler chickens (¢/lb.) | = | Retail selling price of broiler chickens | - | Farm-gate cost of 1 lb. of broiler chicken sold at retail |

Canadian Data

Farm-to-wholesale and wholesale-to-retail price spreads in Canada are based on the Toronto market.

The farm-gate price series used is a monthly average of prices paid to producers for live broiler chickens (less than five pounds liveweight), Ontario, in cents per pound (liveweight basis), FOB farm. (Source: Agriculture Canada, Poultry Market Report.)

The wholesale price series used is a monthly average of the lowest quoted weekly wholesale-to-retail prices³ for eviscerated, standard box-packed broiler

2. In the U.S., transportation charges between Georgia and New York are added to the farm-gate cost to adjust for retail prices FOB N.Y.C. and farm-gate prices FOB Georgia.

3. Lowest quoted prices used to approximate sales to volume buyers, trucklot basis.

chickens, under 4 pounds, fresh ice-packed, Toronto, in cents per pound (eviscerated weight basis). Source: Agriculture Canada, Poultry Market Report.)

The retail price series is a simple average of retail prices (including "specials") on the first Friday of each month for whole-bodied, fresh, grade A broiler chickens (2-3.5 pounds) in 5 major retail supermarkets⁴ in the Toronto area (in cents per pound). (Source: Charles Ambler Limited, Toronto.)

U.S. Prices

Farm-to-wholesale⁵ and wholesale-to-retail price spreads in the United States are based on New York market prices.

The farm-gate price series used are average prices paid at mid-month to broiler chicken producers, Georgia, in cents per pound (liveweight basis), FOB farm. (Source: USDA, Poultry and Egg Situation.)

The wholesale price series used are average monthly wholesale prices for eviscerated, grade A and plant grade, ready to cook, ice-packed broiler chickens, trucklot sales, delivered to major areas, New York, in cents per pound (eviscerated weight). (Source: USDA, Poultry and Egg Situation.)

The retail price series used are average monthly prices for whole-bodies, fresh, grade A frying chickens, New York, in cents per pound. (Source: USDA, Poultry and Egg Situation.)

-
4. Miracle Food Mart, Dominion Stores, Loblaws, A&P and IGA.
 5. In the calculation of farm-to-wholesale price spreads, a transportation charge was added to the eviscerated equivalent of U.S. live weight broiler chicken prices to adjust for freight rates for ice-packed broiler chicken transported from Georgia to New York City. Based on USDA recommendations, trucklot transportation rates were estimated as follows: 2¢/lb. (1970-71), 2.10¢/lb. (1972-73), 2.15¢/lb. (1974) and 2.25¢/lb. (1975-77).

Comparison of Canadian and Landed U.S. Prices

Wholesale prices for broiler chickens (FOB New York) landed in Toronto were derived by adding custom killing charges⁶ to the New York wholesale price, converting this to a Canadian dollar equivalent, and adding duty, freight, and handling charges. Custom killing charges were estimated at four cents per pound,⁷ conversion to Canadian funds was based on a monthly average of the Bank of Canada currency exchange rate, the prevailing tariff level during this period was 12.5 per cent ad valorem (not less than five nor greater than 10 cents per pound) and freight and handling charges were estimated at two cents per pound (1970 to 1975) and three cents per pound (1976 to 1977).⁸

A spread between domestic (Toronto) and landed wholesale prices for equivalent product was then calculated by subtracting the wholesale landed price of broiler chickens (New York) from Toronto wholesale prices.

When this spread is positive, there exists a financial incentive for the importation of U.S. product.

-
6. Due to differences in Health of Animal inspection requirements and consumption preferences between Canada and the United States, U.S. chickens must be processed slightly differently for export to Canada. At present, a premium is paid above the New York wholesale price for broiler chickens processed in the United States to Canadian specifications.
 7. Based on industry recommendations.
 8. Ibid

APPENDIX B-VI

METHODOLOGY

SECTION IV

TURKEY PRICES AND PRICE SPREADS

General

Monthly average prices and price spreads for hen turkeys (10-16 pounds, eviscerated weight) at the producer, wholesale and retail levels in selected U.S. and Canadian markets have been compiled for the period January 1970 to June 1977.

Farm to Wholesale: For hen turkeys, the farm-to-wholesale price spread refers to the price difference (in cents per pound) for equivalent amounts of product between the point of first sale of the product (live hen turkeys, farm gate) and the wholesale market for over-ready, eviscerated, frozen hen turkeys. An average yield factor (live to eviscerated weight) of 82 per cent was used to adjust producer prices to an eviscerated weight basis.

The formulae used to calculate this price spread is as follows:

| | | | |
|---|---|---|---------------------------------------|
| Cost to processor per pound of hen turkey sold at wholesale (\$/lb.) ¹ | = | Price paid to producers for hen turkey (liveweight ÷ basis, \$/lb.) | Avg. yield live to eviscerated weight |
|---|---|---|---------------------------------------|

| | | | | |
|--|---|---|---|---|
| Farm-to-wholesale price spread hen turkey (\$/lb.) | = | Wholesale selling price of hen turkey (\$/lb., eviscerated) | - | Cost to processor per pound of hen turkey sold at wholesale |
|--|---|---|---|---|

Wholesale to Retail: The wholesale-to-retail price spread refers to the price difference (in cents per pound) for equivalent amounts of product between the wholesale and retail market for frozen hen turkeys.

The formula used to calculate this price spread is as follows:

-
1. In the U.S. transportation charges between Iowa and New York are added to the cost to processor per pound of hen turkey to adjust for wholesale prices FOB N.Y.C. and farm-gate prices FOB Iowa.

| | | | | |
|---|---|------------------------------------|---|---------------------------------------|
| Wholesale-to-retail price spread hen turkey (¢/lb.) | = | Retail selling price of hen turkey | - | Wholesale selling price of hen turkey |
|---|---|------------------------------------|---|---------------------------------------|

Farm to Retail: The farm-to-retail price spread for hen turkey is derived by calculating the farm-gate cost of 1 pound of hen turkey sold at retail, and subtracting this from the retail selling price of hen turkey. The formulae to calculate this spread is as follows:

| | | | | |
|---|---|--|---|---|
| Farm-gate cost of 1 lb. of hen turkey sold at retail (¢/lb.) ² | = | Price paid to producers for hen turkey (liveweight basis, ¢/lb.) | x | # lbs live hen turkey required to produce 1 lb. at retail (1.31951) |
| Farm-to-retail price spread, hen turkey (¢/lb.) | = | Retail selling price of hen turkey | - | Farm-gate cost of 1 lb. of hen turkey sold at retail |

Canadian Prices

Farm-to-wholesale and wholesale-to-retail price spreads in Canada are based on Toronto market prices.

The farm price series used is a monthly average of weekly prices paid to producers for live hen turkeys (more than 12 and less than 20 pounds), Ontario, in cents per pound (liveweight basis), FOB farm. (Source: Agriculture Canada, Poultry Markets Reports.)

The wholesale price series used are a monthly average of the lowest quoted weekly wholesale-to-retail prices³ for eviscerated, standard box-packed, frozen hen turkeys (more than 10 and less than 16 pounds), Toronto, in cents per lb. (eviscerated weight basis). (Source: Agriculture Canada, Poultry Market Report.)

-
2. In the U.S., transportation charges between Iowa and New York are added to the farm-gate cost to adjust for retail prices FOB N.Y.C. and farm-gate prices FOB Iowa.
 3. The lowest quoted weekly prices were used to approximate sales to volume buyers, truck lot basis.

The retail price series used is a simple average of retail prices (including "specials") on the first Friday of each month for whole-bodied, frozen, grade A hen turkeys (10 to 16 pounds), in five major supermarkets in the Toronto area,⁴ in cents per pound. (Source: Charles Ambler Limited, Toronto.)

U.S. Prices

Farm-to-wholesale and wholesale-to-retail price spreads in the United States are based on New York market prices.

The farm-gate price series used are prices paid to producers at mid-month for turkeys,⁵ Iowa, in cents per pound (liveweight basis), FOB farm.⁶ (Source: USDA, Poultry and Egg Situation.)

The wholesale price series used are average monthly wholesale prices for frozen, eviscerated, grade A young hen turkeys (10 to 16 pounds), New York, in cents per pound (average FOB or equivalent). (Source: USDA, Poultry and Egg Situation.)

The retail price series used are average monthly retail prices for whole-bodied medium (hen) turkeys, ready to cook, in cents per pound, New York. (Source: USDA, Poultry and Egg Situation.)

-
4. Miracle Food Mart, Dominion Stores, Loblaws, A&P and IGA.
 5. Prices paid to U.S. producers for hen turkeys are not available.
 6. In the calculation of farm-to-wholesale price spreads, a transportation charge was added to the eviscerated equivalent of U.S. liveweight hen turkey prices to adjust for freight rates for frozen turkeys transported from Iowa to New York City. Based on USDA recommendations, trucklot (40,000 lbs. frozen) transportation rates were estimated as follows: 2.47¢/lb. (1970-71), 2.61¢/lb. (1972-73), 2.67¢/lb. (1974) and 2.75¢/lb. (1975-77).

Comparison of Canadian and Landed U.S. Prices

Wholesale prices for hen turkeys (FOB New York) landed in Toronto were derived by adding custom killing charges⁷ to the New York wholesale price, converting this to a Canadian dollar equivalent and adding duty, freight and handling charges. Custom killing charges were estimated at one cent per pound (1970-1974) and two cents per pound (1975-1977),⁸ conversion to Canadian funds was based on a monthly average of the Bank of Canada currency exchange rates, the prevailing tariff level during this period was 12.5 per cent ad valorem (not less than five nor greater than 10 cents per pound), and freight rates were estimated at two cents per pound (1970-1975) and three cents per pound (1976-1977).⁹

A spread between domestic (Toronto) and landed wholesale prices for hen turkeys was then calculated by subtracting the landed New York price from the Toronto wholesale price. A positive spread indicates a financial incentive for the importation of U.S. product.

7. Due to differences in Health of Animal inspection regulations and consumer preferences between Canada and the United States, U.S. turkeys must be processed slightly differently for export to Canada. At present, a premium is paid over the quoted N.Y. wholesale price for turkeys processed in the United States to Canadian specifications.

8. Based on industry recommendations.

9. Ibid

APPENDIX B-VI

METHODOLOGY

SECTION V

EGG PRICES AND PRICE SPREADS

General

Monthly average prices and price spreads for grade A large eggs at the producer, wholesale and retail levels in selected U.S. and Canadian markets have been compiled for the period January 1970 to June 1977.

Farm to Wholesale: For eggs, the farm-to-wholesale price spread refers to the price difference (in cents per dozen) between the point of first sale of the product (grade A large, ungraded basis, farm gate) and the wholesale market for graded, cartoned grade A large eggs.

The formula used to calculate this price spread is as follows:

| | | | |
|---|--|---|---|
| Farm-to-wholesale price spread, Gr. A large eggs (¢/doz.) | Wholesale selling price Gr. A, large eggs, cartoned ¹ | - | Prices paid to producers for Gr. A, large eggs, ungraded basis ² |
|---|--|---|---|

Wholesale to Retail: The wholesale-to-retail price spread refers to the price difference (in cents per dozen) between the wholesale and retail market for grade A large eggs.

The formula used to calculate this price spread is as follows:

| | | | | |
|---|---|--|---|--|
| Wholesale-to-retail price spread, Gr. A large eggs (¢/doz.) | - | Retail selling price of Gr. A large eggs | - | Wholesale selling price of Gr. A large eggs (cartoned) |
|---|---|--|---|--|

-
1. In the U.S., estimates of cartoning costs were added to NY grade A large loose egg prices to adjust to cartoned basis.
 2. In the U.S., transportation charges between Iowa and N.Y.C. are added to prices paid to producers for "A" large eggs to adjust for wholesale prices FOB NYC and farm-gate prices FOB Iowa.

Farm to Retail: The farm-to-retail price spread for grade A large eggs is derived by calculating the farm-gate cost of one dozen grade A large eggs sold at retail, and subtracting this from the retail selling price of grade A large eggs. The formula to calculate this spread is as follows:

| | | | | |
|--|---|--|---|--|
| Farm-to-retail price spread Gr. A large eggs (\$/doz.) | = | Retail selling price of Gr. A large eggs | - | Price paid to producers for Gr. A large eggs (ungraded basis) ³ |
|--|---|--|---|--|

Canadian Prices

Farm-to-wholesale and wholesale-to-retail price spreads in Canada are based on Toronto market prices.

The farm-gate price series used is a monthly average of weekly prices paid to producers for grade A large eggs (ungraded basis) Ontario, in cents per dozen. (Source: Agriculture Canada, Poultry Market Report.)

The wholesale price series used is a monthly average of weekly prices to retailers for grade A large eggs, cartoned, Toronto, in cents per dozen. (Source: Agriculture Canada, Poultry Market Report.)

The retail price series used is a simple average of retail prices (including "specials") on the first Friday of each month for cartoned grade A large eggs, in cents per dozen, in five major retail supermarkets in the Toronto area⁴ (Source: Charles Ambler Limited, Toronto.)

U.S. Prices

Farm-to-wholesale and wholesale-to-retail price spreads in the United States are based on New York market prices.

-
3. In the U.S., transportation charges between Iowa and N.Y. are added to the cost of prices paid to producers for grade A large eggs (ungraded basis) to adjust for wholesale prices FOB N.Y.C. and farm-gate FOB Iowa.
 4. Miracle Food Mart, Dominion Stores, Loblaws, A&P and IGA.

The farm-gate price series used is a monthly average of prices paid to producers for "A" large eggs (ungraded basis, buyer and volume incentive), Iowa, in cents per dozen.⁵ (Source: USDA, Poultry and Egg Situation.)

The wholesale price series used is a monthly average of wholesale prices for loose, large, white (75 per cent grade A/10 per cent AA (minimum)) eggs, FOB sellers dock New York, minimum 25 cases (new cases), in cents per dozen.⁶ (Source: USDA, Poultry and Egg Situation.)

The retail price series used are monthly average retail prices for grade A large eggs, cartoned, New York, in cents per dozen. (Source: USDA, Poultry and Egg Situation.)

Comparison of Canadian and Landed U.S. Prices

Since eggs imported into Canada from the United States are shipped on a loose basis and cartoned in Canada, the most representative price to use in calculating a spread between domestic and landed prices is the New York loose market price.⁷

Wholesale prices for grade A large eggs (uncartoned basis, FOB New York) landed in Toronto were derived by converting the New York wholesale price to a Canadian dollar equivalent and adding duty, freight and

-
5. In the calculation of farm-to-wholesale price spreads, a transportation charge was added to the U.S. farm-gate price to adjust for freight rates for loose "A" large eggs transportation from Iowa to New York City. Based on USDA recommendations, trucklot (800 cases 30 doz. per) transportation rates were estimated as follows: 2¢/doz. (1970-71), 2.9¢/doz. (1972-73), 3.5¢/doz. (1974) and 4.3¢/doz. (1975-77)
 6. In the calculation of farm to wholesale and wholesale-to-retail price spreads for the United States, a cartoning cost was added to the New York wholesale loose egg price. Cartoning costs were estimated at three cents per dozen (1970-1974), four cents per dozen (1975), and five cents per dozen (1976-1977). These were based on industry and government estimates of cartoning costs during the period 1970-1977.
 7. Based on industry recommendations.

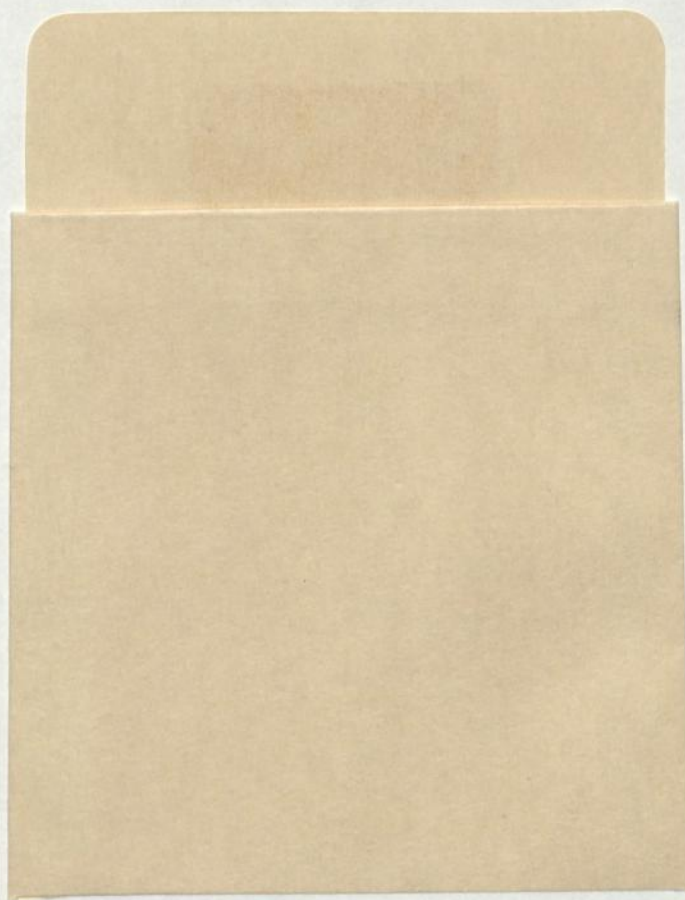
handling charges. Conversion to Canadian funds was based on a monthly average of the Bank of Canada currency exchange rates, the prevailing tariff level during this period was 3.5 cents per dozen, and freight and handling charges were estimated at 1.5 cents per dozen (1970-1975) and 2.5 cents per dozen (1976-1977).⁸

Since landed wholesale prices for U.S. grade A large eggs are expressed on a loose basis, an adjustment to the Canadian data series to arrive at a Toronto wholesale loose price is required. This may be accomplished in one of two ways - cartoning costs may be subtracted from the wholesale cartoned price, or grading cost may be added to the producer ungraded price. Based on the recommendation of industry representatives, the latter method was chosen as most representative of a wholesale loose grade A large egg price in Toronto.⁹

The spread between domestic (Toronto) and landed (New York) wholesale loose grade A large eggs was then calculated by subtracting the landed wholesale N.Y. grade A large loose egg price from the Canadian producer price plus grading charges. A positive spread between domestic and landed New York prices indicates a financial incentive for the importation of U.S. product.

8. Based on industry estimates.

9. Grading and flat costs in Canada were estimated at five cents per dozen (1970-1973), seven cents per dozen (1974-1975) and eight cents per dozen (1976-1977) based on industry recommendations related to Canadian Egg Marketing Agency grading costs schedules.



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