

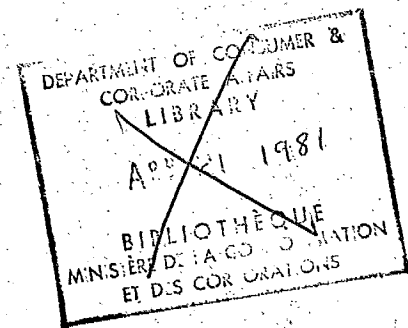
# ECONOMIC RESEARCH REPORT

## A CRITICAL REVIEW OF AVAILABLE RESEARCH AND STATISTICAL DOCUMENTATION AND ANALYSIS ON THE PROCESSING, DISTRIBUTING AND RETAILING SECTOR OF THE CANADIAN FOOD SECTOR

Industry Canada  
Library - LKC

JUN 23 2017

Industrie Canada  
Bibliothèque - BCS



Prepared For

Dr. G. A. Hiscocks  
Senior Food Policy Advisor  
Department of Consumer and Corporate Affairs  
Place Du Portage  
Hull, Quebec

The views presented in this paper are those of the author and do not necessarily reflect the views or positions of the Department of C.C.A.

March 1977



### Broadwith, Hughes & Associates Ltd.

Management and Consulting Services in Food and Agriculture  
Services de gestion et de consultation en alimentation et en agriculture

Head Office: 380 Woolwich St., Guelph, Ontario, Canada N1H 3W7 (519) 822-1090 Cable: AGMAN-GUELPH  
Branch: 95 Berkeley St., Toronto, Ontario, Canada M5A 2W8 (416) 363-3843

## CONTENTS

	<u>Page</u>
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	I.
I. INTRODUCTION	1
II. A DEFINITION OF THE PROCESSING, DISTRIBUTING AND RETAILING SECTOR OF THE CANADIAN FOOD INDUSTRY	3
III. THE CANADIAN FOOD PROCESSING, DISTRIBUTING AND RETAILING SECTOR: INFORMATION AVAILABILITY AND QUALITY	8
IV. RESEARCH INTO THE STRUCTURE, CONDUCT AND PERFORMANCE OF THE PROCESSING, DISTRIBUTING AND RETAILING SECTOR OF THE CANADIAN FOOD INDUSTRY	19
V. U.S. STUDIES RELATING TO THE PROCESSING, DISTRIBUTION AND RETAILING SECTORS OF THE FOOD INDUSTRY	33
VI. ISSUES AND CONCERNS RELATING TO THE PROCESSING, DISTRIBUTING AND RETAILING SECTOR OF THE CANADIAN FOOD SYSTEM AS IDENTIFIED BY TRADE, GOVERNMENT AND ACADEMIC PERSONNEL	41
APPENDICES	
APPENDIX I     DEFINITIONS OF THE FOOD PROCESSING AND BEVERAGE INDUSTRY CLASSIFICATIONS	45
APPENDIX II    NATIONAL FOOD AND BEVERAGE ASSOCIATIONS	49

I.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

The only series of statistical data on the processing, distributing and retailing sector of the Canadian food system is available from Statistics Canada. These data are criticized by academic researchers, government personnel and members of the food industry alike because of shortcomings which limit their use for economic analysis, policy prescription and industry planning purposes. The major limitations identified include : the lack of timeliness in publication; the definition of industry groups for purposes of statistical convenience rather than competitive reality; the 'lumping together' of products with dissimilar end-uses and using differing market channels into a single category; the 'lumping together' of business units with quite different types of operation and product mixes; a consistently changing sample frame which confounds inter-temporal comparisons; a lack of information on cost factors in the major food industry sectors; and, in addition, some questioned the quality and reliability of the primary data submitted to Statistics Canada by some firms in the industry.

It should be pointed out that what data is available from other sources, such as Trade Associations, generally is 're-hashed' Statistics Canada information. Some primary statistical data is also collected by

## II.

the Tariff Board and Competition Branch of the Federal Department of Consumer and Corporate Affairs. This data is considered confidential and, therefore, is not available for use in analysis by other groups.

In the past, Royal Commissions, Boards of Inquiry and the like have collected some specific primary data from the food industry. Again, this data was usually obtained on a confidential basis and is generally unobtainable, even after the fact.

There has been only very limited economic analysis of the processing, distributing and retailing sector of the Canadian food system. The studies that have been carried out have usually been concerned with description of the prevailing industry structure with scant attention paid to industry conduct and economic performance. Exceptions include: analysis of wholesale and retail margins on the major food commodities, and some analysis of the financial performance of the main food industry groups carried out by the Food Prices Review Board (including the reference paper on retail concentration); a limited industrial organization type of study focussing on the retail sectors in the Prairie Provinces by the Royal Commission on Consumer Problems and Inflation; a study of profitability of sixteen Canadian food companies prepared for the Ontario Ministry of Consumer and Commercial Relations; studies of the beef marketing system and marketing margins by both the Federal Commission of Inquiry into the marketing of beef and the Manitoba Beef Inquiry; and, as yet, unpublished reports by the Competition Branch on performance of

### III.

the food processing industry, and an economic analysis of the fruit and vegetable processing industries by the Tariff Board.

A number of reports describing the structure of some components of the food industry are available from several sources. These include: a study of the Ontario food processing industry prepared for the Ontario Ministry of Industry and Tourism; a paper identifying ownerships and directorate interlocks in the corporate food industry published by the University of Saskatchewan; a survey of food processing in Canada published by the Maclean-Hunter Research Bureau; and various industry segment reviews prepared by the Agricultural Products Division of the Federal Department of Industry, Trade and Commerce.

Few academic economists have researched the food industry in Canada, although Mallen (Concordia), Devine (Saskatchewan), Hawkins (Alberta) and Tigert (Toronto) have limited publications in this area.

#### Conclusions

1. There is a dearth of meaningful statistical information for use in policy analysis for the processing, distributing and retailing sectors of the Canadian food system.

Statistics Canada is virtually the sole source of continuous data on the food industry. These data are perceived by users to have major limitations. Trade Associations and independent research organizations usually do not generate original data. Limited information is occasionally

#### IV.

available from government initiated Commissions and Boards of Inquiry.

2. Work which has been published is almost exclusively descriptive and concerned with industry structure rather than addressed to the more pertinent fields of industry conduct and economic performance.

3. There appears to have been a widespread lack of interest in conducting economic research into the food processing, distribution and retailing system by federal and provincial governments, and the academic community although considerable political rhetoric has been forthcoming in this area.

4. Most government sponsored research has been initiated in response to immediate political considerations (such as rising food prices, or a decline in producer returns for beef, for example) rather than maintaining a longer term facility for monitoring and explaining the economic relationships in, and performance of the food industry as is the case in the United States.

#### Recommendations

1. Clearly, the primary concern of future research on the processing, distributing and retailing sector of the food industry must centre on the operational efficiency of the system. The common yardsticks of price levels and reported corporate profits are not an adequate measure of industry efficiency. In particular, the questions of industry cost structures and industry productivity must be addressed. A pre-requisite for such analysis is the collection and organization of basic cost data using a standard income statement format such as the following:

V.

KEY COST ELEMENTS

I. OPERATING COSTS

Production Labour

Fringe Benefits

Energy Costs

Packaging

Transportation

Internal

Purchased

TOTAL

II. SALES AND ADMINISTRATION COSTS

Salaries

Advertising

III. CAPITAL COSTS

Depreciation

Interest

IV. OVERHEAD COSTS

Insurance

Rent

Repairs

Bad Debts

Other

V. PROFITS & TAXES

Total Taxes

Apparent Profits

This format could be employed as the basic analytical vehicle for commodity and sectoral studies.

## VI.

2. A related priority for future research efforts is the development of both the data sources and the operational facility to analyze the likely impact on the processing, distributing and retailing sector of the food industry of changes in factors effecting the industry, such as: legislative food and agricultural policy changes; changes in key cost components (for example, labour, energy, packaging, transportation and interest costs); changes in product supply; changes in consumer demand for industry output; changes in per capita income. A particular objective should be to develop the ability to anticipate prospective developments in the industry and to analyze the likely consequences of these developments.

The effect of cost changes could be determined using the following simple framework for the organization of industry cost data.

### FOOD INDUSTRY COST FACTORS

	<u>PRESENT COST LEVEL</u>	<u>CHANGE IN COST FACTOR</u>	<u>IMPACT OF CHANGE IN COST FACTOR</u>
I. RAW MATERIALS			
Food Processing			
Food Distribution			
Total Food Industry			
II. WAGES AND SALARIES			
Food Processing			
Food Distribution			
Food Retailing			
Total Food Industry			



## VII.

FOOD INDUSTRY COST FACTORS (cont'd)

	<u>PRESENT COST LEVEL</u>	<u>CHANGE IN COST FACTOR</u>	<u>IMPACT OF CHANGE IN COST FACTOR</u>
III. PACKAGING MATERIALS			
Food Processing			
Food Distribution			
Food Retailing			
Total Food Industry			
IV. ADVERTISING			
Food Processing			
Food Distribution			
Food Retailing			
Total Food Industry			
V. TRANSPORTATION			
Food Processing			
Food Distribution			
Food Retailing			
Total Food Industry			
VI. ENERGY COSTS			
Food Processing			
Food Distribution			
Food Retailing			
Total Food Industry			
<hr/>			
TOTAL			

## VIII.

3. It is recommended that a procedure for regular comparisons of industry and sector performance with U.S. counterparts be developed. This could also be used to calculate the cost to consumers of maintaining a domestic productive capacity for the major foods.

4. Another area warranting concern is that of industry conduct, particularly at the processor/distributor - retailer inter-face. In particular, it is recommended that practices such as volume discounting, listing allowances, new product introduction offers, co-operative advertising and promotional incentive schemes be examined for their impact on the efficiency of the overall operation of the system.

5. It is recommended that research be initiated into establishing the nature and extent of both vertical and horizontal integration in the food industry, and to investigate their effects both on the conduct and performance of that industry and on related industries.

6. Given the substantial and growing importance of the 'Away-from-Home' food market, it is recommended that research be undertaken to determine the influence of this segment on the structure, conduct and performance of the processing, distributing and retailing sector of the food system.

## I. INTRODUCTION

In this report, a critical review of available research and statistical documentation and analysis on the processing, distributing and retailing sector of the Canadian food system is presented.

In effect, the report is in two parts: first, the 'regular' report. The food processing, distributing and retailing sector is defined, information availability and quality, and available research material on this sector are critically reviewed, pertinent U.S. studies are identified, major issues and concerns in the Canadian industry are reported, and a summary, conclusions and recommendations are presented; second, an annotated bibliography of statistical information and research material, in card-file form, on the food processing, distributing and retailing sector is made available to be perused in conjunction with the 'regular' report.

The research methodology was straightforward. A literature and statistical information search was initiated resulting in the preparation of over 1,000 annotated index cards identifying statistical sources and articles on the food processing, distributing and retailing sector which have been published during the last fifteen years. Major sources included publications from federal and provincial governments, trade associations, independent research agencies, academic journals and post-graduate theses, food industry journals, and annual company reports.

In conjunction with the literature search, pertinent trade,

government and academic personnel were canvassed to determine their perception of information needs, research priorities and salient issues and concerns they considered were facing the food industry.

The report represents a distillation of information generated via the literature search, of discussions with pertinent industry, government and academic personnel, and of the authors interpretation of the statistical and research needs and requirements of industry and government participants.

## II. A DEFINITION OF THE PROCESSING, DISTRIBUTING AND RETAILING SECTOR OF THE CANADIAN FOOD INDUSTRY

The main product flow in the Canadian food system runs from producers to processors through food brokers to wholesalers, to retailers and, finally, to consumers. The processing, distribution and retailing sector can be broadly defined as comprising those functions which cause changes in the temporal, spatial or form dimensions of food products between the farm gate and the consumer purchase.

### (i) Processing

Processing is defined as those manufacturing activities concerned with the addition of "value" through changing the form of the raw food product. The major activities involved are assembly of the raw product and the processing which includes grading, sorting, packing, cooking, preparing, canning, freezing, drying, freeze-drying, dehydrating, liquifying, refining, crushing, blending, mixing, weighing and aging.

The main processing activities involved for each of the major food categories are as follows:

- 1) meat packing (including the products of beef, pork, lamb, veal and edible offals)--- may involve dressing, grading, cooling, cutting, trimming, boxing, canning, freezing, grinding, blending, smoking, curing, cooking and packaging.

- 2) the processing of broiler chickens, roaster chickens, hens, turkeys, ducks and other poultry--- involve dressing, chilling, freezing, smoking, cutting, trimming, canning, cooking, packaging. Also included in this category is the grading, washing, packaging, drying, freezing and liquifying of eggs.
- 3) fish processing including sea fish, fresh water fish and related aquatic products--- involves cleaning, cutting, de-boning, filleting, skimming, freezing, cooking and packaging.
- 4) the manufacture of dairy products including fluid milk, fresh cream, ice cream, butter, natural processed cheese, yoghurt, and other similar products.
- 5) the milling of flour and meal, the preparation of flour mixes, macaroni and spaghetti, bread baking, biscuit, cookie, pretzel and breakfast cereal manufacturing, and packaging of such products.
- 6) the grading, sorting, washing, waxing, canning, freezing, instantizing and dehydration of fruits and vegetables, the preparation of fruit and vegetable juices, pulps and extracts, pickle, sauce and vinegar and cider manufacture, the processing of jams and jellies, the preparation of fruit and vegetable frozen and canned specialties, and nut processing and packaging.
- 7) the refining and processing of maple, cane and beet sugar, the manufacture of sugar, syrups and confectionary items including

chewing gum, chocolate, cocoa products, flavourings and syrups.

- 8) the manufacture of non-alcoholic beverages including coffee, tea, cocoa and soft drinks.
- 9) the operations of the edible oil industry including cotton-seeds, soybeans, farm and vegetable oils such as safflower, sunflower, and rapeseed and the production of shortening, salad and cooking oils, margarine, non-dairy creamers and the manufacture of textured vegetable protein.
- 10) the manufacture of miscellaneous foods and kindred products including prepared dinners, snacks, packaged desserts, condiments, soups and baby foods.

The manufacture of alcoholic beverages such as beer and ale, wine and distilled liquors is excluded in the definition adopted. Similarly, food processing operations aimed specifically at the hotel, restaurant or institutional trade are also excluded.

(ii) Food Distribution

Food distribution is here defined to encompass the activities of storage, transportation, warehousing, broking, jobbing and wholesaling. The usual line of product movement is from processor to wholesale warehouse to retail store but there are many variations of this route. Transportation can be by common carrier or by producer, processor,

wholesaler or retailer vehicle. The warehouse facilities can be owned by the producer, processor, transport firm, broker, jobber, retailer or specialized wholesaler.

Three types of grocery wholesaler are included:

- 1) Retailer-owned Co-operative Wholesalers
- 2) Voluntary Group Wholesalers Sponsoring Retail Groups
- 3) Independent Wholesalers (whose customers have no affiliation with the retailer).

Purveyors specializing in servicing the hotel, restaurant and institutional trade are not included in the food distribution sector defined above.

(iii) Food Retailing

In this study, the food retailing sector is considered to involve those activities concerned with the final merchandizing of food products to the consumer. The marketing operations of the national and regional supermarket chains (a chain is defined as the operation of four or more stores under common ownership, while a supermarket is a food store with annual sales of \$500,000 or more), specialized food stores such as bakeries, butcheries and fish retailers, specialized food discounters, the food department of a discount department store, a food department of a department store, independent food stores, voluntary cooperative group food stores, convenience stores, and jug milk stores are all considered part of the retailing sector. Those operations which involve



vertical integration into production, processing or wholesaling by  
retailers are not included here.

### III. THE CANADIAN FOOD PROCESSING, DISTRIBUTING AND RETAILING SECTOR: INFORMATION AVAILABILITY AND QUALITY

'In Canada the gathering, analysis and dissemination of needed information is so heavily concentrated in the hands of government, and the resources outside government for doing this are so small (and mostly government-financed) that it is virtually impossible to overstate the importance of government policies, attitudes and procedures towards assembly and provision of information'.

The above statement, made by David Kirk in a recent article,<sup>1)</sup> encapsulates the issues and concerns that relate to data availability and quality in the processing, distributing, and retailing sector of the Canadian food system. For all policy formulation intents and analytical purposes, Statistics Canada provides virtually the sole source of relevant statistical material on the food system.

In this section, statistical sources are sub-divided into three categories: the major category, Statistics Canada Information; and the two ancillary categories, 'Other Governmental' and 'Non-Governmental' sources of statistical information.

#### Statistics Canada Information

The 'hard core' Statistics Canada information on the food and beverage industry is subsumed within nine major Standard Industrial

---

1) David Kirk, 'The Policy-Making Process', in *Agrologist*, Volume 6, Number 1, 1977 Pub. by Agricultural Institute of Canada.

Classification (SIC) categories, that is, from SIC Code 101 to 109 inclusive.

<u>SIC Code</u>	<u>Sector</u>
101	Meat and Poultry Products Industries
1011	Slaughtering and Meat Processors
1012	Poultry Processors
102	Fish Products Industry
103	Fruit and Vegetable Processing Industries
1031	Fruit and Vegetable Cannerys and Preservers
1032	Frozen Fruit and Vegetable Processors
104	Dairy Products Industry
105	Flour and Breakfast Cereal Products Industry
106	Feed Industry
107	Bakery Products Industries
1071	Biscuit Manufacturers
1072	Bakeries
108	Miscellaneous Food Industries
1081	Confectionery Manufacturers
1082	Cane and Beet Sugar Processors
1083	Vegetable Oil Mills
1089	Miscellaneous Food Processors, n.e.s.
109	Beverage Industries
1091	Soft Drink Manufacturers
1092	Distilleries
1093	Breweries
1094	Wineries

The sectors are more comprehensively defined in Appendix I.

The relative importance of the food and beverage industrial sector (SIC Code 01) vis-à-vis the industrial sectors can be measured with reference to Statistics Canada aggregate data on all manufacturing activities by industry group (that is, food and beverage industries, leather industries, machinery industries, etc.).

Within each SIC category, basic statistics are available in the following areas: production (or pack) data in quantity and value terms; shipment data; aggregate disappearance data; consumption data (derived from domestic disappearance statistics and import and export figures); statistics on number and types of employees; wage and salary data; statistics on the cost of fuel and electricity; and limited data on purchased inputs.

Statistics on the retailing sectors (including data on independent retail and chain stores) are included within SIC 631.

All relevant Statistics Canada publications relating to the processing, distributing and retailing sector of the food system are catalogued under appropriate headings and are presented in the companion file box to this study, 'A Bibliography of the Canadian Food P.D.R. Sector.'

#### User concerns with Statistics Canada data

Representatives of the food industry, academics and government policy-makers alike point to a number of fundamental areas where Statistics Canada data falls short of their requirements.

The most common criticism relates to the lack of timeliness of the data. All Statistics Canada information users surveyed identified this as a major limitation for policy and, particularly, market analysis purposes. Of course, this is a criticism that routinely is directed against government statistical departments in every country. However, Statistics Canada have a particularly unimpressive comparative performance record. For example, U.S. federal statistical information on the U.S. food system is generally available consistently ahead of equivalent Canadian data. Perhaps this indicates the relatively higher level of priority that the U.S. government attaches to information collection when compared to their Canadian government counterpart.

The second major criticism relates to the SIC method of defining industry groups. Academic researchers and some representatives of the trade point out that the SIC four-digit industry is narrowly defined, and defined for purposes of statistical convenience rather than competitive reality, so that most of the relevant competition is inter-industry. This has particularly pertinent ramifications when investigating levels of concentration in specific industry sub-groups. For example, breakfast cereals compete not only among themselves for a place at the breakfast table, but also with foods from several other SIC four-digit categories such as bacon, eggs, bread, pancakes, etc. In other instances, the SIC category is so broad as to be almost meaningless for assessing relevant concentration ratios, for example, the

'catch-all' miscellaneous foods category.

Even within such a defined category as 'Fish Products Industry', for example, the trade criticize the available information because of insufficient specific product group information. A 50 pound frozen cod block destined for the HRI trade and a packet of fish sticks for the retail counter are products that, whilst in the same SIC food category, are not comparable products and are not considered to compete in the same markets. Further, for processed fish products consumption data is only available on an aggregated basis, that is, per capita consumption for all fish products. Thus, trends in consumption within a specific commodity category are effectively masked.

In summary, a generalized criticism of Statistics Canada data is that it is directed towards the production process and not towards the end-user market. In effect, it is production orientated and the trade desires statistics that are market orientated.

A criticism of Statistics Canada information identified by some trade personnel is the lack of homogeneity within specific sub-sector samples. For example, the Slaughtering and Meat Processors sub-sector (SIC Code Number 1011) includes enterprises ranging from specialized beef processors through to specialized meat purveyors, and includes fully-integrated meat packing companies. The argument is made that the aggregating of data derived from such widely differing enterprises provides a

composite result that is not meaningful ('You're comparing apples and oranges' is a typical retort!).

Some information users expressed concern about the temporal consistency of Statistics Canada data. That is, the food and beverage industry is dynamic - its structure is continually changing - yet Statistics Canada's sample frame is not perceived to change as the industry structure changes. Thus, some researchers are reluctant to attach statistical credibility to inter-temporal comparisons within industry sub-sectors because the respective sample frames are not representative of the structure of the sub-sector at a particular point in time.

Two criticisms of the available Statistical information which was expressed particularly by academic researchers was: the lack of detail on cost components within the food system; and absence of inter-provincial product movement data. These were seen as seriously limiting information gaps constraining useful analysis for policy prescription purposes.

Finally, some representatives of the food industry questioned the veracity of the data collected by Statistics Canada from some companies within that industry. It was argued that both the defensive (even cynical) attitude of business towards government ('if we give sensitive statistics to government they'll just get leaked!') and the poor information control within some companies were largely responsible for the perceived low quality of Statistics Canada information. Certainly, the latter point

has high face validity and, particularly, within certain industry sectors. (For example, it is the rule and not the exception for even the largest companies within the meat packing industry to have only very limited information on many of the commercially fundamental facets of their business).

#### Other Governmental Sources of Statistics

Other sources of continuing data on the food processing, distributing, and retailing sector which emanates from federal and/or provincial governments are few and far between. Such data that exists has a heavy emphasis on primary market prices.

#### Agriculture Canada (Markets Information Division)

- 'Livestock and Meat Trade Report'

Includes wholesale meat market price reports and statistics on dressed meat imports and exports.

- 'Dairy Market Report'

Includes sections on wholesale prices and trade in dairy products.

- 'Fruit, Vegetable and Honey Report'

Includes information on regional wholesale prices.

- 'Poultry Market Report'

Includes wholesale price information for eggs and poultry.



The above information is published weekly, and summarized monthly and annually.

Environment Canada (Fisheries and Marine Service)

- Annual Statistical Review of Canadian Fisheries.

Includes statistics on landings and values of fish, per capita consumption of fishery products (only three categories are specified - fresh and frozen, cured (smoked, salted and pickled), and canned).

Anti-Inflation Board

The Anti-Inflation Board publishes a press release on food prices every month. Significant Price movements for major food commodities and the rationale for such movements are highlighted. Further, the monthly movements in cost of a 'nutritious basket of retail foodstuffs' (See 'What Price Nutrition - F.P.R.B. publication) are identified for major centres in Canada.

The Food Prices Review Board and, subsequently, the Anti-Inflation Board have collected weekly retail prices for a wide selection of foodstuffs since early 1974. Undoubtedly, this 'pool' of price information is, with the exception of Statistics Canada, the most comprehensive available on retail food prices across Canada. Since April 1975, the A.I.B. has been collecting wholesale price information on products that are included in their weekly retail survey. To add an unsolicited comment, it would

be a real loss for any individual or organization with an interest in research in the food sector if this source of information was to terminate with the termination of the A.I.B.

Some limited information is available on a continuing basis from some provincial governments (for example, the Alberta Department of Agriculture publishes a weekly grain and livestock report, and the Ontario Food Council reports on prices of a market basket of retail goods on a continuing basis). However, such information typically is restricted entirely to market price reports.

#### Non-Governmental Sources of Statistics

As identified in an earlier section, there is a distinct dearth of regularly available statistical material on the food processing, distributing and retailing sector from non-governmental sources.

Trade Associations representing interest groups within the food system typically do not produce any continuous information. The few that do produce statistical reports rely on Statistics Canada data for their bases (for example, see 'Food Price Facts' published by the Grocery Products Manufacturers Association of Canada), or simply compile directories of association members.

Information sources that do exist include:

- Dun and Bradstreet of Canada Limited

A company specializing in providing credit rating information on individual companies. For example, for specific companies data is

available on sales, profitability, number of plants, number of employees, years in business, etc. However, the available data is of limited usefulness for analytical purposes because, often, it is too highly aggregated (information on Canada Packers, for example, is not subdivided into feed-milling, meat packing or vegetable and/or animal oils categories).

- Toronto Globe and Mail

Daily reports on market prices for livestock, fruit and vegetables, grains and oilseeds and various U.S. food commodities.

- Annual Survey of National Advertising Expenditure (Maclean-Hunter Research Bureau)

Focusses on advertising expenditure in the print and broadcast media. Available annually.

- The Corporate Food Industry in Canada:  
Same Data on Ownership and Directorate Inter-Locks

An occasional paper published by the University of Saskatchewan (Regina Campus) Sample Survey and Data Bank Unit in 1974. Presents a series of charts which describe and delineate the structure of some of the major corporations involved in the Canadian food industry. This is one of the very few data sources that identifies horizontal and/or vertical integration links between food companies.

- Grocery Products Industry and the Canadian Food and Beverage Industry (Grocery Products Manufacturers' Association)

Reports published by the G.P.M.A. in 1973 and 1976 collating Statistics Canada information on the grocery products and beverage industries in Canada.

- Canadian Grocer Figure Exchange (Canadian Federation of Retail Grocers)

Varied aggregate and individual corporate statistics on the retail grocery sector. Not comparable from year to year as the sample changes.

- In addition, there are an assortment of trade directories and allied publications including:

The Canada Food and Food Packaging Directory  
The Ontario Food Processing Industry Directory  
Directory of Volume Food Service Operators  
and Distributors in Canada  
The Official Buyers and Sellers Guide of the  
Grocery and Allied Trades  
The Blue Book of Food Store Operators and Wholesalers.

and within specific commodity sub-sectors there are limited publications of the 'Directory of Canadian Dairy Processors and Distributors' type.

- Survey of Chains and Groups (Canadian Grocer.)

Annual supplement to the monthly magazine 'Canadian Grocer'. Subdivided into two sections: the chains (supermarkets and jug milk/convenience stores); and groups (inter-provincial and provincial). Gives senior management names and locations, sales, store numbers and locations, interest in private labelling, notes on expansion programme and on buying policies.

- Statistical and general industry information is available on an ad hoc basis through the trade journals and professional association journals that have an interest in the food industry. Foremost among there are:

- Food in Canada, and
- Canadian Grocer

RESEARCH INTO THE STRUCTURE, CONDUCT  
AND PERFORMANCE OF THE PROCESSING, DISTRIBUTING  
AND RETAILING SECTOR OF THE CANADIAN FOOD INDUSTRY

Published research material and, in particular, published economic research material on the structure, conduct and performance of the processing, distributing and retailing sector of the food industry reflect the state of basic information sources on this industrial sector, that is, they are few and far between. This is particularly surprising given the volume of political rhetoric that has been expended on discussions of issues and concerns in the food industry in recent years. The overwhelming impression that is left after undertaking a thorough search of available analytical material on this sector at government, trade, academic and private research agency level is that there exists immense gaps in basic research knowledge relating to the structure, conduct and performance of the Canadian food industry.

Research work that has been accomplished falls into three categories: research into structure of the industry (or sub-sector of the industry) which has largely been descriptive with only a modicum of analytical input; research into food consumption, expenditure and buying behaviour; and research into the conduct and performance of the industry which, indeed, is a scarce commodity.

Research into Industry Structure

A limited number of structural studies are available. Of these, the following may provide a useful basis for further analysis:

- Market Report on the Food and Beverage Processing Industry in Canada, 1973 (Maclean-Hunter Research Bureau)

Essentially, this report compiles Statistics Canada data on the industry and makes projections based on historical trends to 1980.

- A Survey of Food Brokers and their Market, 1976 (Maclean-Hunter Research Bureau)

Compiles information on food brokers in Canada and provides regional statistical split.

- The Food Processing Industry (Ontario Ministry of Commerce and Tourism, 1975)

A descriptive analysis of the Ontario food processing industry. Reviews industry structure and technology trends.

- A Survey of the Bakery Industry in Canada (I.T. & C. Agricultural Products Division), 1970
- A Survey of the Biscuit Industry in Canada (source as above).

To be published in June 1977.

Description of industry structure.

- The Alberta Food Processing Industry, 1975  
Acres Consulting Group

As above for Alberta.

- An Inquiry into the Production and Marketing of Vegetables in Alberta (Alberta Agricultural Products Marketing Council)

A report published in 1973 which identified the structure, problems and potential of the industry.

- The B.C. Food Industry (B.C. Food Council)

Description of structure.

- The Confectionary Industry in B.C., 1971

- New Brunswick Office of the Economic Advisor

Various studies on sectors of the N.B. food industry with emphasis on structural analysis but with some productivity comparisons.

#### Research into Food Consumption, Expenditure and Buying Behaviour

Once again, with the exception of the Statistics Canada surveys on food expenditure and food consumption, relatively little information or research material is available on these fundamental areas.

- Statistics Canada, 1969 Family Food Expenditure Survey and 1974 Family Food Expenditure Survey (to be published shortly).

Some research reports are available which have used the above Statistics Canada information as a research base, and most have a strong econometric emphasis:

- A Preliminary Paper on Family Food Expenditure in Canada - an Analysis of the 1974 Survey (F.P.R.B. Reference Paper No. 7, February, 1976
- The Consumption of Bread and Fluid Milk in Canada (F.P.R.B. July 1975).
- Consumer Demand for Major Food Commodities in Canada (Z. A. Hassan and S. R. Johnson, C.D.A. 1975)

- Food Consumption Patterns in Canada (Z. A. Hassan and W. F. Lu C.D.A. 1974)
- Consumer Demand for Meat in Canada (Tryfos and Tryphonopoulos, American J. of A.E. Volume 55, 1973)
- Trends in Per Capita Food Expenditure in Canada (Shute and Yankowsky C.D.A.)
- Handbook of Food Expenditures, Prices and Consumption 1975 (Z. A. Hassan and D. Champagne, C.D.A.)

Typically, the above research has investigated the influence of family size, income level etc. on food expenditure patterns, and elasticities have been derived for a wide range of food commodities.

Research work that has concentrated on consumer buying behaviour (that is, which products bought, where, how frequently etc?) is not readily available, although such surveys are carried out on a custom and syndicated basis by a number of market research firms specializing in consumer products. Studies that are available include:

- Chatelaine Consumer Food Surveys (Maclean-Hunter Research Bureau)

The M.H.R.B. carry out consumer surveys across Canada with a panel of 1,500 housewives and the results are periodically presented in an abbreviated form in Chatelaine Magazine. The full results are available from M.H.R.B. at a price (for example, Non-Alcoholic Beverage study completed in November 1975).

- Food Markets in Canada, 1967 (Reader's Digest Research Department)

Gives brand usage data.



- 1967 Canadian Consumer Survey (Canadian Daily Newspaper Publishers Association)

Across Canada survey of Consumer purchasing behaviour for grocery products and other items. Results split by brand, and type of outlet where brand purchased.

- Fleischmann's Consumer Panel Report on Consumer Purchases of Bakery Products in Canada, 1972.

Purchasing behaviour by type of product, outlet, family size, regional location, etc.

- Why They Shop at Their Supermarket (Marketing: Food and Grocery Industry Report, December 1973)

Article on shopping behaviour in the trade magazine 'Marketing.'

Researchers in government, universities and commercial firms alike must look with envy at the detailed information that is available on food consumption and expenditure behaviour for specific food types that is available on an annual basis in, for example, the U.K. government publication, 'Household Food Consumption and Expenditure.' In Canada, detailed information on food consumption behaviour is just not available.

#### Research into Industry Conduct and Performance

Research into the areas of food industry conduct and economic performance can be divided into two categories, governmental (both federal and provincial) and all-other.

Government Initiated Research

Government initiated research into the conduct and economic performance of the food processing, distributing and retailing sector can be usefully sub-divided into two sub-categories: research emanating from established federal and/or provincial government departments; and research emanating from relatively short-term commissions and/or boards of inquiry. In more recent years, it is fair to say that the latter source has produced the bulk of the research material on the Canadian food system.

(a) Commissions and Boards of Inquiry

(i) The Food Prices Review Board

In the three years that the F.P.R.B. was in existence, it released over fifty publications that addressed pertinent issues in the Canadian food system. Major areas of investigation included: studies of food company profitability; extensive research on price spreads (that is, gross margins) for a wide range of commodities; a study on convenience stores; the impact of advertising costs on food prices; retail food price comparisons; analyses of food prices in Northern Canada and Newfoundland; an investigation of labour costs in food processing; a number of policy orientated studies; and quarterly reports that gave an overview of the food price situation and focussed on such issues as energy costs and productivity in the food system.

Whilst the F.P.R.B. reports may be criticized for taking a 'snap-shot' approach to problems in the food industry and for not comprehensively

addressing the issues of food industry efficiency, they do represent virtually the sole source of solid analytical material on the food system during the period 1973 to 1975, a period when food prices and input costs were experiencing strong inflationary pressures.

One major constraint to preparing research documentation on food commodity sectors during the term of operation of the F.P.R.B. was the poor quality and lack of availability of basic information on the food system. A review of the published reports continually reveals the 'old war-horse' of a source 'Food Prices Review Board Estimate'. Time and time again researchers were obliged to consult 'industry contacts' to gain basic information. This is a sad reflection on the availability of fundamental information on the Canadian food system. Unfortunately, much of the information that was gathered from industry sources was done so on a confidential basis and could only be published in an aggregate form. As a result, such information has been lost to present and future researchers.

(ii) A Preliminary Paper on the Levels, Causes and Effects of Economic Concentration in the Canadian Retail Food Trade: A Study of Supermarket Power.

This paper was released by the F.P.R.B. in February 1976 as Reference Paper No. 6 and was popularly termed 'The Mallen Report'. Whilst not the definitive research paper on issues in Canadian food

retailing, it is perhaps deserving of a separate sub-section because it did address many of the issues and concerns surrounding the prevailing discussion on supermarket power, if not actually providing comprehensive analytical back-up to support the conclusions drawn.

Mallen concluded that there were high levels of concentration in the retail food trade and these levels were growing rapidly. Barriers to shopping centre sites and economies of local advertising were basic determinants of such concentration. He identified ten policy options and 'combinations thereof', but he considered that only two did not have serious disadvantages:

1. Disallow further expansion by market leaders in higher concentrated markets.
2. Eliminate shopping centre discrimination.

Subsequent to the release of the above report, Hawkins et al have published a critique of the study with recommendations for future research emphasis.

(iii) Report of the Royal Commission on Consumer Problems and Inflation (Regina 1968)

The Royal Commission was initiated to investigate consumer problems and inflation with particular reference to the Prairie Provinces. A supporting study was prepared by D. C. Dooley entitled 'Retail Oligopoly:

An Empirical Study of Structure, Conduct and Performance of the Grocery Trade on the Prairies.' The conclusion of this latter study indicated that excessive retail concentration contributed to the relatively high retail food prices on the Prairies. However, in a subsequent annual report from the Director of Investigation and Research, Consumer Investigation Act, the research conclusions were refuted on the basis of unsound data and questionable initial study assumptions.

(iv) Commission of Inquiry into the Marketing of Beef and Veal (published April 1976).

The commission was established to investigate the marketing of beef and veal in Canada at a time when beef producers were experiencing very low or even negative net returns for their output. The marketing system for beef was described and its effectiveness assessed. Profitability at the packing-house, distributing and retailing level were investigated and price spreads were analyzed. The three Commissioners particularly emphasized three major recommendations:

- they rejected the principle of regulated domestic production for beef and veal but emphasized the need for substantial changes in the marketing system to protect the position of the livestock producer against inequities.

- retailers should be required to label the grade of beef on the packaged beef cuts sold at their retail counter and clearly state that

grade of beef in any form of advertising used.

- the central processing of beef cuts should take place at the point of slaughter and early action should be taken by governments to reverse the current trend to growth in central processing by retailers.

Overall, the final report and background research documentation provide sound information on the structure, conduct and economic performance of the beef industry. However, once again, much of the statistical information was gathered on a confidential basis and is unavailable for use by future researchers.

Other Commission and Inquiry studies include:

(v) Manitoba Beef Inquiry, 1975

(vi) New Brunswick Royal Commission on the Milk Industry 1971

Established Government Departments

i) Statistics Canada

Occasional publication are available on productivity trends in specific industries, including isolated publication on the brewing industry and the sugar industry. An annual publication 'Aggregate Productivity Measures', whilst covering all industries, does provide some comparisons with U.S. data.

ii) Consumer and Corporate Affairs

In 1971, the Competition Branch of the Federal Department of Consumer and Corporate Affairs published 'Concentration in the Manufacturing Industries of Canada.' The Study describes concentration measures and provides a provincial split of concentration in segments of the food industry.

Annual reports of the Director of Investigation and Research, Combines Investigation Act, for selected years, provide some information on the levels of concentration in Canadian industries, including the food and beverage industry.

Competition Branch are currently undertaking a study of the impact of certain market variables (for example, advertising levels, degree of concentration, geographic location) on the profitability of food processing firms. The time period being studied is 1965 to 1972. The analytical framework is similar to that undertaken by the U.S. federal Trade Commission on their study of U.S. food company profitability. A first draft of the study should be available by June 1977. (A less detailed study, 'Marketing of Food from Farm-Gate to the Dinner Table, was prepared in mid-1974 by Competition Branch and should be available from this source).

The Resources Branch, Combines Investigation Act, currently are initiating research into the conduct and performance of the

poultry market, with particular emphasis on the impact of supply management marketing boards.

iii) Industry, Trade and Commerce

A rare study on industry conduct by this department was published in 1975 entitled 'Preliminary Survey of Capital Investment Intentions and Outlays for 1973: Selected Analytical Tables by Industry', and includes some statistics on the food and beverage industry.

iv) Agriculture Canada

Currently, this department has one research economist investigating economic performance in the food industry. A recent publication is available from Agriculture Canada - 'Short-Term Production Functions and Economic Measures of Capacity for U.K. and Canadian Manufacturing Industries' (T. Hazledine 1976).

v) Economic Council of Canada

In 1969, the Council published an 'Interim Report on Competition Policy'. Statistics on concentration in the food industry and other industries were presented.

vi) Ontario Ministry of Consumer and Commercial Relations

This Ministry published 'A Study of Profitability for 16 Canadian



Food Companies', in April 1974. The study concluded that there was no evidence to suggest food company profiteering during 1973. A tentative recommendation was made that food companies should review 'fixed mark-up' policies.

#### Other Research

There are very few published (or, indeed, unpublished) analytical studies of conduct and economic performance in the Canadian food processing, distributing and retailing sectors that have emanated from non-government sources.

Hawkins M. (see, for example, 'Aggregating Competitive Behaviour in the Food Industry' 1968) and Devine G. (see, for example, 'An Empirical Study of Metropolitan Market Conduct in Food Retailing') are two researchers with an interest in economic analysis of the food industry representing Western Canadian academic interests. Whilst Tigert D. (see, for example, 'Longitudinal Analysis of a Supermarket Price War; a New Look at the Price - Quality Relationship') and Mallen B. (see, for example, 'Efficiency and Size in Canadian Supermarkets') are two of the very few Eastern Canadian academics researching economic aspects of this industry. Two further studies that are of some interest in the area are:

- 'Factors Contributing to the Cost of Food in British Columbia,' (1975). A preliminary study prepared for the B.C. Food Advisory Council which identifies the major cost factors contributing to the final retail

price of major food items produced and/or processed in B.C.

- and 'Concentration and Competition in Ontario's Fluid Milk Industry' (1965).

V. U.S. STUDIES RELATED TO THE PROCESSING, DISTRIBUTION AND RETAILING  
SECTORS OF THE FOOD INDUSTRY

In recent years, major U.S. research on food processing, distribution and retailing has been of four forms, all Federal Government initiated. The four categories are: first, Federal Government Commissions, notably the National Commission on Food Marketing and the National Commission on Productivity; secondly, studies by the Federal Trade Commission; thirdly, a number of hearings and studies of Select Committees of the United States Senate; and, finally, ongoing studies by the Economic Research Service of the United States Department of Agriculture.

GOVERNMENT COMMISSIONS

The National Commission on Food Marketing was established by Public Law 88-354 enacted by the U.S. Congress on recommendation from President Lyndon B. Johnson to study and appraise the structure and performance of the U.S. food industry.

The duties of the Commission were as follows:

- 1) To study and appraise the recent changes in the various segments of the food industry;
- 2) To study and appraise the changes in the marketing

structure of the food industry likely to materialize if present trends continue.

3) To study and appraise the kind of food industry that would assure efficiency in production, assembly, processing and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

4) To study and appraise the changes in statutes on public policy, the organization of farming and of food assembly, processing and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency;

5) To study and appraise the effectiveness of the services, including the dissemination of market news and regulatory activities of the Federal Government in terms of present and probable developments in the industry; and

6) To study and appraise the effect of imported food on U.S. producers, processors and consumers.

The Commission published ten technical studies,<sup>1)</sup> as follows:

No. 1 Organization and Competition in the Livestock and Meat Industry.

---

1) These publications are available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

No. 2 Organization and Competition in the Poultry and Egg Industries.

No. 3 Organization and Competition in the Dairy Industry.

No. 4 Organization and Competition in the Fruit and Vegetable Industry.

No. 5 Organization and Competition in the Milling and Baking Industries.

No. 6 Studies in Organization and Competition in Grocery Manufacturing.

No. 7 Organization and Competition in Food Retailing.

No. 8 The Structure of Food Manufacturing.

No. 9 Cost Components of Farm-Retail Price Spreads for Foods.

No. 10 Special Studies in Food Marketing

- Private label products in food retailing;
- Retail food prices in low and higher income areas;
- Notes on economic regulation.

The Commission did not study the hotel, restaurant and institutional food market, the fishing industry, nor such topics as advertising and transportation rates in the food industry.

The final report of the Commission, titled Food from Farmer to Consumer, was published in June 1966.

In response to a Presidential directive that it "gives prompt consideration to ways in which improved productivity could be stimulated

in the food sector" and "develop ways by which measures to increase productivity growth in the food sector could be implemented", the National Commission on Productivity formed a food industry task force, composed of management, farm, labour, government and university officials with extensive knowledge about one or a number of industry segments. The task force focussed on the following aspects for each of the major sectors of the food industry:

- 1) The key factors responsible for productivity growth;
- 2) The controllable factors which can influence productivity;
- 3) Specific opportunities for productivity improvements; and
- 4) Alternative methods of achieving such productivity improvements.

The areas holding the greatest opportunities for substantive productivity improvement were:

- 1) The reduction or elimination of impediments to productivity due to federal, state and local government regulations;
- 2) The improvement of rail transport of food to equal the best service of the past twenty years;
- 3) The identification and implementation of agricultural production operation changes which have the greatest potential for improving productivity;
- 4) The clarification of anti-trust regulations to alternate the climate of uncertainty that inhibits certain productivity improvements in the food industry; and

5) The initiation of improved industry-wide comprehensive projects in research and development and market development, perhaps with government assistance.

#### THE FEDERAL TRADE COMMISSION

The Federal Trade Commission, established under the Federal Trade Commission Act of 1924, periodically publishes reports on particular aspects of the United States food industry, usually in the area of market structure and market behaviour. Reports relevant to food processing, distribution and retailing which have been published recently include:

1. Economic Inquiry into Food Marketing: Concentration and Integration in Retailing, 1960.
2. Economic Report on the Structure and Competitive Behaviour of Food Retailing, Staff Report of the Federal Trade Commission, 1966.
3. Economic Report on the Baking Industry, 1967.
4. Economic Report on the Influence of Market Structure on the Profit Performance of Food Manufacturing Companies, 1969.
5. Economic Report on the Dairy Industry, Staff Report to the Federal Trade Commission, 1973.
6. Economic Report on Food Chain Profits, Staff Report to the Federal Trade Commission, July, 1975.
7. Economic Report on Price and Profit Trends in Four Food Manufacturing Industries, Staff Report to the Federal Trade Commission, July, 1975. (The industries covered are meat packing, fluid milk process-

ing, bread baking and beer brewing).

In addition, the Federal Trade Commission publishes a Quarterly Financial Report for Manufacturing Corporations.

#### SENATE AND CONGRESSIONAL HEARINGS

In 1960, the Congressional Select Committee on Small Business established a special subcommittee to hold hearings on Small Business Problems in Food Distribution.<sup>1)</sup> Similarly, the establishment of the National Commission on Food Marketing on July 3, 1964, was preceded by a series of senate hearings. Probably the most ambitious legislative study in the U.S. in recent years is that carried out by the Senate Select Committee on Nutrition and Human Needs, under the chairpersonship of Senator George McGovern.<sup>2)</sup> This Committee was primarily concerned with the structure, economic organization, pricing and profitability in the beef industry and the baking and milling industry and, in particular, the reliability of available industry data. Some consideration was also given to apples, potatoes, fresh milk and butter.

---

1.) Reported in: Hearings, Small Business Problems in Food Distribution, U.S. Congress, House Subcommittee No. 5 of the Select Committee on Small Business, 86th Congress, 1st Session 1960, Pursuant to H. Res. 51.

2) See: Food Industry Studies, Prepared by the Staff of the Select Committee on Nutrition and Human Needs, United States Senate, January 1976; U.S. Government Printing Office, Washington.



UNITED STATES DEPARTMENT OF AGRICULTURE STUDIES

In 1972, the Economic Research Service of the United States Department of Agriculture published a study 'Market Structure of the Food Industries' which described and assessed the significance of the major structural changes in the U.S. food marketing industries during the previous two decades.<sup>1)</sup> This study covered the processing, wholesaling and retailing functions, as well as the away-from-home eating sector. The particular industries included were livestock and meat, dairy products, poultry and eggs, food grains, fruits and vegetables, fats and oils and sugar and other sweeteners. The analysis looked at the number and type of establishments, the size of plants, plant locations, the type of organization and industry concentration.

The same branch of U.S.D.A. also publishes current farm-retail price spreads, a market basket of domestic farm-originated foods for 46 major food products in Marketing, and Transport Situation, a quarterly report. The major purpose of these statistics is to measure changes in farm-retail price spreads (or gross margins) received by marketing firms for assembling, processing, transporting and distributing a basic quantity of food. These quarterly data are supplemented by the

---

1) United States Department of Agriculture, Market Structure of the Food Industries, Economic Research Service, Marketing Research Report Number 971, Washington, D.C., September, 1972.

periodic publication of longer-term comprehensive farm-retail price spread data<sup>1)</sup>

1) See, for example: United States Department of Agriculture, Farm-Retail Price Spreads for Food Products, Economic Research Service, Miscellaneous Publication Number 741, Washington, D.C., January 1972.

VI. ISSUES AND CONCERNS RELATING TO THE  
PROCESSING, DISTRIBUTING AND RETAILING SECTOR OF THE  
CANADIAN FOOD SYSTEM AS IDENTIFIED BY  
TRADE, GOVERNMENT AND ACADEMIC PERSONNEL

A focal point for concern, shared by personnel from the food trade, government and academia, was manifested as a general criticism of both the quality and availability of relevant statistical material on the processing, distributing and retailing sector of the Canadian food industry. Specific criticisms have been delineated in an earlier section in relation to Statistics Canada data, this source of statistical information being virtually the sole data series available. However, personnel across all groups identified the H.R.I. trade as being a real growth sector which had particularly poor statistical coverage.

Issues and Concerns Expressed by the Trade

Representatives of the food processing sector were most vociferous in expressing industry concerns. They were concerned about the absolute and relative low level of profitability in the food processing industry. They perceived this had arisen because: of increased competition from low-priced imported food products (particularly processed fruits and vegetables); the negative impact of the A.I.B. restraint programme; in recent years, the international economic environment (the argument was posed that, in a booming commodity market situation, it was more difficult to pass costs onto the consumer); and as a result of the increased bargain-

ing power of the chain stores, that is, large-scale retailer merchandising policy encourages rationalization of the number of brands of product sold at the retail counter, thus, small-scale processors are squeezed out of the market. In addition, some representatives of the trade acknowledged that productivity was lower in Canada vis-à-vis the U.S. as a result of inefficiencies in the Canadian food distribution system ('the product is handled too many times'), and generally higher costs of operating a business in Canada (reflecting higher labour costs and more government regulation). The outcome of this low profit situation was that the capital stock of the food processing industry was being rundown.

Food processor representatives were concerned about the lack of trust that existed between the food processing and food retailing sectors. Inevitably, discussions with personnel from this sector would focus on the iniquities of volume discounting practices, listing allowances, new product introduction offers, co-operative advertising and promotional incentive schemes.

#### Issues and Concerns Expressed by Academia

Academics surveyed focussed on two areas of concern, both of which resulted from a lack of basic industry information: firstly, research studies on industry conduct and performance were hampered because of insufficient data on horizontal and/or vertical integration in the food

industry; secondly, the dearth of information on cost structures within the food industry constrained research into economic efficiency/inefficiency within and between industries and industrial segments.

#### Issues and Concerns Expressed by Government

The distinct lack of valid statistical and analytical material on the food industry was most keenly felt by representatives of the Department of Industry, Trade and Commerce. Their concern was that as a result of the absence of any significant informational or analytical base, they were consistently adversely placed to refute 'subjective commentary' of the 'big-business is ripping-off the consumer/agricultural producer' type.

#### Final Comment

After surveying trade, government and academic personnel across Canada who ostensibly or, at least, purportedly have an analytical interest in the food industry, the general impression that was left was that, like information sources on the food industry, personnel with a broad grasp of the major issues and concerns within the industry were very few and very far between. It is perhaps unkind to suggest that inertia is the watchword of many individuals researching on, working in, or working with the food industry, but it is a word that comes readily to mind.

A P P E N D I C E S

APPENDIX I

DEFINITIONS OF THE FOOD PROCESSING AND BEVERAGE INDUSTRY

CLASSIFICATIONS

- S.I.C. (1970) 1011 - Slaughtering and Meat Processors - Establishments primarily engaged in abattoir operations and/or meat packing operations. Important products of this industry are fresh, chilled or frozen meats; cured meats, (smoked, pickled or dry salted) fresh or specialty sausages; canned meat preparations; animal oils and fats; tank house products such as bone meal, blood meal, feather meal and dry rendered tankage.
- S.I.C. (1970) 1012 - Poultry Processors - includes the establishments primarily engaged in killing, eviscerating, packing or canning poultry.
- S.I.C. (1970) 102 - Fish Products Industry - Establishments primarily engaged in canning, filleting, freezing, curing or otherwise processing fish, molluscs, or crustaceans. Establishments primarily engaged in the production of fish meal or oil or marine animal oil, or in the harvesting and drying of marine vegetable products are also included.
- S.I.C. (1970) 103 - Fruit and Vegetable Processing Industries - Establishments primarily engaged in processing fruits and vegetables. Important products of this industry are: canned, frozen, or otherwise preserved fruits and vegetables, vegetable and fruit juices, soups, pickles, jams, jellies, marmalades, cider, sauces and vinegars.

In 1970 for the first time this industry was split into: 1031 Fruit and Vegetable Canners and Preservers and 1032 Frozen Fruit and Vegetable Processors.

- S.I.C. (1970) 104 - Dairy Products Division - Establishments primarily engaged in processing raw milk and cream. Important products of this industry are pasteurized packaged fluid milk and cream; cheese - natural, process, paste, spreads and curds; milk or cream - condensed, evaporated or powdered; creamery butter, butter oil and whey butter; ice cream, ice cream mix and ice cream novelties; frozen deserts such as sherbets and ices. Establishments that pasteurize and package milk are included in this industry whether or not they sell the milk at retail. Establishments primarily engaged in purchasing packaged milk for resale to consumers are classified in Industry No. 631 - Food Stores. Establishments primarily engaged in buying milk for resale to processors are classified in industry No. 614 - Wholesalers of Food.
- S.I.C. (1970) 105 - Flour and Breakfast Cereal Products Industry - Establishments primarily engaged in milling wheat and other cereal grains into flour and meal; in blending flour, or in processing cereal grains into uncooked or cooked preparations for human consumption. By-products of these activities include grain screening and grain offal which in some cases are further processed into crushed products for livestock feed.
- S.I.C. (1970) 106 - Feed Industry - Establishments primarily engaged in producing balanced feeds and premixes or feed concentrates for poultry, hogs, cattle, fur bearing animals, dogs and cats. The feeds contain ground or rolled grains, mill feeds, animal and vegetable proteins, minerals, essential vitamins and antibiotics. Local mixing and custom grinding of grains are included in this industry.
- S.I.C. (1970) 1071 - Biscuit Manufacturers - Establishments which manufacture, as their principal products, biscuits, crackers, pretzels and similar "dry" bakery products including ice cream cones.



- S.I.C. (1970) 1072 - Bakeries - Establishments primarily engaged in manufacturing bread, cakes, pastries and similar "perishable" bakery products. Hotels, restaurants and public institutions which bake for their own requirements are classified in the 1970 Standard Industrial Classification as service establishments and as such are not included in this publication. Chain and department stores operating their own bakeries and merchandising the products thereof within their respective establishments are not included. Some types of establishments primarily engaged in making a single product, such as doughnuts from a purchased mix, and selling for consumption on or off the same premises are deemed to be a restaurant and are not included. When the chain and department stores maintain separate accounts for their baking operations, the manufacturing is included.
- S.I.C. (1970) 1081 - Confectionary Manufacturers - Establishments primarily engaged in manufacturing candies, chocolates, and cocoa products, chewing gum and other confectionary such as salted nuts and popcorn.
- S.I.C. (1970) 1082 - Cane and Beet Sugar Processors - Establishments primarily engaged in manufacturing cane sugar, beet sugar, invert sugar, sucrose syrup, molasses and beet pulp.
- S.I.C. (1970) 1083 - Vegetable Oil Mills - Establishments primarily engaged in the manufacturing of vegetable oils and their by-products, such as linseed oil, soybean, and rapeseed oilcake and oilseed meal.
- S.I.C. (1970) 1089 - Miscellaneous Food Processors - is comprised of establishments which are primarily engaged in the manufacturing of baking powder, flavouring extracts and spaghetti, starch, and its products, jelly powders, yeast, prepared cocoanut, powdered eggs, frozen eggs, peanut butter, potato chips, roasting coffee, blending tea, grinding and packing spices, also other food specialties not elsewhere specified.

- S.I.C. (1970) 1091 - Soft Drink Manufacturers - Establishments primarily engaged in manufacturing non-alcoholic beverages and carbonated mineral waters or concentrates and syrups for the manufacture of carbonated beverages.
- S.I.C. (1970) 1092 - Distilleries - Establishments primarily engaged in the manufacture of potable spirits such as whisky, brandy, rum and gin; also the establishments engaged in manufacturing ethyl alcohol whether or not the alcohol is ultimately used to make potable spirits. Establishments engaged in manufacturing alcohols such as methyl, butyl, or isopropyl are classified to industry No. 378 - Manufacturers of Industrial Chemicals.
- S.I.C. (1970) 1093 - Breweries - Establishments primarily engaged in the manufacture of beer including ale, porter, stout and other malt liquors are classified to this industry.
- S.I.C. (1970) 1094 - Wineries - Establishments primarily engaged in producing wines and cider with alcoholic content.

APPENDIX II

NATIONAL FOOD AND BEVERAGE ASSOCIATIONS

Association of Canadian Biscuit Manufacturers

Association of Canadian Distillers

Atlantic Queen Crab Association

Bakery Council of Canada

Brewers Association of Canada

Canadian Dairy and Food Industry Suppliers Association

Canadian Food Brokers Association

Canadian Food Processors Association

Canadian Frozen Food Industries Association

Canadian Grocery Distributors' Institute

Canadian Honey Council

Canadian Institute of Food Science and Technology

Canadian National Millers Association

Canadian Pasta Manufacturers Association

Canadian Poultry and Egg Processors Council

Canadian Soft Drink Association

Canadian Spice Association

Canadian Sugar Institute

Canadian Vegetable Protein Association

Canadian Wine Institute

---

Confectionery Manufacturers Association of Canada

Fisheries Council of Canada

Flavour Manufacturers Association of Canada

Grocery Products Manufacturers of Canada

Institute of Edible Oil Foods

Master Brewers' Association of Western Canada

Meat Packers Council of Canada

North Atlantic Seafood Association

Pet Food Manufacturers Association of Canada

Tea and Coffee Association of Canada

Tea Council of Canada

The National Dairy Council of Canada.

NOTE: This list excludes associations whose major activity is not related to the food processing and beverage industry.