

# A SURVEY OF THE BAKERY INDUSTRY

a report by

Food Products Branch  
Canada Department of Industry  
Ottawa 4

In co-operation with  
Bakery Council of Canada  
Toronto

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A Survey of  
The Bakery Industry

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## INTRODUCTION

This initial study was undertaken by the Food Products Branch of the Department of Industry in response to the need for a factual basis to analyze the opportunities and prospects of the Bakery Industry in Canada. For reasons of expediency, this study has been limited to the industry in Ontario, however, it is believed that the results contained herein are indicative of the trends and patterns which have affected the industry in all parts of the country.

The following firms participated in the study:

Canada Bread Company Limited

Christie Bread Division of Nabisco Limited

Consolidated Bakeries of Canada Limited

General Bakeries Limited

Jackson's Bakeries Limited

Lewis Bakeries Limited

E.A. Lisk and Sons Limited

Silverstein's Bakery Limited

Weston Bakeries Limited

Wittich's Bread Limited

All are member companies in the Bakery Council of Canada. These firms vary in size from single plant independent companies to multi-plant national firms, and together account for over 75% of all production by wholesale bakeries in Ontario.

They contributed actively to the effectiveness of the study by compiling and preparing the information on which it is based.

In conjunction with the Bakery Council of Canada, the Department of Industry undertook to examine the structure, distribution patterns, shifts in product mix, changes in factor costs and price movements in the industry from the Second World War to the present.

In preparing the format for the study it was decided that, due to the ease with which the data could be compiled, the initial studies would be undertaken on the basis of the industry in Ontario. It was felt that this regional approach would facilitate the early accumulation of a meaningful basis for immediate analysis, which, when supplemented by later studies in other regions, would provide a total background for the entire industry in Canada. In addition to carrying this study through to other regions it is intended to carry out supplementary studies of particular factors in greater depth in all regions.

It will be appreciated that due to the varying length of time that companies keep historical records, incomplete statistics in any particular area place a statistical limit on accuracy of the study, nevertheless, it is believed that the results indicated in this report have been derived from sufficiently significant data to permit the conclusions drawn.

The study was carried out in the Cereals, Bakery and Edible Oils Division by D.N. Abercromby, A.J. Hemming and L.G. Rupert under the direction of A.H. Mathieu, Director, Food Products Branch. The executive of the Bakery Council assisted materially in the work of the study through extensive personal involvement and continuous contact with the Department's officers engaged in the study. The assistance of these executives and the active and full participation of the member firms of the Bakery Council of Canada, made this study possible.

## INDUSTRY BACKGROUND

The Bakery Industry is of considerable importance in Canada, having over 2,500 establishments, more than 32,000 employees and annual shipments of nearly half a billion dollars.

Bread accounts for 56% of the value of shipments in the bakery industry, cakes, pies and pastries 25%, the balance being made up of plain rolls, yeast-raised sweet goods, doughnuts and some cookies and meat pies.

The Bakery Industry in Canada is made up of several types of operations:

Retail Bakeries,  
Wholesale Bakeries,  
Chain Grocery-Owned Bakeries,  
In-Store Bakeries.

Retail Bakeries are the type where the goods are retailed on premises owned by the manufacturer. These can be a one-store operation where the goods are made on the premises or a chain of stores where goods are produced in a central manufacturing establishment. This type of baker normally specializes in fancy bakery goods, and accounts for approximately 20% of the value of total industry shipments.

Wholesale Bakeries sell their products either house-to-house or through retail outlets that are not self-owned. Bread usually accounts for the larger part of total production by these bakeries but fancy bakery goods are also produced. This is the largest

sector of the industry and includes large multi-plant corporations and single plant independents of all sizes.

Chain Grocery-Owned Bakeries are central manufacturing plants owned by retail chains supplying their own retail grocery outlets. The product mix of these bakeries is similar to that of wholesale bakeries. Only one chain has this type of operation in Ontario.

In-Store Bakeries are those operated in a retail establishment where the main function is other than making or retailing bakery products. This is an operation which has developed in recent years and although it appears to have shown signs of some growth, it is still a relatively small sector of the industry in Ontario.

Apart from the growth of the in-store bakeries, the relative shares of the different operations do not appear to have changed significantly over the period 1952 to 1964.



## SUMMARY

From 1958 to 1966 the wholesale bakery industry in Ontario was adjusting to changes in the retailing structure that have been taking place over the last 20 years.

Traditionally the retail grocery trade was based on a very large number of small independent stores which were serviced by numerous wholesalers, including specialized wholesale bakers. The wholesale bakers employed or franchised driver-salesmen to sell and deliver branded loaves to the retail stores on the same call. Given the small number of loaves sold per store and the large number of stores, this method of distribution was the most efficient possible under the circumstances, while the pricing policies and the discount structure of the wholesale bakers were well adapted to the requirements of the situation. This meant, however, that distribution costs were high and accounted for a substantial part of the total costs of the wholesale baker.

This method of distribution has slowly been eroded since the advent of large supermarkets operating within corporate chains. The emergence of the corporate chains has led to the transformation of the grocery trade because the resultant competitive pressures have forced the independent stores to associate in independent voluntary chains which also are based on large supermarkets and backed by volume buying facilities. The integration of wholesaling and retailing in both corporate

and voluntary chains has encouraged the introduction of modern methods of business management, including inventory control, centralized purchasing and administration, and controlled distribution. These techniques have resulted in a significant reduction in distribution costs, much of which has been passed on to the consumer through the operation of the competitive process.

The wholesale bakery industry has found it difficult to adapt to this situation while preserving the traditional distribution methods and pricing policies, especially so when these practices are becoming even more unsuited to the present day competitive circumstances. Three distinct methods of distribution are used:

- a) house-to-house delivery, with the baker employing the route salesman and selling the bread at retail prices
- b) delivery to the smaller independent grocers by driver-salesmen selling the bread at wholesale prices plus any discount earned
- c) delivery of bread in relatively large quantities to supermarkets with the head office of the wholesale baker negotiating prices and discounts with the head office of the grocery chain.

Each of these methods of distribution has a different cost structure. Changes in consumer buying habits over recent

years have resulted in substantial changes taking place in the relative importance of each. House-to-house sales and independent store sales have declined, while chain store sales have increased.

The wholesale bakers have attempted to preserve a common retail price structure in the three markets, even though the costs of servicing and supplying each of these markets may well differ considerably. On the other hand the policy of grocery chain stores is to maintain lower bread prices, either by selling bread baked for them by wholesale bakers under their own private label or by setting up their own central bakery. The basis for the establishment of lower retail prices for bread by the chains is their much lower physical distribution costs compared with the low volume corner store outlets. The scope for price reduction is also greater in the case of bread than in many other food products, because the costs associated with the traditional methods of distribution of baked goods are a very high proportion of total costs.

The wholesale bakers in Ontario, individually or as a group, have the capacity to handle additional volume with their present facilities. This excess capacity is combined with an inability to develop strong consumer preferences for any one brand of white sliced bread - their main product - except at considerable cost. The inevitable result is intense competition, in prices, discounts and in-store servicing, between the bakers for a share of the available bread market. The freedom of the

chains to choose between the manufacture or the purchase of bread has placed them in a strong competitive position when dealing with the wholesale bakers.

The combination of excess capacity and low consumer preference for individual brands is not new to the food industry and is usually accompanied by low returns on capital. In this situation some firms are under considerable pressure to either reduce their activities or to diversify into other fields.

The chains have used low retail prices to promote private label bread at the expense of the national brands of the wholesale bakers. As has been seen, they have been able to buy at a low price and have been able to keep retail prices down to attract consumer attention.

The existence of lower bread prices has accelerated the decline of the house-to-house method of distribution and has forced the bakers to introduce secondary brands which are priced below their own national brands. These secondary brands have helped the smaller independent stores to compete with the chains on the basis of price.

Private label and secondary brand bread yield lower returns per loaf to the wholesale baker than does national brand bread. The growing importance of private label bread resulted in an approximate increase of only 1% in the net sales return per loaf of bread during the period 1958 to 1966 despite an indicated increase of 20% to 28% in the end label price. In the same period, flour costs and labour costs increased considerably.

Between 1958 and 1966 hourly labour earnings in the wholesale bakery industry increased substantially. The impact on total costs has been cushioned by increased efficiency at the plant level and by greater specialization in production by multi-plant firms.

Some sectors of the baking industry, such as the retail bakeries and in-store bakeries, have been able to increase prices to compensate for their cost increases because of their locational advantages and ability to develop a specific demand for their individual products. As a consequence, their share of the market has remained almost constant. This is in contrast with the wholesale sector of the industry, which has not been able to pass these cost increases on to the buyer to any great degree because of the growing dominance of the chains in the field of bread retailing.

Some wholesale bakers with large private label accounts have been able to expand their sales. This expansion in sales has enabled these firms to benefit from economies of scale and of specialization, thereby maintaining their profit position.

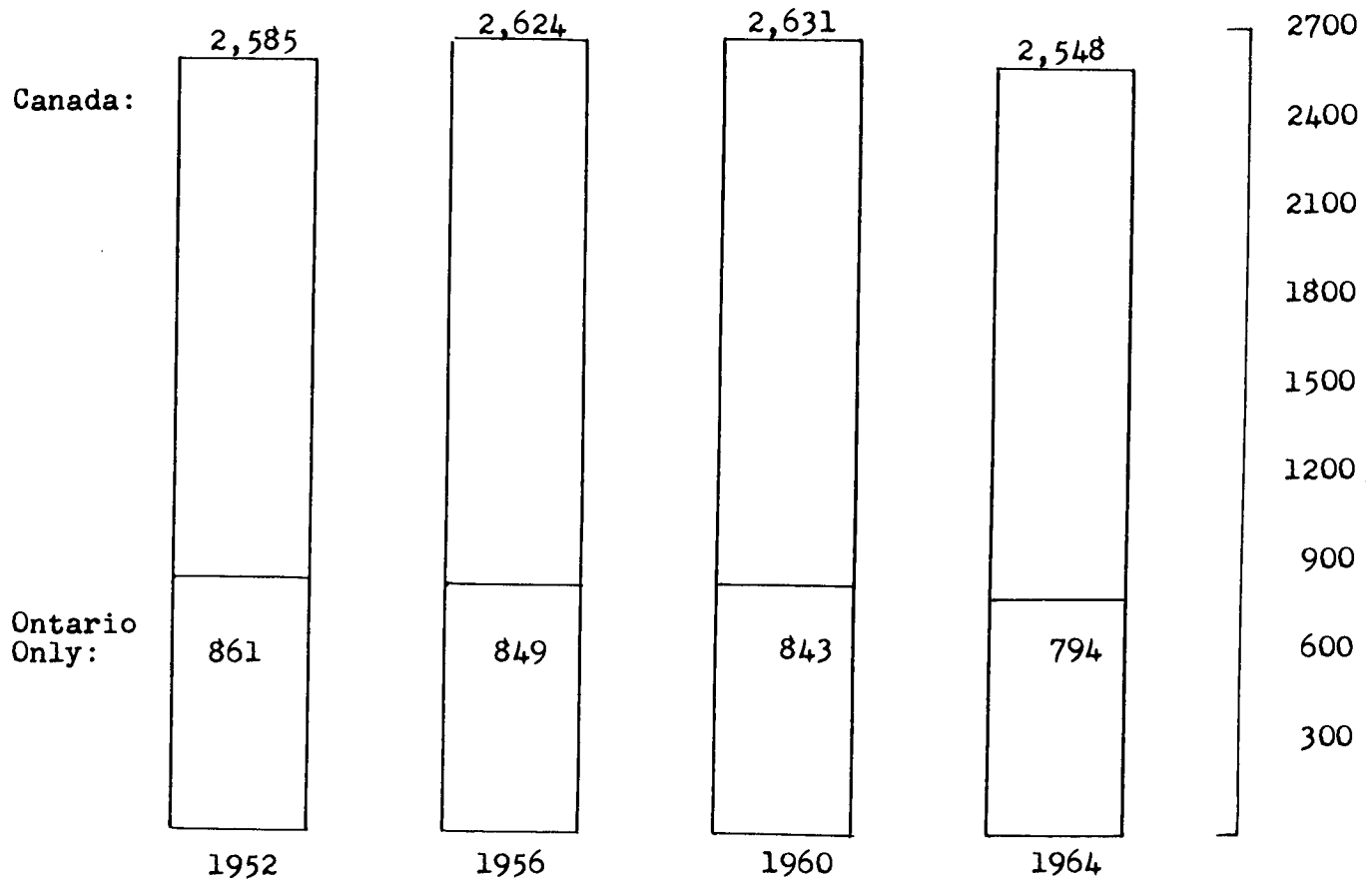
The multi-plant wholesale bakers and the large independent bakers, which are without a chain store outlet for private label bread, have found it much more difficult to adjust to the higher costs per unit of output. At the same time they have been forced to meet the prices set by their low cost competitors. This competitive situation has put a considerable strain on their resources. The present financial difficulties

are likely to continue until excess capacity is retired or until these bakers differentiate their product or their services in such a way that the new level of revenue more than covers the total cost of producing that revenue.

A significant segment of the baking industry is ill adapted to this situation and must either diversify, specialize or differentiate their product or expect to face further structural changes in the future. Since this study was carried out two of the participating firms have merged and another has discontinued operations.

Chart No. 1

Change in the Number of Establishments in the Bakery  
Industry in Canada and Ontario, 1952 - 1964



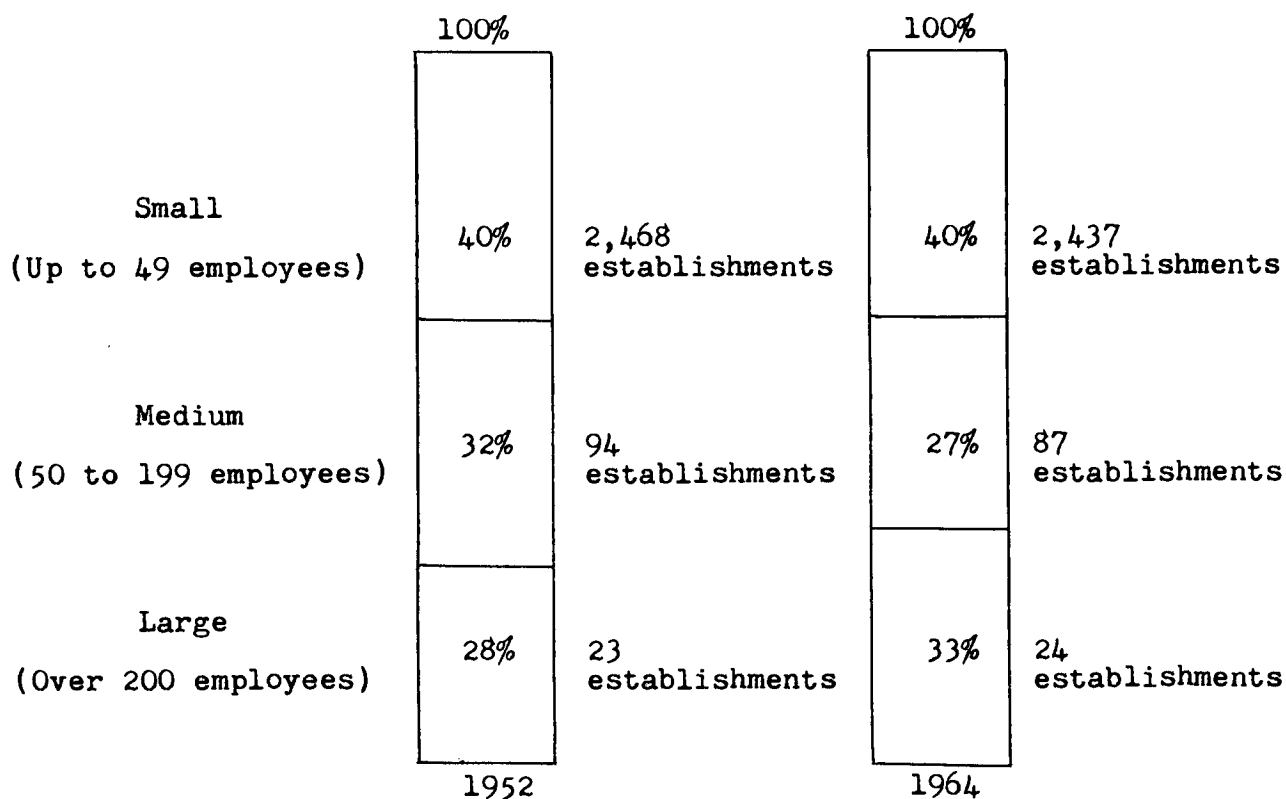
There was little change in the total number of establishments (plants) in the bakery industry between 1952 and 1964. There was a decrease of 1½% for Canada, with a somewhat greater decrease of 12% for Ontario.

See Table No. 1

Source: DBS Census of Manufacturers Reports

# Chart No. 2

Percentage of Production of Bakery Products Accounted for  
by Size of Establishment, in Canada 1952 - 1964



Total establishments

1952	2,585
1964	2,548

Over the period 1952 to 1964 in the Canadian bakery industry, large establishments increased their share of the total value of goods produced at the expense of the medium-sized establishments.

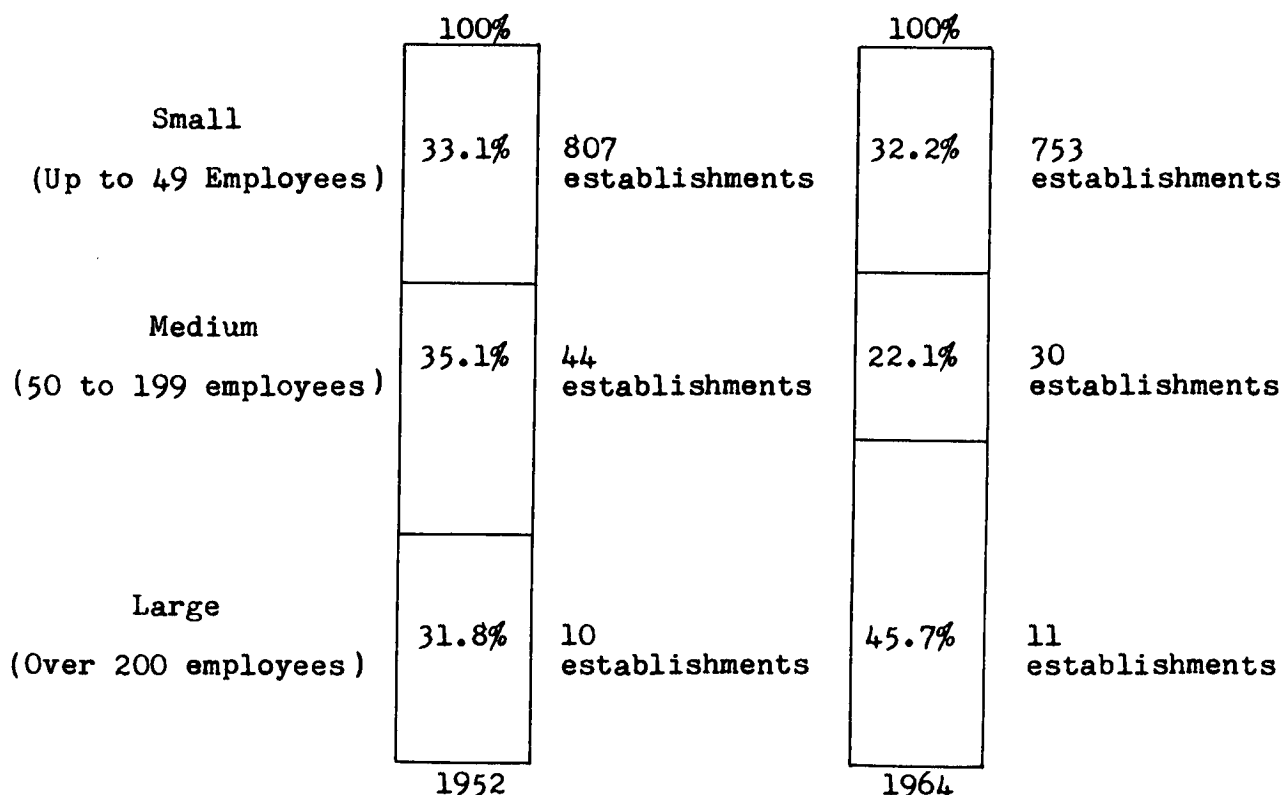
See Table No. 1

Source: DBS Census of Manufacturers Reports



### Chart No. 3

Percentage of Production of Bakery Products Accounted for  
by Size of Establishment in Ontario 1952 - 1964



Total establishments

1952	861
1964	794

The reduction in number of medium sized establishments would indicate that the major firms have concentrated their production facilities into their larger plants to take advantage of scale economies and the benefits of long production runs.

It appears from the stability of the smaller establishments, both in number and in percentage of total value production held from 1952 to 1964, that these are in a healthy state.

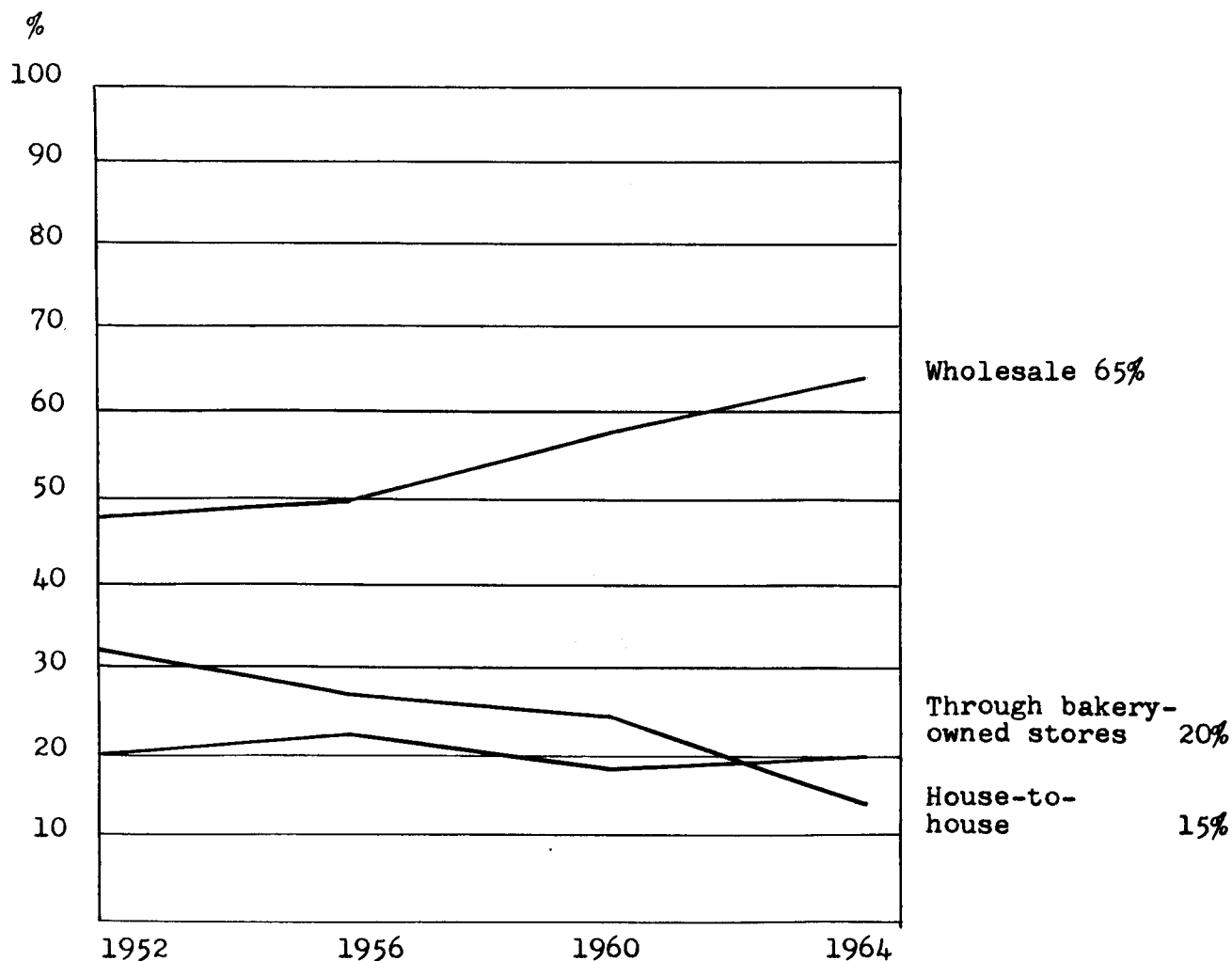
The medium sized wholesale bakery plant is competing with the low cost high volume plant selling a more or less identical product, and the local bakery, with a favourable geographical position, selling a somewhat different product line. The end result has been a marked reduction in the number of medium sized units and a smaller share of the total bakery products market.

See Table No. 2

Source: DBS Census of Manufacturers Reports

Chart No. 4

Change in Methods of Distribution of Bakery Products in  
Ontario 1952 to 1964 as a Percentage of Total Value



There has been a decrease in house-to-house distribution in Ontario. The increased cost to provide this service and the lower volume due to the changed shopping habits of consumers have made this type of operation unprofitable to the baker. The latest published data are based on 1964 figures, but most recent available evidence suggests that this method of distribution has continued to decrease at an even faster rate in Ontario in 1965, 1966 and 1967.

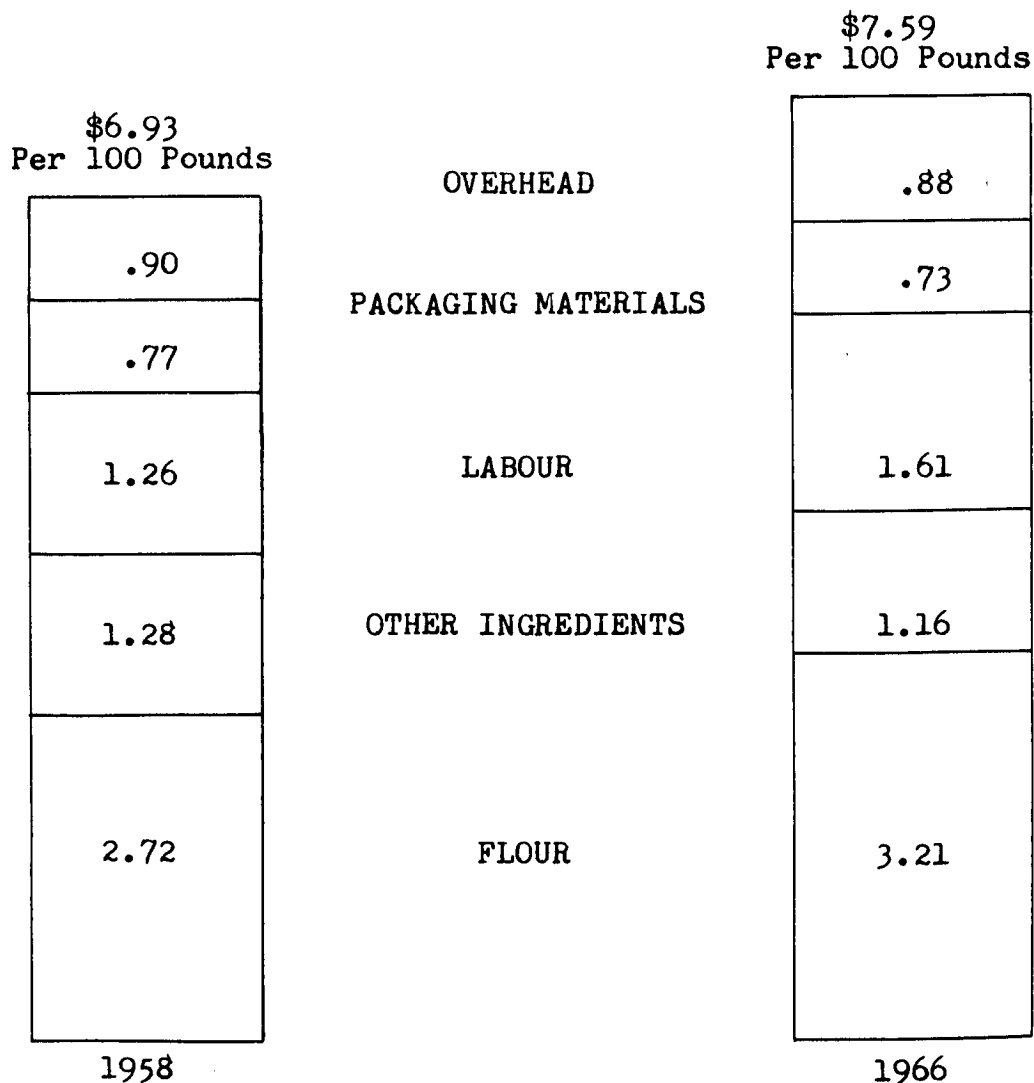
The wholesale method of distribution has picked up that part of the volume lost by the house-to-house method in Ontario, while bakery goods retailed through bakery-owned stores have remained at a reasonably constant percentage of the total value of production in the industry from 1952 to 1964.

See Table No. 3

Source: DBS Census of Manufacturers Reports

Chart No. 5

Change in Average Cost to Produce 100 Pounds of Bread  
In the Plants Studied, between 1958 and 1966



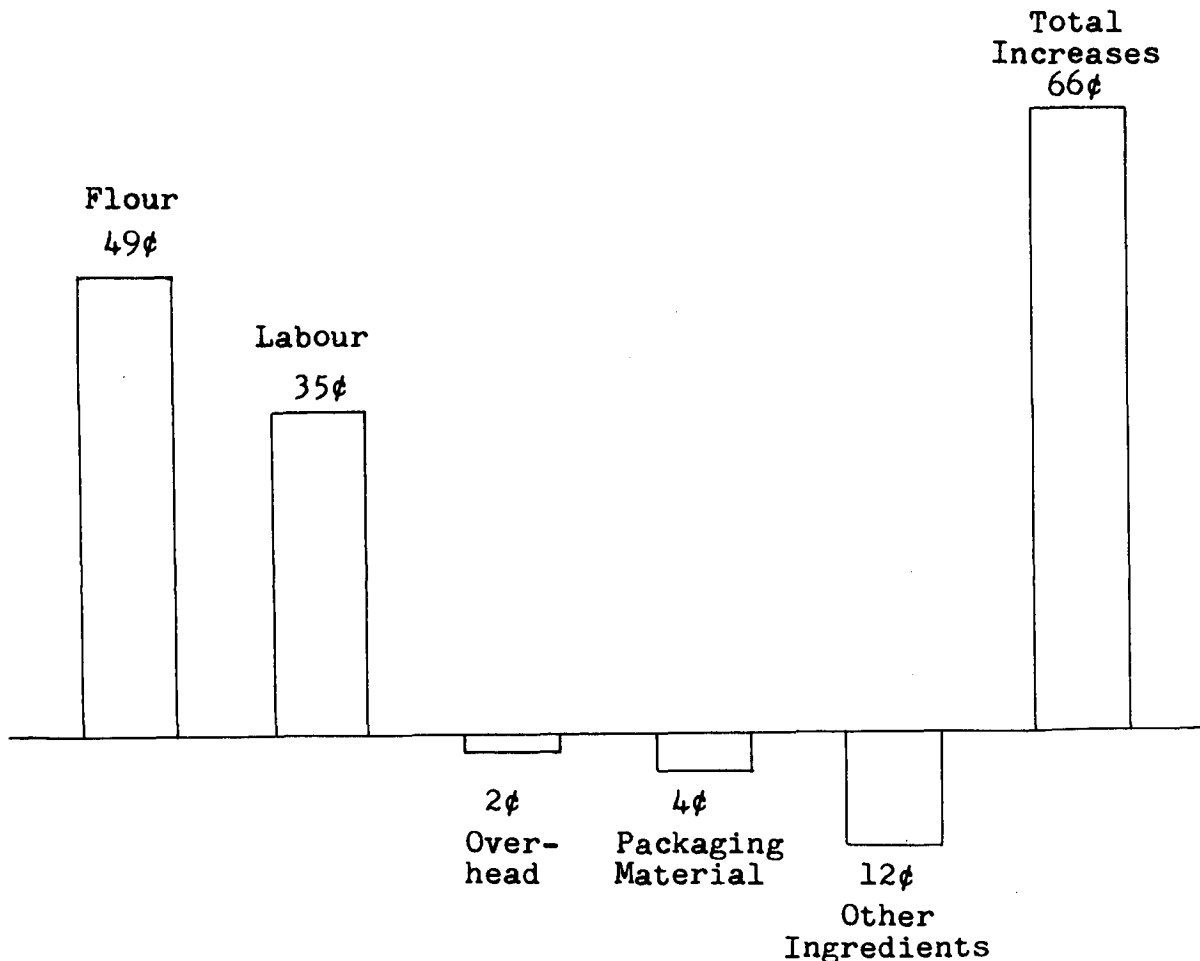
Between 1958 and 1966 the increase in the cost to manufacture 100 pounds of bread amounted to 66 cents or 9.5%. Flour and labour costs have increased, while other items in the total cost picture show a decrease.

See Tables No. 4 and 5

Source: Derived from confidential information supplied by participating firms.

Chart No. 6

Changes in the Major Items Contributing to the 66¢ Increase in the Average Cost to Produce 100 Pounds of Bread 1958 - 1966



Flour went up in price over this period as a result of increased wheat prices. This accounts for a 49¢ increase in the cost to produce 100 pounds of bread.

The labour cost per 100 pounds of bread advanced 35¢, an increase of 28%. It is apparent that the firms studied were able to effect economies in this area as average hourly earnings advanced 51% in this same period.

The reduction in cost of ingredients other than flour was due to a combination of changes in raw material prices, formulation and technology.

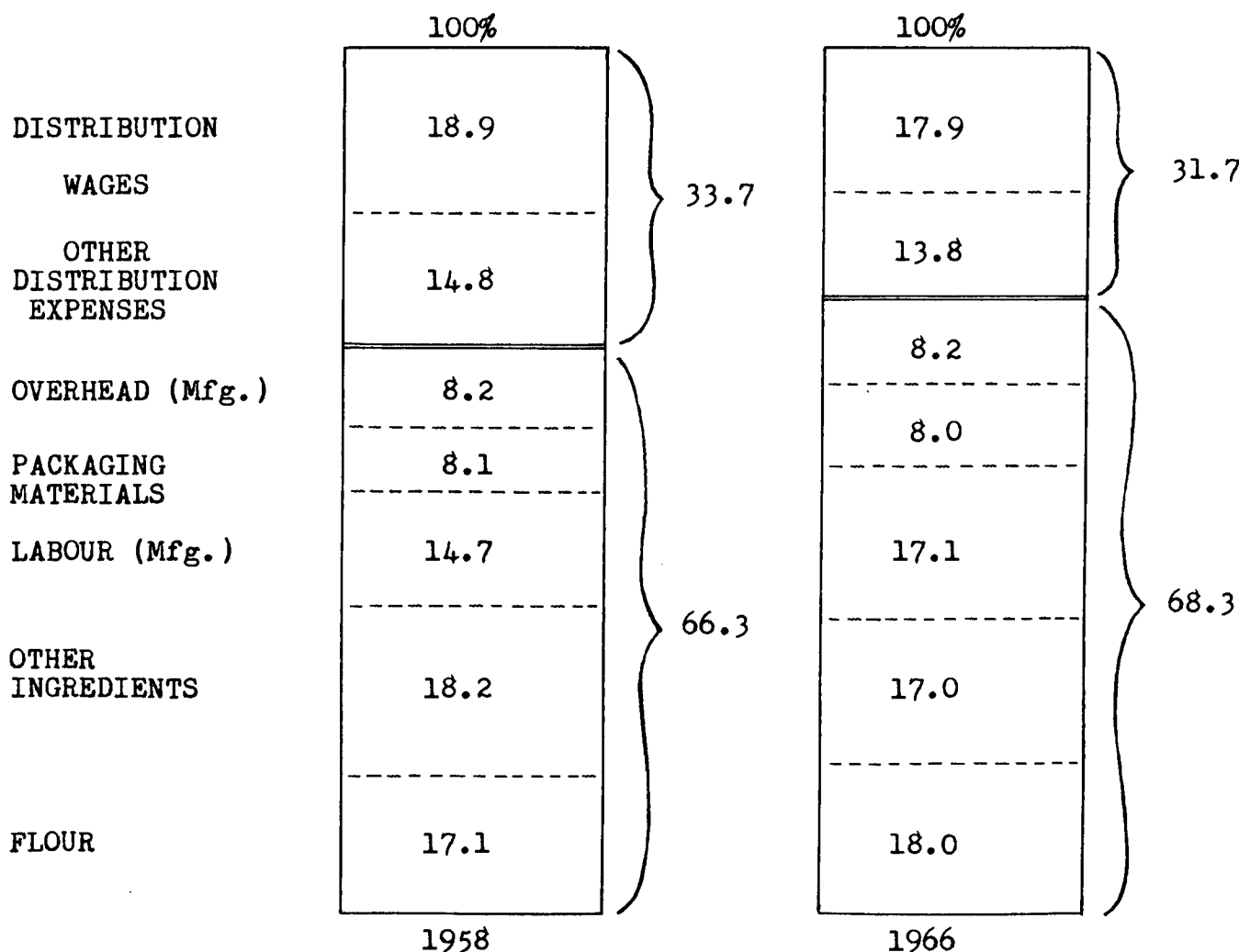
The reduction in cost of packaging materials can be accounted for by the reduced use of cellophane and a reduction in cost of poly-type wrapping film from approximately 70¢ to 50¢ per pound.

It was noted in the data provided to us by firms that poly bags were not used for bread to any extent in the period studied. It is believed that by early 1968 this more costly method of packaging bread will become more prevalent. If this is the case, no doubt packaging cost of bread would show an increase in 1968.

See Table No. 6

Chart No. 7

Breakdown of Total Cost of Bread and Other Bakery Products Sold  
1958 - 1966



The share of distribution costs (wages and other expenses) fell between 1958 and 1966 from 33.7% to 31.7% of total cost. This reflects the changes in methods of distribution seen on Chart No. 4. High cost house-to-house delivery of bread has decreased steadily. The retail grocery business has become more and more concentrated in the hands of the corporate and voluntary chains. This has tended to result in fewer but larger deliveries of goods by wholesale bakers. This trend has been reinforced by the tendency of chains to restrict themselves to a limited number of suppliers. All of this has had the effect of reducing physical distribution costs.

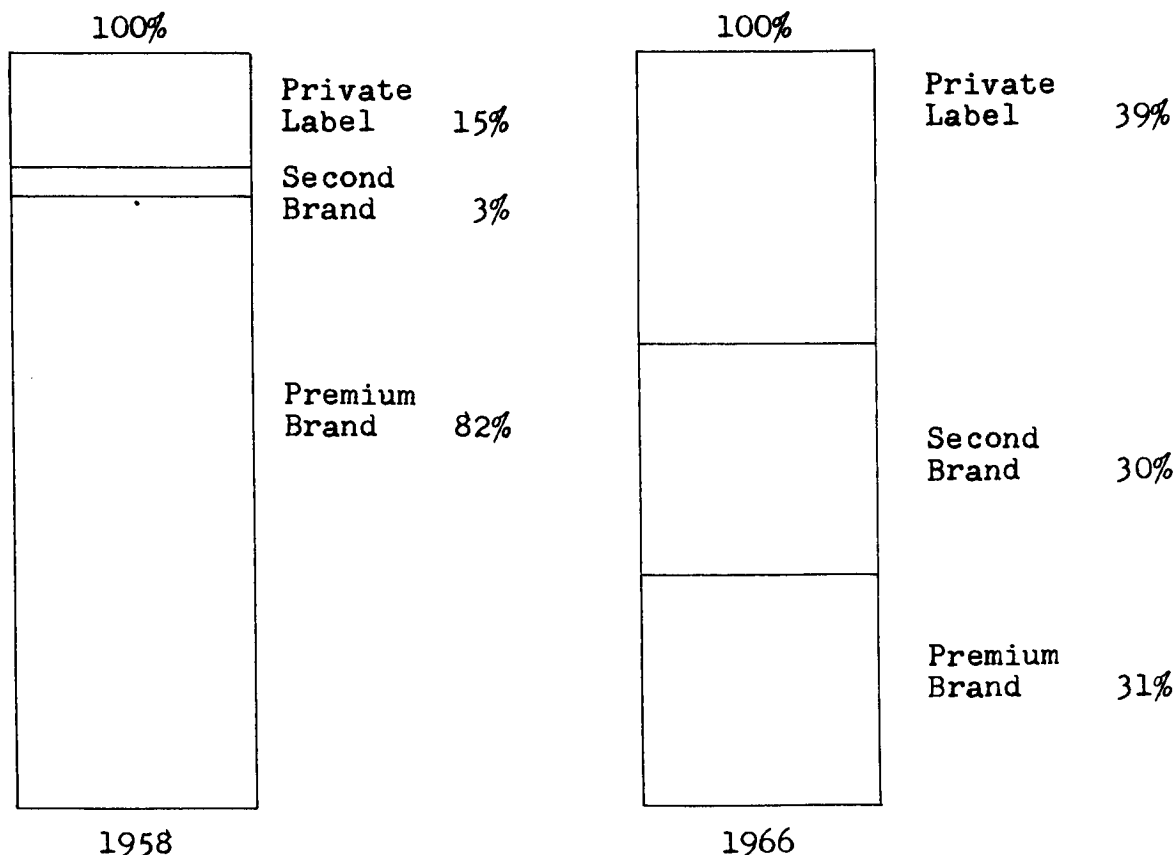
The share of manufacturing costs in total increased from 66.3% to 68.3%.

See Table No. 7

Source: Derived from confidential information supplied by participating firms.

Chart No. 8

Growth of Private Label Bread 1958 - 1966



Private label bread and second label bread have become the dominant factor in the bread market. These brands increased from 18% of the pounds of bread produced by participating firms in 1958, to 69% in 1966. The baker's premium "brand name" now holds a much smaller share of the market.

Private label bread sells at a lower price than the baker's premium label bread. The price spread varies, but ranges normally from 4¢ to 5¢ per 24 oz. loaf of white pan bread, but occasionally this spread is as much as 7¢ to 10¢ per loaf on feature sales.

The bakery industry produces a second brand of bread selling at a lower price than the premium brand. This provides the independent retailer without private label bread a product in a similar price range.

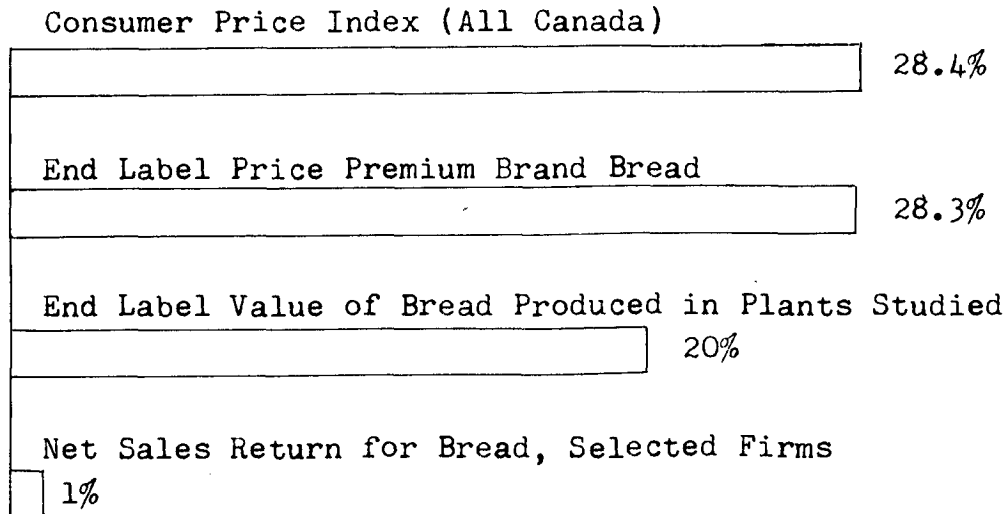
See Table No. 8

Source: Derived from confidential information supplied by participating firms.

Chart No. 9

Percentage Increase in Price of Bread

1958 - 1966



Although the Consumer Price Index reported by DBS for bread rose 28.4%, it is clear that the average price per loaf purchased by the consumer rose by a smaller percentage. The end label price of Premium Label White Bread shows the same advance as the Consumer Price Index while the average end label value of bread produced in the plants studied shows a lesser increase. Price indexes measure relative changes in price, not average price paid.

During this same period the net sales return for bread received by participating firms increased by only 1%. Changes in methods of distribution e.g. selling at wholesale instead of retailing from house-to-house, changes that have taken place in the discount structure for bread and changes in product mix have affected this return to the baker.

See Table No. 9

Sources: DBS Catalogue No. 62-002

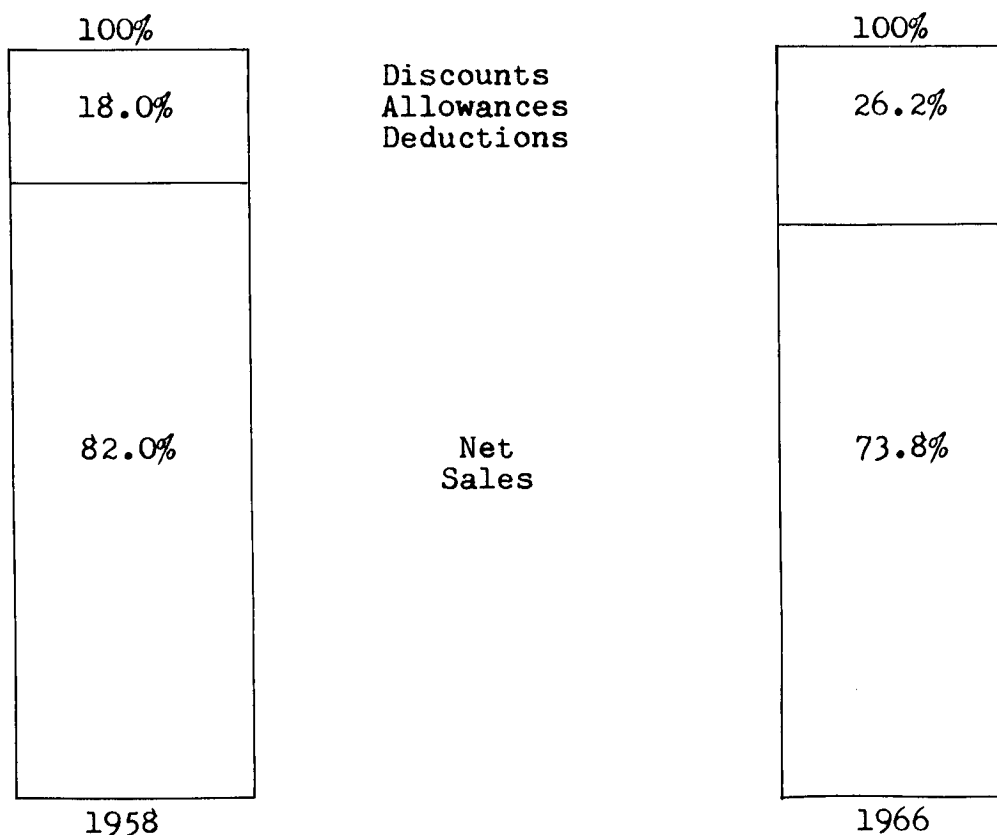
Bakery Council of Canada

Derived from confidential information supplied  
by participating firms.

Chart No. 10

Change in Discounts, Allowances and Deductions  
in Bread and Other Bakery Products Sold,  
Valued at End Label Price

1958 - 1966



Discounts, allowances and deductions have become a larger part of the end label value (or retail price) of all goods sold. Changes in methods of distribution as well as changes in discounts structure affect this figure. Discounts and allowances from end label price include retail margins and volume discounts.

See Table No. 11

Source: Derived from confidential information supplied by participating firms.



Table No. 1

Production of Bakery Products Accounted  
for by Size of Establishment based on  
number of employees

Canada 1952 - 1964

1952	Number of Establish- ments	Percentage of Estab- lishments	Value of Production 000's	Percentage of Production
Size				
Small, up to 49 Employees	2,468	95.5	103,300	39.7
Medium, 50 to 199 employees	94	3.6	82,623	31.8
Large, 200 and over employees	23	.9	74,258	28.5
	<hr/>	<hr/>	<hr/>	<hr/>
Total	2,585	100.0	260,181	100.0
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
1964				
Size				
Small, up to 49 employees	2,437	95.6	169,111	39.5
Medium, 50 to 199 employees	87	3.4	116,472	27.2
Large, over 200 employees	24	1.0	142,081	33.3
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Total	2,548	100.0	427,664	100.0
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See charts Nos. 1 and 2

Source: DBS Census of Manufacturers Reports

Table No. 2

Production of Bakery Products Accounted  
for by Size of Establishment based on  
number of employees

Ontario		1952 - 1964		
1952	Number of Establish- ments	Percentage of Estab- lishments	Value of Production 000's	Percentage of Production
Size				
Small, up to 49 employees	807	93.7	35,788	33.1
Medium, 50 to 199 employees	44	5.1	38,054	35.1
Large, over 200 employees	10	1.2	34,589	31.8
	—	—	—	—
Total	861	100.0	108,431	100.0
	==	==	==	==
1964				
Size				
Small, up to 49 employees	753	94.8	53,845	32.2
Medium, 50 to 199 employees	30	3.8	36,956	22.1
Large, over 200 employees	11	1.4	76,421	45.7
	—	—	—	—
Total	794	100.0	167,222	100.0
	==	==	==	==

See chart No. 3

Sources: 1952 DBS Census of Manufacturers Reports

1964 unpublished DBS data

Table No. 3

Method of Distribution of Bread and Other Bakery  
Products as a percentage of total value  
1952 to 1964

Ontario

	Wholesale including sale to restaurants, institutions, etc.	House-to-House	Through Bakery- Owned Stores
1952	47.9 %	32.2 %	19.9 %
1953	49.0	30.8	20.2
1954	49.3	28.9	21.8
1955	48.7	30.0	21.3
1956	49.2	27.5	23.3
1957	51.5	26.0	22.5
1958	57.2	25.8	17.0
1959	57.5	25.0	17.5
1960	59.0	24.0	17.0
1961	N/A	21.9	N/A
1962	57.7	19.9	22.4
1963	62.3	16.9	20.8
1964	64.8	14.8	20.4

See Chart No. 4

Source: DBS Census of Manufacturers Reports.

Table No. 4

Major Items Included in the Cost of Production  
of 100 Pounds of Bread

	Average Cost to Produce 100 Pounds Bread		Major Items as a Percentage of Total Cost	
	<u>1958</u>	<u>1966</u>	<u>1958</u>	<u>1966</u>
Flour	\$2.72	\$3.21	39 %	42 %
Other Ingredients	1.28	1.16	19	15
Labour	1.26	1.61	18	21
Packaging Materials	.77	.73	11	10
Overhead	.90	.88	13	12
Total Cost	<u>\$6.93</u>	<u>\$7.59</u>	<u>100 %</u>	<u>100 %</u>

FLOUR: total cost of flour

OTHER INGREDIENTS: all other ingredients incorporated in the bread in its manufacture except flour and packaging materials.

LABOUR: all labour associated with manufacturing including supervision, superintendent, maintenance, sanitation also ship-pers and loaders.

PACKAGING: all packaging materials used to wrap bread but not including Del-trays and shipping cartons.

OVERHEAD: all overhead charges allocated to the product in the manufacturing sector including head office charge.

Refer to Table No. 5 for further detail

See chart No. 5

Source: Derived from confidential information supplied  
by participating firms.

Table No. 5

Cost Range in Each Item in Different Plants  
to Produce 100 Pounds of Bread

1958 - 1966

	1958			1966			Difference*	
	Low	High	Aver.	Low	High	Aver.	1958	1966
	-- \$ --	-- \$ --		-- \$ --	-- \$ --		-- % --	
Price of Flour per cwt.	3.95	4.22	4.11	4.74	4.98	4.80	6.8	5.1
Flour Content	2.51	2.82	2.72	3.07	3.37	3.21	12.4	9.8
Other Ingredients	1.08	1.65	1.28	1.07	1.45	1.16	52.7	35.5
All Ingredients	3.58	4.40	4.01	4.14	4.72	4.37	22.9	14.0
Labour	.88	1.96	1.26	1.41	2.77	1.61	122.7	96.4
Packaging Materials	.67	.96	.77	.63	.90	.73	43.3	42.8
Overhead	.70	1.30	.90	.74	1.18	.88	85.7	59.4
Total Cost	6.11	7.68	6.93	7.20	9.20	7.59	25.7	27.8

\*Difference between high and low in each year expressed as a percentage to the low.

This table indicates the highest cost plant and lowest cost plant for each cost item and total cost.

The total cost shown is not the sum of the items listed but the total for the plants with lowest or highest cost and the average is for all plants.

Refer to Table No. 4

See Chart No. 5

Source: Derived from confidential information supplied by participating firms.

Table No. 6

Changes in Major Cost Items per 100 Pounds  
of Bread, 1958 - 1966

	Value Change per 100 pounds Bread	Percentage Change in each item	Effect of Change on total Cost
Flour	+ .49	+ 18 %	+ 7.1 %
Other Ingredients	- .12	- 10	- 1.7
Labour	+ .35	+ 28	+ 5.1
Packaging Materials	- .04	- 3	{ - 1.0
Overhead	- .02	- 2	
	<hr/>		<hr/>
	+ .66		+ 9.5 %

See Chart No. 6

Source: Derived from confidential information supplied by  
participating firms.

Table No. 7

Breakdown of Total Cost of Bread and Other  
Bakery Products Sold

1958 - 1966

	1958	1966
Distribution Wages	18.9 %	17.9 %
Other Distribution Expenses	14.8 %	13.8 %
Total Distribution Cost	<u>33.7 %</u>	<u>31.7%</u>
Overhead (Manufacturing)	8.2 %	8.2 %
Packaging Materials	8.1 %	8.0 %
Labour (Manufacturing)	14.7 %	17.1 %
Other Ingredients	18.2 %	17.0 %
Flour	<u>17.1 %</u>	<u>18.0 %</u>
Total Manufacturing Cost	<u>66.3 %</u>	<u>68.3 %</u>
Total Cost	<u>100.0 %</u>	<u>100.0 %</u>

Total Cost excludes all discounts, returns, allowances, etc.

Distribution Wages - all wages salaries and commissions (except franchise) up to and including supervisors and Branch sales executives.

Other Distribution Expenses - all other expenses charged to distribution including those items allocated through Head Office charges, Del-trays and cartons.

See Chart No. 7

Source: Derived from confidential information supplied by participating firms.

Table No. 8

Private Label Bread

Based on pounds of all bread produced by participating firms.

	1958	1966
Private Label Bread	15%	39%
Second Brand Bread	3%	30%
Premium Brand Bread	82%	31%
	<hr/> 100%	<hr/> 100%

The words Label and Brand are interchangeable.

Second Brand is also referred to as "Stencil Bread."

The data for Private Label Bread in addition to bread made with a retailer's brand name also includes bread made for another wholesale bakery firm.

See Chart No. 8

Source: Derived from confidential information supplied by participating firms.



Table No. 9

Percentage Increase in Price of Bread

1958 - 1966  
Index 1958 = 100

Consumer Price Index (All Canada)	128.4%
End Label Price Premium Brand White	128.3%
Average End Label Value of All Bread Produced in Plants Studied	120.0%
Net Sales Return for Bread (Selected Firms)	101.0%

In measuring bread prices for the Consumer Price Index, the Dominion Bureau of Statistics is concerned with how prices of representative items of bread have moved over time. The collectors of the information take the price of a particular type of loaf (ideally the largest volume item) in a store, and then measure the change in price of that item over a period of time. If consumers switch to a different type of loaf over a period of years, then, as this becomes apparent in the particular retail store, Dominion Bureau of Statistics collects the price of the new high volume item, and measures changes in the price of this new item, and incorporates these new relative price changes in the Consumer Price Index. The purpose of the Consumer Price Index is to measure changes in prices of identical items over time NOT average price paid from one time period to another of items with differing characteristics.

If consumers switch from a 28¢ National Brand Loaf to a 24¢ Secondary Brand or Private Label Loaf, this does not show up in the Consumer Price Index as a price decrease. If, however, the 24¢ loaf goes up to 25¢, then this change in relative price would be reflected in Consumer Price Index. Therefore, the movement of the price of bread as shown in the Consumer Price Index could be an upward one while, at the same time, if consumers shifted their purchases to lower priced labels, the average price actually paid by consumers might be rising at a slower rate.

See Chart No. 9

Sources: DBS Catalogue No. 62-002

Bakery Council of Canada

Derived from confidential information supplied by participating firms.

Table No. 10

End Label Bread Prices (in cents)  
24 oz. white sliced and wrapped loaf  
for a major Wholesale Bakery  
(Ontario)

Year	Premium Brands				Secondary Brands			
	Retail Price	Wholesale Price	Difference Wholesale to Retail	Retailer's Mark-up *	Retail Price	Wholesale Price	Difference Wholesale to Retail	Retailer's Mark-up *
March 1958	22	18	4	18.18	18	17	1	05.56
Sept. 1959	22	18	4	18.18	18	16½	1½	08.33
Dec. 1959	22	18	4	18.18	18	16	2	11.11
March 1960	23	19	4	17.39	19	17	2	10.53
July 1961	24	20	4	16.67	20	17½	2½	12.50
Nov. 1962	25	21	4	16.00	20	17½	2½	12.50
Dec. 1962	25	21	4	16.00	21	18½	2½	11.90
Dec. 1963	25	21	4	16.00	22	19½	2½	11.36
Jan. 1964	26	21½	4½	17.31	22	19½	2½	11.36
Feb. 1966	28	23	5	17.56	24	21	3	12.50
July 1967	29	23.8	5.2	17.93	25	21½	3½	14.00

\*Retailer's mark-up is calculated as a percentage of Retail Price.

While the retailer's mark-up on Premium Brands has changed little between 1958 and 1966 it has almost doubled on Secondary Brands during this period. Secondary Brand price represents the upper limit for the price of Private Label brands.

There has been intense competition between bakers for the available market, and this has taken the form of larger discounts, lower prices and even more in-store servicing. The retailer mark-up will therefore have been higher than shown above in many cases.

Source: Bakery Council of Canada.

Table No. 11

Change in Discounts, Allowances and Deductions  
in Bread and Other Bakery Products Sold,  
Valued at End Label Price

	1958	1966
Discounts and Allowances	16.1 %	23.2 %
Returns (net)	1.7 %	2.9 %
Other Deductions	0.2 %	0.1 %
	<hr/>	<hr/>
Total Deductions	18.0 %	26.2 %
Net Sales	82.0 %	73.8 %
	<hr/>	<hr/>
	100.0 %	100.0 %

Discounts and Allowances include retail and wholesale margins, volume discounts and special discounts.

Returns (net) represent the net cost of goods returned to the wholesaler because of staleness or damage in the retail store.

Other Deductions include donations of goods and goods damaged in the distribution system etc.

See Chart No. 10

Source: Derived from confidential information supplied by participating firms.

Table No. 12

Shipments of Bread and Other Bakery Products

1952 - 1964

(Ontario)

<u>Year</u>	<u>Bread</u>		<u>Other Products</u>	<u>Total Value</u>	<u>Per Capita</u>
	<u>Pounds</u>	<u>Value</u>	<u>Value</u>	<u>\$000</u>	<u>Shipments</u>
		<u>\$000</u>	<u>\$000</u>		<u>Pounds of</u>
					<u>Bread</u>
1952	601,839	62,619	45,813	108,432	125.7
1953	619,226	67,638	48,884	116,522	125.3
1954	620,280	68,560	50,117	118,677	121.3
1955	607,700	67,698	52,761	120,459	115.4
1956	653,556	72,865	55,540	128,405	120.9
1957	659,023	76,644	62,682	138,326	116.9
1958	658,536	78,826	63,933	142,759	113.1
1959	661,057	79,444	68,241	147,285	110.7
1960	658,564	82,396	69,214	151,610	107.8
1961	657,973	84,871	69,488	154,359	105.5
1962	643,538	83,650	72,526	156,176	101.5
1963	642,435	83,908	74,108	158,016	99.6
1964	675,279	87,985	79,237	167,222	102.5

The volume of bread produced has increased slowly. It is not possible to give a volume change for other products, because of the wide variety of products included in this category. The value of other products has made up an increasingly important share of the value of total output of the industry, rising from 42% in 1952 to 47% in 1964.

Sources: DBS Catalogue No. 32-203 Bakeries  
Population DBS Cat. 91-201

Table No. 13

Prices to Miller and Processors of Wheat for Human Consumption in Canada,  
 Basis Fort William/Port Arthur  
 #1 Northern Manitoba 1946/47 to 1949/50: #2 Northern Manitoba 1950/51 to 1965/66

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Crop Year			Domestic Price	Carrying Charge	Draw-back	Re-fund	F.O.B. Lakehead	Lake <sup>(2)</sup> Freight	F.O.B. Pt. Colborne	NOTE
#1 Northern Manitoba										
1946-47	Aug.1/46	Feb.16/47	1.25	-	(1)	-	.77/3	.051	82	-
	Feb.17/47	Jul.31/47	1.55	.035	(1)	-	.77/3	.051	82	-
1947-48	Aug.1/47	Sep.13/47	1.55	.035	(1)	-	.77/3	.056	83	-
	Sep.14/47	Jul.31/48	1.55	.035	-	-	1.58/4	.056	1.64	-
1948-49	Aug.1/48	Aug.31/48	2.00	.050	-	.450	1.60/-	.061	1.66	-
	Sep.1/48	Mar.22/49	2.00	.050	-	.465	1.58/4	.061	1.65	-
	Mar.23/49	Jul.31/49	2.00	.050	-	-	2.05/-	.061	2.11	-
1949-50	Aug.1/49	Sep.30/49	2.00	.050	-	-	2.05/-	.060	2.11	-
	Oct.1/49	Jul.31/50	2.00	.060	-	-	2.06/-	.060	2.12	-
#2 Northern Manitoba										
1950-51							1.88/4	.075	1.96	(9)(3)
1951-52							1.80/2	.075	1.94	(9)(4)
1952-53							1.83/6	.075	1.97	(9)(5),(6)
1953-54							1.81/6	.065	1.88	-
1954-55							1.68/7	.061	1.75	-
1955-56							1.70/4	.076	1.78	-
1956-57							1.64/7	.076	1.72	-
1957-58							1.58/3	.076	1.66	-
1958-59							1.63/	.068	1.70	-
1959-60							1.62/5	.065	1.69	-
1960-61							1.63/3	.065	1.70	(7)
1961-62							1.87/7	.055	1.93	(8)
1962-63							1.95/2	.052	2.00	-
1963-64							2.00/3	.056	2.06	-
1964-65							1.95/3	.056	2.01	-
1965-66							1.96/6	.057	2.02	-

See footnotes attached.

Sources: DBS Grain Trade of Canada  
 Annual Reports of the Canadian Wheat Board

NOTES: (Table 13)

- (1) Under the Government's wartime price control policy, the millers and processors of wheat for human consumption in Canada were required to sell their products at prices not exceeding those charged during the period September 15th to October 11th, 1941. To compensate the millers for the increase in wheat prices, the Canadian Wheat Board was charged with the administration of the Drawback Account. The drawback was sufficient to allow millers and processors to purchase their supplies of wheat for human consumption at 77-3/8 cents per bushel. This policy was discontinued on September 14th, 1947.
- (2) Freight is yearly average of navigation season; i.e., crop year 1959-60 = navigation year 1960.
- (3) Effective June 15, 1951, a carrying charge of 6¢ per bushel was added to all domestic sales.

Price - June 14, 1951	-	\$1.93
June 16, 1951	-	\$1.94/4
- (4) The 6¢ per bushel carrying charge continued throughout the crop year 1951/1952.
- (5) Effective May 19, 1953, the 6¢ carrying charge was eliminated.
- (6) From August 1st, 1952 to May 19th, 1953, the Board sold wheat for domestic use at the same prices at which it sold wheat under the terms of the International Wheat Agreement. On May 19, 1953 the basis of the Board's selling prices for domestic wheat was adjusted to provide for the transition from the first International Wheat Agreement to the revised Agreement scheduled to come into effect on August 1, 1953. For this interim period the Board's domestic price was related either to the maximum price under the revised Agreement or to the Board's Class II price, whichever was the lower.
- (7) Between August 1, 1960 and July 31, 1961, Board asking prices for No. 1 Northern Wheat in store the Lakehead increased by 14½ cents per bushel, for No. 2 Northern Wheat by 16½ cents per bushel and for No. 3 Northern Wheat by 19½ cents per bushel. Of these increases in Board asking prices, the decline in the exchange value of the Canadian dollar accounted for 11 cents per bushel. Therefore, over the period of the crop year and in terms of the Canadian dollar at parity, the increases in Board asking prices for No. 1 Northern Wheat, No. 2 Northern Wheat and No. 3 Northern Wheat basis in store the Lakehead were 3½ cents, 5½ cents and 8½ cents per bushel, respectively.

NOTES - (Table 13 Continued)

- (8) Early in May, as a result of devaluation of the dollar, the price of wheat advanced markedly and the monthly average asking price for No. 1 Northern basis in store the Lakehead was \$1.97 per bushel, or 6-1/8 cents per bushel higher than in the previous month. Prices remained fairly stable for the balance of the crop year.
- (9) Effective June 14, 1951, a carrying charge of 6 cents per bushel of wheat was added to all domestic sales. This carrying charge remained in effect until May 19, 1953. The yearly average price of 191/2 for crop year 1950/51 does not include this 6-cent charge for the short period it was in effect that crop year. This charge is included in the 1951/52 average of 188/2 and is included in the 1952/53 average of 191/6 for the whole crop year although it applied for only 9 1/2 months approximately.

REFUND (Aug. 1/48 to Mar. 22/49)

- - - the domestic selling price of wheat was related to the price under the United Kingdom contract which advanced from \$1.55 per bushel to \$2.00 on August 1, 1948. In order to prevent any increase in the cost of wheat to millers which would lead to an increase in the domestic selling price of flour and thus, in turn, to a further advance in the price of bread, the government announced on July 31, 1948 a subsidy of 45 cents per bushel (increased to 46 1/2 on September 1, 1948) would be paid on wheat processed for human consumption in Canada.

- - - the Wartime Prices and Trade Board, in orders effective August 19, 1948 reimposed price ceilings on bread and flour at levels prevailing on July 31, 1948. The Board made provisions in September 1948 whereby firms which had not increased prices since November 1, 1947 and which could demonstrate "financial need" could apply for authorization for an increase in selling prices not exceeding one cent per loaf. (source: Report of Royal Commission on Prices, 1948-49, C.A. Curtis, Chairman. Volume 3, pages 30 - 31)

Sources: (3), (4), (5) - "Grain Trade of Canada" - DBS  
(6), (7), (8) - Annual Reports of the Canadian Wheat Board.



Table No. 14

Comparison of Wheat, Flour and Bread Values  
For Selected Years

Year	Wheat FOB Pt. Colborne <sup>(1)</sup> per bushel	in 100 lbs. Bread	Flour <sup>(2)</sup> per cwt	Cost of Flour in 100 lbs. Bread	End Label Price <sup>(3)</sup> of Bread per 100 lbs.	Value of Flour Content as % to End Label Price <sup>(3)</sup> of Bread
1946	.82	1.28	1.98	1.32	6.67 (4)	19.8 %
1952	1.94 <sup>236.58</sup>	3.03 (5)	4.42	2.94 (5)	12.00	24.5
1958	1.66 <sup>85.567</sup>	2.59 <sup>85.478</sup>	4.15 <sup>93.891</sup>	2.77 <sup>94.218</sup>	14.47 <sup>120.583</sup>	19.1
1964	2.06 <sup>106.186</sup>	3.21 <sup>105.941</sup>	5.16 <sup>116.742</sup>	3.43 <sup>116.667</sup>	17.33 <sup>144.417</sup>	19.8
1966	2.02 <sup>104.124</sup>	3.15 <sup>103.960</sup>	4.89 <sup>110.633</sup>	3.26 <sup>110.884</sup>	18.60 <sup>155.00</sup>	17.5

(1) Wheat prices from Table No. 13.

(2) Average cost of Hard Wheat flour in Ontario plants of participating firms.

(3) End Label price Toronto area on basis of 24 oz. Premium white bread as provided by the Bakery Council of Canada.

(4) During World War II the Wartime Prices and Trade Board placed a ceiling on the retail price of bread which was not suspended until September 15, 1947.

(5) It appears that mill feed prices in 1952 were higher than normal and for this reason flour prices may have been somewhat lower.

Basis: 2.34 bu. wheat equals 100 lbs. flour, which yields 150 lbs. bread.



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