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CANADIAN FOOD DOLLAR: BREAKDOWN BETWEEN FARM AND MARKETING COSTS

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INTRODUCTION

- The farm share and marketing bill provide a valuable snapshot of the dynamics of the agri-food supply chain, changing consumer demands, and the resultant value distribution of the retail food dollar.
- Motivation for recent interest in the farm share metric include:
 - How have recent rises in nominal agricultural commodity prices affected retail food prices and value distribution?
 - Why has Canada experienced relatively low food inflation rates compared to global indices?

KEY DEFINITIONS

Food dollar expenditure:

 Total annual market value for all purchases of domestically produced foods by persons living in the US (Canning 2011).

 Total annual market value for all purchases of food by persons living in Canada.

Farm share: Producer value of total annual farm commodity sales that are linked to annual food expenditures, excluding farm commodities that are purchased directly or indirectly by other farm operations (Canning 2011).

Marketing bill/cost: Market value of all post-farm processes of food dollar supply chain industries, difference between food dollar expenditures and farm share commodity sales (Canning 2011).

METHODS

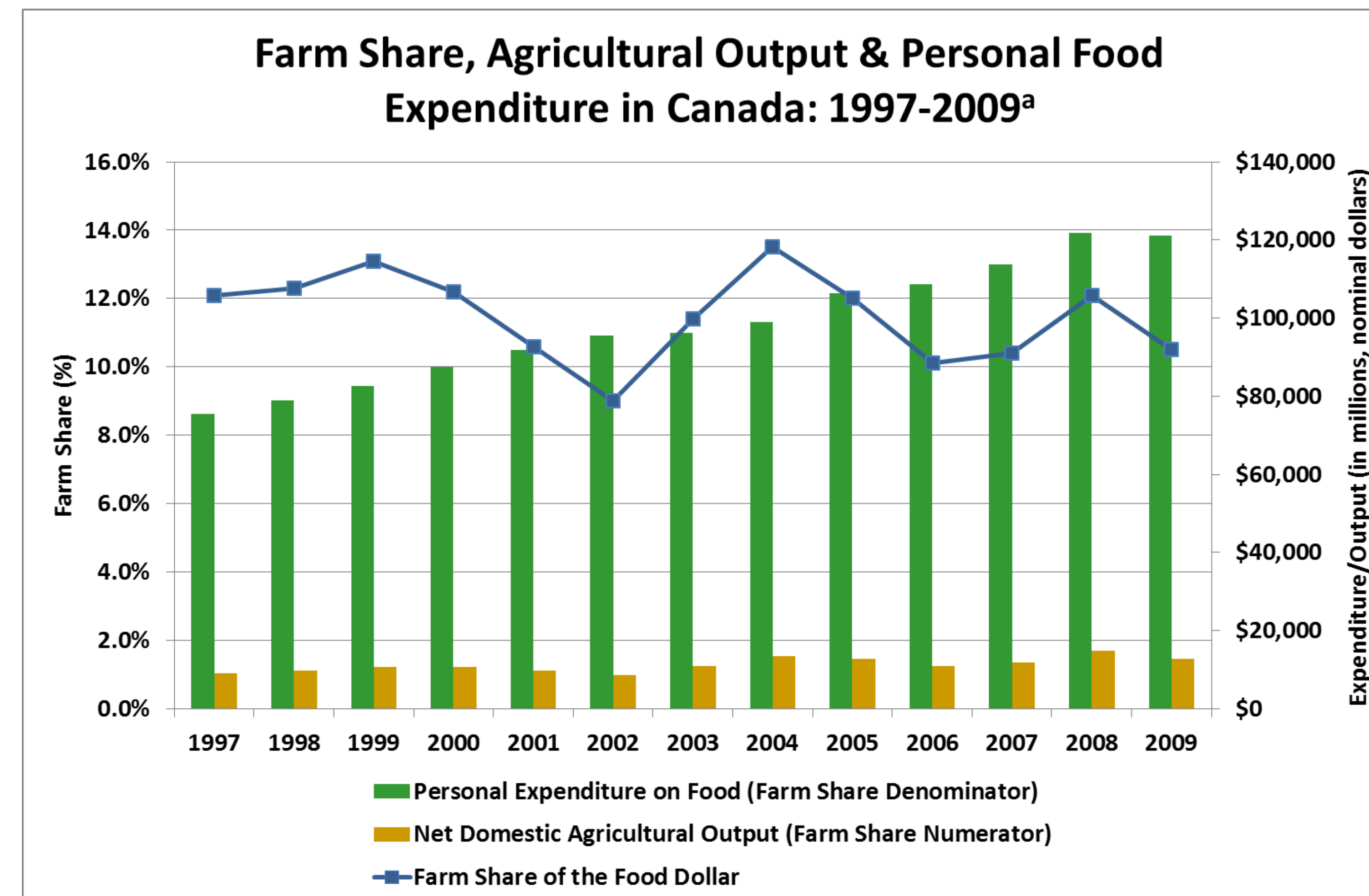
The techniques developed by Canning (2011) were applied to Canadian Input-Output data from Statistics Canada.

$$\text{Gross Domestic Agricultural Output} = \text{Agricultural Output} - \text{Exports} - \text{Imports}$$

$$\text{Net Domestic Agricultural Output} = \text{Gross Domestic Agricultural Output} - \text{Direct Farm to Farm Inputs} - \text{Indirect Farm to Farm Inputs}$$

$$\text{Farm Share} = \frac{\text{Net Domestic Agriculture Output}}{\text{Total Personal Food Expenditure}}$$

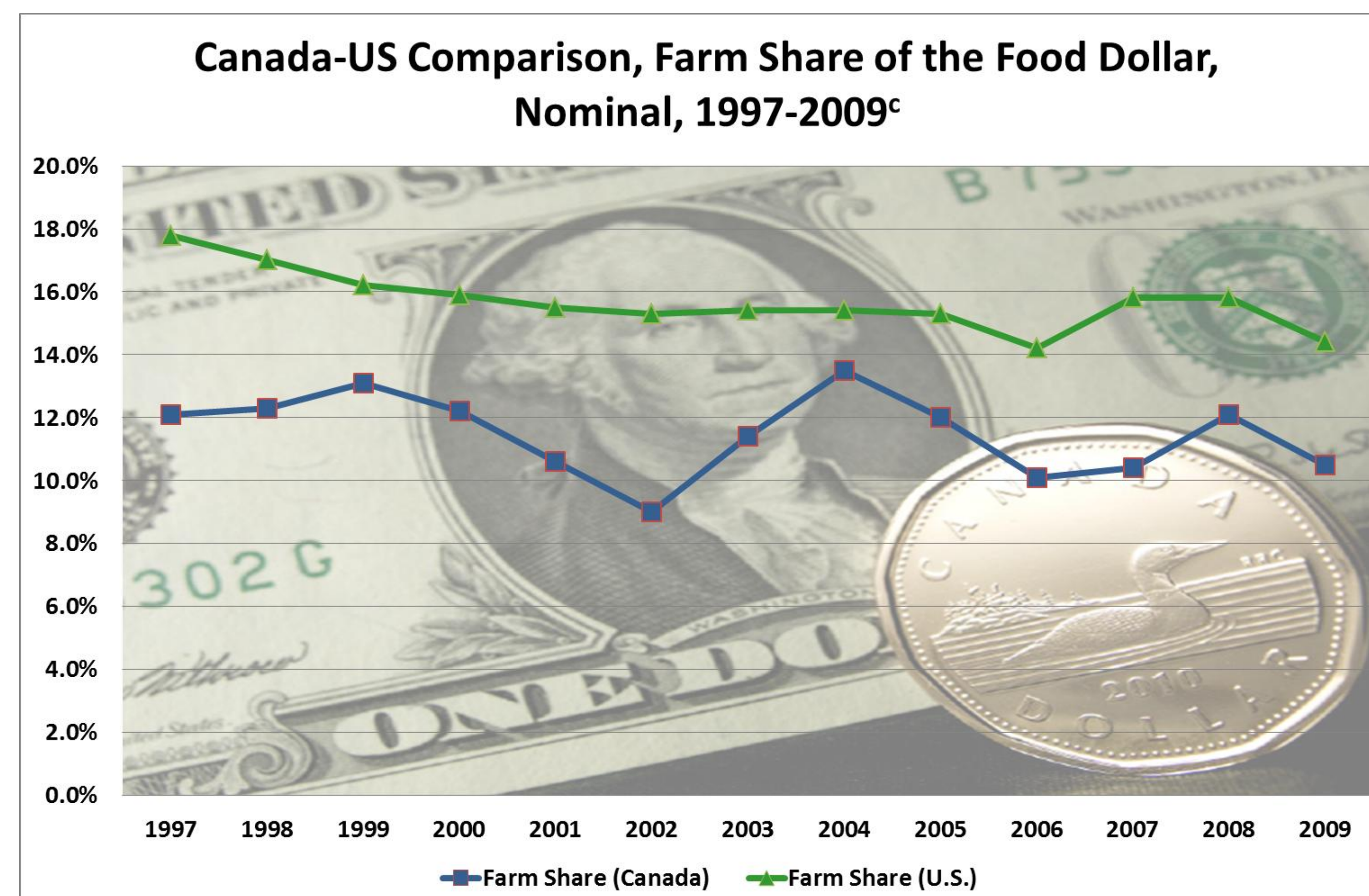
PRELIMINARY RESULTS



^a Note: Total expenditures in 2003, 2006, and 2007 were calculated using modified basic prices instead of purchaser prices due to data constraints.

Canada-US Food Dollar Comparison, Nominal, 1997-2009													
Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
FARM SHARE OF THE FOOD DOLLAR													
Canada	12.1%	12.3%	13.1%	12.2%	10.6%	9.0%	11.4%	13.5%	12.0%	10.1%	10.4%	12.1%	10.5%
US	17.8%	17.0%	16.2%	15.9%	15.5%	15.3%	15.4%	15.4%	15.3%	14.2%	15.8%	15.8%	14.4%
FARM SHARE OF THE FOOD AND BEVERAGE DOLLAR ^b													
Canada	9.6%	9.8%	10.4%	9.7%	8.4%	7.1%	9.1%	10.7%	9.5%	8.1%	8.3%	9.6%	8.3%
US	15.1%	14.4%	13.8%	13.5%	13.1%	12.8%	12.9%	13.2%	13.0%	12.6%	13.7%	14.0%	12.8%

^b Food and beverage dollar includes soft drinks and alcohol.



^c Note: Food dollar definitions vary between Canada and the US due to data constraints.

DISCUSSION OF RESULTS

- Farm share in Canada has fluctuated between 9.0% and 13.5% between 1997 and 2009, yet no consistent trend is evident.
- Overall, US farm share has been 4.2% higher, with an average of 15.7% versus 11.5% in Canada.
 - Due, in part, to methodological differences in calculations as Canadian consumption denominator is not import-exclusive.
 - Canada imports a much higher percentage of food than the US, especially fresh fruits and vegetables.
- Direction of year-over-year change has corresponded in Canada and the US, except for 1997-1999.
 - Canadian farm share appears to have much more volatility.

NEXT STEPS

- Further investigation of the farm share and marketing bill:
 - Food consumed inside the home versus outside the home
 - Values specific to certain agricultural commodities/sectors
- Further disaggregation of the food dollar by other parameters:
 - Industry (processing, packaging, transportation, retail, food services, energy, etc.)
 - Primary factors of production (labour, industry capital, international assets)
- Exploration of the underlying determinants of trends and patterns in the Canadian farm share



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