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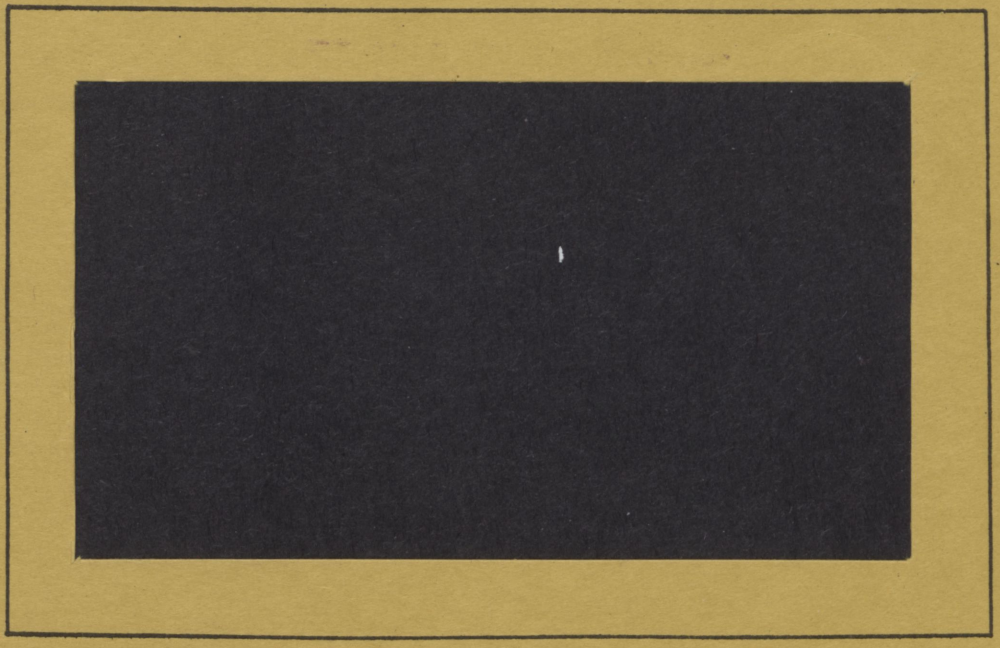

SCHOOL OF AGRICULTURAL ECONOMICS AND EXTENSION EDUCATION

ONTARIO AGRICULTURAL COLLEGE
UNIVERSITY OF GUELPH
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PROCEEDINGS

A NATIONAL FOOD POLICY

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FOREWORD

This booklet contains the papers presented at the O.A.C. Agricultural Conference held at the University of Guelph on January 5, 1977 on the topic, "A National Food Policy."

The authors of these papers were selected because of their different occupational and professional backgrounds. While each has a direct interest in one or more sectors of the Canadian food production and distribution system, each views the industry from a different perspective. While they are generally agreed that problems do exist and that there is scope for improvement in the system their views differ significantly concerning the best course of action to pursue to effect improvements in the system.

Most accept the position that given the different, and often conflicting, goals and objectives that are bound to exist among the various sectors of the food system there is a need for a better institutional framework which would facilitate effective communication, coordination (and often compromise) of the conflicting positions. Through such a process the proponents of a national food policy argue that better policy and program decisions would result and, in addition, the public generally would have more confidence in the food system. Others maintain that the existing framework for policy decision making is basically adequate for this purpose and express concern about any move toward a structure which involves more centralization and bureaucratic control of the decision making process.

The authors of these papers were not asked to specify the components of a national food policy for Canada although several have identified certain aspects which they feel should be part of it. Rather they have focused on the need for a more comprehensive and coordinated approach than now exists, the benefits that might result from such an approach and to whom, and who should participate in the formulation and implementation of a national food policy.

We trust that the information in this publication will enhance the reader's understanding of the Canadian food industry and assist he or she in forming an opinion on the need for a "national food policy."

The OAC Agricultural Conference '77 was an extension activity of the Ontario Agricultural College and was financed under the research and services contract which the University of Guelph has with the Ontario Ministry of Agriculture and Food.

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A NATIONAL FOOD POLICY

- *What does it mean?*
- *Is it necessary?*
- *How should it be developed?*
- *Who would benefit, - Who would lose?*

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QUESTIONS AND ISSUES IN THE FOOD POLICY DEBATE

by George L. Brinkman*

In the past several years food and food policy has emerged as a major concern in both developing and developed countries alike. This paper examines some of the questions and issues regarding food policy to identify crucial areas for analysis and discussion. It begins by summarizing the different food problems facing Canada in an international and domestic context. It then examines the effectiveness of our current policies affecting food and identifies a broader scope which should be considered in formulating a more comprehensive, long run approach to the food problem. Finally, the paper raises questions about the selection of specific programs for implementing a food policy, who would control it, and some of its costs.

What is the Food Problem?

Because food is essential to life, it has always been an important consideration for mankind. In recent decades, food supplies have been relatively abundant and low in price, enabling the question of food to be taken for granted by many of the developed countries of the world. Since 1972, however, world conditions have changed, and we have seen the reemergence of high food prices and shortages in many parts of the world.

The causes of the changes in the world food situation are based on a number of supply and demand factors and are now quite well known. Bad weather in many important producing areas caused crop failures in wheat, rice, and coarse grains, and the loss of Peruvian anchovy schools reduced the availability of protein feed supplements. World grain inventories were also low due to systematic reductions during the 1960's. Inflation and shortages of productive inputs, such as fertilizer and energy, further accentuated the problem of reduced supplies. On the demand side, large commercial imports of food grains by Soviet Russia and the Peoples' Republic

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of China, and of feed grains by Europe and Japan bought up much of the available supplies and sent prices soaring. Devaluation of the U.S. dollar and growing population pressures and affluence heightened this demand.

The result of these conditions is essentially two kinds of food problems of concern to Canadians -- one regarding the international situation and the other regarding domestic problems of food. In the global context, food emerged as a problem of shortages, hunger, and malnutrition among the poor countries and revised commercial relationships among the wealthier, more developed ones. Among both developing and developed countries the U.S. and Canada quickly emerged as the North American "bread basket" with the greatest potential and willingness to provide increased food supplies for the world. Food also quickly jumped into the forefront as an important policy tool in foreign affairs, sometimes with greater consideration than given to agricultural interests. Food aid, demand for expanded production and reserve stocks, and greater access to commercial markets quickly became important policy issues.

Domestically, we face a somewhat different food problem, although it is critical that it be evaluated in the international context. As an affluent, efficient producer of food and one of the few large exporters producing in excess of our needs, we do not face the probability of shortages, as is found in many developing countries. In contrast, our domestic problem of food is primarily one of price and quality. Consumers in Canada are very concerned about fluctuation in prices, inefficiencies in the marketing of food, and costs caused by lack of competition. Producers are also concerned about receiving an adequate and stable return for their efforts and in protecting their asset values. Since Canada is heavily involved in international trade in food products, efficient production is also important to maintain foreign markets.

In addition to price aspects, we also face questions about food and diet quality. Much of our food contains additives for preservation, taste, and product enhancement. Some of these have been found to be dangerous, such as cyclamates and recently determined sodium nitrites. Currently, our rate of cancer is one of the highest in the world. Furthermore, our diets are not as healthy as they should be. The high sugar, fat and cholesterol

content and low roughage in our diets has been linked to obesity, heart disease, diverticulosis, constipation, diabetes, and bowel cancer. These health problems cost us millions a year and many deaths. Slick advertising, the preponderence of "junk" foods, and the absence of nutrition education programs have all contributed to dietary deficiencies.

An important food problem question is "How permanent is the current world situation?" On the one hand there are several indications of continued long term short supplies. Productive inputs likely will continue to increase in price, further disadvantaging the poorer countries. Climatologists also indicate that less favourable weather is likely in store for us in coming decades, with the beginning of a global cooling trend. Furthermore, we have no new major technological breakthroughs "on the shelf" for release in the near future, like hybrid corn or green revolution varieties of wheat and rice. Substantial increases still could be forthcoming from the worldwide adoption of existing technology, but the full impact will require difficult political and institutional changes, and likely will be slow to materialize.

Fortunately, some opposite signs are also emerging. The anticipated record Soviet wheat harvest and good crops in North America should continue to ease grain prices in the coming year. Lower grain prices may cause severe problems for producers, however, with some analysts talking about U.S. wheat at $2.20/bu. In the future, therefore, it seems likely that considerable instability will continue to exist, likely with some long term upward pressures on prices. Given these problems, the challenge facing Canada now is to merge our domestic and international concerns into a common framework for dealing with food.

What is a Food Policy?

In the food policy debate, perhaps the greatest question is just what exactly is a food policy. Within Canada we have some who argue that we do have a food policy while others argue the opposite -- that we have policies affecting food but that they are too fragmented and incomplete to constitute a true food policy. Further questions also arise as to the

effectiveness of our current policies and whether they are doing as good a job as they should. In examining these questions, let us begin with the questions of whether we have a food policy or not and its effectiveness.

One of the strongest proponents of the existence of a current food policy in Canada is the Honourable Eugene F. Whelan, Federal Minister of Agriculture. In his speech to the Unifarm Annual Convention on December 8, he strongly stated "we do have a national food policy and I think it is working very well." In his speech he stated the following four food policy objectives.

1. to assure consumers high quality food at reasonable prices,
2. to assure efficient farmers a decent living,
3. to provide food aid to countries where people cannot adequately feed themselves, and
4. to produce products in which we have a competitive advantage for commercial export.

The achievement of these objectives was supported by the Minister throughout his speech.

Considering these objectives let us examine some of the policy components existing today. First our food is produced by independent, competitive farmers. Many of these farmers, namely the larger ones, tend to be as efficient as any in the world. Most inputs and many products are allocated through the market mechanism. Private enterprise is supported as the means for distributing, processing, and manufacturing food. Public involvement is provided in grading, inspection, and research. In recent years, greater public involvement has also occurred in providing financial assistance to farmers through "stabilization" programs, and in the management or snactioning of marketing boards and supply management schemes. International trade is promoted and domestic producers protected by a variety of trade policies. Food aid is provided to needy countries. Consumer interests are also recognized, as in the case of the two price system for wheat.

In reality we have a large variety of programs affecting food. In

one sense this is our food policy because it is what we have. And let's face it, by world standards, it is working quite effectively. In Canada we have enough food to eat, tremendous variety, and we pay one of the lowest percentages of our income for food. But the crucial questions today go beyond whether we have a policy or if it is effective to examine if we have a policy that will do as good a job as it should - for current conditions as well as far into the future. In this regard our current food policy efforts show important inadequacies and have resulted in considerable loss of public (consumer as well as taxpayer) confidence.

Even though we do have important elements of food policy in our current policies, they tend to be strongly farm oriented. The emphasis in these policies tends to be on farming rather than food, resulting in more of a farm policy than a food policy. This emphasis can be seen in the formulation of current income protection plans where the development of the proposals was done primarily by farmer organizations together with the specific public Ministry of Agriculture designed to serve their needs. These proposals have benefits for consumers, but little opportunity was provided them for involvement in the development stages. Taxpayers, who must pay for the major share of the cost, were also conspicuously absent. When consumer groups have clashed with agricultural interests they have been fiercely attacked as meddling in agriculture's affairs. Promotion of international trade and protectionist policies takes on a similar agricultural bias. Even within the agricultural policy framework, there are inconsistencies and conflicts which reduce the overall effectiveness of the policy and the distribution of benefits throughout the entire agricultural sector. Furthermore, there is much more rhetoric than firm committment to specific programs for international sharing and resource use. Finally, our policies are too often oriented to short run problems with neglect for long term requirements and solutions.

What then constitutes a comprehensive, forward looking food policy that serves both producers and consumers - a farm and food policy if you like? Some of the possible components are listed below.

1. A broadened constituency composed of consumers and taxpayer

representatives in addition to farmer and agribusiness interests, as well as people involved in national and international economic planning. Many food policy decisions should be based on strong international linkages and participation in international programs.

2. Production inducements to expand production if needed, replenishing and maintaining stocks, stabilizing agricultural prices, and assuring farmers of an adequate income. National reserves could be developed as a part of a global reserve system, and specific policies developed for allocating supplies between domestic and competing foreign demands (including food aid).

3. Consumer assurances of a safe nutritional diet, stabilized food prices, greater consumer and nutritional education, examination of the impact of advertising on food demand (including junk food), food aid as a component of domestic welfare programs, and continuation of food inspection and standards.

4. Resource use and conservation priorities, especially for non-renewable resources such as land, energy, and chemicals, as well as waste disposal and environmental preservation. Long term resource requirements need to be identified and assured for as much as 25 years into the future. Specific programs should also provide adequate signals to redirect resources when adjustments in the commodity or resource mix are needed due to demand or costs.

5. Expanded and long term research committments for 1) increasing agricultural productivity, 2) determining the consequences alternative policy alternatives and 3) planning for the future. Support for agricultural research should be shifted rapidly to consumers from the much narrower agricultural base, as consumers are by far the largest beneficiaries of increased productivity in agriculture.

6. Active participation in international food policy, not only through production and maintaining reserves, but by helping developing countries improve their own productive capacity. Developed countries like

Canada can provide expanded financial and technical assistance, training, food aid, and help in population control programs. In addition, they need to open their markets more to the less developed countries by reducing tariff and non-tariff barriers so that the less developed countries can earn the foreign exchange necessary for their development. Population control and increased production in developing countries hold the greatest promise for averting global disasters, as over 90% of all population increase will occur in the developing countries in the coming decades.

Some of the components mentioned above are already in place as part of our existing policy, but many would require modifications or new initiatives. Changes such as these naturally raise a large number of new issues, many of which are discussed in the next paper by Professor Loyns. In addition, several crucial questions still remain unanswered. These relate to the choice of specific programs and institutions for implementing food policy, who will control it, and what are the costs. The importance of these questions is discussed in the remainder of this paper.

What Kind of Programs and Institutional Mechanisms Are Needed?

As with most kinds of policy, the final distribution of costs, benefits, and responsibilities is not determined until specific programs are implemented. Consequently, the eventual selection and operation of specific programs, as well as the development and use of decision making mechanisms for choosing and implementing these programs, are crucial steps in formulating food policy. Most of the food policy debate discusses the variety of alternatives for achieving objectives. Eventually we must make the choices of the alternatives. What specific programs are needed? Furthermore, do we now have the committment and programs to implement a comprehensive, long run food policy, or are new institutional arrangements and programs necessary? Even after programs have been selected, many questions may remain to be worked out to make them operational. The operation of international grain reserves as a means of providing emergency food stocks, for example, requires detailed decisions on how much to store, who should hold the stocks, at what prices should stocks be acquired or

released, who should pay for the storage, and finally who should be responsible for the operation of the program. It is the answers to questions like these that will determine the final composition of our food policy.

Who Will Control Food Policy?

Control in the food system depends largely on control over key decisions and can be very important in determining who benefits and loses. Control over various parts of food policy may exist with input suppliers, farmers, food processing and distribution firms, consumers, or the government -- which possesses authority to regulate and oversee certain aspects of the food system. Internationally, control tends to rest with the wealthy countries, particularly the large exporters in times of shortages, and those providing essential resources.

In Canada, it appears that a major concern among farmers is that a move from a farm oriented policy to a more comprehensive food policy may cause a loss of some farmer control over production decisions. This is a very real concern and one that merits detailed examination. It should be pointed out, however, that the initiatives of farmers in formulating "stabilization" policies already have been toward trading freedom for security. As a consequence, farmers themselves have opened the door for greater taxpayer and consumer involvement in farming decisions by placing greater reliance on the government (public) for their income security. Consumers in their role as taxpayers may take greater initiatives in the future if tax supports become large in times of low product prices.

Concern also should be expressed about the degree of concentration and control experienced by input suppliers and food processing, manufacturing, and retailing firms. These industries are some of the most concentrated in Canada. In formulating a comprehensive food policy attention should be paid to determining, and correcting if necessary, any adverse effects on costs and quality from this concentration, as well as any excessive promotional advertising or noncompetitive practices.

What Are the Costs?

Good decisions about policy also require good information regarding the costs and benefits of alternative programs. Unfortunately, on many aspects of food policy we lack good cost information that is necessary to make the best decisions. Do we really know what current policies really cost us and are we willing to face up to these costs? Furthermore, we need better information on the costs of alternative programs over time as Canada's population grows, urban pressures increase, and prime farm land becomes more scarce. What are the costs, for example, of uncontrolled urban sprawl and the subsequent reduction of farm land to the year 2000, and how much are we willing to pay for full or partial selfsufficiency in many of our agricultural products? Finally, let's be careful to avoid basing too many food policy decisions primarily on the "goodness" or "badness" of a proposed change, and instead evaluate them as given consequences with specific costs and benefits that should be compared with other alternatives, also with specific costs and benefits. Research of program costs should be a high priority in the formulation stages of any comprehensive, long run food policy.

THE CASE FOR A CANADIAN FOOD POLICY

R. M. A. Loyns *

Introduction

The three years since my last appearance on the program of the O.A.C. Agricultural Conference have been marked by an unprecedented amount of discussion involving farmers, consumers, food prices, inflation, the Food Prices Review Board, marketing boards, egg and dairy problems, and a host of other food-related matters. The past year has seen a great deal of debate about a national food policy. This latter debate is not, however, really new. You will recall that a great deal of similar discussion surrounded the Agricultural Task Force Report after 1969, the Curtis Commission of 1957-1959, and the Batten Commission of 1966-1968.

Part of the debate concerns whether Canada has or does not have a food policy. Semantics aside, this is somewhat of a non-question. What is important is that there remain a number of common and recurring problems in the production, distribution and consumption of food products in Canada which the existing framework of policies and programs do not appear to have the capacity to resolve. Moreover, there appears to be a continuing and growing tendency for the public to display a general lack of acceptance of, and confidence in, many aspects of the food industry. It has been the inability of government to cope with these problems in any other fashion that has resulted in the array of Royal Commissions and investigative agencies in the food industry over the past three decades. This problem is apparently intensifying--witness the fact that the frequency of Royal Commissions and Senate committees is increasing, that their areas of investigation are substantially overlapping, and that in the most recent case of beef inquiries, a new investigation has been initiated even before the reports of the last inquiry have been released.

There is no magical blueprint at hand to, once-and-for-all, solve all of the real and perceived problems of Canada's food industry. There

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are, however, several steps--policy initiatives if you will--that could be taken to selectively improve the performance of Canada's food industry. Some of these steps are purely informational, some of them are organizational or institutional, some would involve program changes, and some would involve program initiatives. All of them require a more deliberate and coordinated policy framework than exists today. It is in the firm belief that we can do better on the food policy front, that the tools exist to do better, and that it is in the collective interests of all Canadians to do better that I find the most fundamental and strongest case for a national food policy.

Given this proposition, the objective of this paper is to identify some of the structure and components of a comprehensive national food policy. The discussion begins with a conceptual treatment of the scope of the Canadian food industry and of food policy. It then moves to an overview of the existing policy and program framework, and attempts to identify some of the basic problem areas that persist in food production, distribution and consumption. The discussion then identifies a few areas where new initiatives or changes are required to achieve a more comprehensive, coordinated and consistent framework. The last section indicates some of the achievements that might be expected from the proposals.

Obviously, in undertaking a task of this nature, one runs the risk of permitting personal experience and bias to color the analysis. However, to be constructive, the policy analyst has little choice but to accept this risk and proceed; to do otherwise would be to withdraw into the ivory tower. Throughout the paper, the attempt is made to minimize subjective comments and analysis. The hope is that by presenting the material in this way, a much needed public discussion can be stimulated and helped along.

A Digression

Before turning to the main task, there are two points that require some discussion. First, there seems to be developing a view that the discussion of food policy, as distinct from agricultural policy, is an attempt to single food out for special treatment, and to reduce the importance of

agriculture and farmers. The second is that a comprehensive food policy is the disguised terminology of consumerists which really means eradication of marketing boards. Let us examine these propositions in turn.

Food is being singled out for "special" treatment. In view of the massive amount of "special" public interest focussed on the food industry since time immemorial, and in Canada in the past three or four decades, perhaps "special" policy development would be appropriate. However, food is the only major sector of the Canadian economy which, as a sector, does not have an institutional and program framework which is consistent with the scope of the industry. Consider a few other commodity or service sectors. Transportation, housing, energy, manpower and immigration, fisheries, and automobiles all have well-established policy frameworks and programs; while I personally would not consider the Canadian textile industry to be major, it also has a reasonably specific policy and institutional framework. Moreover, each of these areas has undergone or is undergoing major policy review and change because of problems in our society, and despite substantial uncertainties about the future.

Perhaps a better example is taxation policy. The problems of taxpayers, individual or corporate, are more numerous than the number of taxpayers. Taxation policy shapes the pattern of our economic lives and there are many different views on what a taxation structure should be or what it should do. But, despite all these pressures, there exists a well-defined policy on taxation in Canada. There exists a common, rigidly specified set of guidelines for administration; the policy works and it receives general public acceptability. Moreover, the policy undergoes change, sometimes within the budget in response to medium or short-term economic pressures, or periodically in response to evolving economic, social and political pressures as we saw in 1972.

Consequently, my conclusion is that if there is a question of singling food out for "special" treatment, it is that this has been done in the past; any policy move toward focussing on food as a sector, industry or entity would make it consistent with other major industries in the Canadian economy, not different. Nor can I accept any longer that the Canadian

food industry is so complicated that a common policy thread is impossible.

The second part of this view, downgrading of agriculture, is equally invalid. Those of us who have been in and around agriculture all of our professional lives (and there are a good number who have been around it their entire lives) accept that there are some special problems of agriculture. We also accept that, despite their declining contribution to dollar value of food production, farmers are fundamental to the food industry. But, we also recognize that many of the problems of farmers are continuing, that farmers are a declining proportion of the voting population, and that pressures are developing to offset what appears to be excessive concern for farmer interests in food problems. Consequently, the conclusion is that a food policy that restores some degree of public confidence, attacks some of the root problems in the system, and develops more of the opportunities of this resource-rich nation may be more in the interests of Canadian farmers than any other group in the economy. This may require some changes in shorter-term priorities among farm groups and farm leaders, but to dwell only on the short-term in this policy area could mean long-term disaster.

Elimination of Boards

The last point to be made here relates to the tendency to equate food policy with the elimination of marketing boards. This error arises partly as a result of the fact that most of the debate has been conducted through the media. It arises partly from the tendency to equate marketing boards and supply management. Let us not, however, perpetuate either of these errors in today's discussion. Supply management is one class of regulatory activity which may be carried out under marketing board organization. There are many other forms of regulation that boards may be involved in. Marketing boards, and supply management under marketing boards, are only one among many policy instruments that are available in formulating food policy. There are many functions that marketing boards are suited to in working on some of the problems of food production. I remain convinced that some of these functions are being overlooked, and some others are

being overemphasized.

Where the debate on acceptability of extended regulatory power under boards begins with me is, (1) under what objectives and what conditions do governments provide for rigid market control, and (2) who makes the regulatory decisions. You might recall the musings of the Prime Minister one year ago when he indicated that as a democratic, free-enterprize society moves further away from the discipline of competition and the market, whoever the players, the public deserves and needs protection from another source. There is a good deal of substance to these musings. As a result, in considering the policy instruments of marketing boards, especially as they become more restrictive, the relevant considerations become -- do they accord with the basic policy objectives and other policy instruments, and if they do, are there adequate safeguards to ensure that these conditions will continue to be met.

Scope of the Food Industry

It should be clear by now that my view of the food industry, and therefore of food policy, extends well beyond agriculture. Although farmers (and fishermen) are important-- perhaps critical is a better word--to the food production and distribution process, they are only part of it. As a rule of thumb, about 40 percent of the amount spent by consumers on food goes to farmers; the remainder, more than farmers receive, goes to processing, packaging, transportation, storage, distribution costs, and profits of nonfarmers. It is this view of the food industry which has been popularized in recent years; indeed, recently the Federal Minister of Consumer and Corporate Affairs has been speaking of the "producer to table" definition of the food industry. But is this the real scope of the industry? I think not.

Farmers spend large amounts of money on purchased inputs - sometimes in excess of 100 percent of their revenues. The suppliers of chemicals, fuels, fertilizers, machinery and so on are very much a part of food production. So are the suppliers of resources and inputs that originate with farmers themselves -- land, seed, feed grain, cattle for finishing, hatching eggs, and so on.

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But the picture does not stop there. For the past decade we have been becoming increasingly aware of the relationship between the environment and all stages of food production, and between the environment and the after-consumption part of food--waste disposal. Of course, implicit in all of this, for a resource-rich country like Canada, is the trade side. As a result, the scope of the Canadian food industry is much more than agriculture, and it is considerably more than the "farmer to consumer" concept. The scope of Canadian food industry encompasses farm suppliers, farmers, food processors and distributors, the trade side of agriculture and food, consumers, land and environmental considerations. It is this idea of the food industry that is conveyed in Figure 1. Complex as this may be, it is the Canadian food industry, and it is the framework for food policy formulation.

What is a National Food Policy?

Much of the confusion and condemnation of the idea of a national food policy appears to be drawn from assumptions about specific elements that the policy might contain: e.g., eliminating marketing boards, returning agriculture to a completely free market status, nationalizing food retailing, etc. But these are only options which are available in considering a policy; they would come well along in the policy development process, and they are extreme enough suggestions that they would, per se, likely be unacceptable.

In order to try to avoid reaching polar conclusions about food policy before we have even addressed some of the issues, this section attempts to convey a policy framework in a purely conceptual manner--a model if you like. While this approach may be too theoretic for some, it does help to put some of the arguments in perspective and provides a basis for accepting or rejecting some of the proposals. With this in mind, a model of a structure for Canadian food policy is illustrated in Figure 2.

If for the moment we isolate food policy, the first stage in the policy formulation process is illustrated by the apex of the bottom triangle --food policy objectives. Rather surprisingly there was not, to my knowledge,

Figure 1

The Food Industry

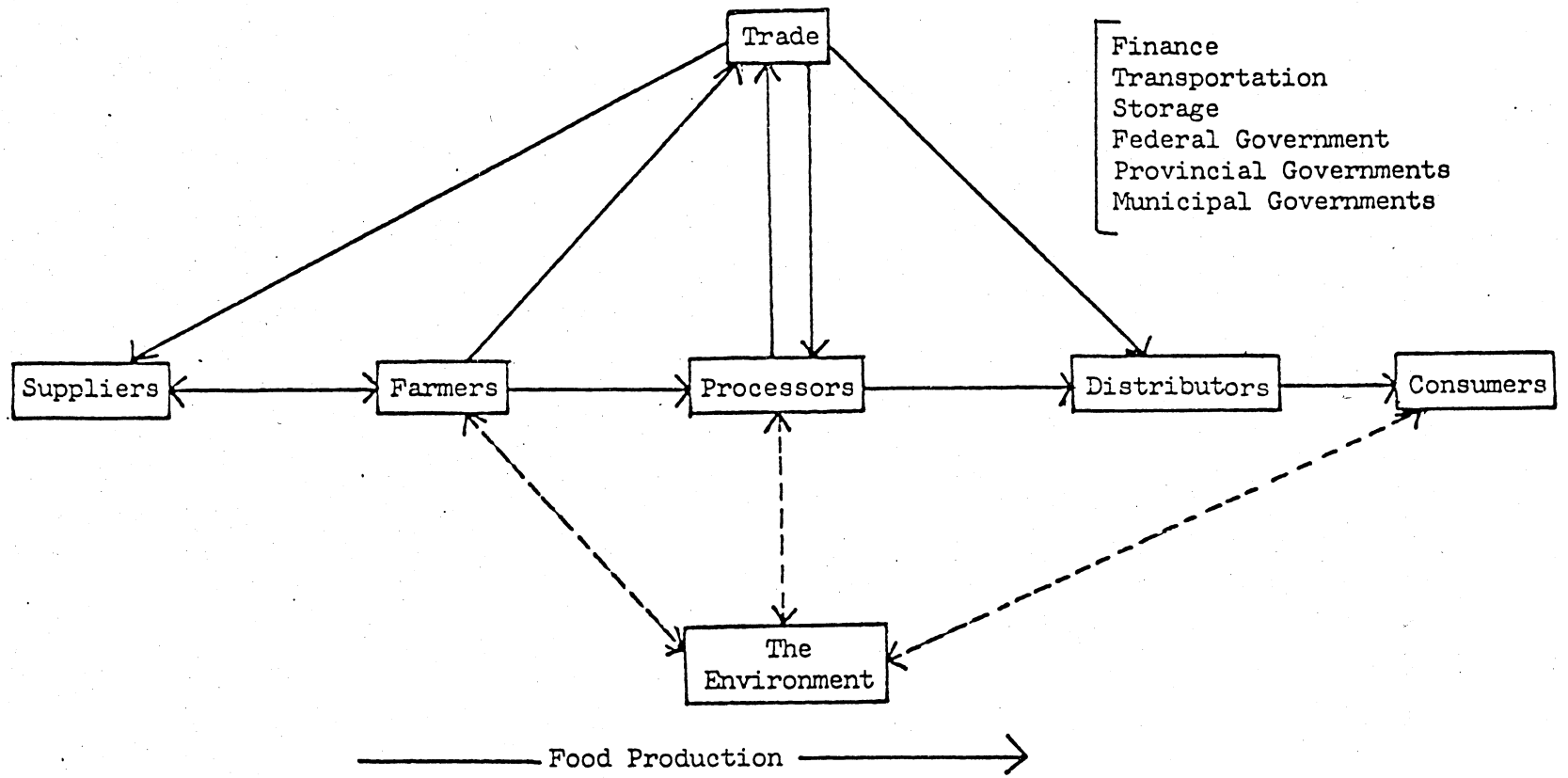
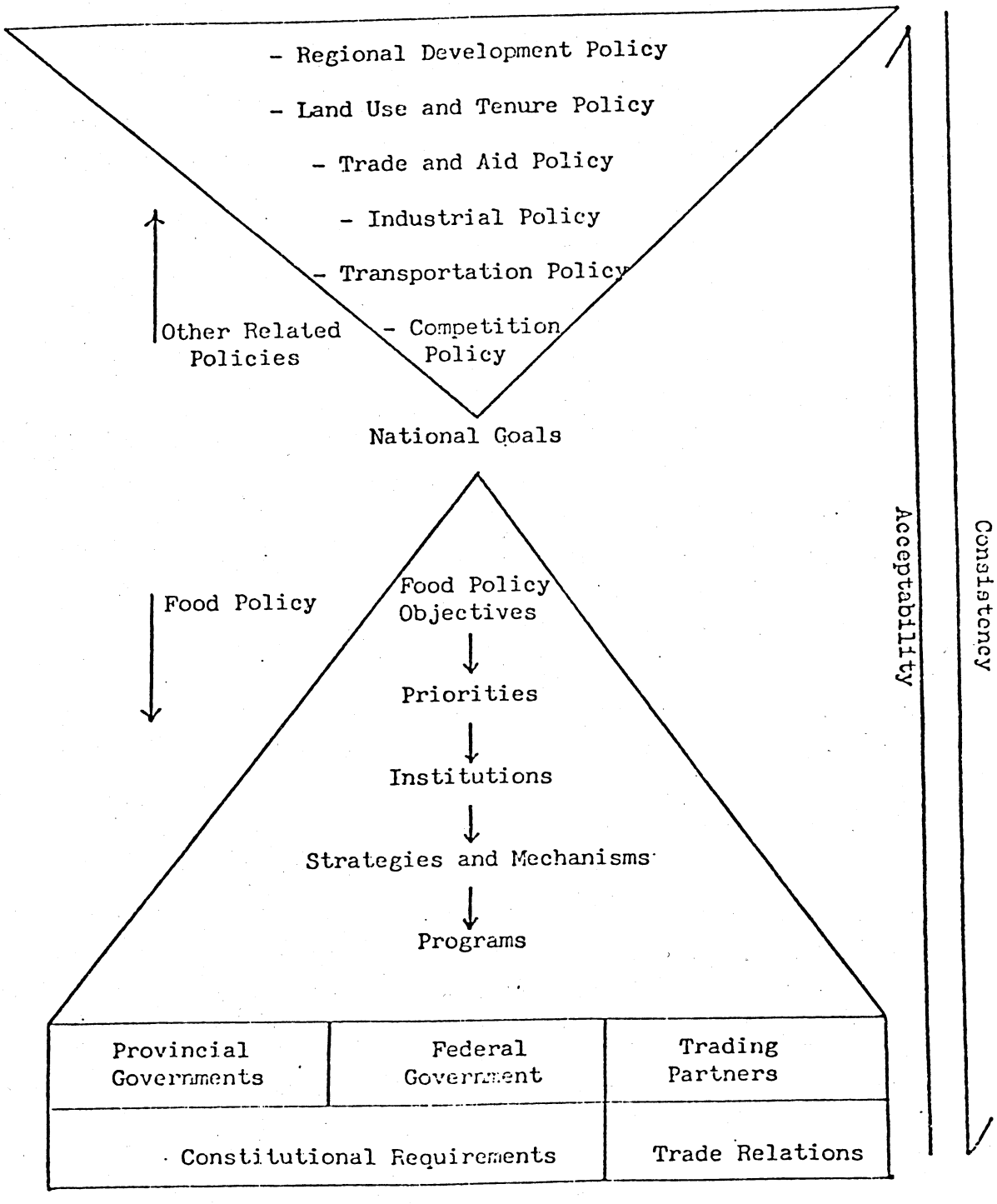


Figure 2

The Structure of Food Policy



any definitive statement of food policy objectives at the national level until the Throne Speech of February, 1974. One of the reasons for this situation is the lack of recognition up to that time of food being distinct from agriculture-- one could even question whether there was, prior to 1970 or 1971, any clear indication of the objectives for agriculture. The Federal Government in the 1974 Throne Speech stated that it was developing a food policy based upon the objectives of:

> -- an adequate and dependable supply of quality food for a growing population in Canada enjoying a rising standard of living;
>
> -- reasonable food prices for the consumer, in not requiring an undue proportion of income for Canadians to secure a sufficient and balanced diet;
>
> -- reasonable food prices for the producers, in providing a return adequate to encourage production of food items which can be economically and efficiently produced in Canada;
>
> -- a continuing supply and increasing production of those food products in which Canada has a competitive advantage for export to commercial markets and also for a contribution to international food aid programs.[1]

Consequently, we do not have a set of clearly stated national objectives. While the true meaning and relevance to program development of these objectives may be questioned, they do provide a starting point for policy development, particularly in identifying the relevance of producers, consumers, and international trade to the process.

The next step in the process is to establish priorities among the objectives. When a comprehensive and well-defined set of policy objectives are established, there are likely to be (1) some conflicts among objectives which can be resolved only by letting one take precedence over others, at least under certain circumstances, and (2) economic and political constraints which require ranking of objectives. If, for example, the objectives imply that farmers must have higher returns and that consumer prices must be held

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[1] Throne Speech extract, February 27, 1974.

down, there may be a conflict in objectives. Further, if budgetary constraints prevent the Treasury from cushioning the impact of trying to simultaneously achieve these goals, a priority in favor of producers or consumers must be established unless marketing efficiency can be greatly improved. In this simple example then, one group will likely be the winner and one the loser; it is up to government to decide the distribution of costs and benefits. Fortunately, the conditions in the food industry are not this simple and there will generally be some opportunity for avoiding these simple kinds of conflicts. The approach to decision-making over the past few years of limping commodity-by-commodity, crisis-by-crisis appears often to have created this simple conflict role when it didn't need to exist. A review of the record indicates that it has often been difficult to identify what the priority system, if any, has been.

The next stage in the process is establishment of the institutions to achieve the policy objectives and effect the priorities. It is at this point that my views and those of the Food Prices Review Boards appear to fully coincide. They argued, as I do, that it is at the institutional side that the policy and policy development processes break down. There are no institutions inside or outside of government, that have the authority, resources, or perspective to adequately undertake the job that is required at this stage. At the same time, within government at both levels, the responsibilities for matters involving food are so broadly diffused (probably more so than any other sector of the economy) that a coordinated policy approach has failed to materialize. It is my firm belief that until some of the institutional barriers have been removed, i.e., until better policy coordination is achieved, the development of comprehensive food policy is impossible. Lest I be misinterpreted, the removal of institutional barriers at the federal and provincial levels does not necessarily require a superfood department.

The last stages in the policy process are the operational ones -- adopting strategies and implementing programs. If, for example, a compelling objective of food policy is the stabilization of conditions for producers, there are several options available. If confidence is placed in the value

of the price-market system, producer guarantees can be achieved by direct income support, by returns stabilization, by producer deficiency payments or by producer price support schemes, i.e., protection only to producers. Alternatively, rigid supply management systems that supplant the market and stabilize the entire system are an option. The point here is that there will generally be an array of options available for achieving a particular objective. Presumably selection of the particular approach (program) should be selected for its effectiveness in achieving the objective at minimum disbenefit (or maximum benefit) to other objectives. It is this criterion which is the source of much of the criticism of some existing programs.

You will notice that the Food Policy Triangle in Figure 2 sits upon a base of Federal-Provincial jurisdictions and constitutional requirements. This is done to recognize one of the most difficult aspects of almost all policy formulation in Canada, Federal-Provincial jurisdictions. Similarly, if Canada is to remain a major food exporter, we cannot neglect the policies and positions of our trading partners (or rivals) and our trade relations with the rest of the world. Consequently, Federal-Provincial trade relations condition the entire food policy process.

While the bottom triangle is the part of food policy that we most frequently think about, there is another aspect which cannot be forgotten. This is illustrated in the upper triangle and the neck of the hour glass if it is viewed that way. Presumably food policy has to be harmonized with the relevant national goals (inflation control, full employment, equitable income distribution, etc.), and more specifically with objectives in other areas such as land use, regional development, competition policy, and the like.

But perhaps the most important aspect of Figure 2 is the requirement for (1) consistency of policy initiatives across the food area and with other policy initiatives in the economy, and closely related, (2) acceptability, which leads directly to the question of public confidence. In addition to the earlier indicated institutional void, it is my opinion that it is the absence of those dual requirements -- consistency and acceptability -- and a serious and growing problem of public confidence, that comprise the root

problems in the food industry in Canada today. Stated another way, there are serious inconsistencies within existing agricultural policy and between agriculture and other major policy areas, and there is a widely held perception that something is wrong in the food industry. This, also helps make the case for a national food policy and represents the fundamental problem that food policy needs to be directed toward resolving.

Where Are We Today?

In attempting to assess the status of Canadian food policy today, it is easy to find proponents on both sides of the "we have it, we don't have it" debate. But as indicated earlier, this debate misses the important point. What is relevant is that whatever we have is, in the end, not meeting the expectations of the Canadian public at large and major interest groups within the food industry, farmers included. The purpose of this section is therefore to briefly summarize what we have in light of the observations that expectations are not being fulfilled, and try to identify where, in the context of what has been said about the scope of the industry and the general nature of a food policy, changes may be required.

In general terms, a few points are noted. First, there does not exist a policy framework which looks at food as a sector, and the weakest link in the framework is the lack of institutional mechanisms. This is what the Food Prices Review Board meant by its references to the lack of horizontal (within a particular level of government) and vertical (between the federal and provincial governments) coordination.[2] In what is said below, this is referred to as the "institutional morass." The second point is that, while there are in place several well-developed policies and programs related to agriculture, there are apparent contradictions and inconsistencies in some of the programs, and there remain several areas in need of policy development. These considerations will be examined under the heading of "inconsistencies in agricultural policy." Third, the lack of a

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[2] Food Prices Review Board, Telling It Like It Is, Ottawa, February 1976.

sectoral approach in food has produced large policy gaps or left some important food policy aspects to general macro-economic policy measures; these are identified briefly in the section entitled "Exclusions."

The final general consideration is money. We do not know exactly how much or where government involvement and support are in the food industry. We do know that there is a great deal of financial involvement, and direct and indirect support to agriculture, and that inspection, safety, research and trade involvement in food after it leaves the producer is significant, both in manpower and expenditure. At today's level of support and prices, my crude estimates suggest that somewhere between two and three billion dollars is involved. This is, even at 2.0 billion dollars, a large amount of money; it becomes even larger when measured in terms of the total value of retail food sales (about $12.0 billion in 1976) or in terms of net farm income (about $4.0 billion in 1976).

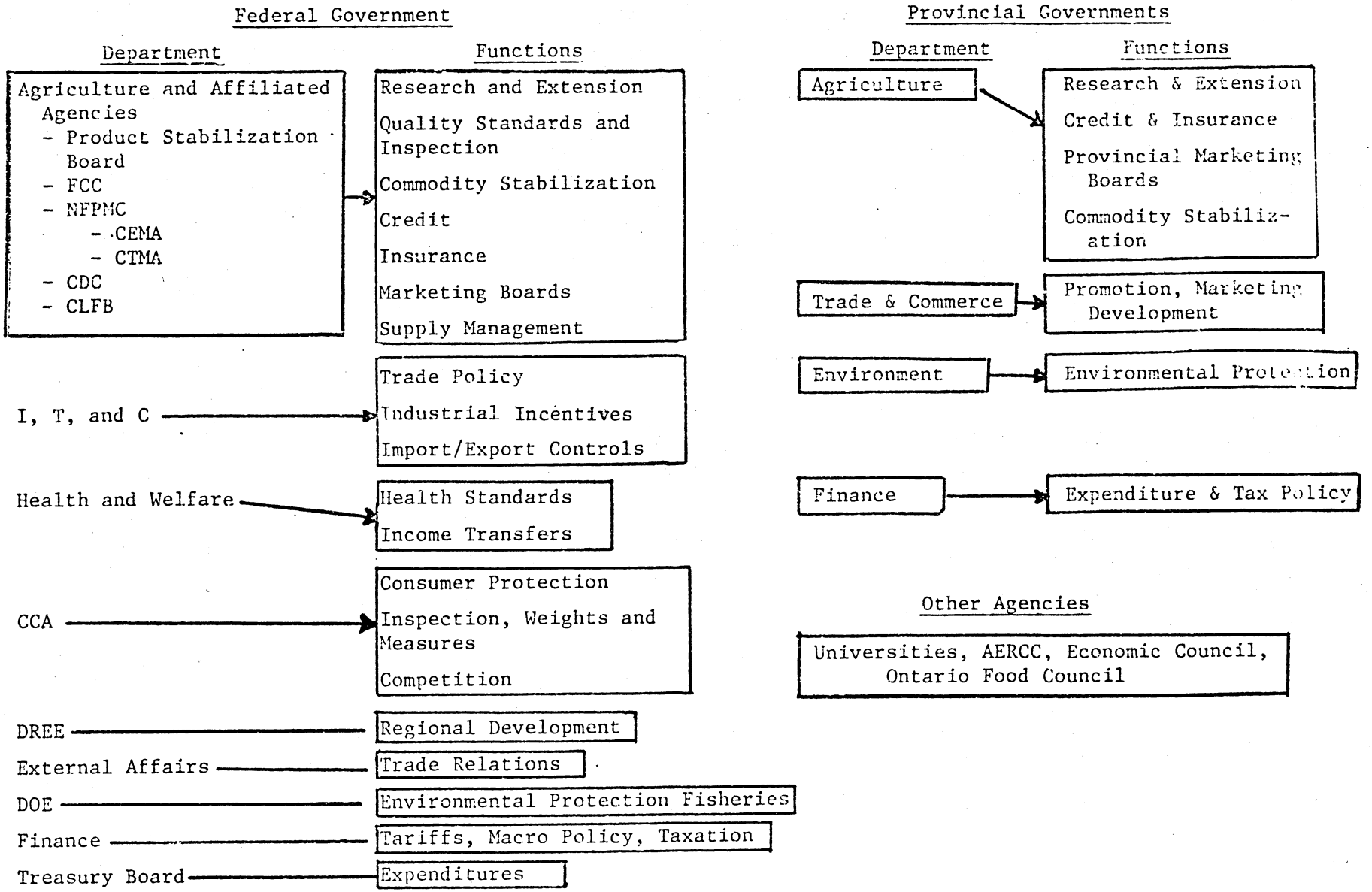
The question that should be asked, however, is whether the mix of programs at the federal and provincial levels is achieving its objectives, and whether a different mix may not achieve greater benefits. Alternatively, some portion of this expenditure, could be viewed as the pool of resources available to achieve improved results under somewhat different assumptions and methods of operation. Once again it is this kind of general question, brought into focus by the amount of public expenditure involved which tends to make the case for mechanisms of coordination--the case for a national food policy.

The institutional morass. Figure 3, summarizes the major federal and provincial departments that have some responsibilities in food. The list is long and the responsibilities are extensive. The real complexities are even greater because of the jurisdictional overlap between the federal and provincial levels.

In the end, if the sectoral approach suggested in this paper were followed, it would make sense to have more food-specific institutions. But that is not necessarily required today. There are several options which might be used to link widely dispersed responsibilities without departmentalizing them. For example, the Food Prices Review Board, by doing its home-

Figure 3

Distribution of Responsibilities in Food Policy Development and Program Administration



work on the outside, appears to have brought together bureaucratic segments of food policy formulation that may otherwise have not communicated. A formalized committee structure with clearly defined responsibilities and staff resources to effect the responsibilities is another option. A third option is assignment of special ministerial responsibilities without creation of an entire departmental infrastructure. Elevating food to a higher level of priority within government and assigning departmental responsibilities is still another option. Consequently, creation of a new infrastructure -- a department -- is only one of many institutional options. But, whatever occurs on the federal or provincial side needs to be coordinated between these two levels of government.

Inconsistencies in agricultural policy. A great deal has been written about the degree of overlap and inconsistency that exists among and within agricultural programs. Canada is not unique in this regard, nor is agriculture unique within the Canadian policy environment. Indeed, the policy formulation process is one of compromising conflicts within political, economic, and social constraints. The following illustrations, because of time and space limitations, are not exhaustive but they do indicate the nature of the consistency problem.

1. By major commodity groups, the following general categories of programs are available to farmers:

(i) supply management, no treasury support, producer managed--poultry products;

(ii) supply management, large treasury support, public management--industrial milk;

(iii) supply management, no treasury support, public management--fluid milk;

(iv) stabilization under the Agricultural Stabilization Act, treasury support if applicable—beef, hogs, and the other named commodities;

(v) stabilization under the Grains Stabilization Program, public and producer funds--western grains;

(vi) some marketing board regulation, very limited public support, producer managed--fruits and vegetables, Ontario beans and wheat.

(vii) no programs, no support-eastern feed grains, most western specialty crops, (until January 1977) cow-calf production.

The problems of concistency arise because resources and factor inputs are reasonably freely transferable among most of these areas of agricultural production.

2. Price support programs used as a means of income supplementation benefit most volume producers--the large farmers--most and aggravate an already unacceptable income distribution problem. Depending how support is achieved, it may also limit market opportunities.

3. Blanket programs that fail to distinguish between commercial and low income farmers divert funds to healthy viable operations and probably limit resources available for the needy units.

4. Import controls on poultry products have spilled over through trade relations to the red meats; similarly between beef and pork.

5. Supply management using border controls to aid producers reduce competition among processors and distributors, probably increase marketing margins and run contrary to the objectives of competition policy.

6. Production cutbacks in dairy result in extreme hardship to beginning producers with large lines of credit, and result in an overflow of beef into already pressed cow-beef markets.

7. Provincial stabilization plans on cattle prolonged the cattle adjustment process and essentially "beggar-their-neighbours;" poultry marketing board operations did the same in the 1969-71 period.

8. Programs which raise producer prices and pass them along, hit low income consumers hardest--milk, dairy products, poultry products and eggs, import limitations on processing beef.

9. Negotiated import quotas for off-shore products under a supply management program virtually guarantee that level of imports with no price benefit to Canadian consumers, and that degree of loss of market for domestic producers.

Exclusions. Because of the historic tendency to equate agriculture and food the nonfarmer portions of the food industry have been substantially neglected except as they relate in a very general way to macro-economic policies. For a different reason (because for much of its period, food price increases originated from international sources) the Food Prices Review Board missed a tremendous opportunity to delve more deeply into the pre- and post-farmer food markets. But because purchased inputs are becoming increasingly important to farmers, and because the processing, distribution, and retailing sectors account for an average 60 percent of consumer expenditures, policy formulation must begin to tackle these areas.

At present, it is my impression that there is a substantial lack of knowledge, except within the business community, about how these sub-sectors really operate and perform. But we do know that there are problems in the competitive structure of the food industry, with productivity, and with industrial location. We know also that, at the consumer level, there are problems with nutrition. The existing policy framework, because we are not yet really looking at food, and because there is a lack of inadequate institutional mechanisms, is not as effective as it might be in achieving improved performance of the food industry or in improving public confidence of the system. The general macro-economic approaches such as taxation, competition, industrial, regional development, and transportation policies have not been meshed with the needs of the food industry because many of these needs have not been identified.

Priority Issues In Canada's Food Industry

All of this leads to Figure 4 where what are considered to be the major food policy issues by area of impact are summarized. Although this audience may be most interested, and in some disagreement with those identified at the farmer level, there is a need to come to grips with those at other levels. Indeed, the need for more basic analysis and information on the non-farm issues is one of the highest priorities. The farm sector and its problems have been subjected to economic and non-economic analysis

Figure 4

Food Policy Issues

Farmers

1. Uncertainty/Stability
2. Commercial/Low-Income Farmers
3. Farm Income Distribution
4. Land Use/Tenure
5. Location of Production
6. Research/Extension

Suppliers/Processors/Distributors

1. Volume
2. Replacement of Capacity
3. Productivity/Efficiency
4. Competition
5. Employment/Trade

Consumers

1. Price Levels
2. Price Variability
3. Choice
4. Nutrition

General

1. Trade: - trade relations
   - opportunities/markets
   - aid
2. Pollution
3. Viability of Canada's Food Production Potential
4. Public Confidence
5. Budgetary Requirements

for many years and there exists at least a small cadre of officials within government, and analysts outside of government who have the capacity to provide so-called "expert" advice on farms and farm-related problems. This is not, however, generally the case for the non-agricultural side and the capacity does not exist to fill this need. This is not to say that the case for a national food policy can be made by the need to develop "experts", nor is it to say that the "experts" should be the sole source of policy. It does suggest, however, that where there appear to be policy problems or program gaps, that information and people better able to use that information would likely improve the system.

Farm Level Issues. In approximate order of priority the following list of issues represent my perception of farm policy problems:

1. distinguishing between the problems of commercial and non-commercial or low-income farmers;
2. reducing uncertainty in producer decision making;
3. improving farm income distribution;
4. certain research, information and extension needs;
5. land use and land tenure problems; and
6. location of production.

Presentation of this particular list does not deny the existence of severe cost pressures and problems. These are, however, related in large measure to the broader questions of inflation, energy and manpower, and are, I think, not unique to agriculture. Where they are characteristic of agriculture, they are part of the issues already in the list. More controversial, however, will likely be the exclusion from the list of a price level and income level problems within agriculture in favor of the uncertainty in planning (related to price and resource returns variability) and the income distribution problem. Commercial farmers in Canadian agriculture have prospered over the years; provided some longer term assurances against disastrous short-term losses they will continue to prosper. These farms generate acceptable rates of return to farm labour and management, and competitive

rates of return to resources. It is the shorter-term wide fluctuations in producer selling prices, variability in land prices, and changes in government policies which create problems for commercial farmers. The issue for these farmers, therefore, becomes one of achieving at the farm level increased stability in the widely varying factors. Returns stabilization similar to the Western Grains Stabilization program, or stop-loss price protection under the Agricultural Stabilization Act (provided the stop-loss level is announced far enough in advance to permit decisions to be made) does this with minimum interference to legitimate market forces and, probably, at least interference with other groups' interests.

The small or non-commercial farm and the low-income farmer represent another kind of problem. This may be an income level problem for the farmer but it is an income distribution problem for agriculture and for food policy. It is a problem which has not been and cannot really be solved by price raising or stabilization measures. These farmers require assistance (financial, educational, and perhaps motivational training) to become commercial operators or they need off-farm employment or direct social assistance if they are to be maintained on farms which have little likelihood of generating acceptable income levels. Efforts to alleviate their problems should neither be confused with, nor allowed to conflict with, the problems of commercial farmers. Unfortunately, there is some lumping of problem identification and program initiatives in the existing policy structure. The sweeping generalizations heard about low returns or incomes in agriculture are one of the indications that this problem persists.

In rushing over the priority issues at the farm level, a special note on research, education and extension is required. In its meeting with Cabinet in May of this year, and again at the recent Outlook Conference in Ottawa, the Canadian Federation of Agriculture raised its concerns over the possibility that fiscal austerity would be reflected in cutbacks in agricultural research.

This should be of concern; there are many problems of agriculture in need of analysis and the pay-off to agricultural research has been very high -- to Canadians as well as to farmers. But there are other aspects of

of this general area which should be brought more sharply into focus. Experiences of the past few years have convinced me that the drift of research activities away from the primary production level to the broader and more fashionable "market" analysis are in need of modification. There should be no question that up until about 1970, we were grossly underemphasizing the market side of agriculture and relatively overemphasizing the production side. But markets, cost conditions, and many input relationships have changed drastically since even 1973; I doubt that research efforts have adjusted to the new environment.

In addition, the changes in market structure and pricing policies associated with supply management and indexed stabilization programs have reduced some of the pressures farmers face and may be altering the kind of information that we consider to be relevant. Finally, there appears to be a drift away from basic extension contact with farmers and a tendency in information dissemination toward leaving more to farmer and private sector initiatives. Whether these factors are a cause or not, it is a fact that agricultural productivity reversed its upward climb in 1971 after generally rapid upward movement for several decades. During the 1971-76 period, agricultural productivity has lost ground to the non-agricultural sectors, and we all know there is widespread concern about Canada's general productivity picture.

The point being made here is a simple one: <u>there remains a great deal to be done in generating basic production information for Canadian agriculture, and in getting that information into the hands and decisions of farmers</u>. The private sector can and should do more of this; marketing boards are an excellent vehicle as well if they would sieze the opportunity. However, the public sector, provincial and federal, also needs to reexamine its research, information and extension priorities to determine if they fit with today's (and the next few years') needs.

<u>The Private Sector: Suppliers, Processors, Distributors, and Retailers</u>

There are at least two types of problems in the private sector of the food industry. There are those of the businessman related to maintaining

or acquiring sufficient volume of product, replacement of plant capacity, and changing government policy. The second category are of a public nature and include competitiveness, productivity and output-employment opportunities. The problems of the businessman are, perhaps, not materially different from those of the business community elsewhere in the Canadian economy. There are, however, some differences. First, because of the public consciousness of food and the feeling that there is something wrong in the food system, these industries receive more than their share of public attention. Second, abrupt changes in governments' approach to agricultural or consumer problems in food (such as import or export controls on beef, import controls on eggs or turkeys, fluid and skim milk subsidies, dairy production cutbacks, changes in feed grains policy, etc.) can cause an extra element of uncertainty and risk in business operations. The lack of an identifiable group of bureaucrats to approach concerning policy, program or regulation changes is also identified by businessmen as a source of frustration, uncertainty and cost. Each of these elements, combined with an expansionist approach in those agricultural products which should show longer run export potential, argue for a national food policy and are consistent with private sector interests.

The second category of problems, in particular productivity and competition, are of broader interest. There is considerable evidence available to indicate that Canadian manufacturing in general and food manufacturing in particular, has been losing ground relative to many of our competitors. There are likely a number of reasons for this situation. Canada's inflation rate, wage costs, capital costs and interest structure, taxation and tariff policy, and the size of the Canadian market as well are causes. The distribution of production and the impact of multinationals may also be factors. Table 1, shows that the effective rate of tariff protection for Canadian manufacturing, and some food manufacturers is substantial. The Economic Council forecast that labour cost problems in Canada will continue and intensify in the next decade. The attached data on concentration in manufacturing indicate that, in some areas, competitive forces may be lacking.

Therefore, some hard policy decisions may have to be made regarding maintenance, expansion, or disappearance of food processors and manufacturers.

Table 1

Estimated Nominal and Effective Rates of Trade Protection[a] Canada, 1966[b]

	Nominal Rate	Simple Effective Rate	Effective Rate Adjustment for Taxes and Subsidies
		(Percent)	
Agriculture	2.34	1.60	5.62
Slaughtering and Meat Processing	4.21	6.45	6.08
Poultry Processors	12.14	42.65	41.84
Dairy Factories	12.56	44.65	44.13
Process Cheese Manufacturers	9.09	13.38	24.44
Fish Products Industry	12.66	34.29	34.38
Fruit and Vegetable Canners and Processors	13.89	24.38	23.88
Feed Mills	8.02	22.58	20.16
Flour Mills	1.82	6.36	6.30
Breakfast Cereal Manufacturers	15.89	30.04	29.40
Biscuit Manufacturers	7.89	9.26	9.13
Bakeries	14.85	23.99	22.44
Confectionery Manufacturers	12.99	20.09	19.98
Sugar Refineries	14.55	37.35	37.16
Vegetable Oil Mills	3.18	35.19	35.03
Weighted Average--All Secondary Manufacturing	10.09	15.47	15.21

[a] Effective Rate of Protection: the percentage decrease in value-added per unit of output that would be expected to occur if industries were to move from their given level of protection to free trade.

[b] Food processing industries on average had higher protection from 1966 to 1970.

Source: Wilkinson and Norrie. Effective Protection and the Return to Capital. For the Economic Council of Canada.

Where productivity can be improved to assist in improving our domestic price performance and international competitiveness, efforts should be concentrated. Those areas which are likely to be longer term losers should be identified and phased out if necessary.

It has to be recognized that again, this is a systems question since what happens at the agricultural level, combined with the productivity, structure and location of farm suppliers and food processors conditions our overall resource use, employment, output and international competitiveness in food products. These conditions are very much a part of food policy and our declining competitiveness in trade is another component of the case for comprehensive food policy.

Finally, competitiveness and trade practices, aspects of food retailing and other levels of the industry remain a cause for concern and are one of the recurring sources of lack of public confidence. The accompanying tabular data, Tables 2-5, taken from a special report done by Dr. Mallen for the Food Prices Review Board shows very high market concentration in food retailing. When a half dozen firms control about 60 percent of Canadian retail food sales, or as much as 95 percent of sales, in certain urban markets, there is the suspicion, if not the reality, that competitive forces are taking second place to business decisions. We know that food retailers in Canada have tremendous market power. It has been documented in the Mallen Report, the Batten Report, the Federal Beef Inquiry, the Manitoba Livestock Inquiry and several other pieces of independent research. Food suppliers will verify these more academic assertions of retailer power. We are experiencing several of the predictable consequences of a high degree of market power -- large advertising and promotion expenditures, excessive storing and store capacity, a higher-than-necessary cost structure in retailing, and pressure on processors and producers.

Some of the same conditions exist at other levels of the food system. The Minister of Agriculture made an issue of the lack of competition, and uncompetitive trade practices in the fertilizer industry last year. The pricing of petroleum products in rural communities appears to reflect uncompetitive conditions in too many cases. The two recent inquiries into the livestock industry suggest some questionable trade practices. And I have

Table 2

INDEXES OF ENTERPRISE CONCENTRATION IN 169 CANADIAN MANUFACTURING INDUSTRIES, 1968

S.I.C. No.	INDUSTRY	Total No. of Enterprises (and Establishments)	Per Cent of Total Value of Factory Shipments (and Number of Establishments) Accounted for by the Largest Enterprises						Total Value of Factory Shipments ($ Mil.)	No. of Largest Enterprises Accounting For:		Herfindahl Index			P.P.S. Index	Coverage Index
			4	8	12	16	20	50		80% Shipments	80% Employment	Empl.	Ship.	Value Added		
1010[a]	Slaughtering & Meat Processors (number of estb.)	365 (399)	58.07 (29)	67.58 (38)	71.48 (42)	74.55 (46)	77.33 (50)	86.07 (82)	1,438.74	24.36	24.82	10.83	13.24	11.36	87.03	85.93
1030[a]	Poultry Processors (number of estb.)	137 (150)	24.19 (8)	37.65 (17)	48.61 (21)	58.34 (27)	64.30 (31)	90.91 (63)	192.58	33.93	42.95	2.31	2.93	2.46	95.83	86.75
1060[a]	Dairy Factories & Process Cheese Manufacturers (number of estb.)	1,165 (1,421)	25.13 (63)	34.81 (115)	40.66 (179)	45.59 (201)	48.79 (220)	62.25 (287)	1,061.71	183.59	185.57	2.42	2.30	3.32	..	..
1110[a]	Fish Products Industry (number of estb.)	301 (376)	37.09 (37)	52.10 (54)	58.64 (61)	63.63 (75)	67.35 (80)	83.90 (117)	269.31	40.82	40.50	4.75	5.42	6.11	95.21	99.95
1120[a]	Fruit & Vegetable Canners & Preservers (number of estb.)	266 (313)	39.27 (23)	52.02 (38)	59.34 (44)	64.33 (59)	68.51 (57)	85.71 (95)	435.75	36.11	42.70	4.46	4.88	5.54	..	..
1230[b]	Feed Manufacturers (number of estb.)	739 (855)	28.10 (39)	38.09 (79)	43.31 (91)	47.96 (101)	51.38 (114)	63.23 (161)	392.83	127.25	219.67	1.49	2.80	2.94	..	..
1240[a]	Flour Mills (number of estb.)	36 (51)	79.65 (18)	90.18 (23)	94.95 (27)	97.69 (31)	99.02 (35)	– –	244.48	x	3.46	22.25	20.32	24.82	97.03	92.79
1250	Breakfast Cereal Manufacturers (number of estb.)	15 (17)	x (5)	x (10)	x (14)	– –	– –	– –	47.74	x	x	33.36	33.81	37.64	..	..
1280	Biscuit Manufacturers (number of estb.)	35 (44)	67.29 (12)	83.61 (17)	90.77 (21)	94.70 (25)	96.98 (29)	– –	102.71	x	7.80	13.09	15.94	18.10	95.69	98.57
1290[a]	Bakeries (number of estb.)	2,375 (2,465)	32.26 (66)	43.89 (81)	49.52 (89)	53.31 (95)	55.55 (99)	63.60 (138)	444.05	296.74	363.08	2.54	3.24	3.24	96.46	93.98
1310[a]	Confectionery Manufacturers (number of estb.)	173 (180)	46.65 (8)	65.41 (14)	75.28 (19)	80.99 (23)	84.57 (27)	95.51 (57)	187.57	x	16.83	8.47	8.80	8.69	74.82	92.41

Table 2 (contd..)

INDEXES OF ENTERPRISE CONCENTRATION IN 168 CANADIAN MANUFACTURING INDUSTRIES, 1963

S.I.C. No.	INDUSTRY	Total No. of Enterprises (and Establishments)	Per Cent of Total Value of Factory Shipments (and Number of Establishments) Accounted for by the Largest Enterprises: 4	8	12	16	20	50	Total Value of Factory Shipments ($ Mil.)	No. of Largest Enterprises Accounting For: 80% Shipments	80% Employment	Herfindahl Index: Empl.	Ship.	Value Added	P.P.S. Index	Coverage Index
1330	Sugar Refineries (number of estb.)	8 (13)	x (9)	100.00 (13)	- -	- -	- -	- -	152.77	3.17	3.13	23.28	24.09	27.15	100.00	100.00
1350	Vegetable Oil Mills (number of estb.)	10 (12)	x (5)	x (10)	- -	- -	- -	- -	94.98	x	5.76	13.55	24.61	21.57	98.90	84.83
1391	Macaroni Manufacturers (number of estb.)	17 (19)	x (5)	x (9)	98.49 (14)	x (18)	- -	- -	22.80	x	4.15	26.60	27.79	29.52	..	..
1392*	Miscellaneous Food Mfrs. (number of estb.)	240 (272)	32.79 (19)	48.37 (27)	57.40 (35)	63.74 (41)	67.96 (46)	85.82 (82)	565.17	34.82	51.85	2.58	4.58	6.51	..	..
1410*	Soft Drink Manufacturers (number of estb.)	410 (470)	40.86 (42)	48.03 (51)	53.06 (60)	56.63 (64)	59.44 (72)	69.11 (105)	225.70	105.41	121.82	5.56	5.91	7.40	99.54	96.86
1430	Distilleries (number of estb.)	13 (22)	84.23 (10)	96.38 (17)	x (21)	- -	- -	- -	228.40	x	5.33	18.74	24.60	25.54	87.87	95.83
1450*	Breweries (number of estb.)	11 (52)	94.57 (41)	99.65 (49)	- -	- -	- -	- -	298.44	x	2.58	28.78	30.88	32.05	99.05	99.98
1470	Wineries (number of estb.)	13 (19)	71.18 (9)	94.96 (14)	x (16)	- -	- -	- -	23.09	x	5.57	14.24	16.13	15.90	95.33	100.00
1510	Leaf Tobacco Processing (number of estb.)	13 (18)	92.34 (9)	99.03 (13)	99.97 (17)	- -	- -	- -	99.52	x	4.13	20.02	25.80	23.40	100.00	99.00
1550	Tobacco Products Mfrs. (number of estb.)	12 (20)	91.37 (11)	99.93 (16)	100.00 (20)	- -	- -	- -	280.26	x	2.78	33.19	30.00	30.81	100.00	99.00

Source: Concentration in the Manufacturing Industries of Canada (1971). Ottawa, Department of Consumer and Corporate Affairs; in L.K. MacCartney, Structure of Canadian Food Processing Industry (Ottawa: Agricultural Economies Research Council of Canada, no date), pp. 62 - 63.

Loyns · Source: Mallen, B. "A Preliminary Paper on the Levels, Causes and Effects of Economic Concentration in the Canadian Retail Food Trade: A Study of Super-Market Market Power." Prepared for the FPRB.

Table 3

Concentration Ratios for the Food Manufacturing Industry, 1968

SIC Code	Industry Name	Establishments No.	Enterprises* No.	Portion of Industry's Shipments by Top Enterprises (%) 4	8	12	16	20
101	Slaughtering and Meat Processors	432	393	55.0	63.8	68.5	72.3	75.1
103	Poultry Processors	115	98	32.5	47.5	58.3	67.0	72.9
105	Dairy Factories	1,037	805	22.6	33.2	39.3	44.4	48.2
107	Process Cheese Manufacturers	9	9	x	x	x	-	-
111	Fish Products Industry	367	289	34.9	48.0	55.8	61.4	66.0
112	Fruit and Vegetable Canners and Preservers	295	240	38.4	52.1	60.2	66.3	71.5
123	Feed Manufacturers	872	730	29.3	38.7	45.7	50.5	53.8
124	Flour Mills	42	28	76.9	88.2	95.1	98.6	99.5
125	Breakfast Cereal Manufacturers	18	16	95.3	99.2	99.8	100.0	-
128	Biscuit Manufacturers	47	39	66.8	81.5	88.2	93.0	96.1
129	Bakeries	2,135	2,066	30.7	43.8	49.4	53.4	55.7
131	Confectionery Manufacturers	155	149	46.1	67.4	77.5	83.4	87.4
133	Sugar Refineries	13	8	92.4	100.0	-	-	-
135	Vegetable Oil Mills	11	10	81.8	x	-	-	-
139	Miscellaneous Food Industries	275	240	33.0	47.6	57.5	64.5	69.5

x confidential
- not applicable
* including commonly owned or controlled companies

Source: Statistics Canada Weekly, April 19, 1973; in L.K. MaCartney, Structure of Canadian Food Processing Industry (Ottawa: Agricultural Economies Research Council of Canada, no date), pp. 64.

Loyns Source: Mallen, B. "A Preliminary Paper on the Levels, Causes and Effects of Economic Concentration in the Canadian Retail Food Trade: A Study of Supermarket Market Power." Prepared for the FPRB.

Table 4

FOUR FIRM MARKET SHARES (PERCENTAGES)

FOR LARGE URBAN AREA MARKETS

BY ECONOMIC REGION

1964, 1968, 1973

	1964	1968	1973
Canada (Corporate Only)	55	56	64
Atlantic (Corporate Only)	53	61	73
Quebec (Corporate Only)	37	36	54
Ontario (Corporate Only)	64	65	62
Prairies (Corporate Only)	61	62	84
British Columbia (Corporate Only)	62	69	70
Canada (Inc. Voluntary & Corp.)	61	65	71
Atlantic (Inc. Voluntary & Corp.)	64	72	87
Quebec (Inc. Voluntary & Corp.)	45	44	67
Ontario (Inc. Voluntary & Corp.)	70	71	66
Prairies (Inc. Voluntary & Corp.)	65	83	90
British Columbia (Inc. Voluntary & Corp.)	62	72	72

Source - Developed from data submitted by stores and Statistics Canada.

Loyns Source: Mallen, B. "A Preliminary Paper on the Levels, Causes and Effects of Economic Concentration in the Canadian Retail Food Trade: A Study of Supermarket Market Power." Prepared for the FPRB.

Table 5

LOCAL MARKET CONCENTRATION LARGEST FOUR

ORGANIZATIONS IN EACH MARKET

1973

PERCENTAGES

	Rank	Four Organizations Market Share (Voluntary And Cooperatives And Corporates)
Thunder Bay	1	98.4
Saskatoon	2	94.7
Saint John	3	94.1
Halifax	4	93.9
Edmonton	5	93.0
St. John's	6	92.3
Calgary	7	91.9
Regina	8	91.1
Sault Ste. Marie	9	86.4
Winnipeg	10	84.2
Sherbrooke	11	84.1
Kingston	12	82.7
Sudbury	13	81.4
Windsor	14	81.1
Peterborough	15	78.8
Vancouver	16	72.5
Kitchener	17	71.9
Ottawa	18	71.0
Victoria	19	70.7
Moncton	20	70.2
Sydney	21	69.8
Oshawa	22	69.7
Sarnia	23	69.5
Montreal	24	68.8
Hamilton	25	66.2
London	26	66.0
Brantford	27	63.3
Three Rivers	28	60.6
Quebec City	29	60.3
Toronto	30	60.1
St. Catherines	31	57.8
Lake St. John	32	39.5

Loyns Source: Mallen, B. "A Preliminary Paper on the Levels, Causes and Effects of Economic Concentration in the Canadian Retail Food Trade: A Study of Supermarket Market Power." Prepared for the FPRB.

repeatedly argued that the implementation of restrictive marketing boards has a spill-over effect into processing and distribution, reducing competition there.

Slowing or reversing these conditions, and achieving some of the economies that are available when competition is effective will not be easy. We don't even appear to have the policy instruments at hand. But these problems do exist, they are very real, and they are affecting the overall performance of the food industry. Only coordinated and deliberate policy initiatives will achieve solutions. To suggest that proposals of this nature are anti-business is to accept that businessmen do not believe in real competition. Since most do, there is the opportunity to proceed.

Consumers

Identifying the real policy issues at the consumer level is one of the most difficult tasks in food policy formulation. There are several popular indicators of these issues. One of these is the proportion of the consumer budget spent on food. It was mentioned in the Throne Speech of 1974, and non-consumer groups often hold out the low proportion of income spent by Canadians on food as an indication that we should not be concerned over food prices. In the past several decades, the average proportion has declined to around eighteen percent in 1974; because of relatively rapid increases in food prices, the proportion climbed slightly in 1975 but it will likely be down a little in 1976. We can expect it to decline again in the future except for periodic pauses or increases because of food price spurts.

Some say this is the consumer issue and that the evidence shows that consumers are well-cared-for. I disagree. On average, this is a low proportion of total income to spend on food. However, one of the reasons for the low proportion is the level of incomes in Canada, not low prices. Moreover, the average is composed of some consumers who spend upwards of 40 percent on food. What then is the norm for policy formulation? I doubt if there is one here, anymore than there is in the distribution of farm income. Higher farm prices will not solve the problem of small, low-income

farmers, and lower food prices will not solve the problems of low-income consumers. They require different initiatives -- but they represent real problems. But unlike the farm income question where there are comparisons with non-farm employment activity, food expenditure is a consumer choice situation and does not provide a normative basis for policy purposes. Even at 10 percent expenditure on food, there would remain concern over other aspects of food -- that is the nature of the commodity.

A second popular indicator is the number of complaints received about food products. Usually they relate to price rises. In 1969 it was beef; in 1973 it was all food; in 1974 it was sugar; this year it is coffee; next year it will likely be beef again. By this norm, all that needs to be done is to achieve price stability, and consumers (the vocal few who express themselves this way!) will be happy (and well-cared-for!). We have accomplished much of this stability in dairy and poultry products. But consumers are paying a substantial price for that stability, not in the pennies per capita per month that are often quoted, but in the tens of dollars per family per year. As argued below, consumer price stability may be a consumer food policy issue but it is one which should receive second or third order priority.

What is of primary importance to consumers is price level. If consumer prices average even one percent too high for any reason (price assistance to farmers, market inefficiencies, tariff policy or whatever) that represents 120 million dollars in lost consumer purchasing power (measured on 1976 retail food sales). Dr. Mallen in his Food Prices Review Board study suggested that retail food prices may be three or four percent too high because of lack of retail competition (and higher than that in some regions). If you believe some of the other figures that have been suggested, there may be another two or three percent from agricultural policies. Therefore, there is some evidence to suggest that dramatic policy changes could reduce food prices by a very real amount. This would also reduce the proportion of income going to food. Notwithstanding the earlier comment about the ineffectiveness of solving low income food problems by reducing prices, a five percent reduction in real food prices is much more significant to

low than high income consumers.

Another important consumer (and public) issue is nutrition. The Nutrition Canada survey and reports showed that this country has a serious nutrition problem. There are Canadians, many of them, who show various stages of malnutrition. Although the preponderant problems seem to be among some children, the aged, pregnant women and the Native populations, there are problems right across the Canadian population. If there is no other reason to do something about our state of nutrition, there is financial motivation. Sooner or later, most serious nutritional deficiencies will show up as lost productivity somewhere in the economy or as added public medical expenditures. I have been told that the costs run in the billions of dollars. While some may disagree, I view the nutrition problems as a very close relative to food problems and endorse any nutrition initiatives as part of food policy initiatives.

In the final analysis, consumers don't expect farmers and businessmen to work for nothing. Nor do they expect, or want, food price levels so low that food production and distribution are unprofitable. But they do want assurances that prices are no higher than necessary to assure efficient business a resonable return, that production and distribution are competitive and reasonably efficient, and that when prices rise or fall dramatically, that there is a valid market reason for the situation. Nor do I think that consumers are really concerned about unstable food prices provided the assurances that the system is protecting their interests in efficient and competitive food production and distribution. They do, however, question what appears to be excessive advertising, uncompetitive distribution, and administered prices which do not appear justified, as well as heavily subsidized food exports while domestic prices are held up.

The existing policy framework and institutional arrangements are not providing the assurances sought by consumers and consumer groups. This goes a considerable distance toward explaining the lack of public confidence, and <u>is a further component of the case for a Canadian food policy</u>.

Public Issues

Unfortunately the issues of the Canadian food industry do not end with farmers, the private sector or consumers. There are a set of collective problems or public issues that also require attention. Among these are:

1) trade opportunities, aid responsibilities and trade relations;
2) environmental protection, pollution and resource conservation;
3) maintenance of the long-run productivity of the food production base;
4) budgetary drain; and
5) public confidence.

In view of the length of the paper already, these areas will not be discussed. The argument is, however, that more focus and better coordination than presently exists is required to minimize the problems and maximize the opportunities associated with Canada's food industry.

New Initiatives

It is almost redundant at this late stage of the paper to suggest that new food policy initiatives are required. This is, however, the real purpose of the exercise. As a result, the next few pages develop some of the major implications of what has preceded this section. Some assumptions and a few value judgements are made but this is in keeping with the observation that the policy analyst has to assume some risks.

Under the assumption that progress toward a meaningful food policy will be slow, and realization of results even slower, the initiatives are of three types:

1) establishment of a food policy framework;
2) formulation of more definitive objectives and priorities; and
3) establishment of an institutional framework for policy development and coordination.

A policy framework for the food industry has been presented through-

out this paper. I think it is realistic and operational. If it isn't, we need an alternative. But we need a better focal point than exists today. The need for coordination and policy development is immediate enough, particularly but not solely at the federal-provincial level, that the institutional mechanisms are required now -- they are a first-order priority.

It is in the area of the real food policy objectives and priorities that value judgements and hard political decisions are encountered. In order to minimize the extent to which my own value judgements condition any proposals, and to leave political decisions where they belong -- with the politicians -- it is useful to deduce a few things from other major policy positions. Perhaps the most definitive outline, at the federal level, of economic policy is obtained from the anti-inflation program introduced in October, 1975, and the last two Throne Speeches, February 1974 and October 1976. Each of these policy statements reinforced the commitment of the Federal Government to attack the problems of farmers, to improve their general economic position, and to reduce the degree of uncertainty in their decision process. But it also undertook the commitment to assure that the interests of consumers and other participants in the food industry are recognized. Concern was expressed in a general sense with the overall productivity and competitiveness of Canadian industry. But most importantly, there has been a very clearly stated commitment to maintain the market as the primary resource allocator, to permit the private sector to achieve a greater role in economic decision making and to emphasize international market penetration. These policy statements are supported by initiatives aimed at improving the functioning of the market so as to assure achievement of the objectives and socially acceptable distribution of the benefits.

These kinds of propositions are transferable to the food industry, and I make the assumption that this collection of policy objectives, although perhaps poorly summarized here, are the underlying food policy objectives. What are some of the general implications of a more competitive, flexible, market-oriented food industry? One of them is that it provides consumers with the lowest long-run price structure. Although sugar is not the epitome of competition and healthy market conditions, implementation of market

controls or long run contracts at the height of sugar prices in 1974 would surely have raised the average price of sugar to consumers; other examples could be cited. In addition, a more market-oriented approach in some of the administered price products could produce modest but real price reductions. Second, a more market-oriented approach implies larger volumes of product in some areas, improved conditions for processors, an improved trade picture, and a reduction in trade relation problems. Finally, in a few areas, it implies greater flexibility among farmers and does not, if alternative farm assistance programs are implemented, require a loss in the economic welfare of farmers. Let us now turn to a few specific implications by sector.

If food policy were to move in the direction indicated, it would imply removal of some of the conflicts that presently exist between farm programs, and a greater harmonization of approach. It would suggest some strengthening of market processes in those areas where the market is now used (sometimes very imperfectly) and a modification in rigidly administered programs.

Farm assistance could be achieved by more broadly based returns stabilization in the longer term with short-term conditions for producers cushioned by stop-loss or averaging procedures. Treasury costs might increase, but not necessarily if the universal price support measures now used were modified to reduce the income distribution problem identified earlier. Also, there is opportunity for producer participation in such programs since it is occurring in the many commodities at present. For example, producers will pay approximately one-third of the cost of the new grains stabilization program, they have commitments in some of the provincial livestock stabilization schemes, poultry producers have paid into their supply-management schemes, and Canadian dairy producers are paying about 12 percent of their gross price for industrial milk to the export levy system. What is being proposed therefore is neither new nor novel; it is an existing approach in some areas applied more comprehensively in order to achieve the kind of policy harmonization that has been repeatedly proposed throughout this paper.

The Private Sector. The initiatives required in the private sector involve efforts to improve productivity, alleviate problems of capital replacement, industrial location and structure, and business behaviour. Tariff protection may also require some initiatives. Most of these are to some extent interrelated. There is enough information available on some of these areas, notably market concentration, to begin efforts to alter market power directly or to modify some of its effects. Presumably the Bryce Commission will have some general recommendations on this issue when it reports later this year. Other areas, probably including the general question of productivity, require additional analysis.

While the business community may consider some of these modifications to be against its interests, it should be kept in mind that the objective is more competitive, more productive supply, processing and distribution sectors. Hopefully all Canadians support that concept.

Consumers. The new initiatives related to consumers involve primarily providing the system and assurances that convey a measure of confidence to them. It may require removing or reducing some of the conflict situations that have been built up and it requires a greater capacity to explain to the public and consumers what is going on. This was the major contribution of the Food Prices Review Board, but there is no longer a mechanism which is filling the void left when the Board was terminated. The food industry is complex and not generally well understood but it is not incomprehensible. Initiatives to improve its understanding would be a positive contribution to improving public confidence.

It has already been argued that a market orientation would help achieve what is required on price levels; the assurances and information suggested would remove many of the problems perceived by consumers with price instability. The final consumer initiatives, according to previous arguments, relate to positive policy formulation around nutrition and strengthening some social assistance programs to assist low income earners with food purchases.

Some of the Probable Consequences of A Canadian Food Policy

Having gone to such lengths to make a case for a more comprehensive

food policy, one might conclude that I anticipate obvious, dramatic, and substantial benefits to flow if all of this were achieved. It would be highly desirable if food prices could fall to consumers, stabilize for consumers and farmers, and simultaneously have agricultural prices rise. Such a bliss situation is not possible nor should it be even suggested. The quantitative results, advantages and efficiencies of a more coordinated national food policy, while real, would be distributed over time so as to be largely imperceptible, and many of them would be intangible. We would not, for example, anticipate major price reductions or a reduction in the overall food price level; it is not like anti-inflation policy where price controls immediately show up in a moderated rate of price increase. Nor would prices necessarily be less variable over time. We have to recognize that price stability in an open economy like ours comes at a very high price. Nor can we, as a general matter, talk about a more flexible and competitive economy in the same breath as we seek pure price stability. Administered, rigid systems provide more price stability; competitive conditions produce relatively more price variability -- that is an economic reality.

But what can be expected is a more flexible, productive, and smoothly operating food industry, certainly not perfect and not without problems, but improved. We might also expect that the level of public confidence in the system, and acceptance of it, would be elevated. This is no small benefit. It would, among other things, provide the opportunity for our politicians, bureaucrats, consumer groups, farm and industry leaders to spend less time fighting brush fires and non-problems, and more time seeking solutions to real problems.

It is difficult to assess at this stage what would happen to treasury costs. This would, in part, depend on how far and how fast the policy mechanisms were applied, the precise form they might take, and the modifications in existing programs that were instituted. It is, however, my considered opinion that roughly the same aggregate support could be provided agriculture, while achieving better performance on farm problems, with little added public cost. It is also my considered opinion that several of the initiatives suggested for the private sector and for consumers can be under-

taken at relatively small additional expense. True coordination and harmonization can be, and would be in this case, a low cost activity.

Conclusion

In terms of policy development and policy status in Canada, food is in a relatively primitive and disorganized state despite the long historic concern about the problems of farmers, of food prices and Canada's role in food trade, and despite several comprehensive investigations of problems of the food industry. Contrary to the impression that some spokesmen for agriculture appear to be attempting to create, the development of a national food policy can have substantial positive benefits for Canadian farmers. Nor is it some consumerist, bureaucratic, academic, or industry motivated plot to "get agriculture." If it were, you can be assured that several of the major public proponents of such a policy would not be in that camp, myself included.

Several problems that remain in agriculture have been identified and discussed in this paper. There are also problems at other levels of the food production and marketing system, some of which have been discussed. And there are real and perceived problems among Canadian consumers. For these reasons some policy changes are indicated. But it is not only in response to problems as such that policy initiatives may be required; this country has opportunities in food production which it is only partially realizing and others that have so far passed us by.

The strongest case that I hope to have made for a comprehensive national food policy is that it is only through cooperative, coordinated, and consistent policy initiatives by governments at all levels, that the problems can be minimized and the opportunities maximized. The first step toward achieving this basic goal of food policy is to establish the underlying objectives and priorities, establish better communication between those who have responsibility in the food policy area, and establish the research and institutional mechanisms required to begin moving toward the objectives. This will certainly take time; it may require more, but it could require less, government intervention; and it could require more

public expenditure but it could also require less. Most certainly it will also require some significant changes in attitudes and positions among certain groups -- particularly farm leaders. Hopefully the process will not require so much time that another burst upwards in food prices will be upon us before some policy initiatives are undertaken in the frenzy of seeking some kind of public response -- almost any response to be seen to be doing something. And hopefully as well, the policy initiative will be more productive than appointment of another review agency to buy time while the problem disappears for another time.

In preparing this paper, I recalled a statement which I read several months ago. It probably summarizes my arguments and makes the case for a food policy much better than I have been able to, and it certainly lends substantially more creditibility to the idea within the farm community than do my arguments. The statement in part reads as follows:

> With the central importance of food to our economy, and for both the traditional domestic and export markets, and also because of our responsibilities as a nation to help feed the hungry world, I believe that we should develop a nationally co-ordinated, and integrated agriculture and food policy. The Federal government, the Provincial governments, and we as farmers (and the food industries and consumers) all have responsibilities and I think there would be much to be gained from developing a long-run food and agriculture strategy so that appropriate plans could be made not only by we as farmers, but also by others responsible for various parts of the food chain..... Moreover, even as we make national commodity strategies, it will be necessary that all commodity prices be synchronized with each other, and also that provincial government policies are harmonized with one another, and with those of the federal government..... there are some basic and far-reaching policy matters which have to be tackled in depth, and on a broad front, and which must be tackled in an integrated way by all who have something to contribute to the building of the strategy.[3]

That statement was made by the President of the Canadian Federation of Agriculture, Mr. Munro, at the last annual meeting in February, 1976.

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[3] The Canadian Federation of Agriculture, President's Address and Secretary's Report, 1976, pp.4-6.

There must be some significance to the fact that that statement was being made at the time when the final report of the Food Prices Review Board was at, or coming back from, the printers. It was the final report of the Board which also called for a comprehensive national food policy.

In his address, Mr. Munro identified a number of priority areas for policy initiatives. They included:

- an assessment of Canada's capability to penetrate domestic and export markets;
- land use questions;
- the manpower base, its quality and sustainability;
- present and future credit needs of the industry;
- problems past the farm gate;
- trade;
- technology and research.

and he stressed the need for improved coordination among the two major levels of government and among various sectors of the industry.

Is not the basic message that has been conveyed here, and the proposals made by the Food Prices Review Board in its Final Report a year ago, entirely compatible and consistent with those of Mr. Munro? Indeed, are not the basic concerns, the major issues, and the general policy proposals the same? Most definitely they are. We may disagree on some of the basic assumtions, on some of the mechanisms, on what is acceptable and what is objectionable, and we may not agree on some of the probable consequences of certain initiatives. But these are the matters that need to be identified, to be debated, researched, and ultimately, where necessary, compromised.

That is the process that should be underway at the present time but, for a variety of reasons it has not proceeded very far. Many of the major players have assumed rather defensive, inward looking positions. The respite in the upward surge of the food component of the CPI has diverted government's attention to more pressing matters. My professional colleagues remain disinterested in food as a problem area and research money is much easier to obtain in the traditional, narrow, well-defined areas of our discipline. Our politicians appear to be more interested in determining where

the political strengths lie before taking a position. And finally, the media seem satisfied to flog the marketing board issue and differences between CFA and CAC, or between the Ministers of Agriculture and Consumer and Corporate Affairs.

But in our traditional professional life styles, let us not forget another tradition -- the cyclical nature of problems in the food industry. Each week, each month, and each quarter that roll by without some positive action that will at a minimum, improve public confidence in the food industry, brings us that much closer to the next crisis; they also remove some of the opportunity that exists now for taking some initiative and creative moves rather than retaining our characteristic reactive posture.

In closing, I think it is appropriate to give the last word to the Food Prices Review Board because, for all its deficiencies, it researched, investigated and increased public knowledge of the food industry better than any other agency has been able to so far. In its Final Report its final words were:

> ... It is in both the consumer and producer interest that there be early progress in the development of a national food policy. Whether or not that policy and the institutional adjustments necessary for its formulation can be attained will depend on a commitment from everyone with an interest in the long-term health of the Canadian food system. That means all of us.

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[4] Food Prices Review Board, Telling It Like It Is, Ottawa, February 1976, p.65.

THE POSITION OF THE CANADIAN FEDERATION OF AGRICULTURE ON THE NATIONAL FOOD POLICY ISSUE

Wm. Hamilton *

First of all I wish to thank the University and particularly the School of Agricultural Economics and Extension Education for the opportunity to participate in this program. While I have not had the opportunity of attending other parts of the Conference the program indicates that the University is indeed providing a useful forum for the agricultural community in the province to discuss a wide range of pertinent and timely subjects.

My assignment, like that of my colleagues on the program, is to discuss the proposal of a national food policy as it has been advanced by Dr. Loyns in the paper he presented this morning. The subject is not new and the policy area involved is broad and complex. I will not attempt to comment on many of the details in Dr. Loyn's paper; even those which are obviously argumentive. The bulk of what I am going to say deals with what I consider to be major issues inherent in a national food policy. My perspective is of course from the point of view of organized farmers and consumers who through their organizations both the C.F.A. and provincial and local organizations - have been, and are intimately involved with agricultural and food policies and programs.

Calls for a national food policy have been made over the years and in recent times specifically by the Food Prices Review Board in its final report, by the Consumers Association of Canada, and by various individuals. Some of the talk about "National Food Policy" has been in global generalities with little or no definition of what such a policy would include, and often with little appreciation of what policy already exists. Some of the discussion has been somewhat more definitive suggesting that food policy is needed to control food prices, provide nutritional education, ensure availability of food and adequate diets to the poor,

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* Associate Executive Secretary of the Canadian Federation of Agriculture, Ottawa, Ontario.
January 4-6, 1977.

assure food quality, and in more general terms has addressed itself to the broader issues of trade policies, farm marketing, manufacturing, processing, business practices of retailers and farm input suppliers, transportation and freight rates, energy, land use, irrigation, agricultural and regional development and farm income - but often with little or no substantiating evidence.

The Food Prices Review Board in its final report, in addition to recommending procedures to cope with future price instabilities which it foresaw as the major problem, also recommended a National Food Policy to provide a coherent framework of policy objectives and philosophy within which the many detailed decisions of policy could be made, and by which all governments would be guided.

Surely, in its most elementary sense, the objective of the agricultural and food system in the domestic market is to provide an adequate supply of high quality, nutritious food, fairly and reasonably priced from the point of view of both producer and consumer, with as much of the food produced by Canadian farmers as our climate and resources will permit, and to exploit as much as possible potential export markets for Canadian agricultural production - both for raw and processed products.

Does the current interest in a national food policy indicate that we are falling short of any, or all of these general goals, and if so, which ones? Are Canadians generally having difficulty getting enough high quality nutritious food at fair and reasonable prices? If there are scarcities, is it because food prices are too high relative to incomes, or do some people simply have too little income, and is that a food policy problem, or are prices too high because of inadequate domestic food production, or inadequate imports of food? Is the quality of Canadian food below standards, or are there inefficiencies in the system which cause waste, or make Canadian foods uncompetitive? Are there problems of inadequate nutrition because of the kinds and quality of foods available, or are there

problems of nutrition for other reasons? Are Canadians able to compete effectively for food markets - both at home and abroad, and if not, why not? Who has the answers? Undoubtedly there are no simple "yes" or "no" answers to any or all of these questions, but they all have to be analyzed with precision before a policy, or policies are conceived and programs put in place to solve them. Canadians, after all, have available to them an abundance of highest quality food for which they have paid, over the past 15 years a generally declining percentage of their disposable income. (For food consumed at home, down from 17.98% in 1960 to 14.35% in 1975).

Dr. Loyns presented a detailed case for a national food policy and cited the following reasons:

1) The strongest and most fundamental case for a national food policy is that we are able, can, and should do better by developing "a more deliberate and co-ordinated policy framework than exists today" to overcome what are described as "common and recurring problems in the production, distribution and consumption of food products", and a "continuing and growing tendency for the public to display a general lack of acceptance of and confidence in many aspects of the food industry". This policy framework would be seen to address farm, consumer, business and public concerns across the range of policy matters which might touch on any aspect of food and/or agriculture. In short, the weight of the case for a food policy is to get a framework to pursue policy formulation.

2) That "food is the only major sector of the Canadian economy which does not have an overall framework for policy development, ... on an industry wide basis" and that "any policy move toward focussing on food as a sector, ... would make it consistent with other major industries".

3) That there are inconsistencies in agricultural policies, and between agriculture and other major policy areas in the economy, e.g. land use, regional development, competition policy, and so on.

4) There is a lack of appropriate institutional arrangements to develop policy on a comprehensive, co-ordinated, integrated basis.

5) There is need to assess and deal with problems in the non-farm part of the "food industry" in such areas as competition, competitive capacity, the structure of the various parts of the industry, productivity, location of production plants and so forth; and a need for a facility through which the non-farm sector could contact government policy makers, all of which would be seen as providing the consumer with assurances that the system is as efficient as possible.

6) There is a need to tackle farm policy problems such as income distribution, research and extension, land use, and national/regional production and development.

7) There is need to assure the most efficient use of government resources now put into agriculture (and food).

In short, if we read correctly, the general drive of this reasoning for a national policy is not what elements it ought to include, but for a facility, or procedure to cope with the needs for policy making throughout the system. Certainly there are agriculture and food policies required, and/or in need of improvement - and they are continually under review. In other words the iddue Dr. Loyns talks about are not new, and the major point he makes is for "a framework".

However, before commenting further on the need for a national food policy it will be well to clarify what the policy would involve. "Food policy" would be addressed to the "food industry" and the "food industry" is defined to include every conceivable economic activity associated with food production (i.e. credit and finance, manpower management, land policies and use, farm machinery manufacture, energy, chemicals, seed, etc. - indeed everything associated with the inputs to farm production as well as with marketing, transportation, processing, wholesaling, retailing,

each in all their aspects for all domestically produced food commodities whether for local or export markets, and for food imports. To suggest a "National Food Policy" should encompass all of these things seems, to put it mildly, a bit bold. The imagination boggles at the prospect of developing aneat comprehensive national food policy which would set out the adopted course for the food industry to be followed by governments, as well as all institutions and individuals who are involved in the range of industries, and activities which would be caught up in a "food industry" so defined. A national policy so defined would include elements of policy to cover all other sectors of the food system, and additionally one gathers, all of the agricultural policies now developed by the Federal Government and ten Provincial Governments. Certainly there is need for co-ordination, and in some instances integration of actual food and agricultural policies. No doubt about that. But a policy for the industry. Surely not.

Dr. Loyns hangs much of his case on the concept that food should be considered as an economic sector and for which there could be an overall framework for policy development on an industry-wide basis. Examples of transportation, or housing or energy, are cited as economic sectors for which there are well established policy frameworks and programs. (Incidentally, even if these were comparable kinds of "industries" the evidence does not indicate that there are adequate policies or policy frameworks in either transportation or energy). However, those sectors are not comparable to food. Food might more properly be compared to farm machinery or furniture or clothing in each of which raw products are produced, processed, transported, wholesaled, retailed,etc., as is the case with food. In none of these items are there comprehensive national policies. For example, there is no such thing as a farm machinery policy covering mining, transportation, smelting, steel fabrication, machinery manufacture, transportation, retailing, research, etc. There is no such thing as "furniture policy", or clothing policy", nor for that matter is there any national policy covering all aspects of consumer goods or services, where different jurisdictions are involved. There are co-ordinated programs at various stages of the production to consumer parts of the systems and there has to

be and of course there needs to be for agriculture and food in the same manner.

In other words, what I am saying is that I do not see how there can be a "food policy" on a national basis which covers the "food industry", as if it were a single-monolithic economic sector.

This is not to say that farmers are not interested in the non-farm parts of the food system, nor that there should not be common interest and concern by farmers and participants in other parts of the system. The industrial interests affected by, and affecting the food system are indeed large and powerful. Farmers are vitally interested in the performance of the suppliers of inputs be they energy, chemicals, fertilizers, and farm machinery as well as of marketing, processing and retailing organizations. Indeed, farmers with the support of governments through the provision of legislation, and often with their direct assistance, have developed their own co-operative businesses, some in a very major way, to serve their needs in the market place.

Now having agreed that farmers and the non-farm sectors of the system have much in common we do not subscribe to the naive belief that the interests of the farm sector and the others are identical and should be approached jointly. Except in specific and well defined areas where joint consultation on policy is essential and desireable a joint "industry" approach to food policy would in practice largely mean that agri-business would be very free with its advice to farmers and government about what farm policy should be but oil policy or manufacturing policy would undoubtedly remain the preserves of oil companies, or manufacturers. The C.F.A. does not and will not favour something called a "national food policy" being the vehicle for the whole "food industry" as described, getting its hands in the making of farm policy. Governments represent the public interest and it is through the relationship of farmers to governments directly that the public interest can be and will be served so far as the farmers are concerned.

Policy Making and Co-ordination

As indicated earlier, the major emphasis in the call for a national food policy seemed to be for the development of a system in which to undertake policy development in a co-ordinated manner - as between sectors of the system, and governments. The fact of the matter is that there is a highly developed agricultural and food policy structure in this country, both at the federal and provincial levels. Since the beginning of settlement the Federal Government and the provinces - and particularly the latter which have responsibility for the management of their natural resources, in meeting their responsibilities for ensuring sufficiency of quality food, have developed a wide range of agriculture and food policies which focus primarily on improvement of productivity, protection of quality, grading, research, extension, health of animals protection, and credit. Indeed public assistance has been and is most profoundly related to the public and consumer interest. In addition to production policies there are resource use policies, credit, manpower training, - indeed a host of policies evolved to meet the circumstances and responsibilities of the respective governments and the needs of their constituents.

This is not to say that all of the policies are adequate, nor that they are never in conflict - both as between policies within provinces, between provinces, and within and between federal policies. Canadian agriculture or food production, is not a homogenous single entity for which there can be a single national or agricultural or food policy. Canadian agriculture is the production of a range of different commodities - each with special characteristics in terms of production, competitive status in the marketplace, and end use or uses, and for each of which appropriate and specific policies must be developed.

Commodity policy and programs are already quite highly developed, some more so than others, depending on the nature of the commodity and the integration of the various parts of the system. At present there is a good

deal of planning and organizing being done jointly by producers and Provincial and Federal Governments particularly on commodities which are well organized on a national basis. The C.F.A. believes that all parts of the food system, and particularly farmers, would benefit from the development of a long-run agriculture strategy which would allow them to plan more effectively. We would envisage the development of commodity strategies on a national basis, with the vaious commodity policies co-ordinated as necessary, and with provincial policies harmonized with each other, and with those of the Federal Government. The development of national strategies in our view involves governments and producers, assessing the capabilities of capturing various commodity markets both at home and abroad and making decisions about what would be needed to hold on to, or get into those markets. The development of strategies would involve assessing what the potentials are, what the competitive situation is, what the requirements of the industry are and so forth. Elements to be considered in each commodity strategy include land, land use, manpower, credit needs for the future, the availability and cost of energy, transportation, trade posture, market access, and particularly research. These matters have to be dealt with commodity by commodity.

The C.F.A. agrees wholeheartedly with the need for comprehensive and co-ordinated policies, as between commodities and producing regions. Indeed that is what the C.F.A. and its members are all about. The approach of the C.F.A. is to identify as clearly as possible situations requiring attention, and then document the subject in detail, involving governments, industry and/or consumers as seems warranted, or as they wish, depending on the subject being considered, and to develop the necessary policy or policies. In recent years this joint approach, with the participation of governments and industry, have been used to develop policies on such subjects as credit, agricultural manpower, milk recording, milk quality, egg marketing, hog industry research, milk supply management, beef grading and hog grading. In some other instances documentation has been prepared and joint discussions held without jointly developing policy. For example, waste management and environmental planning as they concern the agricultural

community were reviewed on a national basis, as was land use, and feed grains marketing. While the C.F.A. may not always be successful in getting agreement on national policy as was our experience with feed grains marketing we believe that very worthwhile efforts have been and are being made by producer initiatives. And we believe, as a fundamental, that those in the industry themselves should be involved in the policy making. In addition to the effort initiated by farmers through C.F.A., or organized consumers through co-operatives, the Federal Government itself has set up the Food Systems Branch of Agriculture Canada which is a formalized structure which involves various departments of the Federal Government, as well as the provinces, producers, industry, consumers, in addressing food systems matters in an integrated manner. The C.F.A. supported the setting up of the Branch, and we believe that with proper attention and support from all interested parties that it can make a still more useful contribution to integrated policy and program planning.

In summary, the C.F.A. agrees with the need for comprehensive and co-ordinated policy development. We believe that agricultural policy has to be approached in a commodity basis, with those policies co-ordinated. That is what the C.F.A. is involved in all the time. Whether any new formal intergovernmental, interdepartmental structures, or "food-specific institution", or the definition of a "National Food Policy", will add anything more than is possible through voluntary joint efforts of various elements of the system for harmonizing policies and programs, is in our experience a doubtful proposition.

When C.F.A. opposed the National Agricultural Advisory Council recommended by the Task Force it proposed that more organized and formalized consultative procedures be set up to involve all interested parties in policy making. We still believe that proper consultation is an essential, and we appreciate that that requires an openness of information and commitment by governments to the process.

Some Policy Initiatives

In addition to the proposition that a national food policy is required to effect co-ordinated policy development for the "food industry", Dr. Loyns cites some specific priority issues to be dealt with in a national policy - notably:

1) the need to ensure the efficiency and competitiveness in the farm supply and food processing and distribution systems;
2) farm policy problems - basically concerned with income distribution and stability of returns;
3) consumer price levels.

In the final analysis it seems that the level of food prices (not instability of prices as the Food Prices Review Board concluded) is really the irritant behind the call for a "National Food Policy", and that an underlying objective of policy would be to develop a more market-oriented industry.

On the farm side this presumably means the dismantling of producer marketing agencies, certainly those with supply management and pricing related to cost of production. Any necessary support of farm income would be provided by income support measures, e.g. stabilization. For the industrial sector of the food industry, i.e. both for inputs and processing and handling it presumably would mean government intervention because surely any current lack of competitiveness has been developed by the free market system. A market-oriented system would be expected to result in lower consumer prices, even though they may be more unstable. Producer prices, if more unstable than through the operation of marketing boards would be stabilized from the treasury.

Canadian farmers are productivity oriented; production is their business. Over the years they have improved their productivity and efficiency remarkably. Improved productivity has been made possible by in-

creased capitalization, and reduced manpower and reduced numbers of operators. At the same time farmers have worked, and will continue to work, for the development of marketing mechanisms which will assist them to manage their business in such ways as to effectively serve their markets, and to gain an adequate income from the market place. For some commodities, prices are established relative to the costs of production, and for others, particularly those which trade in international markets world prices prevail.

The development of agriculture, marketing and farm income policies involve very complex and critical questions over the whole range of fundamental issues in our national development. They are constantly changing questions, intertwined with not only national and provincial goals and conditions but with changes in circumstances abroad. These questions are under constant review in a wide variety of ways by all governments, as well as institutions of many kinds. There are no easy solutions. There is no simple policy approach. If the call for a "National Food Policy" is in its essence simply another call for cheap foods, and for more efficiency by farmers, with continuing attrition of their numbers, with all of the consequences of that to the rural economy, farmers are not impressed.

Summary

In summary, the C.F.A. believes that there is a need for developing a long-run food strategy in this country. This would involve assessing markets - both domestic and export - which could or should be served given our capabilities and then staking out the requirements to tool and service the industry so that it could effectively service those markets. Strategies would have to be developed on a commodity-by-commodity basis, and policies for financing, trade, land use, manpower, energy and so forth, tuned to serve the needs of the industry.

The Federation agrees with the policy guidelines, as enunciated by the Federal Government, namely that it should be national policy to ensure an adequate and dependable supply of quality food; that it be

available at reasonable prices to consumers, and that producer prices be high enough to encourage production, and moreover that the system facilitate production for export of foods in those instances where we have competitive advantages.

The Federation does not agree that farm policy needs can be dealt with in a "food policy" which deals with every conceivable aspect of the food industry, but will continue to work with governments on the development of farm policy, and to work with industry as it now does on specific policies and programs.

The agriculture and food industries are now served by a wide range of policies - both federal and provincial and they will of course continue to be updated as needed by the various sectors of the system. Continuing attention will be necessary to ensure co-ordination as between provinces, between the needs of the various sectors of the system, and between the commodity groups. Appropriate structures must be developed to serve the various needs and improved consultative procedures will be required. This will require commitment by governments.

Much of the case for a "National Food Policy", as advanced by Dr. Loyns argues for a structure and procedures to effect co-ordination in the policy-making process - across the whole range of the economic activity in the food system. The suggested orientation and urgency for a national food policy to preclude "another burst upwards in food prices" is in the direction of improving the free market system and thus minimizing consumer prices. Certainly on that basis farmers would be less than enthused about a "National Food Policy".

The Consumers Interest In A National Food Policy

Maryon Brechin*

It is encouraging to find the Ontario Agricultural College taking the lead once again by "starting the New Year right" with a seminar on a controversial, multi-dimensional problem - the need to develop a comprehensive national food policy and the institutional arrangements to implement the necessary programs to ensure that its goals are reached.

Dr. Loyns has presented a thought-provoking analysis this morning. Even if I were capable of it, you would not wish me to duplicate his approach, so in the time available, I will try to present some of the reasons consumers feel the lack of a food policy should be remedied, what they think a food policy might include and some suggestions about areas we think deserve consideration in the development of such a policy and programs to implement it.

The Consumers Association of Canada (C.A.C.) has been concerned for a number of years by the lack of a co-ordinated approach to the provision of food. The percentage of the average Canadian wage required for food (which varies from 18 to 25% depending on the speaker and where he got his statistics) is nevertheless one of lowest in the world. However, for some low income earners, food costs can represent up to 45% of the family's disposable income. Grocery stores offer an unprecedented variety of food year-round -- no longer is an orange a xmas-stocking treat or root vegetables the basis of our winter diet. Yet Nutrition Canada tells us that Canadians are not availing themselves of this variety to select a nutritionally balanced diet, our health care costs for degenerative disease are climbing, our education system ignores almost entirely any information about food - its role in the maintenance of health or the economic facts of its production. At the same time, the junk food offered in school cafeterias and vending machines sets the pattern during the child's formative years for poor food habits.

In spite of the food variety represented by the 8,000 plus items in the average supermarket, consumers are concerned over unexplainable price variations and price hikes, and the fact that once up they never seem to

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come down, manipulative practices in the store and by the volume and cost of advertising used by food manufacturers and retailers. They question the extent to which food value is lost in manufacturing and the safety of additives used to prolong shelf-life. As they season and spice their flavorless chicken, open every carton to check for cracked eggs, eat a cardboard tomato whose only resemblance to the real thing is its color, read of food sales abroad at give-away prices while our domestic cost remains high, when recommendations of successive investigations of the food system fade into oblivion without result, consumers question whether the system is serving them as well as it might. They cannot be blamed for the feeling that something should be done to get it all together.

Consumer confidence in the food system is at a low ebb. Yet, food is the element essential to support life. We commonly think of food, shelter, and warmth, but given adequate food, man can sustain inadequacies in shelter and the energy required for warmth. Without food, he cannot exist, however warm and snug his surroundings. Though some may still question the need for a national food policy, consumers are worried about the results of uncoordinated policy initiatives in the food field designed to benefit or to bring short-term relief to one or more sectors. These can be extremely damaging to other participants in the food chain. Uncompetitive behavior can have similar damaging effects.

It becomes increasingly apparent that we have not kept pace with the complexity of our food supply system, that few Canadians even realize its breadth and diversity, let alone are aware of the maze of regulations, customs, conflicts, and mutual agreements which govern its operations and determine not only the price, but the availability, quality, and nutritional value of food offered to the final user.

The sky-rocketing prices of 1975, the publicity surrounding the operations of CEMA, the first national marketing agency established under the controversial N.F.P.M. Act, questions surrounding the use of enzymes and antibiotics in animal feeding, all have combined to arouse the awareness of the average Canadian and to increase his interest in food. These developments have accelerated the need to begin an informed dialogue which can lead to the development of a comprehensive food policy.

I have purposely used the word "informed", for the issues I have noted

too frequently generate only partial or biased information, which may or may not lead us to the correct conclusions. While they may impel some to search further, the search is not easy. Impartial sources are hard to find and little published material is available in a comprehensive form, even if it exists in bits and pieces. The material published by such groups as the Canadian Consumer Council, the Food Prices Review Board and the Anti Inflation Board, represent useful attempts to "pull it all together." Unfortunately, the first two have been disbanded leaving behind an increased awareness of the need for a replacement.

The growing questioning by the public of the operation of the food system, the lack of information available, plus the hostile reaction of farm leaders to any questioning of the monopoly aspect of some marketing boards, the part of the food picture which has received most publicity recently, or their effect on efficiency or product cost make it clear that a co-ordinated, understandable and acceptable food policy is urgently needed in Canada.

Fortunately, that urgency makes it possible to bring together concerned people from all sectors of the food chain to discuss the problem, - the necessary first step toward policy development. That we must have many such discussions is clear, for the food system involves so many divergent interests. As a first step we must agree on what "food policy" means. C.A.C. has talked of the need for some years, yet it is obvious when we talk to members of the agricultural community that their definition (which equates it with agricultural policy), is quite different from ours, causing them to insist vigorously that we <u>do</u> have a food policy already. This viewpoint is strengthened by numerous statements by the Federal Minister of Agriculture and by action such as that of Ontario in changing the name of its Department of Agriculture to the Ministry of Agriculture and Food and establishing as part of its structure, the Ontario Food Council.

But food policy is <u>not</u> agricultural policy, although it must be closely co-ordinated with many of its policies and programs. Similarly it must be co-ordinated with those of numerous other Departments and agencies. We do not consider development of food policy a threat to taxation although the decision to exempt food from sales tax is a definite part of a food policy, carried out through taxation policy.

Examination of the possible effects of proposed changes in Competition policy on the food system could be very simple and routine if we had a clear food policy. Today they may be completely overlooked.

Changed in transportation policy, decisions of the CRTC which affect the frequency, cost, and methods which can be used for food product advertising, labor agreements, both in food industries and among its suppliers, are just some of the areas, along with the more readily apparent ones of agriculture, export trade, and international food aid, which must be considered and linked to food policy development.

Perhaps, the scope of the food industry and the importance of food have been subconscious barriers to policy development in the past. We have been fortunate that Canada a pioneer country with more resources than people, has a tendency to focus on rapid growth even though this is accompanied by waste. As a result, we have had to deal with surplus production and the problems it causes in agriculture. To the average Canadian buyer, supplies were plentiful, variety continued to increase and "by gosh! the price was right!"

Perhaps it was necessary for us to experience rapid price hikes, - see our grain reserves shrink - learn that even the "North American bread basket" could not deliver sufficient food to sustain life to the drought and disaster-stricken areas of the world. Perhaps only by having a glimpse of scarcity can we be movitvated to take the necessary steps to ensure that "it can't happen here" in the future.

The Federal Government enunciated in the Throne Speech of 1974 a set of food policy goals. Limited and generalized as they are, they provide a starting point for discussion and represent a commitment on the part of the Federal Government to the development of a food policy and the recognition that it is distinct from agricultural policy.

If we can reach agreement on the scope of and the need for a food policy, given the commitment of the Federal Government, it should be possible to move fairly rapidly toward its development and to the implementation of acceptable programs to reach its goals.

I have noted the concern C.A.C. has had for some years for this subject, yet we have no neatly-packaged solution to offer. The Association believes deeply in the consultative process and in cooperation. Because of the

complexity of the food system and the diversity of interests involved, we feel that the consultative process must be utilized to the fullest if we are to design and achieve food policy goals which are acceptable to everyone.

One proposed solution consumers are inclined to reject out of hand is the establishment of a Department of Food. Experience with the seemingly inevitable compartmentalization which accompanies the ivory tower syndrome, leads us to believe this would worsen the situation even as it gives the illusion that things are under control. Because the responsibility for food is spread among so many Departments and agencies and between Federal and Provincial jurisdictions (with a little municipal control thrown in) we believe that co-ordination is the Key to Success.

We all know the story of the horse deisgned by a committee -- however, despite the risk of coming up with camel we feel serious consideration might be given to setting up a coordinating committee - (perhaps of senior Deputy Ministers) charged with harmonizing all policies related to food and overseeing the application of the policy instruments selected as the most appropriate for use in meeting the desired objective.

Such a committee could be re-inforced by Federal/Provincial committees operating as a permanent task force to handle jurisdictional matters. It would utilize advisory committees, fully representative of the many interests involved, and able to examine the diversity of policy instruments available to achieve a goal and the effects of each on all sectors before making their recommendations. A necessary adjunct to such a structure would be the formation of an investigative and research body, whose findings would be made widely available both to aid informed decision-making and to increase public understanding of the food system. It would carry out projects as directed by the coordinating committee and monitor all research programs linked to the food system both to identify areas of need and prevent duplication. In addition, it would initiate research in areas where no direct responsibility exists for the solution of a problem.

The retention of nutrients in food is an example of such an area, as is waste of food at all levels, from household wasteage, losses incurred by the hotel, restaurant, and institutional trade (estimated losses range as high as 40% for some schools and restaurants) through improper refrigeration

and shelf control to harvesting and storage loss. The magnitude of food loss can be guessed if we look at the waste caused by rats alone. At 1 rat for every two people living in the temperate zone and 3 per person in the hot areas, the world population of rats is estimated to be 4250 thousand million. Each rat eats 4.5 kg. of food and contaminates 3 times more, resulting in a total waste of 42.5 million tons per year. Calculated at an average cost for grain of $400 per ton, F.A.O. authorities estimate the loss at approximately $17 thousand million or $4.50 per person per year -- and that is from only one source of food waste!

Land use policies similarly fall clearly into no one area of responsibility. However when 33 acres of prime farm land disappears every hour, most of it in the areas which receive enough heat units to produce maximum yields of a wide variety of crops, this is an area such a research body could consider a high priority for research to determine the best means of preserving farm land to meet food policy objectives.

That such a committee structure would encounter many obstacles is clear. Yet it is also clear that a major cause of the problem is the lack of co-ordination in existing policies and of jurisdictional overlap.

One of the first adjustments which will be required is a shift of perspective from production to consumption. At the risk of being simplistic it seems clear that in developing a food policy we should begin at the point of use, the ultimate consumer, and determine what will be needed to provide optimum amounts and types of food, as well as in what forms and at what price levels these will best be accepted by the buyer, if we are to achieve the goal of having accessible to all Canadians an assured supply at affordable prices of the foods needed to maintain good health and abundant energy.

For so long, we have looked at the food chain from the producer's end of the telescope; we have concentrated on increased production. We should realize by now that unplanned production can fail to meet the goal of enough food let alone the goal of sufficient producer income. Nutrition Canada results prove that it cannot ensure that the buyer will eat the right food to ensure optimum health. Small wonder the results sometimes fail to meet the expectations of the final user.

When we look through the user end of the telescope in our attempt

to tailor the food system to possible policy goals we see a close-up of areas where very little information exists, others which appear to operate in opposition. The giant enigma of the retail sector is the first to come into view. A series of enquiries over the last 20 years have documented the same consumer complaints and shown the increasingly ologopolistic structure. Consumer confidence in this sector is low. How can the lack of competition which prevails here, the drive of the chains for higher profitability be meshed with the goals of an acceptable food policy?

Wholesaling is an almost invisible sector. How do its services fit into policy needs? Can it be made responsive? To take just one example -- the Federal Enquiry into beef marketing was unable to unravel the operations of the Montreal Wholesale Beef Market. That it added unnecessary costs was evident -- how to correct the situation was not. How can the manufacturing sector aid in achieving our goals? Further manufacturing in Canada assists in job creation, how do we ensure that its products retain maximum nutritional quality? Consumers insist that the nutritional value of the raw product and its retention in processing should take precedence over cosmetic attributes and unlimited shelf life. Nutrition Canada results have identified some deficiency areas in our diets, further analysis could show others. Do we correct these specific needs through direct diet supplementation, (a method used most successfully with British children in World War II), or supply information through nutritional labelling?

There is a huge gap in our knowledge of what motivates a consumer to learn and to apply the knowledge he gains, something we must know before we can design a successful nutritional labelling program which manufacturers can adopt. These are some of the issues which make the inclusion of a clear-cut nutritional policy an essential part of an overall food policy for Canada.

When we look at the actual production of the raw food product we find such a mass of regulations, administered by so many agencies it boggles the mind. Dr. Loyns has dealt with these at some length and I think we can all agree with him that food is subjected to more red tape, bolstered by a greater number of programs than any other type of product. We must also remember that the tax costs of these programs represent a hidden and difficult-to-identify cost to food.

Dr. Loyns has also noted that the need to consider farm input costs. To what extent do existing agricultural policies allow them to exert an unchecked inflationary pressure? (e.g. cost-of-production formulae). How can we measure environmental costs or minimize the energy drain of today's high technology agriculture? Have we reached the point of diminishing returns in our use of biocides and fertilizers needed for the mono-culture practiced on farms today?

Slessar in 1973, showed in his examination of 131 food production systems for solar, human, and direct energy use, that as energy inputs increase, outputs in yield per unit of input decrease. In some systems as noted by Woodall (1974) we are already past the point of diminishing returns. His figures (U.S.) show an increase of 146 percent in use of nitrogen and of 300 percent in pesticide use between 1957 and 1966 for an increased food production yield of only 34 per cent.

It is clear that a research body working from a different point of view and with clearly defined policy objectives could add greatly to our knowledge of these developing problems.

Dr. Loyns has mentioned consideration of the needs of our trading partners; a statement which I feel is of great importance. In spite of the staggering complexity of designing a national food policy, I think we must be prepared to raise our sights still further if it is to be successful in the long-term. Canada is not an island. We are part of a global community -- a very important part from a food standpoint, for we have the ability still to produce far in excess of the needs of our population. In designing our food policy we must build in programs which will help developing countries to increase indigenous food sources, not through tied-aid or transplants or expensive North American agricultural technology, but through many small programs to help small farmers increase local production. It has been proven that when small farmers in the Third World countries are assisted, they engage in labor-intensive agriculture and obtain average higher per acre yields than those achieved by larger mechanized farms. It is in our own self interest to assist with such programs, for world population growth is an ever present threat to food security and it is most effectively slowed when social needs are met.

Assured food supplies, a rising standard of living and improved health care provide permanent incentives to reduce family size. Canada is already ahead of most other countries in giving this type of aid and O.A.C. one of the sources of leaders. But existing programs are still only a drop in the bucket in helping the Third World countries utilize their abundant manpower resources to better feed their own people.

In addition, we must be willing to provide a market for the products of these countries against whom the decks are stacked under present conditions. Our government can support proposals for change in the World Bank, which would help even the balance, but more importantly we can heed the advice of such groups as the Economic Council of Canada and the Conference Board and opt for a free trade policy which will benefit Canadians over the long term as much as the developing countries. With clear food policy goals we could utilize a variety of policy instruments during any period of necessary adjustments.

In conclusion, may I refer to the original agenda of this conference which posed some questions which we are attempting, I think with some success, to answer today. We have begun to develop common understanding of what a national food policy might be. Some of us at least are convinced that its development is necessary and few can doubt that. Because of the diversity of the food system and the variety of interests involved, it must be developed through informed consultation and applied by co-ordination and co-operation.

The last question posed was a simple who benefits - who loses? In the final analysis, if we can overcome the obstacles which face us, in the breathing period we have available, not only will <u>we</u> all win, but more importantly future generations will be among the beneficiaries.

THE OTHER SIDE OF THE FARM GATE
AN AGRIBUSINESS LOOK AT THE IDEA OF A NATIONAL FOOD POLICY

G.G.E. Steele*

First, let me express my pleasure at being here today, but then let me go on and state that as the President of a national trade association containing most of Canada's largest food processors and manufacturers I have certain biases which I will shortly disclose, and I also have some pretty important shortcomings in terms of commenting on the complete spectrum of agribusiness.

Agribusiness has various meanings, but I will assume that it includes all of that portion of business which is wholly or in a major way dependent upon or related to Canadian agriculture. Farm owners and operators are also business people, so they are part of agribusiness in the rather limited sense in which I am using it. Therefore, ladies and gentlemen, I can offer no complete views on what the manufacturers of fertilizers, farm vehicles, seeds and feeds can or should say about the idea of a planned food policy for Canada, nor what Canadian food retailers would say, but I can perhaps look at the size, scope and the shorter and longer term interests of those who manufacture and distribute food products in Canada, dependent as they are on a healthy, profitable agricultural industry.

There is a common theme which runs through the whole Canadian food system, and it is the simple fact that whether one speaks of agribusiness, or farming, or food processing, or the distribution system, it is now a very capital-intensive operation. For example, the Farm Credit Corporation in 1975 lent $641 million to Canadian farmers to expand or consolidate their operations. Numbers of farms have declined from 733,000 in 1941 to 366,000 in 1971, but average farm size has increased during this same period from 237 acres to 463 acres. Similar forces are at work elsewhere in the system as the data about the food industry reveals. Such a large investment requires a rate of return sufficient to recompense those bearing the burden of the debt, and this requirement has to be an ingredient of any national food policy plan.

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Perhaps first I could make a few comments about planning. Was it Mark Twain who said, "Everybody talks about the weather, but nobody does anything about it"? If it wasn't Mark Twain, then it may have been Will Rogers! The idea of a food policy shares this same dilemma. We all eat. We all like to eat a wide range of products at reasonable prices. We know our food supply can be affected by many factors and there seems to be a growing number who now wish that someone, or some government of whatever stripe, would do something to ensure this dependable flow of low-cost food. Right away we know we are in trouble because those who produce and those who consume rarely see eye to eye on what the objectives of a policy as basic as human needs for food should encompass. We are or should be grateful to Professor Loyns for his very thorough examination of the food policy universe.

Dr. Loyns has delivered a paper in which he suggests that food stands almost alone in Canada as an example of a non-policy area. However, his examples of other national policy areas which he finds more comprehensive and coordinated do not fill me with confidence, including as they do transport, housing, energy and sundry other controversial topics of our time. Nevertheless, he also says that because the subject matter is full of difficulties this does not mean we should turn away from it. I entirely agree. Let's look, therefore, at his propositions and see whether we can find some common ground. To me the important questions is simply whether or not the ingredients which he lists as part of any necessary policy are being adequately dealt with presently in Canada or, indeed, whether they are even capable of change or modification, and if so, what do we think should be done about it.

Statistics tend to be boring, but if we are to take a look at the Canadian agriculture and food industries from the point of view of a possible national plan, then we should position ourselves as follows. There are well over 300,000 farmers in Canada, i.e. those who farm for a living rather than as a hobby. They control assets worth over $40 billion. In 1975 they sold $9.9 billion of farm products and they purchased $5.6 billion of goods and services. These data are directly quoted from the November 28,

1976 speech of the President of the Ontario Federation of Agriculture at their 40th Annual Meeting. There are also around 230,000 persons employed in Canada's food manufacturing industries and the 1975 value of factory shipments was close to $18 billion. I hazard a guess that about $6 billion of this represents the utilization by the processors and manufacturers of Canadian farm output. I cannot as readily quote the numbers employed in the major distribution outlets, but clearly their direct dependence on a healthy agriculture and efficient food industry is self-evident. It is clearly important to all Canadians that the largest of Canada's industries should be as efficient and productive as possible.

Incidentally, the asset base of the manufacturers is around $6 billion in land, buildings and equipment.

The exports of food, feed and beverages in 1975 totalled just over $4 billion out of Canada's total exports of $33 billion.

In fact, in a declining period for exports, the food component bucked the downward trend and actually increased by $300 million. Incidentally, the export figure for raw agricultural commodities, of which wheat is by far the most important, totalled $2.7 billion of the $4 billion.

My point here is that the record for a system which allegedly suffers from lack of a coherent national policy is not all that bad. This was achieved also in a manner which saw little decline in the real standard of life of most Canadians, even though the impact of worldwide inflation caused some dramatic increases in commodity and finished product prices.

Here we should acknowledge the essential truth of Mr. Whelan's contention that Canadians are well up towards the top of the list amongst the world's favoured people where food prices and food variety are concerned. The share of the consumer's disposable dollar spent on food is remarkably low by any fair comparison with the rest of the world. My audience may correctly say it's perhaps too low or perhaps not too evenly distributed, and it is here that we may perhaps look at arguments for a national policy which could achieve a more effective distribution.

This, therefore, is my ingoing position as a participant, namely that Canada's food system is its largest national asset well worthy of study

and support, and we must at all times be sure that it is efficient and productive, and in order to do this the returns to all sectors must be fair and reasonable. This is the challenge for national policy.

Supply and Demand Considerations

We can now look at the food supply/demand situation as we find it today in Canada and as it may well be a few years from now. In 1975 Canada had just under 23 million people. By 1986 our forecasters expect 26.3 million. These are fairly reliable numbers because the factors affecting future population growth are pretty well established. However, the significant change will be in the Canadian age distribution profile. In the 1960's Canada was predominantly young (50% were under 30 years of age). In the next decade we can expect to see the full effect of the maturing generation born during the early post-World War II period and the 25 to 45 year old group will set the tone in the 1980's. The importance of this will be in the patterns of consumption for all types of consumer goods, including food and housing. There have been some useful studies done by the Food Prices Review Board which cast some light on what is presently happening to the trend of consumption by food products and what's likely to occur through the 1980's.

You are all aware of some of these trends. Whole milk and butter consumption is down per capita quite sharply, while other milk-based products however are up. Cereals, fats and oils are all on an increasing trend and the startling increase in meats of all kinds and poultry products, fruits and vegetables, etc. are clearly evident. (see Table 4, page).

Dependence on Imports

It is necessary to go on and to note that Canada only has agricultural self-sufficiency in a limited range of the products which form part of our daily diet. Canada is a net importer of raw agricultural commodities, including tea, coffee, cocoa, nuts and rice, fresh produce including citrus fruits and vegetables, and we also import beef in large

quantities. Canada also imports many processed foods such as canned or frozen fruits and vegetables. In fact, Canada's export trade is mainly concentrated in the grains field.

It is also intriguing to note, as part of the planning mix, that Canada's major trading partner in the foods area is the United States. This should not be surprising at all, but it does add a special factor at this time when our general trade posture is being repositioned by Mr. Trudeau and his colleagues to play down the U.S. connection. Forty-five per cent of Canada's food imports come from the U.S., and the U.S. takes 25% of Canada's food exports. Furthermore, our imports have remained quite steady whereas our exports to them have been declining. They were 33.6% in 1970 and by 1975 had dropped to 21.4%. Here is a dilemma for Canadian trade policy worthy of examination.

A national food policy must, therefore, address itself to some challenging topics. Perhaps I could list a few, as follows:

1. How can Canada best ensure an adequate supply of food at reasonably stable prices for those foods which for climatic reasons must be imported? The Canadian coffee industry is predicting $4.00 per pound for this commodity by the end of 1977. Some people may say coffee isn't all that important in the scheme of things, but the newspapers find this fact unpalatable.

2. What are the cost-benefit tradeoffs of seeing increased self-sufficiency in foods?

3. Is self-sufficiency even a viable goal for Canada, particularly if the longer term climatic changes being forecast could drastically affect the grain belt as well as other less hardy crops? We are clearly not doing enough to understand and redirect our research to cope with this threat.

4. What should our trading policies be vis-a-vis other countries, particularly the U.S.? If we lower our trade barriers in the food and agriculture area, can we hope for better access to foreign markets?

5. Should we import an increasing volume of processed foods from the U.S.?

There are many other considerations. Consumer groups are dwelling more and more on price and nutrition as the two focuses of their discontent. As Dr. Loyns has ably demonstrated, price stability comes at a high price and in the realm of foodstuffs price variability is inevitable because of the weather and other uncontrollable factors. I cannot personally agree that the nutrition findings are all that alarming. Malnutrition is not a Canadian threat. There are certain observed deficiencies which are clearly diet-related. The main problem is obesity and this has to be attacked by much better nutritional education. It is not a fault of the food supply system.

The Canadian Food Manufacturing Industry

Rather than trying to list in a short talk the actual breakdown of the components of Canada's 5,000 food manufacturing plants, I am making these separately available to the meeting. Not at all surprising is the fact that the meat, meat products and poultry processors dominate the scene. The census of manufacturing data is complete only for 1973, but there has been little relative change in the past two years so that the tables are a reasonably accurate reflection of the current food and beverage industry in Canada.

From an industry point of view, we find the greatest interest these days in the new product areas and I suggest that future domestic and perhaps export opportunities for Canadian agriculture will lie in the processed grain and oil seeds crops. Textured protein, new starch derivatives and other food component elements which are made possible by new food technology are opening up new opportunities.

The area of institutional feeding is clearly a front runner as far as the new consumer demand patterns are concerned. Because of the changing life styles of an increasingly urbanized Canadian population, the taking

of meals outside the home has brought great expansion not just with the so-called fast food outlets, but in many other settings as well. It is already a billion dollar Canadian industry and its requirements for portion-prepared foodstuffs are presenting new challenges daily to the processors and manufacturers. Much as we may decry the trend to processed or ready-to-eat foods, the demand is clearly there and we must expect this trend to have its effect on the food system of the future.

I have already raised many questions which should form part of any study on a national food plan or policy. Because of my own approach to such matters I prefer to look at where we are in Canada. As a nation we have $50 billion dollars or more invested in the food system -- agricultural, manufacturing, distribution and back-up systems in agri-business. To preserve this base requires a rate of return which should be at least the equal of that capable of being earned in other sectors on a net-before-tax basis. I cannot hazard a guess but think of $5 billion or 10% of that capital base as a starting point. We have a very wide range of industrial and agricultural skills tied up in the system. These must be rewarded on a basis equal to their earning capacity in other sectors. We need public policy back-up at the agricultural level of the system and this has to be a mixture of insurance and income maintenance to offset the unique vulnerability to weather and to bridge the gap between the good and bad years. As Dr. Loyns suggests, the real problem is not with the presently efficient commercial farmers, which no doubt are a minority, but with the remainder.

Finally, the whole economic system needs a set of national policies which will put adequate purchasing power in people's hands, preferably through employment, to allow the normal consumption patterns to be maintained.

There has to be a better effort made to research where the new demands are coming from and what new products can be developed to meet these from Canadian sources.

There has to be recognition of the importance of imports of food-stuffs to the Canadian diet and policies to facilitate these needed imports.

There is a threat that we can become increasingly dependent in Canada on food imports. It would be tragic if this happened because Canadian skills would be rendered idle for lack of an adequate return, or Canadian resources would be withdrawn from the food production system. I cannot believe this would be in our long-term interest as a nation.

If we can get our discussion started on even a part of this agenda of concerns, then I think our keynote speaker would agree, that we had spent a good day together.

TABLE 1 PROJECTIONS OF GROWTH OF WORLD FOOD DEMAND AND PRODUCTION TO 1985

	Demand		Production
	"Zero" Income Growth[a]	"Trend" Income Growth	
	(Per Cent Per Annum)		
Developed Countries	0.9	1.5	2.8
Market economies	0.9	1.4	2.4
U.S.S.R. and Eastern Europe	0.9	1.7	3.5
Developing Countries	2.4	3.4	2.6
Market economies	2.7	3.6	2.6
Asian centrally planned economies	1.6	3.1	2.6
World	2.0	2.4	2.7

[a]This assumption considers population growth as the only determinant for the demand for food.

Source: United Nations World Food Conference, Assessment of the World Food Situation, Present and Future, Rome 1974.

TABLE 2 POPULATION BY SELECTED AGE GROUPS FOR CANADA PERCENTAGE DISTRIBUTION

Age Group	1971	1975	1981	1986
0-14	29.6	26.4	23.8	24.6
15-24	18.6	19.4	19.1	16.0
25-34	13.4	15.5	17.2	18.0
Actual Population (Millions)	2.9	3.5	4.2	4.7
35-44	11.7	11.3	11.9	13.6
45-64	18.7	19.0	18.6	18.0
65 Plus	8.1	8.5	9.3	9.8
Total Population (Millions)	21.6	22.8	24.5	26.3

Note: Totals may not add to 100 due to rounding.

Source: Statistics Canada, 1971 Census, Population Estimates, Cat. No.91-201; Population Projections B for Canada and the Provinces, 1972-2001, Cat. No.91-514; Medium fertility 2.20; International Migration 60,000; Interprovincial Migration 435,000 a year.

TABLE 3 TOTAL FOOD CONSUMPTION IN CANADA OF MAJOR FOODS

Food Group	Actual 1974 (Million Pounds)	Projection to 1985			
		Low (Million Pounds)	Change From 1974 (Per Cent)	High (Million Pounds)	Change From 1974 (Per Cent)
Whole Milk	5,995	5,152	(14.1)	5,695	(5.0)
Total Dairy Products	1,284	1,220	(5.0)	1,356	5.6
Cereals	3,448	3,525	2.2	3,661	6.2
Fats and Oils	795	1,085	36.5	1,410	77.4
Beef and Veal	2,204	3,118	41.5	3,661	66.1
Pork	1,342	1,627	21.2	1,763	31.4
Poultry	1,019	1,627	59.7	1,898	86.3
Eggs	640	759	18.6	841	31.4
Fish	265	298	12.5	353	33.2
Potatoes	3,405	3,661	7.5	3,932	15.5
Total Fruit	5,802	7,864	35.5	8,949	54.2
Total Vegetables	2,801	3,661	30.7	4,068	45.2
Sugar	2,061	2,711	31.5	2,874	39.4

( ) Decline

Source: Statistics Canada and Food Prices Review Board

TABLE 4 PROJECTIONS OF PER CAPITA FOOD CONSUMPTION OF MAJOR FOOD GROUPS IN CANADA

Food Group	1971	1972	1973	1974	Projections to 1985 Low	Projections to 1985 High
			(Pounds)			
Whole milk (retail weight)	279.2	267.4	267.7	267.1	190	210
Total dairy (milk solids)	58.0	56.7	59.5	60.2	45	50
Cereals (retail weight)	145.7	152.7	151.3	153.6	130	135
Fats & oils (excluding butter) (retail weight)	30.2	33.0	34.3	35.4	40	52
Beef & veal (carcass weight)	91.6	96.0	94.9	98.2	115	135
Pork (carcass weight)	66.2	61.0	57.6	59.8	60	65
Poultry (eviscerated weight)	44.5	45.5	46.8	45.4	60	70
Eggs (fresh equivalent)	32.0	30.8	29.2	28.5	28	31
Fish (edible weight)	11.4	13.5	12.2	11.8	11	13
Potatoes (fresh equivalent)	151.5	159.7	153.9	151.7	135	145
Total fruit (fresh equivalent)	253.4	247.9	268.2	258.5	290	330
Total vegetables (fresh equivalent)	114.6	110.0	119.2	124.8	135	150
Sugar (retail weight)	104.2	99.6	107.7	91.8	100	106

Source: Statistics Canada, Apparent per Capita Domestic Disappearance of Food in Canada, Cat. No. 32-226; Forecasts by Food Prices Review Board.

TABLE 5 SELECTED STATISTICS OF CANADIAN FOOD PROCESSING INDUSTRIES 1973

Industry	Number of Plants	Total Employment	Cost of Materials ($000,000)	Value of Shipments ($000,000)
Meat & Meat Products	473	30,937	2,776	3,289
Poultry Products	100	9,281	395	488
Dairy Products	646	27,819	1,281	1,716
Fishery Products	330	21,424	371	621
Fruit & Vegetable Products	241	18,886	435	716
Sugar Refineries	14	2,685	256	336
Distilleries	31	6,209	148	433
Wineries	31	1,239	38	65
Breweries	43	10,507	146	532
Cereals and Flour	49	4,618	256	361
Feed Manufacturing	719	9,132	802	974
Bakery Products	1,690	27,982	260	598
Vegetable Oil Mills	10	842	188	218
Miscellaneous	262	19,178	598	1,046

Source: Statistics Canada. Various publications.

A FARMER'S VIEWPOINT

E. H. Hutton *

The Issues

The recent discussions on a national food policy may be unprecedented but they may all be reduced to one common denominator. They all stemmed primarily from the strong reaction on the part of both producers and consumers to ever rising prices (farm inputs included) during the period 1972-74.

The concern is that there will be another bout of price increases unless we adopt some corrective measures. Consumer interest and involvement in this respect have increased significantly in recent years.

Farmers are warning consumers that if they do not get a reasonable return, many will leave agriculture. From the farmer's viewpoint, a secure and stable return for his money and efforts is necessary to ensure that consumers will continue to get a steady supply of high quality food without having to face unexpected price increases. It is as simple as that.

Unfortunately the sensationalism created by the news media and elsewhere has clouded the issue. As mentioned by Dr. Loyns the news media has the unfortunate tendency to polarize issues which pitted farmers against consumers.

The issue of food prices has base appeal to the general public and I hope we do not get caught ourselves in the emotional aura in our discussion on the national food policy.

As a farmer, I am glad that farm and food prices are in the limelight. It is about time.

Consumers were not so attentive or interested in the farm price and income problem until recently. The agricultural sector has long been

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taken for granted. Consumers were sure that, if left alone, technological innovations and the free play of market forces would keep food supply up and prices down. Indeed, they were right. Food prices, on the average, have been much lower in real terms but to the detriment of farmers.

With some justifications early policies for agriculture centred on programs that increased productivity through research to help farmers increase yield and output, extension services to funnel research findings directly to the farmers,reclamation of land through subsidized drainage and irrigation, education and credit programs. They were designed to lower the food costs to consumers. In other words,a cheap food policy.

However, farmers were increasingly penalized for their productivity. Unstable prices and incomes became the rule rather than the exception and with distressing frequency. For many years farmers had to bear the unfair economic costs of low prices and incomes through years of surplus production. Consequently, the major thrusts of the policies in recent years have been concerned with the level and stability of farm prices and incomes.

Our experience with farm exports has shown that the international market is evolving unpredictably. We were faced with the loss of Commonwealth Preferential Tariff, currency devaluation altering the terms of trade, increased competition from other exporting countries and substitute products.

It goes to show that policies will have to be constantly adjusting to the needs of society. Policies that were designed in response to the challenges of yesteryear may be inappropriate for dealing with new circumstances. Agriculture is a dynamic industry. There is a need for pragmatic policies and for flexible evaluation and adaptation of contemporary and prospective policies.

I view the establishment of the Task Force, Royal Commissions, Public Inquiries, and Agricultural Committees to study specific problems

as part of the policy review and revision process. It has been amply demonstrated that they lead to identification of current issues and problems. On the basis of their recommendations, most government programs and policies are formulated.

We can have a blueprint on the long-term goals of a national food policy but we would be naive to assume that the same applies to programs and policies dealing with changing issues and problems in the industry.

There should be no problem in getting agreement on the long-term goals of the national food policy. I believe much of the contention lies in the identification of issues, the degree of planning, the degree of government involvement and measures in the face of changing social and political values.

It is questionable, therefore, if the achievement of an all encompassing national food policy is likely to be feasible for any lengthy period of time.

Food Policy Versus Agricultural Policy

As further consideration of consumer interest, it has been said that there should be a national food policy instead of a national agricultural policy. In practice it is implied that agricultural and food policies go hand in hand. For example, programs designed to stabilize farm income are as much in keeping with consumers' desires for a dependable supply of farm products at reasonable prices as farmers' desires for a viable agricultural industry and adequate returns to investment.

In my view a national food policy is not a new policy concept. Basically what the proponents are seeking is a reshaping of established policies to better address current issues and problems. I do not dispute

that. For example, the emerging concerns of consumers have achieved considerable prominence. Perhaps contemporary and prospective policies should take this into account. Logically this constitutes part of the policy evaluation process.

However, replacing the term agricultural policy with food policy may have considerable merit. For one thing, the term agricultural policy carries with it the connotation that it is a narrowly conceived policy designed to help the farmers with no regard for the well-being of consumers. Changing the term to food policy will enhance the general public's awareness and recognition that the various policies formulated are not only part and parcel of the agricultural sector but of the consumers sector as well. It may even foster better co-operation between farmer and consumer groups.

Policy Formulation Process

Those familiar with the policy formulation process will know that the essence of public policy in a democratic society is one of compromise within a political framework. We are under no illusion that it is an easy task given the possibility of conflicting goals and equity considerations. Even the social and political values of policymakers themselves are at variance.

The agricultural policy also has to be in accord with the national economic policy. Thus, all government departments that are potentially affected are involved in the policy formulation process to ensure that it is an integral part of the overall economic goals.

Moreover, policymakers will have to contend with lobbyists representing different interest groups who invariably attempt to influence the decision-making process. They will have to take into account different opinions on the means of achieving program objectives; social, economic and

political considerations; and the effects of alternative programs and policies on various sectors in society.

But we should not think in terms of gainers and losers in the policy milieu. I believe the challenge facing us is to devise programs and policies which will have the greatest acceptance and maximum benefit to all of us while minimizing the sacrifices which different sectors in society must make to achieve particular goals.

Program Alternatives

Although today's topic is on the broad subject of national food policy, I feel that I should focus on government programs and policies concerning marketing and price/income stabilization because this policy area has been under considerable discussion in recent years.

Reference has been made to a contributory income stabilization program as a solution to the farm income problem. In my view this is a rather simplistic approach because the measure adopted should take into consideration the demand characteristics and market organization of the particular commodity.

Low price and income problems may reflect a basic weakness in the production of the commodity itself, such as uneconomic units, excess capacity and market inefficiency. If that is the case, price or income stabilization at any level will probably never resolve the basic problems in the industry. Such a policy will freeze resources and tend to preserve the status quo in the industry rather than facilitate adjustment towards increased production efficiency.

I am sure consumers do not want an income supplement program for subsistence farmers. Rather, we should have a policy that will promote economically viable farm operations in Canada. To achieve that the measure adopted should be commodity-oriented.

A contributory income stabilization program is just one of the alternative measures. I am pleased to note that Dr. Loyns viewed the other programs, such as delegation of regulatory powers to marketing boards, as some of the available options.

As pointed out by Dr. Loyns, there is an unfortunate tendency to equate marketing boards with supply management. As a result, we tend to overlook the other positive aspects of marketing boards. Let me briefly review some of the important roles played by marketing boards:

- Marketing boards negotiate for minimum prices and/or acreages in advance of farm planning decisions.

- Through collective bargaining, marketing boards counter the buying power of big companies.

- The selling function is left to the expertise of the marketing boards while the farmers concentrate on improving their production efficiency.

- Marketing boards standardize the terms and conditions of sale.

- Marketing boards can be instrumental in aggressively promoting and merchandising the farm products.

- A regular supply of the farm product to first buyers and the export market can be ensured through pooling.

- Marketing boards introduce competition in the market place, e.g. auctions through the teletype exchange.

- They assemble or direct the commodity from farms into central points for sale.

- Marketing Boards encourage greater efficiency in production, transporting and marketing of farm products.

Through the proper application of the various marketing methods listed, farmers have been able to obtain the best price possible in the domestic and international markets rather than relying on the government treasury for subsidy, which ultimately has to come from the consumers' pocket in the form of higher taxes.

You will note that I said "the best price possible" because marketing boards, unlike labour unions and professional organizations, do not guarantee an increase in price or income to farmers every year. Agricultural prices are often reduced because of lower production costs, higher yield, excess inventories, and slow sales.

But a pay cut to a labour union or professional organization would be preposterous. Can you imagine your local dentist taking a reduced fee because there happens to be too many dentists in town, or teachers working for a lower wage just because a few teachers are unemployed?

It is my firm opinion that the problems of acceptance and recognition of marketing boards as an economically desirable institution is essentially one of perspective - not only by our critics but by the news media and the general public. I suggest that the central issue facing us is not "whether marketing boards should be abolished?" rather it is the question of "how can we enhance the operations of marketing boards and make the best use of the marketing legislation to the benefit of producers and consumers in Canada?"

Farmer Interest

As I said at the outset, farmers seek a fair price for their product and a farm income that is comparable with their city cousins.

Farmers are not looking for government support of subsistence agriculture. I agree with Dr. Loyns that we should distinguish between the problems of commercial farmers and those of low income farmers. If the decision is to maintain a viable agricultural industry, then it should be an efficient industry in all respects, from productivity of resources to market organization.

But we need dependable domestic and export markets. Government policies and programs should be desinged to protect our farmers against unfair competition of low-priced imports and ad hocery of foreign governmental actions, including the disruption in the market place due to import control and embargoes.

We have one of the least subsidized agricultural sectors among the developed countries. In contrast, agricultural production in some countries is highly controlled by governmental actions such as variable tariff structure and subsidized exports in an attempt to stabilize domestic prices.

However, our farmers have never stopped searching for ways and means of exploring the domestic and export markets in order to gain a better price for themselves in the market place. Unfortunately, some people have viewed these actions by farmers as unjustified and nothing more than a selfish attempt to capture a greater share of the economic pie than they are reasonably entitled to.

The concerns of the do-gooders about the loss of valuable farmland to urban encroachment may be a lost cause if it does not pay to stay in the farming business. Farmers would rather give up than face unfair competition in the marketplace or bear unfairly the economic costs of low prices and incomes through years of surplus production.

Our agricultural production should not be allowed to be gradually eroded by foreign imports. The trend should be reversed. Food is too important a commodity to be left to the vagaries of world supply-demand balance. The experience of 1972-74 vividly illustrates how the world food supply could change from a surplus to a shortage position in a short time. From now on, we should know better. It would be unwise in the long run and unfair to our future generations to be increasingly dependent on food imports. It cannot be assumed that food supplies on the world market will remain as plentiful and at such bargain prices as they are at present.

We have the capacity and we, as farmers, are prepared to play our part in providing a bountiful supply of food to the domestic and world markets. The price must be right.

Conclusions

There should not be any disagreement on the long-term goals of a national food policy. But agricultural programs should be constantly under review and should be flexible and pragmatic in meeting with contemporary and prospective farm and food problems. There should be constant evaluation because we are dealing with a dynamic industry. Current debates on food policy may not be a bad thing after all. It is, in my view, part of the policy evaluation process.

Program alternatives must not be narrow and restrictive. We have several available options which will work to the benefit of both producers and consumers. The choice of program alternative should be commodity-oriented. We should have a mix of marketing and price/income stabilization programs that will provide us with increased flexibility to cope with a wide range of farm products and marketing systems in the agricultural sector.

Farmers seek fair prices in the marketplace. The main objective of marketing boards is to improve farm prices in order that the agricultural

industry can remain viable. Getting rid of marketing boards will not increase food production but ensuring a fair price will keep farmers in business. The agricultural industry should be kept viable lest our complacency with bargain food prices will be felt by future generations.

Farmers want to stay in business and produce for the domestic and world markets. If we can assure them of a fair return and a share of the economic pie we could rely on them to supply us with quality food and stable prices. Otherwise, legislation designed to preserve farm land is not going to do it.

THE KEY ISSUES

Elmer L. Menzie*

The participants of this conference have accepted the challenge of discussing the elements and issues associated with the development of a national food policy. They did not attempt to develop the actual elements of a food policy per se, which is as it should be, for the discussions have shown, above all else, the diverse nature of the industry, the complexity of the problems and the numbers of the participants involved. Any attempt to develop a national food policy will require much more discussion and analysis than can be expected from a single conference.

Few people would argue that some elements of a food policy do not already exist. The major question relates, however, to the adequacy of that policy. One of the problems associated with current policies and programs is the apparent lack of uniformity and consistency. There exists a heterogeneous mixture of policies with respect to resource use, environmental issues, social systems, trade, aid, welfare, etc. Since the policies that now exist have been established in an uncoordinated and piecemeal fashion, there are inconsistencies in both the form and application of current programs. Conflicts and misunderstandings both with respect to expected results and actual results become apparent.

Undoubtedly, the conflicts and inconsistencies observed have evolved as a result of attempts to respond to the diverse objectives and interests of the many groups involved in the total food industry. It seems obvious that any attempt to develop a coordinated national food policy must recognize, in some manner, the interests of the various concerned groups.

The producers of agricultural products have a number of unique problems. For them the key issues differ from those of consumers, distributors and other groups. Furthermore, problems within the agricultural production sector vary from group to group. For example, the problems and their solutions for the one third of the commercial farmers producing a major share of the total output differ significantly from many of the remaining farmers with rela-

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tively small output per farm. For the larger commercial farmers, problems of efficiency in resource use, location of production, capital availability, risk and uncertainty tend to be dominant. Problems of non-commercial agriculture tend to be more closely related to issues of welfare. The solutions to these two sets of problems require widely differing and in some instances perhaps even conflicting policies. The same is true of commercial agriculture's problems and objectives related to land tenure and use. Conflicts are readily apparent between the perceived goals and objectives of agricultural interests in land use and those of other groups in society.

The suppliers, processors and distributors in the agricultural industry also have their unique problems and objectives, as do each of the groups within these sub-sectors of the industry. However, their interests are more closely related to agricultural producers than often appears to be the case. Input suppliers are interested in the prosperity of agricultural producers in order to maintain sales. Variability in production and incomes at the farm level causes variability in sales of supplies. Similarly, it affects levels of efficiency and returns of processors and distributors. Key issues for suppliers, processors and distributors tend to focus around problems of competition and efficiency. While processors and distributors are interested in keeping input costs and thus farm prices down they are also interested in stability of supplies and in the prosperity of the total farm sector. Policies with respect to employment and trade are also of importance to suppliers, processors and distributors. However, the objectives and policy recommendations of each group on problems of trade and employment tend to vary by commodity and circumstance. In some instances they will be supportive, in others conflicting.

Consumers have a number of unique problems related to the food industry. Quality of food, nutrition, security of supplies and prices are among issues of primary concern to consumers. They are concerned with the impacts of price changes on consumers in general and on low income groups in particular. Consumers are also concerned about land use, environmental issues and energy availability.

From the point of view of the general public, a number of other issues arise related to food policy. There is the question of international responsi-

bility in providing food and aid to the developing countries. Policies with respect to trade and aid, from the point of view of the general public and consumers, often are significantly different from those demanded by the production sectors. The system of land holding, land tenure and the question of the maintenance of the family farm, all are of concern and involve general questions related to social values. The objectives and the perception of the general public with respect to the most desirable social structure may be significantly different from the needs, demands and perception of agricultural producers and rural communities. There is also the question of public confidence in the honesty and integrity of the whole food industry. At present, public confidence in the industry is considered to be a key issue and perhaps a major driving force behind the demands for a new approach to food policy.

The inconsistencies between policies and objectives as pursued by the various interest groups is not unexpected. Even within agriculture, the interests of farmers producing different products in different locations often are not the same. Grain producers want high grain prices, while livestock producers want low grain prices. Regional interests are reflected in jurisdictional and policy disputes between Federal and Provincial representatives. It is, in fact, the recognition of these inconsistencies and the widely ranging objectives of groups and individuals affected by policies involving the agricultural industry, that prompts the recognition of a need for a coordinated approach to the problem.

While the participants of this conference have indicated differences of opinion with respect to the methods of approach to the development of a national food policy and/or the need for such a food policy, in general there seems to be a good deal of uniformity in the description of the problem and the issues involved. All of the participants have recognized that the issues are of both national and international scope. Furthermore, all have recognized that the objectives of the various segments involved are not necessarily the same and that the policy results might therefore be different depending on who was establishing the system.

In the development of a national food policy on a more coordinated basis a number of problems must be resolved. A system must be developed whereby

all voices have an opportunity, not only to be heard, but to have an impact on policy development. There must be recognition of the conflicts and reconciliation of them.

There is need to develop a research capability with the capacity for independent study and discussion of the policy issues involved in meeting the objectives of the various groups. Research is absolutely essential to assess both the short and the long run benefits and costs of the various alternative program solutions proposed. Having heard the demands of the various interested groups and having assessed the benefits and costs of alternative programs, it will then be necessary to establish a procedure within which program options may be rated for selection.

It is certainly not clear at this point how the above might be carried out. It is evident that each interest group sees the problem from a different perspective and therefore recommends different approaches. Traditional agricultural interests tend to argue that a policy framework already exists and except for minor kinds of adjustments the issues are being met. Consumer interests would probably prefer a dominance of the policy process by their spokesmen. Hopefully it will not be necessary to establish a whole new bureaucratic framework if an attempt is made to arrive at a more coordinated approach to a national food policy. Adjustments in existing structures and procedures should be possible to arrive at the same end.

In summary, this conference has established that we do have many of the elements of a food policy, albeit disjointed, often conflicting and certainly less than satisfying to many of the concerned groups. There are obvious areas of conflict and weakness in current programs and improvements can and should be made. There are no easy solutions to the multiple problems and issues raised here today, but that should not surprise anyone. Furthermore, it should merely enhance the interest in the challenge. This forum has not attempted to develop a national food policy, nor should it have done so. We hope, however, that it has added to an understanding of the scope and dimensions of the problems and provided a framework which will advance us towards their solution.