

Farmers say they're not cause of high food costs

What will finally solve Canadian farmers' financial problems? "They have to have a fair share of the consumer's food dollar," said Lambton-Middlesex MP Ralph Ferguson.

Subsidies aren't the answer.

While government subsidy programs keep some farmers afloat, they don't solve the basic problems like the cost of growing grain being more than what the grower can sell it for.

Farmers are good spenders, Mr. Ferguson said.

If they did have a fair share of the money consumers hand over at the grocery store, the economy would benefit because farm owners would update operations and buy equipment "giving the whole economy a shot in the arm," the former Liberal agriculture minister said.

Starting a year ago, the MP who farms with his son near Walnut in Brooke Township, began documenting facts to back his belief that farmers aren't getting a fair share.

Last year he released phase one of Compare the Share, a collection of facts and graphs illustrating the difference in farm prices and retail-wholesale prices for farm goods.

Over 300,000 copies of a Compare the Share phase one brochure have been distributed and requests for it still come into Mr. Ferguson's office. There are also over 10,000 copies of the complete phase one study in circulation.

Dona Stewardson, a member of the Ontario Federation of Agriculture's executive and a Bosanquet Township resident, said a number of county federations distributed brochures on phase one of the study to support their calls for aid to the farm sector. The federation has just begun to analyse phase two of the study, she said.

"We feel our input costs are keeping up with the times but our commodity prices aren't," she said.

Mrs. Stewardson said she spoke with a grocery store manager recently who sympathized with farmer's problems but said he too was suffering from high operating costs and low returns.

"Somewhere it's falling through the cracks," Mrs. Stewardson said of profits in the food industry. "If people feel their paying too much, who's getting it?"



Dona Stewardson

The Compare the Share study says that the percentage of the Canadian food dollar going to the Canadian farmer has fallen dramatically over the past decade.

While the amount consumers pay for groceries has increased significantly since 1980, it isn't the farmer's fault. "The huge increases have occurred at the retail level," the study states.

Between 1983 and 1990, the retail price of beef increased 26 per cent while the price beef producers earn increased only 8.8 per cent.

The consumer price for a litre of milk has increased at a rate of over 97 per cent in the last 10 years, almost double the increase at the farm gate.

Egg prices jumped 48.8 per cent and the people owning the chickens earned only 14.1 per cent more.

In all three cases, the retail sector earned the highest percentage of the consumer price increase, according to the study.

Jim Johnson, an Inwood area farmer active in the Ontario Corn Producers Association, said farmers hear other people in the food business claiming their margins are tight, making it difficult for them to earn a profit.

But players higher up in the food system are free to raise their prices to meet their costs. Farmers have to take whatever price is offered for their products, Mr. Johnson said.

Grain prices have fallen to lows not seen since the Great Depression of the 1930s, yet farmers are paying 1990s costs to operate their farms.

Farmers held rallies in the fall and winter of 1991 to try and let consumers know that very little of their food dollar was actually reaching farmers.

To show how the dropping returns affected farmers in the 1980s, the study states that at the start of the decade it cost the equivalent of 1,356 bushels of wheat to buy an average new car. By the end of the decade it took 4,574 bushels.

The average price of a new home in Canada increased 53 per cent in the 1980s while the value of all farm commodities increased only 3.5 per cent.

While Canadians pay a slightly higher percentage of their income for food than Americans, figures in Compare the Share indicate we're much better off than residents of many other industrialized nations.

In 1986, people living in Canada spent 11.5 per cent of their income on food compared to 13.7 per cent in Britain, 18.9 per cent in Japan, 20.2 per cent in Switzerland, 26.8 per cent in Israel and 34.6 per cent in Greece.

In that same year, Americans spent 10.4 per cent of their income on food.

Grocery distributors dispute study, charge information in it 'misused'

Spokesman says food distributors 'hurting' here

“It didn't deserve comment.” That's John Geci's reply to Compare the Share.

He's president of the Canadian Council of Grocery Distributors, an organization that counts 80 per cent of Canada's food business among its members.

He dismisses the efforts of Lambton-Middlesex MP Ralph Ferguson and others who attack food retailers by using what he calls “incorrect and false information” to address concerns of particular constituents.

“He misused the information he's been able to gather,” Mr. Geci said of Mr. Ferguson's studies.

Mr. Geci said there are three factors that determine the prices consumers pay at grocery stores — farm gate prices, process costs and retail costs.

The two major influences on the prices farmers earn, said Mr. Geci, are world commodity prices and the farmer's cost of production.

He said there are misconceptions about grocery prices in Canada but a recent study (paid for by the

federal government and business) looked at 10 Canadian industries and found grocery distribution to be the most efficient and effective, Mr. Geci said.

It also showed that Canadian food distributors operate on smaller margins and profits than their counterparts in the United States, he said.

That's one of the areas where the distributors and Mr. Ferguson disagree. Compare the Share argues that Canadian food companies earn higher profits than their American counterparts.

Canadian distributors are operating on lower margins than those to the south and “some of our guys are hurting,” Mr. Geci said.

There is no validity to claims that food distribution profits are phenomenal, he said.

But distributors don't want to appear to be criticizing farmers, he said.

They are critical of systems, like marketing boards, they believe create anomalies in the prices Canadians pay for grocery products.

Canada's food business is very concentrated but that approach is one of the things the government-industry study identified as one of its strengths. That study went so far as to recommend that the other sectors adopt the food business's concentrated approach, Mr. Geci said.

Instead of harming consumers, the savings industry concentration generates is passed onto them, Mr. Geci said.

The food retail business is also suffering in the 1990s, hammered by recession and cross border shopping. Profit margins in the industry were down to less than .5 per cent in 1990, hampering the industry's ability to reinvest in new equipment, he said.

The industry needs strong, efficient farmers to supply it but they have to be efficient and productive, he said.

When times get tough, there's a tendency for people to look around for someone to blame and big business is a frequent target, Mr. Geci said.

But the business end of the food system wants to co-operate with farmers and grocery distributors have held talks with the marketing boards to deal with the fact that Canadian consumers aren't buying as much eggs, milk, chicken and turkey in Canadian stores as they once did.

Distributors want supply management re-examined but that doesn't mean they want to throw farmers off their farms, Mr. Geci said.

European countries and the United States get away with supporting their farmers in different

ways and complain about Canadian marketing boards so “why not do it the same” and use government to provide safety nets instead of getting it involved in enforcing marketing, he said.

Recently, the grocery distributors were told by Dr. Larry Martin, a University of Guelph professor and head of the federal government's Agri-Food Competitiveness Council, that they can't expect to be profitable in a free-trading world unless they forge better relationships with other parts of the food sector.

At the same time he made those comments, Mr. Martin criticized Mr. Ferguson and his studies saying they haven't helped. The food industry should work to develop alliances to get over competitive obstacles caused by free trade instead of the sectors continuing to fight each other, he said.

Mr. Geci said 80 per cent of the retail food industry's draw goes to pay for the food it stocks. Another 10 per cent goes to labor costs, leaving only 10 per cent for administration, store operation, property taxes and the other costs.

There are intense pressures on Canada's food retailing sector today and if it doesn't respond, “someone else will and they won't be Canadian,” he said.

'Long battle' fought to convince consumers

Lambton-Middlesex MP Ralph Ferguson wasn't telling local farmers anything they didn't know when he prepared studies that claim they aren't getting a fair share of the consumer's food dollar.

Jim Goodhand, a pork producer near Alvinston and chairman of the Ontario Pork Producers Marketing Board for the past three years, said he agrees with that finding of the Compare the Share study.

Phase one of Compare the Share found that although the price farmers earned for pork remained about the same through the 1980s, the retail price continued to climb.

In that decade, retail pork prices went from being four times the farm gate price to 5.6 times.

According to the study, in 1986, processors, wholesalers and retailers were sharing 76 per cent of the money Canadian families spent on pork, leaving only 24 per cent for farmers.

Part of the reason is that in Ontario amalgamations and buy outs have given three distributors control of 80 per cent of the retail food market, Mr. Goodhand said.

Plus improvements to the transportation system mean that alternatives to Ontario farm products are easier for distributors to get than years ago, he said. Within just two days, food distributors can get their hands on food produced anywhere in North America.

Mr. Goodhand said that threat alone is enough to keep the wholesale price of pork and other commodities down to the lowest level.

Over the last six months, the amount Ontario farmers earn for pork has been at lows not reached since the 1970s, but prices have turned around very recently, recovering to the point where pork producers are breaking even, he said.

"It's a long battle," Mr. Goodhand said of the effort to convince consumers that farmers aren't getting a fair share of their food dollar.

Most consumers avoid paying full prices for meat. "People tend to look at the features first."

While most people will "pay lip service" to paying more to aid farmers, 80 per cent of the sales at grocery store meat counters are items put on sale, he said.

Mr. Goodhand said he's aware of the difficulties grocery stores face with high operating costs and the need to move high volumes of products to earn profits.

Decades ago shoppers asked for a cut of meat, and the butcher cut it and wrapped it in some brown paper. But butcher shops have all but disappeared in North America.

Today, selling meat involves expensive packaging and labor intensive preparations to cut, trim and de-bone the product. All that activity adds to the final retail price.

"We're kind of caught up in that," Mr. Goodhand said. "I'm not sure how we're going to get out of it."

A pork producer's job today is to be as competitive as possible so the chains owning the grocery stores can still earn money selling pork, he said.

For a time, the ease of processing and selling chicken made it the king of the grocery store meat cooler but Mr. Goodhand said pork is starting to make some gains on chicken.

It's still frustrating to walk into a grocery store and see the price sticker on pork, knowing the small percentage of the price hog farmers earn, Mr. Goodhand said.

But, "we have to think differently," he said.

In the past, farmers tended to see themselves as the first and therefore the most important part of the food supply system.

"We're just providing raw materials" for processors and distributors, he said. To survive, farmers have to be able to provide those raw materials at a competitive price, he said.

Mr. Goodhand said he's feeling good about the future.

"The signs are out there, things are going to turn around."

People are returning to work and as they do they'll have more money to buy the products Ontario farmers grow, he said.

What's recommended

Recommendations of Compare the Share II are:

— U.S. anti-trust legislation appears to have kept the food distribution network there from being as concentrated as Canada's. Canadian anti-trust legislation must be examined.

— The practices of allowances, rebates and discounts paid to retailers should be examined and those judged detrimental to Canada's food industry and to cause higher consumer prices, should be eliminated.

— Ensure the safety of food products in Canada and apply the same rigorous standards to food imported from other countries.

Compare the Share I recommendations are:

— Producer marketing boards, agencies and commissions should be supported and enhanced.

— Promote environmentally sustainable agriculture by introducing programs which share the financial burden between farmers and all of society.

— A two-price support system for agricultural sectors that don't have price setting authority.

— Creation of new uses for Canadian grains, such as ethanol.

— Establish a royal commission to examine food chains and retail price increases over the past decade, with the power to make recommendations to both federal and provincial governments.

— Ensure countries exporting food to Canada meet the same stringent environmental and food safety requirements in force for Canadian producers.

— Appointment of consumer representatives to the boards of all large food retail chains.