Canning the corporate cash crops

This feature is an excerpt from "The Tomato Papers," a slim volume studying the canned food industry in Canada. Article reprinted by permission of its publisher, the Ontario Public Interest Research Group.

Factory processing of tomatoes has not changed significantly in the past eighty years. Major innovations have been few and far between and the simple technology and machinery at one time allowed the existence of many small canners. Even today most of the firms are small scale and while the Canadian Food Processors Association can still claim that "the majority of the plants engaged in tomato canning are Canadian independently owned and operated," the situation is rapidly changing.

Three decades of government faith and support for the free enterprise system has seen the industry transformed from a decentralized, domestically controlled and locally important manufacturing activity to one that is centralized, concent ated and foreign owned. The number of firms in the field is steadily declining and a handful of large foreign-owned corporations operating on a multinational basis are coming to dominate the industry. As late as the 1960s well over a hundred companies were still processing tomatoes in Canada. By 1977 they numbered in the forties.

Much of the loss occurred in provinces other than Ontario. Quebec, for example, had 25 plants processing tomatoes in 1964. In 1977 five remained! Ontario, emerged as the 'Have' province in terms of tomatoes, but the fruits of success have been unevenly distributed. The same trends, those of centralization and concentration, which disrupted the Quebec industry have put many small Ontario companies out of business and many workers out in the street.

Ontario boasted 54 companies processing tomatoes in 1964; 44 in 1972. Five years later the number had dropped to the low thirties. Hardest hit were the western counties, where the bankruptcy of the plant was a significant blow to the local economy exacerbating the already considerable problem of unemployment. Even in cases where plants have managed to survive, rarely have they prospered, and indications now suggest that their time is running out.

The industry is dying, I give it 3 to 5 years here in Eastern Ontario ... the shift will be total to western Ontario.

- personal interview

Western Ontario is home-away-from-home for the large foreign-owned establishments. These companies have centralized agricultural resources in their own hands and have concomitantly gained the lion's share of the processing market. Although specific data for the tomato industry are not available aggregate figures for the entire fruit and vegetable sector demonstrate the concentration of economic power in few corporate hands. In 1975 just 9% of the establishments controlled 50% of the sector's shipments. The bottom 60% or the smallest 148 establishments got to divide up only 12% of the shipments. Since different 'establishments' are actually owned by the same parent company these figures actually understate the case. For instance, in 1974 the 8 largest companies accounted for 54% of the shipments of the total fruit and vegetable industry. For particular products the figures would be higher still.

H.J. Heinz, Campbell Soup, Canadian Canners and Libby, McNeil and Libby are the unchallenged giants of the tomato industry. By no means a monopoly in the classic sense of one company in full control, nonetheless, these four operate as a 'shared monopoly' or oligopoly which is characteristic of most modern industrial sectors. All of these companies have been long established in Canada, all are foreign-owned and all have corporate holdings which span the globe. Heinz first set up in Ontario in the first decade of the century. In a move reminiscent of Ford's recent $68 million gift for building a new plant in Windsor, Heinz was coaxed to establish a subsidiary in Leamington with a $10,000 bonus. The Company had initially wooed Hamilton but failed to get the financial encouragement to set up there.

Campbell Soup first set up operations in 1931, Libby was incorporated in 1916 and Canadian Canners was until its purchase in the fifties a domestically spawned giant. The companies moved into Canada in order to get behind the tariff wall and to obtain access to the restricted Commonwealth market. Once here they began to dominate the industry.

As early as 1936 the study on Canadian-American industry concluded that names such as Heinz, Campbell and Libby were "as familiar, probably, in Canada as in the United States." The study pointed out that in the fruit and vegetable industry U.S. branch plants had only between 10-15% of the market. However, by the early seventies, their share had reached the 65% mark. Sucessive generations of government policy aimed at Continental integration, both culturally and economically, virtually assured the American off-shoots commercial supremacy. The advantages of 'overflow' advertising, the financial backing of the parent companies and the access to cheaper foreign produce guaranteed their success.

Foreign domination and the shift to monopolization has become the defining features of the Ontario tomato industry. They are trends which for the most part have been encouraged by governments and denounced by critics. As early as the turn of the century the bonusing system which encouraged Heinz and other foreign companies to set up Canadian subsidiaries was severely criticized. The Grain Growers Guide, a western farm publication, warned that the give aways were serving to transfer wealth into "pockets already bulging with the gains of an unjust economic system." Even the President of the Toronto Board of Trade in 1906 referred to the bonusing system as "one of the worst forms of class legislation." The shouts of indignation have been ignored and over the years have been reduced within official circles to whispers of concern. The whispers have found periodic expression.

"... you're forced to automate as much as you can and get rid of people. Even though its a large initial investment it pays off ..."

- personal interview

When Del Monte was negotiating for Canadian Canners, the takeover was reviewed by the Restrictive Trade Practices commission as a result of public concern that it would lead to monopolization of the industry. The inquiry, like so many before and after it, was finally shelved. However, in his annual report of 1960 the Combines Commissioner indicated that the merger gave Del Monte definite advantages over the other firms in the field. These included advertising, distribution and the fact that the "merged companies stand outside the Canadian-U.S. border in a position to pick, for the Canadian market, either Canadian or U.S. produce, depending on the circumstance of tariffs and tariff differentials on raw and canned products and of supplies and prices." Nine years later the Report of the Federal Task Force on Agriculture added to the list of concerns the fact that U.S. companies "restrict their Canadian subsidiaries in the export field, preferring to handle this business from U.S. plants." Today, ten years later the Science Council of Canada is talking about "the nature, magnitude and causes of the long-term deficiencies of the Canadian economy." It argues that "the most important agent of the entrenched industrial malaise is the way firms of foreign origin have been permitted to operate in Canada."

The government, however, at both the federal and provincial level has maintained its position as the champion of foreign ownership. In the meantime food prices have gone up, farmers have been forced out of production, millions of dollars have been repatriated to the U.S. in form of profits and dividends, imports of tomatoes have increased, small processors have gone under and workers have lost their jobs.

Corporate Profile: Libby, McNeill & Libby of Canada Ltd.

Company:
Libby, McNeill & Libby of Canada Ltd.

Parent:
Owned by Libby, McNeill & Libby Inc. of U.S.A., which is in turn owned by Nestle Enterprises Inc., U.S.A. a subsidiary of Nestlé S.A. a private Swiss company headquartered in Switzerland and the tax shelter of Panama (Unilac Inc.).

Description:
Nestle ranks among the top 50 companies in the world and is the world's second largest agribusiness corporation. In 1977 it had sales of $8,392,275,000 (U.S.) assets of $7,443,221,000 (U.S.) and a net income of $346,633,000 (U.S.). This makes it larger than a number of third world countries.

The company employs over 140,000 workers in 50 different countries. It has over 200 subsidiary companies, owns 294 factories, 721 sales branches and 94 administrative centres throughout the world.

Products:
The company is a multiproduct conglomerate. It produces fruits and vegetables, juice and sugared drinks, baby food and dietetic products, frozen dinners, soups, bouillons, seasonings, sauces and convenience foods; milk and dairy products including ice cream, yoghurt and cheese, honey, teas and coffees (40 varieties of instant), meat products, mineral water and wines. The company owns restaurants, hotels, catering services, cosmetic, perfume, pharmaceutical and a range of industrial plants.

Popular brand names in Canada include Nestlé, Nescafé, Nestea, Libby's, Rosedale, Cherry Hill, Ingersoll, Branston, Maggi, Crosse & Blackwell, Stouffer and Mont Blanc.

Highlights:
* Nestlé has been the target of international action against its baby food advertising policies which have been shown to directly contribute to increasing infant malnutrition in Africa. Nestlé encouraged mothers to abandon breast feeding of their children in favour of formula-feeding through a massive campaign of posters, radio advertisements, loudspeaker vans and salespersons dressed as nurses who went around to maternity hospitals and clinics giving away free samples and advising new mothers. "So widespread is this cycle (of malnutrition) that babies in some African hospitals are in beds marked 'Lactogen Syndrome' after the [Nestlé] baby food of that name."

The company sued one group of its critics in Switzerland who had published a pamphlet under the title "Nestlé Kills Babies." The company charged that:

— The title of the pamphlet which had started it all in Switzerland was defamatory.

—The pamphlet's implication that Nestlé's and other companies' activities in the baby food field were unethical and immoral was defamatory.

— The statement in the pamphlet that the marketing techniques practised in developing countries resulted in the death of children was also defamatory.

— The statement published in the pamphlet that Nestlé had disguised their saleswomen as nurses was also untrue and defamatory.

The company withdrew all but the first charge concerning the title of the pamphlet shortly before judgement was handed down. On this one count the judge decided in favour of the company but said, "This verdict is no acquittal" and "if the complainant in the future wants to be spared the accusation of immoral and unethical conduct, he will have to change his advertising practices." (see Ten Days For World Development, 1978 Leader's Kit)

* In 1972 Nestlés had made a sweetheart deal with the Greek military regime. The terms of the contract were finally made public after the colonel was forced out. This is what has come out:

"When Greece decided to build a milk-processing factory, an appeal for bids was tendered. Shortly afterwards, the Ministry of Agriculture suspended bids and opened negotiations with Nestles, though it has since been learned that a Dutch company had made a more favourable offer. Nestles got 51 per cent of the capital, six out of nine places and the Presidency and Vice-Presidency on the Board; and Greece, under the terms of the contract, was not allowed to authorize the creation of a similar plant for twenty-five years, thereby giving Nestles an effective monopoly over all milk processing in the country. Furthermore, Nestles got 'start-up' subsidies from the government, royalties amounting to 5 per cent on cost of sales for a thirty year period, protection via tariffs against imported milk products, bank loans at a preferential interest rate, and no sanctions to be applied in case they did not live up to the few obligations imposed upon them in the contract. Greek financial experts, now freed from the colonel's tutelage, claim that Greek milk prices will go up about 30 per cent if the terms of the contract are allowed to stand."

-Susan George
"How the Other Half Dies"

* In 1975, despite the company's vast financial resources, Nestlé (Canada) received an interest free loan from the Ontario Development Corporation for $111,725 (Cnd.). The terms of the loan are such that if the company complies with the provisions of the agreement ten percent of the loan is forgiven in each of the years 1976 to 1981 and the balance will be forgiven in 1981. The year that the loan was negotiated Nestlé (Canada) made $5,058,254 in profit and held $34,065,121 in assets.

Canadian Subsidiaries
(and overseas holdings through Canada)

Allan's Beverages Ltd.	
Cherry Hill Co.	
Macfeeters Creamery Ltd.	
Nestlé (Canada) Ltd. (789 employees)	
Libby, McNeill & Libby of Canada Ltd. (700 employees)	
Famous Foods International Inc.	Panama
Internationale Konserven GmbH	W. Germany
Libby Container Co. Ltd.	Canada
Libby, McNeill & Libby Ltd.	U.K.
Libby, McNeill & Libby (Storage) Ltd.	U.K.
Libby Swaziland (Pty.) Ltd.	Swaziland
Libby, McNeill & Libby S.A. Cie	Belgium
Libby S.A.	
Nippon Libby Co. Ltd. (A)	Japan
Products Libbys International Inc.	Puerto Rico
Products de la Tierra Inc.	Puerto Rico