

ed on May 25, 1972, the Chairman predicted that food price wars and other fights between supermarket chains are going to last for some time. He is quoted as saying:

—these scrappy days in this particular industry are apt to last for a long time to come—

—I say to you and I say it with some thought that this fight in supermarket business is going to go on for a long, long time.

I would now like to take a close look at what has been happening to food prices. I feel it is important that I do this because there does seem to be a good deal of confusion about food price trends. Food prices in Canada are measured from month to month by Statistics Canada in assembling the Consumer Price Index. The most recent reading on our consumer price levels is for April, 1972. We have comparable data going back many years.

Looking at the most recent changes in the food component of the consumer price index in a suitable historical perspective one cannot help but notice the extreme volatility in the month to month movement of the food index. During 1971 we experienced monthly increases of as high as 2.2 per cent and monthly decreases of as much as 1.6 per cent. One cannot talk about food price trends on the basis of individual monthly movements.

**Mr. Benjamin:** What about yearly?

**Mr. Mahoney:** I am coming to the annual figures. Our data are not unique in this respect. Food prices in the United States have also exhibited substantial volatility in their month-to-month movement.

Looking back over the record of food prices changes in Canada one cannot help but notice as well the regular seasonal patterns in the change in food prices. In the most recent month available, April, the index for food was up 0.9 per cent from March. This change was about the same as that recorded on average in the same month over the past four years. In the cycle of pricing of different food items it turns out that the food index in April typically rises and we should not be surprised by this. Last September the food price index dropped 1.6 per cent but that, too, was a seasonal change. Over the preceding four years it had declined in that month by an average of some 1½ per cent. As a result of both the volatile month-to-month changes in food prices and also as a result of the regular seasonal pattern of food price change, one has to be extremely careful about inferring trends in food prices from data for individual months. One has to look at the food price index in a longer term perspective.

What is a suitable perspective for looking at food prices? Usually, the per cent change from the same month a year earlier provides an adequate perspective and avoids the problems I have just mentioned. But this is not so at this time. Between August and December of 1970, at the time of the supermarket price war, there was a precipitous drop in food prices in Canada: the food price index fell 4.8 per cent in only four months or at an annual rate of 15 per cent.

**Mr. Horner:** Mr. Speaker, could we have the author of this speech?

**Mr. Deputy Speaker:** Order, please.

### *Increasing Food Prices*

**Mr. Mahoney:** This brought food prices to an unsustainable low level by the end of 1970. But they did not rebound to their mid-1970 levels overnight. By April of 1971 the food price index was still well below its peak of the preceding year. The effects of non-sustainable special factors were still being felt and further increases were bound to come, and they have. Because of that situation a year ago, the year-to-year per cent changes in current food prices can be very misleading as an indicator of food price trends.

What are the facts? While food prices were up 7.1 per cent over the past 12 months, if we look back to April of 1970, the increase was 5.2 per cent—an average annual rate of increase over the past 24 months of only 2.6 per cent. This is a full percentage point below the average annual rate of increase in food prices in the last half of the decade of the sixties. Viewed in the right perspective, so as not to be confused by the volatile month-to-month movements in food prices, by the recurring seasonal patterns of food price change, or by the special temporary effects on food prices of the supermarket price war, we see that food price trends have in fact been better on average over the past two years than they had been for a number of years before that.

With food having such an important place in the spending pattern of consumers, lower average rates of food price increase over the past two years have benefitted all Canadians. After tax incomes of persons in Canada have increased by almost 9 per cent per year, on average, over the past two years. After allowing for the average increase in food prices of only 2.6 per cent over the past two years, it is quite clear that average living standards of Canadians have indeed improved markedly.

In conclusion, my submission is that the motion should not be supported. Opposition members who propose such motions keep vacillating between two untenable positions. When the price war is on and prices and profits are low, they are beseeching us to get prices up for the sake of small independent grocers whose livelihood is threatened. Then as soon as a period of stability causes some recovery in prices and profits, they call stridently for prices to be reduced in the interests of the consumer. Naturally, in their irresponsibility they listen to whoever is being hurt by current conditions and they call for the best of both worlds.

For our part the government earnestly requests all corporations and individuals concerned in the production and distribution of food for domestic consumption to do everything they can to make themselves more efficient, to cut costs, and to provide the necessities of life to the consumer at the lowest possible prices. We do not expect them to forgo their legitimate profits. If they do this, if they do it within the law, and especially if they do it in a spirit of enlightened competition, the structure of the industry will take care of itself. If the most efficient organization of the industry requires it, the chains will be able to continue and to flourish without government interference under our free enterprise system. We call upon them to do all in their power to keep their prices low. We do not want to see them harassed by unnecessary investigations, whether by parliamentary committees or other bodies.