FINAL REPORT OF SPECIAL H.C.L. COMMITTEE

CONDENSED SUMMARY OF PARLIAMENTARY INQUIRY

Investigation into Prices Charged for Foodstuffs, Clothing, Fuel and Other Necessaries of Life and Profits Made by Producers and Distributors.

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value in directing the attention of Parliament and the country to the real cause for the present abnormal cost of living as well as pointing out a way by which any existing abuses may be corrected. These conclusions are given in full as follows:—

1. That so far as your Committee are able to discern no material reduction in the cost of such commodities as above indicated can be expected, except by increasing the volume at a lower cost of production or by lowering the cost of distribution.

2. Your Committee do not presume to say that there are no cases of undue inflation of prices, or of profiteering, but in the main it was their opinion that, having in mind the service which the consuming public demand, the margin between the actual cost of production and what the consumer pays for such commodities is reasonably narrow.

3. In their investigations your Committee took the base cost paid to the farmer for such commodities as beef, cattle, hogs, lamb, dairy products, eggs, etc. Upon examining this phase of the subject your Committee had before them representatives of the Department of Labour, the Bureau of Statistics, the Superintendent of the Experimental Farm, the Assistant Live Sock Commissioner, a professor from the Agricultural College at Guelph, representatives of the United Farmers of Ontario, dairymen, packers, cold-storage men, millers, grain dealers, co-operative organizations, consumers, officials of stock yards and commission merchants; and, on the strength of the evidence received, your Committee desire to state that the production cost of these articles, namely, the price paid to the farmer, is from 100 per cent to 115 per cent greater than it was five years ago. The prices of hogs have increased by 125 per cent on an average; beef cattle, 110 to 125 per cent; dairy products on the butter fat basis and eggs from 100 to 110 per cent above normal. Your Committee have considered the possibility of effecting some relief at this point, either (a) by fixing a price or (b) by placing an embargo on the export of foodstuffs. After most careful consideration your Committee are of opinion that to do either of these things would result in most disastrous effects, because any effort on the part of the Government or Parliament at price fixing here or at attempting reductions in sale prices which the farmers are receiving would only intensify the present difficult situation for the reason that it would tend to dry up the source of supply by directing the productive energy of those now engaged in this industry into other channels; on the other hand, were the Government to place an embargo upon exports of any class of foodstuffs it would not only have the same effect, but the policy would be unsound on economic lines. It would have the effect of discouraging productive industries by restricting and limiting markets—and surely there is nothing more obvious than the necessity of encouraging to the greatest possible extent every class of production in order that through Canada's exports we may be enabled to meet our world obligations and pay for the commodities that we must import. Moreover, the inquiry of your Committee, supported by most reliable evidence, shows if one considers labour conditions and the cost of stock feed, that those engaged in the production of these lines of foodstuffs are not

PRESENT PRICE OF WHEAT.

4. One notable factor—in fact, the most notable factor in the opinion of your Committee—is the present price of wheat, which has not been inquired into with sufficient thoroughness. For many years the Department of Agriculture has been pursuing inquiries as to the cost of grain production, and these will be found in certain annual reports from the illustration and demonstration stations and experimental farms. One witness alone, a practical farmer, upon being sworn and examined, stated that wheat production cost $2 per bushel. An examination of Government results leaves the amount very much in doubt, indeed, but your Committee have felt obliged to accept the price fixed during the past two years as final, trusting that due inquiries were made when this price was fixed. If means existed for a precise finding on this point, your Committee feel that they should have exhausted this question, because all other food prices in a measure are determined by the price of wheat. Your Committee have to rest upon the authority stated, and do not attempt to say whether that price is fair and just, although they would add that the price as fixed was intended to be high enough to encourage production. While this level continues not only will the prices of bread and all cereals continue as they are but the base cost of all the other food products must continue to remain high, the reason being that wheat prices regulate, in a large degree, the prices of staple commodities.

5. Passing on to the spread between the base cost and what the consumer pays, your Committee finds that while there may have been isolated cases of undue profits and other cases where poor business methods have resulted in high prices, on the whole the business has been carried on a margin of profit reasonably close to actual cost.

6. In the abattoir and packing house business we find that without question the large companies are making a lot of money in the aggregate, they are doing this because of the efficiency of their methods and their large turnover, and not because of excessive profits on the commodities themselves.

7. In the milling industries the same conditions prevail. The gross margin covering cost of milling and the profits made is about four-fifths of one cent a pound of flour, while the net profit averages about one-tenth of one per cent. To illustrate what this means it has been shown that a reduction of ninety cents on a barrel of flour would make possible a reduction of one-half cent a loaf on one and one-half pound loaf of bread, so that if all profits in this business were wiped out the possible reduction would be less than one-tenth of one cent on a one and one-half pound loaf of bread.

7*a*. The same applies to dairy products and eggs. In the case of butter your Committee find that the creameries are taking cream from the farmers and manufacturing it into butter at a gross cost of 3¾ to 6 cents a pound, varying according to locality and distance the cream has to be hauled. This cost covers transportation charges, manufacturing costs, boxes, marketing, and any possible loss in collection. In this respect the evidence shows that one creamery only made any profit at all, and that was a very narrow one.

7*b*. Your Committee also inquired into the question of cornering the market, and in this connection it was found that no such thing prevails. There is direct and keen competition, and any man having the money and wishing to do so can purchase direct from the producers any commodity he wishes, one case of eggs or one box of butter, etc., as the case may be. The same applies to meat products. Markets are wide open. Any butcher or retailer or consumer can compete in the open market with those who are engaged similarly.

CASE OF THE RETAILER.

8. In the case of the retailer your Committee have found the spread to be greater, with varying results, showing undue high prices in isolated cases only. But here again, as in the case of foodstuffs, the operations are carried on on a margin close to the actual cost. In this connection the consuming public have it in their power to reduce the cost from 5 to 15 per cent by using some of the cheaper grades of meat products or by being satisfied with a less expensive service. It has been shown that in many parts of Canada it is becoming difficult for retail merchants to dispose of any but the prime cuts of meat, the result being that the less choice lines must be sacrificed. Special attention in this connection has been given to the matter of bacon, which is sold in the English market in what is known as two Wiltshire sides, the Canadian market demands highly specialized grades, making necessary the curing of the same hog in eight or ten parts and in the most expensive way, and then it is only the choicest part that finds ready markets. These things naturally tend to a marked increase of the cost of the commodities actually in use.

9. The expensive and frequent deliveries at present called for add very materially to the cost of the goods. Whether this can be eliminated or not is a matter that can only be settled by the consuming public.

NO REAL HOARDING.

10. With reference to the question of hoarding, your Committee had the records of the Cost of Living Branch of the Department of Labour, together with the evidence given before the Committee, and it was found that there were no instances of anything that could be legitimately termed as hoarding. During the past six months, it is true, there was in storage in Canada a large quantity of frozen beef. This, however, was a product prepared for the British Food Commission, having been ordered by that Commission before the signing of the Armistice and being held in storage subject to shipping instructions and not being a commodity marketable in Canada to a limited degree.

11. In general groceries the inquiry of your Committee has not been sufficiently complete to enable us to deal in a comprehensive way with the subject either from the manufacturing or distributing standpoint. The same applies to fruits and fish. As far as your Committee were able to go, the evidence points to the same general condition, namely, high costs of distribution with narrow net profits. In the wider range of general commodities your Committee proceeded along the same lines as with foodstuffs, beginning with the manufacturer and ending with the consumer. Here it was found that greater variations and a wider spread existed in certain places, but again production and distribution costs seem to be the dominant factor in determining prices. Your Committee desire in this respect to direct the attention of the House to two specific lines, namely, boots and shoes and staple goods. In boots and shoes your Committee found the increase of manufacturers' costs to be about 100 per cent, with the tendency still up, due to the increased price of leather and the advance in cost of labour. In this line manufacturers' profits range from almost zero to a maximum of 17 per cent. In staple goods the same conditions were found. Raw material and labour have brought manufacturers' costs to a full 100 per cent increase in many cases, and on the whole the specific profit on the goods is a small factor in the cost to the ultimate consumer. Two cases, however, came to the notice of your Committee in these two lines of commodities where in their judgment excessive profits were taken.

MATTER OF DISTRIBUTION.

12. Coming to the matter of distribution in these lines your Committee found a greater spread, and the cost of doing business under present conditions imposes a heavy burden on the consuming public. In the case of boots and shoes the goods go largely direct from the factory to the retail stores, where an average spread of from 30 to 50 per cent is made for staple lines and a much higher one in special lines. In this connection your Committee desire to point out that in all the evidence before them relating to manufacturers and retailers it was made abundantly clear that the special or exclusive style of footwear demanded by the public tends to increase the cost in a very marked degree. It was pointed out, for instance, by one retailer whose gross margin was the lowest that came under the review of your Committee that on thirty pairs of special ladies' boots in stock in 1918 only two pairs were sold in the regular way and the remaining twenty-eight pairs had to be sacrificed at a price less than cost. This instance might be multiplied many times in every retail store investigated.

13. In staple goods such as woollens, cottons, etc., the spread from the factory to the retailer is about 75 per cent, namely, 15 to 25 per cent to the wholesaler and an average of 50 per cent to the retailer. In the main the evidence shows that notwithstanding these high gross margins the net profit is small when computed either on capital or turnover. It does seem, however, that these costs of doing business are high. The elements entering into these high costs are rents, municipal taxes, and labour, and in investigating these your Committee found that in one place where rent counted for 5 per cent of the total turnover the gross rent value yielded on the property only produced 5 per cent on the assessed value.

14. In the case of fuel your Committee were able to investigate actual conditions in two cities only, but have closely checked the records in the Department of Labour and the Bureau of Statistics collected for the Fuel Controller, wherein it was found that a marked increase in the price of coal was due to (*a*) increased cost at the mines; (*b* transportation; (*c*) distribution; and that the margin of profit in the cases investigated was very small.

15. In respect to leather, rubber goods, building materials, plumbers' supplies, general hardware, and house rents your Committee report that they had not time to inquire into these matters.

CONCLUSIONS ARRIVED AT.

16. While before the war there was a steady rise in the price of commodities, during the war a greater advance in prices occurred, and the indications point to goods remaining for a considerable time, if not permanently, on a higher price level. Scarcity of material and destruction due to war have partly caused this rise in price, but even more, the expansion in currency and credit have caused a general money depreciation, and as values or prices are expressed in terms of money which is really a quantity of counters, the doubling of the number of counters and the lessening of the quantity of commodities give a resultant higher price. It must be remembered that the expansion of bank credit has been proportioned to the increase in the prices of production and that the banks were called upon to furnish immensely larger sums to facilitate trade than the period prior to the war. Huge dealings have been made possible to companies with comparatively small capital by a generous policy of credits on the part of the banks. The accumulation of reserves by the trading corporations of the country is a means of making us less dependent upon foreign borrowings and putting our business on a sounder basis, and no proper criticism may be directed to the policy of thus increasing the capital employed in business.

17. While corporations were required in peace times to make reports of their annual statements and these were open to public inspection, private partnership firms have only been required during war time to make these returns to the Cost of Living Commission and the Food Board. Prior to making any such returns satisfactory examination of the

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