FOOD AND BEVERAGES

The Canadian Food and Beverage industry lost its competitive edge in 1975, and total unit costs continued to rise above U.S. levels throughout the remainder of the the period. By 1984, they were 27 per cent higher than in the U.S. (pre-exchange-rate-adjusted).

Unit material costs represented about 80 per cent of total costs in both countries over the period. While domestic producers held an advantage in this area in the early 1970's and were fairly competitive from 1975 to 1978, relatively higher growth rates were posted for Canadian material costs from 1978 onwards. The average annual rate of growth over the entire period was 8.9 per cent in Canada compared to 6 per cent in the U.S. By 1984, unit material costs in Canada were 34 per cent higher than in the U.S.

Domestic unit labour costs were consistently above U.S. levels throughout the entire period. The cost-gap between the two countries continued to expand every year, and by 1983 Canadian unit labour costs were 60 per cent higher than in the U.S. In 1984, however, U.S. costs increased by 38 per cent compared to a 1 per cent increase in Canada, leaving Canadian costs only 16 per cent above U.S. levels. Canadian labour was less productive than in the U.S. throughout the period, fluctuating within a range of 55 to 60 per cent of U.S. values.

Canadian unit interest payments increased much more dramatically than in the U.S., but accounted for less than 3 per cent of total costs in both countries in 1982. U.S. tax payments were significantly higher than in Canada throughout the period, but like interest payments, only represented a small portion of total costs in both countries.

On an exchange-rate-adjusted basis, costs were brought more in line between the two countries after 1976. In 1984, the Canadian industry held a slight cost advantage, with total unit costs 1.8 per cent lower than those in the U.S.