Who's to blame?

Continued from page 13

The dual reality of concentration and vertical integration has lead the food industry to be described in a study of Retail Oligopoly in the following manner:

"...grocery retailing today is seriously deficient on at least four counts:

1) profits are excessive;
2) excess capacity has added to costs;
3) advertising has favoured a concentrated structure, created monopoly power and increased costs;
4) the promotion of the luxury store has inflated gross margins."

Studies have setimated that efficient use of store space alone would reduce consumer costs 4 cents on every dollar spent.

Advertising practices of the retail food oligopoly are the principle means of expanding control over sales. They also provide a barrier to the entry of new competitors, encourage inflationary factor in final food prices.

"The fact that large supermarket chains are able to advertise more for the same or lower costs per dollar of sales than are small companies was estimated statistically by correlating advertising costs with the sales of eight multi-stores supermarkets in the five major cities on the prairies. These estimates indicated that a firm with $10 million in sales spent 2.84 cents per dollar of sales, while a firm with $100 million in sales spend 1.61 cents per dollar of sales, even though the larger firms generally did more advertising," concludes the Batten Commission. The commission investigated the cost of food for the three prairie governments.

Advertising, in short, is a basic tool with which corporations can gain and sustain power while expanding surplus through a greater share of market sales in a given commodity.

Hence every breakfast cereal or canned soup is new, unique and has "something added", all of which may rationalize consumer price increases and the introduction of cheap chemical additives which are non-nutritional but seem filling.

We previously mentioned that while farm income has risen, so has the cost of production. This increase was caused by factors very similar to those involved in the rise of the food prices. The farmer must buy supplies from companies to maintain his operation. But probably the most important cost factor is machinery. The highly mechanized nature of Canadian agriculture has resulted in a dependency on machinery that has been the down-fall of many a farmer.

To survive, a farmer must buy the necessary machinery that will produce a crop as efficiently as possible. Unfortunately for the farmer, the companies controlling the farm machinery business fix prices and do not compete as they are supposed to in the free market that Otto Lang claims to exist.

Tractor and combine prices increased about 40 percent from 1961 to 1968. The greatest increases were for tractors in the higher horsepower ranges where the least competition exists and where plant inefficiency is greatest.

This whole area was throughly investigated by the Barber Royal Commission on Farm Machinery. Retail prices for automobiles increased by 34 percent between 1956 and 1968 while appliance prices actually declined by 14 percent.

Farm machinery, on the other hand, increased by 34 percent between 1956 and 1968 even though, according to Barber, retail dealer margins were substantially reduced. The cost situation faced by machinery manufacturers in this same period included a 78 percent hourly wage increase to production workers, 15 percent increase in steel rolling mill products and a 3 percent increase in pig iron. The wage increase was largely off-set by a 32 percent productivity increase as measured by the value produced per man hour paid.

It is noteworthy that wage levels of industrial workers engaged in production of farm input commodities is substantially higher than that of industrial workers in food processing plants. The leading firms in the machinery industry (International Harvester, John Deere, Massey-Ferguson and Ford) account for 67 percent of tractor sales, 69 percent of combines, and 69 percent of haying equipment.

According to Barber, a tractor selling price earning a company a profit return of 11.8 percent at an output level of 20,000 units, would yeild an estimated 32.7 percent at 60,000 and 44.8 percent at 90,000 units. The actual units produced by the 11 companies selling on the world market varies from 7,000 to 153,800 units. Yet, virtually no price competition exists.

John Deere is the acknowledged price setter for the farm machinery industry according to evidence presented by the Barber Commission. Between 1963 and 1968 John Deere was the first to announce price changes every year except one for tractors, combines and haying equipment.

It is interesting that the larger volume producer with the lower per unit costs and higher profits continues to determine price levels, while high-cost small producers such as Versatile or Canadian Co-operative Implements Limited are the only companies to attempt price competition.

Farmers are caught in a vicious cost-price squeeze which has driven thousands of them off the land.

Barber explains that low prices for farm products act as an incentive to buy more land and machinery, thus creating the vicious circle, but improved profits for machinery companies.

Per farm investment in machinery in Canada has increased 10-fold from 1941 to 1967 from $800 to almost $9,000. In terms of debt the investment has meant an increase in out standing credit of 150 percent between 1961 and 1966 for farm machinery purchases alone.

While the farmers debt has increased, so has his productivity. Between 1947 and 1955, productivity increased 75 percent. But the return on his investment is very low. In 1958 it stood at an equivalent weekly wage of $38.00 minus interest costs. A study today would show the farmer is receiving less actual return due to inflation. The farmer not only has to deal with greedy machinery companies but with all the other agribusiness outfits that are out to "make a killing".

To combat such companies farmers founded in the past commodity pools and other co-operatives. That form of action has obviously failed to protect farmers from exploitation.

The Co-operative Commonwealth Federation (CCF) was formed out of unrest and the demand for change. Great strides were made by the first CCF government elected in Saskatchewan in 1944. Despite the vocal objections of the business community, the people of Saskatchewan benefited from what is now considered model legislation in labour, health care and the nationalization of electricity, telephones and insurance.

The CCF did not continue with the progressive legislation for it grew more conservative with age and the elected leaders refuted the most important principle of that party – that the elected leaders of the party abide by the policy decided by the members of the party at the annual convention.

The formation of the National Farmers Union (NFU) in 1969 can be credited to the determination of many farmers to stand and fight for their land. The NFU's policy of confrontation politics has been the major reason the federal government backed down from public endorsation of the Task Force on Agriculture report. The NFU has been demanding collective bargaining rights for Canadian farmers so they can obtain enough revenue to continue operations.

Although this may not appear a particularly radical approach, it requires that farmers realize they will not obtain a just return for their labour under the present system unless they use their collective strength to reverse present trends. This realization would be quite significant as it would at the same time question private ownership of land and who benefits from private ownership.

The choice is clear: land owned by a few individuals and corporations or land owned and tilled by the people through their democratically controlled government.

As we have already pointed out, Canadian agriculture is rapidly approaching the point of no return.

Our other natural resources are already controlled by foreign corporations. The final step towards complete corporate control of food is rapidly approaching, So for only the farmers are raising their voices in opposition.

The present process will only be beaten back if the people in cities ally themselves with Canada's rural population and collectively head Canada in a different direction. We must head towards a society that places its emphasis on fulfilling the needs of people rather than the maintenance and expansion of private property.