

... the company determines what their product is worth to a farmer and then they charge accordingly ... The problem with this pricing to value policy is that it siphons off any benefits a farmer may derive from improved efficiency. ... the seller knows the farmer will have large losses if he does not use the product (Jim McCutcheon, Past President and Chairman of the herbicide committee, Manitoba-North Dakota Zero Tillage Farmers' Association, Issue 5:8, 20-1-87)

## FARM CHEMICALS

---

### A. Pricing of Farm Chemicals

In 1986, \$682 million was spent on farm chemicals. Saskatchewan is the largest user of farm chemicals, with expenditures of \$232 million; Alberta follows with \$142 million; Ontario with \$133 million; and Manitoba with \$110 million.

The Statistics Canada farm input price index shows that since 1981, the rate of price increase has been higher in western Canada, except for 1985 and the beginning of 1986 when the price of farm chemicals rose faster in eastern Canada. The testimony of a number of witnesses appears to have been borne out; they stated that, as the cost increased and commodity prices fell, farm chemical use would decline. Purchases of farm chemicals in the prairie provinces fell by 2.9% in 1986.

Farmers in general, and the witnesses who testified before the Committee in particular, appear to be sceptical of the pricing structure of farm chemicals. This does not mean that farmers are blind to the realities of the market place. As expressed by the Ontario Corn Producers Association: "Farmers should be pleased that good profits are made by the manufacturers of certain herbicides. Potential for large profit helps counterbalance the high risk (of developing a commercial product) and the possibility of large losses" (Issue 19:7, 8-4-87). As a result, farmers are able to obtain the chemicals that they need.

About 20 companies share the farm chemical market: some are subsidiaries of big firms like Monsanto, Ciba-Geigy, Hoechst; some are independents like Interprovincial Co-operatives and the United Grain Growers; and some are primarily distributors. Canada actually manufactures only one active ingredient; the rest are imported, either as individual active ingredients or in already compounded form.

The similarities among various products can lead to intense competition, which forces the companies to develop aggressive marketing strategies. Because of this competition, and the restricted number of companies, financial data on the farm chemical market are often kept confidential. Expenditures on farm chemicals may be noted by Statistics Canada, but information on the economic