

THE ONTARIO FARM PRODUCTS MARKETING ACT

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Preface

"Ontario is fighting for its existence in the canning field. We want to work with the growers but they can't do without us. Most of the canners are trying to work with the growers but the farmers don't seem to realize that with the Farm Products Marketing Act of 1946 in Ontario, we are faced with stiff opposition from provinces which do not have a minimum buying price."¹

What is this quotation all about? Let us see. The provincial regulation of the sale of farm products is a relatively new thing. The original legislation was passed in 1937, but it was not until 1942 that any vegetable crops were regulated. Tomatoes was the first crop for which minimum prices were set. The Ontario Farm Products Marketing Board has been in existence only during a period of war-time inflation and post-war prosperity and therefore its success is yet difficult to evaluate. We appear now to be entering a critical period of falling prices. The next few years will be a severe testing ground for natural products' regulation.

¹"Says Ontario Losing Out In Canning", Hamilton Spectator, (Hamilton, Ontario: 8 March, 1949), p. 7.

This thesis is not designed to be a statistical survey of the products regulated under the Act. Nor does it cover the problems encountered in all of the crops regulated. The thesis is rather a general survey of marketing legislation in Ontario and its effects. A digression will be made, however, to include a chapter on British Columbia since this is the only other province with legislation of canning crops. The historical background of the Ontario Act brings us up-to-date, and a detailed sketch of its jurisdiction and administration is included. No survey of this sort is complete without discussing the economics involved.

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CHAPTER I

THE HISTORICAL SETTING OF THE ACT

Co-operative marketing began in England with the Rochdale Movement. Near the middle of the nineteenth century (1844) a group of twenty-eight Rochdale weavers decided they would get together their own capital and work for themselves. In this way they secured the advantages of mass buying and selling.

It was in 1881 that the first farmers' (producers) co-operative organization began in the Danish milk industry. This organization later operated on a large scale basis.¹ The farmers shared the profits instead of the middleman and apportioned them according to the volume of business. In perfection of marketing conditions Denmark is the model for all other countries.

In Canada various local co-operatives were started such as the United Grain Growers (1917), but these were few and did not meet the needs of the country. Such organizations had little power over their members and had no power to set minimum price levels. It follows that they were inadequate since most of the complaints dealt with the unfair prices of

¹W. Jespers, The Co-operative Marketing of Farm Products, p. 176, cited in C. Thompson, The Marketing of Burley Tobacco in Ontario Under The Natural Products Marketing Act, (University of Western Ontario, 1936), p. 13.

the oligopsonistic buyers. If we had to define the object of co-operation in two words, those two words would be "fair price".¹

Farm produce cannot consistently command a high price unless it is of a high quality. But even produce of a high quality may fetch unremunerative prices if the seller has an imperfect knowledge of the special needs of the market. Scientific packing and regular dispatch of a uniform quality and quantity can be achieved only through a large scale marketing organization.

After the first Great War there was a trend toward socialization which brought with it numerous measures, governmental and otherwise, to control production and marketing policies. The period of war had stimulated agricultural production in the New-World countries so that restrictions and controls later became necessary. Oversupply continued and Canada found it necessary to take more definite steps to regulate marketing. The Dominion Natural Products Marketing Act was passed in 1934 dealing with the establishment and operations of local marketing schemes.

Another factor which leads to a demand for definite marketing regulation is the market structure. "Exploitation" is the key-word here. We mentioned before that produce may

¹Chas. Gide, Consumer's Co-operative Societies; The Co-operative Union Ltd., Manchester, 1921, p. 159.

fetch an unremunerative price under certain conditions. Properly speaking, where market buyers and sellers are many, the "fair price" even if very low, is set by simple competition. Where buyers are few compared with sellers, or vice versa, exploitation becomes possible. The inequality of bargaining power between buyers and sellers then often forces price below or above the competitive level. Two remedies are to equalize bargaining power and to fix prices through governmental legislation.

Price-fixing has its disadvantages, however. "Neither co-operative associations nor even the State has the power to fix a 'fair price'. Only the economic factor known as 'the law of supply and demand' can do this."¹ Price-fixing above may be dangerous for it can set a price but cannot regulate buying at that price, often if the price is set too high, there is overproduction and waste.

The case for developing co-operation among primary producers seems to be stronger than the case against it. The ordinary farmer was being exploited. To reduce the exploitation of farmers we might practice price-fixing, improved methods of marketing, improvement of quality -- in fact anything which might improve the bargaining power of the sellers.

Price-fixing and legislative control of marketing

¹Ibid., p. 8.

through the Natural Products Act seemed the most practicable method of gaining increased bargaining power for this exploited group. Under the 1934 act the Natural Products Marketing Board had almost unlimited powers with regard to the marketing and production of natural products.

Some critics felt that the Act savoured of Hitlerism because there was power to coerce a dissenting minority into the channels of the Act. However this is not an age of rugged individualism. It is an age of co-operation. Is it not better to give up some liberties to bring about a system of greater benefits to all?

For at least three years before 1934 there had been agitation all across the country for federal legislation to aid in the marketing of the natural products of the Dominion. During the proceedings of the Dominion-Provincial Report on Price Spreads, The Ontario Growers Markets Council submitted a statement which may well show the trend of thought at the time. "Some canning companies are not content with paying too low a price for tomatoes but insist upon the growers also contracting an acreage of corn and peas if they are to secure a contract for tomatoes."¹ This requirement did not exist in contract form but was a common practice carried on by the managers of branch factories in their respective territories

¹Canada, Special Committee on Price Spreads and Mass Buying, (Ottawa: King's Printer), 1934, Volume 3, p. 3060.

to increase profits. This then is indicative of the need for legislation.

After the Dominion Natural Products Marketing Act was passed in 1934 there arose some doubt as to its constitutionality. Twenty-two schemes were set up under the Act across Canada and the majority worked fairly well until the decision of the Supreme Court as to the legality of the Act was solicited by a new Government. Everyone felt that some form of marketing regulation was needed to aid the farmer, but not necessarily federal legislation.

Simultaneously with this Act, an act was passed in the provincial legislature of British Columbia which was in substance almost identical with the federal marketing act.¹ British Columbia had been agitating for such legislation for years and it was partially through her action that the Dominion Marketing Act came to pass. The purpose of having both provincial and federal legislation in British Columbia lay in the hope that any schemes set up in British Columbia under the Act could draw its powers from whichever source suited the purpose best. This would guarantee immunity from any attack on its legality.

The Federal Act had been passed in 1934 under the Bennett government and under the leadership of Mr. Weir, then Minister of Agriculture. When the Bennett government lost

¹cf. Ch. VII

power shortly after, the new Government (under Mr. King) questioned the validity of much federal legislation including this Act.

On January 28, 1937 the Privy Council declared the Dominion Natural Products Marketing Act unconstitutional on the grounds that it infringed provincial jurisdiction over matters of property and civil rights and individual forms of trade and commerce.¹ Subsequently the British Columbia Natural Products Marketing Act, 1934 was upheld by the Privy Council in the case of Shannon vs. Lower Mainland Dairy. This very important decision established the right of the provinces in Canada to provide for the effective regulation and control of the marketing of natural products within their boundaries.

By January of 1937, when the Dominion Act was declared ultra vires, plans had already been made in many cases for the ensuing season. In Ontario this was the case for cheese, tobacco and beans. The Privy Council decision badly upset plans like these. It is interesting to note in passing that the tobacco growers did not wait for provincial legislation to carry on but formed an association which has now become a legal company and which regulates the marketing of tobacco without resort to governmental forces.

Soon after the Act was declared ultra vires, the Ontario Legislature passed THE FARM PRODUCTS CONTROL ACT in March, 1937.

¹G. F. Perkin, speech, (Toronto: 1 October, 1948), p. 1.

This Act was in substance similar to the Dominion Statute. We may suppose that the prime factor in the passing of the 1937 act was to give legality to the various schemes which had been organized in Ontario under the Dominion legislation of 1934. The underlying factors of exploitation and unjust prices mentioned before were the basic causes of agitation. At the time of the passage of this provincial legislation (1937) the economy was in the throes of a depression. Agricultural prices were among the lowest in the price index. Some improvement was necessary.

In 1938 the FARM PRODUCTS CONTROL ACT was amended and its central Board changed. In 1946 it was amended again to further clarify its provisions and to add other specifications which were felt necessary after watching the operation of the Act. Its name was now changed to THE FARM PRODUCTS MARKETING ACT OF ONTARIO.

The purpose of this latest Act is to provide the necessary legislative machinery to enable agricultural producers of designated crops to cope with the rapidly changing practice and methods of modern business.

The history of agriculture goes back to the beginning of time. The history of the Ontario Farm Products Marketing Act goes back but a few short and abnormal years. What the result of such legislation can be is not yet completely clear -- but we shall speculate further on this matter. It is

a certainty that some form of marketing regulation is needed to aid the farmer in the proper marketing of his product.

CHAPTER II

THE ECONOMICS OF AGRICULTURE WITH SPECIAL REFERENCE TO CANNING CROPS

In the last chapter we traced the historical setting of the legislation under discussion. Before going on to a study of the various schemes set up under the Marketing Act, it is expedient to digress from fact and enter the realm of theory. Such a study as this would be incomplete without at least a brief discussion of the economics of agriculture.

In the introduction I mentioned that we would deal with those aspects of the Act relevant to the processing of the various fresh fruits and vegetables of Ontario. In our discussion of demand and supply and of price-determination we will therefore keep the canner in mind as representing the buyer, and the individual farmer, the seller.

The economics of agriculture is an aspect of agriculture which has been greatly neglected by the average farmer. To him economics is something that belongs with the ruthless tycoon of industry or the professor at the university. Thus we find his economic knowledge limited and his reactions often irrational. Mrs. Robinson says that "the fundamental assumption of economic analysis is that every individual acts in

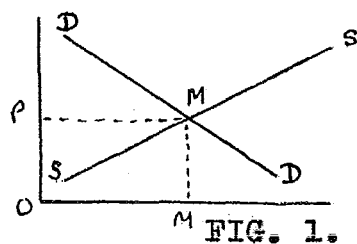
a sensible manner."¹ We must keep this in mind in our final analysis.

Perhaps we should start by calling to mind some of the elementary principles of economics.

Supply: We know that at a certain price each individual will supply so much of a commodity. If the price is lowered he will usually supply less, and if it is raised he will, in all probability be willing to supply more. All combinations of price and amount form an individual's supply schedule or curve. The horizontal summation of all individual curves forms the market supply curve.

Demand: Demand curves also play their part in determining competitive price and output. Consumers have a wide range of needs for various products. At a very low price you will find most of the potential buyers already in the market. As the price increases some of the buyers will drop out of the market. At very high prices a great number of people restrict their purchases. All these individual demand curves put together give us a market demand curve.

Price: The market price under pure competition will be at the intersection of these two curves as shown in Figure 1.



DD = Demand Curve
 SS = Supply Curve
 PM = Equilibrium Price
 OM = Output

FIG. 1.

¹Joan Robinson, The Theory of Imperfect Competition, (London: 1933), p.211.

We assumed here that producers changed their output immediately as prices rise and fall and that demand responds equally promptly. The fact is, however, that it usually takes producers in agriculture at least a year to respond to increased demand. Similarly it takes consumers time to change their habits in response to price changes. The longer the period of time allowed for adjustment the more flexible are supply and demand. Hence we have short-run and longer-run equilibria.

This then is the basic method of analysing prices and output. But we must not expect all markets to function similarly. If the demand curve is "inelastic" it means that total revenue is less when the quantity sold is increased. If the curve is "elastic" it means that there is an increase in total revenue with an increase in the quantity sold.

In our case the demand on the part of the processor for the raw materials produced by the farmer is relatively inelastic because it is a demand derived from the inelastic demand which the processor will meet when he resells his canned goods. Canned goods are something in the line of a necessity to the average person at the lower price levels. But when prices of canned goods become extremely high, the demand curve becomes more elastic. Then people will cut out buying canned goods and will find it more advantageous to preserve their own. (This may be the case to-day. Of this we shall

have more to say later.)

In this thesis we are dealing with the case where the canning companies are the buyers and the farmers represent the sellers. On the selling side, conditions without growers' associations might be considered as almost purely competitive. The individual farmer has no control over price. Ontario is not clearly regional and may therefore be considered as a single market. There is little export trade to affect the prices. On the buying side, the canning industry of Ontario may be controlled by relatively few firms, who have enough control over the market so that they can exert a marked influence on price. Conclusive statistics to prove this industry either imperfectly or purely competitive were unavailable; so we must place some weight on an excerpt from a Can Crop Newsletter, "We have six companies which dominate the thirty-two million vegetable canning industry in Canada."¹ It would therefore seem that there is an element of oligopsony present. In my opinion the industry is more competitive to-day than it was ten or fifteen years ago. More small canning firms have entered the industry. However a few large companies, mostly subsidiaries or branches of large United States companies still dominate the picture. Therefore we must consider the economics of "monopsony" and "oligopsony". (Furthermore,

¹Can Crop Newsletter, (Ontario Vegetable Grower's Marketing Board, Report No. 10F., Oct. 21, 1948), p. 2.

as we shall see, the presence of growers' associations introduces definite monopolistic elements on the selling side as well.)

Monopsony is the simplest case -- here there is one buyer and a large number of sellers. In principle it is similar to monopoly where there is one seller and a great number of buyers. The two are very closely related because a monopsonist must necessarily be a monopolist of the product he buys.

The monopsonist maximizes his consumer's surplus in the same way as the monopolist maximizes his net revenue.¹ The consumer's surplus is at a maximum when marginal cost and marginal utility are equal. Marginal utility here is the addition to the total utility obtained by the buyer when a unit addition is made to the amount of the commodity which he buys. Under pure competition when the market supply curve confronting the buyer is perfectly elastic (ie. horizontal) marginal utility will equal price. But under monopsonistic conditions, such as we have, marginal utility and price are not the same thing because marginal cost (marginal utility) exceeds price. The market supply curve facing the monopsonist is not horizontal but sloping to the right. Actually the only difference between this principle and that of pure competition is that in the latter case the marginal cost of the commodity is the price, marginal cost, and marginal utility are all equal.

¹Robinson, op. cit., p. 223.

Oligopsony is another case of imperfect competition. Monopsony limited the case to one buyer and a large number of sellers. Oligopsony extends the situation to include several buyers each of whom is sufficiently large to exert some influence on price. This seems to be the case applicable to the canning industry where we have six large companies and a number of smaller ones whose influence is negligible.

We have said that when a good is sold to to very many small buyers no one buyer takes enough so that he can hope to influence the price. The buyer therefore takes the price as given and equates his marginal utility to it. The only variable he controls is the amount he purchases. But when there are only a few buyers they will make their purchases with their supply costs in mind. They can manipulate price because by restricting their purchases, or threatening to do so, they materially affect the welfare of sellers. The oligopsonist therefore has some control over two variables, price and amount. The result of this power will likely be lower prices for the farmer and lower costs for the processor. This might be the situation in a canning industry if processors were few and no growers' associations existed. Has there been a decided tendency in Ontario to force prices down to suit the canner? Has the farmer had little influence because he is one of a great number of individual sellers each of whom has little bargaining power?

"Where the supply price to the monopsonist increases

with increasing supply the effect of monopsony is obviously both to lower the buying price and to reduce the output from the levels associated with competitive buying."¹ Even if the monopsonist in turn sells into a competitive buying market, the reduction in price will not be passed on to the next buyer but will be retained as an excessive earning of the monopsonist. The monopsonist's bargaining power and ability to manipulate prices therefore makes it possible for him to obtain a reduction in the costs of the raw material from the farmer.

Our case tends more toward oligopsony. As we move away from the extreme case of monopsony we would probably find that such reduction as the canner can get on his costs will not all be kept as profits. A certain amount will be passed on to the consumer in the process of competing with other buyers, unless of course there is effective collusion among the oligopsonists. There does not have to be direct collusion. Direct collusion would bring us back to the extreme monopsony case. Thus the price to the ultimate users of the raw materials processed under monopsonistic or oligopsonistic conditions will tend to be higher and the volume smaller than under purely competitive conditions.

J. S. Bain says the effect of monopsony as a whole will depend on the elasticity of supply of the monopsonized resources

¹J.S. Bain, Pricing, Distribution and Employment,
(New York: Holt Publishing Co., 1948), p. 226.

and also on whether the resources released as this industry reduces output become idle or find alternative employment.¹ The up-sloping supply curve of the individual monopsonist supposes that at least one resource is imperfectly mobile. If the resources were all mobile we would have perfect competition. If the resources were all immobile the industry supply curve would be relatively inelastic and the monopsonist would employ them all at a zero or negligible price.

In the canning industry we seem to see this imperfect mobility. Farmers will accept a lower price for their product before leaving the market because their goods are perishable. Some mobility persists however due to the fact that if the price offered is too low the farmers can always resort to the open market and sell their produce for direct consumption. Also the case under discussion in this thesis is not one of pure monopsony but of oligopsony which in itself would make the mobility partial.

The more immobile the product becomes, the more inelastic will become the supply curve and the processor can drive the price very low with little restriction of his purchases. This can be seen in the case of the most perishable fruits and vegetables which the farmer must sell at all costs because he cannot store them.

Before the passage of the Ontario Farm Products Mar-

¹Ibid., p. 226.

keting Act, the processors were few and the farmers many. We shall see in later chapters whether the unorganized farmer did have his prices unduly lowered. To consider the various schemes set up under the Marketing Board, we must carry our theory a little further. For, after the Marketing Act, we find that the farmers are organized and acting more or less as a single unit. They are in a stronger position, and we must concede them monopolistic tendencies. Therefore we must look at the theory of bilateral monopoly because that is what we are tending toward. In this case we have one or a few buyers acquiring a good from a monopoly of sellers. Theoretically the price will be indeterminate. Determinacy is introduced by non-economic elements. Here we are within the influence of negotiation, power maneuver, bargaining, and economic warfare where prices may come to rest anywhere within rather wide limits. Bain cites the case thus:

(1) The monopsonist wants a restricted monopsony output and a low price.

(2) The monopolist wants a restricted (but different) output and a high monopoly price.

(3) The result may fall at either limit if one party has dominant bargaining power or it may fall uncertainly between the limits. Again the protagonists may "get together", maximize their combined return, and divide the loot in some proportion.¹ Then the consumer is exploited.

¹Ibid., p. 234.

Since the third party in our case is a government-appointed Board and as such is working for the good (or the votes) of the masses, we may conclude that if the farmers become dominant in the bargaining field, the price to the ultimate consumer might be low consonant with a high return to the farmer. This squeeze-play would leave the canner in a tight position. Of course the growers could court collusion with the Board or with the canners or with both, at consumer expense.

If the canneries retain the dominant bargaining position they would undoubtedly seek either collusion with the Board, or growers, at consumer expense, or a low monopsony price at the expense of the farmer.

We must consider several very important factors in the field of agriculture which tend to vitiate this abstract price analysis. One of these is adverse weather conditions. A poor year in weather may mean a poor crop from a large acreage. Hence the supply curve is not so easily determined as theory suggests. Again, once agricultural production has expanded, it contracts very slowly if at all. Yet the output of some particular products may contract sharply and give a confused impression of the general trend. The time-lag of supply change in response to a change in price, and the substantial increase or decrease in output which can be brought about after a year or two, make for a very elusive supply

schedule.

It is also true that farmers do not respond to changes in demand or price in a very rational manner. They tend to be influenced by prices received in the preceding year or those prevailing at planting time without regard to the fact that they may be high or low because of poor weather or other unusual circumstances. Farmers are even accused of expanding their production at times to offset lower prices instead of decreasing the supply as would be expected. Farmers also are not always in a position to stop producing when prices break. They may have their crop under way or they may want to utilize all their land figuring that they will be further ahead to sell a larger crop at lower prices.

Forecasting prices has been thought to be one type of adjustment for the farmers' supply maladies. If a public body forecasts the price it must also be ready to guarantee it by subsidies or by minimum prices. This is in effect what the Marketing Board tries to do. Forward pricing looks toward production stabilization. The backward-looking tendency of the farmers causes resources to be allocated by non-economic and uneconomic criteria. Forward-pricing by a government agency may be a better method provided the price is forecasted far enough in advance to include the investment and planning period as well as the physical production period and provided that the "equilibrium" price is determined by an accurate demand and supply schedule. More will be said of this later.

This requires a great deal from the government agency, and also appears to require more farming flexibility than is possible.

Many and varied therefore are the problems of agricultural price and output. This chapter merely scratches the surface of a complex price mechanism. We will put theoretical analysis aside for the present and study the Act itself.

CHAPTER III

THE ONTARIO FARM PRODUCTS MARKETING ACT AND ITS VARIOUS SCHEMES

In Chapter I, the legislation concerning the marketing of farm products in Ontario was traced up to the latest legislation -- THE FARM PRODUCTS MARKETING ACT OF 1946. Under this Act various schemes have been set up. It is the purpose of this Chapter to examine these schemes with regard to their jurisdiction and administration.

The Act provides for a FARM PRODUCTS MARKETING BOARD to be set up to administer the Act. The items considered to be farm products under the Act include;- animals, meets, eggs, poultry, wool, dairy products, grains, seeds, fruit, fruit products, vegetables, vegetable products, maple products, honey, tobacco, and such articles of food or drink manufactured or derived in whole or in part from any such product and such other natural products of agriculture as may be designated by the regulations.¹ Grains and seeds were not included in the list of farm products under the original Farm Products Control Act of 1937, but when this Act was amended in 1938 they were added. Not all the products above-mentioned are regulated at the present time.

Under the Farm Products Control Act there was a

¹Ontario Farm Products Marketing Act, Statutes of Ontario, (Toronto: King's Printer, 1946), p. 113.

FARM PRODUCTS CONTROL BOARD which has continued on as the present FARM PRODUCTS MARKETING BOARD. This Board consists of one or more persons to be appointed by, and hold office during the pleasure of the Lieutenant-Governor in Council who may appoint one of the members of the Board to act as chairman. At present the members of the Board are all permanent full-time officers of the Ontario Department of Agriculture and serve in other capacities in the government as well as that of membership on the Board.

The Board is given extensive authority under the Act. It is given authority to investigate, arbitrate, and adjudicate any disputes between producers and processors. It can investigate the cost of producing, processing, distributing and transporting any farm product. Other matters relating to the marketing of farm products such as prices, trade, practices, methods of financing, grading, policies etc. come under the jurisdiction of the Board. The Board has the power to establish price-negotiating agencies in connection with any scheme, and adopt or determine fair or minimum prices for any regulated product or any grade of a regulated product. This clause was omitted from the first Act of 1937 but was included when the Act was amended in 1938. It is an important clause and one which has been implemented in many cases.

The Board also has power with regard to registering and licensing the producers under any local scheme. It may

It may exempt any person or class of persons from the provisions of the regulations in whole or in part. The Board has the authority at any time to suspend licences, demand information pertaining to the regulated product, inspect the books and premises of producers of a regulated product, or refuse to grant licences for any reason deemed sufficient by the Board. The monies required for the purpose of the administration of this Act are paid from sums appropriated by the Legislature. In general, therefore, it can do anything by such means as it may deem proper to increase, stimulate and improve the marketing of farm products.

To carry out these powers the Act provides for schemes to be set up to administer the regulation. Section 4 of the Act says:

(1) Where the Board receives from any group of persons engaged in the marketing of any farm product, a petition or request asking that any scheme for the marketing or regulation of such farm product, including the establishment of a local board, be adopted, the Board may, if it is of the opinion that such group of persons is fairly representative of the persons engaged in that phase of marketing represented by such group, recommend the adoption of such scheme to the Minister (of Agriculture).

(2) The Lieutenant-Governor in Council upon the recommendation of the Minister may approve a scheme or any part thereof with such variations or alterations as may be deemed necessary, and may declare it to be in force in Ontario or in any part thereof.¹

So we see that the Board's chief duty is to recom-

¹Ibid., Ch. 29, Sec. 4.

mend approval of a marketing scheme to the Minister of Agriculture after a substantially favourable vote has been taken of the grower concerned. A scheme may be revoked in the same way. The Board then is a passive group which is merely the means of carrying out programmes sponsored by the growers. The Board supervises the general operations of the schemes set up and approves or disapproves their actions.

We have just spoken of the authority of the Board to endorse schemes proposed by the growers of farm products. What are the schemes now set up under the Act? At present there are thirteen schemes in force which cover twenty-two products, namely: asparagus; dry beans; strawberries and raspberries; cheddar cheese; peaches; pears, plums, and cherries; grapes; seed corn; sugar beets; canning vegetables; hogs; cream; new potatoes.

Three of the above schemes i.e. THE CHEESE PRODUCERS' MARKETING SCHEME, THE CREAM PRODUCERS' MARKETING SCHEME, and THE SOUTH-WESTERN ONTARIO POTATO GROWERS' SCHEME have no regulations by Board Order in effect at the present time. There is the exception of an Order of the Board under the Cheese scheme requiring the compulsory marketing of all Cheddar Cheese produced in Ontario. This cheese is to be sold through any one of some twenty-two Cheese Boards established in Ontario. The effect of this regulation, however, has been virtually nullified in the past few years by the requisitioning

Order of the Dairy Products Board, Dominion Department of Agriculture. The latter takes possession of all the cheese produced in Ontario during certain periods in each year for shipment to Great Britain under the Canada-United Kingdom Cheese Contract.

Each of these thirteen schemes is administered by a local board, elected by the producers and of a number specified under the scheme. This number varies from five to twelve members. The growers of the regulated products are divided into districts and the growers in each district form a county group. From these groups the various members of the local board are elected by the members of their respective groups according to fractional representation.

The local boards have the power to control the marketing of the regulated product and regulate the sale of it subject to the supervision of the central Board. In general the local boards have authority similar to that of the central Board. The growers pay a certain fee to the local board depending on the amount of product sold. These sums are collected by the processor and given to the local board for the purpose of its upkeep. The amount of the licence fee may be increased or decreased on the recommendation of the central Board by Order-In-Council.

For each of the regulated products there is a Negotiating Committee. Half of this committee is made up of

growers appointed annually by the local board subject to the approval of the central Board. The remainder are appointed annually by the processors from among their numbers. The Negotiating Committee may negotiate and settle agreements respecting minimum prices, forms of contract, conditions of sale, fulfilment of contracts, etc., and in some cases grades and price differentials between grades, handling charges, transportation etc.

When a Negotiating Committee fails to arrive at an agreement the matters under discussion are referred to a Negotiating Board. This board consists of three members, one of whom is appointed by the processors, one by the growers and one member who is satisfactory to both is usually a judge. Where the appointed members fail to agree on a third member, he is appointed by the central Board. This Negotiating Board meets to discuss only the one product which needs regulating. Such matters as are approved by the Negotiating Board or the Negotiating Committee are submitted to the central Board for ratification and that part is declared to be in force by Order.

Reports and audited financial statements are required annually. Most licence fees are set at a level to provide just sufficient income to enable local boards to operate efficiently and set aside only modest reserves against short-crop years. Marketing schemes for the sole

purpose of raising funds cannot be approved under the Act.

A few comments on the various schemes are in order here since all do not operate under similar conditions but are constituted so as to deal with the specific problems faced.

CHEESE: The first scheme approved under the Act was the ONTARIO CHEESE PRODUCERS' MARKETING SCHEME (September 17, 1946). As was previously mentioned there are virtually no regulations by central Board Order under this scheme. The local board is empowered to appoint a marketing agency through which cheese produced in Ontario shall be marketed. No buyer shall buy cheese except through this agency. This means then that all cheese sold in Ontario is marketed under uniform rules and regulations. The extent to which this scheme has achieved success in buying cheese is evident from the figures -- during 1947 ninety-five percent of the cheese graded in Ontario was sold through local cheese boards whereas only thirty-six percent of the cheese graded was sold through these boards in 1935, the year marketing operations commenced.¹

CAN CROPS: The Ontario ASPARAGUS, PEACH, PLUM, PEAR, and CHERRY, GRAPE, CANNING VEGETABLE, SUGAR BEET, BERRY, and BEAN SCHEMES are all similar in aim and method of operation. Their Negotiating Committee consists of six persons appointed as previously mentioned. The Committee negotiates

¹G.F. Perkin, Unpublished Dissertation, October 1, 1948, p. 4.

minimum prices, terms of contract, conditions of sale, etc. All the fruit and vegetable schemes have jurisdiction over the sales of growers to processors only. Fruit and vegetables sold on the fresh market for wholesale and retail use are exempt from the scheme and cannot be regulated.

No processor can buy below the minimum price set by the Negotiating Committee although he can bargain above this minimum price, then it will rise to a height depending on the bargaining power of the individual farmer.

Sometimes the Negotiating Committee cannot reach an agreement and the above-mentioned Negotiating Board is brought in. If this arrangement is not acceptable to the canners and growers, the central Board sets the minimum price and terms of contract itself. This avoids losing valuable time over bargaining, since these are perishable goods. The main point in this procedure is that except in cases of deadlock the Board itself does not set any prices or terms of sale. These are agreed upon by the producers and buyers themselves through negotiations supervised by the Board. The Board merely sees that these negotiations take place, and attempts to enforce them. We should make special note of the fact previously mentioned that all schemes under the Act deal only with the primary sale of the product. The sale of any processed product manufactured from the raw product is not regulated and does not come under the jurisdiction of the Act.

HOGS AND CREAM: Two of the newer schemes are the ONTARIO HOG MARKETING SCHEME and THE CREAM MARKETING SCHEME. These have no regulations by Board Order possibly because they extend into the field of inter-provincial, and export, trading. The Board can only regulate products which are produced and sold within the province. These two products play a large part in Ontario agriculture and, even though there are no direct price-negotiations, the groups are given cohesion by their strong, well-financed associations. These associations can make effective representation of the industry at Dominion negotiations concerning floor prices or inter-Governmental purchase of their products. They are of aid also in the matters of grades, inspection, and transportation. Since they are not 'can-crops' we shall not enter into further discussion of them.

SEED CORN: THE ONTARIO SEED CORN GROWERS' MARKETING SCHEME is composed of some hundred open-pollinated seed corn growers; and some two hundred and fifty hybrid seed corn growers who specialize in the production of seed corn. This is not primarily a minimum price plan but its purpose is to make the production of certified and registered seed corn sufficiently attractive despite the extra costs of selection and isolation so that certain varieties and strains of seed corn will be preserved, and maintained.

Through negotiation, a scale of premiums to be paid each year to the growers for different services rendered is

set for the different varieties of hybrid seed corn.

POTATOES: A scheme which only came into operation this year (1948) is the SOUTH-WESTERN ONTARIO NEW POTATO SCHEME. It is the Board's first experiment in an open market scheme -- a commodity sold in its natural state to the wholesale and retail trade anywhere, rather than just that portion of the crop sold to the processor. This scheme requires a different approach. The product concerned is sold in the counties of Essex and Kent with the marketing season beginning in the last week in June and ending on September first. The volume this year was approximately one million seventy-five pound bags.

The primary potato shippers were licensed. A committee of three of these licensed shippers together with three growers appointed by the local board were appointed to form a Negotiating Committee to set minimum prices and terms of contract. These minimum prices did not hold as conditions changed and many meetings were held with endless discussions. When the season was finished only five downward price changes were made as volume increased. The opening price of \$3.25 per bag eventually fell to \$1.50 per bag on or about August 15, 1948 f.o.b. Leamington.¹

Much has been learned from this experience and it is hoped more success will come in future. It at least

¹G.F. Perkin, Unpublished Dissertation, October 1, 1948, p.6.

appears that with certain open-market crops produced in volume in specialized areas, some measure of price-stabilization is possible.

This survey has covered all the schemes thus far set up under the Act. Henceforth we will deal only with those crops which are sold to canners to be processed and we will discuss the various regulations of the central Board in this field. Their various advantages and disadvantages as seen by this writer will be considered. With regulations of any sort problems ensue and these we shall undertake to discuss in the following chapters.

CHAPTER IV

THE PROBLEMS ENCOUNTERED IN MARKETING TOMATOES

This section of the work will be devoted to local problems occurring in the canner-grower relationships. The method of attack used here will be to discuss in detail the individual problems of tomato growers and pea growers. It is felt that in covering these two staple crops, the important problems of the whole industry will be covered. The major problem of pricing will be left for a separate chapter.

With the exception of pricing the main general difficulties seem to hinge on the system of contracts between the individual grower and the canner. Growers complain that the majority of the contracts they hold with the canners are made by the canners themselves and hence have many clauses unfavourable to the growers.

Many changes in contract regulations have been made since the Act was passed but it is felt by the growers that improvements can still be made. The growers, through their local boards, are beginning to agitate for a system of uniform contracts ensuring that all Orders by the Board will be carried out. In the 1948 resolutions passed by a quorum of delegates representing some eighteen thousand canning-crop

growers in Ontario,¹ it was unanimously agreed that a uniform contract be adopted in Ontario for all Vegetable Canning Crops. The meeting recommended that a committee be appointed to study forms of contract and that the Negotiating committees who are meeting with the processors be authorized to carry the negotiations to ultimate conclusions and procure such a uniform contract if possible. The result of this agitation may be seen in the memorandum of agreement made by the Negotiating Committee under the provisions of the Ontario Vegetable Marketing Scheme for the 1949 crop. It was agreed that the Processors' Section of the Negotiating Committee recommend to the Executive of the Canned Foods Association of Ontario that it appoint a Committee to take up with the Growers' Committee the matter of a standard form of contract at the earliest possible convenient date. What will come of these negotiations only time will tell. A step has been made in the right direction though because it is only through mutual understanding of the problem that relations can be improved between canners and growers.

TOMATOES: Let us look first at the individual problems of tomato growers. To-day the contract is made individually between the canner and the grower for a stipulated acreage. By regulation of the central Board the processor is required to accept a certain tonnage per acre from all the growers with whom he contracts. This may be seen in Clauses 6 and

¹Ontario Vegetable Growers' Association Convention, (Hamilton, December 9 - 10, 1948)

12 of the Board Order for 1948.

(6) In every contract where the grower agrees to plant and deliver a specified number of acres of tomatoes to a processor it shall be provided that the processor during the period of processing tomatoes shall accept at least sixty (60) bushels per week for each acre of tomatoes contracted for.....

(12) The average yield received from all delivered acreage under contract with the processor in the 1948 season is eight (8) tons per acre or provided that three-quarters of the growers have either indicated that their entire crop was delivered or have made no deliveries during the preceding seven-day period.

In a good year theyield per acre is ten to twelve tons. It is the grower's claim that the processor contracts with him only on a basis of an eight-ton crop per acre. In other words he plans for eight-tons off of every acre contracted. Thus the farmer cannot hope to sell more than the minimum contract requirement and in a good year is left with several tons of tomatoes on each acre which he cannot sell. The farmer also makes the claim that an eight-ton yield is hardly sufficient to pay his costs. Therefore, to make doubly sure of covering his costs of labor, plants etc. the farmer has turned to the practice of double contracting. That is to say he contracts the same acreage at the beginning of the season with more than one processor. If the crop is large each canner he has contracted with stands a reasonable chance of getting what he desires. If the crop is poor, the grower is unable to fulfil his contractual requirements and sells his crop to the highest bidder.

There is a clause in the 1948 Board Order restricting this:-

(14) No grower shall contract to deliver tomatoes to more than one processor unless the same has been agreed upon by the grower and the processor concerned provided that when any grower contracts with two or more processors the tomatoes being grown for each processor shall be produced on separate plots of land and identified.¹

How many growers to-day carry on this practice of double contracting is not known. If they are caught in the act, their chances of selling to the local canners in the future are greatly reduced. In all probability the institution of the Ontario Vegetable Growers Marketing Scheme for Tomatoes has cut down this illegal practice somewhat in that it has raised the tonnage per acre which the canner is obliged to accept. The growers feel that the canner himself has been overcontracting to reduce his risk. As a result there is the usual grower complaints of "restricted deliveries, long waiting to unload trucks, and rejects."²

The hot weather during the early part of September, 1948, plus a good normal crop of tomatoes in Western Ontario forced many processors to shut off deliveries for a few days as early as September 9. It was followed by restricted deliveries of from sixteen to twenty-two baskets per acre

¹Ontario Farm Products Marketing Board, Re: Tomatoes for Processing, 1948, Section 14.

²Ontario Vegetable Marketing Board, Can Crop Newsletter, September 21, 1948.

daily for nearly two weeks during the peak. This was intended to reduce the congestion on platforms and keep within the capacity of the factories. There were times at certain factories and loading stations when growers could not get baskets, which the growers considered to be another way of restricting deliveries.

Some processors hauled hundreds of tons of tomatoes to Eastern Ontario factories to help relieve the difficult situation. A can shortage, labor disputes, and power cut-offs of the Hydro Commission to save electricity, affected canning plants in many municipalities. The combination of these accumulated factors often caused growers' loads to be held up many days. At most factories during this period it required anywhere up to twenty-five hours for growers to get their trucks unloaded and in some cases meant waiting in line all night. Scheduled deliveries all broke down.

In spite of inconvenience and disappointments up to September 14, 1948 many processors claimed they had accepted from seven to eight tons per acre from all growers from an estimated average yield of ten to twelve tons per acre. This then fulfilled the Board Order amount.

The Newsletter quoted goes on to say that "all the above factors, after allowing for the uncontrollable ones, indicate that the industry is not geared up to handle present contracted acreage in years of good crops in a way that is

conducive to orderly marketing."¹ Through the procedure of 'overcontracting' of acreage the processors ensure receiving the maximum volume of tomatoes and other crops that the factory can handle and at the same time shift the burden of operation to the grower. This is a one way proposition which has forced the growers to undertake multiple contracts to assure themselves of an outlet for their crop. Whether there is a light or heavy crop the present set-up brings chaos to the industry.

Equality in the transaction is desired by the growers, but just where does the point of equality lie? If a new contract forced the canner to take the complete yield from the acreage he contracts for, he would be forced to reduce his contracts. This would mean that the grower must similarly reduce his acreage. If there was a poor crop then the canner would be willing to take all the crop and more if he could get it. The farmer would not have the acreage to sell and would be losing money he might have earned. On the other hand, if there was a large crop, the canner would take all the crop of the grower but prices would be low. The farmer might stand to gain more if he had had greater acreage and had harvested it less intensively.

There will always be risk in any agricultural industry because agriculture, besides being dependent on the

¹ Ibid.

general state of the economy, is also heavily dependent on the weather. Should the grower be forced to take all the risk? Or should the consumer, the government and the canner share in it? That must be decided before we can say who is right in these arguments.

Perhaps the solution lies in the restriction of acreage by the growers collectively through their County Groups and supervised by the local boards regulating the products. Through such supervision of acreage the Association could restrict the grower from producing too much and the canner from over-contracting. This would be more conducive to the orderly marketing we desire.

Another problem in connection with tomatoes is that of grading. At the request of the Eastern Ontario Canned Food Association to the Ontario Department of Agriculture, a few Eastern Ontario processors and growers along with Chief Inspector McNiven met in Picton last year to consider changes in the tomato grades in the Farm Products Grades and Sales Act.¹ A recommendation was made to the Department of Agriculture to amend the Act by amalgamation of the present two grade classifications -- one for canning whole tomatoes and one for strained products -- into one grade for both products. In addition they wished to change the wording of No. 1 and No. 2 quality to stipulate "vine-ripened" tomatoes and to

¹Can Crop Newsletter, July 12, 1948.

leave the minimum size for each quality to be fixed by agreement between the seller and buyer. The Executive Committee of the local board protested this as being against the interests of Ontario Growers. This protest particularly applied to leaving the minimum size to be settled between the processor and grower. In the opinion of the Executive Committee this would only lead to chaos.

George Wilson, Director, Fruit and Vegetable Inspection Services for Ontario, recommended for 1948 that if it is the intention of the industry to buy and sell tomatoes on the basis of grades determined by Government Inspection, the following be considered:

(1) require all tomatoes in the closed area to be graded irrespective of size of acreage.

(2) pay for grades on a per diem basis rather than a per ton basis, [which raises costs exorbitantly].

(3) canners and growers recognize the fact that graders are appointed by the Government, and therefore responsible to the Chief Inspector, and are required to determine grades without fear, favour, or interference.

(4) good lighting conditions be provided so inspectors can determine true colour accurately.

(5) colour charts be used to procure greater uniformity among graders.¹

¹Can Crop Newsletter, February 23, 1948.

These then are all points to be noted and ends to be achieved in bettering our grading system.

This year the Canned Food Association, at their annual convention,¹ resolved:

(a) that where tomatoes are graded no minimum price be set. (This was not followed in the arbitrations. The minimum price for graded and ungraded tomatoes was set at \$22.60 and \$17.60 respectively.)

(b) that under grading the cost of grading be borne evenly by both grower and processor.

(c) that compulsory grading be abolished as it is not properly handled. (In arbitration it was agreed to leave this to the Department of Agriculture.)

(d) that the minimum standards for acceptance of tomatoes be kept high enough that fancy tomato juice can be packed from No. 1 grade of tomatoes.

It is apparent from the above resolutions that both the canners and the growers feel that there is something lacking in the grading system. It is an important problem to both parties for grading can make a tremendous price differential. Since the grading of the finished product is carried on under a different basis than the grading of the raw product the canner, under to-day's standards, is unable to pack fancy quality tomato juice from a No. 1 grade of tomatoes.

¹Niagara Falls, December 6 and 7, 1948.

There should be some concurrence of the two grading systems. The processor cannot be expected to use No. 1 grade tomatoes to pack No. 2 quality juice. It is an impossible task. This is a matter for provincial or federal legislation.

At the same time the Ontario Vegetable Marketing Board at its annual meeting recommended for 1949 compulsory grading of all tomatoes for processing in the Province under the supervision and practice of competent, well-trained, impartial Government Graders. Here then the growers recommend compulsory grading and at the same time the canners recommend its abolition! The first suggestion of compulsory grading under a competent staff is more valid. The latter suggestion (of the canners) is too negative in its approach to the issue. The writer feels, however, that until the government can produce these competent, well-trained graders it would be just as well to sell the tomatoes ungraded.

The growers' association also suggests the returning of empty baskets to the grower by the processor, and an unloading time limit of two hours from the time scheduled for the delivery be set. Truck and labour costs incurred through unloading delay beyond this given period, it suggests, should be paid by the contracting company. At the meeting of the Negotiating Committee for sweet corn this request was met with. Whether this is implied to be acceptable for tomatoes also is not known. But for corn, the processor will schedule deliveries if requested and will

undertake to provide that the time of waiting for unloading does not exceed two hours under normal conditions. The processor will be liable for a reasonable allowance for trucking and labor costs beyond this two-hour limit.

These then are some of the problems encountered in marketing tomatoes. In the next chapter we will survey the situation with regard to peas.

CHAPTER V

THE PROBLEMS ENCOUNTERED IN MARKETING PEAS

The business relationships between canners and growers are set forth in written agreements or contracts. Contracts are used by canners to ensure definite acreages of peas prior to the growing season. They are also of value to growers because they state in advance the prices to be received for peas and the practices which they are required to follow. The provisions of the contracts are primarily concerned with (1) prices (2) grades (3) seed cost (4) dockage (5) services and service charges (6) weed and disease control (7) liability (8) time of payment. These provisions must be analysed as to their effect on growers and canners because therein lie the main problems of the industry.

Gross prices mean very little until they are adjusted for other provisions of the contract i.e. grading, seed costs, service charges etc. Therefore we will deal with these non-price provisions first. The problem of prices will be dealt with in a separate chapter.

The question of grading and sampling is perhaps most pertinent at this time (March, 1949). Neither the local board nor its members on the Negotiating Committee entered

into an agreement with the canners on grade prices for peas this year. After negotiations broke down the matter was taken to arbitration. No grades were established while the price for ungraded peas dropped ^{\$5.00} \$15.00 a ton. No government grading scheme could be set up because the government could not supply enough graders but the growers hoped that a schedule of prices could be set up for graded peas in case any individual firm did wish to grade its product. However, it was decided to merely set a minimum ungraded price and let each grower and canner work together to provide an equitable agreement.

Last year experience showed that the so-called premium stipulated for graded quality actually returned the grower less money. Experience shows that when peas are graded they yield less tonnage per acre than those ungraded. The result was that the \$15.00 price differential between graded and ungraded peas (\$65.00 and \$80.00) was not sufficient to compensate for the loss in weight. An excerpt from a Newsletter shows the trend of thought. "Growers all over the Province are up-in-arms at the Processors ordering their peas cut at a very immature stage to assure them of packing heavy to fancy grade without offering to compensate the growers above \$65.00 a ton for their loss in weight to deliver high quality, or what is more correct, graded peas."¹

¹Can Crop Newsletter, July 12, 1948.

This also brings up the idea of when a field of peas should be cut. In most of the contracts the canner requires the growers to cut the peas when the canner's fieldmen are ready. There is nothing in the Pea Board Order for the 1948 crop to cover this situation. The stage of maturity at which peas are harvested is the outstanding factor in quality with the possible exception of the variety of pea. There is an optimum time in the development of the crop when it will give the maximum yield. If farmers are required to harvest their crop of peas before the "optimum" stage of maturity they will have smaller returns. They would then enjoy considerable financial gain from delaying the harvest a little beyond this stage because at certain stages of maturity peas double their yield and value in a couple of days.

In Wisconsin, observations showed that the percentage of waste is very high where peas are harvested at a very early stage of maturity, being as much as thirty percent of the total weight. The wastage declines rapidly up to the optimum stage for canning and even continues to decline until the peas are fully mature and dry.¹ We might conclude then that the problem of when to cut the crop is a weighty one. This year the Negotiating Committee for peas agreed that

¹W.E. Black; R.K. Froker, Grower-Canner Pea Contracts in Wisconsin, Agricultural Experiment Station, University of Wisconsin, Bulletin 475, 1947.

reasonable notice to begin cutting and hauling be given growers by the fieldman.

Also in connection with grading is the question of how to grade. For 1949 "the local board definitely recommends that the growers and processors seriously consider the handling of peas on a graded basis by means of T-meters under the supervision of an impartial body such as the Government Inspection Service."¹ The T-meter is a Tenderometer or Texturemeter developed in the United States to register tenderness quality on the basis of measured resistance to the shearing of the peas, the principle being that the succulent and more tender peas shear easily, giving low readings and high grades.² This recommendation will be carried out this year because the Negotiating Committee agreed to use the T-meters and to permit government-appointed graders to operate them. The grower will be at liberty to inspect this operation at all times.

The selection of samples of peas is of primary importance for both the manual test and the T-meter methods of grading. Here again an impartial person is needed for the job and samples should be taken correctly and frequently to make sure they fully represent the farmer's crop. Too few

¹Can Crop Newsletter, July 12, 1948.

²A. Fulton, A Study of Pea Grading in the United States and Its Relation To a Grading System in Ontario, (Ontario Vegetable Marketing Board, Hamilton, 1948).

samples increase the element of chance. This fact together with the high differentials between prices for different grades would mean that growers might get considerably more (or less) than the peas are actually worth. This would make little difference to the canner as the individual errors would average out during the season but the grower himself stands to gain or lose. Therefore samples must be selected carefully by a neutral party.

At the annual meeting of the Vegetable growers in Ontario it was recommended that:

"the local board be instructed to negotiate with the canners whereby peas will be graded by the Tenderometer, by, or under, the supervision of a licensed Federal-Provincial Inspector. It is agreed that the Tenderometer reading shall apply to the load from which the sample was taken. It is agreed that samples will be taken by an impartial Government grader in one of the following ways:

(a) If at the Viner -- from the full length of the apron using a sampling tray.

(b) If at the Plant -- by taking an equal amount of Peas midway down from each box delivered to the factory from the viner station."¹

These recommendations will all be effective in 1949 since the Negotiating Committee ratified them all.

Another major problem is that of seeds and seed costs. Seed is the largest single item of cost in the production of peas for canning. Usually four bushels of seed

¹Annual Convention of Ontario Vegetable Growers, Resolution, (Hamilton, December 9 and 10, 1948), Section 6.

are planted per acre.¹ The canner sells the seed to the grower. "Free" seed means contractual provisions which provide pea seed free of charge to the grower. "Full cost" and "partial cost" seed is where the grower pays all or part, respectively, of the seed cost. To determine the actual price paid for the seed you must consider (1) the price stipulated for seed in the contract (2) yields per acre (3) price paid to the grower for raw peas.

In Ontario the price stipulated for seed is not to exceed \$2.50 a bushel. Therefore it may be considered "partial cost" seed because the full cost of pea seed is supposedly around \$7.00 a bushel.

As a general rule, the higher the charge made for the seed, the higher the price quoted for shelled green peas in the contract. Actually, then, the grower is paying for his seed indirectly under a free seed contract except in case of a crop failure. Under the agreement, based on average yield, the growers with less than average yield pay less for seed, and the growers with higher than average yield pay more for seed, than the real cost to the canners. If these average out the canner neither gains nor loses, but the arrangement does not make for equity among growers. It is a form of compulsory insurance with the canner acting as the agent.²

¹W.E. Black, R.K. Froker, op. cit., p. 6.

²Ibid., p. 9.

Black and Froker in their work on canning in Wisconsin make the following recommendations:- "That seed purchased from the canner be at a price which closely approximates actual cost to the canner."¹

At the canner's annual convention this past year (1948) they resolved that if possible pea seed be sold to growers at cost or very near to cost. As was mentioned above this resolution was not carried out and the price of pea seed remained at \$2.50 per bushel while the actual cost to the canner is around \$7.00. Perhaps this ruling may be changed in future negotiations.

This year negotiations fell through on the basis of settlement for peas left for pea seed. Often peas contracted for cannot be handled and are left to go to seed. This seed is then sold by the grower to the canner. The matter was discussed at negotiations and settled at the final arbitration. The decision rests on an experimental basis and reads thus. The processor will pay the grower for the seed at the rate of five cents per pound or \$100.00 per ton. This figure is worked out on the basis that dry seed yield per acre is only sixty percent of the yield per acre when the peas are green. Hence the farmers are being paid an equivalent price to what they would have got if their crop had been harvested. Previous to this year, arrangements for payment were made on

¹Ibid., p. 4.

an acreage basis at the time the peas were mature. This year it was decided to pay on a poundage basis for the dry seed. This will give the grower incentive to care for his peas and get a larger yield of better quality seed. If he knew in advance what he was to be paid per acre there would be no incentive to farm the acreage properly. This is an experiment and the future will determine its validity.

With regard to "dockage" and service charges much has been done since the Act was passed. "Dockage" is that system used by the canners whereby they cut the price per ton of raw product on the grounds that it was not top quality or did not fulfil the contract requirements. The 1948 Board Order for peas stipulates that no contract between a grower and a processor shall contain any provision for dockage. Growers themselves shall be responsible for the removal of thistles. This year (1949) the Negotiating Committee agreed that in the event it is found that all or any part of the land planted to peas under a contract is infested with thistles and the grower neglects to properly remove such thistles before harvesting, the canner reserves the right to reject any or all such peas grown upon such lands without relieving the grower of his obligation to deliver the balance of the peas. It is agreed, however, that rejects must be made in the field and that once deliveries are made in accordance with the fieldman's orders, the canner shall not

reject but must accept the peas and pay the grower at least the minimum price quoted in the contract.

As regards service charges, the 1948 Board Order stipulates that there be no provision whereby any processor shall provide any service at a rate in excess of the rate charged for the same service during 1947; and further that any service provided by any processor that was not provided during 1947 shall be charged at a rate to be agreed upon between the processor and the Ontario Vegetable Growers' Marketing Board. This year there has been a slight change made by the arbitration board. The above holds except in the case of authorization and payment for pest control. This service is optional and the price is to be agreed upon individually by the canner and grower concerned.

Last year, without consulting the local board, members of the Eastern Ontario Canned Food Association agreed among themselves to make a service charge for a special treatment on pea seed which had not been charged before.¹ This caused a certain amount of trouble. This year a resolution was passed by the canners that the Negotiating Committee endeavour to secure some modification of the clause in the present order which restricts the charges that can be made to growers for services. The canners want the full cost of such service to be obtainable. The above settlement by the

¹Can Crop Newsletter, July 12, 1948.

arbitration board seems to be the outcome of this resolution.

Much advancement has been made with regard to disease and weed control. Since quality is the byword to-day and no dockage charges are allowable it is up to the farmer to make sure his crop is a good one. Many improvements have been made, with the help of the canner, in spraying and disease control. Quality is the cry of both grower and processor to-day to meet the higher demands of the consuming public.

Time of payment also has been a matter of controversy between the two factions. The Board Order for peas now requires that fifty percent of the purchase price be paid the grower within a reasonable time after delivery and request for payment. The final payment for peas produced in 1948 was to be paid on or before December 1, 1948.

With regard to liability, the Board Order in Ontario now supersedes any individual contract between the grower and the processor. If any grower is forced to accept terms which are outside the regulations in the Board Order, he may appeal to the local board which in turn requests the central Board to have that section enforced.

For instance, a case which has aroused interest is the complaint from Huron County, July 1947 that the Canadian Cannery factory at Exeter, Ontario was making six percent

blanket deductions from the net weight of peas contrary to section No. 3 of the 1947 Board Order.¹ The growers asked the local board to have this section enforced. The local board investigated and passed the request on to the FARM PRODUCTS MARKETING BOARD. This Board eventually made the dockage legal since the company had made all efforts to secure cleaning equipment and were unable to get delivery but promised such equipment next year. Thus the Ontario Board has the final say over the local board.

This year a cancellation clause was ratified by the Negotiating Committee for the 1949 season. It was agreed that either party shall have the right to cancel on or before May 1st, 1949 by giving written notice by mail to the other party.

From studies made in Wisconsin, Black and Froker recommended that there be in the contracts a provision defining the liability of each party against accidents or conditions over which he has no control. The conditions which excuse either party from performance under the contract ought to be clearly set forth.² If these are not clearly set forth the wording often leaves doubt as to the grower's rights and leaves the canner with a non-liability escape clause. The situation in Ontario seems to be fairly satisfactory at

¹Can Crop Newsletter, February 23, 1948.

²Black and Froker, op. cit., p. 5.

the present time in this regard. This year an agreement has been made for the 1949 season which reads that where disputes arise between canner and grower as to the application of any of the provisions of the contract, a duly-appointed representative of the local board shall have the authority to represent the grower and to investigate any dispute arising between the canner and grower. He may make mutual settlement between parties. Failing to reach settlement, the dispute will be referred to the central Board. This brings us to the topic of prices which will be discussed in the next chapter. We have covered in fair detail the problems of the pea and tomato growers and canners. At the present time these seem to be the products most widely disputed and it is the feeling of the writer that in discussing these two vegetables we have discussed most of the important problems of the canning industry, with the exception of price-problems.

In Ontario minimum prices are set. This leaves the grower with three alternatives. He can accept the minimum price; he can bargain for a higher price; he can shift to a more profitable crop.

CHAPTER VI

A CHAPTER ON PRICES

We have come to the most important problem of all in canner-grower relations and that is prices. "Prices for canned vegetables are unsettled; some have already been reduced and there is a reasonable chance that further reductions will take place, according to officials of some canning companies and retail organizations.

To further complicate the price picture farmers next month will ask the farm marketing board to raise the prices they will receive for 1949 canning crops."¹ This is an excerpt from a daily paper in January. By March negotiations were completed and the farmers did ask for a raise in prices. What they received we shall see later.

Since the Marketing Board was instituted, growers have been selling into a rising market and their ever-increasing demands have been met by the canners. This year (1949) the market is beginning to drop and a different situation exists.

"According to an executive of Dominion Stores, tomato juice and certain lines of peas are down substantially in price already. Tomato Juice a short time ago retailed for around ten cents a tin; now it is three tins for twenty-five cents. Peas which used to sell for ten and eleven cents also are going

¹"Canned Food Prices Jittery", Toronto Daily Star, Toronto, January 29, 1949.

at three tins for a quarter."¹ With tomato juice part of this price drop is due to increasing competition from other fruit juices. Apple juice and imported citrus juices help fill the consumer demand and are plentiful at reasonable prices.

Much of the drop in prices is caused by a surplus stock. What caused this surplus? And how large is it? Let us look at the situation with regard to peas and tomatoes.

TOMATOES

	Col. 1 Approximate consumption converted to cases of 20 ounce cans	Col. 2 Canadian stocks converted to cases of 20 ounce cans
1940	3,008,730	3,657,270
1941	4,258,948	4,989,193
1942	3,537,439	3,934,657
1943	2,521,413	2,748,254
1944	3,274,134	3,890,376
1945	2,433,244	2,606,640
1946	3,182,464	3,332,221
1947	2,623,147	2,784,371
1948		5,018,899

¹Ibid.

TOMATO JUICE

	<u>Col. 1</u> Approximate consumption converted to cases of 20 ounce cans	<u>Col. 2</u> Canadian stocks converted to cases of 20 ounce cans
1940	1,438,123	1,608,238
1941	1,972,858	2,475,965
1942	2,428,821	2,775,144
1943	2,124,079	2,412,000
1944	3,932,129	4,360,207
1945	2,761,517	2,886,485
1946	4,375,472	4,673,035
1947	2,016,009	2,404,183
1948		5,980,156

PEAS

	<u>Col. 1</u> Approximate consumption converted to cases of 20 ounce cans	<u>Col. 2</u> Canadian stocks converted to cases of 20 ounce cans
1940	1,902,765	2,509,158
1941	2,448,701	2,670,877
1942	2,928,331	3,258,692
1943	1,840,244	2,176,403
1944	3,619,837	3,965,724
1945	3,000,411	3,275,920
1946	3,587,746	4,302,252
1947	2,701,784	3,583,038
1948		4,813,031

¹G.P. McAndless, Un-
published Statistics,
(Hamilton: 1949)

We see from these figures that this year for tomatoes, tomato juice and peas, the stocks packed were considerably greater than the stocks of any other year shown. Consumption in other years, except 1948, also coincided fairly well with the pack indicating that most of the canned goods packed was sold within the year. This year with such tremendous crops coupled with high costs and a falling market, it appears that there will be a large carry-over.

A rough projection of the canned food situation for 1949 has been made which gives an indication, based on past experience of just what the consumption is expected to be this year. This projection appears at the end of the chapter. If it is correct we can see that the carry-over into 1949 we might expect will be equal at least to the total consumption of the past year. If anything, the projection is err on the conservative side as is seen by comparing column (2) with column (3). The former is last year's projection while the latter is the actual figures of stocks on hand. With these figures of the probable stocks on hand and the figures of approximate consumption we must therefore assume that there will be enough on hand in the ensuing year to take care of the public consumption without canning anything at all this season. This is a drastic surplus.

Yet in the February Newsletter, 1949, the growers

make the statement that, "A careful study of present stocks of tomato juice and canned peas shows that the estimated surplus to be carried over into 1949 crops is not excessive and only a temporary condition which can be adjusted by sound planning and merchandising."¹ How sound is their plan of maintaining and even trying to raise prices of raw products when stocks are up as much as two hundred and twenty-five percent? It seems that the growers' "careful" studies have not been careful enough. And just what would the proposals of 'sound planning and merchandising' consist of?

This year, for the first time since the Act was enforced, the Negotiating Committee failed to reach a satisfactory decision on some questions. Tomato prices and pea prices were two of the problems to be taken to a board of arbitration. The results of this meeting were rather heartening. Minimum prices for tomatoes were set at \$22.60 a ton ungraded, \$27.60 a ton for first grade, and \$17.60 a ton for second grade. The minimum prices on peas will be \$60.00 a ton ungraded, coupled with a cost of pea seed to the growers of \$2.50 a bushel. The prices compared with those in 1948, are \$2.50 a ton lower on tomatoes and \$5.00 a ton lower on peas. The minimum price on sweet corn for processing has been set at \$22.50 a ton, compared with \$22.00 in 1948, but this crop is not in over-supply.

¹Can Crop Newsletter, February 23, 1949.

Although these prices on tomatoes were not as low as the processor asked for, they are a start in the right direction. At the point at which it now stands, the price may curb the canner from the practice of overcontracting acreages, and at the same time teach the farmer that the local board is not there merely to give him high prices but to aid in establishing a price which will equate supply and demand. This is a critical year in the history of the Act and may well be the basis for the future success or failure of the Act. The oversupply of tomatoes and peas served as an indication that the minimum price had been set too high. The arbitrators have seen fit to lower the price slightly. We may conclude that the legislation is at least partially successful in its aim.

In the United States the price situation on the retail market is similar. Market prices are falling and with them the prices of primary products are falling too. In New York State fieldmen are contracting peas at \$5.00 to \$6.00 per ton less than last year. In Illinois farmers will contract for lower prices. The same is true in Wisconsin, Indiana, Washington and Oregon. The trend towards lowering prices has become more definite since the outlook for business is threatened. We must follow their lead and be content with a lower minimum price.

The post-war period of inflationary prices under which the Act has operated since its inception has tended to give the grower the idea that he must have complete risk removed from his industry. The floor prices he demands must cover all costs including a fair return on his work. No one guarantees such a floor price for the processor who sells into the retail market. The minimum price originally asked for was merely to cover basic costs of production. Above this level of basic costs, the grower should be willing to let the canner bid up price on the basis of the quality given him by the grower. The high minimum price we have now forces the good grower to the same level as the poor grower.

This year part of the surplus was due to the fact that prices in Ontario were higher than in Quebec. With no minimum price legislation in Quebec this meant that Quebec could undersell Ontario canners which was what happened. All of Quebec's stocks were cleared from the canneries at a profit. Such competition from Quebec will either lower the prices here or force the canning industry out of Ontario to some more profitable province. This would indeed be a blow to Ontario.

Some canners advocate federal legislation as means whereby to check such unfair practices between provinces. Federal legislation is a good suggestion, but the government decided where this Act was introduced that this was a matter

over which the province had jurisdiction not the dominion. If the Dominion were to have such rights over the canning industry it should also have the same rights over every inter-provincial industry. Therefore we must look askance at this suggestion. The other remedy is not to try and raise Quebec's prices to our level but to lower oursto Quebec's level. This is the situation at present.

In the concluding chapter we will summarize the problems of the canning industry and of the growers and make a few suggestions for the future. Before doing that it is felt expedient to digress somewhat and discuss the similar legislation now in force in British Columbia.

A PROJECTION OF THE CANNED FOODS SITUATION FOR 1949

If we deduct the Stocks on hand July 1st from the Stocks on hand January 1st, we obtain the approximate consumption over the 6 months period. The average of these "consumption" figures will give a rough idea of how much might be consumed from January 1st to July 1st, 1949.

IN DOZEN CANS

<u>YEAR</u>	<u>BEANS</u>	<u>CORN</u>	<u>PEAS</u>	<u>TOMATOES</u>	<u>TOMATO JUICE</u>
1945	1,002,894	1,745,938	2,634,428	1,810,160	2,616,266
1946	853,238	1,549,086	1,873,252	1,121,192	1,601,492
1947	793,862	1,559,738	2,603,772	1,279,482	2,863,424
1948	<u>947,230</u>	<u>1,149,290</u>	<u>1,855,984</u>	<u>1,219,538</u>	<u>1,832,830</u>
4 year average	899,306	1,501,013	2,241,858	1,357,593	2,228,503

By subtracting the probable consumption (average) obtained in Chart 1 from Stocks on hand January 1st, 1949, an approximate carryover as of July 1st can be obtained. Probable stocks on hand as of July 1st obtained by this method are shown below in Column (1). As a guide to the accuracy of this method, Column (2) lists the probable Stocks on hand July 1st, 1948 which was obtained by this method, and Column (3) lists the actual Stocks on hand at this date as obtained from Dominion Bureau of Statistics

	Probable Stocks on Hand, July 1st, 1949 in dozen cans #	Probable Stocks on Hand obtained last year for July 1st, 1947, in dozen cans #	Actual Stocks on hand, July 1st, 1948 from Dominion Bureau of Statistics, in dozen cans #
Beans	1,021,316	882,794	818,496
Corn	921,076	predicted stocks would be cleared up	103,524
Peas	4,326,572	1,229,630	1,751,464
Tomatoes	2,734,286	168,666	250,740
Tomato juice	3,906,304	139,974	704,204

To determine how closely consumption is following the average this year one can check the approximate consumption which has taken place between October 1st and December 31st. The consumption in this period is shown below from 1945 to 1948, with the four year average.

IN DOZEN CANS #

<u>YEAR</u>	<u>BEANS</u>	<u>CORN</u>	<u>PEAS</u>	<u>TOMATOES</u>	<u>TOMATO JUICE</u>
1945	671,104	10,692	1,666,146	848,336	1,003,466
1946	371,996	139,586	927,648	639,216	376,512
1947	537,222	375,240	1,098,776	121,326	639,410
1948	363,314	275,678	637,254	215,106	616,260
4 year average	485,909	200,598	1,082,456	455,996	658,912

Figures for dozen cans are taken from Dominion Bureau of Statistics Stock on hand figures. Members should note that these are not reduced to equivalent 20 ounce size but include dozens of 20 ounce, 48 ounce, 105 ounce, etc. Therefore, the figures do not represent so many cases when divided by two, but rather only a total of so many dozen of the various containers.¹

¹G.P. McAndless, Unpublished Statistics, (Hamilton: 1949).

CHAPTER VII

MARKETING IN BRITISH COLUMBIA

British Columbia is the only other province which has marketing regulations similar to that in Ontario. In each of these two provinces there is also an association of canners. The situation in both cases is that the growers and the canners are each organized in a body. Therefore we shall digress from our study of the Ontario Marketing Schemes and discuss those of British Columbia; comparing and contrasting the regulations of both provinces.

In British Columbia there is legislation called AN ACT RESPECTING THE TRANSPORTATION, PACKING, STORAGE, AND MARKETING OF NATURAL PRODUCTS. This was originally passed in 1936 when there was in force THE NATURAL PRODUCTS MARKETING ACT OF THE DOMINION (1934). Since 1936 the provincial Act has been amended twice to bring it up to date. British Columbia, therefore, was unique in having a Dominion Marketing Board set up under the federal marketing legislation and also the BRITISH COLUMBIA MARKETING BOARD constituted under the provincial legislation.

Under the provincial Act, the Lieutenant-Governor in Council had power to constitute a board consisting of not more than three members. He may also appoint such officers

and clerks as are deemed necessary for the administration of the Act.

The purpose and intent of this Act is "to provide for the control and regulation in any or all respects of the transportation, packing, storage, and marketing of natural products within the province, including the prohibition of such transportation, packing, storage, and marketing in whole or in part."¹

The schemes set up to carry out this purpose can relate to the whole of the Province or to any area specified within the Province, and might relate to one or more natural products or to any grade or class thereof. The method by which the members of any marketing board are to be chosen, whether by appointment or election, or partly both, may be set out in the scheme the Board is authorized to administer. In Ontario, by contrast, the method of choosing the members of the local boards is the same in all cases; namely election by fractional representation.

Many additional powers beside these general ones outlined above may be vested in any British Columbia board at the discretion of the Lieutenant-Governor in Council. These are similar to the power of the Ontario Farm Products Marketing Board, but perhaps are a little more detailed.

¹British Columbia, Marketing of Natural Products, (Victoria: King's Printers), Ch. 165, s. 4.

"Provincial board" includes the British Columbia Marketing Board constituted under this Act and any marketing board or agency constituted under this Act or the regulations.

Provisions are set forth which allow a provincial board to regulate the time and place at which, and the agency through which, the product is to be marketed; the manner of distribution; the prohibition of marketing of any or all grades of a regulated product. There are powers to exempt a product from board orders if necessary; to fix licence fees or cancel licences; to require full information and inspection of regulated products, or any businesses pertaining thereto, upon the request of the provincial board; to fix prices -- maximum or minimum -- at which the product may be bought and sold in the Province; to seize such products, or search vehicles carrying them; and in general to make such orders, rules, and regulations as are deemed by the provincial board necessary or advisable to control and regulate effectively the transportation, packing, storage, or marketing of the regulated product. Powers are granted to amend or revoke the same. These powers, we see, can give the provincial boards very complete jurisdiction over natural products if they so desire it.

There is a clause permitting co-operation of the provincial board with the Dominion Board and permitting joint action in the regulation of a natural product. Any provincial

board may with the approval of the Lieutenant-Governor, perform any function or duty and exercise any power imposed or conferred upon it by, or pursuant to, the Dominion Act, with reference to the marketing of a natural product.

The Dominion Board could exercise any of its powers in any manner and under any circumstances, within Provincial jurisdiction, to the like extent as those powers are exercisable by it pursuant to the Dominion Act with reference to the marketing of that natural product.¹ In other words, the Dominion Board could exercise its powers in the province within the jurisdiction of the Provincial Act if such powers were given to it under the Dominion Act.

With regard to regulations, the Lieutenant-Governor of British Columbia may make such regulations as are considered necessary for carrying out the purpose of the Act, and allowing it, in conjunction with the Dominion Board, to exercise effective control of the marketing of the regulated products. The powers extend to the appointment of provincial marketing boards to co-operate with, and act as agents of, the Dominion Board or to exercise authority conferred on a local board under the Dominion Act; the approval of any scheme; and the carrying out of that scheme. There are powers to provide for the submission of any such scheme to a plebiscite

¹Canada, The Natural Products Marketing Act, (Ottawa: King's Printers, 1934), Ch. 38, S. 7.

within that area of the Province covered by the scheme, the termination of any scheme, and the imposition of penalties.

Whether or not the Dominion Act or Board be existing or operative, these powers vested in the Lieutenant-Governor or any board under the Act may be exercised to their fullest extent. This is an important clause.

Regulations are made with regard to penalties, and a regulation is made placing the burden of proof of prosecution for an offence under the Act, on the accused.

Money to carry the expenses of the provincial board may be paid from the Consolidated Revenue Fund. This does not include the expenses of administering any individual scheme under the Act.

To summarize, this Act grants full power to British Columbia to regulate products as well as to co-operate with the Dominion Board. It provides for the continuance of marketing regulation in the absence of Dominion regulation. It is probable that the Act was passed because such discontinuance of the Dominion legislation was expected in the near future.

Our Ontario Act was passed after the Dominion Natural Products Marketing Act had been declared ultra vires, and all regulations were made with this in mind. Hence there is a slight difference in the wording of our Act but the context

is actually quite similar.

Marketing in British Columbia, however, presents different problems than marketing in Ontario; so we find that emphasis lies in a different direction, for the products regulated. Since the major crops in British Columbia are tree fruits, little can be done to regulate the acreage under cultivation. It takes years to increase or decrease this due to the fact that many years growth of the trees are necessary before they will yield a crop. Their crops then are more stable, except for variations of weather. The yield is not a major problem as it is in Ontario.

We have thirteen schemes for regulating natural products under the Ontario legislation covering a total of twenty-two products. In British Columbia, four organizations have been set up under the Act. These are:

1. The British Columbia Fruit Board.
2. The B.C. Tree Fruits Limited.
3. The B.C. Coast Vegetable Marketing Board.
4. The B.C. Interior Vegetable Marketing Board.

The B.C. Fruit Board is a grower's organization for the purpose of providing for effective control and regulation of the transportation, packing, storage, and marketing of the regulated product within the Province.

The board consists of three members elected annually. It keeps a register of all growers. The board divides the area to which the scheme relates into such districts as will

ensure that all growers will have representation by delegates and reasonable opportunity of attending meetings to elect such delegates. The powers of this board within the Province are similar to those listed under the general B.C. Marketing Board and embrace all aspects of the methods of effective control of the transportation, packing, storage, or marketing of tree fruits and grant power to amend or revoke the same. Fees are collected from all members according to which they belong and are used to carry out the purposes of the scheme and pay the expenses of the Board.

Another aim is to promote the tree-fruit industry by advertising in such manner as may seem advisable and by compiling, publishing, distributing, and furnishing information with respect thereto.

The B.C. Tree Fruits Limited is a growers' organization operating under the B.C. Fruit Board's supervision. B.C. Tree Fruits Limited is the sales agency for all the growers in the Interior of British Columbia. They sell all the apples, apricots, crabapples, pears, peaches, plums, and cherries produced in that district.

Usually around June, the B.C. Tree Fruits Limited meet with the Canned Food Association of British Columbia to discuss fresh fruit prices. The grower representatives indicate what they feel prices should be on all cannery fruits. The Association counters if they feel the prices are too high.

In this negotiation British Columbia differs from Ontario for in Ontario there is a regular Negotiating Committee made up of an equal number of canners and growers who meet to discuss a mutually-agreeable price. If no such price can be agreed upon the discussion is carried to arbitration. It is the writer's opinion that the system in British Columbia leaves the balance of power in the hands of the growers. If carried too far this could be detrimental to consumer as well as canner interests.

When the price is finally agreed upon, the Tree Fruits Limited send out circulars which they ask the canners and jam manufacturers to acknowledge. These circulars point out regulations to all commercial canners with regard to sales, tonnage commitments, grades, and inspection. For instance the 1948 circular stipulated that "unless re-inspection is required immediately on arrival, shipping-point Government Inspectors' certified weights and percentage of culls will govern..... When re-inspection reverses the shipping-point Inspection, adjustment is to be made as a claim, the original inspection being used for invoicing purposes."¹ Disposition of claims are made by the B.C. Tree Fruits Limited. Weights and prices and boxing regulations are also stipulated plus charges on transportation on the various types of regulated products.

¹B.C. Tree Fruits Limited, Circular No. 1, To All Commercial Canners, Coast Area, 1948.

Two such circulars are sent out, No. 1 going to all the commercial canners in the Coast Area, and No. 2 going to all those in the Interior District. This shows the regional division in product. Most of the regulations in the two circulars are identical but there are some differences which adapt the contract to the region. The B.C. Tree Fruits Limited ask the canners and jam manufacturers to acknowledge these circulars and when this is done they are considered contracts.

During the season if there are shortages of any types of fruit due to weather conditions, or if the crops are larger than expected, the B.C. Tree Fruits Limited will prorate the fruit to the canners in proportion to their original orders.

This seems to me to be an excellent system because it is fair to both the grower and canner. The grower's product is completely taken off his hands while the canner in a short season does get his fair share of the crop. It would be difficult to do this in Ontario with vegetable crops but our tree-fruit crops could possibly be better organized under such a growers' association provided it was acceptable to the processors.

The main point of contention which the canners of British Columbia have with the B.C. Tree Fruits Limited is with regard to the box situation. When the canners receive the fruit, generally in car-load lots, the shipment is made up of shipments from one to six or more different packing-

houses. The fruit is in boxes with the name of the packinghouse on the end. Since the boxes are owned by the packinghouses the canners pay rental on these and are supposed to return the empty boxes to the respective packinghouses.

Now many of the canners are situated on the Coast far from the packinghouses. This differs from the Ontario system where canneries are usually situated close to where the product is grown rather than close to the markets for their processed goods. It takes three carloads of fruit-filled boxes to make up one carload of empty boxes which would present no large problem if the boxes were all from one packing house. This is not the case. They are from a number of packinghouses and have to be nested and stored on the canner's premises until such time as a carload of a particular brand is available for reshipment. This is very unsatisfactory owing to the small amount of storage space canners usually have during the canning season.

The canners of British Columbia have, through their Canned Food Association made representations to the growers to see if they would adopt a "common box" which would be unnamed and which would go into a pool. All packinghouses would draw on this pool. So far they have met with little success. All growers seem to have their own ideas as to how the scheme should operate, or do not trust their fellow workers, insofar as they feel they will just put dirty and weatherbeaten boxes in the pool. These, it is felt, would

work their way back to the packinghouses who originally put new boxes into the pool. Could this not be overcome by some regulation as to the age and condition of the boxes accepted by the pool and the number of new boxes which must be put into the pool by each packinghouse every year?

It has been proven to the growers that this method will require less boxes owing to the speedy return of the empties by the canners who would not have to store each brand until a carload lot could be made up for reshipment.

Thus we can see that the problem of B.C. canners are perhaps quite different from ours, and while their major regulations lie in the field of tree-fruits, our Ontario boards are more active in the regulation of vegetables. With regard to the Coast Vegetable Marketing Scheme, the growers' board does set prices on all root crops such as potatoes, beets, carrots, onions, parsnips, turnips, and also cabbages. These do not affect the canners much as they are not perishable.

The B.C. Interior Vegetable Marketing Board sets the prices on tomatoes and asparagus which are the main can crops. They also set prices on root crops grown in the Interior of the Province. Early in the year the canners' representatives meet with the representatives of the Interior Board to discuss prices. These prices are negotiated and announced to canners and growers. The canners then contract through the Board for the quantities of a particular commodity they require and sign

a contract to cover same. We in Ontario do not contract quantity but contract acreage and also contract direct with growers.

The only contract the canners have with the growers is in the Fraser Valley and at the Coast where they contract direct with the growers for beans, peas, and corn, and the prices are agreed upon individually between the canner and the grower. The Coast Marketing Board has tried to take control of these commodities but the growers themselves have "vetoed" it.

The Marketing situation in British Columbia therefore is quite different from that in Ontario. Their regulations with regard to price seem to cause less discussion between the two parties. Perhaps each province could gain something from the other's system. British Columbia is the only other province with such a marketing scheme in operation.

CHAPTER VIII

SUMMARY AND CONCLUSIONS

The purpose of The Ontario Farm Products Marketing Act is to provide the necessary legislative machinery to enable agricultural producers of designated crops to cope with the rapidly changing practices and methods of modern business. In general the Board set up under the Act can do anything by such means as it may deem proper to increase, stimulate, and improve the marketing of farm products. Marketing includes advertising, buying, financing, selling, transporting, shipping for sale or storage, and offering for sale, but shall not include buying and selling by retail.

We have traced the history of the marketing legislation in Canada and outlined the various problems in connection with canner-grower relations. In this, the concluding chapter, an attempt will be made to summarize the success of the Act and to look into the future.

Has the Act been a success? Improving the marketing of farm products involves the idea of improvement in quality of the product sold. Has there been any such improvement? In answer to a letter posing this question the Department of Agriculture replied that "we have very little information that would show the quality of the raw product for canners

has improved under the Board as the Board really only settles the prices for the product; although in the case of tomatoes they have established prices for buying them by grade. In this particular case I believe they have definitely improved the quality of the canned tomato and tomato-juice packs.¹ This seems to indicate that with the exception of their work in grading not too much has been done by the Board except fix prices. In the writer's opinion this is somewhat of an understatement. Perhaps even too much has been done by the Board.

Has the Act in general improved the relations between canners and growers? This question was sent in a questionnaire to all the canners in Ontario. The answers were varied. About forty percent of the canners feel there has been no appreciable change in relations since relations between the individual canner and grower were always good. This seems to me to show an 'ostrich' complex among canners.

No one felt that the Act itself had been detrimental to canner-grower relations but quite a few complained of the so-called "Green Letters" -- information disseminated by the Ontario Vegetable Growers' Marketing Board. It was felt that this propaganda sent out by the Board tends to agitate and dissatisfy the farmer, who had previously been quite happy in his friendship with the canner. Processors are set up as people to be watched for deceptions. (Much of their pro-

¹F.J. Perry, Chief Canning Inspector, Department of Agriculture, Letter to the writer, 17 March, 1949.

paganda included half-truths which many farmers believe explicitly, the processors feel). It was generally felt that a committee of growers and processors should be set up to consider such propaganda or possibly have it censored by an impartial member of the Provincial Government.

Outside of these "green letters" the Act itself is generally looked upon with favour. Both parties now know the conditions of buying and selling and the terms of contracts of all. Growers are receiving higher prices and more protection. How can they help but feel the Act has been of benefit? Processors know that whatever the price is to one, so it is to another canner. In a competitive field this is important.

Much has been achieved in the field of grading as has been shown. Pamphlets have been issued by the government. Both canners and growers have agitated for better graders and it appears that in the near future all this will come to pass. Tomato grades have already been established. However at the present time there is still a dearth of competent, well-trained, impartial government graders. And there are too many different systems of grading. They should be vertically and horizontally integrated. For instance canners of tomato juice and of peeled tomatoes are forced to buy under the same regulations as to colour and size. In reality these two operations are vastly different in their requirements as to

colour and size of tomatoes. At the same time both of these buy under one grading system and sell under another which is incompatible with the former. A central grading system would be of inestimable benefit. Grading as a principle is a satisfactory idea. But improvements must be made in the existing system.

Another big step taken by the Marketing Board is that of attempting to unify contracts. The problems of Ontario do not seem to be regional ones. Therefore it is possible that a system of uniform contracts might work. Small adjustments for regional difficulties could be made on the basic form of contract. Some processors prefer them, and some do not. It would appear that all growers do approve of them.

Mechanical difficulties of all sorts have been ironed out by the Act. We might say its success in inducing more orderly marketing has been worthy of note. But what of its success in the field of prices? Is the Act successful thus far because it has been in operation in a period of wartime inflation, and boom prices? The answer will not be known till we see its reaction to a period of falling prices. Meanwhile a short discussion on methods of price-fixing will not be amiss. Some suggestions might be forthcoming as to a path to future success.

Price-fixing may be done in one of three ways

(1) determination of the price without controlling supply or demand.

(2) control over supply (e.g. production restriction) or demand (e.g. rationing).

or (3) simultaneous control of supply, demand, and price.¹ We are using the first method of control.

In order for price-fixing to be successful good leadership is an indispensable prerequisite. Otherwise it causes price dislocations and disequilibria as we shall see from the following discussion.

"The objective of price-fixing is to aid the producer to receive a profitable price for his product. Closely related to this is the objective of mitigating wide price-fluctuations through the adoption of devices for orderly marketing."²

The goal seems to be the attainment of 'parity' prices for the farmer's products. These parity prices are at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy equivalent to the purchasing power of a base year. This is an ethical concept of "just" price and is probably often out of touch with changing conditions because it looks backward to an anachronistic base period.

To accomplish this goal, we may use either direct

¹Jules Backman, Government Price-Fixing, (New York: Pitman Publishing Company, 1938), p. 2.

²Ibid., p. 10.

methods of price-fixing or indirect methods. So far in Ontario we have used only the direct method of fixing a minimum price below which no product can be sold. The indirect methods of production control and adjustment have not been tried.

In the U.S.A. there have been many agricultural controls put into effect. The Agricultural Adjustment Act of 1933 had as its primary objective the restoration of the farmer's income through the attainment of 'parity' prices for his products. To accomplish this goal a number of indirect price-fixing devices were adopted including production controls. "The increase of almost three billion dollars in farm income in 1935 as compared with 1932 indicates that the programme was to that extent effective..... Of the increase attributed to the A.A.A., the major portion of this was due to the production control programmes."¹

In Ontario, it is my belief, that we need a production adjustment program to aid our direct price-fixing attempts. The reasons are incorporated below.

The fixing of prices by a direct-pricing method usually leads to maladjustments of supply and demand. If the minimum price is set too high it encourages marginal producers to enter the market and increase the supply far in excess of demand. The demand meanwhile grows smaller with

¹Ibid., p. 94 - 95.

a high price. Evasions on the part of processors become the order of the day and a disregard for law and order begins to develop. There is dissatisfaction on the part of the consumer who refuses to pay high prices in the midst of an obvious over-supply. This principle is demonstrated in Ontario this year. The consumer is refusing to buy the stocks of peas and tomatoes which are in over-supply due to overcontracting at a minimum price.

If the minimum price is set below the equilibrium level of supply and demand and there is little incentive to produce, the farmer will shift to a more profitable crop. Meanwhile he will question the validity of introducing a marketing board into the picture at all.

Hence the only stable price is that determined by supply and demand. If this is the case why bother with price-fixing? The answer to this lies in the fact that the supply and demand price may be too low. Therefore the only way to keep the price high and still have equilibrium is by introducing production control and adjustment.

Some degree of exactness in production control is easier to achieve in manufacturing than in agriculture due to the vagaries of nature and the large number of producers who are often widely scattered. "Decisions with respect to agricultural production are made by a multitude of farmers upon their individual farms."¹ The supply is therefore often hard

¹Julia E. Johnsen, Permanent Price Control Policy, compiled, (New York: H. W. Wilson Co., 1942), p. 44.

to determine definitely.

The methods of production control are several. Production quotas, acreage control, planting restrictions and control over new capacity are the main methods. Production quotas are possibly the easiest means while acreage control and planting restrictions are important in agriculture. It is felt that if the total amount of planting is restricted there will be a tendency for the potential new supply to be reduced. This method and acreage control are similar in that the total quantity of new production may be limited in a broad way without any assurance that an exact control over supply will be achieved.

Growing conditions limit the success of production control, it is true, but that is a risk of all agricultural controls. Also production control by the above methods tends to affect similarly both the efficient and inefficient producers. Under conditions of free competition the burden would fall on the inefficient or marginal producer. Possibly a direct price-fixing policy combined with indirect price-fixing controls could overcome this and work for the benefit of the efficient producer.

A number of technical problems also accompany production control. A uniform reduction in quantity is not always feasible. Quota changes do not affect the costs of all producers equally. Availability of different qualities of a commodity may complicate the problem. Yet in the main those

who have tried this method have found it successful. This covers a wide range of countries. In practically all cases "the control of production has been successful in reducing the new supply to approximately the amount predetermined by the control authorities."¹

Production control therefore is suggested as a recommendation to improve the present marketing system. This seems to be the feeling of the growers as may be seen in an excerpt from a daily newspaper.

Tomato growers may soon have to ask the province to control acreage to avoid surpluses, a representative of the Ontario Vegetable Growers said yesterday.

The spokesman, W. Walker, told the Ontario Legislative Agriculture Committee that surpluses of canned goods were piling up and prices to farmers were dropping. Unless growers and processors agreed to reduce acreage voluntarily growers would have to ask the Ontario Government to introduce compelling legislation.²

This compelling legislation would probably take the form of prohibitive taxes on overcontracting of acreages and rules regarding planting.

In summing up the value of the Act we might say that it has been successful but its success has been limited. Many contractual obligations have been straightened out. For a time the farmer has profited. But prices have gone too high with the result that there is a surplus on our market. The remedy for this may be production control to work in conjunc-

¹Backman, op. cit., p. 196.

²"Growers May Ask Control of Acreage", Hamilton Spectator, March 24, 1949.

tion with price control. It seems to be the next apparent step.

To-day will decide the success of the new Act for to-morrow. This is a critical year. Prices for the first time did not negotiate and arbitration boards were set up. These arbitrations seemed to be satisfactory to everyone. If that is so then the farmer realizes that he must compromise with the canners. Both are an integral part of the industry. If both parties realize that compromise is necessary, and it is my opinion that they have, then the success of the Act is assured.

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