

Aggregate Data on Farmgate and Retail Food Prices
By the National Farmers Union
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Canadians have been struggling to afford groceries. Many farmers have been struggling to make a living. Food retailers and processors, however, have increased their profits.

The NFU has prepared a series of graphs that compare the farmgate prices farmers receive for their crops and livestock to the prices that grocers and other food retailers receive for the food they sell. These graphs present clear evidence to support the following three points:

1. The gap between these two prices—farmgate and retail—has steadily widened over recent decades. Thus, while the current period of food price inflation is particularly stark, the underlying problem is a chronic trend that started long before the COVID pandemic, the war in Ukraine, and other recent supply chain disruptions.
2. Supply management is not the cause of food price inflation. Price increases are occurring in both Canada and the United States for both supply-managed and non-supply-managed goods. In fact, supply management is functioning as designed to avoid drastic changes in food prices.
3. The real causes of food price increases are retailers and processors taking ever-larger portions of Canadians' food dollars. These trends are made worse by increasing corporate concentration, where a handful of large companies exert their power over markets.

Figure 1 shows farmgate prices for wheat and retail prices for bread in Canada over the past four decades or so. As clearly seen on the graph, the lines—farmgate prices and retail prices—are getting farther and farther apart. This trend is much more significant than the general rate of inflation; we prepared another set of inflation adjusted graphs that are available on request.

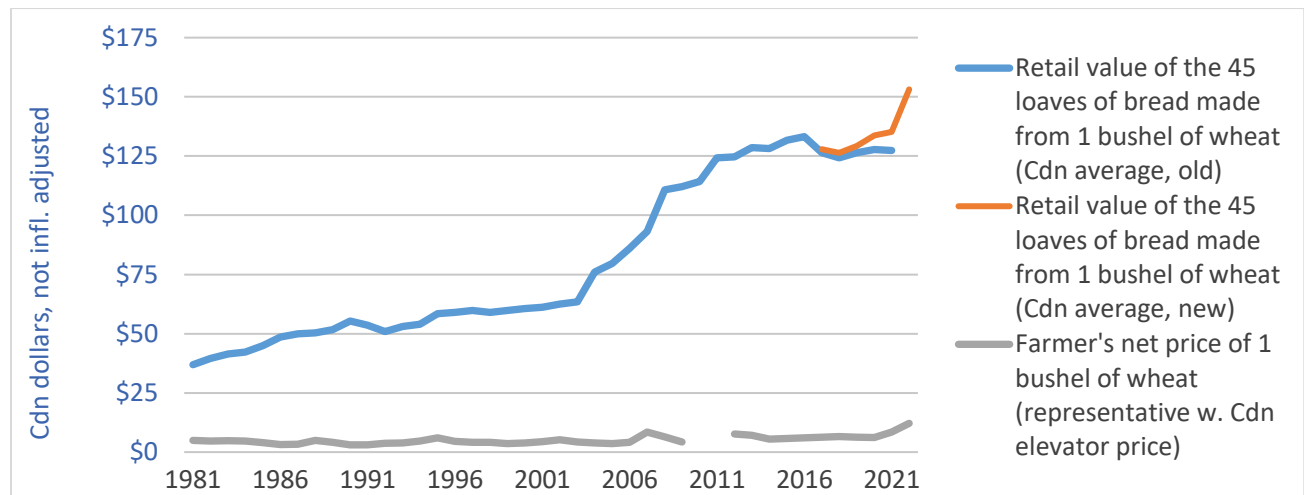


Figure 1. Saskatchewan wheat and Canadian bread prices, 1981-2022.

Source: Saskatchewan Agriculture and Food Crops – Statfact; Statistics Canada tables 18-10-0002-01, 18-10-0245-01, 32-10-0077-01, and 32-10-0359-01 (there is a gap in farmgate data for 2010 and 2011 around the elimination of the Canadian Wheat Board).

The two lines for retail prices in Figure 1 (“Canadian average, old” and “Canadian average, new”) refer to two different datasets published by Statistics Canada, the former of which was discontinued in February 2022. See our note at the end for more details on the issues arising from that decision.

From 2003-2016, bread prices rose steadily, far outpacing the minor increases in farmgate wheat prices. In effect, retail prices were decoupled from the corresponding food inputs. Farmgate prices for wheat did increase in 2021 and 2022, potentially driven by the war in Ukraine and other factors. However, they did not come close to narrowing the gap that has steadily widened since the beginning of this data series.

The comparison between corn and cornflakes demonstrates an even more striking and consistent example of decoupling, with modest growth in farmgate prices outpaced by steadily rising retail prices.

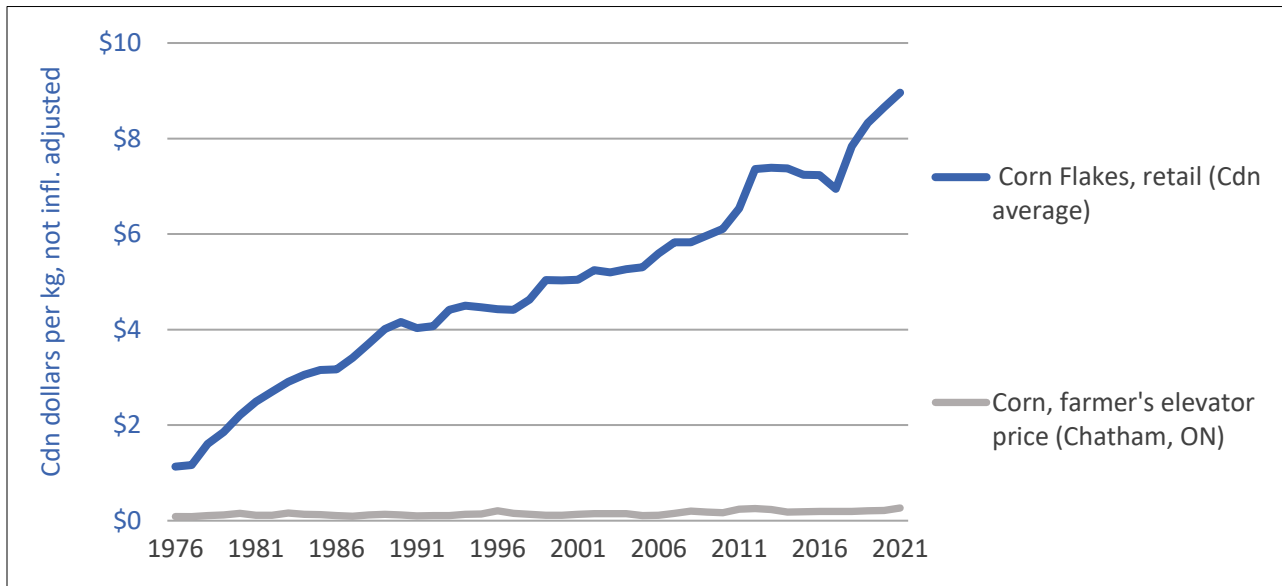


Figure 2. Ontario corn and Canadian cornflake prices, 1976-2021.

Source: Canada Grains Council Statistical Handbook 1997, tables 38 and 40; Statistics Canada tables 18-10-0002-01 and 32-10-0077-01.

These trends extend to Canadian livestock markets. Farmgate hog and retail bacon prices tell a similar story, somewhat complicated by Statistics Canada’s decision to radically revise their methodology (see note at the end). Figure 3 actually demonstrates a period where prices were so decoupled that they moved in opposite directions: for the two years from 2014-2016, hog prices fell, and retail bacon prices rose.

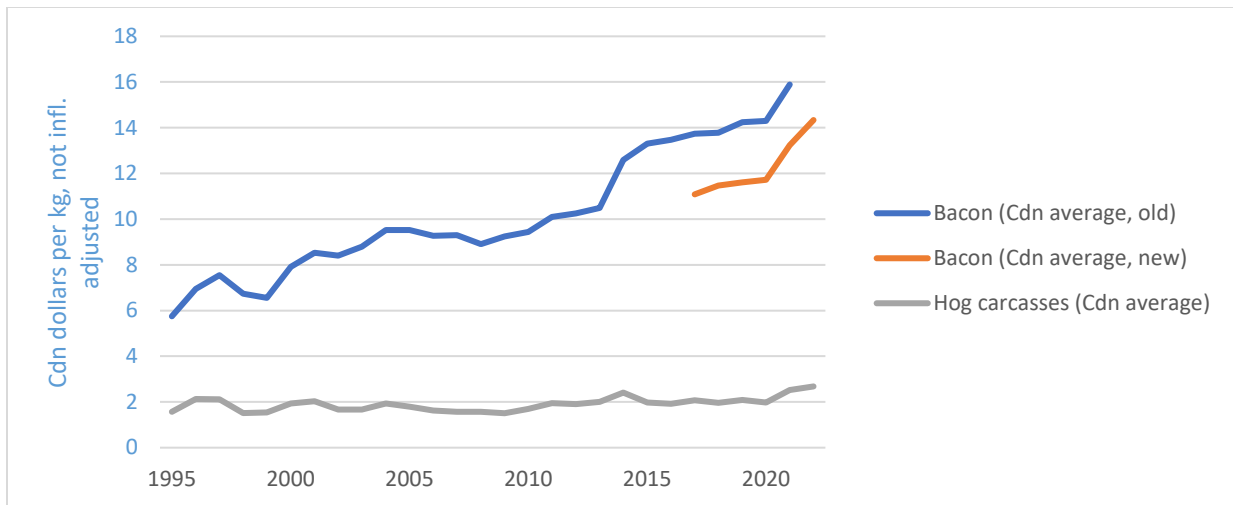


Figure 3. Canadian hog carcass and bacon prices, 1995-2022.

Source: Statistics Canada tables 18-10-0002-01, 18-10-0245-01, and 32-10-0077-01.

Even eggs, a supply-managed commodity in Canada, demonstrate an increasing gap between farmgate and retail prices, as seen in Figure 4.

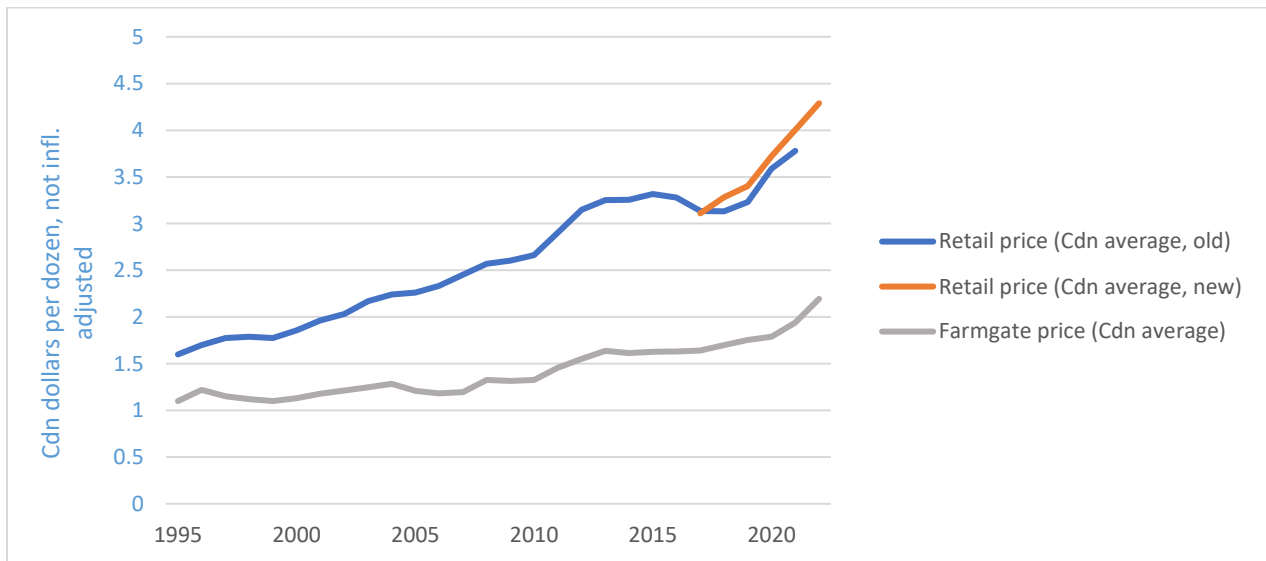


Figure 4. Canadian egg prices, 1995-2022.

Source: Statistics Canada tables 18-10-0002-01, 18-10-0245-01, and 32-10-0077-01.

Supply management is sometimes held up as a cause of food price inflation; it does generally result in higher retail prices for eggs in Canada than in the US as seen in Figure 5, though these retail prices do not account for other government subsidies that poultry farmers receive in the US. However, egg prices have risen in both countries during the recent period of inflation, and retail price increases in Canada have been smaller and less volatile. Retail egg prices in Canada increased by 7% from 2021 to 2022, which was almost exactly the same as our general rate of inflation. For that same period, retail egg prices in the US increased by an astonishing 58%, far

above their general rate of inflation. When we consider the year-over-year change from January 2022 to January 2023, US egg prices increased by an even more astonishing 150%.

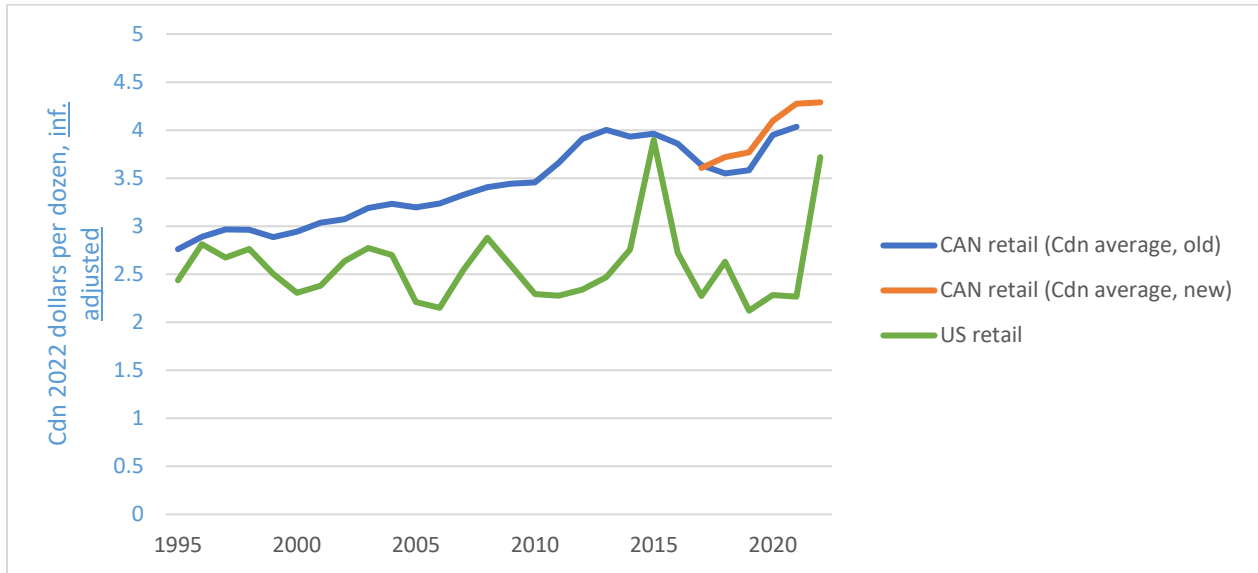


Figure 5. Canadian and American retail egg prices, 1995-2022.

Source: Statistics Canada tables 18-10-0002-01 and 18-10-0245-01; US Bureau of Labour Statistics.

Further evidence that supply management is not causing retail food price increases can be seen just by looking at other goods. For example, butter is made from supply-managed milk, while margarine is made from canola and other non-supply managed crops. As seen in Figure 6, butter prices increased by roughly 15% from 2021 to 2022; margarine prices increased by roughly 33%, more than double the rate of the supply-managed commodity.

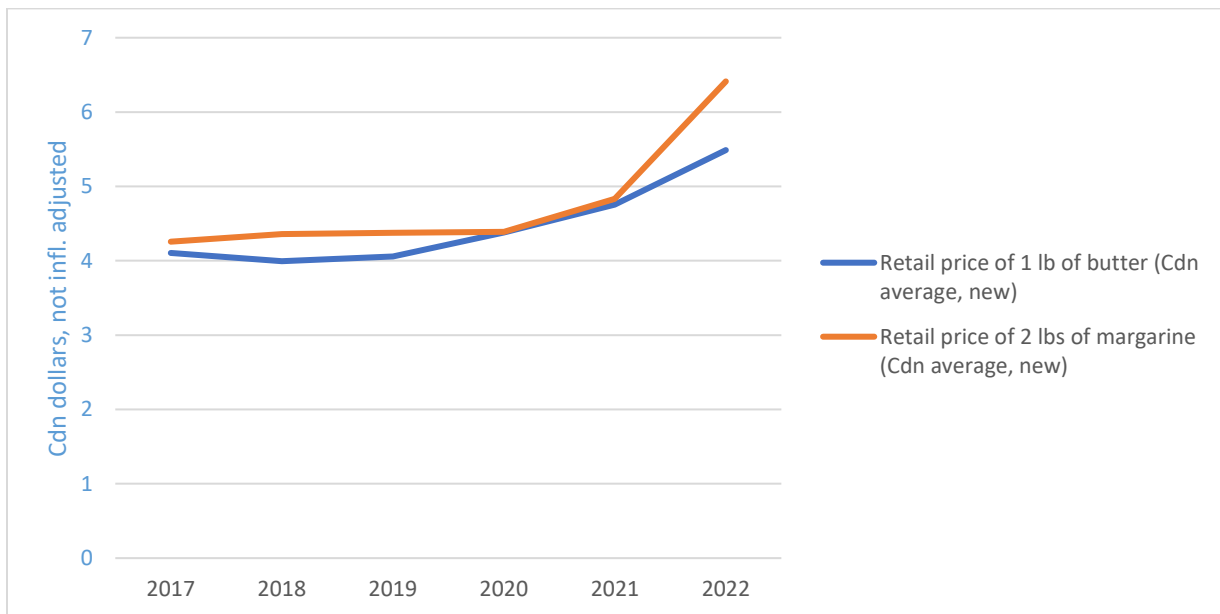


Figure 6. Canadian retail butter and margarine prices, 2017-2022.

Source: Statistics Canada table 18-10-0245-01.

Similarly, wheat is not a supply-managed commodity, yet Figure 7 shows that retail bread prices have shot up in both Canada and the US.

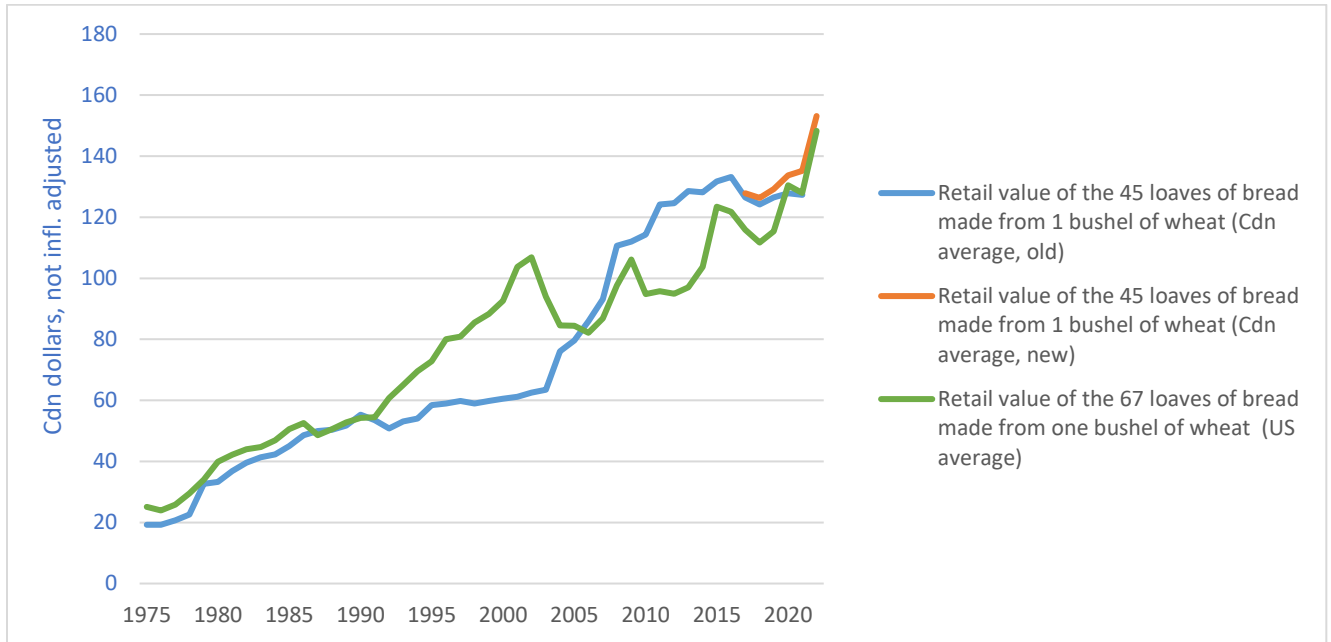


Figure 7. Canadian and American retail bread prices, 1975-2022.

Source: Statistics Canada tables 18-10-0002-01 and 18-10-0245-01; US Bureau of Labour Statistics.

As demonstrated in these graphs, the recent period of inflation is only the latest phase of a decades long trend where food retailers and processors have captured increasing amounts of the money Canadians spend on food. Retail food prices have risen without corresponding increases in farmgate prices, or even despite decreases in the money received by farmers in some cases.

Furthermore, farmers must cope with receiving these stagnant farmgate prices while using that income to meet all of their operating costs. This pinch can threaten farmers’ very ability to make a living, as seen in Figure 8. The graph features two lines. The top line, in black, shows farmers’ gross revenues, with government subsidies subtracted. This is the money farmers received from the markets when they sold crops, livestock, and other products. The lower line, in grey, shows farmers’ realized net incomes, again with government subsidies subtracted. This grey line represents the market revenue farmers had left after they paid their expenses (but often before they paid themselves or their family members).

Figure 8 highlights periods of positive net farm income in green, and periods of negative net income in red. The largest area is coloured dark blue: this top portion, between the upper black and lower grey line, represents the difference between farmers’ gross revenues and their net incomes. Thus, even when farmgate prices increase, farmers are not receiving all or even most of the dollars from that increase.

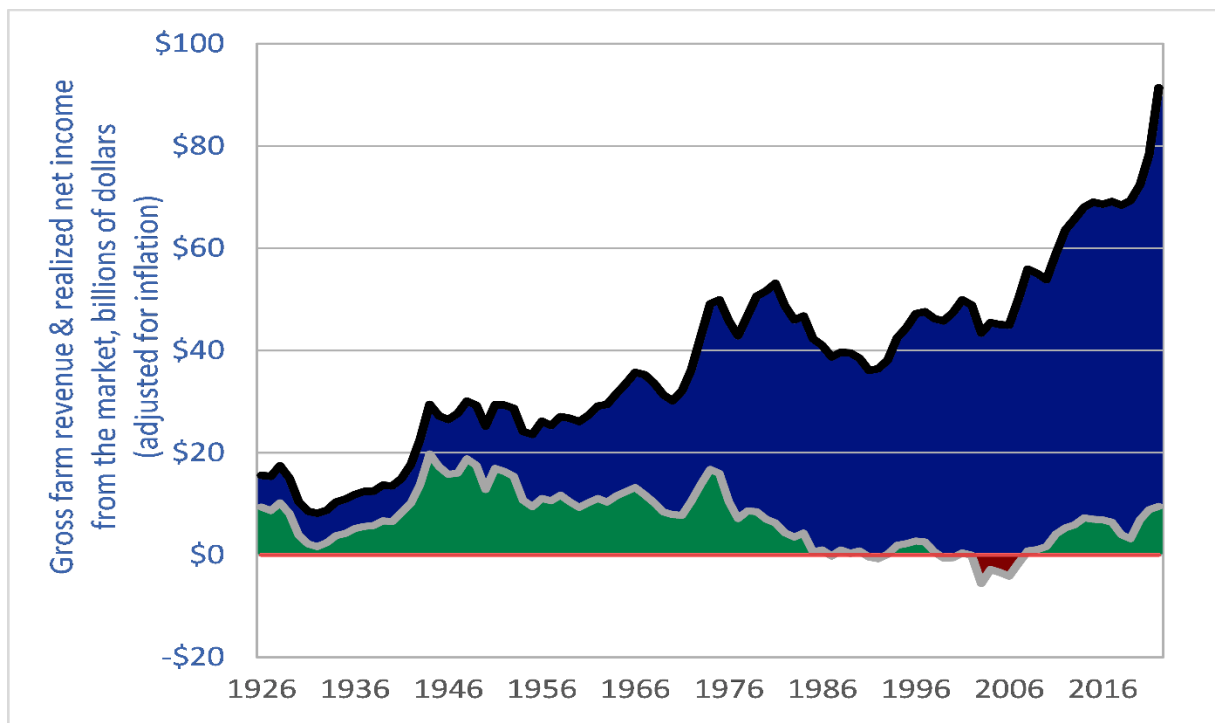


Figure 8. Gross and net farm income, 1926-2022.

Source: Statistics Canada tables 32-10-0045-01 (formerly CANSIM 002-0001); 32-10-0052-01 (002-0009); 32-10-0106-01 (002-0076); and 32-10-0153-01 (004-0002)

We caution that this line of argument should not be taken to mean that rising input costs are causing food price inflation. As demonstrated throughout this brief, retail price increases are not the simple result of farmgate price increases. Instead, attention must be placed on the staggering degrees of corporate concentration in food retail and processing that facilitate this long-term trend of decoupled farmgate and retail prices.

The National Farmers Union (NFU) is Canada's largest voluntary direct membership farm organization representing family farmers and farm workers from across the country in all sectors of agriculture. We work to promote a food system that is built on a foundation of financially viable family farms that produce high quality, healthy, safe food; encourage environmentally sensitive practices that will protect our precious soil, water, biodiversity and other natural resources; and promote social and economic justice for all in the Canadian food system.

Notes on the data used:

You likely noticed that there are two distinct lines for Canadian retail prices in most of the graphs. Our work in this brief was complicated by Statistics Canada's recent decision to revise their methodologies and data reporting on retail food prices, which made price comparisons almost impossible for many goods. Until recently (February 2022), researchers, policymakers, the media, and other Canadians could access Table 18-10-0002-01, which provided consistent data online on retail food prices stretching back 27 years (to 1995). Moreover, that online table

was a continuation of data published on paper that went back to 1976—yielding a 46-year dataset. Statistics Canada has ceased updating Table 18-10-0002-01 and replaced it with Table 18-10-0245-01, a move which threatens our ability to understand long term changes in food prices when this task is more important than ever. We urge Statistics Canada to reconsider their decision and resume the publication of Table 18-10-0002-01.